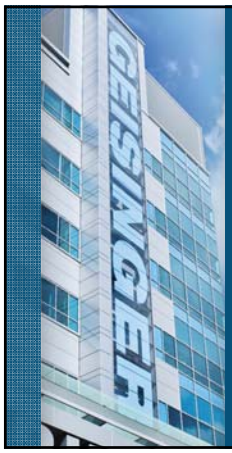

The Crystal Ball: Employed Practice in 5 Years

Michael Suk, MD JD MPH FACS
Atlanta Trauma Symposium
Atlanta, GA
April 23, 2016

To understand the drivers of change

VOLUME TO VALUE AND PAYMENT REFORM

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Fragmented State of Orthopaedic Care

- Many important care processes are not assessed, not acted upon or done late
- Multiple stakeholders and mismatched priorities
- The discharge/destination/follow-up process is highly variable
- More expensive care with unknown quality

Value Proposition

Alignment → Improved quality

Accountability → Lower costs

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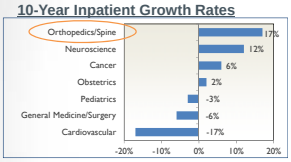
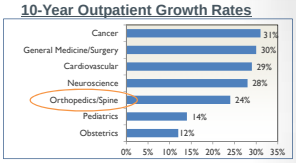
National Trends in Musculoskeletal Services

10-Year Inpatient Growth Rates



10-Year Outpatient Growth Rates



Source: Sg2, Health Care Intelligence, Orthopedic Forecast 2012.

Key Drivers

Aging Population – The over-45 population segment is expected to grow by 58% between 2000 and 2030.

Obesity Epidemic – Obese adults have twice the rate of hip and knee arthritis as adults with a healthy body weight (32% versus 16%).

Insurance Coverage Expansion – Implementation of the PPACA will result in coverage for 33.8 million more Americans, which is expected to drive demand for MSK services.

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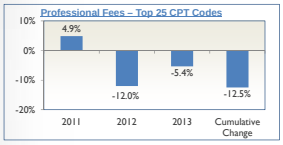
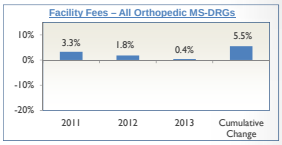
Downward Pressure on Reimbursement Leads Movement to VBP

Average Medicare Payment Rates – Change From Prior Year





Since 2010, the average Medicare payment across the 25 most common orthopedic CPT codes has declined by more than 12%.

Facility payments have increased slightly over the same period; however, the rate of increase has slowed substantially in recent years.

In addition to the broader payment trends, provider organizations are now subject to an additional 2% reduction in Medicare reimbursement as a result of the sequestration cuts that went into effect April 1, 2013.

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Trends

A move away from IPA toward physician integration with hospital partners.

Hospital participation is the key to the emerging models

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To understand the shifting physician marketplace

SOCIOLOGICAL FACTORS IN PHYSICIAN EMPLOYMENT DYNAMICS

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Rise in Physician Employment

Employed physicians increased 32% since 2000, while the number of physicians nationally increased only 8%

Percentage of physicians on hospitals' active staffs who are employed will increased from 10 percent today in 2008 to 25 percent today.

