Clinical Integration: Collaborating for Value-Based Care

The Reading Health Partners Success Story

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Bringing together physicians, hospitals and clinics under one umbrella can bring real benefits to patients, doctors and payers. Here is how the Pennsylvania-based Reading Health Partners is realizing the benefits of clinical integration and managing the risks, by putting doctors at the helm.

Current pressures, including the Affordable Care Act of 2010, are forcing U.S. healthcare providers to develop new ways to provide better outcomes at lower cost. One tool that providers have at their disposal is clinical integration, a platform for collaboration between health systems and both employed and independent physicians.

Clinical integration can improve quality, save money, and keep patients and communities healthier. However, bringing independent and employed providers and physicians together under one umbrella can raise antitrust concerns. The Federal Trade Commission (FTC) takes a keen interest in these partnerships, and healthcare organizations that undertake such arrangements have to be careful to ensure compliance with FTC guidance in order to fall under the safe harbor rules for clinical integration.

The eastern Pennsylvania-based Reading Health System has created Reading Health Partners (RHP), a wholly owned clinically integrated subsidiary. A licensed corporation, RHP focuses not only on helping individual patients get better but also on the wellness of RHP’s overall community. The goal is to create shared value for providers, patients, employers and payers. Critical to RHP’s success is the fact that its physicians helped build the new system and are intimately involved in its governance.

Phillip Polakoff, M.D., Senior Managing Director and Chief Medical Executive in the Health Solutions practice at FTI Consulting, recently sat down with three executives who helped steer RHP to discuss the challenges they face and the strategies they are employing to meet these challenges. They are:

George Jenckes, M.D., Chief Executive Officer and Senior Medical Director of Reading Health Partners

Clint Matthews, President and Chief Executive Officer of Reading Health System

Gerry Meklaus, Senior Managing Director in the Health Solutions practice at FTI Consulting, who helped structure RHP so it could accomplish the goal of building an FTC-compliant collaborative platform for the transition to value-based care.
Seismic Changes in Healthcare Delivery

Phillip Polakoff: How did the idea for Reading Health Partners evolve?

Clint Matthews: Changes in how healthcare is delivered have been long under way. In 1983, Medicare went from a cost-based reimbursement system to a flat-rate structure. In many markets across the country, we saw transformations in the way patients were admitted to a health facility and cared for. The emphasis always was on the cost per episode of care.

Managed care came in the early ‘90s; health maintenance organizations proliferated, and physician practices were acquired. However, managed care persisted in focusing too much on cost per episode, ignoring the quality component. It was something of a debacle. The Clinton administration healthcare panel that Hillary Clinton put together, for example, had more than 500 people on it but no doctors or nurses. Meanwhile, healthcare costs continued to rise. Medicare spending was increasing with an aging population. We needed to revamp the delivery system.

Over the years, our healthcare system had evolved into something unwieldy, involving payers, federal and state governments, private and employed physicians, hospitals and alternative care delivery systems. The FTC concluded that in order to lower the costs that had been built into the system over the years, we needed to remove the disincentives to make the healthcare delivery system more cost-effective and, at the same time, keep an eye on antitrust issues.

Even without the Affordable Care Act, it had become clear that we had to totally rethink how care is delivered.

That’s why more than two years ago, we started working with our Board and with FTI Consulting to start breaking down those disincentives. We saw that the only way to do this was through an FTC-compliant, clinically integrated network. With help from outside advisors, we found a way to bring together Reading Health System’s own physicians, independent physicians, our hospitals and the other components of care without violating the FTC’s antitrust and anticompetitive guidelines. The result is that our network now is an attractive option for physicians, payers, employers and small-group-insured members. Most important, the present structure opens up the door to help us better serve our market and our community.

Phillip Polakoff: It seems that this new partnership helps RHS’ physicians and hospitals lead the charge to be more responsive to community needs. Physicians are the alignment vehicle — driving change within the system and managing risk, which is very positive.

Clint Matthews: Along with those benefits, the system allows RHP to work with insurers, employers and others to manage cost more effectively than before. RHP does this by communicating, cooperating and coordinating the care, working closely with the physician team, patients and families.

Improving Wellness for All

Phillip Polakoff: How does RHP benefit the larger community: the patients, the employers and the payers?

George Jenckes: For patients, the goal is improved efficiency and quality in the healthcare they receive. Although we still are early in this process, I am confident that patients will see the value in our newly integrated healthcare network.

Employers are concerned about how healthcare costs impact their competitiveness in the marketplace. We can help them control costs via Population Health Management programs tailored to the employees’ specific needs.

The payers, who always have concentrated on the financial side of the equation rather than the health side, now are realizing that providers can manage healthcare risk better than payers can. I foresee a more collaborative environment with payers going forward.

Clint Matthews: The tag line to Reading Health System’s logo is “advancing health, transforming lives.” A clinically integrated network generates the ability not only to manage an episode or even a continuum of care for one individual but also to do so for a population and improve overall health and wellness.

Phillip Polakoff: George, what benefits does RHP offer physicians — both those employed by Reading Health System and independent doctors who join the partnership?

