THE HERTEL REPORT

2018 Arizona
Winter State-of-the-State

January 2018

BREAKFAST SPONSOR

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The Hertel Report

- Trusted & Respected
- Impartial & Timely
- Solutions Focused
- Locally Owned
- Weekly News
- Monthly Newsletter
- Quarterly Data
- Networking & Conferences

Introduction

- **Jim Hammond**
  - Publisher & CEO of The Hertel Report
  - Managing Consultant, Professional Healthcare Solutions
  - State-wide Healthplan & Provider Relations Expert
  - Conference Speaker & Resource to:
    AzHHA, AHE, MCMS, HFMA - AZ, CBIZ, ASPA, AMN, HCAA, CMSA, Sonora Quest, Humana, Dignity Health, U of A, CNBC, Money Radio, *Wall Street Journal*, NPR, *Modern Healthcare*, *Phoenix Business Journal*, *Arizona Daily Star*, Vitalyst Health Foundation, Web AZ, and more
  - Former AZ HFMA President

The Hertel Report Community

- 15 Founding Sponsors
- 50 Corporate Members
- 10 Community Partners
- 1000+ Individual Members
- 11 Newsletters
- 4 Data Editions
- 4+ State of the State Meetings
- More…..

The Source that Connects the Arizona Healthcare Community

Guest Speakers

- Pele Fischer
  - Vice President, Policy and Political Affairs, Arizona Medical Association
- Marcus Johnson
  - Director, State Health Policy and Advocacy, Vitalyst Health Foundation
- Jim Whitfill, MD
  - President, Lumetis, LLC.
  - Chief Medical Officer, Innovation Care Partners
- Lisa Mead, RN
  - President, Crowne Healthcare Consulting
  - Founder, Arizona Women in Healthcare

Agenda

- Welcome, Introductions
- Legislative Update with Pele Fischer
- Medicare Advantage
- AHCCCS
- ACA Coverage Update with Marcus Johnson
- Value-Based Networks with Jim Whitfill
- Quality as a Business Strategy with Lisa Mead
- Discussion

THANKS for our Programs

BUCK ™

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Tweet using hashtag #AZSOS2018
Survey/Feedback, thanks!

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CLINIC

Northern Arizona Healthcare

Summit Healthcare

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HEALTHSOUTH
East Valley Rehabilitation Hospital

HONORHEALTH

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your connection for better health

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lumetis

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CareMore
It's what we do.™

MIHS
MARICOPA INTEGRATED HEALTH SYSTEM
Maricopa County Special Health Care District

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CONSUMER DIRECT CARE NETWORK ARIZONA

Hps solutions

Arizona Priority Care

Carondelet Medical Group
Carondelet Health Network

DMG
District Medical Group

Community Partners

AzHHA
Arizona Hospital and Healthcare Association

AHE
Arizona Healthcare Executives

ArMA
ARIZONA MEDICAL ASSOCIATION

AZWIHC
ARIZONA WOMEN IN HEALTHCARE

CMSA
ARIZONA

WEB
Worldwide Employee Benefits Network

hfma arizona chapter
healthcare financial management association

maricopa county medical society

MGMA
Medical Group Management Association
Arizona

Vitalyst HEALTH FOUNDATION
A CATALYST FOR COMMUNITY HEALTH

Value-Based Care, Bundled Payments, & Post-Acute Partnerships – Az HFMA One Day Event

THE HERTEL REPORT

Co-Sponsored by [The Hertel Report]

hfma arizona chapter
healthcare financial management association

Thursday, February 22nd   8:30 am – 4:30 pm
Phoenix Airport Marriott
1101 N. 44th St. Phoenix, Arizona 85008

This one-day event will convene executives from health systems, medical groups, health plans, value-based networks, post-acute providers and other organizations to explore progress toward value-based care, bundled payments, and episodic accountability. Learn how the Arizona healthcare community is connecting through technology and data sharing and moving to larger episodes of care; focusing on the importance of coordinated post-acute partnerships and shared accountability.

Cost: $90 per person   **Click Here to Register**

8:30 – 9:00 a.m.   **Registration, Continental Breakfast, Networking**

ARIZONA MEDICAL ASSOCIATION

The Arizona Medical Association is a voluntary membership organization for all Arizona medical and osteopathic physicians.

Mission:

Promote and provide leadership in the art and science of medicine;

Preserve and improve the health of all Arizonans;

Represent Arizona physicians in the public forum;

Defend Arizona physicians' freedom and ability to practice medicine in the best interests of your patients.

ARMA
ARIZONA MEDICAL ASSOCIATION

CURRENT POLITICAL CLIMATE

- Arizona Politics are in flux like never before …
- Unique dynamics …
  - Tense Political Climate
  - New Legislators
  - Statewide elections
  - Term limits impacts
  - High profile issues and debates

ARIZONA MEDICAL ASSOCIATION

2018 Legislative Overview

- Leadership
  - Senate President: Steve Yarbrough (Chandler)
  - Minority Leader: Katie Hobbs (Phoenix)
  - House Speaker: J.D. Mesnard (Chandler)
  - Minority Leader: Rebecca Rios (Phoenix)
- Health Committees
  - House Health Chair: Rep. Heather Carter (North Phoenix - Cave Creek)
  - Senate Health Chair: Senator Nancy Barto (North Phoenix)
- Medical Expertise?!?!

ARIZONA MEDICAL ASSOCIATION

2018 Legislative Forecast - Health

- Combatting the Opioid Epidemic
  - Governor Ducey called for a special session to pass legislation related to combating the opioid crisis.
- Regulation
  - Certification Community Health Workers
  - Licensure of Dental Therapists
- AHCCCS
  - Federal Waiver – implement caps and work requirements
  - Chiropractic Coverage for Adults
  - Oral Health Coverage for Pregnant Women

ARIZONA MEDICAL ASSOCIATION

Special Session – The Arizona Opioid Epidemic Act

- **$10 million for access to treatment (uninsured or underinsured Arizonans)**
- Expanding access to Naloxone for law enforcement and corrections officers
- **Regulation of pain management clinics to stop "pill mill" activities**
- Enacting criminal penalties for manufacturers who defraud the public about their products
- Enhancing continuing medical education for all professions that prescribe or dispense opioids and requiring opioid related education for medical students
- Enacting a Good Samaritan law to allow people to call 911 for a potential opioid overdose
- **Mandating e-prescribing for Schedule II Controlled Substances**
- **Requiring pharmacists to check the CSPMP**
- Red Caps and Warning Labels
- Prior authorization reforms to expedite treatment
- **Limiting the first-fill of an opioid prescription to five days for all opioid naïve patients and limiting dosage levels over 90 MME (with exceptions)**

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2018 Legislative Forecast - Health

- Public Health
    - Tobacco 21
    - Prohibit Indoor Tanning for Children
    - Rear Facing Car Seats
    - School Recess
- Administration
    - **Credentialing Improvements and Efficiencies**
    - Various Board Reforms
- More to Come ….

ARIZONA MEDICAL ASSOCIATION

WAYS TO GET INVOLVED

- VOTE! And Vote Early!
  - Primaries are critical
- Join associations that are advocating for the issues that are important to YOU!
- Support Candidates
- Donate to a PAC
- Attend a fundraiser
- Get to know your legislators!

ARMA
ARIZONA MEDICAL ASSOCIATION

CMS Removes Medicare Advantage Sanctions on Cigna

JUNE 16TH, 2017 JERRY MCELROY NATIONAL NEWS, NEWS, TOP OF THE DAY

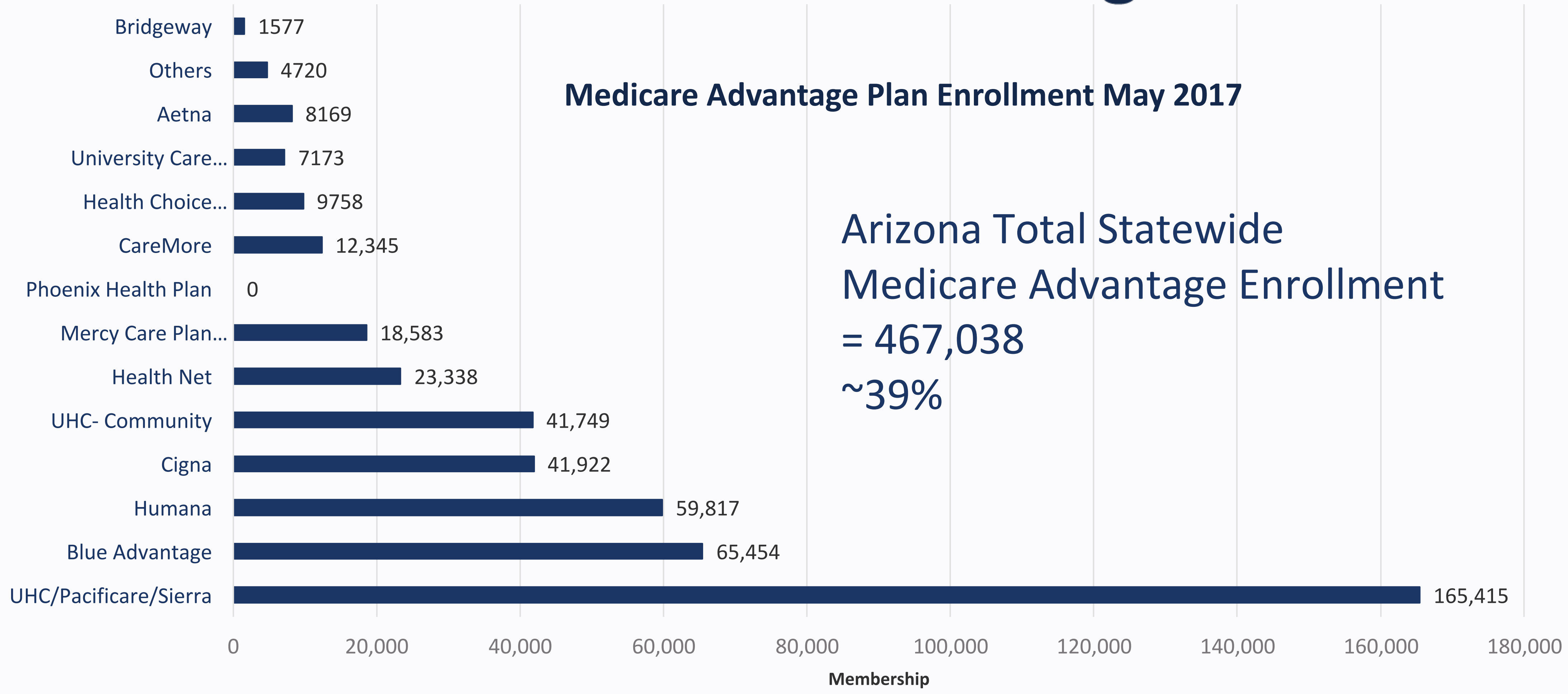
January 2016 CMS blocked marketing and enrollment of Cigna's Medicare Advantage and Plan D offerings.

The CMS said Cigna plans "posed serious threats to the health and safety of Medicare beneficiaries." For example, Cigna inappropriately denied medical care and prescription drugs to its members. Cigna and CMS spent more than a year trying to resolve issues with its Medicare Advantage plans.

Insurance industry analysts note that the lifted sanctions pave the way for Cigna to pursue an acquisition in the lucrative Medicare Advantage segment. Any acquisition would likely require divestitures, but it would have been difficult for Cigna to sell its Medicare Advantage business while under sanction. Analysts say Humana is a likely target. Read more in ***Modern Healthcare***

The government told Cigna in a June 16 letter that it could now market Medicare Advantage as well as its Medicare

Medicare Advantage



Arizona Total Statewide
Medicare Advantage Enrollment
= 467,038
~39%

Source: CMS

Medicare Advantage Penetration Expected to Hit 50 Percent by 2025

JANUARY 17TH, 2018 JERRY MCELROY NATIONAL NEWS, NEWS, TOP OF THE DAY

L.E.K. Consultants release white paper after in-depth analysis.

L.E.K. Consulting's proprietary county-level projection model shows Medicare Advantage enrollment rising from roughly 20 million, or 35% penetration, at the end of 2017 to approximately 38 million, or 50% penetration, by the end of 2025. Nor will it stop there. it is believed that Medicare Advantage's march forward will continue until its penetration rate hits 70%.

Medicare Advantage is one of the rare products in the U.S. healthcare system that not only satisfies the "triple aim" of healthcare improvement — that is, improving the experience of care and the health of populations while reducing per capita healthcare costs — but also appeals to the self-interests of three very powerful constituents that have been driving its march forward: consumers, health plans and the government.

Read this interesting analysis in the white paper ***"Executive Insights"***

BREAKING: Bright Health to offer MAPD plans in Maricopa County

JUNE 27TH, 2017 PAULA BLANKENSHIP ARIZONA NEWS, ARIZONA NEWS, NEWS

The insurer, which launched an MAPD product in Colorado last year, is led by former UnitedHealth executive Bob Sheehy.

The new start-up insurance company Bright Health is entering the Arizona marketplace in 2018 in collaboration with Arizona Care Network (ACN). Marketing of MA plans begins October 1.

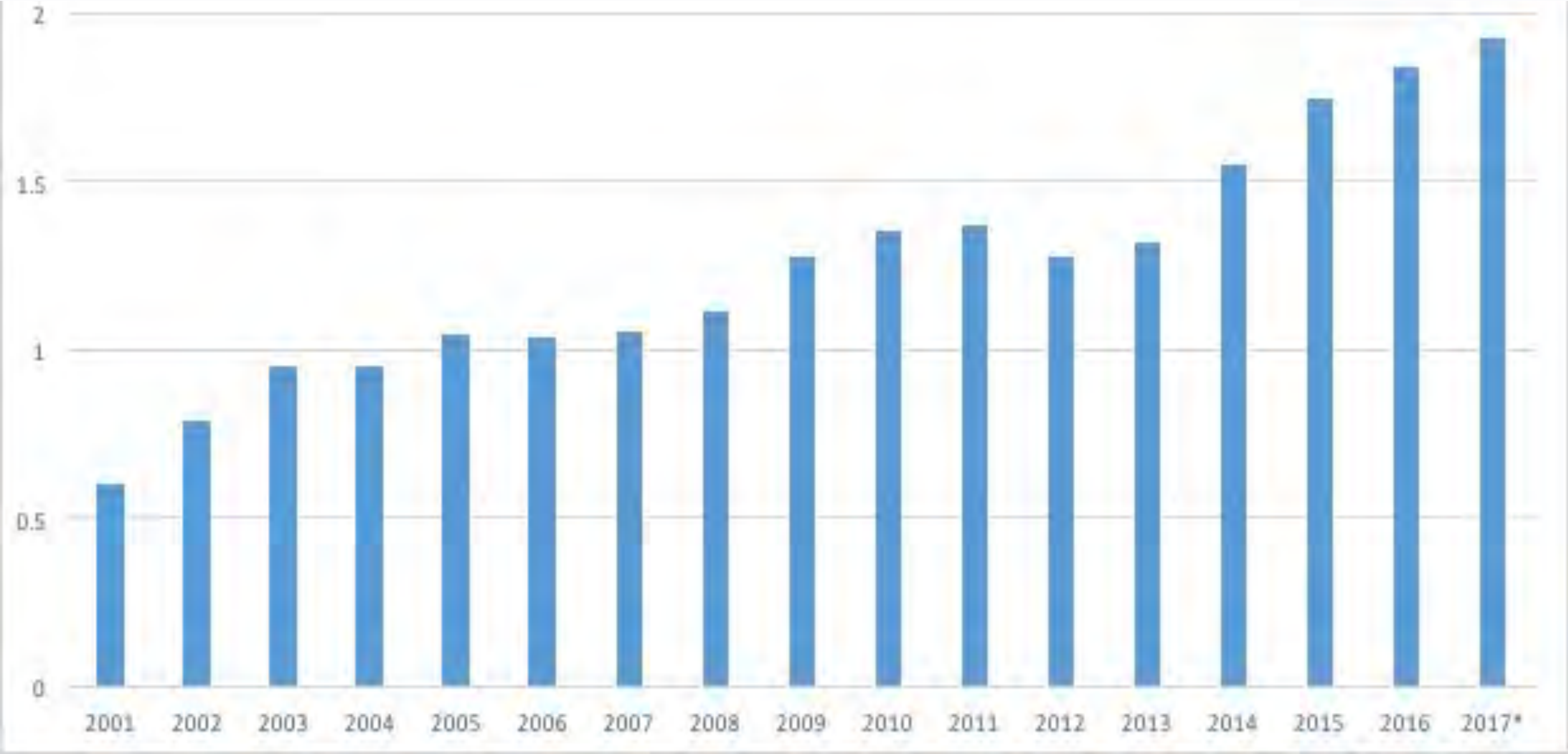
bright HEALTH

— with —

ACN Arizona Care Network

A Physician and Health System Collaboration

AHCCCS Total Population as of July 1st (in millions) 2001 - 2018*

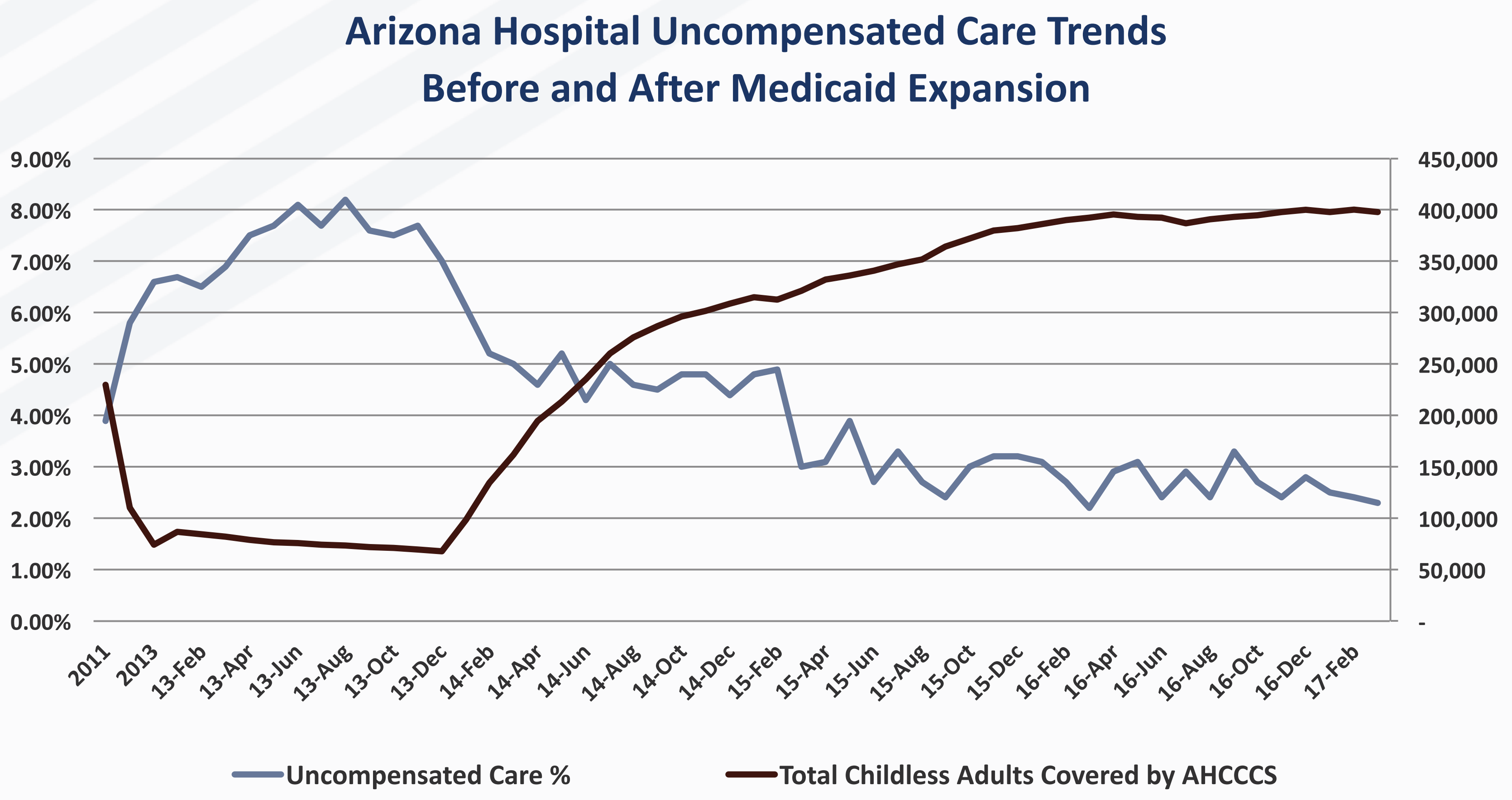


January 2018 1.89M

Restoration and Expansion by the numbers

400,000	Expansion Adults
82,000	Mental Health Service
47,000	Substance Use Disorder
26,700	Cancer Treatment
31% each	20-29 YO and >50 TO
11,563	Individuals with SMI
17.3% to 11.1%	Uninsured 2013-2015

