

# 2023 Leadership Summits

## Nashville, TN

**Keynote - The Value Chasm: Short Term Trouble, Long Term Strategy**  
**Thursday, June 29 | 8:10 - 8:45 AM**



**Ford Koles**  
*The Advisory Board*

**#NASummits**



# State of the Industry 2023

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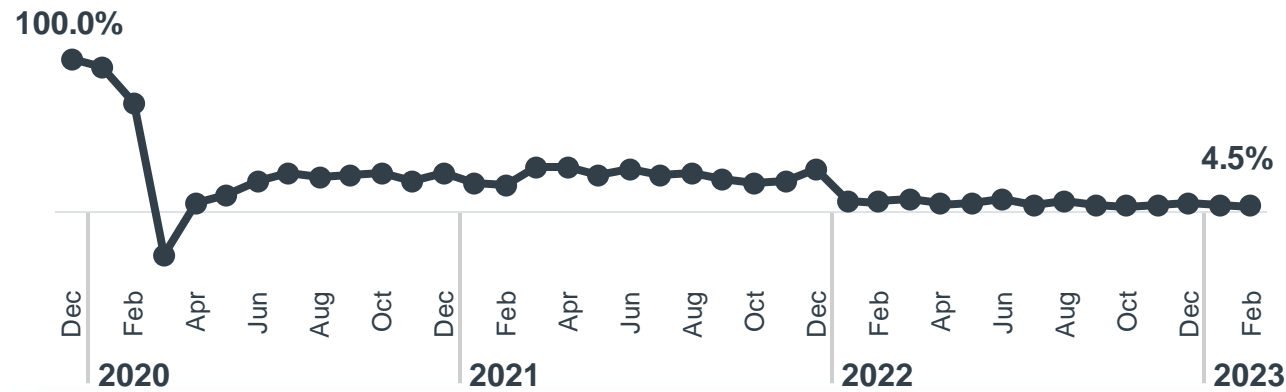
Guideposts for strategically reshaping the industry



# Hospital finances strained to their worst outlook yet

## Indexed national median for total hospital margins

Indexed to December 2019; less CARES Act funding (when applicable)



## Financial performance in FY 2022

System	Net Income	Operating Income
Ascension	(\$1.8 B)	(\$0.9 B)
Cleveland Clinic	(\$1.2 B)	(\$0.2 B)
CommonSpirit	(\$1.9 B)	(\$1.3 B)
Kaiser	(\$4.5 B)	(\$1.3 B)
Mass General	(\$2.3 B)	(\$0.4 B)
Providence	(\$6.1 B)	(\$1.7 B)
Trinity	(\$1.4 B)	(\$0.2 B)
UPMC	(\$0.9 B)	\$0.2 B

### +26%

Increase in **labor expense** per adjusted discharge, December 2019 to December 2022

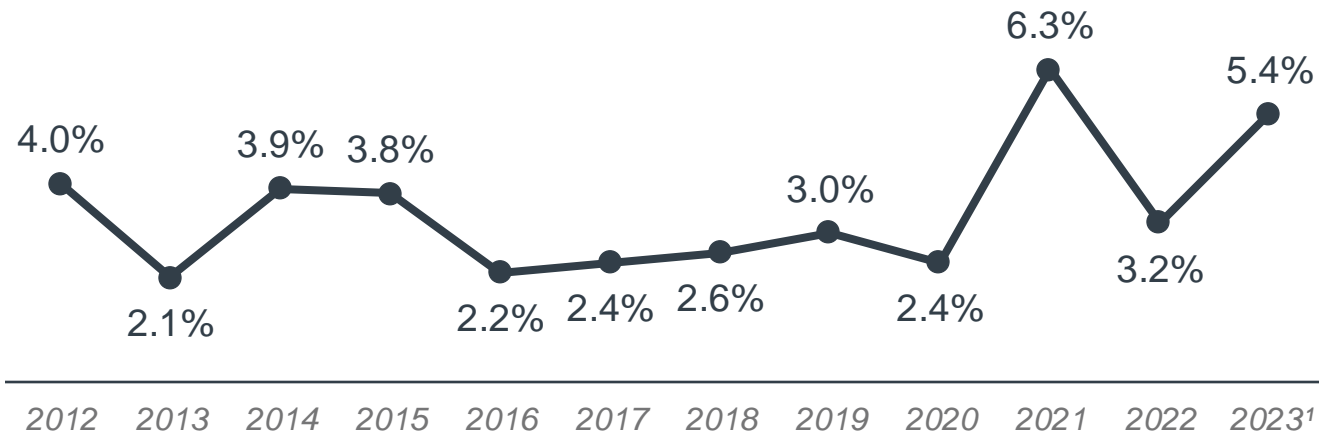
### +11%

Increase in average **length of stay**, December 2019 to December 2022

Source: Kaiser Foundation Health Plan and Hospitals Report 2022 Financial Results | Kaiser Permanente; Cleveland Clinic's net losses land at \$1.2B for 2022 (fiercethealthcare.com); 20 health systems reporting losses in 2022 (beckershospitalreview.com); Source: KaufmanHall National Hospital Flash Reports, www.kaufmanhall.com.

# Cost-burdened employers newly poised to push back

## Annual change in total health benefit cost per employee



## New developments invite employer action



### Expanded fiduciary obligation to ensure reasonable compensation

Self-funded employers must ensure compensation they pay is “reasonable” to comply with ERISA (or risk class action suits)<sup>2</sup>



### Transparency data easily available for benchmarking rates

Transparency vendors are ingesting newly-disclosed payer and provider price data

## Employer considerations for rate increases

### Competing costs

**5.1%** ↑ Increase in wages, March 2022-2023

### Future rate implications

**9-10%** ↑ Increase in health costs likely at next contract renewal (for 2024-2026 benefits)

1. Expected.





2. As modified by the Consolidated Appropriations Act, 2021.

Gupta A, et al, “The gathering storm: The threat to employee healthcare benefits,” McKinsey & Co, October 2022; “National Survey of Employer-Sponsored Health Plans,” Mercer, 2022; “Nominal Wage Tracker,” Economic Policy Institute, 2023.



# Giants' acquisitions point to broader business ambitions

## Major recent physician practice acquisitions by health care conglomerates

	Walgreens	UnitedHealth	CVS	Amazon
DEAL & VALUE	<b>Summit Health</b> 370 locations in 5 states <b>\$9B</b> (via VillageMD, with Cigna)	<b>Kelsey-Sebold Clinic</b> 40 locations in TX <b>\$2B</b> (via OptumCare)	<b>Oak Street Health</b> 169 locations in 21 states <b>\$10.6B</b>	<b>One Medical</b> 188 locations in 14 states <b>\$4B</b>
NEW ASSETS	<ul style="list-style-type: none"> <li>Specialty and urgent care (CityMD) infrastructure</li> <li>Experienced independent medical group operator</li> </ul>	<ul style="list-style-type: none"> <li>Value-based care expertise and infrastructure</li> <li>Regional stronghold with dominant market presence</li> </ul>	<ul style="list-style-type: none"> <li>Relationships with MA<sup>1</sup> members</li> <li>Clinical and operations tech platform (Canopy)</li> </ul>	<ul style="list-style-type: none"> <li>Membership-based, hybrid care model</li> <li>Relationships with employers and MA members (Iora)</li> </ul>
OTHER KEY MOVES	<b>Shields Health Solutions</b> <b>\$1.4B</b> <i>Specialty pharmacy integration and care services</i>	<b>Change Healthcare</b> <b>\$13B</b> <i>Electronic data clearinghouse and revenue cycle management service</i>	<b>Signify Health</b> <b>\$8B</b> <i>Population health analytics, care coordination, and home-based care</i>	<b>RxPass</b> <i>\$5/month subscription to fill prescriptions for 50 generic medications</i>
AMBITION	 <b>Integrated multispecialty care continuum</b>	 <b>Regional, hospital-less delivery network</b>	 <b>Senior care management ecosystem</b>	 <b>Consumer-focused care coordination platform</b>

1. Medicare Advantage.

See "Additional Sources" slide for sources.

# This was not how it was supposed to go...



Source: "[Napoléon Bonaparte](#)," Wikimedia Commons.

# The most disruptive market forces the industry faces



## Workforce crisis

- Short-term fixes to alleviate staffing strain leave structural problems
- Staffing shifts pressure opportunistic recruitment across sectors



## Coverage swings

- Massive shift into Medicaid poised to decline after PHE
- Medicare Advantage accelerates as a strategic growth area



## Vertical ecosystems

- Health solutions giants continue strides toward vertical integration
- Health systems seek vertical assets but may merge defensively



## Innovation investment

- Unprecedented digital investment on a precipice
- Biotech investment starts to recede
- Enormous therapeutic pipeline upcoming

IMMEDIATE IMPACT

BUILDING MOMENTUM

# The health care workforce has reached a breaking point

## Hospital clinical staff shortage takes center stage...

**#1** Concern in 2021 for hospital CEOs was **personnel shortages**

**32%** RNs report they are likely to leave their current position providing direct patient care, November 2021

**94%** Of CEOs cite **RN shortages** as their top personnel concern

- **18.0%:** Bedside **RN turnover** in 2021, up from 14.8% in 2020
- **11.7%:** Median **vacancy rate** for bedside RNs in 2021, up from 5.8% in 2020

## ...but the workforce crisis is far reaching



**58%** of **nursing homes** are **limiting admissions** due to staffing shortages, and 78% are concerned they might need to **close**



**Physician groups** report retention concerns for non-physician care team members, especially **medical assistants** and **front desk staff**

*March 23, 2022*

**“Central Ohio health system turns to teenagers to fill in workforce gaps”**

*Columbus Business First*

Source: “2021 Advisory Board hospital turnover and vacancy benchmarks,” Advisory Board, March 2022; “Top Issues Confronting Hospitals in 2021,” American College of Healthcare Executives; “State of the Long Term Care Industry,” AHCA NCAL, September 2021; “Surveyed nurses consider leaving direct patient care at elevated rates,” McKinsey, February 2022; “Central Ohio health system turns to teenagers to fill in workforce gaps,” Columbus Business First, March 2022.



