Trends Driving Service Delivery In The Next Normal

Meeting Dates: April 6th, 2022 1:00PM

April 12th, 2022 10:00AM

Agenda

- Trends Driving Health & Human Services Delivery In The "Next Normal"

- Service Delivery Needs, Opportunities & Challenges In The Next Normal

- Strategy Considerations For Health & Human Services Organizations

Learning Objectives

- Review the key trends driving the future health and human services delivery

- Understand the needs, opportunities, challenges and strategies of providing services in the "next normal" following the pandemic

- Identify the implications of these trends on organizational strategy

"Change is the only constant in life..."

Heraclitus, Greek philosopher

Trends Driving Health & Human Services Delivery In The "Next Normal"

What Is Driving The 'Lasting Impact' Of The Pandemic On The Health & Human Service Landscape?

Rising rate of "disability" in the U.S. – age, obesity, marginal diet, etc.

Customer preference for integrated care – medical, behavioral, social

Digital health adoption in Medicaid and Medicare populations

Increasing dominance of health plans in health care delivery system

"Backward integration" of health plans, increasing their owned service delivery capacity

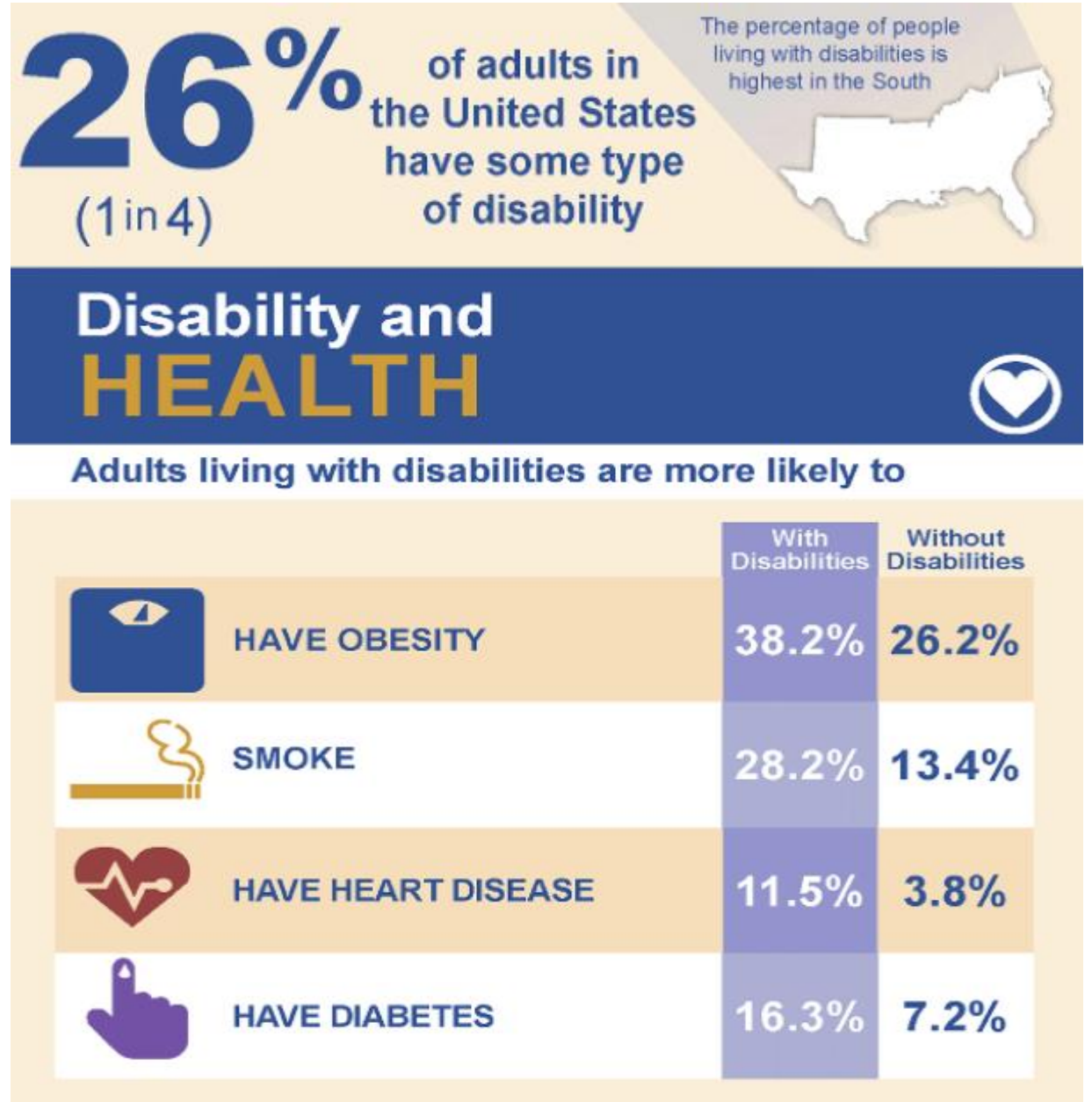Acceptance of and preference for virtual primary care

