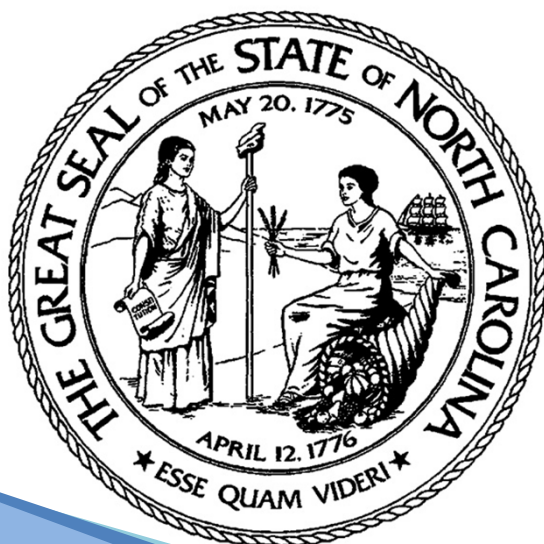




IMPROVING QUALITY AND REDUCING COST THROUGH THE DELIVERY OF EFFECTIVE AND EFFICIENT MUSCULOSKELETAL CARE

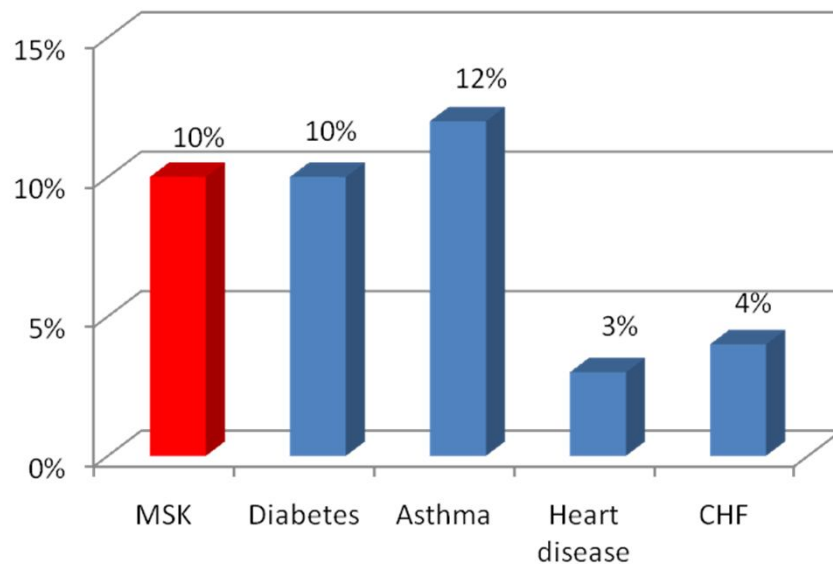
An overview
developed by Triad Healthcare for the
State of North Carolina



