



Public Payer Commission Meeting

BEACON HEALTH STRATEGIES

Thursday, September 18th 2014

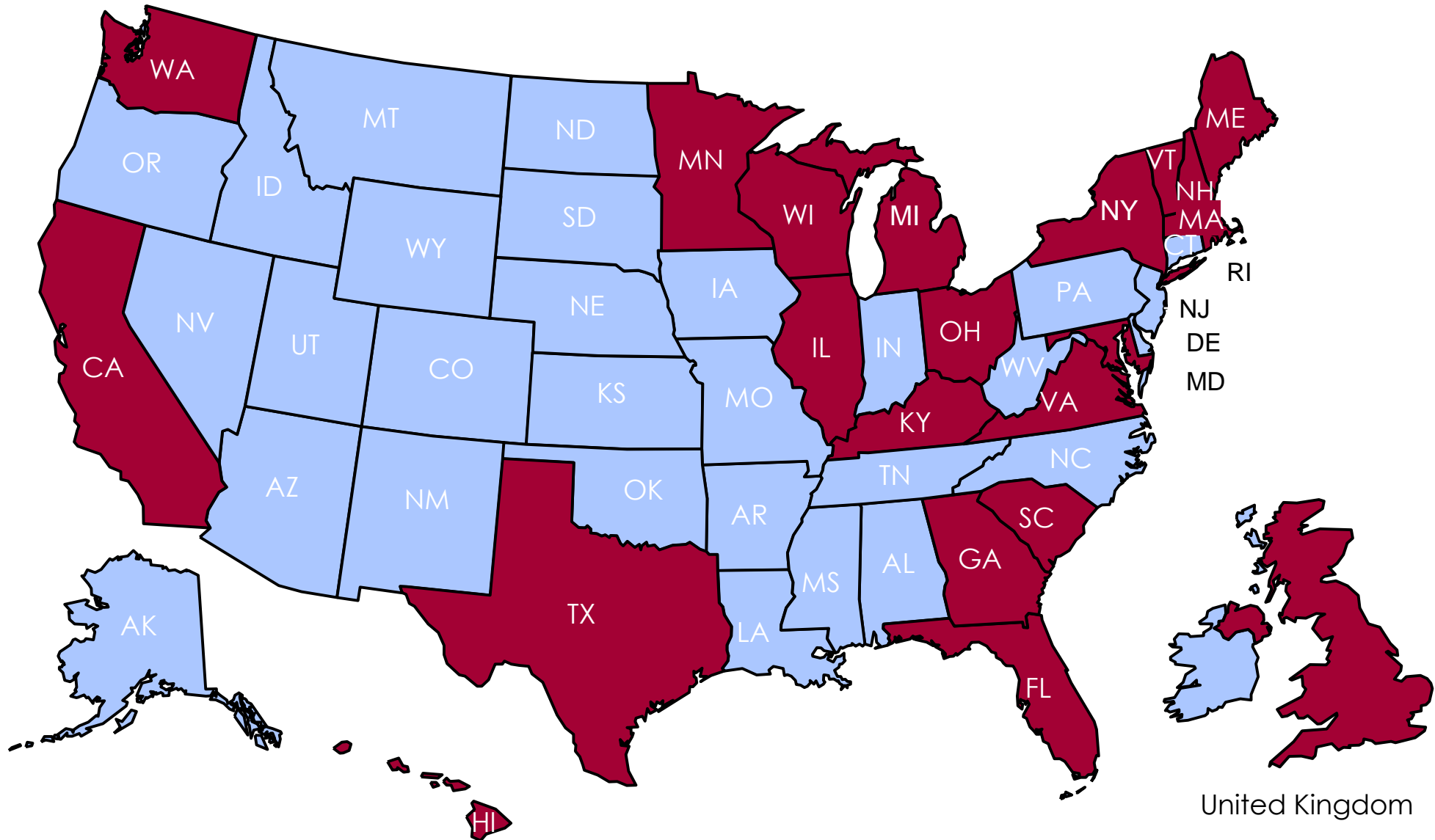


Founded in Massachusetts in 1996, Beacon coordinates MH/SA benefits for approximately 1 million Massachusetts residents

- **Health Plan Partners**
 - Neighborhood Health Plan
 - Fallon Community Health Plan
 - Boston Medical Center HealthNet Plan
 - Senior Whole Health
 - Group Insurance Commission
- **Headquartered in Boston** with a service center in Woburn, **employing 400+ Massachusetts residents**
- Comprehensive statewide network of providers
- Fully accredited by URAC and NCQA

