

Physician Pay for Performance Program Design

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National Pay for Performance Summit
February 28, 2008
Los Angeles, CA

Overview

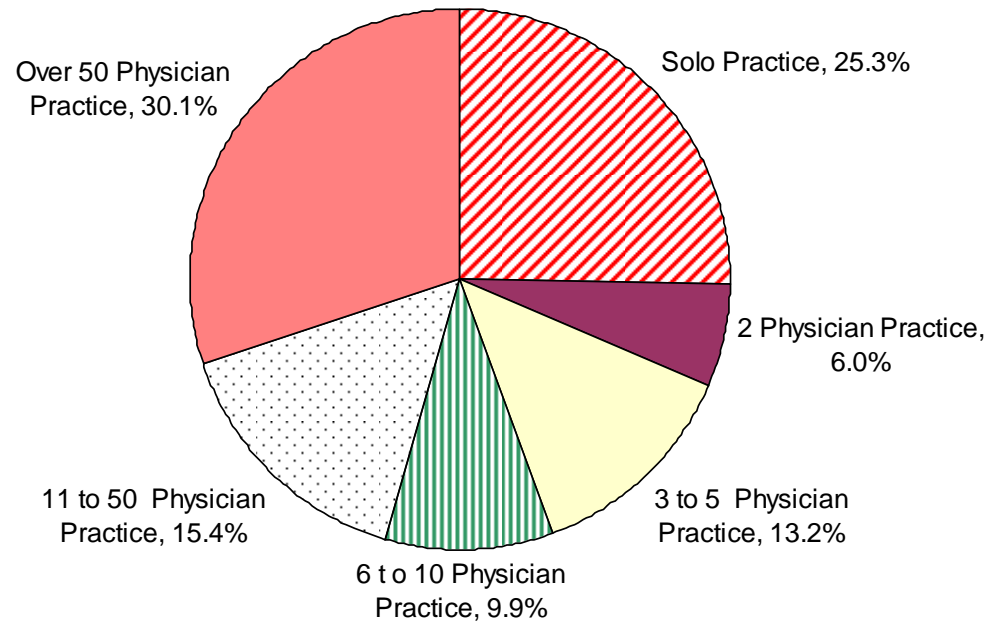
- **Market Place Realities**
- **Advocate Physician Partners (APP)**
- **APP Clinical Integration Program**
- **Results**
- **Lessons Learned in Creating Value**

Market Realities

Market Realities

- Risk contracts disappearing
- Large multi-specialty groups are the exception
- Infrastructure is required to provide the benefits of multi-specialty and single specialty groups

Distribution of Physicians



*Percentages may not sum to 100 because of rounding.

Source: 2001 Patient Care Physician Survey of nonfederal patient care physicians, American Medical Assoc.; Medical Group Management Association, Center for Research, Universe of Group Practice, 2006

