Jefferson College of Population Health Forum

The Benefits of Building Scale for Population Health

April 13, 2016

Alan Zuckerman, Director and Chair
John Harris, Director
"Ever considered a merger?"
Session Objectives/Agenda

- Why does “scale” matter – in general, and specifically for population health management initiatives?
- How are health systems building scale – traditional and new approaches?
- Will innovative disruptors trump scale?
- What are some key implementation considerations and challenges?
Why Scale Matters
Strategic Imperatives to Win Under Health Reform

- Scale
  - Cost competitive
  - Demonstrated quality
  - Exceptional service

Real integration

= High Value
Potential Benefits of Scale

- Enables vertical integration and greater management of the full continuum of care
- Increases essentiality in the market through contracting leverage, geographic coverage, and quality
- Increases the ability to cope with declining prices and higher costs
- Spreads financial risk over a larger base
- Improves access to capital that will increasingly turn on size
- Provides proper universe of patients to enable “systems of care” and population health efforts to be most efficient and effective
Building Health System Scale: Critical Success Factors

For health systems able to assume a consolidator role in the market, the following common themes underlie success:

<table>
<thead>
<tr>
<th>HEALTH SYSTEM CRITICAL SUCCESS FACTORS</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration</td>
<td>Integration of the health enterprise components</td>
</tr>
<tr>
<td></td>
<td>Willingness and ability to <strong>take risk</strong></td>
</tr>
<tr>
<td><strong>Population health</strong> orientation</td>
<td>Acute care as one element of the larger population health management framework</td>
</tr>
<tr>
<td></td>
<td>Active leaders of accountable care</td>
</tr>
<tr>
<td><strong>Value</strong> driven</td>
<td>Aligned internal (within the health system) and external <strong>incentives</strong> (with payors, community-based providers)</td>
</tr>
<tr>
<td><strong>Nimble/decisive</strong></td>
<td></td>
</tr>
</tbody>
</table>
How Much Scale is Required for Population Health Initiatives? It depends.

- **Pay for Performance**
  - Less
  - Smaller

- **Shared Savings**
  - Less
  - Smaller

- **Shared Savings w/ threshold** (e.g. MSSP ACO)
  - Less
  - Smaller

- **Shared Risk in Corridor**
  - Less
  - Smaller

- **Capitation**
  - More
  - Larger

- **Offer Insurance Product**
  - More
  - Larger

Scale Requirements vs. Degree of Financial Risk

Scale: Larger

Degree of Financial Risk: Less → More
Building Scale: Traditional and New Approaches
Building Health System Scale: Four Primary Approaches Persist Today

Hospitals and physicians continue to move away from independence; drivers include market characteristics, future vision, and execution capability and competencies.
Health Care Organizational Design in Affiliated Entities: Form Versus Function
Innovative Partnerships to Achieve Scale

- Health systems
- Regional consortia
- Not-for-profit/investor-owned joint ventures
- Clinically Integrated Networks
Health Systems

The “Burning Platform”

- Current model of care is not sustainable
- Shift towards lower-cost sites of service
- Shift from FFS to value-based care

Visionary’s Reasons for Change
- Disruptors could make our old competitors look tame
- Will be different in ten years
- People hate change (especially incumbents)

What are the challenges?

- Facility-focused
- Volume-focused
- Layers of entrenched interests

How do hospitals and health systems address these challenges?

- Organizational Infrastructure
- Community Partnerships
- Driven Leadership
- Organizational Culture
Health Systems: Example

VISION

We will **reimagine** health, health education, and **discovery** to **create unparalleled value** and to be the most trusted healthcare partner.

**Technology**

- Telemedicine platform designed to connect consumers with Jefferson physicians virtually for consults or care

```
“Going from a Blockbuster model to a Netflix Model”
-Stephen Klasko, MD, CEO
```

**Partnerships**

**New Payment Models**

- Among the 26% of MSSP ACOs that earned shared-savings in 2014
Regional Consortium: Example #1

Source: BJC HealthCare website, 2016.
Regional Consortium: Example #2

Creating foundational changes in health care quality and healthier communities in the Northeast

We bring together these leading regional health care systems:

- Atlantic Health System
- Hackensack University Health Network
- Lancaster General Health
- Lehigh Valley Health Network
- Meridian Health
- Reading Health System
- WellSpan Health

Source: AllSpire Health Partners website, 2016.
Regional Consortium: Example #3

Stratus Healthcare is a collaborative partnership of hospitals in the Southeast that work together to exchange best practices, combine resources, develop coordinated information systems, reduce costs and manage the health of populations.

Source: Stratus Healthcare website, 2016
Not-for-profit/Investor-owned Joint Venture: Example

The Duke LifePoint network includes multiple hospitals in North Carolina, Virginia, Pennsylvania and Michigan – some are owned, others have affiliation agreements:

Source: Duke LifePoint website, 2016.
Clinically integrated networks allow independent providers to cooperate in clinical care and reimbursement.

- Requires: care management, utilization management, information management, network development and practice transformation
Example: Clinically Integrated Network

- 1,700 participating physicians
- Hospitals and physician groups can join while remaining independent
- Physicians and hospitals have equal role in governance of BIDCO
- Joint and fully-aligned risk contracting
- Significant shared investment in care management and infrastructure

Source: BIDMC, 2014.
Innovations Disruption: Will it Undermine Scale Advantages
While health systems are focused on building scale, some innovators are disrupting health system power through:

1. **Revolutionized Primary Care**
   - **Value Proposition**: Improve health outcomes by redefining the primary care experience.

