

California Orthopaedic Association Annual Meeting April 19, 2012



SOMERSET
CPAs Passionate
about your
success.

Private Practice Perspective & Delivery Model Impacts

+ Passionate
about your
Success

Presented by:

Michael J. McCaslin, CPA
Health Care Team





PRIVATE PRACTICE PERSPECTIVE & DELIVERY MODEL IMPACTS

**What Environment Are We In?
&
What is Different Today?**

The Health Care Environment

1990s

2010+

PHOs

ACOs

Capitation Shared Savings

GPWW Umbrella/Divisional Merger

Integrated Delivery System
Integrated Health Care System

PCP Gatekeeper PCP Medical Home

Bundled Payments Bundled Payments

Volume

Value

PPMC

????

Competitive Positions

- Insurance Companies have Anti-Trust Protection (at least to date for most part)
- Hospitals Use –
 - ▶ Tax Exempt Financing
 - ▶ Same Service Payment Differentials (HOPD/APC)
 - ▶ AHA Protects All Plus Hides Behind “Tax Exemption” to Generate Profits Without Tax Consequences (Income taxes, Property taxes, Real Estate taxes & Sales taxes)

Competitive Positions

- Physicians Constrained by More Federal Regulation Known to Mankind Over Limitation of Practicing in “Group Practice” & Ownership of Hospitals, GPOs, PODs, etc.
- One of Most Significant Barriers to Successful Strategies – Stark and Anti-Kickback Statute

What are the Buzz Words or Phrases?

- Disease Management /Chronic Care Management
- Care Coordination (Fewer Hospital Admissions, Fewer Re-admissions)
- Value Based Payments
- Medical Homes
- Management of Targeted Populations
- Evidence Based Medicine

What are the Buzz Words or Phrases?

- Targeted Cost Savings
- Discharge Planning
- Interoperable EHR
- Improving Health of Populations
- Reducing per Capita Cost
- Bundled Payments

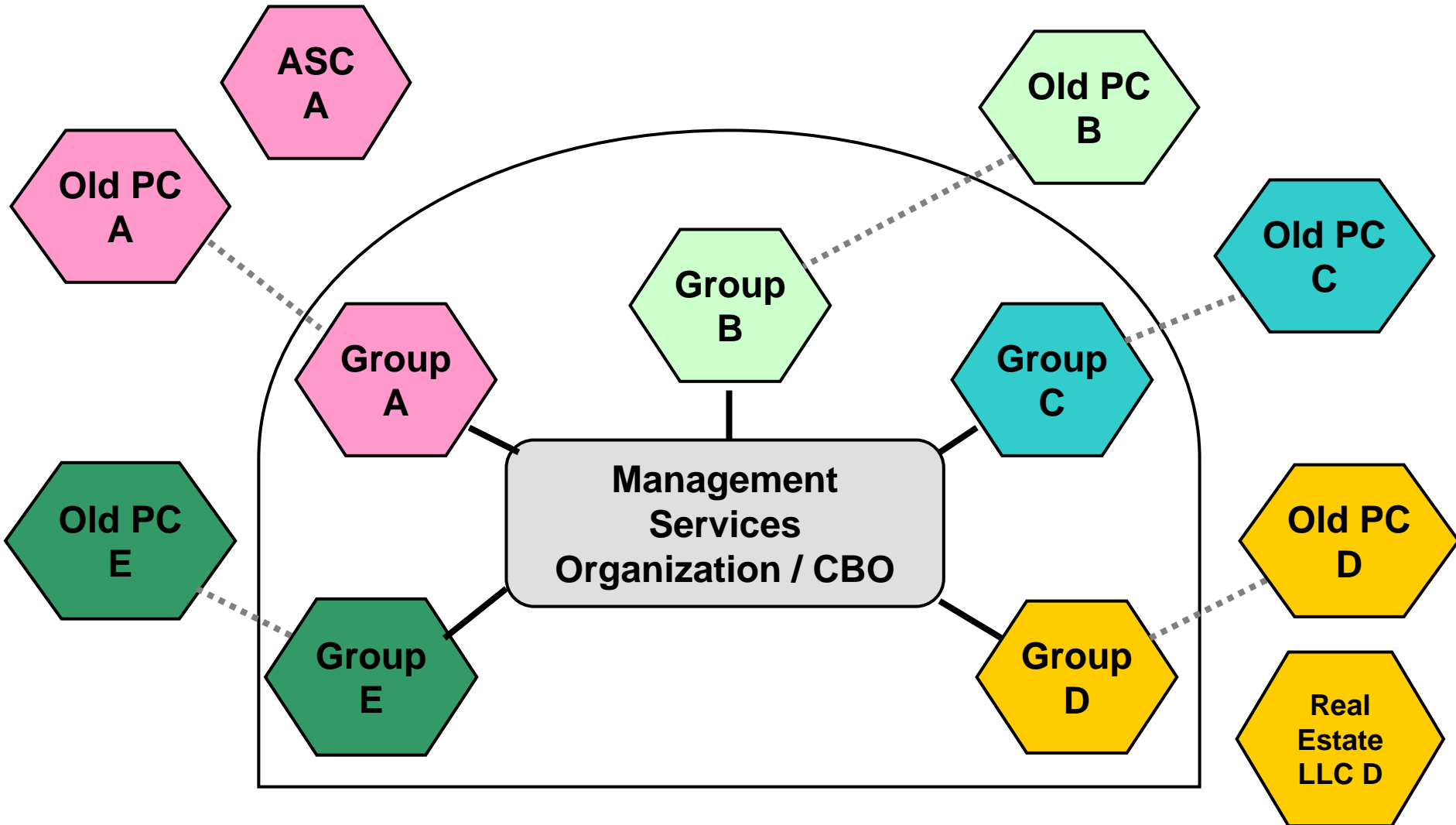
What are the Private Practice Options?

