

Value-Based Care and the Future of Care Delivery in America

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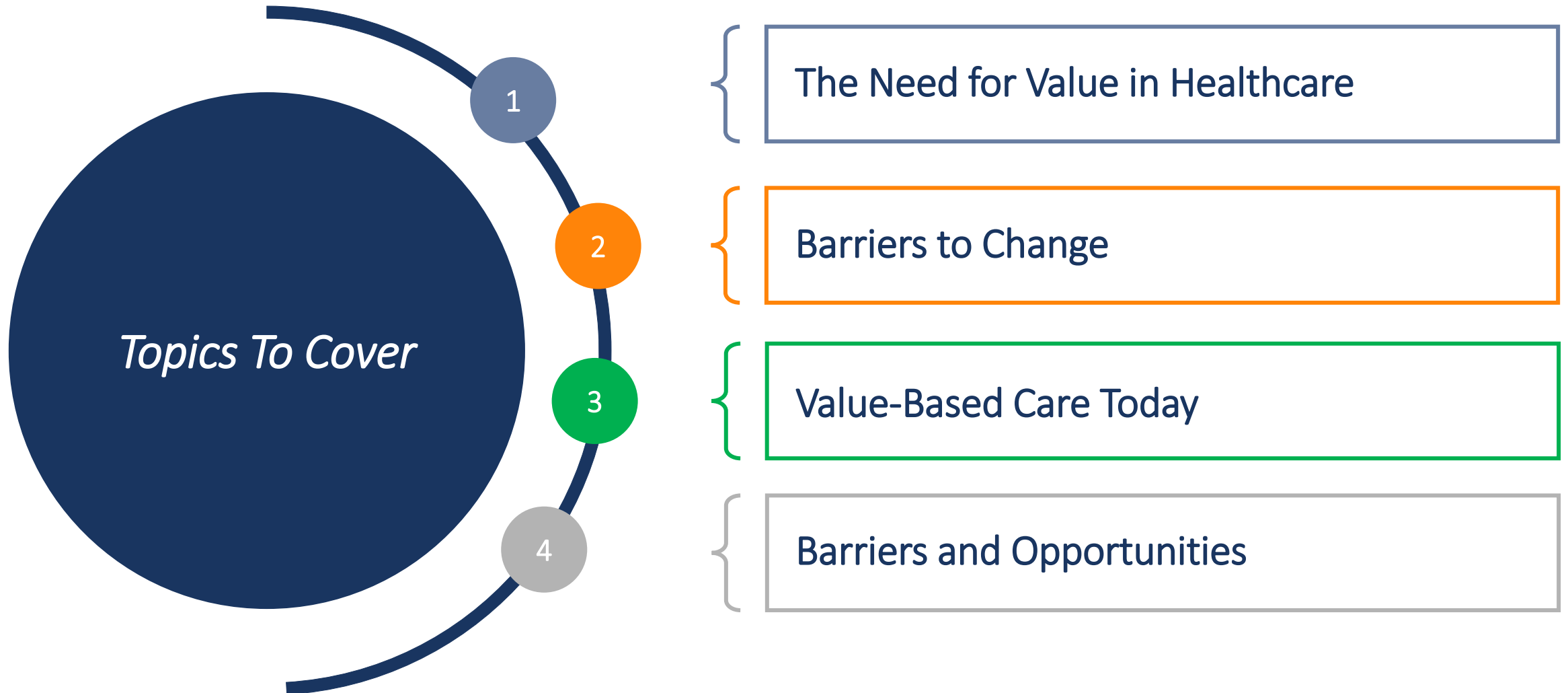
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November 12, 2020



