

Succeeding In A Value-Based Health & Human Service Landscape: Keys to Balancing Performance, Measurements, Talent & Capital

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

June 12, 2019



Discussion Agenda

The Drivers Shaping The Changing Health & Human Service Market Landscape



Strategic Implications Of The Market Changes For Organizations Serving Consumers With Complex Needs



The Growth Imperative For Sustainability – Scale & Performance Management

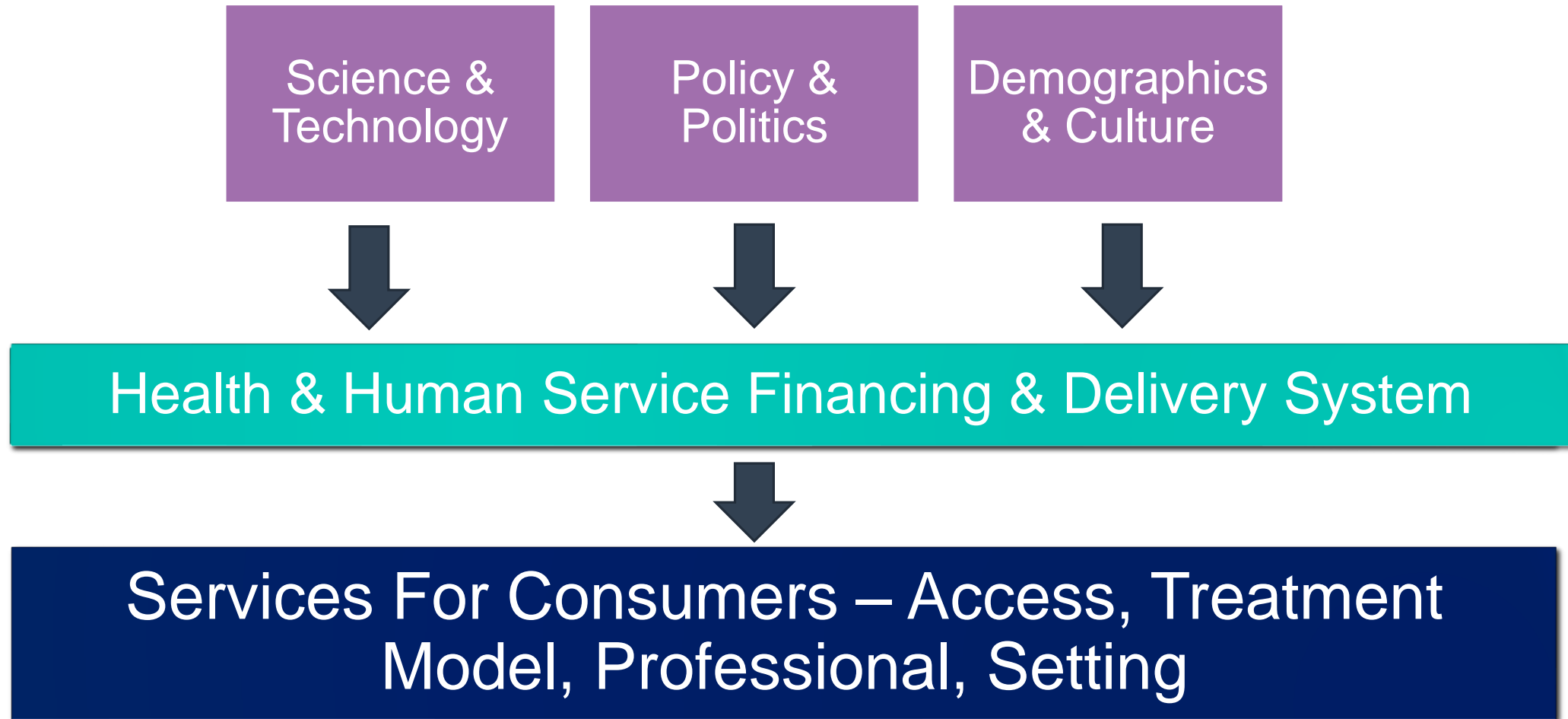


Six Key Strategies For Success In A Disruptive Market

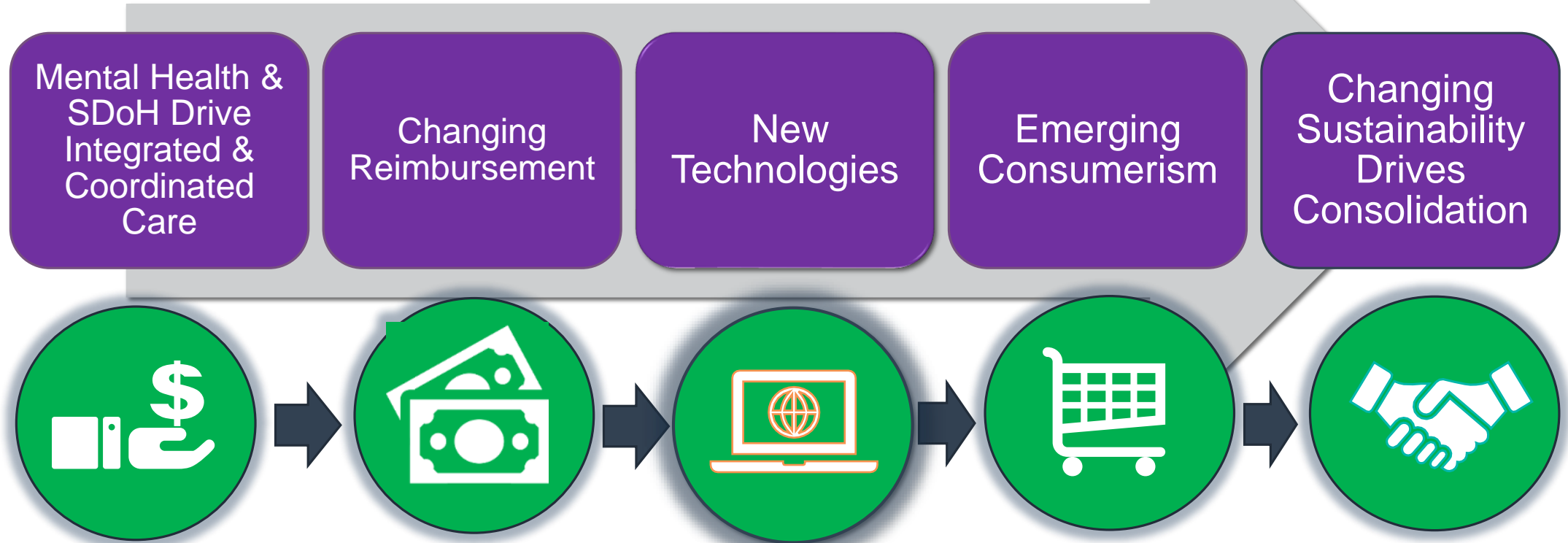


The Drivers Shaping The Changing Health & Human Service Market Landscape

“The Future” Of Health & Human Services Is Being Shaped - & Will Be Shaped – By A Complex Set Of Factors



The Drivers Of The Changing Service Delivery Landscape



The Long-Term Services & Supports Market

Nine million people receiving LTSS services each year

- Elderly
- Physically disabled
- Consumers with an I/DD
- Consumers 'at risk' of institutional stay

Services covered

- Home - and community-based services (HCBS) - case management, homemaker, home health aide, personal care, adult day health services, habilitation (both day and residential), and respite
- Institutional care - nursing facilities, mental institutions, and intermediate care facilities for the developmentally disabled
- Supported employment
- Physical health supports
- Behavioral health supports
- Pharmacy service

U.S. Long-Term Services & Supports Spending

- In 2015, U.S. spending on long-term services and supports was \$222.7 billion
- LTSS spending increased an average of 3% each year between 2011 and 2015
- Total health expenditure increase was 4.6%
- Medicaid is the main payer for LTSS (43%) followed by out-of-pocket (22%), Medicare (16%), private insurance (10%)
- Nursing facility care accounted for 54% of spending, home health for 40%, and residential care, 7%
- Starting in 2012, spending on residential care has decreased each year

The Behavioral Health Services Market

18.5 million people receive behavioral health treatment each year –

- Mental health treatment
- Addiction treatment
- Autism treatment

Services covered –

- Diagnostic and evaluation services
- Emergency, urgent, and crisis services
- Acute inpatient treatment services
- Residential-level for non-acute treatment – residential treatment, group home, sober living, etc.
- Outpatient therapies – intensive, maintenance, medication management, counseling, cognitive retraining, neuromodulation services, etc.
- Home- and community-based services - case management, community maintenance, care coordination
- Medications and pharmaceutical therapies

U.S. Behavioral Health Spending

- Total behavioral health spending in 2015: **\$231.6 billion, accounting for 7.5% of all health spending**
- Mental health spending- \$195.6 billion
- Addiction spending- \$36 billion
- Between 2008 and 2015, **growth in behavioral health spending outpaced general health spending**
- Health spending grew an average of 4.6% a year, mental spending grew 5.1%, and addiction spending grew 6.3%
- **Public payers account for 61% of behavioral health spending** and private payers 39%
- **Outpatient care now represents a significant portion of treatment spending** - mental health treatment (35%) and addiction treatment (40%)

Payers & Health Plans Looking To “Care Coordination” & “Integration” To Reduce Costs – By Shifting Service Model



Growing Competition For LTSS \$

Aging population in need of increased supports with activities of daily living

- In 2000, 35 million Americans were over 65 (12.4% of the population) – by 2016, 49.2 million Americans were over 65 (15.2% of the population)
- **By 2030, the number is projected to be 98 million, or 24%**

Increasing prevalence of multiple chronic conditions and disability for under 65 population

- In 2010, 21% of people between 45-65 had multiple chronic conditions – only 16.1% in 2000
- **By 2030, this will be 25.9% of the under-65 population**

Increase in incidence of Alzheimer's and dementia

- In 2017, 5.5 million people had Alzheimer's, an increase of 3.7% since 2010
- **By 2025, 7.1 million people are projected to have Alzheimer's, a 35% increase**

Increase in prevalence of autism

- **1 in 59 children have autism spectrum disorder (1.7%)** – up from previous 2014 estimates of 1 in 68 children (1.4%)

Legal Requirements & Consumerism

Pushing Community-Based Options

- Olmstead - 59 lawsuits related to Olmstead open across the country, requiring states to find ways to support care individuals in the community
- Of ~6.2 million people with I/DD who are on the Medicaid roles, only 689,144 (11.2%) receive HCBS services – waiting list of 200,000+
- The self-determination movement pushing enforcement advocacy

- [Louisiana Department Of Health Releases Plan To End Overuse Of Nursing Homes For People With Serious Mental Illness](#)
- [Florida Faces ADA Lawsuit Over Medicaid HCBS Wait List](#)
- [Virginia To Close Southwestern Virginia Training Center](#)
- [Judge Grants Class Action Status To Ohio I/DD Segregation Lawsuit](#)
- [VA Extends Home Health Care For Disabled Oregon Veteran For 60 Days To Prevent Nursing Home Stay](#)
- [Class-Action Lawsuit Filed Against Utah By Individuals Living In Private Intermediate Care Facilities](#)

More Managed Care

Payer Type	2011, % Of U.S. Population Covered	2016, % Of U.S. Population Covered	2011, % Of Population Enrolled In Managed Care	2016, % Of Population Enrolled In Managed Care
Medicare, non dual eligible	14%	15%	23%	32%
Medicare, dual eligible	3%	3%	25%	38%
Medicaid	18%	23%	50%	70%
Commercial	52%	54%	93%	98%
Military	3%	3%	57%	49%
Uninsured	15%	9%	N/A	N/A

More Managed LTSS

States with MLTSS including I/DD (2017)

- Arizona
- California
- Florida (optional)
- Iowa
- Kansas
- Michigan - MSSP
- North Carolina
- Tennessee
- Vermont
- Wisconsin

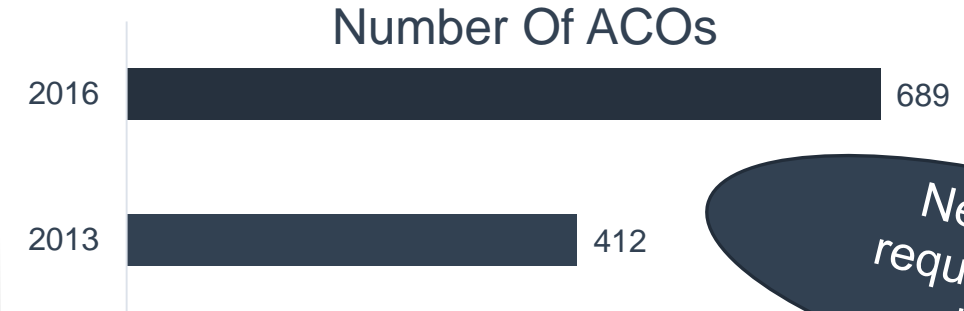
States with MLTSS excluding I/DD

- Delaware
- Hawaii
- Illinois
- Massachusetts
- Minnesota
- New Mexico
- New York-MLTC & MAP
- Pennsylvania
- Rhode Island
- Tennessee
- Texas
- Virginia

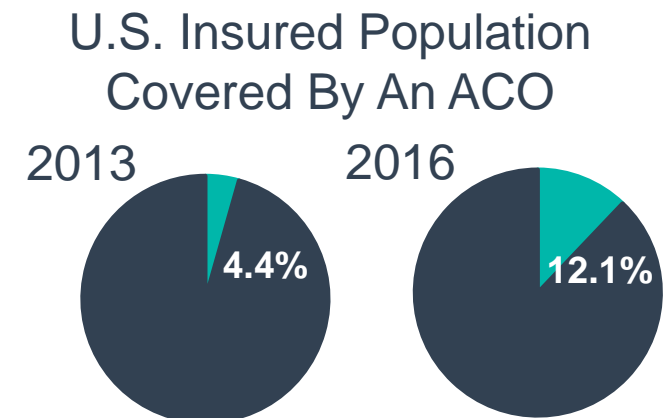
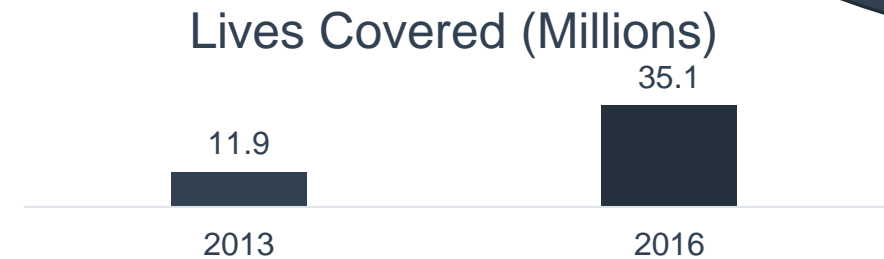
More ACOs

ACO Overview, 2016

ACO Contract Payer	Number Of ACOs	Number Of Contracts	Total Beneficiaries	Percent Of Attributed Consumers
Medicare	412	485	14,615,007	41.7%
Medicaid	44	55	3,243,728	9.2%
Commercial	156	229	17,219,745	49.1%
Multiple Contracts	77	-	-	-
Total	689	769	35,078,480	100%



New ACO requirements ahead!



Changing Provider Reimbursement Models To Support “Integration”

Of the 38 states with Medicaid managed care, 22 require the Medicaid health plans to implement VBR with provider organizations

- 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

Nationally, specialty provider organizations with VBR revenue:

- 41% of primary care organizations
- 33% of behavioral health organizations
- 34% of child and family services organizations
- 14% of I/DD and LTSS organizations

NEWS REPORT 05/29/2018 11:00 pm ET

UnitedHealthcare's Bundled Payment Program For Joint Replacement Cut Readmissions 22%

Cigna's Accountable Care Program Lowers Cost, Improves Care at The Jackson Clinic

Humana Partners With CleanSlate Centers To Provide Outpatient Addiction Treatment Services In 8 States

BCBSA Value-Based Plan Outperforms in Key Health Metrics

Gregory A. Freeman, April 30, 2018

NEWS REPORT 05/29/2018 11:00 pm ET

Humana Expands Value-Based Orthopedic Specialty Care Model To Seven More States

Changes Ahead From CMS For Medicaid & Medicare



New Bundled Rates

- October 1st 2018 launch of the new BPCI model
- Next application period in January of 2020



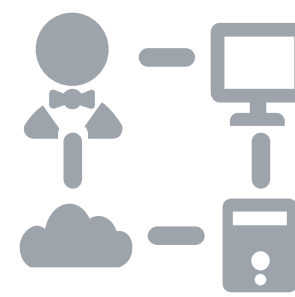
More Virtual Care

- CMS proposed to pay clinical professionals for virtual check-ins
- Proposed CMS payments for evaluating patient-submitted photos
- Expansion of Medicare-covered telehealth services to include preventative services that are prolonged



Flat Fees for Office Visits

- CMS is also proposing to implement a flat FFS rate for physician office visits as of January 2019



More Consumer Transparency

- MyHealthEData initiative
- Relaunch of the Medicare Blue Button
- Overhaul of Medicare & Medicaid EHR platforms – providers will be required to update their systems to 2015 Edition certified EHR technology (CEHRT)



More ACO Risk Sharing

- MSSP ACOs may have two years of upside-only participation before three years of increased two-sided risk
- Expansion of direct provider organization contracting (DPC) models

Value-Based Reimbursement Here To Stay Because...

