

Deloitte.



The Impact of Retail Health & Wellness on Managed Care Organizations (MCOs)

February 2, 2016

Agenda

Today's discussion will feature Deloitte Advisory professionals engaging in conversation about the changing healthcare environment ...



Session 1 – The changing healthcare landscape, including benefits MCOs receive from collaboration with wellness providers



Session 2 – Measures taken by health plans, employers and retailers to engage customers in taking an active role in their personal health decisions



Session 3 – Trends: Retail clinics and wellness promotion & the risks associated with the ever-increasing scope-of-services offered by retail clinics



Introductions

Today's speakers



Our speakers today have broad experiences in working with health plans, payors, providers, physicians, and retailers alike, coupled with experience in delivering high quality professional services ...

	<p>Tom Delegram Deloitte Advisory Director Deloitte & Touche LLP Tel: 412-596-1078 tdelegram@deloitte.com</p>	<p>Experience Tom is a Deloitte Advisory Director in the Deloitte & Touche LLP Business Risk Practice. He has 16+ years of administrative and management experience in health care surrounding operations, reporting, compliance and strategy. He has deep experience in regulatory compliance issues for Medicare and Medicaid health plans, prescription drug plans and pharmacy benefit managers (PBM's), focusing on internal control process, key regulatory risk areas, due diligence, and operational design.</p>
	<p>Matt Hourin Deloitte Advisory Principal Deloitte & Touche LLP Tel: 617-596-3262 mhourin@deloitte.com</p>	<p>Experience Matt is a Deloitte Advisory Principal in the Deloitte & Touche LLP Business Risk Practice. He has over fourteen years of experience implementing risk management programs, developing control frameworks, and delivering Internal Audit services. He specializes in assisting organizations with implementing sustainable enterprise risk management programs, with a specific focus in the retail healthcare industry.</p>
	<p>Christine Anusbigian, MBA, CHC Deloitte Advisory Specialist Leader Deloitte & Touche LLP Tel: 313-919-5857 canusbigian@deloitte.com</p>	<p>Experience Chris is a Deloitte Advisory Specialist Leader within Deloitte & Touche LLP. She has over 30 years experience working with providers, payors, and physicians. Chris has been with Deloitte for over 17 years, providing consulting services to health care organizations regarding regulatory compliance and internal controls. She has in-depth knowledge of, and experience with regulatory requirements, third-party payor billing rules, and compliance programs.</p>

Today's objectives



Today our goal is to provide insight into the changing landscape of healthcare, which includes the trends in healthcare delivered through the retail channel and the risks associated with this trend, wellness promotion, and an overall patient-centric focus occurring throughout the healthcare value chain ...



Provide Perspective: Provide perspective on trends and discuss changes happening within the healthcare industry



Inform: Discuss current risks and risk areas within the changing healthcare industry that has an effect on MCOs



Engage & Network: Engage in discussion with other professionals who have vast experiences and share ideas and opinions about industry happenings

5

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Session 1:

The changing healthcare landscape, including benefits MCOs receive from collaboration with wellness providers

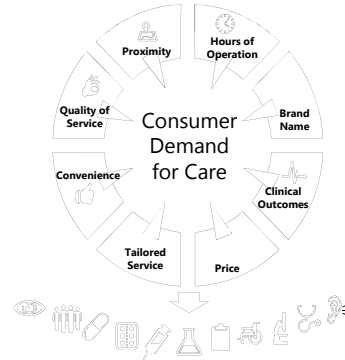
Retail health & wellness convergence and overview

A **convergence between retail and healthcare** is driving traditional healthcare providers to adopt retail approaches to marketing and customer service, while retailers are increasing their role in healthcare. Changing dynamics in the marketplace including **consumerism, healthcare reform, technological advances and demographic changes** are having a significant impact on the Retail Health and Wellness marketplace. These dynamics are causing the collaboration between the two industry leading to convergence ...

