

“small enough to accomplish, big enough to matter”

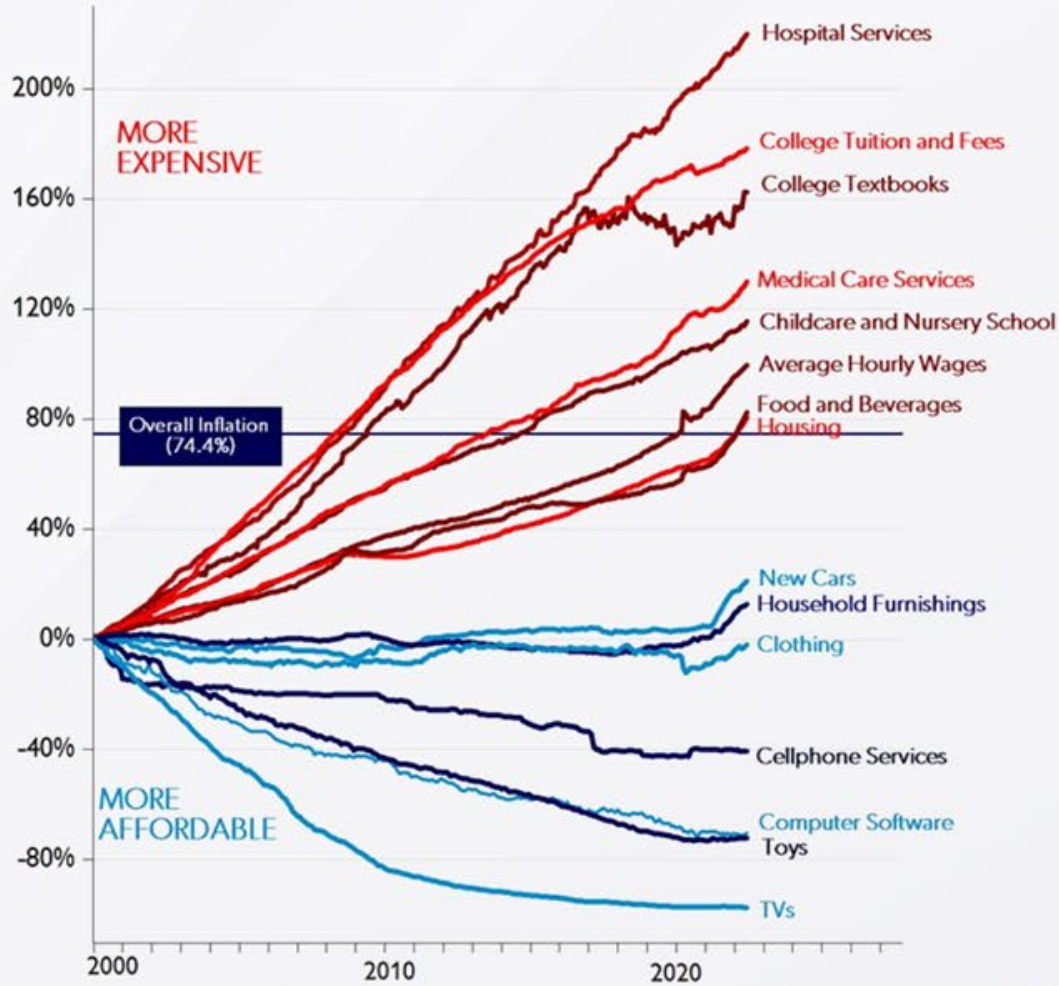
**No employer can accomplish the Smart Network on their own,  
Together we are big enough to matter**

# A much-needed change in the way employers purchase healthcare benefits

- ▶ Unsupportable costs to employers, employees and families
- ▶ Vertical and horizontal consolidation of hospitals and health plans
- ▶ Anti-competitive and non-transparent contract language
- ▶ Fee-for-Service provides the wrong incentives
- ▶ Under utilization of primary care and over utilization of specialists
- ▶ Poor management of chronic conditions
- ▶ Lack of mental health integration
- ▶ Point solution fatigue
- ▶ Lack of PBM transparency

# Health Care Prices are Unaffordable

Price Changes: January 2000 to June 2022  
Selected US Consumer Goods and Services, Wages

