



# Monterey County Board of Supervisors & Natividad Medical Center Special Joint Meeting

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## Board Order

Update received on the Healthcare Industry, Education Session.

RECEIVED on this 29th day of April 2013, by the following:

Board of Supervisors: Armenta, Calcagno, Salinas, Parker and Potter

Natividad Medical Center Board of Trustees: Dr. Lawrence Barcelo, Lew Bauman, Rod Braga, Dr. Peter Chandler, Margaret Eaton Fernando Elizondo, John O'Brien, Dr. Kelly O'Keefe, Supervisor Dave Potter, Roy Robbins, Harry Weis

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 76 for the meeting on April 29, 2013.

Dated: April 29, 2013  
File Number: 13-0422

Gail T. Borkowski, Clerk of the Board of Supervisors  
County of Monterey, State of California

By   
Deputy



THE  
CAMDEN  
GROUP

ideas. answers. action.

# Monterey Board of Supervisors and Natividad Medical Center Board of Trustees – Healthcare Industry Update

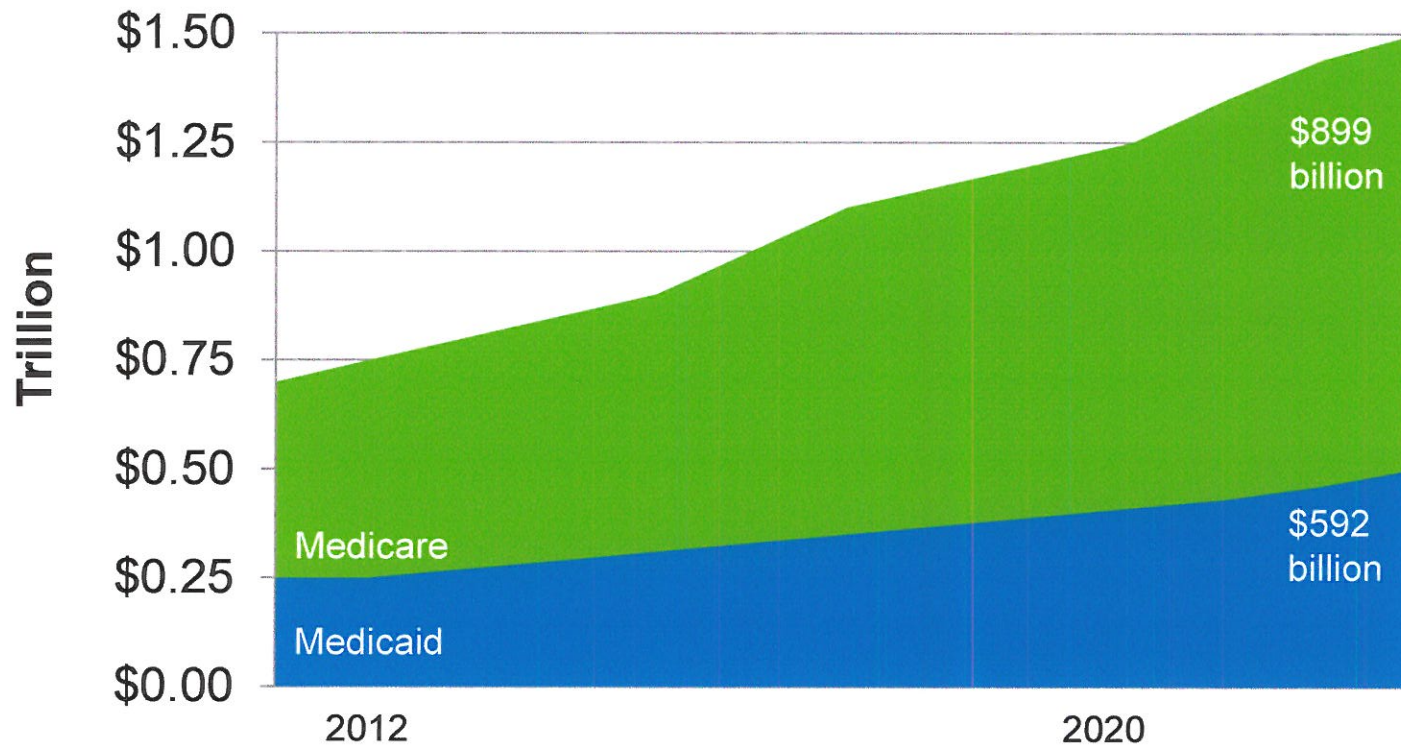
Natividad Medical Center  
Salinas, California  
April 29, 2013



**Natividad**  
MEDICAL CENTER

# Costly Care

## Projected Federal Spending for Major Healthcare Entitlements over the Coming Decade



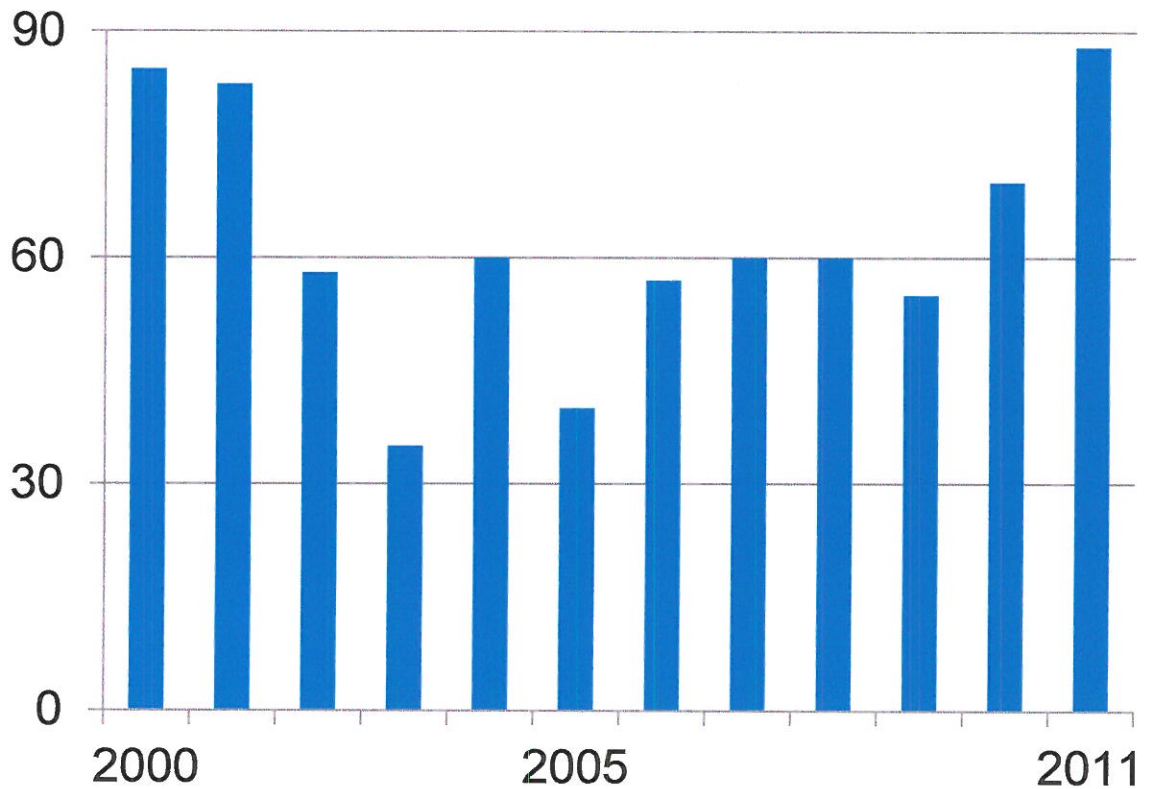
Source: Congressional Budget Office  
The Wall Street Journal

# Hospital Deals Increasing

Last year, there were more hospital deals announced than in any year since 2000

First-quarter acquisitions:

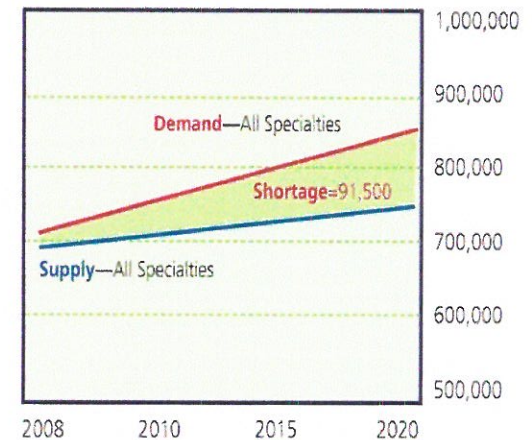
2011 22    2012 23



## Physician Shortfall

- 52,000 primary care physician shortfall expected by 2025
  - ▶ Increased demand due to population growth, aging population, and increase in insured population
  - ▶ Severe impact on vulnerable and underserved populations
- Nearly one-third of all physicians will retire in the next year
- Medicare's support for physician training has been frozen since 1997
- Critical shortfall projected in the specialties that care for older adults

Projected Supply and Demand, Physicians, 2008–2020



Source: "Shortage of 52,000 Primary Care Doctors Projected by 2025." American Medical News, December 2012. "Physician Shortages to Worsen Without Increases in Residency Training." Association of American Medical Colleges.

