

“The Faculty Practice Plan & Our Strategic Partnership with BJC”

Department of Pediatrics Leadership Development Program

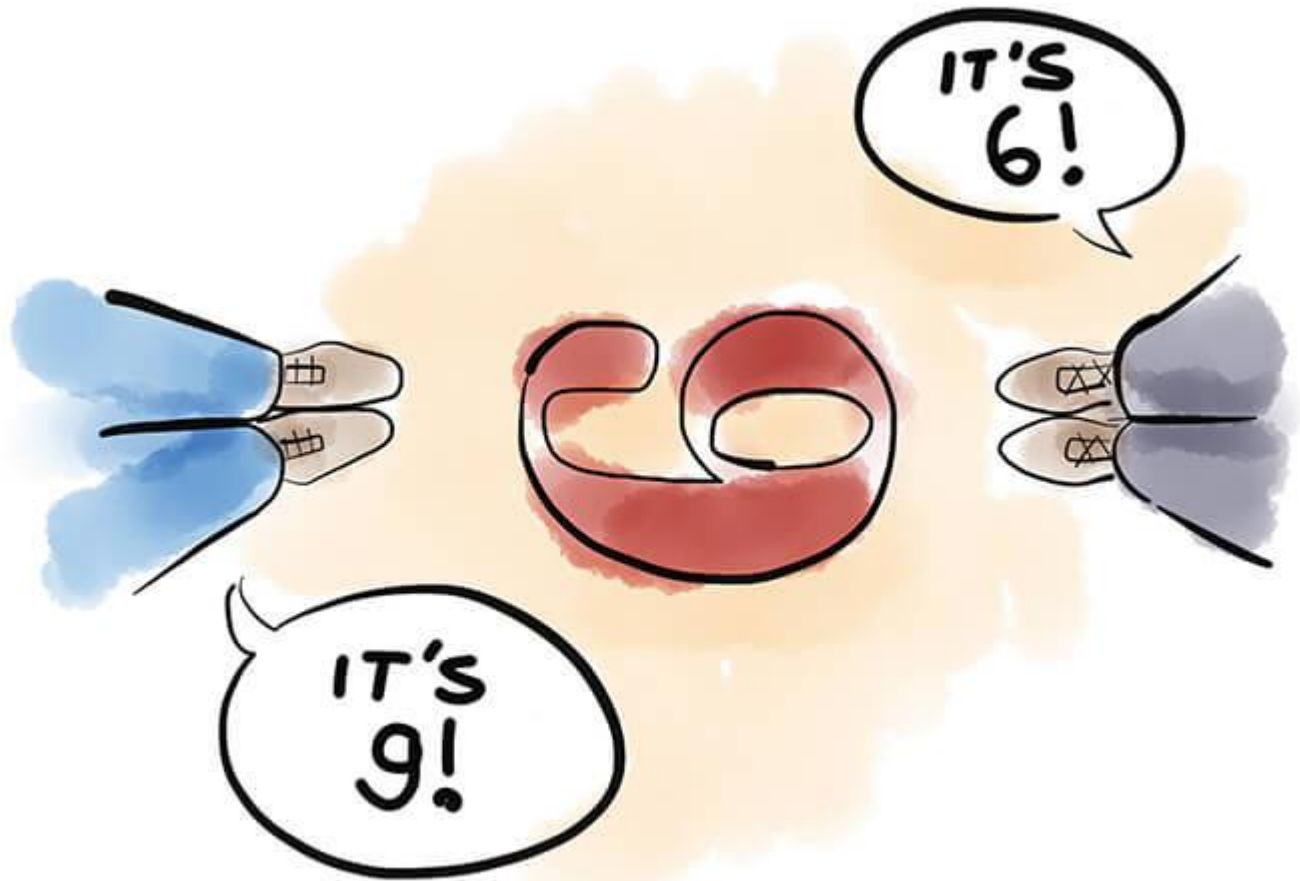
February 28, 2018

Paul J. Scheel, MD

Assoc. Vice Chancellor for Clinical Affairs

CEO, Washington University Physicians Faculty Group Practice

Depends on Who You Ask ?



