The Changing U.S. Healthcare Landscape

Mike Lovdal, Emeritus Partner
mike@mlovdal.com
U.S. health spending: 5% of GDP in 1960, 17.5% in 2013

U.S. Healthcare Expenditures
Percent of GDP

Year

Percentage (%)
0% 2% 4% 6% 8% 10% 12% 14% 16% 18% 20%

Demographic age wave
Declining population health status and attitudes
New medical and therapeutic technologies
Fee-for-service payment systems
Sense of health entitlement
User = payer
$2.81T
$1.56T
$1.25T

Projected

Total
Private
Public

Source: Centers for Medicare and Medicaid Services, 2013
...2nd highest risk of dying of noncommunicable diseases and 4th highest risk of dying from communicable diseases...

... the United States ranked last among males and next to last among females for life expectancy...

... the United States had the highest infant mortality rate of the 17 peer countries...
One Hundred Eleventh Congress of the
United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Tuesday,
the fifth day of January, two thousand and ten

An Act

Entitled The Patient Protection and Affordable Care Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Patient Protection and Affordable Care Act”.

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:
Sec. 1. Short title; table of contents.

TITLE I—QUALITY, AFFORDABLE HEALTH CARE FOR ALL AMERICANS
Subtitle A—Immediate Improvements in Health Care Coverage for All Americans
Sec. 1001. Amendments to the Public Health Service Act.
King v. Burwell: Supreme Court to rule on Obamacare subsidies based on ACA language ambiguity (“... established by the State”)
Exchange status

Source: Mercer
Individuals & Families

You and your family have many new low cost, quality health insurance options available through the Individual Marketplace.

You can quickly compare health plan options and apply for assistance that could lower the cost of your health coverage. You may also qualify for health care coverage from Medicaid or Child Health Plus through the Marketplace. Anyone can apply here.

Sign up as early as October 1, 2013 for coverage that begins January 1, 2014.

GET STARTED

Get help finding an insurance assistor in your area.
NOTES: Under discussion indicates executive activity supporting adoption of the Medicaid expansion. *AR, IA, MI, and PA have approved Section 1115 waivers; IN has a pending waiver to implement the expansion. The PA waiver is set to go into effect on January 1, 2015, but the newly-elected governor may opt for a state plan amendment. NH has submitted a waiver to continue their expansion via premium assistance. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.

Three waves reshaping the U.S. healthcare landscape

**Wave 1**
Volume to Value

Patient-centered, Value-based Healthcare

**Wave 2**
Patient to Consumer

Consumer Engagement and Empowerment

**Wave 3**
Blunt to Precision

Science of Diagnosis and Prevention
How will the three waves impact your Community Heath Center’s business model?

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Patient-centered, Value-based Healthcare

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Science of Diagnosis and Prevention

Served Populations
What consumer (aka patient) segments (aka populations) are we serving?

Value Proposition
What is our unique and differentiated value proposition relative to competitors?

Strategic Control
How will we protect our consumer base and sustain our value proposition?

Revenue Models
What revenue models will we use to capture value from serving these consumers?

Scope
What value chain positions and what assets and partners do we need?
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Wave 1: Patient-centered . . .

Patient-Centered Care Core Principles

- Holistic Care
- Evidenced-Based
- Fast Analytics
- Predictive Care
- Patient Personalization
- Real-Time Monitoring
- Accessible and Available
- Team-Based
- Targeted Engagement / Management
- Patients First Philosophy

Wave 1: Patient-centered . . .
The Office of the National Coordinator for Health Information Technology (ONC)

Report to Congress
April 2015
Report on Health Information Blocking

. . . The federal government has invested over $28 billion to accelerate the development and adoption of health IT . . .

. . . Current economic and market conditions create business incentives for some persons and entities to exercise control over electronic health information in ways that unreasonably limit its availability and use . . .

