



## Foundations of Oncology Management

Oncology Strategic Planning: Positioning Your Program for Change  
Charleston, South Carolina

*January 27, 2018*



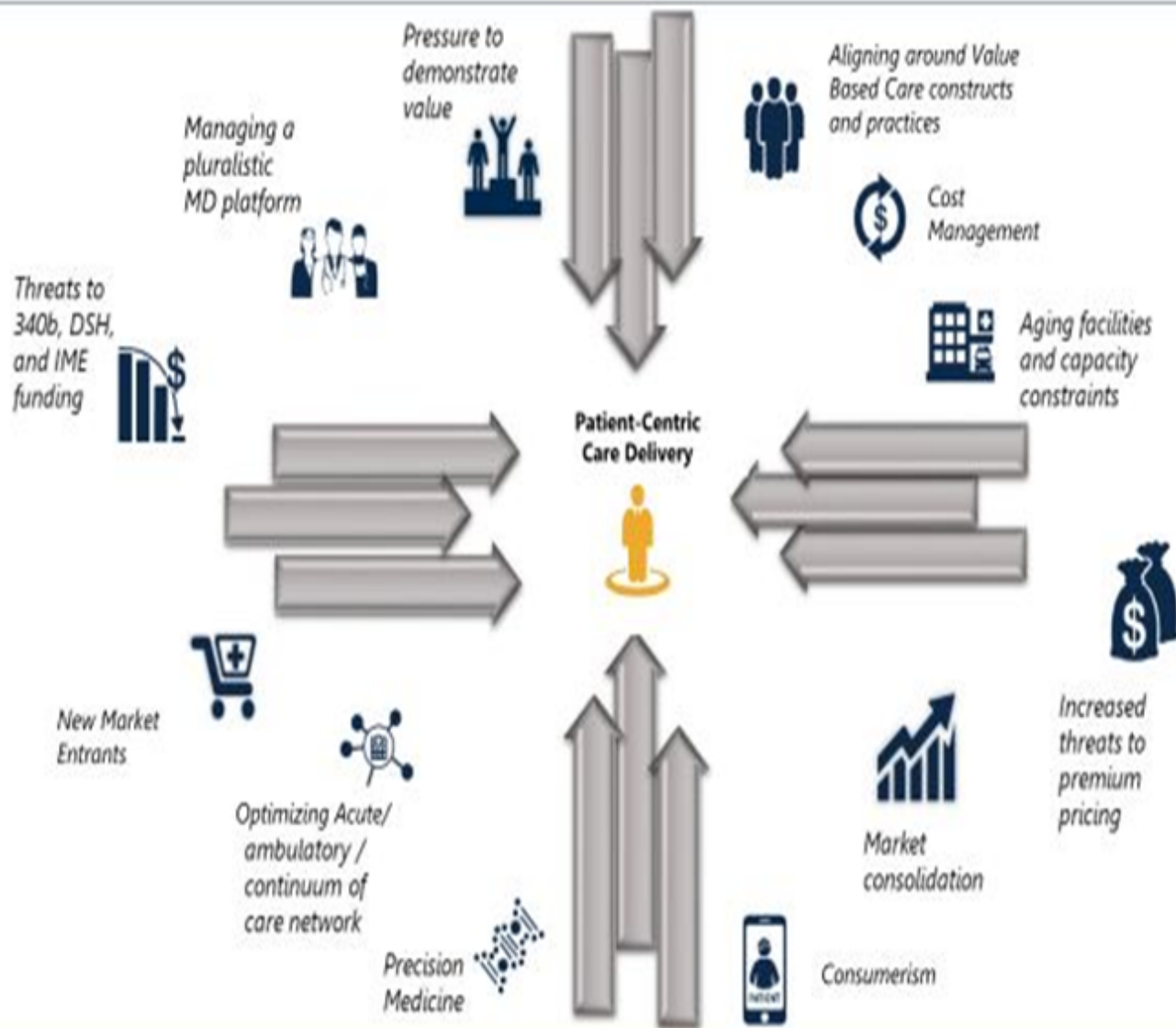


## Setting the Context: The National Landscape

## The State of U.S. Healthcare Today: Seven Key Takeaways

- 1 US healthcare **spending trends are unsustainable**; despite all the spending, our healthcare outcomes are not that great
- 2 The **ACO/ value-based care movement has grown** significantly but has had minimal impact to date on spending and outcomes
- 3 Patient care **activity and revenue continue to shift to outpatient settings**; the growth and development of the ambulatory side is “where it’s at”
- 4 The **healthcare on-demand era is upon us**; everyone is talking about consumerism, convenience care, digital care and price transparency
- 5 **New market entrants and disruptors are arriving daily**; they are well funded and view healthcare’s challenges as a tremendous opportunity
- 6 Hospitals/ **health systems continue to experience pressures to their already thin margins**; this has caused some to close their doors
- 7 **New provider partnerships are forming as the market continues to consolidate** in response to the industry pressures and challenges

