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ADAPTING HOME MEDICAL SUPPLY FOR VALUE- BASED CARE

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Medtronic
Further, Together

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.

49,000+

employees, making us the largest global medical technology company

145+

commercial & clinical support partners dedicated to Extended Care

5 of 10

highest spend categories¹ in LTC covered by Medtronic

6 of 10

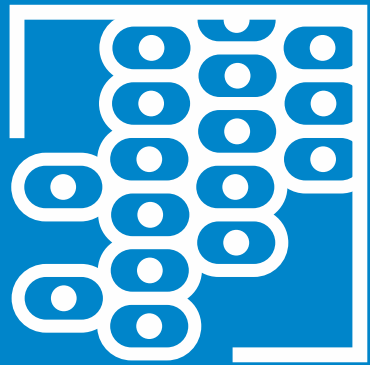
highest spend categories¹ in Home Care covered by Medtronic

55+ years

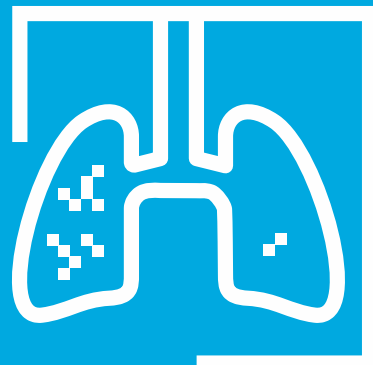
with a singular mission: Alleviate Pain, Restore Health & Extend Life

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 most¹

		Top 10 Category Spend - LTC 2015	
		1) Incontinence Products	✓
		2) Enteral Feeding & Nutritionals	✓
		3) Gloves	X
		4) Skin Care Products	X
		5) Wound Care	✓
		6) Metal/Plastic/Paper Products	X
		7) Point of Care Testing (POCT)	X
		8) Respiratory	✓
		9) Patient Care Products, Medical	X
		10) Needles & Syringes	✓

6 of 10

Home care categories where you spend the most¹

		Top 10 Category Spend - Home 2015	
		1) Point of Care Testing (POTC)	✓
		2) Enteral Feeding & Nutritionals	✓
		3) Needles & Syringes	✓
		4) Incontinence Products	✓
		5) Respiratory	✓
		6) Wound Care	✓
		7) Skin Care Products	X
		8) Adhesives, Bandages, Dressings	✓
		9) Gloves	X
		10) Ostomy	X

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



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

Competitive Bidding (DME/3rd Party Billers)

- Constrains prices on home medical equipment
- Disrupts nursing home 3rd party biller market
- Creates fragmentation in existing DME-customer relationships, quickly shifting industry winners/losers

CJR, Bundled Payments

- Incentivizes hospitals to constrain total cost of care over 90 days
- Incentivizes appropriate and innovative medical supply use after hospital days
- Forces tighter relationships between hospitals and post-acute providers

Value-Based Purchasing (Acute and Post-Acute)

- Creates quality improvement incentives based on readmissions, skin integrity performance, patient satisfaction, and infection control
- Affords DMEs the opportunity to support chronic disease management and safe home care

