

THE HEALTH INDUSTRY FORUM

2016 ANNUAL REPORT



THE HEALTH INDUSTRY
Forum

Informing innovative health care policy and practice

CHAIRMAN'S LETTER

TO OUR MEMBERS



STUART ALTMAN, PhD
Chairman and professor,
Brandeis University

The U.S. health care system has been adapting rapidly to the new market realities created by the Affordable Care Act — but on election night 2016, the future became much less clear. The new president and Republican Congress campaigned on repealing and replacing the Affordable Care Act but have struggled to develop a proposal that can win majority support. Meanwhile, health care organizations must continue moving forward in an environment that could change drastically depending on whether Congress ultimately repeals, replaces or repairs the ACA.

Regardless of the outcome, the health care system faces continued pressure to control costs. One area of focus is pharmaceutical spending, which has accelerated with the introduction of new specialty products. Payers are now developing contracts where payments for pharmaceuticals are linked to clinical outcomes. In September, the Forum convened health plans, pharmaceutical firms and government officials to discuss the design and implementation of outcome-based contracts, and we will continue to track these initiatives as they evolve in 2017.

Another key issue is physician payment under MACRA and its impact on the structure of physician practice. Physicians are increasingly joining hospital systems, and this will accelerate under MACRA. The Forum met in October to assess trends in the physician marketplace and discuss the future of primary care, surgery and oncology. It also examined the impact of physician-hospital mergers expanding on our 2015 meeting on health care consolidation.

As the U.S. population ages and health systems are pushed to become more efficient, a critical area for innovation is delivering medical care in the home. Our March Forum explored a variety of home-based initiatives, including primary care, urgent care and hospital-level care delivered by a range of providers and supported by telemedicine.

We will continue to monitor proposed health policy changes in Washington and to work with Forum members and private-sector leaders to identify innovations in health care financing and delivery. Given the volatility in Washington, the Forum's mission of convening diverse health care stakeholders to debate, collaborate and promote mutual learning is more important than ever. We are grateful to the Forum's members for their contributions and support.





I FORUMS

Our invitation-only Forums provide an ideal venue for dialogue between diverse health industry stakeholders, experts and policy officials. Meetings are intentionally kept small, with substantial time devoted to interactive discussions. Our Forums address pressing national issues, and we often serve as a resource for federal officials by convening groups of industry leaders to provide informal feedback on key initiatives.

Future Scenarios for Physician Practice under MACRA (October 2016)

This Forum examined the major trends currently affecting physician practice, including adoption of electronic health records, expanded quality reporting, new cost-containment initiatives and health system consolidation. Medicare payment under MACRA creates financial penalties for practices that perform below the national average. Participants discussed how these forces are affecting primary care physicians, oncologists and surgeons along with broader market dynamics. They also discussed the potential for developing more clinically nuanced payment models that would provide stronger accountability and more meaningful incentives for specialist physicians.

Outcome-Based Contracts for Pharmaceutical Products (September 2016)

Payers are experimenting with new contracting models that link payment for pharmaceuticals to clinical outcomes. In this Forum, payers and pharmaceutical firms discussed current approaches and potential future models. Early efforts have focused on therapies for chronic conditions like high cholesterol, heart failure and diabetes, but payers expressed interest in contracts linked to individual patient outcomes in oncology care. Barriers to effective contracting include a lack of alignment between health plans and prescribers, limitations in data and infrastructure, and regulatory barriers, including Medicaid's "best price." There was consensus that these barriers are surmountable and further development of these models can benefit multiple stakeholders.

The 23rd Princeton Conference: Improving Value in the U.S. Health Care System (May 2016)

Co-sponsored with the Council on Health Care Economics and Policy, this Forum brought together 130 stakeholders representing health care organizations, policy officials and academic experts to discuss how the Affordable Care Act and state and locally based reforms are working to improve the value of health care delivered in the U.S. The conference featured eight panels with more than 30 speakers and covered a range of issues, including innovation in payment policy, initiatives to address social determinants of health, improving behavioral health, providing better hospital care for elderly patients, state health reform and pharmaceutical spending.

