Advisory Board | Health Care Advisory Board

Health Care Reform Beyond the ACA

The Next Generation of Medicare Risk, High Deductibles, and Physician Integration

Presentation to Cassling
April 11th, 2017

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Road Map

1 A New Turning Point for Health Care Reform

2 Reflecting on the First Era of Health Care Reform

3 Adapting Provider Strategy to New Market Realities

Congratulations, Mr. President

Trump Wins in Stunning Upset

Congress and Executive Branch Now in Republican Control

Image: © 2016, Chip Somodevilla/Getty Images

52/100
Senate Republicans

241/435
House Republicans

Source: Health Care Advisory Board interviews and analysis.

Health Care Tops the Day One Agenda

Trump Takes Aim at ACA with Executive Order on First Day in Office

> "To the maximum extent permitted by law, the (Secretary) and the heads of all other executive departments and agencies (agencies) with authorities and responsibilities under the Act shall exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay the implementation of any provision or requirement of the Act that would impose a fiscal burden on any State or a cost, fee, tax, penalty, or regulatory burden on individuals…"
>
> *Executive Order*
> *Released by the White House, Office of the Press Secretary, January 20, 2017*

Executive Order Does:

- ✔ Signal Trump administration's commitment to ACA repeal
- ✔ Point to potential for future executive action to weaken ACA[1]

Executive Order Does Not:

- ✖ Immediately repeal any elements of the ACA
- ✖ Provide authority to ignore or alter portions of the ACA that are set in law

1) Possible administrative changes include broadening exemptions to and/or reducing enforcement of the individual and employer mandates, reducing essential health benefits requirements, and granting states greater flexibility in administering Medicaid and/or regulating insurance markets.

Source: Office of the Press Secretary, available at whitehouse.gov, accessed January 23, 2017; Health Care Advisory Board interviews and analysis.

The ACA at a Turning Point?

Two Repeal Options on the Table for Congress

Wholesale Immediate Repeal

A full repeal of the ACA through a congressional vote in both the House and the Senate

Piecemeal Change

Changes to specific components of the ACA; most likely through budget reconciliation which only requires a majority vote in Congress

Key Considerations of Each Approach

- Potentially requires filibuster-proof majority in Senate
- Must contend with Republican governors in states supporting Medicaid expansion
- May have to contend with widespread industry pushback
- Complicated by entangled ACA policies
- Budget reconciliation options limit repeal to tax-related measures
- Requires line-item specific transition planning

Source: Health Care Advisory Board interviews and analysis.

An Ambitious Three-Part Agenda

GOP Outlines Three Phases to Health Care Reform

A Three-Pronged Approach to Repeal and Replace the ACA

1 Budget Reconciliation

Process: Requires simple majority in House and Senate

Proposed Target Areas:

- Repeal ACA taxes, employer and individual mandates
- Replace insurance subsidies with refundable tax credits
- Reform Medicaid financing
- Increase contribution limit of health savings accounts
- Allocate funds for state innovations
- Require continuous coverage insurance incentive

2 Administrative Action

Process: Federal agencies issue regulation through rulemaking

Proposed Target Areas:

- Shorten individual market enrollment period and limit special enrollment
- Loosen restrictions on actuarial value of individual market plans
- Enable state flexibility through waiver process
- Approve state Medicaid eligibility changes (e.g. work requirements, premiums)

3 Additional Legislation

Process: Requires simple majority in House, super-majority in Senate

Proposed Target Areas:

- Allow insurance to be sold across state lines
- Expand use of HSAs
- Allow formation of Association Health Plans
- Remove “essential benefits” requirements
- Reform malpractice regulation
- Streamline FDA processes
- Expand flexibility of state use of federal dollars

Source: The White House, “Three-Pronged Approach to Repeal and Replace Obamacare,” March 13, 2017; Health Care Advisory Board interviews and analysis.

Easier Said Than Done

GOP Withdraws American Health Care Act Due to Lack of Votes

Key Elements of the American Health Care Act

Repeals ACA Taxes

- Beginning in 2017, eliminates ACA taxes on health plans, medications, HSAs, medical devices, tanning services, investment income, etc.
- Delays implementation of the Cadillac Tax until 2026

Reforms Individual Market

- Eliminates individual mandate as of December 31, 2015
- Requires insurers to penalize individuals who do not maintain continuous coverage
- In 2020, replaces subsidies with refundable tax credits adjusted for age and income

Reforms Medicaid Financing

- Freezes expansion, ends enhanced match after 2020
- Reverses DSH cuts[1], provides additional funding for FQHCs, safety net providers
- Shifts Medicaid to block grant and/or per capita cap in 2020[2]

American Health Care Act

- Reconciliation bill released by House Republicans on March 6th and withdrawn on March 24th; would have repealed, replaced, or adjusted some components of the ACA
- CBO estimated that by 2026, would reduce federal deficit by $150 billion, reduce Medicaid spending by $839 billion, and increase number of uninsured by 24 million

1) Restores funding in 2018 in non-expansion states and 2020 in expansion states.
2) Block grant option only available for traditional adult and children populations.

Source: House Ways and Means Committee, available at: https://waysandmeans.house.gov/american-health-care-act/; House Energy and Commerce Committee, available at: https://energycommerce.house.gov/news-center/press-releases/energy-and-commerce-republicans-release-legislation-repeal-and-replace; Health Care Advisory Board interviews and analysis.

