

HBCH Mission:

To improve the Cost, Quality and Consumer Experience in Healthcare Delivery in Houston and nationally through Collective Employer Influence.

NorthStar Transparency Initiative

Provides critical information to understand and act upon:



Price paid vs. fair-priced Medicare rate



Quality and outcomes of services provided



Adequacy of the total cost paid by employers to sustain our hospitals

Better negotiating leverage by participation in collective price benchmarking with other local employers



Employer Opportunity

Value-Based Purchasing Opportunities

Proven opportunities to reduce cost, improve health and enhance consumer experience.



Advanced Primary Care



Episodes of Care



The Path Forward For Mental Health

Work with HBCH and your health plan to adopt Value-Based Purchasing

→ Overview: Signify Health at a glance



Our vision

To build a healthier place for us all to live and age in.



Our mission

Transform how care is paid for and delivered so that people can enjoy more healthy, happy days at home.



National leader in value-based care

Technology-enabled services that support the movement homeward

- ~ **1.1M** Annual In-Home Visits¹
- ~ **\$6B** Spend Managed for
- ~ **260K** People Helped with SDOH Issues²
- ~ **220K** Risk-based Episodes Per Year³
- ~ **9K** Physicians and NPs Deployable in Nationwide Mobile Network⁴
- ~ **4K** High-Performance Providers and Community Network Sites⁵



Operating at scale, nationwide

We reach individuals in every state and county, managing their total clinical, social and behavioral care needs.





Commercial Episodes of Care

Houston Business Coalition on Health

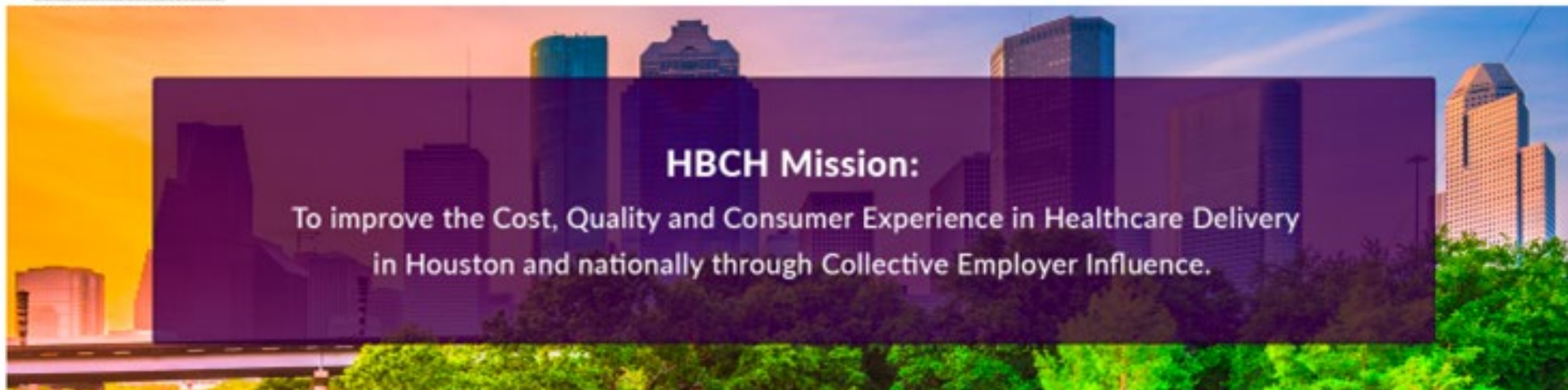


March 2021

→ Agenda

- It's all about controllable variation
 - price variation
 - quality variation
- You can significantly reduce controllable variation
 - transparency & member engagement
 - payment reform & provider engagement
- What is the offering?
- What should you do next?

2021 MEMBERSHIP VALUE SUMMARY



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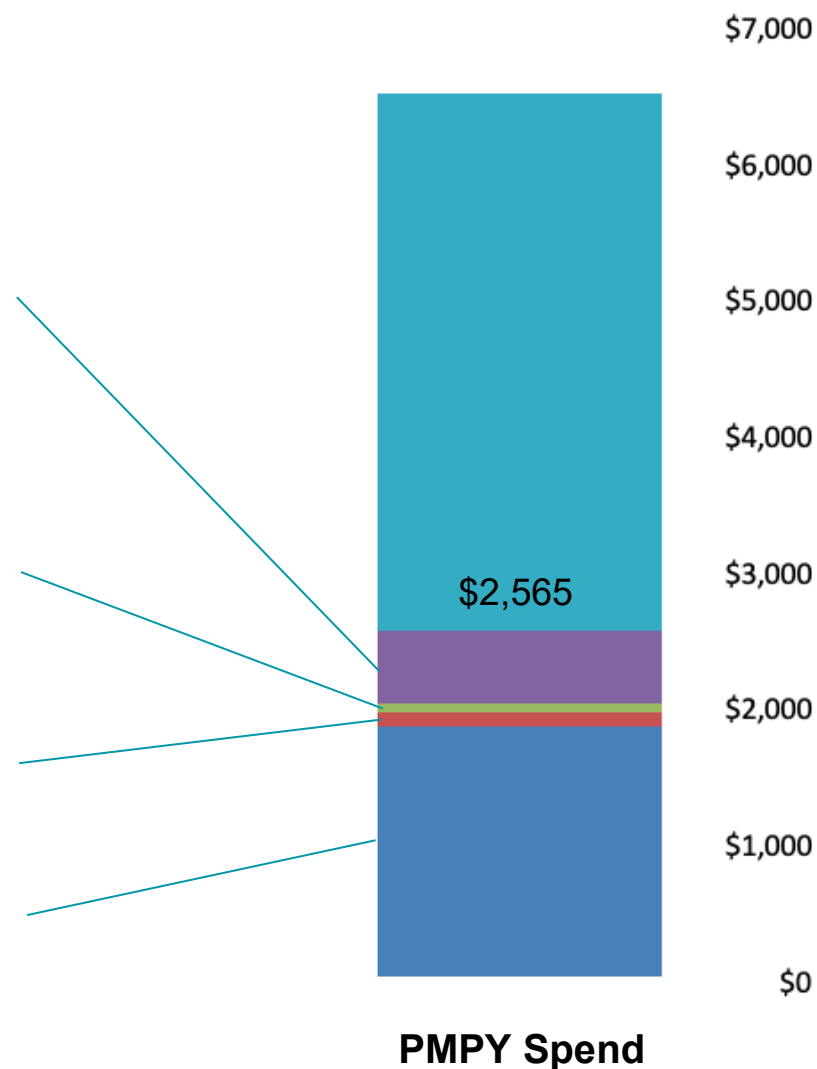
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Estimated Cost To Houston Employers Of

→ Controllable Variation

1. **\$550** PMPY in **Actionable Adverse Events** (AAEs) -- preventable hospitalizations, readmissions, urgent/emergent care and other services resulting from patient harm and avoidable complications
1. **\$65** PMPY in **Potentially Avoidable Services** - - services that have been identified by the Choosing Wisely Campaign as having little to no value in improving patient outcomes
1. **\$100** PMPY in excessive **volumes of procedures**
1. **\$1,850** PMPY in **price disparities** -- paying more for services than you need to and should

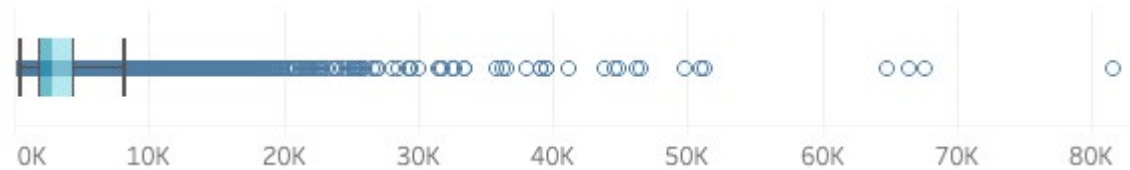


-> Commercial Procedure Price Variation Across Houston

Why pay double/triple when you don't have to and shouldn't ?

