Health Care Policy Impacts and Updates

Succeeding in an Era of Accountable Care

IOWA HEALTH CARE EXECUTIVE SYMPOSIUM

OCTOBER 31, 2014

Presentation Outline

Joe LeValley, Senior VP, Mercy Health Network

- Mercy “Snapshot”
- The Health Care Environment – Drivers of Change
- The Affordable Care Act Summarized
- Mercy’s Three-Part Strategy
- Early Results

Brad Wright, PhD, Assistant Professor, Department of Health Management & Policy, College of Public Health, University of Iowa

- What We Know,
  What We Don’t Know,
  and What We *Think* We Know
  About the Affordable Care Act

MERCY “SNAPSHOT”

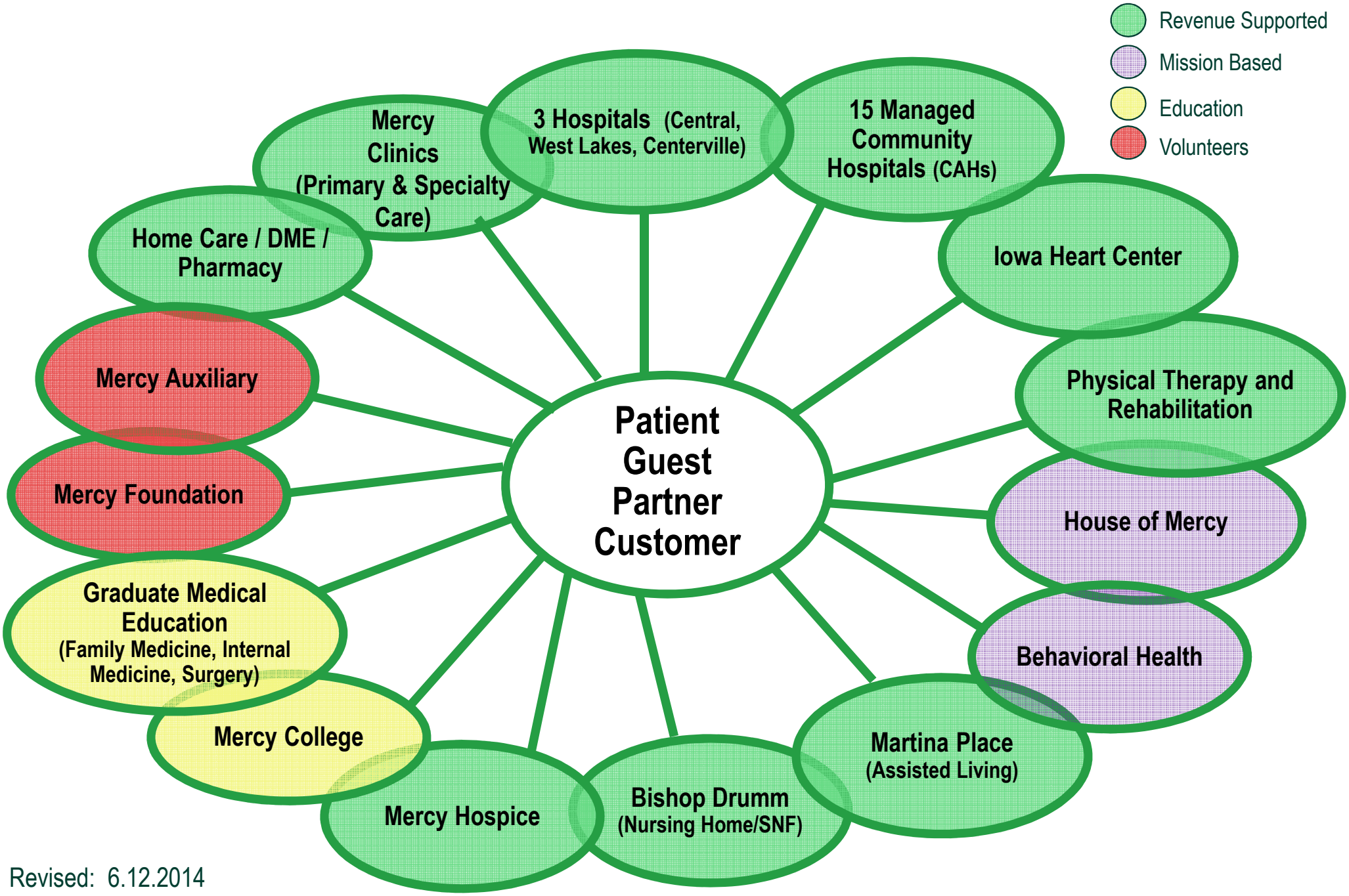
Mercy Medical Center – Des Moines Snapshot

Annual Statistics* – FY2014	
Total Acute Admissions	30,412
Outpatient Visits	268,645
Surgeries (Procedures)	20,739
Visits to Mercy Clinics	1,208,819
Payroll & Benefits	$477 million
Total Net Patient Revenues	$843 million
Total Employees	7,100

*Does not include Mercy – Centerville

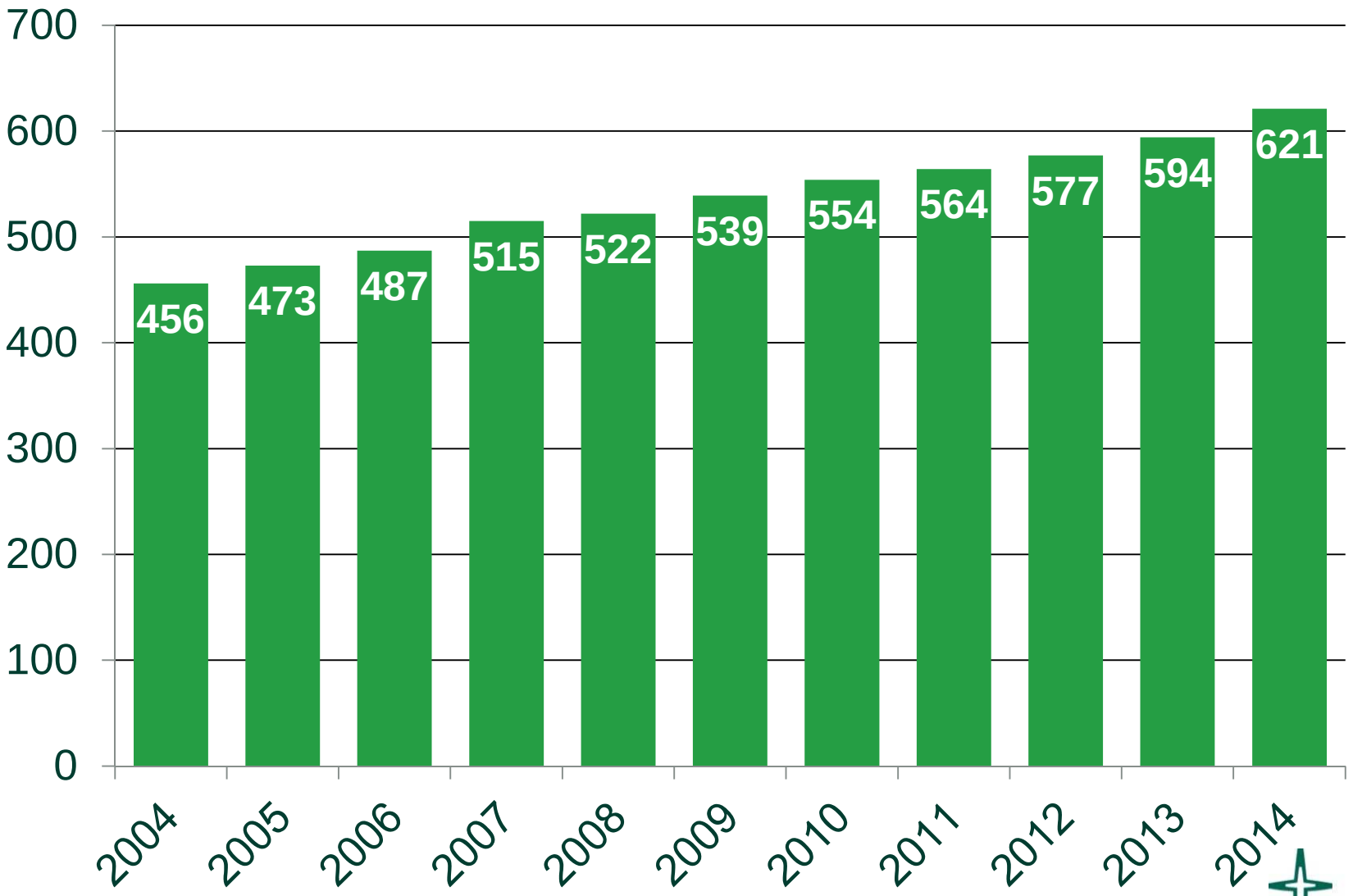
- Founded by Sisters of Mercy in 1893
  - Longest continually operating hospital in Des Moines
- 827 licensed beds, 674 Staffed beds
- On 3 Campuses:
  - Mercy Medical Center – DM (622 tertiary & 34 Behavioral Health beds)
  - Mercy – West Lakes (146 beds)
  - Mercy – Centerville (25 CAH beds)
- Largest medical center in Iowa
- One of the largest multi-specialty physician group practices in Iowa
- Fully-accredited 4-year college & 3 physician residency programs
- Comprehensive senior services incl. Bishop Drumm Retirement Center
- Winner of regional and national awards for quality, diversity, wellness and care management

Mercy is Comprised of…



Medical Staff Development

- Net gain of 165 Active Staff from 2004 to 2014



Source: Medical Staff Office, 8/2014

Employee Engagement - Culture of Health

- Honors and Recognitions
  - **Platinum** Well Workplace Award from the Wellness Council of America. One of 5 organizations in the U.S. to have achieved this designation in 2012. Since its inception in 2001, less than 50 organizations in the nation have received the Platinum Well Workplace Award.
  - Gold Level Recipient Fit-Friendly recognition from the American Heart Association
- Wellness Activities
  - WOW4-U Employee Wellness Program
  - Lunch and Learns on Wellness/disease topics
  - In-hospital Wellness Center on Central Campus
  - Free health screenings providing risk factors identification
  - Nicotine-free hiring policy for all job applicants at hospitals, clinics, outpatient centers and all other facilities
  - Healthy Spirit program
  - Healthy Living Center / employee discounts to all YMCAs

Mercy

Healthy Living Center

- Partnership between Mercy & YMCA of Greater Des Moines
- Located on the Mercy Wellness Campus, Clive
- “Bridge” between healthcare and fitness
- More than 300 physicians have referred patients there
- Over 3,000 Mercy employees and their family members purchase memberships through the Mercy discount
- Visitors from all across the nation

Commitment To Diversity

Initiatives:

- Mercy-wide Diversity Committee created in 1999
- Full-time Director of Diversity and Community Services - 2002
- Many educational programs, celebrations, other activities

Community Participation

- Greater DM Partnership Diversity Council
- Asian Alliance
- NAACP
- Iowa Civil Rights Commission

INSTITUTE FOR DIVERSITY
in Health Management
An affiliate of the American Hospital Association

Recognitions:

- **2014** – "Best in Class" hospital as part of "Diversity and Disparities: A Benchmarking Study of U.S. Hospitals".

Employee Awards / Recognitions

- Awards for employees too numerous to list, but including Top 100 Nurses, Heroes of the Heartland, 40 Under 40 Leaders, Women of Influence and others
- CEO Dave Vellinga voted Best CEO in Des Moines for 4th consecutive year by readers of the Business Record

Mercy

Clinical Excellence in…

- Emergency / Trauma – Busiest in Iowa, 2 medical helicopters
- Cardiovascular – Market leader, largest in Iowa
- Children's Hospital & Clinics – Comprehensive services, only pediatric heart program and several other specialties
- Maternal / Child – Market leader, Level III NICU
- Cancer – National Cancer Institute NCCCP, CyberKnife
- Orthopedics / Rehabilitation – "Joint Camp," Inpatient & Outpatient Rehab
- Neuroscience – Largest neurology group in Iowa, National MS Center, neurosurgery, neuroradiology
- Surgery – Two inpatient and four outpatient centers
- Women's Services – Katzmann Breast Center
- Senior Services – continuum of care on Johnston campus
- Behavioral Health – 34-bed facility adult & child; intensive outpatient adolescent substance abuse program, 24-hour Help Center
- Imaging / Diagnostics – largest & most specialized radiology group
- Home Care – Consolidated Health Services (CHS)
- Hospice – outpatient and inpatient facility
- Clinics – Family Practice, Urgent Care, "Quick Care" and multiple specialties and sub-specialties

Mercy

Three Hospital Campuses

Mercy Central Campus

Mercy West Lakes

Mercy Centerville

Mercy

Mercy – West Lakes

- Opened September 2009
- First hospital in Iowa to achieve LEED (Leadership in Energy and Environmental Design) certification
- Brings expert health care to a convenient west-side location. Services include:
  - Birthing Services
  - A Cardiac Catheterization Lab
  - Inpatient and outpatient surgical services
  - Inpatient medical/surgical beds
  - Diagnostic and ancillary services
- Senior Emergency Department 24/7
  - All ED nurses have received Geriatric Emergency Nursing Education (GENE) training
  - Only ED in central Iowa to provide this level of nursing expertise for older adults

Mercy

A Teaching Hospital
Medical Education

Residency Programs

Family Practice Residency
- 24 residents
- 22,000 square-foot facility

General Surgery Residency
- 20 residents

Internal Medicine Residency
- 20 residents

Undergraduate Medical Education – 60

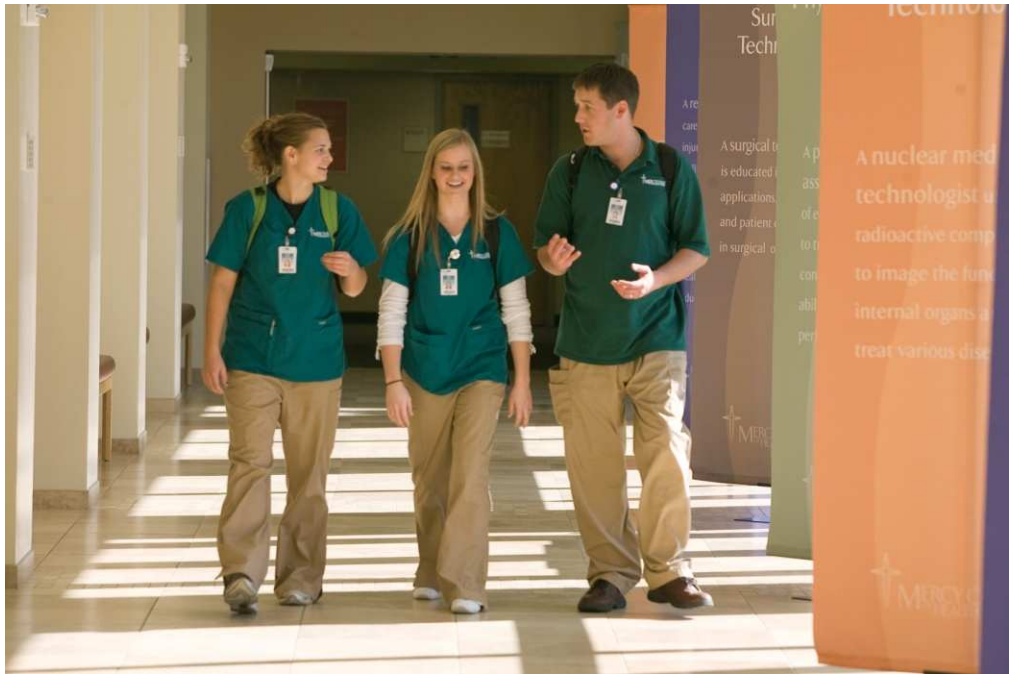
Contracts with Colleges
- 3rd Year Medical Students
- 3rd Year Core Rotations
- 4th Year Medical Students
- 3rd Year OB/GYN Clerkship

Continuing Medical Education
- 12 to 15 CME programs per month

Mercy

Mercy College of Health Sciences

- Fully-Accredited 4-Year College
- Nearly 900 Students
- Offers the following programs:
  - Nurses & Nursing Assistants
  - BA in Health Care Administration
  - Nuclear Medicine Technologists
  - Emergency Medical Techs/Paramedics
  - Medical Assistants
  - Medical Billing & Coding Assistants
  - Medical & Health Service Managers
  - Pharmacy Technicians
  - Physical Therapist Assistants
  - Polysomnographic (Sleep) Technicians
  - Radiologic Technicians
  - Sonographers
  - Surgical Technologists
- First “Paramedic to RN” program in Iowa
- Largest educator of undergraduate nurses in Iowa
- Distance learning program with CHI
- First Year Candidate Licensure and Certification Pass Rates – 3 Year Average ASN – 89%



MERCY COLLEGE OF HEALTH SCIENCES

Mission / Community Benefits

House of Mercy

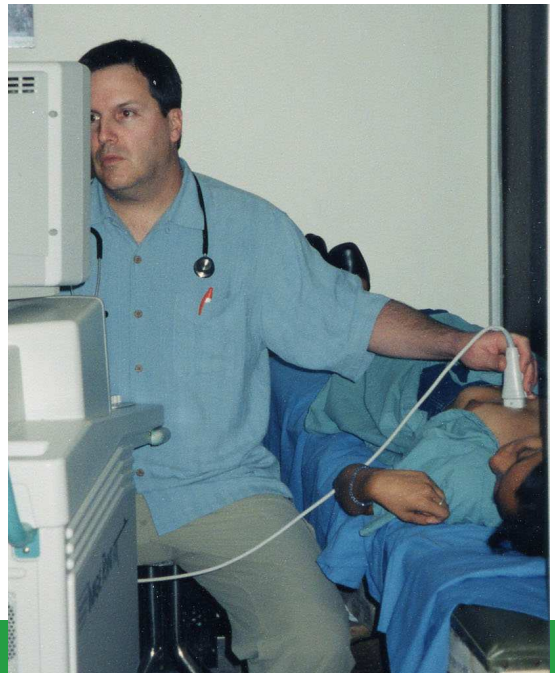
- Housing & services for women, children & parenting adolescents (nearly 500 total residents in FY13)
- Chemical Dependency Treatment
- Trauma and mental health counseling services
- Parenting education, assistance and support
- Skill development in communications, nutrition, and basic life skills
- Employment and education counseling/support
- John R. Grubb Child Development Center
- Nursing and social work support to four Diocesan schools
- Outreach services to area homeless shelters
- Transitional housing
- Outstanding success stories
- Satellite locations in Newton and Indianola

Mercy

Mission / Community Benefits

Yucatan Heart Program

- Partnership with American Airlines and Variety International
- Mercy Donates all hospital services and teams that go to Mexico
- Physicians donate their time there, and when they return here – to perform the surgeries and recheck patients.
- 20 to 30 children come here for surgery each year.
- 950+ children have been helped since 1979
- Dr. Thomas Becker received a Variety International award in spring of 2005 for his work with the program.
- Mexico partner: Hospital O'Horan



Mission / Community Involvement

Total Community Benefits – FY14

Charity Care (actual cost of services provided & not billed)	$9.99 million
Support for the poor & community and other (House of Mercy, Education, Research, etc.)	$9.50 million
Unpaid cost of Medicaid	$28.98 million
Community Benefit TOTAL	**$48.47 million**
Unpaid costs of caring for Medicare patients	$73.60 million
Cost of Uncompensated Services TOTAL	**$122.07 million**
Bad Debt	$42.60 million
GRAND TOTAL	**$164.67 million**

Notes: 8.5.14 Mercy Finance

Mercy Health Network

Mercy-Des Moines (3)

Mercy HEALTH NETWORK

Mercy-Sioux City (3)

