



Trends Driving The 'Next Normal' In Behavioral Health

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OPEN MINDS



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**“Change is the only
constant in life...”**

Heraclitus, Greek philosopher

What Is Driving The ‘Lasting Impact’ Of The Pandemic On The Health & Human Service Landscape?

Rising rate of “disability” in the U.S. – age, obesity, marginal diet, etc.

Customer preference for integrated care – medical, behavioral, social

Digital health adoption in Medicaid and Medicare populations

Increasing dominance of health plans in health care delivery system

“Backward integration” of health plans, increasing their owned service delivery capacity

Acceptance of and preference for virtual primary care

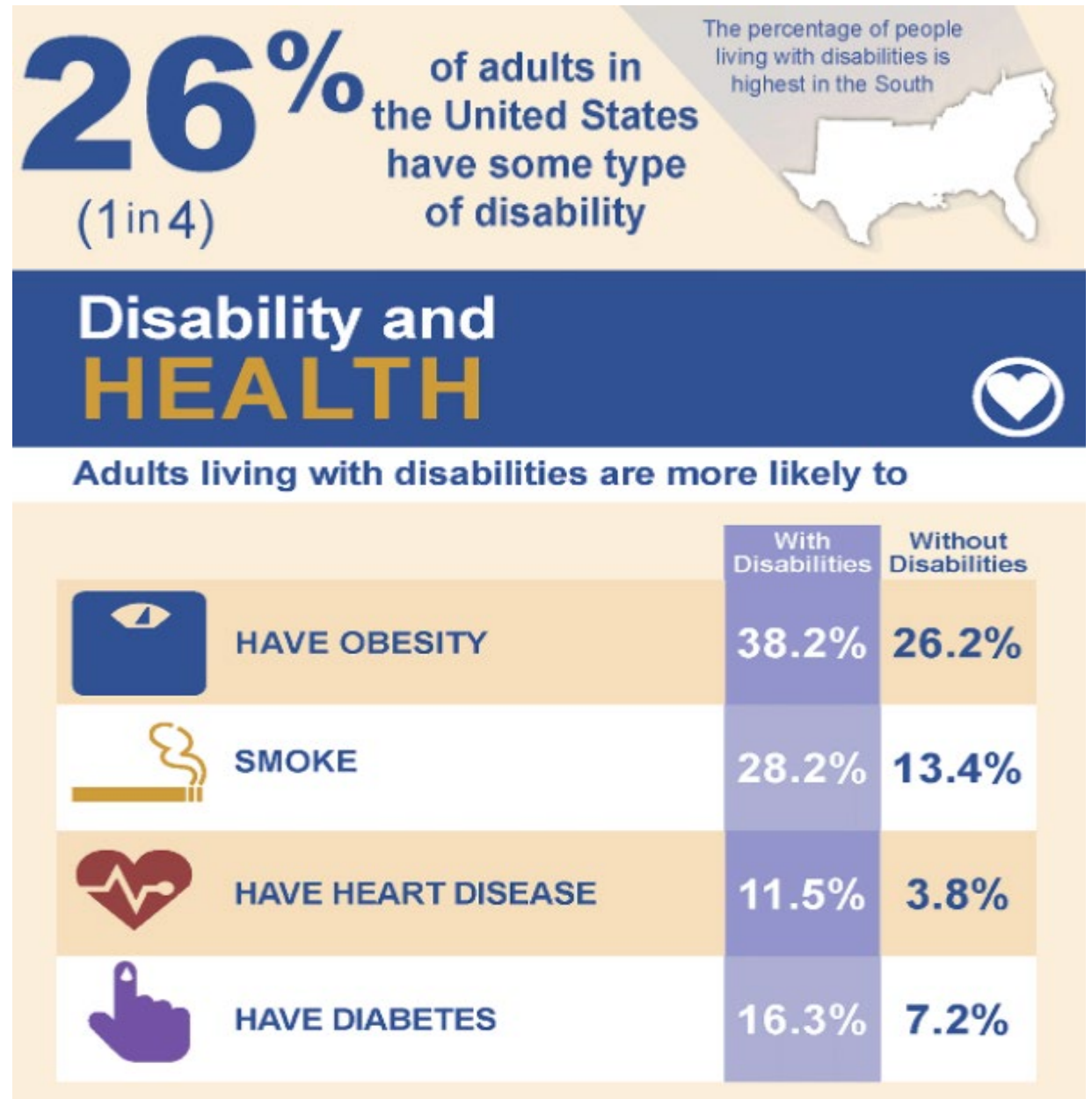
Outsized investment in new companies serving the “complex consumer” market

The creation of new digital behavioral health companies

Entrance of out-of-industry mega-companies in the health and human service space

Driver #1. Rising Rate Of 'Disability' In The U.S

- 9% of under-65 population has a disability
- The effects of 'long COVID' not yet understood
- Disability by diagnosis:
 - 33% Back pain/musculoskeletal pain
 - 19% Behavioral or cognitive disability
 - 10% Heart disease and stroke

