

HFMA'S VALUE PROJECT

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# The Value Journey

Organizational Road Maps for Value-Driven Health Care

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ALIGNED  
INTEGRATED  
SYSTEMS



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## ORGANIZATIONS THAT INFORMED THE FINDINGS IN THIS REPORT

HFMA's Value Project research team acknowledges the extensive assistance provided by the following hospitals and health systems. Research for each cohort area—academic medical centers, aligned integrated systems, multihospital systems, rural hospitals, and stand-alone hospitals—was assisted and guided by 35 participating organizations. Researchers for HFMA's Value Project conducted in-depth site visits with two organizations within each cohort and discussed site-visit findings with the broader cohort participants to develop the road maps featured in this report. Participating organizations are featured below.

## PARTICIPANTS IN DEVELOPING ROAD MAPS FOR HEALTH SYSTEM CHANGES

Academic Medical Centers	Aligned Integrated Systems	Multihospital Systems	Rural Hospitals	Stand-Alone Hospitals
New York-Presbyterian Hospital	<b>Billings Clinic</b>	Advocate Health Care	Andalusia Regional Hospital	Elmhurst Memorial
Partners HealthCare	<b>Cleveland Clinic</b>	Baptist Health South Florida	Copper Queen Community Hospital	Enloe Medical Center
Rush University Medical Center	<b>Dean Clinic</b>	BJC HealthCare	Crete Area Medical Center	Holy Spirit Health System
University of Alabama at Birmingham (UAB) Hospital	<b>Geisinger Health System</b>	Bon Secours Health System	Franklin Memorial Hospital	Longmont United Hospital
Vanderbilt University Medical Center	<b>Group Health Cooperative</b>	Catholic Health East	New Ulm Medical Center	Platte Valley Medical Center
	<b>Scott &amp; White</b>	CHRISTUS Health		Winona Health
	<b>Spectrum Health</b>	Dignity Health		
		Fairview Health Services	Whitman Hospital and Medical Center	
		OSF HealthCare		
		Novant Health		
		Nebraska Methodist Health System		

# ALIGNED INTEGRATED SYSTEMS

Aligned integrated systems with established building blocks of coordinated care delivery seem especially well positioned for a shift toward value-based payment. Their challenge is to demonstrate the value of integrated care delivery in a more transparent, value-driven environment.

An aligned integrated system has most of the following characteristics:

- Physicians play key leadership roles on board(s) and management.
- Organizational structure promotes coordination of care.
- Primary care physicians are economically integrated, and their practice sites provide geographic coverage.
- The system owns a health plan, offers single-signature contracting, or has a strategic relationship with a health plan.
- Financial incentives within the organization are aligned.
- Clinical and management information systems tie the elements of the system together.
- The system has the ability to shift financial resources among its various elements.

Seven organizations representing various regions of the country and types of markets participated in interviews for this report. In terms of size, the participants' physician base ranged from 280 physicians to more than 1,000 physicians. The number of primary care sites maintained by these organizations varied from seven to 70.

With the exception of Cleveland Clinic, all of the aligned integrated systems in the cohort have their own health plans. Billings Clinic's plan represents a small proportion of its revenue; the other organizations' health plans generate a substantial proportion of revenue and are viewed as extremely important in the transition to value-based payment.

Physicians play key leadership roles in all systems in this cohort. A leadership structure that pairs physician leaders with administrative partners is common. Additionally, all but Spectrum Health and Group Health Cooperative have physician CEOs. All participants in this cohort are engaging physician leaders in strategic discussions and decisions.

The two site visit organizations selected to represent this cohort were Billings Clinic in eastern Montana and

## KEY RECOMMENDATIONS

Aligned integrated systems should consider the following action steps as they position themselves for value-based business models:

- Invest in capabilities to demonstrate the value of the integrated model.
- Continue to bend the cost curve.
- Play a leadership role in outcomes definition, measurement, and reporting.
- Pursue contracting arrangements and build capabilities to improve value.

Geisinger Health System in northeastern Pennsylvania. Key distinctions between the organizations include the following:

- Geisinger is a more mature integrated system, owns a health plan with more than 300,000 members, has 70 primary care sites, and has had a sophisticated EHR since the mid-1990s.
- Billings Clinic, about a quarter of the size of Geisinger, is a multispecialty clinic that merged with Deaconess Hospital in the mid-1990s and has since taken over management of the hospital.
- Billings Clinic recently gained control of a small Medicare Advantage plan.
- Both serve far-flung, largely rural service areas although the population densities in northeastern Pennsylvania are substantially higher than those in eastern Montana.
- Billings Clinic has one primary competitor in its market; Geisinger has multiple small competitors throughout its region.

