At the Intersection of Healthy and Well: Accountable Care

Dr. Robert London
National Medical Director
Macro Trends in Healthcare

- “Retailization” of Healthcare
  - Exchanges make healthcare a personal and individual choice
  - Consumer-driven health plans, solutions and services

- An “on demand” society
  - Convenient (time and location)
  - Reasonable costs
  - Use of technology

- Affordable access to primary care
  - Shortage of primary care physicians
  - Need for additional providers to meet demand
Macro Trends in Healthcare

- Payers and providers are looking for total population health solutions

- Employer’s
  » Large Employers
    • Cost, Quality, and affordable care or will move members to exchanges: Is the self-insured market going away?
    • Onsite clinics care with larger employers
    • Goal: Healthy employees at work and productive
  » Small Employers – move to exchange, keep<50 employees
**MISSION**

• To be the most trusted, convenient
• multichannel provider/advisor of innovative pharmacy, health and wellness solutions, and consumer goods and services in communities
• across America…

• A destination where health and happiness come together to help people get well, stay well, and live well.

**VISION**

To be “My Walgreens” for everyone in America, the first choice for health and daily living
Walgreens Healthcare Assets

| National Network of Retail Pharmacies | ▶ 7,800 pharmacies employing 68,000 trusted clinicians  
▶ Located within 3 miles of ~65% of Americans = 6 M customers each day |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Specialty Pharmacy                    | ▶ #4 in the Industry  
▶ $5 Billion in revenue in 2010 |
| Infusion Services                     | ▶ #1 infusion provider in the nation with 100 sites in 36 states  
▶ 1000-1500 nurses deliver infusions either at home or at our sites |
| Hospital System Solutions             | ▶ 190 Out Patient Pharmacies in major institutions such as Yale and Northwestern  
▶ Well Transitions – reduces hospital readmits by 40% |
| Retail Clinics                        | ▶ ~370 Take Care Health Clinics located in Walgreens stores in 19 states + DC  
▶ ~1500 NPs and 40PAs; every clinic has a collaborating physician |
| Employer Health Centers               | ▶ 370+ On-site health centers at employer locations; 40+ years experience  
▶ 160+ employer clients in 45 states; serving ~10 M employees at work |
Enabling the **Primary Care Medical Home** with a community-based population health solution

Our integrated services help identify, manage and control acute health issues and chronic conditions through affordable and convenient access to health care services.
Transforming The Patient Experience: Well Experience Stores
Unequalled global access
Unequalled global access

- **Alliance Boots**
  - Boots international countries: UK, ROI, Thailand, Netherlands, Middle East, Sweden, Norway
  - Alphega: UK, France, Italy, Spain, Czech republic, Germany, Netherlands, Russia
  - Wholesale countries: France, UK, Turkey, Spain, Germany, Russia, The Netherlands, Czech Republic, Norway, Egypt, Lithuania, Romania, Algeria, Croatia, Bosnia, Serbia, Slovenia, China, Italy, Portugal, Switzerland

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American Medical Group Association

Brave New World of Health Care Five Years Later
March 16, 2013

Rich Maturi
Senior Vice President
Healthcare Delivery Systems
Premera Blue Cross
The Environment:

1. Federal Budget Deficit will Drive Health Care Policy
The Environment: Federal Budget Deficit will Drive Health Care Policy

Source: CBO and George Mason University
© 2012 Premera / Scott Forslund (425) 918-5070
The Environment:

1. Federal Budget Deficit will Drive Health Care Policy

2. Insurance Premiums in the Exchanges will be Higher than Expected
The Environment: Insurance Premiums in the Exchanges will be Higher than Expected

Projected Increases in Individual Premiums in 2014 Post Reform

- Insurer Tax / Removing High Risk Pool Assessment
- Impact of Behavior Change / Uninsured
- Impact of Moving to Bronze Benefit

62% Overall Increase
- 1.2%
- 26.2%
- 34.2%

Projected 2014

Source: Premera Blue Cross
The Environment:

1. Federal Budget Deficit will Drive Health Care Policy

2. Insurance Premiums in the Exchanges will be Higher than Expected

3. Federal Government will be Pressured to Directly Control Exchange Health Care Costs

4. Employers will Continually Reconsider Decision to Stay in the Game
Health Plan Response:

1. Narrow networks return

2. Provider revenue increasingly performance based

3. Expansion of programs to incent and engage people to manage health and share accountability for health care decisions

4. New forms of direct involvement in patient care management
The Brave New World Of Health Care

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ACA Accountable Care Model

- ACOs consist of providers who are jointly held accountable for achieving measured quality improvements and reductions in the rate of spending growth.
  - Primary Care Base
  - At least 5000 enrollees
  - Lots of measures and lots of rules
Overall Health System Performance

Top 3
- St. Paul, Minnesota
- Dubuque, Iowa
- Rochester, Minnesota

Source: Commonwealth Fund Scorecard on Local Health System Performance, 2012.
Commercially Insured and Medicare Spending per Enrollee, Relative to U.S. Median Spending for Each Population