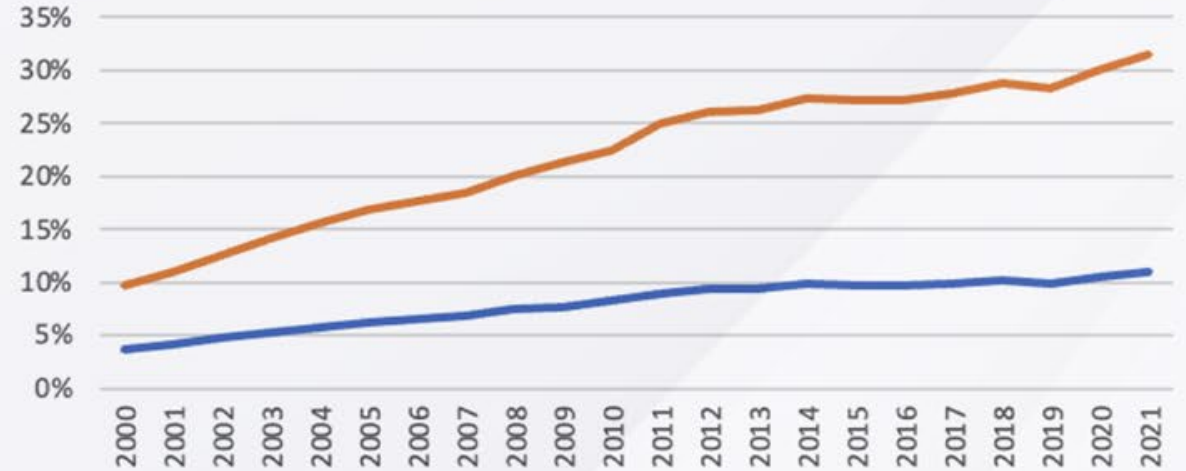


Source: Bureau of Labor Statistics

Carpe Diem **AEI**

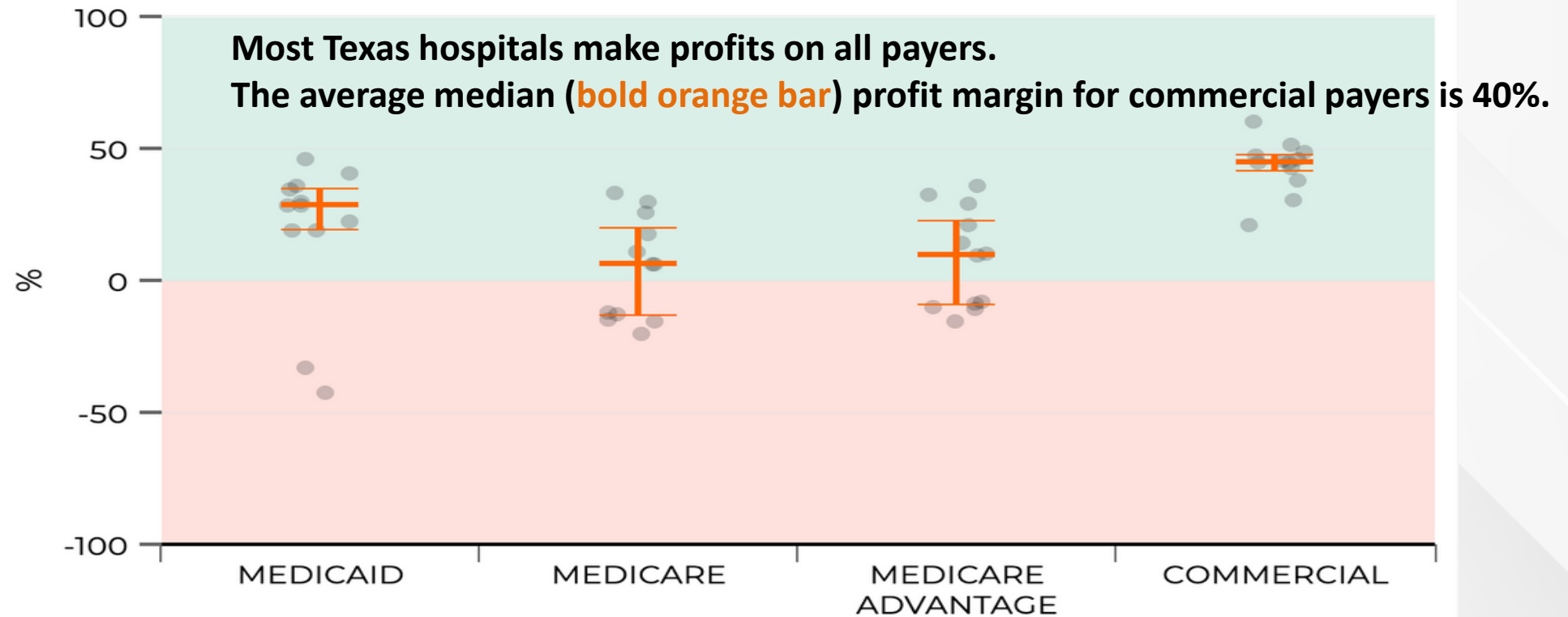
... and hospital services are a major factor

