Navigating the Road to Value-Based Care Without Going Over the Cliff

Julie Coffman

James May

BAIN & COMPANY

HERITAGE PROVIDER NETWORK
Key Messages

• This time change is for real

• Winners will make intentional choices – but that will be the easy part

• There are new capabilities required to truly manage populations – not for the faint of heart

• Real work is in managing the transition all the way to the finish line (which you never get to)
Fundamental changes reshaping healthcare market

Acute cost pressure

Evolving physician attitudes

Game-changing technological innovation

Increased consumer engagement
Healthcare costs in the US have been rising steadily over time

- Since 1970, health spend up an average ~2.4% points more than GDP

- From 2010-2013, however, growth in health spend slowed to match GDP growth, likely driven by healthcare reform and the recession; early projections for 2014 indicate that growth in HC spend accelerated, growing 1.2% faster than GDP

- Average premiums for employer-sponsored family coverage have increased 191% since 1999; Worker contributions have increased 212% vs wage growth of only 54%

Source: Center of Medicare and Medicaid Services; WHO 2015, Altarum
Care delivery is shifting toward a more integrated, protocol driven model

2-4 years ago

Today

Independent

Systematized

Individual physician-centered care delivery and decisions

Larger, management-led organizations with integrated and protocol driven care

Level of systematization calculated from survey input across five sets of questions

1. Level of use of analytics & clinical tools
   - 2-4 Years Ago: 18%
   - Today: 53%
   - Average across tools: 31%

2. Level of use of management tools & metrics
   - 2-4 Years Ago: 26%
   - Today: 39%
   - Average across tools: 32%

3. Level of use of risk based payments
   - 2-4 Years Ago: 11%
   - Today: 32%
   - Average across models: 21%

4. Physician feeling of responsibility for costs
   - 2-4 Years Ago: 83%
   - Today: 81%

5. Share of physicians in management-led organizations
   - 2-4 Years Ago: 52%
   - Today: 59%

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Game-changing technological innovations in care management and delivery

**EHR AND CLINICAL WORKFLOW**
Electronic health records and surround applications, including workflow support

**ANALYTICS AND BIG DATA**
Data aggregation and analysis to support a wide range of healthcare use cases

**DIGITAL MEDICAL DEVICES**
Hardware/software designed to treat a specific disease or condition

**WEARABLE AND BIOSENDING**
Wearable consumer devices that measure specific biometrics

**POPULATION HEALTH MANAGEMENT**
Comprehensive platforms designed to manage the health of populations under the shift to risk-based payment models

**REMOTE MONITORING/TELEMEDICINE**
Tools and technologies enabling remote consultation and collaboration for providers across the globe
Further, patients are empowered with more medical information to make more informed HC decisions.

~90% of those online in the US look for HC information online today

<table>
<thead>
<tr>
<th>Users</th>
<th>200M</th>
<th>150M</th>
<th>100M</th>
<th>50M</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. adults who have looked online for health information</td>
<td>175</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. adults who often look online for health information</td>
<td>117</td>
<td>100</td>
<td>50</td>
<td>41</td>
<td>2005</td>
</tr>
<tr>
<td>72%</td>
<td></td>
<td></td>
<td></td>
<td>2010</td>
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Percent of U.S. adults who have looked online for health information*

*Out of total adult population with internet access
Source: Harris Interactive

And patients are using technology tools to manage personal health

**Examples**

**Mobile apps for patients**
Example: Robitussin Relief Finder
Identifies appropriate OTC products

**Tools for managing chronic diseases**
Example: myMedtronic Connect
For Medtronic insulin pump users

**Self-screening devices**
Example: Skin Scan
Smartphone tests for cancer

**Fitness trackers**
Example: Nike Fuel
Tracks multiple types of exercise

Source: Harris Interactive
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Winners will make INTENTIONAL choices using a structured strategy path to align on best options

