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HEALTH



Getting Downside Risk Right

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PREPARED FOR

The Governance Institute Leadership Conference
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Agenda

WHAT'S THE PROBLEM?

VOLUME & VALUE

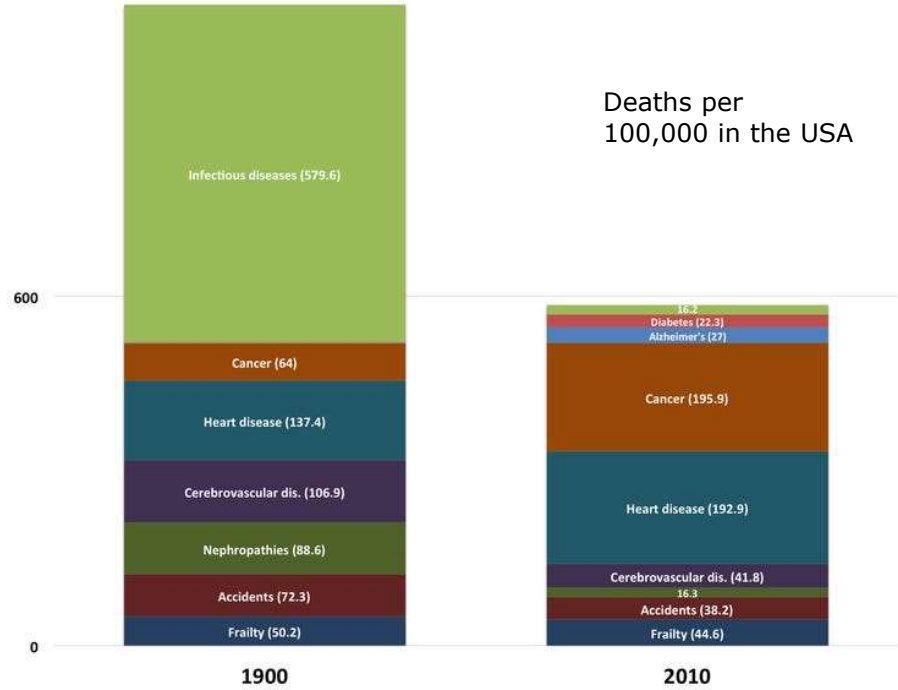
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WHAT'S NEXT



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Disease Changes



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Data source: nejm.org/doi/full/10.1056/NEJMp1113569 | Author: Randy Olson (randalolson.com / [@randal_olson](https://twitter.com/randal_olson))

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Clinical Practices Change



Courtesy of John Verano.



<http://www.general-anaesthesia.com/images/amputation.jpg>



Courtesy of Rotary International PolioPlus.

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Change Takes Time

Year: 1982

Problems

- Anesthesia-related death 1 in 5000
- Malpractice premiums skyrocket



What happened?

Year: 2007

Solutions

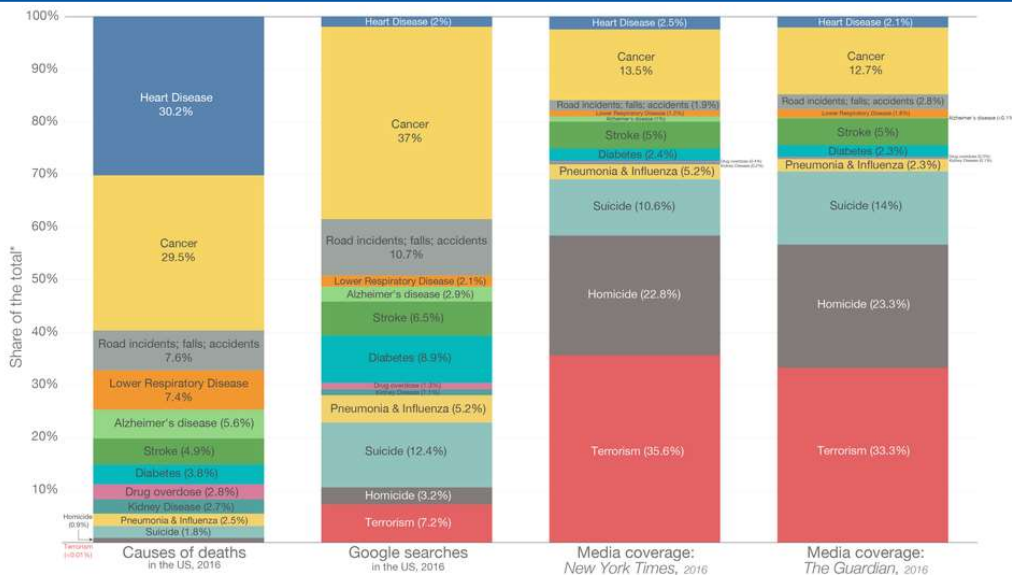
- Anesthesia-related death 1 in 250,000
- Malpractice premiums lowest of medical specialties