Premiums as % of income over time



— Individual premium as % of household income  
— Family premium as % of household income

## OPERATING PROFIT MARGIN



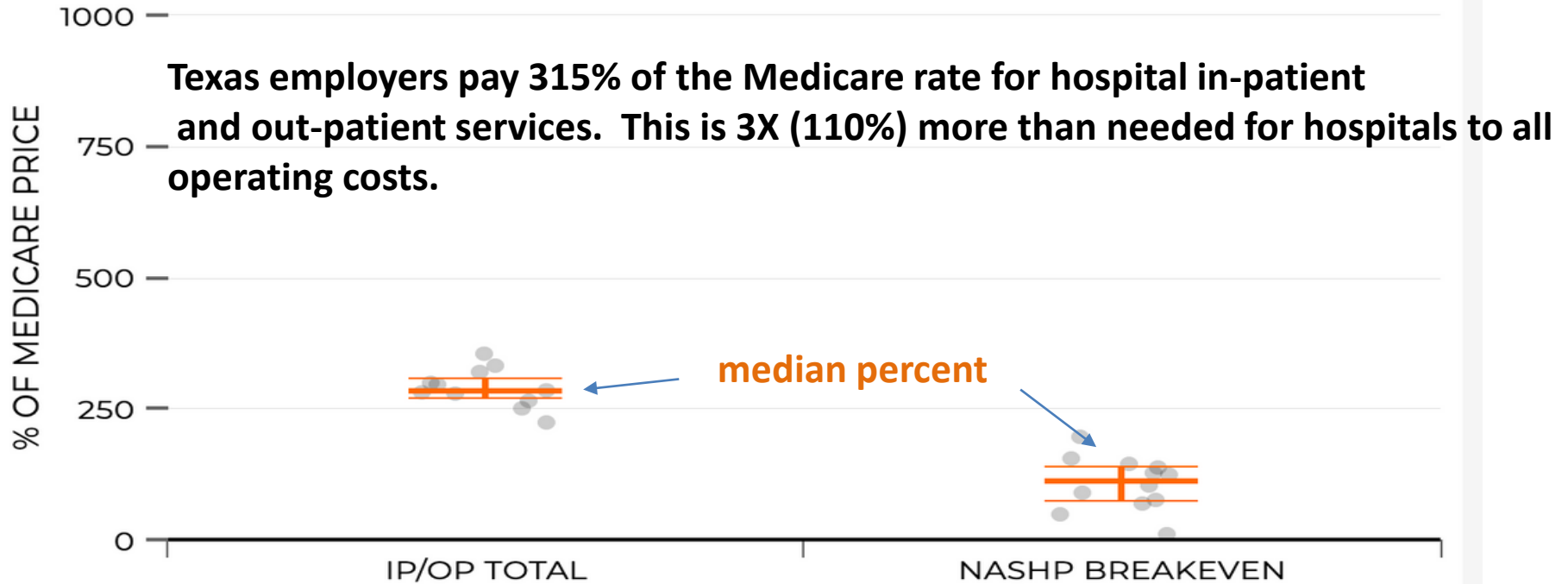
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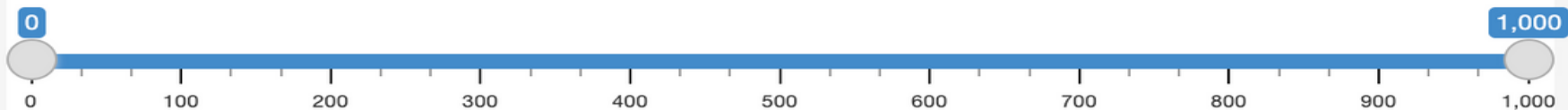