Healthcare & Retail Convergence



Key Factors Driving Convergence



Retailers with health and wellness services are realizing benefits such as **increased foot traffic, increased sales growth, improved cross-selling, brand recognition, and improved customer experience.**

7

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Hidden benefits exist for retailers ...

Employees

Internally delivered healthcare services which drives down costs for employees

Allows for great technological use within healthcare which can create positive customer experiences

Provides additional insight into patient data (i.e., tracking of in-store purchases) which can improve patient care and promote healthy living

Drives in-store foot traffic up and provides opportunity for cross-selling which promotes healthy living

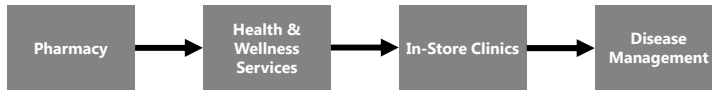
8

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Retail health & wellness industry happenings

The healthcare industry is **shifting**, adapting to a changing regulatory environment with a growing number of insured patients who have increased expectations in quality of care, transparency in costs and a plethora of options from which to choose ...

Retail Healthcare Evolution



Retailers and grocery chains alike are expanding their operations in order to capture value that the changing healthcare industry is creating. Adapting to the needs/wants of their customers, we are seeing more pharmacy operations and an increased focus within the Health & Wellness space. The evolution that these companies are undergoing is assisting them in gaining a competitive advantage with their customers and providing end-to-end services within the healthcare space – this attraction has seen additional benefits and has helped improve gross margin. Overall, this general move toward population health management helps to improve quality of care while controlling long-term costs.

How Evolution is Occurring

Mergers & Acquisitions

The industry has seen M&A activity between Health Plans, PBMs, and Retailers whom are trying to expand and provide greater care options for their customers

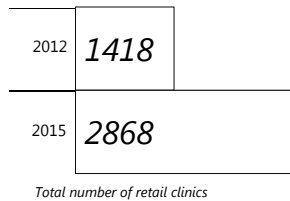
Partnership Agreements

Partnerships have been formed in which retailers and health care providers are combining in order to provide higher quality of care in a retail setting for convenience purposes

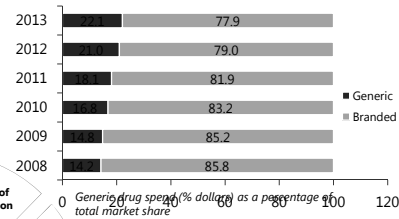
Strategic Expansion

Healthcare providers, retailers, grocery chains, plans, and PBMs alike are taking steps in order to expand their services to meet customer expectations, capture value, and improve margins

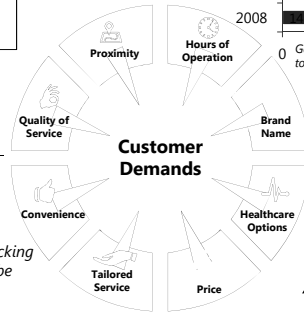
Health care trends influenced by the consumer ...



Source: <http://www.drugstorenews.com/article/study-retail-clinics-double-save-800m-annually-2015>



Source: <http://www.drugstorenews.com/article/rx-trends-2015-rising-generic-drug-prices>



13 M.

Wearable fitness tracking devices expected to be incorporated into employee wellness programs by 2019

Source: <http://www.consociate.com/use-fitness-trackers-skyrocket-corporate-wellness-programs/>

7 M.

Number of customers who are expected to use telemedicine services in 2018

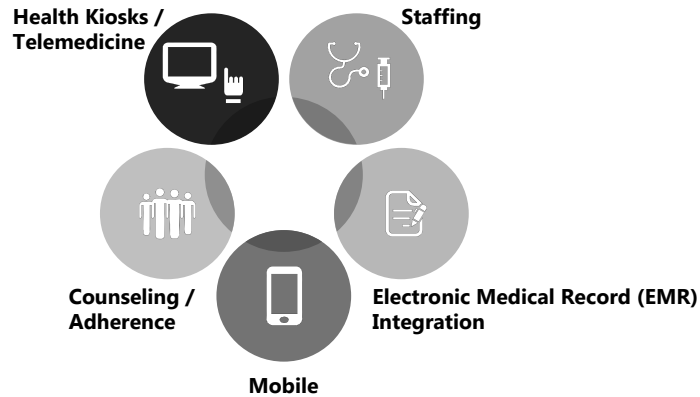
68%

Employers who will offer telemedicine options in 2016

Source: <https://emedcert.com/blog/telemedicine-statistics-prove-future-of-healthcare>

