

# PEDIATRIC BUSINESS AND HEALTHCARE DELIVERY SERIES


Pediatric Healthcare Delivery – The State of the State  
*First of a Six-Part Series*

January 26, 2012

**ECG** MANAGEMENT  
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## Agenda

- I. Introductions
- II. Policy Perspectives
- III. Third-Party Payor Perspectives
- IV. Future Sessions
- V. Conclusions and Q&A



## I. Introductions



## I. Introductions

### *Pediatric Business and Healthcare Delivery Series*

*During each Pediatric Business and Healthcare Delivery Series program, leaders in the field will address key topics, with time for questions and answers, as we explore complex, and often undiscussed, efforts by pediatric providers and payors.*


- The pediatric delivery system under reform: how do pediatric hospitals fit in with the reform of the healthcare delivery system?
- Physician/hospital alignment in pediatrics: current trends and innovative structures.
- Fraud and abuse compliance.
- Information technology (IT).
- Research and teaching.
- Subspecialty physician practice.



## I. Introductions

### *Foley & Lardner LLP*

- Foley & Lardner is a national law firm with a deep understanding of the business and legal challenges facing the healthcare industry.
- We were recently named the first “Law Firm of the Year – Health Care Law” on the 2011–2012 U.S. News and Best Lawyers “Best Law Firms” list.
- Foley received a Top 10 ranking on the 2011 BTI Client Service A-Team survey of *Fortune* 1000 corporate counsel for our strong client focus, breadth of service, innovation, and value for the dollar.





## I. Introductions

### ECG Management Consultants, Inc.

*For nearly 40 years, our mission has been to provide exceptional management consulting services to healthcare clients.*


- ECG is a national consulting firm focused on offering strategic, management, and financial advice to healthcare providers.
- We are particularly known for our expertise in physician/hospital relationships, managed care contracting and strategy, strategic and business planning, and programmatic development.
- Our over 110 consultants operate out of offices in Boston, San Diego, San Francisco, Seattle, St. Louis, and Washington, D.C.

*We serve as trusted advisers to the nation's leading healthcare providers.*


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## I. Introductions


### Our Speakers




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## II. Policy Perspectives

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## II. Policy Perspectives

*N.A.C.H. Public Policy Priorities*

Improve children's health by advancing innovative solutions:

- Reform the system to better serve needs of children and families.
- Advance educational support for next generation of clinicians.
- Support research that improves child health and healthcare.




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## II. Policy Perspectives

### What Is a Children's Hospital?

- Of the more than 5,000 hospitals, 250 are children's hospitals.
- Children's hospitals are the backbone of the nation's pediatric healthcare infrastructure.
- They are indispensable providers of care, teaching, and research.


**Pediatric Days for Surgical Services Provided by Children's Hospitals**

Surgical Service	Percentage
Major GI Surgery	80%
Spinal Surgery	83%
Kidney/Urinary Tract Surgery	84%
Neurosurgery	85%
Cardiac Surgery	92%
Organ Transplants	99%

0% 25% 50% 75% 100%

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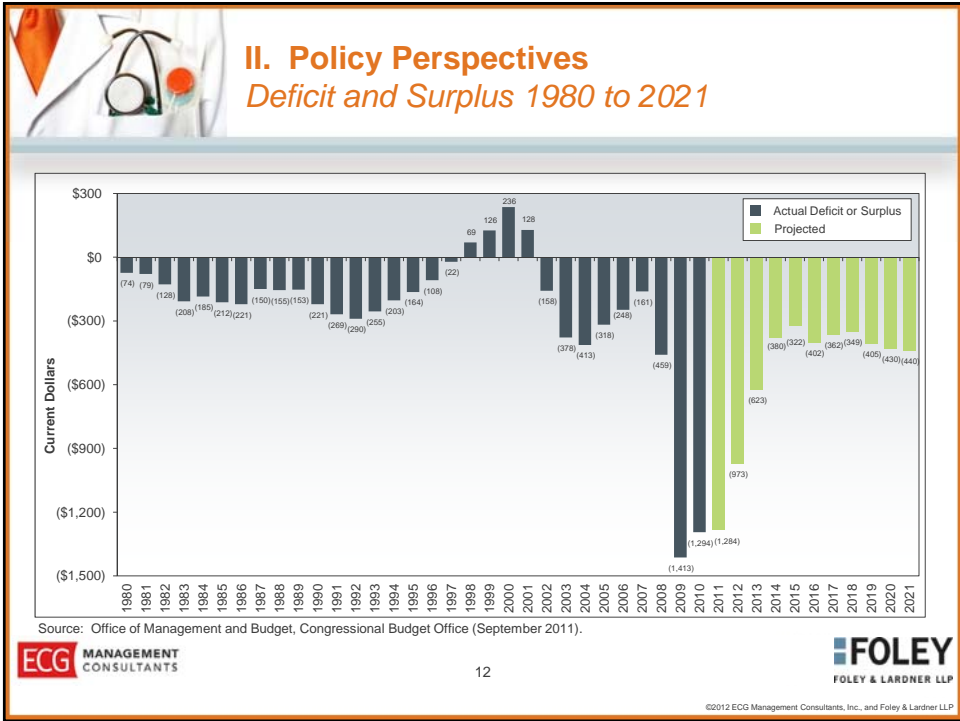
## II. Policy Perspectives

