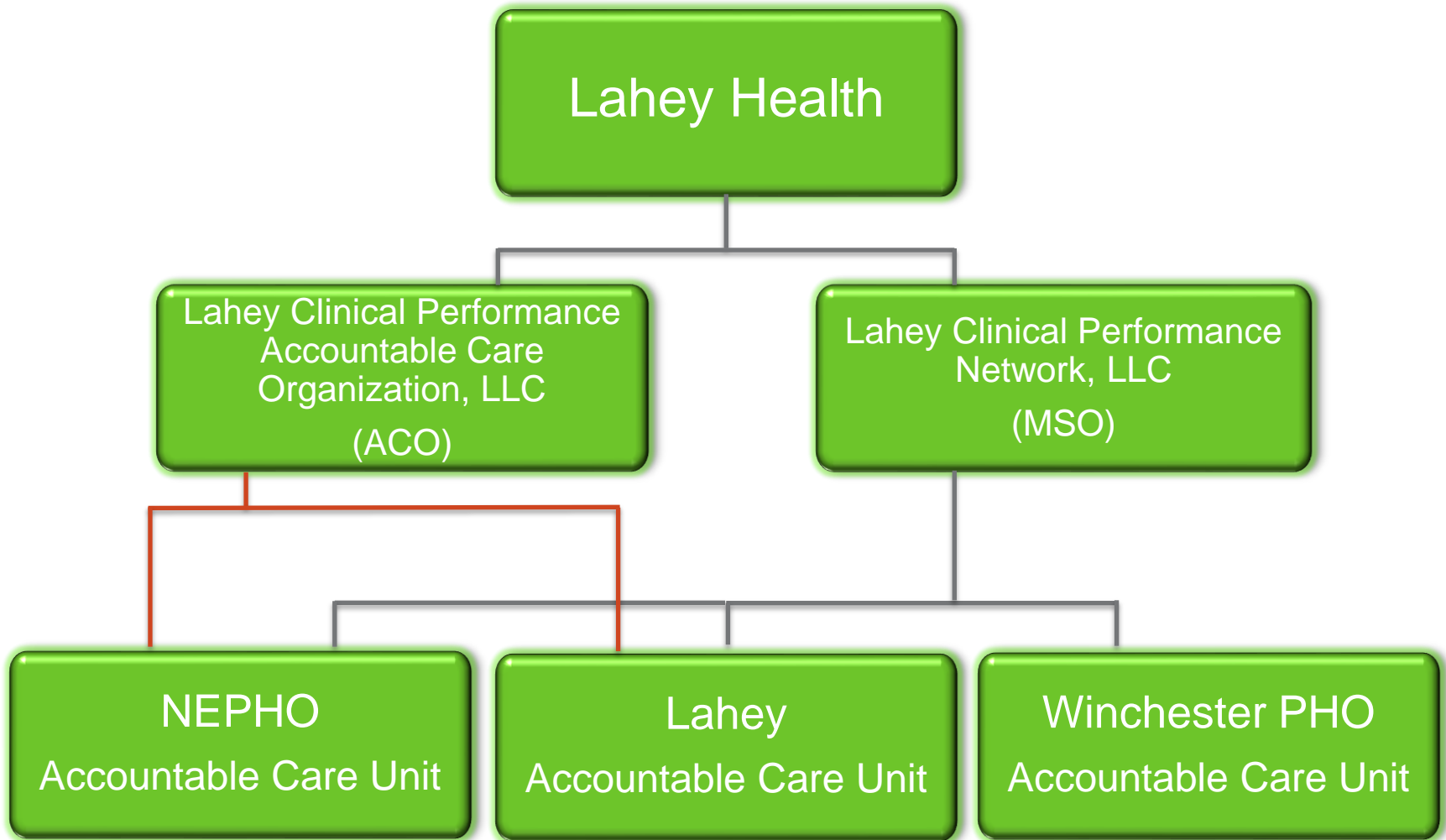


The Health Industry Forum Health Care Payment Reform

April 2, 2015

Lahey Clinic Performance Network (LCPN) Governance



Current Lahey Clinic Performance Network Board Participation

Board Members (MSO)	Lahey	Northeast	Winchester
PCP Directors	Richard Kalish, M.D. Judith Melin, M.D. Carl Soderland, M.D.	Pierre Ezzi, M.D. Suzanne Graves, M.D. William Medwid, M.D.	Salvatore Albanese, MD R. Chris Herron, MD Najmuddin Patwa, MD Joel Solomon, MD
SCP Directors	Kinan Hreib, M.D. Mark Lemos, M.D.	Francis Cleary, M.D. Lou DiLillo, M.D.	Arlan Fuller, MD
Institutional Directors	Tim O'Connor	Phil Cormier	Dale Lodge
At-Large Director		Nathan Pulsifer – ACO Robert Irwin - MSO	

Lahey Health: The Strategic Direction

To develop and maintain a healthcare system that will successfully compete in the Massachusetts and southern New Hampshire marketplace through:

- Demonstrated high quality clinical care, patient satisfaction and employee engagement
- Sustainable financials
- Effective management of population health and financial risk
- Physician centric and community focused care at all points of the care continuum
- Lower cost to payers, consumers, and the Commonwealth sufficient to move market share from competitors with higher prices and equivalent or lesser quality

Cost, Quality, Access = Value

Marketplace Assumptions

Key Environmental Assumptions Driven by Healthcare Reform

The payment system will shift from a volume-based payment system to a value-based payment system

Revenue growth will be determined more in relation to the number of covered lives served and less in relation to the amount of services utilized

