equityhealthcare

The Financial Future of Physician Income

Force Therapeutics

Robert Galvin, MD

October 7, 2016

Three Questions

#1 – What do I know about Orthopedic Surgery since I’m not a surgeon?

#2 – In plain English what is the real story about the future of physician incomes?

#3 – Why is there reason to be bullish about how Orthopedics will fare?

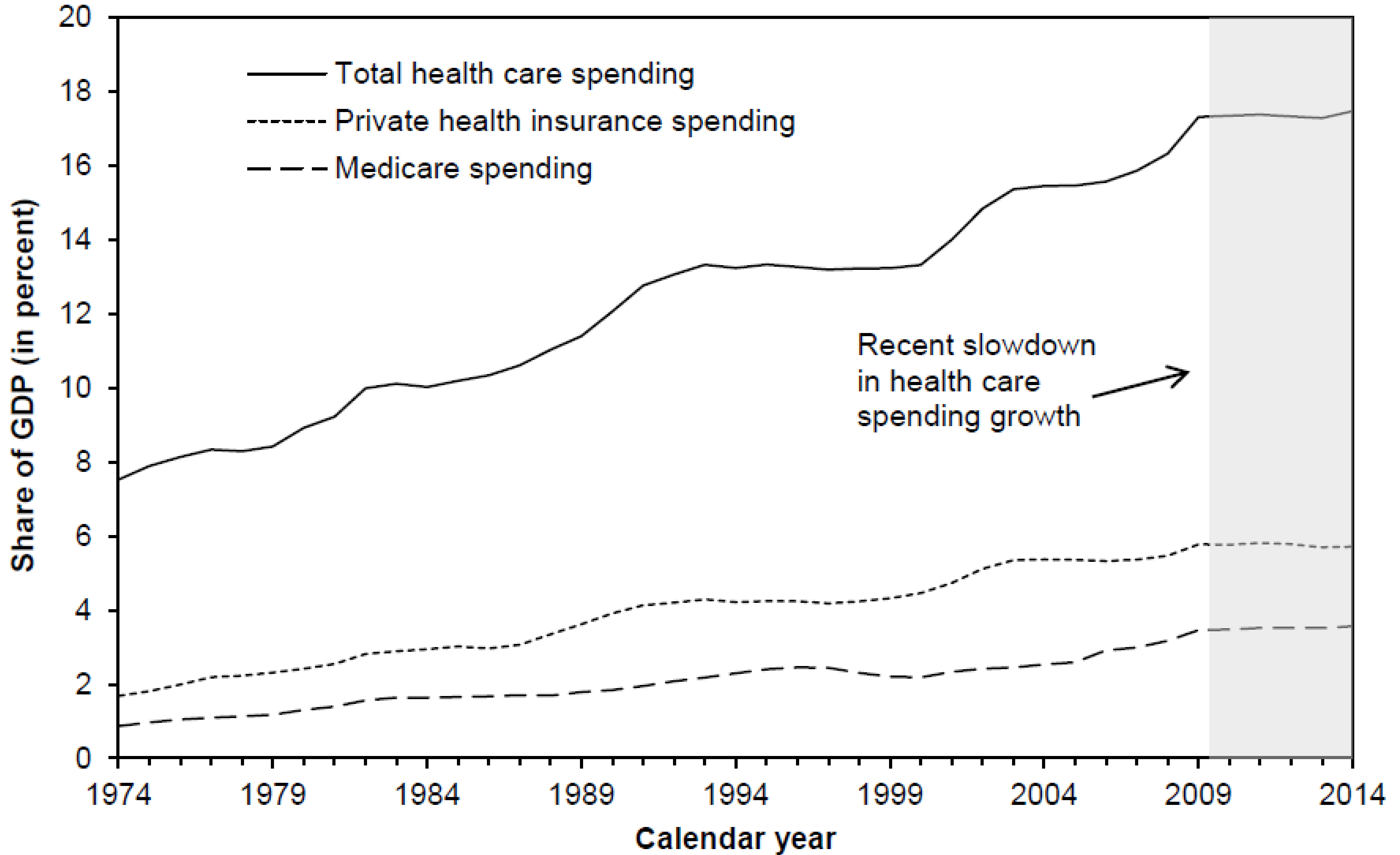
Why I'm Not a Surgeon

"Hurry Up But Take Your Time…."

