GEISINGER
HEALTH SYSTEM

Testimony before the Pennsylvania House Health Committee on House Bills 1621 & 1622
By Frank Trembulak, EVP & COO, Geisinger Health System
December 18, 2013

Good morning. My name is Frank Trembulak. I am the Executive Vice President Chief Operating Officer of Geisinger Health System. I thank the Health Committee, Chairman Matt Baker, and Chairman Flo Fabrizio for the opportunity to participate in today's discussion on Representatives Christiana and Frankel's legislation, House Bills 1621 and 1622 and the overall concept of "any willing payer" and how it relates to the current trends in healthcare, particularly national health reform. I am honored to have been invited here today to present testimony on the future of healthcare and the impact of this proposed legislation.

First, I must clearly state that Geisinger Health System strongly opposes "any willing payer" legislation as written in House Bill 1621 and House Bill 1622 and any other singularly focused legislation that deals with the conflicts and consternation created by the march toward healthcare delivery and payment reform. However, we acknowledge, respect, and are sensitive to the community and constituency concerns that are driving these pieces of legislation. As stated in our concluding recommendation, we look forward to the opportunity of working with the legislature and others on effective ways to continue improving healthcare and healthcare policy in our Commonwealth as we continue on the road to broad national healthcare delivery and payment reform.

As you may know, Geisinger Health System is the oldest of all the integrated delivery systems in the Commonwealth and like the other integrated delivery systems, is directly impacted by this legislation. There are two forms of integrated delivery systems and it is important to understand the basic differences that each integrated delivery model represents. The forms of integrated delivery systems are those that are either horizontally integrated, or those which are vertically integrated.

Horizontal integration can be thought of as a horizontal merger when physician group practices or hospitals coordinate activities across providers that are at the same stage or level in the process of delivering patient services. Usually horizontal integration involves aligning organizations that provide a similar level of care under one management umbrella to increase

efficiency and utilize economies of scale. A non-healthcare example of a horizontal merger would be the recent American Airlines and US Airways merger, forming the American Airlines Group. Both airlines provide the same service, but by merging the new resulting airline group will be better positioned to provide enhanced competitive services as compared to their rivals.

Vertical integration, or vertical combinations, is the coordination of services among providers that are at different stages or levels of the process of delivering patient services. Unlike horizontal integration, vertical integration involves the grouping of organizations that provide different levels of care or services under one management umbrella thereby focusing on the coordinated continuum of healthcare services to a defined community, or population. In healthcare, vertically integrated systems are intended to address the following issues – efficiency, access, and quality.

A non-healthcare example of a vertically integrated business is Apple Inc. When we look at the iPad, Apple controls the processor, the hardware[1], and the software. Apple retail stores then sell its hardware, software, and services directly to consumers.[i] Many consumers prefer Apple's product and willingly pay more for an iPad than for Android tablets. They do this because of the perceived value and quality Apple provides.

When a healthcare system has both an insurance component and a delivery component they are referred to as being an integrated delivery system; however, the above examples highlight the significant differences with how integrated delivery systems can choose to operate; i.e., horizontally or vertically.

Geisinger has been a vertically integrated delivery system since 1972. In recent years we have consistently been recognized and lauded by President Clinton and President Obama, as well as the national media, for our innovation and health reform initiatives as well as our ability to provide quality healthcare outcomes for an overall lower cost. Our initiatives in healthcare delivery and payment reform have been successful because of our focus on identifying and eliminating the 35 percent or more of healthcare services on average across the country which add no value to patients' outcomes. Geisinger has been able to achieve success by optimizing our "sweet spot." To us, a "sweet spot" is the perfect balance between functioning as a payer and provider. This balancing allows us to test our innovation strategies for care delivery and payment model redesign. Without the ability to balance both components at our "sweet spot" (i.e. delivery and payer), we would not have the comprehensive information and financial

[1] The hardware itself is not typically manufactured by Apple, but is outsourced to contract manufactures who manufacture Apple's branded products to their specifications.

stability to test new and innovative ways to ensure that patients receive the highest quality and most coordinated care possible.

Two such successful initiatives that have come from our ability to balance the payer and provider components are the ProvenHealth Navigator® and ProvenCare®.

ProvenHealth Navigator® is our advanced patient-centered medical home which is designed to deliver value by improving care coordination and optimizing the health status of each individual patient. There are many important components to this program, but one of the most significant components is the personal attention received by patients from a nurse care manager ("navigator") who is focused on providing evidence-based care and care coordination to each individual patient. This program is designed to optimize the management of patients who have chronic diseases. The individualized patient management strategy results in fewer hospitalizations, improved outcomes, and enhanced quality of life.

