

Three C's of Change in the Value-Based Economy: Competency, Culture and Compensation

April 4, 2014
3:45 – 5:00 pm



Introduction



Kevin McCune, MD
Chief Medical Officer
Advocate Medical Group



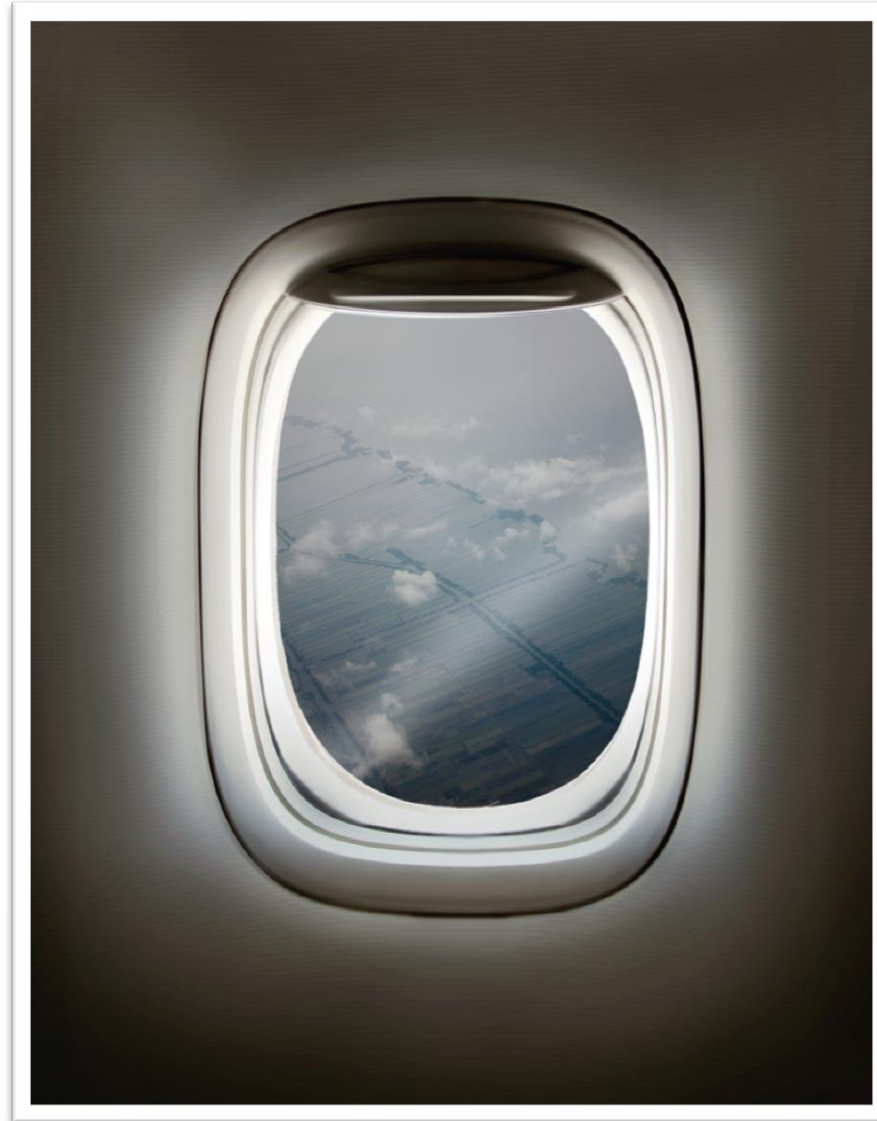
Peg Stone
Vice President,
Physician Compensation and
Contracting
Advocate Medical Group



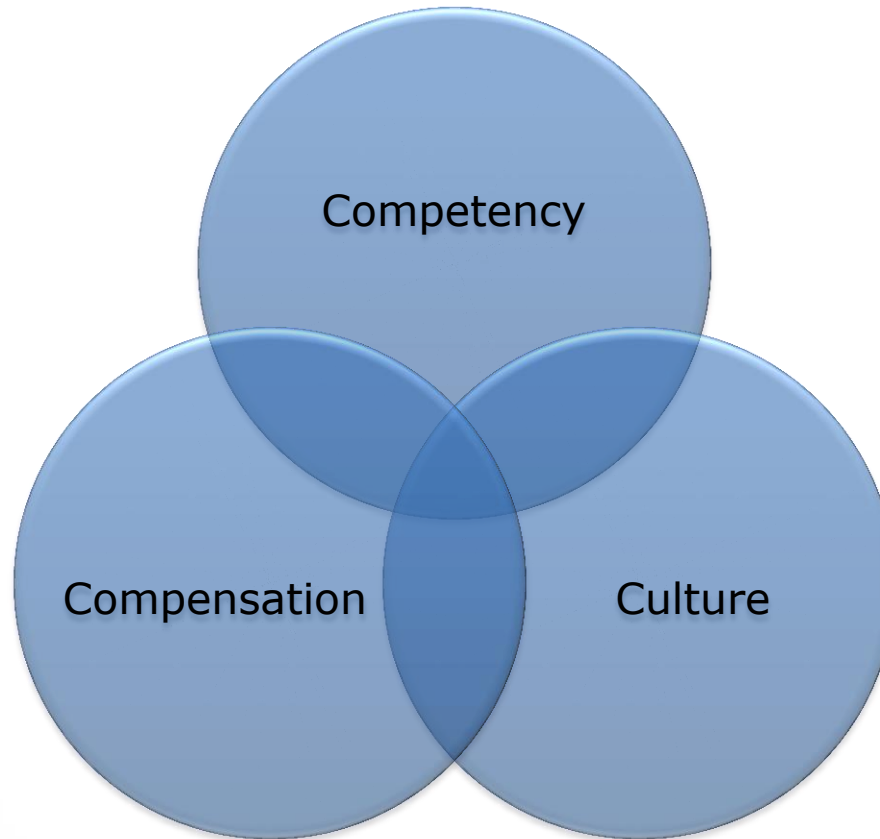
Paul Esselman, MBA
Executive Vice President,
Managing Principal
Cejka Executive Search



Overview: 30,000 Foot View

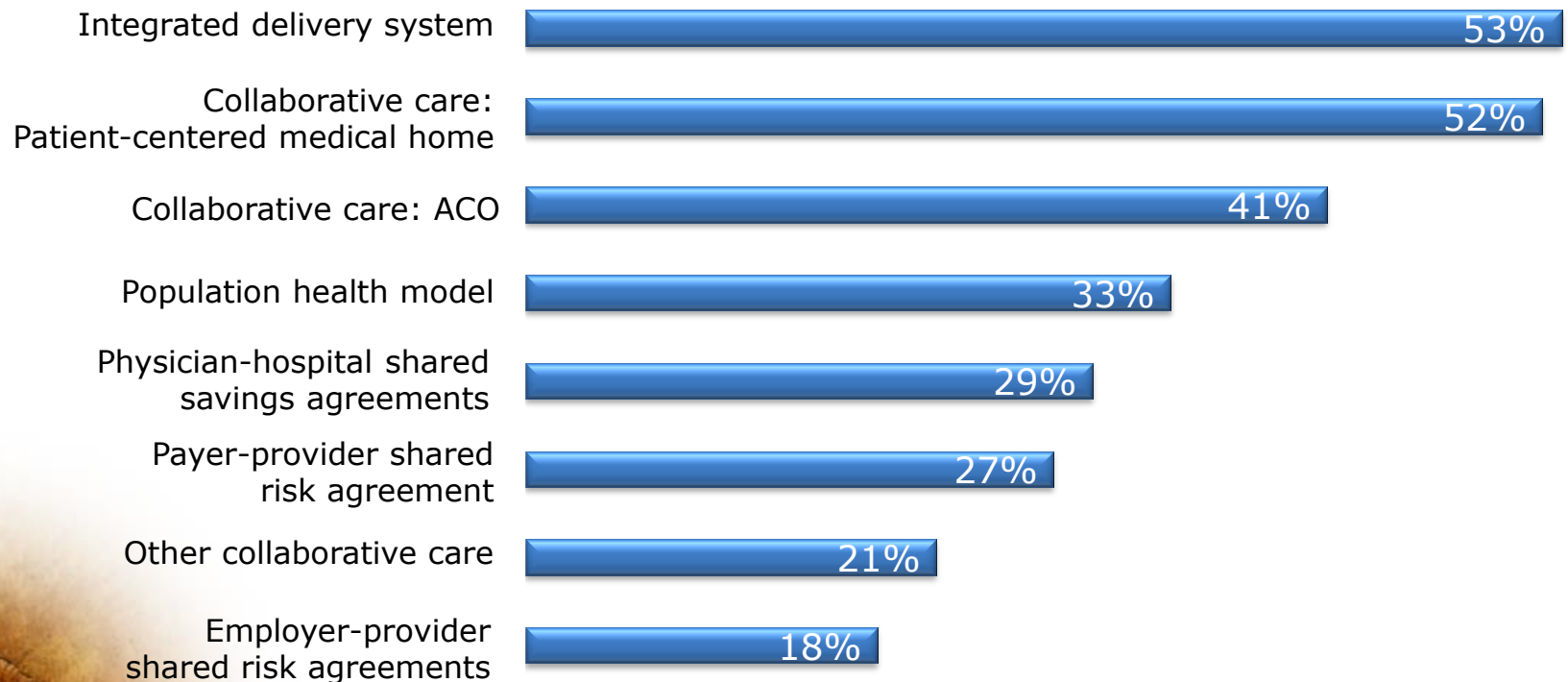


Three C's of Change



Landscape: Integration

Which of the following initiatives is your organization undertaking now?

