

2015 West Michigan Healthcare Economic Forecast

Presented by the Office of the Vice Provost for Health
Seidman College of Business and
the Alliance for Health

Sponsored by:



Nonprofit corporations and independent licensees
of the Blue Cross and Blue Shield Association



GVSU HEALTHCHECK TEAM

Paul Isely
Sonia Dalmia
Kevin Callison
Leslie Muller
Kathleen Pedres

Figure 1: Annual Population Growth Rate, 1991-2013

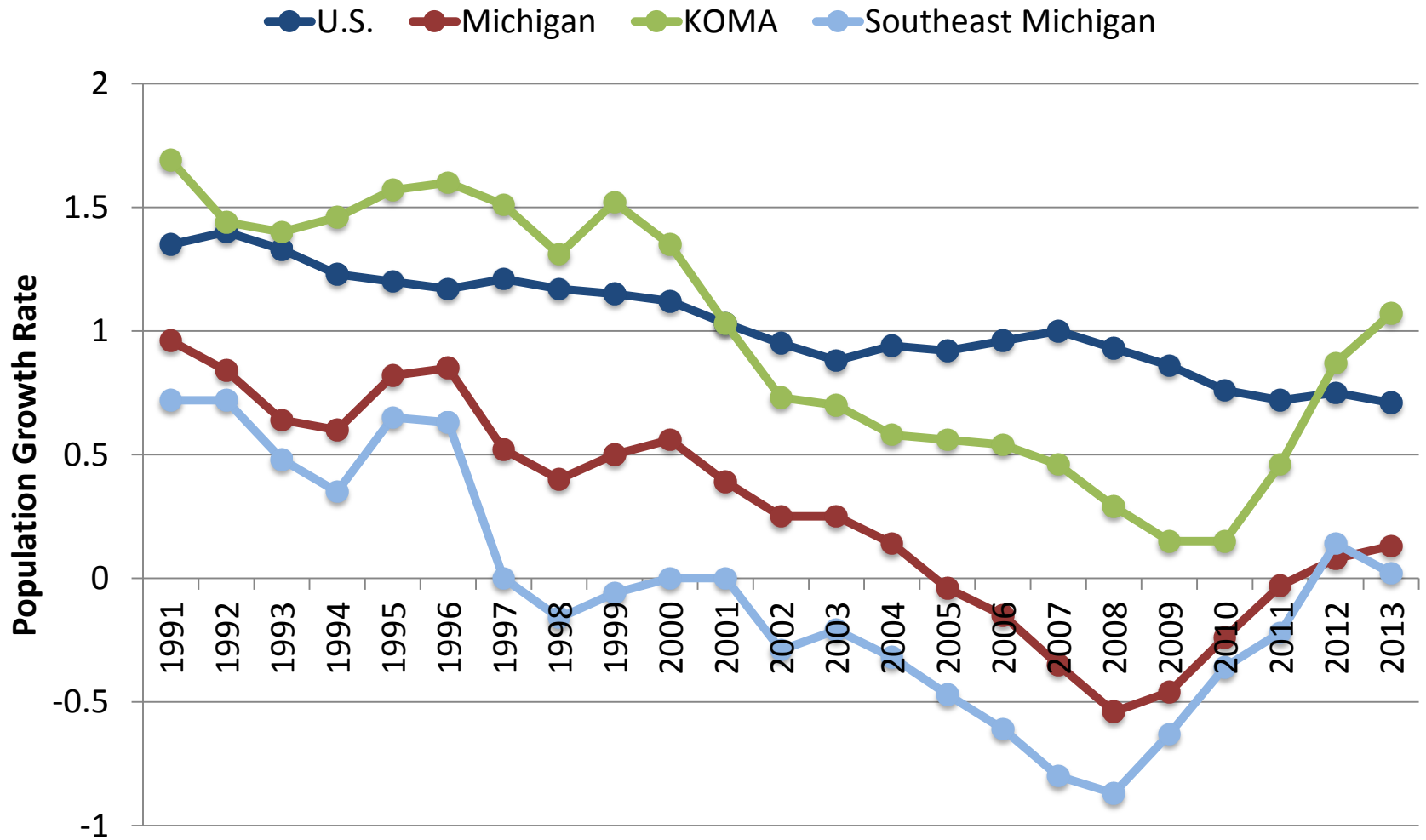
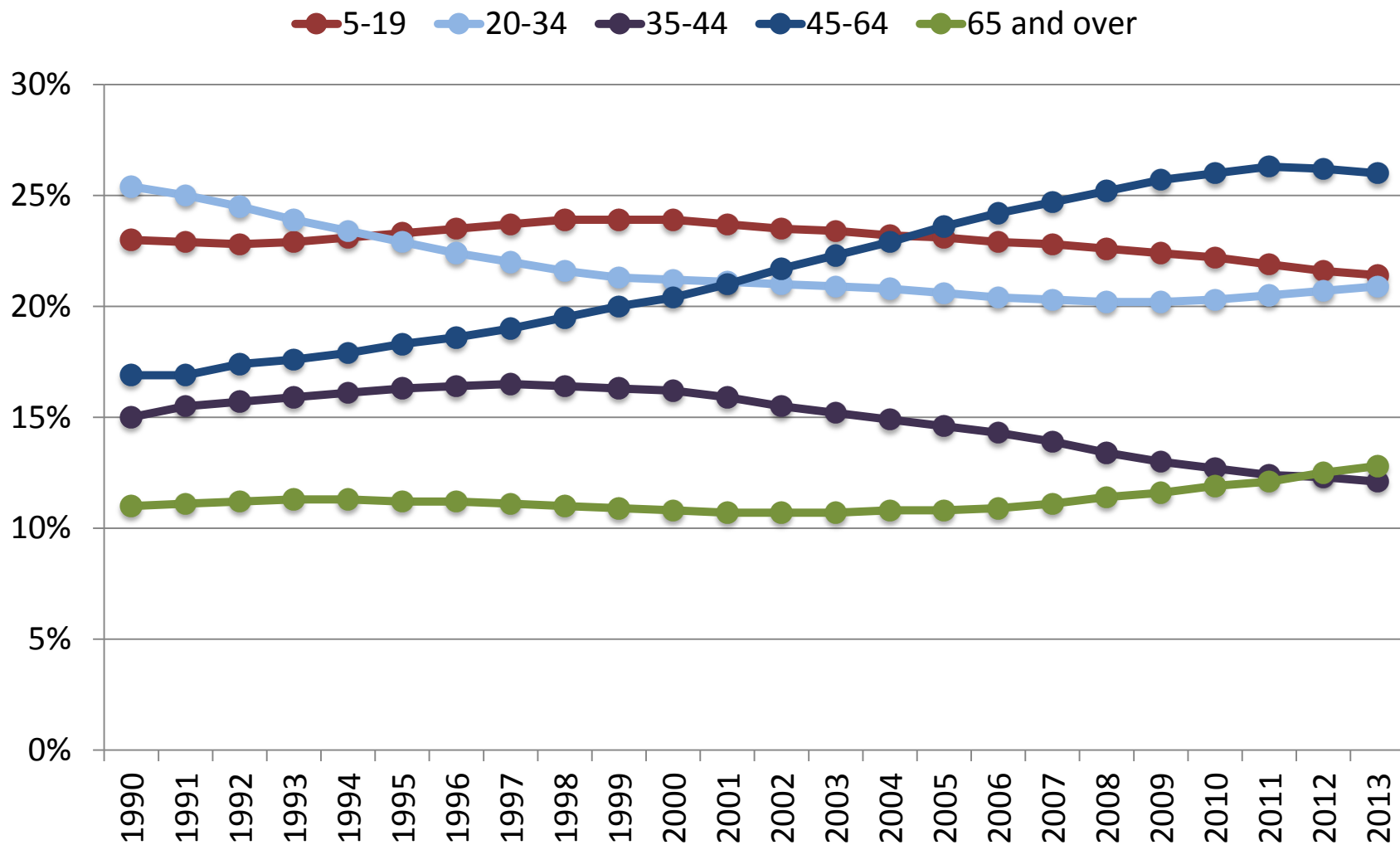
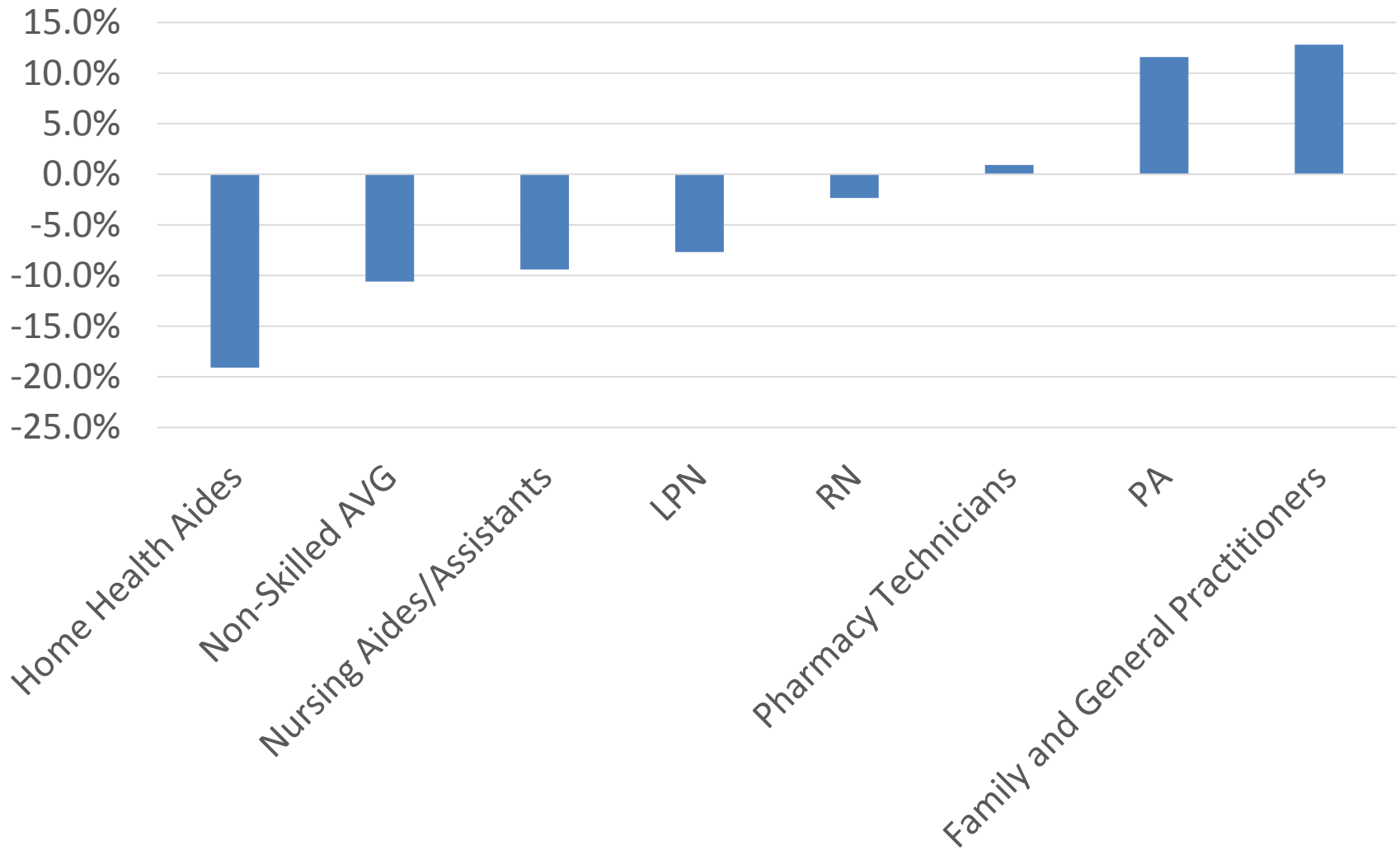


