

Changes in Healthcare from a Payor's Perspective: The Value Equation

The HFMA Lone Star Chapter Annual Winter Institute
January 20, 2012

Chad Mulvany, FHFMA
Technical Director
HFMA



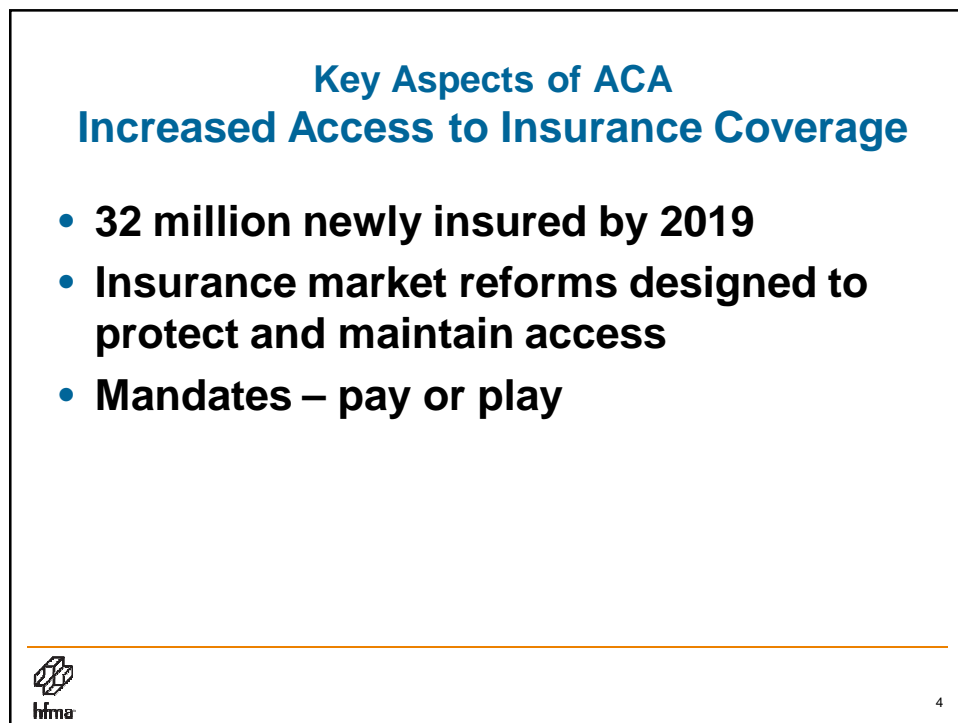
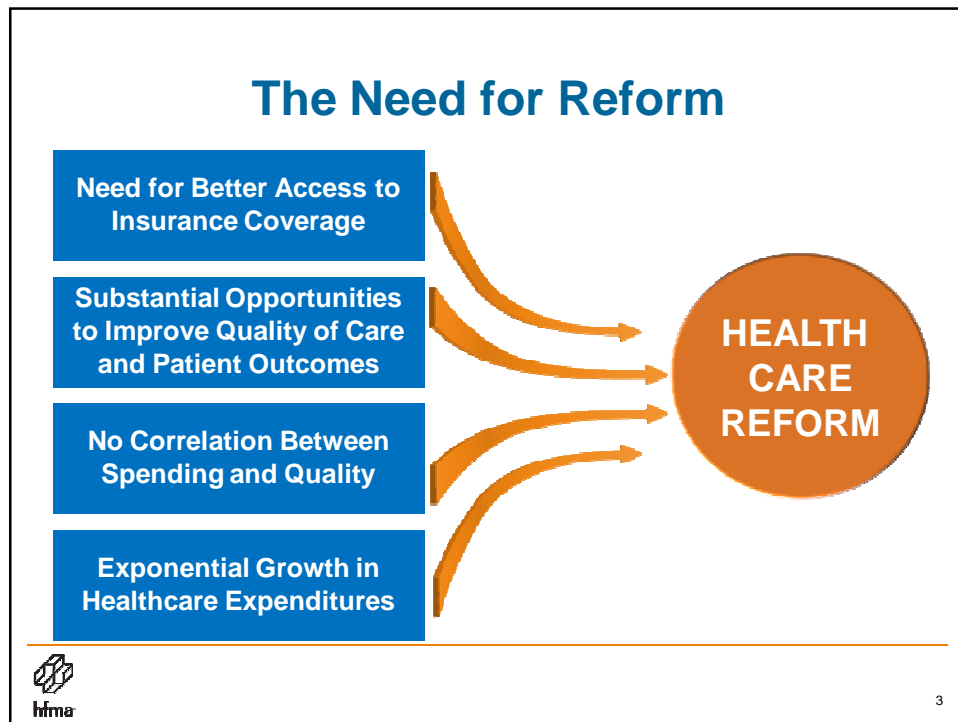
Believe to Achieve