Systems and Technology Improved Care

- APSF developed a database of closed malpractice claims to identify trends
- ASA enables launch of stand-alone foundation dedicated to patient safety
- APSF admits doctors, nurses insurers and companies to support safety-focused research
- APSF accelerated adoption of safety innovations by working with the ASA and making them part of society guidelines
- Innovation: Invented high-tech mannequins
- Innovation: Supported development of pulse oximetry and capnography

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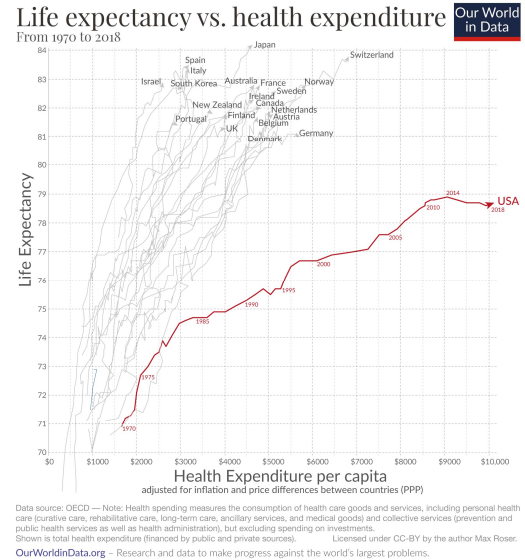
Are We Putting Effort In The Right Areas?



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We Have A Systemic Problem

- The U.S. spends nearly twice as much as the average OECD country — yet has the lowest life expectancy
- The U.S. has the highest chronic disease burden and an obesity rate that is two times higher than the OECD average
- Americans had fewer physician visits than peers in most countries
- Americans use some expensive technologies, such as MRIs, and specialized procedures, such as hip replacements
- Compared to peer nations, the U.S. has among the highest number of hospitalizations from preventable causes and the highest rate of avoidable deaths.



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Crisis Can Bring Rapid Changes

| Pandemic | % of population | Death toll | Population Est. | Year of Pop. Est. |
|----------------------------|-----------------|---------------|-----------------|-------------------------|
| BLACK DEATH | 51.0% | 200 Mn | 0.39 Bn | 1300¹ |
| PLAGUE OF JUSTINIAN | 19.1% | 40 Mn | 0.21 Bn | 500 |
| SMALL POX | 12.1% | 56 Mn | 0.46 Bn | 1500 |
| ANTONINE PLAGUE | 2.6% | 5 Mn | 0.20 Bn | 200 |
| SPANISH FLU | 2.5% | 45 Mn | 1.82 Bn | 1919 |
| THE THIRD PLAGUE | 1.0% | 12 Mn | 1.26 Bn | 1850 |
| HIV/AIDS | 0.7% | 30 Mn | 4.46 Bn | 1981 |
| COVID-19 | 0.06% | 4.5 Mn | 7.90 Bn | 2021 (October) |

SOURCE: CDC, WHO, BBC, Wikipedia, Historical records, Encyclopaedia Britannica, Our world in data

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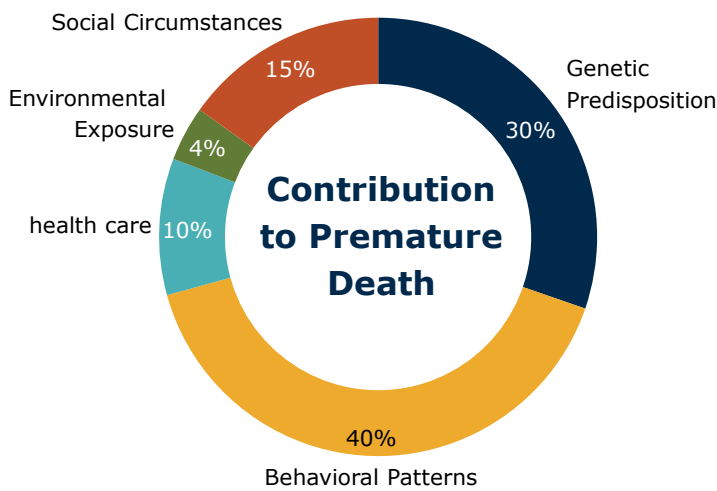
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The State Of US Health