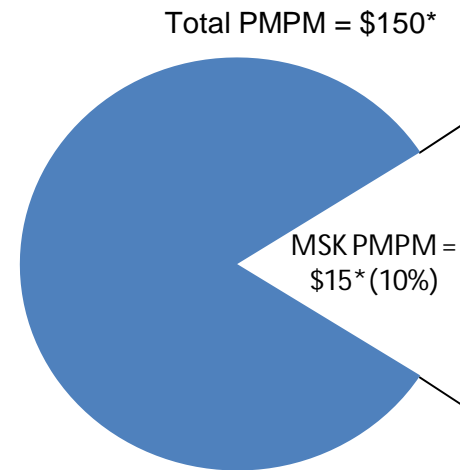
TOTAL COST OF MUSCULOSKELETAL CARE

Medicaid Plan Study

MSK COSTS COMPARED TO OTHER
MANAGED CONDITIONS



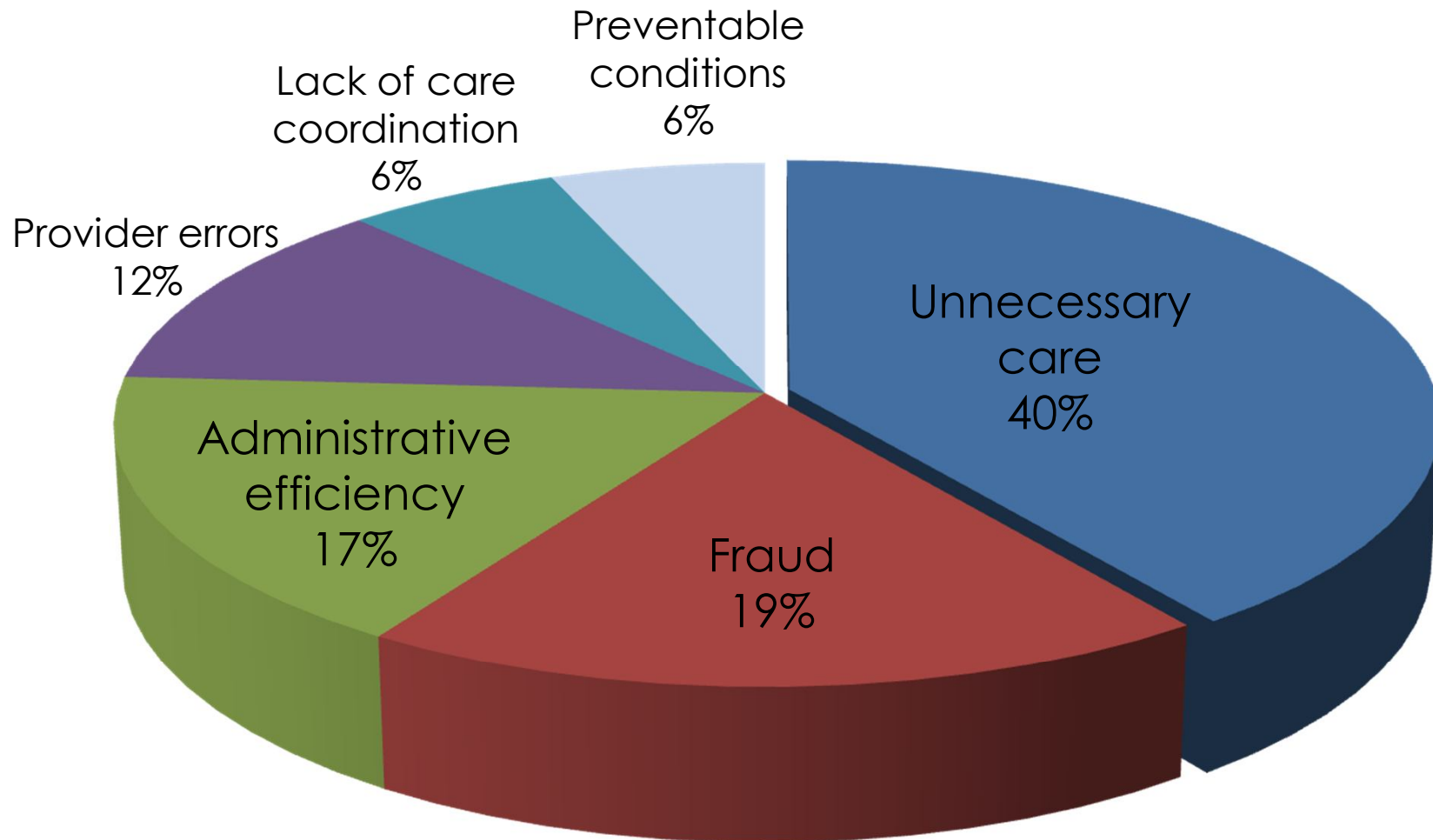
Expense estimates from Triad's **Medicaid** medical claims data set using first four diagnoses. Expenses may exist in more than one category.



