

A Fresh Look at Health Care Delivery

Chris Van Gorder

President & CEO, Scripps Health

Immediate Past Chairman, American College of Healthcare Executives

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Scripps History

Two Women – Ahead of Their Time



Miss Ellen Browning Scripps – Scripps Memorial Hospital & Metabolic Clinic – Founded in 1924



Mother Mary Michael Cummings & Sisters of Mercy – Founded St. Joseph's Hospital, 1890 – Named Mercy Hospital in 1924

Five Hospital Campuses



Scripps Memorial Hospital Encinitas



Scripps Mercy Hospital (San Diego Campus)



Scripps Green Hospital



Scripps Mercy Hospital (Chula Vista Campus)



Scripps Memorial Hospital La Jolla



23 Outpatient Centers



Scripps Clinic

- Carmel Valley
- Del Mar
- Coronado
- Encinitas
- La Jolla
- Mission Valley
- Rancho Bernardo
- Rancho San Diego
- Santee
- Torrey Pines

Scripps Coastal Medical Center

- Carlsbad
- Del Mar
- Eastlake
- Encinitas
- Escondido
- Hillcrest
- Oceanside
- Vista

- Not-for-profit, integrated delivery system
- **1,409 licensed beds** // 13,100 employees
- Two of San Diego's six trauma centers

Scripps Physicians

- 2,000 independent physicians
- 600 integrated physicians
- California: Corporate Practice of Medicine Laws

Specialized programs include:

- Whittier Diabetes Institute
- Accredited Cancer Center Network
- Center for Integrative Medicine
- Robotic Surgery Program
- Graduate Medical Education
- Genomics & Clinical Research
- Translational Science Institute
- West Wireless Partnership



Federal Health Reform Legislation

- Reductions in Medicare payments to hospitals and physicians every year
- Disproportionate Share hospital payment reductions beginning 2012

2010/2011

- National High Risk Pool created to cover individuals with pre-existing conditions
- Insurance companies cannot deny coverage to children with pre-existing conditions
- Children permitted to stay on parent's insurance policies until their 26th birthday
- States must offer Medicaid medical home plan for high risk health conditions

2012/2013

- Recognition of voluntary Accountable Care Organizations (ACOs)
- New Medicare/Medicaid demonstration programs
- Nationwide Medicare bundled payment pilot program

2014 +

- Requirement for most people to have health insurance
- Insurance companies barred from denying coverage due to pre-existing conditions
- Employer mandates begin (up to \$3,000 per employee)

California presents its own unique health care challenges:

- Corporate Practice of Medicine
- Healthcare Exchanges
- Strong Kaiser Model
- Experienced Capitated Environment
- Provider Tax
- Budget Shortfall and Medi-Cal Cuts



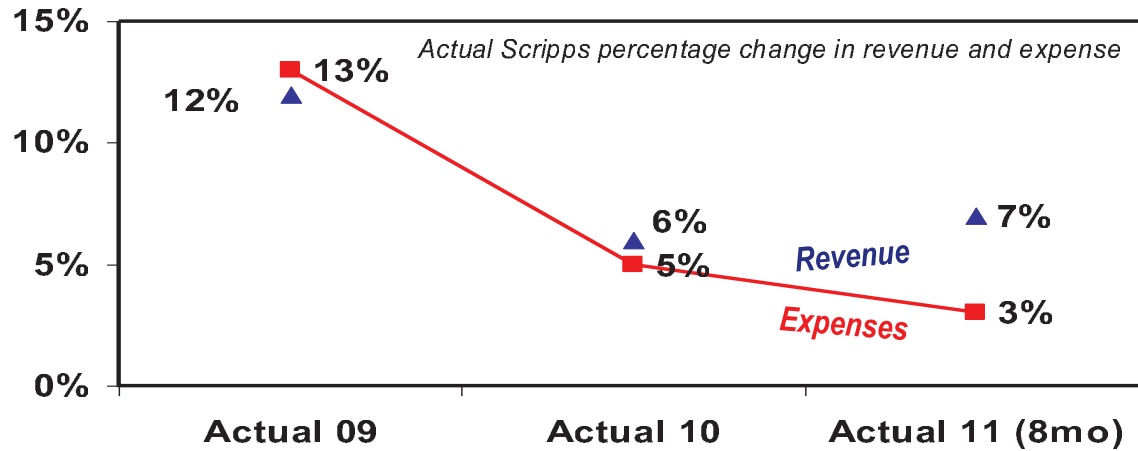
Reductions in reimbursements to hospitals and physicians nationally are estimated to equal \$423 billion.*

