



In the Mercy **tradition**

of innovating how health care is delivered, Mercy is transforming the landscape of a formerly hospital-centric system to one of shared decision-making between all sectors of health care providers through integration.



Integrated Delivery Systems:

A Cure for the Healthcare Delivery Crisis

Fred McQueary, MD, MMM

President, Mercy Clinic North Central Communities

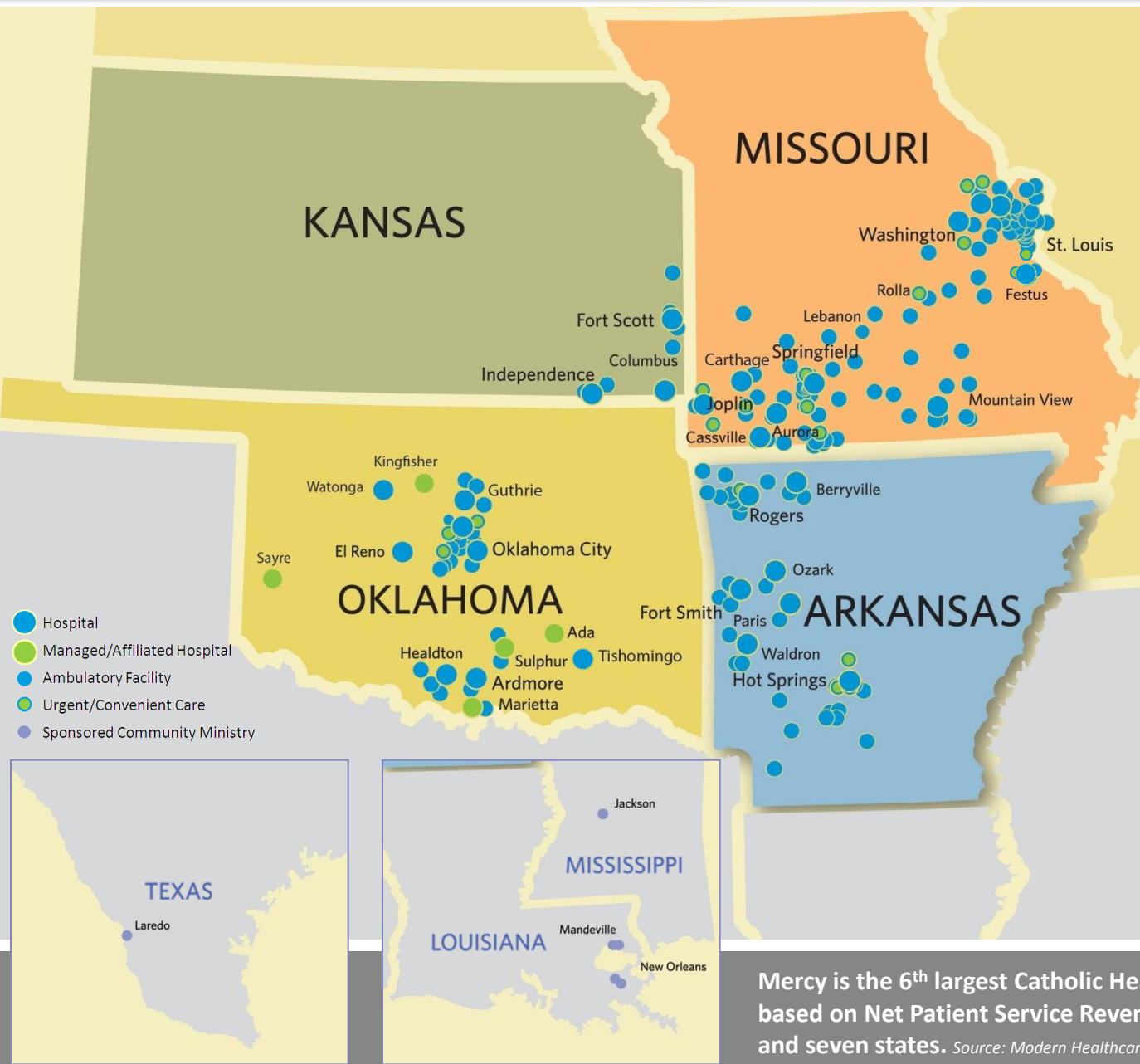
Donn Sorensen, MBA, FACMPE

President, Mercy East

Amy Fore, MHSA, FACMPE

Vice President, Mercy Clinic – Four Rivers Division

MERCY HEALTH Sites & Statistics



HOSPITALS & AMBULATORY SITES

- 27 acute care hospitals
- 5 managed hospitals
- 4 heart hospitals
- 2 children's hospitals
- 2 rehab hospitals
- 277 clinic locations
- 9 outpatient surgery centers
- 15 urgent care sites
- 20 convenient care centers

MEDICAL STAFF & CO-WORKERS

- 38,000 co-workers
- 1,900 integrated physicians
- 650 advanced practitioners
- 5,300 active medical staff

UTILIZATION FY12

- 3,876 staffed beds
- 596,046 ED visits
- 2,821,667 outpatient visits
- 4,840,201 physician office visits
- 157,315 inpatient discharges

FINANCIAL INFORMATION

- \$4.2 billion total operating revenue FY12
- \$5.2 billion total assets FY12
- \$240 million in charity care, community benefit & uncompensated Medicaid FY12
- \$2.3 billion payroll FY10
- \$102 million state and local taxes FY10

