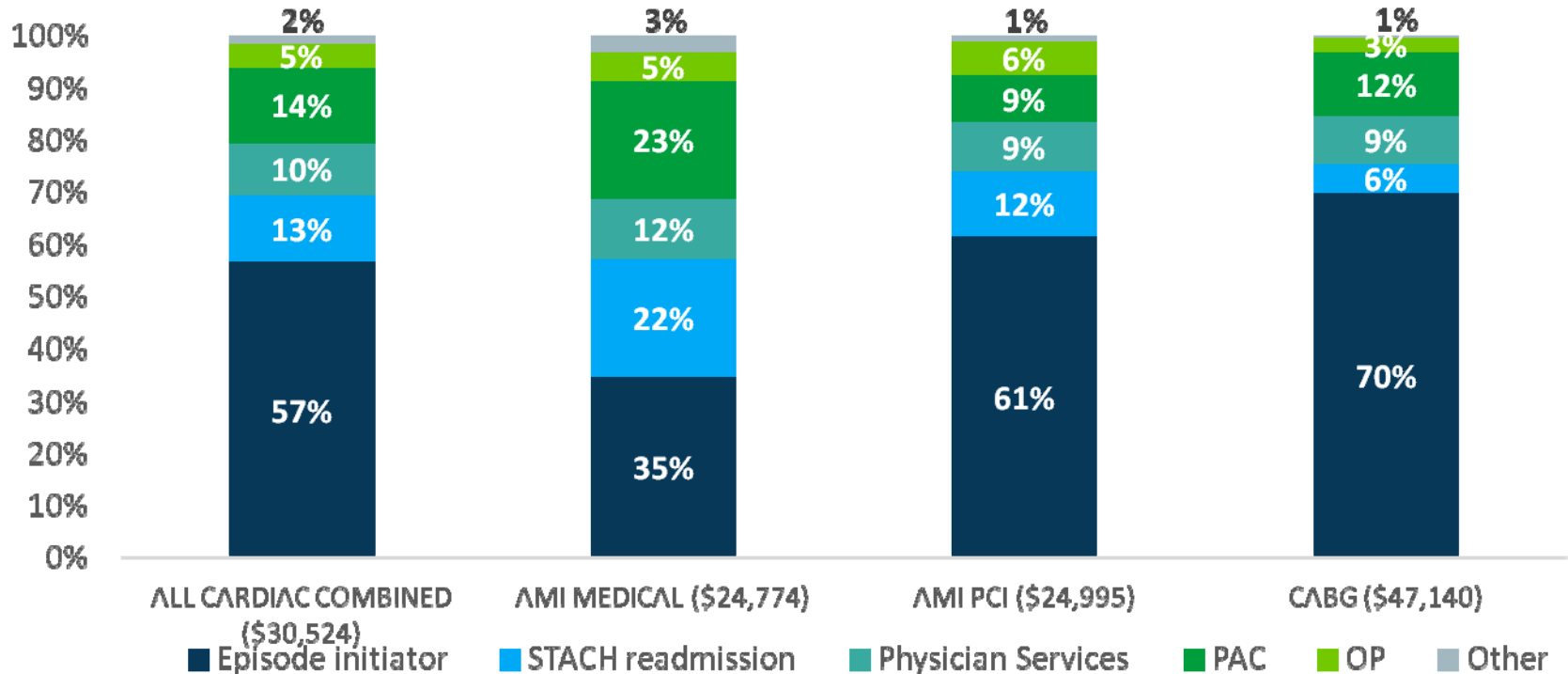


Different Cost Profiles Underscore Need for Condition-Specific Strategies

Spending Distribution across 90-Day Cardiac Episodes



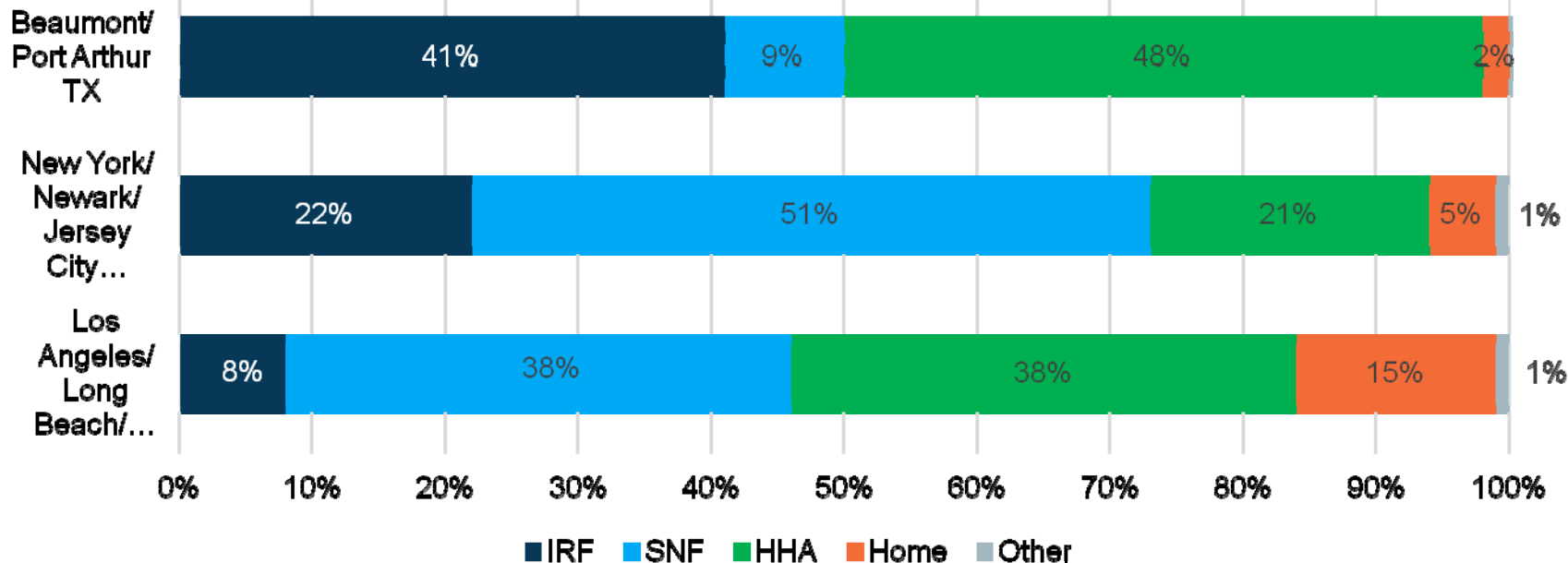
STACH: Short-Term Acute Care Hospital; PAC: Post-Acute Care; OP: Outpatient; PCI: Percutaneous Coronary Intervention; AMI: Acute Myocardial Infarction; CABG: Coronary Artery Bypass Graft



Avalere analyzed 2013 and 2014 Medicare Part A 100% Standard Analytic Files. The analysis includes 