

Payment Reform and the Promise of Containing Costs

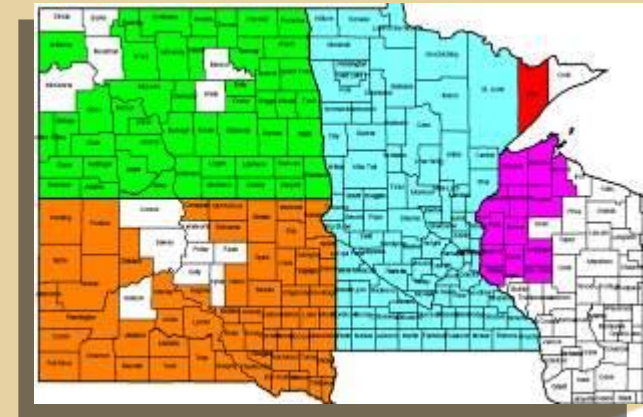
MAHP

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Introduction to Medica

- Second largest Minnesota health insurer
 - Primary business is in MN, ND, SD and WI
 - National coverage alliance with other insurers
- Nearly 1.7 million members
 - Employer-based
 - Individual
 - Medicare
 - Medicaid
 - Health Management
- Medica Research Institute
- Nonprofit with \$2.5 billion annual revenue



The Competition

Blue Cross Blue Shield of Minnesota

- 2.7M members (1.6M in Minnesota)
- Full range of plans

Medica Health Plans

- > 1.6M members (1.3M in Minnesota)
- Full range of plans

HealthPartners

- 1.3M members
- Full range of plans
- Integrated hospitals, clinics

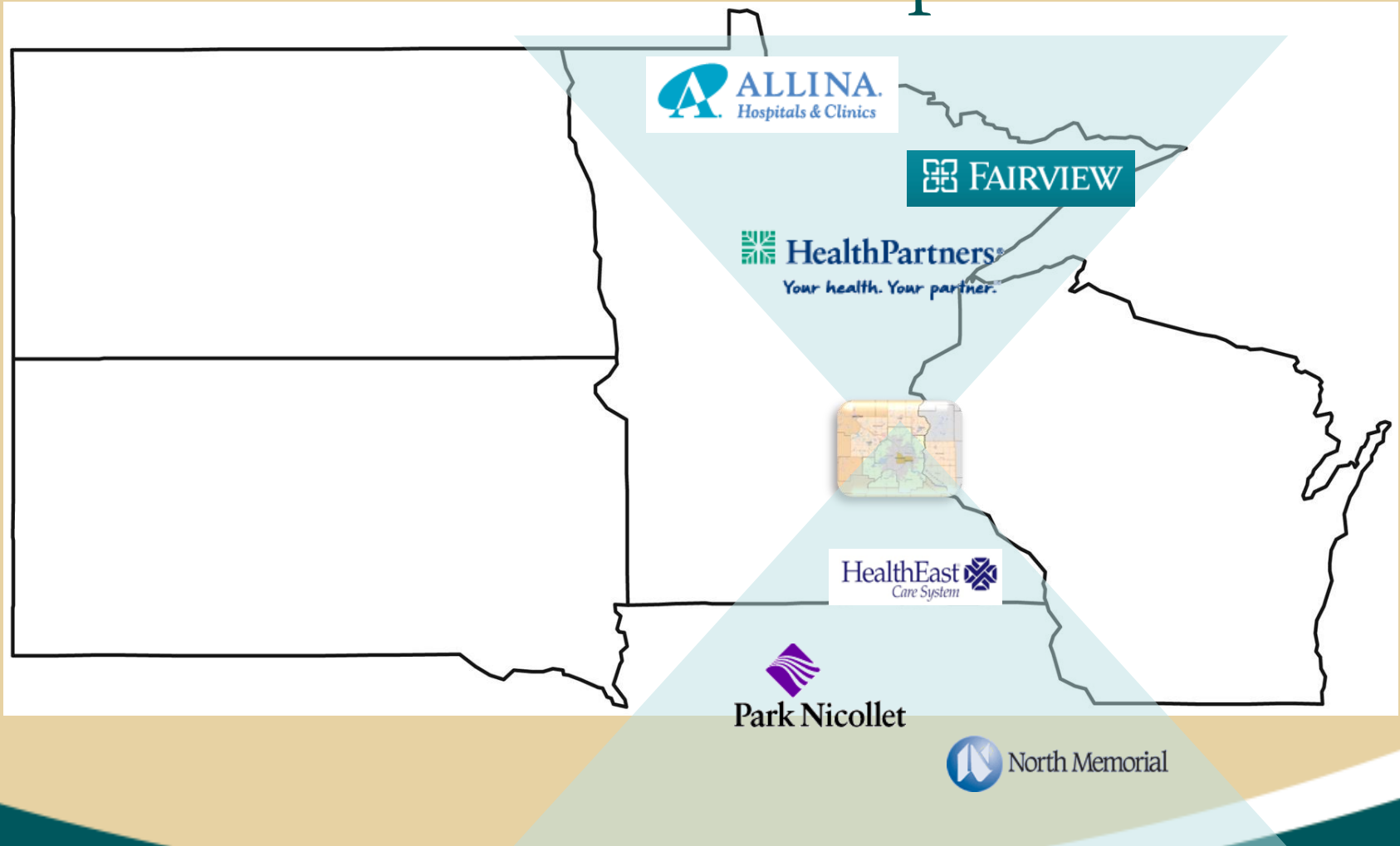
Smaller Minnesota-based HMO/PPO competitors include:

- PreferredOne
- UCare
- MHP

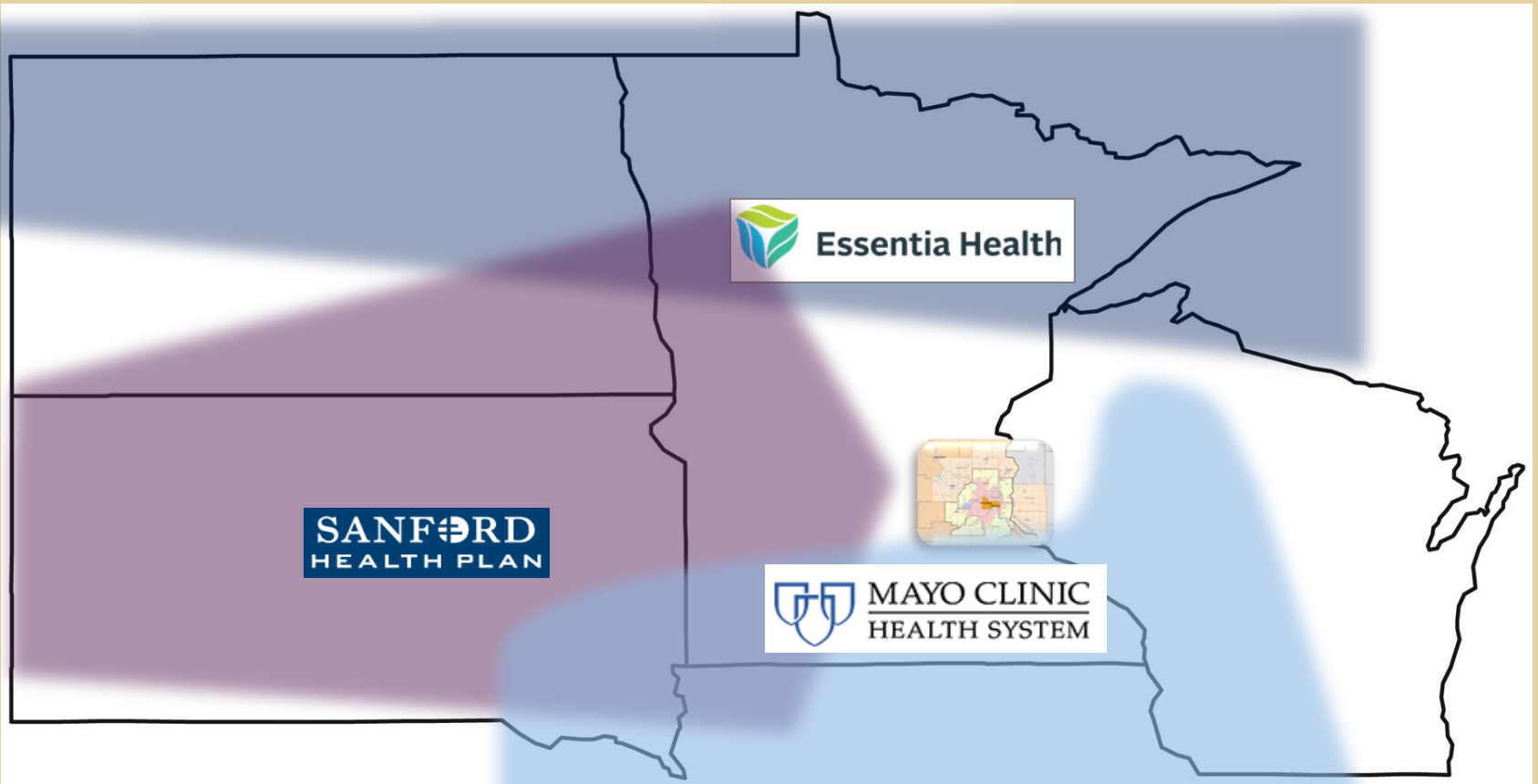
National competitors (i.e., Aetna, CIGNA, Humana) for:

- Employer-based consumer-directed
- Individual/family
- Medicare

Provider Marketplace



Provider Marketplace (continued)



