

Are We There Yet ?

June 18, 2019

A Lot Of Evidence Suggests, No...

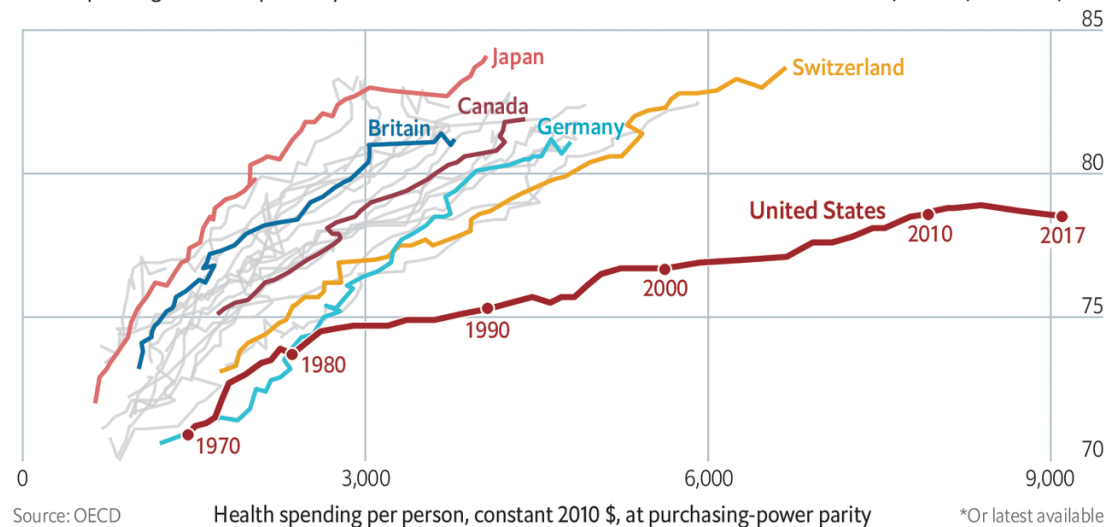
It's A Tragedy At So Many Levels

And blame won't change the facts, it will simply delay solutions

Odd man out

Health spending and life expectancy, 1970-2017*, selected OECD countries

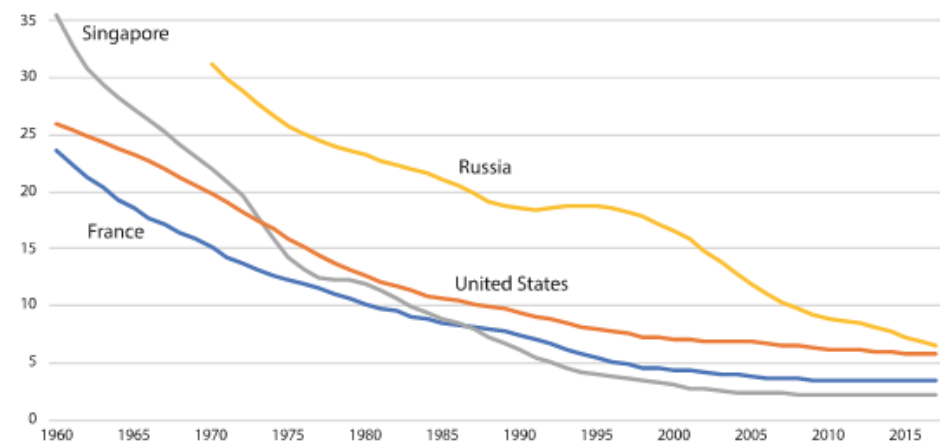
Life expectancy at birth, years



