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The Most Powerful Name in Corporate News

Bundled Payment Software for Health Plans and Health Systems

Kurt Brenkus
Founder and CEO
Aver Inc.

CEOCFO: ***Mr. Brenkus, would you tell us about Aver and truth in payment?***
Mr. Brenkus: Truth in payment is a root phrase. It stands for fair and even-handed or truth. When we started the company, we had the Aver Informatics School. Informatics is the study of information. It is the fair and even-handed study of information. When we talk about truth in payment, our new tagline, the healthcare industry is going through one of the most important changes ever. Whereas with a $3 billion industry over the next five years, 80% of the way that healthcare is reimbursed, it is going to go away which is called fee for service and will transition to a new reimbursement model called value-based reimbursement. That can be sub-segmented into a variety of different things. The fee for services from this setup today is largely a volume-based system. We have designed it where a physician does a service and he gets a fee for it. The problem with that is you do more services to get more fees and it has this perverse incentive to do things that we should not do and why we are the most expensive healthcare system in the world and one of the reasons we have one of the worst outcomes. Truth in payment is talking about our ability to eliminate the fraud, waste and abuse and to transition the industry to a much more sustainable and sane model.

CEOCFO: ***What is your system?***
Mr. Brenkus: The informatics platform that we built is a suite of tools that we have collected and put together over time that we programmed from the ground up. We hold multiple patents and collected them all into what we call the Aver Cloud. Essentially it allows us to take all the discrete data elements from fee for service and there are hundreds of thousands of different types of codes that can be used such as ICD-9, ICD-10, TCTs, DRGs, and all of those codes are used for reimbursement and it is very complicated. Those infinite numbers of codes cause overbilling. The information that is coming across does not actually tell you anything that is going on. What the average system does is recreate episodes of care. You can think of those as time bound events that happened in someone's life. If you get pregnant, that is nine months worth of stuff that is going to happen to you and what we do is package together all those different services over those nine months and put them into a single event. The innovation here and what happens is that fifty episodes of care end up covering 70% of medical spend. If you digest that for a moment, it radically simplifies the reimbursement system in general. It is a radical simplification. We package all the information together and come up with a reference price. Instead of having this wild variation in the fee for service codes, we can look at these discreet events like a pregnancy for example. It ranges anywhere on average from $10 thousand to upwards of $100 thousand for a pregnancy. We help set a reference price to say in general when you follow this care pathway this is how much a pregnancy should cost. We set these single transparent crisis for the entire event.

CEOCFO: ***How are you packaging this?***
Mr. Brenkus: In the industry, there is a term help risk adjustment. If you are hypertensive and you have diabetes, those are two help risks that if you were to go into any event whether having a valve replaced on your heart or having a knee replaced, those are pretty significant factors that actually affect the cost and the management of that overall event. Most of these models they take into account to say here are all of the additional risk factors and let us adjust the price for that

and adjust the care pathway so that you make sure you are doing all the things to manage those associated diseases along with that patient.

CEOCFO: ***How do you account for the geographic differences?***
Mr. Brenkus: There is geographic variation. The truth is there is evidence based medicine guidelines that show that if you do this stuff, then you take the next step and then you take that following step, that is the best practice for how you get this patient healthy. We have for a long time held doctors on a pedestal to say it is an art but in fact there is a lot of science behind this and with this big data movement happening, specifically speaking, you can see when you do certain behaviors that it actually produces better or worse outcomes. It depends on the order in which you do those things. This allows for the embedding more explicitly of those behaviors into these episodes and helps to drive that. If you were to have your knee replaced in an out-patient setting in an ambulatory surgery center and they are almost like these boutique hotels type experiences. You get your knee replaced there for what is called a facility fee, it could be around $2 thousand. If you go to a specialty surgical hospital, that could be about $5 thousand. If you go to a full-blown academic medical center, that same knee replacement could be $10 thousand. Yes, there should be some kind of regional variation and there should be some variation between settings but should it be as dramatic as it is today, that is the question.

