

Healthcare Industry Mega-Trends: Surviving and Thriving in a Rapidly-Changing Environment

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Introduction to Manatt

Healthcare Industry Mega-Trends

Trends in Focus

- More with Less: From Volume to Value
- Mega Health Systems
- Centrality of the States
- Value Through Data

Q&A

Manatt Health is a multidisciplinary team of professionals who, through deep substantive knowledge and teamwork, support clients seeking to transform America's health system by expanding coverage, increasing access and creating new ways of organizing, paying for and delivering care.

Interdisciplinary team with over 60 professionals with expertise in:

- Medicaid expansion and implementation strategies
- Multi-payer payment and delivery system reform and financing
- Provider risk-bearing strategies, including formation of ACOs and provider-sponsored plans
- Mergers, acquisitions, joint ventures
- Corporate structure and governance
- Privacy and data sharing
- Health information exchange, health IT
- Regulatory analysis and compliance



Ten Mega-Trends for Ten Years

#1

Consumers
Take
Charge

#2

More with
Less: From
Volume to
Value

#3

Healthcare
Everywhere

#4

Mega
Health
Systems

#5

Centrality
of the
States

#6

Value
through
Data

#7

Predict,
Prevent,
Personalize

#8

Employers
Recalibrate

#9

The New
Aging

#10

Healthcare
goes Global

Today's Focus

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Today's Healthcare "System"

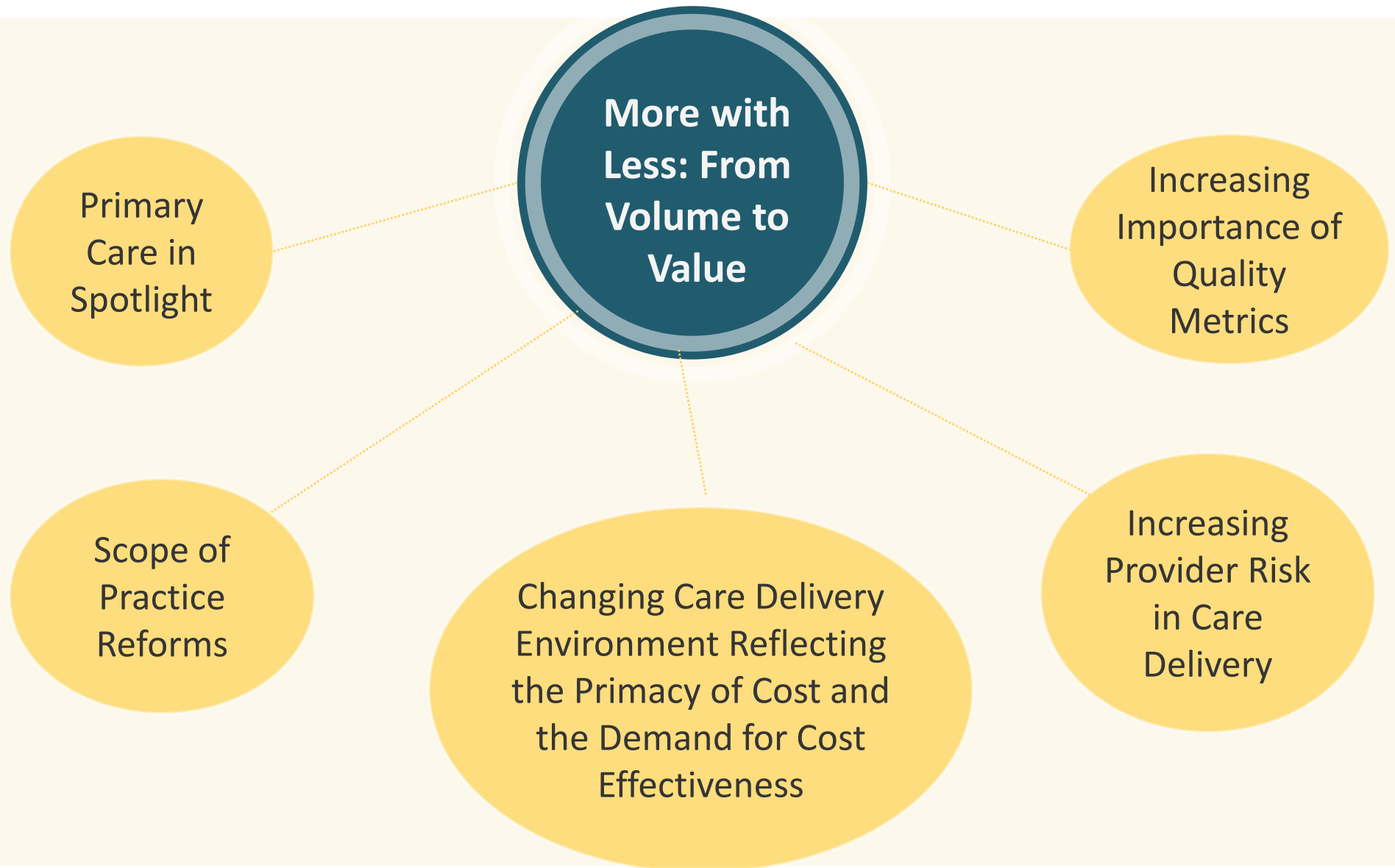
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TOWER RECORDS
ITS THE END OF THE WORLD
AS WE KNOW IT

THANKS FOR YOUR LOYALTY



Changing Focus from Volume to Value

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Volume

Provider revenues contingent on volume of care provided

Creates incentives for additional capacity and unnecessary care

Gatekeeper model, denied claims, unreimbursed admissions and other penalties as payers manage utilization

Payers and providers as adversaries

Value

Re-aligned financial incentives create diversified revenue sources. Payment linked to performance

