Community Affiliations

AOC 2019 Annual Meeting

Philip Clark
Associate Chair of Administration

October, 2019
UNC Healthcare System
The Sacred Cow of Brand
UNC Orthopaedics Practice Affiliations

- UNC Faculty Physicians: 32
- UNC Physicians Network: 23
- UNC Health Alliance: 123

Total UNC Orthopaedic Providers: 178
Reason 1: Market Growth

Philip Clark, MBA
Associate Chair of Administration
UNC Faculty Practice - Orthopaedics
Panther Creek Ambulatory Surgery Center
Motivations

- **Market Share**: Wake County is the largest and fast-growing population area in the region
  - UNC-owned community hospital with restrictive medical staff bylaws prevented faculty practice growth (physician had to live within 20 miles of hospital)
  - UNC Faculty Practice could not expand in Wake without a place to operate

- **CON Restrictions**: Community practice has a JV with a UNC-owned community hospital that owns a certificate of need for ASC ORs

- **Goal Alignment**: All parties want to expand into a rapidly growing community in southern Wake County that is equidistant from the academic medical center and the community hospital
Challenges

- Provider culture (Academic vs Private Practice)
- Conflicting EMRs
- Conflicting computer networks
- Operating Structure
- Employee culture
- Building layout
- Supplier and contract differences
- Organizational structure
- Communications
- Control
- Branding
Affiliation Considerations

Clinic Space
- Clinic space agreements are arms-length with no contracts (both practices lease from a third party). Space is contiguous but the practices are entirely separate
- Management Services Agreement to cover unavoidable shared expenses [at Fair Market Value]
- Operational governance

Ambulatory Surgery Center
- NewCo with ownership between three parties
- Valuation at fair market value
- OR block assignment
- Executive governance
Reason 2: Hospital-Acquired Physicians

Derek Wildman, MBA
President and CEO
UNC Physician Network
Motivations

Hospital
- More income through increased managed care rates
- Retain critical services in the local community
- Better management of physician practices

Physician Affiliate
- More transparency around compensation
- More competitive salaries

UNC Physicians Network
- Affiliation strategy by the healthcare system
- Secure market share
- Create a large infrastructure for population health
Challenges

Hospital

- Decision-making control
- Budget / Cost

Physician Affiliate

- Operational control
- Giving up business management
- Moving to an employment model
- Strategic alignment

UNC Physicians Network

- Retention
- Recruitment
- Managing quality
Affiliation Considerations

Hospital

- Set expectations early (control versus influence)
- Management by budget
- Professional management of physician practices

Owned Physician

- Clearly defined expectations on:
  - Compensation
  - Behavior
  - Quality
- Send of Community Belonging

UNC Physicians Network

- Candidate review (by academic chair)
- Competitive salary offers
- Partnering with academic practice for peer-review
Reason 3: Population Health

Maraya Thorland, MPH
Vice President, Business Development
UNC Health Alliance
Motivations

• **Network Building**: Meet adequacy needs for a Clinically Integrated Network
• **Risk Based Contracts**: Fulfill value-based contract requirements including NextGen ACOs, and new commercial value-based products
• **Population Mass**: Need to rapidly build critical patient mass in government-contracts to make risk-based contracting worthwhile
• **Access to Care**: Provide care close to home or patients will go out-of-network, costing the system money
• **Acquisition Cost**: Cheaper and quicker to affiliate than to build practices
Challenges

- **Quality** – Assessing quality for affiliates providers that you don’t control is difficult
- **Access to data** – Creating a network based on analysis, service gaps, quality and leakage and corralling data from external parties
- **Competing with other CINs** – Need to add value to attract independent practices
- **Specialty service gaps** – How to plug gaps when a specialists pulls out of the network
Affiliation Considerations

• **Affiliate Scorecard**
  - Verbal questionnaire to vet potential affiliates for value-based care readiness
    - Reportable events
    - Office Hours / Access
    - Clinical Transformation / Process Redesign
    - Quality initiatives, MIPS data, non-reported quality data

• **Creating a sense of community**
  - Value-add to practice
  - Access to internal providers and resources in the network
  - Set expectations to keep patients in the network
  - Create a community with academic practice

