

# PeaceHealth St. John Medical Center



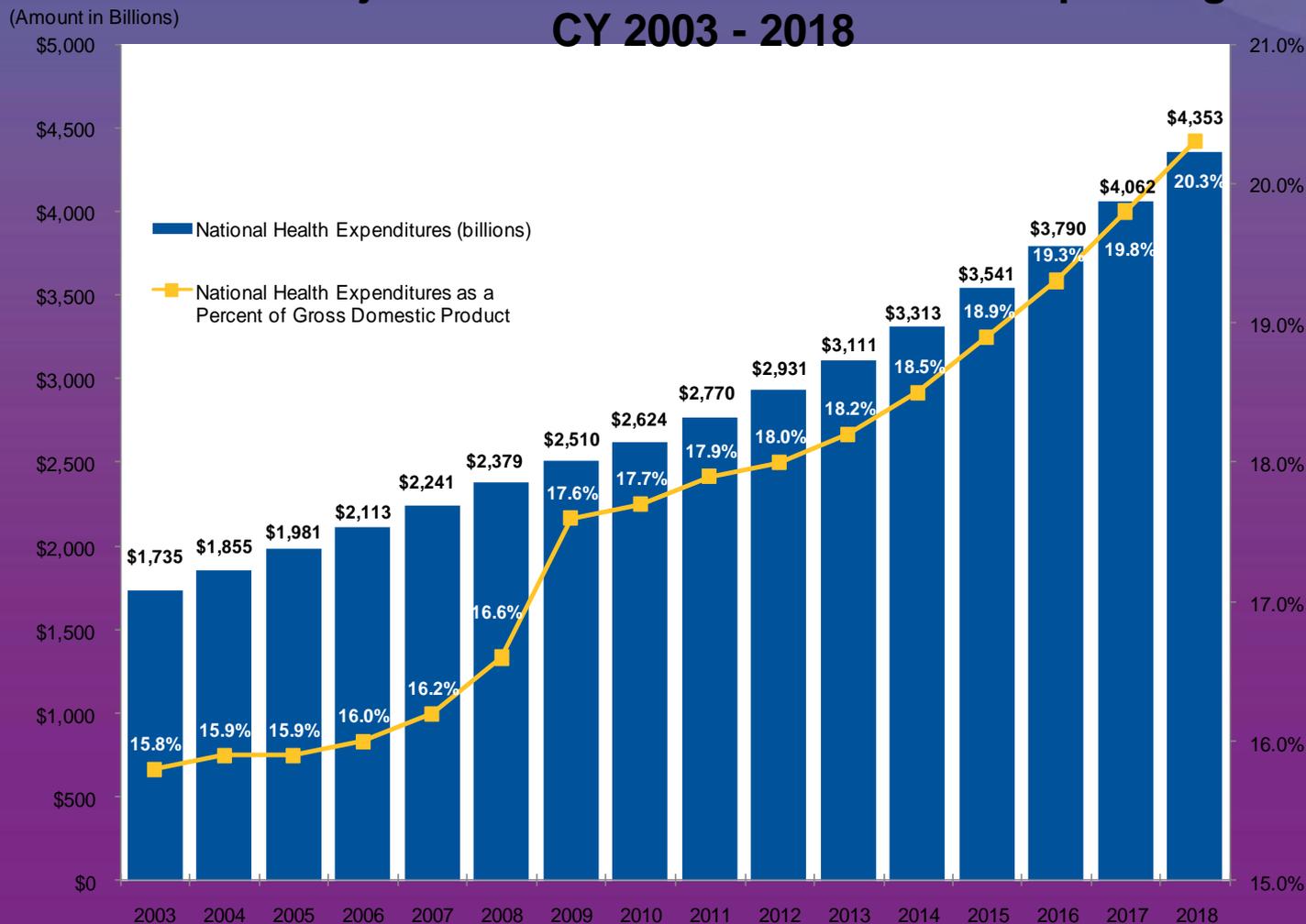
**Serving Our Community Since 1942**

# PeaceHealth Medical Group



**100+ General & Specialty Medical Providers**

## CMS Projections for National Healthcare Spending CY 2003 - 2018



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

# 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**

## Medicare Physician Fee Schedule

**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.**

## 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



?????????