## CHALLENGES AND OPPORTUNITIES

Aligned integrated systems have a number of unique opportunities in the emerging value-based payment environment—as well as unique challenges.

**Opportunities.** Aligned integrated systems typically have strong primary care networks. An opportunity exists to leverage primary care even further to help contain or lower costs, engage patients, and drive improved clinical outcomes. As reported in the Value Project's *Defining and Delivering Value* report, customers are interested in

health outcomes more so than process measures of quality. Given their significant investment in IT and the breadth of services they offer, aligned integrated systems are well positioned to lead other organizations on the value journey in the area of outcomes definition, measurement, and reporting, which could favorably differentiate them from other types of healthcare providers. Aligned integrated systems also have opportunities to partner in creative ways with other provider organizations, payers, and employers.

**Challenges.** Aligned integrated systems face some challenges that are distinct from the other types of providers examined in this report. For example, it may be difficult for them to align network providers to their systems and approaches to clinical practice, particularly if their health plans represent a small proportion of revenue to the network provider. To the extent an aligned integrated system's health plan competes with other plans, the efficiencies gained through care delivery reforms may produce unintended windfalls for competing plans that have not been willing to invest in value-based reform. Additionally, in a more transparent, value-driven environment, integrated systems that cross-subsidize across purchasers of their health plans (e.g., achieve

higher margin on some business lines, such as individual payers, that compensate for lower margins on others, such as small group accounts) may be required to revisit those approaches. And, such systems will increasingly be required to demonstrate the value of integration in terms of clinical and financial performance differentiation.

#### Differences among aligned integrated systems.

Aligned integrated systems are at different stages of readiness to undertake population risk management and associated payment models. For example, Geisinger, with its 70 primary care sites and long experience with its health plan, is better positioned for population health management. In contrast, Billings Clinic is only beginning to gain experience with running a health plan and lacks the marketplace, clinical process improvement data, and other building blocks needed to move as quickly toward developing competencies for population management and population-based risk. Additionally, integrated systems are at different places with respect to offering a coordinated continuum of care. Such marketplace and organizational characteristics will influence a particular integrated system's readiness for population risk management and associated payment models.

### UNIQUE CHALLENGES AND OPPORTUNITIES FOR ALIGNED INTEGRATED SYSTEMS

Challenges	Opportunities
<ul style="list-style-type: none"><li>• Keeping cost structure competitive and relatively low</li><li>• Convincing health plans, employers and individuals of the value of an integrated approach</li><li>• Competition from single-specialty medical groups, ambulatory imaging and surgery centers, and limited-service hospitals</li><li>• Complexity in managing an aligned integrated system</li><li>• Customers—including health plans and TPAs—developing their own delivery systems/provider entities (e.g., PCMHs, employer-based clinics)</li><li>• Improved efficiencies in aligned integrated systems creating unintended windfalls for other health plans</li><li>• Portability of care delivery models to less-integrated potential provider partners</li><li>• Payment and reports based on process or satisfaction measures can put other nonaligned integrated system providers on a level playing field with such systems</li><li>• Differentiating the aligned integrated system and improving its brand</li></ul>	<ul style="list-style-type: none"><li>• With strong primary care physician base, enhanced ability to transition to population health management models that can drive cost reduction through reduced utilization related to better care management</li><li>• Improved cost effectiveness (which can lead to higher market share or lower health plan pricing for owned health plan)</li><li>• Formation of strategic partnerships with nonintegrated systems</li><li>• Ability to capitalize on savings generated through value-based payment</li><li>• Potential to take advantage of comprehensive clinical information systems (e.g., develop and report on outcomes measures, improved bidding on contracts)</li><li>• Unique opportunities presented by owned health plans (e.g., payment innovations, data mining, strong patient loyalty) to improve delivery of health care</li><li>• Potential to broadly disseminate the word on advantages of integrated care; offer consulting services</li></ul>

## THE ROAD AHEAD: STRATEGIES AND INITIATIVES

The overarching strategic challenge for aligned integrated systems is to remain ahead of other types of providers on the journey from a volume- to value-based payment environment. These systems strive to demonstrate the value of their integrated care delivery models by providing exceptional clinical and financial performance. As the payment environment becomes more value-based, aligned integrated system leaders should strive to:

- Sharpen strategic plans and initiatives to reduce cross-subsidization among payers and demonstrate the value of integrated models
- Continue to bend the cost curve
- Strengthen the care continuum and coordination of care across the continuum
- Play a leadership role in outcomes definition, measurement, and reporting
- Experiment with value-based payment methodologies
- Experiment with approaches to improving patient engagement and accountability, especially in the management of chronic conditions
- Pursue strategic partnerships with employers and payers

Key elements of the road map for aligned integrated systems are distinct from the common road map presented at the beginning of this report. Important areas of emphasis for aligned integrated systems are indicated in bold on the cohort road map.

