Developing Sustainable Business Models

AF4Q National Meeting

November 19, 2009

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Aligning Forces for Quality | Improving Health & Health Care in Communities Across America

Agenda

- Introduction
- Process overview
- Highlights from work to date
- Emerging themes
- Discussion

What is a Sustainable Business Model?

- A sustainable business model is a robust, strategic funding plan that enables an Alliance to sustain and extend its work beyond the initial grant period

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Process Overview

Characterize Stakeholders	*Gather information on requirements and motivations of stakeholders*
Develop Value Proposition	*Determine value of collaborative activities and align with stakeholder needs*
Determine Scope	*Assess strategic options and determine initial scope*
Define Business Model	*Define service offerings and sustainable funding/revenue models*
Identify Risks	*Identify risks and develop mitigation approaches*
Draft Transition Plan	*Develop roadmap to achieve sustainable state*

Step 1: Characterize Stakeholders

Characterize Stakeholders

Activities	• Identify stakeholders
	  – Within Alliance
	  – Outside of Alliance (including national players)
	• Develop interview guide and survey
	• Conduct in-person and telephonic interviews
	• Gain insights into stakeholder needs and motivations
	• Document history of interaction

Data Sources	• Discussions with Alliance leadership • Stakeholder interviews • Alliance documents
Outputs	• Map of needs by stakeholder
Timing	• Month 1 (but dependent on stakeholder availability)

Step 2: Develop Value Proposition

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Activities	• Compile list of current and potential Alliance activities • Assess Alliance's differentiation in performing each activity • Estimate the value created by each activity • Associate the value created by each activity with specific stakeholders or groups of stakeholders • Sort the activities by value created or other criteria
Data Sources	• Review of Alliance activities • Data from Alliance members • Discussions with Alliance organizers • Best practice findings from MedPharma knowledge base and supplementary research • Outputs from Step 1
Outputs	• Map of value creation potential by stakeholder
Timing	• Months 1 and 2

Step 3: Determine Scope

Determine Scope

Activities	• Identify the key dimensions for strategic decision making • Specify the discrete choices that can be made on each dimension • Document the advantages and disadvantages inherent in each choice • Decide which choices to make, at least initially
Data Sources	• Outputs from Step 2 • Stakeholder workshop
Outputs	• One-page strategic choice summary (graphical) • More detailed rationale for each choice
Timing	• Month 3

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Step 4: Define Business Model

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Activities	• Specify the service offerings to be delivered • Define the ways the offerings could be paid for • Identify who is likely to pay and how much • Consider how the services will be delivered • Assess advantages and disadvantages of each option
Data Sources	• Outputs of prior steps • Benchmarks and best practices • Stakeholder workshop
Outputs	• Prepare business model schematic
Timing	• Month 3

