Person-centered and affordable care from an organizational perspective

Robert K. Smoldt, MBA

Emeritus CAO, Mayo Clinic

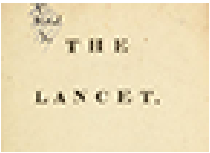
Associate Director, ASU Healthcare Delivery and Policy Program

IQ Healthcare Congress

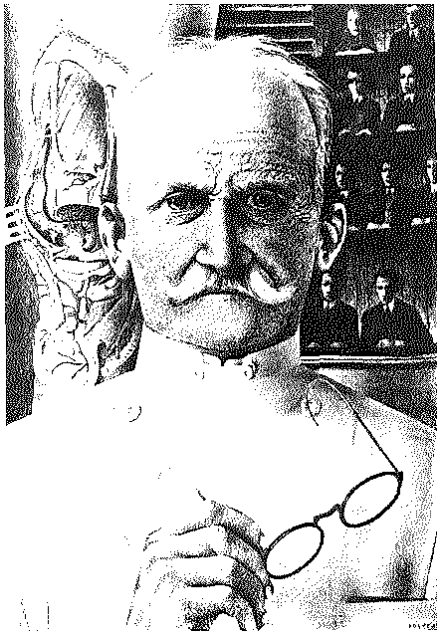
Nijmegen, The Netherlands

October 14, 2016

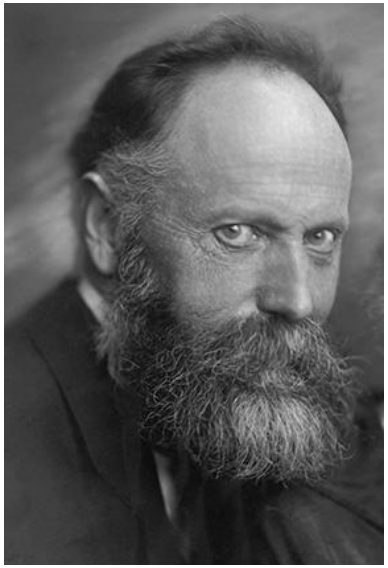
104 years of Mayo Clinic interaction with The Netherlands



1912: Dr. Will Mayo *The Lancet* article on visiting medical centers in The Netherlands