Figure 2: Population Distribution as a Percent of KOMA



2003 - 2013 Inflation Adjusted Wage Change



Health Care Overview

*Risk Factors, Access to Care and Health
Outcomes*

Unhealthy lifestyle choices by WM

- 23% report no leisure time physical activity
- 20% report that they smoke
- 19% report that they binge drink
- 30% report no routine check up in the last year
- 17% report they are in poor or fair health
- 33% report being obese (BMI > 30)
 - 5.5% increase in one year
 - Aging population

- 17% report having no health care coverage

Consequence?

- Increased health care spending on diseases related to behavioral choices
 - Diabetes
 - High Blood Pressure
 - Heart Disease
 - Cancer

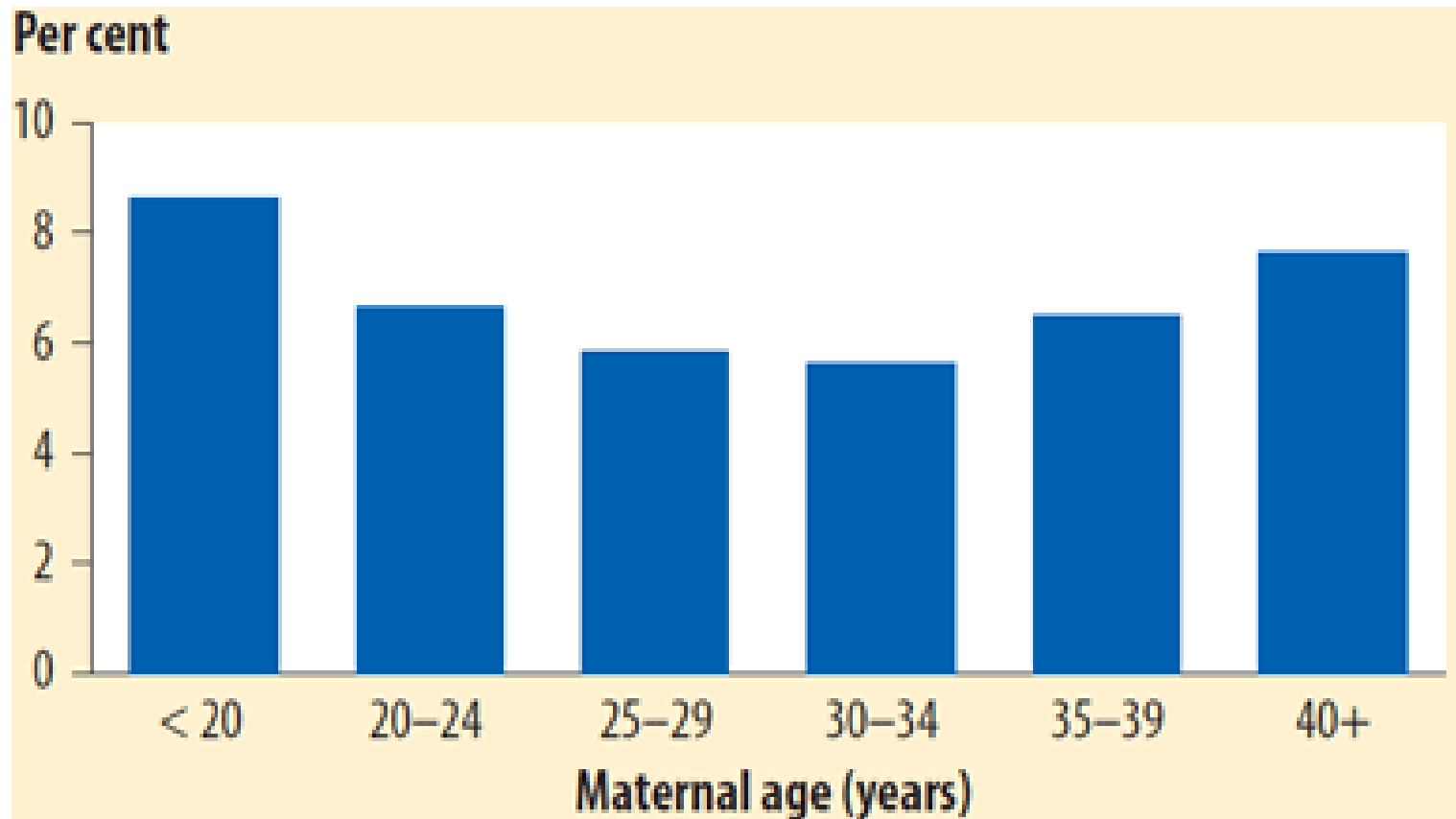
Women's Health

- 51% of the population
- Majority in childbearing ages
- Differences in onset of, symptoms for and responses to treatment for disease
- Women often are primary caregivers for children and/or elderly

Incidence of preterm, LBW and very LBW babies

- Smallest in KOMA
- Increases with poverty and unintended pregnancies
- Marital status
- Maternal age
- 30% of live births are cesarean deliveries
- Reducing LBW by 20% can lead to \$13.4 m in savings annually

Low birth weight babies by maternal age



Notable differences

- Compared to the # of women hospitalized for heart disease, a much smaller proportion receive treatments such as bypass graft/stents.
- Women are far more likely to die from Alzheimer's disease or stroke in KOMA followed by diabetes.
- Alzheimer's disease costs society \$300 b/year

Notable differences

- Ambulatory Care Sensitive Hospitalizations
 - KOMA does a superior job of managing primary care over Detroit and MI
 - All 3 regions can do a better job of providing primary care to women
 - Overall average of F/M ratio for all ambulatory care sensitive conditions, all avoidable hospitalizations and all acute and chronic hospitalization is greater than 1.