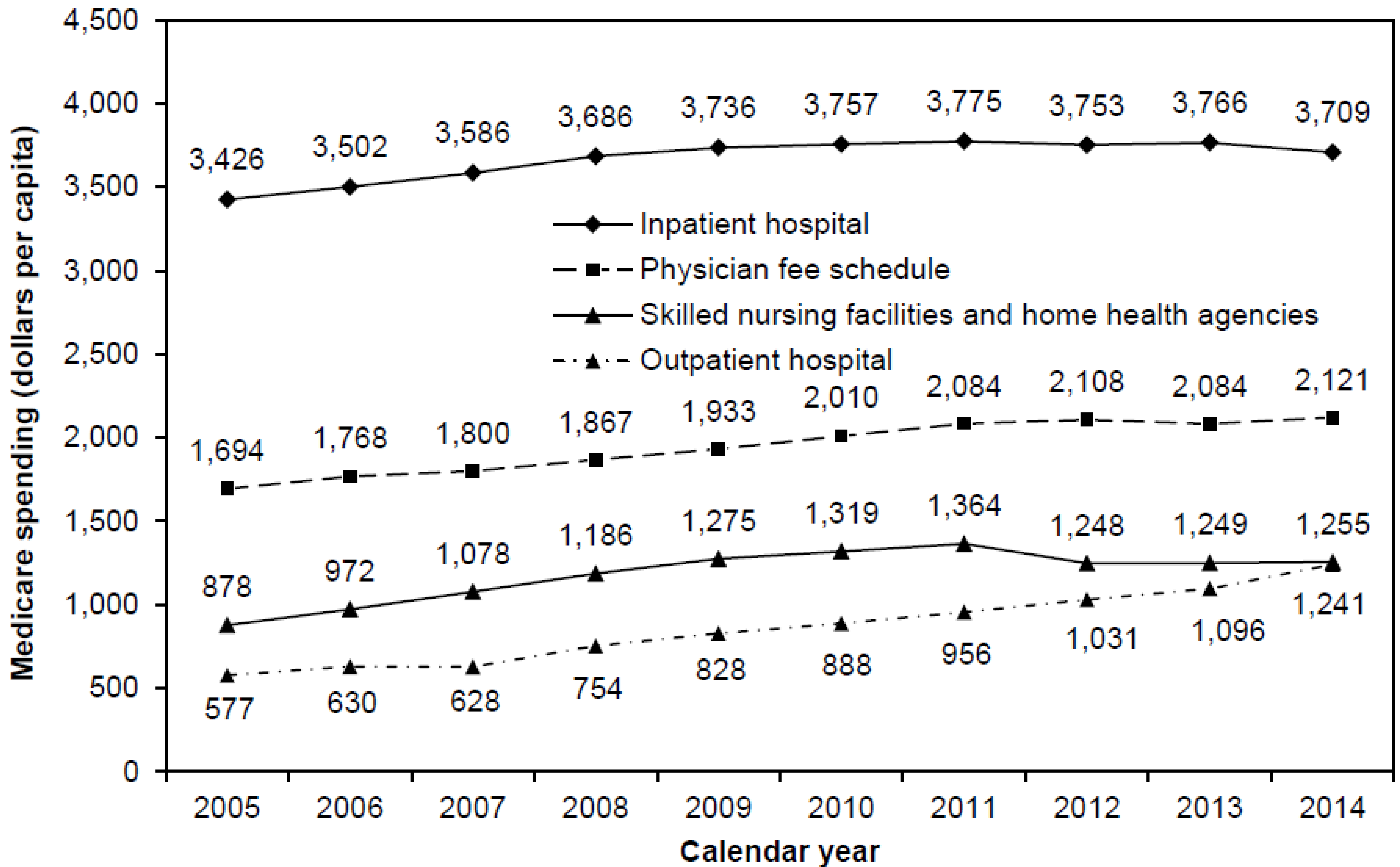
The Problem as Seen by Policy Experts

- Healthcare costs grow faster than the economy
- Spending over 20% of the federal dollar for healthcare doesn't leave enough for other stuff, e.g., infrastructure, education, defense
- The US spends 2.5x more per person than European countries but we aren't 2.5x healthier
- The two largest areas of spend are hospitals and doctors - >60% of the total bill
- There are big differences in practice patterns, cost and quality between hospitals and doctors
- Controlling spending means going where the money is
- Consensus has developed that today's fee for service payment system is a cause of the cost growth
- Country made a decision in 2010: no government run system but use payment policy to slow spending, tie payment to outcomes and move away from fee for service

Healthcare Spending as a Share of GDP



Hospitals and Physicians Control 60% of the Spend



First Look: What Does this Mean to Docs?

