What’s Happening Now
Recent Trends in Healthcare

The Market is Changing

- Fee-for-service (FFS) is in decline
- Fee-for-quality (FFQ) is increasing
- Opposite incentives
- The problem is the transition

Market forces at work

- The definition of “Population” is changing
  – The Payer view vs PCP view
- The market place will be increasingly driven by PCP market share
  – Patient attribution
- Profits will come from delivering better Value
The Triple Aim

- The “Triple Aim” was developed by the Institute for Healthcare Improvement (IHI) in 2008 by its then president Don Berwick (who later served as the Director of CMS) along with Tom Nolan, and John Whittington

The Triple Aim:

- Improve the health Quality
- Improve the patient experience Engagement
- Reduce cost Savings

Value Based Healthcare

Measuring Quality Is Unambiguous

- Observing a clinical event
  - Blood pressure
  - HbA1c test for blood sugar
  - Readmission
- Defining and measuring
  - Numerator Statement
  - Denominator Statement
  - Exclusions

Quality Measures

- **Process measures** assess the performance of activities that contribute to positive health outcomes
  - E.g. Was HbA1c tested?
- **Outcome measures** refer to the effects that care had on patients
  - E.g. Was HbA1c less than 7%?
- **Structure measures** relate to the facilities, personnel, and equipment used in treatment.
  - E.g. Does the practice have an MU compliant EMR?
Patient Experience Measures

- Access to care
  - E.g. How long to get an appointment?
- Patient satisfaction (Engagement)
  - E.g. Did patient participate in care planning?
- Transparency
  - E.g. Does patient have access to their record?

The evolving market standard is
CAHPS – Consumer Assessment of Health Providers and Systems


Reducing Cost Measures

- Total cost per assigned patient
  - Assignment & budget are the keys
- Cost per episode
  - Scope of providers and services are the keys
- Reducing adverse events
  - E.g. COPD admissions for respiratory distress
  - E.g. 30-day readmissions
- Drug cost per patient

Process & Outcome measures

The Payers Changing Role

- Historically two tools
  - Screwdriver – figure out who/what to insure
  - Hammer – drive down rate per unit
- ACA (Obama Care) removes the screwdriver
  “If the only tool you have is a hammer you will treat every problem like a nail” - Dad
- New strategies
  - Share risk
  - PCMHs
  - Control/own PCPs
  - Narrow networks
Basic Types

- Fee-for-service
  - Differential products
  - FFS enhancements – Case Mgmt
- Budget based
  - Gain/Loss share (Withholds)
  - Capitation
- Pay-for-performance (P4P)
  - Bonuses (Cost, Quality, or Process)

Hospital Trends

- Continued acquisition of practices, but slower
  - Mostly PCPs
  - Some hospitals aggressively
- Building Clinically Integrated Networks
  - DOJ safe harbor
  - Physician delegate payer contracting
- Acquisitions and mergers
- Tertiary institutions at greatest risk
- Rural facilities have the greatest opportunity

PCP Trends

Three basic responses
- Moving to market leadership
  - PCMH certification
  - Some are taking risk
  - Size matters
- Seeking protection
  - Selling to hospitals
  - Mega PCP organizations
- Trying harder to make old strategies work
  - FFS rates are under pressure
  - Hospitalization rates are falling
  - Ancillary opportunities are dwindling
Specialists

- Bundled payment arrangements
  - Mostly noise
  - Very few have seized the real opportunity
- Seeking protection
  - Merging horizontally
  - Selling to the hospital
- Focusing on their value proposition
  - Quality / cost measurement
  - Vertical integration – aligning with PCPs

P.H.A.R.E.

- Alignments with hospitals are increasing
- Horizontal integration is increasing
- Some Radiologists and Anesthesiologists are trying to go direct to patients
- Payers are increasingly holding hospitals responsible for their choices in PHARE choices

State Governments

- Exchanges & Medicaid expansion
  - Political rather than health care choices
- Medicaid
  - Increasing risk shift to MCOs
    - Despite the lack of success
    - Tennessee is considering two large clinical integration stimulus strategies.
- State employees
  - Trend is to remain self insured
  - The effect is downward pressure on rates
Federal Government

• ACOs
  – Every cycle has expanded the program
  – Interim report – CMS touted success
  – Continued refinement of the rules
  – This September is first real measurement
• Center for Medicare / Medicaid Innovation
  – Increasing flow of demonstration projects
• SGR revision
  – Close
  – Value based modifier
• CBO
  – Believes firmly physicians should be at risk

Central Theme

• Seek alliances, vertical and horizontal
  – PCPs are the market makers
• Prove the Triple Aim
• Measure and improve quality
• Look further down the road

Questions / Discussion

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