# Geisinger's Experience in Forging New Partnerships and Alliances: Lessons Learned

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Dr. Steele was CEO of Geisinger Health System from 2001 through June 2015. This article is a summary of a presentation from The Governance Institute's March 2019 System Forum, in which Dr. Steele reflects on his time as leader of Geisinger.
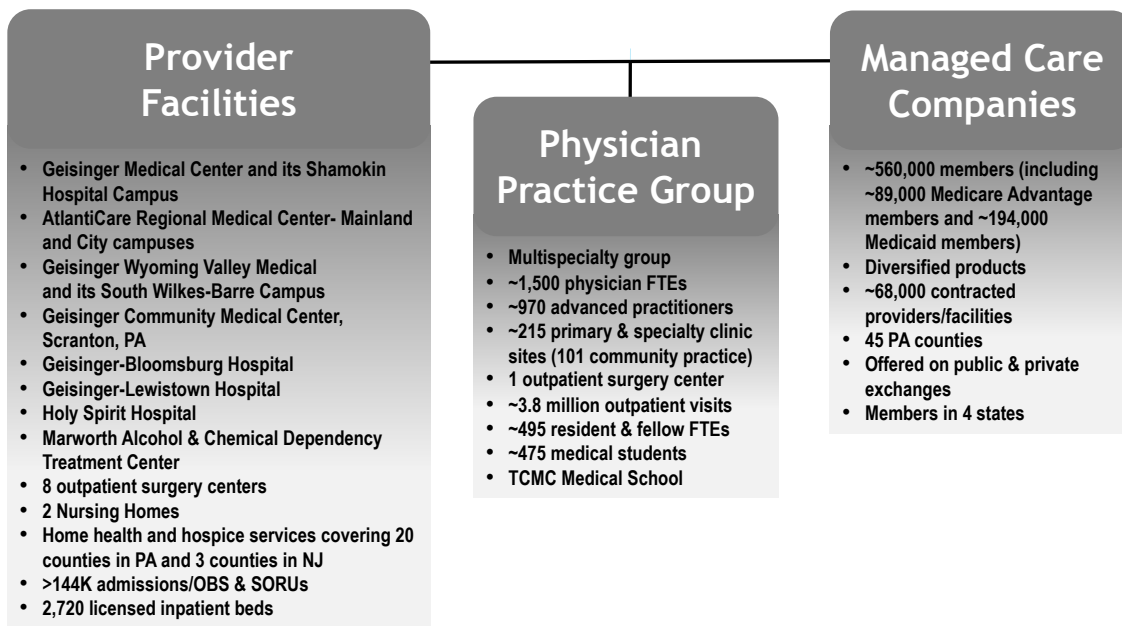
Structural Advantage as an Integrated Health Services Organization

As depicted in **Exhibit 1** on the next page, Geisinger is an integrated health services organization made up of facilities, a large physician group, and managed care companies that collectively account for 50 percent of overall revenues. Having this large managed care component enables the organization—including its providers—to benefit financially from care delivery innovation. For example, when Geisinger re-engineered diabetes care to reduce hospitalizations, the insurance component of the organization saved significant money because of decreased total cost of care. It was then able to transfer up to $32 million directly to the primary care doctors who made the diabetes innovation happen. Even with half its business tied to fee-for-service (FFS) payments, Geisinger has been able to use its market share to leverage reimbursement on the FFS side of the business and aggressively "backfill" market share by acquiring smaller community hospitals unable to compete in today's environment. Geisinger has taken excess capacity out of the market by repurposing these facilities, allowing it to generally keep its inpatient beds filled even as utilization has declined.
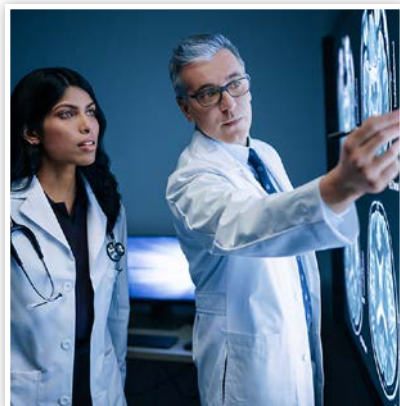
Ironically, Geisinger almost sold its insurance business after the flawed merger of Geisinger and Hershey Medical Center in the late 1990s. Consultants recommended the sale to end the intense friction that

