The Future Has Already Happened - Looking Back To Predict The Future

March 4, 2020, 10:00 – 12:00

Monica E. Oss, Chief Executive Officer, *OPEN MINDS*

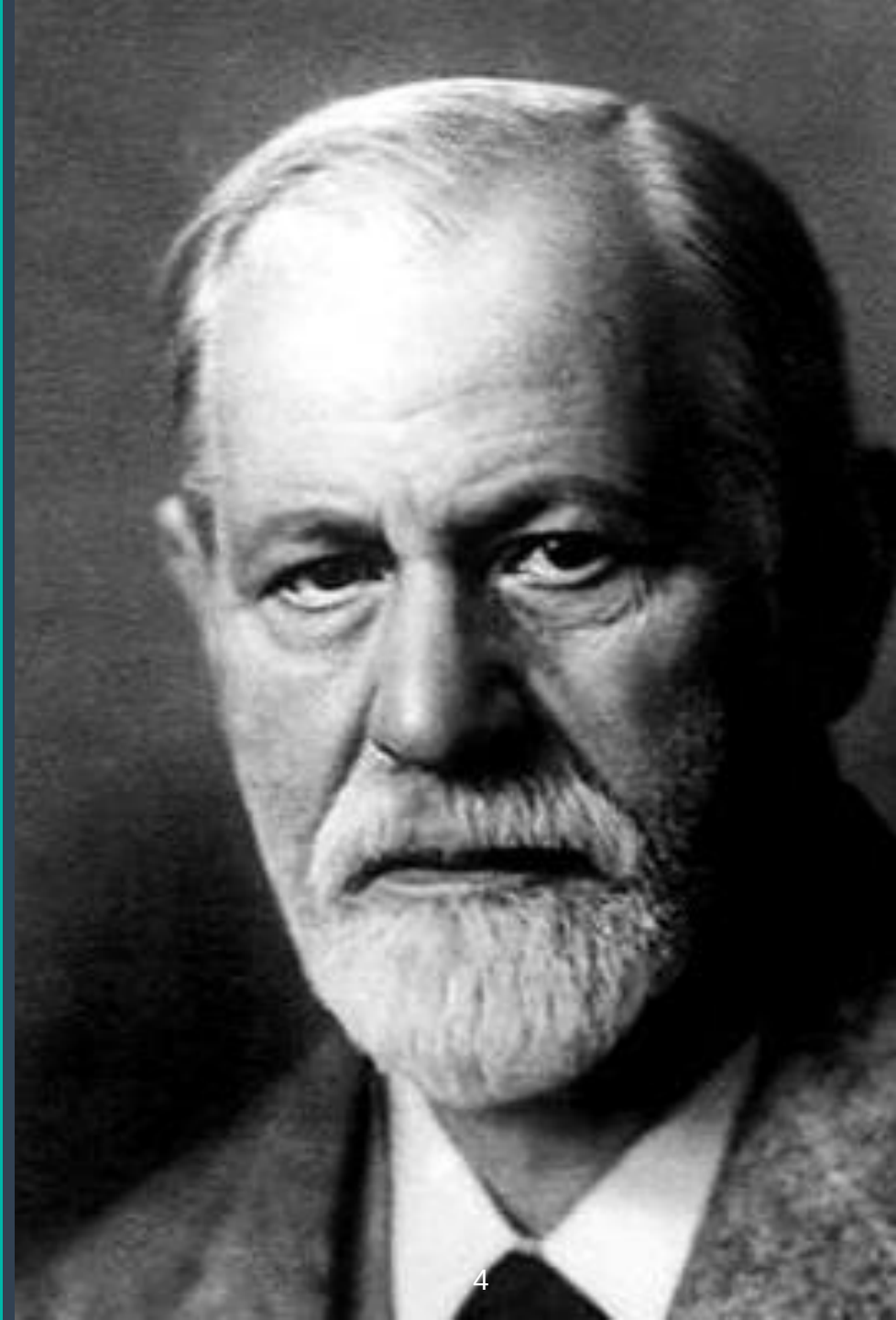
I. A Walk Down Memory Lane – How Did We Get Here?

Dorothea Dix

- 1840-41: Statewide investigation of care for poor people with mental illness in Massachusetts
- 1844: Investigation of alms houses and jails in New Jersey –led to legislation in 1845 to establish a facility
- 1845: Pennsylvania State Lunatic Hospital and Union Asylum for the Insane
- Believed in moral treatment for people with mental illness: modesty, chastity, delicacy

Sigmund Freud

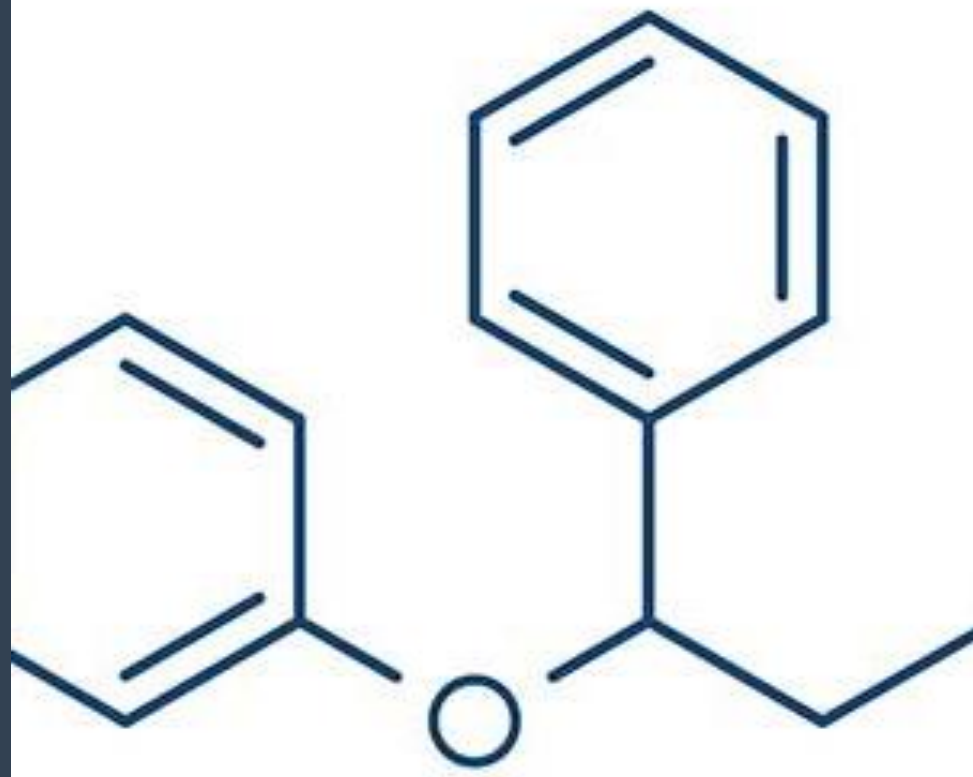
- Father of psychoanalysis
- Events in our childhood have a great influence on our adult lives and shaping our personality
- Life work was dominated by his attempts to find ways of penetrating this often subtle and elaborate camouflage that obscures the hidden structure and processes of personality
- 1901 – 1905: developed a topographical model of the mind (Conscious, subconscious unconscious and id)



Similarities are strictly coincidental

Psychopharmacology

- Antipsychotics
  - Typical antipsychotics developed in the 1950s
    - Chlorpromazine (Thorazine): 1951
- Antidepressants
  - 1950s. Scientists at the Munsterlingen asylum in Switzerland found that a drug that tweaked the balance of the brain's neurotransmitters
    - Led imipramine and marketed as Tofranil in 1958, followed by dozens of rivals — known as tricyclics for their three-ring chemical structure — as drug companies rushed to take advantage of a burgeoning market.
- Pharmacologic treatment for mental illness



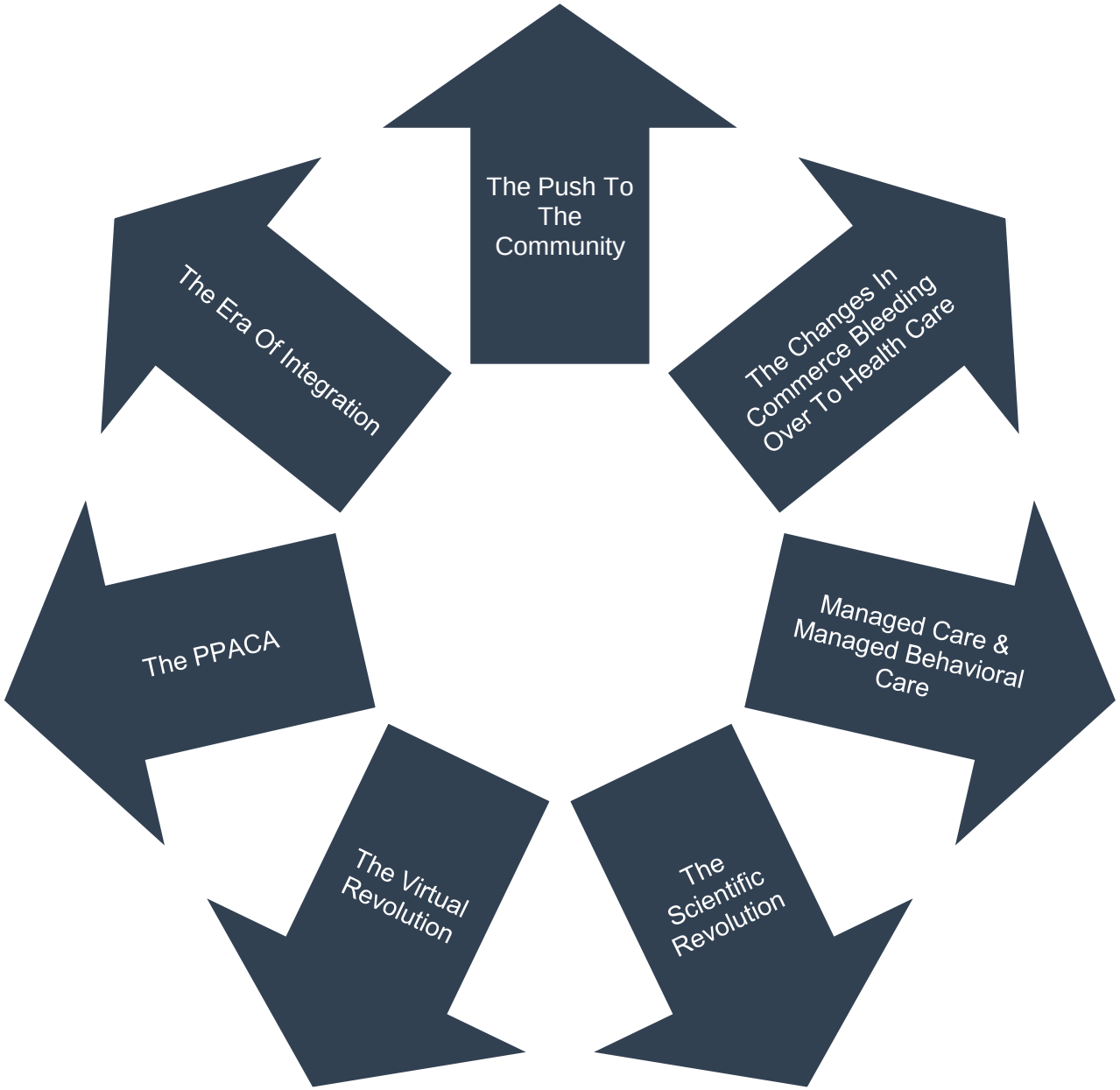
fluoxetine

Deinstitutionalization

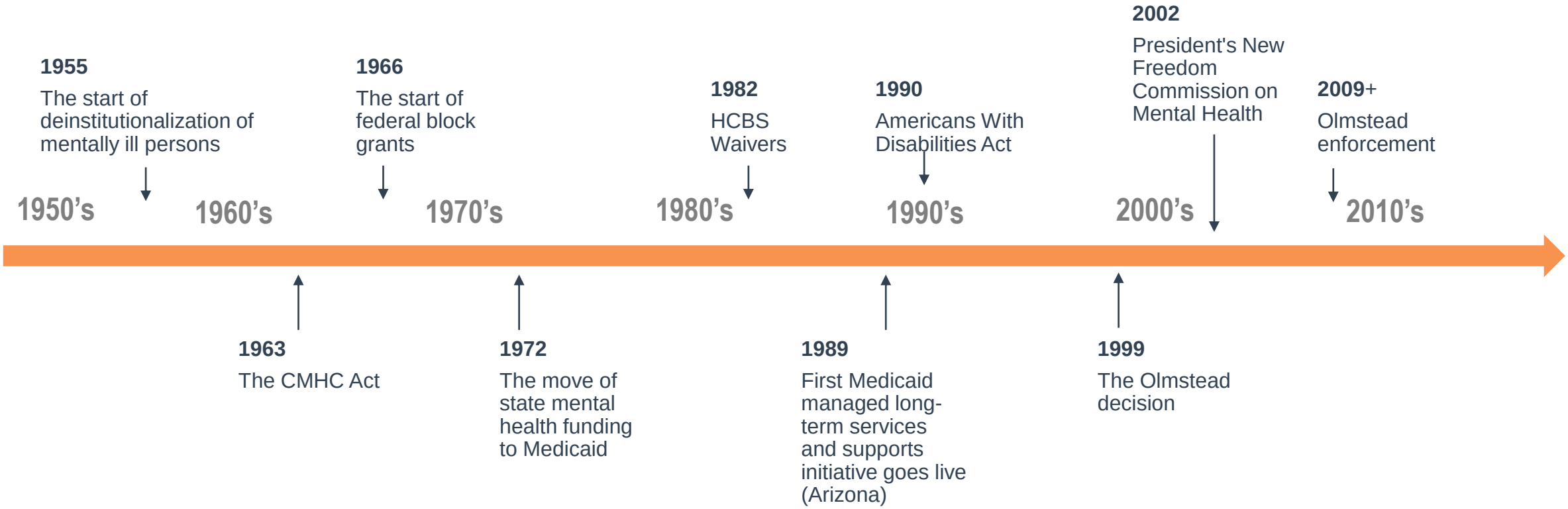
- NIMH (established in 1946)
- Changes in public understanding of mental health treatment
- Increased access to psychiatric pharmaceuticals
- One Flew Over the Cuckoo's Nest (1962)
- Community Mental Health Act (1963) signed by JFK ($329 million)
- Rogers v. Okin (1975): Right to refuse treatment