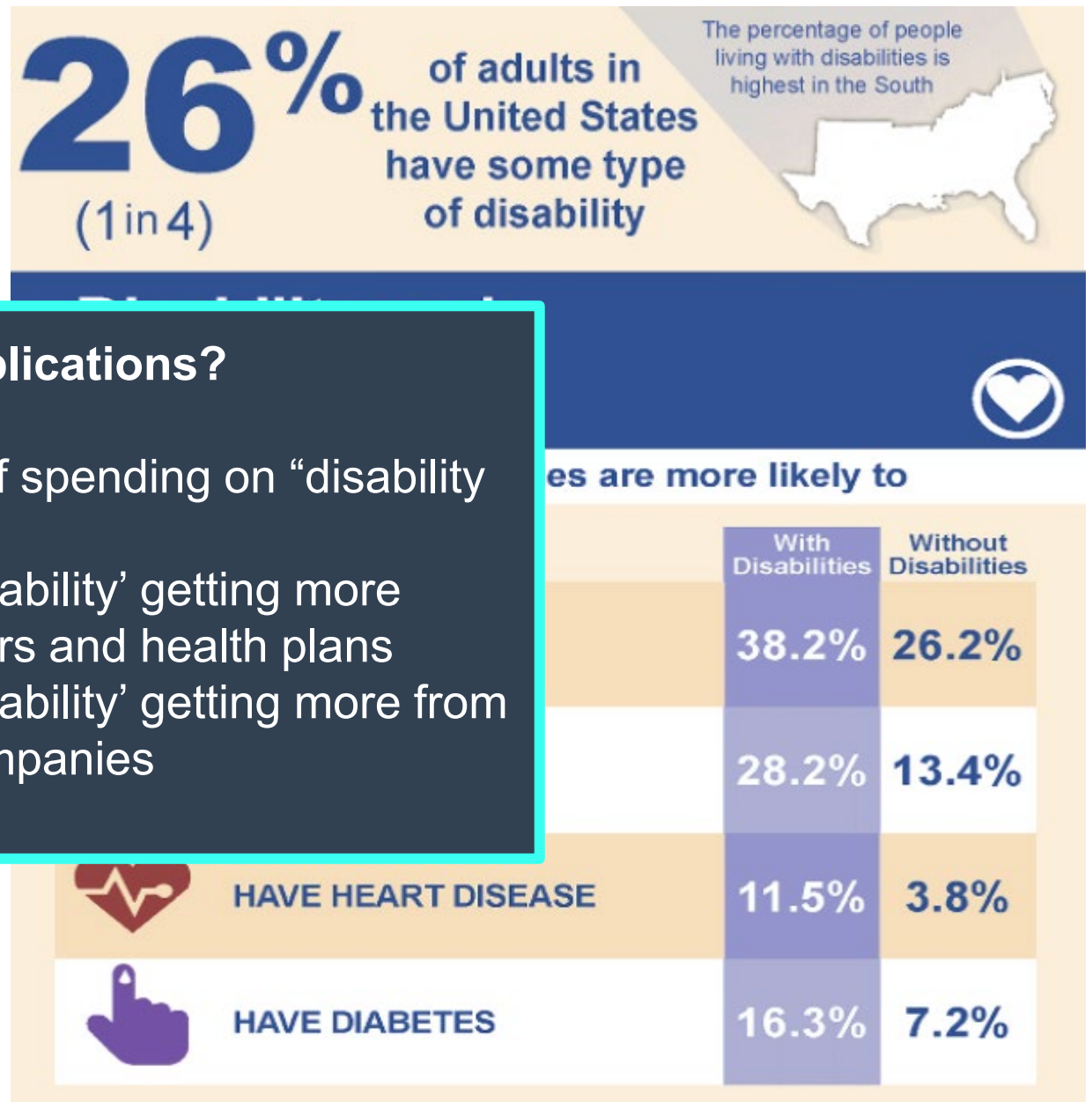


Driver #1. Rising Rate Of ‘Disability’ In The U.S

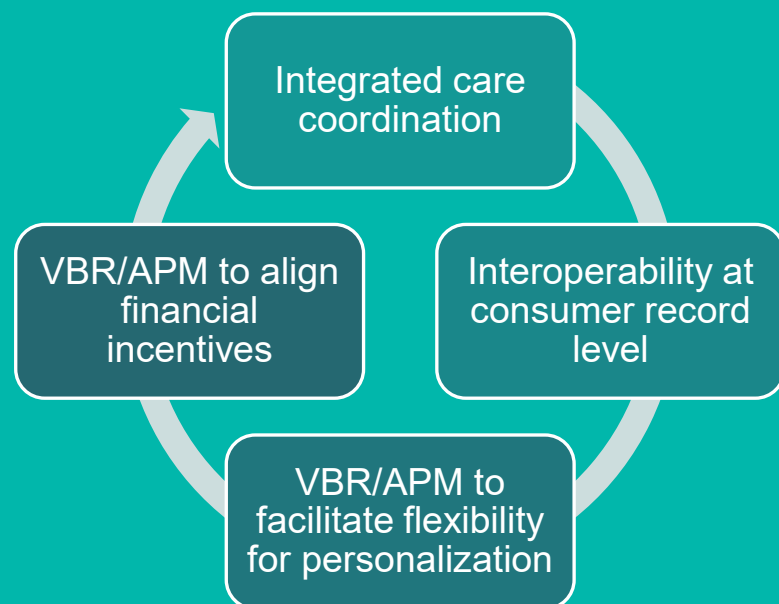
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The Implications?

