UCSF Health System
Strategic Plan

FAS

March 6, 2014
UCSF Clinical Activities

UCSF Health System

Owned and Operated
- UCSF Medical Center
- UCSF Benioff Children’s Hospital
- Children’s Hospital Oakland
- Langley Porter Psychiatric Hospital

Network Affiliation
- Hill Physicians
- Valley Care
- Washington Township etc

Other SOM activity
(outside the UCSF Health System)
- SFGH
- VAMC
Overlapping missions depend on cross-subsidization through departmental and dean’s taxes on clinical income

Most faculty contribute to varying degree to all three missions

**CLINICAL**
- Pro-fees, hospital investment, city contract
  - 750 cFTE

**EDUCATION**
- Dedicated sources are state and tuition
  - 350 eFTE

**RESEARCH**
- Dedicated sources sponsors and state
  - 900 rFTE

Investment
More than half the clinical care provided by SOM faculty is outside UCSF Medical Center

<table>
<thead>
<tr>
<th></th>
<th>Licensed beds</th>
<th>Outpatient visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCSF Medical Center</td>
<td>720</td>
<td>765,000</td>
</tr>
<tr>
<td>SFGH</td>
<td>686</td>
<td>580,766</td>
</tr>
<tr>
<td>SF VA Medical Center</td>
<td>124</td>
<td>595,173</td>
</tr>
<tr>
<td>Langley Porter Psychiatric Institute</td>
<td>22</td>
<td>33,400</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1552</td>
<td>1,974,339</td>
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Clinical revenue $580 million per year excluding VA activity, margin approx. $50M
A Healthcare Revolution Is Underway

- Fundamental change in care delivery and payment models
- Consolidation of providers into mega-systems
- Payments more aligned with value delivered
- Health exchanges have gone live
- Highly integrated networks, with proven care management capability, will be optimally positioned to compete in the new environment
- UCSF must adapt or be marginalized
Public Policy and National Market Dynamics

1. Up to 2 million residents will purchase insurance through California Health Benefit Exchange (Covered California) and the unknown impacts of its accompanying insurance market reforms.

2. Significant expansion of 1.5 million new Medi-Cal enrollees beginning in 2014 that will intensify service demand.

3. Accelerated shift towards Medi-Cal managed care to control costs and achieve better outcomes and cost efficiencies; dual eligible demonstration that creates global payment for entire care continuum.

4. Continued vertical and horizontal market consolidation among providers and purchasers & increased focus on controlling cost and managing risk.

Implications

- Increasingly narrower networks and continued shift towards accountable care, bundled payment and other arrangements that shift risk towards providers.
- Erosion of available commercial margin and clinical revenue for investment.

Payer View

“The more you restrict the patient’s ability to do what they want, you risk reigniting the [managed care] backlash we had in the past”

-David Lansky, NY Times, March ‘2013
## UCSF Health System SWOT – Current State Assessment

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
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<tbody>
<tr>
<td>• Regional leader in select tertiary/quaternary services</td>
<td>• Cost structure</td>
</tr>
<tr>
<td>• Research innovator</td>
<td>• Limited regional primary care</td>
</tr>
<tr>
<td>• Clinical excellence</td>
<td>• Hard to access specialists</td>
</tr>
<tr>
<td>• Capital investment in plant, IT</td>
<td>• Limited access to capital</td>
</tr>
<tr>
<td>• Nascent network development</td>
<td>• Limited population health experience or infrastructure</td>
</tr>
<tr>
<td>• UCSF brand development</td>
<td>• Highly federated governance</td>
</tr>
<tr>
<td>• Trainer of the workforce</td>
<td></td>
</tr>
<tr>
<td>• Nascent ACO experience</td>
<td></td>
</tr>
<tr>
<td>• Regional relationships – getting to scale</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Threat</th>
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<tbody>
<tr>
<td>• Provider consolidation and competition</td>
<td>• New world challenging to our ‘core’ identity &amp; competencies</td>
</tr>
<tr>
<td>• Changing insurance models</td>
<td></td>
</tr>
<tr>
<td>• Regional relationships – getting to scale</td>
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UCSF Health System Options Analysis

1. Stay as We Are
2. Shrink as KP & Sutter Grow
3. Transform & Grow
UCSF Must Continue to Evolve

UCSF Medical Center → UCSF Health System


Service Line Growth | Bridge to Mission Bay | Advancing the Health System
Engagement Objectives and Timeline

This engagement has six objectives:

