CEO Healthcare ROUNDTABLE

A Partnership of The CEO Advisory Network & The Healthcare Roundtable

Fall Meeting 2024

"Beyond the Tipping Point: Will You Be a Disrupter or Will You Be Disrupted?"

Keynote Speaker: Ceci Connolly, President, Alliance of Community Health Plans

On **October 16 - 18, 2024**, the CEO Healthcare Roundtable gathered at the **Sheraton Grand Nashville, Nashville, TN** to continue our discussions of ***"Have we finally reached the Tipping Point?"*** The consensus of our Roundtable members is that our healthcare organizations have indeed reached a Tipping Point. This Roundtable, we explored whether our members will proactively become the ***"Disrupters"*** or wait to determine how their organizations are going to be ***"Disrupted."*** These include factors such as payer contracting, growth and changes in Medicare Advantage, and the impact of Artificial Intelligence on healthcare.

Managed Care: Navigating the Shifting Market & Political Landscapes

Our October Roundtable began with our Wednesday afternoon "keynote" speaker, **Ceci Connolly,** President, Alliance of Community Health Plans (ACHP) which represents not-for-profit health plans in 40 states and the District of Columbia. She opened by noting that the entire healthcare industry continues to experience bipartisan interest and attention since the healthcare industry continues to outpace all other industries in overall cost and price increases. As a result, the managed care industry is facing many headwinds, especially with government-insured programs (i.e. Medicare / Medicaid). ***Consumers continue to choose private Medicare Advantage (MA) plans with over 52% of Medicare beneficiaries now enrolled in them.*** MA enrollment is expected to continue to grow.

Ceci noted that due to acquisitions and consolidation, nearly 74% of the 33 million individuals enrolled in MA plans are in for-profit plans. They are dominated by United, Humana and Aetna. Only 10% are enrolled in Blues plans and 16% are enrolled in not-for-profit plans.

She then discussed some of the issues and challenges that providers of care are having with managed care plans noting that ***we have a "failing system" as hospitals, physicians and health plans all state that***

they are not adequately paid or reimbursed. As a result, providers and health plans must find ways to work collaboratively to improve health and outcomes while lowering overall cost of healthcare.

Ceci reviewed the 5 pillars of ***"MA for Tomorrow,"*** a vision created by ACHP, which outlines priorities for improving MA. This initiative has received bipartisan and bicameral support and includes the following priorities:

- Commitment to raise the bar on quality
- Change Risk Adjustment methodology to be based on Care not Codes
- Improve Consumer Navigation and Satisfaction
- Update Network Adequacy to include virtual care and other innovative care delivery models
- Transform Benchmark Systems to incorporate stronger incentives for achieving the highest measurable quality

Ceci concluded her presentation by challenging and encouraging attendees to drive change by ***"Thinking Big, Starting Small, Acting Fast."***

Managed Care: What's Different and What You Need to Know

Todd Roscoe, President, Roscoe Managed Care

Todd is a professional contract negotiator who has experience with both payers and providers. He opened by sharing his thoughts on strategic and tactical considerations for negotiating relationships as well as recommendations for building successful managed care teams.

To start, Todd reminded us that managed care exists because in the 1960's and 70's employers demanded accountability and solutions for rapidly increasing healthcare costs. Payers then stepped into the void because hospitals didn't respond to employers' needs and demands.

For most hospitals and healthcare systems, 70-80% of their operating revenue comes through a managed care relationship. Unfortunately, for a variety of reasons (comprehensive data, analytics and AI systems), payers control the contracting process, and ultimately the money. Many payers often know the local hospital market better than the hospitals serving those markets. As a result, C-Suites of hospitals and health systems need to be paying greater attention to their managed care strategy on a plan-by-plan and code-by-code basis.

