

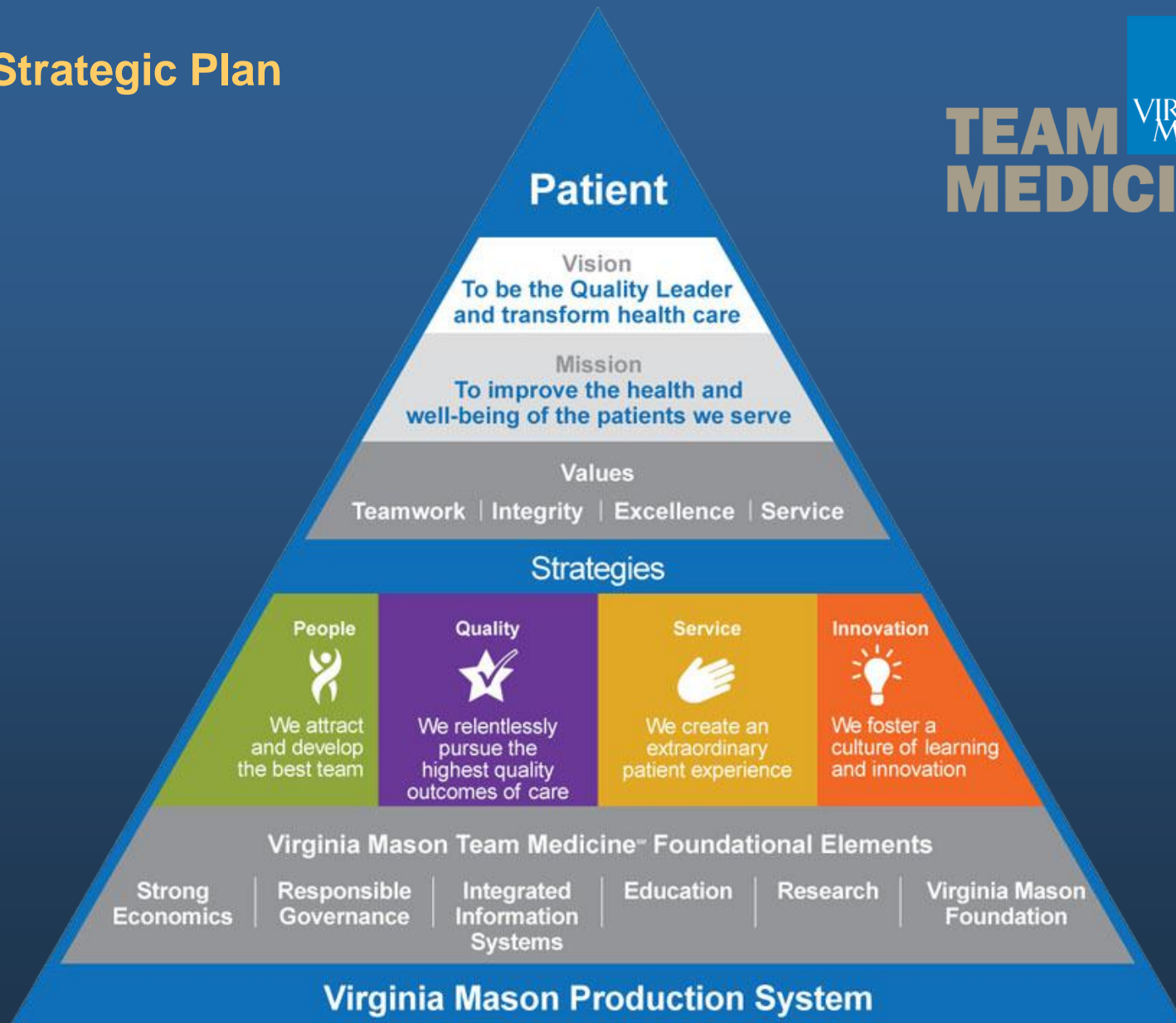


Health Reform and Medicare: *What Does it Mean for a Restructured Delivery System?*

