APP Perspectives On
Medical Homes and ACOs

Presented to the
Medical Home Summit
March 16, 2011

Presentation Overview

- Brief Background on Advocate & APP's Clinical Integration Program

- Accountable Care Is a Journey, Not a Destination

- Innovating the Continuum of Care
  - Implications, Strategies & Tactics
  - Framework for Medical Home

- Questions & Answers
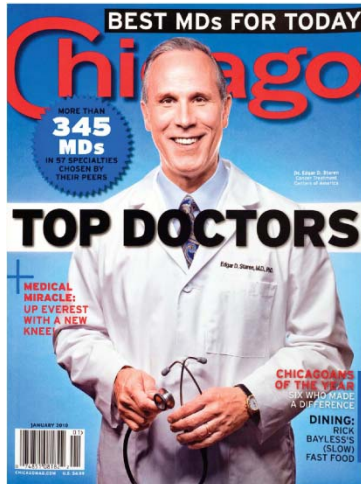
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About Advocate Health Care

- Faith-Based Organization
- 10 Hospital Campuses
- 5,700 Medical Staff
- 2.5 Million Visits Annually
- 30,000 Associates
- $4.1 Billion Annual Revenue
- AA Bond Rating
- *Pluralistic Physician Integration Approach*

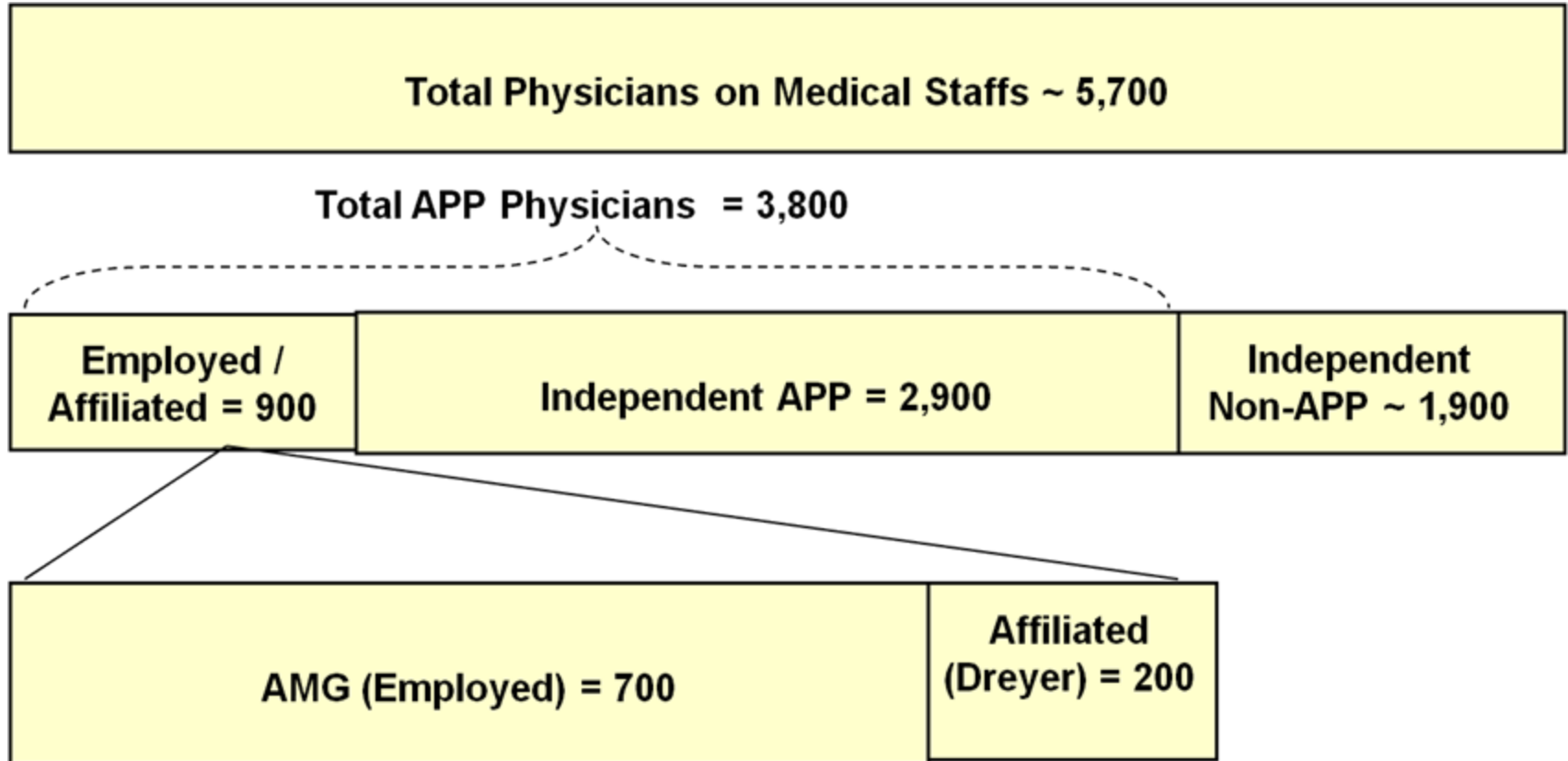Advocate Physician Partners

Professional/Community Recognition

APP Vision Statement

The Vision of Advocate Physician Partners is to be the leading care management and managed care contracting organization.

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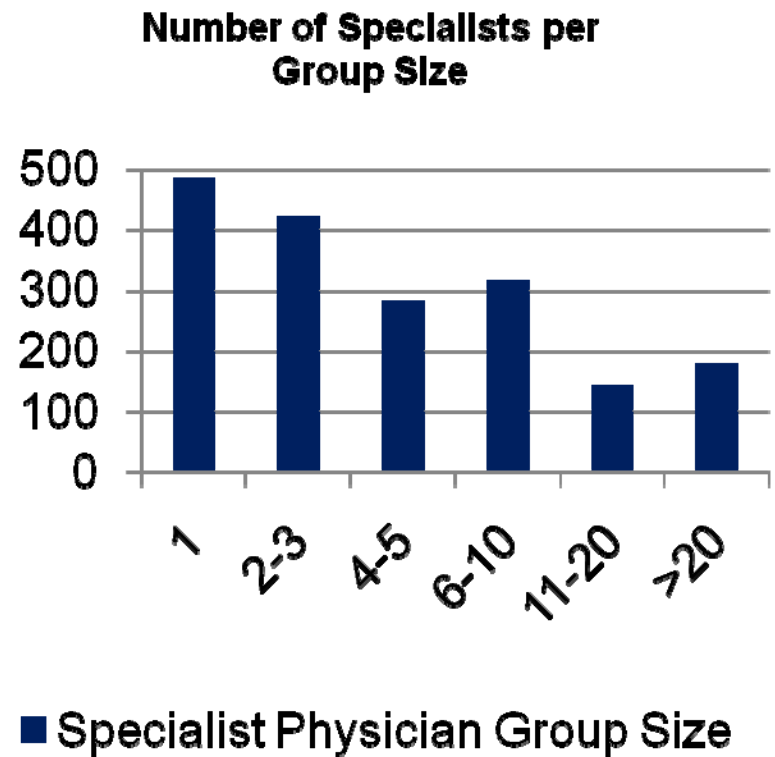
APP Fact Sheet

- Joint Venture Between System & Physicians
- Formed in 1995 As a "Super PHO"
- Currently 9 Physician Hospital Organizations
- Over 3,800 Participating Physicians
- 9 **<u>Clinically Integrated</u>** Fee-for-Service Contracts
  - Covering Over 700,000 PPO Lives
- 2 Capitated HMO Contracts
  - Covering Over 230,000 Capitated HMO Lives