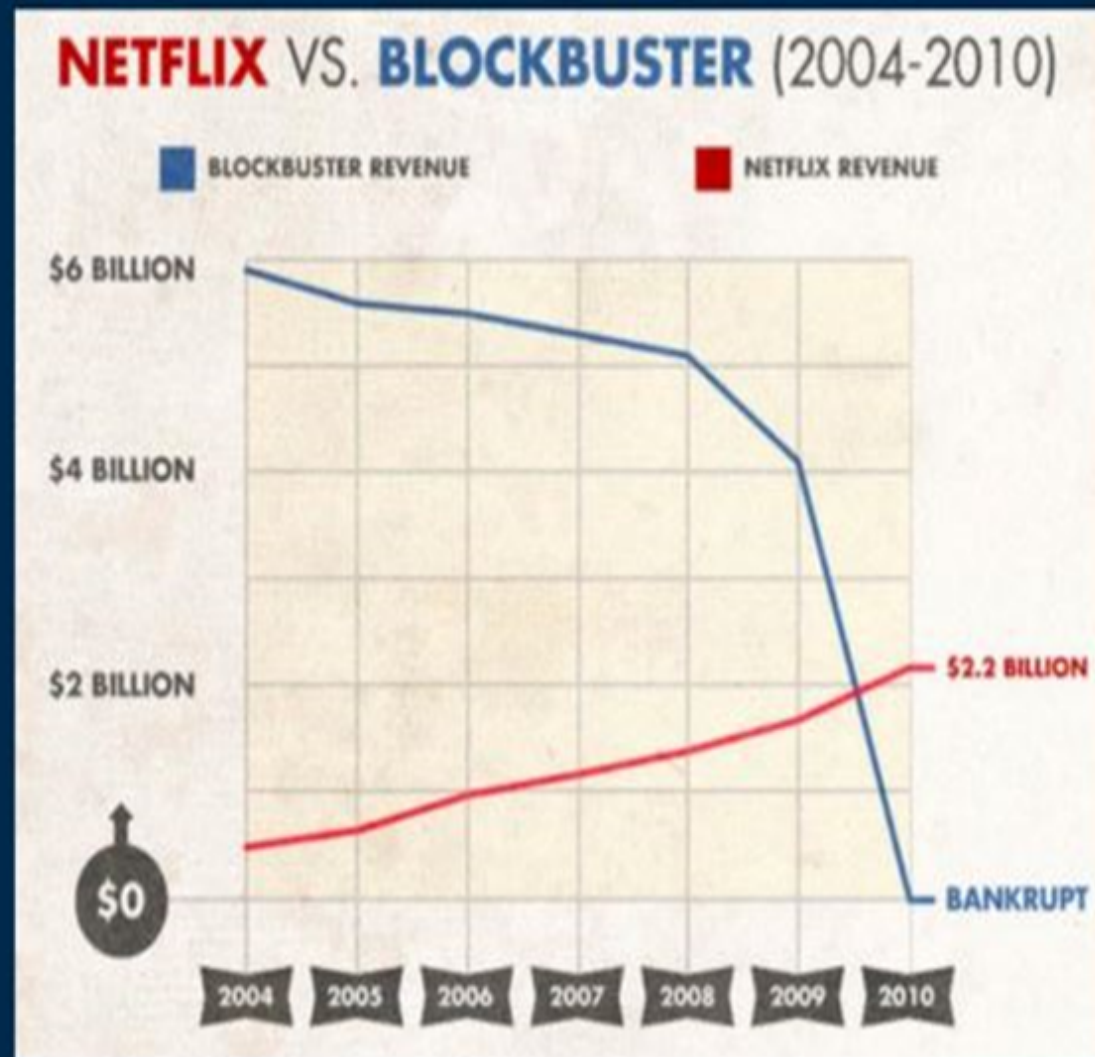
# The Challenges We Know



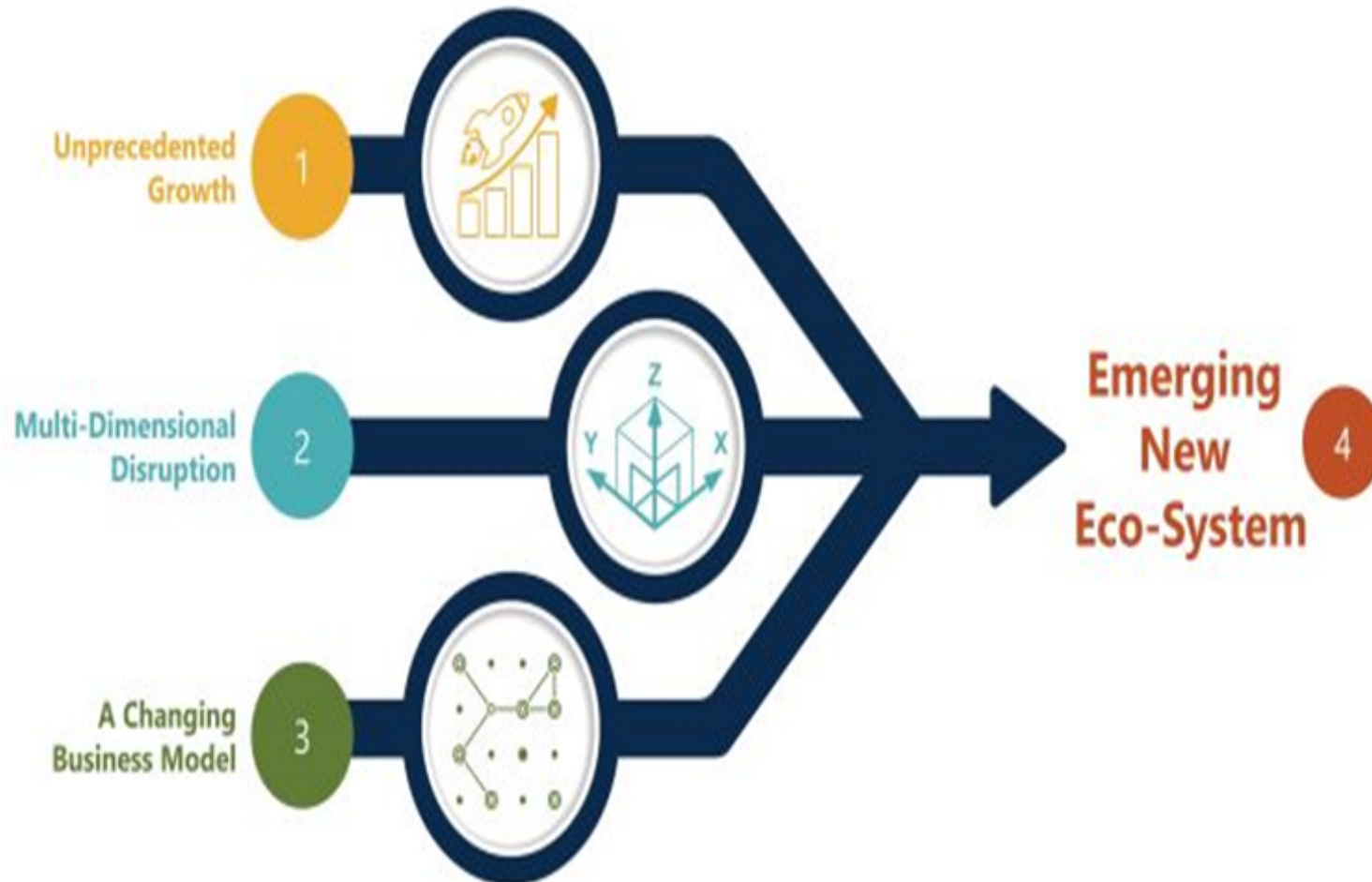
## The Challenges We Don't

- Digital Industrialization

- Blockbuster's revenue model was highly dependent upon late fees.
- The company's profits were highly dependent on penalizing its patrons.
- Netflix offered variety and, with a subscription service, lower cost because its operation was lower cost.
- Deemed a "threshold model of collective behavior" people with varying levels of resistance begin to adopt a new concept and more resistant ones become more likely to join in.



# We are Witnessing the Emergence of a New Healthcare Ecosystem



# 1 Unprecedented Growth

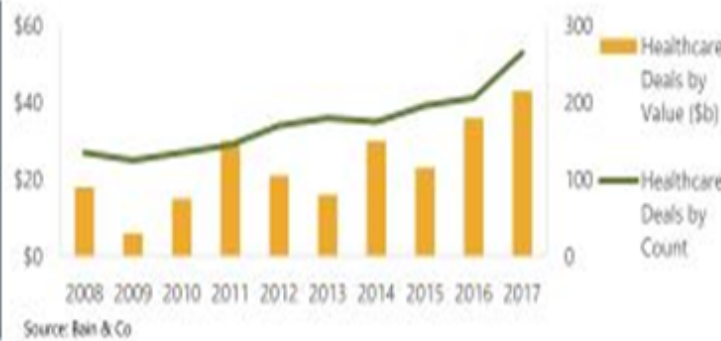
Healthcare continues to be the fastest growing segment of the U.S. economy and will continue to receive unprecedented investment

Healthcare continues to be the **fastest growing segment** of the US economy

## Healthcare Industry



Private equity investment into healthcare is at its **highest levels in 10 years**



Unprecedented investment portends **enormous expected growth in digital health**

**FORTUNE**  
**In Healthcare, the Smart Money Is Focused On Fixing the System**  
 LAGUNA NIGUEL, Calif. —Some \$5.8 billion poured into digital health care companies in 2017—a record—and yet most signs suggest the revolution is only getting started.

## Oncology Industry



Humana's \$4B of Kindred Healthcare and subsequent \$1.4B acquisition of Curo

Pharos Capital's acquisition of Horizon Oncology and launch of Verdi Oncology

General Atlantic invests \$200M in OneOncology

Roche Completes \$1.9B Flatiron Health Acquisition

Grail's \$300M to revolutionize oncology—not by treating cancer but by preventing cancer deaths through early detection.

### CANCER DIGITAL HEALTH PLAYS

- Wearable health technology
- Smart piezoelectric necklaces
- Implantable and ingestible sensors
- Home blood tests
- Wearable therapeutic devices
- Pain-relief neuro-technology
- Automated home-based monitoring

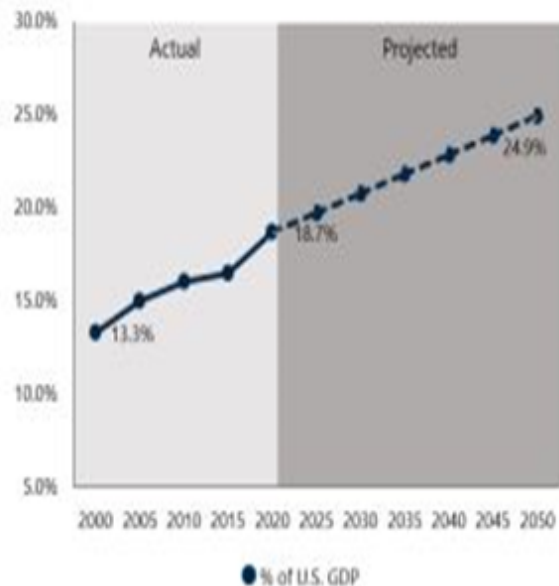
# 1 Unprecedented Growth

Beyond growth alone, future financing in our current model may be untenable...

In terms of financing and the business model of healthcare...

Healthcare expenditures, which today comprise nearly **20% of GDP, if unabated are projected to rise to over 25%**

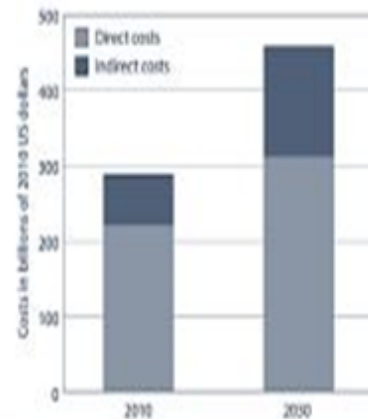
Healthcare Expenditures as a Percent of GDP (2000-2050)



Cancer care expenditures expected to reach nearly \$500B by 2030, **growing from 5% of healthcare related GDP to 9%**

U.S. costs for cancer care to skyrocket by 2030

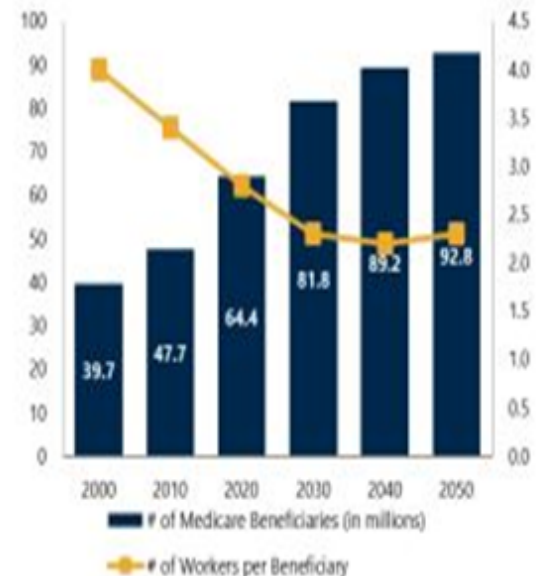
Costs in billions of 2010 US dollars



\*Direct costs include the costs of medical procedures and services associated with treatment and care. Indirect costs include lost productivity resulting from treatment or disability.

