

NEWS RELEASE

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AN ACO TAKES ROOT IN SAN FRANCISCO

*Pilot Builds on Success in Sacramento; Includes One of Nation's
Top Health Systems and One of Nation's Top 10 Medical Centers*

SAN FRANCISCO, CA – March 2, 2011 – A new Accountable Care Organization (ACO) took root in San Francisco this week with the approval of an employee benefits agreement between the City and County of San Francisco (CCSF) and Blue Shield of California. The ACO program, led by Hill Physicians Medical Group, St. Mary's Medical Center and Saint Francis Memorial Hospital of Catholic Healthcare West (CHW), and UCSF Medical Center, will be available to active employees, retirees and dependents of the city and county who choose the Blue Shield HMO plan during the April open enrollment period.

“This builds on success, while also being uniquely San Franciscan,” said Steve McDermott, CEO of Hill Physicians. “We’ve shown that independent physicians and community hospitals can coordinate high-quality care around an individual’s health, creating a smoother experience for the member before, during and after a hospital stay. Now, we’re taking that ACO coordination to the next level by extending our CHW partnership through its San Francisco hospitals and including the nationally recognized strengths of UCSF Medical Center.”

“We’ve shown through our partnership with Hill Physicians in the Sacramento area that a coordinated care model involving top physicians and hospitals, working closely to achieve clinical integration, can result in a comprehensive, patient-centered care experience,” said Bill Hunt, executive vice president/chief operating officer for CHW. “We’re pleased that St. Mary’s Medical Center and Saint Francis Memorial Hospital are joining Hill Physicians and UCSF in bringing this enhanced care experience to San Francisco.”

In 2009, CHW, Hill Physicians and Blue Shield launched an ACO pilot in Sacramento to serve more than 40,000 California Public Employees’ Retirement System (CalPERS) members. Results from the first year of the pilot showed impressive increases in clinical measurements and cost management, and generated anecdotal feedback from members who felt more actively engaged with their doctor and their own health. The collaboration has succeeded in preventing premium increases, and has achieved an estimated 22 percent reduction in hospital re-admissions and \$20 million in savings. The program in San Francisco is expected to benefit from the lessons of the Sacramento pilot, but also will be tailored to meet the needs of the CCSF population.

The collaboration among Hill, CHW and UCSF creates a similar “virtual integrated model” of care, in which all three organizations are aligned to improve quality, cost and service to employees of CCSF. This ACO is one of the few in the nation – and the only one in northern California – that includes an academic medical center.

“Collaborating with our community partners on a new care model aligns well with UCSF’s goals of finding new ways to improve the quality and cost-effectiveness of care, while increasing patient satisfaction,” said Jay Harris, chief strategic planning officer for UCSF Medical Center. “This approach is a perfect example of the innovative approaches that cities and health plans must take to make health care more affordable without compromising quality.”

Discussions about forming an ACO in San Francisco began picking up steam last fall as the City’s Health Service System began seeking ways to take unnecessary costs out of its healthcare coverage. At the same time, preliminary results from an ACO established by Blue Shield, CHW and Hill Physicians in the Sacramento area began showing encouraging results.

In part due to these provider collaborations, Blue Shield was able to hold premiums for CCSF enrollees to a zero percent increase.

Approximately 100,000 active employees, retirees and dependents across northern California obtain medical coverage through the City’s Health Service System, with about half residing in San Francisco. Enrollees in the City’s Health Service System who select the Blue Shield HMO plan and then choose Hill Physicians – San Francisco for their medical group will be automatically enrolled in the ACO.

ACOs are a key component of creating a more efficient healthcare system, as envisioned the Patient Protection and Affordable Care Act of 2010. Healthcare organizations, as well as doctors and hospitals, are encouraged to reach beyond their own organizations to build clinically driven processes that enhance the patient experience at every stage of care. As unnecessary costs are curtailed and outcomes improve through this coordination, the providers within the ACO are able to share savings.

Clinical coordination is expected to include a number of initiatives, including an emphasis on prevention and chronic disease management, both of which can lessen the need for, and cost of, multiple acute care hospitalizations. Over the past few years, Hill Physicians has addressed this need with predictive modeling, preventive care reminders, an expanded team of registered nurses for case management, a post-discharge “welcome home” program, pharmacy consultations, nutritional counseling, web-based practice support and an advanced auto-authorization system that expedites most medical service requests. The presence of these

capabilities at the medical group level can help coordinate care across multiple hospitals and their extensive resources.

CHW's Saint Francis Memorial Hospital and St. Mary's Medical Center are long-standing, premier providers of healthcare services throughout San Francisco and the neighboring North, South and East Bay communities. The healthcare needs of these communities are well served through their Cardiovascular, Oncology, General Surgery, Orthopedic/Spine Care, Occupational Health and Acute Rehabilitation Centers of Excellence, and the outstanding physicians who are affiliated with the medical centers. Saint Francis Memorial Hospital's renowned Bothin Burn Center serves as one of only three certified Burn Centers in northern California.

UCSF Medical Center, which includes the UCSF Benioff Children's Hospital, is a world leader in health care, known for innovative medicine, advanced technology and compassionate care. Its expertise covers virtually all specialties, including cancer, heart disease, infertility, neurological disorders, organ transplantation and orthopedics, as well as special services for women and children. UCSF Medical Center has been ranked by *U.S. News & World Report* among the nation's top 10 premier hospitals for 10 consecutive years.

The building blocks for the ACO began to form in 2009 when UCSF Medical Group announced it would affiliate with Hill Physicians, which had practices in the city since 1995 and strong relationships with Saint Francis Memorial Hospital and St. Mary's Medical Center, members of CHW. Over the past two years, several hundred more physicians have joined Hill, which is now the largest independent physician network in San Francisco. "Everything came together," said McDermott. "Independent doctors. Community hospitals. The involvement of UCSF. Now, the ACO agreement aligns our incentives and enables us to collectively organize services around our members."

The city holds its annual open enrollment period in April, with 2011-2012 coverage taking effect in July.

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