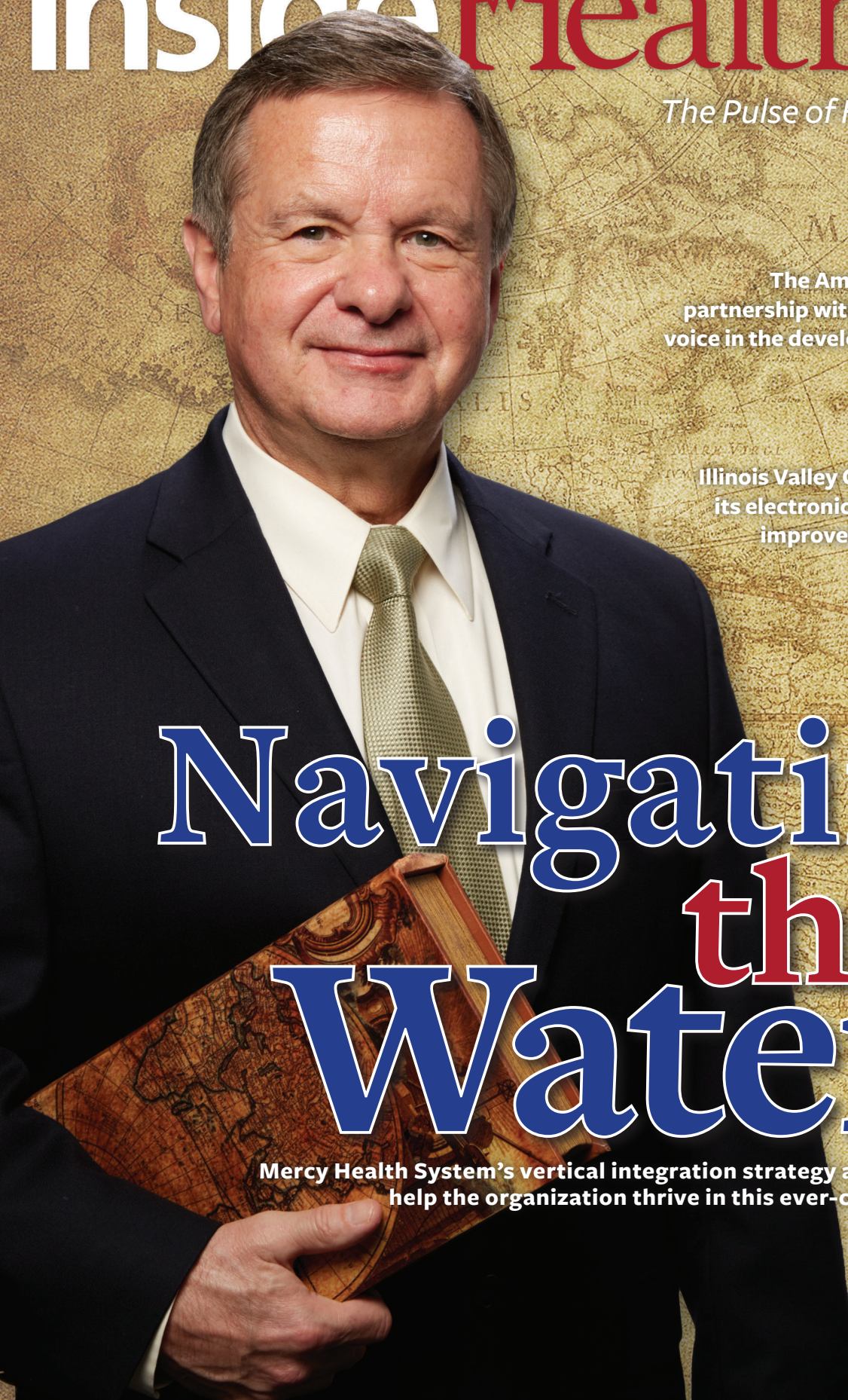


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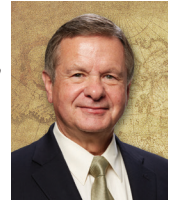
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Mercy Health System's vertical integration strategy and recent merger help the organization thrive in this ever-changing industry.

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“We’re not competing with ourselves, and that is what many of these [organizations] are doing.” **JAVON BEA, PRESIDENT/CEO**



Javon Bea has been Mercy Health System's president and CEO for more than 25 years.



Navigating the Waters

Mercy Health System's vertical integration strategy and recent merger are helping the organization thrive in this ever-changing industry. *By Chris Petersen*

Serving communities in southern Wisconsin and northern Illinois for more than 130 years, Mercy Health System has witnessed a lot of changes in the healthcare industry. President and CEO Javon Bea says the organization continues to stand at the forefront of the industry by ensuring that its hospitals and other healthcare facilities and services navigate the waters of the ever-changing industry and provide the best possible care to the communities it serves.

Bea's compass has long been pointing in the right direction. As Mercy's president and CEO for over 25 years, Bea has overseen the company's incredible transformation from a single stand-alone hospital location averaging 89,000 patients a year to the extensive modern healthcare network it is today. In addition, he has over 20 years of consulting experience helping healthcare organizations develop physician/hospital partnerships.



To better manage costs, Mercy is focusing more on preventative care and engaging with the community in a proactive manner.

