Minnesota Rural Health Forum

Updates Concerning Value-Based Care Healthcare

- Summary of the evolution/revolution of value-based programs.
- How self funded plans incorporate value-based solutions today.
- Sample VBC Programs available in the marketplace.

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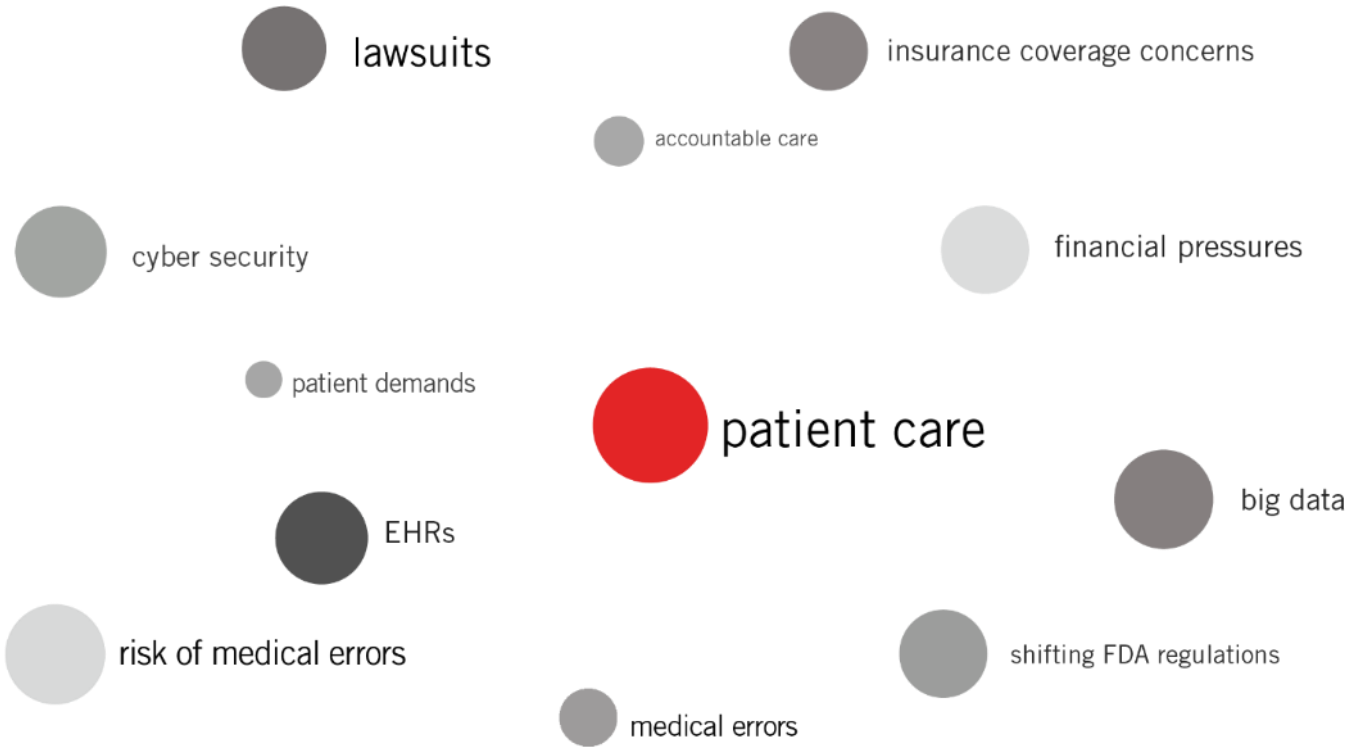
Stay Focused Among the Distractions

With so many issues competing for your attention, it can be difficult to focus on the things that matter most – the delivery of outstanding patient care and quality outcomes.



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What's Driving the Value-Based Evolution/Revolution?