# Vicious staffing cycle difficult for systems to escape

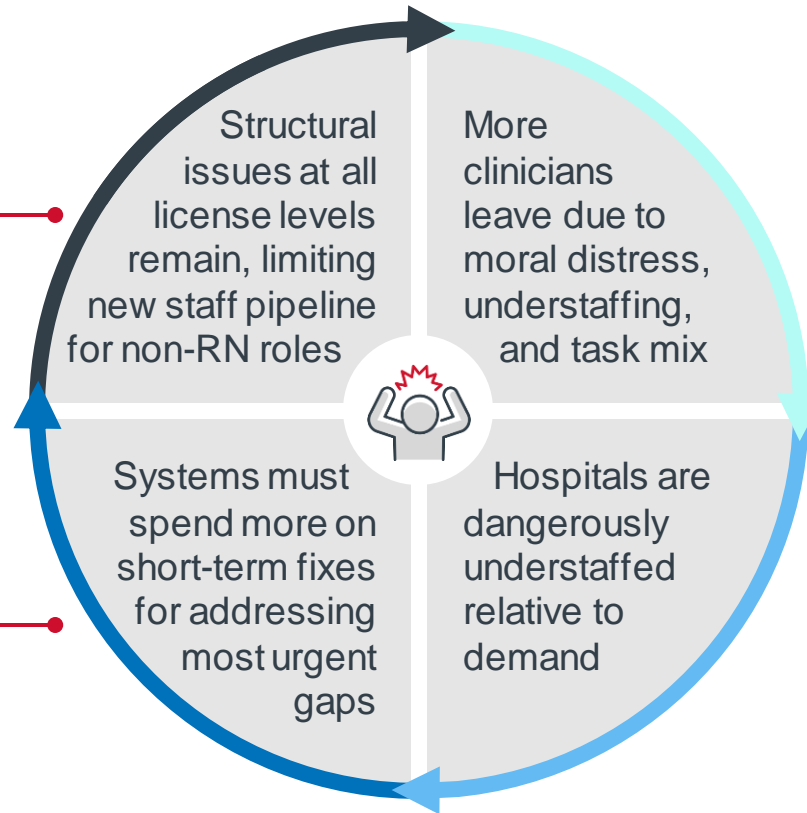
## Nursing shortage creates treacherous feedback loop

Top factors nurses report for leaving their job<sup>1</sup>

1. **Insufficient staffing**
2. Workload intensity
3. Emotional toll of job
4. Don't feel supported or listened to at work

**2x**

Increased spending on agency and traveling labor in 2021



## Open questions about the future of clinical workforce strategy



Will clinical models adapt to reduced staffing and **solidify lower staffing ratios**?



Will staff maintain their new, **higher expectations for employers**—and at what cost?



Will the industry meaningfully embrace **automation and behavioral health tools** to minimize burnout?

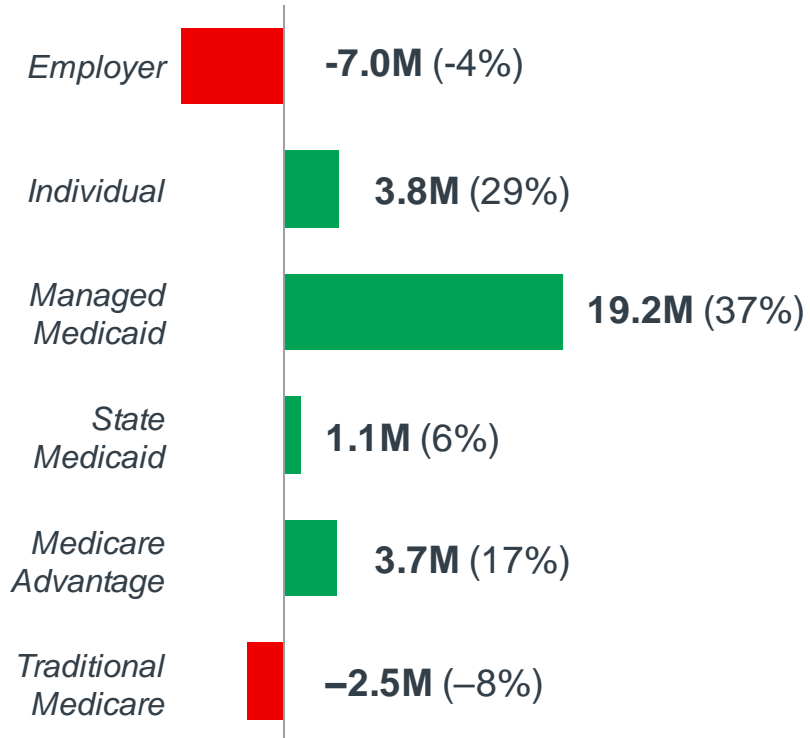
1. Survey conducted spring 2021, n=314.

Source: "2021 Advisory Board hospital turnover and vacancy benchmarks," Advisory Board, March 2022.

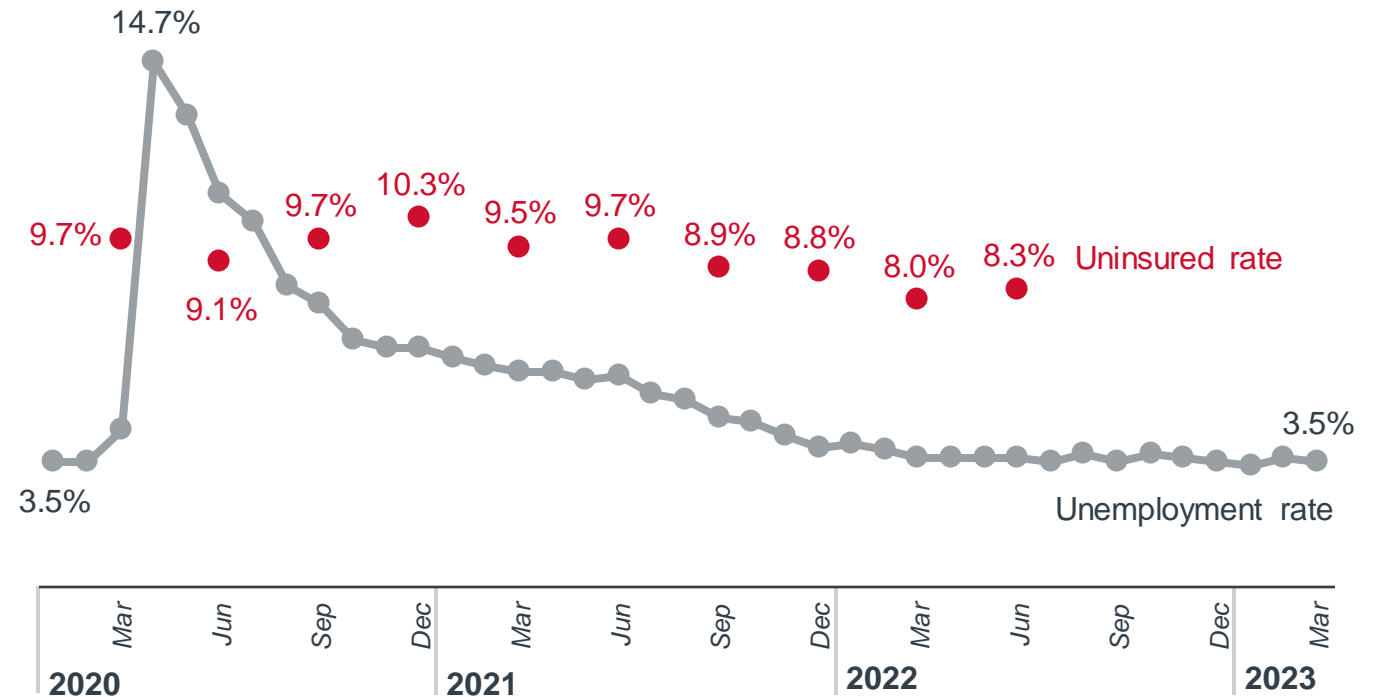
# Today's coverage mix is a temporarily skewed picture