Todd stated there are two current, dominant payer trends:

- ***Aggressively terminating or forcing re-negotiation of contracts with the highest paid providers in their respective markets***
- ***Implementing processes, including increased use of AI, for aggressive denials***

He recommended a strategy that includes "Three Levels" of activity required to implement a successful managed care contracting strategy:

- **Level 1 – Evaluate Current Position**
  - Inventory, review and evaluate all current contracts
  - Review and document your organization's managed care processes
- **Level 2 – Identify Reimbursement Solutions**
  - Coordinate and engage participation of internal revenue cycle, legal, and managed care departments to create a comprehensive strategy
  - Conduct a detailed analysis of current market rates (access to rates paid by payers to other organizations are often available for review and comparison)
  - Internally analyze and compare reimbursement from your organization's top payer contracts

- Identify and prioritize payers to be targeted for re-negotiation

- **Level 3 – Execute Plan**
  - Managed Care strategy must be a priority and focus of the entire C-Suite
  - Hire the talent, develop the tools and prioritize acquisition and support of resources needed to build and execute a focused strategy by individual payer contract

Todd concluded his presentation by noting that the payers are in constant communication with employers in your market. He recommends that your organization actively engage the top 10 employers in your community and build relationships with the CEO, Human Resources, and benefits teams in order to understand their needs and strategies. Finally, Todd stated ***"At the end of the day, providers and payers need each other so you need to find ways to work together."***

Managed Care: Insights and Positioning to WIN in Payer Negotiations

Michael McMillan, Senior Vice President and Chief Managed Care Officer, Ascension Health

Jeff Price, Vice President of Value Based Contracting and Population Health, Ascension Health

Ascension Health Managed Care Executives Michael McMillan and Jeff Price shared their perspectives on managed care, the current payer landscape, and ways that hospitals and health systems can position themselves to be successful with payer strategies and negotiations.

Michael opened by stating that ***Payers are no longer just insurers but have become multi-functional entities that now actively compete with hospitals as providers of healthcare services while creating a different healthcare business model.***

Michael then shared eight specific things that hospitals and health systems **must** do in order to position themselves to **"WIN"** in negotiating with payers

1. Plan, but also be ready to rapidly change in response to market dynamics
2. Review, monitor and constantly update Charge Masters while clearly understanding the relationship between the Charge Master and contract terms
3. Build internal systems to monitor and ensure that the organization is being paid accurately for all contracts including Commercial contracts
4. Create, articulate and communicate a compelling value proposition for local employers (Michael stated this may be the most important activity)
5. Be willing to terminate agreements and payer relationships
6. Strategically set pricing to align with growth and required margins
7. Build relationships and create an effective "Goliath" strategy for dealing with the largest payers in your market(s)
8. Develop and commit to a plan for transitioning from volume to value

Jeff currently oversees over 200 Value-Based programs covering nearly 1 million lives across 12 markets at Ascension. He opened by sharing his observations on the significance of focusing on ***"value."*** He noted that ***"the train has left the station"*** and both ***CMS and payers are committed to using value and risk as key levers for lowering cost while also creating metrics for improved quality and outcome performance.***

He also noted that ***entrepreneurs, private equity and innovation have already created and enabled disruption so organizations must find ways to engage and partner with disrupters.*** He then shared examples of two types of disruptors who organizations must accommodate and build relationships with when developing a value-based strategy:

- Independent Pop Health / Value-Based Services Companies who provide services that compete or manage processes and services being provided by your organization. (Jeff also noted that building relationships with some of these organizations who are often competitors could potentially support and enhance your own organization's value-based care performance)
- Working with Premium Management and Risk Management companies can be a more significant challenge as they control the revenue stream and payments.

Jeff cited organizations such as CVS Accountable Care and Optum as major disrupters who are a threat to hospitals as they have created the ability to do both of the above.

Michael and Jeff concluded their presentations by noting that ***Medicare Advantage is the "New Battleground" between providers and payors.*** They then offered the following suggestions and general observations on things to consider to improve performance of payer relationships:

- If you are a multi-hospital and/or multi-state healthcare organization you must align the leadership of all entities within your system around a common, standard system-wide managed care contracting strategy.
- Contract terms and language must be standardized across payers and system entities
- There must be a commitment by the leadership team to be willing to exit relationships and, if necessary, terminate contracts
- Coordinate timing of contract renewal around open enrollment periods

What to Expect From Washington: Election Implications on Major Trends Shaping Healthcare

Blair Childs, President and CEO, Childs & Associates, LLC; Senior Executive Advisor, Premier

With the national election less than three weeks away from our Roundtable gathering, healthcare policy expert and frequent Roundtable speaker Blair Childs shared his observations on the implications of the upcoming elections on healthcare industry and our member organizations.

