Health care reform

*End of GI practice* as we know it?

**The beginning of the end?**

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Outline/Goals

- Backdrop of healthcare crisis
- Current state of GI practice
- Affordable care act: general observations
- Major trends and impact on GI practice
  - Increased demand for services
  - Decreased payment$
  - Increased emphasis
- Implications for GI practice models
Healthcare in the US
Nature of the problem

• Expensive, fragmented, ineffective
• 17% gross domestic product
• $2.5 trillion/yr
• $8,000/person
-2.5x more than average developed nation

www.oecd.org/health/healthdata
Health Aff (Millwood) 2010;29(10):1933-41
on-theWall-An-International-Update-on-the-Comparative
-Performance-of American-Health.aspx
Healthcare in the US
Structural Problems

• Fragmented
• Lack of coordination (providers/sites of care)
• Payment system incentives
  - Maximize volume services not value of care
• Framework for reform: Triple Aim

Improve individual experience of care
Improve health of populations
Reduce per capita costs

Health Aff (Millwood) 2008;27;(3)1168-73
Current State of GI Practice

- Large proportion care ambulatory
- Procedural orientation
- Consultative specialty **Dependent on referrals**

Gastrointest Endosc 2010;72(2):396-400
Gastrointest Endosc Clin NA 2012;22:15-27

Current State of GI Practice

- Large proportion care ambulatory
- Procedural orientation
- Consultative specialty
- Nature of practice in U.S.

80% outside academic centers
50-60% <5 in group
<20% >10 in group

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Gastrointest Endosc Clin NA 2012;22:15-27
Current State of GI Practice

- Large proportion care ambulatory
- Procedural orientation
- Consultative specialty
- Nature of practice in U.S.
- Practice revenues
  - 65-70% from procedures/related services
- Potential threats to financial stability

Pressure on small practices
Disproportionately affect procedure revenue$

Current State of GI Practice

- Decline in reimbursement

Colonoscopy
1989=$500
2011=$265
2014+ -15%

Gastrointest Endosc 2010;72(2):396-400
Gastrointest Endosc Clin NA 2012;22:15-27
Current State of GI Practice$

- Decline in reimbursement

Many operate at or below......
$ for Medicare screening colon

Gastrointest Endosc 2010;72(2):396-400
Gastrointest Endosc Clin NA 2012;22:15-27

Current State of GI Practice$

- Decline in reimbursement
- Offsets to financial pressures-ancillaries

Pathology
Anesthesia
Infusion services
Clinical research

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Gastrointest Endosc Clin NA 2012;22:15-27
Current State of GI Practice

- Decline in reimbursement
- Offsets to financial pressures-ancillaries
- Modifications to AEC (-25% over 4 yrs)
- Further challenge$

Increasing number of unfunded mandates
Further reductions in professional fee$
Changes in PCP practice model for referrals

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Gastrointest Endosc Clin NA 2012;22:15-27

Affordable Care Act 2010

- Extensive legal framework
- Multiyear implementation
- Providers and practices will not fully understand
- Considerable uncertainty for ultimate structure
- Rapidly changing environment
- Reforms unleash forces favoring integration
- Strategic decisions
- Best guess scenarios

Devil is in details

http://www.gpo.gov/fdsys/pkg/PLAW-111publ152/content-detail.html
ACA and Physician Response

- Risk adverse
- Seeking shelter with hospitals/health systems
  - Selling practices
  - Becoming employed providers
- Movement accelerating
  - May not be reversible

ACA Effects

Increased demand

- Uninsured coverage 32 million
- Expanded Medicaid eligibility

72% Medicare fees
ACG Effects

Decreased Payments

- Authorizes adjust “misvalued” codes
  - in particular high volume codes
  - pre-Resource Based Relative Value System
- AMA Relative Value Update Committee (RUC)
  - Review GI codes
- Independent Payment Advisory Board
  - 2015 make recs on lowering Medicare cost$
  - Take effect unless Congress rejects

Done and coming
Colonoscopy

ACG Effects

Decreased Payments

- Cumulative effects

Changes in demand
Changes in payments
Demographic trend of aging
ACA Effects
Decreased Payments

• Cumulative effects
• Care for more at lower $
• Practices will need to examine/understand:
  - cost structure
  - profitability
  - Bundled payments
  - Lines of service
  - “At risk” populations

• “Stress test” model for viability if:
  - payments for GI services reduced 20-30%
  - costs continue to increase at present rates
Transformative Forces for GI

- Healthcare reform
- Disruptive technologies
  - Self propelled endoscopes
  - Serum or DNA CRC tests
  - Capsule endoscopy advances

Potential paradigm shift for GI practice

Quality Metrics
What is Needed?