- Community-based treatment for mental illness

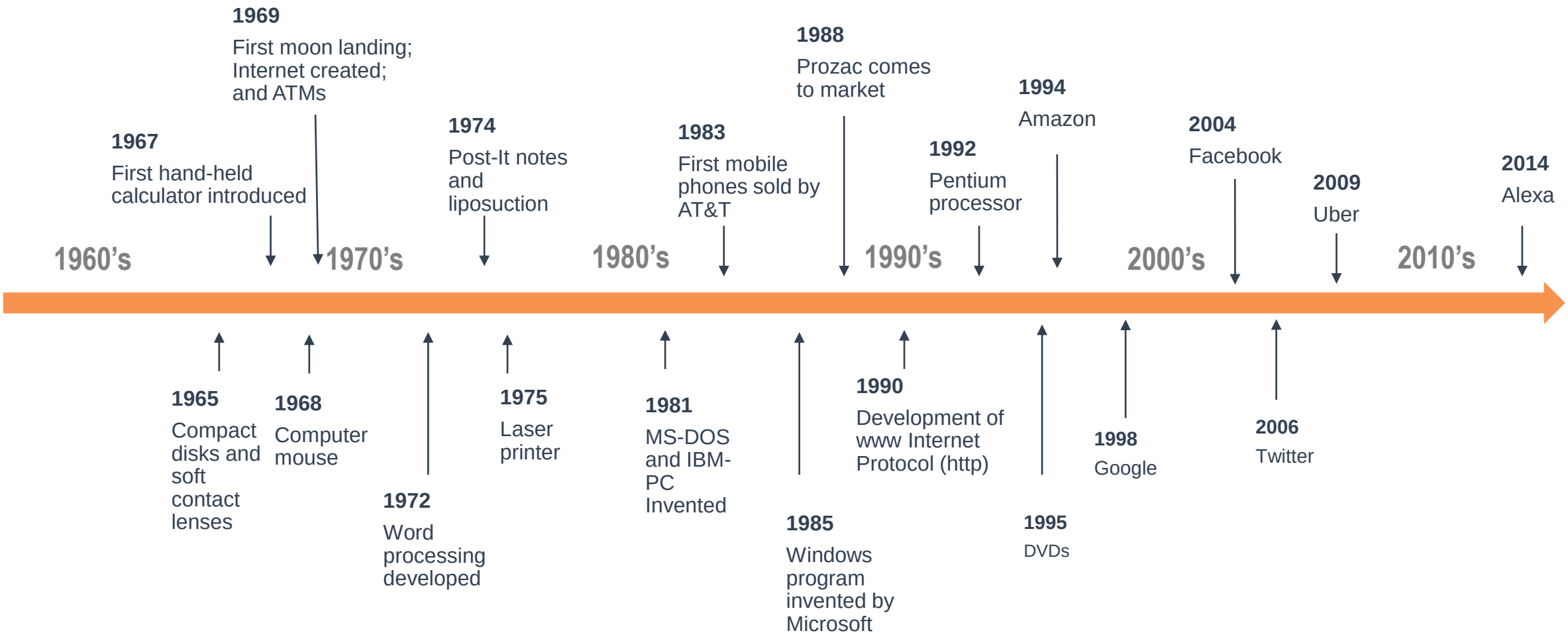
The timelines that have shaped behavioral health of the past decades…



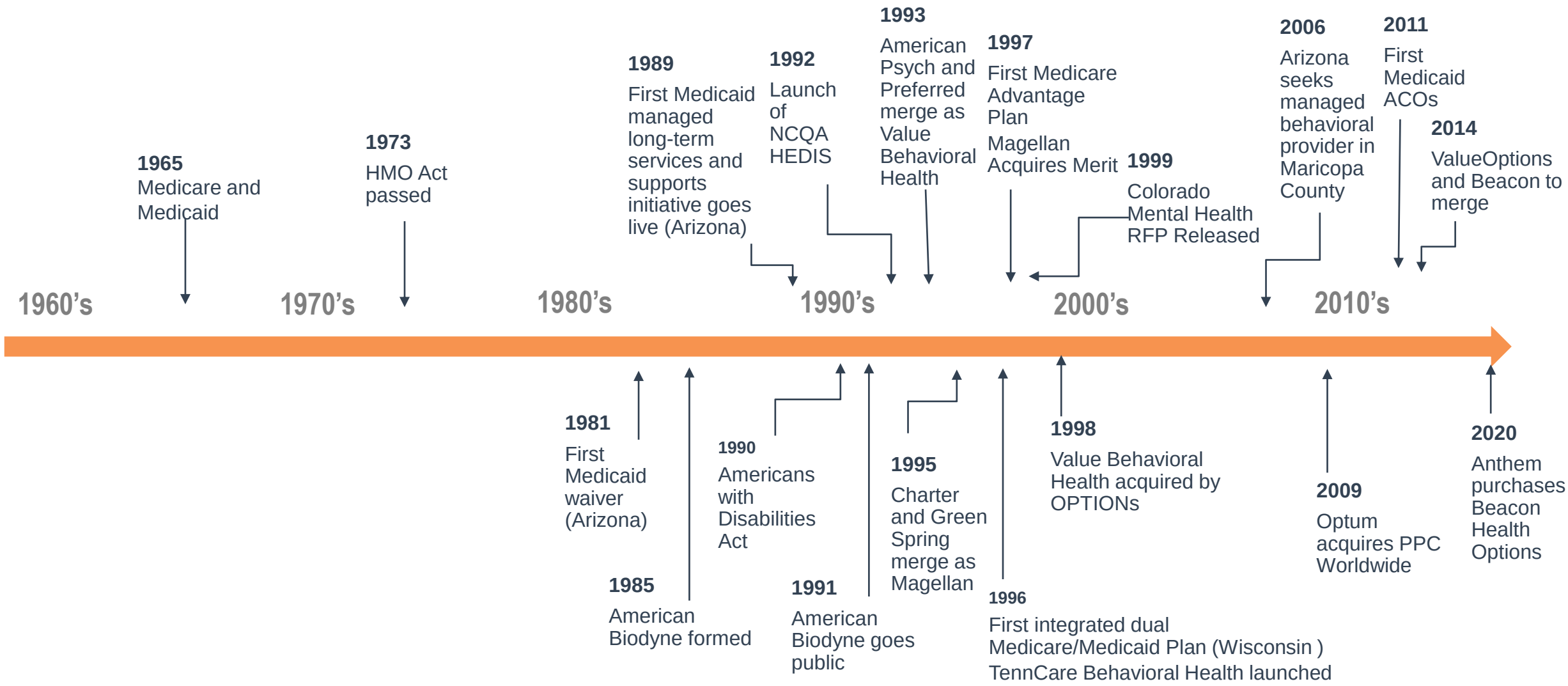
Timeline #1: The Push To The Community



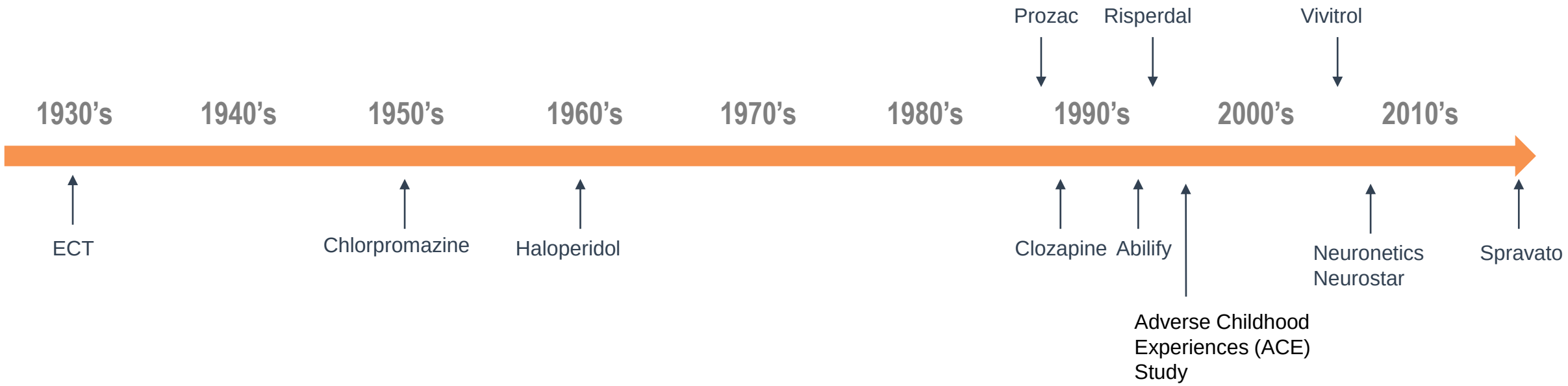
Timeline #2: Commercial Changes Affecting Health & Human Services



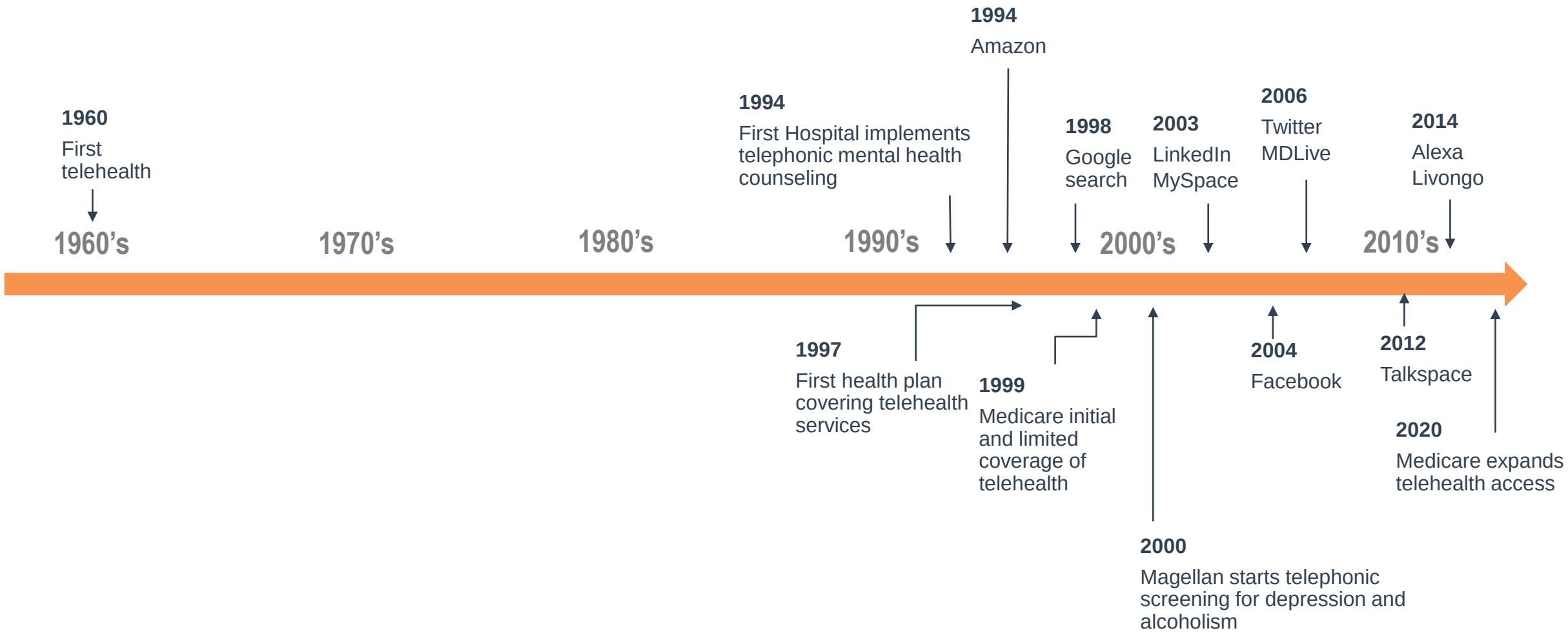
Timeline #3: Managed Behavioral Care



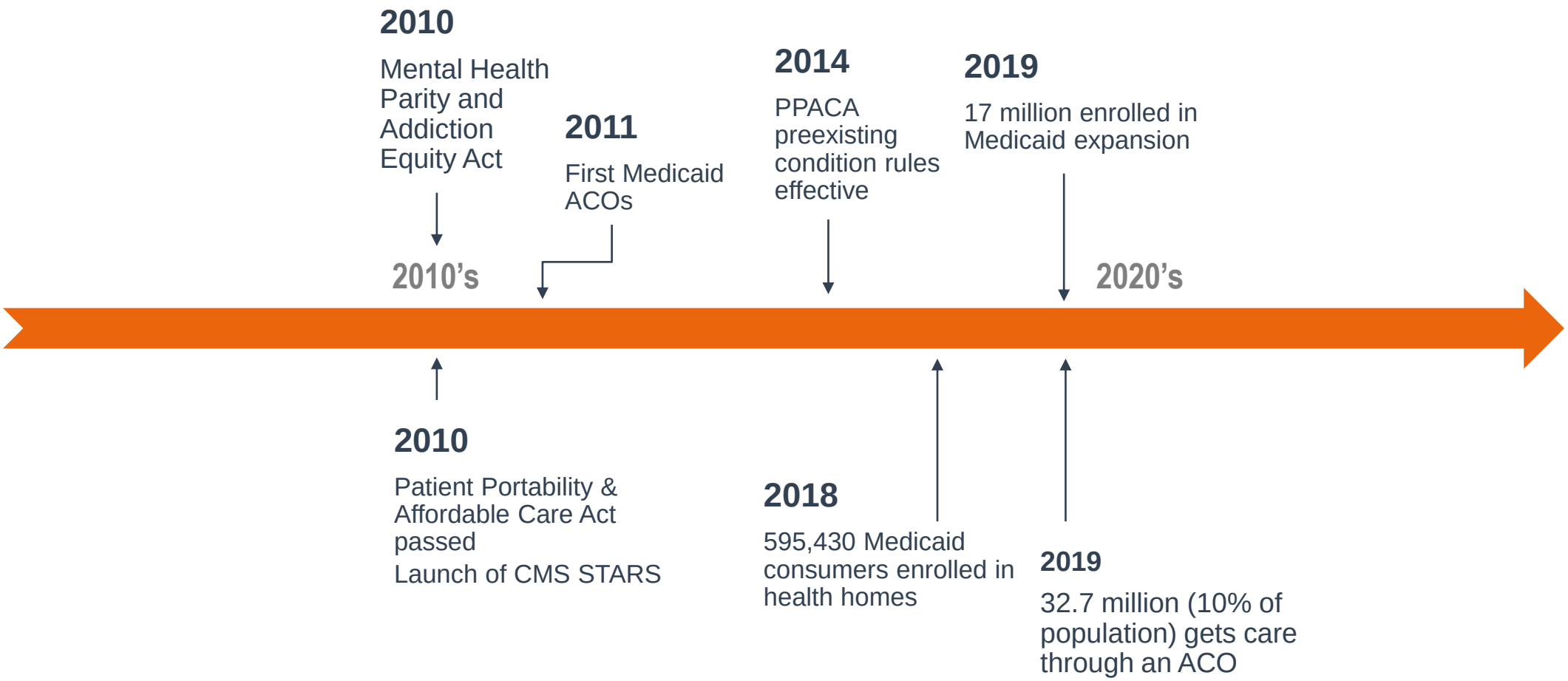
Timeline #4: The Scientific Revolution



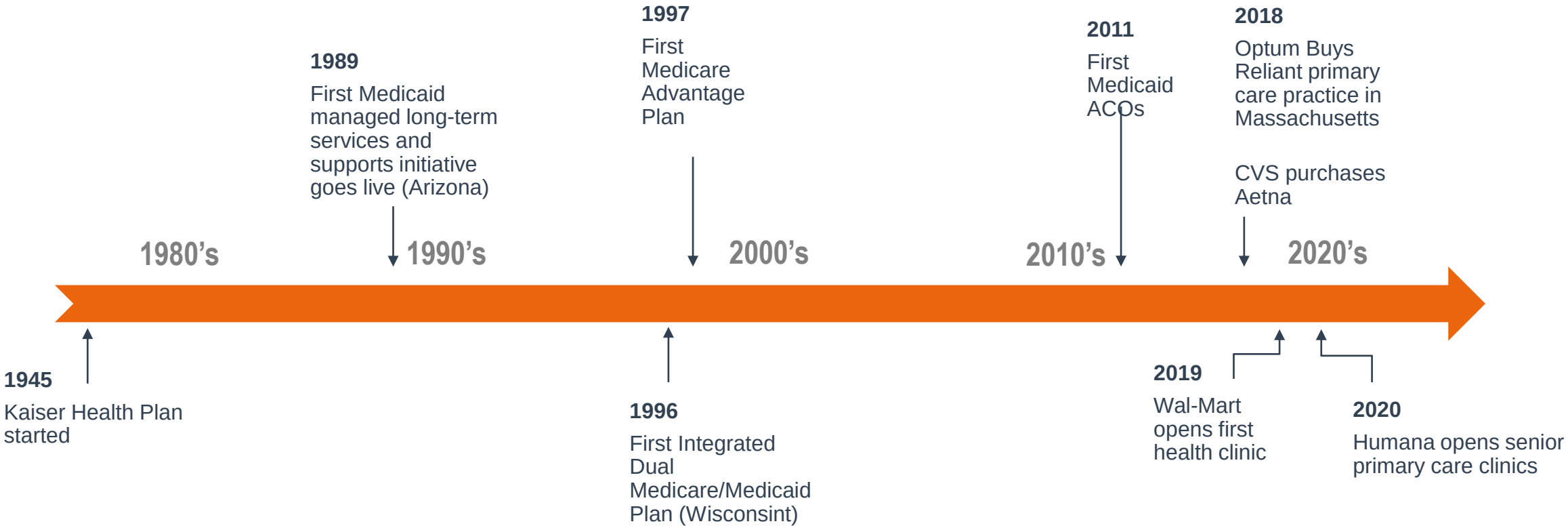
Timeline #5: The Virtual Revolution



Timeline #6: The Patient Portability & Affordable Care Act



Timeline #7: The Era Of Integration

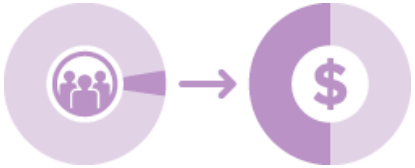


II. The Trends Shaping The Future Of Treatment - Where Are We?

The Drivers Of The Changing Service Delivery Landscape

Behavioral Health Conditions Predict Increased Health Care Spending

Behavioral health problems cost



$200 billion

per year, more than heart conditions, trauma, or cancer

People with one or more behavioral health conditions spend

$672 billion

annually on overall health care

People diagnosed with a comorbid behavioral health and chronic health condition

Cost 300%

more than those with only a chronic health condition

- The result - 5% of Americans (most of whom have a behavioral health condition) consume half of all health care resources
- This was always the case, but wasn't an issue until changes in health care financing

