

connected▶health



Simplifying Health Care

ACOs, Exchanges and Narrow Networks: Risks and Rewards

Ann Mond Johnson and Brian J. Silverstein, MD

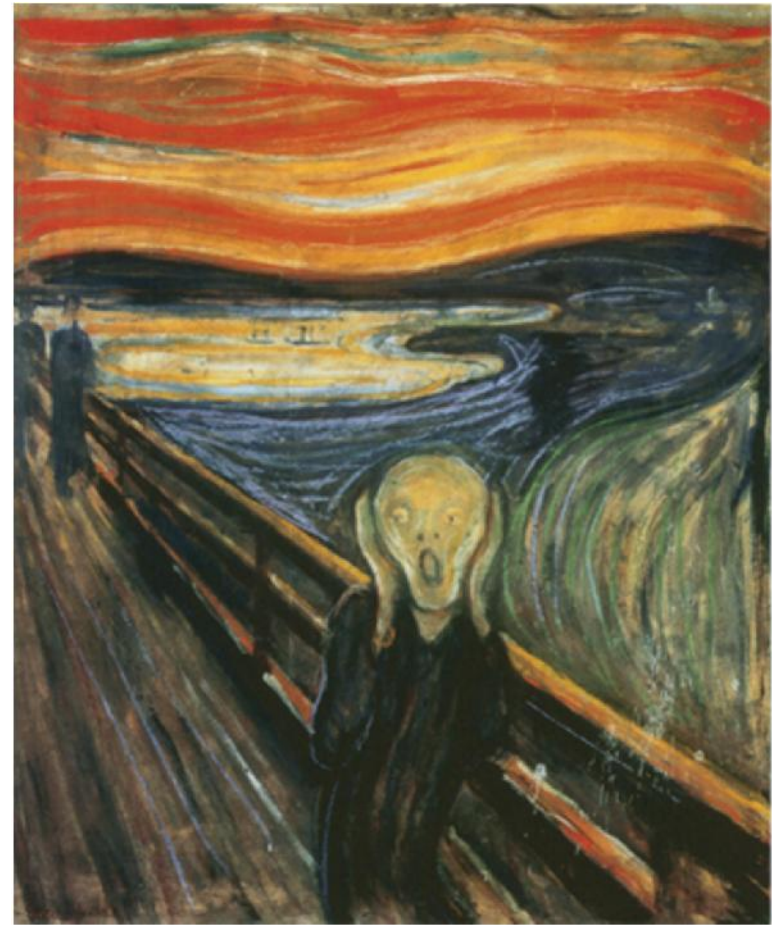
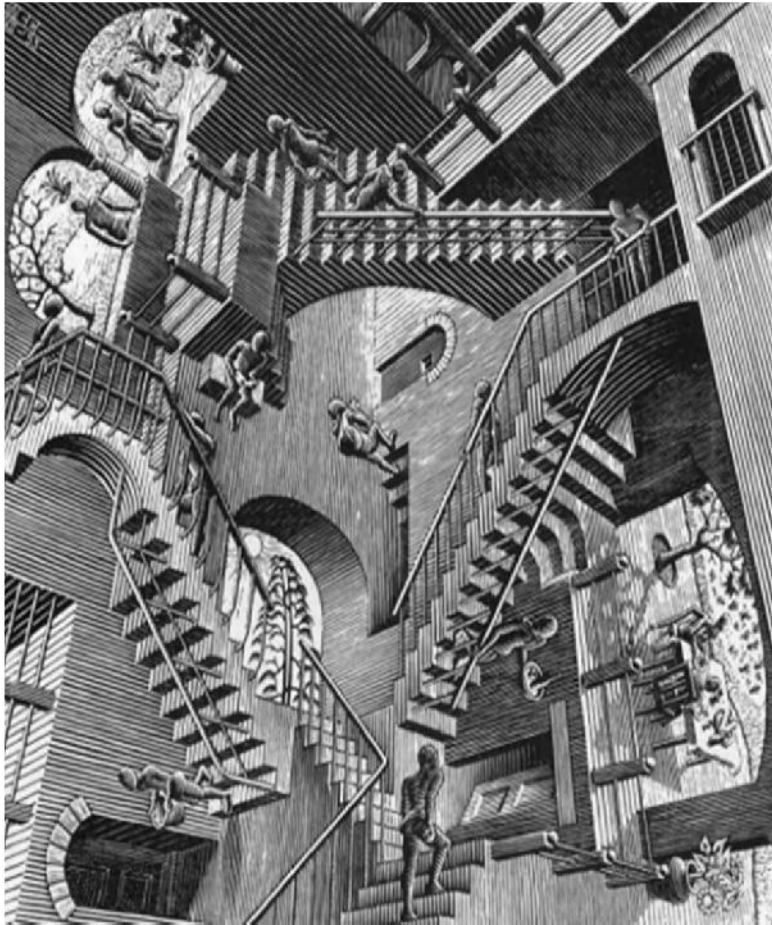
April 2015

TOPICS

- Mindset and expectations of consumers
- Why change? What's happened?
- Private exchanges
- Going from here to there