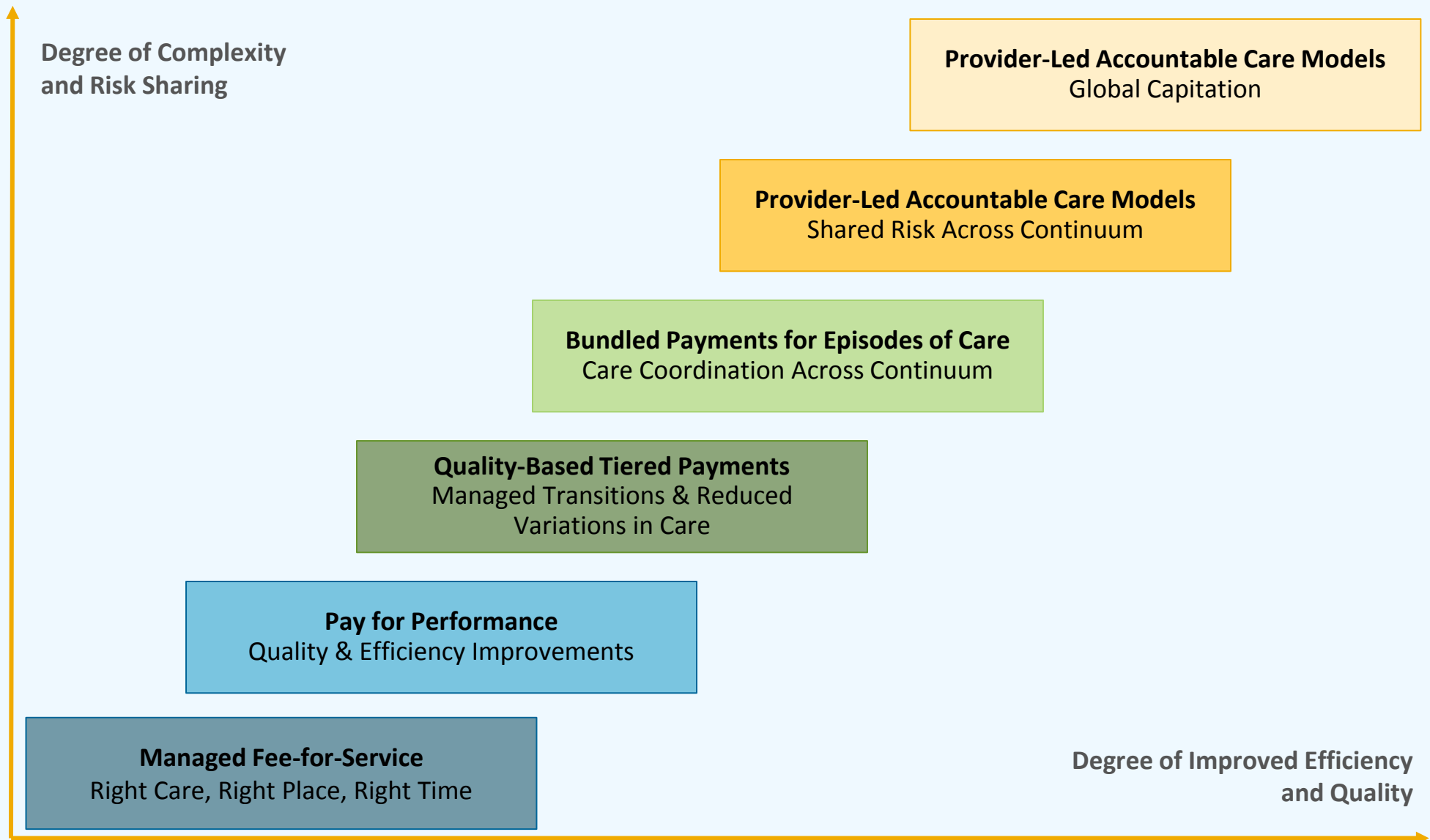
Improved cost structures and efficiency lower overhead and increase profitability

Improved primary care access; utilization and quality improvement activities increase performance-based reimbursement and patient outcomes

Aligned payer and provider partnerships to support delivering appropriate and evidence-based care in the best setting

Continuum of Payment Reforms to Align Financial and Health Improvement Incentives

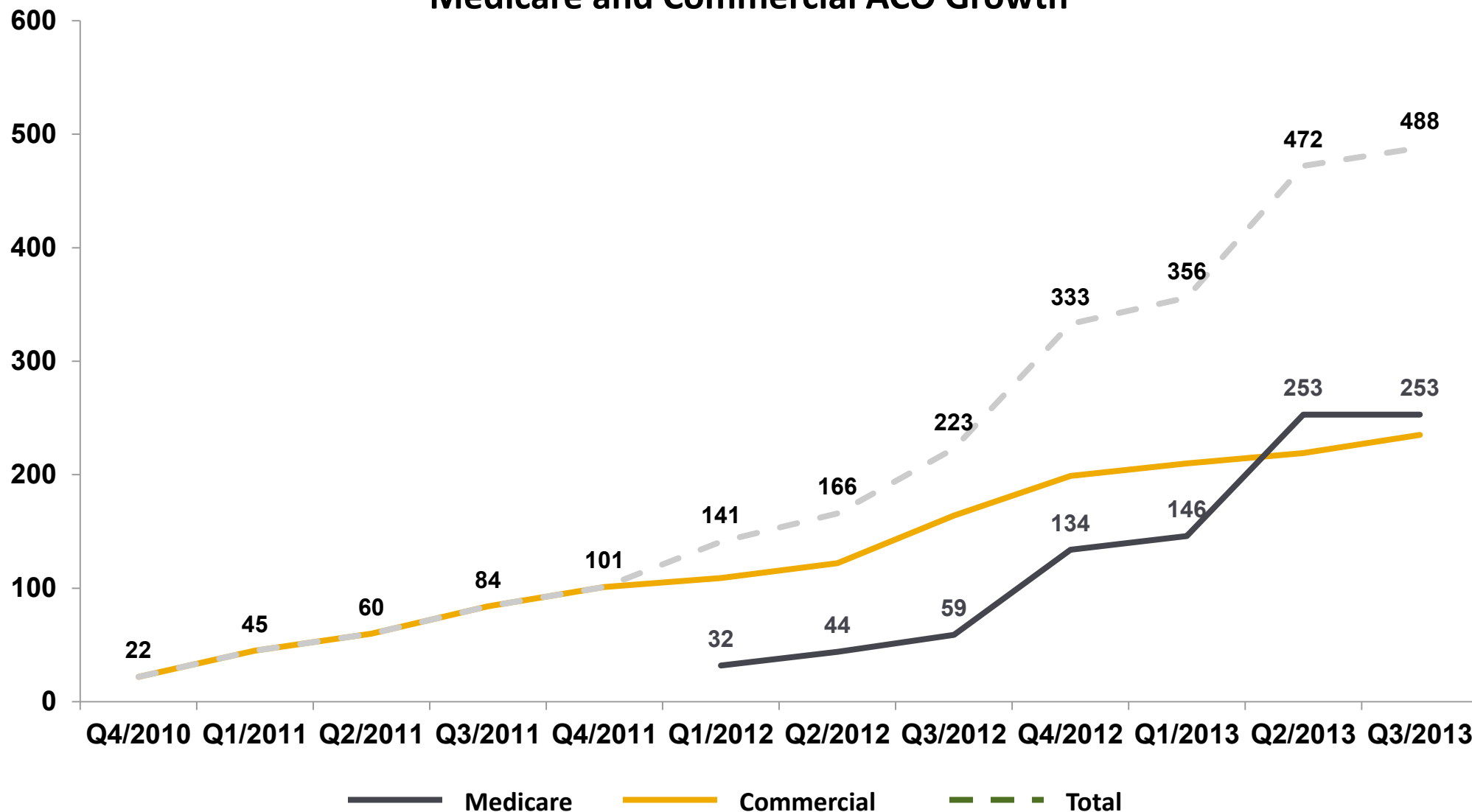
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Accountable Care Organizations (ACOs) are Real and are Contracting with Private and Public Payers