90-day episodes for all hospitals located in the 294 EPM-eligible MSAs between October 1, 2013 and September 30, 2014. Spending on Physician Services and DME was included for the cost breakdowns shown in this analysis. The "Other" category includes DME and additional Part B services.

Evidence of Unwarranted Variation in Post-Acute Care Use

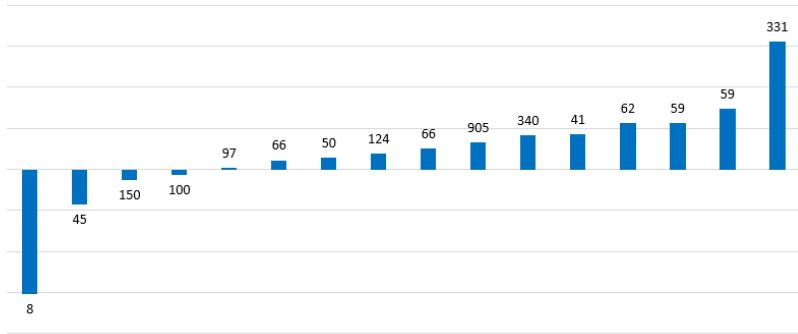
Hospital Discharge Destination by Care Setting for Major Joint Replacement of the Lower Extremity 90-Day Episodes