Endoscopy

3-day pre- and 14-day post-operative care time window

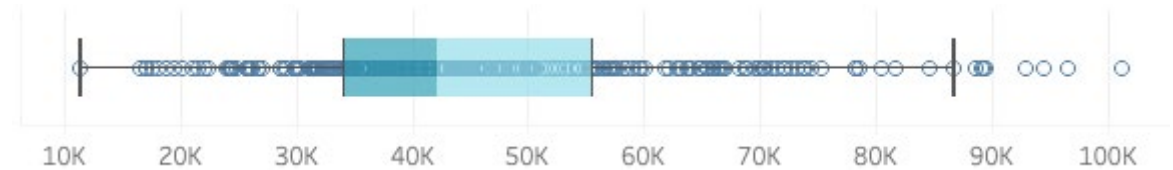


Average Episode Cost

25 th percentile:	50 th percentile:	75 th percentile:
\$1,888	\$2,788	\$4,387
+48%		+132%
+132%		

Hip Replacement & Revision

30-day pre- and 90-day post-operative care time window

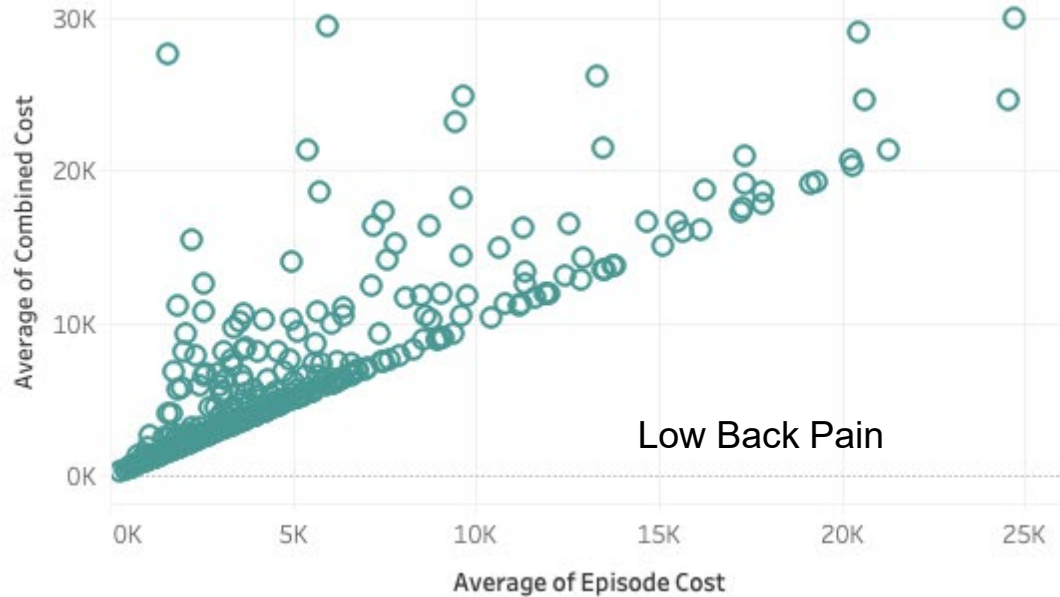


Average Episode Cost

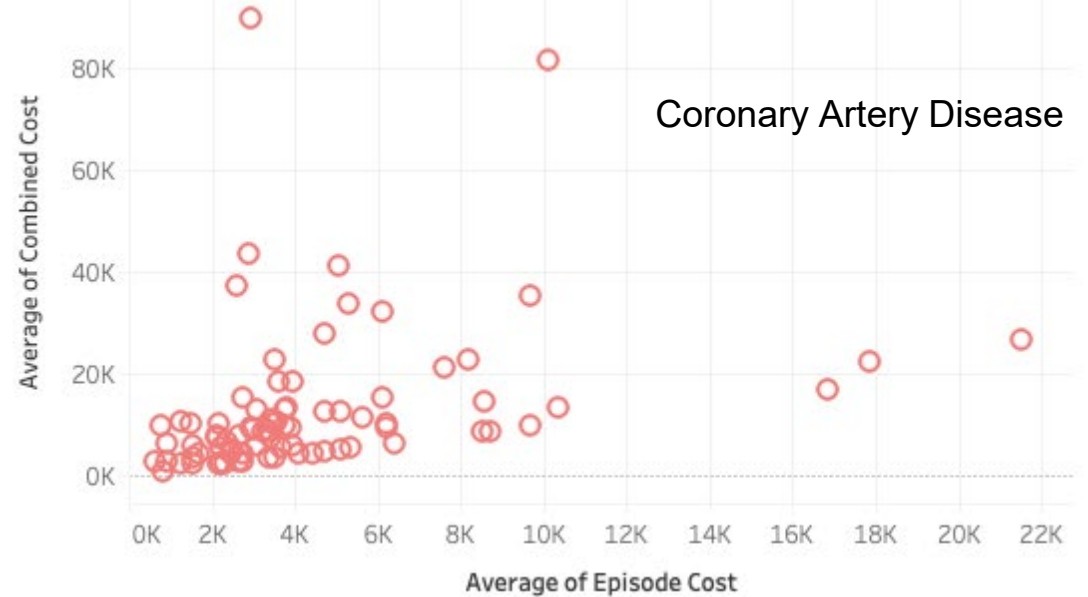
25 th percentile:	50 th percentile:	75 th percentile:
\$34,182	\$42,302	\$55,670
+24%		+63%
+63%		

Episode Costs Are Very Different When Accounting For Procedure Volume by Condition

Adding procedures to the management of conditions leads to appropriateness



Member Population	5,000
Low Back Pain Episodes	420
Average Low Back Pain Episode Cost	\$2,600
Average back surgery episode cost	\$38,000
Spinal Procedures per 100 Members	2.0
Average Combined Low Back Pain & Spinal Surgery Cost	\$3,300

