

**Senate Finance Committee Hearing**

**Progress in Health Care Delivery: Innovations from the Field**

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Chairman Baucus, Ranking Member Hatch and Members of the Committee, thank you for inviting me to testify before you today. My name is Dr. Lee Sacks, and I am the Chief Medical Officer for Advocate Health Care and the Chief Executive Officer for Advocate Physician Partners. Advocate is pleased to have been recently named one of the nation's top health systems, based on clinical performance in 2011 by Thompson Reuters. We are the largest health system in Illinois and one of the largest health care providers in the Midwest, operating more than 250 sites of care, including 10 acute care hospitals, two integrated children's hospitals, five Level I trauma centers (the state's highest designation in trauma care), two Level II trauma centers, one of the area's largest home health care companies, and one of the region's largest medical groups.

Advocate Physician Partners (APP) drives improvement in health outcomes, care coordination and value creation through an innovative and collaborative partnership with our physicians and the Advocate System, with a physician network that includes more than 1,100 primary care physicians and 2,900 specialist physicians.

APP's nationally-recognized clinically-integrated approach to patient care utilizes best practices in evidence-based medicine, advanced technology and quality improvement techniques. Through its focus on prevention, the early detection and treatment of diseases and the coordination of care across the continuum, APP continually provides value and reduces avoidable costs. We have fostered widespread adoption of evidence-based practices in independent private practice physician offices and in large integrated medical groups. We have demonstrated value to the community through improved health outcomes and significant cost savings for employers, payers, and patients.

APP's Clinical Integration Program (Program) began in 2004, with 36 measures directed largely at primary care physicians. This sophisticated pay-for-performance program has grown to include 159 measures in five domains, including clinical effectiveness, efficiency, patient safety and patient experience. The number of measures has grown by adding measures for physicians in specific specialties, measures which align physician and hospital outcomes goals and measures requested by private payers and employers. The Program's use of a single consistent set of measures and goals across all payers is an ideal approach to facilitate participation by physicians.

APP maintains clinically-integrated PPO contracts with all major commercial insurance companies in the market and has provided commercial payers and private employers with consistent quality improvement and cost savings over the eight years of the Program's existence. Incentive payment structures vary based on the needs of the individual payer. Funding for both hospitals and physicians in these contracts depends upon attainment of high performance. By

design, approximately 15 percent of incentive funds remain unearned by physicians in any given year, because of the rigor APP uses in setting performance targets.

APP's Clinical Integration Program has demonstrated that through shared accountability and transparency, a physician-hospital organization with more than 4,000 physicians, including 2,900 independently practicing physicians, in over 900 separate practice sites, can improve health outcomes and patient satisfaction while reducing costs. Through private sector innovation, the Program has overcome three challenges addressed in health reform: the limitations of fee-for-service reimbursement; the need for infrastructure to improve outcomes in small single-specialty physician groups (the country's dominant mode of practice); and the barriers to physician and hospital collaboration necessary for improving patient outcomes. The Program has received national recognition for both the quality of its outcomes and its operational efficiency and forms the framework upon which Advocate based its first accountable care organization (ACO)-like contract with Blue Cross Blue Shield of Illinois (Blue Cross).

### **FTC Identifies APP as a Model Organization**

APP is one of a comparatively few organizations whose contracting practices and Clinical Integration Program have been reviewed by the Federal Trade Commission (FTC). Following a multi-year review, beginning with an inquiry in 2002 and ending with its Consent Decree in 2007, the FTC made the determination to allow APP to continue operating its clinically integrated program.

As a result of its experiences with the FTC, APP instituted an annual review of its governance program and conducts mandatory annual workshops on fiduciary duty for all physicians and associates who participate in the governance program. This focus on governance supports APP's commitment to its ethical responsibility to conduct itself in a manner that creates value for society—in the form of better health outcomes at sustainable costs—through the collaborative efforts of clinicians and health care administrative professionals. In addition, over the course of the past two years, the FTC has invited APP to participate in its workshops on antitrust and clinical integration, including Clinical Integration in Health Care: A Check Up in May 2008, the FTC, DOJ, and CMS-sponsored workshop in October 2010 and the May 2011 workshop focusing on potential ACO antitrust issues. We have appreciated these opportunities to share our experiences and lessons learned and continue to stand-at-the-ready to be a resource to policymakers, as well as those in the private and non-profit sectors, seeking to adopt the types of changes and practices we have to improve outcomes and reduce costs.

