Capitalizing on the Fast-Moving World of Digital Health Innovation

Speakers:
Alana Ketchel, Senior Consultant, HMA
Donna Laverdiere, Senior Consultant, HMA
Don Novo, Principal, HMA
Heidi Robbins-Brown, Principal, HMA

Moderator:
Annie Melia, HMA Information Services

October 22, 2015
What is Digital Health?

• Health information, care and services delivered through digital formats:
  – Wireless devices
  – Hardware and software sensors
  – The internet and social networking
  – Mobile networks
  – Medical devices
Categories of Digital Health

**TOP 6 CATEGORIES**
*Q1-Q3 2015*

**HEALTHCARE CONSUMER ENGAGEMENT**
*Consumer tools for the purchasing of healthcare products and services or health insurance (B2B and B2C)*

- **ZocDoc** ($130M)
  - $489M

**WEARABLES AND BIOSENSING**
*Wearable or accessory devices that detect specific biometrics and are designated for consumers*

- **Jawbone** ($300M)
  - $430M

**PERSONAL HEALTH TOOLS AND TRACKING**
*Products to assist in the tracking of personal health (e.g., physical activity, nutrition, genetics) and health records*

- **Helix** ($100M)
  - $315M

**ANALYTICS AND BIG DATA**
*Data aggregation and/or analysis to support a wide range of healthcare use cases*

- **Health Catalyst** ($70M)
  - $233M

**TELEMEDICINE**
*Delivery of healthcare services (synchronous or asynchronous) through non-physical means (e.g., telephone, digital imaging, video)*

- **Doctor on Demand** ($50M)
  - $209M

**PAYER ADMINISTRATION**
*Management and administration tools for payers (e.g., fraud detection, third-party payment, portal management)*

- **PlanSource** ($70M)
  - $164M

*Note: Rock Health tracks funding across all separate categories*
Additional Categories

- Hospital / clinic administration
- Remote patient monitoring
- Interoperability
- Device
- Diagnostic
- Clinical Decision Support
- Therapeutic
Digital Health as a Market Segment

Source: Statistica
Consumers and Stakeholders

Consumers

Payers / Purchasers

Providers
Trends Driving Investment

*Triple Aim:* System-wide trends indicate a shift towards paying for better care and experience at a lower cost

Requires:
- Improved population health data
- More engaged consumers
- Sophisticated reporting capabilities
- Links across providers

Digital health solutions can help meet these business needs
Trends Driving Investment

• Accountable Care
  – Accountable Care Organizations
  – State Innovation Models
  – Alternative Payment Methodologies
  – Value-based Payment Modifier
  – Medicaid managed care regulations

• System Transformation
  – Meaningful Use / EHR Incentives
  – Delivery System Reform Incentive Payment (DSRIP) Programs
  – Behavioral health and primary care integration
Opportunity Driven by the ACA

- Increase in the number of insured
- New population for plans to manage
- Increased competition for insured business
- Exchanges – performance and price transparency
- Medicaid expansion
Digital Health for the Safety Net

• So far, digital health tools have been primarily focused on consumers and employers
• Higher income individuals have greater access to and ability to utilize digital health technologies
• Medicaid and safety net consumers, health plans, and providers present a considerable opportunity for expanded digital health adoption
Public Coverage is Growing Faster than Commercial

---

Exhibit 26: Past and future of health insurance coverage (1988-2019E)
Breakdown of US population by source of primary insurance coverage, millions of lives (a)

- Commercial
- Public coverage (Medicare, Medicaid)
- Uninsured

(a) Projections for 2014-2018 include a blend of our model and Congressional Budget Office (CBO) estimates.

Within Ten Years, Four Public Programs Will Cover Almost 200M or 56% of All Americans...
Smart Phone Use and Internet Access

• While more people own smart phones at higher income levels, lower-income and younger people often rely on smart phones as their only access to the internet
  – 15% of Americans between ages 18-29 depend on a smart phone for online access
  – 13% of Americans with incomes below $30,000 are smart phone dependent for online access

Source: U.S. Smart Phone Use in 2015, Pew Research Center, April 1, 2015.
The Medicaid Managed Care Opportunity

• Increasing pressure to improve quality of care while improving cost efficiency
• Continuing struggles to engage members in their health care
• Ongoing challenges with care coordination and communication
• Access challenges in large, rural areas
• Aging legacy systems that present technology innovation challenges
Digital Health Tools for Medicaid Managed Care Plans

- The following types of digital health tools can assist Medicaid managed care plans with meeting their goals

