CLINICAL INTEGRATION: A PHYSICIAN-LED PATH TO VALUE

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FEDERATION CARE NETWORK
OBJECTIVES

• UNDERSTAND CLINICALLY INTEGRATED NETWORK (CIN) APPROACH TO IMPROVING HEALTH CARE VALUE

• UNDERSTAND FEDERATION SUPER CIN AND LOCAL CIN MODELS

• UNDERSTAND PHYSICIANS’ ROLE IN FEDERATION & LOCAL CINS

• UNDERSTAND THE BENEFITS OF CIN TO PRACTICING PHYSICIANS
Health Care Today is Not Sustainable
The Numbers Send a Clear and Present Message

“The implication for budgeteers is clear: If we can somehow solve the health care cost problem, we will also solve the long-run deficit problem. But if we can’t control health care costs, the long-run deficit problem is insoluble.”

Alan S. Blinder

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MEDICARE FEE-FOR-SERVICE’S DAYS ARE NUMBERED

Medicare Alternative Payment Models—
e.g., ACOs, Bundled payments

CONSUMERS ARE SACRIFICING CHOICE FOR PRICE ON EXCHANGES

Main Reason for Choosing Health Plan, Among Low- and Middle- Income Insured Adults Who Had a Choice

- Low cost
- Provider network
- Benefits covered
- Recommended
- Other reason

### Newly Insured
- 35% Low cost
- 15% Provider network
- 24% Benefits covered
- 9% Recommended
- 18% Other reason

### Previously Insured
- 28% Low cost
- 19% Provider network
- 35% Benefits covered
- 5% Recommended
- 14% Other reason

**NOTE:** Among insured adults ages 19-64 who had a choice of plans and made the choice themselves. “Previously Insured” includes people who were insured as of interview date and have been insured since before January 2014; some of these people may have switched coverage type. “ Newly Insured” include people who were insured as of interview date and gained coverage since January 2014. *Significantly different from newly insured at the p<0.05 level.

**SOURCE:** 2014 Kaiser Survey of Low-Income Americans and the ACA.

*Figure 22: Main Reason for Choosing Health Plan, Among Low- and Middle- Income Insured Adults Who Had a Choice*
LARGER SCALE IS NECESSARY TO COMPETE

• PROVIDER SYSTEMS ARE CONSOLIDATING—E.G., BEAUMONT HEALTH, MCLAREN HEALTH CARE

• HEALTH PLANS ARE CONSOLIDATING—E.G., HEALTHPLUS & HEALTH ALLIANCE PLAN, ANTHEM & CIGNA, AETNA & HUMANA

• PROVIDER SYSTEMS ARE COLLABORATING—E.G., TOGETHER HEALTH

• WHY?
  • BETTER PERFORMANCE OF PROVIDER HEALTH PLANS WITH 400,000 OR MORE MEMBERS (1)
  • SHARING COSTS OF EXPENSIVE INFRASTRUCTURE—E.G., IT, DATA ANALYTICS & BUSINESS INTELLIGENCE, CLINICAL DECISION SUPPORT
  • SPREADING THE ACTUARIAL RISK OF VALUE-BASED PURCHASING CONTRACTS
  • ENHANCING COMPETITIVENESS FOR STATE-WIDE PAYER CONTRACTS
WHAT IS CLINICAL INTEGRATION: FTC & DOJ TEST FOR CIN REGULATORY COMPLIANCE

FTC 3-PART TEST: ‘OUR EXPERIENCE INDICATES THAT IN ORDER TO QUALIFY AS LEGITIMATELY CLINICALLY INTEGRATED PURSUANT TO THIS DEFINITION, THE FOLLOWING CONDITIONS MUST EXIST:

1. A NETWORK OF PHYSICIANS WILLING TO DEMONSTRATE “A HIGH DEGREE OF INTERDEPENDENCE AND COOPERATION,” THROUGH
2. A PROGRAM OF INITIATIVES DESIGNED TO “CONTROL COSTS AND ENSURE QUALITY,” WHICH
3. IS SUPPORTED BY AN INFRASTRUCTURE THAT ALLOWS THE PHYSICIANS TO “EVALUATE AND MODIFY PRACTICE PATTERNS.”
FEDERATION STRATEGY: A STRONG FOUNDATION

• CAYMICH PARTNERS:
  • BRONSON—1979
  • MUNSON—1979
  • SPARROW—1979
  • MIDMICHIGAN—1995
  • LAKELAND—2001
  • COVENANT—2003
  • ALLEGIANCE--2005

• MICHIGAN HOSPITAL GROUP BEST PRACTICES IN RISK MANAGEMENT & QUALITY IMPROVEMENT

• RECOGNITION OF POTENTIAL BENEFITS OF COLLABORATION

• DESIRE TO REMAIN INDEPENDENT, COMMUNITY-GOVERNED
In response, The Federation Care Network was formed with a shared vision, mission, values, and goals.

