



Strategies for Transforming the Business of Healthcare

HFMA Nebraska 2019 Fall Meeting
October 16, 2019

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Today's Agenda

- Big Picture Dashboard
- Strategies for Success
 - Reduce Total Cost of Care
 - Ensure that Mergers Add Value
 - Put Consumers First



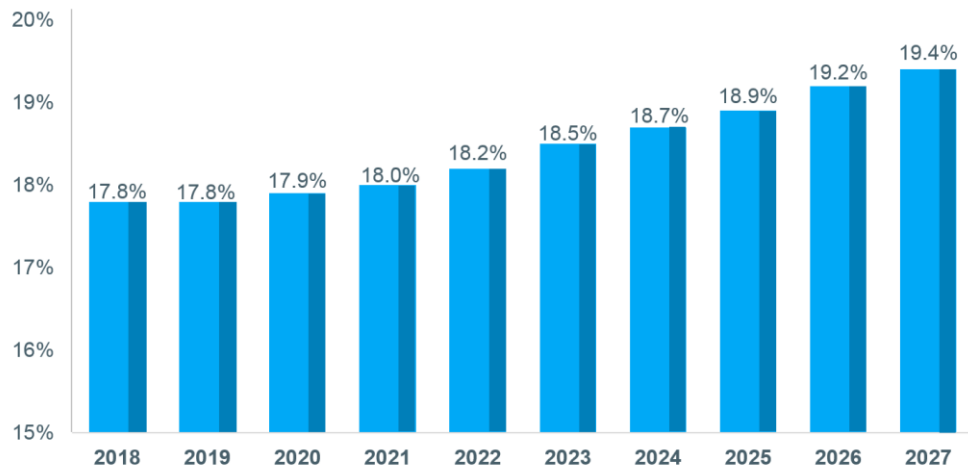
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Big Picture Dashboard

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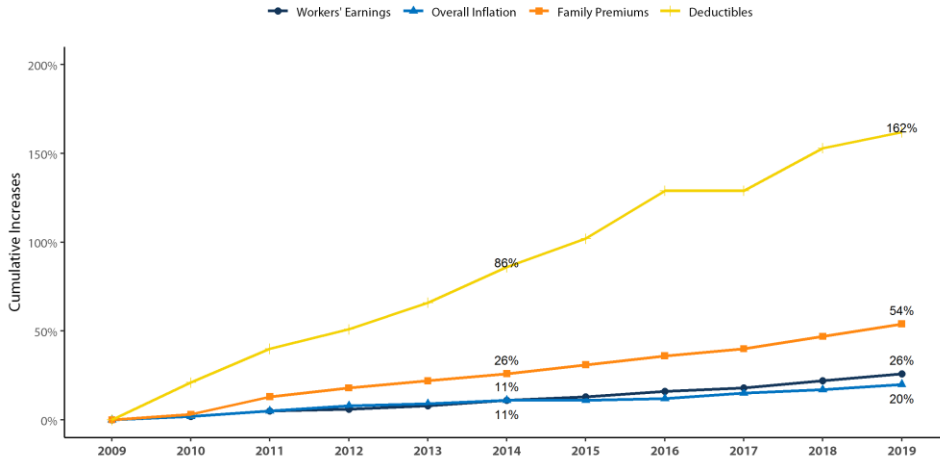
Figure 1. Projected US Healthcare Expenditures as a Percentage of GDP, 2018–2027



Sources: Centers for Medicare & Medicaid Services, [National Health Expenditure Projections 2018-2026](#), Forecast Summary and Selected Tables.

P R E M I U M S

Cumulative Increases in Family Coverage Premiums, General Annual Deductibles, Inflation, and Workers' Earnings, 2009-2019



NOTE: Average general annual deductibles are for single coverage and are among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.

SOURCE: KFF Employer Health Benefits Survey, 2018-2019; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2009-2019; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2009-2019 (April to April).



Healthcare System Performance Scores

O U T C O M E S



Note: See How This Study Was Conducted for a description of how the performance scores are calculated.
Source: Commonwealth Fund analysis.

