Physical Therapy in a Changing Health Care Market

It’s all about VALUE

“If the rate of change on the outside exceeds the rate of change on the inside . . . the end is in sight.”

Jack Welch
Former CEO, GE

1 BIG Changes

1 CONSOLIDATION

BIG is Strong

2 VALUE

Quality ÷ Cost

Section 1

Connecting the Opportunity Dots

1 POWERFUL Concept

The Triple Aim

Measurable Quality

An Exceptional Patient Experience

Lower TOTAL Cost of Care

Agenda

1 CONNECT the Dots

3 Change Leadership

2 Volume to Value

4 Getting Bigger

OK

Good

Great

Model Fail
Did YOU KNOW that . . .
“Approximately 50% of the $3 Trillion spent on health care in the US in 2012 was either unnecessary or duplicative. That's $1.5 Trillion that added no value to patients.”
PwC Health Care Division

The Message . . .
We WASTE a LOT of money in health care delivery

Did YOU KNOW that . . .
“In 2012, the most costly procedures performed in US operating rooms were
1. Spinal Fusions
2. Total Knee Replacements
3. Cardiac Angioplasty
4. Total Hip Replacements

Optum Health – United Health Group

The Message . . .
ORTHOPEDIC SURGERIES are the major cost drivers in ORs

Did YOU KNOW that . . .
“In 2013, the US spent 17% of its health care expenditures on musculoskeletal conditions.”
Optum Health – United Health Care

The Message . . .
MUSCULOSKELETAL PAIN is a major cost driver in health care

Did YOU KNOW that . . .
“We must insure more people and reduce the rapidly rising costs in health care so 100% of Americans can get better care at a lower cost.”
The Affordable Care Act

The Message . . .
The GOVERNMENT DEMANDS
Greater Access    Better Quality    Lower Total Costs

Did YOU KNOW that . . .
“We will hold providers "accountable" through accountable care organizations, outcomes, and financial risk sharing.”
The Affordable Care Act

The Message . . .
The GOVERNMENT DEMANDS accountability
Providers must measure their value to reduce costs and improve health
Did YOU KNOW that . . .
"Even if we have a President and Congress who repeal the ACA – health care reform will continue. Rising costs are unsustainable for the people who pay for health care. Providers must deliver value."
Executives from Minnesota Health Plans

The Message . . .
The PRIVATE SECTOR demands Value
Health Plans and ACOs will hold providers accountable


Did YOU KNOW that . . .
"PT is the best treatment for LBP. Same day access to PT reduces costs dramatically and with measurable functional gains. VMMC LBP model Results . . .
50% faster RTW, 28% fewer MRIs.
Great results lead to more patients."
CEO Virginia Mason Health System

The Message . . .
QUICK ACCESS to SKILLED PTs can result in lower TCOC and better outcomes


Did YOU KNOW that . . .
"We have a shortage of 1° care MDs – we need at least 300 more 1° care MDs in our small state and at least that many 'mid-level' providers. It's going to get worse as more people are insured."
Medical Director of Large Health Plan in the South

The Message . . .
We do not have enough PRIMARY CARE providers in the US


Did YOU KNOW that . . .
"TOTAL COSTS associated with over 30,000 people with LBP revealed that when PT was provided within 2 weeks of the first 1° Care MD visit, TOTAL COSTS were reduced. Delayed PT resulted in higher TOTAL COSTS."
Julie Fritz, PT, PhD Intermountain Health System
Spine Magazine 2012

The Message . . .
EARLY ACCESS to PTs results in lower TCOC for LBP patients in 商业健康系统


Did YOU KNOW that . . .
"PTs serve as primary care providers for musculoskeletal pain in the US Military and at Keiser Permanente. It reduces pressure on primary care MDs, is more efficient, and more effective."
US Military and Keiser Permanente

The Message . . .
Skilled PTs can serve a PRIMARY CARE ROLE


Did YOU KNOW that . . .
"In a study of over 300,000 Medicare patients with LBP, early access to physical therapists for those patients resulted in LOWER TOTAL COST of CARE."
Alfred Gellhorn, MD, University of Washington Med School
Spine Magazine 2012

The Message . . .
EARLY ACCESS to PTs results in lower TCOC for LBP patients in the MEDICARE SYSTEM
"In a Health Plan – PT Network pilot, PTs using FOTO to manage their care and focus on achieving high functional outcomes reduced TCOC for shoulder conditions by 20%. Reductions in hospital, imaging, ER, Urgent Care, Chiro, and direct PT costs."

