

5.24.2016

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# Payer & Provider Integration

Eight Questions You Should Be Asking Yourself



PROPRIETARY & CONFIDENTIAL

# Our focus

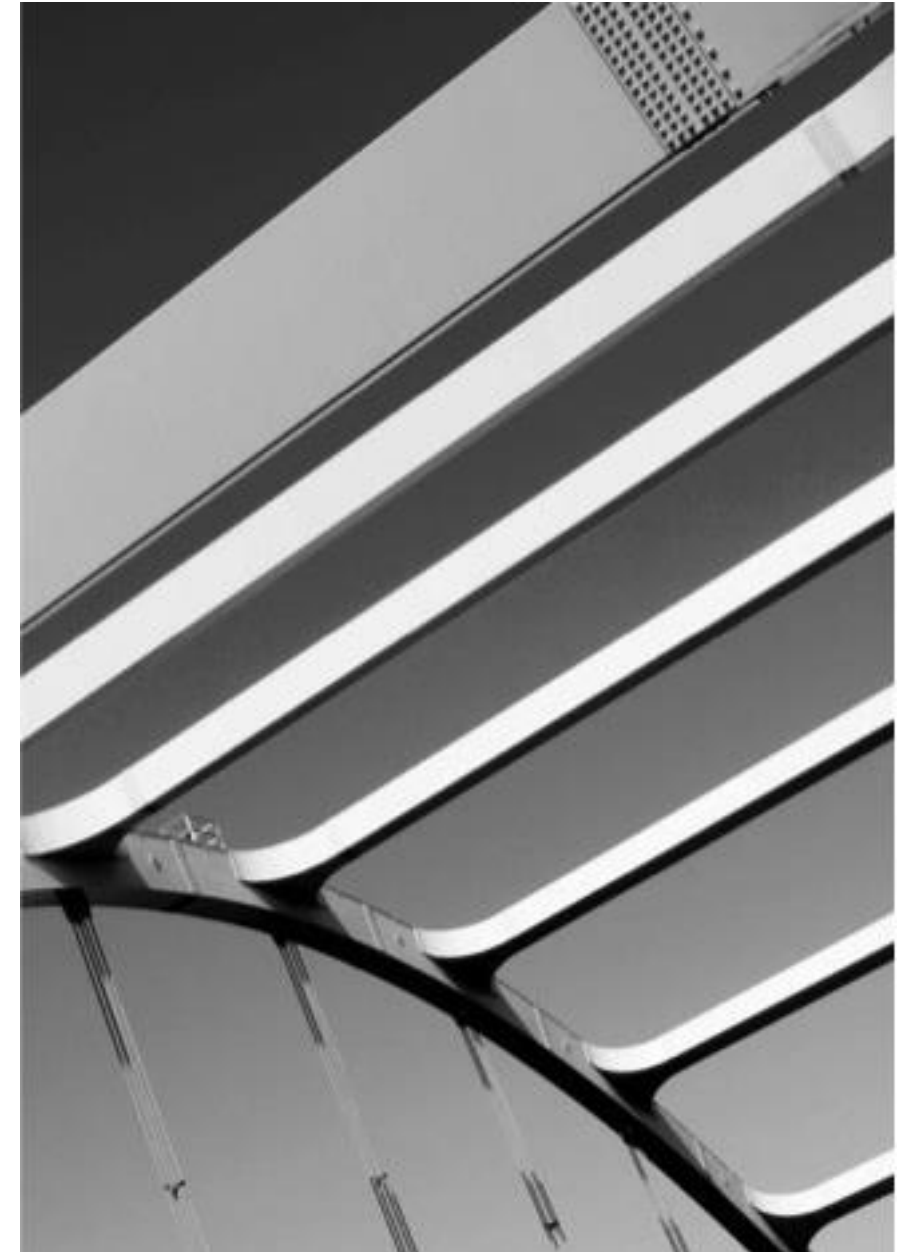
As healthcare consultants dedicated to making it simpler for payers and providers engage with an evolving and complex healthcare system, we enable our customers to:

**Cut through complexity and make better decisions**

**We help our customers to chart a clear path forward**

**“See around corners” to stay ahead of shifts in market dynamics**

**Eliminate inefficiencies**



# Today's Presenters

**Thomas J. Cuccia, CFA, ASA; Managing Director, Valuation and Transaction Advisory Services:** Mr. Cuccia is a valuation specialist with over twenty-five years' experience in financial valuation, financial advisory services and litigation support. His healthcare valuation experience ranges from the valuation of a small physician practices to multispecialty practices with over 100 doctors. His compensation valuation experience includes providing opinions for medical directors, call coverage, employment agreements, PSAs, and clinical co-management agreements. Additionally, he has provided due diligence services to healthcare providers related to market size, the costs associated with and the feasibility of market entry, and expected revenues and return on investment.

