



# Business Models in American Healthcare

FOLLOW THE MONEY TO UNDERSTAND WHY WE ARE WHERE WE ARE

# Looking at Two Distinct Models

- ▶ **The traditional fee for service model**
- ▶ **And the population health model**
- ▶ **Discussing**
  - ▶ **The players and their objectives**
  - ▶ **Workforce required to make it work for the future**
  - ▶ **The challenges of the model in achieving our goals**

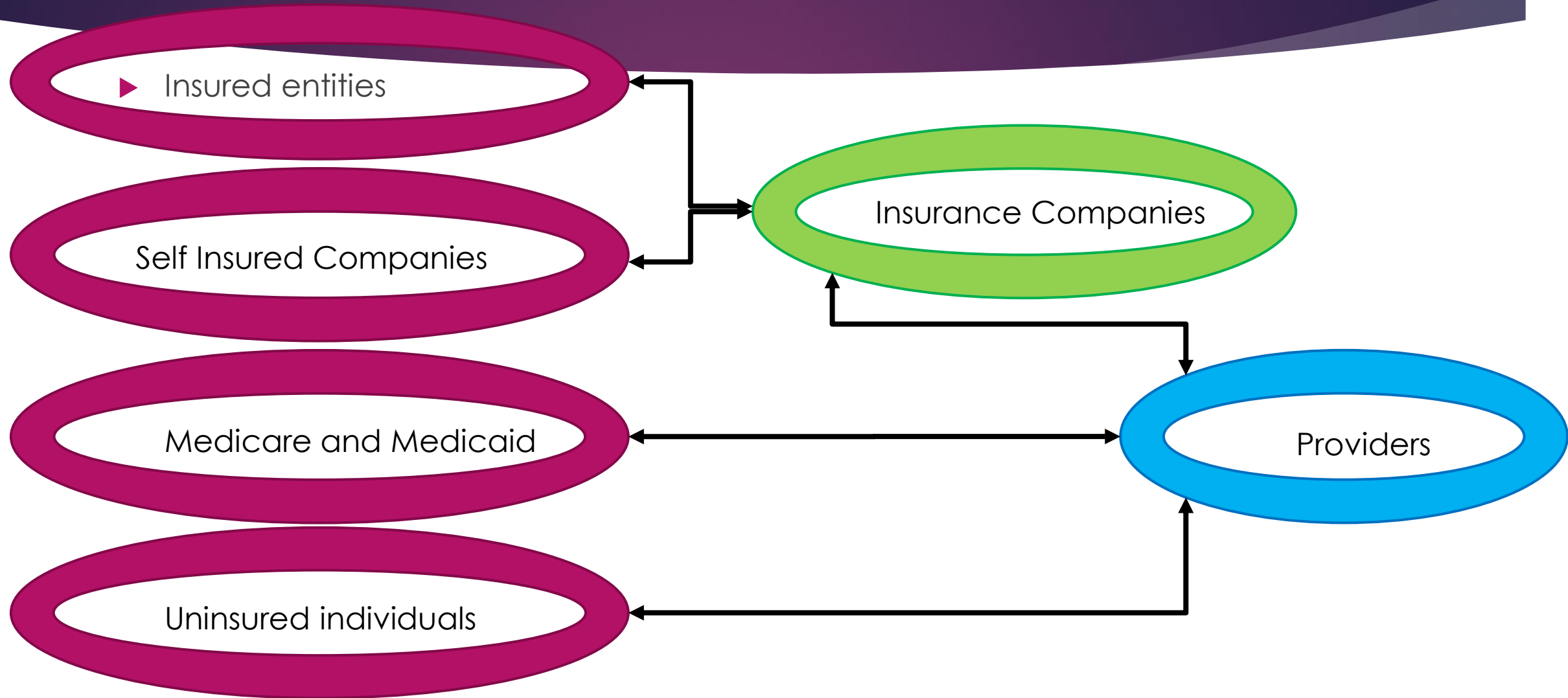
The goal used to examine the models is simple:

- ▶ **Improve the health of our citizens at a sustainable cost**
- ▶ **Keep healthy people healthy**
- ▶ **Improve the health of people at risk**
- ▶ **Treat chronic conditions with best practices**
- ▶ **Provide high quality treatment for health events**