Source: OECD
The Economist

U.S. surpassed by Singapore

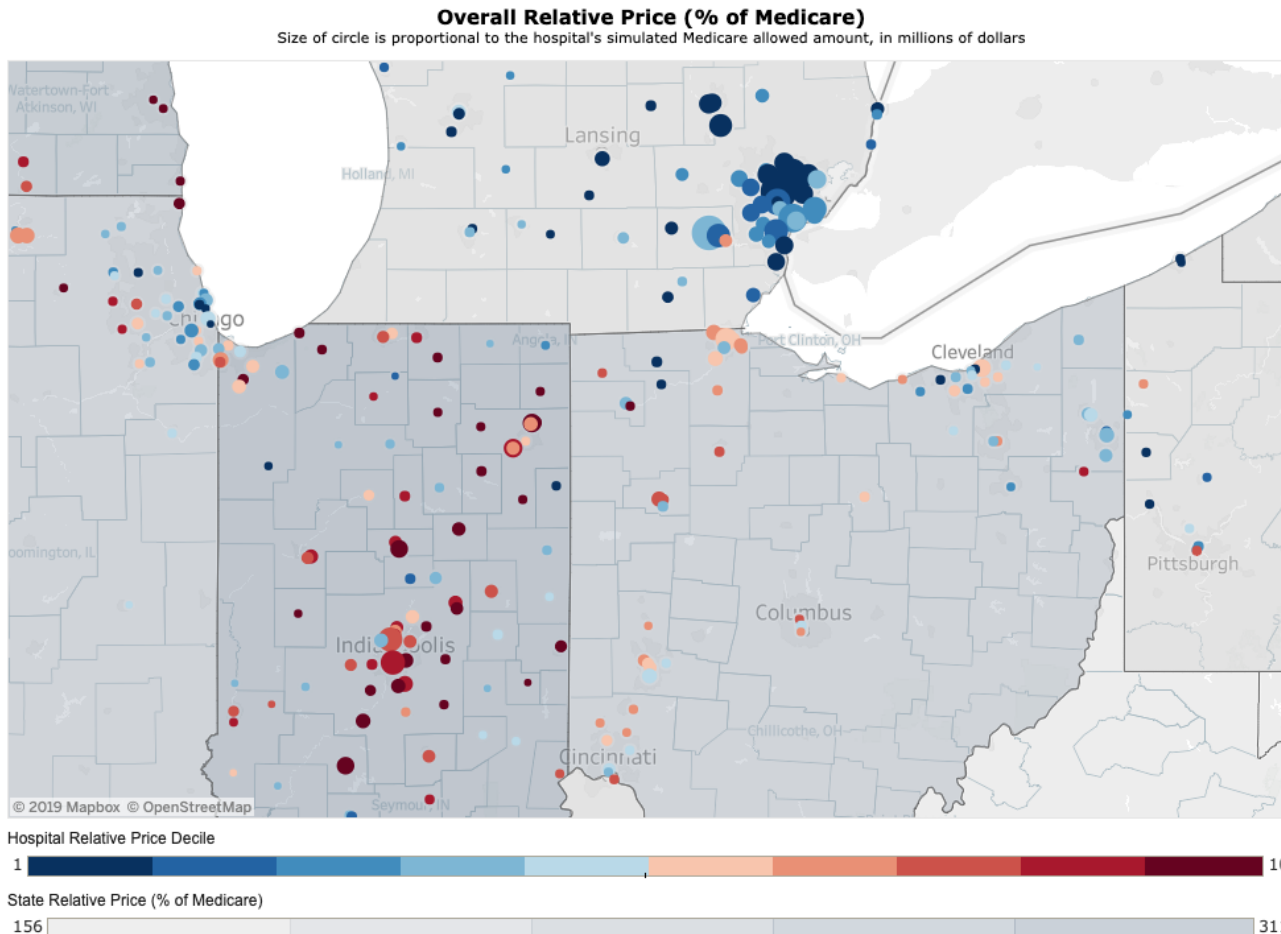
The infant mortality rate (deaths per 1,000 live births) used to be much higher in Singapore than in the U.S. Now it is the reverse, and the U.S. and the Russian rates are nearly the same.



Source: World Bank Open Data

How Can It Be Twice As Expensive ?