TPI Value-Based Reimbursement Model

**The Message . . .**

VALUE-FOCUSED PT care can reduce TCOC

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**Did YOU KNOW that . . .**

For people with musculoskeletal conditions who received physical therapy, here’s a look at TCOC

<table>
<thead>
<tr>
<th>Upstream Costs 40%</th>
<th>PT Costs 30%</th>
<th>Downstream 30%</th>
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</thead>
<tbody>
<tr>
<td>1° Care Visits, Imaging, Injections, Orthopedic Visits, Meds</td>
<td>Imaging, injections, orthopedic visits, surgery, surgery center, hospital stays</td>
<td></td>
</tr>
</tbody>
</table>

Therapy Partners Data from Health Plan in NE State

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**What if . . .**

<table>
<thead>
<tr>
<th>TCOC</th>
<th>Upstream 50%</th>
<th>PT Cost 35%</th>
<th>Downstream 15%</th>
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</thead>
<tbody>
<tr>
<td>BEFORE</td>
<td>AFTER</td>
<td></td>
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</tr>
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Physical Therapy is moved UPSTREAM . . .

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**Did YOU KNOW that . . .**

For people with musculoskeletal conditions who received physical therapy, here’s a look at TCOC

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<th>PT Costs 35%</th>
<th>Downstream 15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1° Care Visits, Lot of Imaging, Injections, Very High Specialty Medical Visits, DME</td>
<td>Follow up visits Specialty Med Fewer Surg</td>
<td></td>
</tr>
</tbody>
</table>

Therapy Partners data from a health plan in a Southern state

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**Incentives Drive Behavior**

“A majority of providers are paid based on the volume of services – FFS. More interventions provided results in higher costs. Care decisions are often driven not by what is in the best interest of the patient and our delivery system but by what provides the highest provider reimbursement.”

The Strategy that Will Fix Health Care
Michael Porter - Strategist, Harvard Business School

**The Message . . .**

FFS creates incentives that drive up cost, not quality

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**Transformation to Value**

Majority of providers, payors shift to Value Based Models

Am Health Ins Plan:
90% of payers - 81% of hospitals have mix of VBR and FFS
Expect FFS to decrease from 56% to 32% in 5 years

To Transform from FFS to Value Based Payment . . .

**The Message . . .**

VBR MODELS create incentives that drive up quality, drive down costs
Yet... in spite of compelling evidence
"Only 7% of people with musculoskeletal conditions received physical therapy care in 2013."

The Message...
A VERY SMALL PERCENTAGE of people see a physical therapist to solve their musculoskeletal problem.

But...
We can blame the powerful decision makers at health plans because they don't know. And most have never viewed PT as a SOLUTION.

We see strong FACTS that PROVE early PT brings down TOTAL COSTS, and we are starting to see effective, early PT elevates quality/function/health. Seems like a no-brainer.

So WHY do only 7% go to PT and how can YOU change that to 17%? Or 27%?...

The BIG Change Is in Provider Incentives

180°
Financial Incentives

Volume Based SS Incentives
Fee for Service
The More You Do
The More You Get Paid

Value Based SS Incentives
Outcomes Based Models
The Better the Outcome
The Better the Payment

When Financial Incentives Change 180°...

Provider Behavior Must Change Accordingly
Reality Now . . . 2014

Financial Incentives for $ Health Care Providers $ are Based on Delivering More Coded Services

Mostly Volume Based

Volume Based Conflict
Is Driving Consumer Demand for Change to Value

Great Functional Outcomes at a Reasonable Cost

The Volume Equation

Profitable Services X Max Fees X Max Frequency = Max Revenue

MORE!

The VALUE Equation

Quality Care + Convenient Access + Caring Service

Total Cost of Care

= Consumer Value

The Volume Equation Creates Conflict

Providers fight to Maximize Volume?
Payers fight to Minimize Volume?

The Value Equation Creates Collaboration

Providers and Plans Work Together

Maximize Patient Value

Services - Improve Health and Reduce Costs
The Strategy that Will Fix Health Care

“The days of business as usual are over. Incremental fixes attempted by health care policy makers have not worked. It’s time for a fundamental change. A change from provider focused volume incentives to models that reward providers for delivering patient centered value - collaboratively achieving the Best Outcomes at the Lowest Total Cost.”

