THE JOURNEY FROM VOLUME TO VALUE: UNIQUE CHALLENGES IN THE NEW YORK MARKET
MAY 18, 2016

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Before we begin, some housekeeping

• Please turn off / silence cell phones

• A short audience Q&A session will be held following the panel discussion

• The event is videotaped and media is present in the audience
Oliver Wyman is a $1.5 billion global strategy & operations consulting firm
- More than 50 offices across 25 countries and approximately 3,000 professionals globally
- Part of Marsh & McLennan Companies which includes Marsh, Mercer and Guy Carpenter

- Differentiated through specialization and industry-leading intellectual capital

- Industry verticals focused on Health and Life Sciences (HLS); Financial Services; Retail & Consumer Products; Manufacturing, Transportation & Energy; Communication, Media & Technology

- HLS has 39 partners and over 200 professionals serving healthcare globally

- Focus on value and innovation: helping clients devise strategies, and restructure their organizations to compete in a changing healthcare marketplace
The U.S. healthcare system is transitioning from volume to value

“HHS to tie 50% of Medicare payments to quality or value by end of 2018”
Jan. 26, 2016

“NYS launches the $6.4B DSRIP program”
Apr. 14, 2014

“Medicare to save $343M through the ‘Comprehensive Care for Joint Replacement’ Model”
Nov. 16, 2015

“City of New York and Emblem overhaul health benefits for employees and retirees”
Feb. 29, 2016

“Mount Sinai and Aetna launches a commercial ACO”
Feb. 16, 2016

“United to increase value-based payments to $65B by end of 2018”
Feb. 17, 2015
The transition to value-based care will entail a shift broader than reimbursement mechanisms

**Traditional model – Fee For Service**

| Providers are set up to optimize volume and FFS reimbursement |

**Future model – Fee For Value**

| Care integration and a holistic view of patients are required |

<table>
<thead>
<tr>
<th>FROM</th>
<th>TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursed on quantity</td>
<td>Reimbursed on outcomes</td>
</tr>
<tr>
<td>Transactional, isolated care</td>
<td>Care-team managed</td>
</tr>
<tr>
<td>Sick-care</td>
<td>Health &amp; well-being</td>
</tr>
<tr>
<td>Patient turnover-volume</td>
<td>Patient health-value</td>
</tr>
<tr>
<td>“Fill the beds” mentality</td>
<td>Triage to lowest cost site of care</td>
</tr>
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</table>
Value-based care has the potential to save the nation over $7 T through 2025

The value-based healthcare market bends trend by 5% and saves over $7T between 2015 and 2025

Source: OW research
Providers will continue to bear more financial risk, however, finding success is proving challenging

Different value arrangements types will spread at different speeds
National providers payment mix & CAGR¹

% of MSSP ACOs earning shared savings

<table>
<thead>
<tr>
<th>FFV Progressiveness</th>
<th>2014</th>
<th>2019E</th>
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<tbody>
<tr>
<td>FFS (10%)</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Bundled (7%)</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>P4P (3%)</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Capitation (8%)</td>
<td>6%</td>
<td>14%</td>
</tr>
<tr>
<td>Global Payment (18%)</td>
<td>9%</td>
<td>21%</td>
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</tbody>
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1. Excludes 7% of providers who are 100% FFS
Source: OW research

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A number of unique characteristics influence the NYC market’s transition to value

- Largest city and metro area
- Geographically spread over 10+ counties and 3 states
- Fragmented, (although consolidating) provider landscape
- Numerous academic medical centers
- Lack of a dominant employer driving value
- Consumers and providers accustomed to choice
The market is trailing the nation in progression to value, albeit a number of bright spots can be seen.

For example, Commercial payments tied to value:
2014 data

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<tr>
<th></th>
<th>Nationally</th>
<th>NY State</th>
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<tbody>
<tr>
<td>40%</td>
<td>35%</td>
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Of payments are tied to a form of value-based arrangement.

But:

<table>
<thead>
<tr>
<th></th>
<th>Nationally</th>
<th>NY State</th>
</tr>
</thead>
<tbody>
<tr>
<td>47%</td>
<td>85%</td>
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Of these payments offer a financial upside only, with no downside financial risk.

Although the NYC market is showing signs of moving to value:

- ~50 Medicare and Commercial ACOs, up from under 30 in 2014
- DSRIP requires 90% of Medicaid payments to be value-based by 2019
- NYC is included in Medicare’s Comprehensive Care for Joint Replacement model

Source: Catalyst for Payment Reform, HLIS, OW research
Today’s Panelists

**Shawn Fitzgibbon**
EVP and Chief Product Officer
EmblemHealth

**Niyum Gandhi**
EVP and Chief Population Health Officer
Mount Sinai Health System

**Geraldine McGinty, MD**
Assistant Chief Contracting Officer, Weill Cornell Medicine
Chair, ACR Commission on Economics
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