With the population in our PSA “aging in place” and connector products proliferating in the market, LHS will experience a shift toward less favorable governmental payers

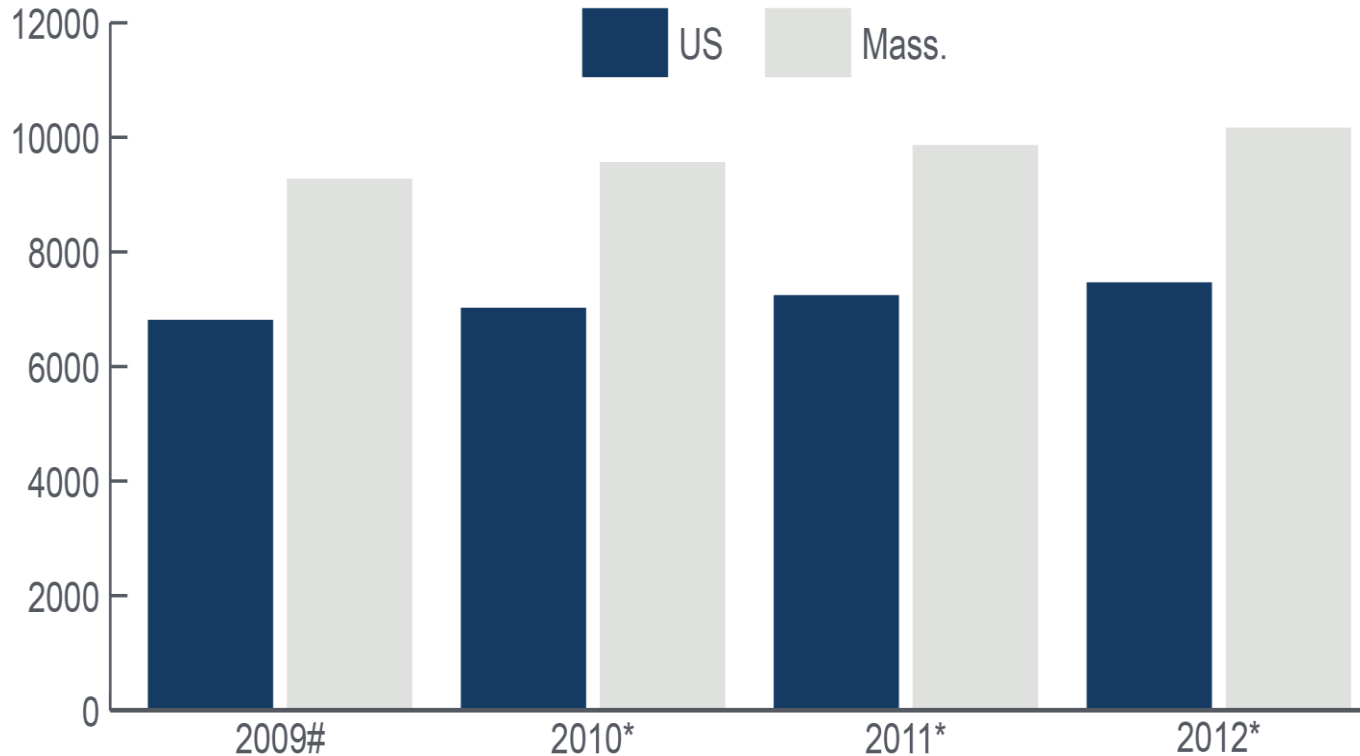
The growth in payment rates are expected to trend below inflation as a result of both regulatory and market pressure

Volume for acute inpatient and long-term nursing home care will shift to acute outpatient, primary care, and home health and community-based services

The Massachusetts Environment

Massachusetts Spending vs. US

Massachusetts per capita health care expenditures are greater than the rest of the country.



CMS State level personal health care expenditure data have been published through 2009.

* 2010-2012 MA figures estimated on 2009-2012 expenditure data provided by CMS for Medicare, ANF budget information statements and expenditure data from MA and CHIA TME reports for commercial payers

State Budget Consequences

Reform has exacerbated the cost challenge.

Massachusetts State Budget (\$ Billions) FY2001 vs. 2011

+\$5.1 B
(+59%)



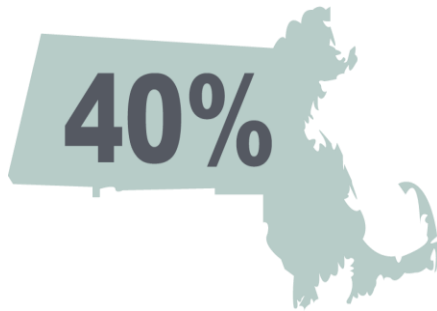
Health Care Coverage
(State Employees/GIC;
Medicaid/Health Reform)


-\$4.0 B
(-20%)

Public Health (-38%)
Mental Health (-33%)
Education (-15%)
Infrastructure/Housing (-23%)
Human Services (-13%)
Local Aid (-50%)
Public Safety (-11%)

Academic Medical Center Utilization

The Massachusetts delivery system uses major teaching hospitals for far more of its inpatient care than the rest of the nation.



