



Connecting the Dots in Health Care Reform

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No Outcome No Income

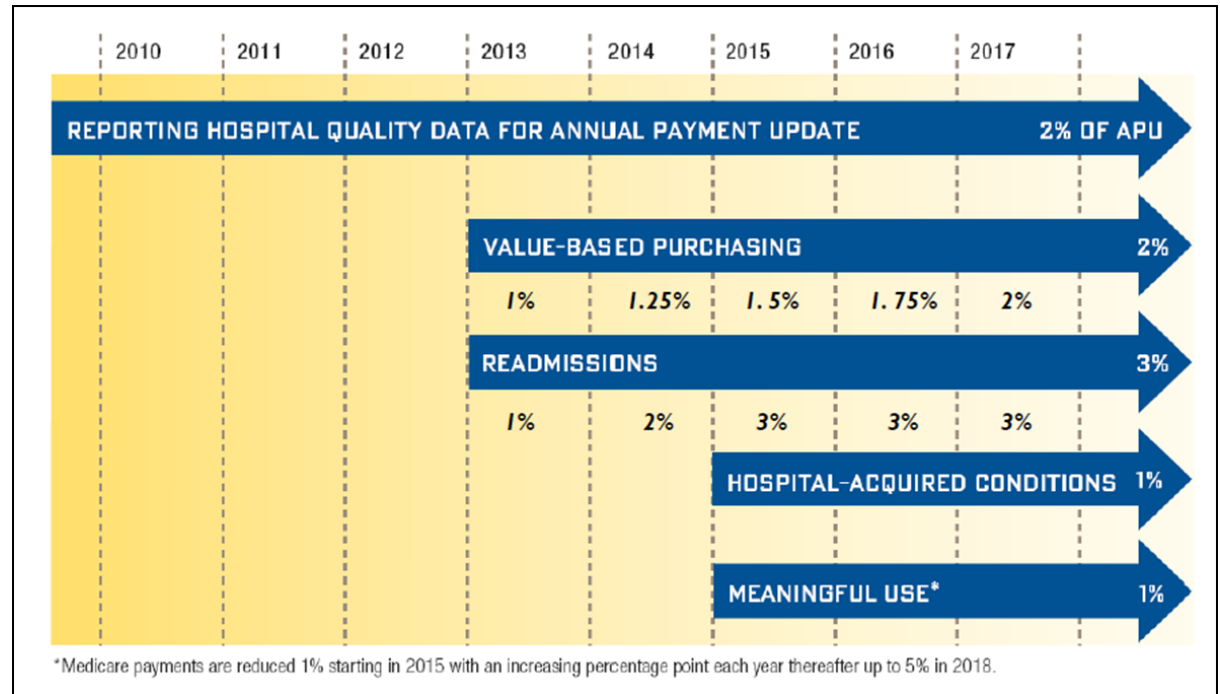


What's Influencing Payment?

- **Outcomes** (Readmissions, Mortality and Morbidities)
- **Patient Safety** (Hospital Acquired Conditions)
- **Patient Satisfaction & Experience** (HCAHPS)
- **Evidenced-based Guidelines** (Process of care)
- *Requires goal promotion around lowering costs, increasing quality of patient care and improved health and patient experience*

...with more than 7% payment at risk starting in 2013

“By 2017, 9% of Medicare Reimbursement will be targeted”