Key drivers of health status

- Obesity
- Physical Inactivity
- Smoking
- Stress
- Aging

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Value Based Health Care Is Different

Value-Based Health Care Benefits

Patients

Lower costs & better outcomes



Providers

Higher Patient Satisfaction Rates & Better Care Efficiencies



Payers

Stronger Cost Controls & Reduced Risks



Suppliers

Alignment of Prices with Patient Outcomes



Society

Reduced Healthcare Spending & Better Overall Health



NEJM Catalyst (catalyst.nejm.org) © Massachusetts Medical Society

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The Process for Value Care Delivery



Identify Population and Create Registry

- Risk Contract (Medicare Advantage, Commercial, Medicaid, Employer)
- Fee For Service with Attribution (Medicare, Commercial)



Perform Meaningful Analytics

- HRA
- Claims Data
- Clinical Data
- Lab Results
- Pharmacy



Create Functional Segments

- Preventive Screenings
- At Risk
- Chronic Disease Gaps in Care
- High Cost



Stage and Target Interventions

- Case Management
- Care Management
- Social Workers
- Medication Reconciliation
- Transitions In Care
- Referral Management
- Remote Monitoring



Measurement and Monitoring

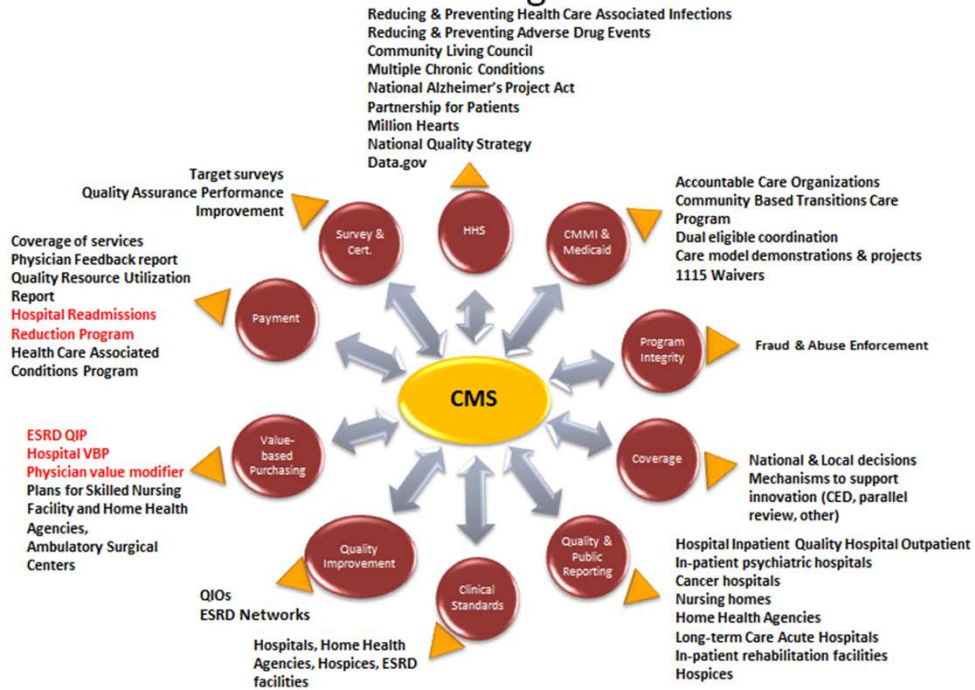
- Quality
- Cost

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CMS Authorized Programs & Activities

