



DELIVERING **VALUE** SERIES

Employers as Health Care Change Agents: The Time Is Now

November 2, 2022

Today's Agenda

- **Welcome & Opening Remarks**
 - *Jeffrey Kluever, BHCG Executive Director*
- **BHCG C-Suite Perspective**
 - *Todd Smasal, Vice President - Total Rewards and Talent, Northwestern Mutual*
- **Employers as Disruptors: Strategic Investor Perspective**
 - *Rivka Friedman, Head of Healthcare Innovation, Morgan Health*
- **Alignment & Accountability: Provider Community Perspective**
 - *Lisa Bielasowicz, Co-Founder and CEO, Gist Healthcare*
- **How to Prepare for the New World: Wisconsin Health System Perspective**
 - *Bernie Sherry, CEO, Ascension Wisconsin*
- **BHCG/Centivo Model: A Win/Win/Win for Providers, Employers and Employees**
 - *Dave Osterndorf, BHCG Strategic Consultant & Chief Actuary, Centivo*
- **Panel Discussion/Q & A**
- **Closing Comments**



Welcome

Jeffrey Kluever

Executive Director

Business Health Care Group

Employers as Health Care Change Agents: The Time Is Now

November 2022

Morgan Health: Vision & Objectives

Improve the **quality, affordability, and equity** of employer-sponsored healthcare to promote a healthier and more equitable society

...for JPMC employees:



Reduce avoidable utilization



Improve care of diabetes and cardiovascular disease



Reduce percentage of employees citing financial concerns



Decrease disease prevalence across race, income, geography

...in the employer market:



Increase lives covered by accountable care

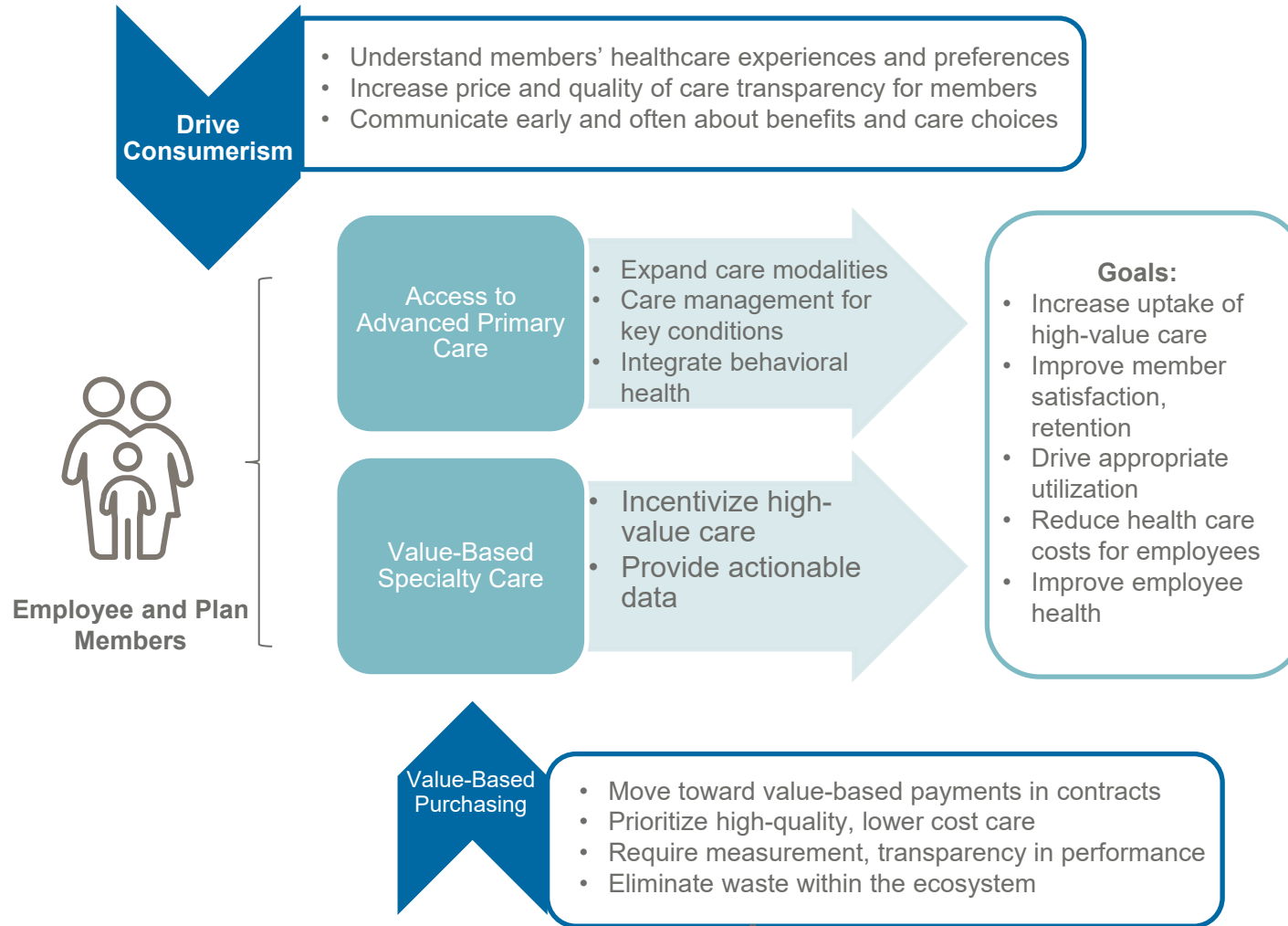


Return on capital from Morgan Health investments

J.P.Morgan

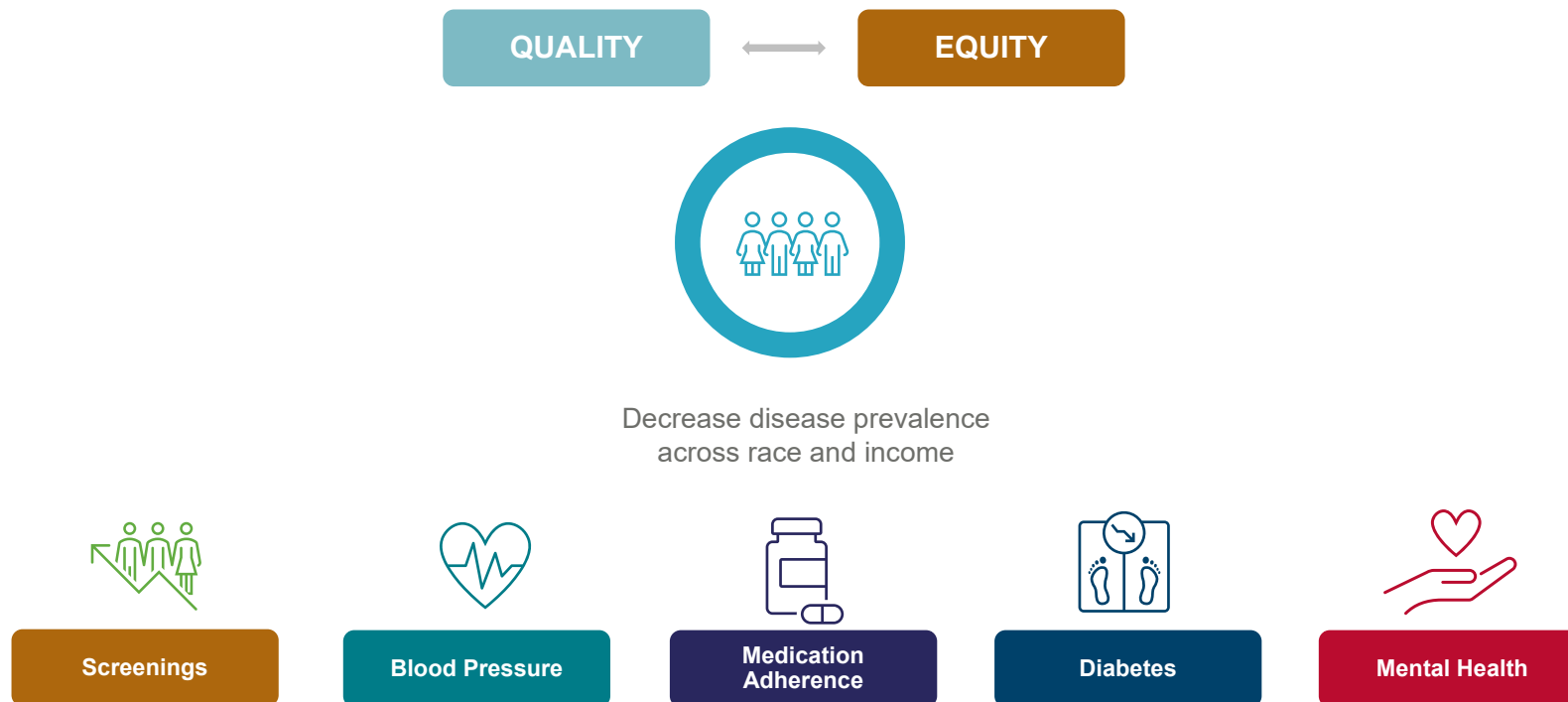
Employer Role in the Accountable Care Ecosystem

Employers' role in improving the value of health care services delivered to their employees and families



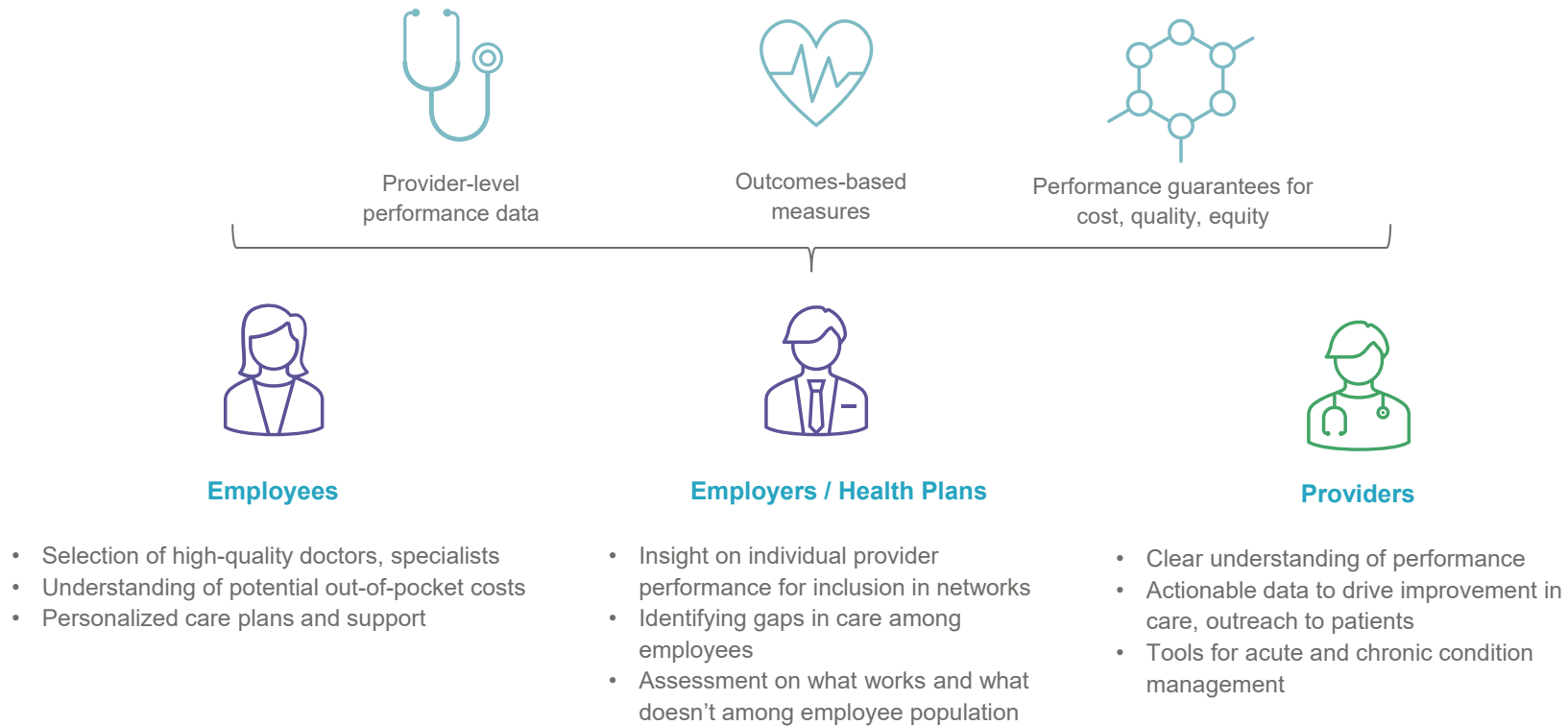
Measuring Quality and Equity across Key Conditions

