Physician Directed Co-Management Agreements

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COA 2015 Annual Meeting

Palm Springs

April 25, 2015

GOLDEN GATE SPORTS MEDICINE & ORTHOPAEDIC SURGERY

Disclosures

- Chief Medical Officer, Healthcare Strategy and Research Consultants

Outline and Objectives

- The background environment
- Define co-management opportunities and where they fall in the alignment spectrum
- Discuss the legality of co-management agreements
- Discuss formation of Comanagement agreements
- Discuss the impact and uses, future directions

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Background Environment


Economic Pressure
Consumerism
New Business Models
PROVIDERS
PAYERS
INTERMEDIARIES
LIFE SCIENCES
CONSUMER CENTRICITY
NEW ENTRANTS
Regulatory Reforms
IT and Big Data

Forecast

10-Year Orthopedic Volume Forecast	
Inpatient	15 percent
Outpatient	28 percent

Factors Impacting Future Orthopedic Volume and Growth

Demographics	Co-Morbidities	Revisions and Replacements	Clinical Innovations
■ Aging population driving joint replacement volumes ■ Osteoarthritis affecting larger share of population	■ Smoking, diabetes, obesity correlated with osteoarthritis ■ Increased prevalence of obesity in hip replacement patients complicates outcomes	■ Expected increase in demand over next 20 years given higher patient longevity ■ "Weekend warriors" may require eventual replacements following	■ Technology improvements driving utilization ■ Minimally invasive surgical techniques key innovation

The Payer/Employer View of Orthopedic Providers

Variation in Total Knee Replacement Commercial Payments

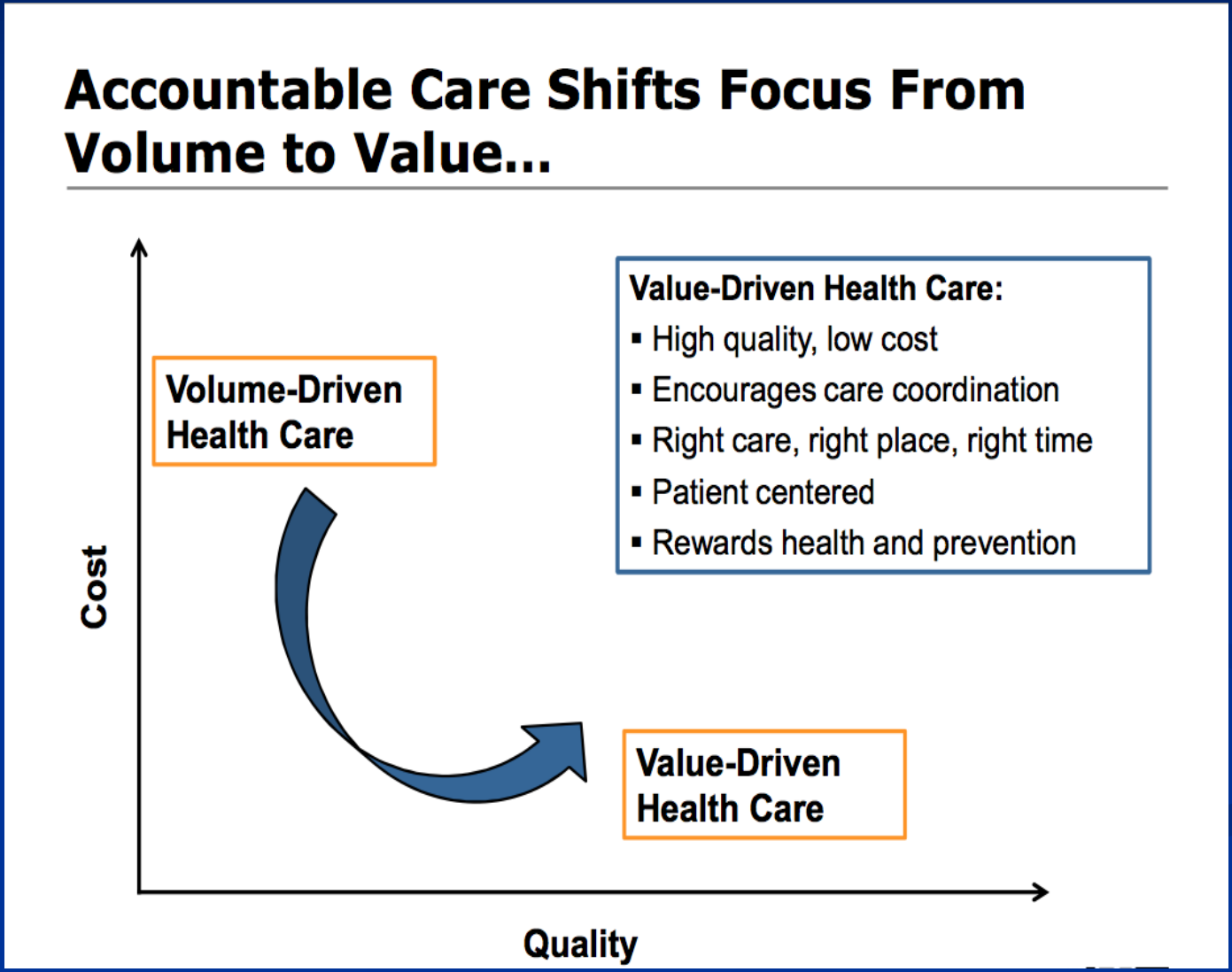
Total Knee Replacement
Average Blue Cross and Blue Shield Payment Per Case
(50 Mile Radius)
July 2012 to June 2013

Facility	Average Payments
Hospital A	$48,267
Hospital B	$46,259
Hospital C	$42,871
Hospital D	$36,415
Hospital E	$35,830
Hospital F	$34,904
Hospital G	$34,386
Hospital H	$33,261
Hospital I	$29,656
Hospital J	$29,436
Hospital K	$28,905
Hospital L	$27,906
Hospital M	$27,132
Hospital N	$27,002
Hospital O	$26,073
Hospital P	$25,822
Hospital Q	$25,333
Hospital R	$22,696
Hospital S	$22,261
Hospital T	$17,590
Hospital U	$10,810

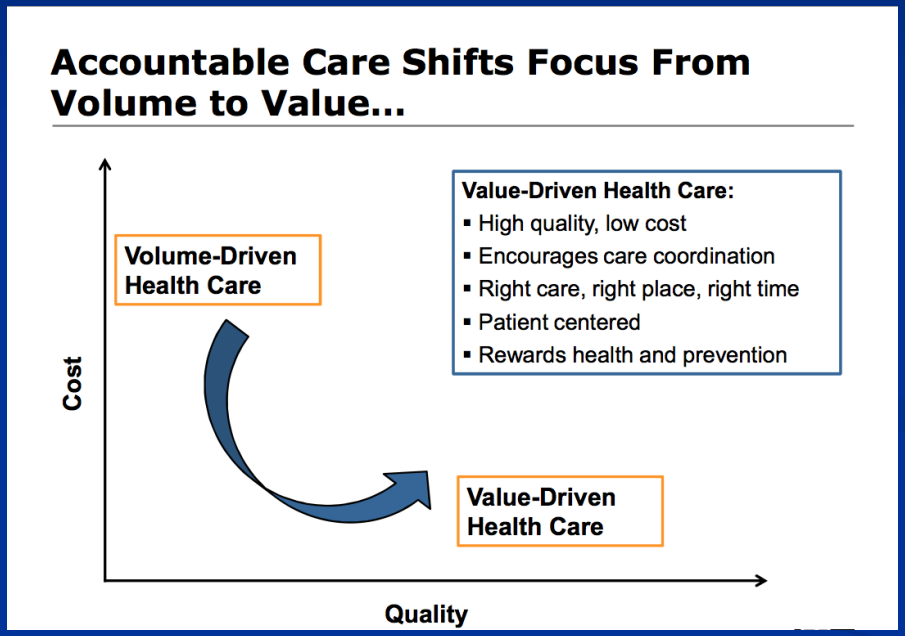
https://sharepoint.thecamdengroup.com/engagements/Wellbe/Docs/Ortho_SL_Webinar_092414/[Camden_Example_Payment_Data.xlsx]Summary

Source: Blue Cross Blue Shield Association (Blue Health Intelligence)
Note: Includes all facilities that reported five or more cases for the period. Includes all inpatient, physician, and ancillary services furnished during the

