CAHHS Volunteer Convention
February 16, 2016
Monterey, California
Improving lives by delivering exceptional care and inspiring the pursuit of optimal health.
Key Challenges to the US Healthcare System

**Unsustainable Cost**
- 20% of GDP by 2021
- $700B waste across U.S. system
- 2x cost per capita versus OECD nations

**Variation in Quality**
- 45% care inconsistent with recommended guidelines
- $210B unnecessary services
- 3x variation in hospital days in last 6 months of life

**Lack of Coordination**
- 19.6% Medicare hospital readmissions
- $45B annual costs for avoidable complications
- $91B redundant administrative practices

5 Drivers of Change in Healthcare

1. Increasing disease-burden of an aging population
2. Employer/insurance market transformation
3. Healthcare as a retail transaction: consumer empowerment
4. Physician practice challenges
5. Workforce trends
6. Disruption entrants: new competitors emerging
1. Increasing Disease Burden Impacting All Elements of the Healthcare Continuum

% of Medicare FFS Beneficiaries and Per Capita Spending by Number of Chronic Conditions, 2014

- $1,842
- $5,683
- $11,599
- $32,616
- $40,000
- $50,000

0% 20% 40% 60% 80% 100%

0 to 1 2 to 3 4 to 5 6+

# of conditions

% of Beneficiaries by # of Chronic Conditions

- 35%
- 30%
- 21%
- 15%

- 100%
- 50%
- 0%

Components of Commercial Rx Spend Trend, % Change 2013-14

- 5.8%
- 6.5%
- 6.4%
- 13.2%
- 13.1%
- 30.9%
- 25.2%
- 20.0%
- 15.0%
- 10.0%
- 5.0%
- 0.0%
- -5.0%

Utilization  Unit Cost  Total

- Traditional
- Specialty
- Overall

1st

Depression is the leading cause of disability worldwide, and is a major contributor to the global burden of disease.

-$193b

Serious mental illness costs America $193.2 billion in lost earning every year.¹

90%

90% of those who die by suicide have an underlying mental illness. Suicide is the 10th leading cause of death in the U.S.²
2. Insurance Market Transformation
High-Deductible Health Plans Continue to Gain Steam

Essentially, A Shift From “Defined Benefit” to “Defined Contribution”

This Type of Shift is Not Without Precedent: Retirement Plans

1/3 Commercially Insured Now in HDHPs

Retirement Plan Participation by Type

Defined Benefit
Defined Contribution
3. Healthcare as a Retail Transaction Understanding and Responding to the Health Care Consumer

- **Decision Criteria**
  - What does the patient value most about each service?
  - Does the patient have a financial incentive to shop?

- **Accessing Information**
  - How does the patient prefer to research/receive information?
  - Does the patient have access to a high-quality transparency tool?

- **Consumer Activation**
  - Does the patient actually shop for care?

- **Behavioral Change**
  - Does the patient make a different decision than they would have otherwise?
4. The Key Challenges Providers Face Today Will Impact the Model of Tomorrow

High-performing provider organizations must navigate an increasingly complex business model while being able to differentiate their care delivery capabilities on a cost and quality basis.
5. Physician Shortfalls Expected Nationally - Primary Care and Surgical Specialties Expected to Comprise the Largest Gaps

Factors impacting the demand for physicians include:
- Demographic changes, i.e., Medicare-eligibles boom
- Insurance expansion
- Managed care
- Increased use of retail clinics

Factors impacting the supply of physicians include:
- Lifestyle factors (e.g., work hours)
- Retirement patterns
- Supply and staffing patterns of advanced care practitioners

Physician demand continues to grow faster than supply leading to a projected national shortfall likely to range between 46K – 90K in 2025; expected PCP shortage of 12K – 31K; 28K – 64K for subspecialties in 2025
6. A New Basis of Competition
Formidable Competitors Are Emerging on the Care Delivery Front

Walmart
Save money. Live better.