The cost of living in Indiana compared to Michigan isn't the reason

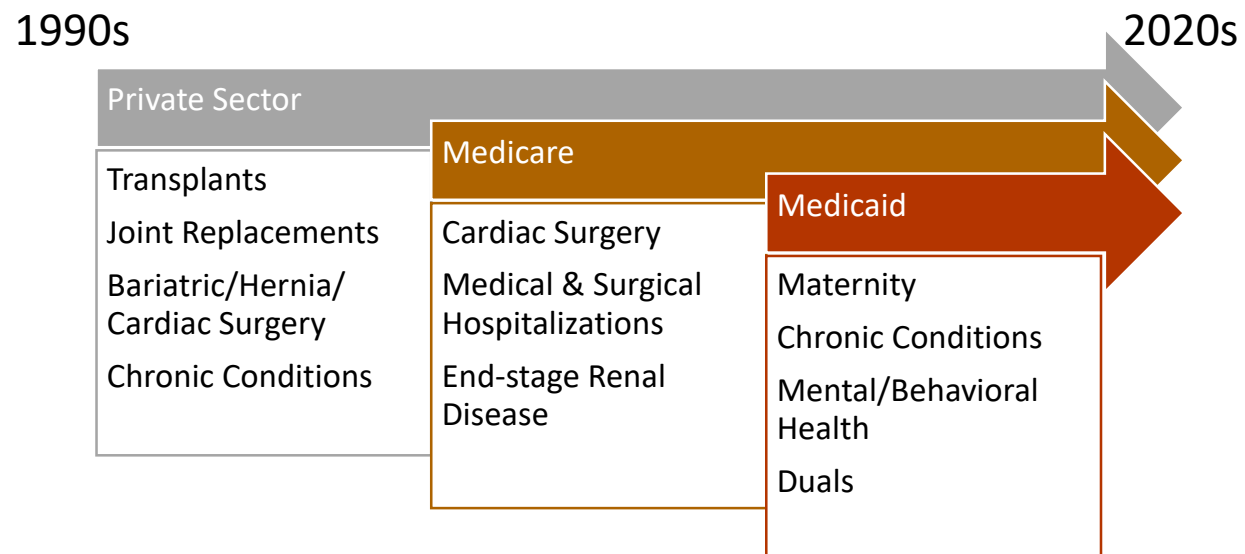


- Some health systems operate facilities in IN and MI. The Indiana prices employers pay are twice as high as the Michigan ones
- As David Blumenthal says: “Prices go up because they can.”
- Transparency, payment reform and consumer engagement continue to be the recipe for moving away from the status quo

To Much Of An Extent, Yes...

Thirty Years Of Expanded Scope

It's not just about a few procedural or acute episodes



- Chronic conditions, mental/behavioral health, musculoskeletal, maternity are all now in scope
- Simple and complex surgeries almost commoditized
- Cancer (OCM v2) in the hopper

