

ACO CASE STUDY

NEW WEST PHYSICIANS: *DENVER, COLORADO*

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McManis Consulting

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New West Physicians (New West) is a primary care medical group with 76 providers who serve patients in the western and southern parts of the Denver metropolitan area. It includes 41 family practice and 17 internal medicine physicians, as well as 10 mid-level professionals and eight hospitalists. (See locations in Exhibit 1 below.)

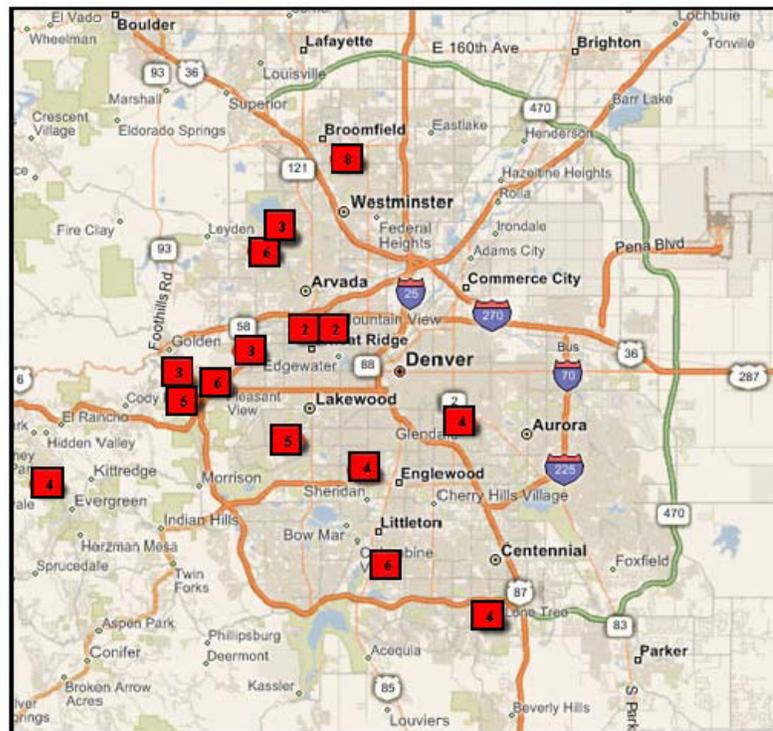
This is one of four case studies of organizations that are relatively far along in preparing for population health management and value-based reimbursement.

The case studies have been prepared by McManis Consulting, under the sponsorship of the American Hospital Association (AHA).¹

New West was selected as a case study primarily because: (1) it has many of the characteristics of a mature accountable care organization (ACO); (2) it has a track record of improving quality and lowering costs; and (3) it has accomplished this without formal affiliation with acute-care hospitals, specialists or other elements of the care delivery continuum.

¹Two white papers based on this case study, and the other case studies, are available at www.aha.org/ACOCasestudies.

1 NEW WEST PHYSICIANS CLINICS AND NUMBERS OF PROVIDERS, SEPTEMBER 2010



New West operates with a variety of reimbursement structures; however, a hallmark of the group is that it has, almost since its inception, worked with a health plan where it has responsibility for the care of a defined population and is paid based on performance.

As a primary care physician practice, New West brings a different set of assets and liabilities to the process of developing an ACO than other types of organizations, such as hospitals, multi-specialty group practices or clinically integrated networks. For example, despite the lack of formal clinical integration with hospitals and medical specialists, New West has substantial control over hospital stays and the use of specialty practices. Additionally, New West does not suffer a loss of income as care practices are streamlined and hospital and specialist costs are reduced.

SUCCESS FACTORS

Several key features of New West's care delivery approach have contributed to its success under capitation and other performance-based contracts. These include:

- Aggressive management of hospital care;
- Aligned incentives and culture;
- Tight control of specialty referrals;
- An expanding array of chronic disease management and quality improvement programs;
- Data and information flows to manage at the point of care, as well as review care patterns over time;
- Aligned incentives and culture; and
- Strong financial performance.