DaVita

Walgreens
At the corner of HAPPY & HEALTHY™

HIGHMARK

ZOOM+
performance health insurance

theranos
A Case Study – Community Hospital Foundation

Community Hospital of the Monterey Peninsula
Peninsula Primary Care (PPC)
Community Health Innovations
Aspire Health Plan
Peninsula Wellness Center
We believe our community’s greatest resource is the health of its people. Our family of organizations is dedicated to the pursuit of optimal health for all people in Monterey County, from birth to end of life.
We believe the achievement of optimal health requires pro-active partnering with physicians and other clinicians, healthcare and community organizations, and, most importantly, each person we serve.
We are dedicated to care that is coordinated across all care settings to meet each person’s own goals and needs.
We believe optimal health on an individual level is possible only when each person actively participates in their own healthcare. We inspire that participation through personalized information, education, and support, provided by a coordinated and compassionate team.
Service Locations

- Hospital
- Physician offices
- Laboratories
- Behavioral Health
- Radiology/Imaging
- Rehabilitation
- Peninsula Wellness Center
- Urgent Care
- Hospice
- Sleep Disorders Center
- Westland House
Our Staff and Volunteers

Employees 2,048
Volunteers 664
Medical Staff 399
Therapy dogs 38
Our Patients

Payment Source
- Medicare 55.2%
- Commercial 23.4%
- Medi-Cal 14.2%
- Champus 4.2%
- Self-Pay 2.1%
- Workers’ Compensation .9%

Age
- 0–13 Years 6.7%
- 14–39 Years 14.3%
- 40–64 Years 29.7%
- 65+ Years 49.3%
The Triple Aim

- Better Care
- Lower Cost
- Better Health
The Triple Aim

- Better Care
- Lower Cost
- Better Health
Enhancing the Patient Experience

Bedside nursing shift changes
Excellence 24/7 real-time response
Advanced Certification for Palliative Care
Post-discharge telephone check-in
Transitional care managers in Emergency department
In-room communication boards
Auxiliary Inpatient Meal Companion Program
Music at the bedside
NICHE certification
### High-Reliability Measures

<table>
<thead>
<tr>
<th>Measure</th>
<th>Details</th>
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<tbody>
<tr>
<td>'A' for Hospital Safety</td>
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<tr>
<td>Advanced Certification for Primary Stroke Center</td>
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<tr>
<td>No. 3 among medium-sized hospitals nationally for lowest 30-day readmission rates</td>
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<tr>
<td>Get With the Guidelines Gold Plus Achievement Award for stroke care</td>
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<tr>
<td>Advanced Certification in Inpatient Diabetes</td>
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<tr>
<td>Top Performer Award Inpatient Rehabilitation Unit</td>
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<tr>
<td>Blue Distinction Center for Bariatric Surgery</td>
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<tr>
<td>Accredited Chest Pain Center</td>
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<tr>
<td>Commission on Cancer Outstanding Achievement Award</td>
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<tr>
<td>Sepsis mortality rates reduced by more than half over 5-year period</td>
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Safe?

D�aderous: $> 1 / 1000$

Regulated: $< 1 / 100K$

Ultra safe: $< 1 / 100K$

- Healthcare
- Driving
- Chartered Flights
- Scheduled Airlines
- European Railroads
- Nuclear Power
- Chemical Manufacturing
- Mountain Climbing
- Bungee Jumping

Total lives lost per year

Number of encounters for each fatality
Prescription for Change
Lessons from Auto Manufacturing...LEAN
Toyota Management System

Hoshin kanri

Just in time
- people
- materials
- equipment

standard work
- standard WIP
- andon & availability

Takt time production
- flow production system
- pull system production

Jidoka

Leveled production (heijunka)

Cost reduction through the elimination of muda

5S
The Seven Wastes

- Overproduction
- Defective Products
- Time on Hand (Waiting)
- Movement
- Transportation
- Stock on Hand (Inventory)
- Processing
Value Stream Map
Better Care Requires An Adequate Supply of Physicians