Outsized investment in new companies serving the "complex consumer" market

The creation of new digital behavioral health companies

Entrance of out-of-industry mega-companies in the health and human service space

Driver #1: Rising Rate Of 'Disability' In The U.S.

- 9% of under-65 population has a disability

- The effects of "long COVID" not yet understood

- Disability by diagnosis:

  - 33% Back pain/musculoskeletal pain

  - 19% Behavioral or cognitive disability

  - 10% Heart disease and stroke

26% of adults in the United States have some type of disability
(1 in 4)

The percentage of people living with disabilities is highest in the South

Disability and HEALTH

Adults living with disabilities are more likely to

		With Disabilities	Without Disabilities
	HAVE OBESITY	38.2%	26.2%
	SMOKE	28.2%	13.4%
	HAVE HEART DISEASE	11.5%	3.8%
	HAVE DIABETES	16.3%	7.2%

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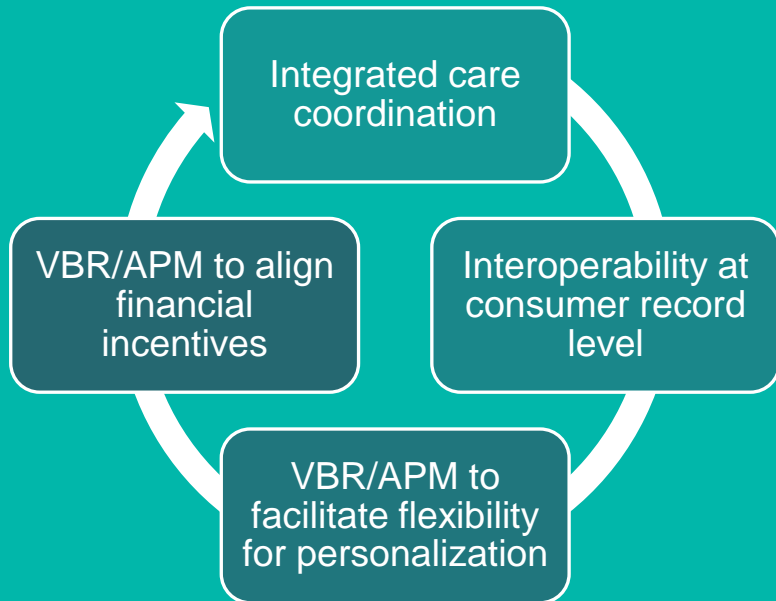|	With Disabilities	Without Disabilities
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The Implications?

- Larger proportion of spending on "disability supports"
- Population with "disability" getting more attention from payers and health plans
- Population with "disability" getting more financing from investors

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Driver #2: Preference For Integrated Care – Medical, Behavioral, Social – Driving Value-Based Reimbursement

- Integrated care coordination
- Interoperability at consumer record level
- VBR/APM to facilitate flexibility for personalization
- VBR/APM to align financial incentives

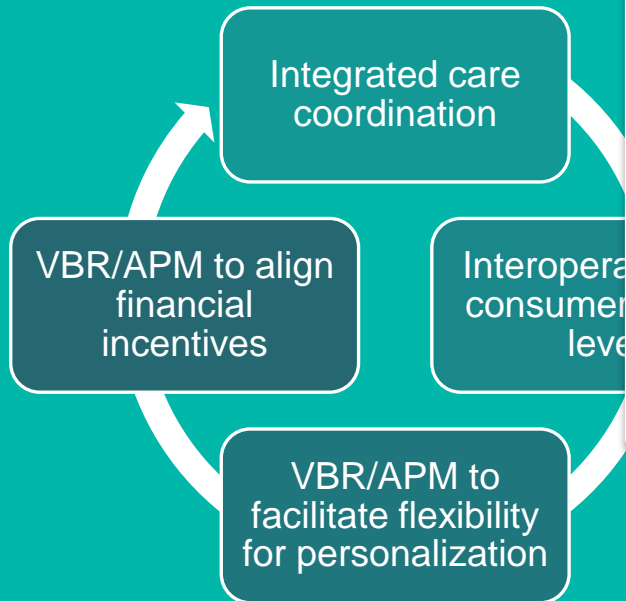Integrated models have demonstrated better consumer outcomes and lower total costs

FFS reimbursement does not permit maximum benefits of integrated care

VBR arrangements without downside financial risk have been found to not deliver "macro" cost savings

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[...]e been found to not deliver "macro" cost savings

- Integrated care coordination
- Interopera[...] consumer[...] leve[...]
- VBR/APM to facilitate flexibility for personalization
- VBR/APM to align financial incentives

The Implications?