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

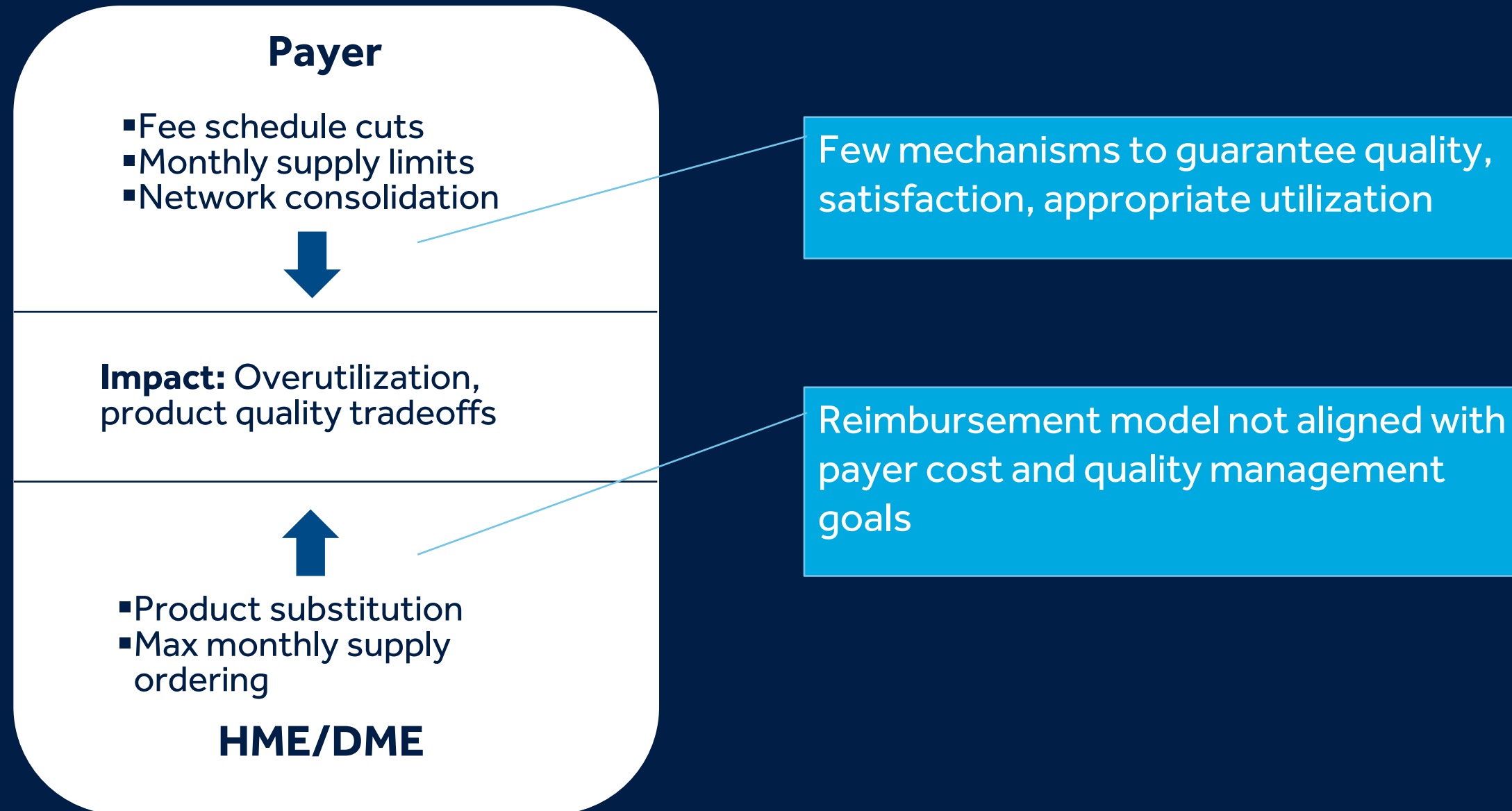
...With Home Care Patients Increasingly Complex

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



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 manufactures

Pros/Cons

- DME margins support payer
- Payer controls quality
- Difficult to balance plan priorities with operational & investment needs of DME