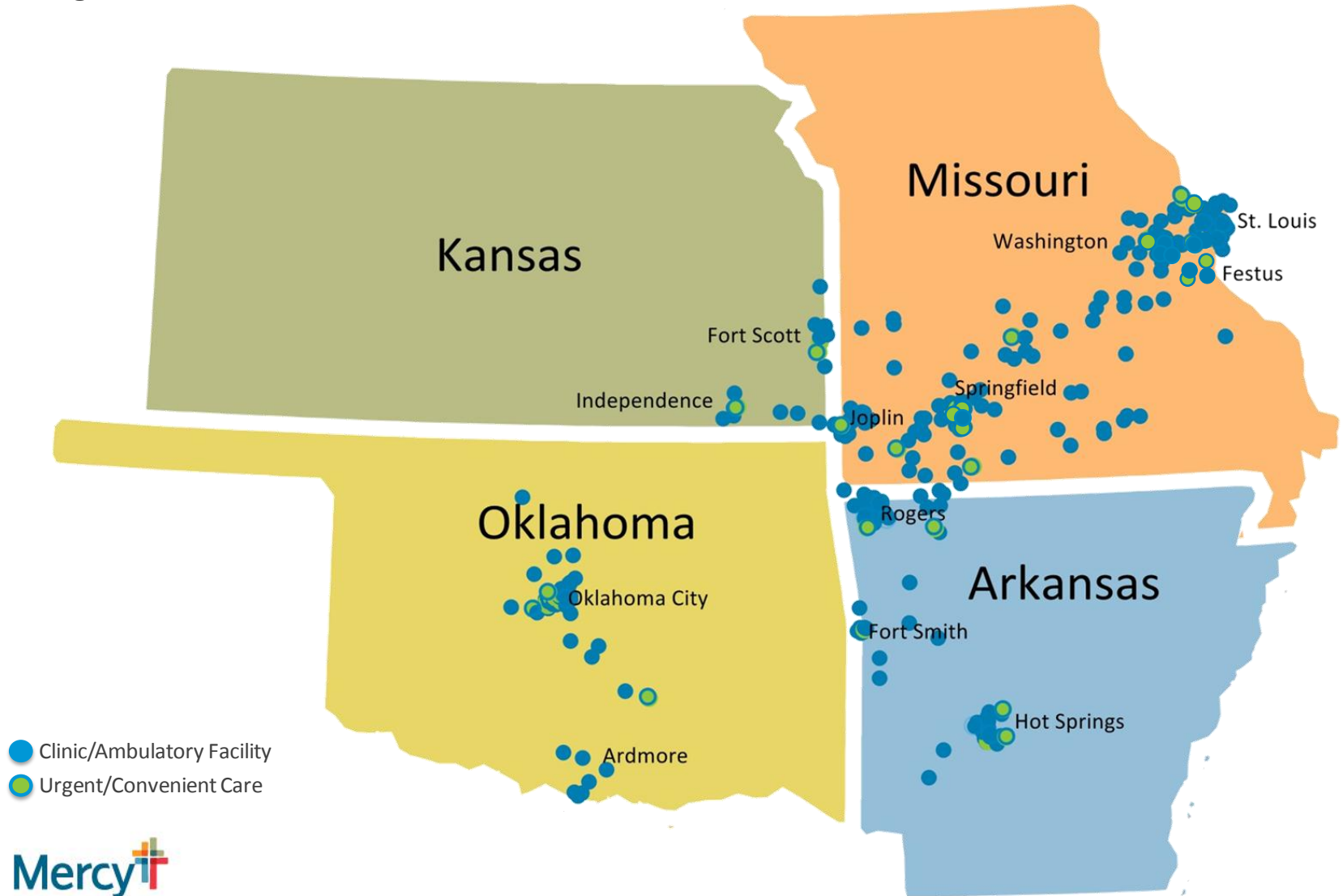
Mercy is the 6th largest Catholic Health System in the US (28th overall) based on Net Patient Service Revenue, serving in over 120 communities and seven states. *Source: Modern Healthcare Survey, May 2012*

- 1,900 Integrated Physicians
- 650 Advanced Practitioners
- 6,000 Co-workers
- 4.8 Million Patient Visits*
- \$736 Million in Net Revenues*
- Over 600 Practice Locations in 4 States
(Missouri, Kansas, Arkansas & Oklahoma)

* - FY12 - As of Dec 2012

MERCY CLINIC Locations

Mercy serves in 277 clinics, 9 outpatient surgery centers and 35 urgent care/convenient care locations across four states.



Tertiary Hospital (1)

Springfield, MO

Regional Hospitals (5)

Berryville, AR

Aurora, MO

Cassville, MO

Lebanon, MO

Mountain View, MO

Mercy Clinic

- 560 Physicians
- 74 Locations
- 40 Communities



MERCY SPRINGFIELD Sites and Services

MERCY SPRINGFIELD delivers care to **OVER 40 COMMUNITIES** throughout southwest Missouri and Northwest Arkansas with...

HOSPITALS & AMBULATORY SITES

6 acute care hospitals and **3** specialty care hospitals including Hammon's Heart Institute, Mercy Children's Hospital Springfield and Mercy Orthopedic Hospital (opening 2013)

74 clinic locations

8 urgent/convenient care sites

2 outpatient surgery centers

MEDICAL STAFF & CO-WORKERS

9,500 co-workers

560 Mercy Clinic physicians

780 active medical staff *(includes integrated physicians)*

270 advanced practice providers

UTILIZATION FY12

929 staffed beds

162,464 ED visits

3,618 births

39,366 inpatient discharges

592,171 outpatient visits

1,510,575 physician office visits

39,594 surgeries



Prior to June 1999

Hospital Centric Model

July 1999 – June 2002

**Restructuring, Reorganization &
Turnaround**

July 2002 – June 2005

Satisfaction & Service

July 2005 – 2010

Information & Quality

2010 to Present

One Mercy



STRATEGIC FOCUS Five Key Priorities

1. Physician Satisfaction & Engagement
2. Co-worker Satisfaction & Engagement
3. Patient Satisfaction & Compassionate Service
4. Quality
5. Business Performance

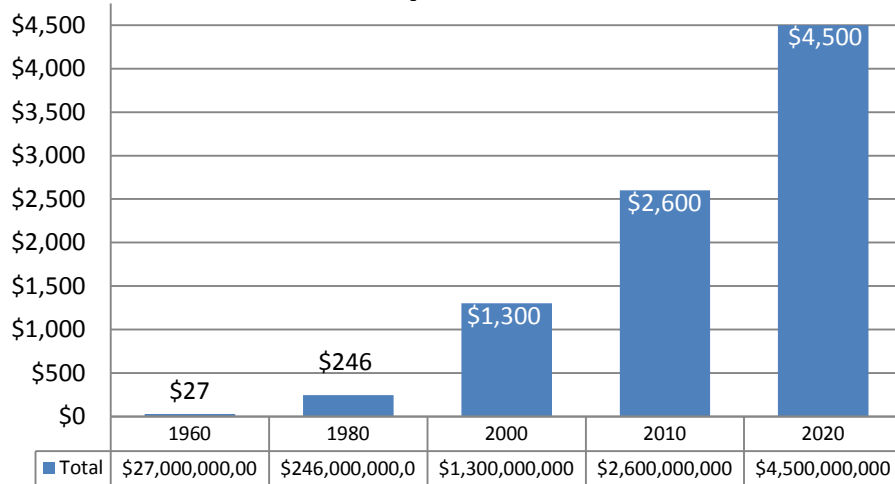


- National Financial Crisis
- National Healthcare Landscape
 - Population Demographics
 - Expenditures & Cost
 - Supply & Demand
 - Healthcare Reform & Financing
- Workforce Contribution
- Consumerism
- Physician Leadership
- Quality
- Strategic Planning & Alignment