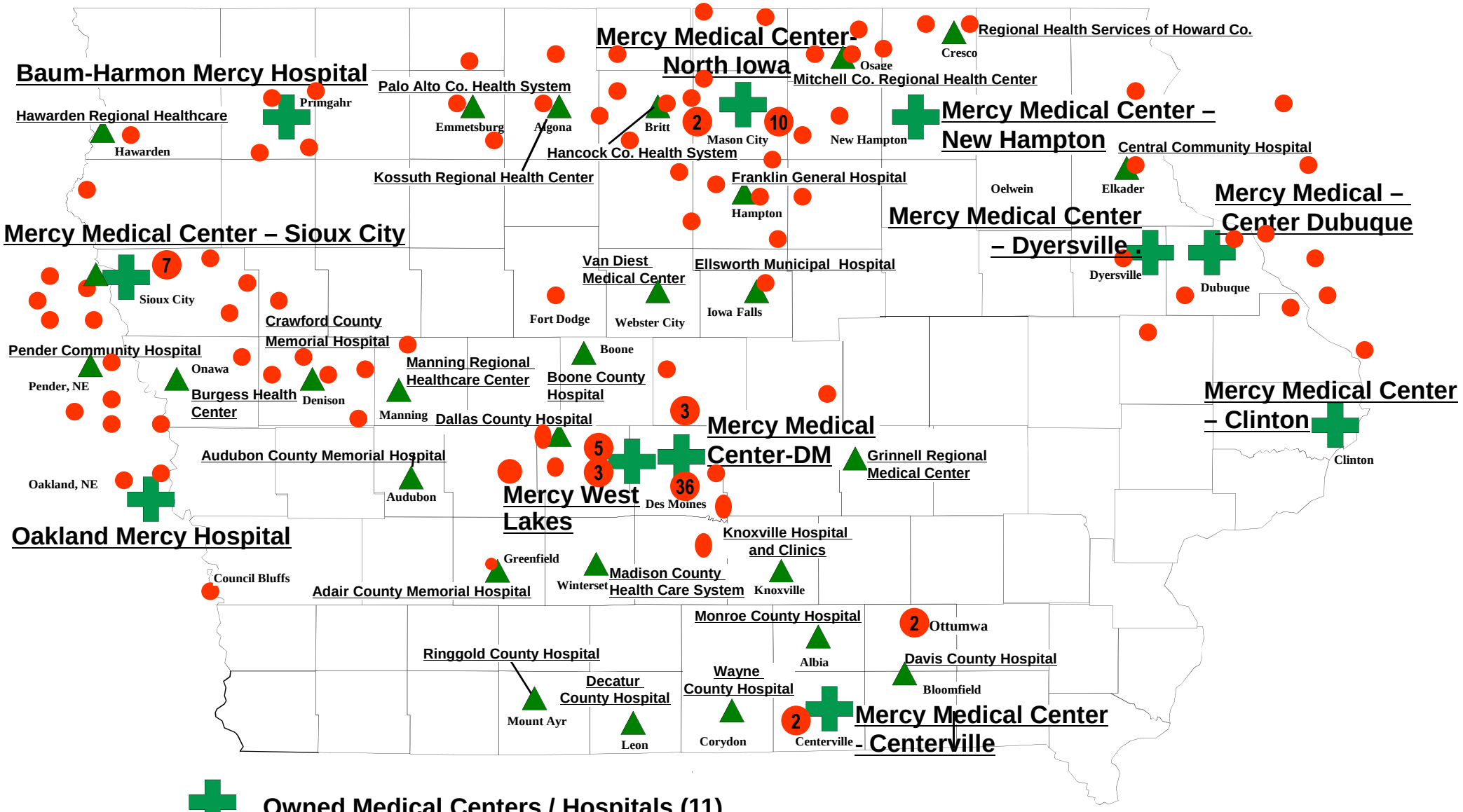
Mercy-North Iowa (2)

Mercy-Clinton

Mercy-Dubuque (2)

- Joint Operating Agreement of two national sponsors: CHI Health & CHE Trinity
- Iowa organizations function as one integrated organization
- 11 owned hospitals: 6 urban; 5 rural community[2]
- 1 joint venture surgical hospital[2]
- 26 affiliated community hospitals[2]
- 646 employed physicians[2]
- **24.9% share of inpatient & observation discharges in Iowa[3]**
- 2,780 licensed beds (excludes nursing home)[4]
- 76,354 Discharges[3]
- 827,317 outpatient visits[3]
- 14,239 employees[2]
- $1.94 billion in total annual operating revenues[4]

Sources: 1) CHI,Trinity Websites 2) MHN records 3) IHA Dimensions- FY14. Excludes behavioral health, chemical dependency, and skilled nursing 4) IHA Profiles- FY12



Owned Medical Centers / Hospitals (11)

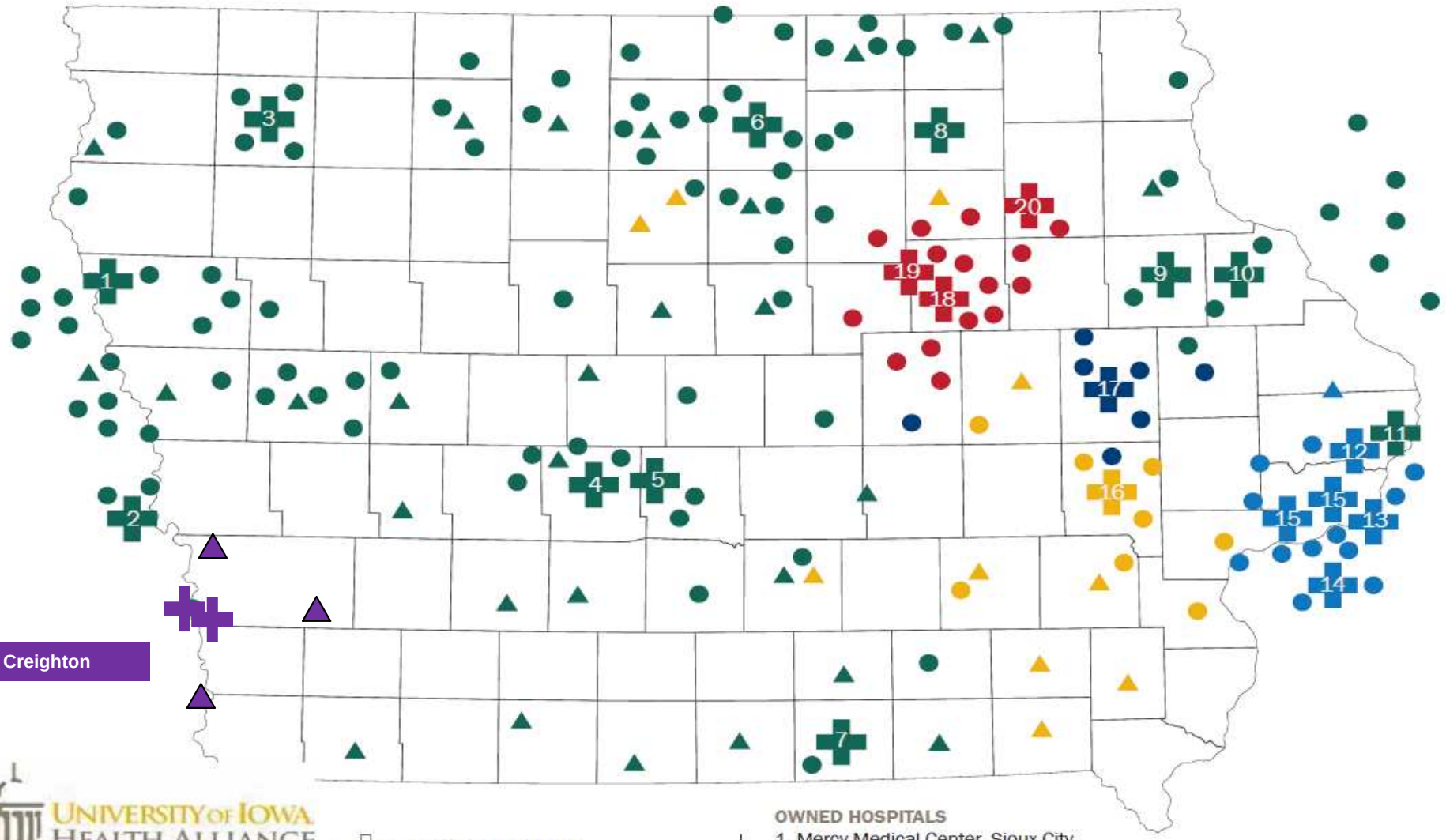
Affiliated Hospitals (26)

Physician Clinics (146)

Mercy HEALTH NETWORK

Sponsored by Catholic Health Initiatives–Englewood, CO and Trinity Health–Livonia, MI

The UI Health Alliance Provides Statewide Coverage for Insurance Networks and Clinical Services



Alegent Creighton

UNIVERSITY OF IOWA HEALTH ALLIANCE

Mercy Health Network

Genesis Health System

University of Iowa Health Care

Mercy Cedar Rapids

Wheaton Franciscan Healthcare

- 20 Owned Hospitals
- 58 Total Hospitals
- 2,459 Integrated Physicians
- 2,000+ Additional Aligned Physicians
- 4+ Billion Annual Net Revenues
- 38 Affiliate Hospitals

OWNED HOSPITALS

1. Mercy Medical Center, Sioux City
2. Oakland (NE) Mercy Hospital
3. Baum-Harmon Mercy Hospital, Primghar
4. Mercy West Lakes, West Des Moines
5. Mercy Medical Center, Des Moines
6. Mercy Medical Center, North Iowa
7. Mercy Medical Center, Centerville
8. Mercy Medical Center, New Hampton
9. Mercy Medical Center, Dyersville
10. Mercy Medical Center, Dubuque
11. Mercy Medical Center, Clinton
12. Genesis Medical Center, DeWitt
13. Genesis Medical Center, Illini
14. Genesis Medical Center, Aledo
15. Genesis Medical Center, Davenport
16. University of Iowa Hospital
17. Mercy, Cedar Rapids
18. Covenant Medical Center, Waterloo
19. Sartori Memorial Hospital, Cedar Falls
20. Mercy Hospital, Oelwein

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THE HEALTH CARE ENVIRONMENT - DRIVERS OF CHANGE

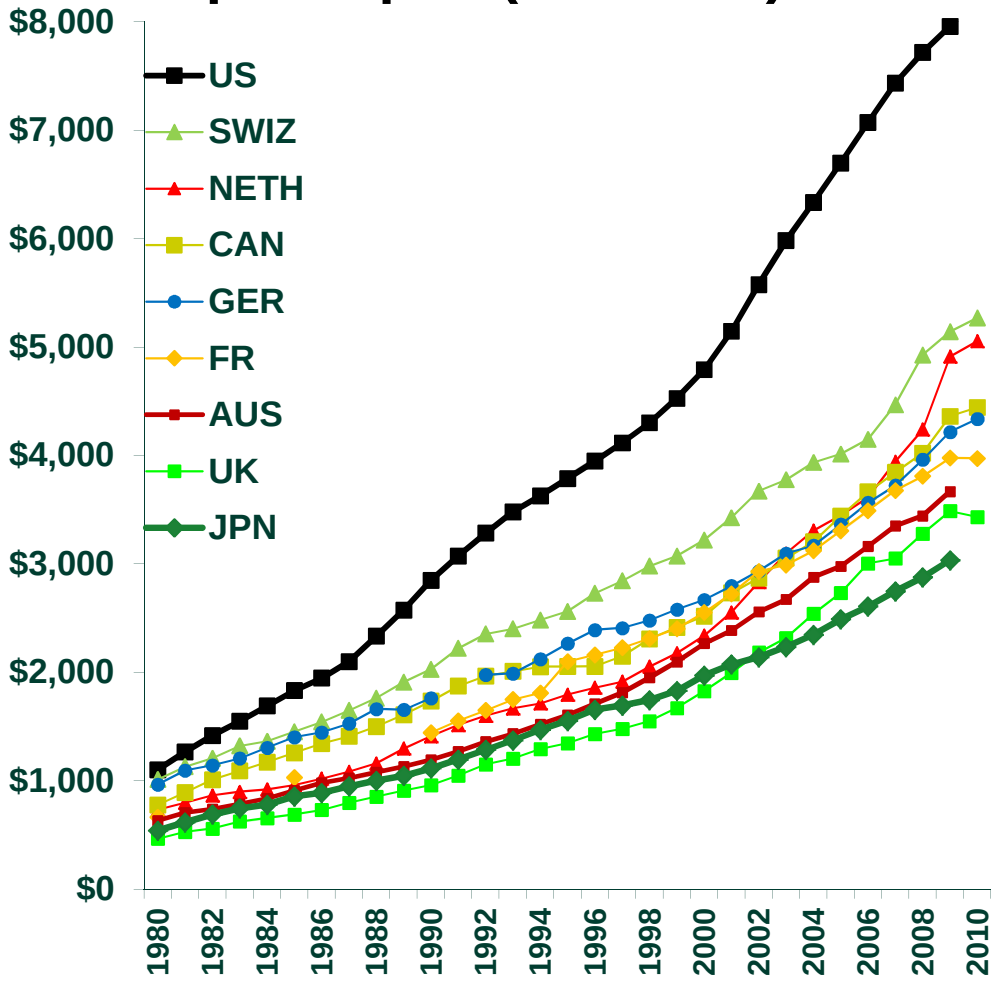
Iowa-Specific Market Characteristics

- **Rapidly declining inpatient business**: Fueled by rising costs, a soft economy, new technologies, population health management and other factors, inpatient utilization is declining, and outpatient is rising at a slower pace than in the past
- **Concentration of commercial insurance**. Iowa has the third highest concentration of commercial insurance in the nation.
- **Government underpayments**. Underpayments from Medicare and Medicaid are common across the country, but are far worse in Iowa – consistently one of the three lowest-paid states in the nation.
- **Rapid adoption of value-based payment systems**. Many providers in Iowa already are participating with Medicare, Wellmark and the Co-Op in shared savings payment programs. In addition, Iowa Medicaid and other smaller insurance plans are preparing to move to similar arrangements. Fee for service payments quickly are becoming a thing of the past.
- **Consolidation of Providers**: Most hospitals are part of, or contemplating joining, one of the State's two large systems. Most physicians also are in these two systems, or in a handful of large multi-specialty groups.

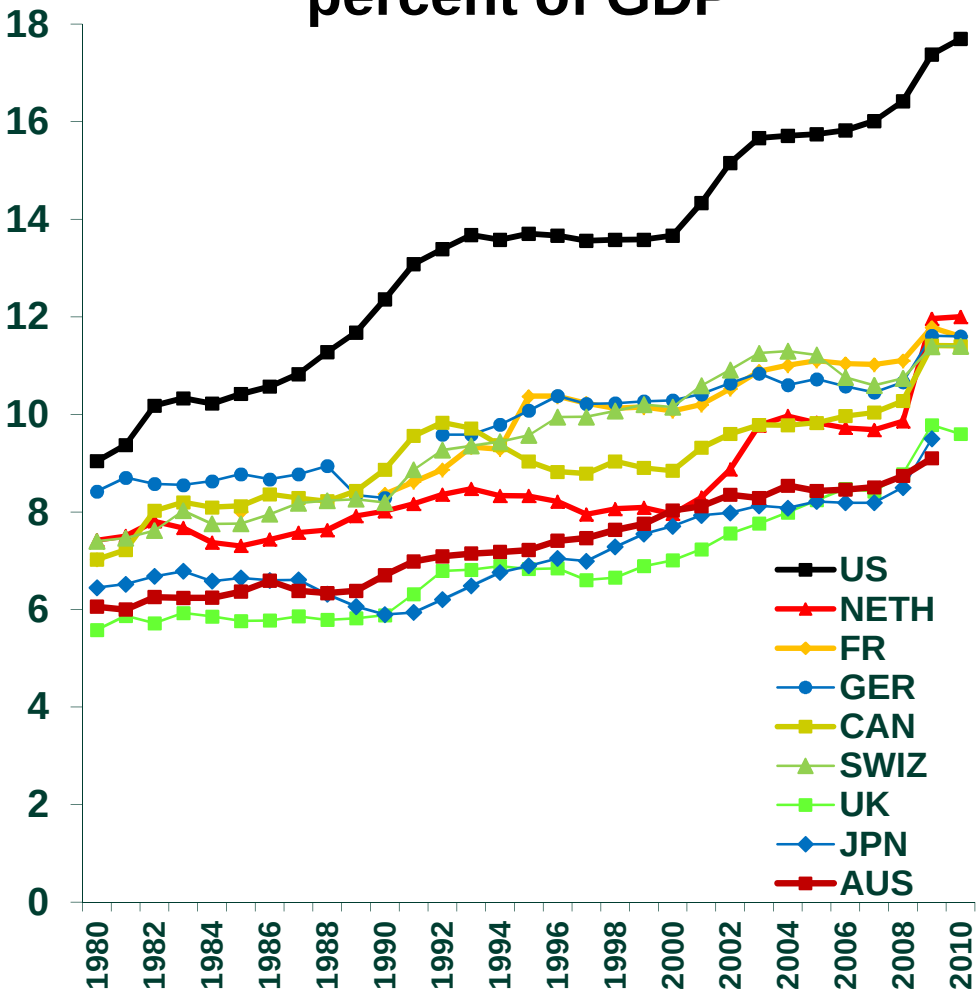
Past Cost Trends Not Sustainable

International Comparison of Spending on Health, 1980–2010

Average spending on health per capita ($US PPP)

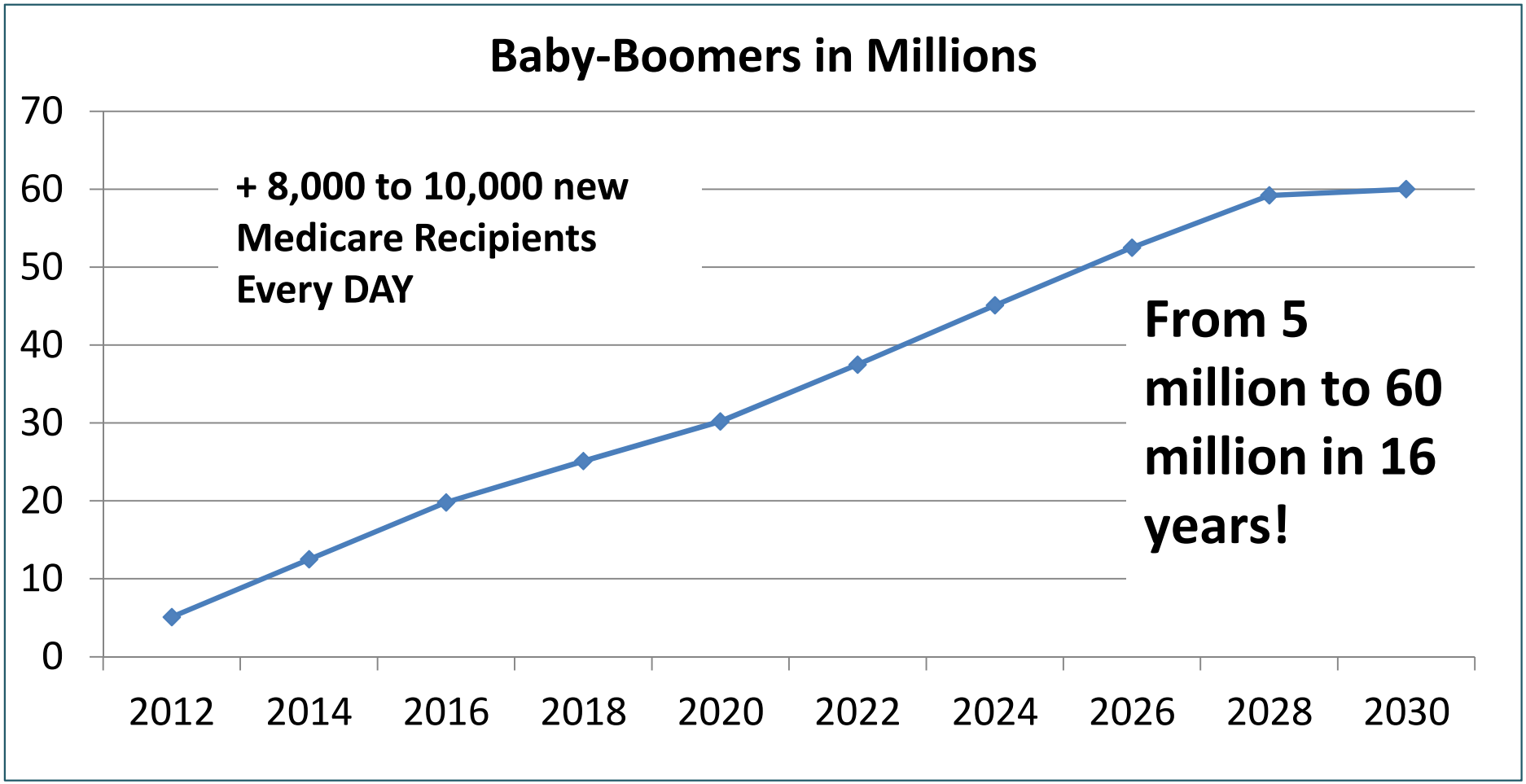


Total health expenditures as percent of GDP



Notes: PPP = purchasing power parity; GDP = gross domestic product.
Source: Commonwealth Fund, based on OECD Health Data 2012.