1. Build a five year clinical strategic plan for UCSF Clinical Enterprise based on broad stakeholder participation
2. Shape and advance an compelling vision for a distinct clinical strategy that engages regional healthcare providers and payers
3. Proactively navigate health reform, care delivery evolution, market change and consumer demands
4. Develop the game-changing organizational structure for a UCSF led Bay Area ACO
5. Integrate clinical, research, and education missions to maintain and extend UCSF’s distinctive identity
6. Define the major program and capital priorities and update UCSFCE’s financial plan to ensure necessary financing

<table>
<thead>
<tr>
<th>Major Issues Addressed in this Engagement</th>
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<tr>
<td>Strategic Alignments with Payers and Employers</td>
</tr>
<tr>
<td>A Greater Continuum of Care to Lower Costs</td>
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Engagement Objectives and Timeline

1. Engage the USCF Leadership to Define UCSFCE’s Vision & Strategic Imperatives
   February - April

2. Engage the UCSF Community to Develop Strategies & Tactics
   May - October

3. Create an Implementation Plan for Success
   October - February

4. Project Oversight & Management; Monthly Steering Committee Meetings
Major Activities of the Engagement

- **External Interviews**: 40+ interviews with leading facilities and medical groups in the region
- **Survey**: Survey of 423 UCSF faculty and medical center leaders on the current state and desired future state for UCSF
- **Retreats**: Two faculty and executive leadership retreats, 130 participants each.
- **Workgroups**: 4 topical workgroups with 8 leaders and 85 faculty and staff members
- **Interviews**: 40+ interviews with faculty and medical center executive leaders
- **Steering Committee**: 22 faculty and executive leaders providing engagement oversight
- **Clinical Enterprise Group**: Core group of leaders responsible for project guidance
The UCSF Health System will provide innovative, high-quality, cost-competitive clinical services, and deliver an unparalleled patient experience across the entire care continuum.
Strategic Priorities:
1. Creating a culture of continuous process improvement (CPI)
2. Developing world class destination programs
3. Establishing a high-value system of care (ACO)
Strategic Workgroups

Build a Culture of Continuous Process Improvement
Led by Drs. Michael Gropper & Ralph Gonzales

Lead in Destination Programs
Led by Drs. Andy Josephson & John Roberts

Develop a Regional ACO
Led by Drs. Josh Adler & Kevin Grumbach

Financial Forecasting & Resourcing
Led by Barrie Strickland & Michael Hindery
Strategic Imperatives:
Achieve a Culture of Continuous Process Improvement (CPI)

1. Establish an environment of CPI that fosters rewarding experiences for UCSF personnel to pursue and sustain outstanding, high-value, patient-centered care
2. Leverage, expand and integrate existing CPI resources and expertise
3. Establish a “Hub for CPI Transformation” that will serve as a central access point, triage, coordination & communication of CPI resources, tools & knowledge to faculty, staff and trainees across the UCSF Health System
4. Identify a UCSF Health System executive to lead the pursuit of CPI and who is accountable for achieving clinical enterprise targets for cost savings and faculty & staff engagement
5. Establish unit-based leadership groups across the UCSF Health System who will be the conduit for CPI
Strategic Imperatives: Lead in Destination Programs

1. Focus T/Q and specialty program growth around the strategic development of established and emerging adult and pediatric Destination Programs
2. Position Programs to compete on value by creating a model for success based on best practices, implementing a standardized approach to improve patient access and care transitions and simplifying access to clinical outcomes and financial data
3. Protect and grow regional market Destination Programs via coordinating regional outreach strategies and establishing magnet services with regional partners
4. Pilot and expand new payment models
5. Aggressively expand the lucrative international patient market, with a focus on the Pacific Rim nations, Middle East & India
Strategic Imperatives: Perform as a High-Value System of Care (ACO)

1. Establish an accountable care organization (ACO) vision of having over one million Bay Area residents receiving high quality, affordable care in patient-friendly environments from a tightly integrated network of premier healthcare providers and institutions within 10 years.

2. Distinguish alliance from competitors through: (1) competitive pricing (2) demonstrated quality, outcomes, and focus on patient experience (3) primary care availability, (4) access to highly specialized care, and (5) level of provider choice.

3. Develop an integrated network of providers and institutions (Members) bound together through a newly formed joint venture.

4. Establish a competitive, transparent pricing structure that delivers value and affordable premiums to purchasers, while distributing incurred shared savings to its members.

