

12TH ANNUAL NJ HEALTHCARE MARKET REVIEW

September 28-29, 2023

Borgata Hotel Casino & Spa Atlantic City, NJ

Value Based Care's Impact on Healthcare Transactions

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Edward Hilzenrath, Esq.
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Ed Hilzenrath represents a broad array of health care providers across a spectrum of healthcare-related legal matters, including corporate, transactional, and regulatory issues. His clients include hospitals, physicians, physician groups, ambulatory surgical centers, imaging centers, management services organizations, and private equity backed health care organizations. Ed advises clients on practice formations and sales, buy-sell agreements, employment issues, practice mergers, fraud and abuse, anti-kickback and Stark law compliance, HIPAA compliance, and professional board matters. In addition, Ed proactively counsels clients about the impact of new health care legislation.

A frequent contributor to Brach Eichler's monthly Health Law Update, Ed authors articles on a variety of health law subjects. He currently contributes a monthly piece on health care legislation and regulatory developments.

Prior to joining Brach Eichler, Ed worked as a hedge fund professional, focusing on trading equities, derivatives, currencies, commodities, and fixed-income products.

PANELISTS



Brian Kern, Esq.
Partner, Acadia Professional, LLC

Brian S. Kern, Esq. is the CEO of Deep Risk Management, LLC, a value-based financial risk brokerage and consulting firm. He is also a partner with Acadia Professional, LLC, a medical professional liability (MPL) insurance firm, and a licensed NJ Attorney.

Mr. Kern focuses much of his time on helping medical practices understand and succeed in value-based risk programs by educating them on where new revenue sources exist, and how to protect themselves from downside risk. He advises extensively on government, private payor, and employer models.

Mr. Kern is also an expert in many facets of professional liability risk, including risk purchasing and retention groups, captives, and loss portfolio transfers. He has helped several large physician practices implement risk management programs that incorporate patient satisfaction and other metrics aimed at both decreasing risk and increasing reimbursement.

Mr. Kern currently serves on the Advisory Board of The Health Alliance for Violence Intervention (HAVI) and is the Affiliate Chair on the Board of New Jersey Medical Group Management Association (NJMGMA). He is a member of the Union County Medical Society Judiciary Committee, has testified before the NJ Legislature, worked directly on several bills impacting healthcare, and was honored as one of “Forty Under 40” by NJBiz.

PANELISTS



Steven Weiss, MBA, CPA
Senior Vice President, The Bloom Organization

Steven is a Senior Vice President at the Bloom Organization, a national healthcare services focused investment bank. Since 1990, the organization has accumulated more than 30 years of experience and over \$7 billion in transaction value advising physician groups in the vast majority of all subspecialties, home health companies, private equity firms, hospitals and other types of healthcare operators and investors.

At Bloom, Steven oversees the Miami office and is responsible for all aspects of founder and physician-led M&A transactions. He is currently leading the firm's value-based and home-health care initiatives. Prior to joining, Steven worked across the table in private equity at Ardent Investors and HIG Capital focused on acquiring middle market businesses and supporting portfolio companies by executing strategic operational initiatives.

Steven earned his M.B.A. from The Wharton School at the University of Pennsylvania and his B.S. from Florida State University. He is a Trustee of the JAFCO Children's Foundation Board and is a member of their Investment Committee.

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What is your current investment structure?

① Start presenting to display the poll results on this slide.

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**Which of the following (if any)
best describes your M&A
mode?**

① Start presenting to display the poll results on this slide.

The Healthcare Payors

- CMS: Medicare, Medicaid
- Hybrid: Medicare Advantage
- Commercial: “BUCA”
- Self-Insured Employers: “Rented Networks”
- Workers Comp/ Auto/ Personal Injury
- Self-pay Patients

Government: “All CMS Beneficiaries in an accountable care arrangement by 2030” CMS is driving move towards ACOs (MSSP, REACH)

Hybrid: Private Insurers administer CMS plans, Receive Fixed Payment Payors contract with *both* CMS and healthcare providers (FFS and VBC/ MLR)

More than 50% of Medicare beneficiaries now in Medicare Advantage

Medicare Advantage Enrollment by Firm or Affiliate, 2023

- UnitedHealthcare (8.9 million; 29%)
- Humana (5.5 million; 18%)
- BCBS plans (4.4 million; 14%)
- CVS Health (3.3 million; 11%)
- Kaiser Permanente (1.8 million; 6%)
- Centene (1.3 million; 4%)
- Cigna (.6 million; 2%)
- All other insurers (4.9 million; 16%)

The Payors

- **CMS: Medicare, Medicaid**
- **Hybrid: Medicare Advantage**
- **Commercial: “BUCA”**
- Self-Insured Employers: “Rented Networks”
- Workers Comp/ Auto/ Personal Injury
- Self-pay

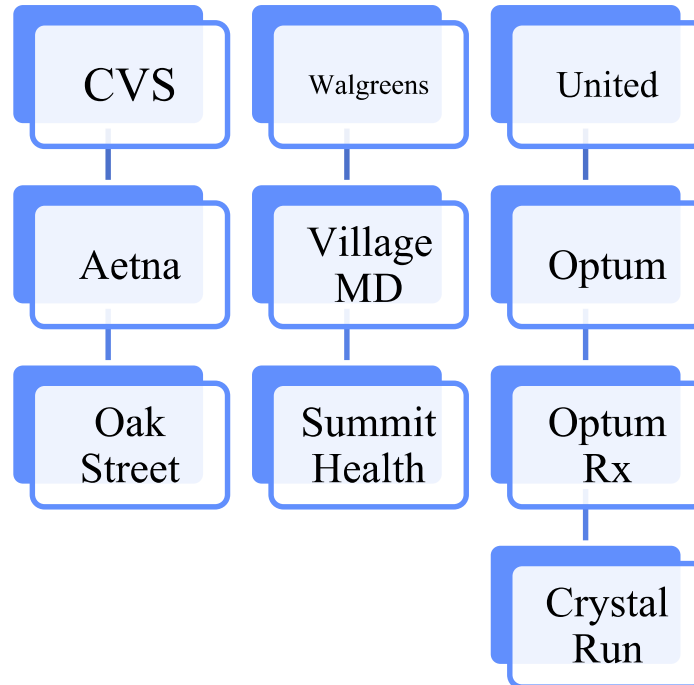
How to increase Revenue Under VBC Programs:

