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# Sharp HealthCare ACO

**Alison Fleury**

*Senior Vice President, Business Development, and  
Chief Executive Officer, Sharp HealthCare ACO*

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An Accountable Care Organization

**SHARP** HealthCare  
ACO

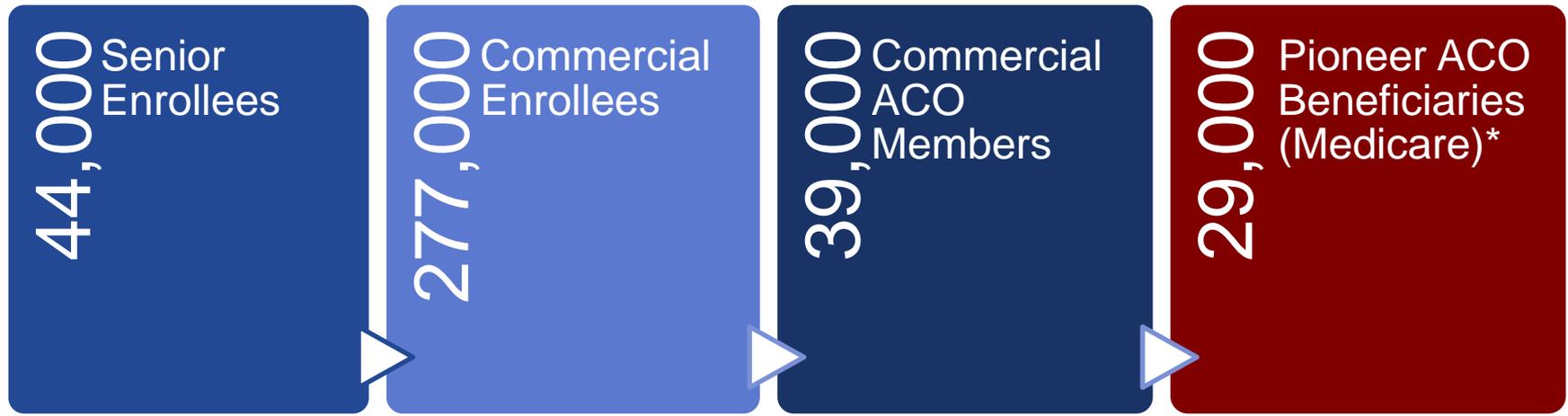
# Sharp HealthCare

## San Diego's Health Care Leader



- Not-for-profit serving 3.2 million residents of San Diego County
- Grew from one hospital in 1955 to an integrated health care delivery system
  - Fully integrated information technology systems and infrastructure
  - Centralized system support services
- Largest health care system in San Diego with highest market share
  - 2 affiliated medical groups, 4 acute care hospitals, 3 specialty hospitals, 3 skilled nursing facilities, a health plan, 21 outpatient clinics, 5 urgent care centers, home health, hospice, and home infusion programs
  - Only health system in San Diego to increase market share each of the past 14 years
- Largest private employer in San Diego
  - 17,000 employees, 2,600 affiliated physicians, 3,000 volunteers

# Advancing Population Health Management



Over 30 years of experience in managing care under population-based payment structures

*\* As of January 1, 2014. Sharp HealthCare ACO withdrew from the Pioneer program in June 2014.*

# Sharp HealthCare ACO, LLC



- Began January 1, 2012
- Collaboration between:
  - Sharp HealthCare
  - Sharp Community Medical Group (SCMG)
  - Sharp Rees-Stealy Medical Group (SRSMG)
- 29,000 aligned beneficiaries
  - 70% with SCMG
    - San Diego's largest Independent Practice Association
  - 30% with SRSMG
    - San Diego's first and oldest multi-specialty medical group

# Sharp ACO Drivers of Success

Best Health, Best Care, Best Experience



Care Delivery Models



Care Coordination

Patient Engagement



Information Technology and Analytics

Alignment of Incentives

# Sharp ACO Results

- 2013 (PY2) Utilization
  - **Inpatient bed days per 1,000 decreased 17%** from January 2013 to December 2013
  - **Readmission rates decreased from 14.8% to 13.1%**
- 2013 (PY2) Quality Rating
  - **84% on 33 quality measures** (8 pay-for-reporting measures)
- 2013 (PY2) Financial Performance
  - **Shared loss of 1.3%** (“breakeven”)

Despite favorable utilization and quality performance, Sharp ACO had “breakeven” financial performance under the Pioneer model

# Pioneer ACO Financial Model

- 2012-2014 benchmarks developed based on 2009-2011 costs for aligned beneficiaries, trended forward using ***national inflation factors*** (“cohort” model)
- National trend factors are ***not adjusted*** for specific conditions that an ACO is facing in a particular region (e.g., San Diego County)
  - ***Area Wage Index***
  - ***Medicare Disproportionate Share***