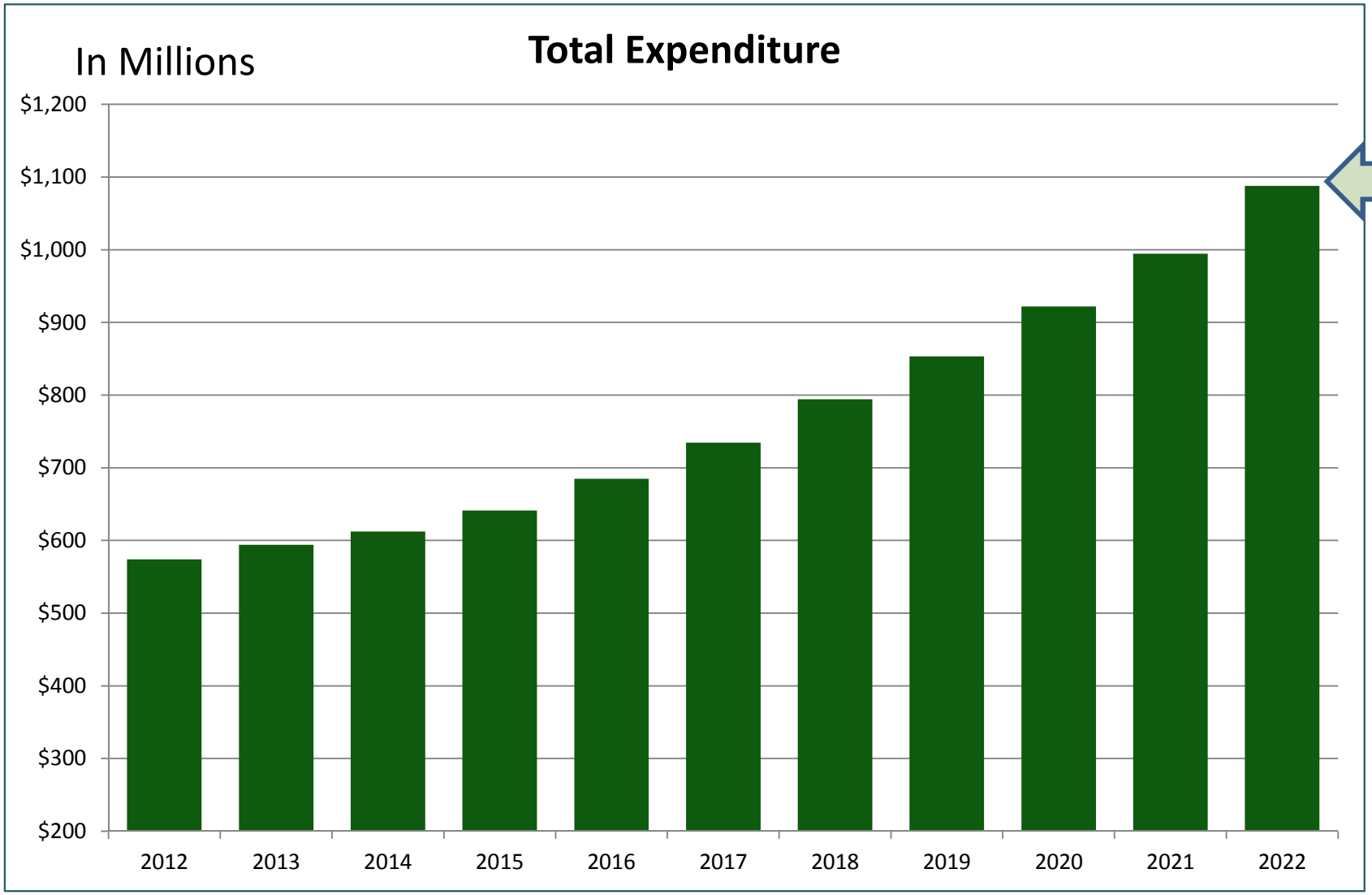
As the Baby-Boomers "BOOM" the Growth in Demand Could Overwhelm Our Capabilities and Our Finances – Unless We Reduce Demand and Deliver Care Differently



Source: U.S. Census Bureau

Rising Costs Not Sustainable for Government – Or Taxpayers

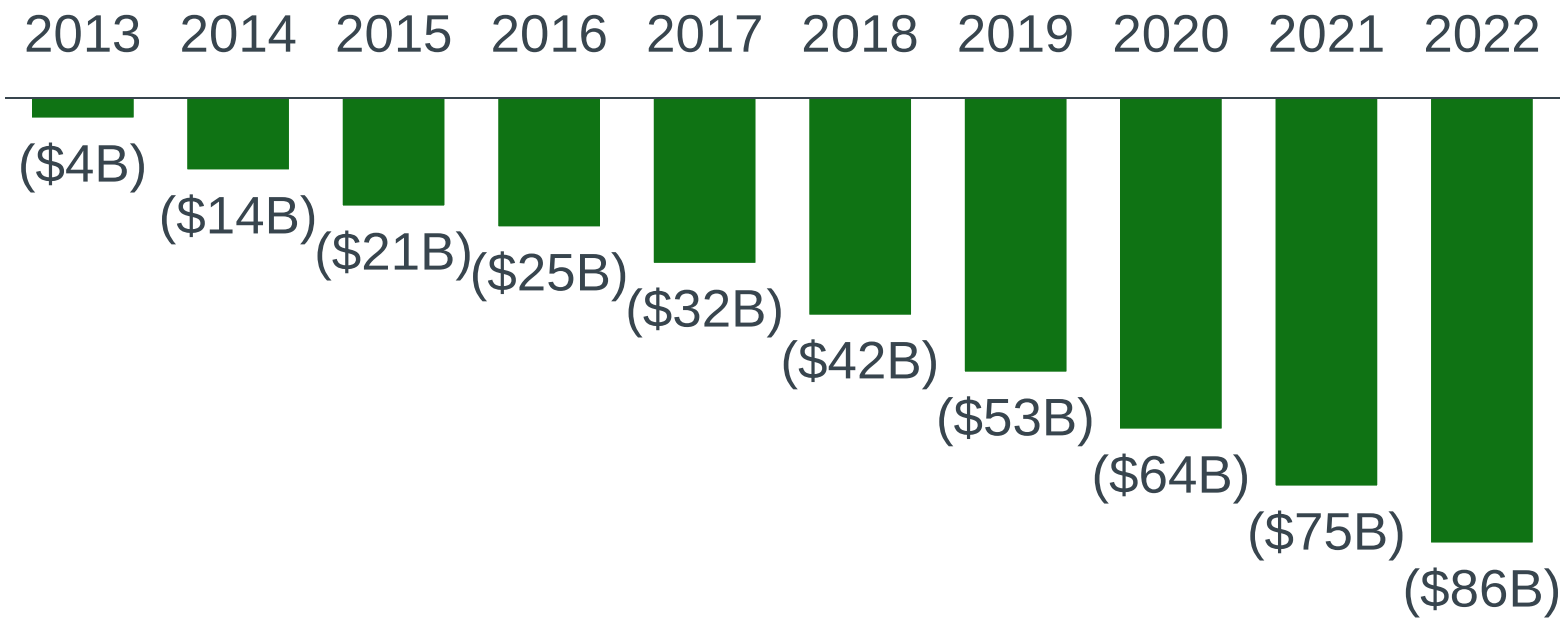
Medicare Expenditures Projected to Reach $1.2 TRILLION in 8 Years



Source: Medicare Trust Fund 2013 Annual Report

Not Sustainable for Hospitals – Lose $ on Medicare Fee-for-Service (and It Gets Worse)

Medicare Fee-for-Service Payment Cuts



$260B
Hospital payment rate cuts, 2013-2022

$56B
Reduced Medicare and Medicaid DSH[2] payments, 2013-2022

$151B
Reduced Medicare payments due to sequestration and 2013 budget bill

1) Includes hospital, skilled nursing facility, hospice, and home health services; excludes physician services.
2) Disproportionate Share Hospital.

Source: CBO, "Letter to the Honorable John Boehner Providing an Estimate for H.R.6079, The Repeal of Obamacare Act," July 24, 2012; CBO, "Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act," September 12, 2011; CBO, "Bipartisan Budget Act of 2013," December 11, 2013, all available at: www.cbo.gov; Health Care Advisory Board interviews and analysis.

Iowa Utilization – Volume Trends

Hospital Trends: Jan-Oct '12 Compared to Jan-Oct '13

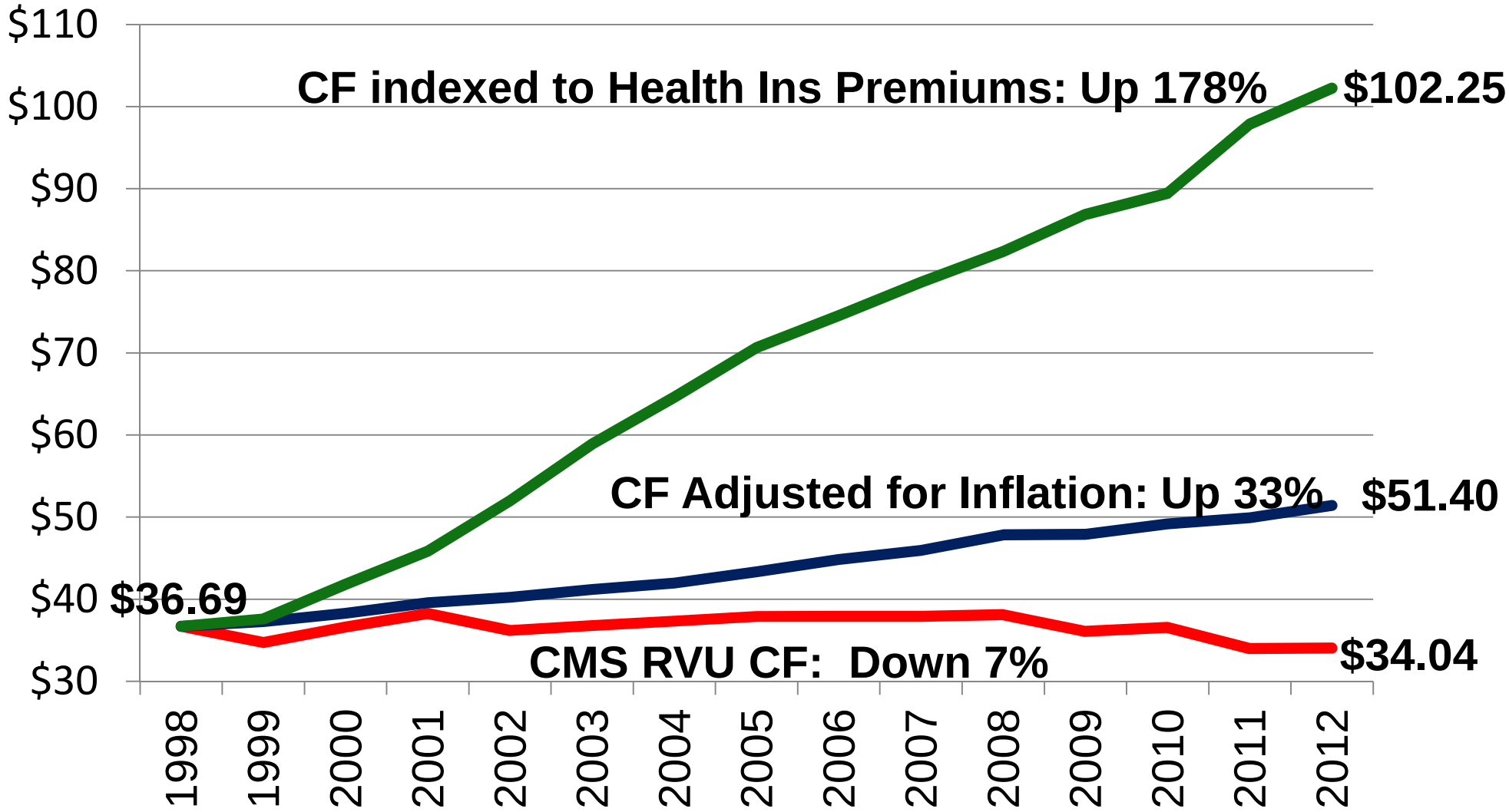
Acute Discharges	↓	2.7%
Total Discharges	↓	3.0%
Acute Patient Days	↓	2.3%
Total Patient Days	↓	2.2%
Births	↑	1.6%
Inpatient Surgeries	↓	3.7%
Ambulatory Surgery Visits*	↓	0.3%
Emergency Department Visits	↓	0.6%
Inpatient Admissions from ED	↓	2.4%
Observation Visits	↓	6.0%
Home Health Visits	↓	5.6%
All Other Outpatient Visits	↑	3.1%
Total Outpatient Visits	↑	2.1%

Mercy Trends

- Volumes down, but less than statewide
- Financial losses in providing care to Medicare patients increasing ($76 million loss in FY 14)
- Operating Margin Eroding

Sources: IHA DATABANK PROGRAM; *Ambulatory Surgery Visits (hospital based)

Not Sustainable for Physicians:
Can't Keep Doing More to Make Up for Declines in Rates



Two Key Points:

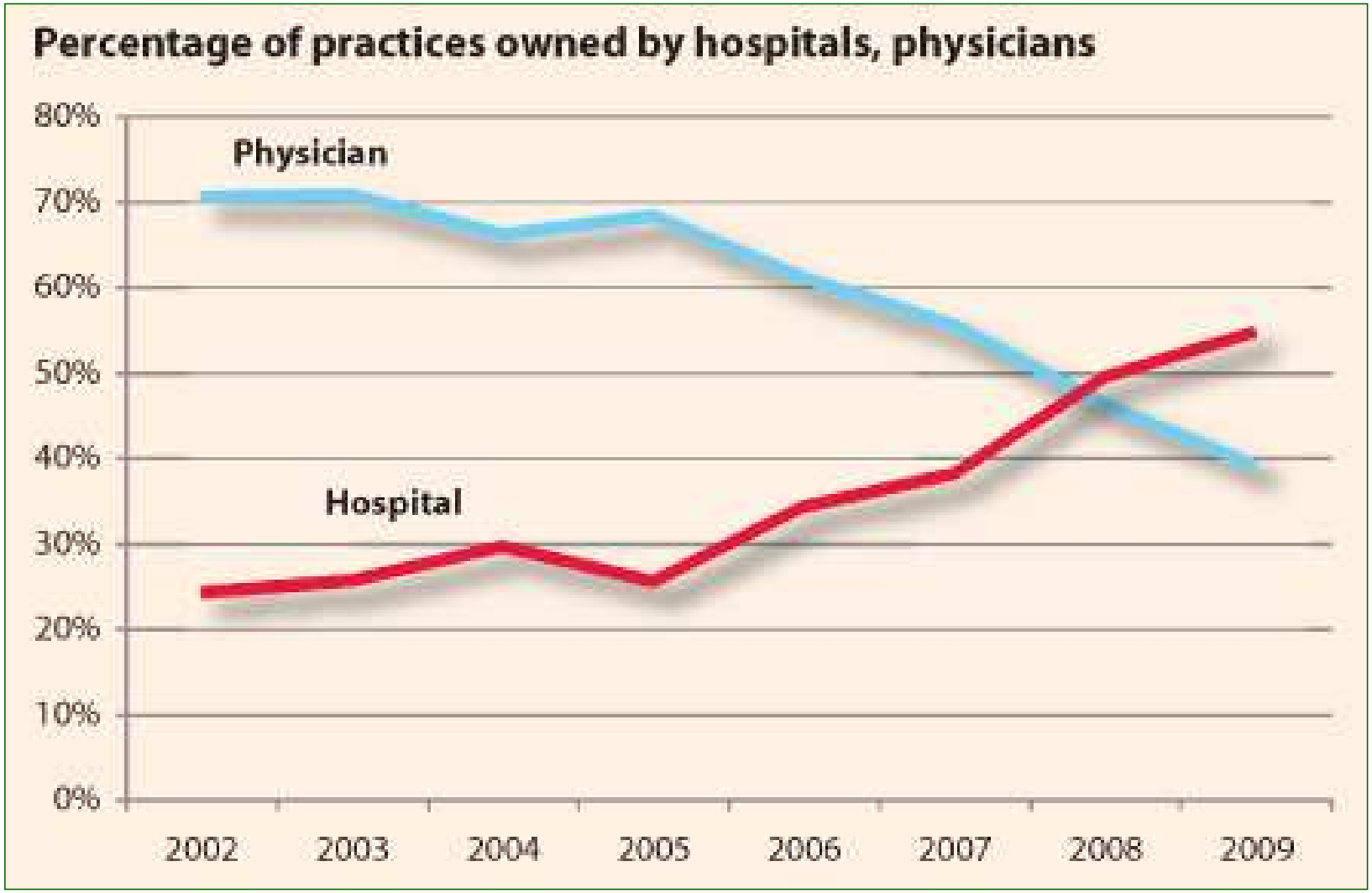
1. **Costs are driven more by volumes than by price per unit**
2. **Physicians are earning LESS per unit of work today than in 1998**

Physicians Leaving Independent Practice

Source:

Medical Group Management Association

Note: Practices not owned by hospitals or physicians are owned by a variety of groups including the government, universities, and insurers.

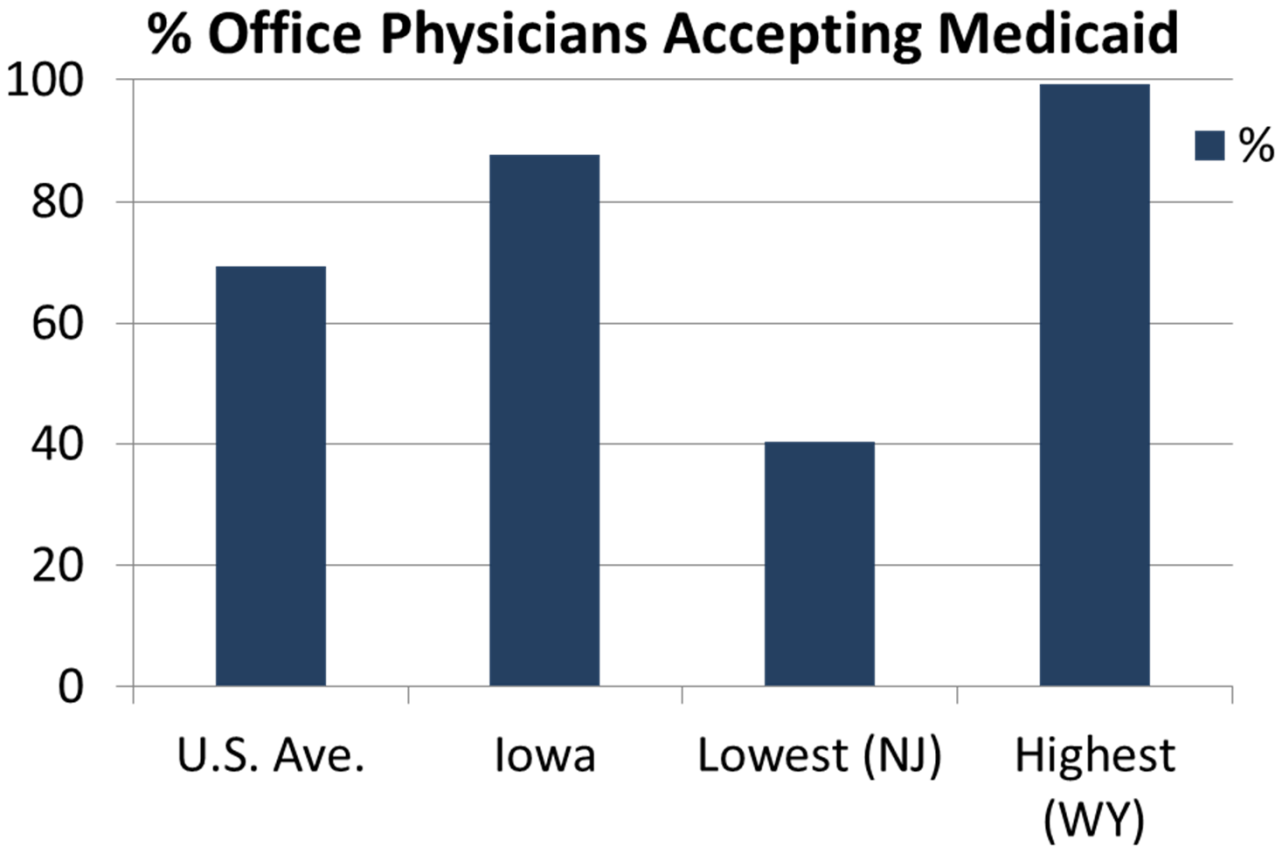


"Late this decade, most, if not 85% to 90%, of all physicians will be integrated into some type of system. The kind of practice of independent medicine we once knew is dead."[1]

1 *Changing Payment Methodologies Force Physicians Into Larger Groups. Managed Care Magazine. February 2011.*

Growing Number of Physicians Declining to Accept Government-Sponsored Insurance

- About 1/3 nationally will not accept new Medicaid patients
- Issue isn't as serious in Medicare – about 5% – but is growing
- As you would expect, Iowa physicians are more accepting – but that doesn't mean we're immune to the issue



Source: Kaiser Family Foundation Health News, 8-6-12

Mercy

HEALTH REFORM ON TWO SLIDES

Health Reform Recap

Two major changes – Delivery & Financing

CBO Projects $120 Billion in Savings Over 10 Years

DELIVERY SYSTEM REFORMS

- **Discourages utilization**
- **Encourages integration of physicians, hospitals & long-term care providers**
- Increased linkage between performance (outcomes, cost) & payments / incentives
- Increases access to care for under-served
- Large portion of increased costs paid for through cuts in provider payments
- Increases alignment of coverage with evidence-based medicine (emphasis on primary care)
- Increases scrutiny – fraud & abuse, RACs

INSURANCE REFORMS

- **Creates Health Insurance Exchanges to facilitate access and manage subsidized purchases**
- Regulates insurance plan coverage, premiums & expenditures (85% medical loss ratio)
- Eliminates pre-existing conditions exclusions, lifetime & annual limits for insurance plans
- Requires coverage for preventive care without co-pays

Implementation Over a Decade:
5 Election Cycles & Global Economic Changes

2010-2013

Rules, Regulations, New Funding & Payment Programs

2014-2016

Mandates, Pilots & Exchanges

2017-2020

New Era of Value, Convergence & Consumerism

Post ACA: Six Specific Areas of Change

1. **Payment for Value – Shared Savings**
2. **Insurance Exchanges – the Health Insurance Marketplace** (predicted 37% increase in individuals purchasing directly)
3. **Growth in Retail Market – Move Away from Employer-Sponsored Insurance** (predicted 28% decline in employer-sponsored small group coverage)
4. **Rise of Narrow Networks**
5. **Insurance Co-Ops**
6. **Options for the Poor – Medicaid Expansion and Commercial Subsidies (predicted 43% decline in uninsured, and 23% increase in Medicaid)**

Mercy

Value-Based Payment – Shared Savings Example

A Defined Population

In a Defined Time Period

Spends a Total Amount of Money

The Population is Attributed to a Provider Org., e.g. the

Mercy ACO

If in a Subsequent Time Period

It Spends Less Money in Total, Regardless of WHERE

The Provider Org.