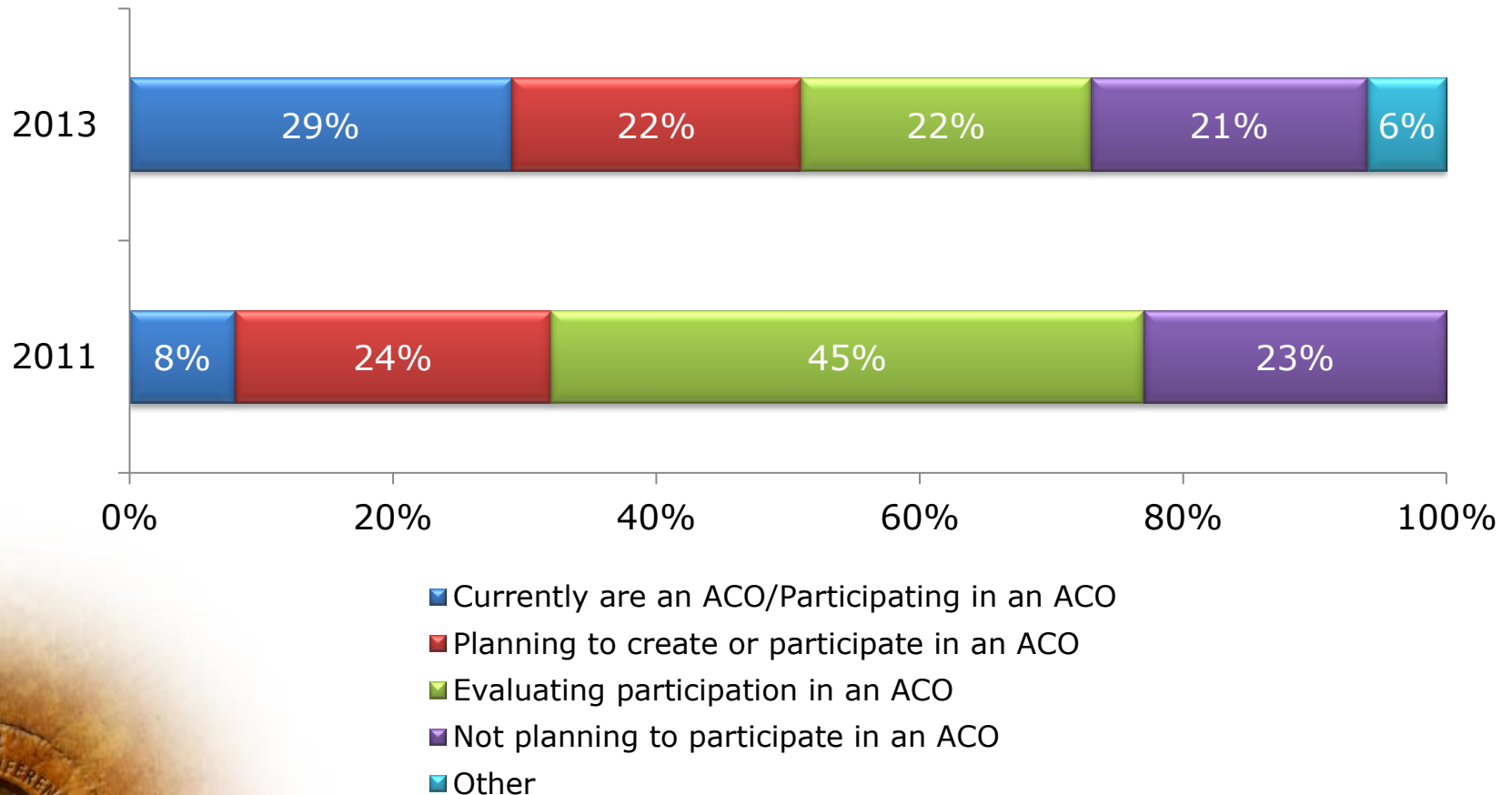


Source: HealthLeaders Media Intelligence Reports, 2013



Landscape: Accountable Care

Accountable Care Implementation

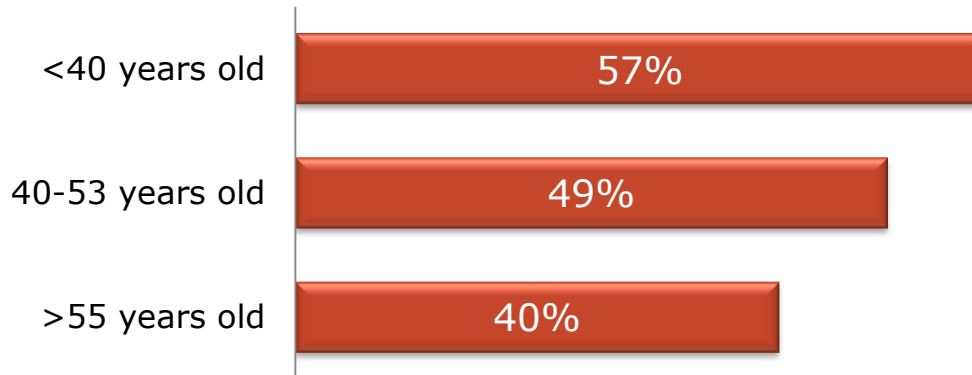


Source: 2013 Physician Executive Compensation Survey; American College of Physician Executives and Cejka Executive Search

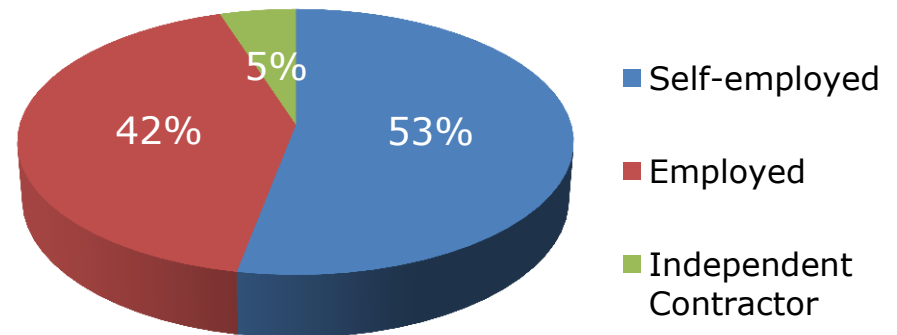


Landscape: Employed Physicians

By Age Group



Average: All Physicians

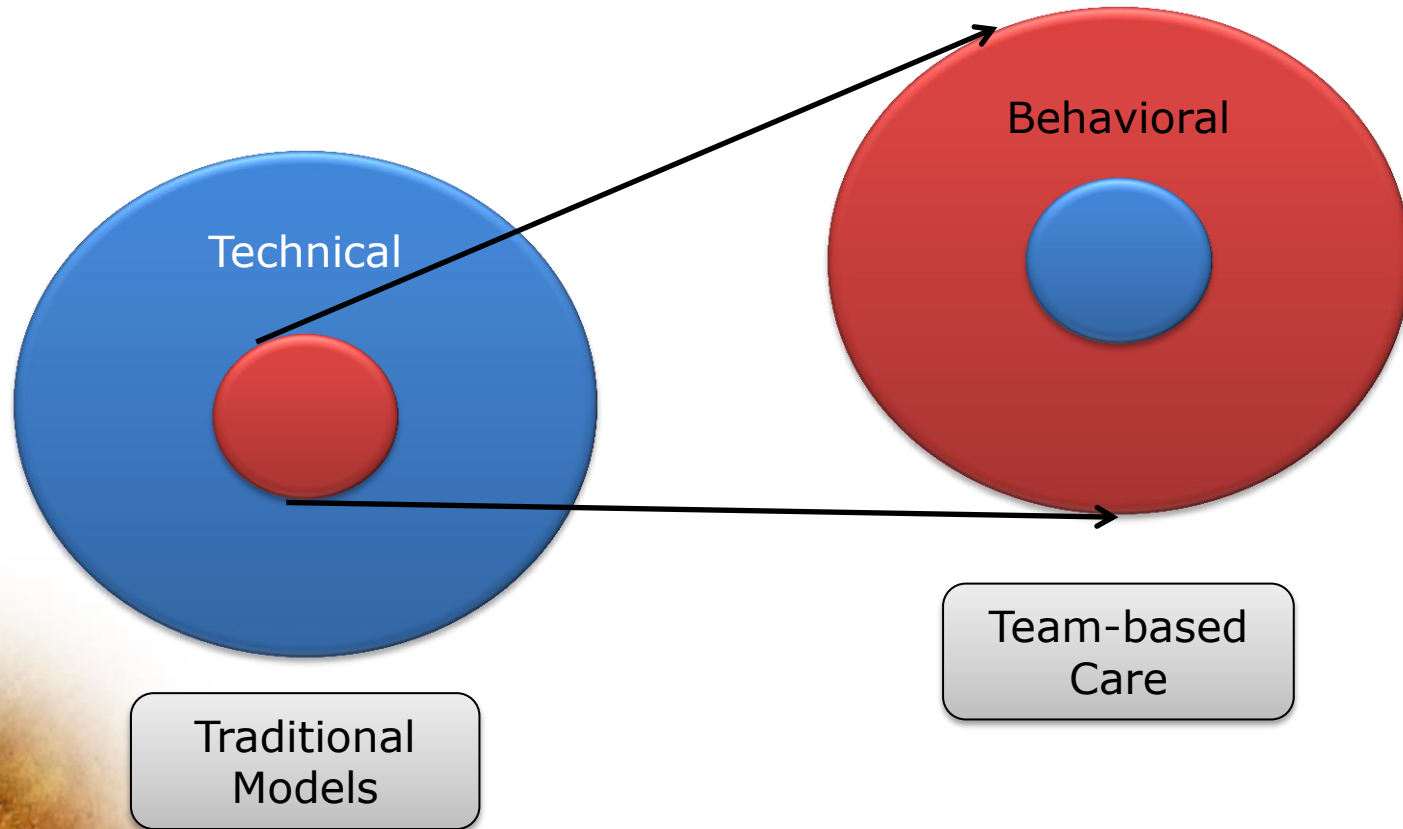


Source: American Medical Association, 2012



Competency: New Roles and Skills

New Paradigm for Physicians



Competency: New Roles and Skills

Preparing for Value-Based Reimbursement

Value-Based Reimbursement Requires Teamwork to...