**Sharpen strategic plans.** Honing strategic plans requires capabilities such as clinical information systems, financial reporting and costing, performance reporting, and analytics and warehouses. There are a number of key issues that aligned integrated systems should consider when revisiting their strategic plans.

First, for those aligned integrated systems with health plans, to what degree does the organization cross-subsidize among customers? Some organizations may be achieving a higher margin on strongly underwritten business lines, such as individual customers, and lower margins on other business lines, such as small group commercial accounts. The combination of financial performance across business lines generates an overall bottomline margin to the health plan, while the financial performance per business line can vary substantially.

In an environment of heightened transparency, extensive cross-subsidization of this type may not be tenable to customers. As a result, aligned integrated systems should review their strategies by customer segment. The approaches to assessing stakeholder needs described in the common road map may be useful to aligned integrated systems in evaluating issues related to subsidization.

Second, aligned integrated systems should consider how to demonstrate superior value over competitors. For example, if the organization has a health plan, what is the price differential sought between that plan and competitors, by customer segment? As a delivery system, does the organization have the necessary longitudinal data and analytics to demonstrate to the marketplace its competitiveness on the basis of total cost of care to the purchaser?

Third, aligned integrated systems should consider what is required to demonstrate the value of integration to the market. Aligned integrated systems are positioning to better showcase their ability to deliver population-based care at a lower total price while providing superior clinical quality. For example, Geisinger Health System recently reported the success of its ProvenHealth Navigator PCMH model in producing savings of 4.3 to 7.1 percent in total cost of care for Geisinger Medicare Advantage health plan members. Although Geisinger has not yet reached a break-even ROI on the model, savings trends suggest that this break-even point will be achieved as more members get longer exposure to the model (Maeng, Daniel D., et al., "Reducing Long-Term Cost by Transforming Primary Care: Evidence from Geisingers' Medical Home Model," *American Journal of Managed Care*, March 2012).

Becky Kelly, director of payer relations at Billings Clinic, noted that in the absence of complete and timely data that can illustrate the health system's ability to contain utilization and total cost of care to the purchaser, it is difficult to tell the organization's "value story." According to Kelly, the market does not recognize the difference in care models between Billings Clinic and its competitor. The demonstration of superior value requires precise, longitudinal clinical and cost data that can be analyzed by payer, employer, population, and patient basis, and Billings has made a priority of obtaining this data through investment in improved clinical and financial information systems.

**Continue to bend the cost curve.** Another critical aspect of strategic planning for aligned integrated systems is containing healthcare costs. “The American healthcare system is wasteful. At least 30 percent—and as much as 45 percent—of healthcare dollars is spent on inappropriate and unnecessary care,” says Glenn Steele, MD, CEO of Geisinger. “Integrated systems like Geisinger need to take the lead in showing how to make a big dent in this problem.”

Both Geisinger and Billings Clinic are working on initiatives that will continue to reduce inappropriate and unnecessary care and help contain healthcare costs. Areas of focus include care coordination, process improvement, chronic disease management, further leveraging of primary care through the addition of physician extenders, and general waste reduction.

### Develop care delivery process engineering models.

Geisinger has been a national leader in end-to-end process engineering with its ProvenCare® model for cardiac vascular surgery. Albert Bothe, MD, executive vice president and chief medical officer for Geisinger, noted that gaining agreement from cardiovascular surgeons on what the model should look like was not easy. “Our six cardiovascular surgeons had eight different ways of doing cardiac vascular surgery,” Bothe said. “Thanks to the commitment of the chief of cardiac surgery, an agreement on standard processes for cardiac vascular surgery was reached; the process took six months. Now, there are 41 elements that need to be completed every time.” Geisinger developed a scorecard to gauge the progress of its cardiovascular physicians in following the agreed-upon processes. “At the end of the pilot, we had a 55 percent compliance score.