- Political and competitive pressure on payers – federal government and employers
- Downward price pressure on health plans
 - Pressure on health plan medical loss ratios
- The success of ‘some’ ACOs
- The early findings of the Medicare bundled rate initiative

Return to fee-for-service not feasible – only “lever” in FFS is to reduce rates

“Integration” for improved cost and quality



Value-based reimbursement

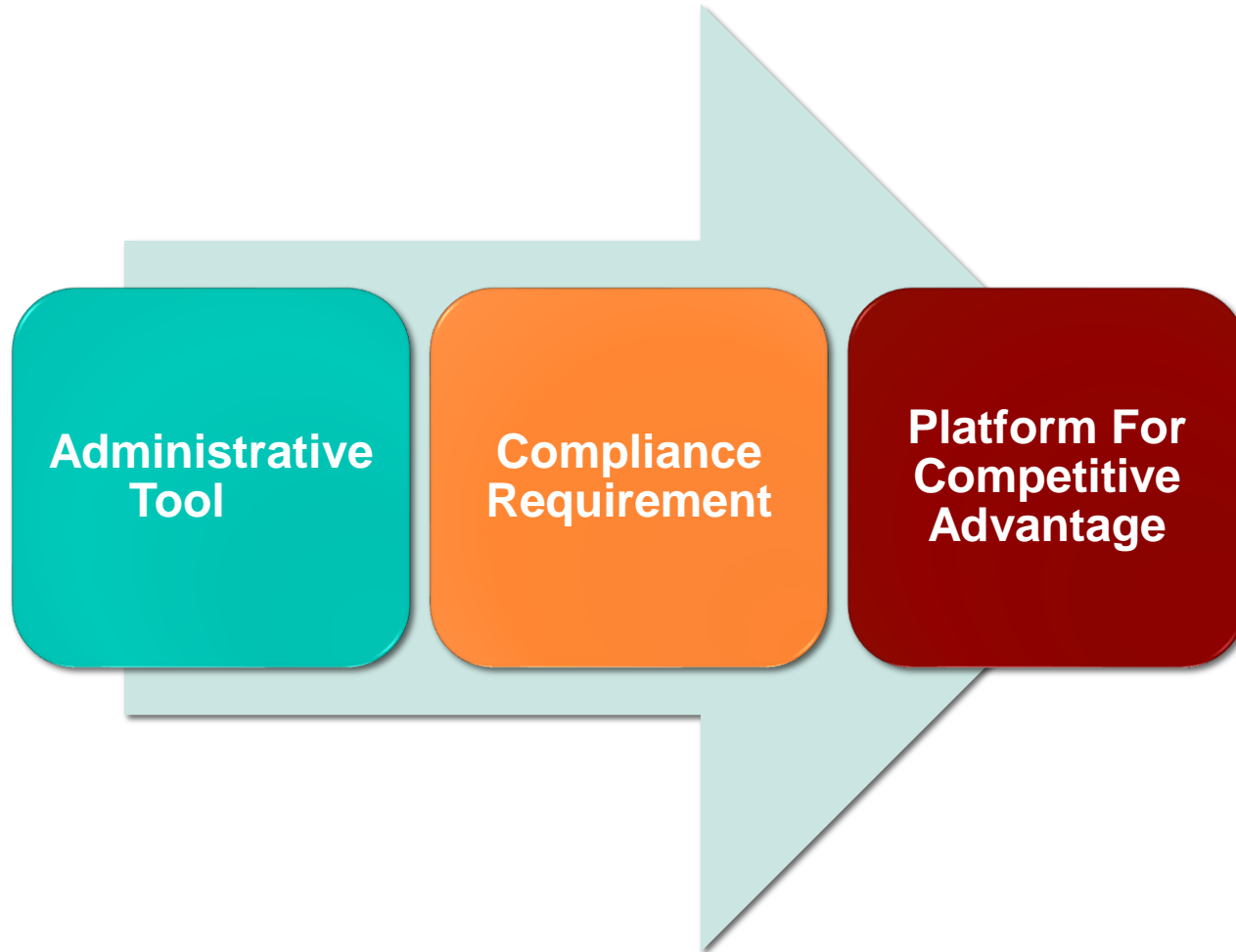


Technology adoption



Consumerism

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

Technology Infrastructure To Support Performance Management

Getting The Necessary Data

Electronic health records

Health information exchange and data aggregation

Patient registries

Consumer referral tracking

Optimizing Organizational Performance, Care Coordination & Population Health Management

Performance monitoring and management tools

Consumer segmentation and health risk stratification

Care coordination platforms

Advanced population analytics and clinical decision support

Technology Infrastructure To Optimize Value Of Consumer Care

Engaging Consumers

Patient portals,
websites, and web-
based consumer tools

Automated
consumer outreach

Reducing Service Cost

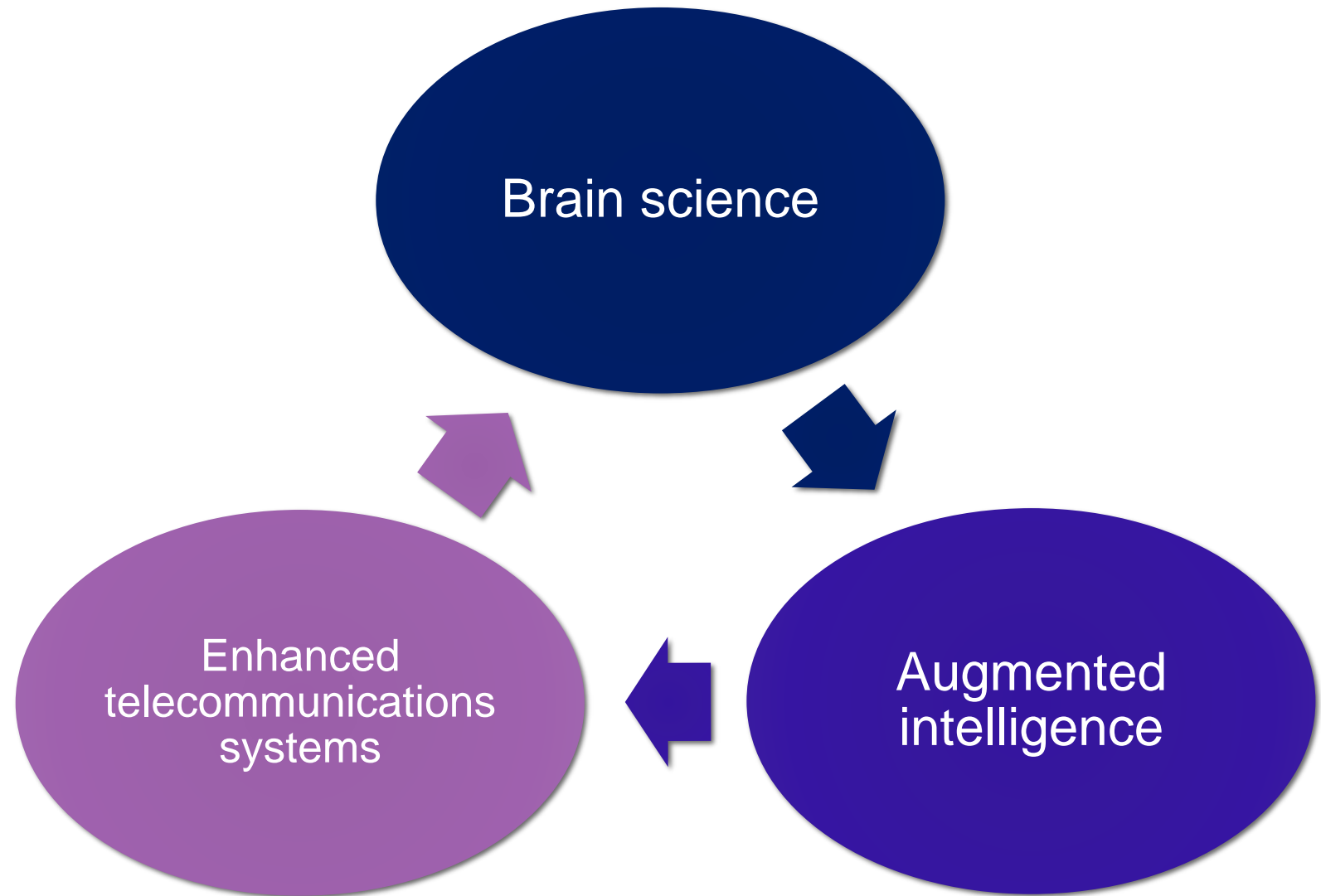
Tech improving
admin efficiencies
of staff

Tech-enabled
treatment
services

Telehealth and
telemedicine

Remote
monitoring and
distributed
service platforms

New
developments in
many scientific
domains are
reshaping health
and human
services



The Changing Science – Brain Science

- Epigenetics and the effects of trauma
- Brain stimulation therapies
- Virtual automated mental and cognition therapies
- Nutritional psychiatry
- Personalized medicine and ‘precision psychiatry’



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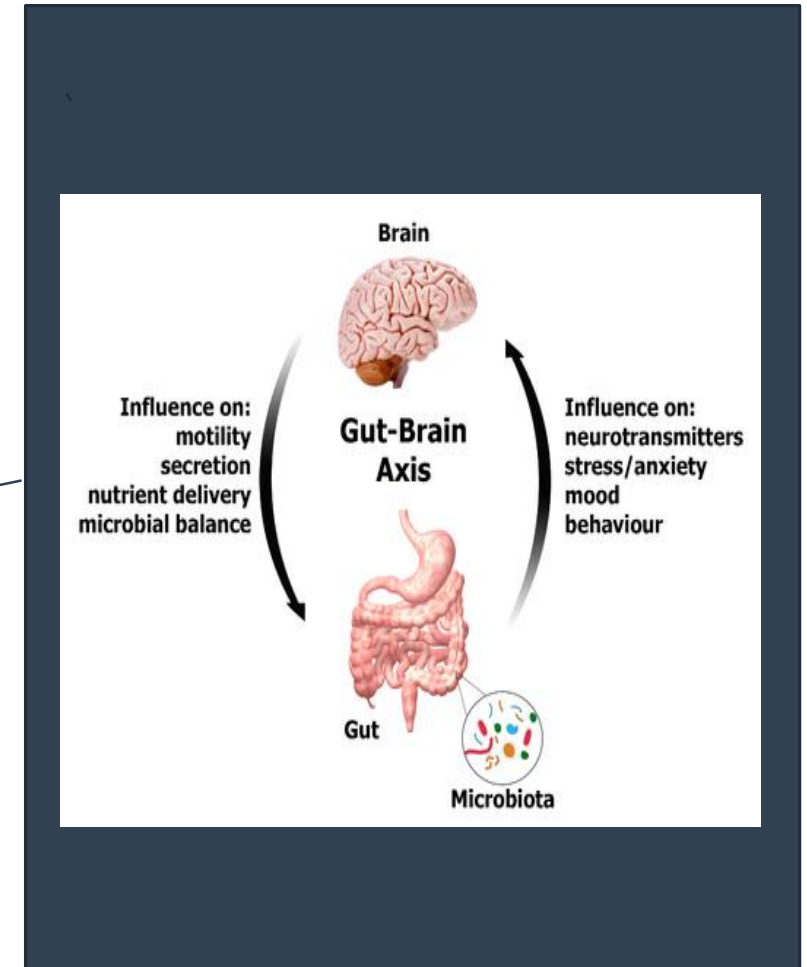
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The Changing Science – Augmented Intelligence



Diagnostics



Treatment Matching
& Decision Support

The Changing Science – Augmented Intelligence



Diagnostics

NEWS REPORT 09/05/2017 11:00 pm ET

University Of Alberta & IBM Testing Artificial Intelligence To Diagnose Schizophrenia

In July 2017, the University of Alberta and IBM launched a cooperative initiative to test the potential for artificial intelligence (AI) in diagnosing schizophrenia. They announced that researchers had developed an AI system that used brain scans to diagnose schizophrenia with 74% accuracy. The AI system was also able to predict the severity of specific schizophrenia symptoms, such as attention problems, bizarre behaviors, positive formal thought disorder, lack of motivation or apathy, and the negative symptom of alogia (minimal use of words).

Data-driven
solutions
People-focused
outcomes
Mentrics® can aggregate

The Changing Science – Augmented Intelligence



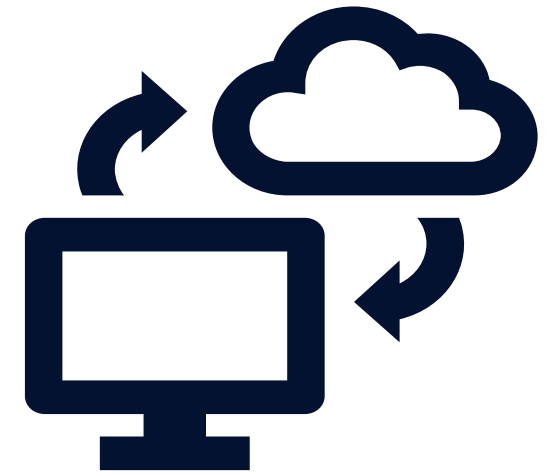
Treatment Matching
& Decision Support

The Changing Science – Enhanced Telecommunications

New hybrid treatment systems emerging based on new telecommunications and data aggregation technologies

- Telehealth
- Store-and-forward
- eCBT and automated therapies
- Text
- Wearables

Platforms emerging integrating these technologies - real-time remote monitoring, consumer engagement, disease state management platforms