Lack of primary care physicians
- Cause non-emergency care to be delivered in the Emergency Department
  - Increase the cost of delivering care because of inappropriate use
  - Higher patient volumes over-extend our resources
- Contribute to a higher mortality (death) rate
- Contribute to patients delaying care or seeking multiple specialists

Lack of specialist physicians
- Cause disease-specific programs to fail
- No, or low, amount of cardiologists = No heart program
- Contribute to inadequate coverage in the Emergency department for advanced cases

All physician shortages force people to seek care far from home.
Peninsula Primary Care

- 33 physicians
- 9 specialties
- 4 locations
- 85,000+ patient visits

Recruiting the Best
- Primary Care Physician
- Neurologist
- Urologist
- Physician Medicine/Rehabilitation
- Psychiatrist
- OB/GYN
- Cardiologist
- Pulmonologist/Sleep Physician
Better Care Requires the Adoption of Palliative Care

Definition of Palliative Care

Palliative care improves the quality of life of patients and families who face life-limiting illness by providing pain and symptom relief, and spiritual and psychosocial support from diagnosis to the end of life and bereavement.

World Health Organization
Palliative Care

Increasing numbers of Medicare patients are facing chronic, life-limiting illness. Coordinated system for goal-setting and care planning enables care and decreases stress among patients, caregivers, and staff.

Advanced Certification for Palliative Care
The Triple Aim

- Better Care
- Lower Cost
- Better Health
National Health Expenditures per Individual

NHE as a share of GDP

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<tbody>
<tr>
<td>NHE</td>
<td>$147</td>
<td>$356</td>
<td>$1,112</td>
<td>$2,851</td>
<td>$4,884</td>
<td>$5,240</td>
<td>$5,687</td>
<td>$6,131</td>
<td>$6,504</td>
<td>$6,900</td>
<td>$7,271</td>
<td>$7,651</td>
<td>$7,933</td>
<td>$8,157</td>
<td>$8,411</td>
<td>$8,658</td>
<td>$8,925</td>
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<tr>
<td>GDP</td>
<td>5.0%</td>
<td>7.0%</td>
<td>8.9%</td>
<td>12.1%</td>
<td>13.4%</td>
<td>14.1%</td>
<td>14.9%</td>
<td>15.4%</td>
<td>15.5%</td>
<td>15.5%</td>
<td>15.6%</td>
<td>15.9%</td>
<td>16.4%</td>
<td>17.4%</td>
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<td>17.3%</td>
<td>17.2%</td>
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Cost Shift in California — Sustainable?

Estimated annual ratio of California hospitals’ revenue to costs by payer category

- Private payer
- Medicare
- Medi-Cal (including DSH)

OPERATING LOSS

Doing the Math: Shifting the Costs of Care

2014

- Medicare: $250 Million
- Medi-Cal: $50 Million
- Uninsured: $0 Million

Legend:
- Dark blue: Cost to provide care
- Light gray: What we were paid
Lowering Costs

- Reduced $53.3 million in operating costs from annual budget since 2009 (12.6% reduction)
- Embarking on Lean journey (Toyota quality and efficiency management model)
- Group purchasing
- Reduced unnecessary treatment and testing
- Reduced “high utilizer” emergency visits by 68% (3,450 visits)
- Reduced readmission rates (third lowest in country for mid-size hospitals)
How We Compare to Peers

2014 Average Adjusted Expense per Adjusted Discharge

19 Northern California Peer Hospitals
The Triple Aim

Better Care

Lower Cost

Better Health
The Spectrum of Health

85% members = 15% cost

15% members = 85% cost

Healthy or Unknown  At Risk  Acute/Episodic  Chronic Condition  Catastrophic

Patient engagement and coordination of care across the continuum
Community Health Innovations
An affiliate of Community Hospital of the Monterey Peninsula

