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2020 ABI Health Care Program: The New Reality in Health Care

Disruption in the Marketplace: The Retailization of Health Care

John C. Tishler, Moderator

Waller Landsden Dortch & Davis, LLP; Nashville

Will Howorth

HCA Healthcare; Nashville

Deb Sheehan

BDO; Chicago

Dr. Marc R. Watkins

Kroger Health; Brentwood, Tenn.

Disruption in the Marketplace *The Retailization of Healthcare*



American Bankruptcy Institute Healthcare Program
Nashville, TN
03.05.2020

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Panel



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[insert overview of Care Now from Will Howorth]



Overview

Driving the future of healthcare

We collaborate with executives to redefine strategies, operations and processes based on both consumer-centric demands and rigorous best business practices—responding to the industry’s new market disrupters, cost pressures and outcome-based reimbursement models.

Who we are

We are 300+ professionals focused on the healthcare industry with a hands-on service-oriented philosophy who believe in open, candid, constructive communication and strong internal collaboration with our clients.

Our teams are comprised of the following professionals:

- | | | |
|-------------------------|--------------------------|---|
| ▶ Physicians and Nurses | ▶ Assurance | ▶ Regulatory Specialists |
| ▶ Healthcare Executives | ▶ Investment Bankers | ▶ Process Improvement Specialists |
| ▶ Financial Management | ▶ Strategists | ▶ Digital/Technology and Developers |
| ▶ Tax and Audit | ▶ Operational Management | ▶ Revenue Cycle and Reimbursement Specialists |

Who we serve

Over 1,000 healthcare clients, including over 160 hospitals and health systems across the country.

We work with many of the largest for profit and nonprofit health systems around the country.

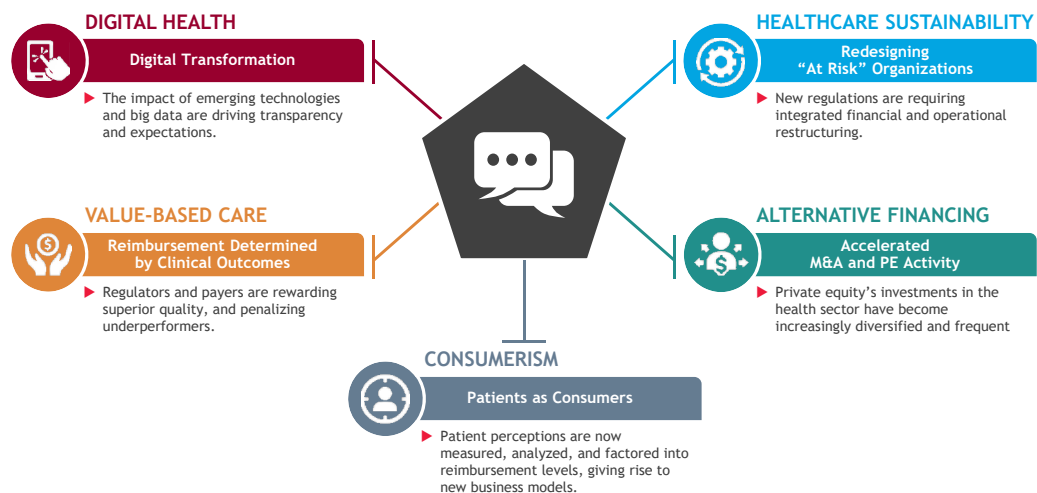
We work with a significant number of healthcare-focused private equity firms across the globe.

KROGER Health™ Overview

[insert overview of Kroger Health from Dr. Watkins]

Healthcare: The New Reality

Healthcare is in an era of unprecedented transformation and complexity: experience-driven consumers; new payment models; new incentive structures; new regulatory requirements; and new sources of stress. Financial results and clinical outcomes will be intertwined as never before, changing not only business models, but the fundamental nature of healthcare organizations.