Background

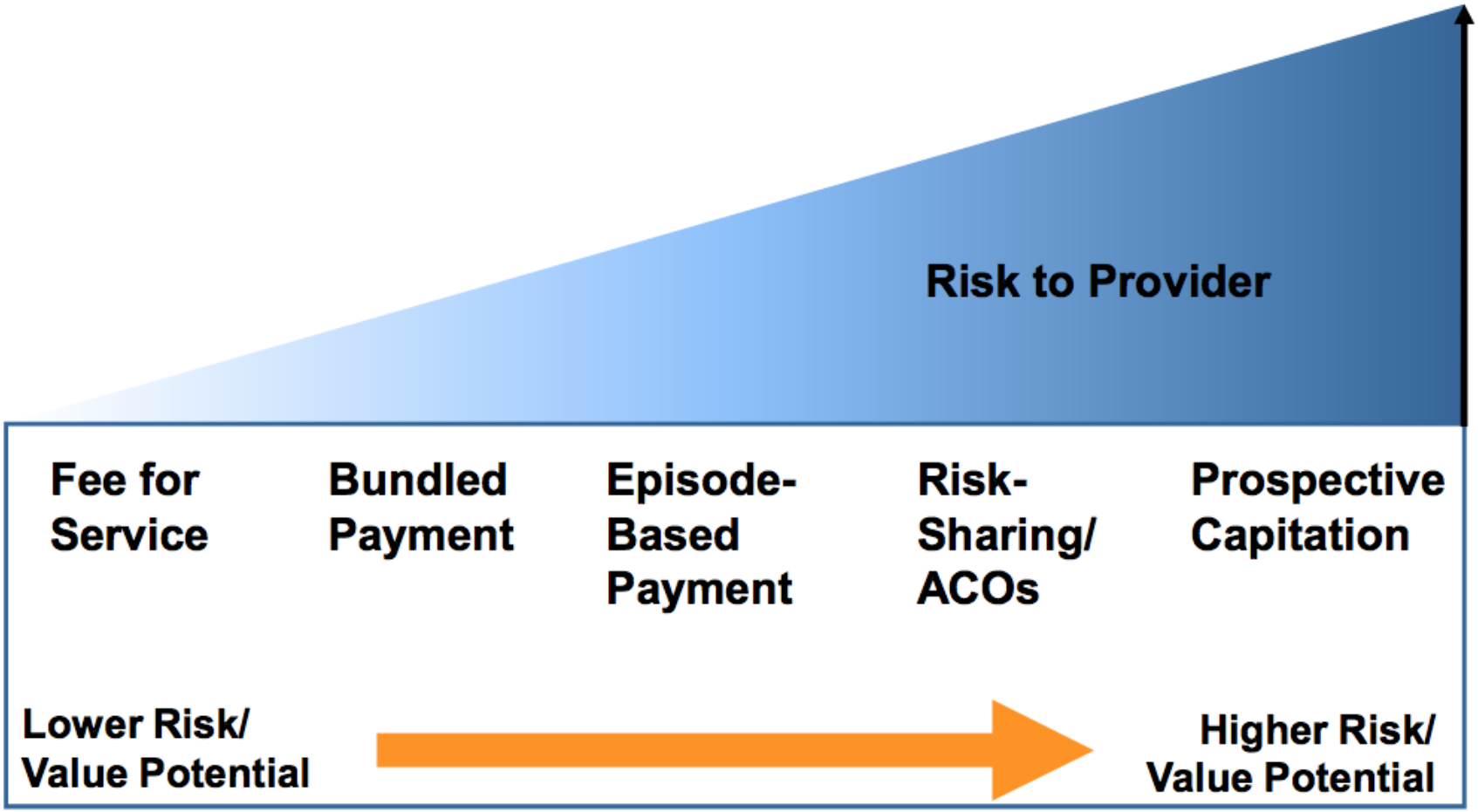

Accountable Care Shifts Focus From Volume to Value…
Value-Driven Health Care:
▪ High quality, low cost
▪ Encourages care coordination
▪ Right care, right place, right time
▪ Patient centered
▪ Rewards health and prevention
Volume-Driven Health Care
Value-Driven Health Care
Cost
Quality

Needed for this to happen:



Physician Leaders !

ASSUMPTON OF RISK



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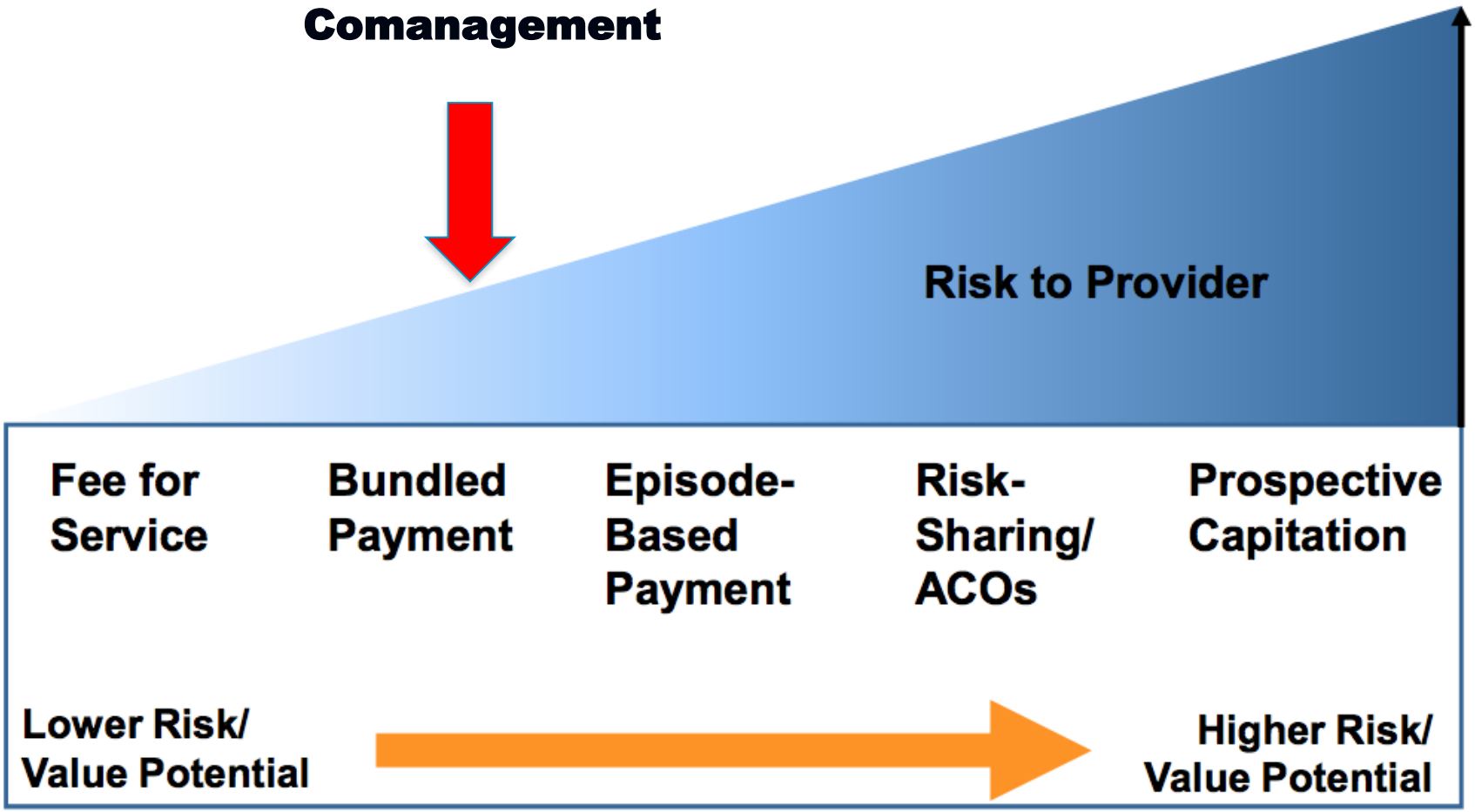

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History

- Started gaining popularity in mid 2000's
- Became very popular in late 2000's and continue to grow rapidly nationwide.

Co-management

- Co-management agreements -often referred to as "Service Line Agreements"- continue to be more common nationwide.

- A popular way for Orthopaedists to integrate with Hospitals, without becoming their employees

Co-management Agreement

- An agreement between a Hospital and a group of Orthopaedic Surgeons, to co-manage the Orthopaedic Service line at that Hospital