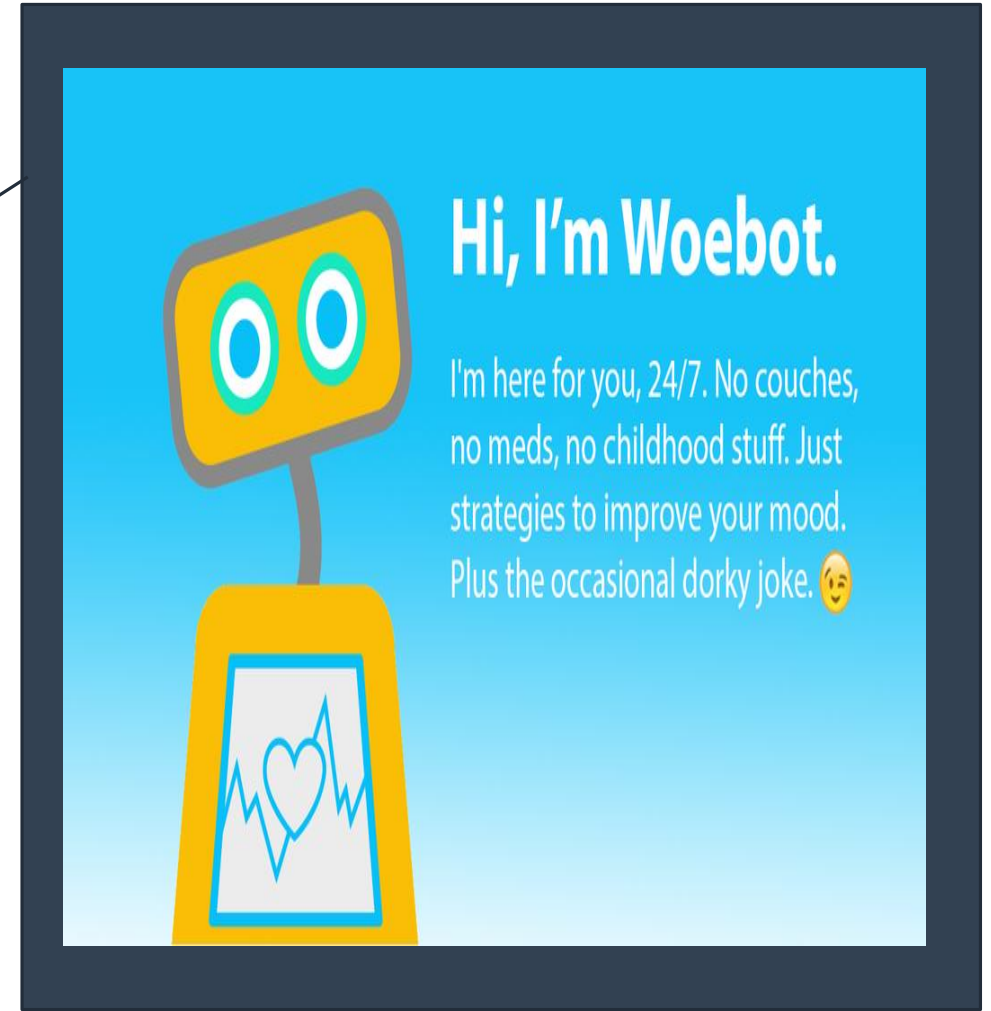


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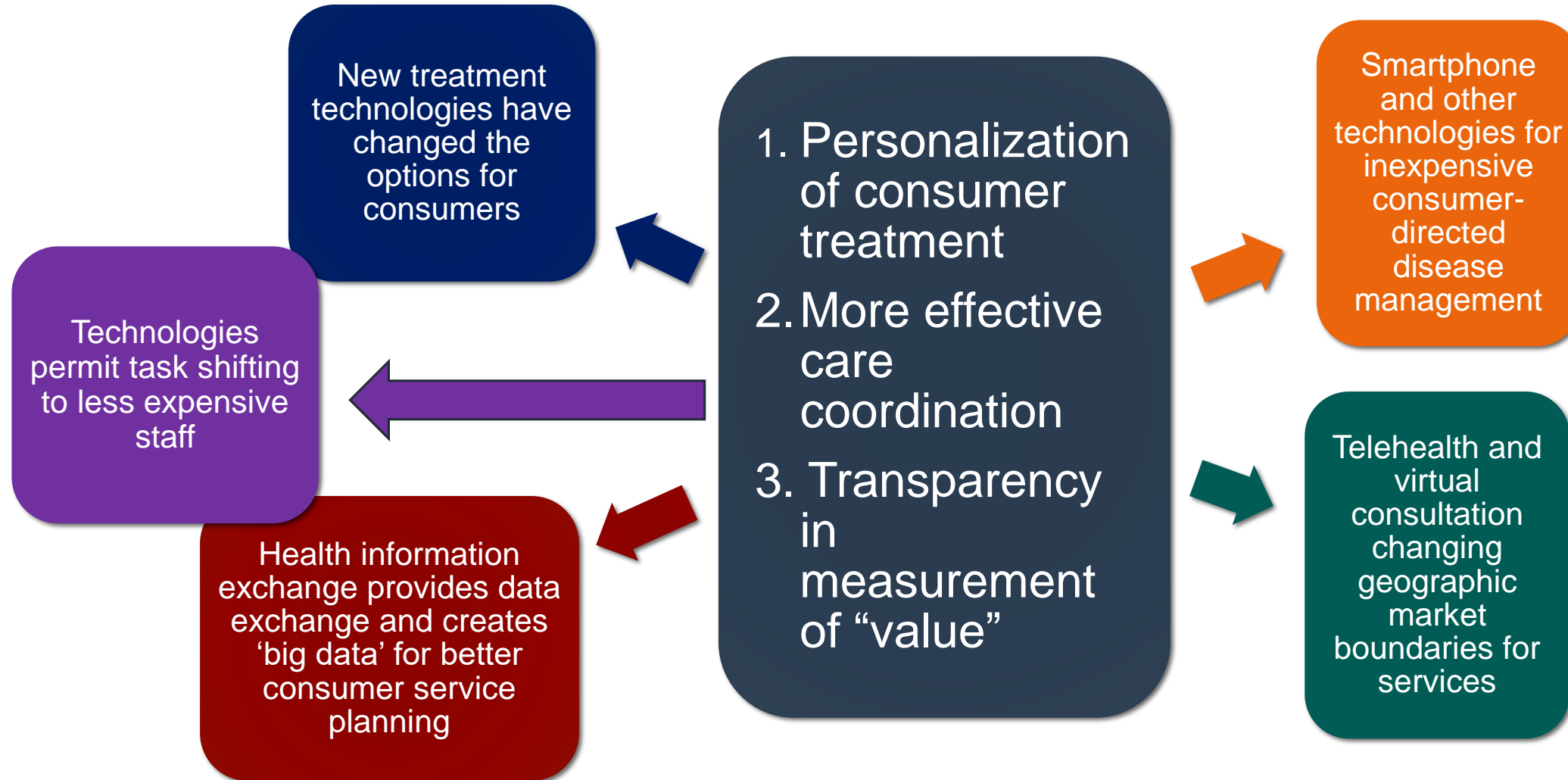
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Leverage Of Technology To Reinvent Services Key To Long-Term Sustainability



The New Consumerism

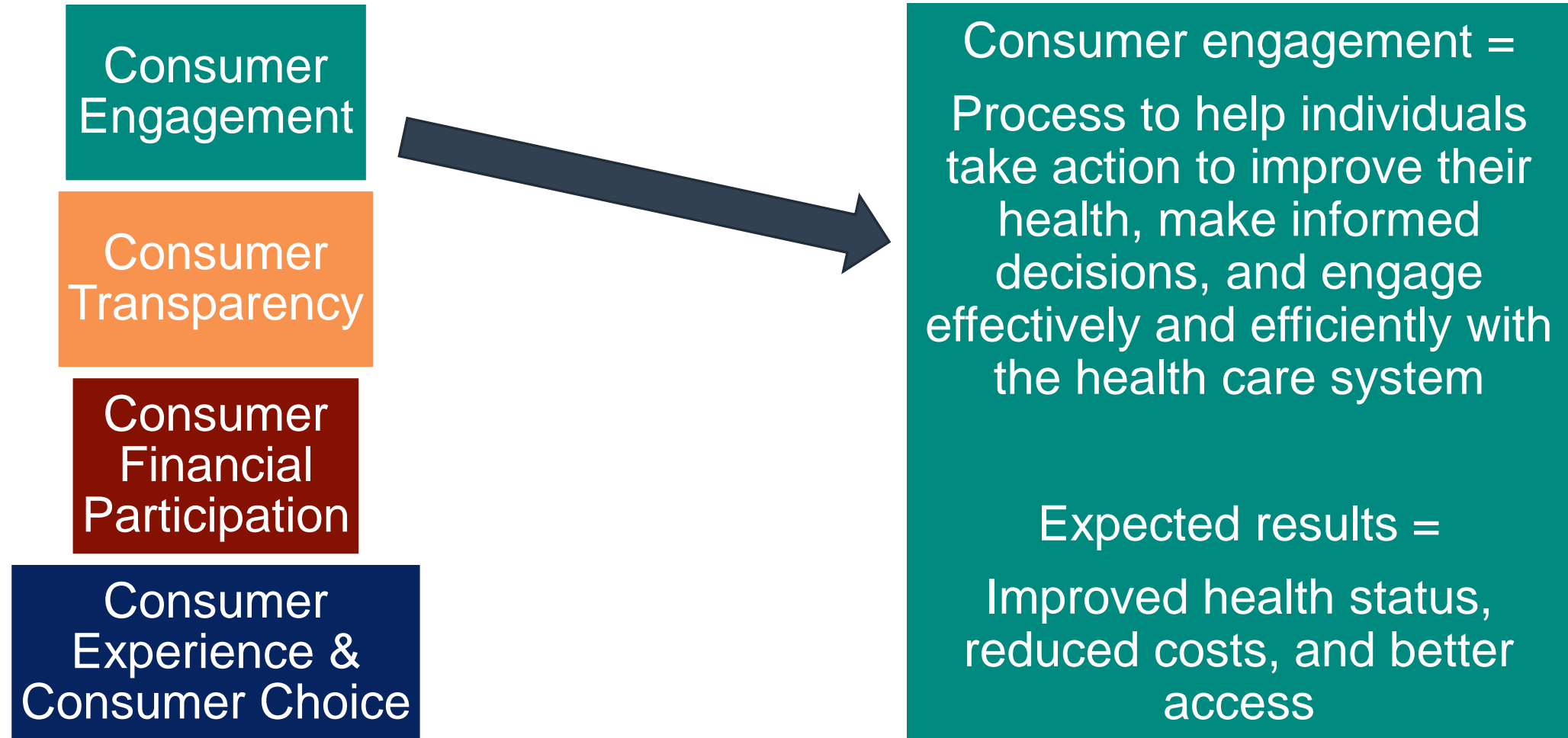
Consumer
Engagement

Consumer
Transparency

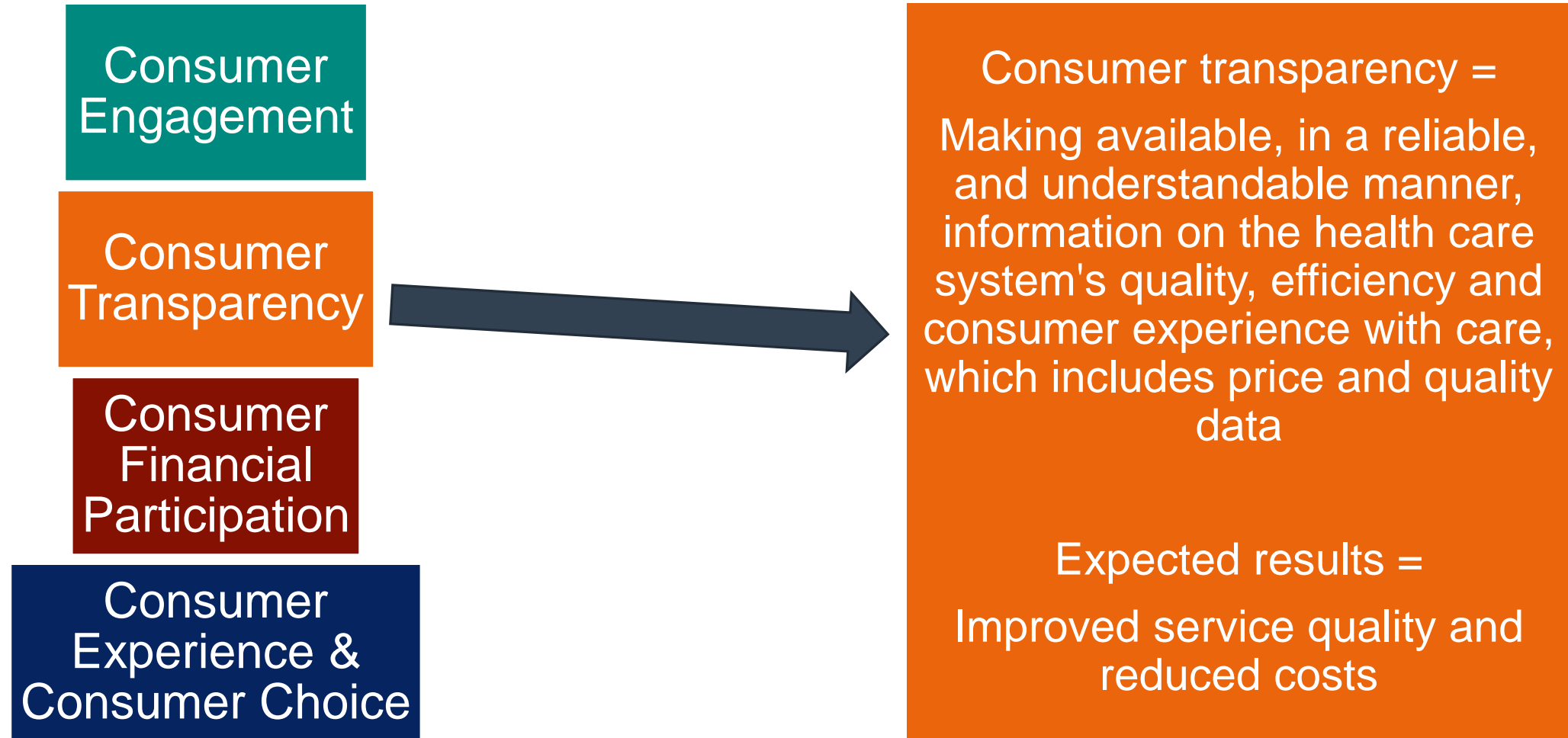
Consumer
Financial
Participation

Consumer
Experience &
Consumer Choice

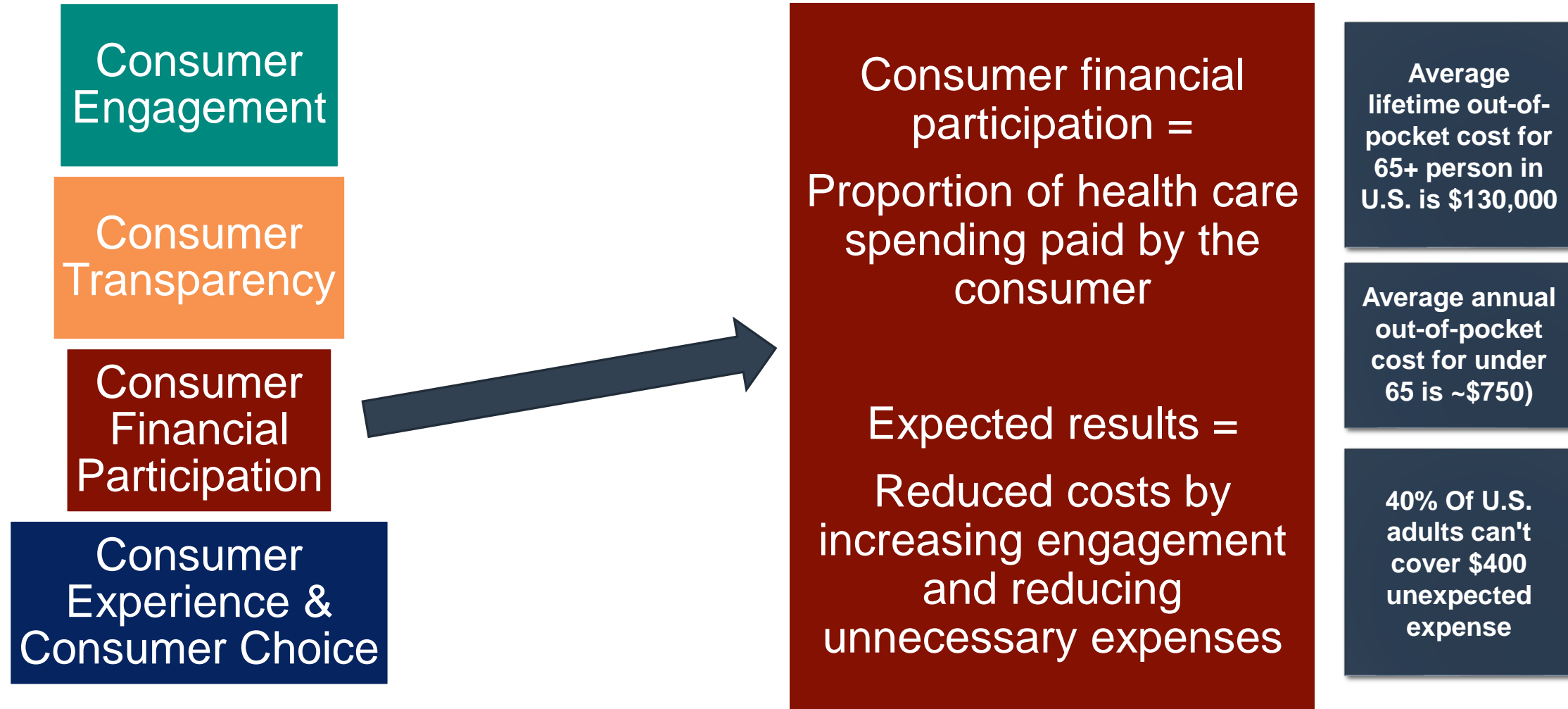
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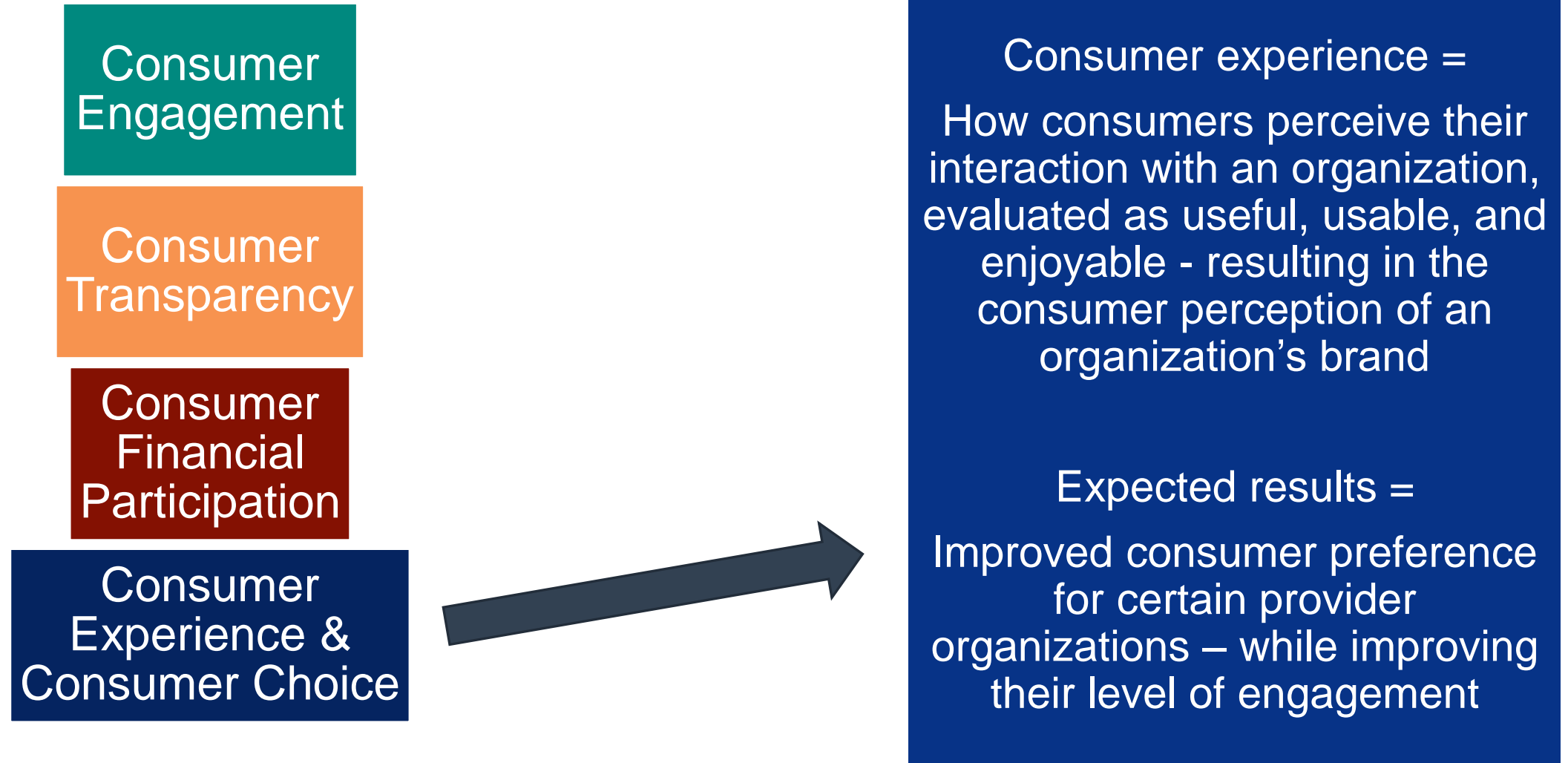
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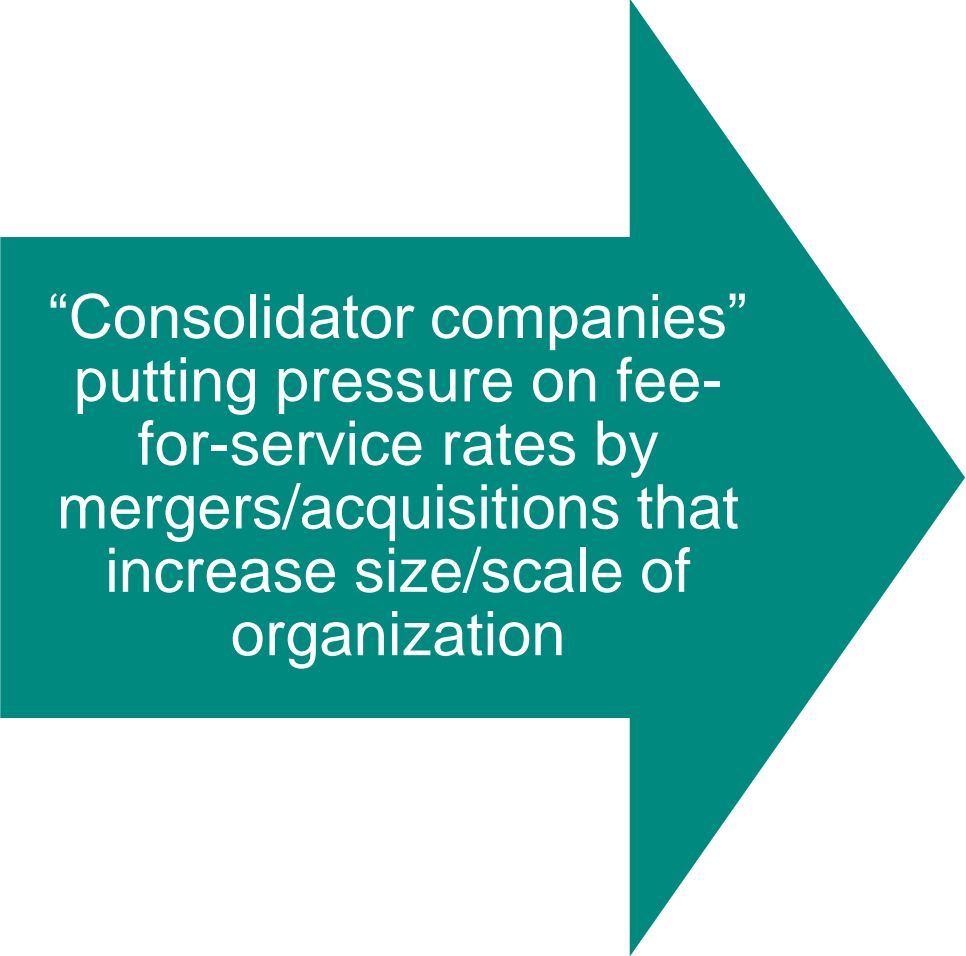
The New Consumerism