What is BJC ?

BJC is an Integrated Health Care Delivery System

Initially formed as merger between Barnes, Jewish, Christian hospitals

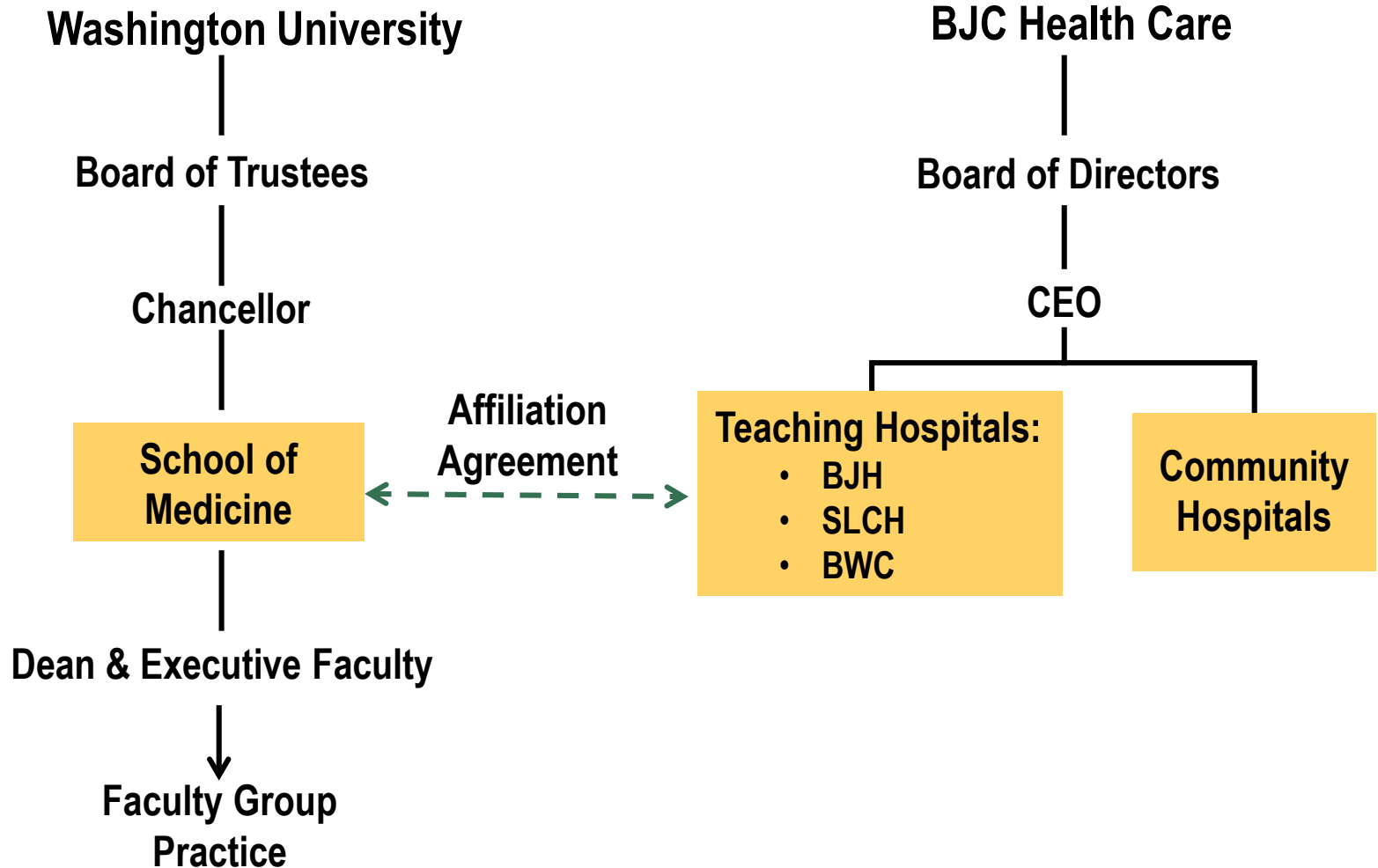
BJC Hospitals Include: Alton Memorial, St Peters, Progress West, Christian, Parkland, Missouri Baptist, Barnes, St Louis Children's, Belleville Memorial , Boone, West County