Aggressive management of hospital care. New

West employs a number of strategies to reduce hospital utilization – including provision of its own 24/7 hospitalist coverage, aggressive follow-up in home and post-acute care settings to prevent readmissions, and provision of after-hours access to ambulatory care.

While New West's patients are free to use any hospital, they are encouraged to use the three hospitals where New West has 24/7 hospitalist coverage (Lutheran, St. Anthony's Central and St. Anthony's North). New West employs eight hospitalists and plans to add four more in the south Denver area in the near future.

NEW WEST PHYSICIANS

HISTORY AND EVOLUTION

New West Physicians started in 1994 as a group of 18 physicians in eight locations. The founders merged assets, started billing under a single tax identity and established a compensation formula that rewarded physicians for patient volume and patient satisfaction. Key issues in the group's formation included obtaining consistency in fringe benefits and combining pension and profit-sharing plans.

New West initially borrowed \$600,000 to buy new equipment and information systems and to consolidate their administrative operations. The group early on determined that growth was a key to success. New West received venture capital financing of \$5,000,000 (since repaid) to acquire and integrate additional physician practices. The practice also spent approximately \$600,000 to acquire and implement a common practice management system (IDX).

Unlike most primary care practices, New West maintains substantial cash reserves and is able to finance its future initiatives.

Today, New West is organized in two entities – New West, PC and New West Management Services, Inc. The management services company has 75 full-time equivalent employees. (Colorado's corporate practice of medicine laws necessitate this division.) Appendix A depicts the organizational structure of these two organizations.

When a New West patient arrives in the emergency department (ED), the hospitalist immediately assumes responsibility for care. These physicians try to do as much as possible in the ED to avoid hospital admissions, relying heavily on the use of observation units.

The hospitalists can access the patient's electronic health record (EHR) from anywhere in the hospital, which helps avoid duplication of tests and other

services, and improves the quality of care in inpatient settings. New West is working to develop interfaces with hospitals so that, in addition to the hospitalists being able to access and enter data into the patient's New West EHR, the data generated by the hospitalists in the hospital EHR is fed into the New West EHR. So far, New West has an interface with one hospital.

New West also works aggressively to avoid readmissions through patient monitoring to ensure compliance with medication and other post-discharge directives. Discharge planning is centralized with a mid-level professional who calls all patients discharged from the ED and inpatient hospital within 24 hours. If needed, he or she picks up prescriptions and delivers them to the home.

New West performs extremely well on readmission rates. George Young of Secure Horizons noted that the hospital readmission rate for New West is about 1 percent after 30 days. That compares with national averages ranging from 6 to 18 percent.

New West also concentrates its patients in three to four post-acute care facilities that do the best job in managing patients post-discharge and are cost effective. It has tight linkages with the individuals providing rehab and other services in these facilities.

To help reduce the need for emergency care, New West has five family practice clinics that are open 7:00 a.m. to 7:00 p.m. on weekdays and 8:00 a.m. to 4:00 p.m. on Saturday. New West promotes this so patients in all of its practices know where they can go if they need after-hours care. Having the patient's medical record accessible electronically at all sites makes patients more receptive to using another site of care.

“We receive the daily census of all Denver hospitals so we know each day where everyone is and why. If necessary, we move patients once they are stabilized to a hospital covered by our hospitalists.”

—Ruth Benton, CEO

Aligned incentives and culture. New West's leaders see the alignment of incentives, and the closely related development of the organization's culture, as a key to the group's success. In general, New West's incentives and culture have been developed in alignment with its Secure Horizons (Medicare Advantage) contract. Incentives are aligned both externally (between New West and Secure Horizons) and internally (among New West's providers).