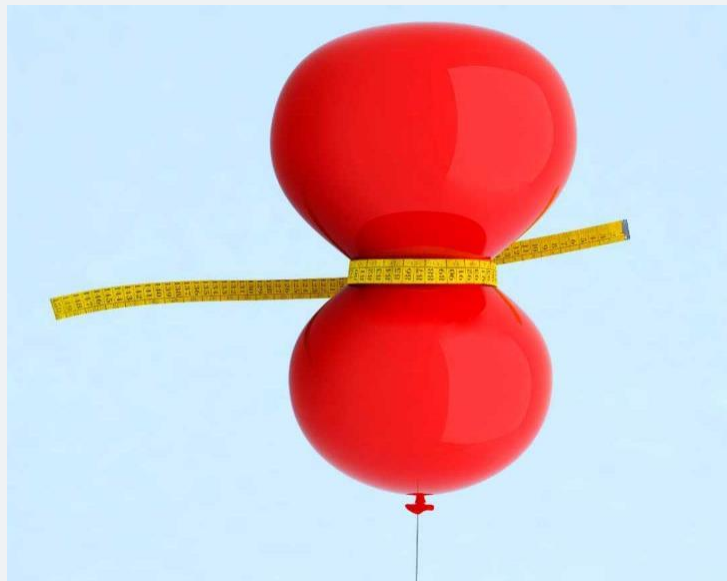
Strategies for Success

Reduce the Total Cost of Care

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How We've Approached Cost Reduction In the Past

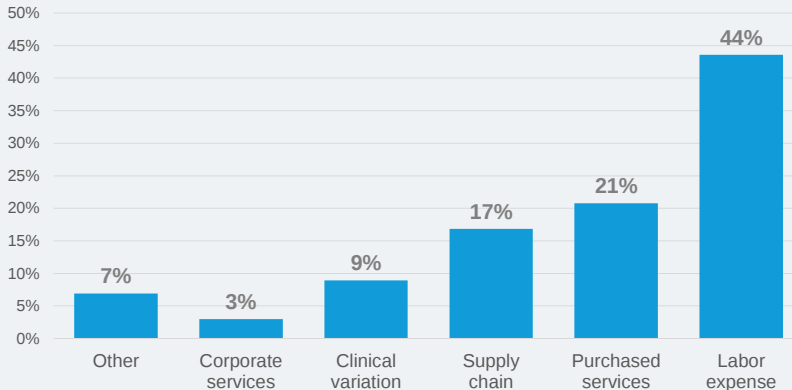


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Traditional Targets Are Still the Primary Ones

What is your top priority area for reducing operating expenses over the next year?



Labor costs, supply chain, and purchased services represent the top priority areas

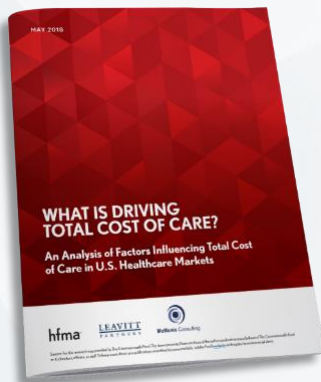
*Survey of 101 chief financial officers, administration and operations executives. Source: HFMA-Navigant. Labor Management Trends. August 2018

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Are We There Yet? Are Value-Based Care and Payment Reducing Total Cost of Care?

Is the movement toward value-based payment and care achieving its goals?



Purpose of Research

- Validate impact of population-based VBP models on the total cost of care
- Identify other market factors that may influence growth in total cost of care
- Understand why organizations have chosen a particular transition path to VBP, what they are learning, and what financial and clinical changes they have implemented

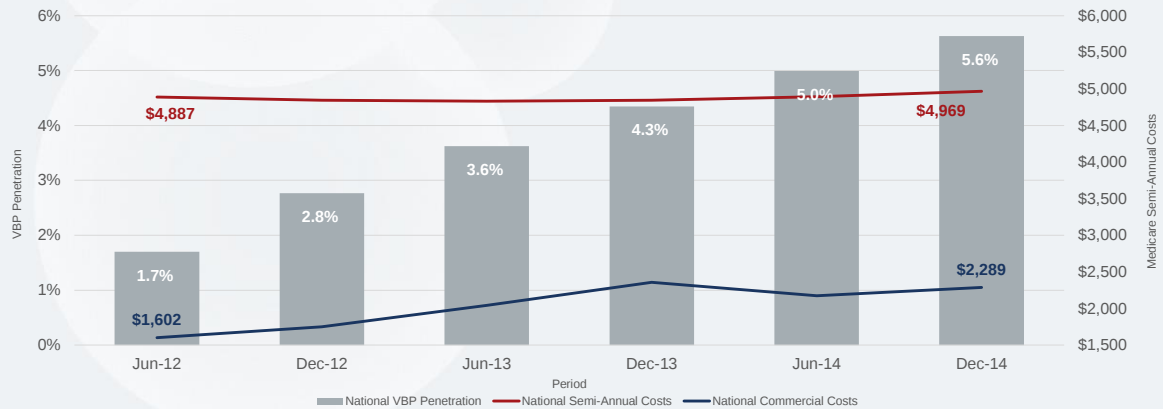
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Conclusion: Not Yet

