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

Presentation to the National Family Planning & Reproductive Health Association

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Manatt Health Solutions
Agenda

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
Health Industry Mega-Trends

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 Healthcare “System”
Today’s Business Model
TOWER RECORDS
IT'S THE END OF THE WORLD AS WE KNOW IT
THANKS FOR YOUR LOYALTY
Health Industry Mega-Trend: From Volume to Value

More with Less: From Volume to Value

- Primary Care in Spotlight
- Scope of Practice Reforms
- Changing Care Delivery Environment Reflecting the Primacy of Cost and the Demand for Cost Effectiveness
- Increasing Importance of Quality Metrics
- Increasing Provider Risk in Care Delivery

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Changing Focus from Volume to Value

**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

Degree of Complexity and Risk Sharing

Provider-Led Accountable Care Models
- Global Capitation
- Shared Risk Across Continuum

Bundled Payments for Episodes of Care
- Care Coordination Across Continuum

Quality-Based Tiered Payments
- Managed Transitions & Reduced Variations in Care

Pay for Performance
- Quality & Efficiency Improvements

Managed Fee-for-Service
- Right Care, Right Place, Right Time

Degree of Improved Efficiency and Quality

Source: Adapted from Healthcare Financial Management Association (HFMA) - Kentucky, “The Essence of Accountable Care,” Numerof, January 24, 2013
Accountable Care Organizations (ACOs) are Real and are Contracting with Private and Public Payers

Medicare and Commercial ACO Growth

Source: Growth & Dispersion of ACOs: August 2013 Update, Leavitt Partners
Managing Risk Puts Primary Care (and Scope of Practice) in the Spotlight

### Primary Care Shortages Exist Today

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<thead>
<tr>
<th>Source</th>
<th>Information</th>
<th>Notes</th>
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<tr>
<td>Health Resources and Services Administration (HRSA)</td>
<td>55 million Americans live in areas with an inadequate supply of primary care physicians (PCPs)</td>
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<td>The nation would need more than 15,000 more PCPs to meet the target ratio of one PCP for every 3,500 residents</td>
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<td>Kaiser Family Foundation</td>
<td>117,000 physicians practiced family medicine in 2012</td>
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<td>American Association of Nurse Practitioners (AANP)</td>
<td>134,000 nurse practitioners practiced primary care in 2012</td>
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### ...And a Worsening Shortage is Ahead

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<td>Association of American Medical Colleges (AAMC)</td>
<td>In next 10 years, 1/3 of all doctors will retire</td>
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<td>90,000 fewer doctors than needed to serve the nation’s aging population</td>
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<td>National Resident Matching Program</td>
<td>In 2012, only 12% (or 1,916) U.S. medical school graduates went into primary care residency programs</td>
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<tr>
<td>American Association of Nurse Practitioners (AANP)</td>
<td>Nursing school graduates who went into primary care totaled 11,764 in 2012, about 84% of all NP graduates</td>
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<td>The Institute of Medicine</td>
<td>“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)</td>
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Health Industry Mega-Trend: Mega-Health Systems

- Mega Systems: Rapid Consolidation
- Challenges to Independence
- Population Health
- Advanced Health IT and Data Analytics
- Narrow Provider Networks

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Unpredicted Pace of Hospital Consolidation

Hospital mergers and acquisitions

TOTAL DEALS
- 50 in '05
- 54 in '06
- 60 in '07
- 60 in '08
- 50 in '09
- 76 in '10
- 93 in '11
- 105 in '12

FOR-PROFIT BUYERS
- 34 in '05
- 32 in '06
- 22 in '07
- 22 in '08
- 16 in '09
- 40 in '10
- 52 in '11
- 67 in '12

NONPROFIT BUYERS
- 16 in '05
- 22 in '06
- 38 in '07
- 38 in '08
- 34 in '09
- 36 in '10
- 41 in '11
- 38 in '12

Source: Irving Levin Associates
Physician Employment Trend Continues

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

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.

Health Industry Mega-Trend: Centrality of States

- Medicaid Driving Reform – Becoming Active Purchaser
- Collaboration Amongst State Agencies
- States Seeking Multi-payer Reform Initiatives
- Managed Care Expansion for All Populations
Medicaid is a Driver of Payment and Delivery System Reform

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

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<th>State Innovation Models (SIM)</th>
<th>Center for Medicare and Medicaid Innovation (CMMI)</th>
<th>1115 Demonstration Waivers &amp; DSRIP</th>
<th>Coverage Expansion</th>
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<td>CMS awarded over $300 million in SIM grants to States to support the development of multi-payer payment and delivery system transformation.</td>
<td>CMMI oversees $10 billion in transformation funding including $2 Billion in Health Care Innovation Awards (HCIA)</td>
<td>Reform funding that tie investments in provider-led delivery system reforms to improvements in quality, population health and cost containment.</td>
<td>Many states expanding Medicaid to ensure sustainability of delivery system and payment reforms. With expansion, Medicaid becomes single largest payer.</td>
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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.
Diverse Approaches to Medicaid Payment and Delivery Reform

Provider-Led Care Management

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

Oregon

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

Managed Care Organization (MCOs) and ACOs

MCO Expansion

Texas
Statewide MCO expansion. Uncompensated 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

All beneficiaries will be assigned to a PCMH or a Health Home. Statewide, mandatory multi-payer episode of care bundled payment initiative
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.”
Despite ACA Reforms, 23M – 30M Will Remain Uninsured

### 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
Health Industry Mega-Trend: Value Through Data

Value through Data

- Turning Data into Actionable Information
- Big Data-Driven Research
- State-Based All Payer Data Bases
Insurers and providers will begin to **create and analyze giant data sets** to support quality improvement, planning, population health management and cost effectiveness.

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

IBM Watson on Jeopardy

**“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.”**

*Quote Source: Vendor Assessment: Industry Short List for HIT Technologies, IDC, 2010*
States Legislating All Payer Claims Data Bases

- **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

Source: NH DHHS
Key Takeaways

- **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.
Closing Thought
Discussion
Attachments
Funding the Transformation: CMS Innovations Portfolio

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

Source: Centers for Medicare and Medicaid Services, “State Innovation Group CMS Innovation Center April 18, 2014”
Medical Neighborhoods – Broadening Coordination Across Spectrum of Care

Medical Neighborhood Services to Support Continuum of Care Services

Traditional Hospital-Based Network Services

Source: Spectrum adapted from LeadingAge New York
Thank you!

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