MINDSET AND EXPECTATIONS OF CONSUMERS

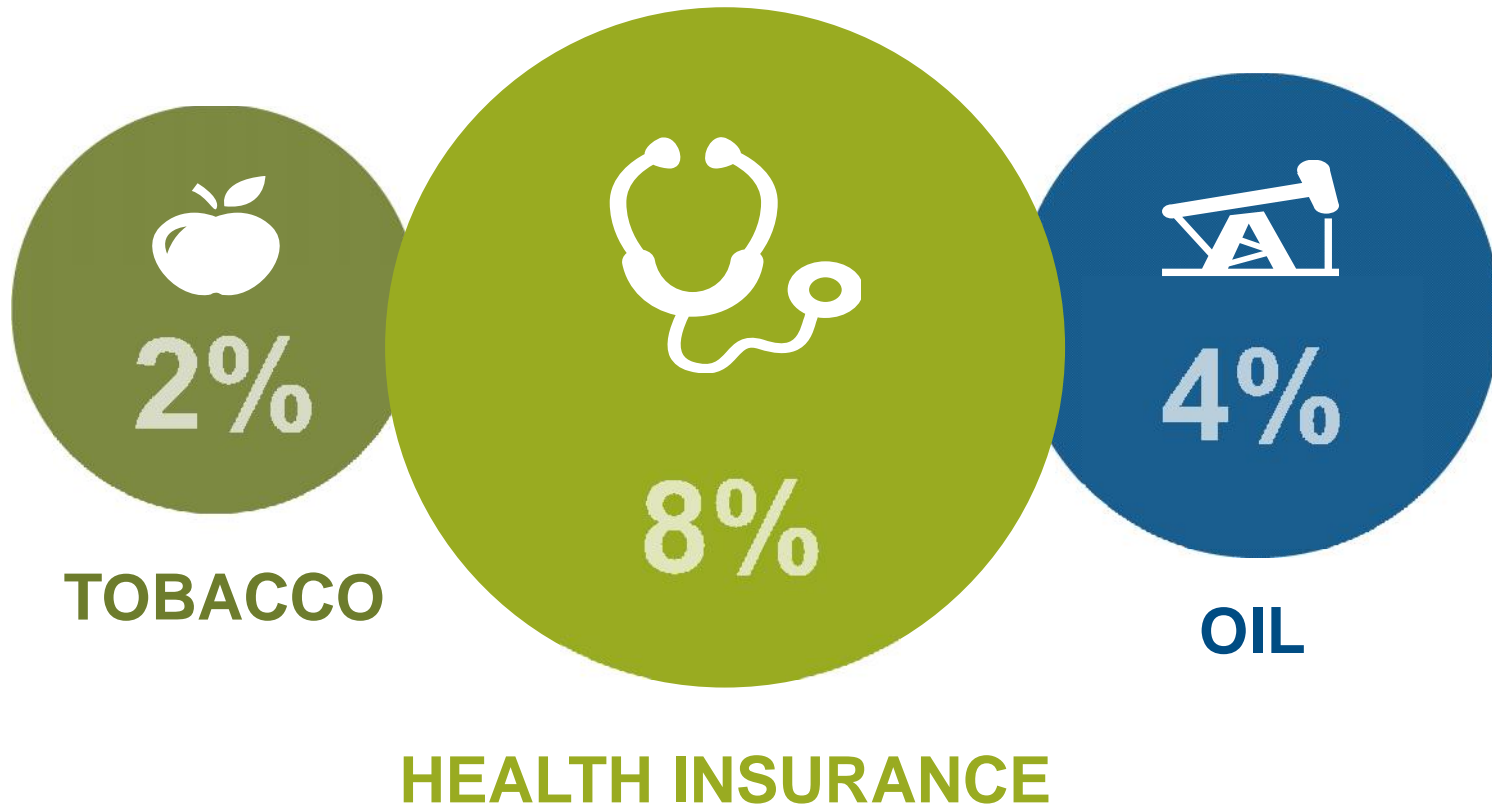
PEOPLE CONFUSED AND FRUSTRATED



Source: Maddock Douglas, 2011

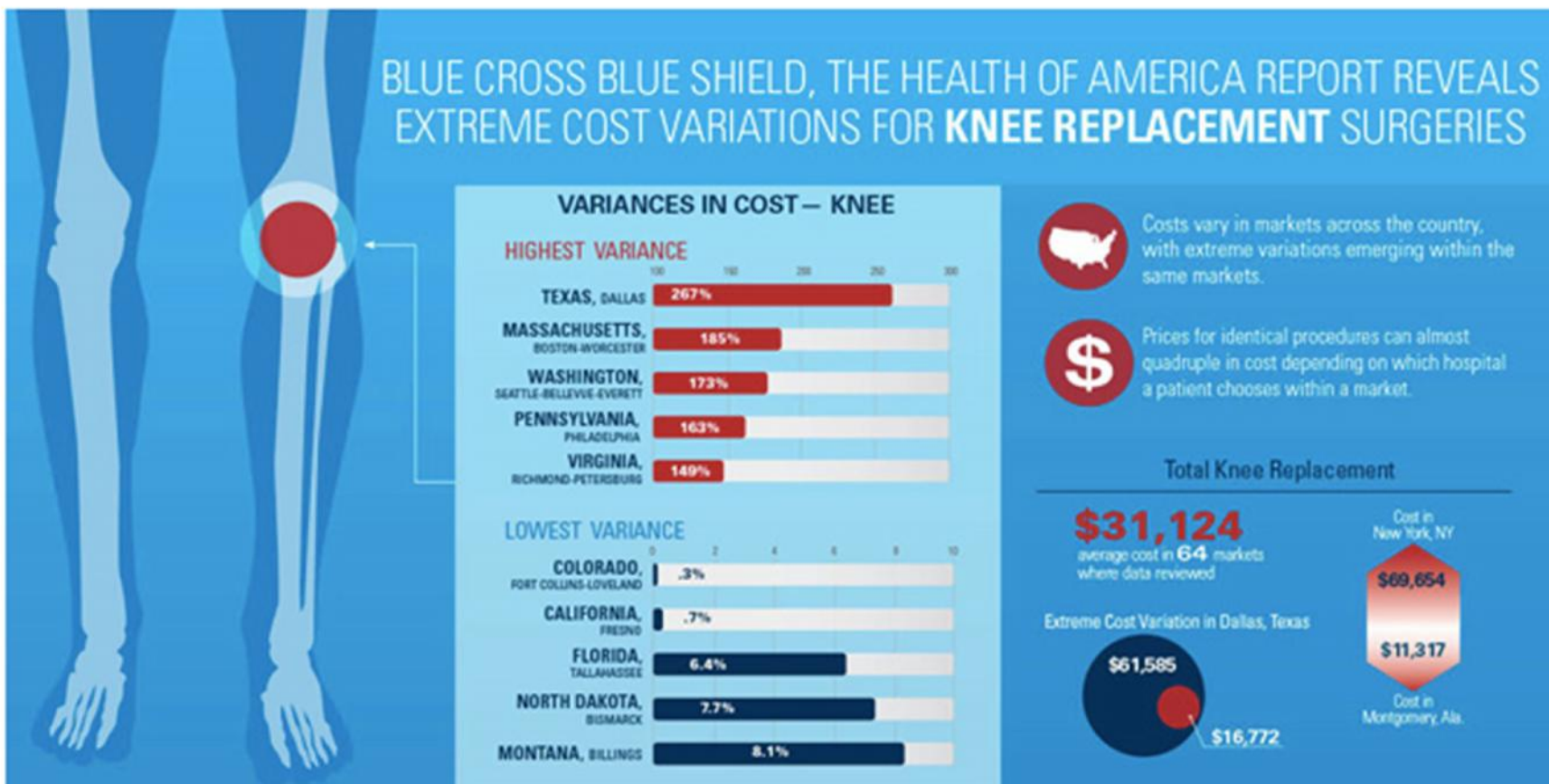
TRUST LEVEL IS LOW FOR INSURANCE INDUSTRY

INDUSTRIES **LEAST** TRUSTED BY CONSUMERS



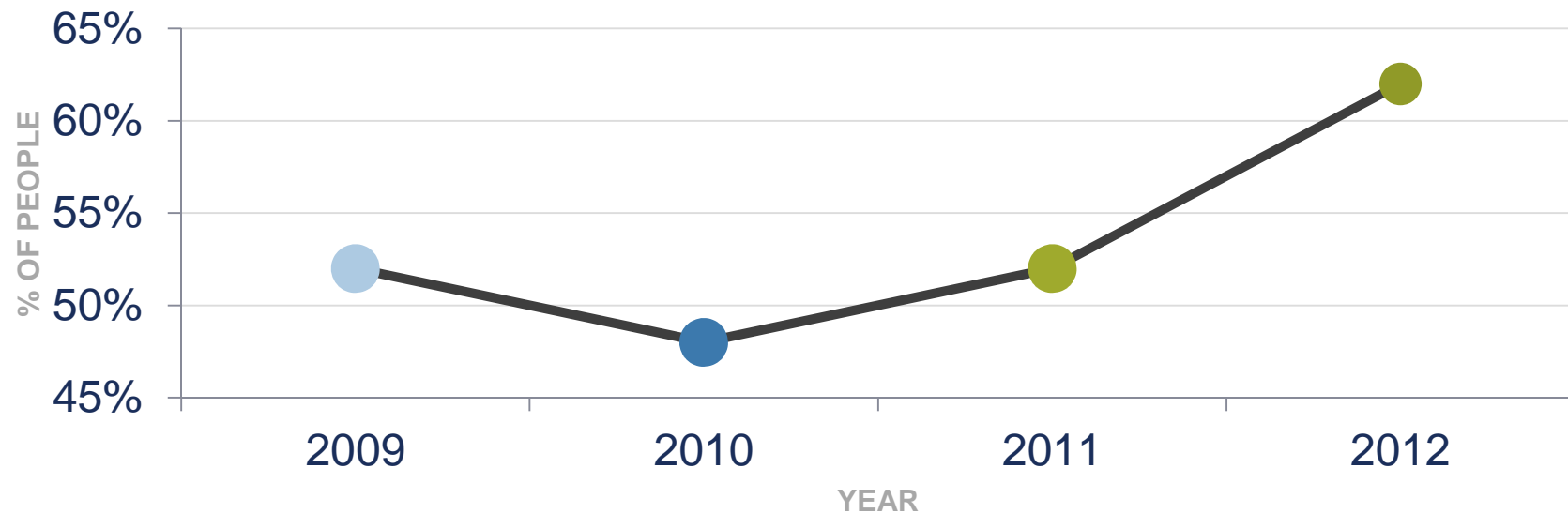
Source: Harris Poll, 2010

VARIANCE IN COSTS (AND OUTCOMES) ARE HUGE



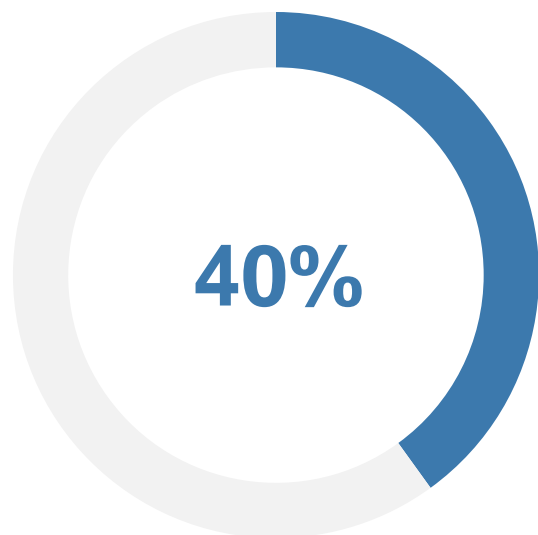
CONSUMERS THINK THE INDUSTRY IS WASTEFUL

Percentage of consumers who believe 50% or more of the total money spent on health care is **wasted**



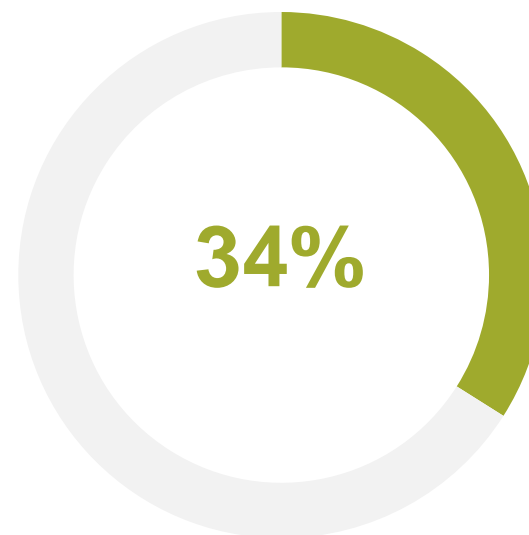
Source: Deloitte Health Care Consumer Surveys, Deloitte Center for Health Solutions, 2009-2013

ATTITUDES ARE CHANGING



40% OF CONSUMERS
who go to a retail clinic
do not have a primary
care physician. They go certain days
(weekends) and evenings.

