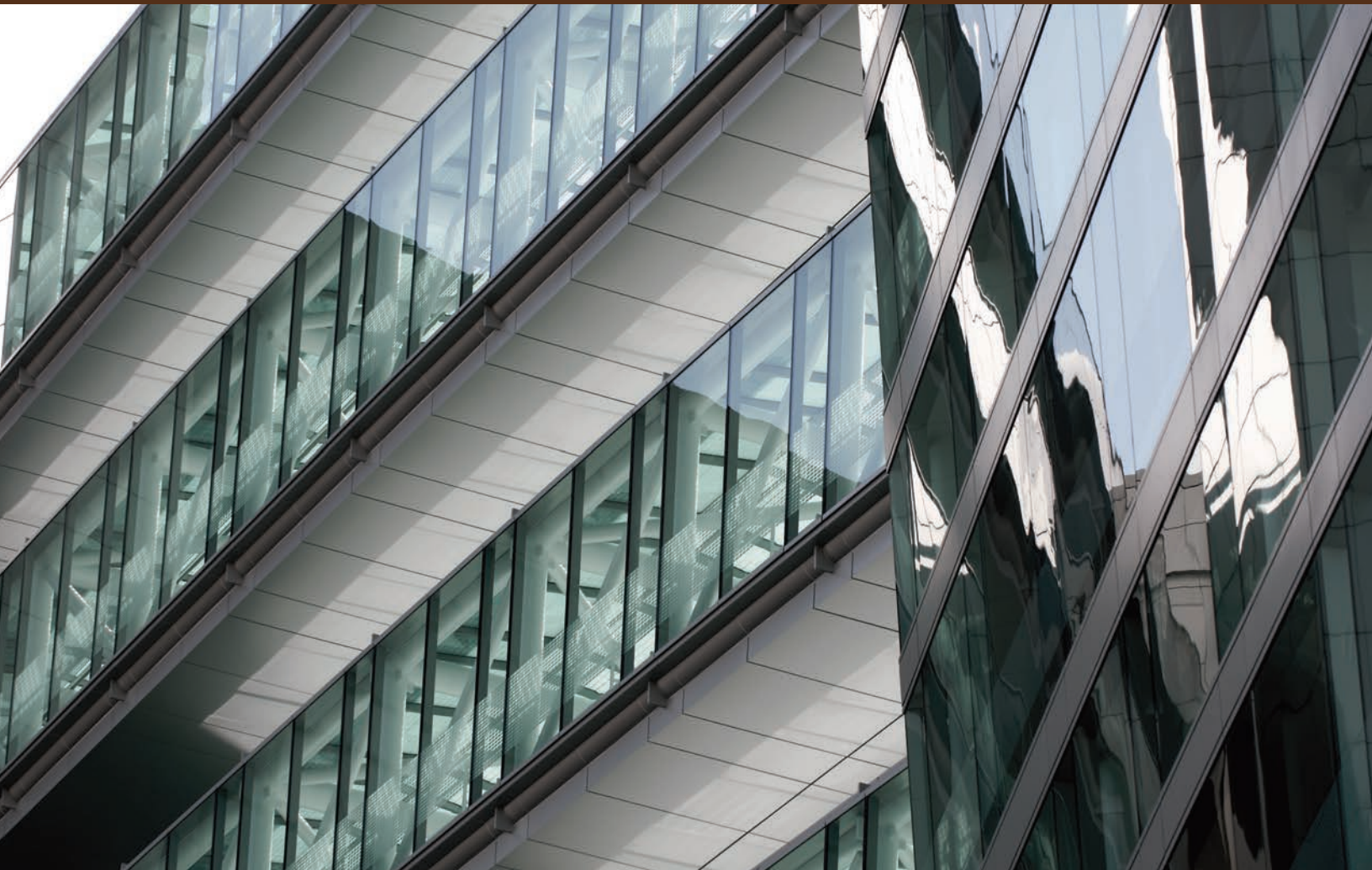


HEALTHCARE BANKING

Managing the Future of Healthcare



Ten Ways Providers and Payers Can Work Together to Cut the Cost of Healthcare

The Affordable Care Act and High Deductible Health Plans (HDHPs) are changing the inner workings of the healthcare industry. Payers and providers will need to seek alternatives to cut costs while also maintaining a positive patient experience.

