

# The Road Ahead

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## Market in Motion Challenges Health System “Relevance”

Widening Gap in IP vs OP Demand

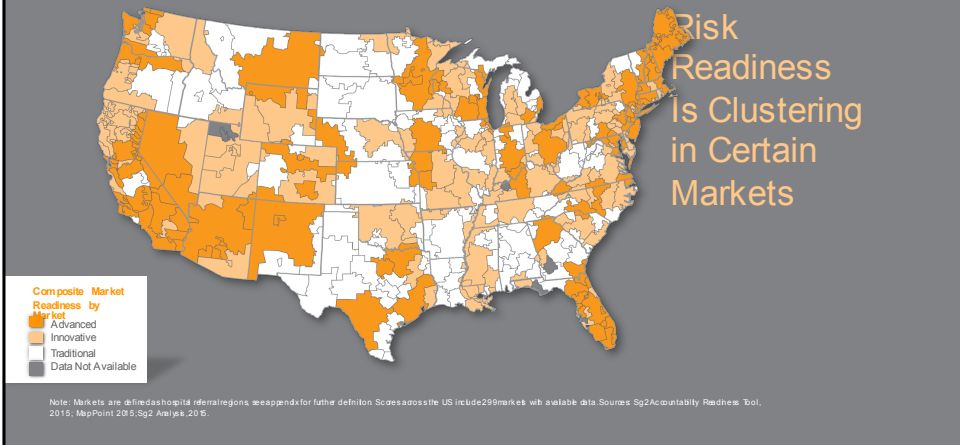
Dramatic Stakeholder Consolidation

Unprecedented Margin Pressure

Rising Consumerism

Quickening Pace of Payment Evolution

### Composite Market Readiness by Market and Segment



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### Four Trends Are Leading Indicators of the Emergence of Value-Based Care in the US

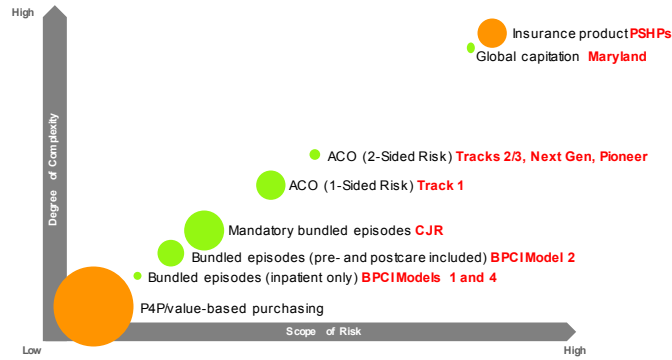
Consolidation	Consumerism	Convergence	Cohesion
<ul style="list-style-type: none"> <li>• Mergers to form local/regional health systems</li> <li>• Consolidation of providers and payers</li> </ul>	<ul style="list-style-type: none"> <li>• Pressure on consumers to pay for care</li> <li>• Rise in consumer-directed health plans</li> <li>• Shift of customers to emerging retail platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Blurring of the lines between channels</li> <li>• Health systems starting health plans</li> <li>• Payers acquiring provider organizations</li> <li>• Employers working directly with providers</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of value orientation in the health ecosystem</li> <li>• Expansion and success of value-based models</li> <li>• Barriers to vs opportunities for value-based care</li> <li>• Emergence of disruptive technologies</li> </ul>

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## CMS APM Landscape: 2016 Hospital Participation in CMS Risk



Note: Bubble sizes represents number of participating acute care hospitals in CMS programs. ACO = accountable care organization; APM = alternative payment model; BPCI = Bundled Payments for Care Improvement; CJR = Comprehensive Care for Joint Replacement Model; P4P = pay-for-performance; PSHP = provider-sponsored health plan.

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## Is This Attainable or Aspirational?

### HHS Payment Reform Goals

GOALS	2016	2018	Existing Programs
Medicare Provider Payments in Alternative Payment Models	30%	50%	<ul style="list-style-type: none"> <li>Medicare ACOs</li> <li>Bundled payments</li> <li>PCMHs</li> </ul>
Medicare Fee-for-Service Payments Tied to Quality or Value	85%	90%	<ul style="list-style-type: none"> <li>Hospital value-based purchasing program</li> <li>Hospital readmission reduction program</li> </ul>

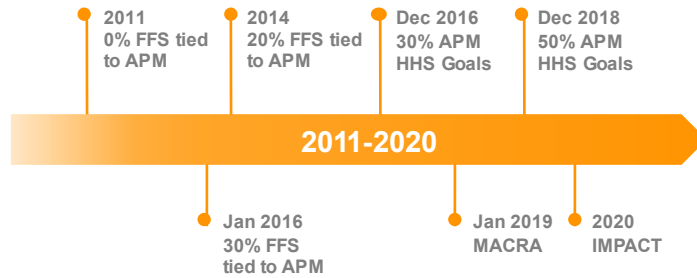
HHS = Health and Human Services; PCMH = patient-centered medical home.  
Source: Bunell SM Program: Toward achieving better care, smarter spending, healthier people US Department of Health and Human Services Blog January 20, 2015

