Executing Your Plan in the New Environment

Speaker: Nathan Kaufman
Date: Saturday, Jan. 10
Time: 2:45 – 4 p.m.
Nathan Kaufman is Managing Director and founder of Kaufman Strategic Advisors, LLC, an established San Diego-based consulting company. He has over 35 years of experience and is a nationally renowned expert in the areas of peak performing hospitals and physician groups, hospital strategy, physician compensation, integrated delivery systems, managed care, joint ventures and dispute resolution and has been called upon as an expert witness in healthcare arbitration cases. Throughout his career, he has held executive positions in a wide range of healthcare companies, including President and Chief Operating Officer of an imaging center company. He currently serves on various advisory and editorial boards; Executive in Residence and HSI Advisory Board at Georgia Tech Health Systems Institute. His educational credentials include an MS in Health Systems from the Georgia Institute of Technology and a BS in Psychology from Emory University in Atlanta, Georgia.

Areas of Specialization

Among the clients benefiting from Mr. Kaufman's keen consulting acumen and flair for healthcare services integration are such providers and physician groups as investor-owned and not-for-profit multihospital systems; prestigious dominant medical centers; general medical/surgical hospitals; primary care physicians and specialists; IPAs; national imaging and surgicenter companies; major diagnostic equipment companies; large radiology groups; medical staffs and medical groups; Managed Care companies and national and state healthcare associations.

- Expert Witness Testimony
- Hospital Strategy
- Hospital Performance Improvement
- Executive Education
- Managed Care Strategy Development
- Managed Care Negotiation
- Mediation and Problem Resolution
- Physician Joint Venture Structuring and Negotiation
- Physician Group Research and Valuation Services
- Physician Group Operations Management

Publications & Presentations

Mr. Kaufman is a noted consultant, lecturer and author on topics related to strategies achieving peak performance, managed care, hospital-physician transactions, and joint ventures. He regularly speaks on these topics and others for numerous health system organizations and healthcare associations throughout the country. Mr. Kaufman was a lead faculty member for the American College of Healthcare Executives (ACHE), for which he has developed the following courses: The Art and Science of Competitive Strategy; Advanced Managed Care and Integration Strategies; Restructuring Integration: Essential Strategies for the New Millennium; and Lessons Learned: Innovative Strategies for Achieving Competitive Advantage. In addition, he holds executive education retreats and presents at numerous major conferences as keynote speaker, such as The Governance Institute and the American Leadership Governance Group. Mr. Kaufman wrote the chapters on physician-hospital engagement and clinical integration for the 2011 and 2012 issues of the ACHE publication Futurescan as well as numerous articles published by Trustee Magazine and has developed a Governance Institute white paper as a board development tool to improve effectiveness of boards of directors, titled ...Because When You're Out of Money, You're Out of Options. More recent articles published are:

- Chief Executive Officer - A publication of the American College of Healthcare Executives CEO Circle, "Defining a Clear Direction for Succeeding in Uncertain times," Co-authored with Mr. Timothy Stack, FACHE Spring, 2012
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Executing Your Plan in the New Environment

Kaufman Strategic Advisors, LLC
Evidence Based Consulting

Creating a Value-based Delivery Network

What’s The Plan & Will It Work?
The “Value Proposition” for Future Success

A Value-based Network (VBN) of providers that consistently delivers:

- Superior service
- Predictable reasonable cost per episode and
- Standard care based on the best science in medicine

Well-Positioned for every payment methodology

The payers will retain their role as the VBN unless you create a more powerful one!

Most Health Systems Have the Same Strategic Plan

- Clinically integrate with employed and independent physicians
- Extensive use of protocols, EHR/IT to coordinate care Breakeven on Medicare
- Broad rational geographic coverage with a sufficient supply of primary care physicians and specialists
- Shared savings relationships with payers
- Benchmark financial performance
- Top tier quality and patient safety
- Service line strategies to drive revenue growth
- Highly engaged employees
- Operate as a high functioning health system with attractive, modern facilities
Strategies for Rural Hospitals

- ‘Partner’ with an organization that “gets it” -- become a needed outreach component of a regional delivery system
  - Digital Medicine
  - Economies of scale/expertise (clinical and non-clinical)
  - Manpower deployment
  - Access to capital
- Rationalize your services based on volume and manpower

Successful Execution Requires Clinicians to Buy Into the Need for Change!