Another one of our most celebrated innovations is our ProvenCare® program. ProvenCare® is often referred to as "surgery with a warranty." ProvenCare® consists of three core components: 1) establishing implementable evidence based best practices across the entire episode of care; 2) developing "bundled" risk-based pricing, including an upfront discount to the health plan or payer for the historical readmission rate; and, 3) establishing a mechanism for patient engagement. Our ProvenCare® program was first used for patients undergoing coronary artery bypass graft surgery. The ProvenCare® portfolio of services has since expanded to include, among others: bariatric surgery, hip replacement, cataract surgery, and even perinatal care[ii].

Patient-centered innovation is what vertically integrated delivery systems are able to pioneer, and what the government and other healthcare systems try to adopt and imitate. The legislation being discussed today would prohibit Geisinger from continuing to provide delivery system transformation.

While we understand the described goals of House Bill 1621 and House Bill 1622, we have several serious concerns regarding the forced contracting and further government intervention in healthcare that this legislation represents. Selective and exclusive network contracting is a fundamental part of the competitive process. A free market is a competitive market which results in and forces providers to minimize costs and maximize patient welfare. This legislation, contrarily, is anticompetitive and would compromise innovation. Innovation as highlighted above, that drives improved quality and outcomes while also reducing costs. In essence this legislation would discourage improvements in care delivery; i.e. paying for units of work on a

declining basis which in turn results in increased volume of services provided. Additionally, this legislation is counter to the national healthcare reform trend of integration and the creation of formal "continuums of care," such as the ACA pilot concept of Accountable Care Organizations ("ACO") which has numerous proven patient, employer, payer and provider benefits. The passage of House Bills 1621 and 1622 would circumvent the advances that are being made surrounding healthcare delivery, care coordination, and integration. The passage of these bills would nullify the innovation that has garnered Geisinger's national and international recognition.

Advocates of "any willing payer" language understandably seek greater consumer choice; however, this legislation amounts to government intervention in a competitive process by prohibiting efficient contracting which will ultimately be counterproductive to these goals. For an example of the undermining effect of such legislative mandating in general and proof of the disruptive nature of government intervention in healthcare, one needs to look no farther than what we are currently experiencing with the federal government with regards to the Affordable Care Act's ("ACA") Health Insurance Exchange, and its impact on the healthcare community, insurance market, and contracts.

Freedom of contracting is the underpinning of free markets. The legislative co-sponsorship memoranda states "components of a fairer, more competitive healthcare marketplace include transparency, payment reform and real competition based on value." Yet, there is nothing in this legislation that addresses the issue of payment reform; it merely forces a contract on an integrated delivery system. Furthermore, there is nothing in this legislation that addresses one of the core principles of meaningful healthcare reform – "value;" paying for quality rather than quantity and tying provider reimbursements to real outcomes.

Providing "real competition based on value" requires the examination of what value in healthcare really is. Value is receiving a quality service and outcomes for a reasonable cost. In order to enhance or evaluate value, the proposal must address the quality of the service, the outcomes, and the cost. This legislation, however, does the opposite. It prohibits hospitals, which are part of an integrated delivery system, from receiving any consideration as to the quality of their service when negotiating rates with insurers. This will further exacerbate the financial concerns related to healthcare and undermine all healthcare reform initiatives.

The reality is that we desperately need actual and dramatic healthcare reform. The structure, delivery, and payment of healthcare services, both historically and currently, are unsustainable. As referenced above, national studies have demonstrated that on average across the nation, at least 35 percent of the care that is provided to patients adds no actual or meaningful value to

the outcome of their care. This is not only harmful to the patient, but it is also a major economic drain for business and the government. Additionally, the current healthcare system leaves millions of people out of the system and unable to access basic preventative healthcare, health insurance, and prescription drug coverage.

Geisinger supports the overall concept of and need for healthcare reform and many of the clinical and payment initiatives that are included in the ACA. The majority of the clinical and payment redesigns included in the ACA are programs Geisinger has already piloted and "proven." Our innovation, clinical remodels, and payment redesigns have elevated Geisinger to a position of national leader. We are proud of this recognition and we are proud to have "proven" that you can reduce cost while improving quality and outcomes, and enhancing overall "value" for patients, employers, and the government. We demonstrated this performance in a population of 2.6 million people who are poorer, older, and sicker than national benchmarks.

