Moving The Clinical Enterprise From Partnership to Integration: Conceptual Framework

An Update for the Board of Regents
June 11, 2009
Major Challenges for the Academic Health Center

1. Achieving alignment of the clinical enterprise
2. Developing a new economic model to support the mission
3. Capturing the value of the Biomedical Discovery District
4. Transitioning into a learning environment
5. Leveraging the strengths of all the health professional schools
6. Improving operating efficiency and effectiveness
Partnership → Interdependence → Integration

Our Journey to Integration

- **U of M**
- **Fairview**
- **UMP**

**Partnership**
- “Working Together”

**Interdependence**
- “Act and Look Like One”

**Integration**
- “We are one”

Creating a disruptive influence for the betterment of health care

Time
- 1997
- 2009
- ?
The Current Triangle of Agreements
Among the University, UMP, and Fairview Health Services

- University of Minnesota Physicians
- University of Minnesota
- Fairview Health Services

Affiliation Agreement
Series of Agreements:
- Merger
- Affiliation
- Land Lease
- Facilities Lease
- Utilities Agreement
- Other
The University’s Goal: Fulfill the Land Grant Mission
[From the 1997 Summary Affiliation Document]

• Increase access to patients to support education and research.
• Enable the AHC to be competitive in the healthcare marketplace.
• Enhance the efficiency and effectiveness of clinical services provided in the academic setting.
• Preserve and grow an on-site, world-class hospital and clinic system for the AHC.
• Provide new opportunities for education, research and service/outreach development.
• Stabilize a portion of the AHC financial base by ensuring greater community support for the AHC mission.
• Enable the health professions of the AHC to achieve relevance, leadership and excellence into the 21st century.
The Partnership Has Been Working

- In 2001, external review praised the partnership for achieving its core goals of attaining a positive financial position, strong support of the education and research mission, effective faculty practice, and financial support of the Medical School.
- In 2004, the University Hospital Consortium (UHC) recognized the partnership nationally as one of four effective in supporting academic health centers.
- In 2007, UHC ranked UMMC/UMCH seventh in the nation in quality and safety.
- There has been substantial patient and revenue growth in UMP and in University of Minnesota Medical Center/University of Minnesota Children’s Hospital, Fairview.
Why Does the Current Partnership Need To Change?

1. Market Forces
   - Stress in the care delivery model
   - Workforce shortages
   - Decreasing margins
   - Unaligned payment system with adverse incentives

2. Operating Efficiency and Effectiveness
   - Alignment of the partners for co-management
   - Complex, cumbersome decision process
   - Lot of duplicative cost
What Is The Opportunity?

• We can enhance
  – Our position in the health care marketplace
  – Our ability to respond to coming changes in health care
  – Our ability to leverage our collective assets

• We cannot fix the whole health care system.
• We do have an opportunity to create a disruptive influence for the betterment of health care.
• We can become an integrated health system that leverages the best of academic and private health care.
Vision For Our Partnership

1997

Partnership

1997

UMP

FHS

AHC

2004

Interdependence

TODAY

UMP

FHS

AHC

Clinical Enterprise (FHS, UMP)

Integration

FUTURE

Academic Enterprise (AHC)
What is the Value Added in the Integrated Enterprise?

1. Commitment of the new enterprise to the academic mission
2. Enhanced ability to improve health across the continuum of care
3. Increased access to patients
4. Achieving better outcomes, improved service and reduced per capita cost of care
5. Achieving a simpler structure that is more efficient and effective
6. Forming a new entity that supports sustainable growth
7. Increased capacity for and commitment to clinical research
8. Increased capacity and revenue to support education and research
9. Enhanced planning coordination for the clinical and academic enterprise
10. Coordinated effort in meeting legal/regulatory requirements
11. Enhanced ability to recruit and retain faculty and compensate them at a competitive market rate
Our Collective Strategic Planning Process

Situation Assessment
- Environmental Trends
- Governmental Actions
- Market Dynamics
- Operational Challenges

Vision
Critical Success Factors
Goals

Partnership Strategic Direction
- Mission Alignment
- Vision
- Guiding Principles
- Objectives
- Strategies
- Functional Model for Integration

What issues “must” the Partnership effectively address in the next 2-3 years to ensure short and long term success?

What major achievements are necessary for the Partnership to realize our vision?