Disease Management
Emphasis on Wellness
Integrated Population Management
Coordinated Care
Health Information Exchange
Physician Engagement and Alignment

http://communityhealthinnovations.org/about-chi/
Peninsula Wellness Center

Marina

Salinas (late 2015)
Monterey County’s Medicare Population Expands Exponentially

Monterey County Medicare Eligible Population

- 2000: 40,299
- 2010: 44,998
- 2020*: 59,778
- 2030*: 80,474

*Projected
Aspire Medicare Advantage Health Plan

- Partnership among hospital and community physicians for integrated population management
- Monterey County’s first Medicare Advantage plan
- Start of healthcare delivery: 2014
- All 4 regional hospitals participating
- 331 contracted physicians
- Rewards plan and providers for managing care appropriately (shared savings/risk pool)
- Expanding collaboration
Community Benefit Partners

Seaside Healthfest  Boys & Girls Clubs of Monterey County
Monterey County Health Clinics  Meals on Wheels
Monterey County Schools  Monterey County Food Bank
Big Sur International Marathon  Big Sur Health Center
Carmel Foundation  Cancer Survivors’ Day  Relay for Life
American Cancer Society  Community Partnership for Youth
Monterey Rape Crisis Center  American Heart Association
Hope Services, Inc.  Monterey Bay Geriatric Resource Center
and more
Thank you
CAHHS Volunteer Conference

Association Update
Art Sponseller
Hospital Council of Northern and Central California
The California Children’s Education and Health Care Protection Act of 2016

- Extends ONLY existing income tax rates on millionaires – 2019 - 2030
- $1 billion annually to Medi-Cal funding
- Asking each of you to sign a petition today
- Take petitions home and circulate
- DO NOT TAKE petitions into your hospital
- CHA Table – Jan Emerson-Shea
Federal Outlook

- Presidential Race; new Speaker; fight for the Senate
- Congress in session for just 111 days this year
- Key issues for hospitals:
  - ACA implementation
  - Medicaid managed care rules
  - Recovery audit contractor program
  - Readmissions
  - Payment differential for off-campus outpatient departments
State Outlook

• 2nd Year of a two-year session
  – Two special sessions – Medi-Cal and Transportation
• 2016 national elections loom large
  – 2/3 majority at stake
• AB 1300 and funding for hospital based skilled nursing facilities
• MCO Tax -- $1 billion for Medi-Cal
• Many ballot measures
## Changing Environment

<table>
<thead>
<tr>
<th>Topic (Healthcare)</th>
<th>Google Hits</th>
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<tbody>
<tr>
<td>Physicians</td>
<td>158,000,000</td>
</tr>
<tr>
<td>New government regulations</td>
<td>124,000,000</td>
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<tr>
<td>Insurance companies</td>
<td>13,700,000</td>
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<tr>
<td>Technology</td>
<td>7,070,000</td>
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<tr>
<td>Population Heath</td>
<td>5,540,000</td>
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<tr>
<td>Increased financial pressure</td>
<td>2,280,000</td>
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<tr>
<td>Quality</td>
<td>588,000</td>
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<tr>
<td>Dramatic shifts in the workforce</td>
<td>225,000</td>
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<tr>
<td>Volume to value</td>
<td>225,000</td>
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<tr>
<td>HCAHPS/Star Ratings</td>
<td>201,000</td>
</tr>
<tr>
<td>Changes to patient care models</td>
<td>86,000</td>
</tr>
</tbody>
</table>
Changing Environment

- Fewer independent hospitals
- Emergence of the “operating model” among systems
  - Roles moving to the system level
    - Marketing; government relations; finance functions; volunteer leadership; clinical leadership
    - Less autonomy at hospital level than in the past
- Hospitals (all types) searching for ways to create capacity for care coordination
- Hospitals (all types) learning to accept financial risk for care outcomes
The Revolution is Now! Care Comes to You!

- Remote physician visits
- Heart rate trackers reveal pregnancy, health issues
- Tracking medication compliance
- BP software matches MD analysis of readings 95%
- $471M in digital health funding in Jan. alone
- Digital biomarkers support population health
- Some 31 percent of heart patients are using digital health tools to manage their condition
- Medical UBER services
Thank You