Healthcare Retail Market Outlook

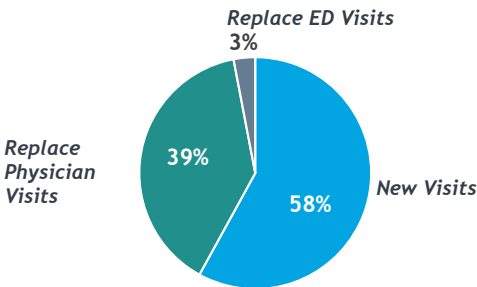
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Alternative ‘Provider’ in the Community

RETAIL CLINICS EXPERIENCE CONTINUED GROWTH



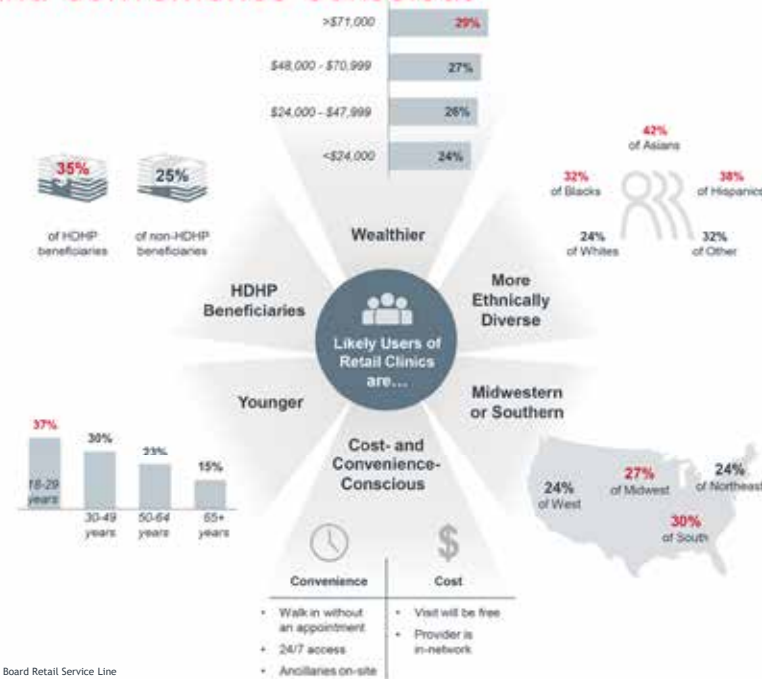
Retail Clinics Experience Continued Growth
Serving Primary Care Needs



| Retailer |  |  |  |  |  |
|----------------------------|---|---|---|--|---|
| Operational Retail Clinics | 1,100+ | 400+ | 215+ | 65 | 88 |

Source: Accenture, "Number of US Retail Clinics Will Surpass 2800 by 2017," 2015; RAND Corporation, "The Evolving Role of Retail Clinics," 2016; Scott Ashwood et al., "Retail Clinic Visits for Low-Acuity Conditions Increase Utilization and Spending," 2016, Health Affairs; CVS, "MinuteClinic History;" The Little Clinic, "About Us;" RediClinic, "Clinics;" SolvHealth, "The Clinic at Walmart;" Walgreens, "Clinic Locations;" Market Innovation Center interviews and analysis. Includes partner clinics operated in Walgreens' stores.

Healthcare Retail Users are Likely Younger, Diverse, Cost and Convenience Conscious

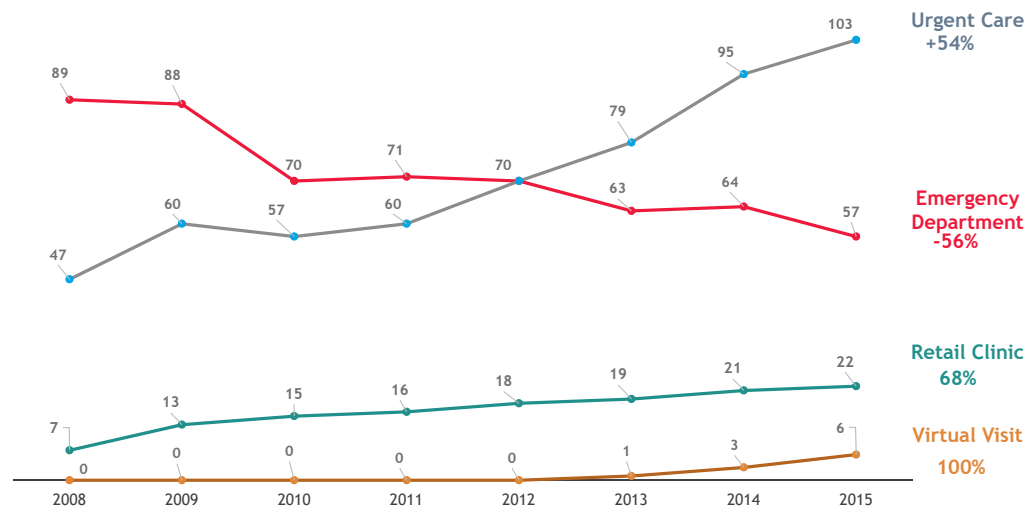


Source: 2014 Advisory Board Retail Service Line

ED Volumes Continue to Be Displaced to Alternative care sites..