Goldfarb School of Nursing

BJC Homecare

BJC Medical Group

Institutional Relationships



WUSM-Teaching Hospital Affiliation Agreement

WUSM:

- Provides medical staff and medical direction for hospital clinical programs
- Supervises BJH/SLCH resident and fellowship training programs
- Limits its hospital practice activities to BJH/SLCH exclusively unless the parties agree otherwise
- Assigns to BJH/SLCH/BJWCH the right to own and operate most outpatient technical services offered on the WUMC campus

In Exchange, WUSM receives:

- Partial payment for GME supervision costs (\$7.9m in CY15)
- Above-line medical coverage payments for pathology, anesthesiology, hospitalists, and emergency medicine professional services
- 45% of teaching hospital operating margins (BJH/SLCH/BJWCH)

Hospital Support Funds Flow

**GME Payment
(\$7.9M)**

+

(BLS)

**BLS =
45% of Op Margin**

**30%
Unrestricted**

**15%
Strategic
Investment Fund**

**Distributed to
Clinical Depts
based on set
allocation formula**

**55%
FPP Clinical
Program
Development**

**45%
Dean**

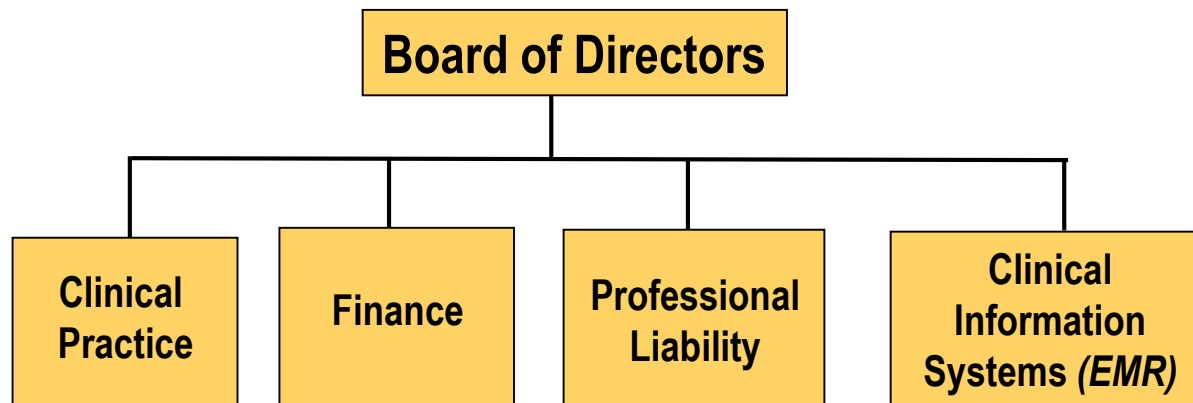
WU Physicians Clinical Practice

- Ranks in top 5 of the nation's 123 academic group practices
 - ✓ **1,433 full-time faculty physicians** (76 sub-specialties)
 - ✓ **228 Nurse Practitioners, 36 PA's, 124 CRNA's plus PT, OT & Audiology**
 - ✓ **69 employed primary care providers thru WUCA** (*Washington University Clinical Associates*)
 - ✓ **3,768,961 total patient encounters in FY16** including:
 - ❑ 1,082,665 outpatient visits & 1,114,682 procedures
 - ❑ 65,268 surgeries
 - ❑ 90,878 hospital discharges
 - ✓ **Account for 98% of discharges from BJH & SLCH**
- 67% of clinical activity on Washington University Medical Center Campus
- 33% of clinical activity occurs at 49 off-campus clinical program sites



