The Changing Health Care Landscape
April 17, 2016

Agenda

Today's topics were designed to incite meaningful conversation about the changing health care environment...

Session 1 – The changing health care landscape

Session 2 – Trends, wellness integration, value-based care, retail and provider collaboration, specialty pharmacy and the risks associated with these topics

Introductions
Today's speakers
Our speakers today have broad experiences in working with health plans, payors, providers, physicians, specialty pharmacies and retailers alike.

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Experience
Tom is a Deloitte Advisory Director in the Deloitte & Touche LLP Business Risk Practice. He has 16+ years of administrative and management experience in health care surrounding operations, reporting, compliance and strategy. He has deep experience in regulatory compliance issues for Medicare and Medicaid health plans, prescription drug plans, and pharmacy benefit managers (PBMs), focusing on internal control process, key regulatory risk areas, due diligence, and operational design.

Chris Kloc
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Experience
Chris Kloc is the Senior Director, Specialty Pharmacy for Giant Eagle, Inc. Chris leads and provides strategic direction to the Specialty Pharmacy business unit. His areas of responsibility include sales, information services, quality, business development, and specialty patient services. He is a 25 year veteran of the biotech & pharmaceutical industry and has served much of his career focused on population health and wellness. Prior to joining Giant Eagle, Chris led the medical audit function at Abbott Labs and the compliance and risk management function at Abbott’s diagnostic business unit. At Giant Eagle Chris leads the effort to focus on patients, operational excellence and compliance.

Today's objectives
Today our goal is to provide insight into the changing landscape of health care, which includes discussions about the current trends and the risks associated with these trends as health care continues to move forward with a patient-centric focus across the value chain.

1. Provide Perspective: Provide perspective on trends and discuss changes happening within the healthcare industry.
2. Inform: Discuss current risks and risk areas within the changing healthcare industry.
3. Engage & Network: Engage in discussion with other professionals who have vast experiences and share ideas and opinions about industry happenings.

Session 1:
The changing healthcare landscape
Four overarching trends are transforming the US health care market

1. **Technology:** From genetic breakthroughs and nanotechnology to digital health and the cognitive cloud, technology is changing health care.

2. **Demand for value:** Traditional payers such as health plans and employers, as well as engaged consumers, are demanding more - quality, evidence, and transparency - for fewer dollars. Historical payment models are being upended.

3. **Growing health economy:** By 2030, one in five Americans will be 65 or older, likely increasing the percentage of people needing chronic care. The demand for health care is expected to drive greater employment and investment.

4. **Government as influencer:** The federal government has reshaped the health care landscape. In 2009, the American Recovery and Reinvestment Act (ARRA) included the Health Information Technology for Economic and Clinical Health (HITECH) Act. Health insurance exchanges, Medicaid expansion, and new payment and delivery models grew out of the 2010 Patient Protection and Affordable Care Act (ACA).

As trends collide, they create challenges for industry stakeholders as well as opportunities for innovation

1. **Everywhere Care:** Shifting the spectrum of care from hospitals to lower-cost sites.

2. **Wellness & Prevention Care:** Shifting disease management and care reactionary to proactive.

3. **Personalized Care:** Shifting care offerings from mass generalization to mass customization and precision.

4. **Aging, Chronic, & End-of-Life Care:** Shifting the focus from institutional-based care to community-based care, using big data and personalization to manage chronic conditions.

Retail health & wellness convergence and overview

A convergence between retail and healthcare is driving traditional healthcare providers to adopt retail approaches to marketing and customer service, while retailers are increasing their role in healthcare. Changing dynamics in the marketplace including consumerism, healthcare reform, technological advances and demographic changes are having a significant impact on the Retail Health and Wellness marketplace. These dynamics are causing the collaboration between the two industry leading to convergence...
Change is happening across the healthcare ecosystem

Defined sectors are being challenged and extended given the convergence which is occurring between the retail and healthcare industries...

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Retail health & wellness industry happenings

The healthcare industry is shifting and adapting to a changing regulatory environment with a growing number of insured patients who have increased expectations in areas such as quality of care, transparency in cost and a plethora of options from which to choose.

Retail Healthcare Evolution

Overview

How Evolution is Occurring

• Partnerships
• Strategic Expansion
• Mergers & Acquisitions

Retailers and grocery chains alike are expanding their operations in order to capture value that the changing healthcare industry is creating. Adapting to the needs/wants of their customers, we are seeing more pharmacy operations and an increased focused within the Health & Wellness space.

Benefits of coordination

The healthcare landscape has shifted, moving toward consumer-centric care and overall population health management. Adapting to the needs and wants of the consumer (i.e., convenience, timeliness, quality) has created opportunities for improved coordination of care which has led to increased quality and decreased healthcare delivery costs...

