The “Dual Member” Model:

An Innovative Strategy for Reconfiguring Provider Relationships within AMCs

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Motivation for "Dual Member" Model

The "Dual Member" model was developed in response to widespread changes in health care that require AMCs identify a means to achieve greater alignment with clinical faculty/ physicians and others to work together as partners to share risk and improve patient care:

Rapid Provider Consolidation	Non-AMC providers are gaining the size and strength to drive market dynamics and negotiate on equal footing with insurers; AMCs will require partners to maintain relevance in their markets as others grow and evolve.
Changing Payment Structures	Emerging payment arrangements include financial and performance accountability for episodes of care, requiring greater alignment and coordination among providers along the continuum to achieve shared savings.
Shift Toward Population Health	AMCs which are not aligned with others along the continuum and well positioned to be a principal contracting entity for population risk contracts are likely to become "commodity" providers in their markets.
Shift from Hospital to Market Orientation	AMCs will have to exercise influence over broader total markets to reach a large enough population and drive enough inpatient volume to support historical investments in facilities and technology or face economic difficulty.
Downward Economic Pressures on Providers	Payments of all types are expected to decline; AMC cost structures (typically 10-20% higher than competitors) are not sustainable and AMCs will need to align to reorient the site of care to more cost effective settings over time.

Goals of "Dual Member" Model

The "Dual Member" model is an adaptive structure used to align and balance the interests of clinical faculty, university/teaching hospitals, and medical schools and create structures that are inclusive of community physicians and hospitals in order to:

- Create Unified Practice Organization
- Improve Competitive Position
- Create Common Brand
- Improve Commercial Insurance Relationship
- Improve Clinical Integration
- Create Governance Alignment
- Create Economic Alignment
- Increase Profitability of Hospital
- Increase Total Dollars in the Enterprise
- Create Effective Leadership for All Three Missions

- Create Essential Structure for Health Reform
- Attract New Faculty & Private Practice Physicians
- Eliminate Unproductive Transactional Efforts
- Mitigate Regulatory Limitations
- Enhance Commitment to Academics
- Improve Clinical Education
- Expand Potential for Academic and Research Funding
- Enhance Recruitment of Residents

Candidates for "Dual Member" Model

Those most likely to benefit from implementation of the "Dual Member" Model include:

- ✓ The estimated 50% of university and major teaching hospitals that **currently lack clinical *and* economic alignment** with their clinical faculty.
- ✓ AMCs **with no singular hierarchy or authority** overseeing the Medical School and its affiliated University Hospital or Major Teaching Hospital.
- ✓ AMCs that do have a singular hierarchy but **want to rework how their Medical School, Hospital and Faculty Practice Plan work together.**
- ✓ AMCs that are **currently aligned with their faculty but under outdated agreements** that did contemplate reform or the major shifts in health care that have since followed.

Major Shifts in Health Care		Implications for Academic Affiliation Agreements
Movement away from fee-for-service to global payment structures	→	Requires reconfiguration of funds flow to meet new aggregate payment models
Threats to historical sources of revenue (e.g., IME, GME) that support funds flow	→	Demands new productivity models for faculty and a culture focused on discriminating use of costly diagnostics
Value-based reimbursement arrangements	→	Requires fundamentally different incentive structures that positively impact quality, cost & readmissions
Growing emphasis on population health management and mitigating risk	→	Requires greater focus on the total patient experience, from prevention to post acute care

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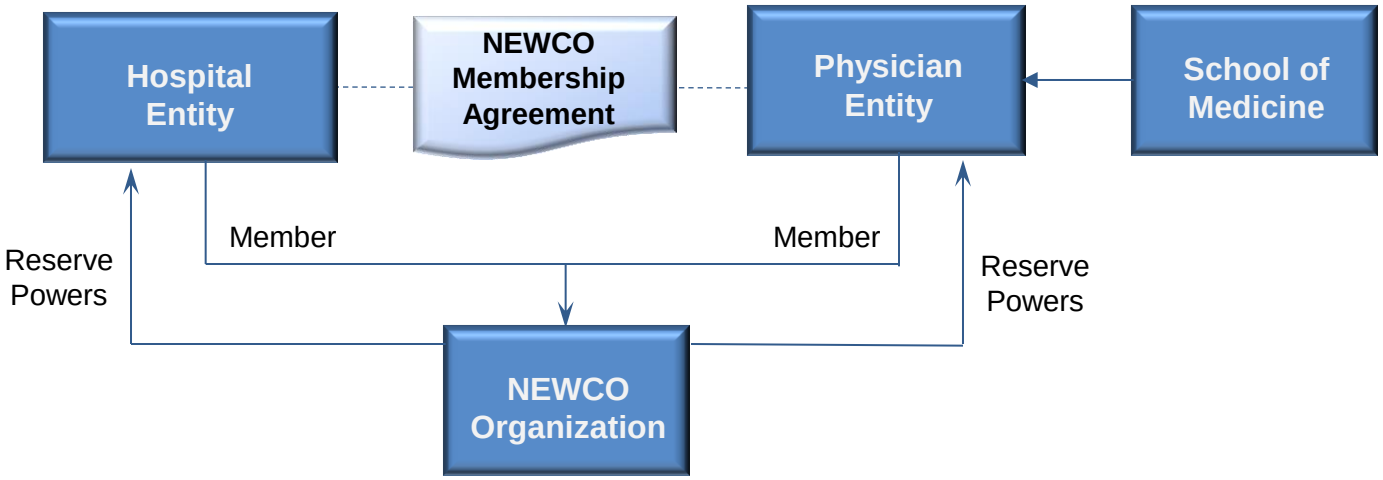
Basic "Dual Member" Structure