# Texas Employers for Affordable Healthcare

COMMERCIAL & BREAKEVEN  
RAND 2018-2020, NASHP 2019



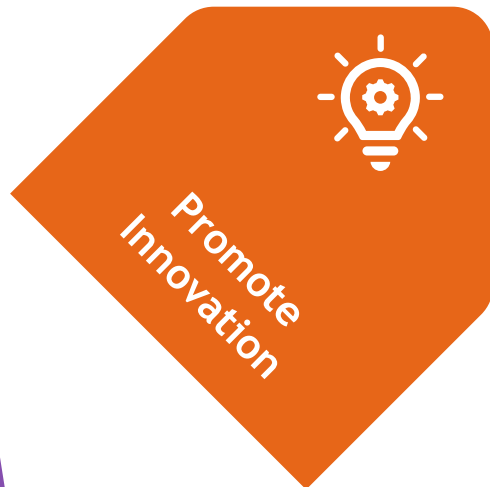
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# Anti-competitive language on contracts between hospitals and health plan

- ▶ **Gag Clauses** keep hospitals and health plan from revealing their payment rates or other contractual provisions.
- ▶ **Anti-Tiering** clauses are used to prevent employers from developing benefit plans that incentivize the use of high quality/lower cost providers by structuring lower cost sharing and out-of-pocket expenses.
- ▶ **Anti-Steering** clauses are used to prevent health plans from encouraging their members to utilize more cost-effective and higher quality providers.

# Houston's Smart Network Vision and Objectives



## Achieve Better Outcomes

Design a solution that delivers measurably better, high quality outcomes for Employees



## Demonstrate Cost Savings

Generate cost savings through better prices and reduction of low-value services



## Deliver an Integrated Experience

Simplify healthcare for Employees via an integrated platform approach that result in higher patient satisfaction



## Promote Innovation

Align with healthcare partners who believe in continuous improvement and innovation

# Improving Healthcare Value with **ADVANCED** Primary Care

## FAST FACT:

US adults who have a primary care physician have **39% LOWER** healthcare costs and **19% LOWER** odds of dying than those who see only a specialist. As a nation, we would **SAVE \$67 BILLION** each year if everybody used a primary care provider as their usual source of care.

"Contribution of Primary Care to Health Systems and Health," Milbank Quarterly

Over 80%\* of patients with common chronic conditions (diabetes, high blood pressure) access primary care, the most prevalent type of office visit. But misaligned incentives (i.e., fee-for-service), lack of behavioral health (BH) integration, and infrastructure and technology challenges can compromise healthcare quality and drive up costs.

\*MEPS (2014) reported by Robert Graham Center (2018)