- Less spending specific to "behavioral health"
- Traditional "behavioral health therapy" visits replaced by short-term behavioral interventions
- Less targeted case management – replaced by new models of coordinated care programs
- Behavioral health organization market positioning is limited

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Driver #3: Digital Health Adoption Is Not Just Commercial – In Medicaid & Medicare Populations

Medicare expanding virtual health options

Many state Medicaid plans keeping virtual care options allowed during pandemic

Medicaid and Medicare health plans are expanding their use of consumer treatment tools and digital first behavioral health provider organizations

1 in 4 Medicare patients used telehealth during peak of pandemic, with majority using only telephones

85% of Medicaid beneficiaries have a smartphone

"**90%** of Medicaid consumers can get all of their mental health and addiction treatment services on-line"

Driver #3: Digital Health Adoption — Not Just Commercial — In Medicaid & Medicare Population

Medicare

Many state Medicaid keeping virtual options allowed pandemic

are expanding s and digital izations

ealth ty

Medicaid consumers of their mental addiction treatment services on-line"

smartphone

The Implications?

- Proportion of service delivered in-clinic face-to-face decreasing in favor of virtual services
- Competition for Medicaid and Medicare market share extends beyond traditional "service areas"
- Medicaid and Medicare market share more susceptible to new digital first investor-owned companies
- Advantage goes to the provider organizations with a seamless suite of tech-enabled services – virtual, text, remote monitoring, etc.

Driver #4: Increasing Dominance Of Health Plans In Health Care Delivery System

- **Medicaid:** 72% enrolled in health plans
- **Medicare:** 38% enrolled in heatlh plans
- **Commercial:** 99% enrolled in heatlh plans

Market Share Of Largest Health Insurance Companies

Company	Market Share
Anthem	11%
Centene	10%
UnitedHealth	9%
Humana	8%
HCSC	6%
CVS Health	5%
MCNA Health Care	3%
Cigna	2%
Molina Healthcare	2%
Kaiser Permanente	2%
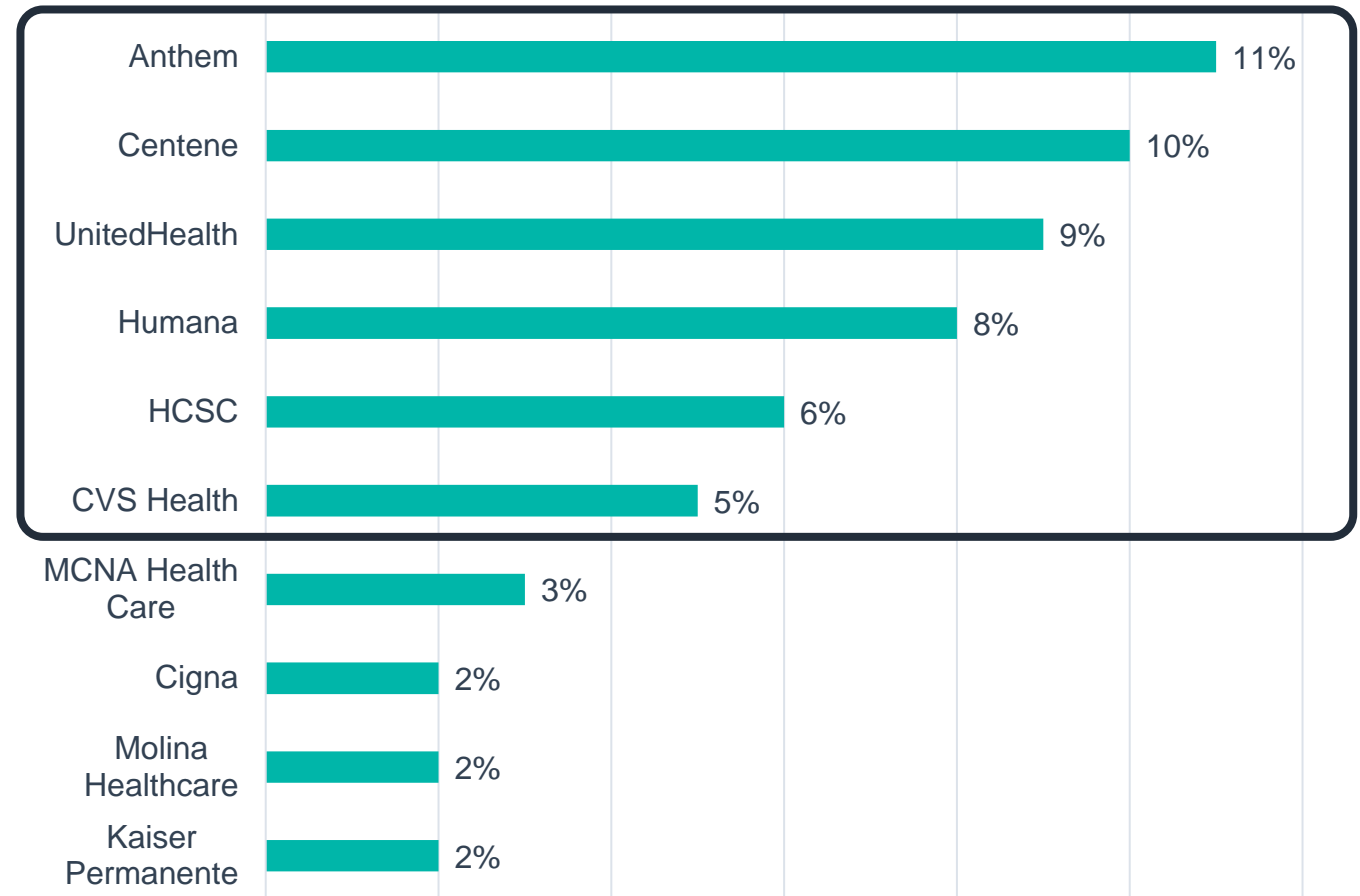
# Market Share Of Largest Health Insurance Companies

