

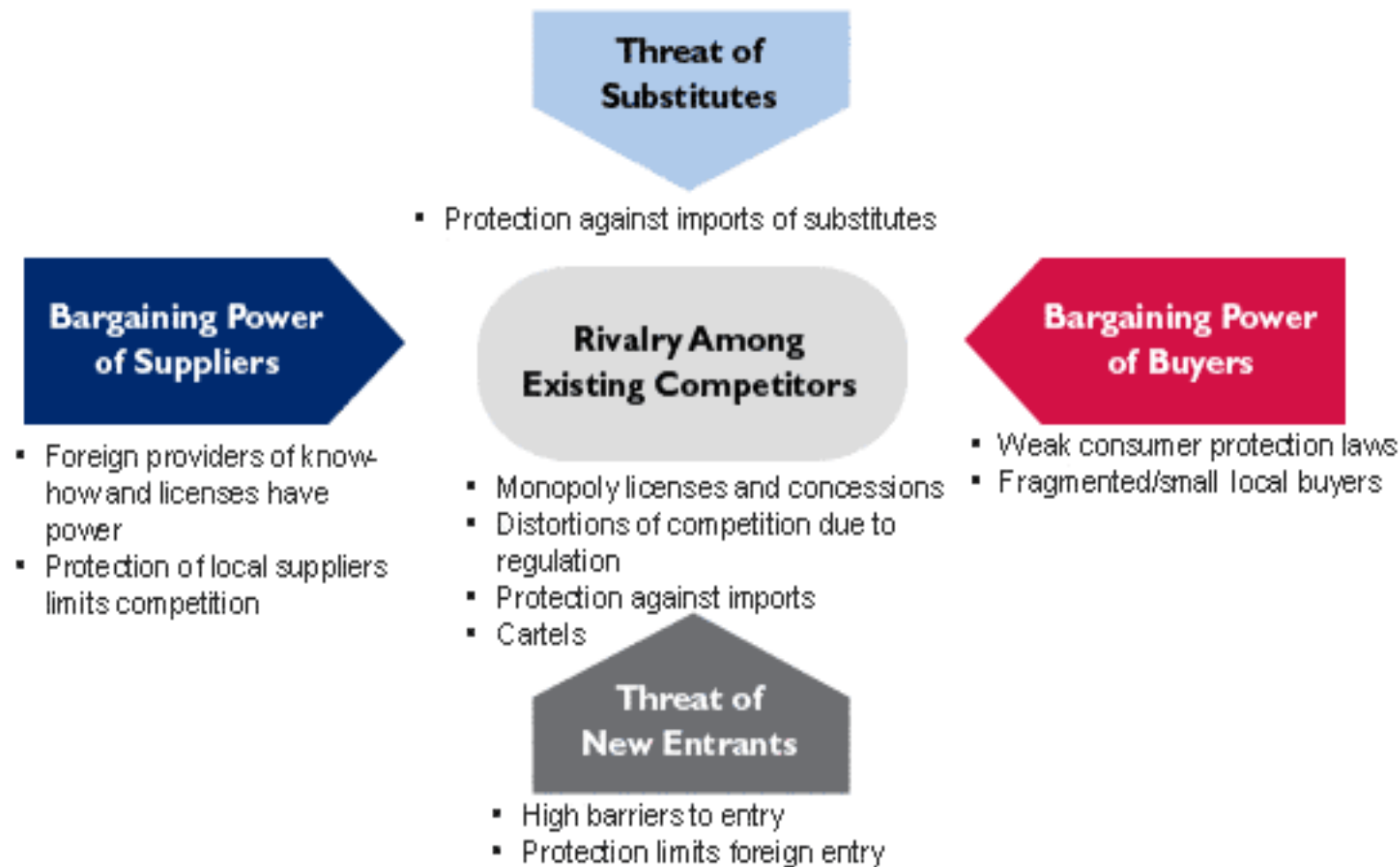
Physician Leadership Academy Strategic Planning Framework