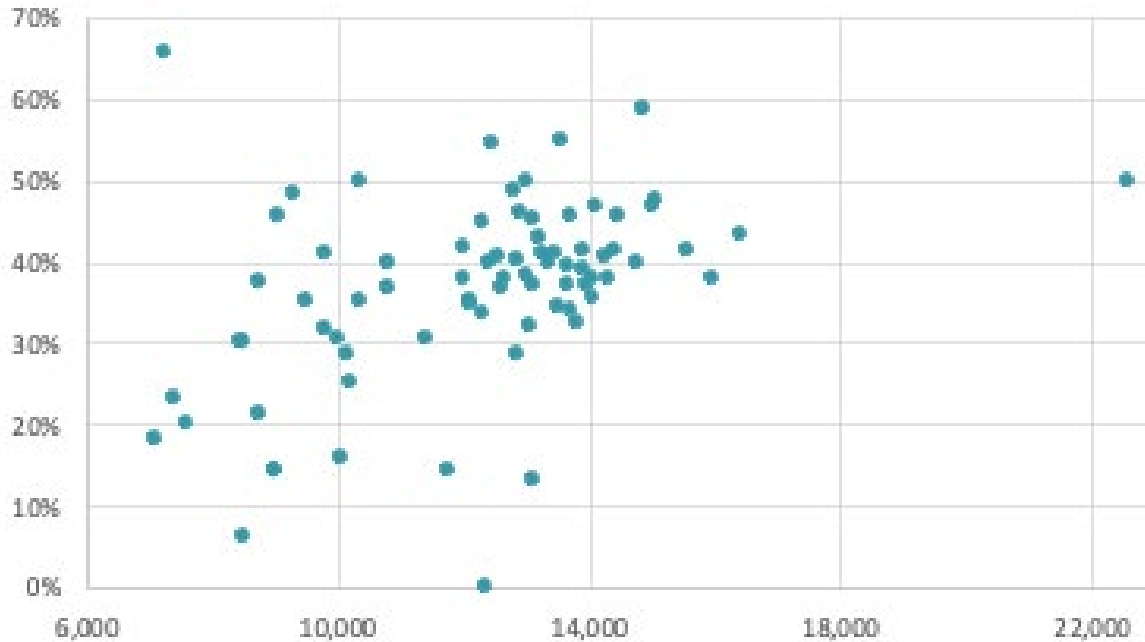


Member Population	5,000
Coronary Artery Disease Episodes	87
Average CAD Episode Cost	\$2,900
Average Cardiac Procedure episode cost	\$61,000
Cardiac Procedures per 100 Members	7.4
Average Combined CAD & Cardiac Surgery Cost	\$7,400

-> Variation In Mode Of Delivery & Nursery Placement

FFS incentives clearly lead to higher costs

Average Delivery Cost vs % C-Section Provider

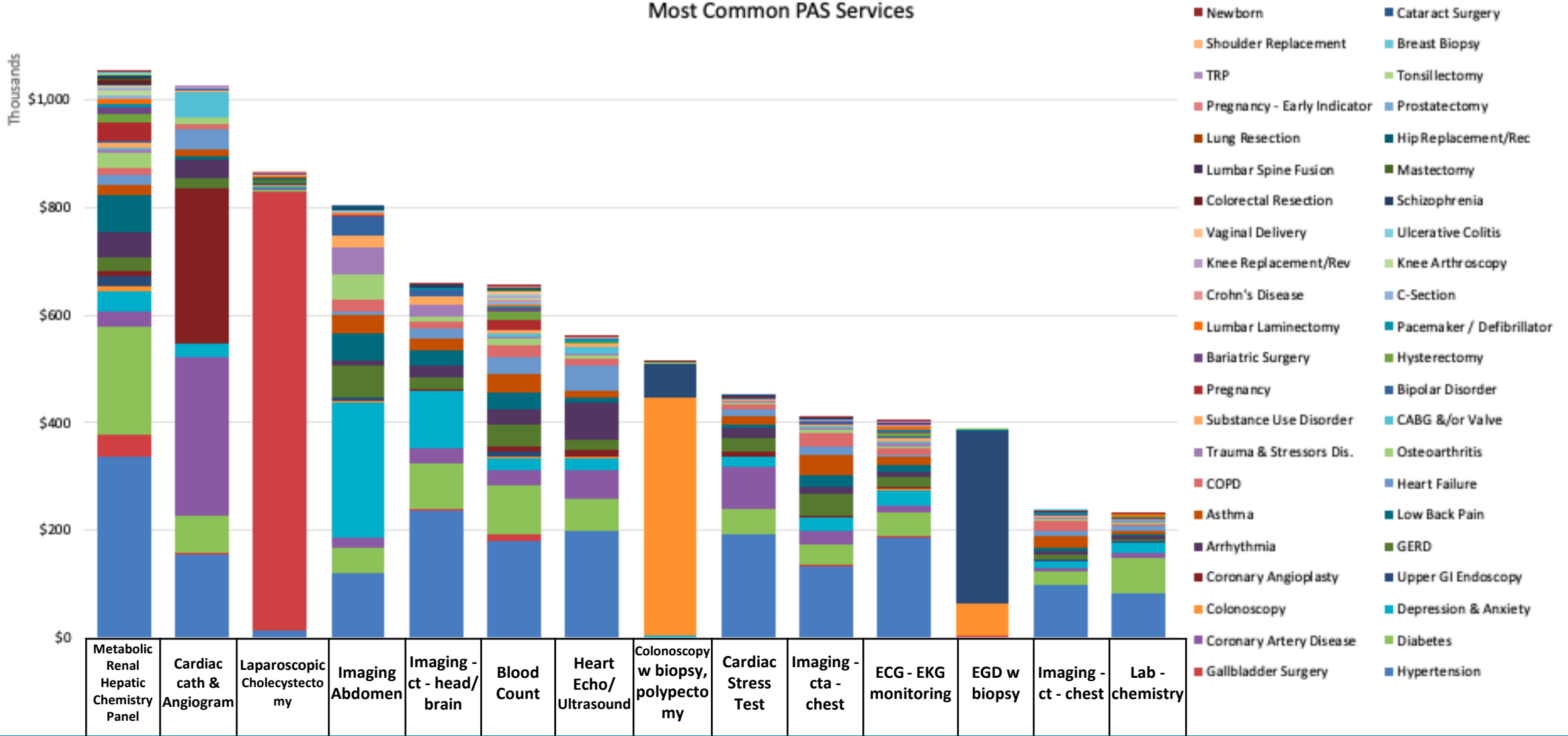


Truven TX Houston (2016-2018)	Nursery Level				Grand Total
	1	2	3	4	
1. Very Extreme LBW Baby < 500 gms			1	4	5
2. Extreme LBW Baby 500 - 999 gms	5	3	26	36	70
3. Very LBW Baby 1000 - 1499 gms	2	9	42	27	80
4. Low Birth Weight Baby 1500 - 2500 gms	314	30	74	27	445
5. Not Low Birth Weight	10,933	407	856	278	12,474
Grand Total	11,254	449	999	372	13,074

