

AMGA 2013 National Conference

Achieving Medical Group Integration: A Comparison of Organizational Development

March 15, 2013



Agenda

- I. Panel Introduction
- II. Imperatives for Group Integration
- III. Overview of Spectrum Health Medical Group (SHMG)
- IV. Overview of Advocate Medical Group (AMG)
- V. Moderated Panel Discussion
- VI. Audience Questions and Answers

I. Panel Introduction

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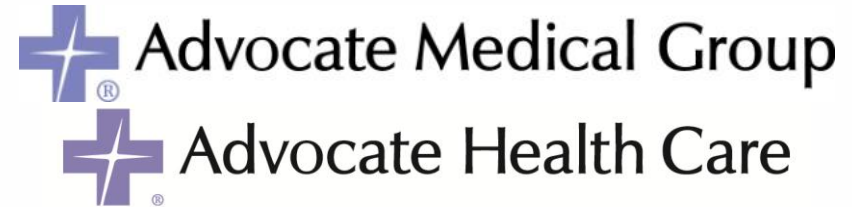


Panel Participants:

- Ms. Polly Krywanski, Chief Financial Officer
- Kevin McCormick, M.D., Division Chief, Internal Medicine
- Ms. Thea Reigler, Vice President, Human Resources

Moderator:

- Mr. Joshua D. Halverson, Principal



Panel Participants:

- James R. Dan, M.D., F.A.C.P., President
- Mr. James Farley, Chief Operating Officer

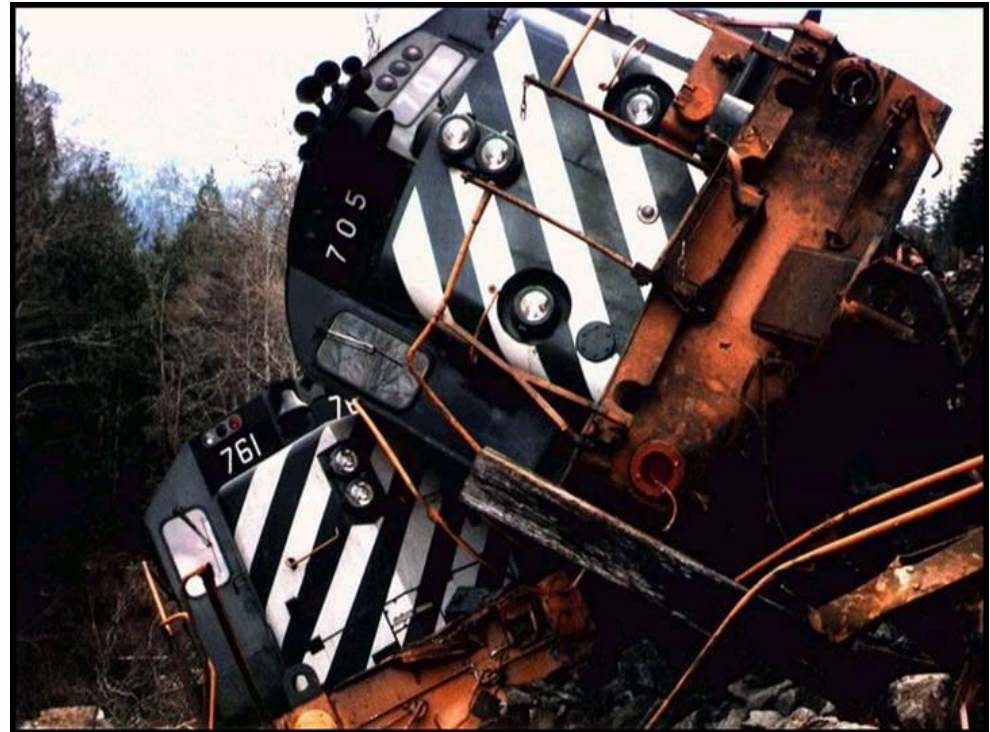
II. Imperatives for Group Integration

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Anatomy of a Crisis

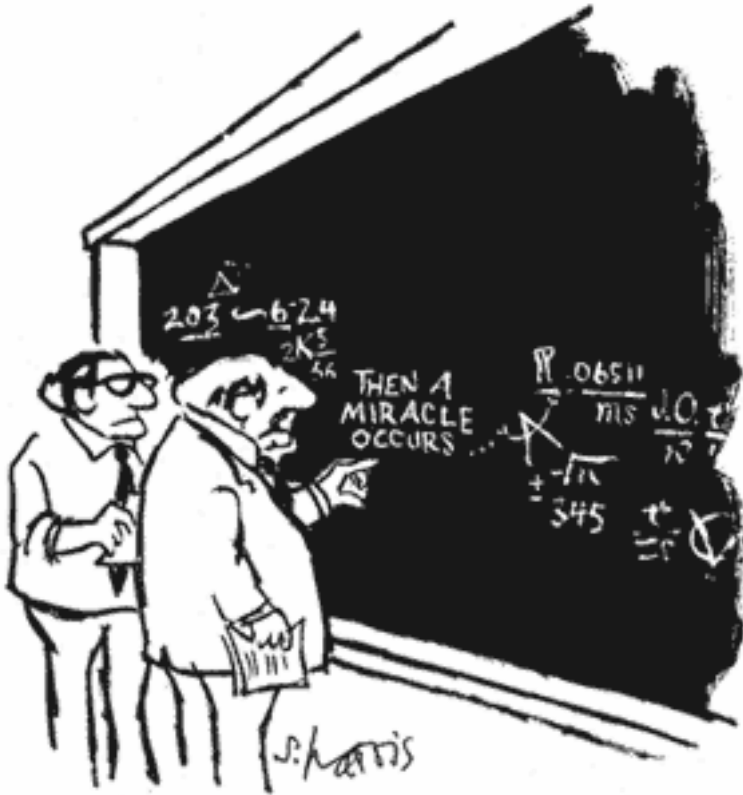
The healthcare system in the United States is on the trajectory of insolvency.

