



# 21ST CENTURY HEALTHCARE: THE RISKS AND SOLUTIONS



Despite the clear benefits of the new healthcare delivery model, it also brings a set of new challenges and risks to healthcare institutions, including operational, financial and clinical risks. **Wesly Guiteau**, executive associate of Dubraski & Associates offers some solutions.

Since the passage of the Affordable Care Act (ACA) in 2010, much has been said about its impact on the healthcare industry. Now, just six years later, an emerging narrative seems to offer a clearer road map to the future.

The early stages of the law, including the disastrous launch of the government website and the state exchanges, did little to calm the skeptics, but today, the figures speak for themselves.

## FEDERAL AND STATE EXCHANGES

Source: *Center on Health Insurance Reforms, Georgetown University Health Policy Institute; Commonwealth Fund analysis*

- State-run marketplaces using federal website (4)
- State-run marketplace (12 plus the District of Columbia)
- State-federal partnership; state conducting plan management and consumer assistance (7)
- State running small-business marketplace; federal government running individual marketplace (2)
- Federally facilitated marketplace; state conducting plan management (7)
- Federally facilitated marketplace (18)

## MERGERS AND ACQUISITIONS

Source: *PwC*

- Hospital sector (101 transactions in 2015 compare to 94 in 2014)
- Managed care (41 deals, an 86.4% increase compared to 2014)
- Long term care (354 deals in 2015 or 24% of total healthcare transactions)
- Home health (down by 41% compared to prior year. 2014 was the highest in over 10 years)
- Physician practice (78 transactions, a 35% increase compare to 2014)

## NEWLY INSURED

Source: *Office of the Assistant Secretary for Planning and Evaluation*

An estimated 20.0 million adults have gained health insurance coverage as of February 22, 2016, a total 2.4 million increase since the previous estimate in September 2015.

## 2016 ACCOUNTABLE CARE ORGANIZATIONS

Source: *Center for Medicare & Medicaid Services*

- Medicare Shared Savings Programs (MSSPs) (434)
- Next Generation ACOs (NGACOs) (21)
- Pioneer ACOs (9)
- Comprehensive End Stage Renal Disease (ESRD) care models (13)

These changes have profound implications for the healthcare industry and its stakeholders, including the insurance industry. In this article we examine the emerging healthcare delivery model and its new risk profile.

## THE EMERGING NEW HEALTHCARE DELIVERY MODEL

Having been an underwriter for the last several years and a broker for many more years, I have had the privilege of working on both sides of the aisle. I have spent the last six years talking to high profile clients from large for-profit systems: integrated delivery systems, faith-based healthcare providers to academic institutions as well as managed care organizations.

I realized early on that a major restructuring of the entire healthcare delivery model was on the way, leading to a three tier system, with large multi-state integrated delivery systems at the top, followed by smaller regional systems and multi-specialty groups and independent physician practices.

The ACA's value-based reimbursement model is a game-changer for the industry. It is partly responsible for the growing number of M&A transactions. Moving from the old model of fee for service to value-based reimbursement means that healthcare providers' financial performance is no longer tied to volume, but rather to the overall wellbeing of their patients. This essentially exposes healthcare institutions to financial risk from poor clinical outcomes.

Addressing these challenges means that healthcare institutions would have to find innovative ways of delivering better care to patients; it means greater accountability for the full care continuum. It requires new infrastructure capable of monitoring, tracking and measuring patient outcomes and greater scrutiny and adherence to best practices across the entire network.

## ELECTRONIC HEALTH RECORDS

Most of the major integrated delivery systems across the country have effectively implemented or are in the process of implementing electronic

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health record (EHR) systems. Furthermore, a large percentage of them have developed a fully integrated network capable of sharing information across all disciplines.

