Can Wall Street and Private Sector Competition Save Healthcare?

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Table of contents

- Strategy
  - Convergence
  - Retail
  - Innovation
Wall Street loves FFS medicine the market needs FFV medicine

The Financial Markets have Failed to Motivate the Private Sector to Bend Trend or Drive Fundamental Improvements to Healthcare

<table>
<thead>
<tr>
<th>1 Customer Demands and Expectations</th>
<th>2 Wall Street and Investor Reward Systems</th>
<th>3 Private Sector Competition and Performance</th>
<th>4 Total Market Value Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Health benefits affordability</td>
<td>▪ Top line growth</td>
<td>▪ Innovation</td>
<td>▪ More health benefits</td>
</tr>
<tr>
<td>▪ Access and quality</td>
<td>▪ EBITDA growth</td>
<td>▪ Exceeding customer expectations</td>
<td>▪ for every dollar</td>
</tr>
<tr>
<td>▪ Consumer engagement and accountability</td>
<td>▪ EBITDA risk</td>
<td>▪ Total value</td>
<td>▪ Lower healthcare costs while maintaining quality</td>
</tr>
<tr>
<td>▪ Workforce retention and productivity</td>
<td>▪ Leadership team</td>
<td>▪ Financial performance</td>
<td>▪ Improved health status and engagement</td>
</tr>
<tr>
<td></td>
<td>▪ Innovation</td>
<td></td>
<td>▪ More productive workforce</td>
</tr>
</tbody>
</table>

UnLocking the power of private sector competition—to save the private healthcare system—is it possible?
If not PPACA or Wall Street—maybe a budget meltdown will drive real healthcare reform and shift the market to value

<table>
<thead>
<tr>
<th>Healthcare Funding Source Pressures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
</tr>
<tr>
<td>Virtually bankrupt—unsustainable w/o tax reform or federal subsidies</td>
</tr>
</tbody>
</table>

Without big changes in how healthcare is managed and delivered, healthcare funding sources will be forced to control rates and benefits or face insolvency.
Diversification will be required to meet investor expectations

Post-Reform Market Attractiveness Outlook

Attractiveness based on market growth, competitive intensity, regulatory burden, margin outlook etc.
A three part play—many health plans will not have the cash flow and balance sheet strength to make it past the first act.

**Respond**
- Compliance
  - HCR implementation
  - Lean programs

**Reinforce**
- Optimize
- Core Business
  - Rebalance the portfolio
  - Focus on medical costs

**Reinvent**
- New Business Designs
  - Future vision, strategy and organization alignment plan

**2010-2011**
- Pilot exchange products
- Build retail capabilities

**2012-2013**
- Refine retail
- Extend medical cost programs

**2013-2014**
- Refine and scale new business model
- Refine and scale new businesses

- Redesign the business model
- Initiate diversification
Value capture opportunities will drive industry structure changes—and the financial markets will reward the innovators.

Three mega waves are building momentum:

1. Health systems with unprecedented financial motivation integrate and become health management companies.

2. Health enablement companies partner with health systems and accelerate the shift to value.

3. Consumer technology and social networking companies redefine consumer expectations.

Traditional health plans may not be at the center of the industry transformation process.
Value-based orthopedics practice improves outcomes and reduces costs

What is preventing financial markets and private sector competition from fueling the shift to value?

Performance Outcome Measures

- Pain management effectiveness
- Functional improvement services
- Return to work
- Patient satisfaction
Expect disruptive innovation

Becoming a Health and Lifestyle Company

- Consumer brand and trust—social networking
- Health, benefits, wellness and integrated financial expertise
- Consumer service and product innovation—health, wealth and lifestyle
- Health management expertise—including coaching and navigation
- Health system and physician partnering
- Care model expertise, electronic medical records, EBM, patient care alerts and MDTs
- Patient registries, population management, knowledge and wisdom applications
- Care model ecosystem design and connectivity driven work flow integration
Table of contents

- Strategy
- Convergence
- Retail
- Innovation
Business model redesign starts with the customer hassle map

The market convergence players master a new game
- Start with the customer, not the “home team” value chain
- Get the customer’s hassle map down with great detail and accuracy
- Connect the dots from multiple chains (software, mobile, content, device, etc.) to create an elegant solution for the customer, a solution that radically improves the hassle map
Convergence redefined the consumer electronics marketplace
CareMore is the healthcare analog

1 Includes: Shape Up, Levels Down, Home Care, Mental Health Program, Social Services, Podiatry, Hospice, Palliative Care, Wellness Programs, Transportation, etc.
Convergence strategies could redefine healthcare

