ADAPTING HOME MEDICAL SUPPLY FOR VALUE-BASED CARE

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LEARNING OBJECTIVES

1. What policies and programs are affecting the DME industry today?

2. What should payers be mindful of when forming new contracts with DMEs?

3. How can payers and DMEs work collaboratively to achieve the Triple Aim?
**LET’S GO FURTHER TOGETHER**

**MEDTRONIC EXTENDED CARE**

Medical technology partner to patients, providers and payers across the post-acute continuum of care.

<table>
<thead>
<tr>
<th><strong>49,000+</strong></th>
<th><strong>145+</strong></th>
<th><strong>5 of 10</strong></th>
<th><strong>6 of 10</strong></th>
<th><strong>55+ years</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>employees, making us the largest global medical technology company</td>
<td>commercial &amp; clinical support partners dedicated to Extended Care</td>
<td>highest spend categories(^1) in LTC covered by Medtronic</td>
<td>highest spend categories(^1) in Home Care covered by Medtronic</td>
<td>with a singular mission: Alleviate Pain, Restore Health &amp; Extend Life</td>
</tr>
</tbody>
</table>

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FOCUSED ON
CRITICAL PATIENT CONDITIONS

How we apply our mission: Through a focus on four common conditions can bring significant consequences to clinical, quality and economic outcomes in Extended Care.

SKIN INTEGRITY
RESPIRATORY COMPROMISE
NUTRITIONAL INSUFFICIENCY
DEEP VEIN THROMBOSIS
WHERE WE CAN HELP
A DIVERSE AND COMPREHENSIVE PORTFOLIO

5 of 10
Long term care categories where you spend the most

<table>
<thead>
<tr>
<th>Rank</th>
<th>Category</th>
<th>Presence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Incontinence Products</td>
<td>✔</td>
</tr>
<tr>
<td>2</td>
<td>Enteral Feeding &amp; Nutritionals</td>
<td>✔</td>
</tr>
<tr>
<td>3</td>
<td>Gloves</td>
<td>X</td>
</tr>
<tr>
<td>4</td>
<td>Skin Care Products</td>
<td>X</td>
</tr>
<tr>
<td>5</td>
<td>Wound Care</td>
<td>✔</td>
</tr>
<tr>
<td>6</td>
<td>Metal/Plastic/Paper Products</td>
<td>X</td>
</tr>
<tr>
<td>7</td>
<td>Point of Care Testing (POCT)</td>
<td>X</td>
</tr>
<tr>
<td>8</td>
<td>Respiratory</td>
<td>✔</td>
</tr>
<tr>
<td>9</td>
<td>Patient Care Products, Medical</td>
<td>X</td>
</tr>
<tr>
<td>10</td>
<td>Needles &amp; Syringes</td>
<td>✔</td>
</tr>
</tbody>
</table>

1. Market share data reflects Q2 2015 GHX data in US institutional settings

6 of 10
Home care categories where you spend the most

<table>
<thead>
<tr>
<th>Rank</th>
<th>Category</th>
<th>Presence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Point of Care Testing (POCT)</td>
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<td>✔</td>
</tr>
<tr>
<td>3</td>
<td>Needles &amp; Syringes</td>
<td>✔</td>
</tr>
<tr>
<td>4</td>
<td>Incontinence Products</td>
<td>✔</td>
</tr>
<tr>
<td>5</td>
<td>Respiratory</td>
<td>✔</td>
</tr>
<tr>
<td>6</td>
<td>Wound Care</td>
<td>✔</td>
</tr>
<tr>
<td>7</td>
<td>Skin Care Products</td>
<td>X</td>
</tr>
<tr>
<td>8</td>
<td>Adhesives, Bandages, Dressings</td>
<td>✔</td>
</tr>
<tr>
<td>9</td>
<td>Gloves</td>
<td>X</td>
</tr>
<tr>
<td>10</td>
<td>Ostomy</td>
<td>X</td>
</tr>
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1. Market share data reflects Q2 2015 GHX data in US institutional settings
PATIENT CONDITION SUPPORT
TAILORED TO HOME CARE
To meet the unique needs of home care patients and providers