Exhibit 1: Geisinger: An Integrated Health Services Organization

Provider Facilities

- Geisinger Medical Center and its Shamokin Hospital Campus
- AtlantiCare Regional Medical Center- Mainland and City campuses
- Geisinger Wyoming Valley Medical and its South Wilkes-Barre Campus
- Geisinger Community Medical Center, Scranton, PA
- Geisinger-Bloomsburg Hospital
- Geisinger-Lewistown Hospital
- Holy Spirit Hospital
- Marworth Alcohol & Chemical Dependency Treatment Center
- 8 outpatient surgery centers
- 2 Nursing Homes
- Home health and hospice services covering 20 counties in PA and 3 counties in NJ
- >144K admissions/OBS & SORUs
- 2,720 licensed inpatient beds

Physician Practice Group

- Multispecialty group
- ~1,500 physician FTEs
- ~970 advanced practitioners
- ~215 primary & specialty clinic sites (101 community practice)
- 1 outpatient surgery center
- ~3.8 million outpatient visits
- ~495 resident & fellow FTEs
- ~475 medical students
- TCMC Medical School

Managed Care Companies

- ~560,000 members (including ~89,000 Medicare Advantage members and ~194,000 Medicaid members)
- Diversified products
- ~68,000 contracted providers/facilities
- 45 PA counties
- Offered on public & private exchanges
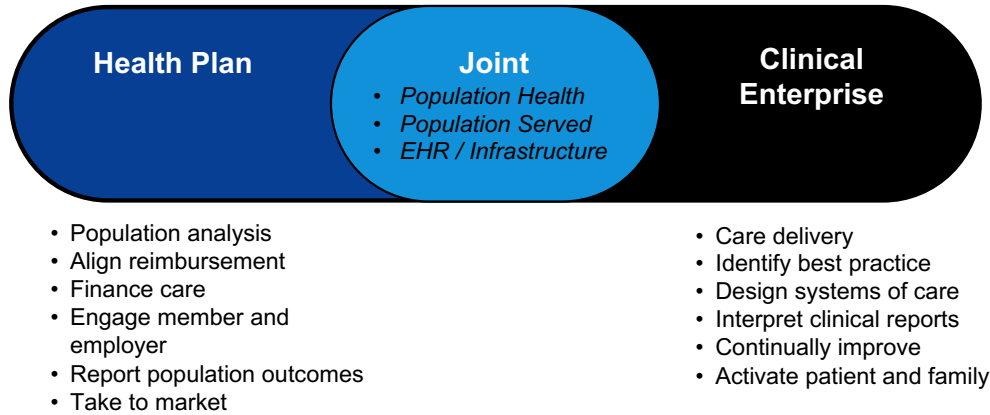- Members in 4 states

existed between in-house providers and the insurer. The new CEO (Dr. Steele) resisted the idea, recognizing that future success depended on convincing both parties that they were responsible for the same constituency and hence needed to work together to improve health status and reduce costs. Rather than severing the two businesses, Geisinger sought to make them effective partners, using technology as a catalyst. Geisinger spends roughly 4 percent of its $6 billion in annual revenues on technology designed to transform healthcare, including a fully integrated electronic health record (EHR), a network patient portal, a regional health information exchange, and various electronic health and outreach programs.

