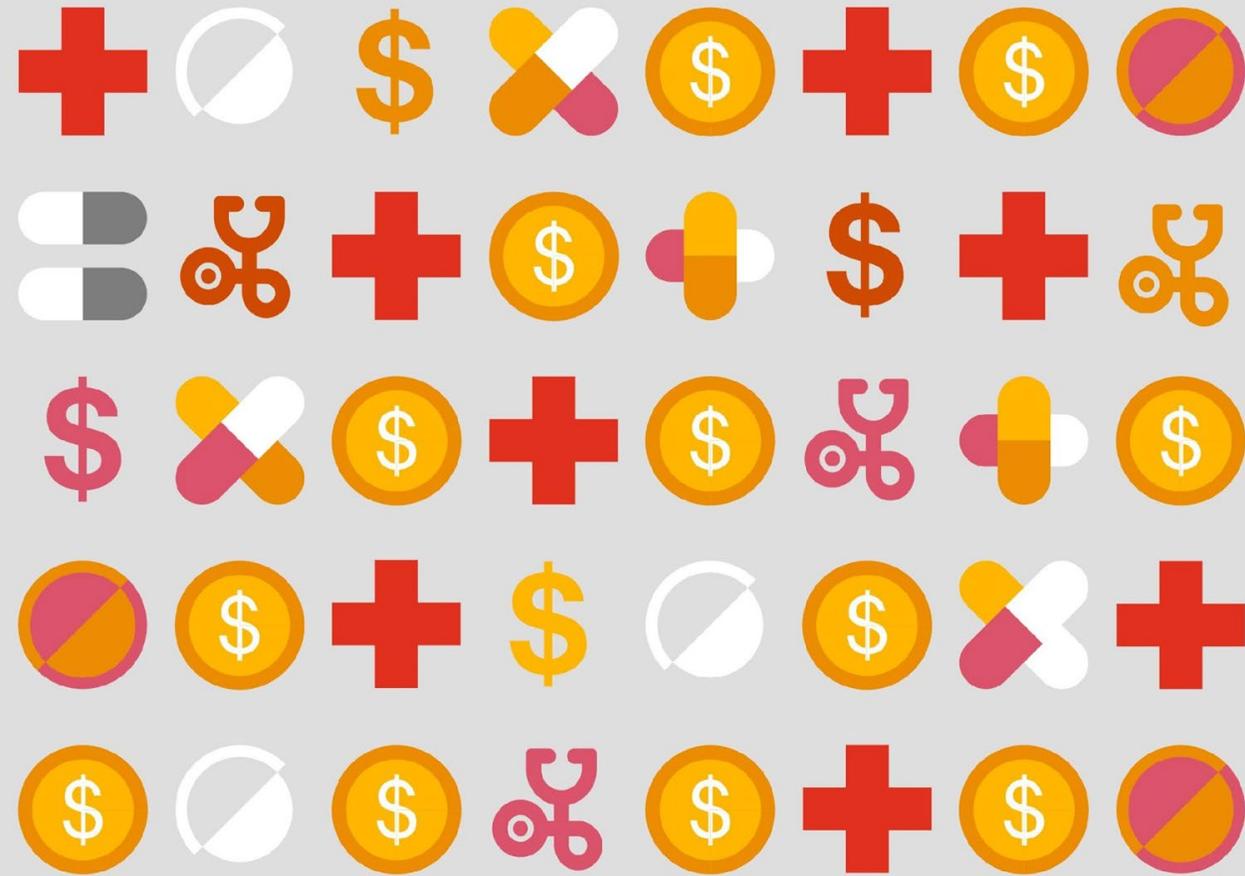


Creating the Southwest Airlines of healthcare



Health Research Institute
Presentation Trine Tsouderos

October 24, 2019



For discussion today

- The best known value lines of today
- What could a value line mean for healthcare and why do we need one?
- Early signs a healthcare value line is taking shape...and can be profitable
- Constructing a value line: Where to start