Aligning performance measures to advance health equity,
address gaps in care



Data and Tools Power Employer Activism and Employee Consumerism

Evolution of data tools and insights support enhanced care navigation, quality improvement





Lisa Bielamowicz, MD
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BHCG-JP Morgan Symposium—November 2, 2022

CONFRONTING A NEW ECONOMIC REALITY

What Has Changed and How
Healthcare Must Adapt

Postcard from Our Past

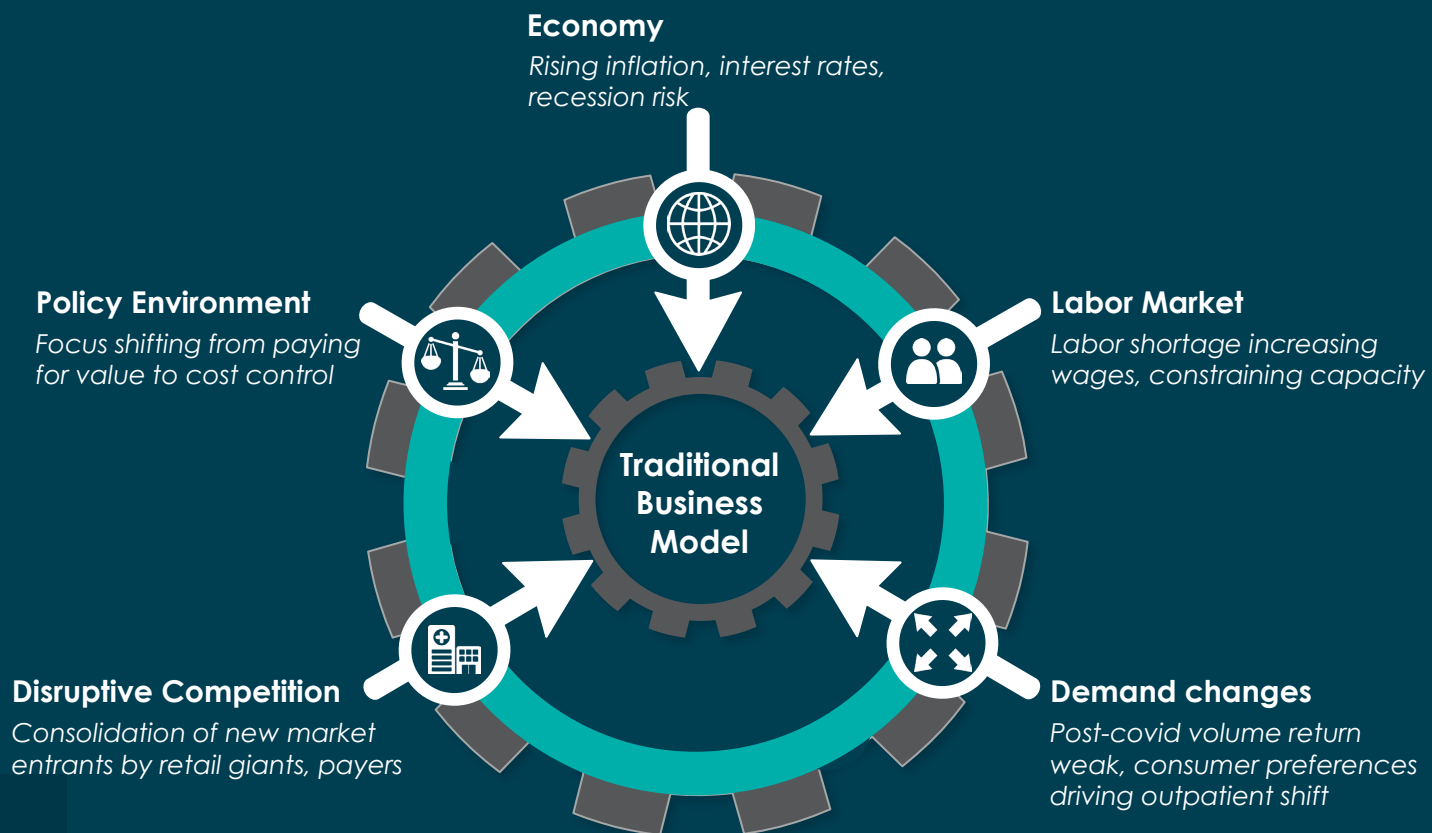
The Health System Strategic Agenda, Circa 2012



- 1 Transition to value-based care**
Pursue Medicare ACO programs; private payers and large employers will follow Medicare's lead to financially reward providers for value
- 2 Avoid adding more hospital beds**
Since "every hospital admission is a failure" as we move to value, we won't need more inpatient capacity
- 3 Create an integrated multispecialty medical group (and a CIN too)**
Build a high-performing medical group to "lock in" physicians and high-margin referrals; double down on PCPs to manage risk
- 4 Plan for defined contribution health benefits**
Prepare for potential delinking of health coverage and employment, with consumers directing both choice of benefits and care
- 5 Build an information-powered health system**
Invest in common EHR, data exchanges to improve patient care delivery, coordination across providers and care sites
- 6 Healthcare is "recession proof"**
Even when consumers are strapped for cash in a down economy, care utilization will remain high, as people will always get sick

Source: Gist Healthcare analysis.