Visits to acute care venues for low-acuity conditions (per 1,000 members)

2008-2015 Growth (%)

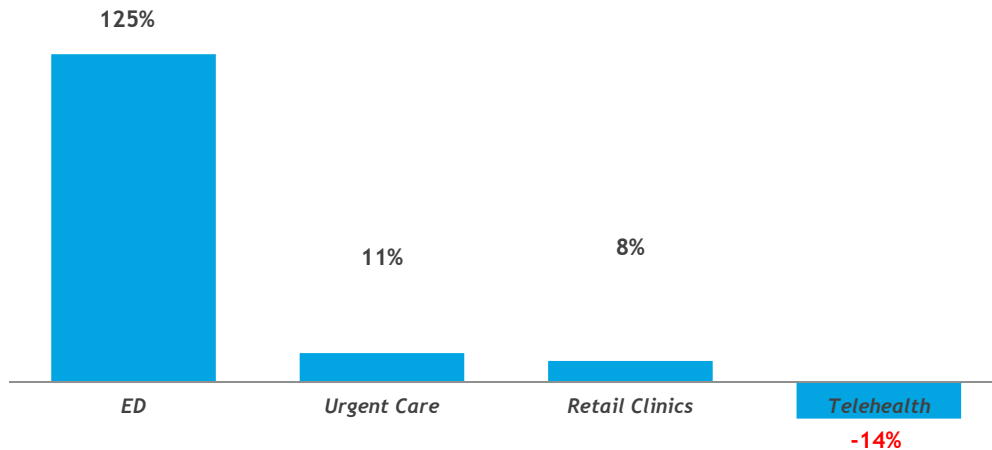


Source: JAMA Internal Medicine, 2018; Advisory Board analysis.

...With Costs of Care Contributing to Behavior Changes

Costs of Ambulatory Care 2007 - 2017

% Change in average out-of-pocket costs per low-acuity visit



Source: FAIR Health, "Urgent Care Center Growth in Claim Lines More Than Seven Times That of Emergency Rooms from 2007 to 2017," March 2018; Market Innovation Center interviews and analysis.

Drivers of point-of-care consumerism

Market Shift



Weakening of physician recommendations

Why Is This Changing?

- Growth of new primary care options, transparency could undermine traditional PCP relationships

Effect on Market

- Increase in self-referrals
- More steerage of provider referrals



Emergence of meaningful alternatives

- New market entrants providing attractive alternatives

- Competition
- More (and better) choices for consumers



Consumers adopt greater financial responsibility

- Prevalence of HDHPS increasing
- Magnitude of OOP responsibility continues to grow

- Price sensitivity
- Shopping behavior







Greater transparency

- Proliferation of third party transparency vendors continues
- Providers' improved communications on value

- More information to make educated decisions about care and providers

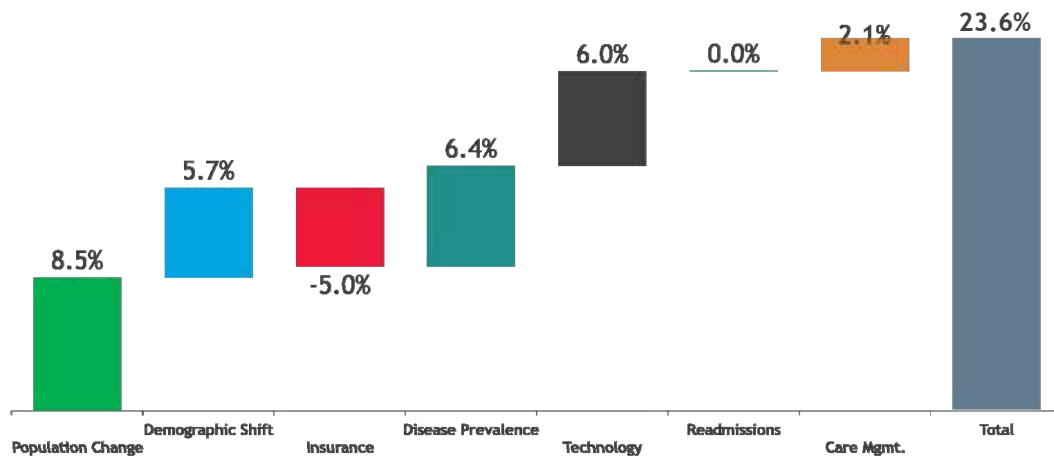
Source: Advisory Board interviews and analysis.