## Insurance enrollment changes

2019 Q4 to 2022 Q3



## Unemployment and uninsured rate

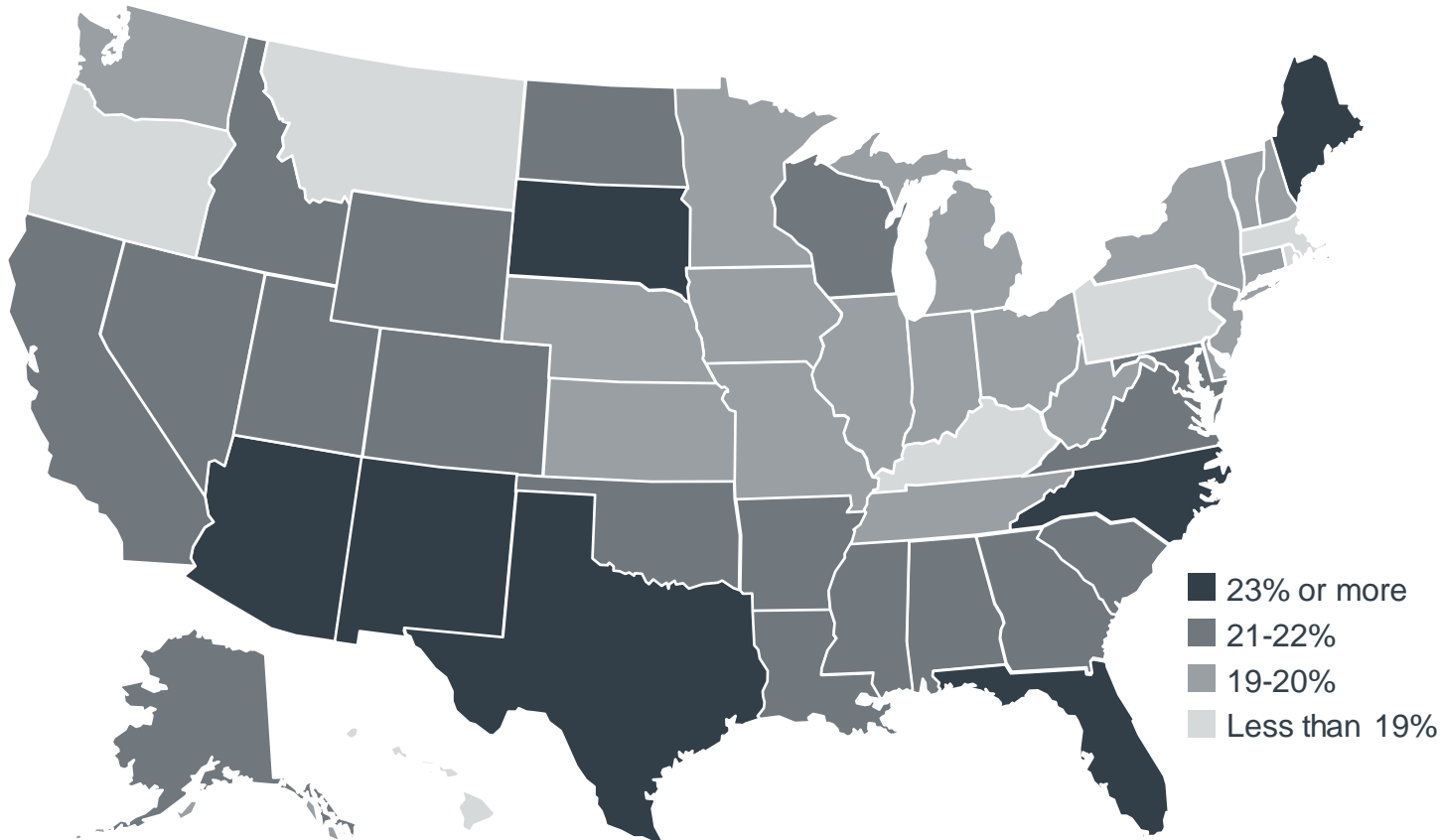


1. Public health emergency.

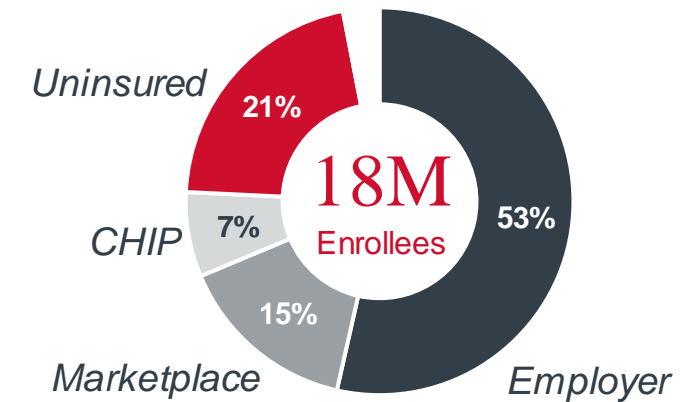
Source: AIS Directory of Health Plans, 2019 Q4 & 2022 Q2; "Health Insurance Coverage: Estimates from the National Health Interview Survey," CDC; "Labor Force Statistics from the Current Population Survey," BLS.

# Medicaid redeterminations will reshape coverage, again

## Proportion of Medicaid enrollees projected to become uninsured



## Projected coverage for Medicaid enrollees likely losing coverage

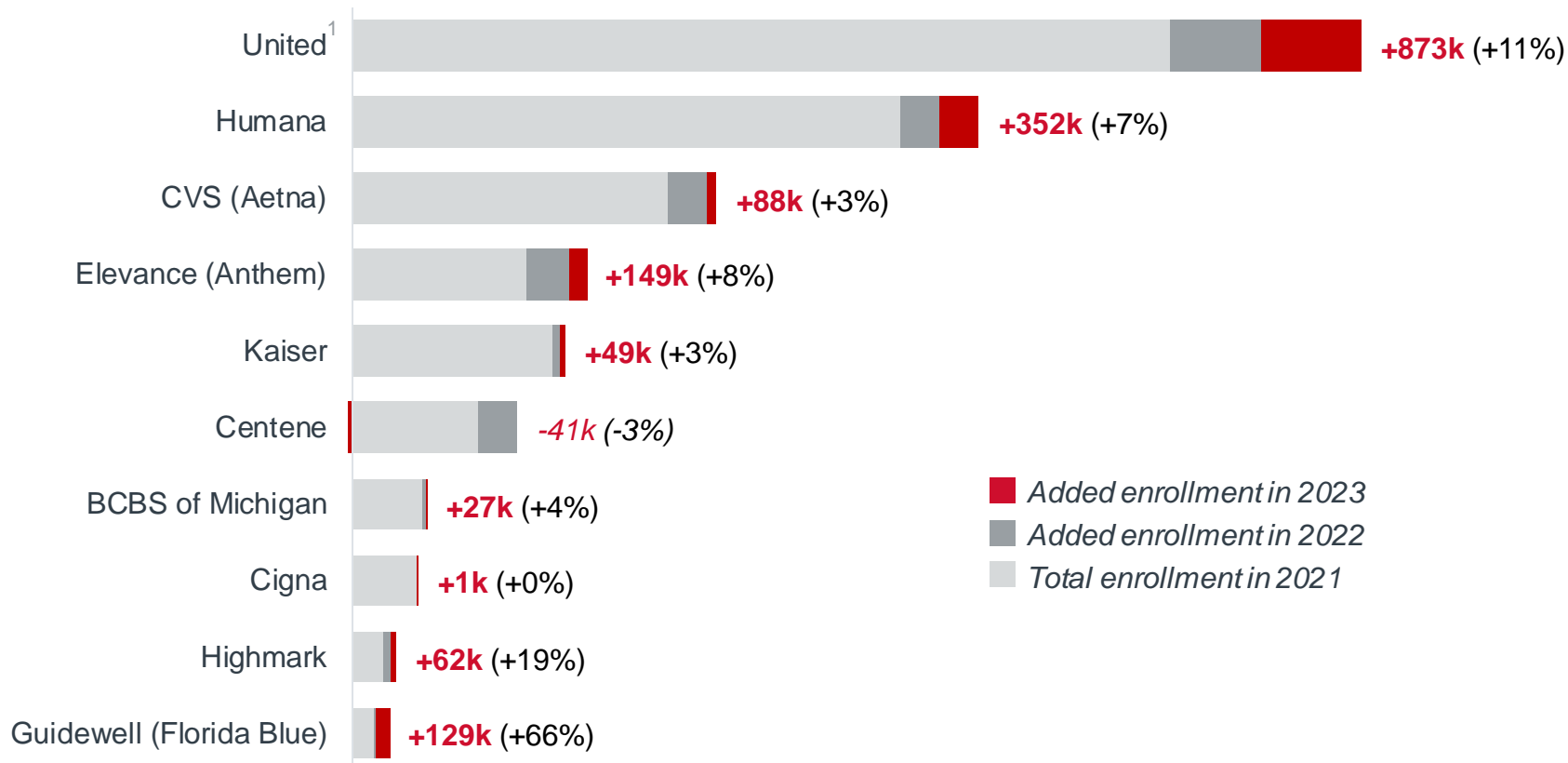


Source: "The Impact of the COVID-19 Public Health Emergency Expiration on All Types of Health Coverage," Urban Institute/Robert Wood Johnson Foundation, December 2022; NORC at the University of Chicago analysis of Urban Institute estimates as cited in Tepper N, "A state-by-state look at the impact of Medicaid determinations," Modern Healthcare, March 2023.

# Giants dominate MA, while financial model shifts

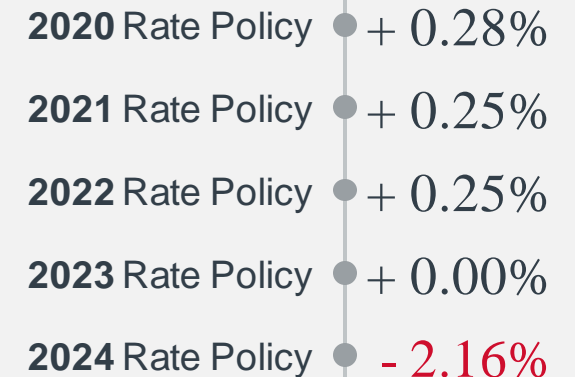
## Largest Medicare Advantage (MA) plans by enrollment

January 2021 to January 2023



### CMS increasingly focused on MA risk adjustment payments

Change in payment rate due to risk model revision

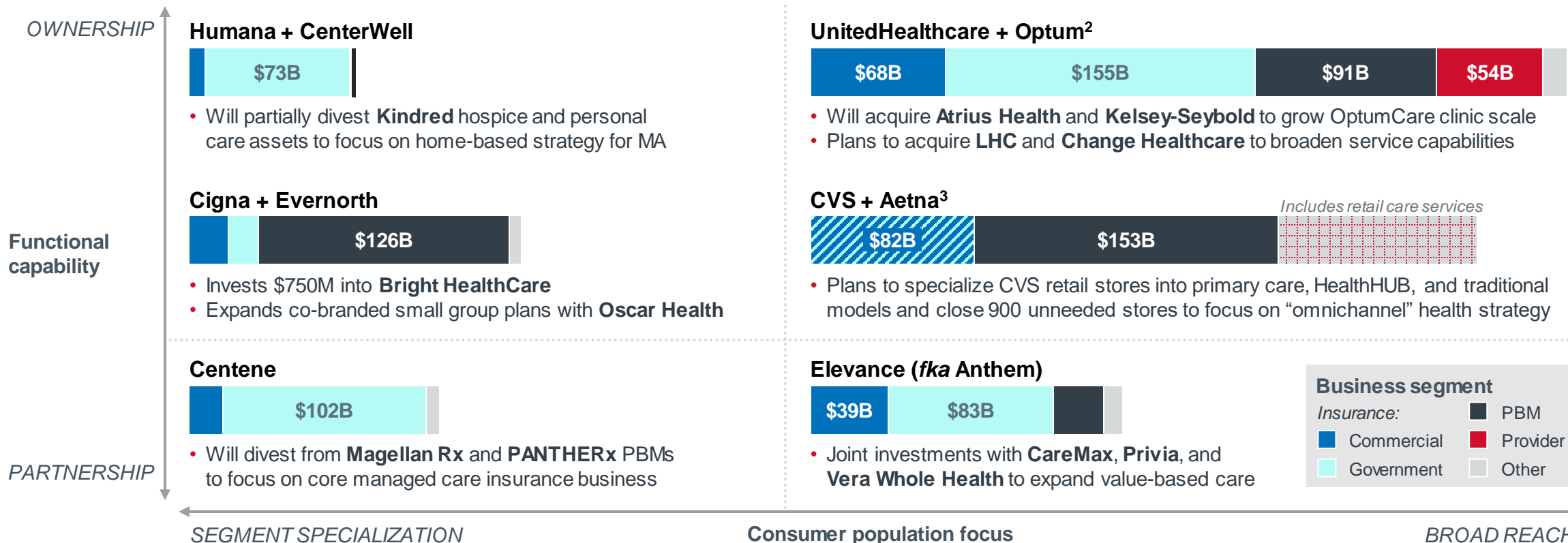


1. Advisory Board is a subsidiary of Optum, owned by UnitedHealth Group. All Advisory Board research, expert perspectives, and recommendations remain independent.

Source: "Monthly Enrollment by Plan," CMS, January 2021, 2022, 2023; CMS Medicare Advantage and Part D Rate Announcement Fact Sheets for 2020, 2021, 2022, 2023, 2024.