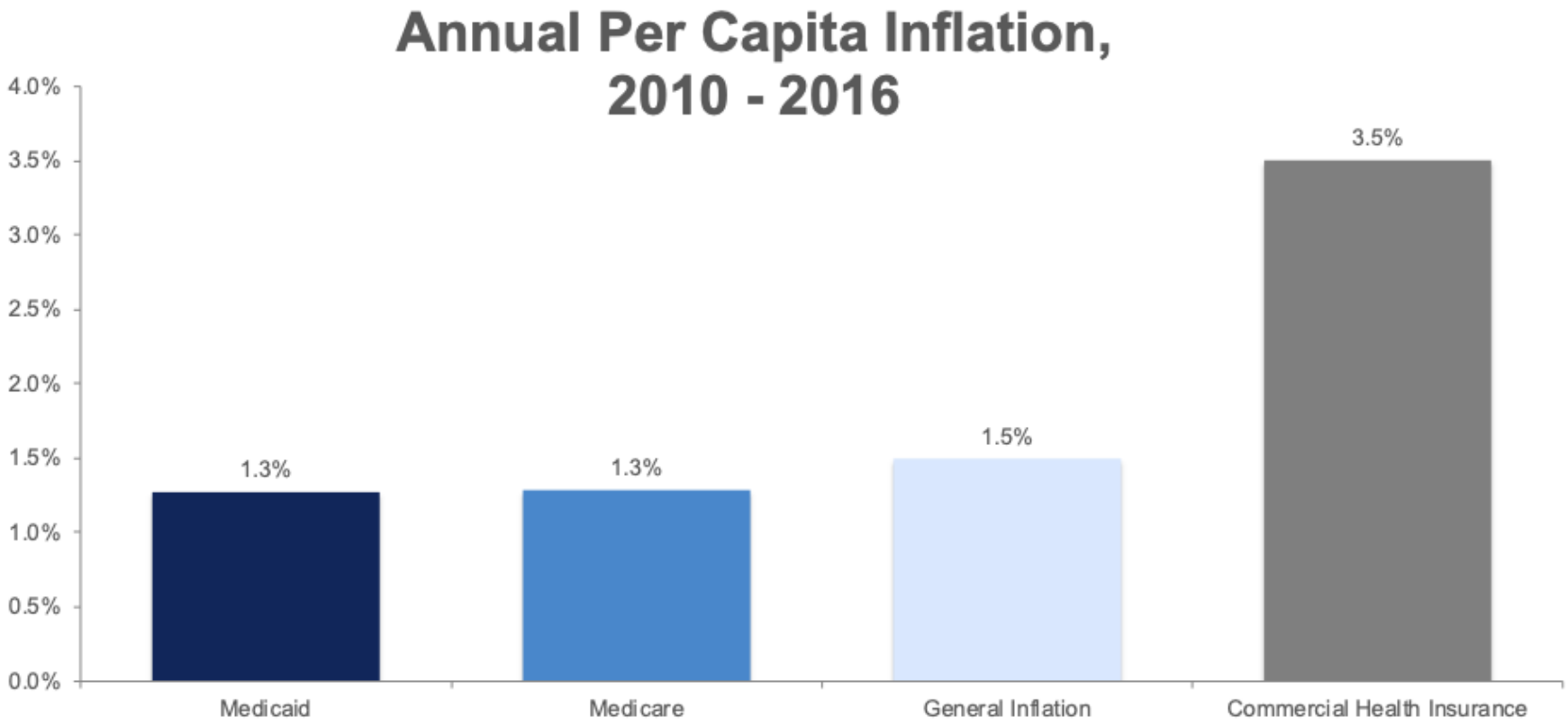
- Unsustainability of Costs
- Affordability Crisis
- Aging Population (more Medicare Eligible)
- Legislation

Unsustainability of Costs

- U.S. health care spending grew 9.7 percent in 2020, reaching $4.1 trillion or $12,530 per person.
- We spend more than twice as much per capita on healthcare than the average developed country.
- As a share of the nation's Gross Domestic Product, health spending accounted for 19.7%.
- The vast majority of corporations and small businesses… Healthcare is their #2 expense, right behind payroll.

Sources: cms.gov., federalreserve.gov,, and bankrate.com.

