The Changing Landscape of Sales Management with Healthcare Systems

MedSC Spring Meeting

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Advocate Health Care

**Hospitals**
4 teaching hospitals
1 children’s hospital
1 critical access hospital
5 level 1 trauma centers

**Physicians**
6,250 medical staff members
4,525 Advocate Physician Partners
1,250 employed physicians

**Post-acute**

$5.0B Revenue
AA Rated
34,000 Associates
RecentAccolades

- 100 TOP HOSPITALS 2013
- 15 TOP HEALTH SYSTEMS 2013
- M MAGNET RECOGNITION 2013
- TOP 150 NATIONAL TOP WORKPLACES 2013
- TOP 100 WORKPLACES 2013
- 50 TOP CARDIOVASCULAR 2013
- Chicago Tribune
- BEST HOSPITALS 2013
- BEST CHILDREN'S HOSPITALS 2013
- Practice GreenHealth 2013 System for Change Award
- U.S. News & World Report

$614M community benefit
ADVOCATE 2020
Mission, Values, Philosophy

To be a faith-based system providing the safest environment and best health outcomes, while building lifelong relationships with the people we serve.

Vision

Strategies

Key Result Areas

Foundation

Advocate Experience
- Safety
- Quality
- Service

Access and Affordability
- Growth
- Funding our Future

AdvocateCare
- Coordinated Care

Strong Physician Engagement

Advocate Health Care
Advocate Experience

Our MVP

Our Vision

The Advocate Experience

Our Philosophy

Our Values

Our Mission

SAFETY

QUALITY

SERVICE

ALWAYS
Funding our Future

1. Revenue ↓
   - Reimbursement declining
   - Utilization declining

2. Cost ↑
   - Labor Inflation
   - Supply Inflation
   - Technology
The “Goal”

- **Total**: $600 M.

- **2014 Budget**: ($120 M) - ($267 M)

- **2013 Actual**: ($33 M) - ($147 M)

- **2012 1% plan**: ($50 M) - ($114 M)

- **2012 Actual**: ($64 M) - ($64 M)

- Need to remove an additional $333 million in FY 2015-2017.

- $120 million in cost reductions in FY 2014 budget.

- $147 million removed in FY 2012 and 2013.
Create the most reliable Supply Chain Organization

Mission, Values, Philosophy

Supporting Statement

Foundation

Supply Chain Intelligence
Internal - External

Strategies

Advocate Experience
Best Pricing
Best Value
Evidence Based Practice

Key Result Areas

Service
Safety
Quality
Funding our Future
Supply Chain Operations
Clinical Effectiveness

Foundation

Relationship Management
Patients – Physicians– Associates – Suppliers

Advocate Health Care
Vision
To be a faith-based system providing the safest environment and best health outcomes, while building lifelong relationships with the people we serve.

Our Role
To drive improvement in health outcomes, care coordination and value creation through an innovative and collaborative partnership with our physicians and the Advocate system.
Active physicians on medical staffs (6,250)

Total APP physicians (4,525)
25% PCPs – 75% specialists

Employed/affiliated (1,250)
- Advocate Medical Group (1,067)
- Dreyer Affiliated (183)

Independent APP (3,275)

Independent non-APP (1,725)
More Than 100 Physicians Involved In APP Governance

APP Board of Directors
Class A - Physicians
Class B - Advocate

PHO Boards

Contract Finance Committee
Utilization Management Committee
Credentialing Committee
Quality & CI Improvement Committee
Audit Committee

Pharmacy & Therapeutics Committee
Clinical Integration Measures Committee
“Moving the Dial on Quality”

- Generic Prescribing: 6-9% > Local Plans

- LDL Good Control:
  28%-60% (HMO/PPO) > National Rate

- Childhood Immunizations:
  22%-112% (HMO/PPO) > National Rate

- Depression Screening: 85% > National Rate

- Diabetic Care: Exceeded National Rate on All 9 Measures

- Asthma Action Plans: 75% > National Rate

Advocate Health Care
## Value Based Agreements

<table>
<thead>
<tr>
<th>Contract</th>
<th>Lives</th>
<th>Total Spend</th>
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<tbody>
<tr>
<td>Commercial</td>
<td>389,000</td>
<td>$1.8 B</td>
</tr>
<tr>
<td>Medicare Advantage</td>
<td>27,000</td>
<td>$0.3 B</td>
</tr>
<tr>
<td>Advocate Employee</td>
<td>23,000</td>
<td>$0.1 B</td>
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<tr>
<td>Medicare ACO</td>
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<td>$1.3 B</td>
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<tr>
<td><strong>Total</strong></td>
<td>553,000</td>
<td><strong>$3.5 B</strong></td>
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Mission:
To continuously improve the standard of care across the system, rooted in evidence and achieved through shared best practices.

