Session 73, Employer to Provider Direct Contracting - What's The Big Deal?
2019 Health Meeting

Employer to Provider Direct Contracting - What's The Big Deal?
June 25, 2019

KEVIN DOTSON, FSA, MAAA [LEE HEALTH]
JAY HAZELRIGS, ASA, MAAA [OPTUM]
ROB NATION, ASA, MAAA [OPTUM]
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Employer to Provider Direct Contracting

Background discussion

Case Study #1 – Pop Health Approach

Case Study #2 – Larger Employer

Pitfalls and challenges from a health system perspective

Q & A
Background Discussion
Stakeholder Landscape

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers</td>
<td>Face unsustainable year over year healthcare costs. To mitigate costs, they are forced to implement annual benefit plan changes. Seek lower, more predictable medical expenses and healthy, productive employees.</td>
</tr>
<tr>
<td>Hospitals</td>
<td>Are experiencing a compression of margins due to lower revenue and higher expense trends. Seek improvement in market share and improved margins.</td>
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### Health care trend after plan changes (total plan costs)

<table>
<thead>
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<td>5.0</td>
<td>5.3</td>
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</table>

### Health care trend before plan changes

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<tr>
<td></td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>6.0</td>
<td>4.9</td>
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<td>4.4</td>
<td>4.0</td>
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</tr>
</tbody>
</table>

### Consumer Price Index for all urban consumers (CPI-U)

- **Source:** Willis Towers Watson 23rd Annual Best Practices in Health Care Employer Survey

### Graph

![Graph showing revenue and expense growth rates for nonprofit hospitals 2009-2017 medians](source)

**Source:** Re-Igniting the Growth Engine, Part 2; Winning Increased Share of Lucrative Patient Volumes, Advisory Board
Direct Contacting Arrangement Types

- **Bundled Payments**
  - Prospective payment which covers patient's care from start to finish
  - Level of provider risk can vary from partial to full
  - May be offered with other options or full replacement if adequate network
  - Promotes shopping for services via price transparency
  - Most common for elective procedures – joint surgeries, spine, gastric bypass
  - Appropriate for high volume procedures
  - Medical expense more predictable for these services, may not be fixed price
  - May result in lower provider revenue than FFS, providers seek steerage volume
- **Center of Excellence (COE)**
  - Designated provider identified for specific procedures that may require travel
  - Appropriate for high volume procedures
  - Specialization & operational efficiencies reduce utilization variations; improves patient experience & improves outcomes (e.g. lower LOS, return to work time)
  - Members out-of-pocket often low to $0, including travel/hotel; not always lowest “price”

*Source: Re-Igniting the Growth Engine, Part 2; Winning Increased Share of Lucrative Patient Volumes, Advisory Board*
Emergence of Direct Contracting

Boeing
1. UW Med
2. Memorial Care
3. Mercy MO
4. Roper St. Francis
5. Prov/Swedish

Intel & Adventis Health
1. Presbyterian ACO
2. Arizona Care Network

Qualcom & Scripps Health

Walmart & General Motors & Henry Ford Health
1. Banner
2. Emory
3. Memorial Hermann
4. Mercy AK
5. Mercy OK
6. Mercy MO
7. Oschner Health
8. Presbyterian
10. Unity Point
11. Cleveland Clinic
12. Geisinger Health
13. Johns Hopkins
14. Mayo Clinic AZ
15. Mayo Clinic FL
16. Mayo MN
17. Mercy MO

Whole Foods & Adventis Health
1. Orlando Health
2. Florida Hospital

DART & Baylor Scott and White Health

Stanford Healthcare Alliance

Emergence of Direct Contracting

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16
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11
12
13
14
15
17
3
4
2
8
5
4
7
6
1
2
According to Willis Towers Watson’s survey, employers are using COEs, mostly through their health plans however direct contracting considerations are expected to grow considerably:

- Almost 50% use COEs in 2018, expected to rise to 2 out of 3 by 2020
- Employers engaging employees in multiple ways to use COE
  - Ongoing communications
  - Reducing member cost share to use
  - Increasing member cost share when not using
  - Mandatory use

Trends in Direct Contracting & COE

A 2015 survey by the National Business Group on Health shows the status of large employers’ contracts with COEs (note reflects all COEs, not specifically direct contracts)

