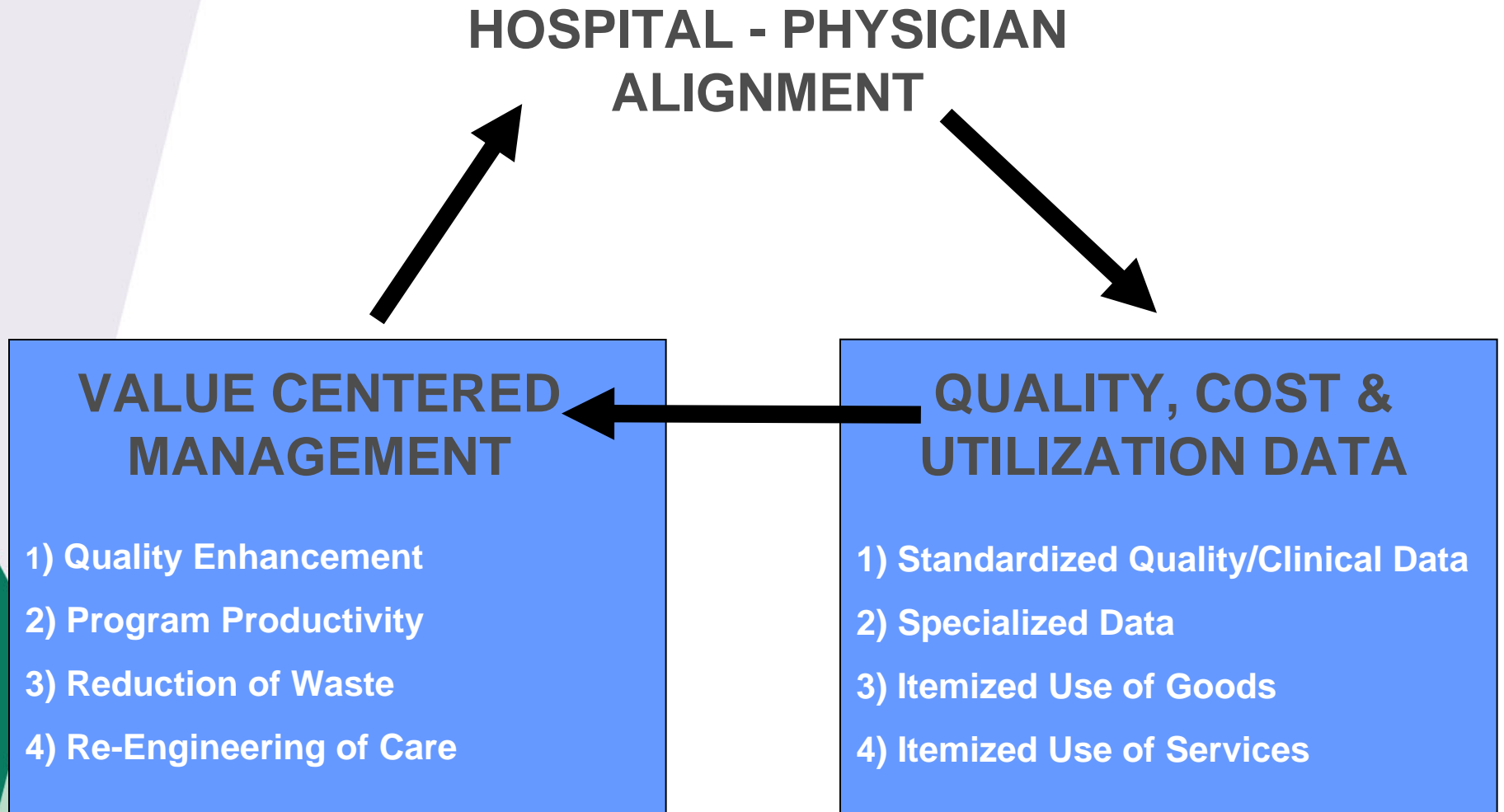


Gainsharing and Incentives: Legal and Operational Issues

*Hospital-Physician Partnership to Reduce Waste and
Maintain/Improve Quality*

