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ACMHA Summit
From Fee For Service to Value Based Care Under the ACA

April 2013

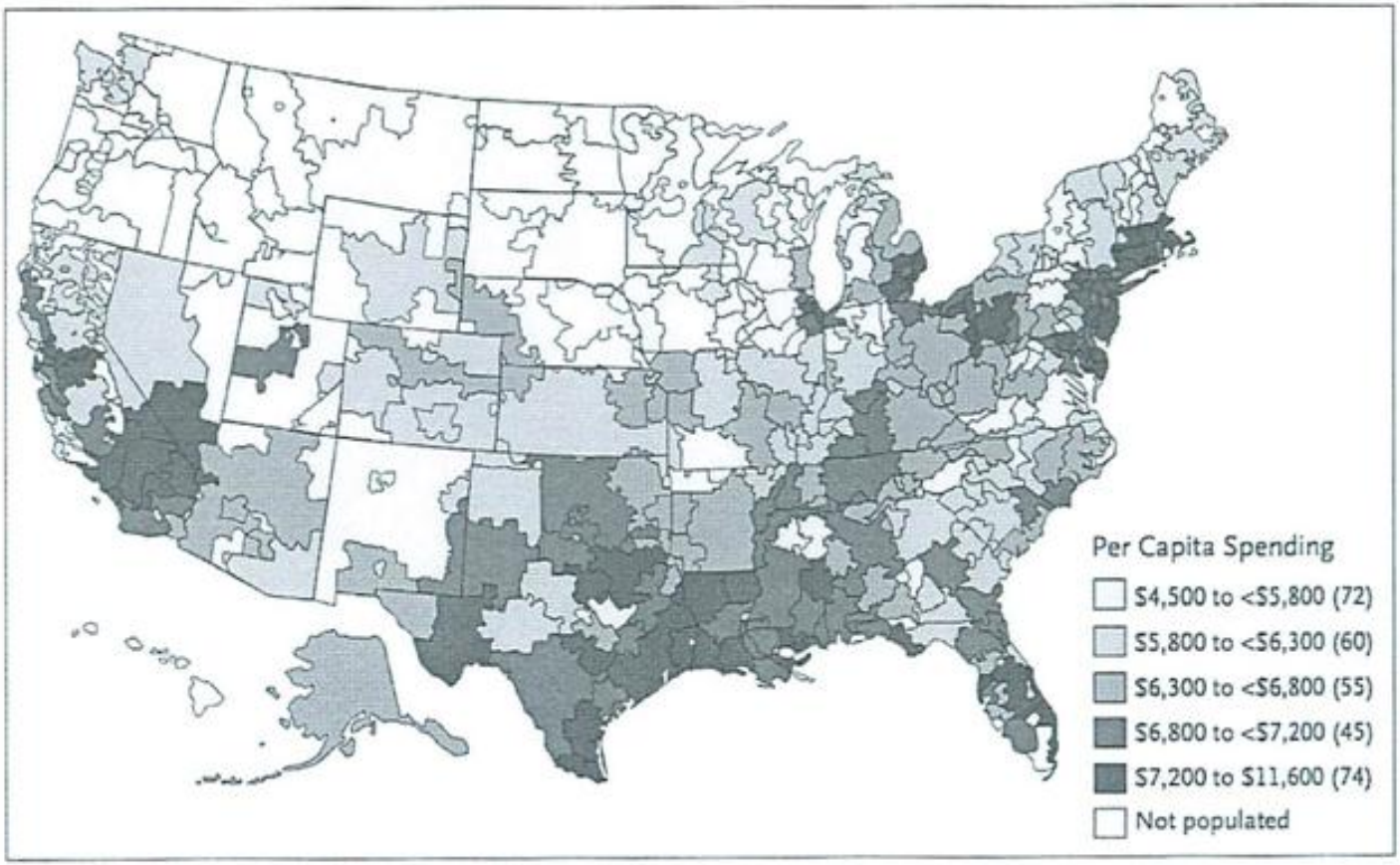
Core healthcare funding sources are on a path to insolvency

	Healthcare Funding Sources				
	Medicaid	Medicare	Commercial Payers	Employers	Consumers
Financial Position:	Virtually bankrupt – unsustainable w/o tax reform or federal subsidies	Trust fund will be bankrupt between 2017 and 2024	Cost burden will become untenable as commercial market continues to contract	Continued bailout to prevent insolvency	HC costs leading cause of personal bankruptcy