Today's best known value lines

*Offer
convenience*



Ease costs

*Create
transparency*



Reduce friction

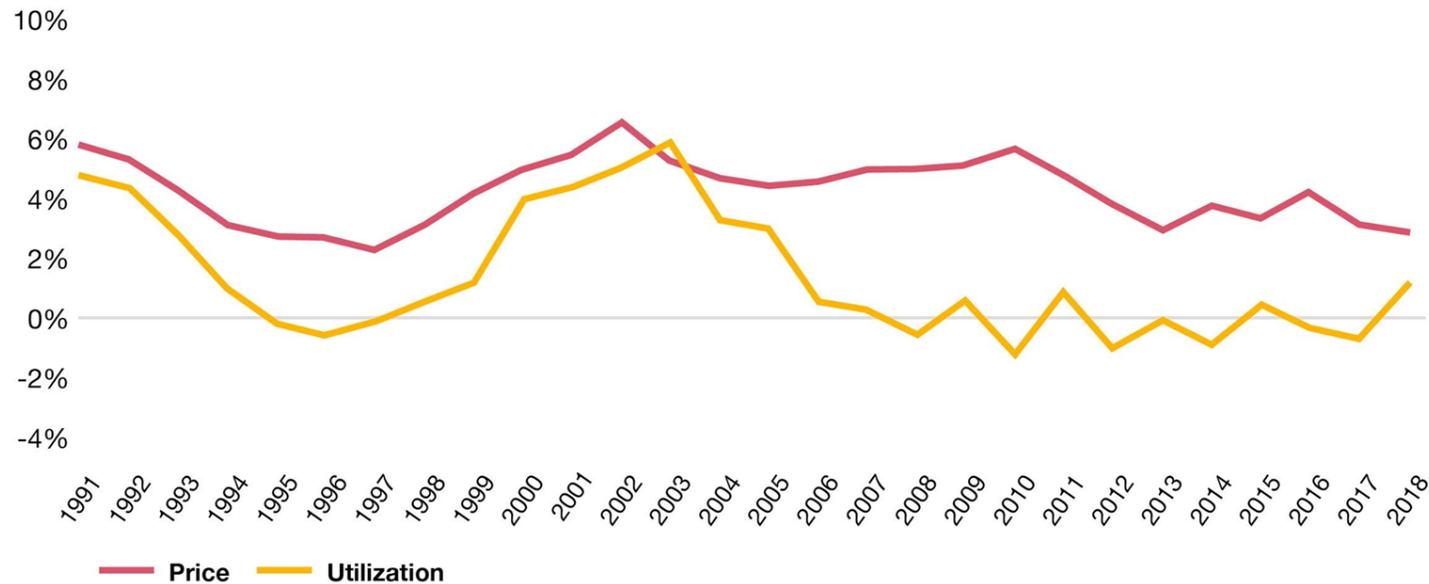


Why does healthcare need a value line?

Prices are driving healthcare spending

Figure 2: Over the past 15 years, benefit cost growth has been driven by the prices of medical services and prescription drugs