Digital health adoption, by segment

| |  Chronically ill seniors <i>Aged 65+ with 1+ chronic diseases</i> |  Vulnerable <i>Income <\$25,000 or Medicaid</i> |  Worried Well <i>Aged 18-35 and income >\$75,000</i> |  Aging Adults <i>Aged 35-55 and income >\$50,000</i> |
|--|---|--|---|---|
| Searched for online health information | 73% | 75% | 88% | 84% |
| Searched for provider reviews | 39% | 55% | 77% | 66% |
| Telemedicine (live video) | 3% | 18% | 42% | 24% |
| Digital health goal tracking | 10% | 17% | 65% | 39% |
| Wearable use | 12% | 14% | 63% | 41% |

Source: Advisory Board 2019 Digital Consumer Trends

Outpatient Growth Drivers and Impact 2017-2027

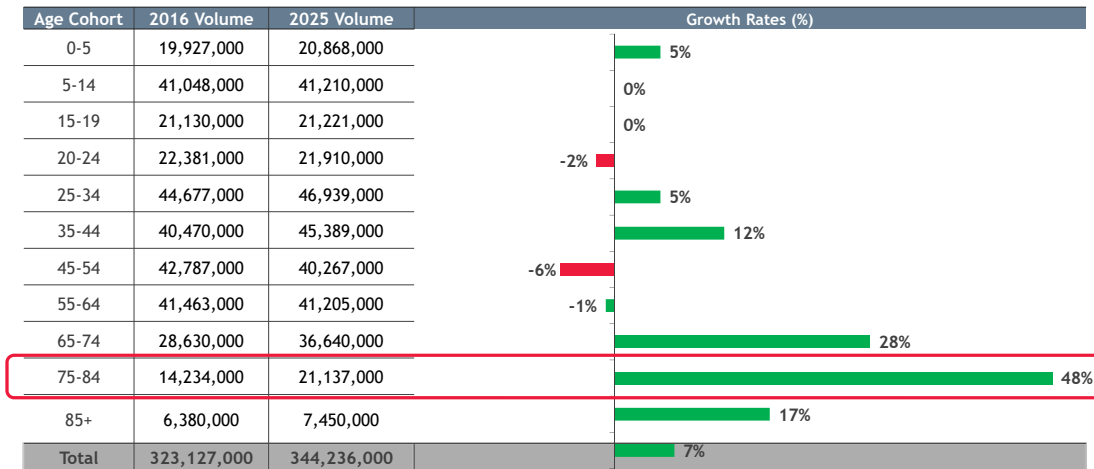


Source: Advisory Board Outpatient Market Drivers

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Changing Demographics will Continue to Drive Growth In services Especially as Baby Boomers Age



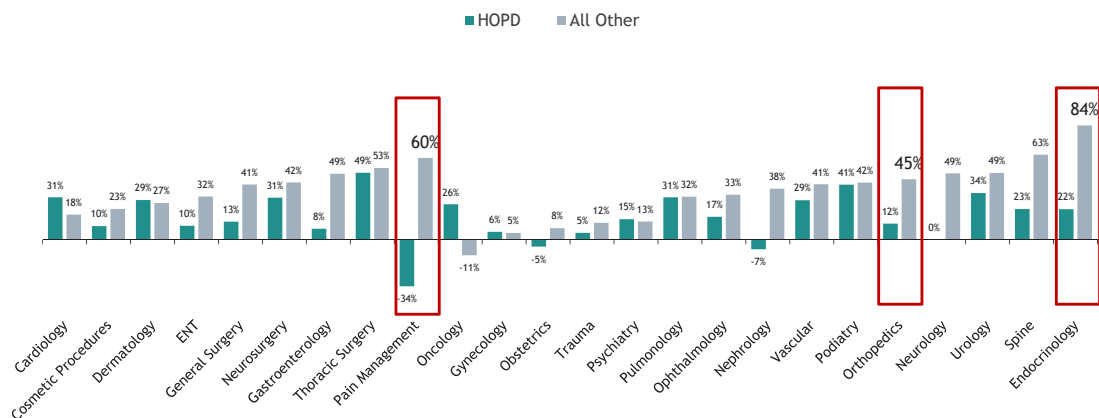
Note: US Census Bureau 2017-2060 Population Projections.

