

# The Pace of Change Is Accelerating

## Staying on Top of Emerging Trends

Migration From FFS to New Provider Payment Models, Consolidation of Stakeholders, & Growth of ACOs

September 2, 2015

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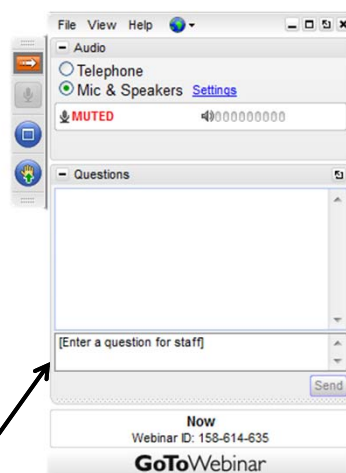
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## Welcome

- This activity is made possible through a collaboration between the AMCP Foundation and Pfizer, Inc.
- The second of a series of 3 webinars
- Webinar protocol and housekeeping: submit your questions, which will be addressed at the end by our faculty

## How to Ask a Question

Type your question in the 'Questions' area



## Faculty

- **Phil Schneider** (*moderator*)
  - Senior Consultant, Strategic Initiatives, Academy of Managed Care Pharmacy & Interim Executive Director, AMCP Foundation
- **Thanh-Nghia Nguyen, DrPH, MBA**
  - Director, Customer Marketing, Pfizer, Inc.
- **Jeremy Nobel, MD, MPH**
  - Medical Director, Northeast Business Group on Health & Faculty, Center for Primary Care; Dept. of Global Health and Social Medicine at Harvard Medical School

## Introduction

- Health care transformation driven by the “Triple Aim”
- Based on the results of a survey conducted by the AMCP Foundation, this Webinar will:
  - Help delineate today’s most critical changes
  - Identify trends that are inter-related
  - Identify opportunities for pharmacists and pharmacy leaders to reshape their organizations to meet today’s and tomorrow’s challenges



## Agenda

- **Study Background and Objectives**
- Research Methodology
- Migration to New Provider Payment Models
- Growth and Performance of Accountable Care Organizations
- Consolidation of Health Care Stakeholders
- Impact on Health Care Delivery, Shifting of Financial Risk, Implications for Pharmaceutical Care

## Goals of the Research Initiative

Top **10** *emerging trends in US health care impacting managed care pharmacy in the next* **5** years

### RESEARCH GOAL:

- Identify the top 10 emerging health care trends expected to have a significant impact on managed care pharmacy organizations in the next 5 years

### ADDITIONAL STUDY OBJECTIVES:

- Provide real-world insights on key health policy priorities relevant to a set of broader health care stakeholders
- Develop a comprehensive reference resource for managed care provider organizations, health care payers, policy makers, and other stakeholders

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## Overview of Research Methodology

- Pulse of public opinion in secondary sources was combined with the insights of thought leaders, identifying the most important trends and thinking beyond the current evidence
  - Distilled summary of current evidence analyzed by an advisory panel
  - Ranking exercises and in-person workshop to reach group consensus



### SECONDARY RESEARCH

- A targeted literature review gathered available information on emerging trends impacting managed care pharmacy



### ADVISORY PANEL

- Advisory panel validated trends from the public domain, identified and prioritized the most important trends, and provided insight on implications across stakeholders

## Advisory Panel for “Ahead of the Curve”

THOUGHT LEADER	PROFESSIONAL AFFILIATION
Joseph Biskupiak, PhD, MBA	Research Associate Professor & Associate Director, PORC at the University of Utah College of Pharmacy
Chris Dawe	Former Health Care Policy Advisor, the White House (National Economic Council)
Jeffrey Dunn, PharmD, MBA	Senior Vice President, VRx Pharmacy Services
Jeremy Nobel, MD, MPH	Medical Director, Northeast Business Group on Health (NEBGH); Faculty, Center for Primary Care, Harvard Medical School
Sandy Robinson, BA, MPA	Senior Vice President, Avalere Health
Rebecca Snead, RPh	Executive Vice President and CEO of the National Alliance of State Pharmacy Associations
Mark Snyder, MD	Specialist Leader, Deloitte Consulting
JoAnn Volk, MA	Research Professor and Project Director, Center on Health Insurance Reforms at Georgetown University Health Policy Institute
Mitzi Wasik, PharmD, BCPS	Director of Medicare Pharmacy Clinical Programs at Coventry Health Care, Inc./Aetna
Jed Weissberg, MD	Senior Fellow, the Institute for Clinical and Economic Review