SLOW SPENDING

- Overall incomes will barely keep up with inflation
- But it will not be the same for all physicians

TIE PAYMENT TO OUTCOMES

- Increase in reporting requirements & use of electronic medical records
- Definitions of quality with which you probably won't agree
- Measures of resource use that will not capture the nuances of sicker patients

MOVE AWAY FROM FEE FOR SERVICE

- Big incentives for physicians to take 'more risk', i.e., get a single payment for an episode of care or for taking care of a population of patients for a year
- Will drive mergers of doctors, hospitals, and doctors/hospitals
- Takes docs way out of their comfort zone

Commercial Insurers are moving down the same pathway as Medicare

Medicare Payment Change – High Level

MACRA

- Medicare Access and CHIP Reauthorization Act
- Passed 2015
- Base measures - 2017
- Payment changes - 2019

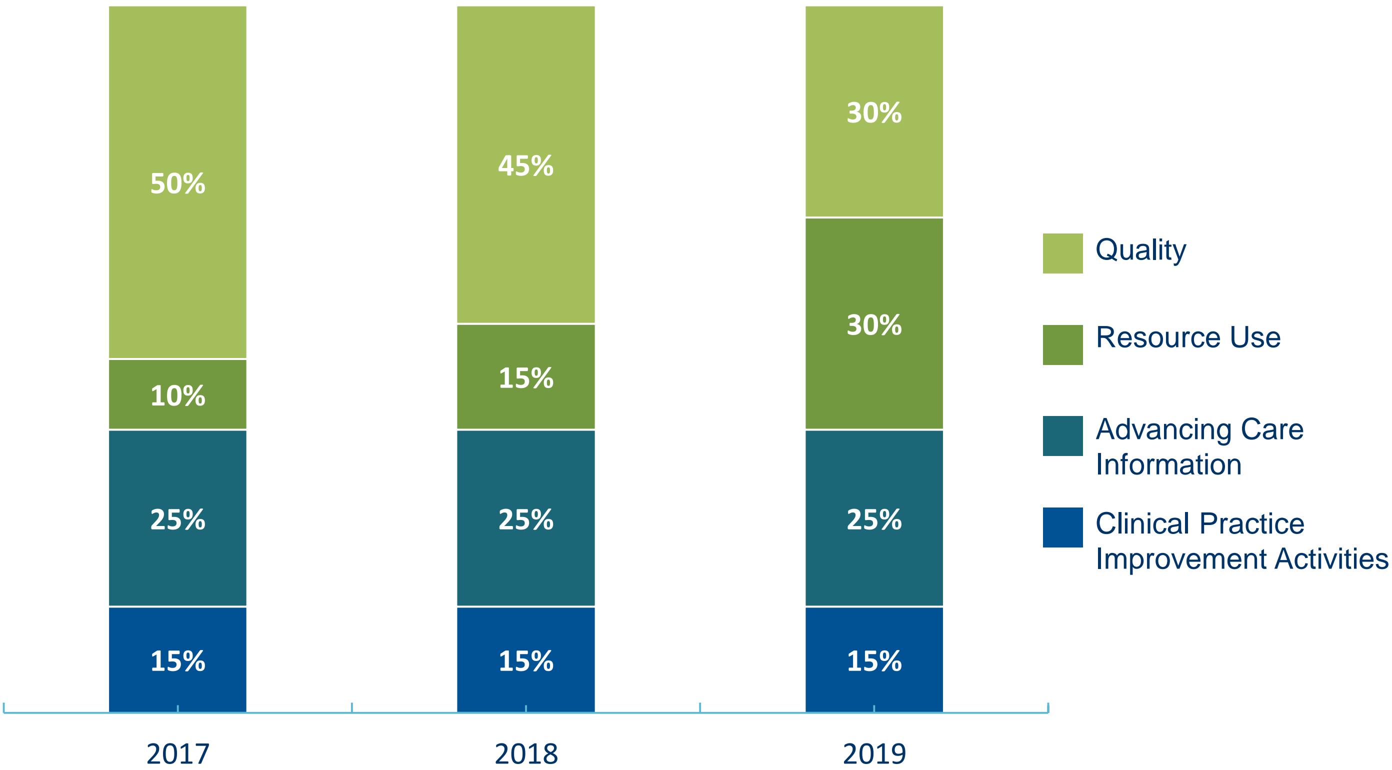
- Merit-Based Incentive Payment System
- Fee for service based
- Penalties and bonuses up to 9%
- Based on quality, resource use & EHR
- Essentially flat annual updates

