Clinical Funds Flow Transition Overview

Manager’s Meeting

September 23, 2014
Agenda

1. What is the clinical funds flow at UCSF?
2. How did we arrive at the new clinical funds flow?
3. What does it mean for all of us?
4. Questions?
The traditional health care payment model reimburses for physician and hospital services separately

**Professional Fees (Physician Services)**

- Fees paid by insurers or patients for **physician and other provider (e.g., nurse practitioner) services rendered to patients**
- Examples include:
  - An office visit with a Cardiologist
  - A Cardiologist reading a CT scan
  - A Surgeon performing an operation
- Professional fees typically cover expenses related to physician practice, such as:
  - Physician compensation
  - Physician malpractice expenses
  - Rent for outpatient practices
  - Support staff for outpatient practices
  - Supplies for outpatient practices
  - Professional billing fees
  - Other practice expenses

**Facility Fees (Hospital Services)**

- Fees paid by insurers or patients for the **use of facility and/or equipment within a hospital setting**
- Examples include:
  - Inpatient room charges
  - A fee for use of an operating room
  - A fee for use of an EKG machine
- Facility fees typically cover expenses related to a patient’s inpatient stay, ancillary services, and other hospital-based services, such as:
  - Nursing staff
  - Technicians
  - Other hospital staff
  - Equipment purchase and maintenance
  - Drugs, supplies and instruments
  - Building maintenance
  - Other hospital expenses
The traditional payment model posed challenges for the UCSF clinical enterprise, creating the need for a “funds flow” between the Medical Center and SOM

- The costs of practice increased faster than professional fee revenue making many clinics financially unsustainable

- Medical center support (strategic support) for many physician practices became necessary to sustain or grow programs

- Over time, the number and complexity of strategic support agreements became unwieldy, difficult to adequately communicate, and increasingly expensive

- With two separate payment mechanisms (professional fees and strategic support), the alignment for continued growth was not present

- Patients experience highly varied processes from one clinic to the next
Having been in place for many years, the pre-7/14 clinical funds flow no longer adequately enabled the UCSF clinical enterprise to grow and thrive.

**The Old Clinical Funds Flow**

- Professional revenue came in and was used to pay for clinical expenses associated with physician practices.
- **Departments** managed all practice, departmental and clinical faculty expenses independently.
- Departmental clinical income was supplemented by hundreds of individual agreements between the Health System and Departments.

**The Issues**

- Complex
- Non-Transparent
- Growth-Inhibiting
- Access-Limiting
- Financially Unsustainable
A Funds Flow Committee comprised of UCSF clinical enterprise leaders was formed in 2012 and charged with the clinical funds flow redesign

**Committee Membership**

- Josh Adler, MD
- Ron Arenson, MD
- Nancy Ascher, MD
- Linda Giudice, MD
- Jay Harris
- Mike Hindery
- Ken Jones (co-chair)
- Talmadge King, MD
- Stephen McLeod, MD
- David Morgan
- Mike Panion
- Andrea Ratti
- Dave Rein
- Barrie Strickland
- Tad Vail, MD (co-chair)

**Key Committee Milestones**

- Identify Goals for New Funds Flow
- Design New Funds Flow Structure
- Hand-off Transition Oversight
The Funds Flow Committee’s first initiative was to define features important to the success of the UCSF Health System.

The redesign was initiated to ensure the new clinical funds flow would:

<table>
<thead>
<tr>
<th>Goal</th>
<th>The redesign was initiated to ensure the new clinical funds flow would:</th>
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<tbody>
<tr>
<td>1 Clinical Growth</td>
<td>Incentivize profitable clinical growth</td>
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<td>2 Financial Sustainability</td>
<td>Enable clinical programs that are meeting productivity and expense standards to be financially sustainable</td>
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<td>3 Academic Mission</td>
<td>Sustain academic health center status by funding academic mission in an explicit manner, recognizing this is UCSF’s differentiator and contributes to profitable clinical growth</td>
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<td>4 Efficiency</td>
<td>Drive efficiency in an era of scarce resources</td>
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<td>5 Patient Access</td>
<td>Improve patient access</td>
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<td>6 Competitive Compensation</td>
<td>Enable competitive compensation for competitive production</td>
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<td>7 Long-Term Viability</td>
<td>Stand test of time given health care economics today and going forward</td>
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The new clinical funds flow (in place since 7/1/14) was designed to address Health System goals and desired funds flow principles