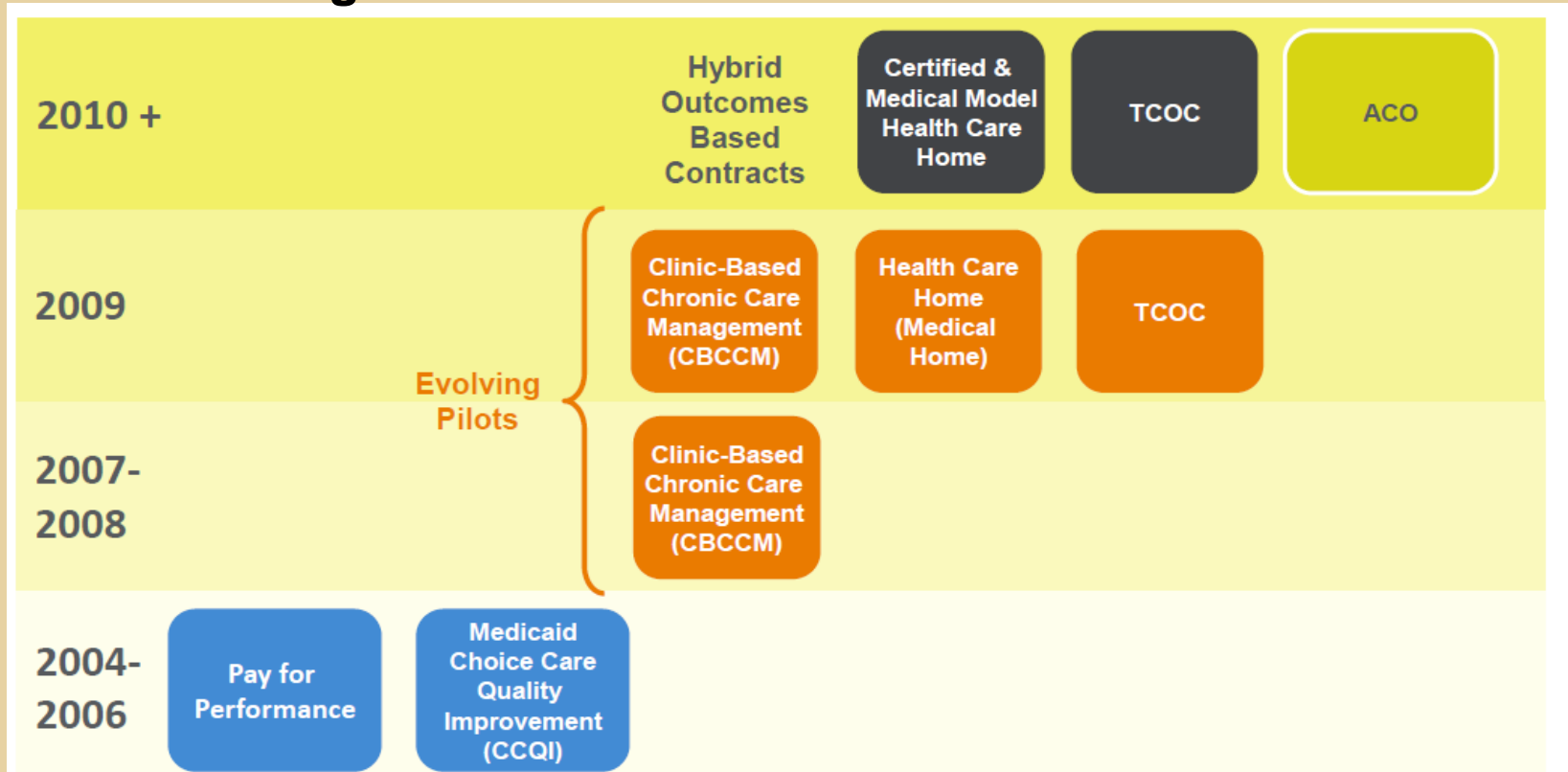
Creating a different kind of relationship with providers

- Make primary care primary
- Coordinate services provided patients
- Reimburse for a team approach
 - Physician, educator, nurse, coach (perhaps from Medica) each acting in the role most suited for them
- Pay for outcomes not procedures
- Give actionable data to providers
- Commit to health systems via learning collaboratives to exchange information
 - Preparation for future ACO environment



Evolution of alternative agreements

70% of Medica members are getting treatment from a provider under a TCOC agreement

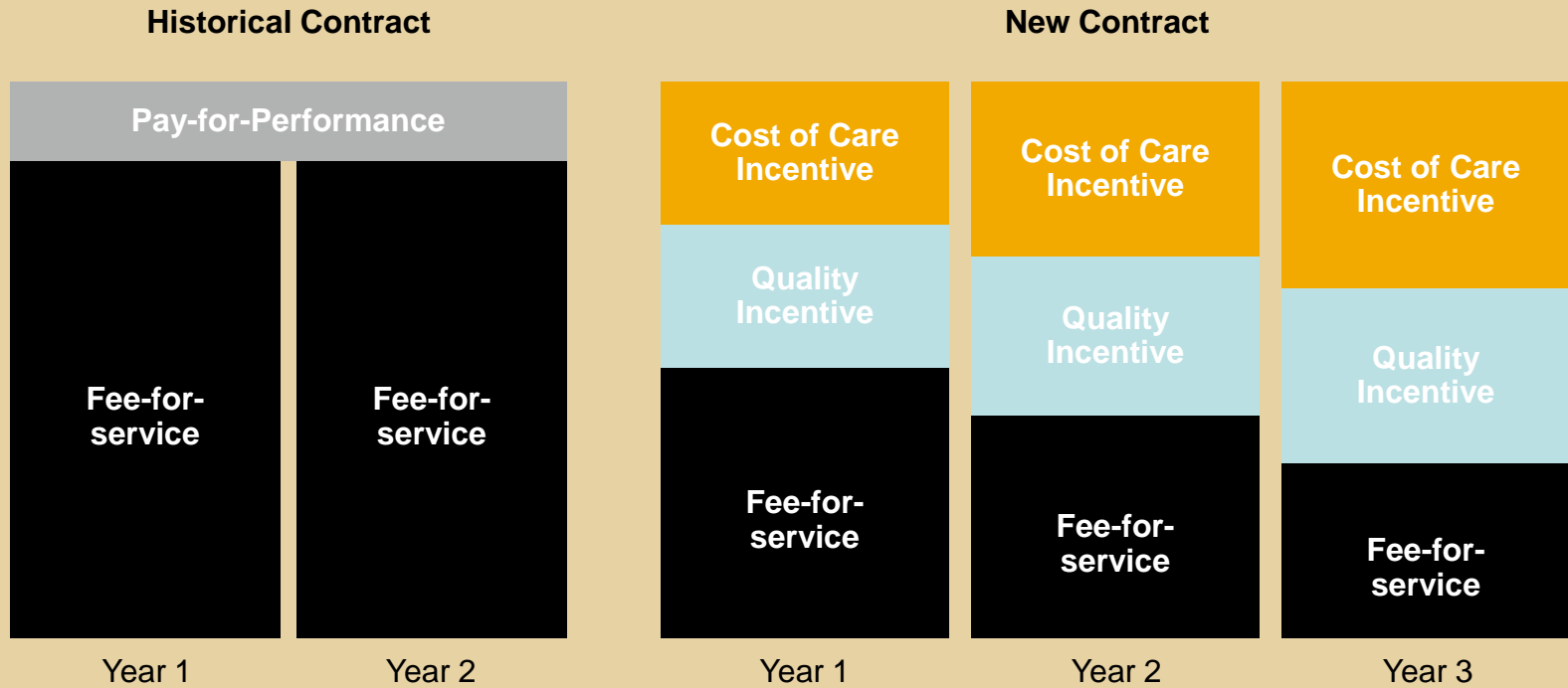


This is an evolution

- Value in using an evolving approach led by the industry, not by government mandate
- Phased contracting approach that has its base in a chronic condition health care home evolving to Total Cost of Care (TCOC) and ultimately an ACO with up and downside risk
- Key component of this evolution is the collaboration and data sharing of Medica's claim and the provider's medical data
- Outcome of evolution: improved cost and quality



