Rise of the healthcare consumer
How providers are responding to changing patient roles and expectations

June 1, 2016
Agenda

Part I
- Industry Trends
  - The New Healthcare Consumer
  - HDHP and Individual Coverage
  - Emerging HDHP Solutions
  - Retail Healthcare Delivery
  - Consumer Out-of-Pocket Spending
  - New Provider Requirements

Part II
- Provider Perspective
  - Novant Health
The *new* healthcare consumer

Shifting trends in healthcare are creating new, emerging options for consumers.

**High-Deductible Health Plans**
- Cost shifting from employer to patient
- Increasing awareness of the cost of care
- More decision-making in the hands of patients
- Helping patients to compare and save – or does it?

**Individual Coverage**
- Affordable Care Act (public) exchanges
- Employers restricting group coverage to certain employees
- Private exchanges, especially for retirees and COBRA

**Retail and Remote Care Delivery**
- Pharmacy care outlets
- Big box – “detergent, light bulbs, and flu shots”
- Telemedicine
- Mobile apps for finding care delivery
New health plans for the healthcare consumer

Competition, distribution and choices

New players and exchange-based plans are changing healthcare coverage dynamics in unprecedented ways...

**INDIVIDUAL COVERAGE MARKET**
- **12.7 million** Americans enrolled in private health insurance through the federal and state marketplaces for 2016
- **Profits remain elusive** on ACA plans – UHG, Aetna, and Humana have all announced losses but most remain committed to exchanges

**PROVIDERS BECOMING PAYERS**
- Recent Advisory Board Co survey: 1/3 said they already offered an insurance plan
- **Increasing trend**: providers paying premiums for COBRA and exchange-based coverage plans

**IMPACT TO HEALTHCARE CONSUMERS**
- More than 1/2 of plans offered for sale through HealthCare.gov have a deductible of $3,000+

Consumer perspective on the “Affordable Care Act”...

“When they said affordable, I thought they really meant affordable.”
- TN Exchange Customer with $10k Deductible
Driving healthcare consumer behavior
Emerging solutions for HDHP challenges

As the High-Deductible Health Plan becomes the norm, tech companies are innovating to give providers new solutions for challenges that didn’t exist 10 years ago

**Reward programs**
Employer, payer and provider-funded incentives

**Patient financing**
Shift from elective to non-elective and recourse to non-recourse

**Price transparency**
Payers and online marketplaces allow providers to post prices and quality scores to compete for price-conscious consumers

**Service integration**
Integrate core provider functions with 3rd party services for registration/scheduling, eligibility, cost estimators, telemedicine

**Refunds & rebates**
Electronic processes leverage P2P/card/mobile to replace checks

“44% of employers reported that they are likely to offer only high-deductible health plans (HDHPs) during the coming year.”

- Price Waterhouse Coopers
Making consumers cost-conscious
Opportunities and challenges

What we’re seeing in the industry...

PATIENT REALITIES
- Top 5% of costliest patients represent 50% of national healthcare expense
- Bottom 50% of costliest patients represent only 3% of total expenses
- Less than 7% of total health care spending was paid by consumers for “shop-able” services

ACCESS & EDUCATION
- Costs do vary – mammogram in Dallas can range from $50 to $1,045
- Consumers can't distinguish well between essential and non-essential treatment
- Most rely on primary doctor to help them make key health-care decisions

HDHP BEHAVIOR
- Large employer study showed HDHP members spent 12% less on healthcare services
- Unexpectedly, they used less of everything, including preventative services

“Simply calling a patient a consumer doesn’t make buying healthcare like buying cars.”

- Amitabh Chandra, Harvard Healthcare Economist

Source: NIH, CastLight Health, Health Care Cost Institute
Can consumers make an impact by shopping for services?

Consumers do spend less on healthcare when given a financial incentive, but...

They’re indiscriminate in cutting back, spending less on important services that help reduce long-term expenses.

Healthy consumers can be selective about services, but their overall spend is a tiny fraction of the total...

While the costliest patients typically cannot take an active role in service comparison and selection.

Even motivated patients have trouble finding options and comparing cost, so we’re not there, at least not yet.