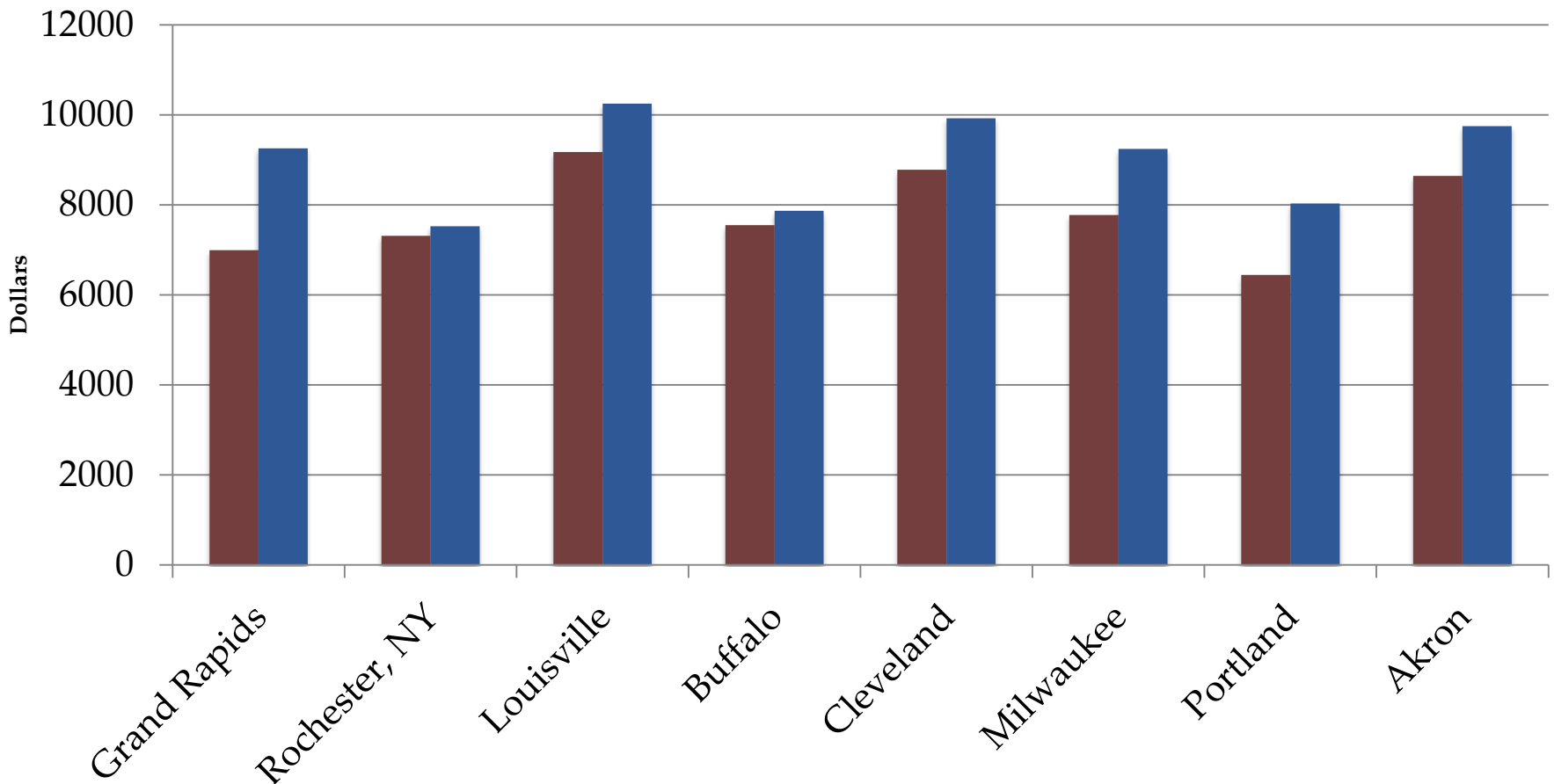
Economic Analysis

*Comparing Expenditures and Prices for Health
Care Services Across Communities*

Health Care Expenditures

Adjusted Medicare Expenditures per FFS Enrollee

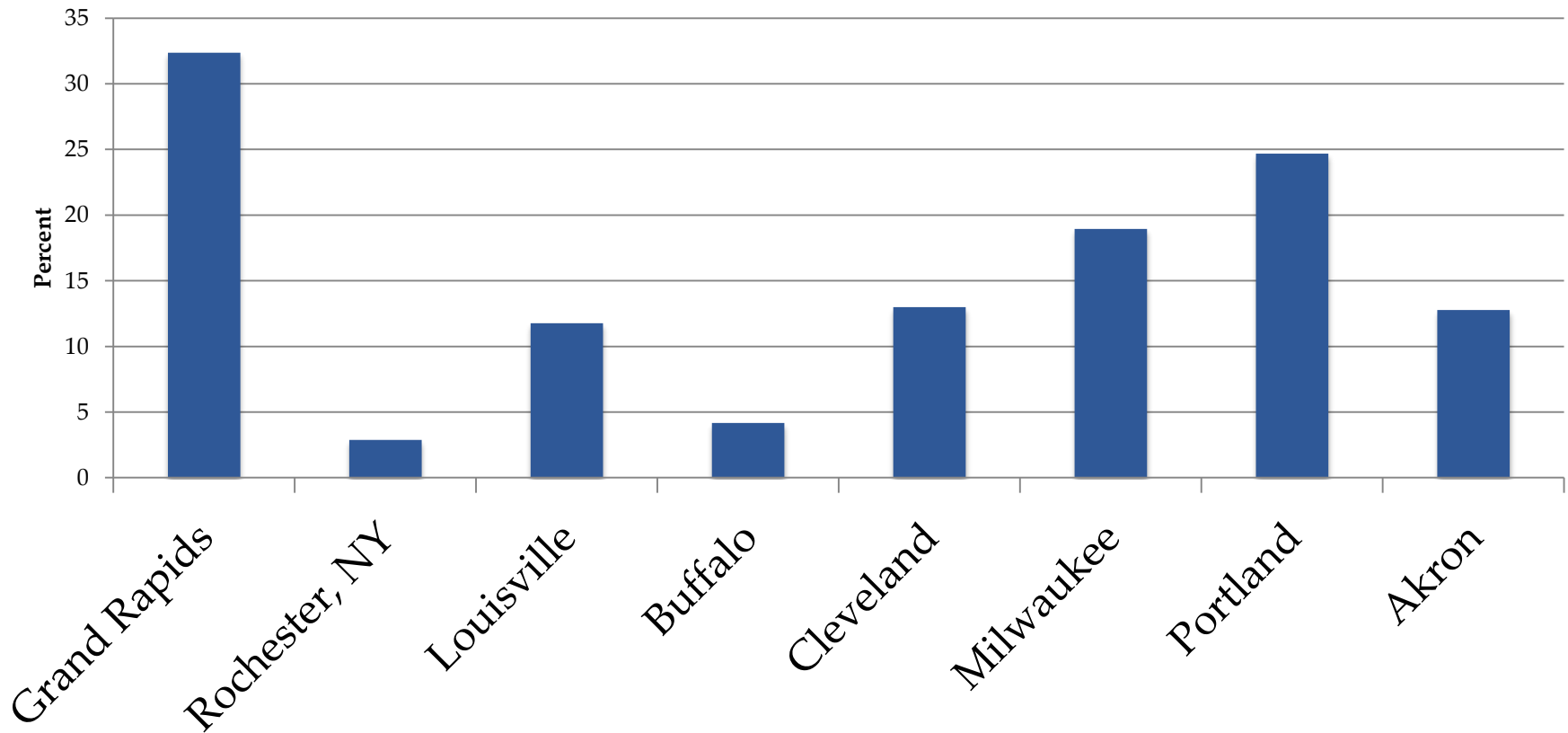
■ 2003 ■ 2012



Health Care Expenditures

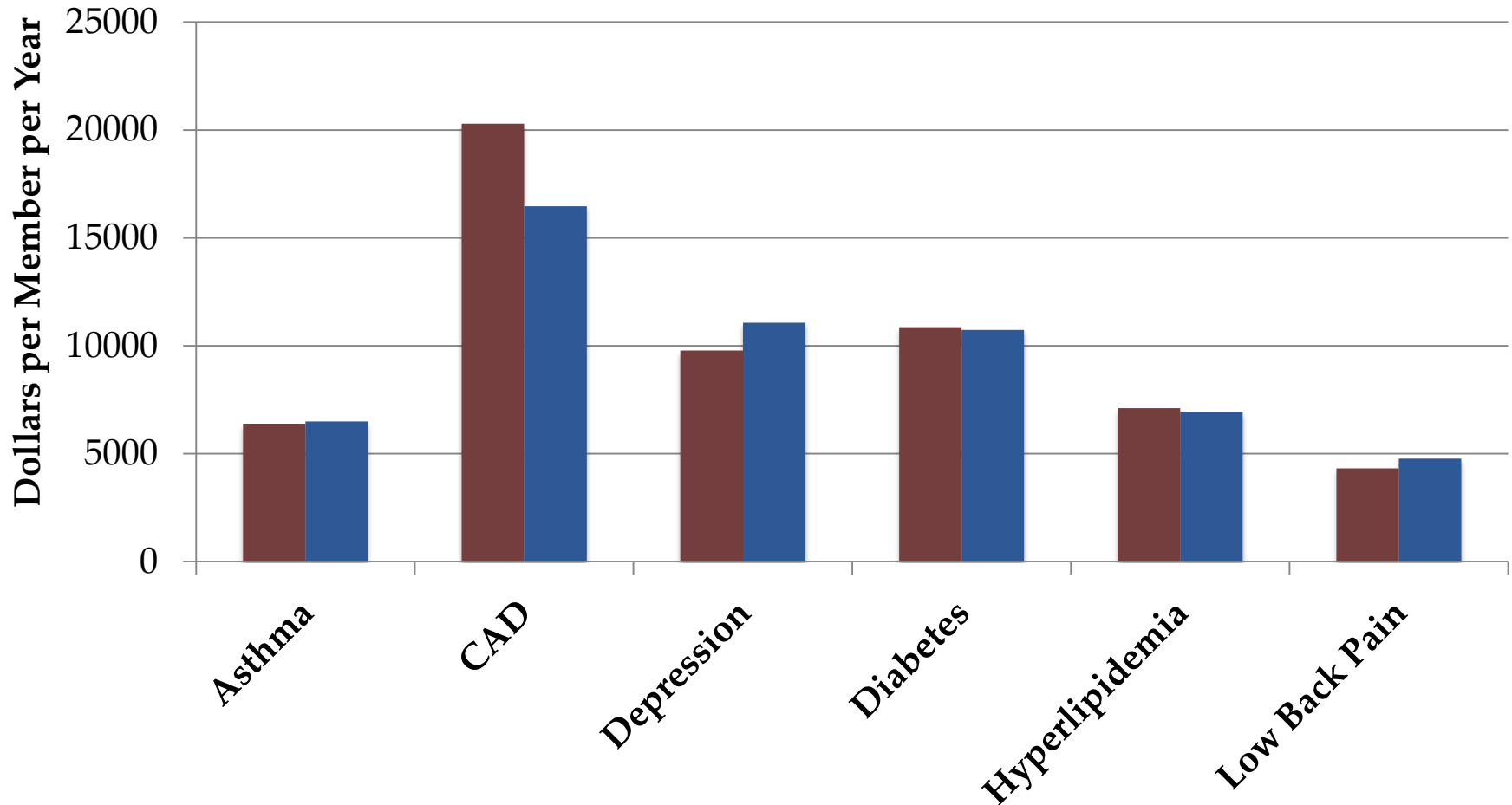
Adjusted FFS Medicare Expenditure Growth Rate, 2003-2012