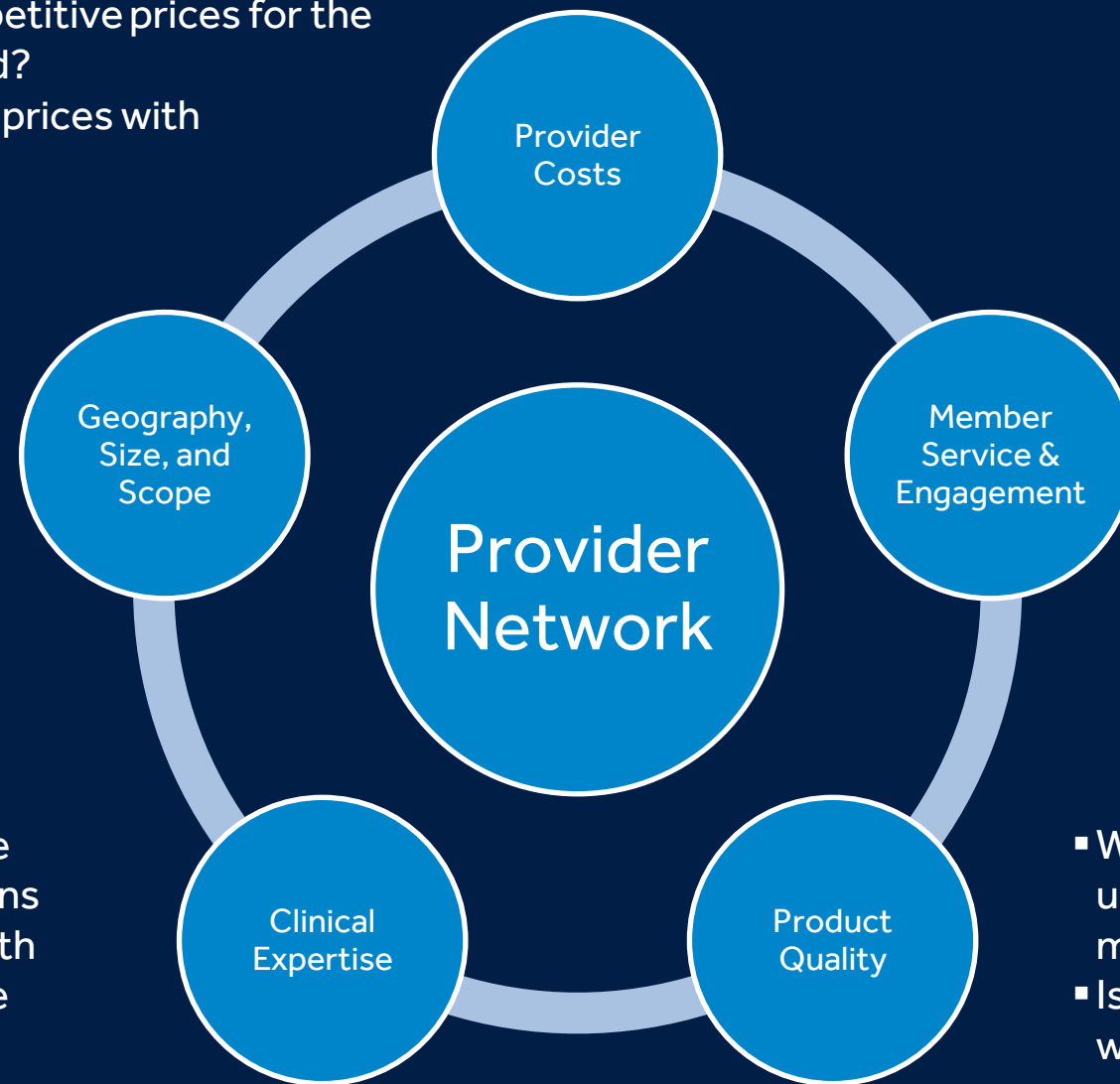
DME EVALUATION MUST BE A MULTI-FACETED PROCESS

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

Level of incontinence	Products
Light Incontinence: <i>Intermittent or constant leakage of small amounts of urine.</i>	Sure Care™ Bladder Control Pads Bladder control pads are small pads with an adhesive backing meant to be used in your own undergarments. Like a feminine hygiene product, they are individually wrapped and the wrapper doubles as a disposal device. Bladder control pads are specifically designed for managing light incontinence. They are an ideal product for women with light bladder leakage. 
	Sure Care™ Guards for Men Guards for men are small pads with an adhesive backing meant to be used in your own undergarments. They are specifically designed to provide protection for men with light bladder leakage. 
Moderate Incontinence: <i>Constant urge to urinate. Bladder contractions followed by a loss of urine.</i>	Sure Care™ Protective Underwear Protective underwear is designed to be pulled on like regular underwear. The outer layer is made of a soft and breathable cloth-like material. They are low-profile and discreet and can absorb large amounts of fluid. They contain materials that reduce odor and keep wetness away from the skin. Protective underwear are available in multiple levels of absorbency. 
	Sure Care™ Belted and Beltless Undergarments Belted and beltless undergarments are a one-size-fits-all option. They contain materials that reduce odor and quickly pull fluid in, helping to keep wetness away from the skin. The belted undergarment comes with a wide adjustable belt that makes the garment comfortable to wear. 
Heavy Incontinence: <i>Regular loss of the entire contents of the bladder.</i>	Wings™ Adult Briefs and Simplicity™ Adult Briefs Adult briefs are available in varying levels of absorbency. They are designed with tabs that attach to the front of the brief for application and removal. They contain materials that reduce odor and quickly pull fluid in and keep wetness away from the skin. 