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APP Physician Platform

Total Physicians on Medical Staffs ~ 5,700

Total APP Physicians = 3,800

Employed / Affiliated = 900	Independent APP = 2,900	Independent Non-APP ~ 1,900

AMG (Employed) = 700	Affiliated (Dreyer) = 200

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APP Member Physicians by Practice Group Size

50% of PCPs Are Solo Practitioners, 27% In Offices of 2-3

Number of PCPs per Group Size

■ PCP Physician Group Size

Number of Specialists per Group Size

■ Specialist Physician Group Size

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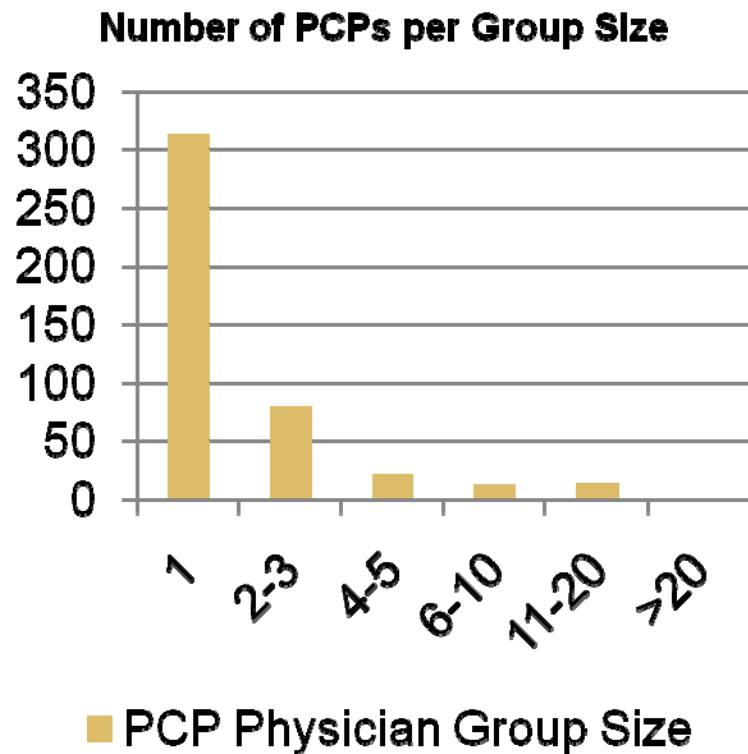
Clinical Integration Defined

- Comprehensive Care Management Program to Improve Outcomes and Reduce Costs

- Allows Competitors to Jointly Negotiate with Managed Care Organizations

- Value Created Exceeds Concerns That Might Otherwise Be Present About Anti-Competitive Behavior

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How the APP CI Program Works

- Select Top Impact Areas for Employers & Community
  - Chronic Disease Conditions & Generics
  - Benefits Costs, Absenteeism, Presenteeism
- Utilize Best Evidence-Based Practices
- Establish Performance Targets Annually
- Obtain Contracts to Reward Improvement
- Provide Physicians Tools, Training & Feedback
- Develop Physician Progress Reporting System
- Reward Performance At End of Year

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Participating Insurance Companies

- Includes All Major Plans in the Market
- Include Risk and Fee-for-Service Products
- Payment Composed of Base Rates and Incentive Compensation
- ***<u>Same Measures Across All Payers</u>***
- Common Procedures at Practice Level

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Guidance in Selecting Initiatives

- IOM Priority Areas
- The Leapfrog Group
- Healthy People 2010, U.S., HHS
- HEDIS of NCQA
- Quality Improvement Organizations of CMS
- ORYX of JCAHO
- Medical Associations and Colleges
- Contracted Insurance Companies
- System Efficiency and Cost Information

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Highlights of 2009 CI Results
"Moving the Dial" on Quality

