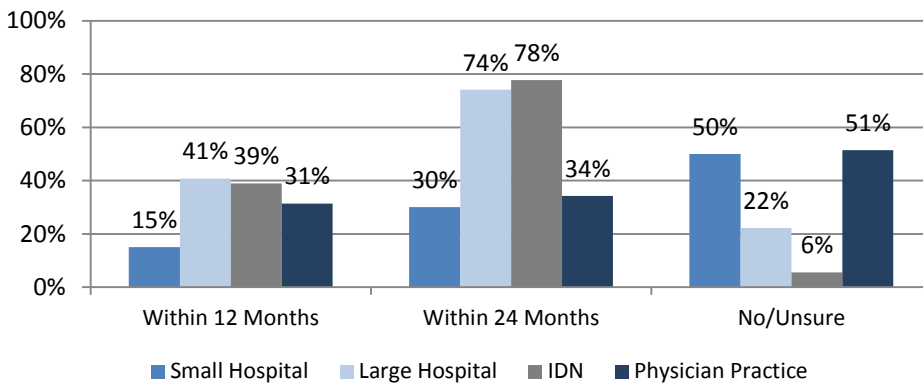


Study Summary Report: Provider Plans for Payment Bundling

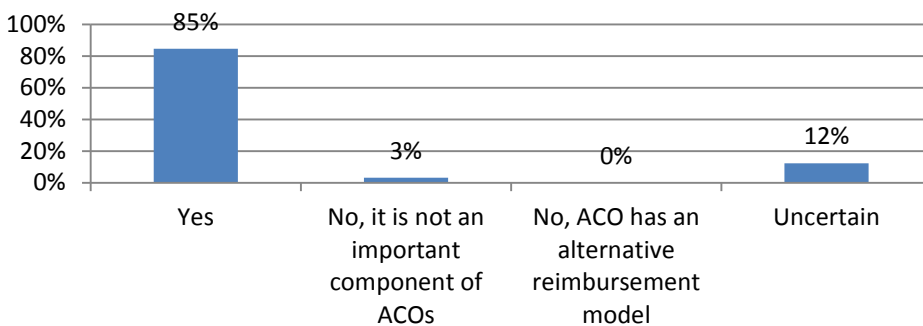
Gantry Group recently completed a quantitative online survey with U.S. hospitals, IDNs and selected specialty physician practices to assess interest in and perceptions of Payment Bundling. A 24-question survey was administered to a total of 90 participants, including 20 small hospitals (125 – 250 beds), 27 large hospitals (250+ beds), 18 IDNs, and 35 specialty physician practices (with 5 or more Physicians). Participants were qualified for their familiarity with their organization’s contractual negotiations with Payers, reimbursement policies, and considerations for payment reform.

Payment Bundling Adoption



While overall only 12% of Providers are adopting Payment Bundling today, 32% plan to adopt within the next 12 months and 52% within the next 24 months. IDNs and Large Hospitals will be the early adopters of Payment Bundling. Within 12 months, 41% of Large Hospitals and 39% of IDNs will support Payment Bundling to some extent. And within 24 months, 74% of Large Hospitals and 78% of IDNs will support Payment Bundling.