- Larger proportion of spending on “disability supports”
- Population with ‘disability’ getting more attention from payers and health plans
- Population with ‘disability’ getting more from investor-owned companies



Driver #2 - Preference For Integrated Care – Medical, Behavioral, Social – Driving Value- Based Reimbursement



Integrated models have demonstrated better consumer outcomes and lower total costs



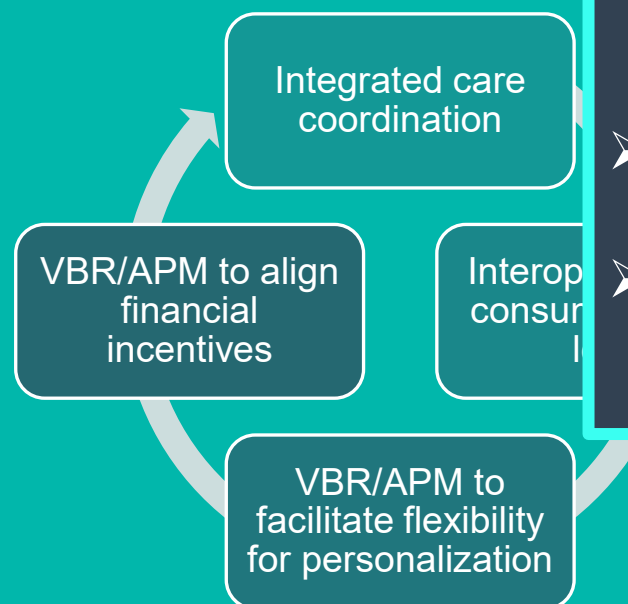
FFS reimbursement does not permit maximum benefits of integrated care



VBR arrangements without downside financial risk have been found to not deliver “macro” cost savings



Driver #2 - Preference For Integrated Care – Medical, Behavioral Social – Driving Value Based Reimbursement



- ### The Implications?
- Less spending specific to ‘behavioral health’
 - Traditional ‘behavioral health therapy’ visits replaced by short-term behavioral interventions
 - The end of targeted case management – replaced to coordinated care programs
 - Behavioral health organization market positioning is limited

Integrated models have demonstrated better consumer costs



not permit integrated care



but have been found to not deliver “macro” cost savings



Driver #3. Digital Health Adoption Is Not Just Commercial – In Medicaid & Medicare Populations

Medicare expanding virtual health options



Many state Medicaid plans keeping virtual care options allowed during pandemic



Medicaid and Medicare health plans are expanding their use of consumer treatment tools and digital first behavioral health provider organizations



1 in 4 Medicare patients used telehealth during peak of pandemic, with majority using only telephones



85% of Medicaid beneficiaries have a smartphone



“90% of Medicaid consumers can get all of their mental health and addiction treatment services on-line”



Driver #3. Digital Health Adoption Not Just Comm – In Medicaid & Medicare Popul

The Implications?

- Proportion of service delivered in-clinic face-to-face decreases in favor of virtual services
- Competition for Medicaid and Medicare market share extends beyond traditional ‘service areas’
- Medicaid and Medicare market share more susceptible to new digital first investor-owned companies
- Advantage goes to the provider organizations with a suite of tech-enabled service in a seamless platform – virtual, text, remote monitoring, etc.