Gary S. Kaplan, MD
Chairman and CEO
Virginia Mason Medical Center

May 25, 2011

Our Strategic Plan



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

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

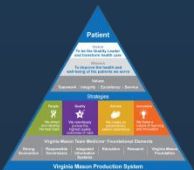
Q: Quality

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

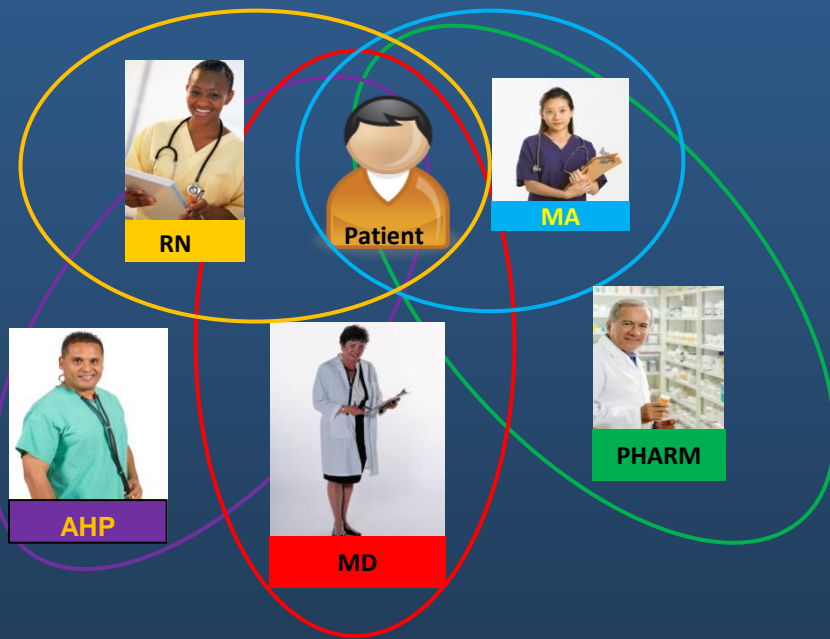