VBC Environment – Commercial Spending Growth



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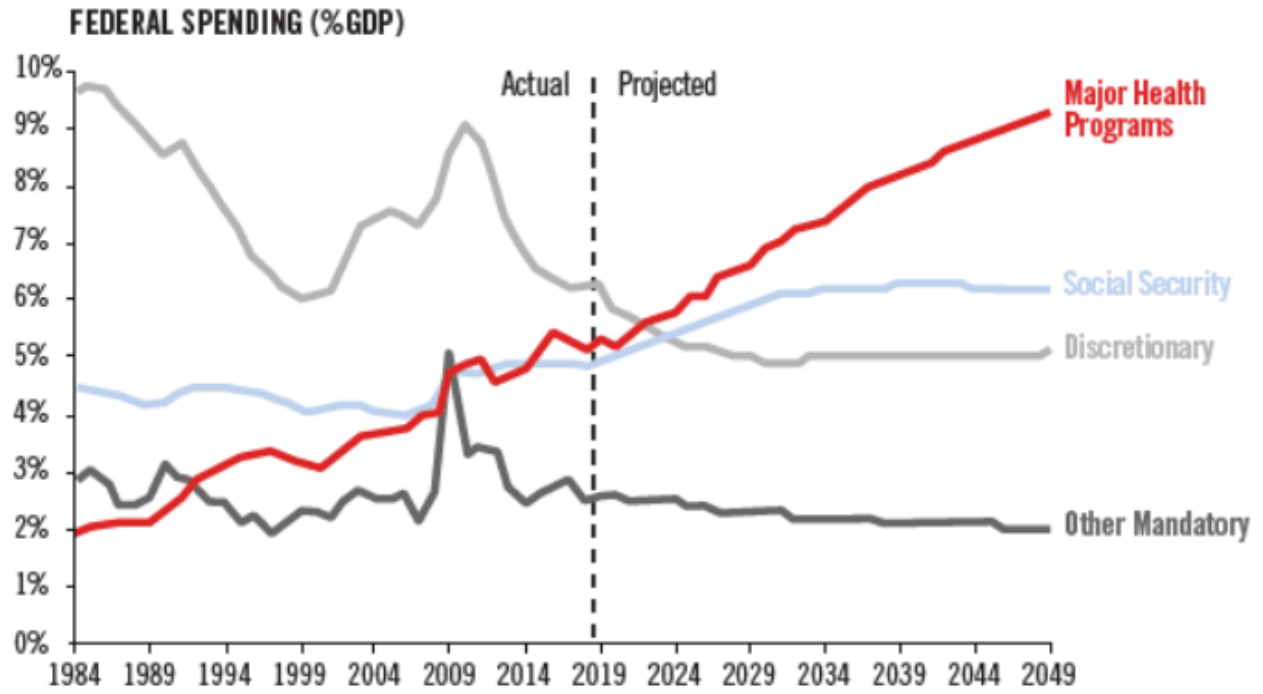
Why VBC is Needed - Federal Deficit Growth

The Urgency to Bend the Cost Curve

- Total healthcare spending is projected to top $3.6 trillion by 2026.
- Over a quarter of the federal budget is spent on Medicare, Medicaid, ACA, and CHIP.
- The 2019 Medicare Trustees Reports projects HI Trust Fund insolvency in 2026.



Source: Peter G. Peterson Foundation; CBO – The 2019 Long Term Budget Outlook, June 2019.

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Affordability Crisis

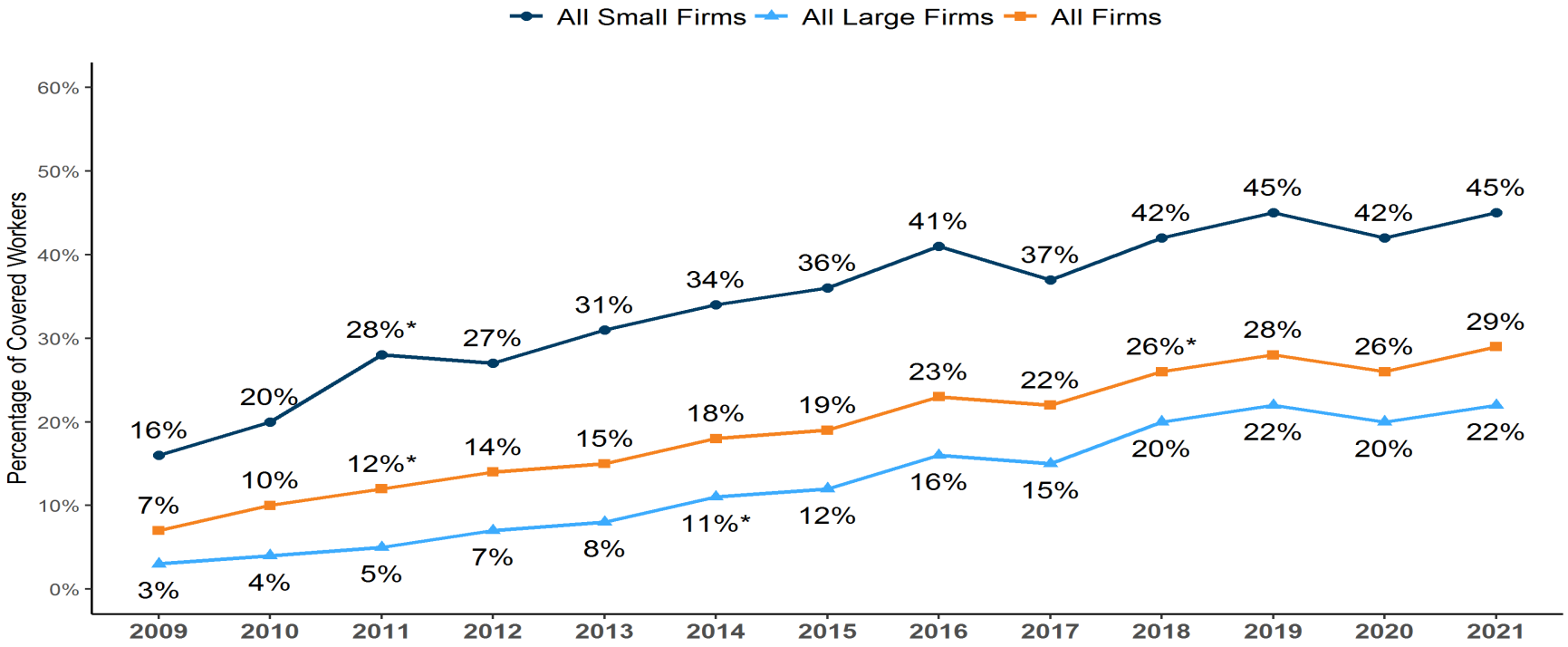
- 30% of all Americans don't have enough cash in savings to cover even a $400 emergency.