### Children's Hospital Stays

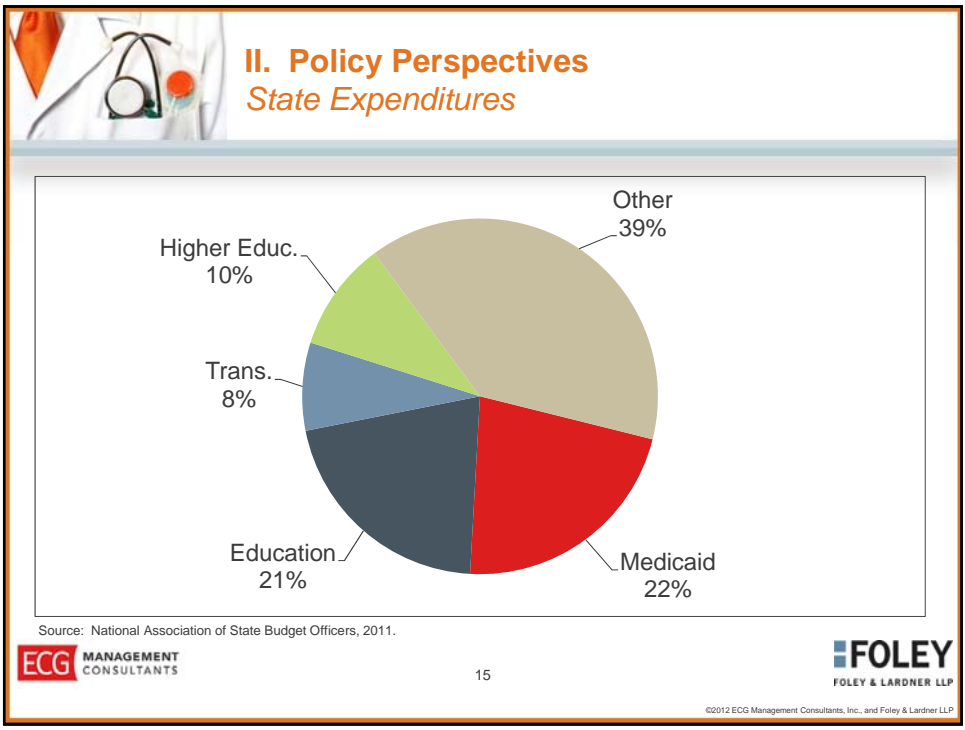
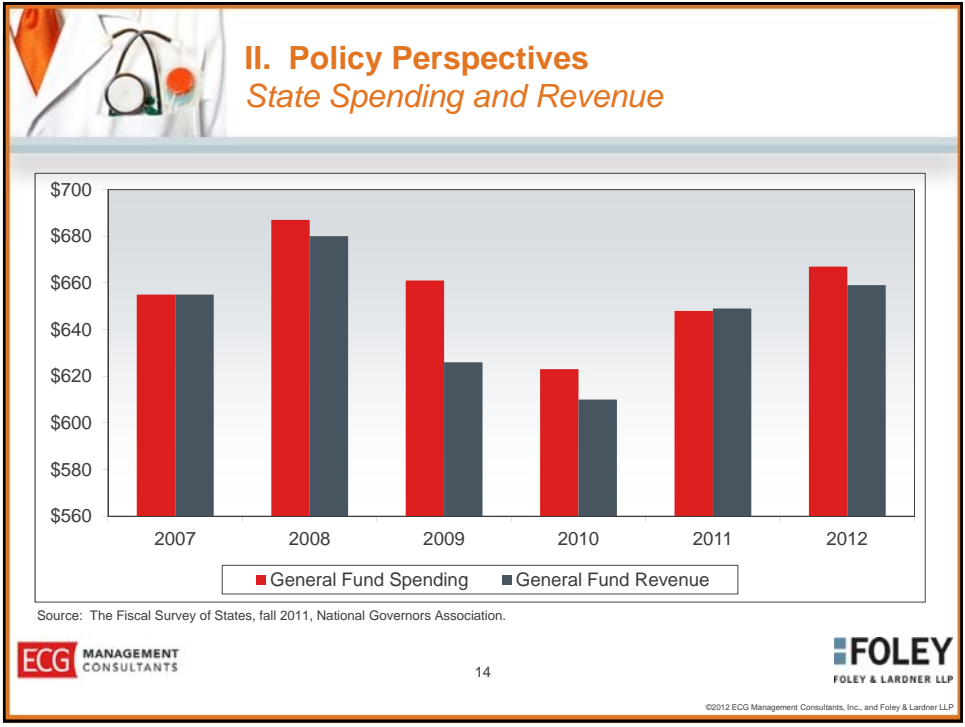
Payment Source	Percentage
Medicaid	50%
Private	43%
Self-Pay	2%
Other	2%
Other Govt.	0%

