

# How Will the Future World of Healthcare Impact Providers & Payers?

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## Today's Talk Will Focus On:

- Using Health Economics as a Framework to Better Understand the Future World of Healthcare and Its Impact on Providers & Payers
  - The Future World of Healthcare: Reversing the High Healthcare Cost Formula
  - What will be the Impact on Providers & Payers?
  - The Keys to Success in the Future World of Healthcare
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# Using Health Economics as a Framework to Better Understand the Future World of Healthcare and Its Impact on Providers & Payers

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During today's presentation, think about how you and your organization can be a **"Winner"** in this **"Future World of Healthcare"**

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# Using Health Economics as a Framework to Better Understand the Future World of Healthcare and Its Impact on Providers & Payers

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## What has driven high healthcare costs?

### The inter-related impact of:

- + **Self-interest** (non-value-driven payment methodologies)
- + **Asymmetric information** (information in-balance)
- + **Moral hazard** (insulating consumers – financial/lifestyle)
- + **Passive purchasers of healthcare services** (employers, gov't, consumers, MCOs)

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= High healthcare costs

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□ Payers' **Opportunity Costs** will require reversing the above high healthcare cost formula

# The Future World of Healthcare: Reversing the High Healthcare Cost Formula

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- **Self-interest** (The transition from non-value-driven payment methodologies to payment methodologies that are based on **Risks & Rewards**)
    1. Bundled payments
    2. Episode payments
    3. Global payments
    4. Capitation
    5. Valued-based
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# How will these new risk/value-based payment methodologies impact providers?

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## Providers

1. Increased role for primary care (medical home)
  2. Accountable Care Organizations (risk contracts)
  3. Breaking down the silos
  4. Make vs. Buy decisions (strategic partnerships)
  5. Increased demand for malpractice reform
  6. Increased demand for patient compliance
  7. Provider-based health insurance
  8. Winners & losers
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# How will these new risk/value-based payment methodologies impact payers?

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## Payers

1. Piggybacking off of Medicare (800 lb. gorilla)
  2. Provider collaboration & connectivity critical to success
  3. Success in marketplace dependent upon the ability to implement risk/reward-based payment methodologies
  4. Important to choose the right partners
  5. Medical-loss ratio (less admin expense > profitability?)
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# The Future World of Healthcare: Reversing the High Healthcare Cost Formula

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- **Asymmetric information** (The transition from a world of information in-balance to one of cost & quality transparency):
    1. User-friendly cost/quality information that empowers consumers.
    2. Employers (especially self-insured employers) designing health benefits that are driven by cost and quality data.
    3. Public entities' publishing cost/quality information as well as sub-contracting with MCOs (to advert political fall-out due to direct involvement).
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# How will transparency impact providers & payers?

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## Providers

1. Increased competition on the outpatient side
2. Disrupters entering the market
3. Site-neutral payments (outpatient, etc.)
4. Centers of excellence
5. Niche healthcare services

## Payers

1. MCOs disseminating cost & quality information.
  2. Some payers transitioning to providers of care
  3. Providing data mining services for employers
  4. Creative benefit designs and network configurations
  5. Important to choose the right provider partners
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# The Future World of Healthcare: Reversing the High Healthcare Cost Formula

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- **Moral Hazard (financial):** The transition from a system that insulates consumers from financial accountability to one that “incent” them to be prudent purchasers of healthcare services.

1. Consumer Directed Health Plans
  2. Tiered Provider Panels
  3. Reference Pricing
  4. Increased use of third-party sources of information relating to cost, quality, diagnosis, cure, etc.
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# How will consumers' enhanced financial accountability impact providers & payers?