Many state Medicaid plans keeping virtual care options allowed during pandemic



Plans are expanding telehealth tools and digital health organizations



Telehealth majority



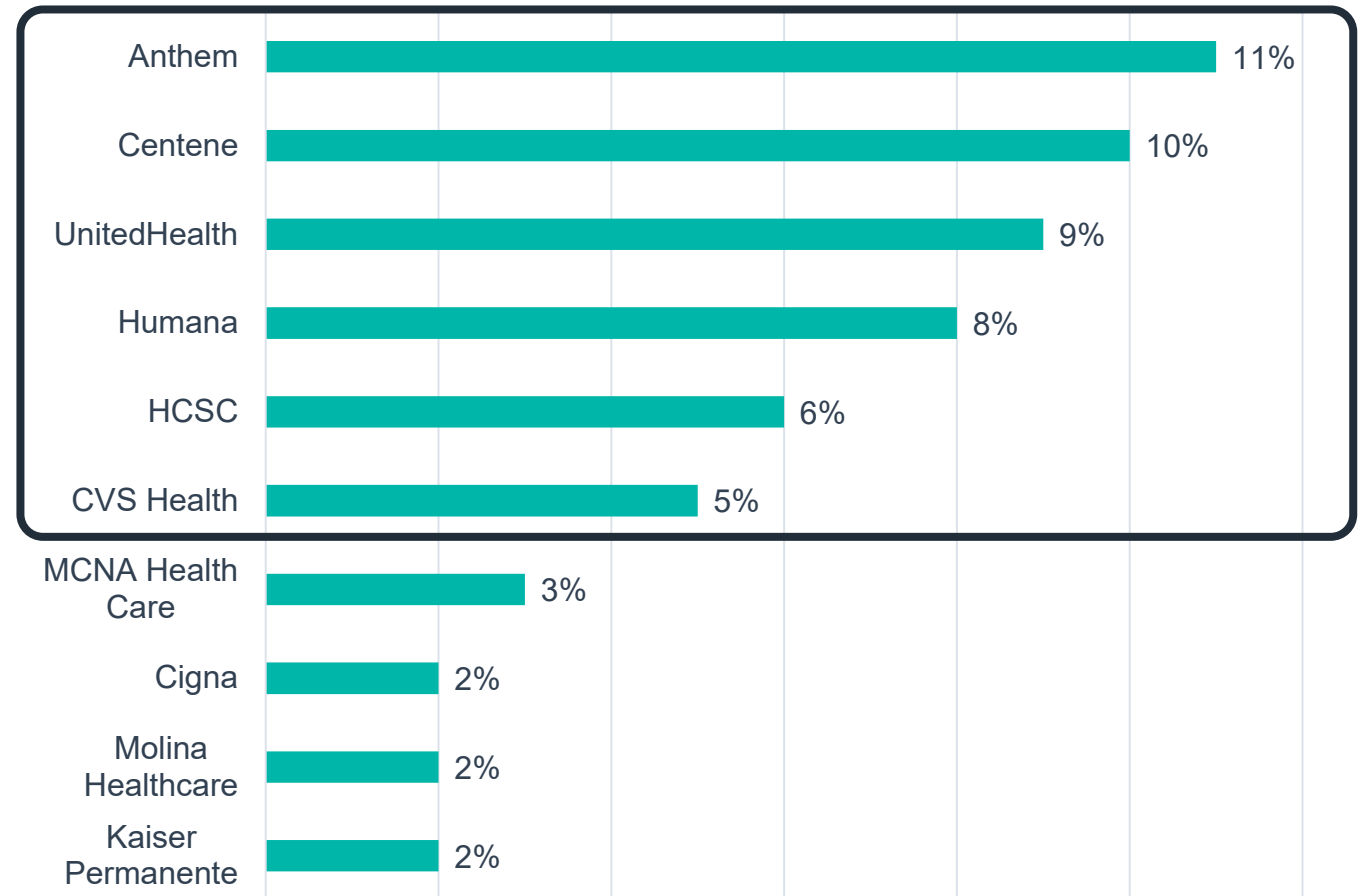
% of Medicaid consumers get all of their mental health and addiction treatment services on-line”



Driver #4. Increasing Dominance Of Health Plans In Health Care Delivery System

- **Medicaid:** 72% enrolled in health plans
- **Medicare:** 38% enrolled in health plans
- **Commercial:** 99% enrolled in health plans

Market Share Of Largest Health Insurance Companies



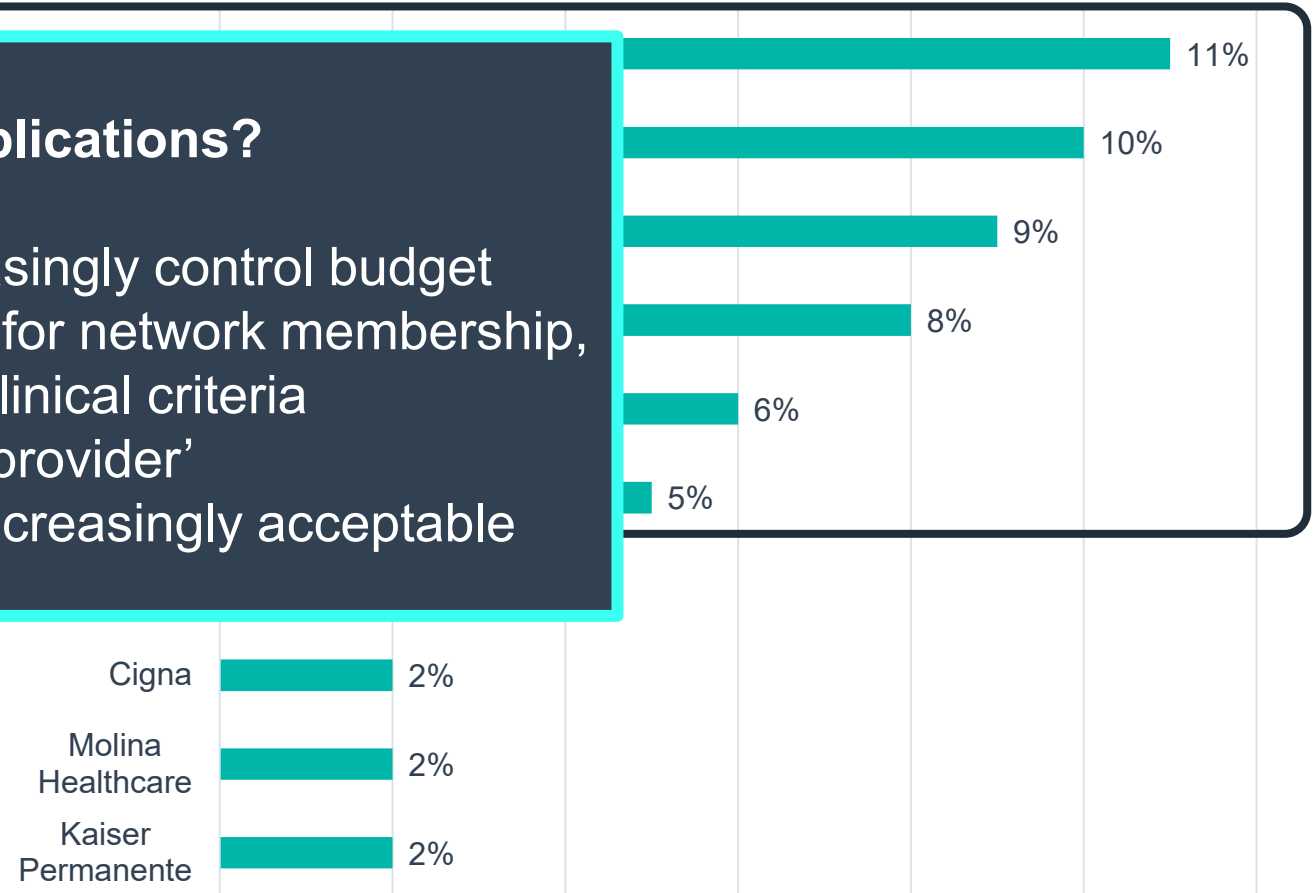
Market Share Of Largest Health Insurance Companies