The New Consumerism



The New Competition



“Consolidator companies”
putting pressure on fee-
for-service rates by
mergers/acquisitions that
increase size/scale of
organization

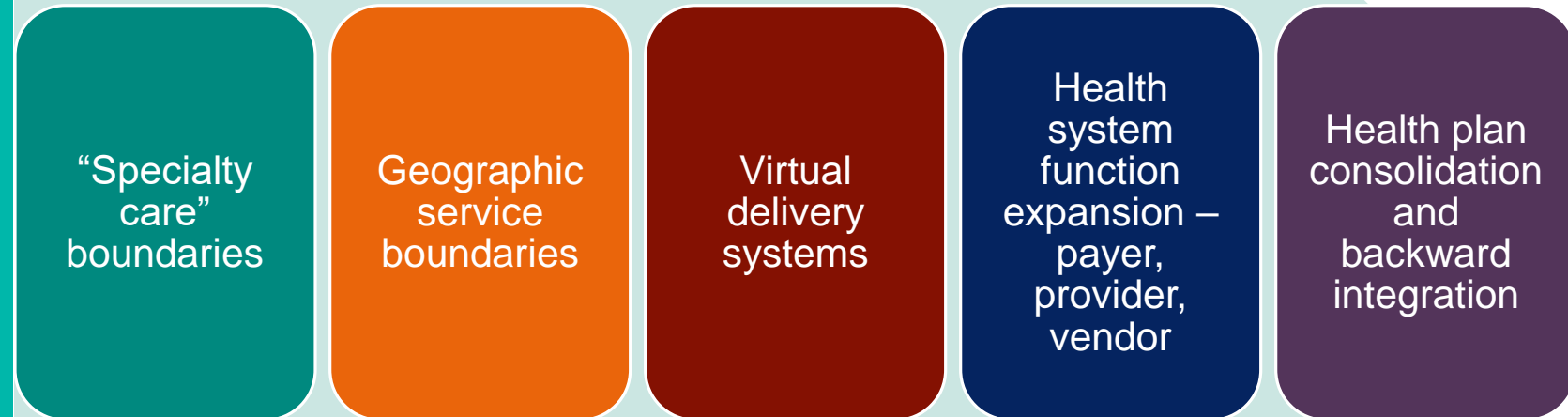


“Disruptor organizations”
are offering new service
models that are appealing
to consumers, health
plans, and payers














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

The 'Melting' Value Chain Driving Mergers, Acquisitions, & Affiliations



Consolidation Continues in Health Systems

Some Of The Largest Health Systems – Annual Revenue	
Ascension Health – \$22.6 Billion	 ASCENSION
Trinity Health – \$17.6 Billion	 Trinity Health
Catholic Health Initiatives – \$15.5 Billion	 Catholic Health Initiatives
UPMC - \$11.4 Billion	 UPMC <small>LIFE CHANGING MEDICINE</small>
Dignity Health – \$10.2 Billion	 Dignity Health.
Atrium Health - \$9.8 Billion	 Atrium Health
John Hopkins Medicine - \$8 Billion	 JOHNS HOPKINS MEDICINE
Mercy Bon Secours – \$8 Billion	 MERCY HEALTH
LifePoint Health - \$6.3 Billion	 LIFEPOINT HEALTH
Providence Health & Services - \$6 Billion	 PROVIDENCE Health & Services
Northwestern Memorial Healthcare - \$4.6 Billion	 Northwestern Medicine
Adventist Health System – \$3.9 Billion	 Adventist HEALTH SYSTEM
Prime Healthcare - \$3.3 Billion	 Prime Healthcare

Consolidation Continues In Specialty Service Providers

Some Of The Largest Specialty Provider Organizations – Annual Revenue	
Universal Health Services (UHS) – \$10.4 Billion	Elwyn - \$276 Million
Kindred Healthcare – \$6 Billion	Mosaic – \$232.3 Million
Acadia Healthcare – \$2.8 Billion	Bancroft – \$146 Million
ResCare – \$1.5 Billion	Woods Services – \$132 Million
Civitas Solutions – \$1.4 Billion	Public Health Management Corporation – \$155.5 Million
Sunrise Senior Living – \$1.2 Billion	Uplift – \$118.1 Million
Merakey – \$525 Million	Atria Senior Living – \$64.2 Million
Capital Senior Living – \$463.6 Million	Enlivant – \$34 Million
Devereux – \$429 Million	Sequel – \$33.5 Million
Centerstone – \$400 Million	Strategic Behavioral Health – \$29.6 Million
American Addiction Centers – \$318 Million	KidsPeace – \$28.5 Million

New Competitors Form Disruptive Combinations

Disruptive!

oscar

2015 – Oscar health plan receives \$165 M investment from Alphabet (google)



May 2018 – United Healthcare signs value-based venture with Quest and LabCorp



May 2018 - ProMedica and Welltower partner to acquire HCR ManorCare



January 2018 – Netsmart and American Well partner to build telehealth network



December 2017 – Humana & TPG Capital acquire Kindred Healthcare



December 2017 – CVS Health acquires Aetna

Virtual Behavioral Health Delivery Systems

Disruptive!



Private Equity Investments In The Complex Consumer Space Increasing

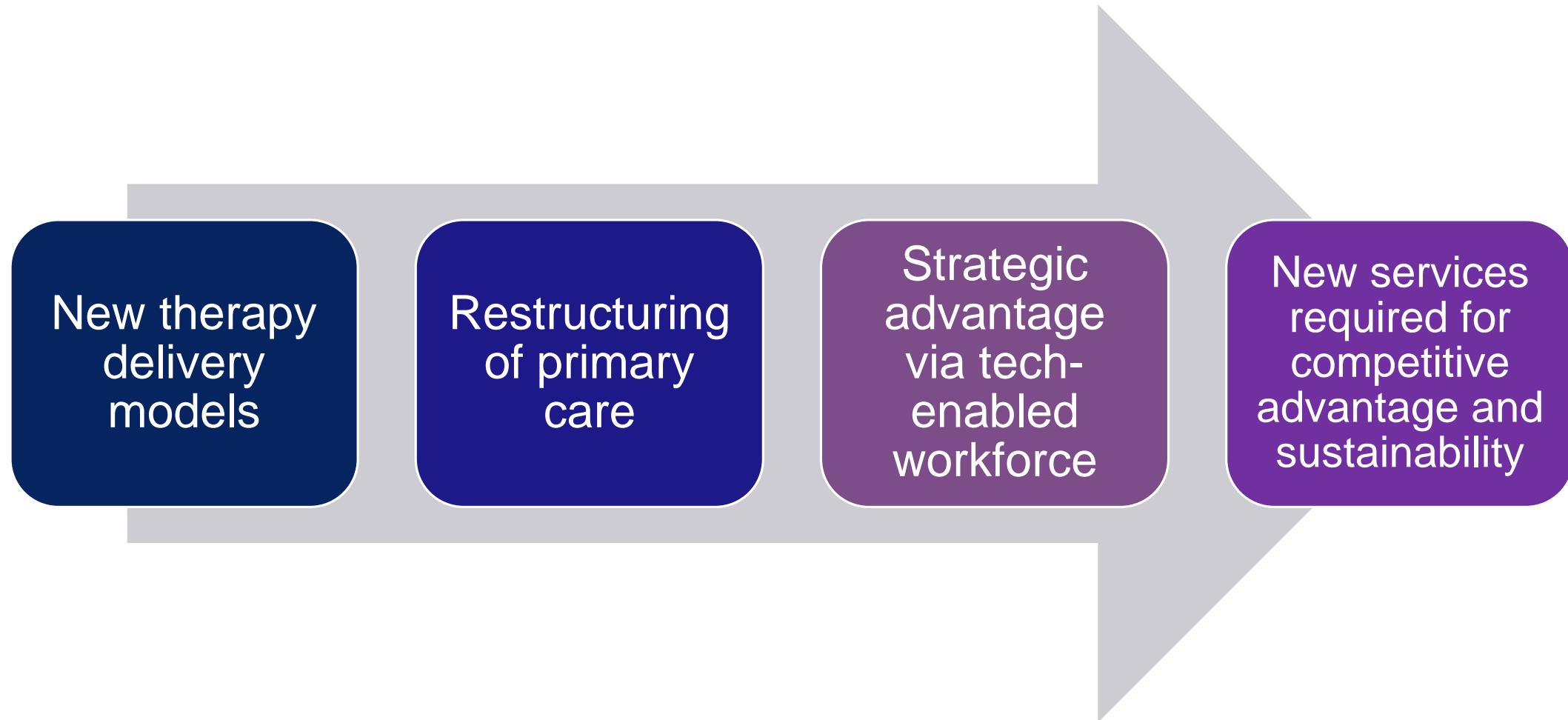
- CareGiver - I/DD
- ExpertCare - I/DD
- Suncoast New Options – I/DD
- Florida Autism Center - Autism
- Community Psychiatric – Mental Health
- Agape – Addiction Treatment
- Haven Behavioral - Mental Health
- InnerChange - Mental Health
- Walden Behavioral – Mental Health
- Sun Behavioral - Mental Health
- Sequel Youth & Family – Children's Residential
- Center For Autism & Related Disorders – Autism
- AdvoServ - I/DD
- ResCare - I/DD





Strategic Implications Of The Market Changes For Organizations Serving Consumers With Complex Needs

Likely Effects On The Market For Behavioral Health Services

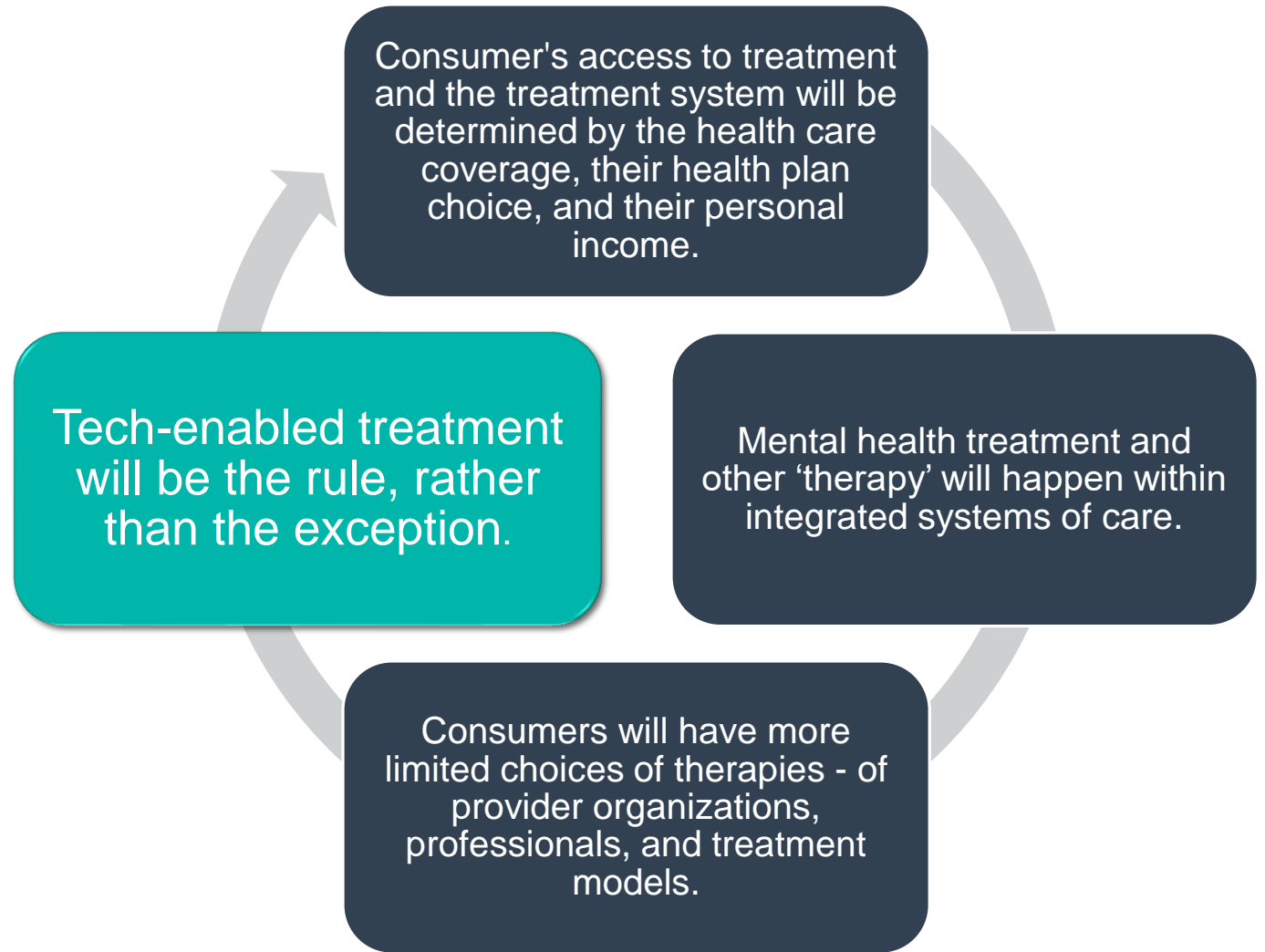




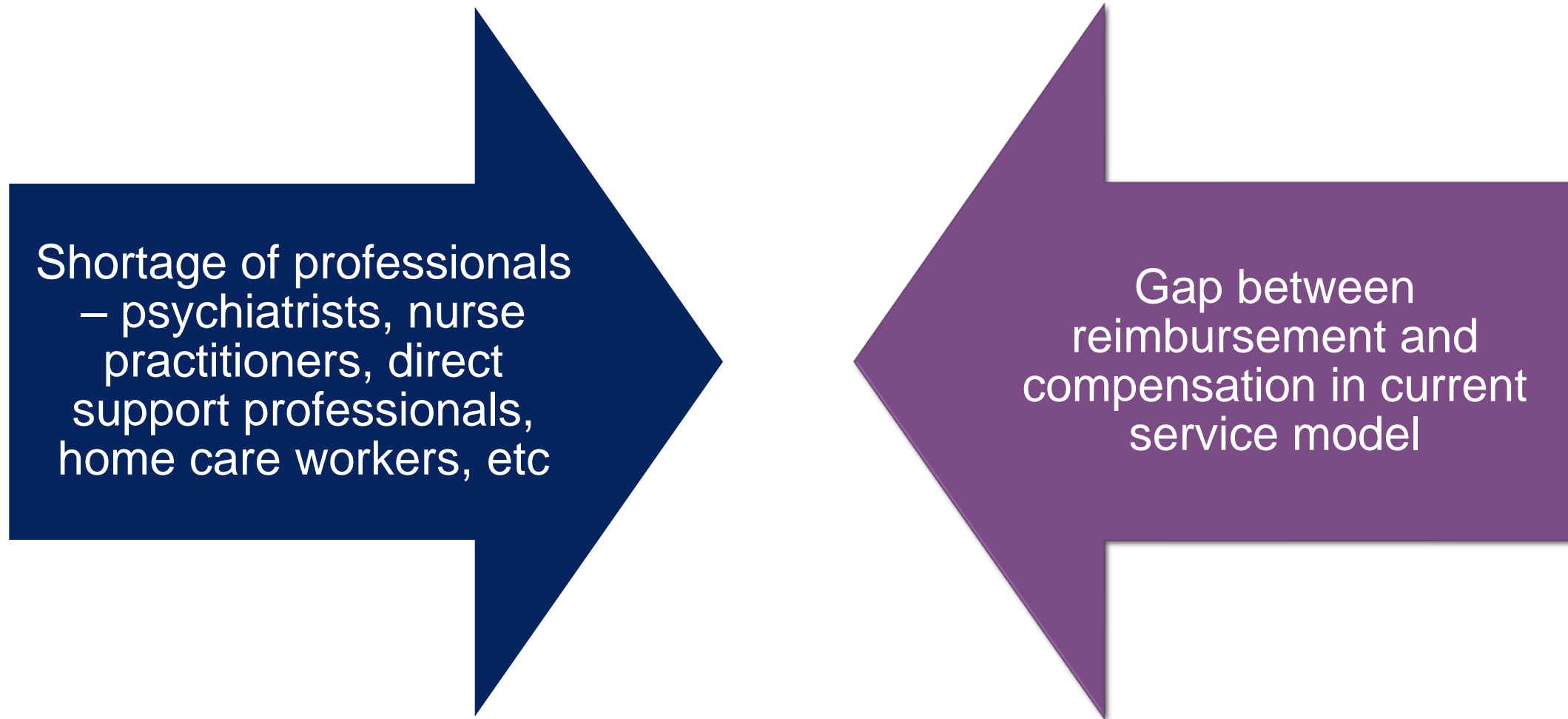
Remaking Primary Care – Merging With Care Coordination