- **Payer Contracting Support**
  - Care Continuum | Utilization Management | Budget Impact Modeling

- **Patient and Caregiver Education**
  - Product Training | Care Transition Training

- **Provider Focused**
  - Sample Programs | Access to Marketing Tools | Reimbursement Support Hotline
WHERE WE CAN HELP
A DIVERSE AND COMPREHENSIVE PORTFOLIO

We have been providing advanced technologies and products for over 100 years. As Medtronic, we support a wide range of brands that remain the first or second choice of medical professionals in the U.S. across all of these patient care areas:

- Enteral Feeding
- Wound Care
- Capnography
- Sequential Compression
- Tracheostomy
- Pulse Oximetry
- Ventilation
- Enteral Access
- Sharps Disposal
- Compression Stockings
- Incontinence
- Urology
- Needles & Syringes
- Thermometry

1. Market share data reflects Q22015 GHX data in US institutional settings
THE MEDTRONIC CARE CONTINUUM TEAM
CREATING SHARED VALUE WITH PAYER ORGANIZATIONS

Extended Care Industry Advocacy
- Engaging with relevant stakeholder groups across the continuum
- Facilitating action from Medtronic payer and government relations teams

Aligning Customer Incentives
- Connecting payer and provider incentives to extended care portfolio
- Supporting development of value-based tools

Extended Care Payer Relationships
- Leveraging portfolio breadth and facilitate innovative contracting
- Enabling provider and payer shared value
### MEDICARE POLICY CHANGE DISRUPTING HOME MEDICAL SUPPLIES

<table>
<thead>
<tr>
<th>Competitive Bidding (DME/3rd Party Billers)</th>
<th>CJR, Bundled Payments</th>
<th>Value-Based Purchasing (Acute and Post-Acute)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Constrains prices on home medical equipment</td>
<td>• Incents hospitals to constrain total cost of care over 90 days</td>
<td>• Creates quality improvement incentives based on readmissions, skin integrity performance, patient satisfaction, and infection control</td>
</tr>
<tr>
<td>• Disrupts nursing home 3rd party biller market</td>
<td>• Incents appropriate and innovative medical supply use after hospital days</td>
<td>• Affords DMEs the opportunity to support chronic disease management and safe home care</td>
</tr>
<tr>
<td>• Creates fragmentation in existing DME-customer relationships, quickly shifting industry winners/losers</td>
<td>• Forces tighter relationships between hospitals and post-acute providers</td>
<td></td>
</tr>
</tbody>
</table>

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Medtronic
RECOGNIZING THE MEDICAID PAYER/PROVIDER CHALLENGE
POPULATION, FISCAL FORCES REQUIRE EFFICIENT HOME CARE

Tightening Budgets
Requiring Home Setting Focus...

State Medicaid cuts
Actuarial shortfalls in rate-settings
Quality bonuses required for profitability
Federal rebalancing funds

...With Home Care Patients
Increasingly Complex

Multiple comorbidities
Income-related care access challenges
Social needs, dementia, behavioral health
Preference for self-directed, home-based care
OPPORTUNITY TO STRENGTHEN THE DME/PAYER APPROACH
PARTNERSHIPS NEEDED FOR COST/QUALITY EQUILIBRIUM

Historical HME/DME Cost Management Paradigm

**Payer**
- Fee schedule cuts
- Monthly supply limits
- Network consolidation

**Impact:** Overutilization, product quality tradeoffs

**HME/DME**
- Product substitution
- Max monthly supply ordering

- Few mechanisms to guarantee quality, satisfaction, appropriate utilization
- Reimbursement model not aligned with payer cost and quality management goals
HOW ARE PLANS MANAGING MED SUPPLY COSTS?
MULTIPLE OPTIONS FOR DISCUSSION, EACH WITH BENEFITS AND DRAWBACKS

**MCO A**
Percent of Medicaid Fee Schedule
- Payer reduces DME rates to a percentage of the prior Medicaid fee schedule
- Payer keeps provider network open to those who are willing to participate and monitors regional access & service