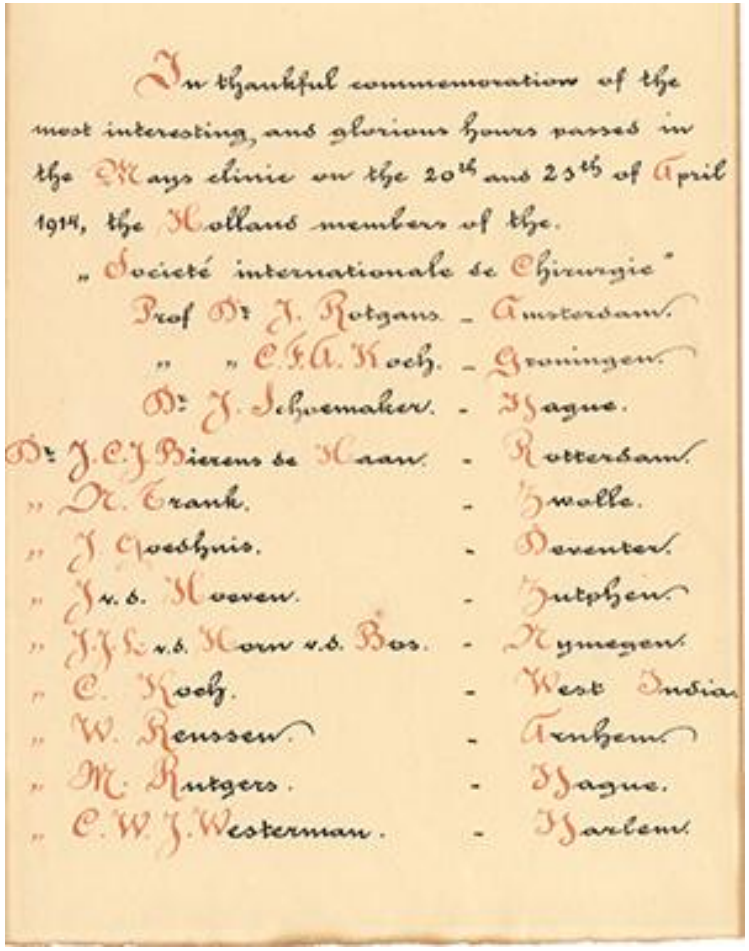
Prof. H.J. Lameris



Dr. Otto Lanz

Dr. Jacob Rotgans

April, 1914 Certificate of Appreciation from Dutch physicians who visited Mayo Clinic



In thankful commemoration of the most interesting, and glorious hours passed in the Mays clinic on the 20th and 25th of April 1914, the Holland members of the.

„Societé internationale de Chirurgie"

Prof Dr J. Rotgans. - Amsterdam.
„ „ C.F.A. Koch. - Groningen.
Dr J. Schoemaker. - Hague.
Dr J.C.J. Bierens de Haan. - Rotterdam.
„ N. Trank. - Zwolle.
„ J. Goedhuis. - Deventer.
„ J. v.d. Hoeven. - Zutphen.
„ J.J.L. v.d. Horn v.d. Bos. - Nymegen.
„ C. Koch. - West India.
„ W. Reussen. - Arnhem.
„ M. Rutgers. - Hague.
„ C.W.J. Westerman. - Harlem.

- Person-centered/affordable care
- My organizational view
- Start by deciding what we want to achieve

The healthcare value equation:

$$\text{Value} = \frac{\text{Quality*}}{\text{Total Cost over a span of care**}}$$

(outcomes, safety, service)

*May include any or all of these possible elements: outcomes, safety, service, access, readiness or productivity (individual, employee, workforce, military, student).

**Total spending over time for patient, a condition, a population, or a payer.

Value is broader than quality

- Case in point for U.S. teaching hospitals

Quality	Value
U.S. News and World Report Top Hospitals	ASU 4-quadrant value analysis