How new contracts work



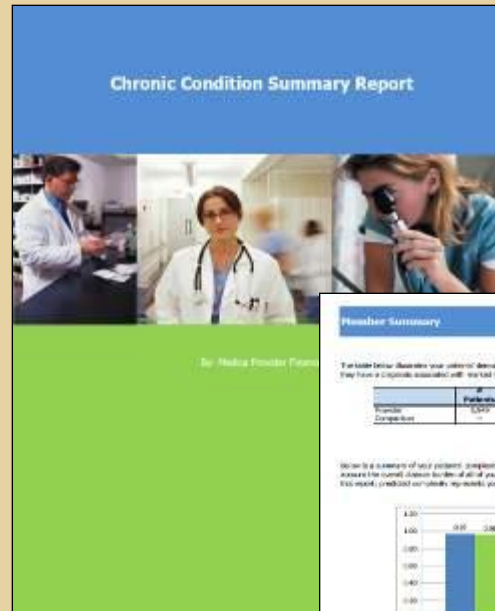
Key Components of TCOC Model

- Term of Agreement: Minimum of 3 years
- Member Attribution: Primary Care Based
- Risk-Adjustment: ACGs
- Comparison Group: Currently other large systems
- Information Pipeline: Extensive
- Clinical Collaboration: Medica Health Mgmt and Fairview Clinicians
- Incentive Alignment: Fairview aligning physician compensation structure to align with cost and quality goals

Customized reporting packages

- Chronic Condition Summary
- Pharmacy Review
- Provider Usage Reports
- Episode Treatment Group (ETG) Analysis
- Member Reports
 - Medication compliance
 - Risk factors
 - Chronic conditions
 - Utilization predictors

Medica brings tools to health systems to help them manage the cost of care and improve quality



Clinical opportunity report

Chronic Condition Summary Report (continued)

- Evaluate patient disease population data — chronic condition counts
- Comparison to optimal populations

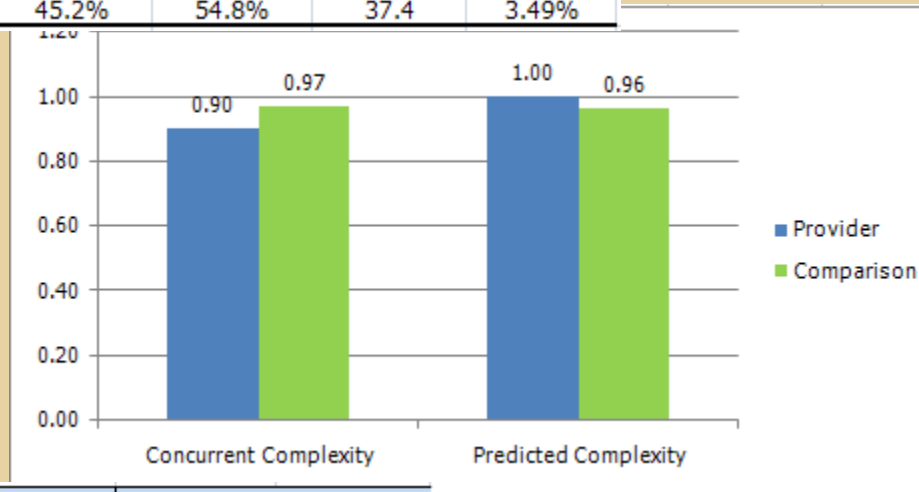
4 Tax IDs: Total Members by Condition			Optimal Provider
% Distribution	Count	% of Total	% Distribution
No chronic condition	17,151	30.2%	32.5%
Depression	7,680	13.5%	12.6%
Hypertension	8,004	14.1%	13.6%
Hyplip	7,456	13.1%	13.0%
Asthma	4,463	7.9%	8.1%
LBP	5,874	10.3%	10.0%
Arthritis	1,896	3.3%	3.0%
Diabetes	2,481	4.4%	4.1%
IHD	846	1.5%	1.3%
CHF	443	0.8%	0.8%
COPD	263	0.5%	0.6%
CRF	245	0.4%	0.4%
Total	56,802	100.0%	100.0%

Clinical opportunity report

Chronic Condition Summary Report (continued)

- Providers can compare their patient demographics, current and predicted risk and resource utilization bands against a comparison group

	# Patients	% Men	% Women	Average Age	% Frail
Provider	5,000	46.0%	54.0%	36.0	4.00%
Comparison	--	45.2%	54.8%	37.4	3.49%



RUB Description	Provider		Comparison	
	%	Average Allowed \$	%	Average Allowed \$
No Diag. Info	0.0%	\$0.00	0.0%	\$0.00
Healthy Users	14.0%	\$487.04	12.9%	\$503.05
Low Utilization	23.0%	\$1,185.95	21.9%	\$1,136.83
Moderate Utilization	51.0%	\$3,684.62	51.8%	\$3,742.73
High Utilization	9.0%	\$13,220.51	10.4%	\$13,396.67
Very High Utilization	3.0%	\$43,175.43	3.0%	\$41,830.39

