
RETOOLING FOR VALUE

Heeding calls for more accountability, four progressive healthcare organizations are already knee-deep in colossal change—reorganizing, merging, partnering, and reengineering—with the goal of differentiating themselves on quality and cost.

A common complaint among leading-edge providers is the difficulty of keeping one foot in the envisioned future—where providers are paid based on performance—and one foot in the current fee-for-service system that still pays primarily on volume. “That is a challenge for all healthcare organizations right now,” says David R. Maizel, MD, corporate vice president, Sentara Healthcare and president of Sentara Medical Group. “How do we straddle this transition?”

That transition looks even more precarious when other unknowns are factored in, including how many additional insured will be added to the ranks, how much reimbursement will actually decline, and whether bundled and other performance-based payment approaches will actually work in the real world.

Yet the providers in this section are managing to keep a firm footing. While acknowledging the risks, they are investing time and dollars in major change initiatives designed to help them achieve patient-centered visions of higher quality, lower cost, and coordinated, population-based care.

While each provider in this section has a unique story to tell, similar strategies are being used by many (see Common Approaches on this page). One of these tactics: Building better partnerships—and trust—between hospitals and physicians, as illustrated in this first case study about St. Anthony’s Medical Center.

CASE STUDY: GIVING PHYSICIANS CONTROL OF A CARDIAC SERVICE LINE

St. Anthony’s Medical Center, a 767-bed hospital in suburban St. Louis, has heavily invested in its cardiac service line in recent years. In 2008, St. Anthony’s opened a new Heart and Surgical Pavilion—a four-story “heart hospital within a hospital.” It has also been steadily expanding its offerings of state-of-the-art diagnostics and treatments, including minimally invasive heart surgery and radiofrequency ablation.



COMMON APPROACHES

A number of similar reinvention strategies are being employed by the providers in this section.

- Building strong partnerships between hospitals and physicians via employment and comanagement, contracting arrangements, technology support, and practice acquisition
- Establishing mutual trust; two providers stress the importance of developing guiding principles (e.g., core values, goals) to help frame hospital-physician partnerships
- Restructuring service lines to reflect how patients actually use and view healthcare services—versus traditional silo-based organizational structures
- Merging and acquiring to create integrated continuums of care
- Redesigning ambulatory and primary care practices into medical home models
- Investing in EHRs, HIEs, and other IT to support cross-continuum collaboration
- Shifting from a hospital-centric culture to population health management

But the most innovative change occurred this past January, when St. Anthony’s partnered with 11 cardiologists to create the Heart Specialty Center.

The newly employed physicians, who now sit on the hospital management team, are specifically responsible for the governance, finances, operations, and clinical care of the medical center’s cardiovascular service line—which includes interventional radiology and vascular surgery in addition to cardiac care and cardiovascular surgery.

In addition, the cardiologists manage a hospital-owned outpatient practice. Because their authority spans outpatient and inpatient care, they are able to coordinate the continuum of services for their patients, from prevention and diagnostics to treatment and rehabilitation.

David Morton, MD, medical director of the Heart Specialty Center, says the physicians want their success to be measured by improved quality scores and complication rates, as well as cost-saving decreases in lengths of stay and unnecessary readmissions.

Morton initiated the effort that brought the hospital and physicians together. In his former position as president of a large cardiology private practice, he had become frustrated with the competitive and uncooperative relationships between hospitals and physicians.

“We all feel strongly that unless physicians are involved in running and organizing an entire service line—both inpatient and outpatient—we will never be able to attain high clinical quality while also improving efficiency and lowering costs,” he says.

BUILDING THE RELATIONSHIP

During their search for a hospital partner, Morton and his fellow physicians were offered—and rejected—hospital management contracts in which they could have maintained their private practice. They held out for an employment arrangement with St. Anthony’s because Morton believes it seals the fates of the physicians and hospital together.

“It was a big step for St. Anthony’s to basically give up control of the entire cardiac service line—nearly 40 percent of hospital revenues,” says Morton. “At the same time, we physicians gave up our freedom to go back into private practice when we cut our ties with our old cardiology group. We are both stepping off the cliff together.”

St. Anthony’s did not buy the cardiology group that Morton founded; rather, the hospital hired 11 members of that practice. The physicians’ compensation is tied to their performance. In the hospital’s FY12, says Morton, their pay will be based in part on how well the service line performs on 10 surgical and medical quality measures and goals, including decreased mortality for bypass surgery patients.