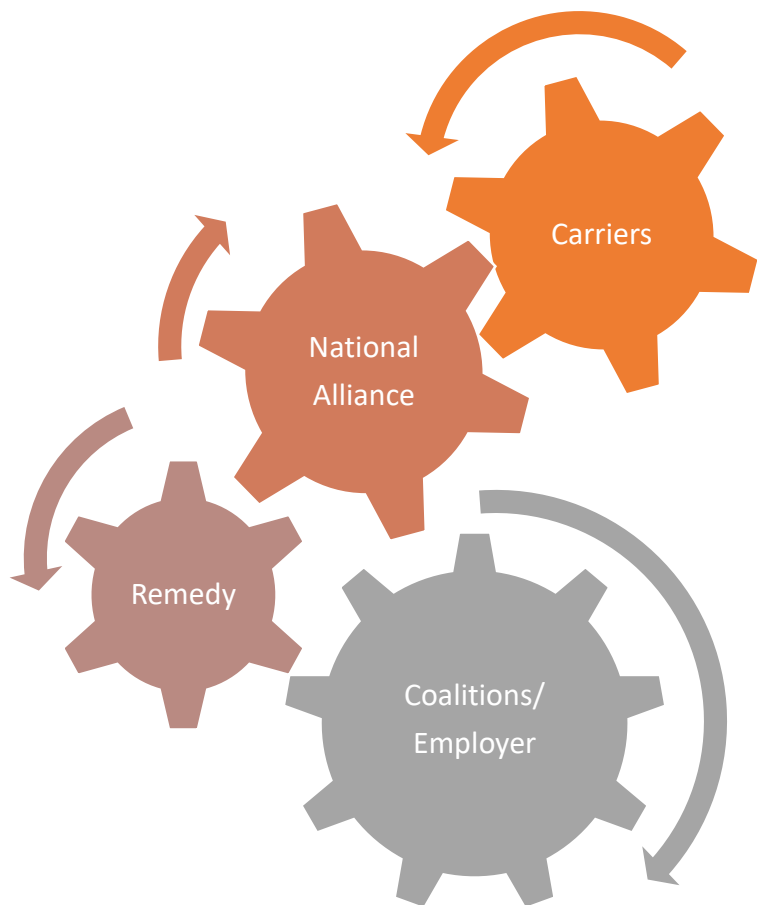
A National Snapshot

Public sector leads by a wide margin

- Medicare's Bundled Payment for Care Improvement (BPCI) has close to \$50 Billion in program (14% of FFS)
- Arkansas, New York, Ohio and Tennessee have statewide Medicaid episode of care payment programs
- Washington, Oregon, Idaho, Maryland, Rhode Island and others are incorporating EOC payments as part of Medicaid payment reform
- State employee plans in Colorado, Connecticut, Montana and California are (or have been) working on episode of care payments
- Catalyst For Payment Reform estimates that less than 10% of private sector health care spend is in EOC payments
- All the national plans claim to have episode of care payment programs, but very little has been contracted, and much of what has been is upside
- Large employers are implementing procedural carve-outs at an increasing pace, but these represent a fraction of medical spend. They're now planning "phase 2"
- Some employer coalitions are moving to become purchasing coalitions and aggressively scoping programs

Stronger Together

We've learned the hard way that moving the market can't be done one region at a time



- The National Alliance works with all Coalitions to ensure that national employers can offer a consistent episode of care program across business sites
- Coalition members leverage their purchasing power to engage carriers to implement the program on their behalf
- Remedy bridges all carrier and provider program-related gaps to get to launch
- The national carriers get a consistent signal from their customers in multiple locations

It's Having An Effect. Momentum Is Building

This time it feels real because it is real

Florida – Aetna and Cigna have now committed to offering the Coalition-approved episode of care payment program to its customers...when they ask and commit.

Houston – The Coalition Board has approved to move ahead with the initiative and next steps are to engage the payers, including BCBS TX (part of HCSC), and reinforcing the message sent in Florida.

Colorado – The coalition is working with the state and launching an ambitious public/private purchaser program, RFPs including the design and implementation of EOC payments have been issued, and carriers (including Anthem, United, Cigna and Aetna) are being asked to fill out surveys on capabilities.

Tennessee – Employers are committed to launching an Addiction Recovery payment program and getting ready to engage carriers including BCBS TN, Cigna, Aetna and United.

Pennsylvania – Convened thanks to the Jewish Healthcare Foundation, the state Medicaid agency, the state employee health plan, and the coalitions are focused on a multi-payer global maternity payment program.

Indiana – Incensed by the RAND report, employers are trying to develop EOC payment programs that will shift market share to lower priced providers, including those that may be out of state.

Washington -- Prompted by the state employee plan and the coalition, commercial plans are responding and planning ambitious EOC payment programs.



Accelerating The Pace Of Change

As Payers Respond, Cacophony Is Growing

Is an episode a bundle or are we bundling episodes ?

Some are focused on prospectively paid episodes for same-day surgical or acute events only

Many turn providers into banks and claims payers

Others will implement episode of care payments of long duration with physicians as episode initiators only, and all the deals are upside, retrospective

Episode definitions go from simple case rates to “all in except”

When added, warrantees vary in duration and scope

And that’s for the basics. Setting episode prices is another moving target

A Year Later: The PACES Center

A new non-profit to bring order to chaos

- Already actively supported by industry leaders including the American College of Surgeons, CareJourney, Cerner, Cognizant, Remedy and others
- Guardian of – originate, update, maintain – emerging standard episode definitions for the industry, based on the work done for CMS under a contract to build the Episode Grouper for Medicare
- Producer of standard rules for triggering episodes, accumulating services to episodes and association episodes to one another based on clinical relevance
- Publisher of standard episode prices, acting as a reference for consumers, employers and providers
- Validator of third party solutions that use the standards