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<th>Strategic Foundation</th>
<th>Choices</th>
<th>Mobilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Establish management team goals and aspirations</td>
<td>• Diagnose the market and environmental context</td>
<td>• Identify the best strategic options given aspirations, market context and current capabilities</td>
<td>• Create a comprehensive change plan with the appropriate breadth and pace of change</td>
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<tr>
<td></td>
<td>• Identify the requirements for success in each of your businesses</td>
<td>• Assess your current capabilities versus what will be needed in the future</td>
<td>• Build detailed blueprint for closing mission critical capability gaps</td>
</tr>
<tr>
<td></td>
<td>• Diagnose the market and environmental context</td>
<td>• Select appropriate path(s) based on aspirations and evaluation criteria</td>
<td>- Buy</td>
</tr>
<tr>
<td></td>
<td>• Identify the requirements for success in each of your businesses</td>
<td></td>
<td>- Build</td>
</tr>
<tr>
<td></td>
<td>• Diagnose the market and environmental context</td>
<td></td>
<td>- Partner</td>
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Aspirations: Start with clear articulation of leadership’s goals/aspirations to guide the effort

**POTENTIAL VISION STATEMENT**

“ProviderCo is committed to becoming an integrated person-centric health system focused on improving the health of those in our communities. We will provide or coordinate a full continuum of healthcare and wellness services delivered in the most appropriate, lowest cost, and convenient setting. ”

**POSSIBLE POINT OF ARRIVAL METRICS**

- 10% Revenue Growth*
- Margin improvement of 100 bps
- 5-7% share gain in priority markets
- Quality score improvements
- Grow number of affiliated docs X%

Robust dialogue across leadership team to align on most important goals/outcomes
**Market Context:** Develop shared factbase on attractiveness and accessibility of each market

- **Demographics**
  - age/income/population trends
  - Utilization

- **Competitive intensity**
  - Market share (provider and payer)
  - Access point density
  - Physician landscape

- **Regulatory environment**
  - Medicaid/Medicare
  - Innovation in payment models
  - Political landscape/climate
St Louis Example: Demographics, profitability and competitive dynamics all part of the picture

MAP OF ST. LOUIS HOSPITALS

MARKET SHARE

PAYER MIX

Demographic profile by insurance type (CBSA)
### Capability Assessment: understanding your current competencies versus what will be required

<table>
<thead>
<tr>
<th>Baseline Performance</th>
<th>Competency Levels (vs. competition)</th>
<th>Quality Readiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Breakeven on Medicare?</td>
<td>• Superior Clinical outcomes?</td>
<td>• Effective tools, information and support for physicians?</td>
</tr>
<tr>
<td>• Readmission rate?</td>
<td>• Lower costs?</td>
<td>• Physician-led utilization and quality management?</td>
</tr>
<tr>
<td>• LOS-geometric?</td>
<td>• Superior customer satisfaction and loyalty?</td>
<td>• Rigorous programs for quality assurance, compliance and medical risk management?</td>
</tr>
<tr>
<td>• ACO readiness assessment?</td>
<td>• Demonstrable value to patients and providers?</td>
<td>• Internal and external statistical data to monitor clinical performance?</td>
</tr>
<tr>
<td>• Cost position in market?</td>
<td>• Improving operating performance?</td>
<td>• Prescriptive patient education based on demographic and clinical criteria?</td>
</tr>
<tr>
<td>• Utilization stats?</td>
<td>• Strong payer relationships?</td>
<td></td>
</tr>
<tr>
<td>• Status of Physician network development?</td>
<td>• Technology driven operations?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Replicable and deployable model?</td>
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</tbody>
</table>
Choices – Providers must outline a robust set of choices, evaluate them, and prioritize accordingly.

