

CEO Update

September 27, 2013



Healing
Caring
Learning
Discovering

CLINTON HOSPITAL
COMMUNITY HEALTHLINK
FAIRLAWN HOSPITAL
HEALTHALLIANCE HOSPITAL
MARLBOROUGH HOSPITAL
UMASS MEMORIAL MEDICAL CENTER
UMASS MEMORIAL MEDICAL GROUP
WING MEMORIAL HOSPITAL AND MEDICAL CENTERS

System Leading Indicator Report

Comparison

UMMMC

Wing

Health Alliance

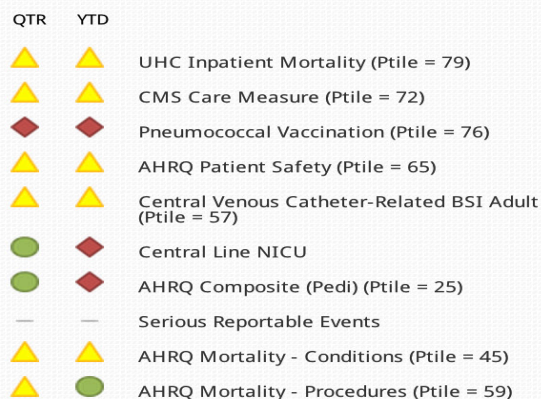
Marlborough

Clinton

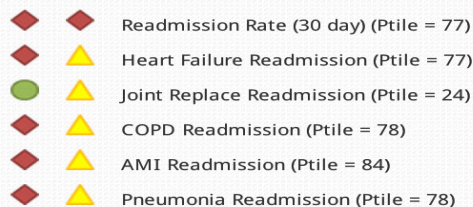
UMMMC Executive Summary

Refreshed: July 2013

Hospital Wide



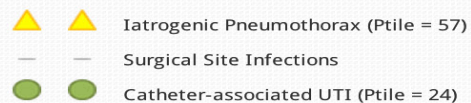
Readmissions



Stroke



Surgical



Cardiovascular



Transplant



Nursing



Patient Experience



Emergency Department



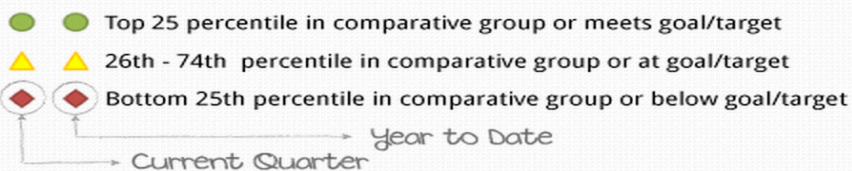
Orthopedics



Ambulatory