Competitive Positions

- Physician to Physician Only Strategies:
 - Solo
 - Small Group
 - Merger with Other Physicians/Group – “All In”
 - Umbrella/Divisional Merger – “Kind of In”

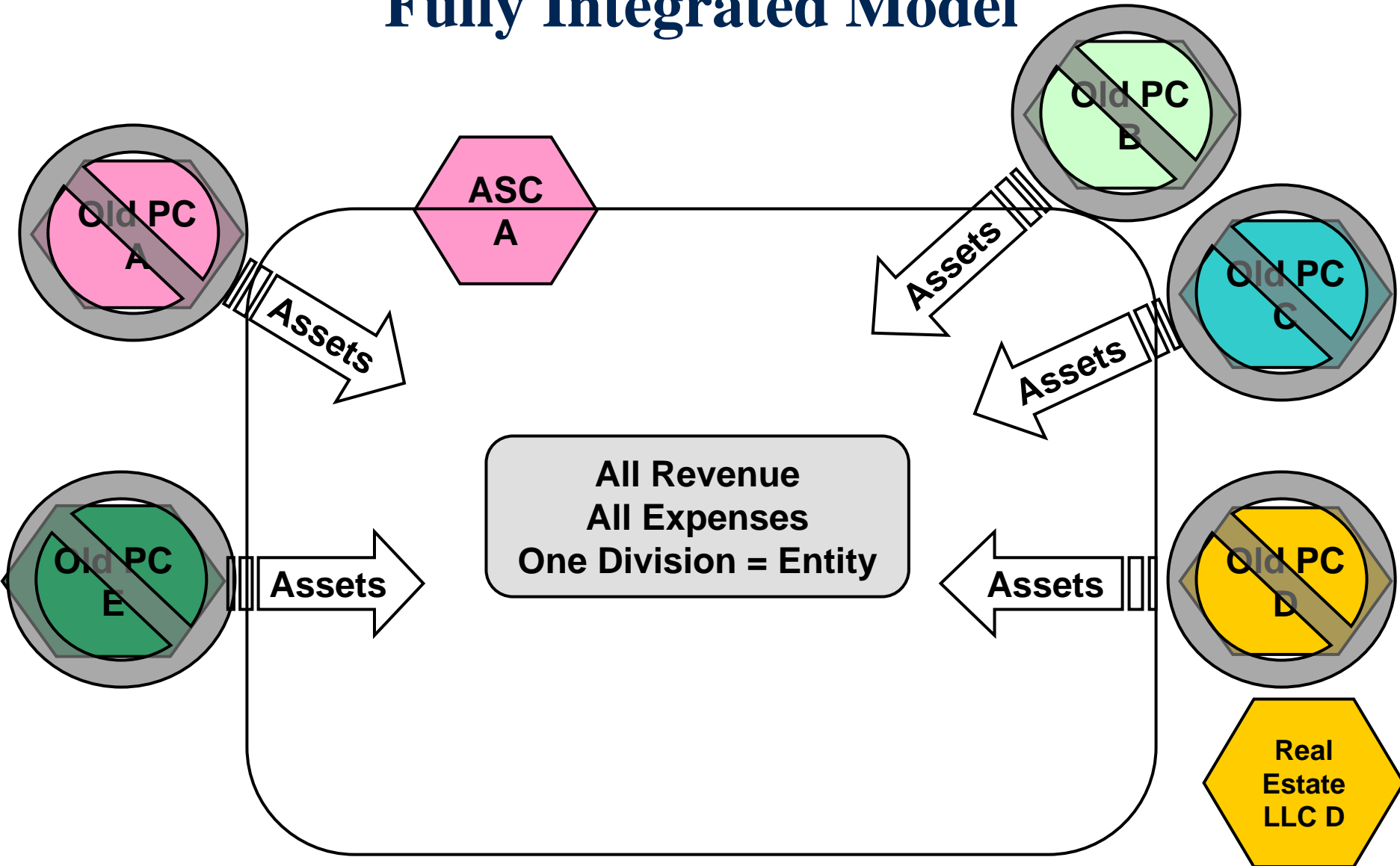
INTEGRATION STRUCTURE

Partially Integrated Model



INTEGRATION STRUCTURE

Fully Integrated Model



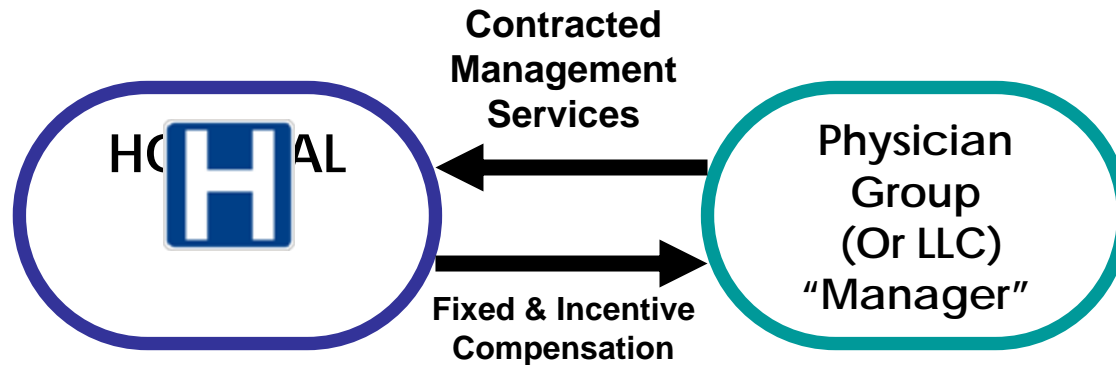
Physician Hospital Alignment Strategies

- Medical Directorships
- Service Line Co-Management
- Gain Sharing
- Bundled Payments
- Pseudo Employment
- Clinical Integration
- ACOs (Accountable Care Organizations)
- Employment

