The Organized Health Care Delivery System

Council of Accountable Physician Practices

Health Care in the U.S.: The Case for Reform

The U.S. health system faces a crisis of quality:

- The United States has a higher rate of medical errors than other nations.[1]
- U.S. has the worst record of the 19 developed economies in adding years of life with medical interventions. [2]
- Americans die earlier and spend more time disabled than a members of most other advanced countries: World Health Organization's calculations ranked US #24 or an average of 70.0 years of healthy life for babies born in 1999.[3]
- 40% of Americans do not have a Primary Care Provider.

[1]Analysis of 2005 Commonwealth Fund International Health Policy Survey of Sicker Adults; Schoen et al. 2005a. Commonwealth Fund National Scorecard on U.S. Health System Performance, 2006

[2]"Measuring the Health of Nations" (*Health Affairs,* Jan./Feb. 2008)

3 Christopher Murray, M.D., Ph.D., Director of WHO's Global Programme on Evidence for Health Policy based on WHO's 2008 calculations of healthy life expectancy

Health Care in the U.S.: The Case for Reform

The U.S. health system faces a crisis of cost:

- Increases in the cost of health coverage continue to exceed the overall rate of inflation and the increase in workers' earnings.[1]
- Per capita health expenditures in the U.S. is significantly higher than the average rate of other industrialized countries.[2]
- Average annual premium costs for covered workers doubled from 2000 and 2007.[3]
- At its current rate of growth, health care spending could consume nearly half of U.S. GDP by mid-century.[4]

[1] KFF/HRET Survey of Employer-Sponsored Health Benefits, 2001-2006.

[2] Organisation for Economic Co-operation and Development. OECD Health Data 2007, from the Source OECD Internet subscription database updated October 22, 2007.

[3] Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007

[4] "The Hidden Price Tag for Health Care," by Daniel Akst, New York Times, December, 2004

Health Care in the U.S.: The Case for Reform

The U.S. health system faces a crisis of access:

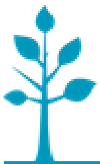
- 16% of the American population was uninsured as of 2006.[1]
- The number of uninsured has grown from 39.8 million in 2001 (a recession year) to 46.6 million in 2005, with working-age adults accounting for the entire increase.[2]

[1] Kaiser Commission on Medicaid and the Uninsured/Urban Institute analysis of March 2007 CPS.
[2] Carmen DeNavas-Walt, et al., "Income, Poverty and Health Insurance Coverage in the United States: 2006," U.S. Census Bureau, Aug. 28, 2007.

Health Care in the U.S.: The Case for Reform

- For comprehensive health care reform to take place, three major areas must be addressed:
  - Administration - public or private
  - Financing
  - Delivery of care

Ultimately, it is the nature of the delivery system that will determine the quality and cost of 21st century U.S. health care.



The Importance of the Delivery System

- "The American health care delivery system is in fundamental need of change. . . .the current system cannot do the job. Trying harder will not work. Changing the systems of care will."

  Institute of Medicine, 2001

- "About one-third of U.S. patients reported problems with the coordination of their care, such as test results not being available when they arrived at a doctor's appointment or doctor's ordering duplicate tests."

  "Primary Care and Health System Performance: Adults Experiences in Five Countries," *Health Affairs*, 2004

- "Instead of financing further growth in our medical education system, resources might be better directed to reorganizing delivery systems to models of FFS [fee-for-service] and prepaid group practice that have already demonstrated that they can deliver good care at relatively low costs."

  "End-Of-Life Care at Academic Medical Centers: Implications for Future Workforce Requirements," by David C. Goodman, Thérèse A. Stukel, Chiang-hua Chang, and John E. Wennberg. *Health Affairs*, 2006

The Importance of the Delivery System

- Medical errors—estimated to be the 8th leading cause of death in the U.S.—are more likely to stem from systems problems than human conduct.