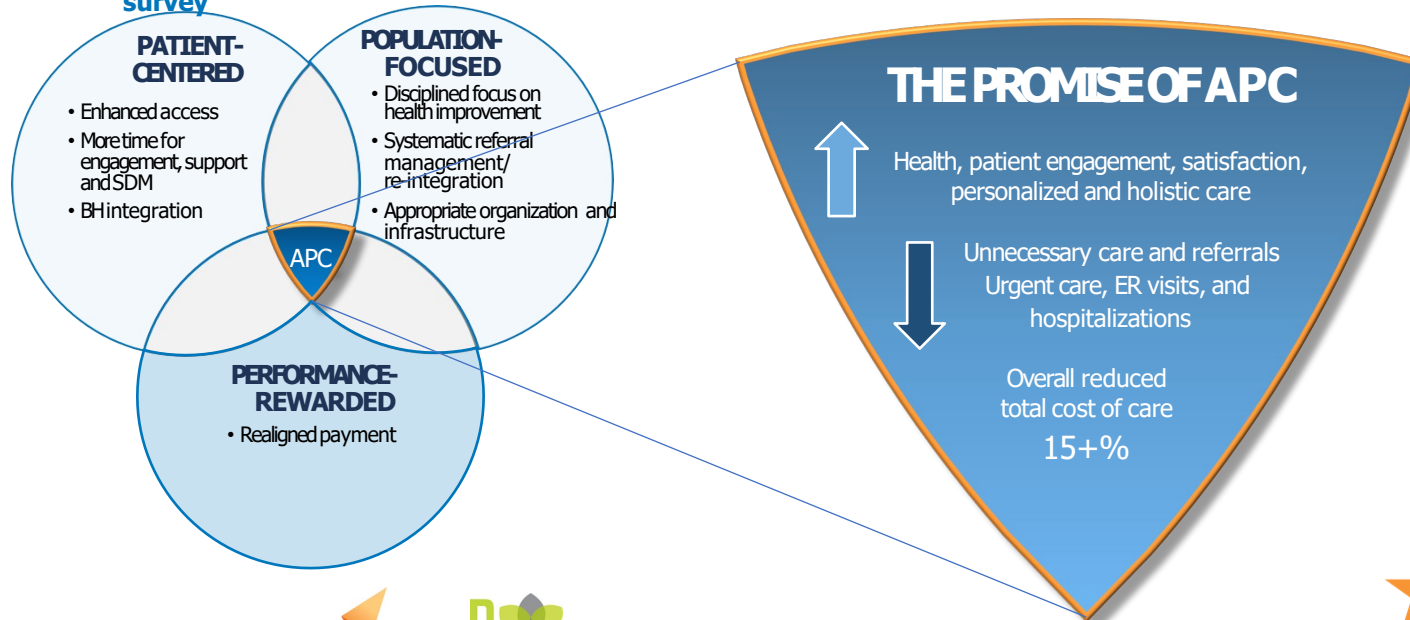


In a traditional fee-for-service (FFS) model, health care providers may be expected to see 25+ patients/day, leading to insufficient time for engagement, a tendency to refer, and high frustration levels for all.

## What Makes Primary Care **ADVANCED** Primary Care? National Alliance Identified **SEVEN** Key Attributes

- Enhanced access for patients**  
Convenient access, same day appointments, walk-ins, virtual access, no financial barriers to primary care
- More time with patients**  
Enhanced patient engagement and support, shared decision-making, understanding preferences, social determinants of health
- Realigned payment methods**  
Patient-centered experience and outcomes, quality and efficiency metrics, deemphasize visit volume
- Organizational & infrastructure backbone**  
Relevant analytics, reporting and communication, continuous staff training
- Disciplined focus on health improvement**  
Risk stratification and population health management, systematic approach to gaps in care
- BH Integration**  
Screening for BH concerns (e.g., depression, anxiety, substance use disorder) and coordination of care
- Referral Management**  
More limited, appropriate and high-quality referral practices, coordination and reintegration of patient care

Most of these attributes are consistent with critical success factors identified by respondents to a National Alliance survey