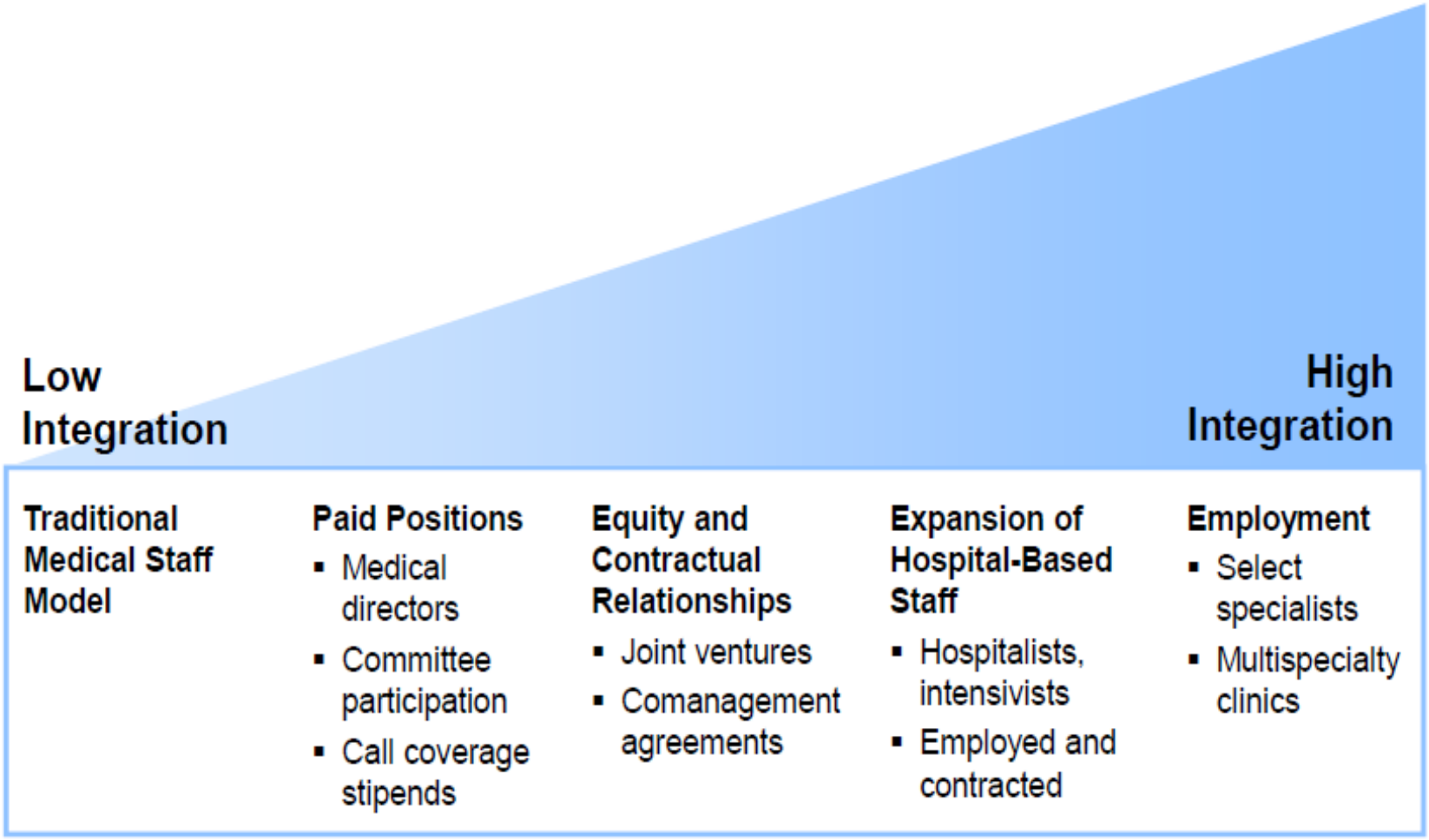
- Physicians are compensated for their time spent assisting in the management of the service line

Co-management

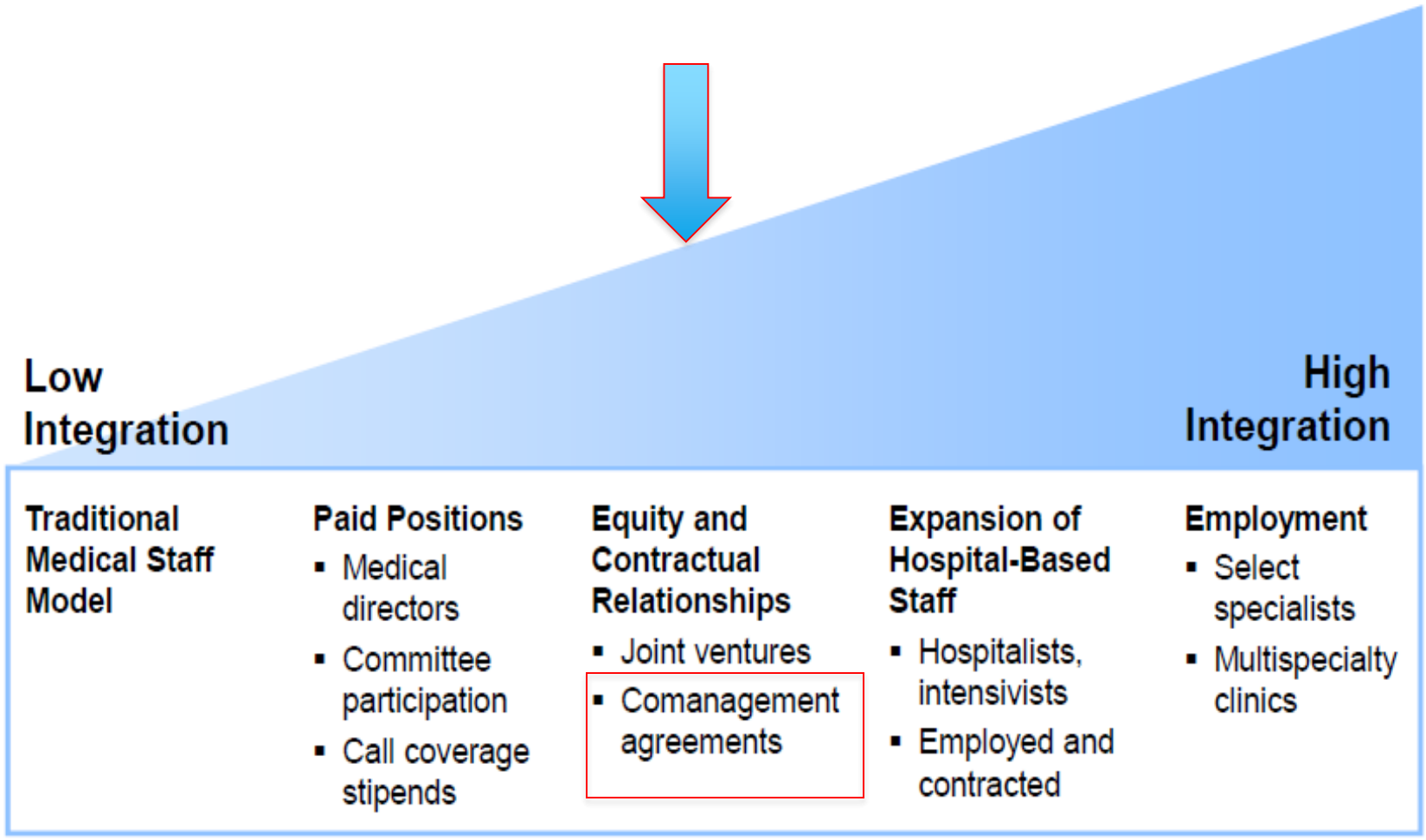
- Typically have fixed, plus incentive based compensation model

- Typically contract term one to three years, renewed by mutual consent, compensation adjusted annually.

Alignment Models



Alignment Models



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Report on
MEDICARE COMPLIANCE

Volume 20, Number 12 • April 4, 2011

Weekly News and Analysis on New Enforcement Initiatives and Billing/Documentation Strategies

Contents

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New Proposed HHS Regulation Outlines Fraud-and-Abuse Waivers for ACOs

CMS and the HHS Office of Inspector General on March 31 floated a proposal to clear the fraud-and-abuse path for accountable care organizations (ACOs). The proposed "notice," which is not a regulation but will have the force of law when finalized, establishes waivers of the Stark, anti-kickback and civil monetary penalty laws so ACOs can move forward without fear of enforcement.

The waivers were unveiled on the same day that CMS proposed the sweeping regulation spelling out the Medicare shared savings program created by the health reform law. The rule sets the parameters for ACOs, which give providers incentives to work together to treat patients across care settings, including doctors' offices, hospitals, and long-term care facilities.

ACOs may include "ACO professionals" (physicians and hospitals) in group practice arrangements; networks of individual practices of ACO professionals; partnerships or joint ventures between hospitals and ACO professionals; and hospitals employing ACO professionals. CMS says ACOs, which should be clinically integrated, are designed to improve patient outcomes and reduce costs.

Because ACO development could have been impeded by the fraud-and-abuse laws, the health reform law authorized HHS to develop Stark, anti-kickback and civil monetary penalty (CMP) waivers. The Stark law bans Medicare payments to entities for services referred by physicians who have a financial relationship with the entity unless an exception applies, and the anti-kickback law criminalizes payment of remuneration for patient referrals.

continued on p. 6

Co-Management Is a Hot New Trend in Physician Ventures, But Beware Stark Risks

Hospitals are jumping all over co-management agreements, which allow them to pay physicians to run a department and improve its quality and efficiency. With CMS effectively killing under arrangements through Stark regulations and some physicians balking at hospital employment, co-management opens a new door to physician-hospital alignment. Because money changes hands, however, hospitals entering into these arrangements need to navigate a fraud-and-abuse minefield.

"Co-management agreements are a hot venture," says Pittsburgh attorney Bill Maruca, with Fox Rothschild. "Physicians are happy with co-management agreements because they don't have to sell their souls and become employees. They can remain independent but get their expertise reimbursed."