AHA Hospital Statistics 2012

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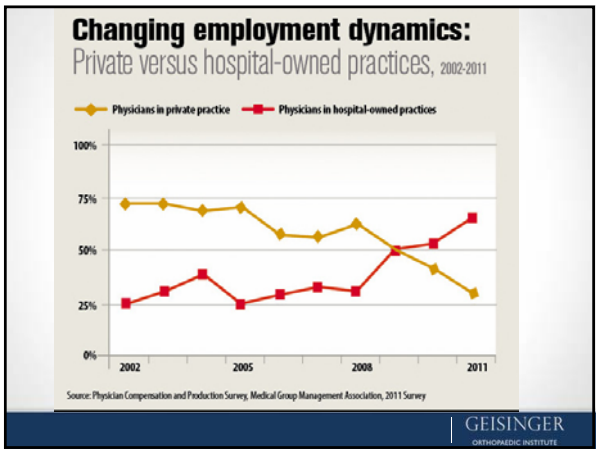
Changing employment dynamics:
Private versus hospital-owned practices, 2002-2011
Physicians in private practice
Physicians in hospital-owned practices
100%
75%
50%
25%
0%
2002
2005
2008
2011
Source: Physician Compensation and Production Survey, Medical Group Management Association, 2011 Survey
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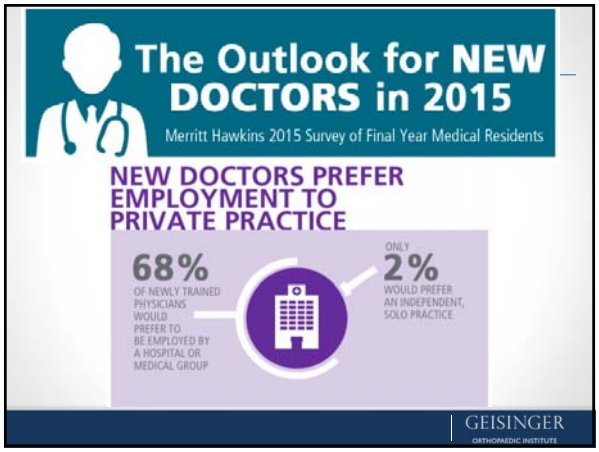
The Outlook for NEW DOCTORS in 2015
Merritt Hawkins 2015 Survey of Final Year Medical Residents
NEW DOCTORS PREFER EMPLOYMENT TO PRIVATE PRACTICE
68%
OF NEWLY TRAINED PHYSICIANS WOULD PREFER TO BE EMPLOYED BY A HOSPITAL OR MEDICAL GROUP
ONLY
2%
WOULD PREFER AN INDEPENDENT, SOLO PRACTICE
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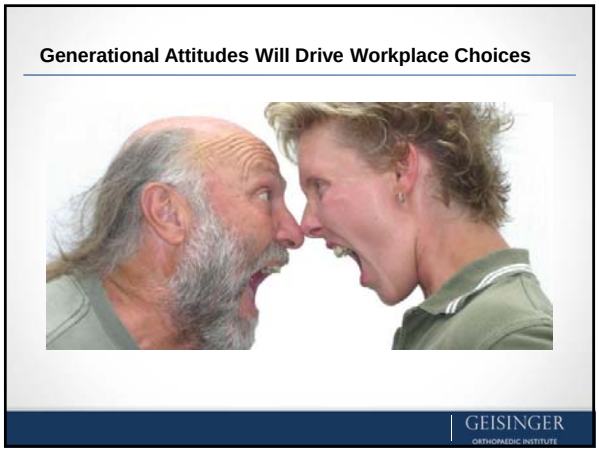
Generational Attitudes Will Drive Workplace Choices
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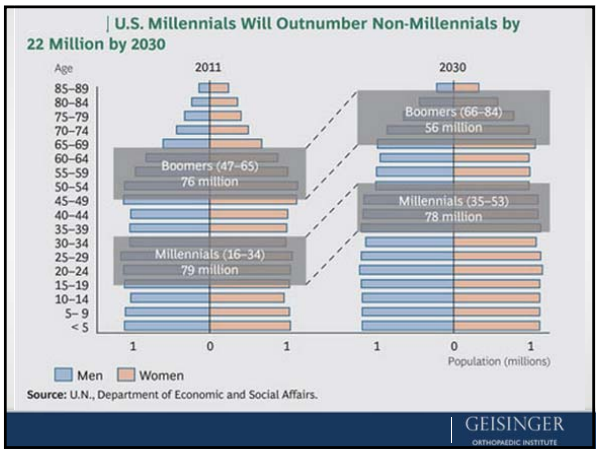
U.S. Millennials Will Outnumber Non-Millennials by 22 Million by 2030
Age
2011
2030
85–89
80–84
75–79
70–74
65–69
60–64
55–59
50–54
45–49
40–44
35–39
30–34
25–29
20–24
15–19
10–14
5– 9
< 5
Boomers (47–65) 76 million
Millennials (16–34) 79 million
Boomers (66–84) 56 million
Millennials (35–53) 78 million
1
0
1
1
0
1
Population (millions)
Men
Women
Source: U.N., Department of Economic and Social Affairs.
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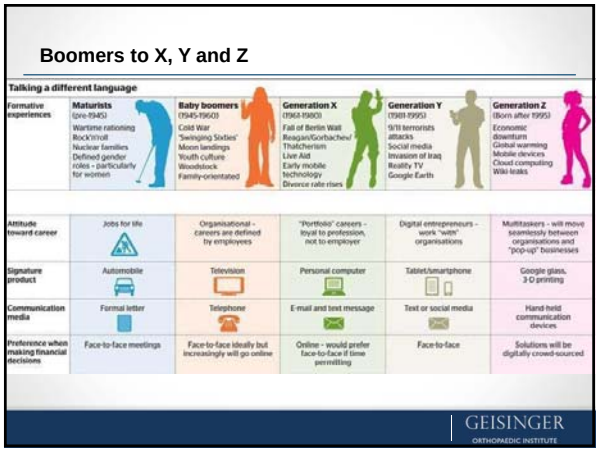
Boomers to X, Y and Z
Talking a different language
Formative experiences
Maturists (pre-1945)