- Transplants: 16% with incentives, 50% yes, but no incentives, 15% no, but considering
- Bariatric Surgery: 12% with incentives, 39% yes, but no incentives, 19% no, but considering
- Knees, hips, or spine: 18% with incentives, 19% yes, but no incentives, 31% no, but considering
- Cardiovascular/cardiac: 9% with incentives, 22% yes, but no incentives, 30% no, but considering
- Cancer: 3% with incentives, 26% yes, but no incentives, 31% no, but considering
- Fertility: 6% with incentives, 11% yes, but no incentives, 22% no, but considering
- Other Procedures: 2% with incentives, 10% yes, but no incentives, 11% no, but considering

Other centers of excellence programs include maternity, NICU, sleep apnea, pancreas, cornea, and kidney.

Source: Large Employers’ 2016 Health Plan Design Survey © 2015 National Business Group on Health

National Business Group on Health’s Large Employers’ 2019 Health Care Strategy and Plan Design Survey showed DC arrangements between employers and

- Health systems/providers will increase from 3% in 2018 to 11% in 2019
- COEs will increase from 12% in 2018 to 18% in 2019
- Cancer, cardiovascular and fertility COEs are experiencing the greatest growth

Source: National Business Group on Health, “Large U.S. Employers Eye Changes to Health Care Delivery System as Cost to Provide Health Benefits Nears $15,000 per Employee,” August 2018
Outcomes & Benefits

• Employers with COE arrangements are seeing reduction in procedures

• Walmart (15’-18’): 50%+ of spine surgeries & 20% of knee/hip procedures recommended by local providers were determined ‘not necessary’ by COE (see table)

• Employers like Walmart & Boeing continue to sign new providers which suggest (employers’) continued interest in pursuing DC arrangements\(^2\). However, Boeing and Providence Swedish did end relationship due to inability to capture enough/right data to estimate cost of care\(^3\)

• John Hopkins’ Bayview campus COE emerging metrics\(^4\):
  - 121 referrals in the first three months
  - 352 referrals and 183 surgeries over 18 months
  - 23% of all joint replacement volumes at facility now attributed to travel program
  - 96% of patients said they would recommend this program to family, friends, coworkers

• Bingham Memorial in Idaho direct contracting emerging metrics\(^4\):
  - 17 companies participating, covering over 5,000 lives
  - +3,000 new patients as of October 2018
  - +$3M Revenue from new patients

• GM’s direct contract benefit plans with Henry Ford allows it to offer similarly designed plans to that of Blue Cross with savings in monthly EE contributions ranging from $300-$1980\(^5\)

<table>
<thead>
<tr>
<th>Program</th>
<th>Key Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spine Surgery</td>
<td>2,300 EEs 50% COE approved of those applied</td>
</tr>
<tr>
<td>Joint</td>
<td>1,836 EEs 18% COE approved of those applied</td>
</tr>
<tr>
<td>Bariatric</td>
<td>300+ EEs</td>
</tr>
</tbody>
</table>

1 How Employers Are Fixing Health Care, Harvard Business Review March 2019
3 Do Providers Have the Data chops to Success with Direct Contract?, Modern Healthcare August 2018
4 Re-Igniting the Growth Engine, Part 2; Winning Increased Share of Lucrative Patient Volumes, Advisory Board
5 https://www.autonews.com/article/20180806/OEM/180809831/gm-signs-major-health-care-services-deal-for-salaried-employees
Walmart’s Travel (Surgery) Program

Looking beyond traditional cost management techniques, Walmart designed a program to address wild variations in cost and become directly in improving quality of care for its employees.

FIRST: SELECTING PROVIDERS
1. Identify providers with high volume and high quality
2. Target regions in country to support Walmart’s employees
3. Focus on Integrated Health Systems. Hospitals within these systems were best aligned to Walmart’s mission; could take on risks associated with bundling
4. Eliminate systems unwilling to do bundled payments model were

PROVIDERS VALUE IN PARTICIPATING

Clinical
• ‘Halo’ effect – Building a highly efficient, multidiscipline program brings improvements throughout health system
• Onsite collaboration among health systems allows sharing of outcomes/best practices

Business
• 100% travel/accom., brings new volume of patients from outside of market
• More stable payments for services (vs Medicare or commercial FFS)
• Increased visibility and attract new business

