



Tufts Health Plan—October 22, 2020

INTO A BRAVE NEW WORLD

Strategy for a Post-Pandemic
Healthcare Environment

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Five Questions to Guide Our Discussion



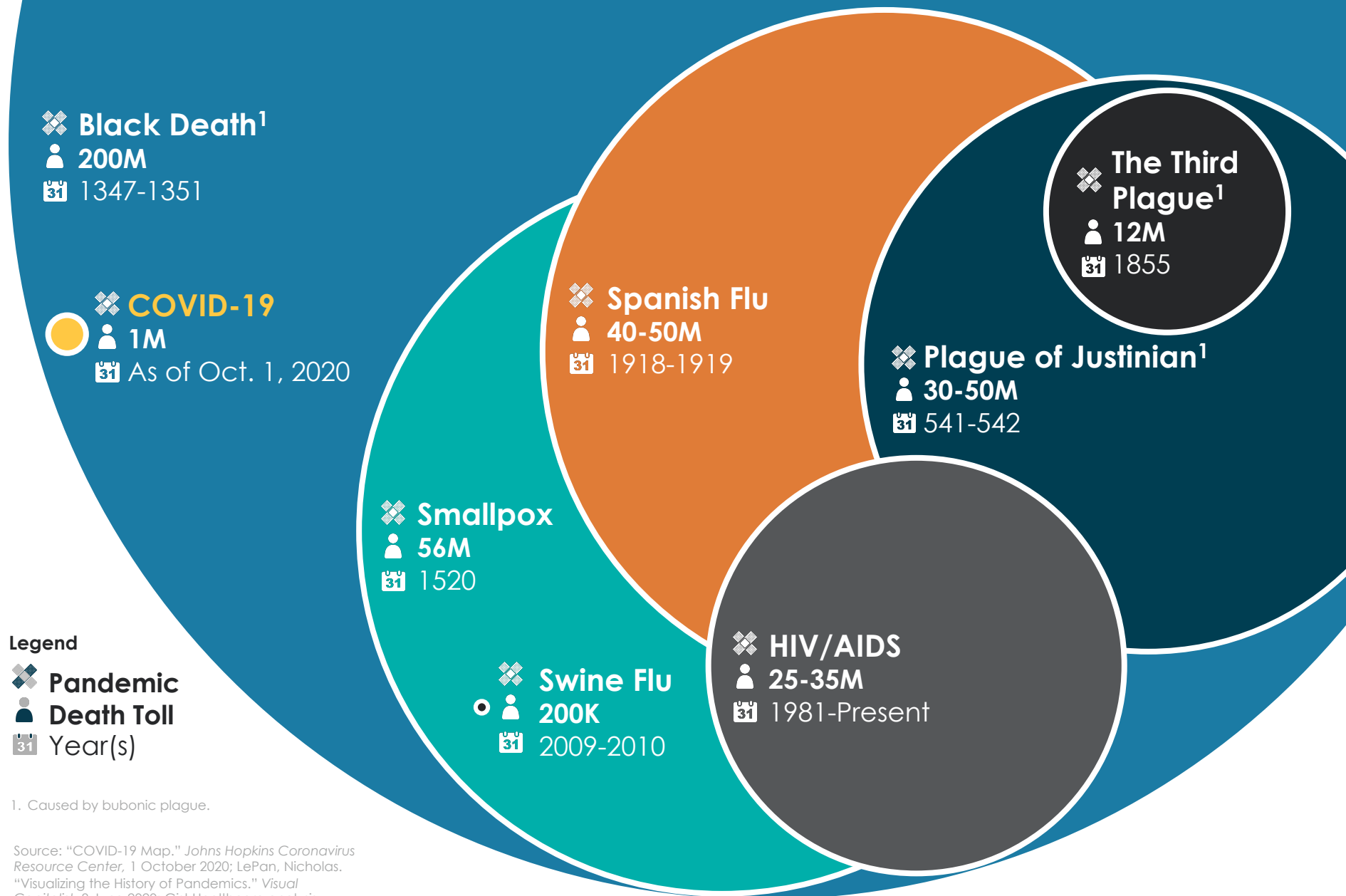
1. How has the COVID-19 pandemic **changed the healthcare industry and market**? What market forces influencing the direction of the industry prior to COVID remain unchanged?
2. Of these dynamics, **which are most important in our markets**?
3. How have the **needs of consumers and employers** in our market been altered by the pandemic resulting economic recession? Will they seek alternative benefit structures?
4. How have providers **been affected by the pandemic**? Will hospitals and doctors be **more likely to seek partners**, and if so, whom?
5. How does strategy need to change to **thrive in a post-pandemic healthcare environment**, if at all? What **opportunities and challenges** has the pandemic presented?

3 COVID-19 UPDATE

Putting COVID-19 in Historical Context

While the COVID-19 death toll has been significant, it pales in comparison to past pandemics

Worldwide Death Tolls Associated with Various Pandemics

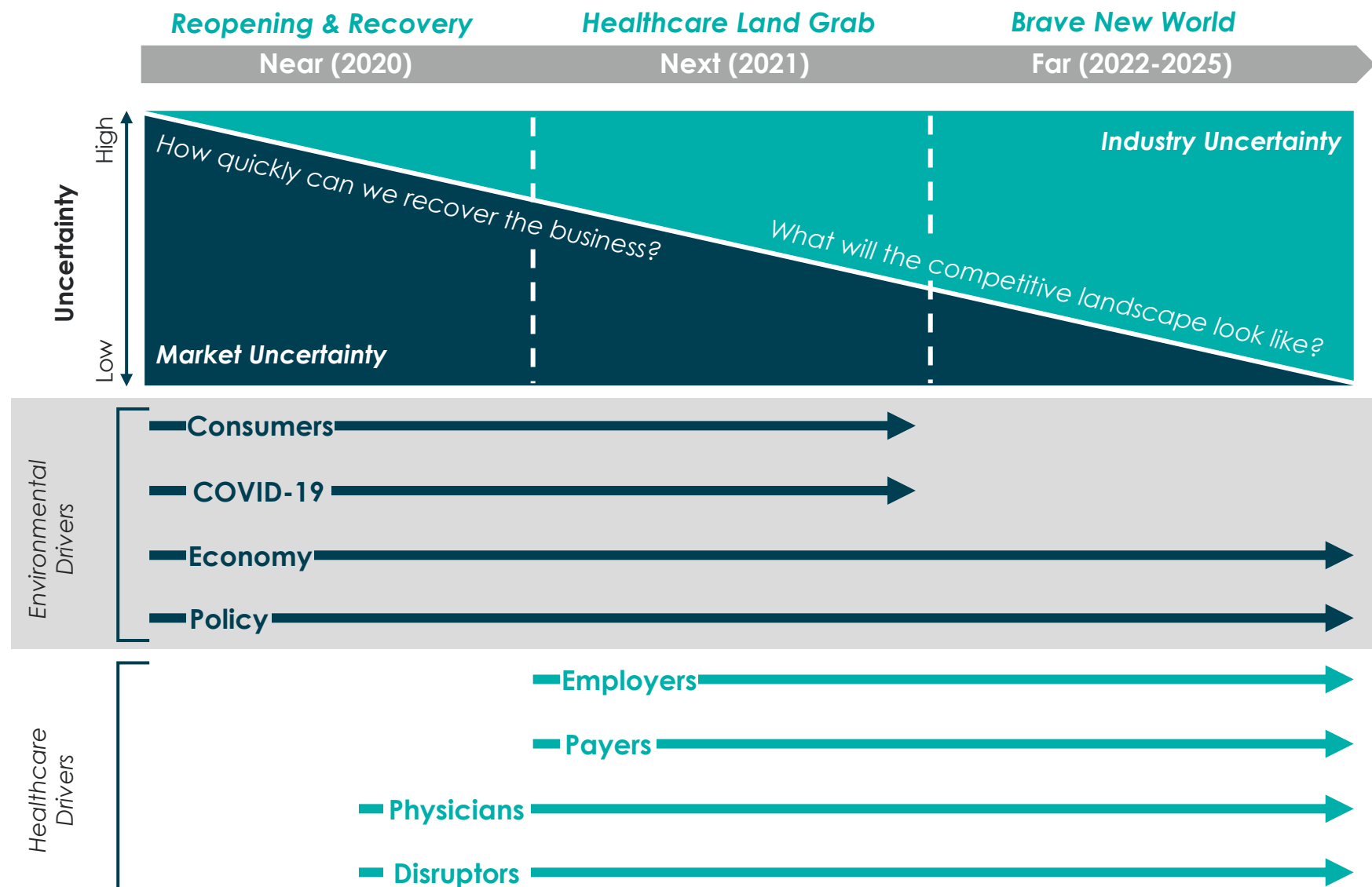


Charting Course Through Two Kinds of Uncertainty

While market uncertainty—driven largely by questions on consumers and COVID—is greatest today, it will decrease over time as industry uncertainty—driven the actions of healthcare stakeholders—grows



As Market Uncertainty Resolves, Industry Uncertainty Will Grow



Looking at the Greatest Uncertainties In Front of Us

Timing, outcomes of pivotal events and questions will significantly impact various scenarios in immediate years ahead

Pivotal Questions with Outsized Impact on the Future

Four Biggest “Wild Cards” in the 2020-25 Timeline



1 When will consumers return?

- Timing of when, if ever, consumers will feel confident accessing healthcare in person
- Extent of consumer reengagement with health system



2 When will COVID subside?

- Severity, timing of potential second wave and related shelter-in-place orders, closure of elective procedures
- Development of a COVID therapeutic
- Timing, efficacy, availability, and adoption of COVID vaccine



3 When will the economy recover?

- Length, severity of recession and long-term unemployment rate
- Loss of employer-sponsored insurance and corresponding impact on payer mix



4 How will policy change?

- Outcome of presidential, congressional elections to determine COVID relief, CMS policy, Medicare expansion
- Result of state-level elections to determine Medicaid expansion