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, etc.
- Specialist services provided via virtual care within primary care model
 - Augmented intelligence' can support basic primary care functions –
 - “Assess, prescribe, refer”
 - “Care coordination, health education, health promotion”
 - Growing payer preference for "specialty" primary care (and specialty medical homes)


“Therapy” Is Evolving



Rethinking Workforce – The Issues



Rethinking Workforce – The Issues



Shortage of professionals
– psychiatrists, nurse
practitioners, direct
support professionals,
home care workers, etc.


By 2025, the U.S. is expected to face major workforce shortages, including:

- **446,300** home health aides
- **95,000** nursing assistants
- **98,700** medical and lab technologists and technicians
- **29,400** nurse practitioners
- **20,000** physicians

Rethinking Workforce – The Issues

Median compensation in 2016 of behavioral health clinical professionals:

- \$250,958 Psychiatrists working in inpatient settings
- \$249,076 Child psychiatrists
- \$241,468 Psychiatrists working in outpatient settings
- \$112,000 Ph.D.-level psychologists
- \$86,189 Master's-level psychologists




Gap between reimbursement and compensation in current service model

Rethinking Workforce – The Issues

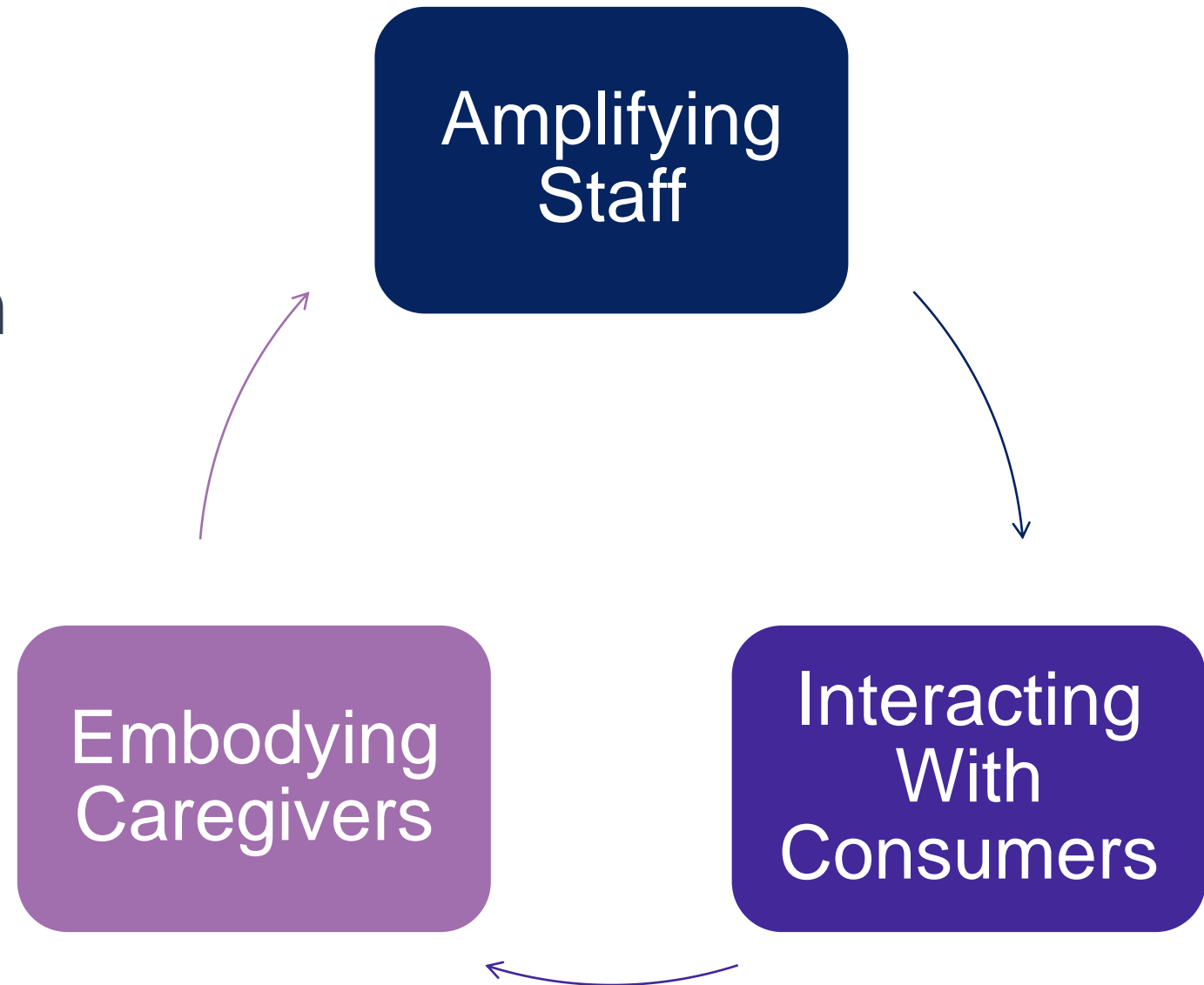
- \$23,000 is average annual wage for home health aides and personal care aides (\$11/hour)
- Turnover rate of direct support professionals are around 45%

- ✓ 51% receive some sort of public assistance
- ✓ 39% rely on public health care coverage
- ✓ 20% do not have health insurance
- ✓ 19% live below the federal poverty level



Gap between
reimbursement and
compensation in current
service model

Growing Technology-Driven Disruption Of The Workforce



LATITUDE™ Home Monitoring System



LATITUDE is an in-home monitoring system that lets your healthcare team monitor your implanted device data over a secure network between scheduled office visits. Find out how

Amplifying
Staff

Embodying
Caregivers

Interacting
With
Consumers

Amplifying
Staff

Interacting
With
Consumers

Embodying
Caregivers


mindstrong



Fitbit, Humana Tackling Chronic Conditions with New Platform

By Robert Holly | September 19, 2018

Wearable-technology company Fitbit (NYSE: FIT) and insurance giant Humana Inc. (NYSE: HUM) are turning their partnership up a notch to better prevent and manage chronic conditions.

San Francisco-based Fitbit announced Wednesday that Louisville, Kentucky-based Humana has chosen the tech company's new Fitbit Care platform as a preferred health coaching solution for more than 5 million of the insurer's members. Fitbit Care, also rolled out on Wednesday, combines health coaching and virtual care with Fitbit's wearable devices to deliver personalized interventions.

Amplifying
Staff

Reducing
Risks

Interacting
With
Consumers



NOVEMBER 9, 2017

How Amazon's Alexa Is Helping My Son
With a Disability

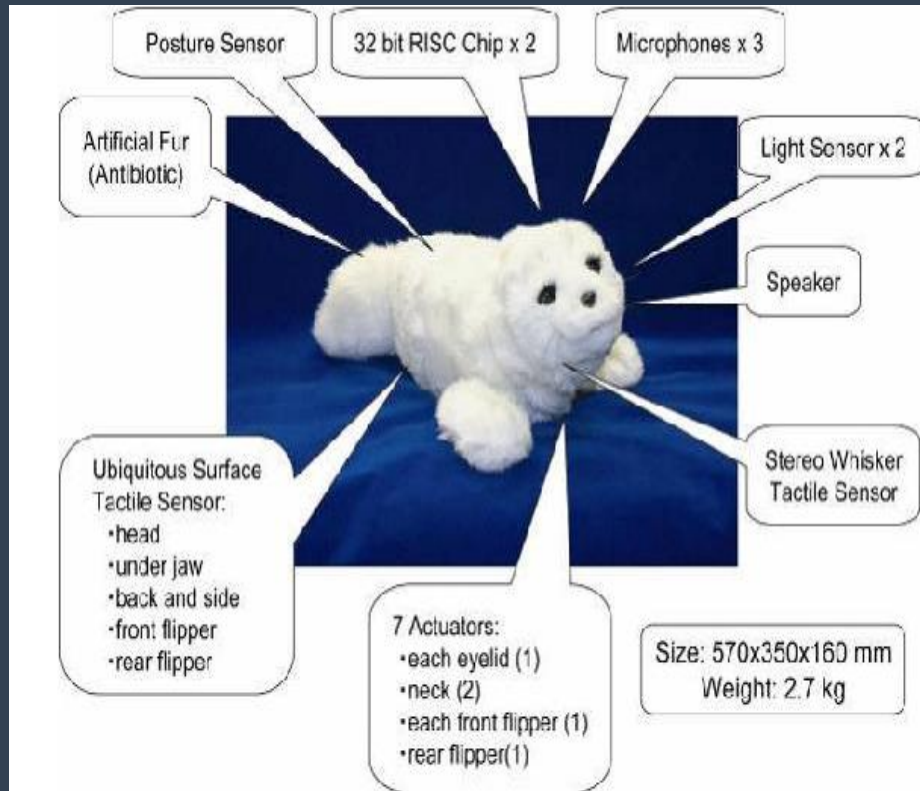
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Amplifying
Staff

Interacting
With
Consumers

Amplifying
Drivers



Amplifying
Staff

Supporting
Drivers

Interacting
With
Consumers

Future Technology-Driven Disruption Of The Workforce

Embodying Caregivers

Amplifying
S



Future Technology-Driven Disruption Of The Workforce

Embodiment
Caregivers

Amplified
S



Business Model Transition For Service Provider Organizations

Payer Preference Was Pay For Cost Or Volume

Payer Preference Is Pay For Value

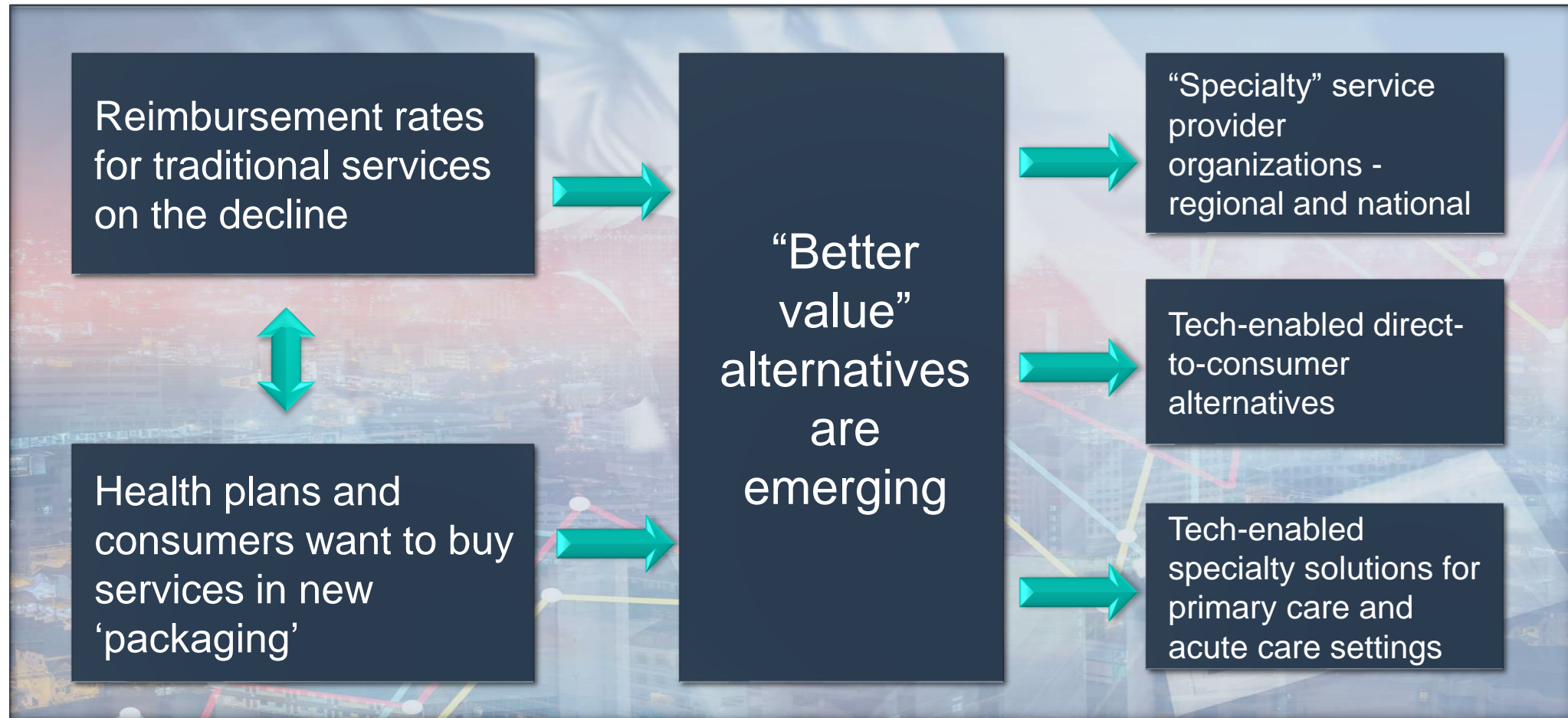
What is paid for is
good for the
consumer - and
doing more is the
business model

A revolution in
performance
management required

Giving the
consumer (and their
payer) what they
want and need is
the business model

Good outcomes
delivered cost
effectively

The Changing Preferences Of Customers - & New Market Options



Market Role For Specialist Provider Organizations Changing

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

Whole Person Care

Provider organizations that can manage consumers with complex conditions and keep them out of acute care settings

Stabilization & Crisis Management

Provider organizations that can provide acute stabilization for complex consumers and coordinate a return to the community

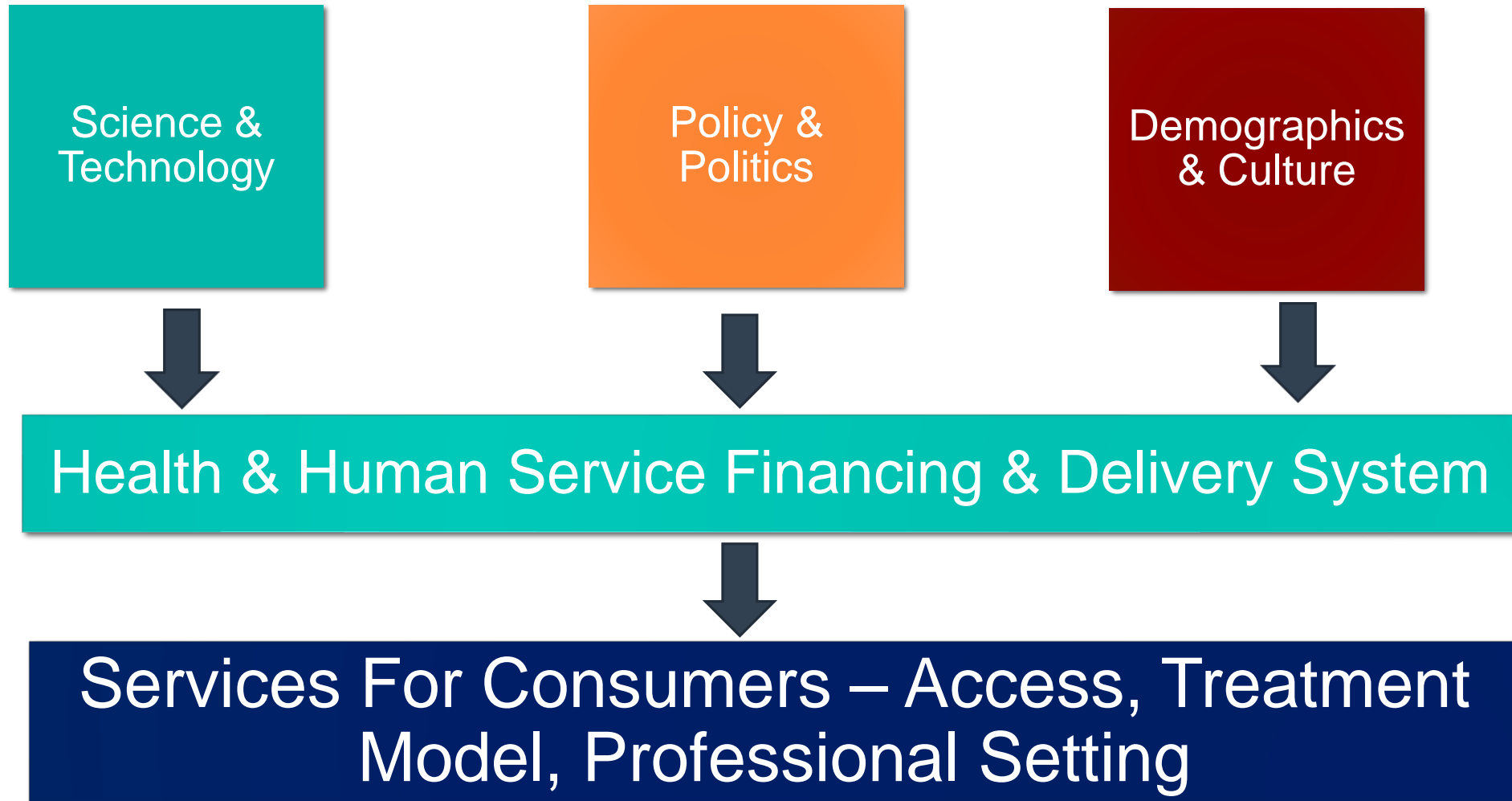
Traditional FFS ‘money makers’ shrinking – targeted case management, traditional undifferentiated “residential” treatment, post-surgical SNF care, etc.