■ Growth Rate, 2003-2012



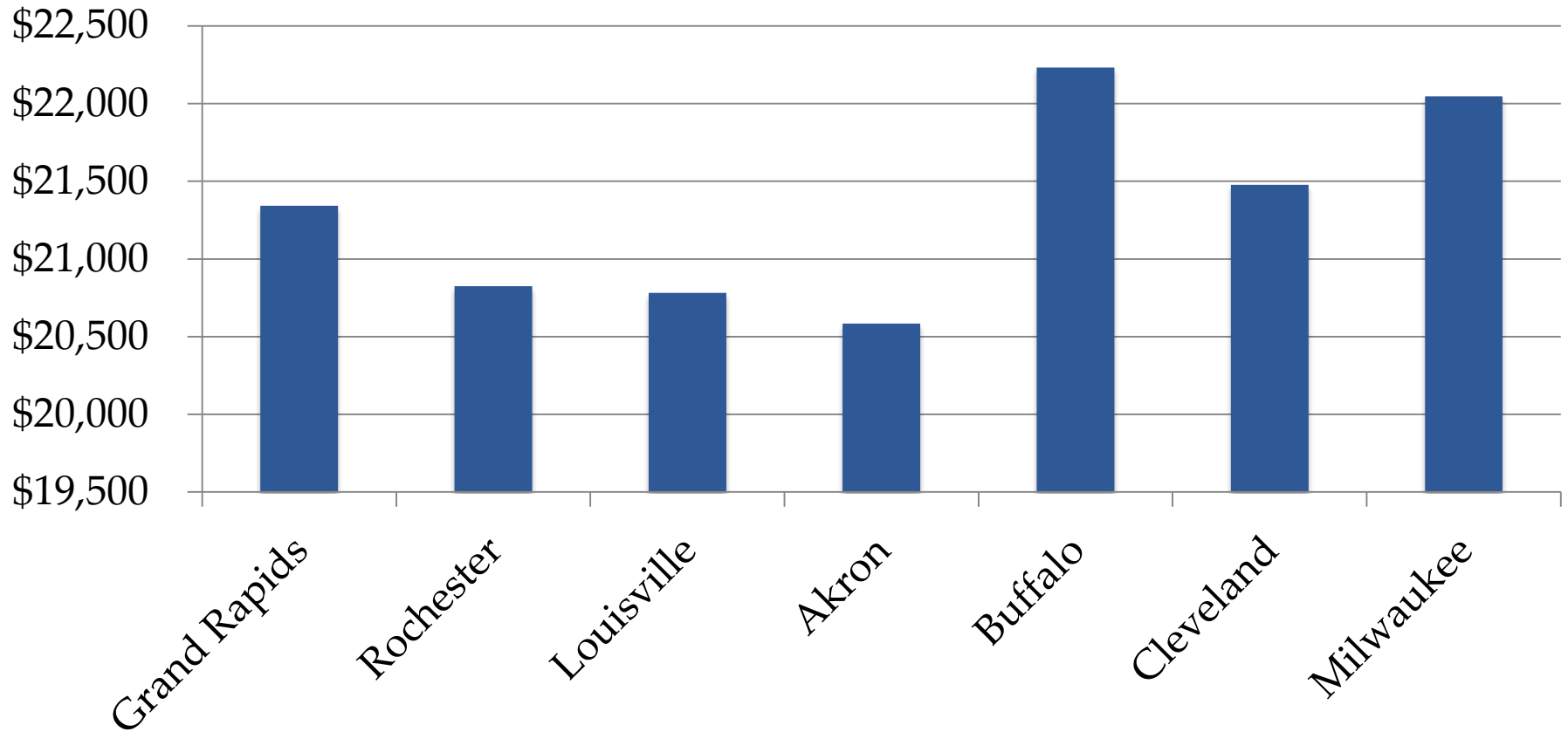
Major Medical Conditions

■ KOMA ■ Southeast Michigan



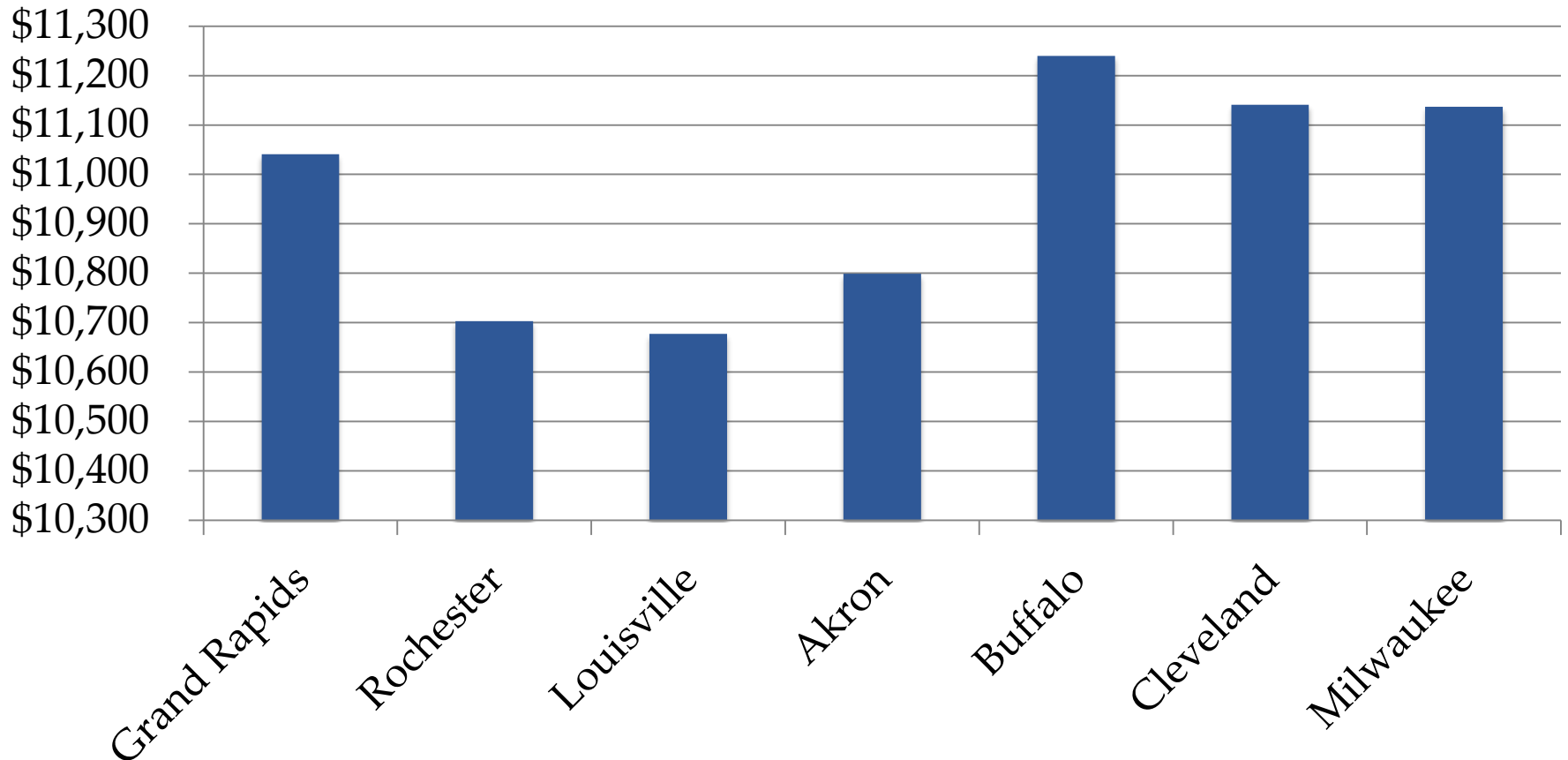
Health Care Prices

Healthcare Bluebook Fair Price Total Knee Replacement



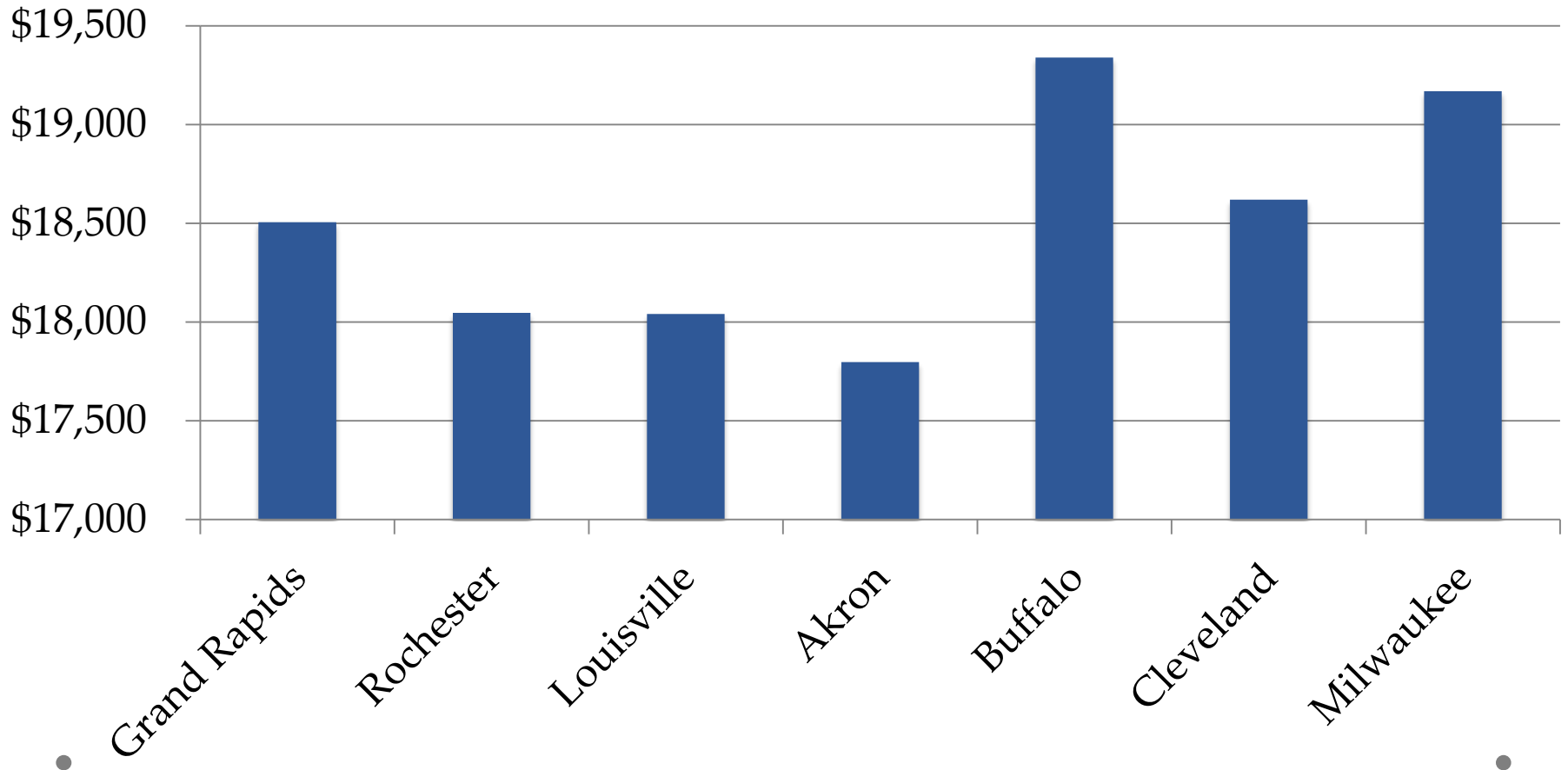
Health Care Prices

Healthcare Bluebook Fair Price Cesarean Section



Health Care Prices

Healthcare Bluebook Fair Price Coronary Angioplasty



Potential Explanations for Expenditure/Price Increases

- Patient demographics
- Utilization