Coordination with MCOs

There are various ways in which retailers and other wellness providers can coordinate and interact with health care providers and MCOs alike. **Coordination ranges** from staffing operations (i.e., clinics staffed by mid-level providers) to EMR integration and telemedicine opportunities. Overall, this coordination can provide great value to the consumer, all while encouraging use and helping to drive down cost ...

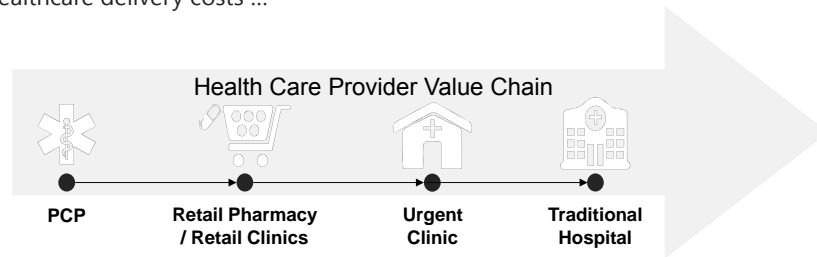


11

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Benefits of coordination

The healthcare landscape has shifted, moving toward consumer-centric care and overall population health management. Adapting to the needs and wants of the consumer (i.e., convenience, timeliness, quality) has created opportunities for improved coordination of care which has led to increased quality and decreased healthcare delivery costs ...



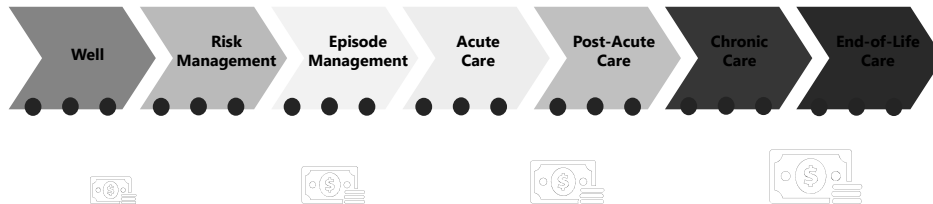
Coordination of care across the entire health care provider value chain (including other players not displayed above) should both **encourage use** of healthcare providers and **drive down the overall cost of care**; however this only happens when the incentives are aligned to encourage this behavior.

12

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Benefits of coordination (cont.)

Coordination of care can delay a patient's movement across the care continuum, which ultimately improves the lives of patients and helps to drive down the overall cost of care ...



Movement across the care continuum results in **increased care touchpoints** and **increased cost**. Keeping patients in the early stages of the continuum can help **drive down the overall cost of care**. In order to keep patients in these early stages, it is important to **encourage use** of patient wellness platforms as well as **inform patients** about the importance of **understanding** their personal health and taking an **active role** in their overall well-being.

13

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Session 2:

Measures taken by health plans, employers and retailers to engage customers in taking an active role in their personal health decisions

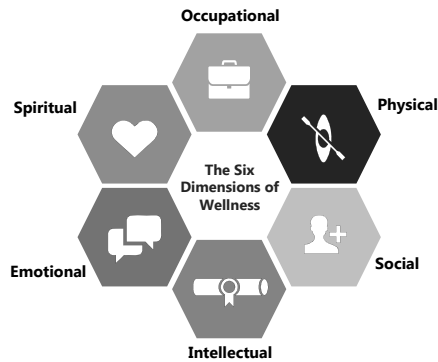
What is wellness? How is it defined?