Uncompensated Care Trends



Source: Arizona Hospital and Healthcare Association

ALTCS Award for 10-1-17 Start

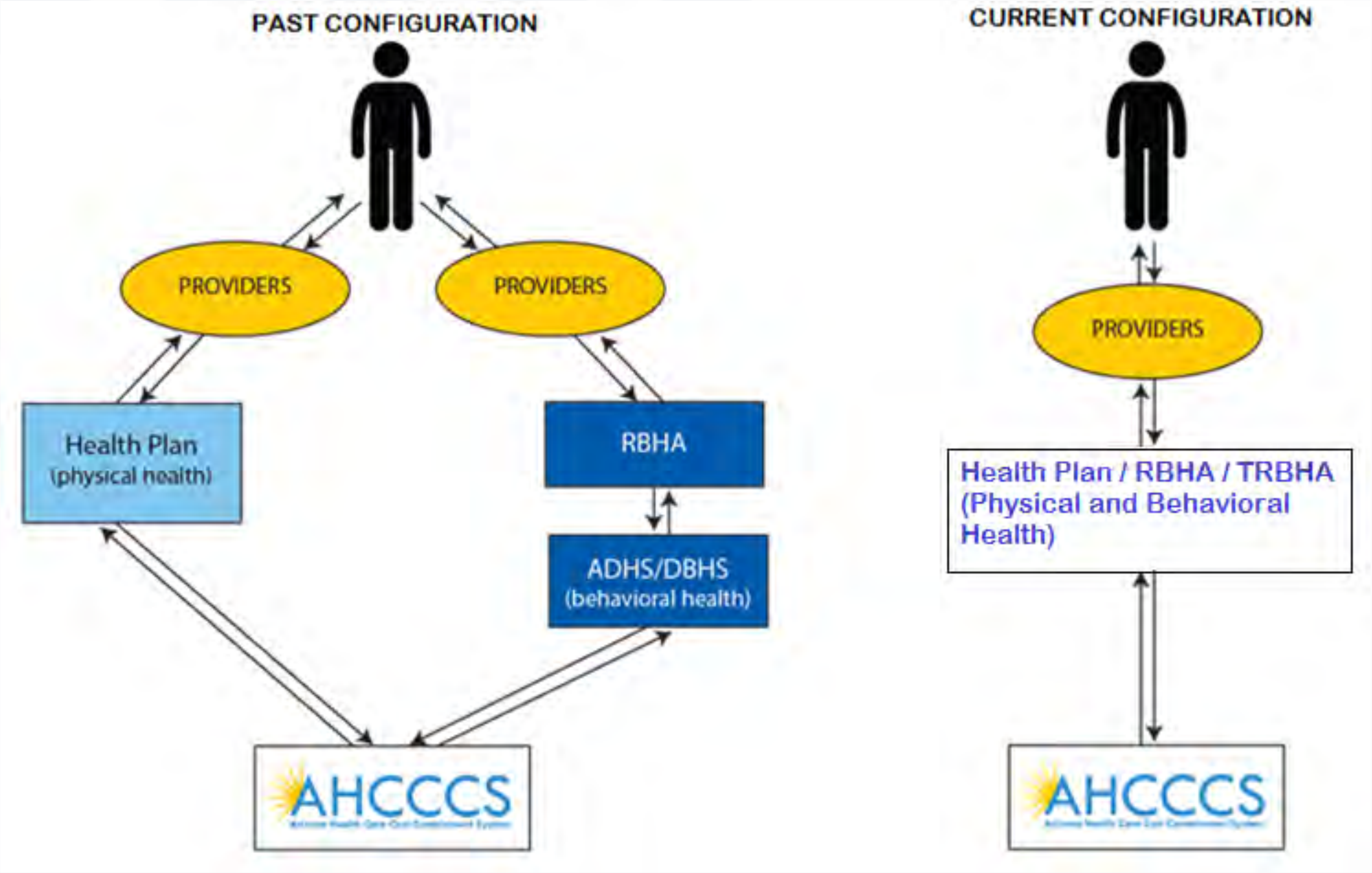
- North – United
- Central (Maricopa, Pinal, Gila)
  - University – Mercy Care – United
- South
  - University
  - Mercy Care (Pima)
- Roughly 9,000 members transitioned
- Bridgeway (Centene) out

AHCCCS Committed to Integration

A Case for Integrating Physical and Behavioral Health Services:

1. Ease navigation of health care services;
2. Single point of accountability;
3. Align incentives to improve a person's whole health; *and*
4. Streamline care coordination to get to better outcomes.

Vision - Integration at all 3 Levels



Integrated Acute Care Bid
AHCCCS Complete Care

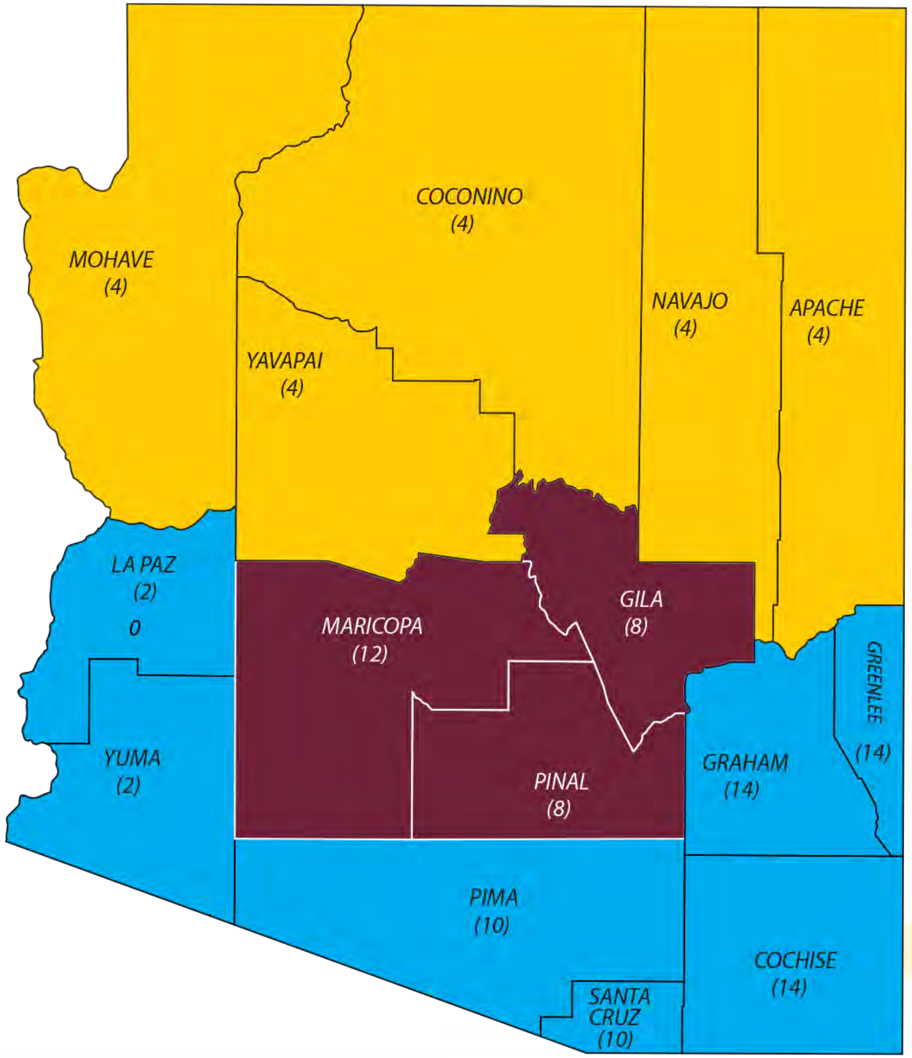
- RFP out November 2, 2017
- Integrated Physical and Behavioral Care
- For all Adults without Serious Mental Illness
- And All children except CMDP (foster kids)
- Crisis Services responsibility of RBHA
- Move to GSA's like ALTCS
- PROPOSALS DUE JAN 25!

Date	Activity
November 02, 2017	Issue Request for Proposal
November 08, 2017	Pre-Proposal Prospective Offerors' Conference and Technical Interface Meeting
November 14, 2017	Prospective Offerors' First Set of Technical Assistance and RFP Questions Due by 5:00 p.m. Arizona Time
November 30, 2017	First RFP Amendment Including Responses to RFP Questions Issued
December 08, 2017	Prospective Offerors' Second Set of Technical Assistance and RFP Questions Due by 5:00 p.m. Arizona Time
December 20, 2017	Second RFP Amendment Including Responses to RFP Questions Issued
December 28, 2017	Prospective Offerors' Third Set of Technical Assistance and RFP Questions Due by 5:00 p.m. Arizona Time
January 08, 2018	Third RFP Amendment Including Responses to RFP Questions Issued
January 25, 2018	**Proposals Due by 3:00 p.m. Arizona Time**
March 08, 2018	Contracts Awarded/Transition Services Begin On or Before
October 01, 2018	Program and Medical Service Implementation On or After

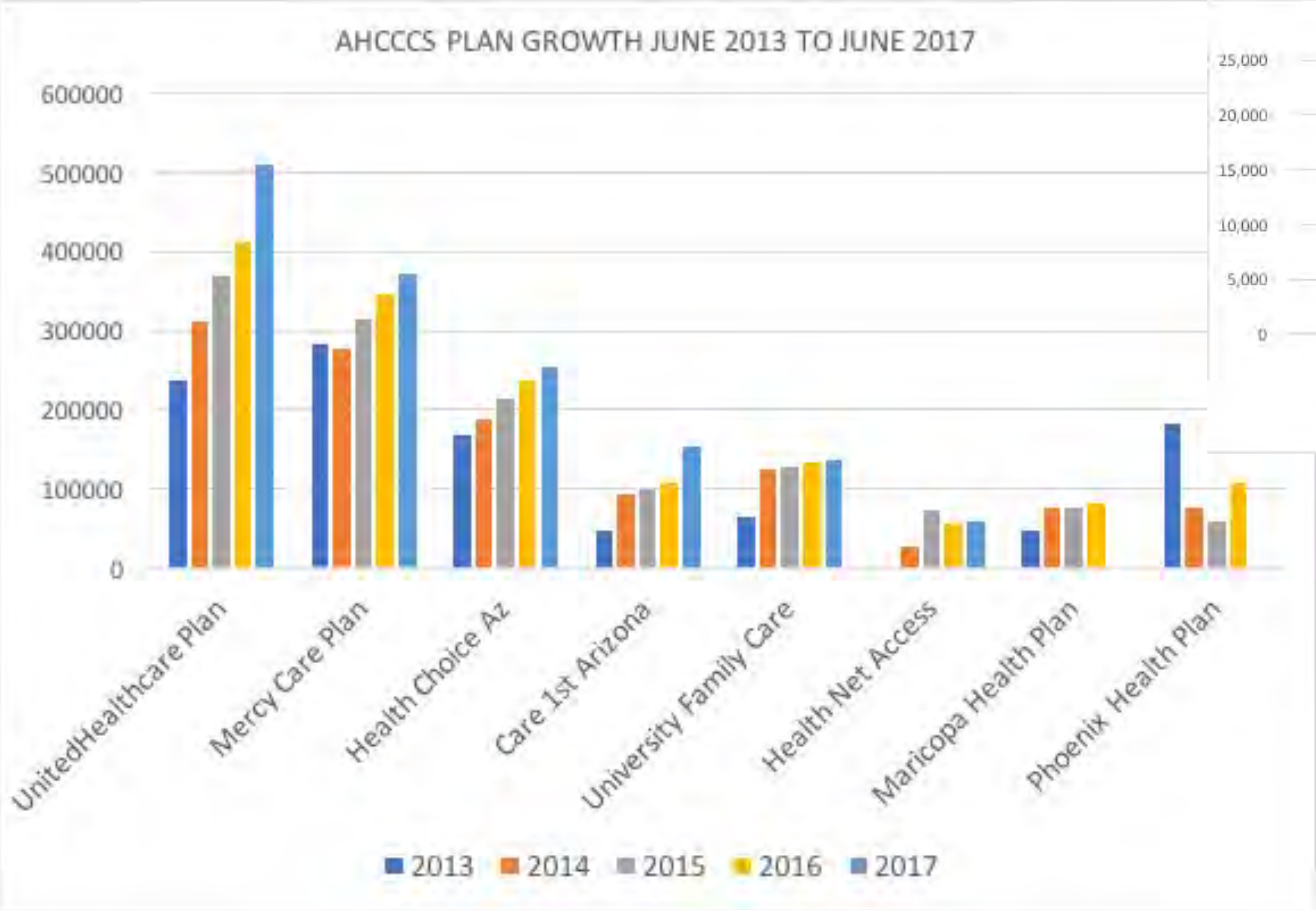
Note: *Dates are subject to change*

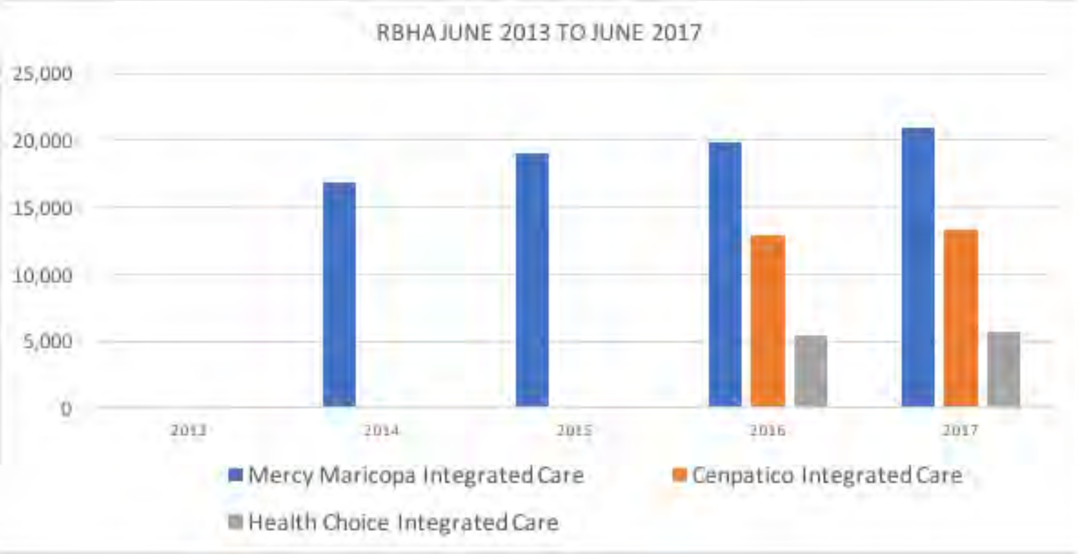
Integrated Contractor Geographic Service Areas

Additional zip code exceptions may be considered to allow for further alignment with certain tribal lands.



AHCCCS
Arizona Health Care Cost Containment System





AHCCCS ENROLLMENT BY CONTRACTOR JUNE 2013 TO JUNE 2017

AHCCCS Acute Plan Enrollment Shift January 2017 to 2018

HEALTH PLAN	MEMBERSHIP	YOY CHANGE
United Healthcare	507,409	**15%**
Mercy Care Plan	368,137	1%
Health Choice AZ	248,971	-1%
Care 1st AZ	146,386	**31%**
University Family Care	131,948	-4%
Health Net Access	58,567	1%

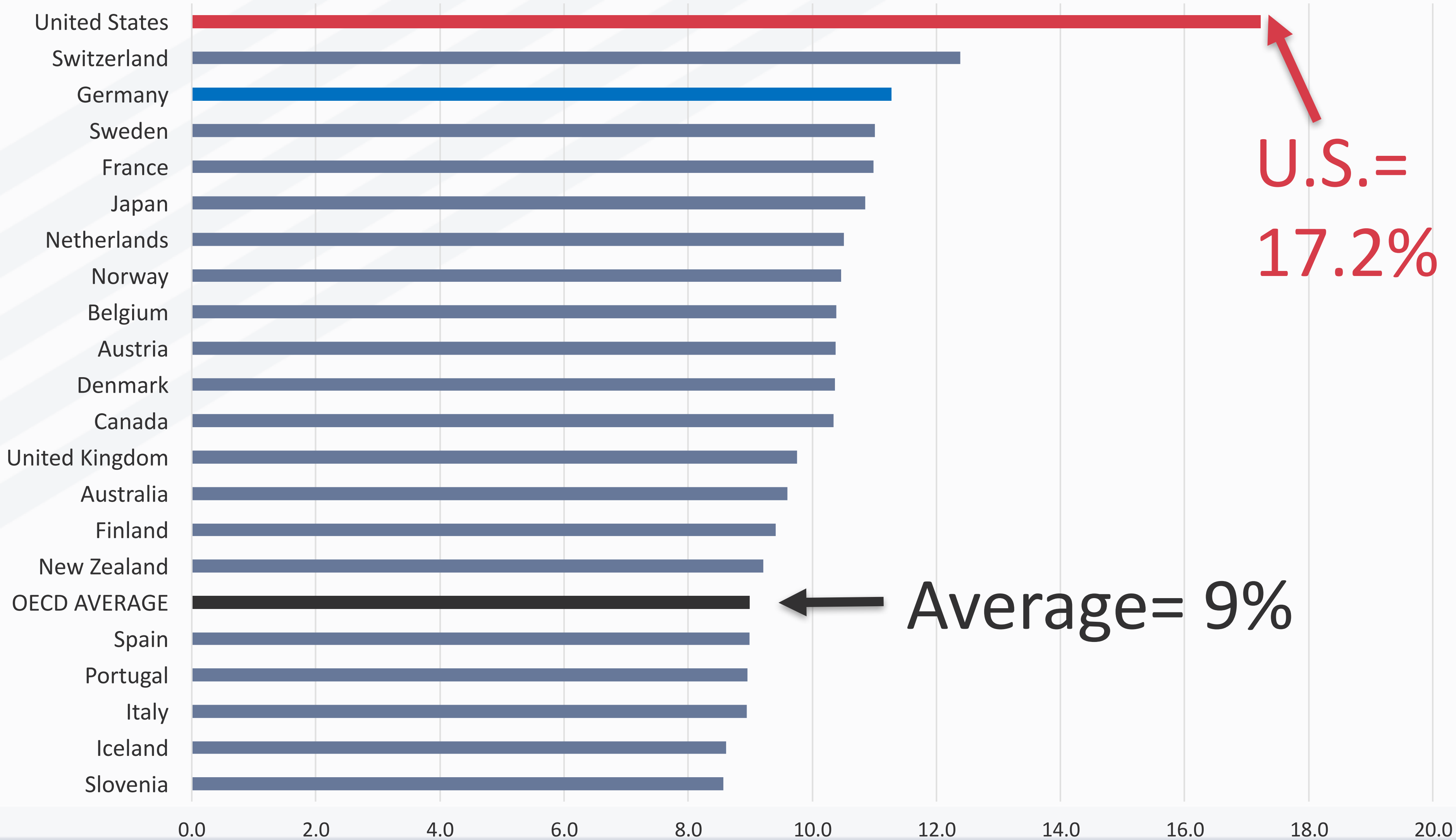
AHCCCS Waiver's in the Queue

- AHCCCS Works – Able-bodied work requirements, 5 year max
- Retro-coverage from ACA level 90 days , back to 30
- Non-Emergency Medical Transportation excluded for able-bodied
- Formulary, rebates