• **Building an owned network**
  - Leveraging UNC Physician Network and Faculty Practice to fill gaps and start acquiring practices
## Affiliation Considerations

<table>
<thead>
<tr>
<th>Health System</th>
<th>Affiliate Physician</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Recruiting and assessing quality providers to serve patient populations</td>
<td>• Value-add, network participation</td>
</tr>
<tr>
<td>• Quality Readiness Questionnaire</td>
<td>• Better access to internal providers and resources</td>
</tr>
<tr>
<td>• Network building</td>
<td>• Setting expectations on keeping patients in network</td>
</tr>
<tr>
<td>• Reducing leakage</td>
<td>• Creating a community with academic providers</td>
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</tbody>
</table>
The orthopaedic practice of the future?
Penn Orthopaedics

• Service Line/Department of Orthopaedics
• Strategy Overview

Neil Ravitz, Chief Administrative Officer
Musculoskeletal & Rheumatology Service Line
Department of Orthopaedics

October, 2019
Understanding Your Market

• What areas of the market do you want to grow?
  • Payer mix
  • Population growth
  • Proximity to hospitals
  • The baseball question?

• What areas are your competitors growing?

• Are there gaps in my market and network that help inform a strategy?
MSKR Market & Network Strategy
What Defines Value for Both Organizations

• Traditional Academic healthcare acquisition thinking needed to evolve

• What missions can you enhance or expand?

• What is the partner organization looking for:
  • Employment
  • Use of the brand
  • Residency rotations
  • Priority access for patients / transfers
  • Other
Affiliate Network Overview

- Residency rotation
- Educational conferences
- Resource for program planning, care pathways, etc.

- Three Penn Ortho faculty leased to Cape full-time
- Program is co-branded

- Large Independent Orthopaedic group
- Penn Orthopaedic Specialty Network affiliation
- Alignment for a Penn Medicine owned hospital

- Collaborate on GVH marketing/branding and program planning/strategy efforts
- Priority access for complex patients
Considerations, Challenges, and Expectations for Potential Affiliation with Community Practices

October, 2019

Ed Tufaro, Senior Vice President
ROTHMAN ORTHOPAEDICS INSTITUTE

At a Glance

**Current Footprint**

- 40 Office Locations
- 4 Urgent Care Locations
- 51 Surgical Locations

**Specialty**

<table>
<thead>
<tr>
<th>Specialty</th>
<th># of Physicians</th>
</tr>
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<tbody>
<tr>
<td>Joint Replacement</td>
<td>33</td>
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<tr>
<td>Sports Medicine</td>
<td>32</td>
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<tr>
<td>Sports Medicine Non-Op</td>
<td>29</td>
</tr>
<tr>
<td>Physical Medicine &amp; Rehabilitation</td>
<td>27</td>
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<tr>
<td>Hand &amp; Wrist</td>
<td>22</td>
</tr>
<tr>
<td>Spine</td>
<td>19</td>
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<tr>
<td>Shoulder &amp; Elbow</td>
<td>11</td>
</tr>
<tr>
<td>Foot &amp; Ankle Non-op</td>
<td>10</td>
</tr>
<tr>
<td>Foot &amp; Ankle</td>
<td>10</td>
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<tr>
<td>Trauma</td>
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<tr>
<td>General Orthopaedic Surgeons</td>
<td>6</td>
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<tr>
<td>Chiropractic</td>
<td>1</td>
</tr>
<tr>
<td>PA</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>281</strong></td>
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RO GROWTH STRATEGY
Why? Where? How?
RO GROWTH STRATEGY

How?

Employment

“Hybrid MSO”

Anchor Physician in New Market

Traditional MSO
RO GROWTH STRATEGY
Considerations

Health System Relationships

Life Cycle of Target Group

Payer Dynamics / Impact to Existing Bundle Program Performance

Operational Gap Relative to "Rothman"
RO GROWTH STRATEGY
Challenges

- Sensitivity of Existing Providers to “Cannibalization”
- Change Management
- Contractual Obligations that Need to Run Out (Real Estate, Expensive IT)
- Unaddressed Issues from When Group was Independent that Require Action
RO GROWTH STRATEGY

Expectations

Art of the Deal

Come Back to the “Why”

6 Months of Intense Transition; 2-3 Years for Full Transition
THANK YOU!