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American Telemedicine Association—April 30, 2018

THE FUTURE OF HEALTHCARE

2018 and Beyond

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Dodging a Boomerang, Not a Bullet

Although there has not (yet) been major legislation to repeal and replace Obamacare, the tax reform of 2017 will have lasting consequences for healthcare

Paying the Price for Tax Cuts

Placing an Additional Strain on the Budget

Tax Cuts and Jobs Act of 2017

$1.46T Added to Federal deficit, 2018-2027[1]

$136B Increase in Federal deficit in 2018[1]

$25B Automatic cut to Medicare spending in 2018[2]

13M Increase in uninsured population by 2027[1]

"Well, we obviously were unable to completely repeal and replace with a 52-48 Senate. We'll have to take a look at what that looks like with a 51-49 Senate. But I think we'll probably move on to other issues."

Sen. Mitch McConnell (R-KY)
SENATE MAJORITY LEADER

"We're going to have to get back next year at entitlement reform, which is how you tackle the debt and the deficit… [we will] spend more time on the **health-care entitlements, because that's really where the problem lies,** fiscally speaking."

Rep. Paul Ryan (R-WI)
SPEAKER OF THE HOUSE

1. Congressional Budget Office estimates
2. Due to triggering of PAYGO rules

Source: "Cost Estimate for the Conference Agreement on H.R. 1." Congressional Budget Office. 21 Dec. 2017. Web. 27 Dec. 2017; "Effects of Legislation That Would Raise Deficits by an Estimated $1.5 Trillion over the 2018-2027 Period." Congressional Budget Office. 15 Nov. 2017. Web. 27 Dec. 2017; "Repealing the Individual Health Insurance Mandate: An Updated Estimate." Congressional Budget Office. 13 Nov. 2017. Web. 27 Dec. 2017; Snell, Kelsey, and Susan Davis. "McConnell Ready To 'Move On' From Obamacare Repeal, Others In GOP Say Not So Fast." NPR. NPR, 21 Dec. 2017. Web. 27 Dec. 2017; Weixel, Nathaniel. "Ryan Eyes Push for 'Entitlement Reform' in 2018." The Hill. Capital Hill Publishing, 07 Dec. 2017. Web. 27 Dec. 2017; Gist Healthcare analysis.

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Entitlement Programs in the Crosshairs

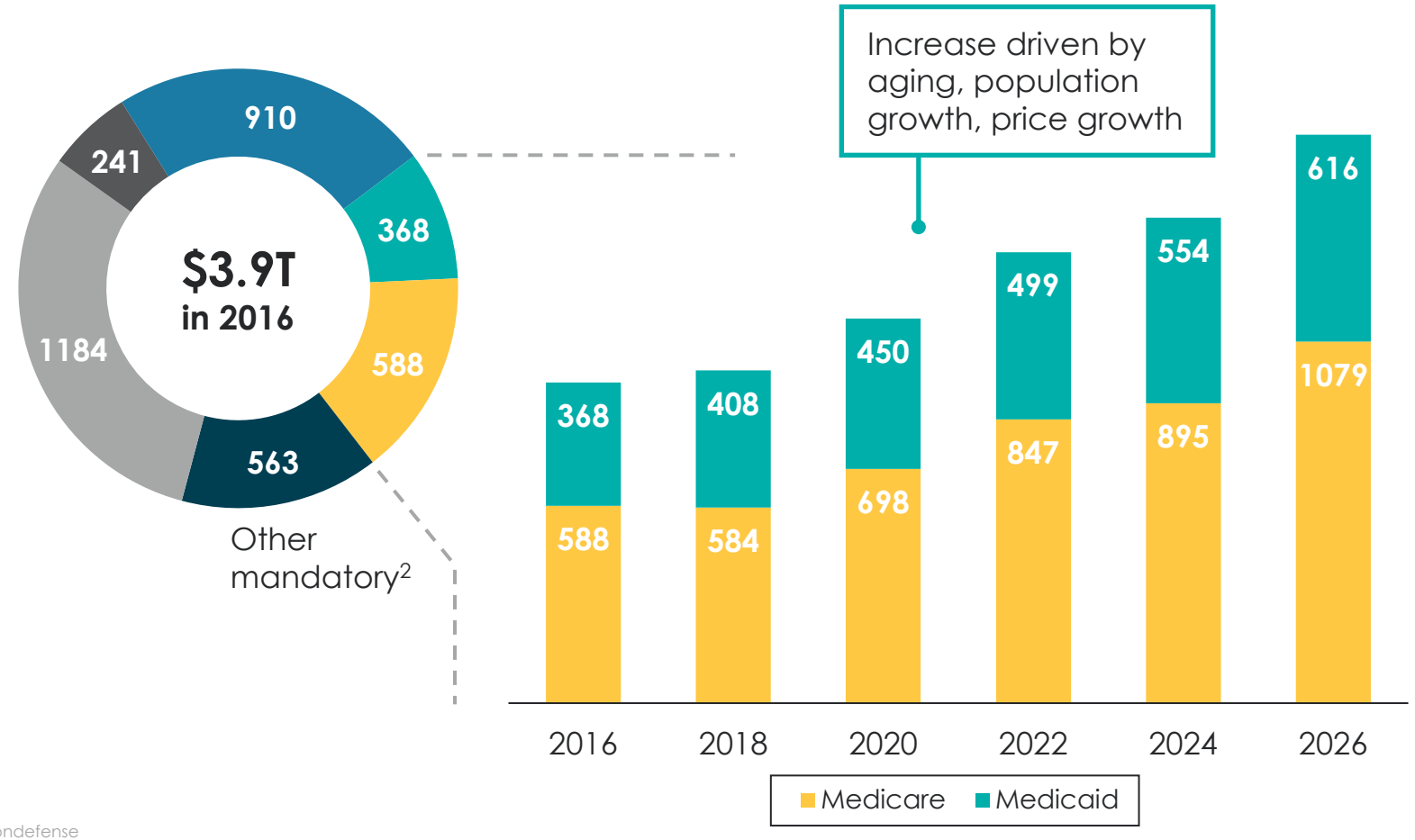
Major cuts to the healthcare entitlement programs are nearly inevitable, given the size and projected growth of Medicare and Medicaid

Where Does the Money Go?

Entitlement Programs Most Likely Targets for Cuts

Federal Budget Expenditures, Actual and Projected

Billions of Dollars



1. Defense and nondefense
2. Unemployment, pensions, veterans, and other Federal assistance

Source: "The Federal Budget in 2016: An Infographic." Congressional Budget Office. 27 Sept. 2017. Web. 27 Dec. 2017; "Baseline Projections for Selected Programs." Congressional Budget Office. 05 Oct. 2017. Web. 27 Dec. 2017; Gist Healthcare analysis.

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Putting Providers at Risk

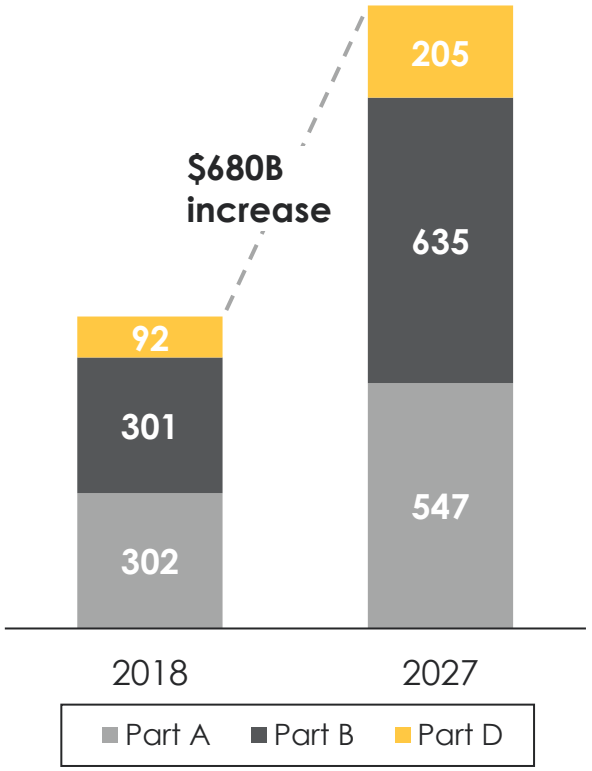
Pressure will be greatest on provider payments, which will drive most spending growth

Driving Most of the Spending Growth

Direct and Indirect Payments to Providers

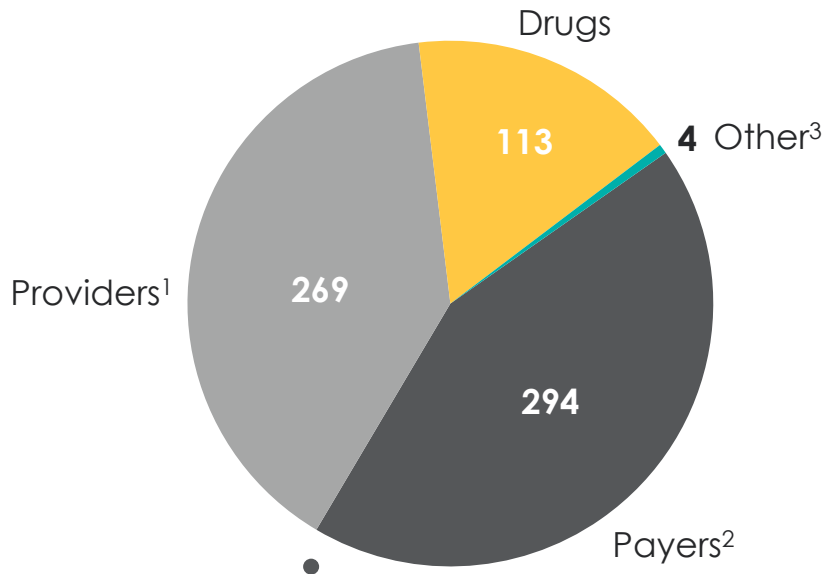
Projected Medicare Expenditures

Billions of Dollars



Source of Spending Growth, 2018-2027

Billions of Dollars



Increase in Medicare Advantage enables greater control over provider cost

1. Includes hospitals, physicians, SNF, home health, outpatient services, and other provider-related expenditures
2. Medicare Advantage
3. Adjustments and recoveries

Source: "Baseline Projections for Selected Programs." Congressional Budget Office. 05 Oct. 2017. Web. 27 Dec. 2017; Gist Healthcare analysis.