The result of parity, no annual and lifetime coverage limits, and better data…

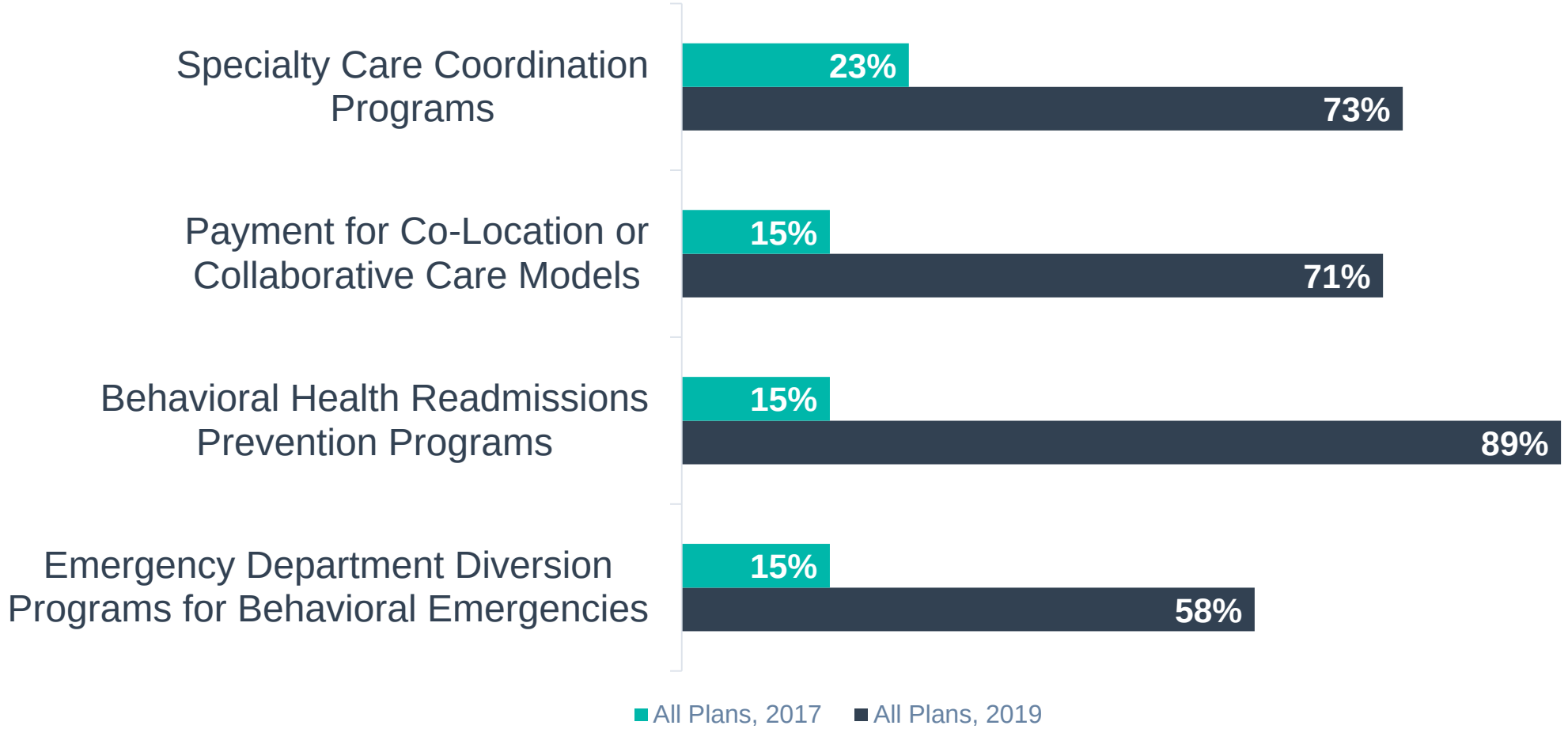
Payer preference for integrated care coordination - particularly for consumers with complex needs

The trend –

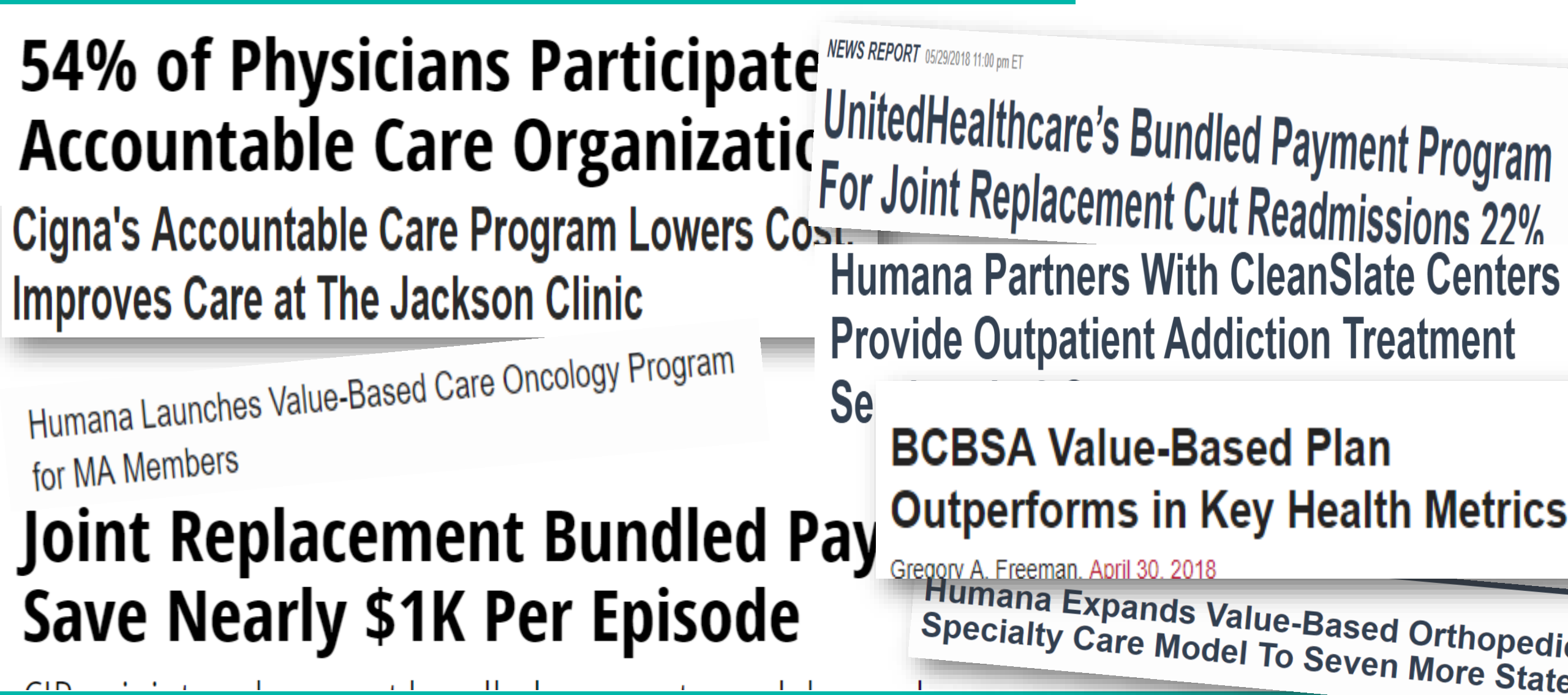
single care management entity per consumer (medical, pharmacy, behavioral, and social) - all with some form of performance-based reimbursement

- Accountable care organizations – Medicare, Medicaid, commercial
- Specialty care coordination programs – medical homes, health homes ‘whole person’ care coordination
- Integrating Medicare and Medicaid for the dual eligible population
- Medicaid managed long-term care initiatives - growth in both freestanding and integrated plans
- Bundled rate programs - Medicare and health plans
- Health plan episodic case rates

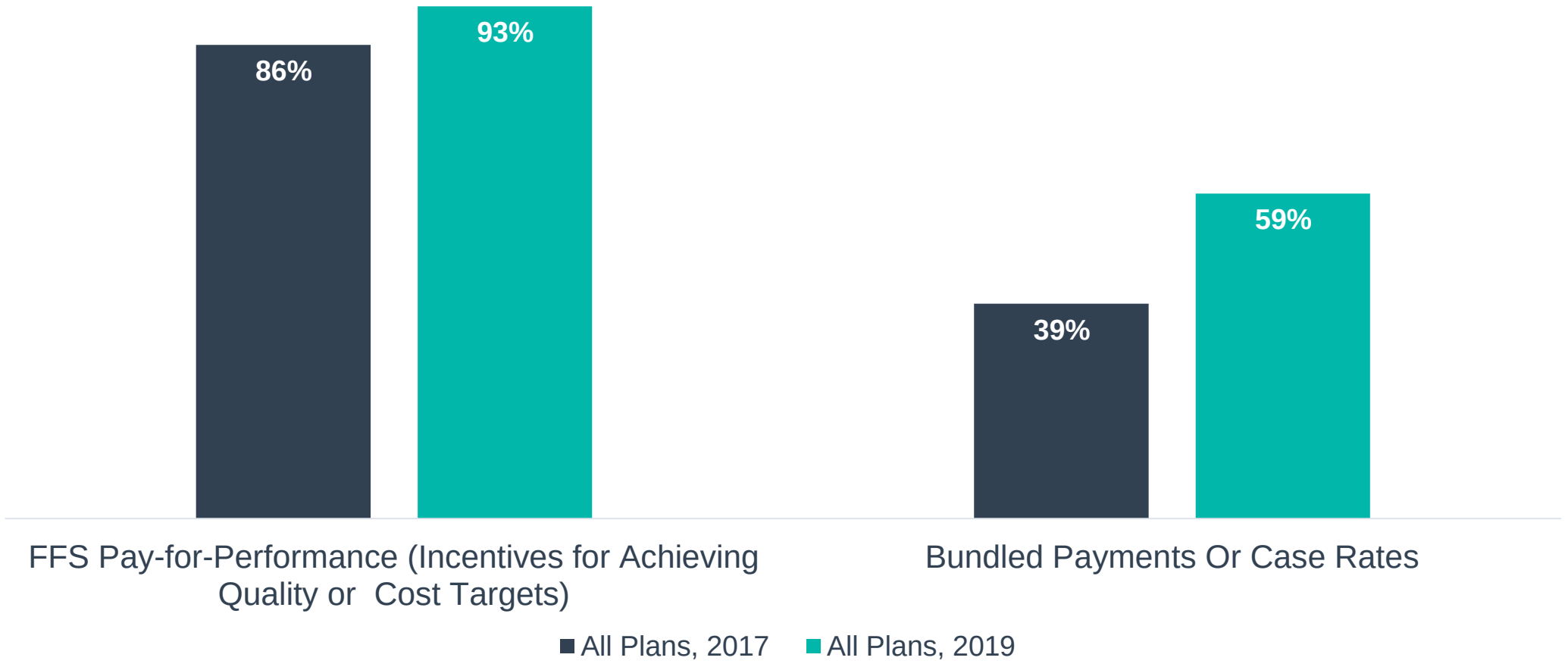
Coordination Of Care Strategies, %, All Health Plans, 2017 & 2019

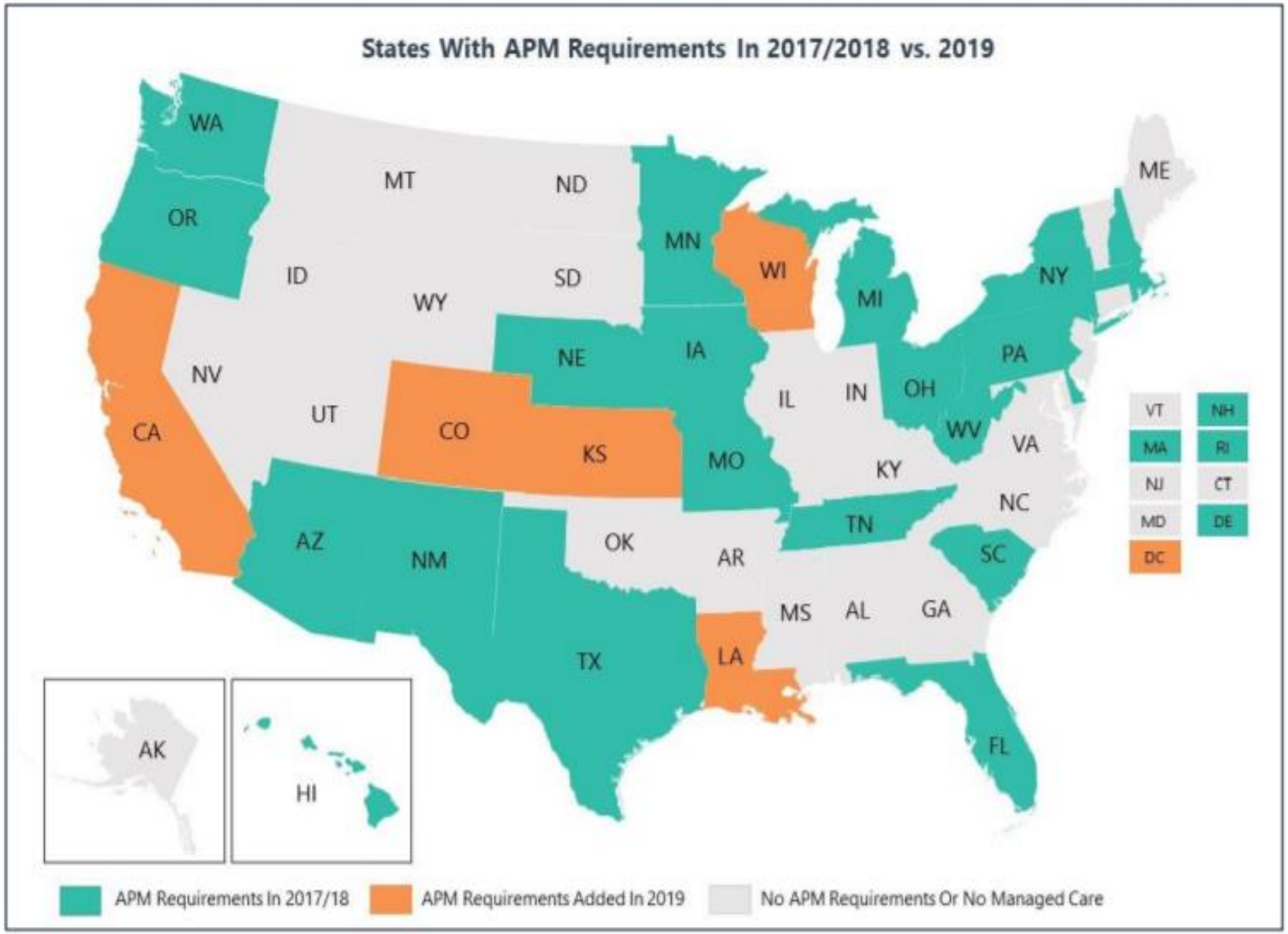


Health Plans Change Provider Reimbursement Models To Support "Integration"