**Vision:** A healthy Michigan at an affordable cost

**Mission:** We partner with patients and colleagues in high-performing teams to continuously improve their health and healthcare experience at the lowest possible cost.

**Values:** We are committed to transforming healthcare through --
1. Compassion and respect for our patients, colleagues, and communities
2. Collaboration
3. Data driven decision-making
4. Efficiency

**Goals**
- Better Health
- Affordable Cost
- Shared Rewards
- More Covered Lives

- 21 Acute-Care Hospitals
- 7,000 Physicians on Medical Staff

Map Legend:
- County
- Current Member
- Potential Partner

Organization Key:
1. Henry Ford Allegiance Health
2. Bronson Healthcare Group
3. Covenant Healthcare System
4. Lakeland Healthcare
5. Midland Health
6. Sparrow Health System
7. Munson Healthcare
8. Spectrum Health
9. University of Michigan Health System
FEDERATION STRATEGY: STRUCTURED AS A “NETWORK OF NETWORKS” WITH A LOCAL CHAPTER FOR EACH MEMBER CONNECTING ALL PROVIDERS
FEDERATION STRATEGY:
ORGANIZATIONAL ALIGNMENT

Patient & Caregiver Teamwork
- Partners: Primary Care Physicians, Patients, Families
- Value Add: High Quality, Efficient Health Care, Better health

Local Clinically Integrated Network (LCIN) Teamwork
- Partners: Specialists, Health Systems Ancillary Care & Social Services
- Value Add: Provider & Patient Information, Tools & Support, Care management revenue incentives

Super Clinically Integrated Network (SCIN) Teamwork
- Partners: Payers, Complex Tertiary & Quaternary Care Providers
- Value Add: LCIN Information, Tools, Support, Rewards, More Patients & Risk Management

Clinical Transformation Committee/Clinical Transformation Support Team
Contracting Committee
IT & Business Intelligence Committee
Communication & Education Committee
Staff
FEDERATION STRATEGY: ALIGNMENT OF CONTRACTING AND CLINICAL TRANSFORMATION

This aligned strategy should advance the Federation’s vision:
Improve the health of communities throughout Michigan through the strategic deployment of initiatives that improve quality and reduce costs across the continuum of care, to ultimately transform the healthcare delivery system.

- Aligns all parties towards the Triple Aim through a value-based payment methodology
- Creates additional resources to support clinical transformation efforts
- Creates a meaningful and relevant program with which to engage the market
- Serves as both a curve “shifter” and “narrower” for the Federation and its Chapters

Contracting Strategy

Alignment of:
- Populations
- Programs
- Resources
- Incentives

Clinical Transformation Strategy
Objectives for 2016-17:

1. **Organizational**: Market an FTC-compliant, clinically integrated network (CIN) across all chapters.

2. **Clinical Transformation with High-Impact Initial Priorities**:
   a. Chronic Disease Management—COPD, Asthma, Heart Failure
   b. Post-Acute Care
   c. Pharmacy Management

3. **Care Management for Employee Health Plans**

4. **Value-Added Contracts with Selected Health Plan Partners**:
   a. Focus on Medicare Advantage and Commercial Products
   b. Infrastructure support
   c. Custom plan designs
   d. Upside only to start, increasing risk-sharing over time

5. **Hospital Quality and Efficiency Programs**

6. **Medicare Shared Savings Program/ACO Participation**
**Federation Update: Clinical Transformation—Performance Summary**

