The California Perspective: Hoag Hospital

Cynthia Perazzo: SVP Strategy and Business Development
Hoag Memorial Hospital Presbyterian, Newport Beach CA

Diane Laird: Chief Executive Officer
Greater Newport Physicians, Newport Beach CA

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Various challenges and opportunities exist in the California market which have shaped our plan for the Hoag/GNP ACO.
Hoag Memorial Hospital Presbyterian
Not-for-profit, faith-based, and ‘most preferred’ health care provider in Orange County, California

Prominent health care provider in Orange County
• 674 bed hospital on 2 campuses
  – Hoag Hospital Newport Beach (1952)
  – Hoag Hospital Irvine (2010)
• Centers of Excellence: Cancer, Heart & Vascular, Neurosciences, Orthopedics, Diabetes and Women’s Health
• 7 Community Health Centers
• Over 5,000 employed staff, 2,000 volunteers, and 1,300 medical staff
• Treat nearly 30,000 inpatients and 350,000 outpatients annually

Recognitions
• Orange County’s ‘Most Preferred Hospital’ for past 15 yrs by National Research Corporation
• County’s best hospital by Orange County residents for past 15 yrs
• Magnet Hospital designation by the American Nurses Credentialing Center

Mission
Our mission as a not-for-profit, faith-based hospital is to provide the highest quality health care services to the communities we serve.

Hoag Network
Greater Newport Physicians (GNP)

Prominent IPA in Orange County
- Founded in 1985
- 500 affiliated physicians
- Broad Ownership - 230 physician owners
- Separate MSO – IPA management, EMR, practice management, physician billing
- Exclusive network of core providers
- 30-45% of Hoag’s census
- Only full-risk business, 100,000 lives
- Primarily capitated network
- Significant performance-based compensation
- Emphasis on growing/building group practices
- $15 million investment in EMR platform

Recognitions
- IHA recognition for 5 years (P4P, Patient Satisfaction & Technology)
- CAPG 4-Star Elite Status
- NCQA Certified

Vision
Greater Newport Physicians is the cornerstone of the preferred integrated healthcare delivery system in Orange County.
California Challenges

California faces unique challenges when it comes to physician supply, hospital delivery systems, and regulatory and licensing restrictions

Physician Supply Issues

Over-specialized + lack of PCPs

Active PCPs and Specialists per 100,000 Population, California Regions, 2008

<table>
<thead>
<tr>
<th>State</th>
<th>PCPs</th>
<th>Specialists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inland Empire</td>
<td>40</td>
<td>70</td>
</tr>
<tr>
<td>San Joaquin Valley</td>
<td>45</td>
<td>74</td>
</tr>
<tr>
<td>Central Coast</td>
<td>54</td>
<td>112</td>
</tr>
<tr>
<td>Northern and Sierra</td>
<td>57</td>
<td>113</td>
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<tr>
<td>Los Angeles</td>
<td>58</td>
<td>118</td>
</tr>
<tr>
<td>San Diego Area</td>
<td>58</td>
<td>124</td>
</tr>
<tr>
<td>Orange</td>
<td>64</td>
<td>121</td>
</tr>
<tr>
<td>Sacramento Area</td>
<td>64</td>
<td>127</td>
</tr>
<tr>
<td>Greater Bay Area</td>
<td>78</td>
<td>155</td>
</tr>
</tbody>
</table>

*California Healthcare Almanac 2010

Hospital Marketplace

Population care falls largely to community-based and for-profit hospitals

Population per AMC (in millions)

<table>
<thead>
<tr>
<th>States</th>
<th>Communities</th>
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<tbody>
<tr>
<td>CA</td>
<td>PA</td>
</tr>
<tr>
<td>3.7</td>
<td>2.1</td>
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</table>
California Challenges (Cont’d)

Reimbursement structure

FFS models are a step backward

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Enrollment of Covered Workers,
by Plan Type, California vs. the United States, 2001–2009

- **Conventional**
- **HMO**
- **PPO**
- **POS**
- **HDHP/SO**

### California

<table>
<thead>
<tr>
<th>Year</th>
<th>Conventional</th>
<th>HMO</th>
<th>PPO</th>
<th>POS</th>
<th>HDHP/SO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>54%</td>
<td>25%</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003*</td>
<td>52%</td>
<td>29%</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005*</td>
<td>49%</td>
<td>34%</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007*</td>
<td>47%</td>
<td>35%</td>
<td>13%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>54%</td>
<td>31%</td>
<td>11%</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

