ACHIEVING PHYSICIAN INTEGRATION WITH THE CO-MANAGEMENT MODEL

Presented by:

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Des Moines Orthopaedic Surgeons, PC
Overview - Unity Point Health

- Nation’s 15\textsuperscript{th} largest nonprofit health system and fifth largest nondenominational health system
- 24,176+ employees*
- Eight regions I 29 hospitals
  - 15 system hospitals I 14 community network hospitals
- 280 physician clinics in 88 communities
- Seven home care locations
- Four colleges of Nursing and Allied Health Fields
- $2.7 Billion in total operating revenue*
- 4 million yearly patient visits*

*These statistics do not include the community network hospitals
Overview - Des Moines Orthopaedic Surgeons, P.C.

- **3 clinic locations**
  - 7 satellite offices

- **27 physicians**
  - Sports Medicine, Knee, Shoulder & Arthroscopic Surgery
  - Cervical, Thoracic & Lumbar Spine Surgery
  - Hand, Elbow & Microvascular Surgery
  - Fracture & Reconstructive Surgery
  - General Orthopaedics
  - Foot & Ankle Surgery
  - Total Joint Surgery
  - Pain Management

- **181 employees**

Image Source: Des Moines Orthopaedic Surgeons, PC
Rationale of Physician Alignment by Co-Management

• Alignment of hospital and physician goals and incentives

• Alternative to physician employment
  – Less capital investment
  – Less legal entanglement
  – Maintains independence

• Allows hospital to remain at arm’s length from “medical decisions”

• Enhances hospital-physician communication and trust

• Enhances quality and efficiency of patient care
Common Goals & Incentives of Co-Management

- Enhance quality – “evidence based medicine”
- Develop value-based health care delivery
- Electronic health record standardization
- Compliance with increasing regulations
- Standardization of care delivery
- Improve efficiency
Co-Management Distribution by Service Line

<table>
<thead>
<tr>
<th>Specialty</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orthopaedics</td>
<td>37.9%</td>
</tr>
<tr>
<td>Cardiology</td>
<td>20.7%</td>
</tr>
<tr>
<td>Surgery</td>
<td>13.8%</td>
</tr>
<tr>
<td>Hematology/Oncology</td>
<td>6.9%</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>5.3%</td>
</tr>
<tr>
<td>Pain Management</td>
<td>3.5%</td>
</tr>
<tr>
<td>Whole Hospital</td>
<td>3.4%</td>
</tr>
<tr>
<td>Intensive Care</td>
<td>1.7%</td>
</tr>
<tr>
<td>Neurosurgery</td>
<td>1.7%</td>
</tr>
<tr>
<td>Physical Therapy Rehab</td>
<td>1.7%</td>
</tr>
<tr>
<td>Urology</td>
<td>1.7%</td>
</tr>
<tr>
<td>Vascular Surgery</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Source: Healthcare Appraisers Incorporated 2013 Report – FMVantage Point
Critical Success Factors

**TRUST**
- Between hospital & physicians
- Historical working relationship (JV ASC)

**COMMITMENT**
- To Quality, Cost & Value
- VALUE = QUALITY/COST

**NEGOTIATE**
- No deal breakers or non-negotiable items by either party

**CONSENSUS**
- Decisions are made by consensus
Co-Management Development

• Two willing parties
  – Hospital administration
  – Physicians

• Engage experienced consultant

• Form steering committee

• Cost of development
  – How is this shared?

• Legal documents for an LLC
Co-Management Structure

- West Hospital Orthopaedic Co-Management Company, LLC (WHOCC) Board voting rights
  - Hospital (50%)
  - Physicians (50%)
  - Meets quarterly

- Equity Ownership
  - Hospital (20%)
  - Physicians (80%)
FUNCTIONS OF THE WHOCC

1. Develop comprehensive plan of care for all orthopaedic patients
2. Implement and direct strategic, financial and operational plans
3. Assist in facilities management
4. Evaluate and recommend equipment purchases
5. Assist in developing operational and capital budgets
6. Supervise and/or train management staff
7. Develop and oversee all cost containment activities

Supervise and/or train management staff

Develop and oversee all cost containment activities
Compensation Under Co-Management

- **Base Management and Incentive Fee**
  - 50/50 split
  - Fair market value
    - determined by independent 3rd party consultant
  - Distributions
    - based on equity ownership percentages
Base Management Fee

• **Board & committee participation**
  – Meet bi-weekly
  – Develop comprehensive plan of care
  – Evaluate and recommend equipment purchases
  – Develop and oversee all cost containment activities
  – Assist in developing operational and capital budgets

• **Selection & hiring of all key personnel**
  – Service line Executive Director
  – Managers
  – Therapy staff