ARIZONA STATE UNIVERSITY

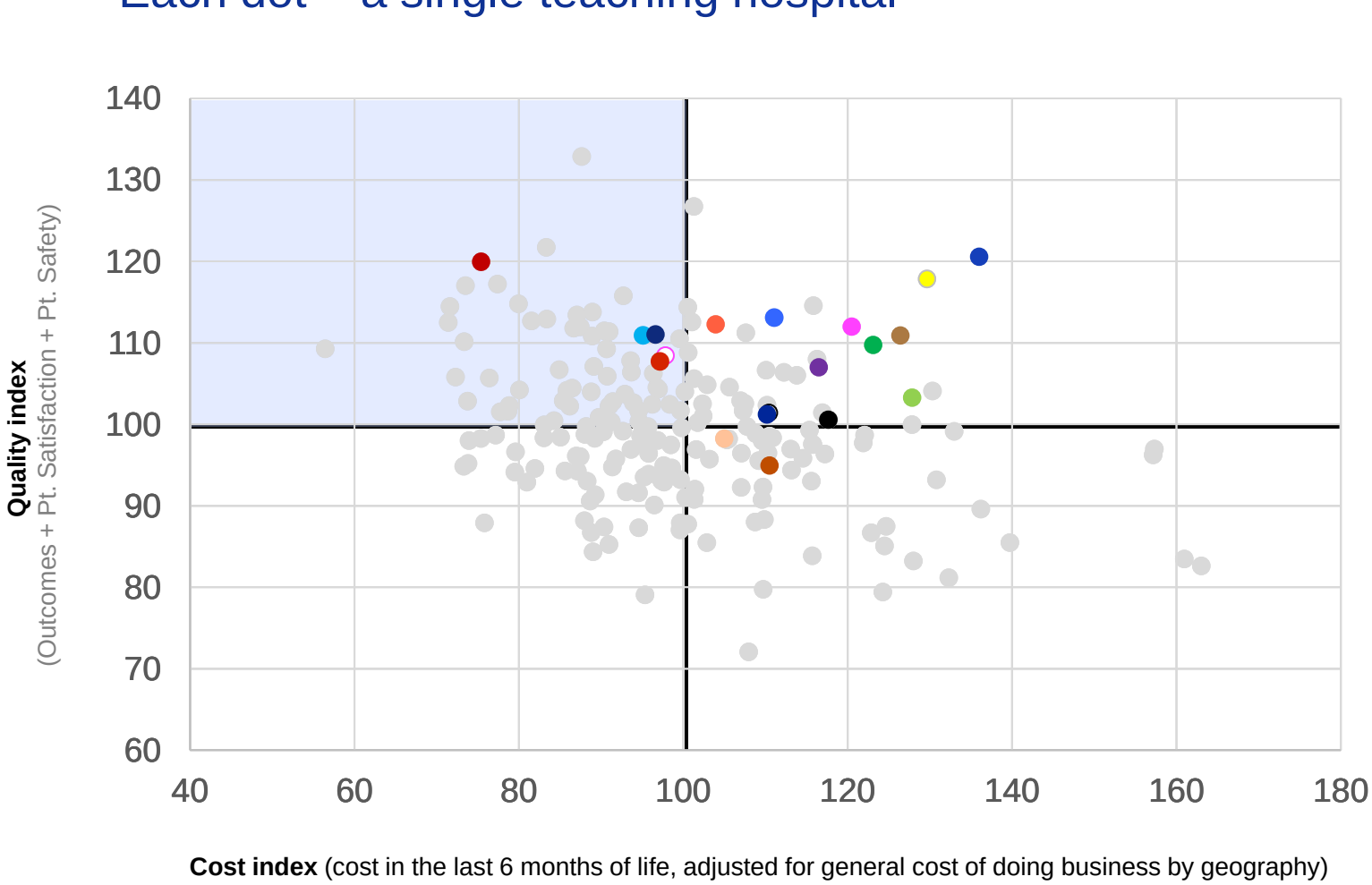
Quality: U.S. News Top Hospitals 2016 (out of 5,627)

Rank	Hospital
1	Mayo Clinic, MN
2	Cleveland Clinic
3	Mass General Hospital
4	John's Hopkins
5	UCLA
6	New York Presbyterian
7	UCSF
8	Northwestern Memorial
9	Hospitals of UPenn
10	NYU Langone

Rank	Hospital
11	Barnes-Jewish/ Washington U
12	UPMC Presbyterian
13	Brigham and Women's
14	Stanford Healthcare
15	Mount Sinai
16	Duke
17	Cedars-Sinai
18	University of Michigan
19	Houston Methodist
20	University of Colorado

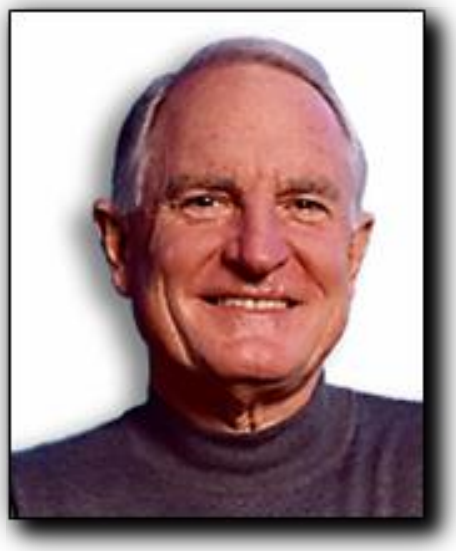
Value: ASU COTH analysis

Each dot = a single teaching hospital



US News Rank	Hospital name
1	Mayo Clinic, MN
2	Cleveland Clinic
3	Mass Gen Hosp
4	John's Hopkins
5	UCLA
6	NY Presbyterian
7	UCSF
8	Northwestern
9	Hospital of U Penn
10	NYU
11	Barnes-Jewish
12	UPMC
13	Brigham
14	Stanford
15	Mt Sinai
16	Duke
17	Cedars-Sinai
18	U Mich
19	Houston Methodist
20	U Colorado, Aurora

What leads to higher value? Observations of Craig Barrett, former CEO of Intel



To get higher value healthcare the most pressing need is integrated health delivery

Craig Barrett is not alone in wanting healthcare integration

The world is interested

The Economist

"Healthcare systems and governments worldwide… [have] a growing interest in integration."