- Budgetary constraints of federal and state programs are compressing reimbursement to providers.
- Consolidation of commercial payors and their resulting market power contribute to minimal revenue growth.
- As a result, operating margins of integrated healthcare systems across the country are under pressure.
- The sustainability of the current configuration of physician organizations without structural change is being questioned.



II. Imperatives for Group Integration *Industry Response*

Healthcare organizations are attempting to respond by configuring themselves to be successful in a very challenging environment.



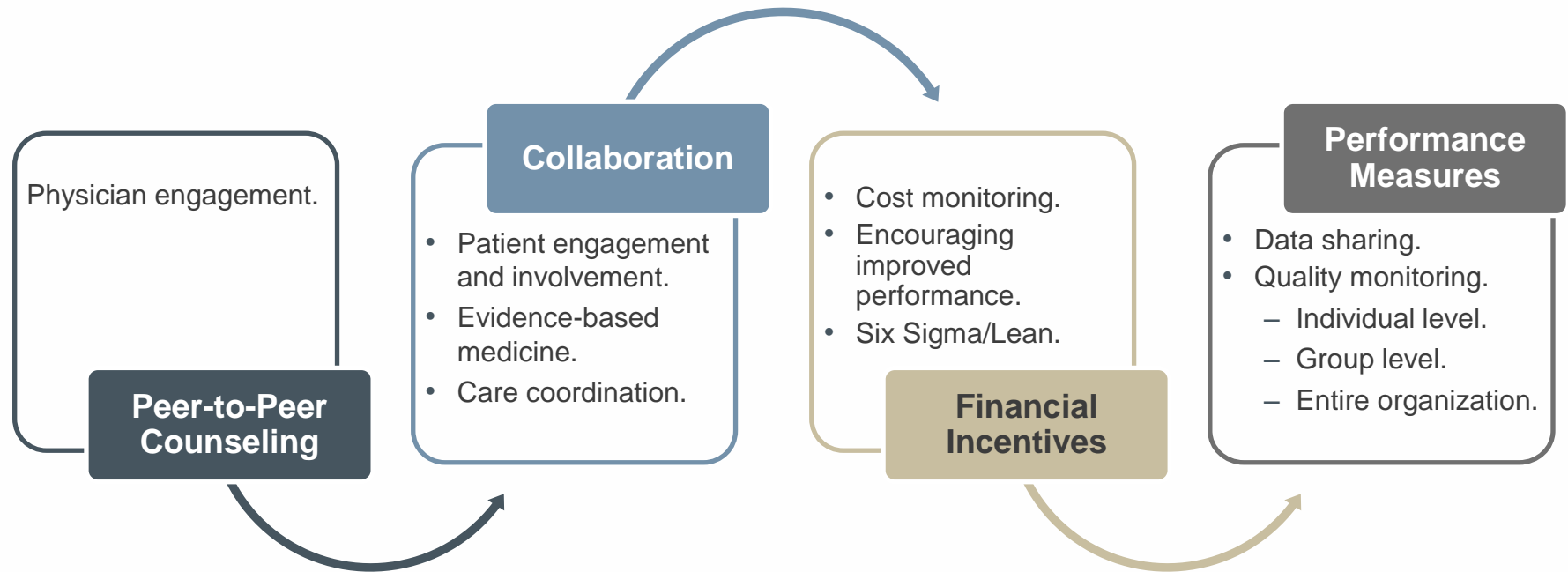
I think you should be more explicit here in "Step Three"

External Perceptions of Changes to Healthcare Delivery

- Step 1:** Access to healthcare services is expanded.
- Step 2:** Reimbursement to providers is reduced.
- Step 3:** *"Then a miracle occurs..."*
- Step 4:** Healthcare organizations are able to provide:
- Greater access to care.
 - Superior quality.
 - For less cost.

II. Imperatives for Group Integration *Evolution to Population Management*

Payment systems are evolving from payment for isolated episodes of care delivered by independent physicians to a bundled approach that requires greater collaboration within and across specialties/settings of care as well as greater accountability.

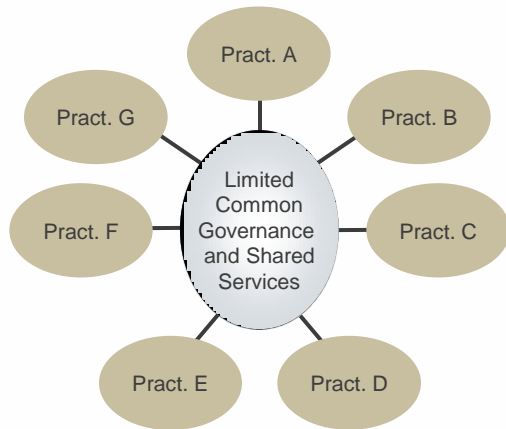


Healthcare systems are seeking physician engagement to better coordinate care delivery at a lower cost.

II. Imperatives for Group Integration *Physician Organization Trends*

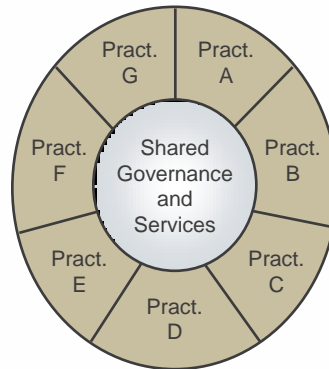
Successful organizations are seeking to reorganize themselves in order to establish high-functioning “systems of care” that create value by demonstrably improving quality outcomes and reducing costs.