As head of the Heart Specialty Center, Morton reports directly to St. Anthony’s CEO. The Center’s executive director, who manages day-to-day operations, reports to Morton. The Center is governed by a nine-member strategic council comprised of seven physicians, the Center’s executive director, and St. Anthony’s CEO, who serves as liaison between the heart program and other hospital administrators.

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REDUCING SUPPLY COSTS

In addition to attracting patients to St. Anthony’s, the physicians are willingly identifying ways to reduce costs. “Given declining reimbursements for physicians and hospitals, it is in our best interest to ensure that we reduce costs in a way that will actually increase the quality of care,” says Morton. “We are able to use the monies that we save by reducing inefficiencies and supply costs to expand our facility and to improve care.”

One of the first targets for cost savings: supplies. Interventional radiologists, vascular surgeons, and the cardiac catheterization laboratory at St. Anthony’s had historically contracted for supplies and medical devices separately, which led to triple inventories for common items, such as interventional catheters, stents, and pacemakers. Now that all three specialties are using common supplies, hospital materials management staff have been able to negotiate volume-based price discounts on these supplies, which is expected to save at least \$1 million a year.

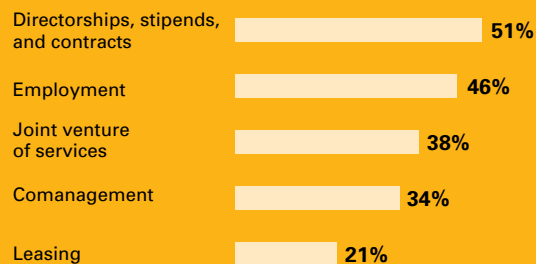
Although the relationship is too new to analyze ROI implications, John Skeans, St. Anthony’s CFO and vice president of finance, likes what he sees so far. “Partnering with physicians does not always make sense. But given the quality of this group of cardiologists—all of whom can demonstrate proven positive outcomes—this is a financial win for us,” he says.

PROBABILITY OF PHYSICIAN INTEREST IN ALIGNMENT BY MODEL

Percentage of physicians interested in more closely integrating with a hospital



The alignment models that physicians are most interested in pursuing in the next two years



Source: PwC Health Research Institute Physician Survey, 2011. Reprinted with permission. Data from PwC Health Research Institute 2011 survey of more than 1,000 physicians.



Photo: St. Anthony's Medical Center. Reprinted with permission.

CARDIOVASCULAR SURGEON JAMES SCHARFF, MD, PERFORMS COMPLEX SURGERIES IN A DEDICATED CARDIOVASCULAR SURGICAL SUITE AT ST. ANTHONY'S MEDICAL CENTER.

The cardiologists St. Anthony's hired had measured and benchmarked their quality of care over a number of years. "It's one thing to say you are good; it's another to have the data to show it," says Morton.

KEEPING THE PATIENT IN MIND

Morton and his colleagues have organized the Heart Specialty Center with the goal of providing patient-centered care. "Hospitals are traditionally set up to run the way that the hospital wants, but not necessarily the way patient care is carried out," says Morton. "We have totally flipped that backwards so that now we are flowing with the patient."

In the past, for example, staff members in the preoperative area, operating room, cardiovascular intensive care unit (ICU), and telemetry unit had each reported to a different manager, which set up opportunities for conflict. Now all staff members who serve a cardiac surgery patient report to a single manager.

Similarly, the physicians are adjusting staffing patterns to improve patient outcomes and ensure nurses spend more time at the bedside. In the cardiac cath lab, for example, administrative functions that were being performed by ICU-level nurses have been assigned to other staff members, freeing the nurses to focus on patient care.

Morton advises making organizational changes incrementally to give staff time to adjust to the new way of doing business. "I think the restructuring has been hardest on middle management," he says. "There is a long history of the way hospitals operate, and this is a foreign concept for many managers."

LEADING THE CHANGE

The most important lesson learned, Morton says, is that the traditional distrust between hospital administrators and physicians must be overcome for a true partnership to be achieved.

In St. Anthony's case, the physicians and hospital leaders developed a set of guiding principles before they started negotiations, and Morton says that has proved to be invaluable. By agreeing to core values, goals, and a mission for the Heart Specialty Center in advance, all parties had a framework that made decisions about financial, governance, and operational issues much easier.

"For this to work, both of you have to say, 'Okay, this is something that we are going to do together as an entity, working together,'" says Morton.