Source: The Economist, "The future of global healthcare delivery and management." November 1, 2010

ARIZONA STATE UNIVERSITY

But actual delivery of integrated care is still not the norm

The Economist

- "Despite this near unanimity among responders, progress toward healthcare integration is patchy"[1]
- "Within America, a handful of outfits – such as Mayo Clinic – independently evolved into integrated systems…

  but the rest of the industry remains a fragmented mess"[2]

Source: 1. The Economist, "The future of global healthcare delivery and management." November 1, 2010; 2. The Economist, "Controling healthcare costs: Another American Way", April 29, 2010

Integrated care still not the norm

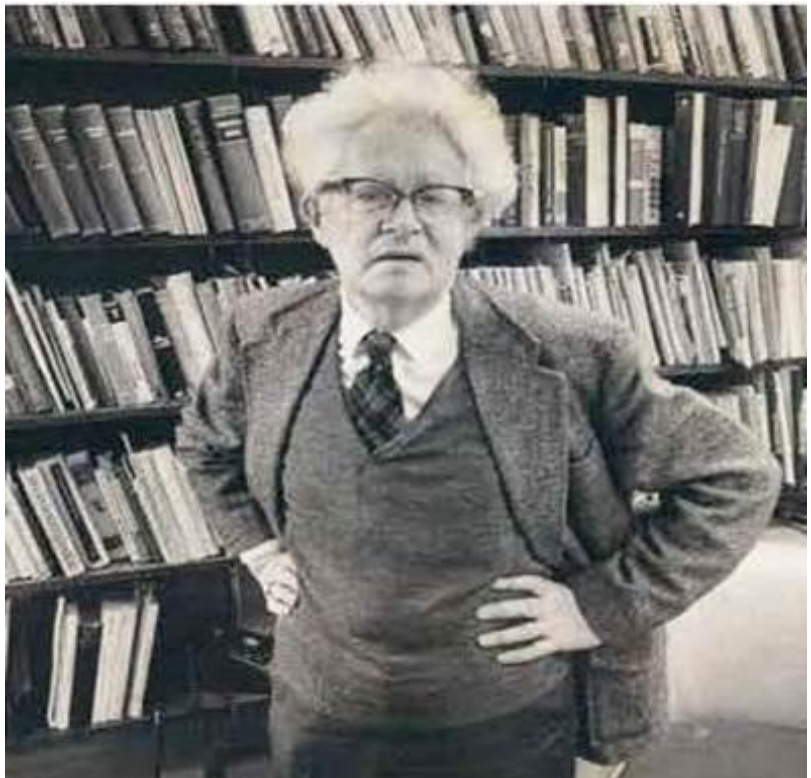
McKinsey & Company

"Around the world, only a few healthcare providers deliver integrated care effectively. Their experience offers useful lessons for organizations that want integrated care programs."

Source: Grant, Jenny. "What does it take to make integrated care work?", McKinsey & Company, January 2010

So what is integrated delivery of care?

- Perhaps a story describes it best:
  - The Dr. Odin Anderson story



What is integrated care?

• Organized	Not fragmented, completely independent providers by specialty
• Coordinated	Care for the individual has a central coordinating provider
• Collaborative	Providers work together for best care of the patient as a whole
• Accountable	The whole team is accountable for the patient's outcome

Does integrated delivery of care actually help on the cost side of the value equation?

ARIZONA STATE UNIVERSITY

What factors explain the difference between high cost and low cost areas in the US?