. . . Information blocking not only interferes with effective health information exchange but also negatively impacts many important aspects of health and health care.
Wave 1: Patient-centered and value-based care

Today: FFS
- Transactional Models
- Orthopedics
- CV surgery
- General surgery

Future: FFV
- Episodic Care Models
- Oncology
- Diabetes
- Asthma
- Chronic renal
- Condition Care Models
- Population Care Models
- Partial Population
  - Frail elder
  - Poly-chronic
- Full Population
  - Pediatric
  - All-risks
Wave 1: Patient-centered, value-based care

- 75% Healthy Independent
- 20% Early State Chronic
- 5% Complex / Polychronic

45% ER visits, overutilization, cost variation, noncompliance
35% Infections, complications, rehospitalizations
20%
“HHS has set a goal of tying 30% of traditional, or fee-for-service, Medicare payments to quality or value through alternative payment models, such as Accountable Care Organizations (ACOs) or bundled payment arrangements by the end of 2016, and tying 50% of payments to these models by the end of 2018 . . . 

. . . This is the first time in the history of the Medicare program that HHS has set explicit goals for alternative payment models and value-based payments.”
Reactions to HHS announcement

“We encourage the Administration to fully evaluate and improve on the delivery system reforms currently in place . . . Moreover, we need to phase in changes in a thoughtful manner tailored to the specific needs of individual communities.

We look forward to learning more from HHS on the details and metrics of this program.”

“Physicians have many ideas for redesigning and improving the delivery of high-quality patient care in this country . . .

We look forward to hearing more details behind the percentages HHS put forward as well as their plans to reach these percentage targets.”

“Advancing a patient-centered health system requires a fundamental transformation in how we pay for and deliver care. Health plans have been on the forefront of implementing payment reforms . . .

We are excited to bring these experiences and innovations to this new collaboration.”
$1T to value-based healthcare (in some form) by 2017

Value market by funding source
2010-2025

- Managed Medicaid: $268 B
- Duals: $578 B
- Innovative Employers: $1.2 T
- Individuals & Exchange: $231 B

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

TIPPING POINT: FFV tops 30% of total market

2010 - 2025
The transition is already underway, with 500+ ACOs currently in the market and hundreds of additional pilots on the way.

Legend:
- Medicare / Medicaid
- Private
- Both
- Prep activity only

Updated as of January 2014. Sources: News releases, company websites, Dartmouth Atlas PCSAs, Claritas, Oliver Wyman analysis.
Where will the trillion $ migrate?

Accountable Care ...

- High quality care
- Efficient delivery
- Coordination of activities
- Measurable results
- Patient-centric

... Organizations

- Whose “Organization”
  - Hospital?
  - Doctor?
  - Payer?
  - Population Health Manager?
  - Community Health Center?
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Science of Diagnosis and Prevention
Wave 3: Science of diagnosis and prevention

1. Source: National Human Genome Research Institute
FDA News Release

FDA permits marketing of first direct-to-consumer genetic carrier test for Bloom syndrome

The U.S. Food and Drug Administration today authorized for marketing 23andMe’s Bloom Syndrome carrier test, a direct-to-consumer (DTC) genetic test to determine whether a healthy person has a variant in a gene that could lead to their offspring inheriting the serious disorder.
Wave 1: Patient-centered, value-based care +
Wave 3: Science of diagnosis and prevention

Today:
Reactive, Transactional Sick Care

Future:
Preventive, Interventionist Health Management
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Insurance status of 319M Americans

- Public Employer: 37M (12% of total)
- Private Employer: 121M (37% of total)
- Individual: 16M (5% of total)
- Medicare: 51M (16% of total)
- Medicaid: 54M (17% of total)
- Uninsured: 40M (13% of total)

Source: Oliver Wyman analysis based on multiple surveys
But what if . . .

Medicare Vouchers and/or Medicaid Block Grants are Adopted

More Employers Move to Defined Contribution

Active Employees

Darden  Walgreens

Sears

Retired Employees

Marsh & McLennan Companies

IBM
Here comes the healthcare consumer!

Employers dropping health coverage or moving to defined-contribution health plans = +158 M?

Changes to Medicare (e.g., proposals for vouchers for buying private insurance) = +51 M?

Changes to Medicaid (e.g., block grants to states) = +54 M?

Entry of the uninsured through ACA penalties + exchange subsidies = +40 M?