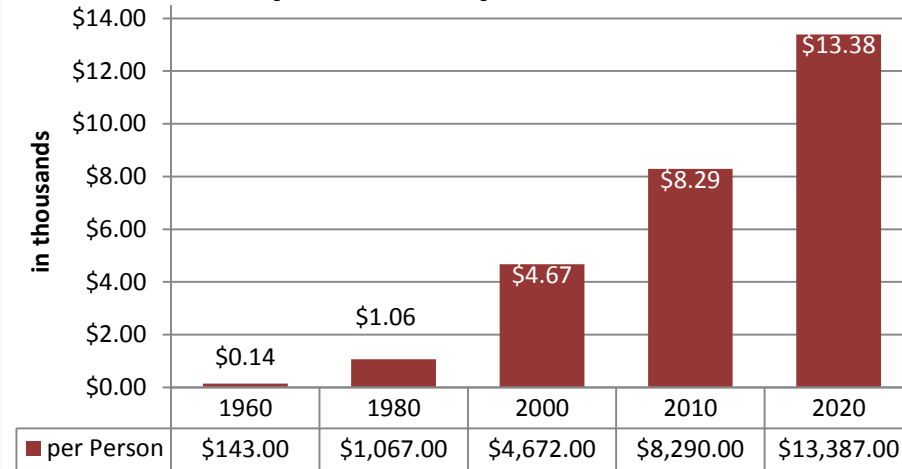
- Challenges with the current system
 - Access and Availability
 - Cost
 - Reimbursement
 - Fragmented approach to care
- Healthcare Reform ??

STRATEGIC FOCUS State of Healthcare Delivery

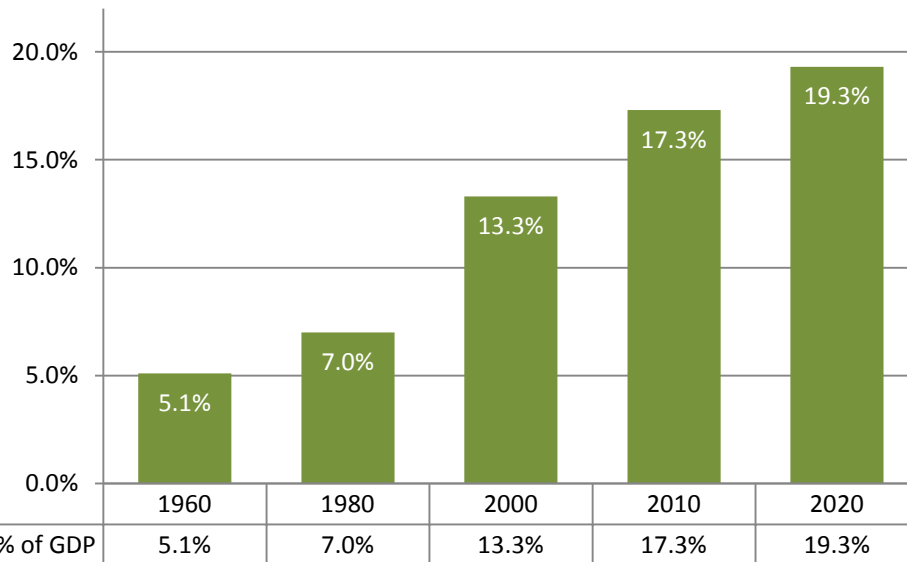
Total Expenditure



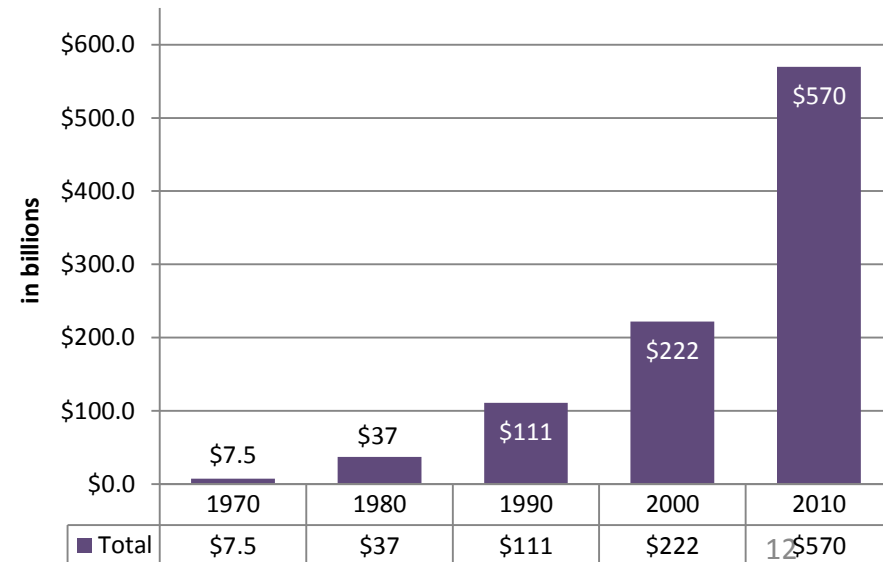
Expenditure per Person



% of GDP



Medicare Spending



What's Going To Happen?

- Draconian Cuts in Reimbursement
- Implementation of ACOs from Federal Government
- Bending the cost curve is not enough. Creating a completely new cost curve will be required.

How will we respond?

▶ Redesigned Care

▶ Coordinated Care

▶ Accountable Care

▶ Volume vs. Value

- Quality
- Safety
- Service
- Population Management

Integration is NOT...