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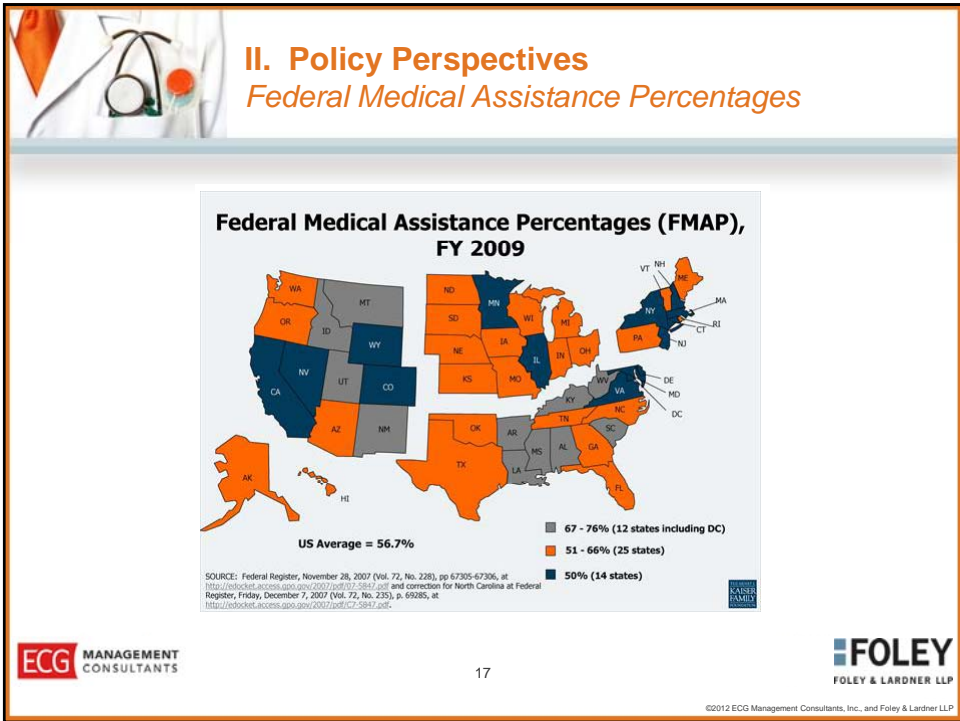
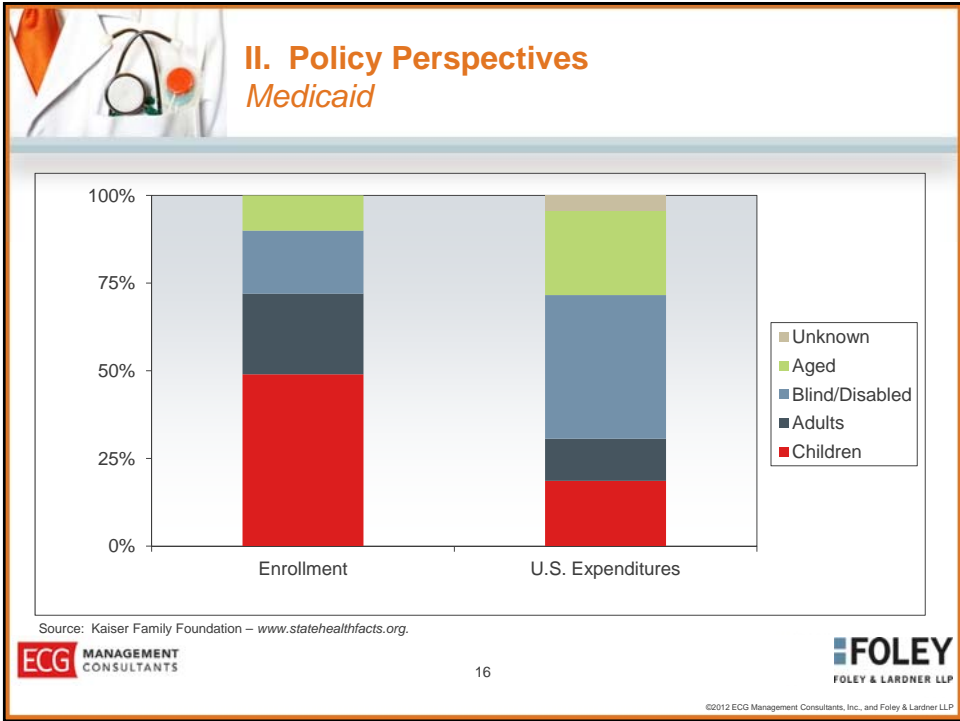
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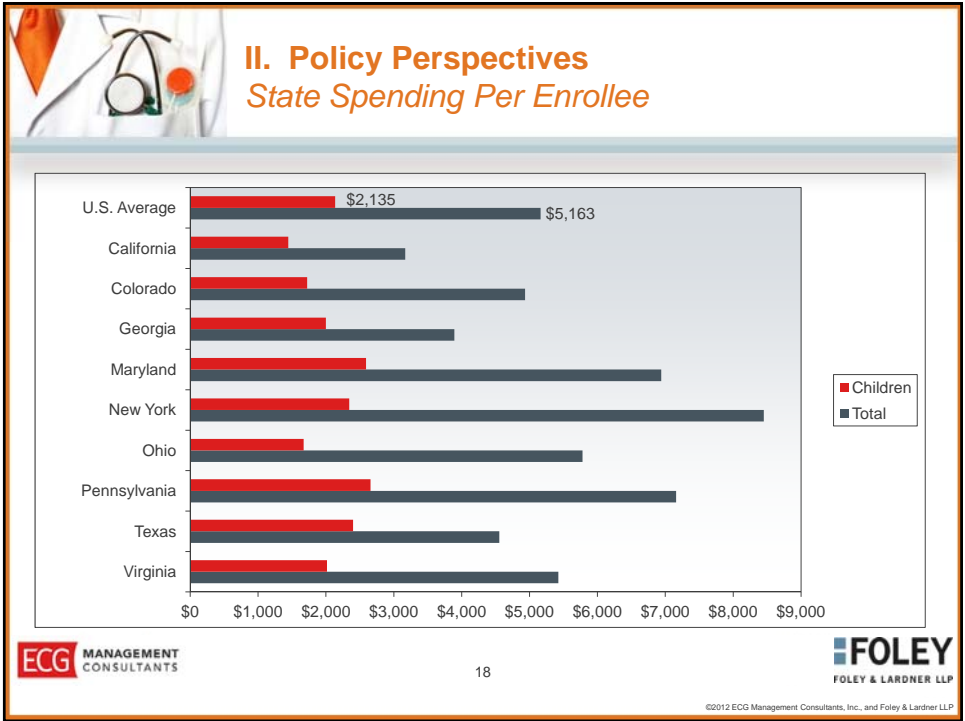