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Medicare and Commercial ACO Growth



Managing Risk Puts Primary Care (and Scope of Practice) in the Spotlight

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Primary Care Shortages Exist Today

Health Resources and Services Administration (HRSA)

- 55 million Americans live in areas with an inadequate supply of primary care physicians (PCPs)
- The nation would need more than 15,000 more PCPs to meet the target ratio of one PCP for every 3,500 residents

Kaiser Family Foundation

- 117,000 physicians practiced family medicine in 2012

American Association of Nurse Practitioners (AANP)

- 134,000 nurse practitioners practiced primary care in 2012

...And a Worsening Shortage is Ahead

Association of American Medical Colleges (AAMC)

- In next 10 years, 1/3 of all doctors will retire
- 90,000 fewer doctors than needed to serve the nation's aging population

National Resident Matching Program

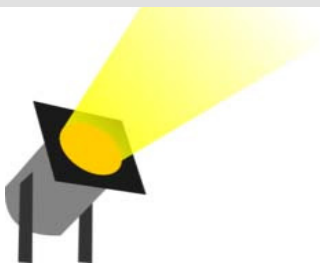
- In 2012, only 12% (or 1,916) U.S. medical school graduates went into primary care residency programs

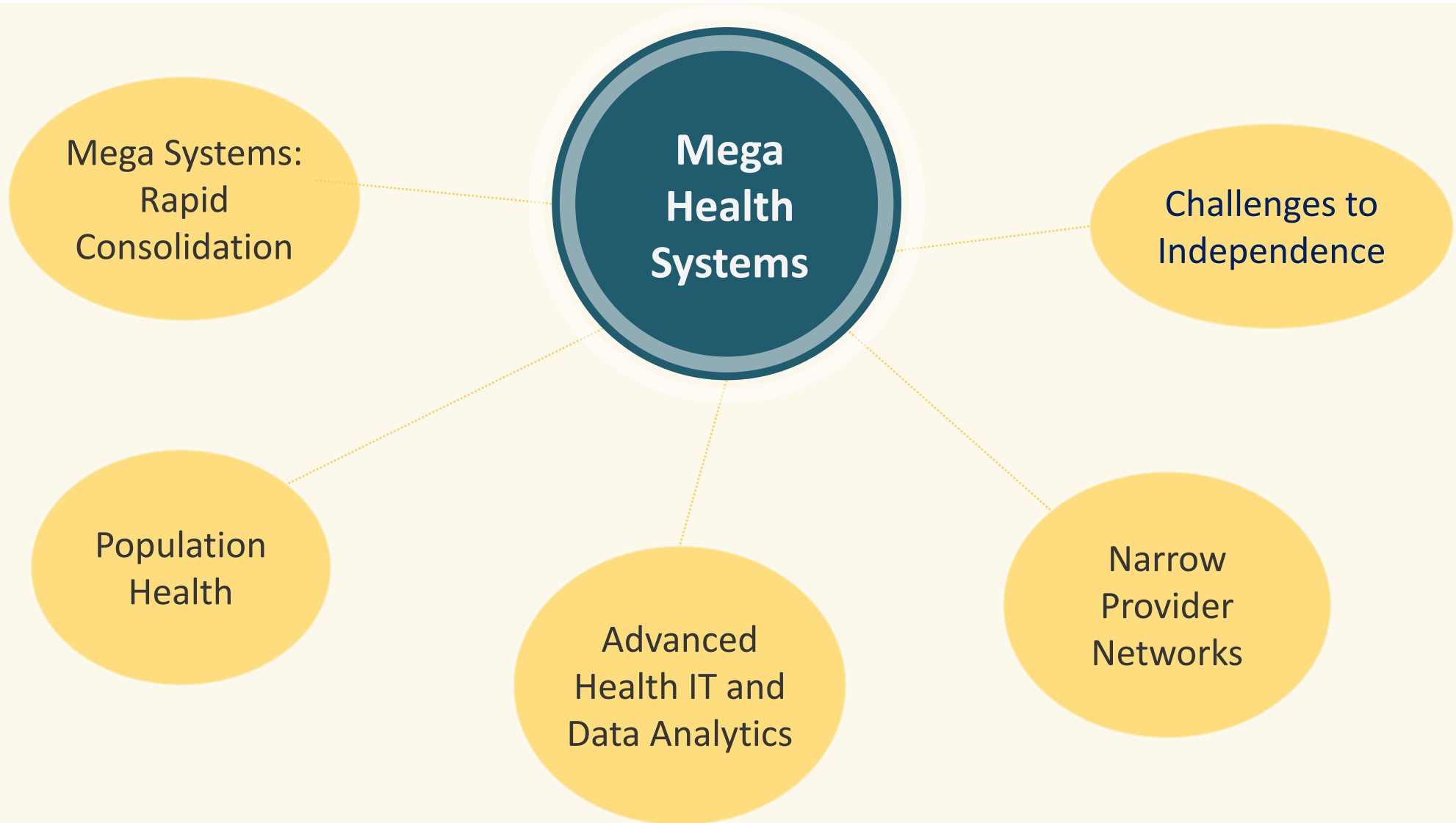
American Association of Nurse Practitioners (AANP)

- Nursing school graduates who went into primary care totaled 11,764 in 2012, about 84% of all NP graduates