- Simply employing physicians
- IPA
- PHO
- Network
- JV
- Physicians as a part of or subordinate to the hospital
- A Transaction



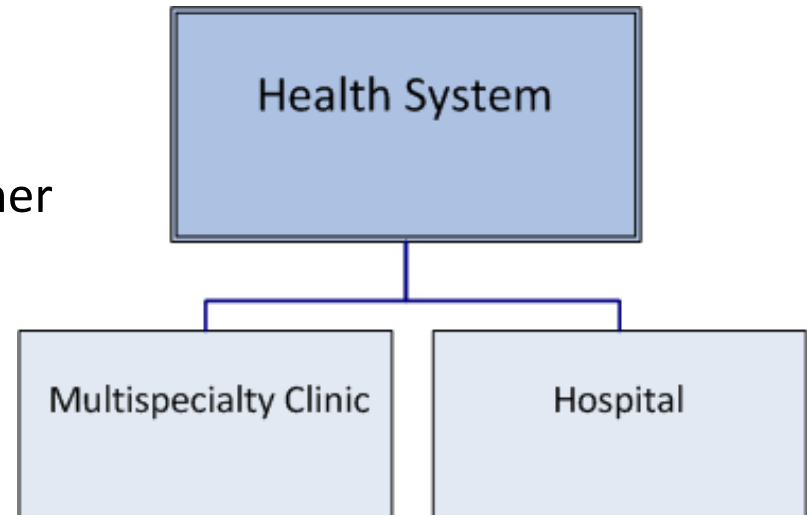
Integration Defined

*A coordinated system of care that **improves efficiency, reduces redundancy,** and is **clinically and financially responsible** for the health outcomes of the community served.*

Integration is a simple structure...

Integrated

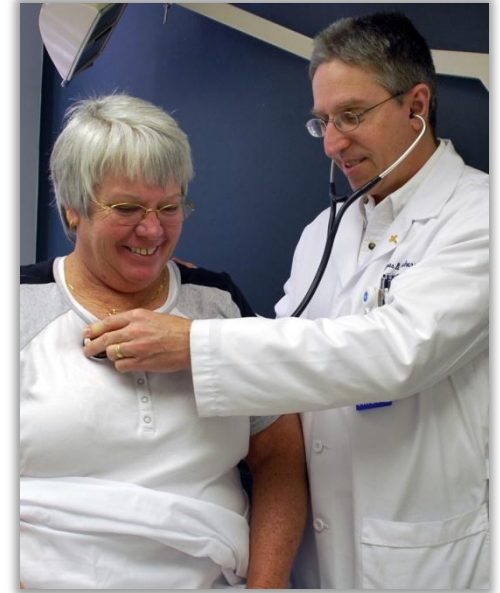
Composed of separate parts united together to form a more complete harmonious, or coordinated entity. *(Webster's Dictionary)*



Integrated Delivery System (IDS)

A coordinated system of care that improves efficiency, reduces redundancy, and is clinically and fiscally responsible for the health outcomes of the community served.

- Physician Led & Professionally Managed
- Multispecialty Group Development
- Integration
 - Separate/Sister Corporations
 - Hospital & Clinic Management Expertise
 - Shared Support Resources
 - Aligned Incentives
- Local, Regional & Virtual

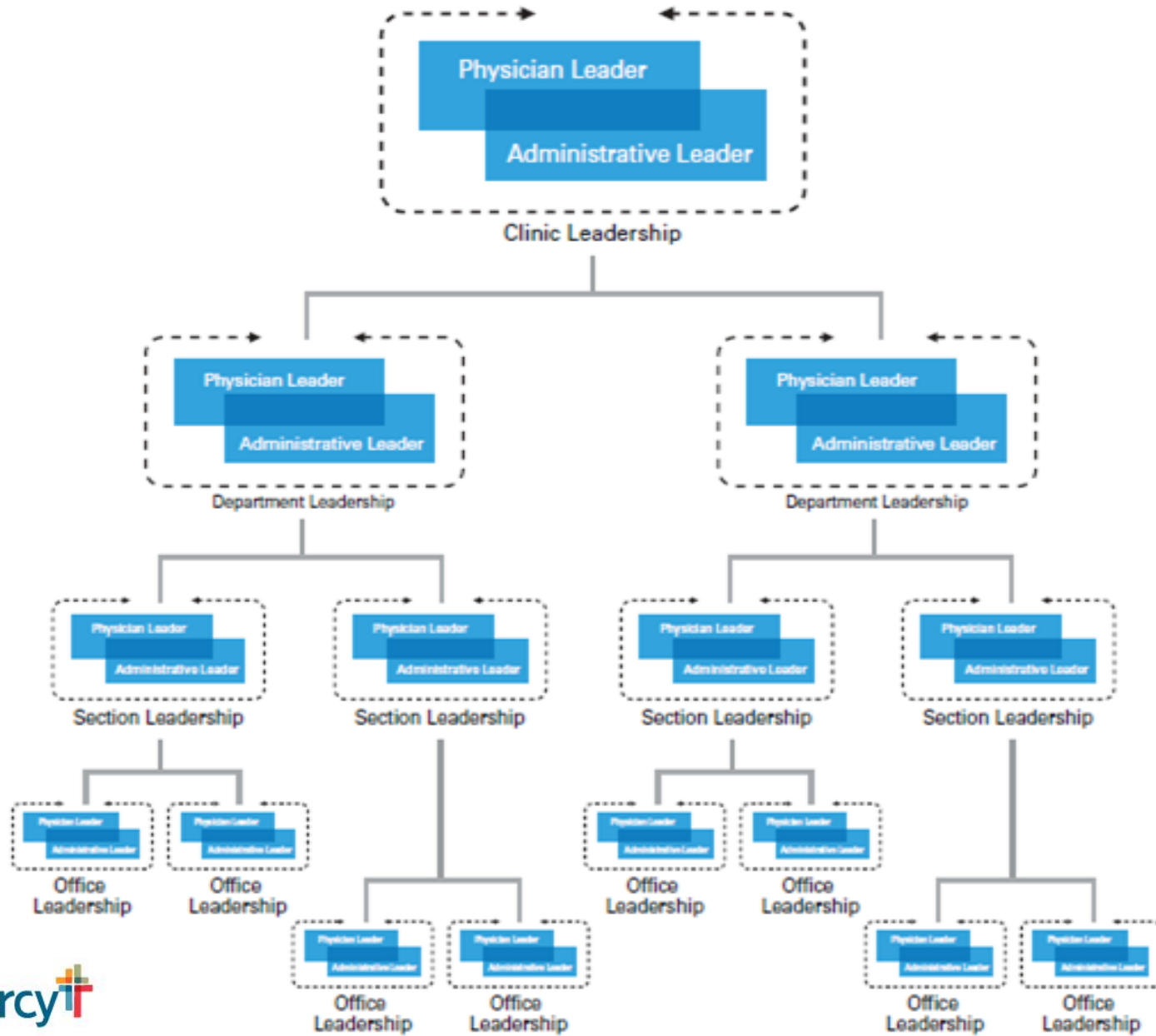


Integration is achieved through our people, our culture, and how we work together.

