Leading in Changing Times

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November 13, 2013
Mission:
To be your medical home

Vision:
To be the model for physician-led health care in America

Values:
As a physician owned and directed company, we are committed to ensuring that patient care is efficient, effective, equitable, patient centered, safe, and timely.
Every health care talk on value must begin with the requisite scary trend slide.
The U.S. Health Care System is too expensive, wildly variable, with lower than desired quality and outcomes.
We’ve all seen the scary data…
These forces are radically and rapidly changing the health care market.

<table>
<thead>
<tr>
<th>Reimbursement</th>
<th>Volume Based</th>
<th>Value Based</th>
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<tbody>
<tr>
<td></td>
<td>FFS/DRGs</td>
<td>Outcomes &amp; Quality based</td>
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<tr>
<td></td>
<td>No payment for readmits, never events, etc.</td>
<td>Global payments</td>
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<td>Organizational model</td>
<td>Departmental</td>
<td>Populations</td>
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<tr>
<td>Value drivers</td>
<td>Volume</td>
<td>Conditions</td>
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<td>Efficiency (on a procedure level)</td>
<td>Focused factories</td>
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<td>Profit pools</td>
<td>Visits</td>
<td>Quality and low variability</td>
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<td>Surgery / Procedures</td>
<td>Efficiency (on a population level)</td>
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<td>Outpatient ancillary</td>
<td>Wellness and prevention</td>
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<tr>
<td>Investments</td>
<td>Capacity</td>
<td>Population management</td>
</tr>
<tr>
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<td>Revenue-producing assets</td>
<td>Chronic condition management</td>
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<td>Patient referrals</td>
<td>Health IT</td>
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<td>Clinical integration</td>
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<td>Commercialization</td>
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Physician leadership in health care transformation is crucial!
What is holding us back?
The time had come for radical change...The management of medical care has become too important to leave to doctors, who, after all, are not managers to begin with.

*Fortune* Magazine, January 1970
I am NOT a cat and neither are you!
The traditional distinction between physicians and managers may be part of the problem.

**PHYSICIANS:**
- Autonomous, makes decisions alone
- Works one-to-one
- Empathetic
- Crisis-oriented
- Quality-oriented
- Enjoys immediate tangible results
- Accustomed to controlled chaos
- See people as material/objects
- Is a doer
- Reacts
- Is authoritarian in practice style
- Specialist orientation
- Discipline oriented

**Managers:**
- Uses teamwork, line-reporting
- Works primarily in groups.
- Objective
- Long-range planner
- Cost-oriented
- Must often delay gratification and enjoy process
- Planned schedule, more inherent flexibility
- See people as resources to be managed
- Is a delegator, gets things done through others
- Proacts
- Delegates authority
- Generalist orientation
- Socially oriented
Management is doing things right; leadership is doing the right things.

Peter Drucker
Effective leaders learn the language of leadership and master it.
What is the language of leadership?

- Setting a shared vision for the organization or group
- Securing and getting the right team members and stakeholders onboard the ship
- Motivating the team and stakeholders to work toward a shared vision
- Building and sharing the strategic plan for achieving the vision
- Navigating the course for the organization in good and in trying times.
There are three distinct leadership styles.

- Servant Leadership
- Situational Leadership
- Transformational Leadership
Good servant leaders will:

Engage in active listening
Demonstrate empathy for workers and peers
Strong communicator of concepts
Possess strong persuasive abilities
Exert a healing influence on individuals and institutions
Establish a community in the workplace
Situational leaders can:

Adapt to specific situations
Assume one of four roles: coaching, supporting, delegating, or leading
Understand the need for workers’ empowerment and recognition
Know his or her strengths but adjusts when needed
Recognize the need for change.
And transformational leader should:

**Influence** subordinates to drive toward ethically inspired goals transcending self-interest.

**Facilitate** team growth through individualized mentoring or coaching relationships.

**Operate** through four central components:

- idealized influence
- inspirational motivation
- intellectual stimulation
- individualized consideration
Why has leadership been so difficult for physicians?
Carl Jung would point us to the language of archetypes.
Jung theorized that archetypes are symbolic figures hardwired into our unconsciousness.