Source: Association of American Medical Colleges

## Consolidation in the Healthcare Industry

- Healthcare industry is experiencing a drive to consolidate
- Between 2010 and 2011, the average size of physician groups responding to the American Medical Group Association (“AMGA”) physician retention survey nearly doubled, from 164 to 248 physicians
- Four out of five physicians surveyed in 2010 believe that one of the results of healthcare reform will be the erosion of the traditional, independent practice model

How do you believe reform will affect the independent, private practice model?

Will enhance the viability of the private practice model	10%
Will have little to no effect on the private practice model	10%
Will erode the viability of the private practice model	80%

Source: Increase in physician practice mergers and acquisitions expected to continue. Elliott, V.S. American Medical News, August 2012; Medical Groups Report Increased Turnover as Economy Recovers. Fierce Practice Management, August 2011; 2010 Survey: Physicians and Health Reform. The Physicians Foundation and Merritt Hawkins, 2010.

# Healthcare Reform: Insurance Exchange

## Health Plans (Choice)

## American Health Benefits Exchange

Flexible



Four Options

Varies



Established

4-5%



None

Negotiated



Negotiated

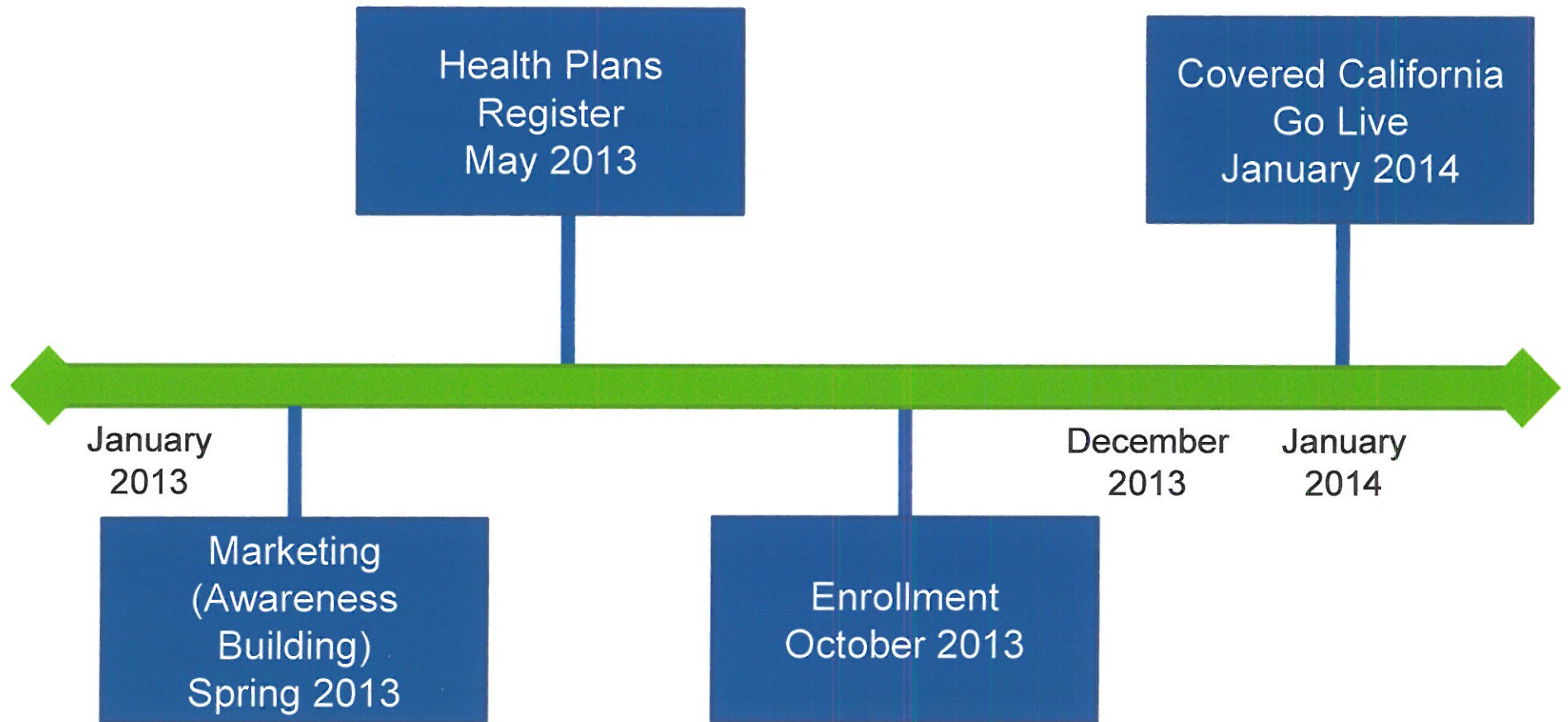


## Covered California

- Thirty-three plans submitted letters of intent
- 3.2 million without insurance qualify to buy insurance or Medi-Cal
  - ▶ 1.5 million without insurance do not qualify for Federal subsidy



# Covered California Rollout

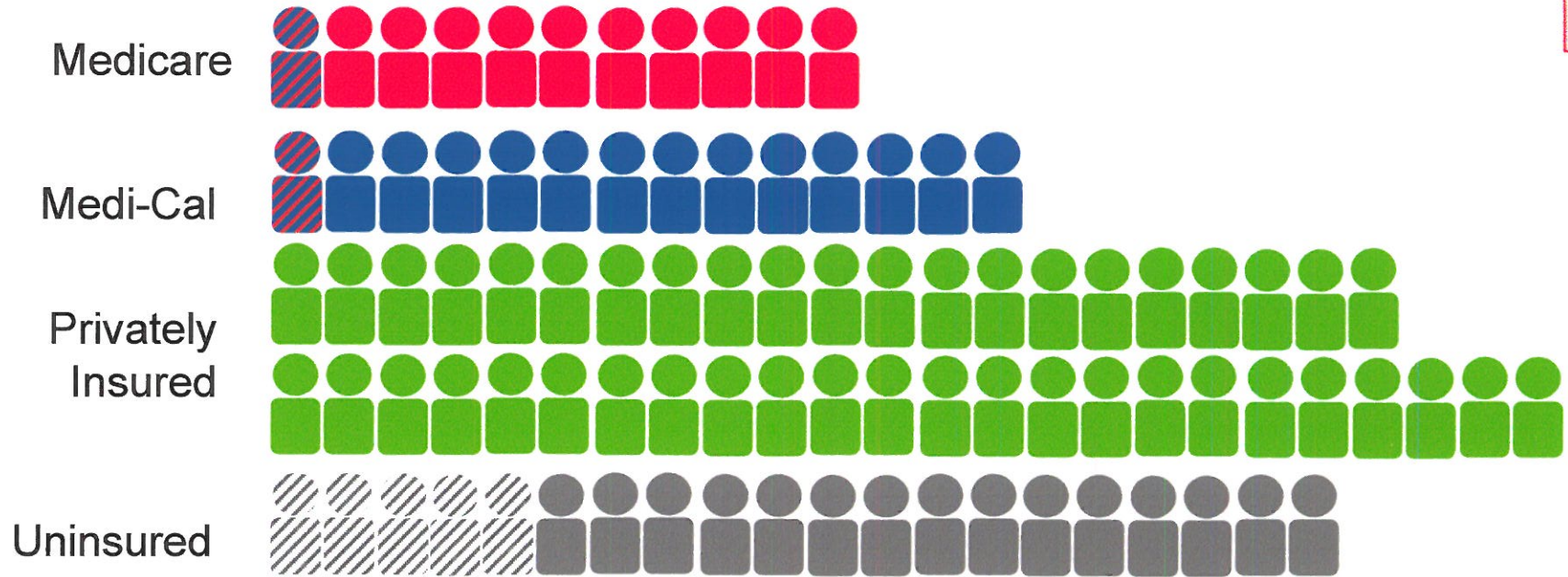


## Covered California Enrollment Projections

- By 2016, expect that 4.4 million Californians will use Covered California
- Covered California plans to be self-sufficient by 2017 – operating on two percent administration fee on premiums


Base Scenario	Enrollment	
	2014	2015
Exchange Subsidized	900,000	1,170,000
Exchange Unsubsidized	253,500	427,500
Healthy Families	580,000	590,000
MAGI Medi-Cal	860,000	980,000

# Covered California – 2014 (Marketplace Launches)



**Subsidized Premium Credit**      **Subsidized Premium Credit + Cost Sharing**      **Medi-Cal Bridge Plan (138-200% FPL)**      **Opens 2014**