- 56% of Americans are unable to cover an unexpected $1,000 bill with savings.

Sources: federalreserve.gov, bankrate.com

Affordability Crisis

Figure E
Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of $2,000 or More for Single Coverage, by Firm Size, 2009-2021



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).
NOTE: Small Firms have 3-199 workers and Large Firms have 200 or more workers. These estimates include workers enrolled in HDHP/SOs and other plan types. Average general annual deductibles are for in-network providers.
SOURCE: KFF Employer Health Benefits Survey, 2018-2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009-2017

The 2021 value of $1,434 is 92% higher than the average general annual deductible of $747 in 2011…. The average deductible DOUBLED in last 10 years!

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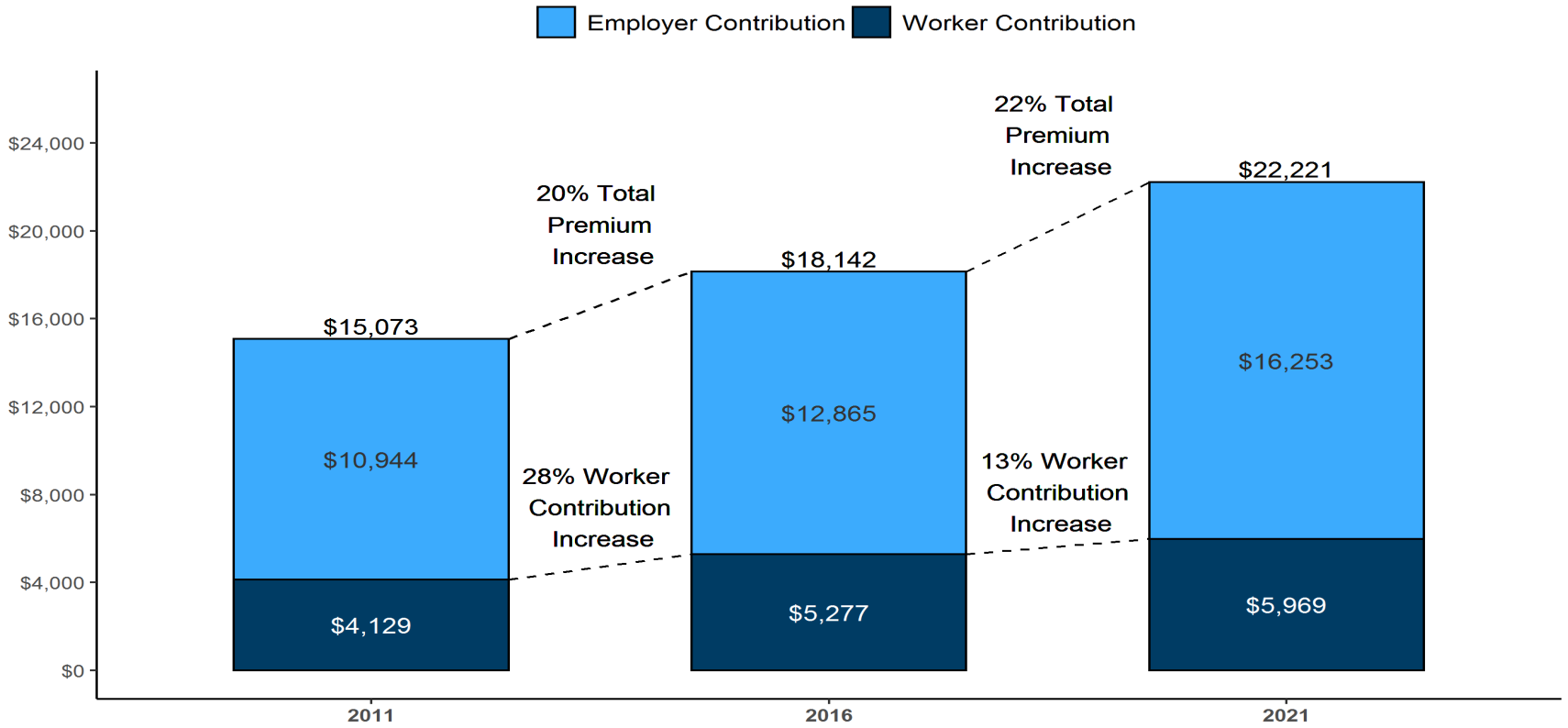
Affordability Crisis