Components of growth in employer benefit costs, 1991-2018

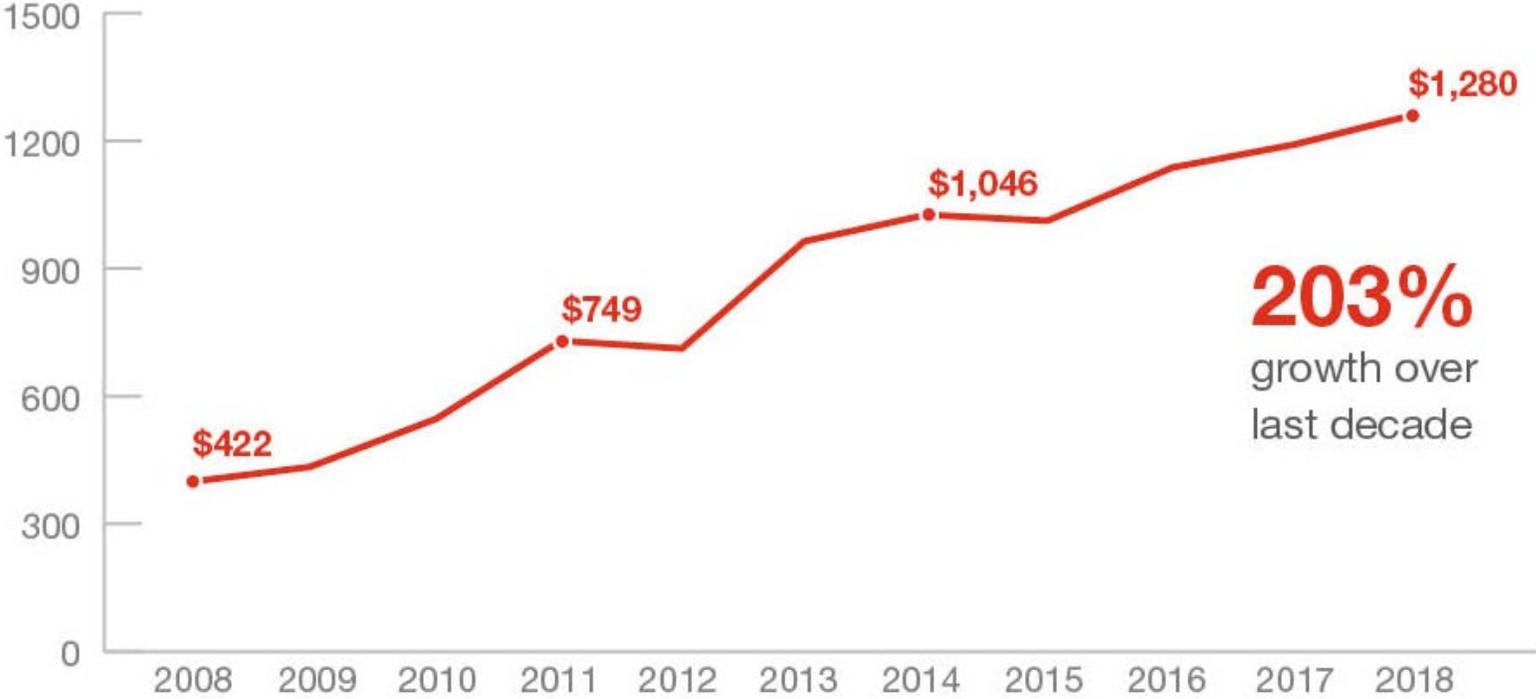


Source: PwC Health Research Institute analysis of CMS national health expenditure accounts, Kaiser Family Foundation data and Bureau of Labor Statistics data¹⁵

RAND Corporation found that self-funded employers across 25 states were paying an average of 204% of the Medicare rate for inpatient hospital stays and 293% for outpatient services.

Source: RAND Corporation, "Prices paid to hospitals by private health plans are high relative to Medicare and vary widely," May 2019

Average deductible for employer-sponsored plans over the past decade



Source: PwC Health Research Institute analysis of Health and Well-being Touchstone survey, 2018

60%

of families with a deductible of \$2,700 or more

do not have enough savings

to afford their deductible

Source: PwC Health Research Institute consumer survey, spring 2019

Consumers are ready to embrace a new era of healthcare



of consumers are interested in having a “menu” of care options offered by multiple providers, allowing them to choose care from local providers or virtual care from specialists across the country.

47% would be comfortable receiving health services from a technology company such as Google or Microsoft.

78% who had a hospital stay in the last two years believe at least a few of their recent in-person interactions with providers could have occurred virtually.

54% would choose to receive hospital care at home if it cost less than the traditional option.

Providers face a disruptive landscape

New access points

Consumer demands
that require a fresh
definition of quality

Vertical integration

Emphasis on wellness
over treating the sick

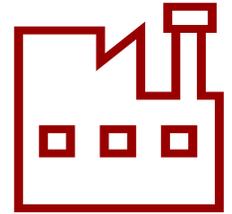
Consolidation creating
giants

New players from
retail, tech and
banking targeting
hospitals as ripe for
disruption

Employer activism

Employer activists are trying to apply the breaks on medical cost growth

Continue to open more expansive worksite clinics.



Nudge people toward lower cost sites of care.



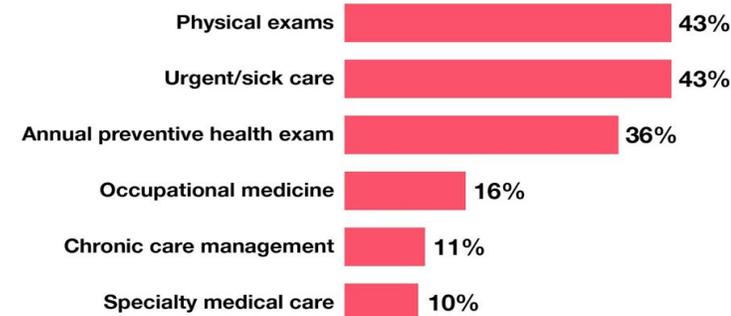
Help employees maximize their benefit packages.