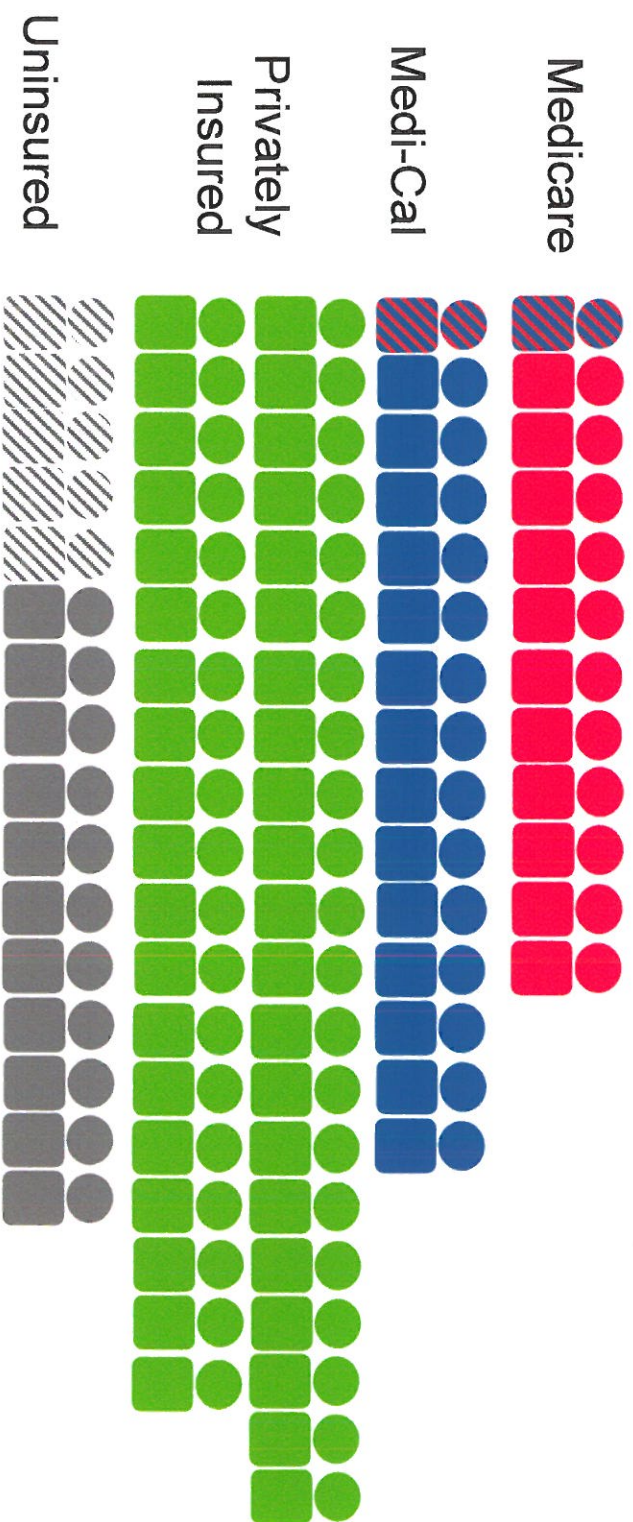
**Employed, Subsidized Vouchers**      **Non-Subsidized (includes Catastrophic Health Plan)**



**COVERED CALIFORNIA**

Source: Covered California, CalSIM, KFF, CA Department of Finance


# Covered California – 2015 to 2020



**Subsidized**      **Subsidized**      **Medi-Cal Bridge Plan**  
 Premium Credit      Premium Credit + Cost Sharing      (138-200% FPL)

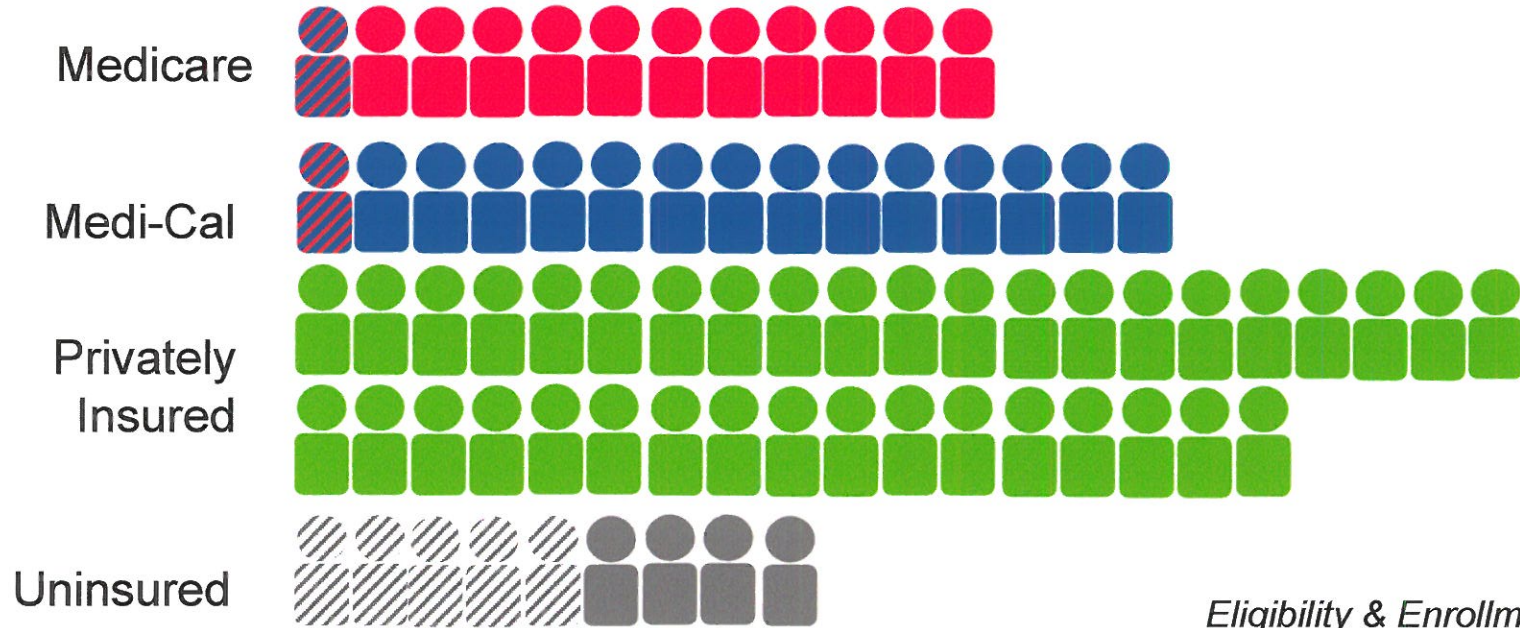
**Employed, Subsidized Vouchers**      **Non-Subsidized**  
 (includes Catastrophic Health Plan)

Source: Covered California, CalSIM, KFF, CA Department of Finance



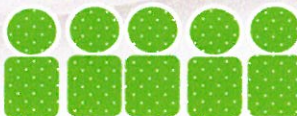
**COVERED CALIFORNIA**

# Covered California – 2015 to 2020

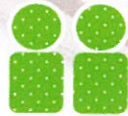


*Eligibility & Enrollment through Covered CA*

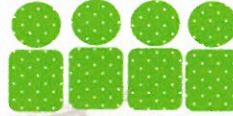
Subsidized Premium Credit



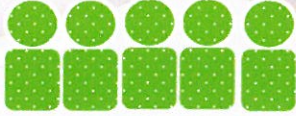
Employed, Subsidized Vouchers




Subsidized Premium Credit + Cost Sharing




Non-Subsidized (includes Catastrophic Health Plan)



Medi-Cal Bridge Plan (138-200% FPL)