Market Forces Pressuring Traditional Health System Business Model



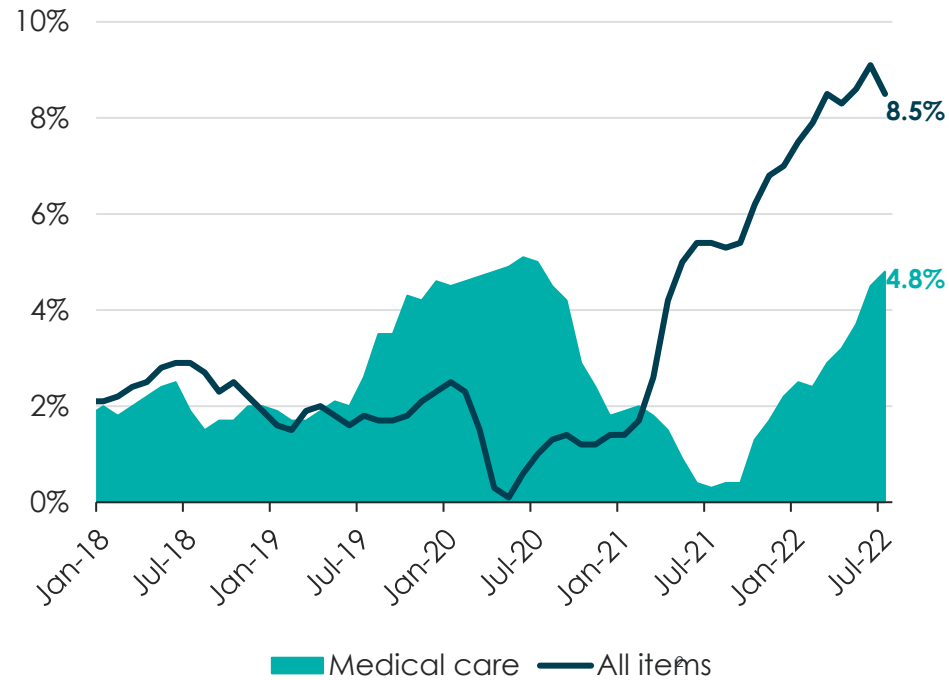
Source: Gist Healthcare analysis.

ECONOMY

Healthcare Inflation is Catching Up to Economy-Wide Inflation

Rising Prices, Interest Rates Taking a Hit on Consumer Confidence

12-Month Percent Change in Prices¹, Monthly by Sector



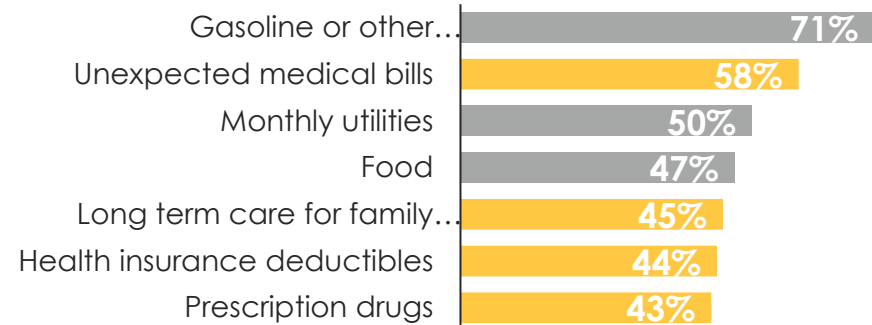
1. Bureau of Labor Statistics consumer price index for all urban consumers, seasonally adjusted.
2. Out-of-pocket spending on medical care, defined by the Bureau of Labor Statistics as 82% medical services (professional services, hospital services, health insurance) and 18% medical commodities (medicinal drugs, medical equipment and supplies).

US Consumer Sentiment Index¹, Last Twelve Months



Top Seven Things Households Worry About Affording

n = 1,243; Mar. 2022



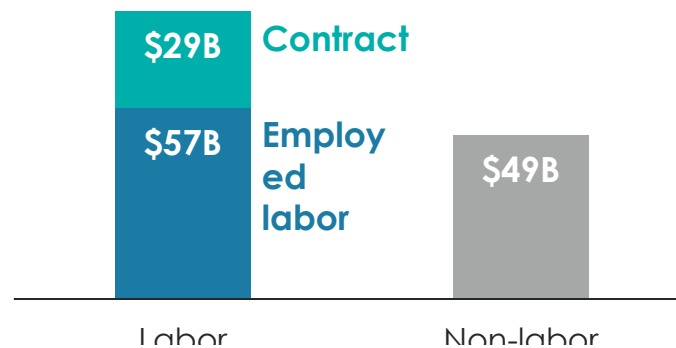
Source: Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers." Aug. 2022; FRED Economic Data, "Federal Funds Effective Rate." St. Louis Fed. 8 Sep. 2022; Moore, S. "Here Are The Dates For The Remaining 2022 Fed Rate Decisions, And What The Market Expects From Them." Forbes. 27 Jul. 2022; Gist Healthcare analysis.

Labor Costs Driving Hospital Expense Growth

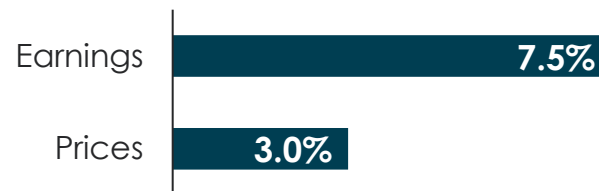
The inability to quickly raise prices to respond to wage inflation is key contributor to current hospital margin pressure

Amidst Worker Shortage, Hospital Labor Costs Rising Faster than Prices

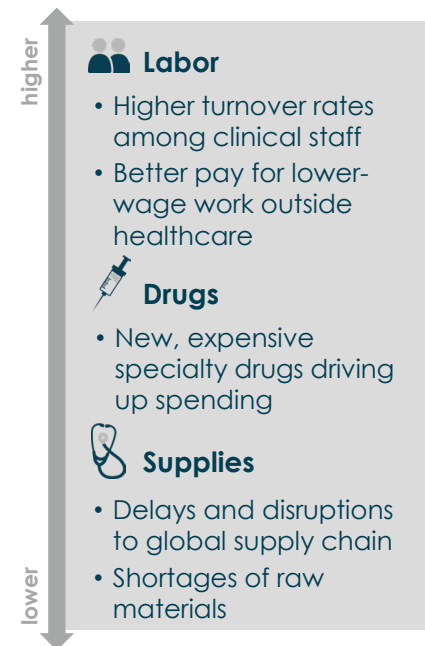
Projected Hospital Sector Expense Increases, 2022 vs 2021



Twelve-Month Change in Worker Earnings and Prices for Hospitals, Aug. 2022



Impact of Cost Inflation to Health System Care Delivery



Source: Kaufman Hall, "Current State of Hospital Financials: Fall 2022 Update," Aug. 2022; Altarum, "Health Sector Economic Indicators," Sep. 2022; Gist Healthcare analysis.