New West provides care for 10,000 Secure Horizons patients, who represent about 20 percent of New West's total patient visits. New West accepts professional services capitation (primary and specialty care but not hospital care) for a fixed amount for these participants. Approximately five years ago, the agreement was modified to adjust for risk factors (more than just demographics), and this dramatically improved the attractiveness of the program to New West. From Secure Horizons' perspective, New West is delivering care at substantially lower costs – and delivering high quality and high patient satisfaction.

New West's physician incentive compensation program is tied to key performance measures aligned with the managed care goals that make the organization as a whole successful. New West measures which providers perform best in terms of utilization, quality, costs and other indicators. Hospitalists, for example, have specific financial incentives to prevent readmissions as well as for high ratings from both patients and primary care physicians. Physicians have the opportunity to increase their earnings by more than 50 percent if they score well on the various measures. This program is a major component of New West's risk management strategy and has been in place for 15 years. Within New West, the program is tailored by department. Thus, the incentives for hospitalists differ from those for office-based internists and family practice physicians. New West also provides higher rates to a limited number of specialists who are working well with its medical management initiatives.

New West uses an outside firm to measure patient satisfaction. The results go into each practice manager's review and impact their compensation. Secure Horizons described their own measures of New West patient satisfaction as "astronomical."

New West has other pay-for-performance contracts, as well as fee-for-service arrangements. The standards of care, practice patterns and culture of the organization apply to all patients, regardless of their payer arrangements. New West serves predominantly privately insured and Medicare Advantage patients. They do little Medicare fee-for-service or Medicaid volume.

"Although New West has different payment mechanisms, it has only one philosophy for treatment. We don't want our physicians to be thinking about the payment mechanisms for their patients. We want everyone treated the same."

—Ruth Benton, CEO

Tight control of specialty referrals. New West is highly selective in choosing specialists to refer to on a regular basis. For example, while it has a panel of 450 specialist physicians in the Secure Horizons contract, it only refers to 150 of these physicians regularly. It picks these physicians through careful analysis of utilization data, including cost per case, relative to peers and by assessing their willingness to work as a team with the New West primary care physicians. Specialists are expected to attend quality improvement meetings and must be interested in tying into New West's EHR. While patients have the freedom to choose from the larger panel, most go where their primary care physician recommends.

New West is at risk for specialty referrals under the Secure Horizons contract. Secure Horizons pays specialists' claims, and New West receives a detailed monthly report with paid claims information by location. These data are carefully reviewed, and any problems with utilization are quickly addressed. For example, data analysis recently revealed a questionable spike in cardiology usage, which was then corrected.

Final decisions on how to deal with specialists who are viewed as inappropriate users of medical services are referred to the New West board of directors by the medical management committee. Changes in the panel of regularly used specialists occur relatively frequently based on this process.

"We pick the physicians who best match what we are trying to accomplish and work closely with them. It pays off for them and for us."

—Ruth Benton, CEO

An expanding array of chronic disease management and quality improvement programs.

New West has established a number of special programs to aid its patients with chronic needs. In most cases, these programs – such as diabetic education, discharge planning and mental health – are subsidized. (For example, the diabetes education center loses \$80,000 - \$100,000 per year.) However, because New West tends to keep its patients over the long term, physician leaders believe these programs pay for themselves over time.

New West's tobacco cessation program has been extremely successful, with a 30 percent decrease in tobacco use in one year, and huge associated cost savings. New West recently established a behavioral health clinic staffed by three counselors to deal with growing needs in this area, especially around alcohol and substance abuse.

New West also is applying for Level 1 patient-centered medical home status with the National Committee on Quality Assurance (NCQA). One of the features of this model already implemented is a 30-minute "huddle" of physicians and staff each morning to review patients coming in and what needs to be done to make the visit productive for both the patient and the physician. For example, the teams work to ensure that blood work is done early.