Phase I – Federated Model



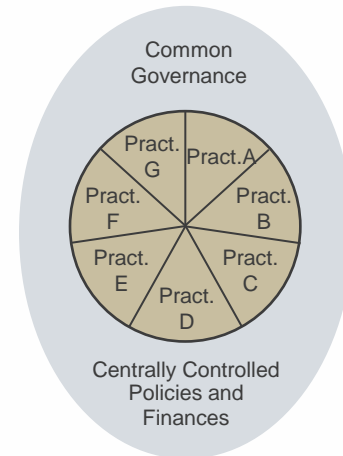
Limited Central Governance and Management

Phase II – Integrated Model



Strong Central Governance and Management

Phase III – Multispecialty Model



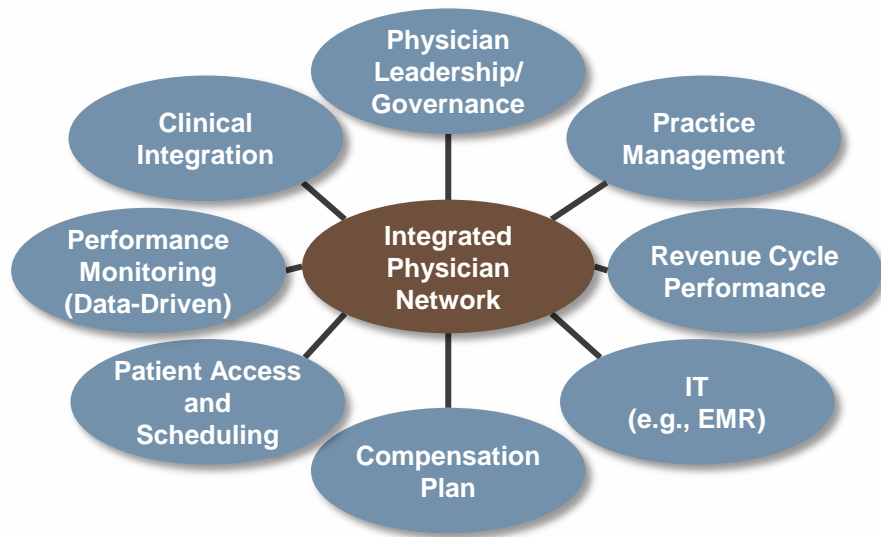
Common Governance, Management, and Finances

The market appears to recognize that integrated multispecialty group practices that have a shared vision are most likely to be successful in a value-based reimbursement system.

II. Imperatives for Group Integration

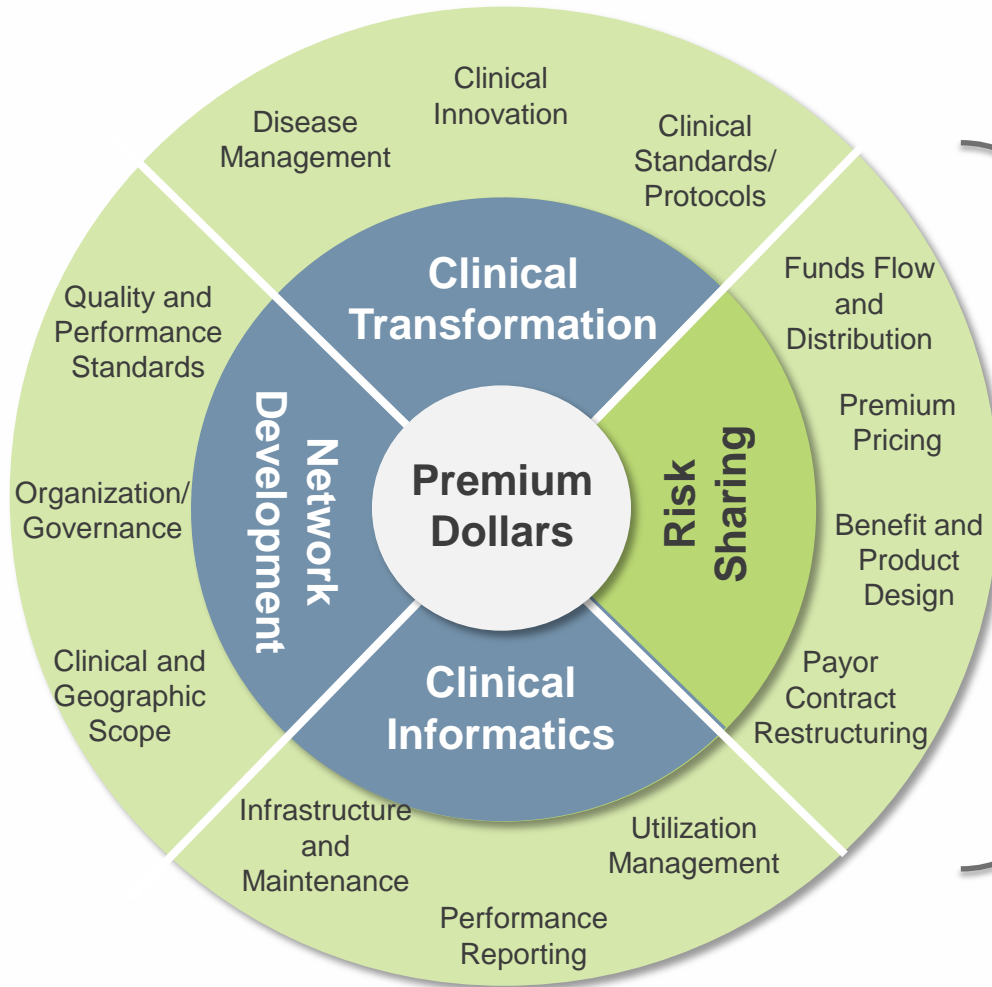
Mechanisms for Integration

Group integration is achieved through the following elements:



Structure	Mechanism
Governance and Management	<ul style="list-style-type: none"> • Common vision and shared direction with physician participation. • Clearly articulated roles and authorities of governing bodies. • Delegated leadership with a strengthened governance structure to facilitate efficient and effective decision making. • Consolidated leadership for key functions and overall physician enterprise.
Operations	<ul style="list-style-type: none"> • Implementation/enforcement of standards for patient care processes, practice characteristics, and administrative functions. • Electronic medical records (EMRs) that provide a common platform to collect information and coordinate care.
Financial Arrangements	<ul style="list-style-type: none"> • Consolidation of compensation methods. • Consistent incentives among physicians. • Financial alignment between providers of care (i.e., hospitals and physicians).

