



JUNIPER ADVISORY



Edelman

Evolving Healthcare: Current Trends in Health System Partnerships

A HEALTH SALON SPONSORED BY
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EXECUTIVE SUMMARY

Current trends in health system partnerships and other provider-side ventures taking place in today's rapidly evolving healthcare landscape were the key topics of a panel discussion hosted by Edelman and Juniper Advisory at the Edelman offices in Washington, D.C. Moderating the salon was Jordan Shields of Juniper Advisory, a boutique investment banking firm that advises nonprofit hospitals and health systems on partnerships, affiliations, joint ventures and a range of merger and acquisition strategies. Joining Shields were panelists E.W. Tibbs, CEO of Centra Health, a nonprofit community health system based in Lynchburg, Virginia; Howard Kern, President and COO of Sentara Healthcare, a Norfolk-based nonprofit healthcare organization serving Virginia and northeastern North Carolina; Donald Dempsey, Government Affairs Counselor with a focus on health policy for K&L Gates, an international law and lobbying firm; and Lynn Hanessian, Chief Science Strategist at Edelman. Throughout the hour-plus discussion, the panelists touched on a wide variety of issues, including the impact of the Affordable Care Act, the implications of innovations like telemedicine for healthcare delivery, how to bend the cost curve without sacrificing quality, the increased role of "healthcare consumers" and the fundamental importance of prevention in healthcare.



WHAT WILL 2016 BRING?

Shields set the stage for the evening's discussion by asking panelists to comment on how different 2016 election outcomes might impact the healthcare industry. There was some consensus among panelists that regardless of whether a Democrat or Republican is in the White House, the ACA, at its core, would not be repealed (but could possibly be renamed). Several panelists looked beyond 2016 in discussing how stakeholders are already preparing for some of the ACA's looming measures, such as the implementation of the so-called "Cadillac Tax" in 2018 and the expiration of inflation-based premium subsidy adjustments in 2019. Tibbs and Kern said healthcare providers are trying to be proactive in readying for these changes. Tibbs noted that Centra has made a concerted effort to diversify its revenue streams, take on more risk through its health plan and to manage costs. Panelists also seemed to agree that the transition from volume to value-based care was a foregone conclusion but had to be done in a responsible way so that the finances of health systems are not compromised in the process.

BENDING THE COST CURVE RESPONSIBLY

Central to the evening's conversation was how different healthcare stakeholders are attempting to bend the cost curve and the impact that this has on healthcare providers who are working to improve the quality of care they deliver. The statistics related to US healthcare spending compared with the rest of the world were quite familiar to the panelists, and each offered strategies – some of which their organizations had already undertaken – to combat rising costs. Dempsey brought up the burden that increased spending on pharmaceuticals is placing on the health delivery system and forecast that the recent 13% uptick in annual drug spending will become a hot-button issue as the election cycle kicks into high gear. Dempsey noted that drug spending is especially a big issue for Medicare, and Tibbs, whose health system gets approximately 55% of its revenue from Medicare, was quick to agree. However, Tibbs noted that Centra has been profitable with Medicare and offered some rays of hope for other systems that are trying to manage the costs related to high-risk patients. Kern speculated that the government will continue to cut provider rates, especially as a way to deal with the expiration of the inflation-based premium subsidy adjustments in 2019.



THE PROSPECT OF INNOVATION

A recurring theme throughout the evening was the role that innovation can play as providers try to address cost pressures while still improving outcomes. An example that was offered of this innovation playing out was the number of retail health clinics popping up throughout the country. Companies like CVS and Walmart are challenging the traditional primary care paradigm. Health systems need to find ways to participate in this emerging market while also articulating the advantages they have relative to retail health – such as care continuity and advanced analytics. Tibbs stressed that embracing analytics is especially important for hospital providers given the challenges they face in this environment. Analytics can help improve interactions with insurers and enhance management of high-risk patients, which can account for over 50% of spending. A question about the effectiveness of telemedicine elicited notes of optimism from the panelists, who seemed to agree that it was the direction in which healthcare delivery was heading, as evidenced by the fact that many commercial payers are already reimbursing for it. Hanessian drove home this reality by citing a St. Louis health system that already has a freestanding building entirely dedicated to virtual care.

THE RISE OF HEALTHCARE CONSUMERS

Not lost in the conversation was the role of the consumer, who is central to many of the market-driven changes taking place in healthcare. As more and more plans shift costs to members through high deductibles, and as out-of-pocket costs continue to increase, consumers will be forced to become more active participants in the system. This reality is partially responsible for the growing popularity of retail clinics that are primarily focused on addressing the wants and needs of the cost-conscious, time-strapped healthcare consumer. Hanessian noted that Generation X is not nearly as brand loyal as older generations, and therefore, providers must continually seek to adapt to their preferences and behaviors. It was acknowledged that consumers are increasingly making healthcare decisions based on cost, sometimes even without comparing quality or outcomes among providers.



