PeaceHealth St. John Medical Center

Serving Our Community Since 1942
PeaceHealth Medical Group

100+ General & Specialty Medical Providers
Healthcare Spending Growth

CMS Projections for National Healthcare Spending
CY 2003 - 2018

Source: Centers for Medicaid & Medicare Services - NHE Projections 2008-2018, Forecast Summary and Selected Tables

© 2008 PeaceHealth
Uncompensated Care at PeaceHealth St. John

12 months ended 8/31/2007 - $19.26 million
12 months ended 8/31/2008 - $21.86 million
12 months ended 8/31/2009 - $29.86 million
Up 55% in 2 years
The Centers for Medicare and Medicaid services released its proposed Medicare Physician Fee Schedule for 2010. CMS is projecting a 21.5% physician fee schedule decrease based upon the application of the sustainable growth rate (SGR) formula. Of course, Congress has intervened in each of the last five or six years to override the automatic fee schedule revision based upon SGR, which has been uniformly negative for the last six years.
Medicare Trust Fund Bust

The Medicare trust fund will be exhausted by 2017, two years earlier than originally projected, according to the annual report by Medicare Trustees.

Each year the Trustees of the Social Security and Medicare trust funds report on the current and projected financial status of the two programs. In their 2009 report, "projected long run program costs are not sustainable under current program parameters," they said.
Let’s Do Nothing

Medicaid States Say No Thanks

California Governor Arnold Schwarzenegger says “Don’t expand Medicaid, we can’t afford to pay our share of the California Medicaid program as it currently stands, let alone with millions of additional beneficiaries.”
Most Important Man in America

Massachusetts Senator Scott Brown
Thursday, February 25th

• 12 Democrat & 9 Republican members of Congress invited to a televised White House health reform summit.
The Summit

Thursday, February 25th
Topics expected to include

• Insurance Reform
• Cost Containment
• Expanded Coverage
• Deficit Reduction through reform
Rumor of the Day:

President Obama may post his own version of a healthcare bill on the internet next week.
Healthcare Reform: Payment Impact - Hospitals

**Payer Type**

- HMO/PPO
- Medicare
- Medicaid
- Indigent/No Pay
- Undocumented Aliens

**Total Contribution Margin**

- Current Breakeven
Healthcare Reform: Payment Impact - Hospitals

Total Contribution Margin

- HMO/PPO
- Medicare
- Medicaid
- Indigent/No Pay
- Undocumented Aliens

Payer Type

Current Breakeven

© 2008 PeaceHealth
Buckets of Reform

1) Expand Coverage

- Expand Medicaid
- Subsidies for moderate income individuals
- No exclusions for pre-existing conditions
- Create new entrants/market competition for health insurance (co-ops, exchange)
- Individual and employer mandates
Buckets of Reform

2) Paying For It

- Increase payroll taxes (Senate) on high earners
- Tax on “Cadillac” plans
- Increase income tax (House) on high income families
- Disproportionate Share Hospital (DSH) payments reduced
- Drug companies, medical device, health insurers, clinical labs assessed fees
3) Payment Reform

- Reduced payment for hospital with higher than expected readmission rates
- Implementation of value-based purchasing (VBP) program (Senate) – hospitals and physicians
- Further payment reductions for healthcare-acquired conditions (Senate)
- Increase in payments for primary care services – more for shortage areas
Buckets of Reform

4) Care Delivery Reform

- Medicare Bundling pilots
- Accountable Care Organizations (ACO)
- CMS Center for Medicare and Medicaid Innovation (CMI)
- Medicaid payment demonstration projects
Accountable Care Organization

• Accountable Care Organization (ACO) is an organization that:
  ‣ Can provide primary care and basic medical/surgical inpatient care for a patient population
  ‣ Are willing to take responsibility for overall costs and quality of care for a population
  ‣ Have the size and scope to fulfill this responsibility

• Both Senate and House bills have ACOs as a component of healthcare reform
Accountable Care Organization

• ACOs could be:
  ‣ Integrated Delivery System
  ‣ Physician-Hospital Organization (“PHO”)
  ‣ Independent Practice Association (“IPA”)
  ‣ Partnership of PHOs and/or IPAs
  ‣ Large multispecialty group practice
Accountable Care Organization

ACO responsible for:

- Clinical care management (clinical integration)
- Capture data for continuum of care
- Measure, monitor costs and quality
## Accountable Care Organization

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quality Standards Met?</strong></td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Cost Savings Achieved?</strong></td>
<td>No</td>
<td>Yes*</td>
<td>Yes*</td>
</tr>
<tr>
<td><strong>Medicare FFS Payment</strong></td>
<td>Medicare Fee Schedule</td>
<td>Medicare Fee Schedule</td>
<td>Medicare Fee Schedule</td>
</tr>
<tr>
<td><strong>ACO Bonus Payment that year?</strong></td>
<td>No</td>
<td>No</td>
<td>Yes X% of Savings**</td>
</tr>
</tbody>
</table>
The Medical Home

- Adherence to evidence-based care plans and protocols
- Clarity on which provider has primary responsibility for care
- Use disease registries and multiple data sources to coordinate care
- Acknowledged care plan and engaged in the care process
- Provide care in many forms: e-visits, e-mail access, group visits, individual visits
- Reasonable access to care and information
The Medical Home

Through improved planning and coordination of patient care, chronic disease management, technology, and more, PeaceHealth aims for full designation as a Medical Home.

Designation as a Medical Home supports our aim to assist patients, families, and communities to achieve and maintain optimal health. It will ensure that:

- We know our patients and take enough time to understand their challenges and needs.
- We have continuous healing relationships with our patients and follow up with them.
- We offer a care team for their support. The right team member with the right information will contact them at the right time.
<table>
<thead>
<tr>
<th>Philosophy/Expectations: Privilege</th>
<th>Right</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentives: Do more</td>
<td>Do less</td>
</tr>
<tr>
<td>Volume: Admit, readmit</td>
<td>Admit less</td>
</tr>
<tr>
<td>Patient: Little self responsibility</td>
<td>Accountability</td>
</tr>
<tr>
<td>Delivery Model: Lots of everything</td>
<td>Consolidation, hub and spoke</td>
</tr>
<tr>
<td>Patient Care: Face to face, physician focused</td>
<td>Remote monitoring, wireless, allied professionals</td>
</tr>
<tr>
<td>Pricing: Foggy, unclear</td>
<td>Transparent</td>
</tr>
<tr>
<td>Payment: Fee-for-service, case rates, DSH</td>
<td>Case rates, shared risk pools, bundled payments, ACO</td>
</tr>
<tr>
<td>Delivery of Care: I think you need…</td>
<td>Cost effective care delivery, medical home</td>
</tr>
</tbody>
</table>
PeaceHealth St. John Medical Center

Serving Our Community Since 1942