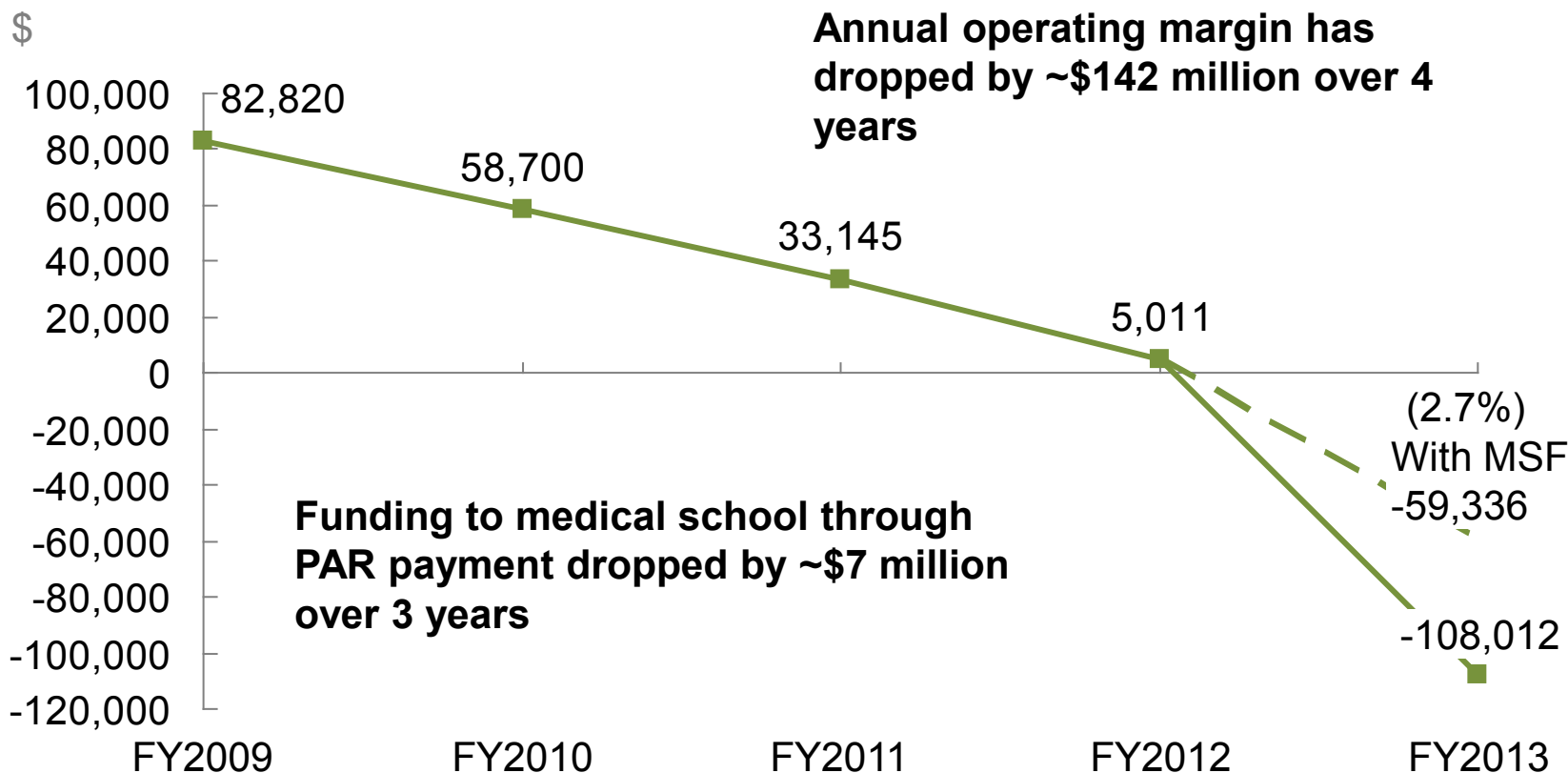
Key



For the first time in 8 years UMMHC will have an operating loss

PRELIMINARY

Operating Margin

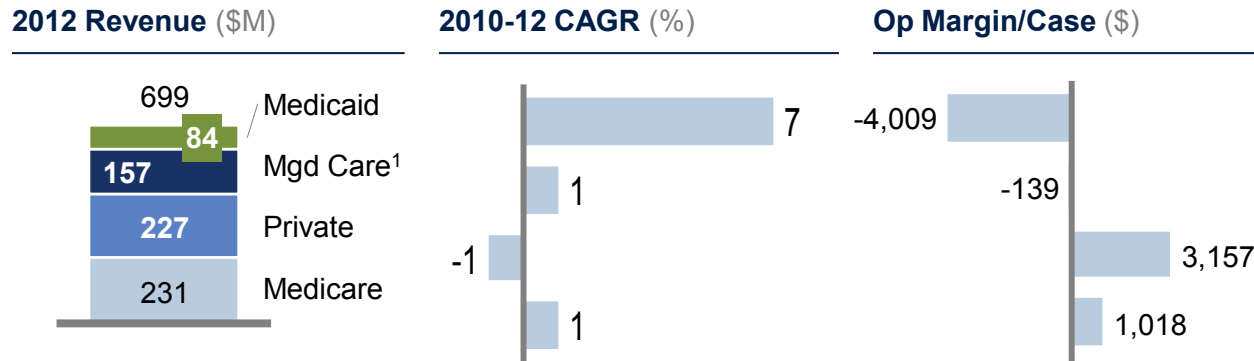


Note: the projections were calculated using a straight-line methodology based on the first 8 months actual

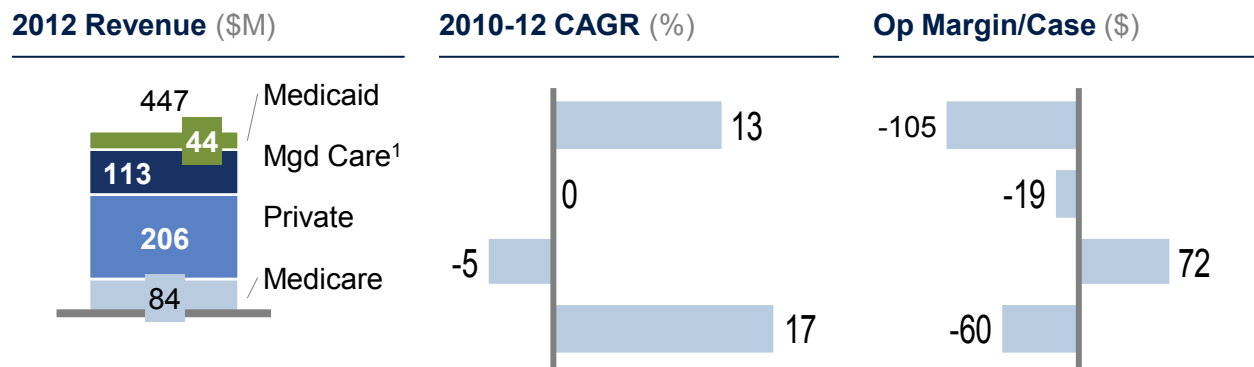
SOURCE: Audited Financials

Less valuable Medicare and Medicaid payors are growing while profitable private business is shrinking

UMMMC Inpatient Revenue and Operating Margin



UMMMC Outpatient Revenue and Operating Margin



Note: Margins do not include MSF

1 Includes managed Medicare and managed Medicaid

SOURCE: EPSI

Strategy for FY 2014 is to focus 100% on achieving operational excellence in four areas.