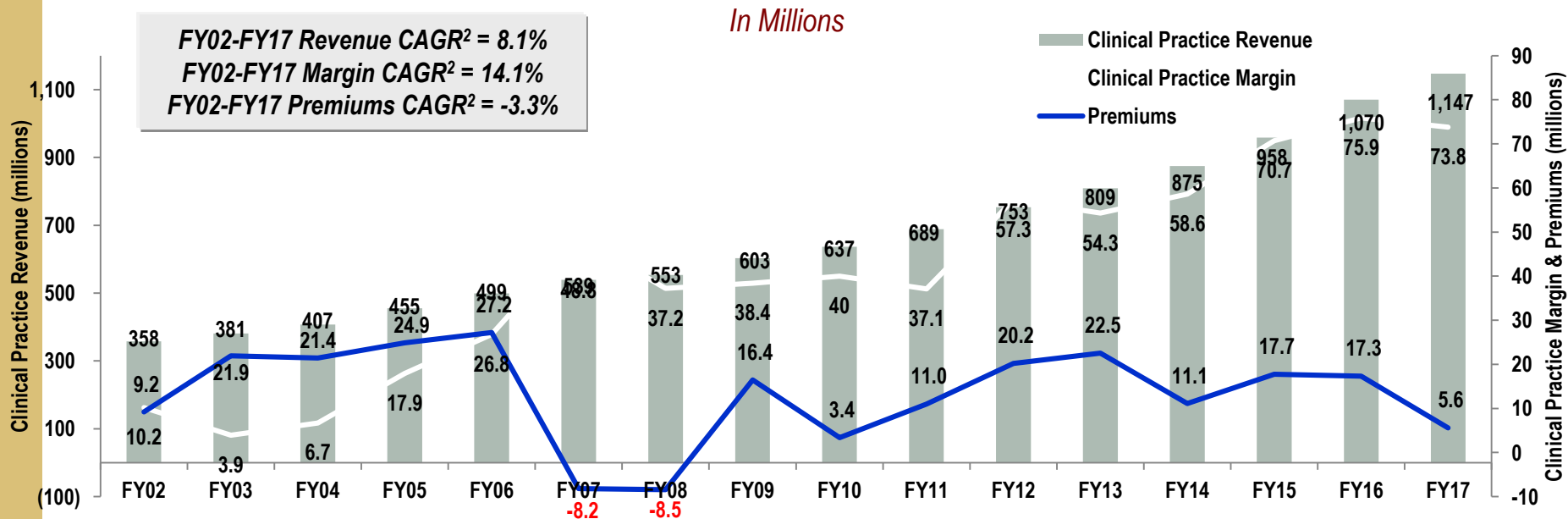
FPP Organizational Structure

- **Board of Directors (n-28):**
 - 14 Clinical Department Heads
 - 6 Faculty-At-Large
 - Head of Emergency Medicine
 - Basic Science Chair
 - FPP CEO
 - Dean
 - 3 Hospital Representatives
- **Decision Making By Majority Rule**



Clinical Practice Revenue, Margin & Premiums

WUSM CLINICAL PRACTICE REVENUE, NET INCOME & PROFESSIONAL LIABILITY COSTS¹



¹ Margin in graph include rebates. Clinical Practice Margin includes Occupational Therapy, Physical Therapy, Physician Billing Services, Endowment Spending Distribution and Investment Income.

² CAGR = Compound Annual Growth Rate

Source: WUSM Finance, based on Hyperion reporting

Washington University Physicians Faculty Practice Plan

Primary Functions

- 1) Provides key services & infrastructure for clinical departments
- 2) Serves as the focal point for establishing strategic direction and coordinating clinical program activities across WUSM's 14 clinical departments and with our major teaching affiliates
- 3) Oversees annual allocation of Clinical Program Development Funds
- 4) Establishes school-wide clinical practice policies
- 5) Public policy advocacy (*ex: tort reform, safety net sustainability*)

Core FPP Services



Prior Uses of CPD Funds

12 Year History

Category	Allocated Dollars (millions)	% of Total	# of Funded Recruits (&/or Proposals)
Faculty Recruitment	\$80.3	70%	283
EMR Infrastructure Support	\$14.1	12%	12
One-Time Clinical Practice O/H ¹	\$20.5	18%	25
TOTAL	\$114.9m	100%	

¹ Includes professional liability insurance cost relief, clinical practice space build out and clinical equipment requests, time-limited clinical staff support, primary care loan forgiveness program, CAM TI Allowance, South County Phase 1 construction costs, WUCA expansion, ICD-10, CAM Expansion, South County Phase 2 construction costs and Sleep Medicine Center construction costs.