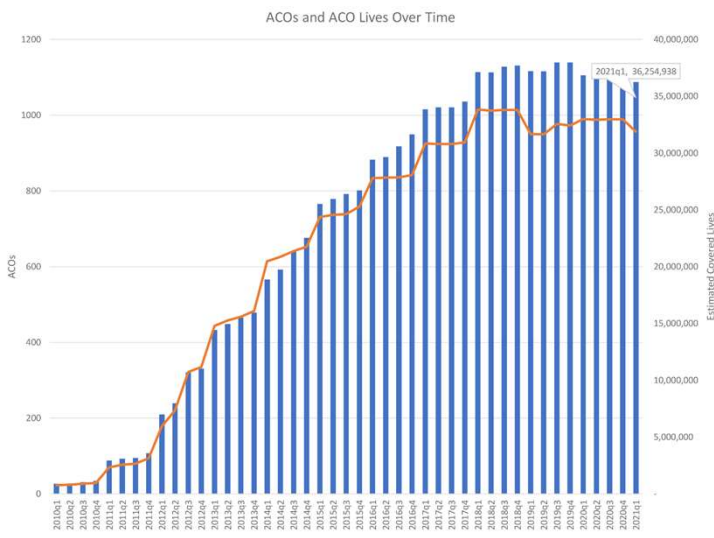


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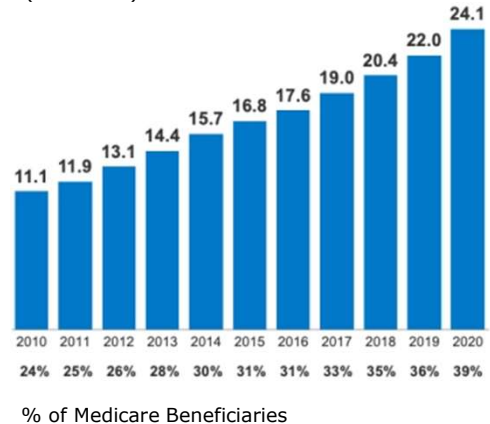
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ACO & Medicare Advantage Growth Has Been Significant



Medicare Advantage Enrollment (in millions)

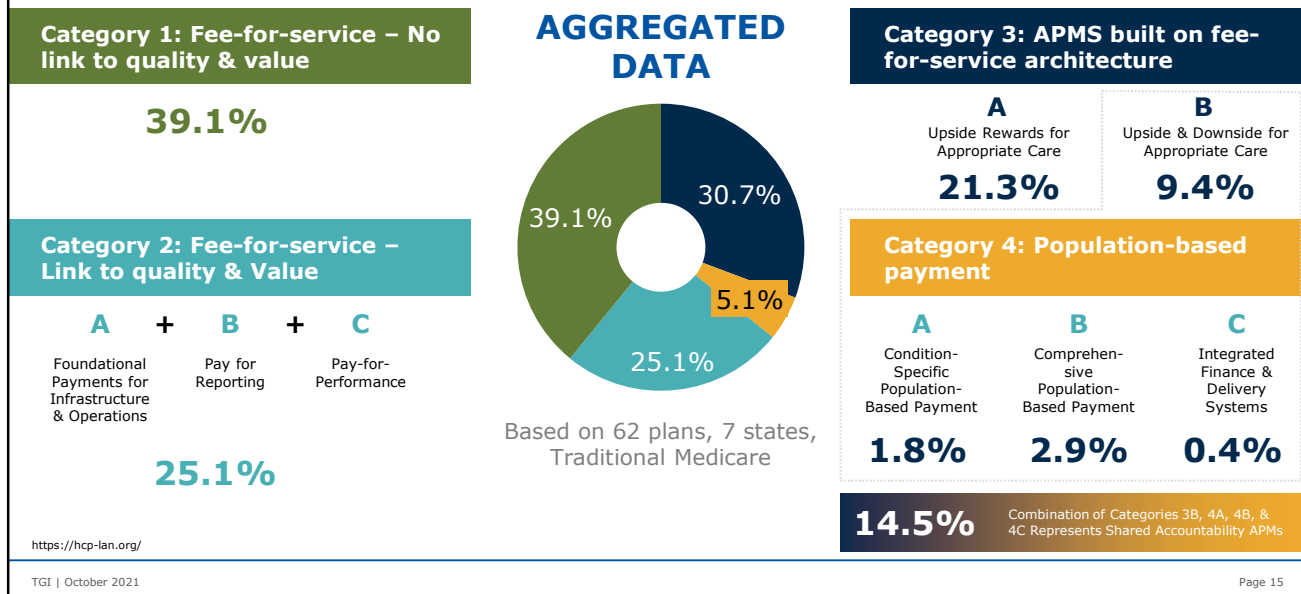


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95% of Revenue Is Still Based Upon Fee For Service



