



FOUNDED BY BRIGHAM AND WOMEN'S HOSPITAL  
AND MASSACHUSETTS GENERAL HOSPITAL

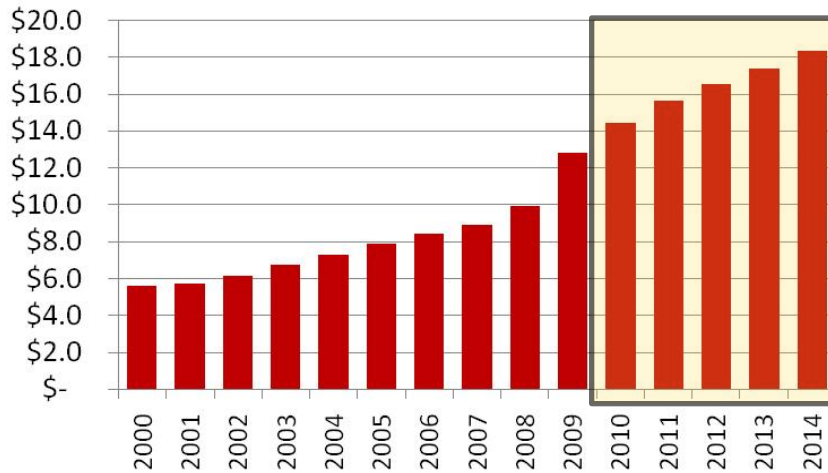
## Higher Education and Health Care

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

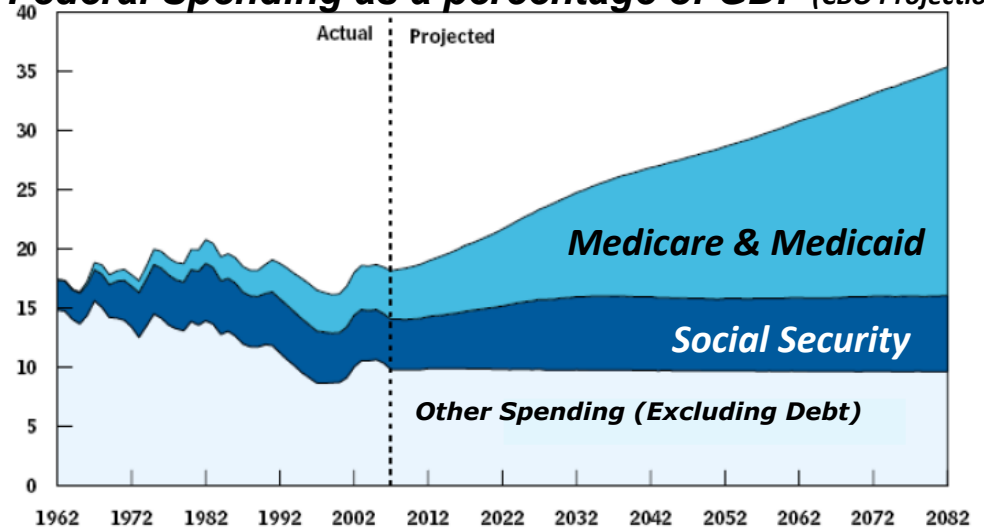
Gary L. Gottlieb, M.D., M.B.A.  
President and CEO, Partners HealthCare