- Improve clinical quality outcomes
- Develop accountable care and transparency
- Maximize reimbursement
- Shift from inpatient to outpatient
- Compete in the marketplace
- Pursue mergers and consolidation



***Are your
Physicians
Ready to Lead
Team-based
Care?***



Competency: New Roles and Skills

Priorities for Physician Leaders

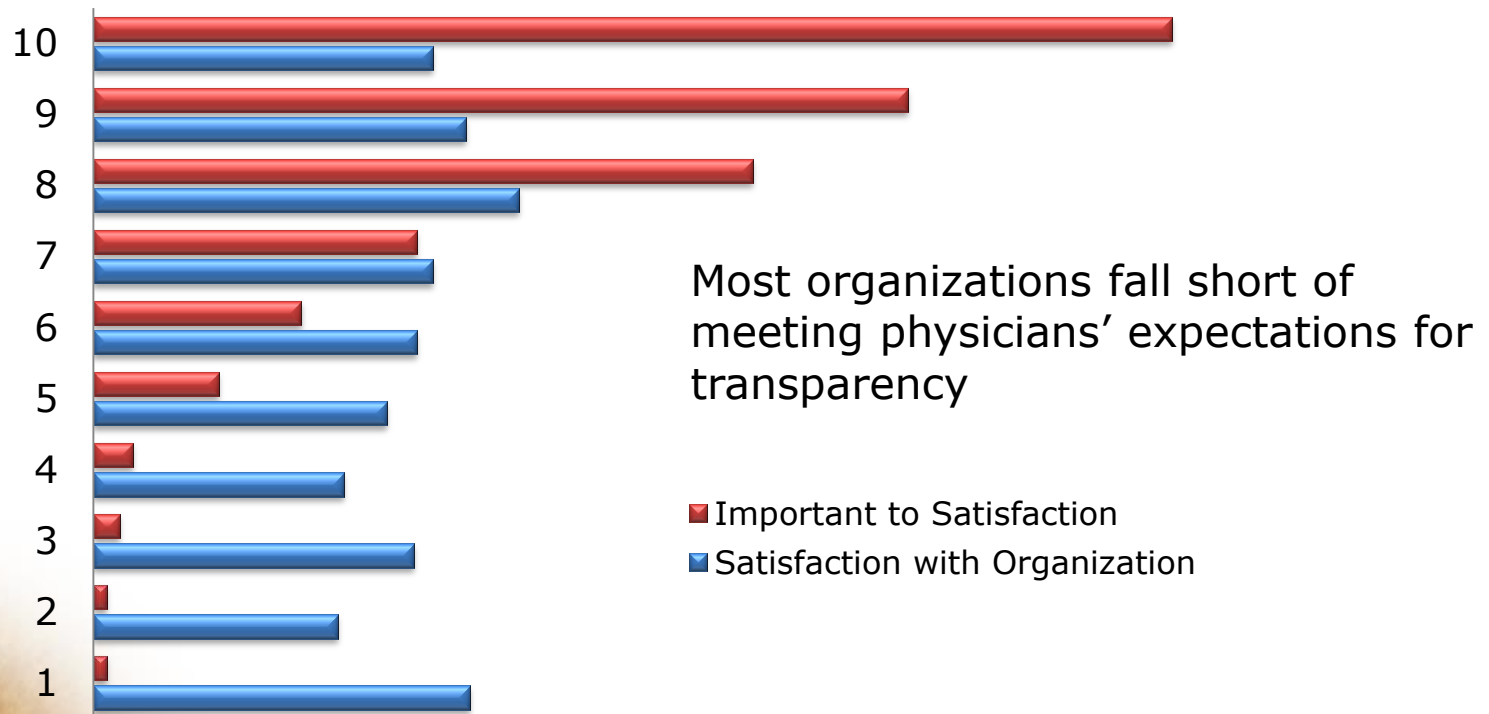
	Human Capital	Stakeholder Engagement	Transformation
Chief Executive Officer / President	84%	87%	77%
Chief Medical Officer	75%	76%	74%
Clinical Department Chair, Division Chief	79%	66%	63%
Executive Director / Program Director	63%	79%	67%
Medical Affairs, EVP, SVP, VP	68%	76%	71%
Medical Director, Service Line	64%	63%	59%
Medical Director	56%	61%	55%



Source: 2013 Physician Executive Compensation Survey; American College of Physician Executives and Cejka Executive Search

Culture: Transparency

How Important is Transparent Communication?

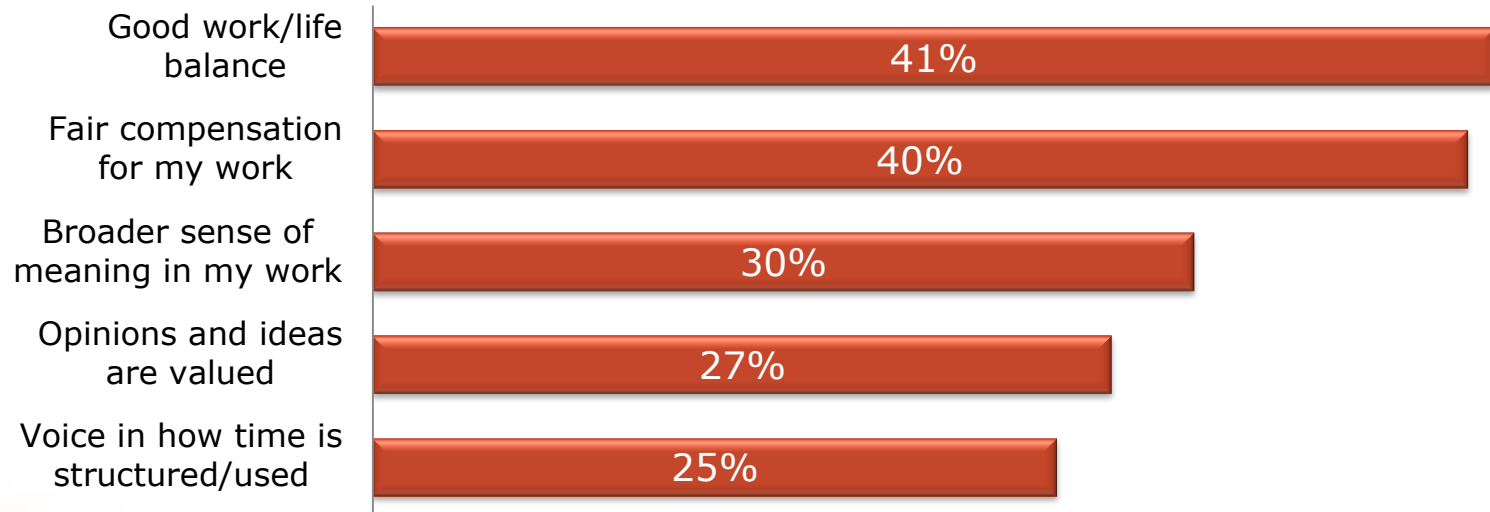


Source: Organizational Culture Survey, 2012; Physician Wellness Services and Cejka Search



Culture: Engagement

Top-Ranked Elements of Engagement

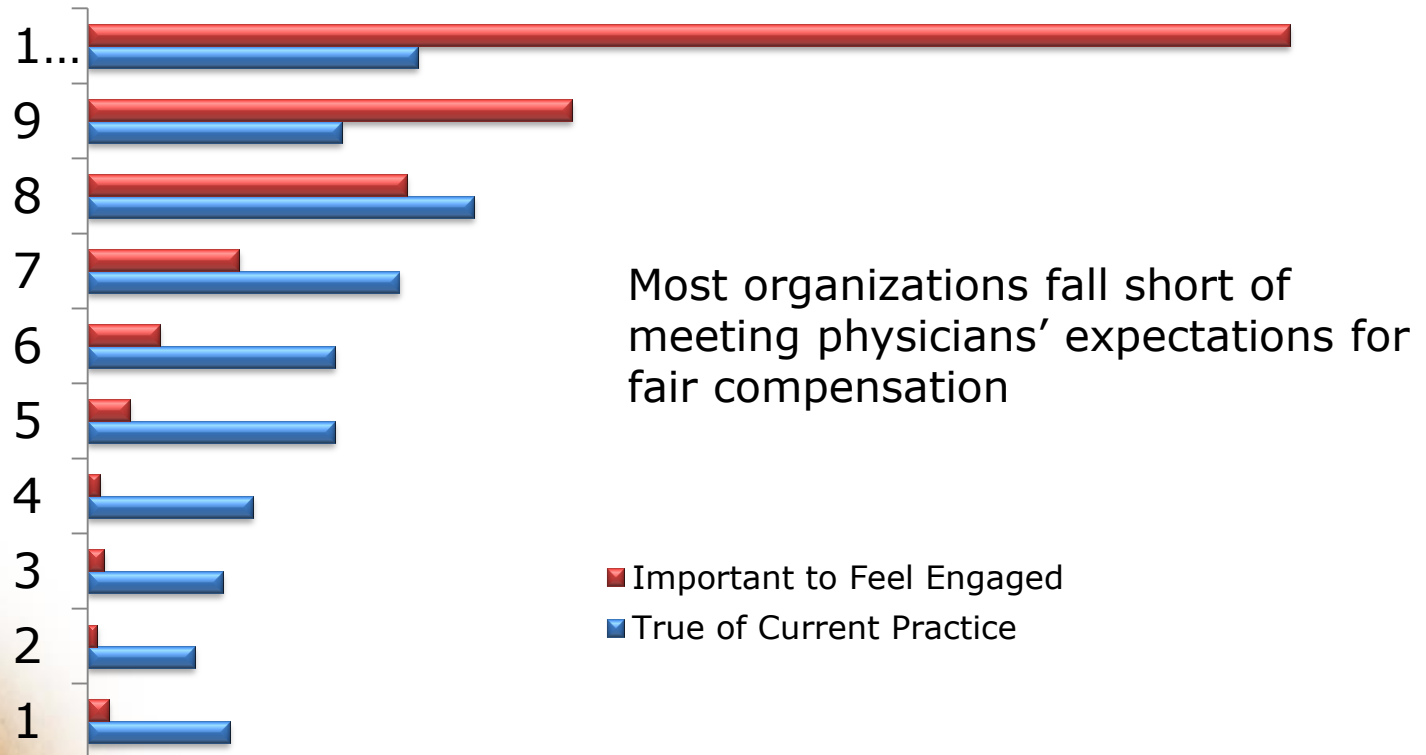


Source: Physician Engagement Survey, 2013; Physician Wellness Services and Cejka Search



Compensation: Engagement

How Important is Fair Compensation?