Figure A
Average Annual Worker and Employer Premium Contributions for Family Coverage, 2011, 2016, and 2021



SOURCE: KFF Employer Health Benefits Survey, 2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011 and 2016

- The average premium for single coverage in 2021 is $7,739 per year
- Covered workers on average contribute 28% of the premium for family coverage in 2021

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Legislation

- Legislation: The Patient Protection and Affordable Care Act (ACA) & Medicare Access and CHIP Reauthorization Act (MACRA).
  - US Department of Health and Human Services set a goal that by the end of 2018, 50% of Medicare payments will flow through Alternative Payment Models and 90% will be tied to quality/value.
  - Changes the way that Medicare rewards clinicians for value over volume.
  - Streamlines multiple quality programs under the new Merit Based Incentive Payments System (MIPS).
  - Gives bonus payments for participation in eligible alternative payment models (APMs).

Legislature's Mentality

- The current payment system, based on sickness and volume, where reactive management is commonplace and more is better, is shifting *toward* health and wellness and ***from*** Fee for Service ***to*** *Fee for Value*.

- This *Fee for Value* model intends to align incentives across providers, members, employers, and payers to achieve the "*Triple Aim*".

Triple Aim's objectives:

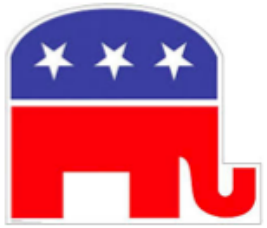
1) Improve the experience of care.
2) Improve the health populations.
3) Reducing the per capita costs of health care.

Source: Institute for Healthcare Improvement

VBC Enjoys Bipartisan Support

"I want fee-for-service, volume-based care to die…and I want to kill it as fast as possible."

