Please note that the views expressed by the conference speakers do not necessarily reflect the views of the American Hospital Association and Health Forum.
About the Presenters

**Dr. Terrence R. McWilliams, Chief Clinical Consultant**, retired from the US Navy after more than 20 years as a family physician and clinical administrator in a variety of practice environments, including leading multi-specialty clinical operations and physician-hospital alignment. He then spent a decade as the Vice President of Medical Affairs and Chief Medical Officer at Newport Hospital, an acute care community hospital within a larger Rhode Island academic health system. As CMO, he supervised the Medical Staff Services Office and was responsible for quality of care/patient safety/risk management, clinical information systems, medical staff services, physician recruitment and clinical service line development. His involvement at the system level included creating system-wide Medical Staff Bylaws, spearheading various clinical IT projects, and contributing to broad-based performance improvement efforts.

Terry received his medical degree from the University of Pittsburgh School of Medicine and a Master of Science in Jurisprudence (MSJ) in Hospital and Health Law from Seton Hall University School of Law.

**Terry McWilliams, MD | Chief Clinical Consultant | (502) 614-4292 | tmcwilliams@healthcarestrategygroup.com**

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**Jarom E. Bowman, Senior Consultant**, comes to Healthcare Strategy Group after having served as manager of operations for a large clinically integrated physician-hospital organization (PHO) in the Cincinnati, OH area. Jarom was instrumental in the initial build and development of the organization and also played a key role in creating a regional PHO with a partner health system. His core area of expertise revolves around clinical integration and PHO/ACO development including the evaluation and implementation of organizational structure, governance, participation agreements, network development/alignment, financial modeling and assessing risk/value-based contracts.

Jarom holds a Bachelor’s of Science Degree in Finance from Brigham Young University-Idaho and a Master’s of Business Administration in Healthcare Management from Union College in Schenectady, New York.

**Jarom E. Bowman | Senior Consultant | (502) 814-1184 | jbowman@healthcarestrategygroup.com**
# Agenda

<table>
<thead>
<tr>
<th>From Volume to Value</th>
<th>Time</th>
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<tbody>
<tr>
<td>✓ Transformation</td>
<td>15 min</td>
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<tr>
<td>✓ Market Dynamics</td>
<td></td>
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<tr>
<td>✓ Dilemma – Solution</td>
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<table>
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<tr>
<th>Core Capabilities</th>
<th>Time</th>
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<tr>
<td>✓ Eight Elements</td>
<td>10 min</td>
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<tr>
<th>Advantages &amp; Barriers for Rural Hospitals/ Health Systems</th>
<th>Time</th>
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<td>10 min</td>
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<table>
<thead>
<tr>
<th>Strategic Considerations</th>
<th>Time</th>
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<tbody>
<tr>
<td>✓ Get Your House in Order</td>
<td>25 min</td>
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<tr>
<td>✓ Evaluate Strategic Partners</td>
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<table>
<thead>
<tr>
<th>Question and Answer</th>
<th>Time</th>
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<td>15 min</td>
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From Volume to Value
From Volume to Value: Transformation

The downward pressures on healthcare spend have introduced increased levels of risk bearing reimbursement models – which are fundamentally shifting the business model of providers.

<table>
<thead>
<tr>
<th>Physician Role</th>
<th>Paid for Volume</th>
<th>Transition</th>
<th>Paid for Value</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Productivity, referral generation</td>
<td></td>
<td>Efficiency (high quality/ low cost), manage comprehensive care, gatekeeper</td>
</tr>
<tr>
<td>Hospital Role</td>
<td>Profit center</td>
<td></td>
<td>Cost center</td>
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<tr>
<td>Patient Acquisition</td>
<td>Broad referral network</td>
<td></td>
<td>Patient attribution to PCP/ defined patient populations</td>
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<tr>
<td>Revenue Source</td>
<td>IP Admissions, procedures, &amp; OP encounters</td>
<td></td>
<td>Achieving quality and cost targets (reducing total costs PMPM)</td>
</tr>
<tr>
<td>Margin Driver</td>
<td>Expansive acute care platform</td>
<td></td>
<td>Population health management (chronic disease/ case management)</td>
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</tbody>
</table>

An economic model driven by utilization and fee-for-service reimbursement

An economic model driven by increased quality and experience with reduced total cost of care
The downward pressures on healthcare spend have introduced increased levels of risk bearing reimbursement models – which are fundamentally shifting the business model of providers.

**Federal Legislation**

MACRA (SGR Fix)

**Payers**

Enables Transformation

**Providers**

Shift Financial Risk

Consolidate & Collaborate

**Graphical Elements**

- Target percentage of Medicare FFS payments linked to quality and alternative payment models in 2016 and 2018

Different markets will experience different rates of change in the transition towards value based on a variety of market-specific drivers.