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## Providers

1. Increased demand for cost & quality info
2. Enhanced importance of quantifying the "quality difference"
3. Aggressive palliative care vs. intensive care
4. Consumer bad debt issues (provider cash flow)
5. The demand for "connectivity" between all healthcare providers to facilitate "shopping"

## Payers

1. Increased demand for user-friendly cost & quality info
  2. Developing narrow provider networks & collaborations
  3. Increased demand for creative products
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# The Future World of Healthcare: Reversing the High Healthcare Cost Formula

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- **Moral Hazard (lifestyle/compliance):** The transition from a system that insulates consumers from lifestyle accountability to one that “incent” them to take ownership over their personal and families’ health.
    1. Benefit designs that “incent” healthier lifestyles
    2. Employer hiring practices (smokers)
    3. Employer programs focused on wellness
    4. Patients “incented” to be more compliant
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# How will consumers' enhanced lifestyle accountability impact providers & payers?

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## Providers

1. Engaging patients in their own care
2. Enhanced business opportunities focused on wellness & prevention (employers, public, etc.)
3. Potentially a more compliant patient

## Payers

1. Engaging patients in their own care
  2. Enhanced business opportunities focused on wellness & prevention (employers, public, etc.)
  3. Creative benefit designs that incent better lifestyles
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# The Future World of Healthcare: Reversing the High Healthcare Cost Formula

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- **Passive purchasers of healthcare services** (employers, gov't, consumers, MCOs). The transition from **Passive Purchasers** of healthcare services to **Active Purchasers**:
    1. Consumers with “skin” in the game (CDHP)
    2. Exchanges(Public, SHOP, Private, Medicare?)
    3. Self-insured employers
    4. Active Purchasing benefit designs: (value based/reference pricing, tiered networks, etc.)
    5. Payers implementing risk & value-based reimbursement methodologies vs. fee for service
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# How will active purchasers of healthcare services impact providers?

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## Providers

- ❑ Increased **demand** for cost & quality information
  - ❑ User-friendly information combined with the financially engaged consumer and payer sets the stage for **value-driven competition (winners & losers)**
  - ❑ Major competition in the outpatient arena
  - ❑ Narrow provider networks
  - ❑ Health systems contracting with employers
  - ❑ For-profits compete and collaborate with providers
  - ❑ Make vs. buy decision (strategic partnerships)
  - ❑ Increased demand for patient home-based care
  - ❑ Increased role for primary care (medical home)
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# How will active purchasers of healthcare services impact payers?

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## Payers

- ❑ Enhanced facilitation role (**transparency**)
- ❑ Ability to respond to the **cost & quality demands of the market (winners & losers)**
- ❑ Ability to implement risk and value-based payments
- ❑ Provider collaboration
- ❑ Narrow provider networks
- ❑ Increased use of vouchers on private exchanges
- ❑ Increases the importance of being a “player” on the Exchanges (Public and Private)
- ❑ Enhanced data mining
- ❑ The return of the HMOs (provider – MCO)
- ❑ ~~Increased role for primary care (medical home)~~
- ❑ Entering international marketplaces (rising middle class)

# The Keys to Success in the Future World of Healthcare

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- ❑ Will you and your organization be a Winner or a Loser in this new world of healthcare?
  - ❑ A Loser holds on to the past and denies the realities of the future
  - ❑ A Winner not only recognizes this future value-based world, but embraces it
  - ❑ A Winner is both strategic & nimble.
  - ❑ A Winner creates **a culture based on value, innovation and the customer**
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# Conclusion

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**BE A Winner!!!**

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# Baldwin Wallace University

## Health Care MBA program

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- ❑ Oldest Health Care MBA in Ohio
  - ❑ Healthcare in all 14 courses not just a track
  - ❑ Two year cohort program
  - ❑ Every other weekend, summers off
  - ❑ All students work in the diverse sectors of healthcare including providers & payers
  - ❑ Real world, applied approach to learning
  - ❑ Strong alumni network
  - ❑ Two locations (east & west)
  - ❑ Any interest, contact Tom Campanella  
([tcamp@bw.edu](mailto:tcamp@bw.edu)) or cell phone (440-241-0448)
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