Presentation Overview

- **Healthcare Reform: Where Are We Now?**
- **Value: Imperative in Any Scenario**
- **Moving Toward Value**





Key Aspects of ACA

\$160B in Provider Payment Reductions

Payment Area	Payment Reduction Over a 10 Year Period (in billions)
Market basket update (MBU)	-112.6
Disproportionate Share Hospital payment cuts (Medicare & Medicaid DSH)	-36.1
Reduced readmissions	-7.1
Hospital-acquired conditions	-1.5
Accountable care organizations	-2.9



Sources: Health Care Facilities Managed Care Analysis; Bank of America Merrill Lynch; March 4, 2010; p. 9
CBO letter to Speaker Nancy Pelosi; March 20, 2010; HFMA estimate

5

Supreme Court Ruling Expected in June 2012

Four Issues on Which the Court Has Granted Review

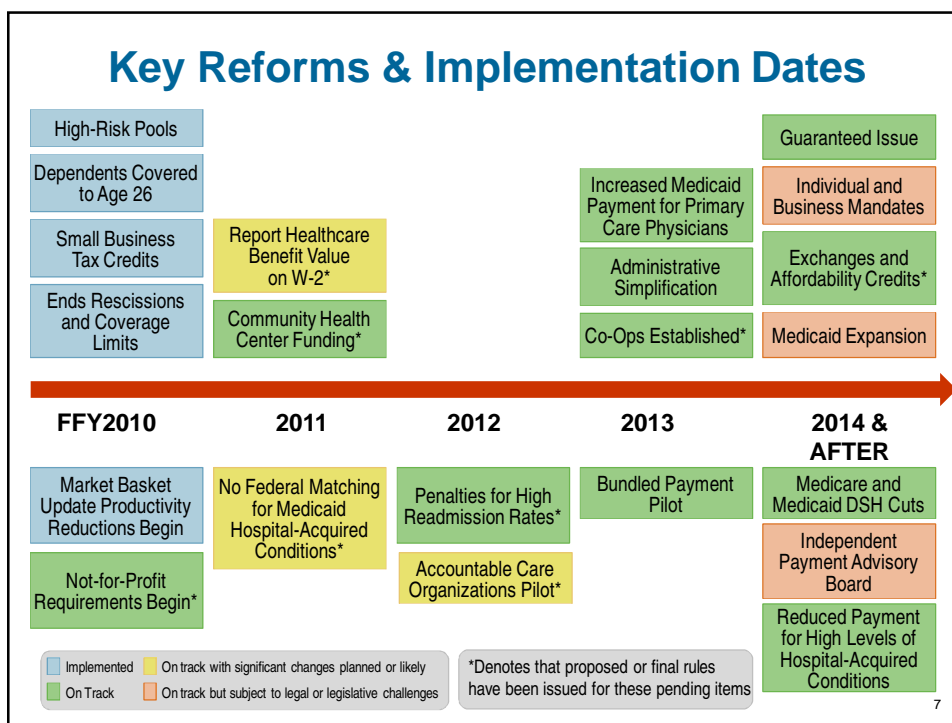


1. Is the individual mandate constitutional?
2. Is the individual mandate severable (i.e., if it is found to be unconstitutional, does all of ACA fail)?
3. Does the Anti-Injunction Act prevent challenges to ACA?
4. Is the ACA's expansion of Medicaid constitutional?




hfma
healthcare financial management association


6



The "Four Big Bets" in Healthcare Reform

- Will the uninsured and newly eligible for Medicaid enroll? Will the insured increase by 32 million as targeted?
- Will employers drop health benefits after 2016? Will employees purchase through state insurance exchanges, or go without?
- Can states manage their new responsibilities and obligations?
- Will delivery system reforms reduce costs over time?