Promoting recovery through improved systems of care while being a responsible fiscal steward is the unifying theme at Beacon

Beacon partners with 70+ health plans in 20 states, the UK, and 13 Medicaid programs covering nearly 11 million lives

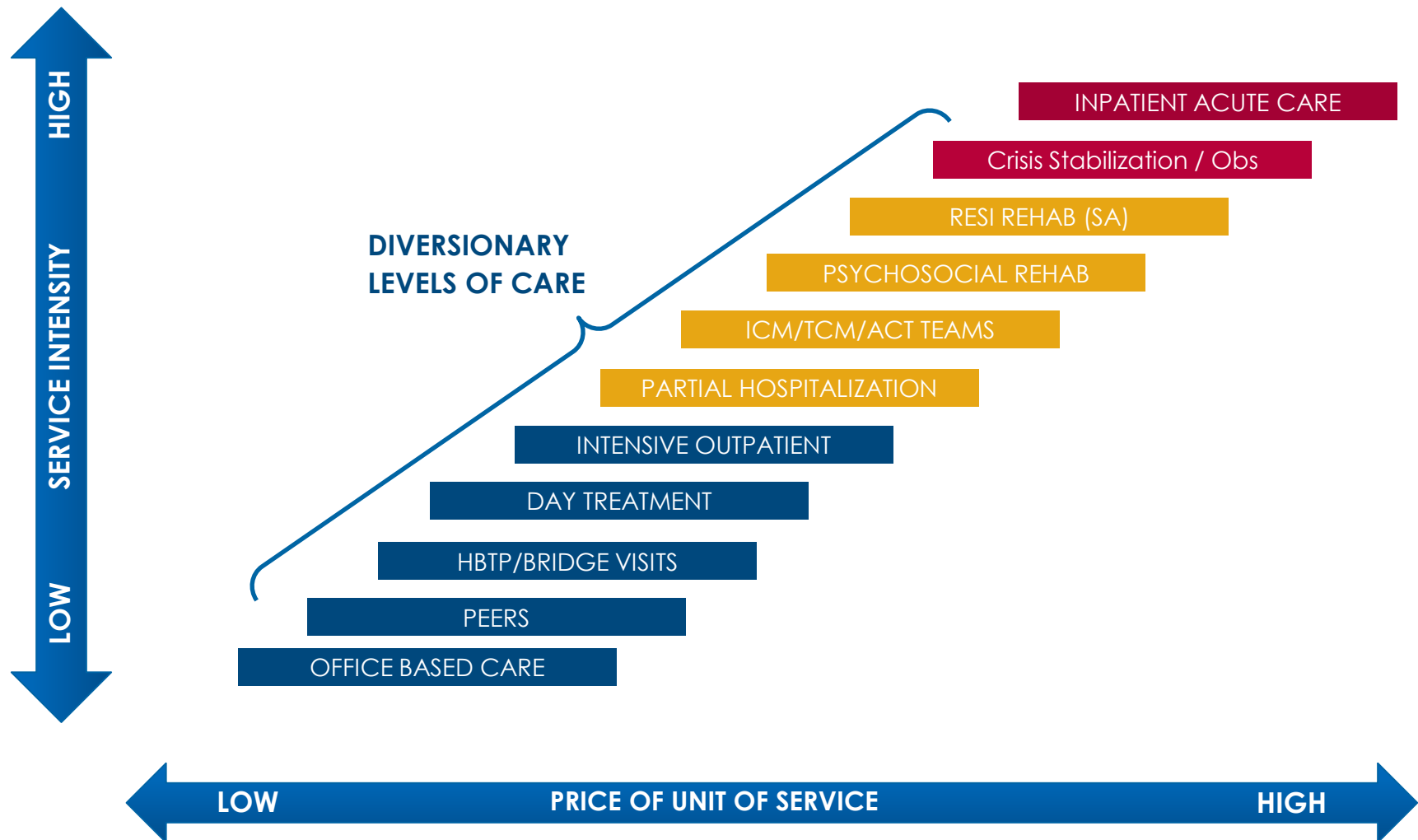


Beacon operates in red states noted above

Beacon has Entered into a Merger Agreement with ValueOptions

- The vision for this agreement is to **create the premier managed behavioral healthcare company in the United States**
- Both companies **strive to improve the lives of individuals with mental health and substance abuse conditions** through recovery-focused programs and effective provider partnerships
- As a result of this agreement, we will be able to offer our members, clients, and provider stakeholders **superior service through our combined capabilities**
- **Beacon's CEO, Tim Murphy will be the CEO of** the combined company, headquartered in Boston. The management team will be assembled from both companies
- ValueOptions is the State's **BH contractor for the PCC program**
- The companies **are legally separate until the merger is completed; anticipated in October 2014**

