



Federal Policy Outlook Driving the Direction of Healthcare

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Forward-looking Guidance!!

- Healthcare is so valued by Americans and infused with government policy that change is slow and cautious
- We are undergoing the most transformative time ever in our healthcare system
- Markets are unique and complex, so trends are uneven
- Unlike most other segments of our economy, serious threats to healthcare access and quality will inspire major political/public opposition
- Healthcare is one of the US's best and fastest growing economic sectors
- The pandemic's impact, accelerating digital health, insurer wealth, wellness, and disruption...
- Washington is a different language, so stop me!

Agenda

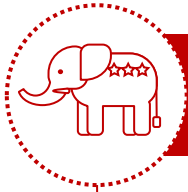


118th Congress Outlook and Implications

Biden Administration Outlook and Implications

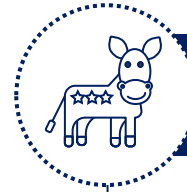
Major Policy Changes Shaping Healthcare

Philosophical and Political Perspectives



REPUBLICANS

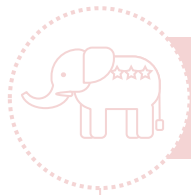
- Private Insurance
- Cost
- State Control
- Control Entitlements
- Catastrophic Coverage & HSAs
- Personal Responsibility
- Lower Taxes
- Medical Malpractice Reform
- Lean Physician & Insurer
- Voluntary
- Private Market Disrupts



DEMOCRATS

- Public and Regulated Private Insurance
- Coverage Access
- Federal Control and Uniformity
- Protect Entitlements
- Comprehensive Coverage
- Support the Poor
- Higher Taxes
- Oppose Medical Malpractice Reform
- Lean Hospital
- Mandatory
- Medicare/Medicaid Disrupts

Philosophical and Political Perspectives



REPUBLICANS

Private Insurance

Cost



DEMOCRATS

Public and Regulated Private Insurance

Coverage Access

This constitutes the range of opinions, but change is gradual, and every Presidential election shifts the center point.

Lower Taxes

Medical Malpractice Reform

Lean Physician & Insurer

Voluntary

Private Market Disrupts

Higher Taxes

Oppose Medical Malpractice Reform

Lean Hospital

Mandatory

Medicare/Medicaid Disrupts

Remember What is Bipartisan in Healthcare?



- **Expand health coverage access and affordability. Bipartisan steps include:**



- **Shift public risk to private entities who can manage to a budget (TCC)**



- **Move from FFS to Value & Accountability**



- **Consumer Access to Price and Quality Insights (transparency) and support measures that matter, including SDoH**



- **Consumer, payer and provider access to interoperable EHR and claims data and advance automation**

