

New Payment and Delivery Models

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Mission:

To be your medical home

Vision:

**To be the model for physician-led
health care in America**

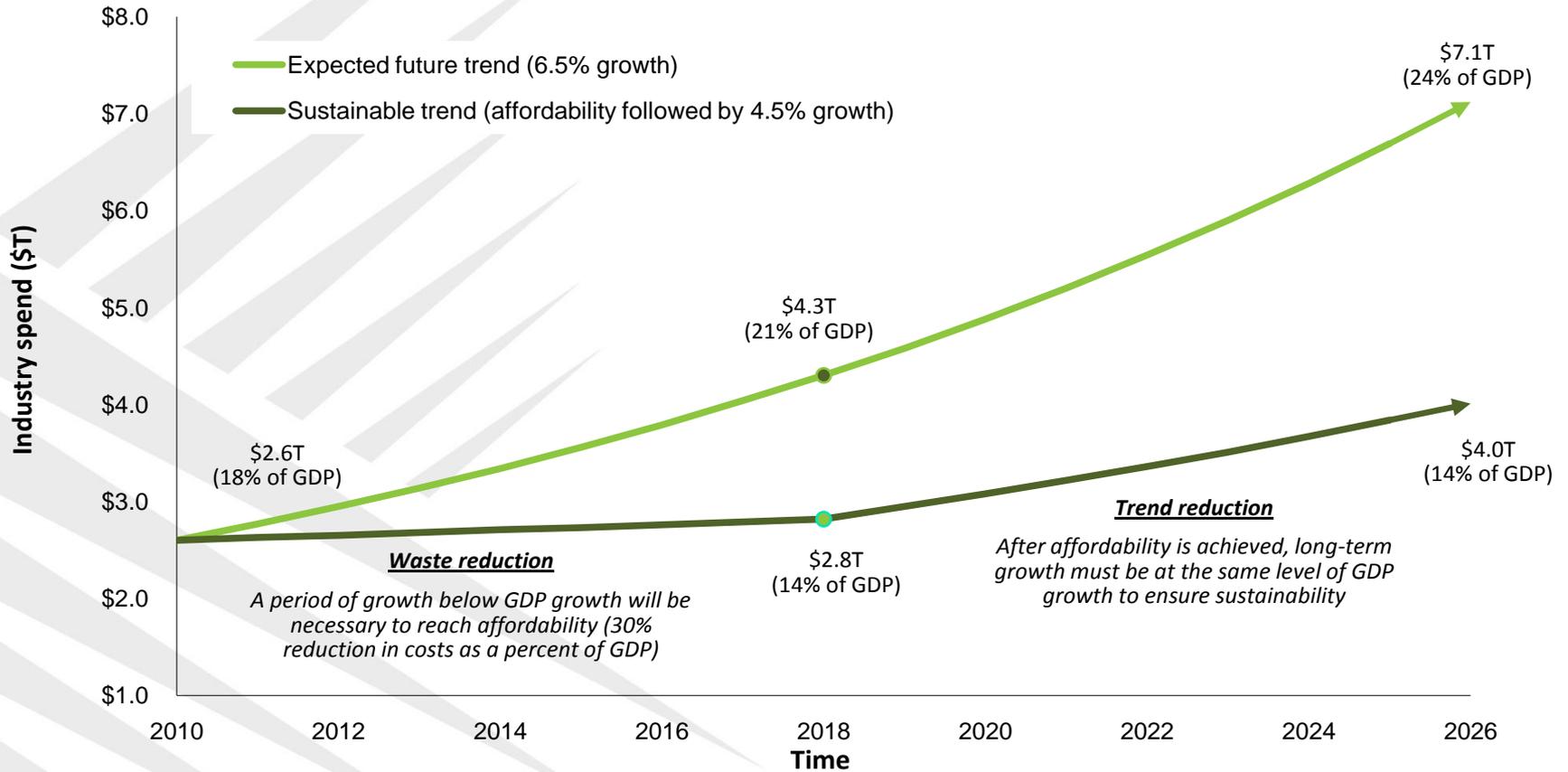
Values:

**As a physician owned and directed company,
we are committed to ensuring that patient care is
efficient, effective, equitable, patient centered,
safe, and timely**