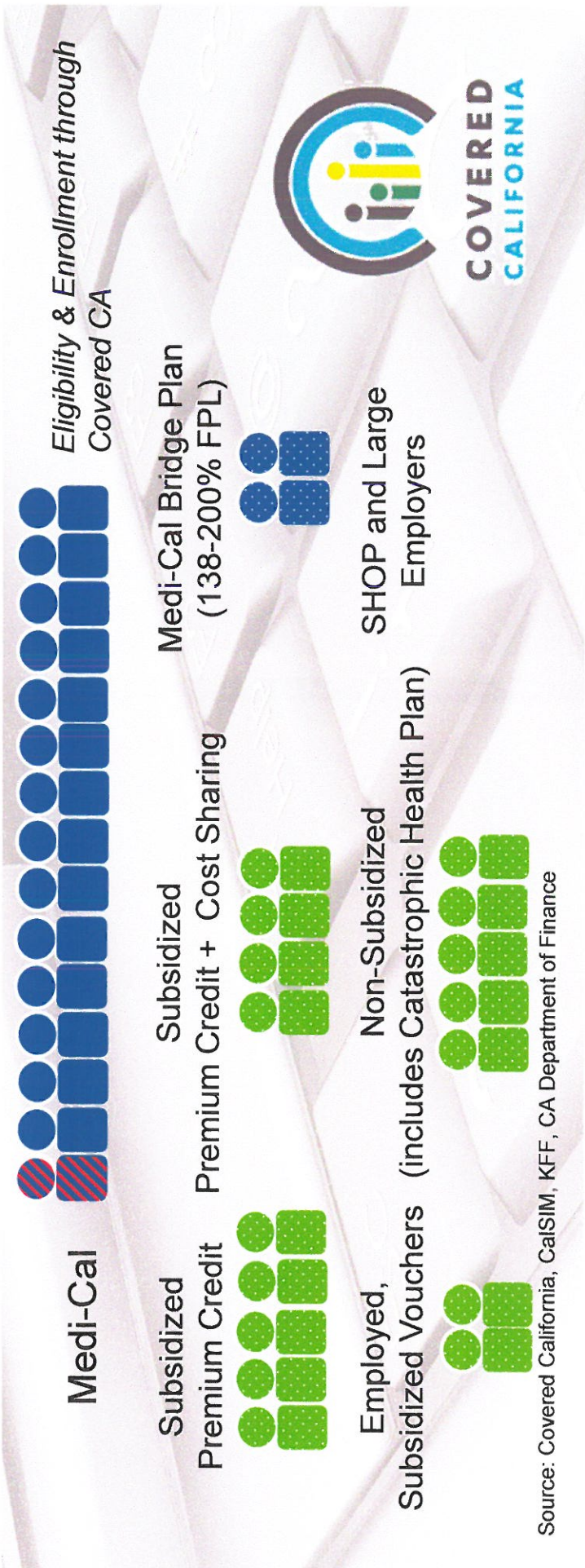
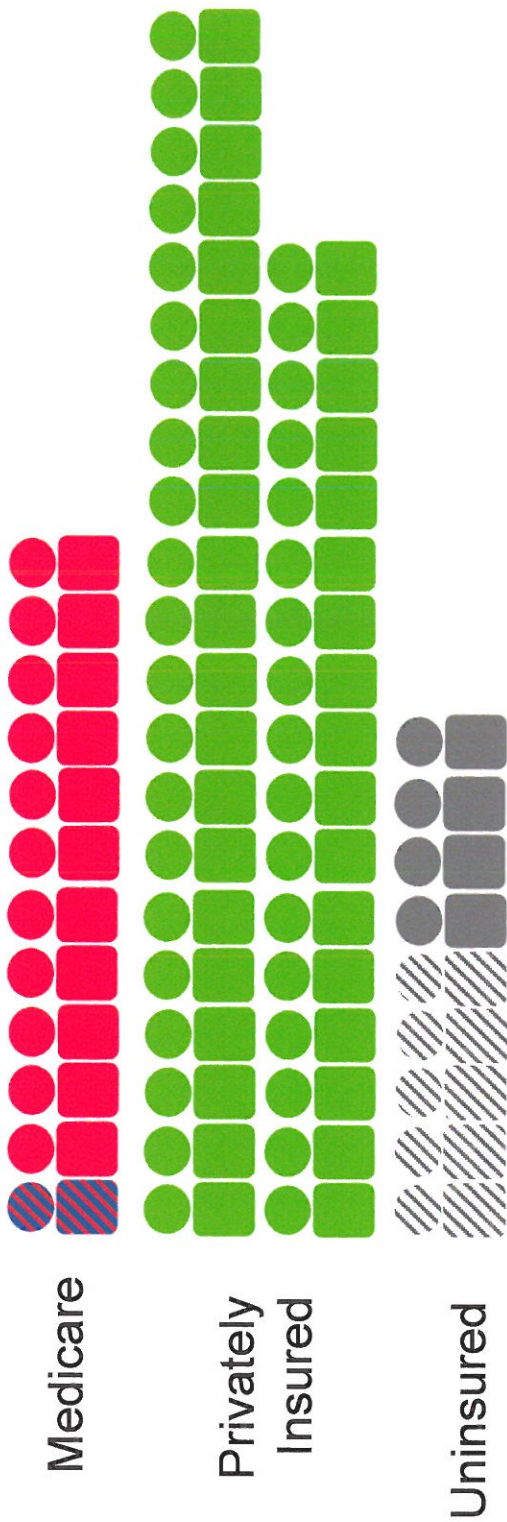




**COVERED CALIFORNIA**

Source: Covered California, CalSIM, KFF, CA Department of Finance

# Covered California – 2015 to 2020

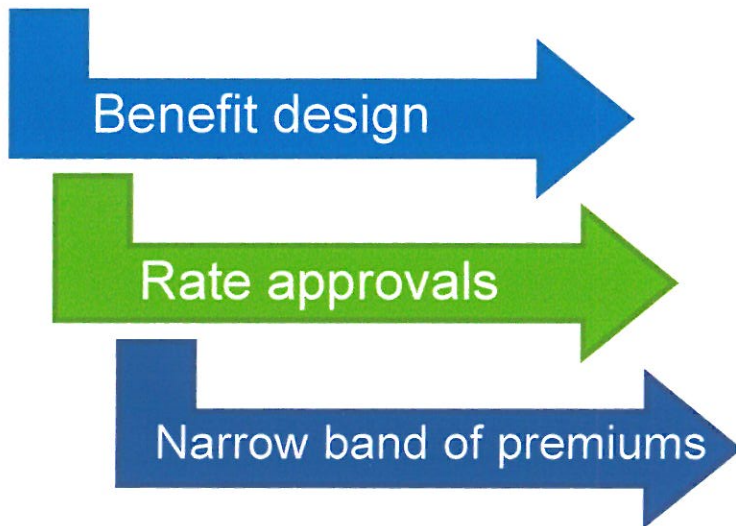


Source: Covered California, CalSIM, KFF, CA Department of Finance



## Insurance Exchange Implications

- Driven at the State level
  - ▶ It is all about the benefits
- Target small business and individuals
- Think public utility



- Health plans will consolidate and get bigger
  - ▶ Diversify to develop other revenue sources

