

*Supply Efficiency Scoring (SES)**

“Tapping the brakes” to slow the growth of healthcare spending®

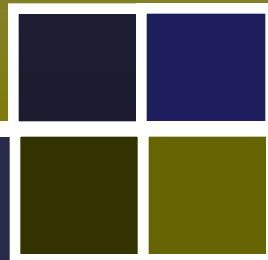
By: Michael Samms

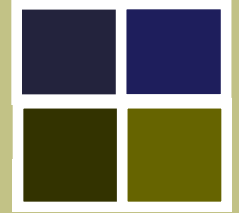
Tom Johnson

*** A program designed to slow the growth rate of healthcare spending.**

U.S. Patent No.: 8,694,338

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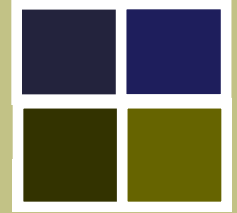




The Problem...

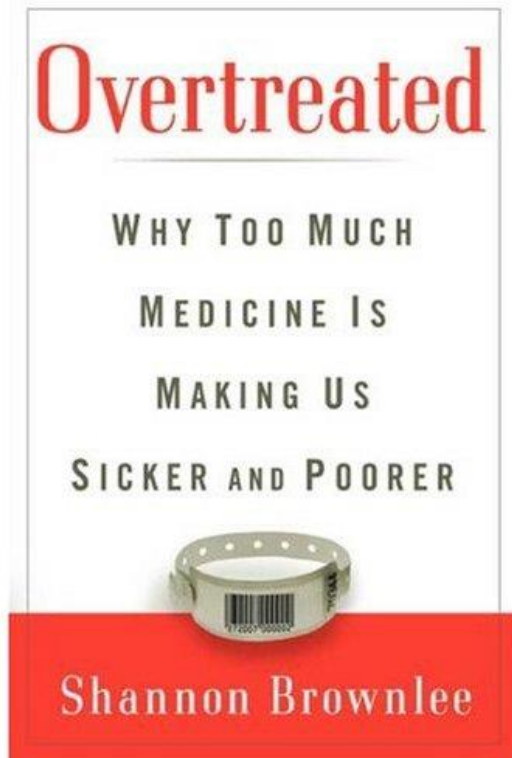
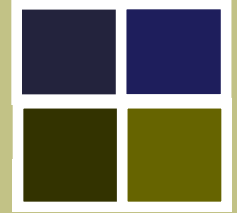


*The existence
of
“Artificial Demand”*



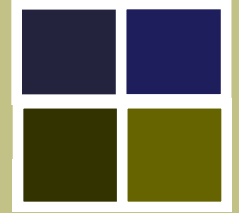
- **ACCEPTED:** Within most every industry in the U.S., demand for products and services follows the normal economic supply/demand curve. Healthcare does not.
- **THE PROBLEM:** In healthcare – It is very apparent that increased supply actually drives up costs over time. This violates the normal economic supply/demand curve. *Artificial Demand is Created.*
- **THE QUESTIONS:** How can we slow the growth of supply? How can we “tap the brakes” and gain industry support?.....

Artificial Demand



...medicine does not function like other economic markets. If doctors found they weren't getting enough business, they didn't have to slash their fees in order to attract new patients; **they could simply give more medical care** to patients they already had...

Artificial Demand

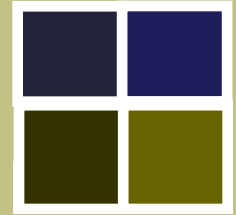


John Wennberg, of Dartmouth, offered critical testimony on the connection between the availability of health care providers and utilization...**with health care, supply drives demand**. This leads to “unwarranted care,” which leads in turn to higher costs for everyone in the health care system.

