



RLI Power Hour Webinar Series (#3):
Achieving Alignment with the
Healthcare System

Thursday, January 24, 8pm ET

Jonathan Breslau, MD, FACR
Medical Director
Sutter Imaging, Sutter Health


Carolyn Meltzer, MD, FACR
Professor and Chair of Radiology
Associate Dean for Research
Emory University School of Medicine



Alignment with health systems

- US health care environment
- How systems are adapting (trying!)
- How imaging departments can support and thrive

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Still Operating the Delivery System of Yesteryear

Shift from commercially-paid procedures to publicly-funded medical care undermines system economics

Delivery System Economics Becoming Unsustainable

2.7% Mean hospital margin in 2016¹

Our Medicare volumes have gone through the roof. Coming out of 2017 we think Medicare share of revenue will have risen five percent.

We didn't have a hard flu season. The economy is strong. The only explanation is that the tsunami of Baby Boomers is hitting Medicare."

Chief Strategy Officer
LARGE REGIONAL HEALTH SYSTEM IN THE SOUTHEASTERN U.S.

Drivers of Declining Margin

- ✓ Rising public payer share
- ✓ Rising patient acuity
- ✓ Declining surgical case mix
- ✓ Medicare payment cuts
- ✓ Declining commercial price growth


(0.2%) Mean hospital margin in 2027²

1. Operating margin
2. Profit margin, Congressional Budget Office estimate

Preliminary 2016 Medicare Slow Lower as Revenue and Expense Pressures Minder Profitability. Rep. Moody's Investor Service, 16 May 2017. Web. 30 Dec 2017. USA. Congressional Budget Office. Projecting Hospital Profit Margins Under Several Revenue Scenarios. By Tamara Hayford, Lynn Nelson, and Alexis Dorio. Sept. 2016. Web. 30 Dec 2017. Cost Healthcare Increases and Analysis

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Entitlement Programs in the Crosshairs

Major cuts to the healthcare entitlement programs are nearly inevitable, given the size and projected growth of Medicare and Medicaid

Where Does the Money Go?
Entitlement Programs Most Likely Targets for Cuts

Federal Budget Expenditures, Actual and Projected
Billions of Dollars

Interest: 241
Social Security: 910
Discretionary¹: 1184
Other mandatory²: 563
Medicare: 588
Medicaid: 368

\$3.9T in 2016

Increase driven by aging, population growth, price growth


| Year | Medicare | Medicaid |
|------|----------|----------|
| 2016 | 588 | 368 |
| 2018 | 584 | 408 |
| 2020 | 698 | 450 |
| 2022 | 847 | 499 |
| 2024 | 895 | 554 |
| 2026 | 1079 | 616 |

1. Defense and nondefense
2. Unemployment payments, veterans, and other federal assistance

Source: "The Federal Budget in 2016: An Infographic," Congressional Budget Office, 27 Sept. 2017. Web. 27 Dec. 2017. "Revenue Projections for Selected Programs," Congressional Budget Office, 26 Oct. 2017. Web. 27 Dec. 2017. Cost Healthcare Increases

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Putting Providers at Risk

Pressure will be greatest on provider payments, which will drive most spending growth

Driving Most of the Spending Growth

Direct and Indirect Payments to Providers

Projected Medicare Expenditures

Billions of Dollars

| Year | Part A | Part B | Part D | Total |
|------|--------|--------|--------|-------|
| 2018 | 302 | 301 | 92 | 635 |
| 2027 | 547 | 635 | 205 | 1,205 |

Source of Spending Growth, 2018-2027

Billions of Dollars

| Category | Value (Billions of Dollars) |
|------------------------|-----------------------------|
| Payers ² | 294 |
| Providers ¹ | 269 |
| Drugs | 113 |
| Other ³ | 4 |

Increase in Medicare Advantage enables greater control over provider cost

1. Includes hospitals, physicians, staff, home health, outpatient services, and other provider-related expenditures
 2. Medicare Advantage
 3. Adjustments and recoveries

Source: "Positive Projections for Selected Programs," Congressional Budget Office, 28 Oct. 2017. Web. 27 Dec. 2017. Gist Healthcare analysis.