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Learning Objectives



Evolution of Amazon

amazon

Try Prime

All

Shop Deals of the Day

Deliver to

Washington 20001

Best Sellers

Gift Ideas

New Releases

Whole Foods

Today's Deals

AmazonBasics

EN

Hello, Sign in

Account & Lists

Orders

Try Prime

Cart

<


firetv

recast


The DVR for cord cutters

>


Find a perfect gift




For her



For him



For teens




For kids

Unique gift ideas from Gift Finder

See more

Deal of the Day




\$39⁹⁹ - \$169⁹⁹


Save up to 25% on Keter Patio Favorites

See all deals


Save on overstock




Clothing



Beauty



Home




Kitchen

Shop Outlet

Sign in for the best experience

Sign in securely



JULIA ROBERTS

HOME COMING

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Today

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3

Three Facets of Healthcare



Clinical Care



Financing

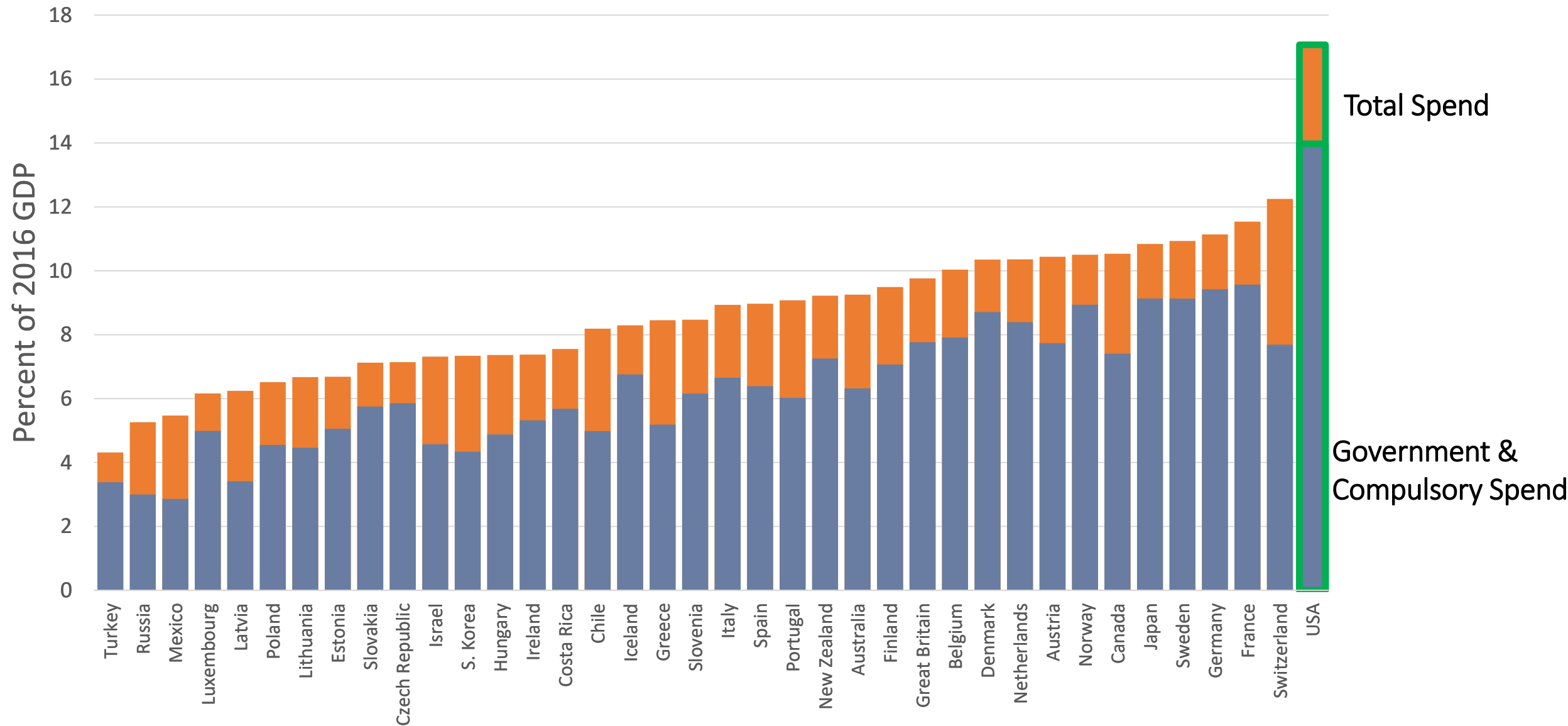


**Administrative
Structure**

See also Reinhardt, Uwe, “Priced Out” 2019

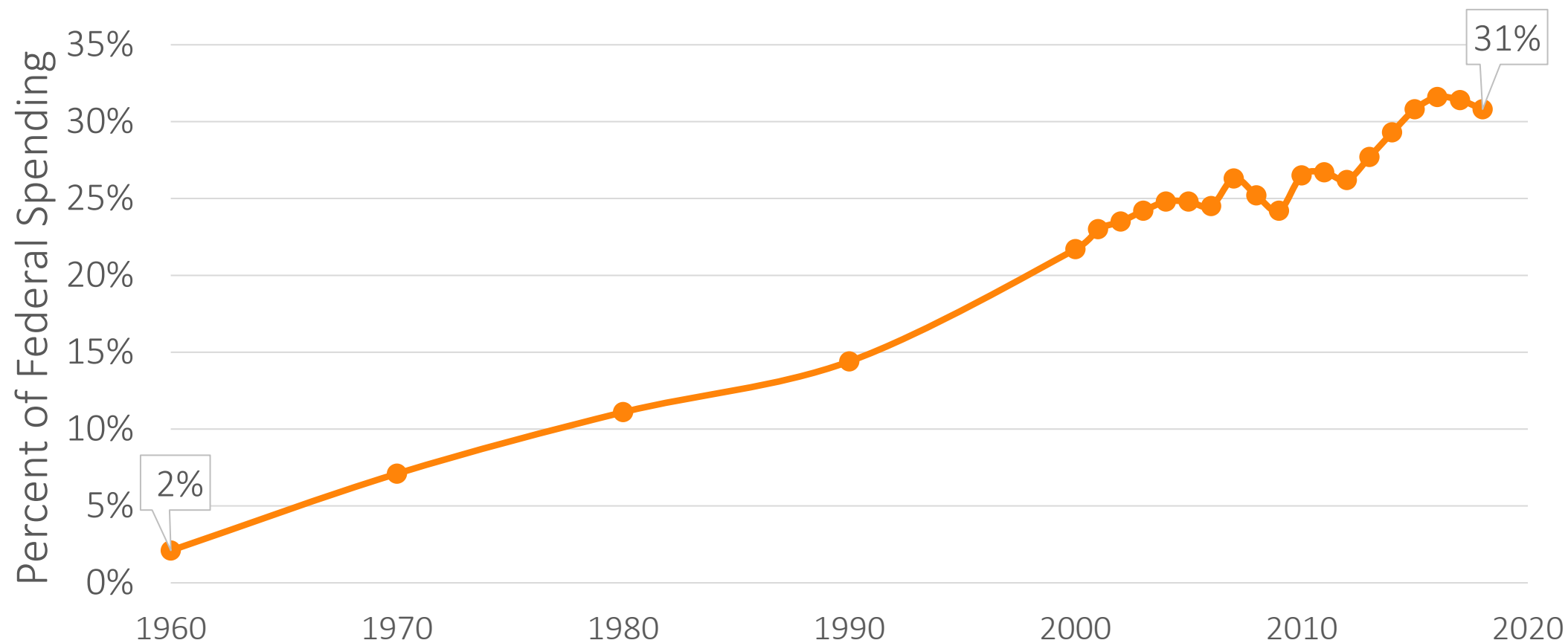
The Need for Value

Healthcare Spending by Country



Source: OECD (2019), Health spending (indicator). doi: 10.1787/8643de7e-en

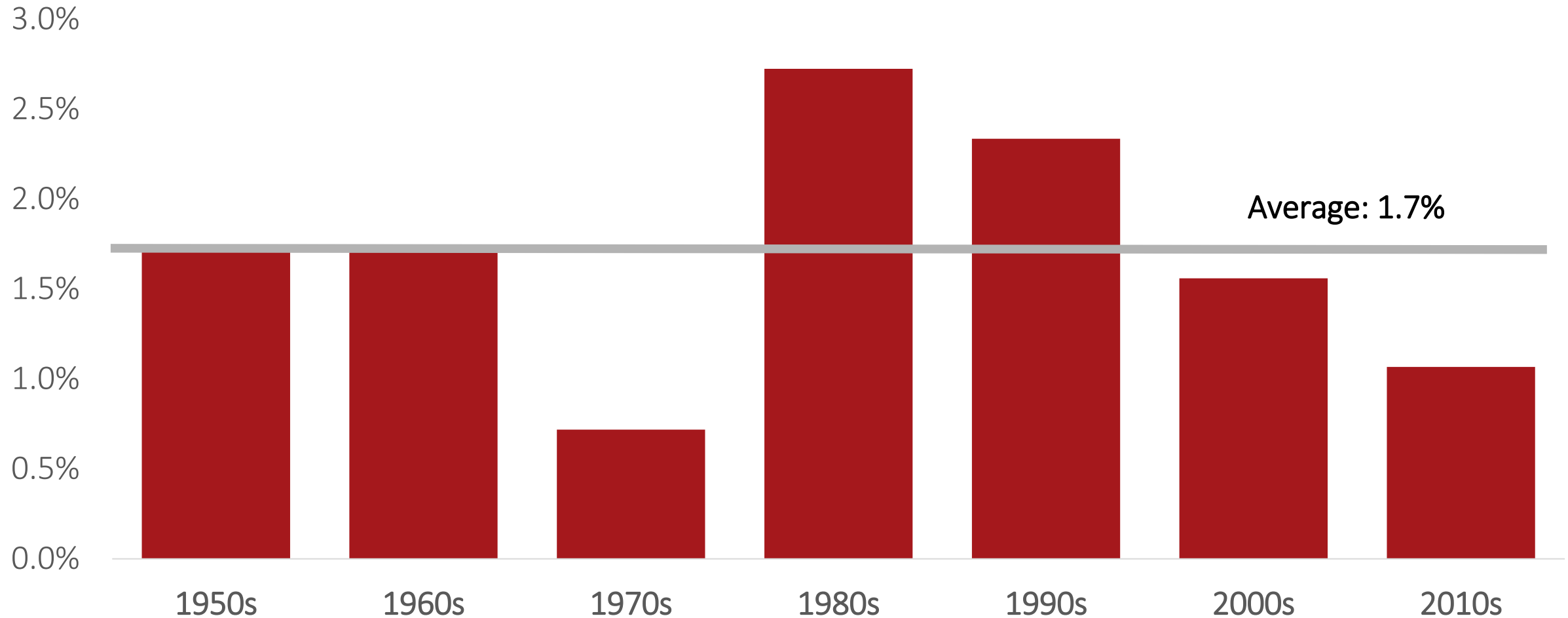
Government Expenditures on Healthcare



Source: Leavitt Partners Analysis of Federal Health Expenditures and Government Spending

Continued Growth of Medical Care

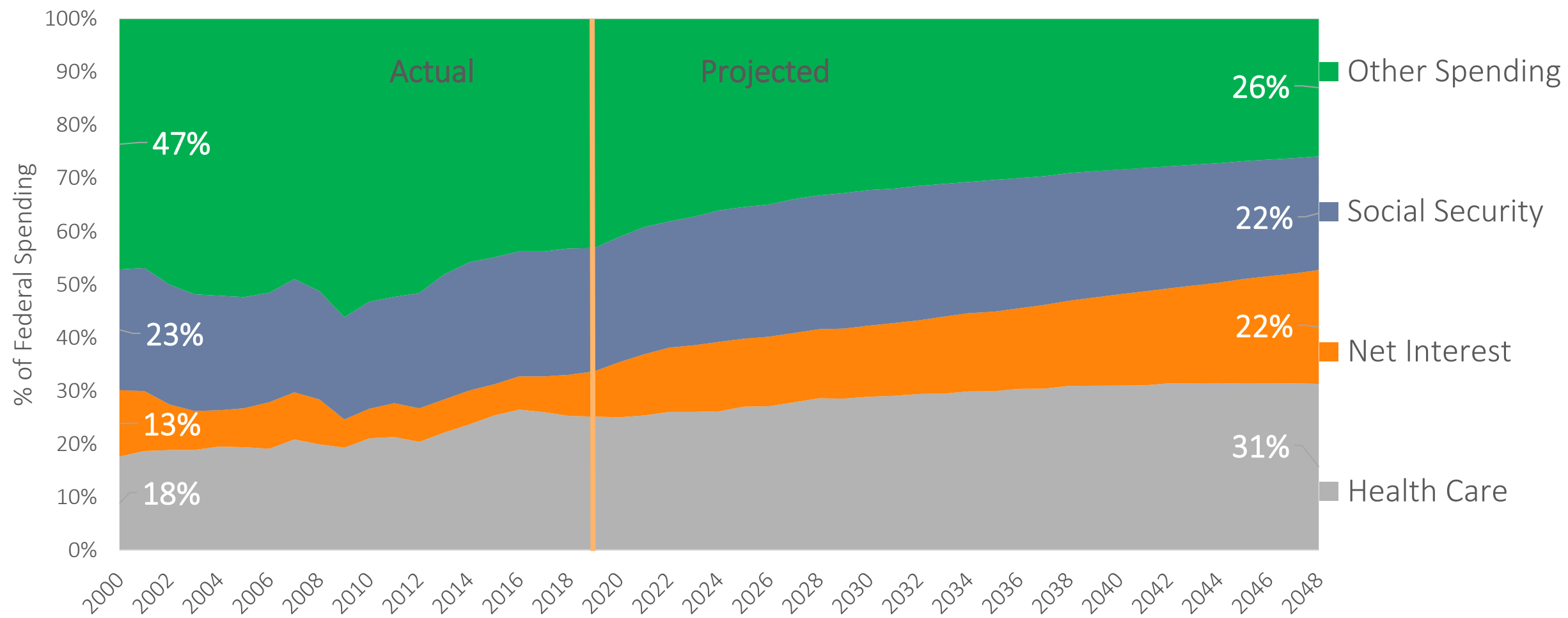
Average Difference Between Medical Inflation and Total Inflation



Source: St. Louis Reserve, "Inflation in the healthcare industry vs. general CPI"

Projected Federal Budget

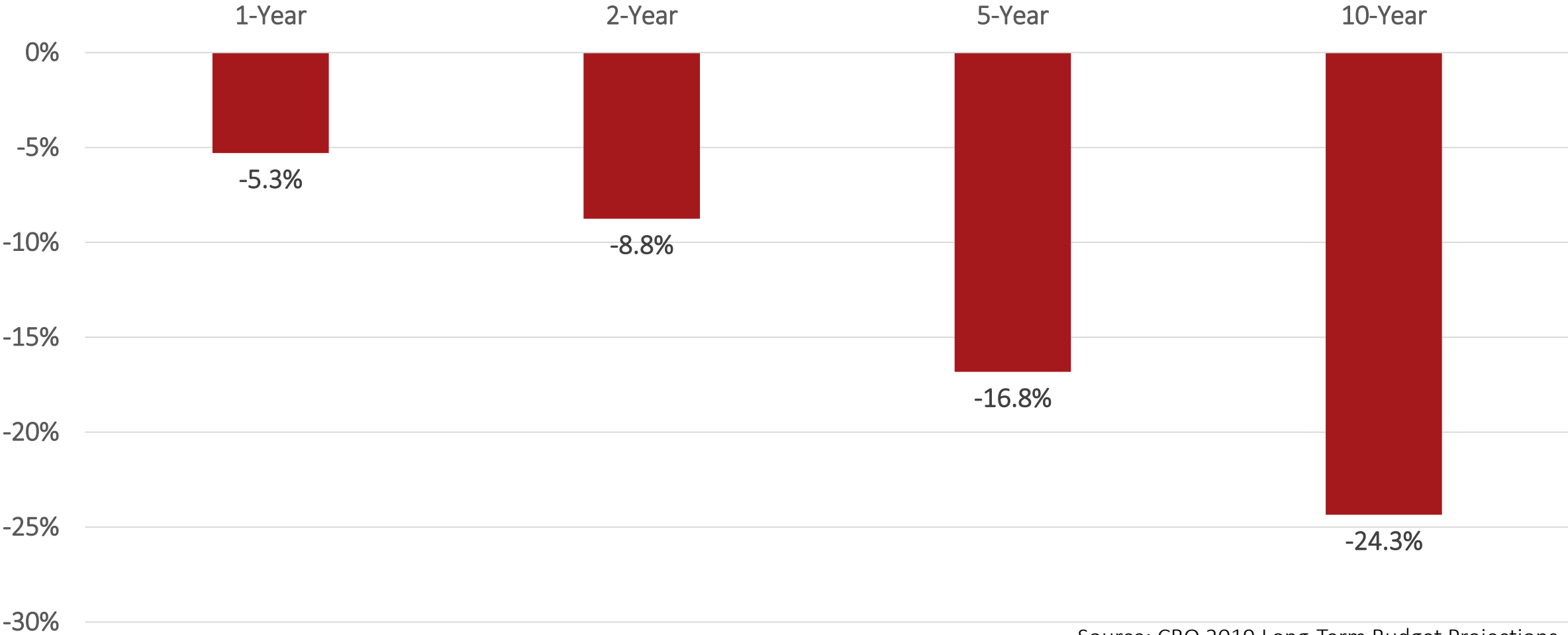
Federal Spending, 2000-2048



Source: CBO 2018 Long-Term Budget Projections

Impact on the Budget

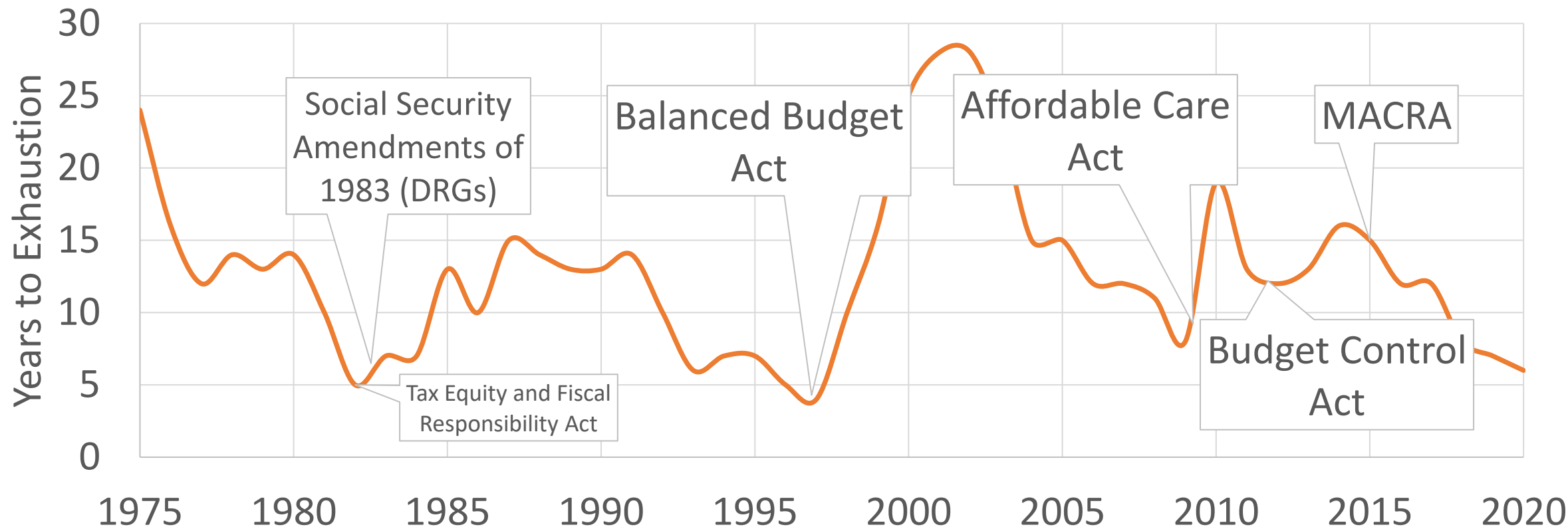
Projected Relative Reduction in Federal Spending Under Current Law
Excluding Healthcare, Social Security and Interest