June Komar

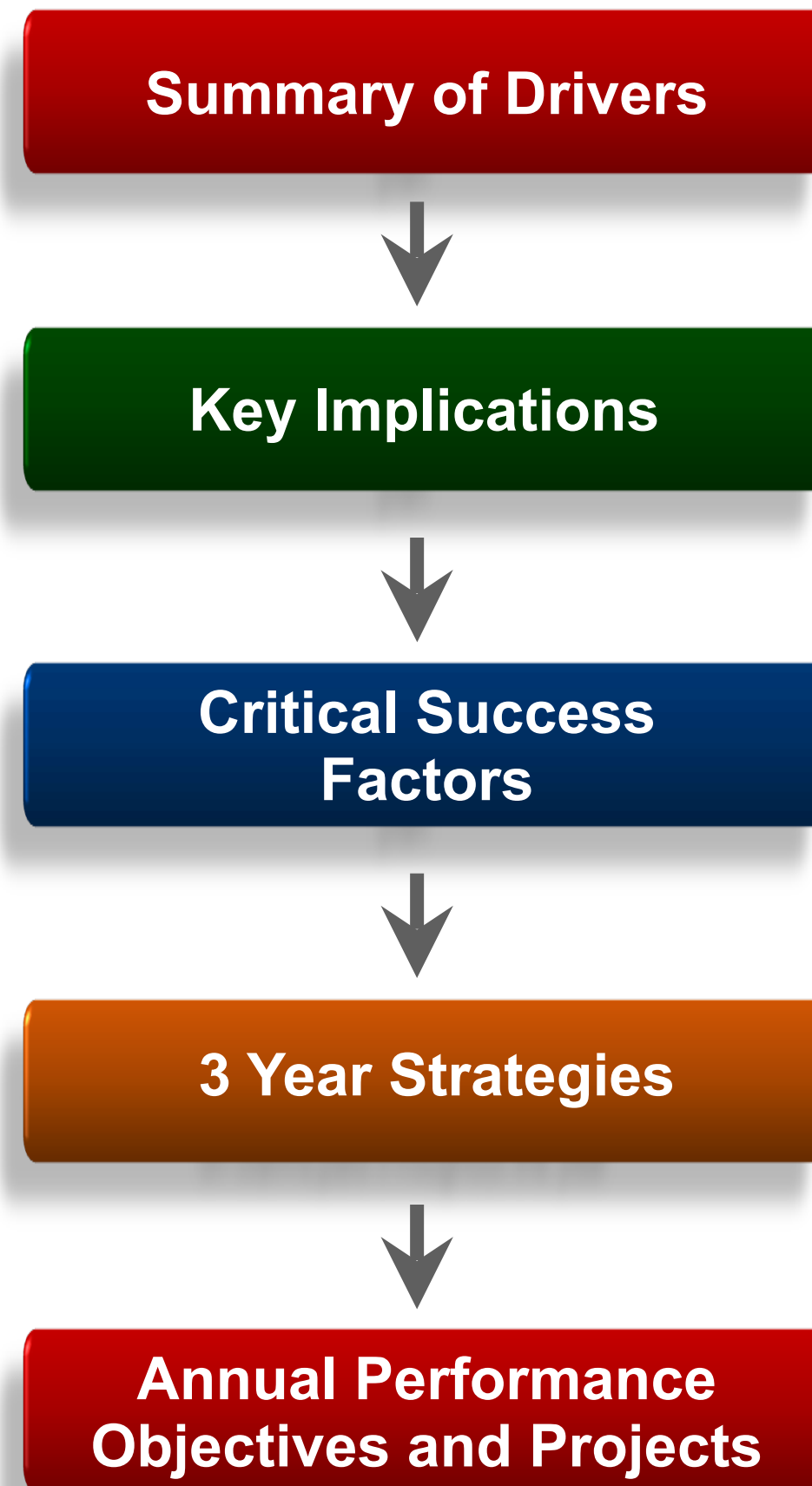
Corporate Executive Vice President of Strategy and Administration

