Population Health Management Strategies:
A multi-perspective view of challenges, opportunities and controversies

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Learning Objectives

- Provide CFOs and other health finance professionals CONTEXT for
  - Emerging Alternative Payment Models (APMs)
  - The challenges in implementation/transformation
  - The challenges of oversimplification and "the narrative"
- Key Strategy Levers
- Key Operational Levers
- Next 3 steps in APM evolution...
- Game Theory: The fork in the road: payers and providers
- Recommendations

ACA vs APMs: Differential Support, Emerging Political Equilibrium

- Insurance/coverage Reform
  - Coverage expansion of medicaid and exchanges - mixed
  - Individual mandate - very mixed
  - No Lifetime limits, No deny for pre-existing conditions - wide support
  - Premium increases - major fallout
- Delivery System Reform: wide support
- Health and Human Services (HHS) Secretary Sylvia Mathews Burwell plans to "broaden the conversation" about the 2010 law to highlight system-wide reforms to lower costs and improve quality, a senior administration official told The Hill. The initiatives — such as delivery system reform and bundled payments — are non-controversial and have bipartisan support in Congress.

-Pen 3/2/2016

Politics drive regulatory reform,

- Bipartisan support enables the administration to "step on the gas" before leaving office*
- Many more bundles summer 2016
- Final rules for MACRA
- Set MSSP on correct path in Track 3
- Harmonize FFS, MSSP Pioneer and MA
- New comprehensive approach to Medicaid Reform***
- Leave office on blend of incentives and penalties to get providers to assume more risk: We are heading in right direction in terms of
  - Preservation of Medicare Trust Fund
  - Outcomes Focus
  - Deregulation of Delivery
Alternative Payment Models: Time Lapse Photography,

- MACRA creates 2 1/2 year stampede of providers into APMs
  - "If free to join, then I can get bonuses from risk programs and better Part B under MACRA"
- MSSP shifts to risk taking: Medicare becomes M-ACO and MA
- Bundled payment acceleration
- Medicaid delivery and payment reform: launch
- Commercial ACO contracts
- Provider organizations with
  - Multi contract, multi payer risk portfolio AND
  - Need to calibrate speed of risk adoption
  - Need to Balance with FFS portfolio
  - Challenge maintain margin

Delivery System Reform:
Directional Accuracy, Rocky Road

- Poor Execution of transformation: MSSP rate of no-shared savings= 75 %
- ROOT CAUSE of Implementation Drama :
  - Vertical launch timeline
  - Build and fly simultaneously
  - Massive learning curve
  - Over-investment in branded strategy advice
  - Under-investment in human capital
  - Mismatch of Clinical Ops and IT workflows, misplaced business requirements, hidden interdependencies
  - Data integration struggles
  - No PMO/ insufficient project management

Delivery System Reform:
Oversimplification

- "I need registries and analytics. And nurse care managers for the TOP 5%"
- Corollary: If I don’t have registries and analytics then I don’t know what to do…
- Registries and analytics "black box" will solve all my problems
- Analytics, you know, like dashboards
- If I generate shared savings I’m a winner
- We can always merge our way out of trouble
- We can always start an insurance company
- AI is coming soon

IF YOU COULD JUST BE READY TO BEND THE COST CURVE IN 6 MONTHS
YEAH, THAT'D BE GREAT
Delivery System Reform: Oversimplification

- Very little info on ACOs in terms of Enterprise effects on
  - Utilization rates and revenue
  - Margin

- Very little info on ACOs in terms of standalone P&L
- Even less info on net income for bundled payment arrangements
- Repricing a significant issue
- Variability in characteristics
  - Health system vs community hospital, AMC, physician led, consortium
  - Geography, over-bedding, market fragmentation, competition, historical managed care penetration, APR independence
  - Physician Culture Alignment vs "Physician Alignment"

Delivery System and Payment Reform:

- THE NARRATIVE
  - Inevitable
  - Will be good for all
  - Can achieve Triple Aim for All

- The REALITY
  - Inevitable
  - Good for some and Bad for many
  - Winners and Losers are...
  - Providers can Succeed into Failure: Enterprise Effects
  - Coverage alone does not level playing field: Disparities

Key Strategy Levers:

- Success: Disrupt market share via higher FFS equivalency or payer steerage and preserve margin
- Success requires excellence, not just participation
- Talent: Recruit payer or ACO executives
- Talent: Transformational Physician leadership
- Realistic progression to managing risk roadmap
- Leakage reduction to offset volume reductions
- Lean: "prophylaxis for margin erosion"

WHAT IF I TOLD YOU THAT YOU WOULD MAKE MONEY IF YOUR INPATIENT VOLUMES Fell?
Ignored Key Strategy Lever

Personal Relationships with Payers

ONLY WORKS FOR DRAKE

no calls. no texts... nothing. but I'm still here thinking about you like crazy.