- Generic Prescribing: 5-7% > Local Plans

- LDL Good Control: 56% > National Rate

- Childhood Immunizations: 41% > National Rate

- Depression Screening: 109% > National Rate

- Diabetic Care: Exceeded National Rate on All 9 Measures

- Asthma Action Plans: 137% > National Rate

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Putting It All Together
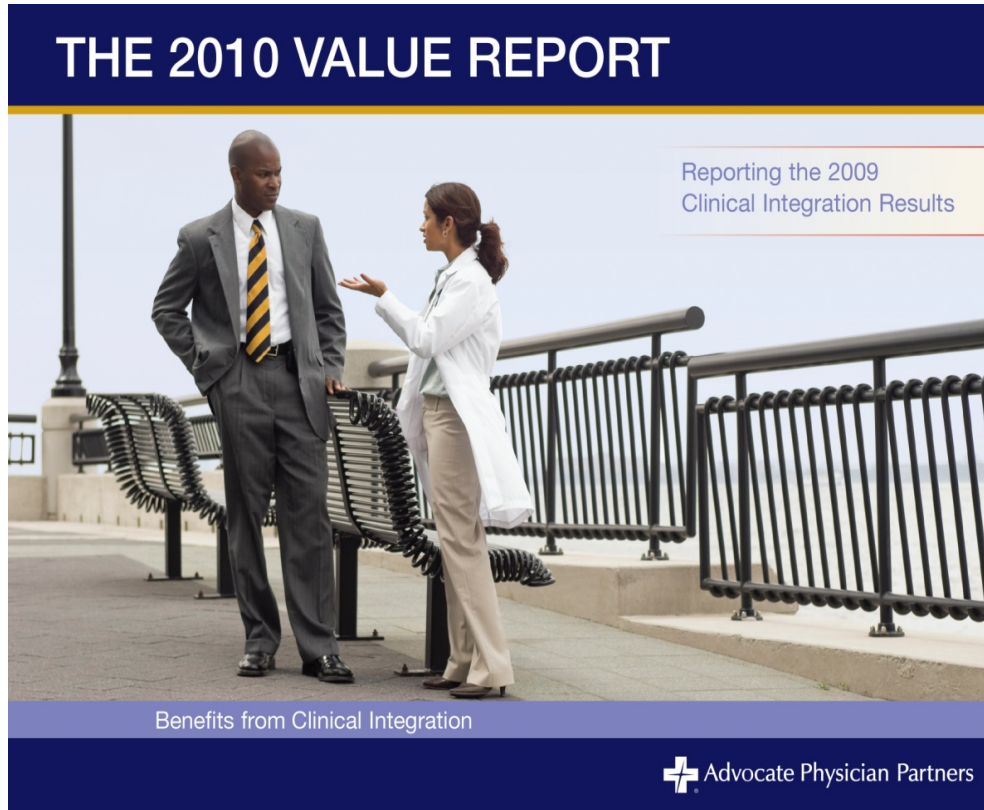
To obtain a copy, go to
www.advocatehealth.com/valuereport
or call 1-800-3-ADVOCATE

CI As Foundation for ACO & Medical Home

- Provides Infrastructure for Integration of Small Practices
- Overcomes Limitations & Perverse Incentives of Fee-for-Service Model
- Provides Incentives to Drive Improvement
- Promotes Continuity of Care for Patients
  - "***Delivery Mechanism***" for Medical Home
- Framework for "Managing Value"
- Allows One Approach for All Payers

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What It Costs – One Estimate

- Seven chronic illnesses result in $1.1 trillion in lost productivity and $277 billion in treatment costs—a total impact of $1.377 billion

- Our current path would increase that impact to $4.2 trillion by 2023

- With modest improvements in treating and preventing chronic disease, we could reduce that impact by 27%--saving $218 billion per year and adding $905 billion to the GDP through productivity gains.

Source: DeVol et al, **An Unhealthy America: the Economic Burden of Chronic Disease**. *The Milken Institute, 2007*

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Reflection in 'A Distant Mirror'

"The 14th century, like the 20th, commanded a technology more sophisticated than the mental and moral capacity that guided its use."