CBO Estimated Big Drops in Coverage, Funding

Medicaid Reductions Would be Particularly Problematic for Providers

CBO Projections of AHCA Impact Relative to Current Law

25% Reduction in federal funding for Medicaid by 2026; total federal spending on Medicaid is projected to be $880 billion lower than under current law across the next 10 years

14M Increase in the number of uninsured in 2018 alone; by 2026, the number of uninsured would be 24 million higher than under current law

65% Projected average actuarial value of non-group coverage in 2026, a significant drop in projected actuarial value relative to current law

7M Reduction in the number of individuals covered on employer-sponsored plans by 2026 relative to under current law, as some employees shift to nongroup market, Medicaid or have no insurance

Source: CBO, "American Health Care Act," released March 13, 2017; Health Care Advisory Board interviews and analysis.

Future of Repeal and Replace Legislation Now Unclear

Mixed Messages Following Withdrawal of AHCA

Initial Resignation Gives Way to Renewed Commitment

"We did not have quite the votes to replace this law…[and so] we're going to be living with Obamacare for the foreseeable future."

Paul Ryan,
March 24th Press Conference

"We are going to keep getting at this thing…We're not going to just all of a sudden abandon health care and move on to the rest."

Paul Ryan,
March 26th Team Ryan Donor Call

Three Potential Legislative Paths Forward

1

House Republicans Renew Effort

2

Senate Republicans Take Charge

3

GOP Shifts Focus to Non-ACA Legislation[1]

1) E.g., allowing insurers to sell plans across state lines, approving the creation of association health plans, and adjusting HSAs.

Source: Health Care Advisory Board interviews and analysis.

Regulatory Agenda Taking Center Stage

Administration Has Considerable Leeway to Impact ACA Implementation

Meet the Key Players

HHS Secretary: Tom Price

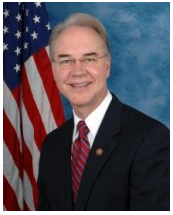

Image: © 2007, District Office of Tom Price

- Six-term Representative from Georgia; retired orthopedic surgeon
- Sponsor of the Empowering Patients First Act
- Confirmed by 52-47 vote

CMS Administrator: Seema Verma

Image: © 2016, Drew Angerer/Getty Images

- National health policy consultant from Indiana
- Helped shape Medicaid expansion in IN, OH, KY, TN
- Confirmed by 55-43 vote

Potential Administrative Actions

- ❑ Reduce enforcement of insurance mandates
- ❑ Delay Cadillac Tax
- ❑ Eliminate, delay, or modify Innovation Center programs (e.g., CJR)
- ❑ Limit special enrollment periods
- ❑ End cost-sharing reduction payments
- ❑ Narrow scope of essential health benefits
- ❑ Allow Medicaid work requirements through 1115 waivers
- ❑ Allow Medicaid premiums, others forms of cost-sharing through 1115 waivers
- ❑ Eliminate contraception requirement

Source: Jackson, D. and Solis, S., "Rep. Tom Price is Trump's pick for Health and Human Services Dept.," *USA Today,* Nov. 29, 2016; "Trump picks Seema Verma to head Centers for Medicare and Medicaid Services," *Politico*, Nov. 29, 2016; Health Care Advisory Board interviews and analysis.

The Next Era of Health Care Reform

Four Key Principles Likely to Guide GOP Reform Efforts

1 Reduce Federal Entitlement Spending

Focus more aggressively on reducing federal health care spending

2 Devolve Health Policy Control to States

Reduce federal role in health care; provide states more autonomy to make decisions, cut spending

3 Embrace Free Markets and Consumer Choice

Use free-markets to promote private sector competition in payer, provider markets

4 Promote Transparency of Cost and Quality

Mandate greater consumer choice and shopping at the point-of-care and point-of-coverage through improved transparency

Source: Health Care Advisory Board interviews and analysis.

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Hope and Change, Eight Years On

Surely President Obama's Signature Achievement

A Grand Promise for Change

Image: © 2012, Pete Souza

"The bill I'm signing will set in motion reforms that generations of Americans have fought for and marched for and hungered to see."

Barack Obama,
on the Affordable Care Act,
March 23, 2010

"This is a big [expletive] deal"

Joe Biden,
on the Affordable Care Act,
March 23, 2010

Source: Solberg S and Pear R, "Obama Signs Health Care Overhaul Bill, With a Flourish," *The New York Times*, March 23, 2010; Health Care Advisory Board interviews and analysis.

Evaluating the ACA Against its Intentions

Major Reform Goals

1 Replace Costly Fee-for-Service Incentive Structures

Chosen Method:
Medicare-led Payment Reform

- FFS cuts
- New payment models
- Intent to catalyze broader commercial market change

2 Improve Health Care Quality

Chosen Method:
Incentives + Transparency

- IT mandates
- Pay-for-Performance programs
- Market-facing transparency

3 Achieve Universal, Affordable Coverage

Chosen Method:
Expansion of Existing System

- Insurance market regulation
- Expanded public coverage
- Market-based exchanges

Obama-era Enabling Legislation

February 17, 2009:
Health Information Technology for Economic and Clinical Health (HITECH) Act

March 23, 2010:
Patient Protection and Affordable Care Act

April 16, 2015:
Medicare Access and CHIP Reauthorization Act (MACRA)

Source: Health Care Advisory Board interviews and analysis.