6 CONSUMERS

Many Consumers Foregoing Care, Driving Volume Decline

Consumers still uncomfortable returning to healthcare settings, especially emergency rooms, hospitals and walk-in clinics; while volume has bounced back, still not at pre-pandemic levels

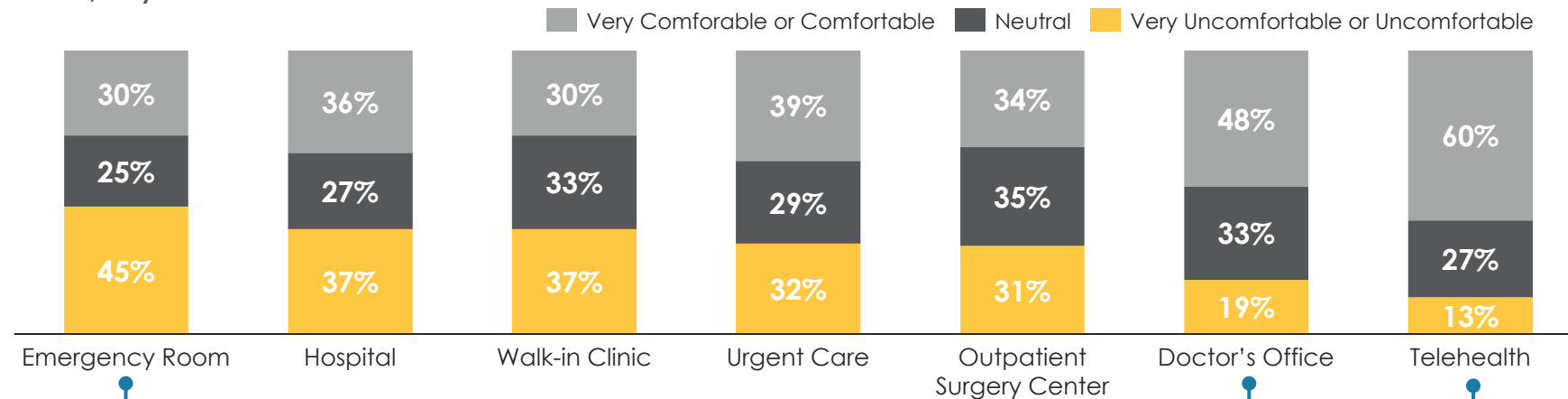


Consumers Reluctant to Seek In-Person Care

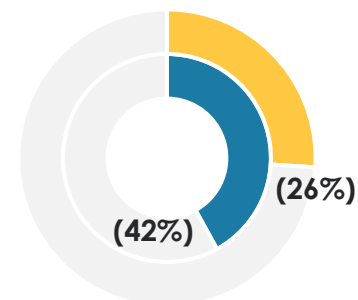
Resulting in Immediate Across-the-Board Volume Decline

Consumer Comfort Level in Different Care Settings

n= 500, May 2020

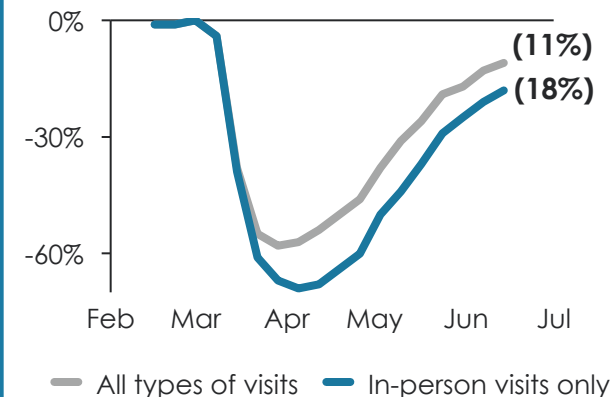


Decline in ED¹ Volumes Over Same Time Period in 2019



■ Mar. 29 – Apr. 25, 2020
■ Week of May 24, 2020

Ambulatory Visits Percent Change from Pre-COVID Baseline²



1. Emergency department
2. Week of March 1

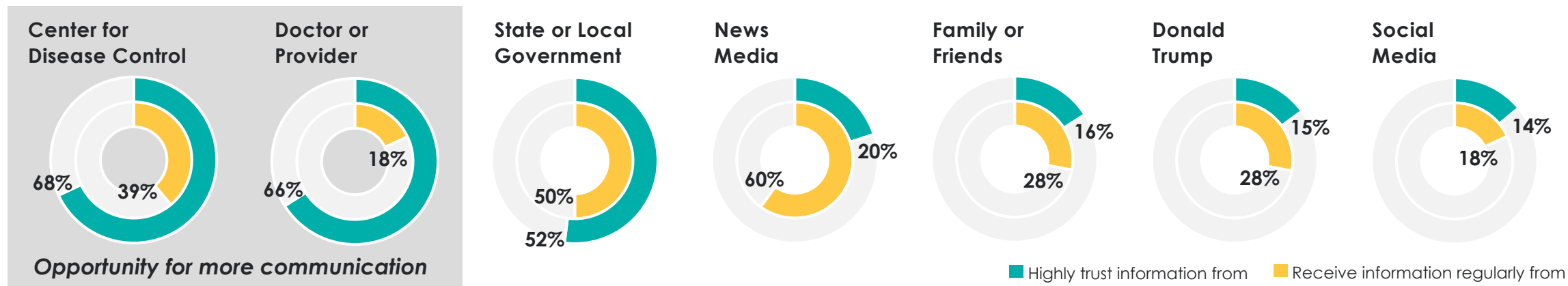
Source: Crnkovich, Paul. "When Will Patients Return?" Kaufman Hall, May 2020. Web. 11 June 2020; "Impact of the COVID-19 Pandemic on Emergency Department Visits - United States." Centers for Disease Control and Prevention, 03 June 2020. Web. 11 June 2020; Mehrotra, Ateev. "What Impact Has COVID-19 Had on Outpatient Visits?" Commonwealth Fund, 25 June 2020. Web. 29 June 2020; Gist Healthcare analysis.

Americans in Need of More Information from Trusted Sources

Hospitals, Physicians Can Directly Engage With Patients To Rebuild Trust in the Medical System

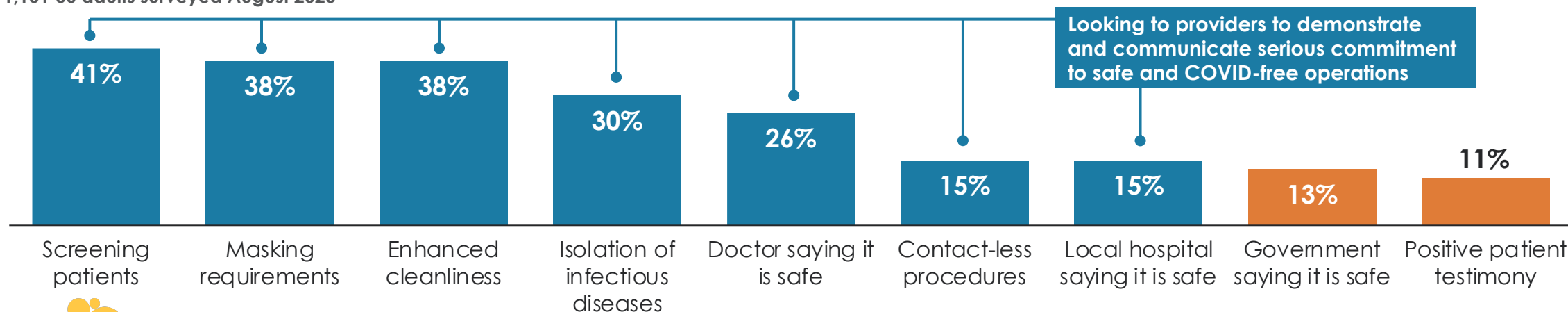
How Much Americans Trust and Receive Information by Source

n= 1,057 US adults surveyed 16-20 April 2020



What Consumers Want to See to Feel Safe in a Hospital, Urgent Care or Other Medical Facility

n= 1,101 US adults surveyed August 2020



In-Person Care Slowly Returning as Virtual Care Continues

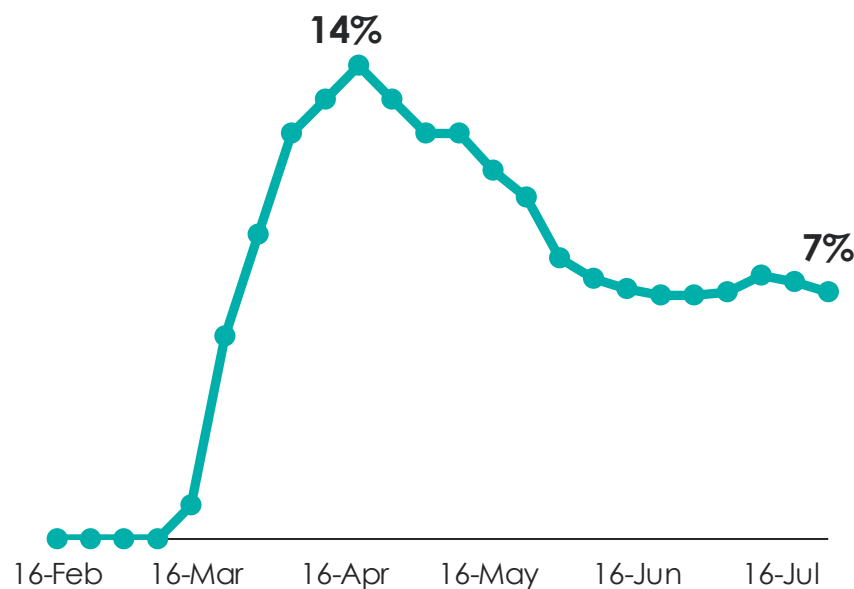
Although some volumes have returned, ambulatory practice visits are still down 10% on average; percent of virtual visits has decreased, suggesting more patients being seen in-person