of Medicare discharges in Massachusetts are in major teaching hospitals



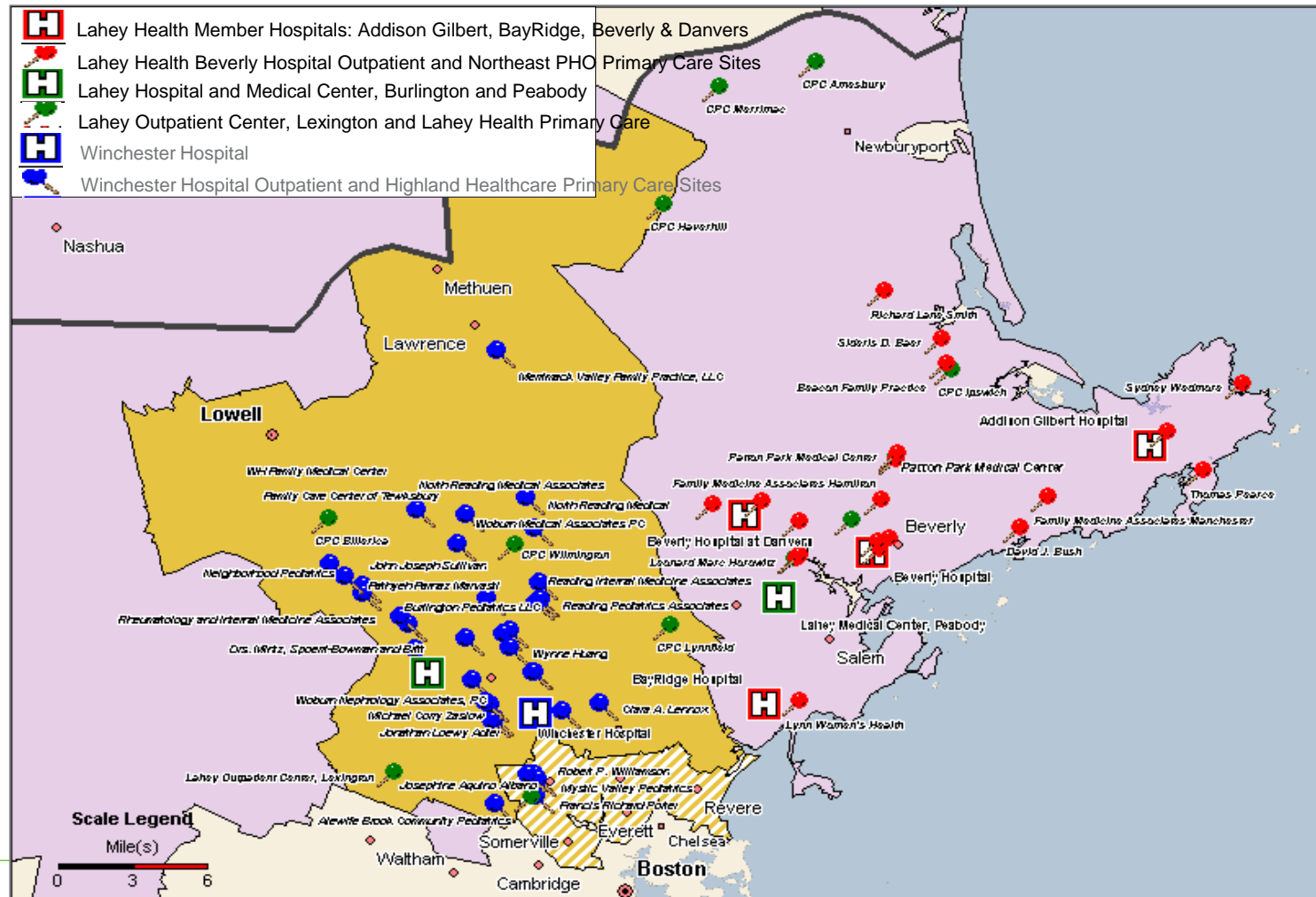
of Medicare discharges nationwide are in major teaching hospitals

The Partners Settlement Rejection

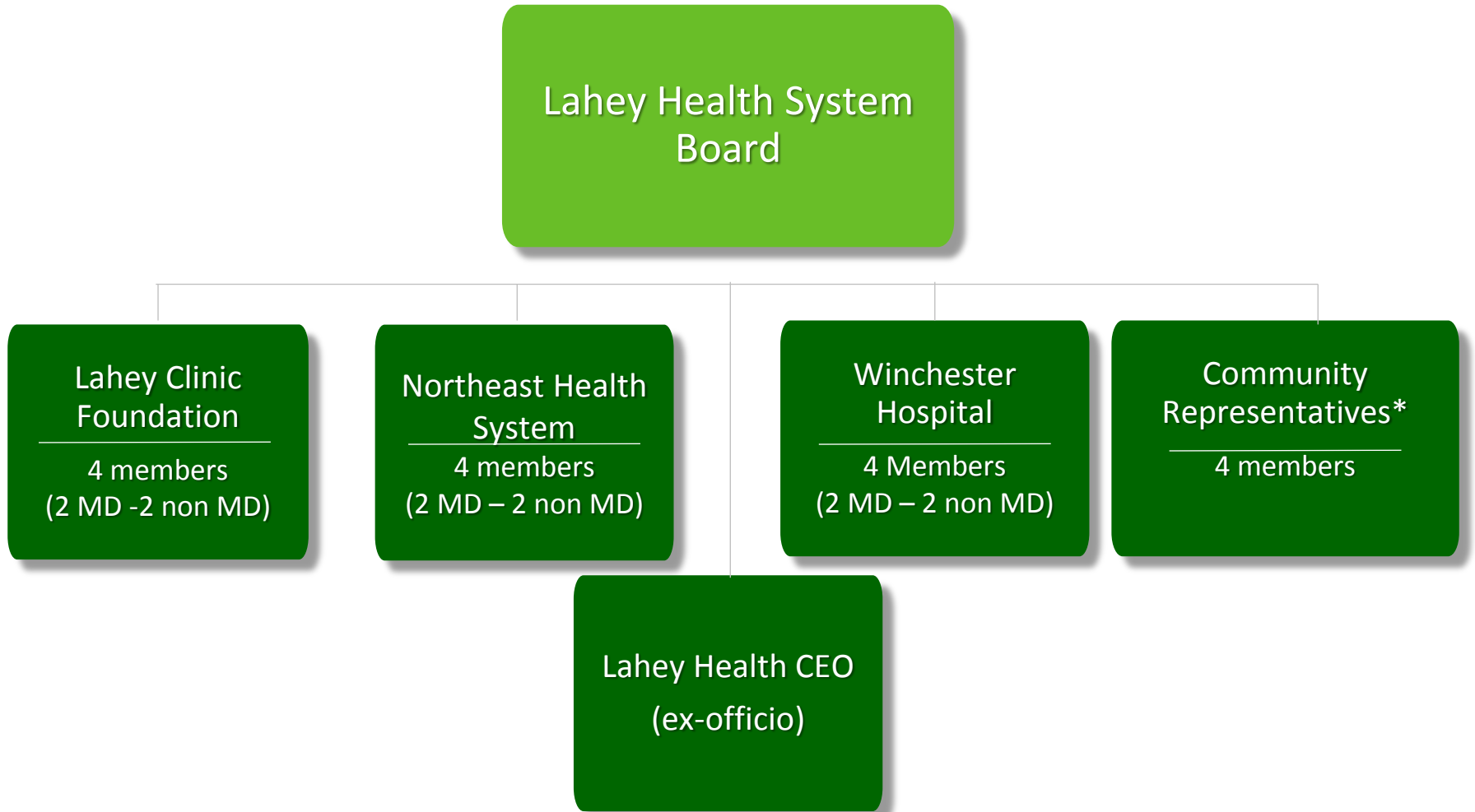
- Continued, albeit slower growth
- Statewide cap (Chapter 224) exacerbates payment advantage
- Two decades of premium advantage
- Fragmented and weak competition