Michael Porter
Author, Strategist, Harvard Business School

Care Management for Value Graph

Section 3

Change doesn’t come easy

2 Big Factors to Overcome

1. The Commodity Syndrome
2. Many People Resist Change
The Commodity Syndrome

A service or product that is delivered to the market place and cost is the only factor in determining its value.

Quality is not considered.

Overcoming The Commodity Syndrome

With the Powerful Decision Makers

- Understand their problem
- Understand their NEEDS
- Determine Solution They Don't Even See
- Exceed Their Expectations

A Valuable Resource

The Commodity Syndrome

So how did we get there??

- Long Standing Combative Relationship Provider and Payor
- High Profile Providers Get the Focus
- Few PTs Negotiate Contracts with Health Plans
- Therapists Viewed as Ancillary to MDs
- Plans Have a Silo Mentality of Cost Control
- Lack of Significant Innovative Therapy Solutions

But Change is Hard

IF you

**Sell VALUE**

You must

**Deliver VALUE**

Change
Health Care Reform and Value Change? Lots of it...

Population Health vs Rehab
Decisions
Care Model
Outcomes
Delegation
Manage Care
Discharge Planning
Communication

Most People Struggle with Change and Need Leaders to Guide Them and Managers to Help Them

50-70% Take Your Time
15-20% Embrace Change Convert Resisters
20-30% Will Help You

5-10% Love it! I'm Your Change Champion

How People Respond to Change

Section 4
CONSOLIDATION
BIG is Strong

Minnesota Health Care Market
BIG is Strong
Consolidation

**3 Health Plans**
Dominate
- BCBS-Mn
- Health Partners
- Medica

**Consolidation**

**85%**
of Primary Care MDs
In Twin Cities
Are Employed by ACOs

Consolidation

**4 ACOs**
Dominate
- Allina
- Twin Cities
- Health Partners
- Park Nicollet
- U of M
- Phys Heart
- at Fairview
- Summit
- Ortho

**Consolidation**

**Vast Majority**
Specialists
Dominate
- Twin Cities
- Gastro
- Ortho
- Phys Heart
- at Fairview

Consolidation

**5 Care Systems/ ACOs**
Dominate
- Essentia
- Outstate Mn
- Avera McKennon
- Sanford
- Mayo
- CentraCare

**Consolidation**

**WHY??**
The Reason they Should Consolidate . . .
**Improve Care**
The Reason they DO Consolidate . . .
**Negotiating Strength with Health Plans**
So how about
The Independent Physical Therapy Practices?

Practice Owners Have 4 Options

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stay the Course</strong></td>
<td><strong>Grow My Own</strong></td>
<td><strong>Time To Sell</strong></td>
<td><strong>Get Big Stay Small</strong></td>
</tr>
<tr>
<td>Don’t consolidate</td>
<td>Open new clinics</td>
<td>Consider the Big Guys</td>
<td>Keep Practice</td>
</tr>
<tr>
<td>Small is better</td>
<td>Grow existing clinics</td>
<td>Culture Fit?</td>
<td>Collaborate with others</td>
</tr>
<tr>
<td>Depend on Relationship s</td>
<td>Buy other practices</td>
<td>Corporate Sell 100%</td>
<td>Network</td>
</tr>
<tr>
<td>Cash or Out of Network</td>
<td>Merge</td>
<td>Combination Sell 51-90%</td>
<td>Determine Value Add</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Differentiate</td>
</tr>
</tbody>
</table>

WHY Make this Big Change?