ACA Coverage Updates

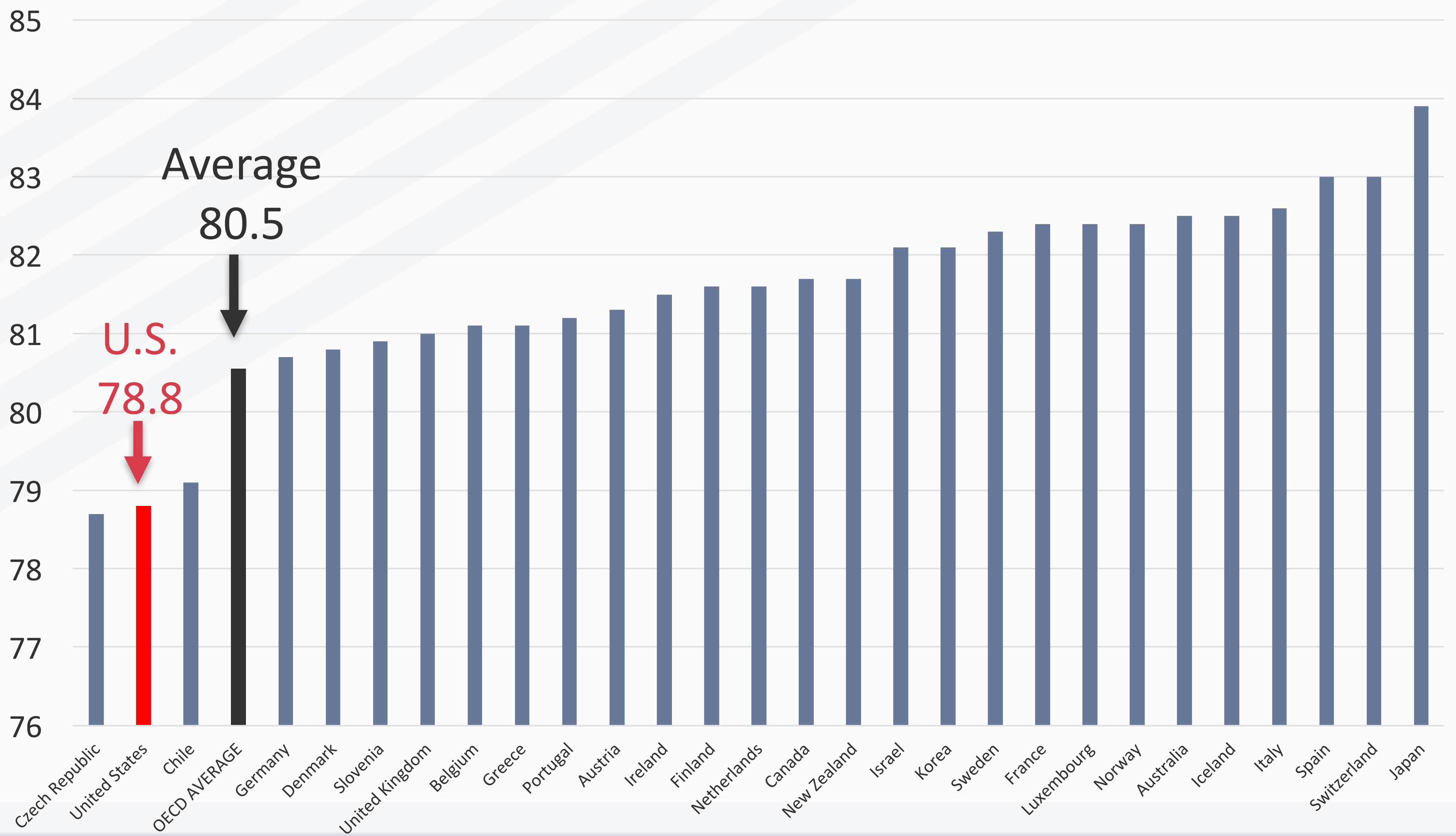
Marcus Johnson
Director, State Health Policy & Advocacy
Vitalyst Health Foundation

Health Spend by **% GDP** (2016)



Source: OECD

Life Expectancy by Country (2015)



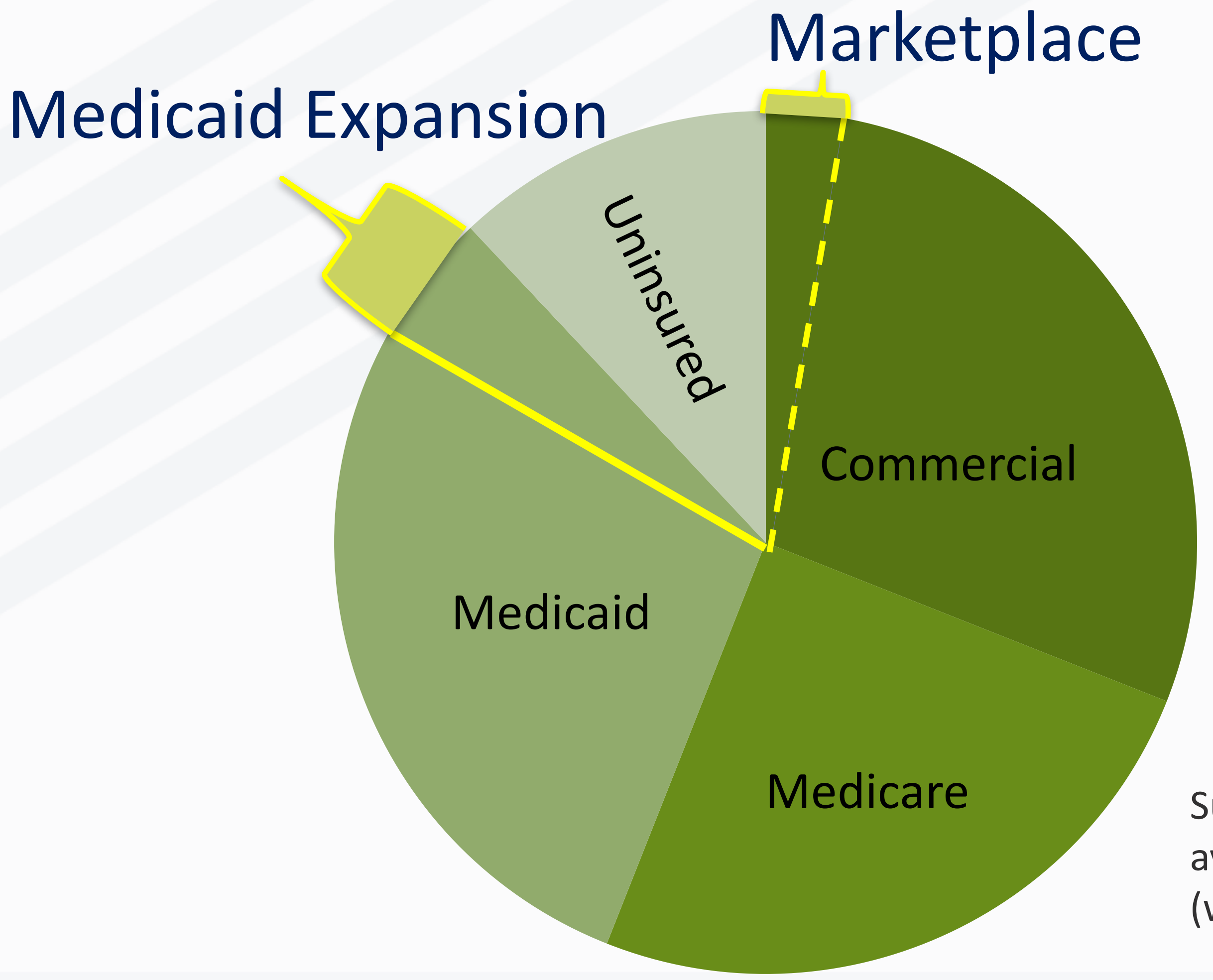
Source: OECD

Objectives of The Affordable Care Act

- Reduce Uninsured
  - Mandate and Exchanges
  - Medicaid Expansion

- Bend the Cost/Quality Curve
  - Squeeze out the fat (Insurance Co. & Provider)
  - ACOs/Value-Based Networks/Care Coordination
  - Provider Accountability

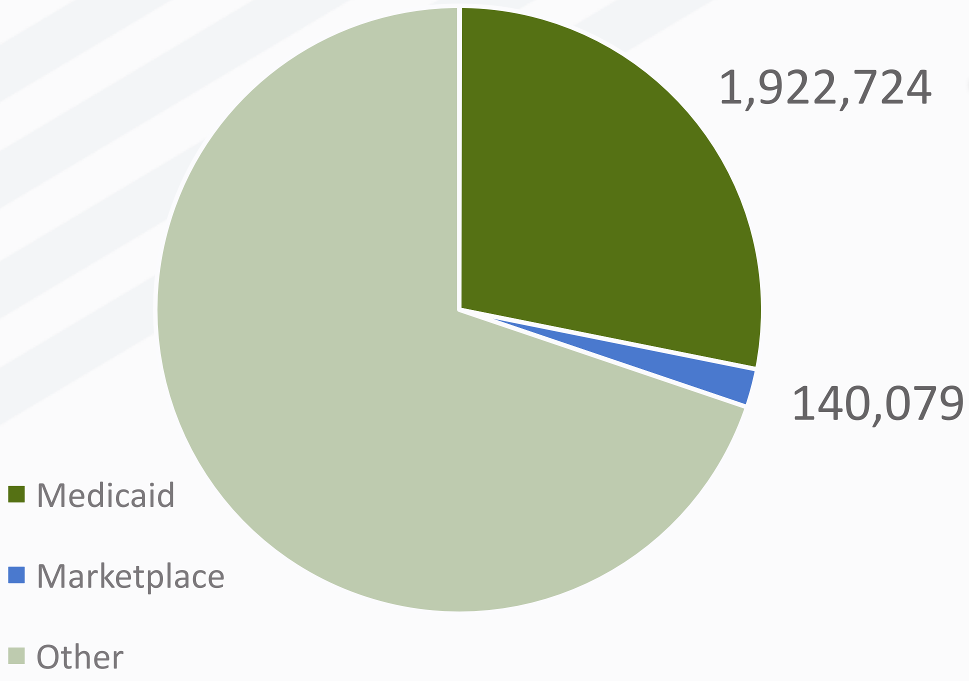
UNINSURED MIGRATION



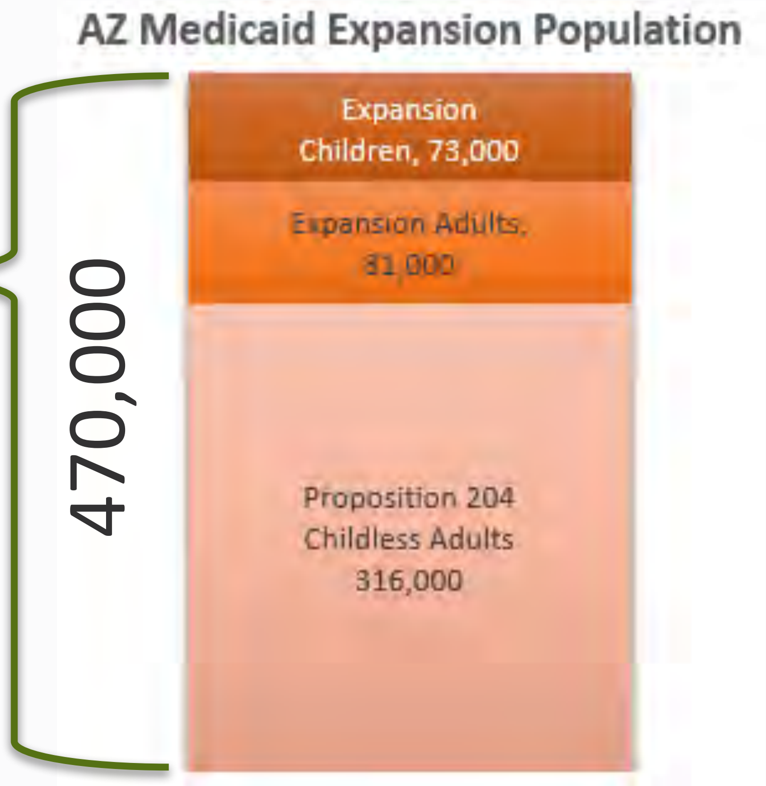
Subsides for low-income citizens ONLY available through Marketplace (www.healthcare.gov)

Who’s **Covering** Arizona?

Health Insurance Coverage of the Total Population - Arizona 2017



** Marketplace enrollment reflects effectuated #s from 2/17. Total enrollment = 196,291.*



Source: [AHCCCS]
Source: [CMS]

Change is Coming

Paul Ryan
Speaker of the House

"The primary driver of our national debt is our healthcare programs. There's no one magic bullet– like pass this and it's fixed– but, save the healthcare system and you're saving the country from its debt crisis."

Modern Healthcare

The Summer of Repeal and Replace

- AHCA
- BCRA
- Skinny Repeal
- Graham-Cassidy
- Bipartisan Efforts
- Executive Orders
- Regulatory Levers

The Show Must Go On

Summer '17

- Health care facilities still moving toward value
- Insurance companies planning for market shifts (Marketplace Open Enrollment and Medicaid Integrated Contract)
- AHCCCS calculating Fed impact on 1115 Waiver submittal
- Consumers deciphering what this actually means

ACA
OPEN ENROLLMENT
2018

2018 ACA Open Enrollment

- Enrollment period cut in half (November 1-December 15, 2017)
- Less Support for Navigators (~40% cut, nationally)
- Much Less Advertising (~90% cut, nationally)
- Tax Bill Zeroes-Out Individual Mandate Penalty
- Cost Sharing Reductions unfunded, unsupported by White House

Cost Sharing Reduction Payments Still Uncertain

- **2014: U.S. House Filed Suit**
  - **Argument:** Cost-Sharing Payments Illegal – No Congressional Appropriation
- **2016: District Court Provides Favorable Ruling to House**
  - Decision Stayed by Judge – Revisit Decision Post Election
  - Funding continues with uncertainty, month to month
- **2017: Trump Administration does not defend lawsuits, stops funding**
- **2018: Susan Collins (R) ME still bargaining with Senate to fund CSR’s**

Cost-Sharing Reductions were available for beneficiaries at or below 250% FPL or $29,700 for a single person

With Cost Sharing Reductions:

ambetter

BlueCross BlueShield of Arizona

Discounts

Without Cost Sharing Reductions:

ambetter

BlueCross BlueShield of Arizona

Discounts

Marketplace Prices

Average Premiums for Arizona Marketplace Enrollees

	2016	2017	% Change
Total Premium **Sticker Price**	$324	$611	↑88.6%
Consumer Cost **after Subsidies *(among those receiving subsidies)***	$120	$104	↓13.3%

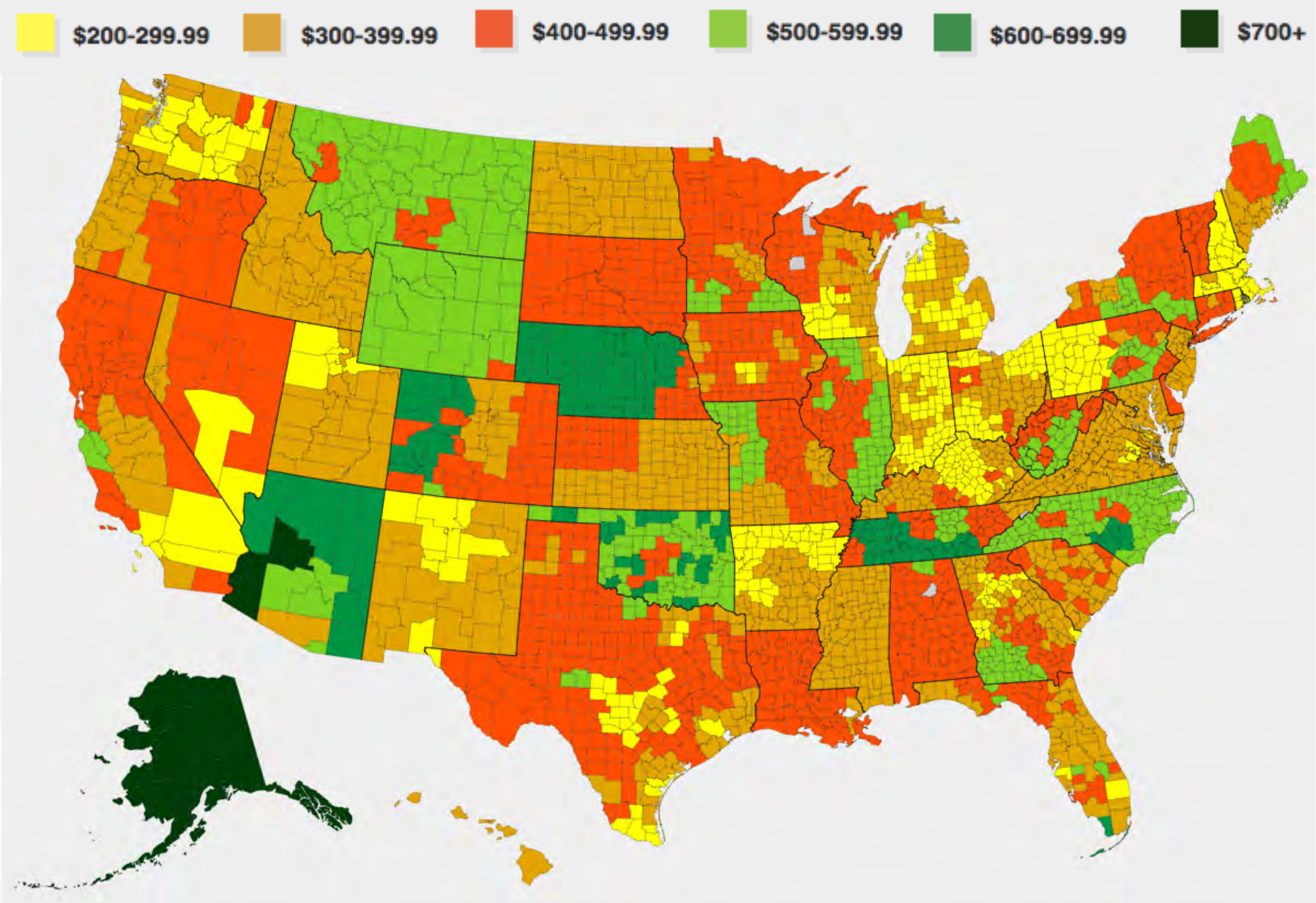
Sources: *CMS*, *CMS*

Number of Insurers in Arizona's Marketplace

2014	2015	2016	2017	2018
8	11	8	2	2

Source: Kaiser Family Foundation

Marketplace Premium Variation (Pre-Subsidy)



AZ particularly vulnerable to market disruption.