II. Imperative for Clinical Integration *Management of Risk and Accountability*



Successful medical groups will be able to proactively develop and/or take advantage of new payment methodologies that reward value by:

- Partnering with philosophically aligned physicians.
- Creating innovative care delivery methodologies that efficiently:
 - Deploy the right resources.
 - In the right setting.
 - To deliver the right services.
- Differentiating themselves from competitors by becoming “destination providers.”

Medical groups with these attributes will have strategic advantage in an uncertain future.

III. Overview of SHMG



SPECTRUM HEALTH

The Medical Group

Spectrum Health System – Three Primary Segments

Delivery System: \$2 billion net revenue

Hospital Group:

Nine hospitals and more than 140 service sites, including post-acute care. 66,000 inpatient admissions, 130,000 adjusted admissions.

Medical Group:

Physician-led organization composed of multispecialty providers initiating a unique model of integrated, time-compressed care. 2 million encounters per year.

Priority Health: \$2 billion net revenue

Nationally recognized health benefits organization – 600,000 members.

Mission, Vision Values – Spectrum Health System

- Mission:** To improve the health of the communities we serve.
- Vision:** By 2020, Spectrum Health will be the national leader for health.
- Values:** Compassion. Excellence. Integrity. Respect. Teamwork.
- Strategic Enablers:** People. Critical Thinking. Innovation. Nimbleness. Information Technology. Finance.
- Key Strategies:** Value, Quality, Growth, Leadership, Physician Relationships, Seamless Experience

Integrated Health System

Continuum of care and services (hospital group [including post-acute care and outpatient services], medical group, physician groups, health plan, research program, medical school partnerships, physician residency programs, community outreach and advocacy).

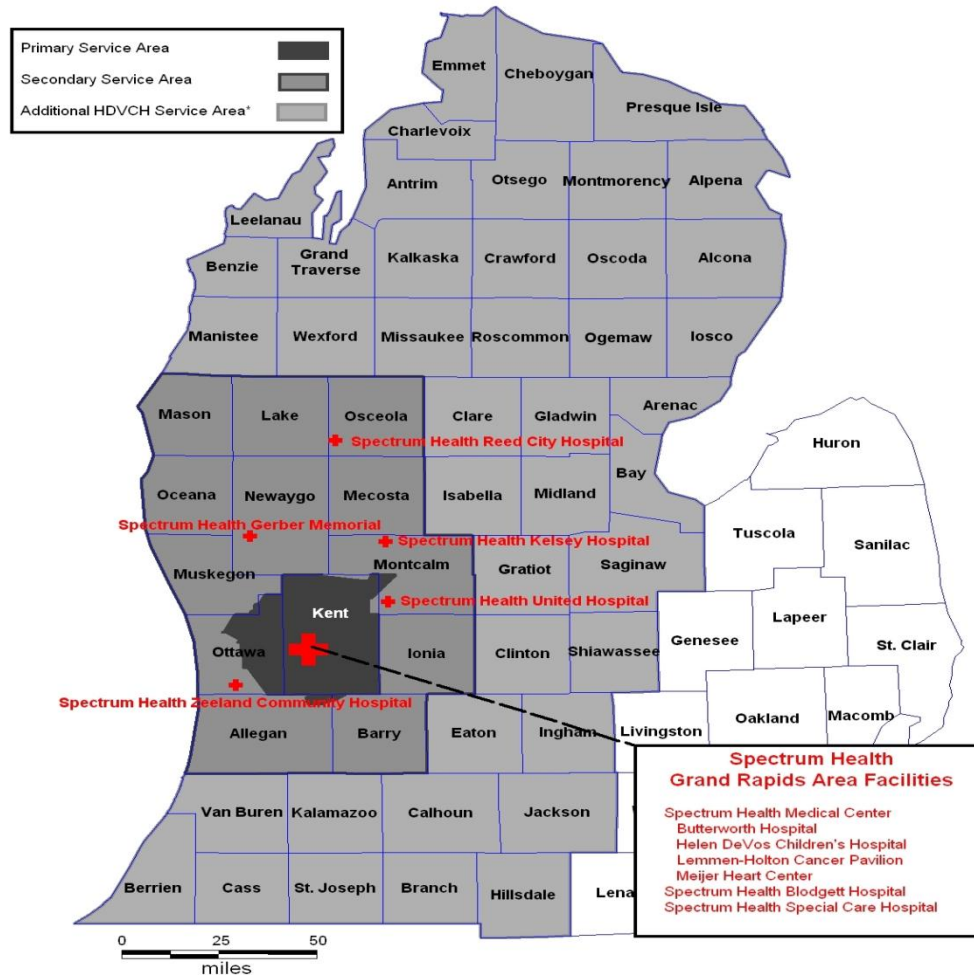
Integration leads to:

- Better outcomes.
- Lower costs.
- Consistent, high-quality patient experience.
- Seamless access and coordination of care.
- Growth.





Spectrum Health Service Areas



Shared Accountability

As a Delivery System we have:

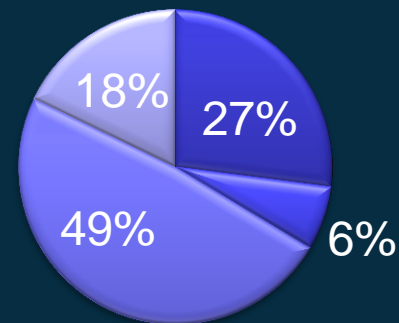
- A shared Strategic Plan.
- A single Operational Plan.
- Combined Five-Year Financial Forecast.
- Development of a Performance Improvement culture.
- True North Metrics to measure our results.



SHMG Demographics

Physicians	455
Advanced Practice Providers	<u>218</u>
Total Providers	673
Total Associates	1,988

- Primary Care
- Specialty
- Women's Health
- Pediatrics



The SHMG Vision

To be among the country's premier medical groups by providing unparalleled patient care experiences, the best outcomes that the current state of medical science will allow, and professional fulfillment, supported by medical research and education, and made possible by an interdisciplinary group practice model of care.

SHMG Strategic Fit Statement

By 2020, SHMG will be the premier multispecialty medical group providing unparalleled patient care outcomes, experiences, and professional satisfaction, supported by research and education.