<table>
<thead>
<tr>
<th>Providers</th>
<th>Payers</th>
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<tbody>
<tr>
<td>Competitors participating in an MSSP program (i.e. ACO, BPCI, CJR)</td>
<td>Local commercial payers aggressively narrowing their provider networks in order to better control costs and outcomes</td>
</tr>
<tr>
<td>Competitors forming commercial ACOs or clinically integrated networks</td>
<td>Employers increasing willingness to offer narrow network to employees as a means to control cost</td>
</tr>
<tr>
<td>Direct to employer contracting (i.e. narrow networks)</td>
<td>Consumers increasing willingness to accept narrow network as means to control premiums</td>
</tr>
<tr>
<td>Competitors launching provider owned health plans</td>
<td>Increasing enrollment/prevalence of Medicare Advantage plans</td>
</tr>
<tr>
<td>Competitors increasingly adopting commercial risk/value based contracts</td>
<td>Risk/value based contracts broadly taking root</td>
</tr>
<tr>
<td>Competitors expanding geographic footprint through provider and hospital acquisition</td>
<td>Payers consolidating (national phenomenon of mergers and acquisitions)</td>
</tr>
</tbody>
</table>

Rapid growth in private exchanges
From Volume to Value: Dilemma – Solution

Strike a balance between moving too fast and moving too slowly in the transition towards risk/value.

**Too Fast**

- Prematurely subject organization to financial risk
- Wasted effort... won’t be able to service new arrangements
- Reimbursement erosion... reduced FFS rates
- Unnecessary infrastructure investment

**Well-Timed**

Transition contracts strategically while building capabilities.

**Too Slow**

- Lost market share through tiered/narrow networks
- Reduced utilization driven by other organizations
- Limited physicians/ providers left to align with
- Allowing others to dictate your future

**THE STRATEGY**

Health systems and provider networks must continue operating in and taking advantage of the current environment while designing care delivery for the future by investing tactically in the competencies to manage health and populations.
Core Capabilities
Eight Core Elements essential to building a population health management platform capable of managing an array of alternative payment and care delivery models in this era of value-based care.

1. Vision & Culture
2. Structure & Governance
3. Financial Alignment
4. Data Systems
5. Engaged Provider Network
6. Quality Improvement
7. Care Management
8. Patient Engagement

Four Core Operational Functions include Care Coordination, Information Technology, Contract Management and Network Development/Provider Engagement
Advantages & Barriers
## Advantage & Barriers for Rural Hospitals/ Health Systems

Rural hospitals and health systems are uniquely positioned to manage population health but may need a partner to help defray barriers to entry.

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Barriers</th>
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<tbody>
<tr>
<td>Defined Population</td>
<td>Lack of Capital</td>
</tr>
<tr>
<td>Defined Medical Resources</td>
<td>Significant Cost</td>
</tr>
<tr>
<td>Options</td>
<td>Lack of Infrastructure</td>
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**Your Greatest Asset:** Concept consistent with traditional mission of promoting health and wellness of the community served.
Strategic Considerations
### OUTCOME

- Determine specific actions required to effectively function in a value-based care environment.

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**Conduct a formal assessment of your current value-based care capabilities/ infrastructure.**

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- **Shared Vision for Success** – Outline the strategic purpose and long-term vision
- **Market Dynamics Assessment** – Analyze the local healthcare landscape and key market drivers to determine the true pace at which the local market is transitioning to value
- **Gap Assessment** – Identify gaps in the capabilities the organization will need to compete in a value-based care environment
- **Financial Modeling** – Illustrate the financial implications of transitioning toward value
- **Detailed Action Planning** – Prioritize immediate and long-term tasks to address identified gaps and execute strategic vision

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Strategic Considerations: Get Your House in Order

Regardless of specific action item that result from the assessment, the following need to be addressed:

- Educate your board, physicians and management team
- Define your long-term strategic vision
- Identify physician leadership
- Standardize practice operations across employed physician network
- Firm-up relationships with medical staff/ independent physicians
- Organize broader medical community/ resources

**OUTCOME**

- Assures optimal organizational function while transitioning to value-based care.
- Fosters maximum desirability as partner in strategic alliances.
Strategic Considerations: Evaluate Strategic Partners

Addressing identified gaps often leads to considering strategic partnerships. Determine **what is desired from these collaborations.**

- Cultural compatibility
- Previous relationship/experience working together
- Experience managing populations and financial risk
- Complimentary service areas
- Capital (Expertise & Financial)
- Infrastructure Support (Management, IT, Data Analytics & Care Management)

**OUTCOME**

- Determines criteria against which potential partners can be assessed.
- Fosters a lasting and long-term partnership that will greatly enhance your ability to thrive in value-based care and retain your independence.
One common misconception is that you can’t do anything significant until you have obtained the FTC’s “clinically integrated” stamp of approval.

### Immediate Advantages

#### Strategic Positioning

- Establishing the legal and organizational structure gives participants a seat at the table
- Participants are synergistically creating something bigger than themselves

#### Contracting

- Apply to become a MSSP ACO
- Negotiate and enter into shared savings/risk arrangements with commercial payers
- Directly contract with employers
- Sponsoring entities’ employee health plan

#### Scale

- Joint investments in technical resources, care management infrastructure, staff and other costly population health management capabilities — capabilities that would otherwise be developed individually

CIN development is a marathon not a sprint... and can be accomplished through incremental investments that don’t break that bank!
Question and Answer
For an electronic copy of today’s presentation, email Jarom at jbowman@healthcarestrategygroup.com

Download HSG’s Comprehensive Guide: Building a Sustainable Clinically Integrated Network

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