Access:

- Same or next day access standard
- 1-855-UMASS-MD
- Allscripts direct referrals
- Intense focus on referral management

Revenue Capture:

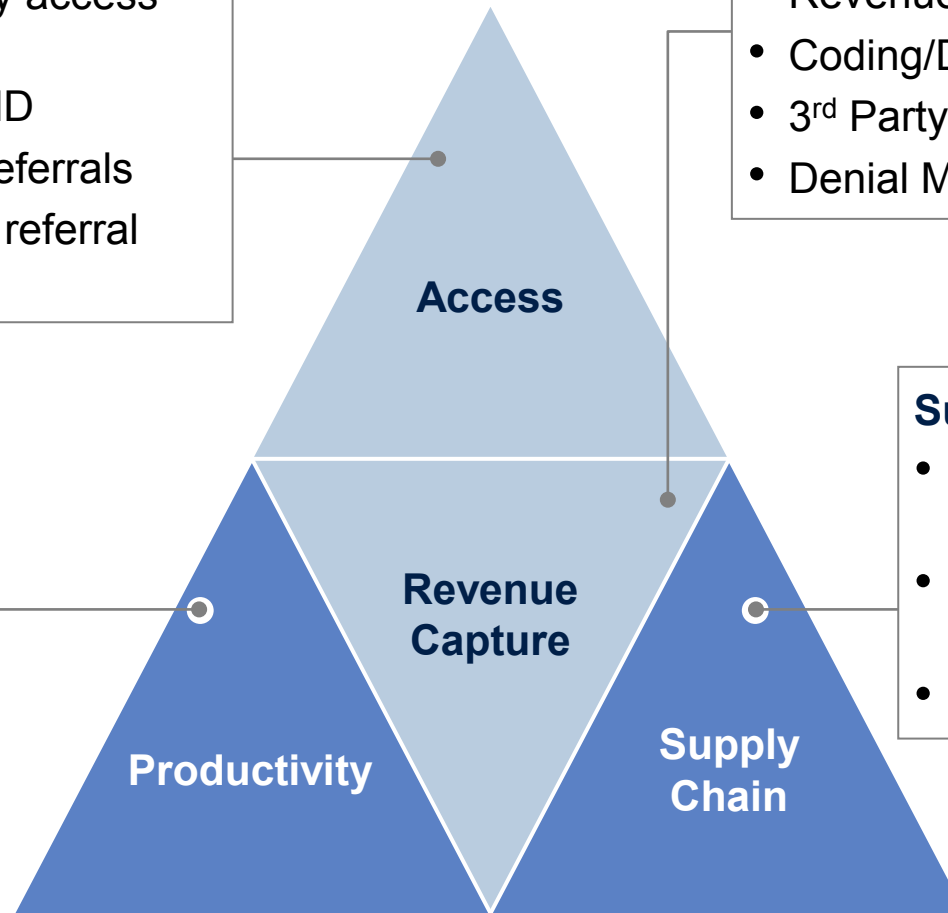
- Revenue Cycle Task Force
- Coding/Documentation
- 3rd Party Payor Analysis
- Denial Management

Productivity:

- Patient Flow
- Nonclinical FTE support
- Hiring Freeze

Supply Chain

- Standardized care protocols
- High Preference Items
- Low Preference Items



ACA, Sequestration, AWI and Chapter 224 will have a profound impact on Massachusetts healthcare in 2015 and beyond

ACA provision	National impact	Implications for Massachusetts
1 Increase in insured population and utilization	<ul style="list-style-type: none"> • Increase in coverage of ~32 million previously uninsured lives likely to change utilization patterns and increase contribution margins 	Implemented – so upside to providers will be small
2 Medicare rate decreases and quality penalties	<ul style="list-style-type: none"> • Medicare payment growth will slow due to reforms and more closely approximate CPI inflation 	
3 Reductions in DSH payments	<ul style="list-style-type: none"> • Medicare and Medicaid DSH payments will be significantly reduced as a result of reform 	Payment changes – representing downside for providers – have not been implemented
4 Medicaid reimbursement impact	<ul style="list-style-type: none"> • State reimbursement rates likely to be reduced as federal coverage of Medicaid expansion rolled back starting in 2017 	
5 Cadillac tax and limit on commercial growth rates	<ul style="list-style-type: none"> • Enactment of Cadillac tax could lead to employer ‘buy down’ of plans, leading to increased patient responsibility and subsequent reductions in utilization 	
6 Medicare wage index reformulation	<ul style="list-style-type: none"> • Medicare base payment wage index calculation will reduce large number of exceptions 	

UMMHC 2017: Leverage existing strengths to create a strong platform for the future