Source: “Value Based Purchasing Series,” Studer Group, 2012



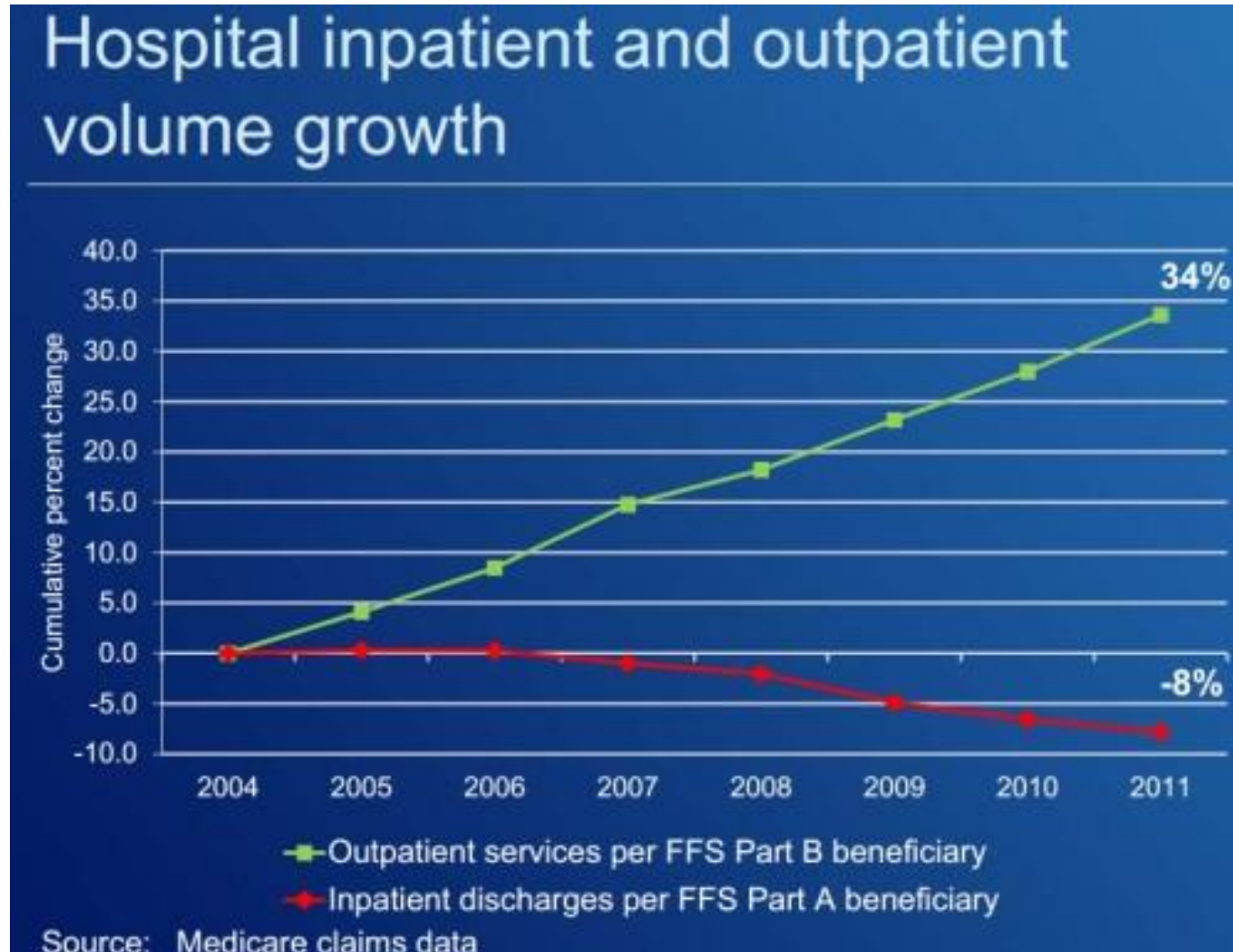
“To pay for the postponement in the cut [for physician payments], the dealmakers will cut \$21.1 billion from federal healthcare spending...[which includes] nearly \$11 billion in cuts to hospitals...”



Supply Costs
Remain the
Second Largest
Expense for
Hospitals



Focus on care coordination expected to continue pushing outpatient volume





Emerging models of integrated health delivery that focus on patient centered care

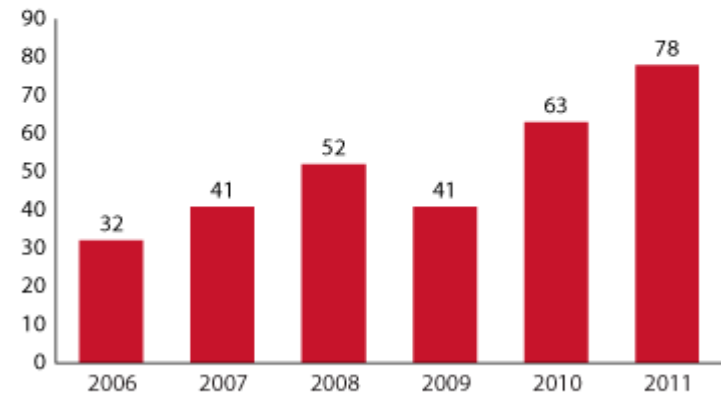


Market consolidation driving alliances and changing the competitive landscape



ANNOUNCED PHYSICIAN MEDICAL GROUP MERGERS AND ACQUISITIONS, 2006–2011

Last year, hospitals or integrated delivery systems were involved in 59 percent of physician practice acquisitions, according to Cain Brothers.