ALIGNED INTEGRATED SYSTEM ROAD MAP TO VALUE		
LOWER ←		
ORGANIZATIONAL CAPABILITIES		
<b>People/Culture</b>		
Governance	Review Governance	Adjust Board Composition
Strategy and Structure	<b>Review Strategy by Segment</b>	
Management	Develop Common Plans and Goals	
Physicians	Educate	<b>Assess Performance</b>
Staffing and Skills	Assess Needs	Plan Attritions
Communication and Culture	Deliver Value Message	Educate
<b>Business Intelligence</b>		
Clinical Information Systems	Implement EHR, All Settings	Establish Alerts
Financial Reporting & Costing	Directional, Limited	Precise, All Settings
Performance Reporting	Core, Process Measures	Strategic Measures
Analytics and Warehouses	Review Data Governance	<b>Integrate Clinical, Financial Data</b>
<b>Performance Improvement</b>		
Process Engineering	Identify Methodology(ies)	Establish Cross-Functional Forum
Evidence-based Medicine	Patient Safety	Readmissions and Hospital-Acquired Conditions
Care Team Linkages	<b>Leverage Primary Care</b>	Right-Size Specialty
Stakeholder Engagement	Create Transparency	Educate Patients
<b>Contract &amp; Risk Management</b>		
Financial Planning	Rolling Calendar	Update Cash Flow Planning
Financial Modeling	Maintain Short-Term View	
Risk Modeling	Analyze Profit/Loss	Estimate Financial Exposure
Contracting	Negotiate Prices	Partner with Quality

Four months later, we reached more than 95 percent compliance,” Bothe says.

ProvenCare® continues to roll out new initiatives. Cataract surgery, cardiac catheterizations, and hip replacement surgery all have been incorporated into the ProvenCare® model; common care processes for low-back pain, epilepsy, and brain tumors are currently being examined.

Process engineering is not only important for cost containment, but also for quality improvement. System leaders leverage their investments in clinical and financial systems to find opportunities for streamlining of care delivery. Earl Steinberg, executive vice president, innovation and dissemination for Geisinger, defines Geisinger’s “secret sauce” as what the system has done in workflow management to increase the likelihood that particular clinical practices are performed consistently.

Some of the ingredients, such as culture and leadership, are not easily exportable. On the other hand, Steinberg noted, “We have a lot of experience with a clinical information system and analytics, which helps us use resources more effectively. These skills are exportable, as are effective care management techniques such as embedded case managers in primary care practices.”

Given the advanced capabilities that aligned integrated systems have demonstrated in utilizing data to frame performance improvement opportunities, these systems may be better poised to expand such efforts to include cross-functional and cross-location initiatives. Some of the representatives from aligned integrated systems who were interviewed for this report acknowledged that, within their organizations, opportunities exist to better integrate across

## Degree of Care Transformation & Financial Sustainability

HIGHER

### STRATEGIES & INITIATIVES

<b>Educate Leadership</b>	<b>Augment Governance</b>		
<b>Bend Cost Curve</b>	<b>Demonstrate Evidence of Lower Total Cost</b>		
Align Incentives	Manage to Measurement		
<b>Align Compensation</b>	Develop Leaders	Lead Strategies and Initiatives	
Add Staff Strategically	Educate	Align Incentives	Enhance Leadership
<b>Engage Stakeholders</b>	<b>Experiment with Payment, Care Delivery</b>		Take Risks
<b>Establish Disease Registries</b>		<b>Develop Data Exchanges</b>	
Longitudinal		Complete Per-Member, Per-Month Costing	
Outcomes		<b>Population Based</b>	
<b>Develop Analytics</b>	Expand Databases	Support Real-Time Decisions	
Initiate Efforts	Utilize Data	Expand Cross-Department	Expand Cross-Continuum
Standards, Protocols	High-Risk Care	<b>Chronic Conditions</b>	Wellness
<b>Partner Strategically</b>	<b>Expand the Scope of Services</b>		<b>Manage Care by Setting</b>
Share Decision Making	Engage the Community	Establish Patient Accountability	
<b>Update Capital Budgeting and Capital Access Planning</b>		<b>Quantify and Allocate Initiatives</b>	
Utilize Predictive Modeling		Conduct Multifactorial Scenario Planning	
Experiment with Value-Based Payment (VBP)		Develop Risk Mitigation Strategy	
<b>Partner with Payers</b>		Prepare for Second-Generation VBP	

clinical departments, such as improving coordination between behavioral health and other components of the delivery model.

#### **Focus on coordinating care of patients with chronic disease.**

Geisinger has 40 nurse case managers in primary care offices. As is true of other organizations that use embedded care coordinators, the focus is on patients with chronic disease where the potential savings are the greatest. Evidence-based approaches are being developed in rheumatology, nephrology, and other areas, and care protocols are being developed for use in primary care physician offices.

Billings Clinic is moving toward development of chronic diseases registries with the goal of improving its management of these populations and thus reducing costs. Adding PCMHs to its primary care practices is part of its approach.

**Find opportunities for waste reduction.** Since 2009, Billings Clinic has enhanced its focus on reducing expenses and waste, particularly related to supplies and contracting costs. The use of Lean Six Sigma tools has enabled Billings Clinic to achieve \$16 million in savings since 2009. Expected savings for 2012 are about \$8 million.

