



**CHESAPEAKE REGIONAL  
HEALTHCARE**



# 2020 Strategic Plan

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# Presenting a 3-Year Plan Designed to

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- 1) Ensure Chesapeake Regional Healthcare remains independent
- 2) Position the hospital for population health and new reimbursement models
- 3) Create better alignment between hospital and physicians

*“Independent by choice. Innovative by design.”*

# 3-Phase Strategic Plan

## Phase 1:

Create a Care  
Coordination  
Team

## Phase 2:

Enter a Bundled  
Payment  
Agreement

## Phase 3:

Create a Culture  
of Continuous  
Improvement

Initial investment of **\$1.6 M**

Paid back in **3** years

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# Current Market Trends Emphasize Improving Care & Reducing Costs

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**Alternative Payment Plans** – 50% of Medicare fee-for-service patients tied by end 2018\*

- Accountable Care Organizations (ACO)
- Bundled Payments

**Consolidation of Healthcare Organizations** – increased purchasing power

- Sentara Hospital System

**Increased Emphasis on Outpatient Care** – reliance on acute and inpatient care waning

\*Source: <http://www.hhs.gov/about/news/2015/01/26/better-smarter-healthier-in-historic-announcement-hhs-sets-clear-goals-and-timeline-for-shifting-medicare-reimbursements-from-volume-to-value.html>

# CRCH Patient Population is Aging & Market Share is Shrinking

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## Senior Population (+65) will experience largest growth

- Virginia Beach: 17.3% growth
- Chesapeake: 19.6% growth
- Portsmouth: 6.8% growth
- North Carolina: 19.0% growth

## Market Share is declining

- PSA discharges have declined 2.6%, resulting in a 10.5% loss of market share for CRHC
- Market share gains assumed primarily by Sentara Hospitals

# Recent CRHC Investment in Partnership & Alternative Payment Models

- Coastal Virginia Health Partners
  - Aetna ACO – Joint venture with Bayview, Bon Secours, & Vidant
- Bayview Physicians Group ACO
  - Chesapeake Regional holds 2 seats on the board
- Impact Health Partners
  - Management Services Organization (MSO) with Bayview

**Now, Chesapeake Regional Healthcare is positioned to:**

Maintain  
Independence

Support Patient  
Population Health

Facilitate Hospital  
& Physician  
Alignment

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# PHASE 1: Form a Care Coordination Team

- Oversee designated high risk, high cost patient population
- Increase patient engagement & improve health outcomes

Build on knowledge  
gained from Bayview  
ACO Involvement

Chesapeake  
Connected Care  
Coordination Team

Utilize Performance  
Analytic Department

Leverage Strong IT  
Infrastructure  
(Epic Systems)

Improve care for  
CRCH existing patient  
population



# PHASE 1: Chesapeake Connected Care

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## **Create cohesive care coordination team**

