Seismic Shifts in Healthcare Competition

**WSJ**
Anthem Agrees to Buy Cigna for $48.4 Billion
Deal, which needs regulatory approval, would help reshape health insurance industry

**FierceHealthFinance**
Barnabas, Robert Wood Johnson merger will create giant system in New Jersey
But concerns remain as to how deal will affect healthcare costs

**The New York Times**
Health Insurance Shoppers Look to Limited Networks to Save Money

**Forbes**
White House Plans To Shift Medicare Away From Fee-For-Service; 50% Of Payments Tied To Quality By 2018

**Modern Healthcare**
Expect more health systems to get in the insurance game
Traditional Barriers to Value Competition are Starting to Peel Away

**“Choice” Networks**
- People select narrow networks in the insurance marketplace.

**Value-Based Remuneration**
- Payors focused solely on low unit costs, manage utilization themselves.
- Payors reward providers for managing quality and total cost.

**Access**
- Telehealth is starting to break-up geographic monopolies.

**Consumer Price Sensitivity**
- Plans buffer patients from costs; same out-of-pocket costs for high-and low-cost providers.

**Informed Decision-Making**
- Little awareness of the cost of care, limiting price competition.
- Transparency/access to information enables patients and physicians to be informed in their medical decision making.

What do you see?
Another view of evolution

Change, like evolution, is not Gradual...

...rather, it is made up of longer periods of stability, followed by quicker, punctuated “shifts”
The Punctuated Shift to Value

- Where is your market today?
- Are you prepared?
- Will others use the shift to value to compete with you?

**Four Strategies for Value-Based Competition**

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Source: Harris, J., & Frasier, B. "Volume to Value: Choosing Your Strategy for Value-Based Competition." Futurescan 2015: Healthcare Trends and Implications
Disruptive Innovations

"This really is an innovative approach, but I'm afraid we can't consider it. It's never been done before."
Disruptive Innovations

"... a process by which a product or service takes root initially in simple applications at the bottom of a market, and then relentlessly moves up market, eventually displacing established competitors."

–Clayton Christensen

Notable Disruptive Innovations

- Sony transistor radios replace HiFi
- Toyota replacing GM
- Netflix replacing Blockbuster
- Uber replacing taxi services

Healthcare Disruptive Innovations

Disruptive innovations are initially dismissed by incumbents as poor quality

Notable Disruptive Innovations

- Ambulatory Surgery Centers
- Urgent Care Centers
- Retail Clinics
- ZocDoc for Scheduling
Four Types of Innovative Disruptors

1. Revolutionized Primary Care
   - **Value Proposition**: Improve health outcomes by redefining the primary care experience

2. Empowered Physician Networks
   - **Value Proposition**: Physicians align with payers, manage care, and keep the savings

3. App-enabled Engagement
   - **Value Proposition**: Apps grab patients early to improve health and guide choice of providers

4. Visionary Health Systems
   - **Value Proposition**: Gain market share through differentiation on consumer orientation and innovation

Revolutionized Primary Care

- **Individual Physician**: Fee-for-Service
  - Implications...
  - Reactive sick care
  - Focus on billable services, otherwise suffer financially
  - Time is money, limited returns on longer patient visits
  - Unfulfilled physicians

- **Patient Care Team**: Reward for Value
  - Leads to...
  - Proactive health
  - Patient engagement
  - Relationship building, – emphasis on trust
  - Focus on appropriate/necessary services

Redefining what "primary care" means
Revolutionized Primary Care
Case Study: Iora Health, Cambridge, MA

- Dr. Rushika Fernandopulle – Co-founder and CEO
  - Not fixing practices
  - Starting from scratch

1822 - 23 Days East (40 Days West)  1952 - 3 Days, 11 hours

Revolutionized Primary Care
Case Study: Iora Health, Cambridge, MA

A "simple, but radically different" primary care clinic model

Team-based Care
Capitated 2x norm
Opt in
Select Specialists

"By changing the payment model, delivery system, and IT platforms we can make things better both for patients and ourselves, and create better economics"

Average Practice
- ~1,200 – 3,000 Patients
- ~1-2 Physicians
- ~4-8 Health Coaches
- ~1 RN
- ~1 Social Worker

Dr. Rushika Fernandopulle, Founder and CEO
Results (Pilot Practices)¹

- Reduced utilization and spending
  - 41% drop in inpatient admissions
  - 48% drop in ER visits
  - Up to 20% net spending reduction