Source: Oliver Wyman analysis based on multiple surveys
Old World: Patients and members

Provider

- Sick
- At-Risk
- Healthy

Payer

Commercial → Medicare → Medicaid → Out-of-Pocket → No Funding
New World: Consumer-centricity

- Income Level
- Employment
- Education
- Geography
- Social Network
- Tech-savviness
- Pref. Channels
- Family Status
- Ambitions
- Culture
- Gender
- Age
Voice of the U.S. Healthcare Consumer

“We want to understand how to improve our health and live longer and better.”

“We want to be able to make informed decisions about health services.”

“We want simple, secure personal health information and tools.”

“We want to be able to stretch our dollars beyond the benefit plan.”

“We want anytime and anywhere access to convenient care.”
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Drivers of health status:

- Behavior: 50%
- Genetics: 20%
- Environment: 20%
- Access to care: 10%

“We want to understand how to improve our health and live longer and better.”

A  B  C ’  S

A - Aspirin
B - Blood Pressure Control
C - Cholesterol Control
S - Smoking Cessation

~60% compliance\(^1\)  (~50% compliance)\(^2\)  (~50% compliance)\(^3\)  (~30% compliance)\(^4\)

Obesity defined as BMI ≥ 30, or about 30 lbs. overweight for a 5’4” person
“We want to understand how to improve our health and live longer and better.”

Total Diabetes Prevalence in U.S. Adults
Diagnosed and Undiagnosed Cases

Source: Centers for Disease Control and Prevention.
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Healthcare hassle map

Health Plan

No Coordination of Care

Doctors

Patient

- Costly senior care
- Expensive co-pays
- Complicated referrals

- Emergency? Call 911
- Can't Drive
- 15-20 medications
- Multiple specialists

- Risk of adverse selection death spiral
- Redundant treatment
- Small margin for Medicare patients

- No end-of-life plan
- Problems go unnoticed
- Miss Appointments
- Conflicting treatments

- Denial of coverage
- Emotionally attached
- Wait weeks to see doctor

- Need to minimize costs
- Hard to find quality docs
- Hard to be ideal doc
- Too many patients, too little time
- No time or $ to talk end of life

- Staff focused on costs, not prevention
- Byzantine billing
- More billing staff than nurses
- Professional frustration
- Lack resources to manage chronic illnesses

- Need to minimize costs
- Hard to fit patients in schedule
- No holistic care

- Expensive hospitalization
- Expensive co-pays
- Risk of adverse selection death spiral

- Professional frustration
- Staff focused on costs, not prevention
- Byzantine billing
- More billing staff than nurses
- Professional frustration

- Health Plan
- No Coordination of Care

Healthcare hassle map
Hassle Map for finding health insurance coverage

- Finding information: 22%
- Comparing health plans: 40%
- Figuring out premium costs: 24%
- Getting information about vision, dental, etc.: 24%
- Learning about resources (e.g. Gym discounts): 14%
- Enrolling in a plan: 41%

Tasks:
- Finding information
- Comparing health plans
- Figuring out premium costs
- Getting information about vision, dental, etc.
- Learning about resources (e.g. Gym discounts)
- Enrolling in a plan
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Will consumers opt-in to the cloud or will privacy concerns drive “in-pocket” alternatives?
“We want simple, secure personal health information and tools.”

Healthcare-Focused Social Media

patientslikeme

group loop

diabetic connect

LifeWithLupus.org

We are patients living with lupus, here for your support

talkpsoriasis

ALSforums
“We want simple, secure personal health information and tools.”

Facebook wants to be the next big thing in healthcare: Here's what it plans to do

By Nicole Arce, Tech Times | October 6 2014, 9:17 AM

Apple has Apple Health, Google has Google Fit and Samsung has S Health. Now, Facebook is also reportedly jumping into the health bandwagon and developing its own healthcare platform.

An exclusive report by Reuters cites three Facebook insiders who requested anonymity and said that the social network has plans of building a platform for developing health-related apps and establishing online communities where users who share common health problems can interact and provide support for one another. Sources say Facebook is still in the planning stage and has been conducting meetings with health industry experts and entrepreneurs to gather ideas and creating its own research and development team that will test health and fitness apps on the new platform.
“We want simple, secure personal health information and tools.”