Wellness is an active process of becoming aware of and making choices toward a **healthy and fulfilling life ...**

- "... a state of complete physical, mental, and social well-being, and not merely the absence of disease or infirmity."
- The World Health Organization.
- " a conscious, self-directed and evolving process of achieving full potential."
- The National Wellness Institute

Wellness is ...

- ... more than being free from illness, it is a dynamic process of **change and growth**
- ... applied across six dimensions that each have an effect upon a **persons greater well-being**
- ... an aspect of nearly every human endeavor, which can provide a pathway to **optimal living**



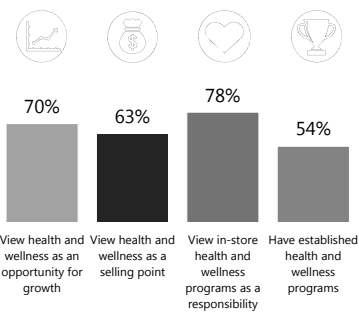
Source: http://www.nationalwellness.org/?page=Six_Dimensions

15

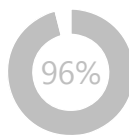
Copyright © 2016 Deloitte Development LLC. All rights reserved.

Why integrate wellness?

Retailers believe that health and wellness provides a growth opportunity, however given the vast definition of wellness, defining the type of wellness experience a retailer will bring to the customer is an essential piece of the overall process ...



■ Retailers committed to expanding health and wellness programs in their stores



Source: FMI 2014 Report on Retailer Contributions to Health & Wellness
http://www.fmi.org/forms/store/ProductFormPublic/search?action=1&Product_productNumber=3146

16

Step 1: What type of customers do I target?

Active & Established	Gains & Improvements	Holistic & Deeply Invested
<p>Customers who have a foundation in wellness and have product wants and needs</p>	<p>Customers who want to change lifestyles and better themselves via wellness activities and offerings</p>	<p>Loyal consumers and customers who are fully committed to all aspects of a wellness program</p>

Step 2: How do I differentiate my wellness offerings?

Offer Services	Provide Support & Instruction
<p>Providing wellness services (e.g., yoga, fitness classes/instruction, etc.) allows for major differentiation within the retail industry. This will engage and encourage consumers, build trust and create loyalty</p>	<p>Assisting those customers with questions about wellness, and helping them to track personal information via technology creates brand awareness and continues to build brand loyalty amongst consumers</p>

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Engaging employees in wellness ...

Health plans, employers, and retailers are striving to engage people to take an active role in their personal health ...

Examples

Encouraging health lifestyles and health conscious decisions ...

Employers around the world, including health plans and retailers, are encouraging both employees and patients/customers alike to take active roles in their personal health – these companies are offering more and more programs related to wellness and overall health initiatives such as:

- Fitness facilities, membership assistance (fitness subsidies) and even hiring fitness instructors to give demonstrations on how to incorporate fitness into every day work life
- Onsite flu immunization and blood donor clinics
- Enforcement of a smoke-free working environment (smoke-free campuses)
- Encouraging active programs during lunch hours, including creating social groups of people who walk, run or even cycle during lunch hours
- Serving health conscious food options at all on-site locations
- Offering smoking cessation programs and incentives
- Gamification of wellness programs (i.e., "biggest loser", health scores)
- Regular "wellness" communications / newsletter which provides tips, encouragement and features on what other individuals are doing related to wellness

Deloitte's Total Rewards program reflects our continued commitment to lead from the front in everything we do—that's why we take pride in offering a comprehensive variety of programs and resources to support your health and well-being needs.

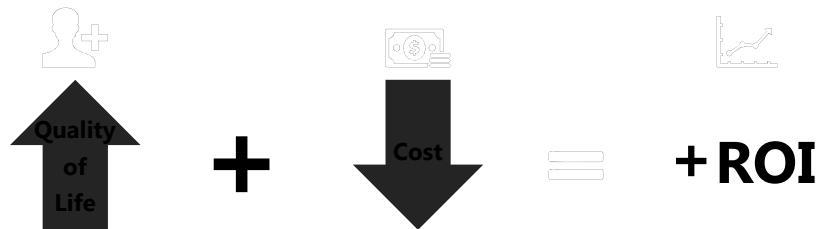
Source: <http://www2.deloitte.com/us/en/pages/careers/articles/life-at-deloitte-benefits-and-rewards.html>

Copyright © 2016 Deloitte Development LLC. All rights reserved.