Step 5: Identify Risks

Ch Sta | Dev Pr | D | Defi | **Identify Risks** | Plan

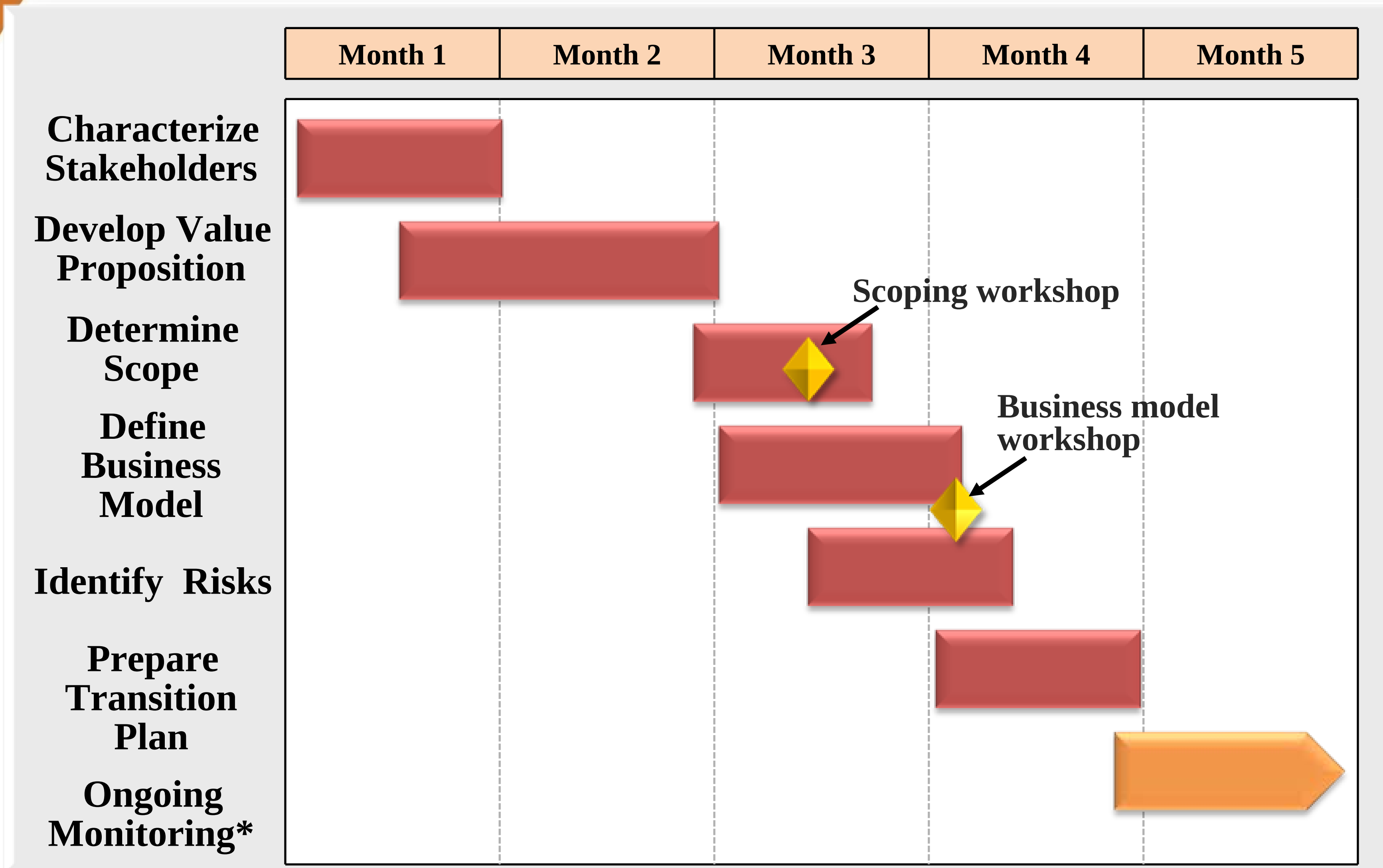
Activities	• **Identify potential weaknesses in business model** • **Consider the macroeconomic context** • **Assess implications: what could go wrong?** • **Devise mitigation plan**
Data Sources	• **Outputs of business model workshop (Step 4)** • **Case study experience**
Outputs	• **Risk assessment and mitigation plan**
Timing	• **Months 3/4**

Step 6: Prepare Transition Plan

Prepare Transition Plan

Activities	• Identify the gaps between future "sustainable" state and current state including capabilities and governance • Develop a plan to close key gaps, including timeline and milestones • Outline a process for monitoring and making course corrections • Transition monitoring tools and processes to National Program Office (NPO)
Data Sources	• Discussions with Alliance leadership • Discussions with NPO • MedPharma Partners knowledge base
Outputs	• Transition plan • Monitoring and intervention mechanism
Timing	• Month 4

Typical Timeline



*** - Assume transition to NPO**

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Sustainability TA Underway With 3 Alliances

	Better Health Greater Cleveland	Greater Detroit Area Health Council	Healthy York County Coalition
Major challenge	Lack of critical mass, infrastructure	Economic crisis	Dominated by one provider organization
Potential leverage points	EMR-based reporting Purchaser involvement	Existing business model Infrastructure	Statewide chronic care initiative Success with wellness initiative

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Better Health *Greater* Cleveland (BHGC)