The shared goal of healthcare reform and many of the incentives that the ACA provides for centers around the same innovations that Geisinger and other vertically integrated delivery systems (e.g. Cleveland Clinic, Mayo Clinic, Intermountain Healthcare, Kaiser, and Group Health of Peugeot Sound) are known for: containing healthcare costs; enhancing access to healthcare; improving the quality and outcomes of care; reforming the healthcare delivery system; and, implementing the technological improvements that are necessary to properly manage a defined population.

Overall, healthcare reform and the ACA promote the coordination of care across a comprehensive continuum of care. In order to meet these goals, healthcare organizations – including hospitals, physician practices, nursing homes, home health agencies and even insurers – are consolidating and increasing their degree of integration. Ultimately, this integration and development of formal continuums of care will provide better value to patients by improving their experience, and their quality and outcomes of care while at the same time reducing the cost. Furthermore, the consolidation and system transformation of markets is necessary to get our nation's healthcare delivery system under control and where it must be in order to properly manage the health of our population and be sustainable for the long term.

Vertically integrated delivery systems, like Geisinger, are characterized by care delivery innovation and payment methodologies that are aligned to foster highly effective and coordinated care which leads to improved quality and efficiency of healthcare services.

Payment reform plays a critical role in fostering – or hindering – true healthcare reform. Fee-for-service payment methodology tends to favor specialty care over primary care and contains incentives for higher volume and intensity of health services with no consideration of overall value to the patient. Most healthcare systems, including horizontally integrated delivery systems (and to some degree vertically integrated delivery systems), are still reimbursed under the fee-for-service payment model which continues to keep pounding away at cost per unit resulting in increasing volumes and intensity of services provided. Until healthcare organizations, including insurers, embrace payment methodology reform, they will never truly achieve the goal of providing enhanced overall value to the patients they serve.

In order to contain the escalation of healthcare costs, it is vital that we transition away from fee-for-service based payments to payment structures that encourage more cohesion within continuums of care, as well as more efficient and effective care. Geisinger Health System has developed payment models that support clinical transformation and the quality of the service outcomes delivered rather than the quantity of services provided. The incentive payments are conditional upon performance in meeting quality and outcome indicators and are divided between individual providers and participants to encourage team-based care and support.

A key advantage of vertically integrated delivery systems is their ability to offer patient-centered care emphasizing preventive care, which results in improved outcomes for defined populations with less utilization and cost in the long run. Vertically integrated delivery systems can accomplish this and accept the associated level of risk because they share the responsibility of the patient as both a provider and payer. Disaggregated fee-for-service environments are not able to offer that level of synergistic patient-centered value enhanced care, nor are they likely to produce the cost savings associated with the aggressive provision of preventive care.

The need to reform payment methodologies cannot be understated. Shifting payment incentives away from fee-for-service methods requires delivery systems that can accept degrees of financial risk. New payment methods reward high preforming and high quality healthcare systems by linking reimbursement to high quality, cost-effective care processes, and health outcomes.[iii] Unfortunately, this legislation will have the effect of perpetuating fee-for-service and delay payment methodology reform resulting in the continuation of higher volume and intensity of healthcare services.

Ultimately, patients will have to choose what type of healthcare delivery system they want to receive their care from: the traditional, fee-for-service approach to healthcare with excess services and cost; or, the nationally known enhanced care coordination and value approach that Geisinger and other vertically integrated delivery systems provide.

It is not a secret that the broad healthcare market is in a period of great flux. However, in order to effectuate change and reduce the increase in healthcare spending, dramatic change is necessary. In order to provide patients with the benefits of clinical integration, care coordination, and increased efficiency, healthcare systems need to redesign care in conjunction with insurers redesigning payment methodologies. The markets are transitioning and consolidating in order to adapt to the new healthcare environment. It is inevitable that varying degrees of conflict and disruption will erupt in local, regional, and statewide markets during this process. This transition is necessary to get to where we need to be. However, governmental intervention in the free markets process puts Geisinger and all other integrated delivery systems at a competitive disadvantage and runs contrary to the dynamics and pressures of health reform. Singularly focused legislation such as that being proposed will prevent Geisinger from having the stability needed to continue innovating healthcare delivery and payment reform.

Concluding Recommendation

It is important to note here today that Pennsylvania was one of 16 states to receive the Centers for Medicare and Medicaid Innovation ("CMMI") State Innovation Models Initiative: Model Design Award. In the development of this model, the Pennsylvania Department of Health ("Department") held numerous stakeholder meetings and worked hand-in-hand with the interested parties in discussing aspects of healthcare reform and innovation. The Department provided a summary of their innovation plan to the stakeholders on December 6, 2013. The Department will be submitting the actual plan on December 30, 2013. The plan aims to encourage healthcare delivery and payment system transformation. Many of the ideas contained within "The State Innovation Model" come from various innovations and payment model redesigns that were pioneered by Geisinger Health System.