- Market structure
- Technological advances

ACA Rollout in Michigan

October 2013 Health Insurance Public
Exchange opens in Michigan

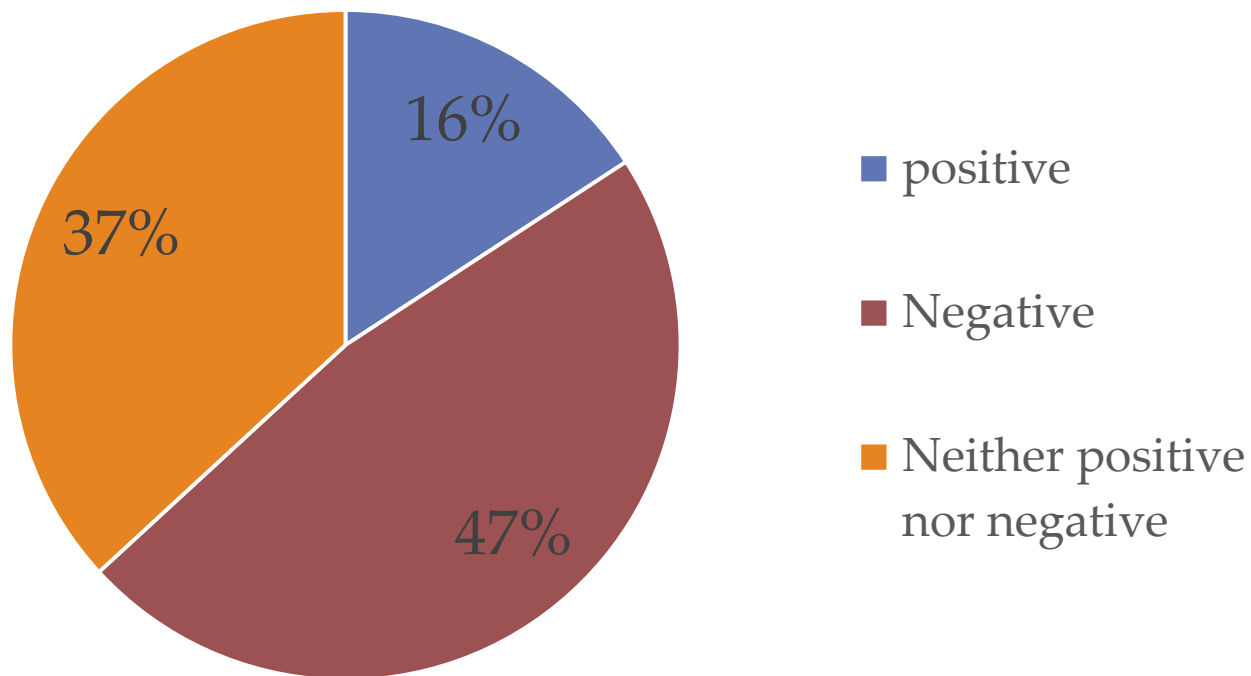
April 2014 Michigan expands its Medicaid
program to those living at or below 138%
of the poverty line

*As of December 2014: 470,000 new Medicaid
enrollees, 270,000 enrollees in exchange plans*

Physician Survey

- Fall 2014
- Includes KOMA and Eaton, Kalamazoo & Ingham counties
- 50 return surveys
- Questions specifically asked about changes *due to the ACA*.