Driver #4: Increasing Dominance Of He[alth] Plans In Health C[are] Delivery System

- **Medicaid:** 72% enrolled in h[...]
- **Medicare:** 38% enrolled in [...]
- **Commercial:** 99% enrolled [...] plans

The Implications?

- Health plans increasingly control budget decisions – criteria for network membership, "preferred status," clinical criteria
- Narrow networks increasingly acceptable
- End of "any willing provider"

11%

10%

9%

8%

6%

5%

Cigna 2%

Molina Healthcare 2%

Kaiser Permanente 2%
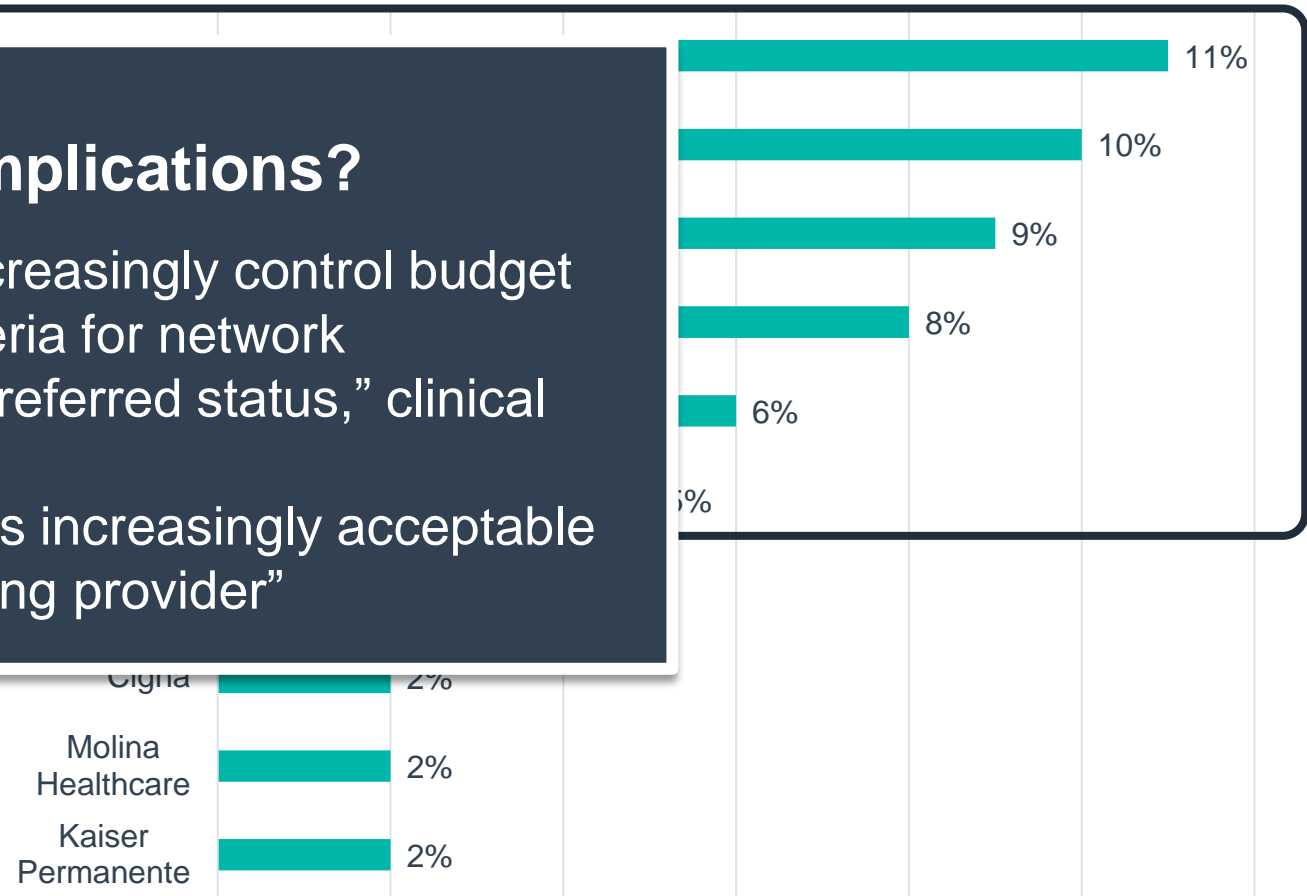
The Accelerated Move Away From Fee-For-Service