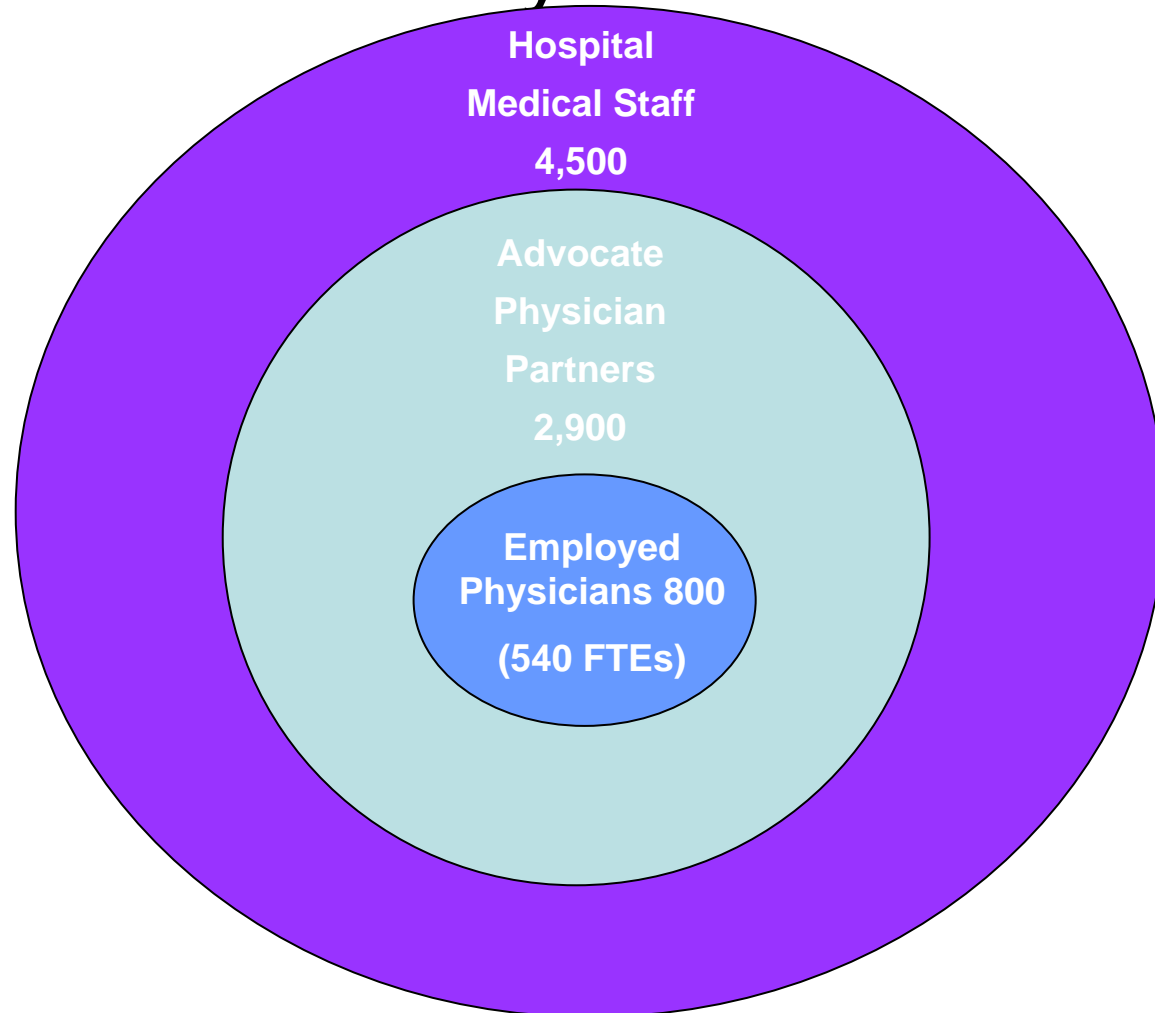
Business Perspective on Health Care Efficiency

“Cost efficiency should be measured using the cost of episodes of care, not the discount rate from a fee schedule for providers.”

Randall Johnson, Citizens Healthcare Commission

Illinois Chamber of Commerce Healthcare Summit, April 4, 2006

Physician Business Partners Help Drive Key Result Areas



Advocate Physician Partners

Advocate Physician Partners

- Vision: To be the leading care management and managed care contracting organization in Chicagoland
- 7 physician hospital organizations and Advocate's medical groups - financial and clinical integration
- Pay for performance is the catalyst for improvement
- FTC consent decree allows APP clinical integration program

Post FTC Consent Decree

- **FTC Commissioner Pamela Jones Harbour has encouraged Advocate Physician Partners to participate in health policy debates and share its success with clinical integration.**

Personal communication by email, January 16, 2008

Advocate Physician Partners

- 300,000 capitated lives/700,000 PPO lives
- \$13M CI incentive distributed in 2006 for 2005 performance
- \$16.5M CI incentive distributed in 2007 for 2006 performance
- Approximately \$30M available for 2008 distribution based on 2007 performance
- Unearned funds roll over into next year
- Great clinical outcomes/and good business

APP Clinical Integration Program

APP Clinical Integration Program

A structured collaboration among APP physicians and Advocate Hospitals on an active and ongoing program designed to improve the quality and efficiency of health care. Joint contracting with fee-for-service managed care organizations is a necessary component of this program in order to accelerate these improvements in health care delivery.

Participating Health Plans

- Risk and fee-for-service contracts
- Base and incentive compensation
- Same measures across all payers
- All major plans in the market
- Common procedures at practice level for all contracted plans

