



The Impact of Healthcare Reform – Risk and Opportunity
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1

Effect of the Patient Protection & Affordable Care Act (PPACA)

- Coverage expansion
- Medicaid expansion
- Insurance exchanges
- Increased regulation
- Different ACO models
- No tort relief
- More demand
- Less access
- Reimbursement declining
- Volume to value
- Consolidation on all fronts
- Measure satisfaction
- Measure quality



"Certainty of death, small chance of success — what are we waiting for?"
— Gimli, Lord of the Rings



2

Rocky Start for the Affordable Care Act...

Affordability Remains a Concern



41 Changes to ObamaCare:

- 23 by the Obama Administration
- 16 by Congress
- 2 by US Supreme Court
- More to Come?

ACOs

- Mixed results thus far
- Dependent on a primary care MD base that doesn't exist
- Disruption of traditional MD networks
- Transfers out of plan
- Shifts in AR: high deductible plans
- Expenses outpacing revenues
- Hospitals own 25% UC market, 9000, 1/3 owned by MDs
- 40% EHR dissatisfaction – Apple 150 million user interface problem



Source: Galen Institute May 22, 2014; McKinsey Center for US Health System Reform, March 2014

3

Affordable Care vs. Restricted Access

"One of the goals of PPACA was to keep healthcare insurance prices low. However, to do that, insurers are leaving some of the nation's top hospitals out of their covered networks. This is putting some families in a bind. Zoe Newton's family is one of them"



"Insurers Restricting Choice of Doctors and Hospitals to Keep Costs Down"
— *The Washington Post* (November 21, 2013)



4

Top Concerns in the New World Order

Physicians

- Uncertainty
- Reimbursement
- Loss of control
- Compliance
- Technology
- Meeting expectations
- Productivity
- Outcomes
- Utilization
- Satisfaction
- MOC

Hospital CEOs

- Financial challenges
- Physician alignment
- Governmental mandates
- Quality measurement
- Cost reduction
- Technology
- Patient engagement
- Population health management
- ACOs
- Patient safety and satisfaction
- Personnel shortages



Source: American College of Healthcare Executives, 2013

5

Integrated Systems: Is the Glass Half Full or Half Empty

The Good

- Streamline care transitions
- Decreased cost
- Prevent readmissions
- Evidence-based guidelines
- Narrow practice variation
- IT resources and \$
- Measure outcomes
- Measure satisfaction
- Disease management

The Bad

- Hub and spoke problem
- Lack of due diligence
- Credentialing
- Disenfranchised MDs
- Different EHR systems
- Takes time: 6–8 yrs.
- Coverage issues
- Contract liability
- Few winners as of yet



6

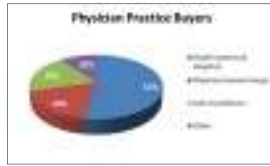
ACOs Spreading Slowly...Private MDs shrinking

Figure 1 | 511 Covered ACOs Identified by Group of Patients Served



511 ACOs Identified... ACO lives tend to be concentrated in areas with a history of managed care.

- Physicians in private practice outnumber employed physicians, but shifting as less than half of the respondents with an ownership stake say they plan to remain in private practice... Other half are actively or passively seeking to sell, retire or close practice -- Jackson Healthcare Survey
- 66% of physicians think physicians and hospitals will integrate more in next 3 years



Source: Geographic Distribution of ACO Covered Lives, Leavitt Partners, December 2013
AHA Trend Watch Chartbook 2013; Deloitte 2013 Survey of U.S. Physicians

7

Physicians: Employment Rate Trends

Employment Shifts Across All the States from Independent Practice to Larger Healthcare Organizations... from Low Employment Rates in 2011 to Moderate and High Employment Rates in 2014

November 2011



March 2014

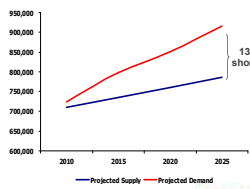


Source: SK&A Physician Employment Trends in Health Systems, March 2014

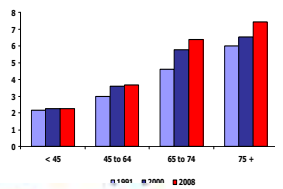
8

Supply vs. Demand

FTE Physician Demand: Impact of PPACA



Physician Office Visits by Age: U.S., 2000–2008



Source: Association of American Medical Colleges (2001), AHA/Cerner Physician Workforce Study (2010) Analysis, Centers for Disease Control and Prevention, National Ambulatory Medical Services Survey, 2000–2008