- Hero
- Father
- Mother
- Temptress
- Witch
- Villain
- Wise Old Woman
- Innocent
What are the archetypes of leadership?

• Chief
• Hero
• Warrior
What archetypes are associated with medicine?

- Healer
- Magician
- Shaman
We are far more comfortable thinking in terms of the professionalism.

- Knowledge and competence is validated by peers
- The validated knowledge and competence rests on a rational and scientific basis
- The professional’s judgment and advice are structured around relevant values
The Cherokees have an alternative construct that may help us understand professionalism in a new way.

Duyukdv

The ‘right living’ of an individual within the community that creates spiritual health and balance.

Tohi

The health of a the community at large.
Similar concepts of balance and health have been articulated in western thought by Gregory Bateson.
Bateson’s *Ecology of Mind* focused upon mental models that block balance.

- It’s us against the environment.
- It’s us against other men.
- It’s the individual (person/team/nation) that matters.
- We can have unilateral control of the environment and must strive for that control.
- We live in a infinitely expanding frontier.
- Economic determinism is common sense.
- Technology will do it for us.
It’s us against the environment.

We and what we call environment are interdependent.
It’s us against other men.

We need to create win-win relationships.
It’s the individual (or the individual team or individual company or the individual nation) that matters.

The unit of survival is organism plus environment. We are learning by bitter experience that organism that destroys its environment destroys itself.
We can have unilateral control over the environment and must strive for that control.

Nature was before, will be after and is greater than the small part of it that is human beings.
We live in an infinitely expanding ‘frontier’.

There are limits to growth.
Economic determinism is common sense.

90% of what is most important cannot be measured by economics. Money as the measure of all things actually serves to impoverish us all.
Technology will do it for us.

Technology on its own will merely accentuate our own ability to destroy ourselves and our environment. You cannot solve a problem from within the thinking that created it.
Somebody has to do something: it’s just incredibly pathetic it has to be us.

Jerry Garcia
We must either innovate...
...or be prepared for a big, ugly haircut!
Innovation changes how services are delivered.
Value-Based Models are a Solution to the US Healthcare Crisis
• The US healthcare system is in a spiral
• Reform has created new models
• Aim to improve health, reduce cost, and enhance patient satisfaction

These Models Require Providers to Undergo Transformative Change
• Every facet of their operations
• Clinical care must focus on quality and results
• Reimbursement must incent new behaviors
• New technology must be adopted and utilized to its fullest potential

Willing Providers Need Substantial Capital to Achieve This Change
• Requires millions in investment
• Hospitals have the funds, but cannot move quickly due to their volume-based model and bureaucracy
• Physician groups can move faster but lack the capital base, settling for incremental change and suboptimal results
In order to be successful in new health care delivery models it is important to understand the drivers of health care costs.
The Drivers of Health Care Costs:

Chronic Disease

$1.875 Trillion annual cost

$3 out of every $4 of U.S. health care spending
The Drivers of Health Care Costs:

**Aging Population**

1 in 8 Americans are 65+

In 2009 65+ comprised 12.9% of the population

By 2030 19% of the population is projected to be 65+

That is 72.1 million people
The Drivers of Health Care Costs:

Hospital Readmissions

In 2011 nearly 1 in 5 patients admitted to the hospital were readmitted within 30 days. This represents an estimated preventable cost burden of $25 billion annually.
There are several revenue streams possible in value-based payment models.

- Fee-for-service
- Quality
- Shared savings
- Management fees
- Patient satisfaction
- Partial capitation and pre-payment
- Full risk
A variety of value-based reimbursement models exist, but the greater risk that is shifted to the provider, greater likely upside exists for all stakeholders.