Disproportionately high Marketplace premium prices in AZ.

Fortunately, subsidies buffer <u>most</u> enrollees from high premium costs.

BUT…enrollees >400%FPL exposed to full cost of coverage

Map based on 40-yr old, non-smoker, selecting 2nd lowest cost silver plan in 2017

Source: National Academy of State Health Policy

Arizona’s Marketplace

Who’s Benefiting

- Arizonans earning up to 400%FPL, receiving subsidies
- Largely protected from price fluctuations, due to subsidy formula.

Who’s Hurting

- Arizonans earning above 400%FPL, **who don’t have…**
  - Employer Insurance
  - AHCCCS or CHIP
  - Medicare
  - VA

Family Size	100%	133%	138%	250%	350%	400%
1	$11,880	$15,800	$16,400	$29,700	$41,580	$47,550
2	$16,020	$21,300	$22,100	$40,050	$56,070	$64,100
3	$20,160	$26,800	$33,600	$50,400	$70,560	$84,650
4	$28,440	$37,850	$39,250	$60,750	$85,050	$97,200
5	$28,410	$37,785	$39,205	$71,100	$89,210	$113,800

HIM Arizona Plans 2018
Final Lineup

Maricopa and Pima Counties

ambetter.

Health Net
A Better Decision

[Average premium increase 1.8%]

All Rural Counties

BlueCross BlueShield of Arizona

[Average premium decrease 0.8%]

2018 Marketplace Costs
(39 year-old, Maricopa County)

Income	Silver Premium (Gross)	Silver Premium (Post-Subsidy)
$18,090 (150%FPL)	$464.88	$20.88
$27,135 (225%FPL)	$464.88	$123.88
$45,225 (375%FPL)	$464.88	$320.88

Source: Credit to Arizona Alliance of Community Health Centers

2018 Marketplace Costs
(39 year-old, Pima County)

Income	Silver Premium (Gross)	Silver Premium (Post-Subsidy)
$18,090 (150%FPL)	$357.40	$62.40
$27,135 (225%FPL)	$357.40	$164.40
$45,225 (375%FPL)	$357.40	$357.40

Source: Credit to Arizona Alliance of Community Health Centers

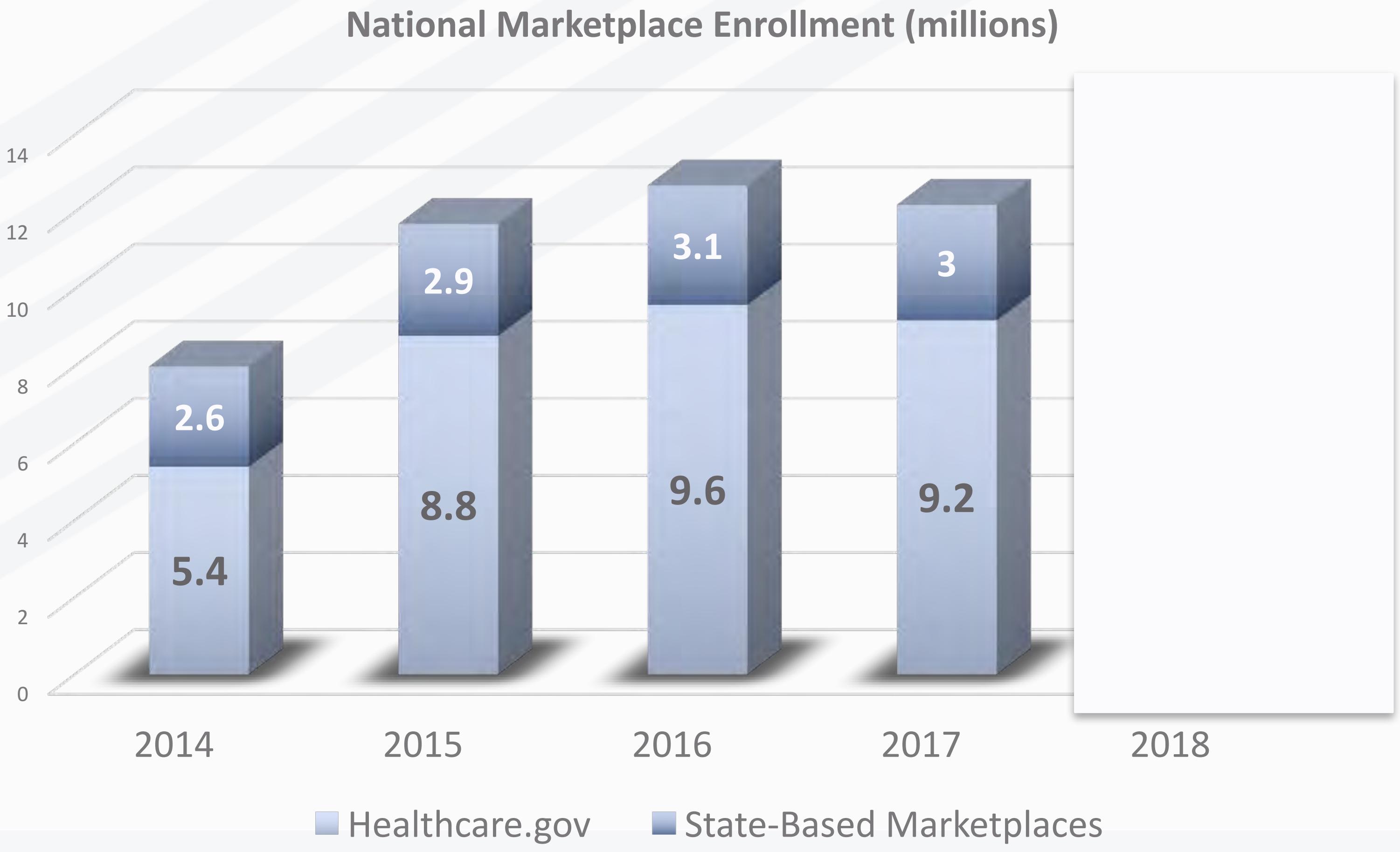
2018 Marketplace Costs
(39 year-old, Yavapai County)

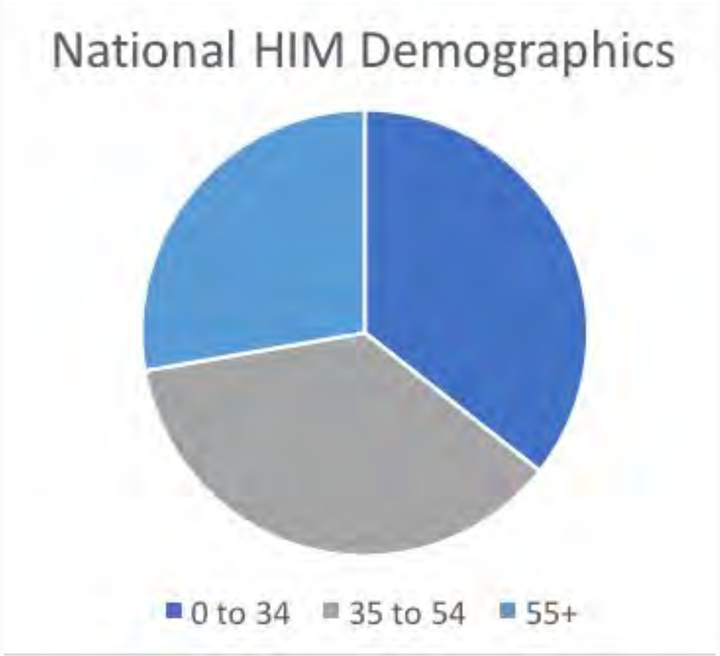
Income	Silver Premium (Gross)	Silver Premium (Post-Subsidy)
$18,090 (150%FPL)	$713.95	$60.95
$27,135 (225%FPL)	$713.95	$162.95
$45,225 (375%FPL)	$713.95	$359.95

Source: Credit to Arizona Alliance of Community Health Centers

ACA Marketplace Enrollment Trends

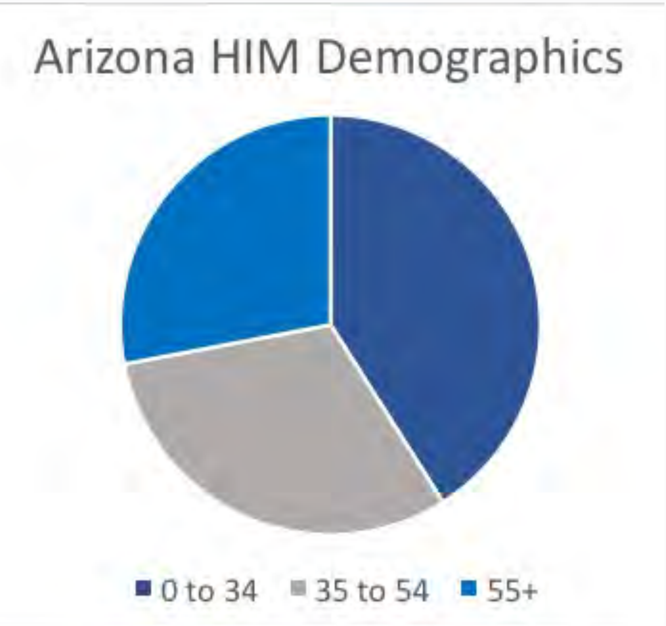
National Health Insurance Marketplace Enrollment





2017

Arizona Marketplace Enrollment



2017

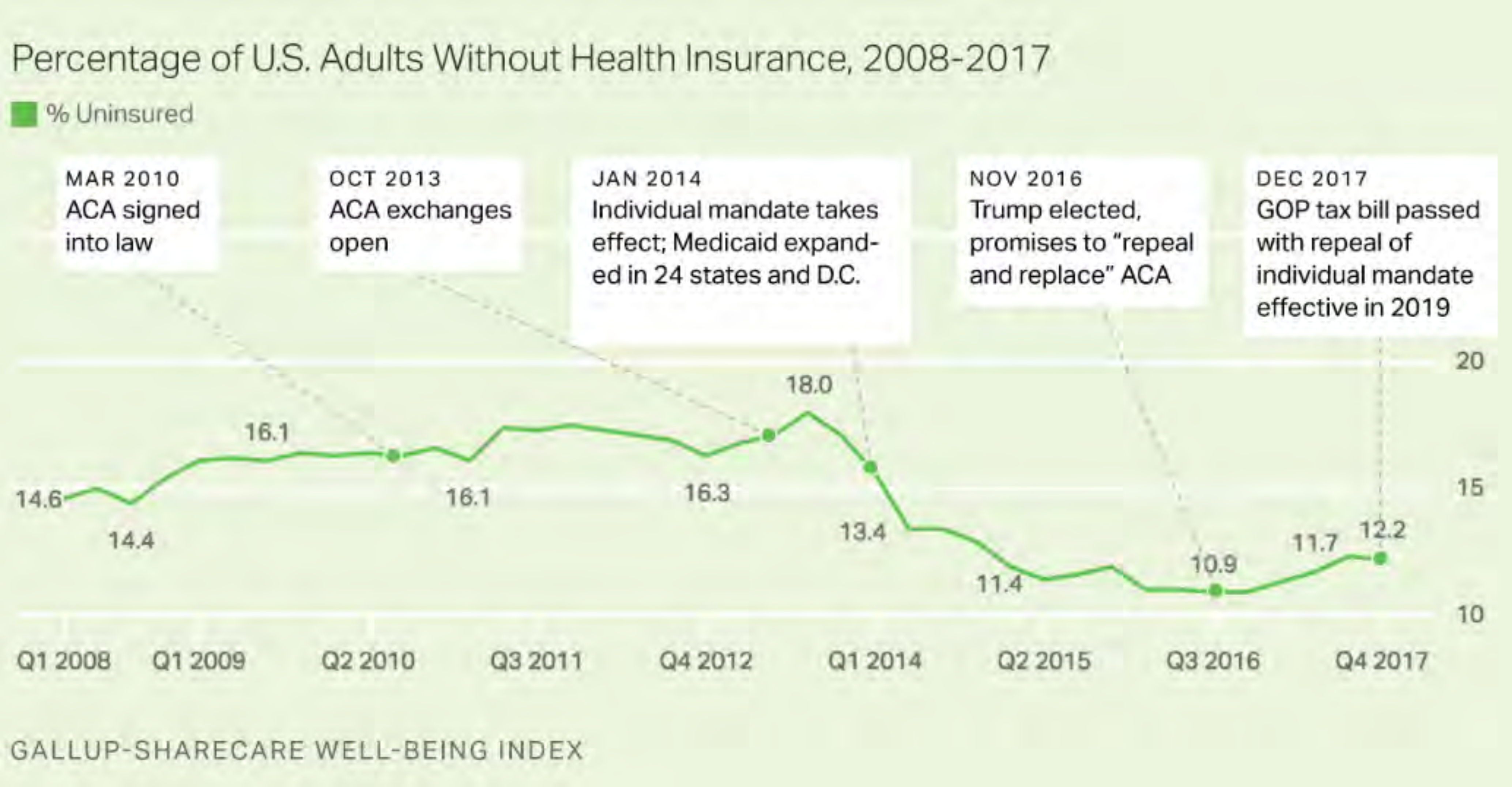
2017-2018 HIM Enrollment Statistics

	2017	2018
U.S.	• 12.2 million enrollments (9.2M on healthcare.gov platform) • 69% renewal / 31% new • 83% of all enrollments received financial assistance • 36% of enrollment is under age 35 • 12% earn incomes outside of subsidy range	• 8.7 million FFM enrollments • 72% renewal / 28% new
AZ	• 196,291 enrollments (140,079 effectuated) • 74% renewal / 26% new enrollment • 84% of all enrollments received financial assistance • 41% of enrollment is under age 35 • 18% earn incomes outside of subsidy range	• 166,961 enrollments • **Detailed 2018 enrollment data not yet made available**

Source: CMS

"This year CMS took a more cost effective outreach approach, spending just over $1 per enrollee on outreach and education for Exchange coverage compared to nearly $11 per enrollee last year." – Seema Verma

The Uninsured



The Uninsured

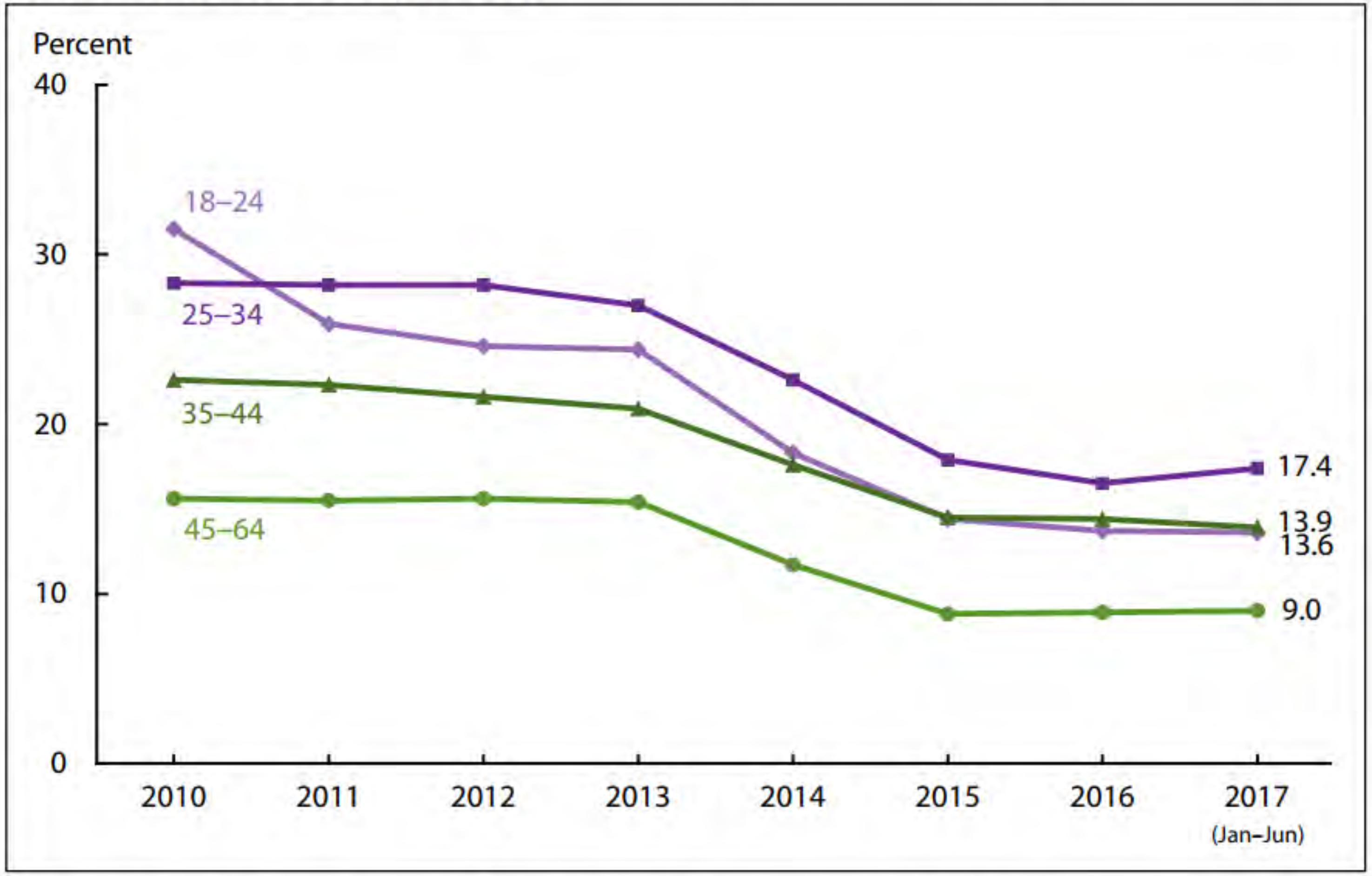
	Q4 2016	Q4 2017	Change
	%	%	pct. pts.
National Adults	10.9	12.2	+1.3
Age			
18-64	13.1	14.8	+1.7
18-25	14.7	16.7	+2.0
26-34	18.9	20.1	+1.2
35-64	11.0	12.8	+1.8
65+	2.3	2.1	-0.2
Race/Ethnicity			
Non-Hispanic white	6.9	7.6	+0.7
Non-Hispanic black	12.5	14.8	+2.3
Hispanic	27.4	29.6	+2.2
Annual household income			
Less than $36,000	20.8	22.8	+2.0
$36,000 to $90,000	9.2	10.6	+1.4
$90,000 +	2.7	3.5	+0.8

GALLUP-SHARECARE WELL-BEING INDEX

POPULATION	1 YEAR CHANGE (%)
Non-Hispanic White	+0.7
Non-Hispanic Black	+2.3
Hispanic	+2.2
Income < $36,000	+2.0
$36,000 to $90,000	+1.4
$90,000+	+0.8