# The Fee for Service Model

# Fee for Service – The Players



# The Objectives – The Customers (people)

- ▶ **Insured individuals (no matter the source of their insurance) want:**
  - ▶ **Quality treatment for illnesses and accidents**
  - ▶ **Reasonable costs**
  - ▶ **No requirement to subsidize anyone else**
- ▶ **Uninsured individuals want:**
  - ▶ **Treatment for illnesses and accidents**
  - ▶ **No costs**

# The Objectives – The Customers (Payers)

- ▶ **Employers want:**
  - ▶ Reasonable healthcare coverage for employees
  - ▶ Reasonable costs
  - ▶ Avoid cost escalation

# The Objectives – The Customer (payers)

- ▶ **The Government wants:**
  - ▶ Reasonable care for Medicare eligible people
  - ▶ Basic care for Medicaid eligible people
  - ▶ A reduction in Medicaid and Medicare costs through lower reimbursements and/or reduction in the number of eligible people.

# The Objectives – Insurance Companies

- ▶ **Make a profit**
- ▶ **Provide a preferred product that allows them to gain market share**
- ▶ **Develop data analysis expertise that allows them to assess risk and price competitively to be profitable**
- ▶ **Use their business leverage to negotiate favorable pricing and reimbursement schedules**
- ▶ **Develop operational excellence in claims processing**

# The Objectives - Providers

- ▶ **Make a profit – must be financially sustainable**
- ▶ **Provide high quality services**
- ▶ **Provide some community health service on a pro bono basis**
- ▶ **Be a preferred provider to avoid insurance company leverage**

# The Challenges of Fee for Service

- ▶ It is extremely difficult for the customer to compare the quality and costs of service providers
- ▶ Typically, mental health services and dental services are not included at the same level as other services in insurance plans
- ▶ Co-pays and deductibles discourage people from getting preventive services
- ▶ Co-pays and deductibles discourage people with chronic conditions from getting treatment according to best practices
- ▶ Providers are economically stressed as Medicaid and Medicare reimbursements drop, insurance companies aggressively negotiate fees, and costs go up.
- ▶ For those without insurance, emergency rooms are the only alternative

# And there is no financial incentive to change behavior in this model

- ▶ **People do not want to pay more for healthcare and don't want to subsidize anyone else**
- ▶ **Companies want to pay less for insurance**
- ▶ **The government wants to reduce Medicaid and Medicare**
- ▶ **Insurance companies and some providers benefit from the system**
- ▶ **Many providers are under financial stress and struggle to remain profitable and to survive (especially in small communities)**

# As a result, we do not meet our goal

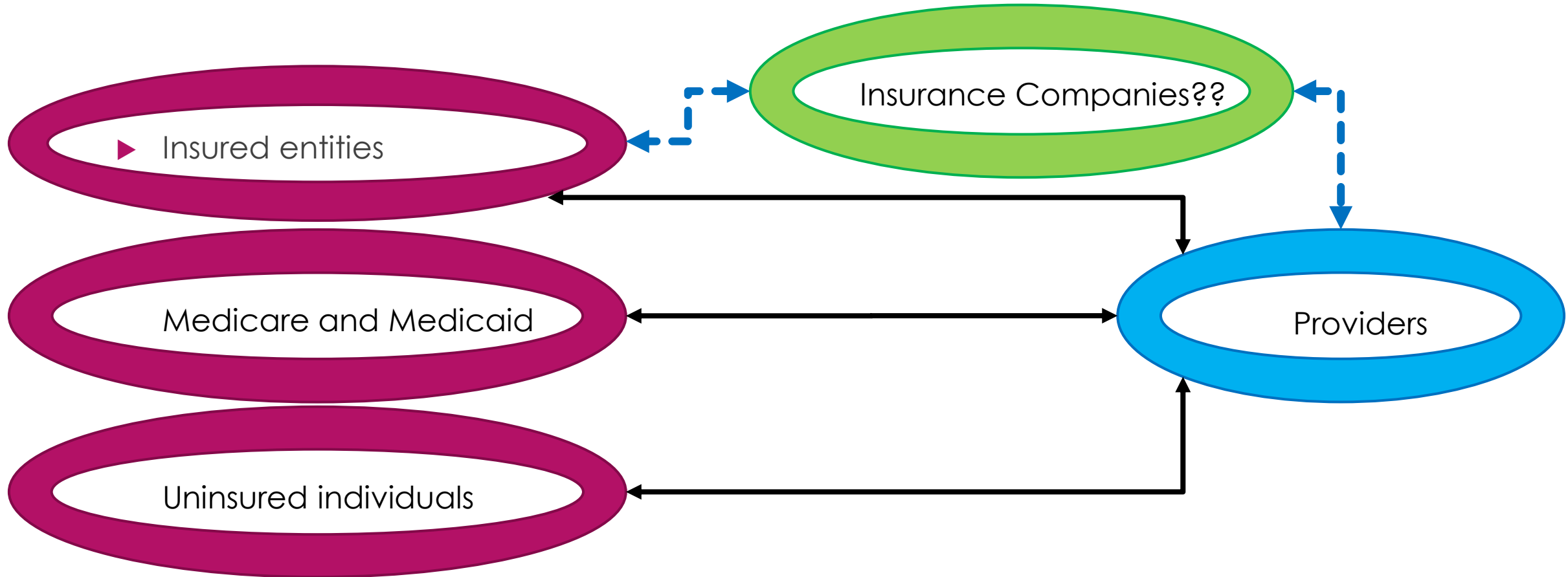
- ▶ Health of our citizens is not improving (many reasons)
- ▶ Healthy people are not kept healthy
- ▶ People at risk are not taking action to reduce their health risk
- ▶ Chronic conditions are not treated sufficiently to keep them from evolving to more serious and expensive consequences
- ▶ But...We do provide high quality care for health events