Implications:

- Continued compression of FFS reimbursement
- Can't make it up with volume anymore
- Providers must adopt value-based care models or risk financial insolvency

Three Fold Variation in Spending



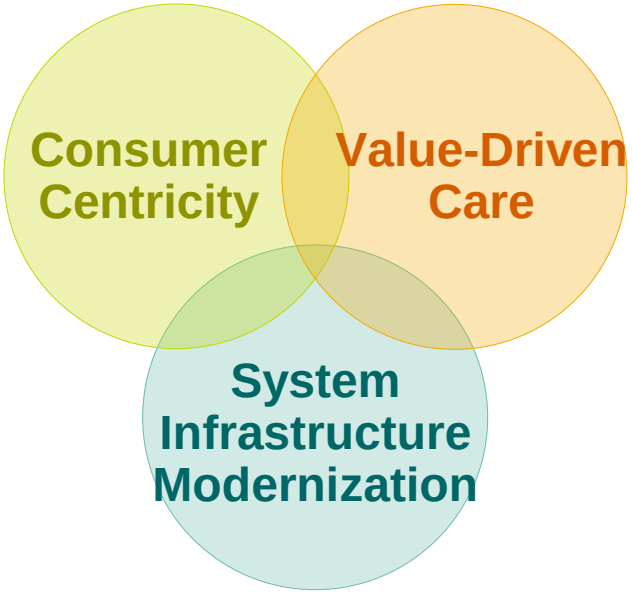
Medicare Spending per Capita, According to Hospital Referral Region, 2003.

Data are from the Dartmouth Atlas of Health Care. Numbers in parentheses are the numbers of hospital referral regions with that level of per capita spending.

Market Transformation

Unconstrained demand, misaligned health care supply, and a system of disconnected constituents are creating market movements that will alter the fabric of the health care sector dramatically in the coming years.

Transformation Drivers



1. Consumer Centricity

Price and quality transparency

- Movement beyond employer-sponsored care
- Exchanges provide new insurance channel
- Social networking shapes brand perception

2. Value-Driven Care

Outcomes linked to reimbursement

- Transition to performance-based reimbursement
- Inpatient, ambulatory, post acute integration
- Collaboration between payers, providers, and government