Peter Orszag CBO analysis of this question on a risk-adjusted basis

- Use rate of services in the following rank order:
  - ICU days per capita
  - Physician visits per capita
  - Ancillaries per capita

Source: Peter Orszag, "New Ideas About Human Behavior in Economics and Medicine", Eighth Annual Marshall J. Seidman Lecture, Harvard Medical School, 2008

Do medical centers with integrated delivery have more efficient resource use?

ICU/ CCU days per decedent, last 6 months of life (2007)

Region (HRR)	Days*	Ratio to benchmark (integrated average)
Integrated systems		
La Crosse, WI	1.2	
Temple, TX	1.5	
Salt Lake City, UT	1.8	
Danville, PA	2.5	
Integrated average	1.7	
United States	3.7	2.1
Miami, FL	10.1	5.8
Los Angeles, CA	7.5	4.3

*Rounded
Source: Dartmouth Atlas of Health Care

So integrated centers do well on resource use, but do they do well when quality is added to the value equation?

Integrated delivery systems exhibit higher quality

Dr. Stephen Shortell

Integrated groups:

- Score better on a variety of outcome measures
- Engage in more prevention and health promotion

Source: Shortell, Stephen M., and Rodney K. McCurdy. 2009. "Integrated Health Systems." In *Engineering the System of Healthcare Delivery*, edited by William B. Rouse and Denis A. Cortese, 369-382. Amsterdam: IOS Press BV

If integrated care will help get high value care, how do we get more integration?

ARIZONA STATE UNIVERSITY

How we pay providers can influence integration: The fallacy of paying for Y and expecting X

If pay FFS	→	Lots of services
If pay for performance (i.e., process)	→	Lots of processes
If pay very low FFS rate	→	Even more services (Japan)
If pay per diem	→	Long lengths of stay (Japan)
If pay for value	→	Value. This is the best chance to get value

How to pay for value?

- Move to bundled payments and "per member per year" reimbursement adjusted for
  - Patient risk
  - General cost of doing business by geography
- Reality-based reference pricing
- Start with the medical conditions where the most money is spent