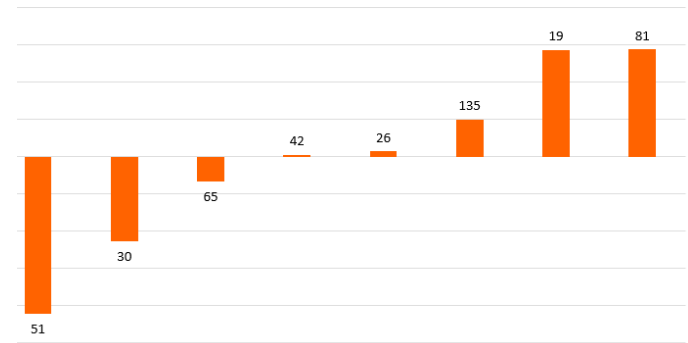
Note: Other includes LTACH, discharge to death, and other IP.

Source: 2012 and 2013 Standard Analytics Files (SAF) from Centers for Medicare and Medicaid Services (CMS). Data reflects 90 day episodes beginning between October 1, 2012 and September 30, 2013. Data excludes Part B services except for home health.

MJR Average Episode NPRA Q2 2016



CHF Average Episode NPRA Q2 2016

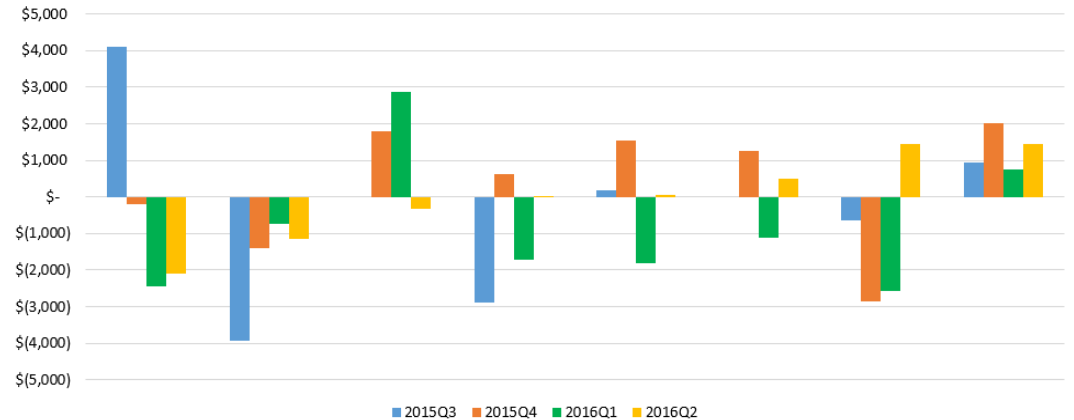


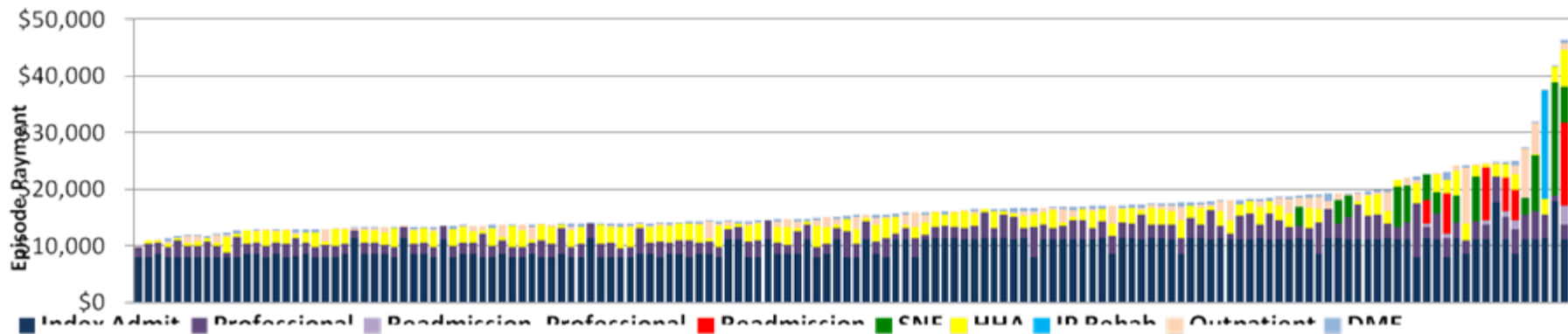
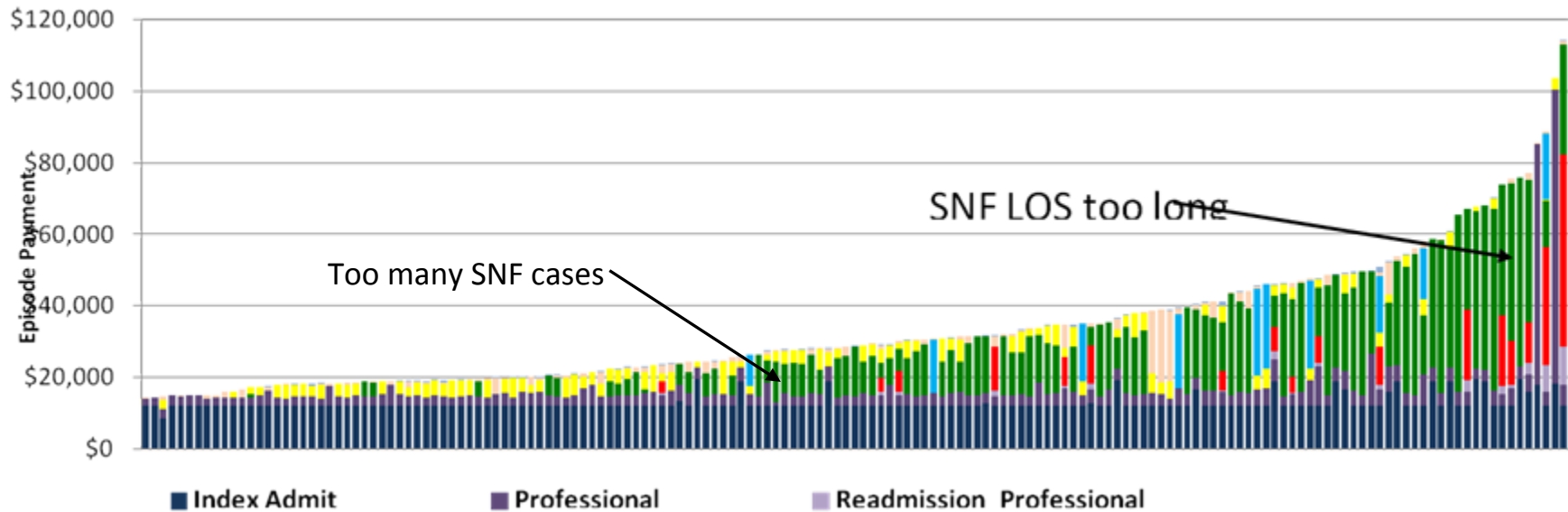
CJR First Reconciliation Results



- Surplus/Limited
- Surplus/Not Limited
- Loss

CHF Average Episode NPRA Over Time





EPIISODE OF CARE ANALYTICS

Using Data To Create Strategic Insight

06.27.2017

What we see in Commercial programs:

A wide distribution of cost and quality remains. \$10K – \$100K (Hip Distribution Example)

Episode intelligence (the data) identifies the potential areas for clinical transformation for episode of care provider partners.

“The goal is to become an opportunity identifier for our provider partners not just a payer.”



Finding The Opportunities – By Knowing The Episode Drivers

23 Procedural Episodes / Top 5 Procedural Episodes (45% of Total Procedural Episode Costs)					
	CABG	COLOS	Hip Rep.	Knee Rep.	Pregnancy
Facility	81%	10%	72%	72%	66%
Professional Fees	14%	69%	19%	17%	23%
Post Acute/Ancillary	1%	5%	5%	7%	3%
Anesthesia	4%	16%	4%	4%	7%
PAC (% of Total Episode)	14%	4%	5%	5%	42%
Avg. Episode Cost	\$76K - \$101K	\$2K - \$3K	\$29K - \$40K	\$30K - \$40K	\$14K - \$20K