- In 2007, Boeing approached VM to participate in “ambulatory ICU” program
- Aim: Reduce Boeing’s health care cost for employees with the most expensive health conditions by 15% while improving their health status



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



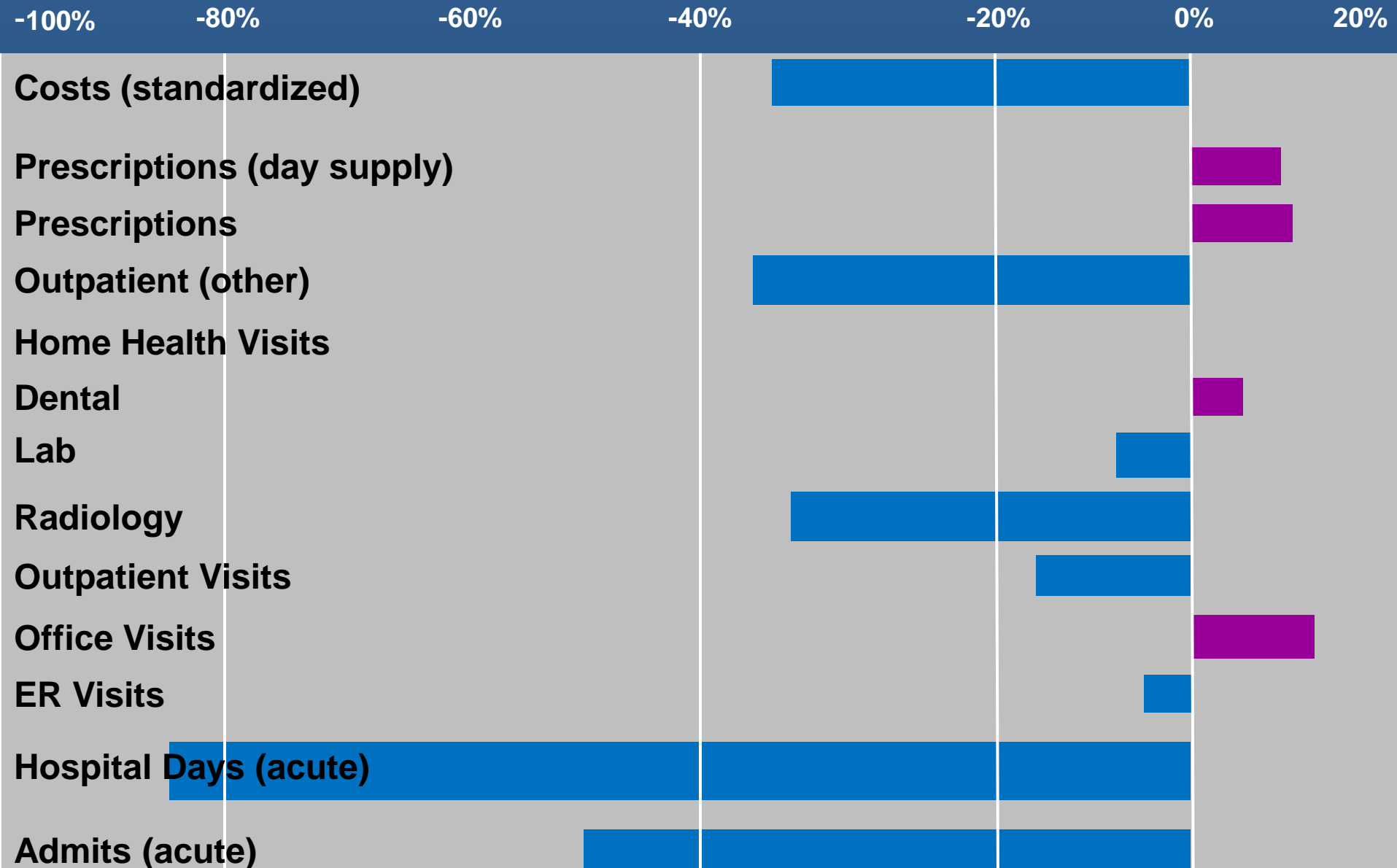
Outperformed Aggregate on All Outpatient Visit Metrics