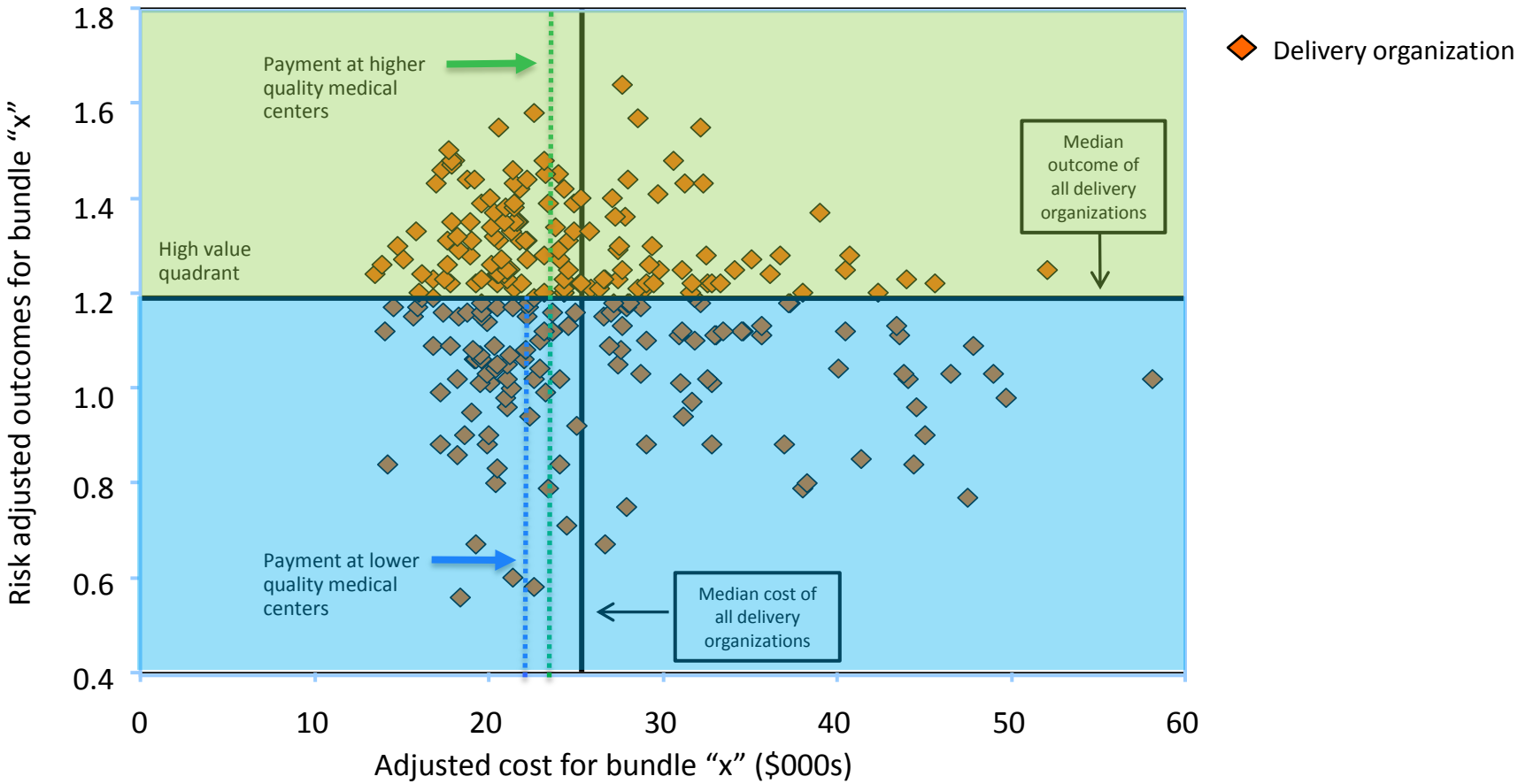
ARIZONA STATE UNIVERSITY

IN SEARCH OF HIGHER VALUE IN MEDICINE IN JAPAN AND THE U.S.

DENIS A. CORTESE, MD
NATALIE LANDMAN, PHD
ROBERT K. SMOLDT, MBA
SACHIKO WATANABE, MHSA
AKI YOSHIKAWA, PHD

Example of setting baseline payment

Each symbol represents a single delivery organization



Concept source: Luft, Harold S. 2008. *Total Cure: The Antidote to the Healthcare Crisis.* Cambridge: Harvard University Press.

External pay incentives to reward high value care would help…

US is gradually moving to new value based payments – even if hiccups

But what are key factors for those healthcare delivery organizations that want to improve integration regardless?

A clear vision/culture is critical

Which reflects your organization?

Cultural tenants of Mayo success

1. **Clear and consistent vision**
   - The main thing is the main thing: "Needs of the patient come first."
2. **Culture of learning**
   - You can always improve
   - Learn both internally and from others
   - Effectiveness and efficiency both needed
3. **Team-based approach**
   - Rotating leadership – departments and organization as a whole
   - Physician and administrator partnership – Mayo overall, committees, departments
   - Staff compensation should encourage team work, not silos
4. **Efficiency**
   - Use all resources needed for the individual patient – but only the resources needed
   - We are one family with one banking account

Three key management lessons at Mayo Clinic

- Square root of n
  - Importance of staff with credibility
- Rule of 8
- What I do is more important than what I say

- Multispecialty group practices are naturals to deliver high value care
- But, some Independent Practice Associations (IPAs) have also delivered integrated care

ARIZONA STATE UNIVERSITY

Five key cultural/organizational traits of one successful IPA:

1. **Organizational structure with clear physician oversight**

   (after all, physicians are the ones who either deliver integrated care or disintegrated care)

   a. Board of physicians with authority and responsibility for the entire clinical practice.
   b. Physicians on board picked for their credibility with peers and insight into efficient delivery of care.
   c. Pay the physicians for their time on these tasks.