# National plans focus on growth through vertical assets

## National health plans' relative vertical integration strategies and 2021 segment revenues<sup>1</sup>

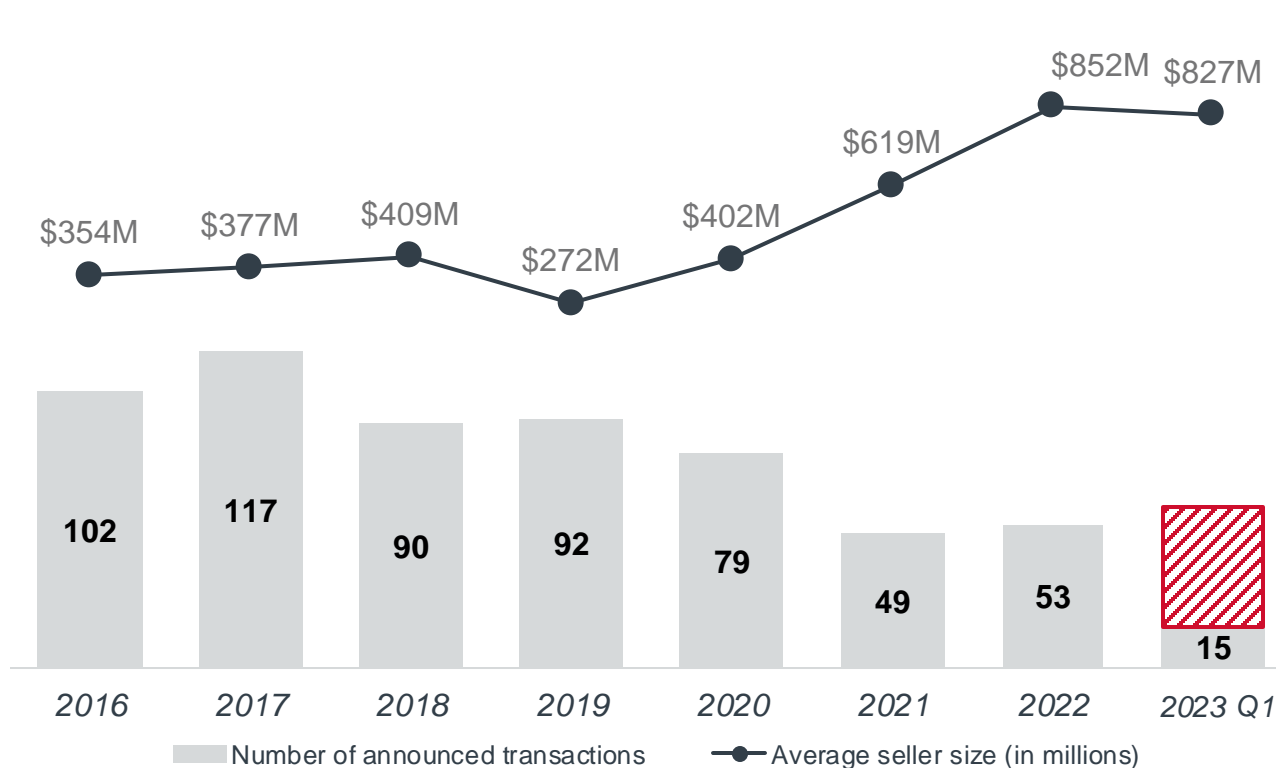


1. Sum of segment revenues is larger than total revenues due to internal transfers and eliminations.  
 2. Advisory Board is a subsidiary of Optum, owned by UnitedHealth Group. All Advisory Board research, expert perspectives, and recommendations remain independent.  
 3. CVS's 10-K filing does not further break its Aetna insurance business into specific insurance segment revenues.

Source: 2021 year-end earnings reports and 10-K filings from \$ANTM, \$CI, \$CNC, \$CVS, \$HUM, and \$UHC; "Humana's Intriguing \$2.8 Billion, 60% Sale of Kindred's Hospice, Personal Care Assets," Home Health Care News, April 2022; "Anthem relies on flexible partner-not-build strategy in shift to value," Healthcare Dive, February 2022; "Bright Health nabs \$750M capital infusion with help from new investor (and competitor) Cigna," Healthcare Dive, December 2021; "CVS to close 900 drugstores under omnichannel health strategy," Supermarket News, November 2021.

# Megadeal hospital M&A ambitions invite scrutiny

## Hospital and health system M&A deal counts and sizes



## Recent activities in “mega-merger” deals



Source: "2021 M&A in Review: A New Phase in Healthcare Partnerships," KaufmanHall, January 2022; "2022 M&A in Review: Regaining Momentum | KaufmanHall," KaufmanHall, January 2023; "M&A Quarterly Activity Report: Q1 2022," KaufmanHall, April 2022; "M&A Quarterly Activity Report: Q2 2022," KaufmanHall, July 2022; "M&A Quarterly Activity Report: Q3 2022," KaufmanHall, October 2022; "The top 10 healthcare M&A deals of 2021" Fierce Healthcare, December 2021; "HCA Healthcare to buy operations of 5 Utah hospitals from Steward Health Care," Healthcare Finance, September 2021; "Advocate Aurora Health, Atrium Health close mega-merger," Fierce Healthcare, December 2022.

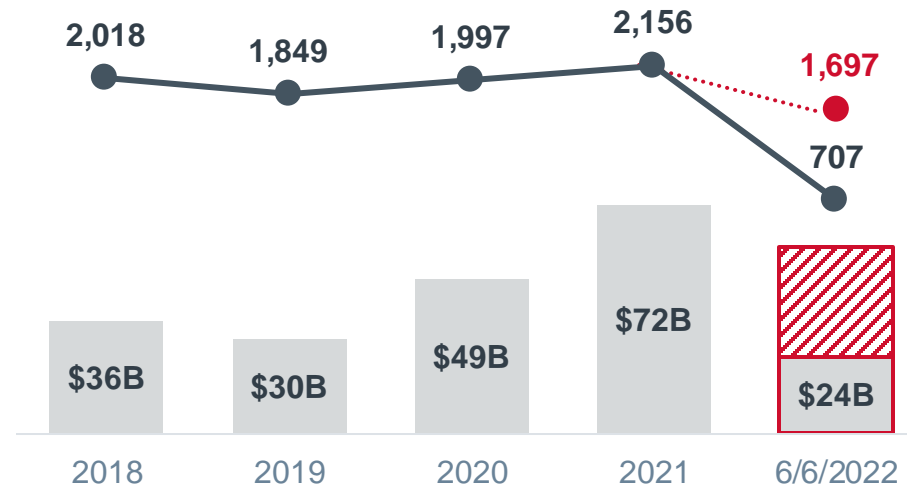
# Tumultuous investing will pressure sectors differently

## Sector status



## BIOTECH VENTURES

### Global biotech startup funding and total rounds<sup>1</sup>

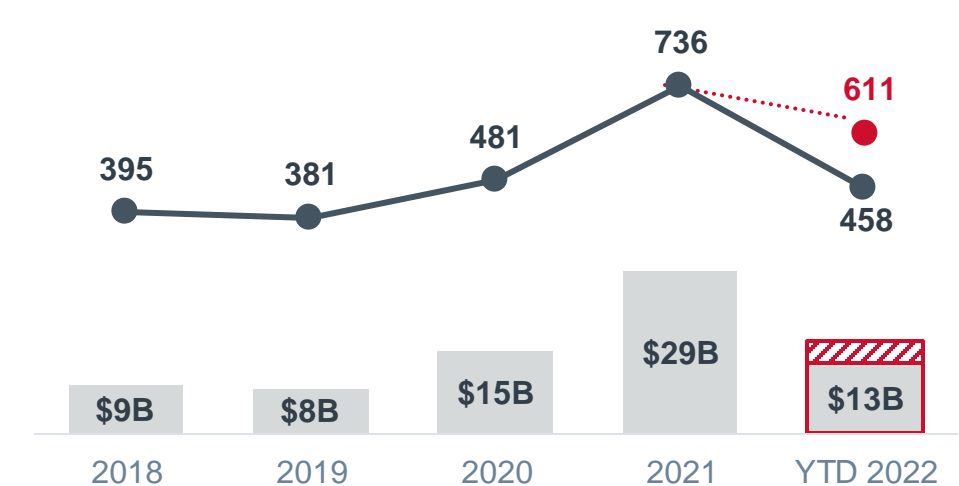


**▶** Secure regular buyer for innovation (via sales partnership or acquisition)

**?** How will Big Pharma weigh further valuation drops against need for pipeline diversification?

## DIGITAL HEALTH VENTURES

### U.S. digital health startup funding and deal counts<sup>1</sup>



**▶** Demonstrate a sustainable benefit (such as consumer data) that constitutes predictable value

**?** How much will ventures need to integrate into traditional health care business structures?

## Business need

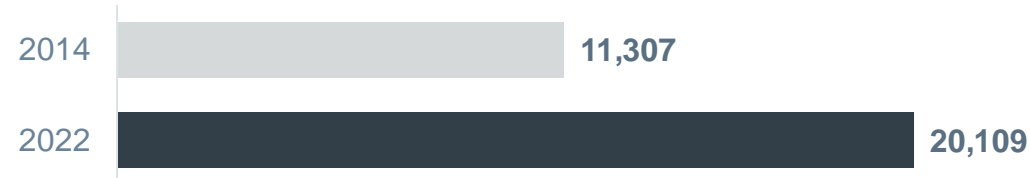
## Open question

1. Not to scale.

Source: "H1 2022 digital health funding," Rock Health, July 2022; "Biotech Startup Funding Has Also Slowed In 2022," crunchbase, June 2022; "Q3 2022 digital health funding," Rock Health, October 2022.

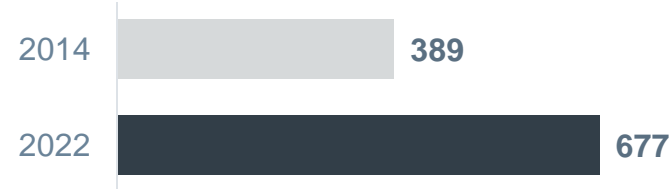
# Pharma pipeline will raise revenue and clinical stakes

## Total number of drugs in pharmaceutical R&D pipeline



▶  **More therapies**

## Number of rare diseases with active drug R&D



▶  **Rarer diseases**

## Number of clinical trials with decentralized components



▶  **Broader populations**

**Future revenue considerations for major life sciences organizations**

 **\$21-47B**

Projected spending on gene and cell therapy in 2026

 **\$115.5B**

Annual sales revenues in 2020 for the top 15 drugs facing patent expirations by 2030

Source: "Pharma R&D Annual Review 2022: Navigating the Landscape," Citeline Informa Pharma Intelligence, March 2022; Casey Quinn et al, "Estimating the Clinical Pipeline of Cell and Gene Therapies and Their Potential Economic Impact on the US Healthcare System" *Value In Health*, June 2019; EvaluatePharma, 2020; "Emerging Therapies: Perspectives from an HSO," OptumRx, March 2021; "The top 15 blockbuster patent expirations coming this decade," Fierce Pharma, July 2021; "Decentralised clinical trials to reach new heights in 2022," Clinical Trials Arena, December 2021.