- ## II. Policy Perspectives Budget Control Act of 2011
- Sequestration (across-the-board cuts) starting in 2013:
- Defense – \$454 billion.
    - Reductions ranging from 10% (2013) to 9% (2021).
  - Non-defense – \$294 billion.
    - Reductions ranging from 8% (2013) to 6% (2021).
  - Mandatory programs – \$0.1 billion.
    - Reductions ranging from 10% (2013) to 9% (2021).
  - Medicare – \$123 billion.
  - Medicaid – exempted.
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## II. Policy Perspectives Medicaid and Medicare Rate

State	CPT 99201 – New Patient Visit			CPT 44950 – Appendectomy		
	Medicaid	Medicare	% Medicare	Medicaid	Medicare	% Medicare
California	\$24.98	\$36.46 to \$46.92	53% to 68%	\$400.59	\$566.58 to \$666.33	60% to 70%
Kentucky	\$29.66	\$32.66	90%	\$443.78	\$538.87	82%
Maryland	\$30.27	\$34.97 to 37.27	81% to 87%	\$488.22	\$553.65 to 583.03	83% to 88%
New Jersey	\$20.60	\$38.57 to \$40.75	50% to 53%	\$184.00	\$602.04 to \$623.69	29% to 30%
Ohio	\$21.81	\$34.30	63%	\$353.21	\$556.60	63%
Texas	\$28.87	\$33.17 to \$37.05	78% to 87%	\$455.38	\$553.60 to \$594.24	77% to 82%
Wisconsin	\$28.23	\$33.82	83%	\$533.73	\$545.26	97.9%

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## II. Policy Perspectives

### Medicaid Outlook

- Spending increased 10% over FY 2011, 8% annually thereafter.
- Major theme with Medicaid is cost containment.
  - Provider rate cuts most common containment strategy.
  - Plan to reduce rates in FY 2012 in 46 states.
- Challenges with Accountable Care Act.
  - Upgrading current Medicaid enrollment systems.
  - Accommodating 16 million more Medicaid enrollees.
  - Health insurance exchanges.
  - Controlling growth in program.
- State-planned action.
  - Expanded managed care and care coordination.
  - Health homes for chronic conditions.