Increased VBP penetration was not associated with a slowdown of growth for either Medicare or commercial costs.



Source: "Growth of Population-Based Payments is Not Associated With a Decrease in Market-Level Cost Growth, Yet," Adapted from Leavitt Partners/HFMA/McManis Consulting report, June 2018. leavittpartners.com/coc

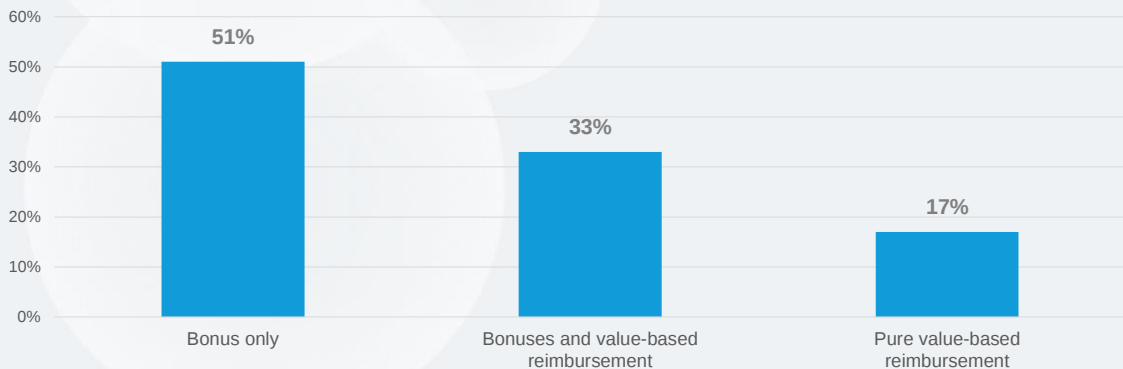
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Strong Financial Incentives for Care Coordination Aren't There

Most organizations are pursuing upside risk.

Within commercial plans, respondents receive payment from...

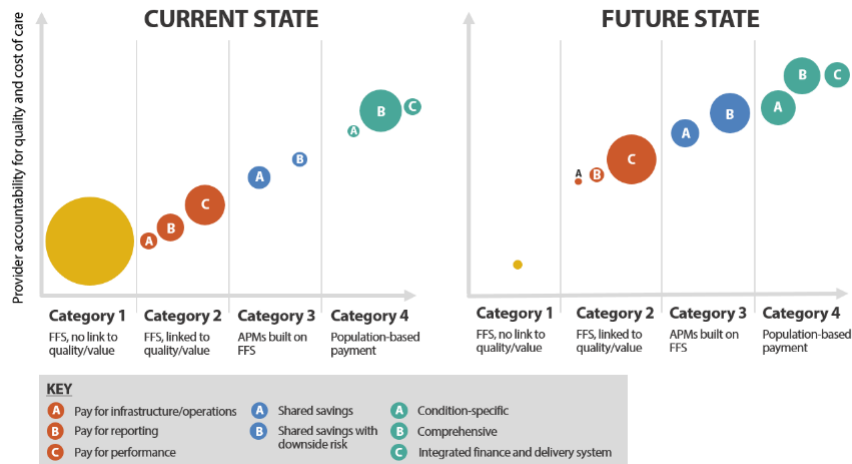


Source: *Embracing New Payment Models: Challenges, Opportunities, and Strategies for Improvement*. Results from the 2017 HFMA Value-Based Payment Readiness Survey Sponsored by Humana.

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CMS Goal: Shift the Risk to Providers



<https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2018-Fact-sheets-items/2018-05-07.html>

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VBP Has Not Focused on High ROI Areas

If the results achieved by the BPCI LEJR* program could be replicated on a national scale for all joint replacements, Medicare would save about \$400 million per year.