 Source: Paul Keckley, PhD, Executive Director, Deloitte Center for Health Solutions, "Defining Value in the Health Care Industry," HFMA Leadership Conference on Value, March 31, 2011

About Half of Uninsured Unaware of Medicaid Expansion and Subsidies

I'm going to read you a list of specific reform proposals. For each, please tell me whether you think it was included in the health reform law, or not.

AMONG THOSE AGES 18-64 WHO ARE CURRENTLY UNINSURED

■ Yes, law will do this ■ No, law will not do this ■ Don't know/Refused

Provide financial help to low and moderate income Americans who don't get insurance through their jobs to help them purchase coverage



Expand the existing Medicaid program to cover low-income, uninsured adults regardless of whether they have children

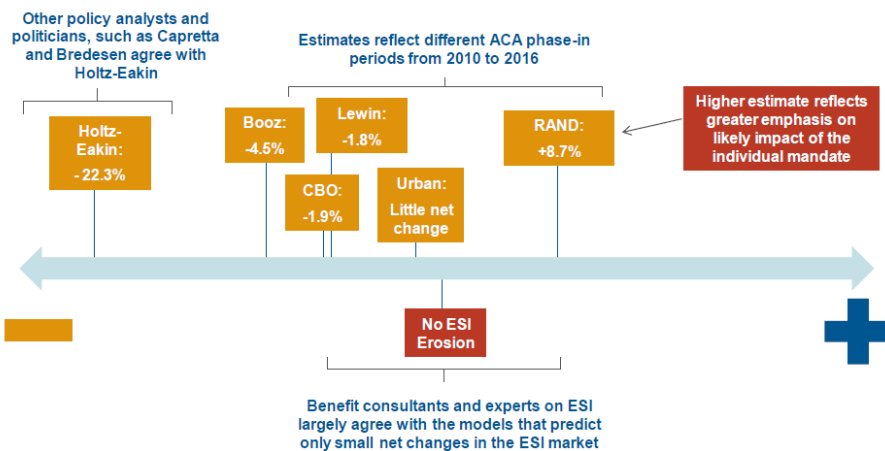


Source: Kaiser Family Foundation *Health Tracking Poll* (conducted August 10-15, 2011)



Differing Opinions on Impact of ACA on Employer-Sponsored Insurance

Estimates of Changes in the ESI Market Post-ACA Implementation



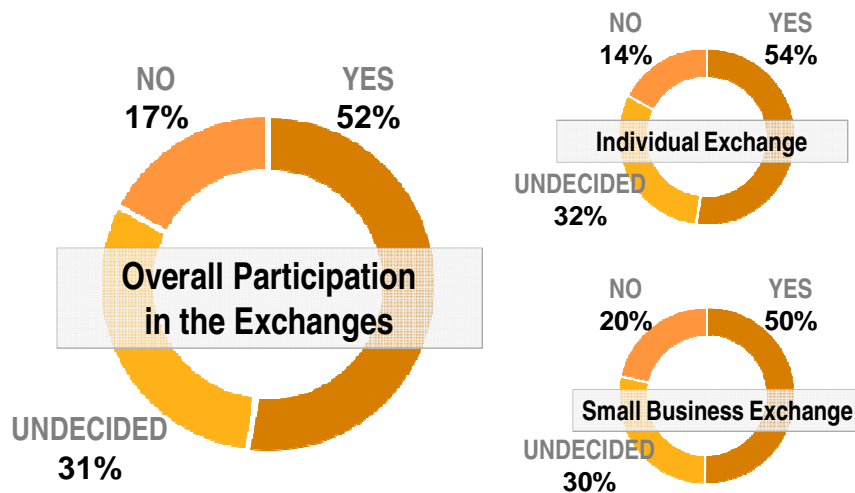
Source: Avalere Health, June 2011

Health Insurance Exchanges HHS Proposed Rules Provide Leeway

- Proposed rules offer states broad flexibility to design & regulate insurance exchanges but minimum benefit package & other key issues yet to be determined
- States that can show progress toward implementation may be granted “conditional approval” in early 2013
- HHS will step in and run exchanges for those that can’t—or won’t—meet 2014 deadline
 - Specifics of federally operated exchanges still unknown