Co-management agreements are set up around inpatient and/or outpatient service lines (e.g., cardiovascular services, orthopedic services, gastroenterology, neurosurgery). No two deals are alike, but basically they break down into two types, says Ann Brandt, senior director of HealthCare Appraisers:

continued

Key Legal Issues

- Federal Anti-Kickback Statute
- Stark Law
- Civil Monetary Penalty Statute
- Tax Exempt Issues
- Provider-based Status Rules

Advisory Opinion 12-22

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201

[*We redact certain identifying information and certain potentially privileged, confidential, or proprietary information associated with the individual or entity, unless otherwise approved by the requestor.*]

Issued: December 31, 2012

Posted: January 7, 2013

[Name and address redacted]

Re: OIG Advisory Opinion No. 12-22

Advisory Opinion 12-22

- On December 31, 2012, the OIG issued a favorable review of co-management arrangement between a rural hospital and 18-member cardiology group

Co-management Agreements

- Formation of Comanagement agreements

Co-Management

- Need to have a group of Orthopaedic surgeons and a Hospital Group, willing to engage
- Consultants, Attorneys, FMV evaluators
- A negotiation process

Co-management

- Can't be one sided
- Both parties will see significant benefits if done correctly

Initial steps

- Physician side
- Hospital side

Phases

- Phase 1
  - From the initial concept to the signing of the co-management contract
- Phase 2
  - First year of operation
- Phase 3
  - Beyond first year of Operation

Phase I
Physician Side

- Come together as a group.
- Decide on a steering committee/leadership structure
- Form an LLC

Phase I
Hospital side

- Engage legal counsel to create Co-management Agreement
- Engage FMV firm, evaluate members of LLC
- Financial analysis of Orthopaedic Service line
- Draft Co-management agreement
- Negotiate with Physicians on services to be provided

Phase II Operations

- Orthopaedic "Dashboard" established
- Bonus criteria measured
- Time Sheets submitted

Phase II
Physician Compensation

- Mix of distributions and position payments
- Commensurate with Surgeons level of participation in the LLC
- Must not, and cannot, be tied to surgical volume alone

Phase III

- Contract re-negotiation
- Set new goals
- Determine bonus criteria

Outline and Objectives

- The background environment
- Define co-management opportunities and where they fall in the alignment spectrum
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- Discuss mature co-management arrangements and future directions

Possible applications

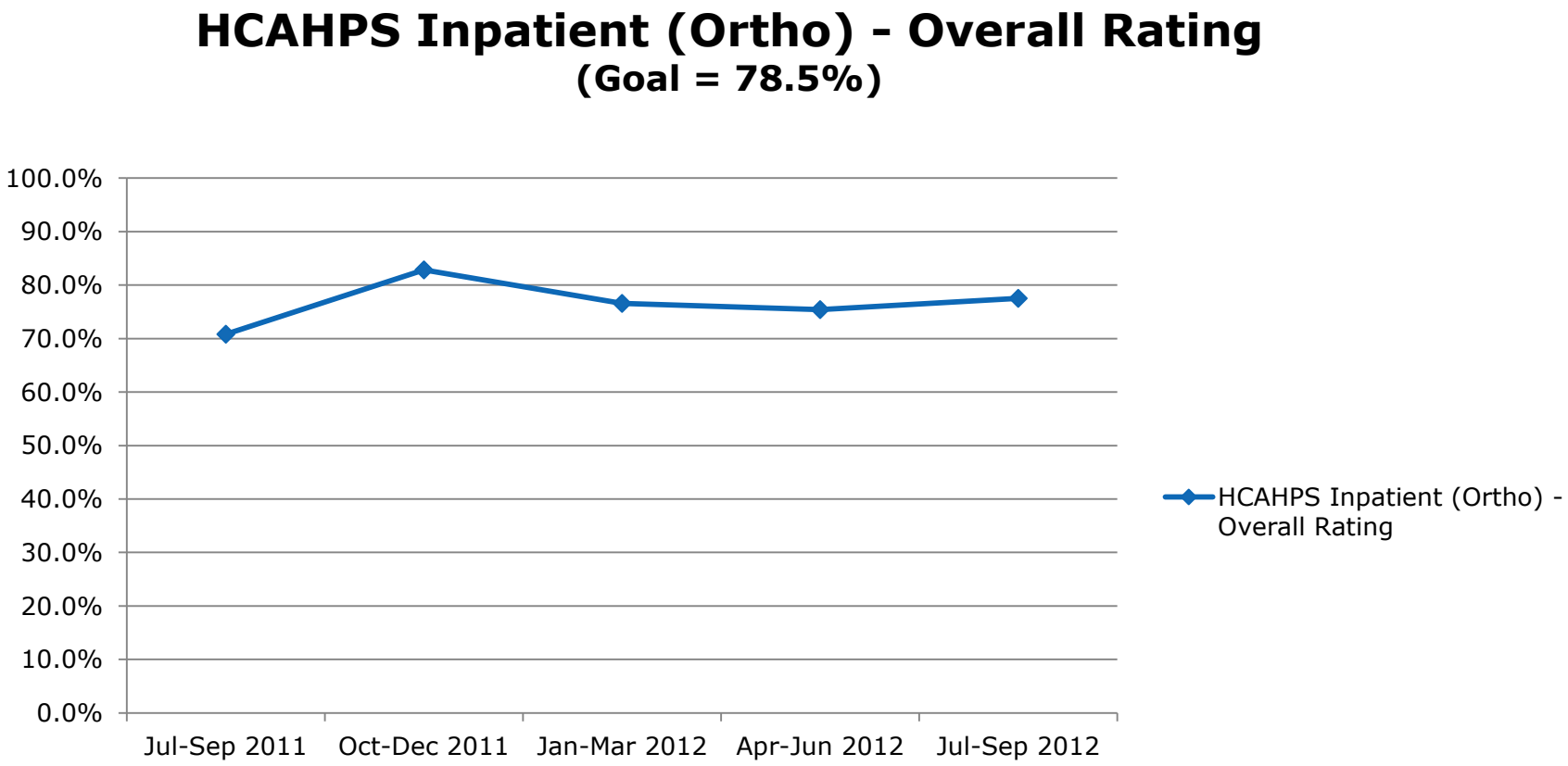
- Management of hospital processes
- Setting up audit programs
- Design or oversight of a specific service line
- Enhancement of hospital services
- Determining capital and/or operating budgets