An Increasingly Attractive Set of Alternative Options

CJR, Track 3, and Next Gen ACO Filling Out the Continuum

Continuum of Medicare Risk Models





Pay-for-Performance	Bundled Payments	Shared Savings	Shared Risk	Full Risk
• Hospital VBP Program • Hospital Readmissions Reduction Program • HAC Reduction Program • Merit-Based Incentive Payment System	• Bundled Payments for Care Improvement Initiative (BPCI) • Comprehensive Care for Joint Replacement (CJR) Model • Episode Payment Models	• MSSP Track 1 (50% sharing)	• MSSP Track 1+ • MSSP Track 2 (60% sharing) • MSSP Track 3 (up to 75% sharing) • Next Generation ACO Model (80-85% shared savings option)	• Next Generation ACO Model (full risk option) • Medicare Advantage (provider-sponsored)

Increasing Financial Risk

Source: Health Care Advisory Board interviews and analysis.

MACRA Rewriting the Rules of Risk

Bipartisan Support at Center of MACRA Rollout

Legislation in Brief: MACRA[1]

- Legislation passed in April 2015 repealing the Sustainable Growth Rate (SGR)
- CMS released final rule in October 2016 stipulating program to be implemented on Jan 1, 2017
- Created two payment tracks:
  - Merit-Based Incentive Payment System (MIPS)
  - Advanced Alternative Payment Model (APM)

Legislation Enjoyed Bipartisan Support

92-8 Senate vote on MACRA

392-37 House vote on MACRA

> "This historic law has been a collaborative effort from the start. We are encouraged by this final rule and CMS's commitment to ongoing collaboration with Congress and the health care community."
>
> Bipartisan Leaders from House Energy and Commerce Committee and Ways and Means Committee

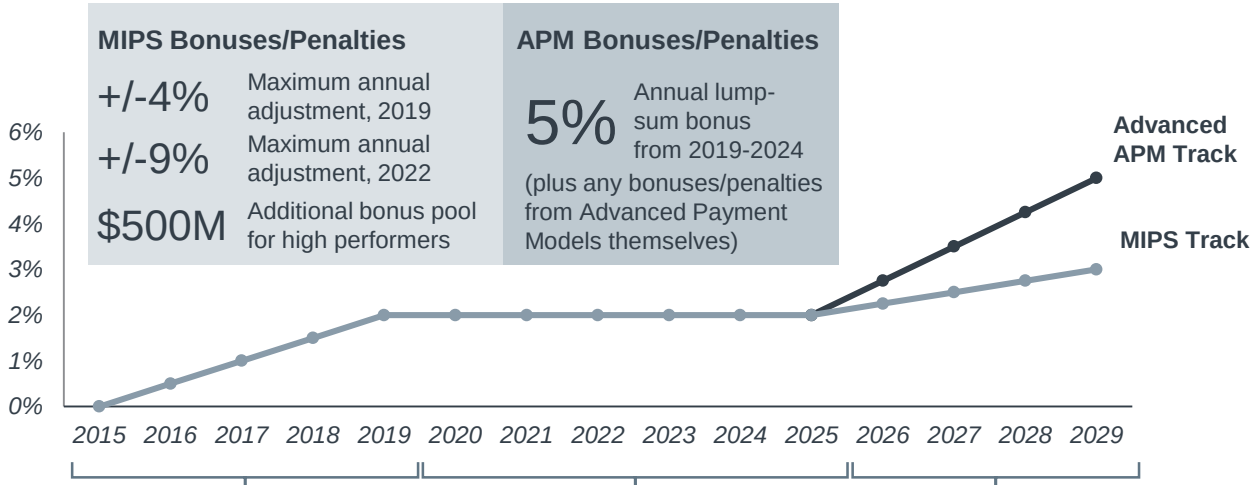
1) Medicare Access and CHIP Reauthorization Act.

Source: CMS, "CY 2016 Physician Fee Schedule Final Rule," Oct 30, 2016, available at: www.federalregister.gov; Health Care Advisory Board interviews and analysis.

Dealing Physicians in on Risk

Greater Payment Updates, Bonuses Depend on Payment Migration

Annual Provider Payment Adjustments



Baseline payment updates[1]:

2015 – 2019:
0.5% annual update (both tracks)

2020 – 2025:
Payment rates frozen (both tracks)

2026 onward:
0.25% annual update (MIPS track)
0.75% annual update (Advanced APM track)

1) Relative to 2015 payment.

Source: The Medicare Access and CHIP Reauthorization Act of 2015; CMS, Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models, April 25, 2016; Health Care Advisory Board interviews and analysis.