**Financing such a spend is not viable - the industry will reach a tipping point**

Number of Medicare Beneficiaries and Number of Workers Per Beneficiary (2000-2050)

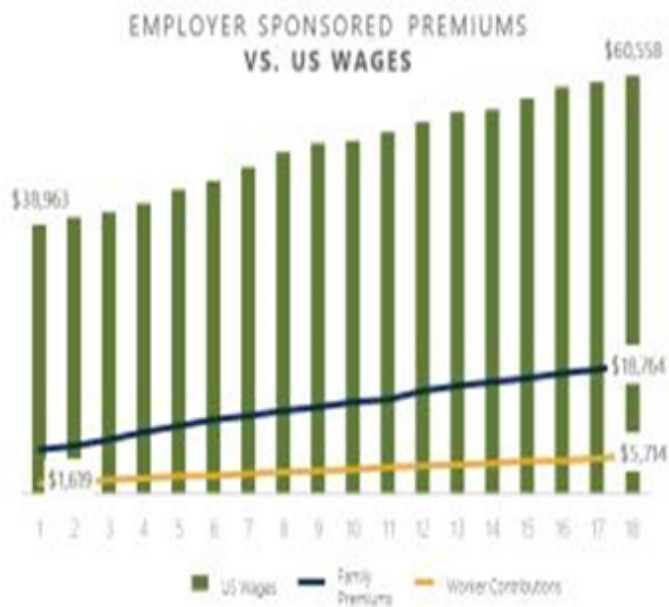


Sources: CMS.gov, American Association of Cancer Research (AACR), Kaiser Family Foundation

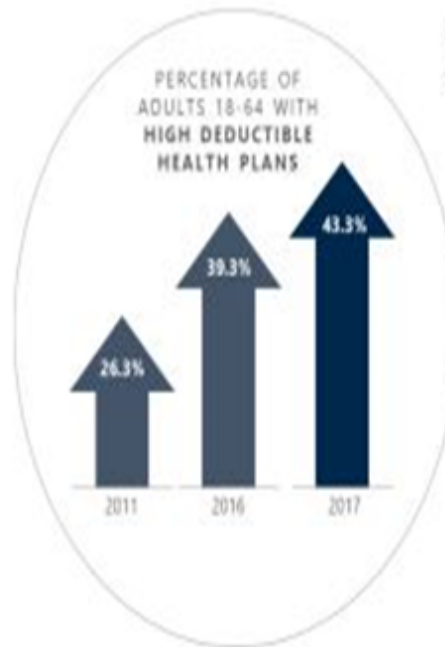


# 1 Unprecedented Growth

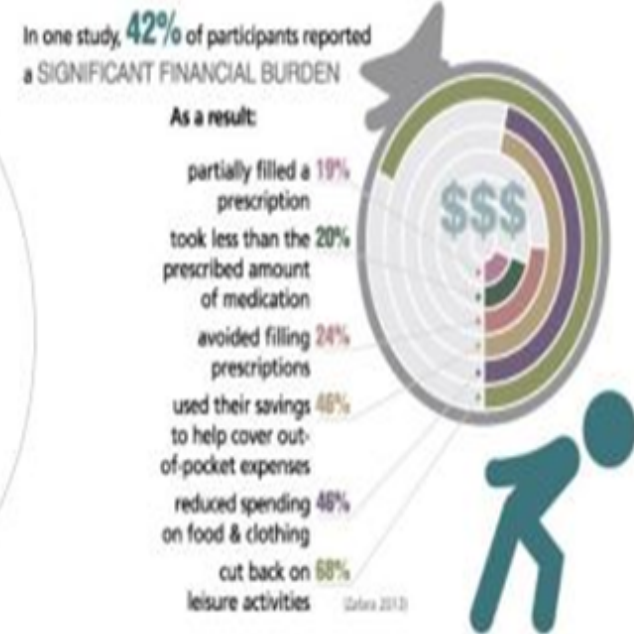
Beyond growth alone, future financing in our current model may be untenable...



Source: Premiums - Kaiser Family Foundation; Wages - OECD.org



Source: Kaiser Family Foundation, 2018

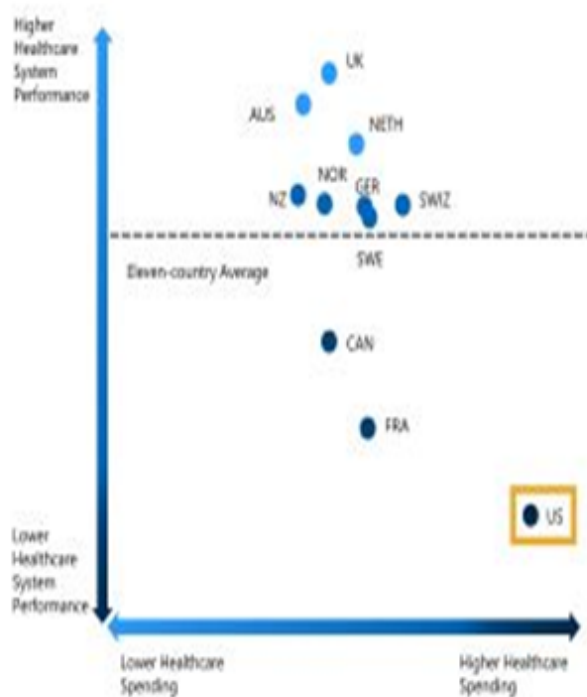


# 1 Unprecedented Growth

... as may be meeting social and access challenges.

...and in terms of quality and access

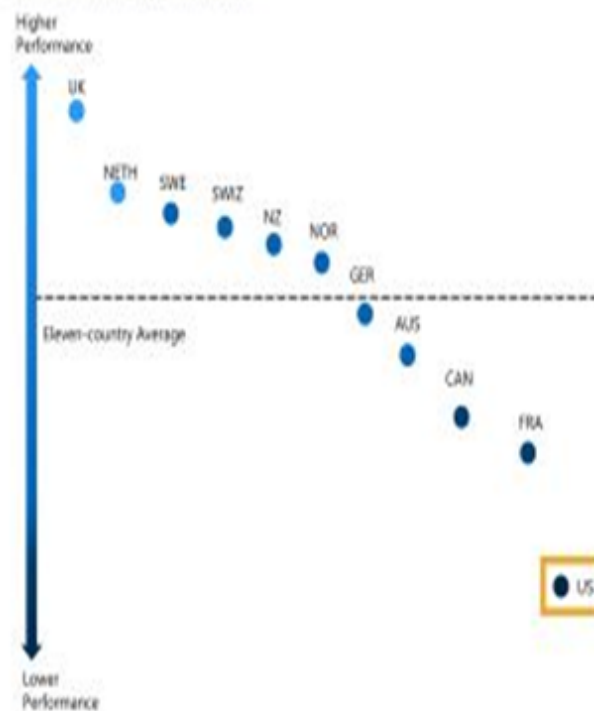
National Health System Performance Compared to Spending



Note: Spending is defined as healthcare spending as a percentage of GDP

National Health System Equity

Access / Care Process Gap - Rich vs Poor



Note: Equity compares performance for higher- and lower-income individuals within each country, using 11 selected survey measures from the Care Process and Access domains.

Source: The Commonwealth Fund

Healthcare system performance evaluated across a variety of measures including care process, access, administrative efficiency, equity and healthcare outcomes

# 1 Unprecedented Growth

Beyond growth alone, future financing in our current model may be untenable...

Some potential future scenarios:

## Status Quo

Patchwork of incremental changes to current employer-sponsored and Medicare/ Medicaid models continues

## Government-Led Intervention

Fundamental redesign of American financing model – Medicare for All; MA for All, Public Option; Medicaid for All

## Pluralistic, Consumer-Driven Model

Consumer-driven model of care with various individually-tailored insurance models (e.g., Bind) replaces ESHI