1. Share Savings: Reduce cost of care – Cost and Utilization
2. Increase Revenue: Stars, Quality, Risk Adjustment

Commercial Plans: Medical Loss Ratio: Must spend % of premiums on medical care (NJ 80%),

1. Charge More premium
2. Own Providers

The Bigger Picture



The PBM Market:

CVS Health/ Caremark: 33%
Cigna/ Evernorth/ Express Scripts: 24%
United Health/ OptumRx: 22%
Humana Pharmacy Solutions: 8%
Prime Therapeutics/ Magellan Rx: 5%
MedImpact Healthcare Systems: 4%
Others: 4%

Source: Drug Share

Nov 8, 2022 — Health insurance giant Cigna is investing \$2.5 billion into VillageMD

UnitedHealth's Optum makes all-cash bid for Amedisys

The \$100-per-share offer comes a month after the home health company agreed to a deal with Option Care Health, which was set to close in the second half of the year.

MLR vs. Fixed Payment

Hospital Prices For Commercial Plans Are
Twice Those For Medicare Advantage Plans
When Negotiated By The Same Insurer

• [Mark Katz Meiselbach](#), [Yang Wang](#), [Jianhui Xu](#), [Ge Bai](#), and [Gerard F. Anderson](#)

Not all players like the games

Hospitals take aim at Medicare Advantage

Jakob Emerson - Wednesday, August 16th, 2023

Medicare Advantage may now [provide](#) health coverage to more than half of the nation's seniors, but that is not stopping health systems from pushing back against the growing and controversial program.

Some systems have noted that most MA carriers have faced [allegations](#) of billing fraud from the federal government and are being [probed](#) by lawmakers over **high denial rates**.

Rochester, Minn.-based Mayo Clinic **does not accept** most Medicare Advantage plans

Vanderbilt University Medical Center **was preparing to drop** Humana and Centene MA plans before reaching contract agreements in March.

Cameron (Mo.) Regional Medical Center **stopped accepting** Cigna's MA plans in 2023 and plans to drop Aetna and Humana in 2024.

Stillwater (Okla.) Medical Center **ended all** in-network contracts with Medicare Advantage plans

Brookings (S.D.) Health System will **no longer be** in network with any Medicare Advantage plans in 2024

Bend, Ore.-based St. Charles Health System is not only **considering dropping** all Medicare Advantage plans, but is also encouraging its senior patients not to enroll in the private Medicare plans during the next open enrollment period.

Source: Beckers

Understanding Risk Adjustment

10,000 patients = \$100,000,000 (Benchmark)

Benchmark “adjusted” based on “risk” (sickness of population)

Risk captured through methodology known as HCC coding

Determines RAF Score

More on Risk Adjustment

Due to what researchers call “favorable selection,” MA plans were overpaid by 11 to 14.4 percentage points in 2019. USC Schaeffer points to favorable selection and submission of high-risk diagnosis codes as to why MA overpayments totaled \$75 billion in 2023. Combining estimates of the latest reports with its own previous research, the Committee for a Responsible Federal Budget said MA plans could be overpaid by \$810 billion to \$1.56 trillion through 2033, which could lead to as much as \$260 billion in higher Medicare premiums.

– Rise, Ilene MacDonald, Editorial Director | July 21, 2023

Sky-rocket valuations in value-based care still to be proven

\$10.6B

- May 2023: CVS closes **\$10.6B** acquisition of Oak Street Health; 169 clinics in 21 states

\$5.2B

- Oct 2021: WALGREENS invests **\$5.2B** to acquire 63% of Village MD to enter co-located primary care offices.

\$3.1B

- June 2022: ALEDADE valuation of \$3.1B for its 11K providers, 1.7M patients in **150 VB contracts**. \$429M raised to date.

\$1.2B

- May 2022: CENTERWELL raises **\$1.2B** from HUMANA to develop 100 payor agnostic clinics; Humana may buy clinics in 2030

\$75M

- Jan 2023: PEARL Health a healthcare tech company raises **\$75M** for its 804 MDs & **43K ACO REACH** beneficiaries

\$500M

- Sept 2022: ARDENT HEALTH raises **\$500M** from Pure Health to expand its hospital business to UAE

\$564M

- Feb 2021: SIGNIFY HEALTH raises \$564M in IPO leading with in-home VBC & BPCI programs and **47 Medicare Advantage contracts**

\$3.22T
Value based healthcare service market (2021)

CVS finally makes primary care play, scooping up Oak Street Health in \$10.6B deal



CVS Health finally made its long-rumored primary care play, announcing plans to acquire Medicare-focused provider Oak Street Health.

Feb 8, 2023



Walgreens boosts stake in primary-care company VillageMD with a \$5.2 billion investment



Walgreens Boots Alliance is becoming the majority owner of VillageMD, as it opens hundreds of doctor offices with the primary-care company.

Oct 14, 2021

JAN 19, 2021

Aledade raises eye-popping \$100 million

Washington Business Journal

Humana Adds to Senior Primary Care Push Via \$1.2B JV

The company is again partnering with Welsh Carson Anderson & Stowe to grow its CenterWell clinic network.

Pearl Health banks \$75M to power the shift to value-based ...

Jan 30, 2023 — Pearl Health nabbed \$75 million in an oversubscribed series B funding round to expand its network and build out its technology.