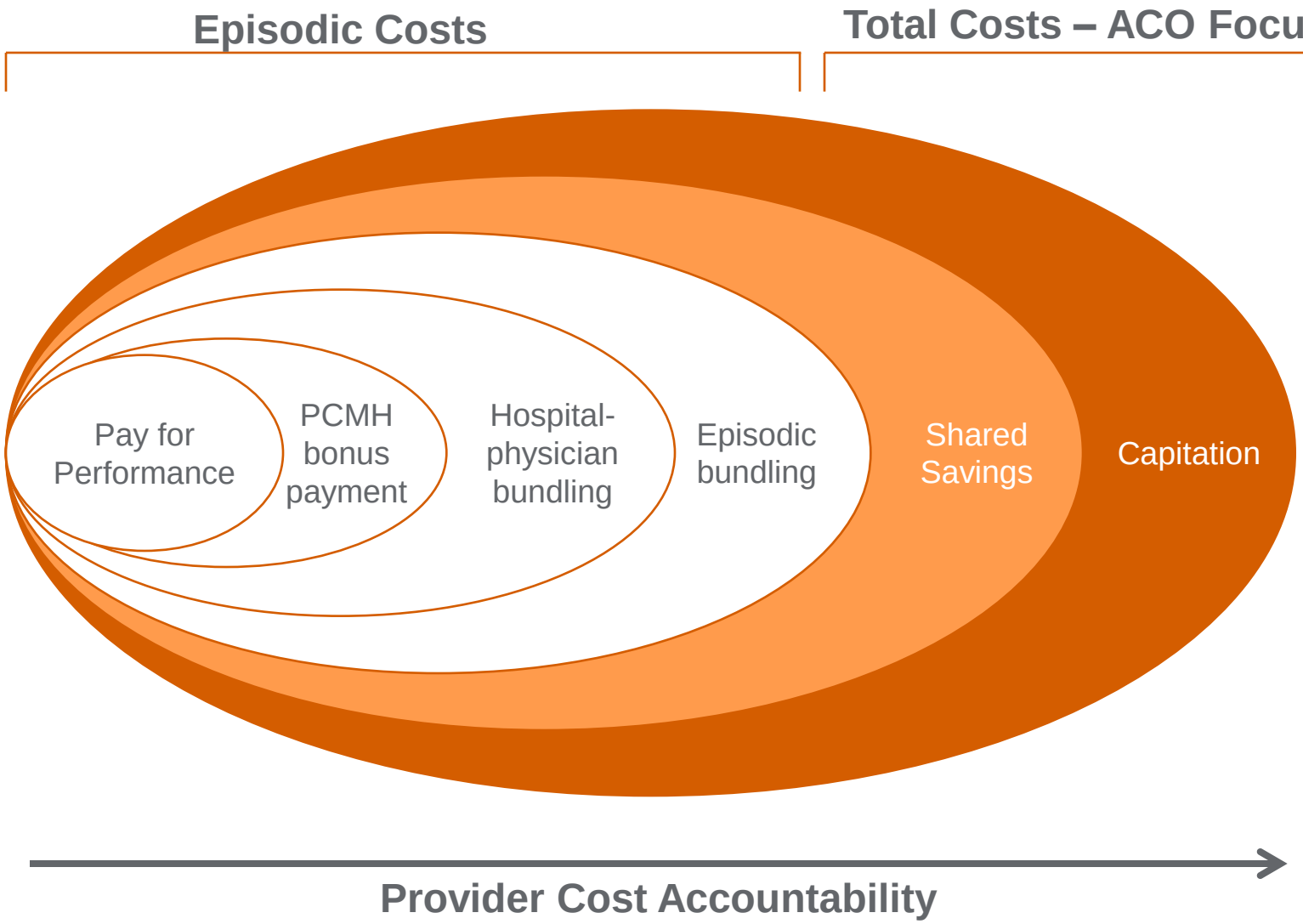
3. System Infrastructure Modernization

Improved enabling IT infrastructure

- Implementation of electronic health records, quality, compliance, reporting processes
- Interoperability will drive data sharing
- Rise in decision support adoption

Optum will take a leadership role in helping to transform the system to meet the triple aims of improved quality, lower cost, and higher satisfaction.

Reform Drives Reimbursement Models



Provider System Strategic Imperatives

Improve Hospital Margin	Preserve & Grow Market Share	Prepare To Manage Risk
Description		
• Improve / reduce internal cost structure	• Aggregating clinicians to focus on managing the continuum of care and keeping care in the network	• Reduce Total Cost of Care (PMPM) of assigned and attributed patients
Example Tactics		
• Optimize implant selection, reduced length of stay	• Clinical integration network development	• Reduce ED visits and admissions for chronic and ambulatory sensitive conditions, quality improvement efforts

Key Business Questions

Distribution Channel Management

- How are my care services offered to the market (i.e. network design, health benefit exchanges)?
- How do we design products and/or influence product design?

Risk Optimization

- How do I align my reimbursement strategies to my care model?
- How do I measure risk, establish a risk tolerance and manage the risk?

Contracts, Payments & Distribution

- How do I execute my reimbursement strategy?
- How do I ensure that I maximize payments?
- How do I distribute payments across system of care?

Clinical Integration

- What is the right composition and distribution of providers in my community?
- How do I establish and develop a clinically integrated network?