Barbara Tuchman

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The Essential Problem:
Lack of Innovation

"The cause of runaway healthcare costs is malpractice, but not the medical kind. Rather, we're guilty of business model malpractice on a grand scale."

Clayton Christensen,
Harvard Business School,
Author of
'The Innovator's
Prescription'

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Too Little, Too Late?

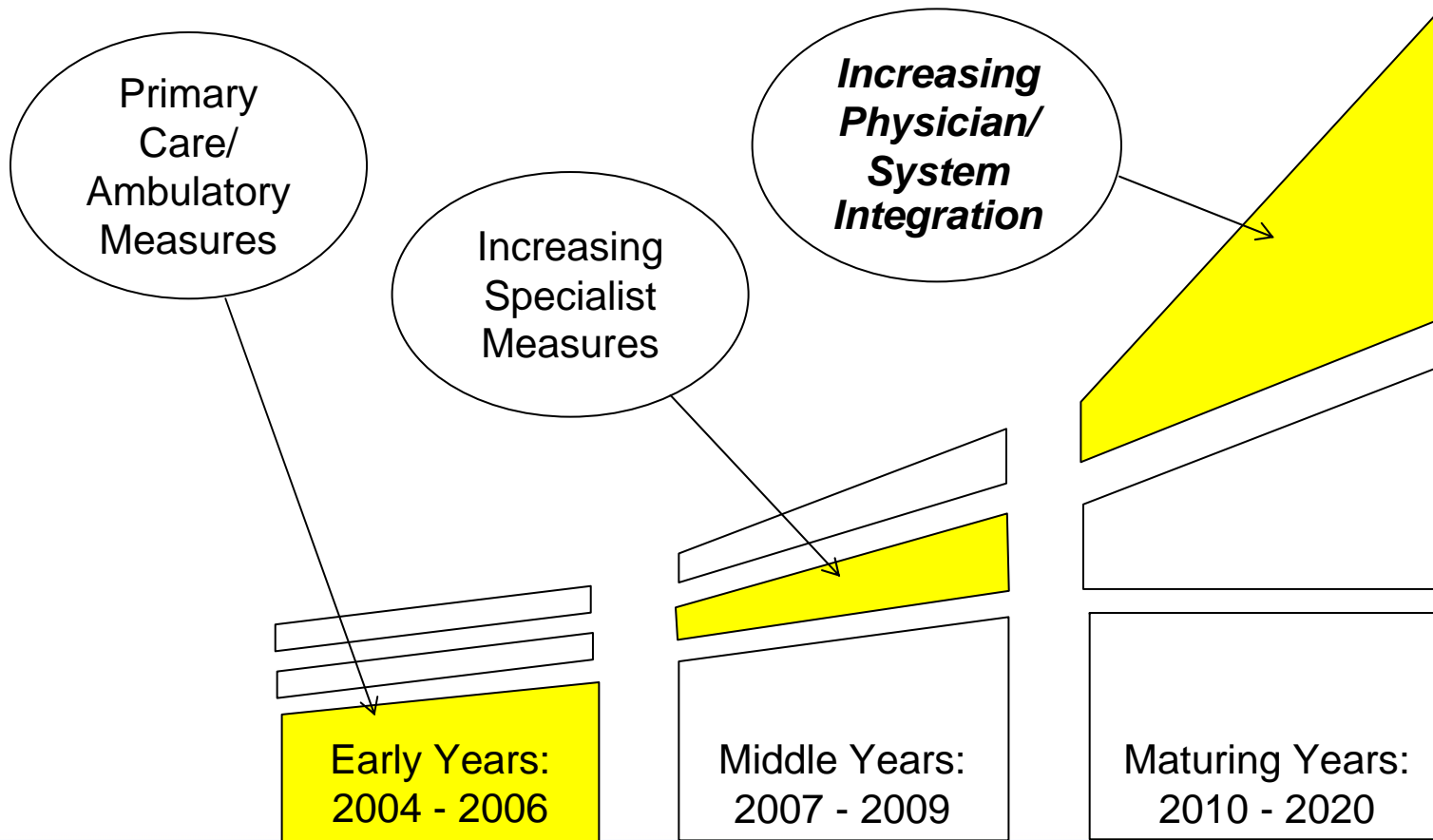"I continue to like the current system with its ability to innovate, to do new things, to experiment with different approaches, and we're going to lose that under this government-directed centralized system."
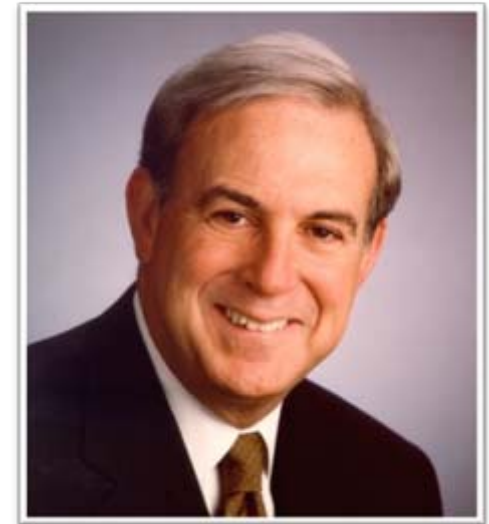
Sam Nussbaum, M.D.
EVP & Chief Medical Officer,
WellPoint, Inc.
Quoted in HealthLeaders Media
June 10, 2009