The Governor's Office stated during these stakeholder meetings that the Administration wants to reduce the burdensome regulations at the state level that stymy healthcare innovation. Contrarily, with this legislation, we have the state legislature wanting to impose additional regulations that directly impact Geisinger and all integrated delivery systems. The intervention inspired by this legislation will not only quell future innovation, but will impact work that is currently underway.

Efforts related to healthcare reform and healthcare policy should be focused on and a framework for: implementing payment reform; supporting providers to transform care delivery; improving health information technology and data usage; expanding telemedicine; developing

a stronger work force; and, strengthening public health programs. "The State Innovation Model" establishes a collaborative basis to accomplish the redefinition of healthcare delivery and payment reform. The model will provide a forum and piloted results from which comprehensive healthcare policy can be developed for the betterment of the Commonwealth's healthcare delivery and health of all its citizens. Efforts by state leaders should not be focused on singular issues that will impede high quality systems which continue to innovate and are recognized nationally as leaders in healthcare delivery, payment reform, and delivery modernization.

We hope that the legislature sees the value in the stakeholder process and will work in a bipartisan fashion with the Department and the healthcare community to achieve "The State Innovation Model's" goal of collaborating to develop comprehensive healthcare policy. The goal of all healthcare policy should be to support delivery system innovations which can help turn the tide toward achieving the triple aim of improving the experience of health care, improving health status, and containing costs through more integrated, less costly, and higher quality care. This type of effort will perpetuate Pennsylvania's position as a leader in both healthcare and healthcare reform.

Again, we have serious concerns regarding "any willing payer" legislation and strongly disagree with governmental intervention that compels two companies to enter into a contractual relationship. Moreover, based on our experience, the fundamental transformation of healthcare delivery and financing that is necessary to drive effective reform of the healthcare system cannot result from relationships that are forced upon providers and payers. A comprehensive and collaborative forum and approach is very much needed. Such collaboration can lead to the establishment of the Commonwealth's framework for sound healthcare policy, delivery and payment reform that is needed to provide the long term benefit to the citizens of our Commonwealth.

Thank you for providing me with the opportunity to speak to you today. Geisinger Health System strives to be a lifelong partner in good health for the 2.6 million residents located throughout the 44 counties in central and northeastern Pennsylvania. We are committed to improving the health of the population and ensuring expanded access to healthcare. We want the Commonwealth to know that we pledge to make access to high quality healthcare easier for the numerous communities we serve, which is also a driving reason for Geisinger recently becoming a Medicaid Managed Care Contractor for upwards of 120,000 of the Commonwealth's Medicaid beneficiaries.

[i] Newsweek Staff. The iPad is Apple's Return to Vertical Integration. *Newsweek*. January 28, 2010. Available at: http://www.newsweek.com/ipad-apples-return-vertical-integration-71151

[ii] Ronald A. Paulus, Karen Davis and Glenn D. Steele. Continuous Innovation in Health Care: Implications of the Geisinger Experience. *Health Affairs*, 27, no.5 (2008): 1235-1245.

[iii] Michael Stanek, Lynn Dierker, Mary Henderson and Laura Tollen. Fostering State Policy to Support Integrated Delivery Systems: Summary of a Discussion Among State Policy makers and Delivery System Leaders. National Academy for State Health Policy. April 2012.

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GEISINGER
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December 11, 2013 FAX 717-705-1835 Page 1 of 2

The Honorable Matthew E. Baker
108 Ryan Office Building
PO Box 202068
Harrisburg, PA 17120-2068

Dear Chairman Baker:

I am writing in support of House Bill 1655's proposed goal of promoting the Patient-Centered Medical Home model within Pennsylvania's Medicaid program.

Geisinger Health System is proud to be a Medicaid Managed Care Contractor for upwards of 120,000 Commonwealth Medicaid beneficiaries and I am excited to inform you that we have implemented our Patient-Centered Medical Home program — ProvenHealth® Navigator — into our Medicaid product, GHP Family. Additionally, with just under a year of being operational we already are witnessing significant improvements across multiple quality indicators.

Geisinger Health System is a national leader in the Patient-Centered Medical Home concept of care with multiple peer reviewed articles published on our experience and success. ProvenHealth® Navigator has over five years of successful outcomes data highlighting its effectiveness. The success of the ProvenHealth® Navigator model is its five-point framework that encompasses: 1) patient-centered primary care; 2) integrated population management; 3) medical neighborhood; 4) quality outcomes, HEDIS, and bundled chronic disease metrics; and, 5) value-based reimbursement.