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Health Systems Dwarfed by Other Industry Giants

Payers, retailers and other healthcare players far exceed health system scale, and are becoming even larger with vertical mergers

The New Competitive Landscape for Healthcare

Annual Revenue of Largest Healthcare Companies

Billions of Dollars

| Company | Revenue (Billions of Dollars) |
|------------------------|-------------------------------|
| CVS-Aetna | 185 |
| United WG | 201 |
| Mckesson | 192 |
| AmersourceBergan | 147 |
| Walgreens | 124 |
| Cardinal Health | 122 |
| Express Scripts-Cigna | 100 |
| Anthem | 90 |
| Johnson & Johnson | 72 |
| Humana | 54 |
| Kaiser Permanente | 65 |
| HCA Healthcare | 42 |
| CH2-Dignity | 13 |
| Ascension | 23 |
| Providence s.l. Joseph | 22 |
| Tenet | 20 |
| CBS | 18 |
| CHI | 16 |
| Trinity | 15 |
| Dignity | 13 |
| Advocate Aurora | 11 |

Source: "Fortune 500 Companies 2017," White Matter the 101st Fortune, Time, Inc. 2017. Web. 13 Apr. 2018. Hospital, Data, Search, Revenue, and Area Wide Systems; "Hospital Industry: Major Acquisitions Take Hold Worldwide," The Wall Street Journal; Dow Jones & Company, 30 Mar. 2018. Web. 10 Apr. 2018. Publicly-available financial statements; Gist Healthcare analysis.

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Environment for health systems

- No expectation of getting paid more for same work
- Undermining of public/private cross-subsidy
- Competition from larger vertically-integrated enterprises such as CVS/Aetna
- Need to move away from filling beds as primary goal
- Need to be able to support lower premiums

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Health System Responses

- Cost efficiencies
- Appropriate clinical resource use
- Better patient management
- Manage risk – the big goal
- How can imaging match up to with these goals?

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Imaging

- Align with system strategy
- Benefit from standardizing across entire system
- Eliminate low value care
- Work to develop predictable imaging spend with consistent recommendations

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Variation reduction

- Part of clinical cost
- Evidence-based guidelines for recommendations
- CDS – imaging support essential
 - Platform
 - AUC

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Appropriate use of clinical resources

- Shifting to low cost sites
 - IR clinic
- Consolidation of services to higher volume sites
 - Centralize reading among subspecialists
 - Stroke center
- Support standardized purchasing

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Better patient management

- Eliminate duplication
- Reduce over-testing
- Right care at the right time
- Leverage IS involvement in EHR optimization

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Patient experience

- Broad scope improves access to resources
- E.G., “3-day promise” in breast imaging at Sutter Health – BIRADS 4,5 to biopsy
- Need to coordinate across large geography – 3 million exams per year
- In looking for obstacles found need to standardize anticoag, insurance preauth, EHR, etc.
- Marketable

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Examples that ultimately support cost reduction with physician involvement

- Incidentalomas
- Contrast screening policy
- Capital planning – agree on large purchases

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System Imaging Committee

- Set up process for making system-wide decisions
 - SLA measurement and accountability
 - Incentives for following standards
 - Standard policies on screening, contrast, etc.
 - Leverage scope to guide IS resources
- Prevents relegation to “ancillary” status
- Respect the political challenge

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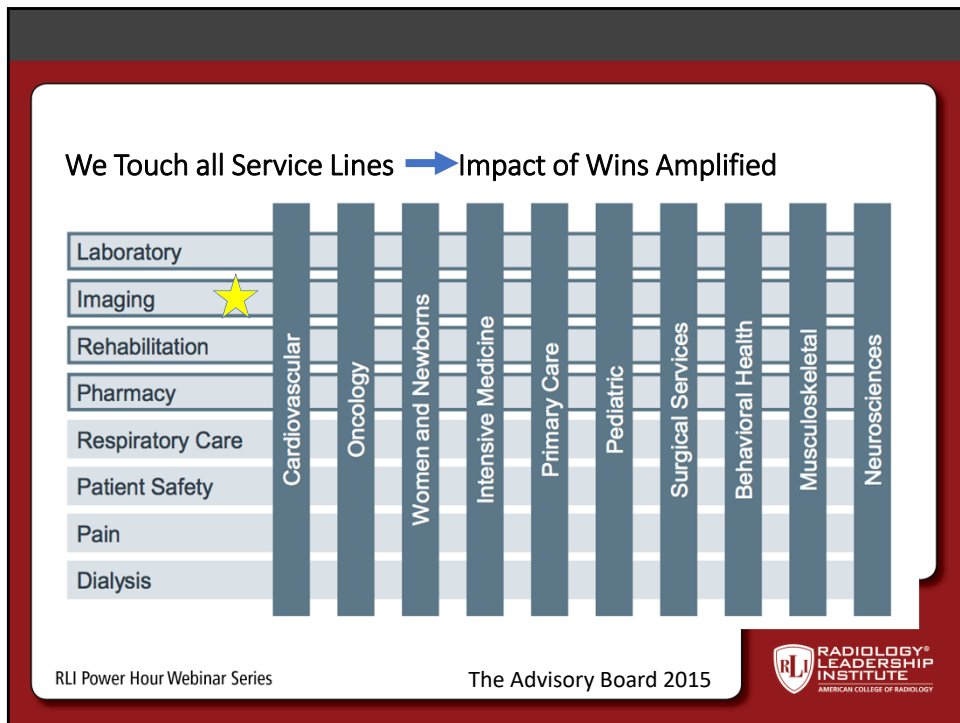


System alignment

- Understand the big challenges
- Match imaging scope to system footprint
- Make tough changes to thrive
- Can we facilitate managing risk?

