From Confrontation to Collaboration

Bringing Payers and Providers Together to Create Collaborative Healthcare

November 15, 2011
Overview of the Topics

• Context for collaboration
• What are health executives saying about collaboration?
• Why collaborate with a payer? (The Hospital Perspective)
• Why collaborate with a provider? (The Health Plan Perspective)
• Collaboration process and integration approaches for hospitals and payers
Today’s Speakers

• Loren McCaghy, Principal, Lichlyter Consulting Inc.
• Dan Sacco, Vice President for Strategic Affairs and Managed Care, Boca Raton Regional Hospital
• Allan Boshell, Vice President, Network Services, AvMed Health Plans
Market forces are driving significant change in the health care industry – above and beyond the effects of PPACA.
Today’s Health System Challenge

The challenge is to develop a model incentivizing collective management of healthcare costs with shared benefits.
Importance of Collaboration

Payers and Providers seem to agree on this: collaboration is important!

In a recent LCI Survey, we asked, “How important is successful collaboration between payers and health systems …

...in the **U.S. healthcare industry**?":

- 95% of Health System executives responded “Strongly Agree” or “Agree”
- 91% of Payer executives responded “Strongly Agree” or “Agree”

...in **their organization’s market**?":

- 76% of Health System executives responded “Strongly Agree” or “Agree”
- 96% of Payer executives responded “Strongly Agree” or “Agree”
Payers and Providers even share the same reasons for considering collaboration.

**Top 3 Reasons**

From **Health System** executives:

1. New revenue and/or growth opportunity
2. Accountable Care Organization provisions in the Affordable Care Act
3. Local employers are requesting help with controlling medical costs

From **Payer** executives:

1. Accountable Care Organization provisions in the Affordable Care Act
2. Local employers are requesting help with controlling medical costs
3. New revenue and/or growth opportunity
And collaboration is already happening!

When asked about their organization’s likelihood to engage in a collaborative relationship,

- **86%** of Health System executives responded that their organization is already in a collaborative relationship or is currently exploring one
- **87%** of Payer executives responded that their organization is already in a collaborative relationship or is currently exploring one

And there seem to be as many variations as there are collaborations
Irrespective of the future direction of CMS’s ACO initiatives, there is a clear movement toward shared accountability (risk shifting/risk sharing) across the system.

Potential Benefits

- New revenue streams
- Market growth
- Increased focus on quality/measurement standards
- Peer-to-peer measurement
- Increase focus on population health
- Reduce focus on volume

Potential Challenges

- Few providers positioned to assume risk
- Infrastructure/administration requirements
- Attribution of patients
- Clinical integration and data sharing
- Physician alignment/Use of consistent protocols
- Changing referral patterns
Degrees of Collaboration

There are many degrees of collaboration that a payer and health system can enter into — and as the level of shared accountability increases, so does the level of collaboration required to be successful.
Regardless of the collaborative healthcare model adopted, the focus needs to be on engaging and managing member/patient health across all health interactions.

- Mutual objectives
- Must reflect local market realities
- No “one-size” fits all
- Participants share information
- Healthcare collectively managed
- Product and benefit design
The Health System Perspective
Why do providers and payer need to collaborate?

Healthcare reform will result in:

• Less dollars available
• Greater focus on outcomes with increased transparency
  – Readmissions
  – Morbidity / Mortality
  – Complications
  – Patient Satisfaction
• Areas to be emphasized
  – Coordinated Care
  – Population Health
  – Chronic Disease Management
• Need for information sharing
How Collaboration Supports Hospital Strategic Plan

- Leverages the skill set and expertise of each party
- Steers Patients to Owned/Affiliated Entities (not just to gain market share but to coordinate care)
  - Limit which hospitals are in top benefit tier
  - Outpatient services steered to owned entities – away from independent
- Potential to Improve Payer Mix / Competition
  - Steer more commercial patients
  - Potential to have new players to compete in market
  - Move self-pay patients to health plan products featuring the health system
- Prepare for Health Reform and Accountable Care
  - Opportunity to encourage alignment with physicians
  - Promote more seamless and integrated care
Selecting the Right Partner:

- Flexibility and willingness to co-develop product idea – “equal” working relationship

- Level of motivation and commitment to work with hospital system – and under limited pre-conditions

- Similar community mission and cultural fit

- Reputation and history in the region – sometimes a “blank slate” is helpful

- Interest in approaching the effort as a partnership with shared vision and business model
Collaboration Opportunities

*Start with small-scale collaboration efforts to learn and evolve to more expansive and longer term opportunities.*

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Description</th>
<th>Key Characteristics</th>
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<tbody>
<tr>
<td>Accountable Care “Lite”</td>
<td>Innovate with health system’s own employees and health plan.</td>
<td>• Wellness driven</td>
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<td>• Manage chronic diseases</td>
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<td>• Benefit incentives/disincentives</td>
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<td>• Employee health center</td>
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<td>Local Market Expansion</td>
<td>Expand employee and health plan management to area employers and municipalities.</td>
<td>• Regional employee health centers</td>
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<td>• Risk-based disease management</td>
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<td>• Shared savings</td>
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<td>• Steerage incentives/discounts</td>
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<td>Population Management</td>
<td>Select insurer to partner with to manage population of patients.</td>
<td>• Long-term relationship</td>
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<td>• Collaboration vs. negotiation</td>
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<td></td>
<td>• Data transparency</td>
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<td></td>
<td>• Develop integrated network</td>
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<td>• Accept risk (over time)</td>
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<td>Regional Business Strategy</td>
<td>Develop regional business strategy to identify and assess collaborative opportunities.</td>
<td>• Regional business goals</td>
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<td>• Identify/evaluate product concepts</td>
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<td>• Engage stakeholders including regional physicians and employers</td>
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*Start with small-scale collaboration efforts to learn and evolve to more expansive and longer term opportunities.*
Depending on circumstances, the roadmap an organization follows for collaboration is not absolute.
Market Situation 1:
• Highly consolidated provider market (with well capitalized IDFS)
• Dominant payer focused on open access but aligned to competitor
• National payer anxious to break into market to create state-wide product offering

Health System’s Goal / Problem:
• Create steerage to system – prevent leakage
• Create more balanced health plan market

Solution:
• Partnered with national payer to create select tiered network product
• Offered other unaligned referring providers the opportunity to partner in product with gain sharing
• Co-branded products and introduced early stage 1 innovation in care management
**Market Situation 2:**
- “Only game in town” but highly dependent on Medicare
- Dominant regional payer focused on open access

**System’s Goal / Problem:**
- Reduce percent of self-pay and uncollectable debt
- Increase non-inpatient revenue and diversify revenue stream

**Solution:**
- Partner with new regional payer to create low cost, select network product
- Create low cost primary care delivery option
- Target small market segment
- New payer motivated to extend into market
Market Situation 3:
• Non-profit community hospital
• Highly fragmented market
• Large for-profit systems siphoning patients

System’s Goal / Problem:
• Create alignment among “like” non-profits
• Provide solutions for business community
• Preserve NFP healthcare

Solution:
• Evolving...
Lessons of Experience

- Relationships work well when both parties have something to gain
- Size can matter – but not always
- Don’t pre-suppose you know which organization will make the best partner
- Common / aligned objectives are the most important factor
The Payer Perspective
Summary

- Goals of Collaboration
- Business need – Health Plan Perspective
- One Approach To Collaboration
- Criteria For Selecting Provider Partners
- Expectations
AvMed Introduction