Graph 1 Physician Perceptions of the ACA



Data based on 38 observations

Changes Attributed to the ACA

One-quarter see increases due to the ACA:

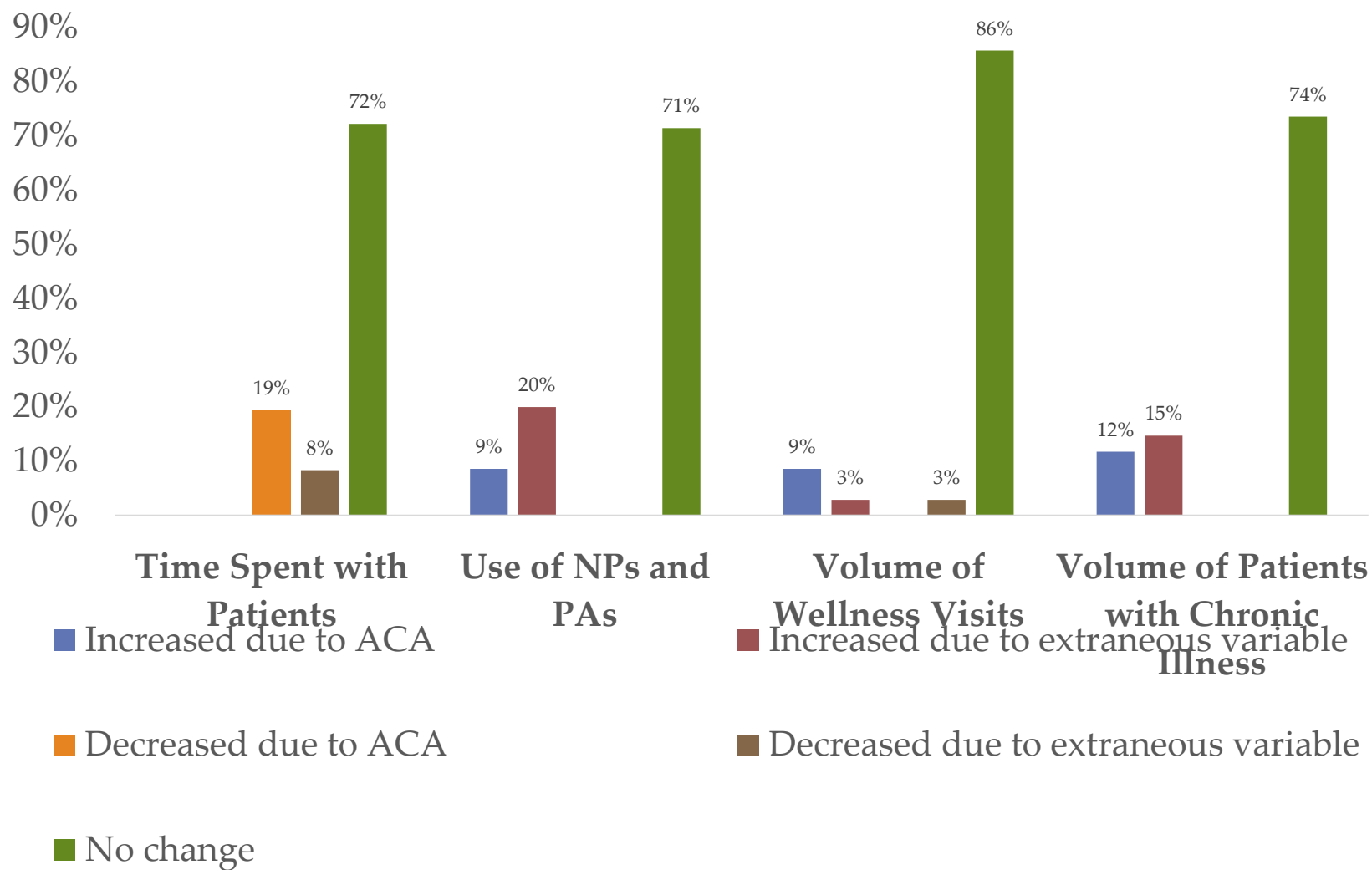
- Volume of patients (24%)
- Administrative work (25%)
- Difficulty finding a physician for referrals (29%)

Changes Attributed to the ACA

Approximately 75-85% see no change in:

- Time Spent with Patients
- Use of NPs and PAs
- Volume of wellness visits
- Volume of chronically ill patients

Graph 3 Changes to Physician Practices Because of the ACA



Medicaid Expansion: volume of new patients

- More than half (65%) of physicians have not seen a change in the volume of Medicaid patients.
- Fifteen percent (15%) have limited the number of Medicaid patients.
- Eight percent (8%) have increased their Medicaid loads.

Does the temporary higher reimbursement rate increase the acceptance of Medicaid patients?

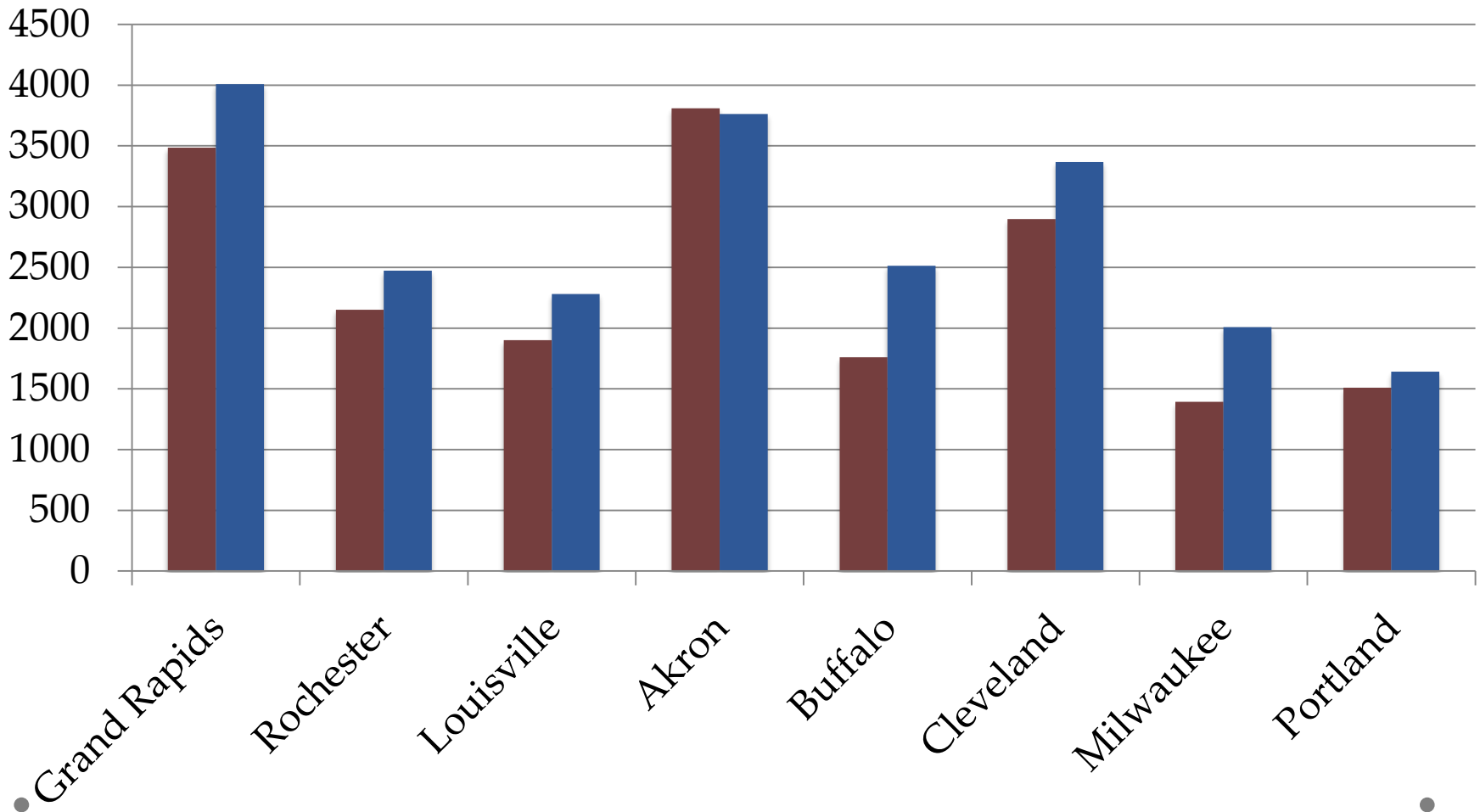
- 15% said 'yes'
- 18% said 'no', because the increase is only temporary
- 67% said the rate does not affect their acceptance of Medicaid patients



Questions?

