



HealthScape
Advisors



MACRAnomics

Patient-Level Economics and Strategic Implications for Providers

*Presented to: HFMA South Texas Leadership Forum
January 20, 2017*

MACRAnomics: Objectives

Today's presentation is intended to:

Confirm that preparation for MACRA remains important under the new Administration

Outline how MACRA is likely to be transformative and illustrate strategic implications for provider organizations

Demonstrate the impact of MACRA on senior market strategy

Suggest a series of recommendations for the post-MACRA marketplace

Does MACRA Still Matter?

Despite the upcoming transition to a new administration, MACRA will remain in place under the Trump Administration; however, the transition does complicate the calculus for provider planning and preparation

WHY?

- ✓ MACRA continues to have bipartisan support
- ✓ MACRA replaces one of the most unpopular payment mechanisms (the sustainable growth rate or “SGR”), which required annual “Doc Fix” legislation by Congress to achieve equitable payments
- ✓ The transition from fee-for-service payments to payment for quality and value is critical to the sustainability of the healthcare system

WHAT Could Change Under Trump?

CMMI	Eliminate or shrink significantly, impacting many of the proposed APM models (i.e., CPC+)
Incentives	Changes to the proposed payment methodology to increase focus on meeting or exceeding incentives, in order to reach historical reimbursement levels
Increased MA growth	Part B spending impacted by MACRA could decline, as initial indications of the Administration’s healthcare policy appear to favor privatization and further the existing trend of growth in Medicare Advantage (MA)

Organizations must **start thinking strategically** to plan for success in the post-MACRA market governed by the Trump Administration - **follow and gain an understanding of all changes** impacting MACRA’s implementation, starting with those found in the final rule.

What Changed in the Final Rule?

Four key changes were made to the Quality Payment Program (QPP) in its final rule, effective January 1, 2017

1. 2017 is a transition year, with four options for participation

- ✓ Provider organizations have three options to submit data to MIPS, with flexibility in the reporting period and in number of measures
- ✓ MIPS performance threshold lowered by 3 points

Take action in order to be successful in future program years

3. 2017 MIPS scoring will exclude the cost performance category

- ✓ CMS finalized a zero weighting for the cost performance category
- ✓ CMS will continue to calculate performance on certain cost measures (including per capita cost for attributed beneficiaries) and provide feedback

Expect the cost performance category to contribute to MIPS scoring in 2018; develop capabilities to succeed now

2. Advanced APM options available for participation have increased

- ✓ Three required criteria for Advanced APMs were finalized: 1) Use CEHRT); 2) Payment based on quality measures comparable to MIPS; 3) Participants must bear risk or be a Medical Home

More options will translate into more qualifying providers; assess your capabilities to enable participation

4. More small practices will be excluded in 2017

- ✓ The volume threshold for participation was reduced, impacting ~32% of Medicare clinicians (only 5% of Medicare Part B spending)
- ✓ Providers that fall below this threshold are not eligible for MIPS; however, in future years, they may join “virtual groups” and combine MIPS reporting

Consider how consolidation could impact your market

The MACRA Opportunity

MACRA represents a compelling strategic opportunity for provider organizations to think differently about their business model and pursue sustainable growth and margin levels

Moving forward, organizations should recognize that:

- 1** MACRA is significant and transformative; risk is a matter of when, not if, and providers face a critical decision point.
- 2** MACRA serves as a catalyst and establishes principles that will drive providers to establish a Senior Market Strategy and harmonize this strategy across payers.
- 3** Execution on strategy requires an understanding of the new patient economics both currently and in the longer term.