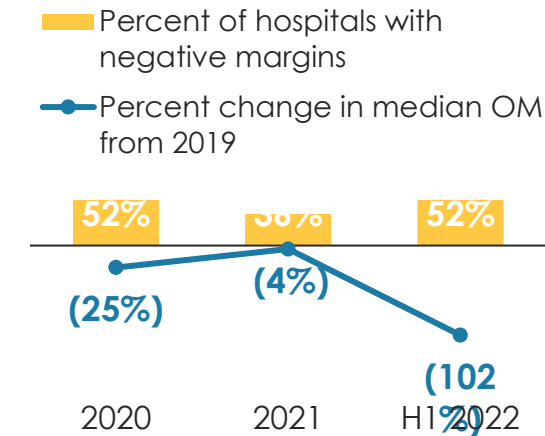
Hospital Margins Recoil in 2022

After hospital margins bounced back in 2021—largely thanks to investment income and federal aid—median operating margin has been persistently negative since the start of 2022

Even the Largest Health Systems Reporting Negative Margins

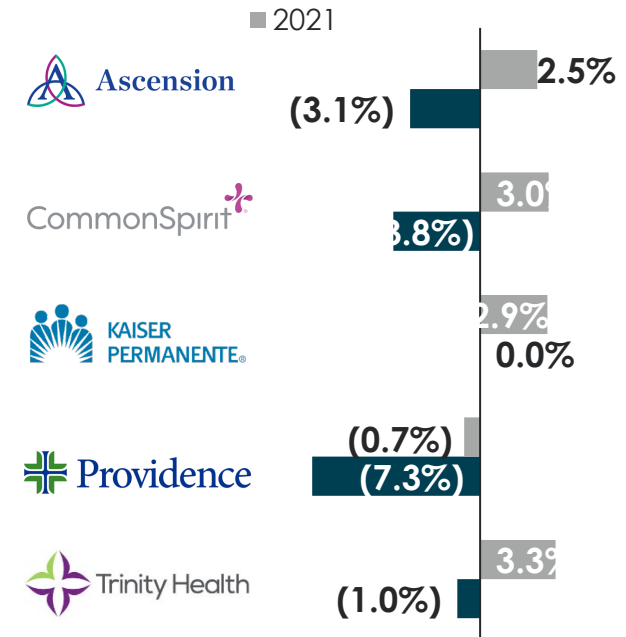
Hospital Operating Margin (OM) Performance, by Year

n = 900+ hospitals



Fitch Ratings revised its **nonprofit hospital sector outlook from neutral to deteriorating** in August 2022

Select Large, Not-For-Profit Health System Operating Margins, 2021 vs 2022¹



1. Ascension and CommonSpirit margin data from 12 months prior to Jun. 30, 2022 and 2021; HCA, Kaiser Permanente, and Providence margin data are from H1 2022, vs H1 2021.

Source: Kaufman Hall. "Current State of Hospital Financials: Fall 2022 Update." Liss, S. "Outlook for nonprofit hospitals is 'deteriorating,' Fitch says." *HealthcareDive*. 17 Aug. 2022; Publicly available investor forms, various health systems; Gist Healthcare analysis.

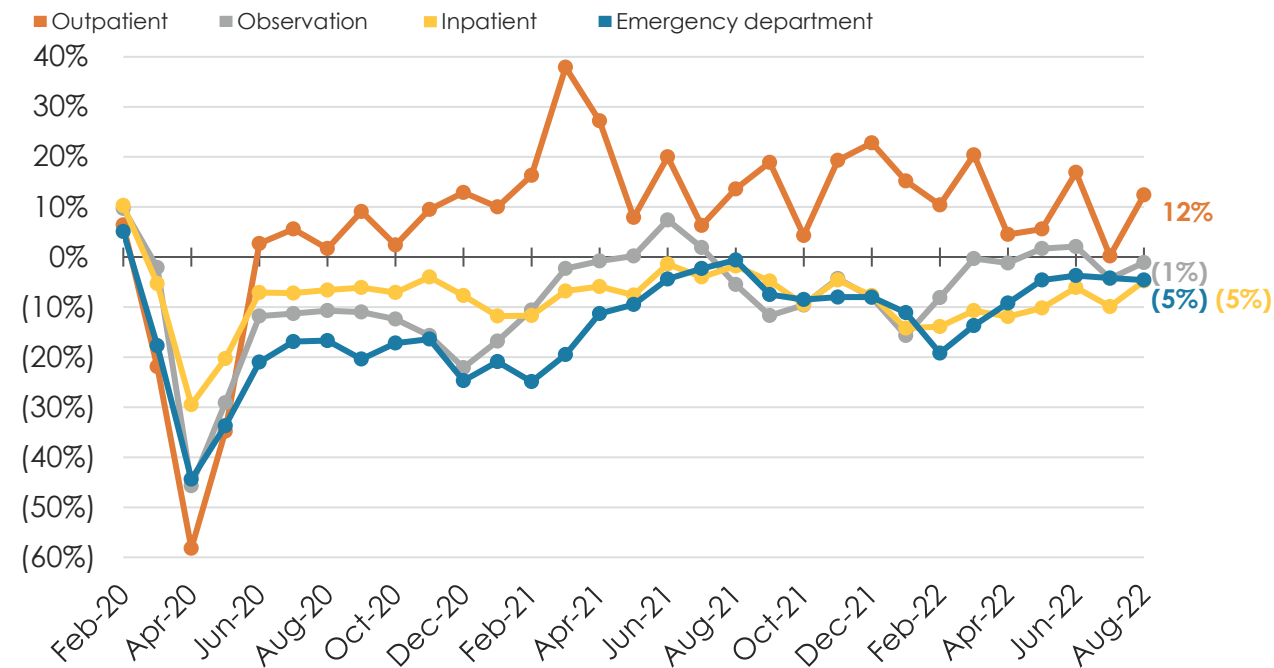
Sluggish Hospital Volumes Continue

While outpatient volumes have enjoyed a COVID bump, monthly admissions of all types of health system care settings are now at or below 2019 volumes