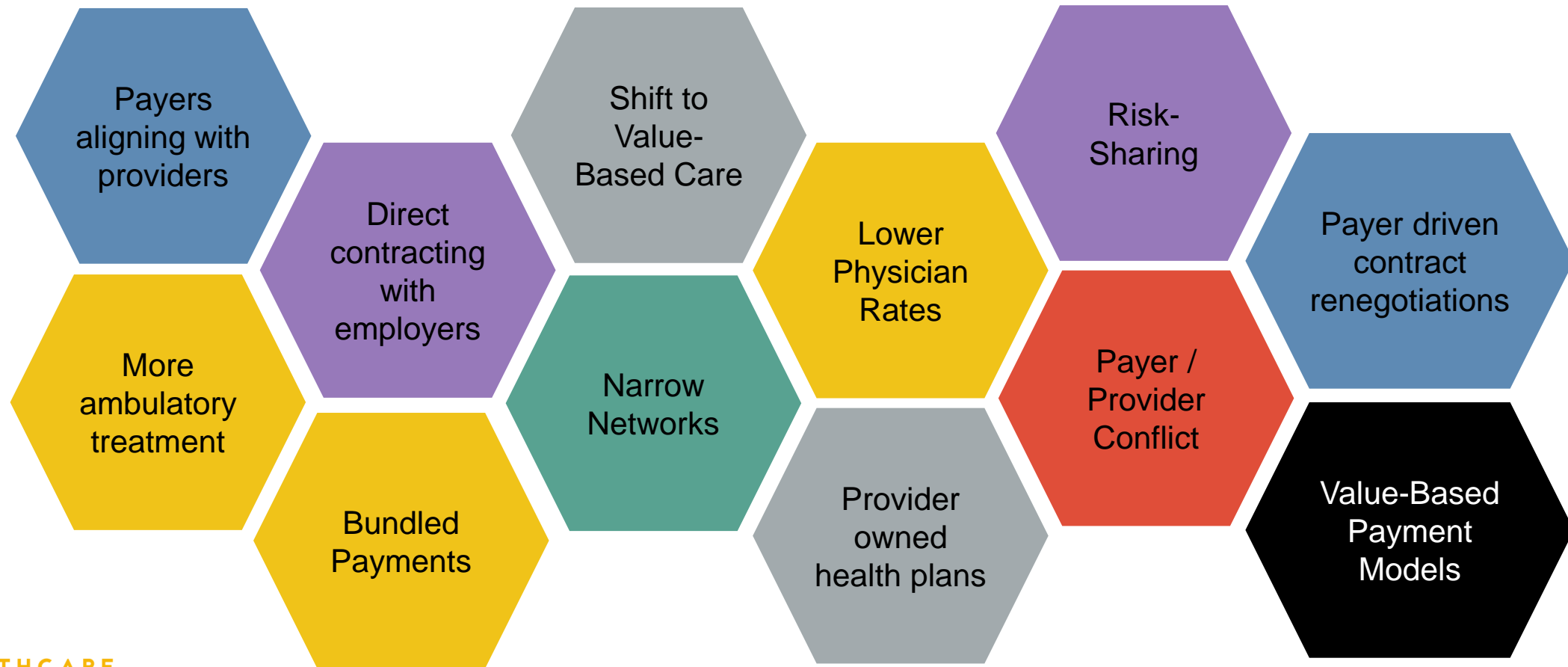
**Bob Hoover; Director, Population Health :** Mr. Hoover has over thirty (30) years in Healthcare Information Technology and Operations. He is a proven leader and has experience in a variety of roles including Executive Consultant, Program Manager for State and Federal Grants, as well as a CIO for multiple health plans. He has a demonstrated ability to build collaborative relationships with business leaders to deliver positive change to organizations through the use of information technology. Mr. Hoover's vast experience has been entirely focused on healthcare information technology from both a payer and provider perspective, and he has experience with, and knowledge of, the vendors that provide solutions to this marketplace.