**Pros/Cons**
- Fast price management
- May reward DMEs with overutilization practices or lower-quality providers

**MCO B**
“Preferred Provider” Arrangements
- Payer contracts directly with a set group of providers across multiple categories
- Care managers drive business to preferred network as allowed by state

**Pros/Cons**
- Multifaceted provider consideration process
- Can be difficult to drive business to preferred providers

**MCO C**
Competitive Bidding Per Category
- Payer creates a bid for a single category of grouped category of medical supplies
- Payers create pre-authorization barriers or network restrictions to reward bid winners

**Pros/Cons**
- Bids may interfere with arrangements with other DME partners
- May surface providers with most category expertise

**MCO D**
DME Purchase
- Payer operates a DME company and serves members using this company
- Payer/DME negotiates a distributor markup and directly negotiates with manufacturers

**Pros/Cons**
- DME margins support payer
- Payer controls quality
- Difficult to balance plan priorities with operational & investment needs of DME
DME EVALUATION MUST BE A MULTI-FACETED PROCESS
PROVIDERS HAVE VARIABLE AREAS OF EXPERTISE, CLINICAL SPECIALTY

- Is my DME providing competitive prices for the quality of product selected?
- Is my DME subsidizing low prices with inappropriate utilization?
- Do my provider network choices restrict access or customer service in my regions?
- Does the provider I have chosen have the clinicians and expertise to help with product use and disease management?
- Does my DME have a process for managing member complaints?
- Does the DME have strong service timeliness and call center staffing?
- What products does my provider use and who are their manufacturers?
- Is the price I’m paying trading off with the quality of products for my members?
COST MANAGEMENT MUCH MORE THAN A PRICING CHALLENGE
INCONTINENCE EXAMPLE: MULTIPLE DRIVERS OF AVOIDABLE COSTS

5 Categories Drive Appropriate Utilization

1. Incontinence level (see chart)

2. Appropriate size

3. Appropriate volume of monthly supplies per member

4. Right combination of products (e.g. no liners and briefs simultaneously)

5. Medicaid-billable supplies (some products e.g. creams not reimbursable)
CLAIMS AND ASSESSMENT DATA CAN HELP MONITOR APPROPRIATE UTILIZATION
INCONTINENCE SUPPLY EXAMPLE

Illustrative Incontinence Utilization Analysis
Performed by Medtronic Health Economics Outcomes research team

Utilization management model available based on expected product ratios

Model most accurate if incorporating beneficiary data (e.g. height/weight)
## WHAT’S IN YOUR PROVIDER SCORECARD?
PROACTIVE DATA TRACKING TO FACILITATE IMPROVEMENT

<table>
<thead>
<tr>
<th>Sample Metric</th>
<th>Sample Format</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item category spend per patient</td>
<td>$X per member per month</td>
<td>Spend visibility (rather than price) captures utilization-based savings.</td>
</tr>
</tbody>
</table>
| Number of patients with high-spend supplies at or over the Medicaid max allowable | For high-spend items: 
  # of patients / total members on DME service | High proportions of patients billing at the max allowable for some supplies may reflect inappropriate utilization.                                                                                           |
| Order turnaround time                                                         | Average time from order placed to order shipped                              | Turnaround time ensures efficient operations and member supply timeliness.                                                                                                                                     |
| Customer service complaints                                                   | # of customer service complaints per member / total members on DME service | Customer service complaints reflect service needs that should be addressed by the DME and plan.                                                                                                |
| Customer service complaints without a documented resolution                   | # of unresolved complaints / total members on DME service; resolution log should be available to health plan staff | Customer service complaints can be common when switching to a new vendor or product line, documentation of resolution ensures smooth transitions |
### Are Your Clinical Staff Prepared to Work Best with DME Providers?