17

Wellness; driving health and better bottom lines

A focus on wellness has helped keep customers, patients and employees **focused on their personal health**, which helps drive up the **quality of life** while driving down cost, resulting in **healthier individuals, a better workplace, and an overall return on investment** in human lives ...



18

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Session 3:

Trends: Retail clinics and wellness promotion & the risks associated with the ever-increasing scope-of-services offered by retail clinics

Major risks to consider

Risks are required to be **consistently evaluated** in order to understand the effects that they may pose at a given point in time. Risks should be **analyzed according to the risk management strategy** set forth by leadership. The risk management strategy should include risk rankings, which determine which risks require the most amount of attention. Some of the risks which may require more attention include:

- Patient safety
- Enrollment
- Credentialing
- EMR
- Health Insurance Portability and Accountability Act of 1996 (HIPAA)
- Inducement
- Payment
- Billing and coding
- Clinical Laboratory Improvement Amendment (CLIA)
- Kickbacks
- Incentives / Waive co-pays
- State scope of practice regulations for mid-level providers

Collaboration with **legal counsel** should be embedded into the risk management approach in order to design, implement and execute risk management procedures.

Increased services, increased risk ...

The **more services offered, the more exposed to risks** retailers are. While consumer centricism has presented areas of opportunity, these opportunities have opened retailers up to more risks which, when unaccounted, for can create detrimental problems. For example:

Scenario 1

Pharmacy XYZ offers gift cards and other monetary benefits in order to attract patients to utilize their pharmacy services ...

While this may seem like an effective marketing approach to help to bring in customers who regularly fill prescriptions, this tactic has been defined by CMS as inducement and is subject to fines:

- **Inducement** – Manipulating any healthcare choice and/or improperly influencing any healthcare decision making process through promotions / marketing
- The element of inducement is met by any offer of valuable (i.e., not inexpensive, greater than \$10) goods and/or services as a part of a marketing or promotional activity
- Inducement is subject to investigations that can be costly to perform and control, damage reputations, and end in expensive fines that can be detrimental to business operations

What effects does scenario 1 present across the entire health care value chain?

21

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Increased services, increased risk ... (cont.)

Scenario 2

Retail pharmacy ABC is filling prescriptions of controlled substances at extremely high volumes ...

Filling prescriptions at abnormal rates, especially prescriptions for controlled substances, can gain the attention of government agencies and investigations for which retailers may not be prepared:

- **Drug diversion** – The illegal distribution or abuse of prescription drugs or their use for unintended purposes
- **DEA investigations** – Investigations performed by the DEA into the reasons why and how controlled substances are filled. These investigations can be costly and can end with large penalties, fines, and suspension of licenses, all which can be detrimental to business continuity
- Policies and procedures need to be clearly defined and enforced in order to combat against investigations into pharmacy operations
- Internal auditing and monitoring should be performed on a normal basis in order to enforce that all policies and procedures are performed as designed and intended

Scenario 3

Retail clinic QRS operates in a state where physicians assistants and other mid-level providers are willing and able to write prescriptions for narcotic drugs ...

While mid-tier providers (i.e., nurse practitioners and physician assistants) are able to prescribe medicine, this can draw the attention of additional scrutiny by government agencies:

- Understanding the requirements set forth by government agencies and implementing policies and procedures that enforce the stated requirements is crucial
- Internally auditing and monitoring that policies and procedures are effectively implemented will protect against unknown investigations

22

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Increased services, increased risk ... (cont.)

Scenario 4

Retailer EFG is handling large amounts of confidential patient data which they are attempting to dispose of ...