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# The Business Perspective

# Macro Trends Payer/Provider Integration



# Trends in the Industry

American Hospital Association Reports:

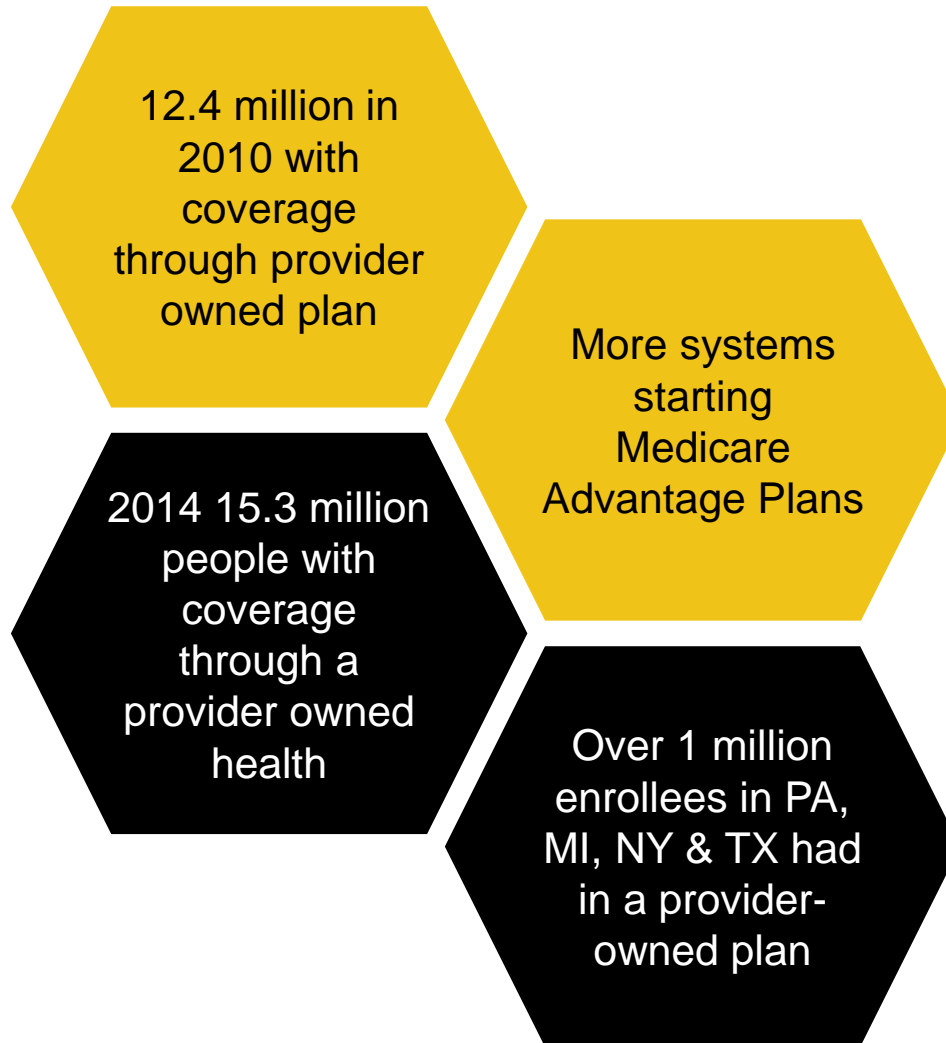
13% of all US health systems offer health plans			
Challenge:	Necessary level of payer / provider integration need to succeed is difficult to achieve	Provider led plans need to delineate the value proposition	50% of health systems have applied, or intend to apply, for insurance licenses
<hr/>			
70% of systems reporting a shift by payers to value-based payment models also report increased consumer engagement	Price transparency Negotiating fees	Asking why diagnostic tests needed	Value based payment models will equal approximately 50% of physician compensation in 10 years

# More Payers Aligning with Providers

- Medicare and Medicaid enrollments will grow by 57 and 71 percent, respectively, from 2006 to 2022, whereas enrollment in private insurance will grow by only 6 percent.
- Exchange carriers aligning with providers
  - Patient Response
- Other carrier imperatives
  - Eliminate higher cost hospitals
    - Academic medical centers, usually high cost providers, could see increased pressure to lower fees to stay in networks.
  - Greater co-operation with systems negotiating lower rates
- Payers renegotiating lower rates
- Direct contracting with employers