Coordination of care across the entire health care provider value chain (including other players not displayed above) should both encourage use and assist in driving down the overall cost of care; however this only happens when the incentives are aligned to encourage this behavior.
Benefits of coordination (cont.)

Coordination of care can delay a patient's movement across the care continuum, which ultimately helps improve the lives of patients and helps to drive down the overall cost of care ...

Movement across the care continuum results in increased care touchpoints and increased cost. Keeping patients in the early stages of the continuum can help drive down the overall cost of care. In order to keep patients in these early stages, it is important to encourage use of patient wellness platforms as well as inform patients about the importance of understanding their personal health and taking an active role in their overall well-being.

Session 2:

Trends, wellness integration and value based care, retail and provider collaboration and specialty pharmacy and the risks associated with these topics

Health care trends influenced by the consumer ...

- 2012 1418
- 2015 2868

- $92 B
- 2012
- $235 B
- 2015

- 68%
- 2012
- 7 M.
- 2014

Source: https://emedcert.com/blog/telemedicine-statistics-prove-future-of-healthcare
What is wellness and how can it be defined?

Wellness is an active process of becoming aware of and making choices toward a healthy and fulfilling life ...

- "... a state of complete physical, mental, and social well-being, and not merely the absence of disease or infirmity."
- "... a conscious, self-directed and evolving process of achieving full potential."

Wellness is ...

- ... more than being free from illness; it is a dynamic process of change and growth
- ... applied across six dimensions that each have an effect upon a person's overall well-being
- ... an aspect of nearly every human endeavor which can provide a pathway to optimal living.

Wellness integration and the overall benefit ...

A focus on wellness has helped keep customers, patients and employees focused on their personal health, which helps drive up the quality of life while driving down costs, resulting in healthier individuals, a better workplace, and an overall return on investment in human lives ...

... how does "wellness" and patient-centric care drive us into the future of health care?

MACRA

Health care is changing; this has been established. Thus far, we have discussed changes to patient care and the patient-centric model, collaboration striving for seamless patient care, and other changes being made aimed at delaying a patient's movement across the healthcare continuum. Given these changes all aimed at patient care, understanding how this will impact bottom lines is the future ...

What is the Medicare Access & CHIP Reauthorization Act of 2015 (MACRA)?
MACRA will assist in quickly moving toward the goal of paying for value and better care phasing out the fee-for-service business. Additionally, this will allow health care providers greater ability to effectively take part in developed quality programs in one of two different streamlined manners: 1) Merit-Based Incentive Payment System (MIPS) or 2) Alternative Payment Methods (APMs).

**MIPS vs. APMs**

**Merit-Based Incentive Payment System (MIPS)**

MIPS is a new program that combines parts of the Physician Quality Reporting System (PQRS), the Value Modifier (VM or Value-Based Payment Modifier) and the Medicare Electronic Health Record (EHR) incentive program into one single program based on:

- Quality
- Resource Use
- Clinical practice improvement
- Meaningful use of certified EHR technology

**Alternative Payment Models (APMs)**

APMs provide new ways in which to pay health care providers for the care that they provide to Medicare beneficiaries. The following are several examples of APMs:

- From 2019 – 2024, pay some participating health care providers a lump-sum incentive payment
- Provide increased transparency of physician-focused payment models
- Starting in 2026, offer some participating health care providers higher annual payments

Additionally, Accountable Care Organizations (ACOs), Patient Centered Medical Homes, and bundled payment models are examples of APMs.

Both MIPS and APMs will go into effect over a timeline from 2015 through 2021 and beyond.

The collaboration between health care providers and retailers

Patient and customer demands are driving traditional health care providers to continue to explore entry into the retail health care market via different facets of collaboration and coordination with retail players. This coordination between providers and retailers bring great value to healthcare consumers and assist in driving down costs and improving coordination of care.

**Health care providers**

- Fill the void given a lack of primary care physicians available to treat chronic and routine care
- Provide care in a convenient consumer-facing manner
- Drive up pharmacy sales via conversion of patients to pharmacy customers
- Provide value through increased patient touchpoints that can improve overall patient care and lower overall population health management
- Have an increased ability to keep patients in the early stages of the care continuum, which can drive down cost and improve lives

**Retailers**

- Reduction in how often chronically ill patients arrive at facilities (e.g., hospitals)
- Reduction in admissions and readmissions leading to improved budgets
- Better coordination of care considering increased touch points and increased documentation that exist for each patient
- Improved overall medication adherence given the ease with which the patient can receive instruction (i.e., care)
- Shared data across nurses, pharmacists, physicians, and other medical professionals can lead to better overall care for the patient

Benefits that exist for retail and provider partnerships

Partnerships between retailers and health care providers are becoming more and more prevalent in the current health care market. How can these partnerships be a “win-win” situation for each side?
Some challenges that exist for retail and provider partnerships