Outpatient Volumes Fluctuate While Others Remain Below Pre-COVID Levels

Monthly Hospital Volume Changes

Percentage change from 2019 monthly volume

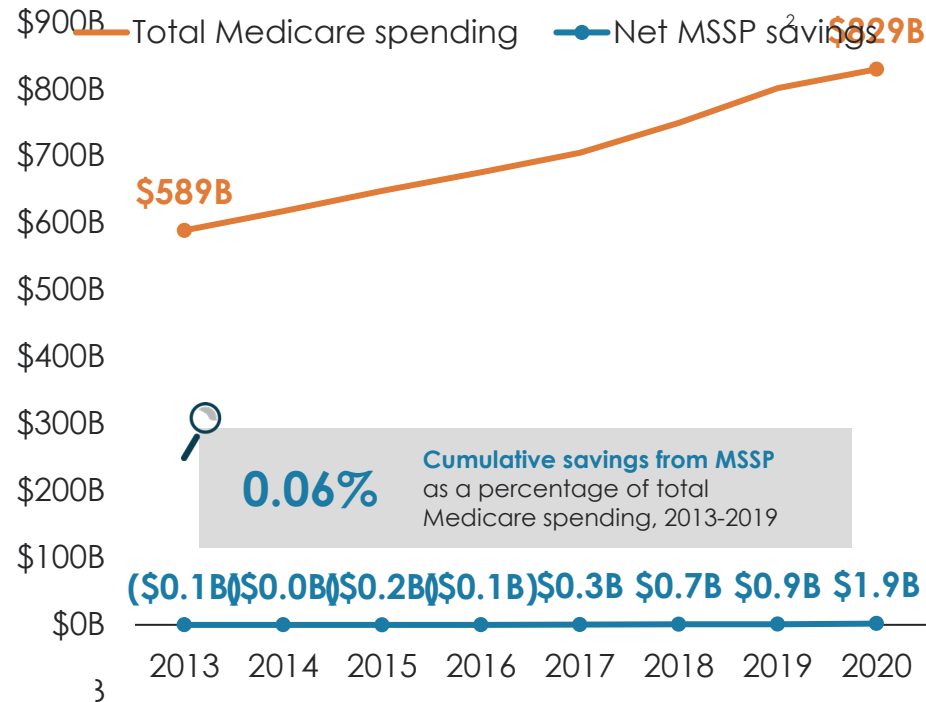


Source: Source: "The National Patient and Procedure Tracker,"
Strata Decision Technology, Sep. 2022; Gist Healthcare analysis.

Largest Medicare Risk Program Failing to Ignite Volume-to-Value Transition

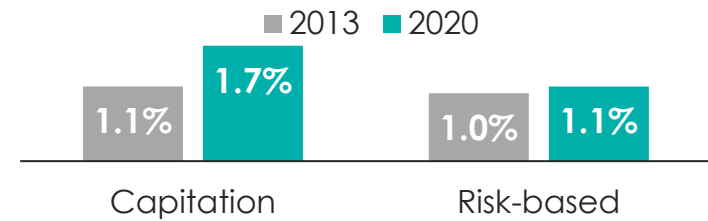
Value-Based Care Still Only Marginal Fraction of Revenue at Health Systems and Physician Groups

Total Medicare Spending and MSSP¹ Performance, by Year



Select Health System Reimbursement Methods, by Median Percent of Net Patient Revenue³

n = 259 health systems



Percentage of Revenue Tied to Value-Based Contracts by Provider Type, 2021

n = 2.3K physician groups



1. Medicare Shared Savings Program.
2. Savings to Medicare after bonus payments.
3. Median values calculated separately for each metric; full profile does not sum to 100 percent.

Source: Office of the Actuary, National Health Expenditure Projections, CMS, March 2022; National Association of ACOs, "Highlights of the 2020 Medicare ACO Program Results," ND; National Association of ACOs, "Estimates of Savings by Medicare Shared Savings Program ACOs" August 30, 2018; Moody's Investors Service, "Sector Profile: Not-for-Profit and Public Healthcare," 9 Sep. 2021; MGMA, "Patient Access and Value-Based Outcomes Amid the Great Attrition," Aug. 2022; Gist Healthcare analysis.

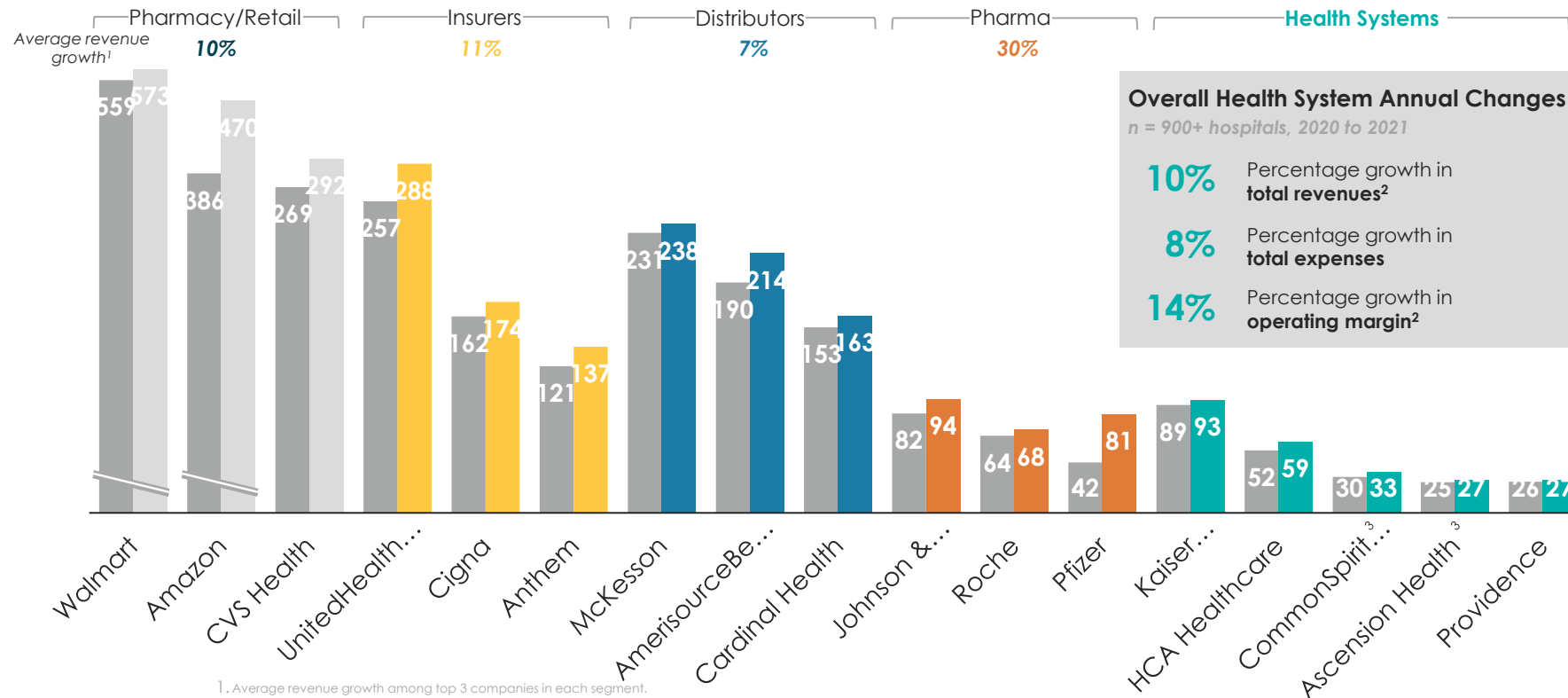
The New Competitive Landscape for Healthcare