# Roadmap for discussing the state of the industry

1

Disruptive  
market forces

*Pressing, transformative trends  
that are affecting the entire  
industry's business environment*

2

Strategic decision  
guideposts

*Key structural dynamics that  
will shift based on the specific  
actions of industry players*

# Guideposts for strategically shaping the industry's future

## Structural elements of health care in flux today



### Health equity

*How far will the business mandate reach?*



### Physician partnership

*How much will market power remain with physician groups?*



### Telehealth

*How will strategic partnerships shape deployment?*



### Value-based payment

*What tradeoffs will maximize sector-wide savings?*



### Consumer navigation

*How will networks influence care choices?*



### Home-based care

*How will market pioneers influence scaling services?*

# Value-based payment demands efficiency tradeoffs

## POSSIBLE SCENARIOS

## CENTRAL TENSION

### 1 Industry-wide reimbursement standard

Both public and private payers funnel most of their payments through true downside risk models at the population level. Payments include physicians and hospitals across a wide range of specialties. Most patient care is reimbursed under value-based models, and acute care businesses adapt to fit into the model.

### 2 Public and private payers split on risk

Population-wide, risk-based contracting marches forward in public programs only. Commercial payers and employers focus on models that target the specific needs of the employer-insured population, most often via bundles and with physician groups. All industry players operate in a hybrid world with split incentives and processes.

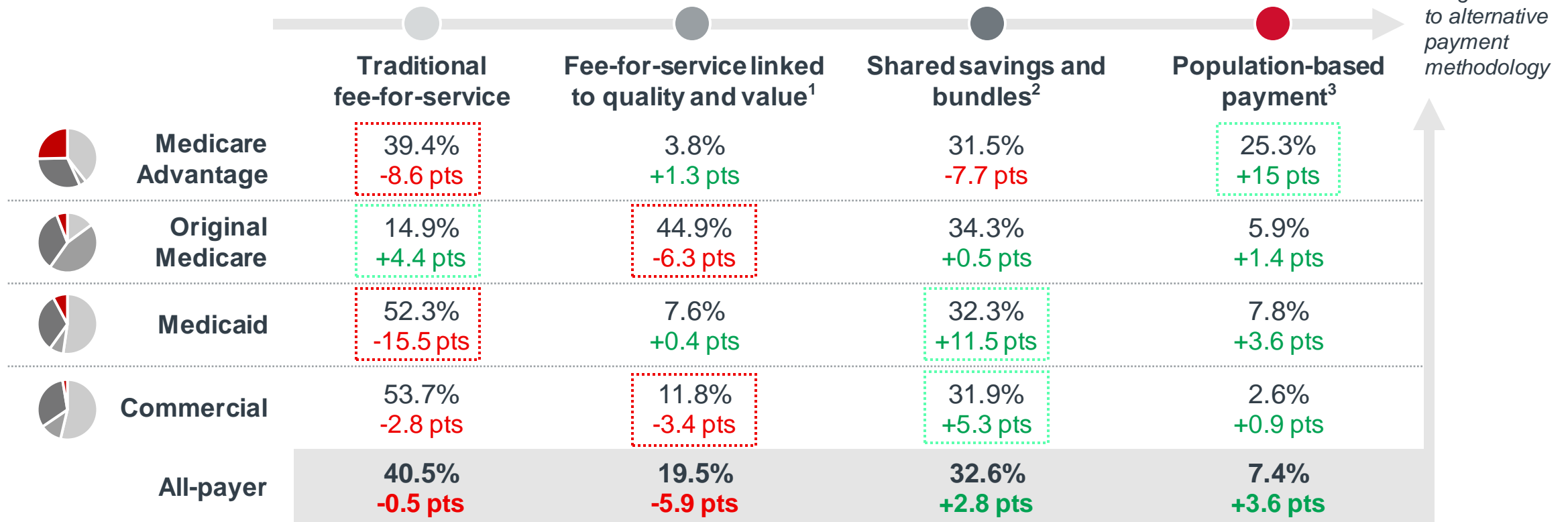


What tradeoffs will maximize sector-wide savings?



# Participants keep moving to value, but still sitting at 60%

Payments made in CY 2021 and percentage point change from payments made in 2017



1. Includes foundational payments for infrastructure and operations (e.g., care coordination fees) and fee-for-service plus pay-for-reporting payments and pay-for-performance payments.

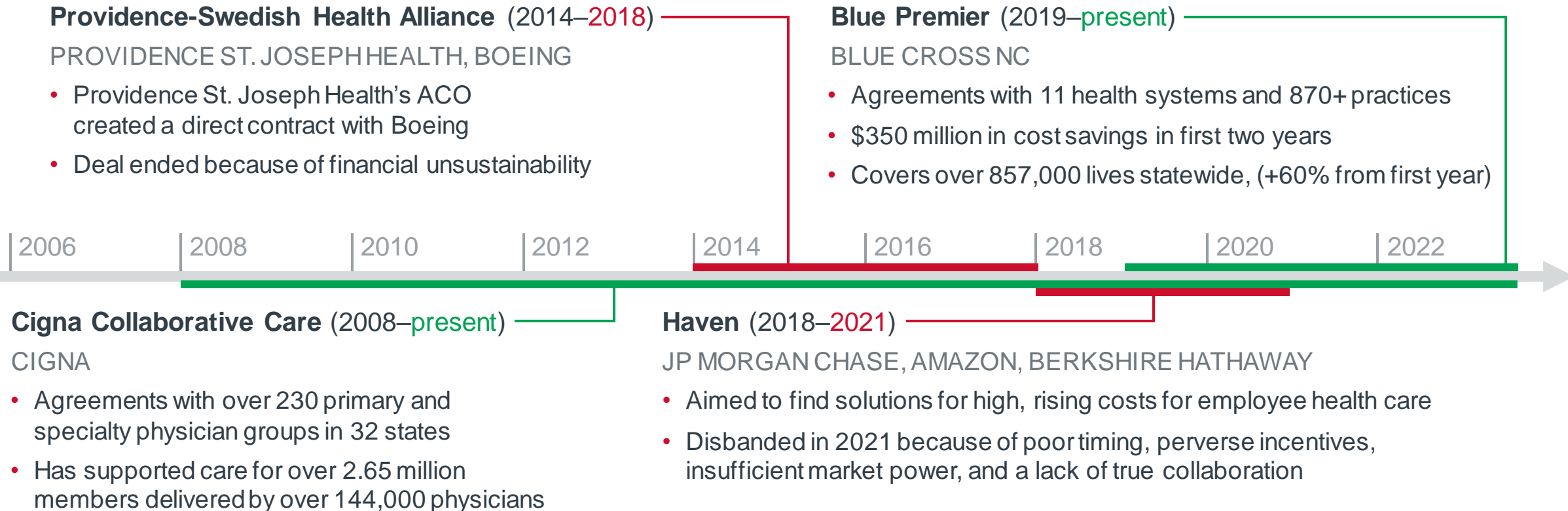
2. Includes alternative payment models with shared savings with upside risk only and shared savings with downside risk. These are built on FFS architecture.

3. Includes condition-specific payments (e.g., PMPM for oncology or mental health), comprehensive population-based payment (e.g., global payments), and integrated finance and delivery systems (e.g., global budgets).

Source: "APM Measurement Effort", HCPLAN, 2022;  
"Progress of alternative payment models," HCP LAN, 2018.

# A mix of wins and losses in commercial risk

## Sample value-based payment models in the commercial sector



Source: “BCBS of North Carolina’s value-based model saves \$197M,” Becker’s Healthcare, August 2021; “Blue Cross NC’s Industry-Leading Blue Premier Program Saves \$197 Million in 2020 Health Costs, Expands Value-Based Care Across State,” BCBSNC, August 2021; “Cigna Collaborative Care for Specialists,” Cigna, February 2021; “Haven, the Amazon-Berkshire-JPMorgan venture to disrupt health care, is disbanding after 3 years,” CNBC, January 2021; “Left out of the game: Health systems offer direct-to-employer contracting to eliminate insurers,” Modern Healthcare, January 2018.

# Employers want options, but may chart their own course

## Key factors in employer decisions around value-based payment adoption

### Administrative burden

Bloomberg

July 30, 2021

**A new kind of CMO: Why your company needs a chief medical officer**

#### Sample employers with a CMO

PepsiCo, Tyson Foods, Morgan Stanley, Delta Airlines, Salesforce, Royal Caribbean, Constellation

What logistical, analytic, and engagement activities are needed?

### Employee preferences

**51%** of employees report their employers have improved their existing benefits  
*Survey of 2,019 employees in 2022*

**47%** of the workforce separated from an employer in 2021

How are health benefits factoring into hiring and retention efforts?

### Cost savings opportunities



**94%** of employers rank managing benefit costs as their #1 health care priority  
*Survey of 636 employers in 2022*

▶ Are savings areas specific, ubiquitous, immediate, and palatable?

Source: "Employers to tackle employee healthcare affordability amid rising costs" WTW, April 2022; "A new kind of CMO: Why your company needs a chief medical officer," MedCity News, May 2022; "The worker shortage is pushing companies to offer more perks and benefits. Here are the most common ones," Fortune, February 2022.

# “Opportunities” in commercial risk not what they seem

Top professional (non-facility) commercial medical spend areas for a national payer, CY 2019<sup>1</sup>

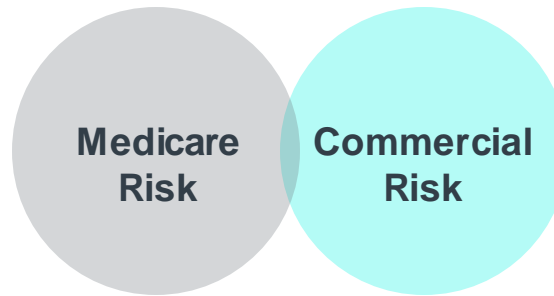
Rank	Sub-service line	Cost	Potential shift when managed under risk	
1	Office/outpatient E&M	\$\$\$\$\$\$\$\$\$\$	▲	✗ Frequency of visits is a core benefit feature for generally healthy employees
2	Therapeutic procedures	\$\$\$\$		
3	Supplies/DME	\$\$\$\$		⚠ Cancer care is extremely <b>sensitive</b> , but site-of-care shifts enable opportunities to improve experience
4	Other E&M	\$\$\$		
5	Chemotherapy	\$\$\$	▼	
6	Psychiatry	\$\$\$		
7	Immunizations	\$\$	▲	✗ <b>Increased</b> uptake is needed to improve prevention effectiveness
8	Emergency department E&M	\$\$	▼	
9	Ultrasound	\$\$		⚠ Emergency care use by infrequent, incident-based patients is difficult <b>behavior change</b> to accomplish
10	Home health/hospice	\$\$		
11	Infusions, transfusions, injections	\$		
12	X-Ray	\$		
13	Labor & delivery	\$	▼	✓ Plannable, frequently <b>bundled</b> episode with wide cost variation and key quality components
14	Medical cardiology	\$		
15	MRI	\$	▼	✓ Plannable, <b>commoditized</b> service with wide cost variation frequently targeted by incentive programs

1. Based on Advisory Board analysis of Optum’s commercial claims databases; includes commercially covered lives from major national insurance carriers and plans.