George Jenckes: For the first time, physicians are being placed in leadership roles within healthcare systems. They are acquiring the training and skill sets necessary to become effective leaders, not just clinicians — and that’s a big change. Now physicians have the opportunity to choose clinical measures by which clinical care will be evaluated. Those measures also should help doctors...
improve quality of care, efficiency and the revenue cycle by better managing the patient population. Since a big part of clinical integration involves care management, providers are starting to see the value of partnering with care managers to deliver patient-specific care.

**Phillip Polakoff:** What was the process of bringing RHP to life? What role did the RHS Board play? How did you get physician buy-in?

**George Jenckes:** No clinically integrated network can succeed unless the Board and the administration are fully invested in the concept from the very beginning. We could not have gotten to this point without that support. At the same time, the Board and senior administrative team also must earn the doctors’ trust. That, historically, is a challenge for most healthcare systems. This has to be a truly collaborative partnership between the healthcare system and its provider network. As previously mentioned, we are changing from a volume-based system to a value-based one. That, historically, is a challenge for most healthcare systems. This has to be a truly collaborative partnership between the healthcare system and its provider network. As previously mentioned, we are changing from a volume-based system to a value-based one. This reform has not been easy — it affects the way doctors are practicing medicine in today’s healthcare environment, and some mistrust still exists. However, our doctors are realizing that this is a joint collaborative and are seeking more education and are becoming involved in the process of clinical integration.

After months of physician meetings and educational seminars, we now have a provider network of 655 physicians in approximately 50 specialties. Going forward, we understand that we need to maintain physician clinical and leadership integrity. I think the trust will continue to build as doctors appreciate that our clinically integrated program is a true partnership.

**Phillip Polakoff:** What has been the value of RHP to its customers?

**Clint Matthews:** We only recently formalized many of our agreements with employers so we need six months to a year before we can fully answer that question. But one of our employers has seen a dramatic decrease in its per-member/per-month costs and already is happier with us than with the previous health plan. The organization has asked us about replicating our plan at its other sites.

**Success Factors**

**Phillip Polakoff:** Clint, how did outside advisors help you develop RHP? What were the challenges?

**Clint Matthews:** The key benefit was that our advisors brought integrity to the program because they had helped configure other clinically integrated networks. I know how to run a health system, but I don’t have FTI Consulting’s broad knowledge base in the numerous facets of building a new company. FTI Consulting, working diligently with our outside legal counsel, also knew how to structure our system so it could function effectively while staying in compliance with FTC regulations. Each of our committees had its own charter and was staffed with physicians, and this system worked very well for us.

**Phillip Polakoff:** George, what were some of the critical success factors in getting RHP to this point?

**George Jenckes:** FTI Consulting provided the project management skills and clinical integration framework to help us address the FTC statutes required to launch a clinically integrated program. We then added other components necessary to build on the fundamentals. We had no prototype model to copy since every clinically integrated organization is different depending on the provider network, healthcare system, financial resources, information technology infrastructure and the marketplace.

**Gerry Meklaus:** Again, buy-in was critical. RHP tapped more than 60 physicians to work with executives to design and develop the new system. We gave doctors the opportunity to influence this structure right from the beginning and shape it according to their own specs. That created a sense of ownership. Obviously, we need to sustain that and keep physicians engaged and enthused.

**The Rx for Clinical Integration**

**Phillip Polakoff:** What advice would you give other healthcare organizations beginning this journey?

**Clint Matthews:** Put together the right infrastructure first. I’ve talked with people at healthcare systems across...
the country, and they’re participating in the shared savings model, in bundled pricing products or in accountable care organizations. Our own infrastructure is set up to help us serve our communities better and change and adapt as healthcare priorities evolve.

This has been the most tumultuous time within healthcare that I’ve seen over the past 40 years. We are experiencing major reforms with risk pools, risk stratification and selection of who the payers are going to be. Regional networks are struggling with whether to share a balance sheet or just collaborate better. So our structure aims to focus our physicians and the rest of our team on providing cost-effective care in an FTC-compliant manner. The FTC has made it clear that it will be concentrating on compliance more aggressively in the future.

**George Jenckes:** At any point in time, the Federal Trade Commission could ask an RHP network physician: “What have you done in this practice to improve quality in the care of your patients?” Our physicians now can provide a complete answer to this question.

**Gerry Meklaus:** My advice is to highlight quality, which really does engage people. They will rally behind an organization focused on quality even if reimbursement rates are uncertain. Technology is a key facilitator; technology is developing rapidly, and we need to recognize its capabilities and benefits. It will have a major impact on any project and on the healthcare delivery system in general.

**George Jenckes:** Providers and others were skeptical during the beginning stages of development. Now, most, if not all, understand the direction that clinical integration will take healthcare in the future and are fully engaging in the process and are leading our committees. It is difficult to say whether we’ll have one or 500 contracts going forward, but RHP is dramatically improving our healthcare culture and attitude toward integrated delivery. We’ve seen a seismic cultural shift from practicing in silos to becoming collaborative in our approach to patient care.

Two years ago, population health and clinical integration were little understood. Today, these terms have become the main focus of healthcare, and most participants realize why these concepts are important. Our priority is collaboration to provide better services to the people in our community. It’s as simple as that.

**Phillip Polakoff:** Thank you all for your perspectives.