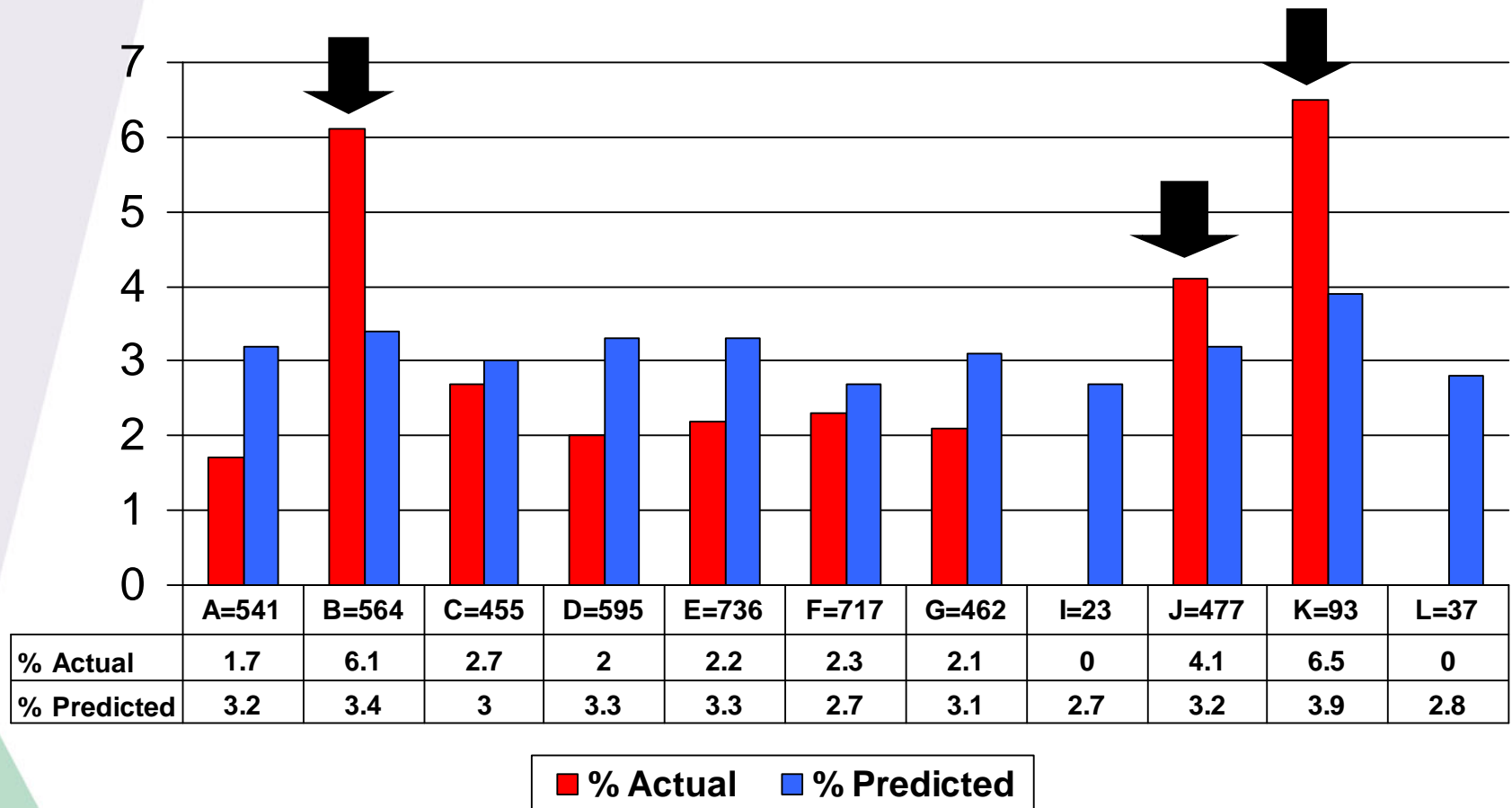
Key Factors to Engaging Physicians



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Coronary Artery Bypass Cases Three-Year Mortality By Surgeon