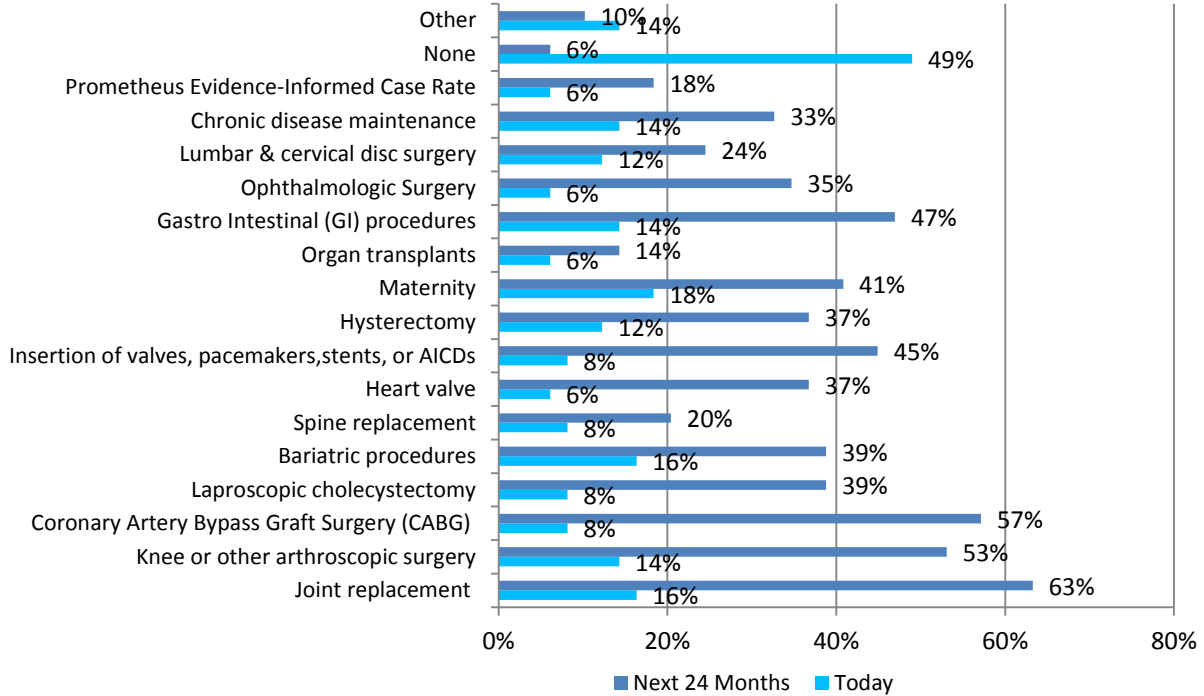
Transformational Component for ACOs



The vast majority of all Provider segments believe (80% - 94%) that Payment Bundling is a stepping stone toward ACO transformation. Believing that the government will ultimately mandate Payment Bundling (72%), most Providers prefer to gain familiarity with this new payment mechanism sooner rather than later.

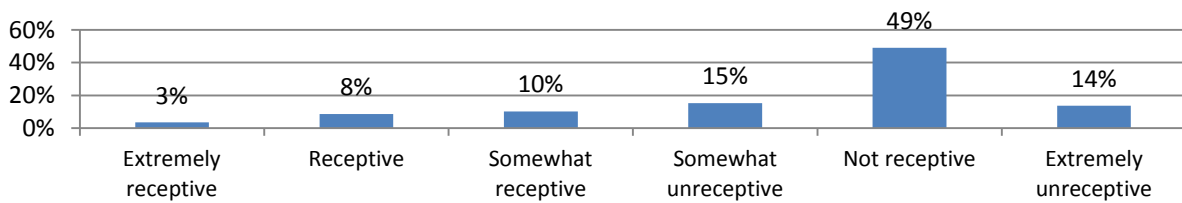
Today, about half (49%) of Providers aren’t doing Payment Bundling for any care episodes. In the next 24 months there is strong movement to implement Payment Bundles for Joint Replacement (63%), CABG (57%), Knee Surgery (53%) and GI procedures (47%). IDNs will apply Payment Bundling the most broadly.

Care Episodes Earmarked for Payment Bundles

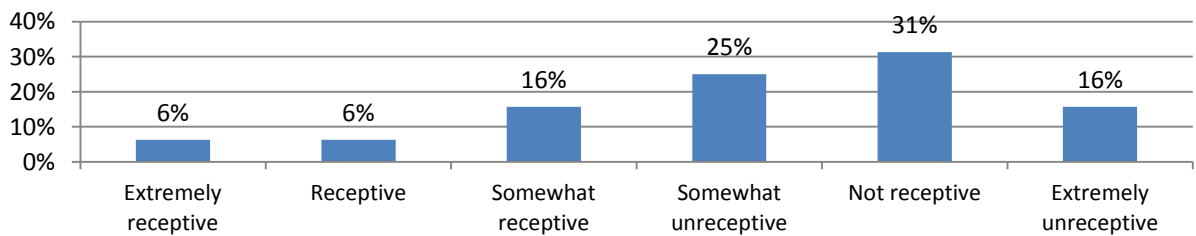


Providers are quite mixed as to which organization should own the administrative responsibility for Payment Bundle distribution to all constituents who provided service for the care episode. A dilemma exists: Physicians are not receptive (72%) to Hospitals owning administrative responsibility for Payment Bundle distribution. And Hospitals are not receptive (78%) to Physician practices owning administrative responsibility for Payment Bundle distribution.