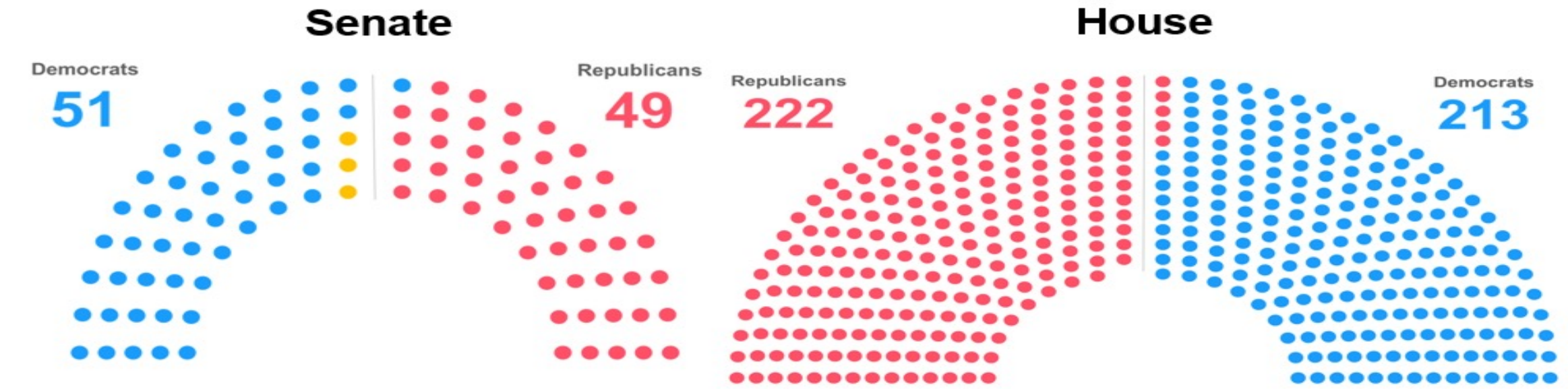


- **Secure a Competitive American Supply Chain**



- **Promote Competition to Drive Down Costs**

The Divided 118th Congress



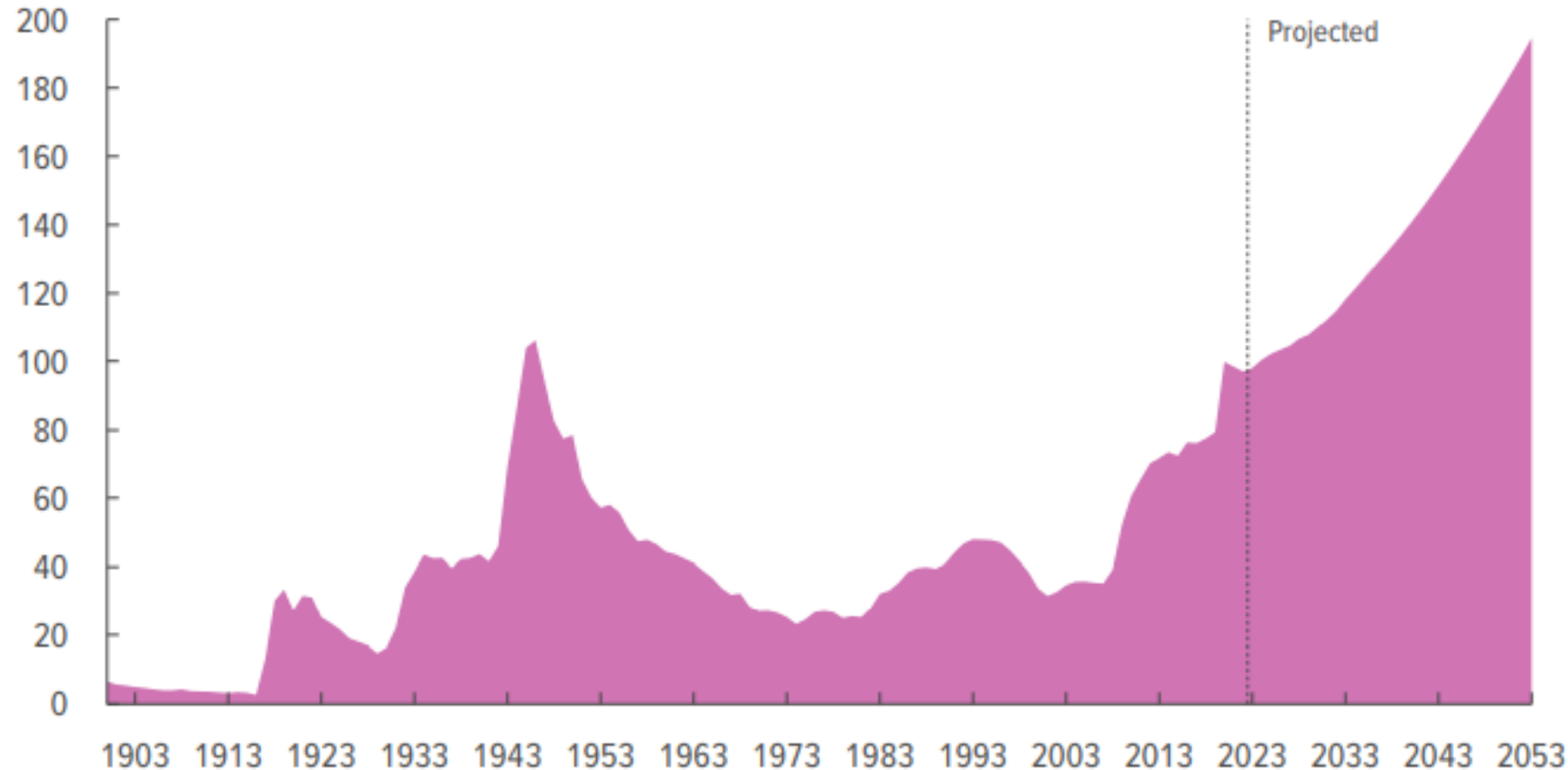
New Senators		
AL – Katie Britt (R)	OH – J.D. Vance (R)	PA – John Fetterman (D)
MO – Eric Schmitt (R)	OK – Markwayne Mullin (R)	VT – Peter Welch (D)
NC – Tedd Budd (R)		

Notes: Yellow circle in Senate graphic reflects three independents who align with Democrats.

Driving the Central Republican Narrative

Federal Debt Held by the Public, 1900 to 2053

Percentage of GDP



Federal debt held by the public is projected to increase in each year of the projection period and to reach 118 percent of GDP in 2033—higher than it has ever been. In the two decades that follow, growing deficits are projected to push federal debt higher still, to 195 percent of GDP in 2053.

Data source: Congressional Budget Office. See www.cbo.gov/publication/58848#data.

Driving the Central Republican Narrative

Federal Debt Held by the Public, 1900 to 2053

Percentage of GDP

200

180

Projected

Federal debt held by

Fiscal Responsibility Act

- *Freezes FY 2024 domestic spending and 1% increase in FY 2025*
 - *Rescinds \$28 billion in COVID funding*
- *Congress must pass all 12 appropriations bills by 1/1/2024, or 1% non-defense/non-veterans discretionary spending cut*
 - *Will pressure appropriations; No healthcare cuts included*

Data source: Congressional Budget Office. See www.cbo.gov/publication/56646#data.

2023 & 2024 Key Congressional Deadlines

Date	Event
Sept. 30	<i>End of Fiscal Year 2023</i> <ul style="list-style-type: none">• Shutdown possible; PAHPA (pandemic preparedness) reauthorization.
Oct. 1	<i>Scheduled Hospital Medicaid Disproportionate Share Hospitals (DSH) cuts</i> (\$8 billion in FY 2024)
1/1/2024	<i>Selected provider cuts/expiration of payments:</i> <ul style="list-style-type: none">• 3.5% Alternative Payment Model (APMs such as ACOs) incentive payments end; current enhanced physician payment drops from 2.5% to 1.5%; blended Medicare Payment Rates for DMEPOS in certain areas.
1/1/2025	<i>Additional program <u>expirations</u>:</i> 4% PAYGO cut; Telehealth and Hospital in Home; Physician enhanced payment ends; debt limit will be reached again; all likely addressed in “2024 Lame Duck” session; EOY end of enhanced exchange subsidies.