United Arab Emirates-based company buys \$500M stake in Nashville's Ardent Health

Signify Health lists on NYSE with \$564M initial public offering



Value-based healthcare platform Signify Health is making its debut on the New York Stock Exchange today with an initial public offering of...

Feb 11, 2021

Public Market Values: Last year vs. This year

Entities	Type	Population Focus	Mechanism	Est. # of Patients	2022 Valuation	2023 Valuation	Decline in Value (\$)
Oak Street Medical	PCP Group	MA	IPO	90,000	\$13B	\$9.5B	(\$3.5B)
Agilon Health	PCP MSO	MA	IPO	170,000	\$11.4B	\$7.3B	(\$4.1B)
Clover Health	MA Insurer	MA	SPAC	57,000	\$3.5B	\$600M	(\$2.9B)
Alignment Health	MA Insurer	MA	IPO	81,000	\$4.2B	\$1.0B	(\$3.2B)
Iora Health	PCP Group	MA	Acquisition	38,000	\$2.1B	Not published	NA
Village MD	ACO PCP Company	ACO/MA	IPO Planned	500,000	\$8.9B	10/22 - \$31.5B 9/23 - \$18.9B	(\$12.6B)
Devoted Health	MA Insurer	MA	Private Equity	17,000	\$3B	Not published	NA
CANO Health	PCP Group & MSO	MA	SPAC	103,000	\$4.4B	\$193M	(\$4.2B)
Bright Health	Insurer	MA, Exchange & Commercial	IPO	220,000	\$11.3B	\$49M	(\$11.3B)

Public Market Values: Last year vs. This year

Stock returns

Payers and payviders*

Company	Ticker	1 week	30 days	90 days	Market bottom	Market peak	YTD	1 year	3 years	5 years
Alignment Healthcare	ALHC	-4%	0%	-8%	-50%	-58%	-50%	-49%	N/A	N/A
Centene	CNC	-6%	0%	-1%	-16%	-24%	-24%	-26%	-0%	1%
Cigna	CI	-10%	0%	-3%	-14%	6%	-25%	-6%	32%	46%
Clover Health	CLOV	-4%	0%	0%	-46%	-79%	-9%	-60%	N/A	N/A
CVS Health	CVS	-2%	0%	-8%	-23%	-35%	-27%	-27%	6%	6%
Elevance Health	ELV	-1%	0%	-3%	-4%	-4%	-13%	-7%	73%	88%
Humana	HUM	13%	0%	3%	2%	8%	-2%	7%	32%	69%
Molina Healthcare	MOH	-5%	0%	2%	-22%	-13%	-17%	-2%	60%	180%
Oscar	OSCR	-14%	0%	12%	91%	-10%	198%	73%	N/A	N/A
UnitedHealth Group	UNH	2%	0%	3%	-3%	-3%	-8%	-5%	68%	99%
Mean		-3%	0%	-0%	-9%	-21%	2%	-10%	39%	70%
Median		-4%	0%	-1%	-15%	-12%	-15%	-7%	32%	69%

Value-based care*

Company	Ticker	1 week	30 days	90 days	Market bottom	Market peak	YTD	1 year	3 years	5 years
Agilon	AGL	8%	-7%	-22%	-18%	-33%	15%	-15%	N/A	N/A
ApolloMed	AMEH	7%	0%	-13%	-3%	-53%	7%	-18%	97%	22%
Bright	BHG	-32%	0%	-47%	-89%	-97%	-82%	-94%	N/A	N/A
Cano Health	CANO	2%	0%	49%	-84%	-85%	-1%	-69%	N/A	N/A
CareMax	CMAX	-23%	0%	-1%	-61%	-68%	-28%	-28%	N/A	N/A
InnovAge	INNV	-9%	0%	-16%	41%	34%	-6%	54%	N/A	N/A
P3	PIII	21%	0%	282%	-11%	-38%	120%	9%	N/A	N/A
Privia	PRVA	2%	0%	-10%	-29%	-8%	10%	-14%	N/A	N/A
Mean		-3%	-1%	28%	-32%	-43%	4%	-22%	97%	22%
Median		2%	0%	-11%	-23%	-45%	3%	-17%	97%	22%

Hospitals, rehabilitation, and long-term care*

Company	Ticker	1 week	30 days	90 days	Market bottom	Market peak	YTD	1 year	3 years	5 years
Community Health Systems	CYH	-13%	0%	-33%	52%	-75%	-24%	-13%	9%	-2%
Encompass Health	EHC	-5%	0%	15%	33%	17%	4%	39%	29%	15%
HCA Management Services	HCA	-11%	0%	0%	32%	4%	10%	57%	175%	157%
Tenet Healthcare	THC	-9%	0%	20%	34%	-11%	46%	35%	291%	112%
Universal Health Services	UHS	-13%	0%	4%	46%	0%	-6%	31%	43%	19%
Mean		3%	-14%	0%	39%	-13%	6%	5%	N/A	N/A
Median		3%	-7%	8%	34%	0%	4%	10%	N/A	N/A

Behavioral health and home health/hospice*

Company	Ticker	1 week	30 days	90 days	Market bottom	Market peak	YTD	1 year	3 years	5 years
Acadia Healthcare	ACHC	-7%	0%	-2%	-12%	17%	-14%	4%	183%	73%
Amedisys	AMED	-17%	0%	3%	-20%	-55%	-9%	-28%	-62%	-11%
Aveanna Healthcare	AVAH	-36%	0%	13%	-5%	-84%	51%	-48%	N/A	N/A
Option Care Health	OPCH	-9%	0%	-13%	-19%	-3%	-8%	-1%	105%	135%
Mean		-17%	0%	0%	-14%	-31%	5%	-18%	75%	66%
Median		-13%	0%	0%	-16%	-29%	-9%	-14%	105%	73%