# Most Important Man in America



**Massachusetts  
Senator Scott Brown**



Thursday, February 25<sup>th</sup>

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



**Thursday, February 25<sup>th</sup>**

**Topics expected to include**

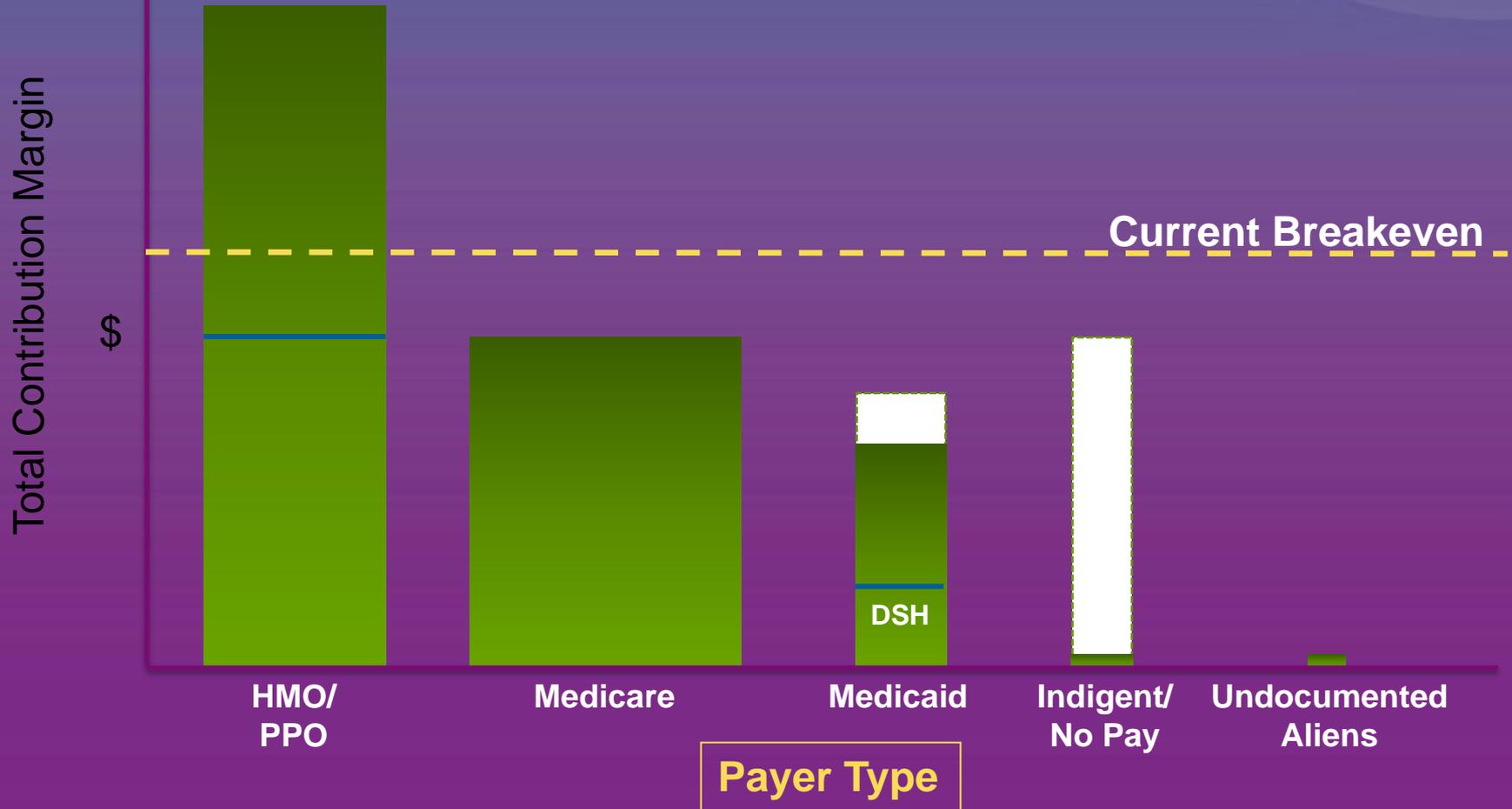
- **Insurance Reform**
- **Cost Containment**
- **Expanded Coverage**
- **Deficit Reduction through reform**