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National Outpatient Growth by Service Line 2018-2028

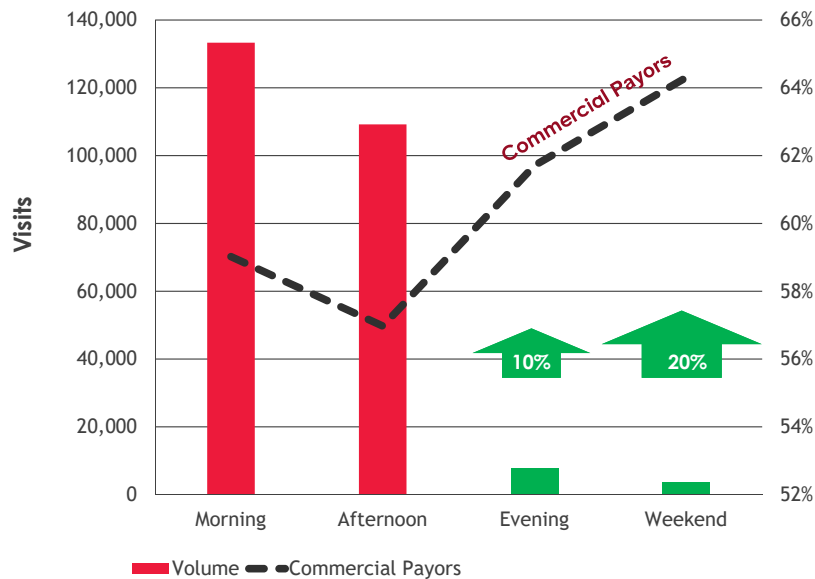
HOPD - Hospital Based Outpatient Departments