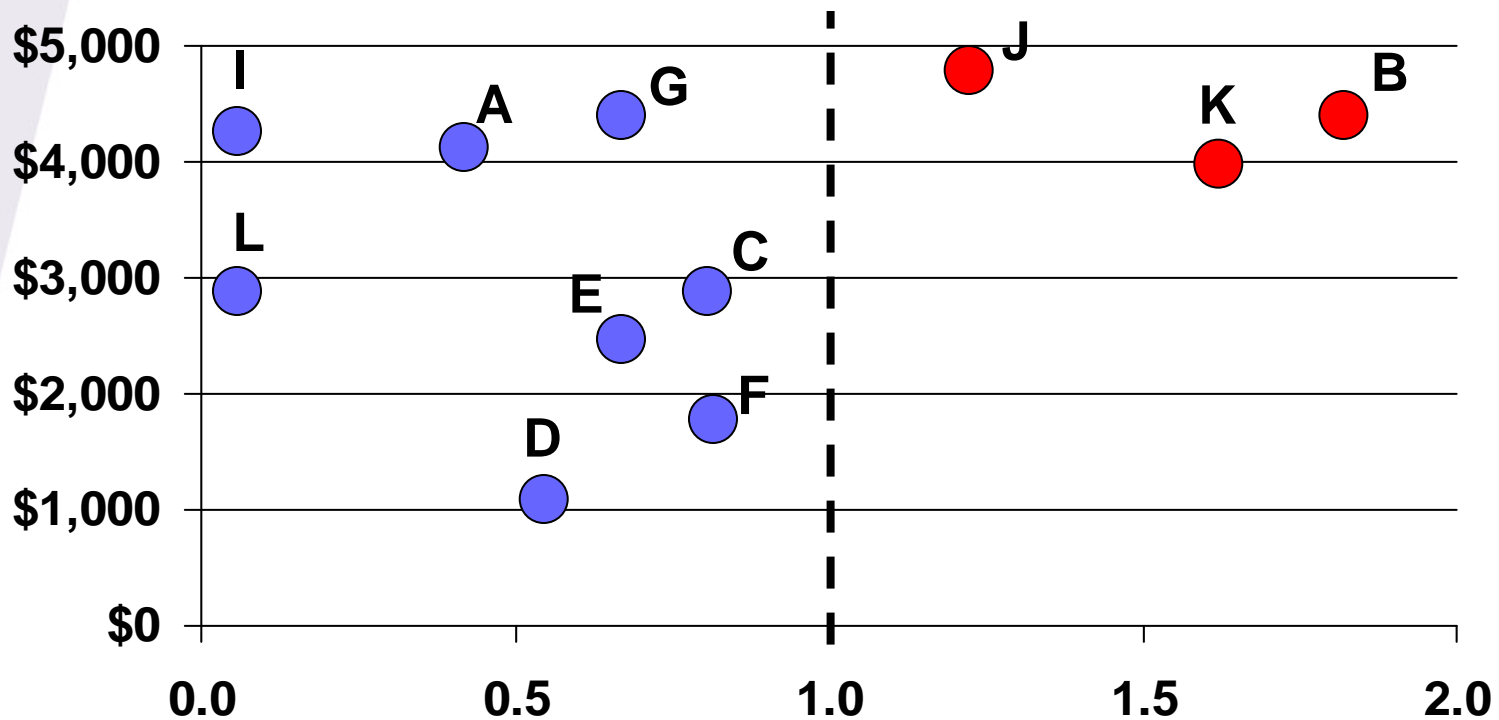


Surgeons with less than 20 cases excluded due to statistical variance.

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Coronary Artery Bypass Cases Operating Room Cost and Mortality Ratio