Consumer Relationship Management

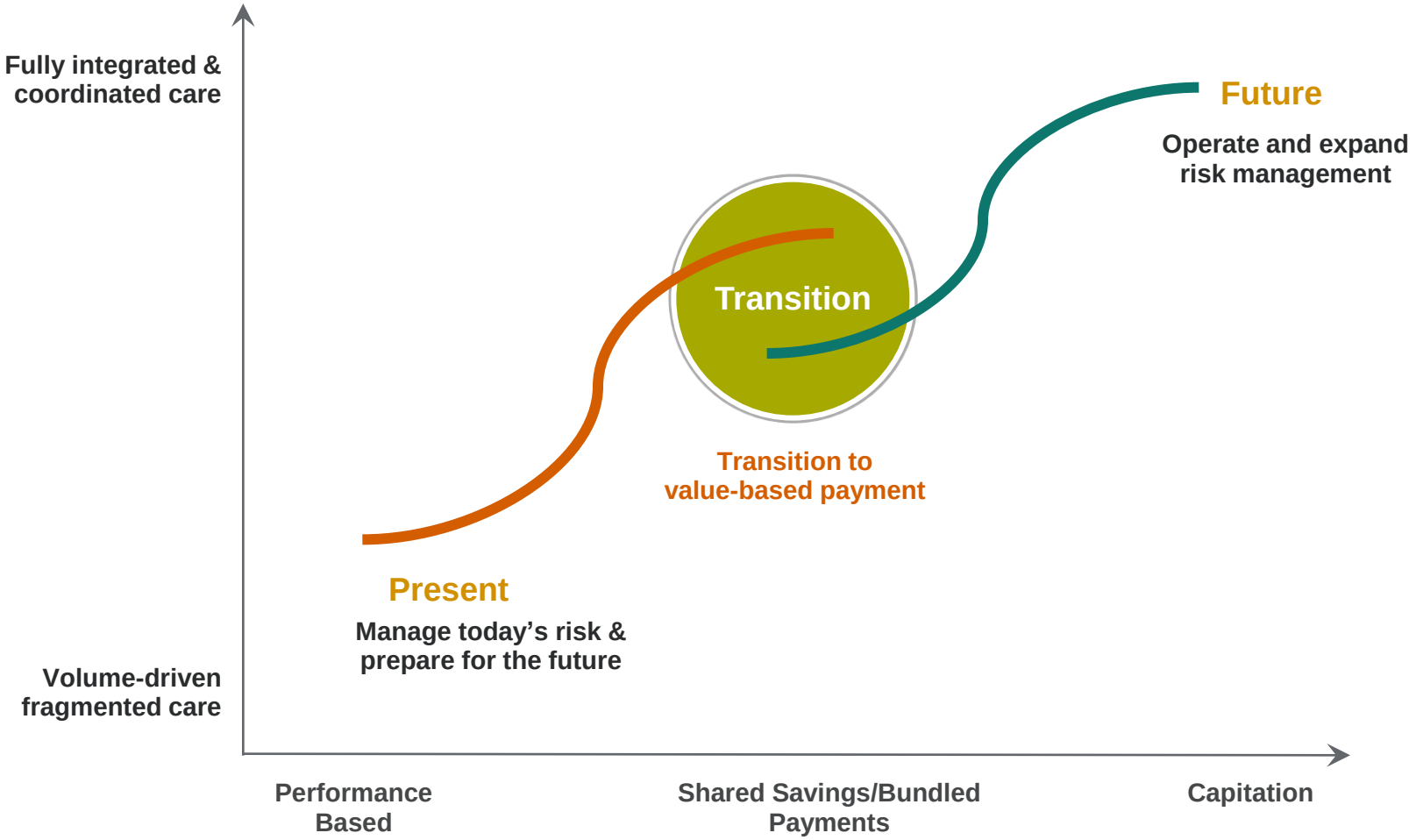
- How do I grow, retain and manage my consumer relationships?
- How do I support my system of care in building patient relationships?

Consumer Marketing

- How do I position my brand?
- How do I attract new patients / members?

ACO Development Pathway

- ACO development will necessitate a paradigm shift in care models and reimbursement methodologies, requiring providers to assume increased risk



Accountable care progression

Central to the Process of Accountable Patient Care

Physician Network and Patient Population

- **Who are my MD's, efficiency ratings, network build out**
- **Commercial Risk Contracts**
- **Exchanges**
- **MSSP, Pioneer**

Connectivity; how do you connect the community to focus on population health

- What is my HIE Strategy?
- How am I connecting loose affiliate MD's EMR.
- Account for Various EMR's

Structure the Data; how are you using the data at hand to pinpoint meaningful interventions

- Do I have a data warehouse?
- Can I combine Clinical and Administrative Claims Data?
- Predictive Modeling
- Workflow Tools

Provider Sponsored Population Based Health Management

- Care Management
  - Chronic Disease
  - ER Redirection
  - Readmission
- Patient Engagement
- Managing Attribution