The Lahey Model

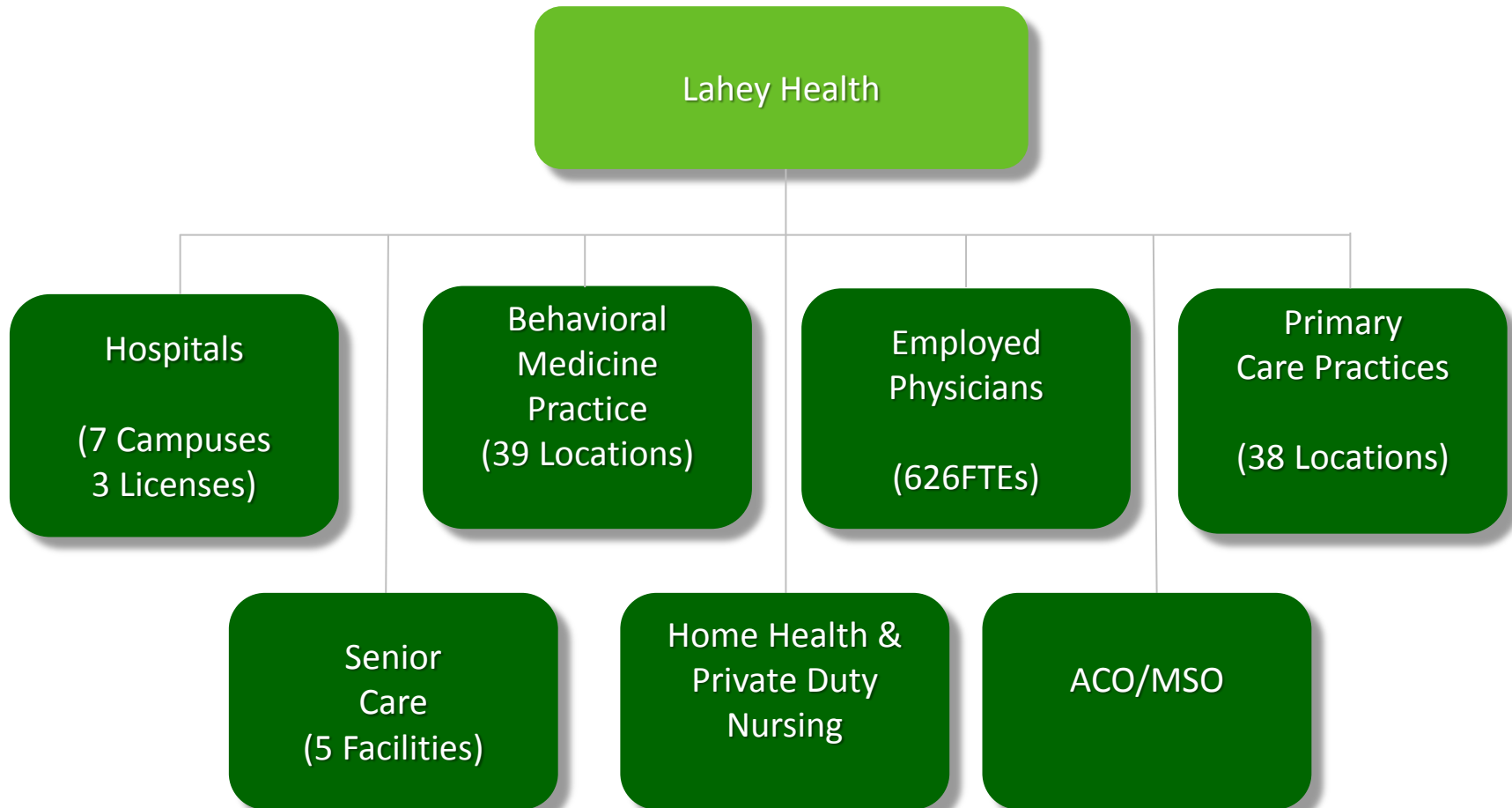
Highly Coordinated Delivery System



Shared Governance



Lahey Health By The Numbers



Lahey Health: Right Care, Right Location

- Patients treated in the lowest cost setting appropriate for their care
- More accessible, closer to home
- PCP centered, inclusive of employed and independent practitioners
- Competitive savings to payers, consumers and Commonwealth