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## Medicare Continues Shift to APMs



HHS = Health & Human Services; MACRA = Medicare Access and CHIP Reauthorization Act; IMPACT = Improving Medicare Post-Acute Care Transformation Act

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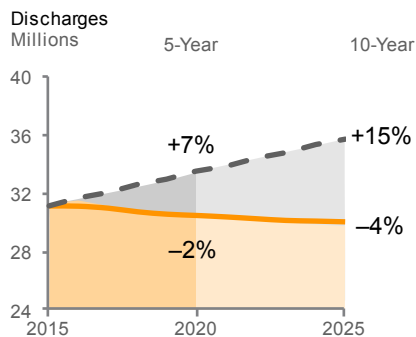


Sg2 ANALYTICS

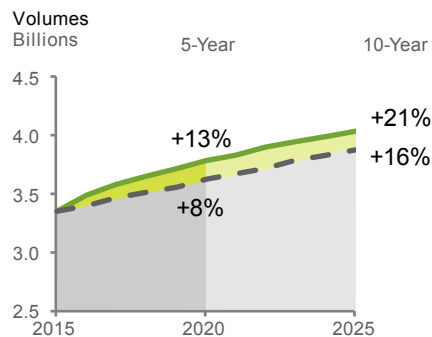
## Utilization Shifts Redefine Growth Opportunities



### Adult Inpatient Forecast US Market, 2015–2025



### Adult Outpatient Forecast US Market, 2015–2025



■ Sg2 IP Forecast ■ Population-Based Forecast ■ Sg2 OP Forecast

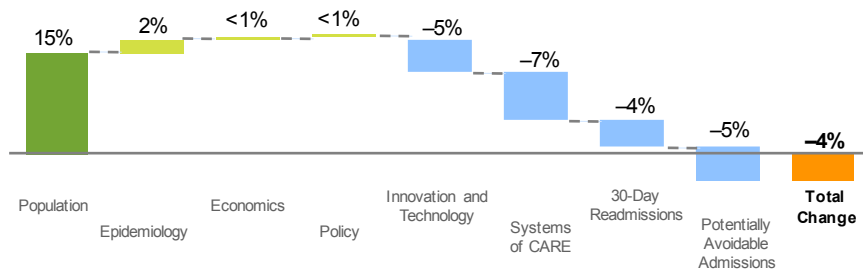
Note: Forecast excludes 0–17 age group.  
Sources: Impact of Change® v15.0; NIS; PharMetrics; CMS; Sg2 Analysis, 2015.  
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## Anticipate Clinical Demand and Meet It Where It Lies

### Adult Inpatient Forecast by Impact Factors US Market, 2015-2025



Sources: Impact of Change® v15.0; HCUP National Inpatient Sample (NIS), Healthcare Cost and Utilization Project (HCUP), 2012; Agency for Healthcare Research and Quality, Rockville, MD; The Nielsen Company, LLC, 2015; Sg2 Analysis, 2015.  
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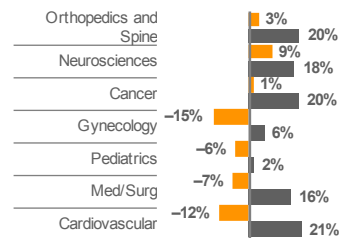


## Sg2 ANALYTICS

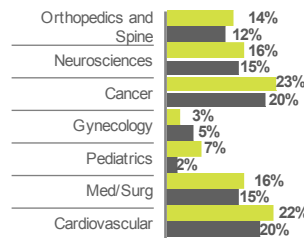
### Service Lines Move In Different Directions



#### Inpatient Service Line Growth Rates US Market, 2016-2026



#### Outpatient Service Line Growth Rates US Market, 2016-2026



Legend: Sg2 IP Forecast (Orange), Population-Based Forecast (Grey), Sg2 OP Forecast (Green)

Note: All services exclude ages 0-17 except for Pediatrics which exclude ages 18+. Cardiovascular includes cardiology and vascular. Med/Surg includes allergy and immunology, burns, dermatology, endocrinology, ENT, gastroenterology, medicine and surgery, infectious diseases, nephrology, ophthalmology, pulmonology, rheumatology, and urology. Neurosciences includes brain/CNS cancer. CARE Family OP Pediatrics excludes pediatric gynecology and obstetrics. IP Pediatrics excludes neonatal, normal newborn, and neonatology. CNS = central nervous system; ENT = ear, nose and throat; Med/Surg = medicine and surgery.  
Sources: Impact of Change® v15.0; NIS/Pharmetrics; CMS; Sg2 Analytics, 2016

