The New Era of Healthcare
Part 1

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Objectives

Discuss the major transitions occurring in payment models.
Describe the 4 major issues impacting a health system's profitability.
Describe why Surgical Services is so critical as part of the healthcare reform agenda.
Discuss what OR Directors need to accomplish under healthcare reform.
So...how do we drive down cost and improve quality?
The Challenge: Can We Pursue Two Paths Simultaneously?

Reduce Utilization. Move Care to Lowest Cost Setting
Build FFS Volume to Maximize Revenue

Bundled Payments Increase Care Collaboration

Medicare spending for the hospitalization episode $6,500

AdvocateCare/Advocate Physician Partners
ACO with Highly Aligned Physician Participation

<table>
<thead>
<tr>
<th>Utilization Metrics (PER)</th>
<th>AdvocateCare</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admit rate (Admit rate/1000)</td>
<td>(6.0%)</td>
<td>(.3%)</td>
</tr>
<tr>
<td>Length of stay</td>
<td>(2.9%)</td>
<td>.5%</td>
</tr>
<tr>
<td>Days/1000</td>
<td>(6.7%)</td>
<td>2%</td>
</tr>
<tr>
<td>Readmits</td>
<td>2.7%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Outpatient</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ED cases/1000</td>
<td>4.1%</td>
<td>4.4%</td>
</tr>
<tr>
<td>OP surgery/1000</td>
<td>(1.4%)</td>
<td>1.9%</td>
</tr>
<tr>
<td>OP other/1000</td>
<td>.4%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Advance imaging</td>
<td>2.7%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Professional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office E&amp;M/1000 (procedures/1000)</td>
<td>(2.9%)</td>
<td>(1.4%)</td>
</tr>
<tr>
<td>Pharmacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prescriptions/1000</td>
<td>(4.1%)</td>
<td>1.0%</td>
</tr>
<tr>
<td>Prescription ppm</td>
<td>1.8%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

Source: Advocate Health Care, courtesy Lee B. Skol, M.D.

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Impact of Primary Care Medical Home

- 36.3 percent drop in hospital days
- 32.2 percent drop in emergency department use
- 9.6 percent decline in total cost
- 10.5 percent reduction of inpatient specialty care costs
- 18.9 percent reduction in ancillary costs
- 15 percent reduction of outpatient specialty costs

The Governance Institute

1. Attitude Adjustment
   - We are having a "railroad" moment in healthcare right now
   - Don't be a railroad — railroads went out of business because they thought they were in the railroad business instead of recognizing they were in the transportation business
   - You are not in the hospital business anymore — you are in the healthcare business
   - Think of your hospital as a "healthcare" organization, not a "sickcare" organization
   - Give up on the inpatient model — inpatient care will soon be a cost center as part of a much larger healthcare enterprise
Medicare Rolls in Line to Increase Dramatically

2011 US Population Distribution By Age

75 M elderly forecasts

~10,000/day
Newly eligible Medicare beneficiaries

23%
Percentage of population expected to benefit from Medicare in 2030

Wages, Benefits, Utilization All on the Rise

Persistent Labor Cost Concerns

Union Pressure

Persistent Labor Cost Concerns

Proportion of contract negotiations including explicit strike threats, 2009-2010

Achieving The New Performance Standard

Proportion of contract negotiations including explicit strike threats, 2009-2010

Shopping Carefully for High-Cost Acute Care Services

Walmart Steering Employees to Preferred Providers for Surgical Care

Case in Brief: Walmart Centers of Excellence

- Walmart entered into bundled payment agreements with six health systems covering heart, spine, and transplant surgeries
- Program launched in January 2013; includes 1.1 million covered lives
- Providers selected based on convenience, quality, and potential for cost savings

OR Director’s Focus

Partnering with surgeons, anesthesiologists, and administration to standardize care. Standardizing supplies to reduce costs and improve outcomes. Standardizing equipment and practices. Reducing waits. Demonstrating superior outcomes at a lower cost and aggressive targets for efficiency. Can it be done with less labor?