Actual/Predicted Mortality Ratio

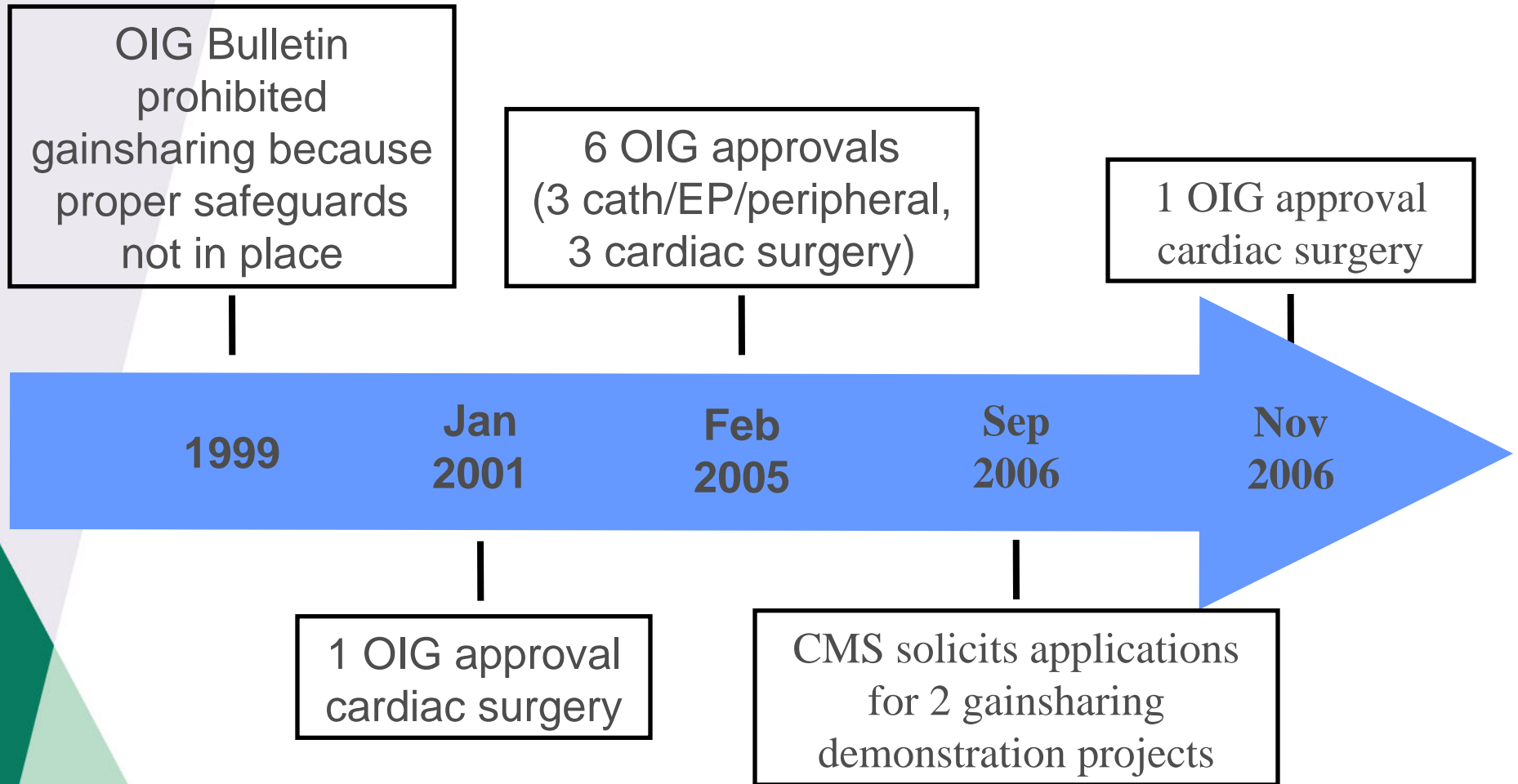