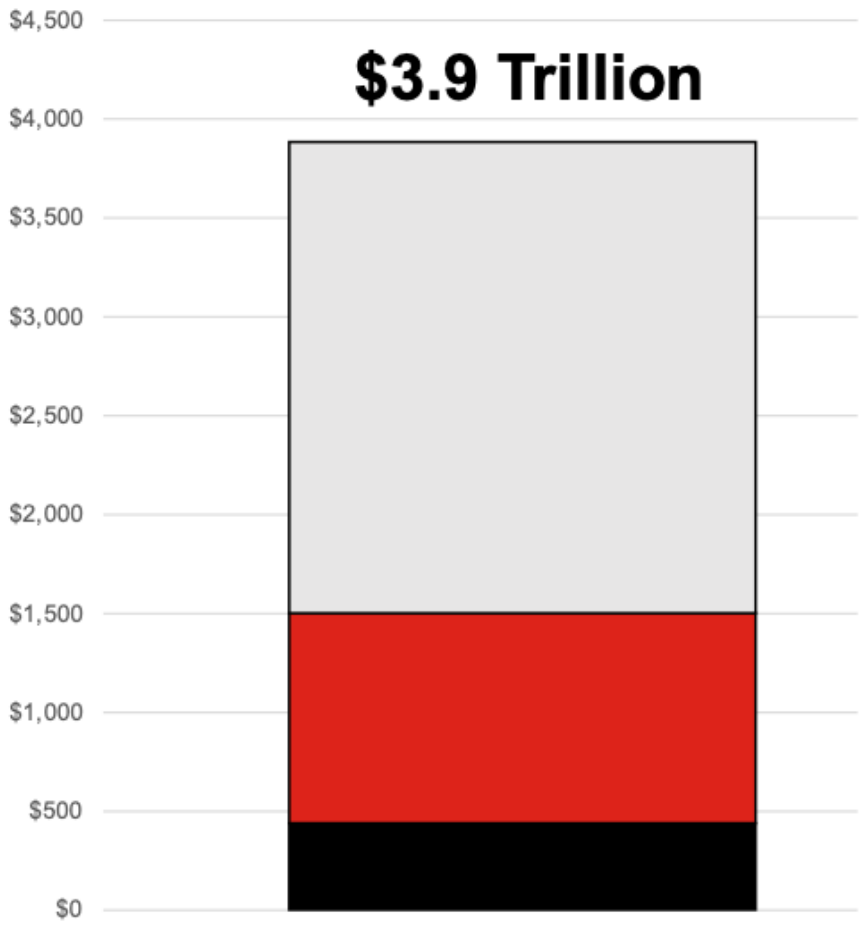
Patrick Conway, MD, Director of CMMI under President Obama



"Our current system is not working for patients, and it's not working for the taxpayer… I assure you: Change is possible, change is necessary, and change is coming."

Alex Azar, Secretary of Health & Human Services CMMI under President Trump

Projected Value-Based Care Spending - 2025



$3.9T - Total HC Spending - 2025

$1.5T - Projected 2025 VBC Spending

$315B - 2020 VBC Spending

Projected VBC Growth in Medicare, Medicaid and Commercial

Expected acceleration of U.S. healthcare payments tied to quality and value through adoption of alternative payment models				
	Medicaid	Commercial	Medicare Advantage	Traditional Medicare
2020	15%	15%	30%	30%
2022	25%	25%	50%	50%
2025	50%	50%	100%	100%

Source: Health Care Payment Learning Action Network; CMS National Healthcare Trend

The majority of your clients will require value-based risk protection insurance over the next five years.

Medicare has stated they want all Medicare Providers to be in a meaningful downside risk contract by 2025.

Source: Health Care Payment Learning Action Network; CMS National Healthcare Trends

Aging/Changing Population

- In FY 2023, over 150 million Americans will rely on the programs CMS administers.
- By 2027, government (federal, state, and local) will finance 47% of national health spending.
- The start of the 2030's will mark a turning point for demographics in the US, particularly for the elderly population, according to the US Census Bureau's, by 2030, every Baby Boomer will be age 65 or older, which means that 1 out of every 5 Americans will be of retirement age.
- The aging of baby boomers means that within just a couple decades, older people are projected to outnumber children for the first time in U.S. history.

Source: cms.gov

Incorporating Value Based Care into Self Funded Plans

- Value-based insurance design **aims to increase health care quality and decrease costs by using financial incentives to promote cost efficient health care services and consumer choices**.

- Health benefit plans can be designed to steer plan members to the providers that offer the most value for each episode of care.
  - Waive the deductible.
  - Eliminate the Co-Insurance.
  - Gift Card for participation in the VBC platform.

- Sample URL: Archiehealth.com.