Massachusetts providers offer a robust continuum of care. Successful payment reform necessitates shifting care from acute to community-based services. Reimbursement must be tied to quality and outcomes



Inherent to the BH Delivery System are Structural Challenges Impeding Payment Reform

1. Broad continuum of care not offered by all providers
2. Member choice – “leakage consideration”
3. Access to specialty services limited in certain areas
4. Risk involves ability to handle losses – providers often do not have the financial reserves to absorb losses
5. Provider and payers need alignment on outcomes/value that matters; of the **33 quality measures CMS included to hold ACOs accountable to quality, only 1 (screening for depression) is directly related to Behavioral Health**
6. Provider infrastructure is lacking for monitoring performance, and evolving from FFS and/or bed days to care episodes with real-time cost tracking

BH Payment Reform Requires a System-wide Paradigm Shift

Beacon's experience indicates that approximately **95%** of Massachusetts provider payments are FFS transactions. Payment Reform and Cost Containment will not succeed without a system-wide paradigm shift in how payers pay, and how providers accept compensation, shifting from volume payments to value-based payments.

Payment Method	Key Elements	Pros	Cons
Fee for Service	Provider compensated a set fee for each service provided	Fixed revenue per unit of service	FFS perpetuates overutilization
Sub-Capitation	Provider receives a set amount "capitation" per member /per month to cover all services	Encourages internal utilization Mgmt of all services	Very nature of BH makes predictability of capitation challenging for smaller providers
Shared Savings/Risk Adjustment	Payer and Provider agree to a risk adjusted comprehensive payment for a defined membership (i.e., all of a payers members in a PCP panel) often with an opportunity for a quality add-on based on outcomes	Overutilization is discouraged Risk adjustment accounts for BH complexity Payment is aligned w outcomes	Provider must have a sophisticated infrastructure (Actuarially sound and operationally strong) to track and coordinate care

Building provider capabilities is a major challenge; Beacon is helping build a data foundation to support and inform risk discussions

CHALLENGES: FIRST-TIME JITTERS, LACK OF ADEQUATE DATA, NO UM EXPERIENCE

- There is **almost no provider experience** managing any level of risk; Beacon has structured **1 risk-based BH OP contract in MA today**, for a specialty commercial population and a defined set of providers
- BH OP **providers lack a full and complete picture of utilization and costs** associated with their patients across the continuum
- Many **providers talk about moving to risk-based-contracting**, yet almost **all lack a full understanding** of the admin and oversight changes required, particularly on **managing their costs (eg. UM) within a defined budget (e.g. capitation)**

OUR APPROACH: EDUCATE ABOUT DATA, DISCUSS COSTS, TIE COSTS & OUTCOMES

- We believe **there are a series of steps to move providers** from FFS to risk-based contracts, and we are working to drive providers towards alternative contracts:
 - **Agree on data:** there must be a shared understanding of what makes up utilization and cost history; Beacon released new OP data report this year to start this process
 - **Develop funding model:** providers usually lack actuaries, so MCEs will need to provide rates and data that can be easily verified; Beacon is transparent about BH costs to OP providers
 - **Support provider through migration:** providers need to be taught how to manage within a budget; Beacon has a technical assistance model that does just that
 - **Pay for quality:** provide the carrot for effective care; withholds or P4P around important goals

Essential Tools for BH Providers to Succeed in Payment Reform

1. Nimble and robust IT platform
 - a) EMR with behavioral health functionality
 - b) Ability to share care planning information
 - c) Ability to track patient experience inside and outside of primary delivery site
 - d) Ability to identify member's PCP/ specialty providers and to track and act upon bi-directional communications
2. Strong analytic infrastructure
 - a) Ability to track and quantify utilization of services
 - b) ROI analysis capability
3. Service delivery flexibility
 - a) Development of new programming to contain utilization in the least restrictive, most clinically appropriate setting
4. Financial analysis and reserves to track spending and monitor YOY trends

BCBSMA has Engaged Beacon to Develop a Risk-based Case-rate Contract with Select Providers to Treat BCBS Members with Severe Mental Illness