What should the Partnership look like having successfully addressed its critical issues?
Further integration must respect and support the mission and cultural values of each partner organization and:

- Achieve *market-leading quality, service, efficiency, and growth* defined by the clinical enterprise and the customers/markets it serves.
- *Integrate delivery of patient care across the health care system* to ensure a consistent, affordable, high quality, patient-centric experience.
- Enhance the capabilities to *create new knowledge and rapidly translate* new knowledge into clinical practice that will advance the market position of both the clinical and academic enterprises, versus either one independently.
- Generate *financial performance greater than that achievable independently*, resulting in incremental resources to serve the community and advance research and education.
- Elevate the *stature of the academic enterprise*.
- Strengthen our *commitment to training the next generation* of care providers and more fully capture our investment in education.
- *Simplify the relationship* and bring greater transparency to the value generated for all parties.

Guiding Principles for Integration
Goals for Integration

1. **Grow and Enhance the Clinical Enterprise.**
   Strategic expansion is essential to create a vibrant academic environment, fund our academic mission, and deliver exceptional clinical services.

2. **Re-establish Nation-leading Research.**
   Regaining the Medical School’s status as a Top 20 research school is critical to our continued success in translating knowledge into clinical practice that meets the current and future needs of our patients.

3. **Bring the Academic Enterprise to Greater Prominence.**
   Nationally acclaimed academics will strengthen the pipeline of health care leaders and caregivers, keeping Minnesota at the forefront of innovative health care delivery.
Objectives for Integration

*How we will measure success…*

- Improved health of a given population and reduced per capita costs
- Clinical service lines that are integrated across the system and provide a consistent and improving quality of care regardless of the point of entry
- Physician guided, patient-centered care that provides a consistently exceptional patient/family experience
- Growth in net clinical operating revenue to support mission
- Improved market share
- Enhanced creation and translation of new knowledge into clinical practice
- Greater access to a larger population for participation in clinical research and to support the education of the next generation of health professionals
Opportunities in an Evolving Market, Accelerated with an Integrated Enterprise

Clinical Enterprise
- Care for the health of defined populations.
- Improve the “individual” experience.
- Reduce per capita costs.
- Deliver greater value.
  - Improve clinical outcomes
  - Improve experience
  - Lower costs
- Integrate care across the continuum.
- Broadening access to care and providing a “healthcare home.”
- Redesign care models to improve health and reduce utilization.
- Create collaborative models for financing care (new payment systems/methods).
- Provide care in “bundles or packages” with predetermined global reimbursement.
- Accept appropriate risk for reducing utilization and managing the total cost of care.

Academic Enterprise
- Greater access to a larger population and patient base that supports increased demands in education and research.
- New approaches to education and training that is patient centered, team-based, evidence-based, life-long, civically engaged, and occurs in an electronically enhanced learning environment.
- Community partnerships to meet health workforce demands and support clinical and health outcomes research and quality improvement.
- Generation of a new economic model to support the mission of the AHC.
Conceptual Model for Integration

Clinical Enterprise

Healthcare Facilities
- Continuum Services
- Hospital-Based Services

Medical Group
- Community Division
- University Division

Affiliated Physicians

Affiliates/Subsidiaries
- Red Wing
- Range
- Foundation

Academic Health Enterprise

Teaching
- Nursing School
- Dental School
- Pharmacy School

Medical School
- Public Health

Research

Common Paymaster

Affiliation Agreement

Other Affiliates
- VA
- HCMC
- Regions
- Park Nic
- others

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Key Questions for the Integrated Clinical Enterprise (University Perspective)

1. How does the new entity fit into the strategic direction of the AHC and the University?
2. What is the value added relative to the current structure?
3. What are the desired outcomes of the new entity?
4. What is the University’s relationship to the new entity?
5. What is the financial model and its implications for the University?
6. What is the leadership model for the new entity?
7. What are the decisions that require Board of Regents approval?
8. What is the timeframe for decisions and completed documents?
Next Steps in Moving Toward an Integrated Enterprise

1. Board of Regents endorses the concept for moving ahead into next stages of development
2. Finalize what is included in the new entity
3. The three entities hire a single consultant to develop the business model
   - Term sheet
   - Financial model
   - Legal model
   - Leadership model
   - Governance Model
   - Operating model
4. Develop the affiliation agreement between the new entity and the University
5. Develop an approval process and timeline.
Timeline for our Work

Phase I: term sheet
Basic structure, basic financial model

Socialize business model with key stakeholder groups.

Select and finalize structural and legal agreements.

June
July
August
Sept
Oct
Nov
Dec

2009