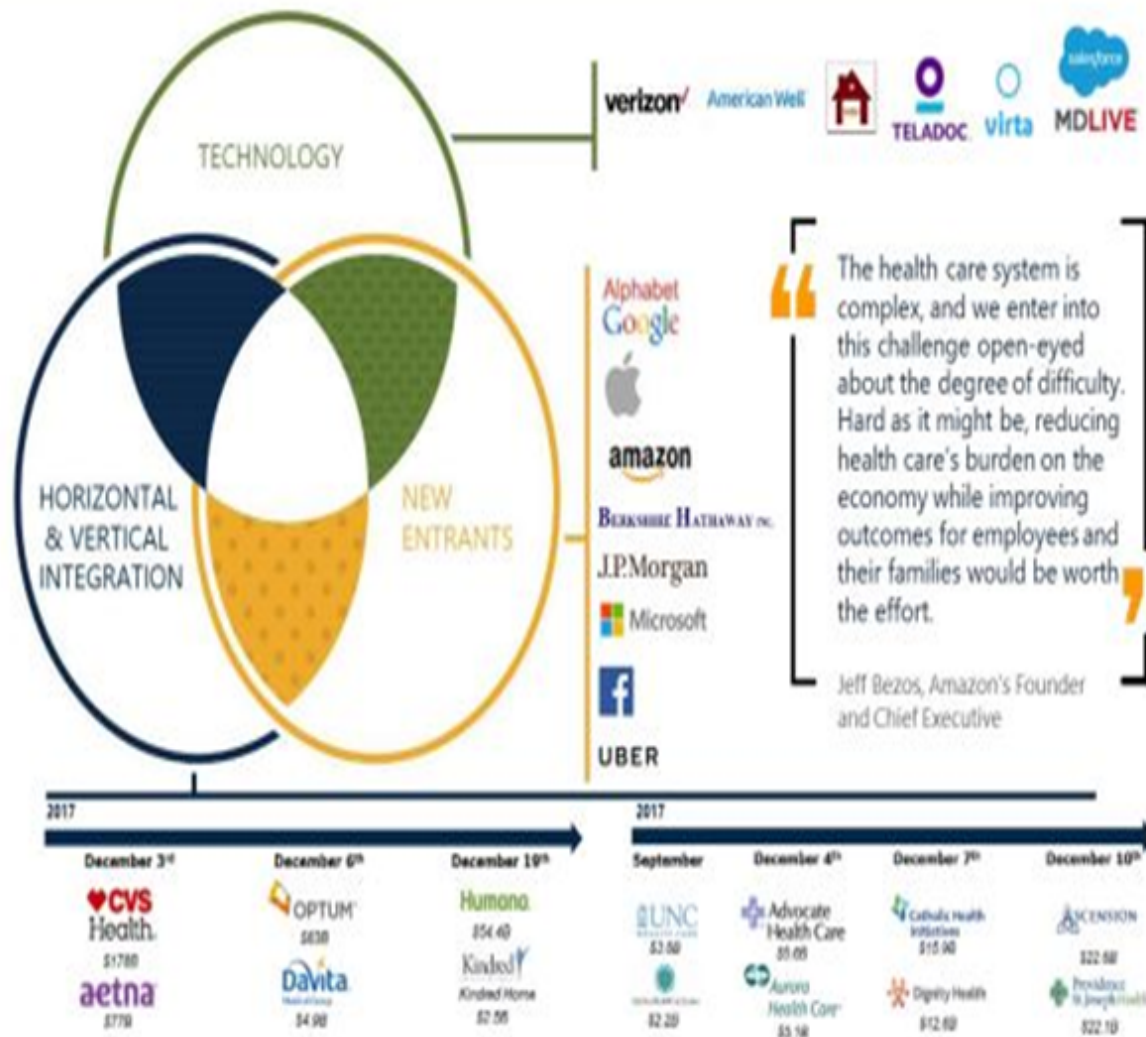
### CONSIDER...

What do you believe to be true?  
What are the implications for healthcare delivery?  
For Providers? For Payors?

## 2 Multi-Dimensional Disruption

Healthcare delivery is experiencing industry disruption along key dimensions  
 – technology, new market entrants and integration

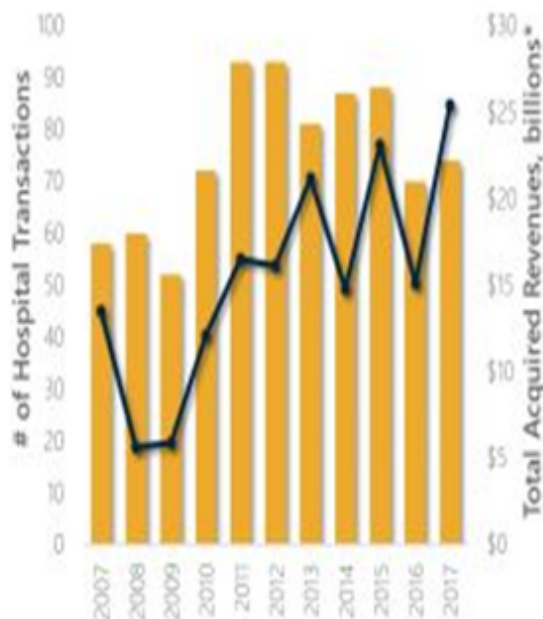
Healthcare delivery is experiencing industry disruption along three key dimensions



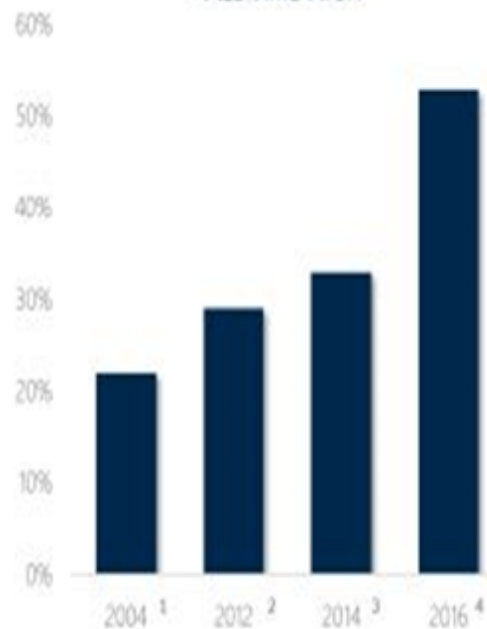
## 2 Multi-Dimensional Disruption

Healthcare delivery is experiencing industry disruption along key dimensions – integration

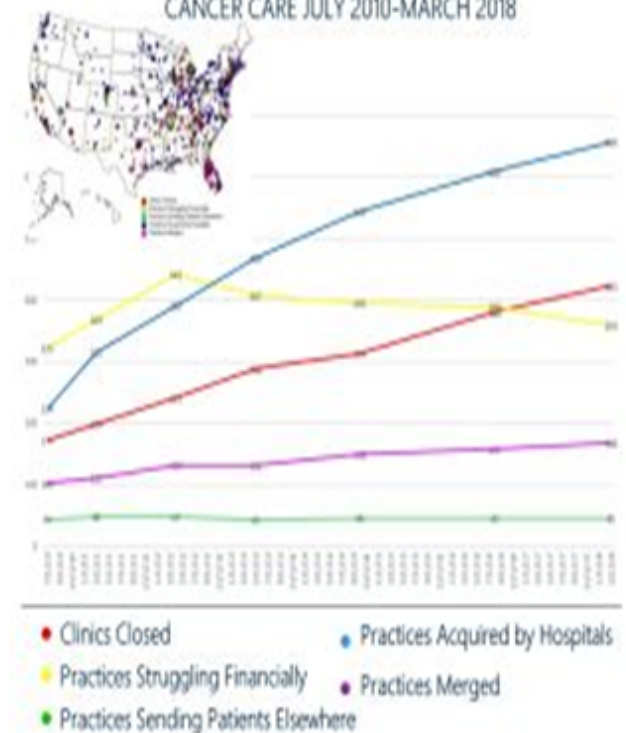
HOSPITAL MERGERS AND ACQUISITION VOLUMES  
2007 - 2017



EMPLOYED PHYSICIANS  
– ALL TIME HIGH



TRENDS IN THE CHANGING LANDSCAPE OF  
CANCER CARE JULY 2010-MARCH 2018

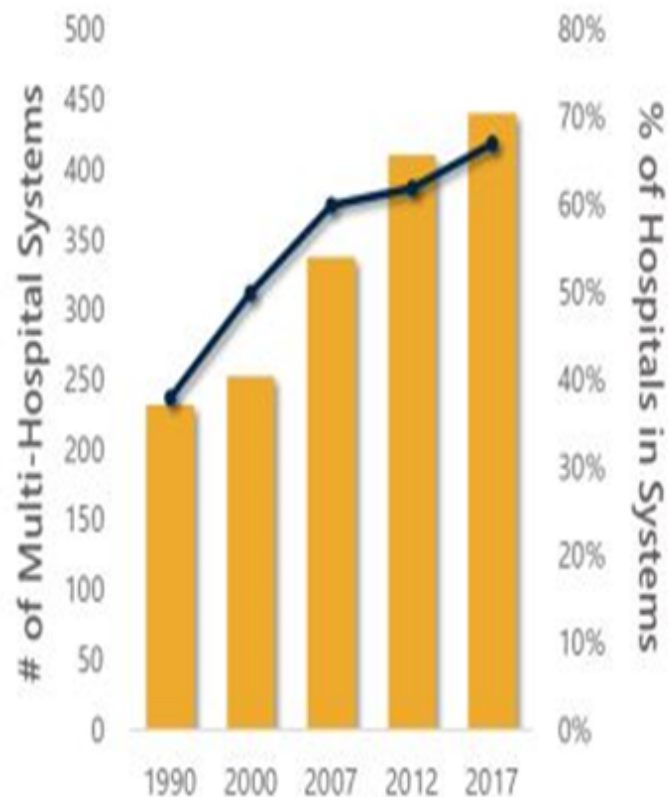


Sources: (L) Irving Levin Associates' Health Care Services Acquisition Reports, 2008-2017. Excludes foreign-based transactions and bankruptcy proceedings. \*Based on data availability: 91% of deals represented for 2007, 72% for 2012, \$ values are likely understated in recent years because transaction details are not publicly available for all deals. (R) <sup>1</sup>Medical Group Management Association, Physician Compensation and Production Surveys; cited in Kocher and Sahni, *Hospitals' Race to Employ Physicians*, NEJM, May 12, 2011. <sup>2</sup>AMA Policy Research Perspectives: *Inching Towards Hospital Ownership*, 2013 report (2012 data) and 2015 report (2014 data) – includes physicians directly employed by hospitals and health systems, and those in a practice that is partially or wholly owned by a hospital. <sup>3</sup>AMA Physician Practice Benchmark Survey, released in 2017 (2016 data). <https://www.communityoncology.org/wp-content/uploads/sites/20/2018/06/COA-Practice-Impact-Report-2018-FINAL.pdf>

## 2 Multi-Dimensional Disruption

Healthcare delivery is experiencing industry disruption along key dimensions – integration

MULTI-HOSPITAL SYSTEMS AND PERCENTAGE OF HOSPITALS IN SYSTEMS 1990 - 2017



### Growth in Mega-Systems



### Growth of Regional Systems



*Despite the attention these mergers have generated, the question of whether scale will drive incremental value remains to be answered*

## 2 Multi-Dimensional Disruption

Healthcare delivery is experiencing industry disruption along key dimensions – integration



### Non-traditional/Vertical Integration

 **CVS**  
Health.

\$178B

 **OPTUM™**

\$83B

**Humana.**

\$54.4B

**aetna®**

\$77B

 **Davita.**  
Medical Group

\$4.9B

 **Kindred**  
Healthcare  
Kindred Home

\$2.5B

CONSIDER...