Hospital Market Concentration

■ HHI - 2003 ■ HHI - 2012





Panel Discussion

Mike Faas

Karen Kennedy

Corey Waller



Mike Faas

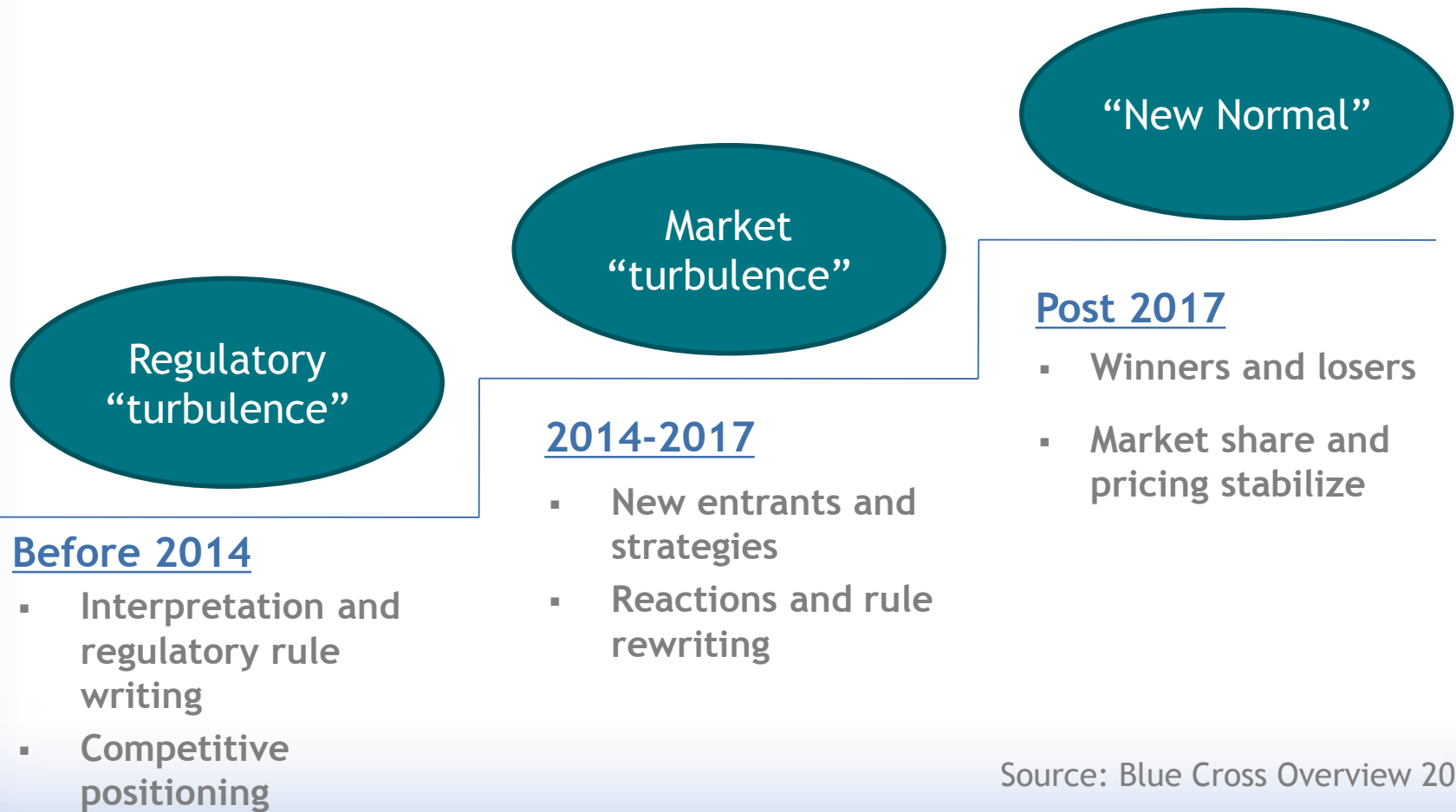
President

Metro Health

WHAT IS “DRIVING” WEST MICHIGAN HEALTHCARE TRENDS?

January 9, 2015

Health Care Reform: Impact To Occur in Three Distinct Phases



Source: Blue Cross Overview 2011

The Changing Landscape - Health Systems

At one time, a health system needed to have any one of these characteristics in order to be successful and sustainable. Now, in order to be sustainable, and to meet the region's needs, *a health system must accomplish all or most of these*:

- Access **system-wide economies of scale** - taking advantage of scale to reduce supply costs, improve operational processes, get access to national quality expertise in highly specialized business areas.
- Be in the **right locations with the right services** - right hospital location(s), right ambulatory services locations, right physician practice sites, ...
- **Achieve regional economies** - work together to serve a large patient population across a region and population large enough to support highly effective and efficient care management processes.

Source: McManis Consultants

Factors Driving Strategic Plans for the Future

Capital Access

(Net income,
Days Cash on Hand)

Healthcare Reform

(the overall new
direction of how
healthcare will be
organized and paid)



Essentiality

(scale, importance to
the community)

Competition with Large Regional Systems

Independence • Choice • Culture

Three Potential Scenarios

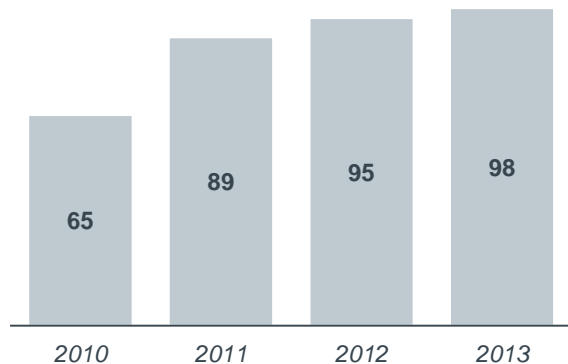
- **Consolidation** - become the acquirer or the acquired to achieve key strategies
- **Collaboration** - build strategic relationships and partnerships to achieve key strategies
- **Status Quo** - attempt to survive under prior models, behaviors and strategies

Pace and Direction
of Change
“tipping point”

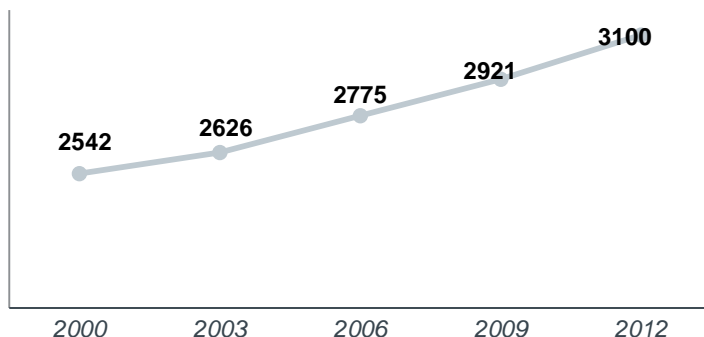


Mergers and Acquisitions Continue to Rise

Hospital Mergers and Acquisitions

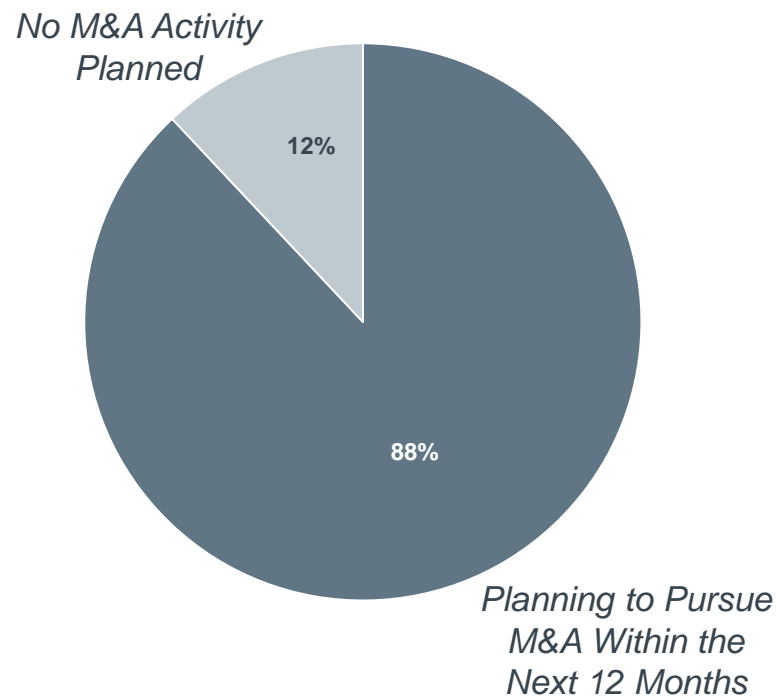


Number of Hospitals Part of a Health System 2000-2012



M&A Plans for the Next 12 Months¹

n=189



1) September 2013.