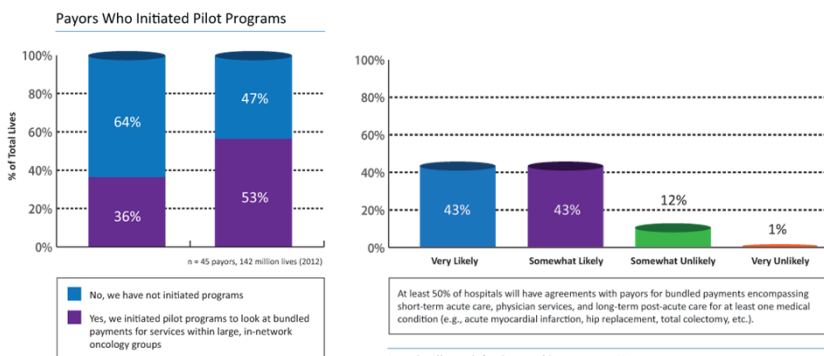
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## Migration From Fee-for-Service to New Provider Payment Models

- Focus on Paying for Outcomes to Drive Accountability for Cost and Care Quality

- Decline of the FFS model



Source: [http://www.icorehealthcare.com/media/329731/2012\\_trend\\_report.pdf](http://www.icorehealthcare.com/media/329731/2012_trend_report.pdf)

Source: <http://www.ashgfoundation.org/PharmacyForecast2014PDF>

## Stakeholders are Employing a Variety of New Models

- Migration from FFS occurring at different rates, dependent on
  - State initiatives/local marketplaces
  - Individual health system/payer group activity
  - No dominant model has yet emerged

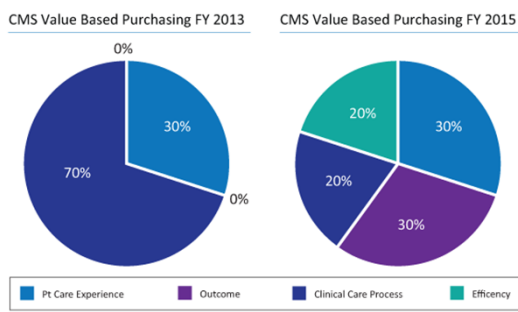


- SGR formula fix: Will it push clinicians away from FFS payments?



## By 2017, HHS Seeking to Tie 30% of FFS Medicare Payments to Quality or Value

- CMS will tie 50% of payments to these ACOs and bundled payment models by the end of 2018



<http://www.hhs.gov/news/press/2015pres/01/20150126a.html>  
Accessed August 21, 2015.

## Doing More With Less but Ensuring Appropriate Care Is Available

- Payers Hold the Responsibility for Designing Balanced Models
  - Avoiding unintended consequences (reducing amount of care for high cost chronic diseases—capitation concerns of the 1990s)
  - Incentivizing providers to balance cost/quality
- Payment Changes are Shifting Care Delivery Practices
  - ACO growth
  - Providers seeking to do more with less
    - Movement towards near-site/on-site primary care clinics for employers
    - Disease management by non-clinician providers
    - Expanded population health activities





## Key Challenges and Opportunities

### Migration to New Provider Payment Methods

#### CHALLENGES

- Lack of long-term data on performance for new models
- Potential abandonment/reduction of care for certain high-cost chronic disease
- Ability of providers to identify and reduce waste in care delivery and administration

#### OPPORTUNITIES

- High-quality patient outcomes linked to payment
- Reduced costs for government and commercial payers with greater care efficiency and risk shifting to providers/patients
- Innovation in care delivery as providers adapt to new environment

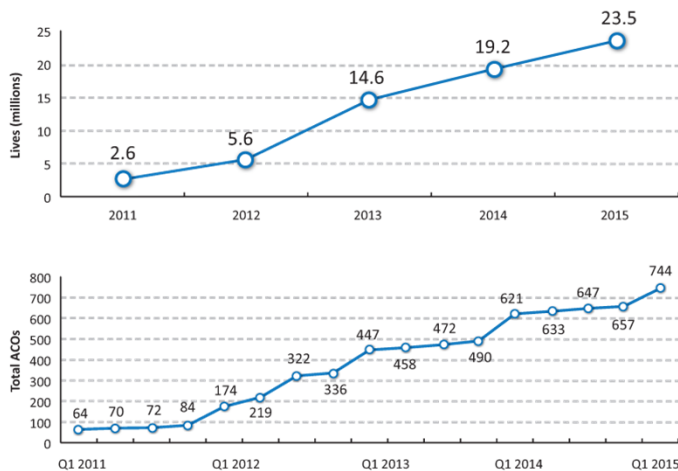
## Audience Participation

- What will have the greatest effect in moving the health care delivery system away from FFS payments?
  - Medicare programs
  - Growth of ACOs
  - SGR fix
  - Commercial payer initiatives