A Classic Model of Strategy Development

Porter's 5 Forces Framework



The Scripps Strategic Planning Process



Healthcare Trends for 2012 That Impact Scripps

Economic Conditions

- Soft demand for elective procedures
- Bad debt pressure on providers
- More price shopping for services (especially outpatient-elective)
- Continued consolidation of hospitals, physician organizations, and outpatient providers
- Employers
- Employees are picking up more of the cost and employers and health plans are pushing alternative models through benefit design (e.g., Patient-Centered Medical Home, ACO, Bundled Payment)
- Physicians
- Physicians are under pressure and are increasingly looking to hospitals for relief
- Manpower shortages are becoming evident



Healthcare Trends for 2012 That Impact Scripps

Payers

- Unpredictable impact of health plans acquiring medical groups
- Vertical Integration
- Uncertainty regarding structure and impact of health insurance exchanges

Labor reductions

- Mostly non-clinical

Health plans

- Brand more
- Diversify more
- Acquire market position with seniors/knowledge to manage care

Care models changing

- Greater emphasis on ambulatory settings
- Accountable care
- Bundled payments
- Medical home
- You will be at risk “back to the 80’s”

Healthcare Delivery: Drivers and Implications

Definition of Driver: Major market and environmental trends likely to impact healthcare delivery in the next 3-5 years

Driver	Key Components	Implications
Affordability	Cost reduction Interest of government, health plans and consumers Continuing poor economy	Need to reduce total cost of care Capitation or benefit and reimbursement models that incent reducing utilization Payors prioritizing cost with quality a minimum expectation
Reimbursement Changes	Reduction in governmental and commercial reimbursement Narrowing networks – tiering, exclusivity, capitation Piloting of new reimbursement models – shared savings, bundled payment Managing per capita costs	Reinforcing reduction in inpatient utilization and move to ambulatory care setting Need for capabilities to provide care under global risk Further pressure on economics of medical practice
Exchanges	Affordability of insurance Increase in “bargain shoppers” Individuals and self-funded, small employers Demands narrow networks	Need to deliver and demonstrate value--quality at most efficient cost May attract healthcare “bargain shoppers” Increased transparency in pricing & outcomes Physician network development and clinical integration necessary for accountability Need for health plan contracts that position Scripps for exchanges, i.e. capitation Competition may be better positioned today

Healthcare Delivery: Drivers and Implications

Driver	Key Components	Implications
Utilization / Care Model Changes	Reduction in inpatient utilization Bundled payment / episodic utilization reduction Favoring ambulatory Shift from treating disease to maintaining health	Medical management requires coordination and linkage across continuum and between providers Disease and population management capabilities Implementing consistent and reliable clinical and business processes Physician leadership and co-management Changing roles and need for adaptability of workforce and physicians
Patient / Consumer Expectations	Immediacy Access – geographic, timeliness, etc. Affordability Patient experience Patient engagement through technologies	Ease of access, flexibility in scheduling Access to information, test results, etc Patient responsibility and engagement mechanisms Increased transparency in black box Evolution of nature of relationship with providers Respect for patient's values, preferences and needs, and providing emotional support Attention to transition and continuity of care
Technology	Data availability and access (HIE) Speed of development Transformative potential Real time access	Critical enabler to care model and medical management to connect and communicate across continuum and provider organizations Significant increase in need for data management and information to support decision making Potential for disruptive technology to radically modify current practice

The Evolution of the Health Care Industry

From

Hospital centric

Treat disease/episode of care

Physicians and Hospitals working in parallel

Pay for procedures

Fee-for-service

More facilities/capacity

Physicians/Hospitals acting independently

To

Continuum of Care (Population centric)

Maintain health

Physicians and Hospitals working in a highly integrated manner

Pay for value

Case rates/budgets/capitation

Access through a variety of settings and tools

Physicians/Hospitals collaboration: global risk

Implications for Scripps

- Must be affordable, reduce cost
- Must build medical management capabilities to manage full risk/capitation
- United relationship – is it a model for others?
- Look for other opportunities for tiered, narrow network, “private label”, accountable care or bundled payment models
- Explore new Medicare products including zero premium, dual eligible special needs and others
- Expand Scripps’ commercial capitation participation