### Utilization

<table>
<thead>
<tr>
<th>Population</th>
<th>Utilization Measure</th>
<th>Curve Shifting</th>
<th>Curve Narrowing</th>
<th>PMPM Impact</th>
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<tr>
<td><strong>Employee Health Plan</strong></td>
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<tr>
<td>Inpatient</td>
<td>14%</td>
<td>42%</td>
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<td>$9.80</td>
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<tr>
<td>ED</td>
<td>62%</td>
<td>36%</td>
<td></td>
<td>$4.26</td>
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<tr>
<td>GDR</td>
<td>7%</td>
<td>7%</td>
<td></td>
<td>$21.58*</td>
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<tr>
<td><strong>Commercial</strong></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>IP</td>
<td>-2%</td>
<td>53%</td>
<td></td>
<td>$15.44</td>
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<tr>
<td>ED</td>
<td>8%</td>
<td>28%</td>
<td></td>
<td>$1.85</td>
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<tr>
<td>HTI</td>
<td>9%</td>
<td>31%</td>
<td></td>
<td>$2.71</td>
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<tr>
<td>GDR</td>
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<td>3%</td>
<td></td>
<td>$6.01*</td>
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<tr>
<td>Med. Spec. Drugs</td>
<td>4%</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharm. Spec. Drugs</td>
<td>12%</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medicare</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IP</td>
<td>8%</td>
<td>23%</td>
<td></td>
<td>$19.90</td>
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<tr>
<td>ED</td>
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<td>9%</td>
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<td>Radiology</td>
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<td>19%</td>
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<td>HH</td>
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<td>47%</td>
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<td>$4.98</td>
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**Note:** PMPM impact is difference between Federation weighted average and either the benchmark value or the best-performing member (whichever is smaller) to account for both curve shifting and narrowing opportunities.

* = Indicates PMPM impact for pharmacy overall.

### Chronic Disease Management

<table>
<thead>
<tr>
<th>Population</th>
<th>Initiative</th>
<th>Curve Shift</th>
<th>Curve Narrow</th>
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</thead>
<tbody>
<tr>
<td><strong>Comm.</strong></td>
<td>Diabetes</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>CAD</td>
<td>9%</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>COPD</td>
<td>31%</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>Asthma</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Medicare</strong></td>
<td>Diabetes</td>
<td>-6%</td>
<td>65%</td>
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<tr>
<td></td>
<td>CHF</td>
<td>22%</td>
<td>55%</td>
</tr>
<tr>
<td></td>
<td>HTN</td>
<td>-28%</td>
<td>38%</td>
</tr>
<tr>
<td></td>
<td>COPD/Asthma</td>
<td>30%</td>
<td>35%</td>
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**Benchmark Sources**

- **EHP:** Well-Managed Navigant Benchmark
- **Commercial:** BCBS PGIP Top Quartile
- **Medicare:** CMS National Average
- **All Patient:** NCQA HEDIS 90th Percentile
CLINICAL TRANSFORMATION PRIORITIES

- CHRONIC DISEASE MANAGEMENT:
  - Chronic Obstructive Pulmonary Disease
  - Asthma
  - Heart Failure

- POST-ACUTE CARE:
  - Condition- and Procedure-Specific Transition Care
  - Rehabilitation and Skilled Nursing Facility Care

- PHARMACY:
  - Specialty Pharmaceuticals
  - Formulary Rationalization
  - “Real-time” Medication Fill Data
  - Medication Management

- OTHER:
  - Physician-Level Performance Reporting
  - Best Practice Learning Collaboratives
HEALTH PLAN CONTRACTING OBJECTIVES

1. **HIGH-VALUE CARE**: QUALITY, SAFETY, COST, EXPERIENCE, ACCESSIBILITY TO TARGETED CUSTOMERS

2. **CI PROGRAM ALIGNMENT**: PERFORMANCE DATA, INCENTIVES, AND INFRASTRUCTURE SUPPORT

3. **ECONOMIC MODEL**: Creates a sustainable economic model that--
   a. MANAGES THE TRANSITION FROM FEE-FOR-SERVICE TO FEE-FOR VALUE
   b. REWARDS FEDERATION & LOCAL CHAPTERS FOR TRIPLE AIM VALUE CREATION
   c. FUNDS EFFICIENT AND EFFECTIVE OPERATIONS FOR THE FEDERATION AND LOCAL CHAPTERS

4. **VALUE SHARING**: AMONG VALUE-PRODUCING STAKEHOLDERS--PATIENTS, PHYSICIANS, PAYERS, HEALTH SYSTEMS

5. **PANEL SCALE**: ACHIEVES 20%-30% OF PHYSICIAN PATIENT PANELS & HOSPITAL REVENUES TO MOTIVATE CHANGE

6. **COVERED LIVES SCALE**: SPREADS INFRASTRUCTURE INVESTMENT AND RISK ACROSS A CRITICAL MASS OF LIVES

7. **PREFERRED ELEMENT ALIGNMENT**: ALIGNS WITH OTHER CONTRACT ELEMENTS—E.G., SCOPE, PERFORMANCE-BASED COMPENSATION, FUNDING POOLS, AND OTHER TERMS
MEMBER LCIN CAPABILITIES ASSESSMENT

- On-site interviews and data-gathering assessed the current state of CIN capabilities:
  - Physician alignment
  - Patient & family engagement
  - Clinical integration
  - Care delivery
  - Care management
  - Contracting & finance
  - IT & business intelligence

