Fairview and Carol: Change Care & Change Payment

April 29, 2009

Implementing Bundled Payments for Health Care Services
Fairview Health Services
Situation

• Reached the limits of inflationary FFS price increases
• Employers suffering from high health care costs despite MN being a low cost state
• Cost increases related to Medicaid are contributing to untenable state budget shortfall

Our Findings:
Our prototype efforts prove that we can deliver high quality health services more efficiently but FFS payment punishes us for this innovation
Healthcare Innovation Initiative
Establishing a “New Value Chain”

Building a Community Capability to Generate New Care and Payment Models
The Challenge

Future Healthcare Delivery And Payment System (Outcomes-Based)

Current Healthcare Delivery And Payment System (Activity-Based)

Today

Payment model is not aligned with new expectations of the care models

Foster Innovation and Disruptive Models

Transition

Market Relevance

Global Adoption

Change Experience

Consumer

Provider

Employee / Plan

Change Payment

Change Care
Fairview Is Leading Change to Reward Value

• Created and lead CEO forum (providers, plans, employers, government) to cooperatively bring necessary change
• Pilots with health plans that are willing to develop innovative and transitional methods of payment and related benefit design
• Routinely engage clinical staff in strategy formation via Decision Accelerators
• Partner with a new Social Media company – NetClinic
• Development partner – Carol, Inc
Carol Complete Pilot – Employers Share Actuarial Value

<table>
<thead>
<tr>
<th>Participating Employers</th>
<th>Care Package Types</th>
<th># of Care Packages</th>
</tr>
</thead>
<tbody>
<tr>
<td>3M</td>
<td>Year of Asthma care</td>
<td>22</td>
</tr>
<tr>
<td>Ameriprise Financial</td>
<td>Acute and Chronic back pain care</td>
<td>7</td>
</tr>
<tr>
<td>Best Buy</td>
<td>Year of Coronary artery disease care</td>
<td>6</td>
</tr>
<tr>
<td>Carlson Companies</td>
<td>Year of Type 2 Diabetes care</td>
<td>18</td>
</tr>
<tr>
<td>General Mills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medtronic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wells Fargo</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Types                             |                                    |                    |
| Year of Asthma care               |                                    |                    |
| Acute and Chronic back pain care  |                                    |                    |
| Year of Coronary artery disease   |                                    |                    |
| Year of Type 2 Diabetes care      |                                    |                    |
Your diabetes is different from anyone else’s. This package allows you to have individualized and expert care with all the members of your care team: a specially-trained Fairview MTM pharmacist, a certified diabetes educator (CDE) nurse, a CDE dietician, and access to a virtual diabetic classroom to enhance your care and education. Most important, we will coordinate all of this expert care with your primary care physician, so you will not have to switch your practitioner to choose this care package!

- 3 visits with a Fairview Clinical MTM Pharmacist
- 2 visits with Certified Diabetic Educator (CDE)
- 1 additional follow-up visit
- 5 blood pressure measurements
- 3 hemoglobin A1c tests (blood sugar)
- 2 LDL-C tests (cholesterol)
- Kidney assessment
- Flu shot
- Access to online diabetic classroom (to be released March 2009)
- Coordination with your physician to ensure that you have an annual eye exam

Package is built to include services that deliver actuarial value not RVUs
Value Based Administrative Utility: Enabling Payment For Value

Provider
- Practice Mgt / EMR
- Rev Mgt (contracting, coding, billing, payments)
  - Clinical Quality
  - CCR/CCD
  - Claims (837)*
  - Case Setup
  - Remits (835)

Provider Admin
- Dashboard
- Clinical Data Entry*

Data Bus

Application Logic
- Rules Engine*
- Report Engine*
- Consumer*
- Payment Dist.

Case Admin
- Case Setup*
- Case Rules Mgmt*
- Price & Pmt Rules*

Case Admin

Payer Admin
- Dashboard
- Contract Mgmt

Payer
- Network Mgmt
- Medical Mgmt
- Operations

Network Mgmt
- Quality Reports
- Case Reports
- Claims (837)
- Remits (835)

Operations

- Case Rules*
- Pricing & Pmts*
- Clinical Quality*
- Claims*
- Consumers*
A Utility Must Support Complex, Many-to-Many Relationships

* Utility accommodates diversity of payment methods using FFS claims and outcomes data
Fairview and Carol Partnership
Fairview/Carol Partnership Charter

1. 10 Care Packages Operationalized 9/30/09

2. Gain Share Contracts with Health Plans 10/15/09

3. Outcomes Based Compensation Model 12/1/09

4. Outcomes Centric Technology Platform 12/15/09

5. Value-Based Fairview Employee and other Self-Insured Employer Benefits 1/1/10
Fairview/Carol Strategy Delivers the Following Benefits

• Allows Fairview to get started now
• Captures financial value associated with quality and efficiency improvements
• Supports prototyping care packages before introducing broadly
• Doesn’t disrupt FFS care delivery / administrative model
• Gives Fairview time to prototype Care Packages and Clinical Redesign
• Motivates health plans to contract differently
• Delivers value to employers in the near term
• Prepares Fairview for future reimbursement changes
## Fairview/Carol Work Plan

<table>
<thead>
<tr>
<th></th>
<th>Q2 09</th>
<th>Q3 09</th>
<th>Q4 09</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Creation</strong></td>
<td><strong>Design 10 CPs</strong></td>
<td><strong>Design care model for 10 cp's</strong></td>
<td>Implement care model</td>
</tr>
<tr>
<td>(Care Packaging)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Quantifying and</strong></td>
<td><strong>Quantify the value of Fairview’s product</strong></td>
<td><strong>Market Gain Share to Payers</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Exchanging Value</strong></td>
<td></td>
<td><strong>Gain Share Contract Modeling</strong></td>
<td><strong>Design Comp Model</strong></td>
</tr>
<tr>
<td><strong>Value Exchange</strong></td>
<td><strong>Define Requirements of Utility</strong></td>
<td><strong>Build Utility/Define Operating Process</strong></td>
<td><strong>Implement</strong></td>
</tr>
<tr>
<td><strong>Utility</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Benefit</strong></td>
<td><strong>Design Fairview &amp; Other Employer Value Based Benefit</strong></td>
<td></td>
<td><strong>Roll Out Value Based Benefit</strong></td>
</tr>
<tr>
<td><strong>Consumer Experience</strong></td>
<td><strong>Design</strong></td>
<td><strong>Build</strong></td>
<td><strong>Implement</strong></td>
</tr>
</tbody>
</table>
QUESTIONS?