Physician Membership Criteria

No of Membership Requirements

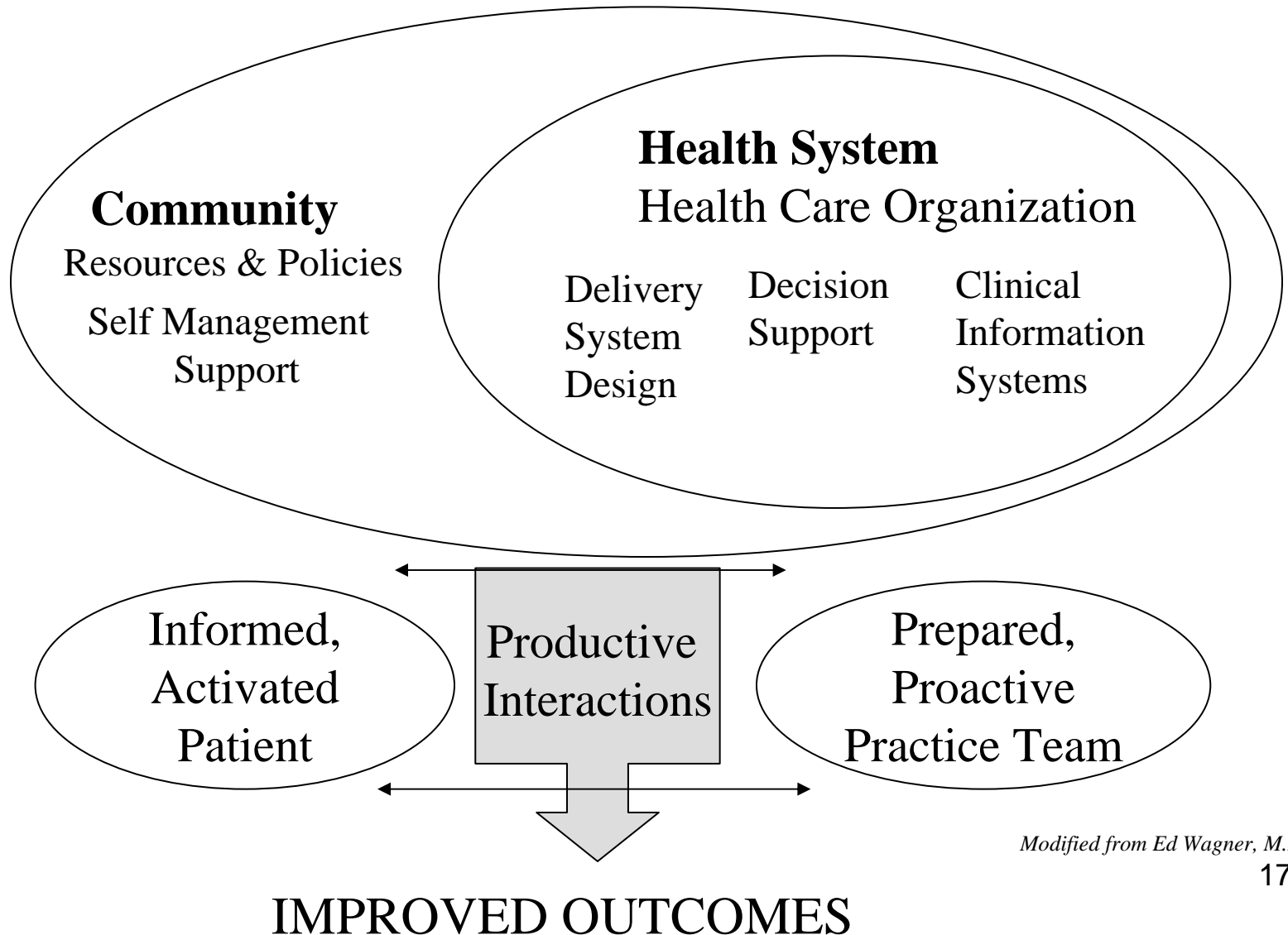


2008 Clinical Integration Program Overview

Physician commitment to a common and broad set of clinical initiatives

- 35 Initiatives
- 98 Measures
 - Primary Care and Specialty
- 5 Categories
 - Clinical Outcomes
 - Efficiency
 - Medical and Technological Infrastructure
 - Patient Safety
 - Patient Experience