Build Bundles
• Define bundles and negotiate price (typically 10-15% below FFS)
• Definitions of service limit disputes of what is covered vs not (covers entry/exit of facility, SNF not part of bundle)
• Contract flexibility covers unforeseen test/costs and reinforces Walmart/health system partnership
• Warranties: if further treatment - can return in 30 days no additional cost to Walmart
• Strict criteria and providers with track record of clinically sound decisions are included to mitigate any incentivizing of volume

5,000 participants in the program
95% satisfied/very satisfied

Denied by care because not deemed necessary by COE
Treatment denied due to lifestyle: weight/smoking

Engagement begins when employee on clear path to surgery

Patient contacts with COE TPA

TPA team triages and ensures basic criteria met

Employee put in touch with nurse team

Car pick-up/ Flight / Hotel all arranged by TPA

Navigators and nurse coordinators help throughout the stay

Surgery occurs typically next day

Patient visits to hospital to understand exceptions of procedure and meet treatment team

Stay length according to procedure, typically a few days

COE team updates local PCP and discuss follow up care

Discharged from facility. Travel home

COE provider checks in with local physician frequently

Revert back to standard coverage

Case Study 1
Case study # 1 – Pop Health Approach

• Problem/Circumstance: Large multi-employer group needs to evaluate benefit design, disease prevalence, health spend and utilization to manage their population

• Considerations/Value Prop: Unique industry and geography drive chronic conditions and utilization patterns

• Solution: Provide opportunity assessment comparing this population to other benchmarks to understand where to target intervention and management, as well as assess efforts already taken
## Market Comparison

### Preference Sensitive Procedures

#### Benchmark Comparison

<table>
<thead>
<tr>
<th>Preference Sensitive Procedures</th>
<th>IP allowed dollars</th>
<th>ALOS</th>
<th>Employer vs. Mt. States</th>
<th>Employer vs. National</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hysterectomy for Uterine Fibroids Rate</strong></td>
<td>FY 2017: $569,354</td>
<td>FY 2018: $436,932</td>
<td>4.5</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>CABG Rate</strong></td>
<td>FY 2017: $1,800,260</td>
<td>FY 2018: $2,400,608</td>
<td>5.3</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Cholecystectomy Rate</strong></td>
<td>FY 2017: $832,675</td>
<td>FY 2018: $755,565</td>
<td>6.8</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>C-Section Rate</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>HighTech Radiology Rate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PCI/PTCA Rate</strong></td>
<td>FY 2017: $934,486</td>
<td>FY 2018: $1,133,708</td>
<td>3.7</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Back Surgery Rate</strong></td>
<td>FY 2017: $3,237,613</td>
<td>FY 2018: $4,003,212</td>
<td>3.9</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Knee Replacement Rate</strong></td>
<td>FY 2017: $3,086,693</td>
<td>FY 2018: $2,177,334</td>
<td>4.1</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total Hip Replacement Rate</strong></td>
<td>FY 2017: $1,023,675</td>
<td>FY 2018: $747,491</td>
<td>4.5</td>
<td>6.4</td>
</tr>
</tbody>
</table>

### Strengths (+)

- Employer compares favorably for orthopedic procedures (back, hip, knee)

### Opportunity (-)

- Employer has higher than expected rates for CABG and hysterectomy *(Note: Low PTCA rate combined with high CABG rate may suggest provider practice patterns favoring CABG.)*

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**Source:** Multi-payer commercial benchmark. Results are weighted by Age/Gender. Broader market area includes multi-payer data from the mountain regions.
## Market Comparison
### Condition Prevalence

<table>
<thead>
<tr>
<th>Condition</th>
<th>Employer vs. Mt. States</th>
<th>Employer vs. National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevalence Diabetes Rate</td>
<td>229%</td>
<td>219%</td>
</tr>
<tr>
<td>Prevalence Hyperlipidemia Rate</td>
<td>259%</td>
<td>207%</td>
</tr>
<tr>
<td>Prevalence Kidney Disease Rate</td>
<td>143%</td>
<td>174%</td>
</tr>
<tr>
<td>Prevalence Migraine Rate</td>
<td>166%</td>
<td>164%</td>
</tr>
<tr>
<td>Prevalence Low Back Pain Rate</td>
<td>136%</td>
<td>139%</td>
</tr>
<tr>
<td>Prevalence Hypertension Rate</td>
<td>156%</td>
<td>134%</td>
</tr>
<tr>
<td>Prevalence Asthma Rate</td>
<td>146%</td>
<td>128%</td>
</tr>
<tr>
<td>Prevalence CAD Rate</td>
<td>175%</td>
<td>115%</td>
</tr>
<tr>
<td>Prevalence Pregnancy Rate</td>
<td>110%</td>
<td>109%</td>
</tr>
<tr>
<td>Prevalence Adult Preventive Screening Rate</td>
<td>114%</td>
<td>91%</td>
</tr>
<tr>
<td>Prevalence Depression Rate</td>
<td>63%</td>
<td>60%</td>
</tr>
</tbody>
</table>