New West implemented a quality improvement initiative in 1997 with an initial study of patients with diabetes. The practice does three quality studies per year. The topics run the full gamut of chronic diseases, from congestive heart failure to prostate cancer. Recent studies include congestive heart failure, Hyperlipidemia, coronary artery disease/stroke, cancer screening, tobacco cessation, hypertension, and osteoporosis screening in addition to regularly measuring patient satisfaction.

Future areas of focus include stroke, congestive heart failure, vascular disease, frail elderly, fall prevention and palliative care for cancer.

The results of these studies are reviewed with individual physicians and, as appropriate, with the executive committee, with the goal of improving quality of care for those patients with chronic diseases. Funding has come in part from \$250,000 received from Anthem as part of its pay-for-performance program.

“We strongly believe that the quality of care provided does not necessarily correlate with the cost of that care. Too much care is more expensive and can be as dangerous as too little care. It is the optimal balance of quality and efficiency that we seek to achieve.”

—Dr. Ken Cohen, Chief Medical Officer

Data and information flows needed to manage at the point of care as well to review care patterns over time. New West uses its own EHR, as well as data feeds from Secure Horizons and area hospitals, to create the information it needs to manage at the point of care, as well as to conduct retrospective performance analysis.

New West initiated its EHR three years ago, and the system has been operational since May 2009. Currently, New West has an EHR for internal use and its hospitalists can call up clinical data on New West patients who are in the hospital, and can make comments on the EHR relative to their diagnoses and orders. The software supplier of the New West EHR is Allscripts Healthcare Solutions. New West has worked with Exempla (Lutheran Medical Center’s parent) to create an interface so that the data generated by hospitalists using the hospital system goes directly into the New West EHR. Exempla covered the \$15,000 cost of developing the hospital interface with New West.

New West has established interconnections among the 17 clinics for e-prescribing, labs and pathology, and radiology. More work needs to be done on connectivity with hospitals.

Total estimated costs by the end of the 2010 for implementation of the EHR were \$4.4 million, or \$75,375 per provider (See Exhibit 2). Ongoing support costs are \$13,300 per provider. New West has its own three-person training department, but physicians like to receive their training via webinars that are available any time of day or night. The practice has three other staff in its IT department.

2 SUMMARY OF EHR SPENDING BY NEW WEST PHYSICIANS, 2006 - 2009, WITH ESTIMATES THROUGH 2010

EHR Summary						Projected	Total
	2006	2007	2008	2009	2010		
Site Hdw, License, Interface, Allscripts fees	\$49,660	\$301,632	\$981,861	\$77,062	\$65,738	\$1,475,953	
Maintenance Fees & Processing Data 393		\$84,491	\$53,300	\$75,225	\$188,614	\$401,630	
Data 393			\$104,014	\$139,639	\$105,682	\$349,335	
Operational Costs (net of depreciation expense)		\$207,121	\$499,222	\$515,284	\$470,086	\$1,691,713	
Panozzo / Blitz Subsidy		\$4,500	\$9,200	\$13,632	\$7,000	\$34,332	
Lost Production Credit			\$79,151	\$339,656		\$418,807	
Total	\$49,660	\$597,744	\$1,726,748	\$1,160,498	\$837,121	\$4,371,771	

New West has not yet developed electronic interfaces with the 150 specialists used most often by the group. There is extensive use of FAX machines and scanning in transmitting medical records to and from specialists. It costs at least \$1,000 a month per specialist in license fees to service a physician on New West's EHR. New West is studying this alternative for a select group of specialists.

New West is still developing its capabilities to draw on the EHR data to support its own analysis of performance from a financial and quality perspective and to be able to conduct population health management.

To augment its data, New West conducts regular retrospective review of the monthly claims paid by Secure Horizons. Secure Horizons provides a monthly summary of all claims data for New West patients. New West employs four people in the management services organization to analyze this data, including a financial analyst who previously worked for Secure Horizons. A software program from Allscripts takes a first cut at the analytics. It cost \$40,000 to purchase this program and \$1,800 a year per physician to use it. The staff sorts the data and reports it using matrices developed over the years. These data are used for evaluating the performance of both its own physicians and the specialists to whom they refer. As noted above, these data are used to work with specialists on their practice patterns and determine when adjustments to the specialist panel need to be made.