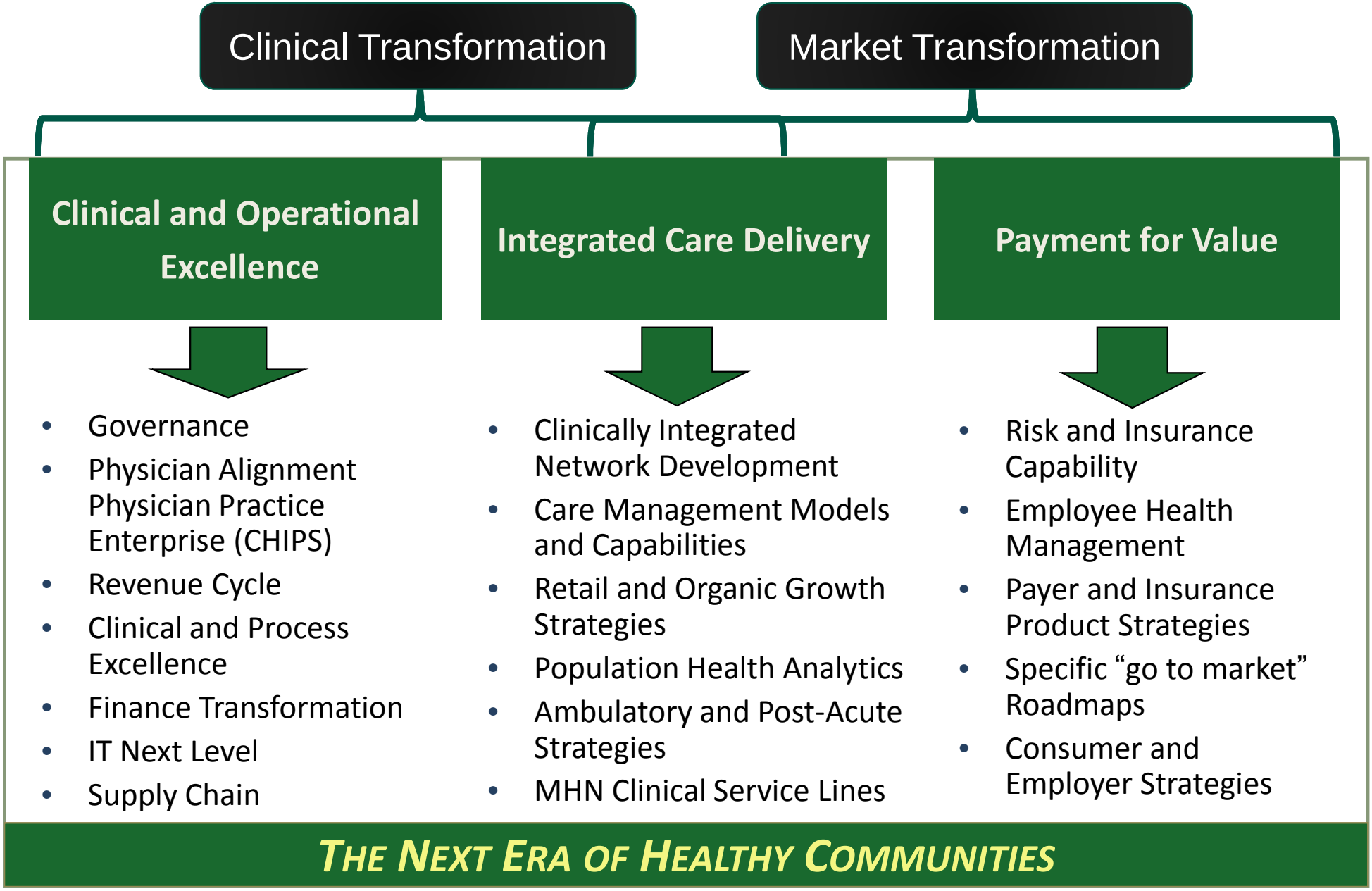
Mercy ACO

Is Rewarded with a Portion of the Savings

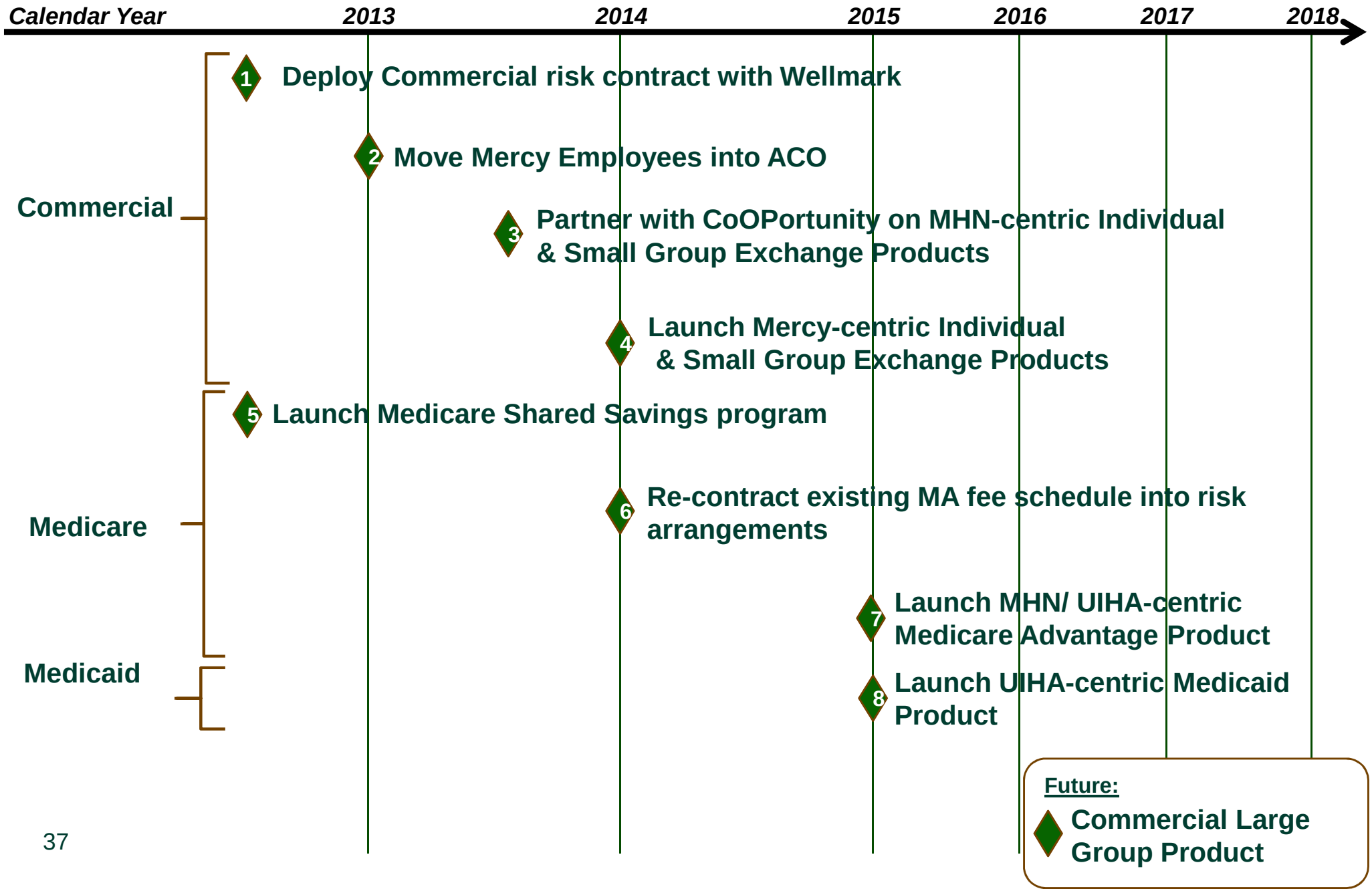
Mercy

THE TRANSITION TO ACCOUNTABLE CARE

MHN Strategic Priorities - Drive Transformation



MHN Staging of Product Deployment



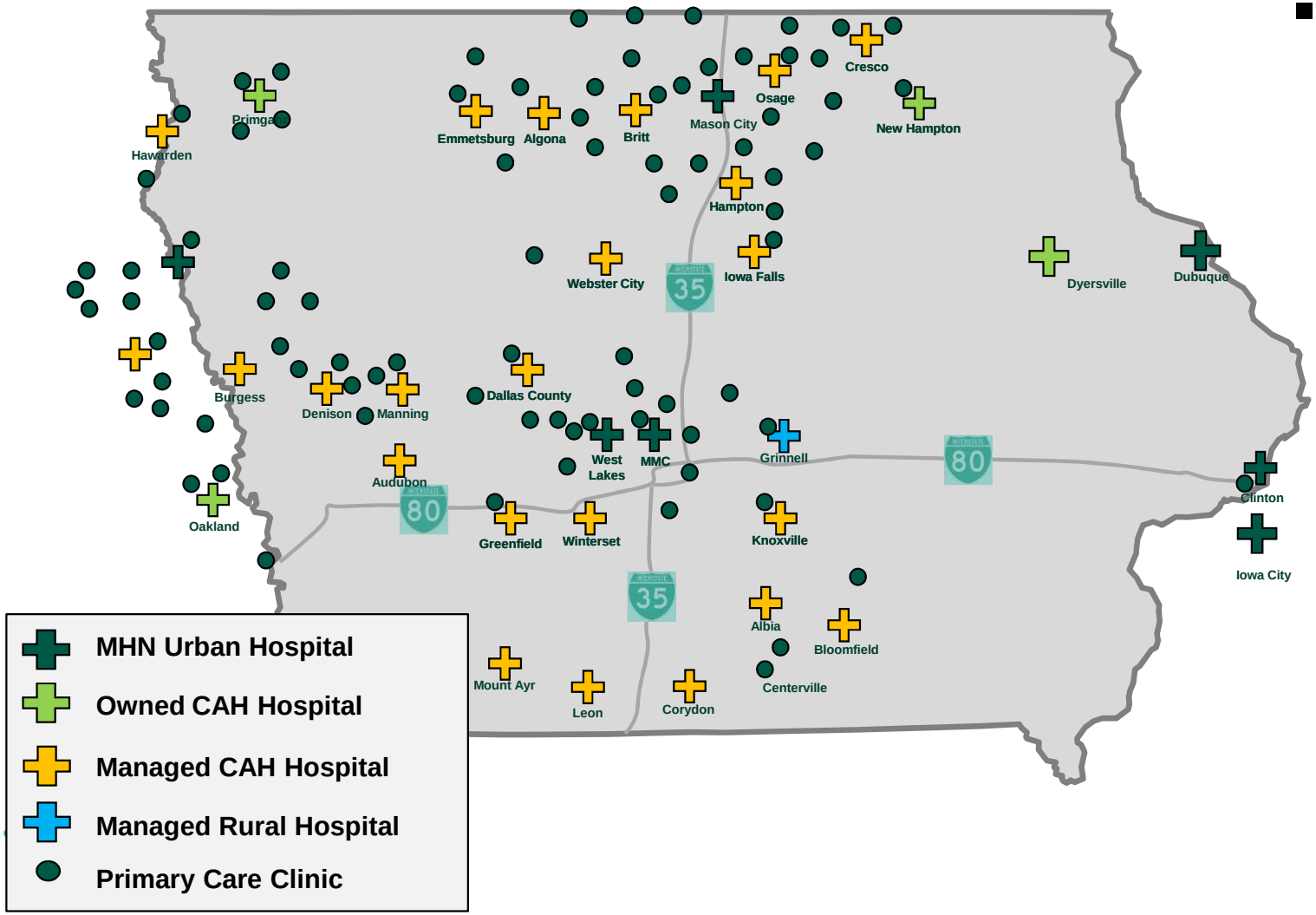
Uniquely Prepared for the Transition to Value-Based Care

- 18 years ago, led by Dr. Swieskowski, began exploring better ways to care for patients with chronic disease
- 1st to put health coaches in primary care clinics
- Won the "Acclaim Award" – the highest national award for quality in a physician group practice
- Cited by the Robert Wood Johnson foundation in 2013 as an "Exemplary Model of Workforce Efficiency & Innovation"
- As Medicare and other payers began exploring new payment systems in 2011 – rewarding value rather than volume – Mercy immediately said "yes"
- Proven ability to manage populations of patients to lower costs and improve health
- Platinum "Well Workplace Award"
- Mercy ACO, a Limited Liability Corporation (LLC), formed in February 2012
- Contracts with most payers

Mercy ACO

Mercy ACO Participant Sites

- 1,800+ Providers (Physicians & Mid-levels)
- 120,000+ Lives in Value Based Agreements
  - Will grow to greater than 200,000+ by Jan 2015
  - Greater than 100,000 MSSP lives by Jan 2015



- 94 Primary Care & Specialty Participant Organizations
- Recently received federal Innovation Grant for $10.2 million over 3 years to support expansion of population health management to rural communities

Mercy | LIVEUP

Mercy ACO Care Delivery Approach

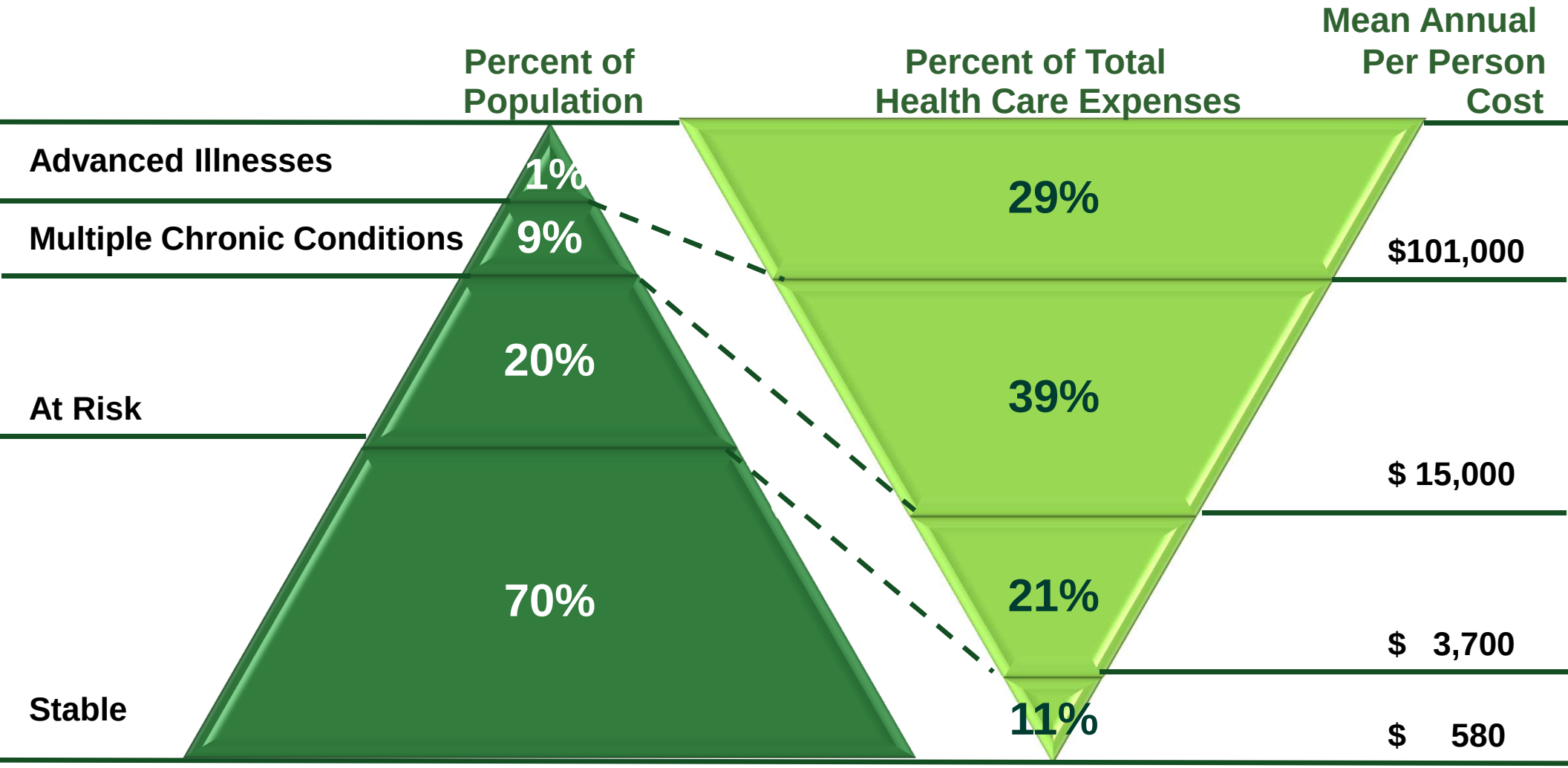
- Manage patients as populations *and* as individuals
  - Planned patient visits
  - Measure population based outcomes (ie. % with BP controlled)
- Use Information Technology
  - AEHR, Disease registries, Care management software
- Engage patients with Health Coaches
- Coordinate care
  - Communication and sharing information
  - Plan transitions (ie. Hospital to Primary Care, Hospital to SNF)
- Continually Improve Quality
  - Measurement , reporting and reduction in variation
- Ensure access to care – Denying needed care is NOT effective
- Develop models to be reimbursed for value, not just volume
  - P4P, Shared savings, Capitation
- Stratify Patients – Focus efforts where needed most

Key: Know The Patient Populations & Proactively Manage Their Health

	Traditional Doctor's Office:	Providers Managing Population Health:
	• My name, age, insurance info • Vital signs & basic lab values run today • My health history if someone bothers to dig into my chart	• Everything at left plus... • My chronic conditions / health status • My compliance with prescribed therapies and routine needs (flu shots, mammograms) • My health goals • My personal goals • My social environment • My claims data
Level of Engagement:	Nothing – unless I visit	Everything – regardless of when I last came in
	15 Min./Year	Regularly, as needed

Key: Stratification of Patients

10% of the Population Accounts for 68% of All Health Care Costs



National Sample of 21 Million Americans Between 2003 and 2007

Source: Truven Health Analytics, Market Scan, 2012

Key: What We Do Outside the Traditional Health Care System

"Only 10–15 percent of an individual's health status is attributable to the health care services he or she receives. The rest is driven by behavior, genetics and social determinants, including living conditions, access to food and education status.

