The Evolution of WUSM Contracting and The Evolving INSURANCE MARKET
Agenda

- Background Clinical Finances
- Past & Present
- How We Got Where We Are
- Future Focus
The Payors

- Government
- Commercial
- Affiliated Facilities
- Self Pay
## The Mix

### Adult

<table>
<thead>
<tr>
<th>No.</th>
<th>Plan</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1.</td>
<td>Medicare</td>
<td>31%</td>
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<tr>
<td>2.</td>
<td>HMO</td>
<td>22%</td>
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<tr>
<td>3.</td>
<td>PPO</td>
<td>20%</td>
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<tr>
<td>4.</td>
<td>Medicaid (Mo/IL)</td>
<td>10%</td>
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<td></td>
<td><strong>Total</strong></td>
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### Pediatric

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<td>1.</td>
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<td>23%</td>
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<td>PPO</td>
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<td>3.</td>
<td>Medicaid (Mo/IL)</td>
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<tr>
<td>4.</td>
<td>MC+</td>
<td>20%</td>
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<td><strong>Total</strong></td>
<td><strong>85%</strong></td>
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## The Mix

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<td>21%</td>
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<td>4.</td>
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<td>MC+</td>
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<td>5.</td>
<td>MC+</td>
<td>Medicaid (Other St)</td>
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<td>7%</td>
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<td>6.</td>
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<td>7.</td>
<td>Medicaid (Other St)</td>
<td>Self</td>
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<tr>
<td>8.</td>
<td>Other</td>
<td>Other</td>
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<tr>
<td></td>
<td>7%</td>
<td>4%</td>
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Contribution Margins
(Percent Charge Recovery)

- Medicaid: 22%
- Self: 25%
- Medicare: 29%
- HMO/PPO: 57%
- Tx: 75%

Break-Even (134%) Medicare
Then

- 12-15 Key Managed Care Plans
- Volumes Roughly Equal
- Maximum Payments From Any One Plan $10m

Now

- 4 Key Managed Care Plans
- 75%-80% Managed Care Revenues
- Plan
  - Plan 1 49%
  - Plan 2 27%
  - Plan 3 10%
  - Plan 4 10%
  - Plan 5+ < 4%
HOW WE GOT HERE
The Process

- Contracting
  - Dept -> School
  - School -> IPA

- Iterative Process
  - All or None
  - Rates
  - Multi-Year Contract Terms
  - Escalators
  - Language
Negotiation (Our Approach)

- Care
Negotiation (Our Approach)

- Care
Negotiation (Our Approach)

- Care But NOT THAT MUCH
Negotiation (Our Approach)

- Care But NOT THAT MUCH

- Know What’s Important, What You Really Want
  - Be creative, often there are multiple ways to achieve the goal
Negotiation (Our Approach)

- Care But NOT THAT MUCH
- Know What’s Important, What You Really Want
- Define Success (reaching an agreement?)
Negotiation (Our Approach)

- Care But NOT THAT MUCH
- Know What’s Important, What You Really Want
- Define Success
- Look At Issues From Both Your & Your Opponent's Perspective
Negotiation (Our Approach)

- Care But NOT THAT MUCH
- Know What’s Important, What You Really Want
- Define Success
- Look At Issues From Both Your & Your Opponents Perspective
- Let Them Speak (The More The Better)
Negotiation (Our Approach)

- Help Them See It Your Way - Define The Situation For Your Opponent
Negotiation (Our Approach)

- Help Them See It Your Way - Define The Situation For Your Opponent
- Marginalize The Ask
Negotiation (Our Approach)

- Help Them See It Your Way - Define The Situation For Your Opponent
- Marginalize The Ask
- Be Consistent In Message & Tone
  - (Don’t Ask For One Thing & Settle For Another Where Reoccurring Relationship Exists. Okay For One Off Discussions)
Negotiation (Our Approach)

- Help Them See it your Way - Define The Situation For Your Opponent
- Marginalize The Ask
- Be Consistent In Message & Tone
- Do Not Personalize The Discussion
Negotiation (Our Approach)

- Help Them See it your Way - Define The Situation For Your Opponent
- Marginalize The Ask
- Be Consistent In Message & Tone
- Do Not Personalize The Discussion
- Be Prepared To Truly Walk Away
1. Care But NOT THAT MUCH
2. Know What’s Important, What You Really Want
3. Define Success
4. Look At Issues From Both Your & Your Opponents Perspective
5. Let Them Speak
6. Help Them See It Your Way
7. Marginalize The Ask
8. Be Consistent In Message & Tone
9. Do Not Personalize The Discussion
10. Be Prepared To Truly Walk Away
WUSM Contracting Results

