Volume to Value Pre-Test

- In a population pyramid what is the savings potential of patient centered care?
  - A. 5%
  - B. 10%
  - C. 15%

- South Central Foundation has been providing population based care for how many years?
  - A. 10
  - B. 20
  - C. 30

- The top 1% of Medicare patients cost on average how much per year?
  - A. $75,000
  - B. $125,000
  - C. $200,000

- Efficient population health managers can reduce Medicare admissions
  - A. 25%
  - B. 35%
  - C. 50%
Momentum is building

**Concepts driving change**

- No matter what the regulatory or payment system, physicians and caregivers around the globe fundamentally deliver care the same way focusing on symptomatic treatment and acute care, not longitudinal care or prevention.
- The age wave, extended longevity and new medical technologies are exacerbating the cost issue – and this will get significantly worse without change.
- Current care systems are neither safe nor efficient, most care provided by physicians could be provided by those of a lesser skill level as part of a team.
- Automating the current symptomatic treatment system through EHR’s is insufficient to drive the quality, cost and efficiency gains required to create an affordable and sustainable system.
- Payment mechanism reforms alone are insufficient to put the healthcare system on a sustainable cost and quality track – and the economic weight of the current system could cripple the economic vitality of any country (and FFS is a problem).
- Providing more of the right services to the sickest of the sick actually reduces total cost.
- Only when we change in a very fundamental fashion how we engage and manage patients will we significantly impact the safety, quality and cost.

**Unleashing free market competition – What is possible**

- 20% total cost reduction
- 5.5% trend reduction
- 25% consumer value improvement
- $7 TN of cost reduction over ten years
- $1 TN of value rotation
- 100X the diffusion rate
Three transformational waves will reshape the health marketplace …

WAVE 1
PATIENT-CENTERED CARE
2010-2016

FROM
Physician-centered ... Patient-focused
Transactional, isolating ... Care team managed
Sick-care ... Health and well-being
Inaccessible ... Convenient and 24/7
Patient turnover-volume ... Patient health-value
Unwarranted variation ... Evidence-based standard

TO

WAVE 2
CONSUMER ENGAGEMENT
2014-2020

FROM
Uninformed ... Informed, shared decisions
Limited engagement ... Highly-engaged/empowered
Isolated individual ... Socially connected
Limited consequence ... Financial rewards/incentives
Bricks, office hours ... Virtual, mobile, anytime
Physician opinion ... Informed shared decisions

TO

WAVE 3
SCIENCE OF PREVENTION
2018-2025

FROM
Basic health management ... Genome-linked life plan
Symptom treatment ... Monitoring and prevention
One-size-fits-all ... Personalized therapies
Limited biomarkers ... 100% accurate diagnostics
Big pharmaceuticals ... Tailored gene/microbiome therapies
Medical competencies ... Life, social, and ethics competencies

TO

... significantly improving consumer value

WAVE 1
PATIENT-CENTERED CARE
2010-2013
WAVE 2
CONSUMER ENGAGEMENT
2014-2016
WAVE 3
SCIENCE OF PREVENTION
2018-2025

20% lower costs, 5.5% reduction in trend, 25% more value = over $7 TN of cumulative savings

By 2016/17 nearly 100 MM consumers will choose value-based health solutions

Value market opportunity by funding source
2010-2025

$3.7 TN in 2025
(70% of total spend)

$3.1 BN
$1.2 TN
$1.0 TN
$576 BN
$1.6 TN
$500 BN
$3.5 TN
$268 BN
$4.0 TN
$2.0 TN
$578 BN
$2.5 TN
$1.0 TN
$3.0 TN
$4.0 TN

2010 2015 2020 2025

Managed Medicaid | MA | Duals | Innovative Employers | Individuals & Exchange

By 2025 the population health marketplace will save over $7 TN

A new sustainable better health marketplace

The value-based healthcare market bends trend by 5.5% and saves $7.2 TN between 2013 and 2025

$5.3 TN

Projected 2025 trend of value-based populations (1.5% in 2025)

Cumulative savings ($1.2 TN)