Chronic Care Model



Modified from Ed Wagner, M.D. et al

Techniques of Improvement

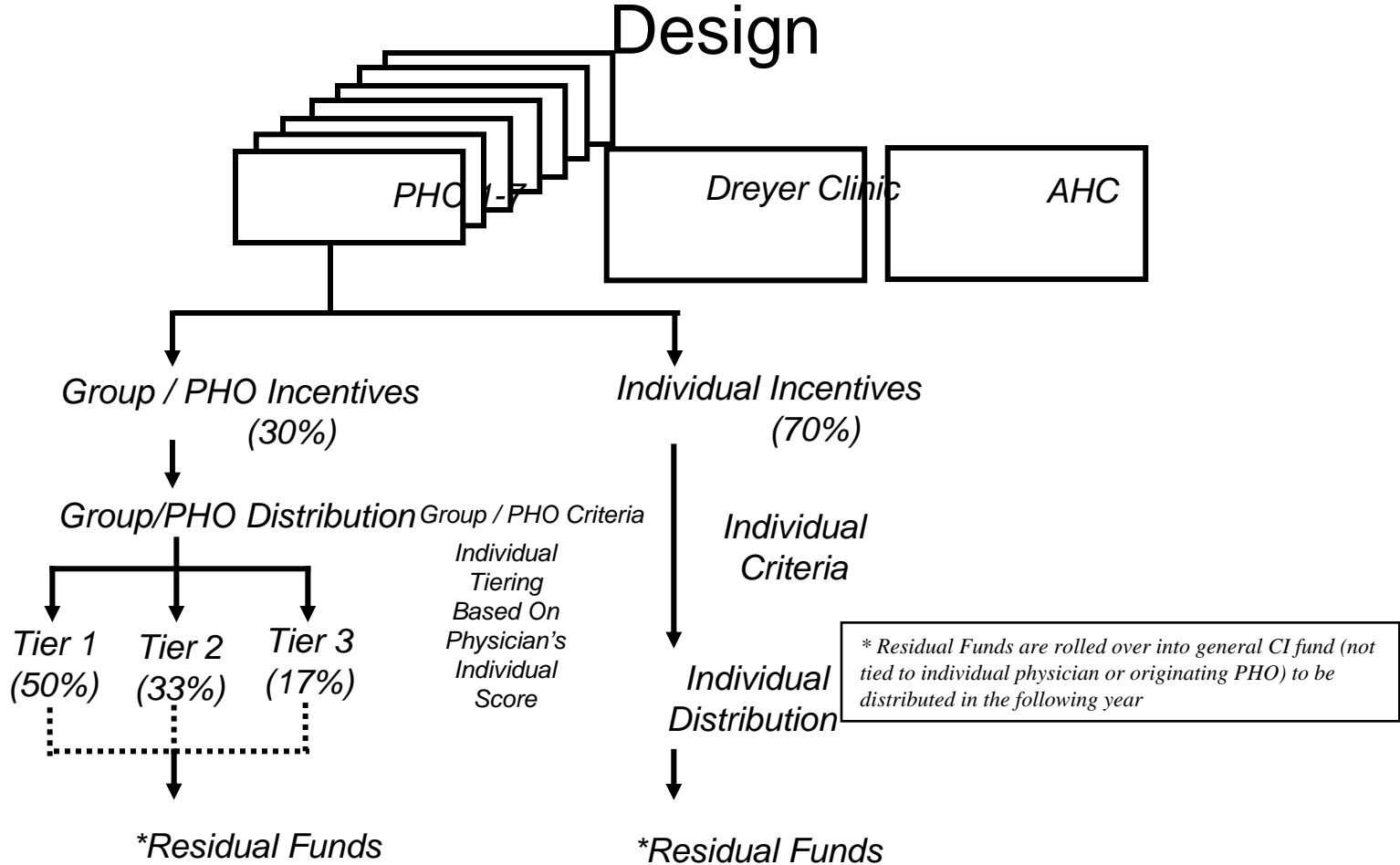
- Patient registries
- Clinical protocols
- Patient education tools
- Patient reminders
- Mandatory provider education/CME

Techniques of Improvement

- Office staff training
- Credentialing
- Report cards tied to incentive payments
- Peer pressure and medical director counseling
- Penalties and/or sanctions