An effective EHR system, when fully operational across the entire care delivery network, will revolutionize how healthcare is consumed across the country. It will provide healthcare institutions greater analytical capabilities that could prove useful in reducing the cost to specific episode of care (an overarching objective of the ACA). It will provide clinical decision support, which should improve quality. It will provide greater understanding in the study of genes and their functions. The term genomics is commonly used to describe this new exciting field. Genomics is an indispensable tool in population health management, which is proved to be one of the most effective tools in controlling cost.

The greatest benefit still to come is the prospect of marrying this vast quantity of clinical data with similarly vast quantities of patient historical claims data from the health insurers. Ultimately, access to this information will help them to achieve a number of operational goals.

A rich and broadly encompassing dataset that contains all likely events and patient variations will help to identify high risk patients more accurately and thereby allow providers to focus more resources where they can derive the most efficient results. Ultimately, the healthcare institutions with the most effective use of data can:

- Provide greater operational efficiency;
- Improve quality and safety of their patients; and
- Lower the cost of specific episodes of care.

## THE NEW RISK PROFILE

Despite the clear benefits these changes bring to the 21st century healthcare delivery model, they also bring a set of new challenges and risks to healthcare institutions, including operational, financial and clinical risks.

We know that considerable efforts are being made and precious financial resources are being spent to address the operational and financial risks such as system integration, interoperability and reimbursement issues. A less expansive but similar effort is required to address the full spectrum of risks associated with these changes such as new clinical risk management aimed at improving value based reimbursement while reducing overall exposure to CMS penalties, or a secure infrastructure to protect valuable patient health information and the impact of new regulations to the industry.



Ultimately, a robust enterprise risk management (ERM) platform is inevitable for those larger institutions that are leaders in this space. They must institute a clear plan of action that includes post-integration system wide risk assessment and risk financing; a re-evaluation of their current risk transfer platform in search for new, innovative underwriting platforms that are flexible enough to accommodate new risks inherit in a changing environment.

We know of an exclusive group of insurance carriers that are leaders in this space. We have worked with some of them recently to create the most advanced and cutting-edge risk transfer program currently in the marketplace and tailored specifically for large integrated healthcare delivery systems.

## SECURING YOUR CRITICAL INFRASTRUCTURE

Specific to data security, many of these carriers have also developed an effective package to help healthcare institutions manage a post-breach event. In addition to their assuming the risk, these carriers can also provide legal counsel, forensics, notification and credit monitoring and public relations. This risk management package has proved useful in helping to mitigate post-breach issues, especially for midsize insureds with limited resources and expertise in this important area.



Everyone knows the healthcare industry is a prime target for hackers, looking to steal valuable patient health information (PHI) to sell in the dark web. Every day we wake up to news of a hospital breach and there is plenty of statistics to substantiate this, but here are the latest data from the *2015 Ponemon Institute and Net Diligence 2015 Claims Study*:

- Healthcare cyber breaches are up 125 percent
- Average cost of a healthcare breach is up: \$2.2 million compared to \$1.3 million in 2014
- Criminal attacks are now responsible for 45 percent of all breaches compared to 30 percent in 2014. This is a significant shift from the days when rogue employees or lost/stolen laptops were the main culprit.

At Dubraski & Associates, we are truly cognizant of the enormity of the challenges facing healthcare institutions, which is why we have entered into two strategic partnerships aimed at enhancing our clients' data security posture and improving their clinical risk management platform.

1. **Data security:** This new partnership will provide our clients with a comprehensive service platform at a significant discount. The package includes remote network monitoring 24/7, intrusion detection, event log collection and aggregation endpoint scanning and remote forensic across thousands of endpoints. It's all provided at a Security Operations Center (SOC) which conducts real-time network risk analysis, digital forensics and deep interpretation of security breaches.
2. **Clinical risk management:** Access to a premier provider of clinical risk management with proven results in improving reimbursement by reducing client's exposure to CMS penalties.

Our team of healthcare experts, coupled with this new service platform, which for the first time combines prevention, mitigation and risk transfer in one comprehensive package, will help our clients where they need help the most. ■

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