Clinically Integrated Networks: A source of good and bad opportunities

For
The California Orthopedic Association

By
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Founder & CEO

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## Disclosures

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Nature of Relevant Financial Relationship</th>
<th>What was Received?</th>
<th>For What Role?</th>
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<tbody>
<tr>
<td>GCorp Consulting</td>
<td>Salary</td>
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<td>Management/Consulting</td>
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<tr>
<td>Cardinal Point Healthcare Solutions</td>
<td>Salary</td>
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Bottom line up front

- Clinically integrated networks are a source of **good** and **bad** opportunities

- Benefits to patients, clinicians, and business must be balanced against risk of antitrust claims

- Inclusion of six key elements set the foundation for a successful CIN while reducing legal risk (*but please consult your lawyer!*)
Opportunities
CINs present many opportunities

• Patient experience
• Clinical operations
• Reimbursement & profitability
• Compliance & risk management
Patient experience

• Streamlined and efficient care process
• Single point of entry and coordinated hand-offs
• Improved outcomes
Clinical operations

• More knowledge on individual patients
• Access to continually improving care guidelines
• Ability to work with an extended team that shares common values and incentives
Reimbursement & profitability

• Access to high-quality referral network
• Greater leverage in negotiations
• Ability to pursue risk-based contracts
Compliance & risk management

• Lawsuits regarding antitrust issues
• Damaged reputation
• Significant time and money fighting claims
YLOMV
(Your Legal Opinion May Vary!)
Antitrust rules of thumb

• The per se test
• The rule of reason test
Per se test

• Does the arrangement engage in behaviors considered blatantly anticompetitive?

• Note: It is assumed that consumers were harmed.
Rule of reason

• Does the arrangement engage in behaviors considered anticompetitive?
• Are those behaviors *reasonably related* to the pro-competitive benefits and *reasonably necessary* to the realization of the pro-competitive benefits?
• Does the arrangement give market power to the participants?
FTC guidance regarding health care

• “The Statements”

• “The Statement on ACOs”
Key elements for a successful CIN
Capital investment for infrastructure

• Includes both monetary and human capital necessary to establish:
  • Mechanisms to measure utilization and quality
  • Practice protocols designed to improve care
  • Information systems
  • Disciplinary procedures for physicians
  • Processes for selectively choosing physician membership
Mechanisms to measure utilization & quality

• Procedures and tools to measure:
  • Patient experience
  • Care coordination
  • Patient safety
  • Population health
  • Cost of care

• Helps establish:
  • Performance goals for both the group and individual physicians
  • Foundation for informed decisions regarding practice protocols
  • Evidence of providing cost-effective quality care
Practice protocols designed to improve care

• Adoption and implementation of clinical practice guidelines that support performance goals of the group and individual physicians
• Govern treatments, utilization of services, and costs
Information systems

• Systems to support:
  • Measuring and monitoring individual and aggregate performance
  • Sharing clinical information among physician participants

• Note: Does not require common electronic health record (but that could be helpful!)
Disciplinary procedures for physicians

• Procedures that define:
  • Thresholds for disciplinary action
  • What actions will be pursued when physicians fail to meet standards
  • Termination procedures for physicians who continue to underperform
Selectively choosing physician membership

• Procedures that define:
  • How to identify candidate physician members
  • Minimum benchmarks regarding physician quality outcomes
  • How to determine physician alignment with network objectives
Key takeaways

• Clinically integrated networks are a source of good and bad opportunities

• Benefits to patients, clinicians, and business must be balanced against risk of antitrust claims

• Inclusion of these six key elements set the foundation for a successful CIN while reducing legal risk (but please consult your lawyer!)

- Significant capital investment
- Mechanisms to measure utilization and quality
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- Information systems
- Disciplinary procedures for physicians
- Selectively choosing physician membership
Questions?
Handouts
Clinically Integrated Networks: A source of good and bad opportunities

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- Disciplinary procedures for physicians
- Selectively choosing physician membership
Key references - Clinically Integrated Networks

• Legal

• Operational
  • New England Journal of Medicine, “The Good Merger” (May 2015)
  • American Medical Association, “Competing in the Marketplace: How physicians may increase their value in the health care market through medical practice integration” (2015)
## Comparison of integration options

<table>
<thead>
<tr>
<th></th>
<th>Independent</th>
<th>Messenger</th>
<th>Financial</th>
<th>Clinical</th>
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<tbody>
<tr>
<td><strong>Patient Volume</strong></td>
<td>• Declines due to out-of-network status</td>
<td>• As a network you may help acquire new patients/referrals</td>
<td>• As a network you may help acquire new patients/referrals</td>
<td>• Steady/growing volume of patients/referrals</td>
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<tr>
<td><strong>Practice Finances</strong></td>
<td>• Bear full capital expense</td>
<td>• Not as attractive to payers who need financially or clinically integrated networks for their payment models</td>
<td>• Antitrust compliance issues as to whether substantial risk being being shared</td>
<td>• Antitrust compliance issues are minimized</td>
</tr>
<tr>
<td></td>
<td>• Bear full purchasing</td>
<td>• Increased antitrust scrutiny</td>
<td>• Shared capital expense</td>
<td>• Shared capital expense</td>
</tr>
<tr>
<td></td>
<td>• Not attractive to payers</td>
<td></td>
<td>• Purchasing power</td>
<td>• Purchasing power</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Increased risk with alternative payments due to the lack of clinical integration</td>
<td>• Less risk with alternative payments</td>
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<td><strong>Care Quality</strong></td>
<td>• No control over the quality of care received by your patients when you refer them or they are seen elsewhere</td>
<td>• No demonstrable effect on quality</td>
<td>• No demonstrable effect on quality</td>
<td>• You measure your quality</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Protocols developed and modified to improve outcomes</td>
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<td></td>
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<td>• Mapped processes streamline and coordinate care</td>
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