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## 61% Growth in ACO-Covered Lives Since 2013



Source: <http://healthaffairs.org/blog/2015/03/31/growth-and-dispersion-of-accountable-care-organizations-in-2015-2/>

## Mixed Early Results on ACOs

All 32 Pioneer ACOs improved quality and performed better in 28 of 33 quality measures than FFS models, saving \$96 million by year 2



... but > 1/3 Pioneer ACOs have dropped out of program

- Future growth is dependent on the success of early programs
  - Early data on ACOs are promising but pioneer ACO experience has been mixed
    - Some have achieved improved pt outcomes and reduced costs; more performance data needed
  - No dominant model has emerged

Sources: Sanofi Public Payer Digest, Mulhestein D 2014; Gold 2014; Ignagni 2013; Peterson 2013; CMS 2013 & 2014

## Critical Success Factors in ACO Growth and Performance

- ACO-type thinking is a necessary transitional step
  - The end result or a good step away from FFS-reimbursement model?
  - Broader cultural shift and uptake needed to shift cost curve
- Data and analytics will be key to driving ACO efficiency and success
  - Unique opportunity to track longitudinal pt data
  - Will the data be available to track and improve medication adherence?
- Organizational cultures and process will have to change

## Key Challenges and Opportunities

### Growth and Performance of ACOs

#### CHALLENGES

- Provider autonomy reduced as team-based care is emphasized
- Revenue sharing across provider groups as they share in risk and rewards of meeting quality benchmarks
- Addressing scenarios where some ACO patients receive care outside of the ACO: current system fragmentation

#### OPPORTUNITIES

- Dual focus on cost and quality requires holistic care perspective
- Data-driven ability to “shape” care expected as more longitudinal pt data gathered across sites and providers

## Audience Participation

- Is the ACO model here to stay?
  - Yes, it is based on sound medical and financial principles
  - No, it will be soon replaced by another trend

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## Consolidation of Health Care Stakeholders

- Shift towards IDNs and clinical integration is increasing, possibly enhancing coordinated decision making across stakeholder groups
- Horizontal and vertical integration occurring
  - Hospitals partnering with other hospitals (e.g., Mayo partnering with outside hospitals)
  - IDNs expanding beyond their traditional markets
  - Oncology practices consolidating, hospitals purchasing practices
  - Payers acquiring provider practices
  - PBM–PBM transactions
  - Retail pharmacy aggregation (e.g., CVS-Target)
- Balance of market power will shift
  - Consolidation will increase leverage for merged entities
    - Changing the relationship between providers and payers, and providers and manufacturers

**20% of US hospitals will seek to merge in 5–7 yr**

**62% of hospitals purchased/own physician practices**

## Consolidation Will Increase Leverage for Merged Entities

- However, increased costs may result
  - Negotiating advantage for providers with payers
  - Higher prices for payers and patients

Researchers in *JAMA* found 10% to 40% higher hospital costs resulting from consolidation



Sources: Cutler 2013

SUMMARY OF CHARGES				
R&C SEMI-PR	1 DAYS@	2124.00	2124.00	2124.00
R&C PRIVATE	28 DAYS@	2141.00	59948.00	59948.00
PHARMACY			135870.52	135870.52
SUPPLY/DEVICES			1618.00	1618.00
LAB			24889.17	24889.17
LAB/PATH			1799.00	1799.00
RADIOLOGY/DX			630.00	630.00
CT SCAN			6471.00	6471.00
OPERATING ROOM			1488.00	1488.00
BLOOD PROCESS FEE			1823.69	1823.69
IMAGING SERV			631.00	631.00
CARDIOLOGY			1869.00	1869.00
MRI			6314.00	6314.00
MED/SURG SUPPLY			250.00	250.00
OTHER			3465.00	3465.00
SUB-TOTAL OF CHARGES			249190.38	249190.38

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## Consolidation's Effect on Coverage Policy and HIT

- Decision making will become centralized and standardized
  - Potential downstream benefits for pts with improved care coordination (leveraging best practices, reducing unnecessary services)
  - Example: Larger PBMs standardizing drug coverage policies and formulary decision making
- Consolidation creates opportunity in HIT
  - Possibilities for HIT expansion with more patient data
  - More integrated systems
  - More data available to support evidence-based medicine



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## Key Challenges and Opportunities

### Consolidation of Health Care Stakeholders

#### CHALLENGES

- Gaps in data on longitudinal pt outcomes and the health care supply chain
- Reduction in patient choice and control over options; can increase costs
- Are payment models ready for shift in purchasing power?