Source: Convenient Care Association, 2014.



34% OF CONSUMERS
out-of-pocket insurance
costs more important
than retaining
their doctors.

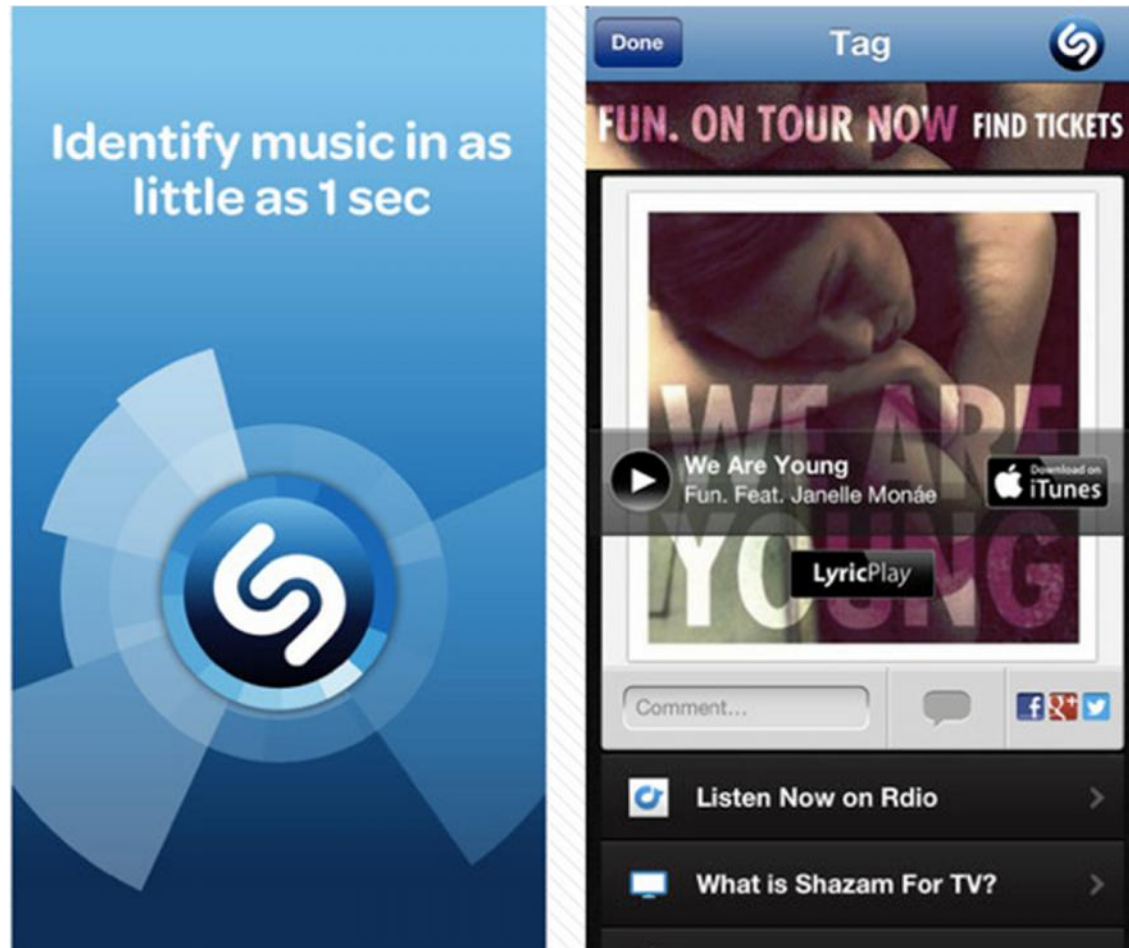
Source: HealthPocket, 2014.

QUICK AND CONVENIENT



Instacart

SEAMLESS



PERSONALIZED



TRANSPARENCY

TRUECar.
Your Guaranteed Savings Certificate

In-Stock Vehicle

Guaranteed Savings
-\$2,009

Select a Vehicle >

No Surprises.
Our TrueCar Certified Dealer Network believes in transparency so you can trust that everything is upfront and out in the open. No hidden costs or surprise fees.
Ever.

CHOICES



EXPECTATIONS PLAYING OUT IN HEALTHCARE

Providers - WA

View: All Providers

- Margaret Apura, Nutritionist, Available Now
- Nicole Boxer, Family Physician, Available Now
- Matt Grandstaff, Emergency Medicine, Available Now
- Reuel Gregory, Family Physician, Available Now
- Sandy Wiita, Family Physician, Available Now

Dr DOCTOR onDEMAND

How To Use | Who's Behind It | Cost | Blog | TV

The Doctor is Always

Talk to a US licensed physician on your smart phone or tablet. Patients love Doctor on Demand.

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Takes about 60 seconds

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Overview | Non-Emergency Medical Issues | Pediatric Questions | Prescription | Specialists Referral

pager

Tap here to add an address

I am sick or injured. Get diagnosed and treated for urgent care issues.

I need a physical. Prepare for school, sports and employment.

EXPECTATIONS PLAYING OUT IN HEALTHCARE

The image shows two overlapping website screenshots. The background is the TripAdvisor homepage, featuring the logo, navigation menu, and a search bar. The foreground is the iWantGreatCare website, which has a search bar and a section titled "Ratings and reviews from patients like you" with a search input field. Below this is a "Latest reviews" section with three doctor profiles and their reviews.

tripadvisor®

Sign in with Facebook | Sign in | Register Now! | FREE Mobile App

Search for a city, hotel, etc. Search

Home | Hotels | Flights | Vacation Rentals | Restaurants | Best of 2013 | Your Friends | More | Write a Review

Plan the perfect trip

Hotels | Flights | Vacation Rentals | Restaurants | Destinations

City or hotel name mm/dd/yyyy

iWantGreatCare
Used by more patients, to review more doctors than any other site

About | For patients | For doctors | For charities | For healthcare providers | News | Write a review

Patent site | Business site | Doctor login | Help

Ratings and reviews from patients like you
100% of NHS hospitals, 232,735 UK doctors

Search for a doctor, dentist, hospital, pharmacy or medicine.

Name of doctor, dentist, hospital, etc. Postcode, city or town

Latest reviews

Doctors | Dentists | Hospitals | Pharmacies

★★★★★
Dr Martin Knight
I would never change surgery or doctor, even though I have moved area, I would always recommend my doctor. I

★★★★★
Dr James Haddow
This is the first time I have used this service. I feel this is a good way to register the feedback from patients. The

★★★★★
Dr Charles O'Donnell
Extremely reassuring to me and my husband. Cheerful and retained a sense of humour even late at night. I