Source: The Fiscal Survey of States, fall 2011, National Governors Association.




## II. Policy Perspectives

### Federal Medicaid Expenditures

“Projected Federal outlays for Medicaid decrease by \$3 billion in 2011 and by \$98 billion over 10 years relative to the February Budget estimates. . .”

OMB, September 2011





## II. Policy Perspectives


### Medicaid Solutions

*Children's hospitals are part of the solution.*

- Medical homes for medically complex children.
  - Proven savings from care coordination.
  - Congressional support needed to expand programs.
- Pediatric accountable care organization (ACO).
  - Realign payments to support innovative models.
  - Need CMS support to advance effort.
- Quality transformation.
  - Children's hospitals' efforts to reduce infections.
  - Saved \$100 million over 5 years.
  - Support needed to expand wherever a child receives care.

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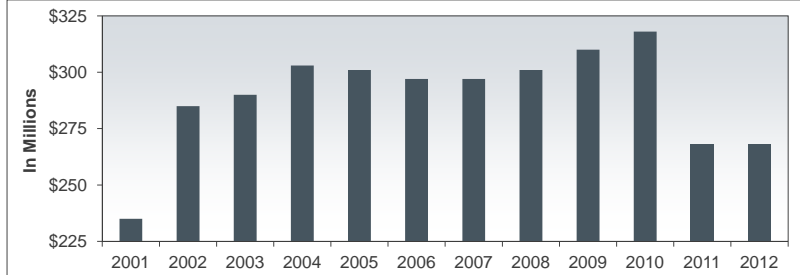
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## II. Policy Perspectives

### Children's Hospital GME

- Freestanding children's hospitals account for 1% of hospitals.
- They train 40% of pediatricians and 43% of specialists.
- In FY 2012, the President proposed elimination but Congress funded.
- Program reauthorization awaits final action in the Senate.



Year	GME Funding (In Millions)
2001	~\$230
2002	~\$280
2003	~\$285
2004	~\$300
2005	~\$295
2006	~\$290
2007	~\$290
2008	~\$295
2009	~\$310
2010	~\$320
2011	~\$265
2012	~\$265

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## II. Policy Perspectives

### *Opportunities and Challenges*

- Federal Medicaid cuts shifting cost to the states.
- State Medicaid cuts reducing access.
- Role of Exchange, Medicaid, and CHIP.
- Essential benefits package.
- Role of ACOs, bundles, other models.
- Availability of health professionals.



## II. Policy Perspectives

### *Speak Now For Kids Initiative*




**SPEAK NOW FOR KIDS**

[www.speaknowforkids.org](http://www.speaknowforkids.org)

**Alexandria Office:**  
401 Wythe Street  
Alexandria, VA 22314  
Phone: 703-684-1355  
Fax: 703-684-1589

**Overland Park Office:**  
6803 West 64th Street  
Overland Park, KS 66202  
Phone: 913-262-1436  
Fax: 913-262-1575




### III. Third-Party Payor Perspectives

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### III. Third-Party Payor Perspectives

#### *Anthem's Philosophy on Payment Innovation*

*Designed to align financial incentives, move to value-based payment and provide physicians and other healthcare providers with the dollars needed to invest in redesigning how they manage their patients and deliver care.*

Payment innovation achieves its full potential when coupled with a comprehensive suite of solutions – including clinical support tools, product design, and the sharing of actionable information – that **change the way our members access and receive healthcare** to optimize healthcare value.

✓ *Improved patient safety, quality and outcomes.*

✓ *Reduced healthcare cost trends.*

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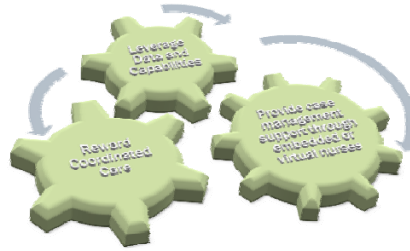
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### III. Third-Party Payor Perspectives The Formula for Accountable Care

*The formula for accountable care is simple: the right financial incentives coupled with the right support result in better outcomes and lower costs.*

- We financially reward primary care physicians for providing coordinated healthcare focused on disease management, wellness, and prevention rather than episodic interventions.
- We leverage our data, predictive modeling, and clinical capabilities to support primary care physicians in successful population management through their own care and value-based referral management.
- Our members' healthcare is coordinated (time, care, setting) in a way that meets their individual needs.