Other healthcare providers*

Company	Ticker	1 week	30 days	90 days	Market bottom	Market peak	YTD	1 year	3 years	5 years
AMN Healthcare Services	AMN	-9%	0%	14%	-15%	-21%	-8%	-13%	107%	62%
ATI Physical Therapy	ATIP	-21%	0%	-31%	-83%	-95%	-42%	-88%	N/A	N/A
Cross Country Healthcare	CCRN	-4%	0%	14%	-21%	-8%	-4%	22%	312%	127%
DaVita	DVA	-4%	0%	15%	7%	-19%	25%	17%	21%	35%
Pediatric Medical Group	MD	-2%	0%	-11%	-21%	-52%	-10%	-37%	-19%	-69%
Surgery Partners	SGRY	-7%	0%	9%	53%	-32%	35%	30%	233%	152%
The Oncology Institute	TOI	-24%	0%	-37%	-91%	-96%	-74%	-92%	N/A	N/A
U.S. Physical Therapy	USPH	-10%	0%	4%	30%	2%	26%	-6%	29%	6%
Walgreens Boots Alliance	WBA	-3%	0%	-12%	-5%	-43%	-19%	-20%	-28%	-49%
Mean		-9%	0%	-4%	-16%	-40%	-8%	-21%	94%	38%
Median		-7%	0%	4%	-15%	-32%	-8%	-13%	29%	35%

Indexes*

Indexes	1 week	30 days	90 days	Market bottom	Market peak	YTD	1 year	3 years	5 years
S&P 500	5%	0%	-8%	19%	-37%	6%	13%	9%	59%
NASDAQ	12%	0%	1%	-4%	-18%	-10%	9%	41%	82%
Russell 2000	4%	8%	5%	12%	-17%	7%	11%	34%	15%
S&P Health Care	-3%	0%	-2%	5%	-9%	-6%	-1%	30%	54%

Source: Morningstar • Geography: US • *As of June 30, 2023

Public Market Values: Last year vs. This year

Value-based care*

Company	Ticker	Market								
		1 week	30 days	90 days	bottom	peak	YTD	1 year	3 years	5 years
Agilon	AGL	8%	-7%	-22%	-18%	-33%	15%	-15%	N/A	N/A
ApolloMed	AMEH	7%	0%	-13%	-3%	-53%	7%	-18%	97%	22%
Bright	BHG	-32%	0%	-47%	-89%	-97%	-82%	-94%	N/A	N/A
Cano Health	CANO	2%	0%	49%	-84%	-85%	-1%	-69%	N/A	N/A
CareMax	CMAX	-23%	0%	-1%	-61%	-68%	-28%	-28%	N/A	N/A
InnovAge	INNV	-9%	0%	-16%	41%	34%	-6%	54%	N/A	N/A
P3	PIII	21%	0%	282%	-11%	-38%	120%	9%	N/A	N/A
Privia	PRVA	2%	0%	-10%	-29%	-8%	10%	-14%	N/A	N/A
	Mean	-3%	-1%	28%	-32%	-43%	4%	-22%	97%	22%
	Median	2%	0%	-11%	-23%	-45%	3%	-17%	97%	22%

Value-based care*

Company	Ticker	Enterprise value (\$B)	Actual EBITDA (\$B)						Forecast EBITDA (\$B)						YoY EBITDA growth						EBITDA margin						Current EV/forecast EBITDA			EV/NTM EBITDA						
			19A	20A	21A	22A	23E	24E	25E	20A	21A	22A	23E	24E	25E	19A	20A	21A	22A	23E	24E	25E	23E	24E	25E	2018	2019	2020	2021	2022	2023	6/30				
Agilon Health	AGL	\$6.4	N/A	-\$0.1	-\$0.4	-\$0.1	\$0.0	\$0.1	\$0.3	N/A	555%	-79%	-115%	871%	155%	N/A	-5%	-20%	-3%	0%	2%	4%	531.3x	54.7x	21.5x	N/A	N/A	N/A	-522.5x	559.0x	419.2x	69.5x				
Apollo Medical Holdings	AMEH	\$1.5	\$0.1	\$0.1	\$0.0	\$0.1	\$0.1	\$0.2	N/A	80%	-67%	306%	-1%	26%	N/A	10%	15%	4%	12%	10%	10%	N/A	11.1x	8.8x	N/A	10.7x	10.5x	7.6x	17.0x	16.0x	11.8x	9.3x				
Bright Health Group	BHG	\$1.2	N/A	N/A	-\$0.3	-\$0.4	-\$0.0	\$0.0	\$0.0	N/A	N/A	50%	-94%	-199%	4%	N/A	N/A	-18%	-17%	-1%	1%	1%	-51.4x	52.1x	50.0x	N/A	N/A	N/A	-5.8x	0.3x	-647.7x	N/A				
Cano Health	CANO	\$1.8	N/A	N/A	-\$0.0	\$0.3	\$0.1	\$0.1	\$0.1	N/A	N/A	N/A	-70%	66%	14%	N/A	N/A	-0%	9%	2%	3%	3%	23.6x	14.2x	12.5x	N/A	N/A	N/A	17.0x	22.9x	22.4x	18.8x				
CareMax	CMAX	\$0.7	N/A	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	N/A	-13%	-9%	108%	63%	128%	N/A	18%	5%	2%	4%	6%	6%	23.5x	14.4x	6.3x	N/A	N/A	N/A	30.0x	17.9x	18.2x	15.6x				
InnovAge	INNV	\$1.0	N/A	N/A	N/A	\$0.0	-\$0.0	\$0.0	\$0.0	N/A	N/A	N/A	-102%	N/A	43%	N/A	N/A	N/A	4%	-0%	2%	3%	N/A	56.0x	39.2x	N/A	N/A	N/A	51.2x	-191.5x	90.0x	56.0x				
P3 Health Partners	PIII	\$0.9	N/A	N/A	N/A	-\$0.2	-\$0.0	-\$0.0	\$0.0	N/A	N/A	N/A	-68%	-90%	-120%	N/A	N/A	N/A	-15%	-4%	-0%	0%	-18.8x	-186.3x	926.4x	N/A	N/A	N/A	-4.0x	-5.9x	-24.5x	-51.7x				
Privia Health	PRVA	\$2.8	N/A	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	N/A	-40%	292%	13%	32%	37%	N/A	3%	2%	5%	4%	5%	6%	38.4x	29.1x	21.3x	N/A	N/A	N/A	85.0x	46.5x	36.6x	32.7x				
Sum		\$16.2	\$0.1	\$0.1	-\$0.6	-\$0.1	\$0.2	\$0.6	\$0.7	60%	-742%	-75%	-276%	136%	25%	Mean	10%	8%	-4%	-0%	2%	4%	3%	80x	5x	154x	10.7x	10.5x	7.6x	-415x	58.1x	-9.3x	21.5x			
										Median	10%	9%	1%	3%	1%	3%	3%	3%	3%	3%	3%	3%	23x	22x	21x	10.7x	10.5x	7.6x	17.0x	16.9x	20.3x	18.8x				