Health Insurance Exchanges Health Insurers' Plans for Participation



Source: PwC Health Research Institute Health Insurer Survey, 2011

Health Insurance Exchanges Insurers' Concerns About Participation

(among respondents who plan on participating in an exchange)*

Adverse selection	46%
Ability to integrate technology with the exchange	40%
Ability to charge enough to make a profit	37%
Effectiveness of the risk adjustment process	36%
Administrative costs of our business will rise disproportionately to the profit gained	36%
Managing the movement of consumers between Medicaid and the exchanges	35%
Ability to customize plans	33%
Understanding the behavior and buying preferences of newly eligible consumers	25%

*Respondents were able to select up to 3 answers



Source: PwC Health Research Institute Health Insurer Survey, 2011

13

State Legislative Opposition to ACA

- Sixteen states have passed binding legislation opposing elements of ACA
- State strategies
 - Block implementation resources unless authorized by adopted state legislation
 - Join forces across state lines to strengthen opposition
 - Seek to label ACA null and void within state boundaries



Source: National Conference of State Legislatures, http://www.ncsl.org/?tabid=18906#2011_bills

14

New State Medicaid Responsibilities

- Planning for Medicaid expansion
- Coordinating eligibility with state insurance exchanges
- Preparing for a key role in implementing healthcare reform law
- Collaborating and integrating with commercial health plans



15

Key Aspects of ACA

Payment Shift from Volume to Value

- Bend the cost curve by shifting payment from volume to value, and making other payment reforms
 - Value-based purchasing
 - Payment reductions for preventable readmissions and hospital-acquired conditions
 - Pilot projects for ACOs and bundled payments



16

Selected ACA Reform Pilots

What	When	What It Does
Accountable Care Organizations	2012	<ul style="list-style-type: none"> Enables local provider networks that can manage the full continuum of care for all patients in their network to share in Medicare savings Based on fee-for-service payment
Medicare Bundled Payment	2013-2018	<ul style="list-style-type: none"> Develops and evaluates bundled payments for care episodes on a national scale Bundles include acute, inpatient hospital services, physician services, outpatient hospital services, and post-acute care services
Medicaid Bundled Payment	2012-2016	<ul style="list-style-type: none"> Allows up to eight states to pay bundled payments for care episodes Permits pediatric medical providers organized as ACOs to share in cost savings



17

HFMA's Concerns with CMS' Final ACO Rule

- Misses an opportunity to align quality & cost incentives by ignoring the role beneficiaries play in their care
- Jeopardizes fairness and sustainability
 - Provides inadequate financial support for providers, given start-up costs and risks
 - Fails to reward innovative delivery systems
- Documentation and administrative requirements relaxed but still onerous
- Provided more clarity on legal waivers to create the necessary alignment among providers



18

Private Payers Are Also Shifting to Value-Based Payment Models . . .



All-Weather Strategy for Any Payment Reform Scenario Plan for a Value-Based Future

“Of the many forces transforming our nation’s healthcare system, none is more significant than the turn from payment based on volume to payment based on value.

Value is driving a fundamental reorientation of the healthcare system around the quality and cost-effectiveness of care.”

--HFMA. *Value in Health Care: Current State and Future Directions*. June 2011.