**Legend**
- **Employer vs. Mt. States**
  - >120%
  - 110-120%
  - <80%
- **Employer vs. National**
  - >110
  - 105-110%
  - <90

**Strengths (+)**
- Rate of depression is low *(Note: May be due to incomplete behavioral health claims)*

**Opportunity (-)**
- Employer has a higher prevalence of most chronic conditions including asthma, CAD, diabetes, hypertension, hyperlipidemia, Kidney Disease, LBP, and migraines

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**Source:** Multi-payer commercial benchmark. Results are weighted by Age/Gender. Broader market area includes multi-payer data from the mountain regions.
## Market Comparison Utilization Rates

### Benchmark Comparison

<table>
<thead>
<tr>
<th>Condition</th>
<th>Employer vs. Mt. States</th>
<th>Employer vs. National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoidable Admit Rate</td>
<td>142%</td>
<td>144%</td>
</tr>
<tr>
<td>Lengthy Admit Rate</td>
<td>175%</td>
<td>136%</td>
</tr>
<tr>
<td>Outpatient Problem Focused Office Rate</td>
<td>146%</td>
<td>131%</td>
</tr>
<tr>
<td>Readmission Rate (readmit/admit)</td>
<td>135%</td>
<td>126%</td>
</tr>
<tr>
<td>Average LOS</td>
<td>125%</td>
<td>116%</td>
</tr>
<tr>
<td>One Day Admit Rate</td>
<td>&lt;80%</td>
<td>103%</td>
</tr>
<tr>
<td>Office Visit Rate</td>
<td>106%</td>
<td>96%</td>
</tr>
<tr>
<td>Acute Admit Rate</td>
<td>&lt;80%</td>
<td>95%</td>
</tr>
<tr>
<td>Avoidable ED Rate</td>
<td>&lt;80%</td>
<td>86%</td>
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<tr>
<td>ED Rate</td>
<td>54%</td>
<td>48%</td>
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<tr>
<td>Preventive Office Rate*</td>
<td>&lt;80%</td>
<td>68%</td>
</tr>
<tr>
<td>High Dollar Patient Rate</td>
<td>95%</td>
<td>75%</td>
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<tr>
<td>Frequent ED User (&gt;3 times) Rate</td>
<td>&lt;80%</td>
<td>30%</td>
</tr>
</tbody>
</table>

### Legend

- **Employer vs. Mt. States**
  - >120%: Red
  - 110-120%: Orange
  - <80%: Green

- **Employer vs. National**
  - >110: Red
  - 105-110%: Orange
  - <90: Green

### Strengths (+)

- Lower than average utilization of ED, and high dollar patient rate

### Opportunity (-)

- Higher LOS, lengthy admits, avoidable admits, and readmissions which all drive significantly more spend

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*Source: Multi-payer commercial benchmark. Results are weighted by Age/Gender. Broader market area includes multi-payer data from the mountain regions.*
ED and Avoidable ED

### Potentially Avoidable ED - Trend View

<table>
<thead>
<tr>
<th>Measure</th>
<th>FY 2017</th>
<th>Period</th>
<th>FY 2018</th>
<th>Period</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure</td>
<td>Mbrs</td>
<td>Rate</td>
<td>Mbrs</td>
<td>Rate</td>
<td>Count</td>
</tr>
<tr>
<td>Overall ED</td>
<td>16,394</td>
<td>126.26</td>
<td>13,820</td>
<td>107.45</td>
<td>-16%</td>
</tr>
<tr>
<td>FREQUENT ED UTILIZER</td>
<td>1,581</td>
<td>12.18</td>
<td>1,468</td>
<td>11.41</td>
<td>-7%</td>
</tr>
<tr>
<td>AVOIDABLE ED</td>
<td>6,371</td>
<td>49.07</td>
<td>5,288</td>
<td>41.11</td>
<td>-17%</td>
</tr>
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</table>