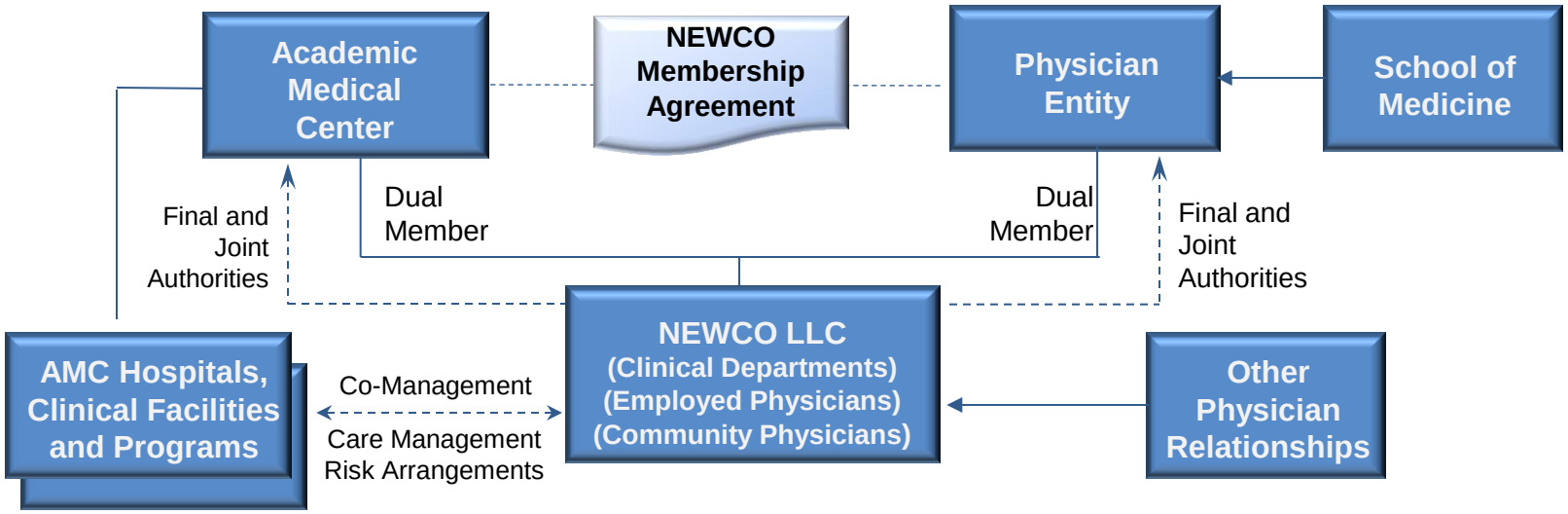
The basic components of the "Dual Member" Model are reflected in the diagram below. The structure is intentionally designed to create a long-term balance between the interests of the Hospital, Faculty/Physicians and School of Medicine.



- A NEWCO organization is established as a "dual member" Limited Liability Company.
- The primary foundational document is a "Membership Agreement" with various critical sub agreements between its two Members.
- Members retain certain reserve powers related to governance, mission, organization, operations and finance.
- The legal structure and the Membership Agreement replace substantial portions or all of the existing academic affiliation agreement (if one exists) between the Members.