  Institute of Medicine, 1999

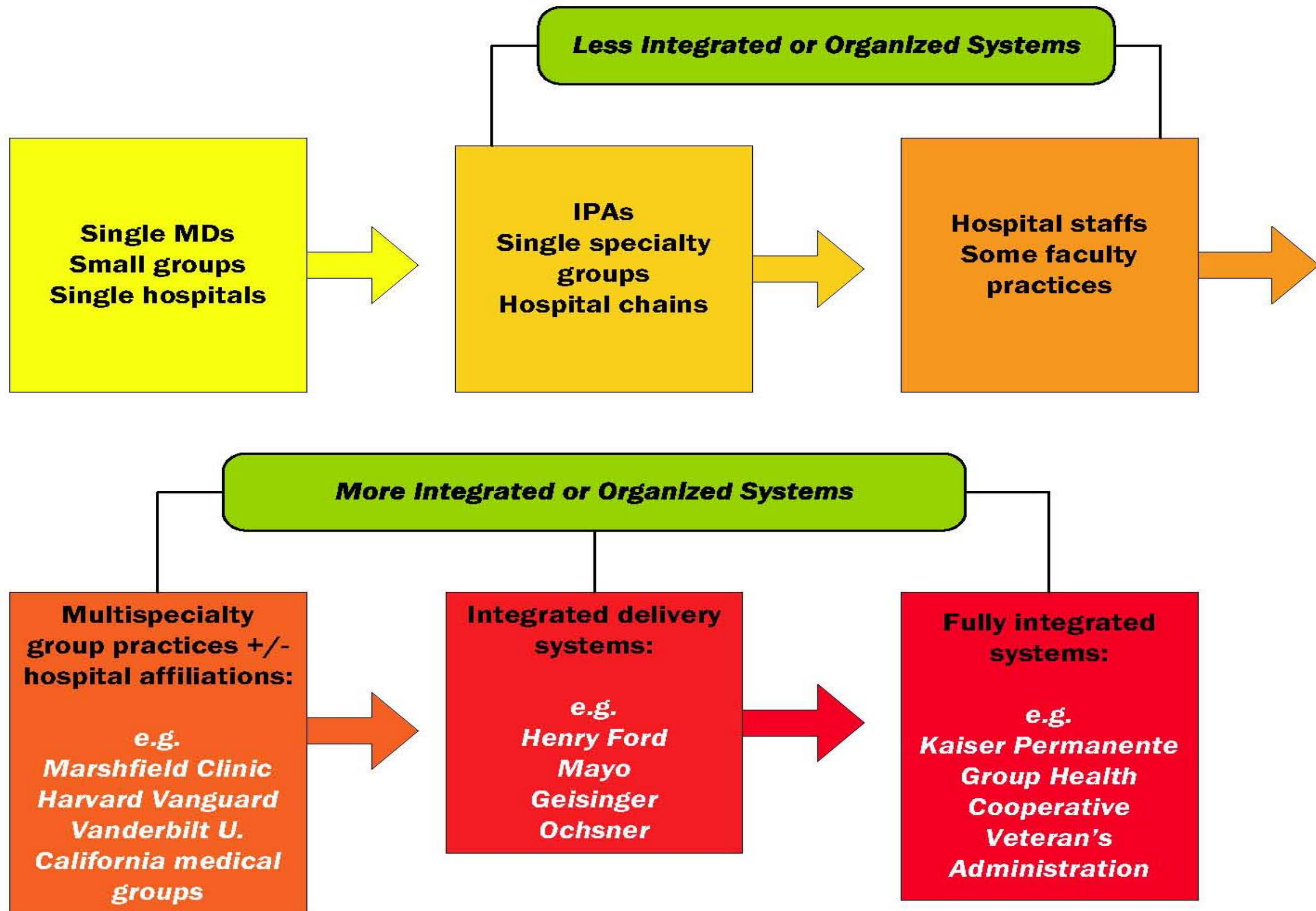
- "People believe health care in this country is an actual system with systemic processes fully in place. . . .The truth is there is almost a total lack of systems thinking in health care. Health care is delivered one unit at a time. That's what the market incents."

  George Halvorson, *Health Care Reform Now!*, 2007

What Should the Ideal Delivery System Look Like?

- **Institute of Medicine's 6 Characteristics of a 21st Century Health Care Delivery System:**
  - Redesigned processes
  - Effective use of clinical IT
  - Knowledge and skills management
  - Development of effective teams
  - Coordination of care
  - Use of performance and outcome measurement

Source: Institute of Medicine, "Crossing the Quality Chasm," 2001


Spectrum of Integration Across
America's Healthcare Delivery System
Less Integrated or Organized Systems
Single MDs
Small groups
Single hospitals
IPAs
Single specialty
groups
Hospital chains
Hospital staffs
Some faculty
practices
More Integrated or Organized Systems
Multispecialty
group practices +/-
hospital affiliations:
e.g.
Marshfield Clinic
Harvard Vanguard
Vanderbilt U.
California medical
groups
Integrated delivery
systems:
e.g.
Henry Ford
Mayo
Geisinger
Ochsner
Fully integrated
systems:
e.g.
Kaiser Permanente
Group Health
Cooperative
Veteran's
Administration

The Value of the Organized Delivery System

- Unified medical record
- Coordination of care across conditions and over time
- Capabilities to measure and improve care
- Organized to innovate using clinical information systems
- Organized to compete based on accountability for the cost and quality of the full spectrum of care
- Professionalism
- Accountability for cost and quality

The Value of the *Fully* Integrated Delivery System

- Linkage between design of insurance coverage and delivery of care (e.g., pharmaceutical benefit)
- Ability to invest over the long-term

What Is an Organized Delivery System?