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Managing Population Health

Today: Care For Sick

- Specialist-based, siloed delivery system
- Fragmented delivery of chronic care
- ER primary access point for after hours and urgent care
- Providers paid to provide services not manage care
- Payers manage performance through inspection

Current State Performance: Typical Medicare Advantage Plan

- Admits per 1,000 = 315
- Inpatient Days per 1,000 = 1,500 to 1,700
- % of Recommended Care Received by Chronic Pts: 55%
- EMR/EHR Adoption = < 35%
- Patient Satisfaction = variable

Tomorrow: Population Health

- Primary care centered models
- Continuity of care provided through electronically connected system with dedicated care extenders assisting primary care
- Dedicated resources for chronic/after hours urgent care
- Performance-based payment system resulting in aligned incentives between stakeholders (payers and providers)

Market Leading Performance: Benchmark Systems

- Admits Per 1,000 = 225
- Inpatient Days per 1,000 = 800 to 1,000
- % of Recommended Care Received by Chronic Pts: 95%
- EMR/EHR Adoption = 70-80%
- Patient Satisfaction > 96%

Reduce total cost by 15-20% while increasing patient satisfaction

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Types of Accountable Care Models

Medicare Shared Savings Program (220 MSSP)

- Open to all physician/hospitals interested in shared savings model
- Must serve at least 5,000 Medicare Lives
- Bonus potential depends on Medicare cost savings, quality metrics
  - Track 1 - No downside risk, lower bonus
  - Track 2 - Downside risk, higher bonus

Medicare Pioneer ACO Model (32 Selected for 2012)

- Accelerated pathway to ACO formation designed for organizations able to assume clinical risk immediately
- Must serve at least 15,000 Medicare Lives
- Must meet all quality measurements
- Offers higher risk, higher reward model: providers can earn reward of 50% - 75% of savings

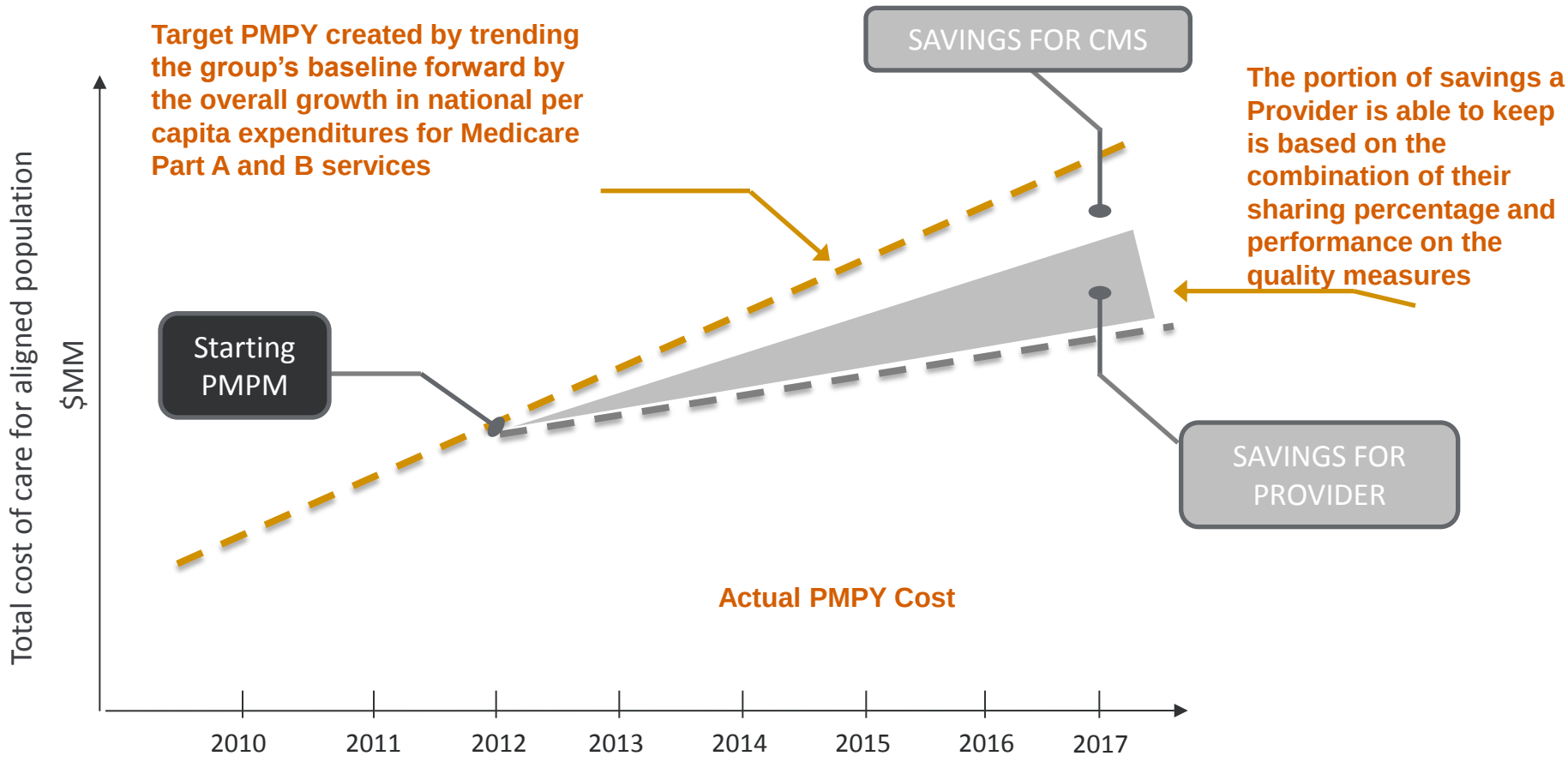
Medicare Advanced Payment Model (20 ACO's)

