Health Reform and Medicare: What Does it Mean for a Restructured Delivery System?

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Chairman and CEO
Virginia Mason Medical Center

May 25, 2011
Our Strategic Plan

Vision
To be the Quality Leader and transform health care

Mission
To improve the health and well-being of the patients we serve

Values
Teamwork | Integrity | Excellence | Service

Strategies
People
We attract and develop the best team

Quality
We relentlessly pursue the highest quality outcomes of care

Service
We create an extraordinary patient experience

Innovation
We foster a culture of learning and innovation

Virginia Mason Team Medicine™ Foundational Elements
Strong Economics | Responsible Governance | Integrated Information Systems | Education | Research | Virginia Mason Foundation

Virginia Mason Production System

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Virginia Mason Medical Center

- Integrated health care system
- 501(c)3 not-for-profit
- 336-bed hospital
- Eight locations (main campus and regional centers)
- 500 physicians
- 5,000 employees
- Graduate Medical Education Program
- Research Institute
- Foundation
- Virginia Mason Institute
Patient-focused Structure

- Engaged board
- Physician and leadership compacts
- Coordinated care at all locations
- Physician/administrator dyads
Challenge of Health Care

- Poor quality .................. 3% Defect rate
- Impact on individuals ...... 100% Defect
- Cost of poor quality ......... Billions of dollars
- Cost of health care to those who pay ............... Unaffordable
- Access ............................ Millions
- Morale of workers ............ Unreliable systems
The VMMC Quality Equation

\[ Q = A \times \frac{(O + S)}{W} \]

Q: Quality
A: Appropriateness
O: Outcomes
S: Service
W: Waste
Management Method

Virginia Mason Production System

We adopted the Toyota Production System philosophies and practices, then applied them to health care to produce:

• Customer first
• Highest quality
• Obsession with safety
• Highest staff satisfaction
• Successful economic enterprise
History of Collaboration

- Partnerships with Group Health Cooperative and Pacific Medical Centers
- Intensive Outpatient Care Program (IOCP) demonstrated cost savings of more than 33 percent
Partnering with Key Employers

- In 2007, Boeing approached VM to participate in “ambulatory ICU” program
- Aim: Reduce Boeing’s health care cost for employees with the most expensive health conditions by 15% while improving their health status

The Boeing Company:
connect and protect people globally
Primary Care Team Approach

Provided Infrastructure for Success

- We provide prevention interventions at every contact
- We create enhanced access to care
- We provide planned care for patients with chronic and complex conditions
- We develop informed and activated patients
- We coordinate information and services for our patients
Outperformed Aggregate on All Outpatient Visit Metrics

- VM’s office visits went up 6.7% for this population
  - Providers and teams used evidence-based medicine (embedded in their tools) to deliver appropriate care in the primary care setting – “right place, right time, right care”
  - Providers and teams used standard processes / work to customize appropriate care for each patient
- VM providers ordered far fewer labs, tests & radiology exams:

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<thead>
<tr>
<th></th>
<th>Aggregate</th>
<th>VM</th>
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<tbody>
<tr>
<td>Lab</td>
<td>10.2%</td>
<td>-3.4%</td>
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<tr>
<td>Radiology</td>
<td>11.1%</td>
<td>-33.3</td>
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### Cost / Utilization Metrics Outstanding

<table>
<thead>
<tr>
<th>Metric</th>
<th>-100%</th>
<th>-80%</th>
<th>-60%</th>
<th>-40%</th>
<th>-20%</th>
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<td>Costs (standardized)</td>
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<td>Prescriptions (day supply)</td>
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<td>Outpatient (other)</td>
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<td>Home Health Visits</td>
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<td>Outpatient Visits</td>
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<td>Office Visits</td>
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<td>ER Visits</td>
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<td>Hospital Days (acute)</td>
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<td>Admits (acute)</td>
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The Patient Experience

Patients’ functional health status and experience of care improved, and absenteeism was reduced