What value can be created through national, regional or vertical scale?

## 2 Multi-Dimensional Disruption

Healthcare delivery is experiencing industry disruption along key dimensions – technology and new market entrants



These companies are moving into healthcare because **they see opportunity**: a broken healthcare system hampered by legacy assets, business models, and payment systems

They bring with them **elements that traditional healthcare providers and start-ups don't have**, including: enormous capital, large customer bases, distribution networks, advanced data tracking and analytic capabilities, artificial intelligence experience, and disruptive technologies

### CONSIDER...

What nature and degree of competitive threat or change to the value chain do such entrants represent?



### 3 A Changing Business Model

The ACO model is tremendously growing, currently covering approximately 9% of the population; however, commercial ACOs now account for 61% of covered lives

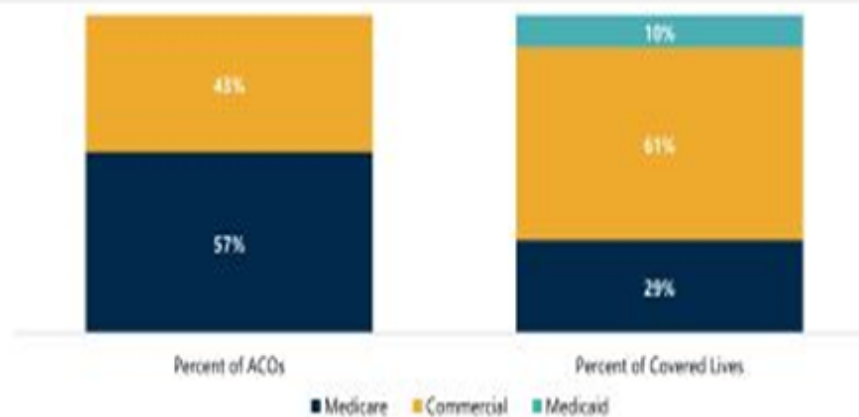


ACO Contracts and Lives Covered Over Time

Q1 2011 to Q1 2018



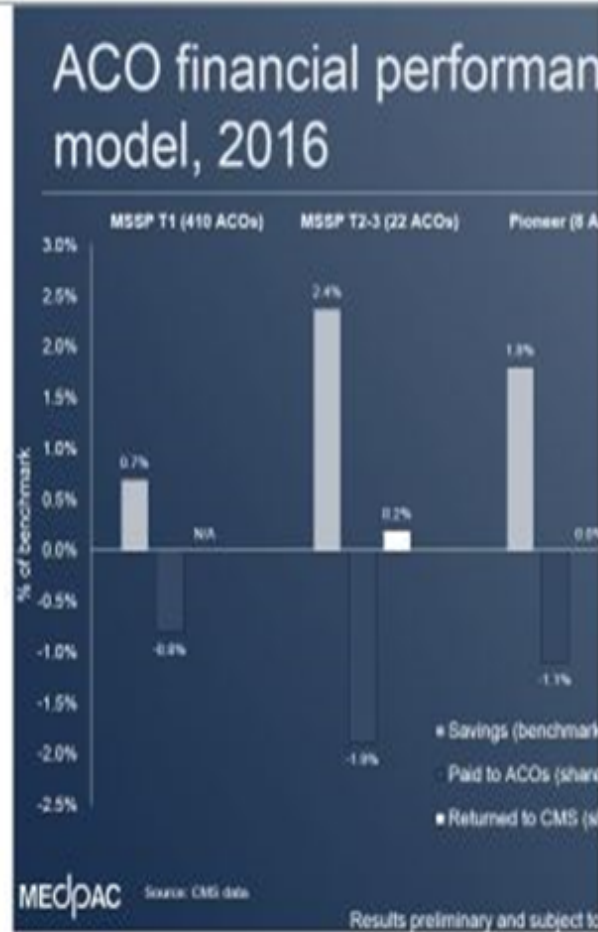
ACO Lives by Payor



Sources: Muhstein et al, Recent Progress in the Value Journey: Growth of ACOs and Value-Based Payment Models in 2018, Health Affairs Blog, August 14, 2018; Chartis analysis, CMS data.

### 3 A Changing Business Model

The ACO model has seen tremendous growth, currently covering approximately 9% of the population; however, commercial ACOs now account for 61% of covered lives



Harvard Business Review  
**We Won't Get Value-Based Health Care Until We Agree on What "Value" Means**  
 By Robert C. Pencharik

MAR 26 MORE ON STRATEGIC PLANNING  
**Seven ACOs drop out of Next Generation program but don't say why**  
 The at-risk model has grown, but for some accountable organizations obtaining financial benchmarks remains a challenge.

PRIME RESEARCH  
**Medicare Accountable Care Organizations Have Increased Federal Spending Contrary to Projections That They Would Produce Net Savings**  
 Josh Sussman, John Papp, and Alexander | Mar 20, 2016

But Is the Experiment in Value-Based Care Failing?

CONSIDER...

What is the future of Value Based Care vs FFS?

# A Changing Business Model

Several Value-Based Care Models Have Emerged

Increasing Degree of Risk/Reward

## Value-Based Payment Models

Volume of Services Provided



**Fee For Service (FFS)**

*Value is being embedded in traditional models – through benefits design, value-based purchasing, and reference based pricing*

Volume (Services, Episodes and/or Attributed Lives) + Outcomes and Cost Effectiveness



**Pay for Performance**

*Portion of reimbursement tied to performance on specific metrics. Typically on top of a FFS base*



**Bundled Payments**

*Payment established for a grouping of services, for which providers take responsibility for the costs of those services*



**Shared Savings (ACO Model)**

*Actual spending compared to target for defined population over a set period. Providers and payors share in any savings (or downside). Typically on top of FFS base.*



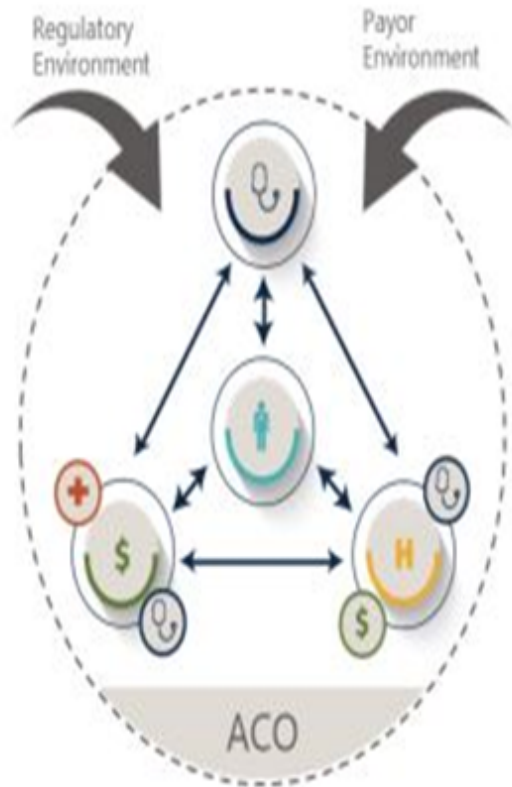
**Partial or Full Capitation (ACO Model)**

*Provider groups receive prospective fixed payment and take responsibility for managing all associated costs.*

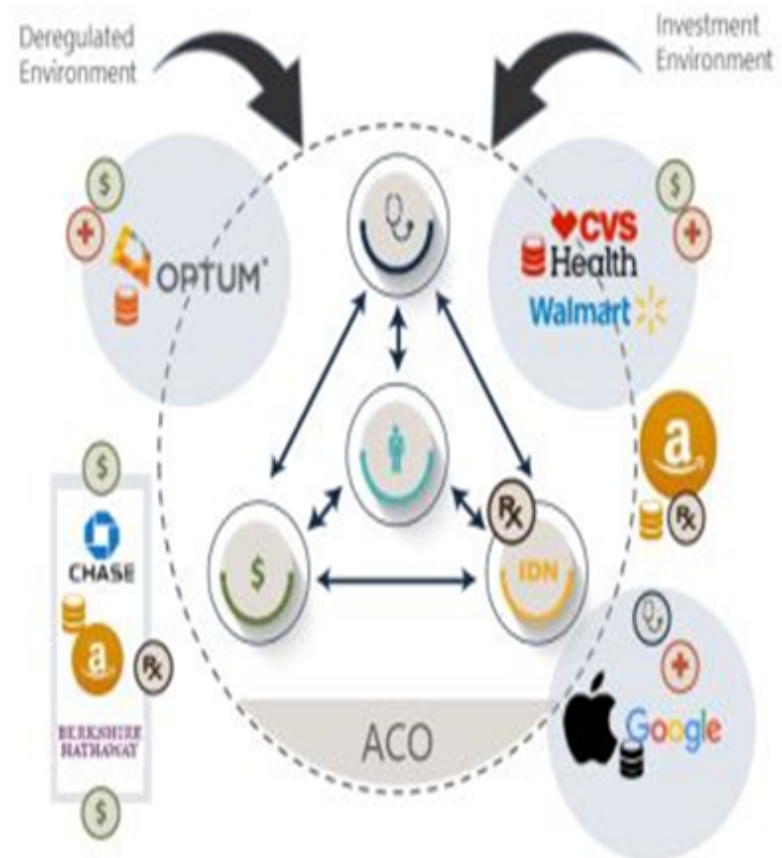
# 4 The Emerging Health Ecosystem

The healthcare delivery landscape has expanded and extended on multiple dimensions

2008 - 2015



2017 - 2024



## 4 The Emerging Health Ecosystem

The healthcare delivery landscape has expanded and extended on multiple dimensions

Healthcare delivery is experiencing digital industrialization.