All Other - Alternative Sites of Care



Note: Advisory Board Outpatient Scenario Planner, National - All Sites of Care

Attracting Commercial Payors by Available Access Times



Industry Push for Disruption

TECHNOLOGY

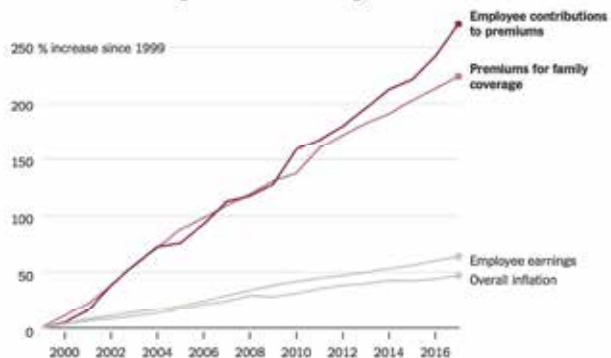
The New York Times

Amazon, Berkshire Hathaway and JPMorgan Team Up to Try to Disrupt Health Care

By NICK WINGFIELD, KATIE THOMAS and REED ABELSON JAN. 30, 2018

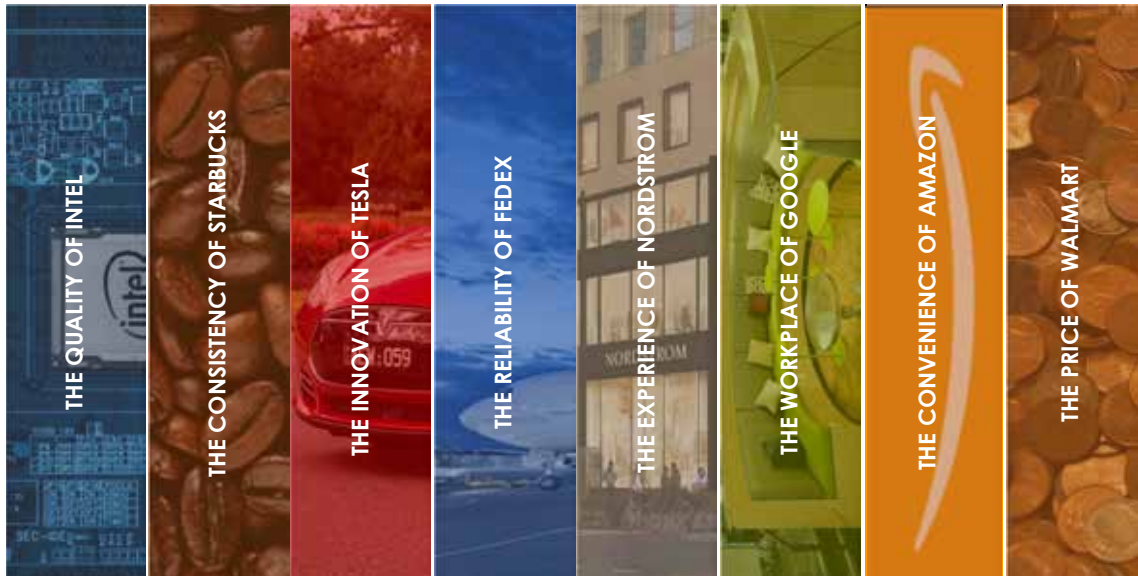


Premiums Are Rising Faster Than Earnings and Inflation



Percent increases in employee earnings are of seasonally adjusted average hourly earnings recorded in April of each year.
By Denise Lu | Sources: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017; Bureau of Labor Statistics

Creating Unique Brand Distinction in a Consumer Driven Healthcare Market



Addressing Consumer Choice
Models of Retail Healthcare Services

CareNow
Urgent Care

KROGER
Health

[Panel: Key Question]

[insert content]

[Panel: Key Question]

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Disruption in the Marketplace

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Appendix

A Fresh Look at Consumers Care Journey



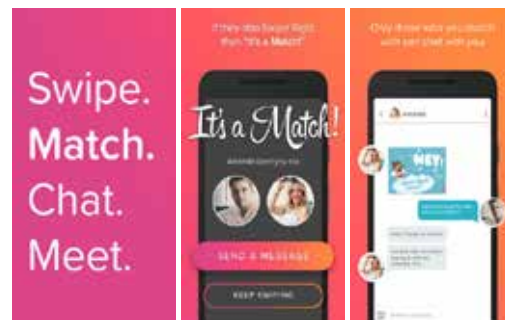
TINDER: Is this How We Going To Select Our Providers In The Future?

What is Tinder?

Tinder is a social phone application that is a powerful tool to meet and interact with people and expand social groups.

How can it apply to healthcare?

- Swipe Left or Right on physicians or patients you feel will be a good fit
- Include personal preferences, likes, dislikes, health related information
- Limit interaction to specific geographies, clinic locations, health systems
- Communicate with physician or patient prior to the clinic visit or initial consultation



OPEN TABLE: How Are We Going to Schedule Our Appointments?

What is Open Table?

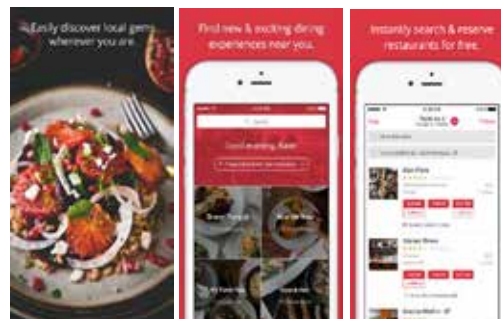
Open table allows users the ability to discover, reserve, and instantly manage restaurant reservations for free.

How can it apply to healthcare?

- Provides patients with the ability to see available appointment schedules
- Could be based on the provider, clinic location, specialty type
- Ability to read reviews of certain physicians or clinic locations
- Provide feedback on overall patient experience

Who is doing something similar?

- Aurora Healthcare
- Sagenda
- ZocDoc
- Temple University Health
- University of Minnesota Health



Source: Apple iTunes Store, www.opentable.com; <https://www.zocdoc.com/>; <https://www.sagenda.com/>; <https://tuh.templehealth.org/content/appointment.htm>; <https://secure.mhealth.org/appointmentrequest/>

EPIC: Epic's MyChart Application Personalizes and Streamlines Care Access

Case Study:

OhioHealth, Columbus, OH

OhioHealth provides both new and exiting patients the opportunity to pre-register for their appointments. This is all completed through the MyChart application, and collects the basic information that is requested by the front desk staff.

Outcomes:

- Improved Patient Throughput
- Improved Patient and Family Satisfaction
- Decreased Wait Time and Waiting Room Congestions



Source: <https://www.ohiohealth.com/pre-registration/>

UBER: Partnering with Ride-Share Potentially Reduces No Shows, and Reduces Future Cost of Patient Care

Issue: Research state that consumers average 62 no-shows a day, at an annual cost of \$3 million to health providers

- The Columbia, MD based MedStar Health announced a partnership with Uber aimed to reduce patient no-shows.
- Uber plans to create a small team within the company to do nothing but work with healthcare providers
- Vevo, a San Diego based on-demand non-emergency medical transport company specifically services healthcare needs aimed for use by Medicaid patients