2019-2025

$3.8 TN

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Cumulative savings ($1.2 TN)

2019-2025

$1 TN of value rotation while transforming the patient experience

1. Represents $880 BN Total Cost Reduction and $640 BN Trend Reduction
2. Represents trend only for individuals in value-based markets (fully effective). Trend of entire market in 2025 is 2.2%

Cumulative savings ($1.2 TN)

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$1 TN of value rotation while transforming the patient experience

1. Represents $880 BN Total Cost Reduction and $640 BN Trend Reduction
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The race to value will drive consolidation and convergence

Traditional siloed business designs

Converged wellness health ecosystems

Next generation leaders / innovators will leverage the work of the pioneers

From physician to patient (or will it be consumer) centered
Today: Fee-for-Service (2013)

- I only seek care when I have no other alternative
- My doctor controls my referrals, and I don’t know who provides the best care
- Doctor’s hours don’t match real life hours
- I feel rushed during doctor visits
- I only seek care when I have no other alternative
- I am the only person coordinating my care – doctors don’t talk to each other and don’t think about me once I leave their office
- I avoid my healthcare because it’s too confusing and inconvenient
- I have no idea how my insurance works – it’s so confusing
- I feel lost and overwhelmed

This is what we currently call “patient-centered” care

Wave 1: Patient-centered care

- I work with my care team to improve my health and live better – we have a shared plan that is personalized to me
- I believe that my healthiest days are ahead of me
- My care team truly cares about my holistic health – I am not alone
- My care team takes care of all my health needs
- The system is working for me
- My substance abuse and depression are managed
- My care team proactively motivates me to stick to my care plan
- Care extends beyond my doctor’s office to my home and to local retailers
- I monitor my health with tools to identify issues early
Wave 1 – Patient-centered population managers come of age

Patient-centered care
“Team-based, guided, and coordinated”

Wave 1: ... and provide more benefits for each dollar across the population pyramid

Population health management requires specific strategies and health management approaches for each layer of the pyramid

Wave 1: Population health managers master the pyramid

Expenditure Population PMPY

Severe mental/ neurological illness
General healthy
Poly-chronic/complex
End of life/long-term care
Chronic with extensive social needs
Early stage behavioral and risk factors
Acute episodic care

Expenditure Population PMPY

End of life/long-term care
Expenditure Population PMPY

5% Poly chronic
20% Chronic at risk
75% Healthy, minor issues
45% ER visits, over-utilization, high comorbidity, non-compliance
35% Infections, complications, and rehospitalizations

Pyramid value redistribution
Wave 1: Population health managers redefine patient value

Wave 1 predictions
10% less cost, 0.5% trend reduction, 7.5% more value

Population health managers will control 70% of clinical risk

Most patients love their population health manager and value the patient experience

85 national and regional population health managers will control 70% of the market and compete on value

Patient-centered population health managers will replace PPO networks

75% of care coordination across settings by a navigator

Most patients have a personal health record and a health management plan

75% of in-office cases are conducted virtually, outside of normal office hours
From patient to consumer centered

Wave 2: Consumer engagement

I know what I need and how to buy it – shopping and health tools have made it easy and boosted my confidence

I feel engaged in my health and am empowered to make informed decisions

Competing against friends in online health challenges motivates me to live healthier – I earn great rewards that I value

I connect through social media to other “patients like me”

Consumer-driven competition is great – all the population health managers have extended office hours and offer virtual web visits

I can surf and navigate the health system with ease and the patient-centered care models are so convenient and easy to work with

I have web-based/mobile tools so I can manage my healthcare

Wave 2: Redefine the consumer experience by shifting the lens

Today’s transactional system

Wave 1 Patient-centered care

Wave 2 Consumer engagement

Heart patient

Whole patient

Whole consumer

- Disease status
- Benefit status
- Episodic/Point-in-Time View

- Disease status
- Benefit status
- Motivational profile
- Lifestyle factors

- Socioeconomic & life stage
- Health needs & behavioral profile
- Preferences, interests, goals
- Family situation
- Longitudinal lifetime view

- Disease status
- Benefit status
- Episodic/Point-in-Time View
- Motivational profile
- Lifestyle factors
- Socioeconomic & life stage
- Health needs & behavioral profile
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- Longitudinal lifetime view
How many times a year does an average consumer visit a grocery store?