**FEAR**
Small practices at risk

**REALITY of POWER**
Must connect with powerful decision-makers

WHY

**STRENGTH**

Get Bigger Options – Value

<table>
<thead>
<tr>
<th>Merge</th>
<th>MSO</th>
<th>IPA</th>
<th>Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquire</td>
<td>Single TIN</td>
<td>Multiple TINS</td>
<td>Multiple TINS</td>
</tr>
<tr>
<td>Sell</td>
<td>Simplicity</td>
<td>Complexity</td>
<td>Complexity</td>
</tr>
<tr>
<td>Efficiencies</td>
<td>Efficiencies</td>
<td>No efficiencies</td>
<td>No efficiencies</td>
</tr>
<tr>
<td>Size</td>
<td>Size</td>
<td>Size</td>
<td>Size</td>
</tr>
<tr>
<td>Governance</td>
<td>Control</td>
<td>Limited Control</td>
<td>No Govern.</td>
</tr>
<tr>
<td>High Control</td>
<td>Stability</td>
<td>Unstable</td>
<td>No Control</td>
</tr>
<tr>
<td>Stability</td>
<td>Share risk</td>
<td>Share risk</td>
<td>Unstable</td>
</tr>
<tr>
<td>Share risk</td>
<td>Accountability</td>
<td>No risk share</td>
<td>No risk share</td>
</tr>
<tr>
<td>Accountability</td>
<td>High Ability to deliver value</td>
<td>No Account.</td>
<td>No Account.</td>
</tr>
<tr>
<td>Value ?</td>
<td></td>
<td>Value delivery</td>
<td>No Value</td>
</tr>
<tr>
<td></td>
<td></td>
<td>delivery</td>
<td>delivery</td>
</tr>
</tbody>
</table>

Complexity

Health Plan or ACO
Contracting & Credentialing
Process Claim from Practices
Make Payments to Practices
Organize Under a Single Tax ID Number

Billing Department
Billing and A/R Management
Payment Processing, Posting and Distribution to Practices

Health Plan or ACO
Contracting with Risk Sharing Arrangements
Process Claims from Big Provider Group
Make Payments to Big Group

Simplicity

Must . . .
Have Some **Size**
Deliver **Value**
Be Willing to **Share Financial Risk**
Connect with **Powerful Decision Makers**
Be Able to **Lead Change**

PT is a Proven **Solution**

Inconsistency

Health Plan or ACO Invests to Control Cost

UM for Cost Control
Ave Visits – 12.8
Range – 8.5 to 18.5

Care Management for Quality
No Consistent Quality Measures

Physical Therapist and Physical Therapist Assistants in a Changing Health Care Market
**VALUE-BASED PAYMENT MODELS**

Predictability

Big Organization Measures Outcomes
Efficiency 
(Ave Visits or Cost)
Predictable Cost
Effectiveness 
(Functional Improvement)
Predictable Functional Change
Measurable Value

What Does the Data Show
**PHYSICAL THERAPY POSITIONING AND BRAND**
Optum Health – CSM and WPTA conferences February, April 2014 data 2010-2012

Positioning of PT Services

Typical Clinical Pathway

Timing and Cost of Total Episode

TPI Workers Comp Data
Optum Consumer Focus Groups
PT Brand

Financial Considerations-Risks and Incentives
Clinical Considerations-Outcomes and Value
Changing the Clinical Pathway

Optum Consumer Focus Groups
PT Brand

Financial Principle - 1
• Physical Therapists and Physical Therapist Assistants are revenue generators

Financial Principle - 2
“One companies revenue, is another companies line item expense.”
Perry Hanson-Wipfli HC Consultant

“...And it makes me wonder”
–
Led Zeppelin, Stairway to Heaven

Position
• Delayed onset of PT is a very common pathway
• Likewise significant cost in "upstream" portion of total cost
• "Silo" management is ineffective at controlling costs
• Effecting downstream costs is only part of the solution

Financial Principle

Profit Margin
Return on investment
**Risk and Incentives**

**Risk**
- “It’s important to understand how people perceive risk, and how that translates into investment behavior.”
  Andrew Lo, Finance, MIT

**Incentives**
- “The ideal of behaviorism is to eliminate coercion: to apply controls by changing the environment in such a way as to reinforce the kind of behavior that benefits everyone.”
  B F Skinner

**Patient/Purchaser Risk**

**Risk**
- Increased COST TO INSURE
- Mandatory ESSENTIAL HEALTH BENEFIT
- POOR RESULTS – leading to utilization of higher cost services
- Shift cost to employee
- Making the wrong purchase

**Incentive**
- Increased DEDUCTIBLE AMOUNT
- Increased CO-PAY Amount
- Health Resources vs. Health Savings Account (HSA)
- Self-Insure, captive (less regs. control benefits)
- Discount Networks (Align, Orthonet)

**Payer Risk and Incentives**

**Risk**
- More UNITS
- More VISITS
- More CASES
- POOR RESULTS – leading to utilization of higher cost services
- Medical loss ratio
- Overpayment on claims

**Response (Incentive)**
- Utilization Review (UR, UM Dept.)
- Bill Review (Optum, Verisk)
- Code Bundling-NCCI, MPPR
- Annual visit limit
- Increased Co-pays
- Discount Networks (Align, Orthonet)