Collecting confidential patient information requires that retailers, pharmacies, etc., handle the data appropriately, including the destruction of the data so that the information is kept confidential:

- **HIPAA** – This act was put in place in order to protect the confidentiality and security of patient data and other healthcare information
- Handling patient data requires that individuals are trained and understand the policies and procedures associated with data confidentiality
- Sensitive data needs to be recorded and kept as necessary and handled by only those individuals who are required to do so as their job dictates
- Disposal of data is also important as data needs to be properly handled and protected throughout the entire lifecycle
- Mishandling of data can lead to large investigations and fines which can be paralyzing and also can cause grave damage to reputation

Each scenario describes a situation where risks can cause detrimental problems when not considered and accounted for ...

23

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Risk universe

An illustrative view of the risks in the health and wellness space ...



Legal / Regulatory / Corporate Compliance

- Compliance Program
- Federal/State Regulations
- Sanctioned Providers
- Kick-Backs / Promotions
- Inducements / Incentives
- Physician Arrangements
- Business Association Agreements
- Records Management / Retention
- Litigation and Dispute Resolution
- Antitrust
- Contracting



Information Systems / Security & Privacy

- Compliance / Medical Records
- Management of Information
- System Acquisition/ Implementation
- Meaningful Use
- Device Security
- Privacy and Security of Protected Health Information (PHI)
- EMR



Revenue Cycle

- Patient Registration
- Charge Master / Charge Capture
- Clinical Documentation and Coding; ICD-10
- Contract Pharmacy / 340B Drug Program Management
- Pricing Transparency
- Patient Billing / Collections
- Collections Policies
- A/R, Denials, Bad Debts
- Credit Balances and Refunds



Human Resources

- Privileging and Credentialing
- Recruitment / Hiring / Retention
- Referral Network
- Compensation Models
- Benefits Administration
- Training and Development
- Payroll



Finance & Accounting

- Financial Reporting and Closing
- Financial Internal Controls
- Financial Performance
- Accounting for Management Estimates (allowance for doubtful accounts)
- Budgeting / Forecasting



Reimbursement & Managed Care

- Managed Care and Employer Contracting
- External Reimbursement and Funding (including Government Payers)
- Reimbursement / Coverage Shifts
- Payment Collection: Payor Verification and Management
- Payer Auditing Activity



Quality / Patient Experience

- Quality / Patient Experience
- Patient Safety
- Value-Based Care
- Central Patient Tracking
- Evidence-Based Practice
- Quality Indicator Monitoring
- Patient Outcomes Coordination
- Patient Satisfaction
- Infection Control and Prevention
- Accreditation
- Transparency