Physician "Dual Member" Structure

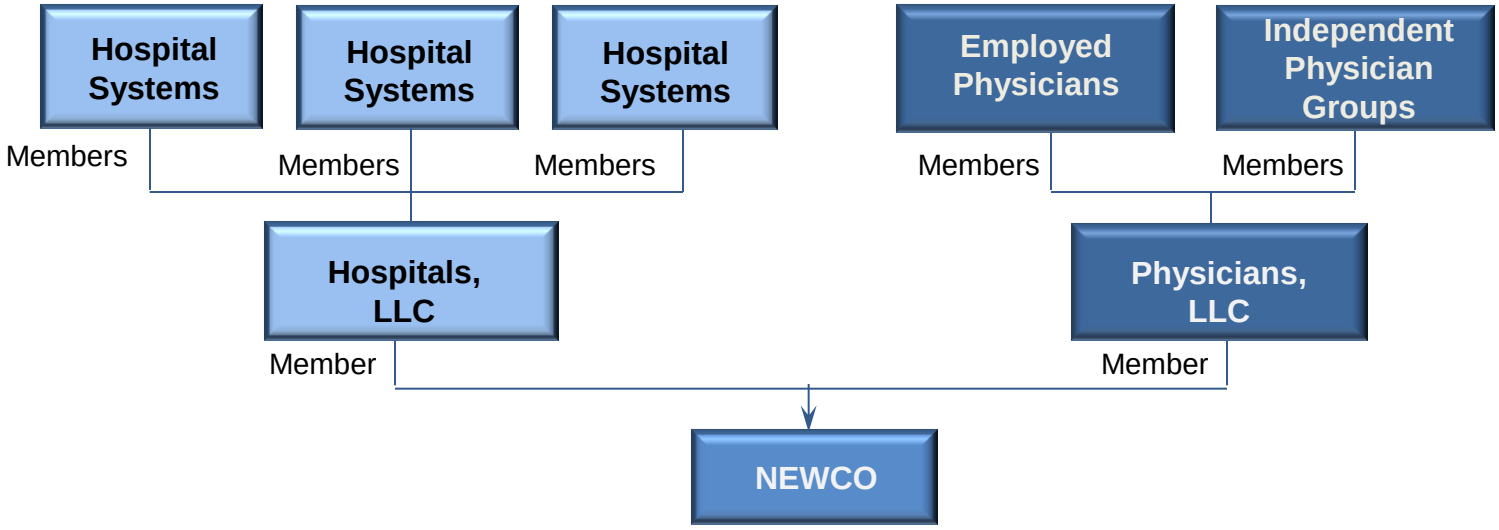
The "Dual Member" model is adaptive and intended to be inclusive. This version aligns the AMC with clinical faculty and community physicians through one physician entity for purposes of entering into risk contracts and population health management activities.



- This model aligns the interests of institutions and physicians as engaged partners with clinical and economic interdependencies to effectively compete in a shared risk environment.
- It incorporates the principles of co-management and calls for the parties to establish a mechanism by which they will enter into risk arrangements together.
- As in the previous model, Members hold certain reserve powers or authorities that bring a long-term balance to the relationship.

ACO "Dual Member" Structure

A third adaptation of the "Dual Member" Model is provided below. This version accommodates employed and independent physicians, as well as owned and independent hospitals, in a clinically integrated accountable care organization.



- This model can accommodate multiple systems and physician partners.
- It serves to align member efforts to improve patient care and care management.
- The primary focus is risk contracting, including total cost of care risk contracts.
- Serves as a nimble approach to effectively compete with other large, complex organizations.

Critical Issues to Address for Your AMC

Critical issues to address in developing a "Dual Member" model that meets the specific requirements and unique circumstances of your AMC include:

- ❑ Legal structure and "final authorities"
- ❑ Practice governance structure
- ❑ Practice management structure
- ❑ Compensation and benefits
- ❑ Shared incentives among physicians
- ❑ Expectations for clinical productivity
- ❑ Distribution of faculty time between clinical and academic activities
- ❑ Economic model
- ❑ Operating standards and practices
- ❑ Faculty status of physician members
- ❑ Practice structure vs. academic department structure
- ❑ Academic and clinical leadership
- ❑ Clinical, financial, and academic oversight
- ❑ Education mission of practice
- ❑ Clinical research mission of practice

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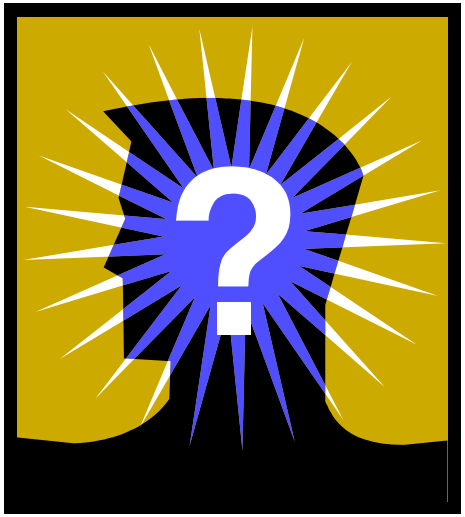
Interested in Learning More?



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