MIPS Rewriting Rules for Physician Quality, Payment

MIPS Score Components

1

Quality (Replaces PQRS, VBPM):

- Over 200 measures to choose from, 80% of which are tailored to specialists
- Providers only required to report 6 measures

2

Resource Use (Cost):

- Continuation of two measures from VBPM: Total per capita costs for all attributed beneficiaries and MSPB
- Adds episode-based measures for specialists
- Seeks to include Part D costs
- No reporting requirement

3

Clinical Practice Improvement Activities:

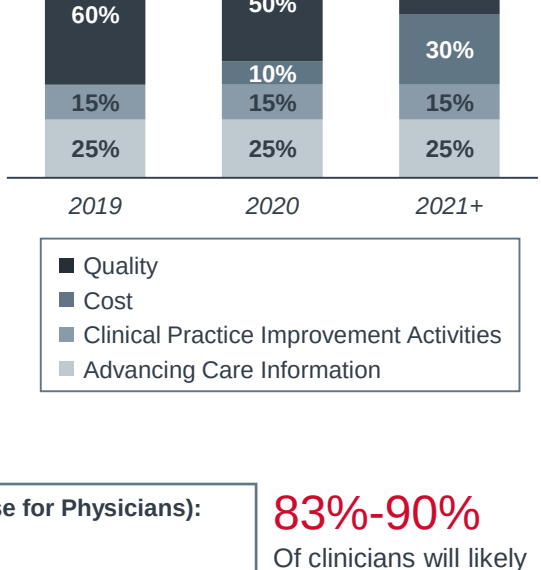
- Over 90 activities to choose from; some activities weighted higher than others
- Clinicians in non-eligible APMs and NCQA Patient-Centered Medical Homes receive favorable scoring

4

Advancing Care Information (Replaces Meaningful Use for Physicians):

- Applies to all clinicians[1]
- Clinicians given opportunity to report as group or individual
- No longer requires all-or-nothing EHR measurement; requires reporting of 5 measures

Weights of MIPS Score Components



83%-90%

Of clinicians will likely fall into MIPS track in CY 2017

1) Physicians, physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, and groups that include such clinicians.

Source CMS, Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models, October 14, 2016; Health Care Advisory Board interviews and analysis.

Medicare Legislation Mandates CDS for Imaging

But Implementation, Compliance Details Not Yet Finalized

Regulatory Timeline for Clinical Decision Support

April 2014
PAMA[1] signed into law, requiring provider use of AUC via CDS for advanced imaging

November 2015
MPFS[2] CY 2016 final rule established appropriate use criteria approval process

November 2016
MPFS CY 2017 final rule will establish CDS mechanism approval process, clinical priority areas, and reporting requirements

As soon as January 1, 2018
To receive payment, providers must report AUC consultation through approved CDS mechanism

As soon as January 1, 2020
Ordering providers identified as outliers must obtain preauthorization

What We Know

- ✓ AUC development requirements
- ✓ AUC approval process
- ✓ Provider-led entities (PLEs) approved

Proposed Components

- ❑ CDS mechanism (CDSM) requirements
- ❑ CDSM approval process
- ❑ Clinical priority areas
- ❑ Reporting requirements for claims
- ❑ Ordering provider exemptions

Requires Clarification

- ❑ Outlier calculation methodology, penalty, date
- ❑ Provider implementation deadline: CMS suggested, but not proposed, Jan. 1, 2018

1) Medicare Physician Fee Schedule.
2) Provider-led entity.

Source: Centers for Medicare and Medicaid Services, CMS.gov; Imaging Performance Partnership interviews and analysis.

Congress First to Move on Site Neutral Payments

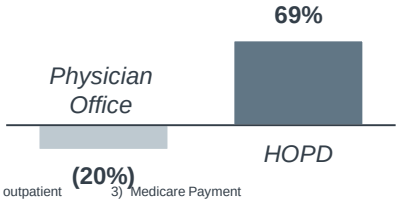
Unbalanced Volume and Payment Growth Provides Impetus for Policy

Higher Reimbursement at HOPD[1] Versus Freestanding Physician Office

Medicare payment differential for a level II echo performed in HOPD vs. physician office setting

Disproportionate HOPD Volume Growth

Echo[2] Volume Change by Setting, 2010-2014



1) Hospital outpatient department.
2) CPT 93306.
3) Medicare Payment Advisory Commission.
4) Place of service.

Budget Deal Modifies Payment for Hospital-Owned Physician Practices

Bipartisan Budget Act of 2015

November 2, 2015

- All services provided at applicable practices will be **billed on lower fee schedules beginning January 1, 2017**
- Sites opened or acquired before November 1, 2015 may maintain current fee schedule

CMS Proposed Implementation of Law

Affected sites to bill on MPFS for 2017 as CMS devises new method of payment for subsequent years

Source: MedPAC, www.MedPAC.gov; CY 2015 Hospital Outpatient Prospective Payment System Final Rule, CMS; H.R.1314 - Bipartisan Budget Act of 2015; Source: Imaging Performance Partnership interviews and analysis.

Reimbursement Updates Mirror Technology Adoption

1 New Law Cuts Payment for Older X-Ray Technologies

Consolidated Appropriations Act of 2016

Encourages providers to adopt digital radiography (DR) for x-ray by reducing payments for exams performed using older technology

- CMS proposes modifier to track in 2017

2 Proposed Changes to Mammography Billing Procedures

1. CMS eliminating use of G codes in favor of 2017 CPT Codes for mammo and DBT[1]
2. CMS using RVUs from G codes to prevent 50% reimbursement cut under new billing system
3. CMS developing new RVUs to account for proliferation of digital mammography

Medicare X-ray Reimbursement Cuts

X-ray Technology	Reimbursement Reduction
Analog	20% beginning in 2017
Computed Radiography	• 7% for 2018-2022 • 10% beginning in 2023
Digital Radiography	No cuts