Driver #4. Increasing Dominance Of Plans In Health Delivery System

- **Medicaid:** 72% enrolled
- **Medicare:** 38% enrolled
- **Commercial:** 99% enrolled plans

The Implications?

- Health plans increasingly control budget decisions – criteria for network membership, 'preferred status', clinical criteria
- End of 'any willing provider'
- Narrow networks increasingly acceptable



The Accelerated Move Away From Fee-For-Service

- The Medicare transformation
- Medicaid VBR requirements
- Employers embrace high-performance networks
- The 'hybrid' advantage in risk contracts
- The shifting definitions of 'value'



Humana to offer Primary Care First model across 48 states



Optum and Merck Collaborate to Advance Value-Based Contracting of Pharmaceuticals

In the last three years, the amount of UnitedHealthcare's care-provider reimbursements tied to value-based care programs has nearly tripled to \$64 billion annually. By the close of 2020, that

Aetna and PA Clinical Network agree to value-based contract to provide high-quality care, expanded provider network



AmeriHealth Caritas Louisiana Selected To Participate in Primary Care First

The Accelerate Move Away From Fee-For- Service

- The Medicare transformation
- Medicaid VBR requirements
- Employers embrace high performance networks
- The 'hybrid' advantage in contracts
- The shifting definitions of

The Implications?

- Provider organization competition for market share will be around ability to accept financial risk
- Behavioral health organizations risk displacement by primary care organizations
- The ability to address social support needs (and/or provide social supports) is a differentiating factor for some behavioral health organizations
- More risk-based contracts will shrink the provider network and increase the importance of financial strength

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Driver #5. 'Backward Integration' Of Health Plans, Increasing Their Owned Service Delivery Capacity

Health Plans



Payvider Positioning

Backward integration with health plans owning service delivery system – and hiring clinical professionals to provide direct services



New Aetna Health Plan Leverages CVS HealthHUBs, Narrow Networks

Optum expects to add 10,000 physicians this year

Optum in talks to acquire 715-physician group Massachusetts

UnitedHealth's Optum Reportedly Strikes Deal for Landmark Health



Cigna health services arm Evernorth completes buy of telehealth vendor MDLive

Humana acquires Onehome to pursue value-based home health strategy



Humana's primary care subsidiary to open 100 centers for seniors by 2023

BCBS of Michigan partnering with provider on 6 primary care clinics



**Blue Cross
Blue Shield
of Michigan**

Driver #5. 'Backward Integration' Of Health Plans, Increasing Their Owned Service Delivery Capacity

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New Aetna Health Plan Leverages CVS HealthHUBs, Narrow Networks

CVS HealthHUBs, narrow networks, 12,000 physicians this

require 715-physician group

The Implications?

- Many behavioral health services likely to be provided by health plan-owned subsidiaries (AbleTo owned by Optum, MDLive and Breakthrough Mental Health owned by Cigna, etc.)
- Health plan increasingly 'own' primary care capacity
- Care coordination models will change role of "targeted case management"



Optum completes buy of telehealth vendor MDLive

Optum launches value-based home health strategy

Optum launches primary care subsidiary to open offices for seniors by 2023

BCBS of Michigan partnering with provider on 6 primary care clinics



Blue Cross
Blue Shield
of Michigan

Driver #6. Acceptance Of & Growing Preference For Virtual Primary Care

UnitedHealthcare launches new virtual primary care offering in 11 states



UnitedHealth launches employer virtual primary care service



Premera Blue Cross launches its first virtual primary care health plan

Texas Virtual Primary Care HMO Created By Community Health Choice & Doctor On Demand

UPMC launches new virtual primary care model



Recuro Health Acquires SupDoc: Expands Digital Care Platform, Enhances Virtual Primary Care and Behavioral Health Solutions

Accolade plans to acquire virtual primary care provider PlushCare in a \$450M stock and cash deal



Truepill Launches Virtual Primary Care Offering

Aetna launching nationwide virtual primary care solution

Driver #6. Acceptance Of Growing Preference For Virtual Primary Care

The Implications?