Losses are Mounting

DIVE BRIEFS

Oak Street Health posts \$510M loss, outlines risks to CVS acquisition

CVS layoffs hit Rhode Island, Connecticut, New York and more

The healthcare giant is letting go almost 770 employees from its Rhode Island headquarters alone.

...However, the unit reported an adjusted operating loss of \$172 million. The loss was due to investments in new clinic expansions at VillageMD and fewer visits to CityMD — the urgent care provider VillageMD [acquired in its Summit Health deal](#) late last year — amid the low respiratory season.

Becker's:

UnitedHealth Group's Optum and its subsidiaries reportedly have been laying off employees, including registered nursing positions at nearly 150 of its urgent care facilities.

Primary Care Practices

- Facing significant challenges in 2023
- Survived the pandemic, but struggling financially with continued high inflation rate
- Rise in nursing salaries outpacing inflation significantly
- Working short staffed
- Difficulty hiring and retaining staff, constantly training staff
- High physician burnout rate
- Need new sources of income, but risk averse

Opportunities In Specialty Care

OWN:

Control Care Continuum (“leakage”)

Control Referrals (Site of Service, Labs, Follow Up)

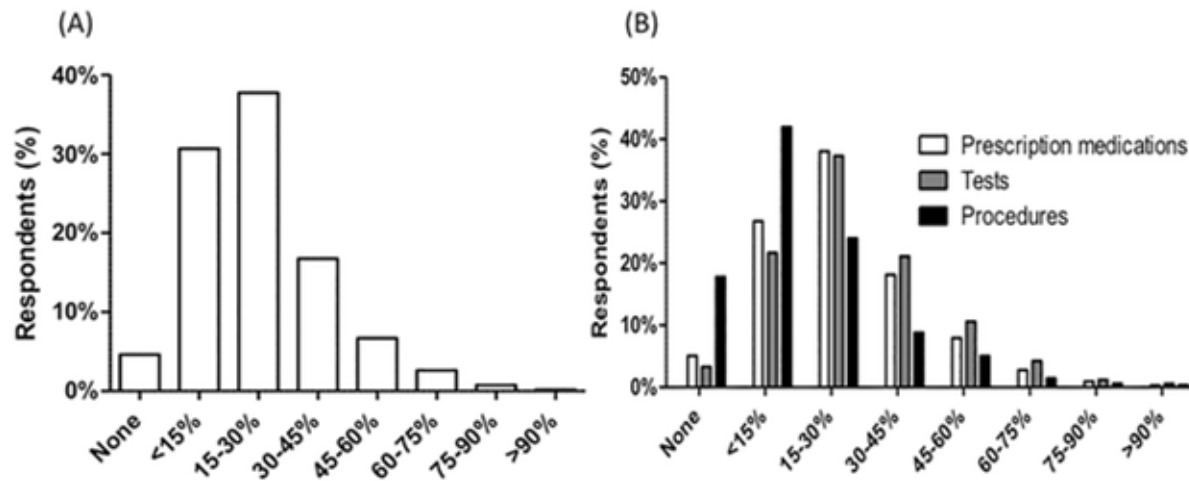
VBC/ Shared Savings (post acute)

PARTNER:

Identify opportunities to reduce specialty cost of care

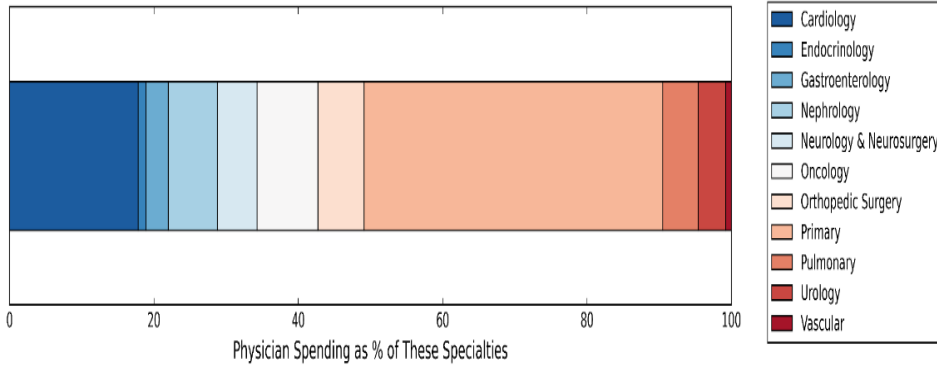
Controlling Specialty Spend: Cost v. Utilization

Fig 1. Physician perceptions on overtreatment.