- The Medicare transformation
- Medicaid VBR requirements
- Employers embrace high-performance networks
- The "hybrid" advantage in risk contracts
- The shifting definitions of "value"

Humana

Humana to offer Primary Care First model across 48 states

OPTUM

Optum and Merck Collaborate to Advance Value-Based Contracting of Pharmaceuticals

In the last three years, the amount of UnitedHealthcare's care-provider reimbursements tied to value-based care programs has nearly tripled to $64 billion annually. By the close of 2020, that

Aetna and PA Clinical Network agree to value-based contract to provide high-quality care, expanded provider network

aetna

AmeriHealth

AmeriHealth Caritas Louisiana Selected To Participate in Primary Care First

The Accelerated Move Away From Fee-For-Service

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The Implications?

- Specialty provider organizations risk displacement in 'preferred' network agreements by primary care organizations
- The ability to address social support needs (and/or provide social supports) is a differentiating factor for some behavioral health organizations
- Provider organization competition for market share will be around ability to accept financial risk
- More risk-based contracts will shrink the provider network and increase the importance of financial strength

Driver #5: 'Backward Integration' Of Health Plans, Increasing Their Owned Service Delivery Capacity

Health Plans

↓ ↓ ↓

Payvider Positioning

Backward integration with health plans owning service delivery system – and hiring clinical professionals to provide direct services

CVS Health.

New Aetna Health Plan Leverages CVS HealthHUBs, Narrow Networks

Optum expects to add 10,000 physicians this year

Optum in talks to acquire 715-physician group Massachusetts

UnitedHealth's Optum Reportedly Strikes Deal for Landmark Health

OPTUM®

Cigna health services arm Evernorth completes buy of telehealth vendor MDLive

Humana acquires Onehome to pursue value-based home health strategy

Humana.

Humana's primary care subsidiary to open 100 centers for seniors by 2023

BCBS of Michigan partnering with provider on 6 primary care clinics

Blue Cross Blue Shield of Michigan

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New Aetna Health Plan Leverages CVS HealthHUBs, Narrow Networks

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...es buy of telehealth vendor MDLive

...ue-based home health strategy

...rimary care subsidiary to open ...for seniors by 2023

The Implications?