"That means that the **trillions of dollars the United States spends on health care services contribute to only one-tenth of the nation's health**.

"An individual's behavior is, by far, the single most important contributor to his or her overall health."

Source: "Connected Health and the Rise of the Patient-Consumer,"
William H. Frist, *Health Affairs*, February 2014

Mercy ACO

MHN & UI Health Alliance Physician Leaders Developing Standardized Care Protocols

Available to All Member Orgs

- Provide standards of treatment and ongoing management including:
  - Patient treatment
  - Referral activities
  - Quality measures
  - Care processes
  - Care management
  - Evidence-based drug recommendations

Mercy HEALTH NETWORK

Sponsored by Catholic Health Initiatives–Englewood, CO and Trinity Health–Livonia, MI

UNIVERSITY OF IOWA HEALTH ALLIANCE

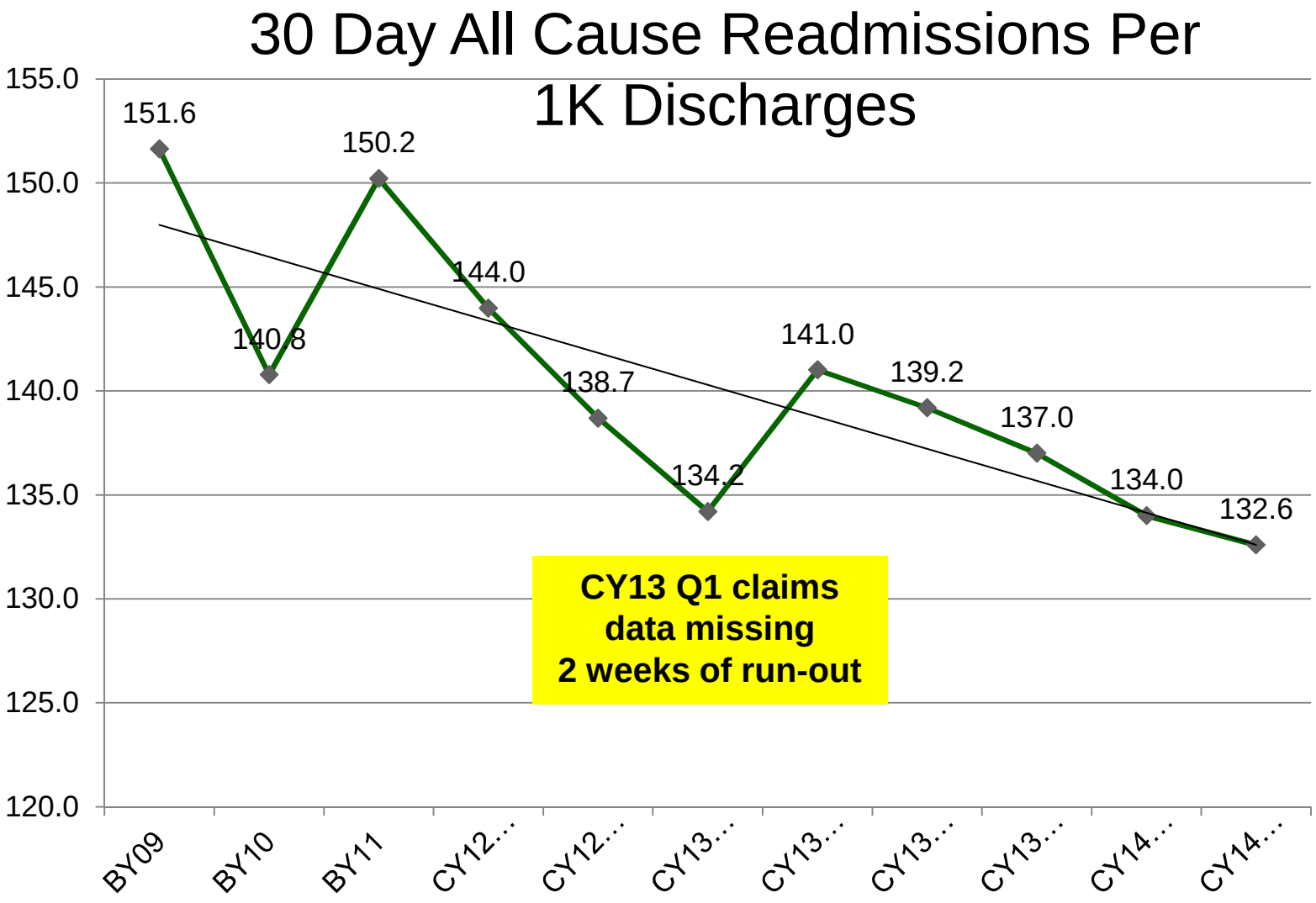
Then Again…

“Everyone has a plan until they get punched in the mouth.”

-- Mike Tyson

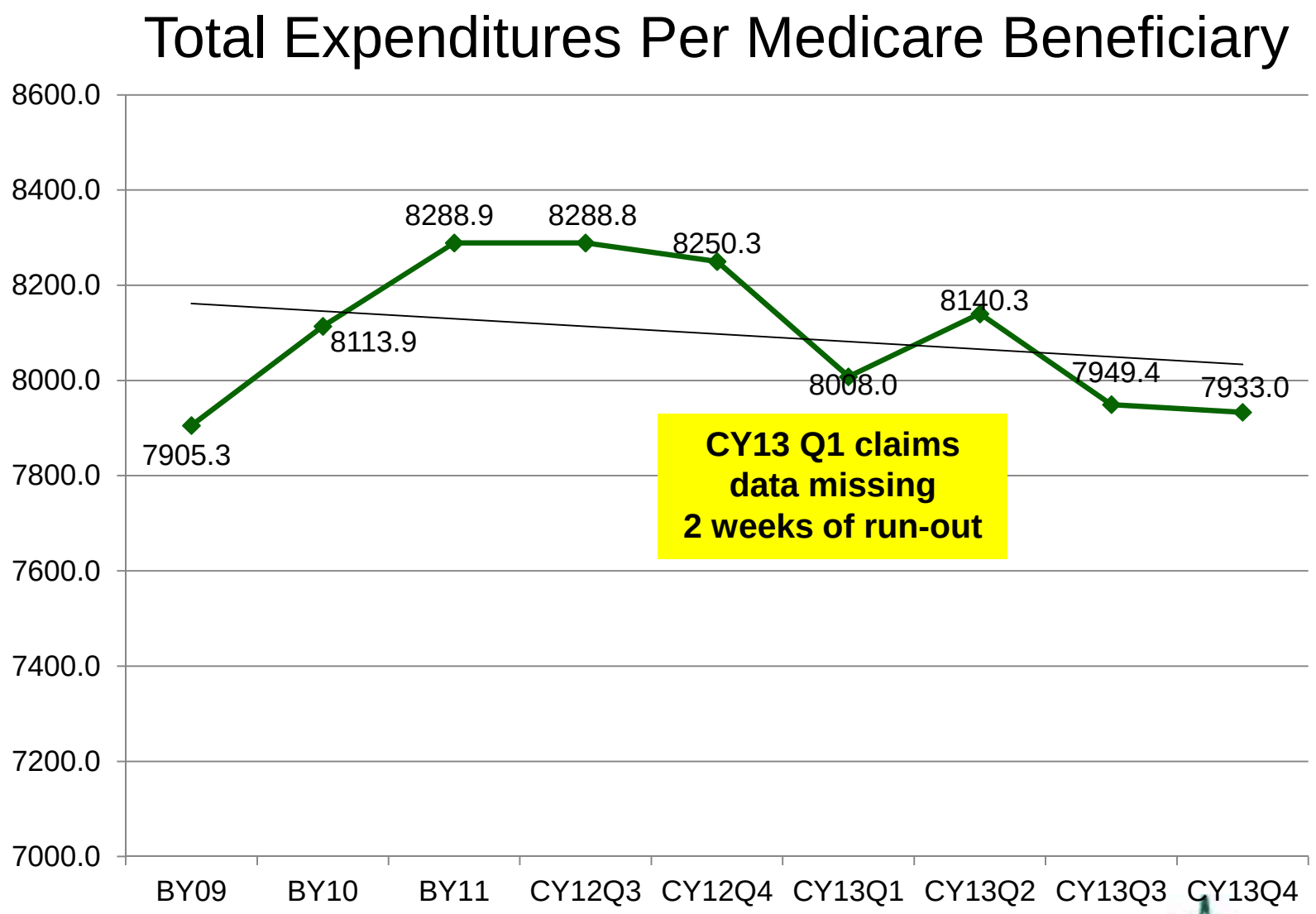
Mercy ACO CMS Readmit Rate

12.5% ↓ all-cause re-admits



Mercy ACO
Accountable Care Organization - Des Moines

Mercy ACO PMPY
3.2% Savings Performance Year 1



Mercy ACO
Accountable Care Organization - Des Moines

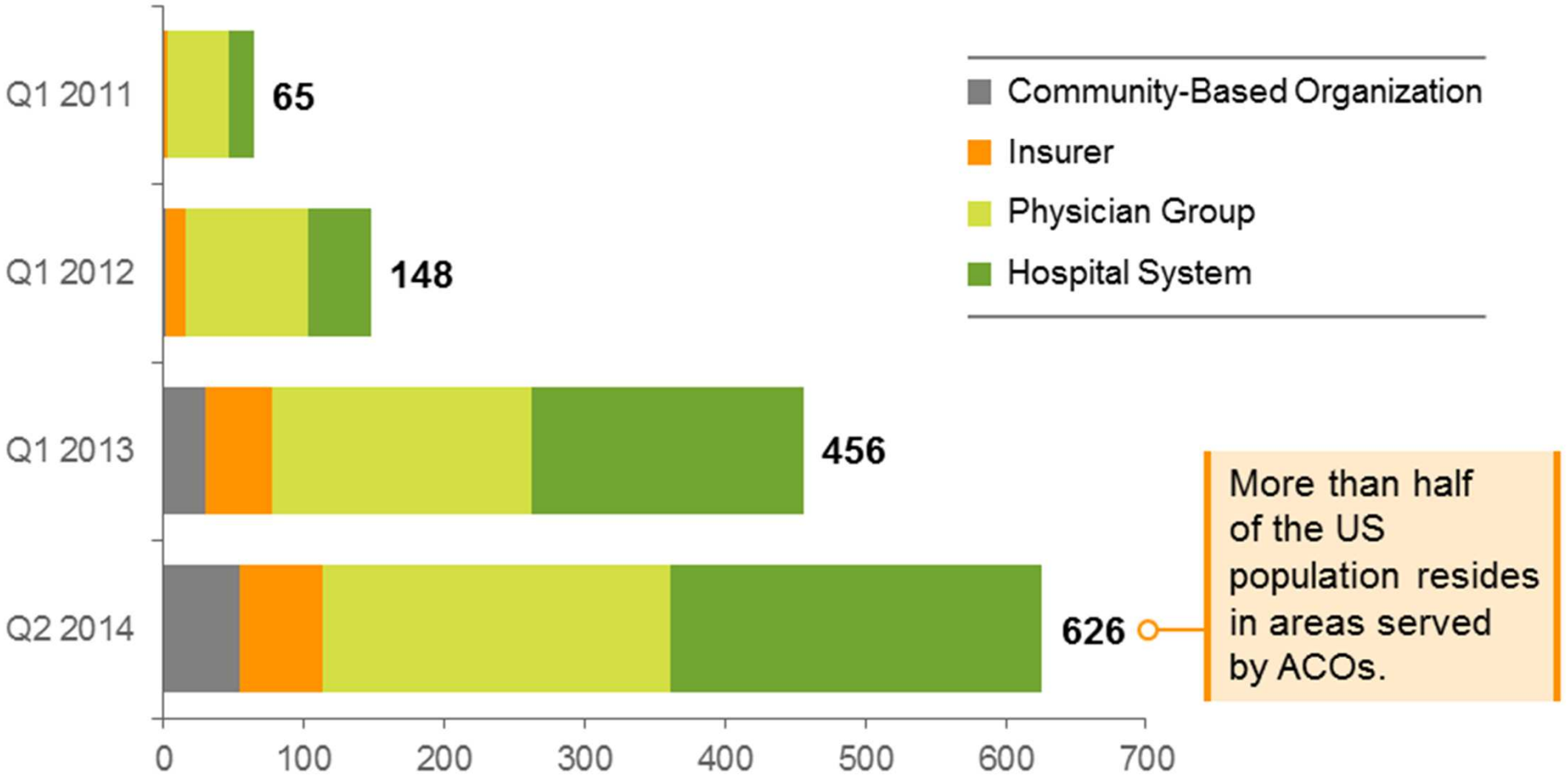
Mercy ACO Producing Real Savings for Patients and Payers

	Quality	Savings / Rewards
Wellmark **Contract Year:** PY2 (2013)	• 0.08 Overall VIS • 0.07 Shared Savings VIS	• ($7.99) PMPM • $3.7 M shared savings and quality payments
CMS Centers for Medicare & Medicaid Services **Contract Year:** PY1 (6/2012- 12/2013)	• 12.5% ↓ hosp. re-admits • 16.8% ↓ hospitalizations	• 3.2% Cost Savings • $9.7M * 50% = $4.4M
Coventry Total Care (HMO) with Mercy Medical Center Des Moines	• 4.5 Star Plan	• 74.3% Medical Loss Ratio (Target = 85% or lower) • $330K incentive
Mercy Medical Center Des Moines	• 10.8% ↓ hosp. re-admits • 16.1% ↓ ED Visits	• $533K incentive • $225K Mgmt. fee

Contract Year: PY1 (2013)

ACOs Have Moved to the Mainstream

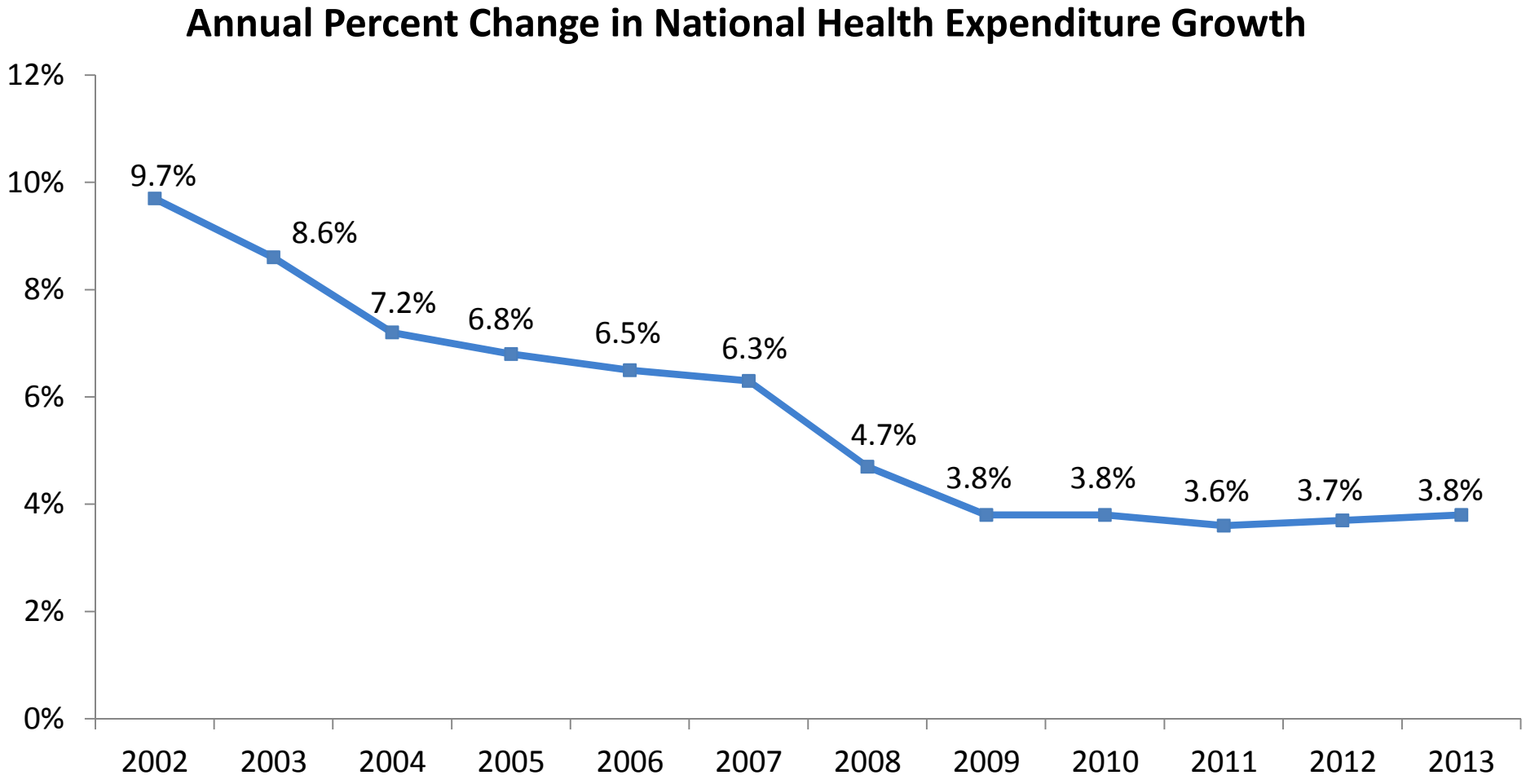
Number of Accountable Care Organizations Over Time



Source: Leavitt Partners LLC, 2014.

The Cost Curve is Bending

- Five years of historic low-growth

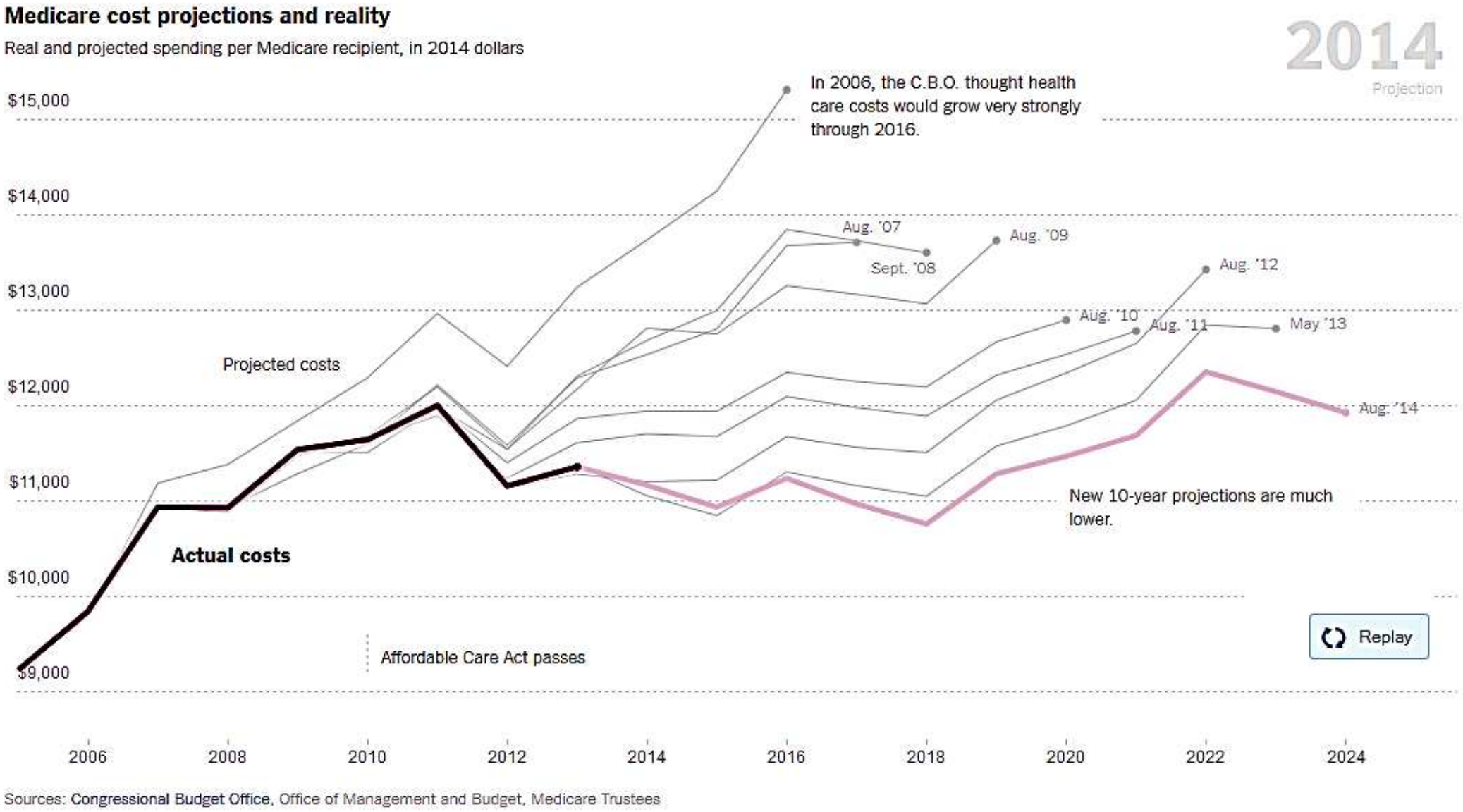


Source: Centers for Medicare & Medicaid Services (CMS), Office of the Actuary (OACT) National Health Statistics Group.
Note: 2013 is a projection.

