Hitting the Mark
Creating Financial Sustainability

November 12th and 13th - 2013

Central Pacific Railroad locomotive #173, Type 4-4-0, 1864
(Common American design, 1850s-1900)
Budget Pressures & New Technologies Driving Changing System Delivery & Financing Model

New Service Management & Service Delivery Models  More P4P  Less FFS

Changes in health care financing will drive sharp line between “health” and “social service” — with cost shifting to non-health systems

The Challenge…

- Previous relationships with payer changing
  - Role of mission-based, tax-exempt organizations evolving
- More competition
- Technological substitution reducing price point on rates

“Specialist” organizations need strategic repositioning to maintain competitive advantage

“To win, create what is scarce”
Relative to our business....

- What is our Mission Statement?
- Congruence?
- Core service competencies
- How do we know?
- How much associated revenue?
- Do $ flow from our strengths?

“Welcome to Lake Wobegon, where all the programs are strong, all the customers are good-looking, and all the results are above average.”

- Apologies to Garrison Keillor, A Prairie Home Companion
Issues in Developing Provider Organization Readiness

1. Competition in market
2. The CEO’s leadership qualities
3. Management team competencies
4. Historical mission and vision
5. Organizational culture
6. Financial resources
7. Time

2. Medicaid Regional Behavioral Health Organizations (RBHOs)

Key Elements
RBHOs, Phase 1 (starting February, 2012): ASO/no risk contracts with five regional BHOs
- New York City Region: OptumHealth
- Hudson River Region: Community Care Behavioral Health
- Central Region: Magellan Behavioral Health
- Western Region: New York Care Coordination Program
- Long Island: Long Island Behavioral Health Management LLC

RBHOs, Phase 2 (starting 2014) - BHOs are converted to risk bearing entities
- All specialty mental health services are ‘capitated’ to BHOs or special needs plans (SNPs)
- SNPs are to manage both the physical and behavioral health benefits where capacity exists – including, at a minimum, New York City

Implications
- Phase 1 BHO focus on UM for inpatient and emergency services, including SED children – new level of review
- Phase 2 BHOs capitated, moving relationship of provider organizations from state to BHOs (rates, authorization, payments, etc.)
- BHOs (both phases) are to coordinate with social service system – child welfare, JJ, education, children’s services
  - Phase I: Assess post-discharge linkage of children with other service systems
  - Phase II: Conduct post-discharge linkages
The Strategy Question For Service Providers…

- Regardless of the specific models that are adopted, many of the administrative and care management competencies are the same.
- For provider organizations, this environmental change can offer either big opportunities or big threats – depending on the level of competition for contracts and consumers.

The question – How to develop strategies to assure financial sustainability in the new environment?

- Managed care models are expanding.
- Preference for integrated care management and integrated service delivery.
- Value-based contracting models increasing.

New Service Delivery Models Moving To New Value-Based Financing: More P4P & Risk-Based Reimbursement

**FFS Financing**

- Payer (or MCO) maintains risk for unit cost and quantity of services used.
- Consumers request services.
- Provider organizations deliver services and are reimbursed based on volume.
- MCO “approves” service.

**Beyond FFS Financing**

- Payer (or MCO) contracts with provider organizations to deliver services to a population for a fixed amount of dollars.
- Consumers request services.
- Provider organizations determine type and amount of service, delivers service, and manage pool of dollars.
Managed Care Systems Require New Administrative Capabilities

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<tr>
<th>Provider Organization Administrative Capabilities</th>
<th>Care Management Organization Administrative Capabilities</th>
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<tr>
<td>Managed care contracting and referral development</td>
<td>Member and customer service functions with eligibility determination</td>
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<td>Systems to address preauthorization and utilization management requirements, including denials and appeals</td>
<td>Clinical and utilization management system</td>
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<td>Enhanced clinical documentation requirements</td>
<td>Provider relations and network management</td>
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<tr>
<td>Revenue cycle management -- billing and collections</td>
<td>Claims management and payment system</td>
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<tr>
<td>Collection of consumer payments – copayments, deductibles, non-covered services, etc.</td>
<td>Financial management system</td>
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<td>Enhanced information systems capabilities to support care authorization, billing, reporting, and HIE</td>
<td>Organizational legal and financial requirements</td>
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<td>Information systems and reporting systems</td>
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Revenue Sources

- FFS Revenue
- Charitable Contributions
- Renewable Grants
- Demonstration Projects
- Institutional Budget
Financial Prospecting

• What we are doing now may be exactly where we need to head in the future, but our service obligation requires us to:
  • Identify income streams associated with service lines
  • Forecast how those revenues might change up / down
  • Project timelines associated changes in funding
  • Identify and fund new and expanded services

Refresh our Strategy

• The 2013 strategy may be exactly where we need to head in the future, but our obligation as board members require us to:
  • Determine what the current data is telling us
  • Really understand the current needs of our stakeholders
  • Determine how we create a sustainable competitive advantage with limited resources to successfully complete our mission
Our Approach

4 Voices

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<td>What is it:</td>
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<td>What is the data telling us?</td>
<td>What is critical for the business to be successful?</td>
<td>What is important in quality service?</td>
<td>What is important to our customers?</td>
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2013 Strategy
- Grow Capacity
- Grow Program

Refreshed Strategy

The Process

STEP 1: Get ready
STEP 2: Gather the data you have
STEP 3: Meet to analyze your data and set preliminary strategies
STEP 4: Gather the data you need (Part 2)
STEP 5: Revise your strategies and tactics
STEP 6: Board adoption of strategies and tactics
STEP 7: Develop goals and objectives
STEP 8: Implement and monitor
STEP 9: Circle back to STEP 1
Collaboration / Attractiveness

- A method to evaluate potential partners
- Fit with our competencies
- Competitive intensity
- Dedicated champion
- Liability or risks
  - Assess the various prospects and rank order these prospects along criteria that are meaningful to you

Revisit and Refresh our Strategy

- The 2007 strategy may be exactly where we need to head in the future, but our fiduciary obligation as board members require us to:
  - Determine what the current data is telling us
  - Really understand the current needs of our stakeholders
  - Determine how we create a sustainable competitive advantage with limited resources to successfully complete our mission
So what’s next?