Billings Clinic organizes its Lean efforts—which are captured in the system’s strategic plan as “operational excellence initiatives”—around the core buckets of supplies, revenue cycle, patient throughput, patient access, and productivity, asking departments within its 19 “value streams” (e.g., radiology, laboratory, cardiology) to identify and define projects to help the organization achieve its operational excellence goals. With cost containment initiatives related to supply costs and revenue cycle well underway, the organization is now turning its attention to productivity initiatives. Billings Clinic has established a “no layoff” policy to encourage front-line staff to participate in performance improvement projects without worrying that they will perform themselves out of their jobs. It believes that it can carefully manage employee attrition to ensure that employees whose roles are affected by performance improvement projects will be able to find similar positions elsewhere in the organization.

In an interview with HFMA’s Value Project, Geisinger Health System’s chief innovation officer, Jonathan Darer identified four major themes for addressing excess cost and waste in the healthcare system:

- Improve advanced serious illness and end-of-life care.
- Reduce variation in the use of high-cost therapies (e.g., pharmacy and high-cost medications) and high-cost diagnostics (e.g., high-end imaging).
- Engage patients more fully.
- Reduce the potential for preventable harm through clinical decision support.

The bottom line: Containing healthcare costs requires multi-faceted approaches, and there is not a “silver bullet” path to savings.

**Strengthen the care continuum.** This strategy is of particular importance to aligned integrated systems intending to move more quickly toward population risk management. There are several dimensions to strengthening coordination of care across the continuum, including the following:

- Expanding the scope of services
- Improving alignment with network providers
- Partnering strategically with other providers

These strategies are related to physician and care team linkage capabilities on the road map.

Expanding the scope of services may be necessary for organizations positioning themselves to deliver population health management. Integrated systems may have to enter fields that are unfamiliar or not as attractive financially. For example, Billings Clinic does not offer rehabilitation and OB/Gyn services because these services are provided by another community hospital. If its goal is to deliver population health management, Billings Clinic may need to determine how to manage coordinated care for these services through such options as strategic partnerships or contracting.

Many integrated systems are comprised of employed and contracted physicians. Contracting is used to fill geographic or service gaps or, in some cases, to broaden market appeal. Performance on quality and cost may vary between the integrated and contracted components of the delivery system. As aligned integrated systems strive to ensure consistent performance in all geographies in which they operate, gain market share, increase their scale and stretch their geographic boundaries, it is important that they experiment with ways to align providers and coordinate care across the delivery system. This work

requires capabilities related to performance assessment, compensation alignment, and strategic partnering.

Group Health Cooperative is determining what standard measures and metrics to require for all of its network providers. The organization also is reviewing what core capabilities the health system can offer its network providers. “We have experience in managing populations and risk; how do we best bring that set of capabilities to our network?” says Scott Boyd, Group Health Cooperative’s vice president of finance.

Some aligned integrated systems have achieved this type of alignment through scale and influence. Geisinger Health Plan contracts with nearly 3,000 independent physicians, 25,000 specialists, and 112 community hospitals in its region. Just under half of the health plan’s revenues are paid to outside providers. Duane Davis, MD, CEO of Geisinger’s insurance operations, said the health plan “gives us an influence over providers in our three regions.” Billings Clinic has achieved significant influence in its region by combining ownership of some facilities (full or partial ownership of three hospitals, four rural physician clinics, and a 90-bed long-term care facility) with management of others (eight critical access hospitals in its service area).

Geisinger also has integrated network physicians into its PCMH model. Tom Graf, MD, who heads population health initiatives for the health system, says Geisinger modeled two medical homes in 2006 and rolled them out within six months; all of the health system’s PCMHs were completed by the end of 2010. “This is a key building block for all our other programs,” he says. A stated advantage of this approach is “the ability to reduce readmissions and comprehensively manage patients across the continuum.”

Geisinger also has opened its customized EHR to network providers as another way of strengthening ties, according to Lynn Miller, executive vice president, clinical operations.

Other participants are working toward greater alignment with network providers by augmenting their contractual terms. One participant studied by HFMA’s Value Project requires all network providers to have an EHR or risk contract termination. Dean Health utilizes the “Dean Health Contract,” which aligns network providers to its quality, satisfaction, and financial goals.

Aligned integrated systems are also formulating strategic partnerships with other providers. One participant, Group Health Cooperative, recently announced an innovative

partnership with Providence Health Care in Spokane, Wash. Seattle-based Group Health Cooperative and Providence, a 32-hospital system, have formed a joint venture to offer a single delivery network in Spokane available to any payers or employers interested in contracting with it; this is the first time that Group Health has made its physicians and clinics available to commercial subscribers of other health plans. The initiative combines Group Health’s 119 physicians and other professionals, accessible from 16 locations, with the 276 physicians and professionals in Providence Medical Group. Collectively, these organizations will provide the largest provider network in the region. This presents significant opportunities for longitudinal care coordination that serves a large population as well as population-based risk contracting.