# The Economic Picture and Health Care

**Gross Federal Debt (White House Budget)**

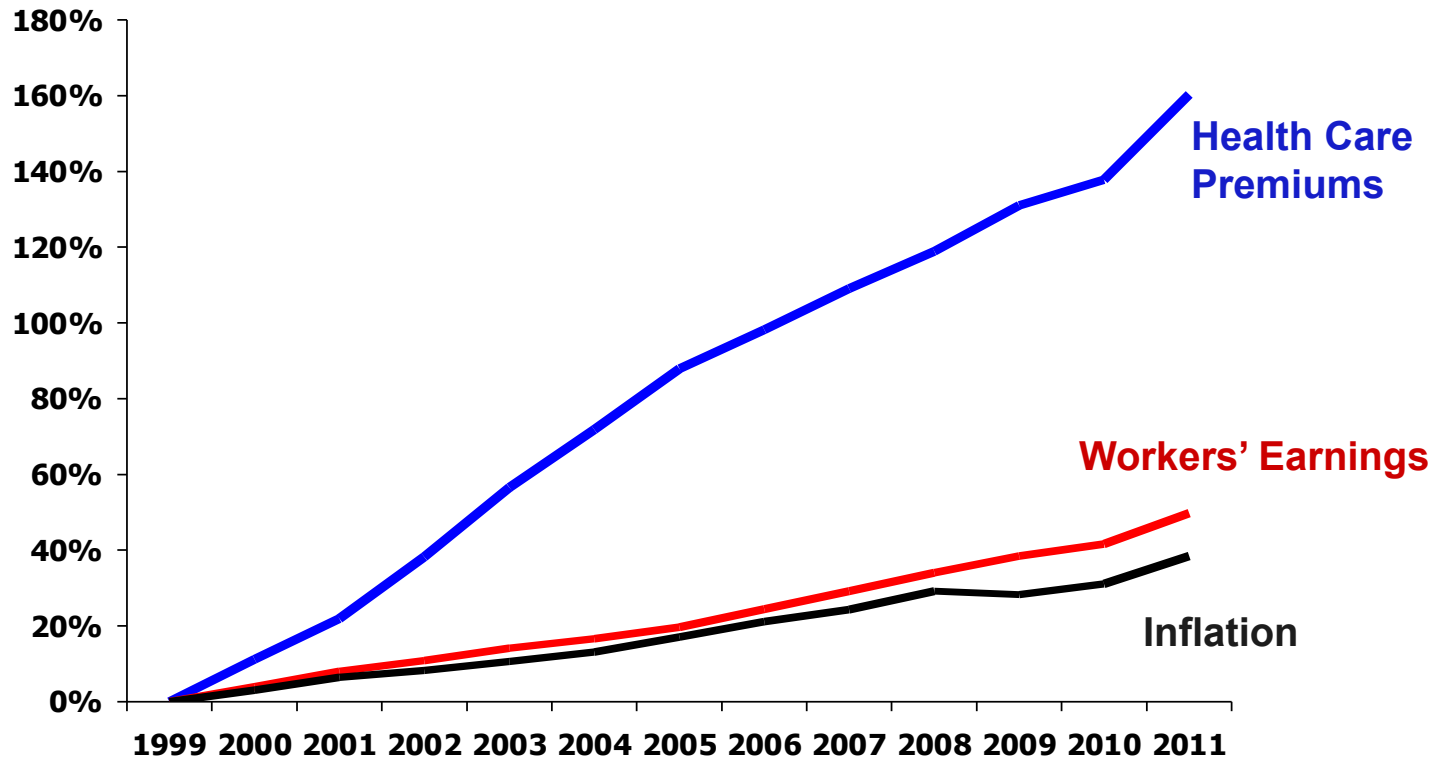


**Federal Spending as a percentage of GDP (CBO Projection)**