Exmple One

California Hospital

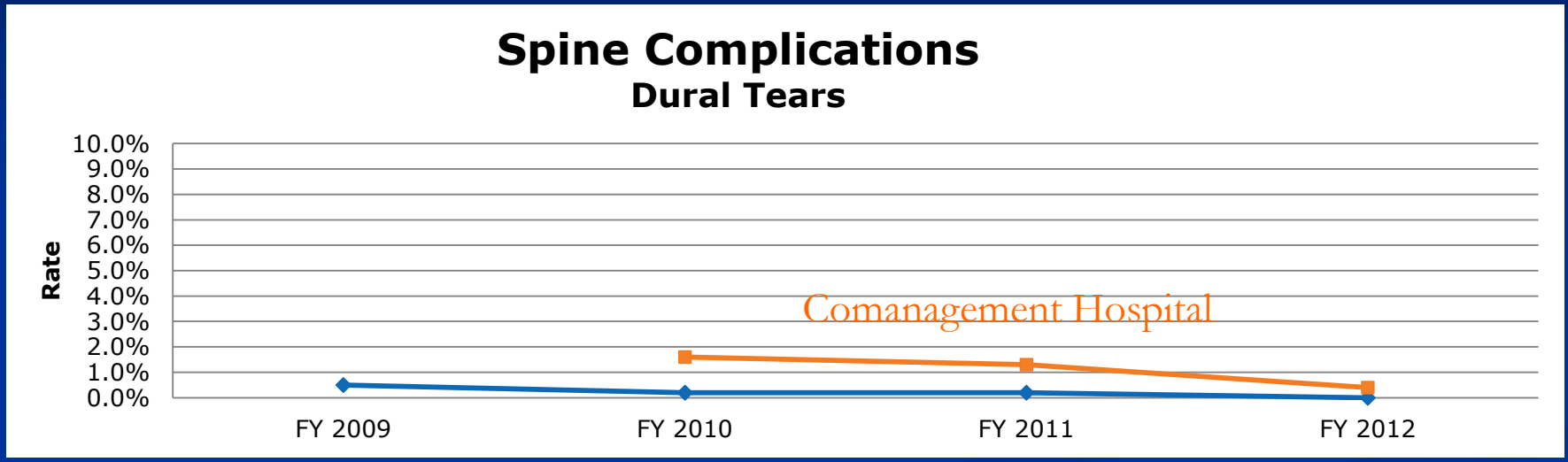
Quality and Service Metrics

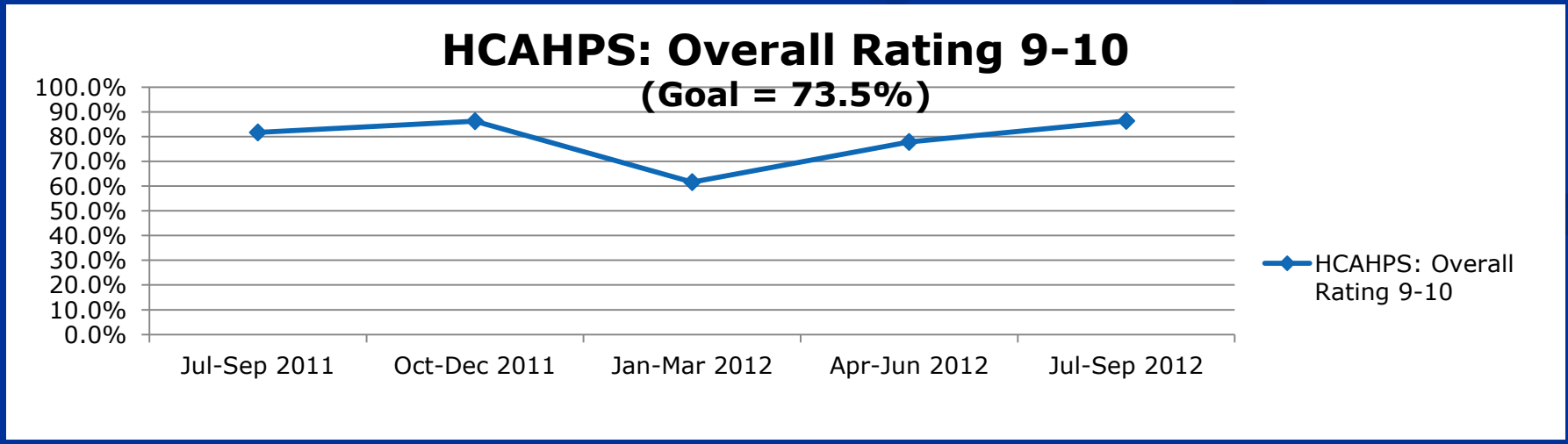
Total Joint Replacement



Quality and Service Metrics

Spine Surgery





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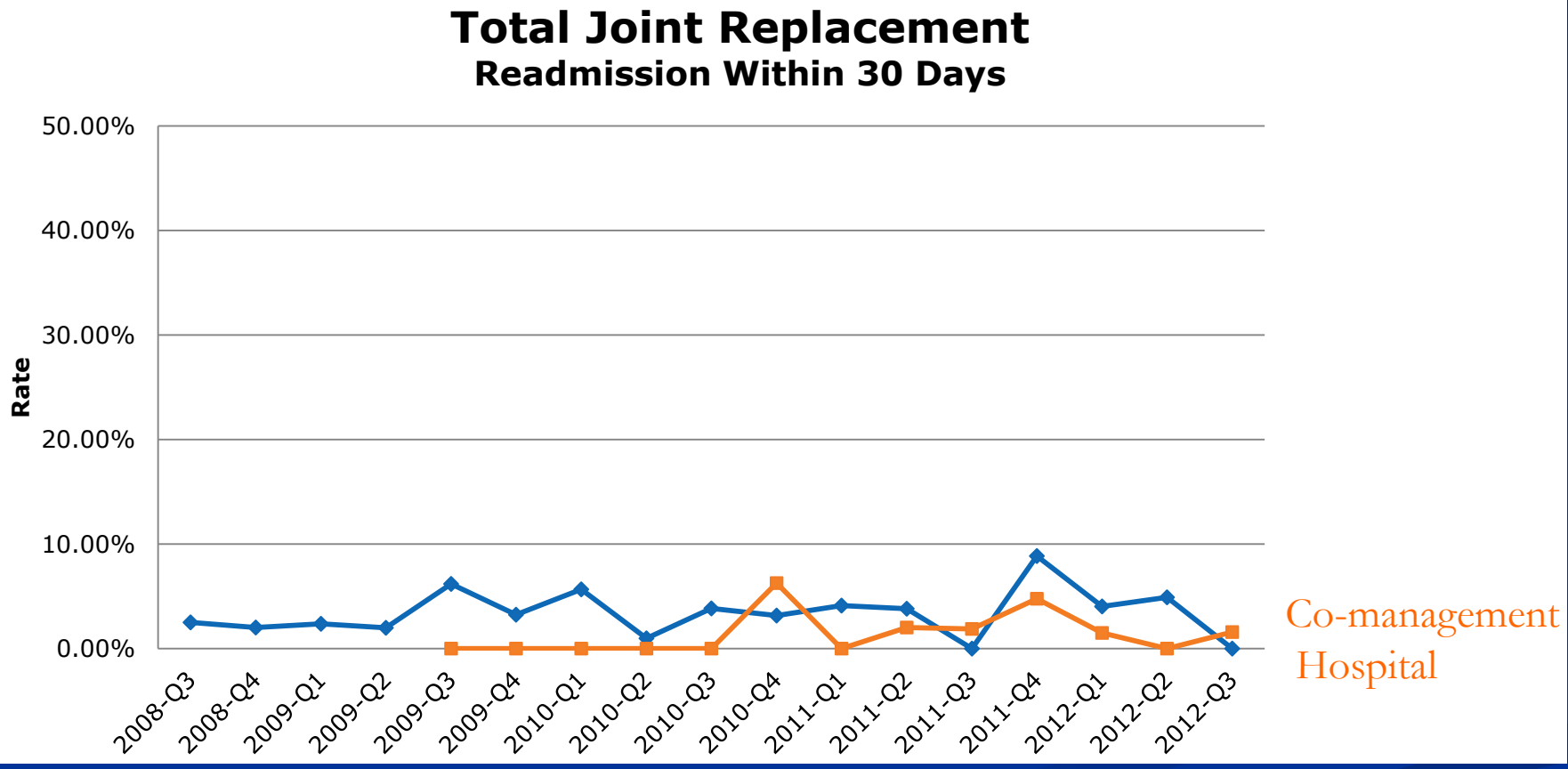