- Many terms are used to describe the various forms of organized delivery systems in the U.S.:
  - Integrated delivery systems
  - Organized group practices
  - Integrated group practices
  - Physician-hospital organizations (PHOs)
  - Multispecialty medical groups

- An organized delivery system is a *"network of organizations that provides or arranges to provide a coordinated continuum of services to a defined population and is willing to be held clinically and fiscally accountable for the outcomes and health status of the population served."* —S. M. Shortell et al, *Remaking Health Care in America: The Evolution of Organized Delivery Systems*, 1996

Organized Delivery Systems vs. Medical Homes

- Medical home: personal primary care providers incented to deliver comprehensive, coordinated care in a patient-centered manner.
- Organized systems must by their very nature include strong and supported primary care functions because the goal of integrated or organized delivery systems is to provide quality, coordinated, cost-effective care.
- In other words, organized delivery systems already have "medical homes" incorporated into their systems.
- Organized delivery systems are "advanced medical homes" where the primary care physician, as the patient's first and central point of contact, coordinates and oversees all the care a patient needs.

Critical Success Elements

- Mission – Group responsibility
- Culture – Ownership
- Governance – Equity-based
- Leadership – Investment required
- Financial discipline
- Selective hiring
- Professional management structure
- Pay and incentives
- Data

Integration Quotient Study

- This study examines the relationship between degree of integration and use of care management processes.
- **Conclusions:** Use of care management processes is positively related to degree of integration. Larger organizations and those providing coverage through their own health plan show higher integration and use of care management processes.
- Functional integration is more important than structural integration or risk-bearing characteristics
- Investigators: Leif Solberg, MD, of HealthPartners Research Foundation, Stephen Shortell, PhD, and Robin Gillies, PhD, of U.C. Berkeley

Why Organized Delivery Systems? Making the Case

Group Practice Performance Study

- Study strives to determine the association between better performance and the presence of specific provider organizational and care management attributes, and to compare the performance of CAPP groups and the other providers within their markets.

- Data from CAPP multispecialty group practices was linked: Medicare claims data from Dartmouth's Medicare fee-for-service claims database; and National Survey of Physician Organizations (NSPO) data on organizational attributes and care management processes at these organizations.

- **Findings: TO COME**

- Investigators: Elliott Fisher, MD, of the Dartmouth Center for Evaluative Clinical Sciences, Larry Casalino, MD, of the University of Chicago, and Stephen Shortell, PhD, of University of California, Berkeley.

Why Organized Delivery Systems? Making the Case

Does Affiliation of Physician Groups with One Another Produce Higher Quality Primary Care?

- Study examines whether larger physician group size and affiliation with networks of multiple groups are associated with higher quality of care.
- **Conclusion:** Physician group affiliation with networks of multiple groups was associated with higher quality. Additionally, on measures of diabetes care, the quality advantage of network-affiliation was most evident among smaller physician groups.
- Investigators: M.W. Friedberg, K.L. Coltin, S.D. Pearson, K.P. Kleinman, J. Zheng, J.A. Singer, and E. C. Schneider, *Journal of General Internal Medicine,* Oct. 2007, 22(10):1385-1392.

Why Organized Delivery Systems? Making the Case

Large Multispecialty Group Practices and Quality Improvement: What Is Needed to Transform Care?

- Using successful quality improvement initiatives in large multispecialty groups, organizational factors that were the most important to improvement were identified. Eighteen factors were identified and five stood out as very important for at least 80% of the initiatives: communication, use of evidence-based medicine, leadership, measurement, and reporting.

- **Conclusion:** Although these factors need further study and may be more feasible and important for large organizations, the authors suggest that organizational factors of these large multispecialty groups be considered by all parties striving to improve the quality of health care.

- Investigators: L.I. Solberg, MD; N. Taylor, MBA; W.A. Conway, MD; R.A. Hiatt, MD, PhD, *Journal of Ambulatory Care Management*; Vol. 30, No. 1 (Jan-Mar 2007), pp. 9-17.

