

THE CHANGING HEALTHCARE LANDSCAPE

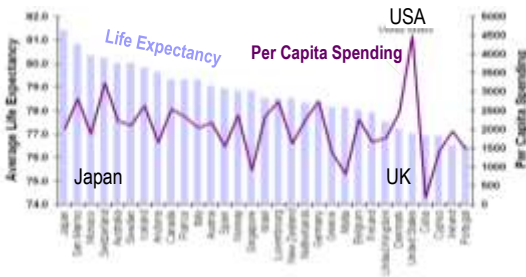
ICEP
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Life Expectancy, the Ultimate Outcome Measure

Average life expectancy compared to per capita spending



Effect of High Health Care Cost on GDP

	Education	Defense	Health Care
1960	6%	6%	6%
2007	7%	5%	16%

Sources: The 2009 Statistical Abstract, National Data Book, U.S. Census Bureau
 Center for Arms Control and Non-Proliferation
 National Health Expenditures Data, Centers for Medicare and Medicaid Services

Effect of High Health Care Cost on Companies

Combined Weighted Comparison Score on Health Spending

U.S. Health-Related Competitive Deficit



G-5 Countries: Canada, Japan, Germany, the United Kingdom, and France
 BIC Group: Brazil, India and China

Source: Business Roundtable Health Care Value Index, Executive Summary, 2009

Increasing Focus on Value: Evolving Macro Health Industry Trends and Pressures Already in Play

Traditional Models

Newer Care and Payment Trends

Pay For Performance/ Value-Based Purchasing (VBP)	Shared Savings	Capitation (Partial, Global)
<ul style="list-style-type: none"> Medicare VBP BCBS "Blue Stars" Program PCMH incentive payments 	<ul style="list-style-type: none"> IL Medicaid "Care Coordination Entities" Medicare ACOs Commercial ACOs 	<ul style="list-style-type: none"> Increasing Managed Care Penetration IL Medicaid Mandate by 2015



Nature of Impact

- Financial
 - Revenue distribution changes
 - Evolution toward prepaid, capitated models and greater transfer of financial risk → encourages greater integration, "managed" care
 - Employment > group contract; performance-based payment
 - Drive to greater efficiency and productivity
 - Resource utilization, focus on cost and process efficiencies (focus on hospitalization avoidance, ER recidivism, population management)
- Regulatory scrutiny
 - Public payers (Medicare and Medicaid) still significant players and have greater incentive for scrutiny
 - Employers also demanding greater scrutiny
- Care Delivery
 - Greater emphasis on coordination and care management across full continuum → growing need for cross-disciplinary care
 - Era of measurement as payers demand greater performance → metrics
 - More of them
 - Across departments and settings, requiring integrated effort and accountability
 - Greater visibility yields greater scrutiny



Trends (cont.)

- Increasing competition for covered lives
- Trend toward consolidation and scale
- Race for the lower price point
 - Payers seeking value
 - Narrow networks increase competition
 - Even more focus on throughput and efficiency
- “Lactation Consult in the ED”
- Taking advantage of all patient touches
- Strategic importance of the ED
 - Decision hinge-point for inpatient/outpatient management
 - Ready access and convenience (care now)
 - Early management drives LOS and outcome
 - Coordinator of care, inter-provider broker