That translates to 0.01% of projected 2016 national healthcare expenditures

It's equivalent to the annual revenue of one 200-bed hospital

Is this the best ROI for our efforts to reduce the total cost of care?

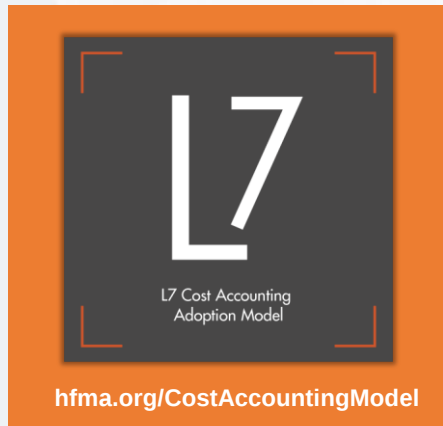
Bundled Payments for Care Improvement Lower Extremity Joint Replacement.
Source: Based on analysis in C. Mulvaney, "BPCI year two results: findings and implications," hfma, November 2016. www.hfma.org/Content.aspx?id=50528

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To Prepare for Downside Risk, Align Cost Accounting Capabilities with VBP



L7 Cost Accounting Adoption Model

- Assess your current cost accounting methodology
- Understand the level of accuracy of your cost data
- Benchmark capabilities against peers
- Create a roadmap for the actions required to ensure your cost accounting approach meets your strategic needs

Now open-sourced and available to all healthcare providers

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Engage Physicians



- Use scorecards and dashboards
- Ensure data are accurate
- Align financial incentives
- Make data collection easy for physicians
- Pay physicians for attending meetings
- Provide external support
- Promote benefits of participation
- Practice change leadership
- Leverage peer influencers
- Invest in relationships

Source: Faber, W.K., and Malone, J.W., "Practical Physician Engagement Strategies for Value-Based Care," hfma.org

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Listen to Patients

We say...	Consumers say...
Medical home	"It sounds just like a nursing home." "First you go to the medical home, then you go to the funeral home."
Integrated care	"It sounds like a sales pitch in a cheap brochure."
Accountable	"It's kind of scary. I am going to go there and something bad is going to happen and someone has to be held accountable for it."
Value	"It means things are cost effective. They are going to keep the value down. You aren't getting the best care."

Source: M. Ross, T. Iqbal, and S. Gomez, "From Our Lips to Whose Ears? Consumer Reaction to Our Current Health Care Dialect," The Permanente Journal, Winter 2009, Vol. 13, No. 1, <http://www.thepermanentejournal.org/files/Winter2009/dialect.pdf>

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Engage Patients in Shaping APMs

"If you don't get feedback early on about what really matters or what the value equation is for patients and their families, then we're just stabbing in the dark in terms of quality measurement and the associated payment reforms that are so-called 'value-based.' The question becomes: What's convenient for the healthcare professional, the health system, or the payers? Instead of: How do we drive home person-centered care?"

— Rebecca Kirch, JD, Executive Vice President of Healthcare Quality and Value, National Patient Advocate Foundation

Source: LaPointe, J., "Making APMs Truly Value-Based Through Person-Centered Care," RevCycle Intelligence, August 12, 2019.

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Strategies for Success

Ensure that Mergers Add Value

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The Tough Questions

- Are mergers just raising prices for consumers?
- Will markets dominated by one or two health systems have too much market power?
- Don't hospital profits increase after a merger?



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HFMA Conducted Research to Assess Impact of Mergers on Hospital Performance



- Analyze clinical and financial outcomes of mergers
- Learn why some transactions have more favorable results than others
- Identify strategies and business practices that correlate with better outcomes

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Surprise: Most Acquired Hospitals Lost Money the First Two Years Post-Merger

Regression results: Financial performance of acquired hospitals

		DEAL TYPE						
Variable	Acquisition impact	All acquired hospitals (n=759)	For-profit acquisition of a non-profit (n=164)	For-profit mega-deal (n=137)	For-profit single acquisition from another for profit (n=31)	Non-profit merger of equals (n=73)	Non-profit with single acquisition (n=234)	Non-profit with system acquisition (n=120)
Operating Margin	Overall	↓			↓			
	Year of the deal	↓						↓
	1 year after the deal	↓						
	2 years after the deal						↑	
Operating Expense per Adjusted Admission	Overall	↓	↑		↓			
	Year of the deal	↓	↑					
	1 year after the deal	↓		↓	↓		↑	
	2 years after the deal		↑				↑	

N= the number of acquired hospitals across the deals
Acquisition impact overall= Average performance before and after the deal

Arrow direction= Statistically significant, positive or negative correlation
Arrow color= red is unfavorable, green is favorable

- The impact lasts two years post-deal. After that, there was no longer a significant decline in operating margin for acquired hospitals.
- Expenses decreased for some acquired hospitals.