# Providers Launching Plans



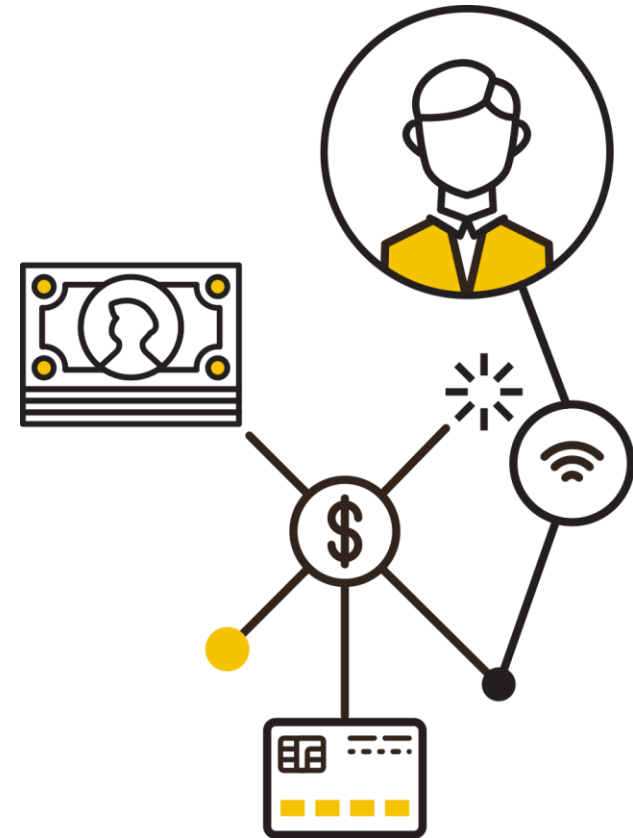
## Prominent Examples

- Geisinger Central Pennsylvania
- UPMC in Pittsburgh
- Henry Ford Health System's plan in Detroit
- Baylor Scott & White's insurer in Temple, Texas
- Wisconsin, 1/3rd of health insurance market is controlled by provider-owned plans, has 900,000 enrollees in such plans.
- Intermountain Healthcare in Salt Lake City



# Shift to Value Based Care

- Current administration goal
  - 50% of payments tied to quality before end of 2016
- HHS goal more incentives for higher quality lower costs
- MedPAC Medicare beneficiaries have access to adequate care delivered at lowest cost
- Patient outcomes improved at lower cost. How?
  - Benchmarking and standardizing clinical practices.
- State Medicaid efforts
  - Promote integrated care delivery models



# Value-Based Payment Models

Bundled  
Payments

Shared  
Savings /  
Shared Risk

Pay-for-  
Performance

Global  
Capitation

# How Technology Contributes

## Clinical Measurement & Metrics

- Metrics needed to succeed
  - Admission rates per 1000 patients and patients days per admission
  - Length of stay
  - Readmission rates
  - Emergency cases per 1000
  - Hospital acquired conditions
    - Infection rates
    - Complications
  - Patient satisfaction scores
  - Data Warehouse



# How Technology Contributes

- Security
- Capacity and productivity
- Efficiency and time saving
- Affiliate networks
- Patient engagement
- Patient outreach
- Implementation



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# The Technology Perspective

“Information technology and business are becoming interwoven. I don’t think anybody can talk meaningfully about one without talking about the other.”

Bill Gates

“Technology enabler + new business models = innovation”

David Vivancos Cerezo

“20 years ago, we spoke in terms of what we needed technology to be able to accomplish to achieve our vision, today, technology is not the limitation but how we choose to implement technology becomes the limiting factor.”

Bob Hoover

# The Road So Far

- CMS and the federal government lead the way in creating new business models
- States continue to push for innovation (CA, ME, NY, etc.)
- Private sector has begun to take advantage of the opportunities
- ACOs seem to be the leading models of collaboration to take advantage of both public and private opportunities

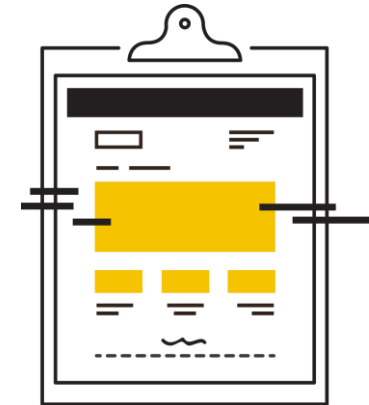
## The Private Sector at Work

Horizon Blues Cross and Blue Shield of New Jersey successfully implemented bundled payment programs that focus on payments for episodes of care

Aetna, Anthem and United Health Group all have plans underway to shift the majority of their payments to value based contracts over the next few years.