Impact of COVID-19 on Outpatient Medical Visits

Percent of All Ambulatory Practice Visits Provided via Telemedicine¹

n= Over 50,000 providers in 1,600 provider organizations

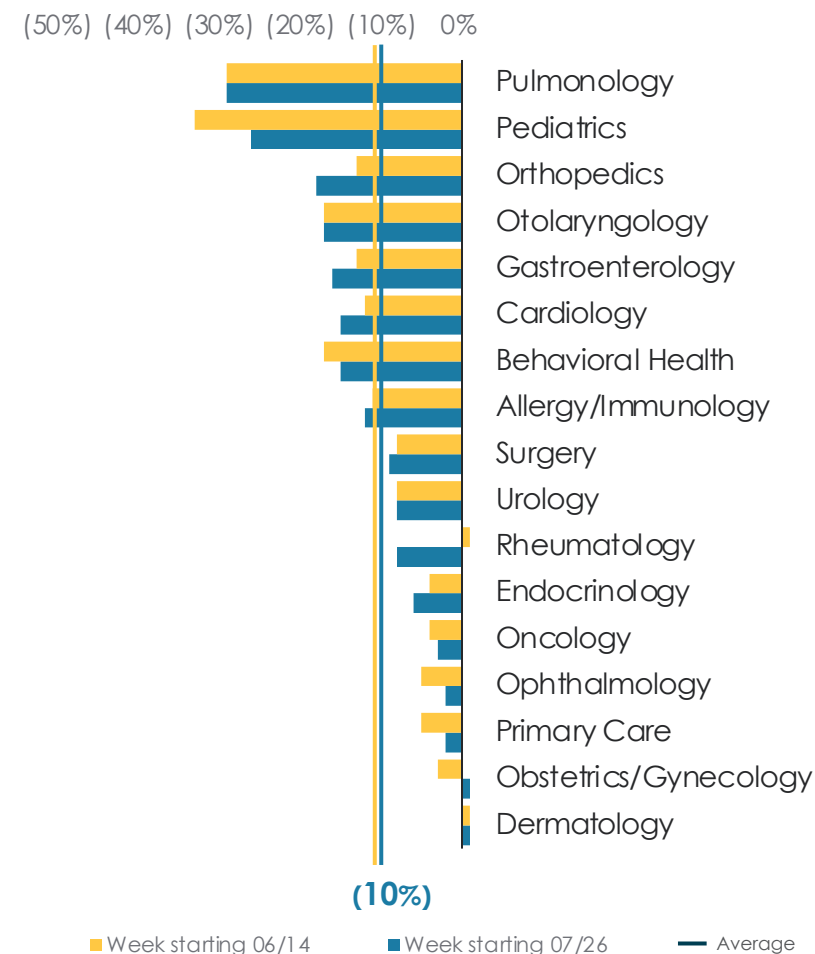


67%

Percent of executives who predict their organizations will use telehealth at least five times more than pre-pandemic levels

Percent Change in Ambulatory Practice Visits² by Specialty¹

n= Over 50,000 providers in 1,600 provider organizations



1. From baseline (week of March 1)
2. All visits; increases in telemedicine visits dampen overall decline.

Source: A Mehrota et al. "What Impact Has COVID-19 Had on Outpatient Visits?" The Commonwealth Fund. 25 June 2020. Web. 29 June 2020; Gist Healthcare analysis.

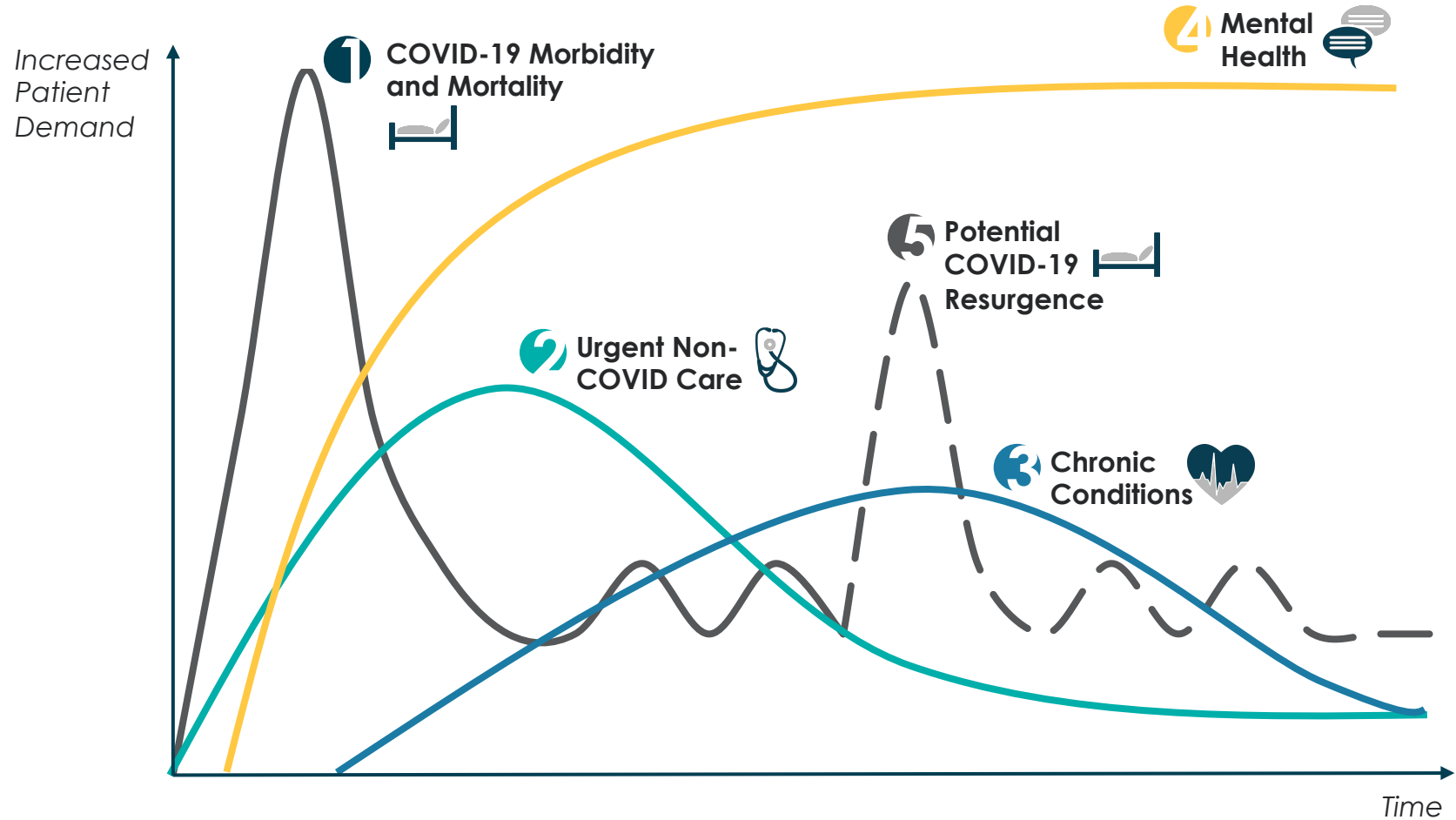
9 COVID-19

Planning for the Pandemic's Multiple Waves

Disease itself, and its reverberations over time, will require different healthcare responses, resources

Waves of COVID-Associated Care Needs

Working Through a Backlog, Expecting More Complex Care



10 ECONOMY

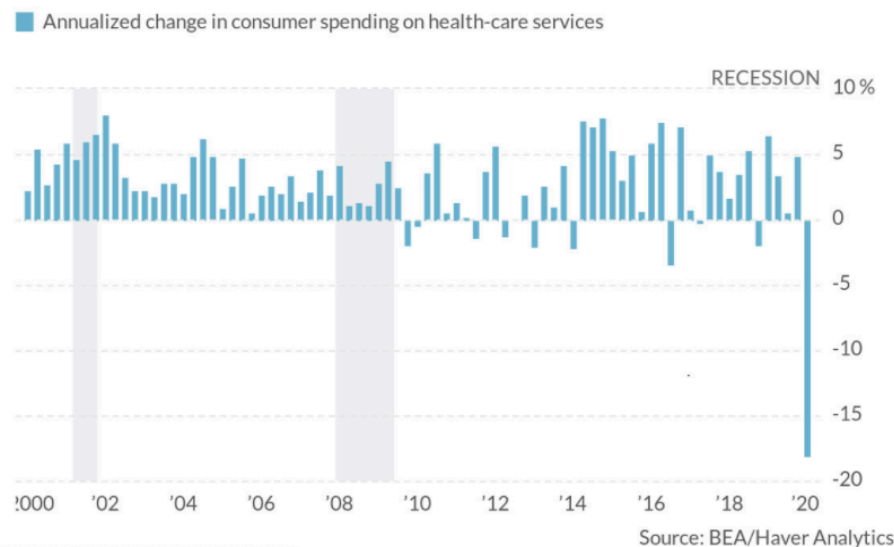
Recession Led by Dip in Healthcare Spend

As healthcare utilization decreases, healthcare consumer spending has dropped 18 percent, with significant declines in almost all types of services; drop accounts for nearly half of GDP falloff in Q1



