Thank you for joining today’s webinar. We will begin momentarily.

Physicians and Finance Leaders: How to Reduce Cost and Improve Outcomes

July 20, 2021, 11:00 a.m. CT

LUMINA HEALTH PARTNERS
Today's Presenters

George Mayzell, MD, MBA, FACHE
Managing Principal
Lumina Health Partners

Steven Berger, FHFMA, FACHE
Principal
Lumina Health Partners
Housekeeping

1. The webinar will run 40 minutes, then 10 minutes of Q&A.
2. All attendees will be muted during the webinar.
3. To submit a question, use the Q&A box in the Zoom control panel.

4. The presentation will be emailed to all attendees; please take our survey.
5. Check out our resources on www.luminahp.com/lumina-insights/
Physicians and Finance Leaders: How to Reduce Cost and Improve Outcomes

Summary

Success in value-based contracts depends on physicians and finance leaders bringing their critical skills to the table. To control costs while improving patient outcomes, these leaders must work together to build efficient and effective systems of care.

Unfortunately, this collaboration often must contend with a fundamental point of tension within healthcare: mission versus margin.

Objectives

After the webinar, attendees will:

• Understand why alignment between physicians and finance leaders is so critical to value-based success
• Identify the real cause of tension and how to manage it effectively (using real case studies)
• Learn how to manage tension and skillfully collaborate with clinical and financial stakeholders
Physician and Finance Leaders
Value-Based Care
# What is Value-Based Care?

| 01 | Health care delivery model under which providers - hospitals, labs, doctors, nurses and others - are paid based on the health outcomes of their patients and the quality of services rendered. |
| 02 | Under some value-based contracts, providers share in financial risk with health insurance companies. |
| 03 | Simply the idea of improving quality and outcomes for patients; reaching this goal is based on changes in the way a patient receives care. |
| 04 | Making health care proactive instead of reactive, preventing problems before they start; overall wellness, quality of care, and preventive screenings are key to better healthcare outcomes. |
## How Does Value-Based Care Reduce Costs?

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
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<tbody>
<tr>
<td><strong>With the concept of value-based care, doctors and hospitals get paid based on outcomes, not on numbers of procedures done, patients seen, or how much they are charged.</strong>&lt;br&gt;• Rather than charging a patient for each individual test or service, payments are bundled – especially useful in more complex cases like joint replacements.</td>
<td><strong>Electronic medical records for each patient eliminate repetitive and unnecessary tests and procedures.</strong>&lt;br&gt;• Teams of doctors and healthcare professionals communicate with one another through the help of care coordinators to treat patients with more efficiency and less wasted time and effort.&lt;br&gt;• <strong>Patients move through this integrated system more quickly.</strong></td>
<td><strong>The ideal result is fewer readmissions and less frequent hospitalizations and trips to the emergency room. Value-based care is a long-term goal.</strong></td>
<td><strong>It’s a proactive concept to:</strong>&lt;br&gt;• Keep healthcare costs down,&lt;br&gt;• Produce better healthcare outcomes and most importantly,&lt;br&gt;• Improve your overall health and well being.</td>
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Sources
[Value-Based Care & Lower Costs (clevelandclinic.org)](https://www.clevelandclinic.org/)
Success in VBC Requires…

- Solid strategic plan and initiatives
- Dependent on consistent metrics
- Improvement in patient outcomes
- Controlling or reducing costs
- Collaborating with physicians and finance leaders to build efficient and effective systems of care
Why is Alignment Between Physicians and Finance Leaders So Critical to Value-Based Success?

• Clinical success and financial success are tied together

• **Physicians** are now responsible and should be accountable for efficient care as well as good clinical and financial outcomes. This can be achieved through:
  • Effective capital planning and budgeting
  • Understanding thoroughly how the revenues and expenses within all the hospital and clinical operations are developed, implemented and executed
  • Understand how the clinical outcomes are related to the ways in which money is earned and spent and the elements that move the needle in that regard
Why is Alignment Between Physicians and Finance Leaders So Critical to Value-Based Success?

• **Financial Leaders** now have indirect accountability to *patient outcomes and efficient care*; not just managing cost. This can be achieved through:
  - Effective capital planning and budgeting
  - Understanding thoroughly how the revenues and expenses within all the hospital and clinical operations are developed, implemented and executed
  - Understand how the clinical outcomes are related to the ways in which money is earned and spent and the elements that move the needle in that regard
Understanding and Managing Causes of Tension Between Physicians and Finance Leaders

• There has always been, and most likely, will also be a fundamental tension in the American Healthcare System: **Mission vs Margin**
  • Chief medical officers (CMOs) and practicing physicians drive clinical performance to optimize patient outcomes.
  • CFOs drive financial performance to optimize business sustainability
Understanding and Managing Causes of Tension Between Physicians and Finance Leaders

How can we bridge the divide?

• Physicians whose primary responsibility is to “do no harm,” which generally has come to mean do everything with all available resources to stop the pain and suffering and ultimately improve the patient’s quality of life
• Finance leaders whose primary responsibility is to make as much money as possible so that the healthcare organization can survive and thrive regardless of any external threats (i.e., COVID, rising labor costs, increasing supply costs, reimbursement pressures)
Case Studies
Case Study #1

Managing differences around cost

Scenario: Consider that a hospital enters a bundled payment contract for pneumonia, where a key to success is in controlling the cost of inpatient stays for covered patients.

The goal is to reduce excess inpatient costs for this population while maintaining or improving patient outcomes.