Home-Based Health Care in the 21st Century (March 2016)

Health systems in alternative payment models are looking for ways to reduce avoidable hospitalizations, readmissions and nursing home stays. Participants in this Forum discussed programs that deliver primary

care, urgent care and even hospital-level care in patients' homes with support from new telecommunications and patient-monitoring technologies. Several initiatives have proven effective and have high patient satisfaction. Despite clear clinical benefits, these services are not well reimbursed by fee-for-service payment and require risk-based contracts to be financially viable.

Health Care Consolidation: Winners, Losers and Policy Implications (November 2015)

There has been substantial health care merger activity since the late 1990s. This trend accelerated after the Affordable Care Act, with most urban areas now dominated by two or three large health systems. This Forum examined recent trends in horizontal and vertical (physician-hospital) mergers and the economic literature on impact of consolidation on health care prices. This was followed by a discussion of the Federal Trade Commission's approach to provider consolidation, recent enforcement actions and statutory limitations to its authority. The meeting concluded with a discussion of insurer consolidation and panel on the benefits and potential harms of insurance mergers.

The Future of Pharmaceutical Benefit Management (June 2015)

Purchasers turn to pharmaceutical benefit management firms (PBMs) to negotiate prices and ensure that expensive therapies are used appropriately. The PBM industry is changing rapidly with recent mergers that have increased the size and scale of key players. This Forum began with a discussion of the pipeline for new specialty products and PBM approaches to managing spending growth. Next, a leading PBM presented its strategy for managing specialty products and discussed the impact of these strategies for patients, providers and manufacturers. Participants discussed the use of a new "value framework" to assess specialty pharmaceuticals, considering efficacy, price, cost-effectiveness and overall spending impact. The meeting then examined the special challenges of managing cancer treatments and navigating trade-offs between access and affordability.

Comprehensive Health Care Payment Reform: What Will It Take to Get There? (April 2015)

Although the Obama Administration pushed to move Medicare payments away from fee-for-service, the adoption rate of private-sector alternative payment models (APMs) has been mixed. Many of the current models have very limited downside financial risk for providers, and it is unclear whether they will drive meaningful delivery system change or evolve into more robust arrangements. This Forum began by discussing a survey of 33 large medical groups showing limited growth in risk contracting during the initial years of the ACA. Two health systems that made a large shift into risk contracts discussed their rationale, experiences and lessons learned. Several health plans presented their initiatives to partner with providers and support provider capacity to manage care effectively. The Forum concluded with a discussion of the outlook for comprehensive payment reform.

The Recent Deceleration in Health Spending: Is It for Real? (January 2015)

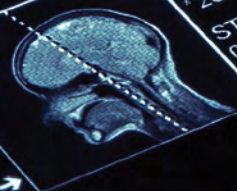
Between 2009 and 2013, U.S. health spending grew more slowly than at any time since 1960. Experts disagree about the causes of the slowdown and whether it will continue into the future. Joining the Forum for this discussion was Peter Orszag, former director of the White House Office of Management and Budget. Orszag discussed the causes of the recent deceleration in spending, the status of current efforts to move health care payment away from fee-for-service, and his outlook for health care spending and delivery system transformation. Participants then discussed the implications of Orszag's forecasts on key sectors of the health care economy.





MR Head
28 Dec 82 M 33Y
STUDY 1
04 Feb 16
09:54:48
5 IMA 7 / 1

RAJ
MF 1.46
5cm TI 100.0
E TR 6890.0
TP 0 TE 78.0
SP A35.1 TA 04.22
SL 5.0/1.5 BW 80.0
FoV 184.245 p2 M/DIS2D
159.256s A2/IR
w 956 C:HL1.2HS1.2
C 442 tr2d1.7/180
Cor-Tra(-13.9)