- Physician-based and rural providers (critical access) who come together voluntary to give coordinated high quality care but lack capital
- Advanced shared savings based on expected reductions
  - Upfront, fixed payment ($250k)
  - Upfront, variable based on population ($36)
  - Monthly payment depending on size ($8)

Commercial ACO Model

- "Virtual Integration" or "virtual delivery models" involving a commercial payer as the entity that provides financial incentives for quality and cost performance to the provider organization
- Greater flexibility in contract models and payment models
- Focus on premium reduction, cost savings
- Difference contract models

Generating savings relative to the benchmark



Optum: Accountable Care Enablement Examples

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ACO Core Capabilities

	Business Impact
Financial and Network Mgmt. Coordination	Manage the risk and financial aspects of the ACO from all stakeholders including resource composition and cost projections to identify areas of opportunity to improve outcomes and costs
Provider Engagement	Support provider engagement across all organizations. Provide physician and care team the right information to drive efficient decisions making and care coordination
Member Activation	Multi-channel approach promoting patient engagement, improve lifestyle, and personalized healthcare -encouraging members to take responsibility for managing their own health
Population Management	Assess population need and develop programs to improve health, wellness and care management including supporting care team in high risk, complex case management.
Performance Management	Measurement and reporting on clinical quality of care, patient experience, and cost. Analyze areas performance year over year and benchmarks and develops action to improve effectiveness in key areas.
Care Continuum Management	Close integration of episodic care focused on transition in care, post discharge plan and medication reconciliation across all stakeholders including Hospitals, Physicians, SNF's, etc.
Technology Enabler (Infrastructure)	Governance of information technology platform to aggregate information, integration business applications and share technical resources

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Winning Formula

Success Characteristic	Key Attributes
PCP Network	• Have opportunity to form a high performing PCP network • Have a clear and easily communicated value proposition for PCPs
Risk Contracts	• Have a clear and easily communicated value proposition for Payers • Understand financial impacts of risk contracts on organization and have exec team alignment that the organization can achieve targets necessary to transition
Infrastructure	• Recognize that ideal solutions do not exist and are willing to co-invest in innovation
Clinical Model	• Recognize the need for a new clinical model that can support Population Health Management • Willing to invest in the clinical leadership and fund incentive plans to execute the painful transformation
Adaptive Leadership	• Executive team alignment on vision and that vision is clearly understood by the organization • Organizational structure supports transition • Understand key leadership needs/skills required and aggressively hire for those roles • They know their gaps and admit it

Leadership Issues

- When do I make a call for my organization to shift to an entirely new business model?
  - Fee for service to risk bearing contracts and population health
- How do I bring the Board of Directors along? Physicians?
- How do we rethink our most fundamental metrics?
- What is the process for communication and execution against the new reality?
- What type of talent do I need to get there? Can my current team make the change? What technology do I need?