The Institute of Medicine

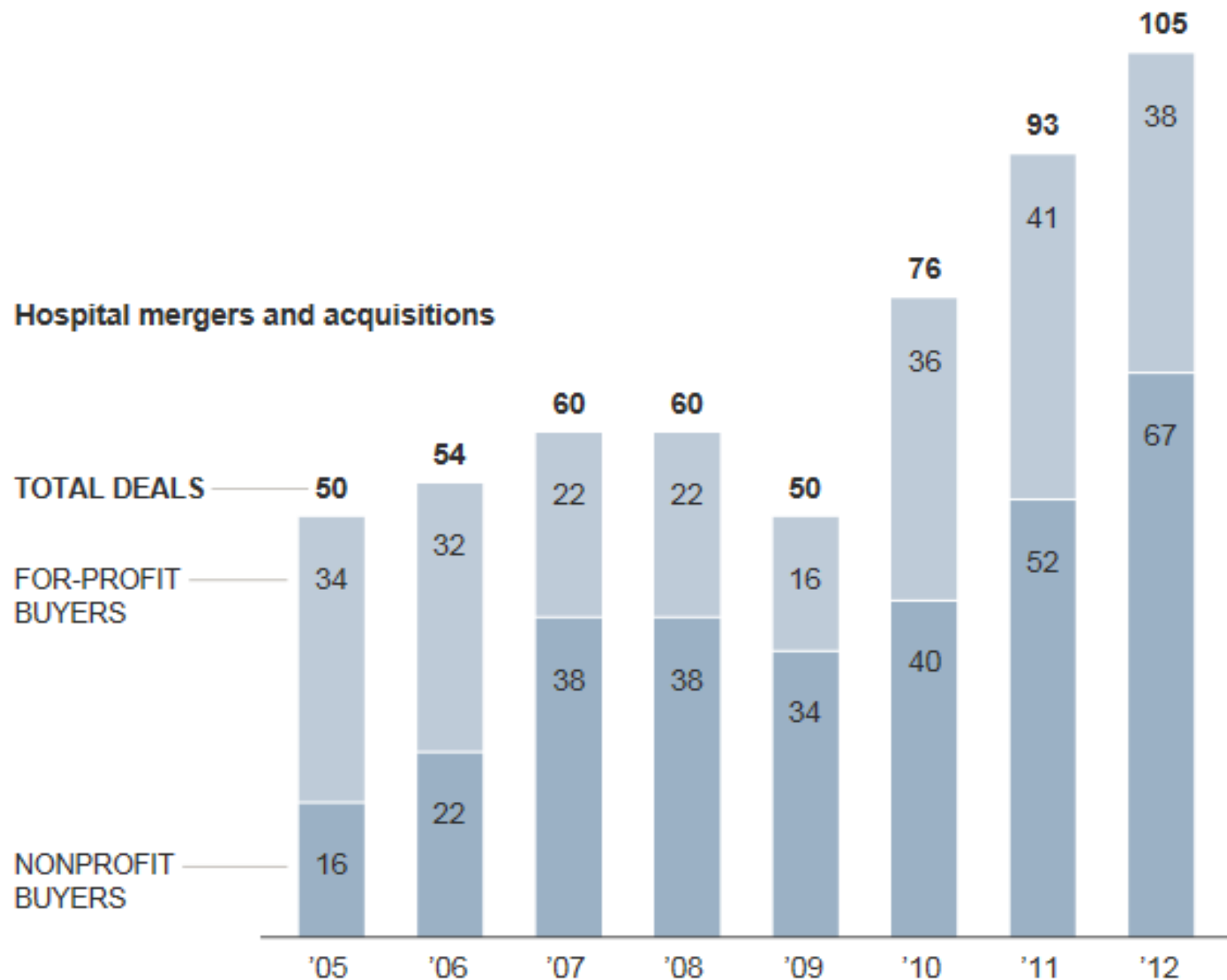
- "Now is the time to eliminate the outdated regulations and organizational and cultural barriers that limit the ability of nurses to practice to the full extent of their education, training, and competence." (2010 report)





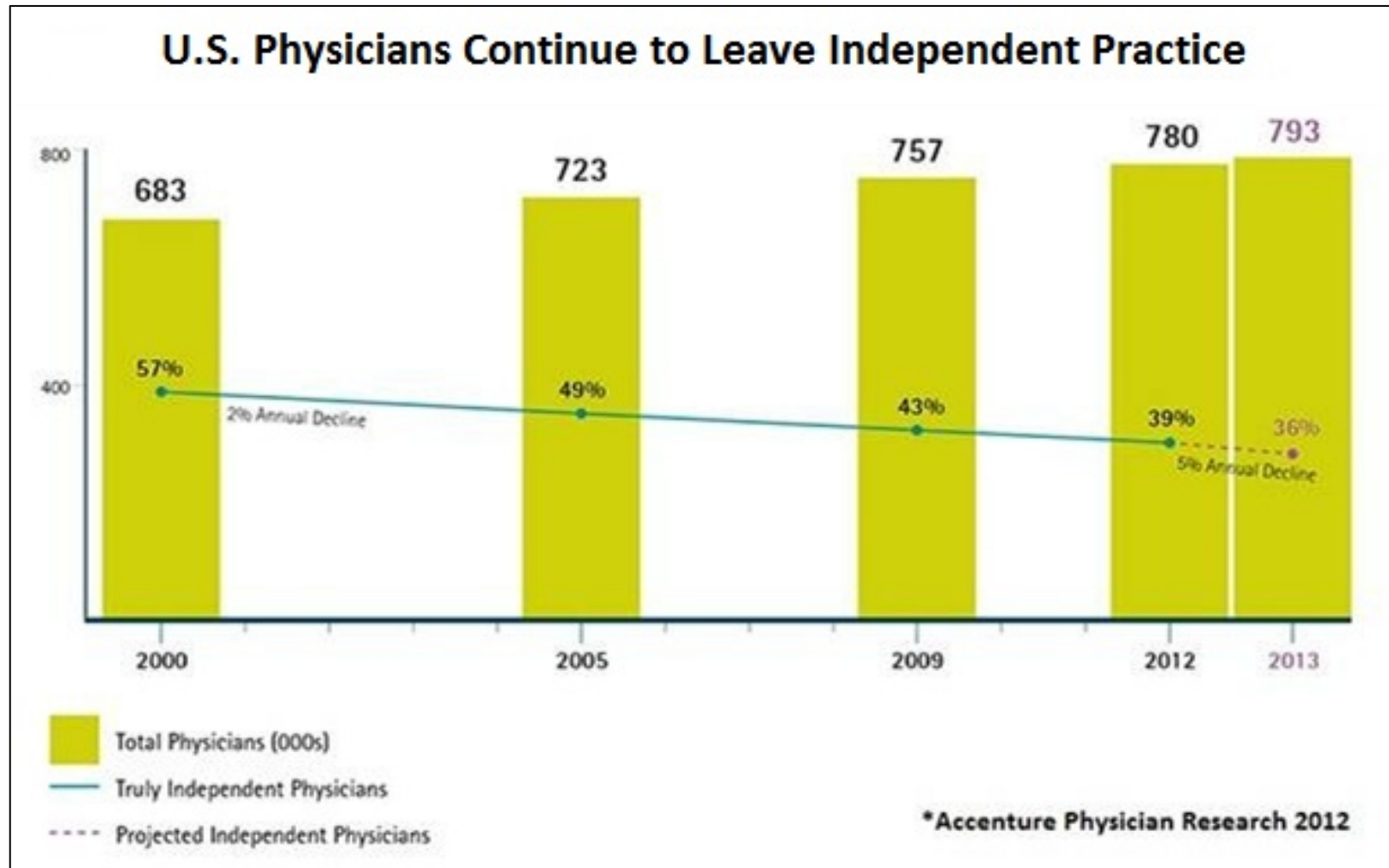
Unpredicted Pace of Hospital Consolidation

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Physician Employment Trend Continues