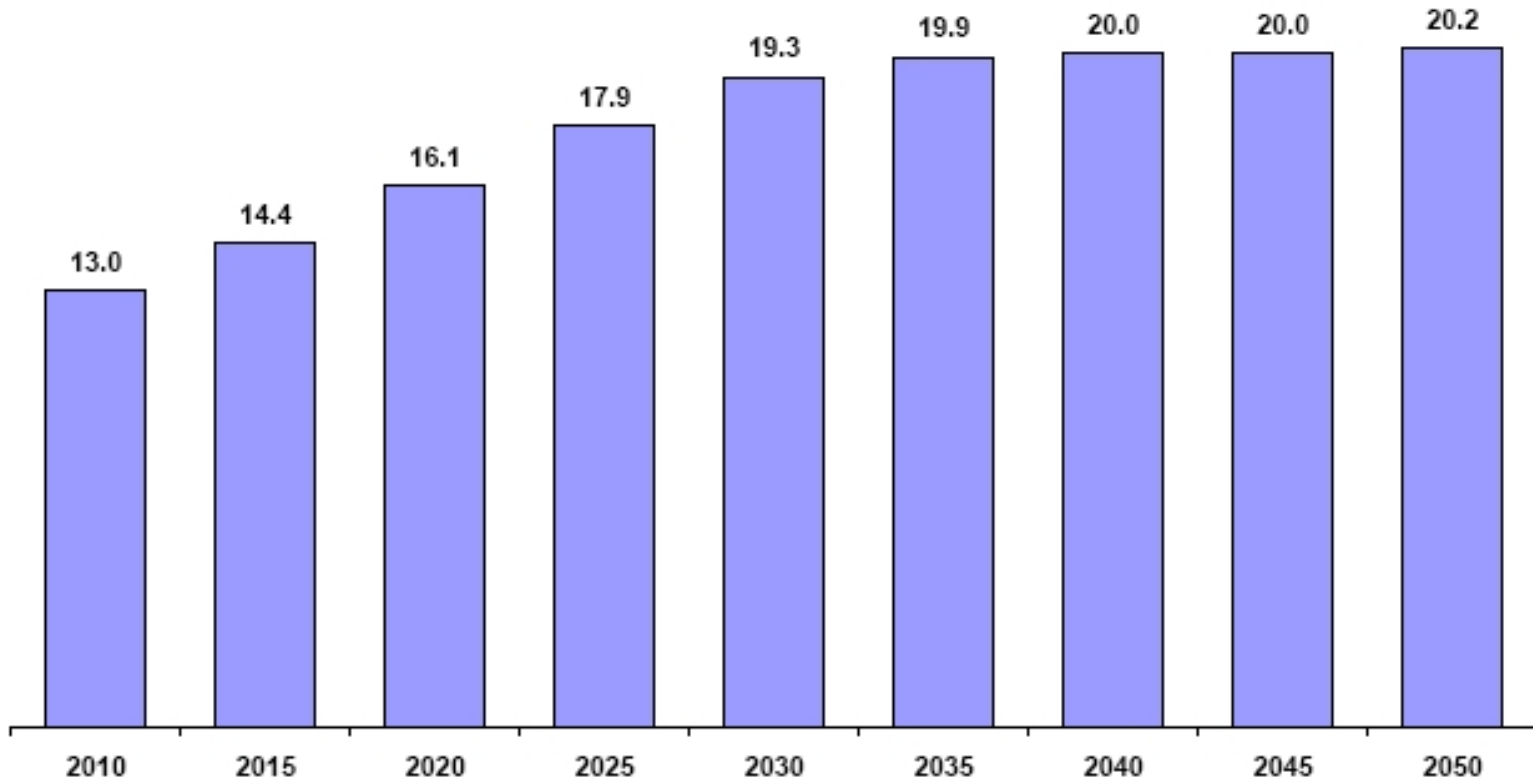
# Rising health care costs have been squeezing employers and employees for years

Cumulative Increase in national Health Care Premiums, Wages and Inflation (1999 base)