# The Road Ahead

We don't immediately think about technology or buy a solution, we need to understand the business model first.



We do need to...

- ...think about these new business models as a new eco-system
- ...understand how these organizations relate to each other and will work together – how will incentives be aligned to transform behavior
- ...define the use cases and follow the trail of the patient and the required flow of the data to support their needs
- ...understand the division of responsibilities to manage these new business models
- ...define an information architecture that allow us to capture the required data to perform analysis on the population we are managing and support the measurement of our performance



# Understanding the Business Drivers

1) What population are you focusing on?		
2) What are the defined goals?	Cost Quality of Care	
3) What functions each organization will be supporting, including administrative tasks	Enrollment Claims	
4) Which organizations would be involved in managing the population? How do these organizations relate?	Single Entity Jointly Owned	Affiliated Contractual
5) What % of business is represented by the population for each entity involved?		

# Aligning Incentives

- Has an overall strategy been defined to allocate funding to manage the target population?
- Has reimbursement been set by a third party and has the model been developed to distribute these funds across the new business venture
- Given the % of this population within each organization's book of business, how will you incent these organizations to change behavior to have the necessary impact on managing these populations?
  - History has shown that it is easier to change behavior if the book of business is meaningful
  - At times we have had to float the boat for all populations in order to get the necessary results
    - Invest in supporting the change in each office
    - It is not technology but workflow and how you use technology
    - Providers are competitive and at times react to peer data

# Care Coordination Strategy

Key to these new business models is the ability to coordinate care across the healthcare eco-system  
Current models support PCPs with resources and technologies to coordinate care across all care modalities to support a patient needs

Models vary as to who pays the care coordinators

Technology must allow coordinators and providers to see the complete patient view