9

Observation: We Have a Growing Math Problem

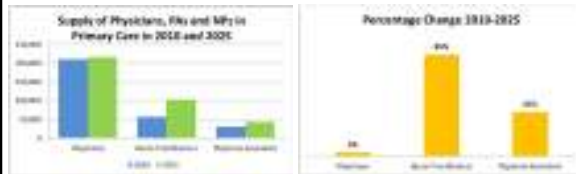
- Defensive medicine estimated to be 8–12% of costs.
- PCP to patient ratio = 1:10,000.
- New residents are doing 20% less procedures.
- High-deductible plans = huge shifts in AR.
- Are you going to send grandpa to collections?
- Access = 30–50 million new patients.
- Boomers = 75 million in the next 10 years.
- 350,000 with severe mental illness: 35,000 beds.
- Prediction: Moving older, more complex patients faster through the system, ordering fewer tests and consults, and not readmitting them will drive frequency.



10

Primary Care: Physician Assistants & Nurse Practitioners

Physicians Assistants and Nurse Practitioners Projected to Provide 40% of Primary Care by 2025, Up from 30% in 2010.



Source: Jackson Health Affairs, November 2013; Merritt Hawkins 2014 Review of Physician and Advanced Practitioner Recruiting Incentives

11

HSH: Integration Beyond Physician Practices

- Post acute care integration with acute hospitals coming soon?
- 40% of Medicare acute care patients discharged to a post-acute care setting in 2011
- With U.S. population aging demand for post-acute care will increase.
- Post-acute providers generally have stronger Medicare Margins than acute hospitals



Source: Deloitte Going Vertical Opportunities for hospitals to embrace post-acute care, 06-2014; PricewaterhouseCoopers Q1 2014 US health services deals insights

12

Changing Role: Employed Physician Risk

- Contract liability
- Referral network
- Due diligence
- Standards of care
- Follow-up liability
- Best practice guidelines
- Resident training
- Supervision — APPs
- Medication risk
- Social media
- Scope of practice
- Entrepreneurs
- Sunshine Act
- STARK law provisions
- EPL, D&O, E&O
- HIPAA breach



13

Emerging Risks — Where Is the Puck Going?

- Aging population and physicians
- EHR work-arounds and texting
- Acquisition fall out – hub and spoke problem
- Ecommerce – “Amazon of Healthcare”
- Product liability: stents, hips, mesh, robotics, morcellators
- New bugs – drug resistance, 48 hour, vector
- Drug Shortages
- Concussions – CT or no CT scan
- LEP barriers
- Choosing Wisely – no safe harbor
- Best practice guidelines vs. patient satisfaction

14

Emerging Risks — Where Is the Puck Going?

- The use of Genetic testing – 23andMe
- Telemedicine explosion taking place
- Nanotechnology – what are the risks?
- Concierge medicine – new patient expectations
- Home monitoring – who’s responsible for the data
- Scribes – scope of practice?
- Google glasses – privacy concerns
- Smart pills – transmitting data
- Big Data – drinking from a fire hose
- Metadata – the next asbestosis
- Psychiatric boarding – the math

15

EHR Liability: Is Metadata the Next Asbestos?

- Time synchronization
- Audit trails/metadata
- Medical guidelines and best practices are not updated
- Alert fatigue/overload
- Too many "normal" indicators
- Abnormal areas are incorrectly documented
- Usable information is harder to find
- Document events before they actually occur
- Data entered for the wrong patient



16

New Technologies: DaVinci Meets McSleepy



17

Carrier Impact ... tackling the future of HC

- Traditional MD business is changing.
- Diversification of products and services.
- U/W — credentialing, new technologies, new risks.
- Claims — metadata, class action, manufacturing.
- Risk — shifts to ERM going forward.
- Must have flexibility but be selective.
- There is a cost to sitting still.



18