ARIZONA STATE UNIVERSITY

Five key cultural/organizational traits of one successful IPA:

1. Organizational structure with clear physician oversight
2. **Economic incentives**
   a. IPA capitates the physician services by Division (specialty)
   b. During year, physicians receive a discounted FFS
   c. At end of the year, physician receives a bonus or payback based on meeting division capitation, quality metrics, patient satisfaction.
   d. Physician Board can make exceptions for unusual patient cases.

ARIZONA STATE UNIVERSITY

Five key cultural/organizational traits of one successful IPA:

1. Organizational structure with clear physician oversight
2. Economic incentives
3. **Sharing data**
   a. Each Division Chair receives quarterly physician specific data on quality, per patient resource use, per patient cost, patient satisfaction.
   b. This data is then presented to each physician in an un-blinded manner.
   c. Peer pressure is a strong motivator.

ARIZONA STATE UNIVERSITY

Five key cultural/organizational traits of one successful IPA:

1. Organizational structure with clear physician oversight
2. Economic incentives
3. Sharing data
4. **IT systems – THAT ALLOW PHYSICIANS TO IMPROVE DELIVERY OF CARE**
   a. The independent physicians use differing systems – Allscripts; NextGen; eClinicalWorks; Epic; etc.
   b. IPA created their own Health Information Exchange in 2006-2008.
   c. Allows network physicians to see all the care provided to their IPA patients regardless of where care provided (numerous examples of providing better, more appropriate care because of this information).

ARIZONA STATE UNIVERSITY

Five key cultural/organizational traits of one successful IPA:

1. Organizational structure with clear physician oversight
2. Economic incentives
3. Sharing data
4. IT systems – THAT ALLOW PHYSICIANS TO IMPROVE DELIVERY OF CARE
5. **The right physicians**
   a. Be up front with physicians about how the IPA will function.
   b. Let the physicians who do not want to practice medicine in manner outlined above go elsewhere.

ARIZONA STATE UNIVERSITY

Five key cultural/organizational traits of one successful IPA:

1. Organizational structure with clear physician oversight
2. Economic incentives
3. Sharing data
4. IT systems – that allow physicians to improve delivery of care
5. The right physicians

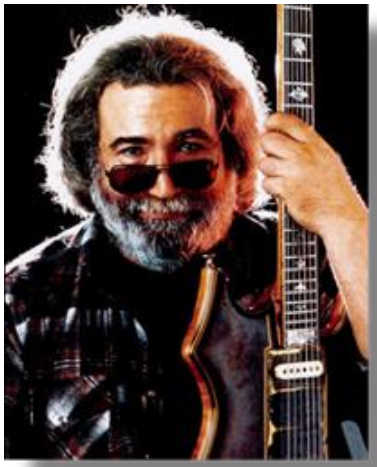
ARIZONA STATE UNIVERSITY

My bottom line organizational view on getting more effective person centered care at an affordable cost:

- More and better integration of care delivery
- Change how medical center is paid to “pay for value”
- Medical center leaders measure care value and accept accountability to deliver higher value

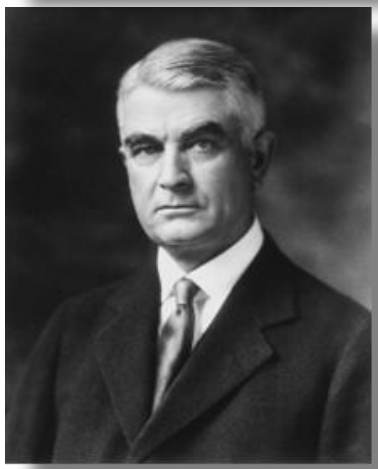
ARIZONA STATE UNIVERSITY

Why do we need to make these changes? These two have told us:



"Somebody has to do something and it is just incredibly pathetic it has to be us."

- Jerry Garcia
Grateful Dead



"The needs of the patient come first."

- Dr. William Mayo