Stroke Recovery with Kinect

Stroke Recovery with Kinect is an interactive rehabilitation system prototype that helps stroke patients improve their upper-limb motor functioning in the comfort of their own home. By using Microsoft Kinect technology, this prototype system recognizes and interprets the user’s gestures, assesses their motor function and provides appropriate exercises.

Using Kinect to monitor Parkinson’s patients

Swedish neurologists and software developers have teamed up to create a potential technology to monitor patients with Parkinson’s disease. The secret ingredient? Kinect for Windows.

Reflexion Health uses Kinect for Windows to bring physical therapy to patients’ homes

April 02, 2014 | Views: 2,804 | Time: 2:17 | Watch as WMV

Ravi Komatireddy, co-founder and chief medical officer at Reflexion Health (in San Diego), explains how Reflexion Health’s solution uses Kinect for Windows to transform physical therapy. By tracking a patient’s range of motion and other clinical data, clinicians can engage with patients and provide them with real-time feedback as they perform their exercises at home.
“We want simple, secure personal health information and tools.”

Heartbeat. When you press two fingers on the screen, the built-in heart rate sensor records and sends your heartbeat. It’s a simple and intimate way to tell someone how you feel.
“We want simple, secure personal health information and tools.”

Instant Heart Rate Monitor

App uses the camera lens to monitor heart rate by detecting changes in color in the user’s fingertip

Google’s Glucose Tracking Contact Lens

Lens measures glucose levels in tears, potentially relieving millions of diabetics from the burden of having to prick their fingers to draw their blood as many as 10 times a day
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Do you think your doctor should discuss the cost of recommended medical treatment with you ahead of time, or don’t you think that is necessary?

- Should discuss: 80%
- Not necessary: 18%
- No opinion: 2%

Source: CBS / NYT poll
Disparities in healthcare prices have captured media attention
The transparency revolution has already reshaped other consumer-facing service industries.
Innovators are driving and monetizing transparency
“The lack of price transparency in health care threatens to erode public trust in our healthcare system . . . The time for price transparency in health care is now.”
You will be rated . . .

Winning in the Future

Cost

Access

Experience

Quality
You will be rated by several sources, crowd-sourced and B2C

Sources of Medical Ratings

Epinions
Unbiased Reviews by Real People

yelp

Morningstar

STANDARD & POOR'S RATING SERVICES

J.D. POWER AND ASSOCIATES

ConsumerReports.org

Overall Plan Rating
Customer Service

Top Consumer Reviews.com
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**Retailer clinics**

<table>
<thead>
<tr>
<th>Company</th>
<th>Total rooftops</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>CVS Caremark</td>
<td>7,800</td>
<td>1 : 9</td>
</tr>
<tr>
<td>Walgreens</td>
<td>8,582</td>
<td>1 : 21</td>
</tr>
<tr>
<td>Walmart</td>
<td>4,987</td>
<td>1 : 38</td>
</tr>
<tr>
<td>Kroger</td>
<td>2,638</td>
<td>1 : 19</td>
</tr>
<tr>
<td>Target</td>
<td>1,801</td>
<td>1 : 26</td>
</tr>
<tr>
<td>Rite Aid</td>
<td>4,587</td>
<td>1 : 153</td>
</tr>
</tbody>
</table>

Source: Company Websites and Annual Reports
“We want anytime and anywhere access to convenient care.”

Urgent Care in New York City

Source: Company Websites
“We want anytime and anywhere access to convenient care.”
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Kaiser Permanente Hawaii launches virtual dermatology service


Lorin Eilen Gill
Reporter-Pacifi Business News
Email

Kaiser Permanente Hawaii has launched teledermatology, a digital service that connects patients to their dermatologists to make the diagnosis process more efficient.

Uber-inspired apps bring a doctor right to your door

By Celina Schmidt, Special to CNN
Updated 10:09 AM ET, Thu July 03, 2014

What is Teladoc? | How does it work? | What can I use it for? | Who are our doctors? | Teladoc for organizations

24/7 access to U.S. board-certified doctors & pediatricians

→ Learn more
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“We want simple, secure personal health information and tools.”

“We want to be able to stretch our dollars beyond the benefit plan.”

“We want anytime and anywhere access to convenient care.”

“We want help with caregiving.”

“We want to live independently.”

The voice of specific segments
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