FPP Key Clinical Priorities

FPP Key Clinical Priorities

- 1) Work collaboratively with BJH and SLCH to develop and implement a plan for ***Hospital Facility Expansion and Renewal*** on the WUMC campus
 - Reconfigure SLCH's bed platform to expand the critical care bed base, create private rooms and meet the growing demand for pediatric diagnostic and treatment services
 - Create an innovative, integrated Women's and Infants Program
 - Expand adult medical oncology inpatient bed platform on the north campus
 - Expansion of the CAM to the BJH Center for Outpatient Health (COH)

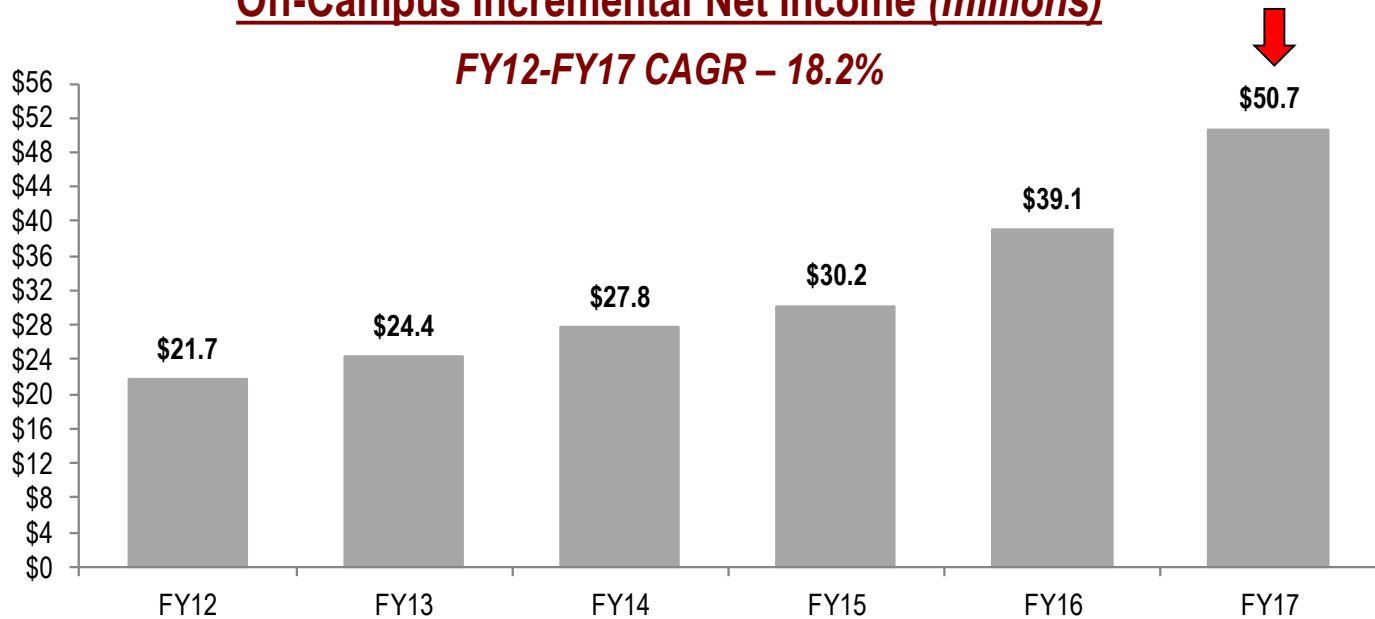
- 2) Work in partnership with BJH and SLCH to ***expand our off-campus ambulatory programs:***
 - South County Phase 1 Facility - SCC Satellite (*opened Jan 7, 2013*)
 - New West County Pediatric Ambulatory Satellite (*June 2015*)
 - South County – Phase 2 Ambulatory Program (*April 19, 2016*)
 - Expansion of BJSPH SCC (*mid 2016*)
 - Further Ambulatory Expansion and Hospital Replacement at BJWCH (*late 2018*)
 - Planning new SCC satellites in North County and in Shiloh, Illinois