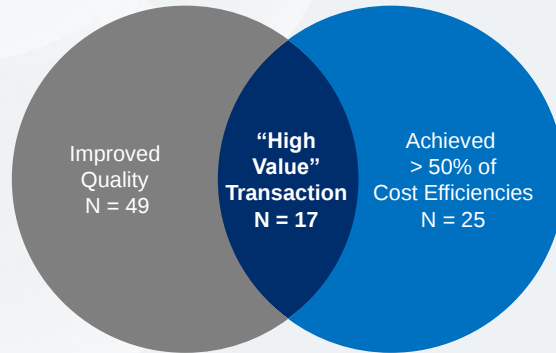
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Exception: “High-Value” Transactions that Emphasized Integration Planning and Execution

“High value” is defined as deals where the respondents indicated the deal both achieved cost efficiencies and improved quality.



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Sources: HFMA Member Survey/Interview

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Go for High Value (or Don't Go at All)

What do high-value mergers do differently?

Across all phases of the transaction process, high-value deals typically have three common elements

In high-value deals, the acquirer:

1

Has a clearly defined rationale for the transaction that enables the organization to achieve strategic goals

2

Understands the cultural fit between organizations and communicates clearly throughout the transaction process

3

Has a detailed integration plan focusing on the deal's core value drivers

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Follow Best Practices



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Value-Driven Mergers Can Be a Win-Win

“When consolidation involves the integration of providers and payers working together to improve quality and reduce costs, good things can happen – for the organizations, the patients, and the communities they serve. Improved quality and lower costs can, and should, coexist.”

Source: W. H. Shrank, D. Holder, & S. Shapiro, MD. NEJM Catalyst. “Effective Consolidation: A Model for Reform Through Provider-Payer Integration.” June 14, 2018.

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Pay Attention to Patient Experience During & After Mergers

"[There was a] statistically strong association between market concentration and patient satisfaction for 6 of the 10 patient satisfaction scores examined, revealing the decreases in satisfaction as market concentration increases and in turn lowers market competition. With fewer competitors, it seems that there is less incentive to keep patients content."

Study Found That High Market Concentration Reduced Patient Satisfaction on the Following Metrics

- Nurse communicated well
- Patient received help as soon as wanted
- Pain was well controlled
- Staff explained medicines
- Probably or definitely recommend hospital
- Hospital rating 7-10

Source: Short, M.N., and Ho, V., "Weighing the Effects of Vertical Integration Versus Market Concentration on Hospital Quality," Medical Care Research and Review, February 9, 2019.

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Strategies for Success

Put Consumers First

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As an Industry, We Are Not Valuing Patients as Consumers