**An industry shift in the value chain, enabled by connective technology and analytics, from one that is:**

- Constructed around producer capital, assets and outputs
- Geographically-based
- Time and space-bound
- Predicated on physical distribution models and a sequentially discrete value chain

**To one that is:**

- Constructed around the End-user activity, accountability, and personalized experience
- Unbounded in its delivery
- Meets on-demand requirements
- A convergence of production, distribution and consumption
- Predicated on technological and data driven access and operating models that connect across digital and physical mediums

# 4 The Emerging Health Ecosystem

The healthcare delivery landscape has expanded and extended on multiple dimensions

Digital Delivery Networks represent a “Copernican” change where the individual and the digital platform are at the center of the universe

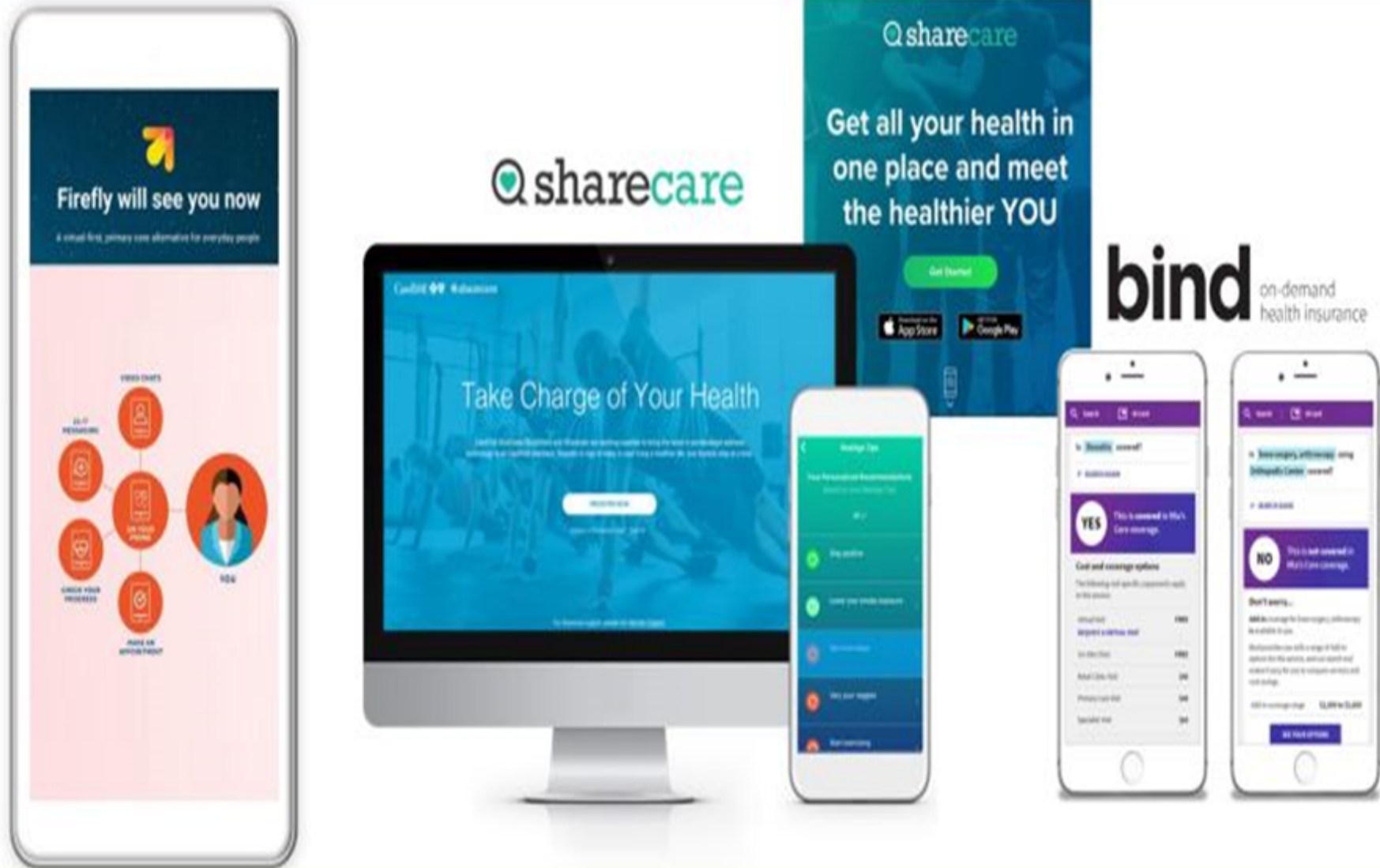


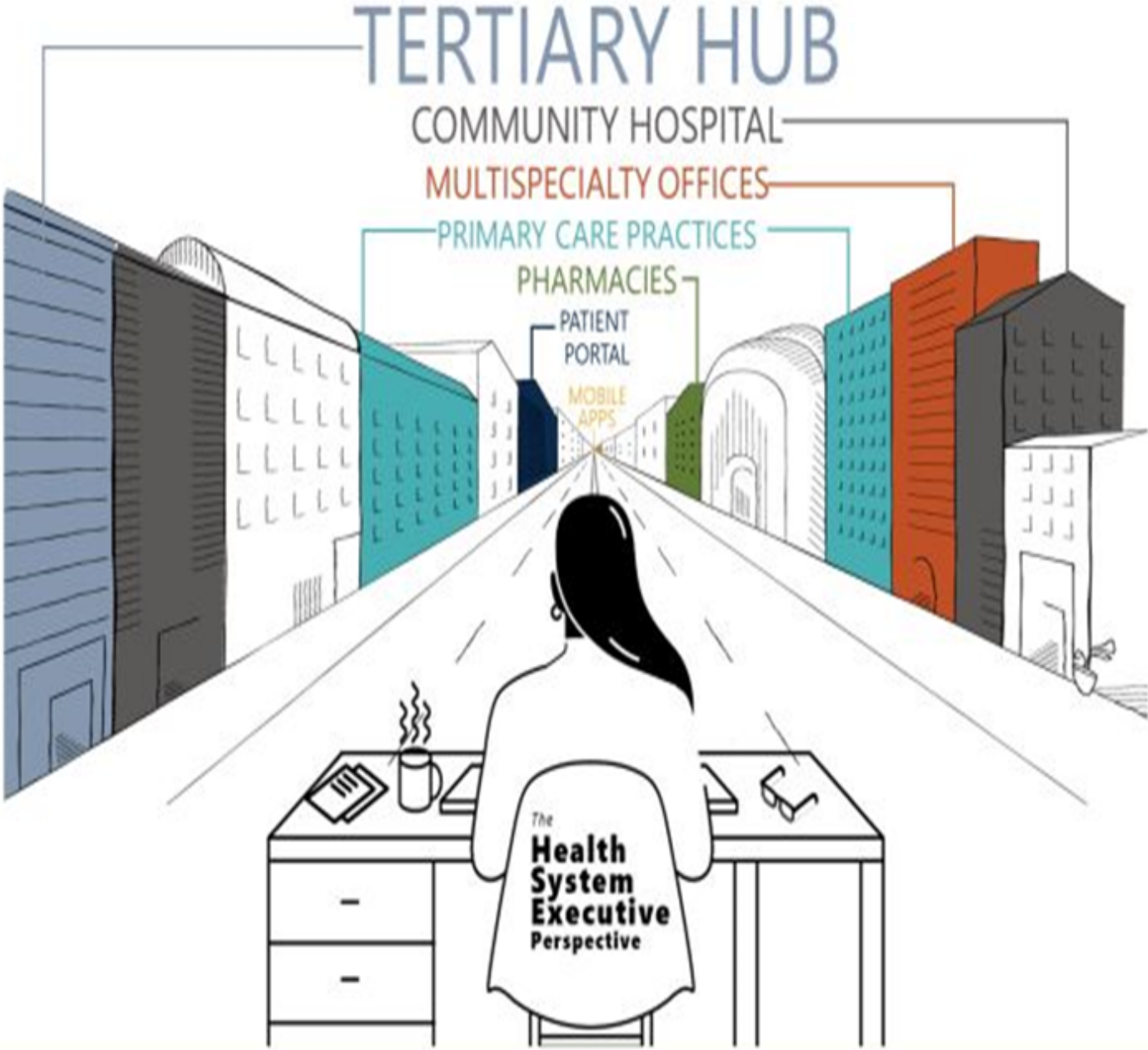
### KEY CHARACTERISTICS

- Business model is predicated on end-user engagement model
- Data interface provides access across the continuum for health management / self-care capabilities
- Vast array of care no longer delivered at traditional provider site
- End-user engagement model where the individual has primary role in self-care, selection, financing and activity
- Boundaries of health information, management and treatment become integrated