MANAGEMENT STRUCTURE

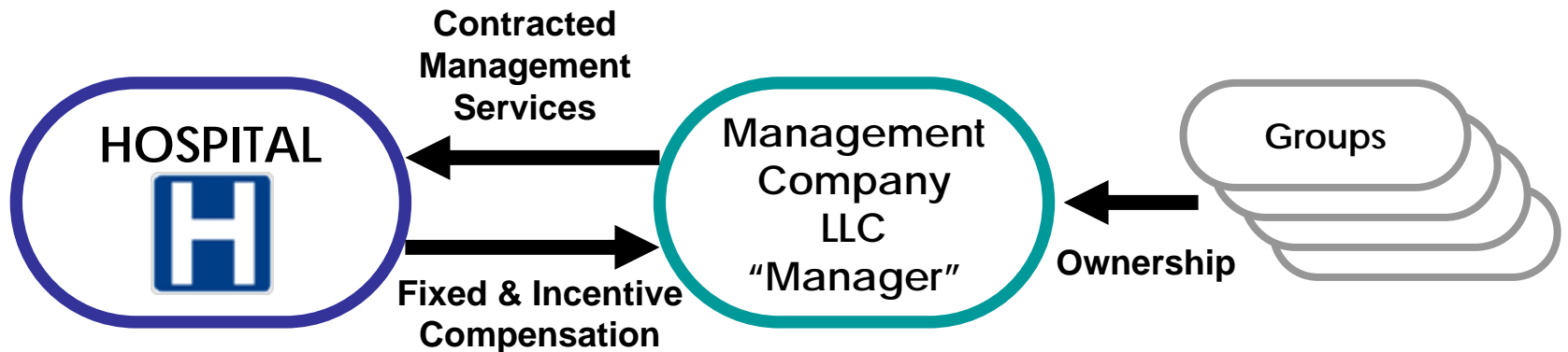
Single Group and Hospital

“Management Services Agreement” Structure or “MSA”



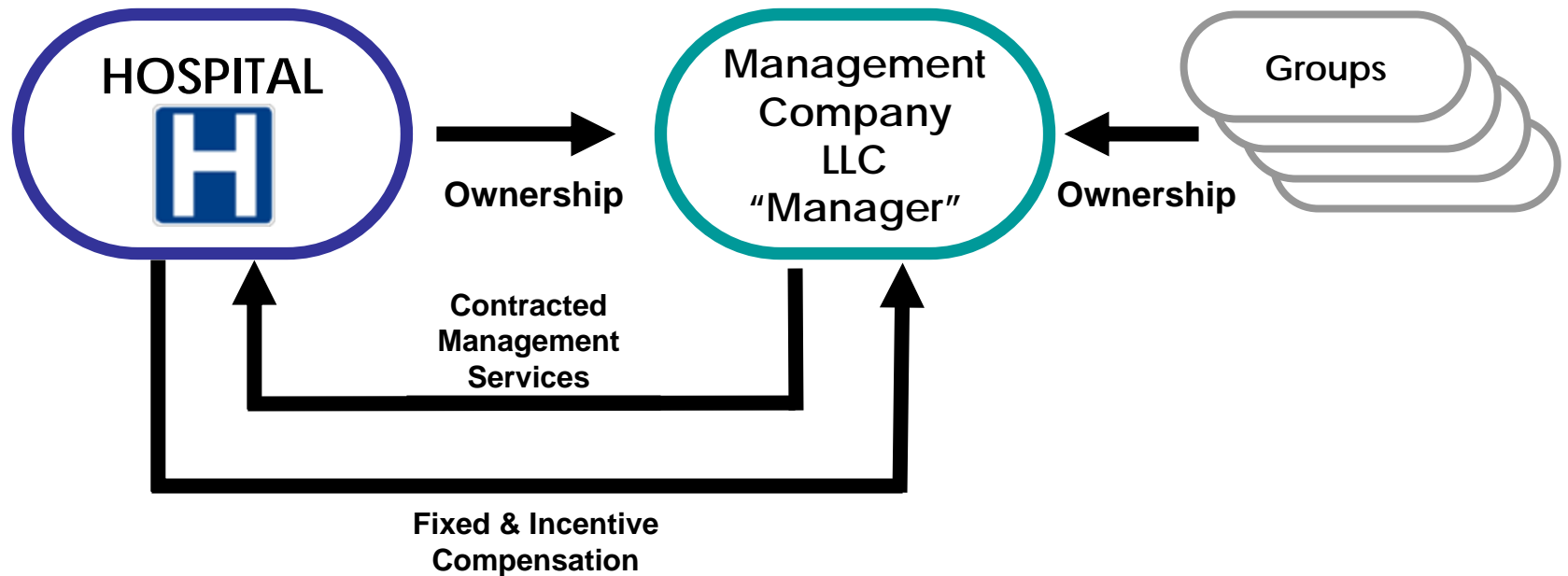
MANAGEMENT STRUCTURE

Multiple Groups and Hospital “Management Services Agreement” Structures or “MSA”