# Every day for next 20 years - 10,000 Baby Boomers reach age 65

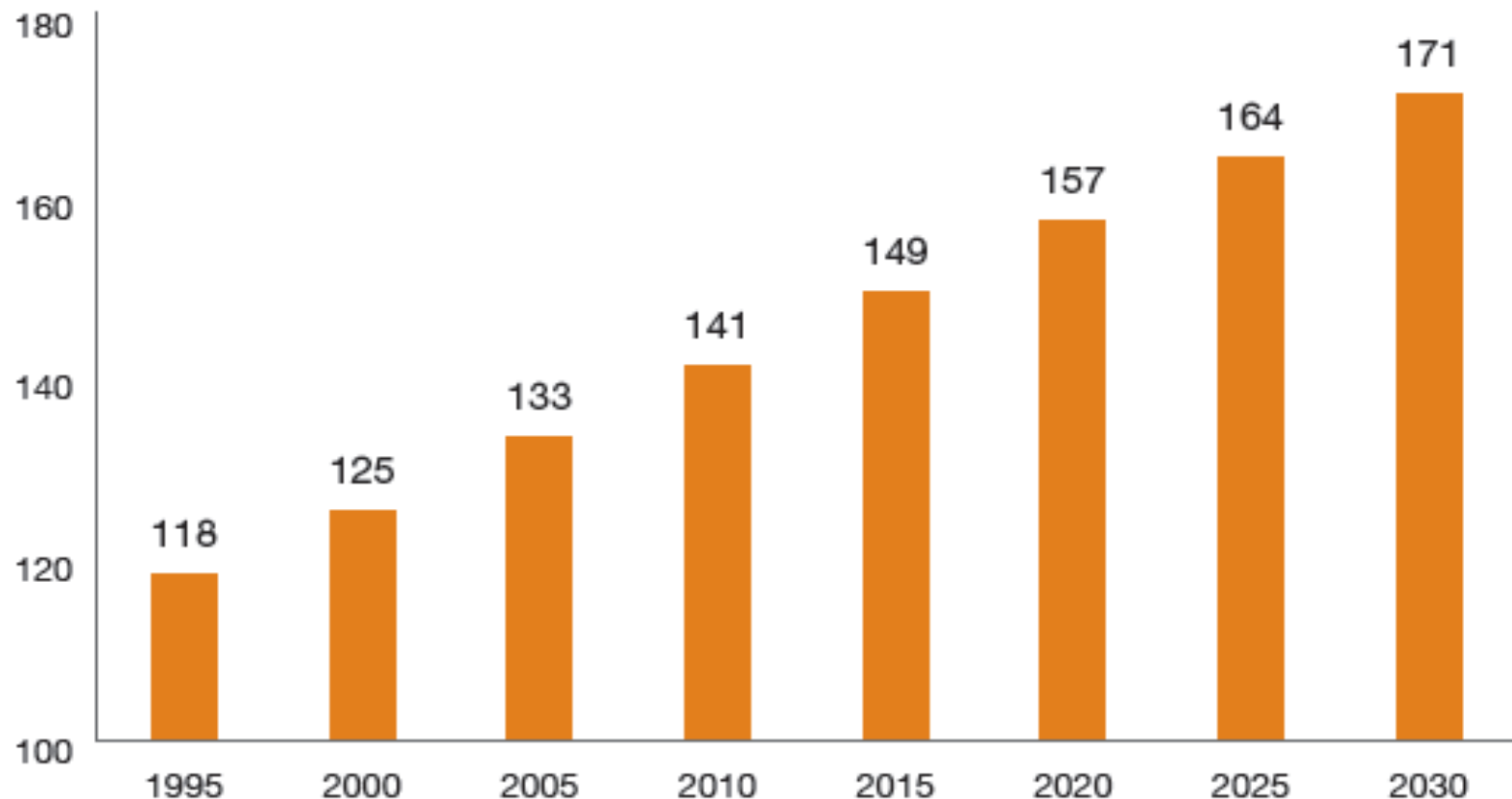
**Projected Percent of the U.S. Population Aged 65 and Older: 2010 to 2050**



Source: Population Division, U.S. Census Bureau  
Released: August 14, 2008

# The number of people with Chronic Conditions will increase by 37% between 2000 and 2030

Number of People With Chronic Conditions (in millions)



Source: Wu, Shin-Yi and Green, Anthony. *Projection of Chronic Illness Prevalence and Cost Inflation*. RAND Corporation. October 2000.