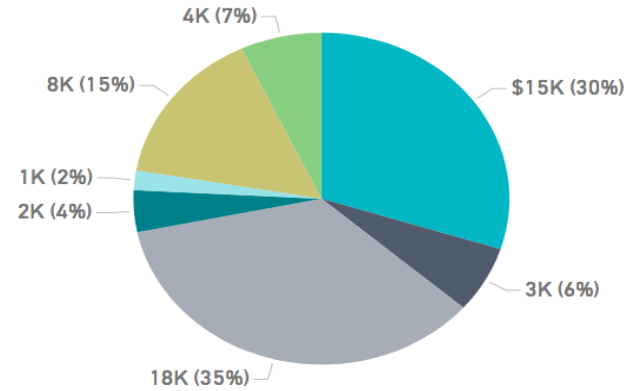
Lyu H, Xu T, Brotman D, Mayer-Blackwell B, Cooper M, et al. (2017) Overtreatment in the United States. PLOS ONE 12(9): e0181970. <https://doi.org/10.1371/journal.pone.0181970>
<https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0181970>

Controlling Specialty Spend

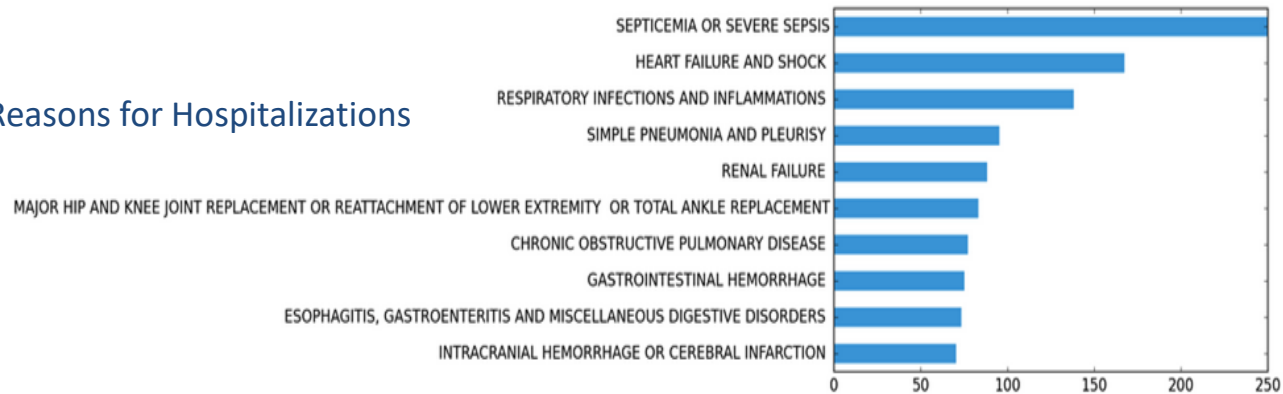


- Initial Procedure
- Readmissions
- Skilled Nursing
- Home Health
- Outpatient Procedures
- Clinical
- Other

MJRLE Cost Breakdown



Hospitalization Rates/ Reasons for Hospitalizations



Site of Service (by Payor) Price Transparency: Hospital Data

FacilityName	COMANCHE COUNTY MEDICAL CENTER
ProcedureCode	99283
MSA / Procedure	
Dallas-Fort Worth TX CMSA	
Emergency dept visit	
FIRST_CARE_HMO_SELF_FUNDED	8,133
Discounted Cash Price	755
BCBS_PPO	636
BCBS_HMO_BLUE	601
BCBS_BLUE_OPTION	601
FIRST_CARE_HMO	494
HUMANA	407
cigna	378

Mast mod rad	
Insurances__AETNA MEDICAL RENTAL NETWORK (FIRST HEALTH)	12,184
Insurances__AETNA COMMERCIAL (INDEMNITY PLANS NOT CONTRACTED)	12,184
Insurances__6 DEGREES COMMERCIAL	12,184
Insurances__AETNA AUTO	12,184
Insurances__AETNA WORKERS COMP	12,184
Insurances__HORIZON BCBS OF NJ COMMERCIAL (PPO)	10,966
Insurances__HORIZON BCBS OF NJ COMMERCIAL (INDEMNITY)	10,966
Insurances__FAIRPRICE HEALTHCARE HOLDINGS (FPFH) COMMERCIAL	9,747
Insurances__NAPHCARE (RESIDENTIAL TREATMENT CENTER) RESIDENTIAL INM	9,443
Insurances__EMPLOYER DIRECT HEALTHCARE COMMERCIAL	8,529
Insurances__QUALCARE WORKERS COMP	6,922
Insurances__QUALCARE COMMERCIAL PPO	6,633
Insurances__WELLCARE MEDICARE	6,275
Insurances__UNITED HEALTHCARE MEDICARE (UHC & OXFORD)	6,092
Insurances__DISCOUNTED CASH PRICE	6,092
Insurances__AETNA MEDICARE	6,092
Insurances__AMERICHoice (UHC) MEDICARE	6,092
Insurances__HORIZON NJ HEALTH DUALS (FIDESNP)	6,092
Insurances__HORIZON BCBS OF NJ MEDICARE	6,092
Insurances__QUALCARE COMMERCIAL (HMO/POS)	5,768
Insurances__UNITED HEALTHCARE COMMERCIAL (ALL PAYER)	5,673
Insurances__UNITED HEALTHCARE COMMERCIAL OXFORD	5,285
Insurances__HORIZON CASUALTY SERVICES PERSONAL INJURY PROGRAM (PIP	4,901
Insurances__HORIZON CASUALTY SERVICES WORKERS COMP	4,680
Insurances__AMERICHoice (UHC) MEDICAID	4,431
Insurances__HORIZON NJ HEALTH MEDICAID	4,431