The Uninsured

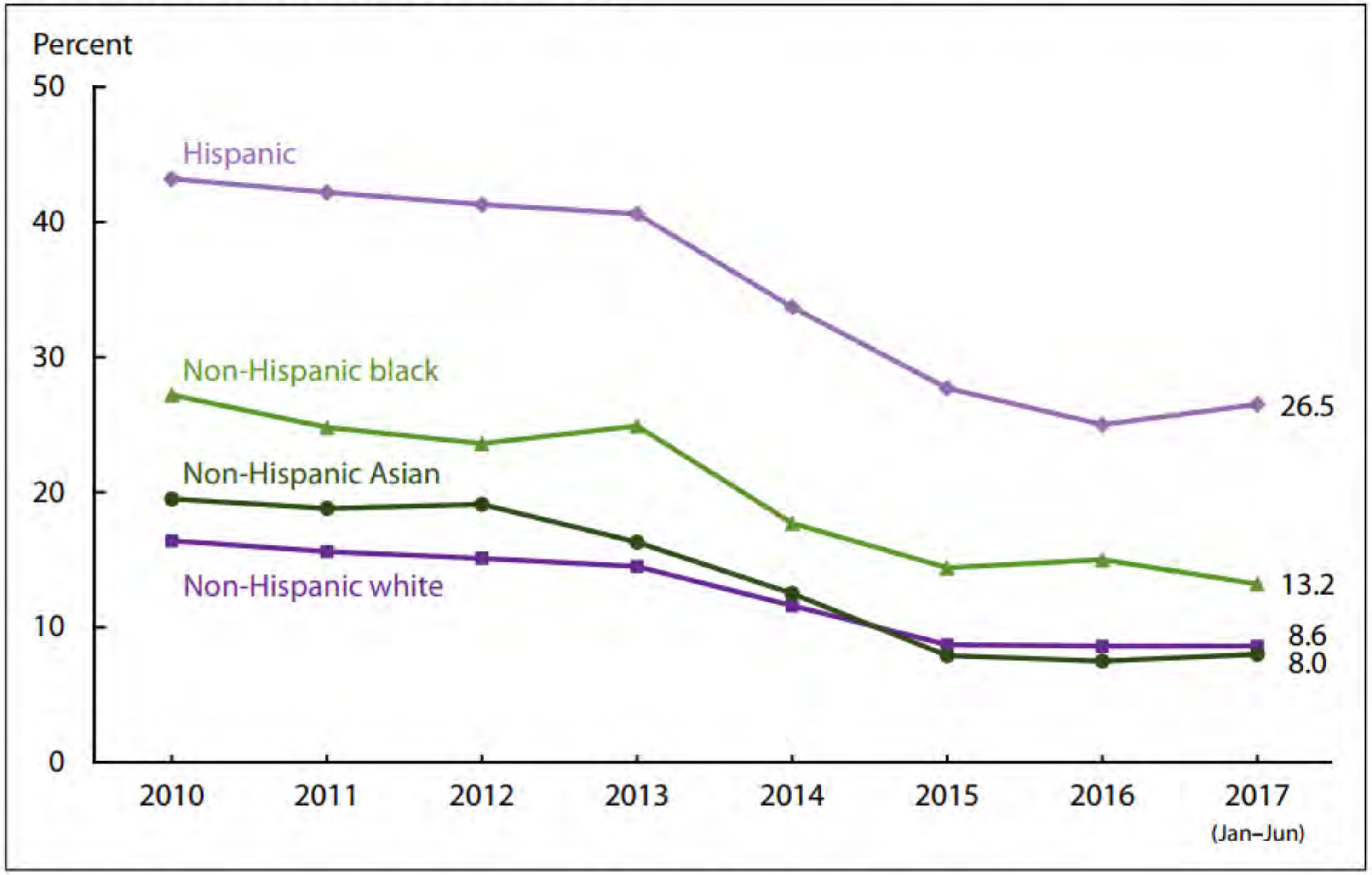
Figure 3. Percentage of adults aged 18–64 who were uninsured at the time of interview, by age group: United States, 2010–June 2017



NOTE: Data are based on household interviews of a sample of the civilian noninstitutionalized population.
SOURCE: NCHS, National Health Interview Survey, 2010–2017, Family Core component.

The Uninsured

Figure 6. Percentage of adults aged 18–64 who were uninsured at the time of interview, by race and ethnicity: United States, 2010–June 2017



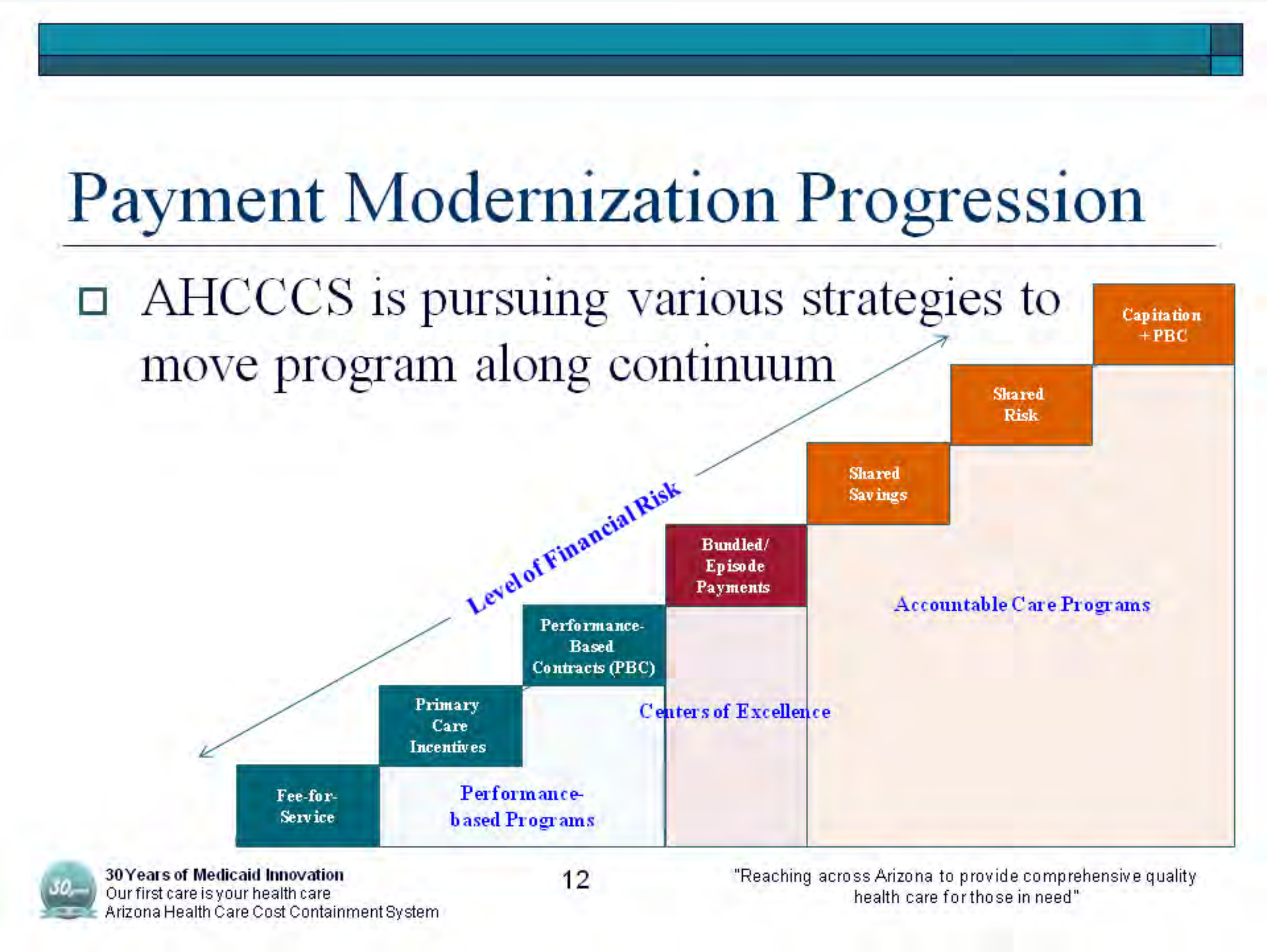
NOTE: Data are based on household interviews of a sample of the civilian noninstitutionalized population.
SOURCE: NCHS, National Health Interview Survey, 2010–2017, Family Core component.

Coverage Policy Outlook

- Impact of individual mandate repeal?
- Alexander-Murray, Collins-Nelson?
  - CSR Funding
  - Reinsurance Funding
  - Outreach and Enrollment Funding
- Association Plans?
- Short-Term Medical Plans?
- Medicaid Buy-In?
- Medicaid Per-Capita Caps?
- Medicaid Block Payments?
- KidsCare Funding?

Coverage reform is only one piece of the puzzle.

The shift toward value may hold even greater promise…

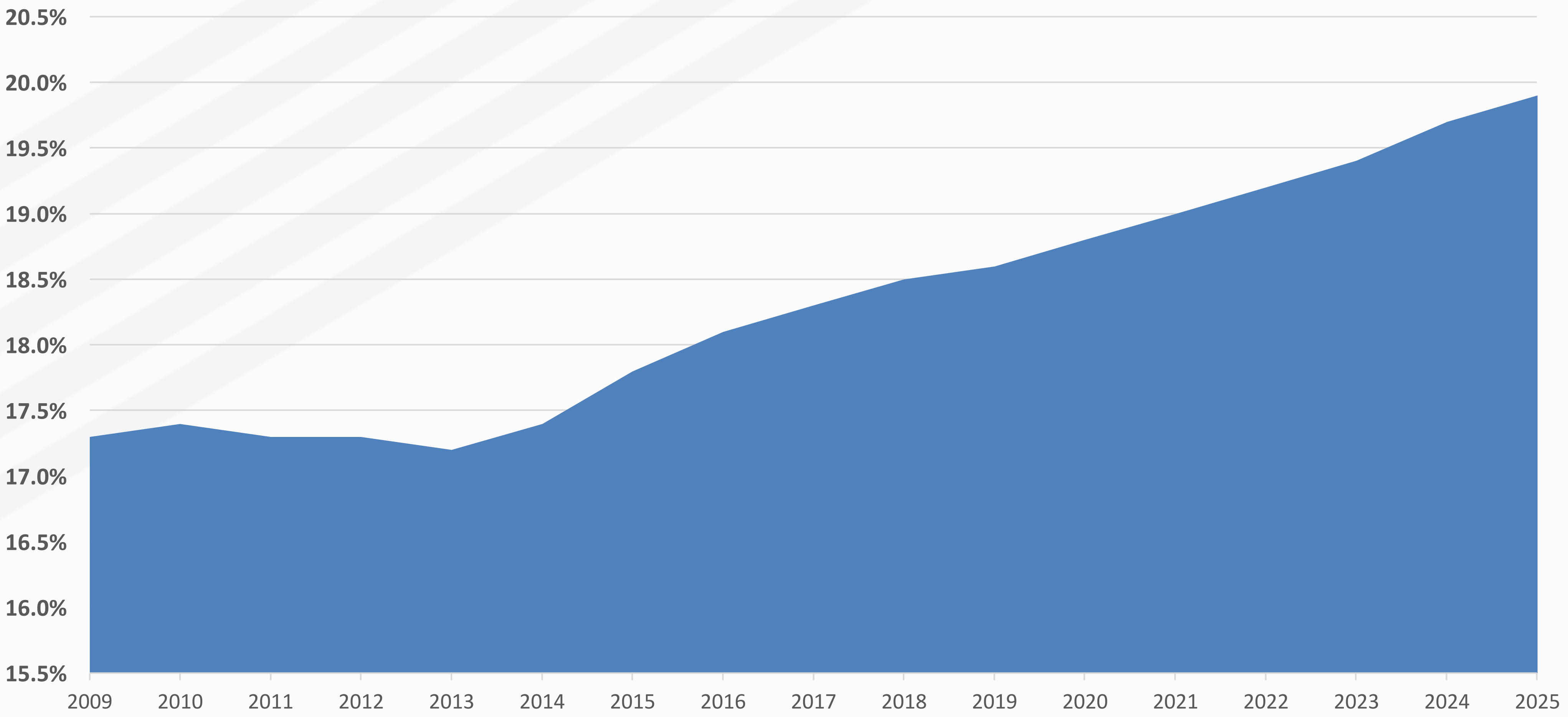


Value-Based Care

How to Get From Here to There

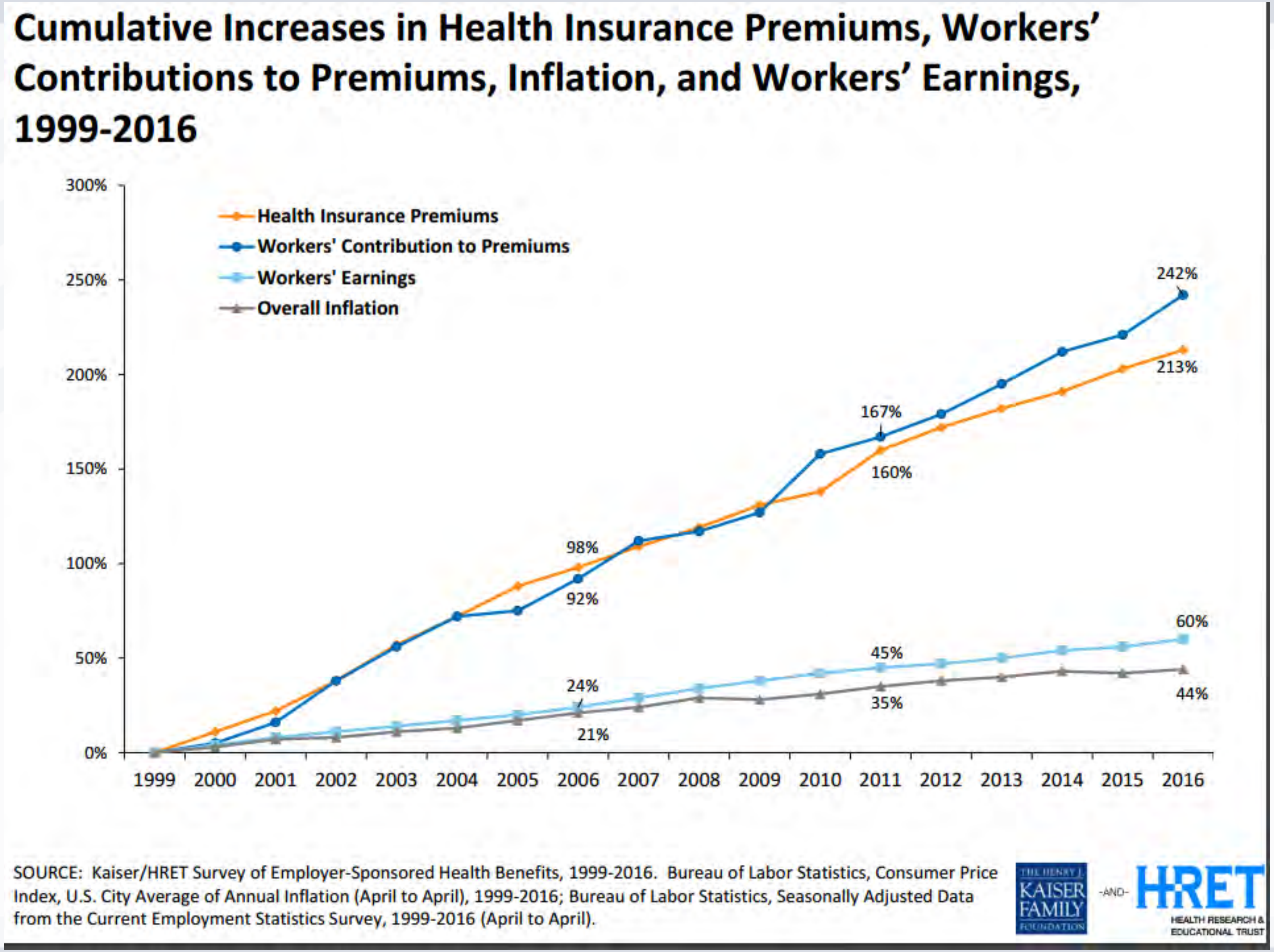
With Jim Whitfill

Healthcare as % GDP Projected



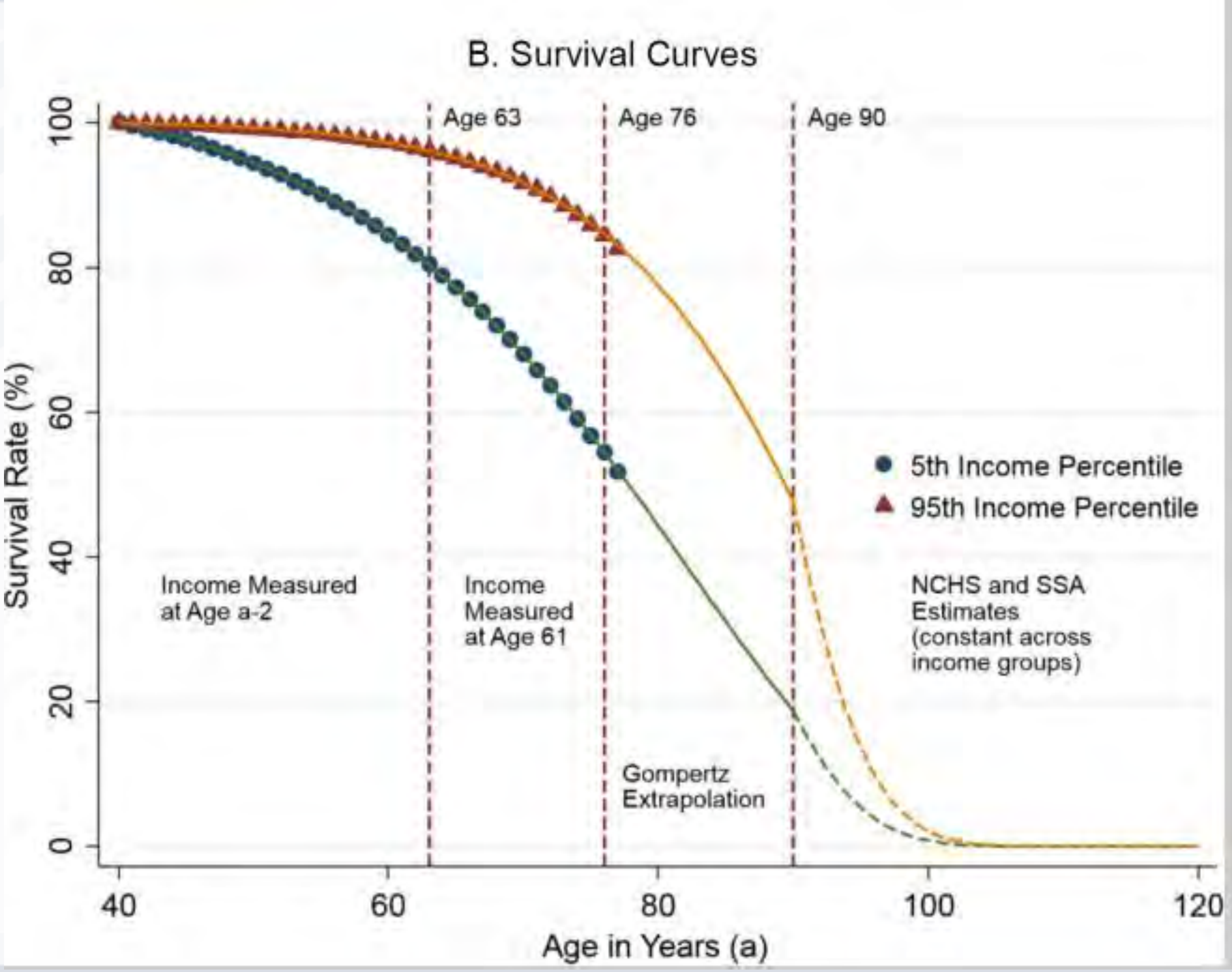
https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html