Wartime rationing
Rock'n'roll
Nuclear families
Defined gender roles - particularly for women
Baby boomers (1945-1960)
Cold War
'Swinging Sixties'
Moon landings
Youth culture
Woodstock
Family-orientated
Generation X (1961-1980)
Fall of Berlin Wall
Reagan/Gorbachev/ Thatcherism
Live Aid
Early mobile technology
Divorce rate rises
Generation Y (1981-1995)
9/11 terrorists attacks
Social media
Invasion of Iraq
Reality TV
Google Earth
Generation Z (Born after 1995)
Economic downturn
Global warming
Mobile devices
Cloud computing
Wiki-leaks
Attitude toward career
Jobs for life
Organisational - careers are defined by employees
"Portfolio" careers - loyal to profession, not to employer
Digital entrepreneurs - work "with" organisations
Multitaskers - will move seamlessly between organisations and "pop-up" businesses
Signature product
Automobile
Television
Personal computer
Tablet/smartphone
Google glass, 3-D printing
Communication media
Formal letter
Telephone
E-mail and text message
Text or social media
Hand-held communication devices
Preference when making financial decisions
Face-to-face meetings
Face-to-face ideally but increasingly will go online
Online - would prefer face-to-face if time permitting
Face-to-face
Solutions will be digitally crowd-sourced
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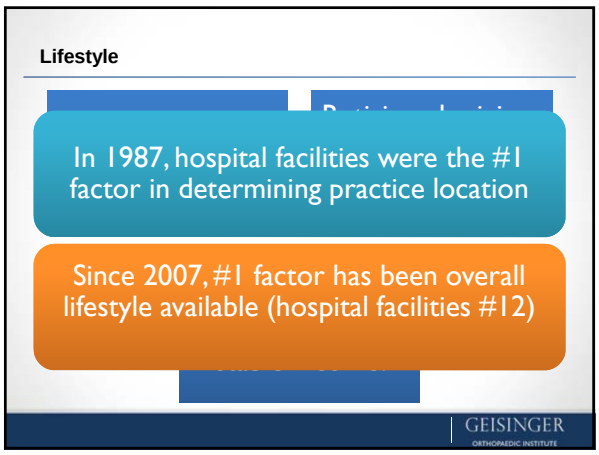
Lifestyle
In 1987, hospital facilities were the #1 factor in determining practice location
Since 2007, #1 factor has been overall lifestyle available (hospital facilities #12)
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To understand the trends in supply and demand