Financial report

TCOC Tracking Report

- Used to track financial performance related to TCOC contract

Baseline Q2/2009									
July 1, 2008 - June 30, 2009 (paid through September 30, 2009)									
<u>Tax ID</u>	<u>Group</u>	<u>Allowed \$ PMPM</u>				<u>ACG Factor</u>	<u>ACG Adj PMPM</u>		
		<u>Inpatient</u>	<u>Outpatient</u>	<u>Physician</u>	<u>Pharmacy</u>	<u>Total Allowed</u>			
xxxxxxx	Provider	\$100.00	\$90.00	\$200.00	\$80.00	\$470.00	1.020	\$460.78	
Provider Total		\$100.00	\$90.00	\$200.00	\$80.00	\$470.00	1.020	\$460.78	
Metro*		\$80.00	\$90.00	\$150.00	\$80.00	\$400.00	1.000	\$400.00	

*Metro Excluding Provider

Measurement Year Q2/2010											
July 1, 2009 - June 30, 2010 (paid through Sept 30, 2010)											
<u>Tax ID</u>	<u>Group</u>	<u>Allowed \$ PMPM</u>				<u>ACG Factor</u>	<u>ACG Adj PMPM</u>	<u>Trend vs. Baseline</u>	<u>Difference</u>		
		<u>Inpatient</u>	<u>Outpatient</u>	<u>Physician</u>	<u>Pharmacy</u>	<u>Total Allowed</u>					
xxxxxxx	Provider	\$90.00	\$100.00	\$210.00	\$90.00	\$490.00	1.020	\$480.39			
Provider Total		\$90.00	\$100.00	\$210.00	\$90.00	\$490.00	1.020	\$480.39	4.26%		
Metro*		\$90.00	\$100.00	\$160.00	\$90.00	\$440.00	1.000	\$440.00	10.00%	(5.74%)	

*Metro Excluding Provider

Fairview Overview

- Not-for-profit established in 1906
- Academic Health System since 1997 partnership with University of MN
- Named a top 10 U.S. health system by Thomson Reuters (2009)
- 22,000+ employees
- 2,500 aligned physicians
 - Employed
 - Faculty
 - Independent
- 8 hospitals/medical centers (1,515 staffed beds)
- 42 primary care clinics
- 55-plus specialty clinics
- 26 senior housing locations
- 28 retail pharmacies



Vital Statistics

- 4.8 million outpatient encounters
- 80,314 inpatient admissions
- \$333.6 million community contributions
- Total assets of \$2.4 billion
- \$2.7 billion total revenue

It's All About Creating Enhanced Value for Those We Serve

- We are being asked to deliver greater *value*.
 - Improved clinical outcomes
 - Improved experience
 - Lower costs
- We are being asked to improve the health of defined populations.
- We are confident that our efforts to create enhanced value will be recognized by those who pay for care.

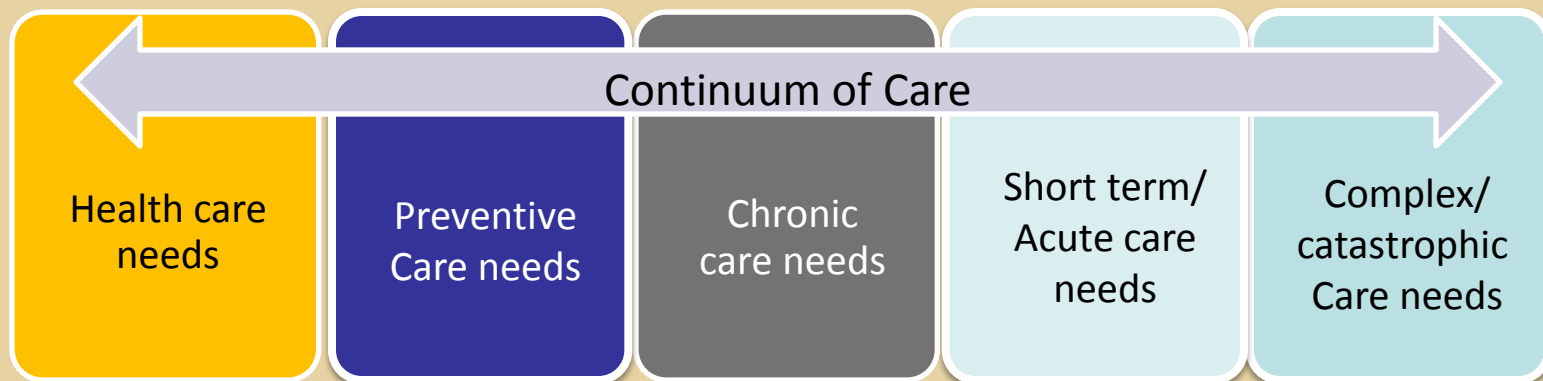
Medica/Fairview Relationship History

- Contract Periods
 - July 2006 – July 2008 – Fee for Service Contract
 - July 2008 – June 2009 Relationship Building Contract
 - July 2009 – June 2012 – Shared Risk Contract

Principles with Commercial Payers

- Shared commitment to create value
- Multi-year partnerships
- Focus on population health and engagement of patients/consumers
- Collaboration on and investment in new care models (primary and specialty) and defined payment models that recognize the value created
- “Real-time, ” transparent data and information to drive improvements
- Shared savings models where providers retain majority of the savings
- Creativity and innovation
- Better outcomes and reduced administrative costs
- New products to expand covered lives

Improving the Health of a Community, Requires a Commitment to the Entire Continuum of Care