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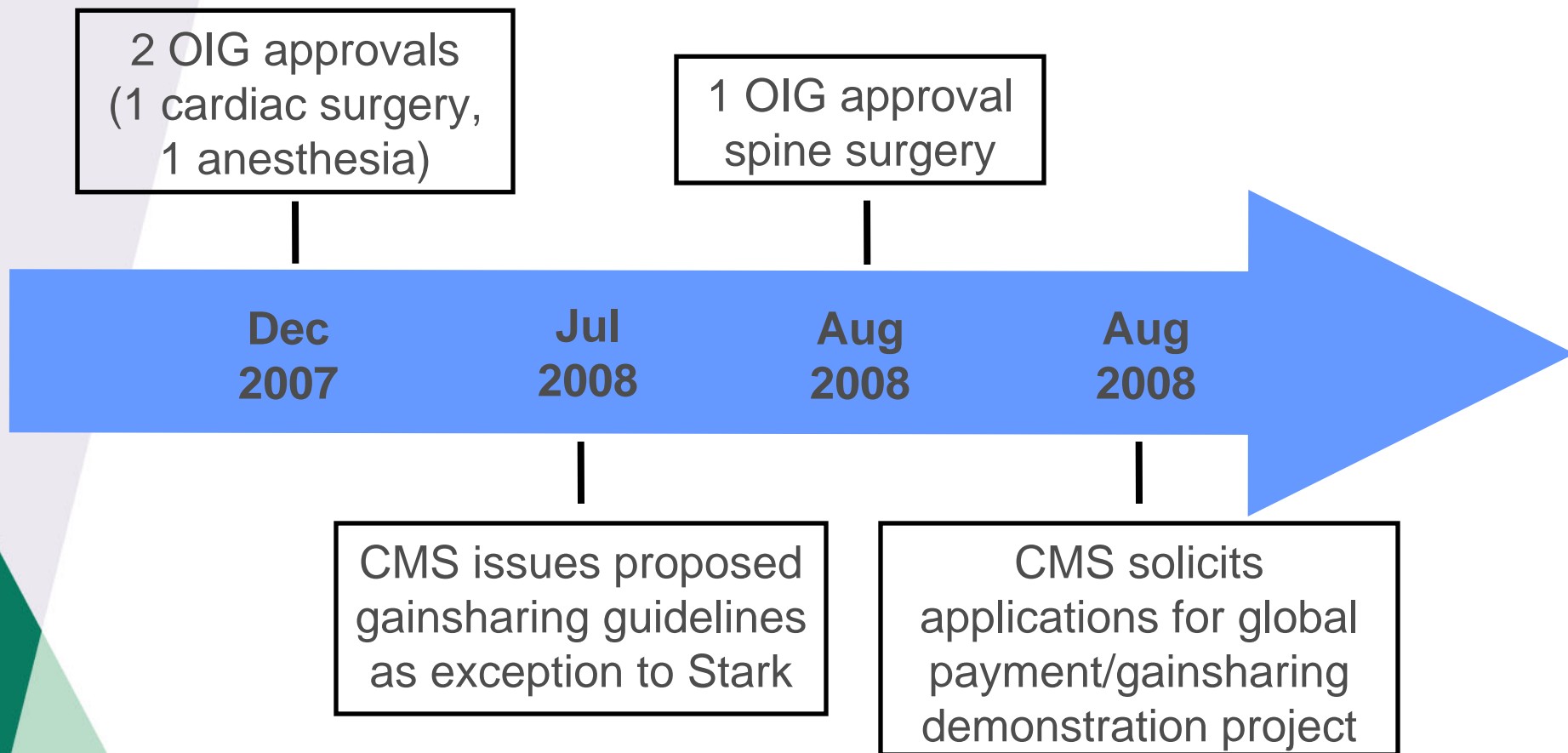
OIG Definition of Gainsharing