DRIVERS OF PHYSICIAN INTEGRATION

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Physician Integration 1.0 versus 2.0

Cost	**Cost**
• Need to purchase for referrals • Overpayment	• "Work life" balance. • No longer need to "purchase"
Productivity	**Productivity**
• Guaranteed salaries • No productivity incentives	• Productivity targets and incentives • Shared risk
Alignment	**Alignment**
• No joint decision-making • Focus on cost-cutting	• Quality initiatives • Joint decisionmaking
Integration	**Integration**
• Independent practices • No economies of scale	• Selective practice acquisition • Support service "economies"

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Regulatory Compliance "Overburden"

1) Whistleblowers will have relaxed standards for reporting

2) Providers must, within 60 days of identifying a Medicare or Medicaid overpayment, report and return it

3) The Anti-Kickback Statute no longer uses intent for or knowledge of law violation as a standard in judging whether an individual has broken of the law

4) Doctors making referrals to in-office ancillaries must now give patients information about the ownership and a list of alternative providers

5) Doctors must tell patients of the physicians' ownership interest in a hospital, if patients are referred there

6) Doctors now have a self-disclosure process available to them under the Stark law, and an HHS representative will have the authority to settle the matter

7) States may pass their own versions of the Stark law (and some already have)

8) The Recovery Audit Contract program now will be used with Medicare Parts C and D

9) Practices should check that the health and other benefit plans they offer employees comply with the healthcare reform law

10) Proof of compliance is key: have a good and effective compliance program in place

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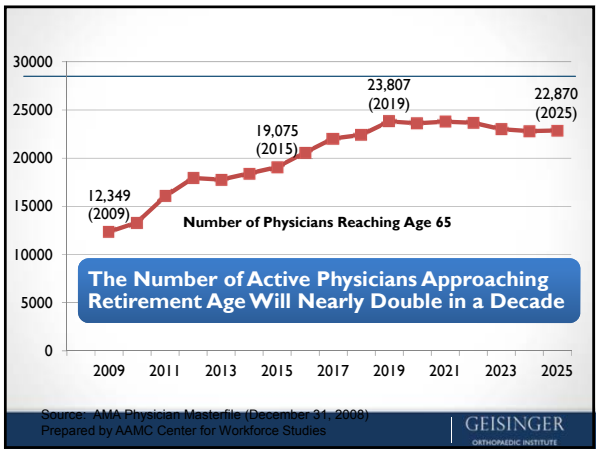
30000
25000
20000
15000
10000
5000
0
12,349
(2009)
19,075
(2015)
23,807
(2019)
22,870
(2025)
Number of Physicians Reaching Age 65
The Number of Active Physicians Approaching Retirement Age Will Nearly Double in a Decade
2009
2011
2013
2015
2017
2019
2021
2023
2025
Source: AMA Physician Masterfile (December 31, 2008)
Prepared by AAMC Center for Workforce Studies
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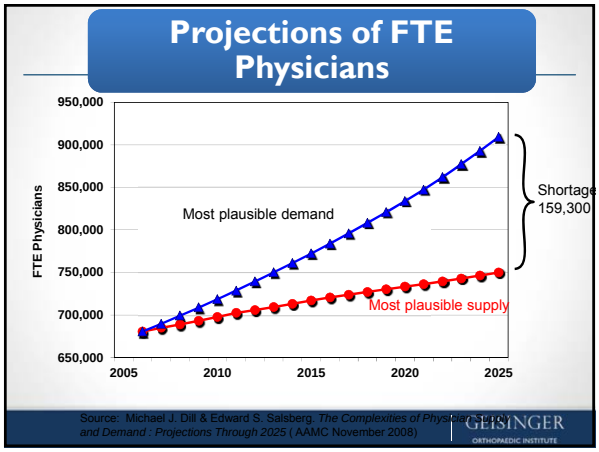
Projections of FTE Physicians
950,000
900,000
850,000
800,000
750,000
700,000
650,000
FTE Physicians
Most plausible demand
Shortage
159,300
Most plausible supply
2005
2010
2015
2020
2025
Source: Michael J. Dill & Edward S. Salsberg, The Complexities of Physician Supply and Demand : Projections Through 2025 (AAMC November 2008)
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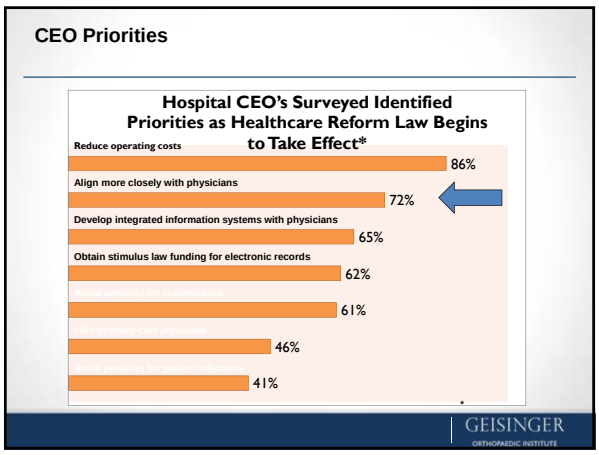
CEO Priorities
Hospital CEO's Surveyed Identified Priorities as Healthcare Reform Law Begins to Take Effect*
Reduce operating costs
86%
Align more closely with physicians
72%
Develop integrated information systems with physicians
65%
Obtain stimulus law funding for electronic records
62%
61%
46%
41%
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To understand the transformation principles