"Truth in payment is talking about our ability to eliminate the fraud, waste and abuse and to transition the industry to a much more sustainable and sane model."- Kurt Brenkus

CEOCFO: ***At what point do the doctors take a serious look at Aver?***
Mr. Brenkus: From a market timing perspective, the ACA rolled out in 2010 and there was a lot of people sitting on the fence for a long time. We have gone through two different SCOTUS hearings about it and it continues to be upheld. Meanwhile, the train has left the station. As the Center for Medicare and Medicaid Services goes, the commercial markets will usually follow. They started doing large-scale demonstration projects with pioneer ACOs, bundled payment group men initiative to the BPCI. What they are showing is they are improving not only just the quality of care but the payment around it as well. Just last week, there was an article that came out and it is landmark, they are going to be mandating bundled payments for hip and knee replacements in seventy-five geographies across the US. It is a proposed rule and there is going to be some fighting and a lot of people opining about whether we should do that or not but because of the success of the bundled payment program, they are now aggressively rolling out this type of payment mechanism. That is from a market prospective. I think we are truly at a turning point with five years into the process. Sylvia Burwell has come out and said that 85% of all Medicare payments will be tied to value-based reimbursement by 2020. That is another five years, so I think we are at that critical tipping point. From a cultural paradigm shift, I can tell you that there has been lots of interesting change. There are many doctors that have been retiring and they say they do not want to deal with the new system. I was just talking to a young doctor who was practicing at Harvard Partners up in Boston and embracing this new paradigm with open arms and was talking about how they can improve the care pathway and how they can improve their workloads and get alerts about what is going on. I think it is a cultural paradigm shift that will probably take years even after 2020 for it to fully take effect.

CEOCFO: ***Where is Aver today?***
Mr. Brenkus: Aver is physically located in Columbus, Ohio. We relocated the company here last year after receiving venture capital investment from Drive Capital and GE Ventures. We are active on the exhibiting circuit most recently with HFMA for all the CFOs in healthcare. We have been active in attending multiple Bundled Payment specific events – bringing together progressive thought leaders in the payer and provider space. We are arguably the largest in the preeminent software in the bundled payment space. We are working with the most sophisticated health plans and health systems across the country. These are all huge brand names and we are helping to manage over 20 million lives today in our platform for bundled payment and across all different conditions.

CEOCFO: ***What have you learned since the Aver system has been in use?***
Mr. Brenkus: Change management is actually the most difficult part of all this. The first is how you first capture the minds, hearts and spirits of people on the ground that have become hardened on the frontlines of healthcare for so many years, and then win them over and educate them to realize why they should embrace this. I think just getting people to fundamentally agree that this is the right thing to do not only for themselves but for others was a difficult thing to learn. The actual technical implementation of this is not for the faint of heart. The healthcare system is full of legacy mainframes and cobalt systems and things that are fifteen and twenty years behind in the technology they are using. To get into the guts of how healthcare transaction is moving is one of the most arduous things. It is not just showing up with a better

piece of software that is modern and can transform, it is you have to figure out how to get those legacy systems to be able to perform along with you. That has been a big lesson throughout all of this.

CEOCFO: ***How do you stay on top of the medical changes that could affect the standard of treatment of different areas?***
Mr. Brenkus: A good example is mammograms. Just a few years ago they were saying you are supposed to have your mammograms at forty and now they are saying it is fifty so there are changes like that all the time. There is a couple of quick ways to do that. There are many industry work groups that are working constantly on the standards. They are constantly publishing their subgroups to the American Medical Association. There are groups that work on pay-for-performance initiatives in California and there are think tanks out in the DC area that constantly publish these papers and it is accessible. When big things hit the airwaves, it is easy to get your hands on it and digest. CMS does another nice job at pushing all that together with the National Institute of Health. When you start to aggregate the number of publications, for example, we have and other large healthcare plans have, even other large software vendors have started to acquire. We are constantly analyzing the data to look at the underlying assumptions those standards. We can actually see the patterns in the data that start to emerge across very large populations to say that was a policy that was made in the dark and there is no correlation between that policy and what is the efficacy of that treatment. Many times we work with our leading health institutions of large payers and providers. They are on these industry work groups and they are taking that information back and helping steer the policy.

CEOCFO: ***Why pay attention to Aver today?***
Mr. Brenkus: If you look at the macroeconomic view and say that 18% of our GDP is tied up into healthcare, that is radically higher than any other industrialized nation and we have the lowest health outcomes of any other nation. Our ability is to help these institutions drive what we call a behavioral economic model so the payment of healthcare. The behaviors that are taken behind it is what we think the most important thing on any kind of economic agenda or any kind of national or local policies with Medicaid and how we are taking care of our sick our poor and our women and how we are taking care of our minorities. There is, in our time, outside of just Aver itself, not a more important debate than what is happening today in the transformation of healthcare.

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