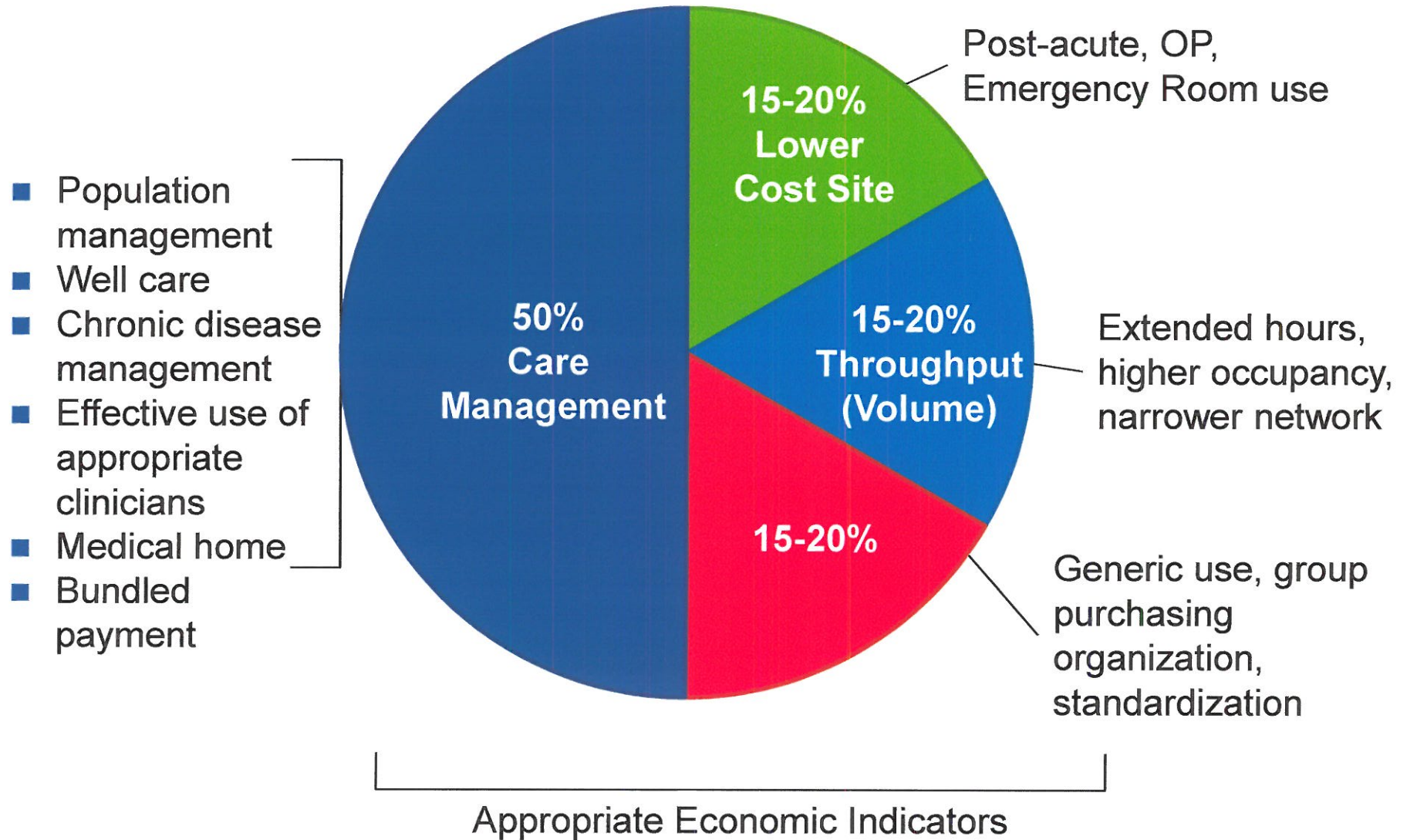


## Health Plan Activities: 2013

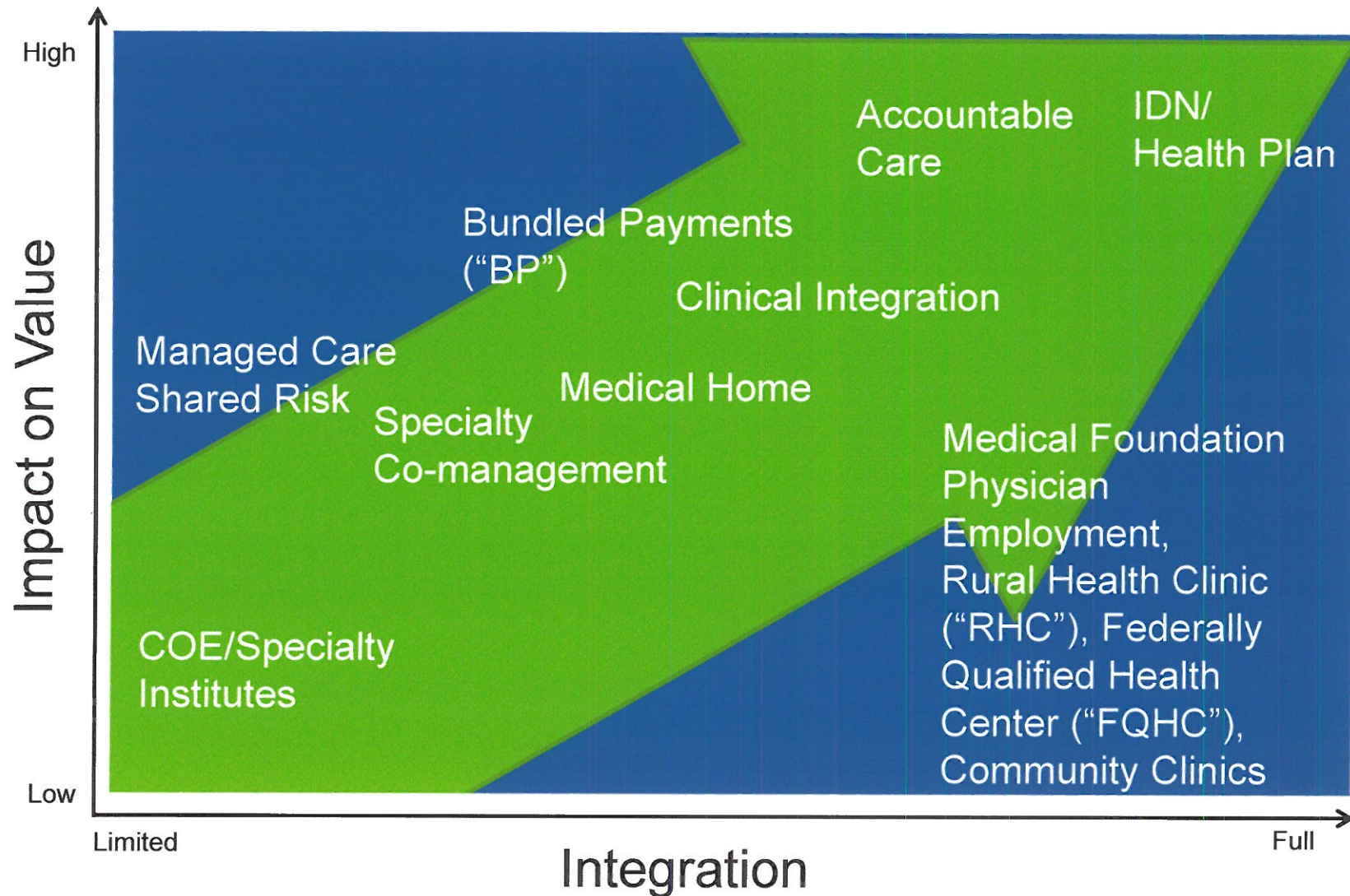
- Use their huge cash reserves
- Buy health plans (Medi-Cal, Medicare)
- Acquire: medical groups, retail: hearing aids, eye wear, DME
- Health plans are diversifying: 85 percent medical loss ratio (“MLR”) will impact profit margins
- Market individuals in anticipation of the exchanges
  - ▶ Build **BRAND**
- Partner with hospitals/medical groups
  - ▶ Accountable Care (joint risk sharing)
  - ▶ Narrow network delivery systems
  - ▶ Be the data supplier/infrastructure

