

Navigating Uncertain Waters: Trends in Provider Reimbursement in an Era of Payment Transformation

January 10, 2018



University Health Partners of Hawaii

The Faculty Practice plan of the John A. Burns
School of Medicine

Multispecialty Group Practice with Approximately
180 Healthcare Providers

Founded in 1993

Mission: To support the clinical, educational,
research and community service activities of the
University of Hawaii Health Sciences

When you have seen one academic health center, you have seen one academic health center.

Anonymous (Many)

Growth of US Medical Schools

Number of Allopathic Schools in 1966	88
Number of Allopathic Schools 2017	145
Number of Graduates I 1966	7,400
Number of Graduates 2017	20,600
Number of Full Time Faculty in 1966	~25,000
Number of Full Time Faculty	163,000

Fueled by post WW II NIH Investment

Fueled by growth in Faculty Practice

Medical School Revenues 2016

\$121 Billion

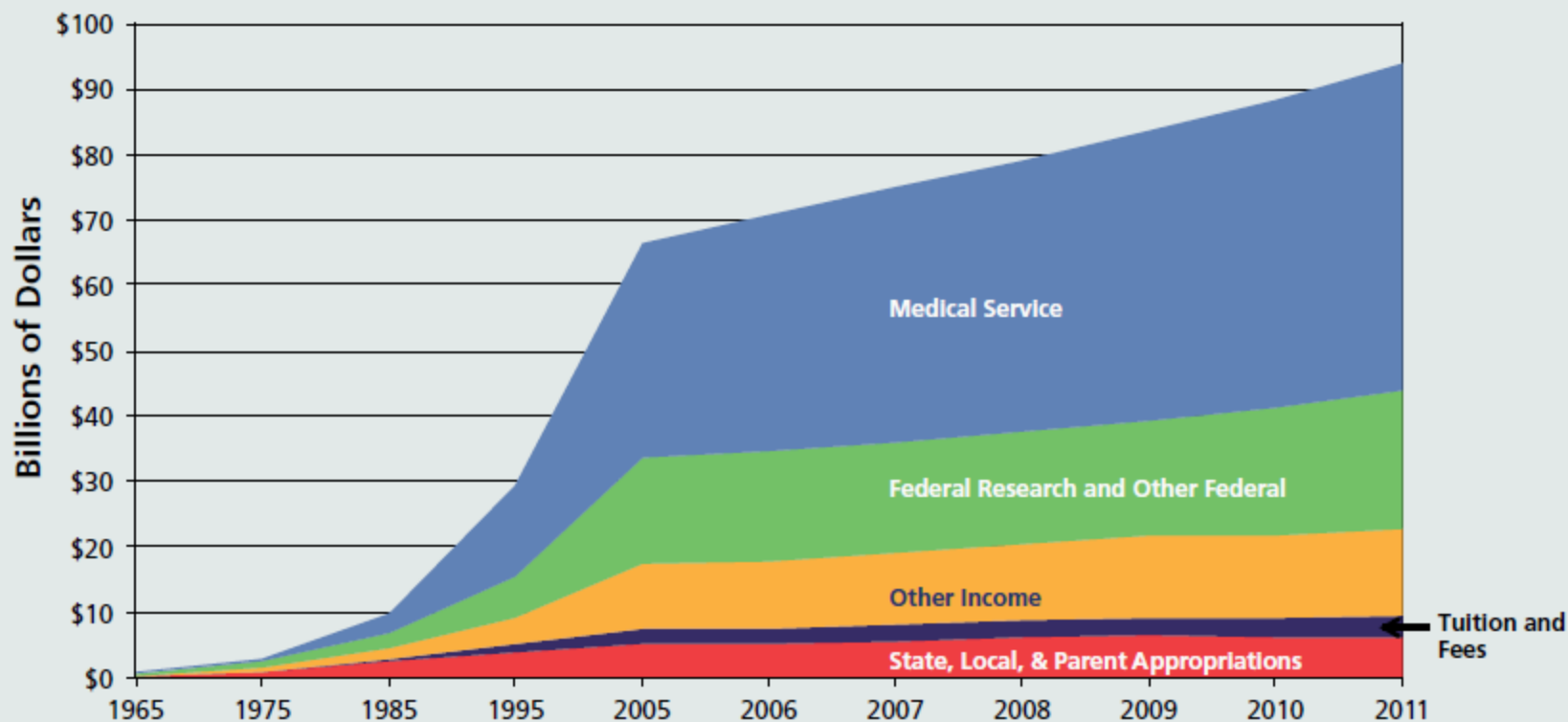
61.3% Clinical

22.4% Contracts and Grants

3.8% Tuition

Figure 3: U.S. Medical School Revenues, by Source

in Billions, FY 1965-FY2011



Challenges to Academic Practices



Some Key Issues in US Health Care

1. Is health care a right or a privilege?
2. How much of our economic output should be devoted to health care?
3. How do we pay for health care?
4. Are we receiving appropriate value in health care?
5. What is the proper role of government in regulation and in payment?
6. What extent of health disparities can be tolerated?
7. How do we deal with social determinants of health?
8. Can market forces adequately allocate scarce health care resources?

Payment Transformation

Why it is needed

- Unsustainable rate of growth in costs
- Questionable return on investment
- Payment drives practice

Strategies being deployed

- Transfer risk from insurer to provider
- Capitation and bundles
- Incentives for quality

We are likely to have a hybrid system for the foreseeable future

Other methods of Cost Containment are Possible

Taiwan (6.2% of GDP)

Japan (10.2% of GDP)

Some Characteristics of Academic Practices

- Higher cost of care delivery due to teaching, research, caring for uninsured and underinsured. Often safety net institutions.
- Subject to varying political pressures
- Elaborate systems of cross subsidization
- Heavy on specialties and light on primary care
- Not always internally aligned
- Heavily invested in fee for service medicine
- Inefficiencies related to teaching
- Reliance on reputation
- Slow to change

Special Challenges for Hawaii

- Relatively small population makes it difficult to support comprehensive services
- Geographic isolation
- Neighbor island services
- Health disparities
- Fragmented providers with small groups of practitioners
- Consolidation of insurance market
- Low reimbursement
- High practice costs and high cost of living
- Dependence on Health Systems for support.
- Payment transformation quality metrics are process oriented rather than outcome oriented.

AHC Strategies

Align margins to fuel the mission

Re-think cross subsidization

Explicitly connect the business model to the mission

Focus relentlessly on achieving and being able to demonstrate real differentiation in quality

Metrics now matter more than reputation

Consistency and transparency in reporting and clinical practice will be key to improving quality

Reconsider “conventional wisdom”

Plug holes and pick low-hanging fruit

From AthenaHealth AMC Roundtable

Arriving at a New Shore