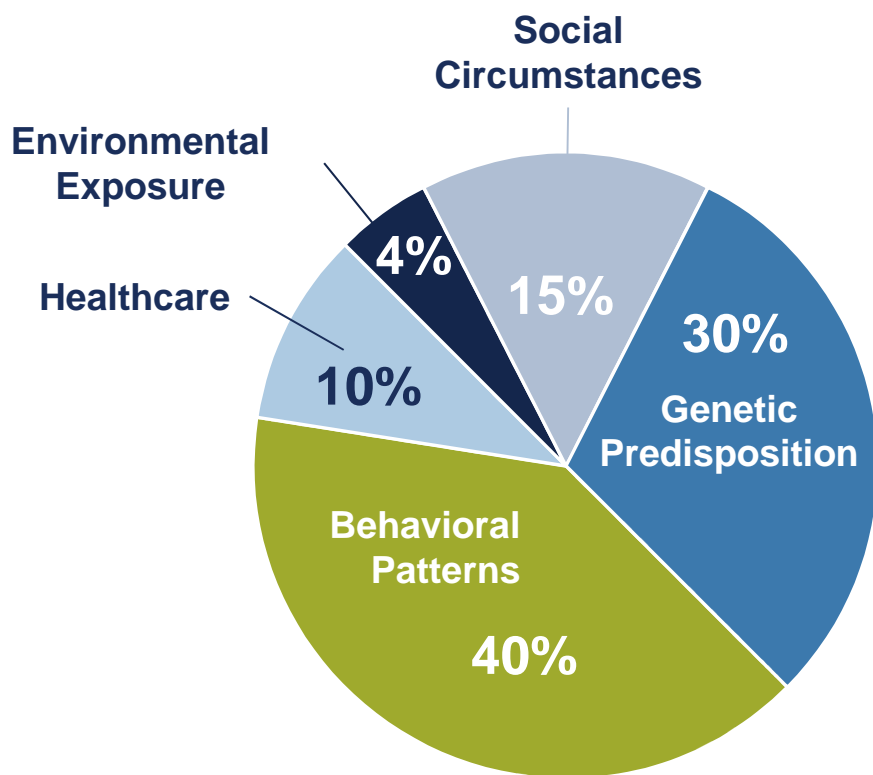
EXPECTATIONS PLAYING OUT IN HEALTHCARE

The advertisement features a blue background with medical icons like band-aids, stethoscopes, and ambulances. The Uber logo is at the top, and 'UberHEALTH' is prominently displayed. Below it, the text 'FLU PREVENTION ON-D...' is partially visible. The main content area has a white background with the 'pager' logo in orange. It includes the headline 'Urgent care on wheels.', a sub-headline 'Get a doctor to you now, anytime from 8am to 10pm in Manhattan and Brooklyn.', and a form to 'Text me a link to download the free app.' with a 'Send' button. A phone number '1-888-571-8629' is also provided. On the right, a smartphone displays the Pager app interface, showing a doctor's profile, service availability, and a chat window with a 'Support Team'.

WHY CHANGE NOW?

THE STATE OF U.S. POPULATION HEALTH

Contribution to Premature Death

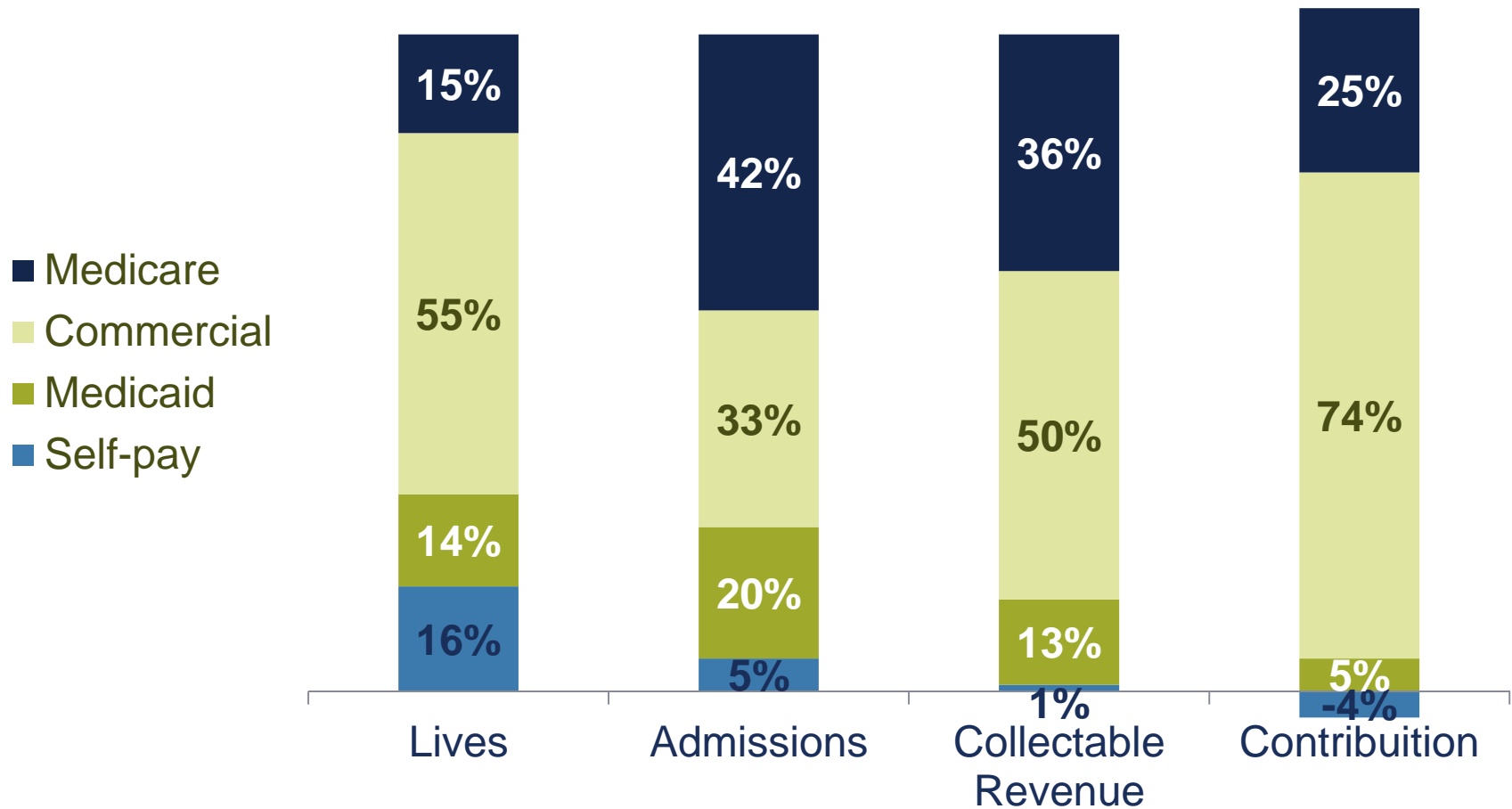


| KEY DRIVERS OF HEALTH STATUS |
|------------------------------|
| Obesity |
| Physical Inactivity |
| Smoking |
| Stress |
| Aging |

Source: Schroeder S. N Engl J Med 2007;357:1221-1228

HOSPITAL SYSTEMS COUNT ON COMMERCIAL BUSINESS FOR THEIR BOTTOM LINE

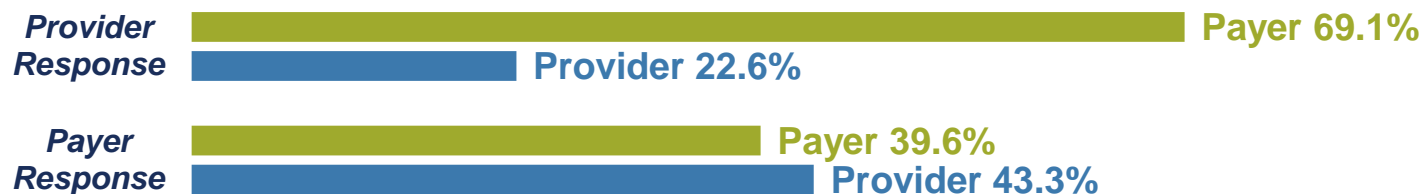
Medicare contribution for a hospital system



THE PAYERS ARE IN CONTROL?

Rate negotiations today

Who has the upper hand?



Rate negotiations in 3 to 5 years

Who will have the upper hand?