Potentially Avoidable Services Are Prevalent In

→ Many Episodes


Most Common PAS Services



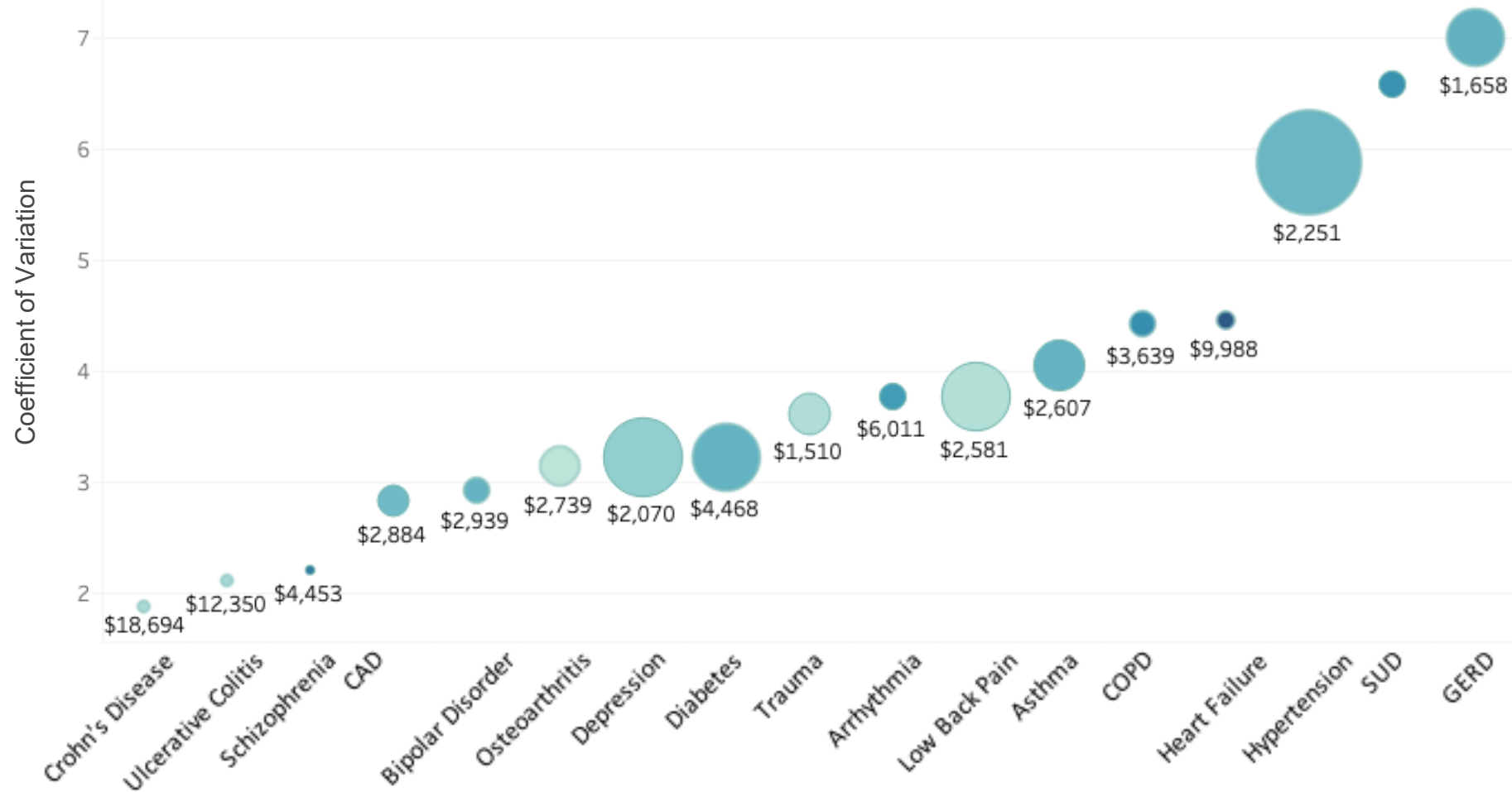
-> Actionable Adverse Events (AAEs) for Chronic Episodes

Primary care physicians play a central role in managing these episodes

Higher
Variation in
Costs



Lower
Variation in
Costs



- Hue reflects % of AAE costs to episode costs
- Size of bubble represents number of episodes

Controlling Controllable Variation

→ Transparency & Steerage Powerfully Control Variation

Throughout Houston, there is a substantial price and AAE rate differential between low- and high-value providers.

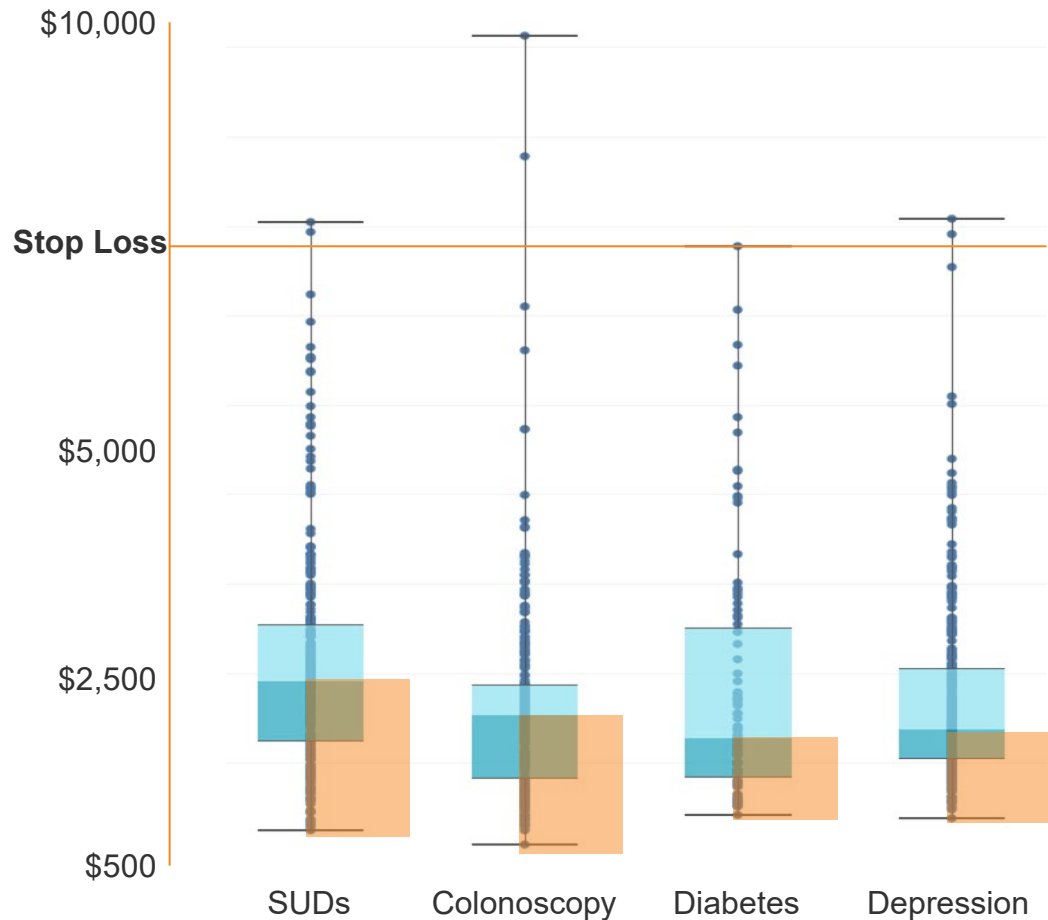


Provider Price & Quality varies greatly across episode types throughout Houston.

While many providers are performing strongly, there is tremendous opportunity to steer patients toward value.

Note: Episode volumes, costs and AAE Rates are based on Truven Commercial claims data for potential episodes in the Houston-The Woodlands-Sugar Land CBSAs in 2019.

→ Episodes of Care Cap Controllable Variation



- Prices are set at or below historical average
- Providers are motivated to reduce avoidable complications and other adverse events
 - Better managing super-utilizers is the key to managing controllable variation
 - Reducing low-value care services and optimizing site of service also reduces controllable variation
- A stop loss protects providers from uncontrollable variation