# All in on risk still requires a tailored provider response

## Risk-based population health management strategies by patient segment



### Age 65+

### Age 0-64

<ul style="list-style-type: none"> <li>• Emphasis on screening</li> <li>• Annual visit recommended</li> <li>• Chronic care management (especially comorbidities)</li> </ul>	<b>Primary Care</b>	<ul style="list-style-type: none"> <li>• Emphasis on prevention</li> <li>• Some early screening habits started</li> <li>• Annual visit NOT recommended for everyone</li> </ul>
<ul style="list-style-type: none"> <li>• Trading hospital stays for low-cost management</li> <li>• Shifting disconnected specialist management into comprehensive care management</li> </ul>	<b>Utilization Shift</b>	<ul style="list-style-type: none"> <li>• Shifting visits to more cost-effective sites and sources</li> <li>• Identifying “missing” patients (and likely increasing appropriate primary care utilization)</li> </ul>
<ul style="list-style-type: none"> <li>• Consumers prefer care continuity and extra support</li> <li>• Influence from caregivers and federal government</li> </ul>	<b>Consumer Engagement</b>	<ul style="list-style-type: none"> <li>• Consumers prefer low costs and convenient access</li> <li>• Influence from dependents and employer</li> </ul>

# Commercial risk options have tradeoffs on both sides

Follow the **public** sector risk footsteps:

A “glide path” to population-wide models



*Options for pursuing commercial risk*

Take distinct approach for **commercial** risk:

A focus on high-spend episodic models



Efficiencies from standardized incentives and infrastructure for providers



*Results for purchasers and providers*



Split focus required across multiple processes and capability needs



Overly broad emphasis on multiple chronic condition management



Tailored to commercial population’s clinical needs and savings opportunities



Industry players **collaborate** to develop uniform care model



*Strategic position in ecosystem for success*



Industry players **compete** for savings opportunities and strategic partners

# Physician partnership is a fulcrum for market power

## POSSIBLE SCENARIOS

## CENTRAL TENSION

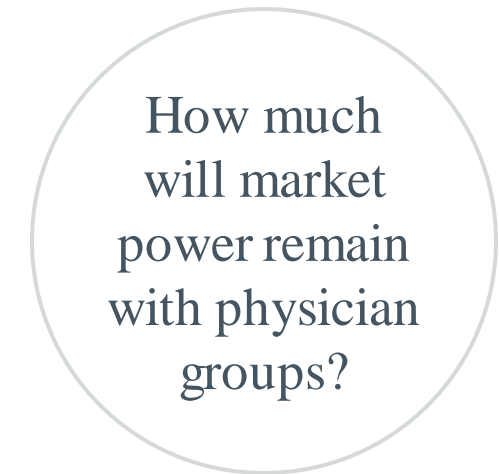
### 1 Industry unifies to circumvent hospitals

Employers, plans, and private equity firms aggressively embrace hospital-disrupting superpractices, at the expense of network breadth. Systems must hyper-specialize their acute care services or increasingly compete more as commodity services.



### 2 Hospital systems embrace physician-led care navigation

Health systems emulate or partner with superpractices to manage overall population utilization with broader ambulatory services, and reduce the centrality of hospital services in their financial model. Payers and purchasers strike expansive deals with the best option in a market.

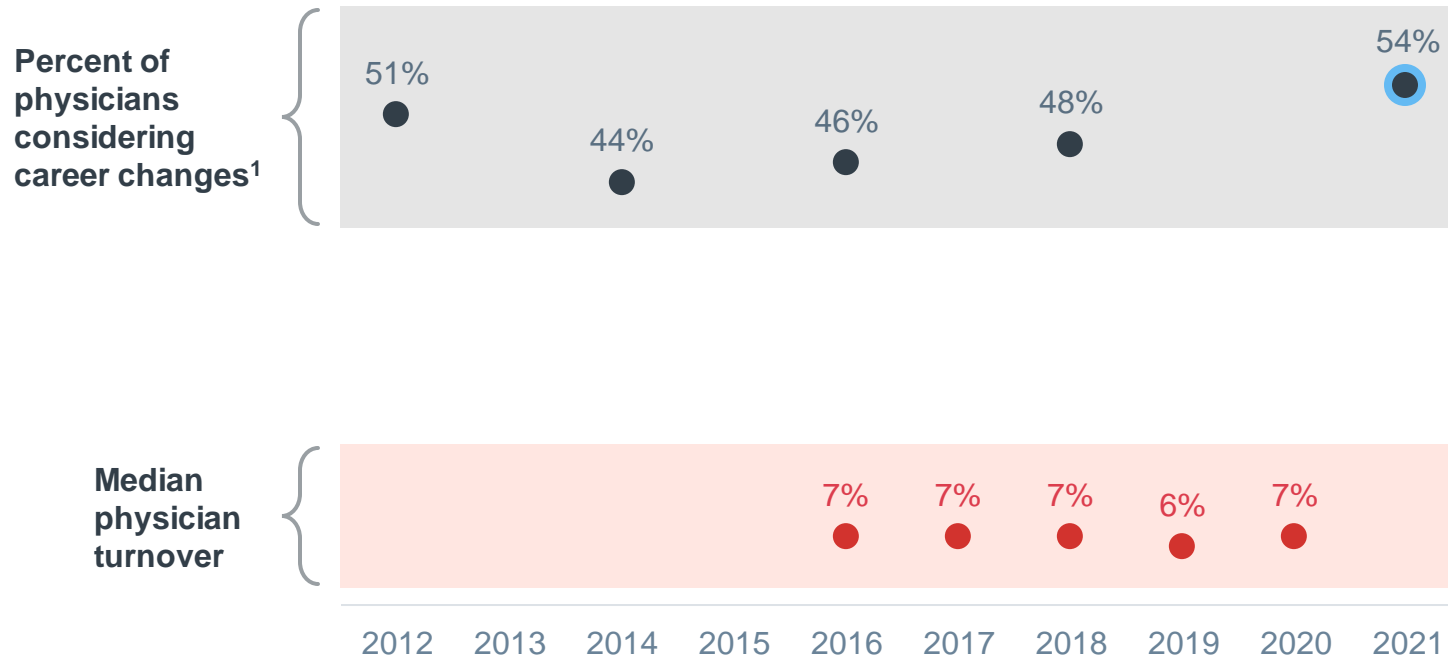


# There won't be a 'Great Resignation' of physicians

## Physicians' actual and considered career changes

n=8,774 physicians responding to Merritt Hawkins survey in 2018 (career change)

n=9,171 active physician role searches across 169 organizations (turnover)



**But, provider executives must stay vigilant to maintain current staffing**



“Physicians have been hunkered down for the last two years. We’re now worried about a backlog in turnover that could break soon.”

Chief Operating Officer  
System-employed medical group in the Midwest

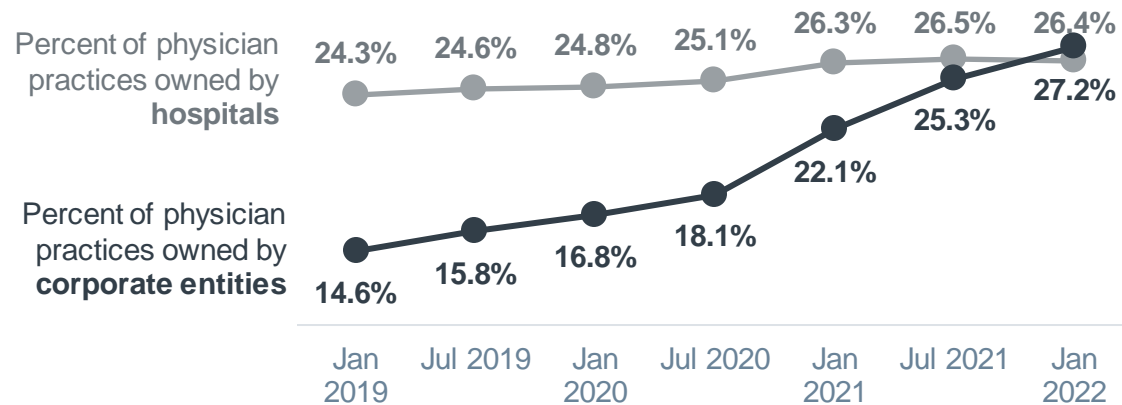
1. 2021 data point from an alternate survey or (see sources).

Source: “2021 AAPPR In-House Physician and Provider Recruitment Benchmarking Report,” <https://aappr.org/research/benchmarking/>; A Survey of America’s Physicians: Practice Patterns and Perspectives,” The Physicians Foundation, 2012, 2014, 2016, 2018; “New Study from Jackson Physician Search Reveals 69% of Physicians Disengaged: 54% Say COVID Driving Change in Job Plans,” Jackson Physician Search, February 2021; “Physician Shortage Worsens Nationally, Impacted by COVID-19,” AAPPR, 2021.

# Practice acquisition is the real alignment shift to watch

## Physician practice ownership trends

n= ~248,000 primary practice locations of physicians with NPIs in the IQVIA OneKey database



## Large independent groups are....



### ...hesitant to work with hospitals

“We collaborate where things **have to** be done in the hospital...but if it can be done outpatient, we ignore the system.”

*CEO of a large primary care group*



### ...not afraid to negotiate

#### Sample partnership deal-breakers

1. Partnership exclusivity
2. Right of first refusal to employ



### ...intentionally playing the field

“We work with multiple systems so we aren’t beholden to any single system.”