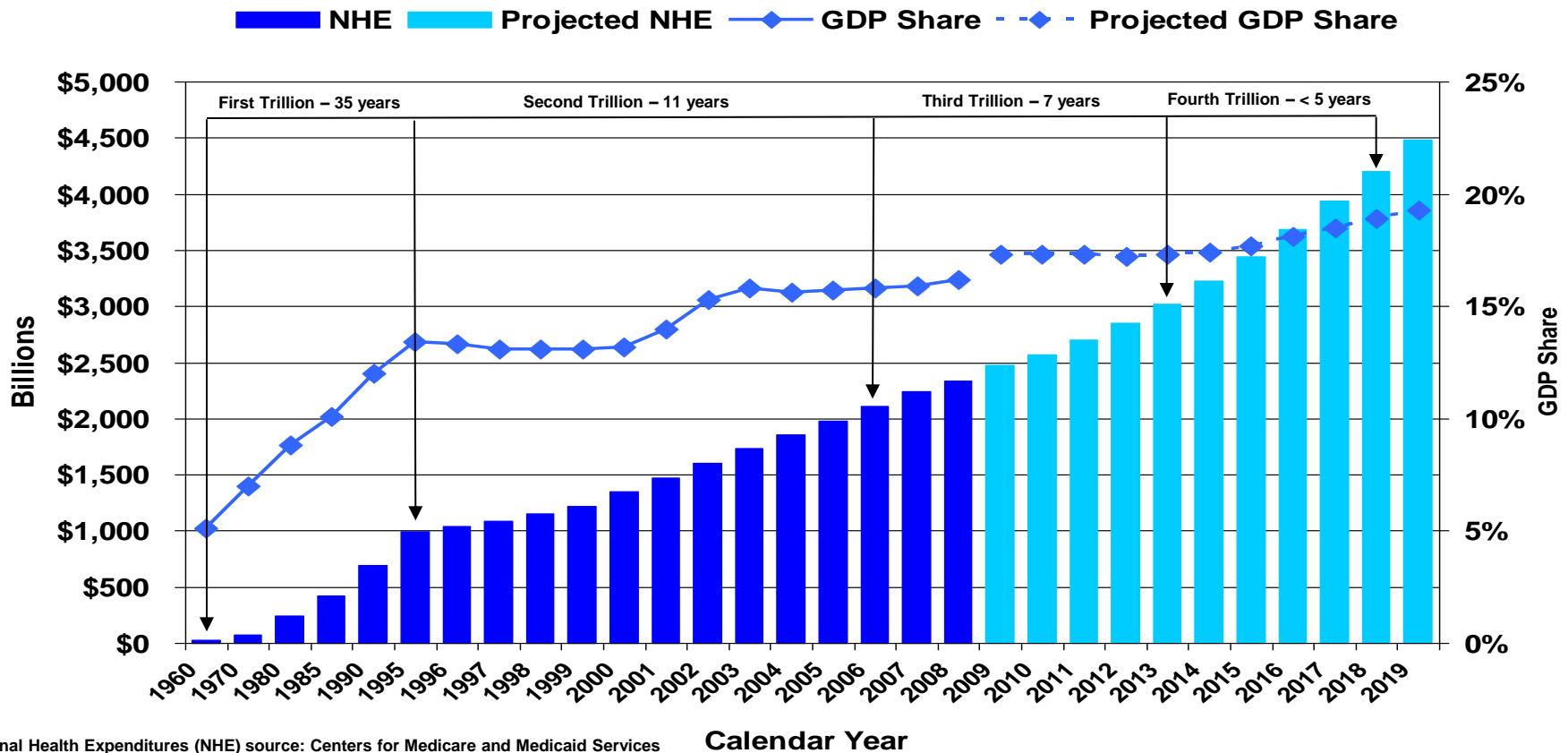
- *Healthcare Law*

Christopher C. Gallager

Growth in Spending



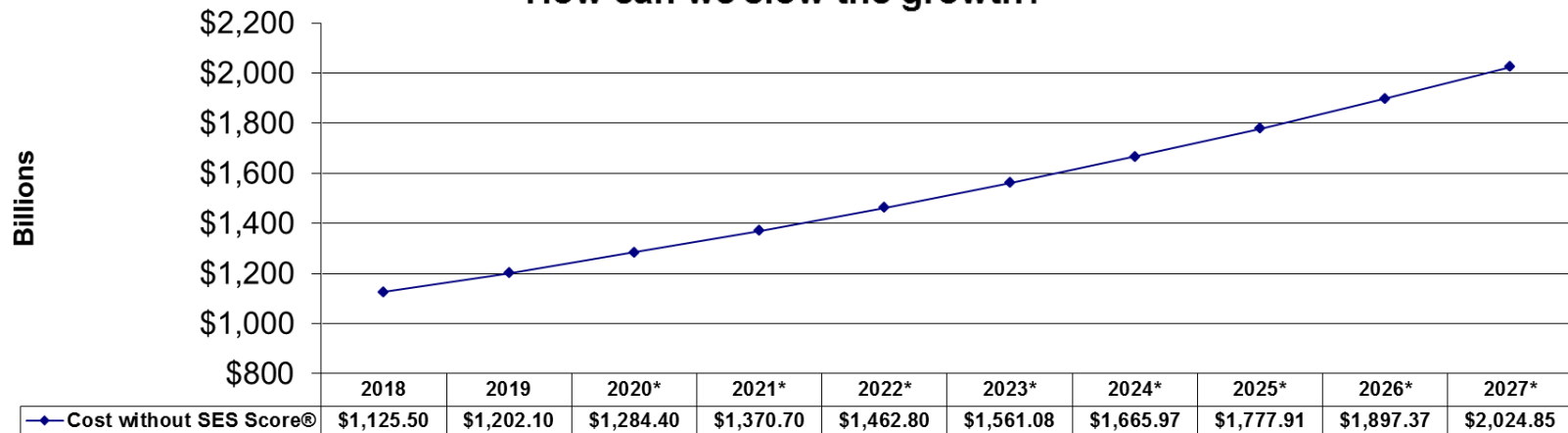
Inflation - U.S. healthcare delivery is broken and needs a solution...