5 Categories Drive Appropriate Utilization

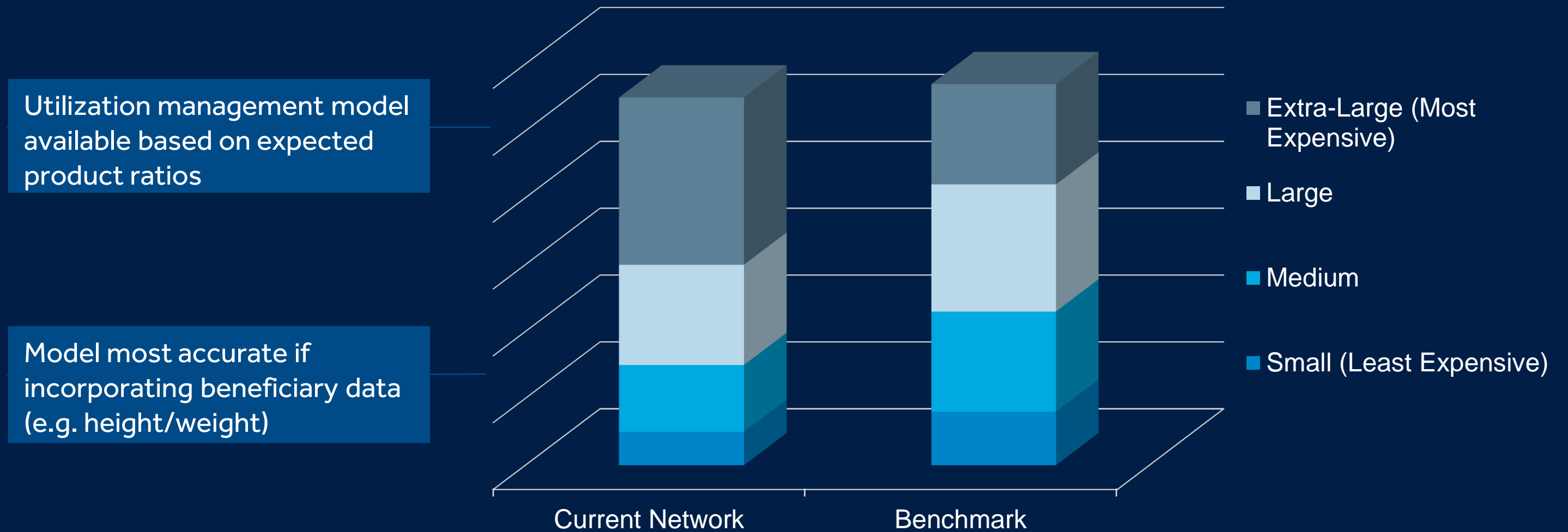
1. Incontinence level (see chart)
2. Appropriate size
3. Appropriate volume of monthly supplies per member
4. Right combination of products (e.g. no liners and briefs simultaneously)
5. Medicaid-billable supplies (some products e.g. creams not reimbursable)

CLAIMS AND ASSESSMENT DATA CAN HELP MONITOR APPROPRIATE UTILIZATION

INCONTINENCE SUPPLY EXAMPLE

Illustrative Incontinence Utilization Analysis

Performed by Medtronic Health Economics Outcomes research team



WHAT'S IN YOUR PROVIDER SCORECARD?