Source: CBO 2019 Long-Term Budget Projections

Driver of Action

Medicare Trust Fund Projected Years to Exhaustion, 1975-2019

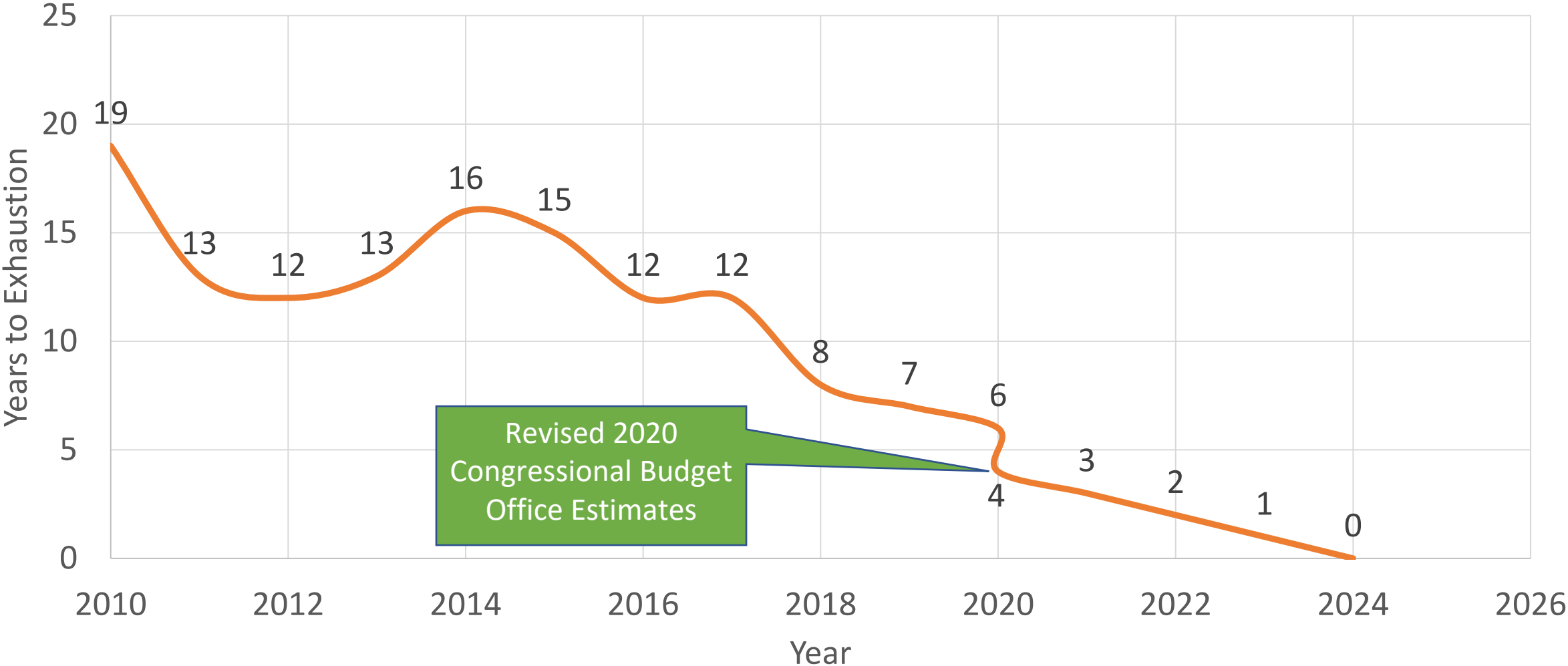


Note: Prior to 1975, no exhaustion of the trust fund was predicted

Source: Leavitt Partners Analysis of Annual Medicare Trustees Reports

Medicare at Risk

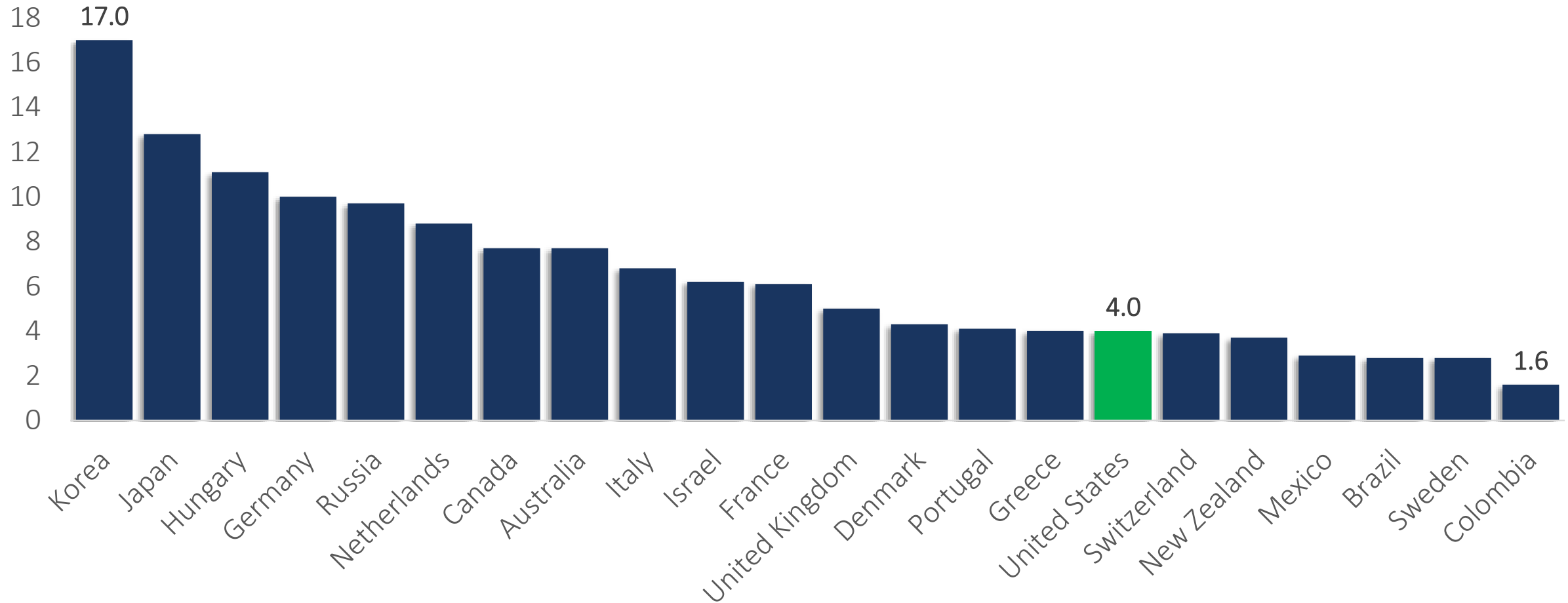
Medicare Trust Fund Projected Years to Exhaustion, 2010-2022



Key Challenges to Change

Volume of Care

Doctor Visits Per Year

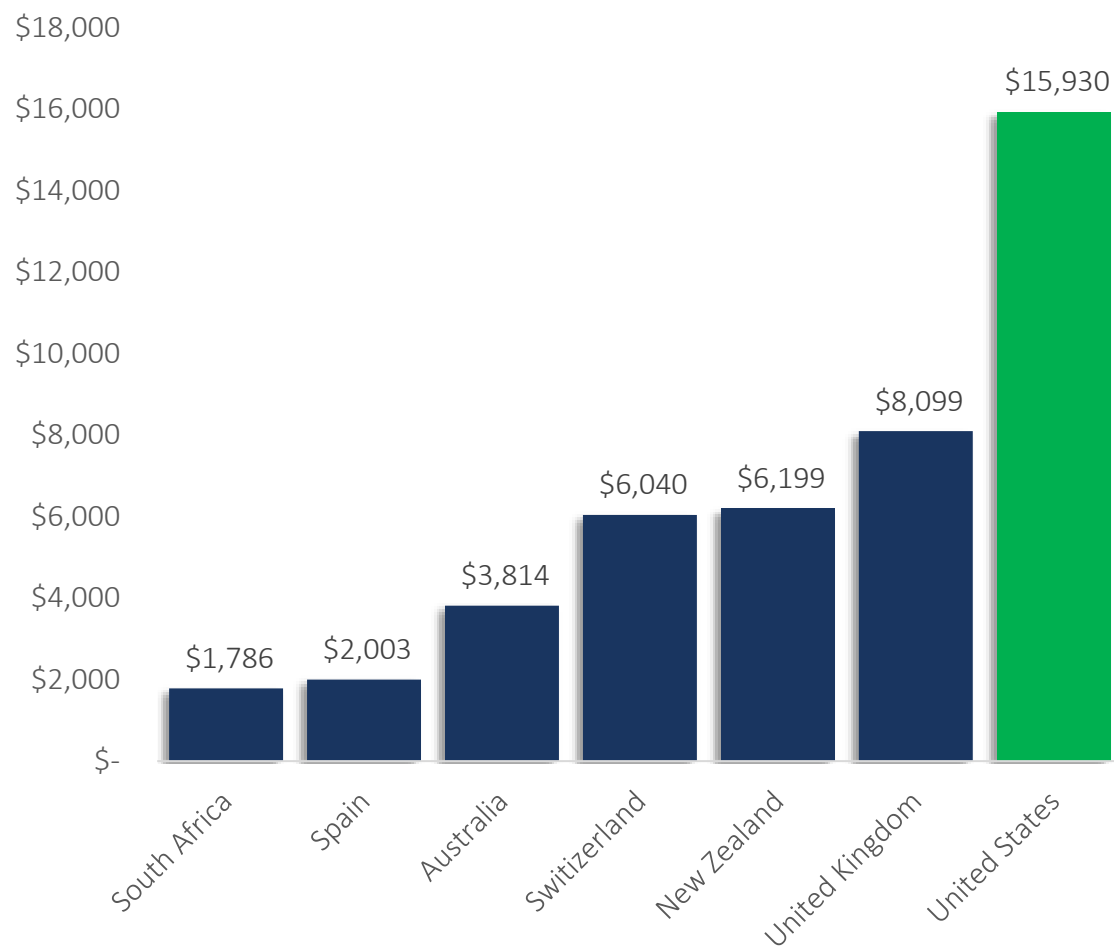


Source: OECD Health Data 2018.