Use Of Alternative Reimbursement, %, All Health Plans, 2017 & 2019





22 state Medicaid plans require their health plans to implement value-based provider reimbursement

- At least 11 states have Medicaid ACOs
- 81% of Medicaid health plans have P4P FFS payments for behavioral health organizations
- 47% of Medicaid health plans have bundled payments for specific acute episodes

Kaiser Value-Based Targeted Case Management Program For SMI Population

- Community-based, targeted case management for adults with severe mental illness
- Contract with Providence Community Services in Los Angeles
- Service area of Los Angeles, Orange, San Bernardino, Riverside, and Ventura counties
- Commercial, Medi-Cal, and Medicare plans
- Reimbursement on per person per month rate
- Performance focus on cost reduction and improved HEDIS measure scores (reduction in hospital readmissions and improved outpatient follow-up post hospital discharge)

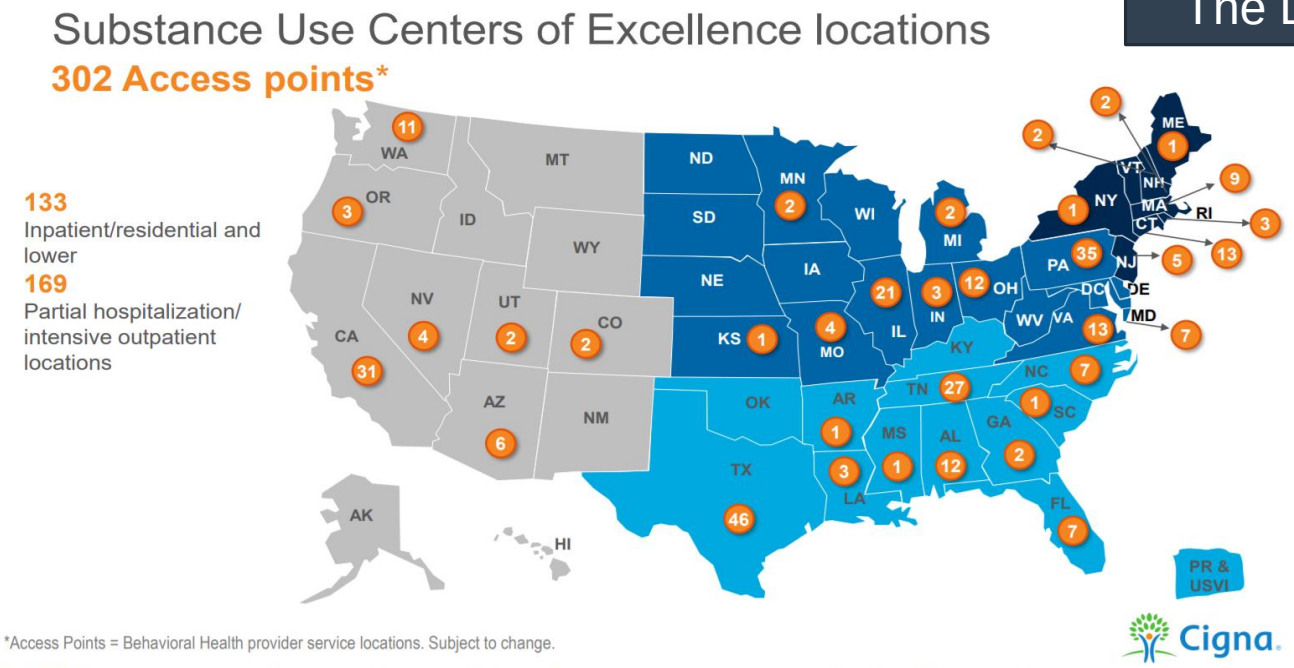
Optum SMI Behavioral Health Homes

- Specialty care coordination program focused on members with SMI - integration of behavioral and physical health services, linkage to supports/services, and consumer support
- Value-based (pmpm) contracting allows provider organizations to share in savings if meeting quality and efficiency measures
- Optum provider oversight, data sharing, and practice transformation assistance

Expected outcomes:

- Decrease in behavioral/physical health inpatient and ER costs – with expected increase in behavioral health outpatient costs
- Reduced total cost of care

Cigna Substance Use Centers Of Excellence



*Access Points = Behavioral Health provider service locations. Subject to change.

926422 03/19

37

Lower costs[1]

Cost per admission

- **13% lower** than other in-network, non-COE facilities
- **167% lower** than out-of-network facilities

Cost per customer[2]

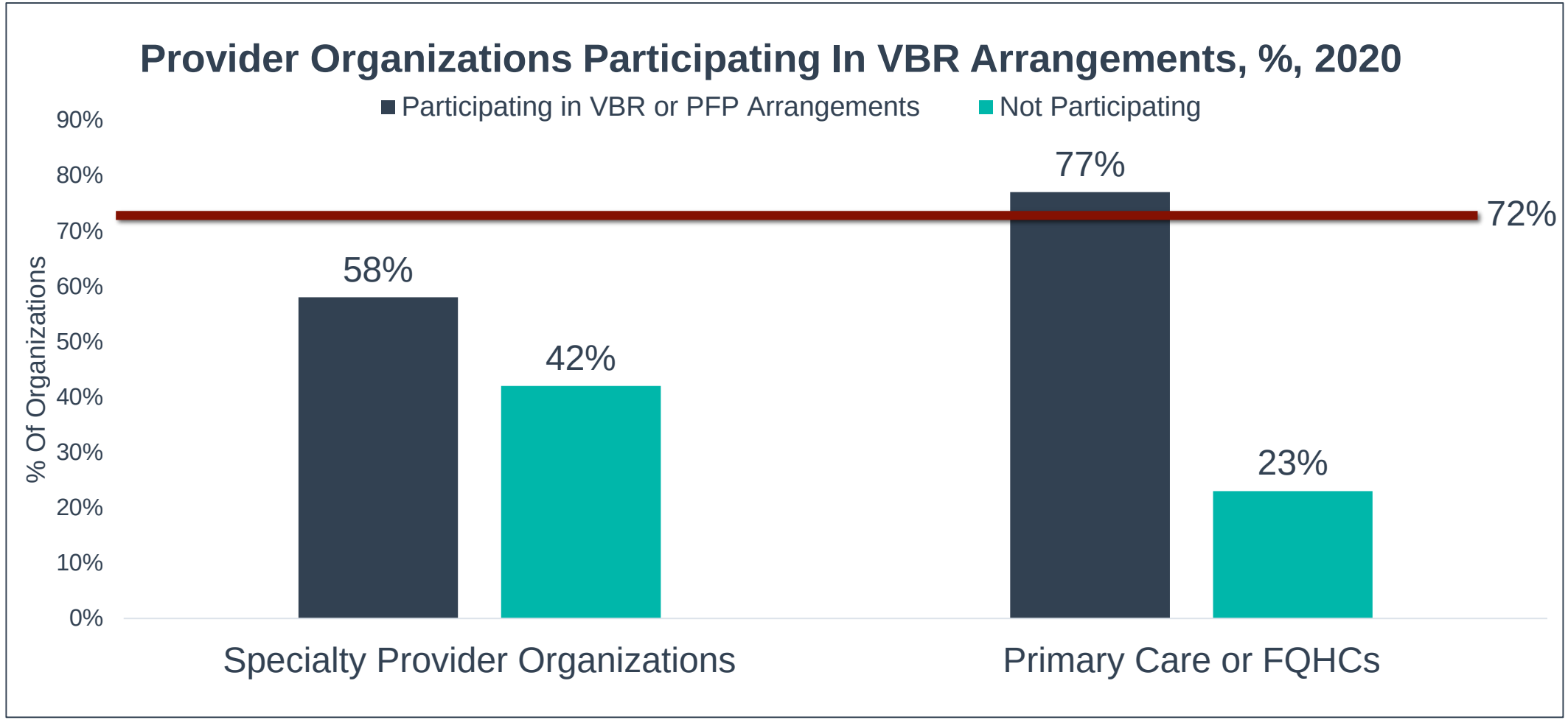
- **19% lower** than a non-COE, contracted facility
- **292% lower** than out-of-network facilities

Better outcomes[1]

Readmission rates

- **24% lower** than other in-network, non-COE facilities
- **87% lower** than out-of-network facilities

72% Of Specialty Provider & Primary Care Organizations Are Participating In VBR Or PFP Arrangements



Top Five Performance Measures By Market, %, 2020

Specialty Provider Organizations	Primary Care Organizations or FQHCs
1. Follow-Up After Hospitalization – 36% 2. Readmission Rates – 27% 3. Emergency Room Utilization – 22% 4. Access To Care Measures – 20% 5. Use Of Evidence-Based Care Protocols – 15%	1. Follow-Up After Hospitalization – 45% 2. Emergency Room Utilization – 45% 3. Depression Screening & Follow-Up– 43% 4. BMI Assessment – 41% 5. Diabetes Screening For Individuals Taking Antipsychotic Medications – 39%

CMS Changes Ahead

Medicare "Primary Cares Initiative"

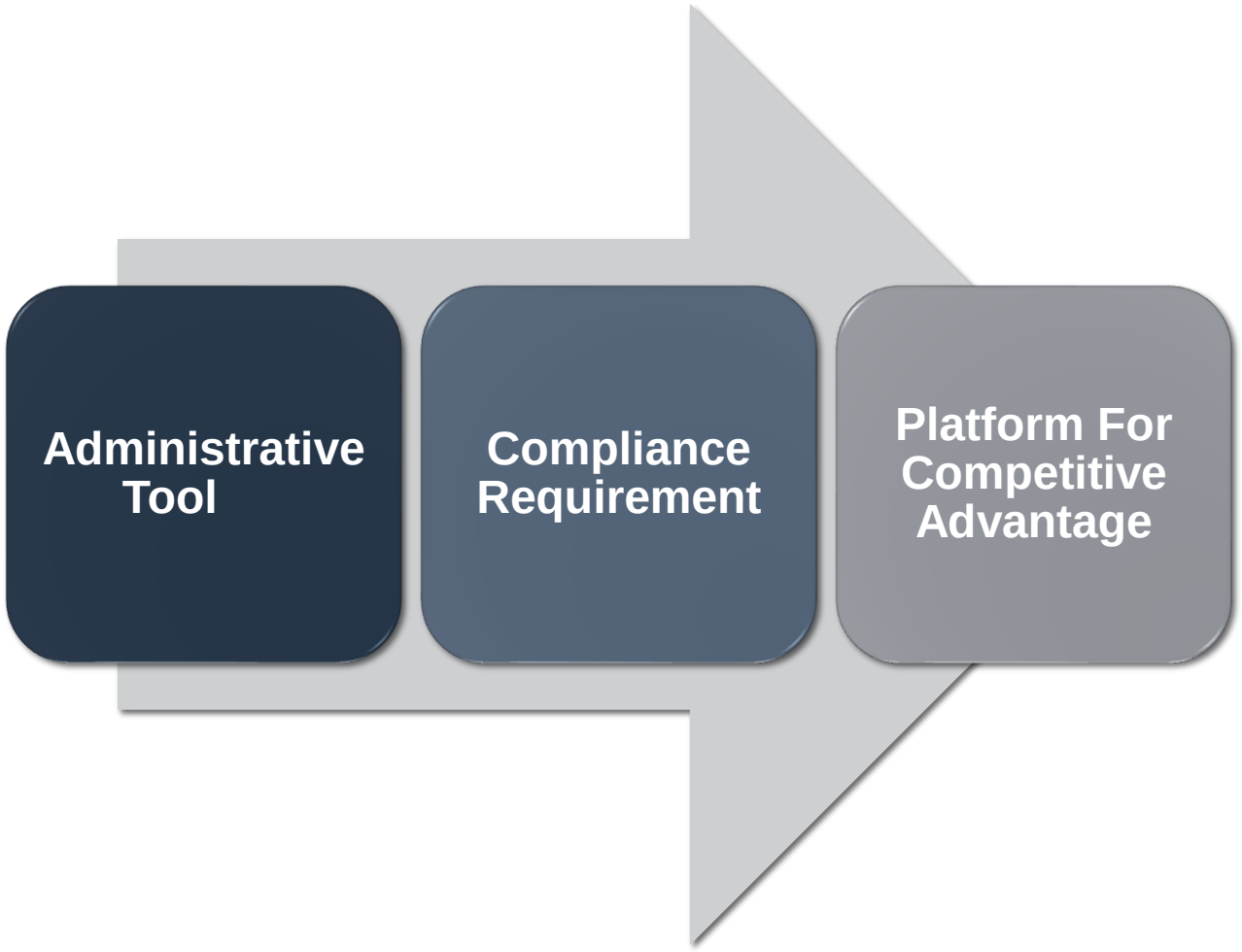
On April 22, 2019, CMS announced the "Primary Cares Initiative" to implement five new value-based primary care models for Medicare fee-for-service (FFS) beneficiaries. CMS projects that nearly 11 million Medicare beneficiaries (25% of the total Medicare FFS population) could be served through the five new models. The six-year demonstration that will begin in January 2020.

Medicaid Health Homes For Children

CMS is planning to launch Medicaid health homes to provide care coordination for children with medically complex or chronic conditions, with an option for pmpm reimbursement. By October 1, 2020, CMS will issue guidance on implementing this option with a target date of October 1, 2022.

- The health homes are intended for children with serious, long-term physical, mental or developmental disability, or disease such as cerebral palsy, cystic fibrosis, HIV/AIDS, blood diseases, such as anemia or sickle cell disease, muscular dystrophy, spinal bifida, epilepsy, severe autism spectrum disorder, and serious emotional disturbance or serious mental health disorder.

Shifting Role Of Technology In Health & Human Services



- Compliance focus the past ten years
  - Result - less focus on usability and clinical effectiveness
- From ‘cost’ to ‘investment’
- From ‘administrative management’ to ‘imbedded in service lines’
  - Essential for competitive advantage – and market positioning - over the next five years

Why in the World Do Doctor's Offices Still Use Fax Machines?

Depending on whom you ask, it's a symptom of regulations, technological limitations, financial disincentives, or good old-fashioned mulishness.

> Nearly 60% of PCPs within the American healthcare system are not able to electronically exchange patient clinical summaries with doctors outside their practice [1].

Additionally, a government survey of 2,655 hospitals found that **nearly 60% of them can't send or receive secure electronic messages** to and from outside organizations. The United States lags far behind countries like Norway and New Zealand, where only 18% and 25%, respectively, can't share.

About 10% Of Consumers Have Used Telehealth In Place Of An In-Person Visit

Approximately 9.6% of health care consumers have used telehealth in lieu of a doctor's office, urgent care, or emergency room visit in the last 12 months. Telehealth usage is highest among consumers in the U.S. western region (approximately 11.1%), compared to the Northeast region, which has the lowest utilization (approximately 5.7%).

Long Wait Times Typical for Psychiatry Appointments

Yet even after two calls – and despite having insurance or declaring a willingness to pay out of pocket – appointments were secured with only about one-quarter of the doctors. And the average waiting time was 25 days for a first visit.