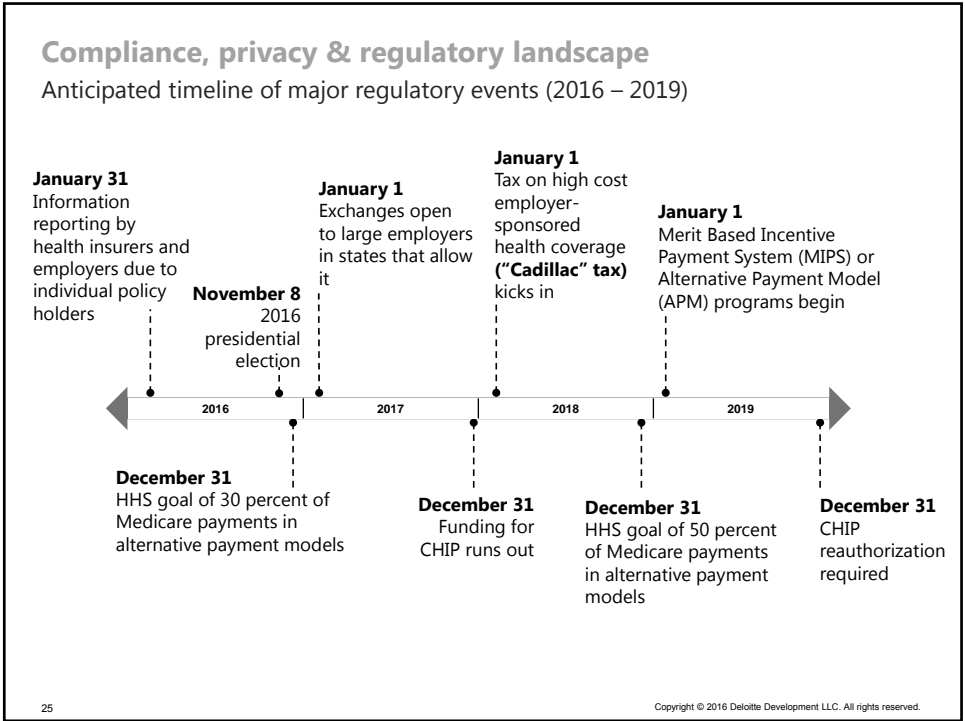


Inventory Management

- Procurement / Ordering Plans / Cost
- Tracking, Monitoring, and Auditing of Inventory
- Inventory Turnovers
- Secure Inventory Storage Facility and Management
- Accurate Fulfillment of Prescription Orders
- Damage Inventory Tracking and Reporting

24

Copyright © 2016 Deloitte Development LLC. All rights reserved.



Future considerations

Two major items to consider moving into the future of the changing healthcare landscape are the Cadillac tax and MACRA. Being aware of change is the first step in becoming equipped to handle change.

Cadillac Tax

What is the Cadillac tax?

- The tax will be enforced starting in 2018, a 40% excise tax that will be enforced on any individual health-insurance policy which costs more than \$10,200 – correspondingly, the family plan threshold is \$27,500

What is the goal of the Cadillac tax?

- The excise tax on high-cost employer-sponsored coverage (the so-called "Cadillac" tax) was included in the Affordable Care Act (ACA) in lieu of changes to the tax preferences for employer-sponsored health benefits for employees. The tax is intended to:
 - Help fund the ACA's health coverage expansion
 - Help control the growth of health care costs in the private health insurance market
- The excise tax takes effect for tax years after December 31, 2017. It is projected to raise \$91.1 billion from 2018 through 2025

Medicare Access and CHIP Reauthorization Act

What is the Medicare Access and CHIP Reauthorization Act (MACRA)?

- This act is designed to remove sustainable growth rate (SGR) methodology from the determination of annual conversion factors in the formula for payment for physicians' services, and help to revise the update in rates for 2015 and subsequent years





What is the goal of MACRA?

- MACRA is being put in place in order to align quality and outcome measures, which will help to steer the entire health community toward a coordinated care continuum and away from fee-for-service

26 Copyright © 2016 Deloitte Development LLC. All rights reserved.

Key takeaways

Today's discussion focused on the changing healthcare environment and the trends, opportunities, and risks that may have an impact on the health care industry moving forward. Key takeaways are:

-  Healthcare continues to change at a rapid pace, on a consistent basis
-  Consumer-centrism has challenged traditional norms and has forced healthcare to evolve
-  Due to rapid changes and consumer-centric ideology, areas of opportunity exist to improve the lives of patients and lower the overall cost of care
-  Opportunities present challenges and risks that can have consequences (i.e., fines, business continuity, damaged reputation, death) which could cause detrimental problems

27

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Deloitte.



Official Professional Services Sponsor

Professional Services means audit, tax, consulting and financial advisory services.

This presentation contains general information only and Deloitte is not, by means of this presentation, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This presentation is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this presentation.

As used in this document, "Deloitte Advisory" means Deloitte & Touche LLP, which provides audit and enterprise risk services; Deloitte Financial Advisory Services LLP, which provides forensic, dispute, and other consulting services; and its affiliate, Deloitte Transactions and Business Analytics LLP, which provides a wide range of advisory and analytics services. Deloitte Transactions and Business Analytics LLP is not a certified public accounting firm. These entities are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2016 Deloitte Development LLC. All rights reserved.
36 USC 220506
Member of Deloitte Touche Tohmatsu Limited