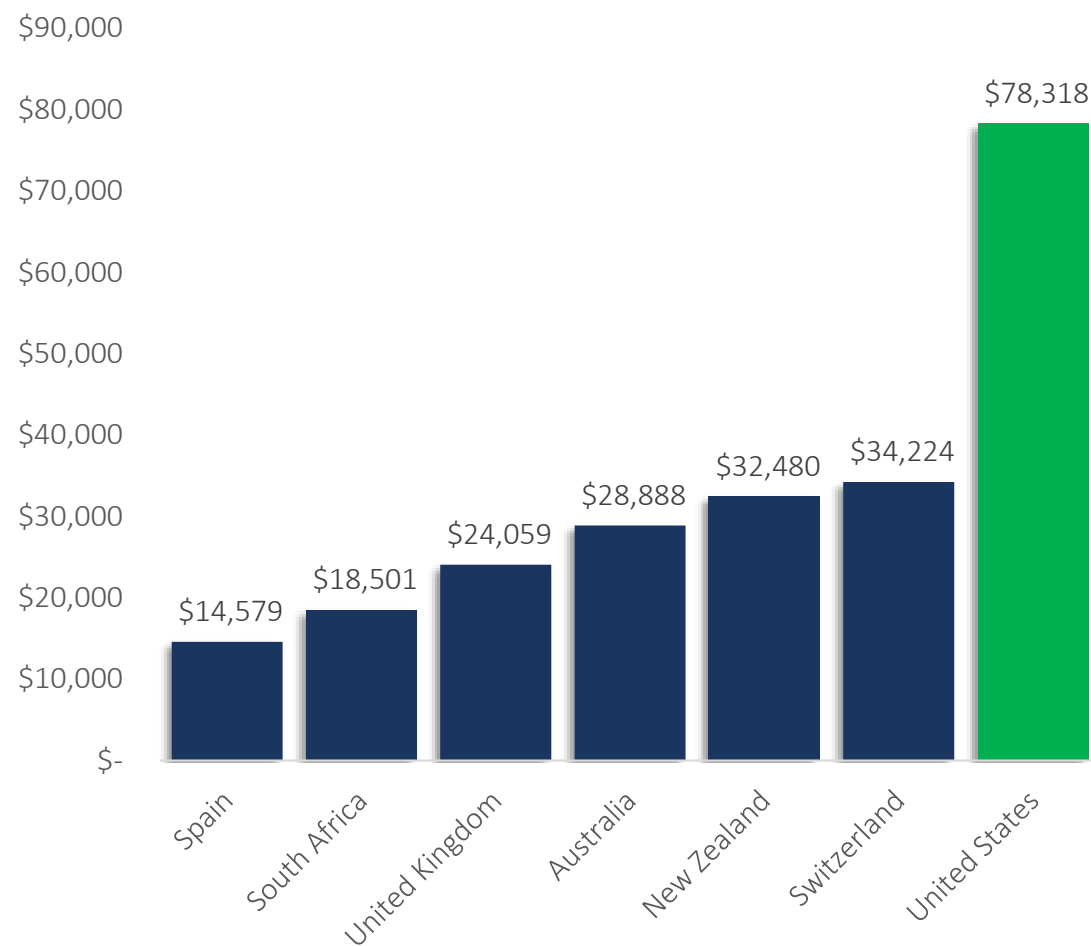
Based on most recent year's reported data for each country

Impact of Pricing: Procedures

Cost of Appendectomy, 2015



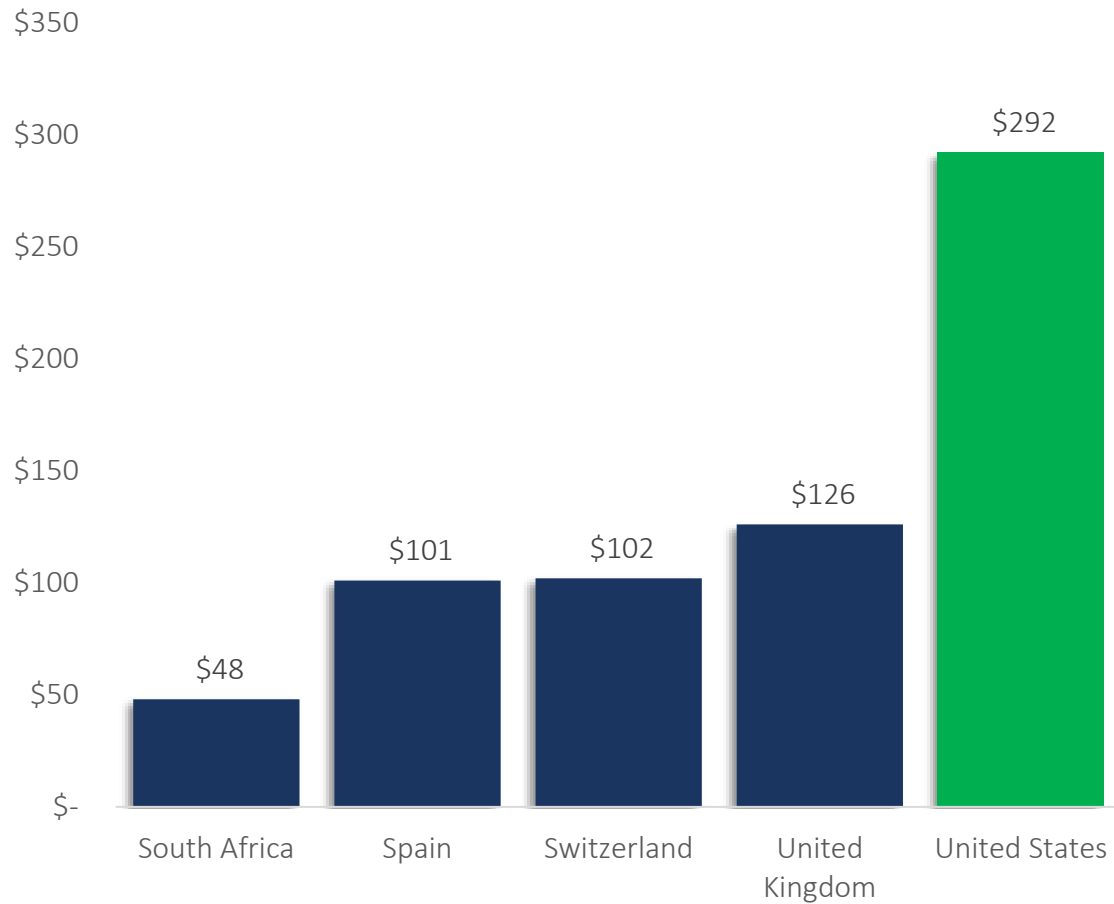
Cost of Bypass Surgery, 2015



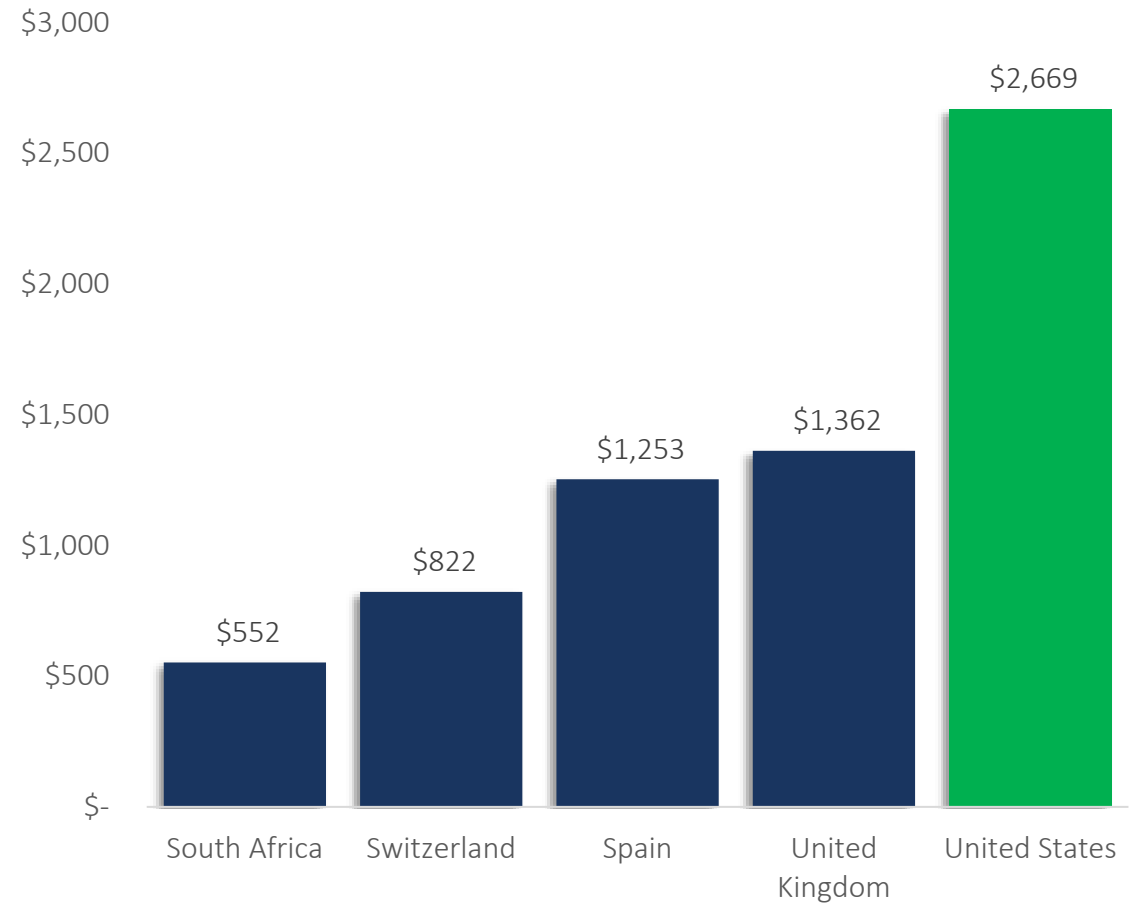
Notes: US refers to the commercial average.
Source: International Federation of Health Plans, 2015 Comparative Price Report.

Impact of Pricing: Drugs

Cost of Xarelto, 2015
Xarelto is used to prevent blood clots



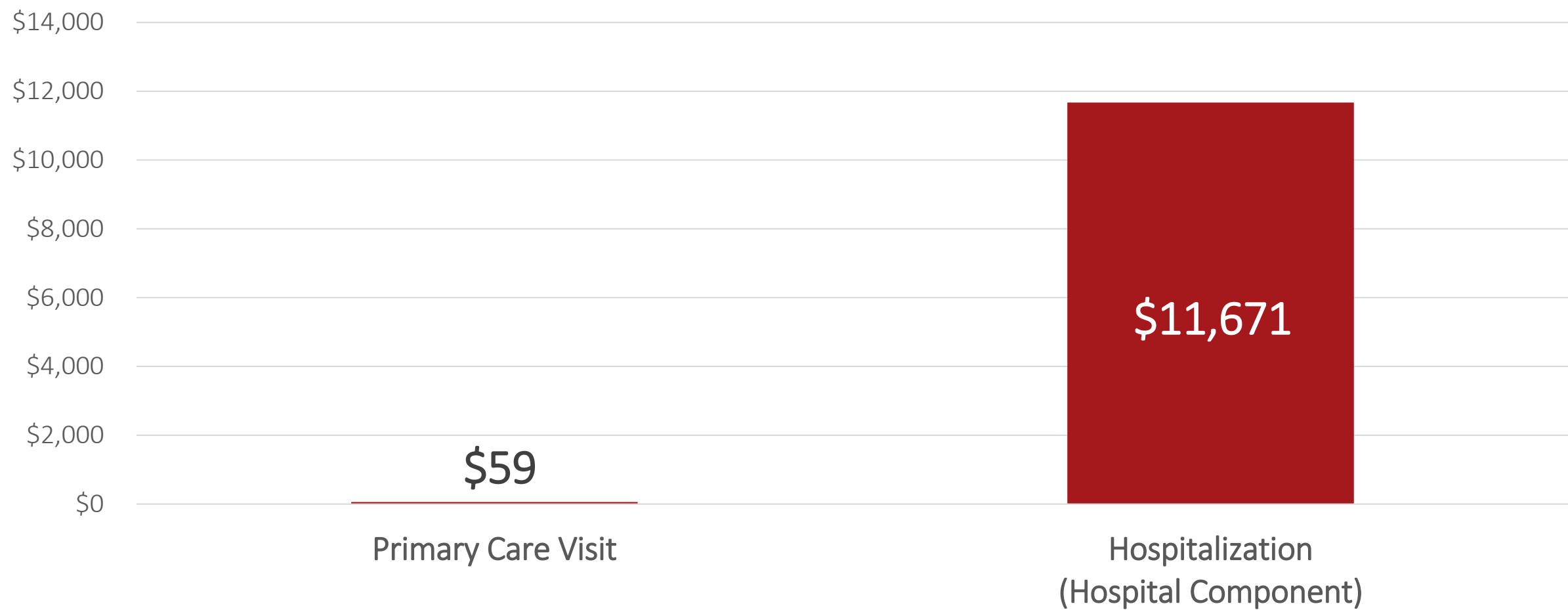
Cost of Humira, 2015
Humira is used to treat rheumatoid arthritis



Notes: US refers to the commercial average.
Source: International Federation of Health Plans, 2015 Comparative Price Report.