**Who is going to manage the population’s healthcare?**

# Accountable Care: How Do You Generate Savings

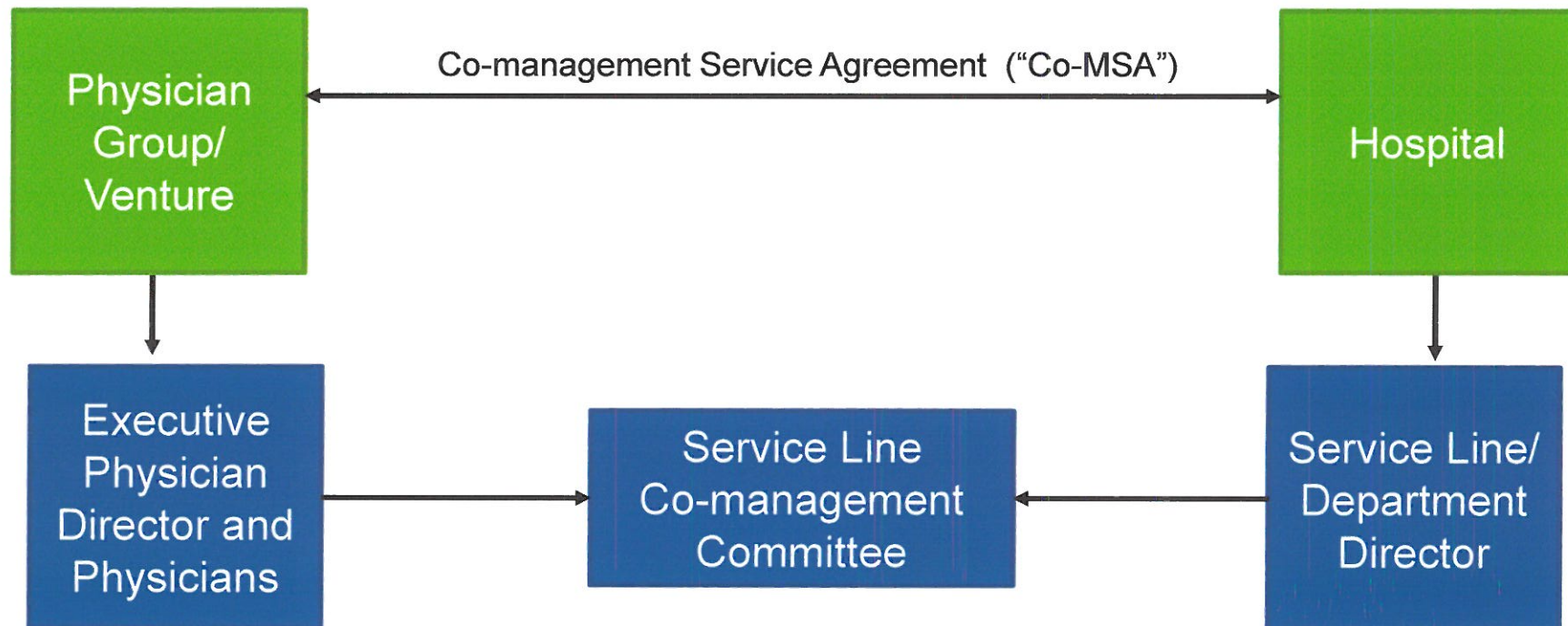


# Physician-Hospital Integration: Driving the Value Proposition

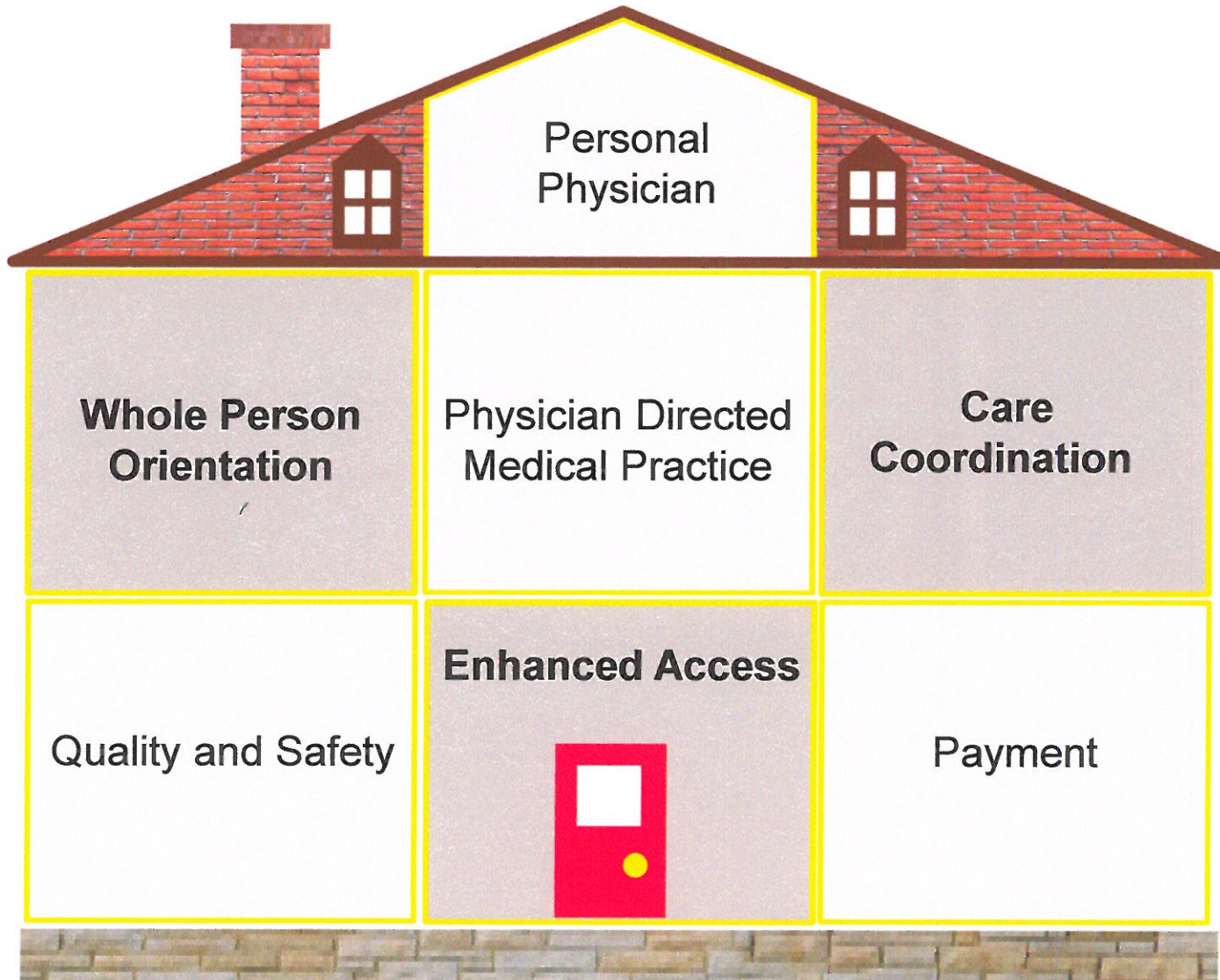


## Co-management Structure

Hospital contracts with a physician organization, under which the physicians are granted input and managerial authority to design and enforce clinical and operational standards. Generally, the physicians provide only their time and no other personnel or items.



# Patient-centered Medical Home



- Focus on patient centeredness and patient experience
- Three of seven principles directly address the patient experience



## Information Technology Components

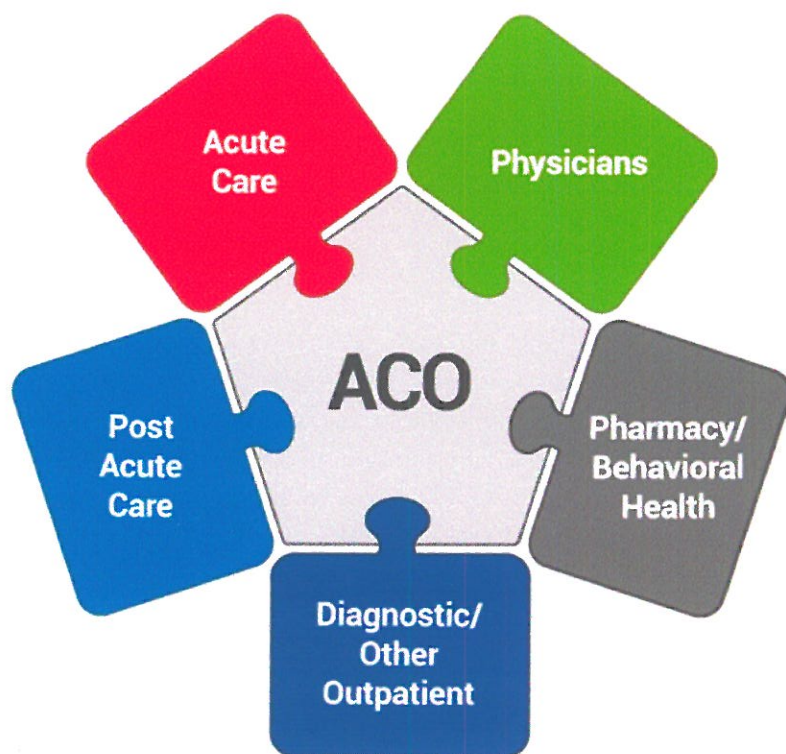
### ■ Required

- ▶ Disease registries
- ▶ Automated patient reminder system
- ▶ Referral management and tracking system linkages to provider network, preferably through health information exchange (“HIE”)
- ▶ Reporting for care management and performance measurement

### ■ Preferred

- ▶ Ambulatory electronic health record
- ▶ E-prescribing capability
- ▶ Point-of-care alerts

# Accountable Care Organization Structure



## ■ Accountable Care Organization (“ACO”) responsible for:

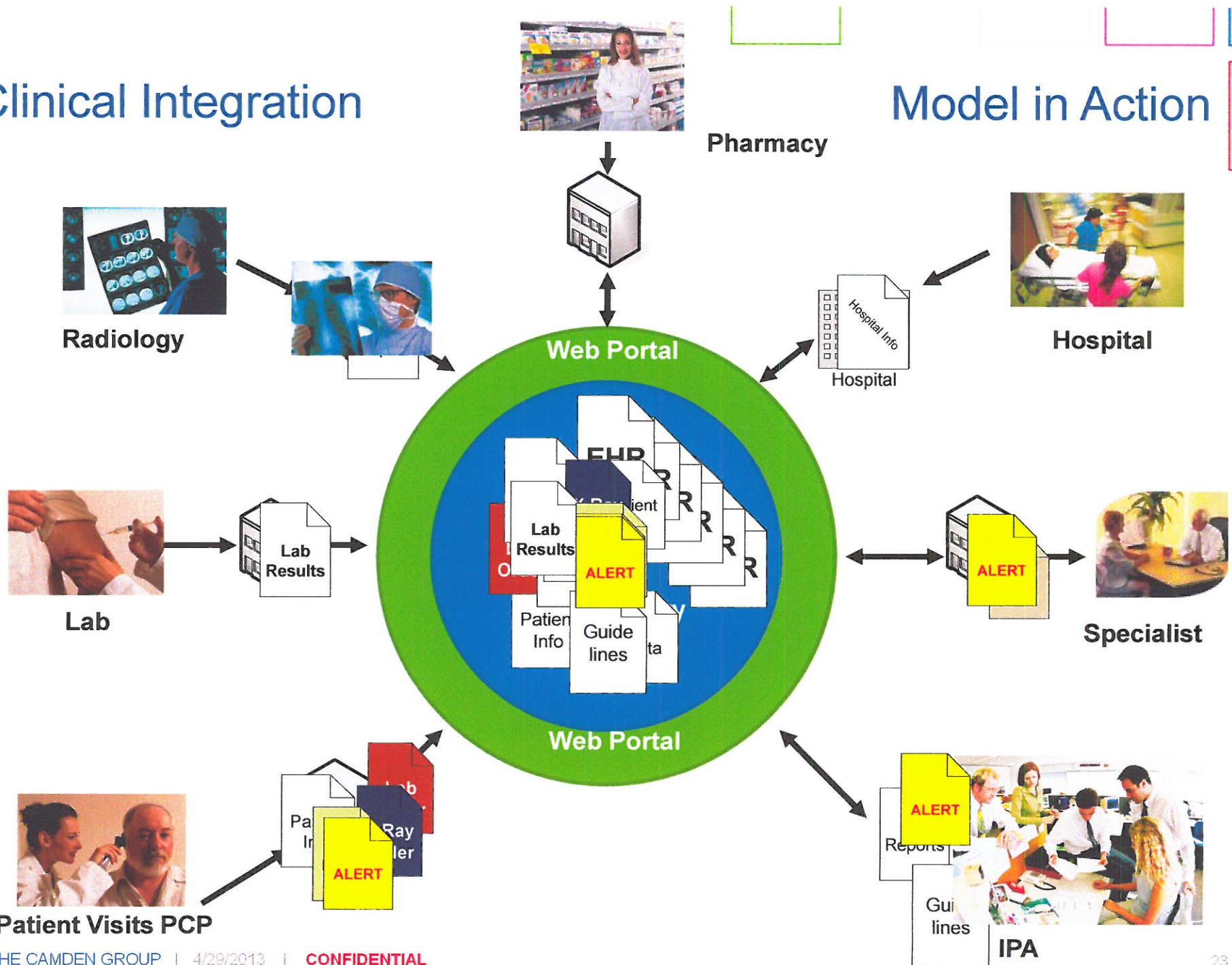
- ▶ Clinical care management (clinical integration)
- ▶ Capture data for continuum of care
- ▶ Measure and monitor costs and quality