Postponement of Elective Services Has Driven Down Healthcare Spending

Change in Consumer Spending on Healthcare Services Over Time



4.8% decline in Q1 GDP, with **nearly half attributed to healthcare**

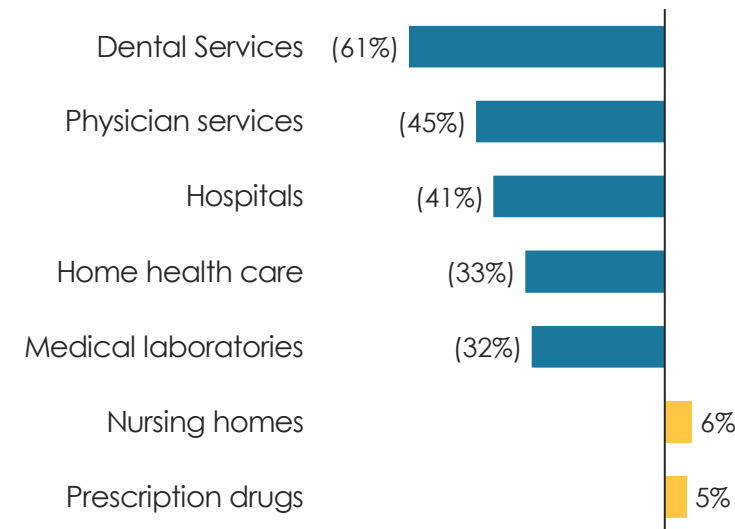


Healthcare employment decreased for hospitals and nursing care facilities in May



30% **decrease in utilization of services** for CVS/Aetna members in April

Percent Change in Healthcare Expenditures from April 2019 to April 2020



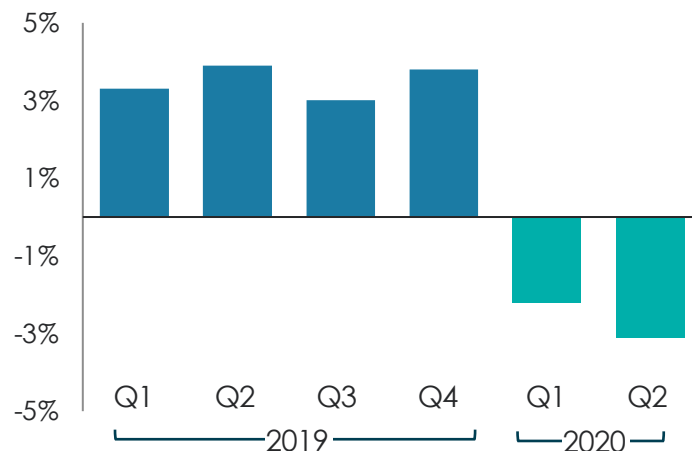
Health Systems Suffered an Economic Body Blow

Due to lower volumes, hospitals saw a ~7 percent hit to operating margin in Q2, with revenue now bouncing back to normal levels in early Q3; healthcare executives remain pessimistic on 2020 revenues, volumes

Closing Electives, Decreased Demand Causing Massive Financial Setback

Hospital Operating Margin Index¹

n= 800 hospitals



Revenue Percent Change, July 2020

Revenue	From June 2020	From July 2019
Total Gross	5.4%	0.4%
Inpatient	5.5%	(1%)
Outpatient	5%	(1%)

Revenue and Volume Concerns Among Healthcare Executives

n= 174, May 2020

89% Percentage of executives who predict their **revenue will be lower** by end of 2020, with **62%** saying it will be lower by more than 15%

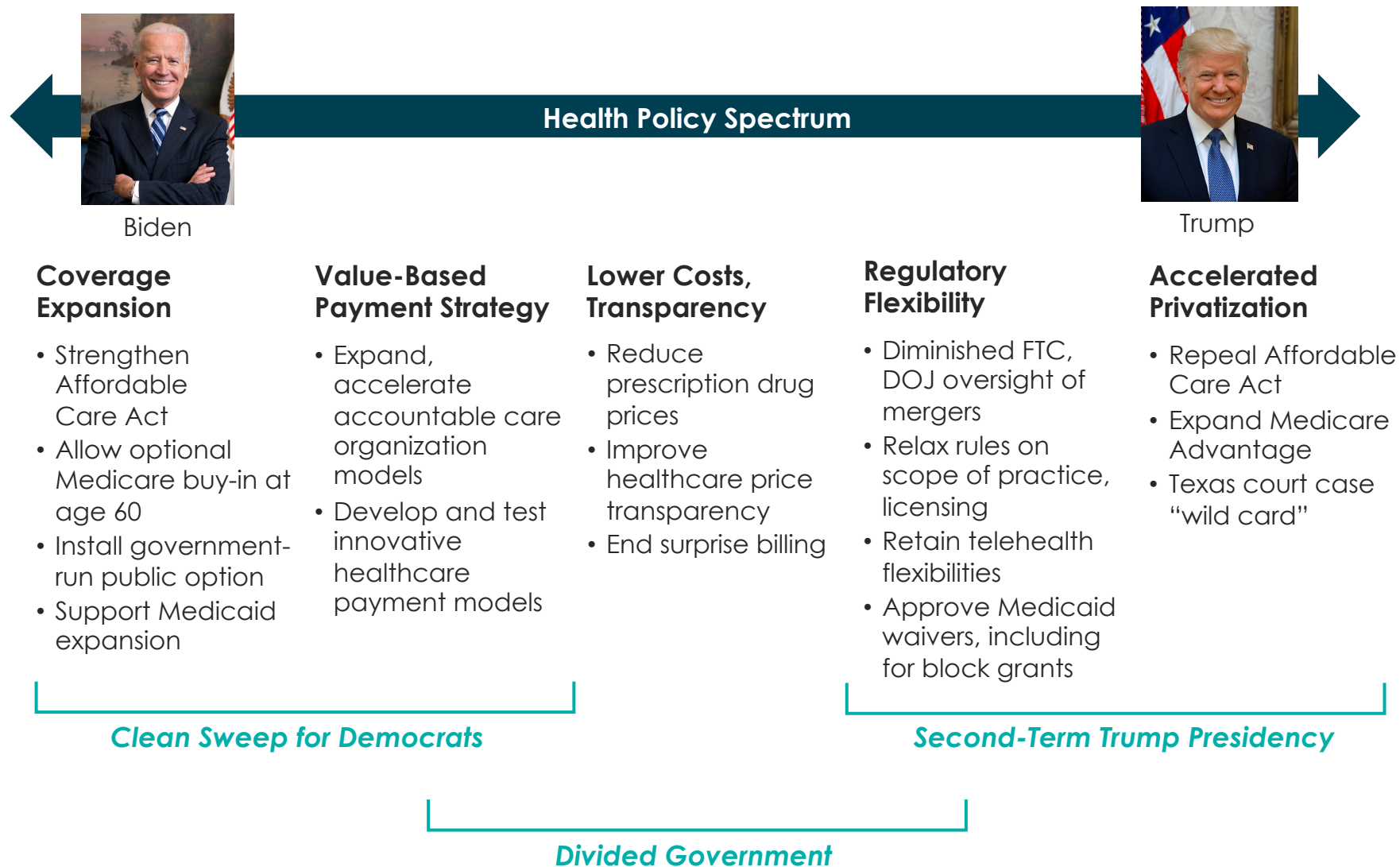
47% Percentage of executives who anticipate their **elective procedure volumes will take at least 6 months to recover**, with **12%** saying more than a year

11% Percentage of executives who **believe federal funding will be enough** to cover COVID-19 related costs

Assessing the Outlook for Health Policy

Outcome of 2020 presidential, congressional elections will determine which zone of health policy spectrum is focus area across coming years