Note most bundles include three day prehospital and 90 days post hospital inside the bundle.
# Case Study #1 Chart

## MS-DRG 193: Inpatient pneumonia cost and profitability by physician

<table>
<thead>
<tr>
<th>Physician</th>
<th>Cases</th>
<th>ALOS</th>
<th>CMI</th>
<th>Total charge</th>
<th>Actual payment</th>
<th>Variable cost</th>
<th>Contribution margin</th>
<th>Fixed cost</th>
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<td>$1,404</td>
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<td>Rose</td>
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<td>$112</td>
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<td>$30,042</td>
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<td>($2,941)</td>
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<tr>
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<tr>
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<td>$9,862</td>
<td>$3,306</td>
<td>$6,556</td>
<td>$4,017</td>
<td>$2,539</td>
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<td>Average</td>
<td>6</td>
<td>5.20</td>
<td>1.0080</td>
<td>$23,893</td>
<td>$6,237</td>
<td>$3,225</td>
<td>$3,012</td>
<td>$3,509</td>
<td>($497)</td>
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Source: Lumina Health Partners, 2021
What columns are missing from the chart that would be useful to a physician in making cost effective decisions?

- Other clinical/quality information
  - Discharge location
  - Quality and outcome metrics - disease specific
  - 30 Day Readmission Rate
  - Number of Diagnostic Test Ordered (Radiology i.e., chest X-rays, lab tests)

What about adding drill-down capabilities to?

- Diagnoses (ICD-10 codes)
- Procedures (DRGs and/or CPT codes)
- Service lines
- Physicians
- Financial type
- Insurance plan/carrier
The Value of Cost Accounting

• Series of costs as primary column information
  • Fixed
  • Variable
  • Direct
  • Indirect

• Must invest time, money and effort to develop cost information so that margins can be developed for each patient, which can then be rolled up into any of the categories

Goal - Finance and Information Technology leaders to provide this to the clinicians so that they can make **better clinical and financial decisions**
What’s the point?

- Information (not just data) is available out in the real world, but at many provider facilities it is either
  - Not available because the organization does not have it
  - Not available because the organization has a system but is not sharing it (not making it available) with the clinicians
  - Available but it is not being distributed to the proper clinical committees for better decision making, or
  - Available and being used to make better decisions.

Which one looks like your facility?

1. As seen in this case study, the real cause of tension between physicians and finance may have been a lack of information; but in this case, the information can be, should be and is available.

2. Or the real cause of tension between physicians and finance may not have been a lack of information; but transparency and alignment...
Case Study #2

Managing differences around clinical improvement

Scenario: Consider that clinical leaders have developed a strategy for improving care for patients with congestive heart failure (CHF). The strategy includes a behavioral intervention, education and enhanced access to improve medication compliance.

The shared goal for clinical and financial leaders is to understand how to fund and operationalize an effective program.
What’s the point?

- Does this improve outcomes?
- Does this lower cost?
- Is there an ROI?
- Does it increase patient experience?
- Will it increase referrals and patient base?
- How much does it cost?
Successfully Managing Tension
## Upside of Tension

1. **Tension between hospital leadership can be healthy and productive when managed.**

2. Health care organizations should pay careful attention to **financial incentives**, ensuring there is alignment between the physician compensation model and the collaborative goals of the organization.

3. **Compensation models** should leverage base and incentive pay to reward productivity, quality outcomes, patient experience and financial stewardship; **employment agreements** should clearly define expectations around physician participation in collaborative initiatives.

4. Accountable care organization (ACO) and other shared savings models should be used to **reward physicians** for achieving agreed-upon outcomes that align with physician needs, hospital needs and patient needs.

5. Most initiatives need to involve employed physicians and independent physicians; the **alignment and linkages of incentives is important** but challenging.
Tips to Manage Tension

Consistent and agreed-upon data dashboards for each project and at the global level and agreement of “success metrics”

Consistent and concise communication

A commitment to transparency

Respect for each other’s time and demands

Focus on the relationships not just the outcomes

Understand the WIFM for all of the stakeholders
Closing
Summary

• Successful outcomes are best managed with input and oversight from diverse leaders with different viewpoints
• Always use data and evidence-based care as guiding principles (patient centric)
• And then maintain mutual respect for each other’s time and organizational/patient commitments
• Commit to full transparency
• Aligned incentives are critical for ultimate success
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YOUR PARTNER ON THE JOURNEY TO VALUE

VALUE-BASED STRATEGY

DIGITAL INNOVATION AND ANALYTICS

CLINICAL TRANSFORMATION
The LLI program approach starts with a review of the organization’s strategy to identify the leadership gap, then a leadership roadmap is implemented with a cohort of 10-12 physician leaders over a 10 to 12 month timeline.

1. CUSTOMIZED ROADMAP
   Leadership gap identified and a 10–12-month roadmap created

2. INDIVIDUAL AND TEAM ASSESSMENTS
   Goals developed for the team and the individual leader

3. CASE STUDIES
   Actual organizational initiatives identified and incorporated into LDS

4. LEARNING DEVELOPMENT SESSIONS (LDS)
   Monthly two-hour group sessions held live in your setting

5. ALIGNMENT COACHING SESSIONS
   Leaders are assigned a coach and work in a peer triad group monthly to ensure development and progress

6. SUSTAINABILITY PLAN
   Progress summarized and future leadership plan documented
Question & Answer Session
Questions

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Thank you!

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Lumina Health Partners
gmayzell@luminahp.com

Steven Berger, FHFMA
Principal
Lumina Health Partners
sberger@luminahp.com