Clinically Integrated Networks Overview: Attributes for Success

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2 Conflicting Healthcare Paradigms

- Continued pressure to bring down healthcare costs and reduce reimbursement (volume-based model)

- Shift to accountable care and value-based reimbursement tied to performance of services
Challenges for Health Systems and Providers

- Effective management of competing strategies at the right pace
  - Shift from volume to value
- Shift to less acute and more ambulatory services
  - How do hospitals make up the revenue and volume?
- High price points (cost-of-care) for hospitals
- Implementation of result-oriented care management is complicated, expensive, and takes time to develop
- Shrinking operating margins makes investing difficult
Enterprise Transition to Risk Timing

Market Pace of Change

- Reduced reimbursement rates
- Lower utilization driven by own organization
- Limited gains in market share for being low-cost/high-quality relative to market
- Unnecessary infrastructure investment

Provider Market

Maximize Value

CI Collaborative

Minimize Risk

Risks with Moving too Fast
- Lost market share through tiered/narrow networks
- Reduced utilization driven by other organizations
- Inability to capture dollars for reduced utilization
- Limited leverage for aligning other providers
- Allows others to dictate your future
Overview of Clinical Integration Networks

- Clinical integrations networks ("CIN") are emerging across the country with goals that include:
  - Creating organized systems of clinically integrated care
  - Driving more members into organizations through value-based or narrow network contracts
  - Alignment strategy between hospitals and physicians
  - Managing patient leakage to influence quality and control costs
  - Creating contracts focused on reimbursement for quality (value-based care)
Attributes of Clinically Integrated Care

**Key Drivers**
- Coordinated Care Management
- Expand Cover Lives
- Minimize Leakage
- Population Health Capabilities
- Leverage Infrastructure
- Expand Patient Access

CIN’s Create Aligned Opportunities through Value-Based Contracts

Patients
The Evolution of Clinically Integrated Care

Phase 1
Develop the CIN
- Build the CIN infrastructure
- Establish quality programs, incentive models and outcome tracking
- Develop care management infrastructure
- Enter into limited risk-based contracts

Revenue opportunities through savings: 5 – 10 percent

Phase 2
Create Clinical Integration Collaborative
- Leverage infrastructure with providers in new markets
- Develop products
- Partner with payer(s) (carrier as the middle-man)
  - Larger provider network
  - Access to membership
  - Direct to employer contracts

Revenue opportunities through savings and new revenue streams: 10 – 20 percent

Phase 3
Provider-Sponsored Health Plan
- Full service provider of accountable care organization services
- Offer insurance products direct to the market
- Commoditize products and services direct Full risk-contracting with employers
- Advanced benefits designs

Revenue opportunities through risk arrangements, service offerings: 10 – 15 percent

Build new care models and information technology ("IT") capabilities
Care transformation services
Care delivery optimization
Clinically Integrated Care: Risk vs. Capabilities

The immediate strategic imperative is to build a baseline infrastructure and transitional capabilities that will aid the development of value-based care.

### Clinically Integrated Collaborative
- **Risk Assumed**: Moderate
- **Capabilities**:
  - Enterprise care/utilization management
  - Total cost of care management
  - Cost management
  - Risk-contracting evaluation
  - Analytics, reporting and monitoring
- **Strategy**:
  - Transition to full risk contracts directed to employers with the focus on further reductions of “cost of care”
  - Expand CIN to a regional collaborative with the addition of provider organizations to drive membership

### Clinically Integrated Network
- **Risk Assumed**: Low
- **Capabilities**:
  - Provider network development
  - Referral management
  - Quality programs
  - Care management
- **Strategy**:
  - Develop CIN with focus on provider network development and value-based contracts
## Financial Opportunities for CIN’s

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<thead>
<tr>
<th>Infrastructure Cost Savings</th>
<th>Financial Impact Drivers</th>
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<tr>
<td>Reduce costs through shared management services and care management infrastructure</td>
<td>- Spread IT infrastructure and support costs&lt;br&gt;- Move toward a lower PMPM cost of care model removing 20 percent to 45 percent over 5 - 10 years</td>
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<th>Drive New Membership</th>
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<tr>
<td>Collaborative product offerings with payers</td>
<td>- Narrow network contracts with payers, employers&lt;br&gt;- Discount pricing of clinical services or programs to other clinical integration provider members</td>
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<th>Increase Domestic Utilization</th>
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<td>Minimize member out-of-network leakage</td>
<td>- Steer members to a hospital (Tier 1) or collaborative network (Tier 2)</td>
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<th>Expand Clinical Service Offerings</th>
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<td>Offer “clinical excellence” service programs (i.e., advanced pediatric services) to collaborative</td>
<td>- Expand organized system of care opportunities</td>
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Building the CI Value Proposition is Key

Building an attractive value proposition is critical to meeting clinical integration goals

Objectives:
- Establish value-based care as the alignment vehicle
- Develop sufficient benefits to encourage value-based contracts

### Value Proposition Components

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<th>Economic</th>
<th>Clinical</th>
<th>Value-Added Services</th>
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<tr>
<td>Demonstrated opportunities to reduce the “cost of care” and increase quality through clinical performance and patient access.</td>
<td>Incorporate tools, data, and resources to enhance current patient care delivery models and improve quality outcomes.</td>
<td>Create infrastructure benefits to ease challenges facing physicians focusing on the greatest need of the population.</td>
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Summary

- Healthcare is going through major transformations
- Changes in healthcare delivery and aligning incentives will make all of us more accountable
- Adoption and integration of IT is a big driver of change
- New financial models with actionable data will lead to results
- Continue to manage the cultural change
- In the end, it’s the right thing to do for our patients and community
Contact Information

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