**Play a leadership role in achieving value-enhanced outcomes.** An opportunity for aligned integrated systems to stay ahead of their competitors and distinguish themselves favorably with payers lies in their ability to use clinical, financial, and satisfaction data to report on quality in terms of functional outcomes.

There are different ways in which an integrated system could pursue this opportunity. For example, organizations with a health plan could pilot an approach with an engaged employer of sizeable membership to improve outcomes where data have indicated areas for improvement. Conducting focus groups with a subset of employers or patients also might be helpful in defining a starting point for functional outcomes measurement. Entities with a research arm, such as Geisinger, might consider focusing on the area of outcomes definition and measurement.

**Experiment with value-based payment methodologies.** Aligned integrated systems participating in HFMA Value Project research appear to be selective in how they are experimenting with value-based payment. A key distinction among aligned integrated systems is that some own significantly sized health plans, while others do not. Ownership of a health plan affords systems some leeway to experiment with population-based risk payment arrangements.

Other integrated systems, such as Cleveland Clinic, are pursuing opportunities to experiment with value-based payment arrangements with purchasers. For example, Cleveland Clinic has established a payment arrangement

with Lowe's, a self-insured employer. Under this arrangement, Cleveland Clinic is paid a fixed amount per patient for certain types of tertiary services. Cleveland Clinic, Geisinger, and Scott & White are three of six health systems around the country that are participating in a Walmart "Centers of Excellence" program. The program will provide heart, spine, and transplant surgeries at no out-of-pocket cost to Walmart associates under bundled pricing arrangements that Walmart has negotiated with the systems.

Billings Clinic offers another example. The health system's large, sparsely populated service area presents particular challenges for Billings Clinic as it considers opportunities for population management. Because most of the clinic's patients coming to Billings from the secondary or tertiary service area are referrals to Billings Clinic's specialists, these patients return to their communities for primary care. Billings Clinic's relatively low proportion of primary care physicians to specialists—20 percent to 80 percent—reflects eastern Montana demographics and referral patterns.

Because population-based value payments are likely to be established in the future, Billings Clinic is in the early stages of developing bundled payment for certain orthopedic procedures. The clinic intends to pursue a bundled payment with CMS's Innovation Center. "We won't make money on it," says Nick Wolter, MD, Billings Clinic's CEO. "We are undertaking this initiative to learn more about what bundled payment requires."

**Experiment with approaches to more fully engage patients.** Aligned integrated systems are often well positioned to experiment with ways to improve patient engagement and accountability. Engaging patients is related to other value-based strategies, such as containing healthcare costs and outcomes reporting. Experimentation with patient participation relates to stakeholder engagement, analytical and data capabilities, and process engineering.

Geisinger is a leading example of an organization that is pushing the envelope on such experiments: Its ProvenCare® pathways detail process steps and accountabilities not only for clinicians, but also for patients. Geisinger also aligned its health plan design to encourage patients to engage in the ProvenCare® pathways by offering lower patient charges for participation.

Organizations interested in experimenting with ways to engage patients should develop data warehouses and analytics capabilities to better assess the effectiveness of different approaches. For example, analyses of socioeconomic and demographic information could help an organization determine the effectiveness of different patient engagement strategies for distinct subsets of patients. Process improvement capabilities are necessary to map and implement the process steps involved in the new approaches.

**Pursue strategic partnerships with payers.** Due to their size and influence, some aligned integrated systems may have unique opportunities to partner with commercial payers on payment experiments and obtaining funding for value-related infrastructure development. Billings Clinic is an example: The health system is in the second year of a three-year arrangement with Blue Cross that is focused on the establishment of PCMHs. Billings Clinic is one of two providers in the state that are working with Blue Cross on PCMHs. Per the terms of this arrangement, next year, Billings Clinic will be actively building the structures and processes required in a PCMH model, including adding care navigators. Blue Cross is paying a per-member, per-month rate for all attributed patients in a PCMH, on top of its regular discounted fee-for-service rates. Billings Clinic intends for all of its primary care to be delivered in a PCMH model, and is working through that transition now.

Partnering with payers on payment experiments or infrastructure funding may be a strategy that is more available to aligned integrated systems *without* sizeable health plans, such as Billings Clinic. Some integrated systems with health plans do not contract their delivery operations to competing plans (until recently, this was the case with Group Health Cooperative). And, in some markets, the competing carriers may not be interested in partnering with the delivery system of a competing plan.