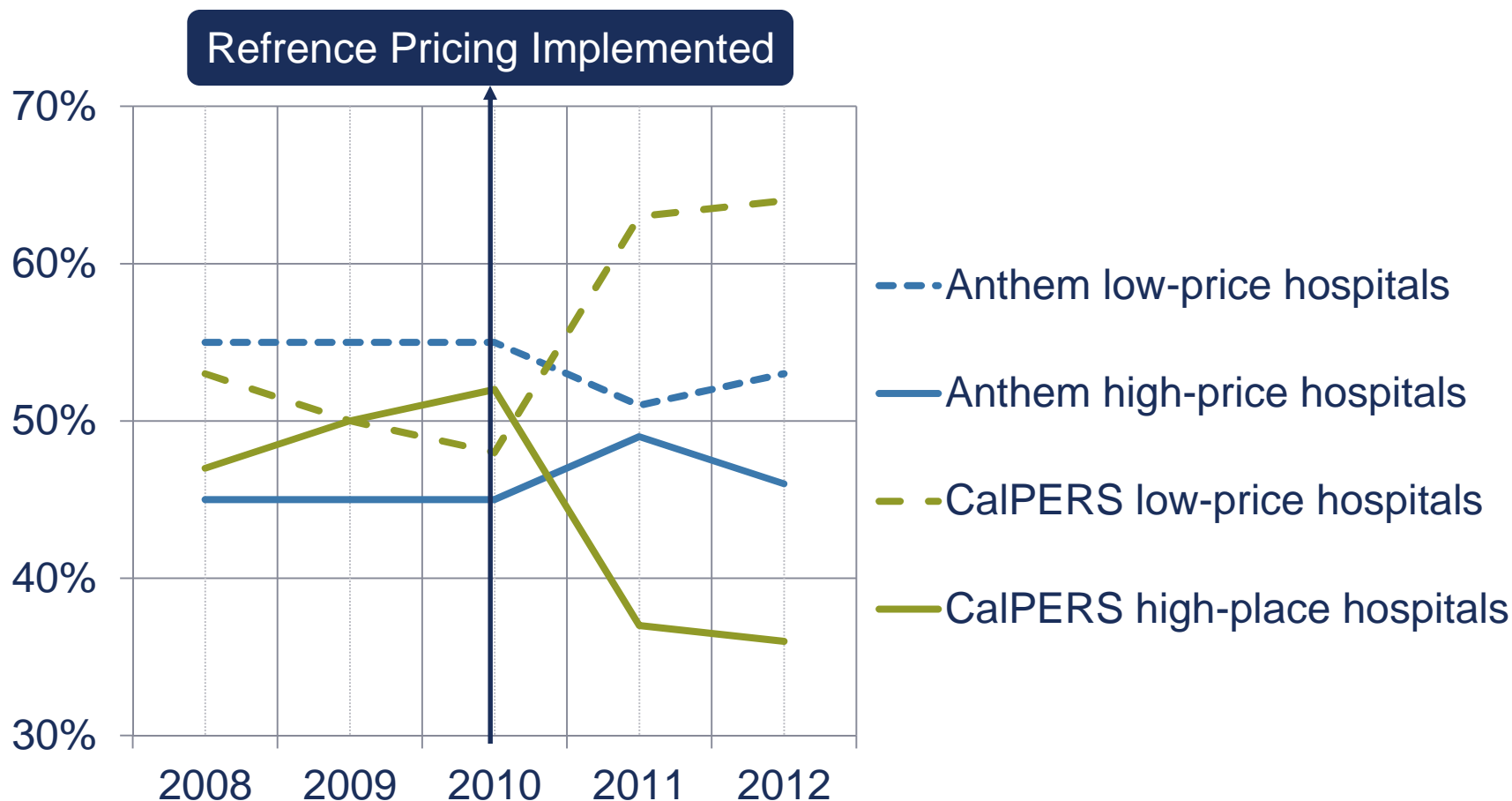
- Does not reflect responses of "not sure." Therefore, totals do not equal 100%.
Source: Managed Healthcare Executive original research, October 2012.

NARROW NETWORKS CAN MOVE PROFITABLE VOLUME

| Service | Employers Offer and Differentiate Cost Sharing | Employers Offer But Do Not Differentiate Cost Sharing |
|--|--|---|
| COE for Transplants | 31% | 41% |
| COE for Selected Conditions Other Than Transplants | 25% | 34% |
| High Performance Networks | 17% | 14% |
| PCMH | 3% | 29% |



Patients Choosing High-Price Or Low-Price California Hospitals For Knee Or Hip Replacement Surgery, 2008–12.



©2013 by Project HOPE - The People-to-People Health Foundation, Inc.

Robinson J C , and Brown T T Health Aff 2013;32:1392-1397

HealthAffairs



HOW MUCH REVENUE IS REALLY AT RISK TODAY?



| | California | National |
|----------------------------------|------------|----------|
| % payment that is value oriented | 55% | 40% |
| Shared Risk | 3% | 1% |
| FFS + Shared Savings | 1% | 2% |
| Non FFS Shared Savings | 1% | .2% |
| Bundled | .3% | .1% |

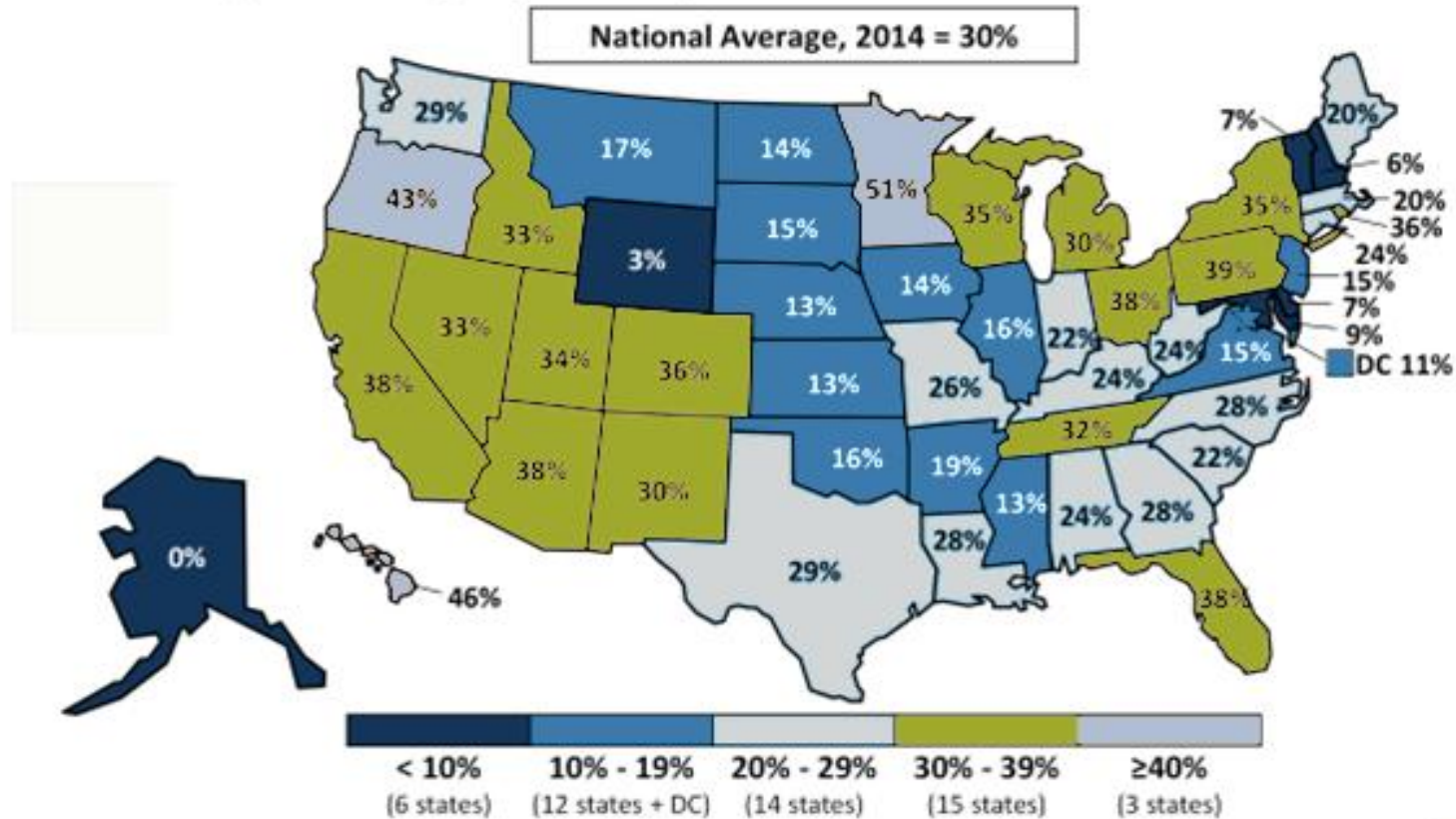
On January 26th , Secretary Burwell emphasized the importance of creating incentives for change by announcing Medicare FFS alternative payment goals

Goal 1: 30% of Medicare payments are tied to quality or value through alternative payment models by the end of 2016, and 50% by the end of 2018

Goal 2: 85% of all Medicare fee-for-service payments are tied to quality or value by the end of 2016, and 90% by the end of 2018

EVERY MARKET IS DIFFERENT; HEALTHCARE HAS A LOCAL CULTURE

Share of Medicare Beneficiaries Enrolled in Medicare Advantage Plans, by State, 2014



NOTE: Includes MSAs, cost plans and demonstrations. Includes Special Needs Plans as well as other Medicare Advantage plans.
 SOURCE: MPR/Kaiser Family Foundation analysis of CMS State/County Market Penetration Files, 2014.