**Commercial Spending**
- Expressed as ratio to median commercial spending
  - 0.61–0.89 (71 HRRs)
  - 0.90–0.99 (79)
  - 1.00–1.09 (80)
  - 1.10–1.53 (71)
  - Not Populated or Missing Data (5)

**Medicare Spending**
- Expressed as ratio to median Medicare spending
  - 0.63–0.89 (81 HRRs)
  - 0.90–0.99 (72)
  - 1.00–1.09 (75)
  - 1.10–2.00 (78)
  - Not Populated

HRR = hospital referral region.
Data: Commercial – 2009 Thomson Reuters MarketScan Database, analysis by M.Chernew, Harvard Medical School. Medicare – 2008 Medicare claims as reported by IOM.
Note: Ratio values lower than 1.0 indicate lower than median spending, ratio values higher than 1.0 indicate higher than median spending. Median spending is determined separately for the commercially insured (ages 18–64) and Medicare populations (age 65 and older).

Source: Commonwealth Fund Scorecard on Local Health System Performance, 2012.
Where are we Headed?

- We will see more patients and reimbursement for their care will decrease.
- Patients no longer require a visit for care.
- We will be accountable for the value of our care and our results.
- We will be at risk for cost, quality, and outcome.

Systems will consolidate.
What are the fundamental requirements for success?

• A network of providers
  • virtual?

• Alignment of purpose

• Coordinated care delivery

• Practice Analytics

• Financial alignment
Hospital Reporting Status 2012

- In ACO (n=45)
- Will Join ACO 1-3 yr (n=103)

Joshi. M. AHA Research Group 2012
A New Approach to Health Care Reform: A Third Way?

• **The Regulators**
  • The best way to slow increasing costs is to control the total resources going into the health care system.

• **The Marketers**
  • Competing health plans and information-empowered consumers would drive down costs, especially if insurance were restructured to give people the right incentives.

• **Systems Reformers.**
  • The best way to bend the cost curve is from the inside out, by creating a smarter health care system with the information base, new delivery models and payment incentives that will improve quality and lower costs.

"The "Third School" for Controlling Health Care Costs". Drew Altman. KFF. 2009
Curbing Costs, Improving Care: The Future of Health Care

Presented by John Rother
President and CEO

March 16th • AMGA in Orlando
Rising Health Costs: An Economic and Social Challenge

National Avg. Employee Contributions and Out-of-Pocket Costs

- **Employee Out-of-Pocket** is what employees spend on co-payments, deductibles, and coinsurance.
- **Employee Contribution** is the average employee contribution to the overall health plan premium.

The Cost of Health Care: How does it compare?

Over the past decade, healthcare costs have risen faster than salaries...

- Average U.S. Salary: 38%
- Healthcare Premiums: 131%

Source: http://resources.iom.edu/widgets/vsrt/healthcare-waste.html
Demographic Trends in the US: Increasing Spending on Medicare

Population Age 65 Years and Older
Expressed as a Percent of Total U.S. Population

"An Epidemic of Chronic Conditions"

- More than 133 million Americans, or 45% of the population, have at least one chronic condition
  - Chronic disease is the leading cause of death and disability in the U.S.

Contributes to Rising Health Care Costs

- Chronic diseases account for 75% of the nation’s health spending.

http://www.caaccess.org/pdf/6_unhealthy_truths.pdf
Figure 4: People with Chronic Conditions Account for 84% of National Health Care Dollars and 99% of Medicare Spending

Shedding Waste

- Adjusting for some overlap among categories, the Institute of Medicine reported that the US loses $750 billion annually in unnecessary services, excess administrative costs, and other system inefficiencies.

  - In comparison, the Defense Department budgeted $757.8 billion for the war in Iraq over the eight years it was there.

Source: http://tinyurl.com/b8mzq5y.
What’s Needed

High-Value, Person-Centered Health Care

Patient-centered

Stratified case management and care coordination (face-to-face interactions)

Multidisciplinary Teams

High-tech Health Information Technology

Source: http://ministryhealth.org/User/weberd/PCMH_Diagram.jpg
The National Coalition on Health Care:
Who We Are

More than 80 participating organizations

- Medical societies
- Businesses
- Health care providers
- Pension and health funds
- Insurers
- Consumer groups representing consumers, patients, women, minorities, and persons with disabilities.

Mission

To bring together key stakeholders in order to achieve an affordable, high-value health care system for patients and consumers, for employers and other payers, and for taxpayers.
Our Objectives

Scoreable Savings
Reduce deficit through nearly $500 billion in health sector spending reductions and revenues—designed to improve health delivery without shifting costs or harming vulnerable populations.

Health System Sustainability
Transform consumer and provider incentives and move us toward a health system we can all afford for generations to come.
The NCHC Plan: A 7-Point Strategy

1. Change provider incentives to reward value, not volume
2. Encourage patient and consumer engagement
3. Use market competition to increase value
4. Ensure the highest-cost patients receive high-value, coordinated care
5. Promote smarter workforce development and use
6. Reduce errors, fraud, and administrative overhead
7. Invest in prevention and population health
Thank You

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