MR C12
HLS
+LPH

567-Head
28-Dec-82, M, 33Y
STUDY 1
04-Feb-16
09:54:48
5 IMA 13 / 1

RAJ
MF 1.46
5cm TI 100.0
E TR 6890.0
TP 0 TE 78.0
SP P10.4 TA 04.22
SL 5.0/1.5 BW 80.0
FoV 184.245 p2 M/DIS2D
159.256s A2/IR
w 1101 C:HL1.2HS1.2
C 519 tr2d1.7/180
Cor-Tra(-13.9)



MR C12
HLS
+LPH

567-Head
28-Dec-82, M, 33Y
STUDY 1
04-Feb-16
09:54:48
5 IMA 20 / 1

II PUBLICATIONS

Robert Mechanic and Darren Zinner, “Risk Contracting in Large Medical Groups During National Health Care Reform.” *American Journal of Managed Care* 22, no. 6 (2016): 441-6.

Robert Mechanic, “Opportunities and Challenges for Payment Reform: Observations From Massachusetts,” *Journal of Health Policy, Politics and Law*. 41, no. 4 (2016): 743-762.

Robert Mechanic, “When New Medicare Payment Systems Collide,” *New England Journal of Medicine*. 374, no. 18 (2016): 1706-9.

Robert Mechanic, “Mandatory Medicare Bundled Payment — Is It Ready for Prime Time?” *New England Journal of Medicine*. 373 (2015): 1291-1293.

Coleen Barry, Elizabeth Stuart, Julie Donohue, Shelly Greenfield, Elena Kouri, Kenneth Duckworth, Zirui Song, Robert Mechanic, Michael Chernew, and Haiden Huskamp, “The Early Impact of the ‘Alternative Quality Contract’ on Mental Health Service Use and Spending in Massachusetts,” *Health Affairs* 34 (2015): 2077-2085.

Stuart Altman and Robert Mechanic, “Limited Health Care Spending Growth Will Force Providers to Develop More Cost-Effective Delivery Systems,” *Futurescan: Health Care Trends and Implications* 2015-2020. Chicago, Ill.: Health Administration Press. January 2015.

Robert Mechanic, “Post-Acute Care: The Next Frontier for Medicare Cost Control,” *New England Journal of Medicine*. 370 (2014): 692-694.

III RESEARCH PROJECTS AND PARTNERSHIPS

Health Industry Forum staff, in collaboration with colleagues at Brandeis University and research partners, work on a range of projects analyzing health care payment models, delivery system reforms and quality improvement initiatives.

Assessing the Impact of Medicare Accountable Care Programs on Post-Acute Care

This study examines changes in post-acute care utilization in nine markets with high concentrations of Medicare ACOs. We interviewed key clinical and operational staff at nine ACOs along with nursing homes and home health agency leadership in three markets. We are analyzing Medicare claims data to assess changes in the use, mix and intensity of post-acute services provided to ACO-attributed beneficiaries compared with similar patients in traditional Medicare fee-for-service.

Developing Medicare Alternative Payment Models for Specialist Physicians

Brandeis University recently completed a five-year contract with CMS to design an Episode Grouper for Medicare (EGM). Brandeis is currently working with the American College of Surgeons (ACS) and other specialty societies to design alternative payment models (APMs) appropriate for specialist physicians based on episode clusters. The Physician-Focused Payment Model Technical Advisory Commission recently recommended that CMS adopt the ACS/Brandeis Advanced APM for initial testing.