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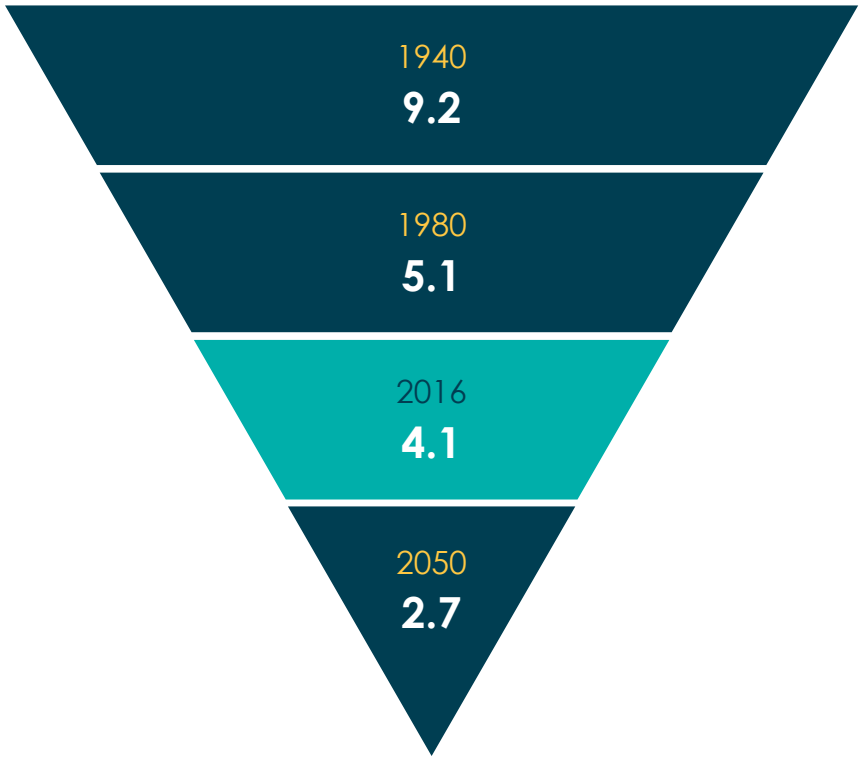
Demographics is Destiny

We have a health care system that is unsustainable for our nation's demographic makeup

Aging Beyond the Ability to Support Entitlement Growth

Facing an Upside-Down Population Pyramid

Number of People 18-64 for Every Person >65



83.7M
Number of Americans >65 in 2050, twice as many as in 2012

19.3 years
Life expectancy at 65 years in 2015, compared to 14.3 years in 1960

17.9%
National Health Expenditures as percentage of GDP, 2016 compared to 5.5% in 1960

Source: Cubanski, Juliette, and Tricia Neuman. The Facts on Medicare Spending and Financing. Kaiser Family Foundation, 18 July 2017. Web. 27 Dec. 2017; Life Expectancy at 65. Organisation for Economic Co-operation and Development, 2016. Web. 27 Dec. 2017; Ortman, Jennifer M., Victoria A. Velkoff, and Howard Hogan. An Aging Nation: The Older Population in the United States. U.S. Census Bureau, May 2014. Web. 27 Dec. 2017; Report to the Congress: Medicare and the Health Care Delivery System, Chapter 2. MedPAC, June 2015. Web. 27 Dec. 2017.; United States. Health and Human Services. CMS. NHE Summary including Share of GDP, CY 1960-2016. Web. 26 Dec. 2017; U.S. Census Bureau QuickFacts: United States. U.S. Census Bureau. Web. 27 Dec. 2017; Gist Healthcare analysis.

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Still Operating the Delivery System of Yesteryear

Shift from commercially-paid procedures to publicly-funded medical care undermines system economics

Delivery System Economics Becoming Unsustainable

2.7%
Mean hospital margin in 2016[1]

Drivers of Declining Margin

- Rising public payer share
- Rising patient acuity
- Declining surgical case mix
- Medicare payment cuts
- Declining commercial price growth

(0.2%)
Mean hospital margin in 2027[2]

> "Our Medicare volumes have gone through the roof. Coming out of 2017 we think Medicare share of revenue will have risen five percent.
>
> We didn't have a hard flu season. The economy is strong. The only explanation is **that the tsunami of Baby Boomers is hitting Medicare**."

Chief Strategy Officer
LARGE REGIONAL HEALTH SYSTEM IN THE SOUTHEASTERN U.S.

1. Operating margin
2. Profit margin, Congressional Budget Office estimate

Preliminary 2016 Medians Skew Lower as Revenue and Expense Pressures Hinder Profitability. Rep. Moody's Investor Service, 16 May 2017. Web. 30 Dec. 2017. USA. Congressional Budget Office. Projecting Hospitals' Profit Margins Under Several Illustrative Scenarios. By Tamara Hayford, Lyle Nelson, and Alexia Diorio. Sept. 2016. Web. 30 Dec. 2017; Gist Healthcare interviews and analysis.

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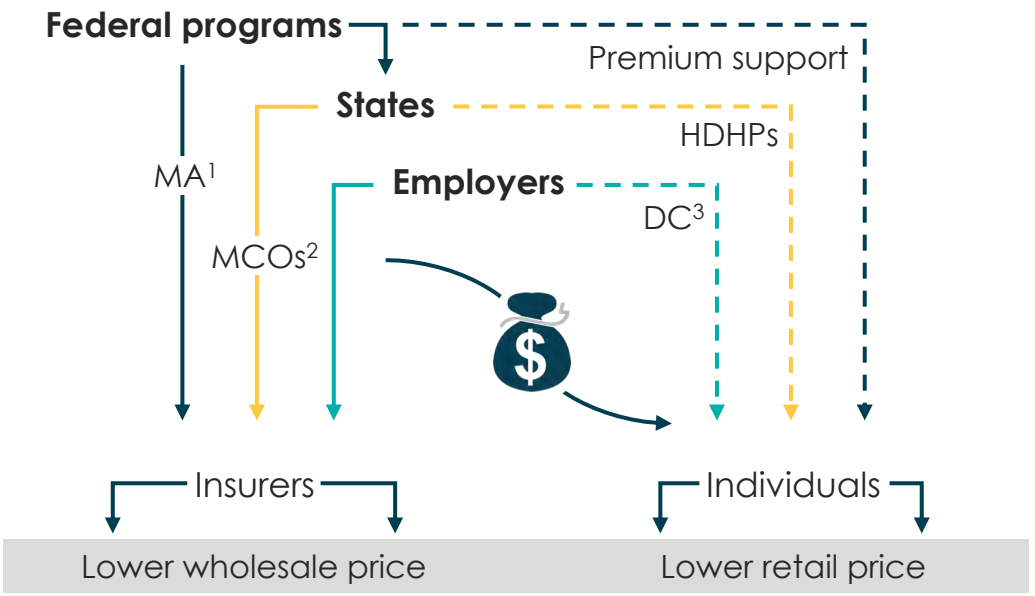
Looking to Leave Providers "Holding the Bag"

Dominant strategy for contending with rising health spending will be downward pressure on price from all purchasers

Bending the Price (not the Cost) Curve

Handing Off Exposure to Inflation at Each Step



1. Medicare Advantage
2. Managed care organizations
3. Defined contribution

Source: Gist Healthcare analysis.

The Gist

Purchasers will increasingly use the price lever to lower spending on care, shifting accountability for controlling cost inflation to the most logical owners: providers

- Federal strategy: from mandatory to discretionary spending
  - Medicare to MA[1]
  - Medicaid block grants to states
- State strategy: Medicaid managed care
- Employer strategy: high-deductibles, eventually defined contribution

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Bipartisan Path to Privatized Medicare Coverage

Implicit federal strategy for more than a decade has been an attempt to shift accountability for managing cost growth to commercial insurers

Two Paths to "Discretionary" Medicare

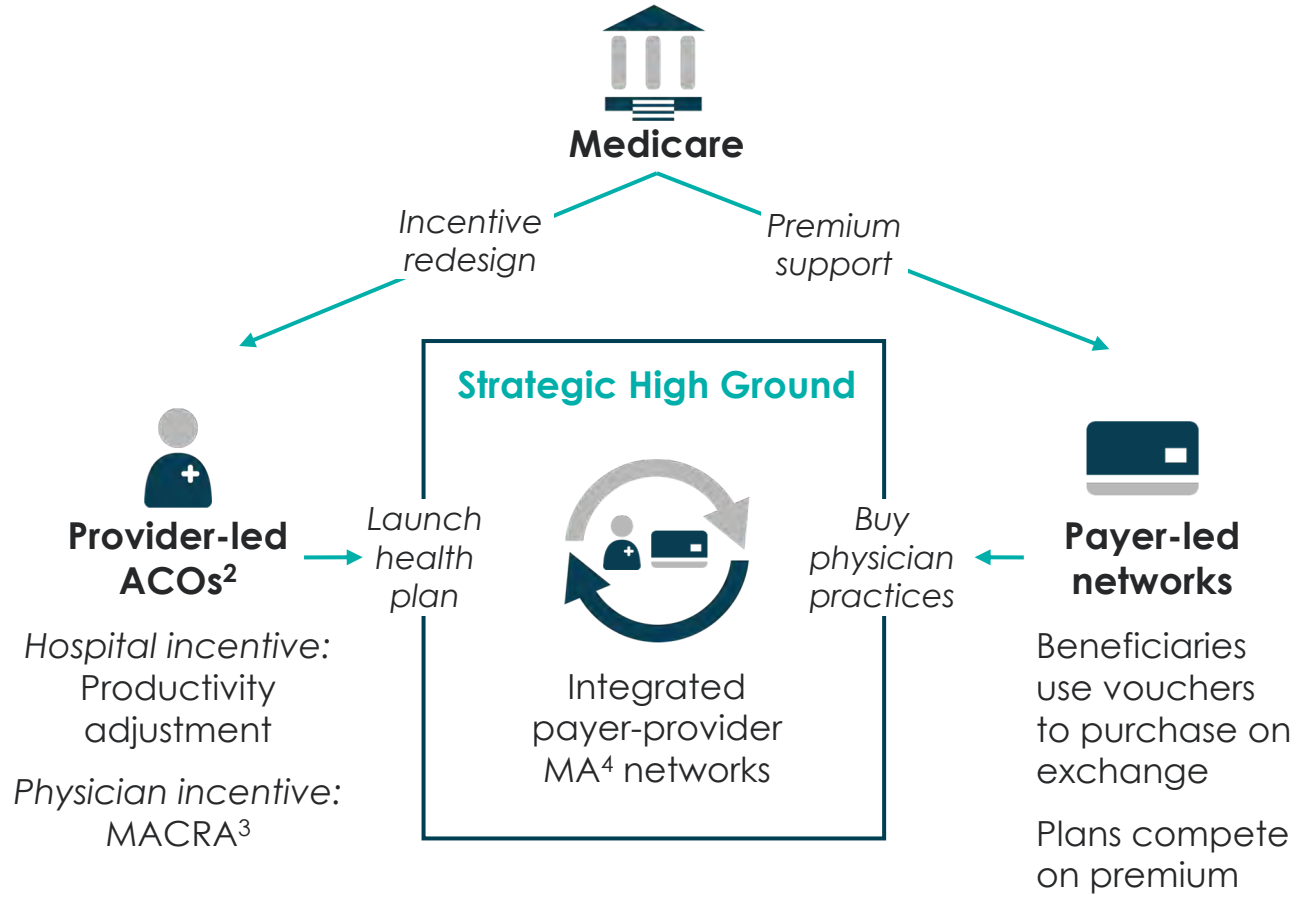
Encouraging the Growth of Private Coverage