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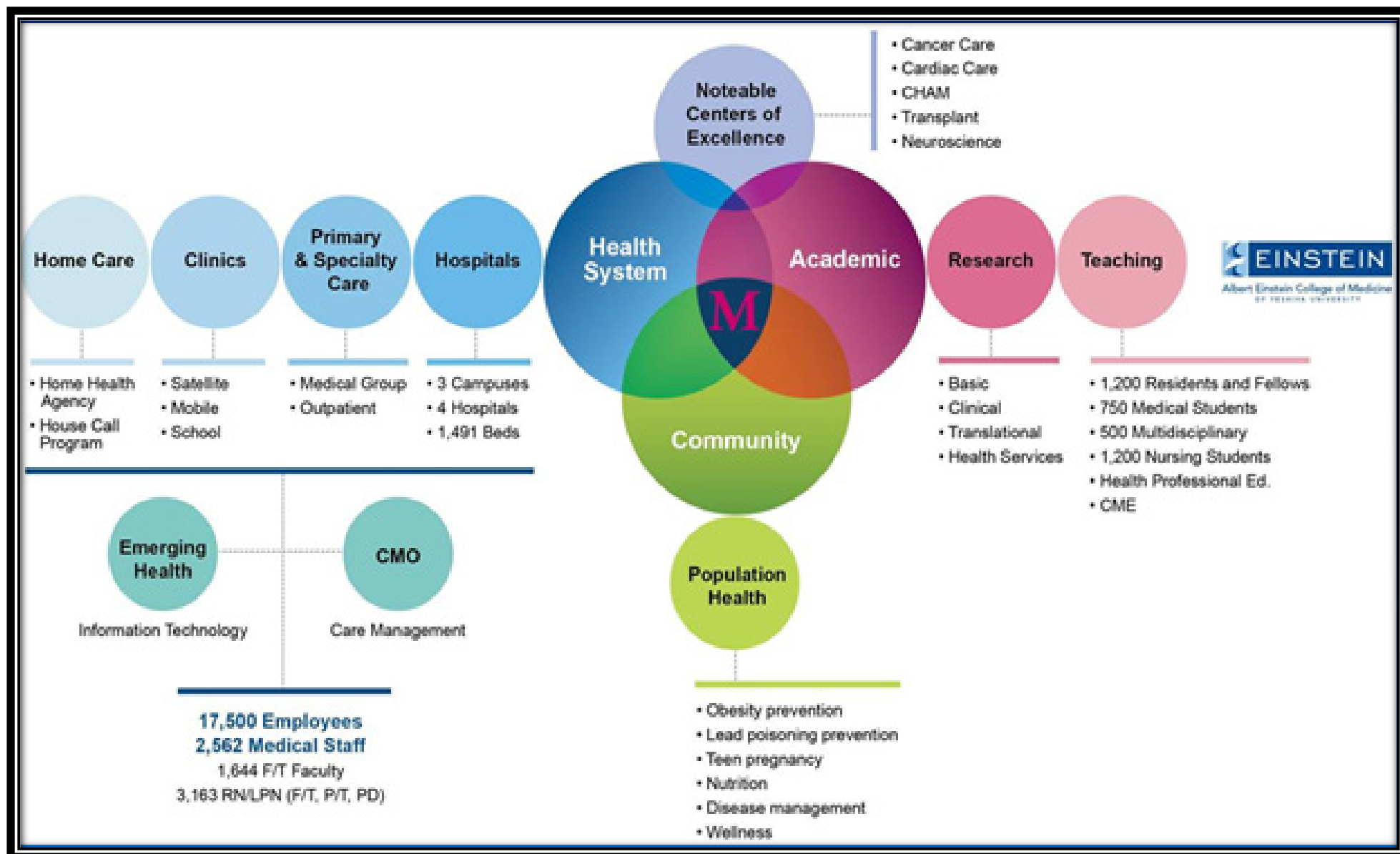


National physician placement firm Merritt Hawkins reports that 64% of physician jobs filled in 2013 involved hospital employment, compared to 11% in 2004.

Mega Regional Systems Forming – Integrating Services Across the Continuum of Care

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Montefiore



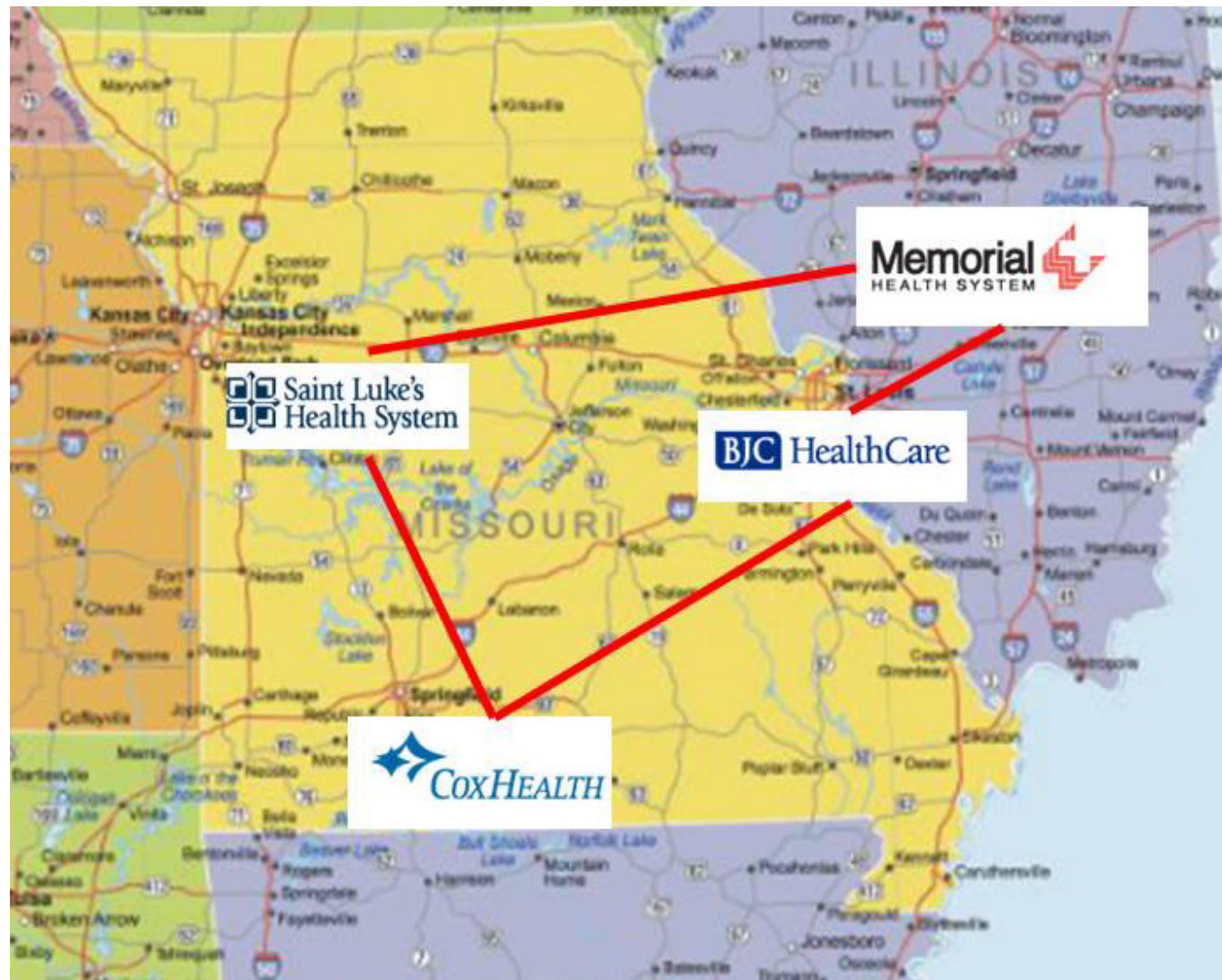
Source: Stephen Rosenthal, President and COO, Montefiore Care Management Organization. AHRQ Presentation, *Innovative Health Care Policies: Using ACO Principles and Financial Incentives to Improve Health Outcomes*. January 2013.