Source: National Bureau of Economic Research
Retail healthcare delivery
New delivery channels and impact on healthcare utilization

What major delivery channels are evolving?...

- **Retail Clinics**
  - 58% of retail clinic visits for minor conditions represented a new use of medical services
  - Increased use leads to increased spending

- **Provider Impact**
  - Retail clinics provide care that costs 30 to 40% less than similar care provided at a physician’s office
  - Major health systems, including the Cleveland Clinic and UCLA, have partnered with retail clinics to help meet the increased demand

- **Traditional Big Box**
  - CVS and Kroger continue to open new locations
  - Wal-Mart Stores and Target pulled back on the business after lackluster results

Source: Health Affairs
Consumerism & impact on healthcare spending
Industry trends and emerging solutions

Market dynamics are shifting financial and decision-making responsibility to the individual patient, driving rapid growth in healthcare consumer payments.

- **Payers**
  - Public exchange
  - Private exchange
  - Individual market

- **Healthcare Consumers**
  - Patients
  - Guarantors
  - Individual Plan Members

- **Providers**
  - Healthcare systems
  - Specialty practice
  - Lab & diagnostic
  - Pharmacy

12% of U.S. national healthcare expenditures are consumer out-of-pocket healthcare payments.

50% of all overdue consumer debt on credit reports is from medical debt. *One out of five* credit reports contains overdue medical debt.

$515 billion
Consumer out-of-pocket spend will grow from $406 billion in 2015 to $515 billion by 2019 -- a rate of 6%.

“It feels like a sucker punch. When someone has a really high deductible, effectively they’re still uninsured, and most people in our community don’t have $5,000 lying around to pay their bills.”

- CEO, rural TX hospital

Source: CFPB, Aite Group
Consumer healthcare spend by category
Where is growth coming from?

Growth in consumer health spend categories is evolving....

49%
Total medical consumer payments to a healthcare provider or merchant as required by commercial health plan coverage in 2015.

7%
Growth rate in 2015.
A dramatic uptick.

Top Consumer Health Spend Categories

- Medical: 49%
- Prescription Drugs: 16%
- Retail: 14%
- Dental: 12%

Source: Aite Group
Evolving provider requirements landscape

As consumer financial responsibility and payment volume grows, providers must be ready to manage a range of shifting and evolving mandates.

Patient-Centric Billing

Billing and payments are a key part of overall patient satisfaction
- Awareness and accuracy of out-of-pocket responsibility
- Easy-to-understand billing statements
- Payment plan options and financial counseling

Consumers expect the convenience of online and mobile access, it is no longer a differentiator
- Online healthcare bill payments via PC is expected to grow at a CAGR of 27%
- Younger healthcare consumers rely on text and mobile browsers
- Consolidated view of information from multiple business groups

Online and Mobile Access

PCI and HIPAA converge to form a daunting challenge
- Clinical and PAS systems in-scope for PCI, increased volume leads to more involved SAQ process
- Remittance posting info is often considered PHI, what networks does this touch?
- Staff must often be specially trained on acceptable use of payment info

Security and Compliance

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As consumer financial responsibility and payment volume grows, providers must be ready to manage a range of shifting and evolving mandates.
Novant Health Overview

• Fifteen hospitals / 2,727+ beds / 1,123+ staff physicians / $3.8B Net Operating Revenue
  – Based in North Carolina, South Carolina, Virginia and Georgia

• Full care continuum
  – 1,123+ Physicians / 343 Practices
  – Urgent Care, Hospice, Home Care, Rehab, Imaging, Lab, Pharmacy, SNF, Ambulatory Surgical Centers

• Market share
  – 123K admissions / 542K ED visits / 3.9M physician office visits / 122K surgeries / 18K births/ 26K team members

• Share services partners
  – 13 acute care facilities / 3,086 beds
Guiding Principles for Price Transparency

- Empowers patients
- Is easy to use
- Defines value of services
- Clarifies price of care
- Requires stakeholder commitment
Clear information on costs and options (pricing transparency) was the most appealing value-added offering tested.