CORNERSTONE
HEALTH CARE

Health care spending trends are unsustainable



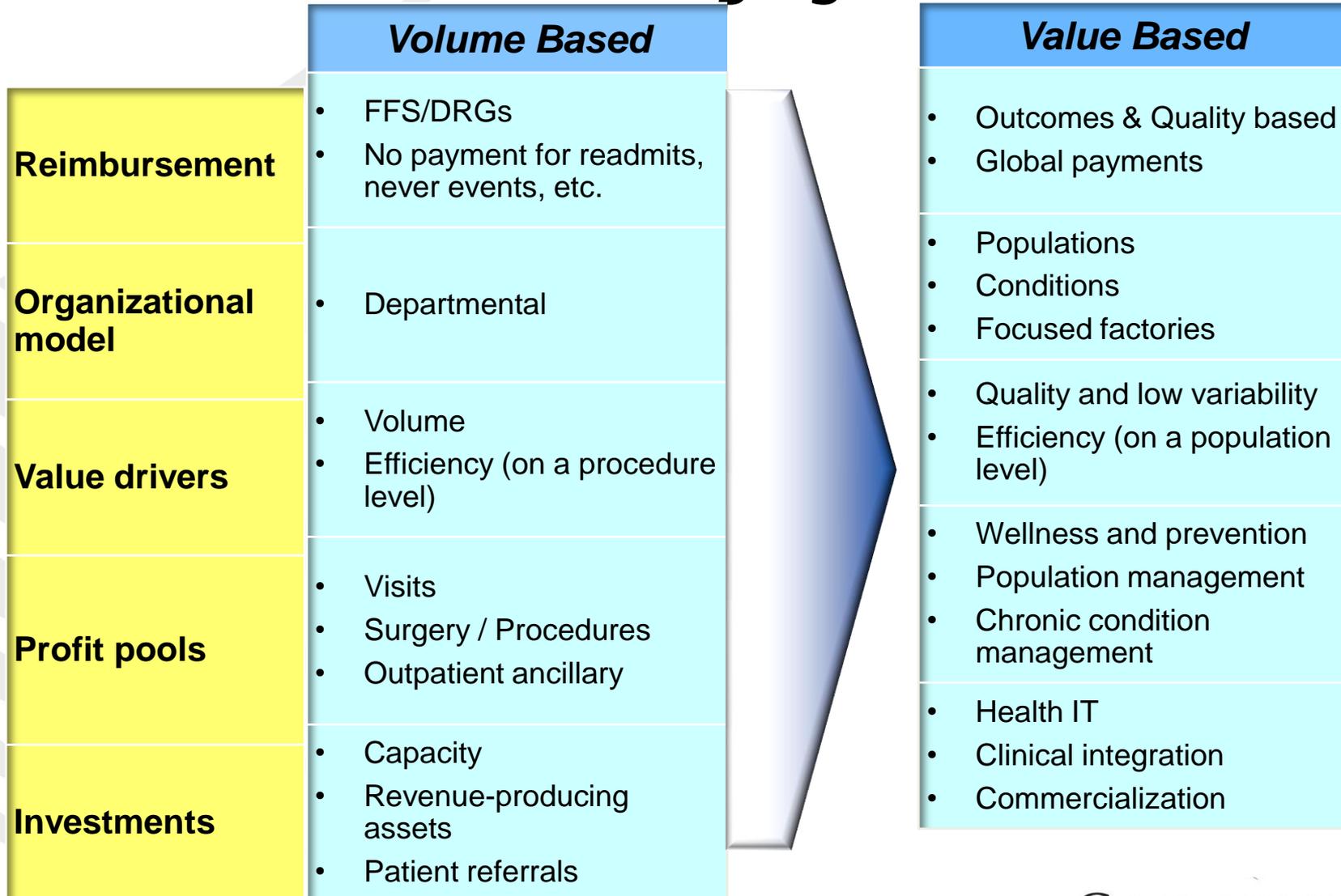
The funding gap is widening, creating a need for rapid transformation in the market



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Sources: National Health Expenditure data, Bureau of Economic Analysis, Oliver Wyman analysis