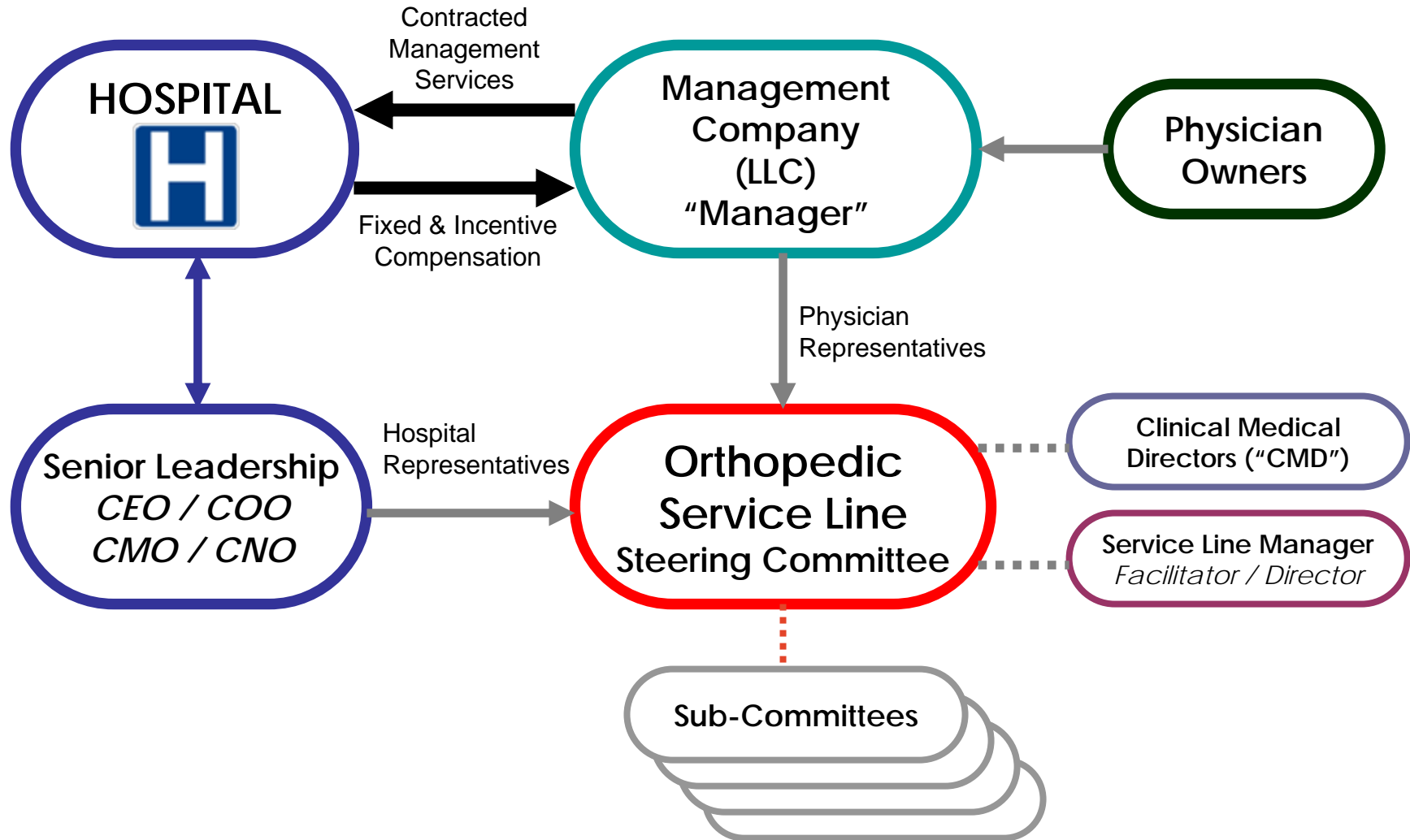


MANAGEMENT STRUCTURE

Multiple Groups and Hospital “Co-Management” Structure



MANAGEMENT STRUCTURE



Alignment Strategies

- Bundled Payment / Pricing Initiative

Bundled Payment Pilot

- Type of Services Included in Bundle:
 - Physicians' Services
 - Inpatient hospital Services (Episode anchor)
 - Inpatient Hospital Readmission Services
 - Long-term Care Hospital Services (LTCH)
 - Skilled Nursing Facility Services (SNF)
 - Home Health Agency Services (HHA)
 - Hospital Outpatient Services