• **Medical Director**
Incentive Fee

4 Incentive Categories

- Quality of Service
- Operational Efficiency
- Financial & Budgetary
- New Programs and Outcomes

- Generally quality/financial incentives range from 50/50 to 70/30
- Metrics updated annually; subject to third-party FMV review
- Incentive period can be different than fiscal year
- Migration towards strategic measures with maturity of co-mgmt
Incentive Compensation Development

- Measurable
- Controllable
- Realistic
- Bound by time limits
2010 Incentives

<table>
<thead>
<tr>
<th>Category</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quality of Service (50%)</strong></td>
<td>• SCIP Core Measures&lt;br&gt;• Patient Satisfaction&lt;br&gt;• Demand Matching</td>
</tr>
<tr>
<td><strong>Operational Efficiency (20%)</strong></td>
<td>• On-time starts&lt;br&gt;• OR turnaround time</td>
</tr>
<tr>
<td><strong>Financial, Budgetary (20%)</strong></td>
<td>• Length of Stay&lt;br&gt;• Direct Variable Cost per Case</td>
</tr>
<tr>
<td><strong>New Program Development (10%)</strong></td>
<td>• Expanded patient education</td>
</tr>
</tbody>
</table>
## 2013 Incentives

<table>
<thead>
<tr>
<th>Category</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Service (40%)</td>
<td>• SCIP Core Measures</td>
</tr>
<tr>
<td></td>
<td>• Physician HCAHPS</td>
</tr>
<tr>
<td></td>
<td>• Problem list in EHR</td>
</tr>
<tr>
<td></td>
<td>• Coding/Documentation</td>
</tr>
<tr>
<td>Financial, Budgetary (30%)</td>
<td>• Demand matching</td>
</tr>
<tr>
<td></td>
<td>• Cost per Case</td>
</tr>
<tr>
<td>New Programs, Outcomes (30%)</td>
<td>• Infection rates (60 days)</td>
</tr>
<tr>
<td></td>
<td>• Readmission rates (30 days)</td>
</tr>
<tr>
<td></td>
<td>• Revision rates (1 year)</td>
</tr>
</tbody>
</table>
Example #1 – Incentive Structure

Some incentives change very little from year to year….

<table>
<thead>
<tr>
<th>2010 INCENTIVE FOR SCIP CORE MEASURES (15% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Range from:</strong></td>
</tr>
<tr>
<td>&lt;95%</td>
</tr>
<tr>
<td>≥95%</td>
</tr>
<tr>
<td>≥96%</td>
</tr>
<tr>
<td>≥97%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2013 INCENTIVE FOR SCIP CORE MEASURES (10% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Range from:</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>≥96%</td>
</tr>
<tr>
<td>≥97%</td>
</tr>
<tr>
<td>≥98%</td>
</tr>
</tbody>
</table>
## Example #2 – Incentive Structure

Others have changed quite a bit….

### 2010 INCENTIVE FOR PRESS GANEY PT SATISFACTION (20% of total)

<table>
<thead>
<tr>
<th>Range from:</th>
<th>To:</th>
<th>Annual Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;91.1</td>
<td>$0</td>
</tr>
<tr>
<td>≥91.1</td>
<td>&lt;91.9</td>
<td>50% of full incentive</td>
</tr>
<tr>
<td>≥91.9</td>
<td>&lt;92.3</td>
<td>75% of full incentive</td>
</tr>
<tr>
<td>≥92.3</td>
<td></td>
<td>Full Incentive</td>
</tr>
</tbody>
</table>

### 2013 INCENTIVE FOR PHYSICIAN HCAHPS* (10% of total)

<table>
<thead>
<tr>
<th>Range from:</th>
<th>To:</th>
<th>Annual Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;81%</td>
<td>$0</td>
</tr>
<tr>
<td>≥81%</td>
<td>&lt;83%</td>
<td>50% of SCIP Incentive</td>
</tr>
<tr>
<td>≥83%</td>
<td>&lt;85%</td>
<td>75% of SCIP Incentive</td>
</tr>
<tr>
<td>≥85%</td>
<td></td>
<td>Full Incentive</td>
</tr>
</tbody>
</table>

*% of patients who answered ‘always’ to the Communication w/physicians question
Co-Management Value Equation

Improve Quality While Reducing Cost

\[ \text{VALUE} = \frac{\text{QUALITY}}{\text{COST}} \]

Is quality at any cost **acceptable**?