### Overall ED

<table>
<thead>
<tr>
<th>Measure</th>
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<td></td>
<td>-15%</td>
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### Frequent ED Utilizer

<table>
<thead>
<tr>
<th>Measure</th>
<th>FY 2017</th>
<th>Period</th>
<th>FY 2018</th>
<th>Period</th>
<th>Change</th>
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<tbody>
<tr>
<td>mbr/1k</td>
<td>1,581</td>
<td></td>
<td>1,468</td>
<td></td>
<td>-7%</td>
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### AVOIDABLE ED

<table>
<thead>
<tr>
<th>Condition</th>
<th>FY 2017</th>
<th>Period</th>
<th>FY 2018</th>
<th>Period</th>
<th>Change</th>
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<tbody>
<tr>
<td>ABDOMINAL_PAIN</td>
<td>1092</td>
<td>8.41</td>
<td>895</td>
<td>6.96</td>
<td>-18%</td>
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<tr>
<td>ENT_INFECTION</td>
<td>854</td>
<td>6.58</td>
<td>742</td>
<td>5.77</td>
<td>-13%</td>
</tr>
<tr>
<td>FEVER</td>
<td>715</td>
<td>5.51</td>
<td>700</td>
<td>5.44</td>
<td>-2%</td>
</tr>
<tr>
<td>URINARY</td>
<td>650</td>
<td>5.01</td>
<td>468</td>
<td>3.64</td>
<td>-28%</td>
</tr>
<tr>
<td>HEADACHE</td>
<td>558</td>
<td>4.30</td>
<td>434</td>
<td>3.37</td>
<td>-22%</td>
</tr>
<tr>
<td>BACK_PAIN</td>
<td>414</td>
<td>3.19</td>
<td>423</td>
<td>3.29</td>
<td>2%</td>
</tr>
<tr>
<td>NAUSEA</td>
<td>394</td>
<td>3.03</td>
<td>271</td>
<td>2.11</td>
<td>-31%</td>
</tr>
<tr>
<td>ASTHMA</td>
<td>294</td>
<td>2.26</td>
<td>209</td>
<td>1.62</td>
<td>-29%</td>
</tr>
<tr>
<td>CELLULITIS</td>
<td>210</td>
<td>1.62</td>
<td>198</td>
<td>1.54</td>
<td>-6%</td>
</tr>
<tr>
<td>GASTROENTERITIS</td>
<td>254</td>
<td>1.96</td>
<td>171</td>
<td>1.33</td>
<td>-33%</td>
</tr>
<tr>
<td>OTITIS_MEDIA</td>
<td>201</td>
<td>1.55</td>
<td>160</td>
<td>1.24</td>
<td>-20%</td>
</tr>
<tr>
<td>COPD</td>
<td>132</td>
<td>1.02</td>
<td>108</td>
<td>0.84</td>
<td>-18%</td>
</tr>
<tr>
<td>DIABETES</td>
<td>123</td>
<td>0.95</td>
<td>91</td>
<td>0.71</td>
<td>-26%</td>
</tr>
<tr>
<td>BACT_PNEUMONIA</td>
<td>111</td>
<td>0.85</td>
<td>86</td>
<td>0.67</td>
<td>-23%</td>
</tr>
<tr>
<td>DENTAL</td>
<td>93</td>
<td>0.72</td>
<td>83</td>
<td>0.65</td>
<td>-11%</td>
</tr>
<tr>
<td>DEHYDRATION</td>
<td>98</td>
<td>0.75</td>
<td>81</td>
<td>0.63</td>
<td>-17%</td>
</tr>
<tr>
<td>HYPERTENSION</td>
<td>16</td>
<td>0.12</td>
<td>24</td>
<td>0.19</td>
<td>50%</td>
</tr>
<tr>
<td>CHF</td>
<td>4</td>
<td>0.03</td>
<td>3</td>
<td>0.02</td>
<td>-25%</td>
</tr>
<tr>
<td>ANGINA</td>
<td>8</td>
<td>0.06</td>
<td>3</td>
<td>0.02</td>
<td>-63%</td>
</tr>
<tr>
<td>IMMUNIZATIONRELATED</td>
<td>2</td>
<td>0.02</td>
<td>0</td>
<td>0.00</td>
<td>-100%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>6371</td>
<td>49.07</td>
<td>5288</td>
<td>41.11</td>
<td>-17%</td>
</tr>
</tbody>
</table>