HFMA's Value Project: Perspectives from Leading Providers

Value Project Objectives

- Define value in health care
- Identify trends related to value
- Identify ways to enhance value
- Describe new care delivery models that create value



Value Project Provider Sponsors



Value Project Supporters

Supporting Organizations



Corporate Sponsors



23

The Value Equation Reconsidered for Health Care

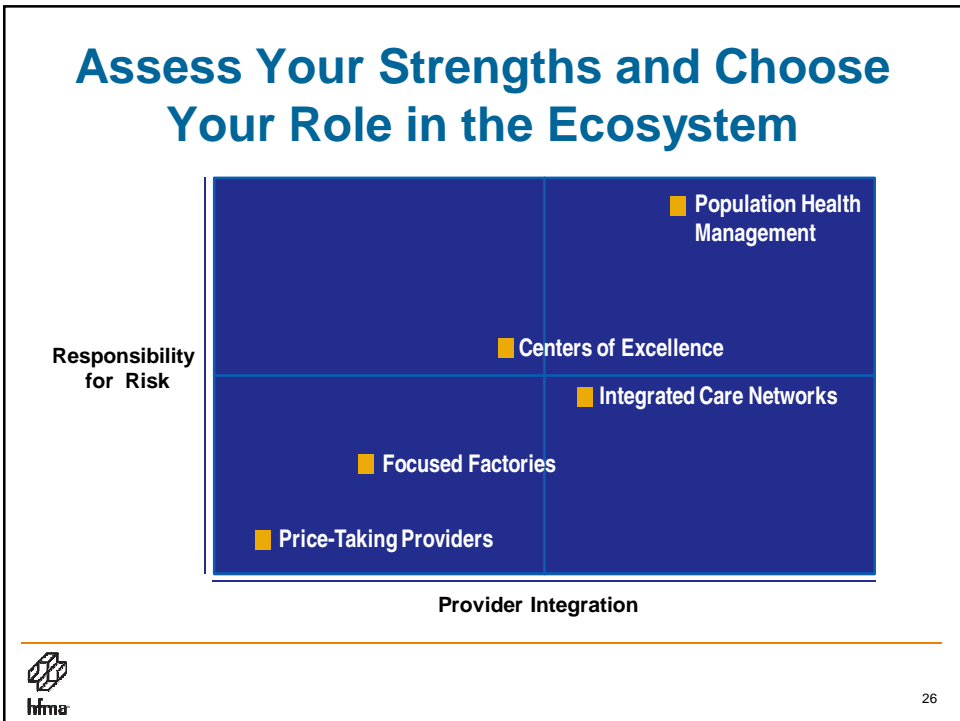
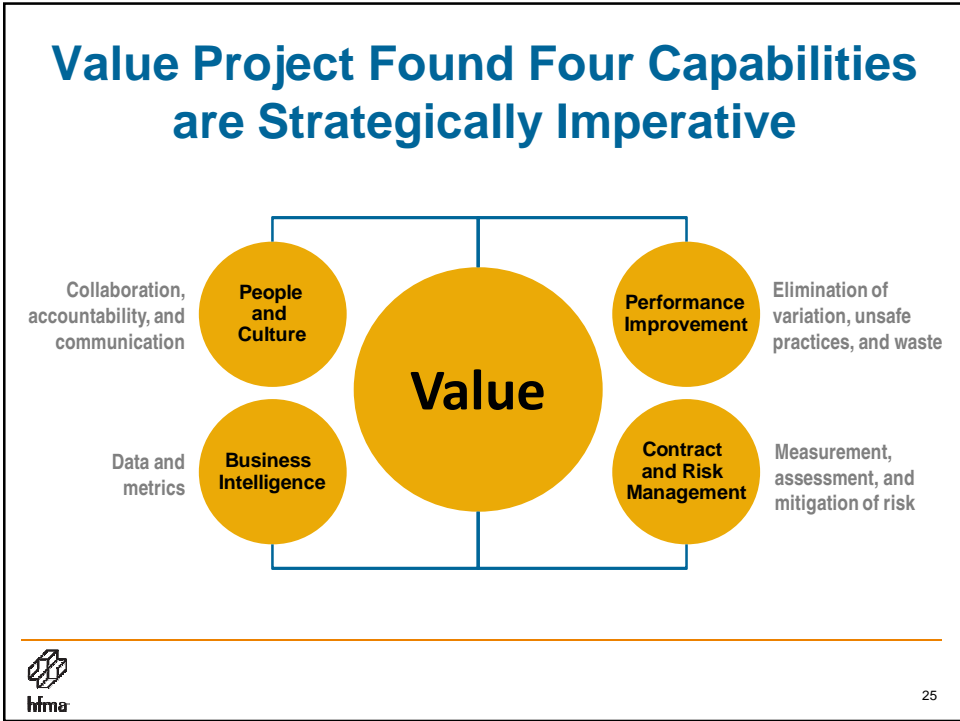
$$\text{VALUE} = \frac{\text{Quality}^{\{1\}}}{\text{Payment}^{\{2\}}}$$