Employers will continue to open more expansive worksite clinics

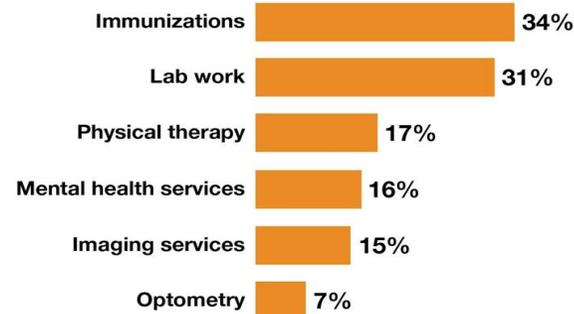
Figure 12: Worksite clinic services are expanding

What services does your employer provide at its onsite or nearby health clinic?

Primary and specialty care with a physician, physician assistant or nurse practitioner:



Extended care and services provided by therapists, nurses, techs, etc.:



Care support services:



38% of large employers offered an onsite health clinic in 2019, an additional **13%** said they were considering adding one.

Source: PwC's 2019 Health and Well-being Touchstone Survey

Employers and payers will nudge people toward lower-cost sites of care



In 2017, Anthem announced it would stop paying for outpatient MRI studies and CT scans conducted in a hospital setting, and instead send its members in nine states to lower-cost, free-standing imaging centers.



Starting in 2019, for most of its small group plans, Blue Cross Blue Shield of Massachusetts began covering imaging services at free-standing imaging centers so employees pay less than if they were to get images in a hospital setting.



In March 2019, Walmart began encouraging employees to seek imaging services at centers the company has "identified as providing high-quality care." Employees seeking these services elsewhere are subject to higher cost sharing.

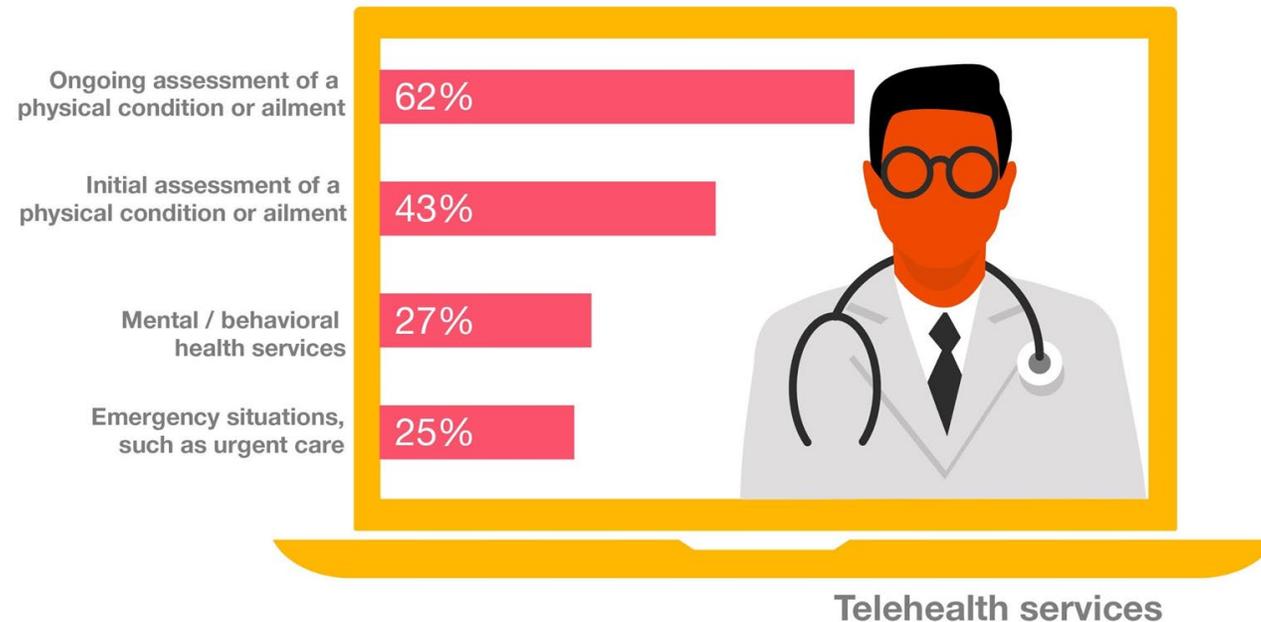
Employers and payers are using benefit design and cost sharing to direct employees to free-standing imaging centers.