“...arrangement in which a hospital will share with each physician group a percentage of the hospital’s cost savings arising from the physician groups’ implementation of a number of cost reduction measures in certain cath lab procedures.”

History of Gainsharing



History of Gainsharing (cont.)



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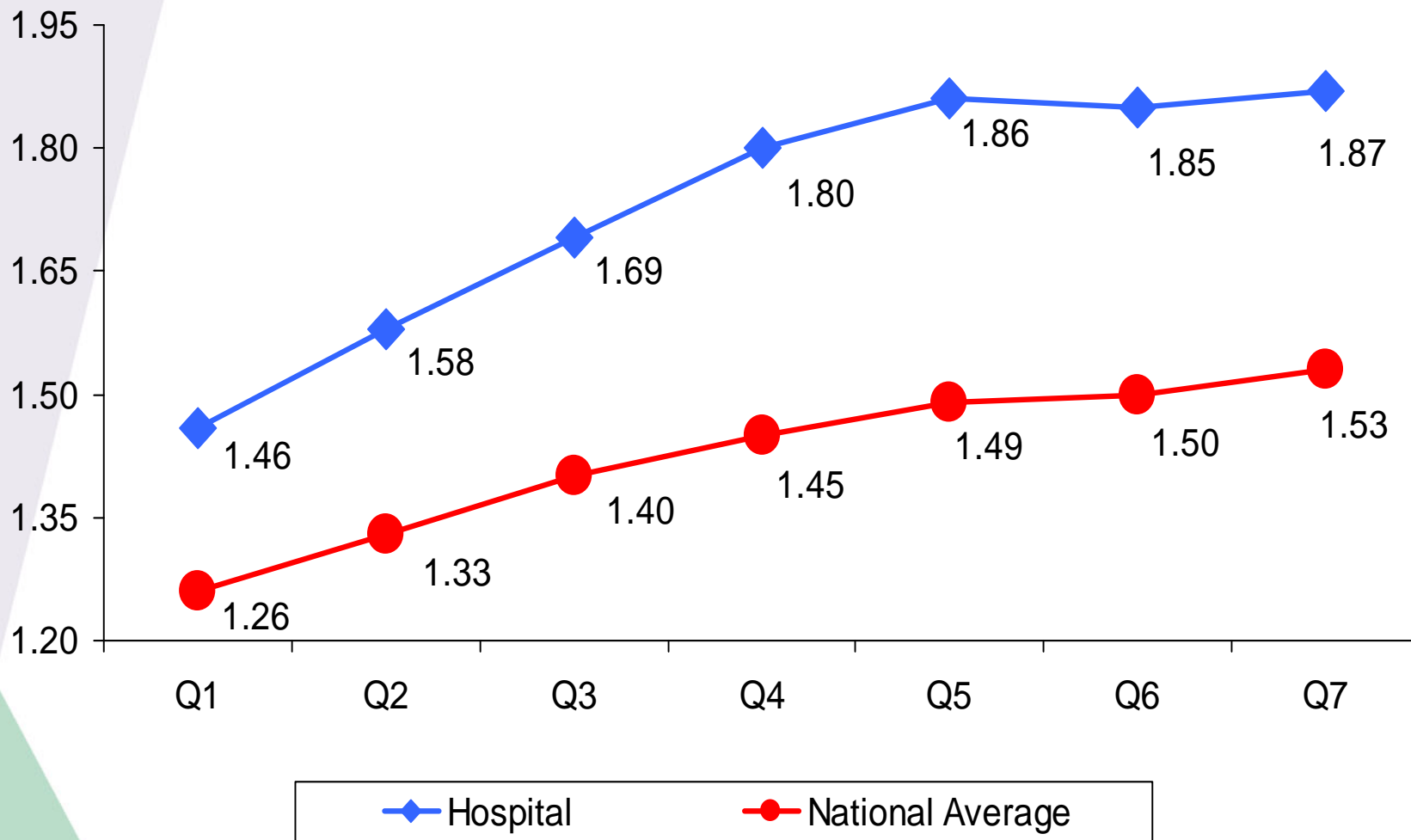
How OIG Advisory Opinions Are Being Used

- Model adapted to other specialties (e.g., orthopedics, hospitalists, etc.)
- Following approved model but not seeking advisory opinion
- Pursuing multi-year programs
- Data tracking with OIG recommended safeguards used for program reinvestment models

OIG Categories to Achieve Savings

- Open disposable products as needed during procedure
- Change processes to limit use of products to medically indicated clinical circumstances
- Substitute less costly product to achieve identical result
- Standardize products where medically appropriate