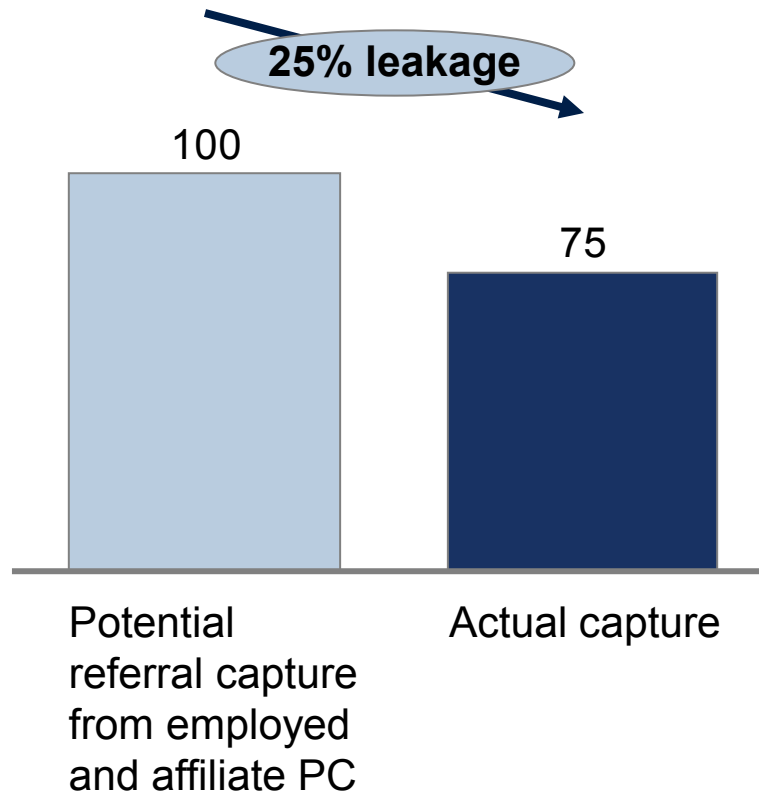
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Referral leakage needs to be addressed

1-855-UMassMD

Current leakage¹ rate

Percent



- Factors of importance to referring providers
 - Ease of access
 - Communication back to PCP
 - Patient experience
 - Professional relationship between PCP and specialist

¹ Leakage defined as 'external revenue' over total revenue (internal, affiliate and external) for all services in UMMHC's Worcester-area and beyond- Worcester area that can be traced back to a UMMHC-employed or affiliate PCP