- Non-profit, Florida-based and Florida-focused
- Over 300K members across Florida, most in South Florida
- Variety of HMO and Point of Service products to large and small employer groups throughout Florida, as well as individual and Medicare Advantage in select regions
- Corporate headquarters located in Miami, with regional offices in Gainesville, Jacksonville, Tampa, Orlando and Fort Lauderdale
- Part of Gainesville-based, Santa Fe HealthCare’s family of organizations
- #1 ranking of any Florida health plan for five consecutive years as reported through NCQA’s Consumer Assessment of Healthcare Providers and Systems survey (CAHPS)
- NCQA accredited Commercial and Medicare products as "Excellent"
Goals of Collaboration

- Care delivery transformation (from volume to value)
- Improve quality (right care, right place, right time)
- Optimize patient experience (informed, transparent, convenient)
- Reduce total cost of care
- Retain or improve margin (not necessarily revenue)
Business Need - Strategic Needs

• Reduce emphasis on discounts to be successful

• Move medical cost management toward PCP focus; medical home concept

• Preparation for reform environment

• Precursor to ACO formation

• Position for population based payment

• Brand differentiator

• Geographic market expansion
Business Need - Growth Needs

- ASO model refinement & differentiator
- Hospital niche market opportunity
- Geographic market expansion
Health Plan Rationale for Collaboration

**Business Objectives**

- Open new market(s) with rapid member uptake
- Provide a hub for further contiguous growth
- Test new delivery system structure
- Positioning for Health Reform Initiatives
One Approach To Collaboration

The Integrated Delivery Network
Integrated Delivery Network

The Changing Paradigm

• Away from silos (my costs, my profits)

• To coordinated; clinically integrated; best practices (our costs, our profits)

• Payment & incentive alignment (right care, right time, right place)

• Population based
Healthcare costs today are “siloed” with each entity competing for share of dollar & profit

Healthcare costs managed collectively with profits (savings) shared across partners
Integrated Delivery Network - Our Structure

- Network (IDN) as a member organization
- Owned by AvMed, hospital, and early adopter physicians
- Primary care centric delivery model
- Exclusive payer relationship for a period of time
- Gain sharing among owners
Integrated Delivery Network Model

Integrated Delivery Network

- IDN Owners/Partners
  - Hospital System
  - Private Practice PCPs
  - Coordinate Care & Share Information
  - AvMed Health Plan

Navigate High Performance Network

Select Quality Specialists

Select Quality Ancillaries
For Successful Collaboration You Need:

- **Common Vision** – Shared vision for the collaboration with committed senior executives

- **Transparency** – Open sharing of information, including costs and financials

- **Joint Investment** – Shared cost of implementation

- **Shared Risk** – Skin in the game, not necessarily insurance risk

- **Mutual Benefit** – Reward and upside for everyone
Criteria For Selecting Partners

- Engaged, committed, and willing to share data, expenses, ownership
- Commitment to offer employees into the plan
- Committed to value based payment
Expectations of Partners

• Discounted or “level” pricing in exchange for a share of the upside

• Include employees in the integrated plan – demonstration of commitment to payer and community

• Active participation in organizing local physicians and recruiting select network

• Leverage local community and employer connections to market the integrated product

• Exclusive health plan relationship for early years
Making Collaboration Happen
Engaging in collaborative healthcare requires a staged approach.

**Define**
- Goals/guiding principles
- Product concepts/strategies
- Physician Engagement
- Partner criteria
- Partner selection
- Business model

**Design**
- Product definition
- Integration models
- Business arrangements
- Governance structure
- Market validation
- Financial model

**Deliver**
- Care delivery model
- Process integration
- Technical integration
- Physician network development
- Distribution model
- Market launch
While all aspects of the collaboration model are important – the rest of the components are all dependent on getting the Business Objectives and Governance aligned from the start.

Responses to the LCI Collaborative Healthcare Survey indicate that “Strategic Alignment/Shared Vision” is the most importance factor in selecting a partner.
Begin by clearly articulating the business imperatives that are the most important to your organization.

If CMS is going to push us into accountable care, we need to learn how to manage our patient population differently.