Off-Campus Activity Drives Significant Profit

- Off-campus clinical activity accounted for 34.6% of WUSM's total revenue in FY17 and generated a premium of \$50.7M in incremental income as compared to an equivalent volume and mix of services on the WUMC campus

Off-Campus Incremental Net Income (millions)

FY12-FY17 CAGR – 18.2%



% Change from Previous Year	FY12	FY13	FY14	FY15	FY16	FY17
	9.6%	12.5%	13.8%	8.8%	29.3%	29.5%

Source: WUSM PBS Reporting Services

FPP Key Clinical Initiatives

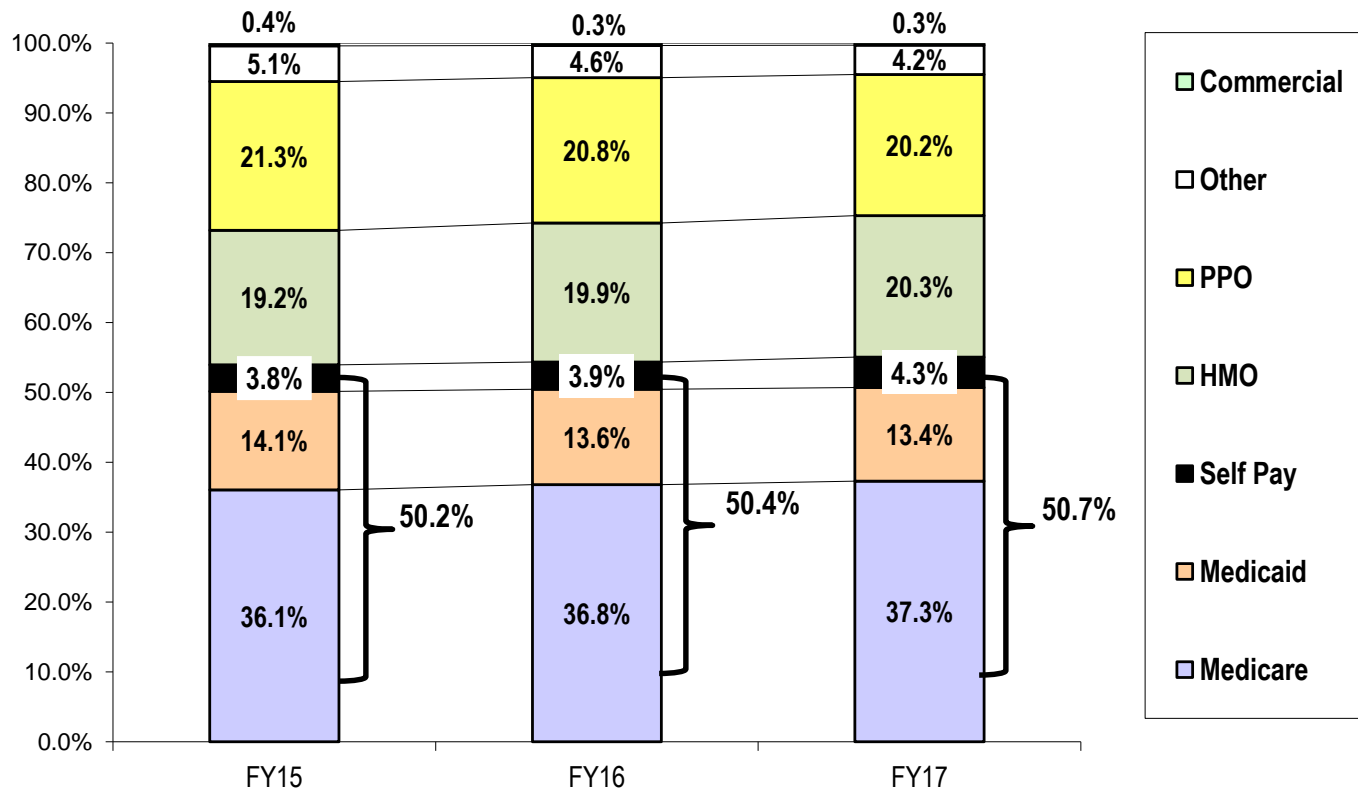
- 3) Secure and expand WUSM's *primary care physician referral base*
- 4) Implement new EHR
- 5) Increase access
- 6) Improve patient experience
- 7) Safety