Health Plans  
Fund

Health Plans  
Own

Care  
Plans

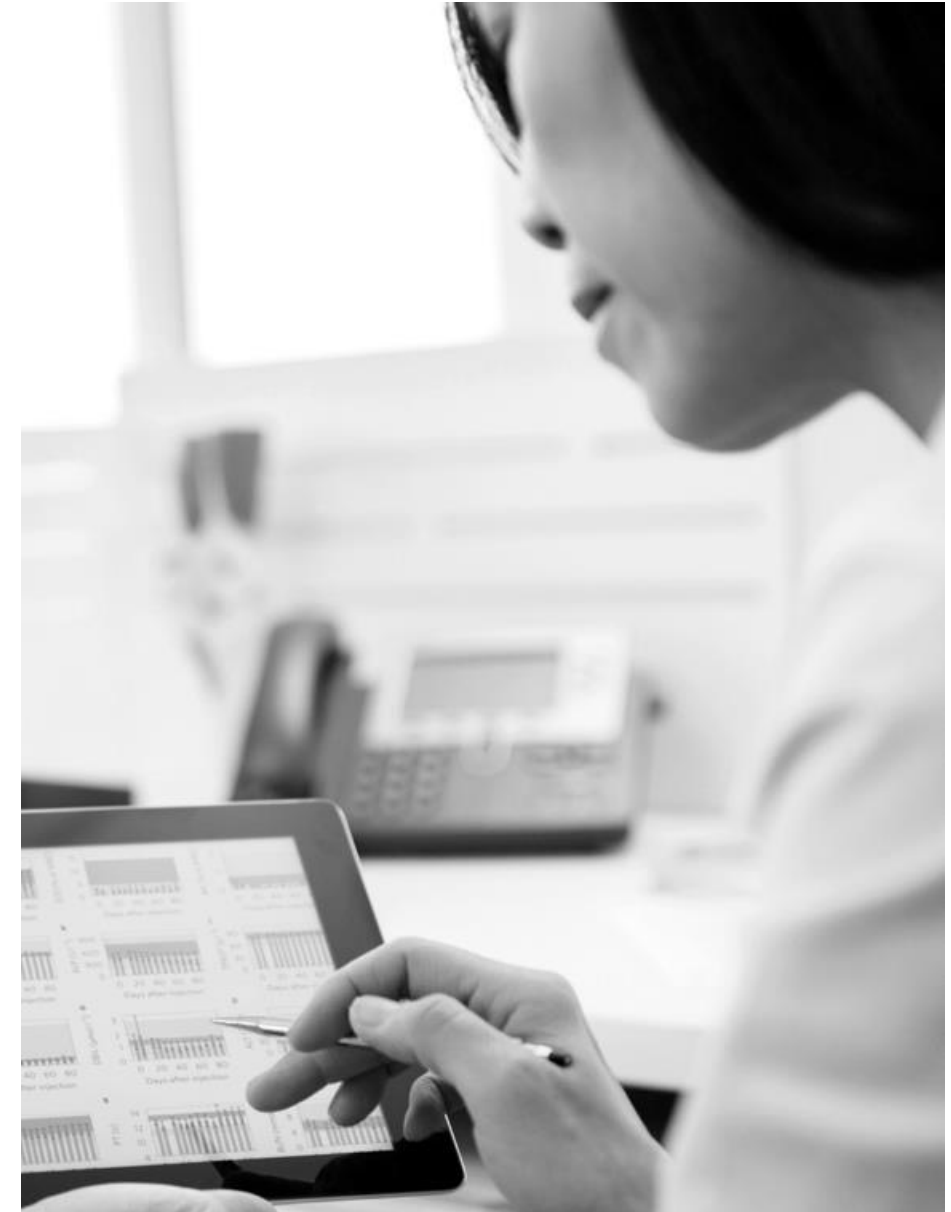
Patient Level  
Data

Care providers must be able to update the patient record, not just view it

# Defining Business Requirements

Requirements efforts need to focus on multiple levels

- 1 Information needs to support the delivery of patient care
- 2 Information needs to support analytics, specifically population health management
- 3 Information needs to support the measurement of performance from both a quality and cost perspective
- 4 Requirements necessary to support the administration of the business model



# It's all about the data

Healthcare data is often not in a format easily utilized to support improvement in care delivery or analytics

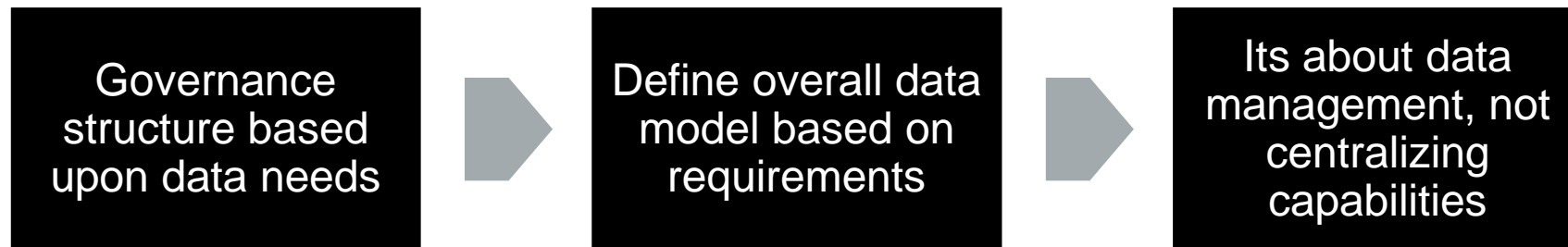
Standard and discrete, discernable data is needed



# It's all about the data (architecture)

Typically organizations will need an underlying information architecture that supports this type of data architecture and this can be complicated if it involves multiple disparate organizations

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# Assessing Current Capabilities



Understand your environment mix

Document the existing systems that exist in each organization

What functional capabilities exist

What are the underlying technologies that they utilize

What is the relationship with each vendor/supplier

Compliance with data interoperability standards

Technical and functional resources that exist

What are the contractual terms and can they be leveraged for the new venture/initiative

Create criteria that allows you to assess what can be a long-term solution

What gaps exist, what additional needs may you have

# Resource Planning

Technology alone will not get it done, you will need human resources to both implement and support your new business venture/initiative

- From your plan to need to build two models:
  - Implementation
  - Support
- From your assessment, you need to map your existing resources against your developed models to create your gap analysis
- Chances are you will have a multi-year plan and multiple types of systems/technologies you will need to implement
- Focus your internal staff on core competencies that you will need for the long-term, for instance
  - Data analysts
  - Provider relations
- Outsource commodity needs to the experts





