

# New Rules:

Accountable Care Changes Everything

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By David Johnson, CEO

People go to Las Vegas to let loose, take in the shows and have fun but mostly to gamble. At HIMSS 2016, payors, providers, investors and other industry insiders are hitting the strip in search of healthcare IT's glitz and glamor.

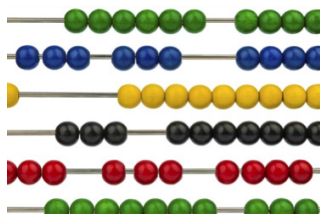
Amid the speeches, thousands of exhibitor booths and all the networking hubbub are signs of the seismic shift redefining healthcare delivery. New companies are emerging to meet market demands for accountable care services. They're hiding in plain sight.

As U.S. healthcare transitions from "volume to value," the ability to manage the care of distinct populations is the system's single biggest deficiency. Developing and advancing care management capabilities is American healthcare's largest need and greatest business opportunity.

New companies are joining the table with new business models, new alliances and profoundly new methods for connecting with sick, soon-to-be-sick, and healthy individuals. Some will hit the jackpot. Some will lose their shirts. The organic competition will foster consumerism, reallocate resources and reward companies providing better care at lower costs. American healthcare and the American people will (eventually) be big winners.

The market senses opportunity and smart money is flowing into IT-enabled services that utilize advanced data and analytics capabilities. While essential, data alone cannot "bend the cost curve", which will ultimately take people-driven (clinical and non-clinical) care management services in order to be successful. This shift will also require enlightened caregivers, engaged consumers, and better methods for helping both navigate the maze that we call US healthcare .

Like high rollers at the dice tables, payors and providers who are investing significant amounts of money into enhanced coordinated care platforms must understand betting rules and odds. Accountable care represents a radical departure from current business practices. It's a new game with new rules.



## The Old Game

Healthcare's traditional game has worked well for insiders. Its playbook is simpler and the loopholes are well known. When commercial payors "own" their members' healthcare risk, they play hot potato and employ risk stratification to keep sick people out of their insurance networks. When acting as third-party administrators, payors shift healthcare risk to employers and receive a percentage of each claim administered. More care means higher revenues and profits.

Providers know the score. Fee-for-service payments are activity and cost-based, so doctors and hospitals push volume, neglect costs and invest in revenue cycle services to optimize profits. EMRs support billing as much as or more than clinical outcomes. Historically, there's been little interest in preventive analytics, disease management and protocol adherence.

While still going strong, the old game is on its way out. The Affordable Care Act eliminates exceptions for pre-conditions. Medicare Advantage and Medicaid Managed Care programs shift care management risk to payors and providers. Private companies, like Boeing and Walmart, are demanding better value for their healthcare spending. And with more skin in the game, consumers are becoming price-conscious.

### The Shake-Out Continues

UnitedHealthcare says its losses on exchange products for 2015-2016 will approach \$1 billion and it may exit public exchanges altogether in 2017. At the same time, Harken Health, a wholly-owned UnitedHealth subsidiary, is marketing new health insurance products on public exchanges and describing itself as "a new kind of health care company that unites relationship-based primary care with flexible and competitively-priced health insurance in a membership-based model." As the British rock group The Kinks sang in the 1970s, "It's a mixed up, muddled up, shook up world..."

Increasingly, insiders are catching the hot potato. Payors are losing big on public exchanges and providers are struggling to earn profits under risk-based payment programs. Yet, those players and private equity investors seem to have an insatiable appetite to chase these opportunities.

Enlightened insiders are getting the message. They must deliver more efficient, higher-quality care or risk going bust.



## New Rules

The new playbook is dynamic and complex. Risk stratification requires identifying at-risk members to spot gaps in care, seek pro-active intervention, and ensure proper reimbursement. It's essential to find "ticking-time-bomb" members and intervene before their chronic conditions explode into high-cost acute interventions. This requires a significant amount of data gathering (many times pulling charts at the point of care), sophisticated predictive algorithms, customer-friendly technologies, creative intervention strategies, and (to bring it all together) trust-based customer relationships.

Access to data is not quite the issue it used to be, although clearly there are still significant interoperability and general data cleanliness issues. Since 2008, the US Government has spent over \$30 billion incenting stakeholders to digitize everything, and that phase of the "revolution" is nearing its end. Healthcare is poised to reap the benefits. IBM's recent acquisition of Truven Health adds hundreds of millions of patient records to go with the extensive claims data, imaging data and analytics services they obtained through earlier acquisitions of Phytel, Explorys, and Merge Healthcare as well as an investment and strategic partnership with wellness company, WellTok. Watson Health general manager Deborah DiSanzo says, "this combination of data, analysis, and insights will help healthcare providers, payers, and individual consumers." The question is how.

Patient engagement and relationship-based care are critical success factors. Advanced care management includes enhanced primary care, wellness programs, user-friendly technologies, behavioral health and second opinions. Service providers need to understand and address not only physical conditions, but also social determinants of health, such as loneliness and poverty, to drive better health and wellness. Hot spotters and social workers will be busy.