As depicted in **Exhibit 2** on the next page, Geisinger looks for the "sweet spot" where the clinical enterprise and the health plan can best work together, with each side contributing what it does best. As appropriate, the resulting cost savings are transferred from the insurer to those on the front lines of care (physicians and other caregivers) responsible for making the change. This approach generally works even for non-employed physicians, who direct approximately half of all care in Geisinger facilities. In most areas where non-employed physicians work, Geisinger's insurance arm typically has over 50 percent market share, meaning that the insurer can easily get the attention of the doctors by paying more for value. Geisinger often creates the potential for up to a 20 percent increase in compensation for providers who improve quality and reduce costs through innovative chronic disease management programs. (By contrast, in those relatively few areas where Geisinger lacks insurer market share—such as Hershey—it becomes more difficult to get the attention of non-employed physicians.)

Exhibit 2: The "Sweet Spot" for Partnership and Innovation

Aligned objectives between the health plan and clinical enterprise, with each organization contributing what it does best.

Health Plan

Joint
- *Population Health*
- *Population Served*
- *EHR / Infrastructure*

Clinical Enterprise

- Population analysis
- Align reimbursement
- Finance care
- Engage member and employer
- Report population outcomes
- Take to market

- Care delivery
- Identify best practice
- Design systems of care
- Interpret clinical reports
- Continually improve
- Activate patient and family

Re-engineering through ProvenCare™

Geisinger's goal is to re-engineer care to eliminate the 30 to 35 percent of all medical care that does not benefit—and sometimes harms—the patient. By eliminating these "hurtful" costs, Geisinger can offer better, less expensive care. Simply getting rid of a fraction of these costs provides a huge market advantage. To succeed, leaders must focus on the quality improvement benefits of re-engineering, not on cost-cutting per se. To that end, Geisinger developed ProvenCare™, which identifies high-cost cohorts of patients, defines the ideal outcome for them, re-engineers care to produce that outcome, and then monitors results to ensure that desired outcomes are achieved. The focus is on the ideal outcome and how to get there, not on the cost savings or the finances.[1]

Acute Care

Geisinger began its efforts in the inpatient arena in areas ripe for innovation. The first initiative focused on re-engineering elective coronary artery bypass graft (CABG) care. Over a three-year period, providers developed and implemented a pathway that specifies 144 things that all patients undergoing elective CABG surgery need. Integrated into the EHR, patients can be monitored on a real-time basis to make sure they receive all appropriate care and are progressing in the appropriate way. For example, if the patient's post-op temperature is out of the ideal range, the system alerts providers so that patients can be quickly evaluated and issues addressed before complications occur. This pathway alone improved CABG outcomes by a factor of three, reduced complications by 50 percent, cut costs significantly, and boosted contribution margins by 20 to 25 percent. In addition, Geisinger was able to attract new cases through contracts with outside payers offering guaranteed pricing

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1   More information on Geisinger's re-engineering efforts can be found in a book by Glenn D. Steele Jr., M.D., and David T. Feinberg, M.D., entitled *ProvenCare: How to Deliver Value-Based Healthcare the Geisinger Way*.

through the rehabilitation phase. As appropriate, Geisinger has revamped how it pays specialists, subspecialists, and primary care to ensure that they are motivated to adhere to the protocols and re-engineer care. In most cases, providers can boost their incomes by up to 20 percent, a level of change that gets their attention and ensures sustained success. What began with elective CABG has evolved into a broad portfolio of inpatient pathways and guidelines, as depicted in **Exhibit 3**.

Exhibit 3: ProvenCare Portfolio

ProvenCare:

In Development:

- ProvenCare Bariatric Surgery
- ProvenCare Chronic Obstructive Pulmonary Disease
- ProvenCare Coronary Artery Bypass Graft
- ProvenCare Fragility Hip Fracture
- ProvenCare Heart Failure
- ProvenCare Lung Cancer (CoC Collaborative)
- ProvenCare Lumbar Spine
- ProvenCare Percutaneous Coronary Intervention
- ProvenCare Perinatal
- ProvenCare Rectal Cancer
- ProvenCare Total Hip → Lifetime Guarantee
- ProvenCare Total Knee
- ProvenCare Patient Experience