Source: Health Cost Labs

Price Transparency: Commercial Payor Data

Procedure	Description	Procedure Count	Avg. Rate	SMC Rate	Potential Rate Increase	Revenue	Revenue Opportunity
99214	Established Patient Office Or Other Outpatier	10617	\$132.41	\$72.87	\$59.54	\$773,660.79	\$632,136.18
99204	New Patient Office Or Other Outpatient Visit,	5235	\$198.99	\$106.64	\$92.35	\$558,260.40	\$483,452.25
90945	Dialysis Procedure Including 1 Evaluation	2047	\$122.64	\$79.35	\$43.29	\$162,429.45	\$88,614.63
93306	Ultrasound Of Heart With Color-Depicted Blo	2178	\$189.99	\$196.07	-\$6.08	\$427,040.46	-\$13,242.24
99205	New Patient Office Or Other Outpatient Visit,	531	\$242.25	\$112.66	\$129.59	\$59,822.46	\$68,812.29
99233	Follow-Up Hospital Inpatient Care Per Day, Ty	709	\$135.31	\$88.91	\$46.40	\$63,037.19	\$32,897.60
93000	Routine Electrocardiogram (Ecg) Using At Lea	7299	\$26.56	\$15.83	\$10.73	\$115,543.17	\$78,318.27
99232	Follow-Up Hospital Inpatient Care Per Day, Ty	852	\$95.32	\$64.75	\$30.57	\$55,167.00	\$26,045.64
99215	Established Patient Office Or Other Outpatier	396	\$176.87	\$95.79	\$81.08	\$37,932.84	\$32,107.68
90960	Dialysis Services, 4 Or More Physician Visits P	143	\$413.74	\$262.28	\$151.46	\$37,506.04	\$21,658.78
99223	Initial Hospital Inpatient Care Per Day, Typical	207	\$264.27	\$178.52	\$85.75	\$36,953.64	\$17,750.25
99222	Initial Hospital Inpatient Care Per Day, Typical	223	\$187.93	\$146.04	\$41.89	\$32,566.92	\$9,341.47
95251	Continuous Monitoring Of Blood Sugar Level	730	\$51.62	\$30.23	\$21.39	\$22,067.90	\$15,614.70
99457	Management Using The Results Of Remote V	619	\$72.46	\$55.43	\$17.03	\$34,311.17	\$10,541.57
93015	Exercise Or Drug-Induced Heart Stress Test W	470	\$115.05	\$66.09	\$48.96	\$31,062.30	\$23,011.20
90966	Home Dialysis Services Per Month (20 Years C	57	\$339.97	\$220.30	\$119.67	\$12,557.10	\$6,821.19
93010	Routine Electrocardiogram (Ecg) Using At Lea	1386	\$11.43	\$7.65	\$3.78	\$10,602.90	\$5,239.08
78452	Nuclear Medicine Studies Of Heart Muscle At	136	\$414.36	\$471.34	-\$56.98	\$64,102.24	-\$7,749.28
90935	Hemodialysis Procedure With Physician Evalu	148	\$106.88	\$67.09	\$39.79	\$9,929.32	\$5,888.92
96413	Administration Of Chemotherapy Into Vein, 1	705	\$231.72	\$156.56	\$75.16	\$110,374.80	\$52,987.80
99291	Critical Care, First 30-74 Minutes	39	\$389.98	\$251.20	\$138.78	\$9,796.80	\$5,412.42
Total						\$2,664,724.89	\$1,595,660.40

Source: Payer Price

Quality Metrics: The next generation

"The level of discordance between physician MIPS scores and performance on patient outcomes suggests that the MIPS program is ***approximately as effective as chance*** at identifying high vs low performance:"

<https://jamanetwork.com/journals/jama/article-abstract/2799153>

The Search for More Meaningful Metrics:

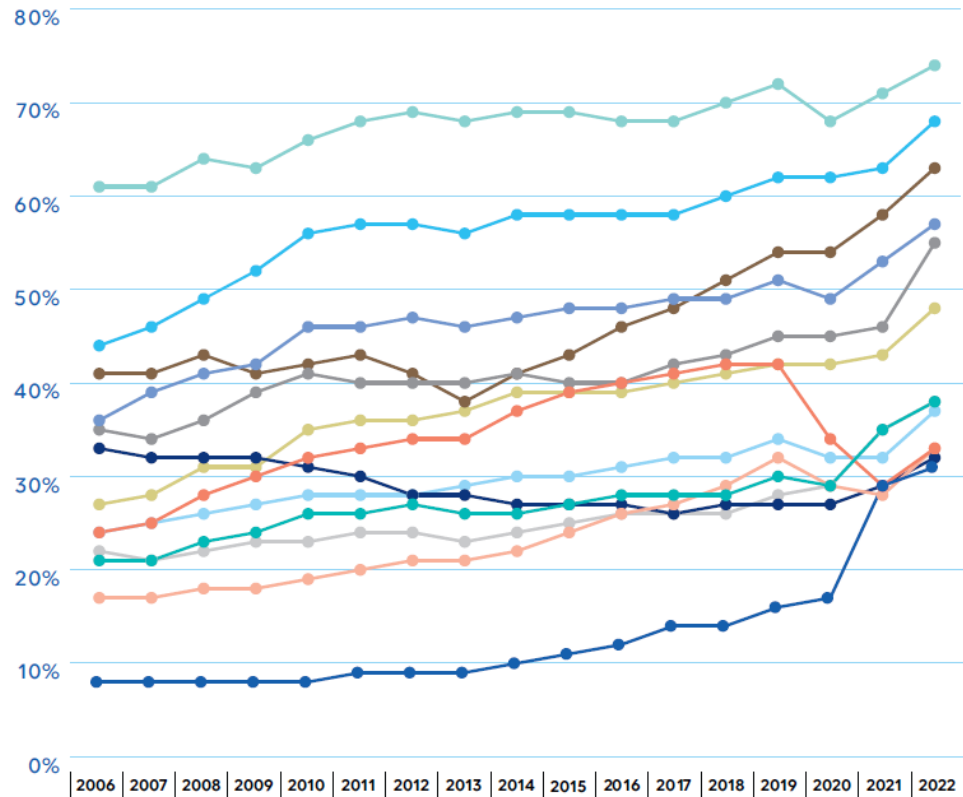
Surgical Scorecards

Clinical Appropriate Measures (e.g. Mohs, C-section rates)

