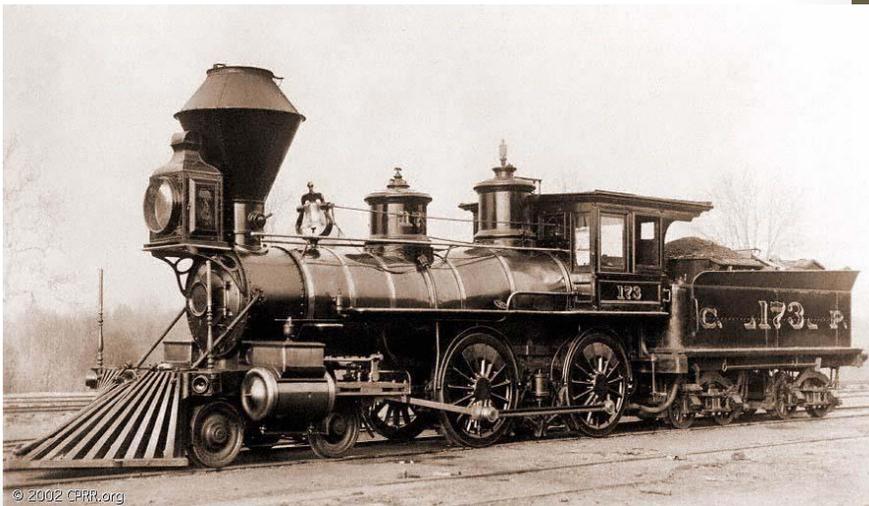


Hitting the Mark
Creating Financial Sustainability

November 12th and 13th - 2013

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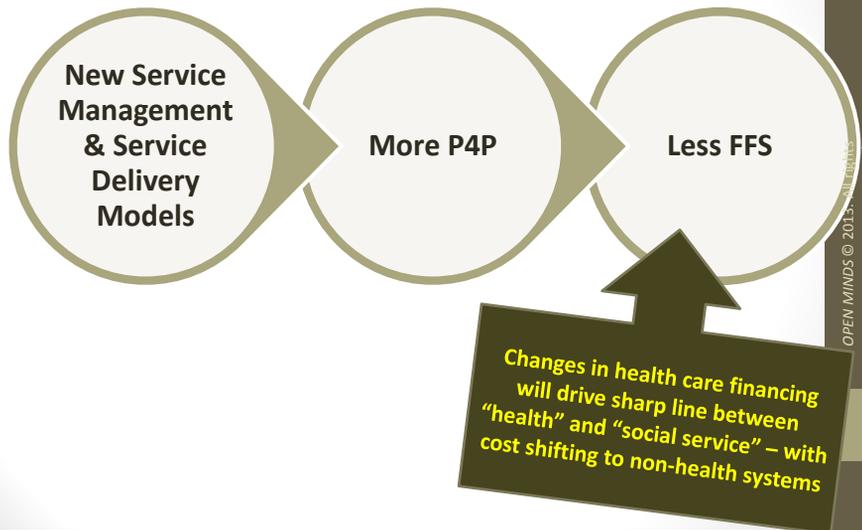
Central Pacific Railroad locomotive #173, Type 4-4-0, 1864
(Common American design, 1850s-1900)



© 2002 CPRR.org

Image: Central Pacific Railroad
Photographic History Museum

Budget Pressures & New Technologies Driving Changing System Delivery & Financing Model



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”

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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?

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“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

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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

Also Developmental Disabilities Individual Support and Care Coordination Organization (DISCO) for I/DD consumers

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

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The Strategy Question For Service Providers...

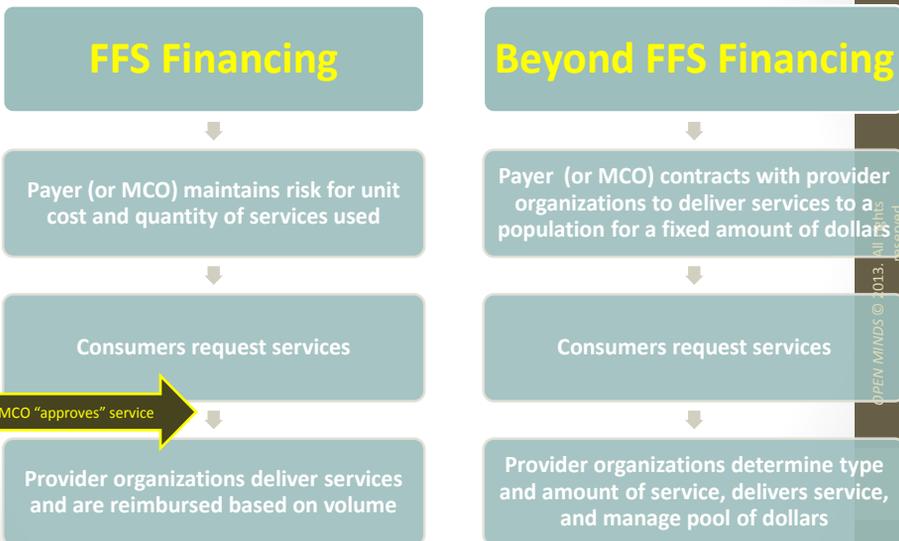
- Regardless of the specific models that are adopted, many of the administrative and care management competencies are the same
- For provider organizations, this environmental change can offer either big opportunities or big threats – depending on the level of competition for contracts and consumers

