REFORMING HEALTH and HEALTH CARE

2016 HASC ANNUAL MEETING
APRIL 15, 2016

C. Duane Dauner
President / CEO
California Hospital Association
FEDERAL ISSUES

- Divided government
- Election
- Immigration
- Medicare and Medicaid
- Income inequality
- ACA
- Future
THE TOP THREE

- Site-neutral payments
- AWI / Rural floor
- Medicaid Managed Care rule
CALIFORNIA ISSUES

- Power and influence
- 2016 Session
- 2016 Ballot initiatives
- ACA implementation / Covered California
- Long-term financial stability
- Priorities
CALIFORNIA ISSUES (cont’d)

- Future
  - Medi-Cal
  - Covered CA
  - CalPERS
  - Medicare / Duals

- Labor

- Special Session
  - MCO Tax / Clawback
  - Tobacco
  - Aid in Dying (effective June 9, 2016)
STATE PRIORITIES

- Hospital Fee Program / 2016 Initiative / Extension
- Proposition 30 Extension
- Tobacco Tax
- Executive Compensation
- 2016-17 / 2017-18 Budgets
- Legislation
- Medi-Cal Clawback

PRIORITY
STATE PRIORITIES (cont’d)

- SB 1252 (Non-contracting Physicians)
- AB 1300 (Behavioral Health)
- SB 1365 (Outpatient Pricing)
- AB 2467 (Executive Compensation)
- AB 2849 (Community Benefit)
- AB 2024 (Employment)
- Others
• Labor Management Committee
• 2013-2016 Adverse initiatives
• Code of Conduct / Arbitration
• Adverse legislation
• Dissolution
• Conflict
HOSPITAL ACTIONS

- Positive, constructive programs
- Competitive compensation
- Cooperative benefits
- Open communications (24/7)
- Leadership
- Culture
**Medi-Cal Funding and Accountability Act**  
*(CHA Medi-Cal Hospital Fee Protection)*

- Extends current law
- Locks in protections for hospitals and the state (24% net benefit)
- Prohibits Legislature from changing protections
- $10 billion (2014-2016)
- $18 billion (2009-2016)

⭐ Legislative strategy
The California Children’s Education and Health Care Protection Act of 2016

- Extends the Proposition 30 income tax increase through 2030
- Funds Proposition 2, Proposition 98, state budget and Medi-Cal
- Provides up to $2 billion for Medi-Cal
- Benefit to hospitals and physicians
## Statewide Impact ($ Billions)

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Adjusted for Prop 30</th>
<th>Outside Fee Program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hospital Fee Paid</strong></td>
<td>$4.4</td>
<td>$3.2</td>
<td>$1.0</td>
</tr>
<tr>
<td>(Federal match portion $3.5 Unmatched Fee $0.9)</td>
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<tr>
<td><strong>Medi-Cal Payments from the Program</strong></td>
<td>$8.0</td>
<td>$6.1</td>
<td>$1.0</td>
</tr>
<tr>
<td>(Federally matched pmts $7.00 Unmatched pmts $1.0)</td>
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</tr>
<tr>
<td><strong>Outside Fee Program</strong></td>
<td>$3.6</td>
<td>$2.9</td>
<td>$2.0</td>
</tr>
<tr>
<td><strong>Total Net Benefit</strong></td>
<td>$3.6</td>
<td>$4.9</td>
<td></td>
</tr>
</tbody>
</table>
Tobacco Tax

- $2 per pack tax and other existing programs
- Medi-Cal
- Considerations
- Options
Executive Compensation

- Limits total compensation to $450,000
- Micro campaigns

Cortopassi Initiative

- Voter approval for all bonds, including bonds in aggregate, exceeding $2 billion
Demand increases

Providing coverage to 13 million residents (half of all children)

Access barriers are amplified by low Medi-Cal payments

Expanding coverage without access

Facts / backlash
TRENDS

- Consumers’ involvement
- Bundled, global and risk-based payments
- Consolidation of payers and providers
- Transparency and data
- Disruptive technology
- Exchanges – 2017
- Socio-demographics
- Boundary erosion/differentiation
TRANSFORMING FOR TOMORROW
From Providing Care to Managing Care

A New Strategic Construct

Individual and Employer Enrollment

Health Benefit Exchange

Health Plan and/or TPA

Population Manager

Government Enrollment

Post Acute

Hospital

Physicians

Ancillary

Pharmacy

Behavioral

Other

Source: Kaufman Hall and Assoc.
THE NEW HEALTH ECONOMY IS CHANGING THE HEALTH CARE LANDSCAPE AND DRIVING DEAL ACTIVITY IN THE MARKET

New entrants are redefining care delivery models

Fact: Of the 38 Fortune 50 companies with a major stake in healthcare, 24 are new entrants

Risk Shifting

Payors are shifting risk to providers & consumers and incentivizing low cost quality care

Fact: By 2018, 50% of health systems are expected to apply for an insurance license

Convergences

Healthcare players are expanding their scope of services to capture additional revenue streams

Fact: Total hospital transaction value increased from $1.9B in 2012 to $18.6B in 2013

Consolidation & Affiliation

Healthcare players are coming together to achieve scale and maximize efficiencies

Fact: Consolidation has increased more than 50% since 2009

Health care leaders will need to adjust their strategy to align with the new definitions of success in the New Health Economy

Source: Hospital Physician Alignment. The Future of Integrated Health Care, PwC
Fixed assets and expenses
Time/cost of transformation
Creation of coordinated care partnerships and arrangements
Leadership
Differentiation
Financial stability
Risk adjustment
INTEGRATED CARE

- Basic model in urban California > for 30 years
- Federal push
- Payment changes ➔
  - new relationships ➔
  - aligned incentives ➔
  - coordinate care
2ND GENERATION INTEGRATED CARE

- Covered California
- Medi-Cal
- Medicare including low-income subsidy
- Private exchanges
- ACO/alternatives
- Different risks
- Payment systems
- Predictive modeling
- Multiple networks / differentiation
- Unit cost focus
- Evolving into pharma, specialty, mental health, long-term care, etc.
- Provider segmentation
CHA AND HASC

- CHA strategic planning (T for T; population health)/2013-2014
- CHA population health management/2015
- CHA/Regional Associations/2016
  - Removing barriers
  - Government payments
  - Patient safety/quality improvement
  - Analytics
  - Public policies
  - T for $T^2$
Policy paper
California
National
CREATING THE FUTURE

- Consensus
- Strategic advocacy
- Implementation actions
- Leadership