Spine surgery \$1.14 PMPM (8%)
Spinal injections \$0.20 PMPM (1%)
Physical medicine \$2.17 PMPM (14%)
Upper extremity surgery \$0.89 PMPM (6%)
Lower extremity surgery \$0.93 PMPM (6%)
Non-surgical MSK \$9.84 PMPM (65%)

*Musculoskeletal and overall expense estimated from Triad's **Medicaid** medical claims data set

WASTE IN U.S. HEALTHCARE SPENDING: WHERE DOES IT GO?



Source: "Where Can \$700 Billion In Waste Be Cut From the U.S. Healthcare System?" 2009 Thomson Reuters

MUSCULOSKELETAL BENEFITS POSES A UNIQUE SET OF CHALLENGES

- ◆ **DIAGNOSTIC CHALLENGE:** Non-specific diagnoses poorly correlate to treatment approach
- ◆ **INEFFECTIVE CARE:** Variable outcomes (pain and function) do not correlate with procedure type, frequency or intensity
- ◆ **UNCOORDINATED CARE:** Multiple provider specialties treat the same patient differently
- ◆ **UNSAFE CARE:** Risks are associated with all types of treatment
- ◆ **EXPENSIVE:** 10%+ of Medicaid medical costs are attributed to musculoskeletal pain

PROBLEMS IN THE DELIVERY OF MSK CARE IN NORTH CAROLINA

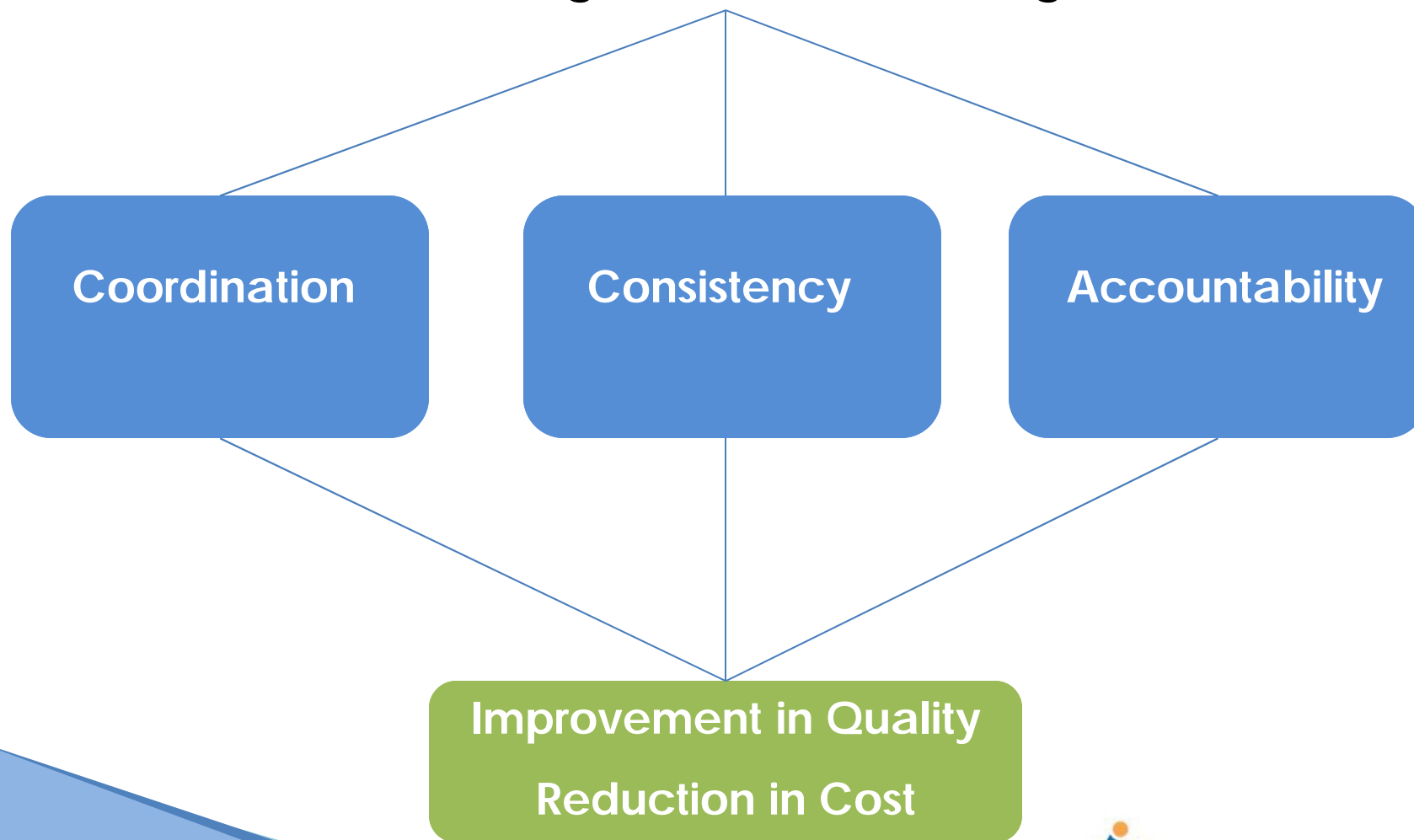
- ◆ Too few doctors trained in providing effective MSK care
 - ✓ Approx 1 in 5 people will have an MSK related complaint each year
- ◆ In NC, only 1000 doctors have specialized MSK training
 - ✓ **Over 80% of these doctors are surgeons**
 - ✓ The majority of MSK issues require non-surgical care management
- ◆ Minimal scientific evidence available to guide treatment
 - ✓ The scientific evidence that does exist is rarely used
- ◆ Available evidence is commonly not applied, yielding an inconsistent standard of care.