Is quality at any cost **sustainable**?
Key Components of Added Value

- Aspects of care delivery that increase efficiency, lower cost, and improve outcomes:
  - Decreased length of stay
  - Increased volume and market share
  - Reduced cost
  - Improved quality and patient safety
Length of Stay

- Communication with patients improves confidence
  - Begins in the physician’s office
  - Prepare them in advance for the desired LOS

- ‘Patient Care Facilitators”
  - Frequent one-on-one with patients
  - Pre-op teaching
  - Facilitate discharge planning that begins at admission

- Engage key providers
  - Internists
  - Physical therapy (develop protocols)
  - Nursing staff
  - Social Workers and Case Managers

- Consistent post-operative care protocol
Length of Stay Trend

2008: 4.17
2009: 3.94
2010: 2.81
2011: 2.84
2012: 2.84
2013 (YTD): 2.64
Volume: Increasing Demand for Total Joint Replacement

- Expanding senior population
- No other surgical procedure is expected to grow more than TJR
  - Greater acceptance of TJR by population
  - Greater desire for active lifestyle
  - 700% increase over the next 20 years
Market Share – Primary Total Knees

Source: IHA Data July 2011 thru June 2012
Slide represents 90% of total knee volume in Iowa
“Commercial” here includes the IHA categories of “Blue Cross” and “Commercial.”
Market Share – Primary Total Hips

Total number of primary hip procedures

Source: IHA Data July 2011 thru June 2012
Slide represents 90% of total hip volume in Iowa
“Commercial” here includes the IHA categories of “Blue Cross” and “Commercial.”

hfma national institute 2013
Cost per Case: Implants

- Negotiations with implant vendors
  - Absolutely requires physician commitment and presence ‘at the table’
  - Physician willingness to change vendors
  - Single (low-bid) vendor vs. “Price-to-Play”
    - Price-to-Play allows flexibility for physicians while still holding vendors accountable to meet target pricing
  - Single vendor difficult for large hospitals with many surgeon preferences
Cost per Case: Demand Matching

• “Demand Matching” of implants
  – Best, most appropriate implant for individual patient
  – Consider; age, health, anticipated activity level after surgery
  – Avoid use of high tech, expensive implants
  – Remind physicians frequently of appropriate use of implants
  – Expect >90% physician compliance
Demand Matching

- All Implants categorized by cost:
  - A Level, lowest cost
  - B Level, Intermediate cost
  - C Level, high cost

- Three variables:
  - Patient age
  - Patient health
  - Patient expected activity level after surgery
### TOTAL JOINT DEMAND-MATCHING PROTOCOL
(to be completed by surgeon prior to case)

#### A. Age
- <55: 9 points
- 56-62: 7 points
- 63-70: 5 points
- >70: 2 points

#### B. Health (consider heart disease, diabetes, obesity, renal insufficiency, COPD & Cancer)
- Excellent (no co-morbidities): +2 points
- Typical (1 co-morbidity): 0 points
- Poor (2 or more co-morbidities): -2 points

#### C. Expected Activity Level After Recovery
- Strenuous (walk >2 miles, biking, skiing): +2 points
- Typical (walk 1 mile, golf): 0 points
- Limited (walk <1 mile, no other recreational activity): -2 points

**TOTAL SCORE:**

<table>
<thead>
<tr>
<th>DEMAND</th>
<th>TOTAL SCORE</th>
<th>IMPLANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>9 or 10</td>
<td>A, B or C level implants</td>
</tr>
<tr>
<td>Intermediate</td>
<td>6, 7 or 8</td>
<td>A or B level implants</td>
</tr>
<tr>
<td>Standard</td>
<td>5 or less</td>
<td>A level implants only</td>
</tr>
</tbody>
</table>
Cost per Case: Assess Value of New Products and Procedures

- Is there enough scientific evidence to warrant a trial?
- Trial with defined evaluation and results
- Review by committee to assess quality and value of technique
- Confirm or deny use of technique or product
New Product Examples:

- Floseal → deny
- Bipolar hemostatic sealers (e.g. Aquamantys) → deny
- Tranexamic Acid → currently collecting/reviewing data
- Ice bag vs. cold compression therapy → Ice bag
- V-loc vs. Quil suture → chose V-loc
- Post-op dressing (Covaderm) → deny
- Femoral nerve block vs. local anesthetic → chose local

All physicians are expected to comply with decision after co-management review.
Standardized Surgical Draping

- Draping **Boot Camp**
  - Surgeons & staff practiced with drapes to standardize draping process for all total hip & knee procedures
  - Reduces waste (green initiative)
  - Engages physicians and staff
  - Incorporates new designs
  - Improves efficiency
  - Saves cost

Image Source: Google Images
Cost per Case: Transparency

- Transparency of individual physician data
  - Length of Stay
  - Cost per Case
  - Demand matching compliance
  - Average implant cost by procedure