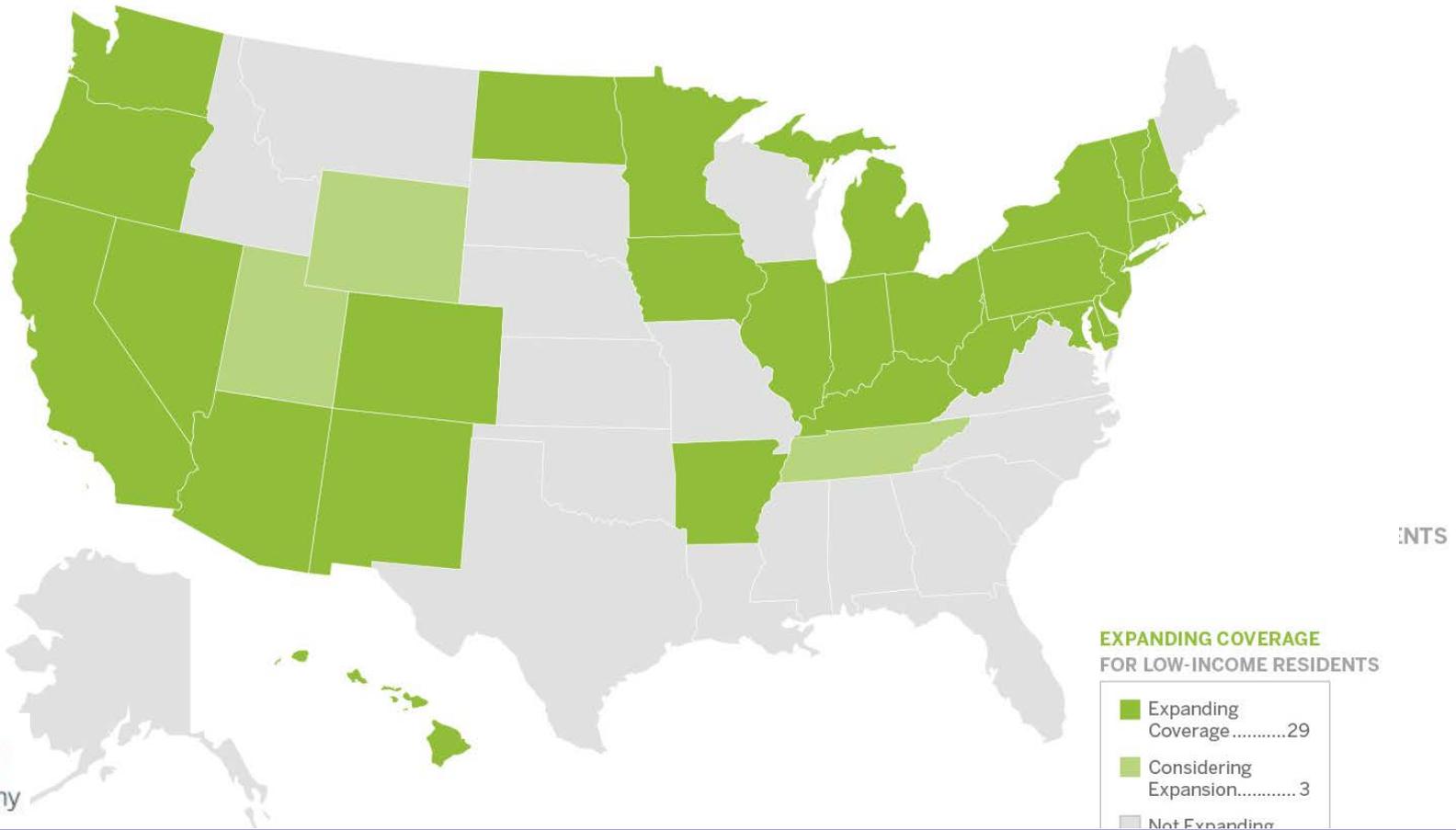
# Area Wage Index (AWI)

Final AWI for San Diego County	AWI	Trend	Cumulative Trend
Fiscal 2011	1.1870	-	-
Fiscal 2012	1.1950	0.7%	<b>0.7%</b>
Fiscal 2013	1.2282	2.8%	<b>3.5%</b>
Fiscal 2014	1.2477	1.6%	<b>5.1%</b>
Fiscal 2015	1.2881	3.2%	<b>8.5%</b>
<b>Reference Population (Benchmark)</b>	<b>1.0000</b>	<b>0.0%</b>	<b>0.0%</b>

The Pioneer benchmark for inpatient DRG-based reimbursement is understated by 5.1% through September 30, 2014 and 8.5% from October 1, 2014 through December 31, 2014

# Disproportionate Share

Medicaid expansion is not uniform across the country  
*28 States, D.C. Expanding Coverage – January 27, 2015*



# “The Second Curve”

- Support the shift from a volume-based business model to a value-based business model
- Support the Triple Aim
  - Improve the patient experience of care (including quality and satisfaction)
  - Improve the health of populations
  - Reduce the per capita cost of health care

Ensure value-based incentives align with underlying utilization, quality, and experience results