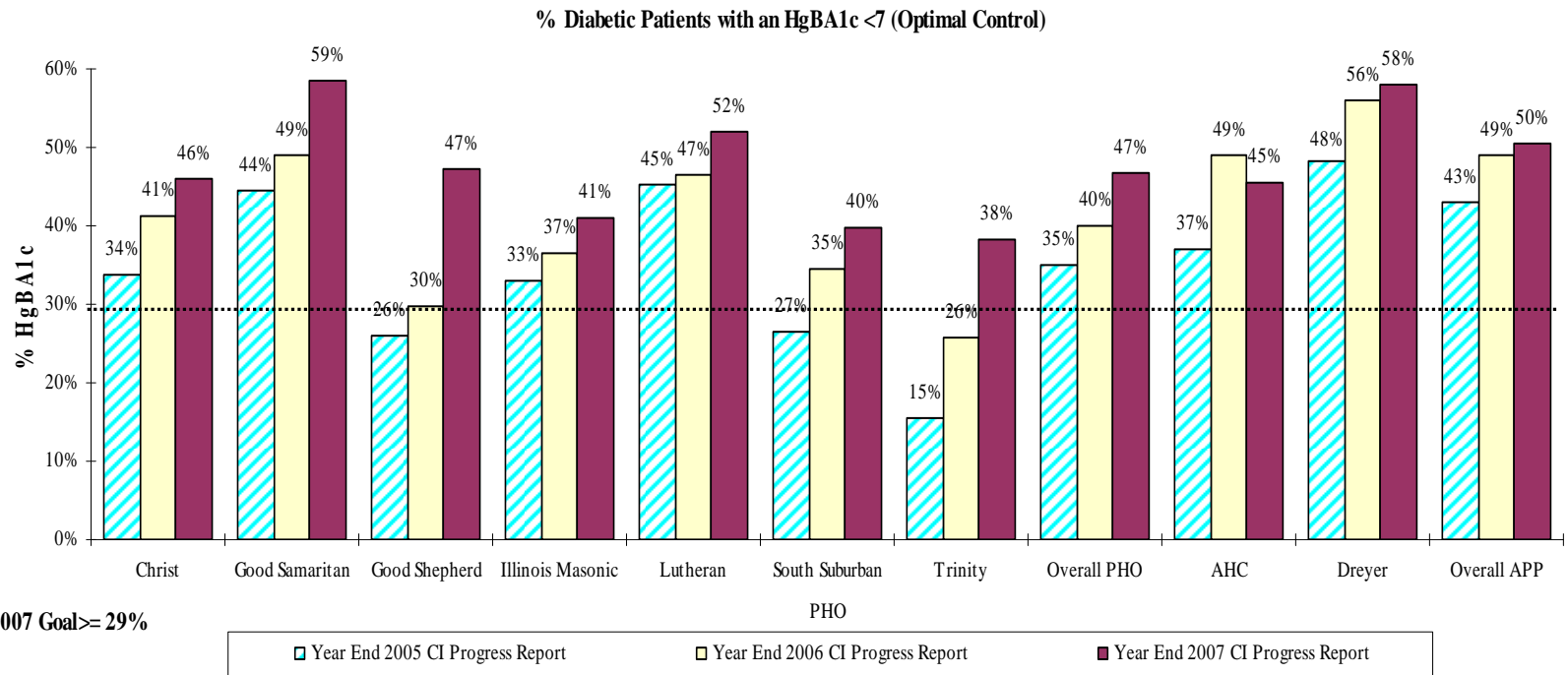
Advocate Physician Partners Incentive Fund

Design



Results

Diabetes Patients with Good Control



2007 Goal ≥ 29%

NOTE: A higher rate is better. Dreyer rate is aggregated for all products
 Overall APP and PHO numbers include Bethany PHO for 2005. Bethany PHO is not included in 2006.