Hospital Receptivity to Physician Practice Owning Admin Responsibility

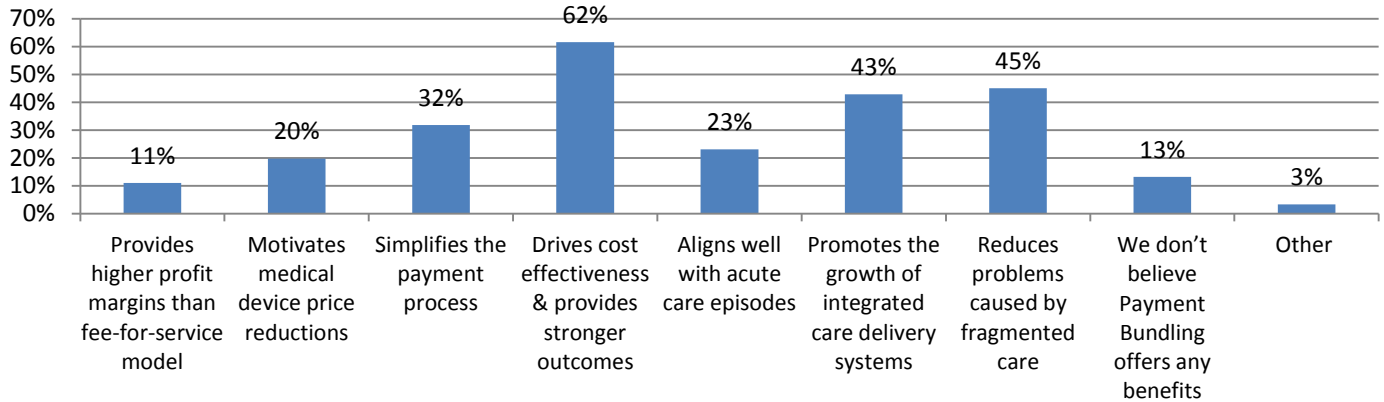


Physician Receptivity to Hospital Owning Admin Responsibility



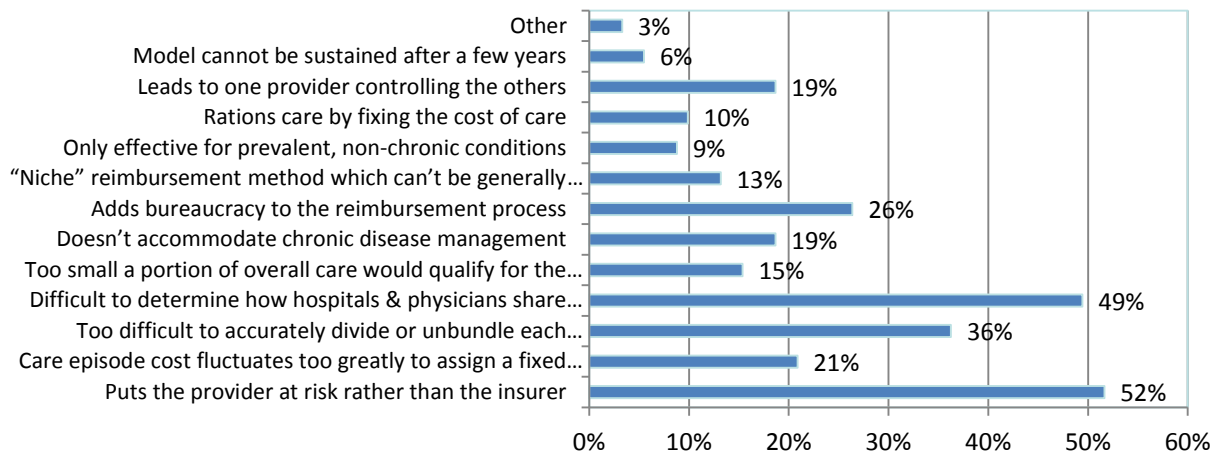
Foremost, Providers believe that Payment Bundling drives cost effectiveness and provides stronger outcomes (62%). Both large and Small Hospitals (77%/47%) want to drive cost effectiveness and stronger outcomes, as well as reduce problems caused by fragmented care (54%/47%). IDNs (75%) and Physicians (50%) primarily wish to drive cost effectiveness & stronger outcomes, as well as reduce problems caused by fragmented care and promote integrated care delivery.