- Physicians - \$3 billion
- Medicare Advantage & Part D - \$147 billion
- Medicare Disproportionate Share - \$22 billion
- Home health care - \$40 billion
- Market basket adjustments for facilities/suppliers \$157 billion
- Calculation of Part B premiums - \$25 billion
- Payment controls through Independent Payment Advisory Board - \$16 billion
- New payment models - \$13 billion



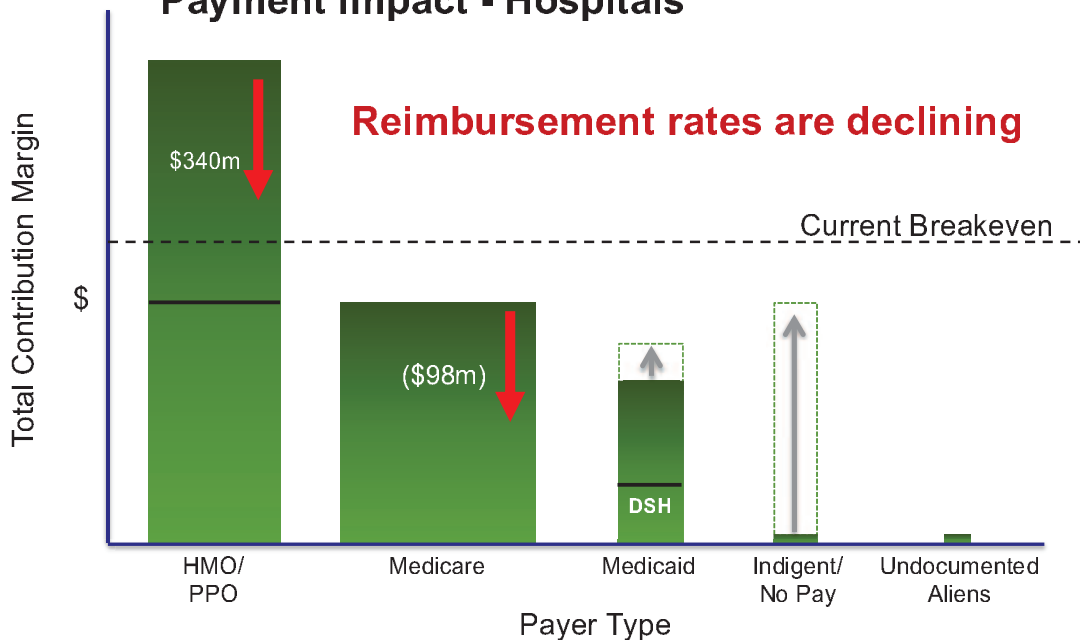
**10-year Medicare budget savings estimates from Congressional Budget Office.*

Revenue increases are expected to decline
Expense increases need to be managed



In FY11 we budgeted revenue to increase by 1% and it increased 7%. Expenses were budgeted to increase by 3% and they increased by 3%. Adjusted discharges increased 3% in FY11. Actual FY11 is May YTD annualized and excludes the provider tax revenue and expenses.

Payment Impact - Hospitals



Amounts are FY10 hospital income/(loss) in millions

“We must make money on Medicare. We must make money with No Growth!” -- Chris Van Gorder

Scripps lost \$146 million on Medicare in FY10.

\$ in millions	Mercy	Green	Encinitas	La Jolla	Clinics	Total
Net revenue	\$ 149	\$ 81	\$ 47	\$ 87	\$ 136	\$ 499
Cost	\$ (165)	\$ (97)	\$ (68)	\$ (131)	\$ (184)	\$ (645)
Income/(loss)	\$ (17)	\$ (16)	\$ (21)	\$ (44)	\$ (48)	\$ (146)

Cost reduction to break even	10%	17%	31%	34%	26%	23%
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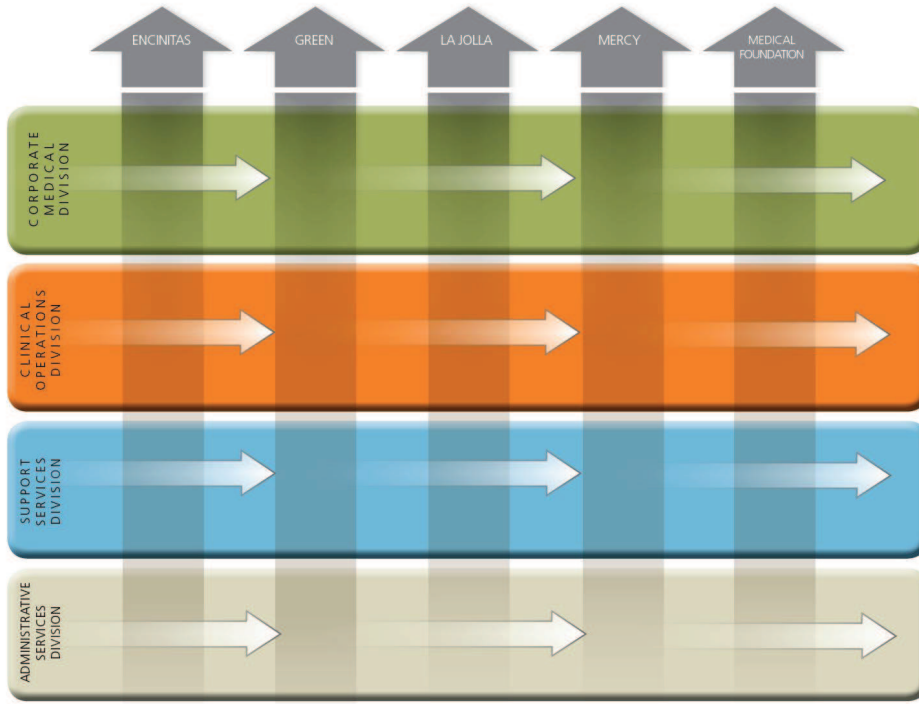
In 2010, we made an organizational shift to a ONE SCRIPPS culture and horizontal management framework.

