Advisory Panel for Health Care

Advancing the Academic Health System for the Future:

Profiles in Academic Health System Leadership

November, 2013
## Project Focus and Methodology

### Project Focus

This project is focused on developing a blueprint of best practices/principles for leadership that will help AMCs move to a sustainable model in the future.

Our Report, based in part on the profiles contained here, begins with premise that AMCs are distinguished as institutions that support opportunities for translational research, testing innovative models of care, and education.

With those foundational commitments, AMCs must learn to decrease cost, increase integration, and right-size in this new era. The generational shift away from hospital-based care must be recognized and addressed.

### Our Methodology

The following are institutional profiles that summarize emerging strategies and highlight innovative approaches to system development and other AMC transformation activities from across the county. These institutions were selected specifically by the Advisory Panel for Health Care at the AAMC as institutions that are engaged in specific activities that can teach other AMCs.

These profiles were built through extensive primary interviews with executives, as well as secondary research using a variety of sources. All profiles completed on Nov. 1, 2013.
Drivers of Academic Health System Formation

- Movement from fee-for-service payment toward value based payment
- Need to achieve order of magnitude reductions in cost structures (of clinical and academic enterprises)
- Need to participate in consolidating markets and not be marginalized
- Need to continue to support teaching and research missions
- Need to manage population health, and
- Need to focus on the overall patient experience and overall societal health
Major Themes – Advancing the Academic Health System for the Future

1. **Future will be System-Based**
   - Mergers or Affiliations with Mega-systems
   - Population Health Management
   - High Performance Regional Systems
   - Public Entity Statewide Hub
   - Specialist Complex Care Leaders

2. **Strong, Aligned Governance, Organization & Management Systems**
   - Leadership strategically/structurally aligned
   - Trust to allocate and perform
   - Member systems up to the task

3. **University Relationships Challenged to Evolve**
   - Compelling opportunities
   - Fair market values services/transactions
   - Updated University policies and procedures

4. **New Physician Leadership and Evolution of Practice**
   - Chair roles focused on leadership teams/authority
   - Community-based physician expansion
   - Economic and administrative integration
   - New roles for physicians/executives

5. **Transparency in Quality, Performance, Financial Data**
   - True understanding of complete cost structure
   - Measures to demonstrate value to purchasers
   - Quality reporting and outcomes critical to brand

6. **More Efficient Operating Models to Bend the Cost Curve**
   - Compete with cost-efficient competitors
   - Streamlined operations between missions
   - Skills that EDI become essential

7. **Time to Lead on Population Health is Now**
   - Population Health Manager
   - Manage large, state-wide hubs
   - Post-acute services become critical success factor

8. **Candid Assessment of Strengths and Weaknesses Essential**
   - Market and policy dynamics forcing current state evaluation
   - Candidate leadership conversations about organization’s "hand"
Acknowledgements

The AAMC research team would like to acknowledge the AAMC Advisory Panel for Health Care that provided significant direction on the development of the overall project report and the case study profiles included here. A complete list of the panel participants is in the Appendix.

The research team would also like to thank the institutional leaders who generously gave of their time to help build these profiles, and who offered materials to support our understanding various aspects of their respective institutional strategies. We list the participants at the beginning of each profile throughout and we thank them for their generosity.

Project Team

<table>
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<tr>
<th>Joanne Conroy, MD</th>
<th>Ivy Baer</th>
<th>Alex Morin</th>
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<td>Questions or Comments?</td>
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Please contact Tom Enders and Joann Conroy
Profiled Institutions
VUMC Health

Profile Takeaways

• VUMC is developing a system-based approach to care delivery, collaborating with a network of affiliated hospitals and physicians focused on driving patient outcome improvements and overall cost reductions across sites of care.

• VUMC’s excellence, breadth and depth in informatics and information technology provides an integrating information platform for the sharing of data and best practices across participating affiliated institutions.

• VUMC has a common Executive Incentive Plan for ~200 members of leadership across all three missions, with 18 specific measures across the institution’s “Five Pillars of Excellence” that drives all leaders toward a common future state for the enterprise.

Interviewees:
• Jeff Balser, Vice Chancellor for Health Affairs, Dean of the School of Medicine
• Luke Gregory, CEO, Monroe Carell Jr. Children's Hospital at Vanderbilt

Profile Completed on November 1, 2013
VUMC Health Mission and Vision

**Mission & Goals**

**Mission:** Vanderbilt University Medical Center aspires to shape the future of health and health care.

**Goals:**
- Constantly innovate a healthcare services model that is systems-based and personalized to each individual.
- Create learning systems that produce leaders who learn in ways that match the next generation health care systems and pace of research discoveries.
- Nurture fundamental discovery and create a translational discovery architecture with national and global scale.
- Build and demonstrate a sustainable economic model for health and health care.