2007 Results Compared to “Best State” NCQA - Commercial

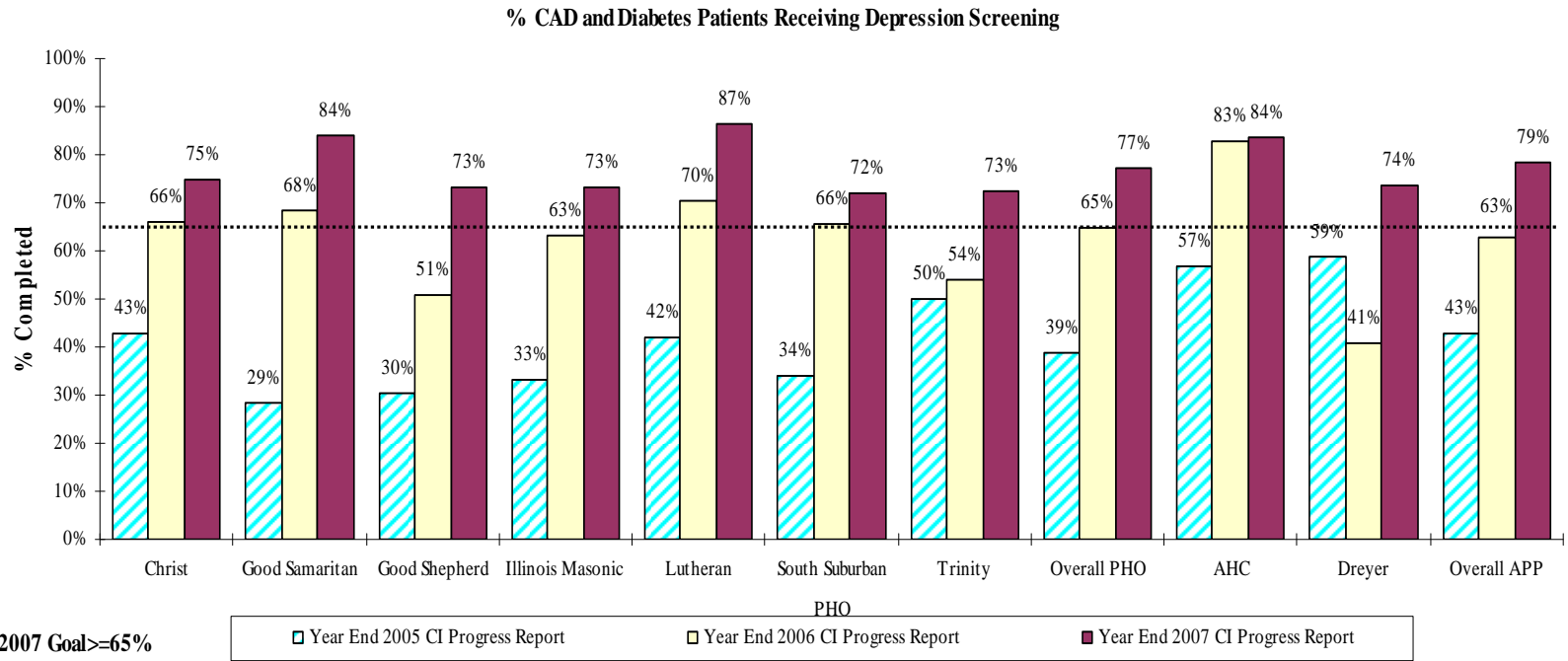
Measure	Overall PHO*	AHC	Dreyer	APP ALL	NCQA
DB Hgbalc	86.7%	89.8%	95.6%	90.7%	92.5%
DB Hgbalc <7	46.8%	45.4%	57.9%	50.4%	48.2%
DB Hgbalc >9	23.9%	13.4%	12.3%	17.0%	20.5%
DB LDL	85.0%	88.1%	92.1%	88.3%	88.1%