Last year, Mercy Health System merged with Rockford Health System in Rockford, Ill., creating a regional powerhouse with 8,000 employees and nearly 900 employed physician/partners serving more than 2.1 million patients annually, gross revenues of \$2.3 billion and net revenues of over \$1 billion.

Bea says the merger with Rockford Health System has been a tremendous benefit to patients throughout the 40 plus communities they serve along the Illinois-Wisconsin border, but it is not the only way in which the organization has readied itself for the future of healthcare. He says it continues to be on the forefront of industry changes, and the network's vertical integration is a primary driver of its success in doing so. As regulatory and population trends continue to make their impacts felt on the healthcare world as a whole, the organization continues to strive to meet the high standards it sets for itself and provide the best possible care for its patients.

Big Changes

The two biggest trends driving changes in the healthcare sector today are the aging of the U.S. population and the Affordable Care Act, Bea says. Forecasts show that the population of Americans aged 65 and older is expected to grow by nearly 75 percent within the next several years, and Medicare and Medicaid have already seen significant expansions in the number of patients covered. Bea says he expects Medicare patients will account for more than half of the organization's patient population within the next five years.

On top of the aging population, the changes to reimbursement created by the implementation of the Affordable Care Act have shifted the landscape in such a way that healthcare providers have to alter their thinking if they want to continue serving their patients, according to Bea. "The Affordable Care Act has brought about more patients with less reimbursement, and health systems – if they are

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SPOTLIGHT

Mercy Health System



Mercy aims to engage the community to promote healthy eating habits and exercise, to reduce the number of patients who suffer heart attacks.

smart – are transforming the way they provide care,” he says.

Hospitals and healthcare systems need to reduce costs to survive, and Bea says that has meant changing their focus from a volume-based system to a value-based system concentrating more on preventive care and engaging with the community in a proactive manner. Bea says this approach means healthcare providers are spending more time and effort across the entire continuum of care rather than concentrating on serving patients when care is at its most invasive and expensive.

For example, engaging the community to promote healthy eating habits and exercise will reduce the number of patients who suffer from heart attacks, which reduces the number of patients

who need emergency and intensive care services. Bea says by proactively managing its most vulnerable chronic patients, we can keep them out of the emergency room. “Chronic diseases consume so much of the healthcare dollar,” he says.

Aligned Goals

This is where Mercy’s vertical integration becomes even more valuable than it was in the past. “Because we incorporate so many facilities across the entire continuum of care – hospitals, clinics, post-acute and retail services, homecare and hospice, and a wholly-owned insurance company – it is easier for the network to proactively manage patients’ care before they need to be admitted to the hospital.” Bea adds, “Our integrated pre-hospital ambulatory settings allow the network to provide proactive care to patients in the least-costly model available.”

Mercy’s vertical integration stands in stark contrast to the way in which

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many providers are attempting to react to the shift toward preventive care models. Bea says he has noticed many providers try to expand their services across the continuum of care by contracting with other providers. The flaw in this system is that, in many cases, those combined providers still have their own separate cost structures, which does not mesh well with Medicaid and Medicare payment structures.

Thanks to Mercy's vertical integration, however, the organization's services are all aligned in one cost structure, allowing the providers to focus on delivering care rather than navigating payment structures.

"We don't have any incentive as a system to bring the patient into the hospital," Bea says. "We're not competing with ourselves, and that is what many of these [organizations] are doing."

Through its vertical integration, they operate under what Bea describes as an inverted organizational struc-

"Our pre-hospital ambulatory settings allow the network to provide proactive care to patients."

ture, where the physicians and nurses are the value producers supported by the management and administration teams. Bea says they have aligned incentives for their primary caregivers to ensure proactive care is being delivered. Their wholly-owned and operated insurance company completes the vertical integration structure

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SPOTLIGHT

Mercy Health System

and provides the network with the infrastructure needed to align everything.

“When an organization has their own insurance company and the systems in place to mine data, develop standards of care, and monitor patients, it all flows from a managed care infrastructure, something we’ve had in place for the last 20 years,” Bea says.

Combined Strengths

Mercy’s success in navigating the waters created by the Affordable Care Act and other trends has been remarkable on its own, but the network took another big step in January 2015 with its merger with Rockford Health System. “It was really fantastic, in the sense that our geographies are contiguous,” Bea says.

Bea says the merger strengthens both systems for the future. Rockford Health System gains Mercy’s experience managing multi-specialty physician group practices and advanced physician and clinical protocols that benefit patients, provide system stability and position the organization for success under an ACO model of care. Merging with Rockford Health System provides Mercy with expertise in neonatal and pediatric care that it didn’t have due to the size of its patient base. Rockford Health System features the region’s only Level III (highest level) Perinatal Intensive Care Unit as well as the region’s only Pediatric Intensive Care Unit.

Furthermore, the scope of Rockford’s service covers an additional 15 counties – from the western edge of the Chicago metropolitan area to the Iowa border – because of their extensive referral base for specialty services. Bea says the merger creates a contiguous geographic territory that will allow both networks to share information and resources with significant ease and provide better care for patients.

The merger has meant a lot for the immediate future of Mercy and Rockford, and Bea says the combined organization is looking forward to meeting the challenges of the changing industry and navigating the waters to greater success in the long term. +

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