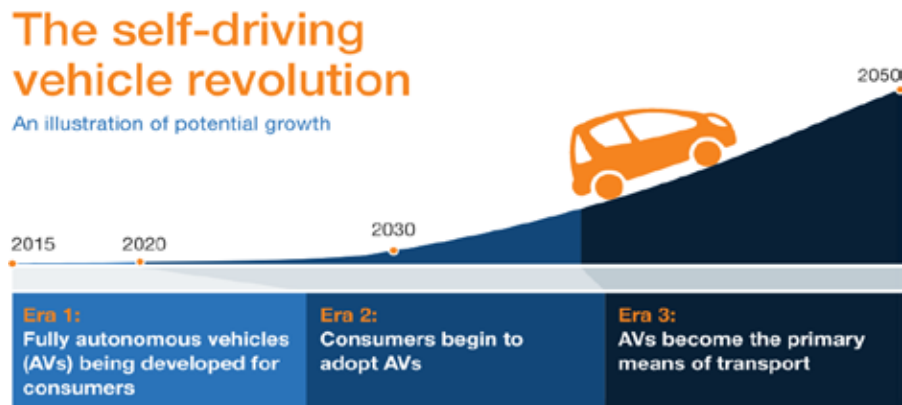
“Spending the money to get patients to their appointments pays off dividends in savings by keeping people healthier”

Josh Komenda President of Vevo



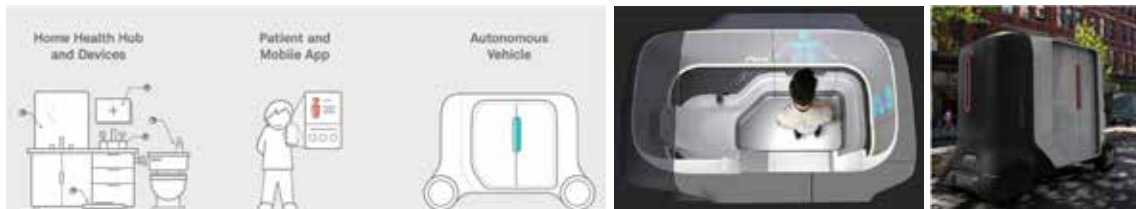
Source: Healthcare DIVE Article “3 technologies that are disrupting healthcare logistics” published January 3, 2017

DO WE NEED PARKING?: Autonomous Vehicles will Impact the Arrival Sequence and Reduce Need for Parking



Source: McKinsey & Company

DO WE NEED CLINICS?: Self-driving cars acting as a remote doctor's office on wheels with built in smart technology



Ref: Artefact Design - AIM's concept

DELTA: We Are Going To Be More Transparent With Patients On Appointment Status

What does the Fly Delta app do?

This phone app provides Delta passengers with information regarding their current trip, future trips, cancellation alerts, and rebooking features.

How can it apply to healthcare?

A healthcare specific use of this application could:

- Display all pertinent appointment information on the day of the visit
- Keep track of future appointments
- If appointment may be delayed, alert patient and provide ability to reschedule
- Future or same-day



Source: Apple iTunes Store, www.delta.com

GOOGLE EARTH: Wayfinding Will Be Pushed To Our Devices Inside Buildings



Source: <http://www.phunware.com/solutions/healthcare/>

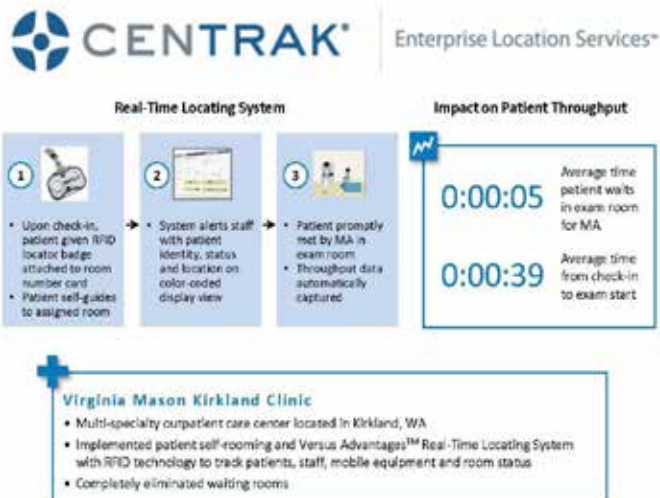
WEARABLE TRACKERS: Patient and Staff Real Time Location Systems are Already Improving Efficiency

Centrak

The most accurate Real-Time Location System

What makes it different?