Health Systems See Better Growth in 2021 Than Recent Years

Annual Revenue of Largest Healthcare Companies and Health Systems

Billions of Dollars

■ 2020 ■ 2021



1. Average revenue growth among top 3 companies in each segment.

2. Excludes CARES Act funds.

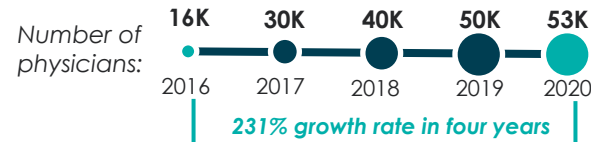
3. Fiscal year ended in June 2021.

Source: "National Hospital Flash Report," Kaufman Hall, Jan. 2022; Publicly-available financial statements and investor reports; Gist Healthcare analysis.

Assembling a Health System Without Hospitals

Optum is close to operating as a “system without hospitals” in several markets with its aggregation of physicians and ambulatory care, along with virtual and home-based care solutions

Aggregating Physicians Nationwide



Davita. | HealthCare Partners. | *WELLMED*

Diversifying Care Settings, Specialties

70% Urgent care center growth over past 5 years, to more than 250

25% Percentage increase in new surgeon affiliations in 2020

ME
MedExpress

SCA
Surgical Care Affiliates

OPTUMCare®
Cancer Care

Investing in Virtual, Home Care Solutions

Investing in virtual behavioral health, remote monitoring tools, patient community platforms, and home care solutions

AbleTo

vivifyhealth

CHANGE
HEALTHCARE

patientslikeme®



Creating a Business Services Vertical

Providers population health management, pharmacy benefit management, analytics, consulting and other services

80% US hospitals using at least one Optum solution

75% US health insurance companies using at least one Optum solution



Source: Dyrda, Laura. "Optum Has 50,000 Employed, Affiliated Physicians and a Vision for the Future." *Becker's ASC Review*, 17 Sept. 2019; "Portfolio." *Optum Ventures*, Nov. 2020; "Top 5 Largest Health Insurance Payers in the United States." *HealthPayerIntelligence*, 13 Apr. 2017; Dyrda, Laura. "SCA Centers Added 1,000+ New Surgeons in 2020 so Far: 5 Things to Know." *Becker's ASC Review*, 15 Oct. 2020; Japsen, Bruce. "Urgent Care Centers Eclipse 9,200 Driven By Optum And Hospital Systems." *Forbes*, *Forbes Magazine*, 12 Dec. 2019; "Our Growing Presence." *See Our Growing OptumCare Presence: Interactive Map*, UnitedHealth Group, Nov. 2020; Gist Healthcare analysis.

A New Demographic Force Waiting in the Wings

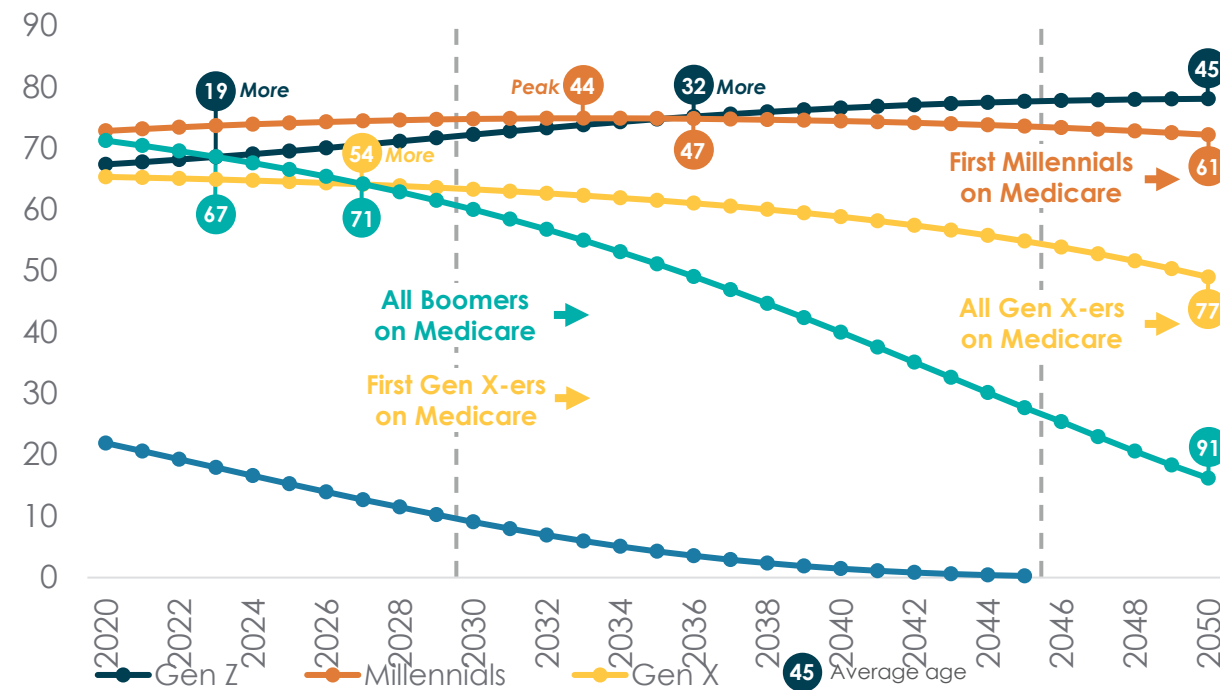
While systems need to pay due attention to aging Boomers, they should also begin to rethink service offerings to appeal to Millennial consumers, now the country's largest age cohort

Facing a Shifting Demographic Landscape

Millennials Now the Largest Age Cohort

Projected US Population by Generation¹

Millions



1. Definition of generations: Silent (1928-45); Boomers (1946-64); Gen X (1965-80); Millennials (1981-96); Gen Z (1997-2012).