Cuts still apply when X-rays packaged

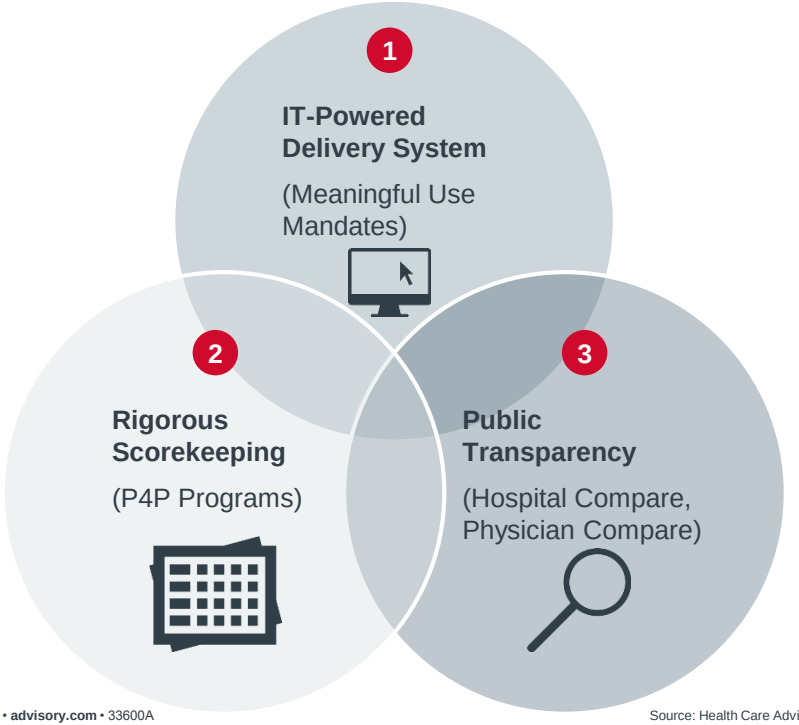
1) Digital breast tomosynthesis.

Source: Consolidated Appropriations Act of 2016; Protecting Access to Medicare Act of 2014; Imaging Performance Partnership interviews and analysis.

Metrics and Transparency Drive Quality Approach

Emphasis on Collection, Reporting of Performance Data

Information-Focused Approach to Quality Improvement



Source: Health Care Advisory Board interviews and analysis.

Having a Measurable Impact on Quality

CMS Estimates of ACA's Impact on Quality

2010-2014

2.1M Fewer hospital-acquired conditions

$20B Health care cost reductions

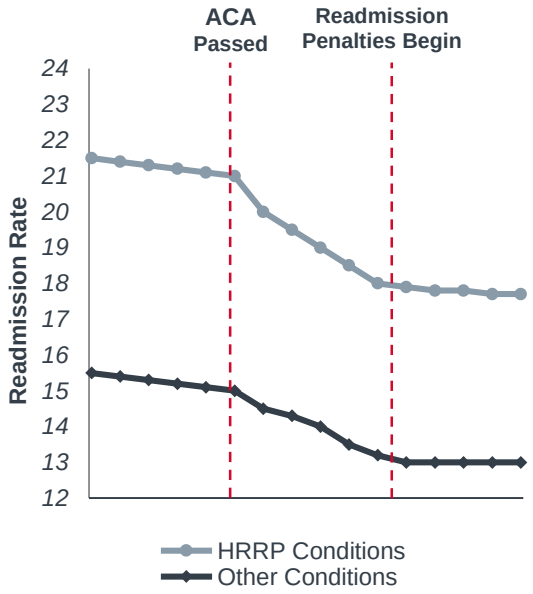
87K Patient lives saved

"These results represent real people who did not die or suffer infections or harm in the hospital."

Patrick Conway, MD
Chief Medical Officer, CMS

Hospital Readmissions

HRRP[1] and all-causes, 2010-2014



1) Hospital Readmissions Reduction Program; focuses on heart attack, heart failure, pneumonia, COPD, and elective hip r knee replacement.

Source: Commins J, "HACs Plummet 17%, Save $20B Under Obamacare," *HealthLeaders Media*, December 2, 2015; Boccuti C. and Casillas, G., "Aiming for Fewer Hospital U-turns: The Medicare Hospital Readmission Reduction Program," *The Kaiser Family Foundation*, Sep. 30, 2016; Health Care Advisory Board interviews and analysis.

Expanding Coverage by Reforming Existing System

Correcting for the Deficiencies of the Market

Insurer Regulations

- Essential health benefits
- Guaranteed issue
- Dependent coverage to age 26
- Community rating

Medicaid expansion

- Intended to apply to all adults under 138% of federal poverty level
- Supreme Court decision gave states option not to expand