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<tr>
<td></td>
<td>Market context</td>
<td></td>
<td>Capability building</td>
</tr>
<tr>
<td></td>
<td>Internal Capabilities</td>
<td></td>
<td>Results delivery</td>
</tr>
</tbody>
</table>

1. Leverage strategic factbase to establish robust set of options
   - Utilize each element of the strategic factbase to inform the **strategic and organizational option set**
   - Tailor strategic and organizational design choices to the **unique needs of the markets served**
   - Assess potential competitive responses, as well as the **resources/capabilities required to deliver**

2. Prioritize and select the most compelling approach using objective evaluation criteria
   - How **attractive** is this option?
   - How **easy or difficult** will it be to **execute** this option?
   - What **financial impact** will this option have?
   - What **level of resources** will be required to deliver?
   - How extensive are **capability gaps** required to deliver?
   - Evaluate each available **option objectively**
   - Make decision on **option(s) to pursue**
## Case Study: Choice around value based care led to adoption of six strategic imperatives

<table>
<thead>
<tr>
<th>ACCELERATING PHYSICIAN INTEGRATION</th>
<th>INTEGRATING WITH CONTINUUM OF CARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 1,400 clinically integrated physicians</td>
<td></td>
</tr>
<tr>
<td>• A cohesive, self-governing MD group</td>
<td></td>
</tr>
<tr>
<td>• Improved physician satisfaction</td>
<td></td>
</tr>
<tr>
<td>• Deliver high quality care at the lowest-cost points of care across the continuum</td>
<td></td>
</tr>
<tr>
<td>• Reduce readmission rates</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>POPULATION HEALTH MANAGEMENT</th>
<th>“AT RISK” PAYMENT MODELS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Defined populations and established care protocols for each population</td>
<td></td>
</tr>
<tr>
<td>• System-wide adherence to care protocols</td>
<td></td>
</tr>
<tr>
<td>• Meeting desired outcomes for each population</td>
<td></td>
</tr>
<tr>
<td>• Reach 15% revenues at risk in 5 years</td>
<td></td>
</tr>
<tr>
<td>• Earn returns on at risk business at least equivalent to FFS business</td>
<td></td>
</tr>
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<tr>
<th>NEXT GENERATION COST MANAGEMENT</th>
<th>ENABLED, ENGAGED ORGANIZATION</th>
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<tr>
<td>• Eliminate “controllable” variability</td>
<td></td>
</tr>
<tr>
<td>• Eliminate cross-subsidization across payers</td>
<td></td>
</tr>
<tr>
<td>• Full deployment of clinical IT</td>
<td></td>
</tr>
<tr>
<td>• Align incentives, metrics, capabilities</td>
<td></td>
</tr>
<tr>
<td>• Proactively communicate/educate</td>
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**Capability Building**: Critical first step in mobilization is assembling competencies required for success...

- **1**: Quarterback physician who knows every patient
- **2**: Care management focused on outcomes
- **3**: Daily huddle to understand where/why of every patient
- **4**: Incentive system to reinforce efforts
- **5**: Data to support Care/Quality efforts

*Managing populations well*
...and this usually requires significant investment (time, money, talent)

- Information anytime, anywhere?
- Replicability?
- Based on claims data for at-risk/delegated patient populations?
- Immediate rollout of clinical protocols?
- Efficient?
- Reduces clinical variation?
- Compliance supportive?

- Practice to the full scope of license
- Refer appropriately and smartly to specialty services
  - Participate in care management services and programs
  - Meet quality guidelines for access, customer service, STARS
- Meet coding guidelines
- Focused Hospitalist program?
- Complex case management?
- Assigned care coaches?
- 24/7 Rapid deployment community care team?
- Disease management?
- Palliative and Hospice care?
- Telemedicine and tele-monitoring?
- Pharmacy programs
- Fully integrated mental health network
Buy, Build or Partner? (*beg, borrow or steal?*)

- Utilize external benchmarks to determine readiness
- Calmly and dispassionately evaluate internal capabilities
- Consider market (local and national)
  - Relative Strengths versus competition
  - Level of Urgency
- Be wary of Complexity and Deal Fever

What would a trusted advisor bring to the table?
- Time
- Treasure
- Talent

What would a partner bring to the table?
- Experience
- Speed to market
- Size
- Market expansion

Assess options versus my internal capabilities
Readiness to excel in HCC/Star program