Dobson | DaVanzo

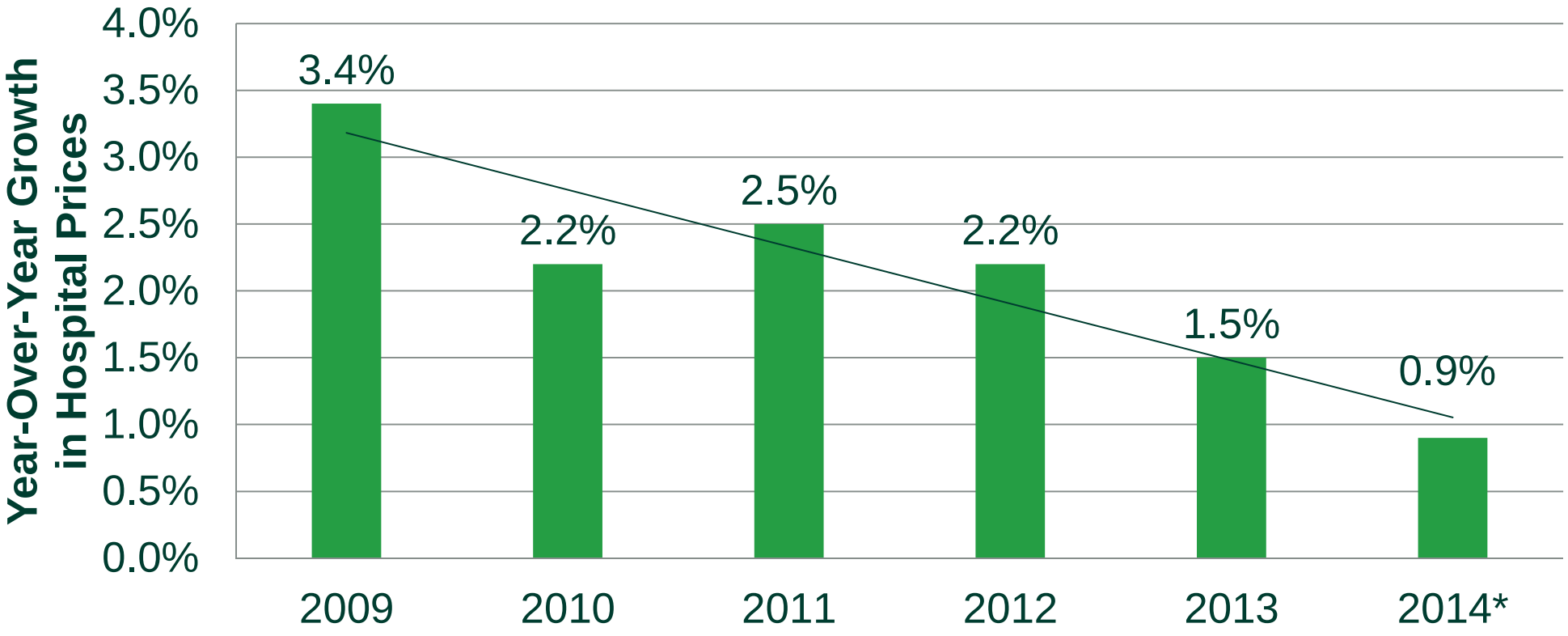
New CBO Estimates - August 2014

The changes are big. The difference between the current estimate for Medicare's 2019 budget and the estimate for the 2019 budget four years ago is about ***$95 billion***.



New Data on Hospital Prices Show Trend Is Consistent with Recent Low Growth…

Hospital price growth has decreased since 2009 to an annual rate of 0.9% (from December 2013 to June 2014)

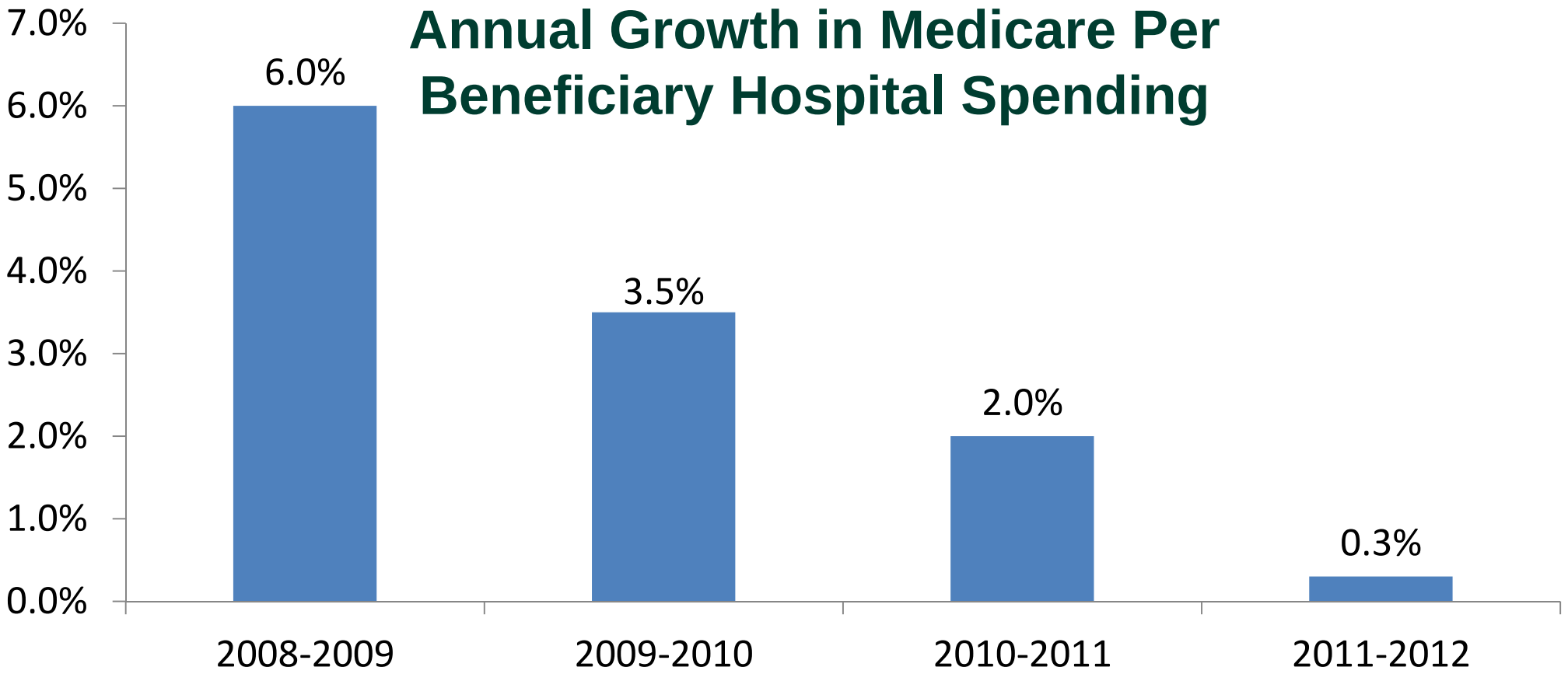


Source: Dobson | DaVanzo analysis of Bureau of Labor Statistics data.
Note: Annual growth rates calculated from December to December of each year.*2014 growth rate calculated from December 2013 to June 2014.

Dobson | DaVanzo

…and Contributing to Decelerating Growth in *Hospital Spending Per Medicare Beneficiary*

The annual growth rate has decreased to nearly 0% since 2008



Source: MedPAC, 2009-2013. Assessing payment adequacy and updating payments: Hospital inpatient and outpatient services.

Dobson | DaVanzo

Advances in Knowledge & Technology

Medical Advancements Racing Forward

- Robotics
- Genetics
- Nanotechnology
- Regeneration of tissue, organs, limbs
- Personal devices
  - Continuous connectivity
  - Apps for monitoring, diagnosis, managing health and even treatment
  - Implantable devices
- Virtual care / Remote interventions
- New pharmaceuticals

Mercy

“The move from volume to value is the right thing for our patients and therefore is the right thing for us.”

-- Dr. David Swieskowski

CONCLUSION

Health Systems Must Blend Traditional (Wholesale) Strategy with the New Era (Retail) Strategy

WHOLESALE STRATEGY + RETAIL STRATEGY

- Move beyond "physician referrals."
- Expand access points into your Systems of CARE.
- Tap the opportunities in retail/virtual/mobile.
- Reduce friction across your Systems of CARE.
- Build a deep understanding of your retail consumer.
- Demonstrate your relevance.

Concluding Thoughts…

- Don’t pine for “good old days” that didn’t exist – the status quo was unsustainable
- Embrace risk – have a clear contracting strategy to get closer to the premium dollar
- Cannibalize your traditional business model – if you don’t do it to yourself, someone else is going to do it to you
- Develop or partner with those who have the essential new competencies
- Be part of something larger – skill and scale are key

And finally…

- You CAN succeed in this new world
- Most importantly, it’s an opportunity to marry your economics with your Mission

QUESTIONS / DISCUSSION

What We Know, What We Don't Know, and What We *Think* We Know About the Affordable Care Act

Brad Wright, PhD

October 31, 2014

A Review of the Literature

Pick One from Column A

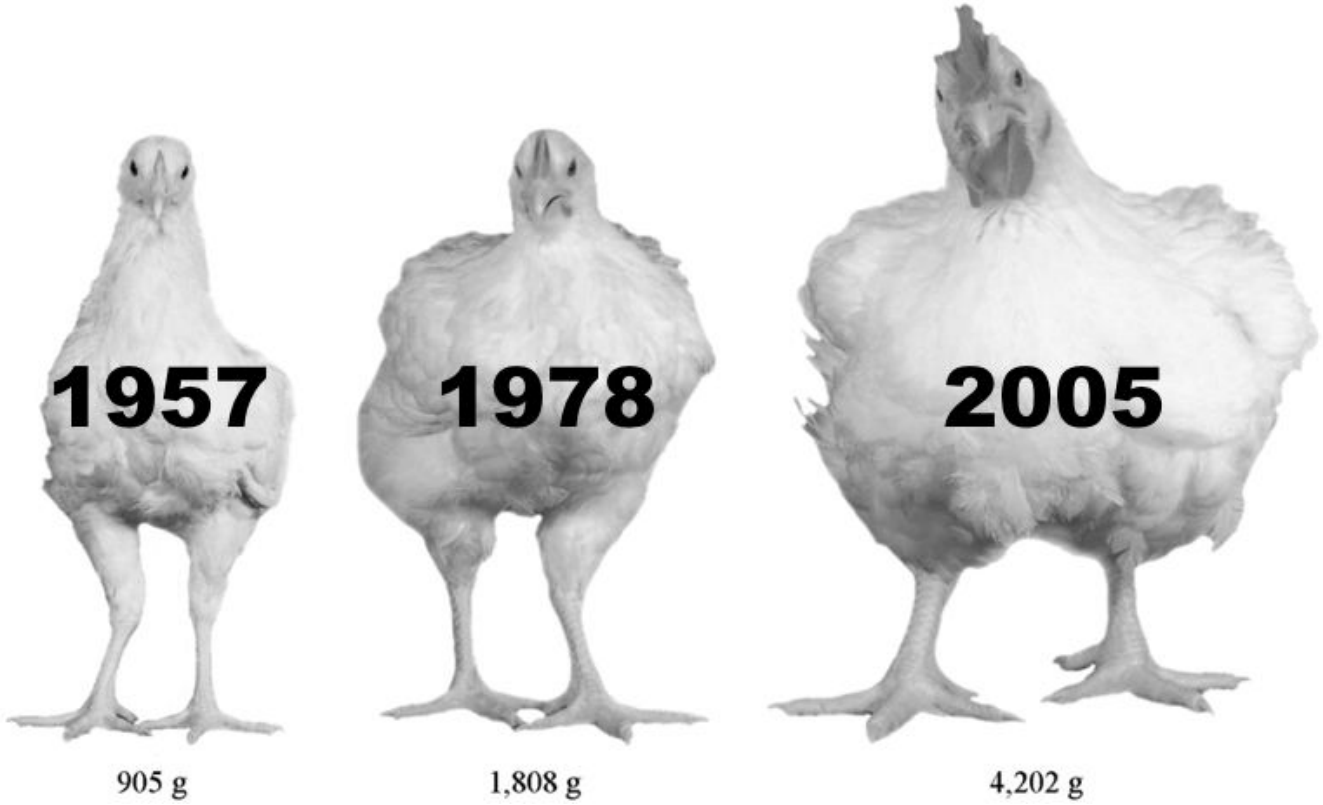
- The Impact of the ACA on…
- What the ACA means for…
- Early effects of the ACA on…
- ACA Implementation and…

And One from Column B

- Hospitals
- State Medicaid Programs
- Pharmacists
- Mental Health Parity
- Dentists
- Primary Care Providers
- [Insert Medical Specialty Here]

What I'm NOT Talking About

What Do Chickens and Healthcare Have in Common?



http://ps.oxfordjournals.org/content/early/2014/09/26/ps.2014-04291.abstract

The Patient Protection and Affordable Care Act

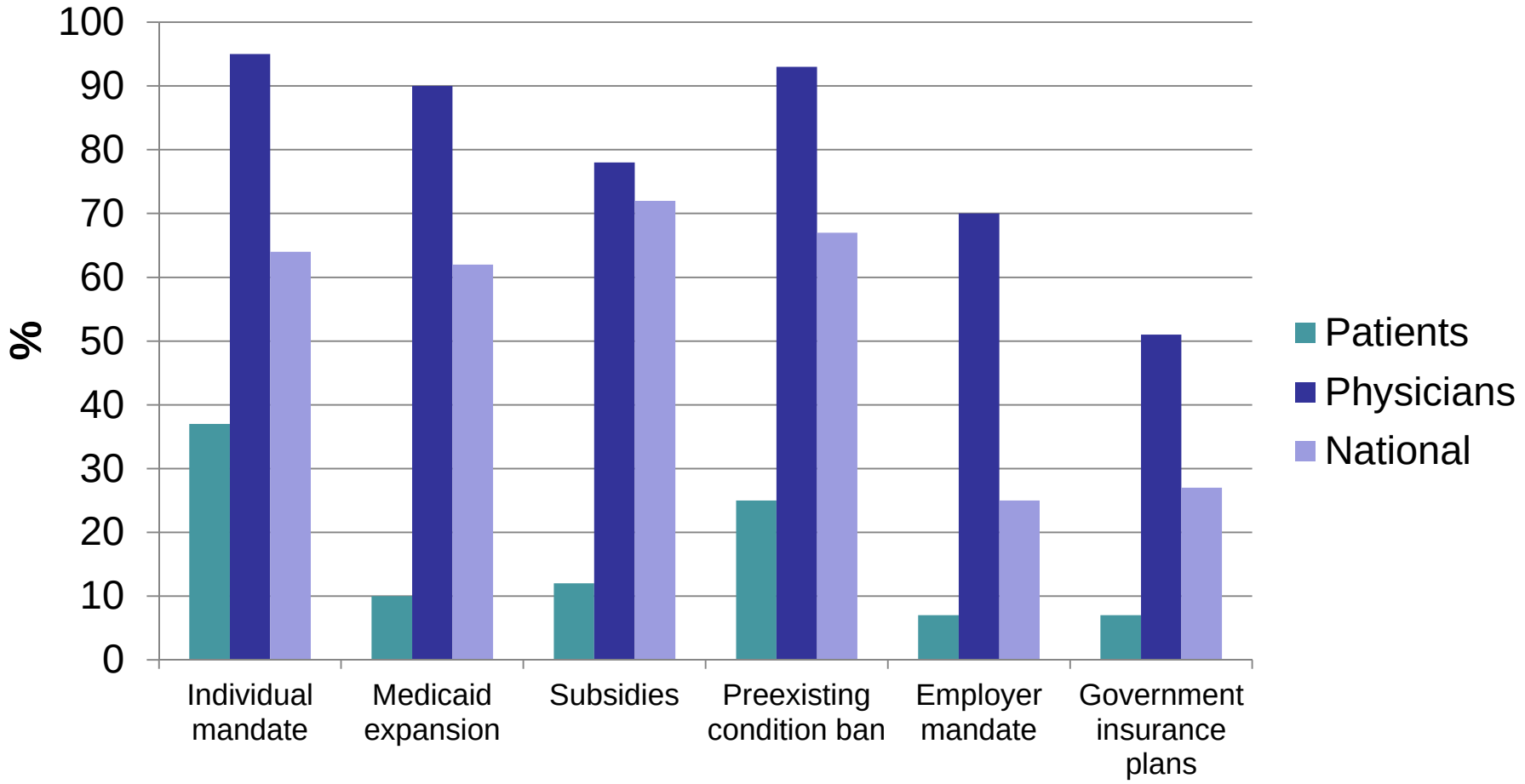
- Individual mandate
- Medicaid expansion
- Subsidized private HIE
- Preexisting condition ban
- Employer mandate
- And lots of other stuff

October 1, 2014 Policy Changes

- Larger than expected DSH payment cuts
- Readmissions Penalty Program
  - Maximum penalty now 3%
  - COPD, knee & hip arthroplasty now included
- Value-Based Purchasing Program
  - Withhold increases to 1.5%
  - Now based on 4 domains
    - Clinical process of care (20%)
    - Patient experience of care (30%)
    - Outcomes of care (30%)
    - Efficiency (20%) (new for FY 2015)

Mullin J. The big cuts coming for safety-net hospitals in the new fiscal year; Mullin J. What to know about readmission penalties in the new fiscal year; Mullin J. What to know about value-based penalties in the new fiscal year. The Advisory Board Company. October 1, 2014.

What Do Physicians and Free Clinic Patients Know About the ACA?



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Petrany SM, Christiansen M. Knowledge and perceptions of the Affordable Care Act by uninsured patients at a free clinic. Journal of Health Care for the Poor and Underserved, 25(2): 675-82; Rocke DJ, et al. Physician knowledge of and attitudes toward the Patient Protection and Affordable Care Act, 150(2): 229-34.