2023 & 2024 Key Congressional Deadlines

Date	Event
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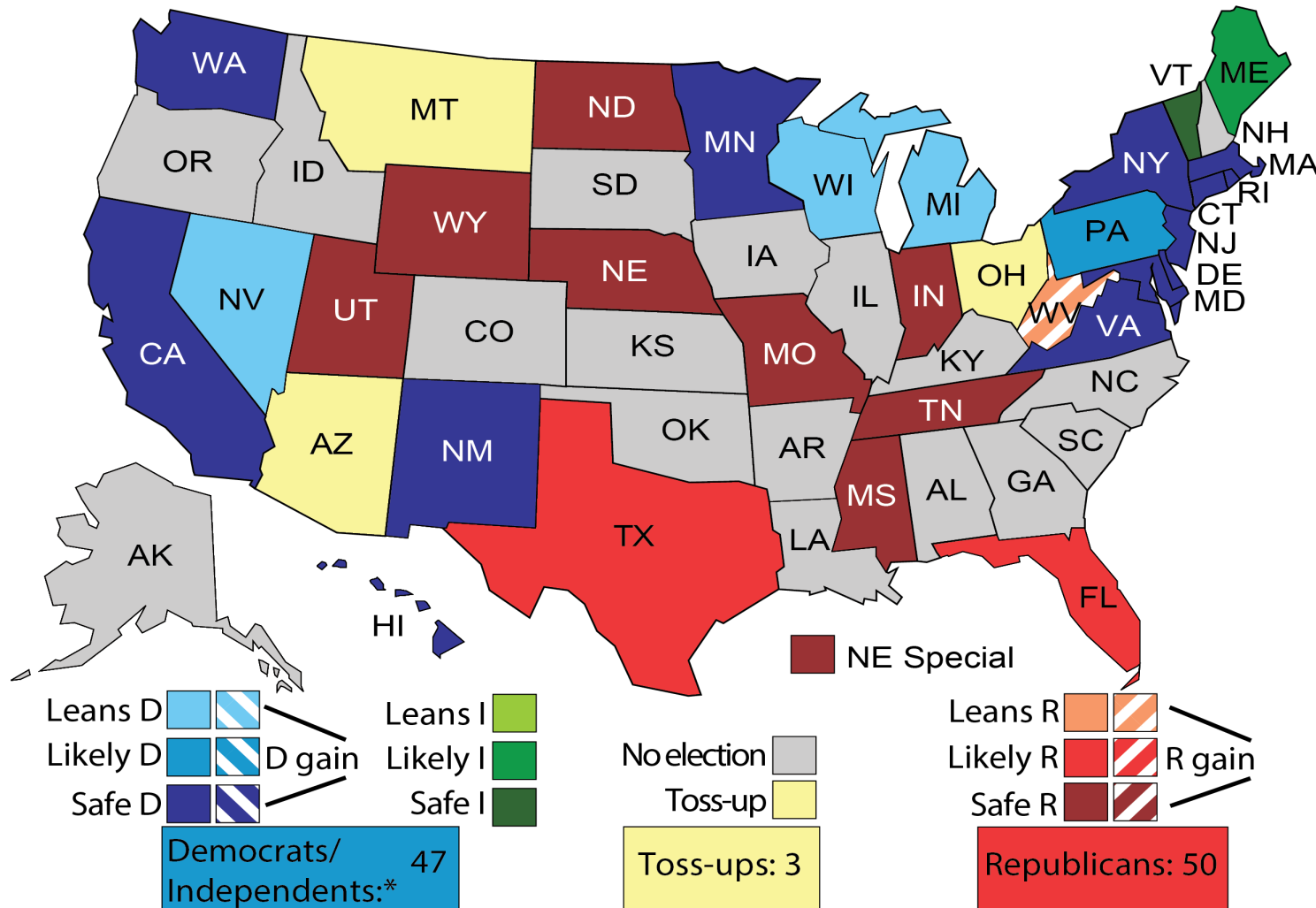
Outlook for 118th Congress

- *PHE end means exchanges will expand with new Medicaid re-determined recipients. 2025 future of enhanced subsidies uncertain.*
- *Hospital's risks are outpatient clinics site neutral payment, 3.5% APM bonus, DSH, payment cliff in 2025.*
 - *While changes are likely before 2025, telehealth and "hospital in home" are here to stay.*
 - *Up to 1-year expanded Medicaid maternal post-partum coverage here to stay.*
- *Most likely modest, bipartisan healthcare legislation in 118th Congress: workforce, PBM transparency, pricing transparency, pandemic preparedness, and behavioral health/SUD reforms.*
 - *Republican oversight and investigations on COVID, 340B, PBMs, opioid crisis and mental health.*
 - *Less government action/uncertainty = more private sector action.*

2023 & 2024 Key Congressional Deadlines

Date	Event
April 1	Start of Medicaid Redeterminations: Redeterminations Support Materials
<div><p><u><i>Biden Administration Regulatory Outlook</i></u></p><ul style="list-style-type: none">• <i>Use administrative authority. Focus on healthcare, environment, equity & differentiation.</i>• <i>Healthcare agenda: coverage expansion, health equity/SDoH, value-based care, data-access.</i>• <i>Implement 117th Congressional reforms (drug pricing, infrastructure, exchange subsidies, maternal).</i><ul style="list-style-type: none">• <i>Oversight of and levying of hospital/payer price transparency penalties.</i>• <i>Aggressive FTC challenges to healthcare consolidation, including non-compete contracts.</i>• <i>Reining in MA bad practices: network adequacy, marketing, HCC abuse, prior–authorization.</i><ul style="list-style-type: none">• <i>Advance automating prior authorization.</i></div>	
12/1/2023	Additional program expirations: 1% FFS cut, telehealth and hospital in home, Physician Payment cut. Likely addressed in “2024 Lame Duck” session.

On Everyone's Mind: 2024 Election will Shift Focus & Decisions



Party positioning for 2024 well underway

Contested Senate Seats:

- 20 Democrats
- 11 Republicans
- 3 Independent (AZ, ME, VT)

Open Senate Seats:

- Ds – Feinstein (CA); Stabenow (MI)
- Rs – Braun (IN)

Running/Vulnerable:

- Manchin (WV); Brown (OH); Tester (MT); Sinema (AZ)

Agenda



118th Congress Outlook and Implications

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Major Policy Changes Shaping Healthcare

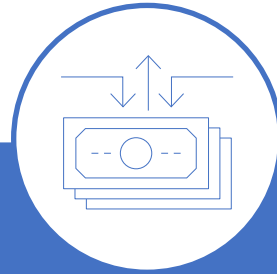
Major Policy Driven Trends that are in Motion