MSK CARE IS POORLY MANAGED

- ◆ Approximately 60%+ of MSK procedures are elective
- ◆ Most MSK procedures (50%+) fail to result in meaningful improvement in the patient's condition
- ◆ Between 30-60% of the annual expense paid for MSK procedures doesn't meet the criteria for medical necessity
 - ✓ A 2008 OIG audit of 2006 CMS payments showed that over 60%+ of facet injections to the spine were deemed **not medically necessary**

HOW TRIAD IMPROVES QUALITY WHILE REDUCING COSTS

What Triad Brings to MSK Care Management



BUSINESS CASE SUMMARIES

Problems Triad needed to address:

- Utilization of MSK procedures not tracked/measured by health plan
- No quality benchmarks used to evaluate quality and cost of care
- Health plan management had anecdotal evidence of opportunities for improvement

Case Study #1

Mid-Atlantic Urban

Program Results:

- ✓34% decrease in procedures
- ✓36% decrease in cost
- ✓9% increase in compliance to evidenced based guidelines
- ✓ROI of 7 to 1

Case Study #2

Southeast Suburban

Program Results:

- ✓61%+ decrease in IP procedures
- ✓63% decrease in cost
- ✓12% increase in compliance to evidenced based guidelines
- ✓ROI of 5 to 1

Case Study #3

Mid-America Rural

Program Results:

- ✓15% decrease in spinal fusion procedures
- ✓21% decrease in cost
- ✓6% increase in compliance to evidenced based guidelines
- ✓ROI of 6 to 1

SUMMARY OF COST SAVINGS OPPORTUNITY

- NC spends more than \$300M on MSK procedures annually
- Cost is driven by the same issues outlined in this discussion
- Implementing Triad will save the State of North Carolina approximately \$30M/year on MSK procedures
- Triad's MSK program can be fully implemented by the start of the next fiscal year

APPENDIX

OVERVIEW: TRIAD'S MSK MANAGEMENT PROGRAM

1

Establish Standard of Care

1. Evidence-based guidelines
2. Peer consensus guidelines based on regional standards

2

Perform Case Reviews

1. Multi-disciplinary staff (level 1)
2. Specialty peer staff (level 2)
3. Clinical risk/benefit review
4. Determination

3

Support Determinations

1. Fully compliant determination process
2. Peer-to-peer coordination
3. Provider education & coaching

4

Support Members

1. Member education
2. Coordinate with client's care management capability or establish new program

— Pain Navigator™ —