Continuum of Main Health Policy Goals

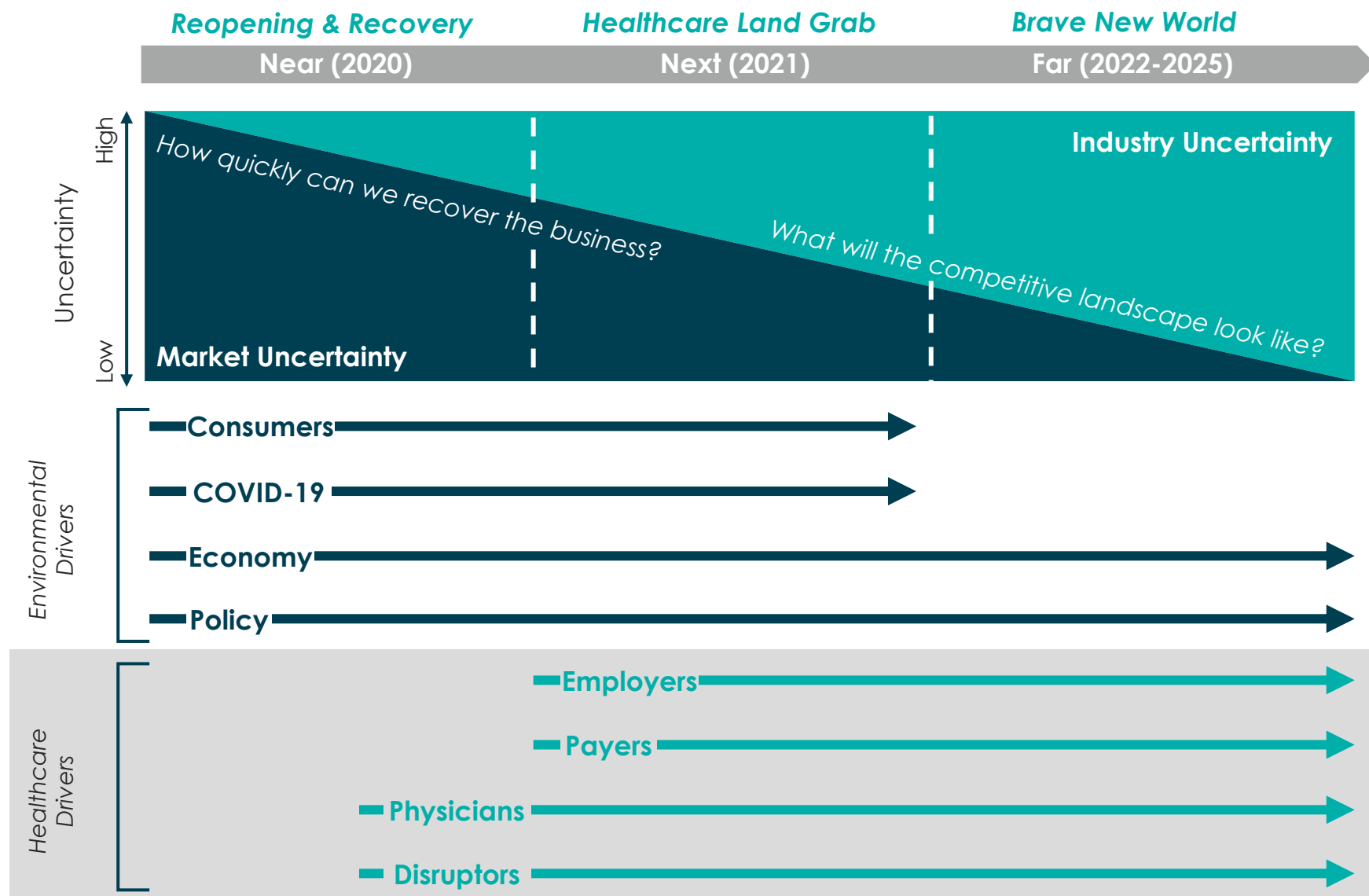


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14 EMPLOYERS

Employers Trying to Ensure a Safe Return to Work

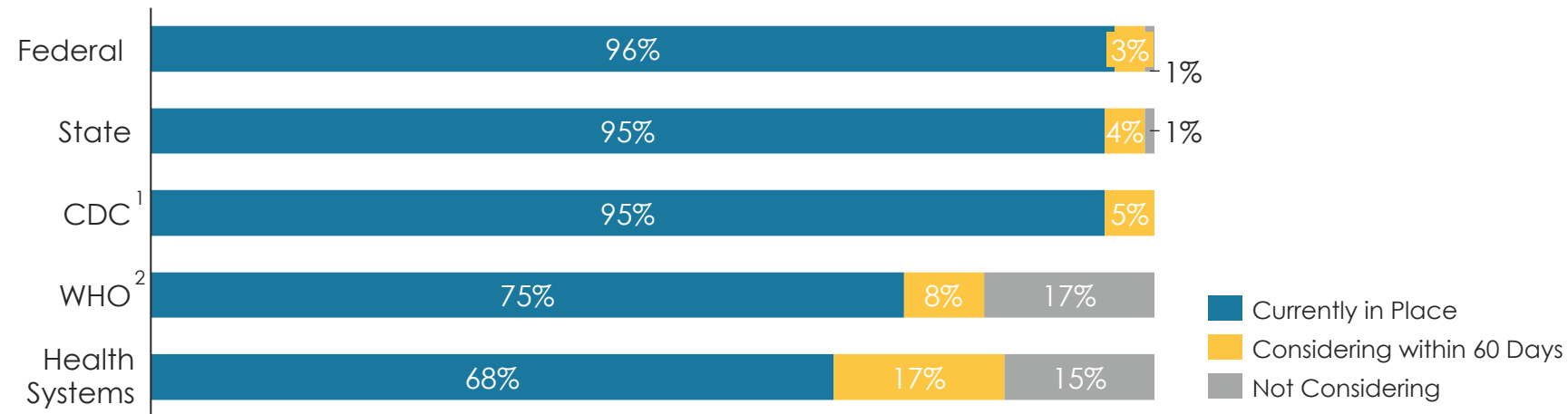
Employers largely receiving reopening guidance from federal and state-level resources; less than half conducting COVID assessment and screenings



Employers Gear Up for Workforce Return

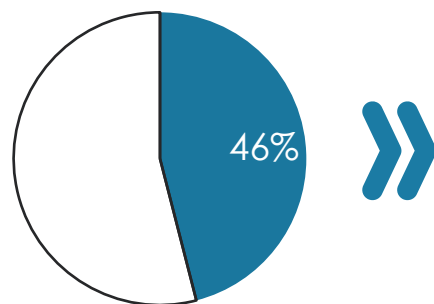
External Sources of Guidance Employers Are Using for Return-to-Work Planning

n= 210 employers, May 2020



Protective Measures Being Taken by Employers

n= 615 employers, May 2020



Yes, Conducting Employee Screening or Assessments

Administering temperature screening on-site	76%
Administering symptom questionnaire on-site	53%
Requiring employee self assessment and verification	52%
Purchasing handheld scanners	34%
Requiring employee self-temperature checks and verification	28%
Contracting outside services to conduct health screening	13%
Hiring on-site clinical staff	8%

Source: "In the United States, How Are Companies Adapting to the COVID-19 Business and Workforce Environment?" Survey, Mercer, May 2020. Web. 16 June 2020; "COVID-19 Employer Return to Work Strategies." National Alliance of Healthcare Purchases Coalitions, 18 May 2020. Web. 16 June 2020; Gist Healthcare analysis.

1. Center for Disease Control.
2. World Health Organization.

Reaching the Limits of Employee Cost-Sharing

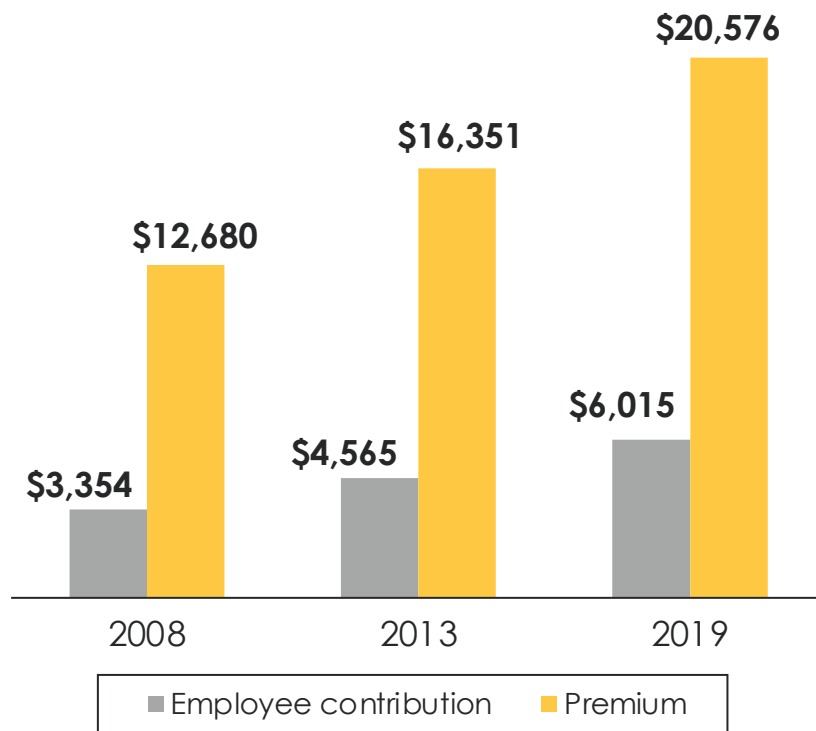
Having continued to push deductibles and other cost-sharing, employers are now questioning the utility of shifting more costs onto employees

Shifting the (Growing) Cost of Coverage

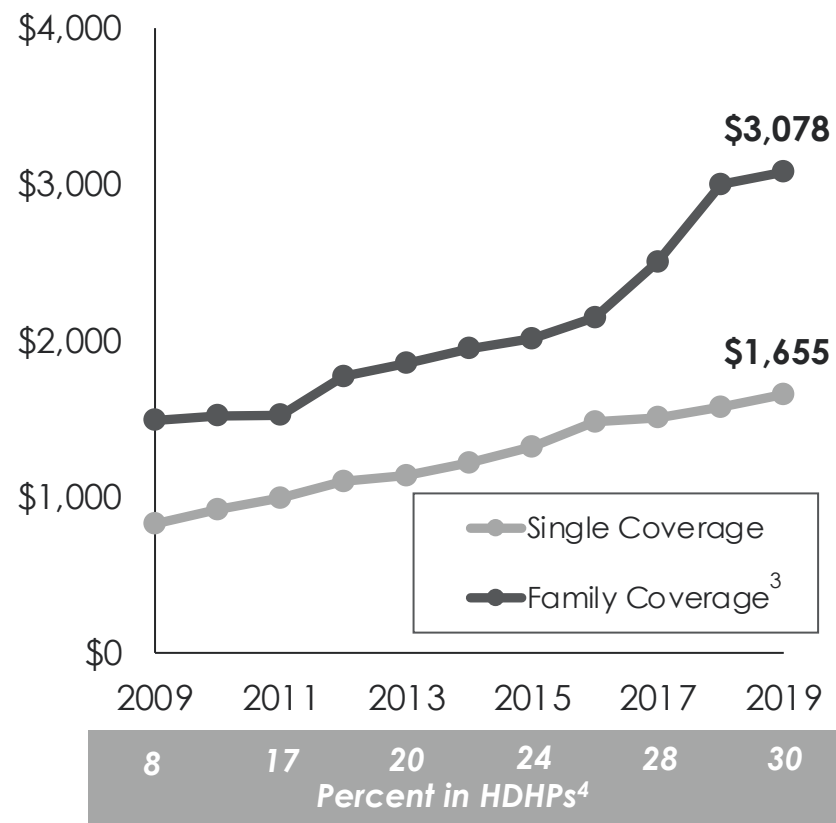
Employees Spending Over Ten Percent of Income on Insurance Alone

Annual Cost of Insurance

Family Coverage



Average Employee Deductible



1. Health savings accounts.

2. High-deductible health plans.

3. PPO plan as representative.

4. HDHP/HRA or HSA-qualified HDHP; defined as \$1,000 for single coverage, \$2,000 for family coverage.

Some Employers Ready to Explore New Network Options

Having reached the limits of cost-sharing, employers are now looking to a set of network options that narrow choice in a way that creates value for beneficiaries



“Unbundling” Health Systems

- Identify most efficient providers for high-cost conditions and procedures across providers
- Create custom networks targeted to employer spending dynamics
- Case studies: Bind On-Demand Insurance; Walmart Center of Excellence strategy



“Stealth Steerage” to High-Value Providers

- Employer creates or contracts with physician groups or custom benefits platforms
- Concierge-like services and primary care partners steer employees to low-cost services
- Case studies: Catalyst Health Network; Comcast health benefits platform, in partnership with Accolade



Direct Contracting with Providers

- Health systems contract directly with employers around a narrow, high-performance network
- Systems take risk spending growth, realize savings through steerage and care management
- Case study: General Motors and Henry Ford Health System partnership