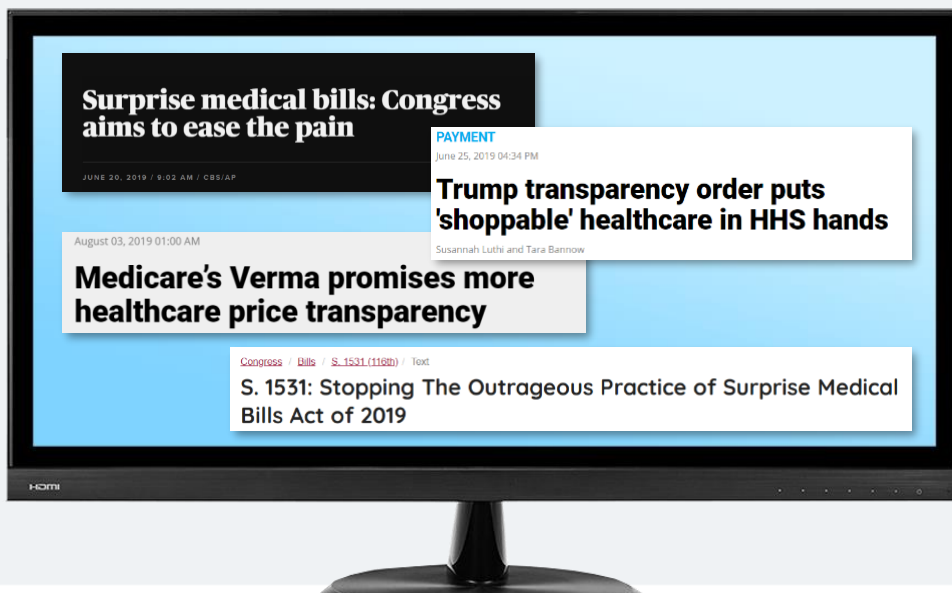
“Of all the key areas related to consumerism in healthcare, **pricing strategy provides the most room for improvement** for the nation’s hospitals and health systems. **Only 5 percent of organizations rated in the top tier** in this category for **aggressively pursuing pricing strategies and price transparency**, while an **overwhelming 74 percent are [bottom tier] performers.**”

Source: Kaufman Hall 2018 State of Consumerism in Healthcare: Activity in Search of Strategy

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So the Federal Government Is Stepping in to Fill the Gap



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The Federal Government Is Preparing to Mandate Price Transparency, As Defined by CMS

Proposed Regulations Have Been Issued in Response to an Executive Order by the Trump Administration

- The CMS CY20 OPPS proposed rule would require all nonfederal hospitals to do the following or face civil monetary penalties:
- Provide standard charges for all items and services
- Provide plan-specific negotiated charges for 300 “shoppable” services, including 70 CMS-selected and 230 hospital-selected services, in a prescribed format
- Display searchable charges prominently on a public webpage
- Update the information at least annually

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How Well Would This Meet Consumer Needs?

Accuracy and usefulness of information

- ☒ This one-size-fits-all data does not take the specifics of a consumer’s benefit plan or progress toward meeting their deductibles into account.
- ☒ The regulations don’t cover freestanding settings
- ☒ The regulations don’t call for any quality information

Ease of use

- ☒ Chargemaster data—even if searchable and machine readable—will never be easy for consumers to use.
- ☒ Consumers would need to know their health plan name and contract number.
- ☒ Having a list of shoppable services is directionally correct.

Accessibility/convenience

- ☒ To shop, consumers would have to go to multiple hospital websites and wade through extraneous data unrelated to their plan/contract. Even then, they wouldn’t get their out-of-pocket price.
- ☒ This data does not lend itself to being mobile-friendly or app-based.

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Regulations vs. Private Sector Innovations



First seatbelt law (federal)	1968
First airbags	1974
First anti-lock brakes	1978
First side-impact air bags	1994
First lane departure warning system	2000



Seven people die from tainted Tylenol	1982
Tylenol manufacturer introduces tamper-resistant packaging and caplets	1982
FDA establishes guidelines to make all OTC medications tamper-resistant following Tylenol's lead	1989

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Take the Mystery Out of Patient Share



- Refer insured patients to their health plans for pricing questions
- For uninsured patients and out-of-network care:
 - Offer an estimated price for a standard procedure & make clear how complications may increase the price
 - Clearly communicate pre-service estimates of prices
 - Clearly state what services are included in an estimate
 - Give patients other relevant information, where available

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Optimize the Financial Interaction



- Have financial conversations at a place and time that don't interfere with patient care
- Hospital staff should initiate the conversation
- Offer option to have family and/or interpreter present
- Ensure that patients are informed about eligibility for financial assistance and payment plan options
- Train frontline staff in these critical conversations

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Have a Policy on Unpaid Bills—and Follow It



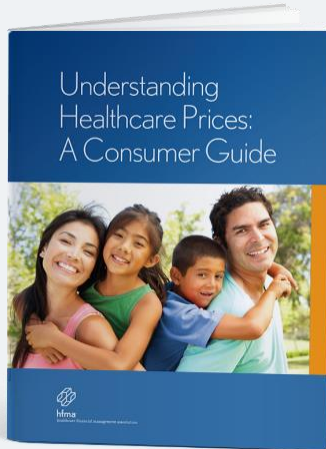
- Take the uncertainty out of the equation: have a policy and state it upfront
- Explain the differences in the policies for elective and emergency care
- Provide this information on your website and other publicly accessible places