{1} Composite of patient outcomes, safety, and experiences

{2} Cost to all purchasers of purchasing care



24



Find the Nexus Between Reform and Value

- Participate in learning events
- Monitor proposed and final ACA regulations as they are promulgated
- Use a multidisciplinary committee to identify and discuss cross-functional impacts of reform
- Model the impact of volume and payment changes
- Develop an action plan for *thriving under reform* and *building value*



27

How HFMA Helps Thriving in a Reform Environment

- Updates on legal and legislative challenges to ACA
- Analysis and comments on proposed rules & regulations
- Implementation timeline
- Tools for providers



WHERE TO LOOK

- ✓ www.hfma.org/reform
- ✓ Daily and weekly online news
- ✓ *hfm* magazine
- ✓ ANI: The Healthcare Finance Conference



28

How HFMA Helps Building Value

- Definition & context of value in health care
- State of the industry & future trends
- Blueprint for action for value-oriented providers

WHERE TO LOOK

- ✓ www.hfma.org/valueproject
- ✓ Listen to interviews with finance leaders on cultivating & communicating value
- ✓ View and download reports, tools, & case studies
- ✓ Use web-based tools
- ✓ Webinar series
- ✓ Conferences, including the Leadership Conference and ANI: The Healthcare Finance Conference



29

How HFMA Helps Creating Value for Patients Through Business Success

- Financial turnaround through clinical transformation
- Using technology to address care delivery challenges
- Creating a culture of collaboration with physicians & other clinicians

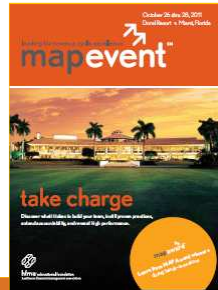
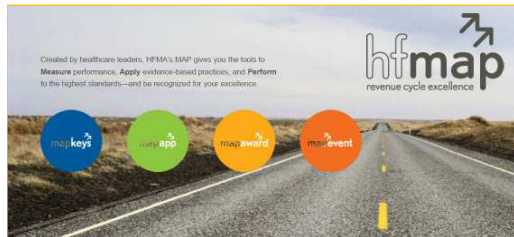
WHERE TO LOOK

- ✓ www.hfma.org/leadership
- ✓ *Leadership* publication
- ✓ ANI: The Healthcare Finance Conference
- ✓ *hfm* magazine
- ✓ Newsletters



30

How HFMA Helps Achieving Revenue Cycle Excellence



WHERE TO LOOK

- ✓ www.hfma.org/map
- ✓ MAP Event
- ✓ *Revenue Cycle Strategist* newsletter
- ✓ *hfm* magazine



How You Can Help HFMA Member-Get-A-Member

- **Current members are our strongest recruitment link to new members**
- **Sponsors are eligible for incentives that range from HFMA apparel items and prepaid gift cards to cash prizes and charitable donations**



Achieving Shared Goals as a Team



“We can't provide the care and compassion for patients... but we can help provide the means, we can doggedly fight for adequate funding, we can try to correct a massively flawed payment system....

That's why membership in HFMA is so important. It makes my job so much easier and rewarding, and I know it does yours as well.”

**Fred Lucky, FHFMA
Senior Vice President
Kansas Hospital Association**



33



Believe **to** Achieve

Questions?

*Chad Mulvany
Technical Director
HFMA*

*1825 K St NW
Suite 900
Washington, DC 20006
Office: 202.238.3453
Email: dmulvany@hfma.org*

