Higher Education and Health Care

Preserving Mission and Demonstrating Value in the Context of Market Demands and Diminished Resources

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The Economic Picture and Health Care

Gross Federal Debt (White House Budget)

Federal Spending as a percentage of GDP (CBO Projection)

- Medicare & Medicaid
- Social Security
- Other Spending (Excluding Debt)
Rising health care costs have been squeezing employers and employees for years.

Cumulative Increase in national Health Care Premiums, Wages and Inflation (1999 base)
Every day for the next 20 years, 10,000 Baby Boomers reach age 65.
The number of people with Chronic Conditions will increase by 37% between 2000 and 2030

Number of People With Chronic Conditions (in millions)

Change is Here and Now

• Cannot sustain health care cost growth
  ▪ Federal Deficit
  ▪ State Budgets
  ▪ Private Employers

• Cost squeeze on municipal budgets

• Political pressure to act
But It’s Not Just Us…

Soaring College Tuitions

Growth since 1982-84

College tuition and fees

Medical care

Median family income

Consumer price index

Source: “Measuring Up 2008”, the National Center for Public Policy and Higher Education.
Education, Health Care and the rest...

Consumer Price Increases, 1980 - 2012

- Apparel: 39%
- Electricity: 159%
- Housing: 175%
- CPI-U: 179%
- Food: 169%
- Medical Care: 454%
- College Tuition and Fees: 893%
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- Multifaceted Missions
  - Cross subsidization

- Rising Cost vs GDP
  - Exaggerated by Great Recession

- Consumer Price Insensitivity
  - Health Insurance vs. Scholarships, Grants, Work-Study, Subsidized Loans
    - Federal and State Government, Private Sources

- Non profit dominance, for profit emergence
  - Public vs. Private
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Funding challenges

- Federal, State direct payments and subsidies
- Endowment earnings
- Philanthropy
- Research funding—all sources
- Consumers
  - Cost shifting
- Bond Rating Downgrades
  - Leveraged Balance Sheets
  - Market Outlook
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Value challenge

- US vs. International “Outcomes”
- Measures of “quality”
  - Process vs. Outcome
  - Reputation vs. tangible
- Outcome/unit cost
- Perceived Inefficiency
  - “Provider Induced Demand”
  - Overhead growth
  - Overcapitalization
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- Payment reform
  - Pay for performance/outcome

- Disruptive technologies
  - Growth of for profit sector
  - Off campus access
    - Satellites
    - Virtual contact
    - Remote Access/On line products and content
      - eEducation and Telemedicine
    - Web based products
Partners HealthCare Overview

Brigham and Women’s Hospital
Founded 1832

Massachusetts General Hospital
Founded 1811

Key Statistics FYE September 30, 2012

- Operating Revenue $9.0 Billion
- Research Revenue $1.5 Billion
- Inpatient Discharges 166,700
- Licensed Beds 4,000
- Lives Under Management \(^1\) 500,000
- Physicians 6,560
- Employees (FTEs) 42,200
- Clinical Trials 1,200
- Clinical & Research Fellows and Residents 4,300

\(^1\) Acquisition of insurance company, Neighborhood Health Plan, on 10/1/12 increases lives under management to ~750,000.
Partners has been at the Center of the Conversation

Payment Reform Commission

“The Special Commission concludes that global payment models….should serve as the direction for payment reform….implemented over a period of five years….”
~Commission Report

Referring Physicians

Harvard Vanguard Medical Associates
Atrius Health

“…the organization could better coordinate care at Beth Israel Deaconess, partly because the hospital has agreed to send patients back to their primary care doctor or a specialist at Harvard Vanguard after their inpatient stay, rather than keep them in the more expensive hospital system….”

“…About half of Atrius patients are covered by a global payment…”
Boston Globe, 2/25/10

Media

“Massachusetts General Hospital and Brigham and Women’s Hospital typically…[are] paid 15 percent to 60 percent more for essentially the same work as other hospitals, even though the quality is not superior…."

Boston Globe Spotlight Series, 2008

Attorney General

“…points to the market clout of the best-paid providers as a main driver of the state’s spiraling health care costs…”

AG Investigation of Health Care Cost Trends and Drivers, January, 2010

Payers

BlueCross BlueShield

“We hope this is the beginning of a movement in Massachusetts in which health plans, hospitals, and physicians work together on a shared agenda to improve care and lower costs.”

Andrew Dreyfus, Blue Cross, on the importance of AQC
Partners Mission

Patient Care

Discovery

Teaching

Community
Strategic Vision

• To provide superior care, patient-family centered, accessible, coordinated and affordable.

• To lead in research that fosters collaboration and shares our successes with the world.

• To invest in education and training for the next generations of leaders.

• To touch the communities we serve, local or global with sustainable improvements that focus on underserved populations.
There are Three Ways that Society is Combating Rising Health Care Costs

- Contain rates through regulation
- Implement payment reform
- Turn patients into consumers
We need to control our destiny to make our institutions stronger and to preserve our mission

• We must own financial responsibility for our patients
  • Price linked to Quality – in the marketplace
  • Right Care, Right Place, Coordination
Our Overarching Goal is to Improve Value for Patients & Families

**Outcomes**
- Defined by patient
- Measured for patient’s condition over entire episode of care

**Cost**
- Measured for patient’s condition over entire episode of care

**VALUE FOR PATIENTS**

Key focuses:
1. Outcomes
2. Costs over episodes
3. Improvement
4. Teamwork

Value for Patients = Health Outcomes

Cost of delivering outcomes
Build Upon Clinical Strengths To Redesign Care Delivery and Make Care More Affordable

**Deliver more integrated, patient-centered care**

Increase patient affordability while protecting mission

Translate research into clinical care

Invest in improving community health

Continue to build world class training program

Develop and track performance metrics to demonstrate unparalleled patient experience, outcomes and value
Key Strategic Payment Decisions 2011-2012

- Reopen Existing Commercial Contracts
  - Reduction in Contracted Rate Increases ($345M/four years)
  - Shared Savings in Primary Care Populations
  - “Work” toward Bundled Payments for Referral Populations

- Pioneer ACO agreement with CMS

- Merged with Medicaid MCO/payer (~250,000 lives)
  - Small Commercial Population
  - Exchange experience
Unifying Partners missions

- New research models to foster innovation in translational research and commercialization in a time of wide-spread cuts in research funding
- Bridging research, clinical and community missions
- Integrated model of continuing professional development
Bench to Bedside Research Continuum at Partners

**Basic Research**
- 2,200 P.I.s

**Clinical Research**
- 6,600 Active MDs

**Translational Research**
- CTSA Harvard Catalyst Basic/Clinical

**Technology Development**
- Project Planning/management
- Engineering/human studies
- Business/market analysis

**Healthcare Delivery**
- AMCs
- Community Hospitals
- Non-acute Care Centers
- Community Health Centers

**Discovery and Translational Research**
- Academic medical centers/teaching hospitals and specialty care hospitals

**Advanced Translation**
- AMC/Industry/Venture partnerships

**Product Introduction**
- Primary care physicians and community health centers
The Mission

Patient Care

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