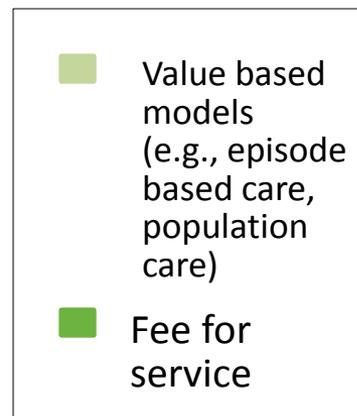
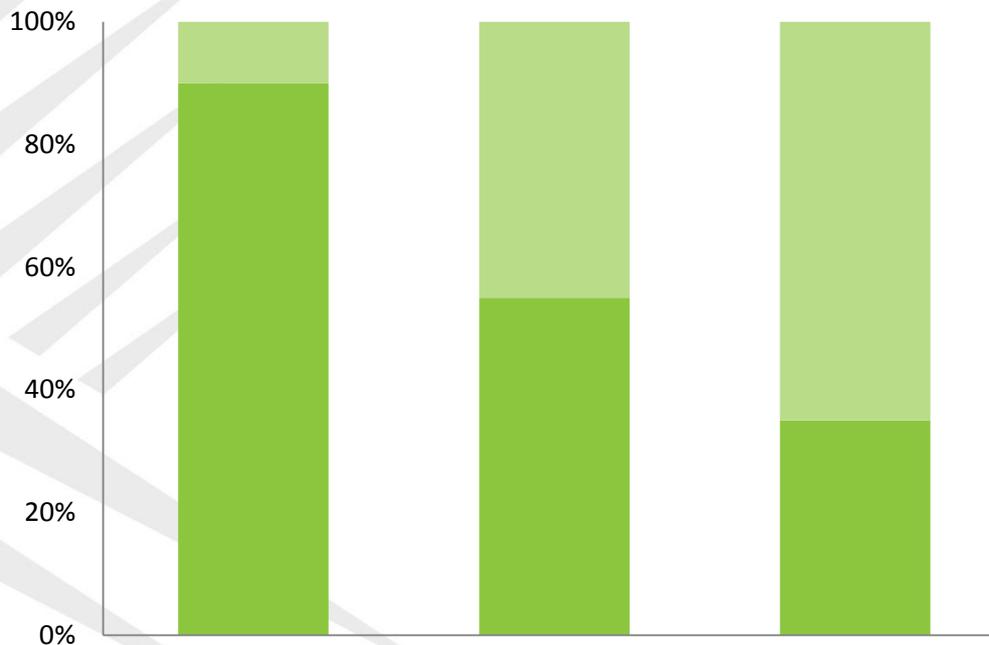
The healthcare delivery system model is changing



By 2020, 65% of all physicians will be part of a value based model

Projected Ambulatory Provider Model Evolution

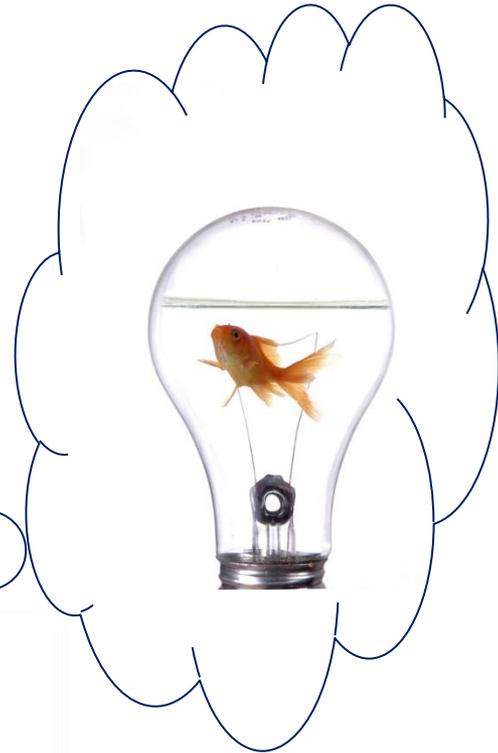
% of physicians in value-based operating model



	2010	2015	2020
Docs (%)	~10%	~40%	~65%
Docs (#)	~45k	~230k	~360k

Medicare programs are only the tip of the iceberg; the commercial market is moving to value as well

We must either innovate.....



A variety of value-based reimbursement models exist, but the greater risk that is shifted to the provider, greater likely upside exists for all stakeholders

Spectrum of Value-Based Reimbursement Models

Increasing Provider Risk and Overall Value Creation



Care coordination payments

- PMPM payments designed to compensate for currently unpaid services (e-visits, home visits, care coordinating activities, etc.)
- Paid to Primary Care Medical Homes and Condition Mgmt. Models

P4P

- Physicians bonused to reach health management targets (quality, outcomes, cost, utilization, etc.)
- Hospitals bonused to reach utilization and quality targets
- Delivery systems penalized for 30 day readmissions and acquired conditions

Bundled payments

- Medicare pays ACE rates on 29 conditions
- Hospitals and MDs together receive bundled payments for defined procedures
- Joint contracting organizations associated with delivery systems receive bundles to manage entire episodes of care

Shared savings

- CMS introduces one-sided and two-sided Shared Savings program
- Private payers introduce budgeted gain-sharing programs
- Includes upside only (gain-share) and upside-downside (risk-share) models

Global payments

- Subset of delivery system could receive partial capitation
- Delivery system targets global compensation associated with defined population
- Full population management capabilities necessary

There are several revenue streams possible in value-based payment models.