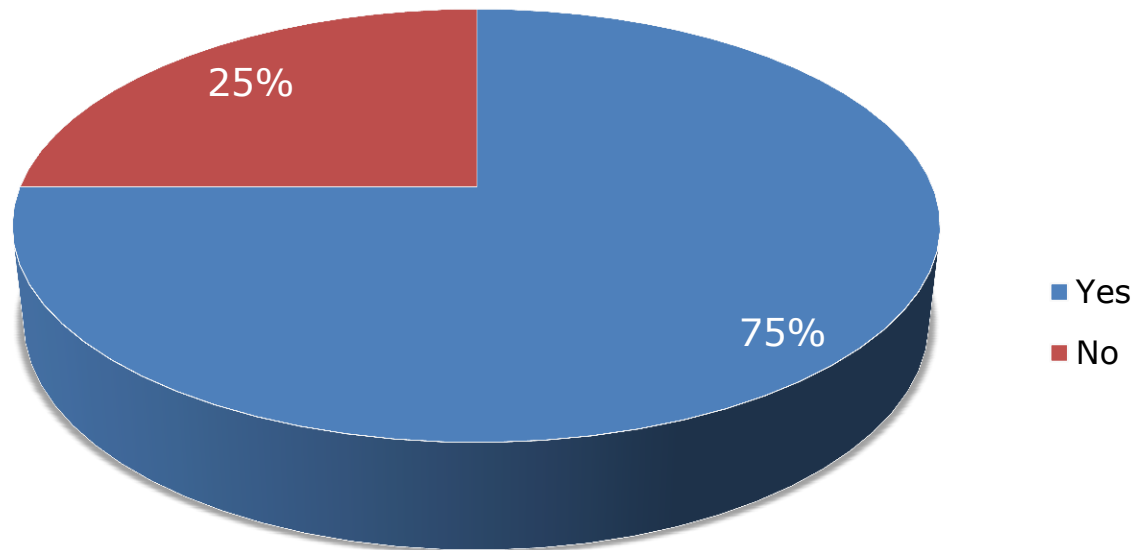


Source: Physician Engagement Survey, 2013; Physician Wellness Services and Cejka Search



Compensation: Value-Based Reimbursement

Do you believe the industry will make the shift from volume to value?

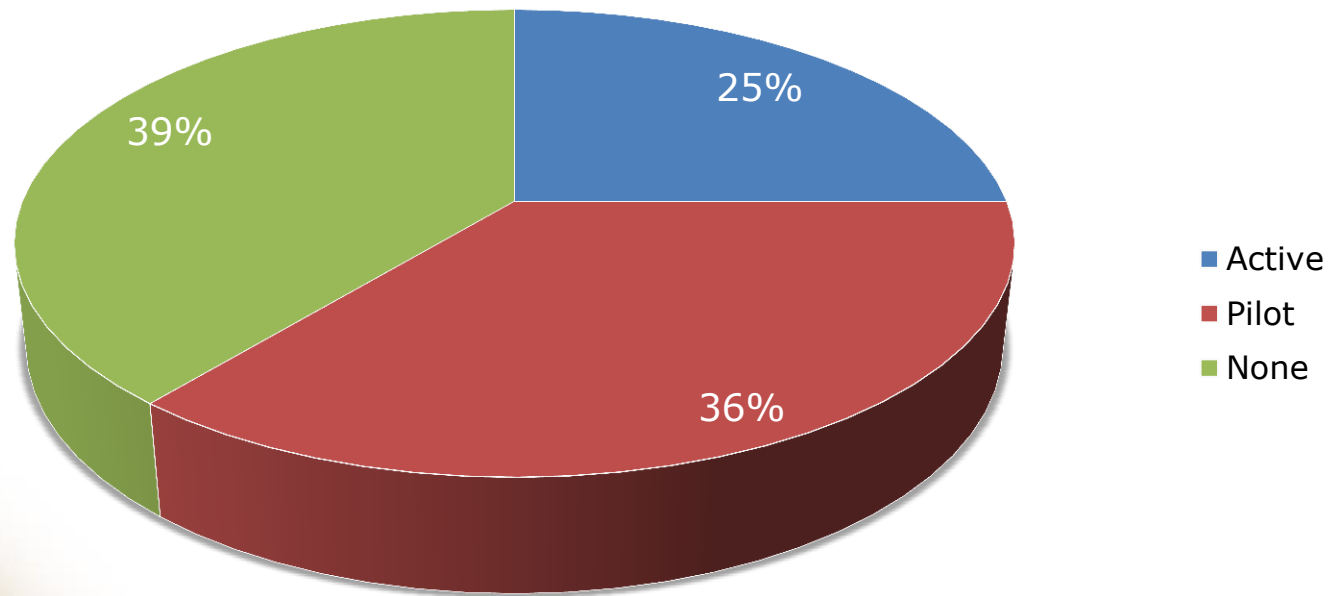


Source: HealthLeaders CEO Report, January 2014



Compensation: Value-Based Reimbursement

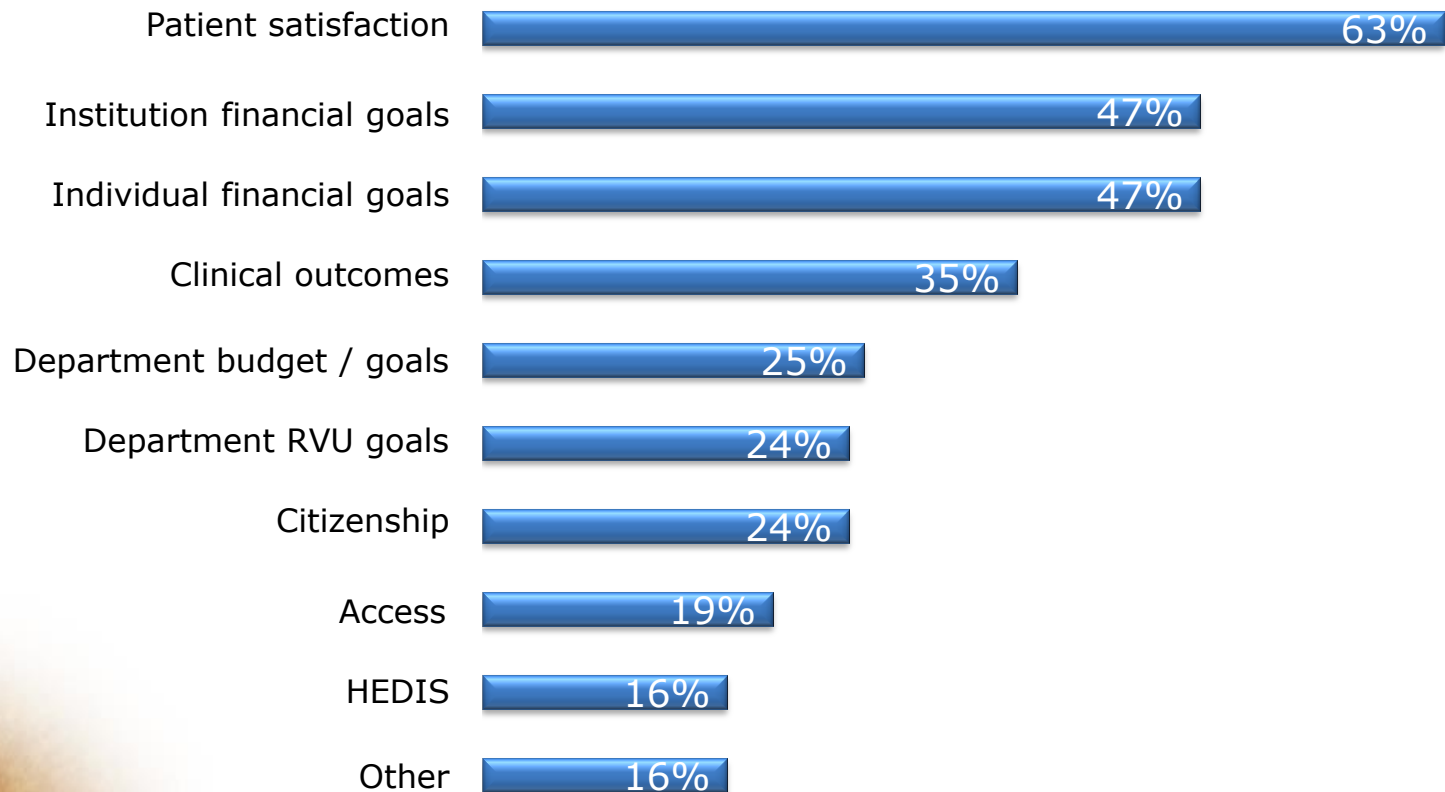
Are you participating in value-based contracts?