Case in point: Employer “High-Value” Network Strategies



A Force for Change Greater than COVID-19

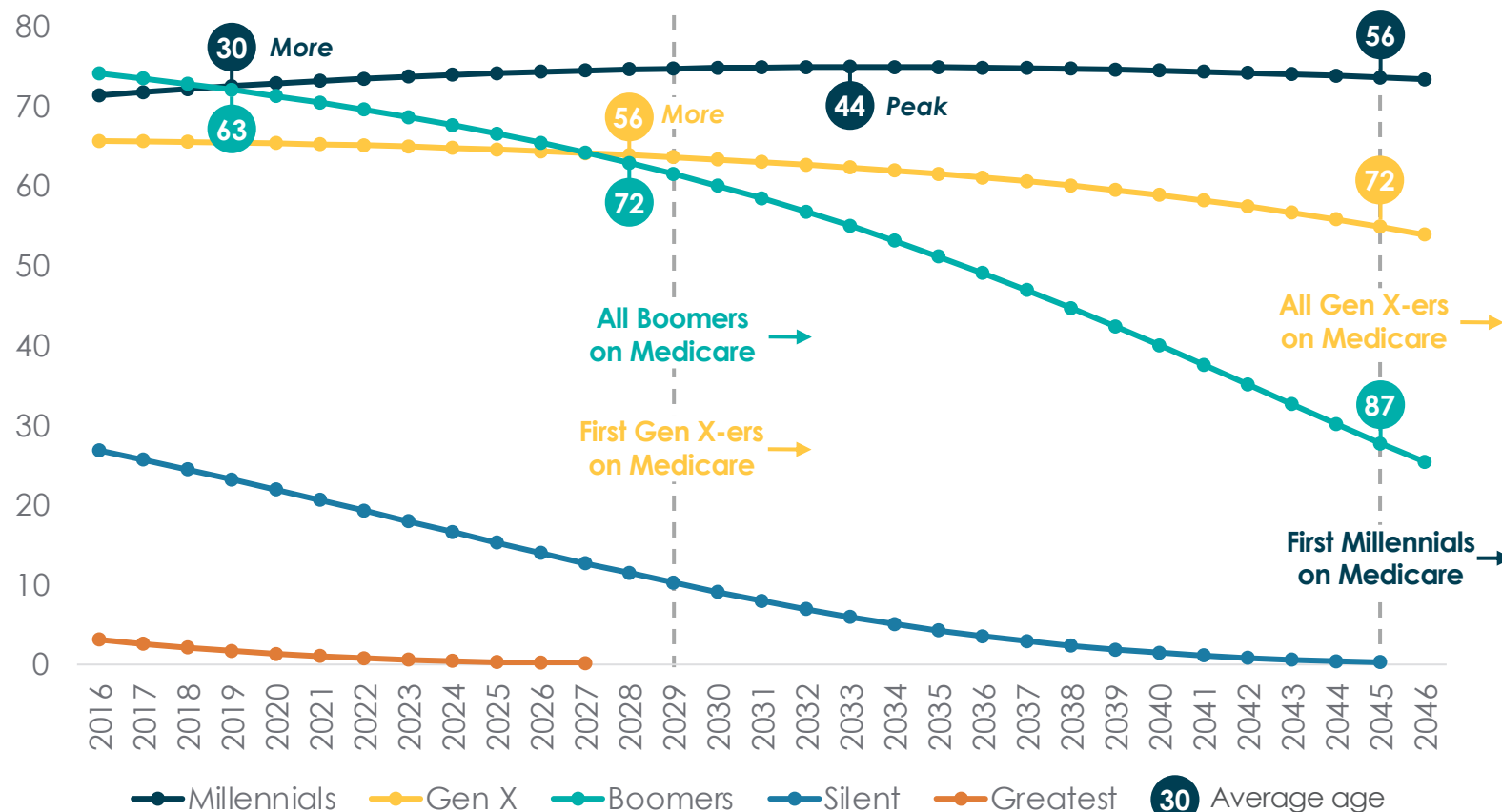
While systems need to pay due attention to retooling for over-65 Boomers, they should also begin to rethink service offerings to appeal to Millennial consumers

Accelerating Change in a Shifting Demographic Landscape

Millennials Now the Largest Age Cohort

Actual and Projected US Population by Generation¹

Millions



1. Definition of generations: Greatest (born 1901-27); Silent (1928-46); Boomers (1946-64); Gen X (1965-80); Millennials (1981-96). Gen Z (1997-?) not depicted.

Source: US Census Bureau, "Data." 2017 National Population Projections Datasets. United States Census Bureau, 06 Sept. 2018. Web. 13 Feb. 2019; Gist Healthcare analysis.

Scrambling to Capture Lives—and Integrate

Largest payers are pursuing different integration strategies to position themselves to capture an increased number of Medicare, Medicaid, and public exchange lives



The Horizontal Merger Angle

- Centene, the largest Medicaid managed care organization in the country, acquired WellCare to expand its reach in Medicaid and public insurance marketplaces
- Blue Cross and Blue Shield companies Highmark and HealthNow New York have agreed to merge

CENTENE
Corporation



The Pharmacy Angle

- Aetna, the third largest commercial insurer, was acquired by CVS Health, the nation's largest drugstore chain; CVS HealthHUB stores aim to provide Aetna health plan members convenient, integrated care



aetna



The Vertical Integration Angle

- Humana acquired Kindred, the largest health and hospice operator in the US¹; is also actively expanding its Partners in Primary Care group¹
- UnitedHealth Group's Optum continues to acquire physician groups, including DaVita; is now largest employer of physicians nationally

Humana



Case in point: Payer M&A activity



1. In partnership with private equity firms.

Bringing “Everyday Low Prices” to Our Industry

Walmart opening
standalone primary care
clinics targeting uninsured,
underinsured populations
in convenient setting
attached to stores

“Walmart Health” Holds Potential as a Major Disruptor

Largest Retailer (and Employer) Now a Primary Care Provider

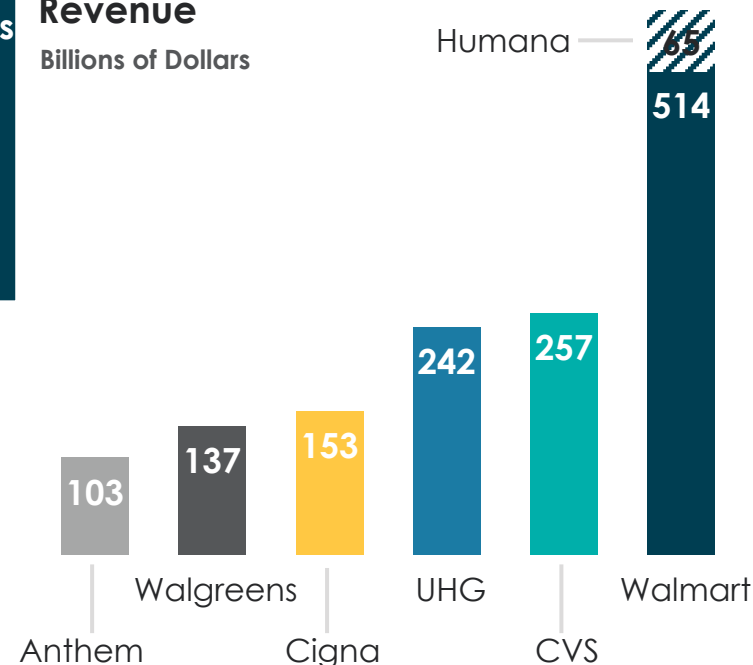


- ✓ Operates 4,756 stores in the US
- ✓ 150M weekly shoppers
- ✓ 90% of US population lives within 10 miles of a store location
- ✓ 400M prescriptions filled annually

Sample Walmart Health Prices

- \$40 Office visit
- \$30 Annual checkup, adult
- \$10 Lipid test
- \$45 Counseling session (45 mins)
- \$25 Dental cleaning