OVERALL GOALS/APPROACH

- Ensure every patient has all medical conditions addressed at least annually
  - As new diagnosis are made, add at time of diagnosis and document
- Full medical exam for each patient annually
- Ensure all recommended screenings and standards of care for disease states are addressed
- Ensure all diagnoses are addressed and appropriately documented for each visit
- Ensure all patients receive the same high quality of care

HOW TO MAKE IT HAPPEN

- Education
  - Physicians and office staff
    ‣ Provide annual education of PCP’s in large seminars
    ‣ Add physicians in the field who conduct one on one education
  - IPA and clinic providers
- Home visits program
- Behavioral health assessment
- Incentive programs
- Systems-including data analysis and reporting
- Comprehensive review of all patient data post visit
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Results delivery: What is your definition of success?

**INSTALLATION**
Put something new in place

**REALIZATION**
Reaching the intended outcome

**REPEATABILITY**
Going from strength to strength

- **Deploying** a new strategy, organization structure, process, system
- **Achieving** the results promised to shareholders, employees, customers – typically requiring changes in behaviors and mindsets
- **Building** the confidence and expertise to deliver better and faster the next time in order to “out-execute” the competition
Most leaders promise realization and repeatability but plan for installation…

What do we need to do to achieve the ambition? (standard “project plan”)

How can we deliver on the plan?

Reality check: Can this be done?

What’s needed to realize and repeat these results?

Transformation Plan

<table>
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<tr>
<th>Initiatives</th>
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<td>Q1</td>
</tr>
<tr>
<td>Develop product and technological roadmaps</td>
<td>Q2</td>
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<tr>
<td>Optimize field sales strategy</td>
<td>Q3</td>
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<td>Marketing</td>
<td>Q4</td>
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<td>Develop ROI tracking for marketing efforts</td>
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<td>Design new marketing campaign</td>
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<tr>
<td>Finance</td>
<td></td>
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<tr>
<td>Reduce overhead costs</td>
<td></td>
</tr>
<tr>
<td>Develop robust planning and budgeting process</td>
<td></td>
</tr>
<tr>
<td>HR</td>
<td></td>
</tr>
<tr>
<td>Clarify decision-making roles</td>
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<td>Update org structure and align incentives</td>
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**Installation activities**

**Realization activities**

**Repeatability activities**

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**Installation activities**

**Realization activities**

**Repeatability activities**
...therefore requiring a “leap of faith” that realization and repeatability will happen.
As a result, the record on achieving full potential on change (delivering results) is not good

In a study of several hundred companies executing major changes...

- **12%** Achieved or exceeded the expectations that were set
- **38%** Failed to deliver, producing less than 50% of the expected results
- **50%** Settled for dilution of value and mediocre performance

Source: Bain risk history survey (n=318), May 2013
Winners challenge conventional wisdom to increase the odds of successful change execution

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<thead>
<tr>
<th>CHANGE MANAGEMENT MYTHS</th>
<th>REALITY</th>
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<tr>
<td>• Change is something to address during implementation</td>
<td>• <strong>Strategy followed by execution does not work</strong> – address both from day 1</td>
</tr>
<tr>
<td>• It’s about minimizing the effect of change on people</td>
<td>• <strong>Change is fundamentally disruptive</strong> – so it’s about helping people succeed despite their discomfort</td>
</tr>
<tr>
<td>• So much about change is irrational and hard to predict</td>
<td>• <strong>Delivery risk is predictable, measurable and manageable</strong></td>
</tr>
<tr>
<td>• All you need is good leadership and day-to-day management</td>
<td>• <strong>Disruption changes the rules of the game</strong> – adapt the playbook even if counter-intuitive</td>
</tr>
<tr>
<td>• Just add a few change management tools to your projects</td>
<td>• <strong>Doing change differently is a change</strong> – prepare leaders and teams to adopt new skills and a different mindset</td>
</tr>
</tbody>
</table>
Cognitive biases and blind spots require for leaders to adjust their posture along the transformation journey.