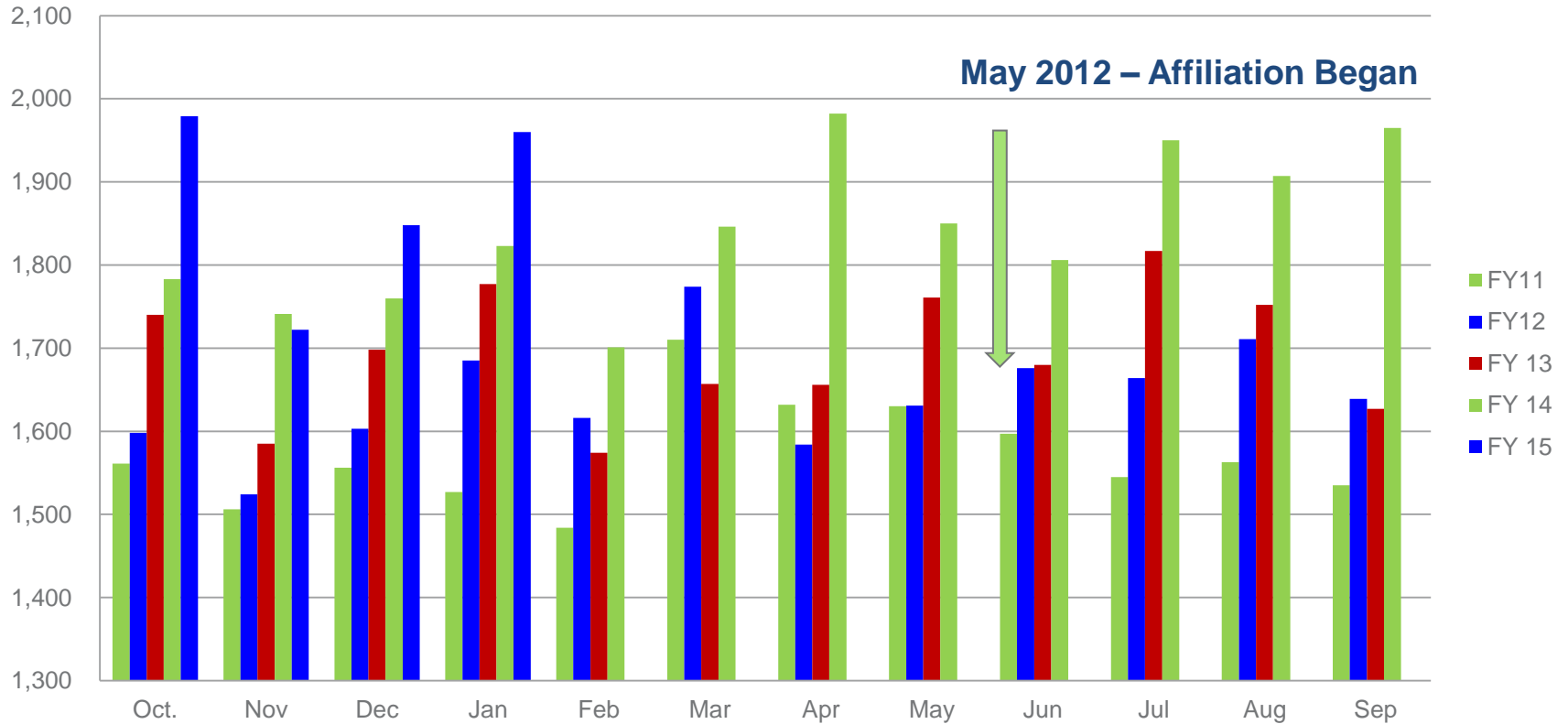
Value

Lahey Health has demonstrated great reliance on community hospitals.

- Based on 2014 admissions:
 - At competitor health systems—**68-74%** of admissions were to tertiary institutions
 - At Lahey Health—**38%** of admissions were to tertiary institutions