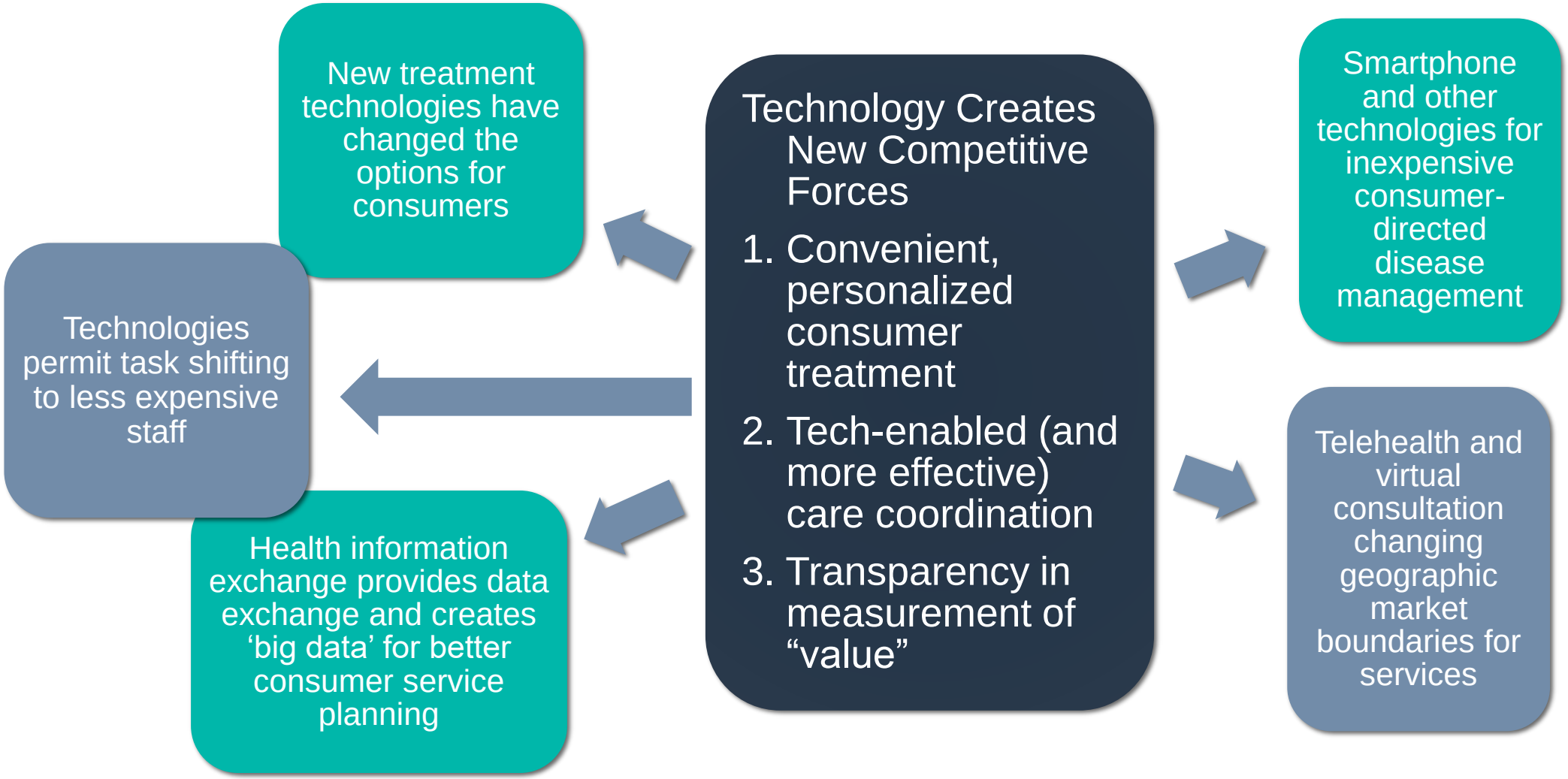
According to a 2017 survey on physician appointment wait times by Merritt Hawkins:

- Average new patient physician appointment wait times have increased significantly. The average wait time for a physician appointment for the 15 large metro markets surveyed was 24.1 days, up 30% from 2014.
- Appointment wait times are longer in mid-sized metro markets than in large metro markets. The average wait time for a new patient physician appointment in all 15 mid-sized markets was 32 days, 32.8% higher than the average for large metro markets.

85% of consumers still schedule doctor's appointments by phone.

…only 7% of psychiatrists routinely use measurement-based psychiatric scales when planning consumer treatment…

Leverage Of Technology To Reinvent Services Key To Competitive Market Positioning



The New Consumerism

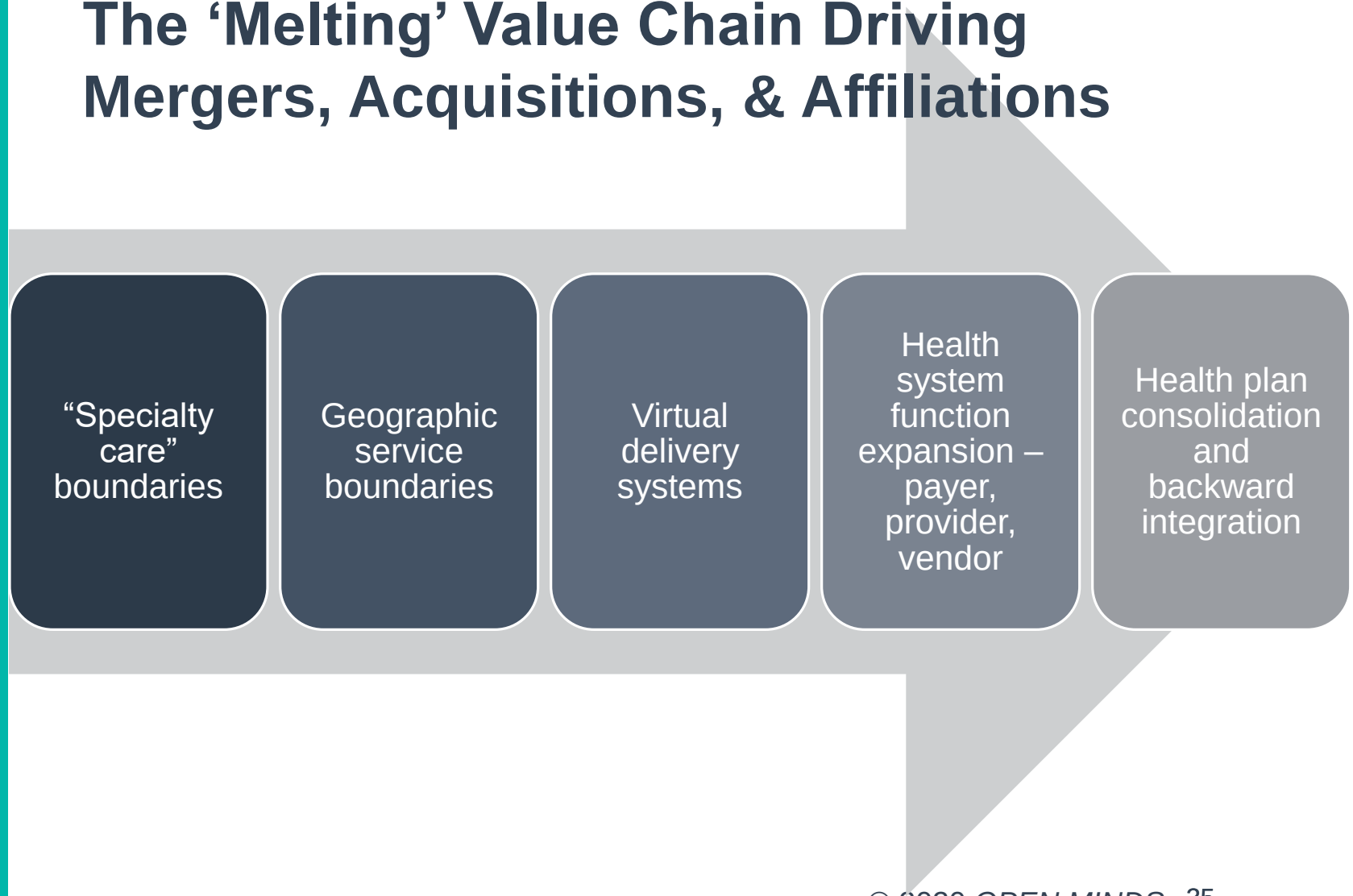
Consumer Financial Participation	Consumer financial participation = Proportion of health care spending paid by the consumer Expected results = Reduced costs by increasing engagement and reducing unnecessary expenses
Consumer Transparency	Consumer transparency = Making available, in a reliable, and understandable manner, information on the health care system's quality, efficiency and consumer experience with care, which includes price and quality data Expected results = Improved service quality and reduced costs
Consumer Experience & Consumer Choice	Consumer experience = How consumers perceive their interaction with an organization, evaluated as useful, usable, and enjoyable - resulting in the consumer perception of an organization's brand Expected results = Improved consumer preference for certain provider organizations – while improving their level of engagement
Consumer Engagement	Consumer engagement = Process to help individuals take action to improve their health, make informed decisions, and engage effectively and efficiently with the health care system Expected results = Improved health status, reduced costs, and better access

The New Lexicon Of MA&A

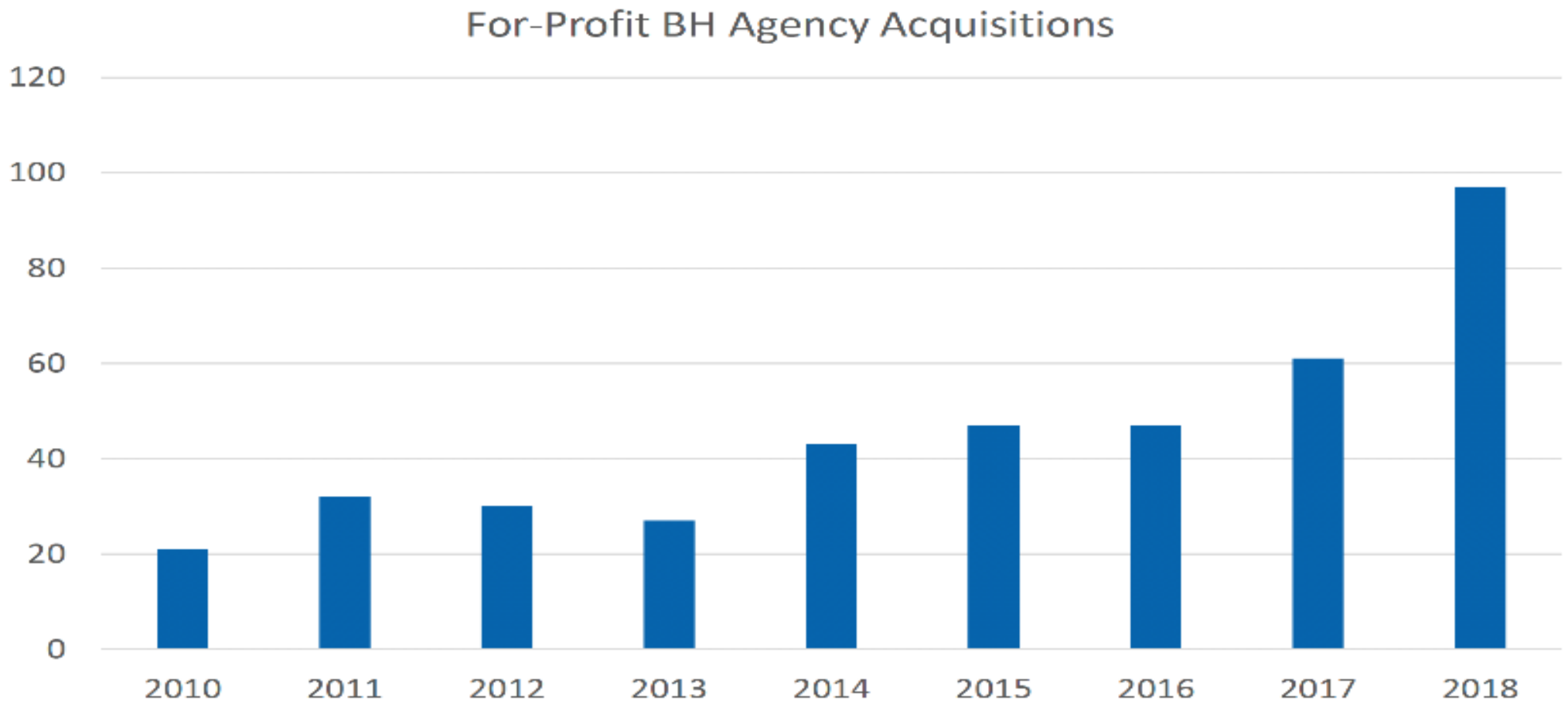
- Health plan merger
- Health plan backward integration
- Health system merger
- National health systems evolution
- Health systems acquiring specialty capabilities
- Specialty provider organization merger
- National ‘specialty’ delivery system evolution
- Health plans/pharma combinations
- Provider organizations/pharma combinations
- Pharma/tech combinations
- Tech-enabled service delivery

OPEN MINDS

The ‘Melting’ Value Chain Driving Mergers, Acquisitions, & Affiliations

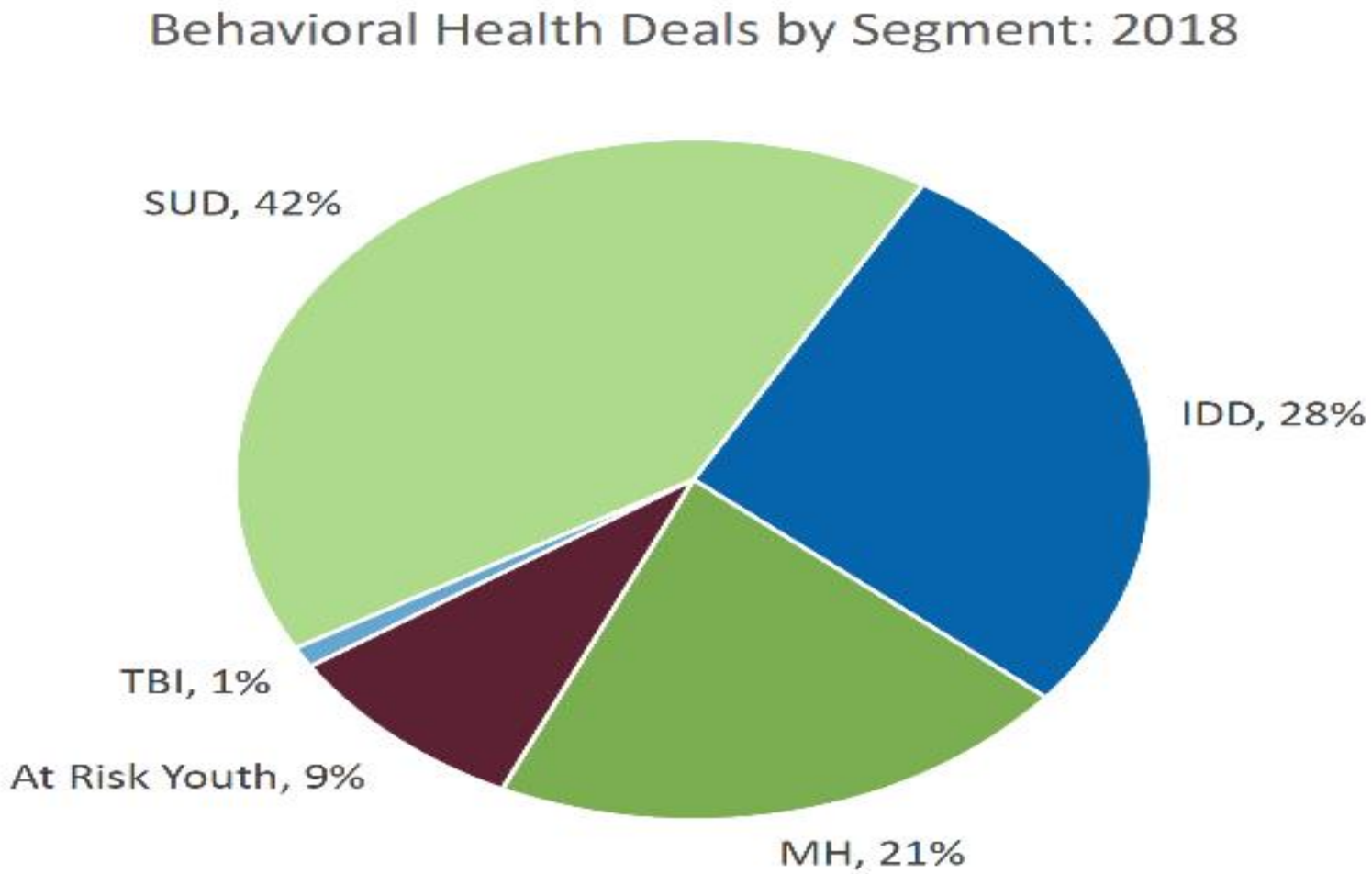


The Private Equity Interest: Growth In For-Profit Behavioral Health Mergers & Acquisitions



Source: Behavioral Healthcare Services Q1 2019. Capstone Headwaters.