- 3 Nurses
- 2 Social Workers

## **Invest in Epic's "Population Health" & "Community Connect" Modules**

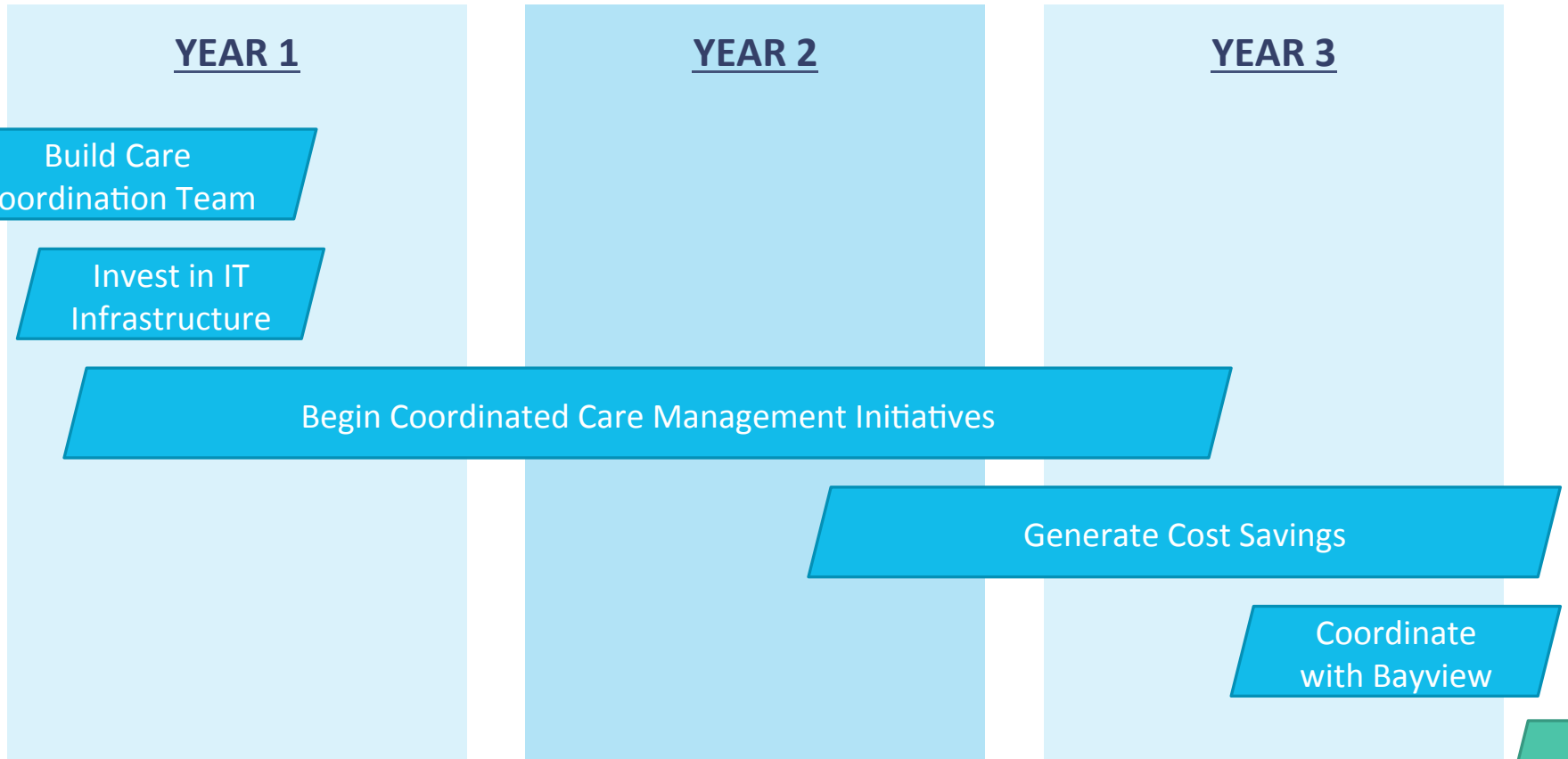
- Improve patient tracking
- Allow for patient and provider engagement

# PHASE 1: Implementation Timeline & Cost Assumptions

**Capital Investment:**  
\$500,000

**Annual Budget:**  
\$500,000

**Annual Return:**  
\$1,000,000





# 3-Phase Strategic Plan

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# PHASE 2: Create a Bundled Payment Agreement with Value Stream Partners

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**Value Stream Partners, LLC (VSP) are experts in bundled payments\***

- VSP recently signed Johnson & Johnson as a client in the value stream, which would result in significant cost savings opportunities for CRHC

**Begin with Hip & Knee Replacements**

- Cost savings of \$3,000 per bundled procedure
- Chesapeake currently holds 17.2% of regional market share for Orthopedics