**Align Incentives**

**INCENTIVES**
- Control UNITS = Per Diem Payment
- Control UNITS and VISITS = Episodic or Case Rate
- Control UNITS, VISITS, and CASES = Capitation. Too risky for therapy.
- Control EPISODE COST = Bundling, TCOC

**RISK**
- PROVIDER must control visit units
- PROVIDER must know cost to deliver a visit
- PROVIDER must know all costs and ratio of PT to population statistics
- PROVIDER must know cost to deliver care, able to address upstream costs

**Provider Risk and Incentives**

**Risk**
- Decreasing REIMBURSEMENT
- Increasing ADMINISTRATIVE BURDEN (PQRS, FLR)
- Increased security and OVERSIGHT (HIPPPA, PHI policies)
- Increased CODE BUNDLING (MPPR, NCCI)

**Incentive**
- Code higher RVU
- More codes per visit
- More visits per episode
- Higher productivity standards
- Use of billing modifiers (59 or X, XX)

**The VALUE Equation**

\[
\text{Quality} + \text{Convenient Care} + \text{Caring Access} + \text{Service} = \text{Consumer Caring Service}
\]

\[
\begin{align*}
\text{Total Cost of Care} &= \text{Consumer Value} \div \text{Profit Margin} \\
\text{Return on Investment} &= \text{Consumer Value} \div \text{Profit Margin}
\end{align*}
\]
**Redefining the PT Value Equation**

Quality = 
\[ \text{# visits} \times \text{Costs}_\text{Payment} \times \text{Value} \]

فضلاً، لا يُقيّم...

**Defining Physical Therapy Value**

9 CELL VALUE MATRIX

FEWER VISITS - Efficiency

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher than Expected</td>
<td>Perpetual</td>
<td>F</td>
</tr>
<tr>
<td>D</td>
<td>E</td>
<td>G</td>
</tr>
<tr>
<td>I</td>
<td>Lower than Expected</td>
<td></td>
</tr>
</tbody>
</table>

**Value-Based Health Care**

“Health care organizations that deliver clinical value, are stronger and valued by payers and ACO’s”

Recently retired CMO of Local Integrated Payer...

**Outcomes that are Used at Multiple Levels**

Outcome Measures

- That which gets measured becomes valued, because we can’t value what we don’t measure...

**TPI/NY Non-op Shoulder Pilot**

Pre-Pilot: 28.44%
Post-Pilot: 38.34%

- Anesthesiology
- Ambulatory Surgery
- Center
- Hospital
- Orthopedic Surgeons
- Physical Therapy
- Radiology
Right Time ------- Right PT

Timing and Content of PT

Timing and Right PT Reduces TCOC

<table>
<thead>
<tr>
<th>Timing and Content of PT</th>
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<tbody>
<tr>
<td>Childs, DOD Study 2014</td>
</tr>
<tr>
<td>Total Costs Incurred Over 2-year Follow-up</td>
</tr>
<tr>
<td>$2,110</td>
</tr>
<tr>
<td>Total LBP</td>
</tr>
<tr>
<td>E/A</td>
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</tbody>
</table>

Timing of PT Reduces TCOC

Costs

- $1,000
- $5,000
- $10,589
- Decreased TECOC
- $5,884.71
- $3,500
- Other Costs
- $10,589

Majority of care was “Non-Adherent” care
Address Payer/ACO Concerns

**PAYER/ACO PERCEIVED NEEDS AND CONCERNS**

- Address the growth of the total orthopedic spend by providing therapy providers that are able to reduce the total episode cost of care.
- The lack of a quality metric standard that identifies the best providers of musculoskeletal care, which includes utilization of care.
- Receive a significant return on investment on total episode cost of care, and share risk with providers.
- Claims processes unable to handle changes in payment methodology, such as per diem, case rates, or total cost of care.

**ADDRESS PAYER/ACO CONCERNS**

- Entity will actively work to expand and promote pilot to primary care provider networks.
- Entity will manage therapy episodes of care using an outcome tool with patients.
- Provide analysis of both datasets (Outcomes and Claims) that measures the impact on TCOC and correlation of TCOC to outcomes.
- Phase 1 should continue to pay therapy services at a contracted current fee schedule. No change in fee schedule, claims processing.

Where Do We Go From Here?

- Disruptive change to the clinical pathway
- Collaborate across therapy provider groups
- Correlate outcome and utilization to total cost of care
- Leverage therapy outcomes data as quality metric
- Support or carryout health services research