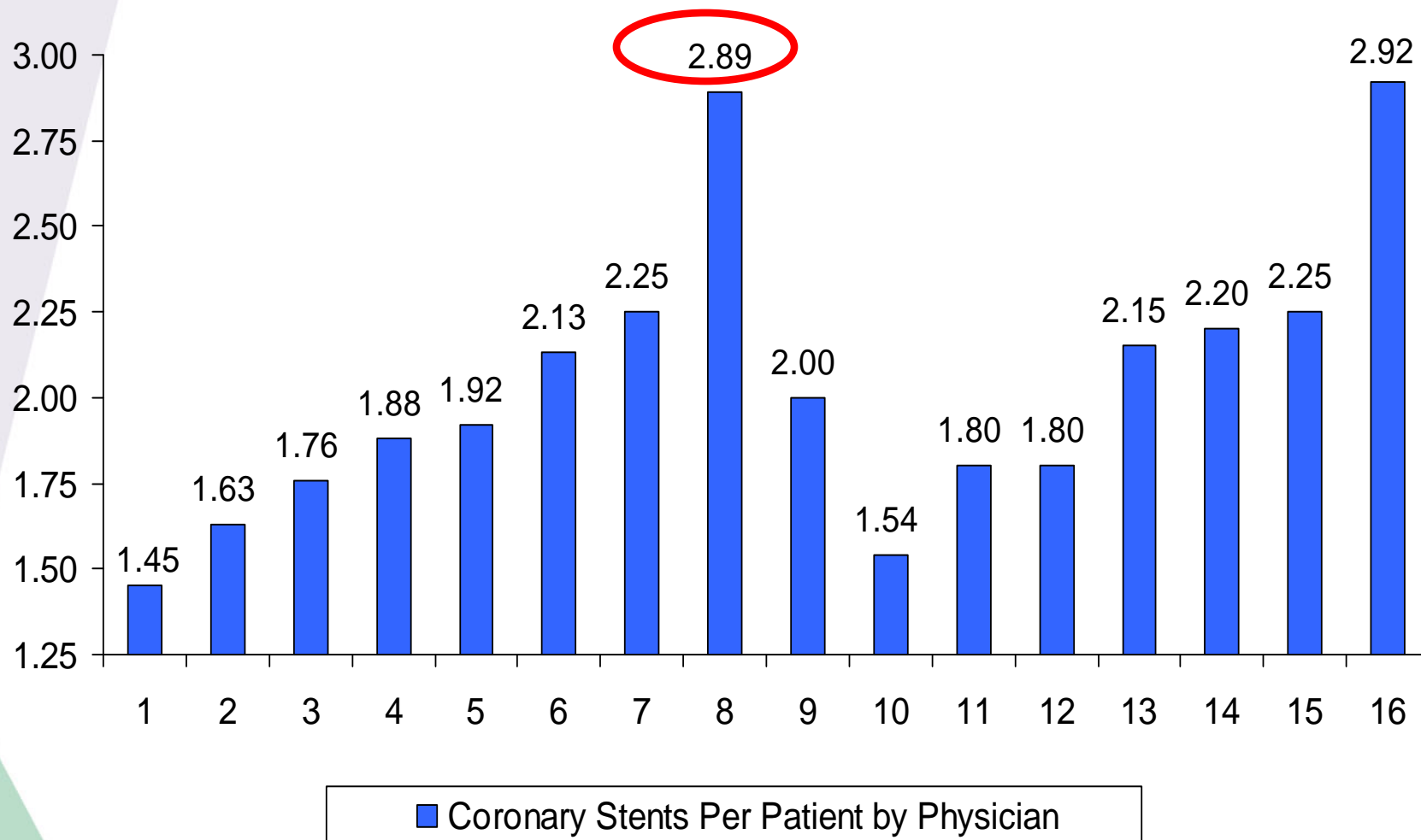
Coronary Stents Per Patient



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Coronary Stents Per Patient By Physician



Physician Plan for Addressing Stent Utilization

Monthly Memo from Physician #8

In an effort to keep you informed of your current practice patterns, the above data is being provided on DES utilization. It is hoped that this data will assist in your decision making process in the Interventional Lab.

Common sense and statistical analysis dictates 3 factors that relate to the number of stents used: 1) the number of vessels treated, 2) the length of the vessel covered, & 3) the length of the stents selected to implant.