**Market Situation**
- VUMC’s primary service area is the 8 counties surrounding Nashville; secondary service area is the entire middle TN region (36 additional counties).
- Primary and Secondary service area inpatient market share: 16.2%.
- Three major competitors in service area
  - Ascension – St. Thomas Midtown Hospital – 8.1%
  - HCA Centennial Medical Center - 7.9%
  - Ascension - St. Thomas West – 7.6%
- Market has several for-profit healthcare companies, many with their national headquarters based in Nashville (e.g., HCA, Community Health Systems, LifePoint)

*VUMC, an administrative division of Vanderbilt University, is the integrated entity that includes all clinical activities of the hospitals, outpatient clinics, and faculty practice plan, as well as the Schools of Medicine and Nursing.*

*2012 Q1 Inpatient Market Share, Middle Tennessee Region*

**Source:** Vanderbilt Website; Official Statement, Vanderbilt University, Health and Educational Facilities Board of Nashville, Revenue Refunding Bonds.
Integrated Governance

- All clinical services are organized under VUMC, as well as the Schools of Medicine and Nursing, reporting up to the Vice Chancellor for Health Affairs.
- Core leadership team meets weekly in a business plan review sessions, and monthly in other settings. Also utilizes quarterly retreats and coaching sessions to maximize collaboration.
- All strategic projects are vetted using a common set of metrics, allowing for a transparent decision-making process for major strategic decisions across all missions.
- VUMC has centralized its primary administrative support functions including IT, finance, HR, planning, space management, and supply chain.

VUMC Governance & Organization Features

Core Team
- Department Chairs
- Deputy VC for Health Affairs, Adult and Children's Hospital CEOs
- Associate VC for Administration
- Associate VC for Finance
- Associate VC for Health Science Education
- Associate VCs for Research (Basic, Clinical, Public Health)
- Associate VC for Faculty Affairs/Compliance
- Associate VC for Strategy and Informatics
- Associate VC for Human Resources

School of Nursing

School of Medicine UME, GME, CME

Administration, Compliance, Strategy and Informatics

School of Medicine Departments and Centers

VU Chancellor
Nicholas S. Zeppos

Vice Chancellor for Health Affairs and Dean of Medicine (Jeff Balser)

Vanderbilt University Board of Trustees

Deputy Vice Chancellor for Health Affairs
Wright Pinson

CEO, Children's Hospital & Outpatient Clinics
Luke Gregory

CEO, Adult Hospitals & Outpatient Clinics
David Posch

Chiefs of Staff (adult, children), Chief Medical Officer, Executive Chief Nursing Officer

Manatt
VUMC Health Strategic Plan Framework

VUMC is focused on 4 major areas of change as part of their overall organization strategy:

- **Consolidation and Standardization**: Relentlessly cutting redundancies and other inefficiencies to reduce operating costs
- **Re-Engineering**: Systematically redesigning processes to simplify, reduce waste, and reduce error
- **Scale**: Developing a system that can increase in volume with minimal increase in variable cost
- **System Innovation from Discovery**: Identifying opportunities to increase the measureable quality, while increasing the number of individuals being helped and reducing the unit cost, fed by a research engine

VUMC Health

### Executive Incentive Plan

- Once-per-year bonus for approximately 200 members of VUMC leadership across all three missions
  - Vice Chancellor and his direct reports
  - All Department Chairs
  - Heads of all major operating units, e.g. Hospital & Clinic, School of Medicine

- Incentive plan consists of 18 measures across Five “Pillars of Excellence” that define the institution’s overall mission and direction. Each metric maps to specific strategic goals for the enterprise, detailed in their strategic plan.

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<th>People</th>
<th>Quality</th>
<th>Growth &amp; Finance</th>
<th>Innovation</th>
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| • Turnover  
  • Resident pool diversity | • Publication citation count  
  • External awards/honorary society | • Operational revenue  
  • Expense reduction | • Technology transfer income  
  • VU Health Plan Cost per beneficiary |
| Service | O/E Mortality  
  • Team work  
  • Timely completion of clinical summary | • Development funds | • Length of stay (O/E) |
| % new patients seen within 15 days | Readmissions | Sponsored research |
| Metrics are assigned for each with target and “Reach” goals, updated annually. Bonuses paid out across three levels based on base compensation. Plan is not funded until Hospital reaches budgeted margin. | E-prescription usage | Prioritize use of restricted funds |