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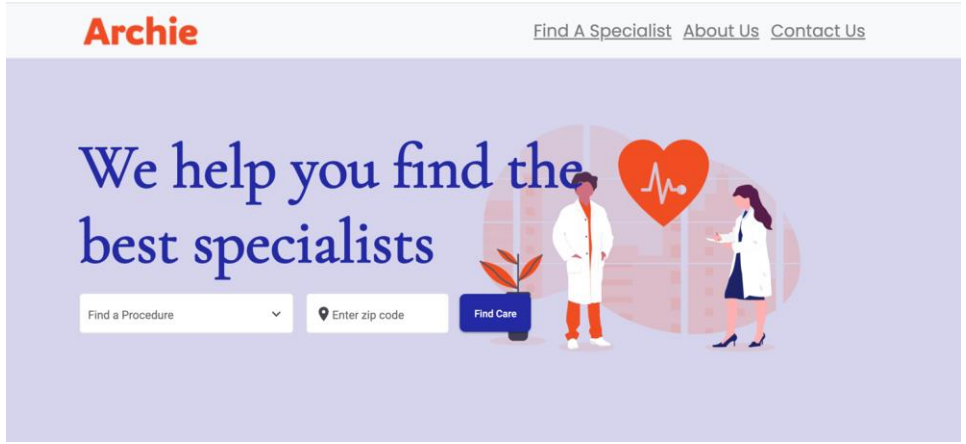
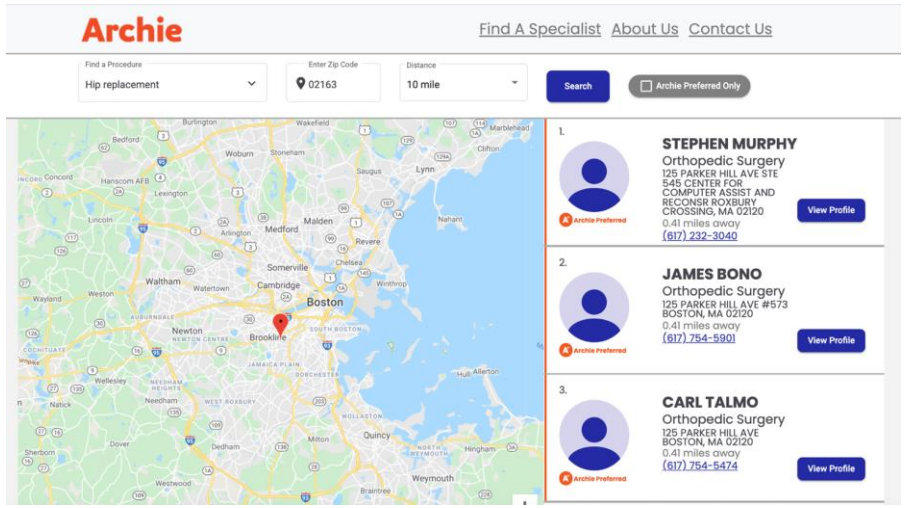
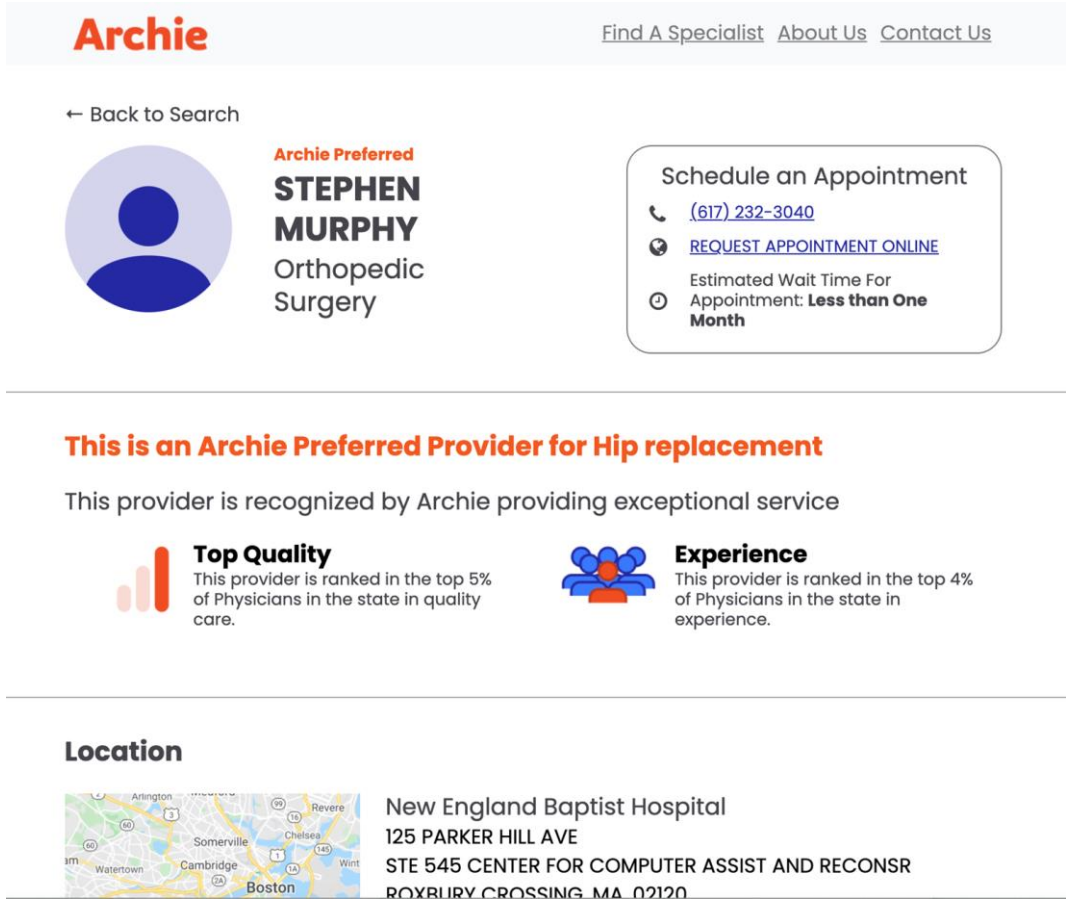
Incorporating Value Based Care into Self Funded Plans