Medicare Advantage

19M
Enrollees in 2017, 33% of all Medicare beneficiaries

10.3%
Annual growth rate, 2004-2017

66%
Beneficiaries in plan offered by "big five" carriers[1]



1. UnitedHealthcare, Aetna, Humana, Cigna, Blue Cross Blue Shield
2. Accountable care organizations
3. Medicare Access and CHIP Reauthorization Act
4. Medicare Advantage

Source: Medicare Advantage 2017 Spotlight: Enrollment Market Update. Rep. Kaiser Family Foundation, 6 June 2017. Web. 31 Dec. 2017, Gist Healthcare analysis.

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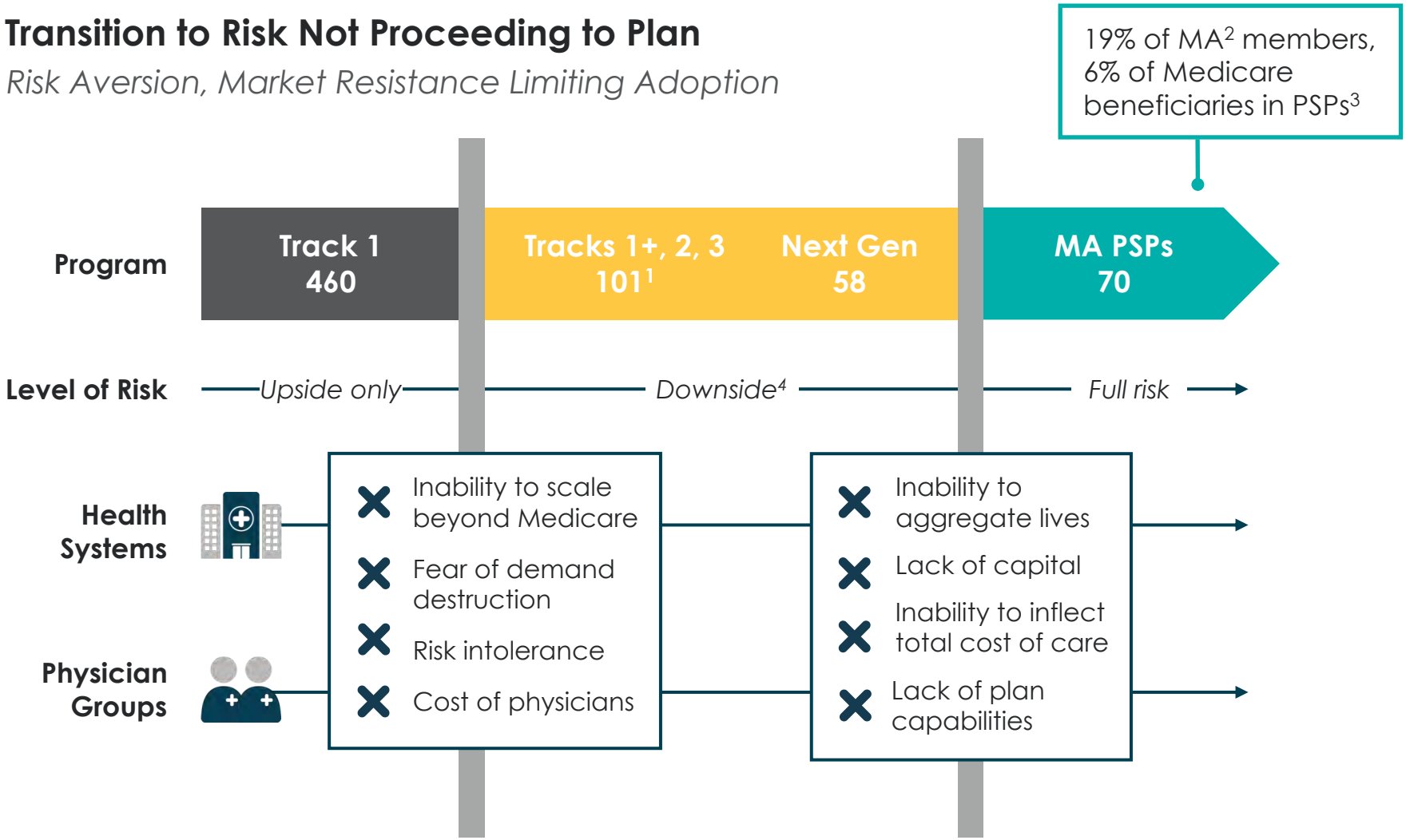
Providers Stalled on the Path to Full Risk

Federal programs have not provided sufficient incentives to move most providers to full risk, while motivated systems have been frozen by market barriers to entry

Transition to Risk Not Proceeding to Plan

Risk Aversion, Market Resistance Limiting Adoption



1. 2018 enrollment: Track 1+, 55 participants; Track 2, 8 participants; Track 3, 38 participants
2. Medicare Advantage
3. Provider-sponsored plans
4. MACRA APM-eligible

Source: Centers for Medicare & Medicaid Services. *Performance Year 2018 Medicare Shared Savings Program Accountable Care Organizations*. Data. CMS.gov. 10 Jan. 2018; "Next Generation ACO Models." *CMS Innovation Center Model Participants*. Data. CMS.gov, Web. 22 Jan. 2018; *Provider-Sponsored Plans: Enrollment, Quality and Future Impact*. Avalere, 26 Jan. 2016. Web. 31 Dec. 2017; Gist Healthcare analysis.

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Putting Medicare on a Budget

Premium support proposal would move Medicare to a defined contribution framework, with consumers shopping on exchanges for private coverage

"A Better Way" Aims to Create a Medicare Marketplace

Premium Support 101

- Government provides beneficiaries fixed yearly tax credit to cover or offset premium cost
- MA-like plans compete for enrollees based on price, network and plan design
- Enrollees can "buy up" to more expensive coverage, paying the difference
- Government contribution varies based on beneficiary health status, income

Potential impact for…

…Federal government:

- Five-year savings of **$184-419B**[2]
- Ability to **control inflation** via tax credit

…beneficiaries:

- Greater **exposure to cost**, creating incentive to shop on price, self-ration
- Likely emergence of **market segments**, ability to "buy up" to Medicare FFS[3]
- "**Consumer choice**" in context of government entitlement

…providers:

- **Downward price pressure** as payers control premium via network design
- Increasingly **price-sensitive patients** in the Medicare population

1. Medicare Advantage
2. Congressional Budget Office estimate
3. Fee for service

Source: Congressional Budget Office. A Premium Support System for Medicare: Updated Analysis of Illustrative Options. 5 Oct. 2017. Web. 31 Dec. 2017; Jacobson, Gretchen, and Tricia Neuman. Turning Medicare Into a Premium Support System: Frequently Asked Questions. Kaiser Family Foundation, 29 July 2016. Web. 31 Dec. 2017; United States. Cong. House. A Better Way. H. Rept. 22 June 2016. Web. 31 Dec. 2017; Gist Healthcare analysis.

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Shifting the Burden of Cost Control to the States

Federal attempts to block grant Medicaid spending will create increased urgency for states to budget spending and limit enrollment (where possible)

Relying on the Imperative to Balance the State's Budget

Offloading Inflation Exposure to States…

Per-Capita Caps

Fixed federal spend per beneficiary, with set annual growth rate

Block Grants

Annual grant based on benchmark year spend independent of enrollment growth; allows states flexibility to change eligibility

$772-834B

CBO[1] estimate of Medicaid savings in House and Senate bills brought to floor in 2017[2]

…Creates Urgent State Budget Pressure

1. Work with existing **fee-for-service** system → Direct provider **rate cuts**
2. Expand use of **Medicaid managed care** → **Lower provider rates** from Medicaid MCOs[3]
3. Encourage provider-led **Medicaid ACOs** → Providers assume direct **risk for cost growth**
4. Use **waivers** to change benefits and eligibility → **Increased bad debt** from rising uninsured

1. Congressional Budget Office
2. American Health Care Act and Better Care Reconciliation Act
3. Managed care organizations

Source: Cubanski, Juliette, and Tricia Neuman. The Facts on Medicare Spending and Financing. Kaiser Family Foundation, 18 July 2017. Web. 27 Dec. 2017; Luthra, Shefali. "Everything You Need To Know About Block Grants — The Heart Of GOP's Medicaid Plans." Kaiser Health News. 24 Jan. 2017. Web. 28 Dec. 2017; Ramsey, Lydia. "The CBO Has Debunked a Key Republican Talking Point on the Senate Health Bill." Business Insider. 26 June 2017. Web. 28 Dec. 2017; Gist Healthcare analysis.