THE ROLE OF PREVENTION

A question from the audience about the ability of vaccines to save money brought up the more general issue of how providers can budget for prevention. According to Kern, the notion of prevention is fundamental to the mission of provider organizations. He also acknowledged that proactive management must include patient engagement efforts. Tibbs added that preventive medicine is essential for providers that are taking on more risk as reimbursement moves toward population health and away from fee-for-service. However, he cautioned that prevention is not just about money, but also about doing the right thing. He summed this up by saying, “At the end of the day, I know I need a profit, but I also need to sleep at night.” In addition to vaccines, another example of preventive efforts that providers can adopt to cut downstream costs is bringing mobile medical vans to high-risk areas to keep people from unnecessarily seeking care at the emergency room. Providers entering into financial risk arrangements should be thoughtful about the preventive measures they want to invest in, and strong analytic capabilities can assist with this decision making.

CONCLUSION

The conversation touched on topics central to health care delivery today, including healthcare finance, delivery models, innovation and even the moral responsibility of the healthcare executive. The fluidity of the conversation demonstrated the interconnectedness of these topics and the immense challenges faced in the U.S. as the evolution of healthcare reform continues. The panelists demonstrated that many on the provider side are moving quickly to adapt to a post-ACA world where cost pressures abound, value-based care prevails and innovation can mean the difference between a health system turning a profit or turning off the lights.



PANELISTS AND MODERATOR

DONALD DEMPSEY



Donald Dempsey is a government affairs counselor in K&L Gates' Washington, D.C. office. He focuses his practice on health care policy in both the public and private sectors.

His work experience includes positions both in government and in the private sector. As Associate Director for Human Resources Programs for the White House Office of Management and Budget (OMB), Dempsey had direct responsibility for the federal Medicare and Medicaid programs, the Food and Drug Administration, federal funding for health care and medical research, Social Security, federal funding for education, and many other programs. In that role, he was responsible for the review and oversight of federal departments and agencies with a combined total of more than \$1.3 trillion in annual spending. His duties included managing the OMB's budgetary oversight of the Department of Health and Human Services, the Department of Education and the Department of Labor, as well as the Social Security Administration.

Prior to his work with the White House, Dempsey was a Legislative Director, Director of Health Policy for the Senate Budget Committee and Legislative Assistant for several senators. In these key positions, he drafted and helped enact critical health care legislation, such as the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA); the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA); and the Balanced Budget Refinement Act of 1999 (BBRA).



LYNN HANESSIAN



Lynn Hanessian is the Chief Science Strategist for Edelman. In her position, she brings together industry, content and media expertise to craft science and health-based value narratives and coordinates communication and engagement initiatives around scientific developments across a range of industries, disciplines and publics. She is leading efforts addressing market-access challenges facing clients in the U.S., ensuring integration and coordination across marketing, communications and policy initiatives. Payercommunication strategies, thought leader engagement and advocacy counsel are core components of these efforts.

Hanessian has a deep background in health, medical and science strategic positioning and communication. She has been actively involved in marketing, communications, advocacy relations, professional society engagement and corporate positioning programs, including health, science and consumer engagement programs. Hanessian has worked on a wide range of therapeutic areas including orthopedics, infectious diseases, CNS, allergic diseases and metabolic diseases.



HOWARD P. KERN



Howard Kern is President and Chief Operating Officer of Sentara Healthcare. In this capacity, he serves as Chief Executive for Sentara's hospital division and health plan, and Chairman of the Board of its Bay Primex insurance division. He has been employed by Sentara since 1980. Kern received his Master of Health Administration degree from the Medical College of Virginia in 1981, after receiving his undergraduate degree from the State University of New York.

Kern is a Fellow of the American College of Healthcare Executives and is a member of numerous professional and community organizations. He served on the board of the Virginia Hospital and Healthcare Association from 2003 and was its chairman in 2012. In addition, he serves on the Board of Directors of Future of Hampton Roads (FHR), HealthEast Care System, Health Performance Improvement (HPI), MNS, Optima/Sentara Health Plans and VHA Central Atlantic. Kern is currently chairman of the Westminster Canterbury of Chesapeake Bay board, and a member of the Virginia Symphony Orchestra board. He has previously served on regional boards for the American Heart Association, the American Cancer Society and Junior Achievement, as well as the Jones Institute for Reproductive Medicine and the Norfolk Chamber of Commerce.

Kern was appointed to the Norfolk State University Board of Visitors in 2003 by Governor Mark Warner, and served on several committees through November 2011. He serves as an Affiliate Professor of the Medical College of Virginia, Department of Health Administration.



E.W. TIBBS



E.W. Tibbs is the President and CEO of Centra. He joined Centra in September 2006. Prior to joining Centra, Tibbs worked with Carilion Health System for 17 years in various roles from Staff Nurse, Department Director, Service Line Vice President and Hospital Chief Executive Officer. He has an Associate of Science and Bachelor of Science degree in Nursing from the Jefferson College of Health Sciences as well as a Master of Business Degree from Averett University.

Tibbs is married to his wife, Angie (23 years) and has two daughters, Emma (21) and McKenzie (19). He and his family reside in Bedford County.

JORDAN SHIELDS



Jordan Shields is Vice President at Juniper Advisory and has more than 15 years of experience advising hospitals on strategic and financial issues. He works closely with CEOs and trustees on a variety of transaction structures, partnerships and strategic engagements. Prior to joining Juniper, Shields was a member of the health system advisory groups at Navigant and Ernst & Young. He started his career at William Blair. Shields holds an MBA from the Kellogg School of Management, where he was named Top Student in Health Industry Management by the faculty. He earned his BA with Honors in Economics from Bowdoin College.