The Changing Healthcare Landscape and the Movement to Value

Kevin Strecker

Today’s Discussion

- The Impetus for Transformation
- The Era of Value
- Ascension Via Christi’s Journey
- Q&A
An Industry In Motion

- Widening Gap in IP vs OP Demand
- Dramatic Stakeholder Consolidation
- Unprecedented Margin Pressure
- Rising Consumerism
- Quickening Pace of Payment Evolution

The Changing Healthcare Landscape
Healthcare consumes more of the U.S. economy each year …

Healthcare Spending as a Percentage of GDP, 1980-2014

...and the U.S. spends nearly 2x per capita relative to comparable country average.

Total health expenditures per capita, U.S. dollars, PPP adjusted, 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>Per Capita Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$3,599.83</td>
</tr>
<tr>
<td>Switzerland</td>
<td>$7,505.50</td>
</tr>
<tr>
<td>Germany</td>
<td>$3,950.83</td>
</tr>
<tr>
<td>Sweden</td>
<td>$6,467.92</td>
</tr>
<tr>
<td>Netherlands</td>
<td>$3,205.41</td>
</tr>
<tr>
<td>Austria</td>
<td>$2,417.34</td>
</tr>
<tr>
<td>Comparable Country Average</td>
<td>$3,130.43</td>
</tr>
<tr>
<td>Singapore</td>
<td>$1,439.16</td>
</tr>
<tr>
<td>Canada</td>
<td>$1,762.73</td>
</tr>
<tr>
<td>Australia</td>
<td>$4,356.29</td>
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<tr>
<td>France</td>
<td>$4,605.29</td>
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<tr>
<td>Japan</td>
<td>$4,115.11</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$3,853.46</td>
</tr>
</tbody>
</table>
Yet, the U.S. healthcare system consistently underperforms.

Healthcare System Performance Rankings

<table>
<thead>
<tr>
<th>Country</th>
<th>AU</th>
<th>CAN</th>
<th>FRA</th>
<th>GER</th>
<th>HETH</th>
<th>NZ</th>
<th>NOR</th>
<th>SWE</th>
<th>SWZ</th>
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<tr>
<td>Overall Ranking</td>
<td>2</td>
<td>9</td>
<td>10</td>
<td>8</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>11</td>
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<tr>
<td>Care Process</td>
<td>2</td>
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<td>9</td>
<td>8</td>
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<td>7</td>
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<tr>
<td>Access</td>
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<td>10</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>3</td>
<td>11</td>
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<tr>
<td>Administrative Efficiency</td>
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<td>6</td>
<td>11</td>
<td>6</td>
<td>9</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>8</td>
<td>3</td>
<td>10</td>
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<tr>
<td>Equity</td>
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<td>10</td>
<td>6</td>
<td>2</td>
<td>8</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>11</td>
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<tr>
<td>Health Care Outcomes</td>
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<td>7</td>
<td>3</td>
<td>2</td>
<td>4</td>
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</tr>
</tbody>
</table>

U.S. health care ranks last among industrialized countries, underperforming in quality care, access, efficiency, equity, and healthy lives.

Spending is Highly Concentrated

Source: Kaiser Family Foundation analysis of Medical Expenditure Panel Survey, Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services
The Era of Value

The Movement from Volume to Value

FIRST CURVE
- Fee-for-Service
- Quality Not Rewarded
- Pay for Volume
- Fragmented Care
- Acute Hospital Focus
- Stand Alone Providers Thrive

SECOND CURVE
- Value Payment
- Continuity of Care Required
- Systems of Care
- Providers for Payment
- IT Centric
- Physician Alignment

TIME
- Revenue Drops
- Minimal Reward for Quality
- Volume Decreases
- No Decisive Payment Change
- High Cost IT Infrastructure
- Physicians in Disarray

PERFORMANCE
- Straddle
Affordable Care Act (ACA), 2010

- Make affordable health insurance available to more people.
- Expand the Medicaid program.
- Support innovative medical care delivery methods.

The Patient Protection and Affordable Care Act ("ACA")

- Signed by President Obama on March 23, 2010

- Key Objectives
  1. Health insurance reform to improve affordability of coverage
  2. Coverage expansion to reduce number of uninsured
  3. Delivery system change to contain costs and improve quality
Public & Private Sectors set goals to accelerate transition to Value.

Medicare to shift 50 percent of its provider payments into alternative payment arrangements such as accountable care organizations (ACOs) or bundled payments by 2018.

Industry to put 75 percent of their business into value-based arrangements that focus on the Triple Aim of better health, better care and lower costs by 2020.

The “Quadruple Aim” of Health Care

- Improve the Health of Communities
- Improve the Patient Experience
- Reduce Health Care Costs
- Enrich the Lives of Caregivers
Who is Ascension Via Christi and what is our strategy?

Ascension Via Christi
A healing presence in Kansas and northeast Oklahoma

Ascension Via Christi, a part of Ascension, has a rich history of serving the people of Kansas and the surrounding region dating back more than 130 years to the healing ministries of our founding congregations. Today, Ascension Via Christi is the largest provider of healthcare services in Kansas. We serve Kansas and northeast Oklahoma through our doctors, hospitals, senior villages and health services.

Our Mission

Rooted in the loving ministry of Jesus as healer, we commit ourselves to serving all persons with special attention to those who are poor and vulnerable. Our Catholic health ministry is dedicated to spiritually centered, holistic care which sustains and improves the health of individuals and communities. We are advocates for a compassionate and just society through our actions and our words.
Our Journey…
the right care, for every person, every time

Achieving High Reliability
the right care, for every person, every time

Model Community
Inspired People

Clinician-led, Clinically Integrated Care

Enrich the lives of caregivers

High Reliability
Quality Outcomes, Safety Outcomes, Service Experience

Margin to advance Mission
• Via Christi Mission & Vision • Shared Ascension Core Values

Delivering Greater Value Through Clinically Integrated Networks

What are common characteristics of high-value healthcare communities?
…it varies but there is accountability for the totality of care.

SOURCE: Sg2, 2015
The Benefits of “Systemness”

- Integrated Care Delivery and Best Practices
- Centers of Expertise
- Provider Recruitment
- Health Information Technology
- Strategy and Scorecard Alignment
- Economies and Influence due to Scale
- Innovation

So Where Are We in Wichita?

- Reinventing ourselves to care for the whole patient across the continuum
  - Making investments with no additional revenue
  - New government programs mandate this (CJR and BPCI)
- All the while, fee for Service is still dominant in our industry
- Continuing to focus on high reliability, partnerships, and the quadruple AIM
The Importance of the Health Care Sector to the Kansas Economy

A strong health care system in Kansas can...

- Help attract and maintain business and industry growth,
- Attract and retain retirees, and
- Create jobs in the local area.

A vigorous and sustainable health care system is essential not only for the health and welfare of community residents, but to enhance economic opportunity as well.


Serving the Region Well

Economic impact of the Kansas Hospitals and Health Systems to the State of Kansas, January 2016 Report:

- Entire health sector employs about 227,200 people or 11.7% of the workforce, tied with retail as the 3rd largest aggregate employer
- Hospitals generate approximately $5.5 billion in direct labor income and more than $2.8 billion in area retail sales
- Hospitals generates nearly $181 million in sales tax for the state, which is largely used to fund state programs
- $1.3 billion in uncompensated care (2013)