Access Initiative

1-855-UMASS-MD

Allscripts direct referrals

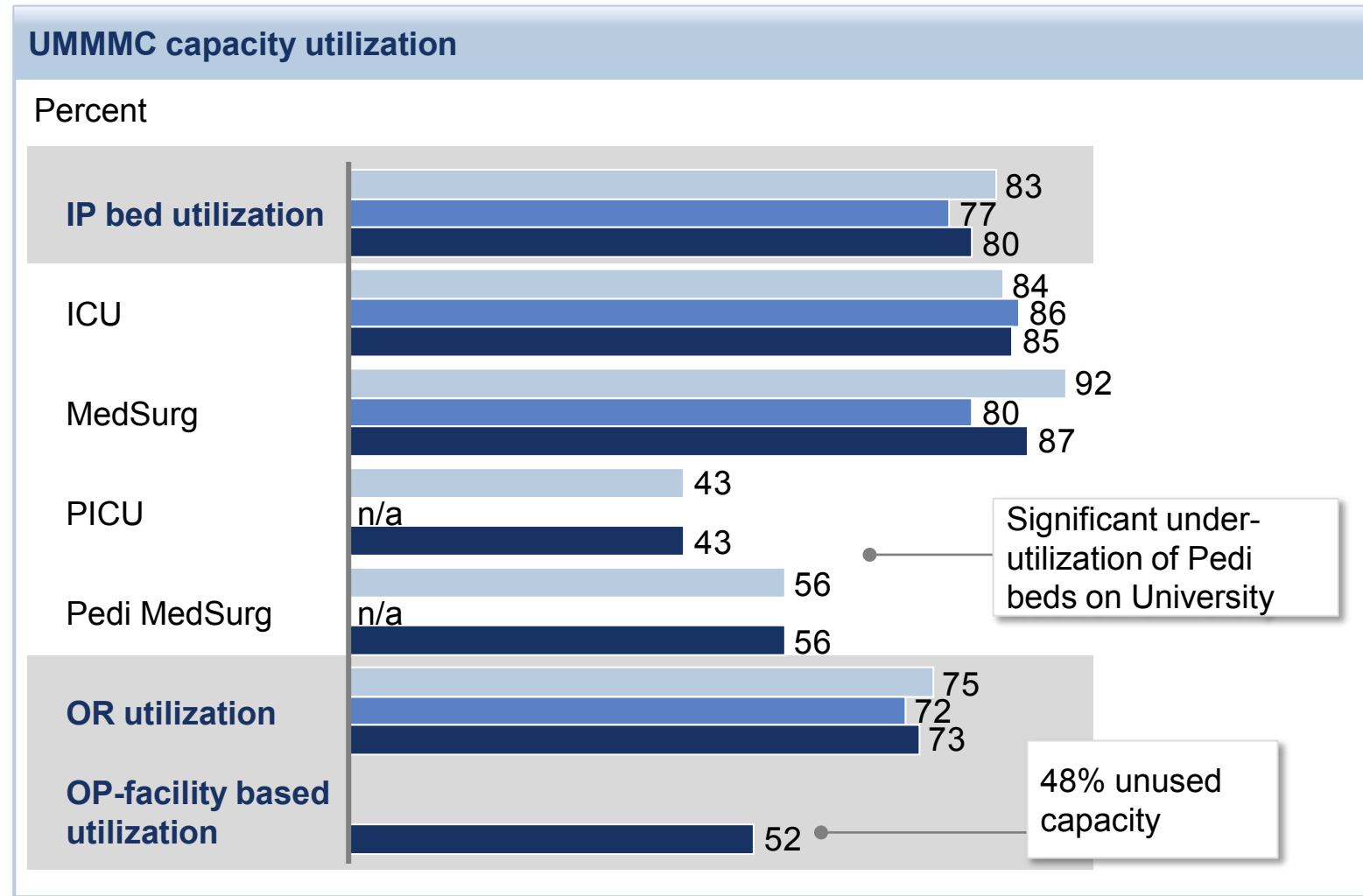
Online booking of appointments 24/7

Same or next day access in all specialty clinics.

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We are underutilizing our space today, especially in inpatient pediatrics and outpatient clinics