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Accountable Care Is a Journey, Not a Destination

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Clinical Integration 3.0:
Increasing Physician/ System Integration

Primary Care/ Ambulatory Measures

Increasing Specialist Measures

Increasing Physician/ System Integration

Early Years: 2004 - 2006

Middle Years: 2007 - 2009

Maturing Years: 2010 - 2020

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Recent Payer Discussions

- Significant Waste In System
- Value of Partnering
  - To Eliminate Waste
  - To Have Price Competitive Product
- Current Payment Model Does Not Support Shared Vision
- Willingness to Be Creative
- Sense of Urgency

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Payers Acknowledge They Can't Manage:

- Utilization of High End Imaging
- Readmissions
- Outpatient Trend
- New Drugs & Technologies
- Ambulatory Sensitive Conditions

… But We Are Well Positioned to Do So

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Accountable Care Organizations

- Strategy to "Bend the Cost Curve" and Improve Coordination & Quality of Care
- Implementing a Learning System
  - Strategic Focused Goals and Objectives
  - Skills and Tools
  - Measurement and Accountability
  - Leadership

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Introducing *AdvocateCare*

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Introducing *AdvocateCare*
Global Contracting Framework

- Global Cost Management Overlay On Top of Existing FFS Structures

- Responsibility for Managing Comparative Trend

- Method for Sharing Savings

- Involves Partnering With the Payer

- One Model for All Contracts

- ***Framework for Medical Home***

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The New Lexicon

- Attribution Methodology
- Risk Adjustment
- Managing Ambulatory Sensitive Conditions
- Primary Care Access
- Shared Savings
- Intensive Outpatient Management
- Perfect Transitions

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Categories of Attributed Members

- Tier III Patients
  - Multiple Chronic Disease Conditions and/or
  - Expected "High Cost" Due to Claims History
- "Conditioned" Patients
  - 1 or More Chronic Disease Conditions
  - Moderate Utilizers of Services
- "Routine Maintenance" Patients
  - Children & Adults > 40, Otherwise Healthy
  - Focus on Wellness & Prevention Compliance
- Low Utilizers "At Risk of Falling Off"
  - Healthy "Young Invincibles" (Ages Up to 40)
  - No Claims in Last 12 Months
- "Nearly Attributed" Members

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The Advocate*Care* Strategies

- Improved Access to Primary Care
- Global Outpatient Management
- Intensive Inpatient Management
- Perfect Transitions
- Post Acute Network
- Data/Analytics
- Market Share Growth/Backfill
- Culture Change/Communications *and* Performance Management System

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Questions & Answers

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