Local Stakeholder Interviews

Focus	Interviewee
Employer	Barbara Belovich –Health Action Council Richard Pogue –Jones Day
Foundation/Policy Institute/ Academia	Lisa Anderson –Center for Health Affairs Mitchell Balk –Mt. Sinai Foundation John Begala –Center for Community Solutions Robert Elson –One Community JB Silvers –Case Western Reserve University Ken Slenkovich –Center for Community Solutions Denise Zeman –St. Luke's Foundation
Government	Terry Allen – Cuyahoga County Board of Health Dan Hecht –ODJFS (Medicaid)
Payer	Karen Benjamin –Kaiser Health Plan of Ohio David Epstein –Cigna HealthCare Chris Hebert –Kaiser Health Plan of Ohio Pam Morris --CareSource
Provider	Francis Afram-Gyening –Care Alliance Health Center David Aron –VA Medical Center David Bronson –Cleveland Clinic Kate Brown –MetroHealth Oliver Henkel –Cleveland Clinic Irene Katzan –NEO Stroke Outcomes Lawrence Kent –Academy of Medicine George Kikano –University Hospitals Gus Kious –Huron Hospital Tom Onusko –MetroHealth Kurt Stange –University Hospitals Jean Therrien –Neighborhood Family Practice
Staff	Randall Cebul Thomas Love Diane Solov

National Stakeholder Interviews

Focus	Interviewee
Healthcare Disparities	Rob Smith – Lilly Foundation (President) Noreen Clark – Merck Foundation Program Office / University of Michigan Center for Managing Chronic Disease (Director)
E-Prescribing	Troyen Brennan –CVS Caremark (Chief Medical Officer) John Driscoll –Medco (President), SureScripts (Chairman) Anna Wong –Medco (VP, e-prescribing)
Patient-Centered Medical Home	Paul Grundy –Patient Centered Primary Care Collaborative (President) Edwina Rogers –Patients Centered Primary Care Collaborative (Executive Director) Terry McGeeney – TransforMED (President/CEO)

Areas of Focus

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What We Do Well (I)

Bring people together on neutral ground

- “Provider/payer bouts have been going on for too long and the time has come for it to stop. I see BHGC as a key catalyst”
  - Payer
- “BHGC brings fierce competitors together on an equal footing. That’s important because we have a lot to accomplish together. For example our obesity numbers are poor and there’s an erosion of health insurance affordability”
  - Provider

What We Do Well (II)

Robust data and reporting

- "I was intrigued by this program because it's so data driven. If the providers can define quality and buy into it then we can compete on aspects like customer service and network strength"
  - Payer
- "We really want to put our dirty linen out there because we need to see how we compare with others. The first public report really opened our eyes"
  - Provider
- "The fact that we have great statistical support services is wonderful. Typically that's a major shortcoming with initiatives like this"
  - Provider
- "The BHGC data is fabulous for us because we want to compare ourselves with the local market, not with other markets around the country that have different characteristics. Yes, there are a lot of things that are similar to HEDIS but not everything is the same"
  - Payer
- "The chronic disease problem is very stubborn. We're getting data to help us on diabetes that we've never had before. We're now getting enough data to address issues at the neighborhood level"
  - Government

Current BHGC Activities

AF4Q Areas of Focus

1. Quality Improvement
- <u>Learning collaboratives, site visits</u>
- <u>Region-wide primary care grand rounds</u>
- Get with the Guidelines
- <u>Transitions of Care</u>
- MEDTAPP

2. Consumer Engagement
- Website
- Posters
- Journey book
- Community health council

3. Performance Measurement and Public Reporting
- <u>Diabetes reporting</u>
- Heart failure reporting (January)
- Hypertension (pilot)
- <u>Hospital patient experience (transitions)</u>
- Bridges To Excellence
- <u>Inpatient HF readmit (nonpublic)</u>

<u>Underlined orange</u> indicates the activities where BHGC is differentiated

Potential Expansion Areas

- Patient-Centered Medical Home (PCMH)
- E-prescribing
- “Meaningful use” (Regional Extension Center)
- Electronic patient record review
- Enhanced performance measurement and reporting (PM/PR)

Evaluation Worksheet

		Do well?	Want to do?	Can be paid?
Current differentiated activities	Learning collaboratives, site visits			
	Transitions of care			
	Primary care grand rounds			
	Diabetes reporting			
	Hospital patient experience			
	Inpatient HF readmit			
	…			
Potential activities	Patient-Centered Medical Home			
	E-prescribing			
	Meaningful use/REC			
	Electronic patient record review			
	Enhanced performance measurement and public reporting			
	…			