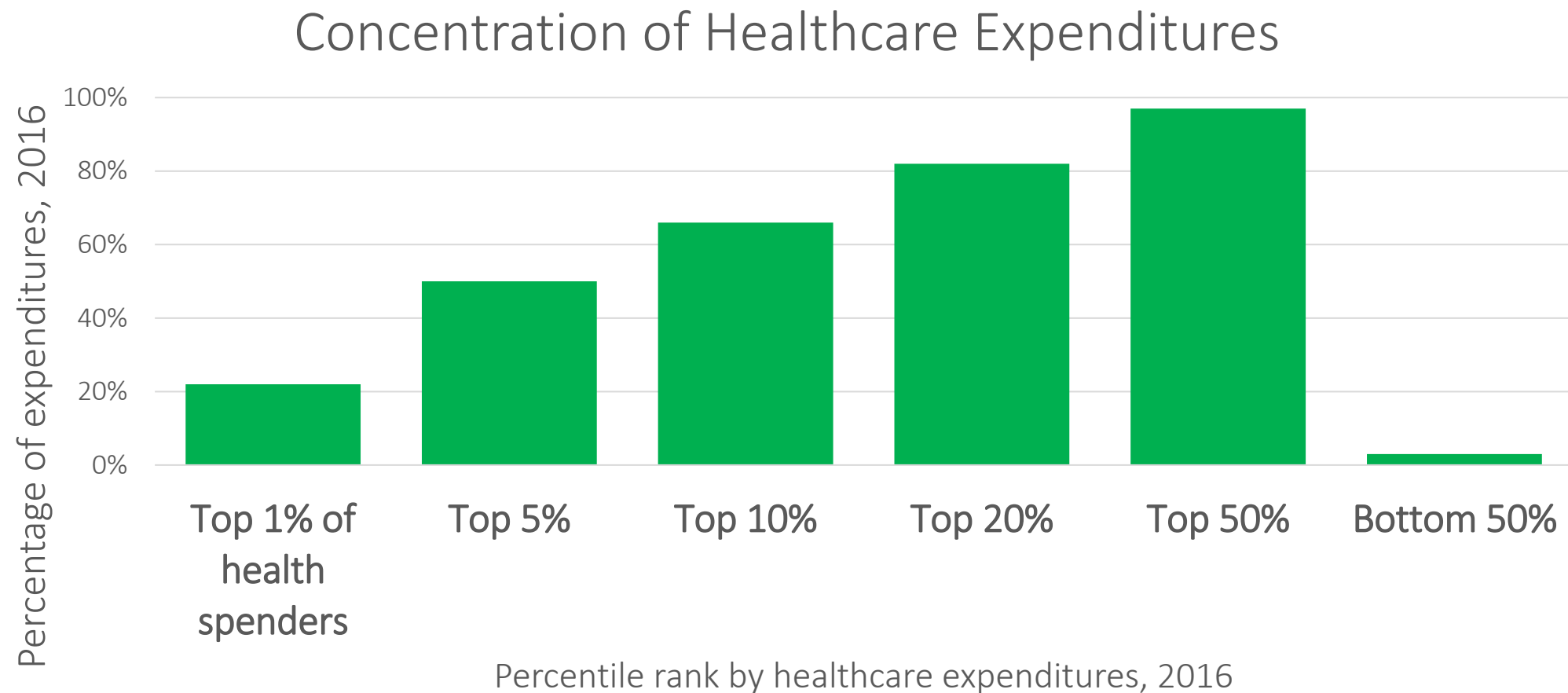
Misaligned Incentives

Average Medicare Payments, 2017



Source: Leavitt Partners Analysis of Medicare Claims Data

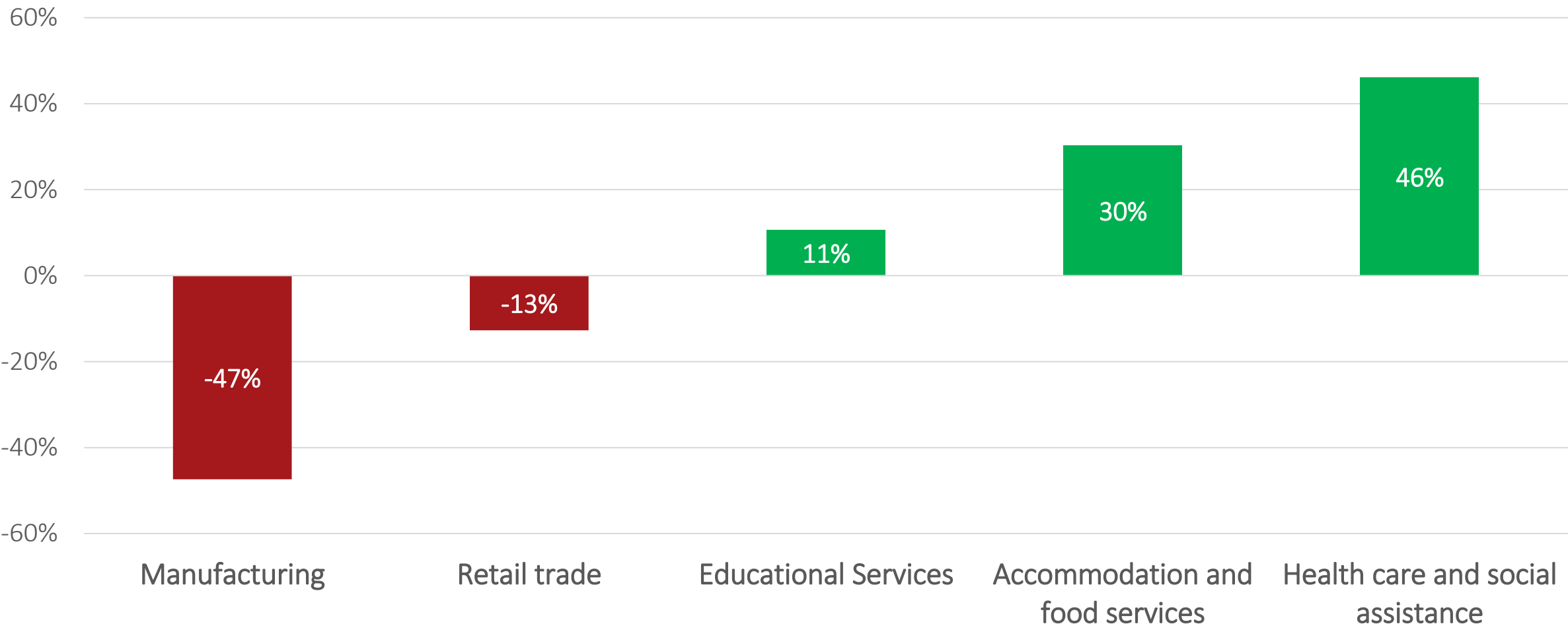
Non-Uniform Distribution of Costs



Source: Kaiser Family Foundation analysis of Medical Expenditure Panel Survey, Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services

Healthcare and Jobs

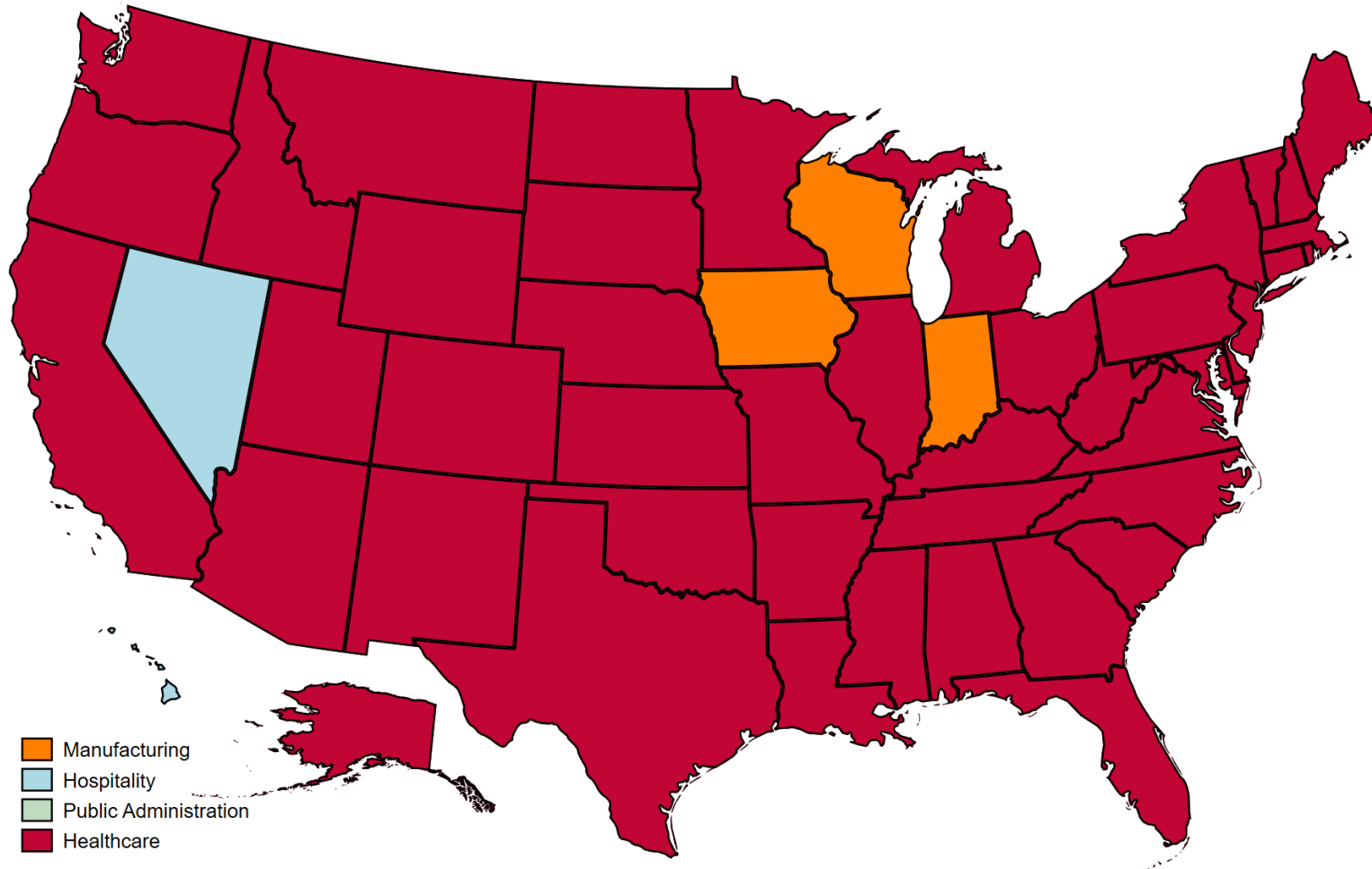
Change in Industry Employment, 1990-2018



Source: Leavitt Partners Analysis of BLS Quarterly Census of Employment and Wages
“Health care” is the NAICS segment that Includes healthcare and social assistance employment for government and private employers

Healthcare's Role in the Economy

Dominant Industry by State, 2019



Source: Leavitt Partners Analysis of BLS Quarterly Census of Employment and Wages

“Healthcare” is the NAICS segment that includes healthcare and social assistance employment for government and private employers