Result was \$985,843 annual savings

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Cell Saver

Standardization and Open as Needed

Pricing

- **Current cost/case: \$130**
- **Target cost/case: \$105**

Target Annual Savings
\$25,000

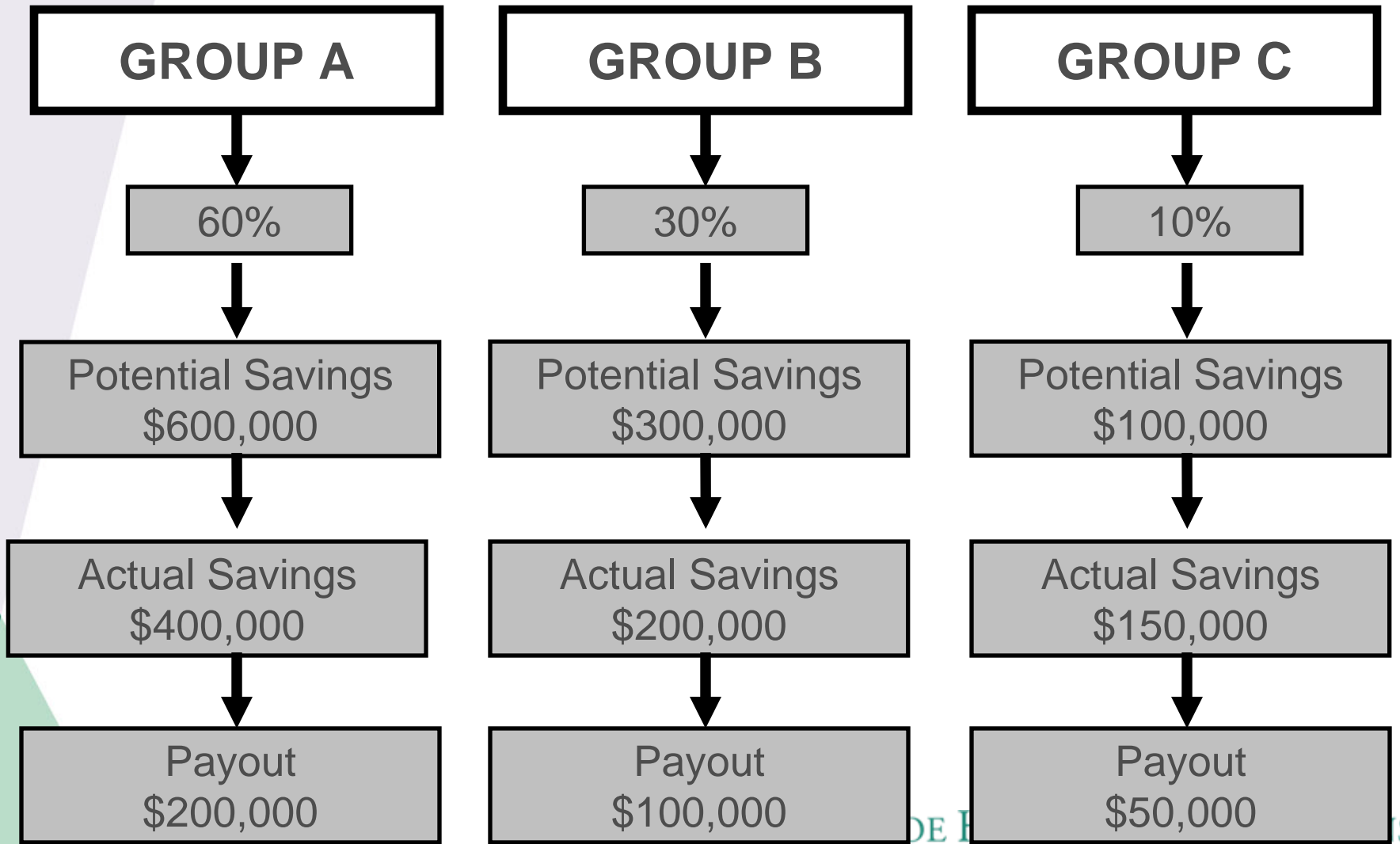
Open as Needed

- **Current utilization: 100%**
 - opened on 100% of cases
 - blood processed and returned on 30% of cases
- **Target utilization: 30%**

Target Annual Savings
\$73,500

Example: Savings/Payout by Group

\$1,000,000 Potential Opportunity



OIG Legal Analysis and Safeguards

- **Targets/savings calculated separately each initiative:**
 - Spending on single initiative does not impact savings on others
 - Can share up to maximum target for each
 - Groups are given credit for types of patients they treat
- **Select initiatives may require setting “floor” beyond which no savings can accrue**
- **Individual physicians make patient by patient determination of most appropriate device**

OIG Legal Analysis and Safeguards

- **Full range of devices must be available to physicians**
- **Standardization requires assurance that products selected according to following:**
 - First, must be clinically safe and effective
 - Then, assess if appropriate based on clinical criteria
 - Finally, review for cost if above criteria met
- **Changes must not adversely affect patient care**
- **Outside Program Administrator validates data**

OIG Legal Analysis and Safeguards Actions **NOT** Permitted Under Gainsharing

- Exclude “qualified” physicians
- Pay physicians:
 - As an individual
 - If quality or severity decrease
 - An unlimited amount of money
 - For future volume/value of referrals
 - For historical performance
 - For work not in their control
 - For increasing federally funded patient volume

Key Factors to Success

- Reliable data collected and presented in clinically relevant manner on consistent basis
- Leadership from executives and clinical management
- Physician alignment and support
- Close monitoring of quality/patient mix as costs reduced
- Aggressive negotiation abilities