**Future opportunity:** Implement bundled payment plans for maternity care

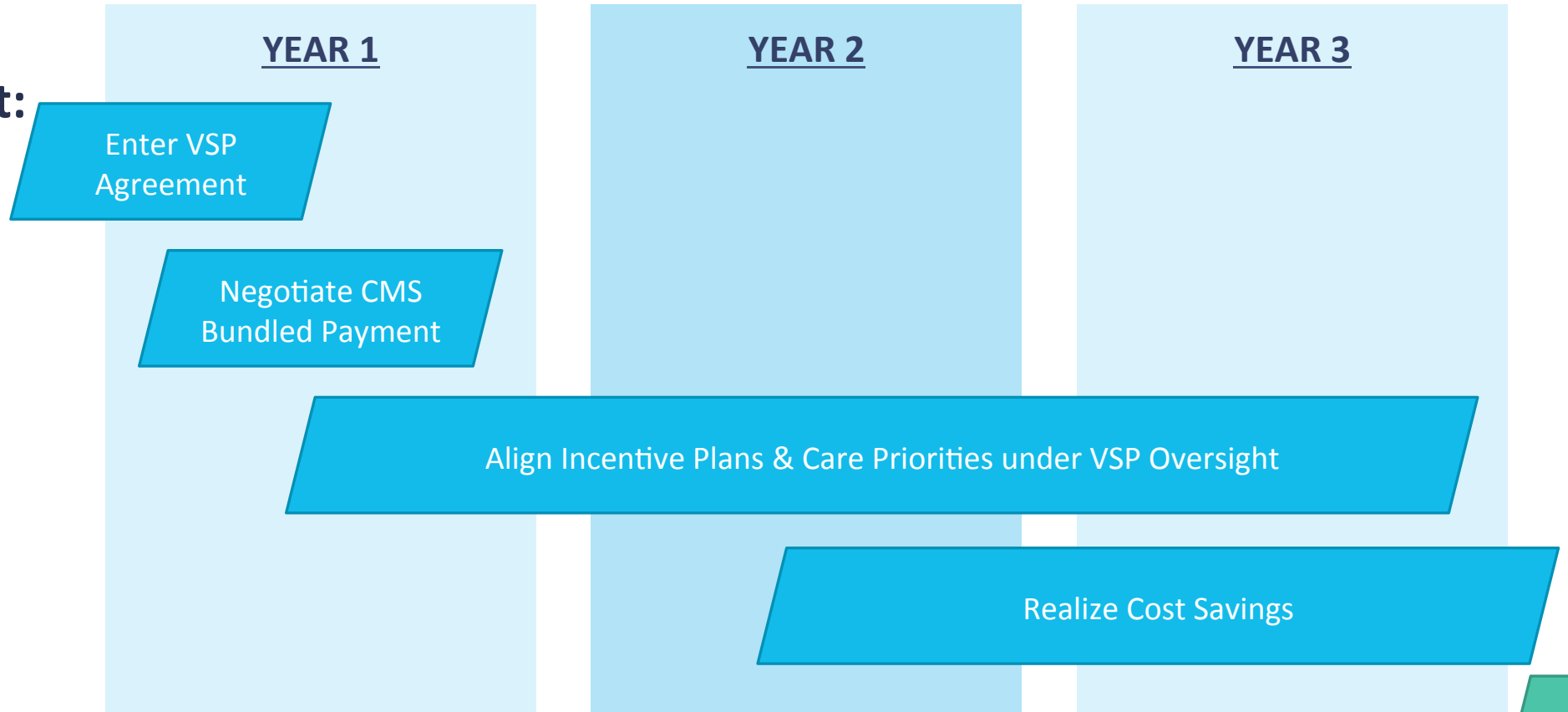
\*Source: <https://www.jnj.com/news/all/DePuy-Synthes-Companies-Announces-New-Strategic-Alliance-with-Experts-in-Bundled-Payments>

# PHASE 2: Implementation Timeline & Cost Assumptions

**Capital Investment:**  
\$300,000

**Annual Budget:**  
\$0

**Annual Return:**  
\$726,000





# 3-Phase Strategic Plan

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# PHASE 3: Create a Culture of Continuous Improvement

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## **Create a dedicated team**

- 2 nurses

**Emphasis on quality aligns with quality metrics in new payment models**

## **Generate buy-in & promote employee alignment**

- Develop CRCH-specific “True North” values
  - Ex/ Patient Experience, Quality & Safety, Profitability, People