# Performance Management

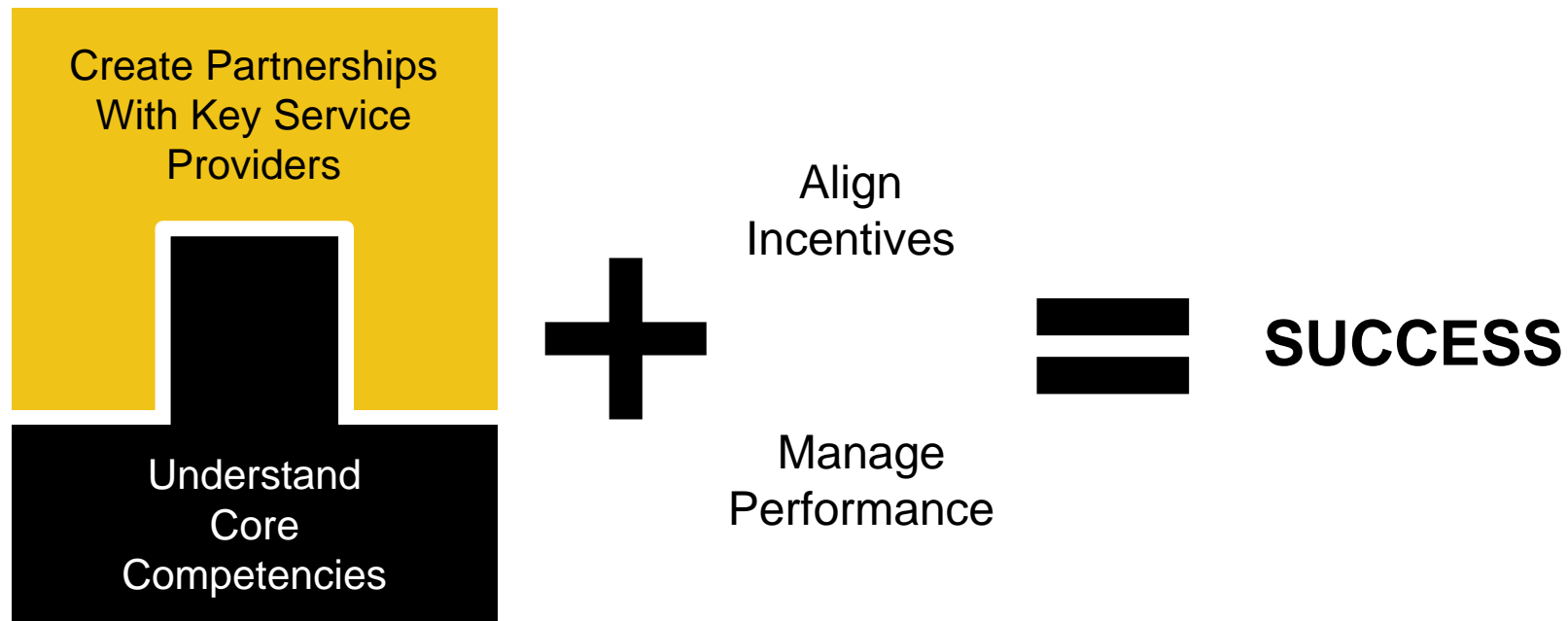
You can not manage what you can not measure:

- Your initial plan needs to have measurable objectives
- Your developed plans needs to have a way to capture that data and activities that support this measurement
- Measurement of performance must be communicated and supported appropriately to effect the desired change
- Leverage best practice and peer data which has been proven to assist in promoting changes in behavior



# Moving Forward

- Change is inevitable
- Planning is a requirement
- Architecture becomes a foundation
- Establishing a governance process is a must





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**HCEG 2016 ANNUAL FORUM**  
**HEALTHCARE DISRUPTION**  
**THE NEW NORM?**



**SEPTEMBER 12TH - 14TH**

Renaissance New York Midtown Hotel, NYC

**For event information contact**  
**Juliana Ruiz [jr@hceg.org](mailto:jr@hceg.org)**  
**[www.hceg.org](http://www.hceg.org)**



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# Questions?

# Resources

American Hospital Association (AHA)

PricewaterhouseCoopers

HuffPost Business

Harvard Business Review

Modern Healthcare

Becker's Hospital Review

Deloitte Center for Health Solutions