Source: HealthLeaders CEO Exchange, October 2013



Compensation: Incentives



Source: 2013 Medical Group Compensation and Financial Survey; American Medical Group Association and Sullivan, Cotter and Associates



A True Model of Clinical Integration



Advocate Medical Group



Advocate Medical Group



Kevin McCune, MD

Chief Medical Officer
Advocate Medical Group



Peg Stone

Vice President of
Physician Compensation
Advocate Medical Group



Advocate History

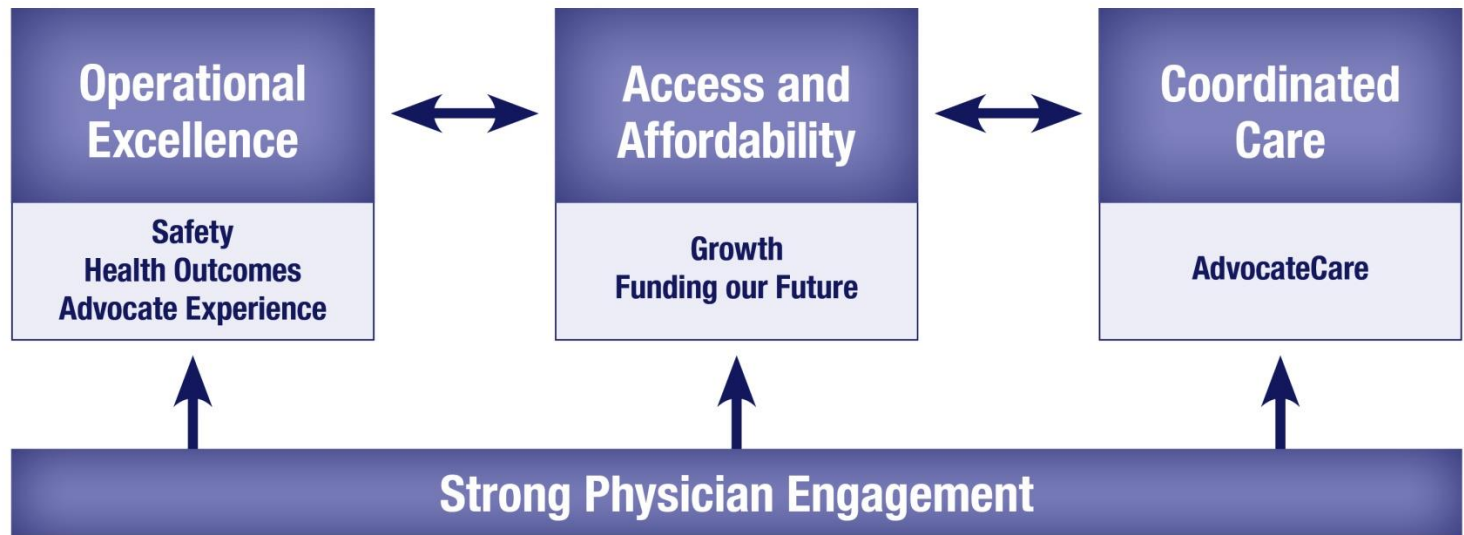
- Advocate was incorporated in 1995
- Faith based
- Largest System in Chicago
 - 250 sites of care
 - 10 Acute Care and a Children's Hospital with 2 Campuses
- 40+ GME training programs representing 27 specialties
- 700+ residents/fellows



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

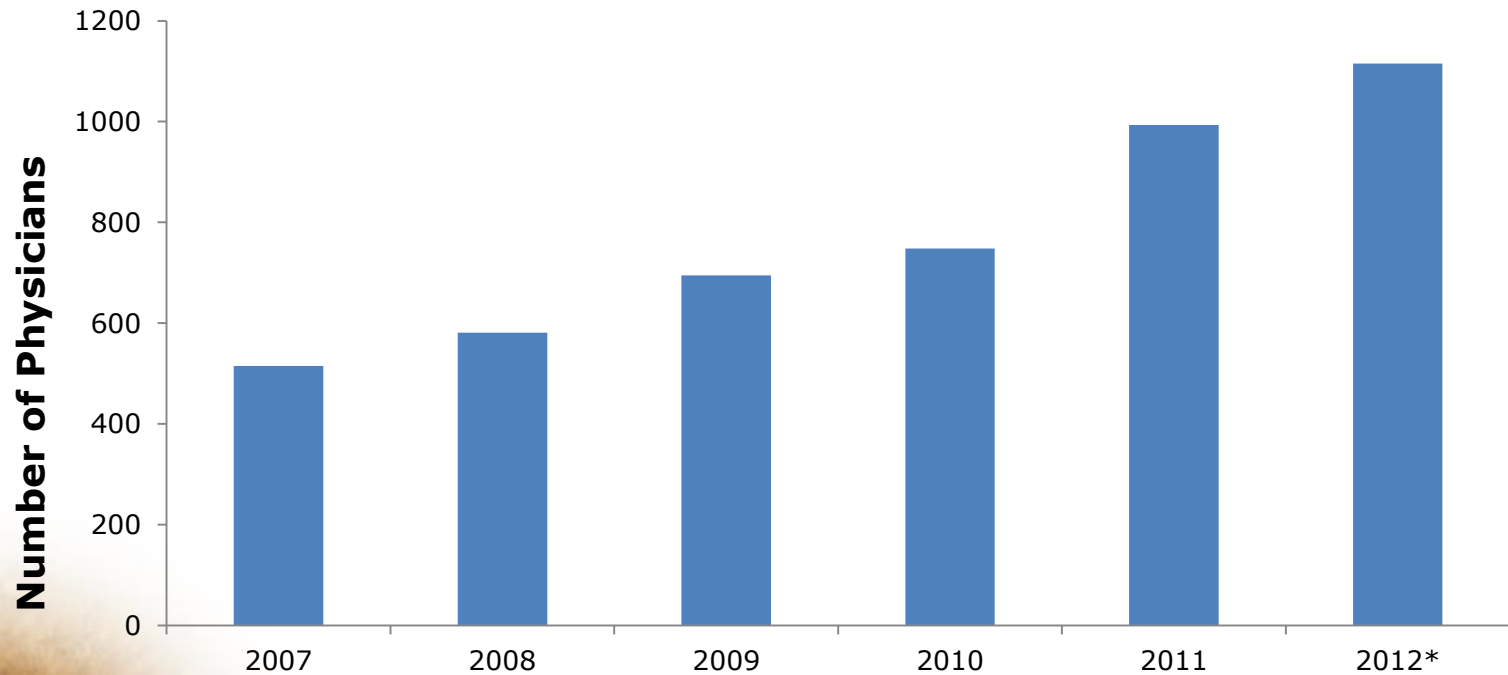


AMG History

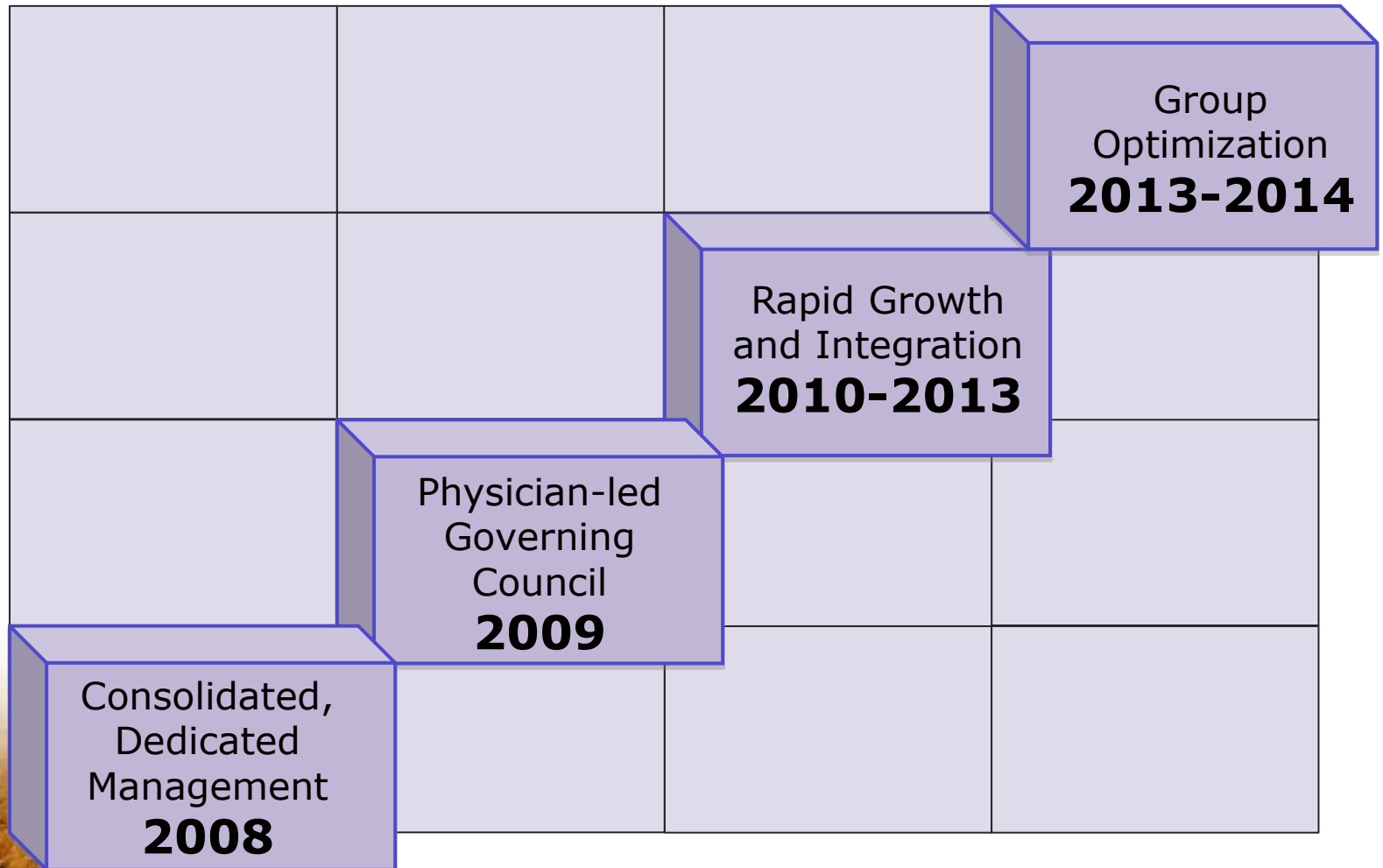
- 2007: 450 Advocate Employed Physicians
 - Four distinct and separate medical groups
 - Two of these groups managed through hospital infrastructure
- 2008: Formation of Single Dedicated Physician Practice Management Team
- 2009: Advocate Board Approval AMG Governing Council Charter and merger of Groups
- 2010: Regional Dyad Governance and Management Development



AMG Growth History



The Advocate Medical Group Journey



**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

- Charter:
 - Approved by Advocate Board, December 2009
- Mission:
 - Governance of clinicians enabling best outcomes
- Ultimate Authority:
 - Advocate Health Care Board
- Role:
 - Interactive communication forum and decision making body
 - Advise, counsel and feedback
 - Support and oversight