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Employers Eager to Find the Exit

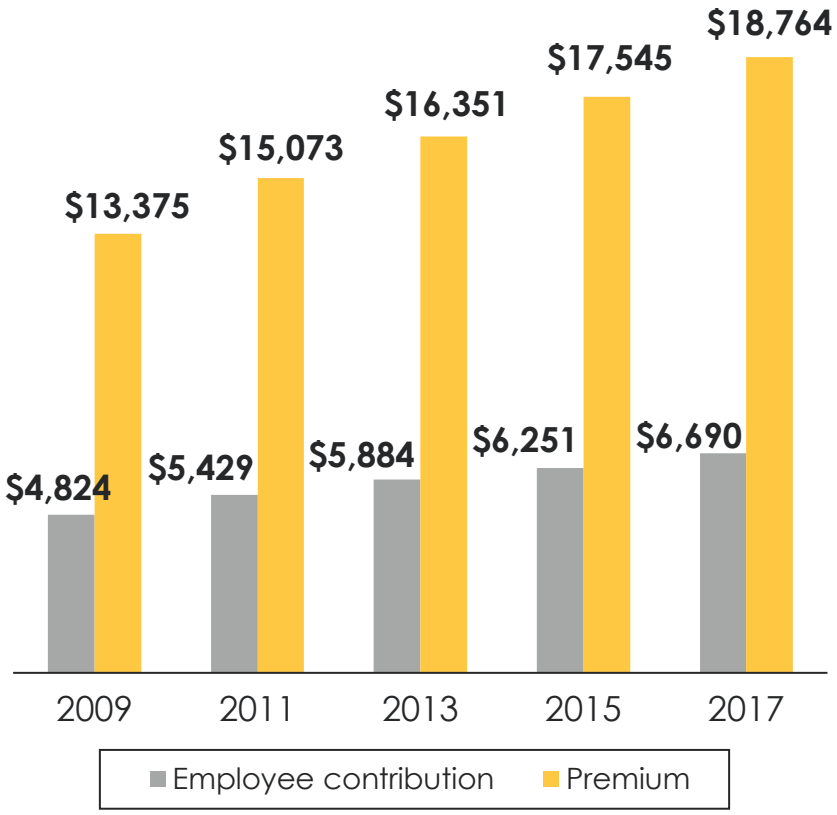
Employers are poised to shift to defined contribution, and are preparing the way with HSAs[1] and HDHPs[2]

Shifting the (Growing) Cost of Coverage

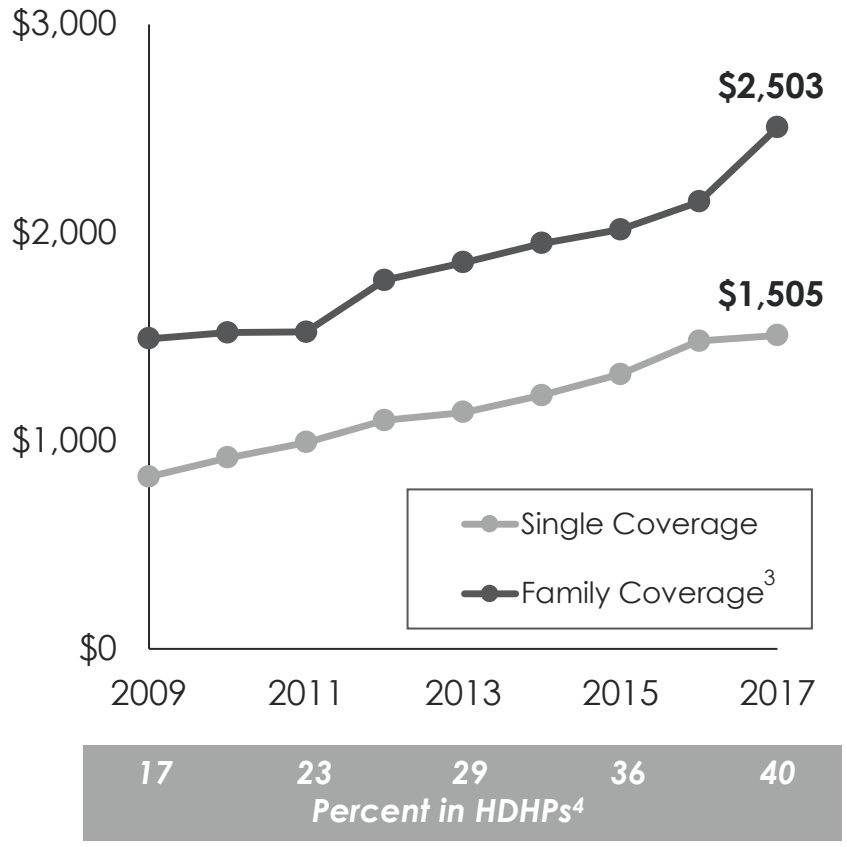
Employees Spending Over Ten Percent of Income on Insurance Alone

Annual Cost of Insurance

Family Coverage



Average Employee Deductible



1. Health savings accounts
2. High-deductible health plans
3. PPO plan as representative
4. Single coverage, deductible > $2000

Source: Claxton, Gary, et. al *Employer Health Benefits 2016 Annual Survey*. Kaiser Family Foundation, 14 Sept. 2016. Web. 1 Jan. 2018; Claxton, Gary, et al. *Employer Health Benefits 2017 Annual Survey*. Rep. Kaiser Family Foundation, 19 Sept. 2017. Web. 1 Jan. 2018; Collins, S.R., D.C. Radley, M.Z. Gunja, and S. Beutel. *The Slowdown in Employer Insurance Cost Growth: Why Many Workers Still Feel the Pinch*. Commonwealth Fund, Oct. 2016. Web. 2 Jan. 2018; Premiums and Worker Contributions Among Workers Covered by Employer-Sponsored Coverage, 1999-2017. 19 Sept. 2017. Raw data. Kaiser Family Foundation; Gist Healthcare analysis.

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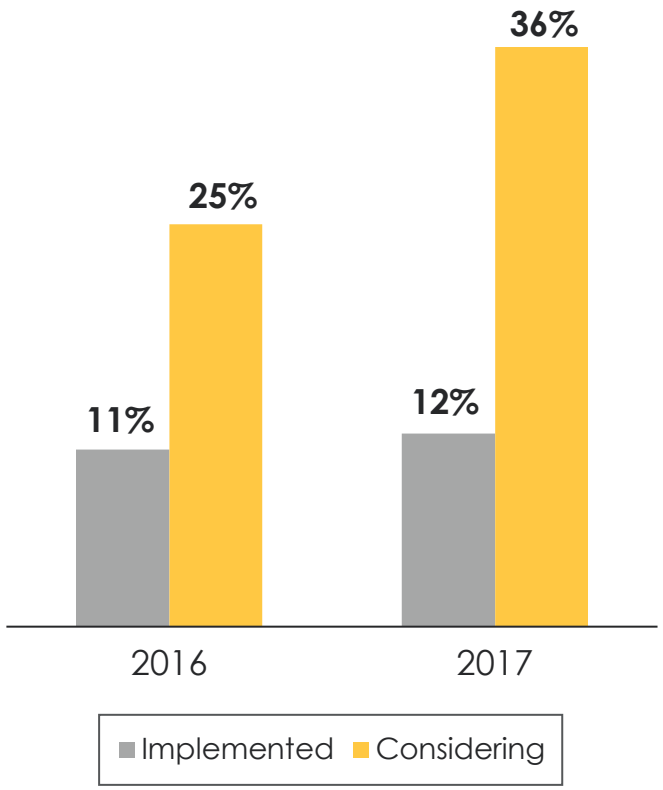
Defined Contribution the End Game

Aided by HDHPs[1], adoption of defined contribution plans is accelerating, and will mirror the shift in retirement benefits

Employers In the Middle of a Decade-Long Transition

Growing Adoption of Defined Contribution

Percentage of Employers



Shift in Retirement Benefits

85% ▶ 20%

Workers with access to a pension, 1983 to 1998

"We've been evaluating private exchanges for three years, and I anticipate we'll make the move next year. Most importantly, our employees are ready. **If we went there from a zero-deductible PPO, we'd have a revolt. But high deductibles provide a cushion**. Now it's a good thing to get to choose your own $3000-deductible plan."

VP, Human Resources

5800-EMPLOYEE MANUFACTURING FIRM

1. High-deductible health plans

Source: Benchmark Study: 2017 Healthcare Benefits Trends. Rep. Healthcare Trends Institute, 2017. Web. 2 Jan. 2018; Benchmark Study: 2016 Healthcare Benefits Trends. Healthcare Trends Institute, 2016. Web. 2 Jan. 2018; Friedberg, Leora, and Michael T. Owyang. "Not Your Father's Pension Plan: The Rise of 401(k) and Other Defined Contribution Plans." The Federal Reserve Bank of St. Louis(2002): 23-34. Jan.-Feb. 2002. Web. 2 Jan. 2018; Gist Healthcare interviews and analysis.

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Awakening a Sleeping Giant: The American Consumer

As individuals face greater direct exposure to the cost of healthcare, they begin to behave as they do in the rest of the consumer economy

Decision Path of the Motivated Health Care Consumer

Delay or Forgo Care?

First year after HDHP[1] rollout:

42% Reduction in all spend under deductible

18% Decline in physician office visits

20% Lower drug spend

10% Decline in preventive care, even when fully covered

Conflict with population health strategies

Shop on Price?

Patients shopping for care:

48% Attempt to find price

53% Report saving money after price comparison

70% Believe higher price not associated with better quality

Share lost to low-cost non-hospital providers

Fail to Pay?

When facing bills for care:

44% Cannot produce $2000 in 30 days[2]

1 in 3 Kansas City residents with medical debt in collections

62% Personal bankruptcies due to medical debt

Rising bad debt and uncompensated care

1. High-deductible health plan, deductible of $3000-$4000
2. Without selling possession or taking a payday loan

Source: Brot-Goldberg, Zarek C., Amitabh Chandra, Benjamin R. Handel, and Jonathan T. Kolstad. What Does a Deductible Do? The Impact of Cost-sharing on Health Care Prices, Quantities and Spending Dynamics. Working paper no. 21632. National Bureau of Economic Research, Oct. 2015. Web. 3 Jan. 2018; Lusardi, Annamaria, Daniel J. Schneider, and Peter Tufano. Financially Fragile Households: Evidence and Implications. Working paper no. 17072. National Bureau of Economic Research, May 2011. Web. 3 Jan. 2018; Marso, Andy. "In Parts of KC, Almost 1 in 3 Has Medical Debt in Collections." Kansas City Star. 29 Dec. 2017. Web. 3 Jan. 2018; Schleifer, David, Rebecca Stillman, and Chloe Reinhart. How Texans Use Health Care Price Information. Public Agenda, Apr. 2017. Web. 3 Jan. 2018; "Top 10 Reasons People Go Bankrupt." Blog post. Huffingtonpost.com. 24 Mar. 2015. Web. 3 Jan. 2018; Gist Healthcare analysis.