## **Identify areas for improvement**

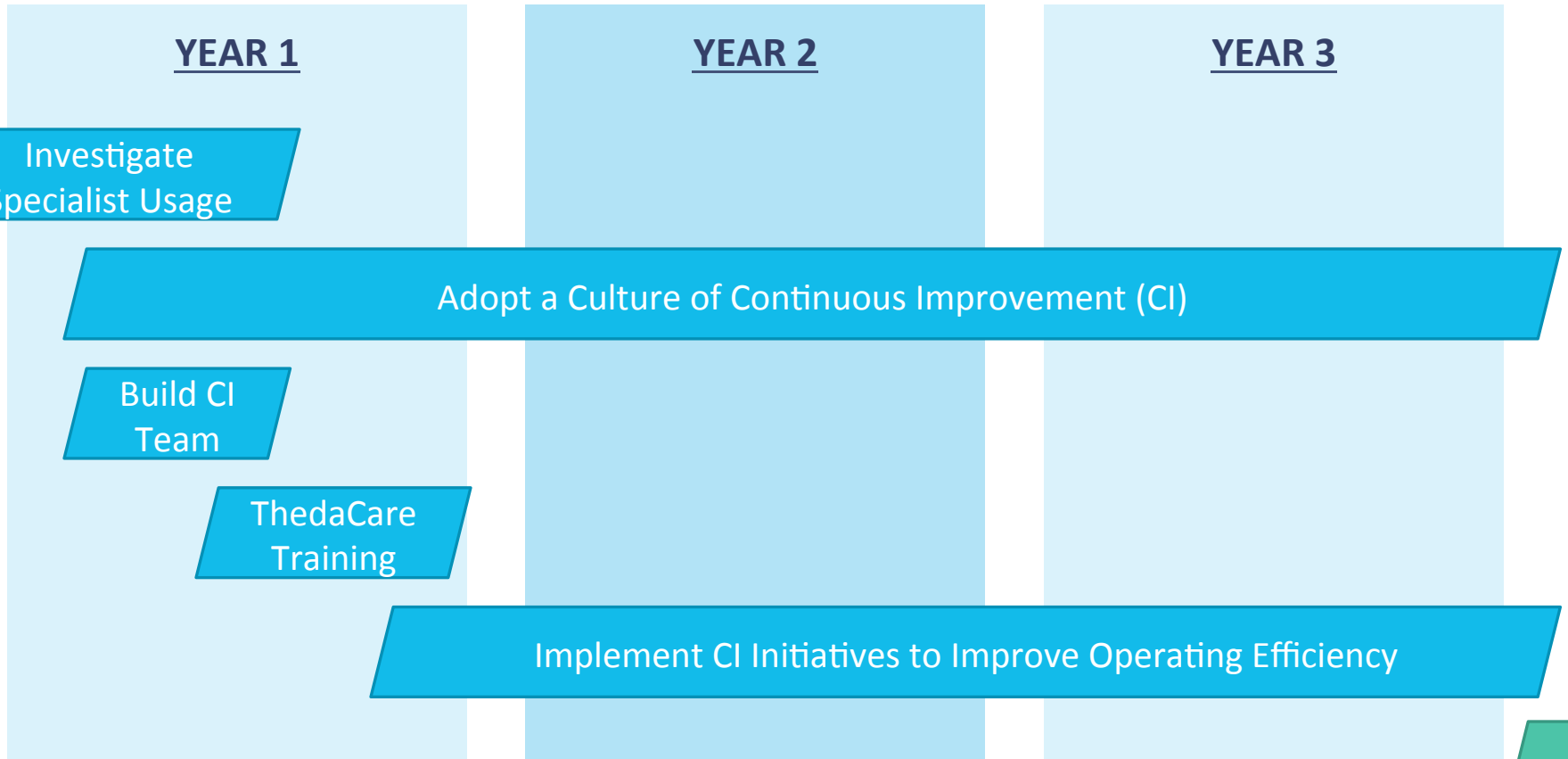
- Optimize wasteful processes through Kaizen Events