Our competitors are buying up private practice physicians – we need to tie key physicians to us more closely to prevent patient leakage.

Local employers have approached us to help reduce their medical costs, but we can’t effectively manage our own employee medical costs.

As CMS initiatives reduce our Medicare revenue, we need to capture more of the commercial market.
Imperatives should be specific to the market situation – and transparent to potential partners.

In order to compete on the regional health insurance exchange, we need to create a low cost option in this market.

We need to work with local providers to manage the care and cost for our highest cost members.

We want to position ourselves as an enabler of population management as providers move toward taking on risk in accountable care.

In order to expand our presence into a new market, we need partners with strong brand presence and reputation already established.
Successful collaboration requires the alignment of business imperatives and capabilities – based on local market realities.

**Health System Imperatives**
- Increase commercial %
- Decrease self-pay
- Reduce employee medical cost

**Payer Imperatives**
- Expand market share
- Position for health exchange
- Reduce cost
- Increase quality

**Aligned Goals**
- Targeting individual uninsured
- Managing the health of employees and members
- Creating a high-quality, select network
- Sharing cost and quality information
Making Collaboration Happen

Creating shared goals and objectives – and organizing the initiative around them – positions the collaboration to tackle the solution challenges.

Top Challenge from LCI Survey:

How to Integrate Data Across Partners

- Is there an existing health information exchange that can be leveraged?
- Does the health system feel the need to “own” the local infrastructure?
- Does payer have the capability to combine key clinical data with claims and share with local providers?
- How important are multi-payer capabilities now and in the future?

Possible Solutions

- Payer aggregates clinical and claims data for participants
- Health system drives creation of regional HIE and patient registry
- Third party partner aggregates data and provides access to partners
Most important success factors from the LCI Collaborative Healthcare survey

- Alignment of Provider Reimbursements & Incentives
- Engagement/Commitment of Senior Leadership Across Partners
- Collective Definition/Measurement of Success
- Emphasis on Primary Care/Medical Homes
- Patient-Focused Processes and Tools

Design
Making Collaboration Happen

Our experience with collaborative models highlights the need to get a few critical things right

- It must feel like a partnership — even if the organizations are not of equal "size"
- Establish clear process for shared governance and decision-making

- Understand there is no “one-size” model that will work in all markets
- Start with shared objectives and transparent discussions

- Engage local physicians and the community early in the process
- Think big — but start small
LCI’s Approach


**Customized Approach**

*LCI team members leverage their deep healthcare consulting experience to fill key roles in collaboration initiatives.*

**Define**
- Strategic Diagnostic Assessments to determine strategic fit
- Creative, individualized collaborative healthcare strategies - identifying business objectives, guiding principles and opportunities
- Evaluating potential partners and vendors

**Design**
- Timely and cost effective collaborative healthcare models tailored to work within specific market conditions
- Integration approach and process/information flows between partners

**Deliver**
- Seasoned executives working directly with stakeholders
- Coordinating activities across organizations, tracking, reporting, issue management
- Communication and education (partners, local physicians, board of directors, etc.)
Lichlyter Consulting, Inc. (www.LCInc.com) is focused on helping healthcare organizations accelerate the delivery of complex change. We help our clients effectively meet their challenges and capitalize on new opportunities in the evolving healthcare market.

LCI Highlights

- Professionals average 18+ years of consulting/industry experience
- Clients include payers, hospital systems, healthcare technology/service companies
- Based in Jacksonville, Florida – with locations in Florida, Connecticut, and Texas
- Incorporated in 2004
- Published in “eHealthcare Strategy and Trends” industry publication
- Invited to present at industry conferences, including 2010 AHIP Institute and 2011 McKesson Executive Leadership Summit
Moving Forward

Lichlyter Consulting’s service offerings are tailored to the specific needs of our clients. We do not believe in a “one size fits all” approach. The business challenges organizations face today require creative solutions that drive value and meet specific business goals.

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