- Inflection Point
  - Burning Platform (motivation: fear of failure in the FUTURE)
  - Focus of Leadership
  - Burning Ambition (motivation: to make things better for the customer)
  - Focus of Organization
  - Why
    - Deny
    - Demonize
    - Depart
    - Depression
    - Innovation
    - Self-selection
    - Excitement
    - Pride
Glide Path to Success

Managed Care Rates are the Primary Enabler for Successful Transformation

Investment in New Competencies
- Standardization
- Actionable Analytics
- Care Redesign
- Superior Outcomes/Service

Commercial Rates (170+% Medicare)

Succeeding in the New Market

You Become What You Measure:
Job 1: Develop Actionable Analytics

Value = A x (O + S)/ W

A: Appropriate care based on the best medical science
O: Outcomes
S: Service
W: Waste (optimizing the efficiency of care)

Different Better?

Virginia Mason Quality Formula
Job 1A: Organize Physicians into a Clinically Integrated Network (CIN) Practice on System Employees

**Triple Aim**
1. Improving the patient experience of care
2. Improving the health of populations
3. Reducing the per capita cost of health care

**Triple Gain**
1. Improving income
2. Improving work-life
3. Reducing work load

- Interoperable EMR
- Aligned purpose and work
- Compliance with a large number of guidelines
- Actionable analytics
- Physician performance evaluation
- Market share gains
- Measurably improved quality (not core measures)
- Decreasing cost/episode

- CI Staff
- CI Governing Board
- New IT Systems
- A few protocols developed but not universally used
- Physicians sign up

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Eliminate Waste (W)

- Optimize performance of key systems: e.g., Revenue Cycle, IT, Staffing, Case Management, Cost Accounting, Supplies, etc.

- Deploy a systematic approach to accurately measure cost and quality and improve value – **LEAN and Activity-Based Costing (ABC)**

- If you are a system, develop your ‘standard way’ and consolidate functions and services

- Optimize the investment in employed and contracted physicians and promote the use of ‘mid-levels,’ and virtual medicine
Is Your Employed Physician Group a “Group Practice” or a “Group of Practices?”

**AGGREGATION**
- Disparate office systems
- Offices are not rationally consolidated
- Pure productivity-based comp.
- No code of conduct
- Escalating investment
- No hierarchical structure

“I do my part seeing patients. In return, the system needs to support me and my income. Finding the resources to do so is their problem.”

**CONSOLIDATION & DEEP MANAGEMENT**
- Consolidation of locations
- Central, shared governance and values
- Hierarchy with performance evaluation and routine reports
- Common name & standard office systems
- Blended comp. plan
- Standard use of clinical guidelines
- Referral management

“My role is to see patients and support system initiatives so the system has enough resources to support me and my income.”

Expect Perpetual Negotiation!

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**Promote Appropriate Care (A)**

- Develop clear lines of accountability and performance expectations for hospital-based physicians
  - Hospitalist, ED physicians, Case managers

- Implement a process for physicians to develop clinical guidelines and measure and encourage compliance
  - Medical Staff, Quality Committee of the Board, CI Network

- Educate physicians on clinical documentation

- Consolidate services and eliminate low volume services/facilities

- Create disease management programs for high risk populations
Redesigning Care Delivery

84 Year Old Female “Problem List”:
1. Type II diabetes with neuropathy
2. Iron deficiency anemia
3. Breast cancer
4. Coronary artery disease
5. Peptic ulcer disease
6. Osteoarthritis
7. Hypertension
8. Glaucoma
9. Dementia

Taking 12 medications, seeing 8 physicians

Strategic End Game

- You can demonstrate superior value PER EPISODE (> 15%) which attracts contracts and market share (avoid per unit price reductions)
  - Significant decline in employee health plan costs
  - Bonuses from Medicare and other Value-based payments
- Become geographically indispensable
- Multiple “Centers of Excellence” winning competitive bids based on quality and cost
- Payors seek out your network for collaborations
  - Medicare Advantage, Narrow Networks etc.
- Affiliated physicians are recognized as a premier network in the region
- Capacity and services are consolidated and your portfolio of facilities is rationalized.
**Then a Miracle Occurs:**
Leadership, Trust, Shared Vision

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**ONE TEAM**
People working together as a lean, global enterprise for automotive leadership, as measured by:
- Customers, Employees, Dealers, Investors, Supplier, Union/Council, and Community Satisfaction