Economic Tension

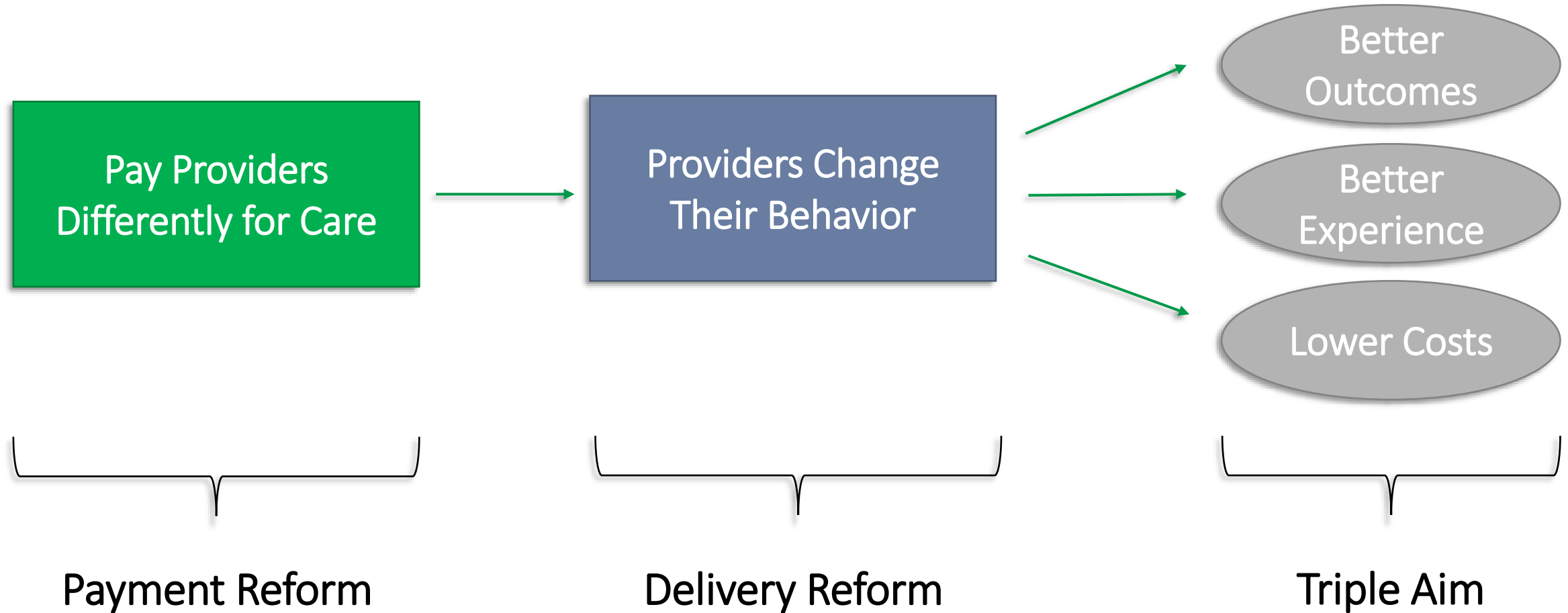


Federal Fiscal Stability

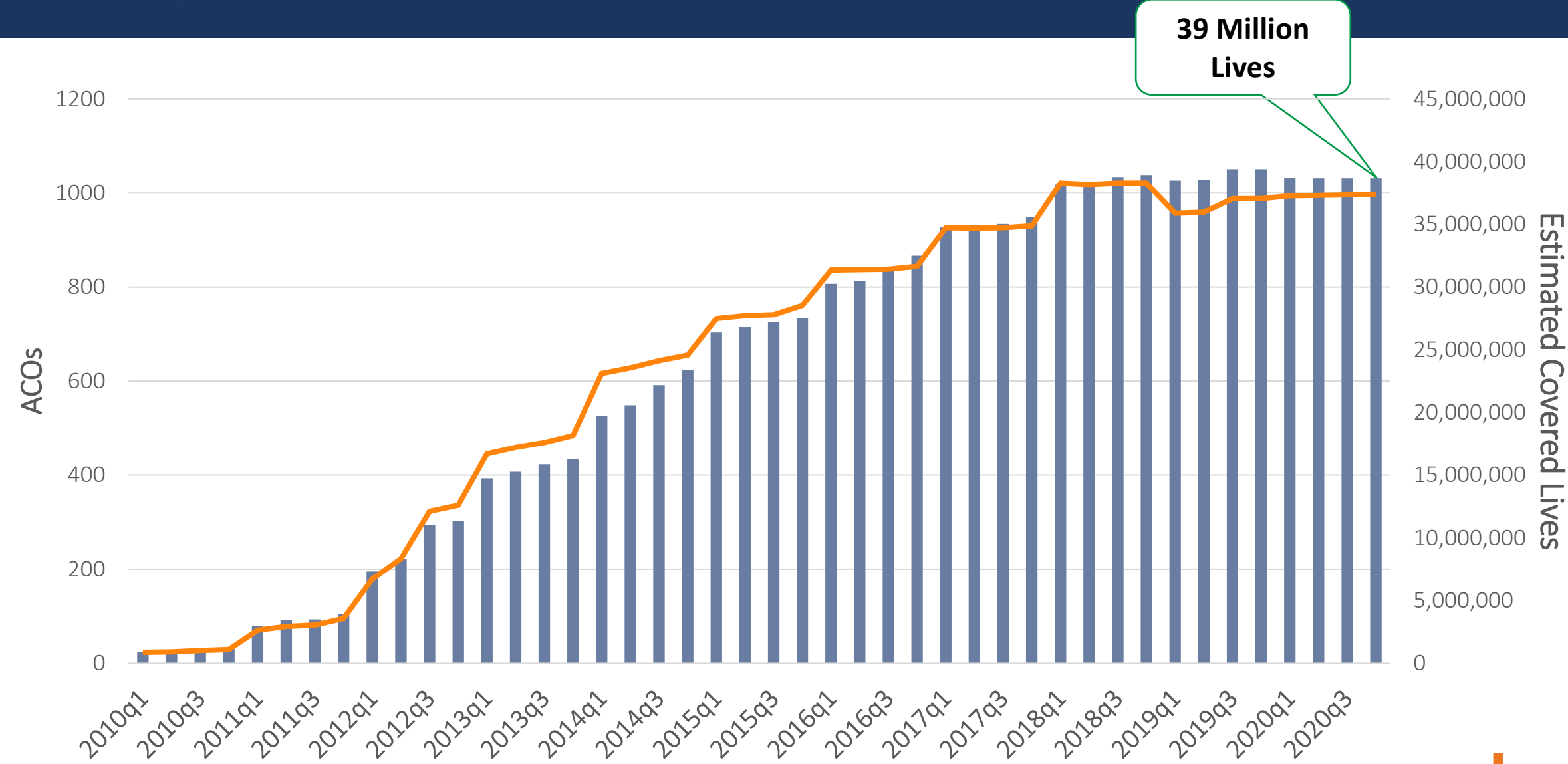
Economic Growth

State of Value-Based Care

The Theory of Healthcare Reform



ACO Growth

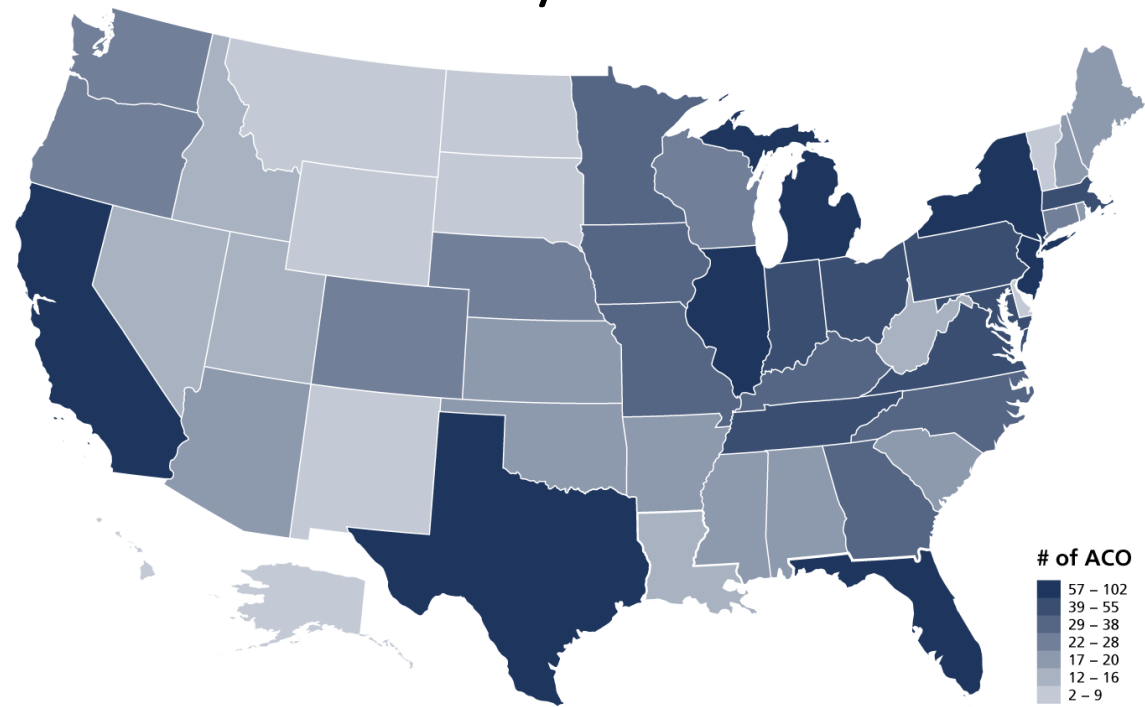


39 Million
Lives

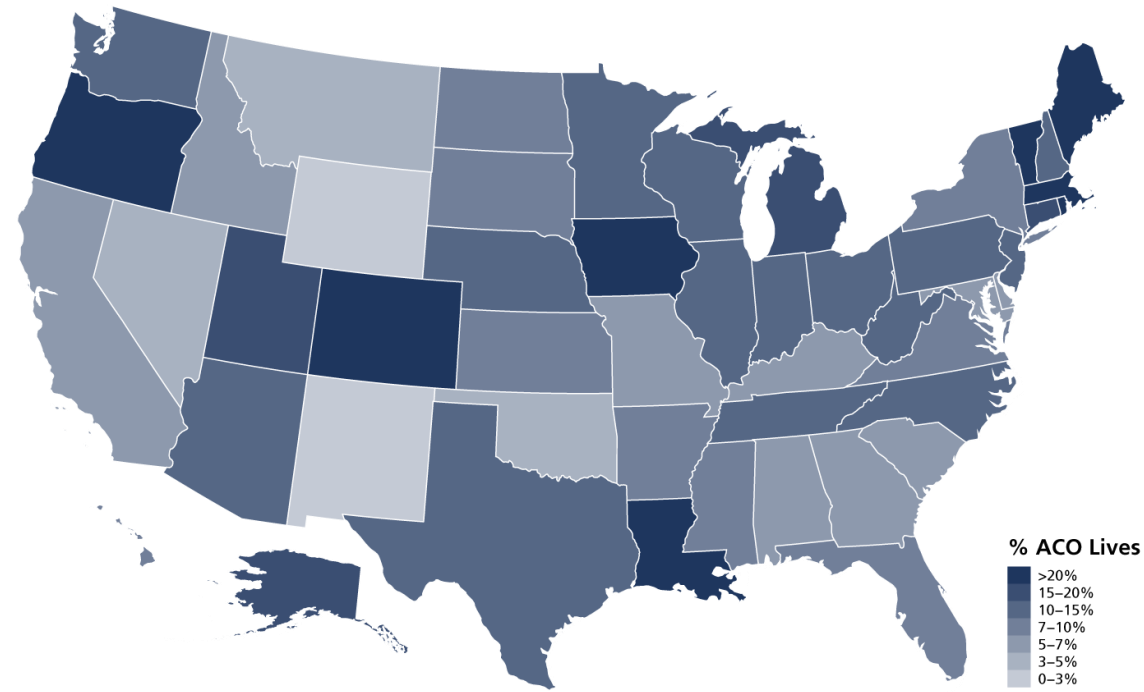
Source: Leavitt Partners and Milliman MedInsight

Where Are They Forming?

