

THE CHANGING HEALTHCARE LANDSCAPE

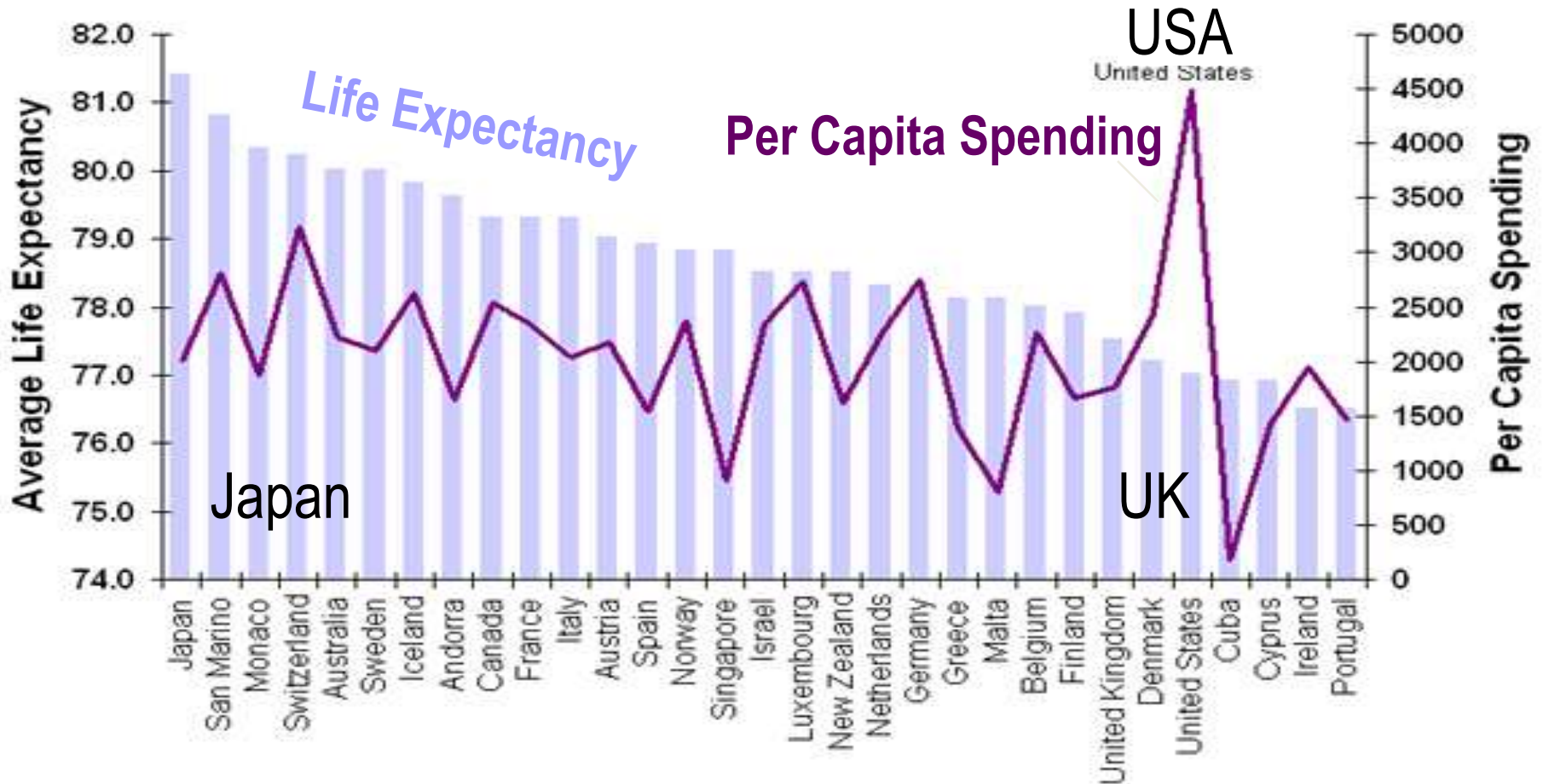
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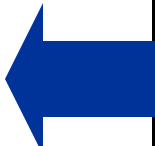
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Life Expectancy, the Ultimate Outcome Measure

Average life expectancy compared to per capita spending



Effect of High Health Care Cost on GDP

	<i>Education</i>	<i>Defense</i>	<i>Health Care</i>
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. Employers and Workers Spend Significantly More on Health than G-5, BIC Counterparts



U.S. Health-Related Competitive Deficit

Head Start for Our Competition



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)

- Medicare VBP
- BCBS “Blue Stars” Program
- PCMH incentive payments

Shared Savings

- IL Medicaid “Care Coordination Entities”
- Medicare ACOs
- Commercial ACOs

Capitation (Partial, Global)

- 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