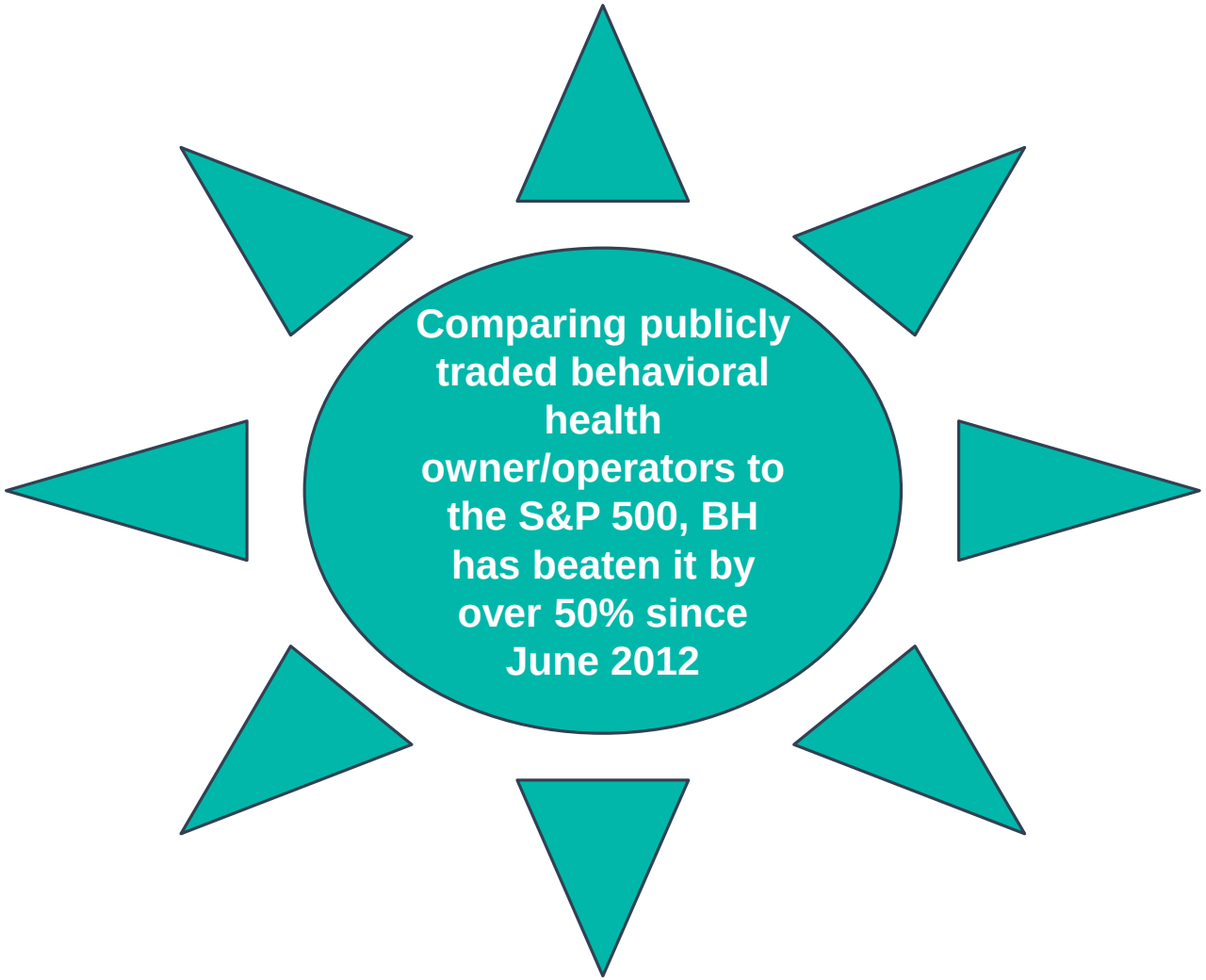
What Kinds Of Behavioral Health Providers Are Private Equity Firms Buying?



Source: thebraffgroup.com/market-sectors/behavioral-health/

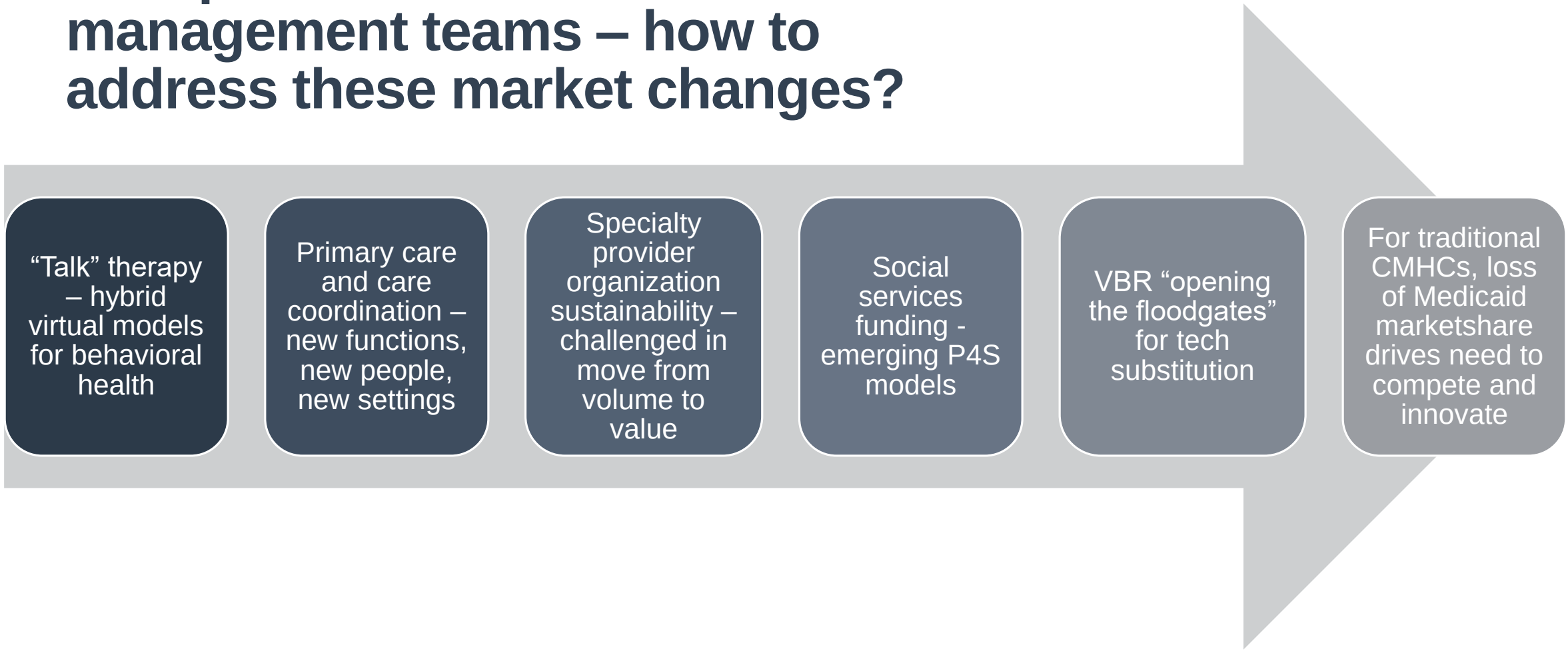
It's Not Just PE: Large Publicly Traded Companies

- AAC Holdings ($342m)
- Acadia Healthcare Company ($7.8b)
- Civitas Solutions ($1.3b)
- HCA Healthcare ($64b)
- HealthSouth ($7.3b)
- LHC Group ($1.3b)
- Magellan ($2.3b)
- Select Medical ($5.5b)
- Universal Health ($16b)

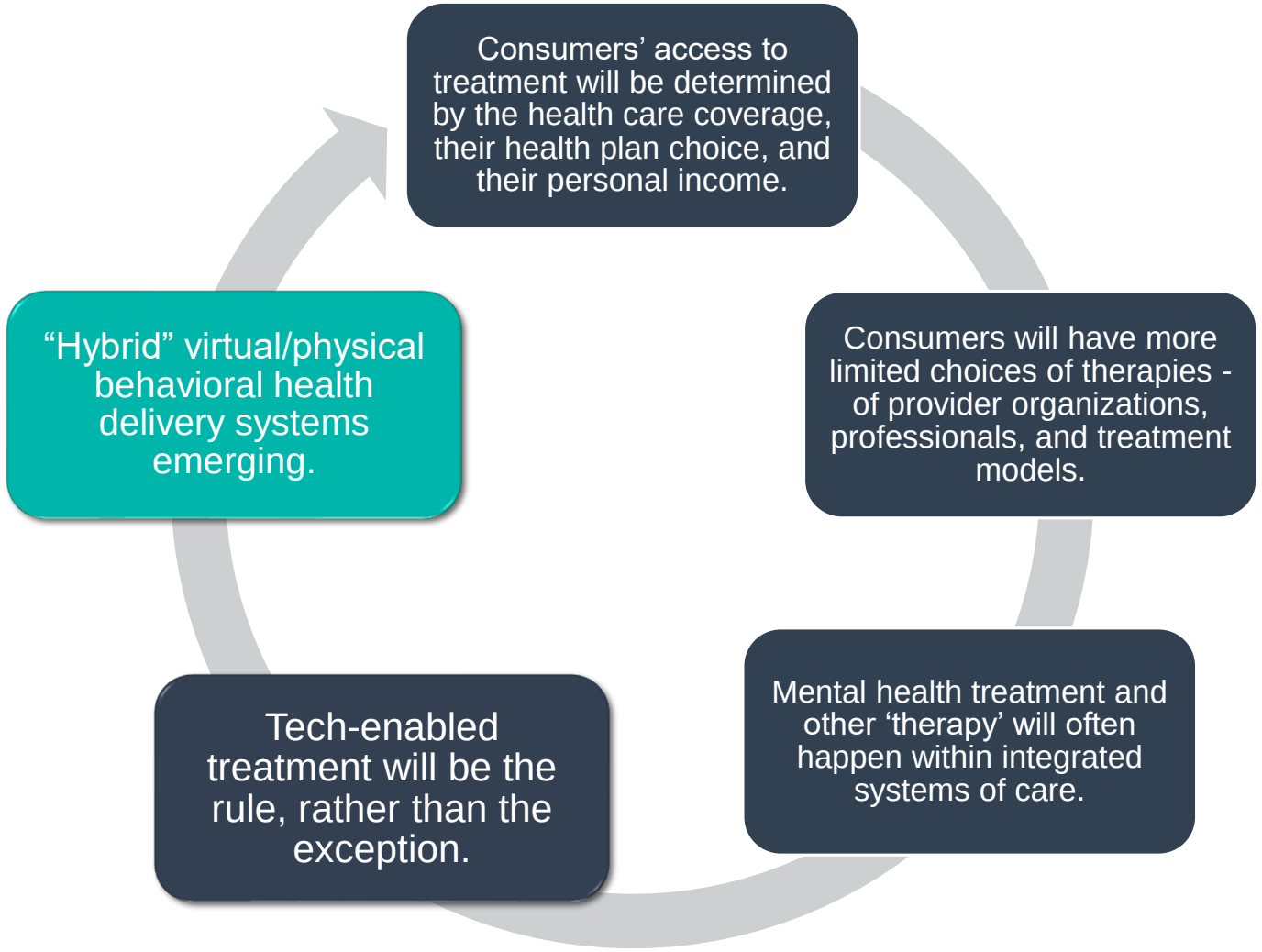


III. The Implications For Behavioral Health Provider Organizations – Where Do We Go From Here?

The question for behavioral health management teams – how to address these market changes?



"Therapy" Is Evolving



Virtual Behavioral Health Delivery Systems Created With Private Equity Investments

For a limited time, get $100 off your first month of online therapy with code SAVE100 Expires 9/22

LIVETALK THERAPY ULTIMATE™

Text, video, and audio messaging.

Therapist responds daily, 5 days/week.

+4 Live Session/mo (30min each)*

Sign up for $396 /monthly

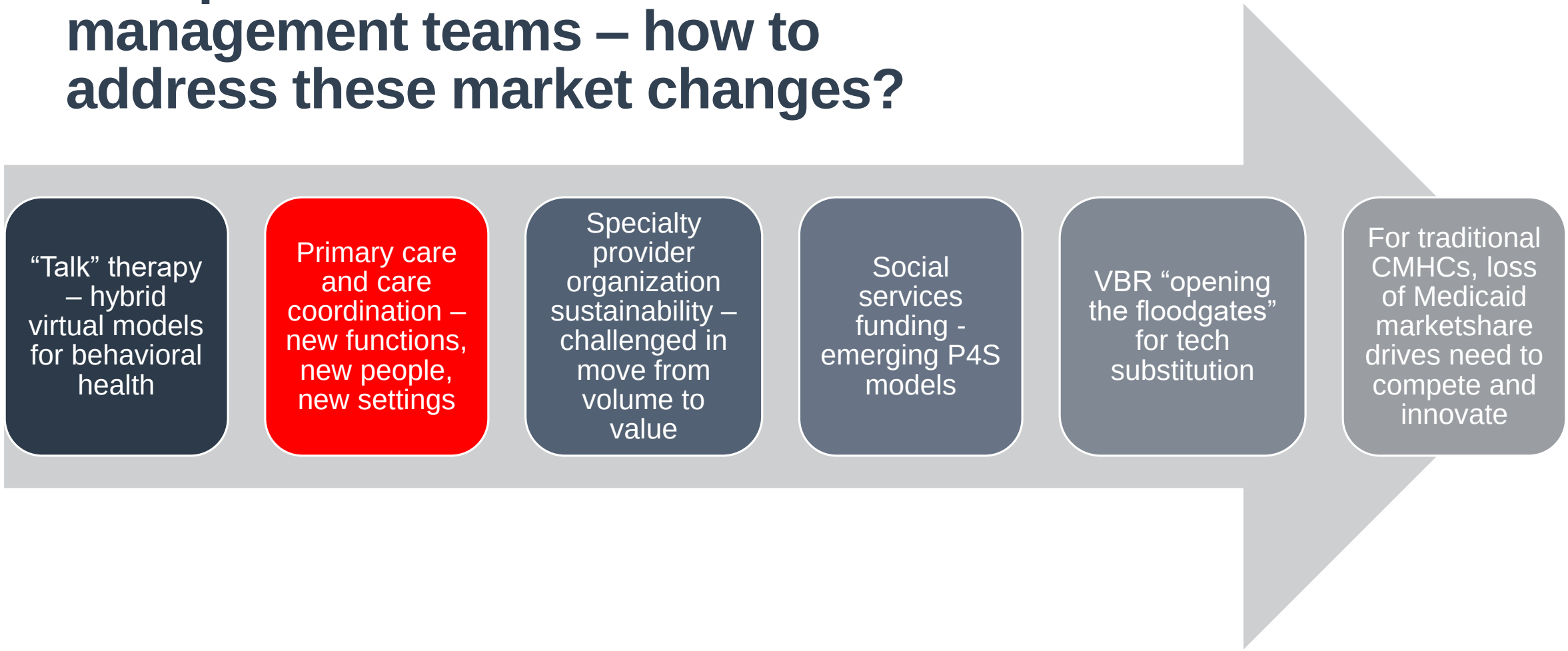
NEWS REPORT 07/08/2019 11:59 pm ET

Talkspace Launching Nationwide Psychiatry Service With Prescription Option

Talkspace, a telebehavioral health company that provides online mental health therapy, is launching a psychiatry service line that will be available nationwide by December of 2019. Talkspace Psychiatry has a network of 100

Data With A Soul: Utilization Managem

The question for behavioral health management teams – how to address these market changes?