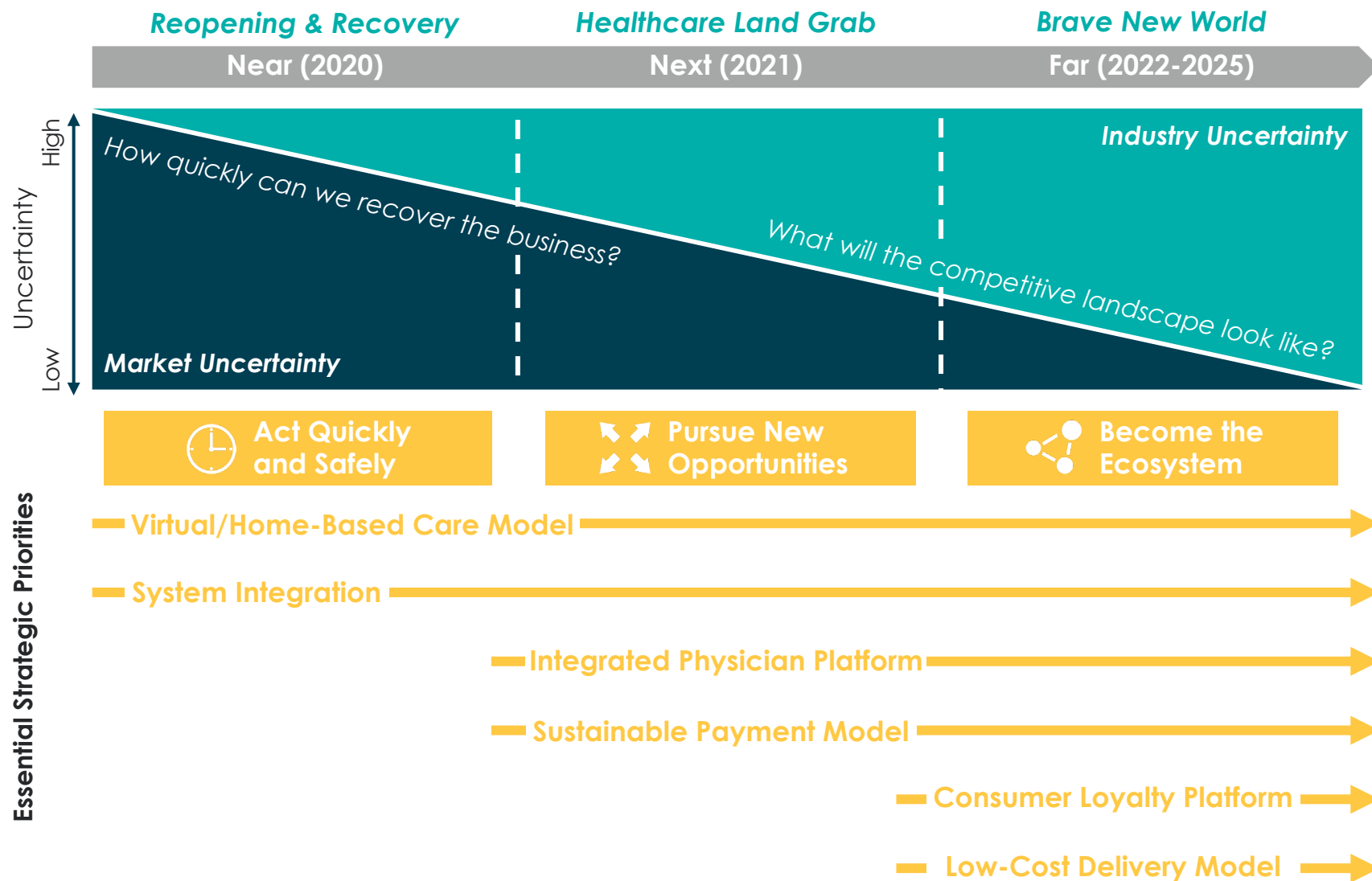
2019 Annual Revenue Billions of Dollars



Case in point: Walmart



We believe future success will require health systems to pursue six essential strategic priorities

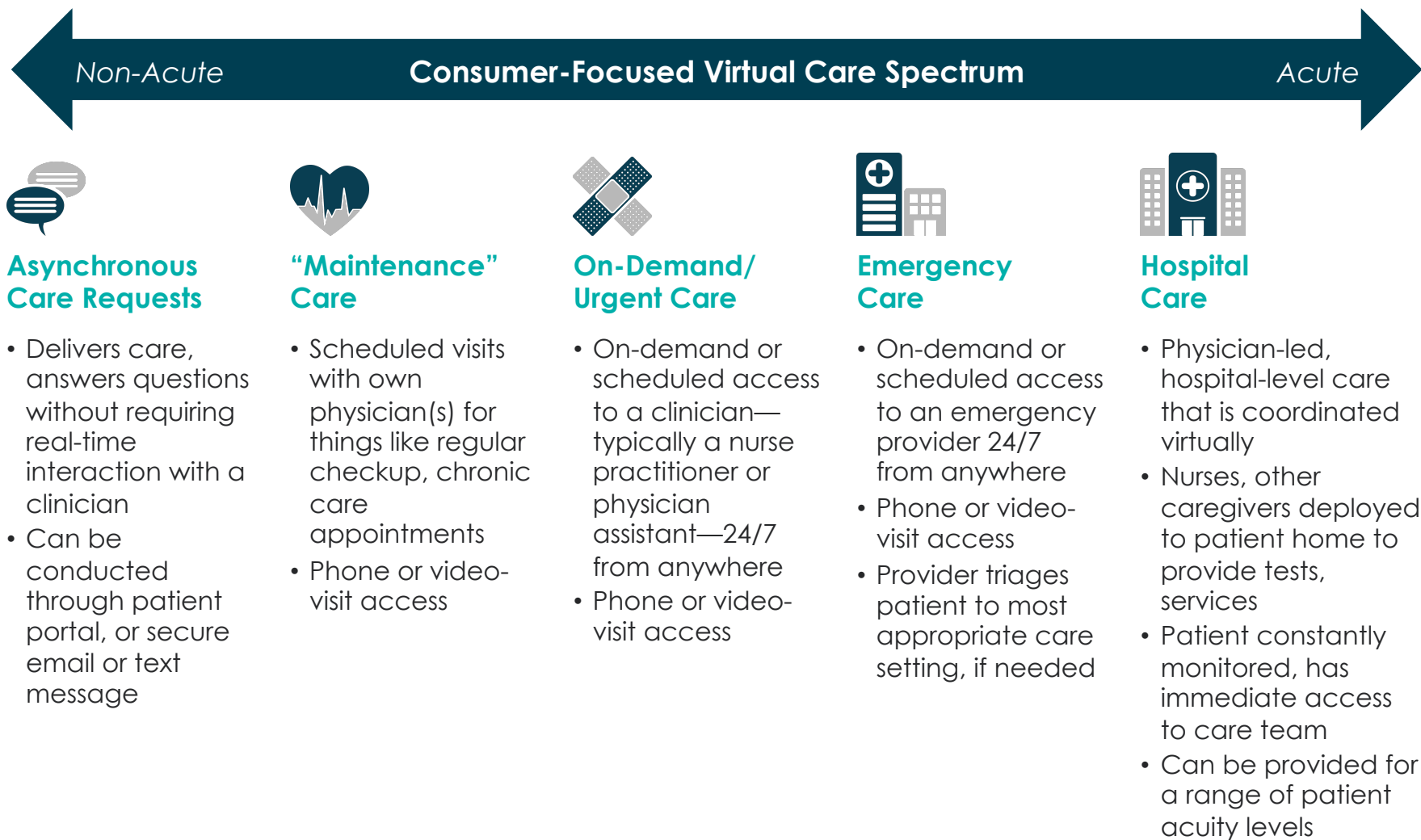


22 VIRTUAL/HOME-BASED CARE

Creating a Continuum of Virtual and Home-Based Care

Ready access to a range of connected on-demand care resources can build loyalty as consumers seek safe options for management in the home

A Platform of Options to Deliver “Care Anywhere”



23 SYSTEM INTEGRATION

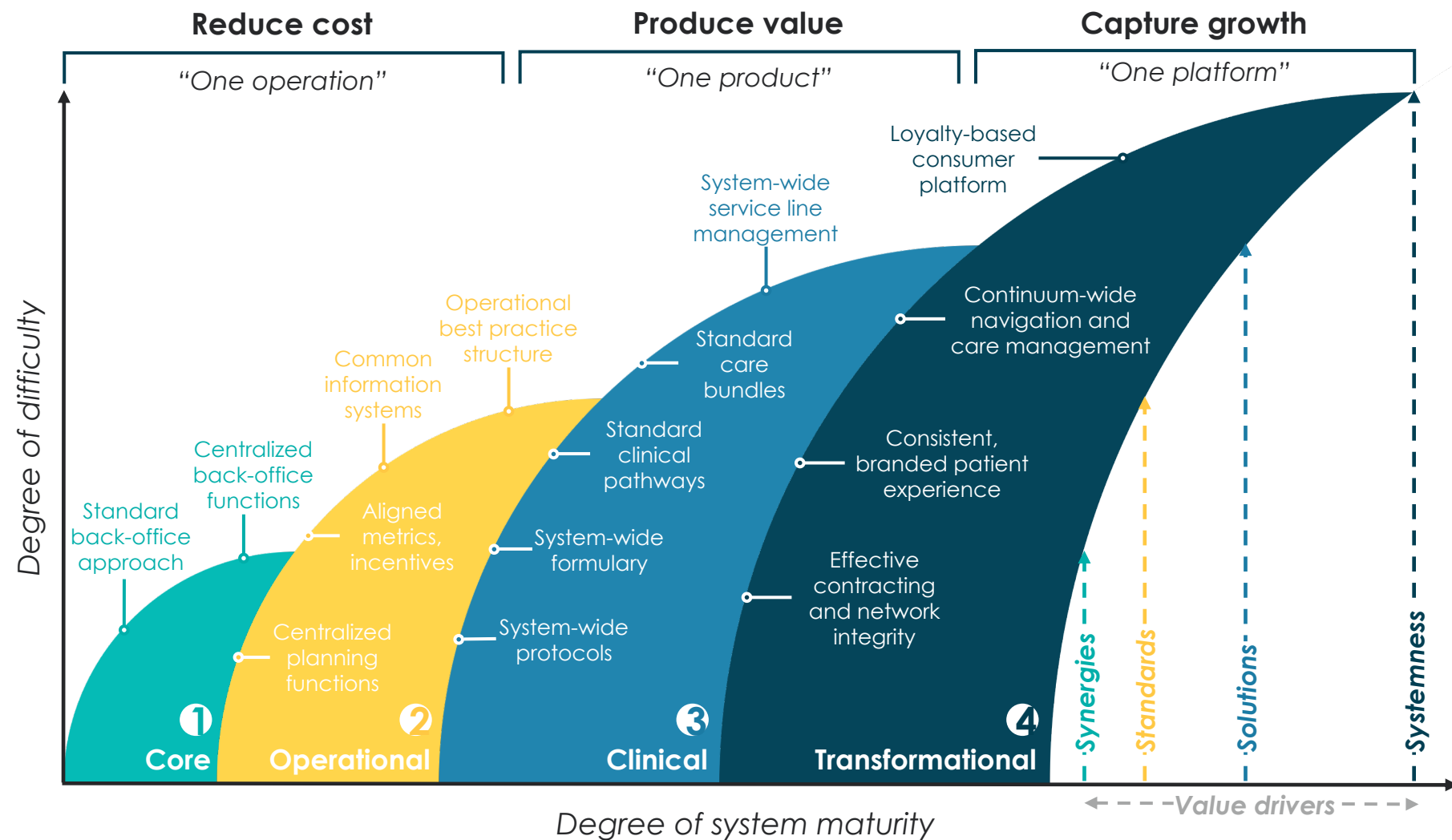
How to Spot a Truly Integrated System

As systems progress toward integration, early value capture allows for cost reduction; more sophisticated systems can create streamlined products and solutions to drive growth