DB LDL <100	56.8%	49.8%	56.9%	55.0%	49.2%
DB Eye Exam	65.1%	55.9%	55.5%	59.2%	73.2%
DB Nephropathy	70.7%	85.7%	82.8%	79.0%	85.4%
DB <140/90mm/Hg	67.9%	55.3%	81.2%	69.4%	70.7%
DB <130/80mm/Hg	41.8%	26.4%	52.9%	41.7%	42.2%

Better Control of Diabetes Mellitus

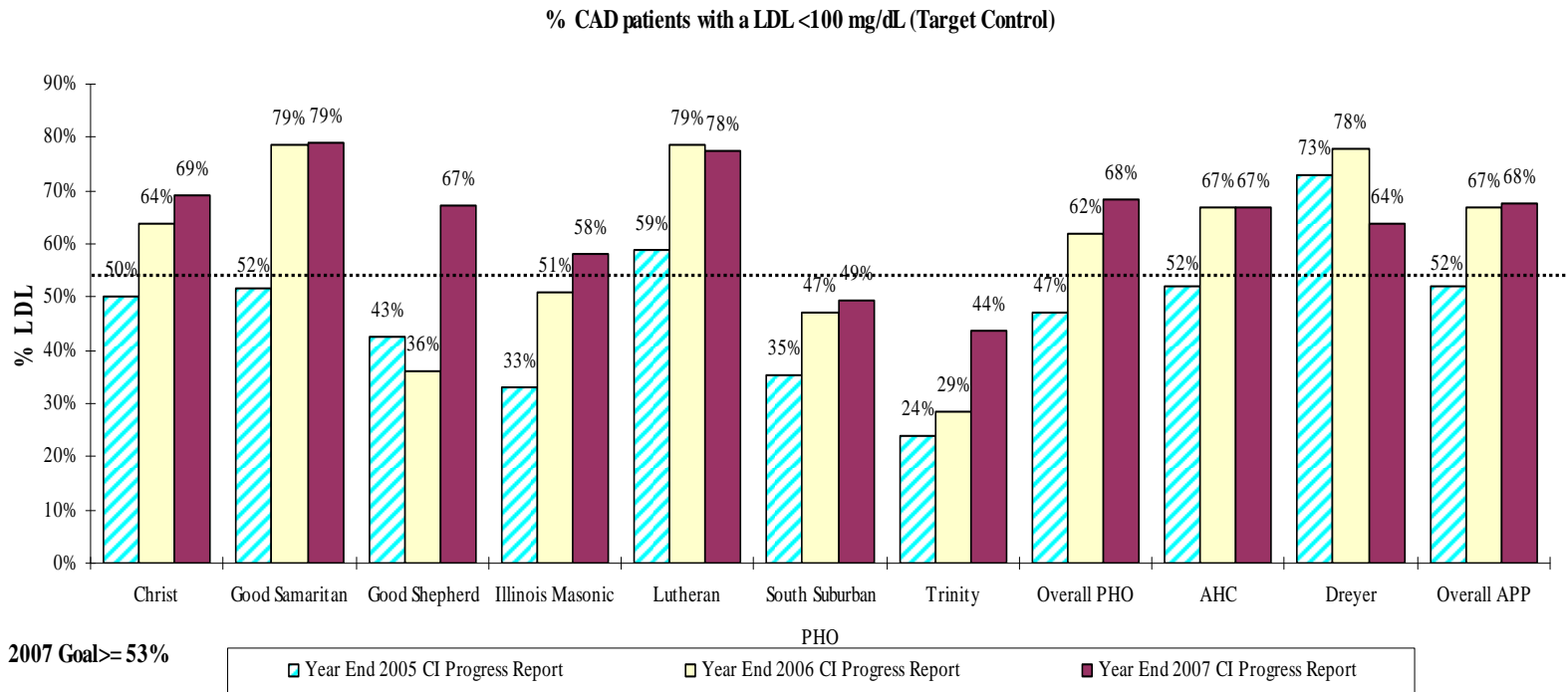
Advocate Physician Partners 2006 Outcome