**Transforming to Healthcare Value**  
*Changing the way our members access and receive health care*



### III. Third-Party Payor Perspectives Current State – The Economics

#### The Facts and Research

- Conservatively, 30% of the \$2.5 thousand U.S. healthcare spend is estimated to be waste, equating to approximately \$700 billion annually.<sup>1</sup>
- For WellPoint covering one in nine Americans, annually this is \$77.8 billion waste.
- Where's the waste?

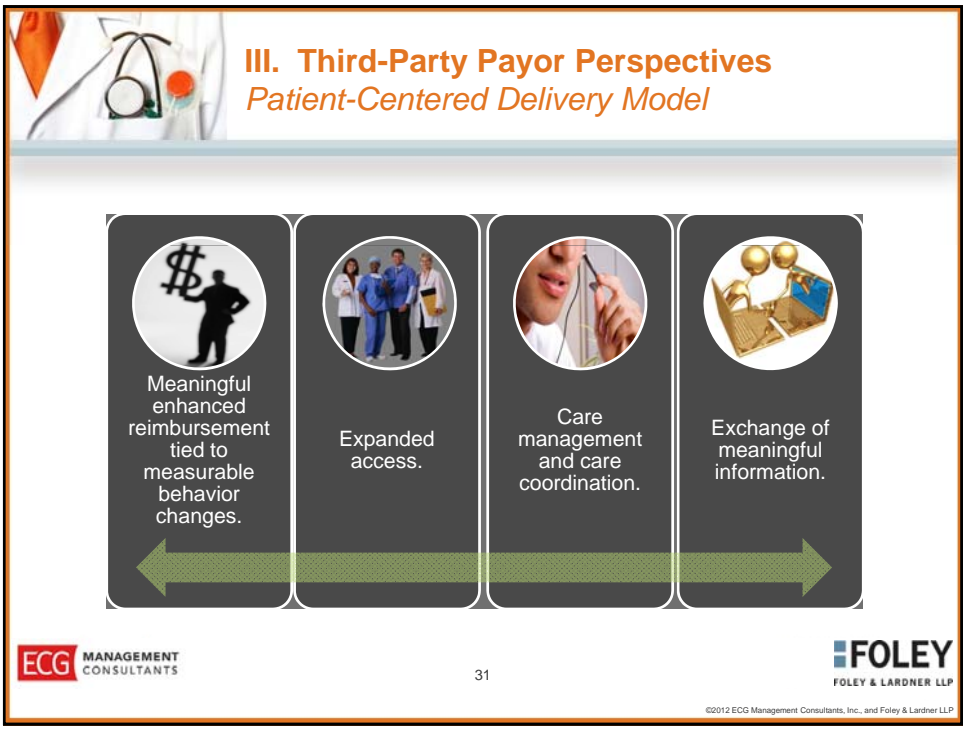
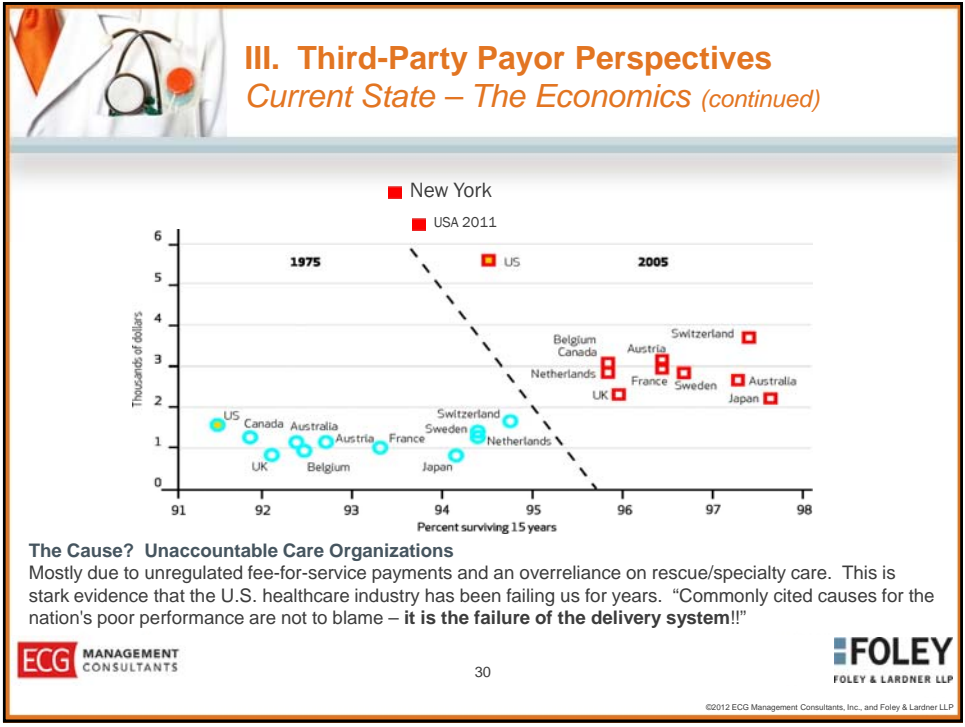
#### Types of Waste