Future Healthcare Solutions

Risk Management/Administration

Care Delivery

Personal Health Management

Healthcare IT

Personal Health Management + Healthcare IT

Risk Management + Personal Health Management

Risk Management + Delivery + Personal Health Mgmt

Healthcare market structure could be redefined through scale based convergence plays between Web 2.0 companies, health systems and payers.
Table of contents

- Strategy
- Convergence
- Retail
- Innovation
Consumers buying patterns will shatter the traditional wholesale buying model and reshape the healthcare marketplace

As consumers make real tradeoff decisions between benefits, health management programs, personal accountability, physician relationships and financial exposure (risk and cost) …

… they will make different choices than their employers made for them and drive industry transformation.
Consumers will buy differently than employers bought for them—and their $650M in buying power will reshape the marketplace

**Employer-Driven Wholesale Model**

1. Lower cost through benefit buy downs and cost shifting to employees; facilitated through brokers and consultants

2. Reduce employee noise through a broad access one-size-fits-all provider network

3. Limited offering of opt-in health management programs focused on reducing medical cost

4. Transactional service and administrative efficiency to lower cost and minimize employee feedback

**Consumer-Driven Retail Model**

- Buy an affordable product by balancing benefits, personalized engagement, and physician/health system choices with cost and exposure

- Select a personalized set of physicians and health systems to meet your needs and your budget

- Consumer-focused engagement programs to improve health and reduce consumer costs

- Personalized, integrated, simple and effective service focused on the consumer’s needs
Designing for affordability and quality

Five Critical Gaps in the Current Healthcare Management and Delivery System

Value-Based Benefits
- Increased Wellness, Prevention and Education

Patient Health Engagement
- Reduced Practice Variation Through Evidence-Based Medicine

Evidence Based, Integrated Care Models
- Increased Informed Consent on Preference Sensitive Conditions

Value-Based Reimbursement
- Improved Treatment Plan Compliance

Appropriate Clinical Performance Measures
- Improved Care Coordination for High Need Patients

Basic provider cost structure reductions and process improvements required to become operationally excellent

Five care management gap areas drive healthcare inefficiencies and contribute to high medical trend.
## Integrating health value into products and services

<table>
<thead>
<tr>
<th>New Product Archetype</th>
<th>Consumer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Healthy Independent</td>
</tr>
<tr>
<td><strong>1</strong> Bundled Benefits and Integrated Incentives</td>
<td></td>
</tr>
<tr>
<td><strong>2</strong> Consumer Health Engagement</td>
<td></td>
</tr>
<tr>
<td><strong>3</strong> Medical Homes</td>
<td></td>
</tr>
<tr>
<td><strong>4</strong> Network Model</td>
<td></td>
</tr>
<tr>
<td><strong>5</strong> Service Support</td>
<td></td>
</tr>
</tbody>
</table>

**Consumer Value Proposition**
- **10% to 15% in-year price advantage**
- **10% to 15% price advantage with lower renewals and rewards**
- **Integrated one-stop-shop considering the risk and economic aspects across benefits**
Enabling and rewarding health systems for value-based care delivery—more affordable, better quality and outcomes

New care models support the ACO

A new reimbursement model supports each care model

Organized Delivery System

Patient Populations

- Service and Episodic Patients: routine care, knee replacements, etc.
- Chronic Disease Populations: diabetes, CAD, CHF, CKD, depression, etc.
- Condition Populations: cancer, high risk pregnancy, etc.
- Whole Person Management: at-risk, poly chronic, frail elder, hospice, etc.

ACO

Payer FFV Payment Models

Patient Populations
Building community health ecosystems over time

### Episodic Ecosystems
- **Orthopedics**
  - Acute adjusted care rate with performance measures
  - Orthopedic contracts for and manages all aspects of patient care
- **Surgical Center of Excellence**
  - Acute adjusted care rate with performance measures
  - Surgeon contracts for and manages all aspects of patient care

### Condition/disease ecosystem
- **Dermatology**
- **Ambulatory Surgery Center**
- **Social Services**
- **Ambulatory Services**
- **Patient**
- **Hospital Medical Device Maker**
- **Excellence**
- **Cath Lab**
- **Social Services**
- **Bio Metric Device Maker**
- **Dermatology**
- **Ambulatory Surgery Center**
- **Social Services**
- **Ambulatory Services**
- **Patient**
- **Hospital Medical Device Maker**
- **Excellence**
- **Cath Lab**
- **Social Services**
- **Bio Metric Device Maker**