The “cash cow” is becoming the “dog”

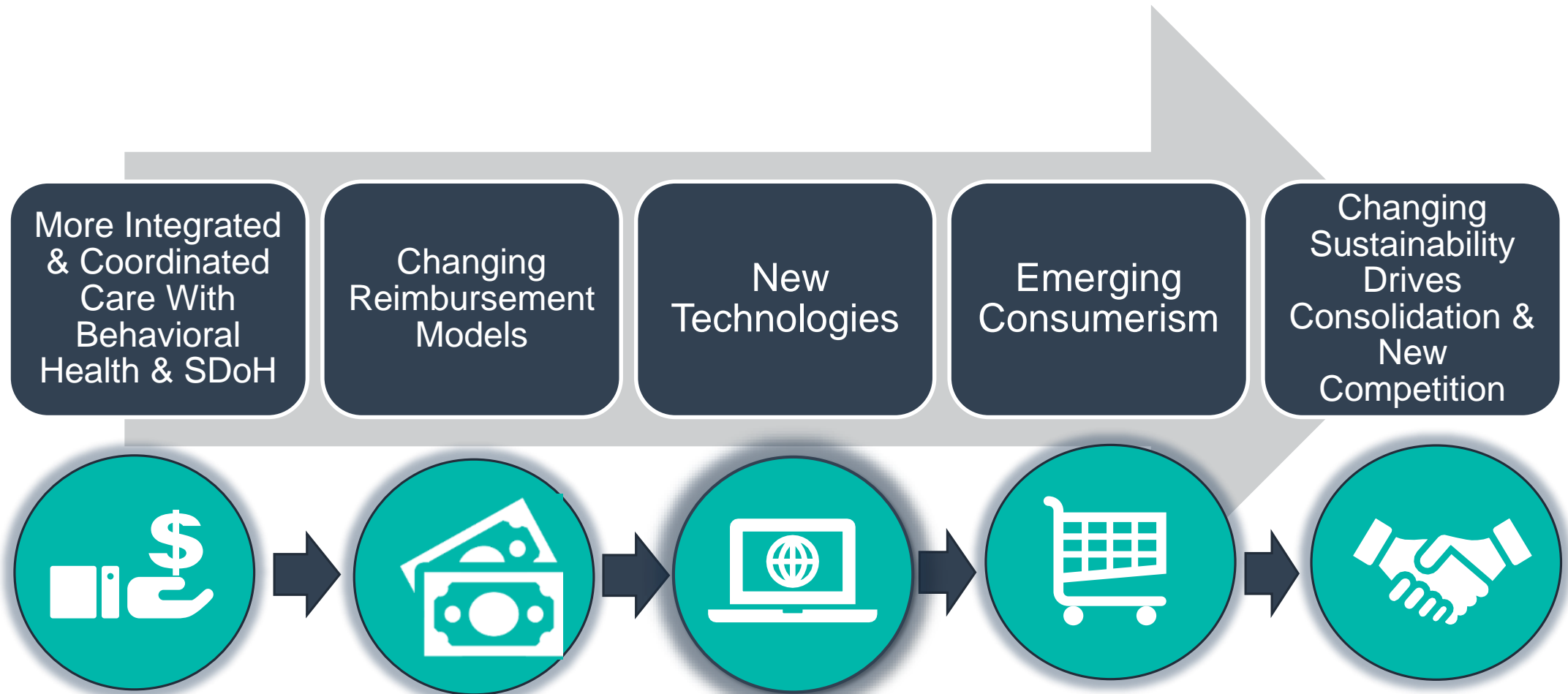


The Growth Imperative For Sustainability – Scale & Performance Management

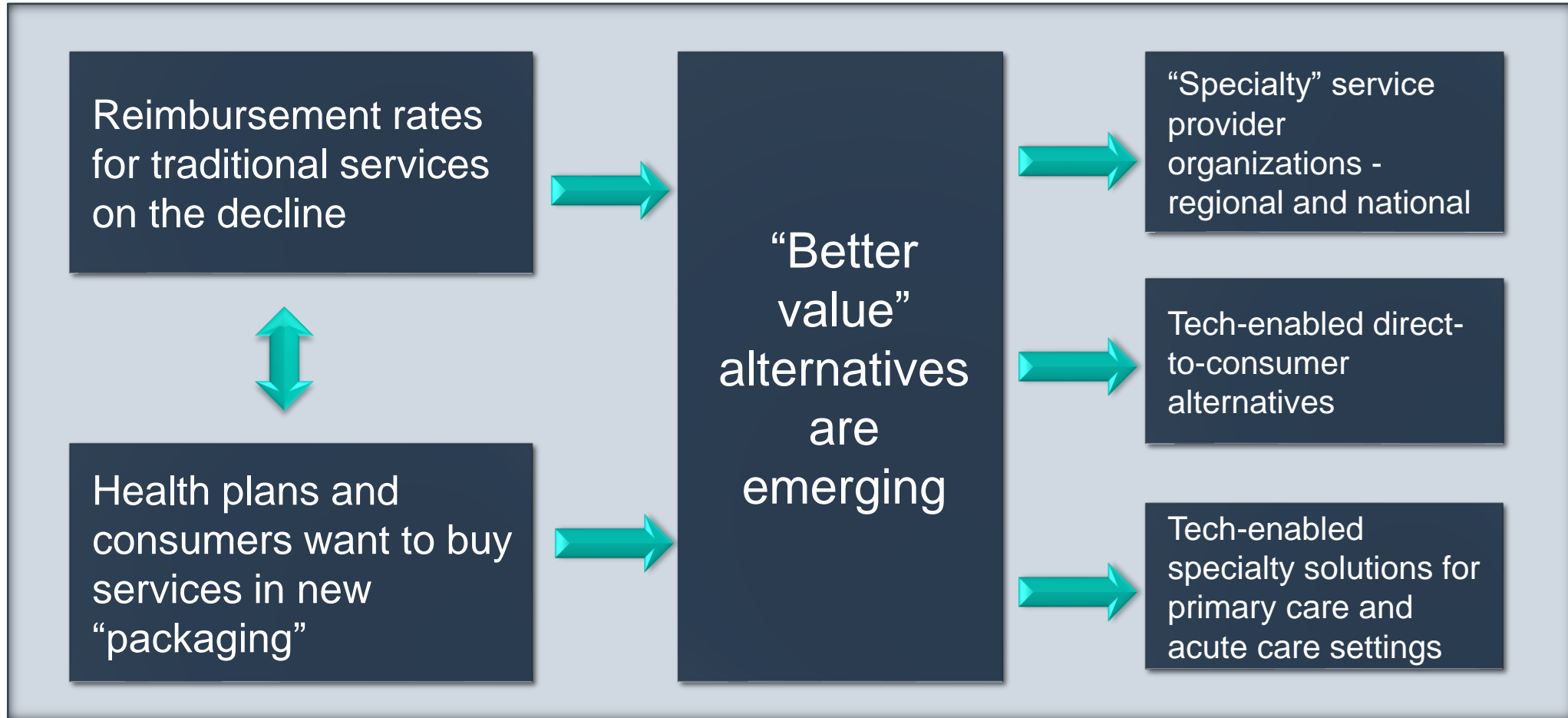
Service Delivery System Is Evolving – The Market Results Are An Unpredictable Synergy Of Many Factors



Executive Teams Are Challenged By A Few Key Drivers Of Change



The Sustainability Challenge: Customers Measures Of Value & Preferences Are Changing



The Result: Changing Market Role For Specialist Provider Organizations

Two emerging market positions for specialist provider organizations serving consumers with complex needs

Whole Person Care

Provider organizations that can manage consumers with complex conditions and keep them out of acute care settings

Stabilization & Crisis Management

Provider organizations that can provide acute stabilization for complex consumers and coordinate a return to the community

Traditional FFS 'money makers' shrinking – targeted case management, traditional undifferentiated “residential” treatment, post-surgical SNF care, etc.

The traditional “cash cow” is becoming the portfolio “dog”

For this market transition, specialist health and human service organizations need growth to achieve scale. . .

Impediments to scale. . .

Changing
payer
preferences

Changing
consumer
expectations

Product life
cycle

Backward
integration
of health
plans and
health
systems

**Scale –
for investments,
for market
leverage, to attract
talent, for
competitive unit
costs, and more**

Scale is a tool that can yield these results. But 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

Organizational Growth Requires “Organizational Fitness”



It's not a matter of investment capital – it's what you do with the capital (market, human and financial) you have. . .

If you have a strategy and demonstrated ability to execute, you can find capital. . .

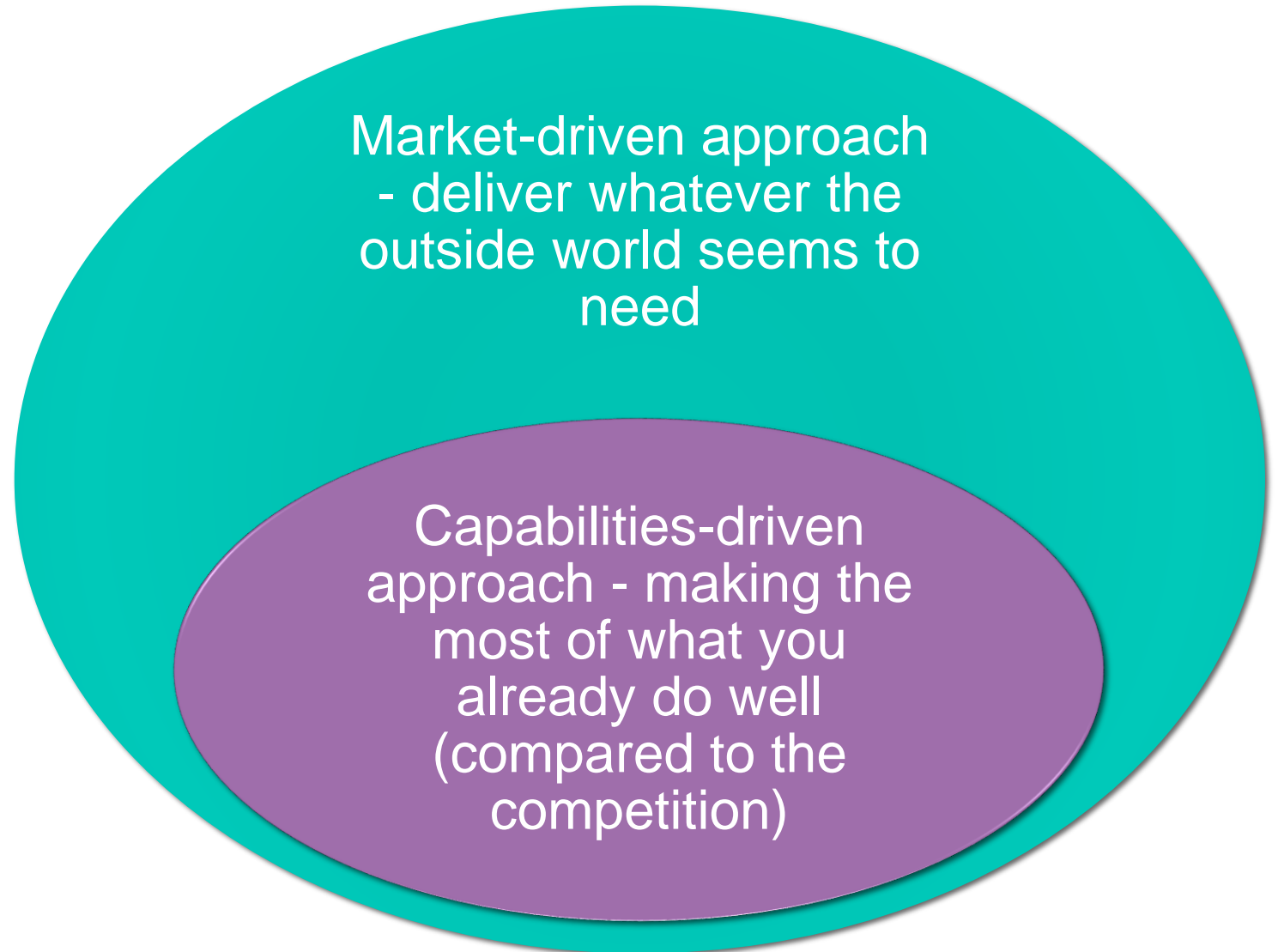
What Do You Need For This Approach?

Market-Driven Approach + Capabilities-Driven Approach To Determine Investment Priorities

For market-driven approaches (delivering whatever the outside world seems to need), your executive team needs market intelligence – market size, market preference, market competitors, market trend, gap analysis, etc.

But for capabilities-driven approach, how do you know what you do well?

How To Approach The Growth Imperative?

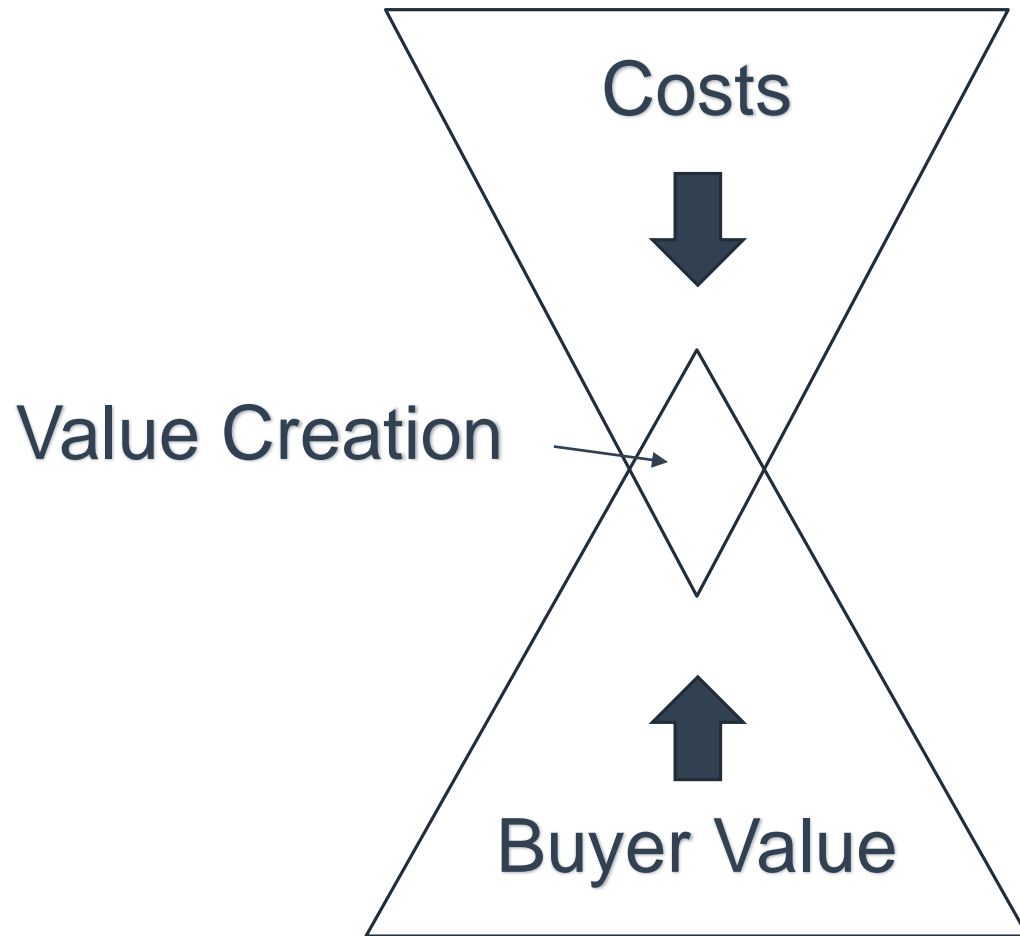


Your “Capabilities” - What You Do Well – Are Determined By The Customer, Not By You....