Evaluation of Carefirst Patient-Centered Medical Home Program

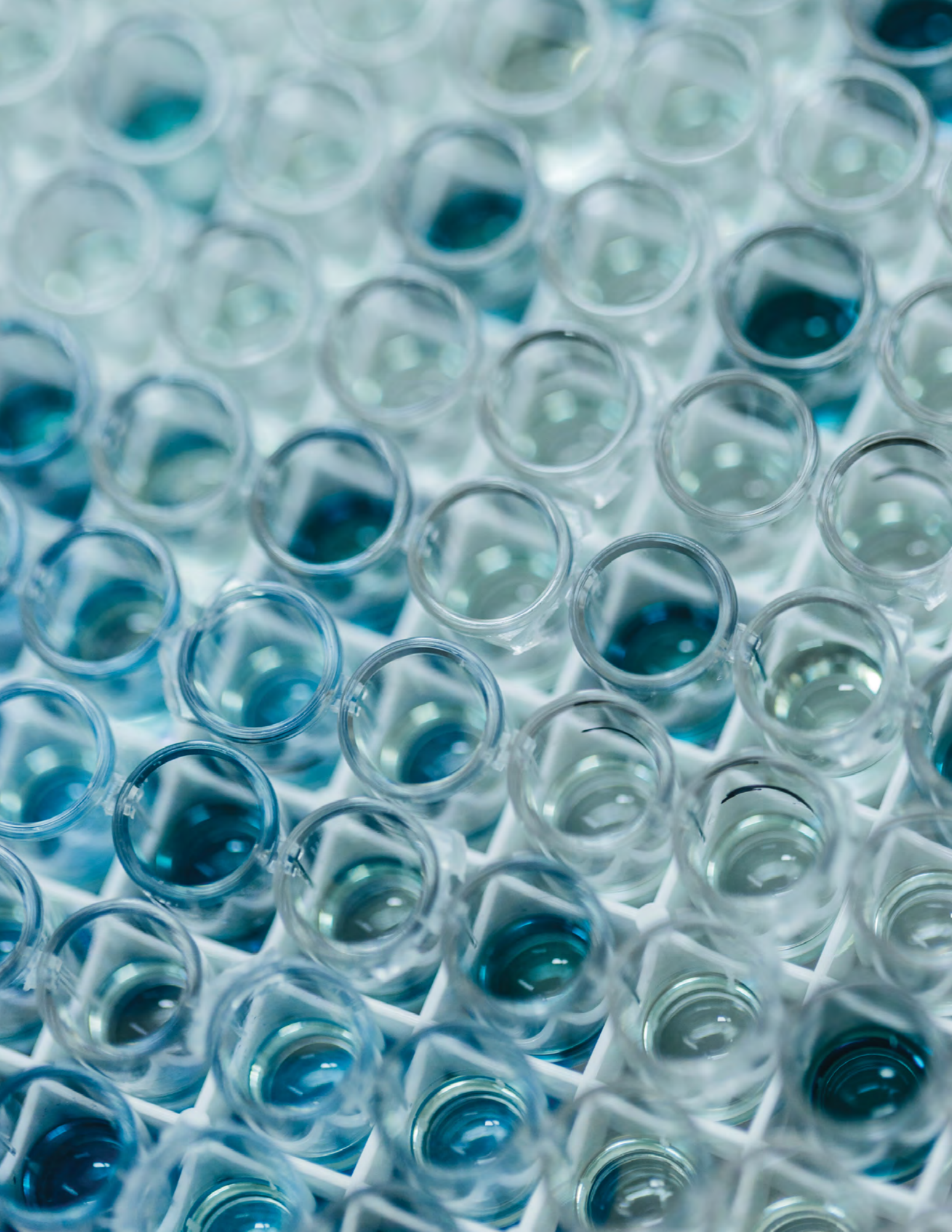
Brandeis University worked with Harvard Medical School to assess the impact of a new program that aims to reduce the rate of health care spending by offering new financial incentives and care management support to groups of primary care physicians. The research team interviewed a broad array of participating primary care practices and conducted an economic analysis of changes in spending and quality for program participants.

Evolution of Contracting Models Adopted by Organized Physician Practices

Brandeis University researchers are conducting a third-round survey of physician groups affiliated with the Council of Accountable Physician Practices (CAPP) to assess their adoption of risk-based contracts. The survey identifies changes in payment that occurred during the implementation of the Affordable Care Act and catalogs operational changes involving physician compensation, data management and performance improvement initiatives.

Care Redesign Support for Oncology Care Model and Comprehensive Primary Care Initiative

Brandeis University is providing faculty and technical assistance for learning systems established by the CMS Innovation Center for physician groups in the Oncology Care Model and Comprehensive Primary Care Plus initiative. Brandeis is conducting site visits and developing case studies that identify successful OCM care transformation strategies and helping CPC+ practices develop health information technology capacity and implement process improvements.