Characteristics for Successful Multispecialty

Cultural Characteristics

- Group more important than individual.
- Mutual accountability.
- Collaboration, trust, and transparency.
- Continuous process improvement orientation.
- Physicians value each other and their administrators.
- Interest in innovation and expanding medical knowledge.
- Environment of learning and teaching.

Structural and Functional Characteristics

- Stable physician leadership.
- Governance that need not be proportional.
- Compensation not purely production-based.
- Support of cognitive subspecialists and primary care.
- Research and education valued.
- Investment in new physicians, equipment, and programs.
- Physicians recruited who support the group's values.
- Multidisciplinary programs.
- Clinical research and patient education.
- Public benefit.
- Servant leadership.
- Empowered, effective leadership.

List of Specialties

Primary Care

- Family Medicine
- Internal Medicine
- Internal Medicine and Pediatrics
- Pediatrics

Medical Specialties

- Allergy
- Arthritis
- Bone Marrow Transplant
- Cardiology
- Diabetes/Endocrinology
- Gastroenterology
- Genetics
- Geriatrics and LTC
- Hospital Medicine
- Infectious Disease
- Palliative Care
- Pulmonary/Critical Care
- Sleep Medicine
- Weight Loss – Medical

Women's Health

- GYN Oncology
- Maternal Fetal Medicine
- Minimally Invasive Surgery
- Obstetrics/Gynecology
- Women's Health Network
- Urogynecology

Surgical Specialties

- Bariatric Surgery
- Breast Surgery
- Colorectal Surgery
- ENT
- Foot and Ankle Surgery
- General Surgery
- Head and Neck Surgery
- Ophthalmology
- Orthopaedics
- Orthopaedic Oncology
- Surgical Critical Care
- Surgical Oncology
- Trauma Surgery
- Urology
- Vascular/Vein Surgery

Ancillaries

- Audiology
- Imaging (Digital Mamm., CT, MRI, X-Ray)
- Laboratory
- Optical Shop
- PT, OT, Speech and Language Pathology
- Spine Care Center
- Lymphedema Program

HDVCH Physicians

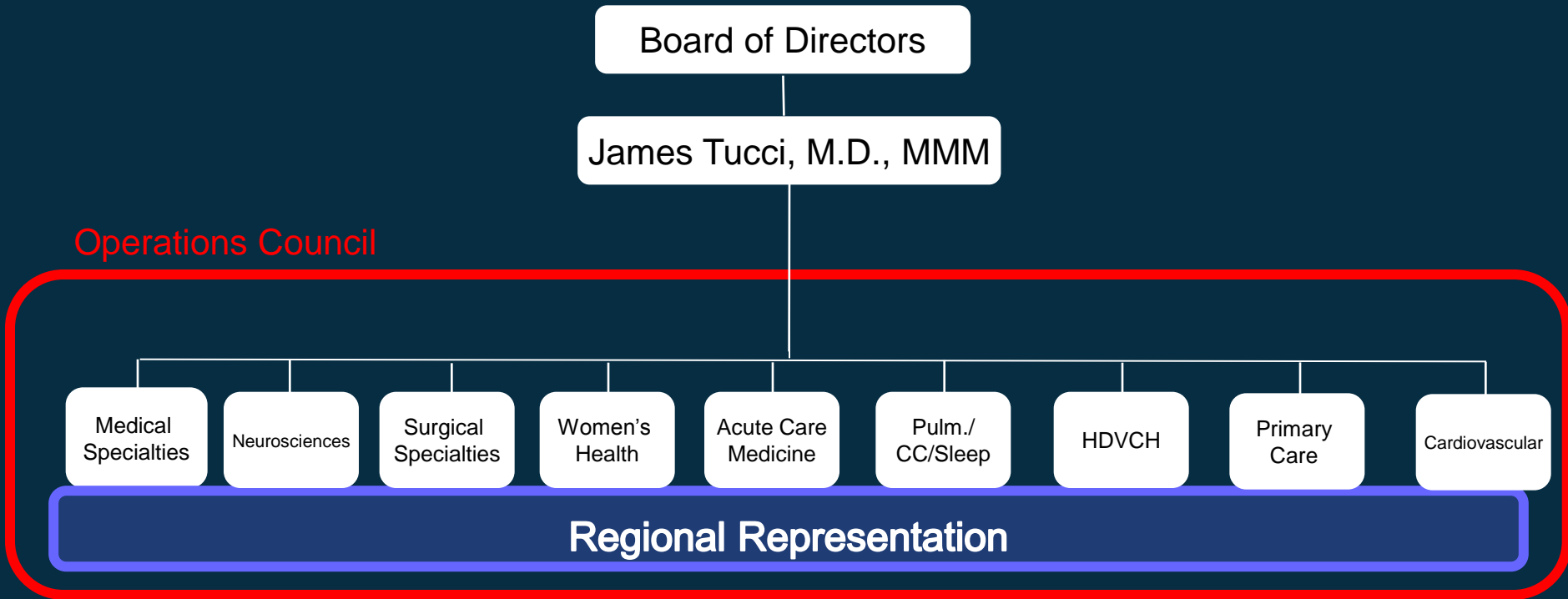
- Adolescent Medicine
- Allergy/Immunology
- Anesthesia
- Behavioral Pediatrics
- Bone Marrow Transplant
- Cancer and Blood Disorders
- Cardiology
- Cardiothoracic Surgery
- Critical Care/PICU
- Dentistry
- Dermatology
- Diabetes/Endocrinology
- Gastroenterology
- General Pediatrics Clinic
- General Surgery
- Genetics
- Hospital Medicine
- Hematology/Oncology
- Infectious Disease
- Maternal Fetal Medicine
- Neonatal Center
- Nephrology
- Neurodevelopmental Pediatrics
- Neurology
- Neurosurgery
- Ophthalmology
- Orthopaedics
- Otolaryngology/Neurotology
- Pathology
- Plastic Surgery
- Pulmonary/Sleep Medicine
- Physiatry
- Psychology
- Radiology
- Rheumatology
- Urology

Neurosciences

- Neurology
- Neurosurgery
- Neuropsychology
- Pain Management
- Physical Medicine and Rehab
- Psychiatry

*Some of these services are provided contractually.