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Valuation of Medicare Advantage Focused Firms

| Entities | Type of Entity | Population Focus | Est. # of patients | Valuation | \$/Person | Mechanism |
|--------------------|-----------------|---------------------------|--------------------|------------------------|-----------|----------------------|
| Oak Street Medical | PCP Group | MA | 90,000 | \$13 B | \$196,000 | IPO |
| Agilon Health | PCP MSO | MA | 170,000 | \$11.4 B | \$67,000 | IPO |
| Clover Health | MA Insurer | MA | 57,000 | \$3.5 B | \$61,000 | SPAC |
| Alignment Health | MA Insurer | MA | 81,000 | \$4.2 B | \$52,000 | IPO |
| Iora Health | PCP Group | MA | 38,000 | \$2.1 B | \$55,000 | Acquisition 06/06/21 |
| Village MD | ACO PCP Company | ACO/MA | 500,000 | \$ 10 Billion – Target | \$20,000 | IPO Planned |
| Devoted Health | MA Insurer | MA | 17,000 | \$3 B | \$176,000 | Private Equity |
| CANO Health | PCP Group & MSO | MA | 103,000 | \$4.4 B | \$43,000 | SPAC |
| Bright Health | Insurer | MA, Exchange & Commercial | 220,000 | \$11.3 B | \$51,000 | IPO |

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<https://www.healthaffairs.org/doi/10.1377/hblog20210927.6239/full/>

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Storage and Retrieval of Information Is A Longstanding Challenge



4.5 MB Data
62,000 punched cards
1955

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Healthcare technological growth