*Appeal as measured by “top 2 box” scores - rated 5 or 6 on a scale of 1-6
Patient Engagement: The Financial Perspective

- Charges
- Patient Estimates
- Single Patient Bill
- Patient Advocacy
Challenges

- Non-standard CDM structure
- Non-standard pricing structure & charging methodologies across markets
- Lack of market comparison data

Strategy

- Reduce unnecessary CDM line items
- Standardize pricing structure
- Use market comparison data to remain competitive

Results

- Moved to drug charge on administration; reduced charge error rate by 75%
- Moved to procedural time-based charging across all markets
- Maintenance and CDM changes are less complex and more streamlined
- Change Control is much more robust
- Reduced the CDM from 215,000 lines to 7,295 lines
Patient Estimates

Challenges
- No single system source of data
- All contracts were not loaded
- Procedure timing (Benefit Year)
- Physician practice patterns
- Medical complications

Strategy
- Identify and implement a single system source
- Load all contracts, including all governmental payers
- Patient education and timeliness of the estimate provided

Results
- Implemented Epic’s Contract Management Module, 2013
  - 350+ contracts loaded = 98% of our contractual agreements
- Implemented Epic’s Patient Estimation Module, August 2015
  - Delayed: wanted enough historical system and physician practice pattern data to ensure accuracy of estimates
  - Tracking improved pre-visit and POS patient collections; trending toward an improvement realization of patient collections for 2015 ~$15.2M, a 4.5% increase over 2014
<table>
<thead>
<tr>
<th>Patient Name</th>
<th>JAMES RILEY</th>
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<tbody>
<tr>
<td>Service Date</td>
<td>10/21/2015</td>
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<tr>
<td>Account #</td>
<td>50031543</td>
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<tr>
<td>Policy Number</td>
<td>R23489296</td>
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<tr>
<td>Out of Pocket Max</td>
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<td>Out of Pocket Met</td>
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<tr>
<td>Co-Pay</td>
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<tr>
<td>Co-Insurance</td>
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</tr>
</tbody>
</table>

This estimate is based on the following codes:
- Facility Codes (CPT®):
  - C8930: TTE CMPL DUR REST&CVST I&R PHYS SUP.
  - HC STRESS ECHO W CONTRAST W ECG ($2111.00)

ICD’s:

| Co-Pay                  | $0.00                |
| Deductible              | $0.00                |
| Total Estimated Allowable| $1,443.92            |
| Total Estimated Patient Amount| $216.59            |

Co-Pay: $0.00
Deductible: $0.00
Co-Insurance: $216.59
Total: $216.59

Ins Rep: -

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Est. ID: 4284022
Patient Statement - Current

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ACCOUNT SUMMARY

Last statement balance: $8,085.69
New charges: $0.00
Paid by insurance or any adjustment: $0.00
Patient Payable: $0.00
Current account balance: $8,085.69
Charges billed to insurance: $0.00
This balance is due on or before November 13, 2014

We are working with your insurance company to secure payment for your medical services if applicable.

This is a Hospital/Medical Center Statement

AMOUNT YOU OWE

$8,085.69

IMPORTANT PHONE NUMBERS

To discuss payment arrangements or discuss financial assistance, please contact Customer Service 888.644.8080 Option 2. See end of statement for our Financial Assistance FAQs.

PAYMENT

To pay online, visit www.mynovant.org

Connect with us on Facebook:
http://facebook.com/NovantHealth

A free, mobile digital cabinet that helps you organize and pay your bills from multiple providers in one place.

Check here if your address or insurance information has changed. Please refer to back to update information.

Novant Health: PO Box 11040 | Winston-Salem, NC 27116-1049

Visit us online: www.novanthealth.org

Please mail this slip with check payable to:

Novant Health
PO Box 71040
Charlotte, NC 28272-1049

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Oct 30, 2014
Billing Statement for OneThirtyEightyEight Huirveneres
Guarantor Account Number: 13531

myEasyMatch code: P-JX3KVC-46975-ZTJCTY

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Novant Health: Enter Presentation Title in Footer Menu
5/22/2013
Patient Statement - Future

ACCOUNT SUMMARY

PATIENT NAME: Darlene Jordan Medlin
TYPE OF SERVICE: HOSPITAL
TOTAL CHARGES: $6,456.10
TOTAL ADJUSTMENTS: $3,280.68
TOTAL PAYMENTS: $2,144.70
PAYMENT DUE: $1,080.72

FOR YOUR INFORMATION

In addition to the new charges listed in your Account Summary, Novant Health shows an active payment plan with a previous balance. New Charges are not automatically included in your payment plan, please contact our Billing Department at 888-844-0080 to have these added or for any other questions.