Why Organized Delivery Systems? Making the Case

Quality, Efficiency, and Organizational Structure

- Physicians and their practice patterns are the largest single determinant of the level of national health care expenditures. This study looked at physician and hospital usage and expenditures for chronically ill patients at several health systems across the country.
- **Conclusion:** Based on the preliminary data, physicians operating in a multispecialty group appear to use less physician resources to care for their patients and admit less often to a hospital, thereby reducing health care expenditures.
- Authors recommend that as the federal government seeks to foster more efficient health care delivery and better outcomes, it may look to the physician-led integrated delivery network as an example of an efficient and high quality model.
- Investigator: Jay B. Sterns, *Journal of Health Care Finance,* 2007; 34(1):100–107

Why Organized Delivery Systems? Making the Case

Medicare Physician Group Practices: Innovations in Quality and Efficiency

- The Centers for Medicare and Medicaid sponsored a Physician Group Practice (PGP) Demonstration in which participating practices were given incentives to improve the quality and cost-efficiency of health care delivered to Medicare fee-for-service (FFS) beneficiaries.

- **Conclusions:** The demonstration to date has shown that it is possible for large multispecialty group practices to respond to a set of quality improvement and cost containment incentives layered on top of a FFS payment system.

- Michael Trisolini, Gregory Pope, John Kautter, and Jyoti Aggarwal. Published by RTI International, December, 2006.

Why Organized Delivery Systems? Making the Case

The Impact of Health Plan Delivery System Organization on Clinical Quality and Patient Satisfaction

- Study examines the extent to which measures of health plan clinical performance and patient perceptions of care are associated with health plan organizational characteristics, including type of physician group or staff model delivery system, for-profit (tax) status, and affiliation with a national managed care firm.
- **Conclusions:** Study found a strong relationship between the type of delivery system (i.e., IPA, network, group/staff model) and scores on clinical process measures, and found patient satisfaction to be unrelated to these organizational factors.
- Investigators: Robin R. Gillies, Kate Eresian Chenok, Stephen M. Shortell, Gregory Pawlson, and Julian J. Wimbush. Published in *Health Services Research* (On-line version: March 2006, Paper version: August 2006).

Why Organized Delivery Systems? Making the Case

Do Integrated Medical Groups Provide Higher-Quality Medical Care than Individual Practice Associations?

- Study examined whether integrated medical groups (IMGs) provide higher-quality primary care than individual practice associations (IPAs).
- Researchers analyzed data from approximately 1.7 million PacifiCare enrollees cared for by 119 California physician groups between July 1999 and June 2000 and found that physician groups identified as IMGs, compared with those identified as IPAs, had higher rates of mammography, Pap smear screening, Chlamydia screening, and diabetic eye screening.
- **Conclusions:** These findings suggest that physician group type influences health care quality.
- Investigators: Ateev Mehrotra, MD, MPH; Arnold M. Epstein, MD, MA; and Meredith B. Rosenthal, PhD. Annals of Internal Medicine, 2006;145:826-833.

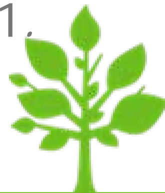
Information Technologies: When Will They Make It Into Physicians' Black Bags?

- Study surveyed randomly selected salaried and unsalaried 1,837 U.S. physicians involved in the direct care of adults and practicing in solo, small (2–9 physicians), medium (10–49), or large (50 or more) sized practices about IT use and adoption.
- **Conclusions**: The predominant factor affecting use of IT is practice size. How doctors are compensated also significantly affects IT use. There appears to be a deep technological divide between physicians in large group practices and those in smaller settings, as well as between salaried and non-salaried physicians. The barriers to use—including financial barriers—are greatest for solo and small group practices.
- Investigators: Anne-Marie Audet, M.D., M.Sc., Michelle Doty, Ph.D., M.P.H., Jordon Peugh, M.S., Jamil Shamasdin, Kinga Zapert, Ph.D., and Stephen Schoenbaum, M.D., M.P.H., December 6, 2004, The Commonwealth Fund.

Why Organized Delivery Systems? Commentaries

Health Care Reform Requires Accountable Care Systems

- The researchers write that delivery system reform is necessary and that the model to aspire to is the "Accountable Care System" (ACS).
- The researchers suggest five different ACS models: multi-specialty group practice, hospital medical staff organization, physician-hospital organization, interdependent physician organization, and health plan-provider organization or network.
- Developing any of these models would require several incentives and capabilities, including legal system reforms, payment changes, and the encouragement of patients to select an ACS as their "medical home," which would maintain patient choice.
- S. Shortell and L. Casalino, *Journal of the American Medical Association,* July 2, 2008, Vol. 300, No. 1.