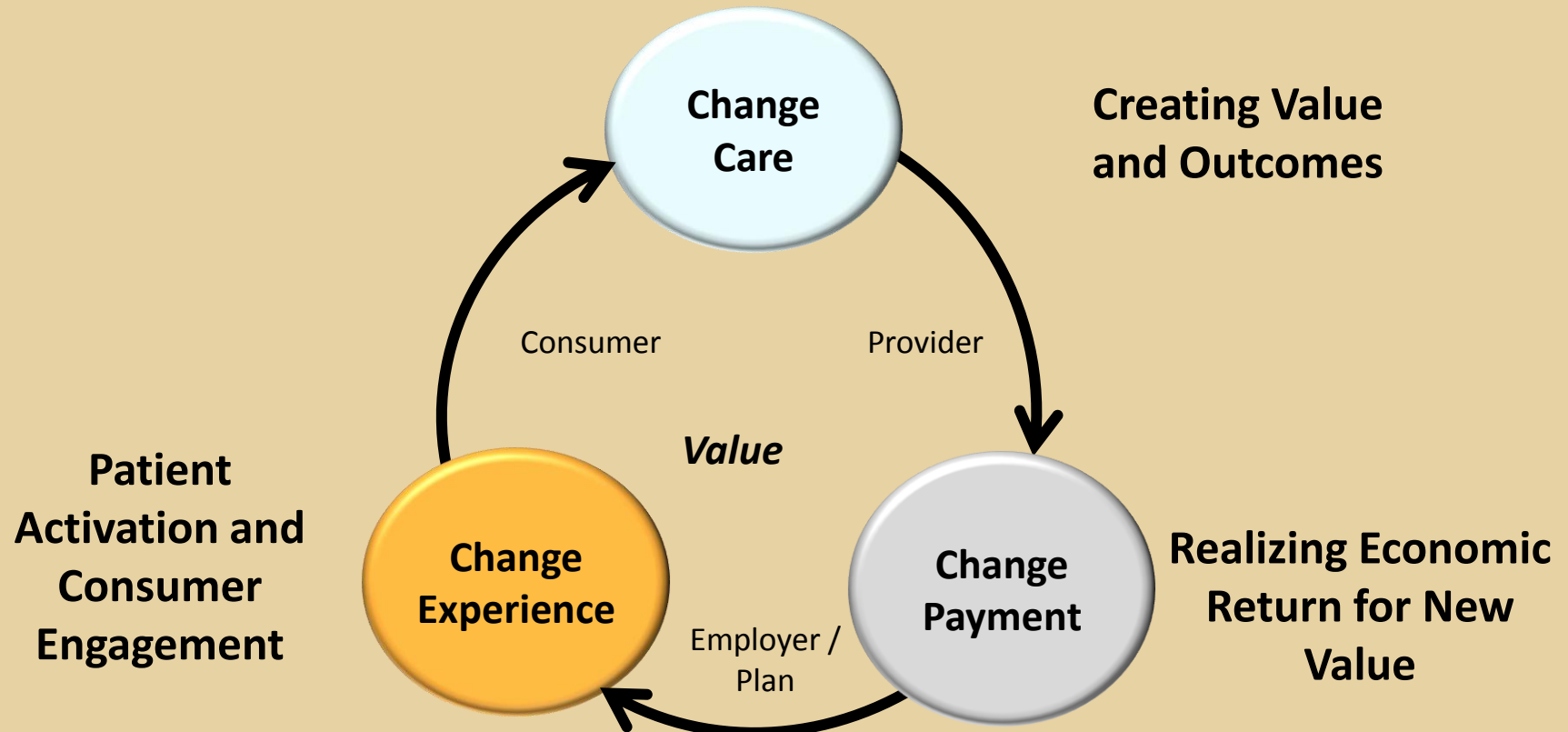


Current focus—Caring for the sick

Future focus—Improving health, well-being for a lifetime

“Helping people enjoy life by improving their health”

In 2009, We Began a Journey to Transform Health Care in Minnesota



Change *Care*: Clinic Team-Based Care

Fairview's Team Model

Scheduler

PCP

PCP

PCP

Medical
Assistant

Medical
Assistant

Medical
Assistant

Medical
Assistant

Nurse

Improved Care
Improved Experience
Reduced Cost

Empowered Clinical Teams:
Incentives, Data, Resources

Panel Management Focus

Pooled Resources/Shared Work/
Top Of Licensure

Foundational Standard Processes

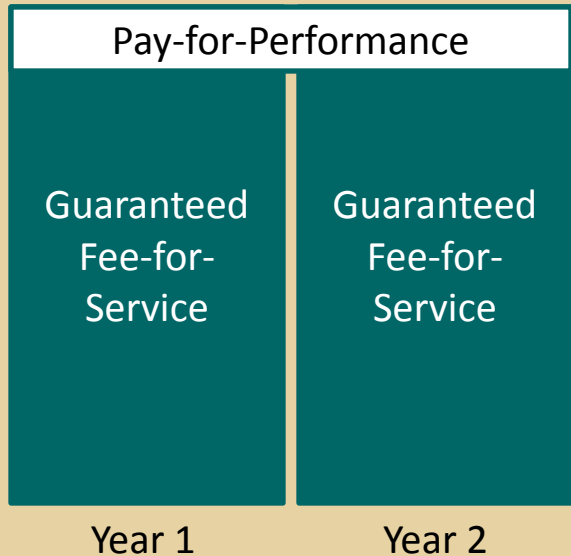
Change *Care*: Creating Care “Packages”

- Low back pain
- Diabetes
- Hyperlipidemia
- Hypertension
- Migraine
- Kidney disease