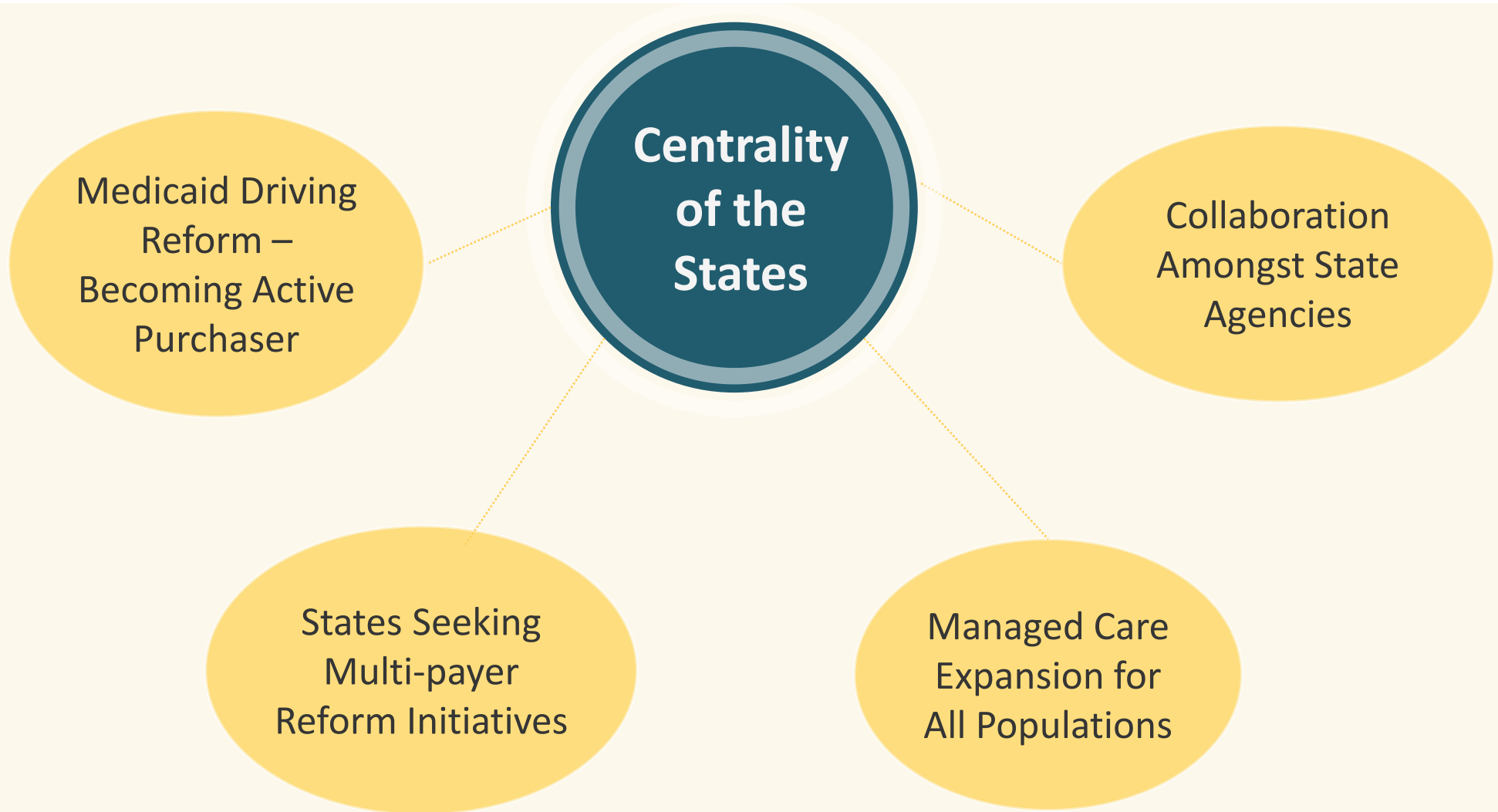
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Mega Multi-Regional Systems May Be Next

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In 2012, four health systems across Missouri and Illinois created the BJC Collaborative. The members currently remain independent but collaborate in areas such as joint purchasing, sharing of best clinical practices, and regional health services delivery planning.





Medicaid is a Driver of Payment and Delivery System Reform

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States are partnering with the Federal Government for seed funding to catalyze payment and delivery system reforms:

State Innovation Models (SIM)

CMS awarded over \$300 million in SIM grants to States to support the development of multi-payer payment and delivery system transformation.

Center for Medicare and Medicaid Innovation (CMMI)

CMMI oversees \$10 billion in transformation funding including \$2 Billion in Health Care Innovation Awards (HCIA)

1115 Demonstration Waivers & DSRIP

Reform funding that tie investments in provider-led delivery system reforms to improvements in quality, population health and cost containment.

Coverage Expansion

Many states expanding Medicaid to ensure sustainability of delivery system and payment reforms. With expansion, Medicaid becomes single largest payer.

Many states are also seeking to advance multi-payer initiatives for long term, sustainable reform:

- Seven states testing models to align Medicaid and Commercial payers
- Nine states are participating in Dual Eligibles demonstration to align incentives for acute and long term care between Medicare and Medicaid.