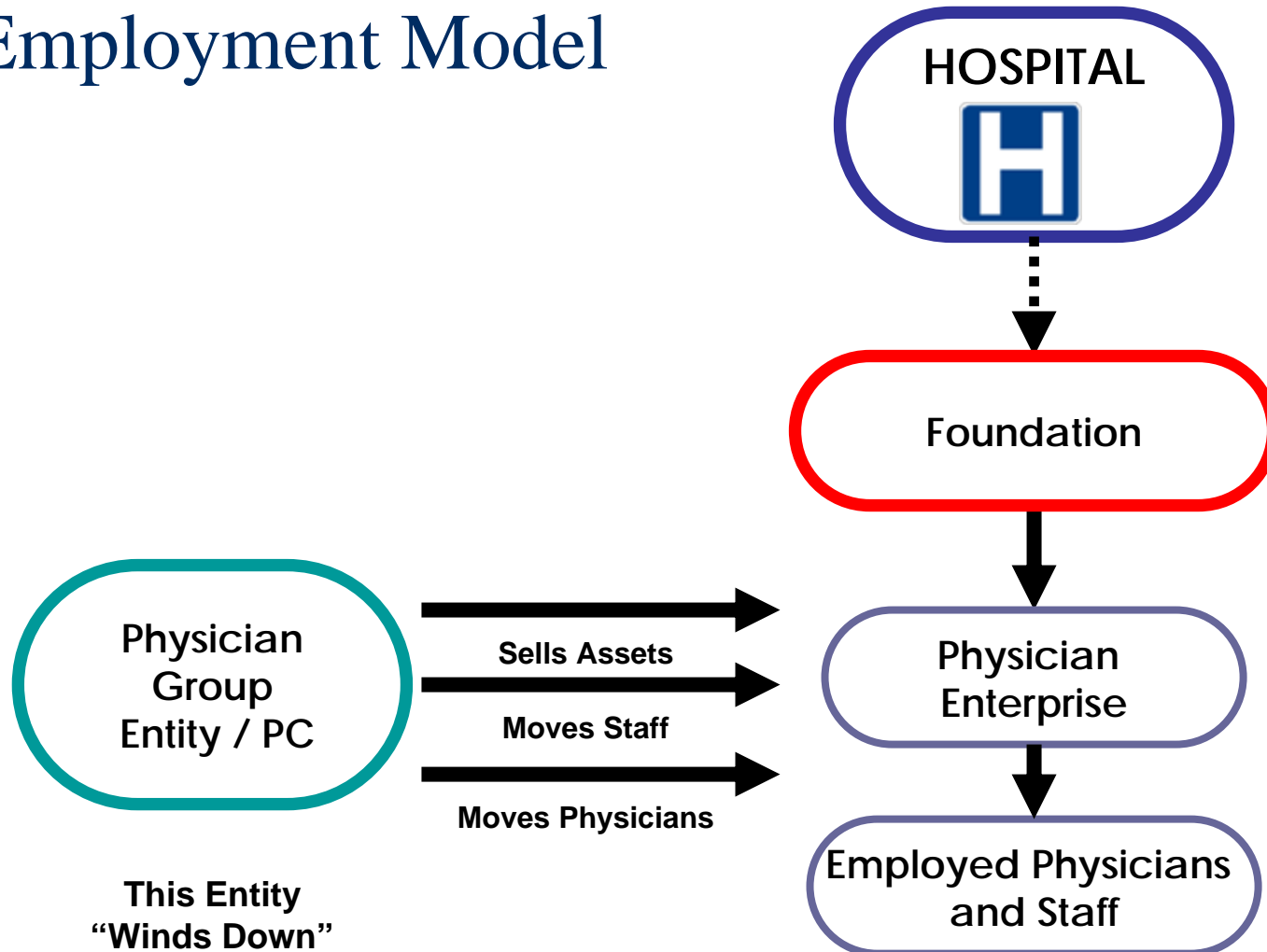
Bundled Payment Pilot

- Type of Services Included in Bundle: (Cont'd)
 - Independent Outpatient Therapy Services
 - Clinical Laboratory Services
 - Durable Medical Equipment
 - Part B Drugs
- Payment from CMS to Providers:
 - Traditional FFS (Ultimate Reconciliation with Predetermined Target Price)

MODEL FEATURE	MODEL 1 – Inpatient Stay Only	MODEL 2 – Inpatient Stay plus Post-discharge Services	MODEL 3 - Post-discharge Services Only	MODEL 4 – Inpatient Stay Only
Eligible Awardees	<ul style="list-style-type: none"> • Physician group practices • Acute care hospitals paid under the IPPS • Health systems • Physician-hospital organizations • Conveners of participating health care providers 	<ul style="list-style-type: none"> • Physician group practices • Acute care hospitals paid under the IPPS • Health systems • Physician-hospital organizations • Post-acute providers • Conveners of participating health care providers 	<ul style="list-style-type: none"> • Physician group practices • Acute care hospitals paid under the IPPS • Health systems • Long-term care hospitals • Inpatient rehabilitation facilities • Skilled nursing facilities • Home health agency • Physician-hospital organizations • Conveners of participating health care providers 	<ul style="list-style-type: none"> • Physician group practices • Acute care hospitals paid under the IPPS • Health systems • Physician-hospital organizations • Conveners of participating health care providers
Payment of Bundle and Target Price	Discounted IPPS payment; no separate target price	Retrospective comparison of target price and actual FFS payments	Retrospective comparison of target price and actual FFS payments	Prospectively set payment
Clinical Conditions Targeted	All MS-DRGs	Applicants to propose based on MS-DRG for inpatient hospital stay	Applicants to propose based on MS-DRG for inpatient hospital stay	Applicants to propose based on MS-DRG for inpatient hospital stay
Types of Services Included in Bundle	Inpatient hospital services	<ul style="list-style-type: none"> • Inpatient hospital and physician services • Related post-acute care services • Related readmissions • Other services defined in the bundle 	<ul style="list-style-type: none"> • Post-acute care services • Related readmissions • Other services defined in the bundle 	<ul style="list-style-type: none"> • Inpatient hospital and physician services • Related readmissions