- Internal performance metrics to optimize performance
- Ability to benchmark performance to customer preference and competition

High Performing” On Payer/Funder Contracts?	Easy & Cheap?	Great Customer Service?	Clinically Cutting Edge?	Financial Sustainability?
<ul style="list-style-type: none">• National health home measures• NCQA HEDIS measures• CMS STARS measures• Most common health plan contract measures• Specific health plan contract measures• Specific funder performance measures	<ul style="list-style-type: none">• Search engine ranking and optimization scores• Inquiries• Inquiry response time• Inquiry conversion rates• Time to appointment• Service rates	<ul style="list-style-type: none">• Net promoter score• Customer satisfaction• Customer experience (“mystery shopper”) results• Online reputation	<ul style="list-style-type: none">• Consistency in ‘treatment model’ - lack of unexplained variability• Time to evaluation/adoption of new treatment technology	<ul style="list-style-type: none">• Revenue – by service line• Profitability - revenue growth and net operating profit margin, by service line• Liquidity - current ratio, days cash outstanding, cash flow from operations, days of accounts receivable• Leverage - debt to equity ratio

The Blue Ocean Strategy Model



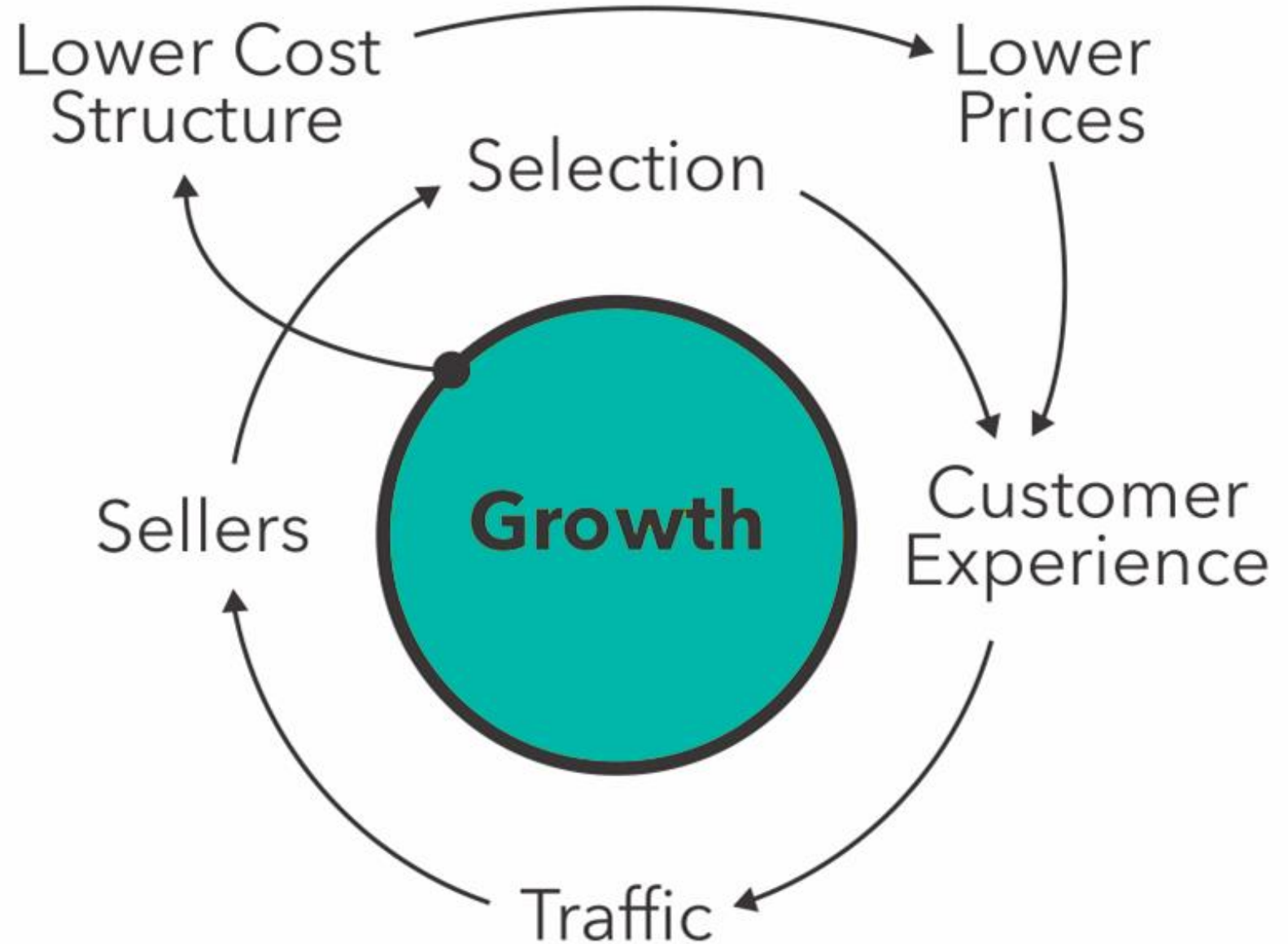
The creation of “blue oceans” is about simultaneously driving down costs while creating “value” for consumers

Blue ocean strategy focuses not on beating the competition - but making the competition irrelevant by creating new, uncontested market space

The Amazon Flywheel As Strategic Investment Model

The concept – A flywheel, when you feed any part of it, naturally accelerates the entire loop.

Lower cost = more customers.
Better customer experience = more customers.
Better customer outcomes = more customers.
More customers = lower cost.



The Strategic Quality Model

What costs are worth incurring (i.e. what investments are worth making) to improve customer experience and customer results?

Strategic quality = strategic costs

Focus on the quality differentiators and “un-invest” in service dimensions that are not valued by the customer

Key Dimensions of Quality

- **Conformance:** Meeting the specifications of the customer.
- **Performance:** Primary product functions such as clarity of voice received in Mobile phone, Radio.
- **Features:** Added functions (secondary functions) to a product such as recording system in a television set.
- **Durability:** Lifetime of the products, which include repairs.
- **Reliability:** The probability of a product performing its intended duty under stated conditions without failure for a given period of time.
- **Service:** Ease of repair
- **Response:** Human interface, such as courtesy of the service personnel while registering a complaint from customer and while repairing at the customer's site.
- **Reputation:** Customer's perception about the product which can be understood from a market research survey.
- **Aesthetics:** The external finish given to a product to attract the customer.

Each Of These Models Builds Competitive Advantage & Positioning – To Facilitate Growth

- **Competitive advantage** - A superiority gained by an organization when it can provide the same value as its competitors but at a lower price, or can charge higher prices by providing greater value through differentiation.
- **Positioning** - The place that a brand occupies in the minds of the customers and how it is distinguished from the products of the competitors. ... Primarily, positioning is about "the place a brand occupies in the mind of its target audience".
- **Value proposition** - A positioning statement that explains what benefit you provide for who and how you do it uniquely well. It describes your target customer, the problem you solve, and why you're distinctly better than the alternatives
- **A unique selling proposition** - the unique benefit exhibited by a service that enables it to stand out from competitors

These growth fundamentals are not possible without customer-centric performance data. . .

The Performance Measurement-Strategy Link

Organizational Performance Measurement

Payer/Health Plan
Contract Performance

Access Measures—Price, Time To
Appointment, Convenience, Etc.

Consumer Experience

Clinical & Service Performance

Revenue, Margins & Financial
Sustainability

Strategy

Organizational Performance Management

Culture Change

- Development of integrated care approaches & programs
- Improved managed care functionality with optimized revenue cycle management
- Improved consumer access & engagement
- Service line development, diversification & new revenue streams
- New technology investments
- Contracts & systems for value-based reimbursement
- Margin improvement with operational process reengineering & unit cost management

The Building Blocks Of Strategy Success

Market intelligence – understanding the customers and competitors



Performance metrics – assessing your performance relative to customer preferences and competitors ability



Strategy – plan for success and sustainability that directs investment



Talent – leadership staff, technical staff, team communication and cooperation



Strategy execution – make strategy a reality



Six Key Strategies For Success In A Disruptive Market

Six Key Strategies To Beat The Disruptive Competition

Best Practice Strategy Development & Sustainability-Driven Innovation

Adaptive Standardization

Market-Responsive Service Line Evolution

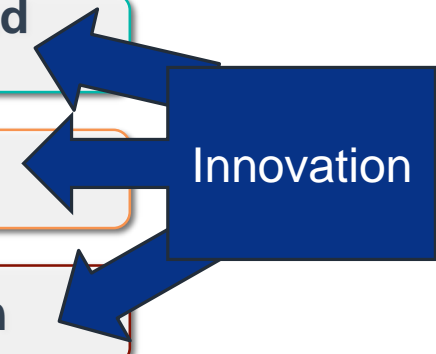
Metrics-Informed Performance Management

Nimble Tech Adoption & Deployment

Structure & Team To Manage Complexity

Strategy For Sustainability Should Drive “Innovation”

- 1 • Develop vision of future competitive advantage and market positioning – set objectives
- 2 • External market analysis and internal portfolio analysis/performance benchmarking
- 3 • Scenario-based strategic plan incorporating alternate future positioning options
- 4 • Detailed plans – marketing, financial, operational, capital, HR, etc. – to implement strategy and future vision
- 5 • Key performance metrics and metrics-based management to track strategy implementation, and allow for mid-course adjustments
- 6 • **Optimization of current operations to keep current programs as competitive (and profitable) as possible as long as possible**
- 7 • **New service line and service model development to support future vision**
- 8 • **Collaborations and partnerships as needed to facilitate strategy implementation**



Strategy Development Best Practices



Structured Approach To Improving “Value”

- **Adaptive standardization** – evidence-based standardization of routine care and services
- **Adaptive response for service line evolution** – continual change of service portfolio based on both science and market
- **Effective performance management** – continuous performance measurement ‘hardwired’ into all services

Standardization, Service Lines, & Continuous Improvement Need To Be Driven By Improving Value Equation

Competitive Advantage Driven By Value To Payers & Consumers

Product Benefit + Brand Equity + Marketing Benefit

Price

= Value

Standardization Of Clinical & Administrative Processes

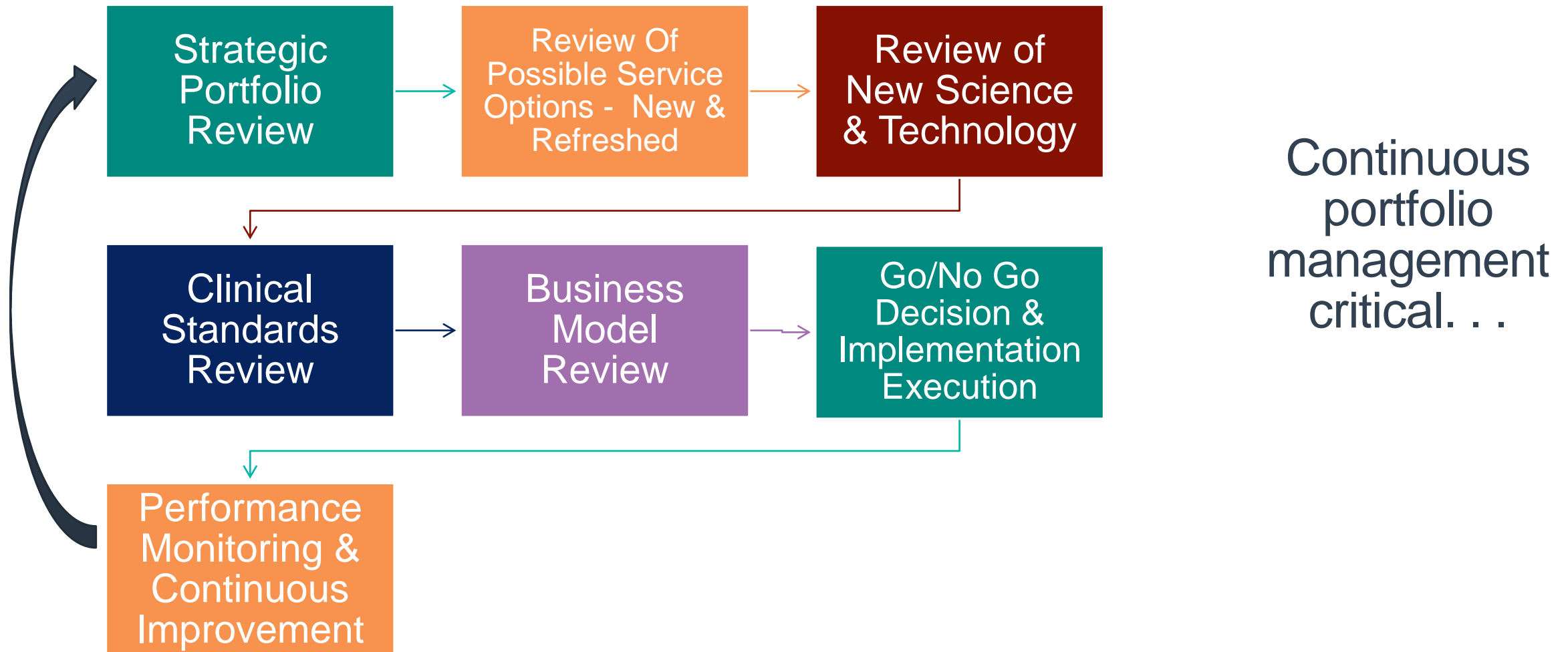
– How Do You Assure That Consumers With The Same Problem Get The Same Solution & The Same Experience Every Time?

- Standardization - uniform standards and methods for delivery of a service that assures maximize safety, replicability, and performance
- Elements of standardization:
 - Terminology
 - Processes, approaches, protocols
 - Personnel
 - Technical systems – technology, physical plant, devices, etc.
 - Results
- This is more than measuring ‘fidelity to the model’



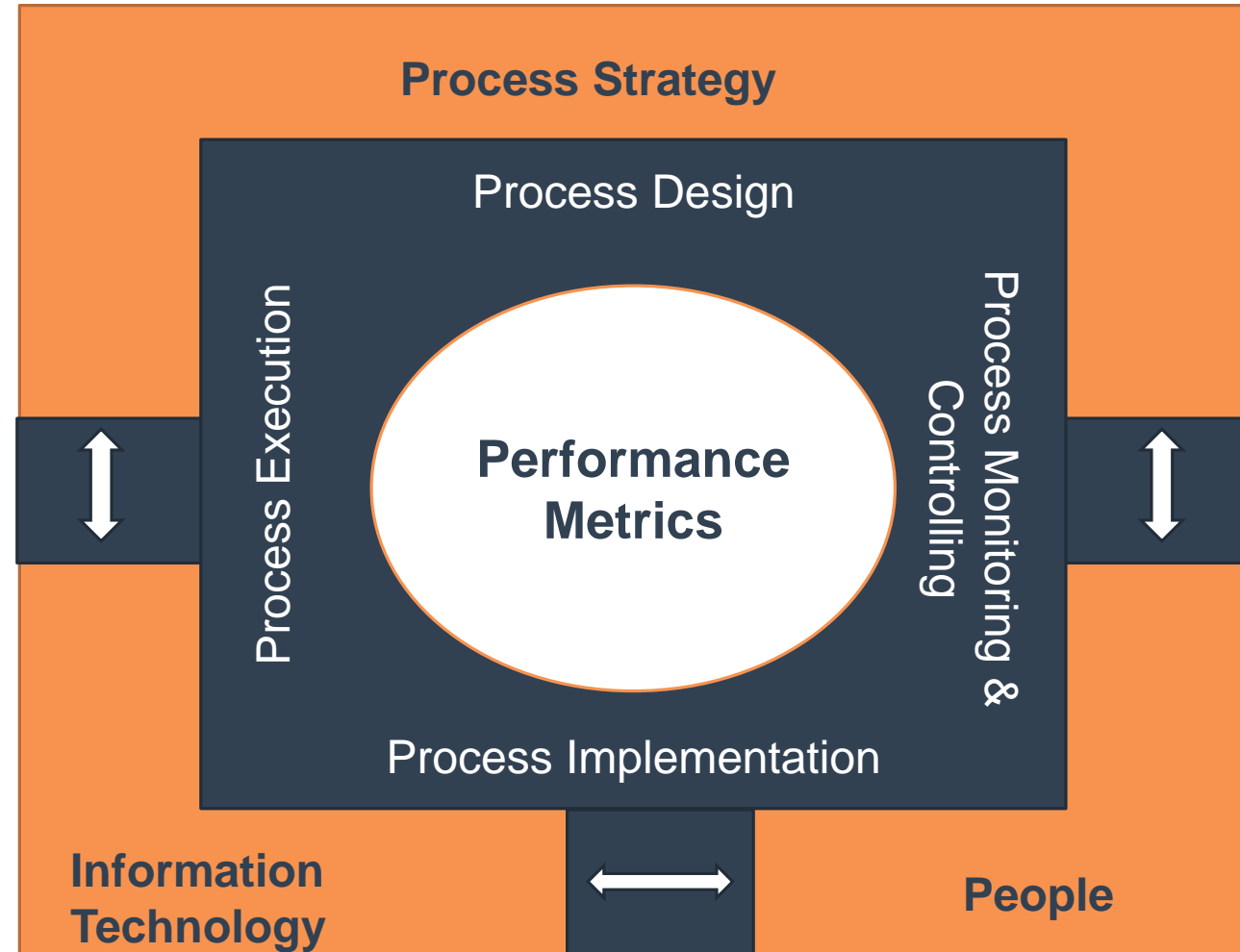
Developing rates for value-based reimbursement requires service standardization

Continuous Service Line Evolution - Are Your Services Keeping Current With The Market?



