HEALTH CARE TRANSFORMATION: TIME TO PICK UP THE PACE

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Health care is changing. We’re making progress toward value-based care.

But it’s not changing fast enough. We need to pick up the pace of change.

All elements of health care, including policymakers, have a role to play in transforming our system.
It’s about a care system that supports patients throughout life.
TRANSFORMATION AT CMS

Moving from volume to value: Better care, smarter spending, healthier people

<table>
<thead>
<tr>
<th>Fee-for service</th>
<th>Value-Based</th>
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<tbody>
<tr>
<td>+ Producer-centered</td>
<td>+ Patient-centered</td>
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<tr>
<td>+ Incentives for volume</td>
<td>+ Incentives for outcomes</td>
</tr>
<tr>
<td>+ Unsustainable</td>
<td>+ Sustainable</td>
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<tr>
<td>+ Fragmented care</td>
<td>+ Coordinated care</td>
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CMS alternative payment models – a framework

1. Fee-for-service: No link to quality and value
2. Fee-for-service: Link to quality and value
3. APMs built on fee-for-service architecture
4. Population-based payment
How did CMS do?

FROM $0 TO $200 BILLION OVER 5 YEARS
Health spending rising because of costs, not utilization

**Inpatient**
- Price: 24.3%
- Utilization: -12.9%
- Spending: 8.3%

**Outpatient**
- Price: 17.7%
- Utilization: -0.5%
- Spending: 17.1%

**Professional**
- Price: 14.6%
- Utilization: -2.9%
- Spending: 11.2%

**Prescription Drugs**
- Price: 24.9%
- Utilization: 1.8%
- Spending: 27.2%

SOURCE: Health Care Cost Institute, 2018
LEADING HEALTH CARE TRANSFORMATION

Blue Cross and Blue Shield of North Carolina
+
  3.9 million members
+
  5,000 employees
+
  $9+ billion revenue
+
  Insure majority in NC commercial market, many for most of their lives
MOVING TO VALUE

Health Care Transformation
+ Provider Relationships
+ Improving Health
+ Consumer Resources
+ Primary Care
INVESTING IN PRIMARY CARE

Cost savings in inpatient hospital costs: 52%
Savings in outpatient costs: 48%
Savings in emergency department costs: 14%
Medicaid plays a large role in improving the health of vulnerable populations:

+ Big opportunity to improve care for 2 million North Carolinians (Medicaid + CHIP)
+ Patient population in need (33% of N.C. is below 200% of federal poverty level)
+ Opportunity to address social determinants
+ Take care of Medicaid patients as practicing physician
+ Significant change coming through managed care

SOURCE: N.C. Department of Health and Human Services
LEADING HEALTH CARE TRANSFORMATION

In an era of challenges…

+ Competition from established insurers
+ Market entry by disruptors

Blues have advantages:

+ Long track record of delivering for members
+ Premier brand, market share
+ Collective reach to over 100 million Americans
THE FUTURE OF HEALTH CARE DEPENDS ON...

- Maximizing existing partnerships
- Keeping members and communities healthy
- Supporting delivery of outstanding care
- Developing next generation of capabilities