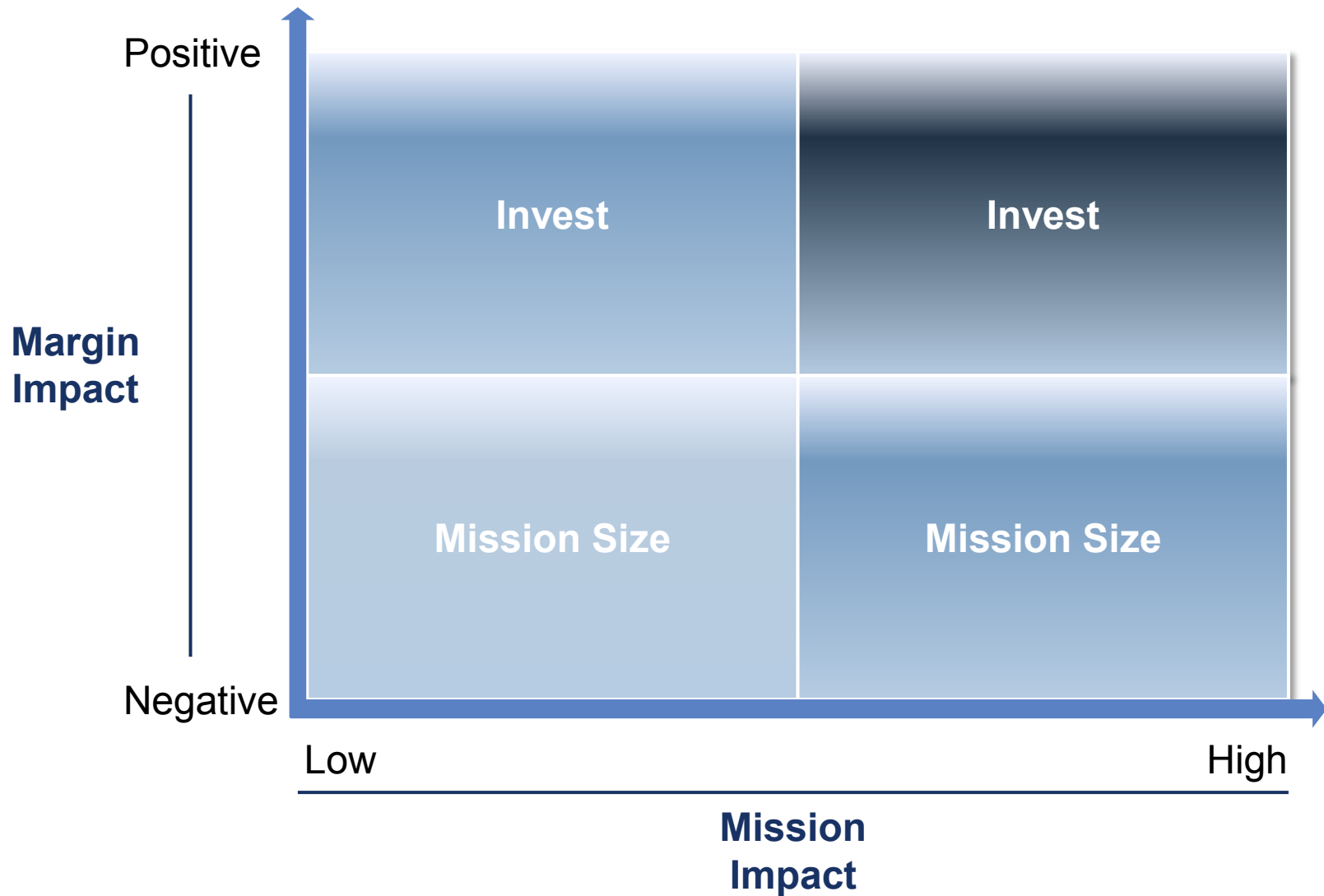
University
Memorial
Med Center



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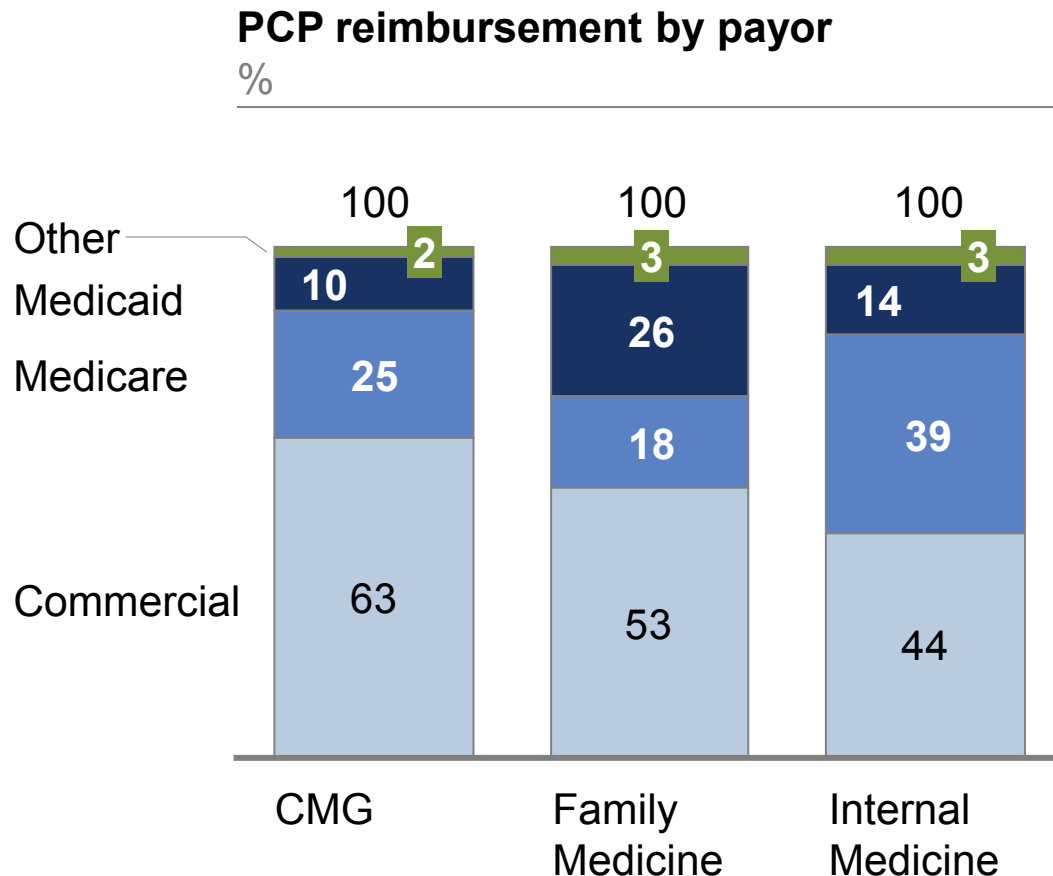
Framework: Investing where there is high impact



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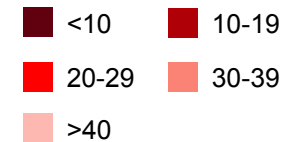
Our PCP growth strategy targets the higher reimbursing payors from CMG practices



- 63% of CMG reimbursements are from commercial payors versus 53% and 44% for Family and Internal Medicine respectively
- Only 35% of CMG reimbursements are from Medicare and Medicaid compared 44% and 53% for Family and Internal Medicine respectively

UMMHC's growth strategy should assess current market share and projected upside from investment by geography