Employer and Employee Costs Rising



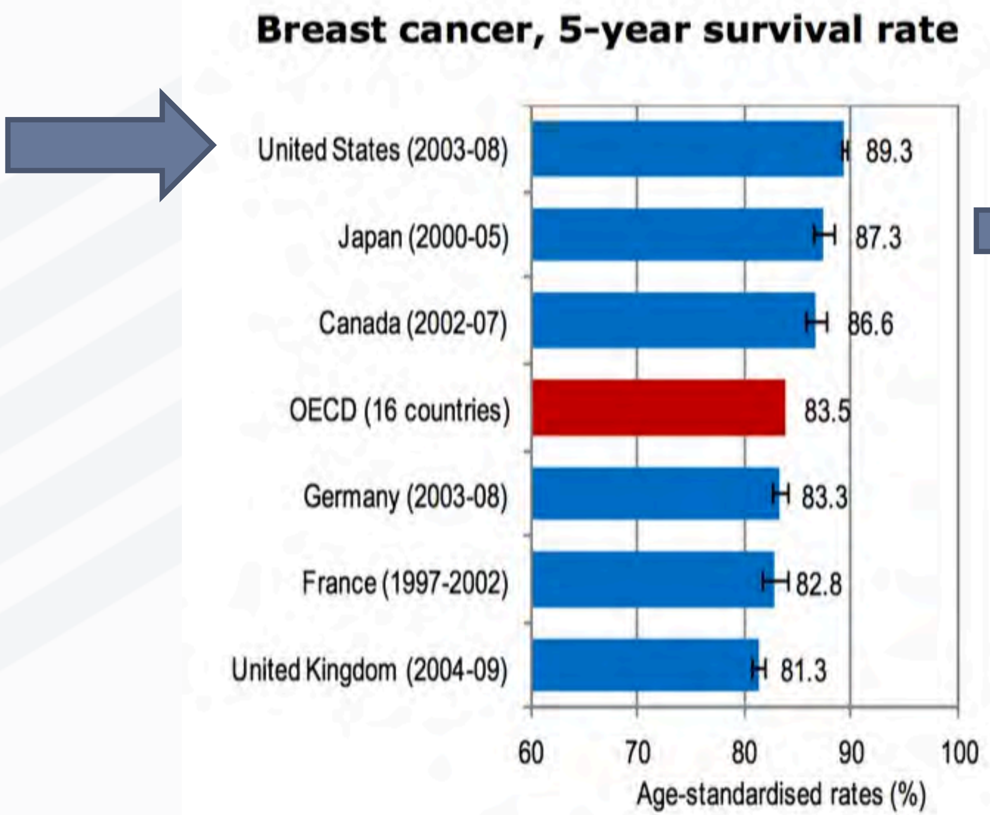
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits

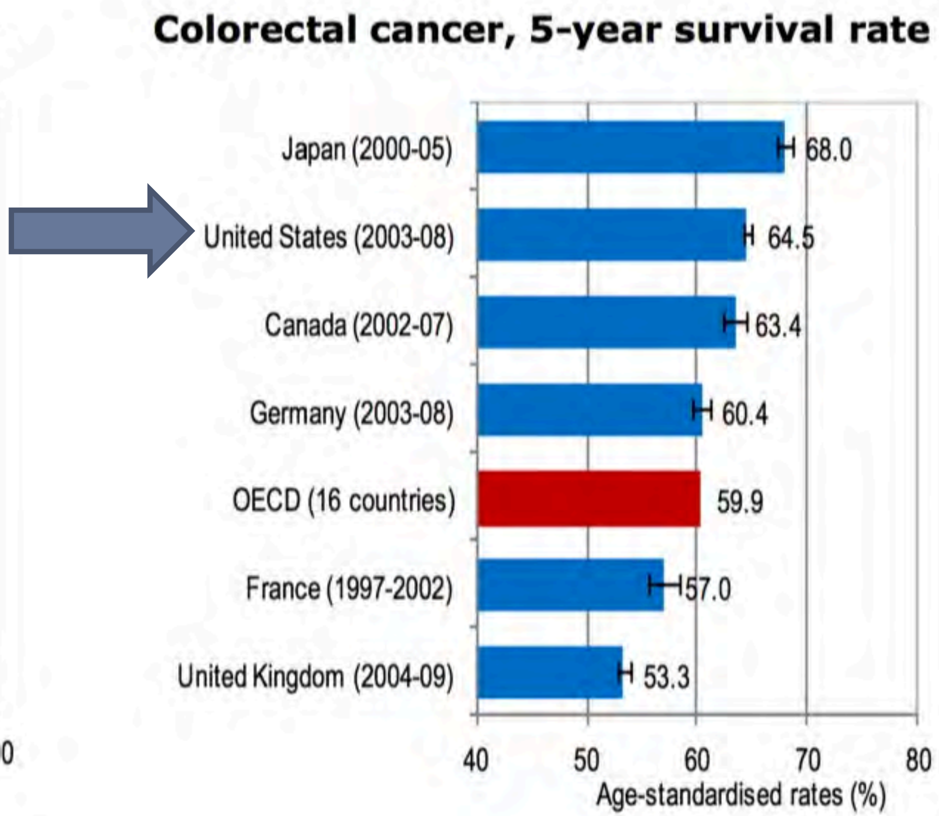
US Life Expectancy Tied to Income



JAMA. 2016 Apr 26; 315(16): 1750–1766. doi: 10.1001/jama.2016.4226

Cancer system is generally performing well

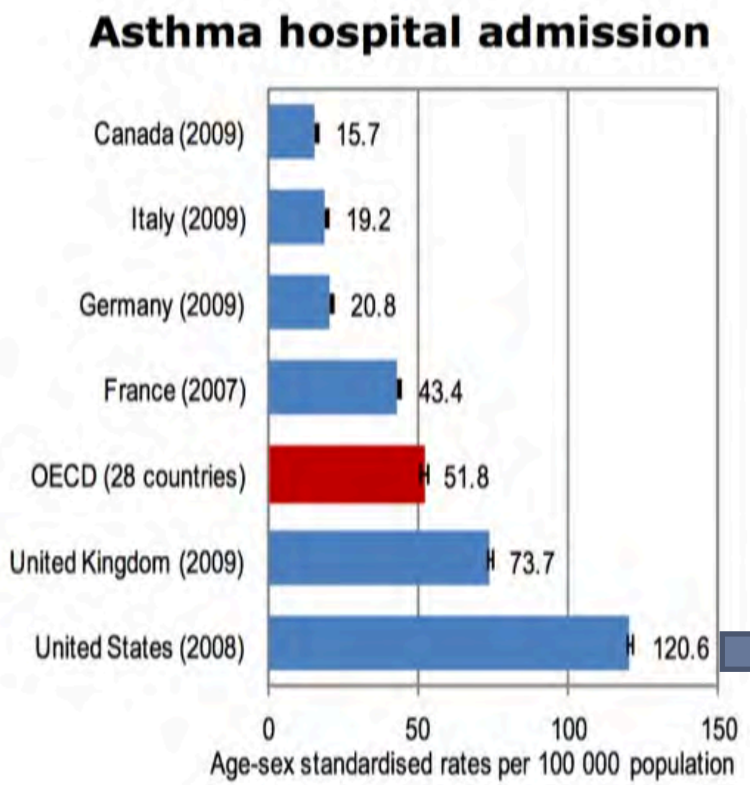


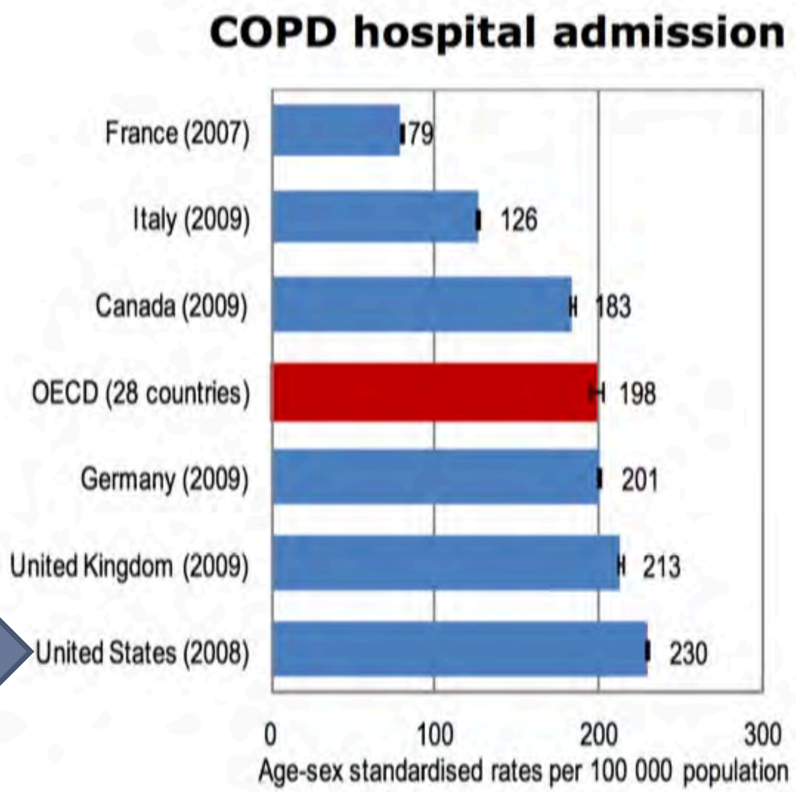


Note: 95% confidence intervals are represented by H.
Source: OECD Health Data 2012.

1271

Primary care sector is not performing so well





Note: 95% confidence intervals are represented by H.
Source: OECD Health Data 2012.

How Do We Address Increasing Costs with Inconsistent Outcomes?

It’s the Value Based Network, Stupid

Let’s talk about Nomenclature

- Accountable Care Organizations – ACO’s are funded by the ACA and specifically address traditional Medicare
- Clinically Integrated Networks
- Physician Hospital Organizations
- Independent Physicians Associations
  - Primary Care
  - Multispecialty
- Single TIN Groups

All can be Value-Based Networks

Indicators of Value-Based Networks

- Aggregate Providers into Integrated networks
- Contract with health plans with rewards tied to triple aim
- Connect electronically
- Track and report quality data
- Track and report utilization data
- Upside risk agreements (MSSP Track 1, Commercial ACO deals)
- Upside and downside risk (MSSP Track 2-3, Next Gen)
- PMPM Targets
- Percent of Premium

"Transactional Services"

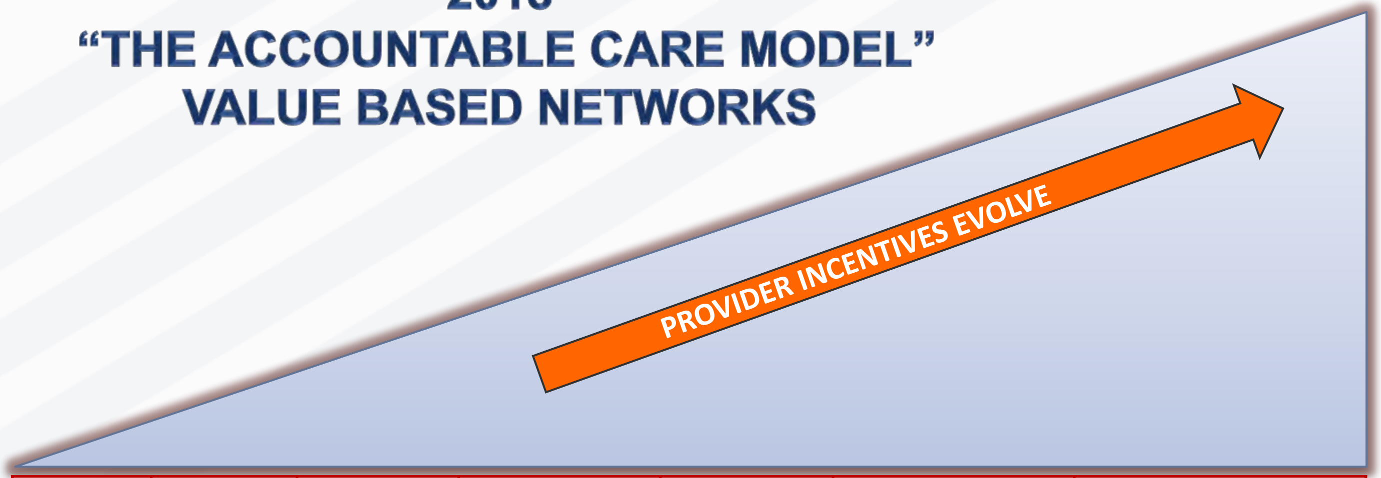
- Health Risk Assessments
- Gaps in care
- Medication reconciliation
- Attestations
- CCM
  - 99490, 99487, 99489
- TCM
  - 99495, 99496

=

- Better relationship between patient and provider
- Can uncover multiple conditions leading to better care
- Potential to reduce ER Visits and avoidable admissions
- Potential to reduce cost of care
  - Right Services, Right Place, Right Time
- Increased Revenue Potential for Risk Entity (Appropriate RAF scoring)
- Increased Revenue Opportunity for Providers

WIN for the Patient, Win for the Provider, Win for the Payor
Targets the triple aim: Better Care, Better Patient Experience, Lowers the Cost of Care

2018
"THE ACCOUNTABLE CARE MODEL"
VALUE BASED NETWORKS



Provider
Accountability
Risk/reward

Fee-for-service (FFS)	**P4P VBM**	**Per Diem Per Case Bundled Payment**	**Shared Risk Upside only Gainsharing MSSP Track 1 Pioneer**	**Shared Risk upside and downside Next Gen ACO Tracks 1+, 2, 3**	**Capitation**	**Percent of Premium**
More $	Prove quality	efficiency	Upfront costs, reward	Financial Risk	Provider is decision-maker	Full-Risk Incidence and prevalence
More Cases	More Cases	More cases	Avoid waste prevention Quality Measures	Reduce utilization	Less Cases Reserves Risk tolerance	True Pop Health

CMS and the Push for Value

Managed
Medicare/MA

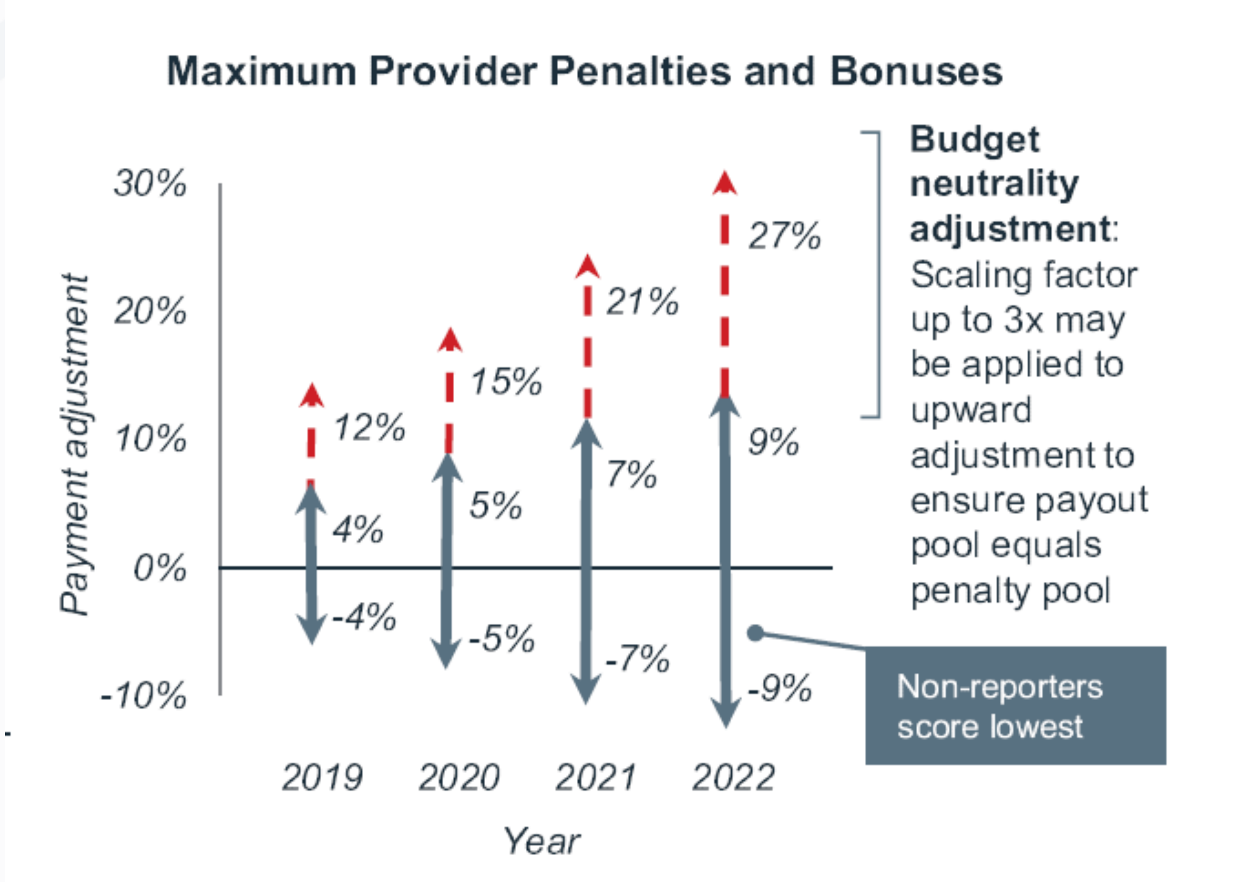
- Choice
- Quality
- Cost

Alternate Payment
Methods
(MSSP/ACO/BPCI)

Fee for Service/MIPS/Value
Based Purchasing

MIPS brings threats of fee schedule cuts and incentives based on MIPS scores

- *All providers are required to participate in MIPS in 2017,* proposed rule
- First reporting period 1/1/2017 to 12/31/2017
- Payments adjusted in 2019 based on performance in the 2017 period
- MIPS is budget neutral so any incentives are paid for via cuts to other providers
- However there is a budget exempt $500 million dollars for “exceptional” performance in the first 5 years



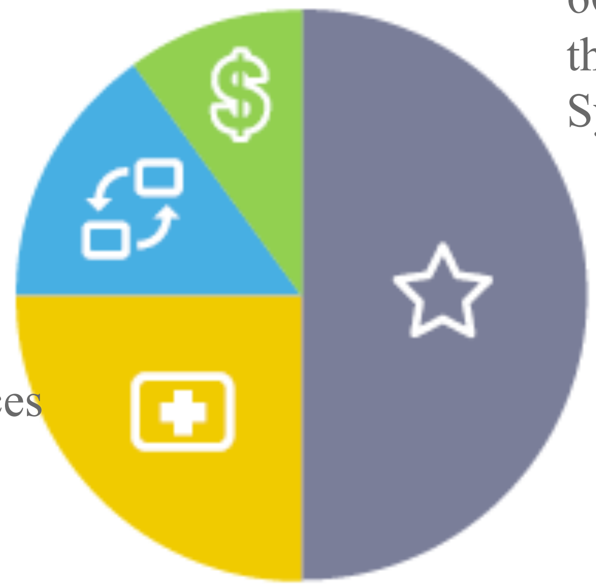
MIPS Score: Components

Clinical Practice Improvement Activities Category

15% of score in year 1

Quality Category

60% of score in year 1; replaces the Physician Quality Reporting System



Cost Category*

10% of score in year 2; replaces the Value Modifier Program, also known as Resource Use)

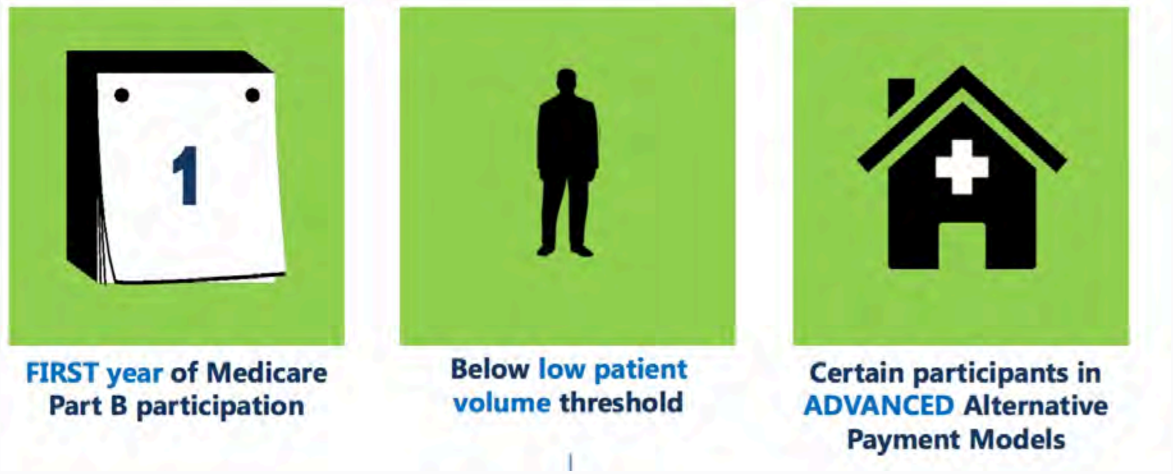
Advancing Care Information Category*

25% of score in year 1; formerly Meaningful Use

*For clinicians who do not meet these category requirements, CMS proposes reweighting the score to 0 and recalculating the other categories.

https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/Value-Based-Programs/MACRA-MIPS-and-APMs/MIPS-Scoring-Methodology-slide-deck.pdf

MIPS Participant Exemptions



Are newly enrolled in Medicare;

Have $\leq$ $90,000 in Medicare billings OR have $\leq$ 200 Medicare patients;

Are significantly participating in an AAPM.