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

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

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



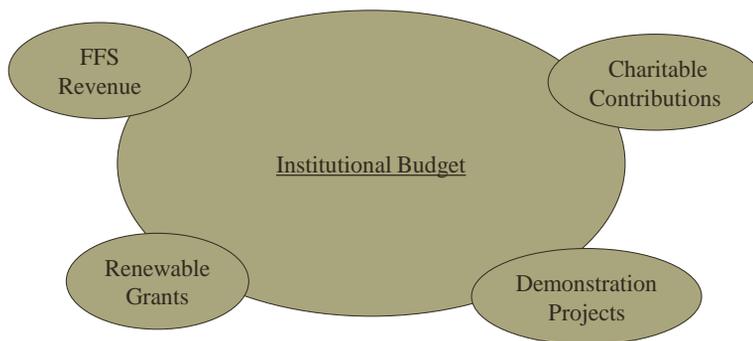
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Managed Care Systems Require New Administrative Capabilities

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

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Revenue Sources



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

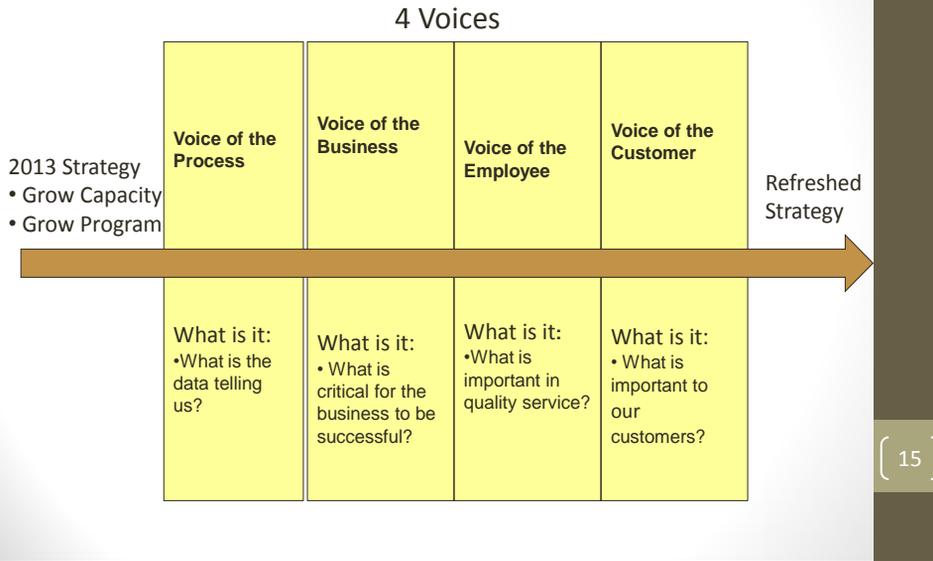
13

Refresh our Strategy

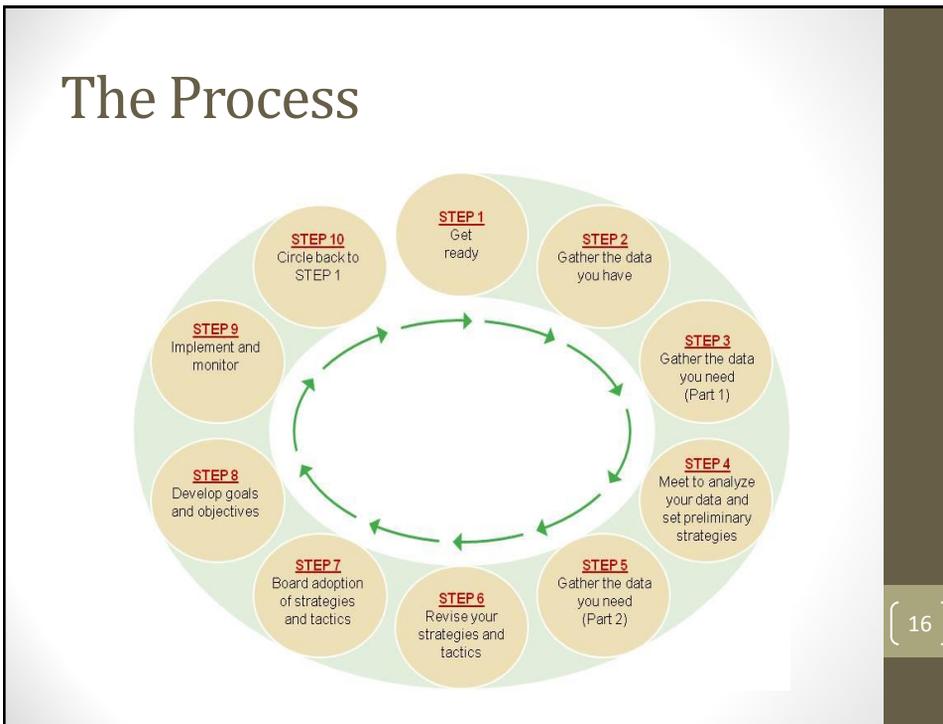
- **The 2013 strategy may be exactly where we need to head in the future, but our obligation as board members require us to:**
 - Determine what the current data is telling us
 - Really understand the current needs of our stakeholders
 - Determine how we create a sustainable competitive advantage with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

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Our Approach



The Process



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**

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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

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So what's next?