Employer mandate

Intended to prevent dumping into new safety nets

Individual mandate

Intended to preserve quality of risk pools

Exchange subsidies

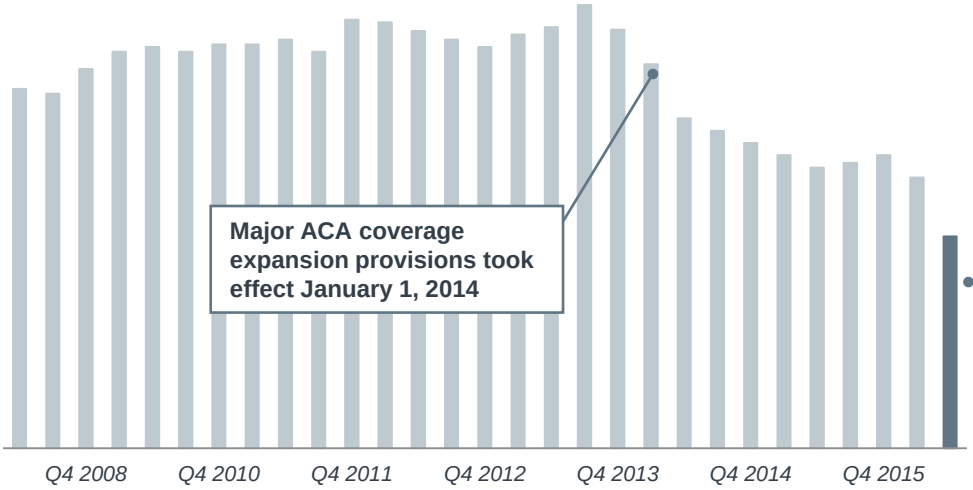
- Commercial insurance sold on consumer-facing marketplaces
- Subsidies for those between 100%-400% of federal poverty line

Source: Health Care Advisory Board interviews and analysis.

Coverage Expansion Impact Unmistakable

"Universal Coverage" Still a Distant Goal, but Millions More Now Covered

US Adult Uninsured Rate



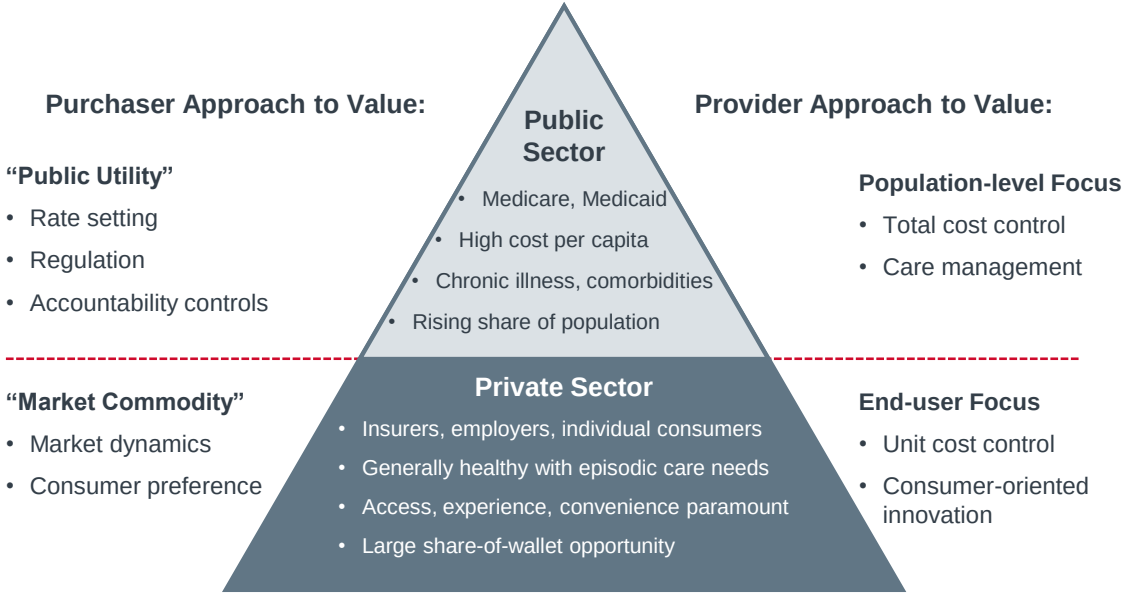
22M

HHS estimate of adults gaining health insurance coverage as a result of the ACA

Source: Gallup, "U.S. Uninsured Rate at 11.0%, Lowest in Eight-Year Trend," April 7, 2016, available at: www.gallup.com/poll/190484/uninsured-rate-lowest-eight-year-trend.aspx; Gallup, "U.S. Uninsured Rate 11.9% in Fourth Quarter of 2015," January 7, 2016, available at: www.gallup.com/poll/188045/uninsured-rate-fourth-quarter-2015.aspx; Health Care Advisory Board interviews and analysis.

Serving Two Masters

Public, Private Markets Demanding Different Value in Different Ways



Source: Health Care Advisory Board interviews and analysis.

The Implications of a Consumer Market

Financial Exposure	Shift of health care cost exposure to end consumer expands
Radical Transparency	Proliferation of third-party transparency vendors continues
Consumer-Oriented Marketplaces	New online marketplaces connecting consumers directly to out-of-market providers
Non-Hospital Innovators	New market entrants providing attractive alternatives at low prices

Following the Dollars

$3.9B Venture capital funding for digital health, first six months of 2016

> "Patient/consumer experience remains a dominant market in the first half of the year [2016], leading significantly in both funding amount and deal amount."