IV PRESENTATIONS

The Health Industry Forum staff discussed health care reform, payment policy and the evolution of delivery systems in a variety of venues.

In November 2016, Stuart Altman led a panel on “Health Care Cost Drivers and Solutions for Reform” at the Massachusetts Association of Health Plans Annual Meeting in Boston.

In November 2016, Stuart Altman discussed “Geographic Perceptions of Health Care Value” at the Optum Labs Research and Translation Forum in Boston.

In November 2016, Stuart Altman discussed “The Next Big Health Care Challenge: Can We Control Health Spending” at the Yale University Seminars on Health Policy and Delivery in New Haven, Conn.

In November 2016, Rob Mechanic presented results from a Brandeis study, “Risk Contracting and Physician Compensation in Organized Delivery Systems,” at the Council of Accountable Physician Practices Advisory Council in Washington, D.C.

In September 2016, Rob Mechanic moderated a day-long session on “Medicare ACOs and Post-Acute Care Management” at the National Association of ACOs, Fall Conference, Washington, D.C.

In June 2016, Stuart Altman led a panel titled “Massachusetts Health Reform: 10 Years Later” at the AcademyHealth Annual Research Meeting in Boston.

In June 2016, Stuart Altman gave the keynote address, “Is Change in the Payment and Delivery System for Real?” at the Association for Healthcare Executives Conference in Framingham, Mass.

In May 2016, Rob Mechanic gave the keynote address, “Opportunities for Home Care Providers Under Accountable Care,” at the Homecare Association of New York Annual Meeting in Saratoga Springs, N.Y.

In November 2015, Rob Mechanic discussed “Strategies for Risk Contracting” at the National ACO Congress in Los Angeles.

In October 2015, Rob Mechanic discussed “Implications of Medicare Bundled Payment Overlap With ACOs” at the National Association of ACOs Fall Conference in Washington, D.C.

In October 2015, Rob Mechanic gave the keynote address, “How Will Value-Based Payment Change the Delivery of Care?” at the American Association of Physical Medicine and Rehabilitation Annual Meeting in Boston.

In June 2015, Rob Mechanic discussed “Bundled Payment for Care Improvement” at the naviHealth Inaugural Post-Acute Care Evolution Summit in Nashville, Tenn.

In April 2015, Rob Mechanic led a panel on “Post-Acute Care: The Next Frontier for Medicare Cost Containment” at the National Association of ACOs Spring Conference in Baltimore, Md.

V NEWS AND EVENTS

Health Industry Forum staff are regularly contacted by the media to comment on current health care developments.

On December 15, 2016, Stuart Altman spoke with Modern Healthcare about proposed changes to federal health insurance subsidies (“Republicans say state flexibility key for ACA replacement”).

On November 2, 2016, Stuart Altman spoke with The Boston Globe about efforts to make palliative care more widely available (“At end of life in Massachusetts, hospital care is big cost”).

On October 26, 2016, Stuart Altman talked with The Boston Globe about the expanding burden of out-of-pocket spending for health services (“Health care taking a bigger chunk of families’ paychecks”).

On October 3, 2016, Stuart Altman appeared on New England Cable News to discuss the proposed expansion at Boston Children’s Hospital.

On February 20, 2016, Stuart Altman spoke with Modern Healthcare about the primary care shortage and state efforts to expand scope of practice laws (“Expanded scope: Nurse Practitioners making inroads”).

On December 4, 2015, Stuart Altman spoke with Modern Healthcare about the Institute of Medicine’s Report on the future of nursing (“Nurses take on more tasks, still lack in diversity”).

On December 22, 2015, Rob Mechanic spoke to WKSU Ohio Public Radio about trends in hospital employment of physicians (“Independents Find Their Niche in the New Health-Care Landscape”).

On November 18, 2015, Rob Mechanic discussed Medicare’s new bundled payment for joint replacement initiative with Modern Healthcare (“How hospitals are prepping for Medicare’s mandatory bundled-pay test”).