- Eliminates 'place' as a criteria for service
- Moves service delivery to tech-enabled consumer assessment tools
- Referrals to behavioral health will be dependent on relationships and/or marketing to virtual primary care organizations

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Premera Blue Cross launches its first virtual primary care health plan

Care HMO Created
Choice & Doctor

Primary care model



Expands Digital Care Platform,
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Primary care provider

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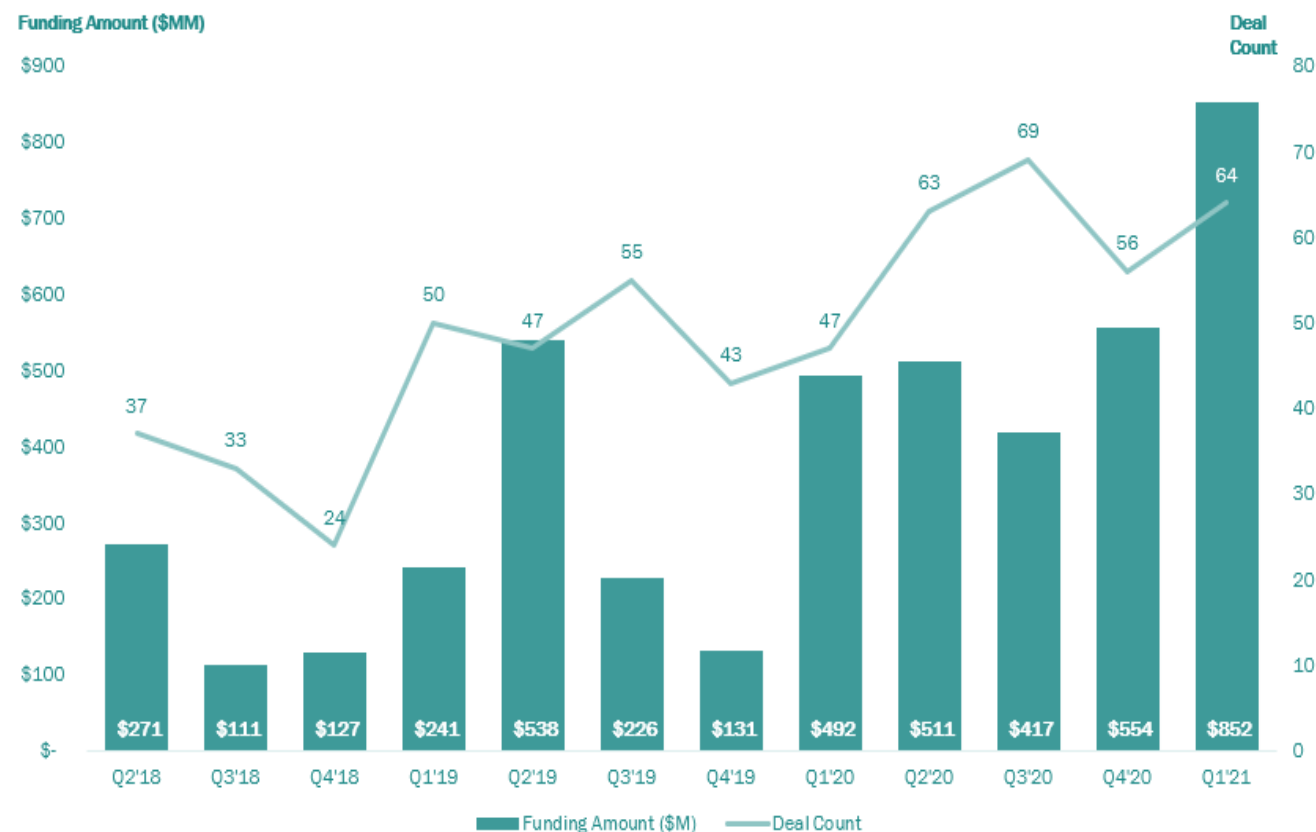
Aetna launching nationwide virtual primary care solution

Driver #7. Outsized Investment In New Companies Serving The ‘Complex Consumer’ Market

Majority of behavioral health funding went to three types of solutions—

- Digital treatment
- Digital therapeutics
- Non-clinical behavioral health “adjacent” apps

Quarterly Global Mental Health Investment & Deal Count, Q2'18 – Q1'21



\$852 million invested in behavioral health programs in 1Q

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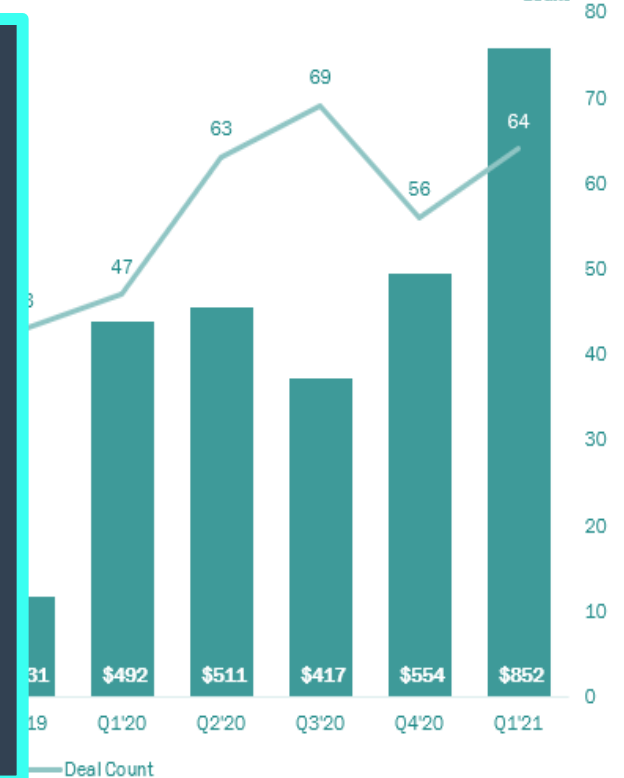
- The rise of competitive organizations with few constraints on investments for growth
- Focus on revenue and market share – not margins
- Market positioning of emerging organizations focused on performance metrics and cost
- Payer and health plan confusion about capabilities