Goals

- Reduce variation in quality and cost
- Prepare for upcoming health care reform measures
- Break even on Medicare by 2016
- Provide greater value to our community
- Preserve Scripps jobs and services

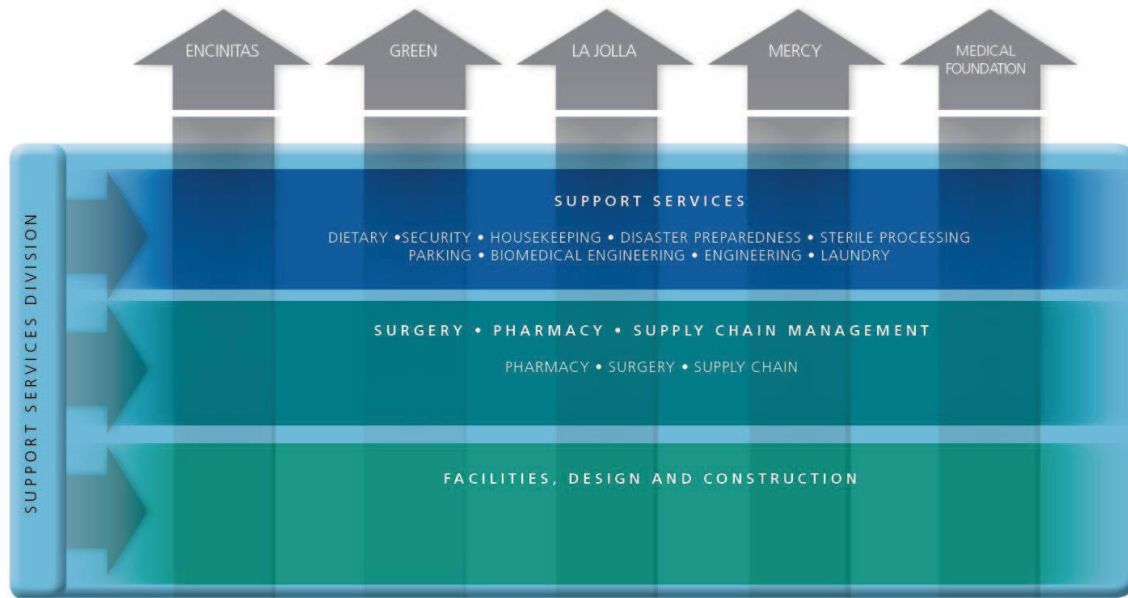


Organizing Horizontally



New horizontal management structures are looking at processes and practices across the system to reduce variance, improve quality and reduce cost. Horizontal management is divided into four key sectors (shown at left).

Organizing Horizontally



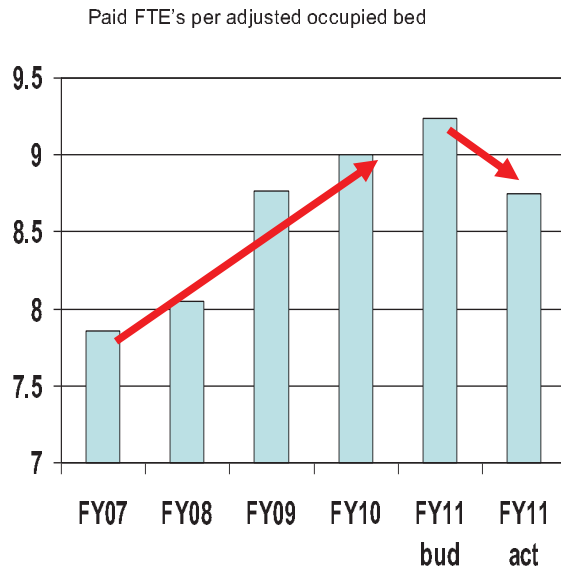
- **Integrated management structure**
 - Collaborative change, creative tension
 - Working with and through others
 - Aligning skill sets to achieve priorities
 - Nimbleness and ability to course correct
 - Engagement and culture / change management
 - Physician Co-Management
- **Integrated approach to:**
 - Capital planning
 - Supply chain / pharmacy
 - Information Technology
 - Resource Prioritization
- **Complexity of reporting & tracking**