Data from
medical
facilities

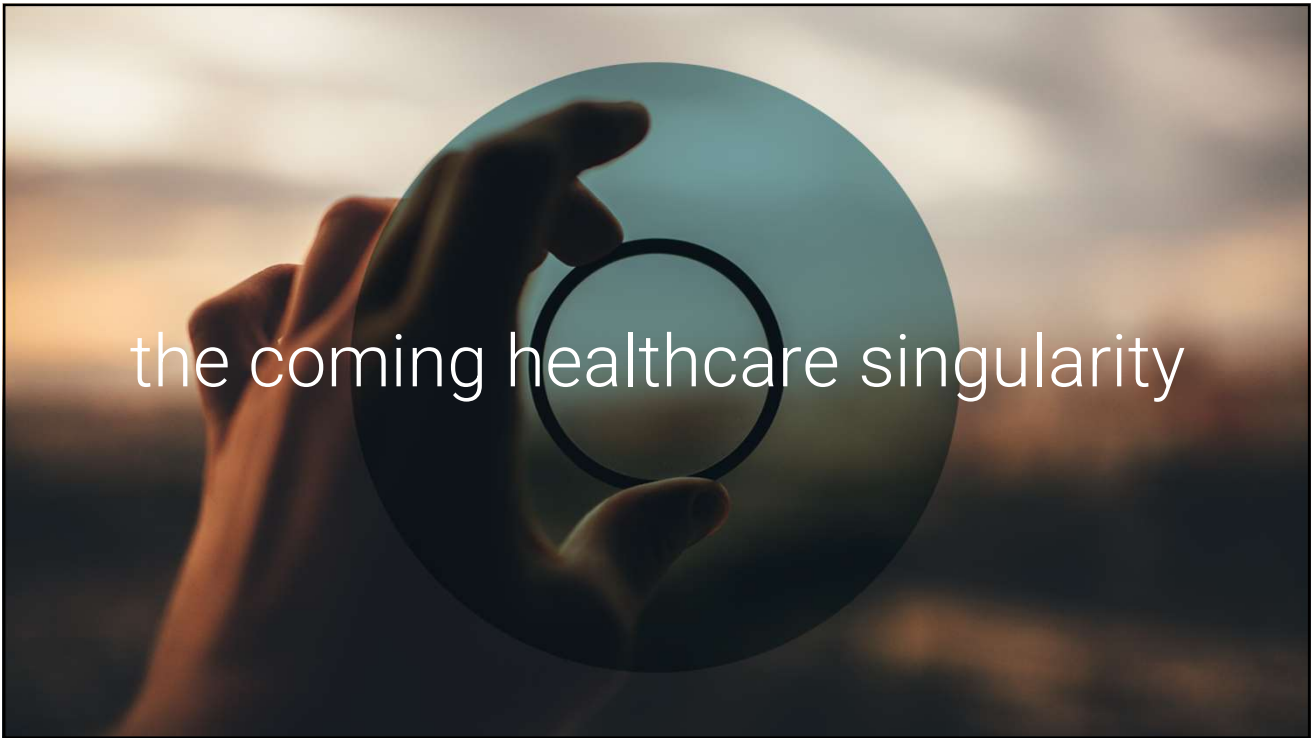
2,314
exabytes in 2020

153
exabytes
in 2013

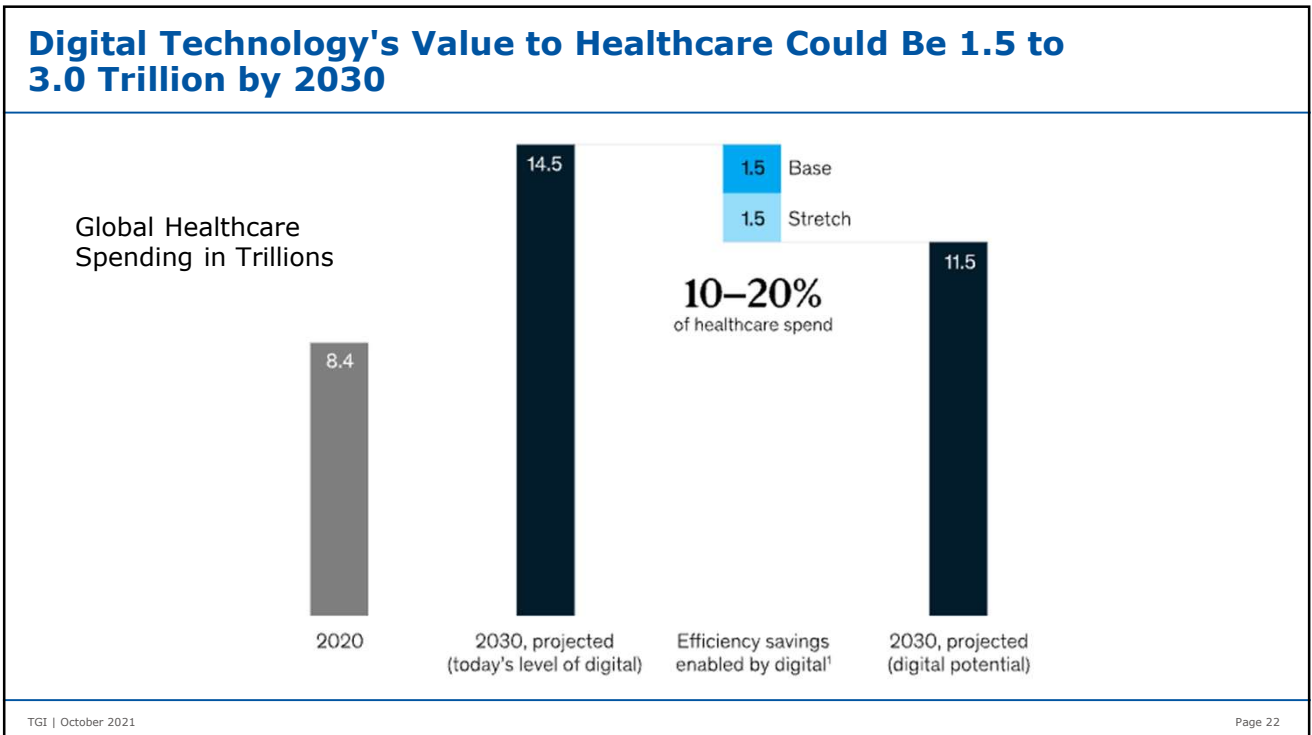
every patient generates

80MB
of data annually

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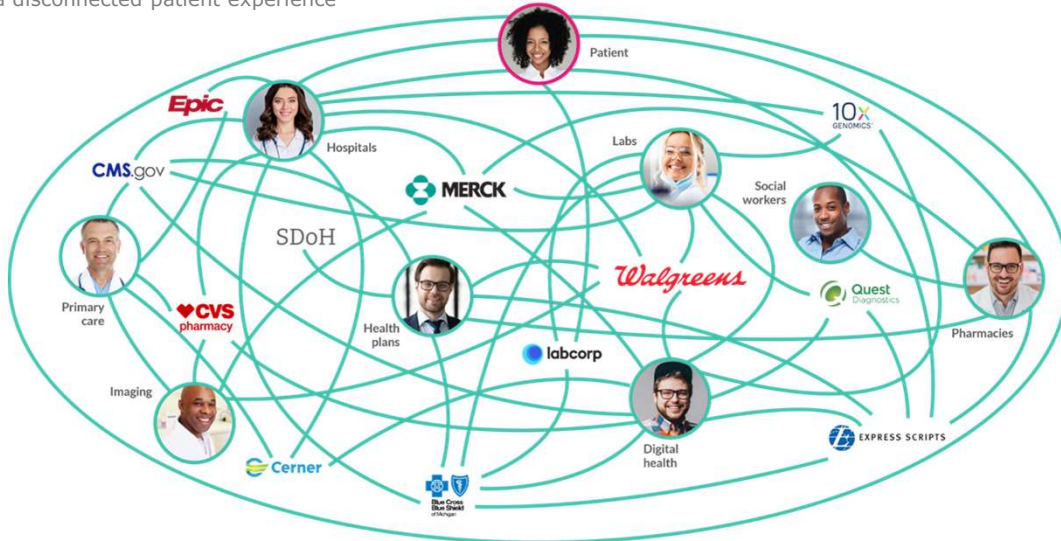
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Fragmentation of the healthcare data landscape

Creates a disconnected patient experience



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EHRs Contribute To Clinician Burnout

Physician burnout presents real challenges to the viability and sustainability of a hospital or health system

Clinician Burnout



- Loss of joy, passion, motivation for career and “calling”
- Disengagement in daily patient care activities and practice operations
- Increase in apathy and erosion of professionalism
- Risk to physician’s own care and safety (suicide rates)
- Depression and other mental health concerns



Patient



- Reduction in time and attention to patients
- Significant negative impact on quality of care and patient outcomes
- Significant rise in patient dis-satisfaction

Hospital / Health System



- Erosion of physician community, and clinician collaboration
- Permeating sense of negativity and dissatisfaction within the health system
- Increase in clinician turnover and staffing challenges
- Drop in patient loyalty, and loss of patient volumes
- Brand damage



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Key Pillars of Provider Transformation

Payment



Fee-for service



Value-based payments

Delivery



In-person



Digital care delivery

Consumption




Passive patients



Empowered consumers


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Technical pillars for provider transformation




Integration

Disparate systems ▶ Real interoperability



Intelligence

Siloed data ▶ Enterprise insights



Optimization

Manual workflows ▶ Streamlined IT

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Strategies for Transitioning to Value-Based Care Can Also Support Fee For Service