### United States

<table>
<thead>
<tr>
<th>Year</th>
<th>Conventional</th>
<th>HMO</th>
<th>PPO</th>
<th>POS</th>
<th>HDHP/SO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>7%</td>
<td>24%</td>
<td>46%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>2003*</td>
<td>5%</td>
<td>24%</td>
<td>54%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>2005*</td>
<td>8%</td>
<td>21%</td>
<td>61%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>2007*</td>
<td>8%</td>
<td>21%</td>
<td>57%</td>
<td>13%</td>
<td>5%</td>
</tr>
<tr>
<td>2009*</td>
<td>20%</td>
<td>60%</td>
<td>10%</td>
<td>8%</td>
<td></td>
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</table>

*Statistical difference from previous year shown.

Notes: Conventional plan enrollment in California in 2001, 2005, and 2007 is less than 1 percent. Due to the addition of HDHP in 2006, no test was conducted comparing 2006 with 2005.

Corporate practice prohibition
Limits opportunities to integrate & often creates polarizing dialogue

Creating an Entity
Different models/vehicles available in each marketplace (IPA, Foundation, PHO)
- Hospital role is different in each
- Ease of meeting ACO requirements varies depending on the structure
Uncertain local regulatory requirements

ACO ‘Brand’
Different strategies required for commercial vs. seniors
Communicate difference from ‘HMO’
Need to differentiate within community
Kaiser is an integrated system that controls 9% of the inpatient market share in Orange County, but >15% of covered lives
Requires a ‘mind-shift’ in what represents market dominance!
California Opportunities

California providers are considered to be ahead of the country because of experience in clinical risk, care coordination, and progressive competitors

Experience in clinical risk & coordination of care
- Especially in Primary Care
- Payment models tested and in place
- Infrastructure in place (Care coordination, Measures, Technology)
- Basic care models (Hospitalists, UM, disease management)
- P4P

Progressive competitors (e.g. Kaiser)
- Raising the bar
- Creating momentum

Lots of Experimentation
- Premier Collaborative: Hoag/GNP
- Brookings/Dartmouth: Monarch/HealthCare Partners/Anthem
- AMGA: Arch Health Partners
Change Management

ACO concept is a true paradigm shift in care delivery, and thus requires a similar shift in our mind-set and culture.

**FROM:**
- FFS Rewards
- Utilization
- Fragmentation
- Duplication
- Individualism
- Transactions
- Sick care

**TO:**
- FFV Rewards
- Value
- Coordination
- Efficiency
- Teamwork
- Accountability
- Well care

FROM: FROM: TO: TO:
Case Study for Physician/Hospital Partnership

Leveraging strengths of a hospital & IPA increases the probability of success

Large Hospital without a Foundation + Loyal IPA 25-yr successful history = High value, redesigned patient-centered care
## Leveraging Our Strengths

<table>
<thead>
<tr>
<th>Hoag</th>
<th>GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Mission to serve community</td>
<td>✓ Physician leadership</td>
</tr>
<tr>
<td>✓ Strong brand loyalty</td>
<td>✓ Experience: report cards, P4P, shared savings</td>
</tr>
<tr>
<td>✓ Commitment to improving value</td>
<td>✓ Payment models to align providers</td>
</tr>
<tr>
<td>✓ Financial strength to weather transition from FFS to FFV</td>
<td>✓ Infrastructure for all IT, data, claims, care management function</td>
</tr>
<tr>
<td>✓ Capital</td>
<td>✓ Experience in population health mgt</td>
</tr>
<tr>
<td>✓ Health Information Exchange strategy</td>
<td>✓ Experience managing risk</td>
</tr>
<tr>
<td>✓ Broadly distributed ambulatory services</td>
<td>✓ Engaged providers</td>
</tr>
<tr>
<td>✓ Community commitment and involvement</td>
<td>✓ EMR platform</td>
</tr>
</tbody>
</table>
We must build trust and work together to address the elephants in the room.

- Less low hanging fruit in Medicare population because of experience in managed care
- Gauging speed of transition from FFS → FFV
- Getting physicians on the bus
- Change in hospital/IPA relationship
Questions?

Contact Information:

Cynthia.Perazzo@hoag.org

Diane.Laird@NautilusHMG.com