- Location Accuracy
- Easy Installation
- Update Speed
- Interoperability



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Source: Versus, Locating Advantages for Healthcare, Enterprise Edition (Versus Advantages Edition) available at <http://www.versusadvantages.com/versus-advantages-publication-center>, accessed April 20, 2015.

Source: Advisory Board

AUTOMATED VITALS: Single Stop Technology Will Simplify Gathering Vitals

FORWARD

Single stop calculates your:

- Height
- Weight
- Body Temperature
- Heart Weight
- Blood Pressure
- And more...



Source: Go Forward Clinic Website

AI: Artificial Intelligence Comes to an Exam Room Near You

- Speakers in exam room will listen to exam
- Artificial intelligence processors will translate exam into meaningful components
- Components will be directly entered into EMR for physician review
- AI will learn about a patients health and proactively provide physician guidance



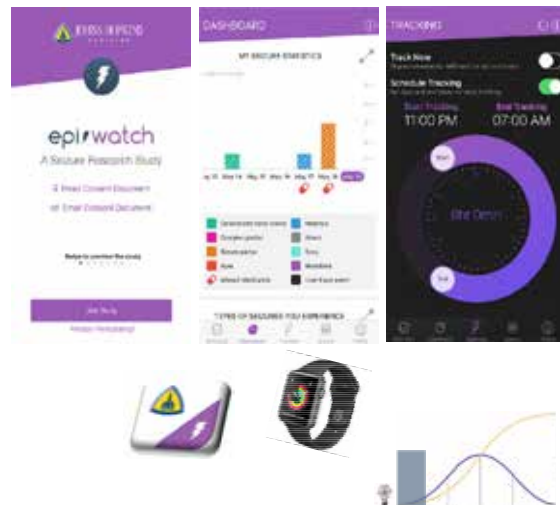
ringDNA

Source: Go Forward Clinic / Amazon Transcribe Medical

APPLE: Apple Watch to Collect Data, Monitor, and Manage Patients With Epilepsy

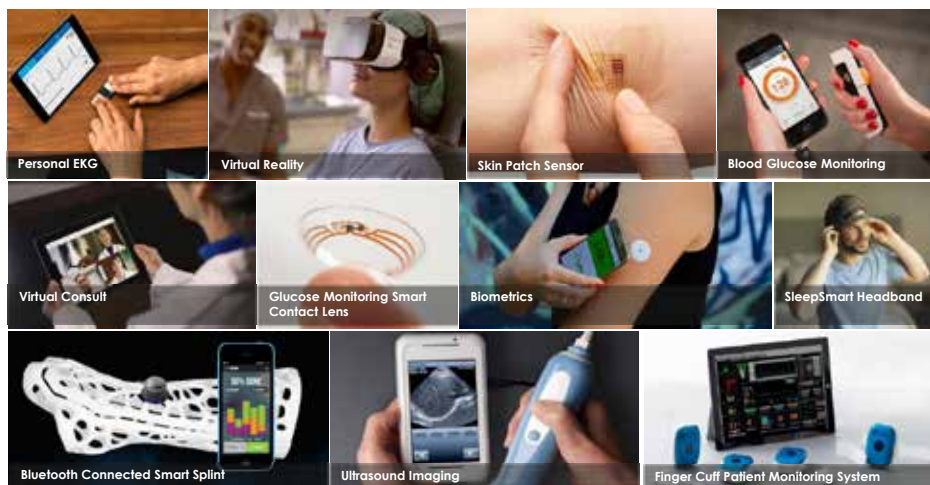
Mobile Software: EpiWatch by John Hopkins

- Utilizes Apples iWatch wearable
- Collects data for patients with epilepsy before, during, and after seizures
- Data collected will be used to better understand epilepsy, and to develop new methods for monitoring and managing the disease
- The module even allows patients to complete interactive informed consent, track seizures in real time, answer research question surveys, and complete other tasks



Source: Apple iTunes

KAISER: Over 50% of Patient Encounters are Virtual. Wearables Will Eliminate Many Visits.



MED HELPER: Mobile App to Assist Forgetful Patients With Prescription and Pharmacy Related Reminders

Mobile Software:
Med Helper by Earth Flare, Inc.



Use it to keep track of

1. Prescriptions
2. Refills
3. Medications
4. Different doctors
5. Appointments and clinic visits
6. Pharmacies and their locations
7. Relevant personal info (allergies)
8. Specific dosages and time of dose



Source: Apple iTunes