- 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:

	Aggregate	VM
Lab	10.2%	-3.4%
Radiology	11.1%	-33.3



Cost / Utilization Metrics Outstanding



The Patient Experience

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

	% Change
% change in physical functioning score for IOCP patients compared to baseline	+ 14.8%
% change in mental functioning score for IOCP patients compared to baseline	+ 16.1%
% change in patient-rated care "received as soon as needed" compared to baseline	+ 17.6%
% change in average of patient-reported work days missed in last 6 months compared to baseline	- 56.5%



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

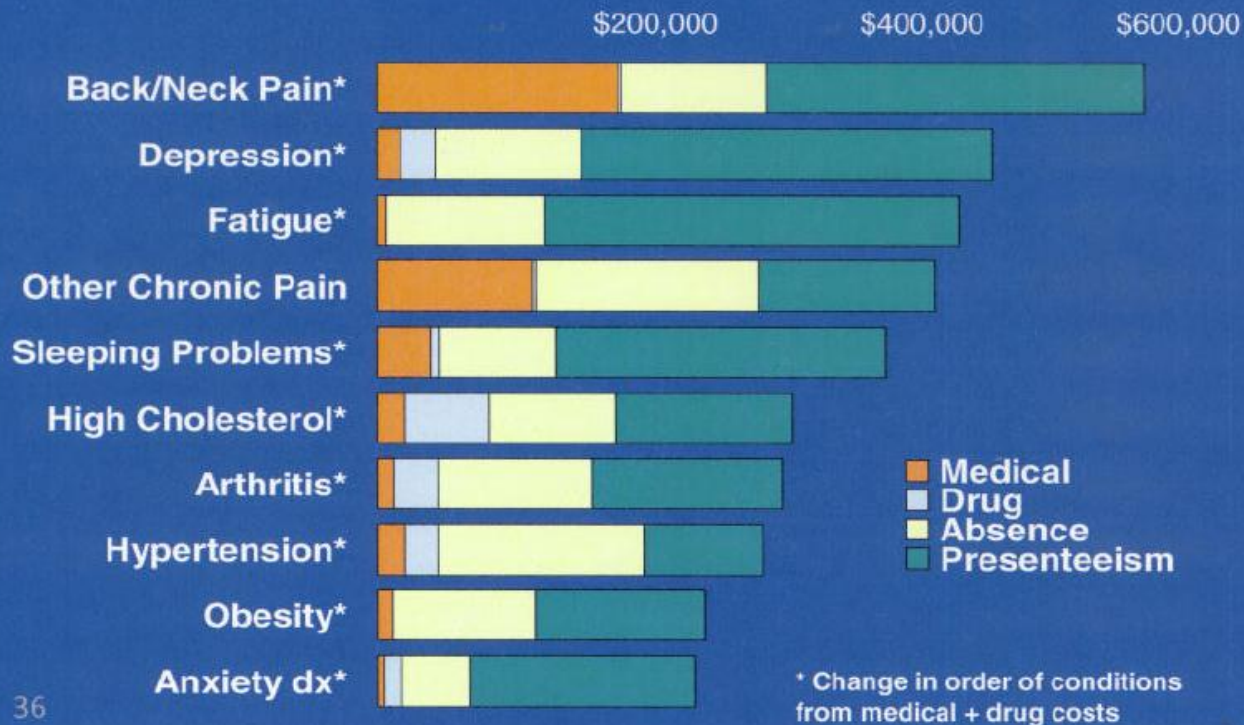
No time to waste



The High Cost of Work Loss



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



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Center for Health Care Solutions

Marketplace Collaborative

The Virginia Mason Marketplace Collaborative Model

Better, faster more affordable health care.

Five Product Specifications

- Same day access
- 100% patient satisfaction
- Evidence based care
- Absence management
- Affordable price for purchasers and providers



Marketplace Customers

Benefit from model that increase quality and timeliness of care while reducing price.

Health Care Product Requested



Health Care Product Delivered



Employer

Uses purchasing power to specify standards of quality, timeliness and price.



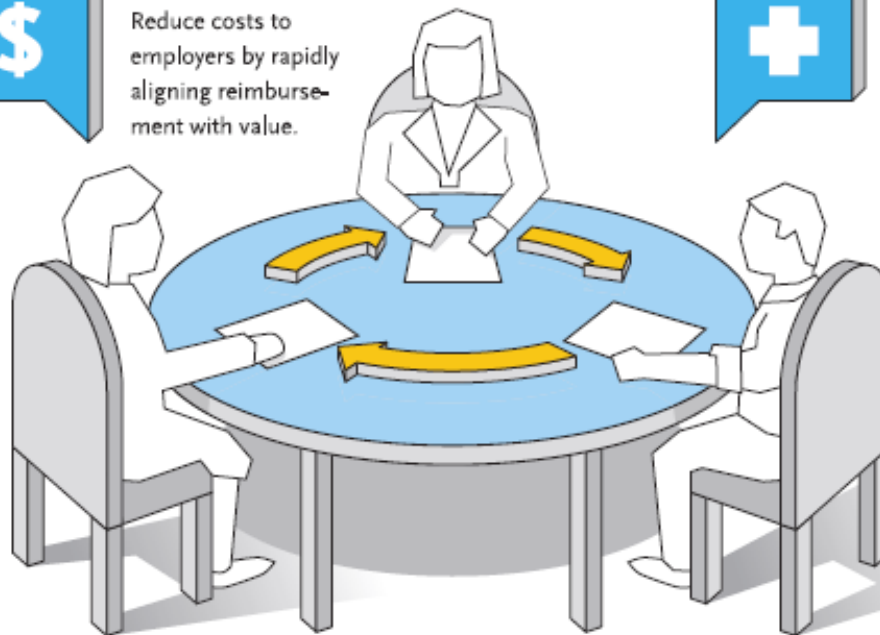
Health Plans

Reduce costs to employers by rapidly aligning reimbursement with value.



Providers

Produce value, improve quality of health care and increase access.