Has MACRA Been Neutered?

- Slowing of implementation under Obama has continued under Trump
- 40% of providers now exempt from MACRA
- MIPS score of 3 will prevent cuts in 2019
- Mean FFS increase will be 0.9%
- Cost to report MIPS nationally is greater than the additional payment by CMS for best performers

MedPAC Votes to Kill MIPS

JANUARY 16TH, 2018 JERRY MCELROY NATIONAL NEWS, NEWS, TOP OF THE DAY

The Medicare Payment Advisory Commission (MedPAC) voted 14-2 to in favor of killing the Merit-based Incentive Payment System (MIPS) and replacing it with an alternative model of reimbursement.

MedPAC Chairman Francis "Jay" Crosson of Palo Alto, California, said he wished the commission had made its recommendation sooner, but it had spent much time investigating whether the program could be modified.

HealthLeaders Media quoted Crosson:

> *We came to the conclusion that it's simply not fixable.*

MSSP Tracks

Track *1*

Upside Risk only (2012 -)

- APM under MACRA
- Retrospective attribution
- Max sharing rate 50%
- Payment limit 10%
- MSR: 2-4% set by CMS

Track *1+*

Upside and Downside Risk (2018 -)

- AAPM under MACRA
- Prospective attribution
- Max sharing rate 50%
- Max loss rate of 4% of benchmark
- Payment limit 10%
- MSR: 0-2% & chosen by ACO

Track 2- *Upside and Downside Risk; 2012-*

- AAPM under MACRA
- Retrospective attribution
- Max sharing rate 60%
- Payment limit 15%
- Lower MSR and now with choice in MSR/MLR levels
- Loss limit 5%|7.5%|10%

Track 3 *Upside and Downside Risk; 2015-*

- AAPM under MACRA
- Prospective Attribution
- Max sharing rate 75%
- Payment limit 20%
- More waivers
- Loss limit 15%

Qualifying Advanced APMs for 2017

- *Advanced Alternative Payment Models* vs *Alternative Payment Models*: only the former will count for incentives and MIPS exemption
  - Shared Savings Program - Track 2
  - Shared Savings Program - Track 3
  - Next Generation ACO Model
  - Comprehensive ESRD Care (CEC) - Two-Sided Risk
  - Comprehensive Primary Care Plus (CPC+)
  - Oncology Care Model (OCM) - Two-Sided Risk
  - Comprehensive Care for Joint Replacement (CJR) Payment Model (Track 1- CEHRT)
  - Vermont Medicare ACO Initiative (as part of the Vermont All-Payer ACO Model)

CMS Announces New Payment Model: Bundled Payments for Care Improvement Advanced

JANUARY 16TH, 2018 JERRY MCELROY NATIONAL NEWS, NEWS, TOP OF THE DAY

BPCI Advanced will qualify as an Advanced Alternative Payment Model (APM) under the Quality Payment Program.

BPCI Advanced will operate under a total-cost-of-care concept, in which the total Medicare fee for services (FFS) spending on all items and services furnished to a BPCI Advanced Beneficiary during the Clinical Episode, including outlier payments, will be part of the Clinical Episode expenditures for purposes of the Target Price and reconciliation calculations, unless specifically excluded. Read the ***CMS announcement***.

Becker's Hospital Review boiled it down to "Six Things to Know":

1. The new model, called Bundled Payments for Care Improvement Advanced, includes 32 clinical episodes, with 29 in the inpatient setting and three in the outpatient setting. The clinical episodes may change in the future, as CMS may elect to

Arizona Medicare ACOs 2018

ACO	Start Date	Ownership/Structure Service Area	PCP's	Attributed members/ #Beneficiaries
Banner Health Network*	1/1/2012	BH, BPHO, BMG, AIP Maricopa and Pinal Counties	1020	78,000
Arizona Connected Care	4/1/2012	Community Providers, TMC Southern Arizona	195	6500
Arizona Care Network**	1/1/2013	Dignity Health & Abrazo Health Arizona	1000	30,000
Commonwealth PCACO	1/1/2013	Independent PCP's Arizona, New Mexico	100	16,000
JC Lincoln ACO	7/1/2013	Honor Health Maricopa County	126	16,500
Scottsdale Health Partners	1/1/2014	Honor Health Maricopa County	107	23.500
ASPA-Connected Community	1/1/2015	Independent Physicians (ASPA) Arizona, New Mexico	35	5200
North Central AZ Accountable Care	1/1/2015	Yavapai RMC, with NAH, Affiliates Yavapai & Coconino Counties	140	14,600
Abacus ACO	1/1/2016	Arizona Community Physicians Southern Arizona	131	26,853
Optum ACO***	1/1/2016	Optum Medical Network Maricopa County	203	37,000

*MSSP Track 3 **Next Generation and MSSP Track 1+ *** MSSP Track 2 **** Next Generation
All others MSSP Track 1

Arizona ACO Tracks

ACO Name	2017 Track	2018 Track
Banner Health Network	MSSP Track 3	MSSP Track 3
Arizona Connected Care	MSSP Track 1	MSSP Track 1
Arizona Care Network	MSSP Track 1 and Next Generation	MSSP Track 1+ and Next Generation
Commonwealth PCACO	MSSP Track 1	MSSP Track 1
John C. Lincoln ACO	MSSP Track 1	MSSP Track 1
Scottsdale Health Partners	MSSP Track 1	MSSP Track 2
ASPA Connected Community	MSSP Track 1	MSSP Track 1
North Central Arizona AC	MSSP Track 1	Track 1+
Abacus ACO	MSSP Track 1	MSSP Track 1
Optum ACO	Next Generation	Next Generation
PathfinderHealth	N/A	Track 1+

Arizona ACO 2016 Results

THE HERTEL REPORT

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MSSP ACO 2016 Arizona Results – Scottsdale Health Partners Garners Nearly $9M in Earned Shared Savings

NOVEMBER 1ST, 2017 · PAULA BLANKENSHIP · ARIZONA NEWS, NEWS, TOP OF THE DAY

Arizona MSSP ACO details are listed below:

Abacus Health
Beneficiaries Served: 28,106
Quality Score: NR
Benchmark-Expenditures: -$2.2M **Over Benchmark**

Arizona Care Network
Beneficiaries: 32,343
Quality Score: 89%
Benchmark-Expenditures: **$5.8M Savings**

Commonwealth Primary Care ACO
Beneficiaries: 17,497
Quality Score: 96%
Benchmark-Expenditures: -$138K **Over Benchmark**

North Central Arizona Accountable Care
Beneficiaries: 13,391
Quality Score: 93%
Benchmark-Expenditures: –$7M **Over Benchmark**

ASPA Connected
Beneficiaries: 5010
Quality Score: 87%
Benchmark-Expenditures: **$700K Savings**

Arizona Connected Care
Beneficiaries: 7,331
Quality Score: 88%
Benchmark-Expenditures: –$14.5M **Over Benchmark**

John C. Lincoln ACO
Beneficiaries: 16,852
Quality Score: 93%
Benchmark-Expenditures: -$27M **Over Benchmark**

Scottsdale Health Partners
Beneficiaries: 19,216
Quality Score: 97%
Benchmark-Expenditures:**$18.7M Savings.**
Earned Share: $8.8M

https://www.thehertelreport.com/mssp-aco-2016-arizona-results-scottsdale-health-partners-earns-nearly-9m-in-earned-shared-savings/

ACO Movement/News

- PathfinderHealth leaves NCAAC and starts MSSP Track 1+
- Summit (NEAR network) Joins NCAAC
- NCAAC moves to Track 1+
- Banner Health Network moves from Pioneer to Track 3
- ACN Running MSSP Track 1+ and Next Generation
- Scottsdale Health Partners goes to MSSP Track 2

Have ACOs Been Successful?

- CBO scored MSSP to save $4.9 Billion through 2019
- OIG reported MSSPs have saved CMS $1.7 Billion through 2016
- Quality scores have risen in more mature ACOs
  - Better care vs better reporting

http://thehealthcareblog.com/blog/2017/12/18/fixing-macra-should-mean-fixing-the-apm-pathway/

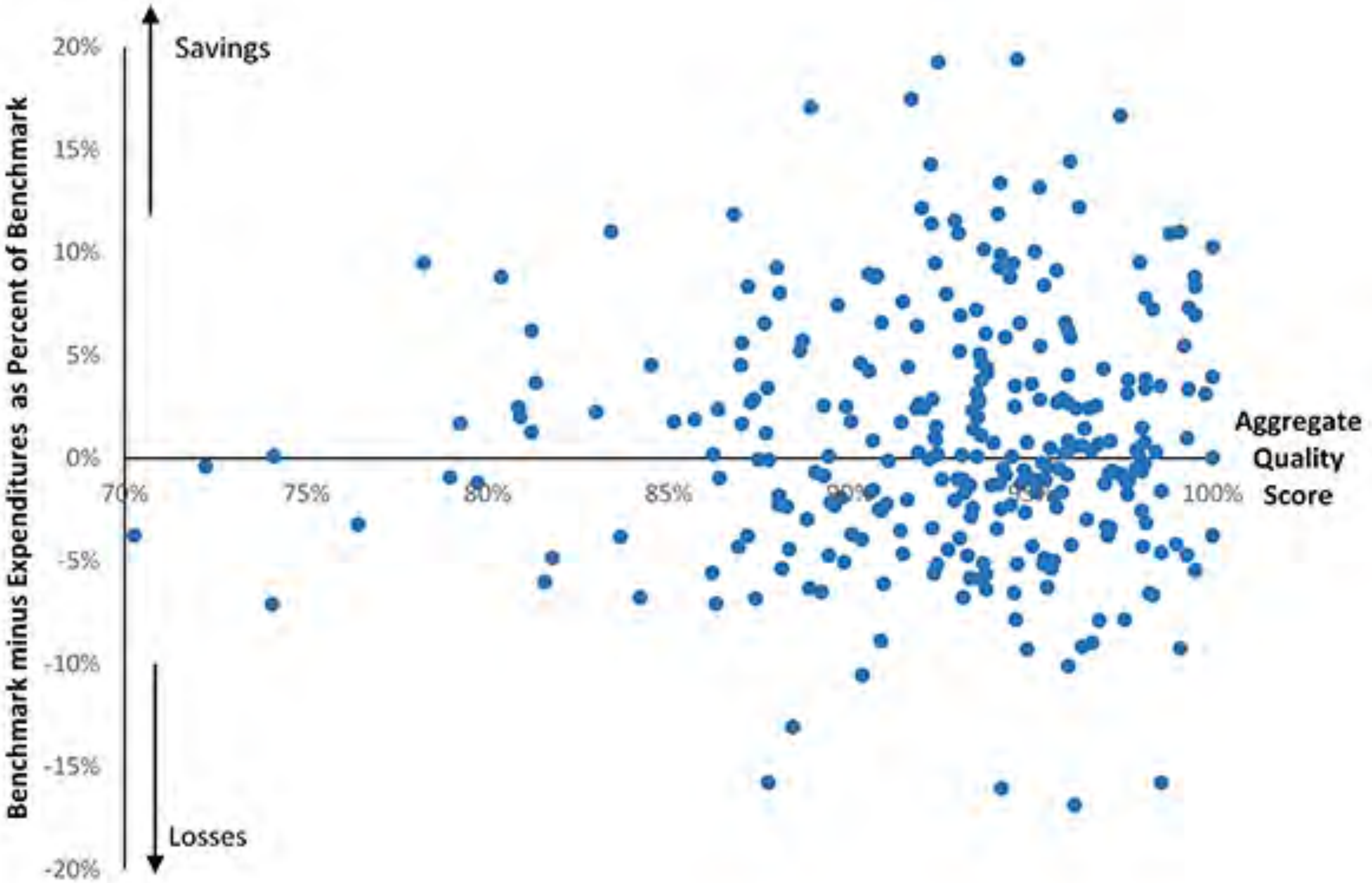
National MSSP Results To Date

MSSP Results	2012	2013	2014	2015	2016
Earned Shared Savings	29	55	92	125	134
Reduced spending, below threshold	25	60	89	83	107
Increased spending, below threshold	60	88	223	184	187
Owed money back to CMS	0	1	0	0	4
Total	114	204	404	392	432

2018

- 561 ACOs
- 101 downside risk
- 21 with no experience

Cost vs ACO Quality Measures in MSSPs



THE WALL STREET JOURNAL.

Medicare and Medicaid Need Innovation

Trump's HHS seeks to encourage health-care competition.

PHOTO: ISTOCK/GETTY IMAGES

By Seema Verma

Sept. 19, 2017 7:00 p.m. ET

- CMMI will be going in a "new direction"
- Too much healthcare consolidation
- "We must shift away from a fee-for-service system that reimburses only on volume and move toward a system that holds providers accountable for outcomes and allows them to innovate"
- "Consumers need more control over the allocation of health-care resources. "

VBN’s

**All of the attributed lives in the Medicare column are through the MSSP or Next Generation programs.*
***PCPs is total MD/DO and midlevel practitioners*

This table illustrates attributed lives for many Value-based Networks in Arizona. While this list is comprehensive, we know there are other VBN's in Arizona not accounted for in this report and table.

The data was aggregated by The Hertel Report, sourced from responses directly from the VBN’s.

Value-Based Networks - Estimated Covered Lives Report 2018

Organization Name	Medicare*	Medicare Advantage	Commercial	Medicaid	Estimated Total Lives	Estimated Number of PCP's**
Abacus ACO	28,000	23,200	30,000	7,100	88,300	131
Arizona Care Network	33,000	1,500	105,000	111,000	250,500	1,069
Arizona Connected Care	8,318	5,819	14,021	0	28,158	195
Arizona Priority Care	N/A	11,005	0	0	11,005	322
ASPA Connected Community	6,200	0	0	0	6,200	50
Banner Health Network	50,737	90,381	288,644	13,200	442,962	1,032
Commonwealth ACO	16,000		24,000	5,000	42,200	97
District Medical Group	N/A	0	0	91,500	91,500	60
Equality Health Network	N/A	0	0	77,255	77,255	290
Health Choice Preferred	N/A	6,000	1,000	31,000	38,000	125
Innovation Care Partners	N/A	17,000	20,000	0	37,000	300
John C. Lincoln ACO	16,400	N/A	N/A	N/A	16,400	140
MIHS	N/A	0	0	91,500	91,500	60
NCAAC	14,500	0	0	0	14,500	145
Optum ACO	37,000	65,000	0	0	102,000	600
PathFinder ACO	9,843	0	6,056	0	15,899	78
Phoenix Childrens Care Network	N/A	N/A	2,300	126,000	128,300	359
Scottsdale Health Partners	23,500	N/A	N/A	N/A	23,500	150
TOTAL	243,498	219,905	488,721	336,055	1,288,179	4,784
	19.2%	17.3%	37%	26.5%		

N/A: Not Applicable

Other Value-Based Networks

- Iora Health
- P3 Healthcare Partners
- Summit Medical Group
- Cigna Medical Group

How Are VBNs Navigating This Uncertainty?