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Radiology/System Alignment

- Ensure physician accountability (individual and group)
- Aligned incentives with system goals (Shared risk)
- Prioritize patient experience
- Engaged workforce
 - decreased turnover, high satisfaction

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Leading in the Context of Systemness

- Not traditional chain-of-command

Requires:

- “Bifocal Vision” (big picture + operational detail)
- Interpersonal Diplomacy
 - Seeking innovative approaches
 - Building strategic partnerships
 - Influencing without authority

Debra Walker. Development Dimensions International 2014

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Leadership Development

- **Emory Radiology Leadership Academy (RLA)**
 - 9-month intensive program
 - Inter-professional: Fellows are faculty & staff



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Emory Radiology Service Excellence Institute

Radiology & Imaging
Sciences
**SERVICE
EXCELLENCE
STANDARDS**

1. Safety
2. Courtesy
3. Care Delivery
4. Efficiency
5. Innovation



- >1000 employees (faculty, staff, trainees) have completed mandatory SEI training
- >420 employees have completed optional DISC training for more effective communication

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“Someone calling themselves a customer says they want something called service.”

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Focus on the Quality of the Patient Experience




I was Caught in the Act of Service Excellence




Cost Savings Value Acceleration Program (VAP)


Renegotiation of Contracts




Investing in People

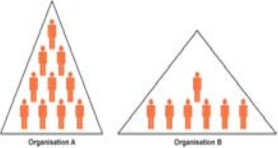


Revenue Capture






Equipment Consolidation



Span of Control

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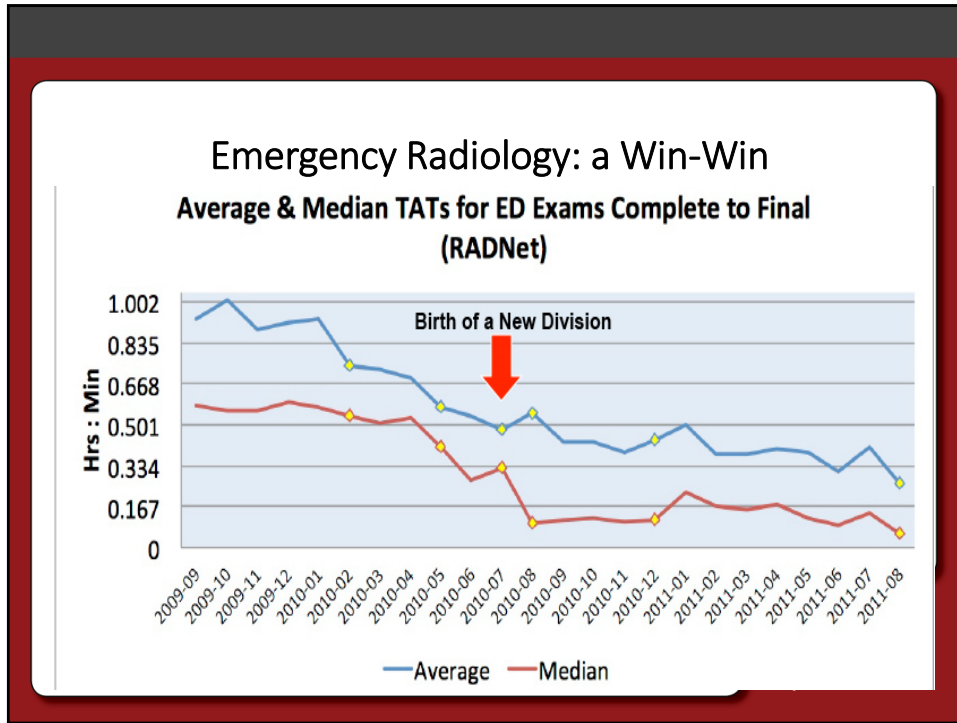
Showcase your results!

Representative Scorecard¹

| | Goal #1: Mammo TAT ¹ | Goal #2: ED ² TAT | Goal #3: Wrong Events |
|-----------------------------|---------------------------------------|---------------------------------|-----------------------------|
| Opportunity for improvement | | | |
| Impact on system | | | |
| Financial impact | | | |
| Number of patients impacted | | | |
| Total score | | | |

Imaging Performance Partnership Innovations 2017





- Summary**
 - Alignment with Hospital Requires:**
 - adaptability
 - “bifocal vision”
 - *proactive* innovating on patient care issues
 - loss of autonomy vs security and shared risk

(a) No external magnetic field

(b) Apply external magnetic field \mathcal{H}_0

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