**Spectrum of Value-Based Reimbursement Models**

**Increasing Provider Risk and Overall Value Creation**

<table>
<thead>
<tr>
<th>Care coordination payments</th>
<th>P4P</th>
<th>Bundled payments</th>
<th>Shared savings</th>
<th>Global payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMPM payments designed to compensate for currently unpaid services (e-visits, home visits, care coordinating activities, etc.)</td>
<td>Physicians bonused to reach health management targets (quality, outcomes, cost, utilization, etc.)</td>
<td>Medicare pays ACE rates on 29 conditions</td>
<td>CMS introduces one-sided and two-sided Shared Savings program</td>
<td>Subset of delivery system could receive partial capitation</td>
</tr>
<tr>
<td>Paid to Primary Care Medical Homes and Condition Mgmt. Models</td>
<td>Hospitals bonused to reach utilization and quality targets</td>
<td>Hospitals and MDs together receive bundled payments for defined procedures</td>
<td>Private payers introduce budgeted gain-sharing programs</td>
<td>Delivery system targets global compensation associated with defined population</td>
</tr>
<tr>
<td></td>
<td>Delivery systems penalized for 30 day readmissions and acquired conditions</td>
<td>Joint contracting organizations associated with delivery systems receive bundles to manage entire episodes of care</td>
<td>Includes upside only (gain-share) and upside-downside (risk-share) models</td>
<td>Full population management capabilities necessary</td>
</tr>
</tbody>
</table>
All businesses have the same strategic choices.
Models of care must be designed around the patient’s needs, not the tyranny of the 15 minute office visit

<table>
<thead>
<tr>
<th>Healthy independent</th>
<th>Health risk factors</th>
<th>Early stage chronic</th>
<th>Complex conditions</th>
<th>Late state or poly–chronic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frail</td>
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</table>

**Description**
- No chronic conditions and free of key risk factors
- No major chronic conditions with one or more risks
- Chronic condition that is well controlled and has not substantially progressed
- Systemic or otherwise complex condition
- One or more chronic conditions that are uncontrolled or advanced

**Examples**
- Normal BMI
- Non-smoker
- High blood pressure
- High cholesterol
- Obesity
- Smoke/drink excessively
- Diabetes
- Asthma
- Coronary Artery Disease
- Cancer
- Multiple Sclerosis
- Cystic Fibrosis
- Diabetes
- Asthma
- Coronary Artery Disease
- Congestive Heart Failure
- End Stage Renal Disease

Population based models (Extensivist, PPCP, and PCMH) target specific health segments
Primary care will be organized around teams.

A primary care physician (PCP) will oversee the extender staff and a dedicated panel of patients.

Physician Assistants and Nurse Practitioners act as the main extenders to support the PCP.

Other clinical staff such as RN Care Managers, clinical associates and clerks will act as extenders depending on the makeup of the panel.

The number of patients in a panel will depend on the population’s health status; varying from 5000 for Healthy Independents and 800 for polychronic.

Patient-Centered Medical Home Teamlet
PCMH practices will be redesigned to provide holistic care.

<table>
<thead>
<tr>
<th>Function</th>
<th>FTE</th>
<th>Panels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical Pharmacy Specialist</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Clinical Pharmacy Anticoagulation</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Social Worker</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Nutritionist</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Patient Navigator</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Trainees</td>
<td>As needed</td>
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</tbody>
</table>

**Teamlet Clinical Support Staff**

**Integrated Behavioral Health**
- Psychologist: 1 FTE 3 Panels
- Psychiatrist: 1 FTE 10 Panels

**Health Promotion Staff** (by facility)
- 1 FTE Prevention Program Manager
- 1 FTE Health Behavior Coordinator
PCMH is the central contact for coordinated care across the continuum of care.