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Sparking a Scramble for Higher Ground

As the potential for major healthcare realignment grows, a new wave of merger activity in healthcare has begun

The Physician Angle

- Optum acquires DaVita Medical Group for $4.9B
- Doubles size of Optum's owned physician enterprise to ≈60K
- Largely MA-driven model sees 1.7M patients/year in 300 clinics, 35 UCCs[1] and six surgery centers

The Post-acute Angle

- Humana to acquire Kindred for $738.2M
- Co-investing with private equity firms; will initially own 40% of Kindred
- Largest home health and hospice operator in US; operates 77 LTCHs[2] and 19 rehab hospitals

The Pharmacy Angle

- CVS to acquire Aetna for $67.5B
- Largest drugstore chain in US; third largest commercial insurer
- Will combine retail clinics, pharmacy and other health services into new care management centers

Case in point: Cross-sector M&A activity

1. Urgent care centers
2. Long term care hospitals

Source: Tracer, Zachary. "UnitedHealth Buys DaVita's Doctor Groups for $4.9 Billion." Bloomberg.com. Bloomberg, 06 Dec. 2017. Web. 28 Dec. 2017; Moise, Imani. "Humana, Private-Equity Firms Agree to Buy Kindred Healthcare." The Wall Street Journal. Dow Jones & Company, 19 Dec. 2017. Web. 28 Dec. 2017; Tracer, Zachary, and Robert Langreth. "CVS to Buy Aetna for $67.5 Billion, Remaking Health Sector." Bloomberg.com. Bloomberg, 03 Dec. 2017. Web. 28 Dec. 2017; Gist Healthcare analysis.

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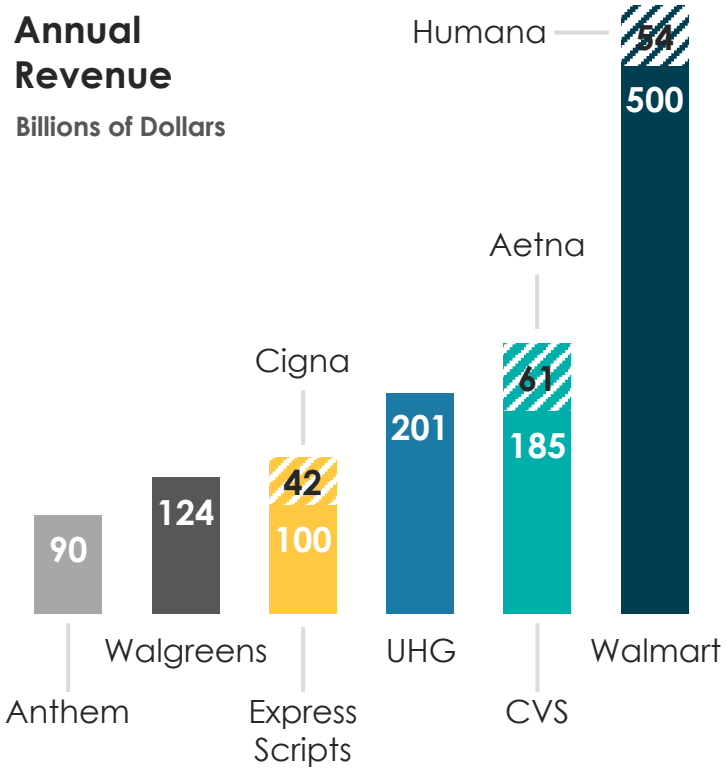
Bringing "Everyday Low Prices" to Our Industry

Walmart's sheer scale puts it in a position to disrupt every segment of healthcare, with its relentless focus on lowering price for consumers

Talk About Awakening a Sleeping Giant

Largest Retailer (and Employer) Poised to Create the "Copper Plan"



- ✓ In preliminary talks to acquire Humana
- ✓ Operates 4,700 stores in the US
- ✓ Already offers co-branded Medicare Part D plan with Humana
- ✓ Piloting $4/$40 primary care clinics in 19 locations

Case in point: Walmart

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Source: Mattioli, Dana, Sarah Nassauer, and Anna Wilde Mathews. "Walmart in Early-Stage Acquisition Talks With Humana." *The Wall Street Journal*. Dow Jones & Company, 30 Mar. 2018. Web. 10 Apr. 2018; Tracer, Zachary. "Walmart, Humana Move Closer as Separate Upheavals Threaten." *Bloomberg.com*. Bloomberg, 01 Apr. 2018. Web. 10 Apr. 2018; Benedict, Jared C. *Walmart Exterior.jpg*. Digital image. *Wikimedia Commons*. 23 Feb. 2004. Web. 10 Apr. 2018; Gist Healthcare analysis.

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Introducing the Marginal Revolution

In the marketplace for care, consumers don't care what your costs are

"The difficulties of economics are mainly the difficulties of conceiving clearly and fully the conditions of utility."

William Stanley Jevons

THE THEORY OF POLITICAL ECONOMY, 1871

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Source: Picture of jevons.jpg. Digital image. Wikimedia Commons. 10 Feb. 2005. Web.; Jevons, William Stanley. The Theory of Political Economy. Macmillan, 1871. Google Books. Web.; Gist Healthcare analysis.

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Orienting Around Consumer Value in Healthcare

The rise of activated consumers will drive a shift to a business-to-consumer model in healthcare, with choice driven by value to the end user

Consumerism is About Value-Based Choice

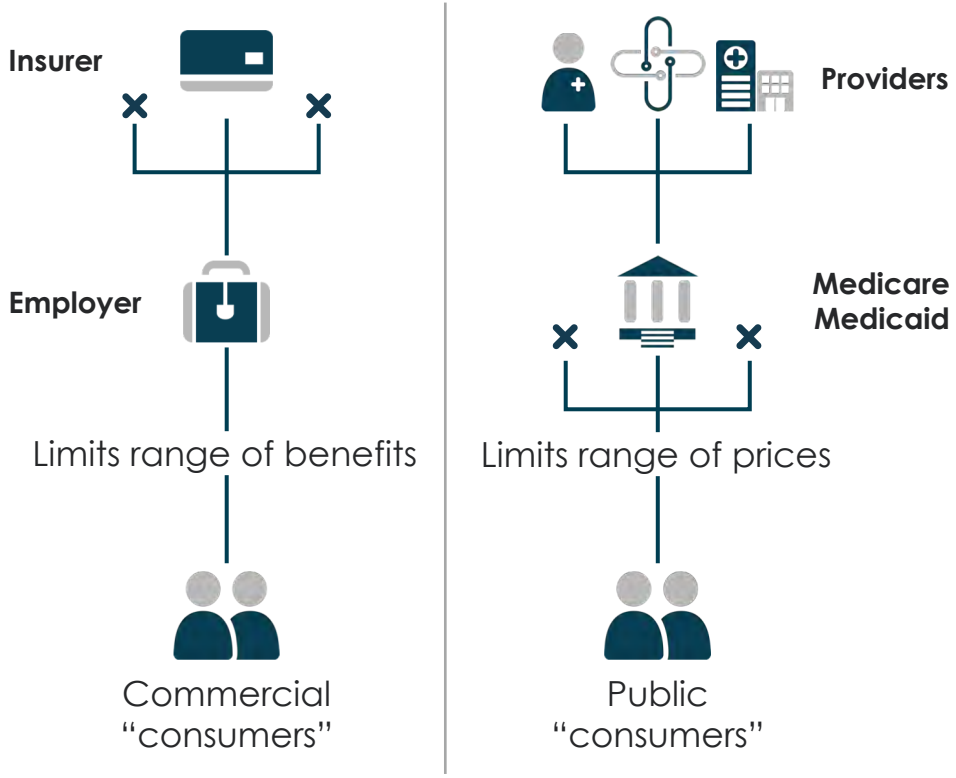
What is Value, and Why Don't Consumers Receive It?

> To make any selection, customers use two basic criteria, benefits and price...**Value equals benefits minus price**. Customers select the product or service they believe is the **superior value** compared to competing alternatives."

M. Lanning and E. Michaels
MCKINSEY & COMPANY, 1988

Benefits	Price
• Convenience • Service quality • Clinical quality • Ease of use • Relationship	• Wholesale • Retail

Legacy Model Limits Ability to Choose



Source: Lanning, Michael J., and Edward G. Michaels. A Business Is a Value Delivery System. McKinsey & Co., 1988. Print; Gist Healthcare analysis.

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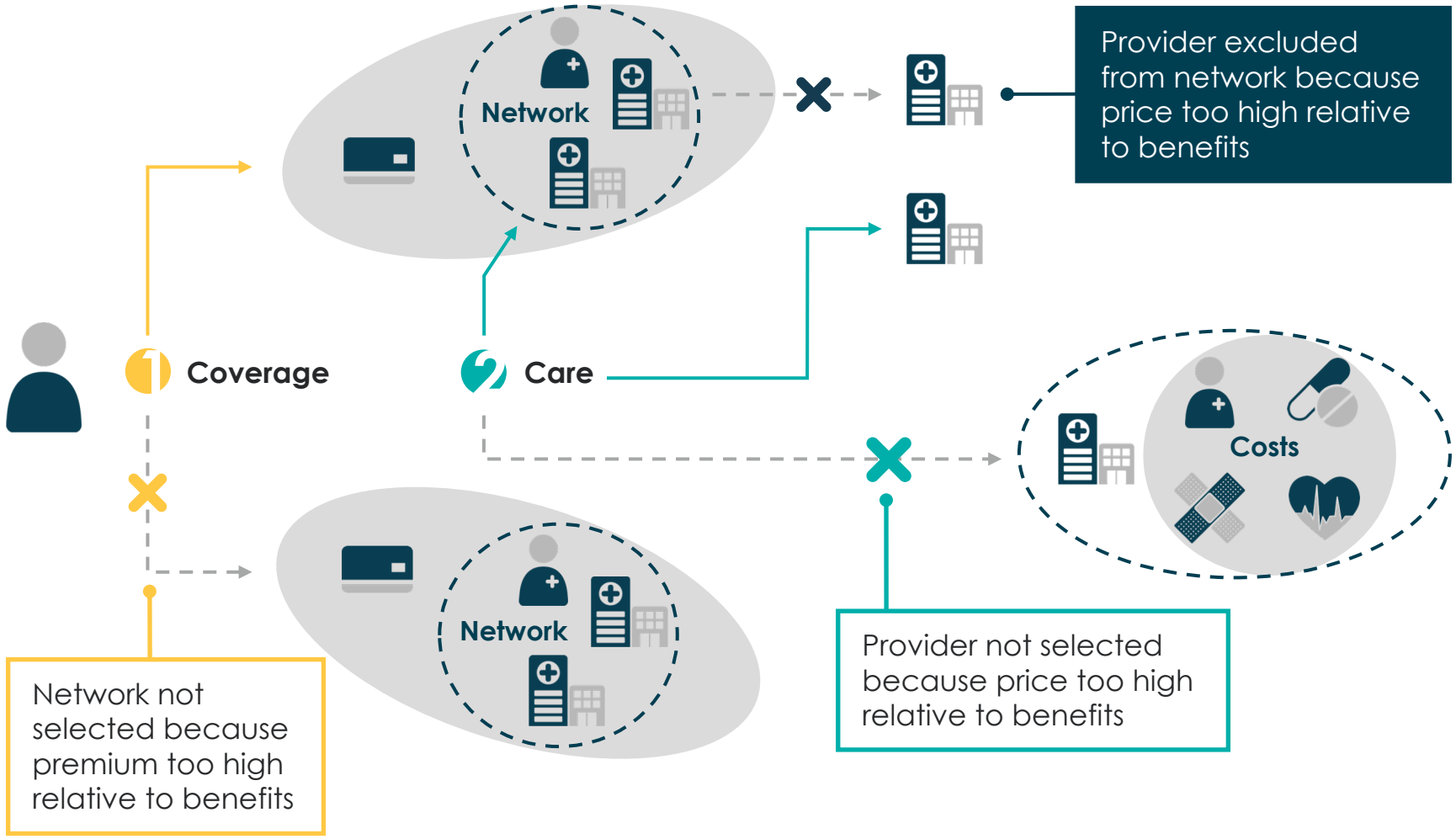
Shopping for Value at Two Points of Sale

In a defined-contribution, consumer-driven world, competition is based on value creation at the point of coverage and the point of care

Imperative to Provide Value at Both Levels

To Earn Consumer Choice, Costs Must Enable Competitive Price



Source: Gist Healthcare analysis.