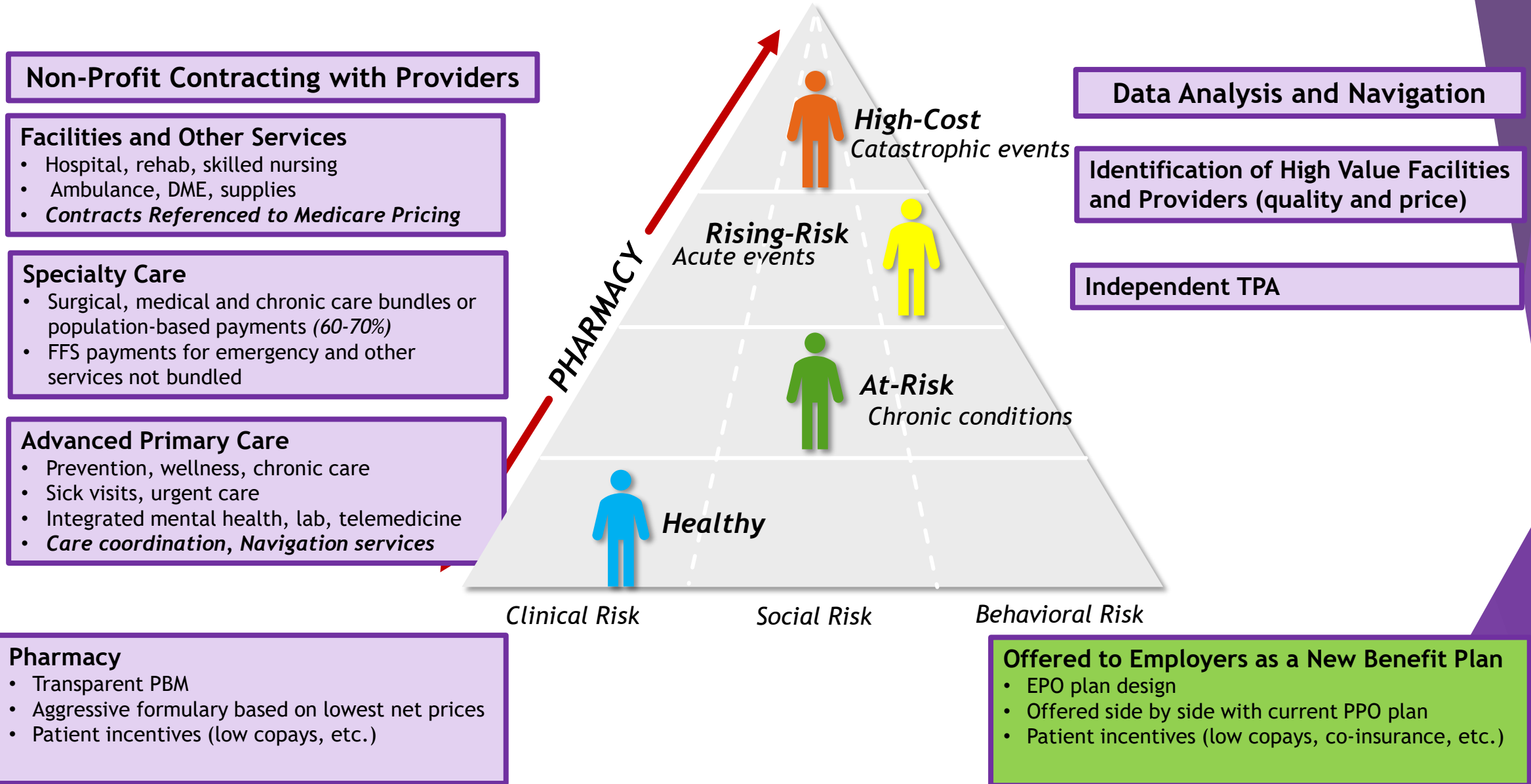
# Houston's Smart Network

## Key Attributes

A TRUE value-based Population Health Services Organization (PHSO) for employers, by employers.

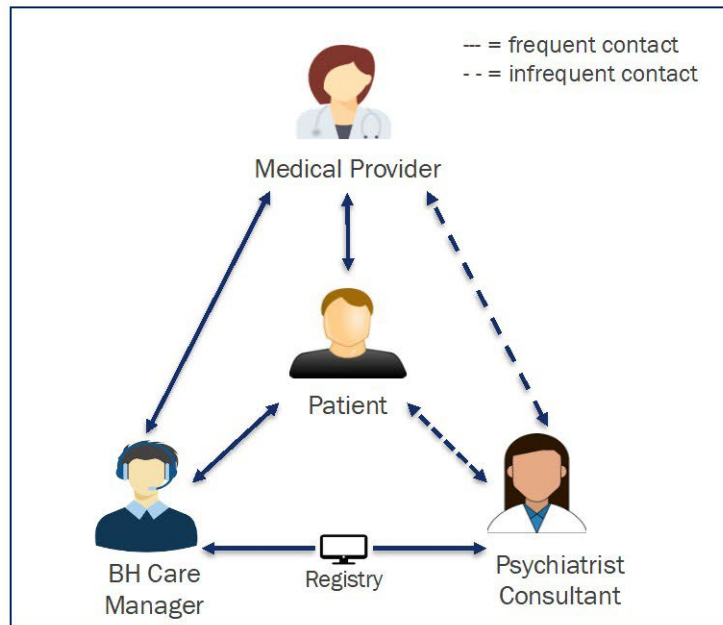
- ▶ Employers contract with PHSO to provide self-funded “Smart Network” EPO benefit structure with limited cost-sharing for employees
- ▶ PHSO contracts with independent TPA and other services for claims adjudication, eligibility, data analysis and related functions
- ▶ PHSO develops a Smart Network of directly contracted providers to provide care. Smart Network includes:
  - ▶ Capitated advanced primary care
  - ▶ Behavioral health integration with primary care
  - ▶ Smart referrals to highest value (quality and price) contracted specialists
  - ▶ Direct contracts with hospitals and physicians at or near Medicare prices
  - ▶ Bundled payments for common procedures
  - ▶ Fully transparent 100% passthrough PBM

# Smart Network Components



## Collaborative Care Model (CoCM)

CoCM is a team-based, data-driven, patient-centered population health approach to mental health and substance use disorder care



- 80+ Randomized controlled trials showing improved access, value, outcomes, and patient and provider experience.
- New billing codes from AMA and CMS make CoCM a separately reimbursable covered benefit.