HOW LOW CAN YOU GO?

| Highest Per Capita HRR | 2012 Actual Per Capita Spending |
|------------------------|---------------------------------|
| Miami Fla. | \$15,357 |
| Bronx, N.Y. | \$14,699 |
| Manhattan, N.Y. | \$13,699 |
| Los Angeles, Calif. | \$13,319 |
| Chicago, Ill. | \$13,059 |
| | |
| Honolulu, Hawaii | \$6,790 |
| Dubuque, Iowa | \$6,716 |
| Bend, Ore. | \$6,667 |
| Missoula, Mont. | \$6,633 |
| Grand Junction, Colo. | \$6,569 |

Source: "Health Policy Brief: Geographic Variation in Medicare Spending," Health Affairs, March 6, 2014. <http://www.healthaffairs.org/healthpolicybriefs/>



BUSINESS MODELS MIGRATING

- ACO is a **broad term** encompassing a **variety of organizational structures, payers, and sponsoring entities**
- Despite the variety, **the broad objectives** of an ACO are **largely the same: improve quality, reduce cost, and promote population health**

ACOs Are Formed By A Range of Sponsors

- Hospital Systems
- Physician Groups
- Insurers
- Community Based Org.
- Other

Leadership Is Important For ACO Success

- Management Positions
- Board Roles
- Committees

ACOs Typically Begin Operations By Targeting One Payor

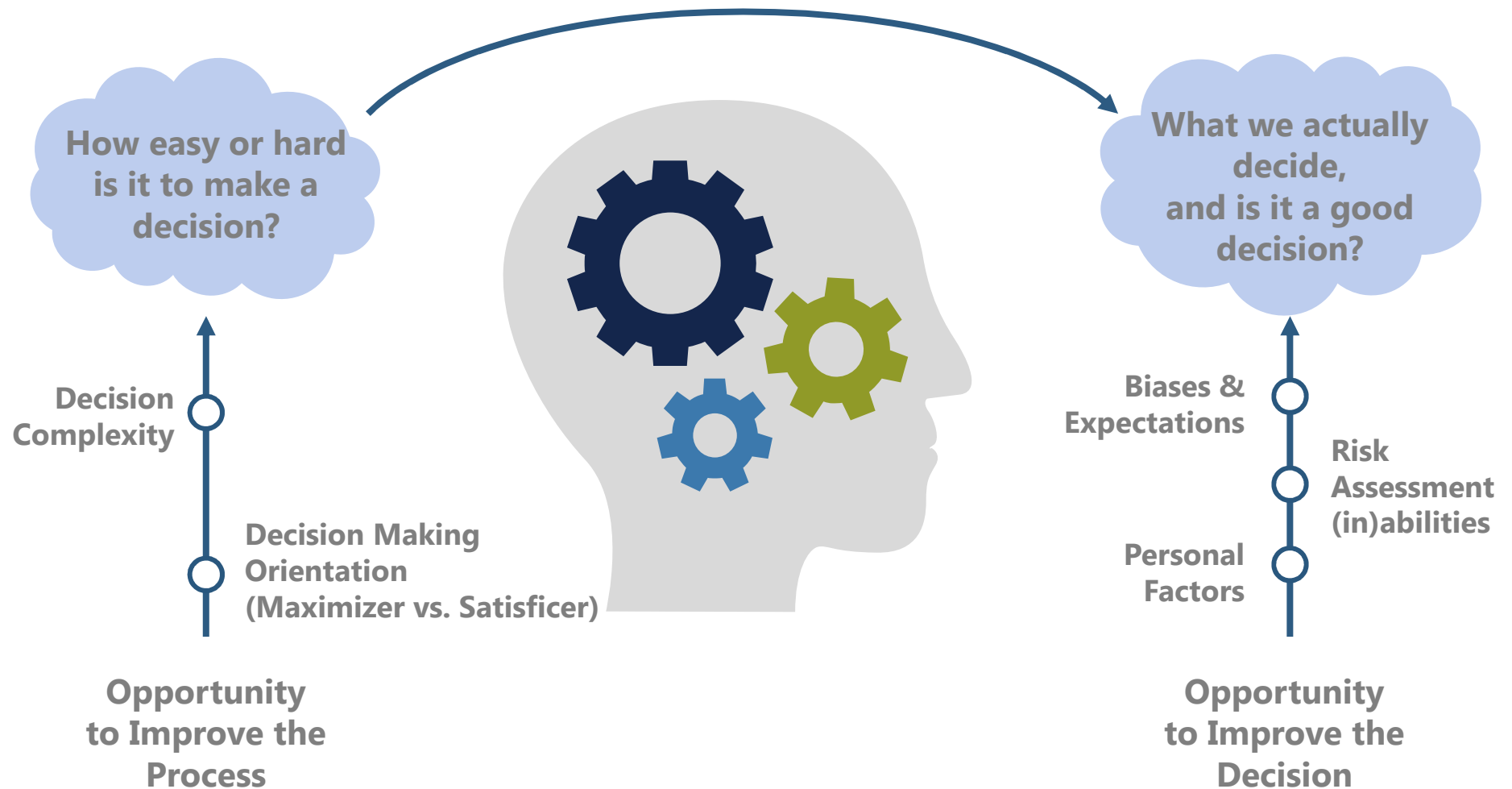
- Medicare
- Medicaid
- Employer
- Commercial Payor

Spectrum Of Risk In An ACO

| Operations Cost Only | | | | Performance Risk | |
|----------------------|---------------------|--------------------------------|-------------------------------------|-----------------------------------|--------------------|
| PMPM Fee | Pay for Performance | Shared Savings – Specific Area | Shared Savings - Total Cost of Care | Total Cost of Care with Corridors | Total Cost of Care |

PRIVATE EXCHANGES

HOW CONSUMERS MAKE DECISIONS



EVALUATE RISKS



EXCHANGE PLAYERS

Traditional Ben Admin



Carrier Automation



Exchange Tech.



PRIVATE EXCHANGE CAPABILITIES



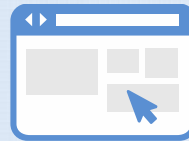
FRONT END



Consumer



Decision Support



Employer & Broker
Portal



Product Library



Contact Center

BENEFITS ADMINISTRATION



Enrollment &
Eligibility



Billing & Financial
Management



Data Management



Comm. &
Fulfillment



Reporting &
Analytics

Accenture, "Growing Pains for Private Health Insurance Exchanges," 2014



PRIVATE EXCHANGES OFFER A RETAIL EXPERIENCE

1

Consumer receives email from employer to shop for coverage.



2

Visits the Marketplace to shop for coverage and enters in information about themselves.



3

Determines if they're eligible for a tax credit on their health insurance from government (for individual insurance). Or, they can use funds from employer (group coverage).



6

Receives telephone and chat support along the way.



5

Selects and applies for chosen benefits.



4

Receives personalized recommendations based on their own preferences and budget.





Let the Recommendation Engine help you find the best plans.

STEP 1

How do you want to balance costs?

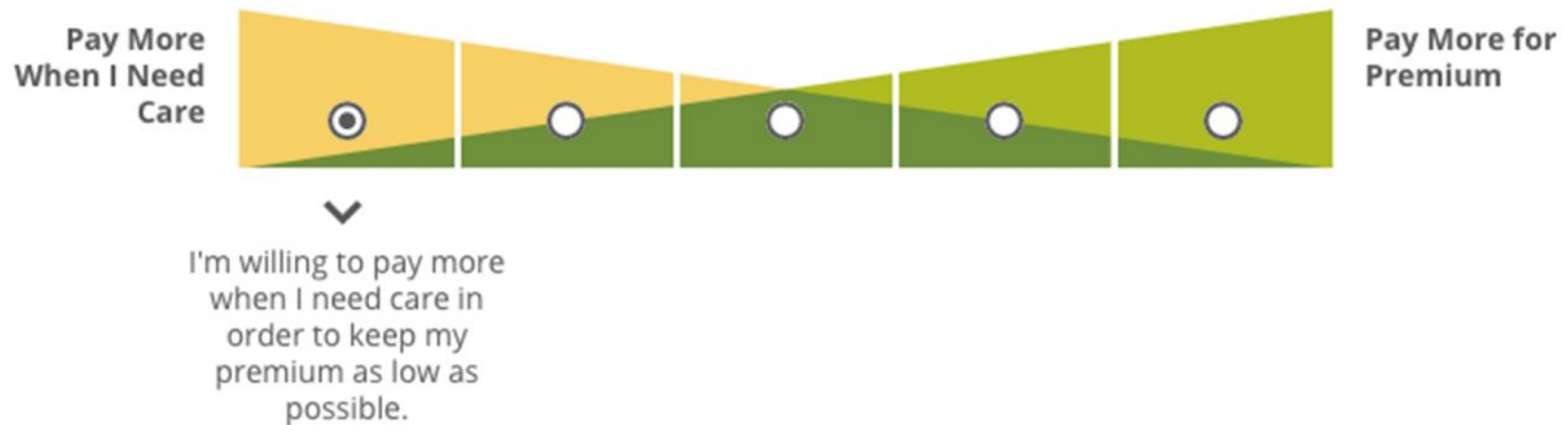


STEP 2

How do you typically use health care?