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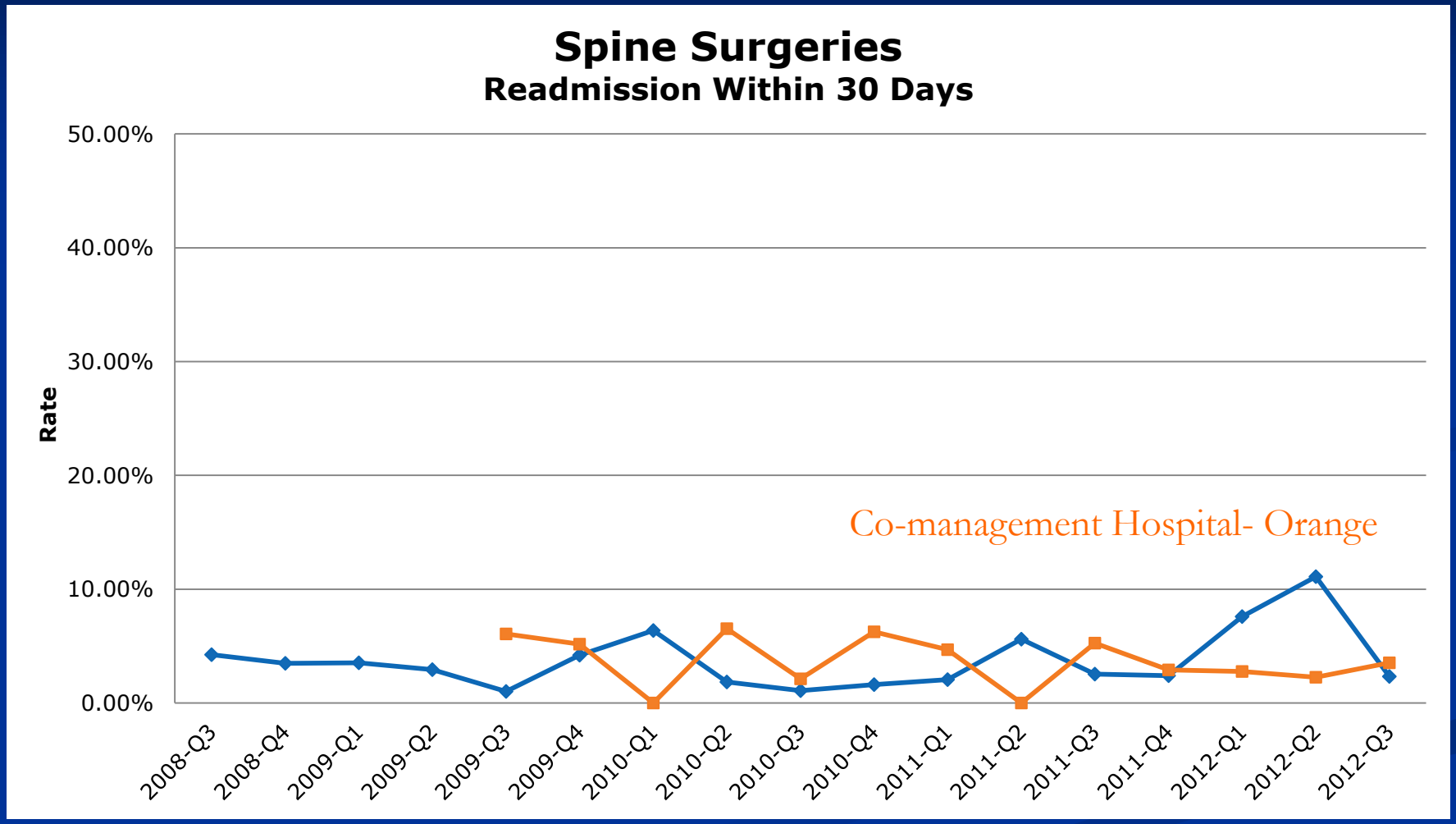
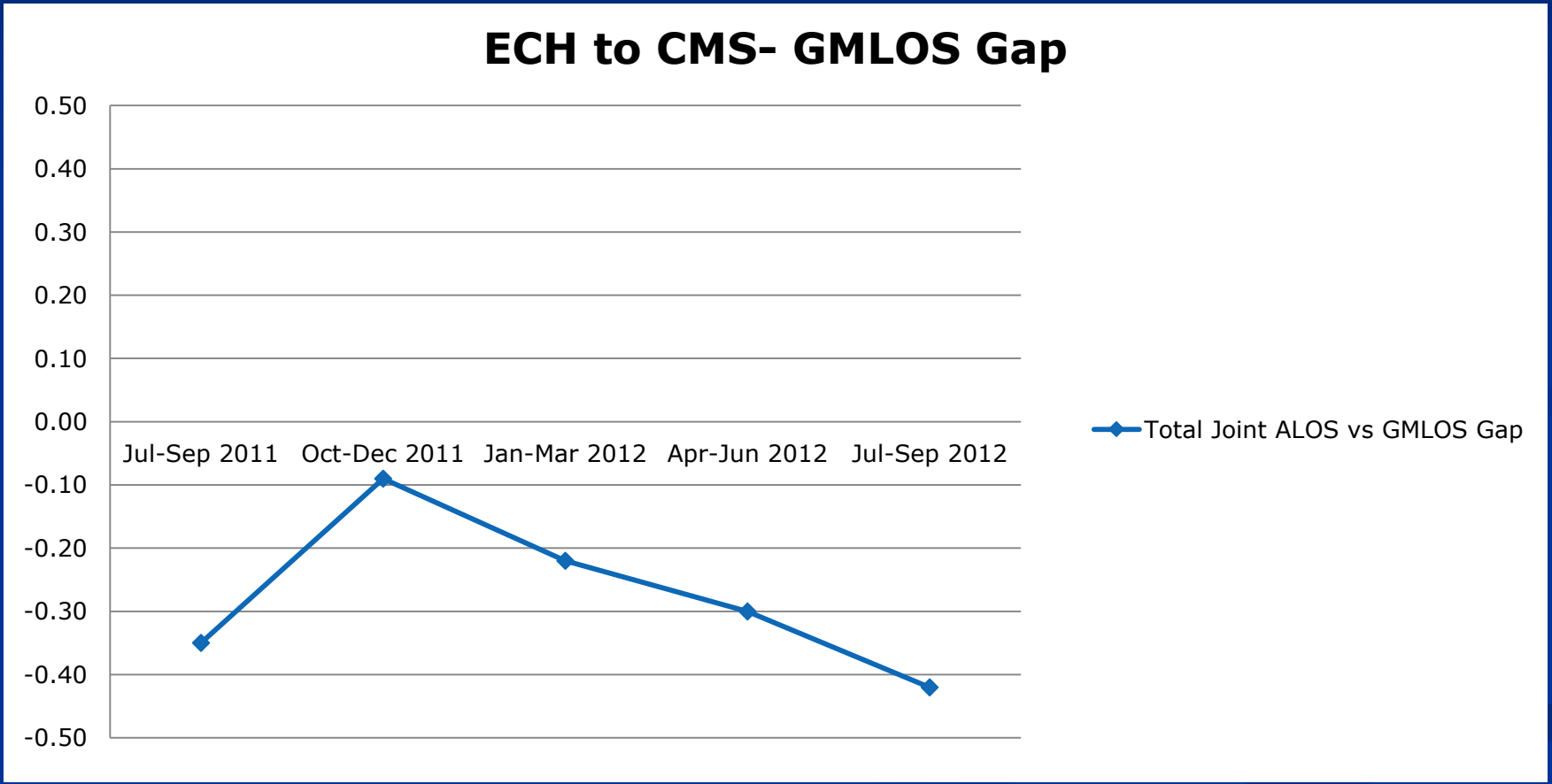
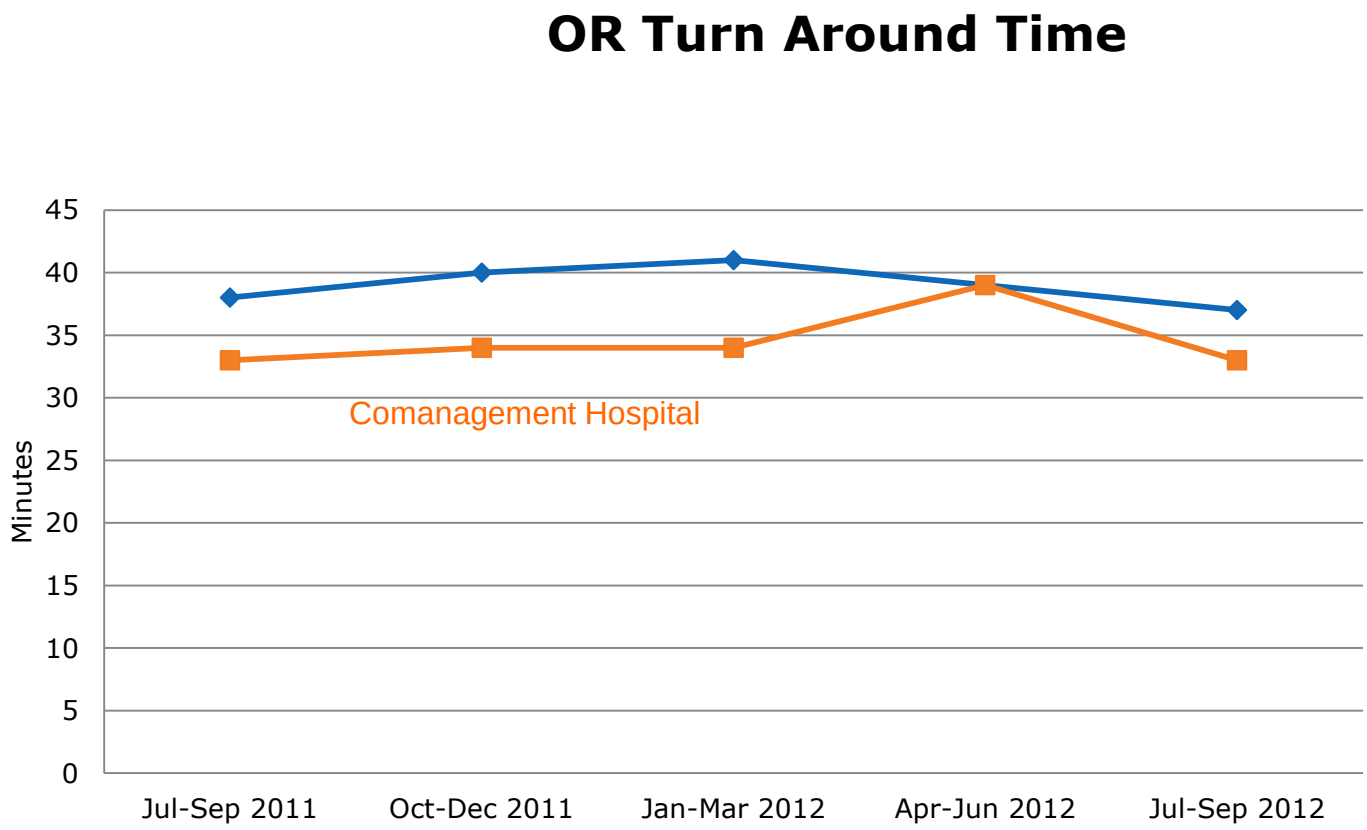


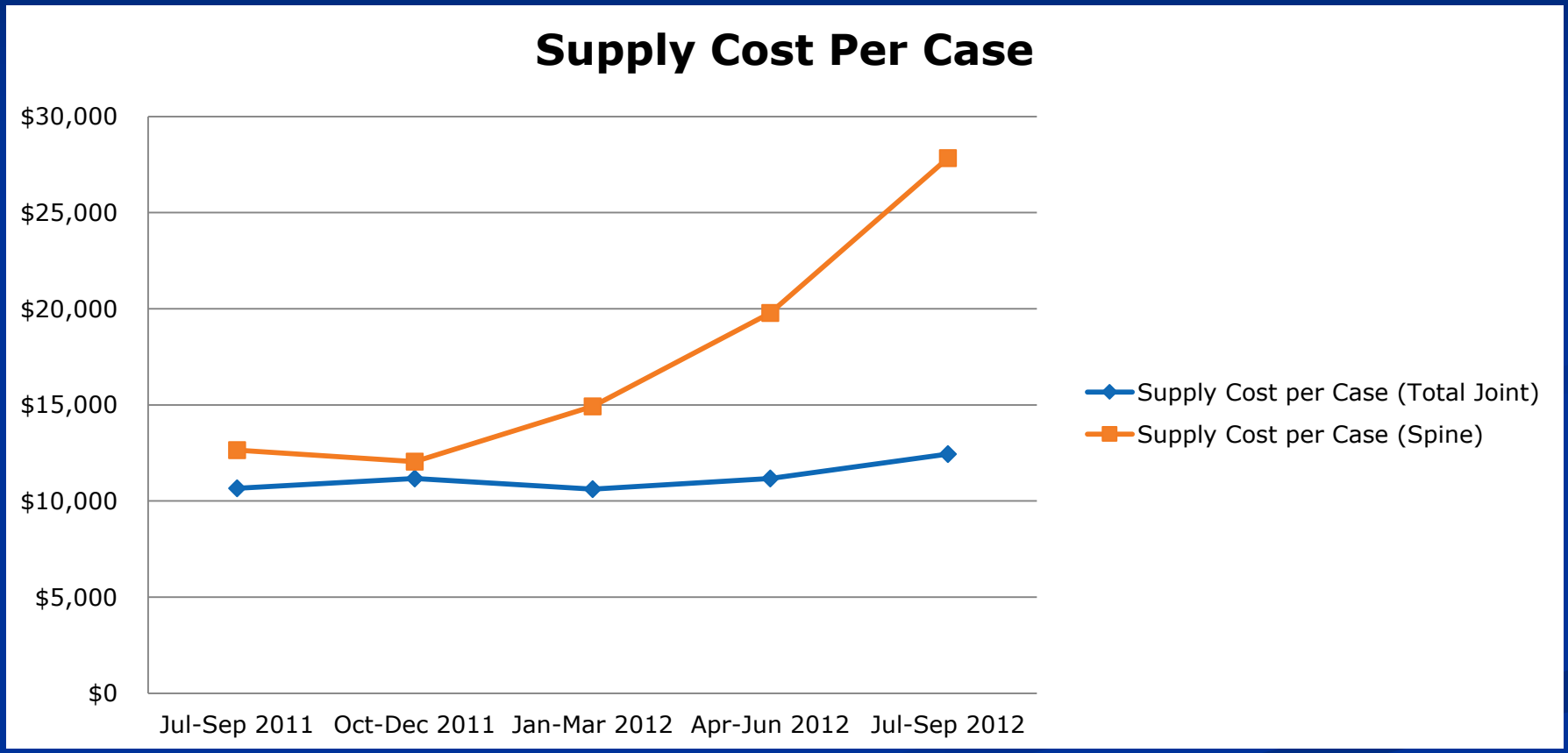
Length of Stay



Service Efficiency



Affordability



Orthopaedic Implant costs

- Implant cost savings since programs have been initiated system wide:

- **Spine = $470,000.00**

- **Total Joints= $955,532.52**

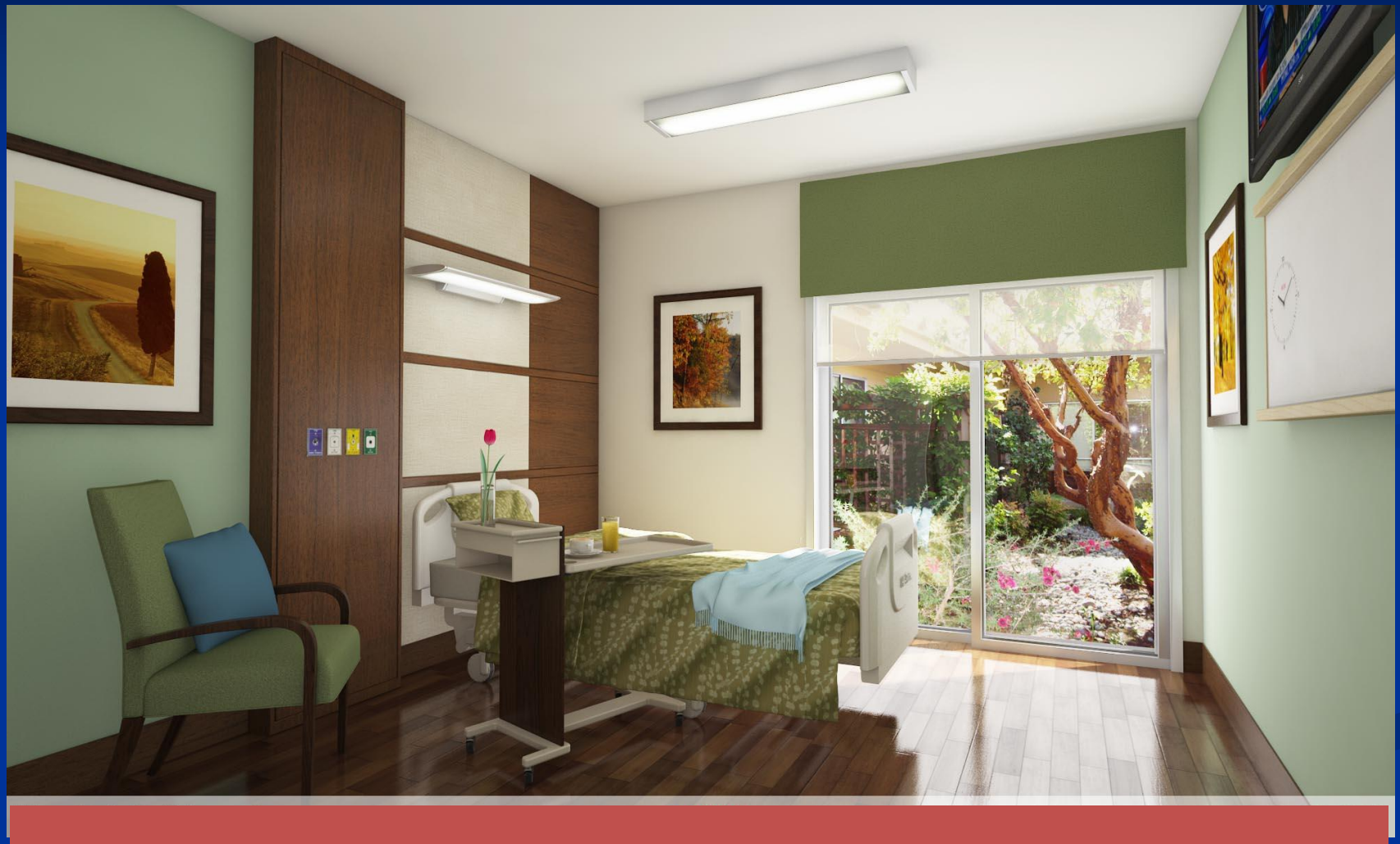
COMPREHENSIVE CARE TO KEEP YOU MOVING TOWARD A MORE ACTIVE LIFE.

If joint and spine pain are keeping you from a more active lifestyle, make the move to visit one of the experts at El Camino Hospital's Orthopedic Institute. Our collaborative program is large and experienced, and our physicians are primarily board-certified and fellowship-trained. So whether you need preventive care for bone health or sophisticated diagnosis, treatment, and rehab, we have you covered from head to toe. Of course, we offer the most advanced orthopedic treatments, including the latest minimally invasive surgeries for joints and spine. And our program size enables us to offer subspecialty expertise for every major joint (hip, knee) and extremity (hand, shoulder, ankle). Don't let mobility problems sideline you from an active life. Contact our ortho pros today.

Just a few of our orthopedic experts, from left: Jeffrey Coe, MD, orthopedic spine surgeon; Julia Kahan, MD, orthopedic surgeon; Rodney Wong, MD, chief of orthopedic surgery and orthopedic surgeon; Nancy Zyrkowski, MS, MSA, program director, rehabilitation center; and Jeffrey Kliman, MD, orthopedic surgeon.

For a referral to one of our orthopedic experts, call or visit our Web site today.

Orthopaedic Pavilion



Orthopaedic Pavilion

Orthopedic Institute – Recognition

Blue Distinction Center

Spine Surgery

Knee and Hip Replacement

Healthgrades

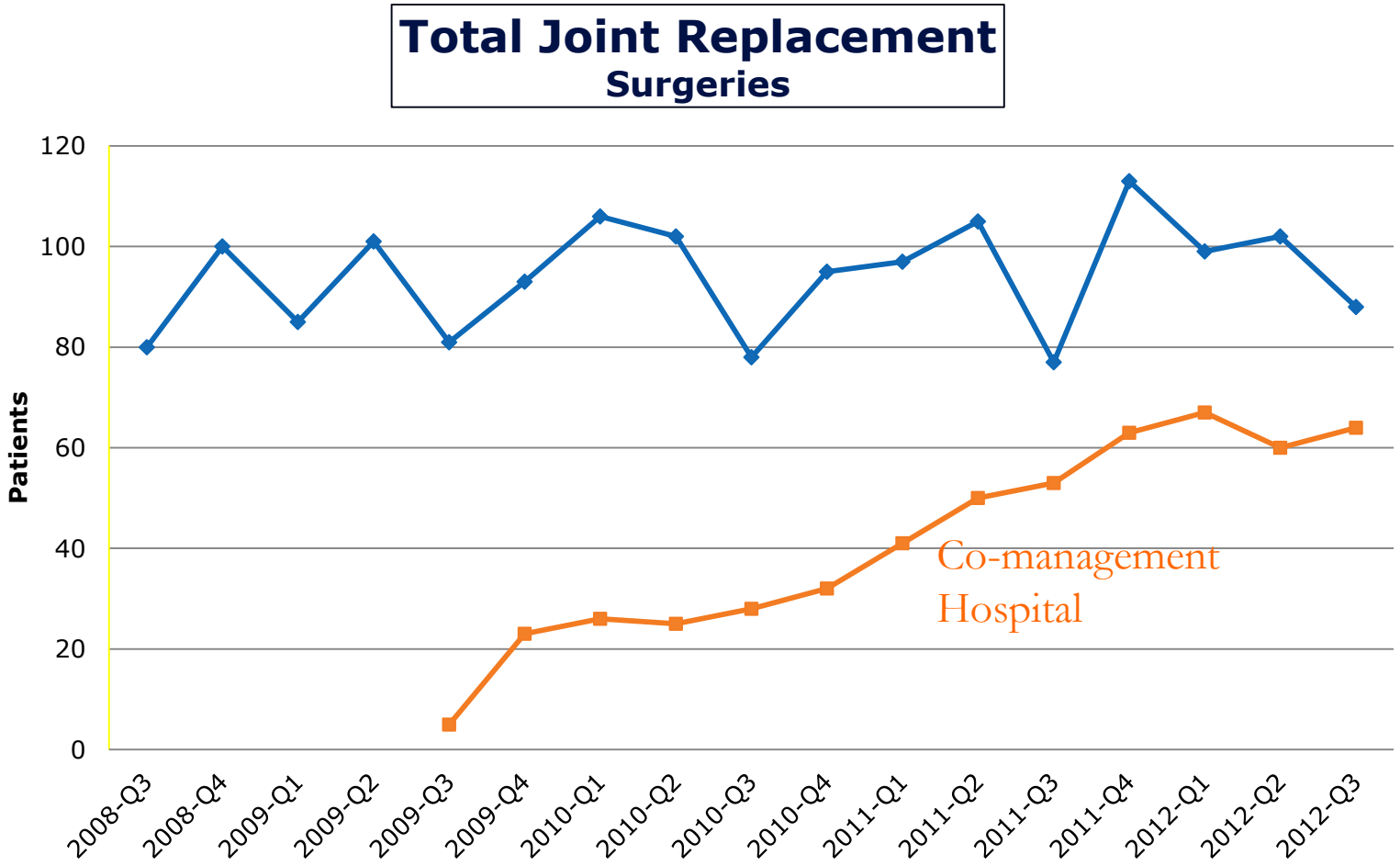
" Five Star Recipient for Total Hip replacement" 2010, 2011, 2012, 2013.