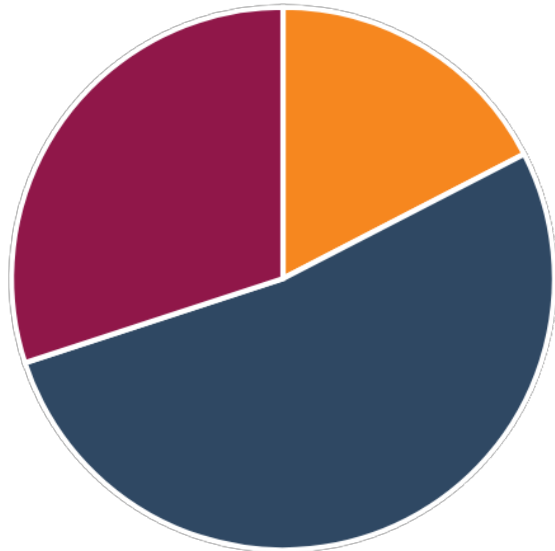
How It Works



-> We Focus On More Than 50% Of Medical Spend

Commercial Episodes of Care: Houston area 5,000 member population

Portion of Plan Spend



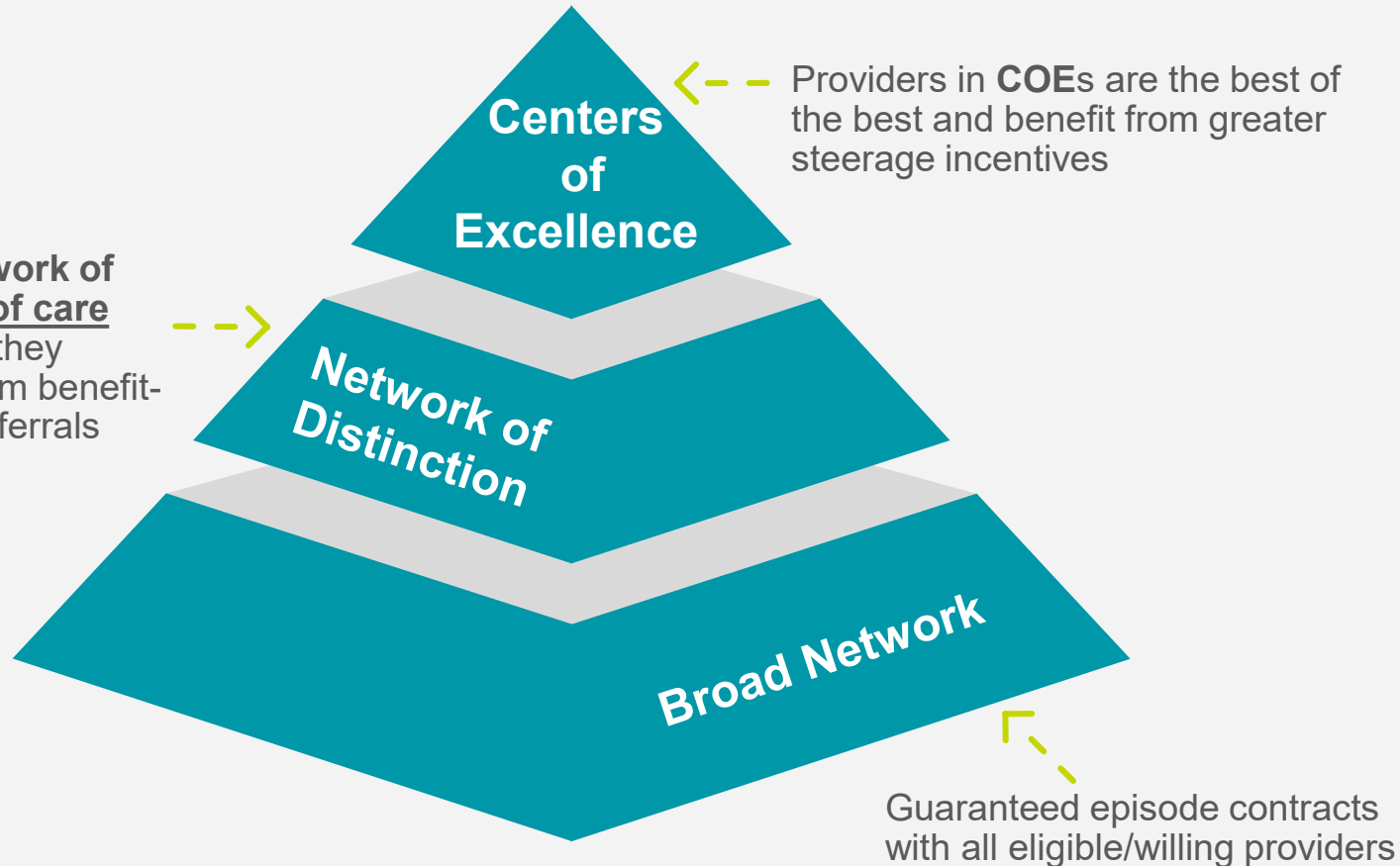
■ Maternity ■ Chronic Conditions ■ Procedures

	Annual Episodes	Average Cost/Episode	Adverse Event (AAE) Spend/Episode	Average Adverse Event Rate
Maternity*	69	\$26,153	\$2,627	10%
Chronic	3,604	\$2,929	\$601	21%
Procedural	388	\$9,787	\$900	9%
Total	4,062	\$16.2 M	\$2.7 M	17%

-> A Quality-Based Tiered Network With Member Incentives

All these pieces are just different parts of the base network -- NO CARVE OUT

Providers make it into the **network of distinction** based on quality of care first and best episode price – they receive preferential volume from benefit-powered steerage and PCP referrals



Guaranteed Episode Prices Including:



Primary Care



Specialty Care

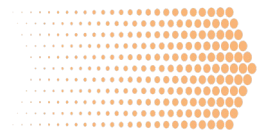


Maternity Care

-> Network of Distinction: Development Process

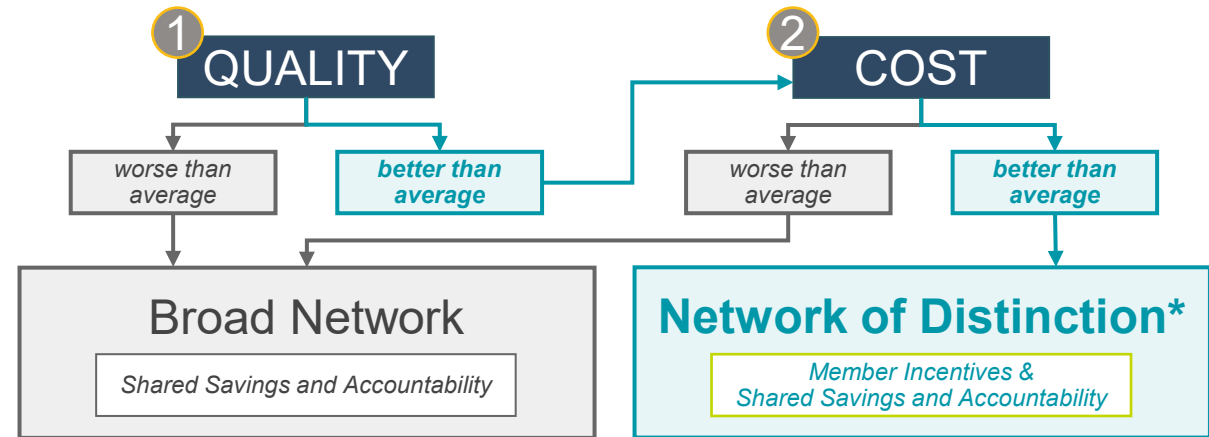
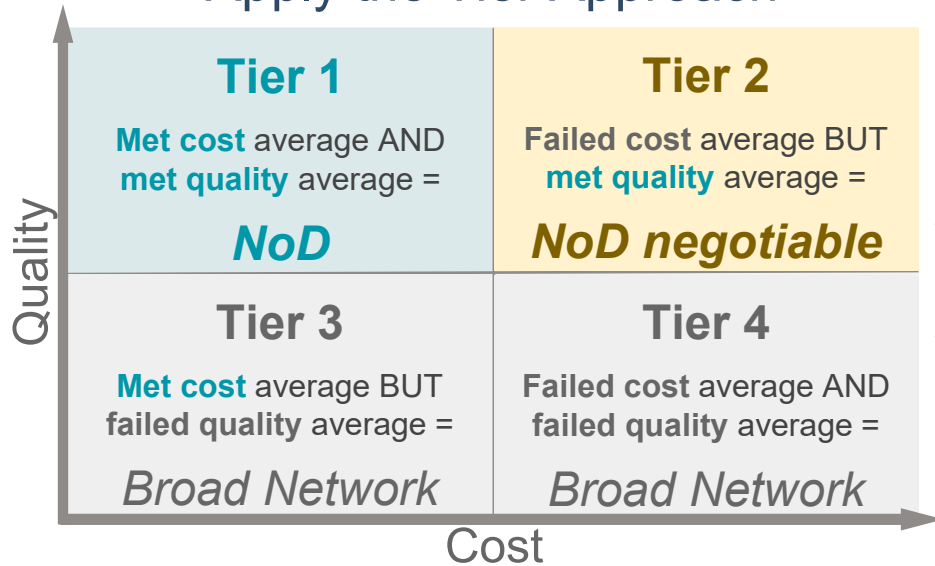
Apply Quality Thresholds