New technologies will advance care coordination and customer engagement. Smart phone apps will supplement EMRs, enhance monitoring and improve adherence while meeting customer expectations for ease, connection, and convenience. Non-intrusive IoT (Internet of Things) applications will push data where and when it is needed.

Contrary to historic patterns, healthcare technologies will increase value and lower costs.

### Sticking to the Straight and Narrow

The human gait is a strong indicator of health. Clinicians can use gait to assess the risk of neurological disorders, hip-breaking falls in the elderly and even diabetes. But high tech gait analysis systems are expensive (\$10s of thousands), cumbersome and resource-consuming. In the old playbook, no one cared; just bill Medicare and spend all day at the hospital. In the new playbook, a low-cost smart-phone app called "SmartGait" can achieve results 95% as good as the gold standard machine while monitoring patients and delivering alerts in real time as people go about their lives.



## Reinventing and Redefining

Powerful new companies and business models are emerging in risk-based contracting, data analytics, homecare, relationship-based primary care and patient engagement. All expand the system's care management capabilities. Let's highlight several.

- Risk-based Contracting: Valence Health is tooling hospitals, physician groups, and provider-sponsored health plans with risk and clinical integration capabilities. "The more risk the better," co-founder Phil Kamp says. Evolent Health and Lumeris are helping health systems build insurance capabilities with an emphasis on preventive care.
- Data Analytics: PopHealthCare uses sophisticated analytics to identify high-risk individuals, secure them better care, and coordinate clinical visits, demonstrating that even in this "new world" there is no substitute for direct patient interaction and old fashioned house calls. Inovalon brings big data analytics to the point of care and leverages connectivity capabilities to help providers improve outcomes at scale. Apixio uses natural language processing and machine learning to interpret unstructured data and estimate patient risk.

## Accountable Care on the Rise

Since 2006 (validate) PopHealthCare has provided value-based care management for high utilizers of healthcare services. They now operate in 49 states and Puerto Rico. Like many innovators, they're seeing the healthcare world appreciate their point of view. Working with chronically ill patients requires great data and great relationships to produce great care outcomes. PopHealthCare has both. Their clients feel better and consume 40% less healthcare.

PopHealthCare deploys mobile care teams to patients' homes, elder communities and assisted living facilities. Clinicians establish trust-based relationships that encourage customers to call when they need help. In this personalized way, PopHealthCare fosters wellness, prevents unnecessary acute interventions and reduces readmissions. It's heartening that American healthcare can improve life quality and lower costs. As CEO Mike Tudeen says, "For less money, we can produce better outcomes. But we don't think about the money. The human outcomes are what's more important, especially for people less fortunate."

- Homecare: Hometeam and Honor are high-tech/high-touch startups working to coordinate home care for the elderly. Both are leveraging technology, real-time information and metrics on quality and safety to more carefully match patients with caregivers and keep family members informed.
- Relationship-Based Primary Care: Innovators such as Iora, ChenMed, Oak Street Health, and Ampersand Health actively engage their members through hands-on primary care services that offer services in friendly neighborhood centers. They offer 24/7 customer access and home-based services when necessary. They understand that building trusting customer relationships is essential to better health, wellness and reduced acute care utilization.
- Patient Engagement: CVS Health is working to make medication adherence easier, especially for chronically ill patients who take multiple prescriptions. CVS is also teaming up with IBM Watson Health to use predictive analytics to engage individual patients proactively on their care management needs. Pharos Innovations develops patient engagement programs for providers that identifies high risk patients, decreases utilization, improves medication and appointment adherence, and empowers patients for better self-care.

## No Going Back

These companies are a fraction of those seeking to transform U.S. healthcare by employing customer-focused, value-oriented business models. They represent the bottom-up, disruptive, market-driven forces redefining U.S. healthcare before our eyes.

The beauty of free-market capitalism is its ability to differentiate business models by allocating resources to companies that deliver superior value to customers. Competitive markets constantly disrupt, reinvent and promote higher-quality products and services.

Unfortunately, U.S. healthcare has operated within a regulatory payment environment that has protected incumbents from value-driven competition. As a consequence, the U.S. spends more for healthcare services and receives less value than other advanced economies.

Fortunately, the market "genie" is out of the bottle and working its value magic. As value-based delivery takes hold, American healthcare will leapfrog other nations in its ability to provide high-quality healthcare services at competitive prices in customer-friendly venues.

Under accountable care, disruptive fixed-payment models shift care management responsibility to providers. This payment approach aligns provider, employer and patient incentives to provide and receive the right care at the right time in the right places at the right prices. It's exciting to witness how value-driven companies are reinventing healthcare delivery in our time.

Like Rock 'n' Roll, accountable care is here to stay. The US health system is moving away from activity-based treatment toward value-driven care management. It's time for incumbents, upstarts, investors and innovators to place their bets. The stakes couldn't be higher. The odds overwhelmingly favor value creators.



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