Mapping the Value Drivers Behind System Integration

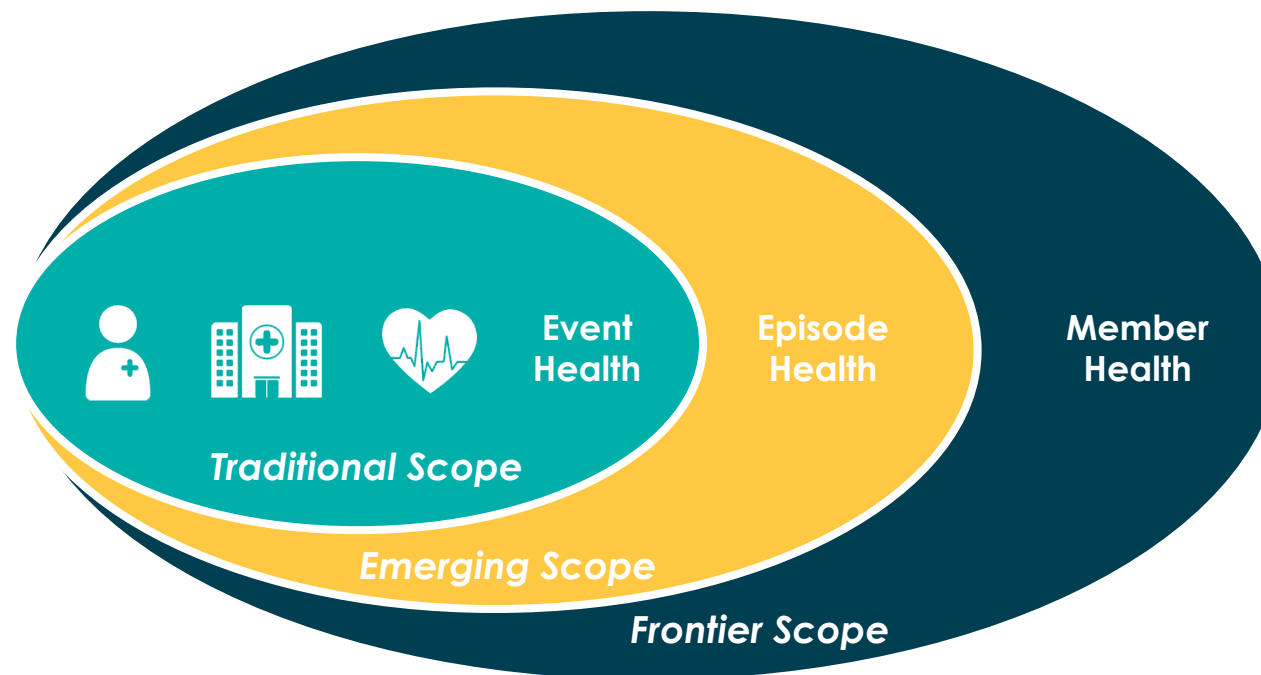
Systems Can Tackle Operational and Clinical Change Simultaneously



In the wake of the pandemic, consumers will be more motivated to seek an ongoing relationship with a trusted source of care, who treats them as a “Member” of the health system.

1 Event Health

- Today's dominant model, driven by FFS
- Multiple, disconnected interactions with health system across time, often difficult for patient to navigate
- Increased value placed on cost, efficiency and safety



Episode Health

- Emerging model, driven by new incentives like bundled payments
- Episode “manager” works to coordinate care related to an event across multiple sites, points in time

Member Health

- Frontier model, consistent with shift to risk, “owning the life”
- Member “manager” orchestrates consumer care across life-stages
- Emphasis on curation of network to deliver high-value services
- Built around Member engagement and loyalty
- Centered around a connected access-driven platform

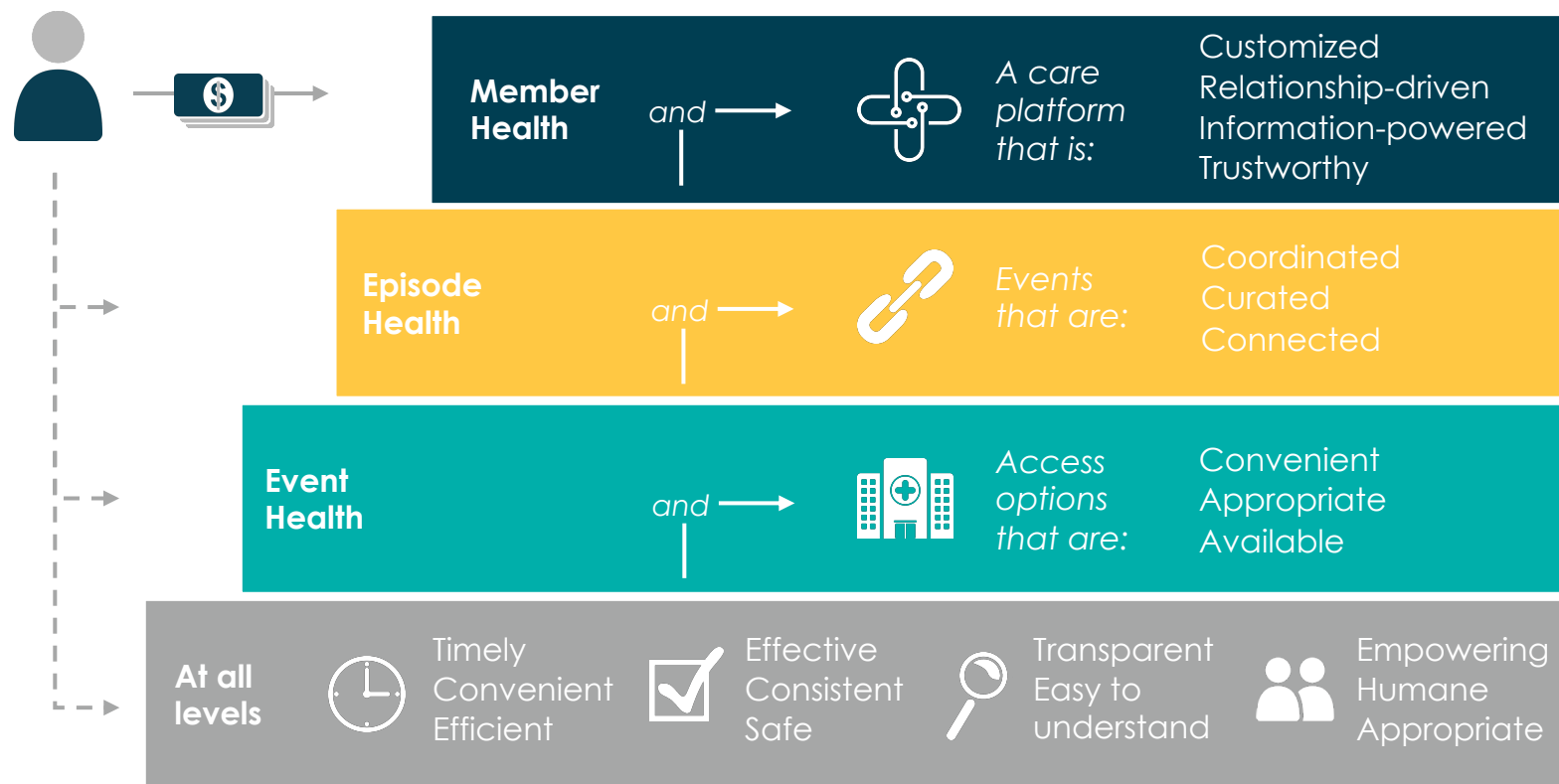
Raising the Bar on Consumer Value Delivery

Successful health systems must be able to deliver benefits to consumers in excess of price paid, at every level of interaction

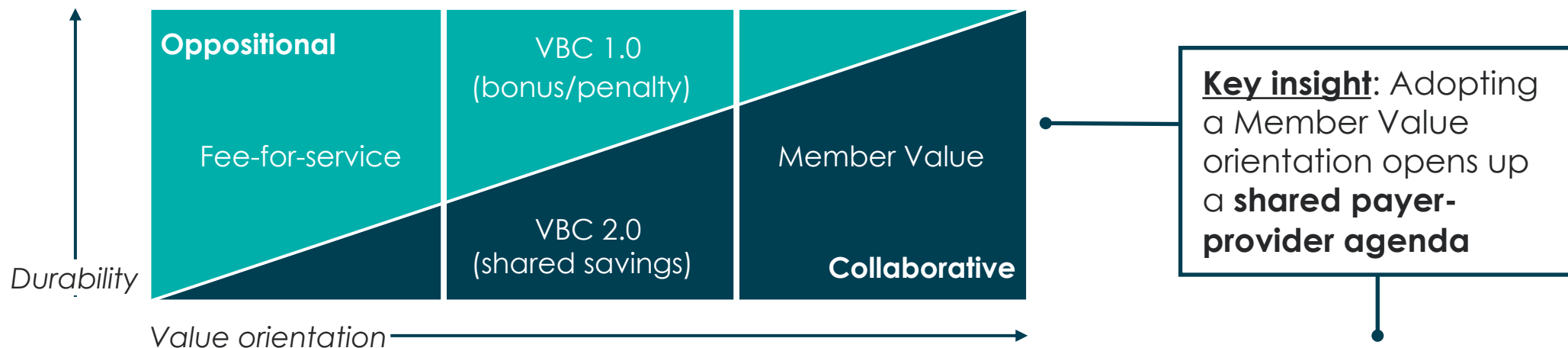
Rethinking Accessible, Affordable, Reliable and Personal Care

A New Premium on Safety, Trust and Relationships

Consumer Value Equals Benefits Minus Price



Laying the groundwork for a new type of partnership



Member access	Care delivery	Member experience	Community health
Right care —Where should the patient be seen?	How should care episodes be bundled ?	Can we create a seamless service experience ?	Can we collaborate to address social determinants of health ?
Right provider —Who will deliver the best value care?	How do we maximize use of centers of excellence ?	Can we create a frictionless financial experience ?	How will we work together to care for vulnerable populations ?
Right time —When can (and should) the patient be seen?	How do we coordinate care across settings?	Can we support easy, transparent communication ?	How can we support mental and behavioral well-being ?
Right model —In person, telephonic, digital?	How can we measure care quality and outcomes?	Can we support and promote ongoing patient health ?	How can we support other community health resources ?



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