- Averages used as thresholds for NoD eligibility
- Can use a narrow geography (CBSA) or entire program to determine averages
- Four-tiered approach (*below*) is applied



	PROCEDURAL	MATERNITY	CHRONIC
QUALITY INPUTS	<ul style="list-style-type: none"> • AAE Cost Rate (weight 50%) • AAE Count Rate (weight 50%) 	<ul style="list-style-type: none"> • Low risk C-section (weight 100%) 	<ul style="list-style-type: none"> • AAE Cost Rate (weight 100%)
COST OUTPUTS	<ul style="list-style-type: none"> • Risk Adjusted Episode Cost 	<ul style="list-style-type: none"> • Risk Adjusted Episode Cost 	<ul style="list-style-type: none"> • Risk Adjusted Episode Cost

Apply the Tier Approach



*NoD: All procedures currently eligible; chronic episodes eligible for Program Year 1 are Crohn's and Ulcerative Colitis.

→ Quality Reporting and Scorecards

Goal: Create a program that effectively measures improved outcomes in an EOC program, and monitor how well providers are delivering quality care and value in comparison to their peers.

Scorecards are produced at the episode level and TIN level. There are unique scorecards for procedural, maternity, and chronic episodes to meet the quality needs of the population.

Importance

- Physician/group scorecards provide physicians/groups with a clear picture of their performance, it will:
 - Lay out expectations
 - Identify areas for improvement
 - Align individual goals with the group's greater goals
- Scorecards will monitor how well the Physician/Group is delivering quality care and value compared to peers.



Procedural Example

Metric Type	Metric	Metric Details	Weighting
Outcomes	Risk Adjusted AAE counts	% of Episodes with AAEs: AAE rates adjusted for patient risk factors	50%
Outcomes	Risk Adjusted AAE costs	% of Episodes costs to care for AAEs: AAE rates adjusted for patient risk factors	50%

Calculations: (All calculations are risk adjusted for patient severity/ comorbidities)

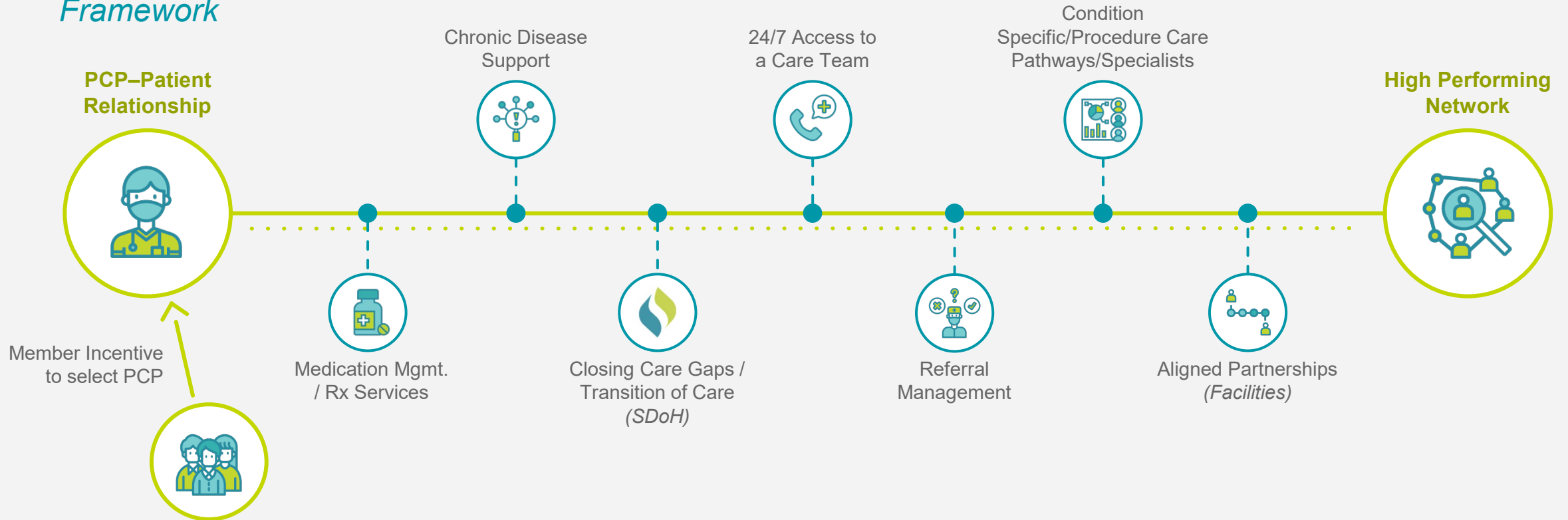
- Risk Adjusted AAE counts -- # of Episodes with AAE flags/Total number of Episodes
- Risk Adjusted AAE costs – Cost of services for AAEs/Total Episode Costs