5. Build capabilities related to clinical integration and care management, analytics, primary care services, contract management and actuarial functions.
# Enablers of UCSF’s Vision and Strategic Priorities

<table>
<thead>
<tr>
<th>Access &amp; Network Development</th>
<th>Children’s Services &amp; CHO</th>
<th>IS Optimization &amp; Analytics</th>
<th>Post-Acute Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving access to adult health services and programs, approaches to support better physician practice alignment with associates, faculty, foundation and community physicians and developing a robust plan to sustain and grow relationships with hospital systems and other providers.</td>
<td>Building a unified vision for the delivery of healthcare to children across the pediatric clinical enterprise and a strategy and implementation plan for the UCSF Benioff Children’s Hospital San Francisco, Children’s Hospital Oakland and other pediatric clinical enterprise affiliates.</td>
<td>Investing in data systems and analytics capabilities across the enterprise to facilitate population health activities, performance improvement, translational medicine, and risk-based contracting with purchasers.</td>
<td>Offering a comprehensive spectrum of post-acute care services by strengthening internal capabilities, reinforcing a partner network of providers and developing processes to embed these services into population health and care processes.</td>
</tr>
<tr>
<td>Community Engagement</td>
<td>Employee Engagement</td>
<td>Funds Flow</td>
<td></td>
</tr>
<tr>
<td>Engaging community providers and community based organizations and resources to complement and support health system population health activities.</td>
<td>Operating as a true “health system,” driving collaboration and alignment across all operating divisions and all levels of the organization through common goals, processes and incentives.</td>
<td>Optimizing and refining funds flow models to drive clinical growth and aligning ambulatory practice and other strategic practice imperative with funds flow goals.</td>
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Governance Objectives for UCSF Health System Organization

1. Strengthen our ability to act with one voice, marshal the financial and human resources of our entire organization to implement our clinical enterprise strategy as a leading regional health system with multiple campuses and services - and simplify decision making once our course has been set.

2. Strengthen the role of the Chairs in policy making for UCSF Health while also strengthening the role of management in implementing the needed strategies to sustain our clinical, educational, and research missions.

3. Recognize and prepare for the seamless integration of services around the patient and deliver an outstanding patient experience.

4. Ensure accountability at every point of our health care system so that we can execute our strategy forcefully and efficiently.
Management Objectives for UCSF Health System

1. **Strategic Development**
   - Single point of accountability for regional system development
   - Rapid action with respect to program development and innovation, including fast track recruitment

2. **Operational Advancement**
   - Integrated managerial oversight for inpatient and ambulatory to achieve coordinated patient experience & other performance goals
   - Unified Health System approach to fundamentally re-engineer all operations to achieve leaner cost model and higher throughput
   - Unified quality & safety oversight over all clinical services
   - Transparency of performance results

3. **Fiscal Management**
   - Funds Flow Implementation
   - Financial transparency across clinical services, including sources and uses of funds
   - Integrated UCSF Health financial reporting
   - UCSF Health Strategic Capital and Balance Sheet Plan
### Summary of Projected Financial Impact

#### FY 2014-2019 ($M)

<table>
<thead>
<tr>
<th>Category</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits</strong></td>
<td>$208-379</td>
</tr>
<tr>
<td>Continuous Process Improvement</td>
<td>$82-139</td>
</tr>
<tr>
<td>Destination Programs</td>
<td>$84-142</td>
</tr>
<tr>
<td>Accountable Care Organization</td>
<td>$42-98</td>
</tr>
<tr>
<td><strong>Initial Investments</strong></td>
<td>$107</td>
</tr>
<tr>
<td>Operating Investments</td>
<td>$164</td>
</tr>
<tr>
<td>Repurposing Resources (35%)</td>
<td>($57)</td>
</tr>
<tr>
<td><strong>Net Impact</strong></td>
<td></td>
</tr>
<tr>
<td>Net Operating Impact of Strategic Initiatives</td>
<td>$187</td>
</tr>
<tr>
<td><strong>Capital Investments</strong></td>
<td>$209</td>
</tr>
</tbody>
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**Note:** Figures may not add due to rounding.
UCSF Health System – Investments in Organizational Capacity

**UCSF Health System Capabilities**

- Business & Network Development
- Risk Contracting
- Physician Services Management
- Population Health Management
Principles for UCSF Strategic Plan Implementation

1. Unified Direction – We are one organization and therefore must prioritize our collective needs over individual gains.

2. Transparency – We all gain when we have visibility into our progress against agreed upon strategies and objectives, and one understanding of our operating and financial performance.

3. Empowerment – Individuals and teams at all levels of our organization can and must contribute to our transformation.

4. Accountability – We are all accountable to each other for executing against this plan.
UCSF VISION 2020: The UCSF Health System will provide innovative, high-quality, cost-competitive clinical services, and deliver an unparalleled patient experience across the entire care continuum.

Innovator in the delivery of complex care
Accountable Care Partner
Next Generation Educator
Leader in Precision Medicine
Engaged Deeply with Community

Organized as a highly aligned UCSF Health System
Transformed through continuous process improvement
Distinctive through research and innovation