Movement from FFS to Value

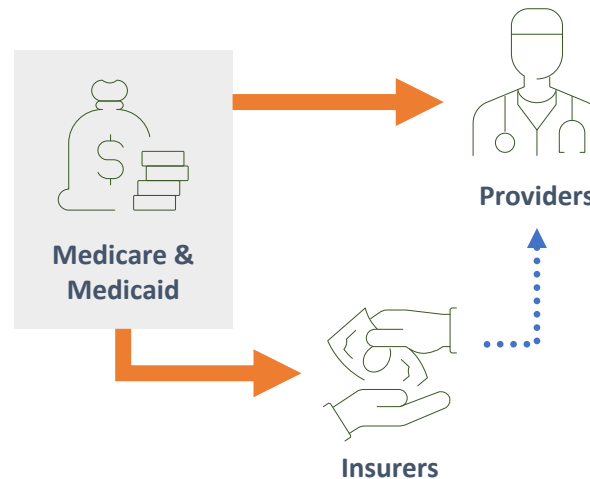
Value-based care under Biden Administration

- ✓ Total cost of care models
- ✓ Apply equity lens
- ✓ Return to ACA vision – Provider accountability
- ✓ Fewer models and scaled nationally
- ✓ Steps to discourage fee-for-service



Payvider

Shifting public risk to private entities who can manage a budget

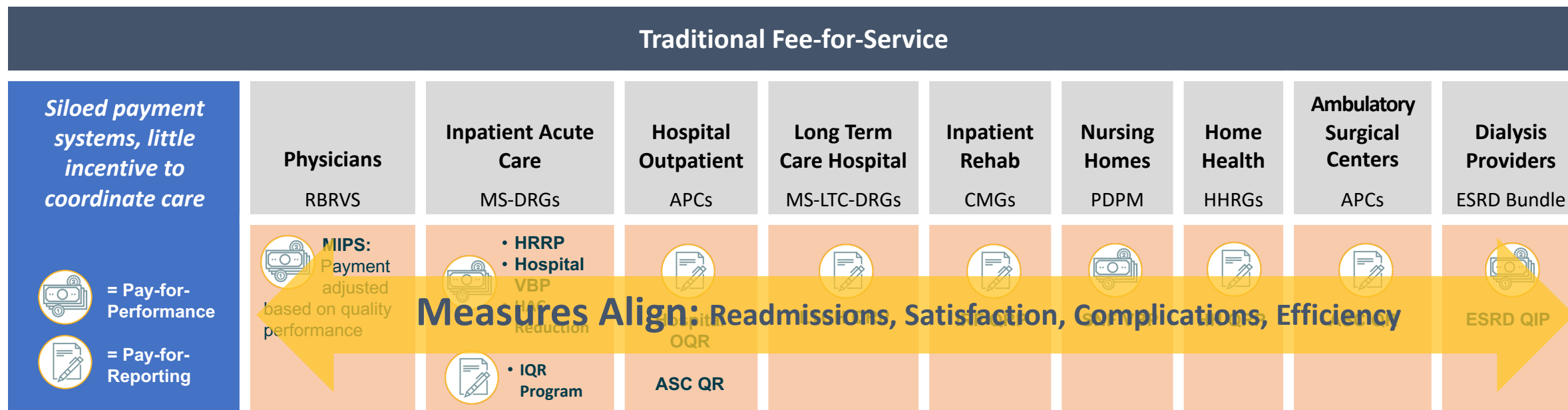


Consumerism

Driven by consumer and provider access to data

- ✓ Access to claims data for 150MM federal program enrollees
- ✓ Providers & EHR vendors accountable for “data blocking”
- ✓ Patient accessible data in EHRs and linking through TEFCA
- ✓ Transparency of payer and provider negotiated prices
- ✓ Publicly posted quality measures

ACA's Value-Based Purchasing Across Payment Silos



Increased accountability enables waivers from FFS regulations:

- SNF 3-day rule
- Gainsharing
- Telehealth
- Post-discharge home visits
- Eligible for 3.5% bonus and payment increase

Biden's CMS/CMMI Vision and Strategic Objectives

100% Medicare Beneficiaries and Most Medicaid Recipients in
Total Cost of Care Models by 2030



**INNOVATION
CENTER
REFRESH**

**Drive
Accountable
Care**



**All Medicare &
most Medicaid
beneficiaries in
relationship
accountable for
quality and total
cost of care**

**Advance Health
Equity**



**Embed health
equity in every
aspect of
models and
increase focus
on underserved
populations**

**Support
Innovation**



**Leverage range
of supports that
enable
acceleration of
best practices
and achievement
of patient
outcomes**

**Address
Affordability**



**Pursue
strategies to
address health
care prices,
affordability, and
reduce
unnecessary or
duplicative care**

**Partner to
Achieve System
Transformation**



**Align priorities
and policies
across CMS and
pursue multi-
payer alignment**

Biden's CMS/CMMI Vision and Strategic Objectives

100% Medicare Beneficiaries and Most Medicaid Recipients in
Total Cost of Care Models by 2030



Total Cost of Care = the “Budget” granted to the risk takers, e.g., MA plans, ACOs, MCOs (Medicaid) and other value-based agreements -- Lump sum but based on FFS benchmarks. Incentives driving for improved health and lower costs.

accountable for
quality and total
cost of care

increase focus
on underserved
populations

best practices
and achievement
of patient
outcomes

affordability, and
reduce
unnecessary or
duplicative care

promote
payer alignment

Total Cost of Care: Shifting Public Risk to Someone Accountable to a Budget

\$15K+

Medicare

Spending per
beneficiary
(2020: \$838B)



\$8K+

Medicaid

Spending per
recipient
(2020: \$671B)



Providers

Traditional Medicare
ACOs, Bundled
Payment, PCF



Insurers

Private MA, Medicaid
MCOs, Exchanges

- Innovative care delivery processes
- Use data to understand total cost of care
- Multiple care access points
- Clinical integration
- Organize community
- Become or partner with an Insurer
- Eliminate variation & increase efficiency
- Partner with downstream providers