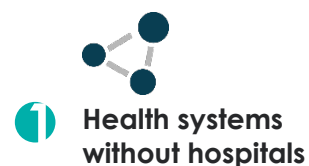
Source: US Census Bureau, "Data." 2017 National Population Projections Datasets. United States Census Bureau, 06 Sept. 2018. Web. 13 Feb. 2019; Gist Healthcare analysis.

Finding Our Place in the Brave New World

Three market organizing principles are possible for the future healthcare market; each require health systems to consider whether they wish to assume the role of “subcontractor” or “general contractor”

How Will Healthcare Be Organized in the Future?

Health System Strategy Should Steer Toward a Central Role



- A few vertically-integrated, large health insurers function as “health systems without hospitals”, managing covered lives and care referrals within their owned ambulatory and virtual care delivery

- **Vertically-integrated payers are the aggregator**

- Health systems left in role of inpatient and specialty care subcontractors, competing mainly on price

► **Health system is a “subcontractor”**



- Myriad point solutions offered by both legacy players and new disruptors, with no one entity offering a comprehensive platform

- **Consumers are the default aggregator**

- Health systems suffer “death by a thousand cuts” as providers compete service by service for individual consumer-driven referrals

► **Health system is “one of many”**



- “Market-relevant” health systems create omnichannel population management and consumer loyalty platforms

- **Regional health systems are the aggregator**

- Health systems must develop or partner, through M&A if needed, the various competencies and services needed to provide full continuum coverage and manage risk

► **Health system is the “general contractor”**

Source: Gist Healthcare analysis.



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Employers as Health Care Change Agents: The Time is Now

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Business Health Care Group
November 2, 2022



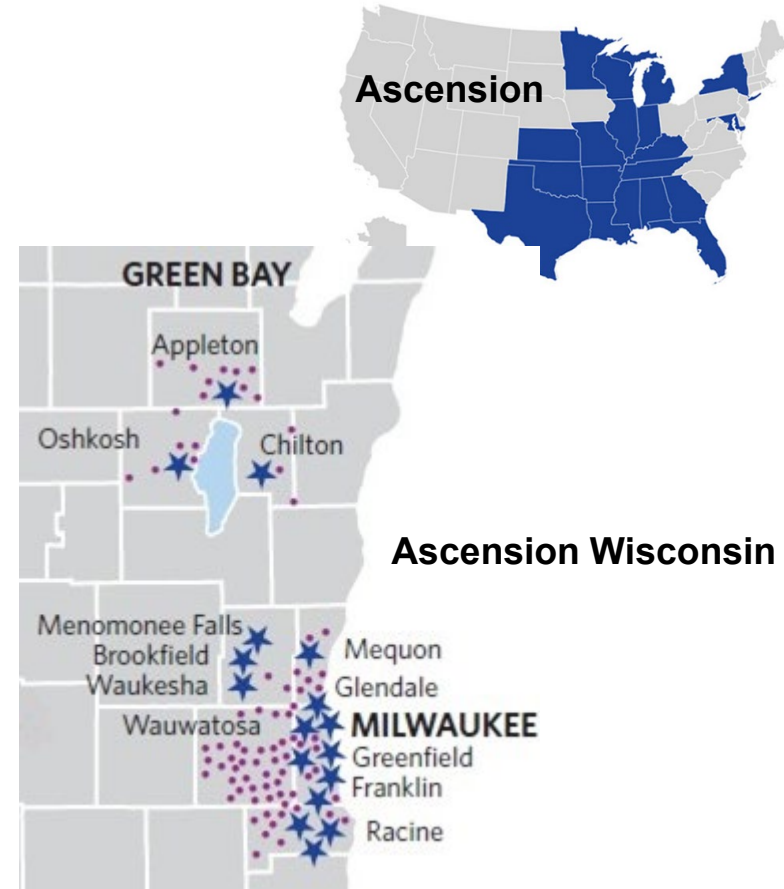
Ascension

Listening to you, caring for you.®



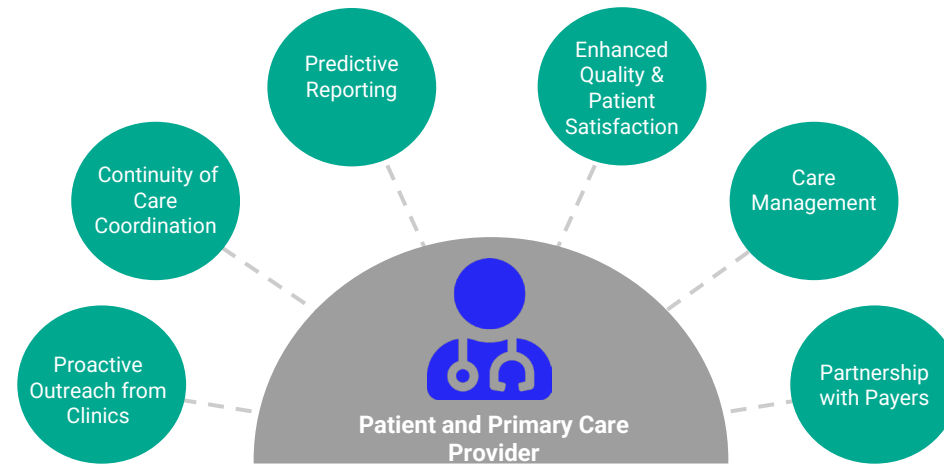
Ascension Wisconsin

- *17 hospital campuses*
- *100+ related healthcare facilities*
- *1100+ primary care and specialty care clinicians*
- *Racine to Appleton*
- *Delivering personalized, compassionate care in Wisconsin since 1848*



Ascension Wisconsin

Advancing the Care of our Patients



- **Why does this work?**
- **How does it work?**
- **What are the results?**

Panel Discussion/Q & A

- **Panelists:**

- *Todd Smasal, Vice President - Total Rewards and Talent, Northwestern Mutual*
- *Rivka Friedman, Head of Healthcare Innovation, Morgan Health*
- *Lisa Bielamowicz, Co-Founder and CEO, Gist Healthcare*
- *Bernie Sherry, CEO, Ascension Wisconsin*

- **Moderator**

- *Dave Osterndorf, BHCG Strategic Consultant & Chief Actuary, Centivo*



Join us!

*Celebrating 20 years in 2023 of
the business community
collaboration working toward a
better, more sustainable health
care system!*

More information to come...

Thank You

**For more information about BHCG programs
and membership, please contact:**

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