**ONE PLAN**
- Aggressively restructure to operate profitably at the current demand and changing model mix
- Accelerate development of new products our customers want and value
- Finance our plan and improve our balance sheet
- Work together effectively as one team

**ONE GOAL**
An exciting viable Ford delivering profitable growth for all

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**Expected Behaviors**
- Foster Functional and Technical Excellence
  - Prove and have a passion for our business and our customers
  - Demonstrate and build functional and technical excellence
  - Ensure processes discipline
  - Have a continuous improvement philosophy and practice

**One Working Together**
- Believe in selfless and motivated people working together
- Include everyone, impact, listen/tell, help and appreciate others
- Build strong relationships, be a team player; develop ourselves and others.
- Communicate clearly, concisely and candidly

**Ford Model Ford Values**
- Show initiative, courage, integrity and good corporate citizenship
- Improve quality, safety and sustainability
- Have a can-do, find-a-way attitude and emotional resilience
- Enjoy the journey and each other; have fun - never at others expense!

**Deliver Results**
- Deal positively with our business realities; develop compelling and comprehensive plans, while keeping an entrepreneurial sense
- Set high expectations and inspire others
- Make sound decisions using facts and data
- Hold ourselves accountable for delivering results and satisfying our customers

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**Mission Statement**
**“Working together to restore, sustain, and enhance the health and developmental potential of children.”**

**Organizational Values**
CPCMG has identified the following values as critical for supporting the future vision of the Medical Group:
- Pride and Excellence in work.
- Commitment to Quality and Continuous Improvement.
- Patient Needs First.
- Visionary and Innovative Leadership, balancing new and seasoned perspectives.
- Peer support and Unity of Purpose.
- Commitment to Collaboration and Teamwork.
- Honesty, Integrity and Effective Communication.
- Accountability for group and individual.
Global Compliance With Standard Work Attracts Payer Collaboration

MHMD Physician Board of Directors

Clinical Programs Committee

H&V Neuro Woman/Child Surgery Medicine Oncology Contract PCP
Cardiology Neurology Neonatal Anesthesia Critical Care Oncology Imaging Peds
CV Surgery Neurosurgery OR/Gyn Bariatrics Emergency Pathology
Orthopedics Ad hoc Hospital Medicine
ENT

Total Cost per CMI Adjusted Admission

Source: www.vhi.org
Strategy Requires Leaders to Adopt a Point of View (POV)

“Nate, Stop!
Take a look at what you have become.
Look in the mirror, look hard, look honestly.
You are a real downer.
Get a grip, rise above the hate!
Really. Man up, money to be made.”

From an SVP @ FP Hospital Company 4/2014
Healthcare Strategy is All About the Bear Story

Value-based Healthcare

I don’t think we can outrun the bear!

That’s OK. I just need to outrun you!

Through June 30, 2014, Moody’s has downgraded 30 hospital credits, compared with 11 upgrades.

Confront the Brutal facts

“You must never confuse faith that you will prevail in the end with the discipline to confront the most brutal facts of your current reality.”

- Admiral James Stockdale

Avoid Self Delusion & Hubris:

- Believing you or your market is different or that you are too big to fail
- Promoting new, exciting strategies but failing to create competitive advantage
- Pursuing big mergers and acquisitions that deliver scale and bold headlines but not long term value

~Fighting Corporate Hubris, BCG June 6, 2013

“We can no longer tolerate a healthcare industry that markets non-existent excellence … that allows clinicians to use outdated treatments and/or perform procedures even when they lack adequate training.”

- Dr. Marty Makary, Johns Hopkins Pancreatic Cancer Surgeon, Author of Unaccountable

“At Virginia Mason… we understand that healthcare is impeded not facilitated by the notion of physician autonomy.”

- Dr. Gary Kaplan MD, CEO Virginia Mason, January 11, 2014

“If you are what you do but you don’t document it properly, then your not!”

~Fighting Corporate Hubris, BCG June 6, 2013
How Are You Going to be Perceived as Differently Better in the Eyes of a Cost Conscious Customer?

Become a Learning Organization

Why:
To provide affordable, accessible, high quality healthcare services that improve the health of your patients.

How:
- Minimize optionality
- Define and measure quality
- Define and measure service
- Measure outcomes
- Take action on results
- Focus on cost and redesign to eliminate waste
- Hire for attitude
- Decisions driven by the needs of patients
Thank You for Listening

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