INTEGRATION Hierarchy

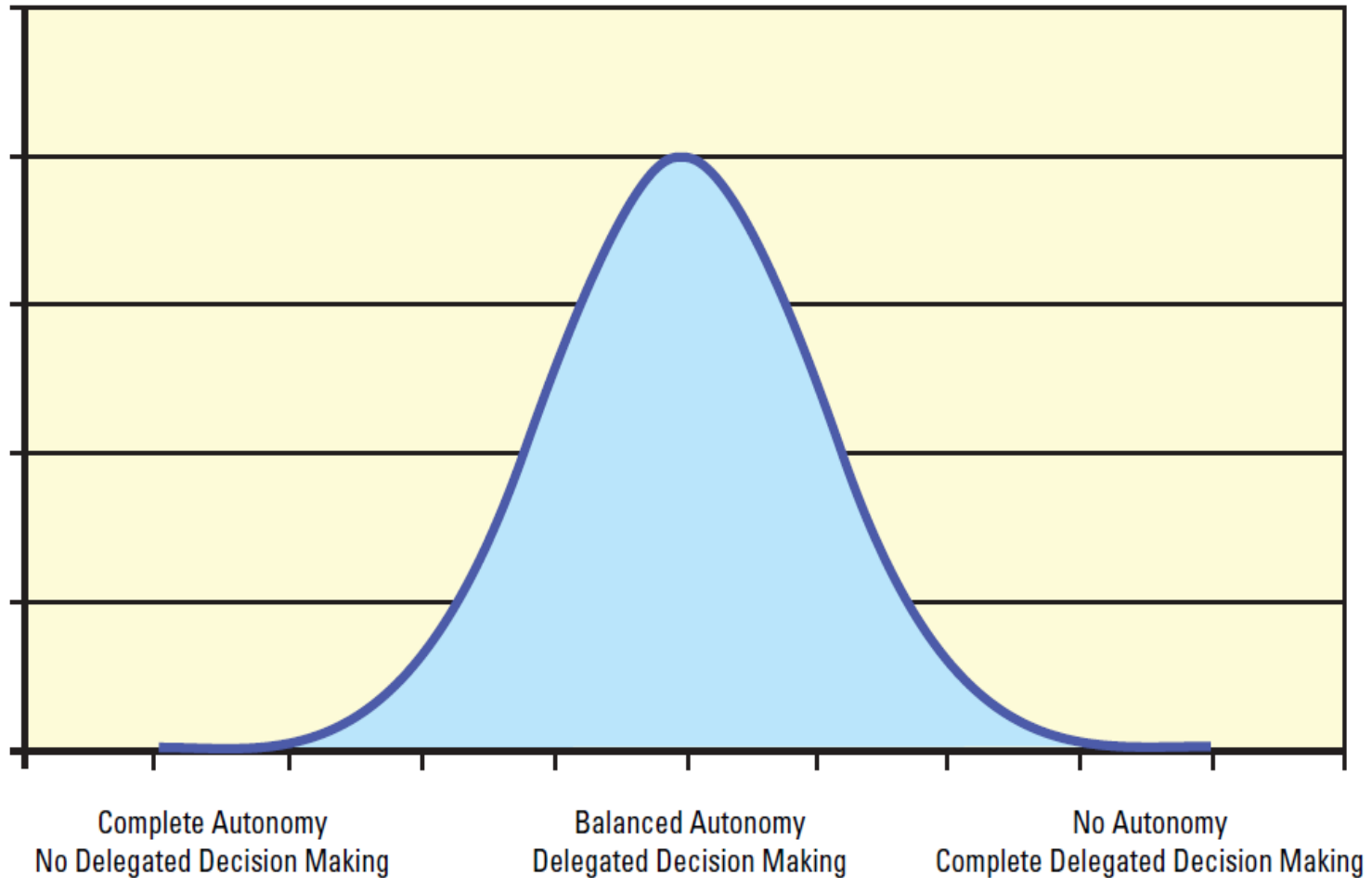


INTEGRATION Hierarchy



Challenges of Developing an Integrated Delivery System	
Challenge	Description
Handling Distrust / Broken Relationships	A lack of trust between the hospital & clinic, and/or between physicians & hospital administrators
Giving Physician Leaders True Authority / Accountability	Physician leaders hold authority and responsibility for hospital planning and operations, and not just a title
Accomplishing Real Change	Change in and of itself is hard; organizational inertia, fear, rivalries, politics
Balancing Physician Autonomy and Delegated Decision Making	Balance between laissez-faire management and tightly controlled or autonomy as opposed to bureaucracy

Physician Autonomy vs. Delegated Decision Making



Structure

- Comprehensive multi-specialty clinic entity
- Clinic and Hospital separate but related/sister entities
- Physician-Led & Professionally Managed at all Levels

Aligned Planning, Goals and Incentives

- Shared Leadership & Accountability
- Shared Resources & Planning

Continuum of Services and Coordination of Care

- More than just disease specific treatment
- Linking of support services

Strategic Planning and Alignment

- Optimization of resources and cost control
- Reduction of waste caused by duplication of services

Aligned Physician Compensation Plan

- Consistent comp plans within a System
- Health system support of competitive physician compensation

Physician Leadership

- Ongoing physician leadership training/development

Culture of the Organization

- Establishment of a Common Purpose
- Partnership between Hospital & Clinic Entities

Redesign Care

- PGP to ACO
- Physician Leadership
 - Physician Leadership Development
 - Physician Leadership Practice v Administrative balance

Coordinated Care

- DRG based Contracts
- Preventative Services / Patient Registry / Visit Planner
- Inpatient discharge to Ambulatory Follow-Up
- Supply chain coordination

Accountable Care

- EHR
- Quality Outcomes – Decreased Utilization
- Cost Containment

Volume vs. Value

- Quality
 - Nationally Favorable Readmission Rates
- Safety
 - Unified EHR minimizes communication errors
- Service
 - Unified Culture focuses on patient satisfaction
- Population Management
 - Risk Contracting
 - Initiatives to decrease LOS