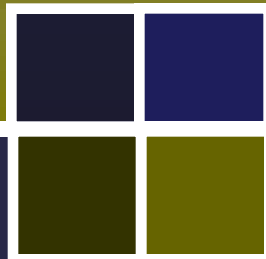
Cost of Professional Healthcare Services- Total Costs

Source: Centers for Medicare and Medicaid Services

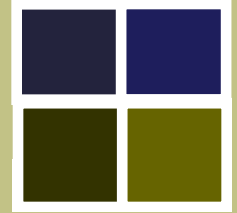
How can we slow the growth?



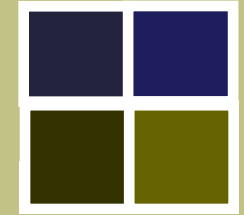
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Problem → Opportunity

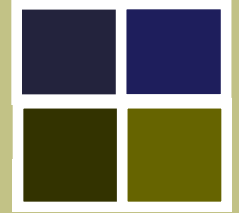


- The dirty secret of the U.S. healthcare system is that **artificial demand** is routinely created
- Healthcare costs can be contained if payments are only for medically necessary services
 - *SES has developed an invention that will contain these costs without constraining the free market and reward providers for supplying services in shortage areas.*
 - *For the first time in history, SES has created a tool to measure healthcare supply/demand economics within a **micro-geographic area.***

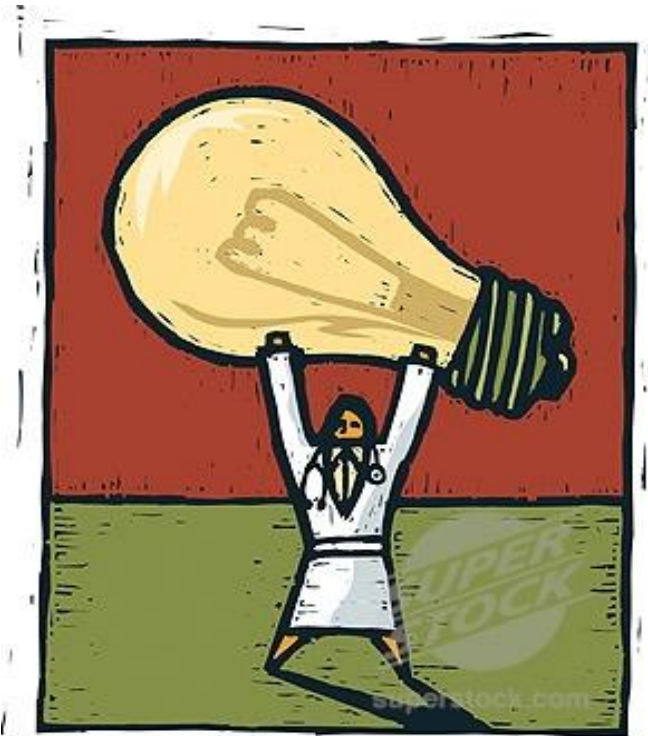


Government vs. Private Solution

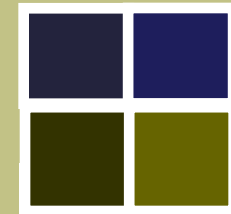
- Reduce overall costs via reduction in allowables for diagnostic services.
 - Indiscriminate approach penalizes underserved communities
 - Reimburses rural and urban areas the same
 - Reimburses large geographical areas the same regardless of supply.
 - Political storm, from special interest groups, resulting in backlash and causing delays
- Reduce overall costs via voluntary reduction in services through SES process.
 - Preserves service opportunities in underserved communities and may result in increased reimbursement
 - SES Scoring promotes geographic appropriate services
 - Establishes reimbursement recommendations within micro-geographic areas.
 - SES Scoring addresses all new diagnostic procedures resulting from equipment of any cost