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True Cost Reduction Easier Said Than Done

Providers have been challenged to reduce cost by meaningful amounts for reasons that are inherent to the model of care and payment

Difficult for Providers to Address Drivers of Cost

Finding Challenges Every Step of the Way

Cost reduction lever	Examples	Obstacles to deployment
Reduce input prices	• Provider compensation • Supply costs • Drug and technology costs	• Dependence on referrals • Limitations of GPO[1] model
Shift mix of inputs used	• Top-of-license labor • Standardized PPIs[2] • Formularies for drugs	• Guild protectionism • Fear of alienating physicians
Capture scale efficiencies	• Consolidate back office • Increase purchasing power • Rationalize service delivery	• Legacy organizational silos • Fear of alienating physicians
Reduce waste and variation	• Standardize operations • Standardize clinical care	• Lack of reliable data • Fear of alienating physicians
Lower unnecessary utilization	• Coordinate care delivery • Shift to lower-cost settings • Eliminate unnecessary care	• Counter to FFS[3] incentives • Resistance to "rationing"
Reduce price to purchaser	• Lower charge-master rates • Lower retail prices	• Fragile financial model

1. Group purchasing organization
2. Physician preference items
3. Fee for service

Source: Gist Healthcare analysis.

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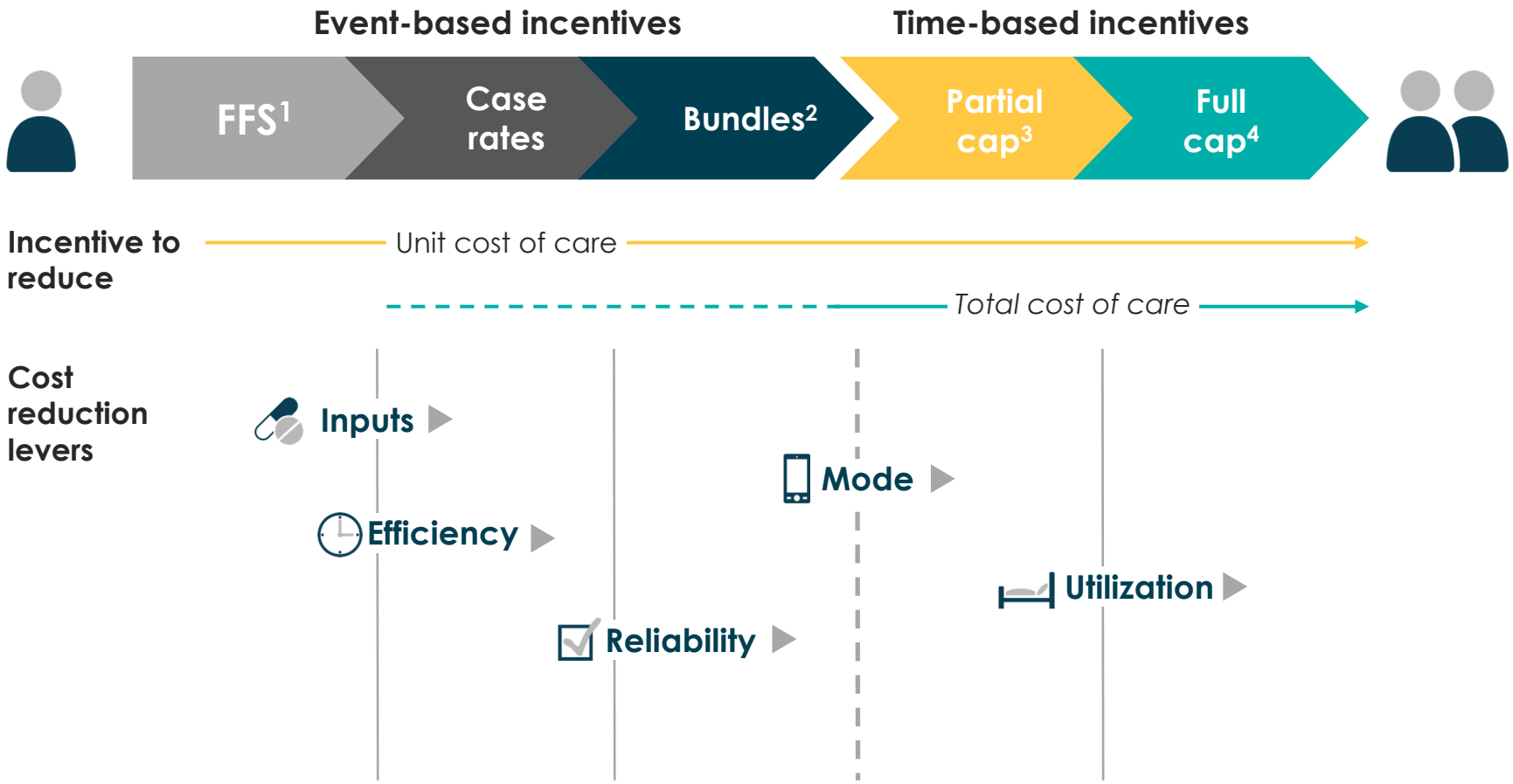
Admitting a Home Truth: We Follow the Money

The largest impediment to serious efforts to lower the cost of care is the way that providers are paid

In Need of a Longer Accountability Horizon

Enabling Providers to Address Larger Drivers of Cost



1. Fee for service
2. Episodic bundles, which could vary by scope and length
3. Partial capitation
4. Full capitation

Source: Gist Healthcare analysis.

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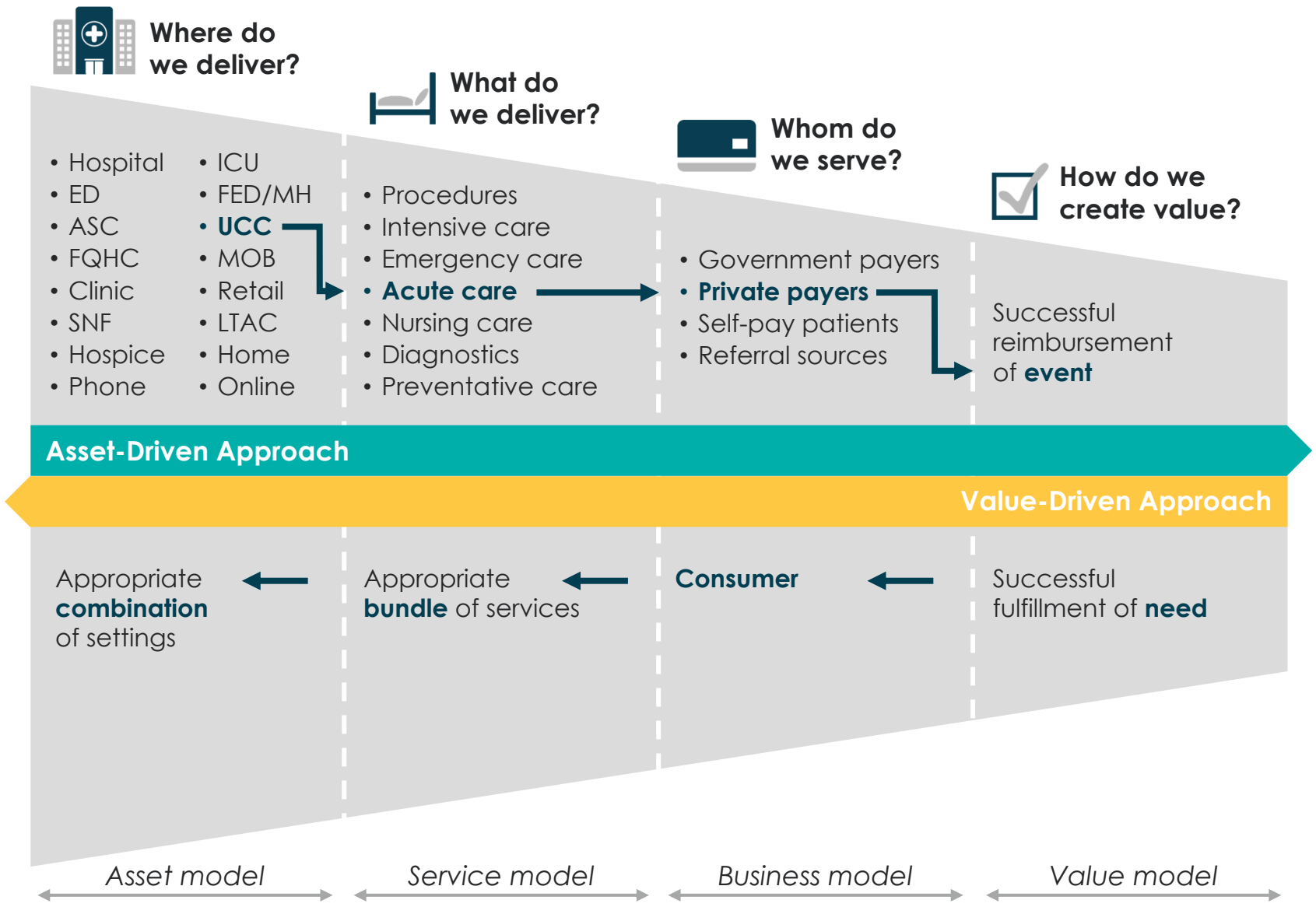
It's Not a Journey if You Don't Know the Destination

Successful health systems will begin with the end in mind, asking how value will be created, and working backwards to service and facility choices

Reversing the Strategy Arrow



Source: Gist Healthcare analysis.