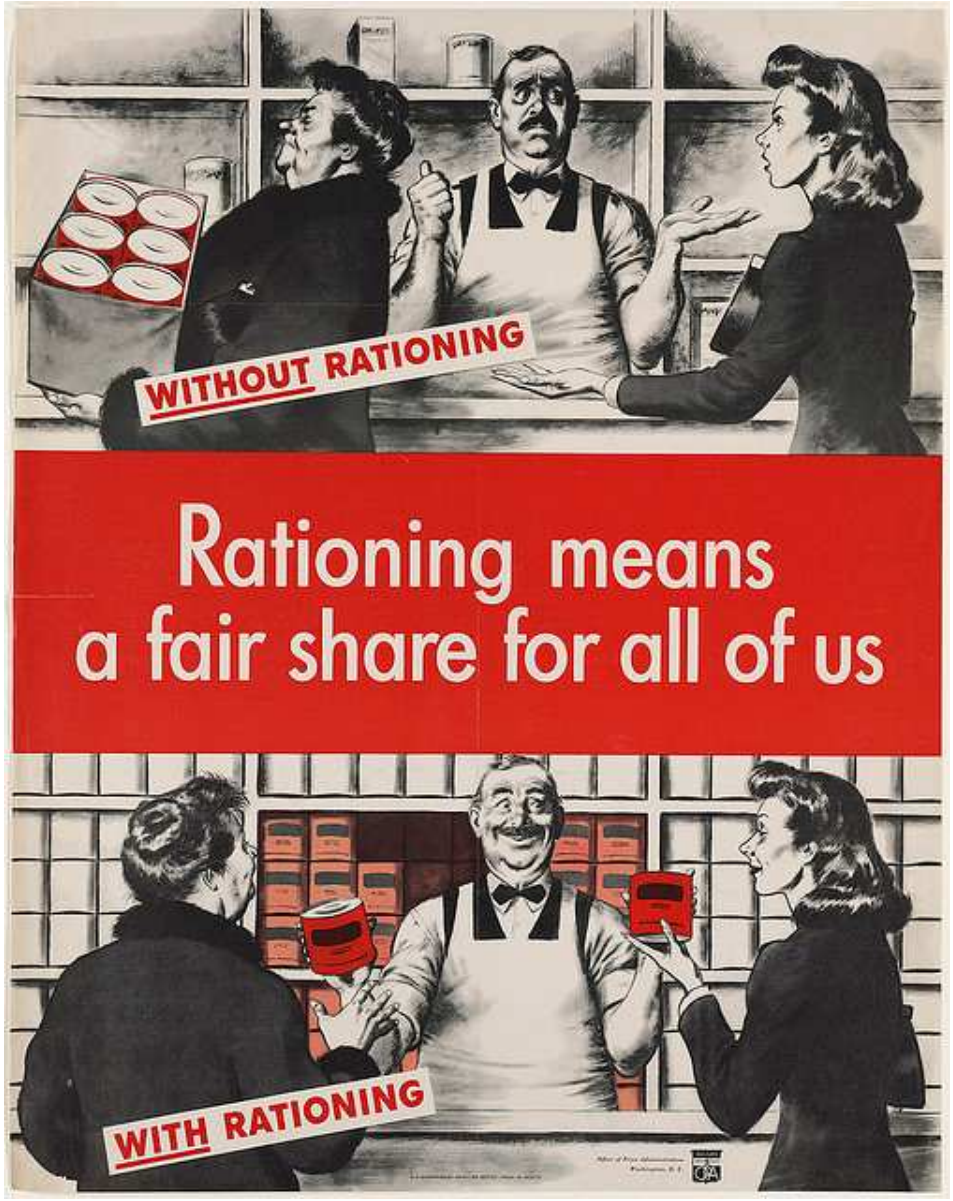
There Are Also Gaps In The ACA

- Insurance gaps
  - States not expanding Medicaid
  - Opt to pay penalty
  - Undocumented immigrants
  - Narrow networks
- Supply-side barriers
  - Adequate workforce
  - Willing-providers
- Non-financial barriers

How Big Are the Gaps?

- 23 – 31 million remain uninsured
  - 20 – 33% are undocumented immigrants
- Physicians exiting Medicaid/Medicare market
  - 9% will stop taking new patients
  - 2% will stop taking current patients
  - 29% remain undecided
- Even harder to quantify
  - Churning between coverage
  - Non-financial barriers to care

Congressional Budget Office and others; MedScape Physician Compensation Report 2013.



If We Expand Coverage…

- More people seek care
- Workforce shortages
- Waitlists
- Rationing
- Socialized Medicine
- Death Panels

Take a Deep Breath

- Evidence from MA provides hope
- Other New England states for controls
- Medicare patients w/ chronic disease:
  - No decrease in visits to doctor pre/post reform
  - No decrease in quality process measures
  - Slight increase in health care costs
- Limitations
  - MA had low uninsured rate pre-reform
  - Only looks at 65+ Medicare beneficiaries

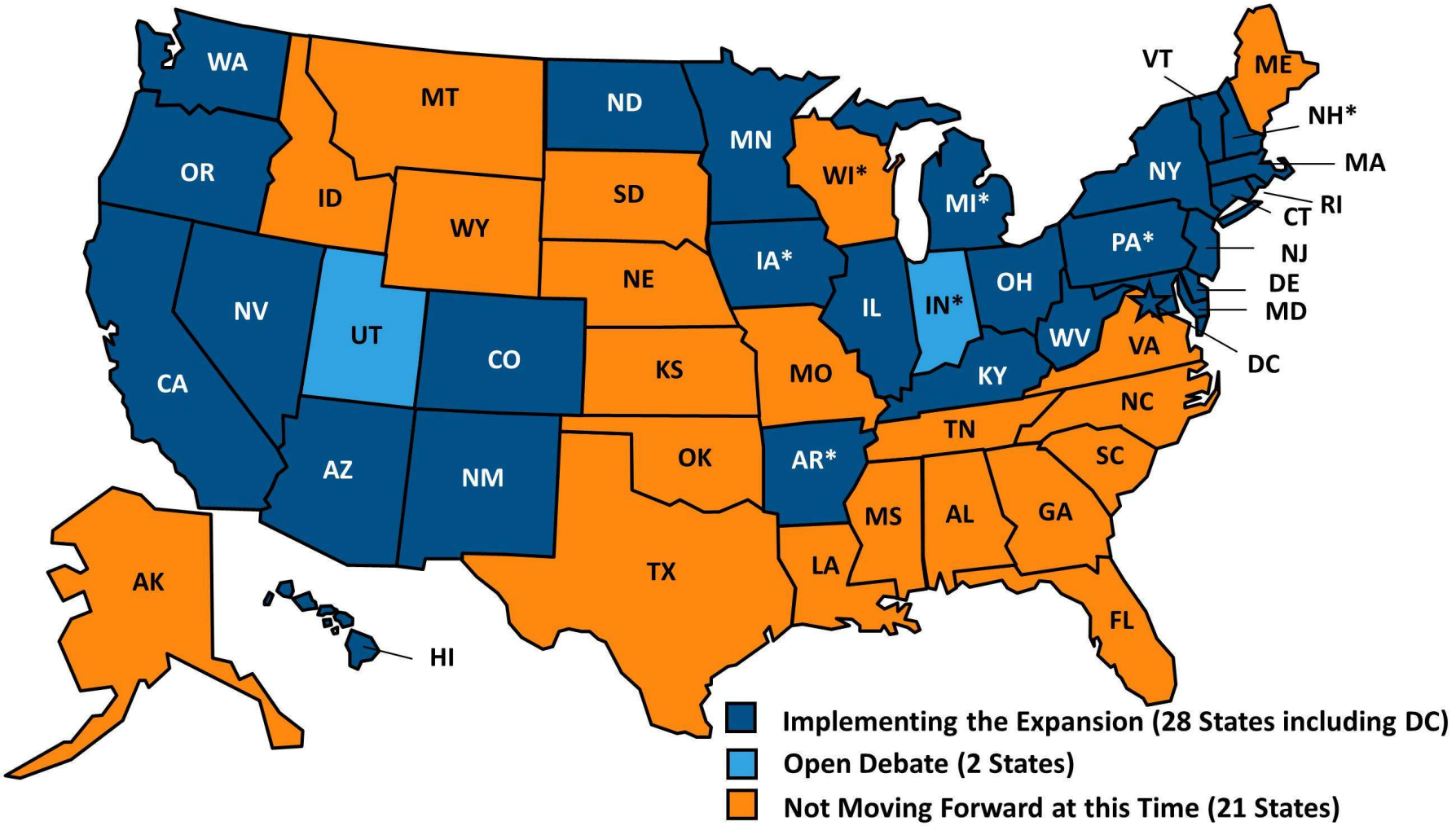
Joynt K, et al. The impact of Massachusetts health care reform on access, quality, and costs of care for the already-insured. Health Services Research. 2014. doi: 10.1111/1475-6773.12228

Young Adult Provision

- What We Know
  - Increased coverage among 19 – 25 year olds
  - Largest percentage point increases for:
    - Men (+ 9.7)
    - Unmarried (+ 8.1)
    - Blacks (+ 11.3)
    - Unemployed (+ 9.1)
- What We Don't Know
  - Is it having any impact on their health?
- What We *Think* We Know
  - Seem more likely to have usual source of care
  - Less likely to delay care because of cost

Sommers BD, et al. The Affordable Care Act Has Led To Significant Gains In Health Insurance And Access to Care for Young Adults. *Health Affairs* 32(1): 165-74.

National Context: 28 Medicaid Expansion States



NOTES: Data are as of August 28, 2014. *AR, IA, MI, and PA have approved Section 1115 waivers for Medicaid expansion. In PA, coverage will begin in January 2015. NH is implementing the Medicaid expansion, but the state plans to seek a waiver at a later date. IN has a pending waiver to implement the Medicaid expansion. WI amended its Medicaid state plan and existing Section 1115 waiver to cover adults up to 100% FPL in Medicaid, but did not adopt the expansion.

SOURCES: Current status for each state is based on data from the Centers for Medicare and Medicaid Services, available here, and KCMU analysis of current state activity on Medicaid expansion.

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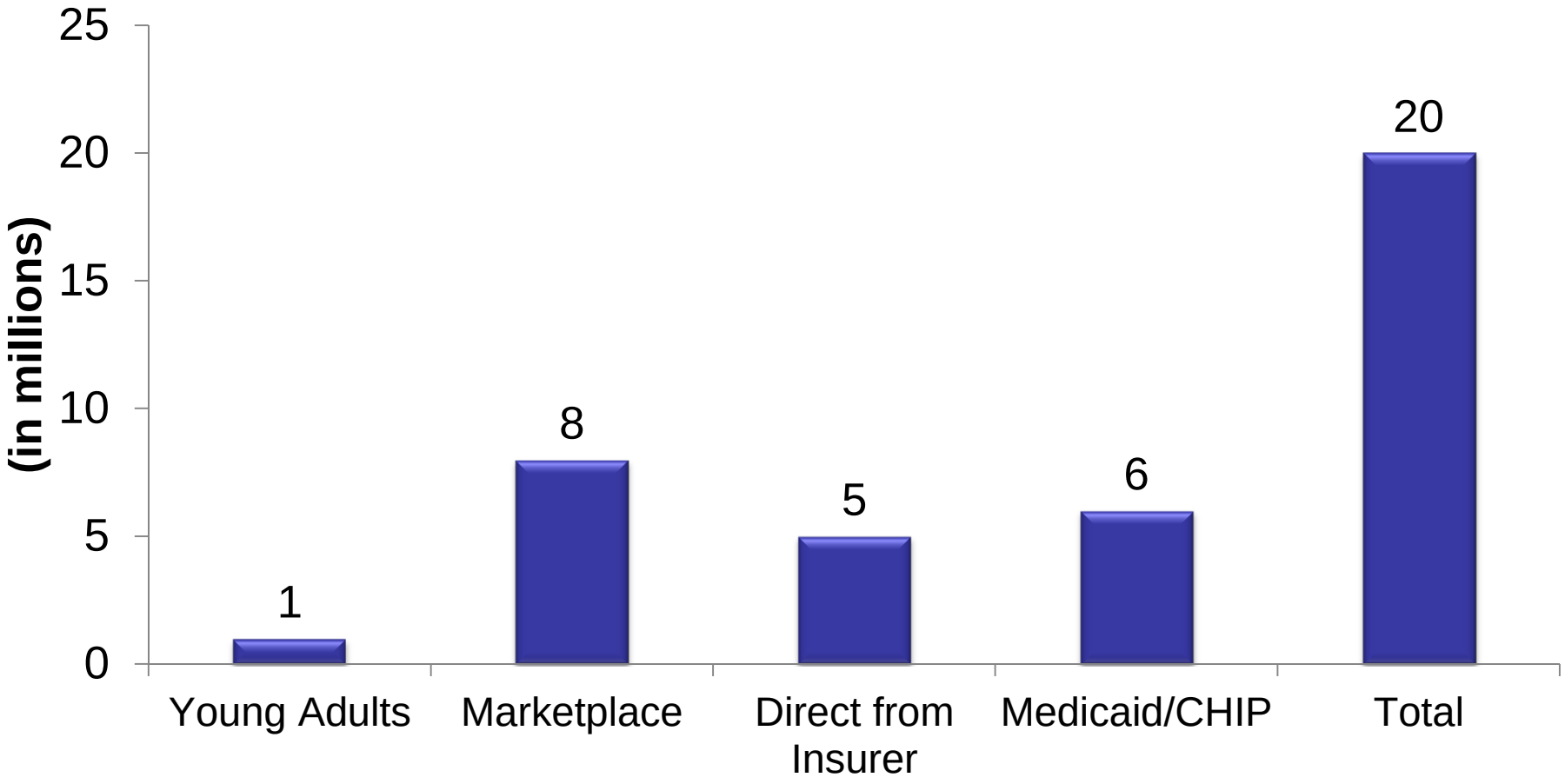
Medicaid Expansion

- What We Know
  - 28 states + DC expanding
  - 6 via waver (including Iowa)
  - Politically driven and red states need most help
- What We Don't Know
  - If and when remaining states will participate
- What We *Think* We Know
  - Medicaid coverage provides peace of mind, but doesn't improve health outcomes

Baicker K, et al. The Oregon experiment—effects of Medicaid on clinical outcomes. New England Journal of Medicine. 2013;368:1713-22.

New Coverage Under the ACA



Blumenthal D, Collins SR. Health care coverage under the Affordable Care Act—a progress report. New England Journal of Medicine. 371(3):275-81.

Insurance Marketplace (Non-Medicaid)

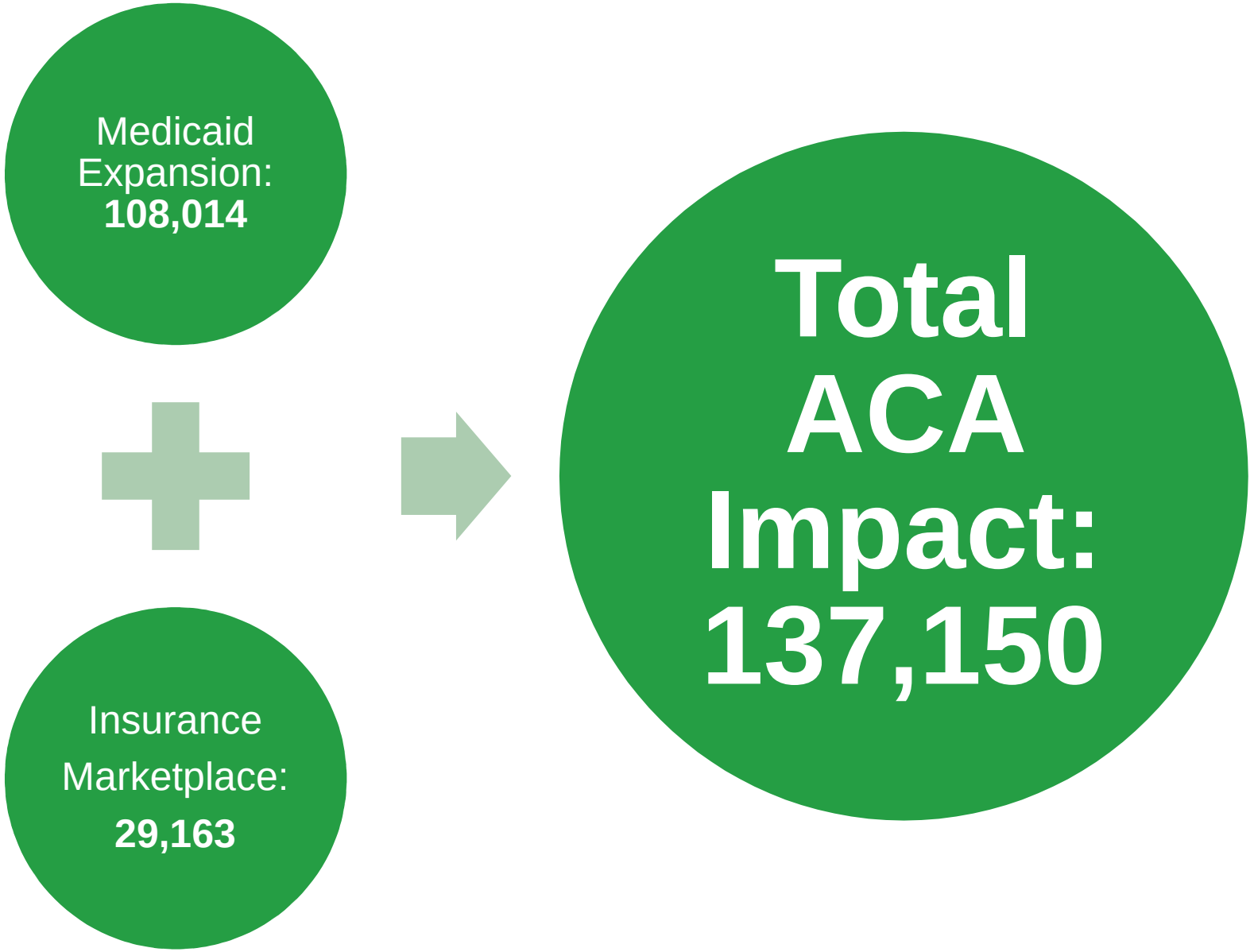
Iowa Fast Facts:

- Provides coverage options for individuals 138 percent FPL +
- Premium assistance tax credits available based on income
- Coventry, CoOportunity, are statewide coverage providers
- Avera and Gunderson are regional coverage providers
- Providers paid negotiated/commercial rates

29,163

Individuals Enrolled in a Marketplace Plan (April 2014)

Iowa Coverage Impact



Kentucky's Uninsured

Before ACA

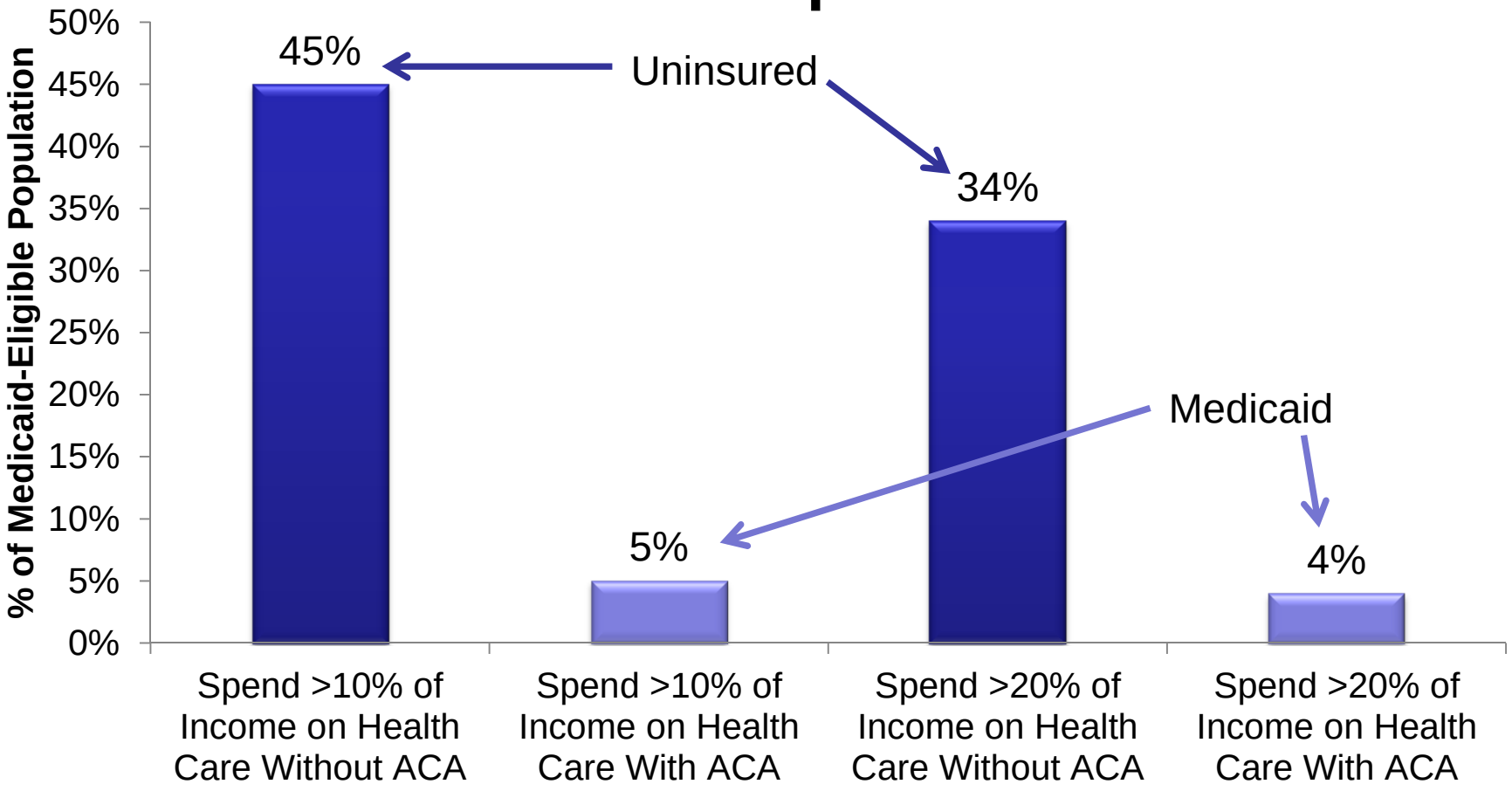
Percentage of the Population Under 65 that was Uninsured Prior to ACA
[2012 Small Area Health Insurance Estimates]