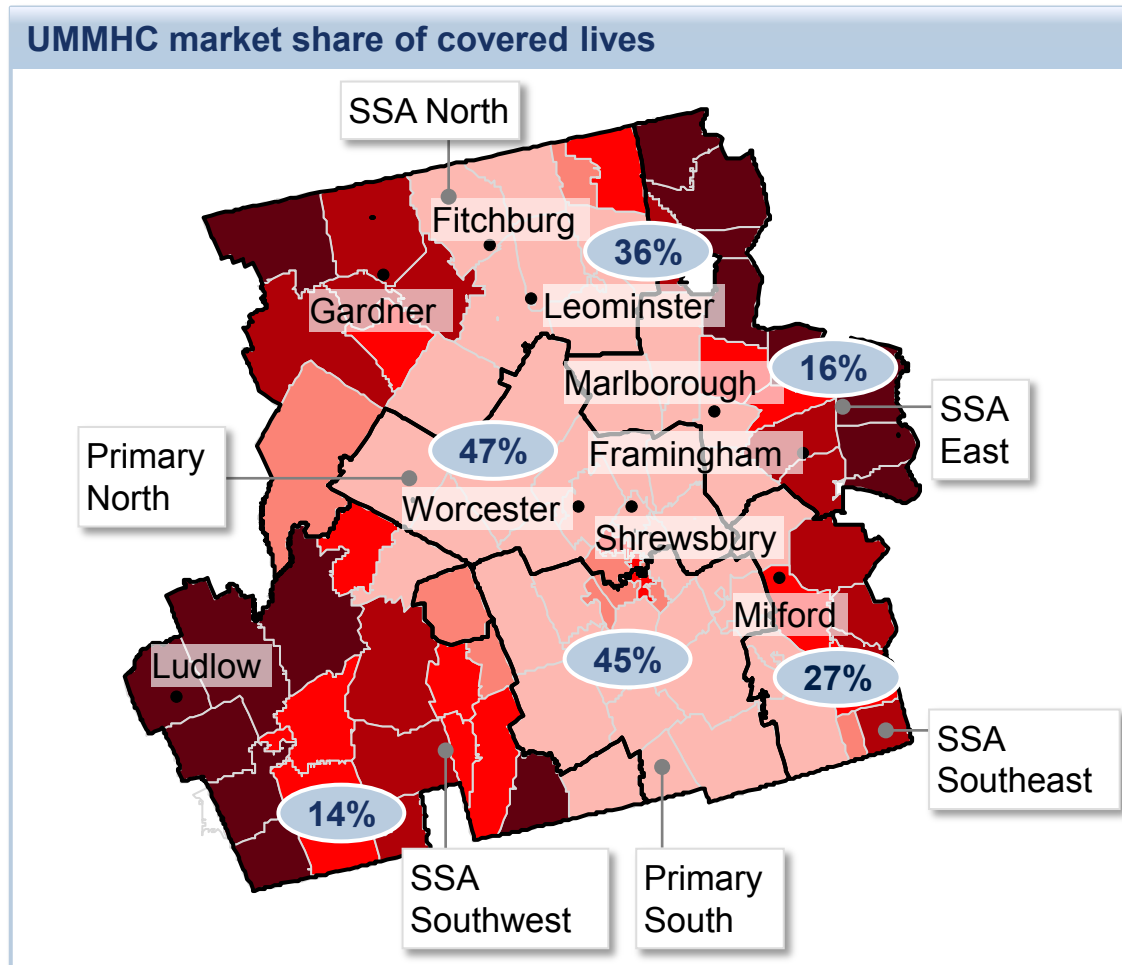
Zip code market share



Regional market share

In addition to penetration, a robust methodology to assess where to grow and through which practices should include

- Payor mix
- Panel size of target practice
- Expected increase in referral rate



1 Numerator includes all unique patients seen by PCPs in AllScripts for MCB and CMG PCPs, HMO patients of Wing-employed PCPs and private affiliates in the MCN, and a modeled estimate of the non-HMO patients of Wing-employed and private affiliates in the MCN. Denominator includes the entire zip code population.