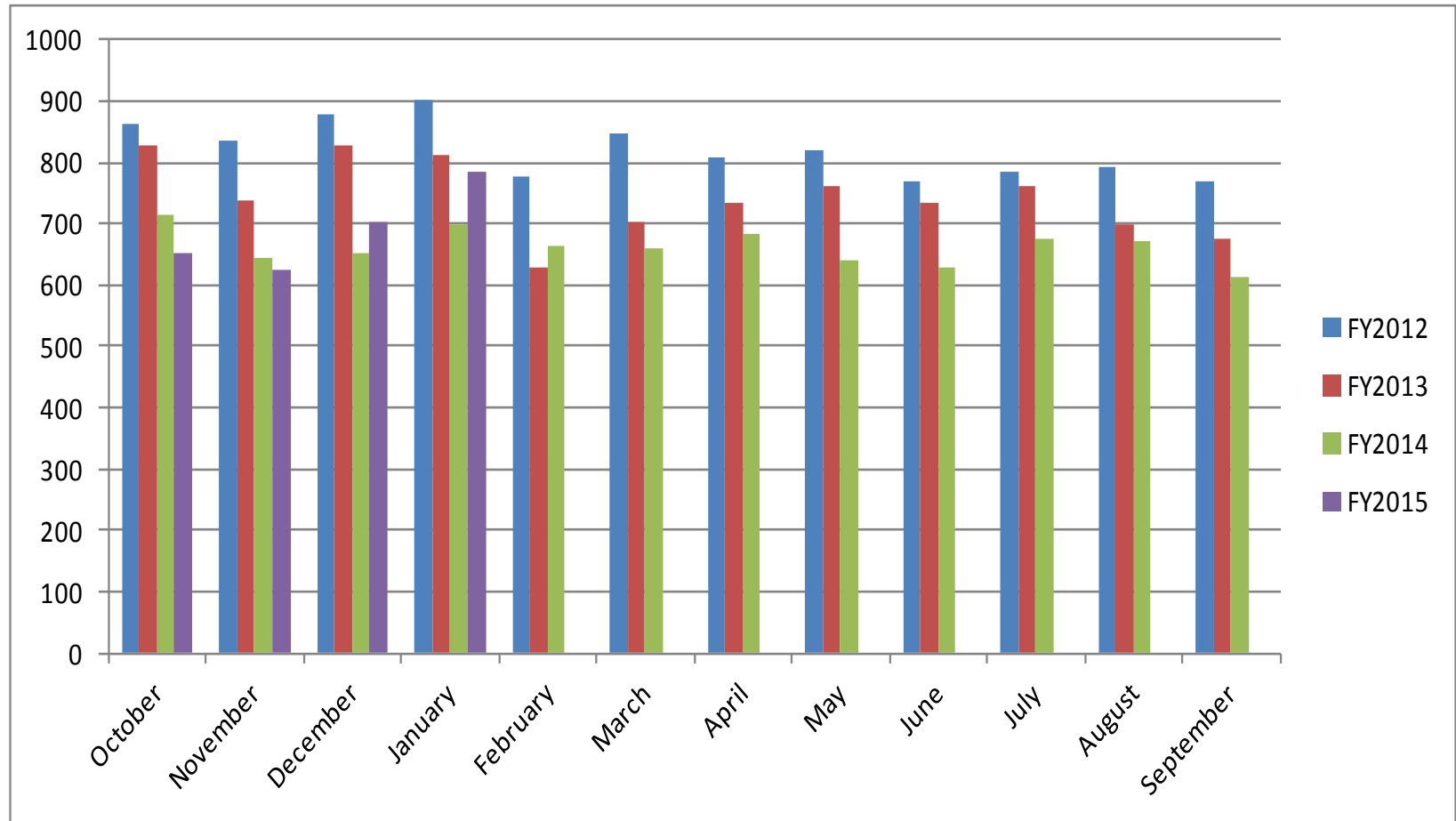
Volume Growth

Beverly & Addison Gilbert Hospitals
 Medical/Surgical, Maternity and Observation admissions