6 Key Revenue Challenges

- 1) Flat market size, making it more difficult to grow clinical volumes
- 2) **1% per year expected shift from commercial payors to Medicare until 2030 as the “baby boomer” generation ages**
- 3) **Potential erosion of historical referral patterns due to physician employment by competitor hospitals**
- 4) Growth in uncompensated care costs due to increase in charity care & below cost reimbursement from Medicare and Medicaid
- 5) **Changes in private sector health benefit designs and health plan market consolidation:**
 - *High deductible health plan designs*
 - *Narrow network and tiered network products*
 - *Steerage programs*
 - *Defined contribution health insurance models*
 - *Insurance market consolidation*
- 6) Shift from FFS to Value-Based Payment **models with downside risk**

“Baby Boomer” Payor Mix Shift

- Medicare now accounts for 37.3% of WUSM’s total payor mix, up 0.5% from the prior year



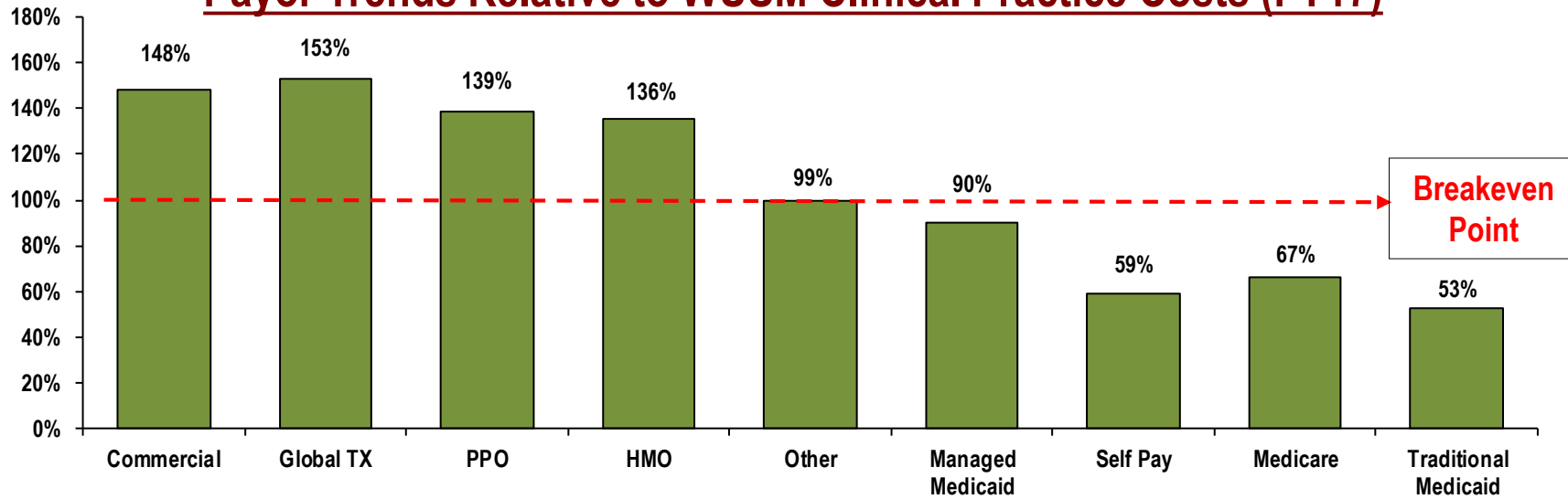
Based on billed charges; Other includes transplant, international, hospital contracts, and workers compensation; Includes insurance co-payments; Managed Medicaid is included in Medicaid percentage.
 Source: WUSM PBS Reporting Services