- Improved health
  - 90% of diabetics in control (A1c below 9%)
  - Avg. 40 point reduction for those with poor BP (>160) after 6 months
  - Ethnic disparities in cholesterol and BP reversed within 6 months
  - 56% fewer missed work-days
  - 15% improvement on physical functioning
  - 16% improvement on mental functioning

- Improved patient satisfaction
  - Physician rating of 9.6 out of 10
  - Off the charts “would recommend”


Revolutionized Primary Care - Strengths/Weaknesses

- Quality and cost savings results
- Strong relationships
- No co-pays
- Emphasis on appropriate care, rather than billable care
- Attention to health maintenance
- Increased provider communication
- Startup costs (each site is started from scratch)
- Requires an employer or health plan willing to work differently
- May be difficult to scale the “customer-focused” culture
- May need scale to be profitable
- Must shift some patients from current physician relationships

Growth Goals

- 12 Practices
- 30 Practices
- 60 Practices

2014 2015 2016
Empowered Physician Networks

Physicians Form Large Groups or Networks

Seek hospitals who...

Cooperate in managing care (e.g., share data)
Offer good pricing
Develop most cost-effective care settings
Align cooperative specialists

Implications...
- Focus on total care cost, keep savings
- Implement effective IT
- Steer volume to low-cost and cooperative venues
- Treat hospitals as cost centers
- Enhanced physician revenue

WHY SHOULD HOSPITALS PARTNER WITH THESE NETWORKS?
To secure market share and achieve population health results without taking on risk

Hospitals are skeptical of the effectiveness of Empowered Physician Networks

60% of hospital leaders believe it is unlikely that large independent physician entities will be more successful at managing the total cost of care than entities that include hospitals along with physicians?

Source: FutureScan 2015 Survey of ACHE and SHSMD leaders
Empowered Physician Networks
Case Study: Privia Health

Goal

Help physicians transition from FFS to value-based payments with tools and support

Privia Medical Group is the largest independent medical group serving patients in Virginia, Maryland, and D.C. (~80% PCPs)

Privia Quality Network is a clinically integrated network and ACO providing physicians access to risk-based payer arrangements (60% PCPs)

"This offers an alternative...they don't have to sell their practice out to a health system..."

Jeff Butler, Founder and CEO

WHAT VALUE DOES PRIVIA BRING?

● Delivers value on cost and quality
● Physicians achieve scale while retaining local practice control
● Technology/data analytics to succeed in value-based payer initiatives
● Team-based resources to manage patient health (e.g., virtual wellness teams)

Empowered Physician Networks
Case Study: Privia Health

Results:

Overall Cost Savings...
• In its first year of participation in the MSSP, the Privia Quality Network experienced a 5.6 percent reduction in spending, generating ~$2.7 million of shared savings
• Ranked among the top 15 percent of ACOs

Clinical Quality...
• Results to be reported soon

What is Privia looking for in a partnership with a hospital or health system?

1) Will Work Together – meet regularly to ensure success
2) High Quality
3) Low Unit Cost – Payer & patient
4) Data Sharing – Real-time ADT
5) Network Loyalty – to support coordinated care
## Empowered Physician Networks – Strengths/Weaknesses

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<th>Weaknesses</th>
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<td>Engaged physicians can control costs</td>
<td>Depend on payer interest</td>
</tr>
<tr>
<td>Can have strong IT platform</td>
<td>Some payer contracts remain FFS</td>
</tr>
<tr>
<td>Savings all go to physicians</td>
<td>&quot;Herding cats&quot;</td>
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<tr>
<td>Scale lowers overhead costs</td>
<td>Requires same EHR</td>
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<tr>
<td>Physician self-governance</td>
<td>Limited hospital data</td>
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<tr>
<td>No ambivalence regarding reducing hospital volume</td>
<td>Hard to manage care outside group or network</td>
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<td>Many physicians already employed by hospitals</td>
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## App-Enabled Engagement

### How is digital health **disrupting** the healthcare market?

**"Consumerization of Healthcare"**

In the Q3 of 2015, consumer-focused health IT firms brought in $1.2 billion in 106 venture capital deals.

- **ZocDoc**
  - Online services allow patients to find doctors in their health insurer’s network, book appointments, and fill out paperwork in advance.
  - Raised $130 million in Q3 of 2015.
- **Practo**
  - Created a physician search engine to book appointments and rate providers.
  - Raised $90 million in Q3 of 2015.
- **Grand Rounds**
  - Matches patients with specialists and connects them for second opinions on a medical diagnosis.
  - Raised $55 million Q3 of 2015.