A more viable option for aligned integrated systems with health plans, as well as those without, may be contracting with self-insured employers as a means of gaining experience with population risk management. When Cleveland Clinic negotiated its unique arrangement with Lowe's, the home improvement company, Lowe's customized its benefit design to financially encourage

its employees to use this care pathway (for instance, by providing a specialized travel benefit for employees who traveled to Cleveland Clinic for care). Other systems may want to consider contracting with self-funded employers in similar arrangements, or to provide across-the-board services for local employers to gain experience with population risk management.

Geisinger Health System is taking a cutting-edge approach to partnering with employers. The organization is interested in learning how the innovations that have been successful at Geisinger can be “scaled and generalized” for other organizations. Geisinger’s Duane Davis, CEO of the health system’s insurance operations, noted that the organization has begun a third-party administrator service, working with a West Virginia health system in managing the health system’s self-insured population. “Self-insured populations are an obvious place to start,” Davis says. “They provide both a business reason and a population to work on.”

Pursuing opportunities to partner with payers (e.g., health plans and employers) relates to the contracting capability in the aligned integrated systems road map.

## OTHER STRATEGIES AND INITIATIVES

There are numerous additional initiatives that the aligned integrated systems studied by HFMA’s Value Project are evaluating in their transition from volume to value. Suggested action steps include the following.

**Encourage physician leadership and decision making.** Successful aligned integrated systems have strong physician leadership involved in strategic decisions and care delivery transformation. Mark Rumans, MD, physician-in-chief for Billings Clinic, noted that although structures such as paired leadership models can be managerially complex, having physician leadership in place can make execution happen more quickly once decisions are made. “It can take a lot of time to process a decision,” Rumans says. “We have to be thoughtful; our actions impact the community. But, once we decide to do something, we can move quickly toward implementation.”

At aligned integrated systems, cultivating physician leadership is an ongoing priority. For example, physician leadership development is of continuing emphasis at

Billings Clinic. In addition to the formal leadership accountabilities described above, development opportunities include serving on committees or leading initiatives. Also, there is a formal training component to physician leadership development involving courses such as emotional intelligence and effective coaching.

**Continue to invest in business intelligence.** Although both Geisinger and Billings Clinic have had sophisticated clinical information systems for years, there are continuing opportunities to combine clinical and financial information to improve overall decision making within the organizations.

Geisinger’s business intelligence capabilities are well respected by hospitals and health systems across the country. The organization has developed and integrated numerous customized applications into its EHR, which also houses reminders and a patient portal. Geisinger has a substantial data warehouse that is populated with financial information from its mainframe-based decision support system, clinical information from its EHR, and claims data from its health plan. There are an estimated 200 users of the warehouse. The system also operates Keystone Health Information Exchange; 34 Pennsylvania organizations are involved.

Additionally, Geisinger has access to the data needed to understand the variable and fixed costs for each service it provides, and has the ability to aggregate financial data for an episode of care. With the data available, Geisinger can produce analyses of cost per product and cost per contract, patient analyses, and dashboards. The health system’s financial and clinical support department can calculate estimated net revenue for proposed contracts, which is helpful in contract negotiations.

Even with these advanced capabilities, there is room for Geisinger to bolster its business intelligence. Opportunities include finding better measures of outcomes (not just quality processes) and using business intelligence to better position the system for population health management. The latter ideally involves economic and demographic data as well as epidemiological information on the specific market area and population targeted for management.

Billings Clinic is investing in a new system to improve its business intelligence capabilities. The health system anticipates that it will achieve improved functionality in

18 months, with an initial emphasis on clinical data and analytics. Nick Wolter, CEO of Billings Clinic, indicated that improved business intelligence capabilities will help Billings Clinic further develop its integrated model.

Additionally, Wolter envisions that improved business intelligence capabilities will enable the organization to further develop its chronic disease registries and population management capabilities. Stemming from its participation in the Physician Group Practice Demonstration, information for Billings Clinic's diabetic patients is maintained in a registry overseen by two registered nurses. Patients with congestive heart failure are also included in such a registry; patients call in their vital signs daily, and when the need for follow-up care is indicated, nurses arrange for patients to be seen so they can receive treatment that might help them avoid hospitalization. Wolter estimates that inpatient admissions from these two groups have been reduced by 35 percent, or \$3 million per year. "We're going to do some good things, and it'll cost us some revenue. But, if we're seen as providing higher value, we'll make up for it in increased volume," he says.