APMs

- Alternative Payment Models
- ACO, Bundling, Medical Homes
- 10% docs initially
- Physicians take financial risk
- Higher annual update (5%)

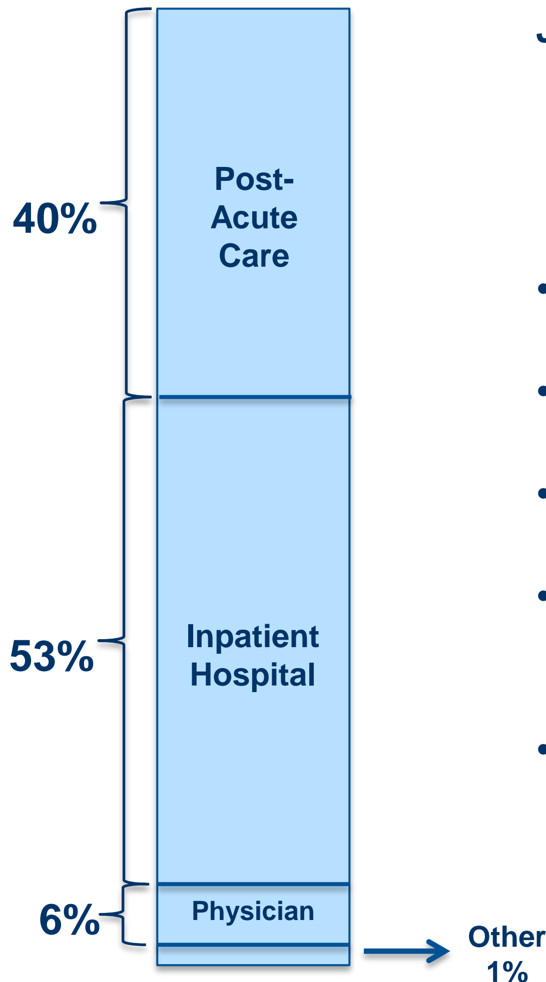
Overview of MIPS

Components of MIPS CPS
Performance Years 2017-2019



Source: Public Law 114-10 (April 16, 2015)

APM Example: Bundled Payments



JAMA: Association Between Hospital Participation in a Medicare Bundled Payment Initiative and Payments and Quality Outcomes for Lower Extremity Joint Replacement Episodes, September 27, 2106

- Measured changes in spending, utilization and quality
- 176 hospitals, > 60K cases, hip & knee replacements
- No difference in quality
- Statistically significant decrease in costs – potential $0.3B savings for Medicare if applied across system
- Savings all due to lower utilization of institutional post acute care

Deeper Look: What Does This Mean to Orthopedists?

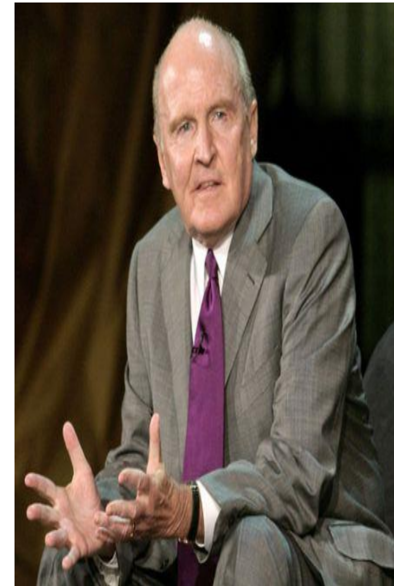
- No question that burden, overhead and tasks unrelated to patient care increase
- But Orthopedics is the best positioned of any specialty to increase income
  - No one is talking about serious re-distributions of income within medicine
  - Your major procedures are discrete services that can be defined, measured and improved
  - Demand for your services increase with an ageing society
- But nothing is easy here - being measured, responsibility for services outside of the hospital and figuring out how to partner with whom is outside the comfort zone
- And nothing is simple here – the devil is in the details on the terms, measures, etc., with new measures and APMs