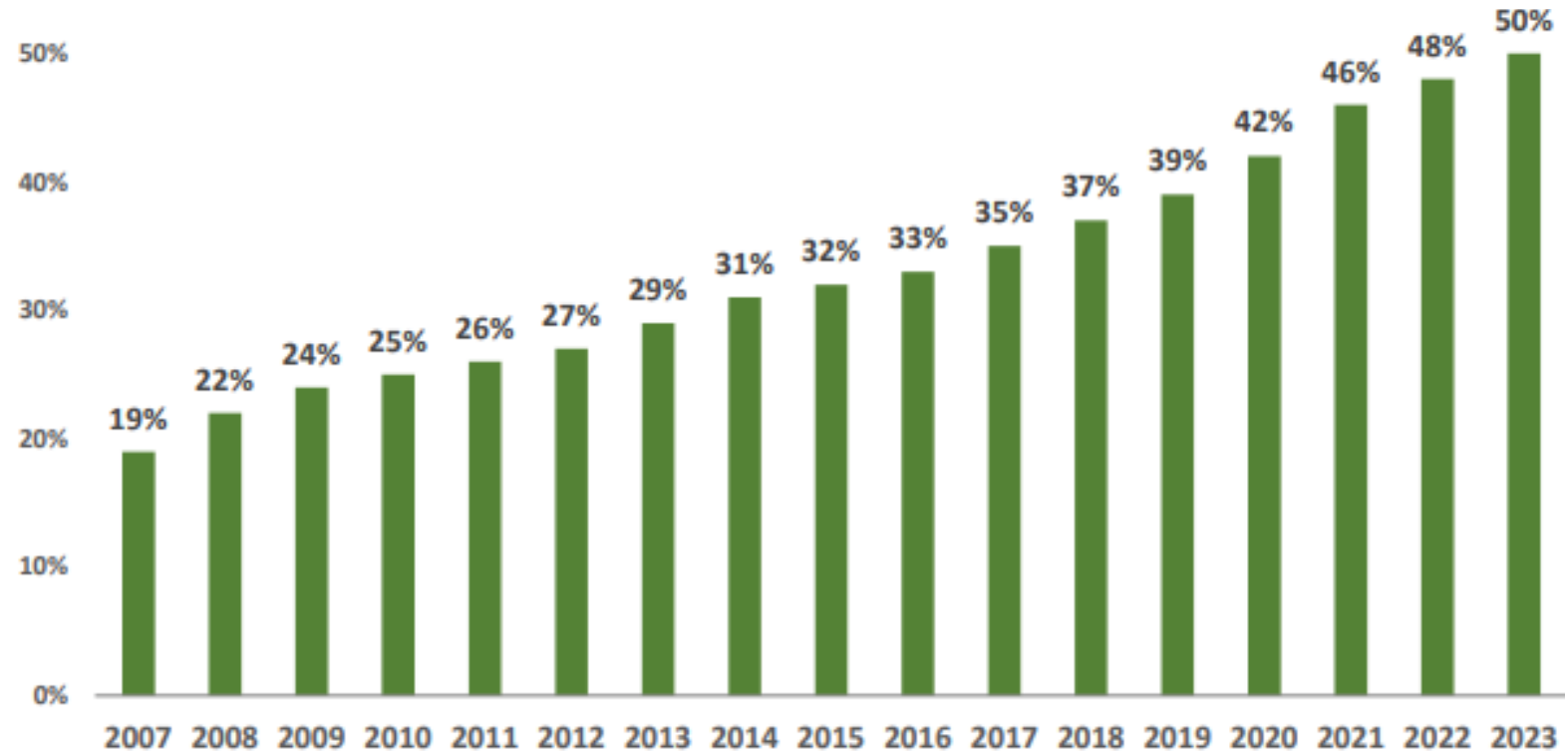
Shift Risk to Providers

- Become a provider
- Negotiate lower prices
- Delay or challenge bill payment
- Incent retail provider (CVS) use
- Reduce expensive settings of care
- Use data to create preferred network
- Micromanage providers (UR, PPO...)
- Organize physicians

Key Trend: Growing Medicare Advantage (MA) Enrollment

Payvider Name	MA Market Share
United Healthcare (Optum)	27%
Humana	18%
Anthem + BCBS Plans	16%
CVS (Aetna)	11%
Kaiser Permanente	7%
Centene	4%
Cigna	2%

