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Changes in the Service Model in the Next 5 Years... They are already Happening

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Wellness Assessment of our Service Profession

Change 1st requires recognition that status quo is not good for long term:

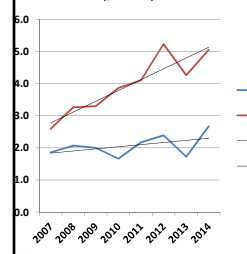
- Service side business metrics to gain general insight
- Acknowledgement of significant changes in healthcare environment and their impact



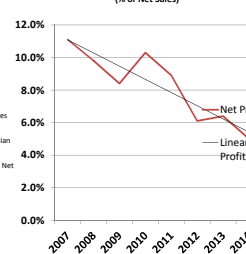
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Bottom Line Reasons for Change (All Respondents)

Net Sales (\$Millions)




Net Profit (% of Net Sales)



Source: AOPA Operating Performance survey data 2007-2014

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A Closer Look at the Numbers (All Respondents)



Compound Annual Growth Rates

- Median Net Sales: 5.3%
- COGS: 4.7% (Avg. 49.5%)
- G&A: 8.6% (Avg. 42.3%)
 - Cost per employee ~2.2%
- Revenue per practitioner: 4.2%
- Revenue per employee: 3.1%


Net Profit



Source: AOPA Operating Performance survey data 2007-2014

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A Closer Look at the Numbers (Profit Leaders)



Compound Annual Growth Rates

- Median Net Sales: 5.3%
- COGS: 5.7% (Avg. 44.4%)
- G&A: 7.9% (Avg. 37.3%)
 - Cost/employee ~5%
- Revenue per practitioner: 7.4%
- Revenue per employee: 4.7%

Net Profit



Source: AOPA Operating Performance survey data 2007-2014

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What's Happening in Healthcare Outside of O&P...



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What Experts are Saying about the HealthCare Environment...

- “More change in this decade than the last 50 years”
- “Significant reduction in the # of HC providers”
- “90% consolidation of hospital systems”
- “Information and communication technologies are transforming business models, production models and sites of care”
- “Provider focus must change from acute care to disease management”

Sources:
Jeffery Bauer: Healthcare Futurist
Liam Walsh : KPMG Healthcare

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What Payors are Saying about the HealthCare Environment...

- “Volume to Value transition is a journey”
- “Rollout of new programs are “experiments” trying to figure out how to deliver value for all”
- “Demand will change as patients are expected to pay an increased % of cost”
- Many different types of payment models being considered - will they be sustainable in 10 years?

Sources:
Bill Snyder: Market VP Humana
Michael Phillips: President , Midwest Markets, Cigna

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Q: What Does it All Mean to the Future O&P service models?



A: No one knows for certain, but we must be thinking in terms of aligning our business metrics with the conditions and demands of the market

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Attributes of Successful Practices

- Patient-Centric
- Flexible
- Information (Data Driven)
 - P & L
 - Patient Satisfaction/Clinical Outcomes
 - Cost effectiveness of interventions
- Effective Communicators
- Team players-partners



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QUESTIONS OR COMMENTS?