Leadership Development

- Governance and Leadership to AMGA Annual Conference
- American College of Physician Executives
 - Systems Thinking
 - Health Care Reform and the ACO
 - Performance Feedback
- Advocate Medical Group Boot Camp
 - Finance and Business Systems
 - Managing to the new ACO and Clinical Integration
 - Crucial Conversations
- Leadership Development Institute Days
 - AMG and Advocate Culture



Advocate: Moving to an Accountable Care Organization

- Health Care Reform: Finances unsustainable
- Medicare: value based purchasing (ACOs- 2012)
- Commercial Payers: need to reduce costs to be competitive (State health exchanges- 2014)
- Employers: double-digit premium increases; demanding value
- Shared View that Current Self Interest Incentive of key Stakeholders in Health Care Assures Low Value (*Clinical Integration no longer sufficient*)



AdvocateCare: A Global Care Contracting Framework

- Partnership with payers
- Global Cost Management Overlay On Top of Existing FFS Structures
- Responsibility for Managing Comparative Trend
- Method for Sharing Savings



AdvocateCare: Key Tactics

- Engaging Physicians
- Driving Culture Change
- Improving Access
- Affecting 'Perfect Transitions'
- Achieving 'Hospitalism' across Advocate
- Value compensation becomes an expectation not a bonus



AdvocateCare Index

- Leading indicator of cost pmpm
- Simplified to 5 population-based metrics to create focus
 - % Days in Advocate Hospital
 - ED Visits/1000
 - Admissions/1000
 - 30 Day Readmissions
 - Length of Stay



AdvocateCare: Impact on Financial Performance and Compensation

Financial Performance Declines if:

- Patient Satisfaction standards not met
- Health outcomes and safety standards not met
- Medical costs not controlled

AMG compensation plan needs to mirror these three risks

- Moving from individual productivity to value based group incentives



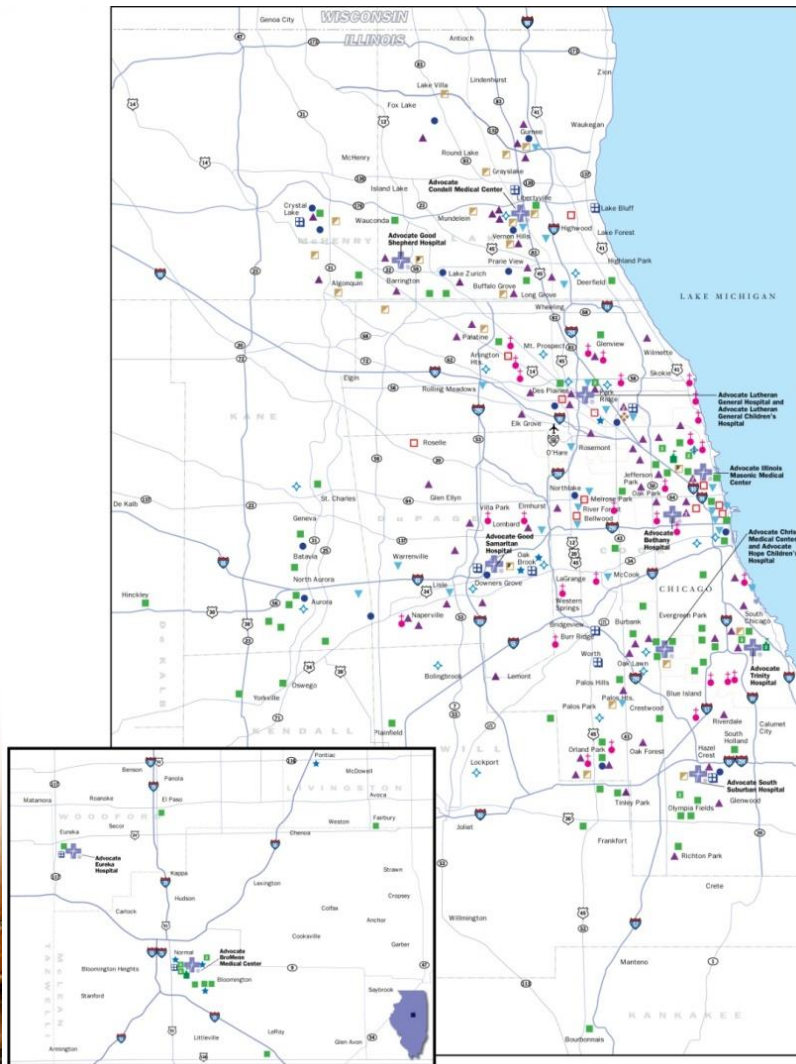
Advocate Depending on AMG for:

- Health Outcomes
- Executing on AdvocateCare
- Service Lines Development
- Increasing Patient Loyalty and Growth

**System recognizes it cannot be successful
without significant physician engagement**



Advocate Medical Group



- Advocate Employed Physicians
 - 480 + Primary Care Physicians
 - 100 Teaching
 - 590 + Specialist Physicians
 - 10 Teaching
 - > 70 different specialties
- 150 + sites of care
- Managed Care
 - Direct lives: 58,000 Commercial / 26,000 Full Risk Medicare Advantage
 - Lives through APP's PHO Structure: 32,000 commercial and other Value Agreements (BCBS and MSSP)

Guiding Principles for Physician Compensation

- Supports our Mission
- Enables our Vision
- Provides Transparency
- Delivers Predictability
- Is Equitable
- Is Sustainable
- Is Compliant



Historical AMG Physician Compensation Plan

- **WRVU Based Compensation**
 - Clinical Compensation based on WRVUs generated
 - Less: Direct Expenses (if any)
- **Supplemental Compensation**
 - Teaching
 - Administration
 - Call Coverage
 - Outside Professional Activities
 - P4P measure awards

- **WRVU based and Supplemental = Total Compensation**



Recognize the Internal Environment

- Historic AMG Compensation Model
 - Productivity based, individual performance
 - WRVU rates based on Sullivan Cotter Large Clinic Survey
 - Lacks service area or group performance
 - Not aligned with the needs of AdvocateCare
 - Does not address the evolving market forces



Acknowledge the Impact of Inaction

- Financial Performance Declines if
 - Patient Satisfaction standards not met
 - Health outcomes and safety standards not met
 - Service Area does not control medical costs

***Internal and external factors monitoring
value measures directly impact
Advocate's financial performance***



Link Value to Compensation

- Patient satisfaction as measured by Press Ganey
 - Use CGCAHPS scores
- Health Outcomes
 - Clinical Integration
 - Patient Safety
 - AMG AdvocateCare Index
- Service area operating margin

***Establish Deep Integration of Value KRAs
into Leadership and Physician
Compensation***



Initiate Organization Transformation

- Volume & Value Compensation Program
 - Establish Value is an expectation not a bonus
 - Include CI & Patient Satisfaction
 - Continue MRA incentive program
 - Annualized productivity determines clinical Value compensation
 - Keep Physicians at risk for the volume of WRVU's and non-clinical compensation



Communicate Impact of Change

- Initial Year
 - Delivered Side by Side Shadow Reports
 - Use current year value measurements & targets
- Model the Volume & Value Program
 - Shown but did not impact current year's compensation
 - Provided an opportunity to evaluate how value measures relate to future compensation
 - Make regular updates available for Value Measures through monthly physician meetings



Monitor and Act on Value Measures

- Evaluate periodic results for trends
 - Patient Satisfaction at the site and regional levels
 - AdvocateCare Index
 - Service Area Operating Margin
 - Clinical Integration results
- Take action in the form of communication, training, transparency to achieve a positive adjustment in the Value Measures



Status and Challenges

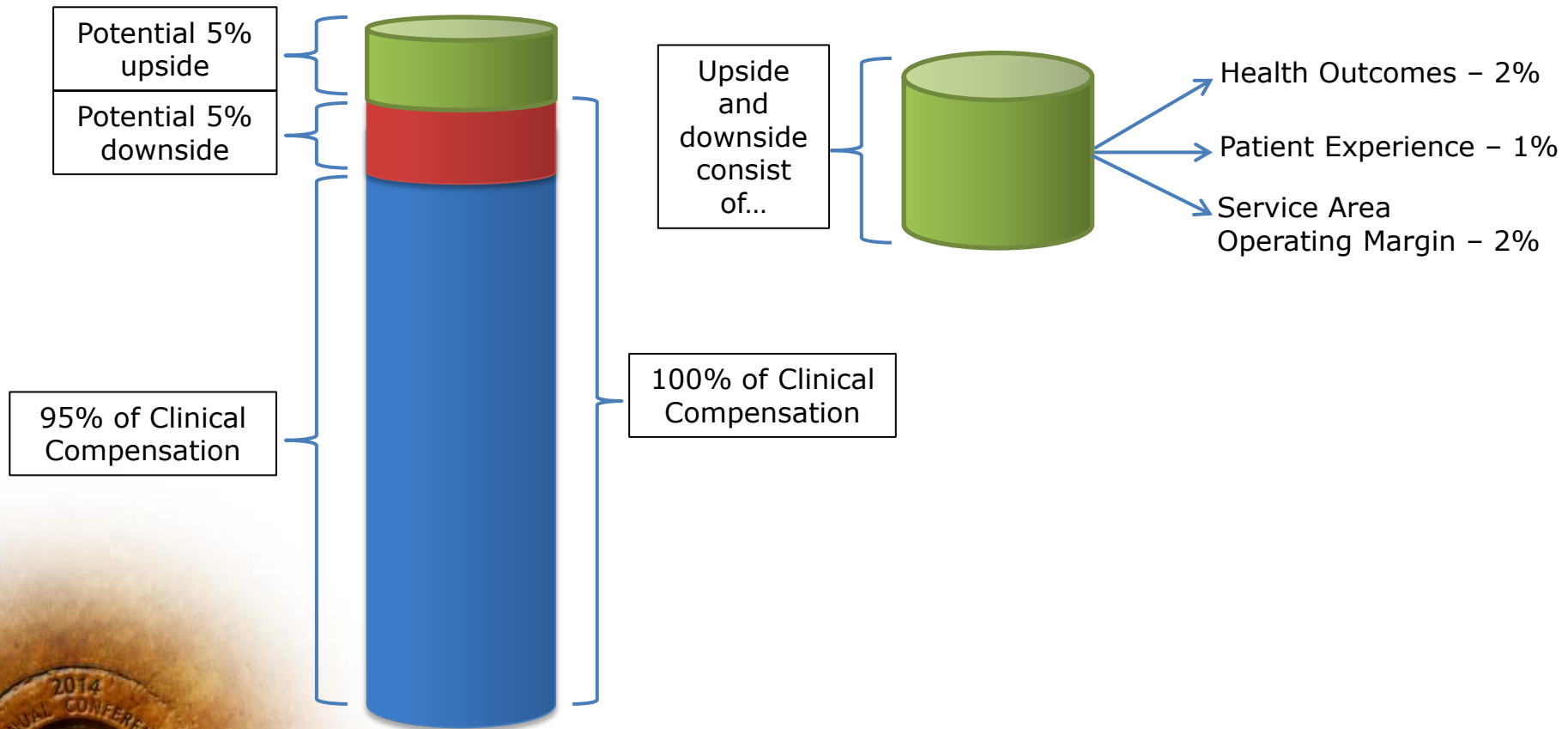
- The transition to Value and Volume is underway. Taking a multiple year phased in approach
- Plans consider protection to physician compensation
- Managing the employed physicians through practice acquisitions
- Percentage of compensation under Value based metrics
- Balance of volume/productivity in a population health/managed care environment