## RECOMMENDATIONS

As they prepare for value-based business models of care and care delivery, hospitals and health systems in the other four cohorts can learn from aligned integrated systems. These systems are advanced in aligning financial incentives. They have significant experience with sophisticated EHRs and in analyzing data from these information systems. Their skills in clinical care coordination put them among leading hospitals and health systems in the country in this area, and their focus on innovations in outpatient care (particularly for patients with chronic disease) holds promise for further reducing costs. Additionally, aligned integrated systems demonstrate that physician leadership not only works, but is a key to success.

The challenge for aligned integrated systems is to stay ahead of competitors as they take steps to better coordinate care and amass scale. Recommendations for aligned integrated systems include the following.

**Invest in capabilities to demonstrate the value of the integrated model.** It may take a long time to achieve market recognition for integrated care, particularly in

markets dominated by strong single-specialty medical groups, specialty hospitals, and physician-owned ambulatory imaging and surgery centers. Investing in clinical and financial data and the ability to analyze such data longitudinally and at the payer, employer, population, and patient level is critical to demonstrating that aligned integrated systems deliver better quality at a lower total price. Additionally, such capabilities are critical for organizations interested in population health management and associated financial risk.

**Continue to bend the cost curve.** As reported in *Defining and Delivering Value*, employers and governmental payers face increasing pressure to contain expenditures on health care, and the demands on healthcare providers to better contain costs are escalating. Aligned integrated systems are well positioned to lead the charge in curtailing the annual rate of increase in health expenses. Key capabilities for bending the cost curve include business intelligence, process engineering (including opportunities to improve care coordination across functions within the existing integrated delivery network), leveraging of primary care, focusing on chronic disease management, and experimenting with ways to improve patient engagement. Additionally, aligned integrated systems with health plans that are cross-subsidizing substantially among payers should evaluate the sustainability of such practices and develop cost containment plans accordingly.

**Lead on outcomes measurement and reporting.** The dimension of quality that payers and patients are most interested in is outcomes, including those that report on return of patient functionality. Many aligned integrated systems are well positioned to lead in outcomes definition, measurement and reporting, given their control of many elements of the care continuum, prior investments in business intelligence, and cultural orientation toward measurement and improvement. Integrated systems should consider strategic partnerships with employers or other payers to undertake this work, which could further distinguish the value of integration.

**Pursue contracting arrangements and build capabilities to improve value.** Organizations intending to move toward population risk management need to define,

assess, and fill in the care continuum through services or strategic partnerships with purchasers or other providers. Partnerships with payers, including self-insured employers, can provide opportunities to experiment with population-based payment models.

Organizations not ready to accept population-based risk should take steps toward improving their capabilities to manage care at the population level. Aligned integrated systems can pursue bundled payments as a way to

experiment with improved care coordination across settings, for example, or can add care coordinators and develop disease registries to augment care for patients with chronic conditions.

Aligned integrated systems are learning organizations; they are generally not satisfied with the status quo and have a strong cultural orientation toward continuous improvement. This pursuit of excellence will prove crucial to the continued success of these systems in a value-based environment.

### ALIGNED INTEGRATED SYSTEM RESEARCH PARTICIPANTS

Participating Organization	No. of Physicians	Mix PCP/Specialist	No. of Primary Care Sites	Market Served	Payer Mix*	Geography
Billings Clinic	280	20% / 80%	7	Urban/Rural	39% Medicare 17% Medicaid 30% Commercial 8% Self-Pay 6% Other	Eastern Montana & Northeast Wyoming
Cleveland Clinic	600	10% / 90%	50	Urban/Suburban	Not Reported	Northeast Ohio, South Florida, Nevada
Dean Clinic	500	45% / 55%	60	Suburban/Rural	30% Medicare + Medicaid 50% Dean Health Plan 20% Other	Southern Wisconsin
Geisinger Health System	1,000	30%/70%	70	Urban/Rural	28% Medicare 15% Medicaid 27% Commercial 27% Geisinger Plans (including 12% Medicare Advantage)	Northeastern Pennsylvania
Group Health Cooperative	1,067	55%/45%	25	Urban/Suburban	Not Reported	Washington, Northern Idaho
Scott & White	900	33% / 67%	30	Urban/Rural	37% Medicare 22% Medicaid 37% Managed Care/Commercial 4% Other	Central Texas
Spectrum Health System	585	27%/73%	48	Urban/Suburban	44% Medicare + Medicaid 56% Commercial	West Michigan

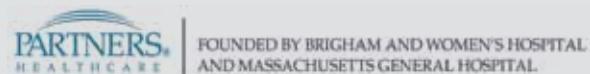
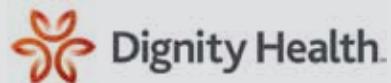
\* Payer mix is based on inpatient discharges including normal newborns. Revenues to integrated systems' own health plans are included in the payer mix estimates above.



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