Remaking Primary Care

1. Health plans with virtual primary care (Humana, Oscar)
2. Primary care at home (Wellcare, Humana)
3. Retail chains – 1,100+ locations, offer specialist consults virtually, partnership with VA
4. Backward integration of primary care functions in health plans – Aetna, Kaiser, United/Optum, Humana, etc.

- Changing scope of practice – psychologists, nurse practitioners, physician assistants, and pharmacists
  - 'Augmented intelligence' can support basic primary care functions – assessment, prescription, referrals
- Specialist services provided via virtual care within primary care model
- Growing payer preference for "specialty" primary care (and specialty medical homes)

WellCare In-Home Primary Care Model

- WellCare Health Plans and VillageMD announced a partnership to offer in-home primary care to improve access to health care for medically-complex seniors in the Houston area
- Village@Home integrates pharmaceutical management, nursing services, and social work services into its home-based primary care program
- VillageMD will coordinate services and monitor the health care consumer through in-home biometric technology

Humana "On Hand" Virtual Primary Care Plan

- Humana has created a partnership with telehealth platform Doctor on Demand to create On Hand for virtual primary care
- Based on Doctor on Demand's Synapse virtual primary care platform, designed to integrate into health plans' existing networks.
- Members pay nothing for primary care visits using Doctor On Demand and a $5 copayment for common lab work and prescriptions on the platform.
- "Significantly lower" premium cost
- On Hand features include:
  - Video visits and secure messaging
  - A dedicated primary care professional
  - Access to board-certified physicians, psychiatrists, psychologists, and nurse practitioners
  - Standard medical device kit consisting of a digital blood pressure cuff, thermometer, and log

Walmart Health
Primary Care+

Walmart Health

Summarized Pricing List for Dallas, GA Store #3403

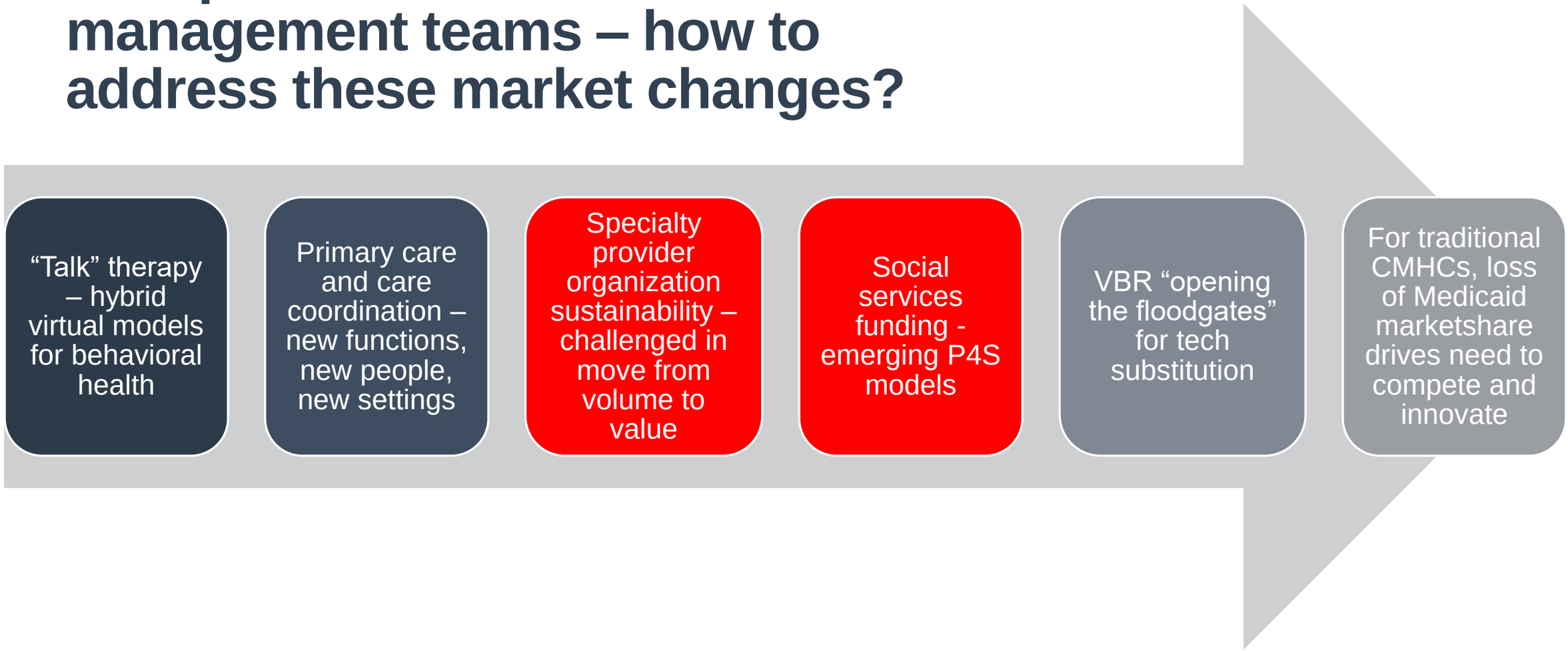
Primary Care Basic Services	Price
Office Visit	$40.00
Annual Checkup - Adult	$30.00
Annual Checkup – Youth	$20.00

Primary Care Add-ons	Price
Lipid Test	$10.00
A1C Test	$10.00
Pregnancy Test	$10.00
Flu Test	$20.00
Strep Test	$20.00
Mono Test	$20.00
Stitches & Other	$115.64*

Counseling Services	Price
Individual Counseling, Existing Patient (45 minutes)	$45.00
New Patient Therapy Intake	$60.00

Dental Services	Price
Patient Exam (Including X-Rays)	$25.00
Teeth Cleaning - Adult	(Starting at) $25.00
Teeth Cleaning - Youth	(Starting at) $15.00

The question for behavioral health management teams – how to address these market changes?



Role For Specialist Provider Organizations Changing

For specialist provider organizations serving consumers with complex needs, two emerging market positions

Whole Person Care

Manage consumers with complex conditions and keep them out of acute care settings

Stabilization & Crisis Management

Provide acute stabilization for complex consumers and coordinate a return to the community

Demand for - and margins of - traditional FFS ‘money makers’ shrinking –

- Therapy-based services
- Targeted case management
- Undifferentiated “residential” treatment
- Post-surgical SNF care

Finding a new and sustainable “place” in the new market value chain is the strategic challenge…

Growth is the key – for competitive advantage and for scale…

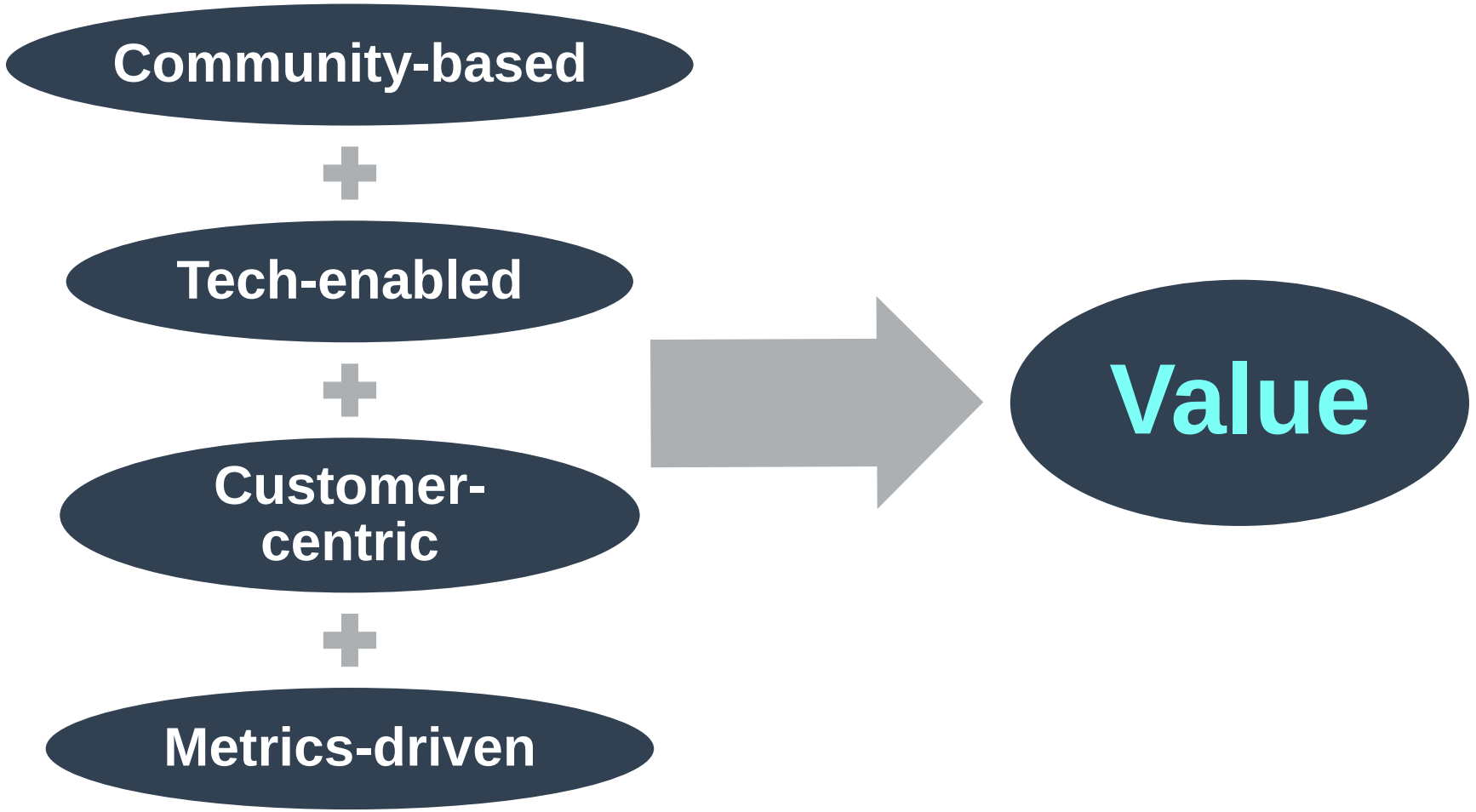
- New competitors cannibalize some revenues for current services
- New payment models change the profitability of current services
- New service offerings make current services less ‘preferred’

RESULT: Current service line revenue – and margins – likely to shrink over time

STRATEGIC CHALLENGE: Becoming something ‘completely different’ that is preferred (and sustainable) in the changing market

OPEN MINDS

The Sustainable Platform = High Value



Ability To Lead (Or Participate In) Integrated Care Coordination

Many forms of integrated care coordination:

- Specialty care coordination
- Patient-centered medical home
- Health home

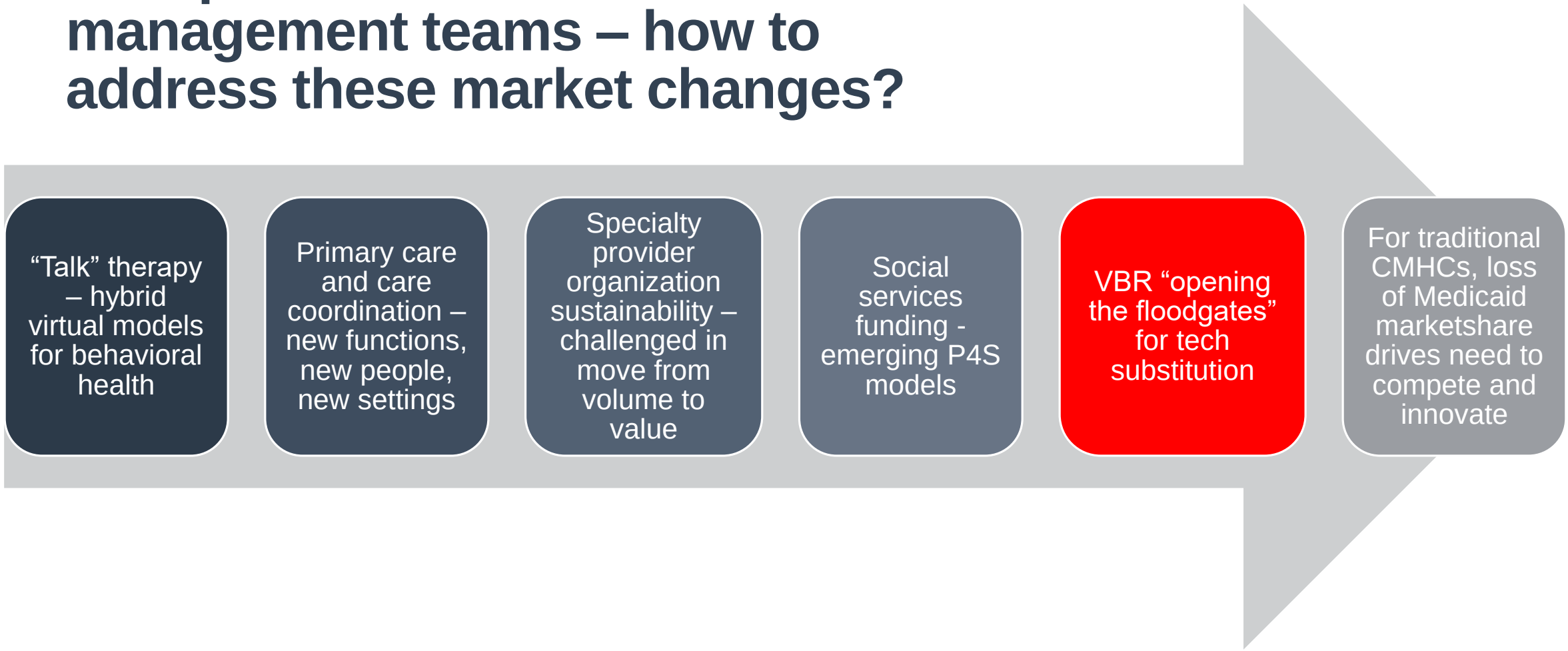
Payers seeking better value through integrated management of consumer services – ideally funded with value-based/risk-based models

- The ‘new’ integrated care coordination model – primary care, specialist care, medications, behavioral health, and social supports
- Don’t need to provide all the care – but do need the ability to participate in ‘integrated systems’ and ‘manage’ across the full health and human service continuum
- The “care manager” controls the referrals
- The changing model of “primary care”