The New Clinical Funds Flow

- The Health System collects professional and technical revenue for clinical services at UCSF
- Health System is responsible for all patient care expenses (including practice, clinical departmental, and Faculty productivity expenses)
- Departments are responsible for Faculty salaries and any remaining clinical departmental expenses
- Practice decisions will be made collaboratively between the Health System and the Departments
- Limited individual agreements between the Health System and Departments remain

The Design

- More Simple
- More Transparent
- Growth-Promoting
- Access-Enabling
- More Flexible
- All Mission Supporting
- Financially Sustainable
A new funds flow, comprised of four payment tiers from the Health System to the clinical Departments for faculty clinical work, was developed based on those goals:

1. **wRVU-Based Payment**
   - A nationally-validated system to measure physician work by time spent on a service and the effort involved.

2. **Margin Sharing**
   - A mechanism by which Departments will share in actual Health System margin above budget to incentivize clinical growth and expense management.

3. **Incentive Payment**
   - An inventive payment for faculty who are at least 20% clinical. These individuals will be eligible to participate in the Health System “IAP” program currently being used for Medical Center staff.

4. **Reserved for clinical services for which physician staffing is a requirement for patient safety, regulatory mandates or good patient care, and for which the wRVU model is not appropriate**

Clinical practice standards (access, quality, satisfaction)
Once the new clinical funds flow structure was approved, a new oversight committee and several workgroups were formed to lead and manage the transition.

**Funds Flow Committee**
- New funds flow approved by Mark and Sam on August 21, 2013
- Mechanics of new funds flow and FY12 impact were reviewed with departments in August
- FY13 impact was reviewed with departments in September 2013
- Numerous outstanding issues and concerns were worked through with departments starting in August

**Transition Oversight Committee**
- Josh Adler, MD – Chair
- Ron Arenson, MD
- Nancy Ascher, MD
- Peter Carroll, MD
- Maye Chrisman
- Kevin Grumbach, MD
- Ken Jones
- Phillip Moore, MD
- Dave Morgan
- Anja Paardekooper
- Barrie Strickland
- Tad Vail, MD
- Bruce Wintroub, MD

Staff to Committee:
- Anya Greenberg
- Andrea Ratti

*With multiple workgroups supporting different transition elements.*
A small team that was involved in the funds flow transition now makes up the funds flow operations team

Funds Flow Operations Team

- Josh Adler, MD – Chair
- Danielle Blanc
- Michael Chen
- Anya Greenberg
- Dave Morgan
- Marci Pierce
- Andrea Ratti
- Dave Rein
While there have been and will continue to be changes following the transition, some aspects of the practice operations remain the same.

**Changes That Have Already Taken Place**

- Medical Group staff (including MGBS, professional fee contracting, and Finance & Operations) now report to Health System management.
- Any individuals who transition payroll from campus to the Health system (formally the Medical Center) will be eligible to participate in the Incentive Award Program (IAP).
- A new (expeditious) practice support staff replacement and add process based on budget performance and productivity is now in place.

**Ongoing Changes**

- Health System leadership will assume a greater role in oversight and management of outpatient practices.
- Patient facing ambulatory practice procedures will become more uniform (hours, telephone, pre-visit planning…)
- The ultimate goal is for all individuals who spend the majority of their time supporting the clinical enterprise to be under a single organizational structure.

**What Hasn’t Changed as a Result of the New Clinical Funds Flow**

- The new clinical funds flow does not change the physician/practice staff working relationship.
- Faculty will continue to provide input on practice management through their individual practice administrators.
- There will not be any consolidation or layoffs as a direct result of the new clinical funds flow.
- There were no changes to the relationship with or support provided by the Health System to the Schools of Nursing, Pharmacy and Dentistry as a result of the new clinical funds flow.
If successful, the new clinical funds flow is poised to transform the UCSF Health System into an integrated delivery system and take us to the next level.

What does success under the new funds flow look like?

1. Enhanced patient access
2. Improved patient experience
3. Increased clinical volume
4. Reduced complexity, increased transparency
5. Improved recruitment and retention of clinical faculty
Questions?

For more information:

- Visit http://fundsflow.ucsf.edu/
- Email fundsflow@ucsf.edu