QUESTIONS?

Go to www.novanthealth.org to look up medical records, make payments, and more!

For questions call the Billing Office at: 888-844-0080 / 8:00 am - 6:00 pm Mon-Fri.

SERVICE DESCRIPTION AND CHARGES

Darlene Jordan Medlin - 6400001150
MATTHEWS SURGERY CENTER LLC PARENT
Insurance Billed: BCBNSC
12/01/14 Ambulatory Surgery 1,977.00
Anesthesia 1,058.00
Pharmacy 310.75
12/22/14 INSURANCE PAYMENT - BCBNSC -475.80
01/27/15 CONTRACTUAL WRITE-OFF - BCBNSC -1,742.94
12/01/14 PATIENT PAYMENT - Thank You -270.00
Patient Total 866.91

Darlene Jordan Medlin - 5400001304
MATTHEWS SURGERY CENTER LLC PARENT
Insurance Billed: BCBNSC
12/15/14 Ambulatory Surgery 1,977.00
Anesthesia 731.00
Pharmacy 393.35
01/06/15 INSURANCE PAYMENT - BCBNSC -1,126.90
01/27/15 CONTRACTUAL WRITE-OFF - BCBNSC -1,408.04
12/15/14 PATIENT PAYMENT - Thank You -270.00
Patient Total 213.91
Grand Total 1,080.72

PAYMENT DUE: $1,080.72
Patient Advocacy

Challenges

- Former process didn’t allow team members to reach every person in need of assistance
- Existing options weren’t “Easy for Me” from a patient perspective
  - Buried in hidden policies and procedures
  - Not fully transparent and presented to patients consistently
  - Somewhat subjective in nature
  - Didn’t consider other forms of financial assistance that may be available, including non-healthcare related avenues

Strategy

- Define “Easy for Me” through patient engagement
- Clearly evaluate changes needed to policies and procedures to ensure transparency and consistency
- Evaluate vendor partner options
- Ensure we are as proactive as possible in patient engagement
- Overall objective: make it “Easy” for the patient
Patient Engagement: The Financial Focus

- Revised financial policies – host of options to satisfy patient liability
- Proactive outreach, fully transparent so patients understand what they will owe
- Make repayment convenient, recognizing “patient independence” and empowering patients to make their own choices
- Consolidated patient billing through utilization of a vendor partner
- Evaluation of patient-facing department consolidations and single point of contact
  - Customer contact center, scheduling, pre-visit services, patient collections, vendor management and cash applications
- Divided the focus of our Medicaid eligibility vendor and disability vendor
  - Create specialties and specific areas of focus
- Implemented a review of the “whole” patient for all forms of assistance through vendor support
- Score patients at point of entry to provide front line team members with adequate information to guide patients, directing them to the appropriate means of assistance
Lessons Learned – and Still Learning

- Collaborative effort – involves clinical and IT
- Always fine-tuning – how will bundled payments impact workflow, net reimbursement, etc.
- Leverage vendor partnership
  - Insourcing what you do best and outsourcing what they do best
- How do we monitor our exchange enrollees to ensure they remain current on premiums and maintain their medications and routine visits to ensure continued improved health? What role does population health play and how do they partner with revenue cycle to continue to move the healthcare cost needle?
- Identify and quantify patient segments in partnership with marketing in an effort to design a communication strategy that meets the needs of our diverse patient population
- Continue to look for opportunities to drive patients to lower cost care options at the point of scheduling. Give the patient choice.
- Positive results – patient loyalty, overall financial performance
  - 92% of our patients likely to return due to our zero-interest loan program
  - 86% will recommend Novant Health to family and friends
- Adapt business practices to the new environment.....rapidly
  - Practices of the past will not produce success in the future
- Embrace the risk your patients are experiencing
  - Risk is increasingly being shifted to the least sophisticated purchaser of services; providers must own the responsibility for education
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