- Developing financial and operational capabilities to support different value-based payment models and different plan types and market segments
- Engaging providers
- Ensuring that culture, leadership and commitment to quality are aligned

Quality as a Business Strategy

Value = Quality/Cost
(Over Time)

Lisa Mead, RN, MS, CPHQ

QUALITY

Enhancing Culture

Working in Teams

Training

Planning

Partnering with Suppliers &Customers

Removing Barriers

Voice of the Customers

Reward & Recognition

Benchmarking

Outcomes

Data

The New Paradigm for Quality Improvement

- Aimed at continuous improvement
- Data Driven
- Avoids Blame
- Create systems that prevent errors
- Encourages “thinking outside the box”

Six Improvement Aims from IOM:

The process of improving the lives of patients, the health of communities, and the joy of the healthcare workforce involves focusing on an ambitious set of goals adapted from the Institute of Medicine's six improvement aims for healthcare systems:

- Safety
- Effectiveness
- Patient-Centeredness
- Timeliness
- Efficiency
- Equity

Quality care is also coordinated, compassionate, and innovative.
(Roper, IOM 2006)

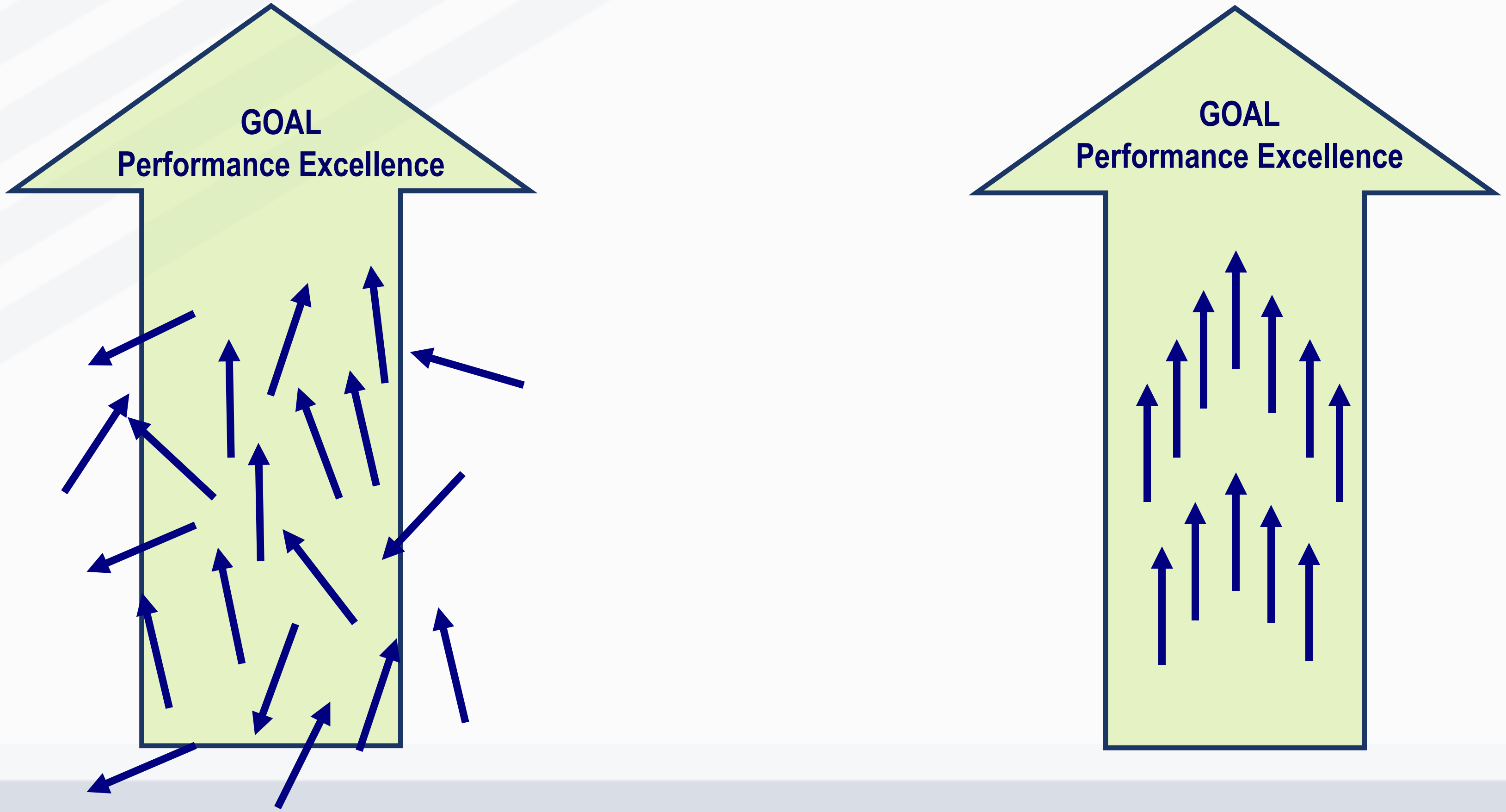
The Platform for Improvement

- Will, Hope, and Optimism
- Transparency: All Teach – All Learn
- Safe and Just Environment
- Innovation and Improvement Science
- Integrated, Results-Oriented Teams
- Designing Care with the Patient Involved
- Courageous and Adaptive Leadership

Institute Healthcare Improvement

How Far Along is Your Company in the Quality & Process Improvement Journey?

Random Acts of Improvement → **Aligned Acts of Improvement**



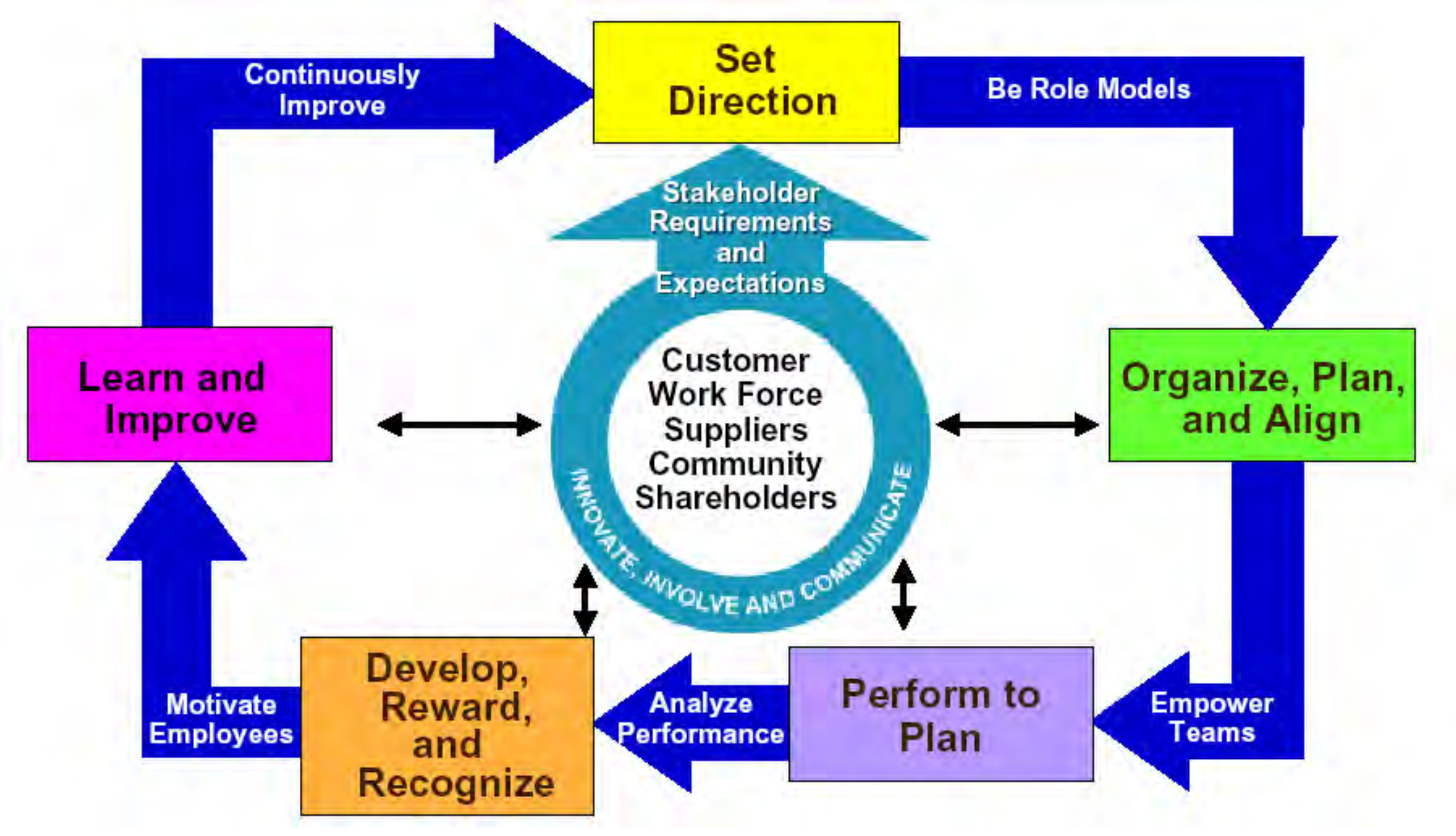
How to Drive Excellence

- Implement methods to build and maintain performance excellence in your health care organization.
- Execute strategies to enhance accountability and achieve quality and patient safety objectives.
- Utilize measurement tools to track clinical and organizational progress toward meeting performance expectations.

Role of Leadership

- Champion of an environment that “enables” performance excellence
  - Builds relationships
  - Helps to achieve results
  - Leads people
  - Leads strategic change
  - Allocates talent and resources

The Leadership System



Questions to Consider:

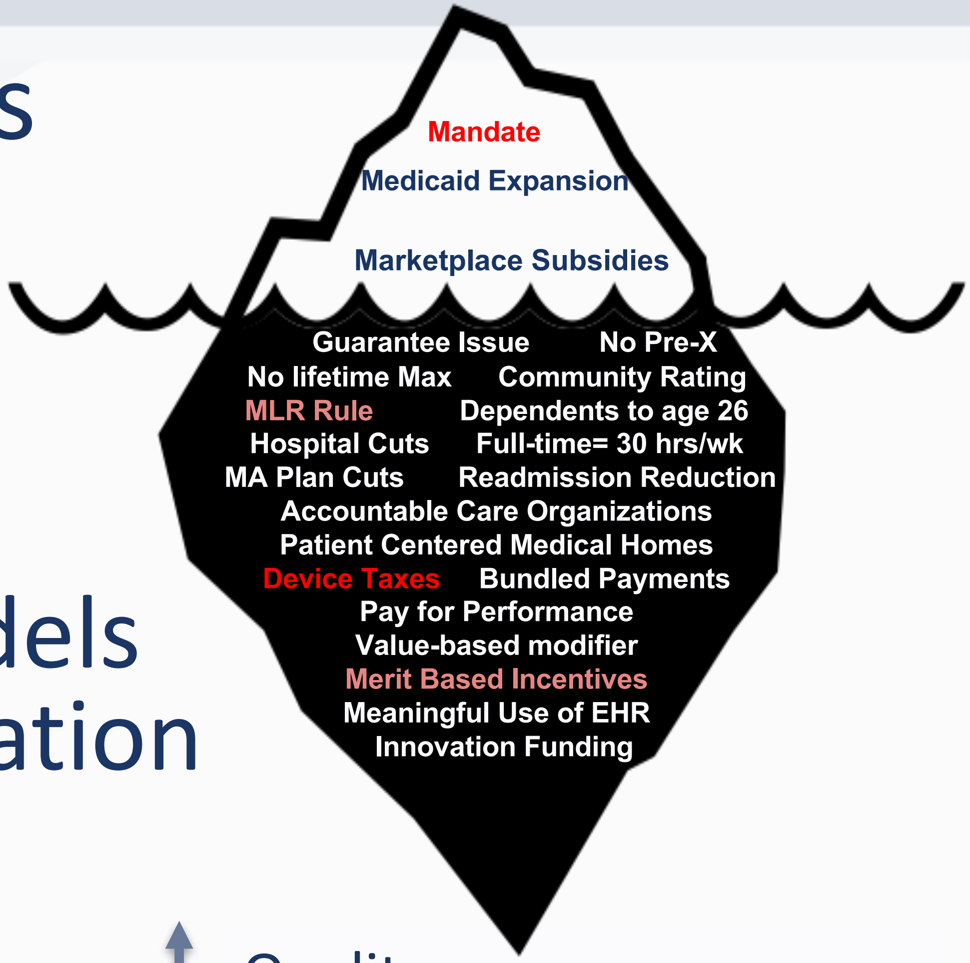
- What would you like to improve?
- What about your organization could be made:
  - Safer
  - Timelier
  - More Efficient
  - More Effective
  - More Patient Centered
  - More Equitable

Getting Started

– Engage your leaders
– Define/Review the vision, values, mission, culture
– Teach Quality PI principles
– Set priorities for Quality Plan Development
– Develop policy and procedures
– Develop a "scorecard" or "dashboard"
– Gather data
– Analyze the data
– Develop improvement plans
– Implementation and follow through

Final Thoughts

- ACA Not Dead Yet
- Uncertainty
- Medicaid is Evolving
- CMMI Call-out for Innovation
- Push to Value-Based Care Models
- Traditional Network and Utilization Decisions Shifting to VBN’s
  - Transparency
  - The in-crowd has to earn it!
  - Essentially the Triple Aim



↑ Quality
↓ Cost
↑ Satisfaction

The Hertel Report is the Source that Connects….

- Local News
  - AHCCCS Awards, Waiver acceptance and implementation, ACO/VBN, AHCCCS and Medicare Advantage data, more value-based deals and risk contracts, innovation.
- National News:
  - Executive Order: Sales across state lines, association plans, etc.
  - Congressional Action: CSRs, extenders, reinsurance, state by state market reform, Medicaid block grants/per capita, Medicaid buy-in, short term plans, future enrollment funding, etc.

THE HERTEL REPORT

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Remember to visit our website at: www.thehertelreport.com

Be part of our membership community and sign up today for timely, impartial market news, data and exclusive reports!

Why Value-Based Payment Isn't Working, and How to Fix It

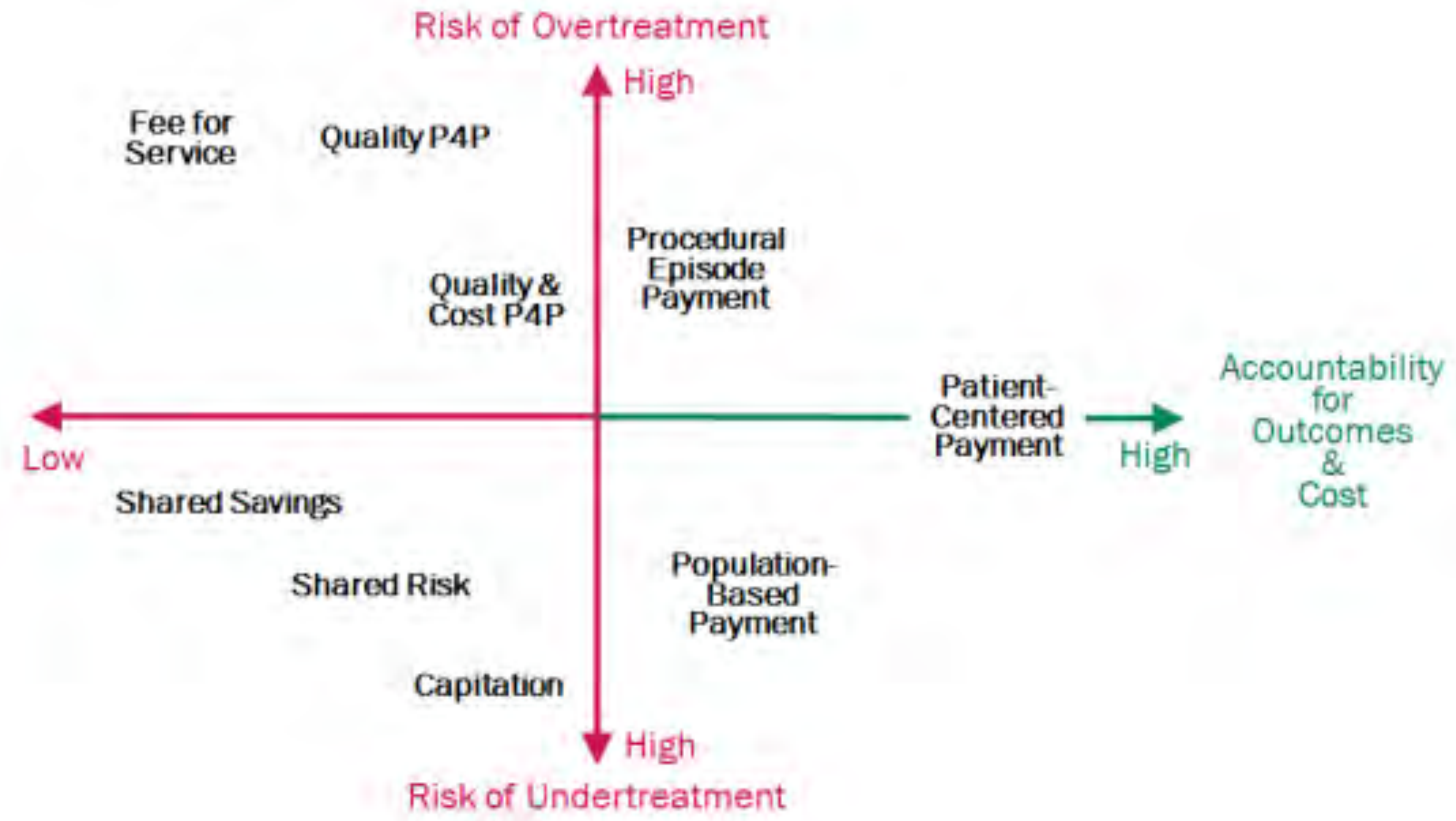
Creating a Patient-Centered Payment System to Support Higher-Quality, More Affordable Health Care

Harold D. Miller

CENTER FOR HEALTHCARE QUALITY & PAYMENT REFORM

http://www.chqpr.org/downloads/WhyVBPIsNotWorking.pdf
https://www.thehertelreport.com/white-paper-why-value-based-payment-isnt-working-how-to-fix-it/

Failures of Existing Payment Models



http://www.chqpr.org/downloads/WhyVBPIsNotWorking.pdf

Shared Savings Model Failures

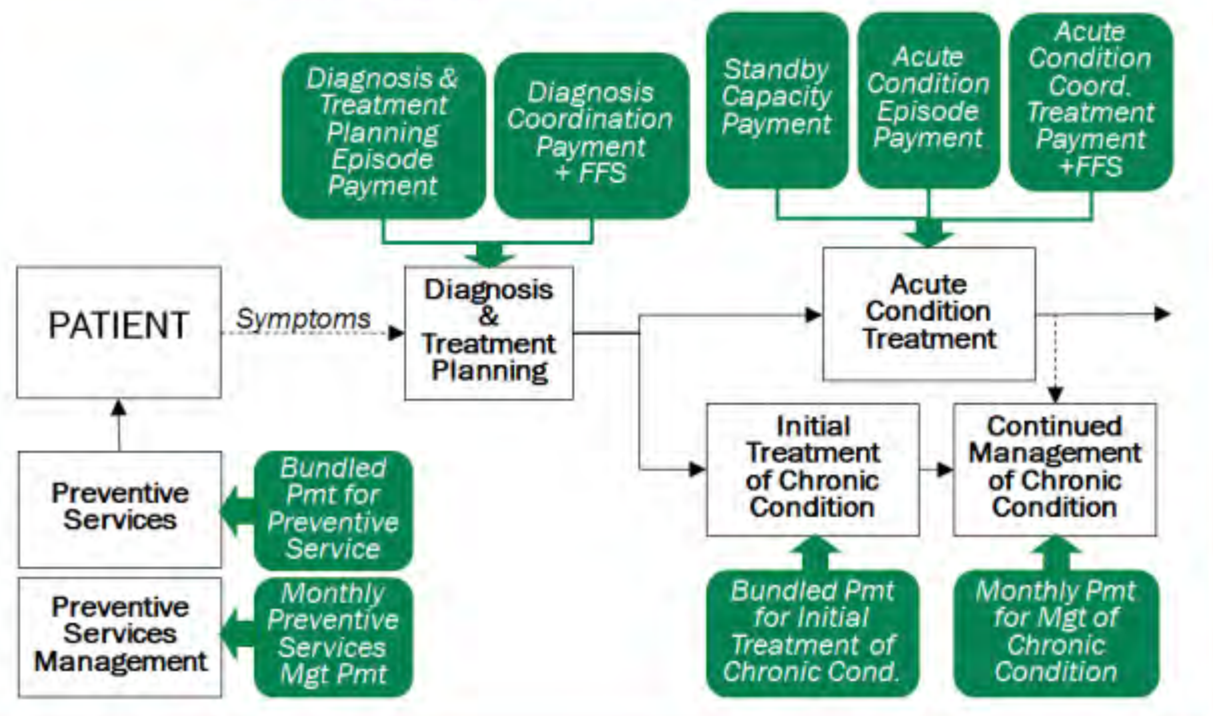
- Do not ensure high quality care is delivered
- Do not align payments with cost of care
- May not support services not covered under FFS
- Incentives to not do things may not align with patients
- Risk adjustment not enough to encourage serving high need patients
- Provider payment not under control of the provider
- Retrospective payment design leads to provider uncertainty

http://www.chqpr.org/downloads/WhyVBPIsNotWorking.pdf

Patient Centered Payment System

- Preventative Care
  - CMF and bundles
- Diagnosis and Treatment Planning
  - Bundles
- Acute Condition Treatment
  - Bundles
- Managing Chronic Conditions
  - Bundle and CMF

FIGURE E-1: A Patient-Centered Payment System



http://www.chqpr.org/downloads/WhyVBPIsNotWorking.pdf