Aetna Institute of Quality

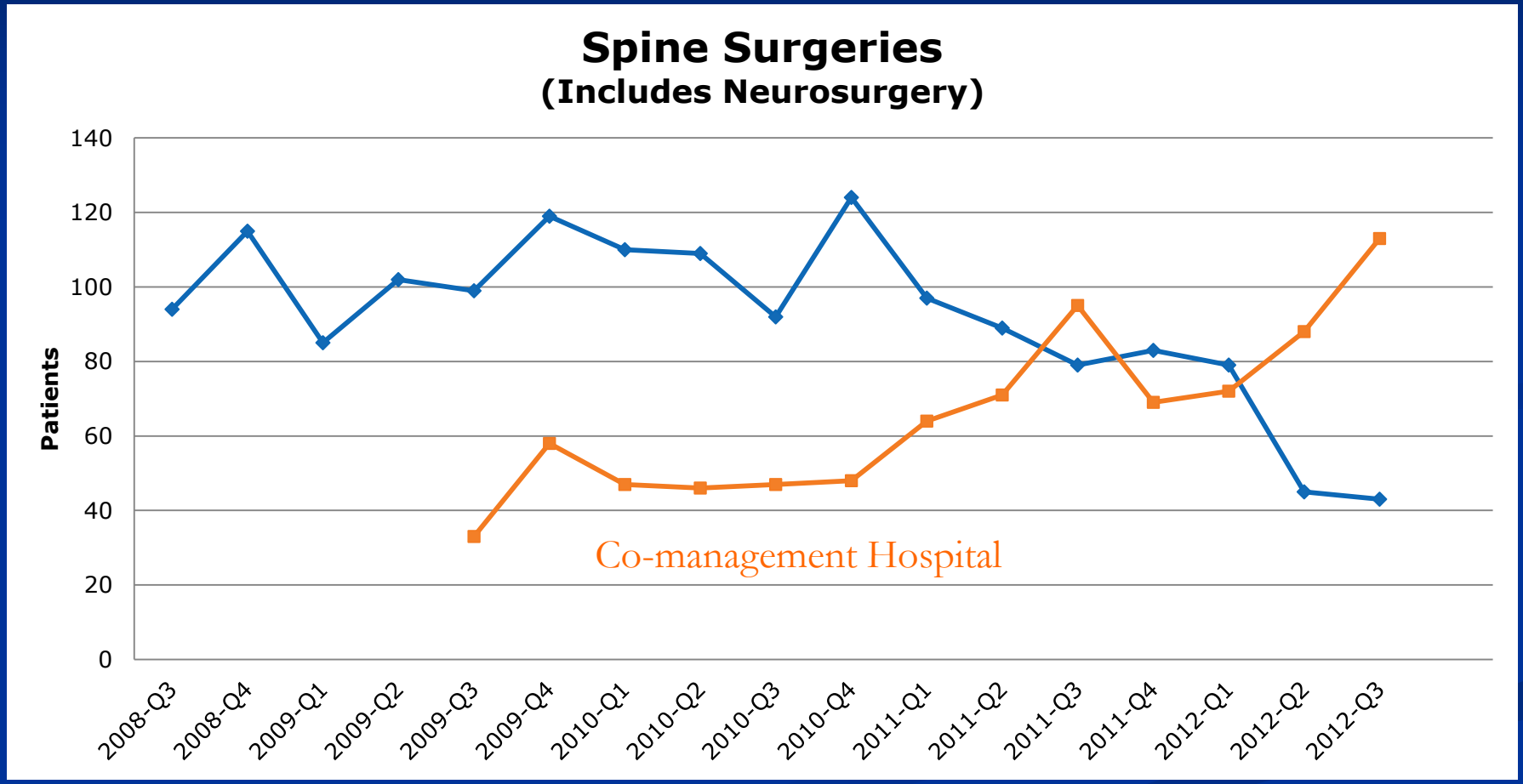
Total Joint Replacement

Spine Surgery

Surgical Cases

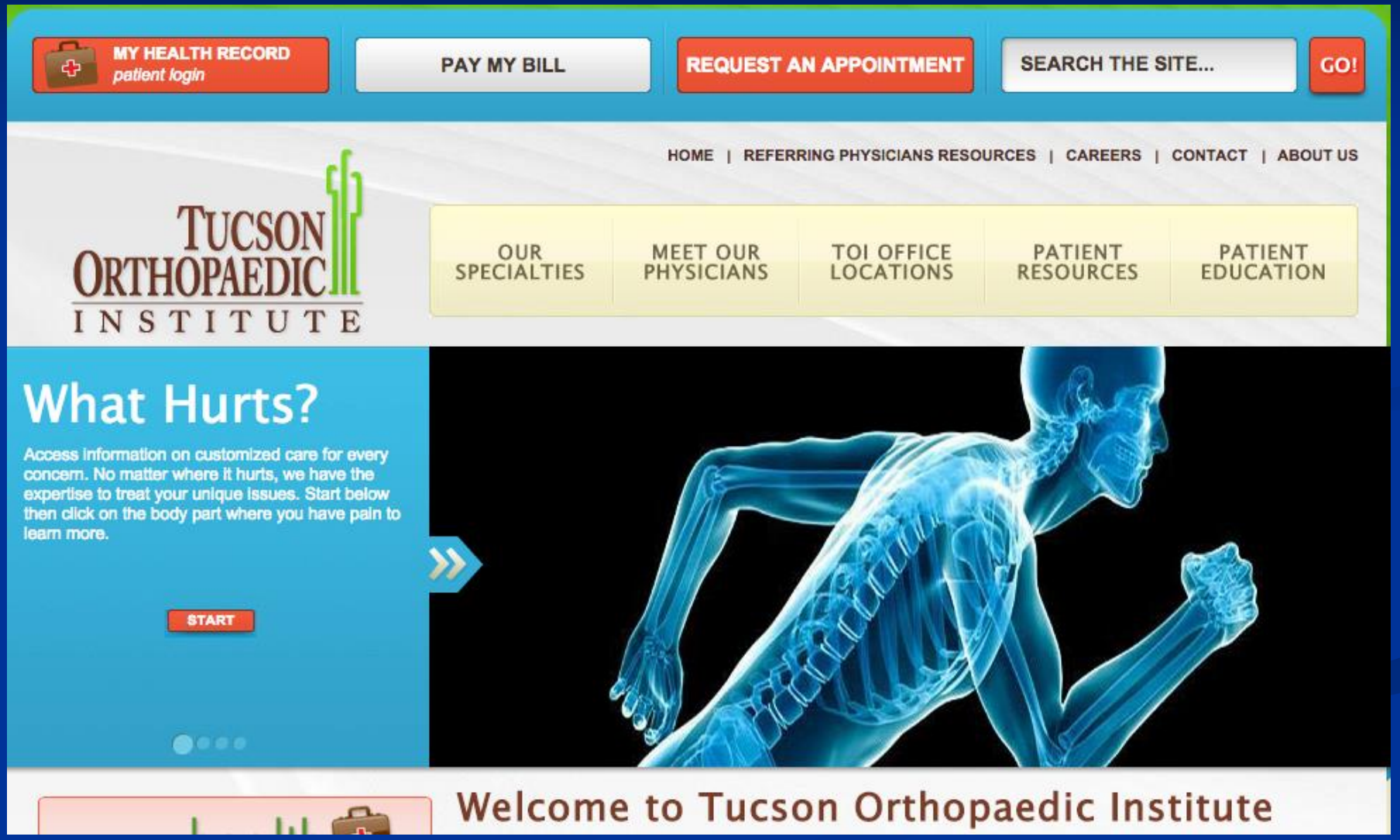


Surgical Cases



Example 2

Tuscon Orthopaedic Institute



Tucson Orthopaedic Institute

- Thirty-five doctors own the co-management company, HMH Clinical Management, and two primary-care and two specialty-care physicians sit on its governing board.

HMH Clinical Management

- Ownership Breakdown:
  - The Tucson Orthopaedic Institute owns 45%
  - Tucson Medical Center owns 32.5%
  - Center for Neurosciences owns 22.5%.

Tuscon Orthopaedic Institute

- Started Comanagement in 2008
- Resulted in $20 million savings over 4 yrs

Future directions

- Orthopaedic Institutes/Centers
- Combined MRI / Surgicenters /Specialty Hospital
- ACOs, Bundled Payments

Reasons to Love Co-management Agreements

- They are quality- and performance-driven
- They are acceptable legally, meeting all the restrictive covenants and regulations currently required.
- They build trust between physicians and hospital, as well as between physicians
- They allows independent physicians to participate in an accountable value based system, with minimal upfront investment

Thank You

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