#### OPPORTUNITIES

- Increased use of data and technology; more integrated HIT systems, more support for evidence-based medicine
- Increased care coordination and efficiency; opportunity to bend the cost curve
- More negotiating power for consolidated entities

## Audience Participation

- How will consolidation affect opportunity in pharmacy and pharmaceutical care?
  - Increase opportunities
  - No effect
  - Decrease opportunities

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## Impact on Health Care Delivery

### **MIGRATION TO NEW PROVIDER PAYMENT MODELS**

- Provider accountability will increase
- Team-based coordination of care will be on the rise

### **GROWTH OF ACCOUNTABLE CARE ORGANIZATIONS**

- Increased use of data and technology; predictive modeling
- More emphasis on population health management
- Increased care coordination and efficiency

### **CONSOLIDATION OF STAKEHOLDERS**

- More team-based care; impacts patient–MD interaction
- More data and HIT integration



## Impact on Payers

### MIGRATION TO NEW PROVIDER PAYMENT MODELS

- Balance cost management and the needs of patients, providers and medical innovation

### GROWTH OF ACCOUNTABLE CARE ORGANIZATIONS

- Support integrated delivery networks that forms ACOs. Patients too!

### CONSOLIDATION OF STAKEHOLDERS

- Solidifying bargaining power
- Centralization for cost-effective care

## Shifting of Financial Risk

### MIGRATION TO NEW PROVIDER PAYMENT MODELS

- Greater risk for providers, perhaps patients

### GROWTH OF ACCOUNTABLE CARE ORGANIZATIONS

- Greater risk for IDNs, providers, perhaps patients

### CONSOLIDATION OF STAKEHOLDERS

- May shift more financial risk for pharmaceuticals to manufacturers, through greater leverage, formulary exclusions (in PBM mergers), and possibly risk-based or outcomes-based contracting

## Impact on Pharmaceutical Care

### MIGRATION TO NEW PROVIDER PAYMENT MODELS

- Demand for proof of value
- Can encourage more team based care, expansion of pharmacy practice, and MTM

### GROWTH OF ACCOUNTABLE CARE ORGANIZATIONS

- Is pharmacy cost included or excluded?

### CONSOLIDATION OF STAKEHOLDERS

- Manufacturer's path to access
- Moving beyond the pill

## Overview of Ramifications

- New payment models and payment reform, which result in shifted financial risk, will pressure providers and secondarily manufacturers to do a better job of demonstrating the value of their products/services
- Team-based care concepts will lead to greater opportunity for managed care pharmacy, and more care efficiency overall; perhaps at the expense somewhat of the pt-MD relationship
- More consolidation may result in better care, through greater availability of integrated HIT, and opportunities to gain data for evidence-based medicine practice

## Forcing Functions and Wildcards: What to Track and Monitor

### FORCING FUNCTIONS

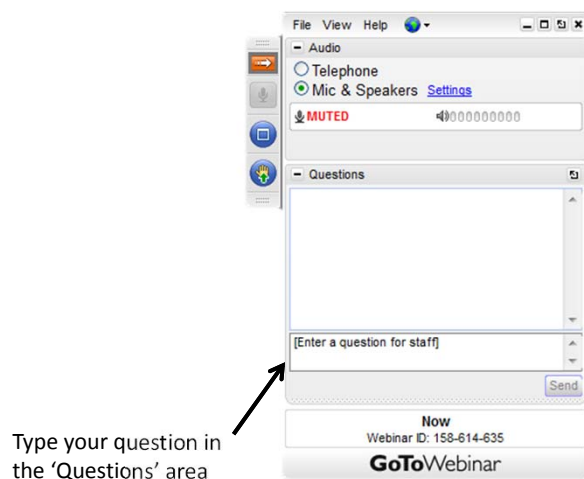
- Legal/regulatory factors that influence trends
  - Medicare value-based purchasing initiatives (i.e. success rates)
  - Federal Trade Commission decisions on continuing consolidation
  - Rollback or modification of the ACA “Cadillac Tax”
- Market-related factors that influence trends
  - Specialty pharmaceutical trends and their effect on reimbursement
  - Pace of health plan and health system “convergence”
  - Expansion into care delivery by retailers (e.g. Wal-Mart; Rx Chains)

### WILDCARDS

- 2016 Presidential elections and other ACA uncertainty
- Consumer backlash to high-deductible plans
- If cost-containment efforts fail, will a move to single payer be next?

Q & A

## How to Ask a Question



Type your question in the 'Questions' area