Blair opened by noting that healthcare spending has stabilized as a percent of GDP at 17%. However, ***both parties agree that healthcare spending is still too high so policy will continue to be driven by initiatives to contain costs, expand access and improve quality and outcomes***. Congress recognizes that numerous reforms have been attempted to control costs (e.g. Payment Cuts, DRGs, Stark Laws, Medicare Advantage, Accountable Care Act, etc.) but the reforms have not made a significant impact. As a result, regardless of the election outcome, the following bi-partisan priorities will continue to be emphasized:

- Focus on fixing (or eliminating) the Fee-for-Service system to incentivize value
- Shift risk to someone else to manage
- Encourage consumerism and transparency

Blair then shared his observations on several key factors that will affect the outcome of the election:

- Since this election is considered by many as a "Change Election" the question is whether voters will vote for "change"

- The importance voters place on the economy and expectations of economic performance following the election
- Whether there are any last minute "missteps" or "October Surprises" by the candidates or parties
- Voter turnout

Blair noted that the two most significant "hot issues" to be addressed by Congress and the President in 2025 will be:

- Extension of the Accountable Care Act Subsidies and the impact on the number of insured / uninsured individuals in the country
- Decision on addressing the expiring Tax Cuts

Blair concluded his comments with a review of the potential impact of the House and Senate elections.

Revolutionizing Healthcare Operations: A Data-Driven Approach to Strategic Decision-Making and Better Care Delivery

Samantha Platzke, President and CFO, Care Logistics

Shelia Sherwood, Senior Vice President, Client Development, Care Logistics

Our Thursday session ended with a case study and overview of the innovative solutions offered by Roundtable Corporate Member, Care Logistics. Samantha and Shelia opened their presentation by discussing ways that effective and efficient operating systems can positively impact and reduce denials and other challenges with MA plans.

They noted that denials create an excessive administrative burden for several areas within the hospital including the Revenue Cycle Teams, Finance area and Utilization Management staff. ***Denials create an excessive administrative burden for several areas within the hospital including physician and medical record documentation.*** These documents are not geared towards insurance payment criteria, so documentation often does not provide sufficient detail to support an appeal to the payer.

Based on Care Logistics' experience with implementing efficient operating systems in hospitals, Samantha shared her observations on three areas of importance for a hospital to successfully monitor and hold MA plans accountable. Hospitals must have:

1. Patient value streams that are effective, efficient and add value to patient outcomes and experience
2. Structured workflows and processes informed by real time data
3. An internal resource allocation and distribution model engineered for effectiveness

Using two case studies, including a virtual presentation by the Chief Operating Officer & Chief Strategy Officer of Tanner Health, Samantha and Shelia presented a detailed overview of the outcomes of the Care Logistics and the CareEdge program. It successfully identified bottlenecks and accountability and created actionable recommendations. These included streamlining operations and performance improvement, encouraging innovation and empowering decision-making in client organizations. In addition, anticipated savings and ROI have consistently exceeded expected targets with Care Logistics' model.

Innovation Session: Are You Prepared for the Unprecedented Effects of AI on Healthcare and Your Organization?

Dr. Ryan Vega, Chief Health Officer, Vantiq, and former Chief Innovation Officer, Veteran's Administration

Angela Adams, President and CEO, InfloHealth

Ron Rerko, Director, Healthcare & Life Sciences, ONIX

Our October Roundtable concluded with a robust discussion on the current impact of AI on healthcare. Ron Rerko, our Innovation Session Facilitator, opened the session by noting that although we talk about Medicine as both an "Art" and a "Science," we are still predominately operating in the "Art" space and have not yet pivoted to the "Science" of Medicine. He then stated that ***AI will facilitate rapid change and significant movement to better use and understanding of the "Science" of Medicine.*** To make his point, Ron noted that as of October 1, 2024, the FDA has approved 950 AI enabled devices.