ACOs By State

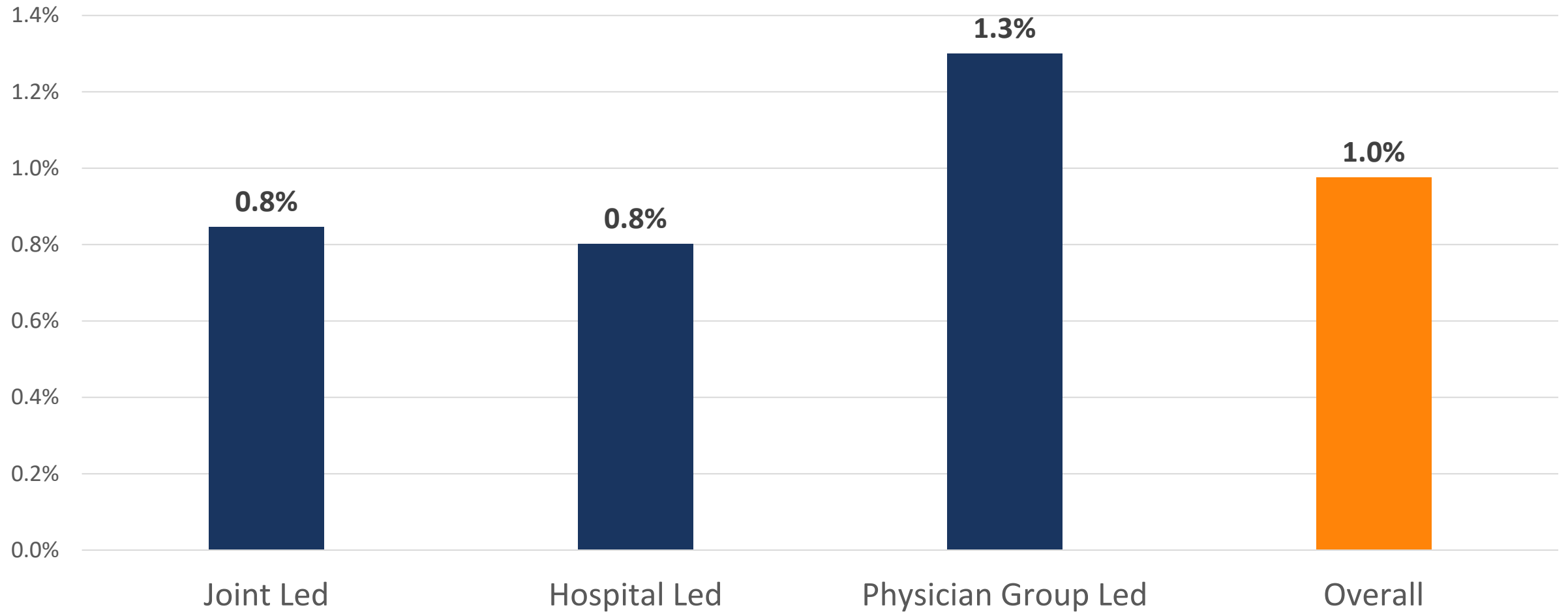


% of Population Covered by ACOs

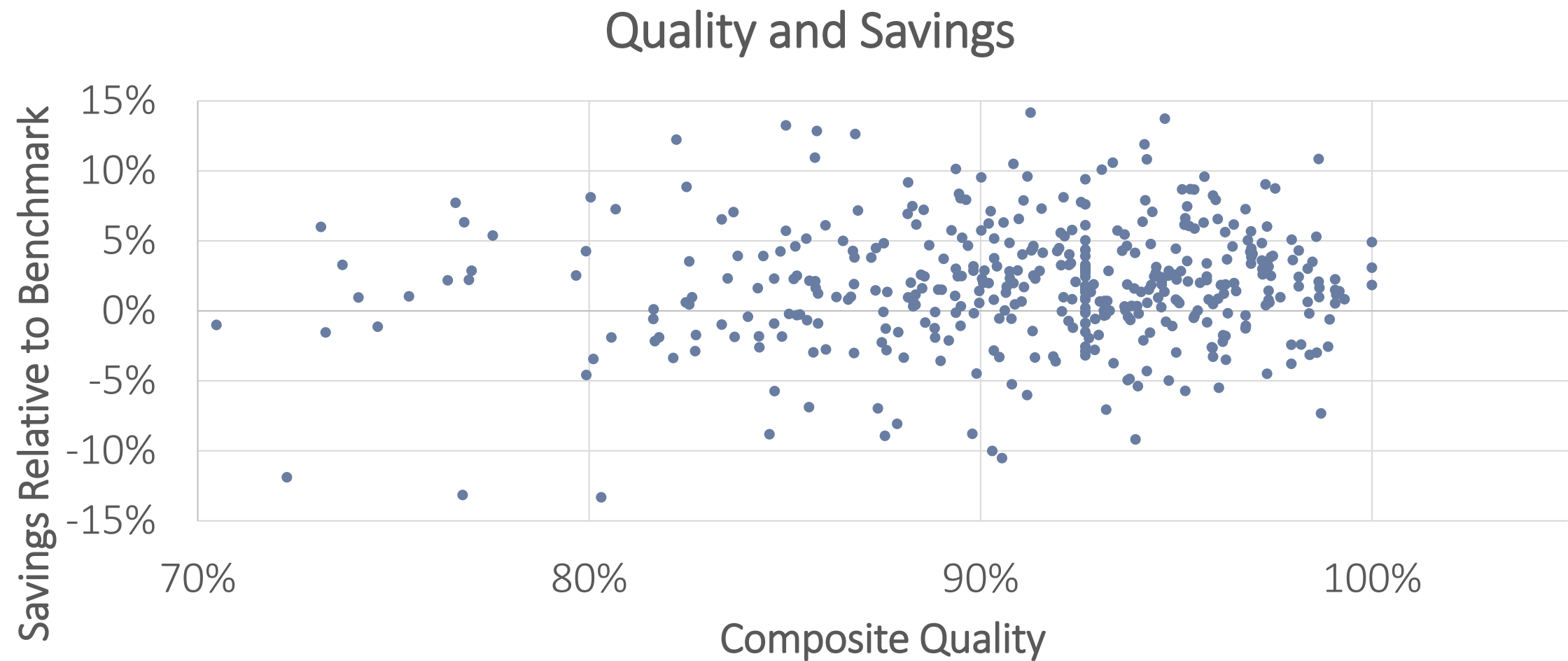


Source: Leavitt Partners and Milliman MedInsight

Net Savings for ACOs by Provider Type Medicare Shared Savings Program 2019

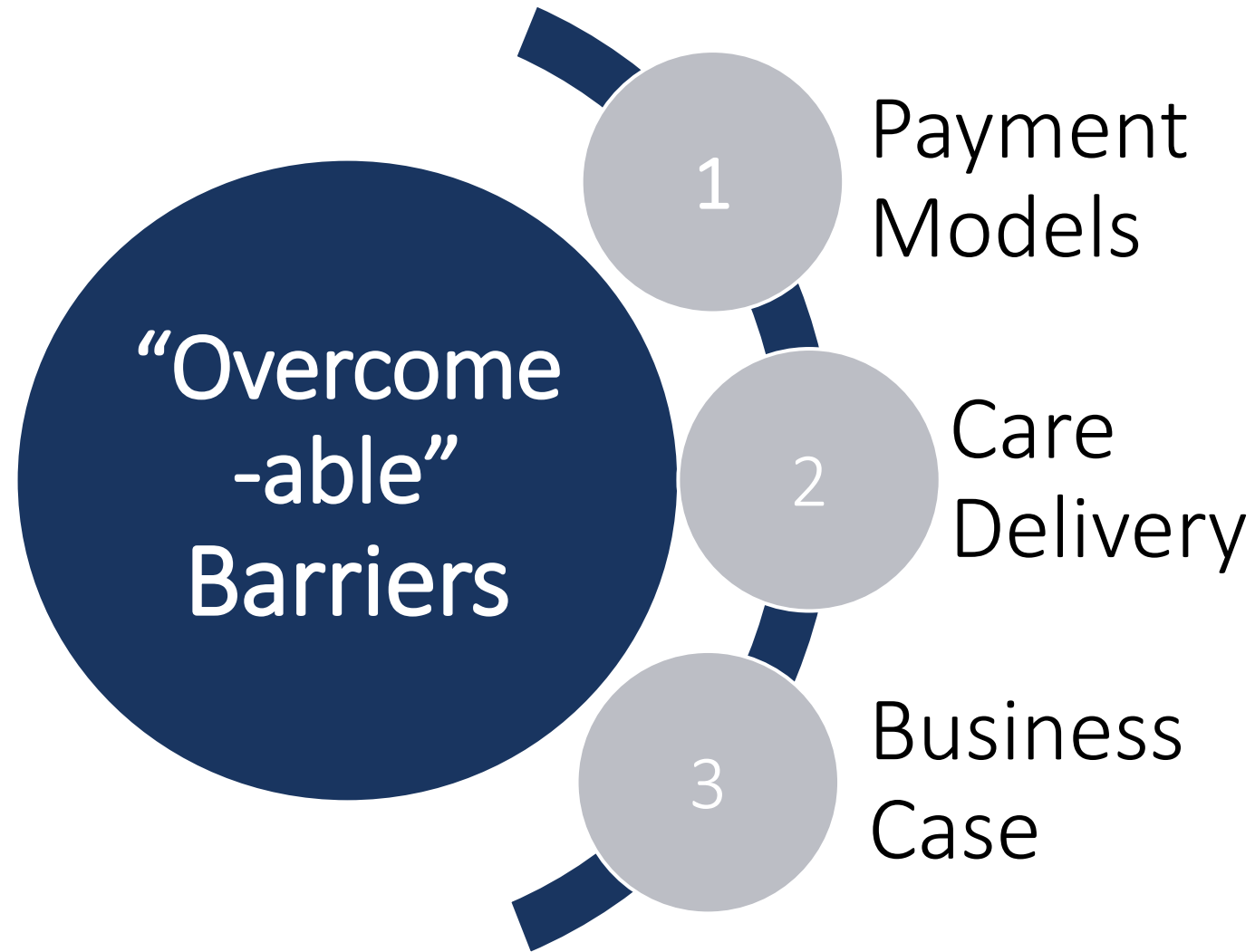


MSSP Quality and Savings

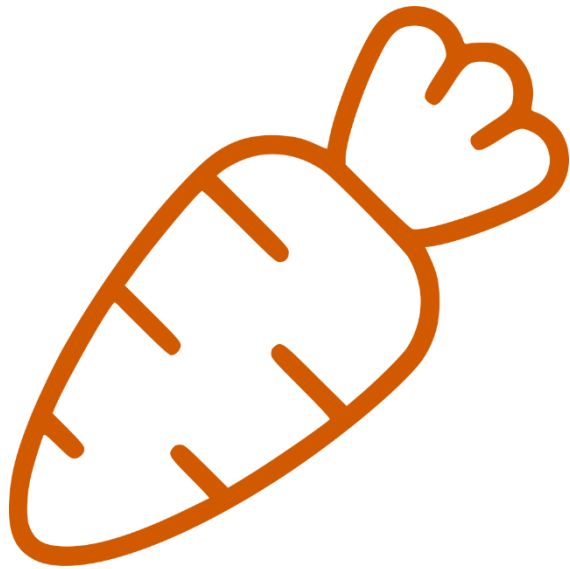


Leavitt Partners Analysis of 2018 Medicare Shared Savings Program Results.