# So if we stay with this Model, what can we do?

- ▶ **Develop the metrics for public health initiatives (e.g. Nurse Family Partnership) to be funded by proven savings**
- ▶ **More trained volunteers in community organizations to do simple health maintenance interventions**
- ▶ **Continue to educate people on social determinants of health**
- ▶ **Encourage providers to do more pro bono work especially in mental health and dental health**
- ▶ **More professionals where there is affordability but not accessibility**
- ▶ **Examine scope of practice especially for underserved areas**

# Population Health Model

# Fee for Service – The Players



# The Objectives – The Customers (people)

- ▶ **Insured individuals (no matter the source of their insurance) want:**
  - ▶ **Quality treatment for illnesses and accidents**
  - ▶ **Reasonable costs**
  - ▶ **No requirement to subsidize anyone else**
- ▶ **Uninsured individuals want:**
  - ▶ **Treatment for illnesses and accidents**
  - ▶ **No costs**

# The Objectives – The Customers (Payers)

- ▶ **Employers want:**
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# The Objectives – The Customer (payers)

- ▶ **The Government wants:**
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# The Objectives – Insurance Companies

- ▶ **Make a profit**
- ▶ **Provide a preferred product that allows them to gain market share**
- ▶ **Use their business leverage to negotiate favorable pricing and reimbursement schedules**
- ▶ **Develop operational excellence in claims processing**

# The Objectives - Providers

- ▶ **Make a profit – must be financially sustainable**
- ▶ **Provide cradle to grave services that keep healthy people well, help those with risks reduce them, treat chronic conditions at best practice level, and provide high quality care for health events**
- ▶ **Provide some community health service on a pro bono basis**
- ▶ **Develop data analysis expertise that allows them to assess risk and price competitively to be profitable**
- ▶ **Become partners in risk sharing with large paying populations (and insurance companies?)**

# Now This model provides financial incentive to change behavior

- ▶ **Providers' profits will increase with their success in keeping people healthy**
- ▶ **Drives low tech low cost solutions**
- ▶ **The total cost per capita for healthcare will be reduced**
- ▶ **The Medicaid and Medicare costs will be reduced**
- ▶ **Insurance companies role will change dramatically (and this will not happen easily)**

# As a result, we meet our goal

- ▶ **Health of our citizens is improved**
- ▶ **Healthy people are kept healthy**
- ▶ **People at risk are take action to reduce their health risk**
- ▶ **Chronic conditions are treated sufficiently to keep them from evolving to more serious and expensive consequences**
- ▶ **And...We do provide high quality care for health events**

# So if we move to this Model, what can we do?

- ▶ **Develop the metrics for public health initiatives (e.g. Nurse Family Partnership) to be funded by proven savings**
- ▶ **More trained volunteers in community organizations to do simple health maintenance interventions**
- ▶ **Continue to educate people on social determinants of health**
- ▶ **More para professionals will be needed in all communities but in many cases will be paid by health systems**
- ▶ **More data analysts and information technologists**
- ▶ **More professionals where there is affordability but not accessibility**
- ▶ **Dental and Mental Health???**