INTEGRATED PRACTICE MODELS

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Transformation Principles

- Volume to Value
- Population Risk Sharing (i.e., Integrated Care)
- Total Cost of Care Focus (i.e., Non-Hospital Centric)
- Reference Pricing
- Consolidation of Provider Markets
  - (monopoly games or real value production)
- Consolidation of Payer Markets
  - (no more cost shift?)
- Vertical Consolidation Experiments

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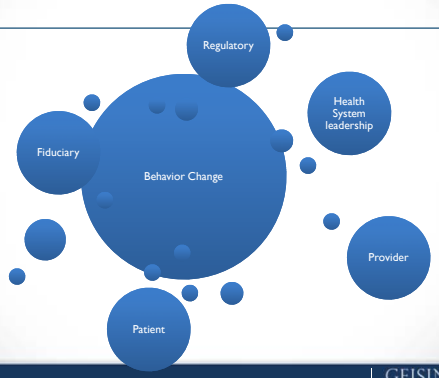
Key Drivers of Success



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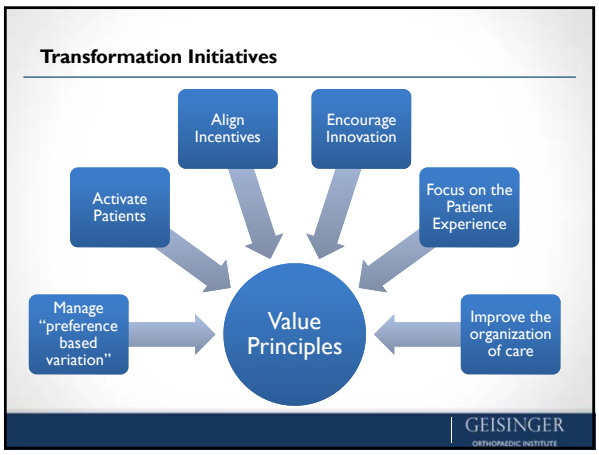
WESTERN HUB
CENTRAL HUB
NORTHEASTERN HUB
Bradford
Susquehanna
Adams
Integrated Health System
• Provider Facilities
• Physician Practice Group
• Managed Care Companies
"Sweet Spot"


Value Reengineering
System Coordination for Value
26


Transformation Initiatives
Align Incentives
Encourage Innovation
Activate Patients
Focus on the Patient Experience
Manage "preference based variation"
Value Principles
Improve the organization of care
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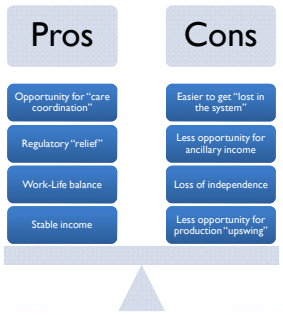
Hospital Employment



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THANK YOU

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