Organizational Commitment

"Wow, look at the potential"

"Yes, it seems possible"

"This is harder than I thought"

"I had better board this train"

"I don’t think there’s a problem here"

"I'm ready to give up"

"Let’s lower our definition of success"

"I can see the results"

SUCCESS!

Results dilution

Failure
**Results Delivery:** Engage all layers of the organization around highest priorities

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**Bring the future to life**

Communicate a clear destination that appeals to both heart and mind

---

**Co-create the Compass**

Ambition, Leadership values, Where to Play, How to Win, Non-negotiables

---

**Inspire deep commitment**

Impactful leaders, engaged sponsors, influential supporters

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**Evolve the operating model**

Superstructure, Accountabilities, Governance, Ways of Working, Talent, Process, Technology

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Concrete examples and stories communicate a clear intent to the organization.

**CASE OF CHANGE**

- Patients are stressed by the long wait
- Resulting in unnecessary fear and uncertainty
- And low patient satisfaction
- Poor communication between physicians might lower quality of care
- And result in poor patient outcomes

**POINT OF ARRIVAL**

“Breast cancer clinic with everything under one roof” – a woman could come in for a mammogram in the morning and, if the test discovered a growth, she could leave with a treatment plan the same day.”

Laura Esserman
(UC San Francisco)
New CEO invested heavily to co-create compass with full leadership team

**Core Principles**

**Vision:**
To be the Provider, Partner & Employer of Choice

**Core Values:**
- Service Excellence
- Integrity
- Team
- Continuous Improvement
- Accountability
- Fulfillment
- Fun

**Patient Quality of Life = Job 1**
It’s all about the patient – providing the best clinical results and customer experience. Our goal is to improve our patients’ Quality of Life every day.

**Nonnegotiables**

- Reinforcing & rewarding core values
  - Awards & financial bonuses centered on core values
  - Expansive Values-focused training academies

- Advocating for patient rights

- No backward integration
  - Competitors make significant $ on “inputs”
  - DVA’s pure service focus enables it to choose the best products for their patients

- Investment in value-added services
  - Material investment in services to improve patients’ quality of life
  - Including: renal pharmacy, care coordination, vascular access, industry-leading website, expansive care team

- Focus on clinical leadership
  - Clinical results are the best or among the best in the industry across all categories
  - Significant investment in research, programs & results tracking
A Sponsorship Spine is critical to leading an organization through change and realizing results.

- A Sponsorship Spine can include both formal and informal components

  **Formal roles and structures**
  - **Senior leaders** who **publicly sponsor** and champion change
  - Specific individuals or teams **tasked and accountable** for driving successful realization of change

  **Informal networks**
  - Network of **influential individuals** and **high performers** “in the know” to create buzz
  - Build **“grass roots” support** and let excitement grow virally
National Not for Profit system restructured operating model to better focus resources and capabilities

### MARKETS

Responsible for strategy and clinical, operational, and financial performance

- **Group 1 markets**
- **Group 2 markets**
- **Group 3 markets**

### SUPPORT UNITS

Responsible for optimizing clinical and operational performance through consolidation and standardization (cost center only)

*Work w/markets to realize benefits from scale, standardization and integration of care across the continuum*

- Support Unit #1
- Support Unit #2
- Support Unit #3

### SERVICE UNITS

Responsible for strategy and operations across markets (have P&L)

*Work w/markets to realize local strategies and the value of integrated care across the continuum with the benefit of scale, expertise, and experience from specialized units*

- Service Unit #1
- Service Unit #2

### CAPABILITIES/OPERATIONS PLACED IN CENTRAL UNITS

- Physician recruitment, employed/affiliate physician performance management, and practice management
- Clinical protocol development and clinical and network performance management
- Performance improvement services and service provider relationship management
- Guardrails, standards, and negotiation support for network/payer contracts
- Providing home care services
- Running skilled nursing facilities
Closing thoughts – Live Long and Prosper!

- The change is for real, are you?
- Don’t underestimate the power of intentionality
- Bring focus, enthusiasm and joy to implementation
- Be honest about your time, treasure and talent to accomplish this fundamental change
- It’s about the patient!