



Global Capitation From Sharp Rees-Stealy's Perspective

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Sharp Rees-Stealy Medical Group (SRSMG)

Founded in 1923

Multi-specialty Medical Group

400 Physicians in 28 Specialties

Embraced Managed Care in the Mid 1970's

Joined Sharp HealthCare's Integrated Delivery System
in 1985

Capitation generates over 70% of revenue

Consistently recognized as a high quality cost effective
medical group

Global Capitation = Full Risk = Professional Capitation Plus Hospital Capitation

In California you must own or have a hospital partner to receive hospital capitation.

SRSMG has accepted Full Risk since 1985

Currently we provide care to 14,000 seniors and 126,000 commercial patients on a full risk basis.

Major Service Categories

Medical Group:

Primary and Specialty Physician Services

Hospitalists

Physician Extenders

DME

Radiation Therapy

Injectables

UM/Case Management/Discharge Planning/Chronic Care
Management

Hospital:

Inpatient Admissions

Outpatient Surgery

Dialysis

Chemotherapy

Ambulance

Hospital Based Physician Services

Home Health/IV Therapy

The SRSMG / SHC Arrangement

Both parties accept capitation for assigned members

Established a Common Risk Matrix for all plans

Agreed upon division of revenue

Physician incentive arrangement

SRSMG and SHC

Have Aligned Incentives in a Fully Global Payment Arrangement

Right care at the right time in the right place

Goal of providing the highest quality of care

Standardization of care protocols and
guidelines



**SRSMG and SHC
are accountable for
the health and
wellness of the
assigned
population**

Managing Risk

SRSMG and SHC will accept risk that can be managed

- Exclude out of San Diego area
- Moving to exclude non-Sharp Hospital ER and Trauma admits

Requires an excellent partnership between SRSMG and Hospital

Experienced UM, Discharge Planning, Case Management, Chronic Care Management, Hospitalists and End of Life Programs

Physician and hospital culture to manage care to the highest quality in the most cost effective setting and method

Forum of key executives to resolve issues early and to innovate care delivery

Functional incentive arrangement

Physician Management

Strong and experienced Managed Care leadership and Committee

Hospitalist programs at four Sharp hospitals

Out of Network Program

Physicians repatriate Sharp patients to Sharp hospitals to prevent over utilization, duplication and better coordination of care

Other Patient Care Services

Urgent Care in five locations

After Hours Pediatric Care

Nurse Advice Line

Continuity of Care Unit

- Call every ER and post hospital discharge patient within 48 hours

EHR to Integrate Care Across the Continuum

Single medical record provides increased safety and coordination of care

Registries and data warehouse track patients due for services with electronic reminders to physicians, outreach calls to patients

Payor Partnerships

Partnership with Secure Horizons for Medicare Advantage

One MAPD plan reduces administrative redundancy

Participate in benefit designs for annual bid

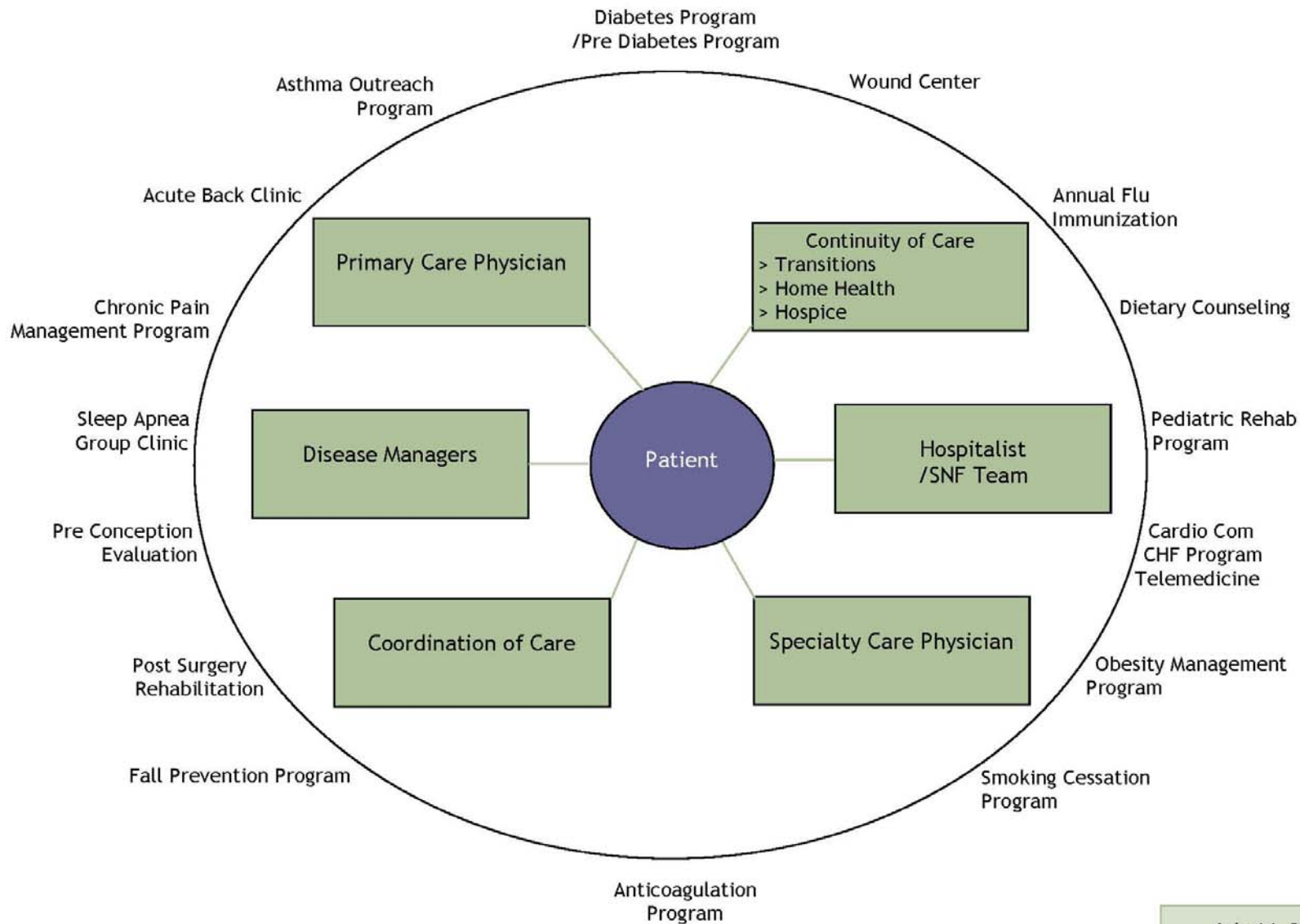
Enhance integration from the health plan to the providers

Commercial plans have developed narrow networks to align with Sharp.

We are the most cost effective, high quality provider in their network.

Some providers in San Diego have abandoned the accountable care model (eliminated capitation) and have raised the premiums in the market.

SRS Coordinated Care Model



July 14, 2009

Conclusion

Global Capitation

Best way to align the incentives of the providers

Best way to manage the cost of health care

Best way to encourage quality innovation

Best way to deliver health care