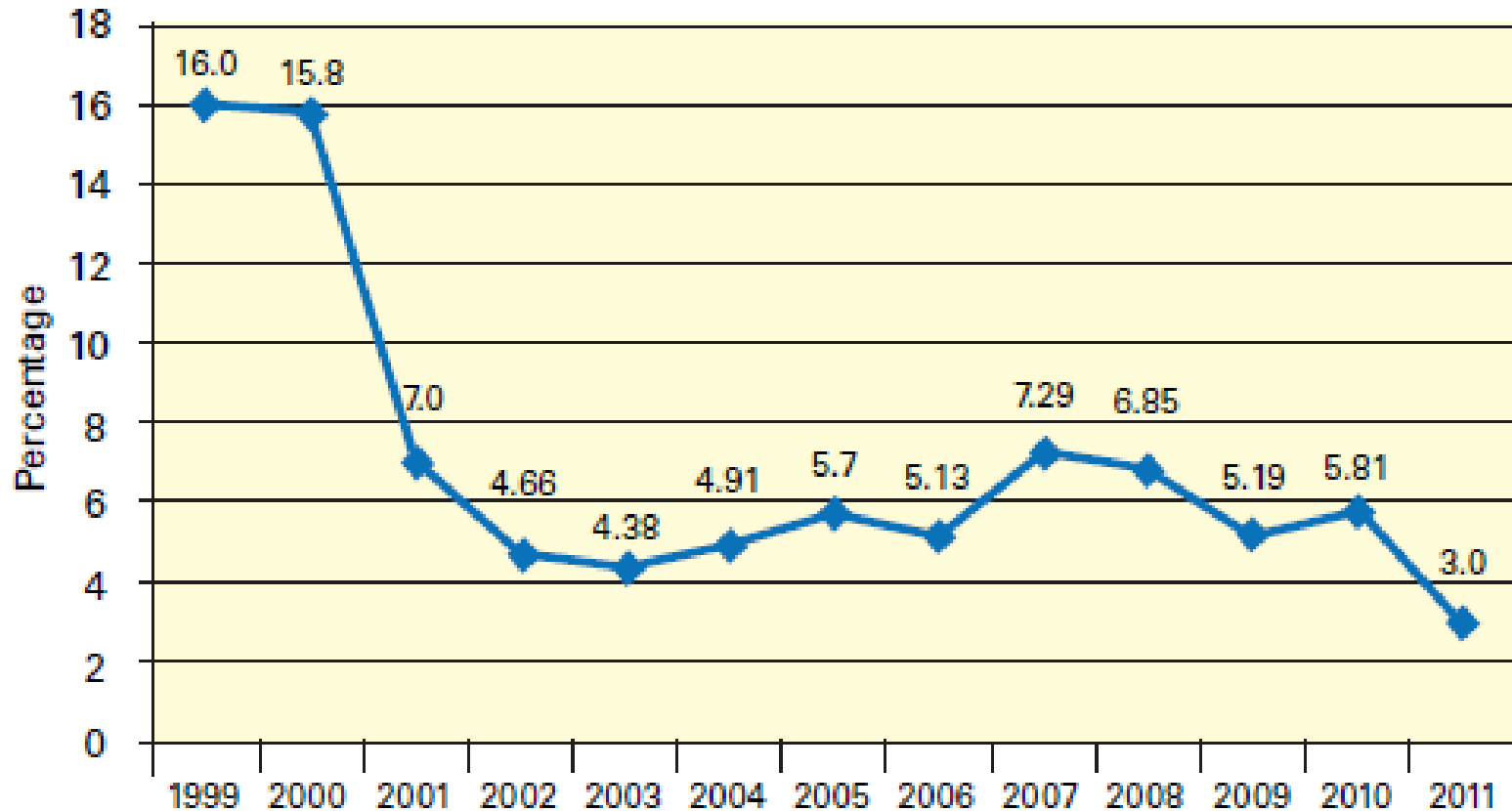
Realized benefits of **TRUE** integration...

- Better Physician Satisfaction
- Better Patient Satisfaction
- Better Competitive Position
- Better Business Performance
- Better Quality and Outcomes
- Better Recognition
- **Better Cost of Care**