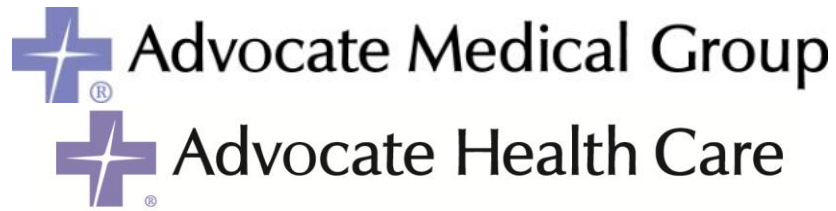
Organizational Chart



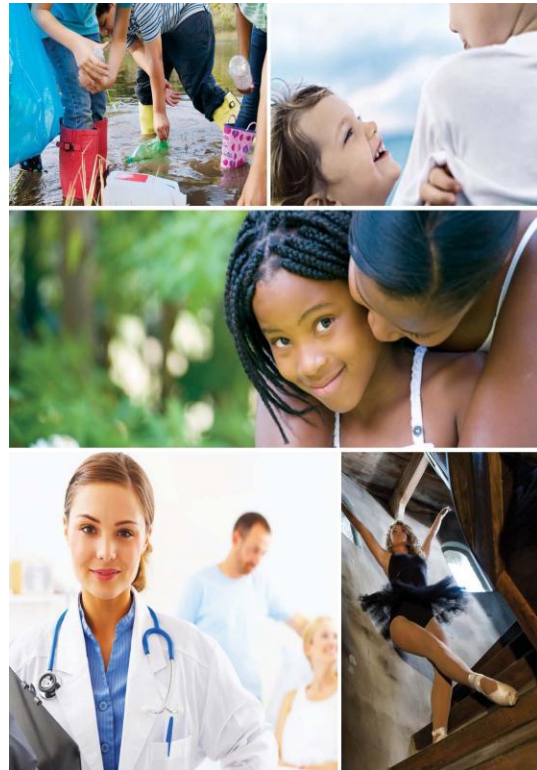
Education and Research

- More than 85% of Grand Rapids' clinical studies are connected to Spectrum Health.
- More than 300 physician researchers.
- Educational and research partnerships:
 - Grand Valley State University.
 - Grand Rapids Medical Education Partners.
 - Michigan State University.
 - Michigan State University College of Human Medicine.
 - Van Andel Research Institute.

IV. Overview of AMG



James R. Dan, M.D.,
President
James Farley, COO



The strength
of a system.



ADVOCATE 2020

Mission, Values, Philosophy

To be a faith-based system providing the best health outcomes and building lifelong relationships with the people we serve



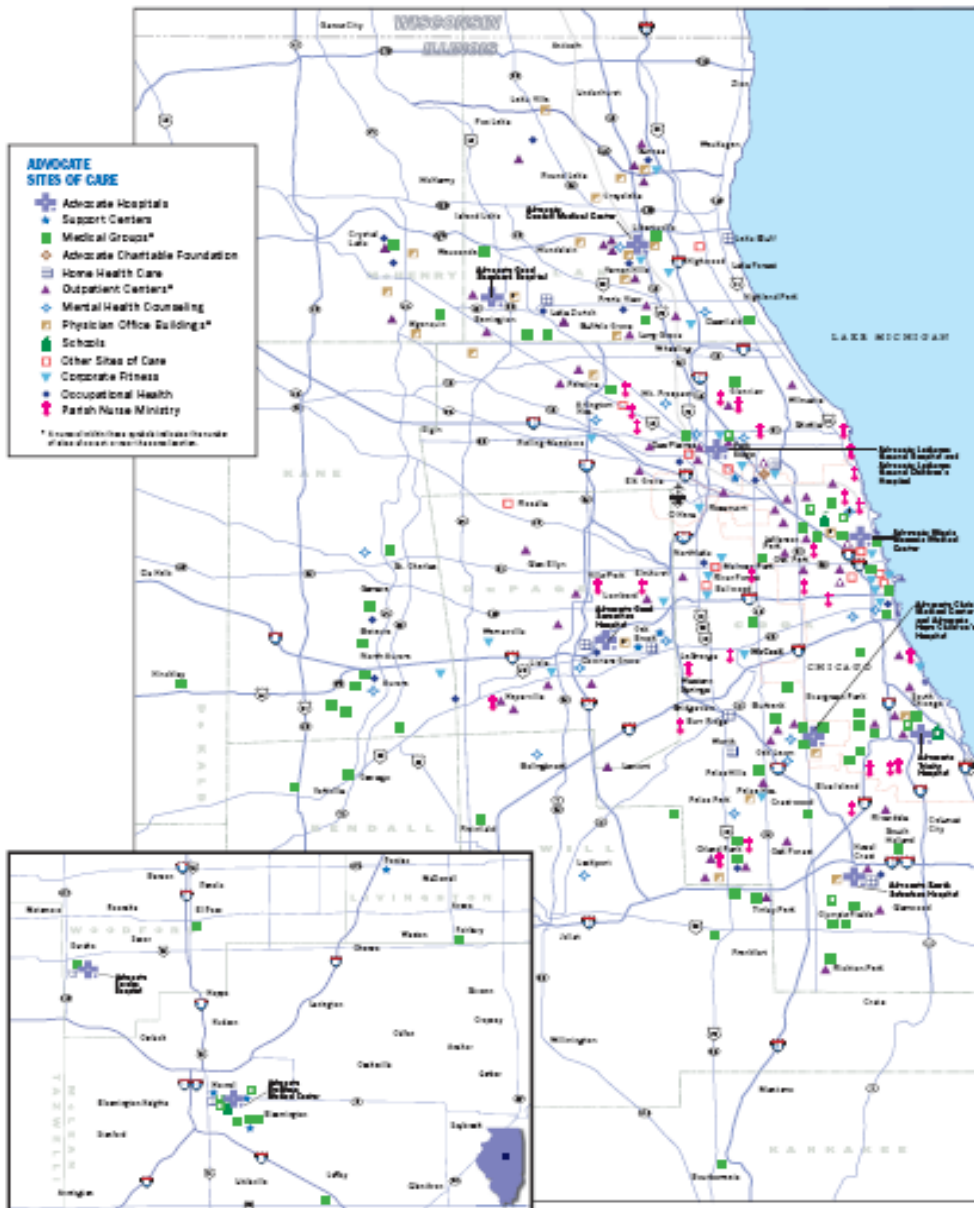
MVP

MISSION. To serve the health needs of individuals, families and communities through a wholistic philosophy rooted in our fundamental understanding of human beings as created in the image of God.