1 MACRA Is Significant & Transformative

MACRA will likely drive change in the following areas:



Provider Consolidation

- Formation of virtual reporting groups (CINs or ACOs)
- Increased merger & acquisition and consolidation activity



Population Health Infrastructure

- Closure of gaps in care coordination and wellness programs
- Focus on risk adjustment/management, analytics & technology



Financial Risk Transfer

- Enhanced interest in advanced APM models, including downside risk



Long-Term Patient Population Measures

- Expanded focus on population outcome measures
- Longitudinal reporting of health outcomes

1 MACRA Is Significant & Transformative

Risk is a matter of when, not if, and providers face a critical decision point:

Compete in a footrace with peers under MIPS



Quality



Improvement Activities



Cost

Deferred one year



Advancing Care Information

OR

Participate in an Advanced Alternate Payment Model (APM)

+5%

Qualifying Quality Payment Programs announced on October 25, 2016:

- *Comprehensive ESRD Care Model (Large Dialysis Organization (LDO) and non-LDO arrangements)*
- *CPC+*
- *Medicare Shared Savings Program ACOs - Tracks 2 & 3*
- *Next Generation ACO Model*
- *Oncology Care Model (two-sided risk arrangement)*

2

MACRA Stimulates Need for Well Aligned Senior Market Strategy

Success in this environment will require that providers take a broad perspective to alternate payment models and not craft their response to MACRA in isolation.

Clinician Engagement

- Align approach across numerous payers in order to reach the “tipping point” in provider panels

Clinical Workflow Consistency

- Consistency in APMs drives more consistent clinical workflow design and execution across populations

Financial Alignment

- Greater financial impact across an aggregation of programs leads to more specific linkage to investments made

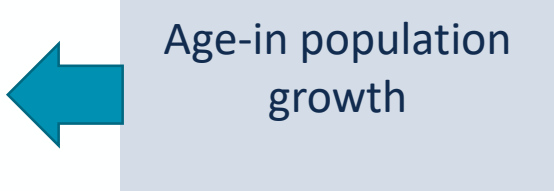
Minimize Administrative Complexity

- Portfolio approach creates standardization and minimizes technology, claims/payment, and adjudication issues

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The Senior Market Opportunity

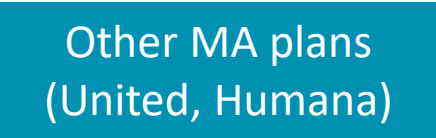
The optimal view of how to succeed under MACRA must be informed through an evaluation of a provider's patient portfolio across all senior markets.



How do we leverage *existing patient access points*?



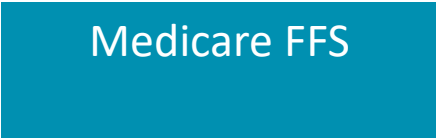
How can we support the *growth imperative*?



What is the impact to our *contracting strategy*?



How do we *leverage current investments and success*?



How do *regulatory changes* impact this patient mix and value?

Organizations can leverage multiple levers to optimize growth and financial performance for their senior market

2

Sample Portfolio Strategy: *Shift from Medicare FFS to Medicare Advantage (MA)*

Some organizations are seeking to limit their exposure under MIPS and capitalize on advantaged of an enrolled vs. attributed model.

Case Study: New West Physicians (Colorado)

APPROACH

- Stopped accepting traditional Medicare
- Transitioned patients into MA HMO models
- MA now accounts for 30% of visits and 55% of practice revenue



RESULTS

- Lower administrative burden
- Higher reimbursement
- Improved patient care and quality outcomes

One member of the medical group cited a salary increase of 15% since the practice converted to Medicare Advantage, while patient volumes dropped

Note: Based on "Colorado Primary Care Succeeds with Medicare Advantage," American Academy of Family Physicians (AAFP), July 2016

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Sample Senior Market Strategy: *Health Advisors*

New outreach roles like Health or Senior Advisors can be a **shared investment** between the a provider and a health plan and can promote financial navigation and care coordination across a senior population

Financial Health

- New to Medicare?
- Open Enrollment/Initial Engagement?
- Facilitated Encounter/On-going Engagement?
- Health Plan Affiliation?
- Questions at Front Desk?

Patient Experience

- Initial Visit and Care Planning?
- Referral and Care Plan Coordination?
- On-going Chronic Condition(s) Care Support?
- Quality and Dx Documented?



3

Execution on Strategy Requires an Understanding of Patient Economics

As data becomes increasingly available, organizations need to conduct analyses that cover the entirety of a patient's cost and engagement profile

Patient-level income statement, which captures intra- and extra-organizational cash flows and weighs those payments against expense categories to achieve a total P&L view.