Cost: Coding Levels

Percentage of Level 4/5 Visits
by Specialty,
All Insurance Types

- Cardiology
- Dermatology
- ENT
- Emergency Medicine
- Gastroenterology
- Hematology/Oncology
- Neurology
- Non-Physician
- Obstetrics/Gynecology
- Primary Care
- Psychiatry
- Surgeon
- Urology



**Source: Elevance Health
Public Policy Institute**

Painting the Whole Picture:

RVUs, CPT Codes, Case Mix

Prescribing: Rebates, Biosimilars

Coding: FFS, RAF

Payor Contracts: Payor Matrix, In vs. OON, Rates

Quality: Outcomes, Patient Satisfaction

Cost/ Utilization

Specialists accelerate adoption of VBC models

Value-based care adoption is highest in primary care but other specialties see meaningful and growing traction.

Value-based care (VBC) adoption by medical specialty,¹ nonexhaustive

	← HIGH ADOPTION → LOW ADOPTION						
Specialty	Primary care	Nephrology	Oncology	Orthopedics	Women's health	Cardio-vascular	Behavioral health
Description	Enables primary care to act as the "quarterback" and take full responsibility for patient health	Enables nephrologists to succeed in CMS ⁴ and MA VBC ⁵ focused on reducing CKD/ESRD ⁶ costs	Enables oncologists to prescribe an appropriate drug for the patient while maximizing practice margin from prescription	Large spend area with significant employer focus and increase in penetration of episodes	Pregnancy episodes particularly in Medicaid and increasingly commercial	Large spend area, particularly in MA, driving high inpatient and emergency department utilization; site-of-care shift for procedures	Episode-based models for facilities with more innovative approaches involving PCPs on integration of BH ⁸ /physical health
Applicable CMMI model	Primary care first, MSSP, ² ACO REACH ³	Kidney care choices, ESRD treatment choices	Oncology care model, enhancing oncology model	Comprehensive care for joint replacement, BPCI ⁷	n/a	BPCI	n/a

¹Proportion of money in specialty at risk. ²Medicare Shared Savings Program. ³Accountable care organization Realizing Equity, Access, and Community Health (REACH) model. ⁴Centers for Medicare & Medicaid Services. ⁵Medicare Advantage value-based care. ⁶Chronic kidney disease/end-stage renal disease. ⁷Bundled Payments for Care Improvement initiative. ⁸Behavioral health.
Source: Centers for Medicare & Medicaid Services Alternative Payment Models program data; expert interviews and discussions with payer and provider senior executives

McKinsey & Company

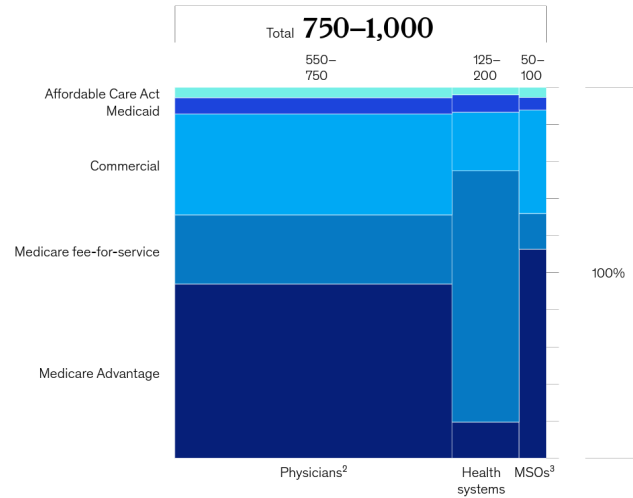
Value-based care models are expected to grow across all lines of business

Dependent factors include:

- McKinsey estimates growth rates to be 10-15% for number of lives in all VBC arrangements, with growth rates for lives in full or partially capitated contracts to be 20-30%
- Improved medical-cost-management performance from providers in VBC contracts and becoming more critical in the face of potential medical-cost inflation
- Value-based care continues to correspond to improved outcomes, increased preventative care, and improved patient satisfaction

Total valuations of value-based care assets could reach \$1 trillion.

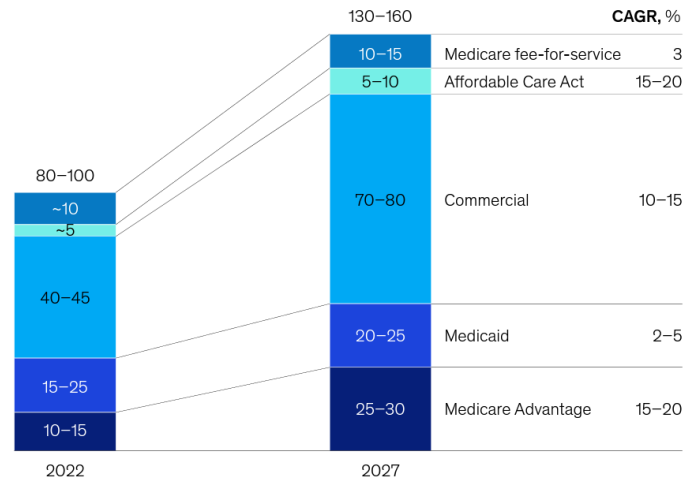
2027 enterprise value of the margin from value-based care adoption,¹ \$ billion



¹Assumes ~160 million lives in value-based care models accounting for \$1.6 trillion-1.7 trillion in medical spending, with medical-cost savings ranging from 3-20% based on level of risk, of which 50% is realized as profit margin with a 12-15x valuation multiple applied.
²Primary care providers and specialty providers.
³Management services organizations and technology.

McKinsey & Company

Lives in all value-based care models,¹ million lives



¹Includes pay-for-performance or quality to full capitation.

McKinsey & Company

QUESTIONS?



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