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Our Value-Based Risk Protection Products

Program	Provider Type	Program Overview	Stop Loss Product Availability
Bundled Payment for Care Improvement Advanced (BPCI-A) – CMS Bundled Payment Program	Independent specialty groups and hospitals	• Specialty focused - Ortho, Cardiology, Joint, Spine, Pulmonology, Gastrointestinal, hospital-based medicine. • Episode length - 90 days (total cost of care risk on provider). • Downside Risk Exposure – 20% of program size. • Aggregate policy to mirror CMS's reconciliation and risk tolerance.	Currently available
Oncology Care Model (OCM) – CMS Bundled Payment program for Oncology providers	Oncology Practices	• Episode length – six months (total cost of care risk on provider). • Downside Risk Exposure – 8% of revenue + drugs & admin. • Aggregate policy to mirror CMS's reconciliation and risk tolerance.	Currently available
Next Generation Accountable Care Organization (ACO) Model - CMS Risk-based ACO programs	Next Generation ACOs	• Population based model, annual performance period with max downside risk of 15% of benchmark • Sunsetting at the end of 2021 • Aggregate policy to mirror benchmarks set by CMS and risk tolerance.	Currently available
Medicare Shared Savings Program (MSSP) ACO– CMS Risk-based ACO programs	MSSP ACOs in BASIC Tracks C, D, E, and ENHANCED	• MSSP ACOs in BASIC Tracks C, D, and E & Enhanced all have downside risk. • In the BASIC track, ACOs move to a greater risk track each year • Aggregate policy to mirror benchmarks set by CMS and risk tolerance.	Currently available

Continued >>

Our Value-Based Risk Protection Products

Program	Provider Type	Program Overview	Stop Loss Product Availability
Comprehensive Care for Joint Replacement (CJR) – CMS mandatory joint replacement program	Hospital (orthopedic service line)	• 20% downside risk exposure on total cost of care for Lower Extremity Joint Replacement bundles. • Episode length - 90 days (total cost of care risk on provider). • Aggregate policy to mirror CMS' reconciliation and risk tolerance.	Target: Q1 2022 (pending CMS rulemaking)
Comprehensive Kidney Care Choices (CKCC)	Kidney Contracting Entity (KCE) – nephrology practices	• Total cost of care model for patients with CKD 4/5 & ESRD (delayed until January 1, 2022) • Annual performance period; 3 risk tracks (Graduated, Professional and Global) with increasing downside risk • Aggregate policy to mirror CMS's reconciliation and risk tolerance.	Target: Q3 2021
Direct Contracting Entities (DCE)	Direct Contracting Entities (DCE) – multi-specialty organizations	• Population based total cost of care model; begins April 1, 2021; PY1 = 9 months, annual performance periods subsequently • Two risk tracks (Professional and Global), 50% / 100% risk • Aggregate policy to mirror CMS's reconciliation and risk tolerance.	Target: Q2 2021
Provider Excess of Loss (PEL) – Medicare Advantage, Medicaid & Commercial Insurance programs	Hospitals, health systems & physician groups.	• Risk-bearing providers in commercial payer, or government entity contracts	Q1 2021

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- 1,000+ Insured Hospitals, Health Centers and Clinics
- Leading national provider writing business in all 50 states

FINANCIAL STRENGTH

45 years protecting the healthcare community

Financial Strength Rating* A.M. BEST A Excellent

Net Admitted Assets	$3.57 Billion
Direct Written Premium	$563 Million
Policyholder Surplus	$1.6 Billion

*Medical Professional Mutual Insurance Company and its insurance subsidiaries

as of 12/31/2019

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