# PHASE 3: Implementation Timeline & Cost Assumptions

**Capital Investment:**  
\$0

**Annual Budget:**  
\$284,000

**Annual Return:**  
\$316,000





# \$1.6 M Investment, 3 Year Payback

REVENUE (thousands)	2017	2018	2019
Care Coordination Team	\$ 0	\$ 300	\$ 1,000
Bundled Payments	\$ 0	\$ 350	\$ 726
Continuous Improvement Team	\$ 0	\$ 300	\$ 600
Total Revenue	\$ 0	\$ 950	\$ 2,326
COST (thousands)			
Care Coordination Team	\$ 1,000	\$ 500	\$ 500
Bundled Payments	\$ 300	\$ 0	\$ 0
Continuous Improvement Team	\$ 284	\$ 284	\$ 284
Total Cost	\$ 1,584	\$ 784	\$ 784
NET INCOME (thousands)	(\$1,584)	\$166	\$1,542



**CHESAPEAKE REGIONAL  
HEALTHCARE**



**THANK  
YOU**



# Discussion

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## Strategic Plan Goals

### 3-Phase Strategic Plan

#### Market Trends

- Improve Care & Reduce Costs
- Patient Population Aging & Shrinking
- Recent Investment
- Bastone Programs

### PHASE 1: Care Coordination Team

- Chesapeake Connected Care
- Timeline & Cost Assumptions

### PHASE 2: Bundled Payments

- Timeline & Cost Assumptions

### PHASE 3: Culture of Continuous Improvement

- Timeline & Cost Assumptions

### Budget Requirements & Revenue Projections

#### Continued Discussion

- Alternative Strategies
- 2014 Budget
- PHASE 1: Savings Estimate
- PHASE 2: Savings Estimate
- PHASE 3: Annual Budget

# Alternative Strategies

	Profitability	Independence	Population Health	Hospital Alignment	Market Share	Risk
ACO Model	X	X	X	X		Medium
Capitation Model	X	X	X	X		High
Sell Aetna plan to local employers	X	X			X	Low
Join Sentara's CIN	X					Low

# 2014 Budget

## Key Notes:

- Bastone's strategic accomplishments and operational turn-around of 2015 resulted in an operating profit of \$5 M
- Some specialists at CRCH are under utilized, resulting in a net loss of \$6 M
- High Medicare 30-day re-admission penalty of 2.84%\*, estimated loss of \$300,000

## Chesapeake Regional Healthcare: FY 2014

### Income Statement:

Net Pt. Revenue	\$314,628,074
Other Operating Revenue	\$4,368,749
Total Operating Revenue	\$318,996,823
Total Operating Expenses	\$344,158,632
Net From Operations	-\$25,161,809
Non Operating Gains and Losses	\$3,407,322
Net Income	-\$21,754,487
Operating Margin	-7.89%
Margin	-6.75%

### Balance Sheet:

Current assets	\$80,607,389
Total assets	\$227,487,842
Current liabilities	\$27,437,610
Total liabilities	\$85,613,716
Current Ratio	2.94

# PHASE 1: Care Coordination Team Annual Budget

BUDGET ITEM	AMOUNT
Nurse salary & benefits (3)	\$ 375,000
Social worker salary & benefits (2)	\$ 200,000
Total	\$ 575,000

- Care Coordination Team savings assumed from eliminating the high Medicare 30-day re-admission penalty of 2.84%\*, an estimated loss of \$300,000

Source: Based on 2009-2013 Medicare data; accessed through Propublica website

# PHASE 2: Bundled Payment Savings Estimate

	Total Knee	Total Hip
Medicare Procedures	124	28
Including Commercial	208	47
Estimated Savings/Procedure	\$ 3,000	\$ 3,000
Annual Savings	\$ 622,000	\$ 140,000

Source: Based on 2009-2013 Medicare data; accessed through Propublica website

# PHASE 3: Continuous Improvement Team Annual Budget

Budget Item	Amount
Training (send new team members to ThedaCare)	\$ 24,000
Labor (2 nurses salary & benefits)	\$ 250,000
Supplies (Visual boards & Kaisen support)	\$ 10,000
Total	\$ 284,000

Source: ThedaCare budget based on \$1950/per person fee plus travel for 1.5 day seminar; accessed from ThedaCare's website





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