- ProvenCare Chole
- ProvenCare Crohn's
- ProvenCare CNS Mets
- ProvenCare Ulcerative Colitis
- ProvenCare Hepatitis C
- ProvenCare Hysterectomy

ProvenCare Evidence-Based Guidelines (EBG) (in conjunction with PRIDE):
- Chest Pain–R/O MI (ED)
- Developmental Medicine
- Vent Management
- Newborn Protocols

Biologics

With specialty drugs projected to account for half of all drug sales, Geisinger is tackling the quality and costs of biologics, including price per unit and unnecessary utilization. Major targets include drugs for hepatitis C, inflammatory bowel disease, multiple sclerosis, rheumatoid arthritis, and cancer. The goal is to identify and better manage the patient population by applying the most cost-effective therapies. Key strategies include process and channel redesign, formulary management and contracting, and a focus on the total costs of care.

Chronic Care

Geisinger has re-engineered chronic care delivery for pediatric patients and adult patients with diabetes, heart failure, coronary artery disease, hypertension, chronic obstructive pulmonary disease, chronic kidney disease, and dementia. Geisinger also monitors performance against an established set of performance measures related to prevention and screening for these chronic diseases. This program has met with significant success. For example, Geisinger's 35,000 patients with type 2 diabetes have experienced significant improvements in health status. In less than three years, Geisinger has prevented an estimated 306 heart attacks, 141 strokes, and 166 cases of diabetic retinopathy, yielding nearly $9 million in cost savings in

addition to the obvious health benefits. Another example comes from Geisinger's navigator advanced medical home program, which has reduced acute care admissions by 27.5 percent and all-cause 30-day readmissions by 34 percent, with no impact on emergency department (ED) visits.

Re-engineering at the Corporate Level through HTA

The Health Transformation Alliance (HTA) consists of more than 50 self-insured companies with roughly 7 million covered lives, including 4.5 million in the United States. HTA members tend to have stable employee bases, with an average tenure of 12 years, meaning that company leaders can be somewhat patient in terms of how quickly initiatives must produce results. Organized as a cooperative, HTA requires each member to pay a significant initial financial downstroke and to share its healthcare claims and productivity data for analytical purposes. HTA analyzes these data to identify unwarranted variation and employee cohorts with high-cost, suboptimal outcomes, and then leverages value-based purchasing and best practices to eliminate unnecessary and hurtful care and reduce price per unit. For example, HTA's value-based product in buying pharmaceuticals has saved an estimated $650 million for its members. HTA also offers value-based contract specifications that members use with their national and regional third-party administrators that write contracts with providers. (As a cooperative, HTA cannot directly contract with providers.) In addition, HTA develops "use cases" for high-cost, high-volume conditions with large variations and suboptimal outcomes. Initial targets include hip replacement, knee replacement, low back pain, and type 2 diabetes, all areas of significant concern to members. For example, the diabetes use case will generate significant value for members by standardizing care delivery around best practices and supporting high-risk patients through care management, thus reducing unnecessary inpatient care, preventable complications, absenteeism, and presenteeism.

HTA is building a national provider network, which should be in place by 2021. The ambition is to provide members the ability to predict a three-year claim guarantee. This approach has already been beta-tested in several cities, with early success. For example, a Chicago member has already seen a total cost savings of 17 percent compared to healthcare costs for similar employees in non-HTA healthcare solutions.

Lessons Learned

Key lessons from the Geisinger and HTA experiences include the following:
- ✔ Gain buy-in by insisting on change at the top while appealing to bottom-up professional pride and purpose.
- ✔ Focus on promoting value, not cost-cutting.
- ✔ Use data and analytics to identify opportunities to redesign care and care purchase.
- ✔ Align incentives structurally between payer and provider, group practice and hospital, employed and non-employed physicians, and specialists and generalists.
- ✔ Find and transact from points of differentiation from the competition.
- ✔ Look for and celebrate early wins to create buy-in and sustainability.