PROACTIVE DATA TRACKING TO FACILITATE IMPROVEMENT

Sample Metric	Sample Format	Rationale
Item category spend per patient	\$X per member per month	Spend visibility (rather than price) captures utilization-based savings.
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

Live Offering

Program Name	Description
Moisture Associated Skin Damage (MASD) & Incontinence associated dermatitis (IAD); 2.0 CE	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.
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.
<u>Volume 5, Number 1</u> : Pressure Ulcers: Prevention and Management	<p>Online self-study program with link for completion of posttest for and evaluation to earn CE's</p> <ul style="list-style-type: none"> • 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
<u>Volume 4, No.3</u> : Skin Integrity & Complications	<ul style="list-style-type: none"> • 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
<u>Volume 6, No.1</u> : Skin Integrity and Pressure Ulcer Prevention	<ul style="list-style-type: none"> • 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

Online Self Study

ENSURING PRODUCT QUALITY, NOT JUST PROVIDER QUALITY

THIRD PARTY STANDARDS HELP OBJECTIVELY ASSESS VENDORS

Sample Evaluation Categories:

National Association for Continence Product Standards

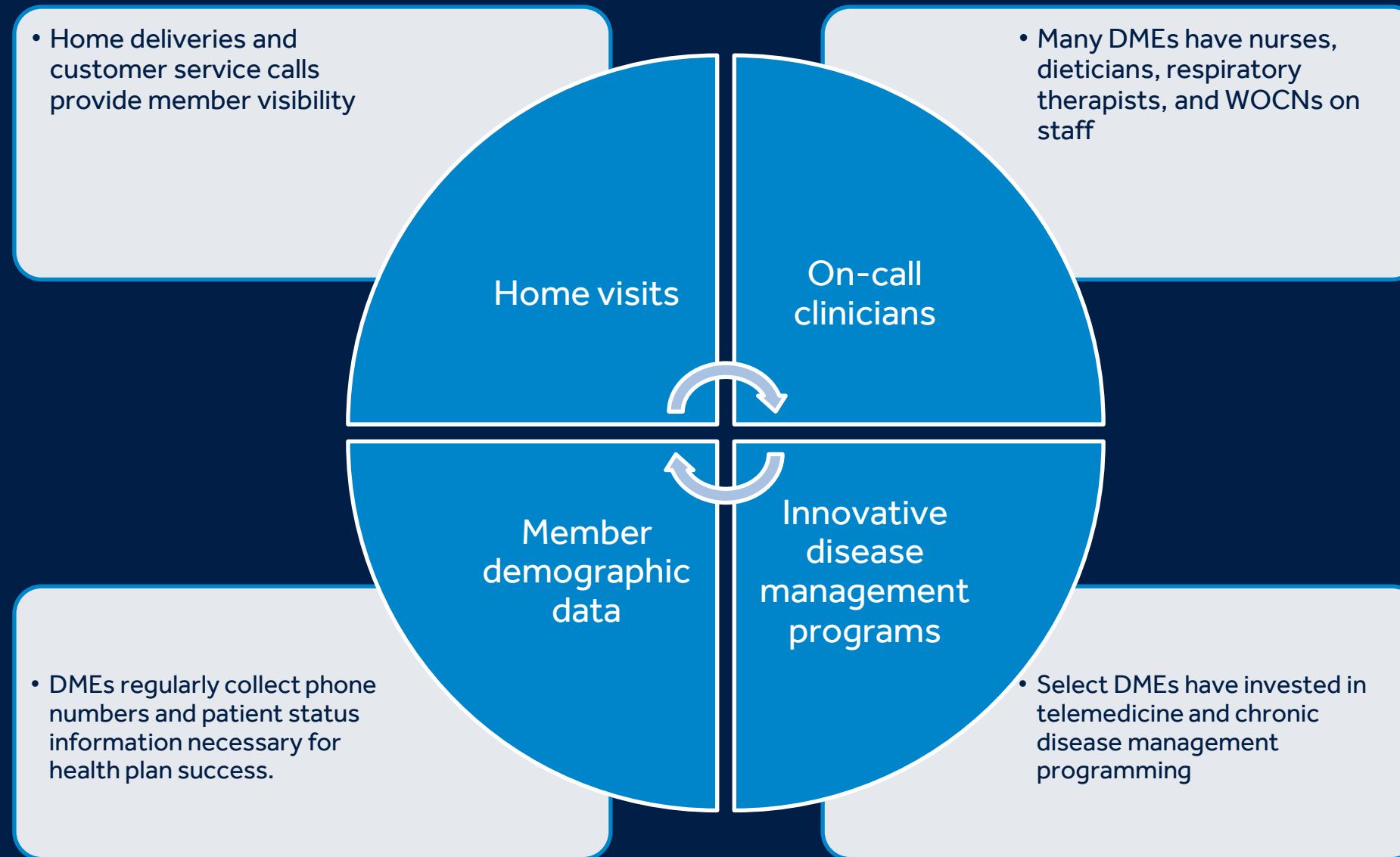
1. Rewet Rate
2. Rate of Acquisition
3. Retention Capacity
4. A range in choice of sizing options
5. Range of absorbency levels
6. Safety
7. Closure system
8. Breathability