Sources: Shelby Livingston, "Anthem's new outpatient imaging policy likely to hit hospitals' bottom line," Modern Healthcare, Aug. 26, 2017; Blue Cross Blue Shield of Massachusetts, "2019 Product and benefit updates: Small employers," 2018; Phil Galewitz, "Walmart charts new course by steering workers to high-quality imaging centers," Kaiser Health News, May 15, 2019

Employers and payers will nudge people toward lower-cost sites of care

Figure 13: Consumers with employer coverage willing to use telehealth would consider using it in place of these in-person services

49 percent of consumers with employer coverage said they are willing to use telehealth in place of an in-person visit. Of those, these are the services they are willing to use:



Source: PwC Health Research Institute consumer survey, spring 2019

86% of employers offered a telehealth services benefit in 2019; up from **41%** in 2016.

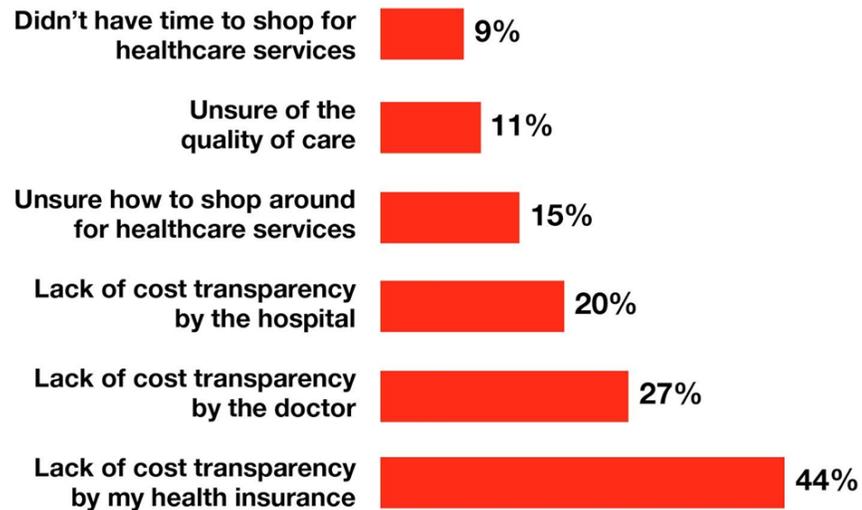
61% of employers set employee cost sharing lower for telemedicine visits than in-person visits in 2019.

Source: PwC Health and Well-being Touchstone surveys, 2016 and 2019

More employers will help employees maximize their benefit packages

Figure 14: Lack of cost transparency by insurers and providers was the biggest barrier among the 30 percent of individuals with employer coverage who found it difficult to shop for care in the past two years

Barriers to shopping for care



Source: PwC Health Research Institute consumer survey, spring 2019

Note: Consumers who reported they had shopped for care in the past two years and found it difficult to shop for that care were asked to select the top two factors that made it difficult to shop.

85% of consumers with employer coverage said they would like a “menu” of options that balances in-person and virtual care.

Less than **32%** of individuals with employer coverage have shopped for care in the past two years, with primary care being the most commonly shopped for care.

Sources: PwC Health Research Institute consumer surveys, May 2018 and spring 2019



Where are today's healthcare value lines?

The seeds of innovation for value lines

Ardás Family Medicine

- Walk-in-only service for refugees predominantly enrolled in Medicaid.
- Space designed to move people in and out quickly.
- Since 2012, more than 10,000 patients; 97 percent of revenue coming from Medicaid.
- Works with only one payer.
- Built a model around the customer experience; evening and weekend hours and OTC drugs available in the office.

Cityblock Health

- Contracts with health plans to serve low-income and vulnerable communities.
- Receives a set amount of money per patient each month and takes on the financial risk of managing those patients' care.
- Creates "Neighborhood Hubs" with local healthcare teams that deliver a high-touch care experience to address complex medical, behavioral health and social needs.

CareMore

- Serves Medicare and Medicaid patients in 10 states.
- Togetherness Program measures and treats loneliness in the senior population.
- Weekly phone calls from CareMore employees and volunteers.
- Home visits from social workers who connect patients to community-based organizations.
- ED use declined by 5% and acute hospital admissions by 11% per 1,000 patients.





How can providers start to create a value line?

Four ways to start

Recognize your
customer
segments that
need value

Consider
partnerships to
deliver lower-cost,
high-quality care

Show cost savings
of receiving care in
alternative
settings

Create an active
triage system

Q&A

Thank you!

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