Source: Irving Levin Associates, Norwalk, Conn., and Cain Brothers, Chicago, 2012

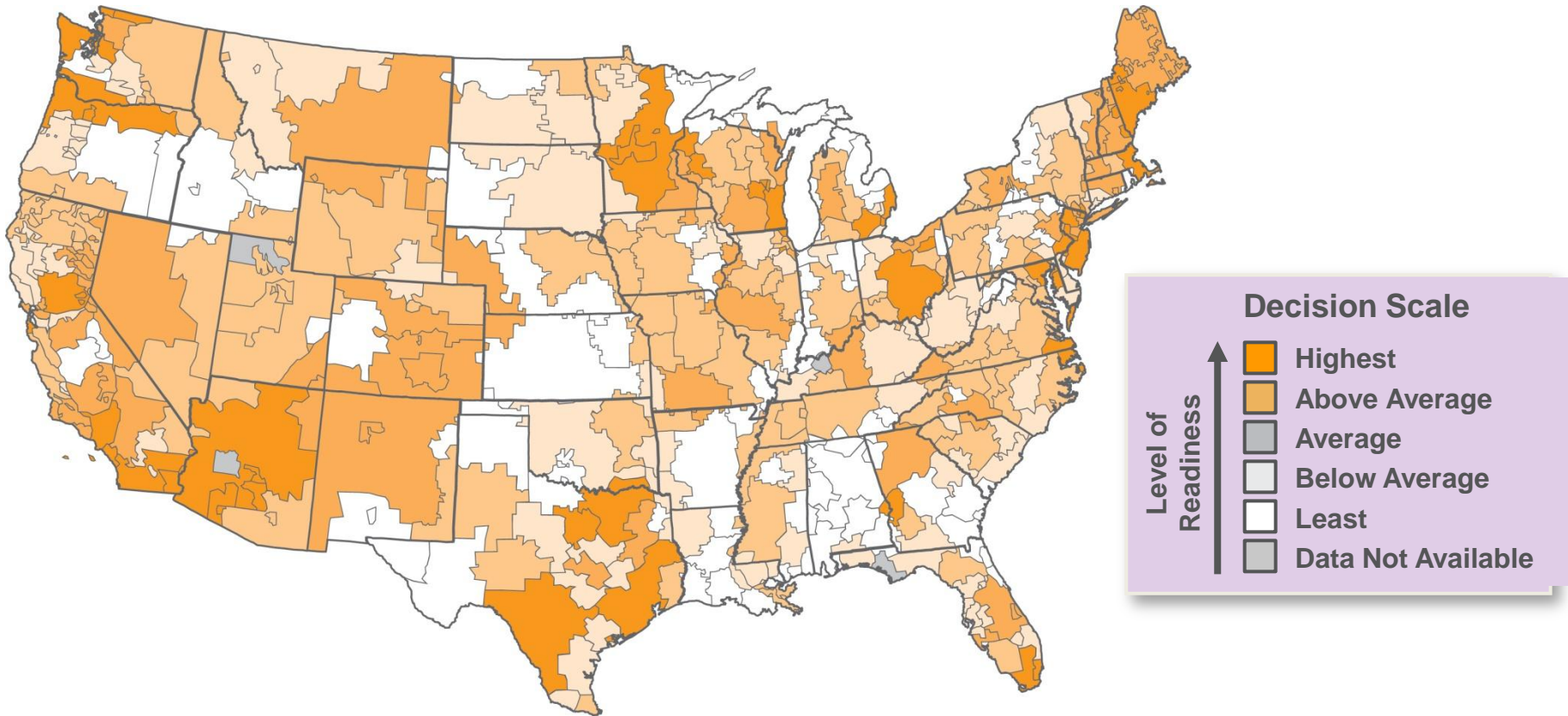
1 Stafford presentation that contains data from: Media Intelligence, M&A: Hospitals Take Hold, January 2012

Bridging Two Worlds Concurrently



Markets Will Develop at Different Speeds

Map of Market Accountability Readiness, 2012



Geographic boundary files obtained from www.dartmouthatlas.org/tools/downloads.aspx#boundaries
Derived by Sg2

A Comparison of Old and New Business Models

(from Kaufman, Hall)

	The Old “Medicare” Business Model	The New “Post-reform” Business Model
Value Proposition	More market share, more patients, more services more revenue	Best possible quality at lowest possible price
Direction of Price	Upward — Saks Fifth Ave	Downward — Wal-Mart
Cost Environment	Cost management	Cost structure
Direction of Utilization	Always up since 1966; growth industry	Flat/maybe down? mature industry
Relationship Between Hospital and Doctors	Parallel play	Highly coordinated and integrated
Payment	Fee for service	Something else
System of Care	Patient services	Patient/population management
Organizing for Value Creation	One patient at a time	Comprehensive health care for covered population
Importance of Scale	Small and medium hospitals could survive	Big, bigger, and biggest



Warning!

CAUTION

**THIS SIGN HAS
SHARP EDGES**

DO NOT TOUCH THE EDGES OF THIS SIGN



ALSO, THE BRIDGE IS OUT AHEAD



Questions & Answers





Contact Dr. Peggy Naas at pnaas@vha.com for more information.

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