App-Enabled Engagement and Referrals
Case Study: The Mobile app, Sharecare

About Sharecare/AskMD: “...health and wellness engagement platform providing millions of consumers with a personal, results-oriented experience by connecting them to the most qualified health resources and programs they need to improve their health.”

Online Health Profile & Tracking ➔ Health Guides and Improvement Tools ➔ Health Consultations, MD Recommendations

Beware, doctor. An app is getting between you and your patients; they may be steered elsewhere.

App-Enabled Engagement – Strengths/Weaknesses

• Achieve engagement
• Well financed
• Fresh thinking
• Power to steer referrals
• Positive (not adverse) selection

• Confidentiality concerns
• Are their recommendations sound?
• Many competitors
• May be coopted by health systems
Visionary Health Systems

**The “Burning Platform”**

What are the challenges hospitals face?

- Facility-focused
- Volume-focused
- Layers of entrenched interests

**Traditional Reasons for Change**
- Current model of care is not sustainable
- Shift towards lower-cost sites of service
- Shift from FFS to value-based care

**Visionary’s Reasons for Change**
- Disruptors could make our old competitors look tame
- Will be different in ten years
- People hate change (especially incumbents)

**How Do Hospitals and Health Systems Address These Challenges?**

- Organizational Infrastructure
- Community Partnerships
- Driven Leadership
- Organizational Culture

Visionary Health Systems

Case Study: Jefferson Health

**VISION** We will **reimagine** health, health education, and **discovery** to **create unparalleled value** and to be the most trusted healthcare partner.

**Technology**

- JeffConnect:
  - Telemedicine platform designed to connect consumers with Jefferson physicians virtually for consultations or care
  - “Going from a Blockbuster model to a Netflix Model”
    - Stephen Klasko, MD, CEO

**Partnerships**

- "Hub and Hub Model"

**New Payment Models**

- Among the 26% of MSSP ACOs that earned shared-savings in 2014
Visionary Health Systems –
Strengths/Weaknesses

- Position for success
- Attract forward-thinkers
- First-mover advantage
- Embrace inevitable change
- Can attract philanthropy

- Limited capital/resources
- Immediate vs. future ROI
- Provider/Patient engagement
- Entrenched interests
- May tax existing management

Impact on Specialists

How are independent specialists affected?

Narrowing networks are squeezing specialists

Example:
- Collaboration between a health system and a plan
- Removed 300 independent providers from the Geisinger Gold network
- 2/3 of Geisinger Gold network is WellSpan

“Local independent practitioners have been forced to really stick together”

Angie Hartman, spokeswoman for OSS Orthopaedic Hospital

“This removes patient choice almost completely”

Jim Gill, COO, Gastro Associates of York
Impact on Specialists

What options do specialists have?

Form Larger Groups

- Ability to joint contract with employers and insurers
- Opportunities to capitalize on bundled payments for services
- Partner with PCPs on value

"You don't want them to evolve into the same thing, which was years ago, 'be strong, be better, just to negotiate better rates.' Those days are over."

Anthony Coletta, CEO, Tandigm Health

Example:
NueHealth Greater Philadelphia

- Integrated multi-specialty network of physicians through inter-practice EMR connectivity
- Infrastructure to support value-based contracting
- Currently 750 physicians from independent groups

How you should respond...
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### Resist the incumbent's dilemma

It’s difficult to reinvent when you’re servicing a going concern.

It’s easier too...

- Play defense...than to imagine the future and gamble on it
- Stick with what’s working now...and believe you can change quickly when you need to
- Take gradual steps...and believe it is enough
Four steps to set your strategy

1. Recognize the new competitive dynamic
   • Disrupted industries can change quickly and drastically
   • Past performance does not guarantee future success

2. Understand your value in the new market
   • Consumers assume quality and prize convenience and price
   • Physicians are weighing pricing

3. Engage stakeholders in a bold new vision
   • Ask “Will we thrive in five/ten years doing what we do now?”
   • Attract and nurture the open-minded core, spend less time with resisters

4. Align with effective partners
   • Deliver value to empowered physician networks and other value seekers
   • Partner with nimble, well-capitalized and focused innovators who will appreciate your “installed base” and reputation

View Partnership as an Asset

- New players understand how to capture value with the shift to consumer-focused products and services
- Partnering with a new player can provide synergies and stimulate stakeholders
- Be honest about what each party brings to the table and what parts of your legacy business models may play a lesser role going forward

Keys to a Successful Partnership

Culture Fit  Clear Vision  Focused Effort  Enough Time
Questions now?

Or later
Email: Jharris@Veralon.com
Phone: 877-676-3600