All of the data analysis New West does – from quality reports to financials – is transparent to all members of the practice. The practice patterns of everyone from the medical director to the mid-level practitioners are subject to review.

“Some physicians look good and others not so good. However, this doesn't stop the dissemination of the information or discussion. The New West culture can stand this sort of stress, and it definitely serves to raise the quality bar.”

— Dr. Ken Cohen, Chief Medical Officer

Strong financial performance. New West has experienced financial success with its model of care, and its physicians have earned above-average incomes. Revenues increased from \$30.8 million in 2007 to \$41.9 million in 2009. Net income grew from \$416,000 in 2007 to \$1,816,000 in 2009 (physician payments – both PCPs and specialists – are before these amounts).

Total assets increased from \$11.1 million at the end of 2007 to \$19.2 million by year-end 2009. Shareholder equity increased from \$5.6 million at year-end 2007 to \$8.8 million by the end of 2009. New West had no long-term debt.

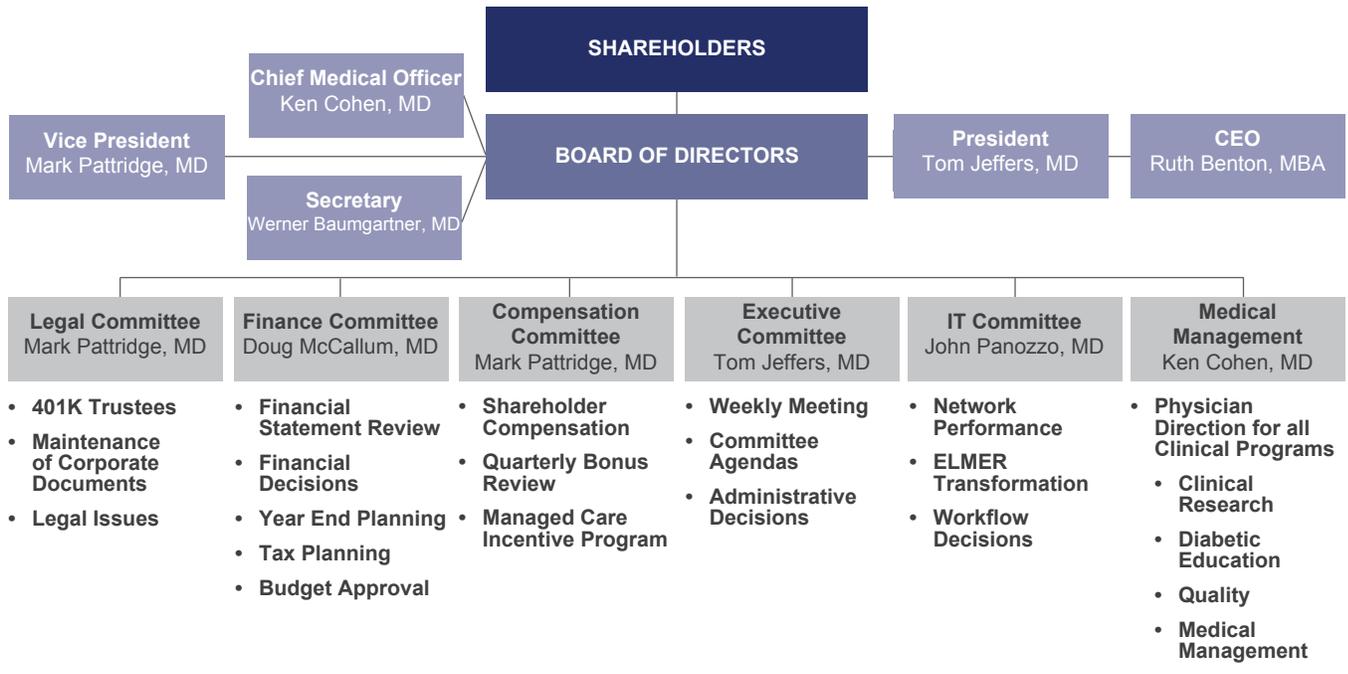
CHALLENGES AHEAD