VALUES. Stewardship. Partnership. Equality. Excellence. Compassion.

PHILOSOPHY. We understand people have physical, emotional and spiritual needs and their relations to God, themselves, their families and society are vital to health and healing.

Advocate Health Care – Sites of Care



13 Hospitals

- 9 acute care hospitals
- 1 children's hospital
- 5 level 1 trauma centers
- 3 major teaching hospitals
- 2 specialty hospitals

2 Physician Groups

1,100 employed

Home Care Company

Laboratory Joint Venture

Over 200 Sites of Care

3.4 Million Patients Served

34,000 Associates

Total Revenue \$4.6B

AA Rating

Pluralistic Physician Structure

Physicians on Advocate Medical Staffs = 5,800

Advocate Physician Partners (APP) = 4,300

AMG/Dreyer
1,100/200

Independent = 3,000

Non-APP = 1,500

POSITION (2012)

Advocate Health Care leads the market annually,
with:

166,387 total admissions (16.2% share*)

9,000+ pediatric admissions (10.1% share**)

1.7 MILLION hospital outpatient visits

2.8 MILLION medical group visits

459,495 emergency department visits

19,578 infant deliveries

*Six-County Market Share

**Nine-County Market Share

What Is the Role of AMG?

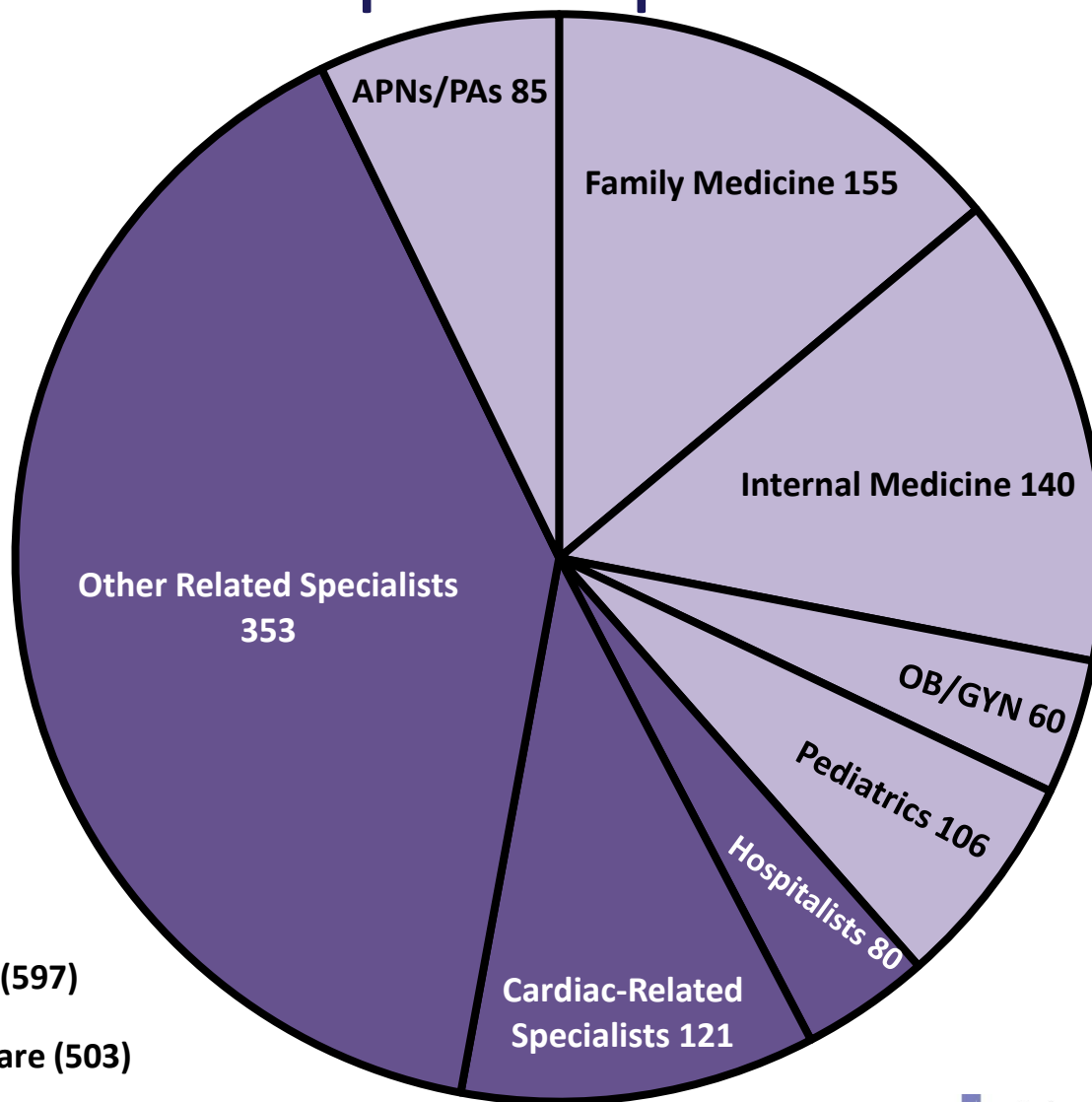
Advocate Vision

To be a faith-based system providing the best health outcomes and building lifelong relationships with those we serve.