Key Operational Levers

- Clinical Operational and IT synergy
- Attribution management
- Two step risk stratification
- Social Workers as Care managers
- Medicare AWE
- Multi-threaded Patient engagement and activation
- Waiver enhanced custom design for Non adherence, non-engaging and frequent flyers
- Referral management: systemic leakage reduction
- Ambulatory Sensitive Conditions Admissions: 3 for 1
- Post-Acute Preferred network from Year 1
- Advanced Directives: standardized education
- Lean version of lean
**Ignored Key Operational Levers**

- Behavioral health integration
- Social and behavioral analytics and interventions
- Community partnerships to extend reach and effectiveness
- Disruptive telemedicine when regulatory reform creates the opportunity
- Waivers to introduce disruption and incentives
- Networks and Uber networks value added services
- Intrinsic and extrinsic provider motivation
- Episode vs population risk interaction optimization

**Notes on PHM IT Strategies**

- Ownership of Success: Execution/Process Transformation, not IT
- IT informs, automates, scales.
- PHM= Analytics Required. Understand limitations
- PHM + required lean= Analytics with EDW
- Targeting is analytics, execution is patient engagement
- Speed to scaled execution is the overlooked key to effectiveness
- Sophisticated clinical social and behavioral analytics—disrupt information asymmetry

**Key Financial Levers:**

- Qualified Provider or Advanced Payment Model
- Repatriation to Offset analysis
- Model Lean to Margin Analysis
- Type of Risk arrangement
- Actuarial expertise, Reinsurance

**Stratification in APM Emergence:**

- Name of the Game: "Kodak/Blockbuster redux"
- Qualified Provider Advanced Payment Model: fast track
- Alternative Payment Model: Balance Risk Reward
- Stay the course: High leverage or DMW
  - High leverage should invest and 3M until time and place of their choosing
  - QPs with steerage who master Lean to Margin: the disruptive victors emerge
Game Theory in Meta Delivery Reform

- Game theory is "the study of mathematical models of conflict and cooperation between intelligent rational decision-makers."
- Why is game theory important?
  - Ultimately, success is a battle between hospitals, doctors, other providers, and insurers including government for premium dollar, and involves consumers and employers. Service providers are also angling for premium revenue.
  - Specialty drug pricing reminds us that Pharma is the competitor hidden in plain sight and last in line for targeting because first to support ACA.
  - Players that maximize their utility at the expense of others can crater their success because of the cooperation required between competitors.
  - Mathematics is used to determine equilibrium with sets of outcomes.
  - Simultaneous moves with imperfect information: "the law of seemingly unintentional consequences": (extensive form).
  - What we see unfolding is a meta game: designing the rules for the target game (utility in fee for value).
  - Premium dollar is up for grabs!

Fight for Premium Dollar

- Risk of physician led ACOs rising if hospitals don’t share
- Risk of hospitals cratering if insufficient premium dollar to support operations
- Risk of hospitals and other providers moving into payer space if insufficient net payment
- Risk of payer losses if insufficient premium with increased regulation
- Risk of new drug development if Pharma is squeezed (loss of subsidy for rest of world price controls)
- Conflict disrupts access and entitlements which could lead to...
- Plausible scenario of single payer (all lose)

- Urgent dialogue and "coopetition" needed
- Shocking level of isolation outside of oppositional negotiations
- Game theory can be the ice breaker: it plays no favorites
- Dispel myths: Providers don’t have access to capital reserves (PE)
- Dispel myths: Provider prison diet of net income is sustainable
- Dispel myths: Insurance is easy
- Dispel myths: Provider networks are a commodity
- Dispel myths: The government is always a rational actor and is not vested in parts of status quo
- Moral of the story: certain actions become rational when a player is cornered or blind
Fight for Premium Dollar

- High level of isolation outside of oppositional negotiations
- Game theory can be the ice breaker: it plays no favorites
- Dispel myths: Providers don’t have access to capital reserves (PE)
- Dispel myths: Provider prison diet of net income is sustainable
- Dispel myths: Information and predictive science asymmetry favoring payers can’t be reversed
- Dispel myths: Insurance is easy
- Dispel myths: Provider networks are a commodity
- Dispel myths: This is economics, not politics
- Dispel myths: The government is always a rational actor and is not vested in parts of status quo
- Moral of the story: Certain actions become rational when a player is cornered or blind
- Urgent dialogue, "coopetition", and scale model data lake needed

Rules of the Road

- Design for Success, not just for participation
- Lean and Population Health: Do them together via financial targets
- Model the strategy path to risk with actuarial guidance on stair-steps through the learning curve minefield
- Form broader relationships with payers. Start with people!
- Start today to build quality improvement in ambulatory primary care
- Execution determines outcomes: Leadership enforcement of accountability ultimately determines, not middle management or front line.
- It is obvious but overlooked that knocking out competitors is key to overcoming zero sum.
- Long term, if you are a hospital, look to reinvent yourself. The ultimate societal goal is prevention and health, which means fewer hospitalizations.