Government Payors Do Not Cover the Cost of Care

Payor Reimbursement as a Percent of Clinical Practice Costs

- Medicare and Traditional Medicaid reimbursement is below the fully loaded cost of providing these services, covering 67% and 53% of costs, respectively.

Payor Trends Relative to WUSM Clinical Practice Costs (FY17)



% To WUSM Total Charges	0.3%	1.9%	20.2%	20.3%	2.3%	6.3%	4.3%	37.3%	7.1%

44.4% of total charges

¹Other includes Special Contracts; Non-contracted HMO, PPO, and POS; Workers Comp; Railroad employees; TRICARE; and Medicaid Appeals.

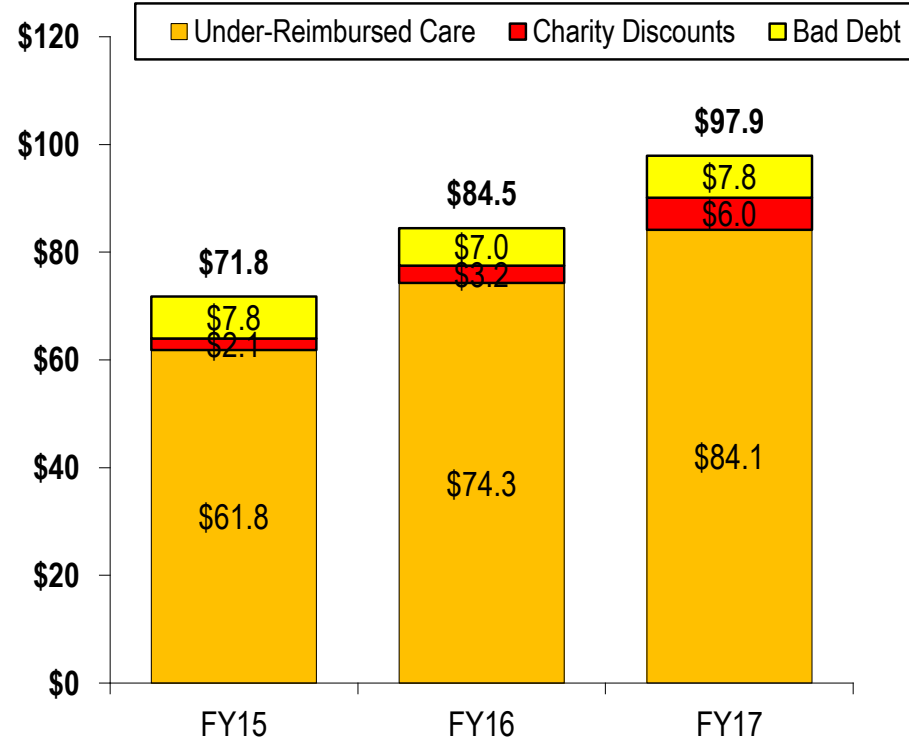
WUSM cost as a percent of Medicare RBRVS = $1/0.67 = 150\%$

Source: WUSM PBS Reporting Services

Uncompensated Care Trends

On a cost-basis, **WUSM provided \$97.9M in uncompensated care during FY17**, an 15.9% increase over FY16

- ❑ Under-reimbursed care for Medicare and Medicaid patients accounted for \$84.1M of the total, a 13.2% increase from FY16
- ❑ **Bad debt increased 11.8% in FY17 to \$7.8M** while **charity discounts increased from \$3.2M to \$6.0M**



How Do We Survive ?

- **Increase market share commercial business**
- **Expand primary market**
- **Focus on regional, national, international referrals**