E-Prescribing

Opportunity	Providers in Greater Cleveland are preparing to shift from paper-based to electronic prescribing over the next two years. The shift provides a well-recognized opportunity to reduce costs and improve patient safety. However implementation is not simple, and there are opportunities to optimize performance In addition, the transition to e-prescribing presents novel possibilities to improve care for patients with chronic conditions. BHGC has the opportunity to be at the forefront
Potential activities for BHGC	Research 1. Study how eRx and decision support impact management of chronic disease 2. Study impact of socioeconomic/insurance status on eRx data availability Quality improvement 1. Implement research findings to help providers optimize eRx use 2. Assist health plans in providing fill data to providers for integration with EMR
Business model	PBMs, foundations have expressed interest in supporting research agenda and an initial proposal has been submitted to RWJF PBMs, health plans, and providers are prospective customers for QI work

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E-Prescribing Research Is Timely

New study to look at e-prescribing's role in compliance

BOSTON – CVS Caremark and researchers from Harvard and Brigham and Women's Hospital are launching a study to investigate patient adherence to prescription drug therapies. One of the four key components of the study will look at how electronic prescribing impacts compliance.

The study will use an interdisciplinary approach, bringing disciplines like psychology, sociology and political studies together to share expertise on patient behavior and healthcare policy. Results from the study will be used to develop programs that healthcare providers and pharmacies can use to improve medication adherence.

"As the nation looks for ways to reduce healthcare spending, we need to improve patient compliance with prescribed drug therapies," said Troyen A. Brennan, MD, executive vice president and chief medical officer, CVS Caremark. "Many reasons have been discussed for patient non-adherence, including cost, forgetfulness, confusion when taking multiple medications, and problems with renewing a prescription. This research, which will be available not only to CVS affiliates but to all pharmacies, will help doctors, pharmacies, hospitals and health plans design programs to help patients stay on their prescribed medication treatments."

Source: *Healthcare IT News* (October 14, 2009)

Electronic Patient Record Review

Opportunity	Nearly every provider and health plan conducts some patient chart reviews/audits based on external requirements (e.g., HEDIS, accreditation, requirement for reimbursement, legal). Manual chart reviews can be expensive and time-consuming in order to review, analyze and summarize the patient information With the availability of EHR data, these audits can be done in a more cost effective, timely manner
Potential activities for BHGC	Perform electronic chart review functions through access to EHR data, in some cases in combination with paper records Obtain specifications for data requirements from payers, accrediting bodies, etc. Build on existing BHGC experience to extract data from EHR data feeds, analyze, reformat and report, using HIPPA-compliant approach
Business model	Providers and payers would pay BHGC a fee per chart reviewed • Less expensive and more timely than the existing manual process • Less disruptive for providers

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Gap Analysis

Enabling factors	Requirements	BHGC status
Positioning and branding	Neutral ground	Yes
	Respected and trusted	Yes
	Data driven	Yes
	Direct connection with health care purchasing decisions, payment reform	Not yet
	Differentiated from others	Yes
	Seen as a major force in the community	Yes (mostly)
Representation	All patients represented	No --and some mismatch w: commercial, Medicaid
	All providers represented	No --and some mismatch w: commercial, Medicaid
	All payers and purchasers represented	Yes
	All significant influencers represented	Most
Scope	Cover a breadth of important health conditions	Not yet
	Cover conditions in sufficient depth	Not yet
	Cover provider organizations at sufficient level of detail (e.g., individual physician)	Not yet
	Geographic coverage (full MSA)	Close but not quite
	Linkage between medical care and public health	Nascent
Staying power	Sufficient infrastructure	No
	Have outside stimulus	Yes (RWJF), but may benefit from more
	Lack of powerful enemies	Yes
	Lack of freeloaders and commitment to pay for value	Not yet
	Value creation aligned with stakeholders who are able, willing to pay	Somewhat
Operational effectiveness	Momentum, pace of change	Mixed views
	Governance matched to scope	Will need to evolve
	Management and financial reporting	Immature
	Means to connect research, tracking, implementation	Not yet

Next Steps

Task	Lead
Convene sustainability workgroup to assume ownership	RDC/DS
Define proposed activities and identify stakeholders	Workgroup
Hold discussions with identified stakeholders	Workgroup
Collect benchmark data on funding/business models	MedPharma
Recommend governance and infrastructure evolution	MedPharma
Develop budget parameters	BHGC designee/MedPharma
Draft transition plan	Workgroup