Notes Regarding the ScrippsCare Survey

- The ScrippsCare Survey (the “Survey”) was conducted between January 25, 2012 and February 13, 2012. Upon completion of the Survey, The Camden Group received responses from 332 participants.
- For the purposes of this report, the responses from members of Scripps Clinic Medical Group and Scripps Coastal Medical Group have been combined and are represented as the Foundation Medical Groups (“Foundation”) respondent cohort.
- Responses from the members of Connect the Docs, Mercy Physicians Medical Group (“MPMG”), Primary Care Associates Medical Group (“PCAMG”), Scripps Mercy Physician Partners, and XiMed Medical Group have been combined and are represented as the Non-Foundation Medical Groups (“Non-Foundation”) respondent cohort.
- A profile of the respondents by cohort is provided in the table below.

Respondent Cohort	Total Individuals Invited to Participate in the Survey	Total Responses Received	Response Rate by Respondent Cohort	Percent of Total Responses Received (N = 332)
Foundation Medical Groups	654	207	31.7%	62.3%
Non-Foundation Medical Groups	1,126	124	11.0%	37.3%
Provided responses, but no group affiliation information	n/a	1	n/a	0.3%
Total	1,780	332	18.7%	100.0%

Summary of ScrippsCare Survey Findings

- Overall, survey responses were consistent between Foundation and Non-Foundation participants. Responses indicate that participants are knowledgeable of healthcare reform and changes that will impact the patient care delivery system over the next several years.
- **Top two critical factors impacting individual practices** over the next three years: Reductions in reimbursement and changing reimbursement mechanisms.
- **Top two risks impacting both individual practices and medical groups:** Payment reform and the loss of patients and referrals through contracting limitations. Foundation cohort identified inefficiencies in clinical practice due to process and information technology constraints as the #2 risk to their individual practices. Foundation cohort identified erosion of culture as the #2 risk to their medical group.
- **Top two greatest unmet needs impacting practices:** Qualified + reliable administrative support staff, and the implementation of a high-quality, easy-to-use EMR. Non-Foundation cohort identified strengthened contracts and referral networks & protection from healthcare reform and increased cost pressures as their #1 unmet needs, equally.
- **Top two greatest unmet needs from medical groups:** Protection from healthcare reform and increased cost pressures, and strengthened contracts and referral networks.
- E-mail is the **preferred method of communication** among all survey participants.
- The two factors in which respondents felt **least prepared** for participation in were: “**Capitation for Medicare patients,**” followed by “**Capitation for commercial patients.**”

Guiding Principles

Definition of Guiding Principles

- Guidelines that describe what Scripps Health and ScrippsCare will do and how we will work together over the next three years

Scripps Health and ScrippsCare must:

- Reduce costs of care across the continuum
- Deliver value
- Achieve physician and system alignment to be successful
- Be accountable for patient-centric care, outcomes and cost
- Have an infrastructure and care delivery model that covers the continuum of care (prevention through post-acute)
- Manage/coordinate care across the continuum of care
- Be capable of identifying and managing the health needs of the population for whom we are accountable
- Increase the size of the population for whom we care
- Provide access in a variety of venues and ways to meet the patient expectations

Critical Success Factors:

Transitioning from Sick Care to Population Health Management

Scripps Health and ScrippsCare will transition from a sick care provider to a wellness and health maintenance focused organization with effective medical management as the linkage between the two. The critical success factors are:

Cost Reduction

- Redesign clinical care and business processes by reducing non-value added utilization to provide affordable, high value care, prevention and engagement of the patients and the population Scripps serves

Care Model to Provide Right Care at the Right Time and Right Place

- Redesign and implement patient-centric coordinated, cost-effective care models using data and information to provide the care, prevention and engagement through mechanisms such as medical home, registries, clinical protocols and other medical management capabilities

Accountability for Outcomes

- Be accountable for health of a population and provide affordable care at predictable quality and costs across the continuum

Adaptability and Ability to Change

- Develop leadership and accountability to accelerate and manage remodeling and reducing costs of current sick care system to focus on population health management

Physician Alignment and Engagement

- Engage physicians in co-management