One Thing for Sure: The Demand for Joint Relief Will Increase

No One Taught Me This in Medical Training. What Do I Do?

or

"Control Your Own Destiny or Someone Else Will"

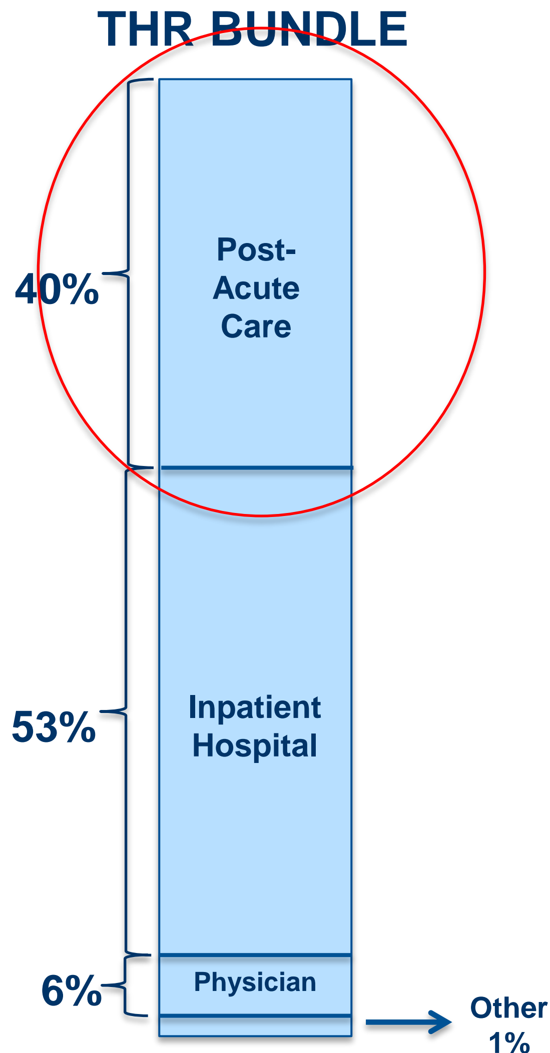


Jack Welch, GE CEO

High Level Checklist

- ✓ Either retire early or move through the stages of mourning as quickly as possible (denial, anger, bargaining, depression and acceptance)
- ✓ Realize you already take the most important risk – the patient's well-being – and that you have more control over the process and outcomes than anyone
- ✓ Make sure your medical society is aggressively representing you in DC – the rules and specifics are being made up as we go
- ✓ You will need two new things you haven't needed before:
  - A business partner whom you can trust
  - A medical/quality/measurement leader you can trust
- ✓ Since none of this is going away think hard about your own weighting of autonomy vs. reward vs. clinical satisfaction vs. interest in leadership positions
- ✓ You should reap the majority of the rewards for higher quality, more efficient care

The Big Opportunity is in 'Bundled Payments'



- Opportunity will be greater with commercial insurers but will help on Medicare side as well
- Best performing sites:
  - Had physician leadership
  - Had close to real-time measurement of key indicators
- Savings could be 20% or more without having to skimp on care
- Opportunity is in post-op care
  - Stratifying need for physical therapy
  - Avoiding institutional care through pre-op planning
  - Earlier discharge and to home possible
- Home monitoring through virtual connectivity assures quality, satisfies patients and lowers costs
- This is not as easy as it sounds but when it works it's powerful
- FORCE Therapeutics the leader in the field

If It Seems To Good To Be True…..

- What's in the bundle and what's out?
- How long does the bundle last?
- On what assumptions was the initial lump price of the bundle determined?
- How are subsequent prices determined?
- Who gets the money and who decides how to allocate it?
- If there is downside risk, how real time are my measurements and who provides them?
- Will I lose money if I take sicker patients?
- What do I control and what don't I?
- What are the quality measures and do they ring true?
- Are the partners upon whom I will depend trustworthy?

Final Thought

"Hurry Up But Take Your Time...."