- Many behavioral health services likely to be provided by health plan-owned subsidiaries (AbleTo owned by Optum, MDLive and Breakthrough Mental Health owned by Cigna, etc.)
- Health plan increasingly "own" primary care capacity
- Care coordination models will change role of "targeted case management"

BCBS of Michigan partnering with provider on 6 primary care clinics

Blue Cross Blue Shield of Michigan

Driver #6: Acceptance Of & Growing Preference For Virtual Primary Care

UnitedHealthcare launches new virtual primary care offering in 11 states

United Healthcare

UnitedHealth launches employer virtual primary care service

PREMERA | BLUE CROSS

Premera Blue Cross launches its first virtual primary care health plan

Texas Virtual Primary Care HMO Created By Community Health Choice & Doctor On Demand

UPMC launches new virtual primary care model

UPMC LIFE CHANGING MEDICINE

Recuro Health Acquires SupDoc: Expands Digital Care Platform, Enhances Virtual Primary Care and Behavioral Health Solutions

Accolade plans to acquire virtual primary care provider PlushCare in a $450M stock and cash deal

Truepill

Truepill Launches Virtual Primary Care Offering

Aetna launching nationwide virtual primary care solution

UnitedHealthcare launches new virtual primary care offering in 11 states

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Driver #6: Acceptance O... Growing Prefe... For Virtual Pri... Care

The Implications?

- Eliminates "place" as a criteria for service
- Moves service delivery to tech-enabled consumer assessment tools
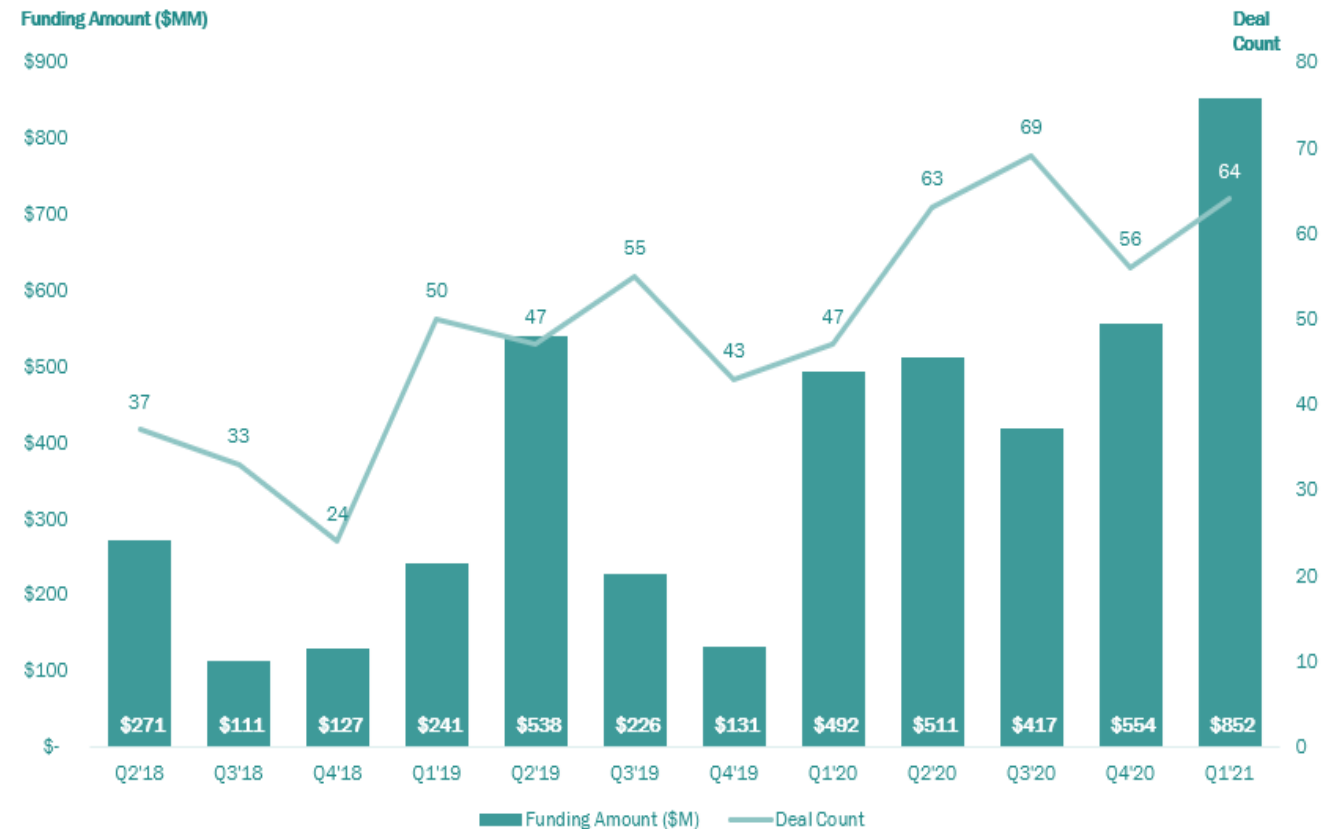- Referrals to behavioral health will be dependent on relationships and/or marketing to virtual primary care organizations