- Early member identification and assignment to appropriate medical home
- Member engagement through health management, value-based benefits and targeted education

Condition care models
- Integrated cardiology model
- Integrated oncology model

Surgical focused factories
- Efficient care models for surgical and medical episodes
- Includes hospital, specialists, and ancillary providers as needed
- Close coordination with PCMH, including data sharing and referral management

Cardiac focused factory

Health plan

Support Services
- Behavioral Health
- Social Workers
- Nutritionists

PCMH care team
- Leader of care team
- Develop/update patient action plans
- Diagnosis and treatment
- Referral oversight
- Monitor patients’ performance

Physician
- Review physician care plan with patient
- Plan referrals and collection of information
- Address patient questions
- Specialist / hospital follow-up

Extenders
- Prepare for patient visit
- Triage complex
- Baseline data collection

Front office
- Review physician care plan with patient
- Plan referrals and collection of information
- Address patient questions
- Specialist / hospital follow-up
- Prepare for patient visit
- Triage complex
- Baseline data collection

Acute care facilities
- Collaborate with PCMH on discharge activities
- Ensure real-time exchange of clinical info into EMR
- Contract based on quality and cost

Laboratory
- Efficient analysis of tests (e.g. bloodwork, etc.)
- Ensure real-time exchange of data to eliminate redundancy

Surgical focused factories
- Orthopedic focused factory
- Cardiac focused factory

Integrated cardiology model
- Integrated oncology model

Behavioral Health
- Social Workers
- Nutritionists

PCMH screens for potential risks and coordinates referrals
- Support services collaborate with PCMH for total person care and wellness

Cornerstone Health Care
Integrated Care Models lead to improved health care outcomes at the population level.

Integrated Community Care Model

- **Routine Care**
  - IOCP
  - Prevention & Chronic Care Management
  - IOCP (3 in 1 model)
  - PCMH (3 in 1 model)

- **IOCP**
  - Intensive active management of the sickest individuals within the population
  - Complex/Poly-chronic

- **PCMH (3 in 1 model)**
  - Proactive engagement for early chronic and at-risk individuals
  - Early Stage Chronic/At Risk
  - Healthy

- **Nutrition & Meals**
  - Urgent Care
  - Community Programs

- **Drug & Alcohol Programs**
  - Home Care
  - Urgent Care

- **Home Care**
  - Social Services
  - Transport

- **Transport**
  - Social Services

Source: Sample claims data, OW Analysis
Now here is where we are going...
For physician organizations, several indicators will likely predict future success.

**Scale**

With scale comes operational efficiencies and capability advancements – increased scale additional drives market influence and power

**Value-Based Care Delivery**

Intense focus on created patient-centric solutions that drive quality of care while removing excess cost – organizations must achieve both standardization and innovation

**Patient Engagement**

New models of outreach, engagement and experience means surrounding patients with complete suite of product, services, clinical care and health management

**Risk Adoption**

In order to fund the investment required and to gain the economic upside opportunities, providers will need to continue to adopt increasing levels of financial and clinical risk on their patients

**Strategic Partnerships**

Extending patient care beyond the walls of the provider office means forging key partnerships with organizations that provide services critical to an integrated patient care experience (e.g., home health, Rx, etc.)

**Technology & Infrastructure Advancements**

Significant buildout of analytic intelligence, information sharing, health management infrastructure, etc. remains critical to win in a FFV environment
New competencies are required to support the population health management business.

- Business Development
- Care Coordination
- Clinical Performance Management
- Effectiveness Analysis
- Financial and Clinical Risk Management
- Patient Engagement
- Patient Safety
- Physician Development and Training
- Value-Based Contracting
Population Health Management requires three changes...
...patient care model redesign...
...infrastructure redesign...

- Facilities
- Information Technology
- People
...and payment system redesign.
These changes permit the development of a High Performing Health System.
But we are just at the starting line...
Three transformational waves will reshape the health marketplace by the year 2025...