**Physician Business Leader Cabinet
(Established 2009)**

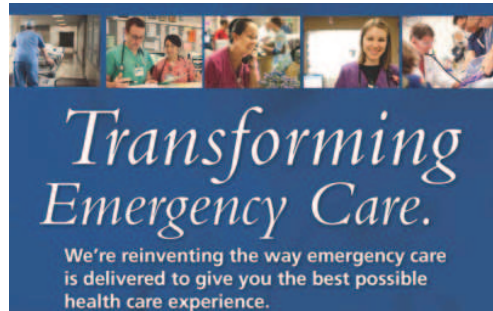
- Includes CEO, chief medical officer and medical group leaders from both independent and foundation models
 - Formed to create the initial framework for our future Accountable Care Organization (ACO)
- **Scripps Care ACO**
 - Official as of July 27
 - Pioneer Program Application
 - PBLC is ACO / IDN Board
 - Scripps will be sole corporate member
 - One vote per medical group
 - Chaired by new VP of medical management & co-management
 - Other independent groups now exploring this ACO option

Reversing a trend of increasing FTEs



- Pay practice standardization
- Standards around education
- System float pool development
- Role standardization and standard task allocation
- Standardization of leadership roles and span of control
- Staffing to volume

- **Emergency Department Redesign**
 - Successfully reduced wait times and improved quality and safety
 - Began at one site and expanded to all
 - Increased capacity by 29 percent using existing space
 - Now able to promote an average 30 minute or less wait time to see a doctor
- **Creating a single medical laboratory**
 - Aligning all labs system wide
- **Central Processing Alignment**
 - Standardized instruments to make use of a system sharing process
 - Improved quality, less variation & cost



Care Management Redesign

- Week-long retreat of care teams system wide to redesign care processes with patient focus
- Looking at how we provide care within the hospital and for 30 days after a hospital stay
- Daily patient visits by entire medical team *together* – doctor, primary care nurse, staff nurse, pharmacist, case manager, patient care navigator
- Pre-discharge, medications are called into the pharmacy, and the next appointment is scheduled
- Complimentary home visits and follow-up phone calls

Working Together for our Patients

When you're a patient at Scripps, we want to provide you with the best overall health care experience possible – while you're in the hospital, once you leave the hospital and when you continue to require care at home. Our goal is to partner with you and your family to regularly meet your needs and provide the best care possible.

What you can expect during your hospital visit

- During your stay, you can expect frequent and open communication between our medical team, you and your family.
- A medical team, including a doctor, primary care nurse, staff nurse, pharmacist, case manager and patient care navigator will be meeting with you on a daily basis. The team will discuss a plan of care tailored to your needs.
- Your family is welcome to participate, with your approval. We encourage you to have your family with you between the hours of 9-10 a.m. daily. This is when your doctor will visit you to discuss your plan of care.

What you can expect when leaving the hospital

- Your medical team will make sure your medications are called into the pharmacy and that your next medical appointments are scheduled, if needed.
- Within 72 hours of leaving the hospital, you will receive a call from a Registered Nurse Care Manager to schedule a complimentary home visit. We want to ensure your transition from the hospital to home is going smoothly.
- Following your home visit, you will receive a series of three phone calls. These calls provide you with an opportunity to discuss your medications, doctor's appointments and any remaining questions you may have.

If there is anything else we can do for you during your visit, please let one of our team members know. We're here for you.



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- **Inpatient Rehab**
 - 4X the previous in-system referral rate for inpatient rehab from one hospital to another
- **Respiratory Care Staff Sharing**
 - Sharing staff among campuses – covers vacancies at lower cost, more hours for staff, greater equipment standardization
- **System-wide pharmacy services**
 - \$8 million savings / in-house management
- **Medication Reconciliation**
 - Eliminating variations in process steps system wide, at each transition in care
- **Cardiac Surgery Resources & Outcomes**
 - Physician-led variation reduction
 - \$623,000 savings in variable supply costs





- One chance every 100 years to make this kind of impact
- Everyone wants a change for the better
- Significant change calls for a stronger alignment with physicians
- New data and reforms are leading to better value equations
- Health care is just too important to not get this right