Your health care costs are a combination of the premium you pay monthly and the costs you pay when you need care. If you are unsure about how to answer this question, don't worry because you can easily change your preference on the results page.

Click in the scale below to select your preference for managing your health costs.



Continue



Let the Recommendation Engine help you find the best plans.

STEP 1

How do you want to balance costs?



STEP 2

How do you typically use health care?

Why do we ask? It lets us estimate your health care use in the upcoming year so that we can forecast how much each plan might cost you, including the premiums you'll pay. You'll see this number in the graph on the next page as part of the Estimated Likely costs.

(This is used only to help you understand your potential costs. It is not part of the application process, nor is it used to determine if you are eligible to get coverage.)

- Use the national average for people like me
Average health care usage for people of the same age, gender, and geographical region.
- Estimate my own usage
For more personalized results, you can estimate your own use for key services.

[Get Recommendations](#)





Medical Plans

COVERAGE SELECTED FOR [Edit](#)

Desmond, Dora, Didi

Sort Plans by: [Your Recommended Plans](#) >

Answer a few questions for medical plans closer to your lifestyle.

[RECOMMENDATION ENGINE](#)

COMPARE

No Plans Selected.

> [FILTER BY COSTS](#)

PPO HSA 3500Q/100

- Plan Type: HSA
- Deductible: \$3,500 individ / \$7,000 family
- Co-Insurance: 0%
- Co-Pay: \$0

[Pick This Plan](#)

Your Cost
\$0.00
 per month
 after employer contribution
(actual plan cost \$748.67)

[View Provider Directory](#)

YOUR ANNUAL COSTS

MINIMUM > ESTIMATED LIKELY > MAXIMUM POSSIBLE >



\$3,292 ESTIMATED LIKELY COST

This is the annual total of the plan premium costs after employer contribution plus your share of estimated health care costs (in co-pays and co-insurance) for medicines, office visits, hospital stays, etc. Use the Recommendations Engine to change estimates for health care use.

[MORE INFO](#)

COMPARE

PPO HSA 2000Q

- Plan Type: HSA
- Deductible: \$2,000 individ / \$4,000 family
- Co-Insurance: 0%
- Co-Pay: Office \$20/\$40, ER \$75

[Pick This Plan](#)

Your Cost
\$0.00
 per month
 after employer contribution
(actual plan cost \$869.82)

[View Provider Directory](#)

YOUR ANNUAL COSTS

MINIMUM > ESTIMATED LIKELY > MAXIMUM POSSIBLE >



\$2,552 ESTIMATED LIKELY COST

This is the annual total of the plan premium costs after employer contribution plus your share of estimated health care costs (in co-pays and co-insurance) for medicines, office visits, hospital stays, etc. Use the Recommendations Engine to change estimates for health care use.

[MORE INFO](#)

COMPARE



IT'S NOT THE PREMIUM

PPO HSA 3500Q/100

- Plan Type: HSA
- Deductible: \$3,500 individ / \$7,000 family
- Co-Insurance: 0%
- Co-Pay: \$0

[View Provider Directory](#)

Pick This Plan

Your Cost
\$0.00

per month
after employer contribution
(actual plan cost \$748.67)

YOUR ANNUAL COSTS



MINIMUM >

ESTIMATED LIKELY v

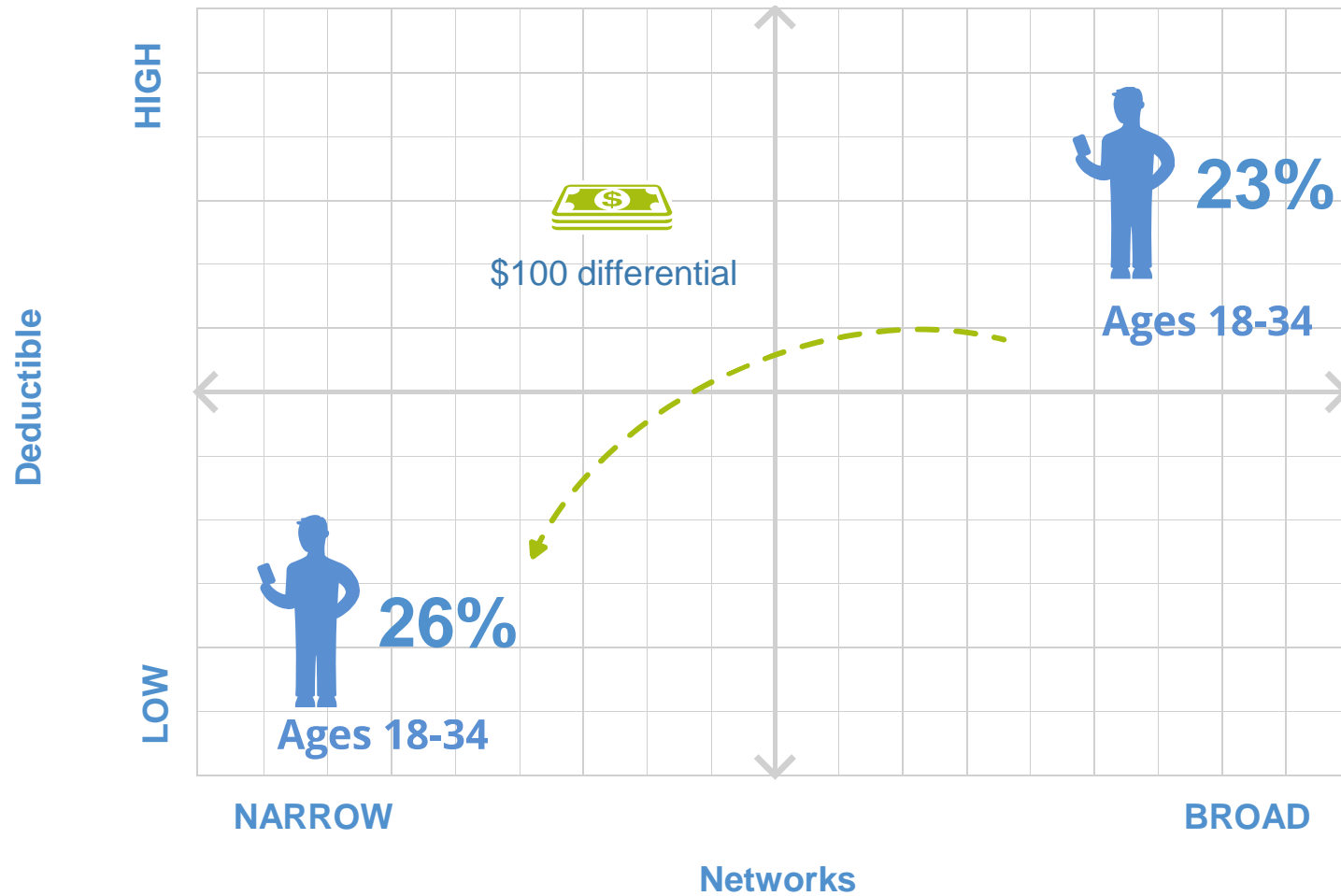
MAXIMUM POSSIBLE >



\$3,292 ESTIMATED LIKELY COST

This is the annual total of the plan premium costs after employer contribution plus your share of estimated health care costs (in co-pays and co-insurance) for medicines, office visits, hospital stays, etc. Use the Recommendations Engine to change estimates for health care use.

PEOPLE ARE SMARTER THAN WE THINK



Source: ConnectedHealth client data, 2013-14



HEDGING THEIR BETS

Metal-Level and Age-Band as a Percentage of Total Policies in that Age-Band

| AGE | PLATINUM | GOLD | SILVER | BRONZE | CATASTROPHIC |
|-------|----------|------|--------|--------|--------------|
| 18–29 | 11% | 11% | 36% | 31% | 11% |
| 30–39 | 22% | 21% | 27% | 27% | 3% |
| 40–49 | 15% | 22% | 38% | 25% | 0% |
| 50–64 | 11% | 14% | 41% | 34% | 0% |

Source: ConnectedHealth, 2015.