Looking ahead, New West sees several major challenges related to organizational growth and development, continued achievement of performance improvement and the impact of expected cuts to Medicare Advantage. New West and Secure Horizons expect to see cuts of 7- 9 percent in Medicare Advantage starting in 2012. While New West leaders believe they can adjust to this because their costs are currently well below Medicare fee-for-service, they will need to make adjustments.

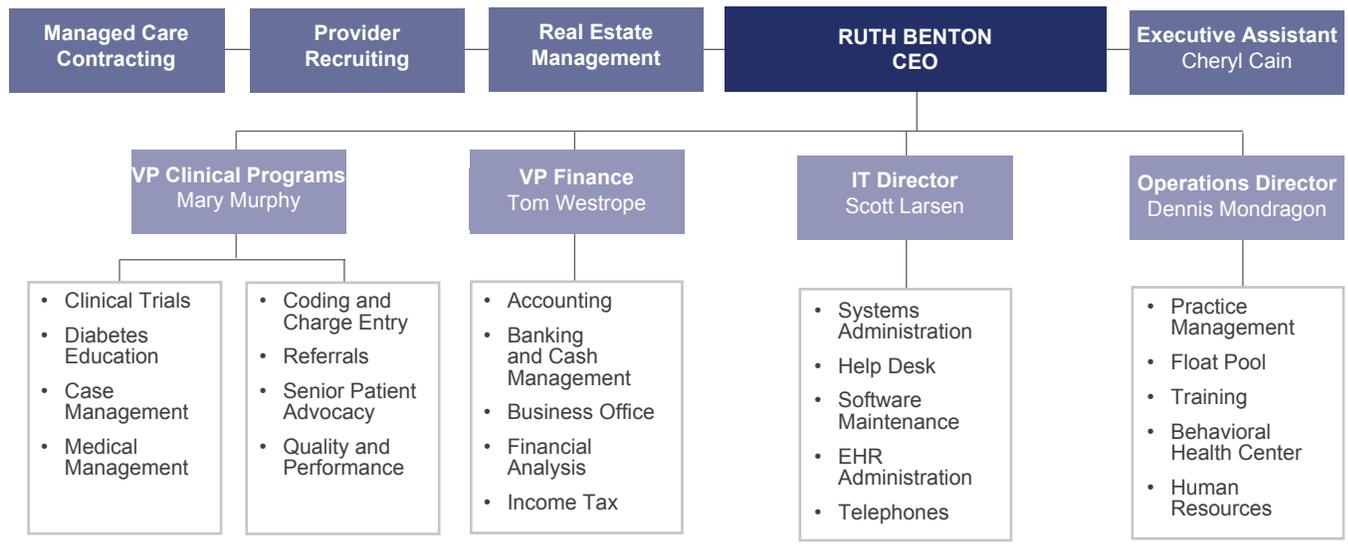
New West anticipates further growth; however, growth to date has not been as rapid as expected – but steady. As New West expands into other parts of the Denver community, the group's leadership believes it needs to achieve a “critical mass” of 10-15 primary care physicians in any new hospital service area. This “critical mass” is needed to support full-time hospitalist coverage and to have sufficient influence on hospital and specialist care patterns.

New West believes that it has raised the bar on quality of care and utilization management, but achieving additional improvements will be more difficult. Much of the low hanging fruit has been harvested.

A1 ORGANIZATION CHART, NEW WEST PHYSICIANS, PC, SEPTEMBER 2010



A2 ORGANIZATION CHART, NEW WEST MANAGEMENT SERVICES, SEPTEMBER 2010



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