Driver #7: Outsized Investment In New Companies Serving The 'Complex Consumer' Market

Majority of behavioral health funding went to three types of solutions:

- Digital treatment
- Digital therapeutics
- Non-clinical behavioral health "adjacent" apps

Quarterly Global Mental Health Investment & Deal Count, Q218 – Q121

Funding Amount ($MM)

Quarter	Funding Amount ($M)	Deal Count
Q2'18	$271	37
Q3'18	$111	33
Q4'18	$127	24
Q1'19	$241	50
Q2'19	$538	47
Q3'19	$226	55
Q4'19	$131	43
Q1'20	$492	47
Q2'20	$511	63
Q3'20	$417	69
Q4'20	$554	56
Q1'21	$852	64

$852 billion invested in behavioral health programs in 1Q

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Driver #7: Outsized Investment In New Companies Serving The 'Complex Consumer' Market

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Funding Amount ($MM)

Deal Count

Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
$492	$511	$417	$554	$852

Funding Amount ($M) — Deal Count

The Implications?

- The rise of competitive organizations with fewer constraints on investments for growth
- Focus on revenue and market share – not margins
- Market positioning of emerging organizations focused on performance metrics and cost
- Payer and health plan confusion about capabilities
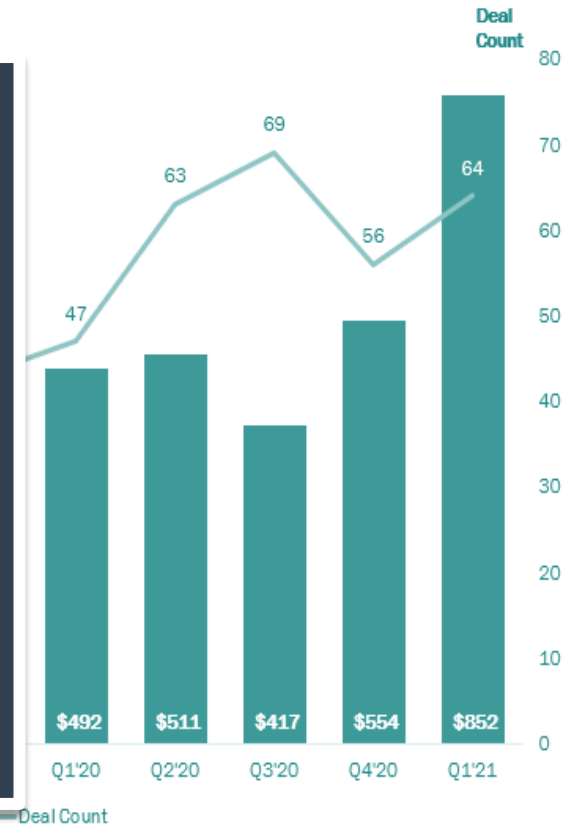
$852 billion invested in behavioral health programs in 1Q

Driver #8: The Creation Of New 'Digital First' Behavioral Health Companies

Driver #8: The Creation Of New 'Digital First' Behavioral Health Companies

The Implications?

- Appeal to both health plans and consumers is "on demand" services
- Erosion of non-SMI market share likely among provider organizations with on-site services
- Competition for workforce – and distortion of the clinical professional labor market – among these organizations
- Extension of digital models into SMI and complex consumer market happening

Driver #9: Entrance Of Out-Of-Industry Mega-Companies In The Health & Human Service Space

Amazon Launches Amazon Pharmacy for Medications

Amazon opens 4 more primary care [clinics] with Crossover Health

Amazon's telehealth arm quietly expands to 21 more states

Amazon Alexa Virtual Assistant Now Supporting HIPAA-Compliant Services

amazon

Amazon has signed up multiple companies to its telehealth service

Amazon Acquires Health Navigator For Pilot Employee Health Care Program, Amazon Care

♥CVS Health®

CVS Health Boosts Chronic Disease Management Access at HealthHUBs

CVS HealthHUBs To Pilot Behavioral Health Services In 34 Locations

Walmart Health executives announced that by the end of 2021, the company planned to have at least 22 in-person clinics across Arkansas, Florida, Georgia, and Illinois

Oak Street Health To Open Primary Care Clinics At Three Walmart Stores In Dallas-Fort Worth Area

Walmart Save money. Live better.

Walmart Health Opens Two Primary Care Clinics at Retail Supercenters in Chicago with Plans to Open Seven Florida Locati[ons in 2021]

Walmart Health files plans to expand virtual care into 16 more states

Amazon Launches Amazon Pharmacy for Medications

Amazon Alexa Virtual Ass

...th arm quietly expands to 21 more

amazon

n Acquires Health Navigator For nployee Health Care Program, n Care

The Implications?