Engaging Primary & Specialty Care

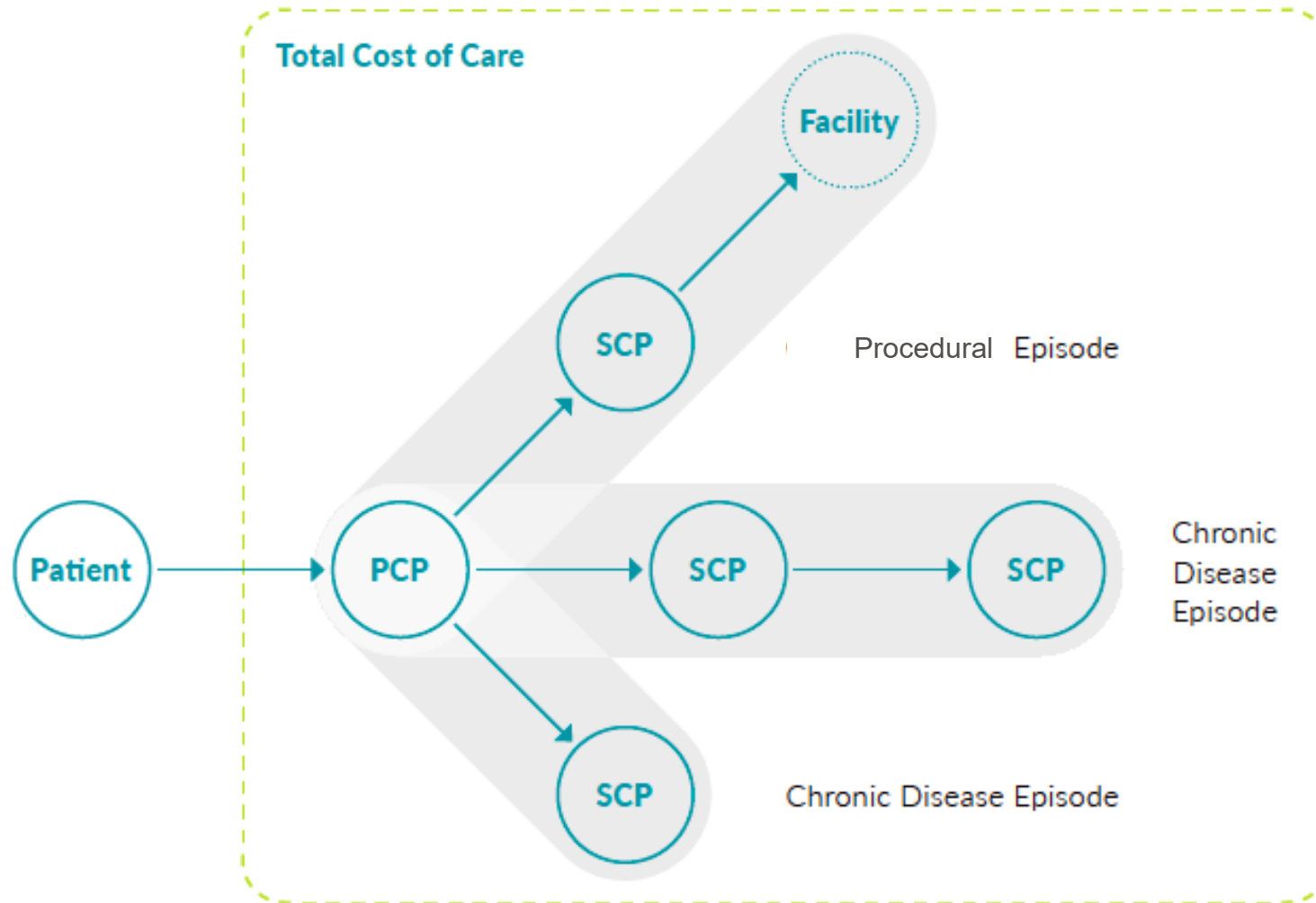
→ How do Episodes of Care Enable Primary Care?

Bringing SDOH, Provider Engagement, Fixed Prices, and Quality Control to manage the care of high-complexity populations across conditions and procedures.

Episodes of Care Framework



→ Episode of Care Contracts Radiate Out



1. Downstream providers are bound together in at-risk episode contracts
 - Fixed shares – defined as % of total episode price
 - Fixed dollars – a pre-negotiated sub-portion of the total episode price
2. The Primary Care Physician groups have a clear and aligned incentive with specialists to who they should preferentially refer
3. And there can be overarching total costs of care targets

→ Strategy Recommendation

- 2022: Full-scope of episodes, conditions, procedures, maternity, mental/behavioral
 - Community-based PCPs
 - Direct Primary Care
 - Specialists

- Prospectively paid episodes
 - Ideally: with current health plan administrator collaboration
 - Alternative: Existing benefit plan option with different/new TPA

Taking Action

→ Sources of savings: Move beyond unit cost discounts

Employer impact in all episodes is attributable to guaranteed pricing, multi-year fixed costs, and the effect of **steerage to high-value providers**.



Guaranteed Episode Price

Savings derived from quality improvements



Multi-year fixed cost

Savings derived from eliminating inflation

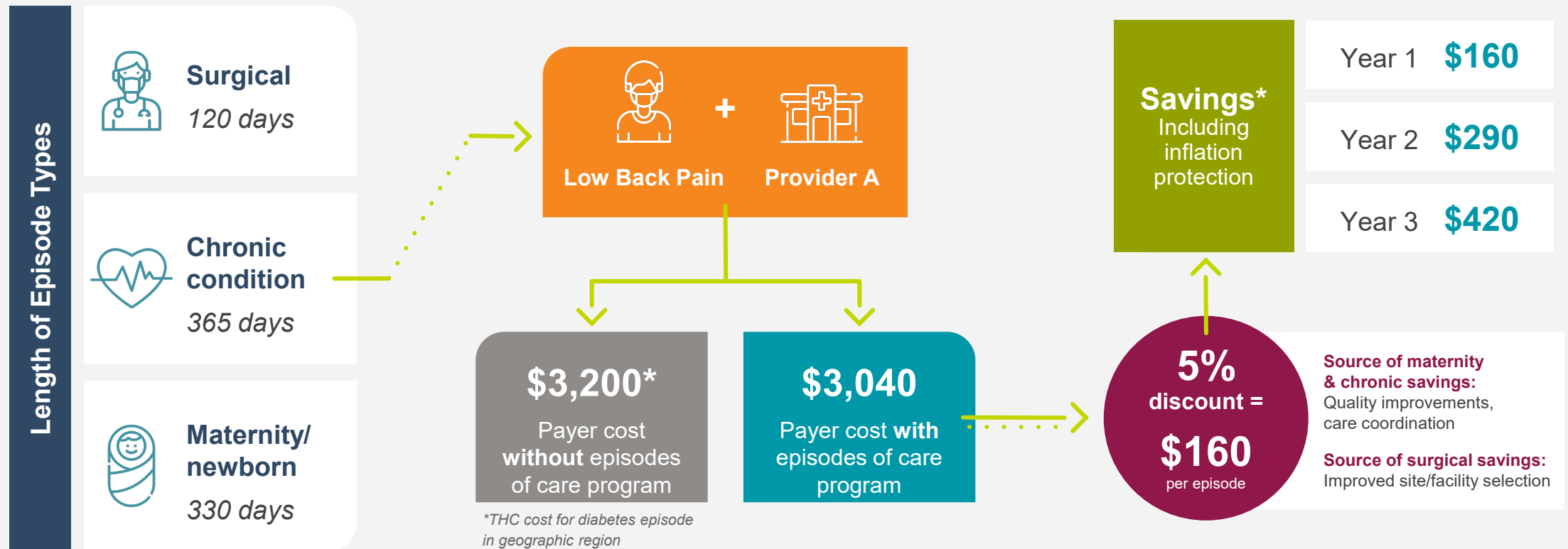


Steerage to High Value Providers

Savings derived from motivating members to be cared for by high quality/value providers

→ Sources of Savings: Multi-Year Fixed Cost

Employers contract for a **fixed and guaranteed episode price**, set at a discount to a trended historic cost. **All costs associated with the episode** are included in the price.



*Year 2-3 Savings assume annual healthcare inflation at 3% without fixed provider pricing.

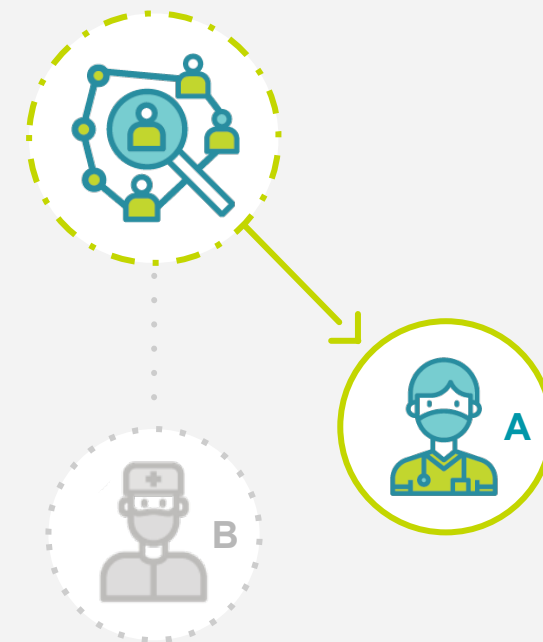
Up to **30%**
in cost variance
among providers

Sources of Savings: Steerage

It is essential to steer members from low-value to high-value providers, usually in the form of a financial incentive.