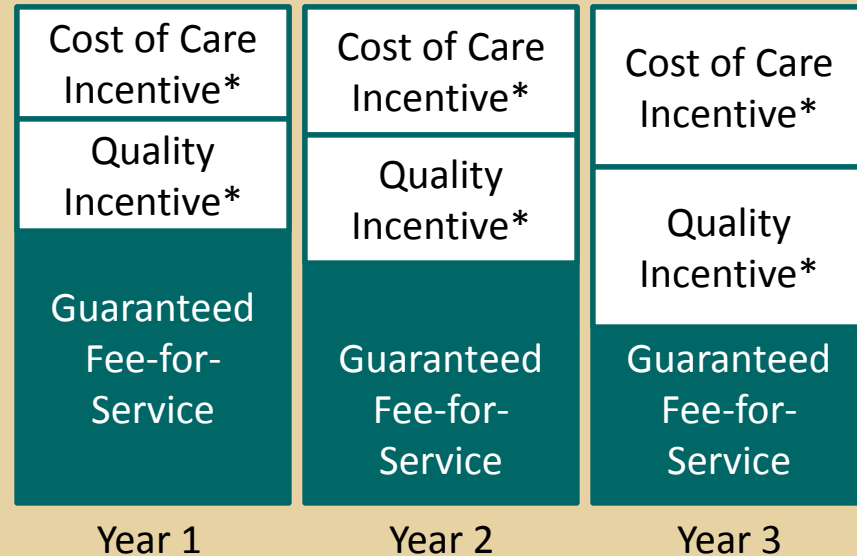
- Kidney transplant
- Adult asthma
- Coronary artery disease
- Adult preventive
- Prenatal care
- Total knee replacement

Change *Payment*: Creating Shared Savings Models With Health Plans

Historical Contract



New Contract



* Based on measurable improvements in quality and cost

Change Experience: Care Coordination

Proactive Patients

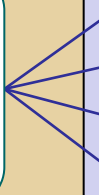
- High \$PMPM
- High Risk Score
- 5+ Conditions
- High IP Probability
- Past ED High-Use
- Past Readmission(s)



Care Coordinators work with PCPs to develop individualized care plans



Care Coordinators contact patients to begin proactive care management, including:



Proactive Activities

- Schedule bi-annual PCP visit(s)
- Initiate chronic care package
- Facilitate PharmD assessment
- Facilitate health-related transport

Reactive Patients

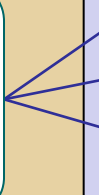
- Admission/Discharge
- ED Visit
- Readmission
- Physician Referral



Care Coordinators contact patients within 24-48 hours for assessment purposes



Care Coordinator identifies and addresses unmet patient needs, including:



Reactive Activities

- Schedule post-discharge PCP visit
- Facilitate Med Reconciliation
- Explain Urgent Care alternatives

Self-Managed

- Well Adult
- Single Condition

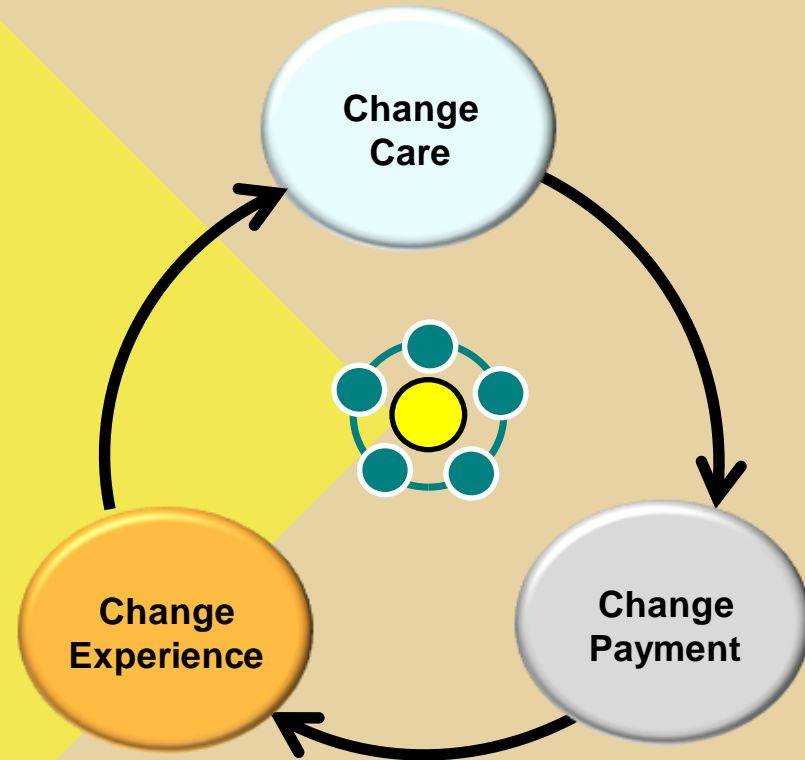
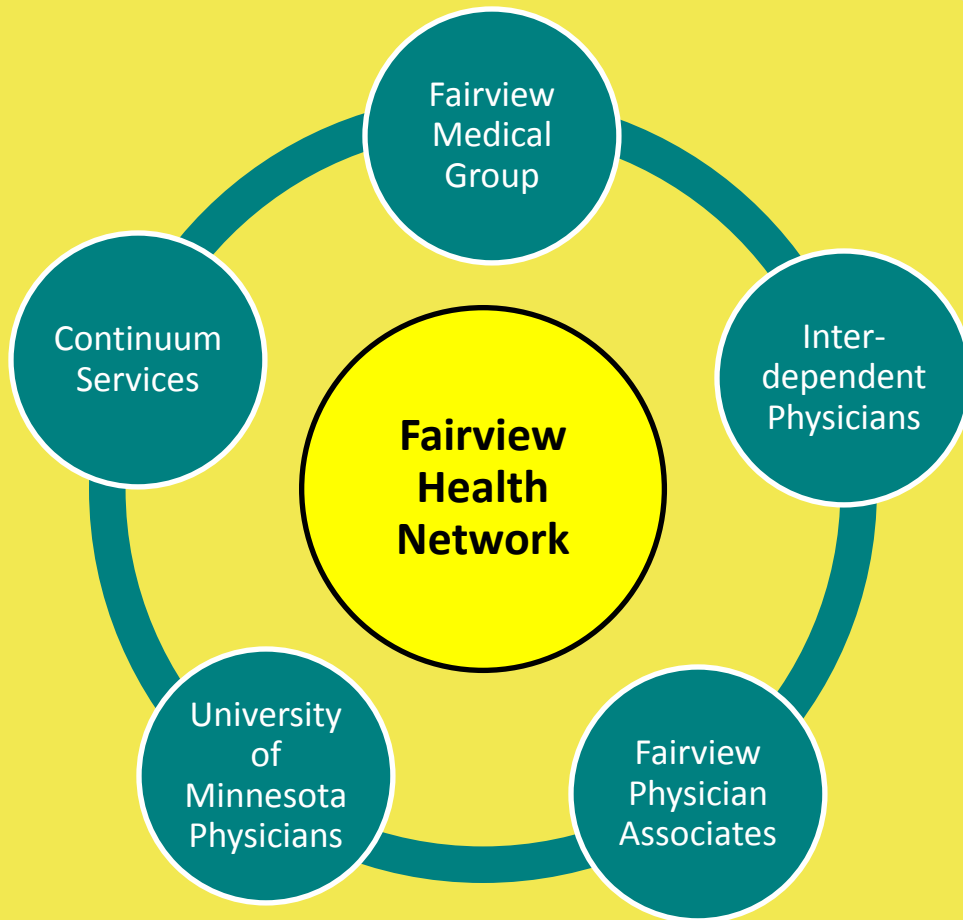