OPEN MINDS

Value-Based Reimbursement Competency

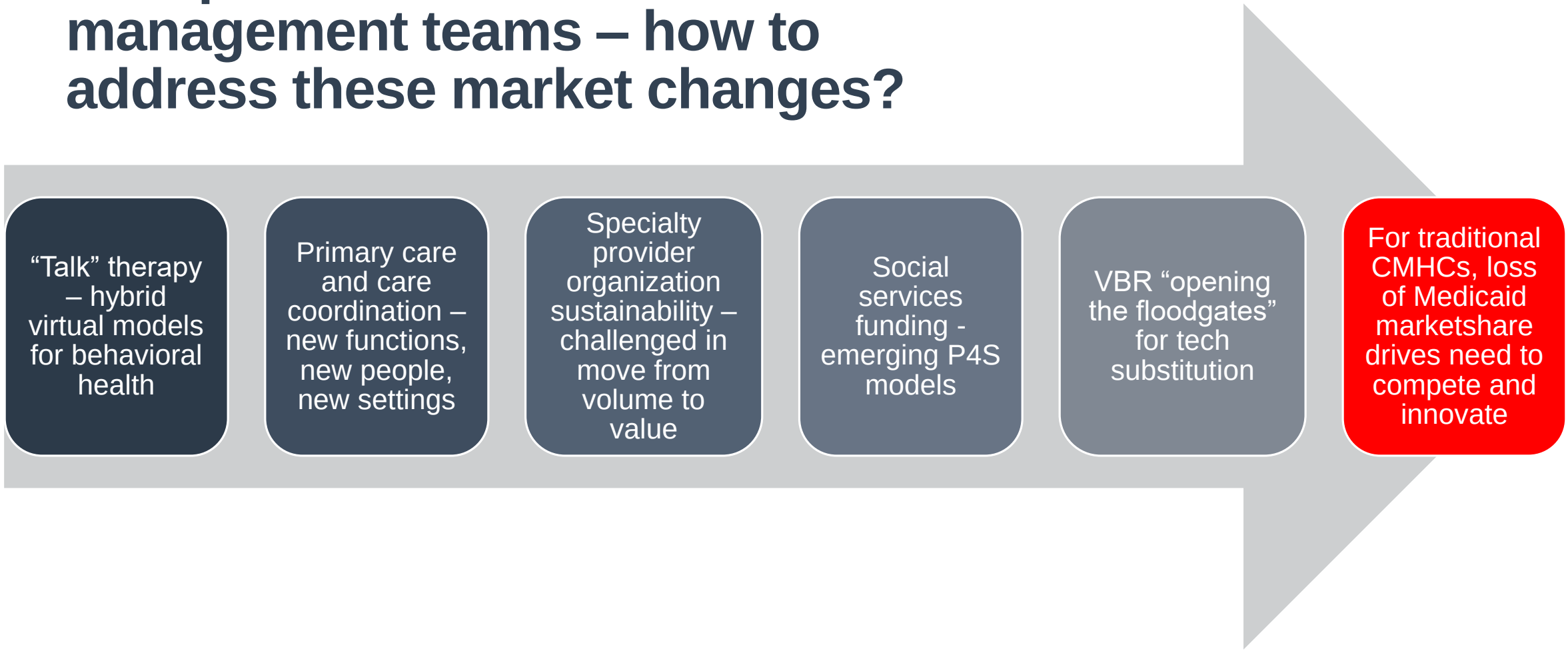
The question for behavioral health management teams – how to address these market changes?



The *OPEN MINDS* Do It Now List!

- **Electronic health recordkeeping system optimization** – with tech-enabled scheduling, care authorization tracking, and revenue cycle management
- **"Small data" for performance management** – pull together data that you have (and can get electronically)
- **Mobile platforms for team members with secure messaging** – to facilitate consumer interaction, connection to EHR data, and HR administration
- **Web site 2.0** - Better consumer experience – search engine optimization for consumer outreach; on-line scheduling, on-line chat, AI chat bots, insurance information, etc.
- **Virtual health/telehealth capacity** – including on-demand specialist consultations
- **Consumer remote monitoring tools** – wearables, smart phone apps, in-home devices – to improve operating processes
- **Automated appointment reminders** and reminders of follow-up activities
- **Automation of consumer assessments** with on-line and smartphone-based tools for measurement-based care
- **Automated human resource management tools** – hours tracking, payroll, scheduling, etc.
- **Unit costing and P/L by service line** with more advanced analytics capabilities for cost analysis

The question for behavioral health management teams – how to address these market changes?



The Challenge: Optimize The Past To Build The Future & Then Leave The Past Behind…

Strategy for future sustainability

Mission and objectives

Organizational market positioning

Restructured service line portfolio with competitive advantage

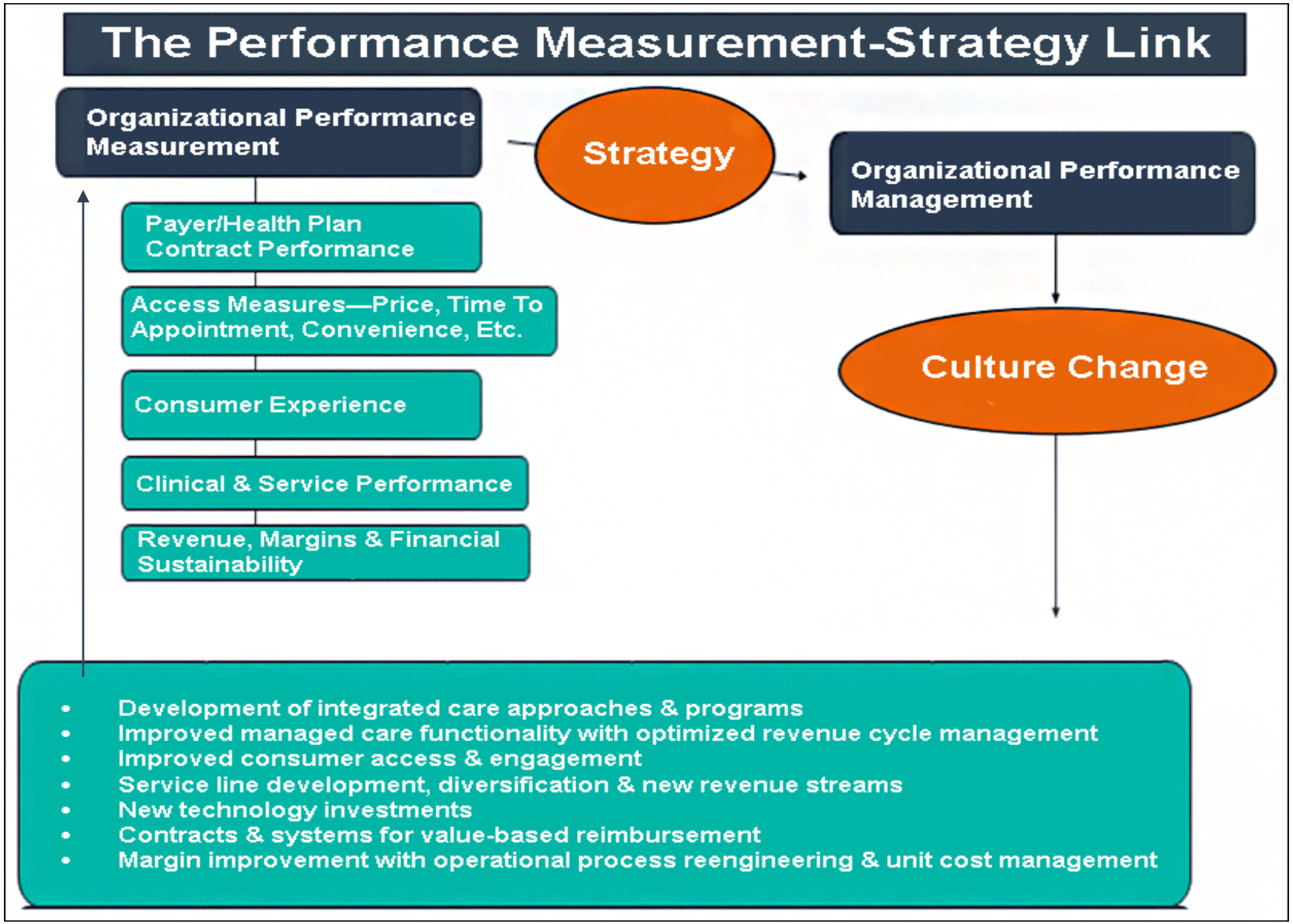
Date-driven strategy implementation

Manage and optimize the current service line portfolio

Develop service lines with competitive advantage for the future

Management Initiatives For Optimizing Organizational Performance

- Implementing metrics-based performance management
- New approaches to strategy and strategy implementation
- Growth and scale – fundraising, grants, supplemental service lines, or mergers, acquisitions, and affiliations
- Leveraging available technology to improve operating efficiencies
- Models for participation in ‘integrated care’
- Preparation for value-based reimbursement
- Leadership for transformation and complexity management



Scale is essential to future sustainability.

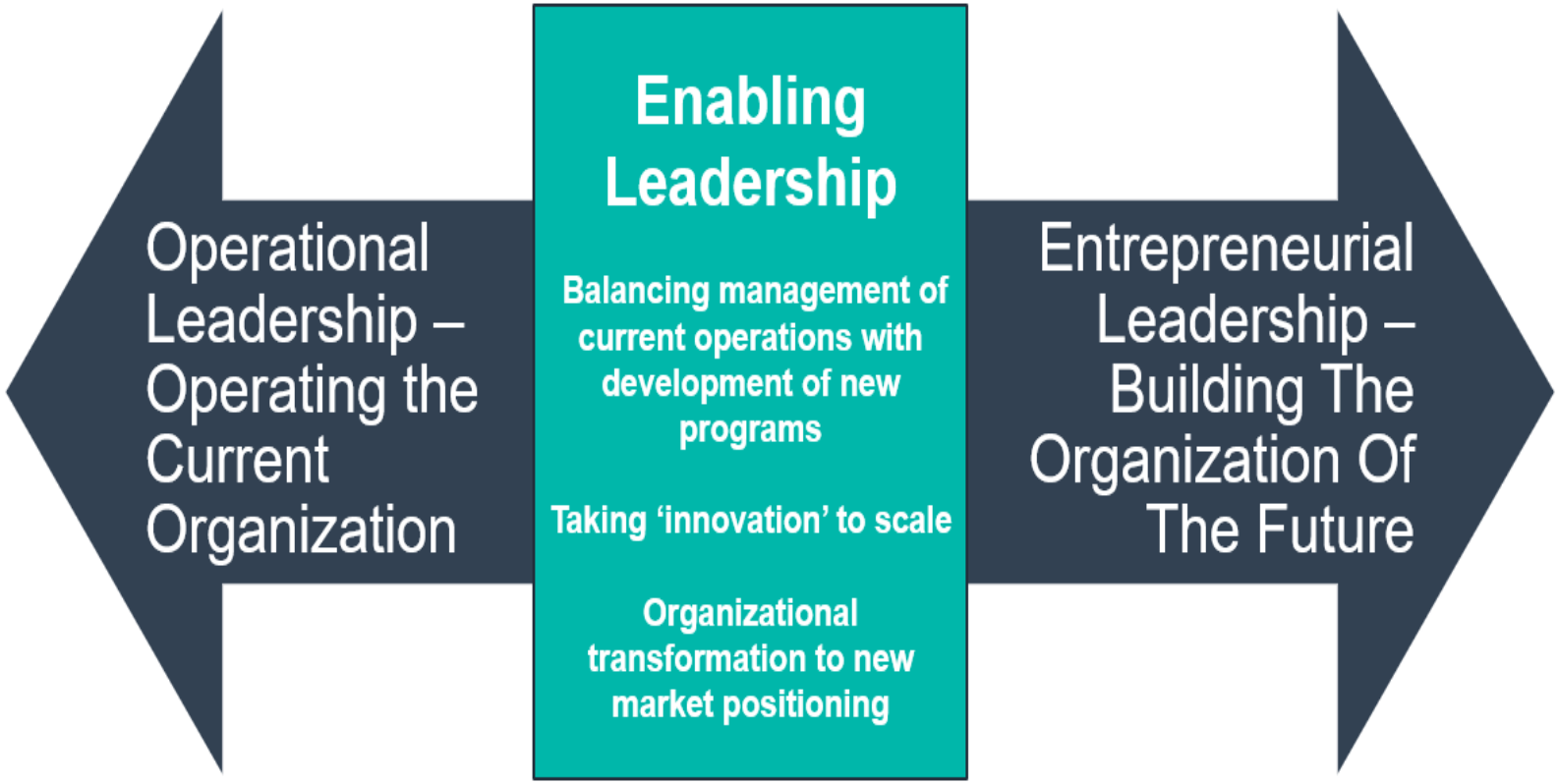
The value of scale – for investment, for market leverage, to attract talent, for competitive unit costs…

The question is how to grow?

- **Fundraising and grants**
- **Extensions of current payer relationships and service line extensions**
- **Diversification with new service line development and new customer base**
- **Mergers, acquisitions, and affiliations**

Size alone does not provide scale – many large organizations don't have scale because they have too many different programs that prevent leverage of their infrastructure or growth of their talent ratio

Leadership With Ability To Manage Complexity



OPEN MINDS

The Executive Team That Can Manage Complexity…

Comfortable with uncertainty – and confident that, even with ambiguity, information and patterns will provide clues for guiding action.

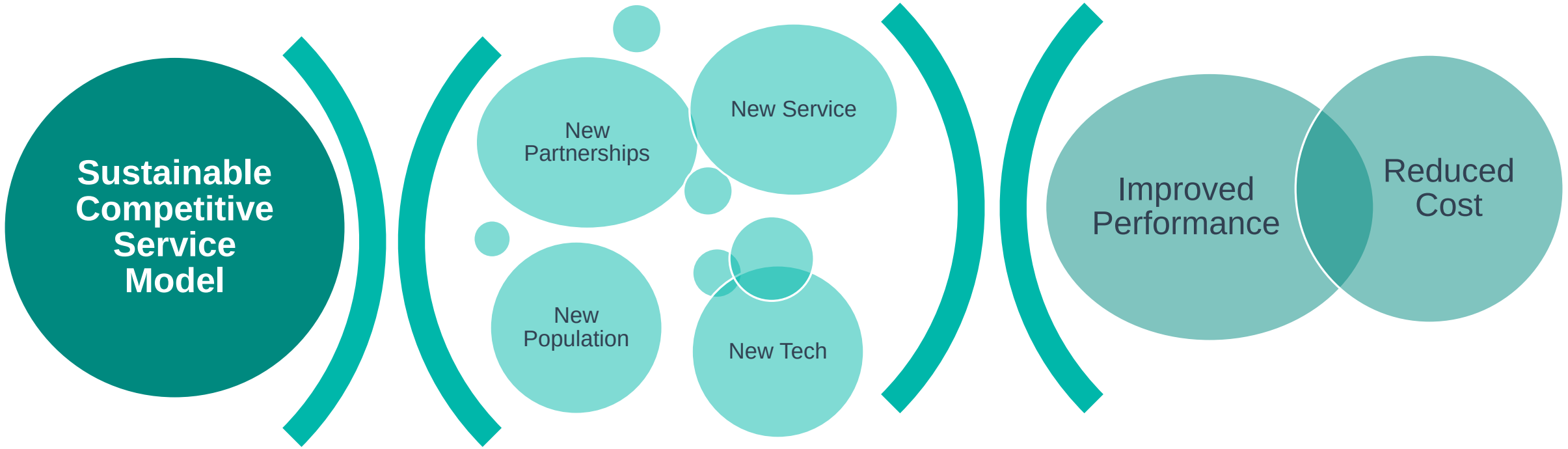
Willing to risks in new initiatives - and humble enough to step back so others can step forward.

Trust in ability to innovate - and engage in it with strategic thinking and a keen sense of timing

Comfortable with tension and willing to use it - including putting others in tension in ways that may at times make them uncomfortable

Sacrifice for the bigger objective - ensuring ongoing viability and fitness of the organization.

Sustainability In Health & Human Services Needs A Measured Approach To Respond to Market Changes




“An important scientific innovation rarely makes its way by gradually winning over and converting its opponents… What does happen is that the opponents gradually die out.”
Max Planck

Turning Market Intelligence Into Business Advantage

OPEN MINDS market intelligence and technical assistance helps over 550,000+ industry executives tackle business challenges, improve decision-making, and maximize organizational performance every day

OPEN MINDS

www.openminds.com ▪ 15 Lincoln Square, Gettysburg, Pennsylvania 17325 ▪ 717-334-1329 ▪ info@openminds.com