Medicare Advantage (MA) Growth 2007 - 2023



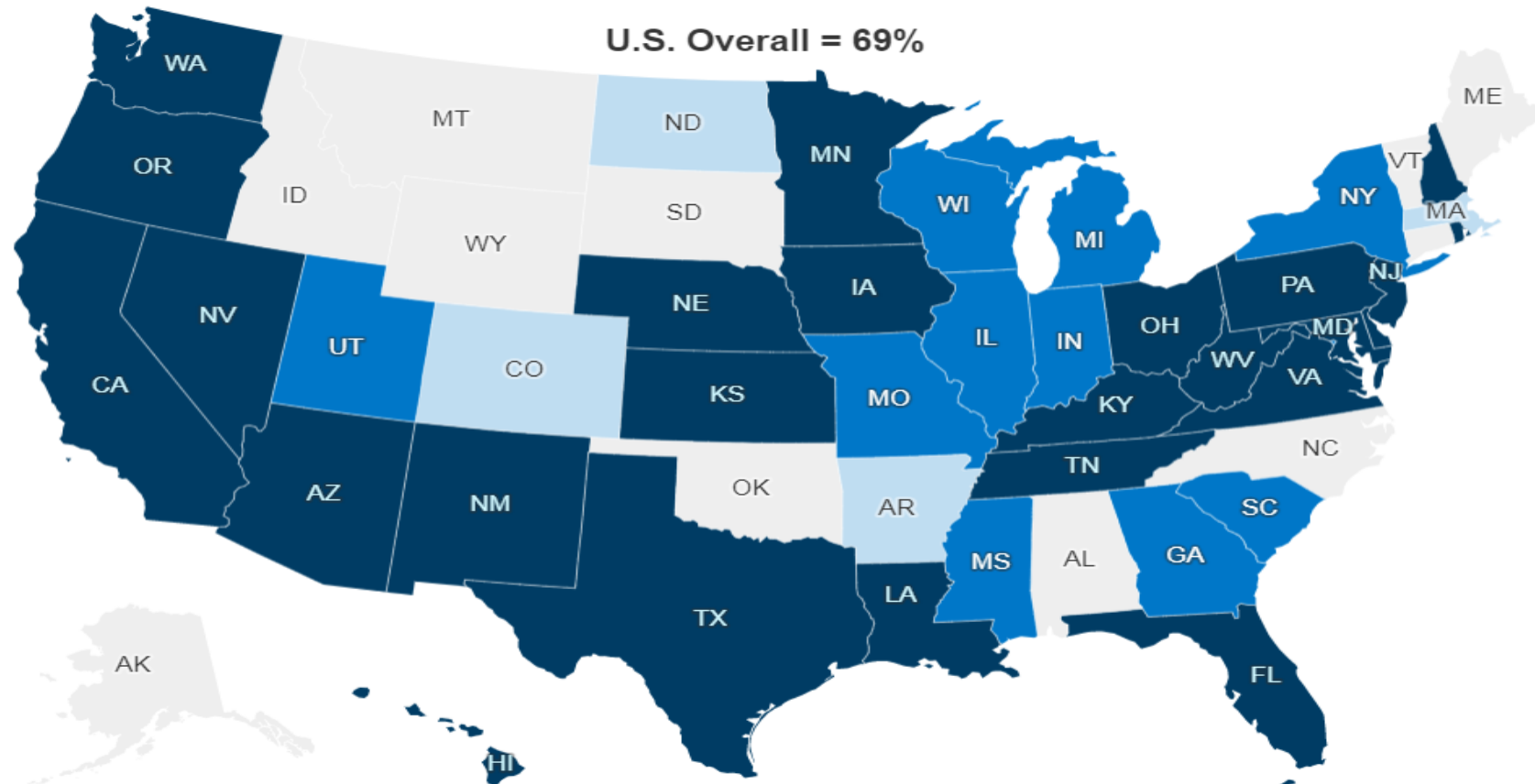
In 2022 Medicare Advantage grew by 7.1% to nearly 31.2 million beneficiaries and now covers more than 50% of Medicare population.

69% of Medicaid Recipients in Comprehensive Risk-Based MCOs

In Most States With Comprehensive MCOs, at Least 75% of Beneficiaries Are Enrolled in One.

Share of Medicaid beneficiaries in MCOs as of July 1, 2019:

■ No MCOs (11 states) ■ 1 - <50% (4 states) ■ 50 - 75% (11 states including DC) ■ >75% (25 states)