Making Change Happen



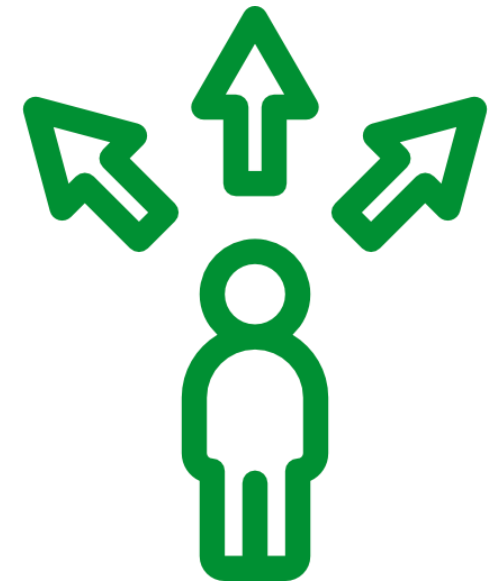
Change Through Payment Models



Incentives

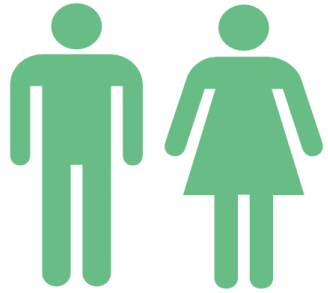


Transparency



Consumerism

Framework To Managing a Population



Identify
Population Needs

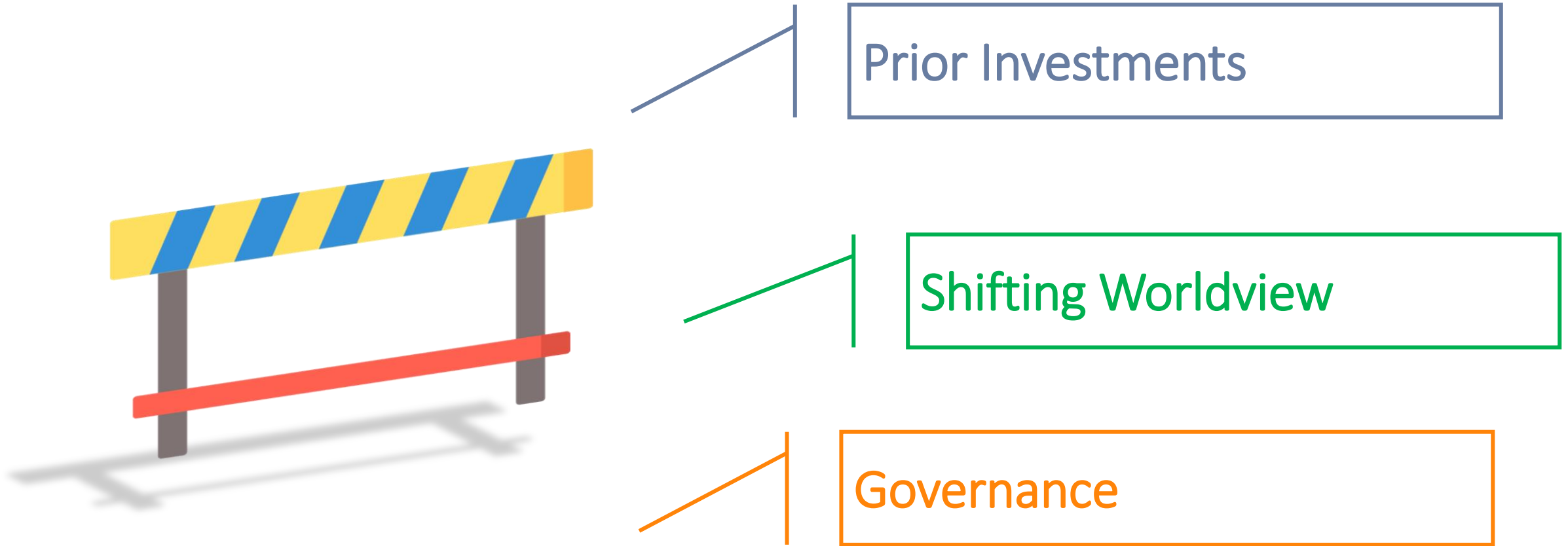


Create
Intervention
Opportunities

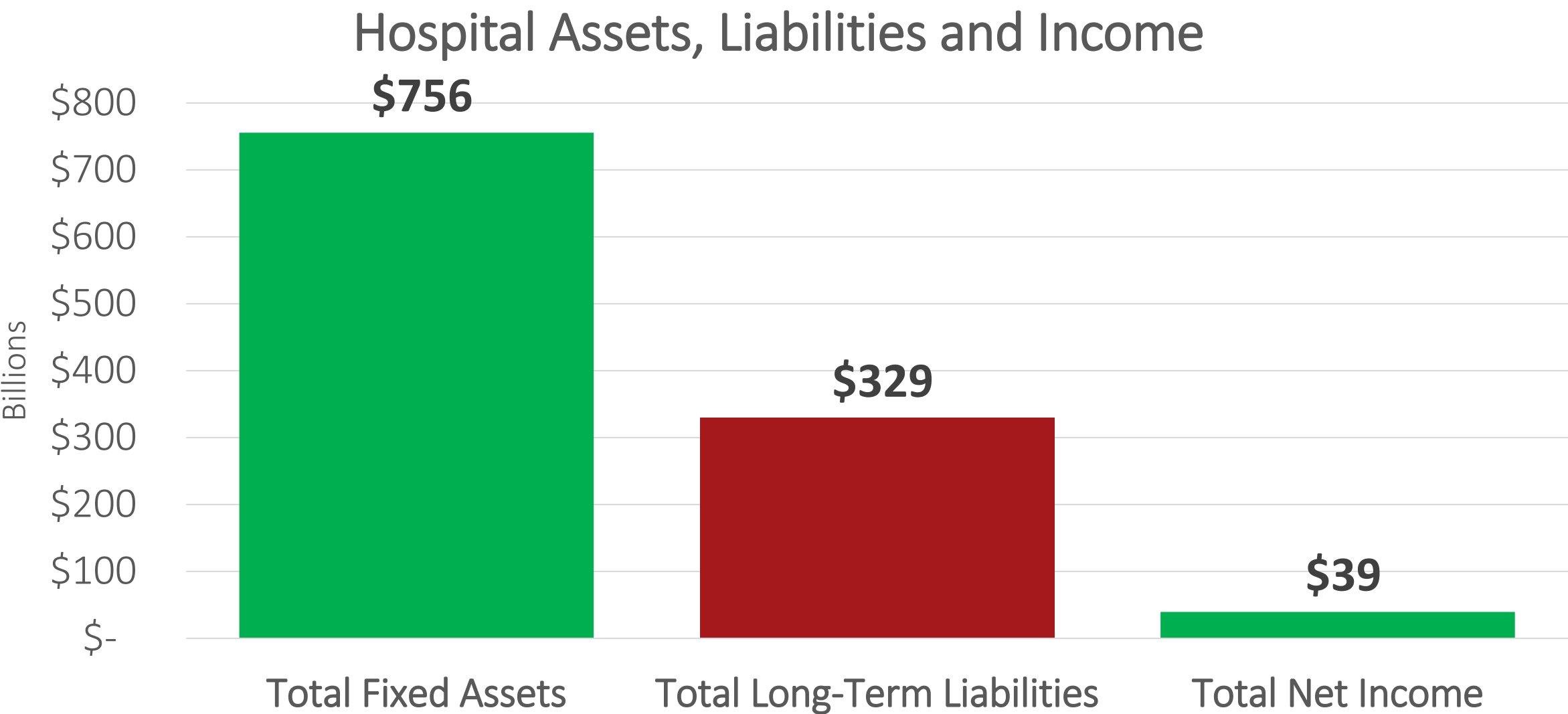


Partner
Appropriately

Obstacles to Making the Business Case



Prior Investments



Leavitt Partners Analysis of 2017 Medicare Cost Reports

Shifting Worldview

Capacity-Focused Approach

Business model:

1. Identify the best-paid services
2. Build capacity for those services
3. Fill that capacity



Needs-Based Approach

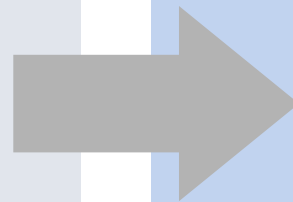
Business model:

1. Identify patients' needs
2. Build low-priced services to fulfill needs
3. Prevent high-cost care



Traditional Objectives for Health System Leaders

1. Increase Market Share
2. Increase Margin
3. Improve Brand

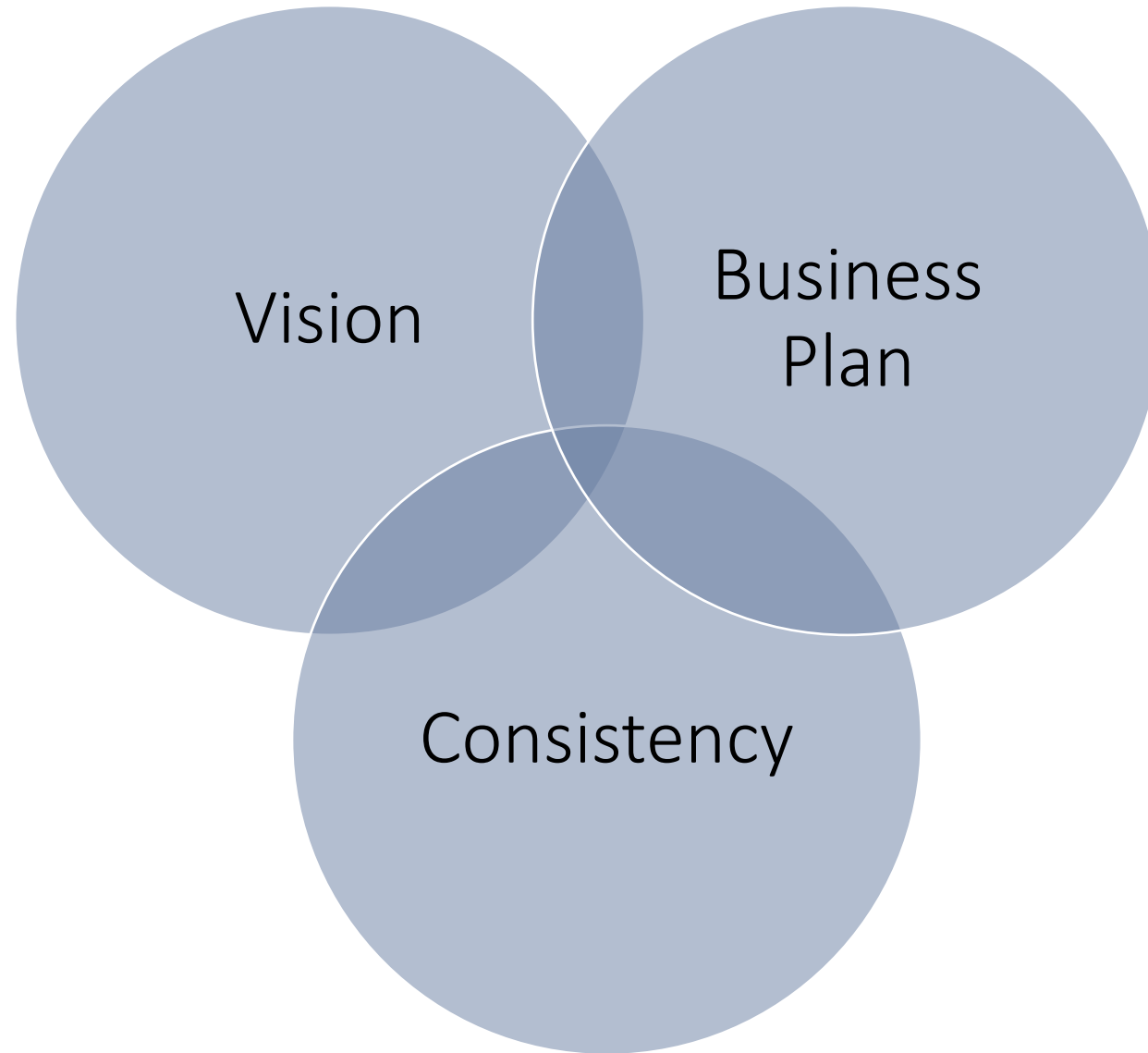


Value Objectives for Health System Leaders

1. Lower total cost of care
2. Decrease amount of services needed
3. Improve Brand



Keys to Success





Smart on Value

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