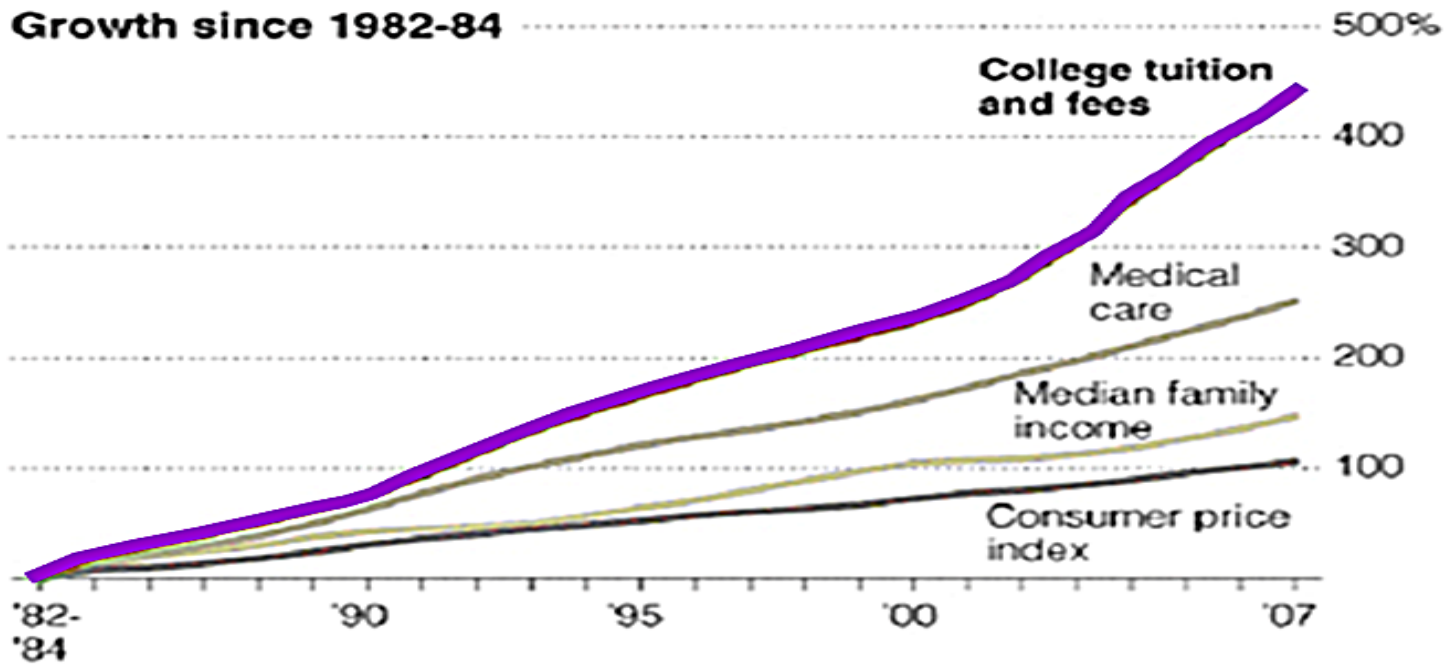
# Change is Here and Now

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- 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



Source: "*Measuring Up 2008*", the National Center for Public Policy and Higher Education.

# Education, Health Care and the rest...



# Higher Education and Health Care

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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

# Higher Education and Health Care

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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

# Higher Education and Health Care

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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

# Higher Education and Health Care

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

<sup>1</sup>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*



## 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



## 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

## 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



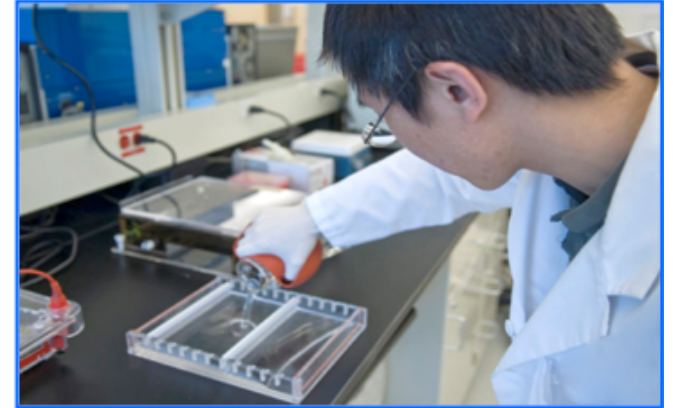
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# Partners Mission