With the rise of HDHPs, increasing costs, and more cost accountability shifting to the patient, consumers are beginning to put cost at the forefront of the decision-making surrounding healthcare. In order to stay competitive, payers and providers will need to work hand-in-hand to cut costs for consumers.

Here are the top 10 ways providers and payers can unite to cut the cost of healthcare.

1

Identify waste in spending.

Whether it's clinical, behavioral or operational, wasteful spending accounts for \$1.2 trillion out of \$2.2 trillion spent in the U.S., according to a survey by PricewaterhouseCoopers. Some of the largest contributing factors were redundant testing, inefficient administration and costs related to preventable conditions such as obesity.

2

Define clear goals.

Balancing priorities and goals may be the single most important step of the process. Both sides should agree on what information is shared about cost, while also looking for better efficiencies in administrative processes. When payers and providers decide on and invest in an intersecting purpose, efficient patient care and cost-benefits will follow.

3

Elevate technology to serve all sides of the equation.

The trend seems to be to go tech or go home, but healthcare software and the act of taking medical records to the cloud is a major overhaul. However, there are cost-benefits and efficiencies for electronic medical records, e-prescribing tools and automated administrative functions. Payers will ultimately benefit by having less collateral to handle with the ease of automation.

4

Leverage patient data to benefit payers and providers.

There is an immense amount of data that providers and payers know about a specific patient—whether financial, behavioral, clinical or operational. It's up to each side to not only aggregate this data but to leverage it for the best patient experience. Payers are able to access data from a wide variety of sources, but have the lowest use of secondary data of all health industry stakeholders, according to a survey by PricewaterhouseCoopers. Predict the best plan and investigate further for more insight into behavior.

5

Decide if diagnostic software complements physicians' patient diagnosis.

While physicians rely on intuition, previous findings and clinical data for patient diagnosis—some practitioners are leveraging technology-driven diagnostic programs to identify disease and support their initial findings. Diagnostic mistakes account for about 15 percent of errors that result in harm to patients, according to the Institute of Medicine. Determine if diagnostic software would complement the clinical process. Dr. Gurpreet Dhaliwal, Professor at University of California, San Francisco, states, "Getting better at diagnosis is as important to patient quality and safety as reducing medication errors, or eliminating wrong site surgery."

6

Get inside behavior.

The American Medical Association states that at least 25 cents of every healthcare dollar spent on the treatment of diseases or disabilities are a result of potentially changeable behaviors. Whether the cause is smoking, alcohol abuse, poor diet and exercise, failure to use seat belts, or overexposure to the sun—preventable healthcare costs are the first concern of many U.S. healthcare critics. While wellness programs give incentives and are proven effective, payers and providers can work together to advocate for a change in damaging behaviors.

7

Integrate wellness programs in hospitals.

A study by the Center for Disease Control and Prevention concluded that hospitals should be leading the way by making fundamental changes to create health-promoting environments. A culture of health and wellness in hospitals includes a shift in healthier food and beverage standards for employees and patients, models to promote physical activity, an increase in awareness around breastfeeding, and tobacco cessation and control programs. Support by public health systems will promote community health and fewer patient claims.

8

Explore e-visits and cost benefits.

Some providers are determining if some doctor's visits are best done virtually to make for a better patient experience and enhance cost benefits. A study by JAMA Internal Medicine analyzed the benefit of e-visits and concluded that this process could lower healthcare spending and added convenience for the patient, as well as cost savings for payers.

9

Reassess the way patients are being charged for service.