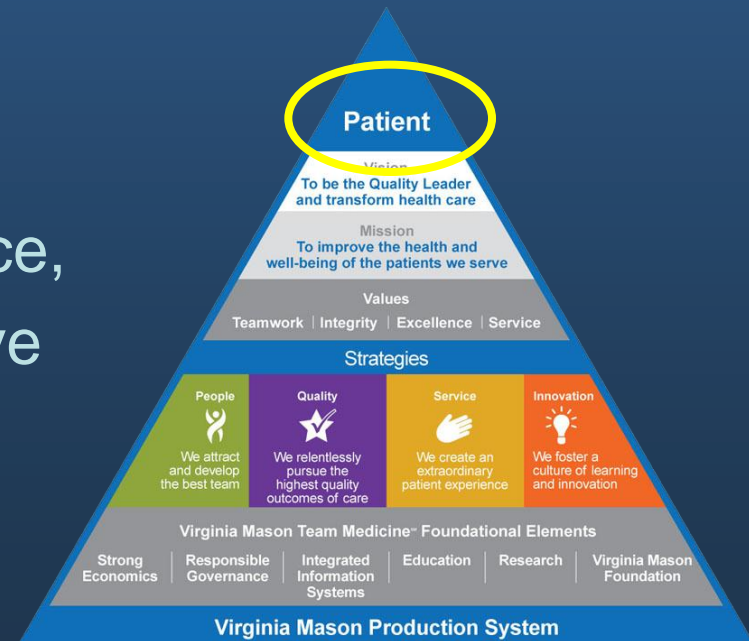
ACO: What it Means for Our Patients

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

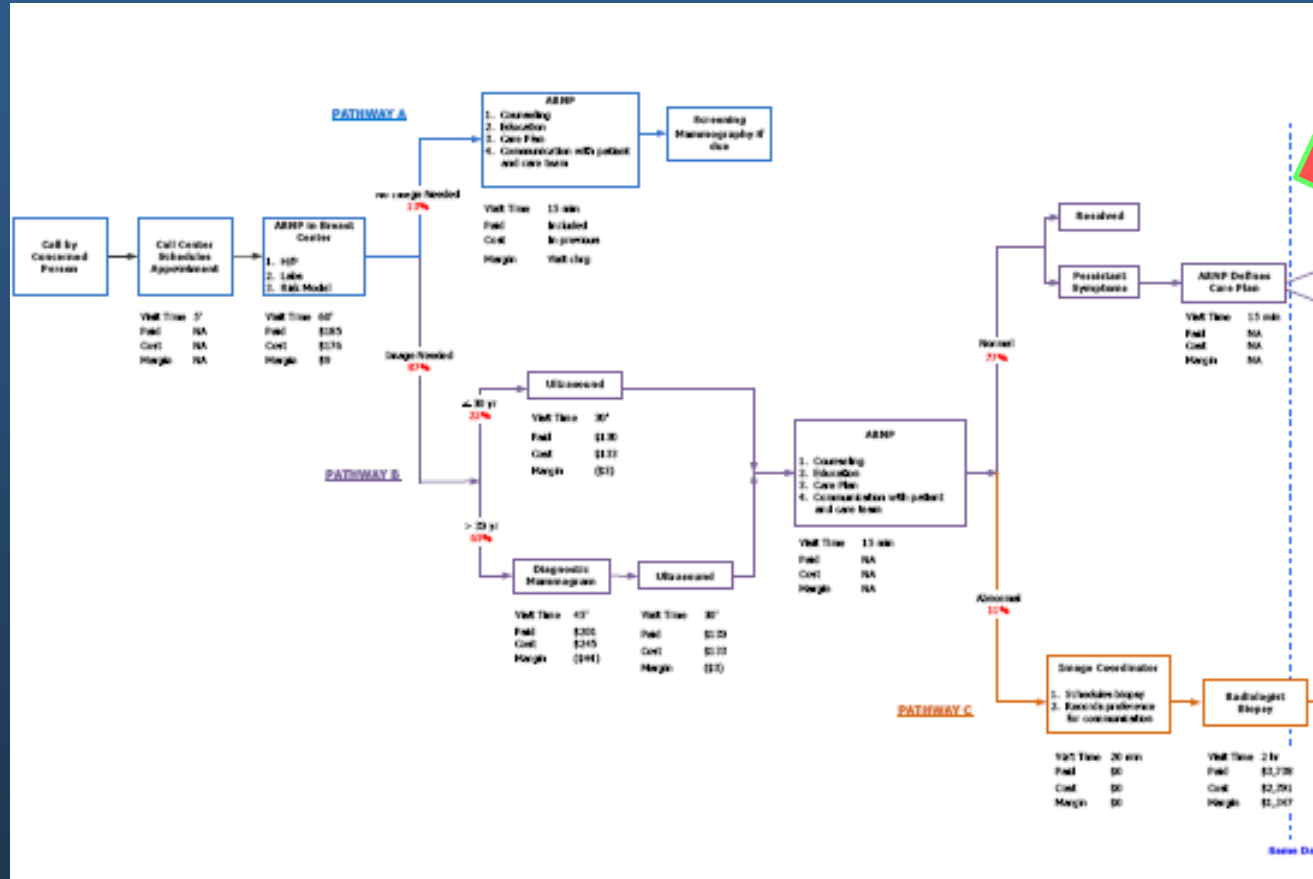
No Time to Waste: Same-day Access

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

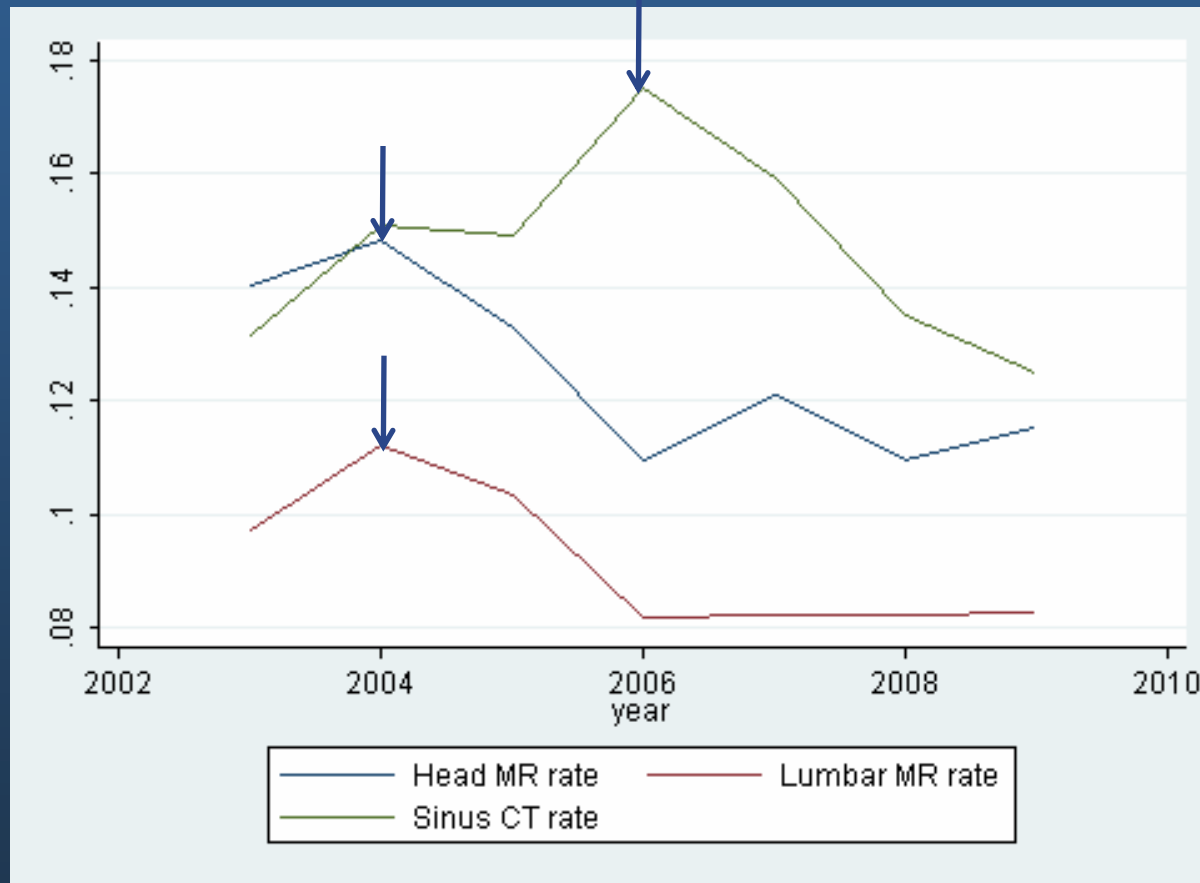


Evaluation complete for 90% of patients in one day.



Doing Things Right With Systems

Ensuring Imaging is Value-Added



Mistake-proofing implemented ↓

Reduction in imaging

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



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



Jan. 18, 2011

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).

► Office of News & Information

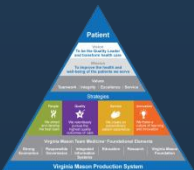
Stevens Hospital to Affiliate with Swedish

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.

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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!

