


The Health of Health Care

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The slide features a dark red background with a geometric pattern of overlapping squares and diamonds in various shades of red. The text is white and positioned on the left side. The logo is located in the bottom right corner.



Health Care Reform Update

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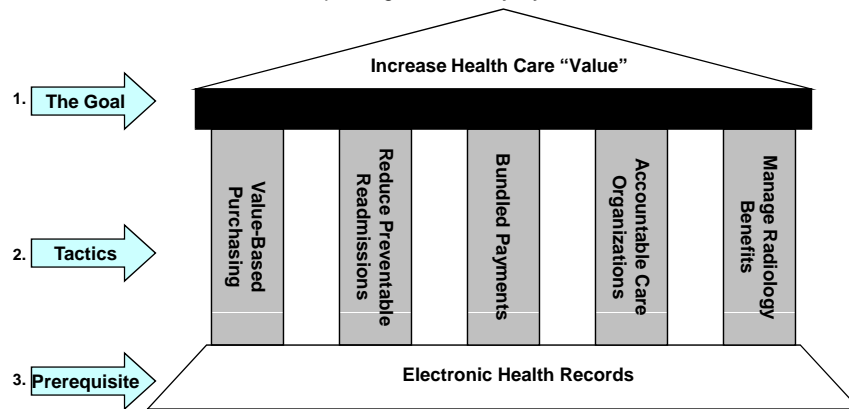
Health Care Reform Update

- Senate Patient Protection Act and Affordable Health Care Act, HR 3590, combined with the Health Care and Education Reconciliation Act of 2010, HR 4872



Health Care Delivery System Reform

The Senate Finance Committee Legislation Will Include Payment Reforms Aimed at Improving the Delivery System




A Roadmap to Reform

Most of President Obama's Ambitious Health Care Goals Depend on Bending the Cost Curve

Causal Relationship Between the President's Health Care Goals

Catalyst	Primary Outcome	Secondary Outcome	Tertiary Outcome
Reduce Cost Growth (Invest in Prevention and Wellness / Improve Safety and Patient Care)	Assure Affordable Coverage	Maintain Coverage During Job Transitions End Barriers for Pre-Existing Conditions	Protect Families from Medical Bankruptcy Guarantee Choice of Docs and Health Plans


Source:
1) http://www.whitehouse.gov/issues/health_care/



Selected Provisions

- **Estimated Cost of Bill**
 - Net cost \$938 billion over 10 years
 - Coupled with reductions in Medicaid DSH, Medicare DSH and Hospital payments updates of \$500 billion
 - Total cost of bill \$1.438 trillion

- **Coverage of People**
 - Reduces number of uninsured by 32 million by 2019
 - 23 million people left uninsured by 2019



Selected Provisions

- Individual mandates and employer responsibility
 - 2014 All U.S. citizens and legal residents would have to obtain coverage or face a tax penalty
 - Insurance exchanges will be provided
 - Employers will provide coverage or will be charged a “free rider” assessment

- Health Insurance Reforms
 - Eliminates annual and lifetime benefit limits
 - Restricts dropping coverage
 - Pre-existing conditions eliminated by 2014
 - Dependent children covered up to age 26