Provider-Led Care Management



Arkansas

All beneficiaries will be assigned to a PCMH or a Health Home. Statewide, mandatory multi-payer episode of care bundled payment initiative



Oregon

Regional provider networks partner with managed care plans to assume clinical and financial accountability for Medicaid populations

Managed Care Organization (MCOs) and ACOs



New Jersey

Three year provider-led Medicaid ACO demonstration program with shared savings. Geographically defined patient attribution. MCO participation voluntary



Minnesota

Medicaid MCOs are required to contract with and provide incentives to ACOs and PCMHs

MCO Expansion



Texas

Statewide MCO expansion. Un-compensated care and delivery system reform incentive (DSRIP) funding tied to outcomes



New York

“Managed Care for All” including ABD, dual eligible populations and long term care services and those with severe mental illness

Example: NY Medicaid Waiver - \$8B in Federal Funds to Transform Delivery System and Drive Integration

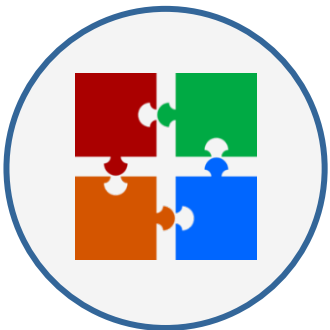
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New York State (NYS) - Delivery System Reform Incentive Payment (DSRIP) Program



Goals:

- (1) Transform the safety net system
- (2) Reduce avoidable hospital use by 25% and improve other health measures
- (3) Ensure delivery system transformation continues beyond the waiver period through managed care payment reform



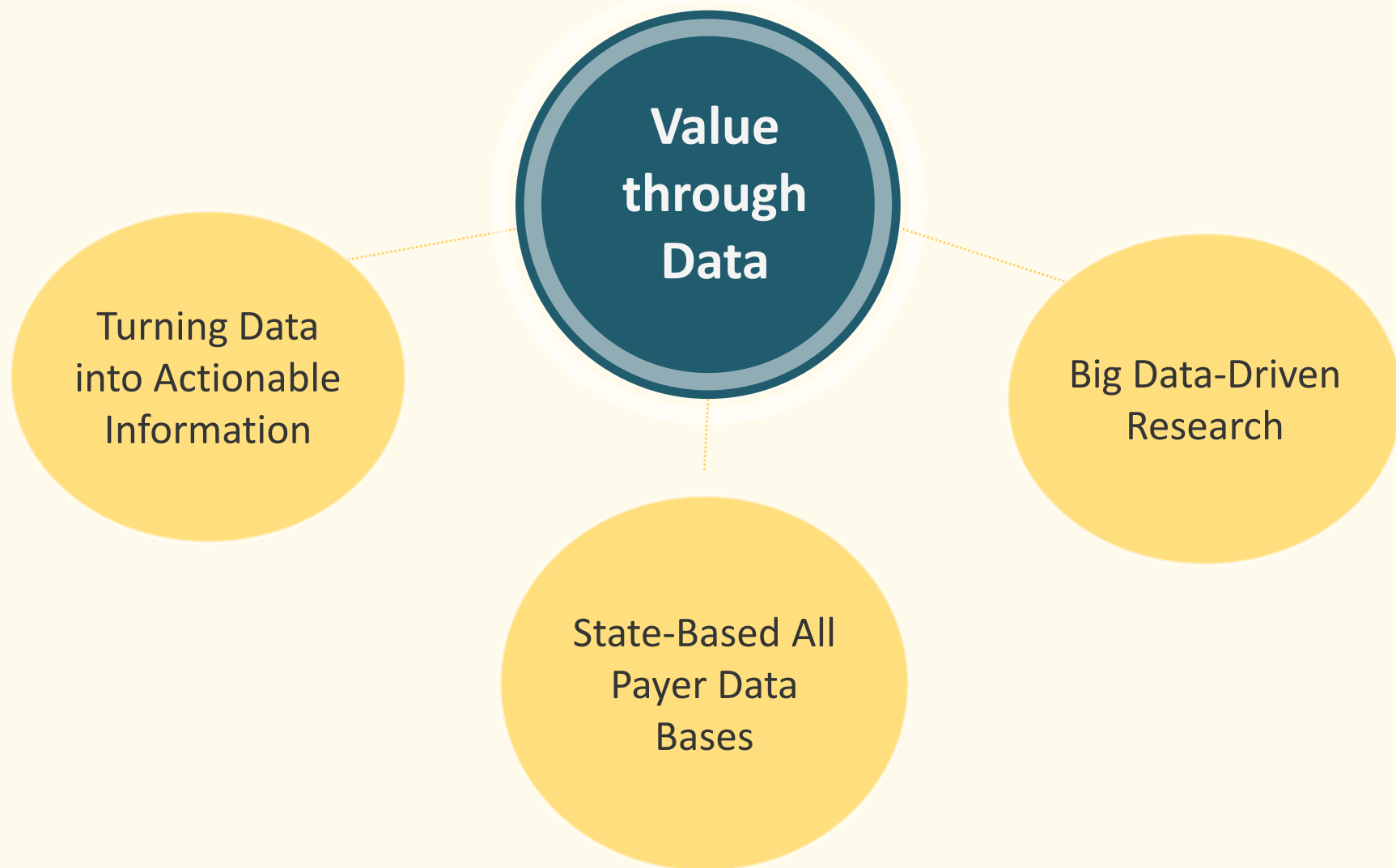
Key Program Components:

- Statewide funding initiative for public hospitals and safety net providers
- Only coalitions of community/regional health providers are eligible
- Not a grant program. Payments to providers based on their performance in meeting outcome milestones and state achieving statewide metrics

*All applicants are required to pursue an integrated delivery system approach and are advised “**plans to progressively move from a loosely organized network of affiliated entities to an actual Integrated Delivery System must be evident in the [project] goals.**”*

Remaining Uninsured

- Undocumented immigrants
- Individuals exempt from the ACA individual coverage mandate who choose to not be insured (e.g., because coverage not affordable)
- Individuals subject to the mandate who do not enroll (and are therefore subject to the penalty)
- Individuals who are eligible for Medicaid but do not enroll
- Adults under 138% FPL in states that opt not to expand Medicaid following the Supreme Court ruling



Value Realization: Increasing Demand for Ability to Access and Analyze Huge Amounts of Data

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“Once Health IT becomes a commodity, the value is no longer in the exchange of information itself, but what the organization can do with that information.”