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Educate Consumers in Your Community



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Adopt Best Practices



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Be Recognized for Excellence



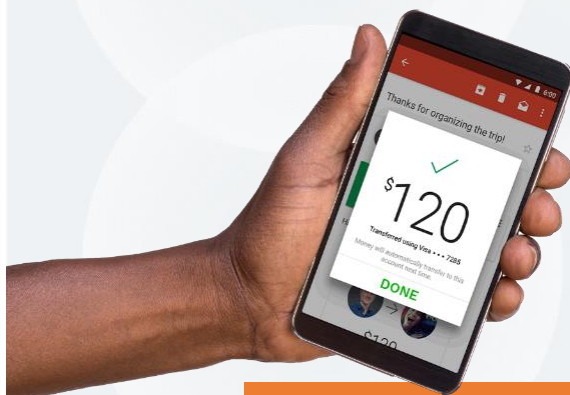
Many more at hfma.org/adopterorganizations

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Strive for Simplicity



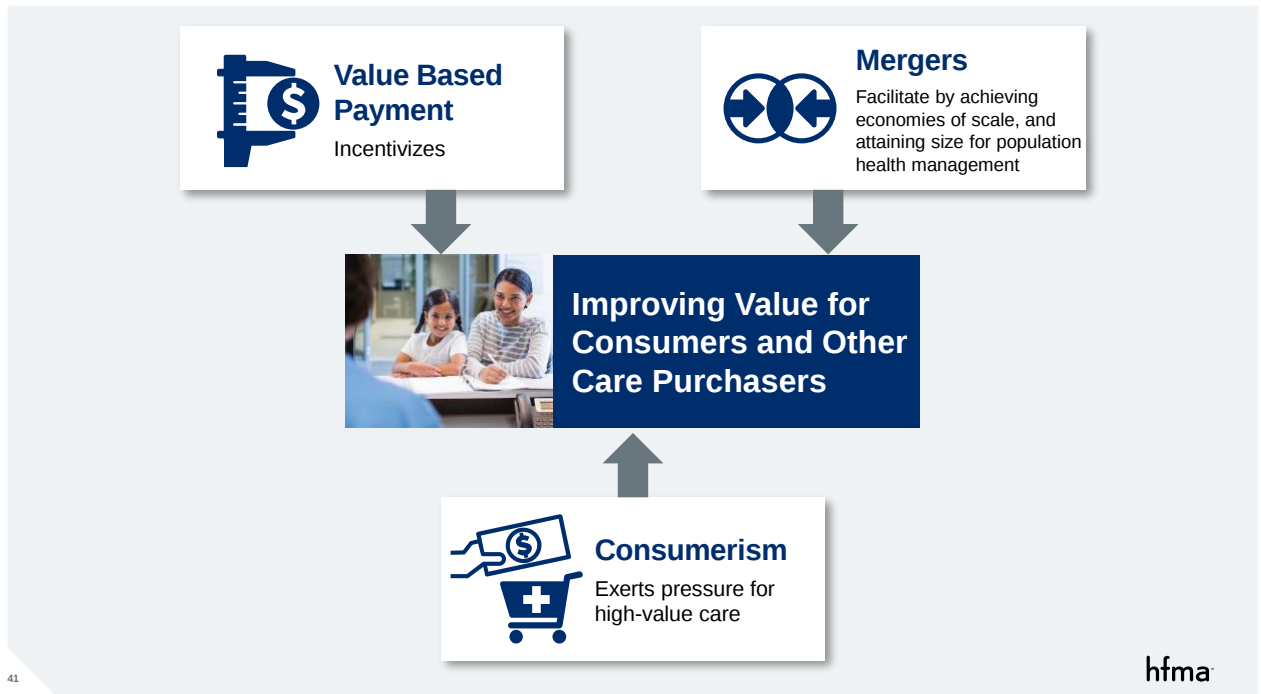
Hospital revenue cycle must catch up to other consumer financial experiences in terms of ease of use, shoppability, mobile platforms, and integration.

By 2020, 81% of companies expect to compete mostly or completely on the basis of customer experience.

Gartner 2018 Survey

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We cannot solve the problems
we have created with the same thinking
we used in creating them.

ALBERT EINSTEIN



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