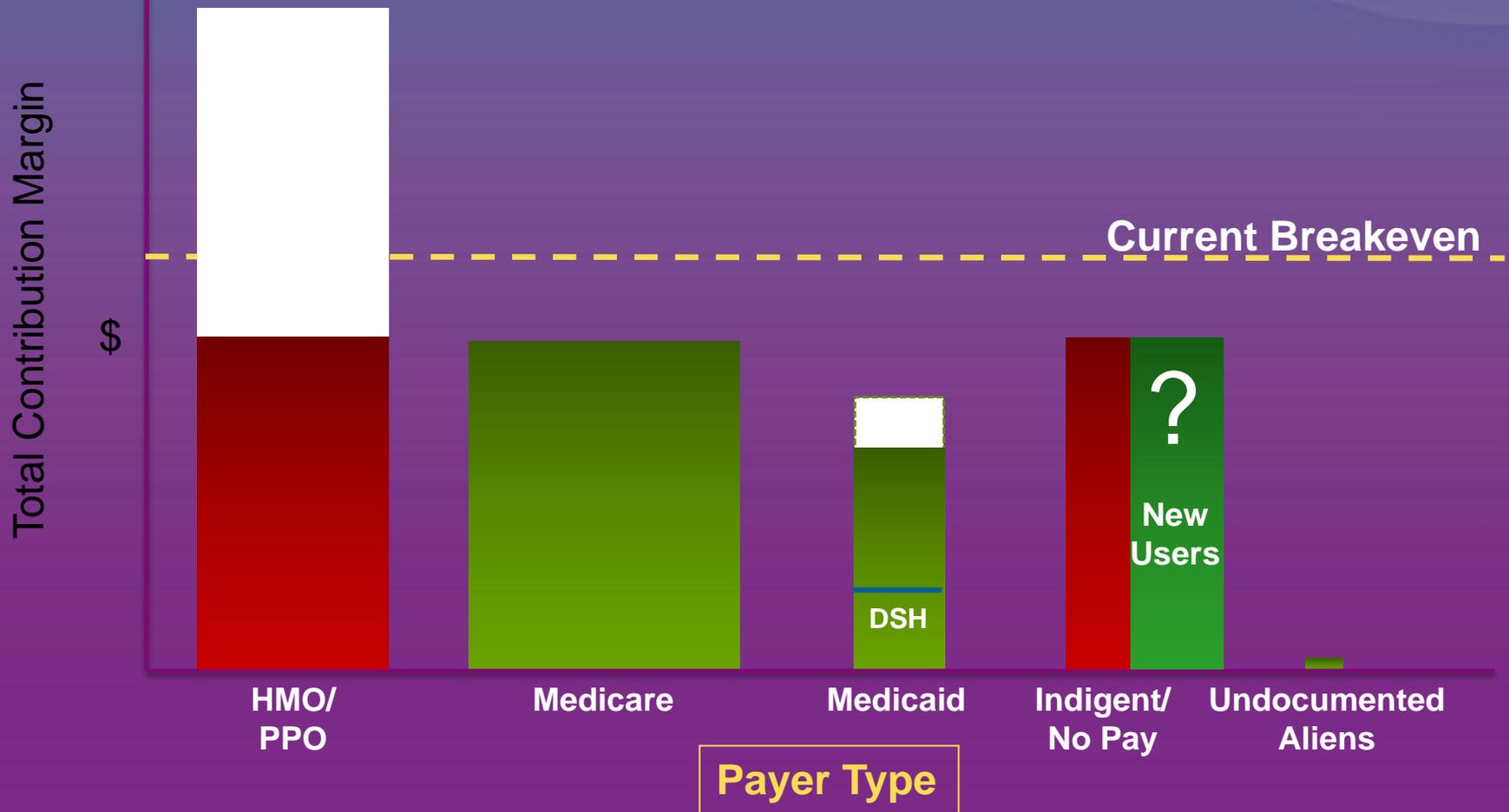
## Rumor of the Day:

**President Obama may post his own version of a healthcare bill on the internet next week.**

# Healthcare Reform: Payment Impact - Hospitals



# Healthcare Reform: Payment Impact - Hospitals



# 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

# Buckets of Reform

## 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 (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**

- **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

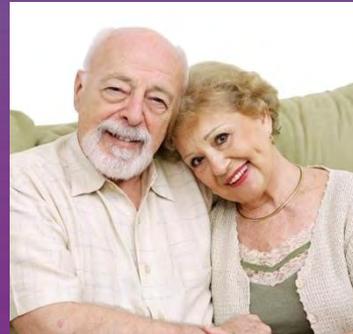
	Year 1	Year 2	Year 3
<b>Quality Standards Met?</b>	Yes	No	Yes
<b>Cost Savings Achieved?</b>	No	Yes*	Yes*
<b>Medicare FFS Payment</b>	Medicare Fee Schedule	Medicare Fee Schedule	Medicare Fee Schedule
			
<b>ACO Bonus Payment that year?</b>	No	No	Yes X% of Savings**

# 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

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.*

# The New Era – Broad Trends



**Philosophy/Expectations: Privilege**



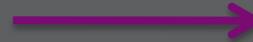
**Right**

**Incentives: Do more**



**Do less**

**Volume: Admit, readmit**



**Admit less**

**Patient: Little self responsibility**



**Accountability**

**Delivery Model: Lots of everything**



**Consolidation, hub  
and spoke**

**Patient Care: Face to face, physician focused**



**Remote monitoring, wireless,  
allied professionals**

**Pricing: Foggy, unclear**



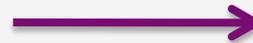
**Transparent**

**Payment: Fee-for-service, case rates, DSH**



**Case rates, shared risk pools,  
bundled payments, ACO**

**Delivery of Care: I think you need...**



**Cost effective care delivery,  
medical home**

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