Imagine Tomorrow

Kevin F. Brennan, FHFMA, CPA
2018-19 Chair, HFMA
Principal, SunStone Consulting
Learning Objectives

- Identify top trends facing the healthcare industry.
- Articulate the importance of imagination and innovation when it comes to opportunities for improving the financial management of health care.
- Describe current HFMA initiatives designed to help finance professionals succeed in their efforts to make a difference in today’s healthcare industry.
Industry Trends

Global Trends

Political and regulatory trends
- Healthcare reforms
- Budgetary restraints
- Federal debt and deficit

Economic trends
- Industry Consolidation
- Costs rising again
- Healthcare as a percentage of GDP

Societal trends
- Consumerism
- Social determinants of health

Technology trends and innovations
- Technological innovations

Payment & Delivery Model Trends
- Focus on the continuum of care
- Transform clinical systems and patient-provider-payer interactions
- Shift FFS → payment to value
- Overlapping experiments
- Uncertainty

Implications

Healthcare Finance Tomorrow
Future of Revenue Management
Consumerism
Why consumers are critical for building a sustainable healthcare system
The Healthcare Consumer Today

72-112 Million
Who will buy their own health plan in 2020

28%
Consumer share of national healthcare expenditure (2016)

59 Million
Who are in high-deductible health plans¹ in 2017, up from 54M in 2016

9%
CAGR in average annual health plan deductible² (2006-2017)

¹ For individuals 19-64, with or without an HSA/FSA/HRA; HDHP defined as $1300 or above
² For single coverage, across firms, for in-network services
³ For non-Medicare households. The figure for Medicare households is 14%

The Healthcare Consumer Today

More Insured Americans Now Report Difficulty Affording Health Care

AMONG THE INSURED: In general, how easy or difficult is it for you to afford to pay...

<table>
<thead>
<tr>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy</td>
<td>Difficult</td>
</tr>
<tr>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>27%</td>
<td>31%</td>
</tr>
</tbody>
</table>

- **2015**
  - The cost of health insurance each month: 63% Easy, 37% Difficult
  - Copays for doctor visits and prescription drugs: 69% Easy, 31% Difficult
  - The deductible you pay for care before insurance kicks in: 57% Easy, 43% Difficult

NOTE: Don’t have to pay (Vol.) and Don’t know/Refused responses not shown.
SOURCE: Kaiser Family Foundation Health Tracking Polls
Consumerism: Now and in the Future

Today

Consumer cost sharing
Segmentation and pricing of choice
Next-gen product design
Patient-centric care delivery
Digital consumer

Source: McKinsey & Company
Consumerism: Now and in the Future

Understandable medical bills
Consumers expect a modernized physician/patient interaction

- + 50% are comfortable contacting physician digitally
- 56% would use some form of tech to interact with care providers
- 36% would use an at-home diagnostic test kit
- 58% prefer to interact with their physician in person

- 27% have used personal activity trackers in the past 12 months
- 33% would use a smartphone – connected device to send info to a physician
- 21% would use video consultation with medical professionals
- 7% would be more comfortable interacting with physician online

Source: E&Y Engaged Aging Survey, Spring 2017
Physicians are encouraged by the promise of digital technology to help improve overall wellness

Physicians:
• 71% believe personal sensor-based technology will have positive impact
• 68% believe at-home diagnostic testing will deliver better outcomes
• 67% believe smartphones health and fitness apps will deliver better outcomes

Consumers:
• 26% would be very interested in sharing lifestyle habits
• 60% would share tracked exercise/activity patterns
• 61% would share info digitally if it reduced wait times
• 55% would share info digitally if it resulted in cost savings
• 26% would share dietary info digitally if it led to a more comprehensive health plan

Source: E&Y Engaged Aging Survey, Spring 2017
Overcoming Barriers to Consumerism

- Make basic information more accessible
- Increase cooperation between plans and providers
- Decrease forms and questions
- Improve price transparency
- Simplify bureaucracy
- Encourage shared decision making
- Increase patient satisfaction
- Improve the patient experience

Economic Trends
National health care expenditures are projected to grow at an annual average rate of 5.6% for 2016-2025. Health care is projected to account for 19.9% of GDP by 2025.

How is health care spending projected to change?

2015 (actual) vs. 2025 (projected)


1. Children’s Health Insurance Program (CHIP, Titles XIX and XXI), Department of Defense, Department of Veterans Affairs.

2. Includes worksite health care, other private revenues, Indian Health Service, workers’ compensation, general assistance, maternal and child health, vocational rehabilitation; other federal programs, Substance Abuse and Mental Health Services Administration, other state and local programs, and school health.
Study: Value-Based Payment Has Yet to Reduce Total Cost of Care…

Increased VBP penetration was not associated with a slowdown of growth for either Medicare or commercial costs.