Greater Detroit Area Health Council (GDAHC)

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Strategic Planning Session Agenda

- Review vision and mission
- Review background data provided by GDAHC staff
- Discuss strategic direction based on existing programs
  - Health Care Reform
  - Save Lives Save Dollars (AF4Q)
  - Community Health
  - Value Purchasing
  - Support Functions
- Discuss value proposition by stakeholder
- Discuss Revenue Committee recommendations

Next Steps

- Revise mission and vision statements
- Formalize/deepen analysis of activities
- Identify new stakeholders: local and national
- Develop value proposition by stakeholder
- Provide qualitative and analytical support to Revenue Committee
- Develop business plan focusing on 2010-2011

Business Plan Outline

- Executive summary
- Vision and mission
- Background and structure
  - Organizational description, history
  - Current programs and activities
  - Board/committee structure and governance
  - Funding trends
- Organization analysis
  - Strengths/weaknesses/opportunities/threats (SWOT)
  - Program evaluation
- Market analysis
  - Overall health care environment
  - Snapshot of Southeast Michigan
  - Key stakeholders (existing and prospective)
    - Local
    - Statewide
    - National
  - Stakeholder needs assessment
  - Competitive environment
- Planned scope of activities
  - Program description
  - Positioning
  - Value proposition by stakeholder
- Communications/marketing
  - Communications plan
  - Marketing plan
- Operations
  - Organizational structure
  - Service delivery plan
  - IT plan
- Financial plan
  - Funding model(s)
  - Revenue projection by program, stakeholder 2010-2011
  - Cost projection (operating, capital) for 2010-2011
  - High-level projection for 2012-2014
- Evaluation and assessment
  - Quantifiable goals: financial and non-financial
  - Monitoring and evaluation approach
- Risks and mitigation
  - Macroeconomic risks
  - Program or stakeholder-specific risks
  - Monitoring/intervention approach

Funding Models

Funding model	Description	Representative activities that may be in aligned with funding model	Organization examples
Membership dues	Members desire to “belong to the organization” and benefit from or support most/all of the activities	Convening of disparate stakeholders	Greater Detroit Area Health Council, Puget Sound Health Alliance, Forum for Collaborative HIV Research
Program funding	Design programs that organizations and/or individuals deem worthy of supporting on a more independent basis	Performance measurement and public reporting Racial/ethnic/language health disparities	American Red Cross Programs: Disaster Relief Fund, International Response Fund, Services to the Armed Forces, etc.
Fee-for-service funding	Commercialize services, and sell them directly to target clients	PCMH transformation consulting, “Meaningful use” services, chart review services	RHIO per record or patient charge, Consulting services, MAeHC PSC
Royalty	Licensing IP/Content	Health literacy materials, CME content	AMA ICD and CPT code sets
Grants and/or donations	Approach foundations or large donors who share a common mission	Research program, Racial/ethnic/language health disparities	Stanley Medical Research Institute

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Funding Model Considerations

Funding model	Advantages	Disadvantages
Membership dues	• Predictable revenue/cost • Ability to respond to emerging priorities • Equitable	• Formulas become complex or outdated • Members may be uncomfortable with autonomy
Program funding	• Tied to specific priorities • Can come from different budgets • Can broaden the base of shareholders	• Have to raise funds on an ongoing basis • Less predictability • Large contributors can dominate
Fee-for-service funding	• Introduces commercial discipline • Demonstrates value added	• Members may resist payment • May stray from mission • Can complicate governance
Royalty	• A byproduct, requiring little ongoing attention	• Need to control use; sometimes is not worth the trouble
Grants and/or donations	• Sponsor can support an issue important to them • Motivation is largely mission-based	• Grants generally have a limited life • Requires resources for grant writing • Hard to have predictable long-term revenue stream

Healthy York County Coalition (HYCC)

Opportunities for Development (I)

Stakeholder involvement: Limited involvement from employers and payers

- "AF4Q is a very provider-driven organization. It hasn't had the buy-in from health plans and employers as other AF4Q communities have"
  - Provider
- "The challenge for AF4Q is to quantify its value. This will help them get employers more involved and increase awareness"
  - Payer
- "AF4Q needs to show how their efforts save money. AF4Q can't change behavior on its own. Employers can help by reducing premiums and providing carrots for employees to change their health behaviors"
  - Employer