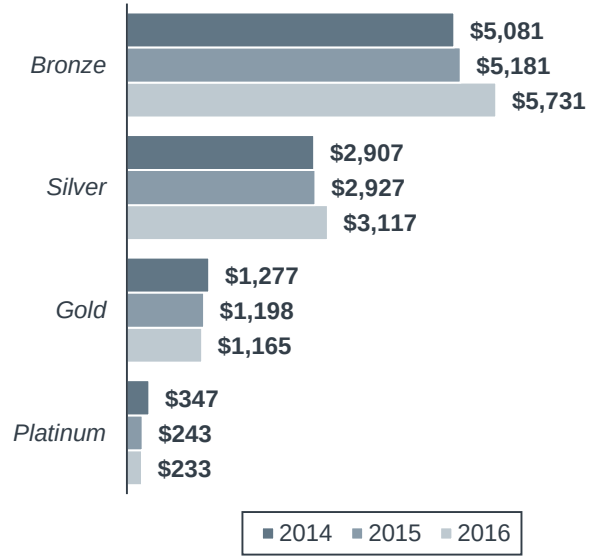
StartUp Health Insights 2016 Midyear Report

Source: StartUp Health Insights, available at: www.startuphealth.com/#1; Health Care Advisory Board interviews and analysis.

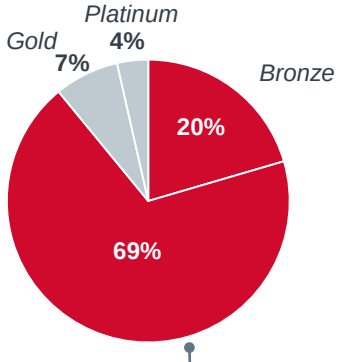
Many Apparently Willing to Bear Point-of-Care Costs

Consumers Electing to Bear Very High Cost Exposure

Average Deductible for Exchange-Sold Health Plans
2014-2016



Exchange Enrollment, by Metal Tier
2015



Nearly 90% of exchange enrollees are in bronze or silver plans

Source: HealthPocket.com, "2015 Obamacare Deductibles Remain High but Don't Grow Beyond 2014 Levels," November 20, 2014, available at: www.healthpocket.com; Health Care Advisory Board interviews and analysis.

Higher Deductibles Driving Increased Price Sensitivity

Consumer Responses Generally Dangerous for Provider Economics

1 Forgo Care?

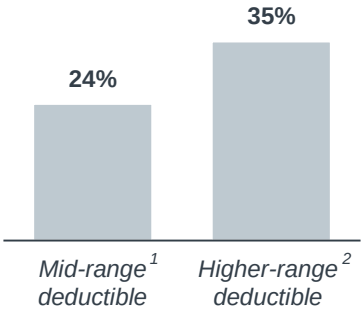
Spending Reductions Following Implementation of High-Deductible Health Plans

25% Reduction in physician office spending

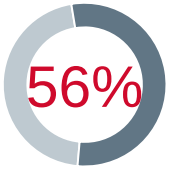
18% Reduction in ED spending

2 Fail to Pay?

Households Without Enough Liquid Assets to Pay Deductibles



3 Shop Carefully?



Consumers searching for price information before getting care

Consumers with **deductibles higher than $3,000** who have solicited pricing information

1) $1,200 Single; $2,400 Family.
2) $2,500 Single; $5,000 Family.

Source: Brot-Goldberg Z et al., "What Does a Deductible Do? The Impact of Cost-Sharing on Health Care Prices, Quantities, and Spending Dynamics," The National Bureau of Economic Research, October 2015, available at: http://www.nber.org; Altman D, "Health-Care Deductibles Climbing Out of Reach," *Wall Street Journal*, March 11, 2015, available at: www.blogs.wsj.com; Health Care Advisory Board interviews and analysis.

Living Under a Microscope

Consumers Have Access to More Information than Ever Before

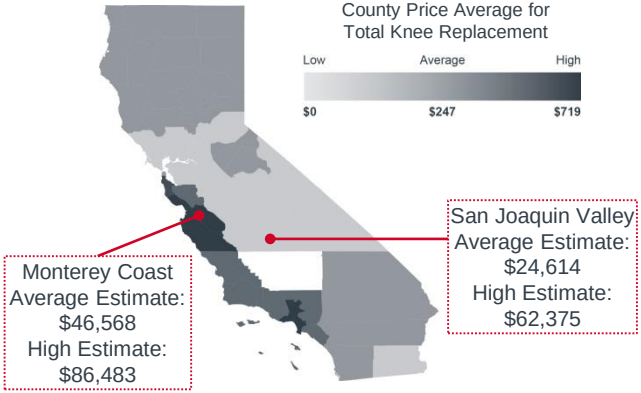
Transparency Comes to California

September 21, 2015

Attention Shoppers: New Calif. Website Details Costs, Quality of Medical Procedures

Where You Live Matters

What you pay may differ based on where you live



Sample Transparency Sites

Healthcare Bluebook
CASTLIGHT HEALTH
vitals
guroo
HEALTHGRADES THE HEALTHCARE QUALITY EXPERTS
ZocDoc
g+
Angie's list
yelp
pokitdok

All logos are registered trademarks.

Source: Ostrov BF, "Attention Shippers: New Calif. Website Details Costs, Quality of Medical Procedures," *Kaiser Health News,* available at: http://khn.org/news/attention-shoppers-new-calif-website-details-costs-quality-of-medical-procedures; Health Care Advisory Board interviews and analysis.