1. Admin system inefficiencies.
2. Provider inefficiency and errors.
3. Lack of care coordination.
4. Unwarranted use.
5. Preventable conditions and avoidable care.
6. Fraud and abuse.

#### Estimated Cost Range

- \$100 billion to \$150 billion.
- \$75 billion to \$100 billion.
- \$25 billion to \$50 billion.
- \$250 billion to \$500 billion.
- \$25 billion to \$50 billion.
- \$125 billion to \$175 billion.

<sup>1</sup> Thompson Reuters, *Where Can \$700 Billion In Waste Be Cut From the US Healthcare System?*, 2009 White Paper.





### III. Third-Party Payor Perspectives

*Anthem Has Experience in a Broad Range of Innovative Solutions ...*

**Care Delivery Transformation Models**

Value-Based Reimbursement

Fee-for-Value

Fee-for-Service

Partially Integrated

Integration of Care Delivery

Fully Integrated

Enhanced FFS/P4P

PCMH

Bundled/Episodic Procedures

ACOs

Global Payments

Path to Value  
Higher value = Higher Impact

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### III. Third-Party Payor Perspectives

*Future Risk Without Accountable Care*

We must capitalize on the opportunity to change the future and decrease the fragmentation; if we do not ...

Today: Fragmented Experience

Tomorrow: If We Do Nothing


- Consolidation of system without transformation.
- Continued affordability issues with increased quality performance challenges.
- Growth of "integrated" systems **will not** solve system fragmentation.

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### III. Third-Party Payor Perspectives

*Patient-Centered Primary Care Collaborative*

**Examples of Broad Stakeholder Support and Participation**


**Providers**  
333,000 Primary Care

- ACP    ■ AAP
- AAFP   ■ AOA
- ABIM   ■ ACC
- ACOI   ■ AHI
- AMA

**Purchasers**  
Most of the Fortune 500

- IBM    ■ Ohio
- FedEx ■ Iowa
- Dow    ■ Merck
- Pfizer ■ Microsoft
- Business Coalitions

**80 Million Lives**



The Patient-Centered Medical Home



**Payors**


- BCBSA   ■ Aetna
- United   ■ Humana
- CIGNA   ■ Kaiser Permanente
- WellPoint ■ Geisinger

**Patients**

- AARP    ■ AFL-CIO
- National Consumers League
- SEIU
- Foundation for Informed Decision Making

Source: Patient-Centered Primary Care Collaborative (PCPCC) ([www.pcpcc.net](http://www.pcpcc.net)).







### III. Third-Party Payor Perspectives

*It Takes a Village: Anthem + Other Insurers + CMS + Employer Partnership*

*To truly impact cost and quality of care, we – insurers, CMS, and employers – need to migrate toward value-based reimbursement.*

- Payment transformation cannot be limited to a few members; changing physician behavior requires broad practice penetration, across payors.
- CMS's Comprehensive Primary Care initiative (CPCi) is a great opportunity, because **value-based payment methods** that support (and require) **a comprehensive set of primary care functions**, including coordinated care, will be **aligned across a majority of the physician's patient base**.
  - Value-based payments.
  - Comprehensive primary care.
  - Aligned across the physician's patient base.

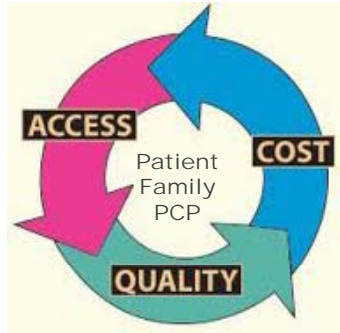


### III. Third-Party Payor Perspectives

*Patient/Family/PCP-Centered Delivery Model*

“Top of License”  
Asynchronous Contact  
New Paradigms

Real-Time Actionable  
Quality Data Driving  
a High-Performing  
Delivery System at  
Point of Care




Total Cost of Care

Alignment of  
\$ Incentives

Nationally Endorsed  
Quality Metrics  
Utilized Across  
All Stakeholders



### IV. Future Sessions





## IV. Future Sessions

### *Impact of Reform*


**Spring 2012**  
***The Pediatric Healthcare System: The Challenge and Impact of Reform***

- The challenge of achieving the Triple Aim: recent innovation.
- The pediatric ACO.
- The pediatric element of a commercial ACO.
- The potential to create specialty insurance products.