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



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

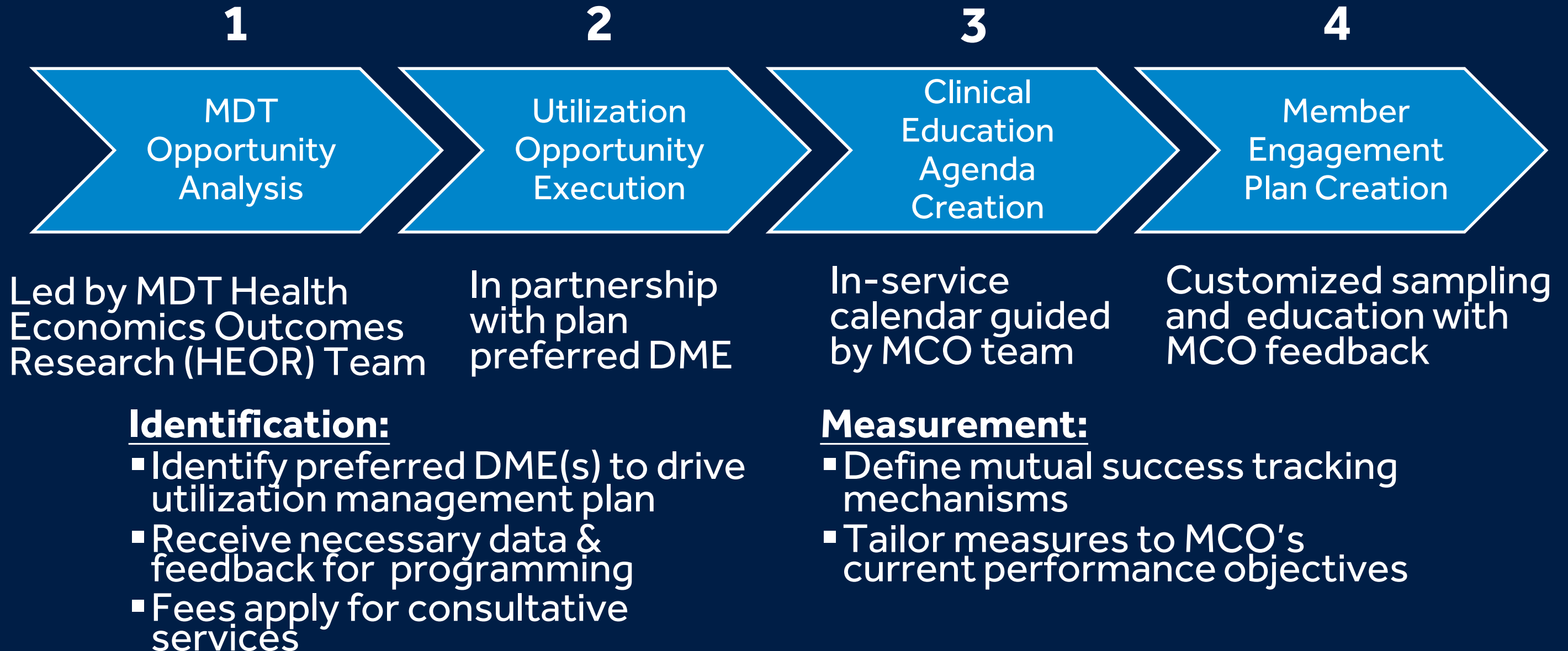
Resources for Care Management Staff

- Experienced clinical faculty and on-demand educational resources
- New investments in end-user sample program

WORKING WITH MEDTRONIC

SAMPLE MODEL FOR PARTNERSHIP

Pilot Model



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