<table>
<thead>
<tr>
<th>Type of Digital Health Tool</th>
<th>Value Proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member account management apps/member portals</td>
<td>Stronger member engagement and regular communication channel for member/plan; member access to health information, incentives, and plan functions</td>
</tr>
<tr>
<td>Member health management apps (i.e. diabetes management, etc.)</td>
<td>Sharing of clinical data with providers and care manager; improved health outcomes through closer monitoring and more efficient communication</td>
</tr>
<tr>
<td>Care coordination and communication tools</td>
<td>Improve member engagement in care plan and with care manager; reduce care costs through improved coordination</td>
</tr>
<tr>
<td>Provider workflow tools (i.e. referral intelligence)</td>
<td>Reduce cost through improving efficiency of care through reduced referrals; integration of care</td>
</tr>
<tr>
<td>Telemedicine and eConsult</td>
<td>Address provider shortages in rural areas and better coordinate specialty care</td>
</tr>
<tr>
<td>Analytics</td>
<td>Improve intelligence and enable population health management to reduce cost and improve quality</td>
</tr>
</tbody>
</table>
Emerging Needs in the Safety Net

- Behavioral health, including care delivery as well as integration of behavioral and physical health
- Dual eligibles and disabled populations
- Palliative care
- Caregiver support
- In-home supportive services
Case Studies

DIGITAL HEALTH IN ACTION
How HMA is Working with Digital Health Companies

• Through strategic planning, HMA has connected digital health technology to markets in need of innovation
• HMA has partnered with digital health companies to identify new technologies that help engage hard to reach, vulnerable populations
• HMA has helped technology companies optimize new tools for the Medicaid and safety net space
1. Member Engagement and Communication

• Opportunities for member/patient engagement through innovative modes of communication and interactive tools

• SMS text messaging, smart phone applications, web portals, and secure email portals allow providers to engage patients through informal communication modes

• Advances in digital health technology allow patients to take an active real-time role in their plan of care

• Member Engagement features allow patients to communicate with providers outside of the traditional office visit model
2. Provider Efficiency

• Referral intelligence platforms and eConsult tools help providers reduce unnecessary specialty referrals
  – Reduced specialty claims for managed care plans
  – More efficient care for patients in the primary care provider’s office
  – Greater access to specialists for providers in rural areas or areas with provider shortages
## 3. Compliance

<table>
<thead>
<tr>
<th>Federal</th>
<th>• Increase oversight of how states are overseeing compliance with MC Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>• States must oversee contracts to drive up quality and must be ready for audit by the federal government and State Auditors</td>
</tr>
<tr>
<td>Health Plan</td>
<td>• In order to earn incentives and avoid penalties, health plans must oversee performance of provider groups/hospitals</td>
</tr>
<tr>
<td>Institutional and Individual Providers</td>
<td>• Will drive up quality when reporting up the chain is required, but more importantly best practices and support is offered to drive improvement</td>
</tr>
</tbody>
</table>
EVALUATION AND INVESTMENT STRATEGIES
Buy vs. Build

• Changed landscape
• Solutions today:
  – SaaS
  – Cloud
  – Shared solutions and systems
  – Leveraging shared services
Potential Funders

• Health plans
• Provider groups
• Hospitals (community benefit)
• Foundations
(1) Digital health often occurs independent of evidence, technology type, or consumer target

(2) The vast majority of digital health companies do not simultaneously emphasize achievement of all three components of the Triple Aim

Source: http://www.ihi.org/resources/Pages/Publications/AFrameworkforSelectingDigitalHealthTechnology.aspx/
Venture Capital Insights

“The high impact investment opportunities are those that master the use of data for actionable behavioral or operational change; which use technology for just-in-time resource management; and which understand the importance of convenience, value and empathy, particularly for products that touch the consumer.”

- Lisa Suennen, Venture Valkyrie
HMA EXPERTISE
HMA: Our Firm

• We are a leading independent, national health care research and consulting firm providing technical and analytical services.
• We specialize in publicly-financed health programs, system reform and public policy.
• We work with purchasers, providers, policy-makers, program evaluators, investors and others.
• Our strength is in our people, and the experience they bring to the most complex issues, problems, or opportunities.
• We are uniquely positioned to build connections among digital health innovators and safety net providers and payers.
HMA: Our People

• Innovators with unmatched real-world experience
  – Our colleagues are former:
    • Senior federal officials at CMS, OMB
    • State Medicaid directors, operational directors, program integrity and compliance officials, healthcare information technology experts, mental health commissioners, budget officers
    • Cabinet-level health secretaries
    • Policy advisors to governors
    • CEO, COO, CFO and other hospital, health system and state-based health insurance exchange leaders
  – And our colleagues are:
    • Physicians and other clinicians who have run health centers and integrated systems of care, most still practicing every week
HMA: Expertise

- Health reform
- Integrated delivery system development
- Health Insurance Exchanges
- Long-term care
- Investment services
- Correctional health
- Medicaid, Medicare, CHIP, Uninsured
- Clinical organization of care
- Information technology consulting
- Managed care
- Behavioral health
- Pharmacy