*Is a wave of merger, acquisition, and consolidation coming?*


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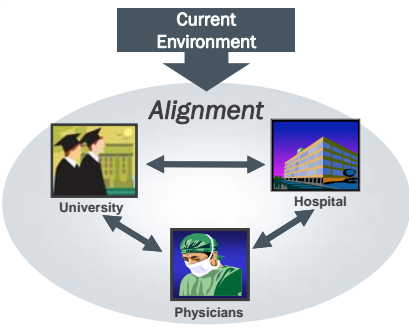
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## IV. Future Sessions

### *Subspecialty Physician/Hospital Alignment*

**Alignment Among Children's Hospitals, SOMs, and Subspecialty Physicians**





**Factors Driving Greater Alignment**

- Emergence of global payment systems.
- Care delivery reform (e.g., creation of ACOs).
- Subspecialty physician shortages.

**Topics to Be Explored**

- Contemporary structures and relationships.
- Employment vs. contracting.
- Integration efforts among multiple hospitals.


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## IV. Future Sessions

### *Fraud and Abuse Compliance*

#### *Fraud and Abuse and Compliance Issues for Pediatric and Children's Healthcare Providers*

- The standard issues: coding and billing, improper inducements, documentation, and the delivery of reasonable and necessary healthcare.
- Special issues: 340B Drug Pricing Program issues.
- Delayed discharges and readmissions (driven by limited community resources).
- PPACA expansion of RAC audits to Medicaid.
- OIG Advisory Opinions:
  - 10-17 (donation support programs that provide services to children and families).
  - 11-01 (network of pediatric charity hospitals' waiver of cost-share, provision of lodging assistance to patients and families, provision of transportation assistance).
  - 11-16 (transportation, lodging, and meal assistance).



## IV. Future Sessions

### *Research and Teaching*

#### *Research and Teaching in Pediatric and Children's Healthcare*

#### **Key Factors**

- Competition for less available research dollars.
- Assault on GME funding.

#### **Topics to Be Explored**

- Protection of the tripartite mission.
- Collaboration challenges with private industry to bring new treatments and innovations to market; joint development activities.
- For-profit and not-for-profit collaboration challenges.
- Special issues in research and teaching: consents and clinical trial challenges.



## IV. Future Sessions

### Information Technology

#### Information Technology in Pediatric Healthcare

##### Key Factors

- Need for community integration and engagement.
- Optimizing IT investments.

##### Topics to Be Explored

- EHR incentives in Medicaid programs.
- Engaging primary care networks.
- Centers of Excellence: special needs for marquee programs.
- Telemedicine and its opportunities.



## IV. Future Sessions

### Subspecialty Physician Practice

#### Subspecialty Physician Practice: The Critical Resource That Drives the Engine

##### Key Factors

- Downward pressure on professional fees.
- Ongoing physician shortages leading to escalating salaries.
- Increasing gap between professional fees and the cost of practice.
- Reliance on other sources of funding for the pediatric physician enterprise.

##### Topics to Be Explored

- Subspecialty shortages, needs, and recruitment trends.
- Physician compensation and production trends.
- Other professional practice characteristics.



## PEDIATRIC BUSINESS AND HEALTHCARE DELIVERY SERIES

### Questions and Answers

To submit a question for any of our presenters, type it into the Question and Answer pane at the right of your screen at any time.

 <p><b>Peter Bowers, M.D.</b> Medical Director, Payment Innovation Anthem Blue Cross Blue Shield</p>	 <p><b>Jim Kaufman, Ph.D.</b> Vice President, Public Policy National Association of Children's Hospitals</p>
 <p><b>Ken Roorda</b> Principal ECG Management Consultants, Inc.</p>	 <p><b>Mark Waxman</b> Partner Foley &amp; Lardner LLP</p>


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### Thank you for participating in today's session.

Please take a moment to complete the electronic survey upon exiting today's program.


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## PEDIATRIC BUSINESS AND HEALTHCARE DELIVERY SERIES

### Future Programs

We hope you will join us for future programs in the Pediatric Business and Healthcare Delivery Series, which will feature the topics below.

- The pediatric delivery system under reform: how do pediatric hospitals fit in with the reform of the healthcare delivery system?
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