* AHRQ avoidable ED visits are based on the logic for ambulatory care sensitive ED visits from AHRQ and diagnosis code driven.
ED, Avoidable ED and the impact of new on-site clinic

- Clinic visits have a clear impact on ED and avoidable ED use and spend
- Combined ED visits are down on average 15.7% in FY 18 from FY 17
- Combined ED spend is down 12.8% in FY 18 from FY 17
Pitfalls and Challenges

• Face many of the challenges similar to startup health plan
• Critical to determine how you will deliver value and communicate the value to potential customers and brokers/consultants
  • Care management
  • Network
Considerations in Offering Development

- **Care Management Model**
  - Traditional care model
    - Case management
    - Utilization management
    - Disease management
  - Longitudinal care model with value based care philosophy
    - Primary care driven
    - Local care management
  - Predictive analytics and risk stratification model
    - Claims history and ongoing data
    - EMR data
Case Study 2
Case study # 2 – Large Employer

• **Business Problem:** Large employer wants to contract directly with 2 major hospital systems, developing professional fee schedules

• **Considerations/Value Prop:** Fee schedule should be competitive but also nuanced to minimize gap relative to current reimbursement at physician level

• **Solution:** Data-driven approach using current market-wide reimbursement, distinguished by service level
Evaluate Provider Spend:
Top 25 Service Lines by Allowable Spend
Evaluate Provider Spend:
Top 20 Professional CPTs by Total Spend
Understand relative market pricing position

State Charges as a Percent of Peer Average
Weighted Averages for MRI, Colonoscopy, Cardiology, and Lab

<table>
<thead>
<tr>
<th>Hospital</th>
<th>MRI</th>
<th>Colonoscopy</th>
<th>Cardiac Cath</th>
<th>Lab - Organ/Panel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha Medical Center</td>
<td>-28%</td>
<td>20%</td>
<td>9%</td>
<td>-42%</td>
</tr>
<tr>
<td>Echo Hospital</td>
<td>10%</td>
<td>3%</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Charlie Hospital</td>
<td>14%</td>
<td>24%</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>Charlie Hospital</td>
<td>14%</td>
<td>24%</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>Delta Hospital</td>
<td>-28%</td>
<td>-13%</td>
<td>-20%</td>
<td>-26%</td>
</tr>
<tr>
<td>Beta Hospital</td>
<td>8%</td>
<td>-1%</td>
<td>-11%</td>
<td>56%</td>
</tr>
<tr>
<td>Memorial Hospital</td>
<td>-22%</td>
<td>-39%</td>
<td>-22%</td>
<td>-39%</td>
</tr>
</tbody>
</table>

Total Percent Above/ Below Market Average

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Memorial Hospital</td>
<td>-25%</td>
</tr>
<tr>
<td>Beta Hospital</td>
<td>5%</td>
</tr>
<tr>
<td>Delta Hospital</td>
<td>-15%</td>
</tr>
<tr>
<td>Charlie Hospital</td>
<td>10%</td>
</tr>
<tr>
<td>Echo Hospital</td>
<td>0%</td>
</tr>
<tr>
<td>Alpha Medical Center</td>
<td>39%</td>
</tr>
</tbody>
</table>
Develop fee schedule relative to market