Patient Care

Discovery



Teaching

Community



# Strategic Vision

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## Preserve Mission

- 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

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**Contain  
rates through  
regulation**

**Implement  
payment  
reform**

**Turn  
patients into  
consumers**

# The Strategic Path

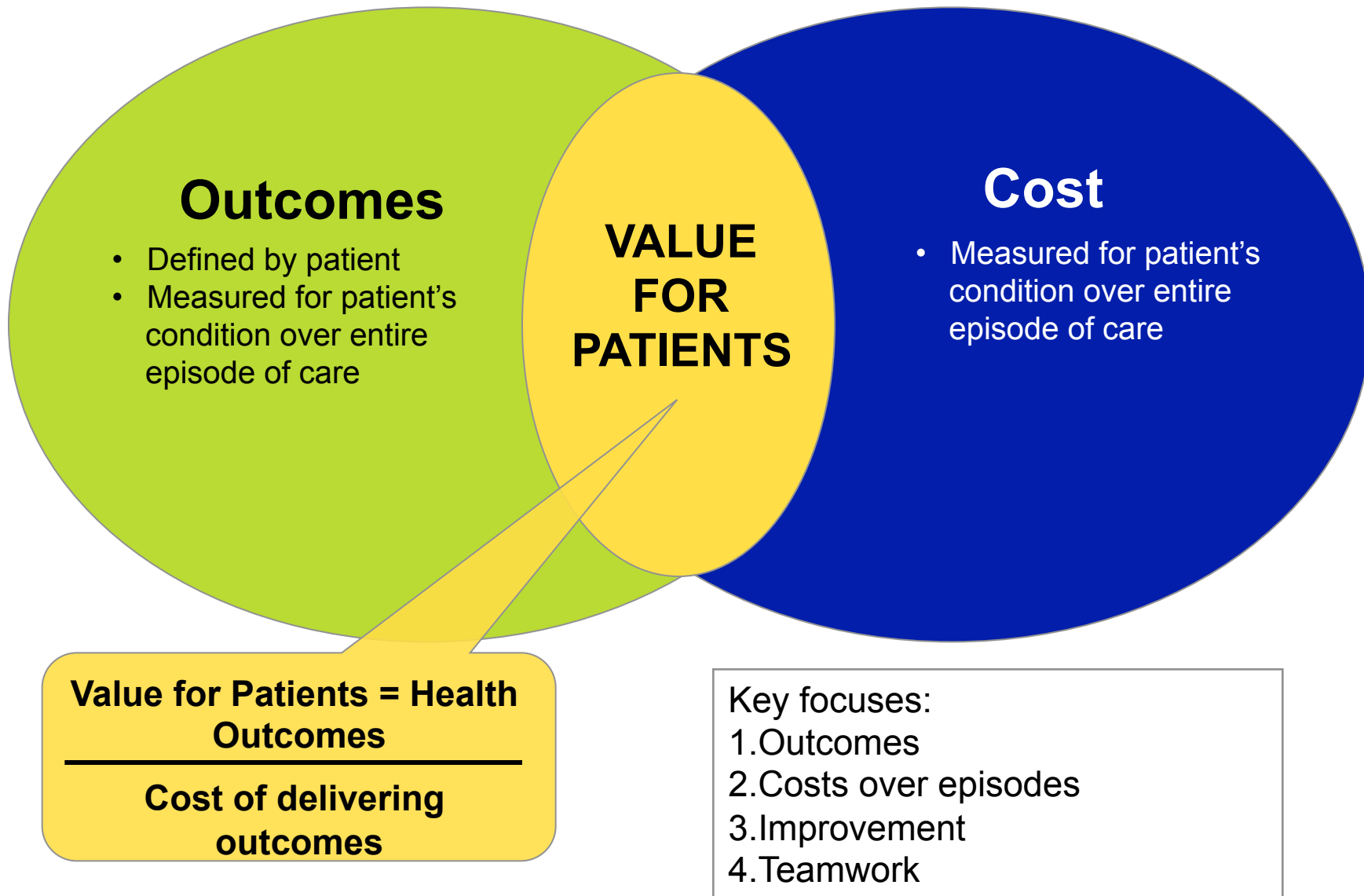
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**We need to control our destiny to make our institutions stronger and to preserve our mission**