Episode costs can vary significantly within a specific region.

	Provider A (high value)	Provider B (low value)
Historical price	\$3,200	\$4,000
Guaranteed episode price	\$3,040	\$3,800
Savings including steerage	\$960	

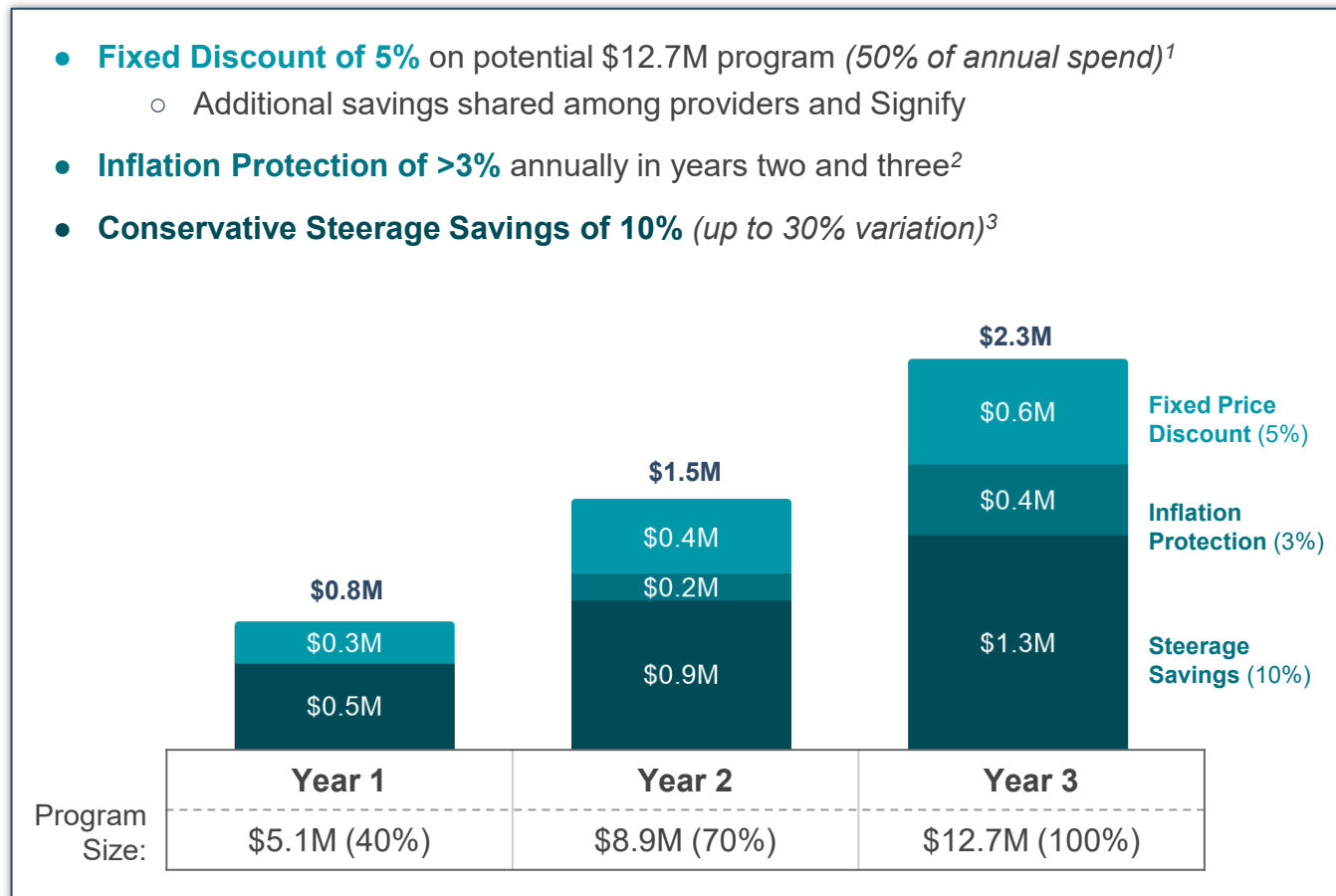


→ Sources of Savings: Preliminary ROI (5k covered lives)

Guaranteed episode prices serve to reduce costs and limit inflation, supported by the effects of steerage

- **Fixed Discount of 5%** on potential \$12.7M program (50% of annual spend)¹
 - Additional savings shared among providers and Signify
- **Inflation Protection of >3%** annually in years two and three²
- **Conservative Steerage Savings of 10%** (up to 30% variation)³

- Steerage presents greatest opportunity, but pricing discounts and inflation protection alone will drive **\$2M in savings over three years**
 - \$4.6M+ with conservative steerage assumption
- **Full prospective** will accelerate market Value-based Care momentum
 - Employers will get fixed, guaranteed price, with few/no back-end reconciliations

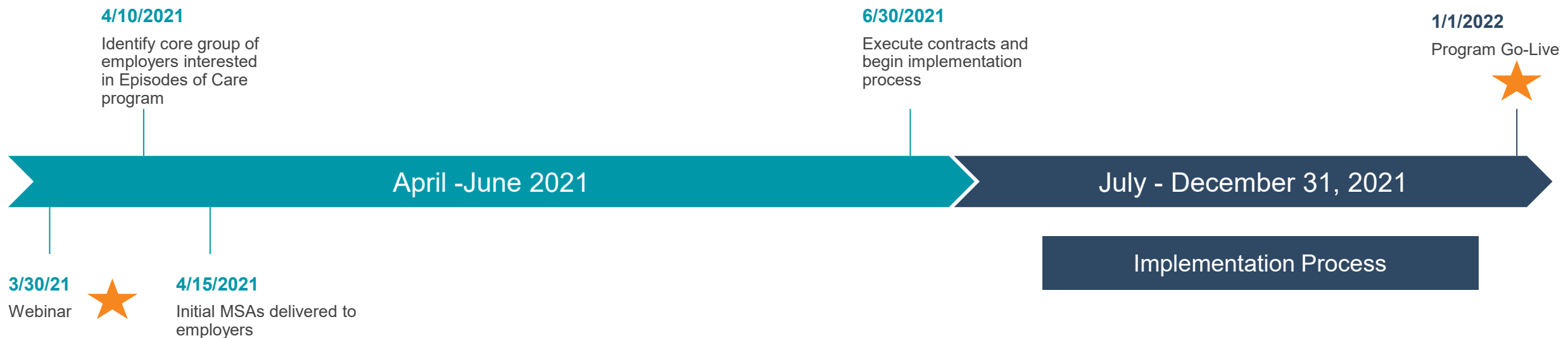


1) Assumes maximum annual program size of \$12.7M on Houston population of 5,000. Approximately 50% of spend can be covered with Signify's EOC program. Fixed Price Discount assumes 5% guaranteed savings on live program size.
 2) Inflation protection assumes conservative 3% annual healthcare inflation beyond standard economic inflation; this drives value in the 2nd and 3rd years, compounding annually.
 3) Steerage Savings assume conservative 10% out of up to 30% total savings opportunity.

→ Next Steps & Call To Action

Focused attention and execution on next steps are needed amongst employers in order to implement program for a January 1, 2022 start date

- Identify core group of employers to move forward
- Set up meetings with carriers to secure payer collaboration
- Questions & Follow-up: Bill Shatraw
 - Email: wshatraw@signifyhealth.com



Questions/Discussion