**WAVE 1**
PATIENT-CENTERED CARE
2010-2016

FROM
Physician-centered
Transactional, isolating
Sick-care
Inaccessible
Patient turnover-volume
Unwarranted variation

TO
Patient-focused
Care team managed
Health and well-being
Convenient and 24/7
Patient health-value
Evidence-based standard

**WAVE 2**
CONSUMER ENGAGEMENT
2014-2020

FROM
Uninformed
Limited engagement
Isolated individual
Limited consequence
Bricks, office hours
Physician opinion

TO
Informed, shared decisions
Highly engaged/empowered
Socially connected
Financial rewards/incentives
Virtual, mobile, anytime
Informed shared decisions

**WAVE 3**
SCIENCE OF PREVENTION
2018-2025

FROM
Basic health management
Symptom treatment
One-size-fits-all
Limited biomarkers
Big pharmaceuticals
Medical competencies

TO
Genome-linked life plan
Monitoring and prevention
Personalized therapies
100% accurate diagnostics
Tailored gene/microbiome therapies
Life, social, and ethics competencies
Today: Fee-for-service (2013)

I only seek care when I have no other alternative.

My doctor controls my referrals, and I don’t know who provides the best care.

Doctor’s hours don’t match real life hours.

I feel rushed during doctor visits.

I am the only person coordinating my care – doctors don’t talk to each other and don’t think about me once I leave their office.

I feel lost and overwhelmed.

I avoid my healthcare because it’s too confusing and inconvenient.

I have no idea how my insurance works – it’s so confusing.

Cornerstone Healthcare
Wave 1: Patient–centered care

I work with my care team to improve my health and live better – we have a shared plan that is personalized to me.

My care team truly cares about my holistic health – I am not alone.

I believe that my healthiest days are ahead of me.

My care team takes care of all my health needs.

The system is working for me.

My substance abuse and depression are managed.

My care team proactively motivates me to stick to my care plan.

Care extends beyond my doctor’s office to my home and to local retailers.

I monitor my health with tools to identify issues early.

Cornerstone Health Care
Wave 2: Consumer engagement

I know how to live well and be healthy – I have great resources (apps) at my disposal to inform me.

I feel engaged in my health and am empowered to make informed decisions.

I can surf and navigate the health system with ease and the patient-centered care models are so convenient and easy to work with.

I have web-based/mobile tools so I can manage my healthcare.

I use crowdsourced reviews of goods and service providers (like Yelp) to decide where I can get the best value.

Competing against friends in online health challenges motivates me to live healthier – I earn great rewards that I value.

I know what I need and how to buy it – shopping and health tools have made it easy and boosted my confidence.

Consumer-driven competition is great – all the population health managers have extended office hours and most offer virtual web visits.

I connect through social media to other “patients like me.”
By 2016/17 nearly 100 MM consumers will choose value-based health solutions.

Value market opportunity by funding source 2010-2025

- Managed Medicaid
- MA
- Duals
- Innovative Employers
- Individuals & Exchange

**TIPPING POINT**

Value market tops 30% of the total

-$3.7\ TN$ in 2025 (70% of total spend)

<table>
<thead>
<tr>
<th>Net New Spend</th>
<th>CAGR</th>
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<tr>
<td>$268 BN</td>
<td>17%</td>
</tr>
<tr>
<td>$231 BN</td>
<td>14%</td>
</tr>
<tr>
<td>$578 BN</td>
<td>21%</td>
</tr>
<tr>
<td>$1.5 TN</td>
<td>25%</td>
</tr>
<tr>
<td>$1.2 TN</td>
<td></td>
</tr>
<tr>
<td>$1.0 TN</td>
<td></td>
</tr>
<tr>
<td>$268 BN</td>
<td></td>
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<tr>
<td>$231 BN</td>
<td></td>
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<tr>
<td>$578 BN</td>
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$3.7\ TN$ in 2025 (70% of total spend)
... by 2025 the population health marketplace will save over $7 TN.