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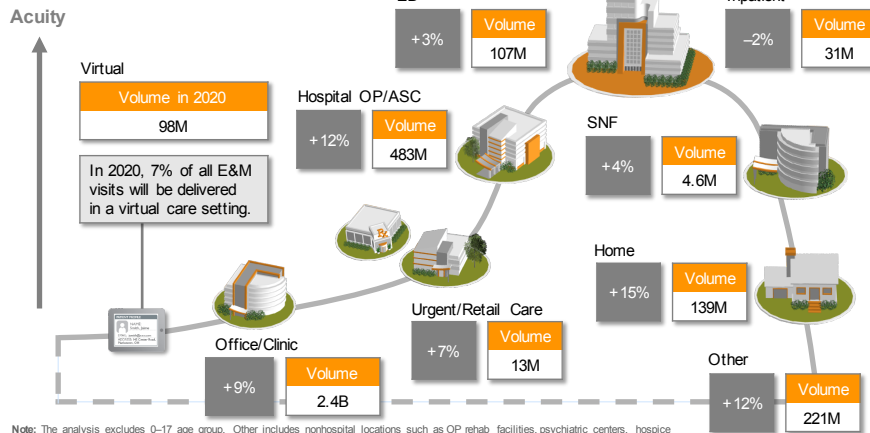
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## Sg2 Sites of Care Highlight Growth Opportunities Across the Continuum



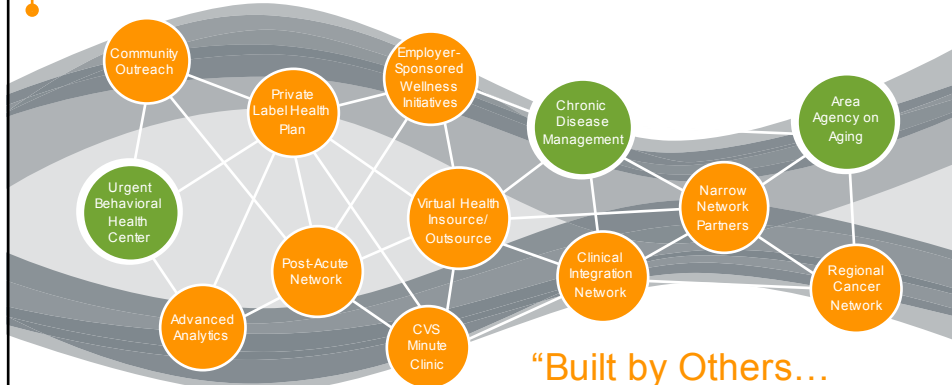
### 2015 Site of Care Volumes and 5-Year Forecast, Adults US Market, 2015-2020



Note: The analysis excludes 0-17 age group. Other includes nonhospital locations such as OP rehab facilities, psychiatric centers, hospice centers, federally qualified health centers and assisted living facilities. ASC=ambulatory surgery center; E&M=evaluation and management; SNF= skilled nursing facility. Sources: Impact of Change® v15.0; NIS; PharMetrics; CMS; Sg2 Analysis, 2015.  
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## Build a Progressive Approach to Partnership Development



“Built by Others...  
Connected to Us”



## Consumers Are Voting With Their Feet Toward More Convenient, Cost-Effective Care Options

Time



Location



Price



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## Recognize the Various Consumer Options Along the Integrated System of CARE



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## Get Ready For Rapid Growth in Virtual Care

- Tele "SPECIALTY"
- Virtual conferencing



- Virtual consults
  - Urgent care
  - Specialty care



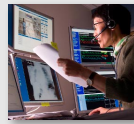
- Mobile apps
- Social media
- Geo-tagged devices
- Patient web portals
- Online support groups



### ← Clinician to Clinician

### Clinician to Patient

### Consumer Driven →



- eICU, eED
- Telestroke

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- Remote monitoring
- Virtual medication management
- Telehealth kiosks

- Personal activity monitors
- Patient scheduling apps
- Quality and price transparency tools



eICU = electronic intensive care unit; eED = electronic emergency department.  
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## Embrace New Approaches to Workforce Deployment

### Care Team Maximizers

- Deploy top-of-license practice by expanding acute care roles
- Leverage APs and RNs to demonstrate increased productivity and access

### Resource Optimizers

- Redesign patient placement and care process to support appropriate delivery
- Respond to workforce needs through predictive analytics

### Compensation Balancers

- Create incentives to balance volume, value and effectiveness
- Emphasize physicians to focus on high-acuity care and APs and RNs to execute protocol-driven care

### Service Consolidators

- Utilize telehealth to maximize workforce and improve access
- Improve efficiency and outcomes by centralizing nonclinical processes

AP = advanced practitioner.  
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## Tailor How You Attract, Engage, Satisfy Patients

### Perpetual Patient



Patient with a condition that extends over a multiyear period and requires ongoing medical therapy.

### Elective Patient



Patient with a condition that does not pose a threat of loss of life or substantial loss of functional ability if treatment is delayed.

### Occasional Patient



Patient with a condition that will resolve in a short period of time and does not require ongoing care.

### Complex Critical Patient



Patient with a life-threatening condition requiring a hospital stay and potential ICU care. Urgent admissions requiring surgery within 36 hours fulfill this criterion.

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