Source: Growth of Population-Based Payments is Not Associated With a Decrease in Market-Level Cost Growth, Yet, Adapted from Leavitt Partners/HFMA/McManis Consulting report, June 2018. leavittpartners.com/tcoc
…In Part, Because Strong Financial Incentives Aren’t There

Most organizations are pursuing upside risk.

*Within commercial plans, respondents receive payment from…*

Source: *Embracing New Payment Models: Challenges, Opportunities, and Strategies for Improvement*. Results from the 2017 HFMA Value-Based Payment Readiness Survey Sponsored by Humana.
Reducing Total Cost of Care Requires Better Analytics. It is a Top Unmet Need for CFOs.

- 90% of senior healthcare financial executives state that their organizations should do more to leverage financial and operational data to inform strategic decisions.
- 70% have either cost measurement tools they describe as too simplistic or as sources of inaccurate data, or no tools in place at all.
- 84% view peer financial benchmarking activity as important, yet just 56 percent are benchmarking their organizations’ performance against industry peers.

Hospital M&A Transactions Continue to Increase

Source: Kaufman Hall Transactions Data
Capital, Market Share, and Cost Efficiencies are Top M&A Drivers

Source: HFMA 2017 survey of executives involved in M&A transactions
Overall higher operating margins did not immediately follow M&A for acquired hospitals. Once we took into account market and hospital characteristics, acquired hospitals experienced a post-transaction decline in operating margins, revenue, and expenses that typically lasted two years.

Quality at acquired hospitals did not decline, but this is harder to detect since it lags.

BUT, M&A experience varied a great deal among acquired hospitals. Among a sample of transactions with better outcomes (improved cost and quality), executives reported spending more time on integration planning and execution than those from transactions that did not meet cost and quality goals.
Acquired hospitals are most likely to succeed if leadership:

- Develops a strong strategic vision
- Has explicit financial and non-financial goals
- Holds leadership accountable for integration efforts
- Identifies cultural differences between organizations
- Makes clear and upfront decisions
- Aligns clinical and functional leadership early
- Follows best practices for integration
- Implements project management best practices
Technology and Innovations
Top 10 health care innovations: Achieving more for less

What innovations are most likely to help stakeholders achieve the triple aim goals and transform health care over the next 10 years?

- Next-generation sequencing (NGS)
- Virtual reality (VR)
- Next-generation sequencing (NGS)
- Immunotherapy
- Virtual reality (VR)
- 3D-printed devices
- Leveraging social media to improve patient experience
- Immunotherapy
- Point-of-care (POC) diagnostics
- Biosensors and trackers
- Artificial intelligence (AI)
- Convenient care
- Telehealth

Innovations that will most likely achieve more for less in health care

Source: Deliotte Center for Health Solutions
And what about mobile phone diagnostics?
Healthcare Startups are Addressing Specific Problems and Unmet Needs Across the Value Chain
Innovation will drive success

Population health demands a new model of care delivery to improve quality and efficiency of care.

Matching resources to Intensity of services required

Team-based care and collaboration

Engaging consumers to improve patient compliance

Pre-paid reimbursement

Physician/caregiver collaboration platform

Telemedicine and virtual care

Wearables

Home care

Enabling technology and analytics

Source: 2018 Deloitte Development LLC – Health Care 2018
Revenue Cycle
Billing and Payment Falls Far Behind Experiences in Other Industries

Consumers are regularly unable to accurately predict costs as they are unique and infrequent

Key Friction Points:
1. Lack of up front transparency can lead to bill shock
2. Timing – billing often comes long after the procedures take place
3. Method – often receive a number of bills
4. Even when upfront estimates are provided, they are often inaccurate
5. On individual to follow up and dispute

Disruption from Start-ups

- At least 10%-30% of medical bills contain a mistake, responsible for $120-$150 billion in overcharges each year
- Medical bills are the number 1 source of bankruptcies in America, and 63% of Americans do not have enough savings to cover a $500 emergency

Remedy
Medical bill analyses and error mediation

Users connect their insurance to the platform and have Remedy scrutinize every one of their claims

“"I was very skeptical at first, but the communication and services far exceeded my expectations. Remedy saved us thousands of dollars on our medical bills”

We find mistakes on most medical bills, saving the average family $1,000 per year.

Simple pricing
When we find you savings, our service fee is 20% – up to $99.

“It makes cancelling Comcast look like the simplest thing in the world.”
Revenue Cycle Today

ACCESS/SCHEDULING

Enrollment

Eligibility/Insurance Verification

Billing – Hospital v Professional

Site of Service

Charge Posting

Medical Necessity

Financial Counseling

Edits - Medical Necessity & Benefit Eligibility

Precertification/ Second Opinion

Charity Care

Clean Claims – First Submission

Non-covered

ACO’s/Bundling

Transparency - Quality

Coding

Receipts & Cash Posting

Contract Maintenance
Technology continues to evolve at a rapid pace with transformational impact within health care and revenue cycle.
Revenue Cycle Tomorrow

- Simplicity
- Quality/Integrity of Data
- Automation
- Artificial Intelligence/Machine Learning
- Integrated Information Technology
- Real Time Connectivity
- Remote Online Capabilities
- Mobile Devices Everywhere
- E-Commerce
- Education → Employee & Patient
Implications
What needs to change with Finance?