## Infrastructure (Provided or Contracted ACO Operations)

- Information Technology (“IT”)
  - ▶ Electronic Medical Record (“EMR”), computer physician order entry (“CPOE”), PACS
  - ▶ Data warehouse
  - ▶ Reporting
  - ▶ HIE
  - ▶ Web portal
- Care Management
  - ▶ Hospitalists and Intensivists
  - ▶ Chief Medical Officer
  - ▶ Disease management
  - ▶ Clinical protocols
  - ▶ Advanced analytics and modeling
  - ▶ Call center
  - ▶ Utilization management
  - ▶ Knowledge management
- Health Network
  - ▶ Delivery network
- Financial/Payment Systems

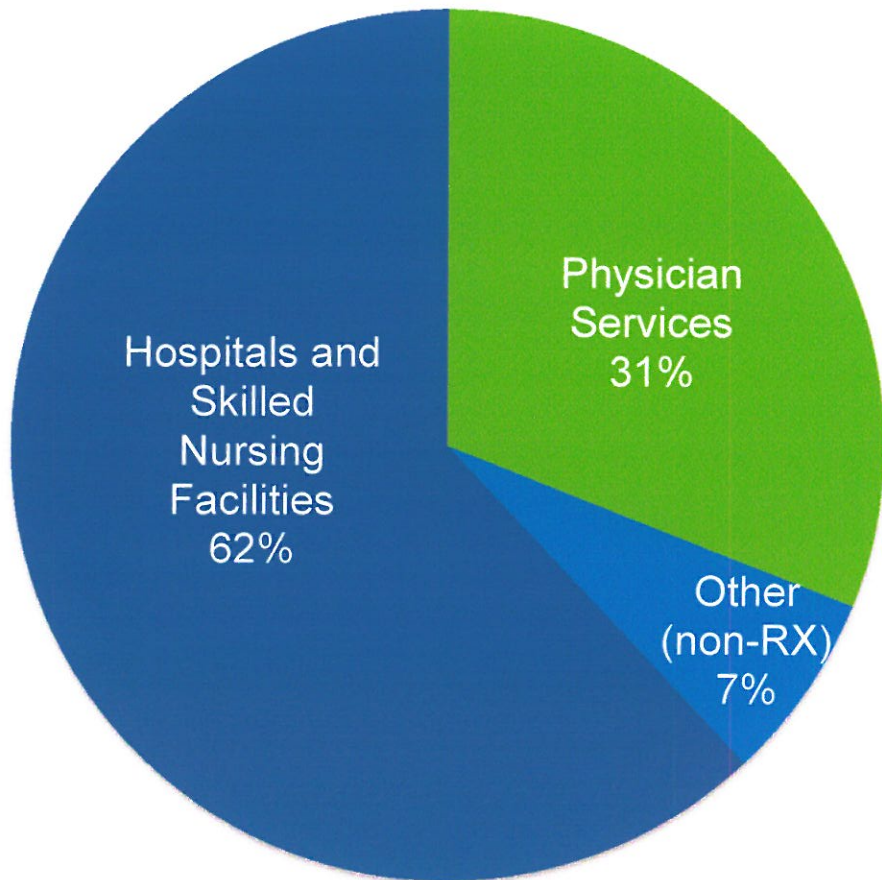
# Clinical Integration

# Model in Action

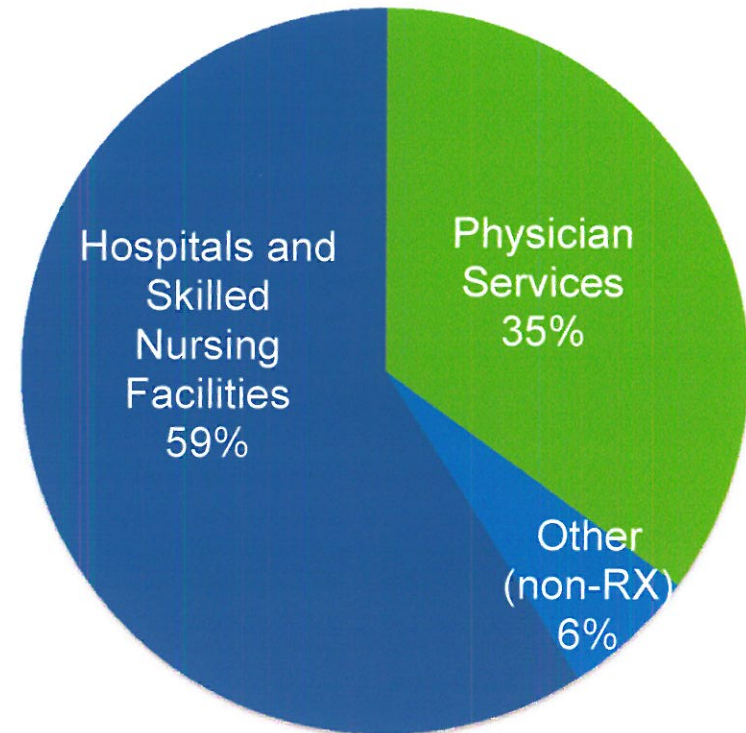


# 2011 Medical Expenditures

## Distribution of Expenditures Unmanaged

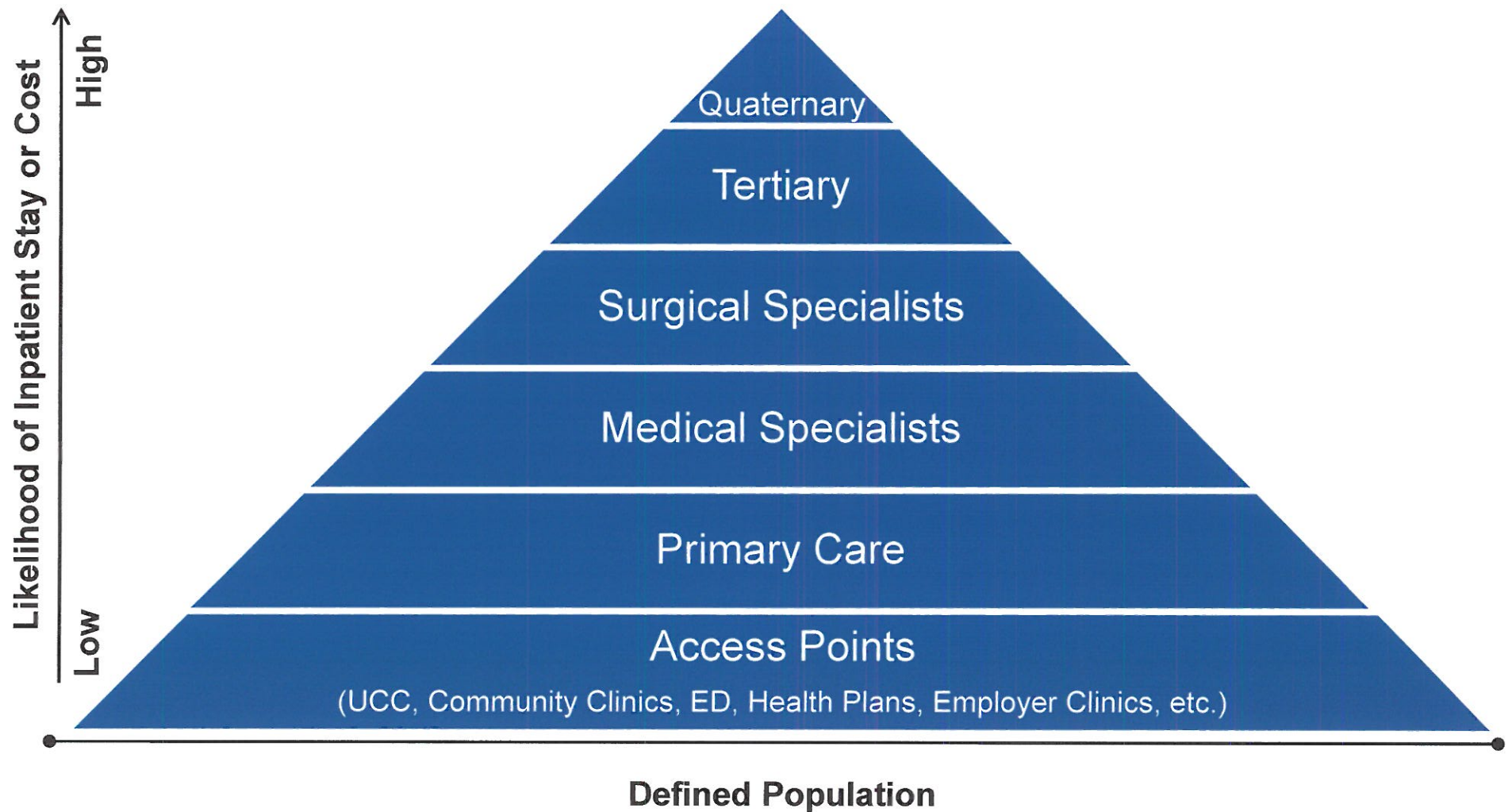


## Distribution of Expenditures Moderately Managed 16% Lower Costs – Different Distribution



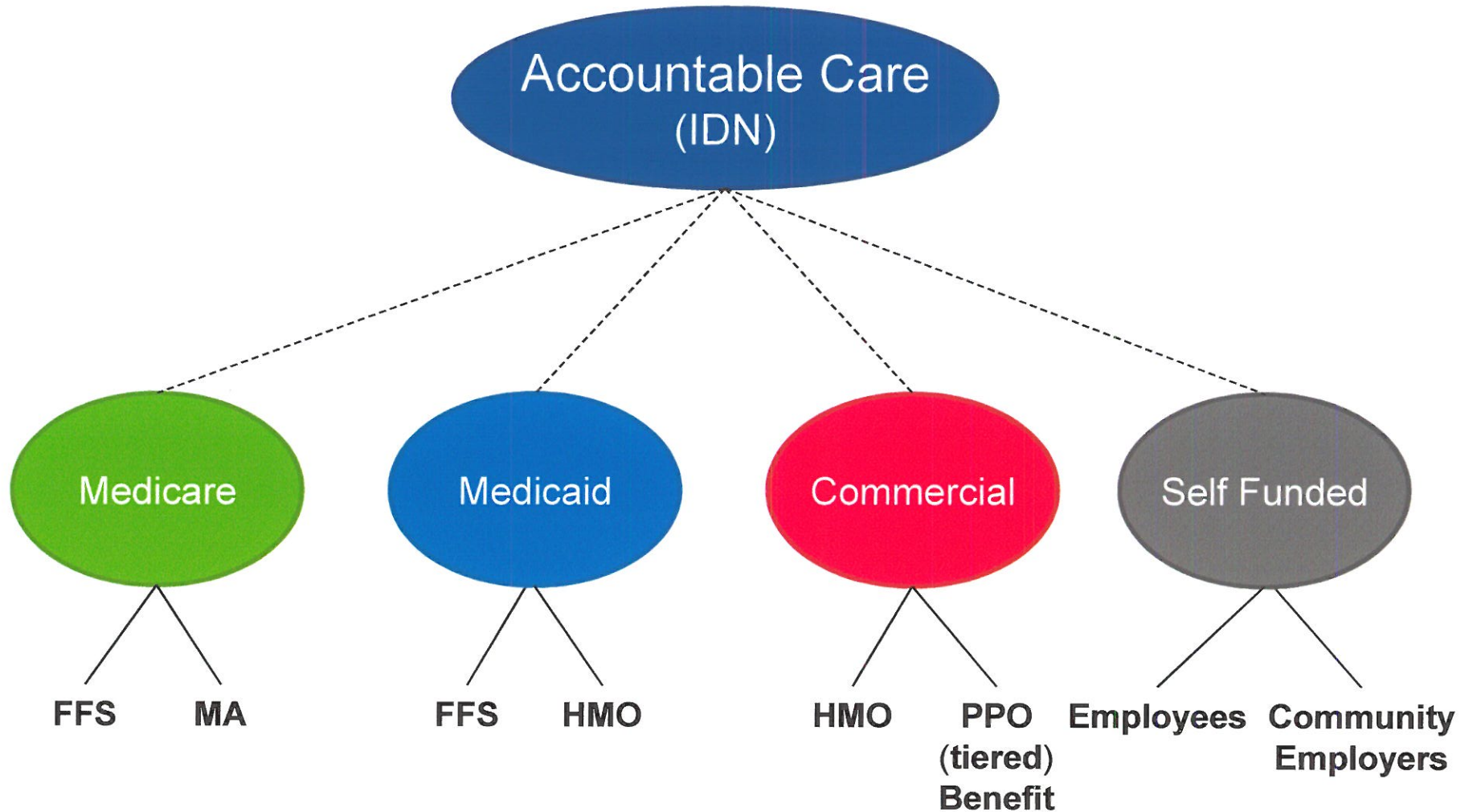
\* Target based on Moderately Managed Midwest Utilization Targets - Milliman

# New Paradigm: Increase Defined Population We Care For



# Accountable Care Potential Market Segments

## Enlarging the Pie





## Southern California Activity

- Daughters of Charity to Ascension
- Verdugo Hospital to University of Southern California Hospital
- Tarzana to Providence
- Hoag with St. Joseph Health System Orange
- Health Care Partners (“HCP”) acquired by DaVita
- Facey acquired by Providence (PMI, and CI, LLC)
- Arta acquired by HCP
- United/Optum acquires Monarch, other small independent practice associations (“IPAs”)
- WellPoint acquires CareMore
- AltaMed and HCP pursuing a Knox-Keene License (Health Plan)



## Southern California Activity

- University of California, Los Angeles acquiring small IPAs and groups, creating ambulatory sites
- MemorialCare buys a health plan (Seaside)
- MemorialCare acquires Bristol Park and Greater Newport Physician
- Presbyterian Intercommunity Hospital acquiring Downey Regional Medical Center

## Northern California Activity

- Stanford Hospital and Clinics is acquiring medical practices
- A new University of California San Francisco Medical Center at Mission Bay is expected to open in February 2015
- Marin General Hospital separated from Sutter Health
- Doctors Medical Center is seeking a partner
- Lucile Packard Children's Hospital ("Lucile Packard") signed affiliation agreement with John Muir Health ("John Muir") to provide comprehensive children's specialty services in Contra Costa County
- Lucile Packard is acquiring practices to expand their community network
- John Muir acquired 49 percent of San Ramon Hospital
- Sutter Health is developing their own health plan



## Strategy: Guiding Principles

- Move to population health
- Strong primary care base (need numbers)
  - ▶ Use nurse practitioners
  - ▶ Use telehealth/IT
- Move to risk payment/global payment
- Move to expanded access points (capture the population)
- Improve quality (top decile)
- Reduce cost (target Medicare)