Value Measure Key Result Areas – Initial Year

Value Measure	Element	Element Percentage	Scoring Period
Patient Experience	Patient Satisfaction by Site	70%	Six month rolling average
	Patient Satisfaction by Regional	30%	Six month rolling average
Health Outcomes	Clinical Integration by Individual Physician	70%	Annual
	AdvocateCare Index Corporate	20%	Annual
	Patient Safety ARHQ Survey Regional	10%	Annual
Operating Margin	Service Area	100%	Annual

Clinical Compensation – Year 1&2



Clinical Compensation

- Based on
 - Productivity
 - WRVU based
 - Value
 - Upside for achieving maximum value measure targets
 - Risk on the downside if all value measure targets are missed
 - There is a maximum dollar cap on both the up & down side
 - Value metrics
 - Minimum – Goal – Maximum targets



Patient Experience Distribution

Patient Experience Scaling				
		Targets		
Category	Weight	Minimum	Goal	Maximum
Satisfaction Percentile - Site	70%	30 th Percentile	75 th Percentile	90 th Percentile
Satisfaction Percentile - Region	30%	30 th Percentile	75 th Percentile	90 th Percentile

- 20% of the Value Compensation Amount
- Based on Press Ganey Survey
- Developed and approved by the Engagement Committee



Patient Experience Example

Category	Weight	Minimum	Goal	Maximum
Satisfaction Percentile - Site	70%	30 th Percentile	75 th Percentile	90 th Percentile

Score Achieved

30



75



90

Scaled Score

0



100



150



Health Outcomes Distribution

Health Outcomes Scaling				
Category	Weight	Targets		
		Minimum	Goal	Maximum
Clinical Integration - Individual	70%	79	83	90
Patient Safety – Regional	10%	50 th Percentile	68 th Percentile	90 th Percentile
AdvocateCare Index - AMG	20%	50	100	150

- 40% of the Value Compensation Amount



AMG AdvocateCare Index – December 2013

Performance Period: September 2012 - August 2013

	Commercial HMO					Commercial Attributed PPO					Total
	Weight	Base	Target	Actual	Score	Weight	Base	Target	Actual	Score	Score
ER Visits/1000	5.0%	187.1	187.1	191.9	83	5.0%	171.0	171.0	157.0	150	116
Admits/1000	15.0%	79.3	76.9	72.4	150	15.0%	48.4	61.7	39.9	150	150
LOS	7.5%	3.89	3.85	3.84	106	7.5%	3.36	3.40	3.18	150	128
Readmission Rate	7.5%	8.77%	8.27%	8.28%	99	7.5%	5.29%	4.79%	4.75%	104	102
Care Coordination	10.0%	83.8%	85.2%	84.5%	65	20.0%	57.9%	62.5%	53.4%	0	22
Product Total	45%				108	55%				89	
Overall Score	98										

	Jan '13	Feb '13	Mar '13	Apr '13	May '13	Jun '13	Jul '13	Aug '13	Sep '13	Oct '13	Nov '13	Dec '13
Overall Score	34	33	62	71	81	83	87	94	97	94	97	98

- Data Source: DART
- Baseline Performance Period: September 2011 – August 2012
- HMO Baselines restated in April 2013 Index to account for claims adjustment
- PPO Baseline and Targets restated in May 2013 Index to account for new locked cohort

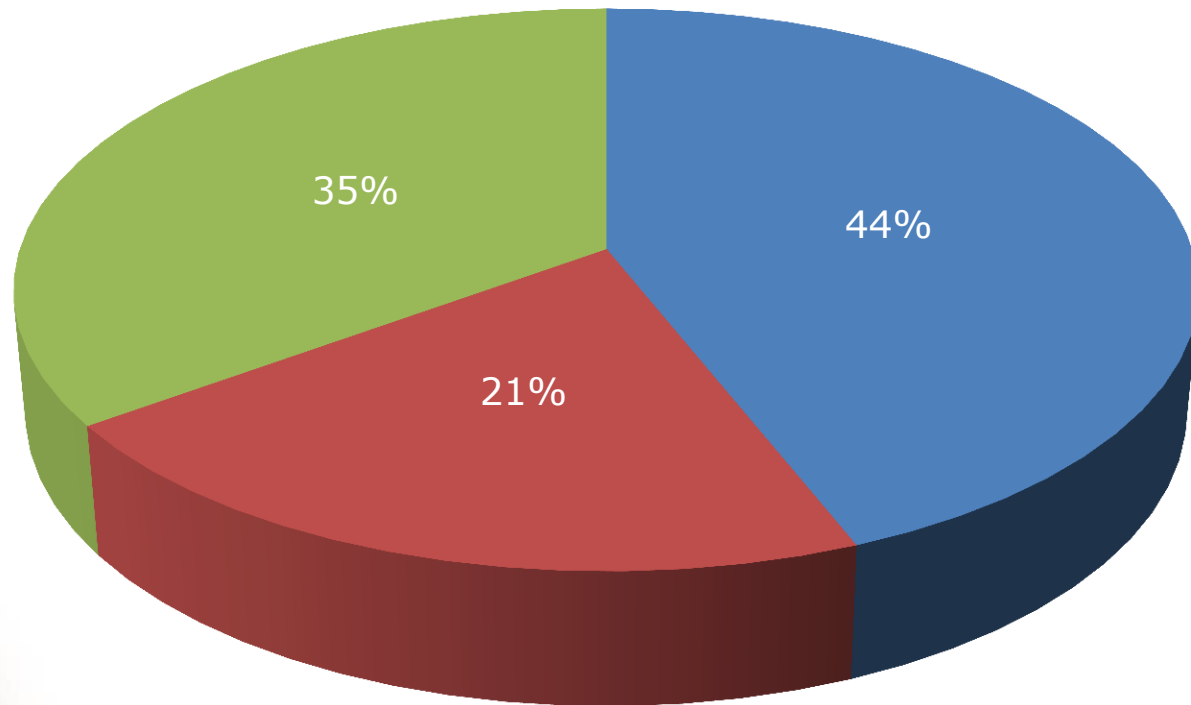
Operating Margin Distribution

Operating Margin Scaling by Service Area				
		Targets		
Service Area	Weight	Minimum	Goal	Maximum
BroMenn	100%	-0.14%	0.46%	1.31%
Eureka (Part of BroMenn)	100%	0.20%	0.80%	1.65%
Christ	100%	4.15%	4.75%	5.60%
Condell	100%	-3.47%	-2.87%	-2.02%
Good Samaritan	100%	8.70%	9.30%	10.15%
Good Shepherd	100%	11.88%	12.48%	13.33%
Illinois Masonic	100%	7.85%	8.45%	9.30%
Lutheran General	100%	5.61%	6.21%	7.06%
South Suburban	100%	0.62%	1.22%	2.07%
Trinity	100%	-7.25%	-6.65%	-5.80%

- 40% of the Value Compensation Amount
- Developed and approved by the Finance Committee
- Physicians are assigned to a primary Service Area
- Same goals as Service Area management