The difference between the ProvenHealth® Navigator model and those offered by other organizations is that Geisinger's performance is evidence-based and supported by both provider and payer analytics. Our results are proven[1]:

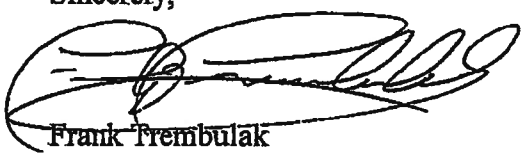
- 15% - 18% decrease in admissions annually
- 22% decrease in readmissions annually
- 72% of patients thought the quality of care was better after working with a PHN Embedded Case Manager
- ED visits remain flat for PHN managed patients while unmanaged patients ED visits increase

[1] Geisinger ProvenHealth® Navigator Embedded Case Manager Certification Program. Available at: http://www.geisinger.org/professionals/consulting/Emmbedded_Care-Course.pdf.

Additionally, we have scaled and generalized our care model to other organizations in different states and have achieved similar results.

We sincerely appreciate all that you and the House Health Committee do to support smart health policy for the Commonwealth. We would appreciate the opportunity to serve on the Patient-Centered Medical Home Advisory Council and partner in any pilot projects related to Patient-Centered Medical Homes. If you have any questions or would like additional information, please feel free to contact me.

Sincerely,



Frank Trembulak

cc: Secretary Beverly D. Mackereth, Department of Public Welfare
Representative Florindo J. Fabrizio, Minority Chairman, House Health Committee

Geisinger ProvenHealth® Navigator Embedded Case Manager Certification Program

What is the ProvenHealth® Navigator (PHN)?

PHN is a true Patient Centered Medical Home with over five years of successful outcomes data highlighting its effectiveness. The success of the ProvenHealth® Navigator model is its five-point framework that encompasses:

1. Patient centered primary care
2. Integrated population management
3. Medical neighborhood
4. Quality outcomes (HEDIS and bundled chronic disease metrics)
5. Value-based reimbursement

What is an Embedded Case Manager?

The Embedded Case Managers are specially trained RNs that are the heart of the PHN model. The Embedded Case Manager works out of the primary care physician's office and has direct access and interaction with the primary care physician, clinical personnel, and office staff. The Embedded Case Manager provides value to the patient by improving access, adherence to best practices, coordination of services, collaboration among the medical home team and the greater medical neighborhood, while value to the organization is derived from the prevention of costly and unnecessary acute care admissions, ED visits and reduction of readmissions.

What is the value of this training?

The value of the ProvenHealth® Navigator Embedded Case Manager Certification Program is in its ability to prepare your case managers for their exciting new role to collaboratively implement and successfully support the Patient Centered Medical Home. The training includes:

- Direct access to and observation of Geisinger's care team in ProvenHealth® Navigator primary care physician practices including assignment with experienced PHN Embedded Case Managers
- Attendance at key team meetings where performance reports and challenging patients are discussed
- Introduction to risk stratification tools and predictive modeling

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- Direct access to Embedded Case Management workflows (e.g., referral to case closure) and the corresponding documentation tools utilized within the electronic health record
- Focus on targeted conditions such as COPD and HF, with emphasis on transitions of care
- Quality metrics and processes to capture data for measuring success of the Embedded Case Manager
- 124 Nursing Continuing Education Units and a Certificate of Completion

The Results are Proven

- 15% - 18% decrease in admissions annually
- 22% decrease in readmissions annually
- 72% of patients thought the quality of care was better after working with a PHN Embedded Case Manager
- ED visits remain flat for PHN managed patients while unmanaged patients ED visits increase

The difference between the ProvenHealth Navigator® model and those offered by other organizations is that Geisinger's performance is evidence-based and supported by both provider and payer analytics.

For more information, or to enroll in the Embedded Case Manager Certification Program, contact Danielle Selleck at 570-214-5114 or email at innovconf@geisinger.edu or click here to visit us on the web.

"Geisinger has been doing this longer and better then all of us. No need to re-invent the wheel when you can learn from the masters."

-Robert Fortini, VP & Chief Clinical Officer, Bon Secours

"I loved the human and authentic feeling from the Geisinger Team."

-Jonna Herring, Clinical Quality and Performance Director, HSHS Medical

"When you tell other organizations that you are working with Geisinger it speaks volumes about what you are planning, how you are planning to do it and the direction your health system is going."

-Jennifer Selden, Quality Director, Bon Secours