After ACA

Potential Percentage of the Population Under 65 that is Uninsured
[Assumes 75% of New Enrollees were previously uninsured]

http://yarmuth.house.gov/press/uninsured-rates-drop-in-every-kentucky-county-under-the-affordable-care-act/

Financial Protection of Medicaid Expansion



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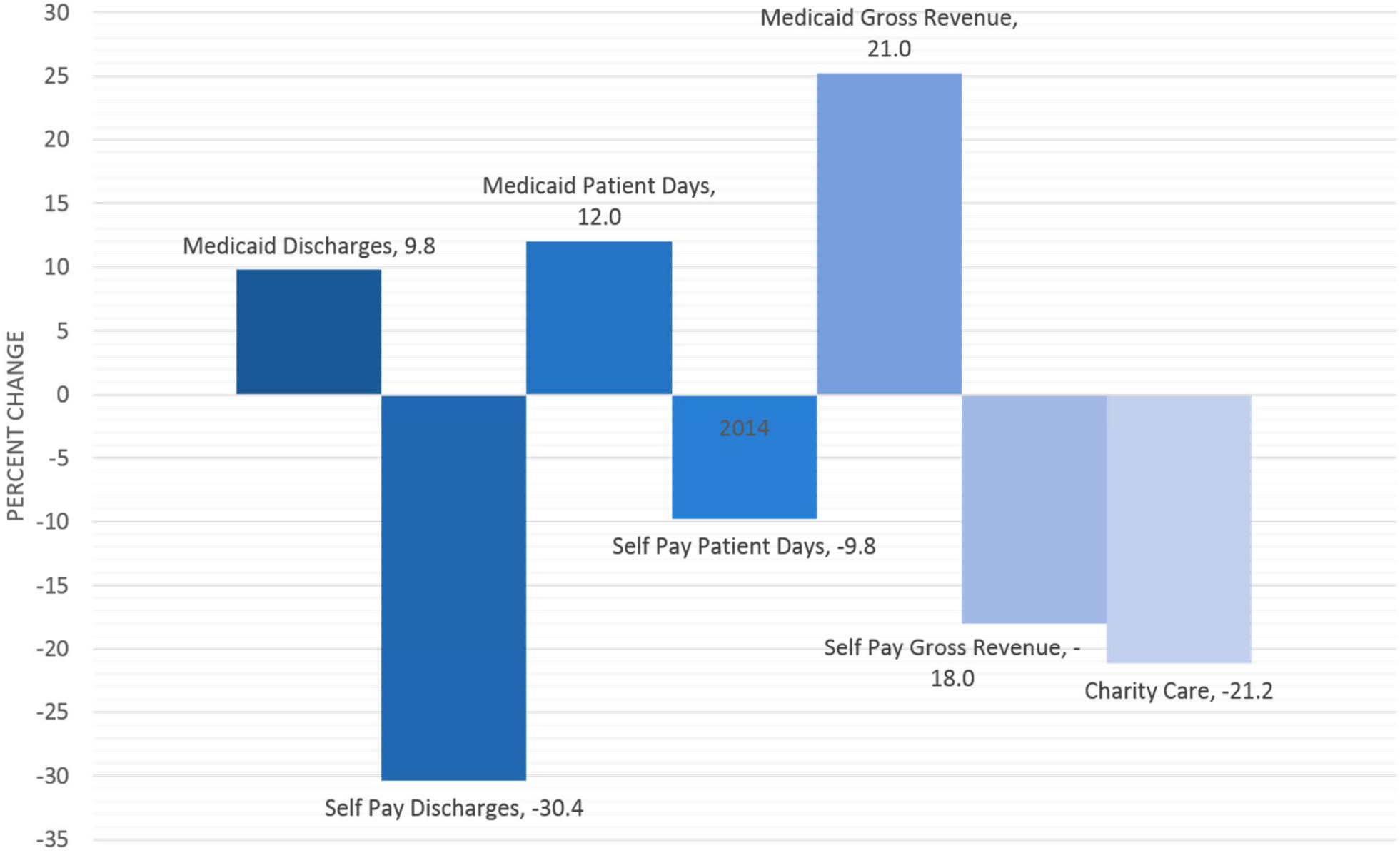
RAND Brief. Will the Affordable Care Act make health care more affordable? RB-9734-CMF, 2013

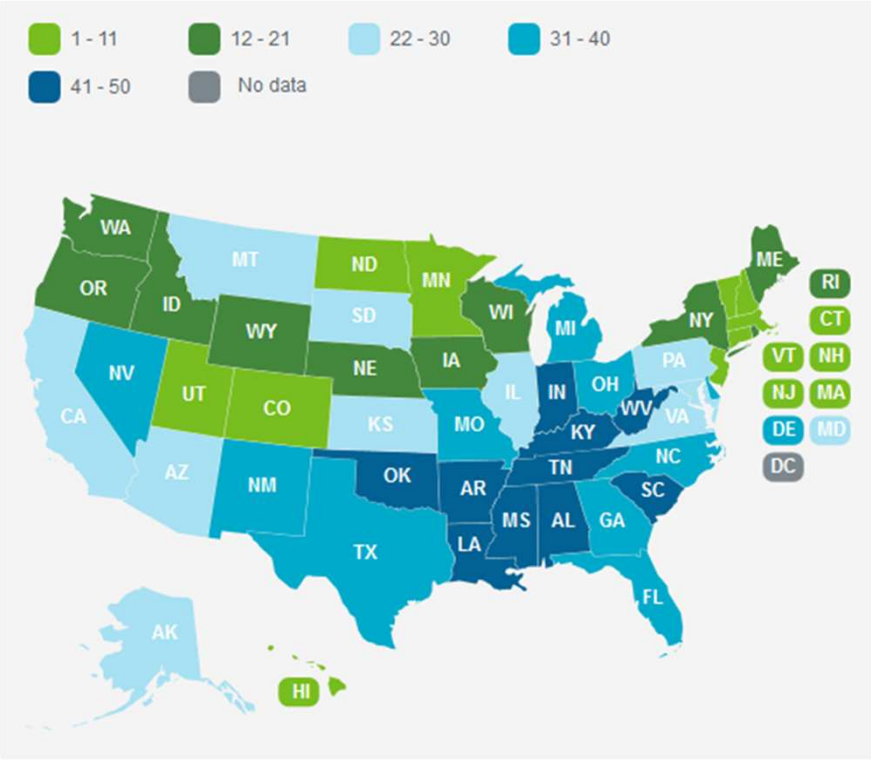
Early Trends in Iowa Hospitals Medicaid and Self-Pay Utilization/Charges

January-April, 2014 vs. January-April, 2013

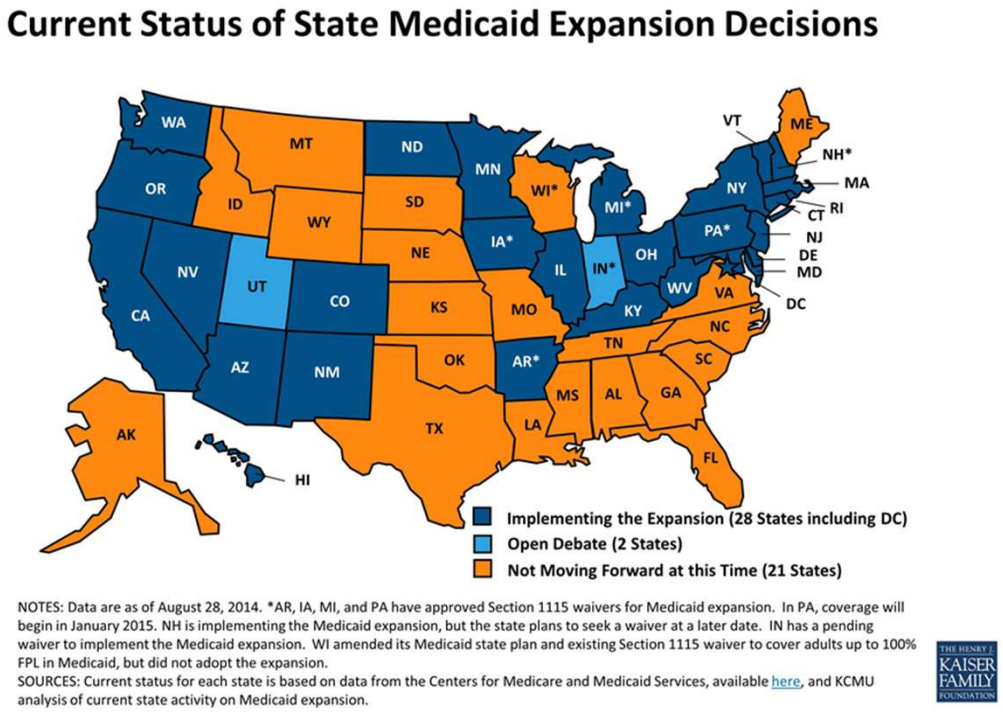


Are We Further Defining Two Americas?

America's Health Rankings



Medicaid Expansion



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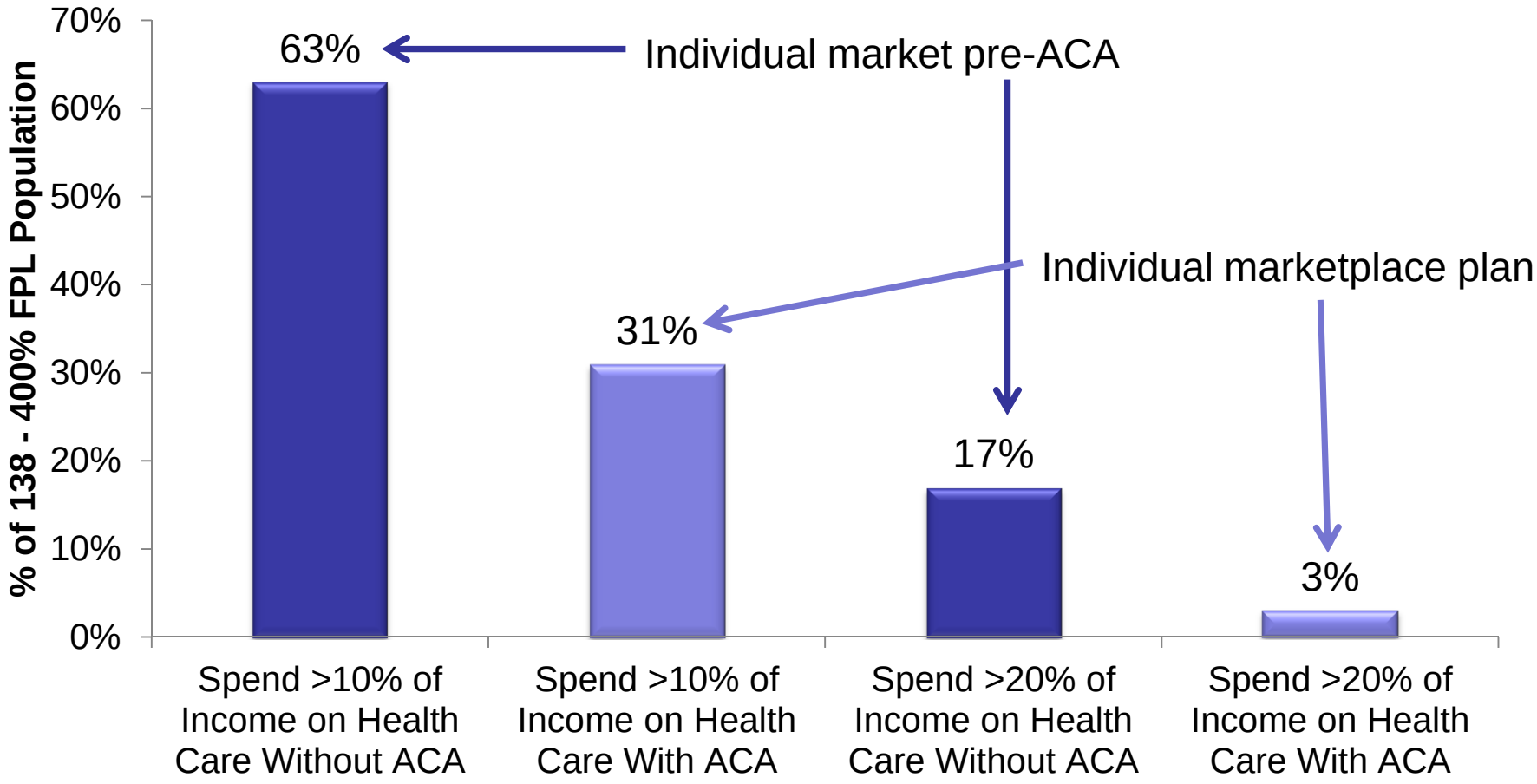
http://www.americashealthrankings.org/reports/annual
http://kff.org/health-reform/slide/current-status-of-the-medicaid-expansion-decision/

Health Insurance Exchanges

- What We Know
  - At least 8 million people have enrolled
  - 2014 premiums 16% lower than CBO projection
  - More insurers are joining exchanges in year 2
- What We Don't Know
  - What will happen in next open enrollment?
  - Will employers drop coverage?
- What We *Think* We Know
  - Another 17 million will enroll by 2017
  - State/federal gov't may address issue of narrow networks

Diamond D. In every state so far, more insurers are asking to participate in Obamacare. The Advisory Board Company. June 12, 2014; Blumenthal D, Collins SR. Health care coverage under the Affordable Care Act—a progress report. New England Journal of Medicine. 371(3):275-81.

Financial Protection of Health Insurance Marketplace



RAND Brief. Will the Affordable Care Act make health care more affordable? RB-9734-CMF, 2013

Emergency Departments As Sentinels

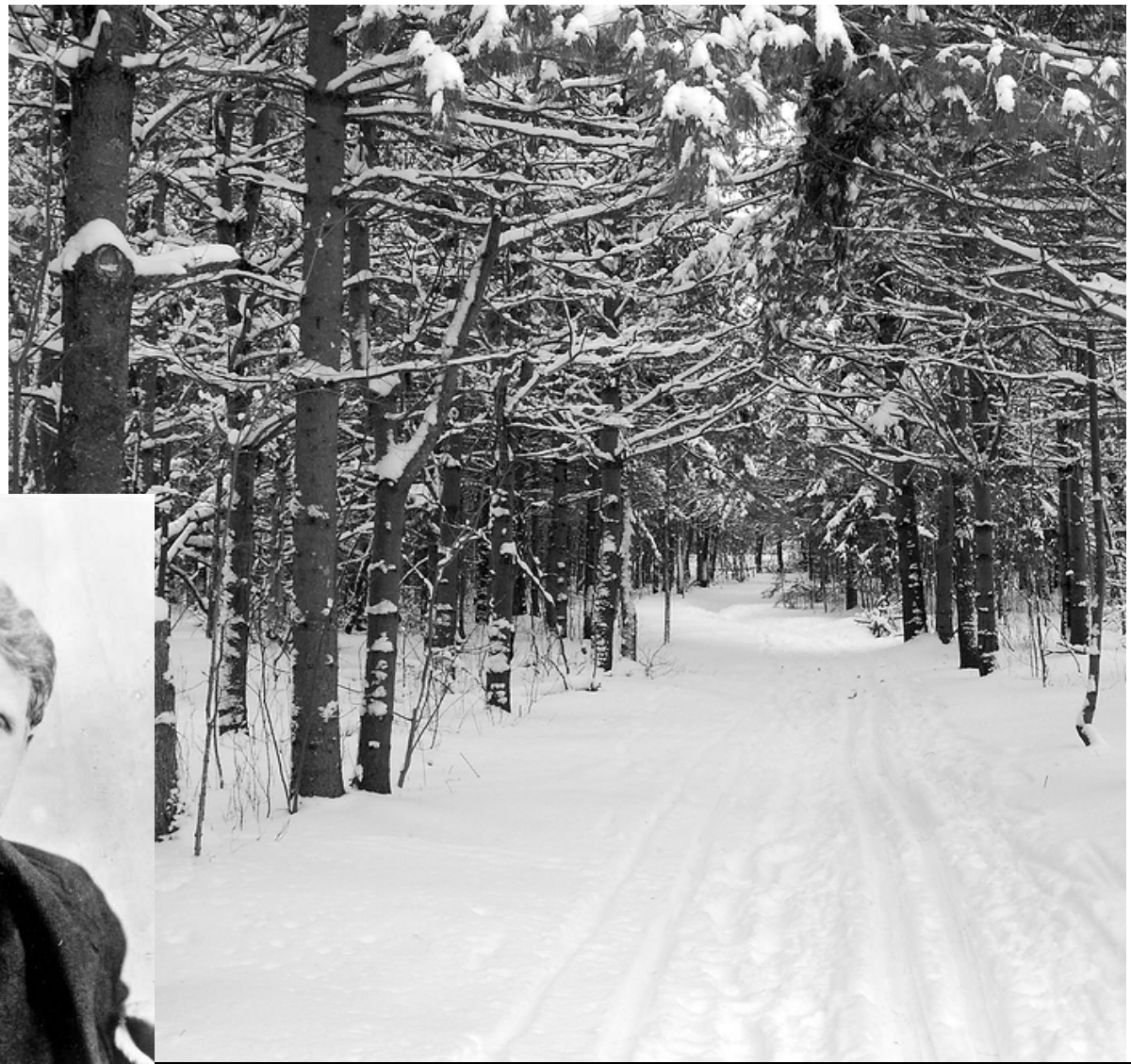
- What We Know
  - ED use didn't increase disproportionately in MA
  - ED use did increase disproportionately in OR

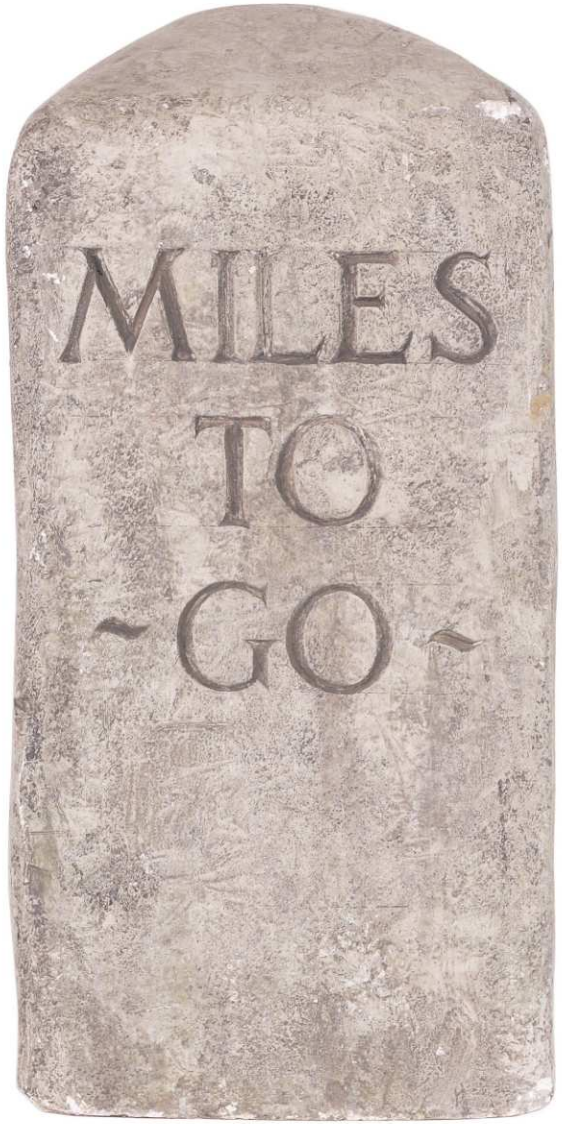
- What We Don't Know
  - What will happen nationally?
  - What role will ED play in ACOs?

- What We *Think* We Know
  - If workforce can't meet demand or access isn't convenient, inappropriate ED use will increase
  - EDs more profitable under ACA (profit margin 11.7% vs. 7.3%)

McClelland M, et al. The Affordable Care Act and emergency care. American Journal of Public Health. 104(10): e8-e10; Wilson M, Cutler D. Emergency department profits are likely to continue as the Affordable Care Act expands coverage. Health Affairs. 33(5): 792-9.

There Will Be Answers





Thank You!

 brad-wright@uiowa.edu

 www.healthpolicyanalysis.com

 @bradwrightphd