# 4 The Emerging Health Ecosystem

The healthcare delivery landscape has expanded and extended in multiple dimensions







# WEB SEARCH

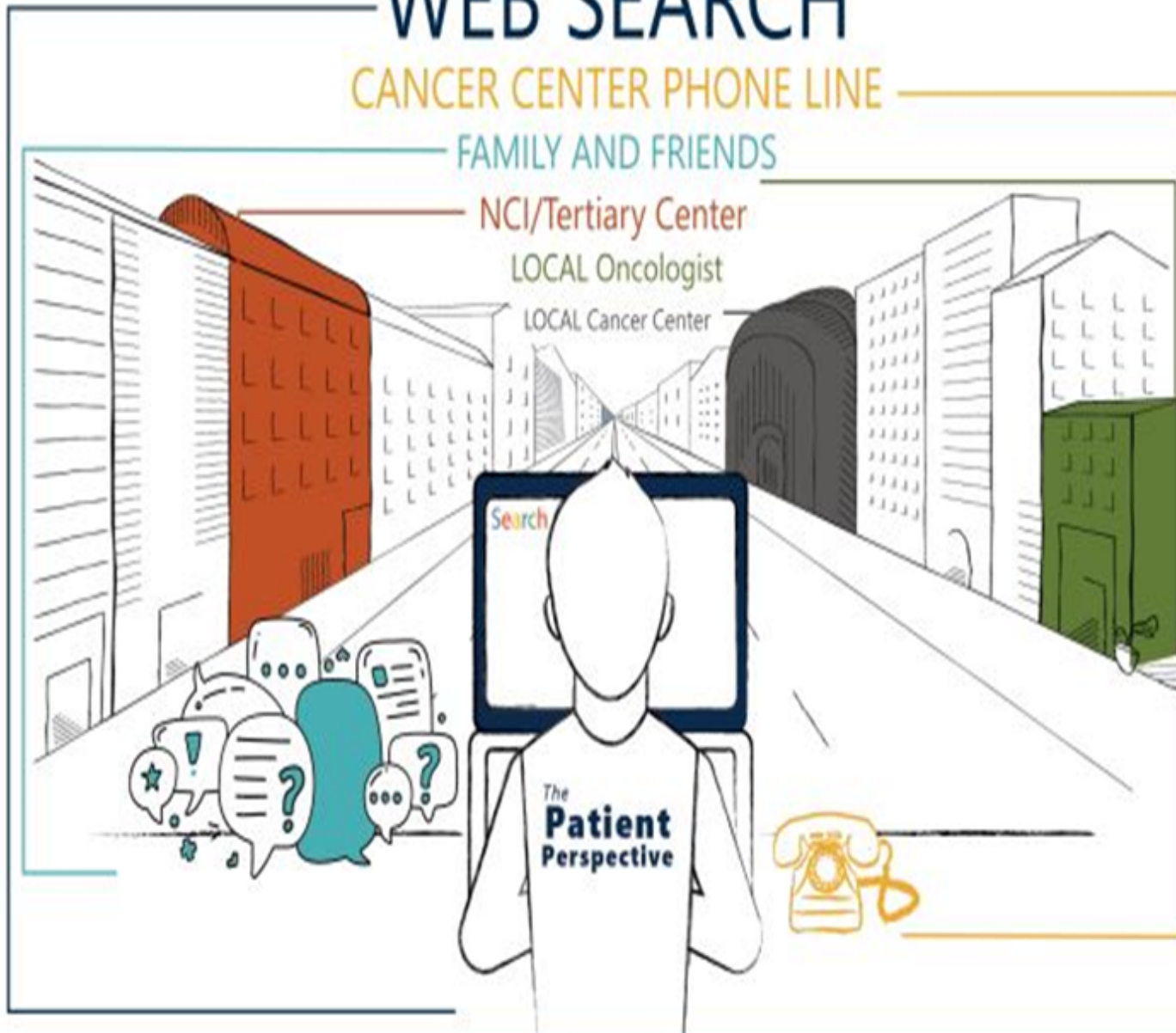
CANCER CENTER PHONE LINE

FAMILY AND FRIENDS

NCI/Tertiary Center

LOCAL Oncologist

LOCAL Cancer Center

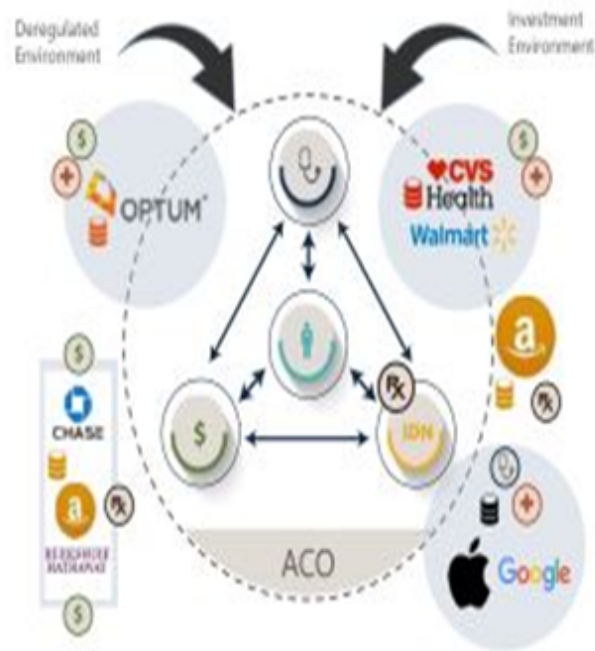


# Looking Ahead: Providers Face Three Great Challenges

## #1: New models of delivery

### New Ecosystem

New competitors, suppliers, partners



**Who is going to own  
the consumer relationship?**

### New Business and New Capabilities

**What Business are Providers in?**  
 Health Management vs. Treatment  
 Information vs. Intervention  
 Curation vs. Provision

**What is their Business Model?**  
 Episodic, Subscription, Spot  
 Value vs. Fee  
 Ancillary Services

**How do they Deliver?**  
 Capabilities  
 Competencies  
 Organization

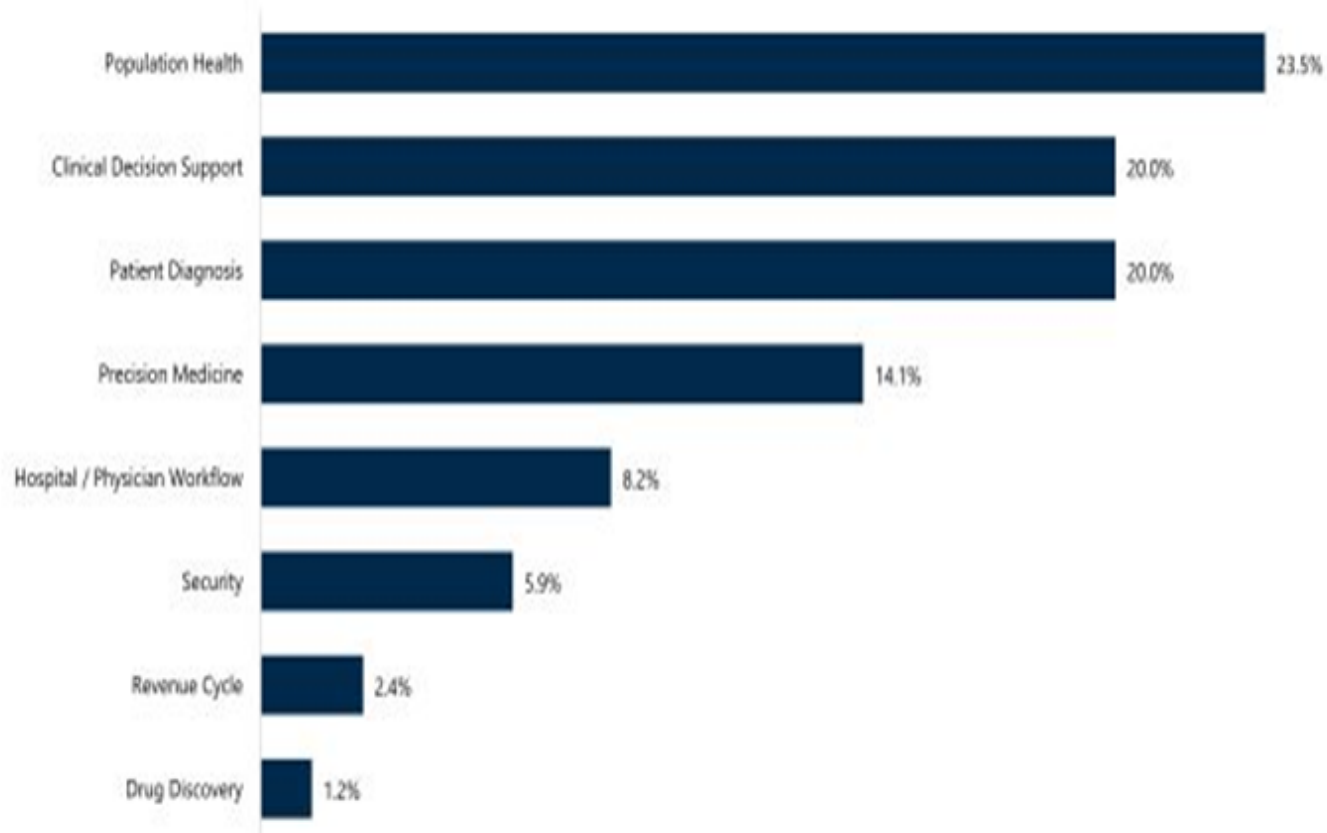
# Looking Ahead: Providers Face Three Great Challenges