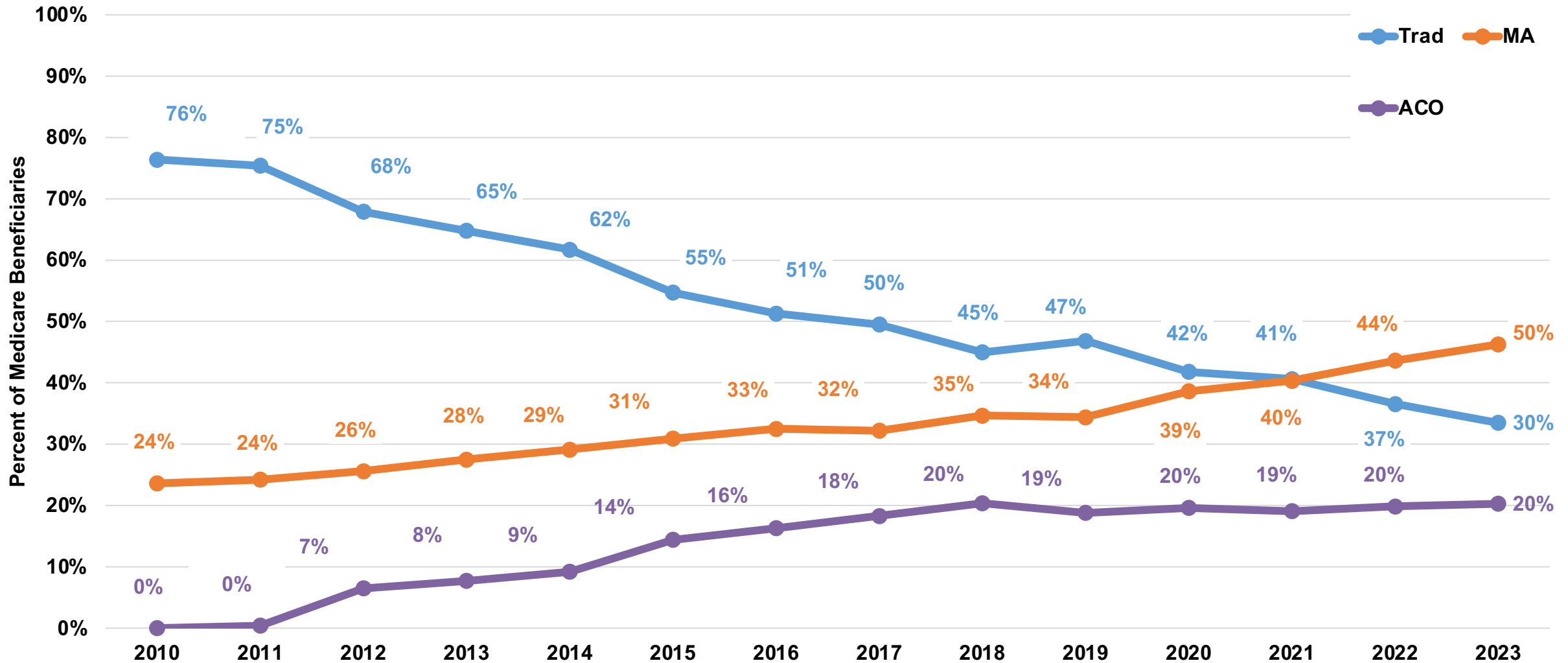


Key Reality: Growing MA and MCO Enrollment and Power

Outlook

- MA Plan's *satisfied beneficiaries provide political power*. MA has >50% market share in 123 congressional districts and MA enrollment is > 40% in 30 states. **340 lawmakers signed a MA support letter.**
- States' Medicaid programs have become increasingly *dependent on MCOs*.
- Political power provides MA and MCOs *policy protection*.
- Underscores today's *market competitive realities*.
- CMS is seeking to incent *Medicaid MCOs to move to value-based contracts*.

Trend: Fee for service ↓ Population health management ↑



Trend: Fee for service ↓ Population health management ↑
























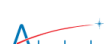
















































100%

Trad MA











Realities and Implications

- *Steady movement from government micro-managed FFS payment to TCC models.*
 - *This is driving growth of MA, MCOs and Alternative Payment Models (APM).*
 - *Accountability in TCC is creating payviders.*
 - *Payviders/payers compete over attributed lives, not volume.*
 - *TCC payment based on FFS benchmarks (for now), quality performance and patient risk (HCCs).*
 - *Social drivers of health will be factored into payment over time.*
 - *Primary care foundational with specialists following evidence-based medicine.*
 - *Consumers increasingly influenced by real-time quality & cost information.*































Key Trend: “Payviders” – Vertical Integration & Care Delivery Innovation

Payviders and disruptor partners are gaining nonacute market share							
Hospital(s)							
Health Plan							
Pharmacy Benefit Manager	 	 			 		
Retail Pharmacy							
Primary care and population health	  	   	   	 	    	 	
Specialists and specialty care		 				 	
Virtual care	 	  	 			 	
Home-based care		 	 		   	 	
Market Caps	~\$89B	~ \$490B	~\$140B	~\$54B	~\$63B	~\$510B	~\$383B

Key Trend: Health Systems Integrating Horizontally and Vertically

Health System				
Health Plan	 <p>Medicare Advantage Medicaid Individual plans Employer plans</p>	 <p>Banner University Health Plans Banner Medicare Advantage</p>	<p>Quartz Medicare Advantage HMO Blue Medicare Advocate Health HMO (BCBS cobrand)</p>	 <p>Individual, employer and MA plans <small>Underwritten by Health First Commercial Plans</small></p>
Hospitals	5 hospitals	30 hospitals	26 hospitals	46 hospitals
Primary Care and Physician Practices	1,200+ physicians in over 40 specialties in Henry Ford Medical Group	 <p>1,100+ physicians and advanced practitioners</p>	10k employed physicians	 <p>2k+ physicians and other providers</p>
Post- and other non-acute care	In-network (not owned) post-acute care	 <p>In partnership with Select Medical</p>	<ul style="list-style-type: none"> Advocate Health at Home Advocate Hospice In network SNF care 	AdventHealth Care Centers (SNF and IRF)
Virtual care	<ul style="list-style-type: none"> Henry Ford Virtual Care Kit (powered by TytoCare) Virtual visits facilitated by MyChart 	<p>Banner Telehealth:</p> <ul style="list-style-type: none"> Primary care Physical therapy Cancer Alzheimer's 	<ul style="list-style-type: none"> "Quick Care" visits 24/7 Scheduled video visits with provider E-visits with 4-hour response time (self-pay) 	<p>AdventHealth App:</p> <ul style="list-style-type: none"> Immediate Virtual Care Scheduled primary and specialty care Directory for "virtual providers"
Home-based care	<ul style="list-style-type: none"> Private pay nursing, therapy Home infusion therapy Home health In-home hospice care 	<ul style="list-style-type: none"> Home health (wound care, therapy) Home infusion therapy Diabetes education 	<ul style="list-style-type: none"> Home health (wound care, therapy) Home infusion therapy Palliative care/hospice 	<ul style="list-style-type: none"> Home health (therapy, etc.) Personal care Virtual House Calls Health coaches

Key Trend: Disrupting Across Care Non-Acute Continuum

Primary Care	Retail Clinics	Home Care	Specialty Care
<div><div>   </div><div><p>Capitated primary care for seniors</p><p>Controlling costs and improving outcomes for MA plans</p></div></div>	<div><div> + </div><div><p>Retail Pharmacies</p><p>Partnering with provider groups for on-site care</p></div></div>	<div><div> </div><div><p>In-Home Primary Care</p><p>Managing chronic conditions, increasing AWWs & HCCs</p></div></div>	<div><div>  </div><div><p>Specialist Disruptors</p><p>Innovating specialist care models, care settings</p></div></div>
<div><div>   </div><div><p>Virtual Primary Care</p><p>Filling care gaps at a lower cost</p></div></div>	<div><div>   </div><div><p>Virtual Urgent Care</p><p>Providing 24/7 access while diverting ED utilization</p></div></div>	<div><div>  </div><div><p>Virtual Disease Mgmt</p><p>High-touch care, remote monitoring</p></div></div>	<div><div> </div><div><p>Virtual Specialist Consults</p><p>Improving access and coordination</p></div></div>
<div><div>  </div><div><p>Enablers</p><p>Convening & equipping providers to form ACOs, integrated networks</p></div></div>		<div><div>  </div><div><p>Hospital at Home</p><p>High-acuity care in the patient's home</p></div></div>	