Many of us have heard of the bundling approach, but is it realistic? Instead of having a patient pay for service only when they need it or instilling the idea to "do more" in the doctor's office, determine if your institution can flourish with this shift in service. Volume-based care may be beneficial for your bottom line, but patients may seek alternatives once they catch on to the concept.

10

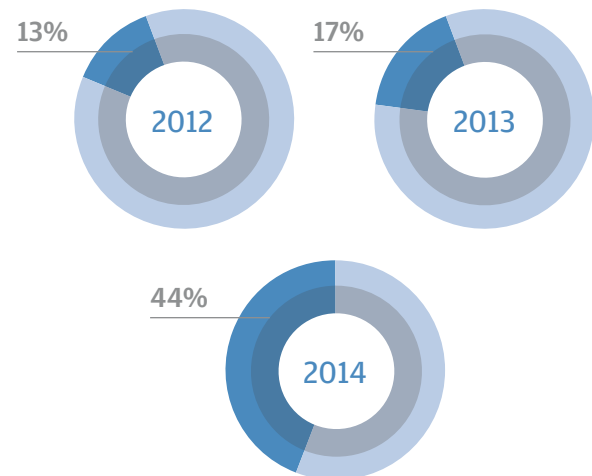
Reassess incentives.

Readjusting incentives programs can reform care delivery and improve overall health costs. A study by The Commonwealth Fund shows that states are implementing care models for Medicaid beneficiaries or pursuing multipayer approaches to move toward a unified healthcare budget. New incentive strategies could redesign the way care is delivered and promote an expansion of cost savings.

Both payers and providers should align themselves to work toward the health and well being of each patient/subscriber for whom they provide service. During this shift, it's important to maintain efficiencies, while keeping a patient-centered focus. The market is rapidly changing, and those who fail to keep up will surely be left behind.

THE NORMALIZATION OF HIGH-DEDUCTIBLE HEALTH PLANS (HDHPs)