REALIZED BENEFITS

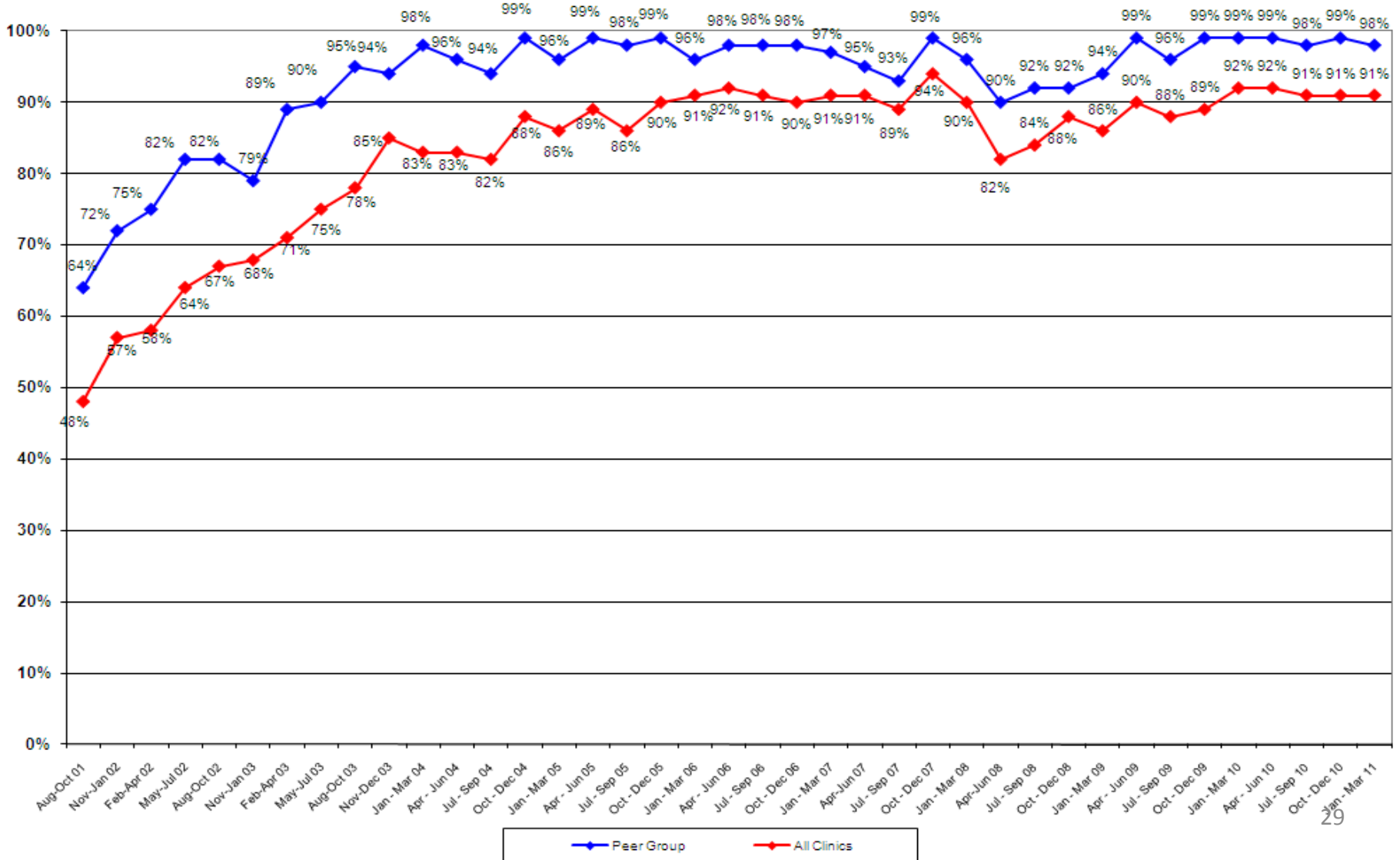
Physician Turnover Rates

Mercy Springfield



REALIZED BENEFITS

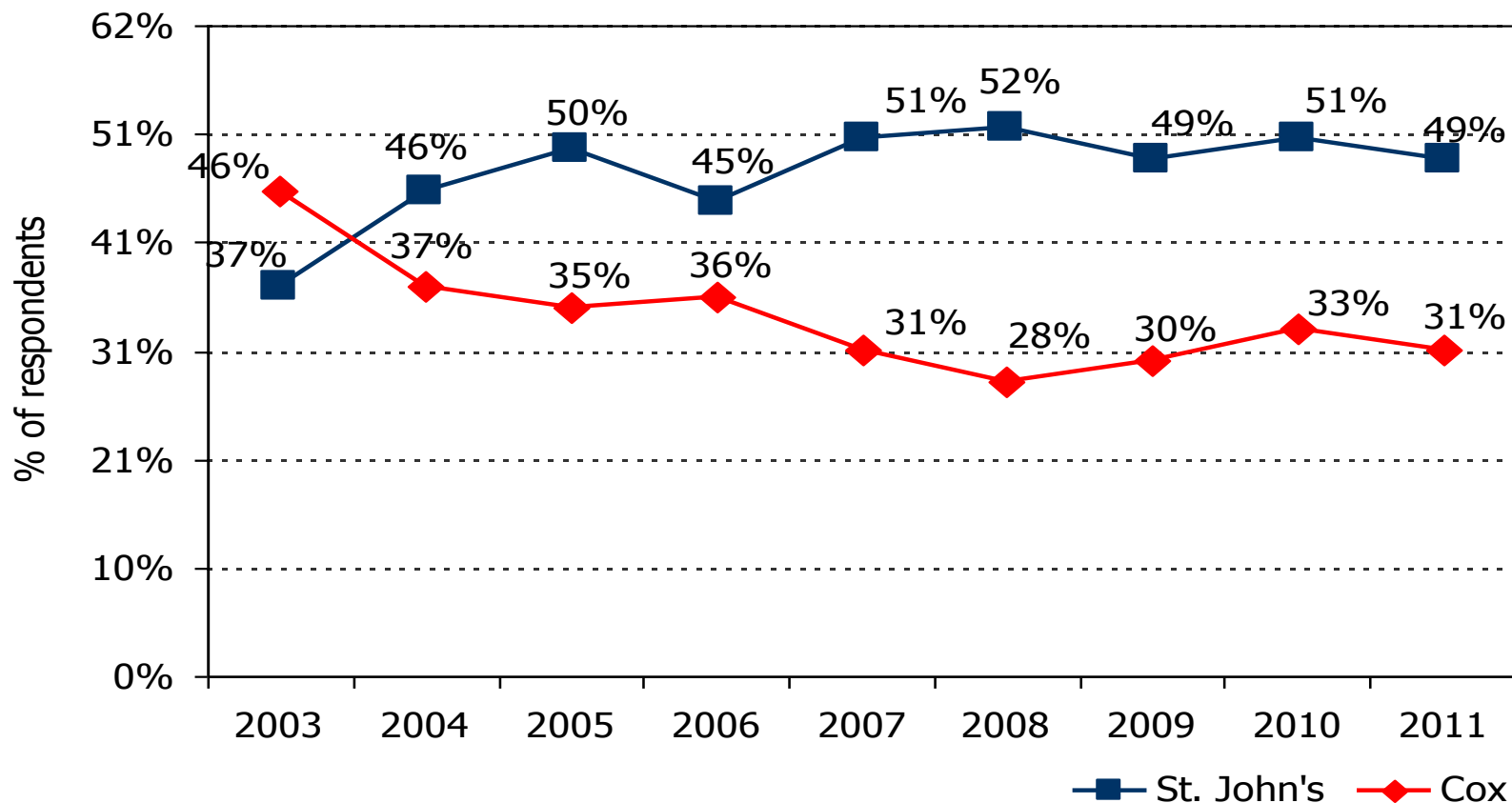
Patient Satisfaction & Service Mercy Springfield



REALIZED BENEFITS

Best Image/Reputation 2008-2011

Mercy Springfield



REALIZED BENEFITS

Consumer Preference

Mercy Springfield

Modern Healthcare 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012



REALIZED BENEFITS

Industry Recognition

Mercy Springfield

Recognition as a “Better Performer” by MGMA since 2005



REALIZED BENEFITS

CMS PGP Demonstration Project Outcomes

- PY1
 - Quality Measures – 100% Achievement
- PY2
 - Quality Measures – 100% Achievement
 - PQRI - \$400,000
- PY3
 - Quality Measures – 95% Achievement
 - PGP Incentive Payment - \$3 Million
 - PQRI - \$800,000
- PY 4
 - Quality Measures -98% Achievement
 - PGP Incentive Payment - \$8 Million
 - PQRI - \$800,000
- PY 5
 - Project Year Completed – Results Pending

CMS PGP Transition Demonstration Project Outcomes

- TD PY1
 - Completed on 12/31/2011 – results pending
- TD PY2
 - Completed on 12/31/2012 – results pending