- Five years of life saved for each affected patient.
- The higher level of patients with good control achieved through Advocate Physician Partners saved more than 6,900 years of life better than national performance.
- Compared with national averages, improved control of hemoglobin A1c lead to direct medical cost savings of \$700K.

Depression Screening if CAD or Diabetes



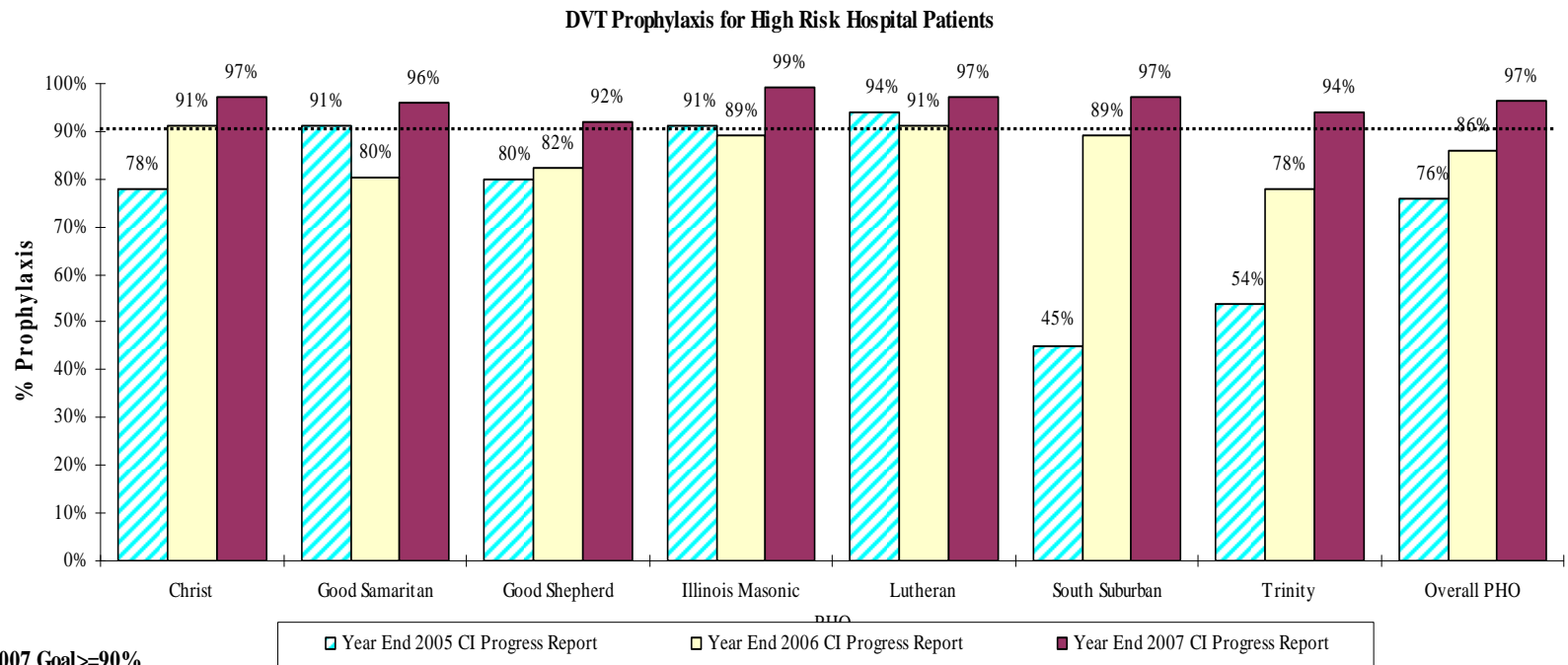
Good Lipid Control for CAD



2007 Goal >= 53%

NOTE: A higher rate is better. Dreyer rate is aggregated for all products
 Overall APP and PHO numbers include Bethany PHO for 2005. Bethany PHO is not included in 2006.

DVT Prophylaxis in High Risk



NOTE: DVT is not a CI requirement for AHC and Dreyer
 Overall APP and PHO numbers include Bethany PHO for 2005. Bethany PHO is not included in 2006.

Lessons Learned

Critical Success Factors

- Physician driven
- Minimize additional administrative costs
- Same metrics across all payers
- Additional funds recognize extra work by physicians and staff
- Infrastructure necessary to support improvement
- Physician/Hospital alignment

Requirements for Success in

- Commitment **Clinical Integration**
 - Physicians
 - Governance
- Ability to show sustained improvement
- Ability to contract with adequate number of payers
- Regulatory Compliance
- Community and employer recognition

Value for Hospitals

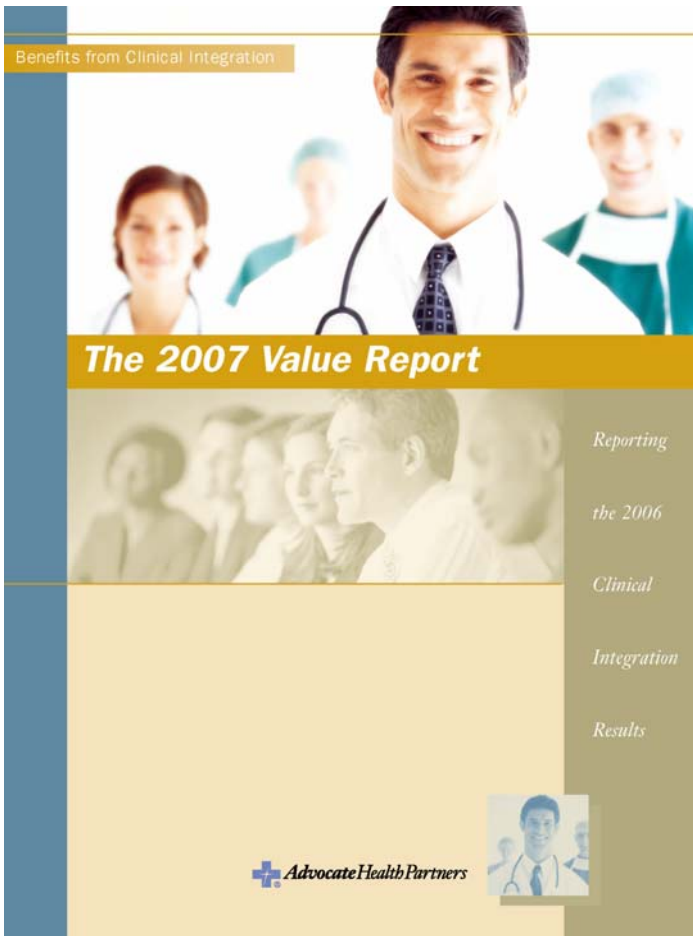
- Creates Business Partnership with Key Physicians
- Focuses physicians on Hospital Goals
- Strengthens Loyalty
- Physicians Drive Clinical Outcomes

Value for Physicians

- Better Alignment with Hospital
- Integrated Entity has Presence in Marketplace
- Focus on Outcomes
- Incentives Compensate for Additional Work
- Interface with Multiple MCO's

Value for the Marketplace

- Focus on Clinical Outcomes
- Demonstration of Efficiencies
- Ongoing Improvement
- Stable/Cohesive Network
- Measure and Display Results
- Led by Physicians



www.advocatehealth.com/app

Or call 1.800. 3ADVOCATE

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