Transparency is a great motivator!!
# Length of Stay & Cost per Case

<table>
<thead>
<tr>
<th></th>
<th>BB</th>
<th>MD</th>
<th>DG</th>
<th>NH</th>
<th>CN</th>
<th>KS</th>
<th>PS</th>
<th>ST</th>
<th>DV</th>
<th>MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIPS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost/Case</td>
<td>$8,145</td>
<td>$8,071</td>
<td>$7,935</td>
<td>$0</td>
<td>$8,909</td>
<td>$0</td>
<td>$7,800</td>
<td>$8,100</td>
<td>$7,808</td>
<td>$8,367</td>
</tr>
<tr>
<td>ALOS</td>
<td>2.10</td>
<td>2.60</td>
<td>2.19</td>
<td>0</td>
<td>2.25</td>
<td>0</td>
<td>2.21</td>
<td>2.17</td>
<td>2.61</td>
<td>0</td>
</tr>
<tr>
<td>KNEES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost/Case</td>
<td>$7,231</td>
<td>$6,716</td>
<td>$7,368</td>
<td>$8,188</td>
<td>$6,680</td>
<td>$6,030</td>
<td>$6,048</td>
<td>$7,174</td>
<td>$6,554</td>
<td>$7,052</td>
</tr>
<tr>
<td>ALOS</td>
<td>2.60</td>
<td>2.72</td>
<td>2.87</td>
<td>3.91</td>
<td>2.00</td>
<td>2.50</td>
<td>2.22</td>
<td>2.86</td>
<td>3.04</td>
<td>2.85</td>
</tr>
</tbody>
</table>
### Demand Matching Score (DMS)

<table>
<thead>
<tr>
<th>Surgeon</th>
<th>Total Cases</th>
<th>Correct Match</th>
<th>% DMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB</td>
<td>25</td>
<td>24</td>
<td>96.0%</td>
</tr>
<tr>
<td>MD</td>
<td>45</td>
<td>44</td>
<td>97.8%</td>
</tr>
<tr>
<td>MF</td>
<td>7</td>
<td>1</td>
<td>14.3%</td>
</tr>
<tr>
<td>DG</td>
<td>98</td>
<td>91</td>
<td>92.9%</td>
</tr>
<tr>
<td>NH</td>
<td>9</td>
<td>9</td>
<td>100.0%</td>
</tr>
<tr>
<td>KS</td>
<td>3</td>
<td>3</td>
<td>100.0%</td>
</tr>
<tr>
<td>PS</td>
<td>44</td>
<td>43</td>
<td>97.7%</td>
</tr>
<tr>
<td>ST</td>
<td>55</td>
<td>53</td>
<td>96.4%</td>
</tr>
<tr>
<td>DV</td>
<td>103</td>
<td>99</td>
<td>96.1%</td>
</tr>
<tr>
<td>MW</td>
<td>33</td>
<td>32</td>
<td>97.0%</td>
</tr>
</tbody>
</table>

### Overall Score

- Total Cases: 422
- Correctly Matched: 399
- % Demand Matched: 94.5%

### Average Implant Cost/Case

<table>
<thead>
<tr>
<th>Surgeon</th>
<th>Avg Hip</th>
<th>Avg Knee</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN</td>
<td>$6,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>BB</td>
<td>$5,500</td>
<td>$3,500</td>
</tr>
<tr>
<td>ST</td>
<td>$5,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>DG</td>
<td>$4,500</td>
<td>$3,000</td>
</tr>
<tr>
<td>DV</td>
<td>$4,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>MW</td>
<td>$3,500</td>
<td>$3,000</td>
</tr>
<tr>
<td>NH</td>
<td>$3,000</td>
<td>$3,500</td>
</tr>
<tr>
<td>KS</td>
<td>$2,500</td>
<td>$3,000</td>
</tr>
</tbody>
</table>
Overall Variable Direct cost per Case

- 2008: 8,703
- 2009: 8,847
- 2010: 8,186
- 2011: 7,434
- 2012: 7,290
- 2013 (YTD): 6,924
Quality & Patient Safety

• **Standardization of pre-op medical assessment**
  – Limited team of internists
  – Results reviewed by pre-op RN

• **Decreased surgical risk and day of surgery cancellations**

• **Standardization of post-op care protocols**
  – Pain medications
  – Activity
  – Physical therapy

*Less variability results in fewer questions*
Quality & Patient Safety

• **Standardization of surgical instruments**
  - Facilitates efficient turnover time
  - Minimizes instrument processing and inventory
  - Reduces possibility of employee injury
  - Eases the workload for OR and CSP staff

*Image Source: Google Images*
Value Equation Summary

• **Cost**
  – Estimated start-up cost
  – Estimated annual expense

• **Improvements**
  – Improved quality - ALOS, focused factory, continuum of care
  – Lower cost - demand matching, transparency, staffing, standardization
  – Increased volume - center of excellence
  – Higher patient satisfaction - improved Press Ganey & HCAHPS
  – Physician/Hospital Engagement
CONTACTS:

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THANK-YOU!