How many consumers visit a Walmart every month in the US?

Retailers have chosen to focus their investments to-date on one or more of seven potential business designs

<table>
<thead>
<tr>
<th>Transactional healthcare</th>
<th>Value-based healthcare</th>
<th>Healthcare enablement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health product marketbase</td>
<td>Wellness and safety support</td>
<td>Primary care delivery</td>
</tr>
<tr>
<td>Financial management</td>
<td>Population health management</td>
<td>Retail integrated delivery network</td>
</tr>
<tr>
<td>Financial products &amp; decision support</td>
<td>Shopper health data and analytics</td>
<td></td>
</tr>
</tbody>
</table>

- Pharmacy
- Optometry
- Audiology
- Vision
- Personal care
- Health
- Pets
- In-store or primary care clinics
- Care coordination
- Chronic condition management
- Final expense
- Care delivery
- Care networks
- Health/CHIP population risk
- Health insurance exchange
- Pharmacy benefits
- Health analytics
- Financial planning
- Shopper purchase data sets
- Personalization
- Behavior analytics

Consumers are demanding a solution for their healthcare issues, driving them from unengaged to behaviorally and economically motivated

We thought on healthcare
- How do I get insurance?
- Why does it cost so much?
- Why wasn’t I covered everything?
- Why isn’t health insurance worth it?
- Out-of-pocket spending sucks!

Things I plan for
- Food
- Clothing
- Transportation
- Entertainment
- Higher education
- Retirement

Healthcare today
"Disconnected, unengaged, entitled"

Healthcare tomorrow
"Economically and behaviorally aware and accountable"

We thought on healthcare
- "Health everything is all about my health"
- "I need to select benefits that fit me"
- "There are many things I can control medically"
- "There are other things I can control financially"
- "I need a doctor that’s right for me"
- "I need to know my health, and get answers to help me"
- "I need to know my insurance. Ask me about it"
- "Out of pocket spending sucks!"

Things I plan for
- Food
- Clothing
- Transportation
- Entertainment
- Higher education
- Retirement
Wave 2: Ultimately converging the benefits-based and consumer driven economies

- **Benefits-based health economy (B2B2C)**: $2.7 TN
- **Discretionary consumer spend economy (B2C)**: $1.4 TN

**Questions:**
- Will incumbents reward or cover the use of consumer better living solutions?
- Will consumer values shift, boosting demand for better living products and services?

Wave 2: Health and Lifestyle managers refine the market

**Wave 2 predictions**
- 15% less cost, 4% trend reduction, and 15% more value

- **Personalization of consumer engagement techniques and analytics enable right intervention right time right person applications.**
- 60% of chronic patients use such tools to control health related needs for experience and support.
- 70% of consumers use mobile technologies to manage their health.
- 70% of consumers use crowd-sourced transparency data to shop among population health managers and providers for value.
- 60% of population managers fund member partipcations in social health or gaming platforms to stay healthy and save money.
- 70% of chronic patients use crowd-sourced transparency data to shop among population health managers and providers for value.
- 50% of the adult population actively selects their benefit plan coverage.
- 90% of population managers fund member participation in social health or gaming platforms to stay healthy and save money.
- 80% of chronic patients use crowd-sourced transparency data to shop among population health managers and providers for value.
- 50% of the adult population actively selects their benefit plan coverage.
- 90% of population managers fund member participation in social health or gaming platforms to stay healthy and save money.

Wave 3: Science of prevention

- **My life advocate helps me manage my life and makes the world of health options personal and simple.**
- My life advocate helps me manage my life and makes the world of health options personal and simple.
- I understand my health and wellness profile and what I need to do to live long and well.
- I feel positive about how I can live longer and how my actions contribute to longevity.
- I regularly read about new cures to diseases in the news.
- I carry my personalized life plan with me in my mobile phone – it helps me make decisions to maintain future health risks.
- I make medication for diseases years before they show up as symptoms.
- Microsensors constantly monitor my health and detect early stages of disease – feels comforting.