### Episodic care ecosystem
- **Hospice & Palliative Care**
- **Rehab Services**
- **Hospitalist**
- **OR**
- **Cardiac Cath Lab**
- **Palliative Care**

### Health system
- **Inpatient**
- **Intensive Care Unit**
- **OR #1**
- **OR #2**
- **OR #3**
- **OR #4**
- **Inpatient Stroke Clinic**
- **Bio Metric Monitoring**
- **Inpatient Rehabilitation**

### Condition Ecosystems
- **Dermatology**
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### Population Management Ecosystem
- **Behavioral Health**
- **Bio Metric Monitoring**
- **Specialty Care Coordination**
- **Urgent Care Triage**
- **Routine Care**
- **Hospital Emergency Services**
- **Hospitalist Program**

### Primary Care Medical Home
- **Health Risk Assessment & Care Plan**
- **Social & Educational Services**
- **Wellness, Prevention**

### Routine Care or Walk in Clinic
- **Health System**
- **Referral and co-management of diabetes patient**
- **EHR updates for the ecosystem**

### Health System
- **Medical Beds (designated hospital)**
- **OR #1**
- **OR #2**
- **OR #3**
- **OR #4**
- **Cardiac Core**
- **Surgical Beds**
- **Neurology**
- **Ophthalmology**
- **Urology**
- **Women’s Services**
- **Optometry**

### Condition / Acute Episode Ecosystem
- **IBD & Crohn’s**
  - Diagnosis and stage specific capitation payment model
  - Gastroenterologist is the care QB
  - Use of multi-disciplinary care teams with GI coordination

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Embracing new models of collaboration to capture the value

<table>
<thead>
<tr>
<th>Health Plan</th>
<th>Health System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health benefit products</td>
<td>Campus-based health systems</td>
</tr>
<tr>
<td>Risk, reserves and underwriting</td>
<td>Ambulatory surgery centers</td>
</tr>
<tr>
<td>Distribution—employer and consumer relationships</td>
<td>Diagnostic centers</td>
</tr>
<tr>
<td>Administration and value-based payment systems</td>
<td>Physician practices and integrated service lines</td>
</tr>
<tr>
<td>Provider networks</td>
<td>Rehabilitation services</td>
</tr>
<tr>
<td>Health management tools</td>
<td>Home care</td>
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**Health Management**

- Population, disease, condition and episode management
- Acuity assessment
- Clinical segmentation and predictive modeling
- Clinical risk management
- Patient registries—integrated clinical information across the care team
- Evidence based guidelines and point of care patient alerts or clinical rules
- Integrated workflow and enabled MDTs
- Performance management
- Physician care team management
- e-Health and web 2.0 applications
- Retail commercialization

**Consumer Engagement**

- 10% of the value
  - FFS network value is eroding
  - Limited ability to bend trend through benefit design

**Physician Engagement**

- 65% of the value
  - Healthcare assets required to bend trend
  - Patient relationship advantage to influence behavior

**Long-Term Strategic Control Leading to Health Value Improvement—the missing 25% of the equation**

Payer and health system partnership or joint venture in selected geographic markets—integrating capabilities to create new value positions in the market leading to share and margin expansion through higher value healthcare for employers, consumers and the government.

**Health Plan**

- Health benefit products
- Risk, reserves and underwriting
- Distribution—employer and consumer relationships
- Administration and value-based payment systems
- Provider networks
- Health management tools

**Health System**

- Campus-based health systems
- Ambulatory surgery centers
- Diagnostic centers
- Physician practices and integrated service lines
- Rehabilitation services
- Home care
Organizing to become a health and lifestyle company

Chief Executive Officer
Health & Lifestyle Co.

Chief Financial Officer

Chief Human Capital Officer

Chief Marketing Officer

Chief Customer Management Officer

Chief Health and Wellness Management Officer

Chief Health System Enablement Officer

Chief Health Plan Operating Officer

Chief Information and Wisdom Officer

What's New

- Consumer hassle map
- Consumer value definition
- Convergence solutions

- Consumer relationship and service
- Behavioral engagement
- Social networking and gaming

- Community health ecosystem partnerships
- Virtual integrated network—location transparent (24 hour) services
- Alignment models

- Clinical risk management
- Population and disease management
- Personalized medicine

- Seamless low cost administration
- Simplified operating model
- Retail competencies

- Cloud computing
- Connectivity
- Knowledge repositories
- Wisdom data bases
Wall Street rewards healthcare value and the private sector thrives on value-based competition

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