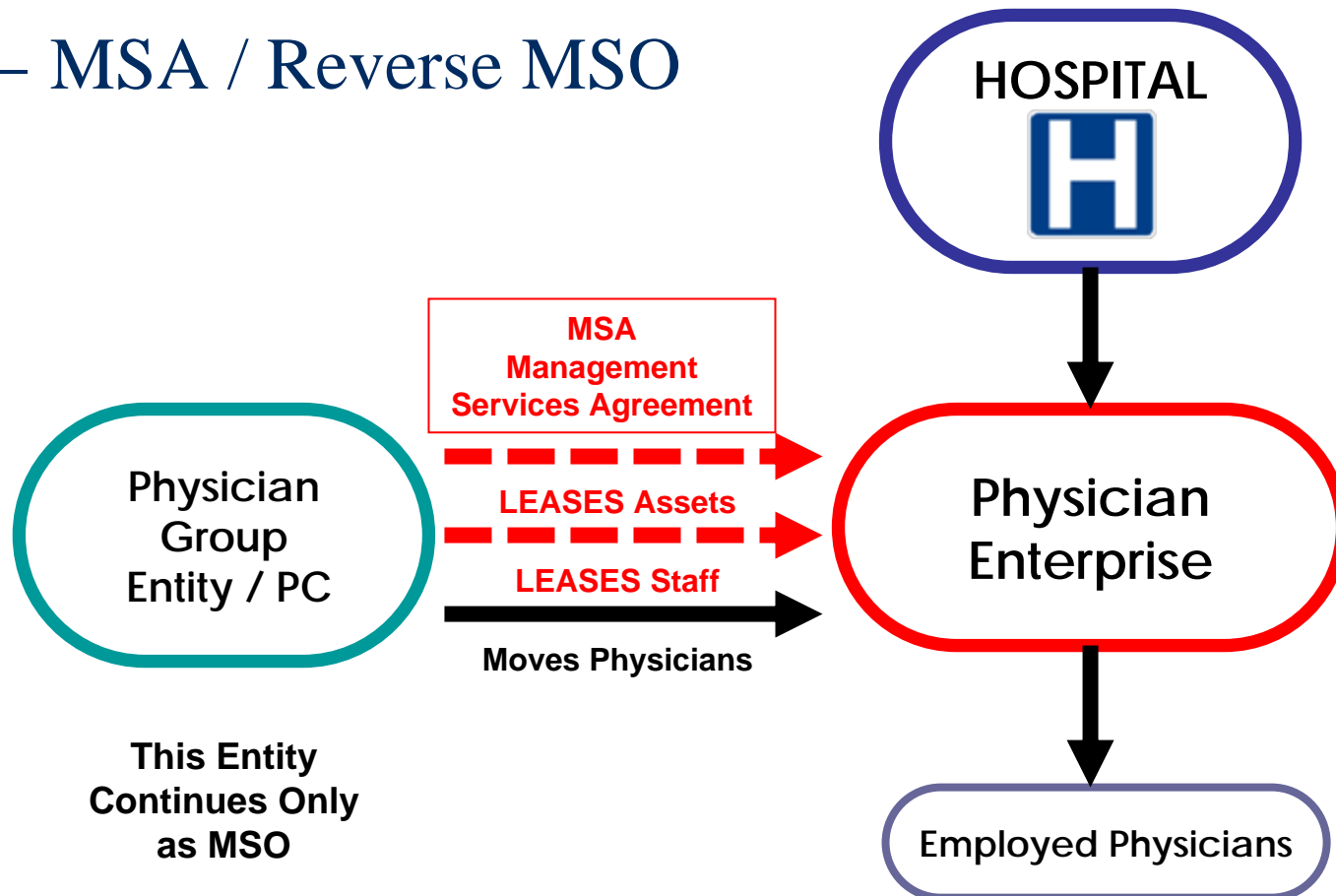
ALIGNMENT STRATEGIES

- Employment Model



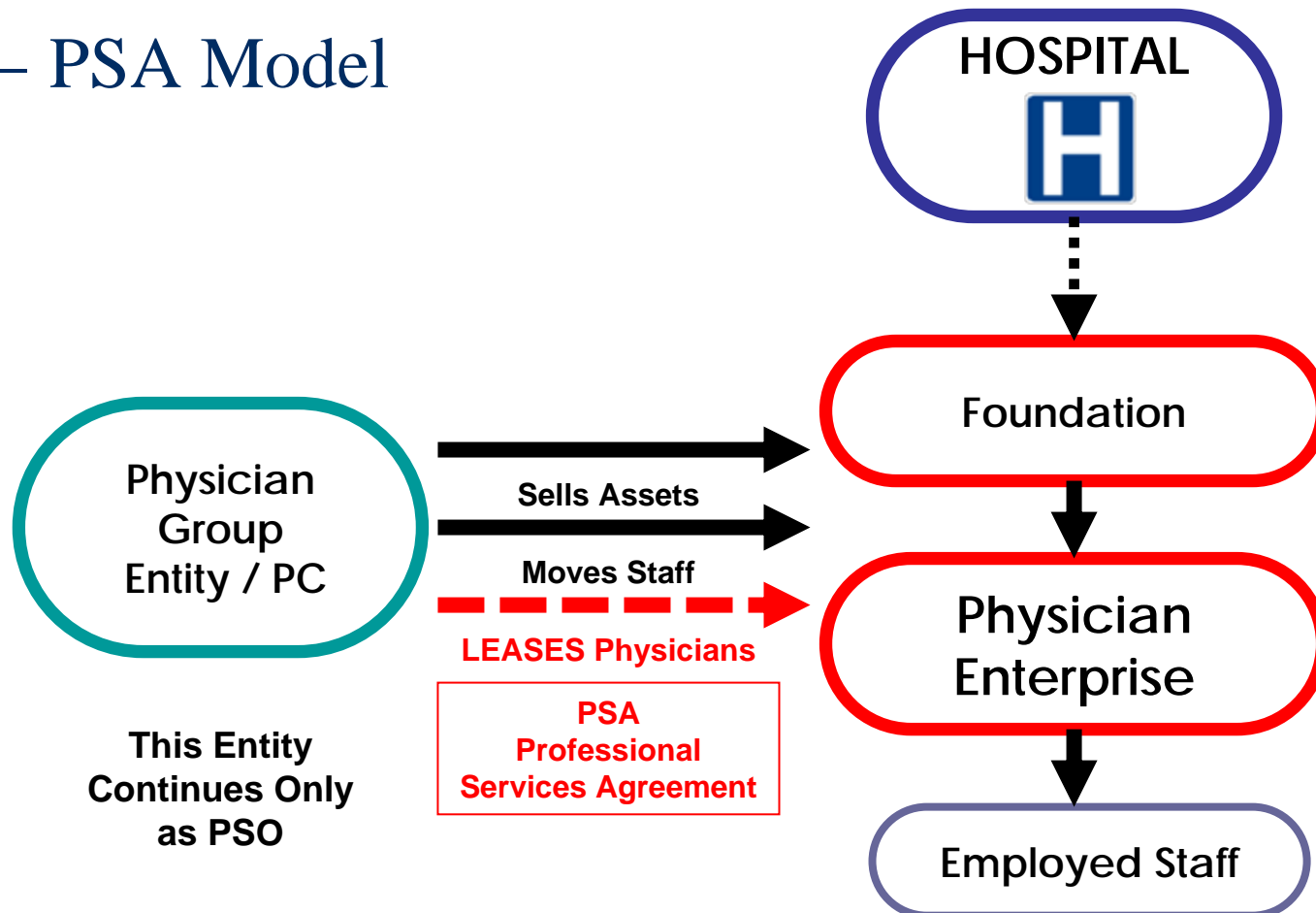
ALIGNMENT STRATEGIES

- PSA Models (Pseudo Employment)
 - MSA / Reverse MSO



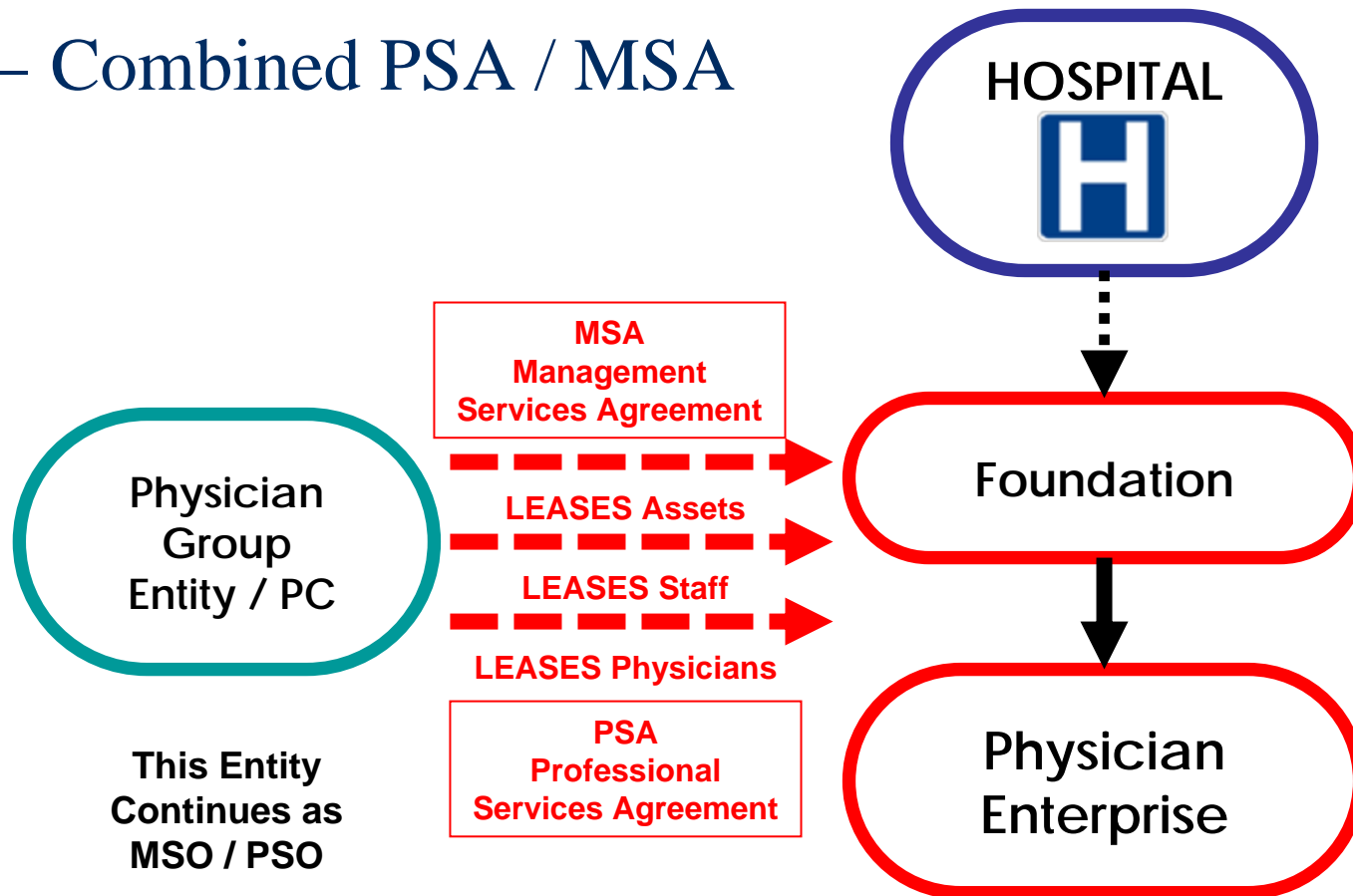