AMG Role

A nationally recognized, physician-led integrated group committed to delivering the best health outcomes.

Group Composition



 = Specialist (597)
 = Primary Care (503)

AMG Contribution

- Health Outcomes/Safe Clinical Enterprise
- Advocate Experience
- AdvocateCare
- Service Lines
- Loyal Patient Growth
- Progressive Care Models

Defining a Group to Get Value

- To achieve system and AMG management goals, group culture is necessary
- Shared Vision, Goals and Strategies
- Shared Governance
- Clinical and Financial Integration
- Ability to Mandate Activity

**Advocate Health Care
Board of Directors**

**Advocate Medical Group
Governing Council**

AMG
Regional Councils

AMG Practice Sites/
Departments

*AMG Vice-presidents
Medical Management/
AMG Vice-presidents
Operations*

AMG Governing Council Committees

Health Outcomes Committee
Operational Improvements Committee
Physician Engagement Committee
Strategic Planning & Development Committee
Finance Committee

AMG Governing Council Composition

- 16 Total Members
 - Practicing Physicians (10)
 - President, AMG (1)
 - APN/PA (1)
 - Advocate Health Care Board Member (1)
 - Advocate System Executives (2)
 - Community Member (1)

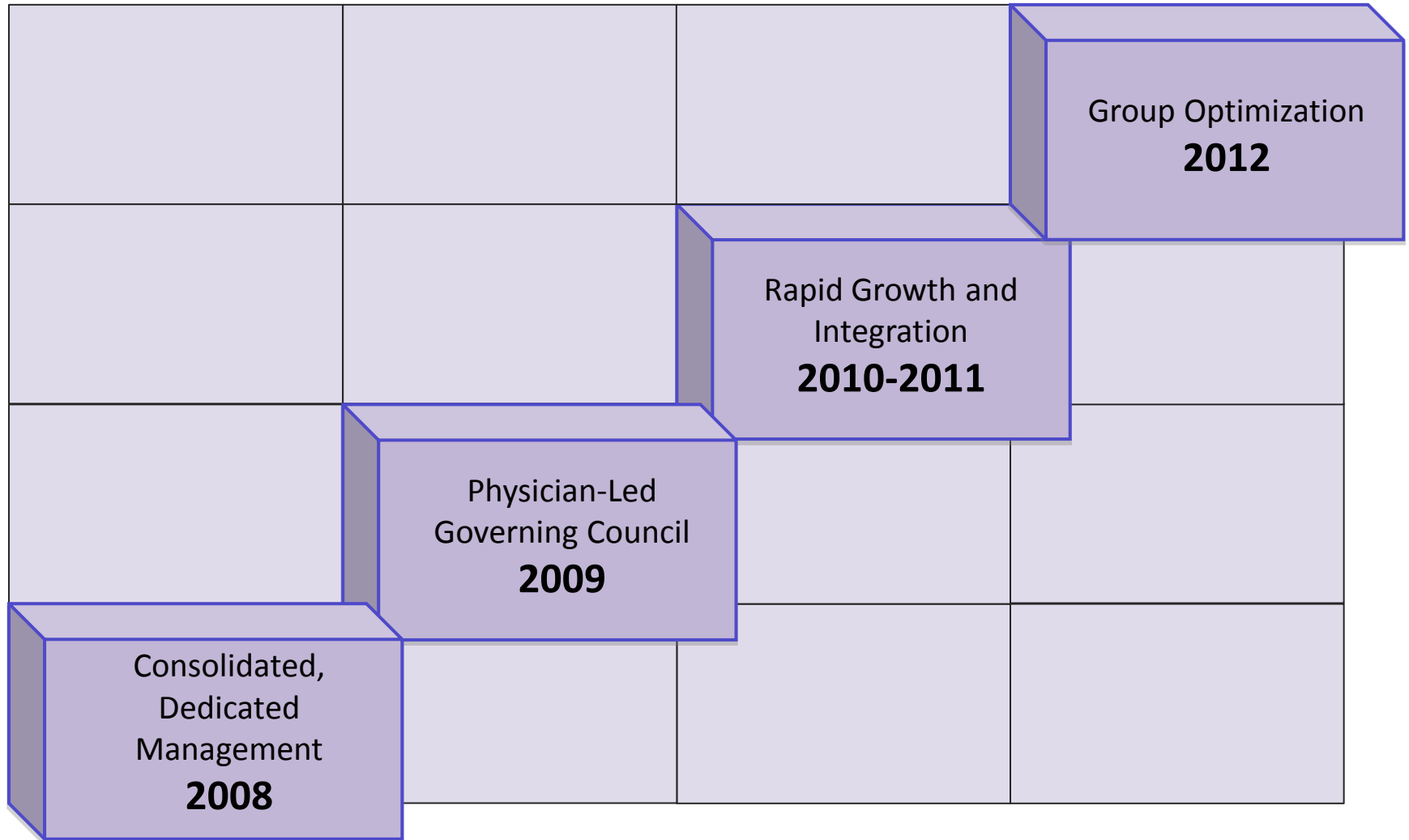
Governance Value: Physicians

- Recognition that physician input is valued
- Forum for group culture development
- Forum for transparent communication
- Forum for checks and balances
- Recognizes value of team model
- Opportunity for physician leaders to emerge

Governance Value: System

- Creates responsibility and accountability mechanism
- System physician leadership incubator
- Assist system transformation to population health management
- Attractive recruitment tool

The Advocate Medical Group Journey



V. Moderated Panel Discussion

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The panelists will address questions relating to the following topics:

Vision

Governance

Management

Operations

Financial/
Incentives

VI. Audience Questions and Answers

VI. Audience Questions and Answers



The graphic features the word 'Questions' in a dark grey, sans-serif font. Below it, the word '&' is written in a light green, cursive script. To the right, the word 'Answers' is written in a blue, sans-serif font. The letters 'Q' and 'A' are significantly larger than the other text, with the ampersand positioned between them, creating a visual bridge between the two words.