Percentages of employers considering only HDHPs

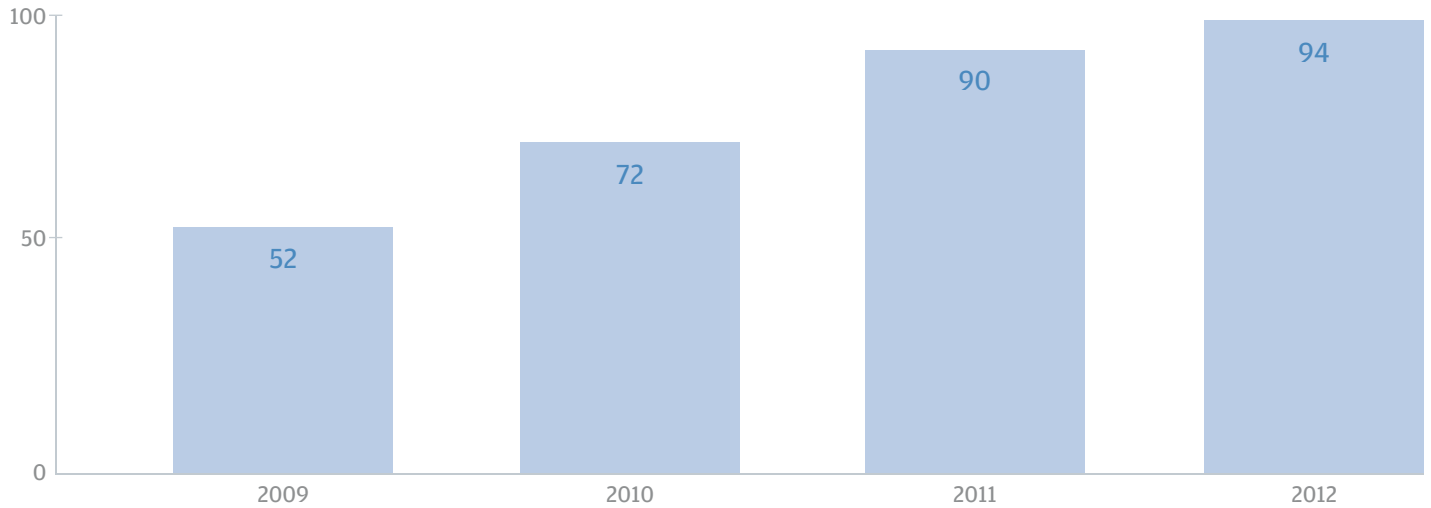


Source: PricewaterhouseCoopers

Key Drivers of Change in Healthcare

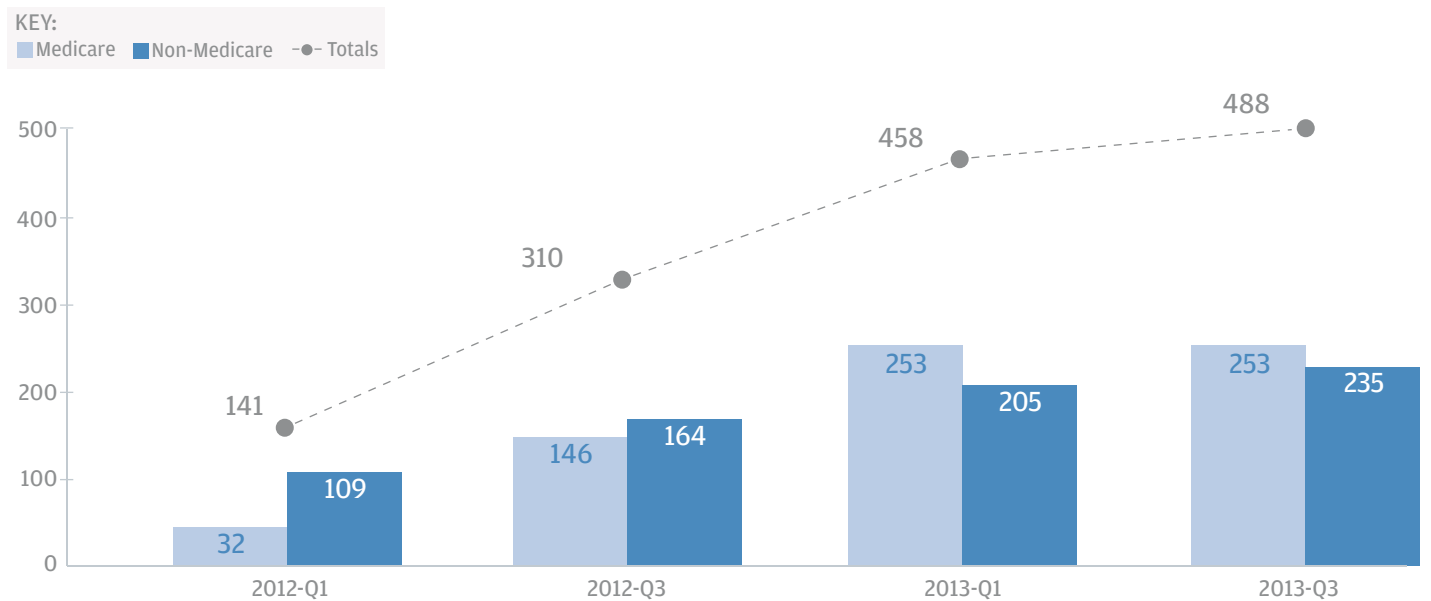
CONSOLIDATION

Number of Hospital Mergers & Acquisitions Deals



Source: PricewaterhouseCoopers

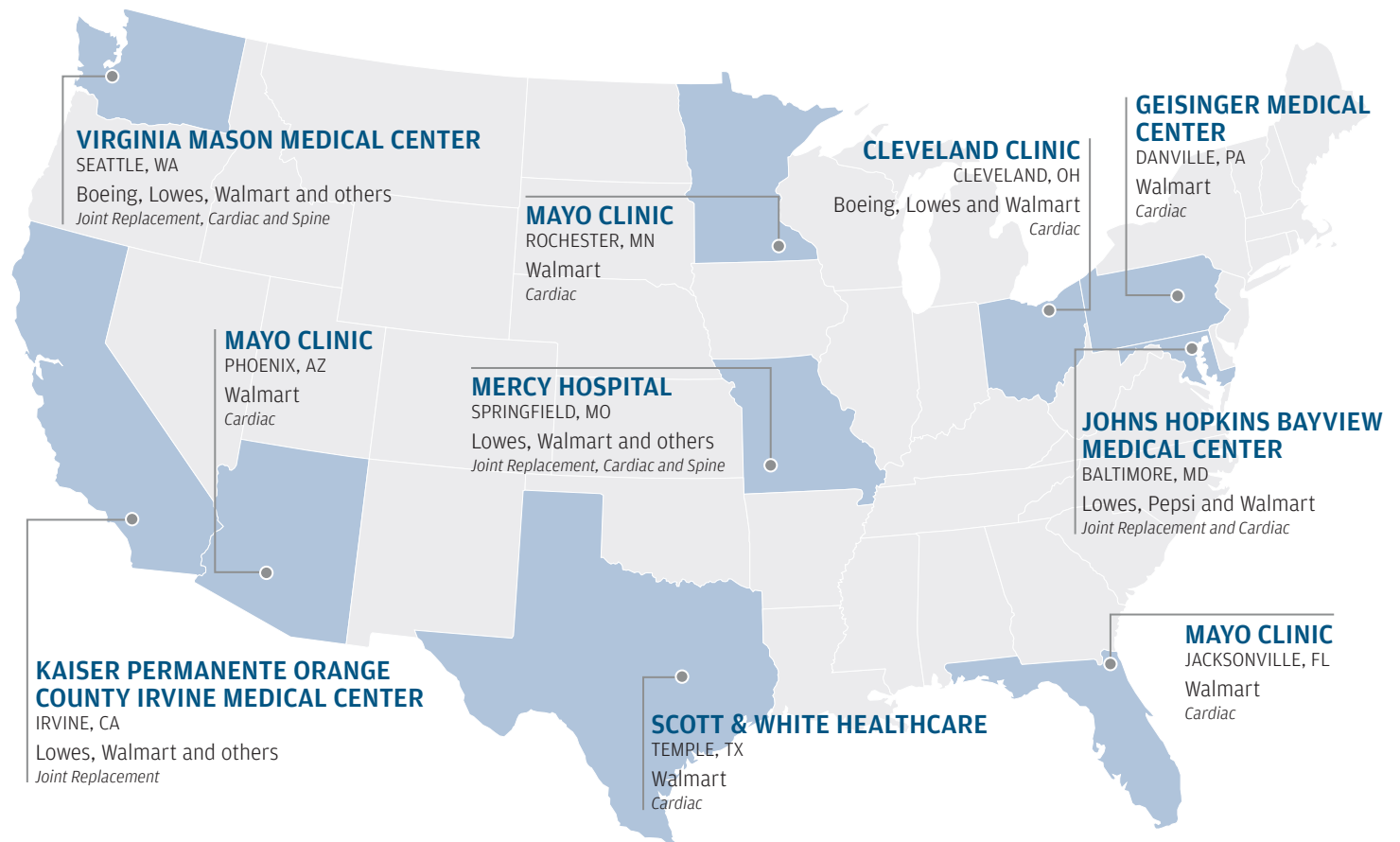
GROWTH OF ACCOUNTABLE CARE ORGANIZATIONS (ACOs)



Source: 2013 Growth and Dispersion of ACOs, Leavitt Partners

CENTERS OF EXCELLENCE

Over the last year, some of the nation's largest employers contracted with major hospitals for specific surgery services, reducing health costs through bundled payment agreements.



Source: Bloomberg, PricewaterhouseCoopers, The Wall Street Journal

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