- ### Activities
- Attribution Initiative
 - Coding Initiative



- Educate on ACO and drive attribution through annual PCP visit
- Optimize risk scoring through coding audit and physician education

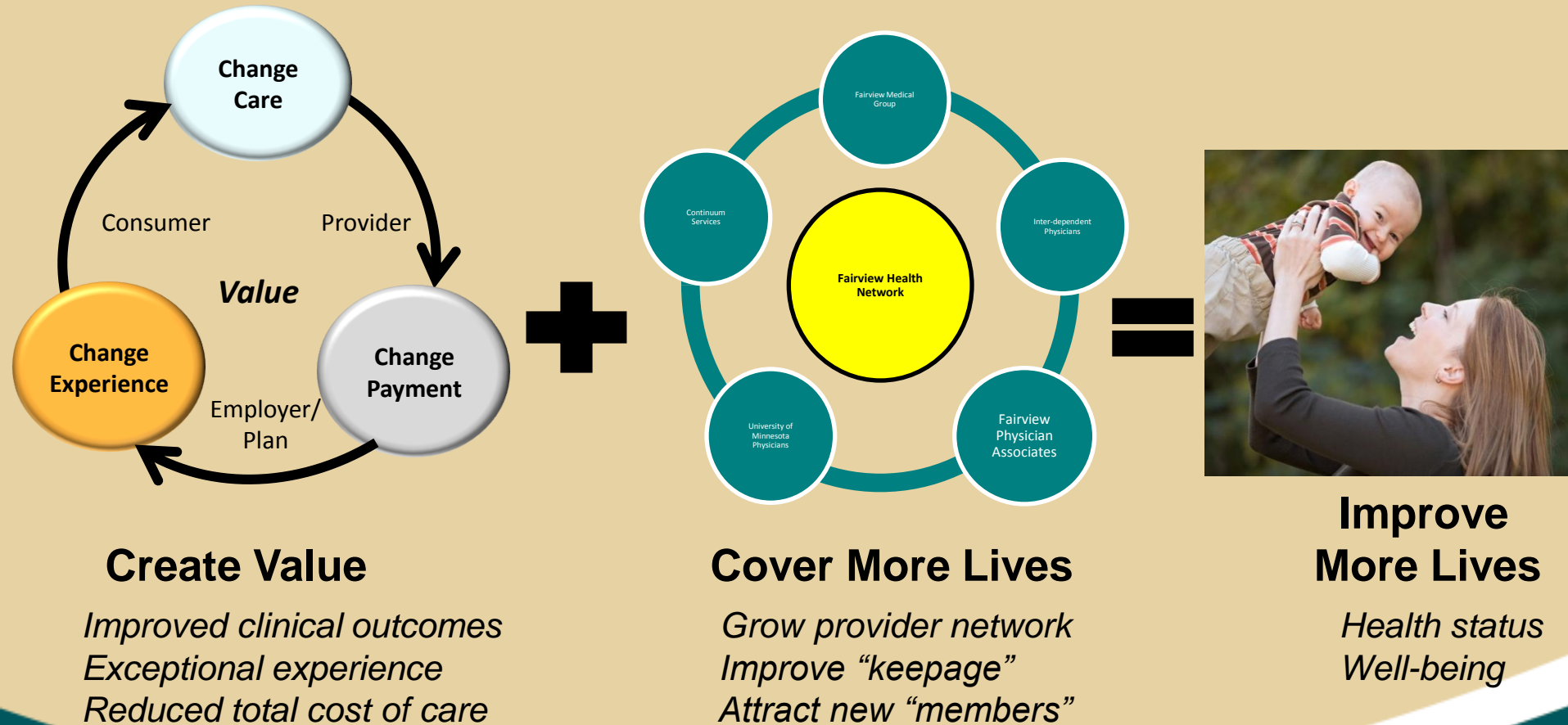
The “Network” Delivers Greater Value and Growth



Network Capabilities to Deliver Value

- Risk evaluation, stratification, coding
- Delivery and access
- Care coordination, management
- Admission management
- Coaching, education
- Analytics, reporting
- Economic and contract modeling

Creating Value & Serving More People Using Our Collective Capabilities and Capacity



Executive Summary: Critical Success Factors

- Transforming the culture to enable new business model
- Managing the transition—thriving in a fee for service model while transforming to value-based model
- Creating the capabilities and capacity to manage health and performance risk
- Engaging, aligning and integrating providers—primary care/specialists, community/academic, independent/employed
- Partnering with enlightened payers and employers
- Increasing network membership/covered lives