Funding: Ability to secure funding from other sources, a common challenge given economic environment

- "I'm disappointed that we haven't figured out how to engage broader funding. Two organizations have borne the brunt. There are many others at the table"
  - Provider

Primary and Secondary Activities of Interest to Stakeholder Groups

		Objectives	Activities of greatest interest	Preferred funding model
Existing stakeholders	**Consumers**			
	Employers/ purchasers			
	Government			
	Health plans			
	Hospitals/ systems			
	Physicians			
	RWJF			
New stakeholders	**Health IT companies**			
	Other foundations			
	PBMs			
	Pharma			

Patient-Centered Medical Home

- "PCMH overlaps 90% with the Chronic Care Initiative being rolled out in the state by the Governor's Office of Health Care Reform (GOHCR). Payers are measuring provider performance according to the NCQA PCMH levels with monies tied to each level. The state is paying for training of physician practices"
  - Provider
- "PCMH creates greater long-term value for employee impact and makes more sense for AF4Q to support. The impediments to medical home are resources and ability to integrate care. It's a bit of chicken and egg. The value of primary care is promoted in our plan design. Employers would embrace this. AF4Q could help enable primary care practices get NCQA certification and be the glue. This would be huge and more powerful and actionable than public reporting from an employer and patient perspective"
  - Employer
- "AF4Q should definitely play a role, but I'm not sure which role is most productive in the long-term. Larger groups are doing their own re-engineering. The largest barrier is the reimbursement system. At the same time, providers will need to set up infrastructure and need assurance that this will be reimbursed. AF4Q is picking up expertise here, and every tool is available to all in the community"
  - Purchaser
- "AF4Q could also assist in ensuring patients enroll in medical home"
  - Provider

Patient-Centered Medical Home

Opportunity	In the Patient-Centered Medical Home (PCMH) model a team of health professionals, coordinated by a personal physician, works collaboratively to provide high levels of care, access and communication, care coordination and integration, quality and safety, and to promote active patient and family involvement There is a serious shortage of consulting resources to help physician offices make the transformation to PCMH. Practices need ongoing education and sharing of best practices and pay-for-performance opportunities Successful PCMH implementation requires coordination of multiple payers to achieve critical mass within a provider panel
Potential activities for AF4Q	1. Coordinate PCMH pilot: Identify practices, assist in gaining certification, provide initial consulting and ongoing practice improvement support 2. Collect, analyze, and report PCMH-specific performance data to practices, payers, and the public 3. Longer term, expand from pilot to broader rollout 4. Provide assistance in getting patients to enroll in medical home
Business model	Health plans and purchasers show willingness to sponsor pilots; would need to carve out management fee for AF4Q Providers are willing to spend on transformation consulting services in order to secure PCMH-related fees

PCMH Breakout Discussion

- Practice transformation group was able to explain its planned efforts to a broader set of stakeholders
- Health plan described a multi-year pilot and research program
- Employer representative expressed enthusiasm for faster, focused –and employer funded-- transformation
- Next step: Convene interested parties to discuss specific opportunities

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Emerging Themes

- Every Alliance we've observed so far has the potential to achieve sustainability
- Developing a clear value proposition and business model can bring local stakeholders on board
- National stakeholders are willing to play a role in local Alliances –if we can paint the bigger picture

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MedPharma Partners Project Leaders

	 **David Williams** **20 Years of Consulting and Board Experience**	 **Karen Donovan** **20 Years of Consulting and Startup Experience**
Focus:	Business model development, new ventures, health care services, not-for-profit	Business strategy and operations, best practices, technology-enabled services
Background:	• Prior experience with Boston Consulting Group, LEK Consulting • Chairman: APS, Hearts & Noses Hospital Clown Troupe; Board Member: iCardiac Technologies, Center for Evaluation of Value & Risk in Healthcare • Reviewer: ONC Regional Extension Centers • Author: Health Business Blog • MBA Harvard, BA Wesleyan (Economics)	• Prior experience: o Manager - LEK Consulting o Director Strategic Development - VITAS Healthcare (healthcare provider) o VP Operations – CareTools (healthcare IT) o VP Professional Services – Cerylion (IT) • BS Wharton (Economics)

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