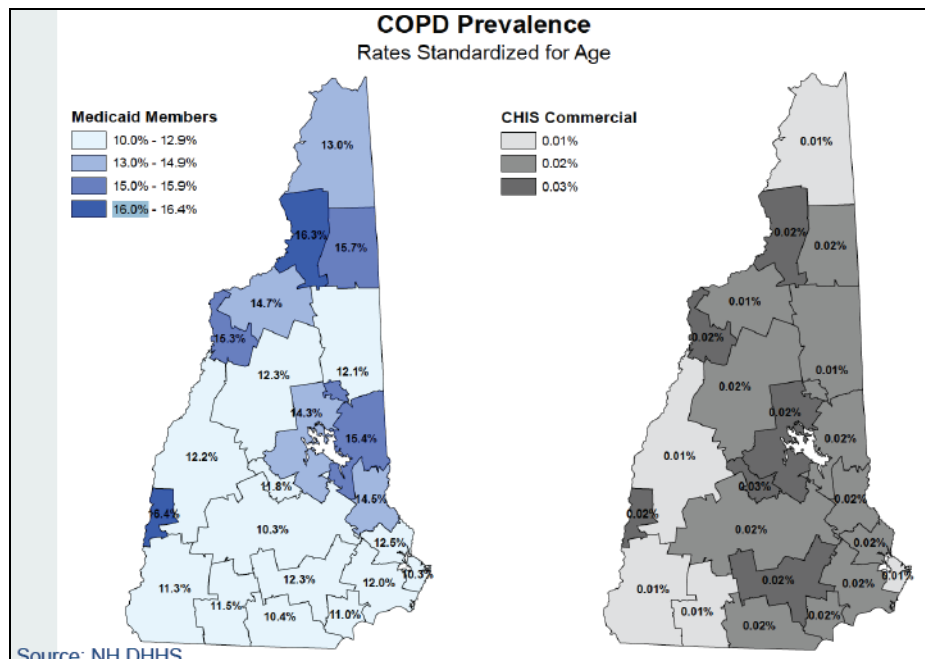
Insurers and providers will begin to **create and analyze giant data sets** to support quality improvement, planning, population health management and cost effectiveness



IBM Watson on Jeopardy

Integration of clinical, molecular and demographic data, with advanced modeling, will drive **new R&D for the pharmaceutical and medical device** arenas

- **All Payer Claims Databases (APCDs) are large-scale databases that systematically collect medical claims, pharmacy claims, dental claims and eligibility and provider files from private and public payers.** Data is made available to researchers, providers and often the public.
- The first statewide APCD system was established in Maine in 2003. Today, 11 states have and 5 are currently implementing an APCD. 21 states have shown a "strong interest" in creating one.



Application Example: COPD comparison by payer and geography in New Hampshire

- Primary Care – will be of value for population health management. Consider your role as primary care providers.
- Consolidation – will continue to happen at a rapid pace. Should think about your role and strategy in interacting with the market.
- Medicaid - will increasingly look to link payment with performance – either directly or through contracts with managed care companies and ACOs. Should develop a managed care strategy.





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Attachments

Accountable Care Organizations (ACOs)

- Medicare Shared Savings Program (Center for Medicare)
- Pioneer ACO Model
- Advance Payment ACO Model
- Comprehensive ERSD Care Initiative

Primary Care Transformation

- Comprehensive Primary Care Initiative (CPC)
- Multi-Payer Advanced Primary Care Practice (MAPCP) Demonstration
- Federally Qualified Health Center (FQHC) Advanced Primary Care Practice Demonstration
- Independence at Home Demonstration
- Graduate Nurse Education Demonstration

Bundled Payment for Care Improvement

- Model 1: Retrospective Acute Care
- Model 2: Retrospective Acute Care Episode & Post Acute
- Model 3: Retrospective Post Acute Care
- Model 4: Prospective Acute Care

Capacity to Spread Innovation

- Partnership for Patients
- Community-Based Care Transitions Program
- Million Hearts

Health Care Innovation Awards (Rounds 1 & 2)

State Innovation Models Initiative

Initiatives Focused on the Medicaid Population

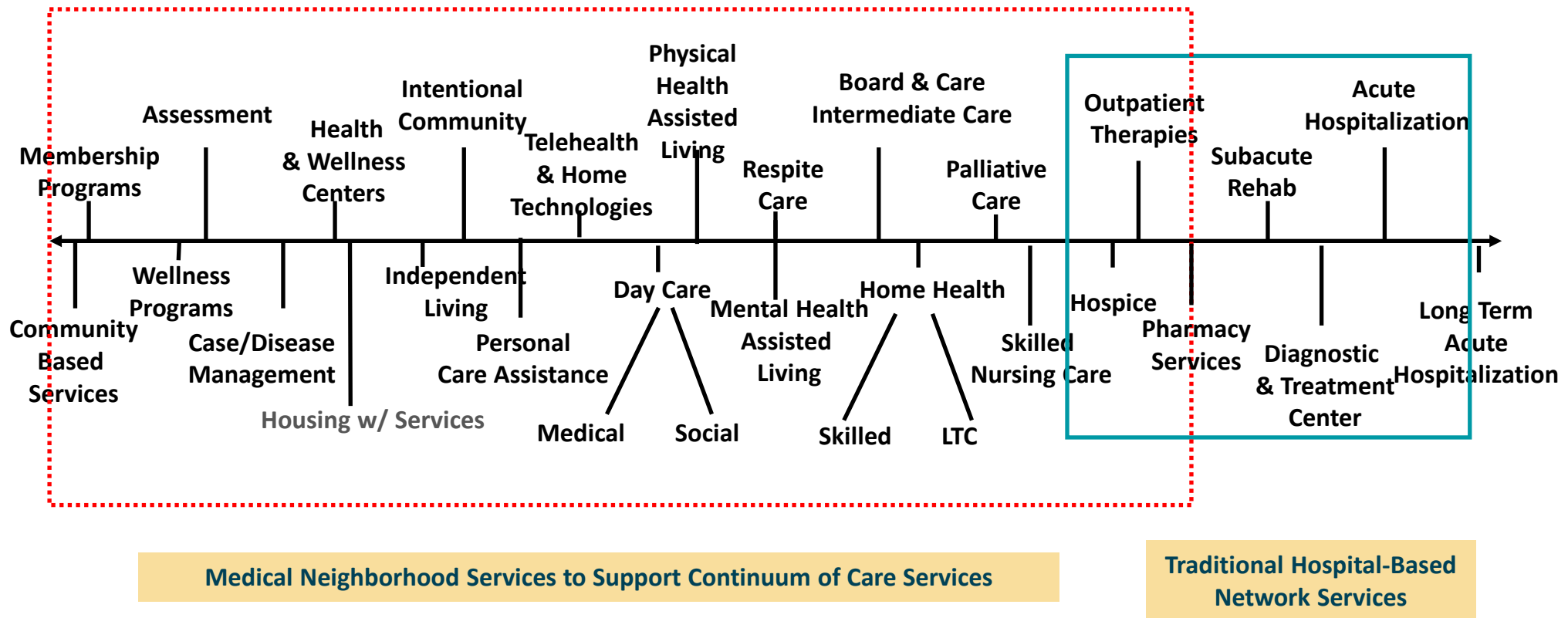
- Medicaid Emergency Psychiatric Demonstration
- Medicaid Incentives for Prevention of Chronic Diseases
- Strong Start Initiative

Medicare-Medicaid Enrollees

- Financial Alignment Initiative
- Initiative to Reduce Avoidable Hospitalizations of Nursing Facility Residents

Medical Neighborhoods –Broadening Coordination Across Spectrum of Care

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Thank you!

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