Key Trend: Disrupting Across Care Non-Acute Continuum

Primary Care

Retail Clinics

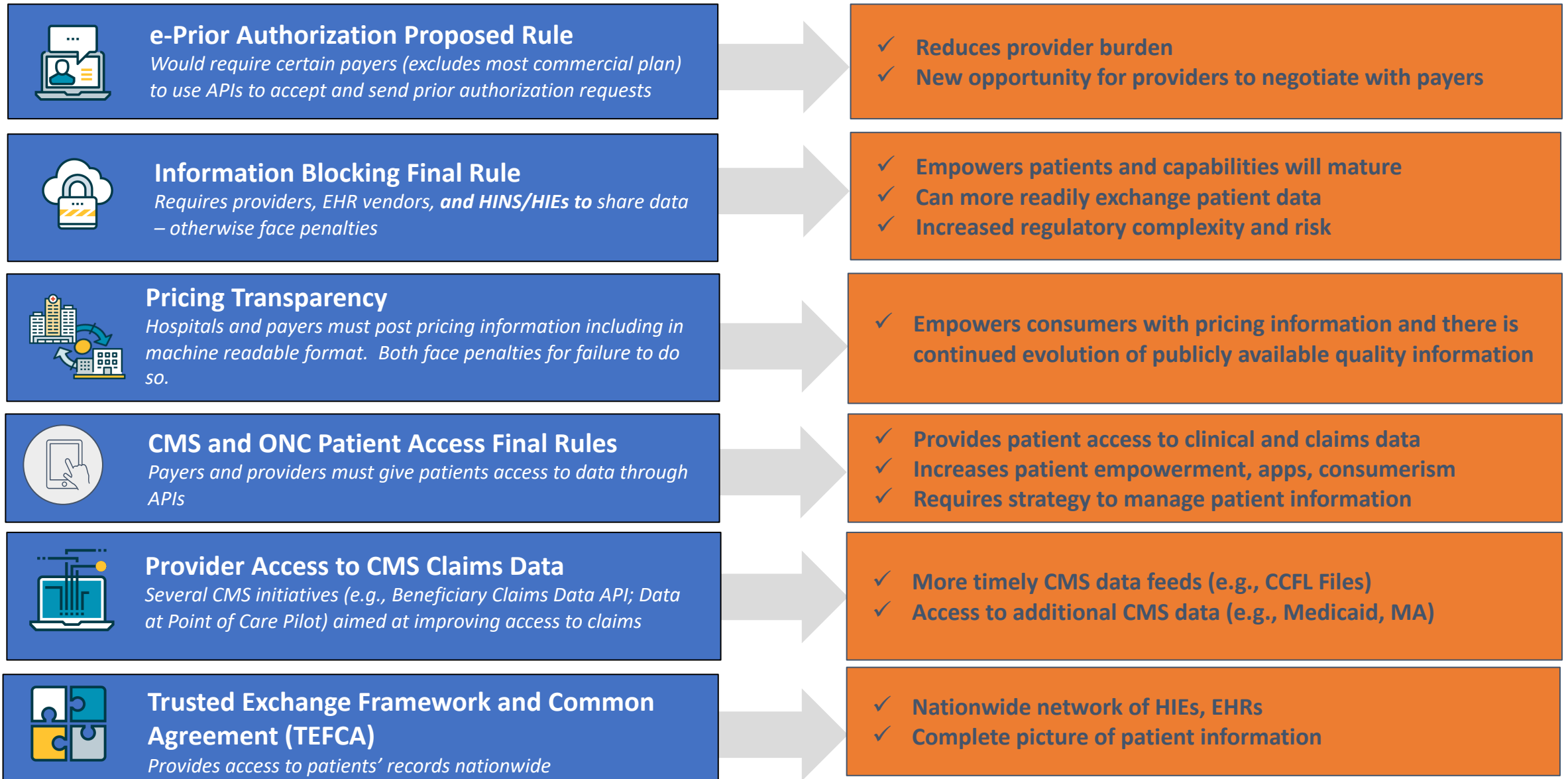
Home Care

Specialty Care

Realities and Implications

- *Payviders seek risk mitigation and profit pools, including underserved populations.*
 - *Payviders responsible for a budget, so they aggressively police spending.*
- *Single purpose service line innovators are designing new risk-based models targeting cost centers to partner with or be acquired by payer/payviders.*
 - *Primary care disruptors taking full risk for risk-adjusted population cost.*
 - *Venture capital and innovators see big opportunities and an exit strategy.*
- *Payvider-savvy, integrated health systems potentially well-positioned with brand, community commitment, and relationships.*
- *Ongoing shifting sites of care: 26% of inpatient procedures moving to ASCs/outpatient; from doctors' office to retail and urgent care; from bricks and mortar to digital, and home care.*
 - *Risk assumption enables greater regulatory flexibility and innovation.*

Consumerism Also Driven by Patient and Provider Access to Data & Apps



While Critical to Communities, Hospitals face Unprecedented Pressures

Closing Thoughts: Succeeding in Today's Evolving Marketplace:

- *Leverage local market advantage against the national competitors.*
- *Depending on market structure, continually & thoughtfully disrupt yourself.*
 - *Expand your revenue base with ownership and partnerships.*
- *Assure an aligned and high functioning PCP network and manage keepage & leakage.*
- *Outperform on quality, satisfaction and cost to be best payer partner or payvider.*
- *Collaborate on evidence-based care, risk coding (HCCs), & care management.*
 - *Negotiate hard with payers (care management, shared savings, data...)*
 - *Delight and build relationships with each patient/attributed life.*
 - *Look outward. Learn and steal ideas from others.*

A photograph of the U.S. Capitol building in Washington, D.C., featuring its iconic dome and neoclassical architecture. The building is partially obscured by a semi-transparent grey rectangle on the right side, which contains the text. The sky is overcast, and some trees are visible in the foreground and background.

Thank You!

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Issues on People's Minds

- Vaccine mandate
- 340B
- Site neutral payment
- Workforce
- Pricing transparency
- Drug pricing reform
- Value-based care
- Automated prior authorization
- Post pandemic regulation