ALIGNMENT STRATEGIES

- PSA Models (Pseudo Employment)
 - PSA Model



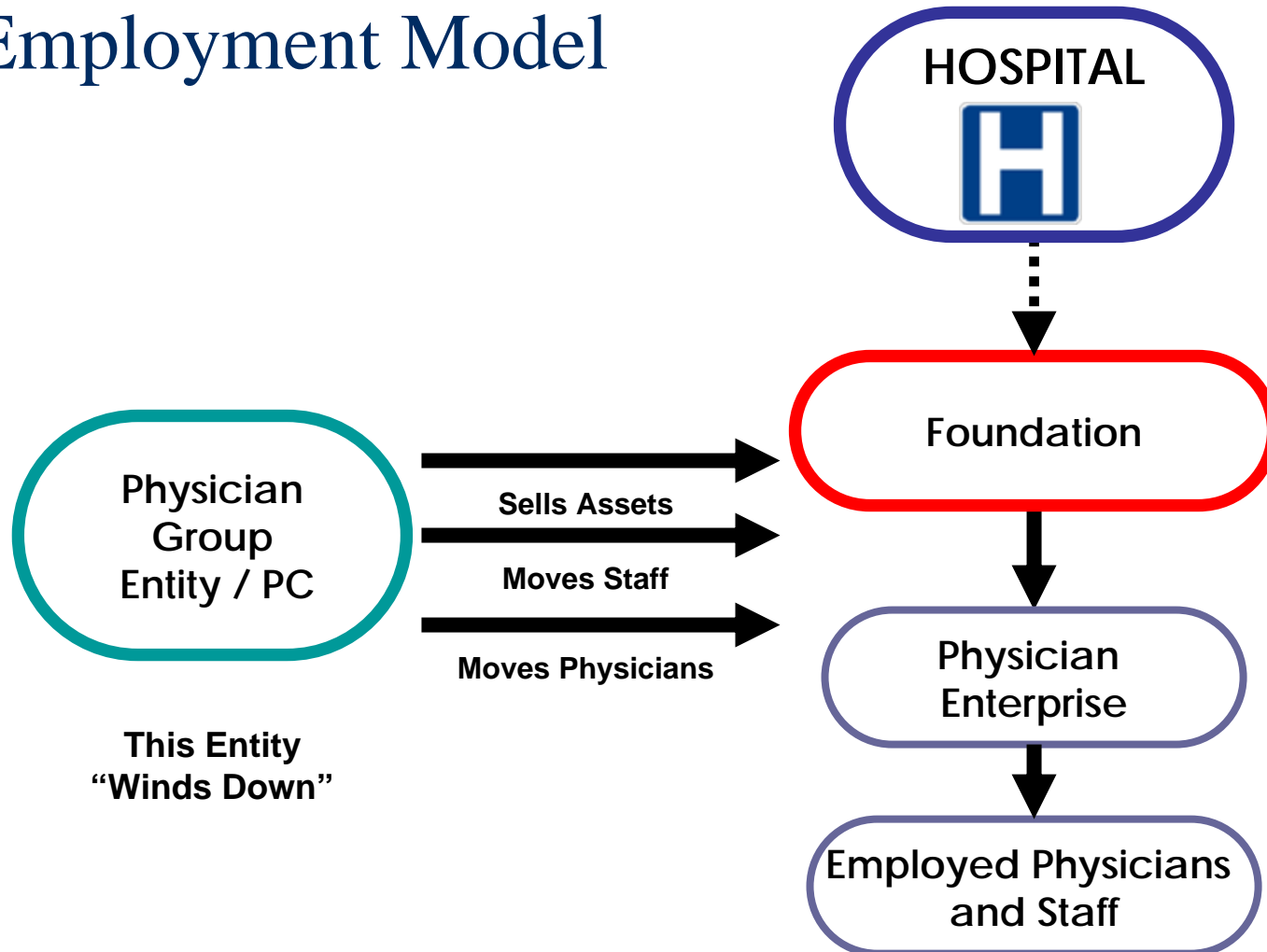
ALIGNMENT STRATEGIES

- PSA Models (Pseudo Employment)
 - Combined PSA / MSA



ALIGNMENT STRATEGIES

- Employment Model



CONCLUSION

*“Insanity is
Doing the Same Thing
You Have Always Done and
Expecting a Different Outcome.”*

Albert Einstein

CONCLUSION

“The Problem that Exists in the World Today Cannot be Solved by the Same Level of Thinking Used that Created Them.”

Albert Einstein