



The Evolving Healthcare Landscape

CF HEALTH ADVISORS
SEPTEMBER, 2016



CF Health Advisors: Partner Biographies

CHARLENE FRIZZERA *President and CEO*

- Former Acting Administrator, Center for Medicaid and Medicare Services
- 30 Years of CMS experience includes:
 - Chief Operating Officer, Deputy Director of Center for Medicaid and State Operations, and Regional Administrator
- Senior Advisor for Leavitt Partners
- Member of several Board of Directors ,
- Nationally recognized expert and frequent speaker on Healthcare Reform, Medicaid, and Medicare issues

JEREMY BROWN *Managing Partner*

- Directs the firm's research efforts with a focus on Medicaid and Medicare Innovations, health care delivery and payment systems and reforms
- Manages the firm's practice with Private Equity and Venture Capital firms
- Oversees the advisory of start-up digital health companies
- Former Healthcare Equity Analyst
 - Long/Short Analyst covering non-Biotech/Pharma companies
- MBA – Columbia Business School – Finance and Healthcare Management
- BA/MA – Johns Hopkins University – Political Science/ Applied Economics



CF Health Advisors: Overview

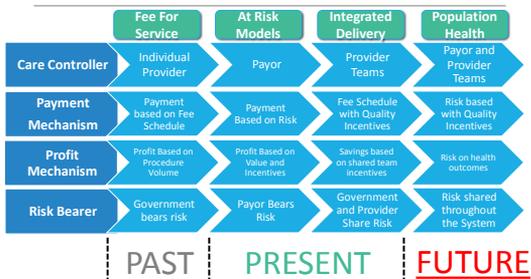
- CF Health Advisors is a boutique advisory firm operating at the intersection of policy and practice
- As "Advisors" we apply our deep industry knowledge with our multidisciplinary expertise working directly with management teams and investors to provide strategic advice and thought leadership with an emphasis on Medicare, Medicaid, and ACA related programs
- We take 30 years of CMS experience and filter it through the lens of economic analysis and research-intensive fundamental investing
- Our process and experience give us the ability to get right to the issue at hand without wasting time and resources 'getting smart' on the issue
- Sitting at the nexus of the entire healthcare ecosystem gives us a real-time multi-dimensional perspective and experience with the vast majority of issues and policies of concern to our clients



Evolving Health Care Delivery Landscape



Delivery System Evolution



Better, Smarter, Healthier: CMS Initiative Impact

ANNOUNCEMENT OVERVIEW

- 30% of traditional, fee-for-service, payments to be tied to quality or value models by 2016
 - 50% of payments tied to quality by 2018
- Models will include ACOs, PCMHs, and Bundled Payment Initiatives
- Also will be tying payments to quality or value through efforts in Hospital Value Based Purchasing and Hospital Readmissions Reduction programs and MACRA.

CF HEALTH PERSPECTIVE

- The Administration, are easy goals/targets to hit
 - CMS they already at 30% today in terms of payment link to quality and value
- ACOs get a lot of attention, but the BPCI's continued expansion will be necessary to meet these goals
- MACRA will fundamentally change health care delivery

<http://www.hhs.gov/news/press/2015pres/01/20150126a.html>



Emerging Alternative Payment Models



Bundled Payments Initiative

OVERVIEW

- Expanded from voluntary to mandatory
- Payments are at-risk, and based on a selected group of episodes of care
- Wide range of episodes – from joint replacement to by pass surgery
- Program growth can be seen as 'preparing' the market for greater managed care or ACO risk in future reforms

FUTURE REFORMS

- Clinical Episodic Payment:
 - Setting level – focused on hospital stay
 - Procedure level – defined surgical procedure
 - Condition level – focused on condition.
- Continued emphasis on expanding current models and creating new models
- Increased in mandatory vs. voluntary participation.

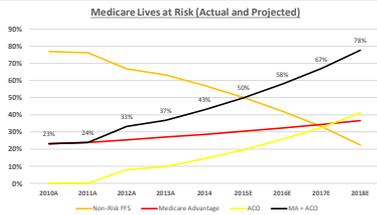
The Comprehensive Care for Joint Replacement model that began April 2016 was first 'bundle' to go mainstream – more have and will follow!



Impact of Delivery Reform

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The Decline Of Medicare FFS



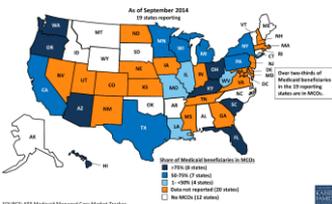
- **By 2016 more Medicare lives are estimated to be at risk than in FFS**
- Assumes steady 9% growth in MA enrollment (3 yr avg)
- Assumes slowdown in ACO enrollment growth to 30% by 2017 and 2018

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Medicaid: Growing through Managed Care

Figure 2

In most states that report their Medicaid MCO enrollment data, at least 50% of beneficiaries are in MCOs.



- Over 50% of all Medicaid beneficiaries nationwide are enrolled in an MCO
- 39 States contract with private insurers for comprehensive risk-based managed care
- 90% of all Medicaid beneficiaries live in the 39 MCO states
- 2/3 of population live within the 19 states that report their MCO enrollment
- Managed Care has grown in popularity with States that have to balance budgets annually

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Takeaways for Consideration

- 1) Companies will be dependent on producing outcomes that achieve both quality and cost goals or in creating products or services that help other organizations achieve those goals
- 2) There are few, if any, sacred cows remaining in the healthcare system. Relying on old business models (i.e. FFS) will increasingly become a disadvantage. Non-traditional partnerships will continue to drive innovation towards a more integrated system
- 3) 'Wait and See' becoming a more difficult approach. Early adopters of new programs, policies, and business models will have a distinct learning advantage over those who choose to remain on the sidelines.



Contact Information

Charlene Frizzera
President and CEO
 cfrizzera@cfhealthadvisors.com
 443-794-4379 (c)

Jeremy Brown
Managing Partner
 jbrown@cfhealthadvisors.com
 646-369-3957 (c)

Company Headquarters:
 Seven 4th St NE
 Washington, DC 20002
 202-543-5909 (o)