HEALTH AND WEALTH LINKED



Source: TD Bank, 2014

My Thrive Score™

50

Good progress! Your HFS Score indicates that you're taking steps to protect your health and financial security.

[Email My Report](#)

Click on an icon below to learn what additional steps you can take to improve your score and your overall health and financial security even further.



GOING FROM HERE TO THERE

POPULATION HEALTH IS A DIFFERENT BUSINESS

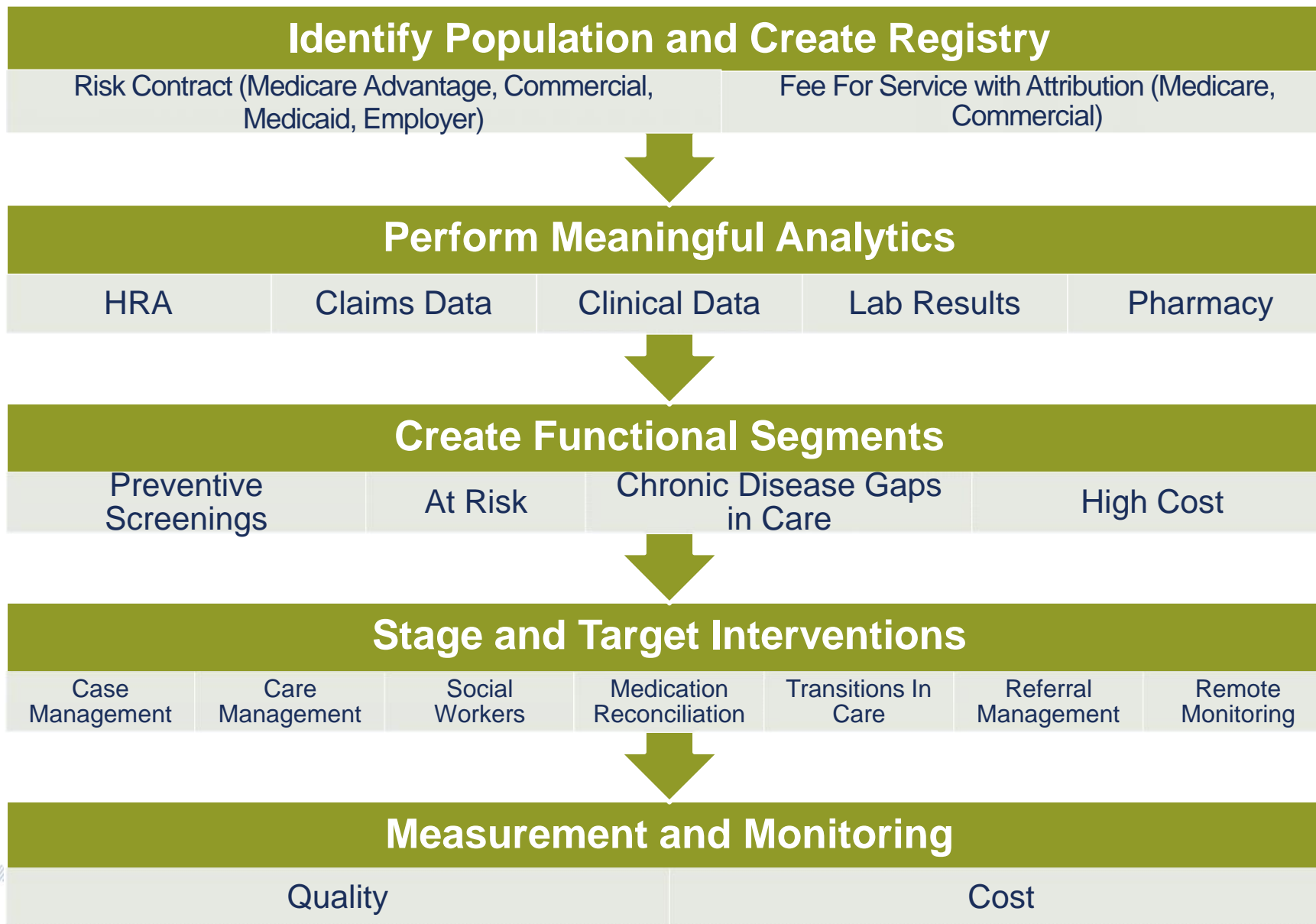
| | Fee-for-Service Business | Population Health |
|----------------|--|---|
| Customer | People who are admitted (or use outpatient services) | Everyone who pays for coverage or is enrolled in a plan/program |
| Revenue | Paid per unit of service | Monthly fixed amount |
| Expenses | Primarily labor and facilities | Healthcare services |
| Data Systems | Cost accounting and billing | Predictive models and care management |
| Key to Success | Keep occupancy high and expenses low | Increase management and monitoring to reduce unnecessary care |

WHEN WE THINK ABOUT COMPETITION ARE WE USING THE CORRECT FRAME OF REFERENCE?



Source: Maddock Douglas, 2011

OPERATIONALIZE POPULATION MANAGEMENT



INTERVENTIONS WORK...BUT TIME TO IMPACT VARIES

| | Activity | Expected Impact | Time to Impact |
|---------------------------------|--|--|----------------|
| Effects Within Months | Transitions of care management | Reduce readmissions | 3 mos |
| | Case management for high-risk patients with targeted conditions: diabetes, heart failure, COPD | Reduce primary admissions and ED | 3–6 mos |
| | Case management for other high-risk patients | Reduce primary admissions and ED | 6–12 mos |
| | Pharmacy management | Increase generic use | 6–12 mos |
| Effects within 1 – 2 yr. | Nursing home management | Reduce readmissions/primary admissions | 12–18 mos |
| | More efficient specialists and ancillary providers | Decrease cost per episode of care | 12–18 mos |
| | High-end imaging | Reduce unnecessary testing | 12–18 mos |
| Effects within 3–5+ yr. | Interventions for low-risk chronic disease patients: disease registries, chronic disease care optimization | Improved control; avoid complications | 2–5 yr. |
| | Preventive care; screening; lifestyle change; wellness | Earlier identification and treatment; decrease incidence of chronic diseases | 2–5+ yr. |

Source: Geisenger

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SEGMENT AND FOCUS THE EFFORT

| Segment | Population (in United States) | Cost/Person/Year | Total Cost/Year |
|---|--|--|---------------------|
| Healthy | 160 million | \$800 | \$130 billion |
| Maternal and infant health | 10 million (4 million mothers and babies, 2 million fertility problems) | \$12,000 per delivery, \$2,000 per infant, \$1,000 per fertility problem | \$60 billion |
| Acutely ill but mostly curable | 12 million | \$25,000 | \$300 billion |
| Chronic with adequate function | 110 million | \$7,000 | ~\$800 billion |
| Stable with significant disability (often not Elderly) | ~7 million | \$40,000 | ~\$290 billion |
| Short period of decline near death (mostly cancer) | ~1 million | ~\$45,000 | ~\$50 billion |
| Intermittent exacerbations and sudden death (mostly heart and lung failure) | ~2 million | \$45,000 | \$100 billion |
| Long dwindling course (mostly frailty and Dementia) | ~6 million | \$45,000 | \$270 billion |
| Total | 300 million | | 2.0 trillion |

Forbes - New Posts +25 posts this hour | Most Popular Wu-Tang's Secret Album | Lists The Midas List | Vid The B

BUSINESS 2/23/2012 @ 10:10AM | 10,260 views

Concierge Medicine For The Poorest

+ Comment Now + Follow Comments

The number of doctors enrolled in Medicare last year has hardly changed since 2005, and participants have increased less than 5%. Doctors have recently averted a 27% cut in Medicare payments, but that will only last until the end of the year. There are simply no financial incentives for them to care for the sickest people.

Not for the Chens, a family of doctors from [Miami](#), Florida. Where others avoid patients on Medicare, they have spotted an opportunity. James Chen, and his son Christopher run Chen Medical Centers, a chain of eight clinics in the Miami area, employing more than 40 primary care doctors, including 25 specialists. Other family members include son Gordon, a cardiologist and Tiger Mom Mary (as Chris Chen calls her) who's the chief operating officer. Last year, the Chens opened two clinics in [Richmond](#), Virginia, and three in Norfolk. Five more will open in both cities this



REBUILD YOUR CORE WHILE REINVENTING YOUR BUSINESS MODEL

Reposition the Legacy Business

Adapt the core business to the realities of the disrupted market



Building For the Future

Create a new, disruptive business that will become the growth engine



Source: HBR Feb 2013 Two Routes To Resilience



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You'll Know You Made the Right Choice™



Simplifying Health Care