- 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



# Build Upon Clinical Strengths To Redesign Care Delivery and Make Care More Affordable

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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

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## ☐ 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

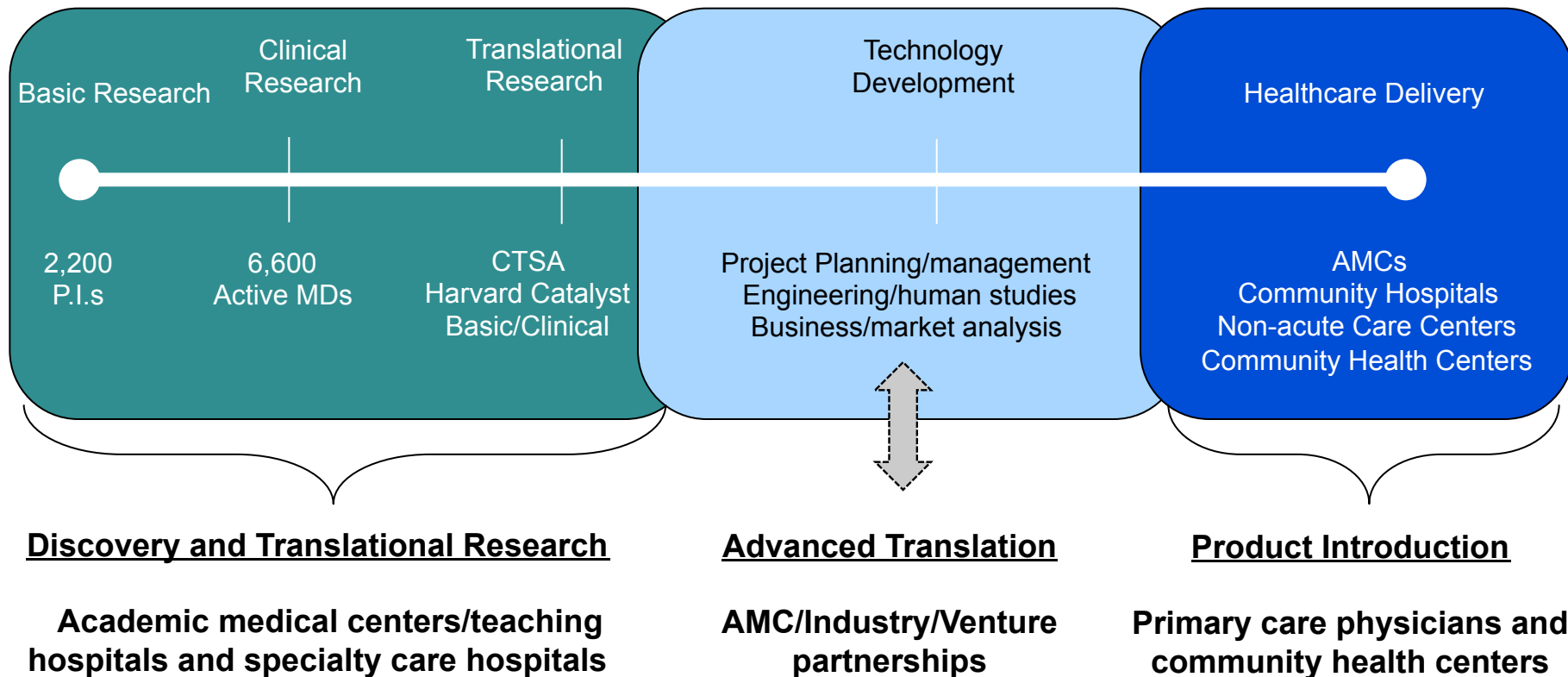
# Unifying Partners missions

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- 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



# The Mission

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Patient Care

Discovery



Teaching

Community