The fact remains that there are benefits that exist for both retailers and health care providers through collaboration, however there are also challenges that these players must overcome in order to realize the true value of the benefit of collaboration. Analyzing risk using an overall risk management strategy is crucial in order to achieve effectiveness. The following risks needs to be considered:

- Patient safety
- Enrollment
- Credentialing
- EMR
- Health Insurance Portability and Accountability Act of 1996 (HIPAA)
- Inducement
- Payment/Reimbursement
- Billing and coding
- Clinical Laboratory Improvement Amendment (CLIA)
- Kickbacks
- Streamline/Waive co-pays

Including legal counsel in the overall risk management strategy is a leading practice in order to design, implement and execute the appropriate procedures prior to engaging in collaboration …

... but what other factors are driving changes in the health care world?

The role specialty pharmacy plays in the new health care world

Specialty pharmacy has continued to be an extremely powerful market within the changing health care landscape. The prevalence of chronic disease continues to grow, matching the trajectory that overall annual specialty drug spending is experiencing.

This simple equation has made specialty drugs and the specialty pharmacy market a hot-bed for activity …

Specialty pharmacies continue to gain attention from large players

Given the current state of population health with chronic disease on the rise, specialty pharmacies are major targets for large health care players. In fact, M&A activity in the specialty pharmacy space has been rampant over the last several years. With more and more players getting into the specialty pharmacy space, this has driven up the population of specialty pharmacies …
How to create differentiation between specialty pharmacies...

Increased demand for specialty drugs and specialty pharmacies within the market has increased the number of specialty pharmacies that exist. New specialty pharmacies continue to enter the market which provides patients options, however with options also comes varying levels of quality. Not all specialty pharmacies are the same. Differentiation can be achieved in the specialty pharmacy world through accreditation.

1. What is accreditation?
   - Accreditation is a process of review that healthcare organizations participate in to demonstrate the ability to meet predetermined criteria and standards of accreditation established by a professional accrediting agency. These agencies are dedicated to ongoing and continuous compliance with the highest standards of quality.

2. Why become accredited?
   - Becoming accredited illustrates an organization's commitment to excellence and compliance in order to instill trust in the relationships they have with their patients. By becoming accredited, organizations demonstrate that they are holding themselves to the highest standard, striving for excellence in everything that they do so that they can provide value to their patients on an ongoing, consistent basis.

**URAC Accreditation**

Within the industry, payors and pharmaceutical companies reference the URAC accreditation as the standard within the industry. The URAC accreditation is viewed as the authority for pharmacy quality. The accreditation verifies that the pharmacy manages and dispenses expensive specialty drugs in an efficient manner.

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<td>- Customer Service, Communications &amp; Disclosure</td>
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Other specialty pharmacy accreditations exist, such as ACHA, Joint Commission, Center for Pharmacy Practice Accreditation and others.

**Source:** [https://www.urac.org/accreditation-and-measurement/accreditation-programs/all-programs/specialty-pharmacy/](https://www.urac.org/accreditation-and-measurement/accreditation-programs/all-programs/specialty-pharmacy/)

**Specialty pharmacy challenges**

Specialty drugs and specialty pharmacies, while a hot commodity within the health care world, have large risks that require consideration:

- Specialty drugs have high costs for both patients and payers
- Specialty drugs require special handling and distribution
- Specialty drugs often require administration by a pharmacist or other health care provider
- Specialty pharmacies struggle to ensure medication adherence without consistent interaction and ongoing touchpoints
- High costs present challenges for specialty pharmacies to receive payment and reimbursement
- As a specialty pharmacy, it can be difficult to differentiate oneself between the vast number of pharmacies that continue to enter the specialty world

Creating value and providing greater health outcomes for patients with chronic conditions requires commitment and coordination throughout the lifecycle of the health care continuum, which ultimately presents additional risks that should be considered…
Do benefits outweigh the risks?
Collaboration is happening within the health care world. Providers, pharmacies (both retail and specialty), plans, payors and PBMs alike are partnering in order to balance the appropriate amount of access and care that they can provide to their patients. These partnerships bring on both rewards and risks, which need to be weighed in order to understand the appropriate next steps...

The risk universe
An illustrative view of common risks that exist within the changing health care world

Key takeaways
Today’s discussion focused on the changing healthcare environment and the trends, opportunities, and risks that may have an impact on the health care industry moving forward. Key takeaways are:

- Healthcare continues to change at a rapid pace, on a consistent basis
- Consumer-centric has challenged traditional norms and has forced healthcare to evolve
- Due to rapid changes and consumer-centric ideology, areas of opportunity exist to improve the lives of patients and lower the overall cost of care
- Opportunities present challenges and risks that can have consequences, i.e., fines, business continuity, damaged reputation, death, that could cause detrimental problems
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