Segmentation analyses can then be completed to determine drivers of financial performance in both the short-term and throughout the patient's lifetime value.

Deploy tactics that target patient segments qualifying as financially sustainable under a comprehensive view of patient economics.

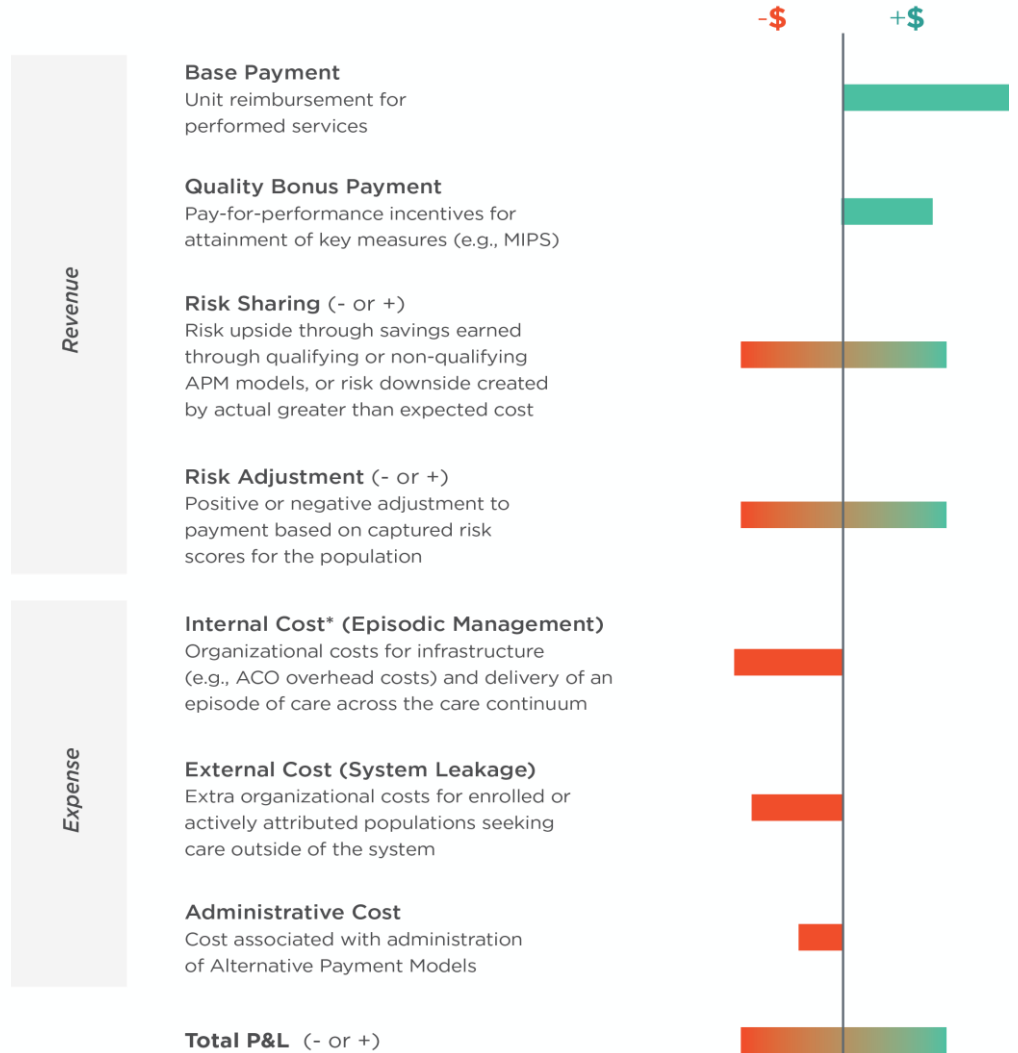
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Patient-Level Economic Value

To the extent possible, economic value should be conducted at the patient level, allowing for segmentation of patients into cohorts.