Genomic diagnostic tests at the pharmacy tell me if I’m sick – the tests are automated and 100% accurate.
Wave 3: Low-cost sequencing and advanced computing redefine what is possible

- Low cost sequencing
  - $10,000
  - $100
- Advanced computing
  - PCR to sequencing
  - Low cost high power computing
  - Big data
  - Advanced analytics
  - Super high speed networks
  - Nano pore technology
- Real economic and clinical impact
  - $100 at home sequencing
  - 100% accurate diagnostic
  - 100% cost effective
  - 100% personalized

Wave 3: Better Living organizations redefine prevention and early intervention while virtually eliminating diagnostic errors and personalizing treatments

Wave 2 predictions
- 15% less cost, 4% trend reduction, and 15% more value
- Life expectancy is 20% longer than today, with a higher quality of life up until death
- 75% of population has a life plan linked to personal genome sequence and genomic risk profile
- 75% of diagnostic are completed at one visit through a single sample at home or in a convenient retail location with 100% accuracy
- Two major diseases are cured or eradicated
- 100% accurate diagnosis
- 100% best treatment EBM
- The discovery of 10,000 new biomarkers/pathways lead to more than 1,000 new predictive diagnostics and a 100 super-early stage treatments

SIX BIG QUESTIONS
every leader should be considering
Are we playing offense or defense?

Do we know where our capability gaps are and how to close them?

Do we really have the consumer in focus?

1. Scope and scale of consumer engagement?
2. Value and power of the integrated consumer value chain – 1 + 1 = 2?
3. Likely value chain organizers – what will it take – who will be trusted?
4. Dimensions of competition – anywhere, anytime, personalized?
5. Role of health status and benefits coverage in shaping value chain leadership?
Are we prepared to play in a multi-chain world?

<table>
<thead>
<tr>
<th>My value chain</th>
<th>Collaborative consumer value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>From</td>
<td>To</td>
</tr>
<tr>
<td>Solo-sport orientation</td>
<td>Ecosystem-based</td>
</tr>
<tr>
<td>Wholesale</td>
<td>Retail</td>
</tr>
<tr>
<td>Sickness</td>
<td>Total health &amp; wellness</td>
</tr>
<tr>
<td>Reactive</td>
<td>Predictive/preventative</td>
</tr>
<tr>
<td>Body part or diagnostic code</td>
<td>Whole person</td>
</tr>
<tr>
<td>Physical</td>
<td>Virtual/anywhere/real-time</td>
</tr>
<tr>
<td>Transactional</td>
<td>Relational</td>
</tr>
<tr>
<td>One-size-fits-all</td>
<td>Personalized</td>
</tr>
<tr>
<td>Opaque</td>
<td>Transparent</td>
</tr>
<tr>
<td>Individual/expert</td>
<td>Crowd</td>
</tr>
</tbody>
</table>

Have we really considered the compete or converge question?

- Extra-industry players
  - Health retailers and e-retailers
  - Tech, consumer goods and services

- Race to capitalize on higher value consumer relationships
  - Consumer intimacy
  - Consumer loyalty
  - Consumer timeshare
  - Consumer load share

- Traditional healthcare players
  - Providers
  - Health plans

Are we moving fast enough?

The leader advantage is expanding, fueled by new technology, capital markets, and hard-earned lessons

Today-player questions
- Is the cost of inaction on the rise?
- Is there an inflection point where we can't catch up to the leaders of the pack?
- If one of these models entered our markets, could we respond?
- Are we moving fast enough?
Volume to Value Post-Test

• When is the estimated tipping point to value-based insurance coverage?
  – A. 2020
  – B. 2017
  – C. 2025

• What is the potential reduction in hospital admissions with value-based care?
  – A. 10%
  – B. 20%
  – C. 30%

• What % of patients drive 45% of the cost?
  – A. 10%
  – B. 15%
  – C. 5%

• What is the potential range of savings for these patients?
  – A. 15%
  – B. 25%
  – C. 35%