- VUMC has a common Executive Incentive Plan for approximately 200 members of VUMC leadership across all three missions.
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<th>Characteristic</th>
<th>Features</th>
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| Fiscal Transparency           | • Hospitals and the clinic send money to the departments through the VUMC funds flow model, allowing for some strategic investments by department chairs.  
• Finances for the entire medical center are structured under a single CFO.  
• VUMC utilizes its “Numbers Day” approach for providing complete operating and financial information to leaders across the institution. |
| Management of Risk            | • The Nashville provider market has very little risk assumption currently.  
• VU Health Plan (47,000 members): Fully self-insured group. Group has active patient management on the pediatric side through a community IPA contracted with the University. This group is modeled after the PCMH and providers are on shared-savings contracts.  
• VUMC plans to offer a product to large employers based on their health plan model and through leveraging their analytics capability. |
| Scale                         | • VUMC defines scale objectives in the following way: If the volume it handles can be increased with minimal increase in variable cost, or, cost per use increases much more slowly than the number of uses.  
• Vanderbilt Health Affiliated Network: 7 systems, all with an identified need for a partnership with a T/Q service provider. Vanderbilt is leading the development of this network with the goal of a Clinically Integrated Network in the future, with VUMC as the T/Q provider. |
| Cost Management/Quality of Care | • Nashville has a high % of for-profit providers competing for payer preference.  
• VUMC continues to leverage its informatics capabilities to improve care processes, improve patient outcomes, and lower the total cost of care.  
• VUMC measures its ability to control costs and improve care quality annually against the 5 goal categories included in the compensation plan: People, Service, Quality, Growth and Finance, and Innovation. |
VUMC Health

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<td>Primary Care Network Development</td>
<td>• Limited primary care capacity currently (adult), but are working through their Vanderbilt Health Affiliated Network to improve capacity.</td>
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<td>Data Analytics &amp; Performance Measurement</td>
<td>• VU has the largest biomedical informatics team in academic medicine (VU Informatics Center), built by physicians with clinically oriented focus areas. Several Medical Center focused projects/initiatives including clinical systems management, educational informatics, enterprise clinical decision support, information systems, and IT integration are underway.</td>
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**Vision Statement**

*To create a completely transformed health care system whose information and information resources are completely integrated with a seamless flow of clinical and research information to support education, clinical care and research.*

**Goals**

1. To achieve the maximum beneficial use of information and information technology in support of VUMC’s missions and strategic directions
2. To define and articulate information technology architectures that treat information as a shared resource while permitting distributed processing. (Decrease complexity by ensuring that strategy and the technological architecture are in alignment.)
3. To create a leading edge information technology infrastructure.
4. To enable changes in the practice of patient care, research, and education.
5. Establish Vanderbilt University as one of the best biomedical informatics programs in the U.S, by establishing and growing the biomedical informatics MS/PhD program.

**Center Units/Projects**

- Dept. of Biomedical Informatics
- Information and Consultation Services
- Support for Medical Center Operations
- Vanderbilt Center for Better Health
## VUMC Health

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| **Education, Research, & Innovation** | • **Education**: SOM has developed “Curriculum 2.0” – a transformed MD curriculum which has a major focus area training in the understanding and utilization of all information resources available to clinicians in daily practice.  
  • **Research**: Large number of centrally managed shared resources/core facilities have been developed where there is a need for specialized equipment, centralized services or produced distribution, allowing for lower cost service delivery. These include centrally managed facilities. |
| **Open Architecture – Engaging with community providers** | • The Children’s Hospital is an “Open panel” hospital. 400 community faculty in addition to the university faculty have admitting privileges.  
  • **Vanderbilt Health Affiliated Network**: A wholly-owned LLC clinically integrated network of hospitals and physician groups.  
    • Goals: 1) Rationalize sites of care within the network; 2) Make sure patients land at the right sites of care; 3) Share best practices including pathways and other tools.  
    • 18 hospitals from six affiliates with more than 3,000 inpatient beds and 3,000 physicians.  
    • Currently manage the over 70,000 employees of the network members who are self-insured.  
    • Network is offered as an insurance product by Aetna, and the Network is seeking to work directly with large employers on health plan design and provider accountability.  
    • Network is working toward clinical integration over the next 12 months, with shared medical records and shared programs of quality and disease management. |
VUMC Health’s Affiliated Network Approach (CIN)

VUMC’s work toward a Clinically Integrated network is attempting to achieve scale by enabling otherwise independent hospitals and practices to work together

Develop Relationships
- Focus on complementary hospitals and practitioner communities who are committed to high quality clinical care (currently 18 hospitals from six affiliates)
- Affiliates are given preferred provider status in each other’s health plan’s for employees, and the Network currently manages the self-insured lives of all members
- Plans share infrastructure to drive down administrative costs, and the affiliates work together as a network for other employers

Develop New Support Methods to Drive Quality and Efficiency
- New organizational forms and governance structures are improving coordination, along with a focus on communication among affiliates
- Single, virtual medical records are in development allowing authorized providers to access patient data regardless of site of care, and drive best practices with guidance toward common quality metrics between all affiliate members

Demonstrate Improvements in Clinical Outputs and Lower Costs
- Affiliates ensure that every provider practices at the top of their license, every provider facility runs at capacity managing the types of conditions to which it is best suited, and every patient receives the best care possible
- Network hopes to demonstrate significant cost and quality improvements over time and develop new network products for purchasers