Why Organized Delivery Systems? Commentaries

Report to the Congress: Reforming the Delivery System

- In this report, the Medicare Payment Advisory Commission (MedPac) describes a direction for Medicare payment and delivery system reform, with specific recommendations to promote primary care, hospital-physician collaborative relationships, and bundled hospitalization payments among others.

- The Commission states that for Medicare to increase value, "reforms need to promote accountability and care coordination, create better information and tools to use it; change incentives to encourage efficiency and high quality rather than increases in volume, and set accurate payment rates."

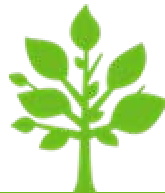
- MedPac introduces three concepts that may motivate delivery system reform: "medical homes"; "bundled payments"; and accountable care organizations.

- Medicare Payment Advisory Commission, June 2008.

Why Organized Delivery Systems? Commentaries

Taking Steps Toward Integration

- If patients are to be at the center of health care, then providers should work diligently to better organize the delivery system.
- In this Perspective, two Mayo Clinic leaders provide their views on why it is necessary for physicians and hospitals to set aside their differences and work together for the good of their patients.
- They cite successful enterprises nationwide that combine hospital and physician control.
- Denis Cortese and Robert Smoldt, *Health Affairs*, 26, no. 1 (2007): w68-w71 (published online 5 December 2006)



Why Organized Delivery Systems? Commentaries

The Delivery System Matters

- The Institute of Medicine's (IOM's) *Crossing the Quality Chasm* report described the critical competencies that would be required of a twenty-first-century health care system to meet today's American helath care quality, affordability, and access challenges.

- A growing body of research suggests that the nation's multispecialty group practices most nearly meet the delivery system challenges set forth by the IOM.

- A variety of current public and private initiatives and potential policy options could act as catalysts for the development and spread of group practice–based, accountable delivery systems that are effective and efficient.

- Francis J. Crosson, *Health Affairs*, 24, no. 6 (2005): 1543-1548

The Delivery System Matters

- Organized delivery systems exist in many regions of the United States today.
- We now have research that shows that health care quality and cost efficiency improve in such systems.
- Additionally, industry leaders know what policy and financial incentives exist that prevent or create disincentives to the formation of more of these organized delivery systems.
- So why aren't more organized delivery systems being formed in America?

Political pressures from those benefitting from the current fragmented health care system.

Council of Accountable Physician Practices

- The Council of Accountable Physician Practices (CAPP) believes that by organizing health care teams, technology and knowledge around patient needs, the full potential of our health care system can be realized.

- CAPP seeks to foster the development of organized and integrated systems of health care delivery that include multi-specialty medical groups as an effective model for transforming American health care.

CAPP Goals

- Demonstrate that accountable physician practices and organized delivery systems deliver effective, efficient health care that improves clinical outcomes cost effectively
- Provide a resource of medical group expertise and physician leadership in the public policy arena
  - Work out better models for physician/hospital integration – clinical, financial, and cultural
  - Work with payers to design more advanced payment methodologies
  - Work with employers and purchasers to design programs that achieve cost and quality improvements
  - Capture the imagination of policy makers and the public by communicating the differences and benefits of this model of health care
- Foster the development of organized delivery systems as a model for reform of the U.S. health care system

CAPP Participating Medical Groups

Austin Regional Clinic, Texas

The Cleveland Clinic, Ohio

Billings Clinic, Montana

Dean Health System, Wisconsin

Duluth Clinic, Minnesota

The Everett Clinic, Washington

Fallon Clinic, Massachusetts

Geisinger Clinic, Pennsylvania

Group Health Permanente, Washington, Idaho

Harvard Vanguard Medical Associates, Massachusetts

HealthCare Partners Medical Group, California

HealthPartners, Minnesota

Henry Ford Medical Group, Michigan

The Jackson Clinic, Tennessee

Intermountain Health Care, Utah

Lahey Clinic, Massachusetts

Marshfield Clinic, Wisconsin

Mayo Clinic, Arizona, Florida, Minnesota

Mayo Health System, Iowa, Minnesota, Wisconsin

Nemours, Delaware, Florida, Maryland, New Jersey, Pennsylvania

Ochsner Clinic, Louisiana

Palo Alto Medical Foundation, California

The Permanente Federation, California, Colorado, Georgia, Hawaii, Maryland, Ohio, Oregon, Virginia, Washington, Washington, D.C.

Sharp Rees-Stealy Medical Group, California

Scott and White, Texas

Virginia Mason Medical Center, Washington

Wenatchee Valley Medical Center, Washington

CAPP's Vision

Medical group-based organized delivery systems for the entire country, reimbursed by payment methodologies that promote accountability for quality and cost.

Better Together.