<table>
<thead>
<tr>
<th>% Change in Physical Functioning Score for IOCP Patients Compared to Baseline</th>
<th>+ 14.8%</th>
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</thead>
<tbody>
<tr>
<td>% Change in Mental Functioning Score for IOCP Patients Compared to Baseline</td>
<td>+ 16.1%</td>
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<tr>
<td>% Change in Patient-Rated Care “Received as Soon as Needed” Compared to Baseline</td>
<td>+ 17.6%</td>
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<tr>
<td>% Change in Average of Patient-Reported Work Days Missed in Last 6 Months Compared to Baseline</td>
<td>– 56.5%</td>
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Reducing Health Care Costs

VM Approach to Affordability

1. Evidence-based medicine
   *Doing the right thing*

2. Reliable systems
   *Doing things right*

3. Rapid access and rapid return to function
   *No time to waste*
The High Cost of Work Loss

IBI

Top 10 Medical, Drug & Productivity Costs
-- per 1000/FTEs --

![Bar Chart]

- Back/Neck Pain*: $200,000 - $600,000
- Depression*: $400,000 - $600,000
- Fatigue*
- Other Chronic Pain
- Sleeping Problems*
- High Cholesterol*
- Arthritis*
- Hypertension*
- Obesity*
- Anxiety dx*  

* Change in order of conditions from medical + drug costs

JOEM, 7/07
Center for Health Care Solutions

Marketplace Collaborative

Five Product Specifications

• Same day access
• 100% patient satisfaction
• Evidence based care
• Absence management
• Affordable price for purchasers and providers
ACO: What it Means for Our Patients

Across care continuum, patients would:

- Receive coordinated, safe, effective, patient-centered, timely, efficient, equitable care … IOM Pillars
- Receive what they need (right treatment, right place, right time), and not receive what they don’t need
- Increased participation in their care
Evaluation for Breast Nodules

*No Time to Waste: Same-day Access*

1. Wait time to complete evaluation reduced from two months to less than one day.
2. More than 600 women have had same day access to evaluate breast nodules.
3. 90% have evaluation completed in one business day.
Breast Clinic
Same-day Access and Rapid Return to Function

Evaluation complete for 90% of patients in one day.
Doing Things Right With Systems

Ensuring Imaging is Value-Added

Mistake-proofing implemented

Reduction in imaging

Headache: -23%
Low back pain: -25%
Sinusitis: -25%

-23% reduction in imaging for Headache.
-25% reduction in imaging for Low back pain.
-25% reduction in imaging for Sinusitis.
ACO: What it Means for Virginia Mason

- Accountable Care Organizations = New concept
- Accountable Care = Not new to us
  - Redesign of our primary health care system
  - Optimizing Care Transitions work
  - Intensive Primary Care program
ACO: What it Means for Virginia Mason

- It’s at the core of what we are all about: delivering high value, quality care
  - Emphasis on having patient at the top and zero defects
  - Tertiary health care system and integrated care model
  - VMPS as a management system, quality equation
  - Engaged and aligned physician leadership and partnership
ACO: What it Means for Our Market

A fragmented market with some consolidation

UW Medicine, Valley Medical Center to explore

Valley Medical Center and UW Medicine are exploring a strategic alliance to increase access to additional health care services for South King County residents, align best practice models, expand clinical, teaching and research programs, and position both organizations for future healthcare reform opportunities, such as the creation of an Accountable Care Organization (ACO).

Stevens Hospital to Affiliate with Swedish

EDMONDS, Wash., Dec. 17 /PRNewswire-USNewswire/ -- The Board of Commissioners for Public Hospital District #2 of Snohomish County today approved non-binding terms for Swedish to lease and assume management of Stevens Hospital to be effective this summer, pending regulatory approvals and final agreements.

Northwest Hospital & Medical Center to become part of UW Medicine system

Northwest Hospital & Medical Center will become part of UW Medicine, a deal that will make the Northgate-area hospital a member of the region's leading teaching and research medical institution.
ACO: What it Means for Health Care

• Market consolidation is occurring to varying extents across the country
• Will it lead to increased market power or higher value, coordinated care?
“In times of change, learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists.”

Eric Hoffer
Thank you!