Metrics-Based Performance Management – How Services Compare To The Competition?

Metrics-based management is the path from information to action



The New Measures Of “Value”: *OPEN MINDS* Performance Domains

“High Performing” On Payer/Funder Contracts?

- National health home measures
- NCQA HEDIS measures
- CMS STARS measures
- Most common health plan contract measures
- Specific health plan contract measures
- Specific funder performance measures

Easy & Cheap?

- Search engine ranking and optimization scores
- Inquiries
- Inquiry response time
- Inquiry conversion rates
- Time to appointment
- Service rates

Great Customer Service?

- Net promoter score
- Customer satisfaction
- Customer experience monitoring (“mystery shopper”) results
- Online reputation

Clinically Cutting Edge?

- Consistency in ‘treatment model’ - lack of unexplained variability
- Clinical outcome measures
- Time to evaluation/adoption of new treatment technology

Financial Sustainability?

- Revenue by service line
- Margins by service line
- Liquidity - current ratio, days cash outstanding, cash flow from operations, days of accounts receivable
- Profitability - revenue growth and net operating profit margin
- Leverage - debt to equity ratio

How To Select What Metrics To Manage? Employ The 'Strategic Quality' Concept

- Invest in 'performance improvement' that differentiates you from your competitors – and customers are willing to pay for the differential cost
- Part of the 'market positioning' of each service
- Requires an understanding of:
 - Customer perceptions
 - Customer segmentation
 - Competitive offerings
 - Customer perceptions of competitive offerings
 - Price elasticity

Eight Dimensions Of "Strategic Quality"

- Performance
- Features
- Reliability of service system
- Conformance to standards
- Durability and length of effect
- Serviceability and customer experience
- Aesthetics
- "Perceived" quality

The Big Technology Problem - The Science To Service Gap In Health & Human Services



The Health & Human Service Organization Problem

Moving beyond compliance to strategy - lack of formal process link of technology to strategy

For success with new tech adoption, health and human service organizations need:

- Metrics-based process improvement - and competitive performance benchmarking – to identify needs for strategic tech investment (and estimate ROI)
- Functionality-based technology selection with ROI analysis
- Ownership of technology implementation
- Process (and resources) for on-going technology process/performance curation

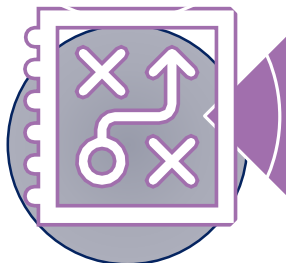
Making Provider/Vendor Partnerships Work In Health & Human Service Field Requires. . .



Both the technology company and the health and human service organization have to be focused on the same performance metrics – and the same ROI



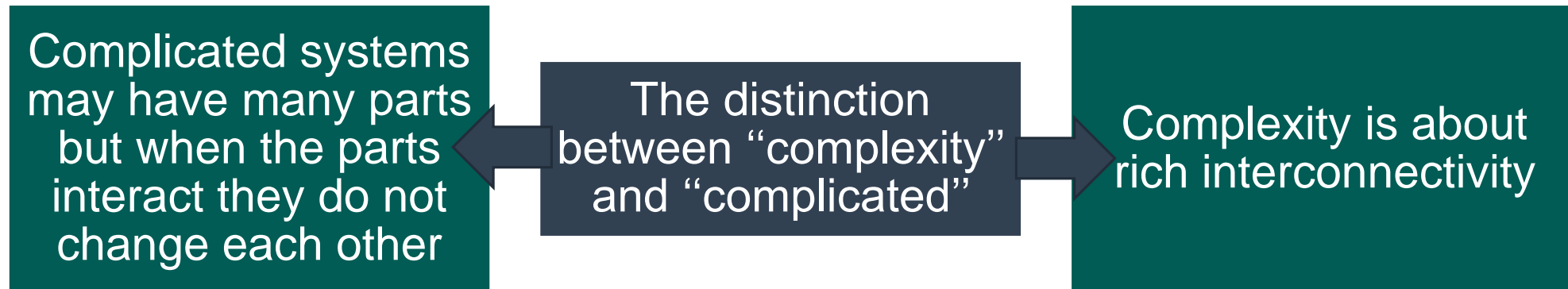
Health and human service organization managers need to leverage the new processes that technologies create – and not focus on automation of current processes



The tech company and the provider organization partners need to plan 'beyond the pilot' for scalability – role in larger health system, on-going operating processes, data interoperability, financing, and more

Health & Human Service Market Has Gone From Complicated To Complex

When things interact, they change one another in unexpected and irreversible ways – creating unexpected innovations and outcomes – or systems emergence.



A jumbo jet is complicated - but mayonnaise is complex. . .

Complex environments need structures and leaders
that enable adaptive response!

Adaptive space requires two systems – operational and
entrepreneurial

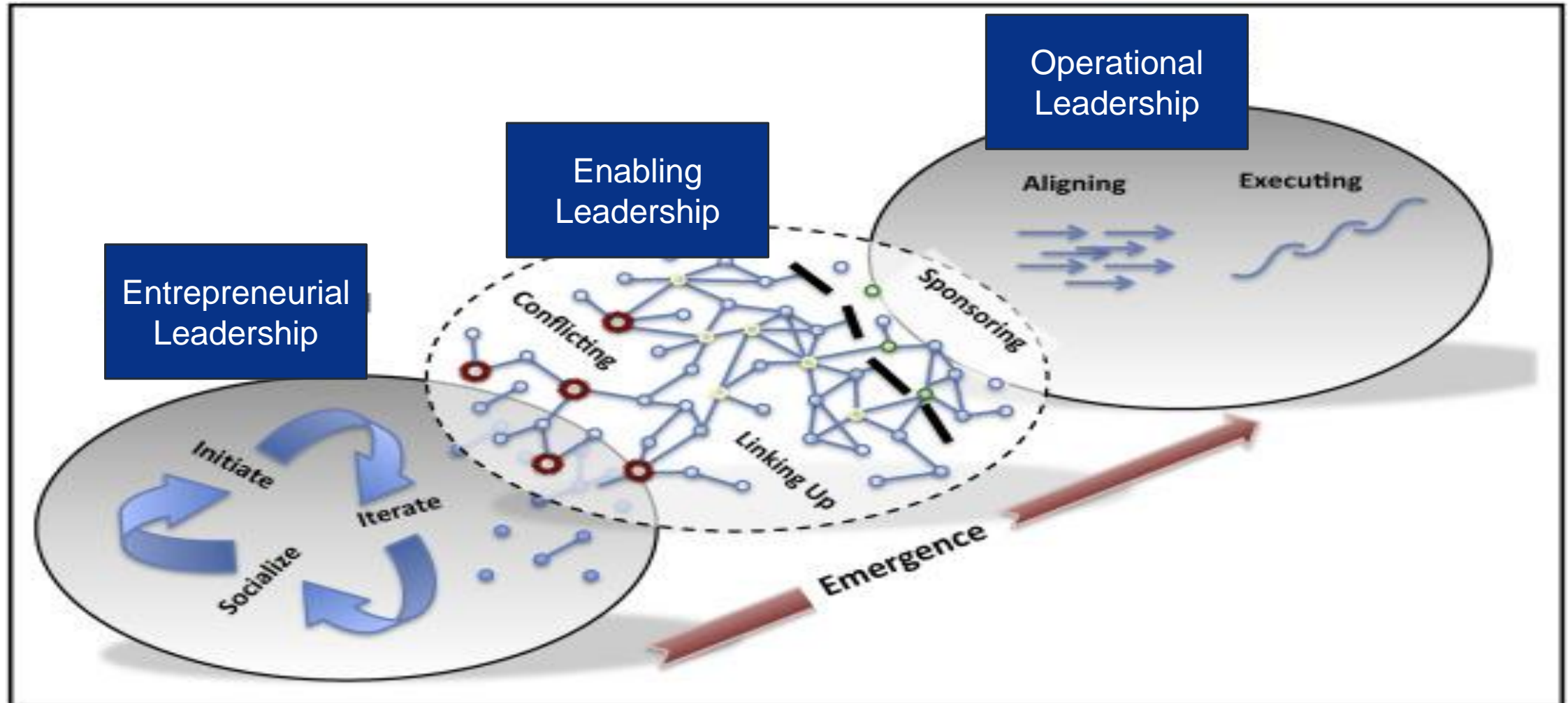


Allows team members to take innovation to commercialization
– and create a new business model

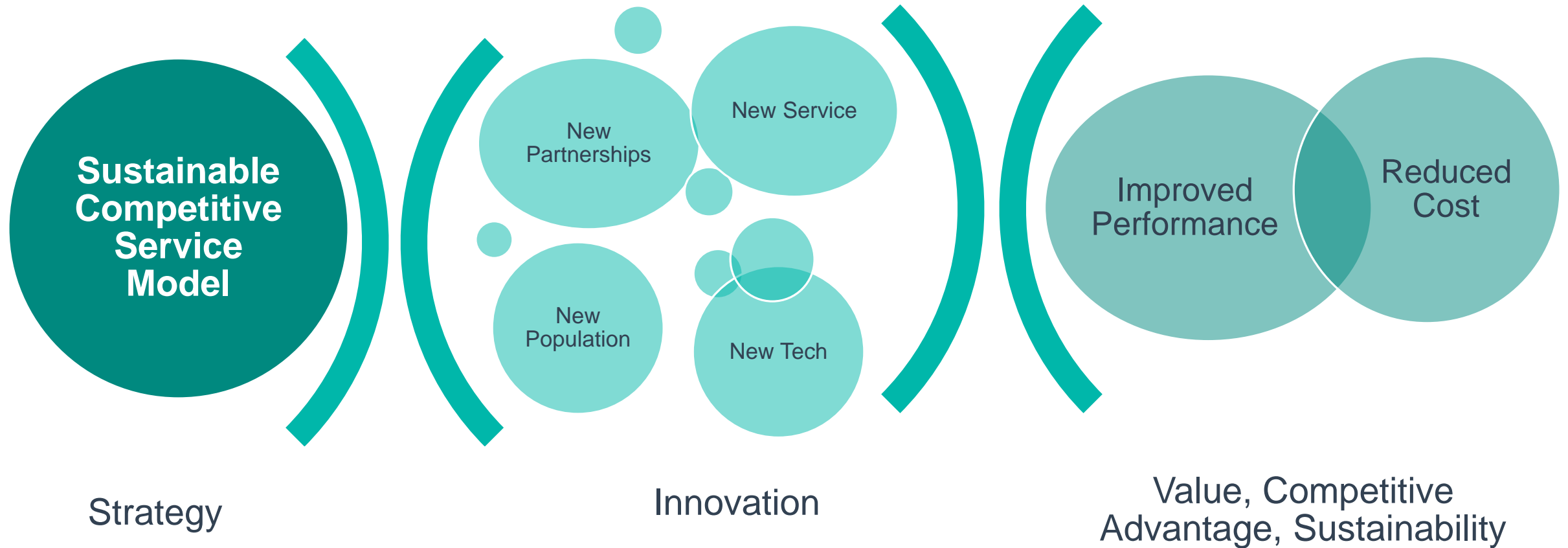


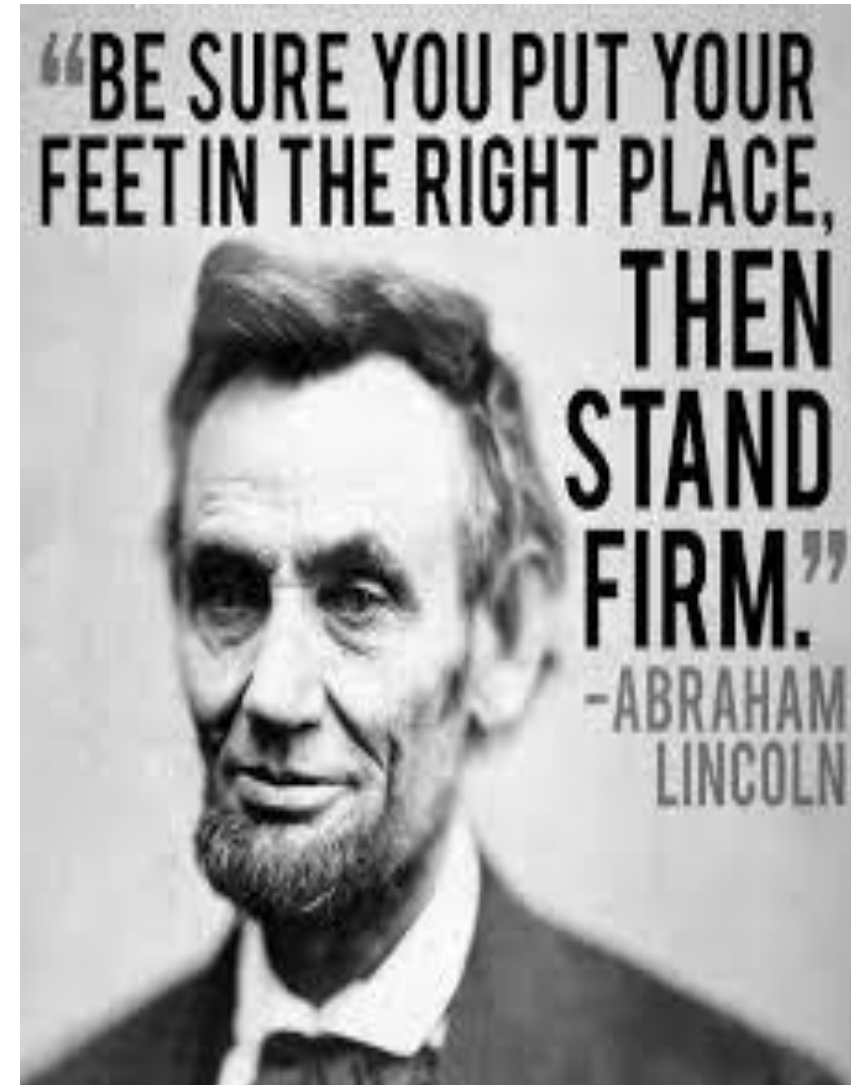
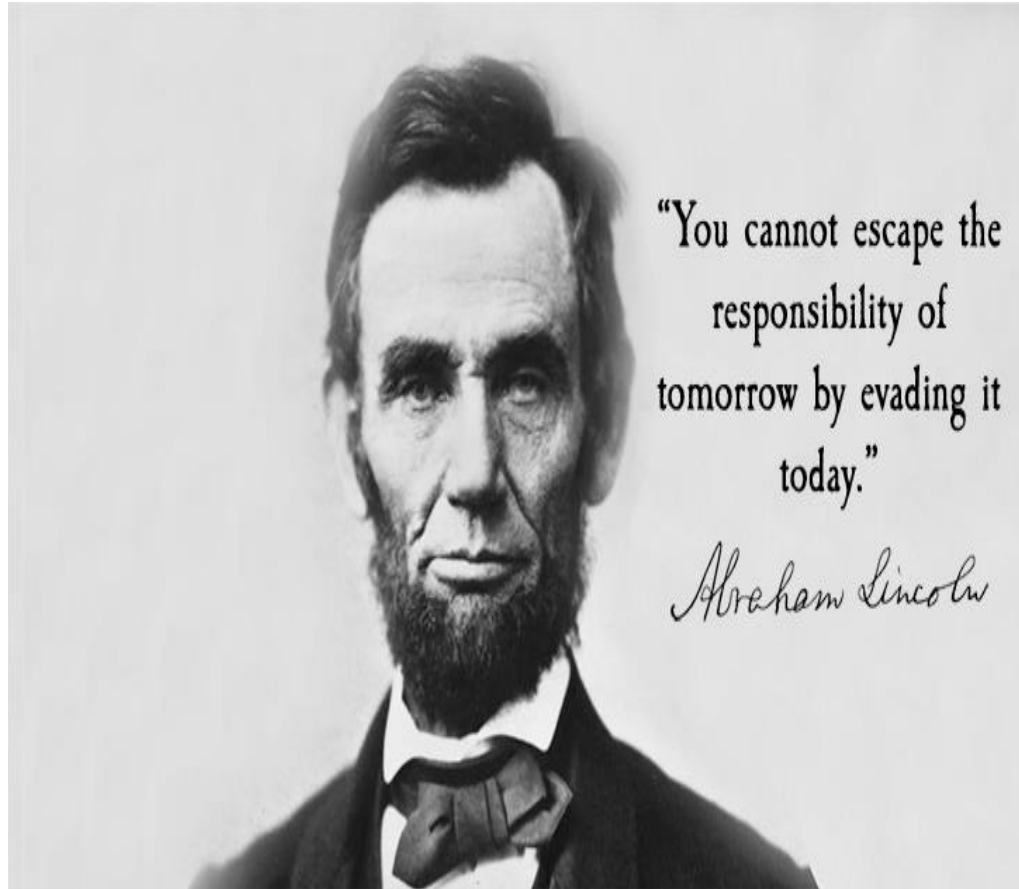
Provides an organizational construct to resist the “orthodoxy”
from winning (allows change to happen)

New Leadership Model Needed For Innovation In Disruptive Market



Sustainability In Health & Human Services Needs A Measured Approach To Respond To New (& Disruptive) Competition





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