- Be pluralistic
  - ▶ All payers: narrow networks?
  - ▶ Multiple providers to the hospital (separate risk performance)
  - ▶ Shared risk pools to link with physician organizations

## Strategy Checklist

- Operating costs: target Medicare reimbursement by 2014
  - ▶ Consolidation of clinical support services (e.g., laboratory, imaging, pharmacy)
  - ▶ Outsourcing departments?
  - ▶ Higher throughput, expanded hours of availability
  - ▶ Optimize current and in process investments
- Physician alignment: (access points and cost management)
  - ▶ Primary care preferred (access points)
  - ▶ Specialists (think BP)
  - ▶ Urgent care? Freestanding emergency departments?
  - ▶ Clinic partnerships (e.g., County, FQHC, RHC)
  - ▶ Managed care experienced organization (e.g., IPA, ACO, medical foundation, medical group)



## Strategy Checklist

- New delivery models (ACO, BP, medical home)
  - ▶ Population management
  - ▶ Delivering superior value
  - ▶ Aligning a continuum of care
  - ▶ Risk pools (again)
- Clinical performance: Patient safety and quality
  - ▶ Effectiveness of case management, hospitalist, and intensivist programs
  - ▶ Clinical integration/care continuum (e.g., handoffs)
  - ▶ Set targets and measure performance
  - ▶ Reduce readmission rates
  - ▶ Maximize pay-for-performance
  - ▶ Value-based purchasing program

## Strategy Checklist

### ■ Information Technology:

- ▶ Ambulatory electronic medical record (“aEMR”)
- ▶ EMR
- ▶ CPOE
- ▶ Enterprise data warehouse (“EDW”)
- ▶ HIE - future
- ▶ Target meaningful use compliance (stage one then two)
- ▶ Internationally Classification of Diseases, 10<sup>th</sup> Revision (“ICD-10”) (delayed)

### ■ Capital:

- ▶ Focus on fundraising where possible
- ▶ Measure against targeted credit rating
- ▶ Sufficient IT prioritization

## Strategy Checklist

- Market share: Of what?
  - ▶ Increase: Period
- Health Plan
  - ▶ Own it
  - ▶ Private label
  - ▶ Narrow network contracting

## Strategy Checklist: Physician

- Depends on your future
  - ▶ Less than five years left – who cares
  - ▶ Mid-career then:
    - Join/Affiliate with a larger entity
    - Assume risk (e.g., case rates, budgets, capitation)
    - Access to managed care infrastructure
      - Clinical protocols
      - IT (aEMR, HIE, results reporting)
      - Case management
      - Hospitalists



## Strategy Checklist: Physician

- Seek additional revenue opportunities
- Explore new delivery models:
  - Medical home
  - Chronic disease centers
  - Co-management agreements
  - Accountable care delivery models
  - BP
- ▶ Younger physician/getting started
  - Minimize economic risk
  - Manage work/life balance
  - Join a group or health plans
  - Infrastructure provided (e.g., practice management, managed care)
  - No capital investments or debt required (e.g., IT, clinical care)
  - Little marketing required
    - Established medical group
    - Health plan enrollment

# Evolving From → To