On May 21, 2015, Rob Mechanic spoke with The Boston Globe about Children’s Hospital’s acquisition of physician groups in New York and Connecticut (“Children’s Hospital set to expand”).

On May 5, 2015, Rob Mechanic discussed challenges created by overlapping Medicare payment models with the New England Journal of Medicine.

On January 29, 2015, Stuart Altman spoke with WBUR Public Radio about the recent court ruling on Partners Healthcare’s proposal to expand in Massachusetts (“Judge Rejects Partners Deal to Acquire Three Hospitals”).

VI MEMBERS

The Health Industry Forum is made possible by the generous support of its members. The enthusiastic participation of the Forum's members has been invaluable in helping us to engage leading policymakers, inform the national health care reform debate, and promote strategies to improve the quality and value of the U.S. health care system.

2016 CHARTER MEMBERS

Aetna Inc.
Ascension Health
Cardinal Health
EmblemHealth Inc.
Johnson & Johnson
Kaiser Permanente

2016 MEMBERS

Abbott
Blue Cross Blue Shield of Massachusetts
Boston Scientific Corporation
Cigna
Geisinger Health System
Genentech Inc.
Highmark Blue Cross Blue Shield
Medtronic Inc.
Premier Inc.

ADVISORY BOARD

STUART ALTMAN, PHD, CHAIRMAN

Sol C. Chaikin Professor of National Health Policy, Heller School for Social Policy and Management, Brandeis University

JOSEPH ANTOS

Wilson H. Taylor Scholar in Health Care and Retirement Policy, American Enterprise Institute

CECI CONNOLLY

President and CEO, Alliance of Community Health Plans

MATTHEW EYLES, MPP

Executive Vice President, America's Health Insurance Plans

ELIZABETH FOWLER, PHD, JD

Vice President, Global Health Policy, Johnson & Johnson

ROBERT GALVIN, MD

Chief Executive Officer, Equity Healthcare, The Blackstone Group

KAREN IGNAGNI

Chief Executive Officer, EmblemHealth Inc.

CHARLES "CHIP" KHAN III

President, Federation of American Hospitals

DANIEL LEONARD, MA

President, National Pharmaceutical Council

DANIELLE LLOYD

Vice President, Policy and Advocacy, Premier Inc.

KRISTINE MARTIN ANDERSON

Executive Vice President, Booz Allen Hamilton

BARBARA MCNEIL, MD, PHD

Ridley Watts Professor of Health Care Policy, Harvard Medical School

LEN NICHOLS

Director, Center for Health Policy Research and Ethics, George Mason University

KAVITA PATEL, MD

Nonresident Fellow, Brookings Institution

ROBERT REISCHAUER, PHD

President Emeritus, Urban Institute

MURRAY ROSS, PHD

VP and Director, Kaiser Permanente Institute for Health Policy

JOHN ROWE, MD

Julius B. Richmond Professor of Health Policy and Aging, Mailman School of Public Health, Columbia University

KEVIN SCHULMAN, MD

Professor of Medicine and Business Administration, Duke University

BONNIE WASHINGTON, MA

Vice President, Head of Public Policy, Aetna Inc.

LEADERSHIP

The Health Industry Forum staff is part of the Heller School for Social Policy and Management at Brandeis University.

STUART ALTMAN, PHD

Chairman, the Health Industry Forum
Sol C. Chaikin Professor of National Health Policy

ROBERT E. MECHANIC, MBA

Senior Fellow and Executive Director, the Health Industry Forum

PALMIRA SANTOS, PHD

Scientist

DARREN E. ZINNER, PHD

Associate Professor and Associate Dean for Academic Personnel

LESLIE A. ZIARKO VALERA

Department Coordinator

THE HEALTH INDUSTRY

Forum

Brandeis University

The Heller School for Social Policy and
Management
415 South Street
Waltham, MA 02453

781-736-3809
781-736-3905 Fax

www.healthforum.brandeis.edu