Online Marketplaces Flourishing

New Exchanges Enabling Consumers to Shop for Range of Services

Consumer-Oriented Marketplaces Span a Variety of Health Care Needs

honor

Honor

Connects **home health** professionals with seniors in need of care

Funded by **$20M** in venture capital investment

amwell

Amwell

Offers on-demand **telemedicine** via video or phone to serve needs including urgent care, therapy, and chronic care management

Reported **100%** total growth in visits in 2015

ZENDYHEALTH

ZendyHealth

Allows consumers to shop based on their own preferred price for **bundled procedural episodes**

80% of consumer proposed prices are accepted within two days

MediBid

MediBid

Brings patients options for **high-end surgeries** through an online marketplace in which they can bid for care

Typically offers a **50%** average discount over insurance-negotiated prices

Source: Honor, www.joinhonor.com; Amwell, https://amwell.com; ZendyHealth, https://zendyhealth.com; MediBid, www.medibid.com; Health Care Advisory Board interviews and analysis.

Innovations Crowding Onto the Field

Disruptive Services and Tech for Consumer Use (Existing and In Development)

Inexpensive, rapid care at a 'provider' site

- **SmartChoice MRI**
- **Right Care**
- **PediaQ**
- **Mend**
- **OrthoNow**

Retail Clinics

- **Walgreens**
- **CVS Health**
- **Wal-Mart**

Physician hailing

- **Pager.com**
- **Heal**
- **Dispatch Health**
- **MedZed** (pediatric house calls)

Remote diagnosis and link to clinicians

- **Opternative**: iPhone eye exam, e-mail RX
- **Google contact lens**: glucose monitoring
- **EpiWatch**: predicts seizures
- **MoleMapper:** cancerous mole screening
- Iphone-directed walk tests, cognition, fine motor skill, tremor evaluations

Patient apps for condition self-management

- **Iodine's** Start app: Tracks depression symptoms and drug efficacy
- **OneDrop**: diabetes tracker
- **ACC's** Statin intolerance self-checker

25%

Consumers used a retail clinic in 2015—up from 15% in 2013

Source: Oliver Wyman, "The New Front Door to Health Care Is Here," 2016, available at http://www.oliverwyman.com; Health Care Advisory Board interviews and analysis.

Road Map

1 A New Turning Point for Health Care Reform

2 Reflecting on the First Era of Health Care Reform

3 Adapting Provider Strategy to New Market Realities

How It Translates to Imaging

Key Observations Impacting Radiology Providers

Volumes and Growth Outlook

We're getting diminishing returns from traditional growth

Care Delivery Transformation

Our value under population health management remains unclear

Reimbursement and Regulatory Updates

The worst is yet to come with hospital reimbursement cuts

Consolidation

Radiology leaders end up in unwieldly systems unified only in name

Source: Imaging Performance Partnership research and analysis.

Path Forward Not Dependent on Politics

No-Regrets Priorities for Next Era of Health Care Reform

Accessibility

- **Multi-channel navigation platform**, including search, price estimation, and triage/scheduling helps streamline transactions
- Development of **diverse network of access points** (e.g. urgent care, retail, enhanced access to specialty care, primary care) to meet varied consumer access demands

Reliability

- **Organization-wide commitment** and investment in service delivery and quality improvement drives broad engagement in delivering superior outcomes
- **High-reliability approach** to both service delivery and clinical quality ensures baseline of performance

Affordability

- Willingness to **partner with lower-cost providers** offers patients affordable options, helps prevent markets from becoming overbuilt
- When markets are already overbuilt, commitment to **scale back excess capacity** ensures affordability in the long-term

Source: Health Care Advisory Board interviews and analysis.

Adapting Provider Strategy to New Market Realities

Four Key Steps to Succeed In the Next Era of Health Care Reform

1

Radically Reduce Cost Structure

Reduce cost structure to enable pricing flexibility

2

Establish a Sustainable Medicare Risk Strategy

Carefully pace transition to Medicare risk to capture returns from care management

3

Build a Consumer Loyalty Platform

Prioritize consumer loyalty strategy to build durable patient relationships

4

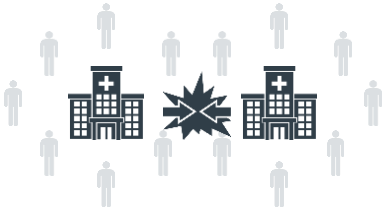
Elevate Physician Network Performance

Restructure physician network to meet twin mandates of population health and consumerism

Source: Health Care Advisory Board interviews and analysis.

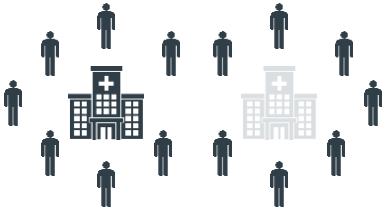
Viewing Our Strategy Through a New Lens

Competitor-centric Strategy



Strategic Benchmark: **Closest competitor's performance**
Financial Metric: **Share of existing market**
Executive Focus: **Stewardship of community asset**

Customer-centric Strategy



Strategic Benchmark: **Maximum consumer value**
Financial Metric: **Share of wallet, lifetime loyalty**
Executive Focus: **Ongoing drive for improvement**

> [I have a] passion to figure out customer-focused strategies as opposed to, say, competitor-focused strategies. If you're competitor-focused, you tend to slack off when your benchmarks say that you're the best. But if your focus is on customers, you keep improving.

Jeff Bezos
CEO, Amazon

Source: Kirby, J and Stewart, T, "The Institutional Yes," Harvard Business Review, October 2007; Health Care Advisory Board interviews and analysis.