Focused on better supporting physicians

Doing a better job of managing beneficiaries with costly or complex care needs

Managing relationships with skilled nursing facilities and home health by creating lists of preferred providers and doing warm handoffs into and out of post-acute care

Using technology to improve care coordination and overcome interoperability issues.

Improved patient relationships, including increasing the number of annual wellness visits

Managing hospitalizations, working to reduce avoidable hospitalizations, and finding alternatives to the emergency department

Working to address behavioral health needs and the social determinants of health

<https://oig.hhs.gov/oei/reports/oei-02-15-00451.pdf>

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Operations Determines the Success of Strategies

THE NEW YORKER

The Bell Curve

What happens when patients find out how good their doctors really are?



| | Average | Best |
|------|---------|------|
| 1966 | 10 | |
| 1972 | 18 | |
| 1997 | 30 | 46 |
| 2003 | 33 | 47 |

“ Even doctors with great knowledge and technical skill can have mediocre results; more nebulous factors like aggressiveness and consistency and ingenuity can matter enormously.

In Cincinnati and in Minneapolis, the doctors are equally capable and well versed in the data on CF. But if Annie Page - who has had no breathing problems or major setback - were in Minneapolis she would almost certainly have had a feeding tube in her stomach and Warwick's team hounding her to figure out ways to make her breathing even better than normal. ”

Atul Gawande

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Questions to Explore: Getting Downside Risk Right

- Have you organized and focused your efforts in the right areas?
- How do you look at risk?
- How can you build and deliver on a value model?
- How can you continue your fee for service business?
- What is your current digital strategy?

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**THANK
YOU**