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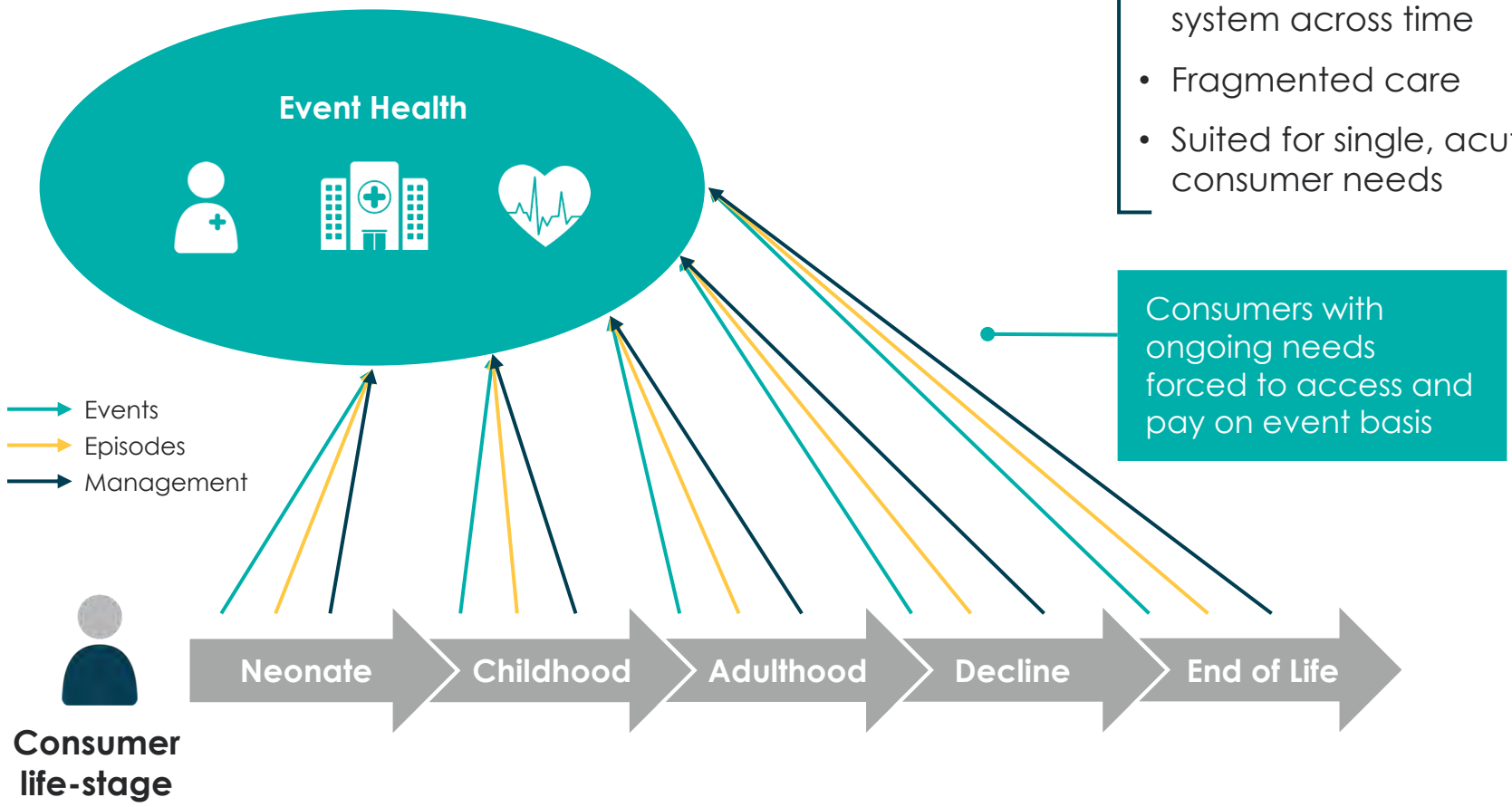
Recognize the Limits of the Legacy Model

Current approach organizes and delivers services on a one-off, fragmented basis, which falls short of how consumers experience care needs

Today's System Built for Single Servings

Often Too Fragmented, Costly for Consumers



1 Event Health

- Today's dominant model, driven by FFS
- Multiple, disconnected interactions with health system across time
- Fragmented care
- Suited for single, acute consumer needs

Source: Gist Healthcare analysis.

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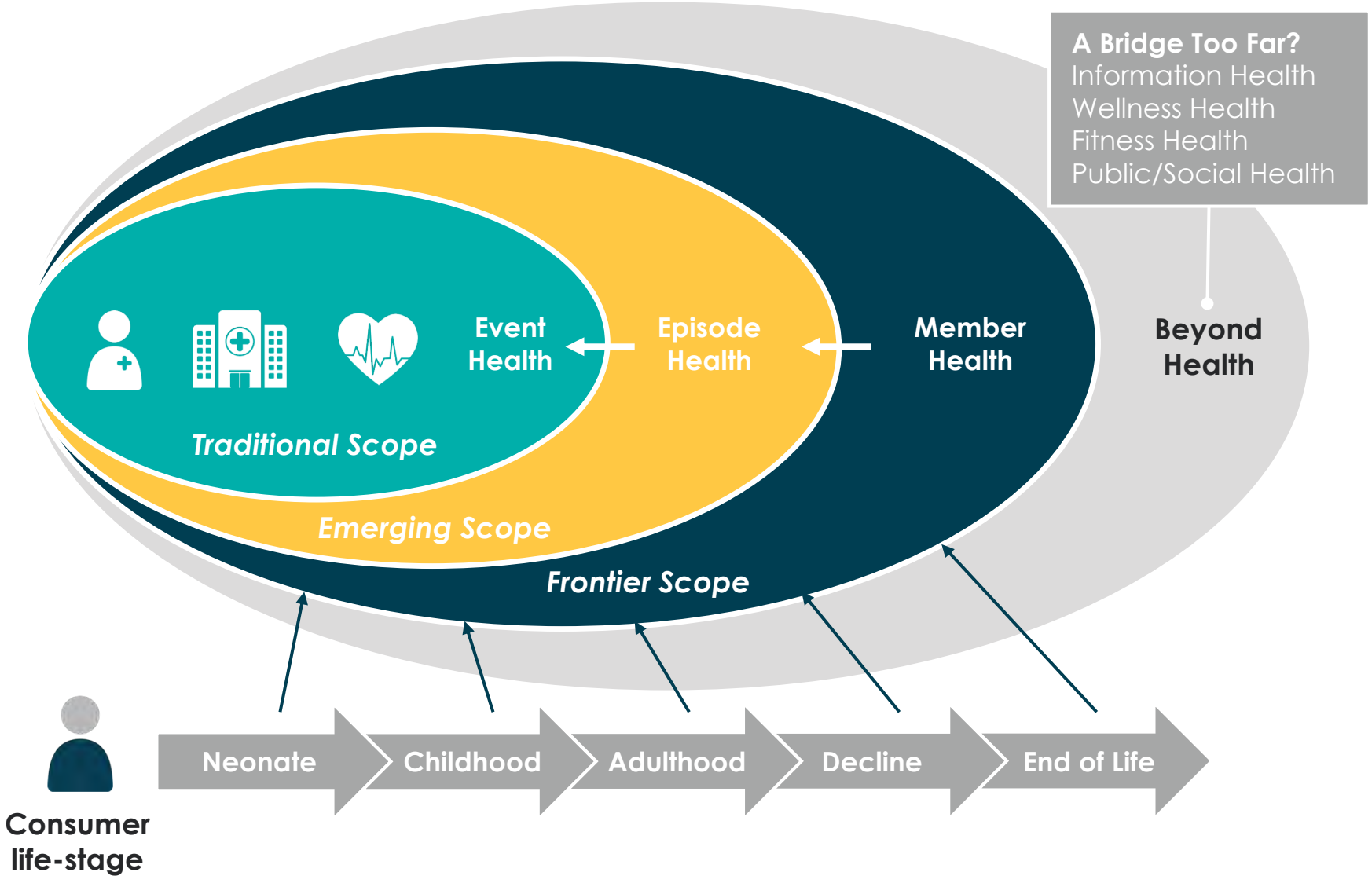
Choosing Our Value Model for the New Market

Most incumbent health systems are still in the "event" business, but must shift over time to embrace multiple identities, based on their own competitive advantages