- Navigant calibrated the performance of each chapter against a 5-point scale of evolutionary phases. Members at the “transform” level are truly prepared and/or successfully operating in a risk environment.
## LOCAL CIN DEVELOPMENT REQUIREMENTS

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Criteria</th>
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<tbody>
<tr>
<td>Actively participates in Federation Governing Board and Subcommittees</td>
<td>Participate in all Board-approved Federation contracts that provide economic benefit &amp; fall within the parameters established by the Contracting Committee</td>
</tr>
<tr>
<td>Operates one local FTC-compliant Clinically Integrated Network (CIN) that connects independent &amp; employed physicians</td>
<td>Adheres to the Federation’s IT Participation Criteria</td>
</tr>
<tr>
<td>Achieve targeted performance levels on quality &amp; efficiency indicators</td>
<td>Meets all financial commitments</td>
</tr>
<tr>
<td>Maintains performance monitoring, evaluation and remediation function</td>
<td>Ensures physician leadership, including a champion for clinical integration &amp; a physician-led committee structure in the local CIN</td>
</tr>
<tr>
<td>Ensures compliance with Federation CI standards for all local chapter participants</td>
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**IMPLICATIONS UNDER MEDICARE ACCESS AND CHIP REAUTHORIZATION ACT**

*MACRA Implementation Timeline*

The future may be uncertain, but we believe collectively preparing now is the best thing for us to do.

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Updates</th>
<th>PQRS</th>
<th>Value Modifier</th>
<th>EHR Incentives</th>
<th>Excluded from MIPS</th>
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<tbody>
<tr>
<td>2015</td>
<td>0.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2016</td>
<td>0.5%</td>
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<td>2017</td>
<td>0.5%</td>
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<td>2018</td>
<td>0.5%</td>
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<tr>
<td>2019</td>
<td>0.5%</td>
<td>+0%</td>
<td>+/- 4%</td>
<td>+/- 5%</td>
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</tr>
<tr>
<td>2020</td>
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<td>+/- 5%</td>
<td>+/- 7%</td>
<td>+/- 9%</td>
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<td>+/- 9%</td>
<td>+/- 9%</td>
<td>+/- 9%</td>
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</tr>
<tr>
<td>2023</td>
<td>+0%</td>
<td>+/- 9%</td>
<td>+/- 9%</td>
<td>+/- 9%</td>
<td></td>
</tr>
<tr>
<td>2024</td>
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<td>+/- 9%</td>
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<td>2025</td>
<td>+0%</td>
<td>+/- 9%</td>
<td>+/- 9%</td>
<td>+/- 9%</td>
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</tr>
<tr>
<td>2026+</td>
<td>*0.75% or 0.25%</td>
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</table>

MACRA aims to replace the Sustainable Growth formula and harmonize & streamline existing quality reporting programs for providers not in qualifying APMs (alternative payment models) through MIPS.

*For 2026 and Beyond: the qualifying APM conversion factor is 0.75% and the non-qualifying APM conversion factor is 0.25%*
Advantages of Participation in a SCIN

• BETTER CARE FOR PATIENTS—BEST PRACTICES, CARE MANAGEMENT

• MORE PATIENTS—CARE CONTINUITY, HEALTH PLAN STEERAGE

• SUPPORT FOR YOU & YOUR PRACTICE OR ORGANIZATION—DATA, TOOLS, SERVICES, COLLABORATIVE NETWORK

• REWARDS FOR HIGHER VALUE CARE—PAYER INCENTIVES FOR QUALITY, COST, CARE COORDINATION

• POTENTIAL PROTECTION FROM MEDICARE FFS REIMBURSEMENT UNDER MIPS

• LEADERSHIP ROLE IN REGIONAL AND STATEWIDE HEALTH CARE
SUMMARY

• LARGER SCALE IS NECESSARY FOR SUCCESS IN A VALUE-BASED MARKET—SHARING INFRASTRUCTURE INVESTMENTS AND SPREADING FINANCIAL RISK

• SCINS CAN CREATE SCALE WHILE PRESERVING INDEPENDENCE

• THE PHYSICIAN-LED FEDERATION SCIN IS COMMITTED TO BUILDING A HEALTHIER MICHIGAN AT AN AFFORDABLE COST

• ADVANTAGES TO FEDERATION PARTICIPATION INCLUDE BETTER CARE, MORE PATIENTS, INCREASED REWARDS, LEADERSHIP OPPORTUNITIES
THANK YOU!