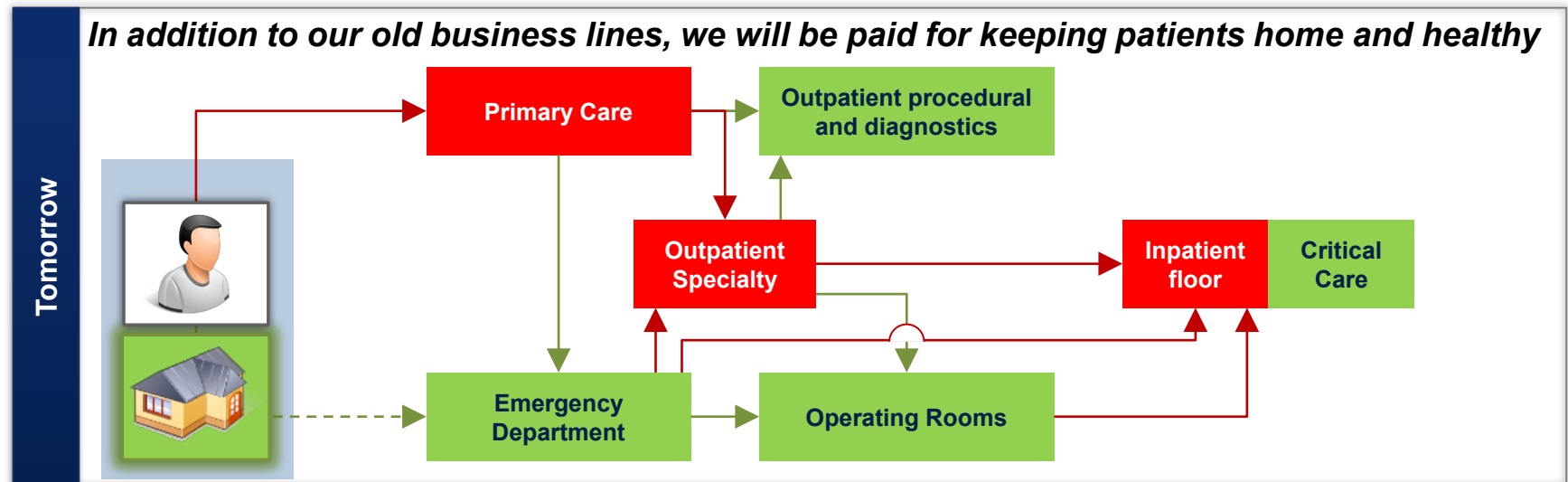
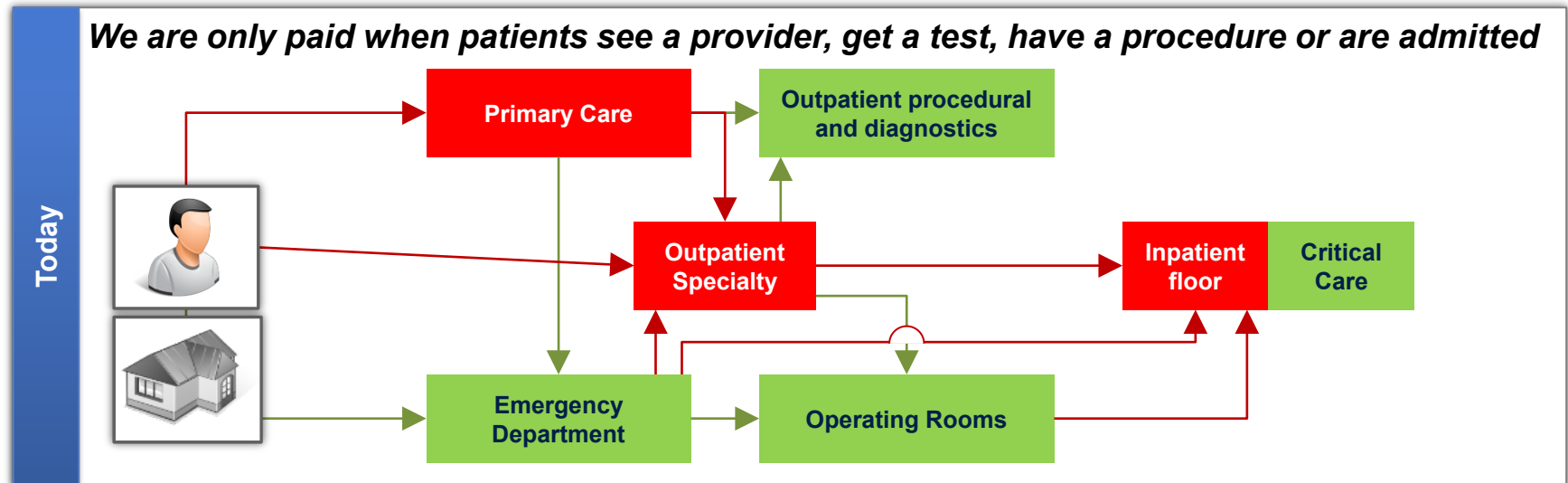
SOURCE: OCI patient registries (October 2012); US Census Bureau (2010).

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What Business Are We In?

■ Money-losing activities ■ Profitable activities



Knowledge of patient segments is critical to providers managing patient populations

Pioneer – Examining a Subset of the Pioneer Population

Defined criteria to subdivide the Pioneer population and broke Pioneer population into 4 subsets based on spend and chronic diseases

Super Users	High Risk	At Risk	Low Risk
>50K/per person/year	2 or + chronic conditions <\$50K/per person/year	1 chronic condition <\$50K/per person/year	0 chronic conditions <\$50K/per person/year
3% of Pioneer Population 30% of Total Pioneer \$'s	25% of Pioneer Patients 26% of Total Pioneer \$'s	46% of Pioneer Patients 28% of Total Pioneer \$'s	23% of Pioneer Patients 12% of Total Pioneer \$'s
729 Patients	5836 patients	10,480 Patients	5383 Patients
\$57,673,935	\$49,942,951	\$54,405,113	\$23,476,572

Our population health management efforts

Patient group	Description of effort
HMO Patients Low users of care	<ul style="list-style-type: none"> • Pay for performance on quality, shared savings or small amount of shared risk • Recently signed onto BCBS AQC contract
Medicare Medium users of care	<ul style="list-style-type: none"> • Time with loss of AWI • Created new ACO and submitted application to become Medicare Shared Saving Program (MSSP) ACO
Dual Eligible Patients High users of care	<ul style="list-style-type: none"> • Full risk consider and or joint venture with health plan • Engaging in government payor pilot with Fallon Community Health Plan

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Supporting a Culture of Ownership

Focus Area

Current Examples

Future Plans

Listen to Me

- Idea Management System
- Physician and staff engagement surveys

- Employee Advisory Committee
- Stay interviews

Train Me

- Physician Leadership Development Program (PLDP)
- Strategic Leadership Development Program (SLDP)

- MOAs with labor unions
- Core Employee Training: UMass Memorial Experience

Acknowledge Me

- Patient recognition of caregivers
- Manager Recognition Toolkit
- Member Hospital Recognition Programs

- Electronic, peer-to-peer recognition

Note: Additional future employee engagement activities include: Launch Wellness Program, offer voluntary benefits, deploy automated performance management system, initiate Meal of the Week, launch Safety Matters initiative, Manager Playbook training, etc.

A tool for listening to our people: the Idea Board



Thank you for your help



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