*Executive of a large single specialty group*

## In 2018, practices with 10 or fewer physicians represented:



**75%** of practices owned by physicians

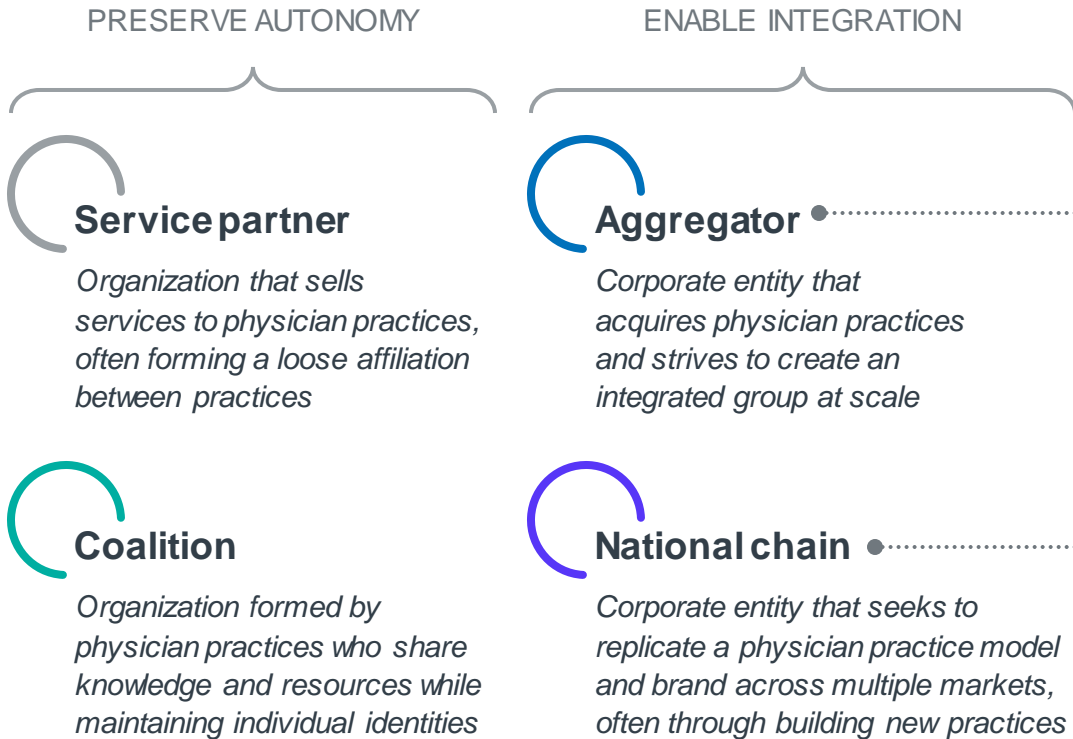


**41%** of practices owned by hospitals

Source: “COVID-19’s Impact On Acquisitions of Physician Practices and Physician Employment 2019-2020,” PAI June 2021; PAI-Avalere Health Physician Employment Trends report, April 2022; “Policy Research Perspectives,” AMA, 2019; “Policy Research Perspectives,” AMA, 2021.

# The “superpractices” driving physician realignment

## National physician superpractice archetypes



Growth trends in representative organizations, 2017-2022

Estimated increase in providers:

- **Summit Health: +1,100**
- **OptumCare<sup>1</sup>: +23,000**

Estimated increase in clinics:

- **ChenMed: +50**
- **Oak Street Health: +100**
- **One Medical: +50**

### Common features of superpractices

- Holistic, coordinated care team
- Standardized care pathways
- Centralized referral management
- Complementary ambulatory infrastructure
- Care and risk management analytics
- Shared, integrated EHR

1. Advisory Board is a subsidiary of Optum, owned by UnitedHealth Group. All Advisory Board research, expert perspectives, and recommendations remain independent.

Source: "Optum's \$4.9B deal to buy DaVita Medical Group further expands UnitedHealth's care delivery portfolio," Fierce Healthcare, December 2017; "ChenMed Celebrates 28% Membership Growth in 2017," ChenMed, 2017; "Oak Street Health expanding to Philadelphia," Philadelphia Business Journal, October 2017; "One Medical opens new tech-driven, membership-based primary care center in Seattle," Geek Wire, May 2017; Summit Health, 2022, summithealth.com; OptumCare, 2022, optumcare.com; ChenMed, 2022, chenmed.com; Oak Street Health, 2022, oakstreethealth.com; One Medical, 2022, onemedical.com.

# A brief history of superpractices in diverse partnerships

## Sample partnerships with superpractices

*Hospital is the core network partner*



**“Health First forms strategic partnership with Privia Health”**

- Privia assisting system’s owned medical group with population health and care coordination

**“Hartford HealthCare, One Medical announce collaboration on coordinated care”**

- One Medical will enable primary care coordination with system

**“OhioHealth and ChenMed open three dedicated senior medical centers in underserved areas”**

- ChenMed training system’s clinicians in high-touch model

**Privia**

**One Medical**

**ChenMed**

*Alternative partner seeks to avoid hospitals*



**“Privia Health inks capitated Medicare Advantage agreements with Humana”**

- Privia will take health plan PMPM payments to cover total care cost

**“One Medical and ParetoHealth partner to bring innovative healthcare solutions to employers”**

- One Medical will be offered to employers seeking lower total costs

**“Independence Blue Cross & Miami-based ChenMed form provider partnership”**

- Health plan supporting ChenMed’s entry into local market

Source: [“Health First Forms Strategic Partnership with Privia Health,”](#) Health First, March 2019; [“Privia Health Enters into Capitated Medicare Advantage Agreements,”](#) Seeking Alpha, January 2022; [“Hartford HealthCare, One Medical Announce Collaboration on Coordinated Care,”](#) Hartford Healthcare, February 2022; [“One Medical and ParetoHealth Partner to Bring Innovative Healthcare Solutions to Employers,”](#) One Medical, March 2021; [“OhioHealth and ChenMed Open Three Dedicated Senior Medical Centers in Underserved Areas of Columbus,”](#) Ohio Health, October 2019; [“IBC, ChenMed align to expand health care access for seniors,”](#) Philadelphia Business Journal, June 2018.

# Superpractices often undermine systems but don't have to

## Short term gains from partnerships with superpractices

### IF MARKET CONDITIONS...

Create opportunities to gain savings through lower cost care options or condition management

*(Such as competitive concentration, payment models and policies, coverage trends, disease patterns, and purchaser preferences)*

- Create opportunity to gain additional revenues
- Erode margins, prompting strategic change

#### Plan & purchaser partnerships<sup>1</sup>

*Gain risk-based revenues through savings in...*

- Cost-effective treatment & specialist selection
- Lower acuity care use
- Avoided unnecessary utilization

#### Superpractice capabilities

Referral steerage  
Care coordination  
Patient engagement  
Disease prevention

#### Health system partnerships<sup>1</sup>

*Gain volume-based revenues through improved...*

- Capacity for high-acuity services
- Volumes keepage
- Bargaining power for better rates

1. All types of partnerships with superpractices have potential to yield greater quality bonuses, clinical outcomes, risk coding optimization, and patient experience scores.



# Hospital change is inevitable, but can be on their terms

## Potential strategic approaches to the rise of superpractices in a market

Payer-purchaser-superpractice trifectas grow aggressively in power and circumvent hospitals

Strategy

Health systems emulate or partner with superpractices and reduce hospital primacy

Health systems hyper-specialize their hospital services or hyper-consolidate their negotiating power

Response

Payers and purchasers strike population-level deals with the best provider option in a market

### CASE EXAMPLE OptumCare<sup>1</sup>

- Grows ambulatory footprint with past and planned acquisitions of:
  - Everett Clinic
  - naviHealth
  - Surgical Care Associates
  - Polyclinic
  - Landmark
  - Refresh Mental Health
  - Atrius Health
  - LHC Group
  - Kelsey-Seybold Clinic
- Combined provider assets enable launch of NavigateNOW virtual-first insurance product with UnitedHealthcare

### CASE EXAMPLE Shenandoah Physicians<sup>2</sup>

- Large, independent multispecialty physician group located in the Midwest partners with multiple hospitals on physician recruitment
- Hospital partner pays up-front recruiting costs and guarantees physician's salary for the starting year(s)
- New physician embeds with practice and can later elect to buy into practice as a shareholder and sign an alignment contract with hospital

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2. Pseudonym.

# Network options will steer **consumer navigation**

## POSSIBLE SCENARIOS

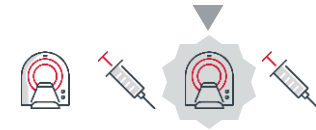
## CENTRAL TENSION

### 1 Curated choice architecture for procedures

Consumers have access to a broad range of choices for episodic services and procedures, but their behavior is heavily influenced by other players that curate how they view these options. Employers engage consumers in care shopping platforms and take advantage of vendors offering hyper-specific carve-out contracting services.

### 2 Care choices hinge on ecosystem selection

Purchasers and providers increasingly consolidate their “ecosystems” and become more selective about network participation or inclusion for only a few key partners. Consumers must generally follow increasingly restrictive benefit design, but their navigation experience is heavily-managed to improve efficiency and ease-of-use.



How will networks influence care choices?



# Weary consumers need many types of help

Across the past few years, many consumers are increasingly...

Struggling with mental health



**31%**

of adults reported symptoms of anxiety or depression (compared to 11% across 2019)

*Survey of 56,386 households in 2022*

Balancing precarious finances



**-2.1%**

decrease in income for middle-income households from 2019-2020 (compared to 1.6% increase from 2010-2019)

*Current Population Survey*

Willing to break care relationships



**36%**

of patients have left a health care provider in the past two years, often after poor experiences

*Survey of 881 consumers in 2021*

Unsure how to make care choices



**70%**

of consumers feel they don't have the support they need to understand or navigate their health care

*Survey of 1,000+ consumers in 2020*


Source: "The Poor Health of America's Healthcare System," Maestro Health, 2020; "2021 Patient Perspective Survey Report," PatientPop, 2021; "COVID-19 Pandemic Pinches Finances of America's Lower- and Middle-Income Families," Pew Research Center, April 2022; "Adults Reporting Symptoms of Anxiety or Depressive Disorder During COVID-19 Pandemic," KFF, March 2022.

# Ever-growing field of ambulatory options to pick from

**Resource changes enabling growth**

- Technology and clinical innovation (e.g. minimally invasive surgical techniques)
- Hospital staff Covid-19 burnout enabling employment shifts
- Private equity and nontraditional physician groups funding expansion


**7.1% growth**  
from 2016 to 2020



**Ambulatory surgery centers (ASCs)**

**57% increase**  
from 2013-2019

72% of clinics say they plan to add service lines to their clinics



**Urgent care clinics**

**66% increase**  
from 2012-2020

Amazon Care plans expansion to 20 new cities in 2022



**Retail clinics**

**11.5x increase**  
from 2014-2021

OneMedical increased membership count 34% from 2020-2021














**Direct and concierge primary care**

Source: "Amazon Care Plans Big U.S. Virtual And In-Person Health Services Expansion," *Forbes*, February 2022; "Pediatric urgent care facility opens in Opelika's Tiger Town," *MSN*, February 2022; "How Clinics Can Evolve Amid The Increasing Role Of On-Demand Care," *Forbes*, February 2022; "One Medical Announces Results for Fourth Quarter and Full Year 2021," *AP NEWS*, February 2022; "Tenet continues bet on ambulatory surgery centers to drive long-term growth," *Healthcare Dive*, February 2022.