- CVS – Bought Minute Clinics and converting them to HealthHubs – some locations adding behavioral health, chronic disease management, and infusion/dialysis services
- Walmart – Adding healthcare suite to their retail centers – virtual care, pharmacy, eyeglasses, health clinics, behavioral health services
- Amazon – purchased care coordination, mail order pharmacy, and virtual care companies; Alexa HIPAA compliant, opening first on-site health clinics; adding home care services

Services In 34 Locations

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amazon

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The Footprint?

15,320 new health service locations

- CVS – 9,967 locations
- Walmart – 4,743 locations
- Amazon – 610 locations (110 warehouse locations and 500 Whole Foods locations)

Services In 34 Locations

...linics At Three Walmart Stores In Dallas-Fort

Walmart Health executives a... 2021, the company planned ... clinics across Arkansas, Florida, Georgia, and Illinois

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Service Delivery Needs, Opportunities & Challenges In The Next Normal

What We Know About The 'Next Normal' Landscape

1. **"Integrated" care coordination models preferred**
2. **Virtual therapies become the norm and 'hybrid' models become dominant**
   - What can be done by telehealth or by new technologies? What needs to be done "face to face"? In clinic? In home?
   - The rise of hybrid service bundles
   - Home-based/virtual primary care model
3. **Facility-based services transition to 'hybrid' and bundled**
   - Home-based/virtual addiction treatment
   - Home-based/virtual long-term care
   - Hospital at home and SNF at home
4. **New competition from existing (and new) health and human service organizations – both traditional and virtual**
5. **New competition with health plans as "payviders"**
6. **Price sensitivity + risk-based reimbursement**

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The Result Of These Market Changes?

1. Many traditional services have declining demand

2. Many traditional services have declining price points

3. New consumer and health plan service expectations

4. Changing reimbursement with declining price points and service bundling

5. New technology investments may be required to remain competitive

For Provider Organizations, The Opportunities Are Many…

But Require New Business Models

1. Programs to manage the care of consumers with complex needs – integrated "whole person" care coordination (medical, behavioral, social), risk-based, leverage new technologies

2. Primary care services for consumers with complex needs

3. Home-based services

4. Targeted social supports programs

5. "In lieu of" services offering alternatives to traditional residential and inpatient care

Advantage goes to any organization with "better" performance and cost data….

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Strategy Considerations For Health & Human Services Organizations

Framework For Post-Pandemic Sustainability

Market Drivers

- Rising rate of "disability" in the U.S.
- Health plan dominance
- Customer preference for integrated care
- Health plans increasing owned service delivery capacity
- New digital behavioral health companies
- Outsized market investments
- Out-of-industry mega-competitors
- Virtual primary care acceptance
- Digital health adoption in Medicaid and Medicare populations

Business Opportunities

- Integrated "whole person" care coordination
- Primary care for complex consumers
- Home-based services
- Targeted social supports programs
- "In lieu of" services

Resilience

- Market intel
- Performance data
- Market-responsive strategy, portfolio, processes
- Diversified revenue
- Financial stability
- Collaborative culture

Efficiency

- Metrics-driven
- Productivity-focused
- Tech optimization
- Process controls
- Specialization and top of skillset work
- Growth for economies of scale

Building The Sustainable Organization For The "Next Normal"

Efficiency

- Metrics driven
- Productivity focused
- Leverage and optimization of technology
- Strong process controls for quality and replicability
- Specialization and "top of skillset" work
- Growth for economies of scale

Resilience

- Ongoing market intelligence on customers and competitors
- Real-time internal performance data
- Market responsive, nimble strategy/portfolio and processes
- Diversified revenue stream
- Financial stability and cash reserves
- Collaborative culture across management silos

Ten Best Practices For Organizational Sustainability

1. **Data-driven decision making** – Metrics-based management to facilitate prompt data-driven decision making across the organization

2. **Sustainability-focused strategic planning** with market analysis, portfolio analysis, and scenario analysis

3. **Marketing framework** – market positioning, revenue/business development, stakeholder communication, pricing

4. Standardized innovation and **service line development process**

5. **Customer-focused service delivery design** and management

6. **Infrastructure for hybrid service delivery** in integrated systems – and other new business models

7. **Infrastructure to support working with health plans** – managed care, value-based reimbursement, risk sharing

8. **Workforce optimization strategy** and practices

9. Standardized processes for **technology strategy,** prioritization, selection, implementation, and optimization

10. Monitoring and **improvement of organizational financial strength**

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