<table>
<thead>
<tr>
<th>Service Line</th>
<th>Procedure</th>
<th>CPT Code/DRG</th>
<th>Memorial Hospital</th>
<th>Beta Hospital</th>
<th>Charlie Hospital</th>
<th>Delta Hospital</th>
<th>Echo Hospital</th>
<th>Alpha Medical Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orthopedics</td>
<td>Arthroscopy Ligament Repair</td>
<td>29888</td>
<td>$5,062</td>
<td>$9,557</td>
<td>$5,983</td>
<td>$10,096</td>
<td>$7,519</td>
<td>$2,502</td>
</tr>
<tr>
<td></td>
<td>Knee Arthroscopy</td>
<td>29881</td>
<td>$5,069</td>
<td>$4,185</td>
<td>$3,837</td>
<td>$3,022</td>
<td>$3,729</td>
<td>$2,266</td>
</tr>
<tr>
<td>GI</td>
<td>Upper Gl Endoscopy</td>
<td>43239</td>
<td>$3,075</td>
<td>$2,539</td>
<td>$2,012</td>
<td>$1,132</td>
<td>$1,565</td>
<td>$2,240</td>
</tr>
<tr>
<td></td>
<td>Lap Sleeve Gastrectomy</td>
<td>DRG 621</td>
<td>$20,421</td>
<td>$20,815</td>
<td>$12,105</td>
<td>$13,230</td>
<td>$14,600</td>
<td>$17,800</td>
</tr>
<tr>
<td></td>
<td>Colonoscopy and biopsy</td>
<td>45380</td>
<td>$3,075</td>
<td>$3,071</td>
<td>$2,013</td>
<td>$1,244</td>
<td>$1,972</td>
<td>859</td>
</tr>
<tr>
<td></td>
<td>Diagnostic Colonoscopy</td>
<td>45378</td>
<td>$3,075</td>
<td>$2,805</td>
<td>$2,013</td>
<td>$1,244</td>
<td>$1,972</td>
<td>859</td>
</tr>
<tr>
<td>Radiology</td>
<td>MRI Brain w/ &amp; w/o dye</td>
<td>70553</td>
<td>$1,238</td>
<td>$1,468</td>
<td>$1,117</td>
<td>$967</td>
<td>$2,805</td>
<td>$1,052</td>
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<tr>
<td></td>
<td>MRI Joint of Lower Extremity w/o dye</td>
<td>73721</td>
<td>$1,238</td>
<td>$1,398</td>
<td>$1,042</td>
<td>$967</td>
<td>$925</td>
<td>557</td>
</tr>
<tr>
<td></td>
<td>MRI Abdomen w/ &amp; w/o dye</td>
<td>74183</td>
<td>$1,238</td>
<td>$1,468</td>
<td>$1,106</td>
<td>$967</td>
<td>$2,805</td>
<td>836</td>
</tr>
<tr>
<td></td>
<td>X-ray Chest</td>
<td>71020</td>
<td>$115</td>
<td>$266</td>
<td>$305</td>
<td>$279</td>
<td>$375</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td>CT Thorax w/o dye</td>
<td>71250</td>
<td>$882</td>
<td>$810</td>
<td>$505</td>
<td>$491</td>
<td>$579</td>
<td>319</td>
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<tr>
<td></td>
<td>Ultrasound Abdomen Complete</td>
<td>76700</td>
<td>$397</td>
<td>$538</td>
<td>$545</td>
<td>$195</td>
<td>$190</td>
<td>168</td>
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<tr>
<td></td>
<td>Mammogram Screening</td>
<td>G0202</td>
<td>$141</td>
<td>$328</td>
<td>$431</td>
<td>$294</td>
<td>$425</td>
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<tr>
<td></td>
<td>Computer Detection Add-on</td>
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<td>$112</td>
<td>$99</td>
<td>$41</td>
<td>$15</td>
<td>$45</td>
<td>23</td>
</tr>
</tbody>
</table>

**KEY OBSERVATIONS**

- Potential exposure on GI
- Opportunity to align price and acuity in MRI
- Opportunity to raise rates on chest x-ray and mammogram
A few words on Bundled Payments

• Bundled payments are growing as a type of direct contracting
• In some cases, third parties match-make between employers and providers
• Contracts may vary in definitions: pre/post admission coverage duration, readmission cause (i.e. all-cause vs. medically related), outlier provisions, LOS caps and/or per diems
• Providers need to be strategic in pricing, to enable profitable growth of market share
Considerations in Offering Development

• Network Development
  • Build off existing structure, e.g. health system employee plan network
  • How does this fit into your broader value based care strategy?
  • Employed and independent physicians
  • How do you want to approach the buildout of high performance network?
    • Quality focus
    • Cost efficiency
  • Integrated behavioral health
  • Wrap network for other markets
Considerations in Offering Development

• Target Market
  • Consideration of employer profile in market
  • Fully-insured vs. ASO
  • Total cost of care vs. bundled services

• Distribution
  • Direct marketing
  • Broker/consultant community

• Plan designs
  • Standard designs vs. flexible – Dependent on target market

• Claims administration
  • Data sharing & analytics
Considerations in Offering Development

• Other components of comprehensive offering
  • Pharmacy
  • Preventive health
  • Onsite clinics
  • Wellness programs
  • Technology platform
Sample Bundle Analysis