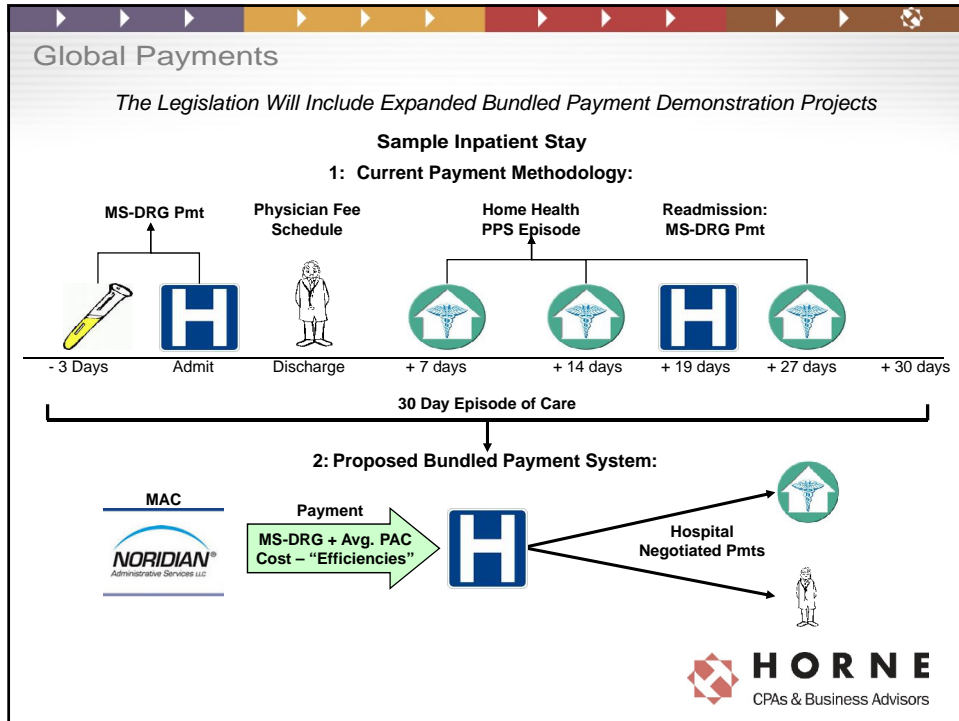


Selected Provisions

- Administrative Simplification
 - Moving to standardized processes by evaluation of systems every 3 years using input from the National Committee on Vital Statistics, the Health Information Technology Policy Committee, the Health Information Standards Committee, standard setting organizations and stakeholders

- Delivery System Changes
 - Bundling – beginning 2013 pilots thru 2015
 - Readmissions – 2013 penalties for “excessive re-admissions”
 - Accountable Care Organizations – 2012, allows hospitals and physicians to provide leadership in voluntary ACOs. Some savings to be shared
 - Innovation Center – 2011 creates a Center for Medicare and Medicaid Innovation designed to improve quality and reduce program expenditures





- ### Selected Provisions
- Independent Payment Advisory Board (IPAB)
 - Binding payment recommendations on Medicare and non-binding on private insurers payments to providers
 - Exclusion such as hospitals (except CAH) until 2019
 - 340B drug program extended
 - Graduate Medical Education – no reductions in IME payments but re-distributes 65 percent of unused residency to primary care and surgeons
- HORNE**
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Selected Provisions

- Excise Tax on High-Cost Health Plans – 2018 coverage limits of \$10,200 single and \$27,500 family at 40% of value exceeding limits
- Medical Device Tax – 2013 at 2.3% tax on medical device manufacturers
- Other revenue - \$67 billion tax on health insurers in 2014 and \$33 billion on pharmaceuticals in 2011



Financially Positive or Negative for Health Care Providers

- Yes
- Previous services may be losers – reductions in high utilization of Medicare and Medicaid vs. uninsured
- Cost of services will be the key – savings thru ACOs, reductions in private insurance payments and volume changes impacting delivery



Financially Positive or Negative for Health Care Providers


- Modeling
 - Market Basket Update
 - DSH-UPL
 - Hospital Acquired Conditions
 - Physician Payment Revisions
 - Contracts with other payers



Something To Think About



- Be proactive, explore how to make the new legislation work in your organization
- Ignoring the delivery and payment system changes will be detrimental
- Most importantly, understand totally where your revenue comes from and how this will change
- Tax Exemption






Hospital-Physician Integration

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Market Forces Driving the Need for Integration

- Antiquated medical staff model
- Physician lifestyle concerns
- Rising hospital ER call payments
- Increasing regulation and enforcement related to hospital-physician relationships
- Physician reimbursement
- Practice overhead and working capital requirements
- Quality pressures
- General concerns about health care reform



Integrated Structures

- Physician employment
 - Hospital employment
 - Foundation model
 - Hospital-owned clinics and provider-based entities
- Contractual alignment
 - On-call and coverage arrangements
 - Medical directorships
 - Professional service agreements
 - Gainsharing
 - Clinical co-management agreements
 - Leases
- Joint ventures
- Electronic health records



The Future of Integration

- Physician employment
- Contractual alignment
- Joint ventures
- Electronic health records
- Health care reform



Physician Employment

- Practice acquisition and physician employment are dominating the landscape and will gain further momentum in hospital-physician alignment
 - Multi-specialty employment
 - Employment of hospital-based specialists
 - Challenge with production and quality incentive compensation models



Contractual Alignment

- On-call and coverage arrangements
 - Payment reforms may limit hospital budgets
 - Insurance reform may mean less uncompensated care
- Medical directorships and other PSAs
 - Rolled up into employment arrangements as feasible
 - Increased regulatory scrutiny
- Gainsharing and other pay-for-performance arrangements
 - Increased regulatory acceptance and quality imperatives
- Leases
 - Elimination of per-click and revenue-based arrangements



Joint Ventures

- Ambulatory surgery
- Physician ownership of hospitals
- Real estate joint ventures
- Equipment joint ventures
- Accountable care organizations
- Challenges
 - Reimbursement
 - Regulation



Electronic Health Records

- Stimulus Act (ARRA 2009); HITECH Act provisions
 - Hospital and provider incentive payments for meaningful use of certified EHR
 - Early adoption is encouraged
 - Increasing complexity over time
 - Decreasing incentives with later adoption
 - Financial dis-incentives for non-adoption
- Stark acceptance of community-wide health information systems
- Hospital-physician collaboration through MSOs and managed care organizations