Payment Bundling Benefits

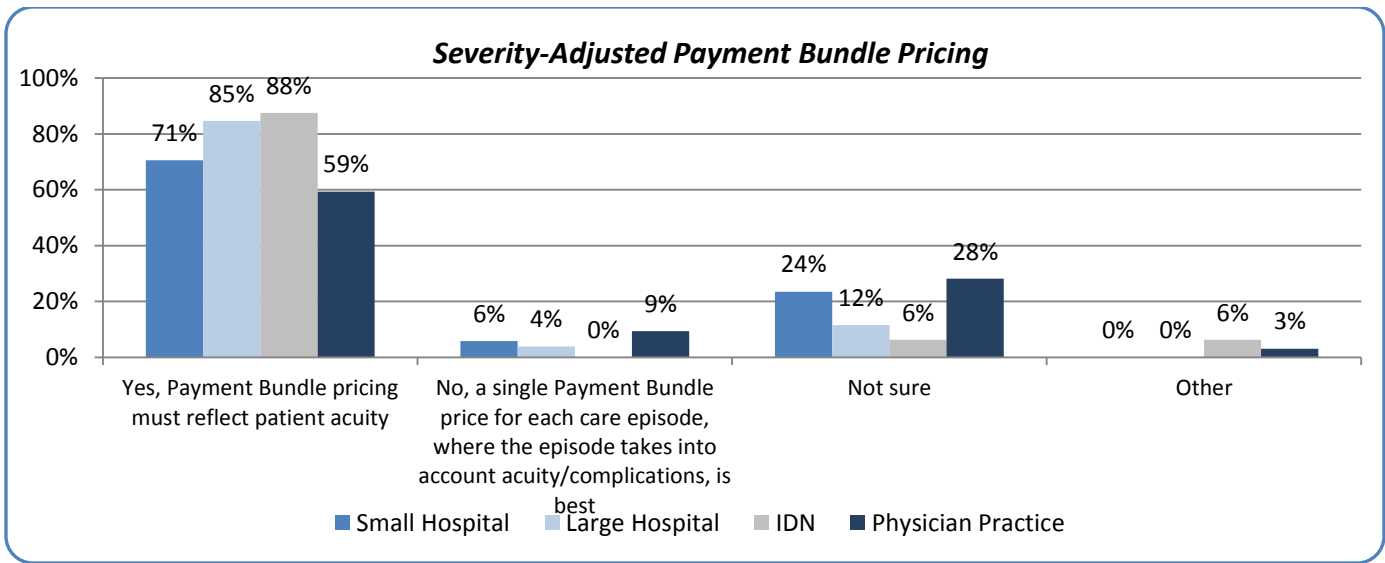


Providers overall don't like being at risk (52%) and feel it is difficult to determine how Hospitals and Physicians share gains/losses (49%). Both /Large (50%) / Small (71%) Hospitals worry about how hospitals & physicians share gains/losses. Small Hospitals are particularly concerned about assuming risk (65%). Physicians prefer the Payer to be at risk rather than their practices (59%). IDNs' concerns are all related to payment distribution and transferred risk.

Payment Bundling Disadvantages



All Provider segments strongly believe that Payment Bundle pricing MUST reflect patient acuity.



Gantry Group is an independent strategic marketing and research company that specializes solely in the healthcare market. Gantry conducts market research with all healthcare constituencies to expose healthcare strategies, trends, challenges, and consequences of healthcare reform.