Dr. Ryan Vega shared his experience with investigating and integrating AI into many hospital areas, including quality improvement, throughout the VA system. He also discussed his role as Chief Health Officer at Vantiq, a new, innovative company which is using Generative AI to convert real-time data into actionable intelligence and solutions for hospitals, physicians and other healthcare organizations.

Dr. Vega opened by noting that AI is not new as it was first introduced into healthcare in 1972. However, because of its recent growth and expansion, the application and use of AI is now positioned to transform the world. He also cautioned that ***credible AI model development and overall trustworthiness are the two largest challenges facing AI.*** This is especially true in healthcare as the successful implementation of AI is dependent upon effective workflows and the healthcare industry is very complex with thousands of workflows. In many ways healthcare is really not about automation but is about orchestration, which requires coordination of multiple systems and processes driven by large amounts of data.

Dr. Vega then shared his perspectives on where we are today with AI and where AI is moving by categorizing AI into the following Levels:

- ***Level I*** – Early-stage introduction and development of AI applications
- ***Level II*** – New models of AI are created with the ability to "reason" similar to the way that human's reason. This has been the focus of AI development for the past two years
- ***Level III*** – Models and applications created in Level II will rapidly evolve over the next 18-24 months as AI's ability to emulate the ways humans "reason" becomes more refined and sophisticated
- ***Level IV*** – AI will evolve its own independent general intelligence capabilities as the concept of "Agenic AI" in which AI "Agents" capable of making decisions and taking action without human intervention becomes common.

Given the rapid evolution of AI capabilities and use, ***Dr. Vega noted several "Red Flags" for hospital and health system leaders to consider when evaluating their investment and commitment to the use of AI:***

- Be wary of overpromising vendors and avoid traditional "plug & play" products and applications as AI needs to be individually customized to each organization's processes and workflows

- Be cautious of the danger of "data overload" versus focusing on usable, actionable insights created by data
- Prioritize and focus on ethical considerations as AI models may inadvertently generate bias or suggestions without evaluating ethical impact. AI based decisions need to be constantly checked and tested

Dr. Vega concluded his comments by sharing his thoughts and suggestions on what CEOs should be doing today to position their organizations for successful implementation and use of AI:

- Recognize how and why the role of the CIO has changed
- Re-think both Governance and Interoperability
- Understand the importance of AI orchestration as decisions need to be made and solutions need to move forward quickly
- Accelerate the move to "Value"
- Just setting a vision and commitment to adopt AI is not sufficient as that decision has already been made since AI is already present and actively being used in your hospitals.

Following Dr. Vega's presentation, Roundtable Corporate Member ***Angela Adams, President & CEO InfloHealth, shared observations and lessons learned based on her leadership roles at three highly successful AI start-ups.*** Her observations and recommendations include:

- When considering AI vendors, it is crucial to consider both the vendor as well as the internal support for implementing and managing microprocesses and workflows
- Leadership teams must clearly identify, prioritize and agree upon the 3-5 issues or problems the organization is trying to solve with AI before listening to presentations on solutions to the problems
- AI is not a "magic bullet" so, consistent with Dr. Vega's recommendations, Angela noted organizations should be cautious of "plug & play" solutions as technology without people and processes will fail. She further stated that organizations must prioritize and dedicate the right people and processes in order to ensure success

Ron Rerko concluded the Roundtable Innovation Session with an update on his recent meetings around cybersecurity. Ron noted that ***in the past 12 months 92% of healthcare organizations have had at least one cyberattack and that the average life cycle of a successful data breach is 223 days***.

Results of a recent study indicate that 55% of healthcare organizations reported an absence of sufficient in-house expertise, resources and support as a major obstacle to cybersecurity defenses. ***Given the cost and challenges of building a sufficient in-house team of experts, many organizations are partnering with outside organizations.***

Ron ended the Innovation Session with a note of caution. ***Most hospitals have a very small cybersecurity team who eventually go home for the evening while cyber criminals have significant human and automated AI resources that are working 24/7/365 to breach systems.*** Google on the other hand is well aware of the dangers and has over 2600 trained experts working non-stop on cybersecurity.

SAVE THE DATE!

Next Scheduled Spring Meeting

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For reservations and inquiries about the Spring 2025 Roundtable Meeting, please contact Alexis Matic at Alexis@healthcareroundtable.com

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