A new sustainable better health marketplace

The value-based healthcare market bends trend by 5.5% and saves $7.2 TN between 2013 and 2025\(^2\)

Status quo (6% trend)

Cumulative savings (2010-2025) = $7.2 TN

2025 Savings = $1.5 TN\(^1\)

Projected 2025 trend of value-based populations (0.5% in 2025)\(^2\)

Cumulative savings (2010-2025) = $7.2 TN

$1 TN of value rotation while transforming the patient experience

1. Represents $880 BN Total Cost Reduction and $640 BN Trend Reduction
2. Represents trend only for individuals in value-based markets (fully effective). Trend of entire market in 2025 is 2.2%
There are six big questions all leaders should be asking themselves:
Are we playing offense or defense?

Offense or defense?
Do we know where our capability gaps are and how to close them?

Do we know what the most important value-added activities are?

Are we ruthlessly objective about what will take?

- Delivered via ecosystem
- Open architecture
- Relentless innovator
- Information enabled and predictive
- Total health and wellness focus
- Always engaged
- 100% available and social
- Magnetic for consumer
- Superior results
- Strong brand
- Culture centered around a service mentality
- Vibrancy
Do we really have the consumer in focus?

1. **Scope and scale of consumer engagement?**
2. **Value and power of the integrated consumer value chain – 1 + 1 = ?**
3. **Likely value chain organizers – what will it take – who will be trusted?**
4. **Dimensions of competition – anywhere, anytime, personalized?**
5. **Role of health status and benefits coverage in shaping value chain leadership?**
Are we prepared to play in a multi-chain world?

<table>
<thead>
<tr>
<th>My value chain</th>
<th>Collaborative consumer value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>From</strong></td>
<td><strong>To</strong></td>
</tr>
<tr>
<td>Solo-sport orientation</td>
<td>Ecosystem-based</td>
</tr>
<tr>
<td>Wholesale</td>
<td>Retail</td>
</tr>
<tr>
<td>Sickness</td>
<td>Total health &amp; wellness</td>
</tr>
<tr>
<td>Reactive</td>
<td>Predictive/preventative</td>
</tr>
<tr>
<td>Body part or diagnostic code</td>
<td>Whole person</td>
</tr>
<tr>
<td>Physical</td>
<td>Virtual/anywhere/real-time</td>
</tr>
<tr>
<td>Transactional</td>
<td>Relational</td>
</tr>
<tr>
<td>One-size-fits-all</td>
<td>Personalized</td>
</tr>
<tr>
<td>Opaque</td>
<td>Transparent</td>
</tr>
<tr>
<td>Individual/expert</td>
<td>Crowd</td>
</tr>
</tbody>
</table>

**Source:** EB M

**Source:** Big data

**Source:** Health Apps

**Source:** Crowd

**Source:** EBM Treatment

**Source:** My value chain

**Source:** Collaborative consumer value chain

**Source:** Cornerstone Health Care
Have we really considered the compete or converge question?

Extra-industry players

Health retailers and e-retailers
- amazon.com
- Whole Foods
- Walmart

Tech, consumer goods and services
- Weight Watchers
- Apple
- Nike

Race to capitalize on higher value consumer relationships
- Consumer mindshare
- Consumer loyalty
- Consumer timeshare
- Consumer wallet share
- Consumer biodata share

Traditional healthcare players

Providers
- Mayo Clinic
- Cleveland Clinic

Health plans
- UnitedHealthcare
- BlueCross BlueShield
- aetna

Consumer mindshare
Consumer loyalty
Consumer timeshare
Consumer wallet share
Consumer biodata share
Are we moving fast enough?

The leader advantage is expanding, fueled by new technology, capital markets, and hare earned lessons.

Today-player questions

- Is the cost of inaction on the rise?
- Is there an inflection point where we can’t catch up to the leaders of the pack?
- If one of these models entered our markets, could we respond?
Which archetypal images are more conducive to population health management?

Hero?

Healer?
Or TEAM!
From now on we will live in a world where man has walked on the moon. It’s not a miracle. We just decided to go.

Jim Lovell, Apollo 13