Quarterly Global Mental Health Investment & Deal Count, Q2'18 – Q1'21

Funding Amount (\$MM)

\$900

Deal Count



\$852 billion invested in behavioral health programs in 1Q

Driver #8. The Creation Of New 'Digital First' Behavioral Health Companies

talkspace

happify
health™

Lyra

cerebral
Helfen verbindet



unmind

Koa
Health

Big Health

betterhelp



SilverCloud
Digital Mental Health Platform

Workit



mindstrong

Driver #8. The Creation Of New 'Digital First' Behavioral Health Companies

The Implications?

- Appeal to both health plans and consumers is 'on demand' services
- Erosion of non-SMI market share likely among provider organizations with on-site services
- Competition for workforce – and distortion of the clinical professional labor market – among these organizations
- Extension of digital models into SMI and complex consumer market happening

talkspace

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cebral
helfen verbindet

health



unmind



SilverCloud
Digital Mental Health Platform



mindstrong

Workit

Driver #9. Entrance Of Out-Of-Industry Mega-Companies In The Health & Human Service Space

Amazon Launches Amazon Pharmacy for Medications

Amazon opens 4 more primary care clinics with Crossover Health

Amazon's telehealth arm quietly expands to 21 more states

Amazon Alexa Virtual Assistant Now Supporting HIPAA-Compliant Services



Amazon has signed up multiple companies to its telehealth service

Amazon Acquires Health Navigator For Pilot Employee Health Care Program, Amazon Care



CVS Health Boosts Chronic Disease Management Access at HealthHUBs

CVS HealthHUBs To Pilot Behavioral Health Services In 34 Locations

Walmart Health executives announced that by the end of 2021, the company planned to have at least 22 in-person clinics across Arkansas, Florida, Georgia, and Illinois

Oak Street Health To Open Primary Care Clinics At Three Walmart Stores In Dallas-Fort Worth Area



Walmart Health Opens Two Primary Care Clinics at Retail Supercenters in Chicago with Plans to Open Seven Florida Locations

Walmart Health files plans to expand virtual care into 16 more states

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Amazon Alexa Virtual Assistant

 CVS Health

Walmart Health executives announced in 2021, the company planned to open health clinics across Arkansas, Florida, and Georgia.

Walmart Health Opens Two Primary Care Clinics in Chicago with Plans to Open Seven Florida Locations

The Implications?

- CVS – Bought Minute Clinics and converting them to HealthHubs – some locations adding behavioral health, chronic disease management, and infusion/dialysis services
- Walmart – Adding health care suite to their retail centers – virtual care, pharmacy, eyeglasses, health clinics, behavioral health services
- Amazon – purchased care coordination, mail order pharmacy, and virtual care companies; Alexa HIPAA compliant, opening first on-site health clinics

Amazon Health arm quietly expands to 21 more states

 amazon

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Walmart Health Services In 34 Locations

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 Walmart
Save money. Live better.

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The Footprint?

15,320 new health service locations

- CVS – 9,967 locations
- Walmart – 4,743 locations
- Amazon – 610 locations (110 warehouse locations and 500 Whole Foods locations)

Emerging Developments With Behavioral Health Market Impact

Pandemic behavioral health prevalence unlikely to translate directly to paid demand

Tech drivers – workforce issues, assumptions of financial risk, and integrated care

Most specialty provider organizations are not able to deliver 'hybrid' services

From federal relief/stimulus bills, provider organizations are cash rich now – but have negative and/or declining margins

Most pandemic-related rules and support funding will dwindle by April 2022 – causing a shift to a more competitive market – driving need for 'strategic overhaul'

Emerging Developments With Market Impact

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Emerging Developments With Market Impact

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Tech adoption drivers are changing – workforce issues, assumptions of financial risk, and integrated care

From federal bills, providers are cash rich now – but have negative and/or declining margins

Related rules pending will be implemented by 2022 – causing a shift to a more competitive market – driving need for ‘strategic overhaul’

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From federal relief bills, provider organizations are cash rich but have negative margins

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What We Know About The “Next Normal” Landscape

1. **“Integrated” care coordination models preferred**
2. **Virtual therapies become the norm and ‘hybrid’ models become dominant**
 - What can be done by telehealth or by new technologies? What needs to be done “face to face”? In clinic? In home?
 - The rise of hybrid service bundles
 - Home-based/virtual primary care model
3. **Facility-based services transition to ‘hybrid’ and bundled**
 - Home-based/virtual addiction treatment
 - Home-based/virtual long-term care
 - Hospital at home and SNF at home
4. **New competition from existing (and new) health and human service organizations – both traditional and virtual**
5. **New competition with health plans as “payviders”**
6. **Price sensitivity + risk-based reimbursement**

The Result Of These Market Changes?