**Example Programming Available to Medtronic DMES and Health Plans**

| Program Name                                                                 | Description                                                                                                                                 |
|                                                                            | This program provides an overview of MASD and details the impact of IAD on skin integrity and offers some intervention suggestions to prevent and treat. |
| Moisture Associated Skin Damage (MASD) & Incontinence associated dermatitis (IAD); 2.0 CE |                                                                                                                                               |
| Pressure Ulcer Prevention and Elimination Program P.U.R.E.; 2.0 CE          | This program addresses the risks behind pressure ulcers, and gives in depth detail on the National Pressure Ulcer Advisory Panel – Pressure Ulcer Staging – and interventions. |

**Live Offering**

**Volume 5, Number 1:** Pressure Ulcers: Prevention and Management

**Volume 4, No.3:** Skin Integrity & Complications

**Volume 6, No.1:** Skin Integrity and Pressure Ulcer Prevention

**Online Self Study**

- **Volume 5, Number 1:** Pressure Ulcers: Prevention and Management
  - Pressure Ulcer Prevention and Management: Focus on Nutrition - Joyce K. Stechmiller, PhD, ACNP-BC, FAAN
  - Pressure Ulcer Prevention and Management: Focus on Incontinence - Joan Junkin, MSN, APRN-CNS, CWOCN
  - Prevention and Management of Pressure Ulcers: Focus on Wound Care - Karen Zulkowski, DNS, RN, CWS
  - Wound Care in Long Term Care: Focus on Infectious Complications - Dorothy B. Doughty, MN, RN, CWOCN, FAAN
  - Panel Discussion: Tubing Surgical Site Infections: Where are we today? Moderator: Robert G. Penn MD, FACP, FSHE
  - Prevention and Management of Incontinence-Associated Dermatitis By Vicki Haugen, RN, MPH, CWOCN, OCN, FCN; and Denise Nix, MS, RN, CWOCN
  - Support surfaces for pressure ulcer prevention Joyce Black, PhD, RN, CWCN, FAAN

- **Volume 6, No.1:** Skin Integrity and Pressure Ulcer Prevention

  Online self-study program with link for completion of posttest for and evaluation to earn CE’s

  - Pressure Ulcer Prevention and Management: Focus on Nutrition - Joyce K. Stechmiller, PhD, ACNP-BC, FAAN
  - Pressure Ulcer Prevention and Management: Focus on Incontinence - Joan Junkin, MSN, APRN-CNS, CWOCN
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ENSURING PRODUCT QUALITY, NOT JUST PROVIDER QUALITY
THIRD PARTY STANDARDS HELP OBJECTIVELY ASSESS VENDORS

Sample Evaluation Categories:
National Association for Continence Product Standards

1. Rewet Rate
2. Rate of Acquisition
3. Retention Capacity
4. A range in choice of sizing options
5. Range of absorbency levels
6. Safety
7. Closure system
8. Breathability

Minnesota and Wisconsin use 3rd party standards to set state-mandated incontinence product formularies

Illinois and New York have also recently used 3rd party standards in assessing incontinence product bids

TAKING ADVANTAGE OF YOUR DME PROVIDERS’ HOME INTERACTIONS?
MULTIPLE MEMBER TOUCH POINTS TO SUPPORT PAYERS

- Home deliveries and customer service calls provide member visibility.
- DMEs regularly collect phone numbers and patient status information necessary for health plan success.
- Many DMEs have nurses, dieticians, respiratory therapists, and WOCNs on staff.
- Select DMEs have invested in telemedicine and chronic disease management programming.
OUR VALUE TO PAYERS

**Goals for Health Plan Partners**
- Optimize HME/DME spend and quality-related acute claims
- Improving patient/caregiver self-care and satisfaction
- Enhance performance on health plan quality metrics

**How We Achieve These Goals: Therapy Innovation and Tailored Support**

**Supply Cost Management Support**
- Competitively priced products, contracts with providers that support substantial shifts in product volume
- Product utilization tools analysis

**Quality Products and Providers**
- Manufactured in Greenwood, SC to third-party industry standards

**Patient-Centered Solutions**
- Supporting culturally competent, low-health literacy design
- Co-developed member satisfaction initiatives

**Resources for Care Management Staff**
- Experienced clinical faculty and on-demand educational resources
- New investments in end-user sample program
Identification:
- Identify preferred DME(s) to drive utilization management plan
- Receive necessary data & feedback for programming
- Fees apply for consultative services

Measurement:
- Define mutual success tracking mechanisms
- Tailor measures to MCO’s current performance objectives