Then
- Largely On Community Rate Schedule
- Community Language
- Learned Rate When Paid For Non-Negotiated Codes
- Each Department Contracted Independently
- Providers Credentialed By Plans

Now
- Negotiated Rate Schedule w/ Annual Escalators
- Negotiated Language
- All Rates Hard Coded or Methodology
- One WUSM Contract All Departments (No Carve-Outs)
- Providers Credentialed By WUSM
Future
Health care expenditures continue to consume a growing and unsustainable percent of National GDP.
The New Narrative

Health care expenditures vs GDP

- ... health care spending growing faster than incomes ... 16% of GDP. CBO estimates that this percentage will double again over the next 25 years to 31% of GDP. Forbes 2009

- Healthcare Spending Reaches 17.3% of GNP, Largest 1-Year Rise Ever Recorded
  Written by Leigh Page | February 04, 2010

[Graph showing total health expenditure per capita and GDP per capita, US and selected countries, 2008]
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National Imperative- Shift the cost curve via Value Driven Healthcare
The New Narrative

Goal - Shift the cost curve via Value Driven Healthcare

- Payment Models
  - Bundled Payments
  - ACOs
  - Insurance Exchanges

- Information Exchange
  - EHRs
  - Quality Assessment & Evidenced Based Care Paths
  - Cost Transparency
Bundled Payments

(aka Episode-Based Payment, Package Pricing, Case Rate etc.)

- A payment methodology where by a single payment is made to cover an episode of care provided by one or multiple entities.
- Often defined as a middle ground between Fee-For-Service and Capitation.
Payment Models

Accountable Care Organizations
(ACO - Assigning Costs to Others)

• A payment and delivery methodology where reimbursements are tied to quality and/or efficiency metrics for an assigned population
• Reimbursement can be Capitation or Fee-For-Service w/ asymmetric or symmetric shared savings
• Organization assumes responsibility for the quality, cost and overall care for an assigned population
Payment Models

Will they effectively bend the cost curve?

- An ACO is simply an HMO by another name.
- Bundled Payments have been in existence for over 20 years.

Neither of the above approaches have been successful in bending the cost curve over the long-term. Bending the cost curve will require reengineering care delivery.
Required Change of Focus

PAST

- Unit Payment Rates
  - Evergreen Contracts
  - Annual Escalators
- Language
  - Credentialing
  - Policies, Procedures & Protocols
- Prevent Exclusions
  - Carve-Outs
  - Centers of Excellence

FUTURE (Plan/Employer Focus)

- Quality Measures
  - Clinically Meaningful
  - Valid & Reliable
  - Appropriate Attribution
  - Provider Input
  - Adequately Granular
- Cost Transparency
  - Acuity/Co-Morbidity Adjusted
  - Appropriate Episode of Care
  - Appropriate Attribution
  - Long-Term vs. Unit Cost
- Reengineering Care

VALUE = OUTCOMES + COST
Quality Metrics

- Quality metrics used by employers & managed care plans tend to be process based (e.g. HEDIS, LDL, A1c, etc.)
- Quality measures that patients care about are outcome based e.g.
  - Mortality
  - Functional Status
  - Care Cycle & Recovery (e.g. readmission, ER visits, post procedure discomfort, residual effects, time to return to normal activity, office & procedure wait times, etc.)
  - Sustainability (duration of positive outcomes)
Cost Metrics

- The only cost metric that patients care about are out-of-pocket expenditures.
- Cost metrics only become important once Care Quality falls within an acceptable standard.

Integrated Practice Units (IPUs) bring Quality and Cost metrics together in a patient centric way.
Overview

- Organized around a medical condition or set of closely related conditions
- Provide for care to be delivered by specialized multidisciplinary teams
- Provide patients a single point of contact and accountability
- Assume responsibility for the entire care cycle (Inpt, Outpt, support, rehab ...)
- Focus on patient education and engagement
- Track and measures Costs & Outcomes
WUSM’s Perspective

IPUs

- Provide the best opportunity for improving the quality of care patients receive in a meaningful way
- Provide the best opportunity to lower the overall cost of health care
- Allow for the responsible and sequential assumption of financial risk e.g. Bundled Payment
- Play to WUSM’s strength (multispecialty integrated care)

Near Term Focus: 3-5 Conditions

- Conducive to IPU intervention
- Currently Driving Significant Employer/Payer Health Costs
Well Positioned for Positive Differentiation

- EHR (enterprise wide)
- Large Data Repository
  - Evidenced Base Care Path Development
  - Long-Term Outcomes Research
- Nationally Recognized Academic Reputation
- Affiliated w/ Nationally Recognized Facilities
- Integrated Professional/Technical Business Model
- Primary Community Safety Net
- Perceived Default Standard of Quality & Excellence