2. **Empowered Physician Networks**
   - **Value Proposition**: Physicians align with payers, manage care, and keep the savings.

3. **App-enabled Engagement**
   - **Value Proposition**: Apps grab patients early to improve health and guide choice of providers.
Revolutionized Primary Care

**Individual Physician**

**Fee-for-Service**

- Reactive sick care
- Focus on billable services, otherwise suffer financially
- Time is money, limited returns on longer patient visits
- Unfulfilled physicians

---

**Patient Care Team**

**Reward for Value**

- Proactive health
- Patient engagement
- Relationship building, emphasis on trust
- Focus on appropriate/necessary services

---

**Implications…**

**Leads to…**

Redefining what “primary care” means
Empowered Physician Networks

Physicians Form Large Groups or Networks

Fix Care Delivery (e.g., PCMH)
Control Referrals
Shared Savings and Risk Deals

Implications...
- Focus on total care cost, keep savings
- Implement effective IT
- Steer volume to low-cost and cooperative venues
- Treat hospitals as cost centers
- Enhanced physician revenue

Seek hospitals who...
- Cooperate in managing care (e.g., share data)
- Develop most cost-effective care settings
- Offer good pricing
- Align cooperative specialists

Why Should Hospitals Partner With These Networks?
To secure market share and achieve population health results without taking on risk
App-Enabled Engagement

How is digital health disrupting the healthcare market?

“Consumerization of Healthcare”

- Apps are attacking weaknesses of traditional health systems; convenience, communication, and price transparency
- Narrowing insurance networks and increasing consumer out-of-pocket costs leads to increased consumer sensitivity
- Value proposition: driving referrals and helping to encourage healthy behavior

In the Q3 of 2015, consumer-focused health IT firms brought in $1.2 billion in 106 venture capital deals

ZocDoc
- Online services allow patients to find doctors in their health insurer’s network, book appointments, and fill out paperwork in advance
- Raised $130 million in Q3 of 2015.

Practo
- Created a physician search engine to book appointments and rate providers
- Raised $90 million in Q3 of 2015

Grand Rounds
- Matches patients with specialists and connects them for second opinions on a medical diagnosis
- Raised $55 million Q3 of 2015

Implementation Considerations And Challenges: Achieving True Integration
“Wentworth, could I take another look at that reorganization plan?”
“Well, for two companies with such different corporate cultures, I think the merger’s going surprisingly well!”
Population Health Requires System Integration: Radically Rethinking the Delivery of Care

To succeed in the long term, a system’s role in the provision of care needs to extend beyond the acute care setting to all sites and levels of care and, eventually, into financial risk/insurance.
Here’s what Scale Brings to Population Health Efforts

● Spread risk

● Spread costs, especially IT investment

● Attract and retain population health talent

● Greater control over the full continuum of care
  o Distributed primary care
  o Post-acute care
  o Community hospital vs. AMC

● Geographic coverage (matters for insurance)
Multiple Models are Competing to Execute Population Health

**Integrated Insurer/Provider**
- Highmark
- UPMC
- Kaiser

- Highly integrated
- Limited choice
- Hard to form

**Health System**
- Jefferson
- Duke LifePoint
- Northwell

- Organizational foundation
- Population health is new skill
- Ambivalent on losing volume

**Collaborative Networks**
- BJC Collaborative
- AllSpire
- Stratus
- CINs

- Easier to form
- Competitors may not behave
- Mergers trump affiliations

**Physician Entities**
- IORA
- Privia
- Health Partners

- Can get high returns
- Lack capital and organization
- Private equity takes a cut
Key Takeaways

- Health systems are building scale for multiple reasons as a means of competing more effectively in a post-reform era.

- Scale is a necessity for health systems to be successful in a population health environment if it involves full risk for a defined population, such as capitated reimbursement or responsibility for covered lives in a health plan.

- Traditional health system models are not the only option for developing expertise in population health management.

- Scale alone is not sufficient – getting bigger without true integration is not a successful strategy.
“I need a little stronger leadership effort on the change management initiative, Henry.”
“Then, I thought, Hey, hold on a minute—maybe failure is an option.”
Presenter Bios

• **Alan M. Zuckerman, FACHE, FAAHC, Director and Chair**, has 40 years of consulting experience. He has assisted over 200 organizations in strategic planning, developing strategic and business plans for a wide range of providers, including some of the largest academic health systems in the country. He is also a nationally regarded author and lecturer, including author of Healthcare Strategic Planning: Approaches for the 21st Century, winner of ACHE’s James A. Hamilton Award for healthcare book of the year in 1999. Healthcare Strategic Planning’s 4th edition is in development with an expected publication date in 2017.

• **John M. Harris, Director**, brings over 26 years of healthcare industry perspective across a range of healthcare settings. He facilitates strategic planning efforts for hospitals, clinically integrated networks, and a range of other healthcare providers. He has been published on the impact of health reform, accountable care organization planning, and performing financial analyses for strategic initiatives. John is a frequent speaker for healthcare organizations, including the American Association of Integrated Healthcare Delivery Systems, the Governance Institute, and the Healthcare Financial Management Association.
At the conclusion of the program, please fill out your evaluation. Thank You!

To listen to Forum podcasts, visit Jefferson Digital Commons at: http://jdc.jefferson.edu/hpforum/

You may also post your comments regarding the Forums in this section of Jefferson Digital Commons.