Projects do not Advance if:
- Decrease in Safety and/or Quality
- No Value-Based Cost Benefit

Principles:
- ✓ Data-Driven
- ✓ Evidence-based
- ✓ Best Practices

Focus Areas:
- ✓ Lab utilization
- ✓ Imaging utilization
- ✓ Pharmacy utilization
- ✓ Physician preference items
- ✓ Supply chain opportunities

Involves:
- ✓ Physicians
- ✓ Nurses
- ✓ Allied Health Providers
- ✓ Staff

Tools:
- ✓ Education (CBTs, Rounds, Thought Leaders)
- ✓ Physician to Physician Detailing
- ✓ Communications/PR (Multiple “Touch Points”)
- ✓ Metrics (Feedback, Tracking)
- ✓ Formulary Restrictions (Pharmacy, Supply Chain)
- ✓ EMR (Removal, Clinical Decision Support, Hard Stops, Order Sets)
- ✓ Guidelines / Policies
- ✓ CI Measures

VALUE

Better health outcomes (including those that matter to patients)

Cost to achieve those health outcomes
Clinical Effectiveness Governance

• Clinical Effectiveness Advisory Committee
  – Multi-disciplinary senior leadership team

• Provide advice and oversight

• Remove barriers to progress

• Membership

  VP, Medical Management  Sr. Leadership, APP
  Chief Nurse Executive  VP, Finance
  VP, Supply Chain  VP, CHIS
  Medical Staff Leadership  VP, Information Systems

• Specialist Subcommittees
Governance of Product Use and Adoption

New Product Introductions

Variation of Use is widely permissive.
Clinical Integration Goal
Cardiac Rhythm Management Devices

| Supply Chain – Cardiac Rhythm Management Compliance – Practice Group | Percentage of total CRM implants using devices designated by Advocate Supply Chain | Cardiologists, Cardio Electrophysiology, Cardiovascular Surgery, Interventional Cardiology | >=90% of total CRM implants use devices designated by Advocate Supply Chain | 0.50 Point | >=90% of total CRM implants |

Targeted Area of Focus:
Clinical Effectiveness
Advocate Physician Partners
Combined Incentive Fund Distribution History
2008-2013  ($ in millions)

Note: 2008-2010 unearned applied to clinical integration incentive only
2013 Value Report

To download a copy of the 2013 Value Report, go to: advocatehealth.com/valuerreport
Value Proposition Alignment

**AdvocateCare**

- Improved *coordination* throughout the care continuum
- Receive pay for *value*
- Enhanced *partnerships* with physicians
- *Aligned incentives*

**Supply Chain**

- Improved *selection* of products to advance care coordination.
- Receive pay for *product value compliance*
- *Extend accountability* with supplier relationships
- *Aligned incentives* with clinical integration platform: Advocate Physician Partners
Sales Management *Advice*
Healthcare Systems
Changing Landscape
Know and *Respect* the “Buying Process”

- Clinical End Users will Always Decide
  - Physicians
  - Nurses or Other Appropriate Clinical Associates

- Influential Advisors – Supply Chain
  - Contract Managers
  - Clinical Product Specialists

- System vs. Local Hospital Decision Making
Economic Value Analytics
“The New Norm”

• A *strategic* discipline: “deserves a seat at the decision table”

• Key strategic objectives:
  – Identification, development, validation, communication, and delivery of combined clinical and economic product
  – value proposition and data modeling among all stakeholders (e.g., Providers, Payers, Manufacturers, GPOs)
Reducing SG&A Expenses

• Must begin to understand how product is served and the related costs:
  – Sales Representation
  – Marketing
  – Logistic Costs (i.e. Receiving; Distribution)

• Other Cost Level Understanding:
  – Landed Costs
  – Cost to Settle
  – Cost to Serve
Case Study
GE CT – Advocate Relationship
GE CT Relationship Conceptual Framework

**Value Drivers**
- Quality
- Safety
- TCO
- Training/Education
- Technology Obsolescence

**KRA**
- Dose
- Cost per Procedure
- Associate Development
- Appropriateness
- Asset Management

**Results**

**Behaviors**
Advocate Key Result Areas (KRAs)

**Concepts**

- Set the dose leadership standards for the region.
- Set annual dose reduction targets by procedure type.
- Assess value metrics for dose leadership.

- Procedural cost analysis
- Utilization analysis and benchmark
- Create baseline and appropriateness factor.

- Evaluate technologist competencies based on training.
- Develop schedule for 100% completion within 24 months
- Include non-GE system requirements
- Ensure program sustainability and evolution

- Create appropriateness baseline analysis for CT.
- Set annual appropriateness targets.
- Explore exam appropriateness across technologies.

- Optimize CT Asset utilization
- Evaluate technology capital planning.
- Review capacity realization plan
Summary: New Competencies

- Economic Value Analytics – Value Analysis
- Comparative Effectiveness
- Relationship Management:
  - Extending Accountability to Supplier Relationships – Creating Better Alliances
  - Physician Engagement
- Strategic Logistics
- Measuring Performance “Wider and Deeper”
Questions