Building Toward Membership Health

Future Model Requires Embracing Multiple Roles



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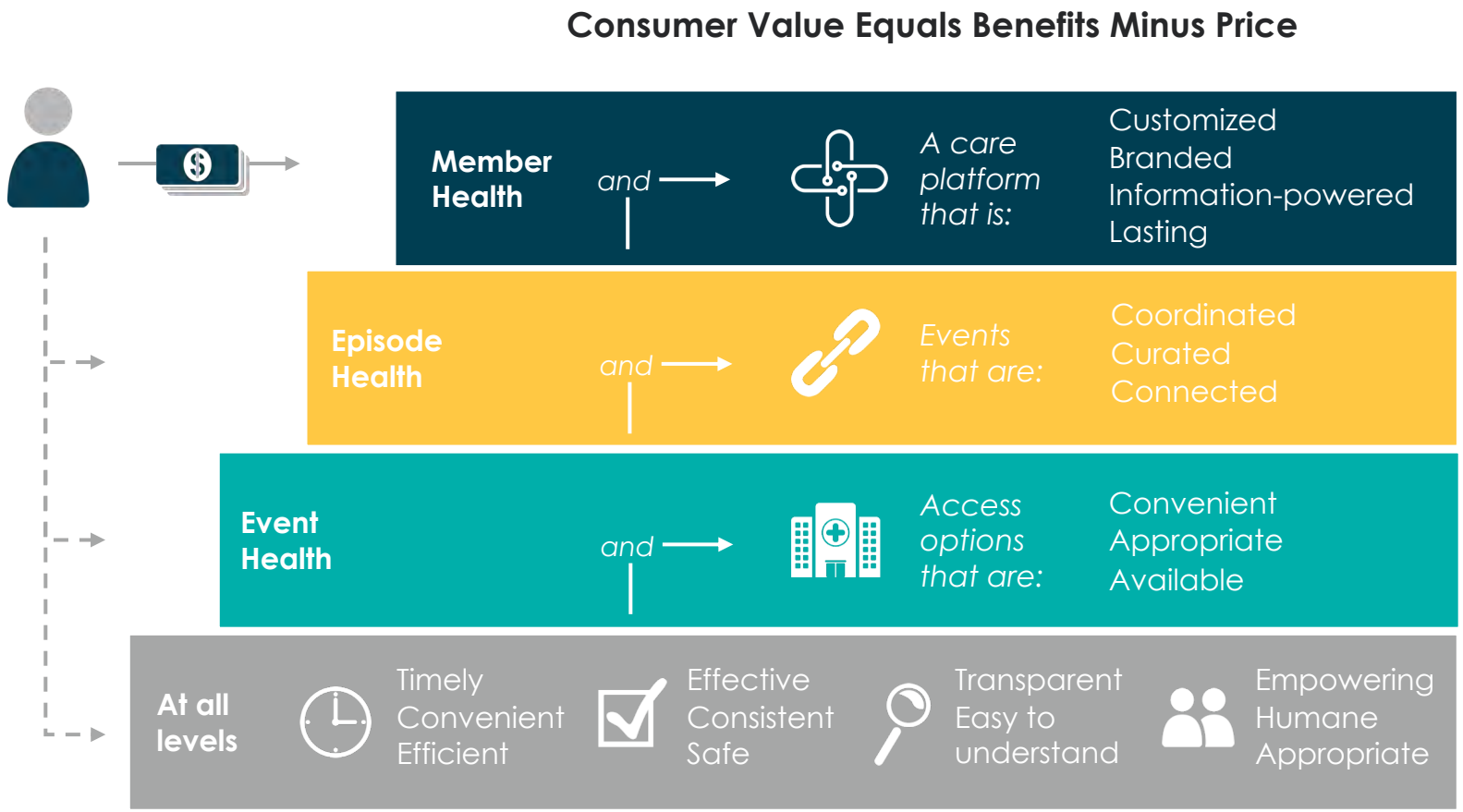
Raising the Bar on Consumer Value Delivery

Successful health systems must be able to deliver benefits to consumers in excess of price paid, at every level of interaction

Adding Value Beyond Baseline Expectations

Providers Must Deliver at Multiple Levels



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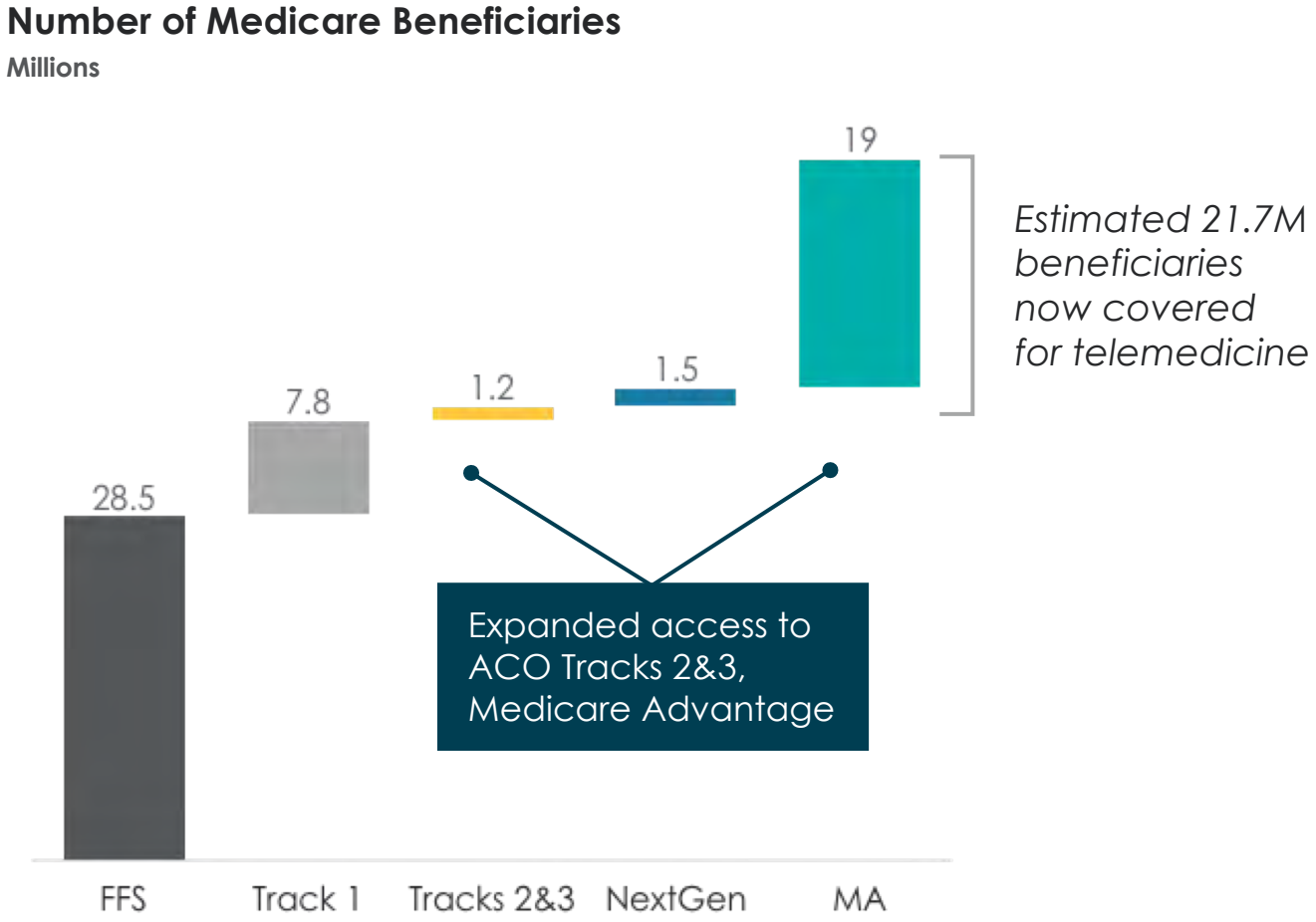
Bringing Virtual Care Access to Medicare

While the CHRONIC Care Act opened telemedicine access to millions, Medicare lags behind many commercial payers in adoption and payment

CHRONIC Care Act Expands Telemedicine Access

Coverage Extended Beyond Next-Gen ACO Patients



Source: "Fast Facts: All Medicare Shared Savings Program (Shared Savings Program) Accountable Care Organizations (ACOs)." *Cms.gov*. Jan. 2018. Web. 21 Mar. 2018.; Medicare Advantage 2017 Spotlight: Enrollment Market Update. Kaiser Family Foundation, 6 June 2017. Web. 31 Dec. 2017.; S. S.870, 115th Cong. (2017) (enacted). *Congress.gov*. Web. 21 Mar. 2018; Gist Healthcare analysis.

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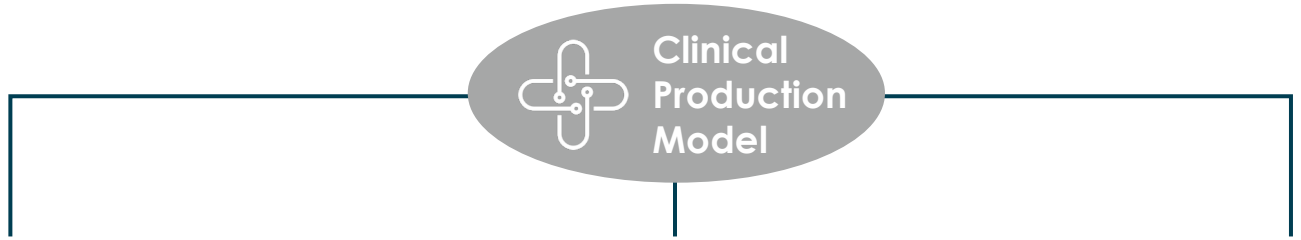
At the Heart of Our Approach to Value

Regardless of aspiration or position in the market, every system must have at its foundation a clinical production model that creates value

Ensuring a High-Value Clinical Production Model



Labor Model

Who will deliver care?

- Apply top-of-capability labor across all events
- Look for technology substitutions
- Align provider governance and incentives with value

Core Challenge

Can we displace doctors as the object of strategy?

Delivery Model

How will care be delivered?

- Eliminate wasteful or unneeded care
- Shift to appropriate level of care
- Standardize needed services
- Hardwire improvement and innovation

Core Challenge

Can we move beyond an initiative-driven approach to improvement?

Asset Model

Where will care be delivered?

- Determine lowest cost site of service
- Deliver care at the right level of acuity and access
- Use virtual care delivery whenever appropriate

Core Challenge

Can we stop treating assets as profit centers?

Source: Gist Healthcare analysis.

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Organizing Around Value Delivered

Leading health systems creating organizational structures, business units around consumer needs and value rather than assets or geography

"One Intermountain" Creates Two Clinical Enterprises

Organized Around Business Model Over Assets

Intermountain Healthcare

	Community Care Group	Specialty Care Group
Value Provided	**Keeping people well** through prevention and primary care	**Providing episodic care** needed to treat a serious illness or injury
Services Delivered[1]	• Primary care • Homecare • Senior Services • Chronic disease management • Minor injury care	• Specialty care • Hospital inpatient care
Enterprise Value	Deliver consistent, excellent care, and experience while maximizing operational efficiency and agility	

"We hope … regardless of where you are in the system, for any given condition, you get the same safety, quality, access, approach, consistency, as you would anywhere else."

Marc Harrison, MD
CEO, INTERMOUNTAIN HEALTHCARE

Case in point: Intermountain Healthcare

Gist healthcare

1. Representative list

Source: Kacik, Alex. "Intermountain Reorganizes Its Regions to Form 'a Model for Tomorrow'." Modern Healthcare. 19 Oct. 2017. Web. 2 Jan. 2018; Intermountain Healthcare. Communications. Intermountain Healthcare Changing Internal Structure to Better Serve Patients and Communities. 12 Oct. 2017. Web. 2 Jan. 2018; Lockhart, Ben. "Intermountain Healthcare Changing 'to Disrupt Ourselves,' CEO Says." Deseret News. 27 Nov. 2017. Web. 2 Jan. 2018; One for All and All for One: Intermountain Announces Organizational Changes. Trustee Resource Center. Web. 2 Jan. 2018. Gist Healthcare analysis.

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