Graph of 2014 Value Participation

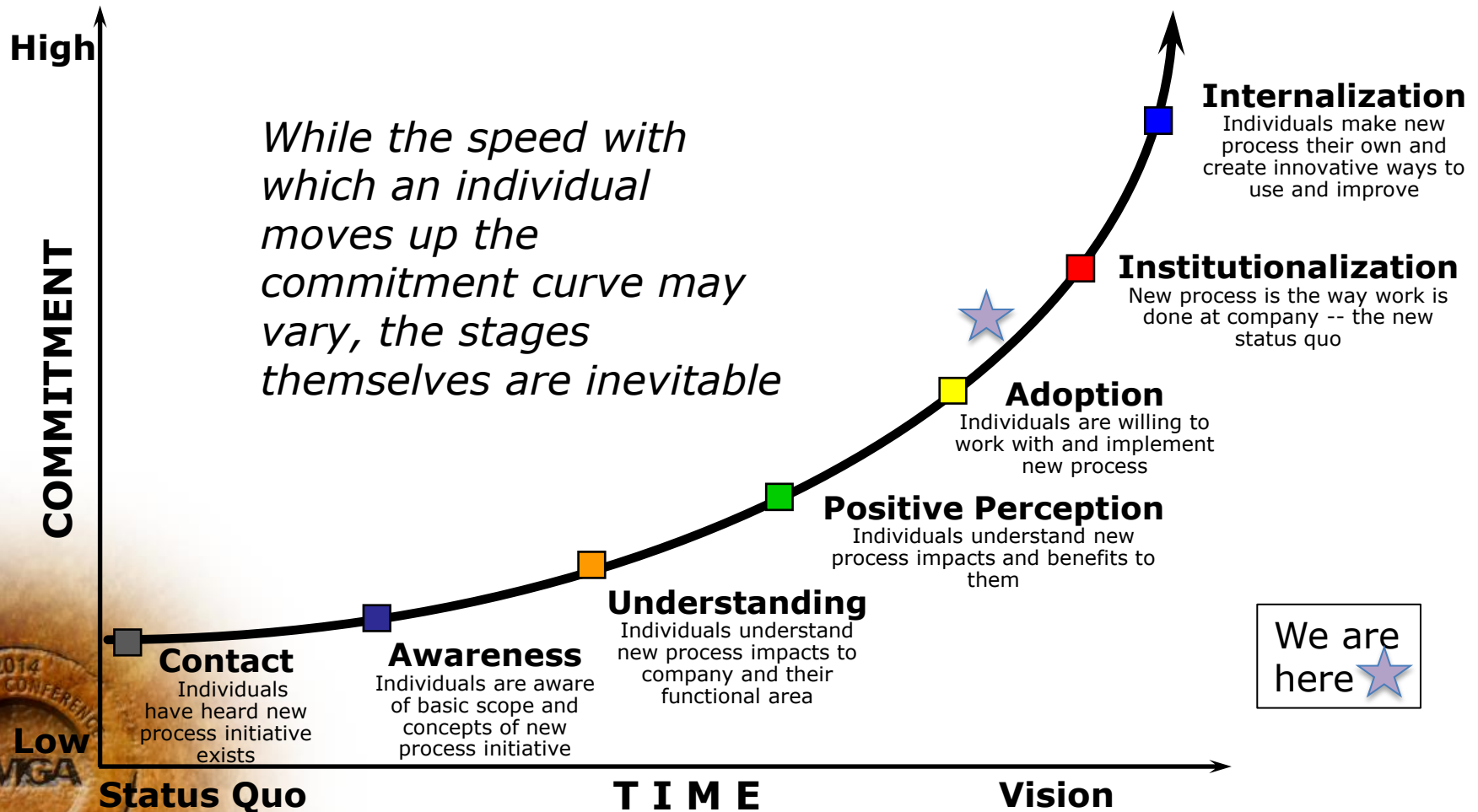


■ V2V ■ Value ■ Future



Change Management

People travel up a “commitment curve” that defines the stages for building personal commitment to change



Lessons Learned

- Challenging calculations
 - Messaging to physicians needs to be simple and clear
- Alignment of receipt of scores and distribution of settlements
- Knowledge
 - Training sessions need to be held to increase the knowledge of the Value program to all those who must calculate and communicate the results
- Fairness
 - We will resolve any “learning curve” issues fairly
- Transparency
- Start small, grow the program over time
- Measure first, report and then include in compensation



Discussion



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Appendix



Appendix:

Sample Value Measure Shadow Report

 Advocate Medical Group					
Physician NPI # 1234567890	Region: South				
Physician Name BIFFIL, FRED	Service Area: Trinity				
Physician Speciality Family Medicine	Site: Ahts				
	Measures Current State	Measures Future State	Compensation Current State	Compensation Future State	Increase/ Decrease ()
Clinical Compensation					
wRVUs	6,000	6,000	6,000	6,000	-
wRVU Rate	34.00	34.00	34.00	32.30	(1.70)
Total Productivity Component (wRVU Compensation):			204,000	193,800	(10,200)
Value Based Compensation					
Patient Experience	N/A	123	N/A	2,978	2,978
Health Outcomes	N/A	132	N/A	6,691	6,691
Net Operating Margin	N/A	150	N/A	8,160	8,160
Total Value Based Compensation:			-	17,830	17,830
Total Clinical plus Value Compensation:			204,000	211,630	7,630
Clinical Compensation Adjustment (If Applicable)			N/A	-	-
Total Adjusted Clinical Compensation:			204,000	211,630	7,630
Non-Clinical Compensation					
Teaching and Administration	8,000	8,000	8,000	8,000	-
Medical Management	-	-	-	-	-
Additional Professional Activities	-	-	-	-	-
Total Non-Clinical Compensation:			8,000	8,000	-
Pay for Performance					
Patient Satisfaction	2,500	N/A	2,500	N/A	(2,500)
CI	-	N/A	-	N/A	-
MRA (2013 projection based on 2011 results)	-	-	-	-	-
Total Pay for Performance:			2,500	-	(2,500)
Total Compensation:			214,500	219,630	5,130

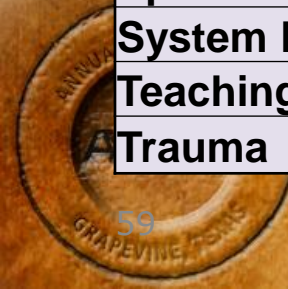


Appendix:

Phase 1

<i>Phase 1</i>							
	AMG North	AMG MC	AMG City	AMG South	AMG Far South	AMG West	AMG Central
APN & PA's							
Cardiologists							
Emergency							
Family Medicine	X	X	X	X	X		
Hospitalists							
Internal Medicine	X	X	X	X	X		
Licensed Professionals							
Neonatology							
Pediatrics	X	X			X		
Specialists	X	X	X	X	X		
System Merger							
Teaching Programs	X	X	X		X		
Trauma							

Note: Physicians with guarantees are not impacted until the year after the guarantee expires



Appendix:

Phase 2

<i>Phase 2</i>							
	AMG North	AMG MC	AMG City	AMG South	AMG Far South	AMG West	AMG Central
APN & PA's	X	X	X	X	X	X	
Cardiologists	X	X	X	X	X	X	
Emergency	X		X	X	X		
Family Medicine	X	X	X	X	X		
Hospitalists	X	X	X	X	X		
Internal Medicine	X	X	X	X	X		
Licensed Professionals	X	X	X	X	X	X	
Neonatology	X						
Pediatrics	X	X	X	X		X	
Specialists	X	X	X	X	X		
System Merger							X
Teaching Programs	X	X	X	X		X	
Trauma	X		X	X			

Appendix:

Program Progression

	Program Year & Region					
	2013 North & South		2014 North & South		2014 Central	
Risk Limits						
Range	-5% to +5%		-10% to +5%		-2.5% to +2.5%	
Cap	+/- \$15,000		+/- \$20,000		+/- \$15,000	
Value Measures						
Patient Experience	20%		30%		20%	
	Patient Satisfaction Site	70%	Patient Satisfaction Site	100%	Patient Satisfaction Site	70%
	Patient Satisfaction Region	30%			Patient Satisfaction Region	30%
Health Outcomes	40%		40%		40%	
	Clinical Integration	70%	Clinical Integration	25%	Clinical Integration	70%
	Patient Safety	10%			Patient Safety	10%
	AdvocateCare Index	20%			AdvocateCare Index	20%
			In Network Coordination	75%		
Financial Performance	40%		30%		40%	
	Service Area Operating Margin	100%	Service Area Operating Margin	100%	Service Area Operating Margin	100%



Appendix:

After Change

	Program Year & Region							
	2013 North & South		2014 North & South		2014 North & South (REVISED)		2014 Central	
Risk Limits								
Range	-5% to +5%		-10% to +5%		-10% to +5%		-2.5% to +2.5%	
Cap	+/- \$15,000		+/- \$20,000		+/- \$20,000		+/- \$15,000	
Value Measures								
Patient Experience	20%		30%		30%		20%	
	Patient Satisfaction Site	70%	Patient Satisfaction Site	100%	Patient Satisfaction Site	100%	Patient Satisfaction Site	70%
	Patient Satisfaction Region	30%					Patient Satisfaction Region	30%
Health Outcomes	40%		40%		40%		40%	
	Clinical Integration	70%	Clinical Integration	25%	Clinical Integration	25%	Clinical Integration	70%
	Patient Safety	10%					Patient Safety	10%
	AdvocateCare Index	20%					AdvocateCare Index	20%
			In Network Coordination	75%	AdvocateCare Index	75%		
Financial Performance	40%		30%		30%		40%	
	Service Area Operating Margin	100%	Service Area Operating Margin	100%	Service Area Operating Margin	100%	Service Area Operating Margin	100%



Appendix:

Value Measure Details

Value Measure	Element	Element Percentage	Frequency	Scoring Period	Meaningful Delivery
Patient Experience	Patient Experience Site Press Ganey Survey	70%	On demand / Monthly	Six month rolling average	Monthly
Patient Experience	Patient Experience Regional Press Ganey Survey	30%	On demand / Monthly	Six month rolling average	Monthly
Health Outcomes	Clinical Integration Individual Physician	70%	Quarterly corrected summary Annual report after Nov 30th	Annual	Annual
Health Outcomes	AdvocateCare Index Corporate	20%	Monthly	Annual	Annual
Health Outcomes	Patient Safety ARHQ Survey Regional	10%	Annual	Annual	Annual After October
Operating Margin	Operating Margin Service Area	100%	Monthly	Annual	Quarterly



Clinical Compensation					Total Clinical	Total Volume @ 95%	Value @ 5% (Capped at \$15k)
2013 wRVUs YTD December					6197	6,197	6197
Compensation per wRVU					\$33.24	\$31.57	\$1.66
Total Productivity Component (wRVU Based Compensation)					\$205,946	\$195,648	\$10,297
2013 Value Reconciliation							
Patient Experience	20%						
		Targets					
Category	Weight	Minimum	Goal	Maximum	Score	Scaled Score	Earnings
Satisfaction Percentile - Site	70.0%	30	75	90	39	60.00	\$522
Satisfaction Percentile - Region	30.0%	30	75	90	47	68.89	
				Overall Score:		62.67	
Health Outcomes	40%						
		Targets					
Category	Weight	Minimum	Goal	Maximum	Score	Scaled Score	Earnings
Clinical Integration	70.0%	70	75	87	89.39	150.00	\$6,181
Patient Safety	10.0%	50	68	90	53.00	58.33	
AdvocateCare Index	20.0%	50	100	150	71.00	71.00	
				Overall Score:		125.03	
Operating Margin	40%						
		Targets					
Service Area	Weight	Minimum	Goal	Maximum	Score	Scaled Score	Earnings
South Sub PHO	100.0%	-1.10%	-0.10%	0.90%	0.43%	126.50	\$6,302