- ACA mentions “value” 214 times
- Value-based provider payments begin 2017
- Era of transparency and provider profiling

GI practice needs proactively enter “quality game”
Quality Metrics
What is Needed?

• ACA mentions “value” 214 times
• Value-based provider payments begin 2017
• Era of transparency and provider profiling
• Understand and enter
  - National quality environment
  - Establish culture of quality improvement
• Payments/care decisions based on value

Qualify for incentive$ of quality/performance

Quality Metrics
What is Needed?

• Pursuit of clinical and service excellence
• Requires robust information technology
  - data capture/aggregation/analysis

Days of “quality project” few charts reviewed- OVER!
Quality Metrics
What is Needed?

- Pursuit of clinical and service excellence
- Requires robust information technology
  - data capture/aggregation/analysis
- GI practice will need to demonstrate
  - Establishes/updates/adheres best practice guidelines
  - Implementation point-of-care decision tools
  - Benchmarks and distinguishes from competitors

New Payment Models
Bundled Payments

- 2013 Secretary HHS directed to pilot
- Episode based payment based on:
  - expected costs for clinically defined episode
- Middle ground for fee for service/capitation
- Less encouragement for unnecessary care
- Encourages coordination across providers
  - Potentially improve quality

New Payment Models
Bundled Payments

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- Episode based payment based on:
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- Middle ground for fee for service/capitation
- Less encouragement for unnecessary care
- Encourages coordination across providers
- Cost reductions estimated at 5.4%


Bundled Payments
Implications for GI Practice

- Discrete episodes of care
  - Understand average costs
  - Implement “best practice” approach
- Benchmark against
  - Other practices/themselves over time
- Determine financial viability
  “Lean and efficient” practice
  Determine if can “warranty” episodes
Accountable Care Organizations
Shared Savings
Implications for GI Practice

• Huge rush - unclear how saving$ shared
  - CMS model 80% shared 90% to Hospital
  ACO administration
  PCPs

10% of 80%/30 specialties
Do the math.....
Accountable Care Organizations
Shared Savings
Implications for GI Practice

- Huge rush - unclear how saving$ shared
  - CMS model 80% shared
- Insurers forming Clinical Integrated Networks
- Recommendation
  
  Understand at local level
  Not rush to commit
  Not commit much capital - if any!

Transformation of Independent GI Practice Model

- Provide care
  
  Higher quality
  Less cost
  Thru novel delivery/payment models
  Greater transparency
  Better care coordination
Transformation of Independent GI Practice Model

- Provide care
- Requires investments
  - High level IT/well integrated EHR critical
  - Difficult to afford for independent physicians

Practice transformation/consolidation
Inevitable in most markets

Hospital Employment

- Prior to health care reform
  - Decline private practice 2%/yr over 25 yrs
  - PCPs initially

Majority of physicians employed by hospital
Hospital Employment

• Prior to health care reform
  - Decline private practice 2%/yr over 25 yrs
  - PCPs initially
• ACA accelerated
• Benefits
  - Access to resources
  - Clinical
  - Financial
  - Managerial
  - Technology

• Price
  - Relinquish Autonomy
  - Ultimate strategic decision making authority
Transformation of Independent GI Practice Model

• Sell to hospital
• Access other potential practice models

Will be determined by:
- Specific local environment
- Position attained in that market

Transformation of Independent GI Practice Model

• Sell to hospital
• Access other potential practice models
• Alternatives

Larger single specialty practice
Multispecialty groups/consortium
Regional/national specialty groups
Take Home Messages

• Paradigm shift for GI practice
• Sell or merge?

Determined by:
Specific local environment
Position attained

Alternatives

Large single specialty practice
- local/regional/national
Multispecialty practice
Integrated network consortium
Take Home Messages

• Paradigm shift for GI practice
• Sell or merge?
• Alternatives
• No “one size fits all”
• Optimal delivery model not developed/validated
• Ultimate model depends on:
  - HCR reform implementation/revisions

What should I do?

• Understand your practices strengths/weakness
• Evaluate and understand local and regional trends
  - in particular your referral lines
• Stress test your practice viability
• Explore bundled payment applications
• Analyze your costs and IT capabilities for reporting
• Develop and refine culture of quality
  - Insure your practice is recognized for this

Benchmark/benchmark/ benchmark!
Typical Physician Response to Healthcare Reform

Healthcare Reform Construction Headed in the Right Direction??

Suddenly, a heated exchange took place between the king and the moat contractor.
Carefully synthesize before changing

CHANGE IS BAD

Be Prepared for the Road Ahead

QUICKSAND
BE PREPARED