## #2: Harnessing big data and mastering health analytics

### AI's Greatest Initial Impact in Healthcare

HMSS Survey of Hospital Leaders, 2017



Source: Healthcare IT News

# Looking Ahead: Providers Face Three Great Challenges



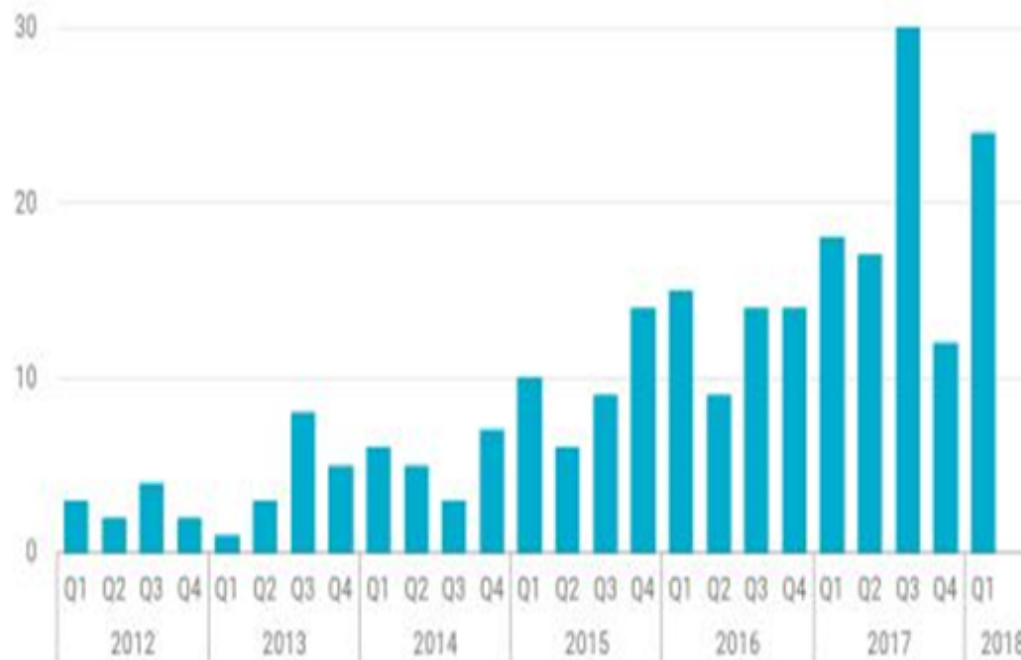
#2: Harnessing big data and mastering health analytics

Healthcare AI Startups:  
First Equity Deals  
(2012-2018)



## Healthcare AI sees 300+ 1<sup>st</sup> equity rounds since 2016

Number of disclosed 1<sup>st</sup> equity rounds, Q1'12 - Q1'18



Source: cbinsights.com

CBINSIGHTS

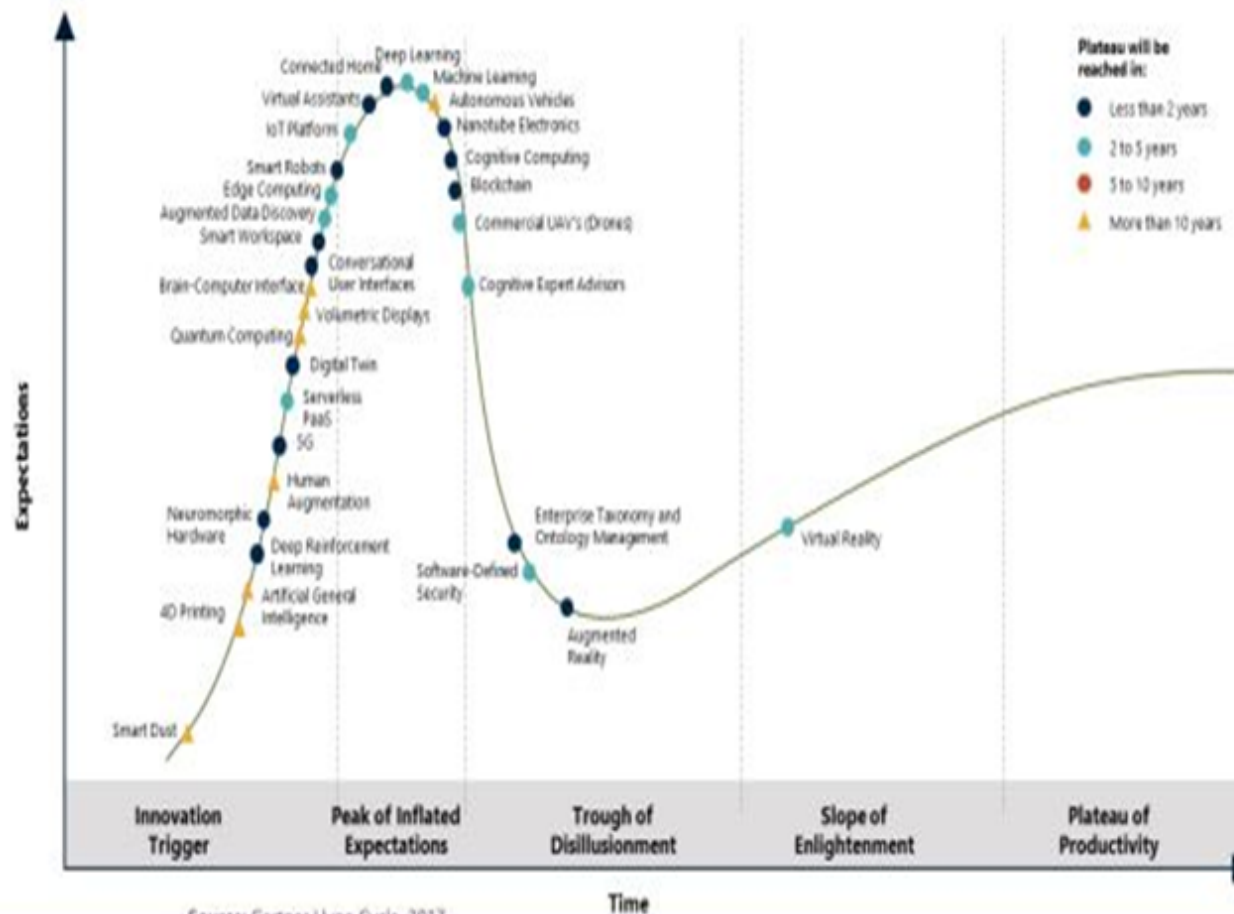
Source: CB Insights, [New Startups Drive Record Healthcare AI Investments](#), May 2018

# Looking Ahead: Providers Face Three Great Challenges

## #3: Embracing technology for the disruption it is

Just because there is **over-hype**, doesn't mean that the **time will not come**

Gartner Hype Cycle for Emerging Technologies



Source: Gartner Hype Cycle, 2017.

## Are You Blockbuster or Netflix?

You know you're a  if you...

You know you're a  if you...

<ul style="list-style-type: none"> <li>Focus solely on <b>acute, hospital-based, and ambulatory patient services</b></li> </ul>	<ul style="list-style-type: none"> <li>Establish a portfolio of <b>convenient access channels</b>, including virtual care platforms</li> </ul>
<ul style="list-style-type: none"> <li>Focus your strategy largely on managing the <b>supply of services</b> (e.g., practice locations, provider configuration)</li> </ul>	<ul style="list-style-type: none"> <li>Build your strategy around <b>patient and purchaser demand</b>, understanding unique subsegment needs and preferences</li> </ul>
<ul style="list-style-type: none"> <li>Scope your business as <b>medical care delivery only</b></li> </ul>	<ul style="list-style-type: none"> <li>Scope your business as health and develop <b>partnerships</b> with insurers, pharmacy, retail sites, and employers to better engage patients beyond medical services</li> </ul>
<ul style="list-style-type: none"> <li>Design care models and pathways based primarily on <b>the central episode</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Design care models and pathways</b> that encompass determinants, social factors, and health management requirements</li> </ul>
<ul style="list-style-type: none"> <li>Work to improve patient experience <b>within hospital stays or office visits</b></li> </ul>	<ul style="list-style-type: none"> <li>Approach patient experience holistically – <b>the patient experience is about the consumer relationship</b></li> </ul>
<ul style="list-style-type: none"> <li>Limit IT budget to <b>maintaining and stabilizing existing platforms</b></li> </ul>	<ul style="list-style-type: none"> <li>Invest in new tech platforms to <b>enable better connectivity, efficiency, communication, and access to care and information</b></li> </ul>

CONSIDER...

What are the most important strategic considerations?



CHARTIS

oncology  
solutions



*Reimagining Cancer Care*

## CONTRIBUTORS

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