### **APP's Relationship with Blue Cross Improves Health Care Quality**

When Advocate and Blue Cross began contract renewal discussions in 2010, both parties agreed that bending the health care cost trend was a critical step to ensure employers could continue to provide health insurance as an employee benefit and for publicly-funded programs to remain solvent. The passage of the Patient Protection and Affordable Care Act (PPACA) provided a framework for innovations in both the private and public health care sectors, with the overarching goal of supporting innovation and partnership throughout the health care system in a way that encourages and rewards organizations that are able to reduce the cost of care while improving quality and patient safety.

The negotiations resulted in the creation of one of the nation's largest ACO-like commercial shared savings PPO contracts between Advocate and Blue Cross, covering more than 245,000 attributed PPO lives. The negotiations also led to a contract for Blue Cross HMO products under which APP is responsible for the total cost of care for 180,000 lives. APP and its member physicians also provide care for an additional 400,000 PPO patients who are not part of a shared savings contract and 60,000 patients covered under other HMO contracts. The agreement also includes a rigorous set of performance measures on outcomes, safety and patient satisfaction.

After the first year, the shared savings program has achieved the goals that APP and Blue Cross laid out. It has bent the cost curve, decreasing inpatient days per thousand by 12.5% compared to the non-APP rate of 7.5%, with a trend in the cost of care on a risk-adjusted basis that has been 4.6% below the market trend through the first three quarters of 2011. All of this was achieved while maintaining the outstanding outcomes, safety, and patient satisfaction results for which the APP network has been recognized.

### **Advocate Health Care—A Leader in Innovation**

Advocate recognized that in order to bend the cost curve and be successful under these new arrangements, the organization would need to attain the optimal convergence between the three interdependent drivers of value: population health, patient experience and total cost per capita (the Triple Aim). Advocate made a strategic decision to align the entire organization through a transformational approach to care delivery called AdvocateCare. The goals of AdvocateCare relate to: improving care coordination across the continuum; developing lifelong relationships

with patients; and, improving access to appropriate care. This approach will reduce unnecessary utilization resulting from poor care coordination, poor communication and poor transitions from one site of care to another, all of which also contribute to increases in avoidable hospital admissions and readmissions and overuse of outpatient services.

Seventy dedicated outpatient care managers—principally registered nurses, advanced practice nurses and social workers—work closely with APP’s 1,100 primary care physicians to address the needs of the sickest three to five percent of patients assigned to APP physicians in its PPO shared savings and HMO risk arrangements with Blue Cross. The care managers focus on enhancing patient knowledge, increasing patient adoption of behaviors to further self-management of the condition and providing assistance to patient and caregivers to navigate the health care system. Although financially feasible in shared savings and capitation models of care, these care management services are not reimbursed under fee-for-service models. Specific payment models like those specified in the PPACA and like the shared savings program developed in conjunction with Blue Cross are necessary in order for health care organizations to provide these valuable services in the fee-for-service sector, the dominant mode of payment in the country.

### **Medicare Shared Savings Program Participation**

APP understands that the current health care delivery model and the associated payment system are not economically sustainable. As such, we have launched innovative partnerships, like the one with Blue Cross, in order to test new health care delivery models to improve health care quality. Given its size and experience with financial and clinical integration, APP recognizes its

duty and responsibility to be at the forefront of developing new and innovative care delivery and payment models. Programs such as the Medicare shared-savings program (MSSP) help promote new models of care delivery and care coordination that will enable the delivery of high quality, affordable care to Medicare beneficiaries.

APP views participation in MSSP as a critical step in its evolution, and a key means to achieve the critical mass needed to transform its operations and the practices of its member physicians and hospitals. If selected to participate in MSSP, APP would fully embrace the opportunity to expand its existing ACO model to include Medicare beneficiaries. APP looks forward to its partnership with CMS and the opportunity to transform health care delivery—improving outcomes and reducing costs.

## **Conclusion**

APP's Clinical Integration Program fosters collaboration among payers and patients, as well as physicians and hospitals, creating the framework by which it has evolved into an ACO.

Advocate firmly believes that organizations like APP must be at the center of any lasting solution to improve—and sustain—the current health care system. Sustainable, system-wide solutions will necessitate changes to health care delivery, performance measurement and provider reimbursement. Organizations such as APP, as evidenced by its seventeen-year history, have the ability to implement these changes and drive significant improvements in health outcomes and the patient experience while also reducing costs.

Thank you for the opportunity to testify before you today. Advocate Health Care and Advocate Physician Partners stand ready to serve as a resource and work with this Committee and all Members of Congress to improve the quality and efficiency of health care in this country. I would be happy to answer any questions you may have.