- Fee-for-service
- Quality
- Shared savings
- Management fees
- Patient satisfaction
- Partial capitation and pre-payment
- Full risk



All businesses have the same strategic choices



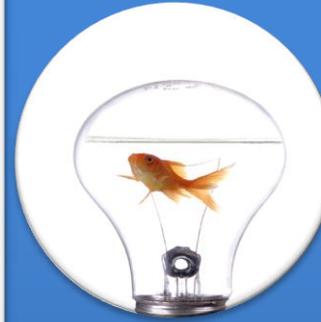
Status Quo



Sell



Collaborate



Innovate

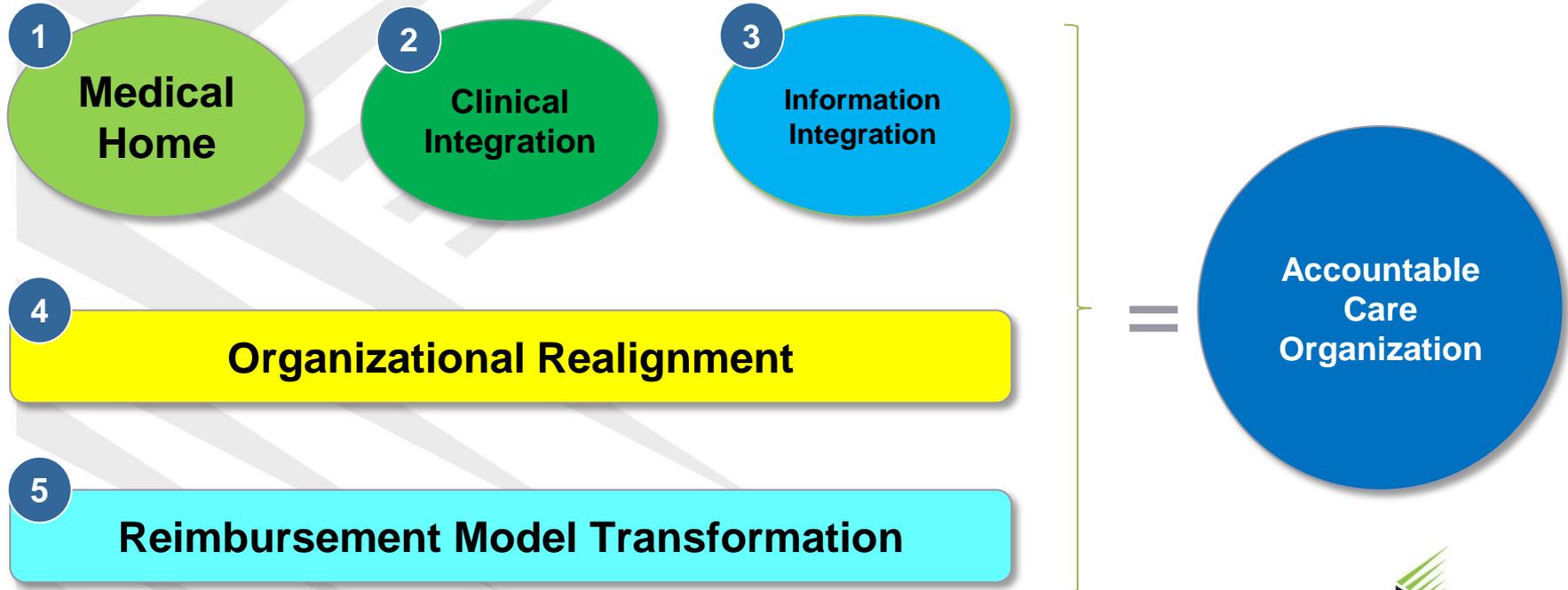


Transform



Cornerstone developed a five-pronged strategy for developing the population health management capabilities required to become an ACO

Cornerstone Population Health Management Strategy



New competencies are required to support the population health management business

- Business Development
- Care Coordination
- Clinical Performance Management
- Effectiveness Analysis
- Financial and Clinical Risk Management
- Patient Engagement
- Patient Safety
- Physician Development and Training
- Value-Based Contracting



Models of care must be designed around the patient's needs, not the tyranny of the 15 minute office visit



	Healthy independent	Health risk factors	Early stage chronic	Complex conditions	Late state or poly-chronic
					
Description	No chronic conditions and free of key risk factors	No major chronic conditions with one or more risks	Chronic condition that is well controlled and has not substantially progressed	Systemic or otherwise complex condition	One or more chronic conditions that are uncontrolled or advanced
Examples	<ul style="list-style-type: none"> ▪ Normal BMI ▪ Non-smoker 	<ul style="list-style-type: none"> ▪ High blood pressure ▪ High cholesterol ▪ Obesity ▪ Smoke/drink excessively 	<ul style="list-style-type: none"> ▪ Diabetes ▪ Asthma ▪ Coronary Artery Disease 	<ul style="list-style-type: none"> ▪ Cancer ▪ Multiple Sclerosis ▪ Cystic Fibrosis 	<ul style="list-style-type: none"> ▪ Diabetes ▪ Asthma ▪ Coronary Artery Disease ▪ Congestive Heart Failure ▪ End Stage Renal Disease