Overview of Accountable Payment Models

Key Attributes	Value-Based Purchasing	Bundled Payments	Accountable Care Organizations (ACOs)
Definition	Pay-for-performance program differentially rewards or punishes hospitals (and likely ASCs and physicians in coming years) based on performance against predefined process and outcomes performance measures	Purchaser disburses single payment to cover certain combination of hospital, physician, post-acute, or other services performed during an inpatient stay or across an episode of care; providers propose discounts, can gain share on any money saved	Network of providers collectively accountable for the total cost and quality of care for a population of patients; ACOs are reimbursed through total cost payment structures, such as the shared savings model or capitation
Purpose	Create material link between reimbursement and clinical quality, patient satisfaction scores	Incent multiple types of providers to coordinate care, reduce expenses associated with care episodes	Reward providers for reducing total cost of care for patients through prevention, disease management, coordination

The Changing Landscape -- Payment

Health care's rate of change is accelerating. Metro seeks to be alert to the changes ... and use them constructively.

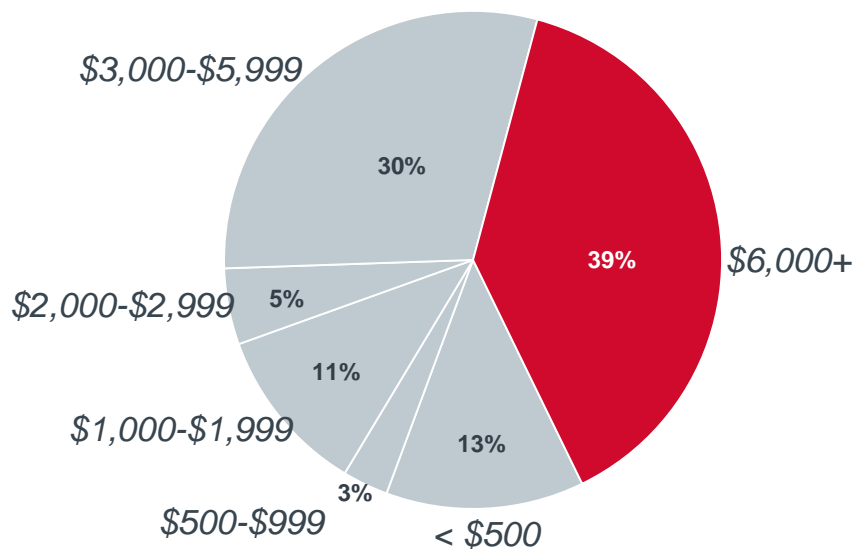
- Patient changes. *More patients have insurance, often through the exchanges. Some are new Medicaid patients, some are commercial, especially with small employers. These patients need help in navigating the health system.*
- Payer changes. *While Medicare, BCBS and Priority dominate -- there are a wider number of payers. Also some self-funded employers are interested in working more closely with payers.*
- Payment changes. *Health care markets are changing how physicians, health systems and others will be paid. The direction of the change is from the volume of care provided to the value of care provided:*

$$\text{Value} = \frac{\text{Clinical Outcome} + \text{Safety} + \text{Patient Experience}}{\text{Cost}}$$

Public HIX Participants Choosing High Deductibles

Annual Deductibles of Individual Plans Selected on eHealth

October 2013 – March 2014

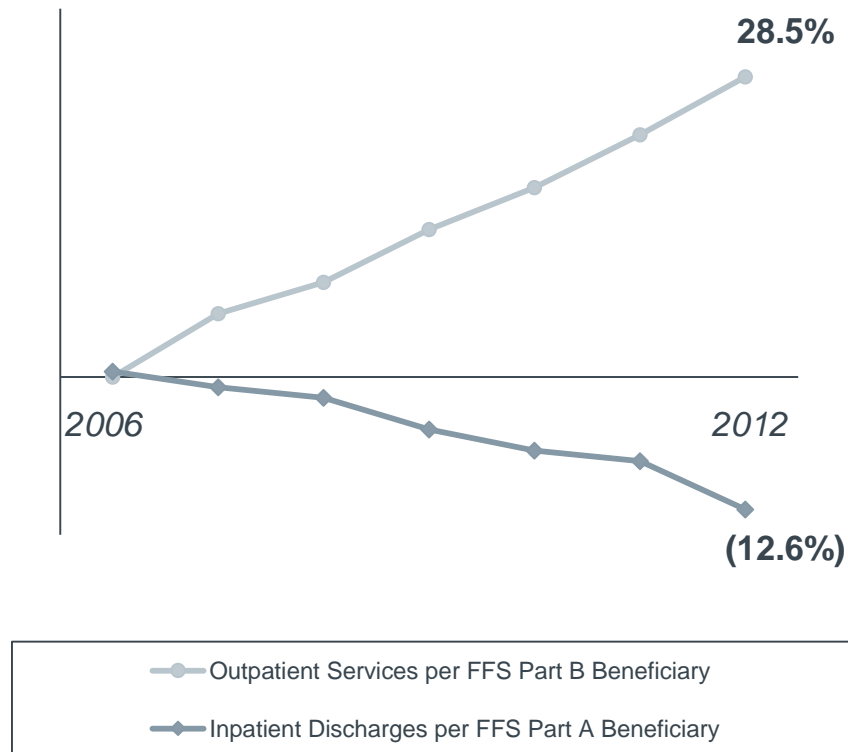


Source: Breakaway Policy Strategies, "Eight Million and Counting: A Deeper Look at Premiums, Cost Sharing and Benefit Design in the New Health Insurance Marketplaces," May 2014; eHealth, "Health Insurance Price Index Report for Open Enrollment and Q1 2014," May 2014; Health Care Advisory Board interviews and analysis.

Volumes Continuing to Shift Outpatient

Medicare Volume Growth

Cumulative Percent Change

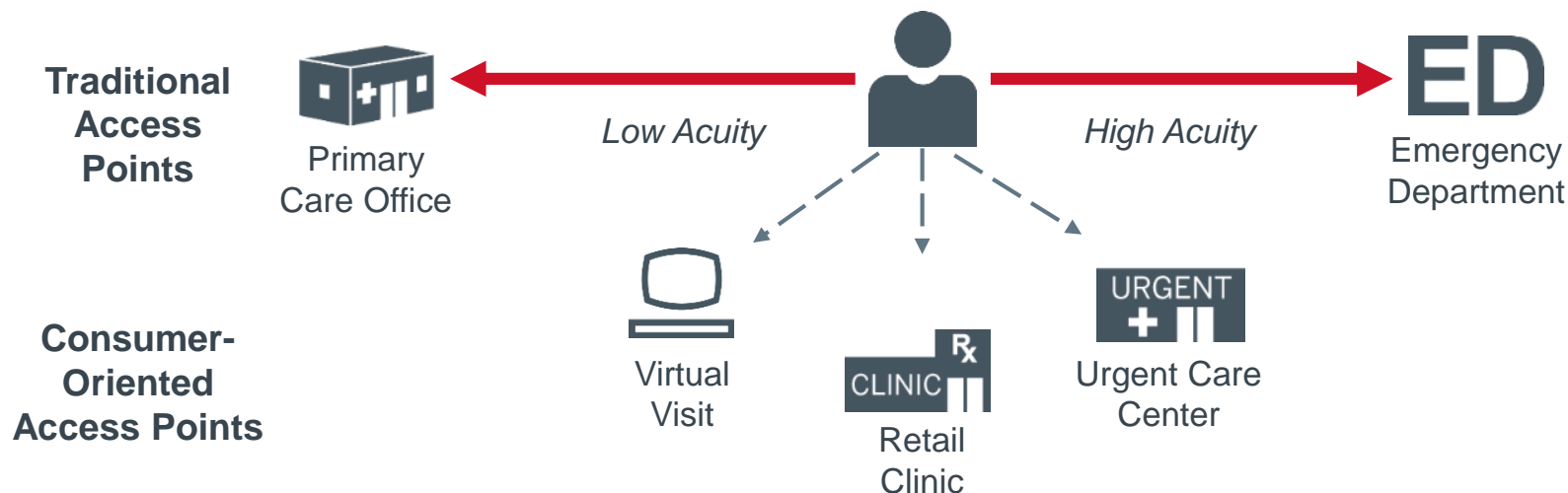


1) Outpatient services represent entire market regardless of site of service (includes hospital-based settings, ASCs, other freestanding providers and physician offices)

A Growing Network of Immediate Access Choices

Markets Responding to Unmet Needs

Consumer-Oriented Service Delivery Sites Filling the Gap



Driving Provider Questions:

- Should we partner to establish **retail clinics**?
- Should we build or expand our **urgent care** footprint?
- Is **virtual care** something that we should provide?
- When should we enter into **partnerships** to meet patient demands?

“There may be no greater predictability of impending doom nor may there be anything that makes organizations and the individuals that run them more vulnerable than entrenched, long-term success”

Ken Clark, Professor
Harvard Business School



Karen Kennedy

Lead Physician

Browning Claytor Center
Mercy Health Saint Mary's



Corey Waller MD

Director

Center for Integrative Medicine
Spectrum Health



Questions?

Closing Remarks

<http://www.gvsu.edu/vphealth/>