Accepted as a Medicare ACO in 2013

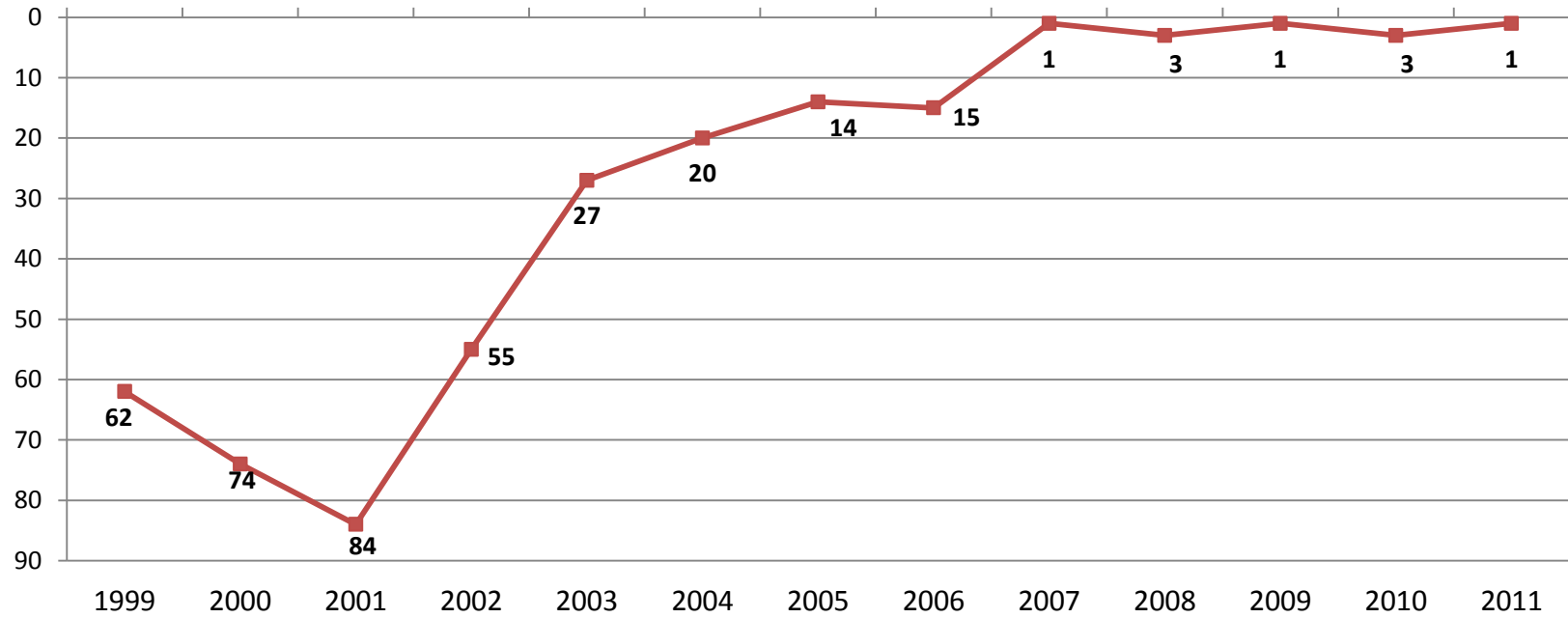
REALIZED BENEFITS

Top 100 Integrated Healthcare Network Mercy Springfield

A top 100 integrated system since 1999

In the top 3 integrated systems since 2007

Top 100 Most Highly Integrated Healthcare Networks Rankings



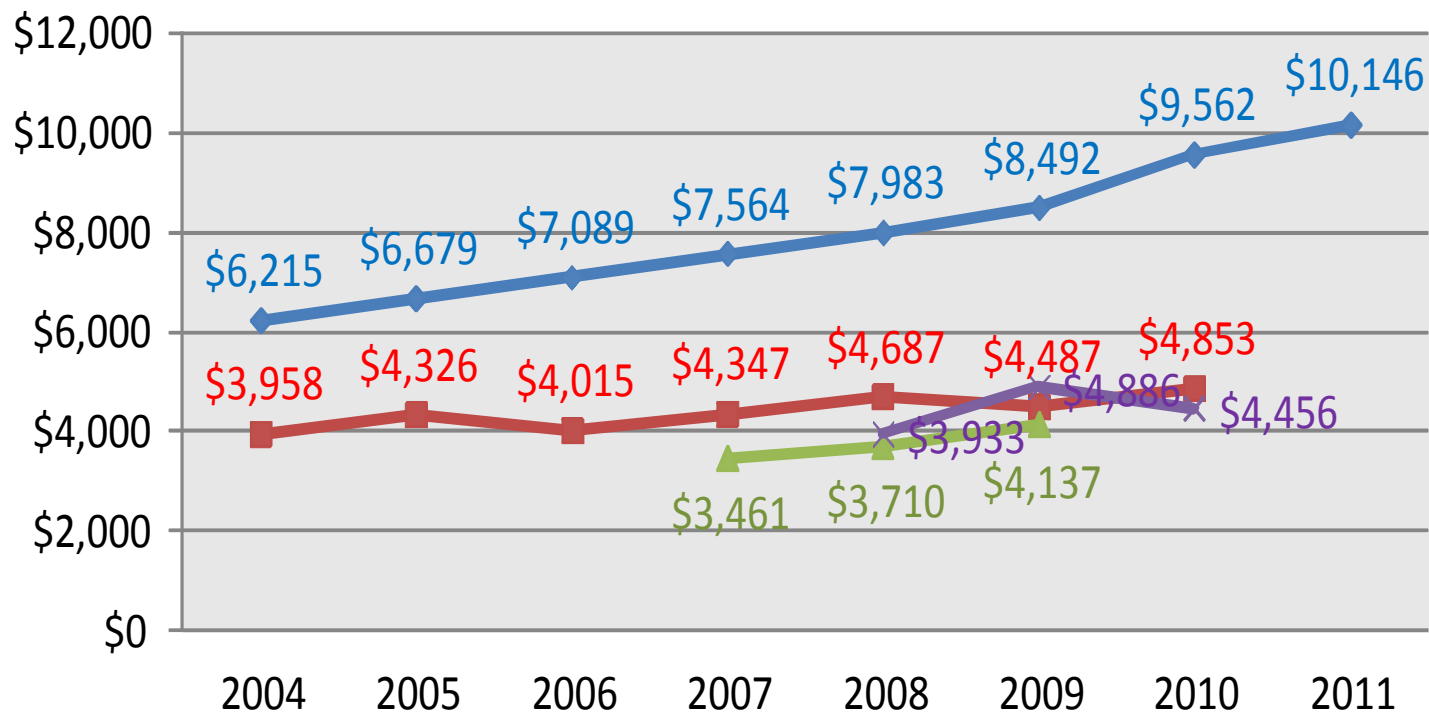
Source: Modern Healthcare



REALIZED BENEFITS

Self-Insured Employer Experience

Mercy Springfield



◆ Mercer National Survey of Employer Sponsored Health Plans

■ Large Employer "A"

▲ Large Employer "B"

× Large Employer "C"



Questions?