Business model disrupters are changing the demands of finance

- Increase support of innovation
- Proactively lead enterprise performance
- Employ 70% less labor
- Enable business agility
- Increase speed of insight
- Act as role model of collaboration
- Improve forecasting accuracy
- Develop new skills and talent

Source: KPMG  Looking at the future of finance
Leading finance organizations have developed an agenda to deal with disruption

**Agenda in response to operating model disruption:**

<table>
<thead>
<tr>
<th>Extreme automation</th>
<th>Insights &amp; analysis</th>
<th>Organizational simplification</th>
<th>Skills &amp; talent</th>
</tr>
</thead>
</table>
| Integrating and combining:  
  - Cloud ERPs  
  - Robotics  
  - Artificial intelligence  
  - Blockchain  
  - Mobile | New insights through:  
  - Descriptive and diagnostic analytics  
  - Predictive and prescriptive analytics  
  - Integrated business plans  
  - Decision support | Changing way of work:  
  - Less people  
  - Less hierarchy  
  - Fewer locations | Changing requirements:  
  - Both strategy and finance skills  
  - Process and control leaders  
  - Relationship and collaboration |

**Innovation enablement**

- Increasing role in innovation
- Approaching disruption at the organizational level
- Fundamental economics behind disruption
- Maintaining an Innovation portfolio
- Disciplined innovation process and structure
HFMA Collaborative Efforts: The Strategy
HFMA Partners

Physician/clinical areas
American Organization of Nurse Executives
National Academy of Medicine (formerly Institute of Medicine)
Institute for Healthcare Improvement/National Patient Safety Foundation
American Association for Physician Leadership

Health insurance plans
America’s Health Insurance Plans
Alliance for Community Health Plans
National Association of Insurance Commissioners
Society of Actuaries

Purchaser/employer/consumer perspective
Catalyst for Payment Reform
Community Catalysts
Leapfrog Group
National Business Group on Health

Hospital and health systems
American Hospital Association
Association of American Medical Colleges
Catholic Health Association of the U.S.
Federation of American Health Systems
National Rural Health Association

Standard-setting bodies
Financial Accounting Standards Board
Governmental Accounting Standards Board

Regulatory agencies
Centers for Medicare & Medicaid Services
Department of Health and Human Services
Internal Revenue Service
Department of Treasury
HFMA Affinity Groups

- Large System CFO Council
- Large System Revenue Cycle Council
- Large System Controller Council
- Physician Practice Executive Council
- Health Care Economics Professional Council
- Bundled Payment for Care Initiative Council
- Financial Analytics Council
- Strategic CFO Council
- Academic Medical Center CFO Council
Have you ever had a great customer experience with a digitally savvy retailer? How about with a professional association? You will, soon.
Have you ever had a great customer experience with a digitally savvy retailer?

How about with an association?

Well, you are about to…

Improved Website
Have you ever had a great customer experience with a digitally savvy retailer? How about with an association? Well, you are about to...
Have you ever had a great customer experience with a digitally savvy retailer? How about with an association? Well, you are about to...
Have you ever had a great customer experience with a digitally savvy retailer?
How about with an association?
Well, you are about to…
Timeline

Q2’18

Finish architecting new digital experience

Q3’18

Develop new website and features

Q4’18

Validate and refine “product of membership” and new member features/benefits

Q1’19

Prioritize Phase 2 features, enhancements

Socialize with key stakeholders

Q2’19

Launch
HFMA Educational Strategy: Contemporary Learning and Professional Development
Pointing You in the Right Direction.

Your world is full of challenges. Our insights can help you find ways to address them.

On August 1, you began receiving the new HFMA Compass, and you now have a direct link to the industry insights and member resources you need to effectively and efficiently solve problems and move your organization and your career forward. Compass replaces HFMA's hfm Early Edition, Weekly News, and Monthly Resource Guide to provide you with all you need in one place.

Your Wednesday Compass offers in-depth news and analysis on four specialty topics that rotate each week: Innovation, Finance, Revenue Cycle, and Leadership. Look for articles, analyses, case studies, podcast episodes, and more, all centered on the week's focused theme.

Your Friday Compass is your source for healthcare finance news, hfm expert-reviewed features, regulatory updates, blog posts, webinars, case studies, educational events, and career opportunities.

Because Compass is an HFMA member-only benefit, there’s no action required on your part to subscribe. If you are not receiving Compass or have questions or comments, email memberservices@hfma.org.

It's Like GPS for Industry Insights.

COMPASS
Navigate Your Member Resources

hfma
Lead with confidence. Solve complex issues. Grow your career.

Membership has its benefits.

hfma