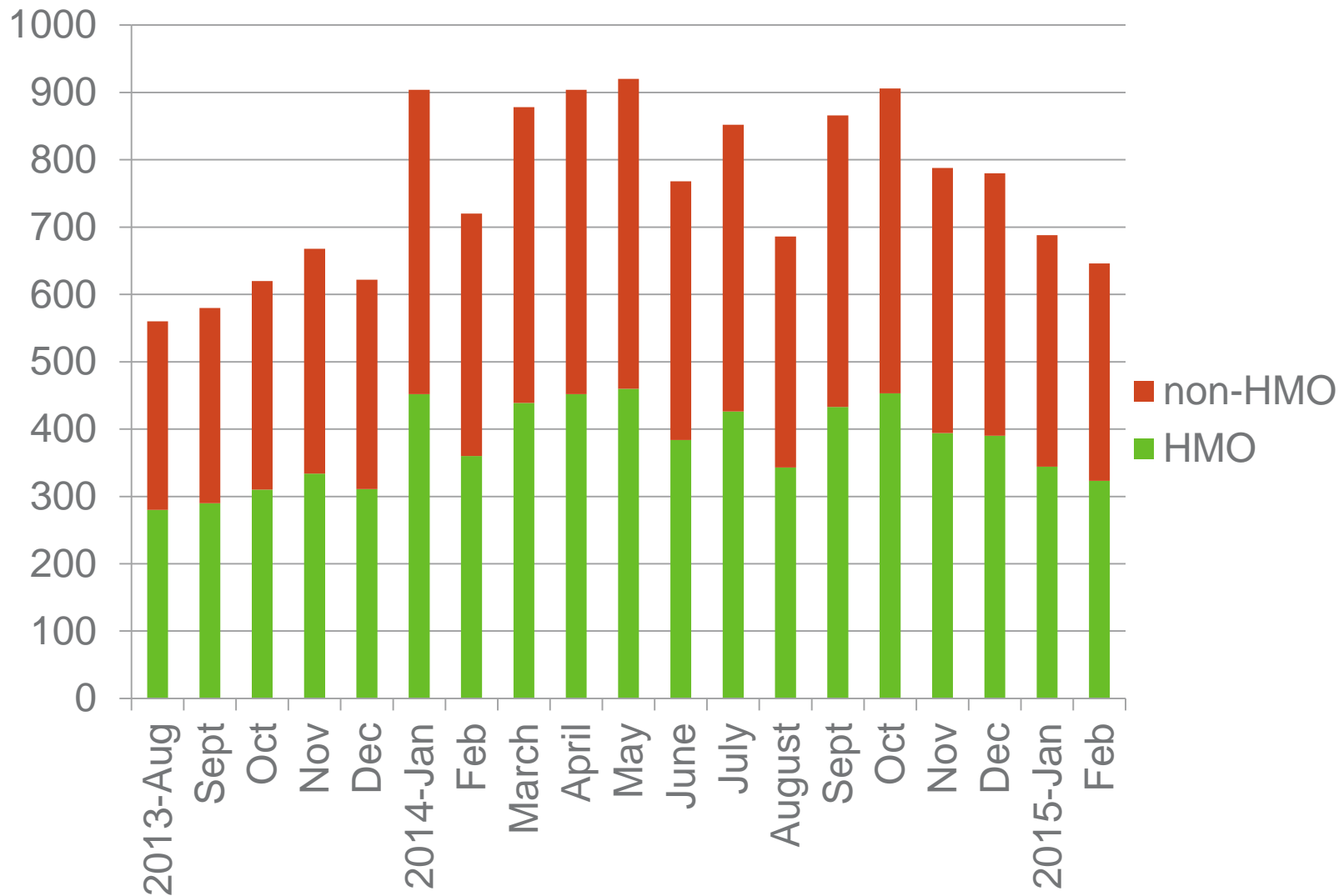


Volume Growth

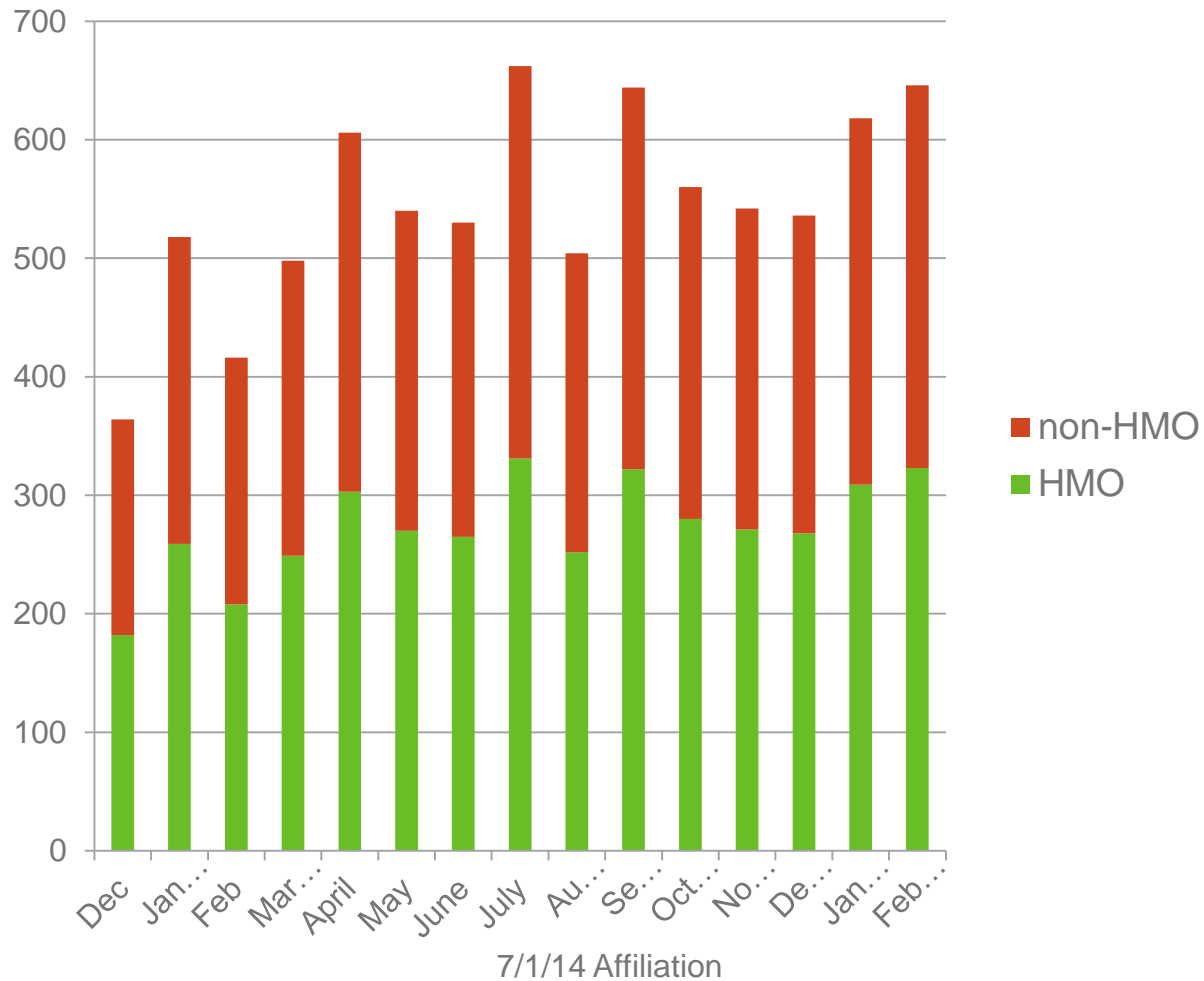
Winchester Hospital Medical/Surgical



Lahey PCP Referrals to NEPHRO Specialists

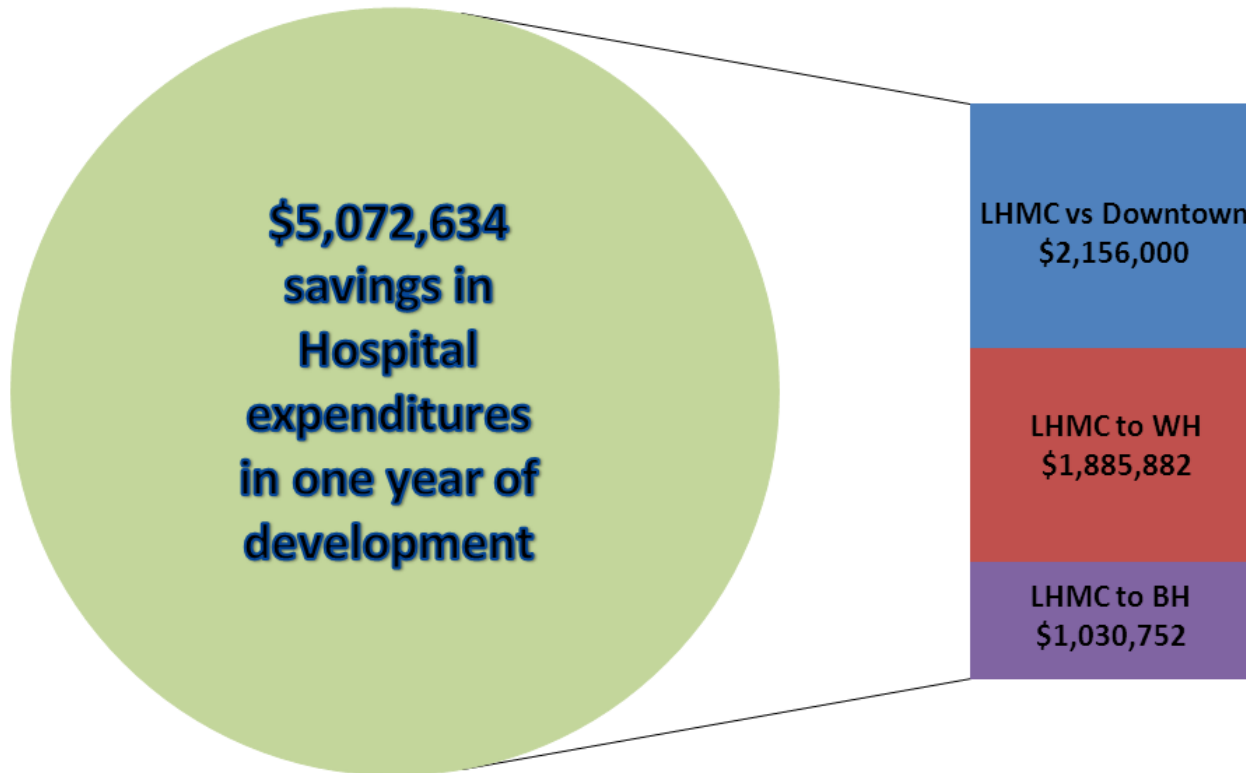


Lahey Physician Referrals to Winchester IPA Specialists Have Increased



Given the “green light” for Lahey PCPs to refer to local specialists in the WH medical staff,

Keeping Care Local: Economic Savings to the Payers & Commonwealth ⁽¹⁾

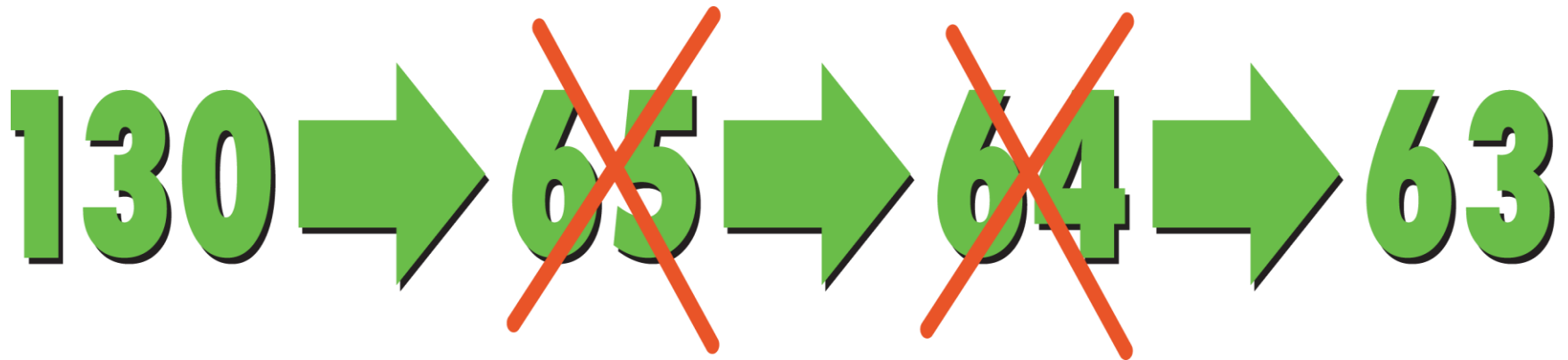


(1) Twelve month period ended June 30, 2014. Hospital only (IP & OBS)

Lahey Health

Why Size and Scale Matters

The Result



Lahey Health: Why Size and Scale Matters

- A Broader footprint is more attractive to payers, employers and consumers
- Has the potential for financial stability
 - Access to capital
 - More effective use of declining margin
 - Ability to sustain risk
- Access to expertise: Population Health Management
- Covered Lives

Lahey Health: Why Size and Scale Matters

- Political Influence
- Opportunity to add insurance capability
- **PRODUCTS THAT WILL MOVE MARKET SHARE**
 - Active encouragement from insurers seeking competitive limited network products
 - Lower cost/price is our primary differential

Discussion