

2015 AOPA LEADERSHIP CONFERENCE

PAYER PERSPECTIVE - JANUARY 11, 2015

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THE ENVIRONMENT

HEALTH CARE ACCESS

- ACOs (accountable care organizations) are here to stay
 - 522 ACOs represents 102% growth since February 2013¹
 - 67% of the US population has access to one or more ACO model delivery systems²
 - Total population served between 46 – 52 million (15-17% of population)³
- Exchanges are expanding
 - "Big boys" are moving in (UHC in 8 states, adding 24)
 - Population on the rise in 2015 – Congressional Budget Office estimates 13 million⁴
 - Private exchanges

¹ Oliver Wyman Insights, "ACO Update: Accountable Care at a Tipping Point", April 2014
² Atlantic Information Services, Inc. Health Plan Week, Vol 24, Number 42, p. 5

PAYER'S PERSPECTIVE

Hedging against uncertainty

- Tighten up / run a leaner operation
- Explore opportunities
 - Specialty populations
 - ACOs, exchanges
 - International health
- Tools that improve consumer engagement
- Acquire, consolidate, divest

Rely on core abilities

- Administrative Ops
- Provider networks
- Actuarial & data

WHAT DOES IT MEAN TO O&P?

Where do we fit?

Sample Payer Analysis - O&P Spend

\$138 Million

- COB: \$22
- Out of Network: \$21
- Traditional O&P: \$82
- Non Traditional: \$13

Providers

| Category | Count |
|---|--------|
| Total Providers | 12,843 |
| Providing O & P Codes | 6,116 |
| Custom Fab & P | 2,301 |
| Custom Fab & P < 50 Annual Claims & < \$150K Billed | 2,268 |
| \$29M Billed Annually | 33 |

• O&P is .003 on healthcare dollar compared to DME 3%, PHY & Hospital 30% each and RX at over 15%
• Includes any provider billing "L" codes
• 1/2 of traditional O&P providers are doing small amount of custom fab and "P"

IMPACT ON O&P PROVIDERS

- Contract management is consolidating at payers (leaner operations)
 - Grouping by specialty
 - More centralization, less authority
 - Less time to spend on small providers
- Narrow networks are being implemented for certain lines of business (potential for lower reimbursement for exchange plans)
- For today: "value" = savings (translation "lower reimbursement")
- Preference for providers who are flexible
- Introduction of risk

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HOW DO WE MAKE IT WORK?

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STRATEGIES FOR SUCCESS

| LOOK "BIGGER" | HONE ADMINISTRATIVE EXPERTISE | UNDERSTAND YOUR OPPORTUNITIES | CREATE VALUE |
|---|--|--|---|
| <ul style="list-style-type: none"> • Adjacencies – partners in in the care continuum • Provider networks, e.g. local delivery systems | <ul style="list-style-type: none"> • Create clean claims – payers are following their own rules to the "T" • Payer policy and provider manuals are more important than ever • Make it easy for the medical reviewer • Appeals deserve your respect | <ul style="list-style-type: none"> • ACOs are local delivery systems and control the networks they use • Exchange programs today frequently offer lower rates than commercial • In-network is still better than out-of-network • Explore how technology will be reviewed and added by payers | <ul style="list-style-type: none"> • Think "outside the box" when contracting, e.g. tiering, carve-outs • Predictable outcomes, e.g. adopt care standards, measure • Create your quality story • Data, data, data |

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INDEPENDENT O&P PRACTICE PERSPECTIVES

- Navigating insurance contracts: don't be afraid to negotiate
- Addressing the constantly changing insurance environment in your office
- Advocate for your patients
- Insurance fairness legislation