# Patients may be active, but hardly “free market” agents

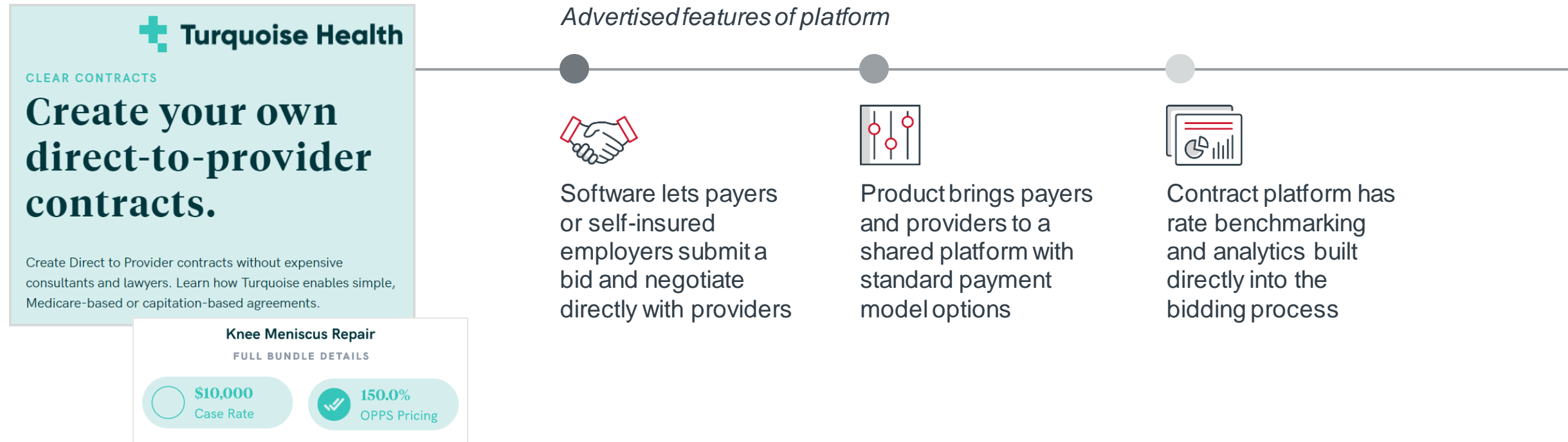
## Necessary conditions for consumer shopping in health care

CONDITION	DESCRIPTION	CURRENT STATE
 <b>Options to select</b>	Meaningful differences in price and/or quality across providers	 Significant variation across new and existing players
 <b>Awareness of choice</b>	Consumer knows the moment they are making a decision	 Most services are presented as a default next step
 <b>Transparent information</b>	Ability to accurately compare between available options	 Price data still messy and quality metrics remain elusive
 <b>Financial impact</b>	Consumer has a personal financial stake in specific purchasing process	 Incentive to shop limited to services under deductible; coinsurance impact limited
 <b>Willingness to self-refer</b>	Consumer feels calm and confident in making a choice for their health issue	 Majority of services are for urgent, complex, or undiagnosed conditions

  
**Transparency: The red herring of consumerism**  
 Despite widespread focus on price transparency as an asset for consumers, the data doesn't reflect their shopping experience and lacks crucial context

# Rate data could disrupt network design (if market wants)

## Turquoise Health's service-specific contract negotiation platform



Source: "Clear Contracts," Turquoise Health; "No Surprises Act May Shrink In-Network Pay," Med Page Today, February 2022; "Anesthesiologists accuse Blues plan of abusing surprise billing ban," Modern Healthcare, November 2021.

# Tech firms trying to get in the curation game

## Recent consumer-focused digital tools strategies launched by U.S. firms

### Integrate care services into daily consumer platforms



**Teladoc Health** rolls out virtual services (e.g., audio visits, scheduling, refills) on **Amazon's** Alexa

### Simplify access to price transparency data



**Turquoise Health's** and **Clarify Health's** price transparency platforms allow consumer-friendly comparison of hospital prices online

### Incorporate provider scheduling into familiar search tools



**Google** launches new search engine feature to show available appointments with health care providers

### Tailor provider comparison tools to individual needs



**Walmart** partners with **Health at Scale** to provide employees with AI-driven personalized provider recommendations

Source: "Consumer Experience Trends in Healthcare 2021," Press Ganey; "Digital Transformation in Healthcare 2022," Digital Authority Partners, January 2022..

# Plans experiment with a new “digital-front door”

## National plans launching virtual-first products

Health plan	Virtual provider	Gatekeeping method
Cigna	MDLive <i>(owned by Cigna)</i>	\$0 copay for access to MDLive primary care providers, chronic condition management and care navigation
United Healthcare <sup>1</sup>	Optum	\$0 copay for virtual primary, urgent, and behavioral health services
Ambetter (Centene)	Teladoc	\$0 visit costs for all virtual care when delivered through the Teladoc Primary360 service
Aetna	Teladoc	\$0 copay for virtual and in-person services at CVS MinuteClinics



DATA SPOTLIGHT

**14+** Virtual-first health plans announced across 2021

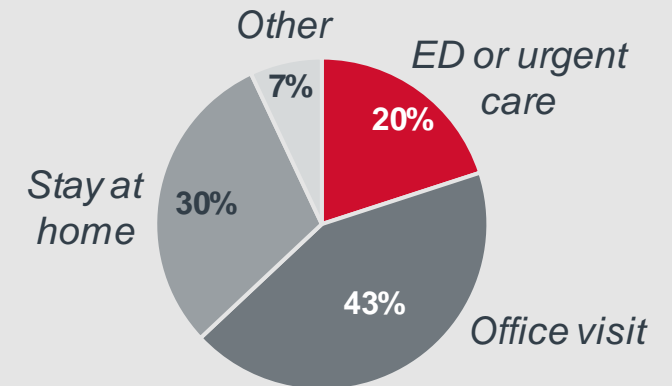
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## CASE EXAMPLE Wilbur Health Plan<sup>2</sup>

- Plan offered virtual-first product to individual market members
- Early analysis shows product diverted care from costlier settings in first year of offering

**Survey question:** Where would you have gone if telehealth wasn't an option?



Source: "How UnitedHealth, Aetna and Centene are tackling virtual-first care," Modern Healthcare, October 2021.



# 32BJ removes high-cost hospital rather than lose COE



## 32BJ Health Fund's Center of Excellence (COE) program

Partners with Mount Sinai and other affordable, high-quality hospitals in six states for joint replacement and bariatric surgeries

## High-cost hospital wants in COE

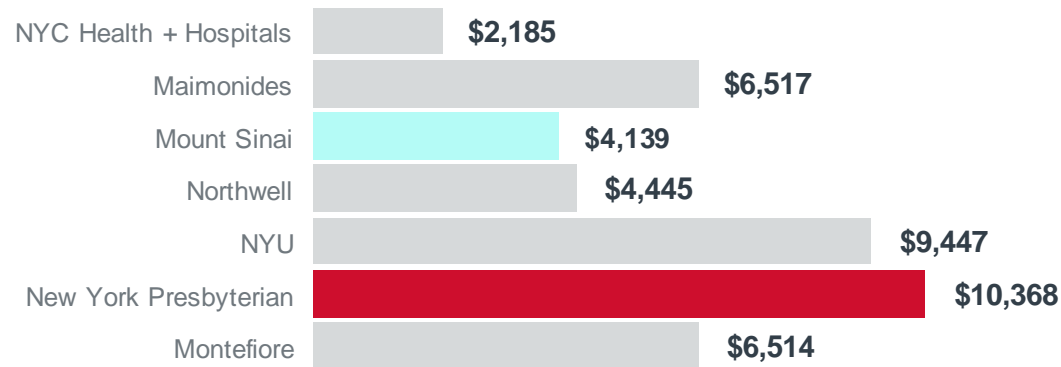
New York Presbyterian asks 32BJ to add them to COE program, or terminate it with other hospitals to stop steerage



## 32BJ makes a tradeoff

32BJ ends network contract with New York Presbyterian rather than undermine or eliminate successful COE program

## 32BJ Health Fund's average outpatient colonoscopy price, 2019–2021



“Today we say enough is enough. We say no. And we will continue to fight until we all have access to high quality hospitals with fair pricing.”

*Kyle Bragg, Union President, 32BJ*

Source: “Members of 32BJ Health Fund severs relationship with New York Presbyterian over overpriced procedures”, amny, 2021; “32BJ Health Fund Severs Ties with New York Presbyterian,” 32BJ Health, 2021; “Hospital Prices: Unsustainable and Unjustifiable,” 32BJ, 2022

# Network design direction will hinge on volume levers



## Individual consumer steerage

How well can organizations route patient care decisions for specific services?

### POTENTIAL COMPLEXITIES

- Surge of navigation tools that compete for consumer attention
- Impact of forthcoming Advanced EOB<sup>1</sup> on consumers' awareness of choices
- Use of new MLR<sup>2</sup> flexibility to reward consumers for lower-cost care choices

1. Explanation of benefits.  
2. Medical loss ratio.



## Market negotiating power

How well can organizations improve their market-level bargaining position?

### TACTICSTOWATCHFOR

- Consolidation of impacted medical groups
- Provider coalitions to negotiate at the system-wide level, potentially including allied medical groups
- Complex evaluation metrics to articulate total cost of care, clinical quality, efficiency, etc. beyond unit cost

# Industry choices may bring fragmentation or control

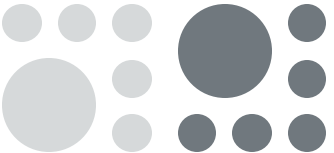


**Flexible Fragmentation**

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*Chaotic competition of diverse, flexible, fragmented players*

Solely <b>mission</b> imperative	◀ HEALTH EQUITY ▶	Transformative <b>business</b> imperative
Public and private payers <b>split</b> on risk	◀ VALUE-BASED PAYMENT ▶	Industry-wide reimbursement <b>standard</b>
Hospital systems <b>embrace</b> physician-led care navigation	◀ PHYSICIAN PARTNERSHIP ▶	Industry unifies to <b>circumvent</b> hospitals
Curated choice architecture for <b>procedures</b>	◀ CONSUMER NAVIGATION ▶	Care choices hinge on <b>ecosystem</b> selection
Demands for consumer <b>attention</b> at every step	◀ TELEHEALTH ▶	Universal <b>efficiency</b> in care delivery and management
Cross-industry competitive <b>stressor</b>	◀ HOME-BASED CARE ▶	Standard value-add through <b>coordination</b>



**Coordinated Control**

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*Coordinated order controlled by comprehensive, integrated behemoths*



Advisory  
Board

# 2023 Leadership Summits

## Nashville, TN

**Keynote - The Value Chasm: Short Term Trouble, Long Term Strategy**  
**Thursday, June 29 | 8:10 - 8:45 AM**



**Ford Koles**  
*The Advisory Board*

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