Develop a P&L view of patients, capturing the intra and extra-organizational cash flows against expenses

Patient-Level Income Statement



3

Roll-Up the P&L to Create Meaningful Patient Segments

Once organizations have developed their patient level P&L view, additional segmentation criteria can be applied to determine drivers of financial performance

Traditional:

Site of Care Transactional View



Total Cost Missing
Cost of Care Outside System



Total Revenue Missing
Risk Adjustment, Risk Sharing

New:

New Patient Economics



View Across All Providers
Inside and outside the system



Accounts for all forms of
Revenue and Cost



Patient Economic Strategic Questions

The view of patient economics can help providers determine the optimal portfolio strategy by addressing the following questions:

What are the characteristics of patients (e.g., demographic, diagnostic, etc.) that will drive profitability?

Based on these characteristics, how can we engage these patient cohorts meaningfully in a productive alternate payment arrangement?

What is the current efficacy of our existing condition management programs?

How do I change the patient engagement and health management model to improve margins?

What are competitors offering the market? Would these offerings be attractive to the patients we are trying to engage?

How can we create differentiation for our clinical offerings?

Recommendations & Next Steps

Providers must begin to shift their focus from education and understanding of MACRA to strategic implications and strategy development

Patient economic value is an important strategic frame of reference, and it is highly impactful to put together a patient level P&L

- ✓ ***Build capabilities*** to analyze claims and clinical data
- ✓ ***Ensure revenue integrity*** by actively pursuing accurate and complete documentation
- ✓ ***Identify main drivers*** of revenue and expense categories
- ✓ ***Ensure accuracy*** for the expense portion of the P&L by accounting for fixed and variable cost

Recommendations & Next Steps (continued)

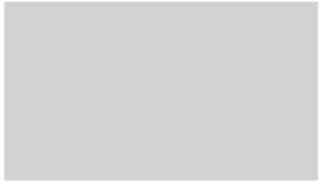
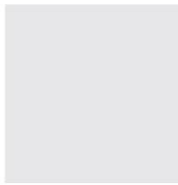
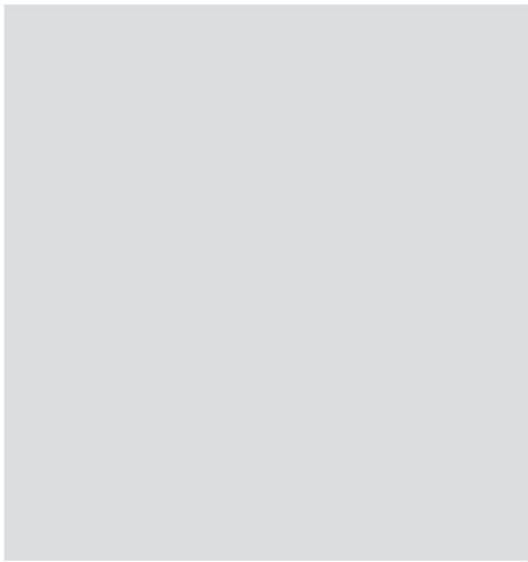
Adopt a portfolio view to risk relationships and craft a road map to risk that recognizes the needed capabilities to deliver on patient lifetime value.

- ✓ ***Assess market opportunity*** for critical senior market segments including near term age-ins, MA, ACO /Medicare FFS
- ✓ ***Calculate the economic value and risk profile of each of these segments***
- ✓ Identify opportunities to ***engage with patients*** to support the portfolio approach
- ✓ ***Inventory current payer contracts***
- ✓ ***Characterize the variation*** and assess consistency with MACRA principles
- ✓ ***Pursue opportunities*** to renegotiate risk contracts and participate in APM models

Recommendations & Next Steps (continued)

Invest in building or outsourcing the capabilities to bend the cost and utilization curve over time.

- ✓ ***Assess existing people, process, and technology competencies*** in order to begin to address gaps in current performance.
 - Identify opportunities to link physician compensation to performance
 - Leverage analytics
 - Engage in care process redesign
- ✓ ***Construct a business case*** to deliver on value-based care
- ✓ ***Evaluate consumer retention activities*** for populations enrolled in your network



Questions?