- 1 Many traditional services have declining demand
- 2 Many traditional services have declining price points
- 3 New consumer and health plan service expectations
- 4 Changing reimbursement with declining price points and service bundling
- 5 New technology investments may be required to remain competitive

For Provider Organizations, The Opportunities Are Many... But Require New Business Models

1. Programs to manage the care of consumers with complex needs – integrated ‘whole person’ care coordination (medical, behavioral, social), risk-based, leverage new technologies
2. Primary care services for consumers with complex needs
3. Home-based services
4. Targeted social supports programs
5. “In lieu of” services offering alternatives to traditional residential and inpatient care

Advantage goes to any organization with “better” performance and cost data....



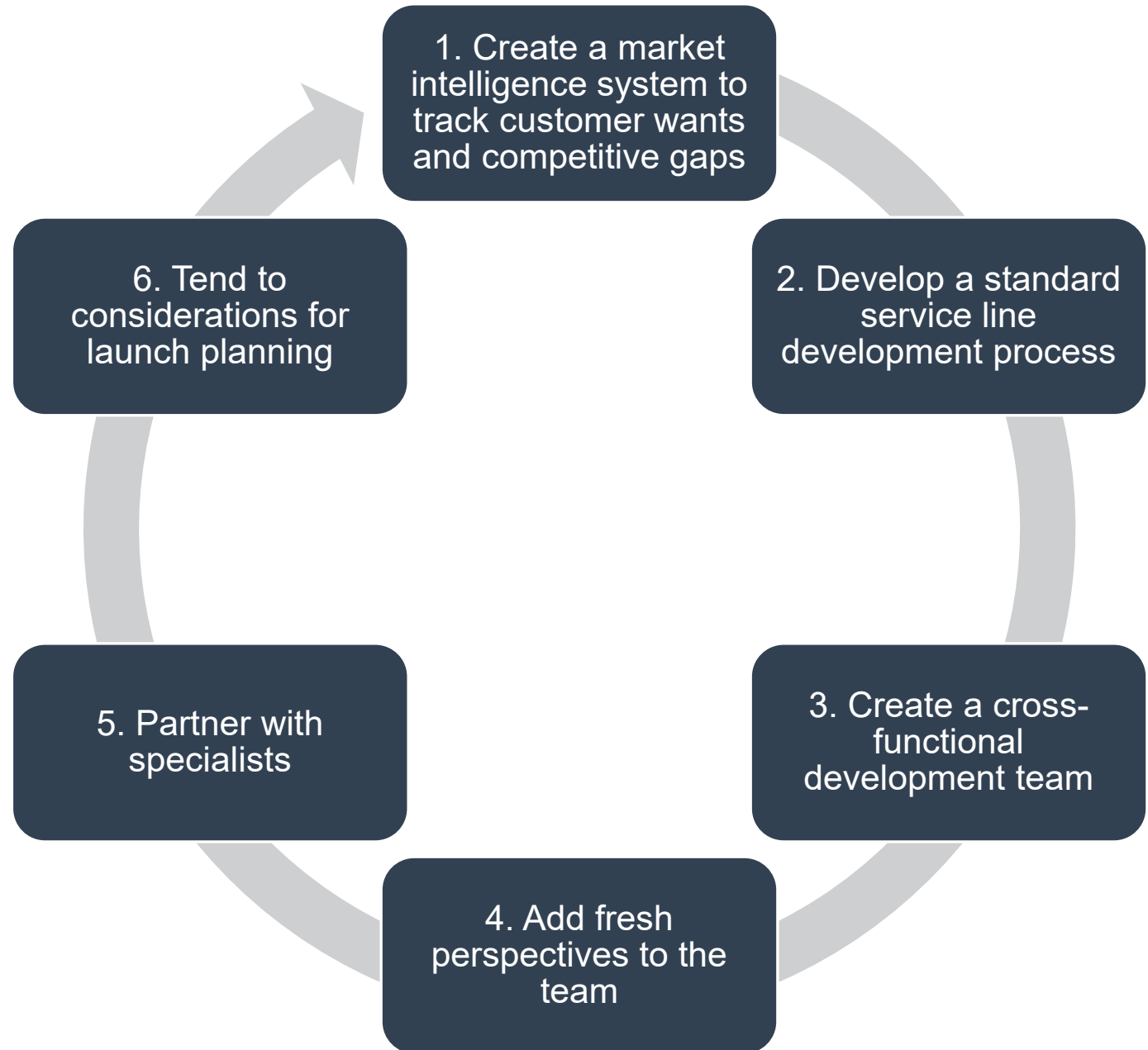
How To Decide? How To Get From Here To There?

- Three building blocks of the path to the next normal...
- Not 'one and done' – fluid landscape demand frequent course corrections
- Need to design organizational 'resilience' for frequent shifts

The Performance Measurement-Strategy Link




Framework To Accelerate New Service Line Development



Building The Sustainable Organization For The “Next Normal”



A hand is shown from the wrist up, reaching upwards with the index finger pointing. Above the hand, numerous translucent cubes in shades of blue, teal, and purple are floating in the air, some appearing to be falling or rising. The background is a dark blue gradient with faint, glowing hexagonal patterns and lines, suggesting a digital or technological theme.

“The greatest danger in times of turbulence is not the turbulence – it is to act with yesterday’s logic.”

Peter Drucker

Turning Market Intelligence Into Business Advantage

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