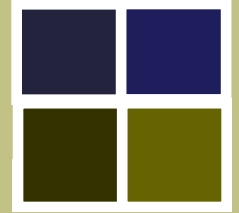
The Solution...



*A strategic
thoughtful
innovation*



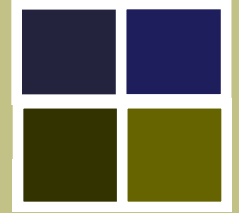
- **THE MARKET:** Virtually all healthcare expense decisions are initiated through Provider (Doctors, Nurse Practitioners, Physician Assistants) orders.
- **THE NEED:** Provide insurance companies, government, and self-funded employers (Payers) the ability to reduce payments for diagnostic services and in some instances, increase payments in underserved areas. Accomplished with algorithms to indicate appropriate services within *micro-geographic areas*.



SES Score®

- A reimbursement innovation reflecting a supply/demand economic measurement within a micro-geographic area.
 - There are many quality programs that manage quality of provider care. SES addresses reimbursement and appropriate service volumes by slowing artificial demand creation.
 - SES does not interfere with a provider's decision making process nor interfere with the provider/patient relationship.
- A free-market opinion which payers will utilize to alter reimbursements to providers.
 - SES is an independent opinion service reflecting supply and demand service economics within a micro-geographic area.

Unique Approach

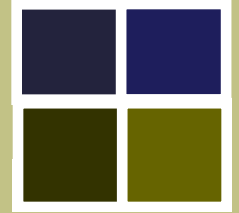


The SES Private-industry Approach

The SES approach:

- is private, not public
- is contractual, and never disallows services
- is only applied to diagnostic procedures, not facilities
- For the first time in history, justifies payer modified reimbursements within a micro-geographic area by measuring healthcare supply and demand.
- is voluntary – providers have the self-determined option to begin providing new services.

Measured Innovation

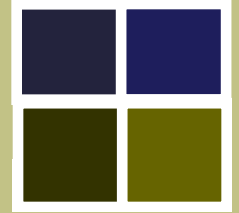


The Goal: “Tapping the brakes”- slowing growth

Reduce growth rate in healthcare spending:

- Balance supply of clinical diagnostic services with appropriate demand within a micro-geographic area
- Limit profit motivated demand for select diagnostic services – reducing **artificial demand**

Measured Innovation



Approach

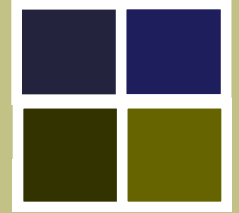
Establish independent and objective scoring agency to publish score for any new diagnostic procedure within a defined micro-geographic location. **This is accomplished using CPT* coding as a proxy:**

- Require **SES Score**[®] prior to reimbursement of select CPT's
- Payers establish **SES Score**[®] criteria for **reimbursement of select procedures**
- Monitoring provision of select procedures and diagnostic services within each geographic market

Process is similar to Fair Isaac's (FICO) Credit Score use in underwriting auto insurance-Better score, better premiums

*CPT: Current Procedural Terminology is a registered trademark of the American Medical Association.

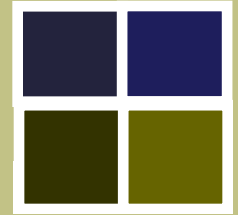
Who Participates?



Audience

- Payers
 - CMS (Medicare and Medicaid) and other governmental agencies
 - Commercial payers
 - TPA's (Third Party Administrators)
 - Self-insured employers
- Providers
 - Physicians - MD's & DO's
 - Hospitals
 - Imaging centers
 - Out-Patient Centers

The Process



1
Provider decides to perform new diagnostic procedure and applies for SES score

2
Analysis of procedures within a micro-geographic area



Supply Efficiency Scoring

3
Score is calculated and released to Provider and Payers



4
Payers decide how to respond to SES Score®

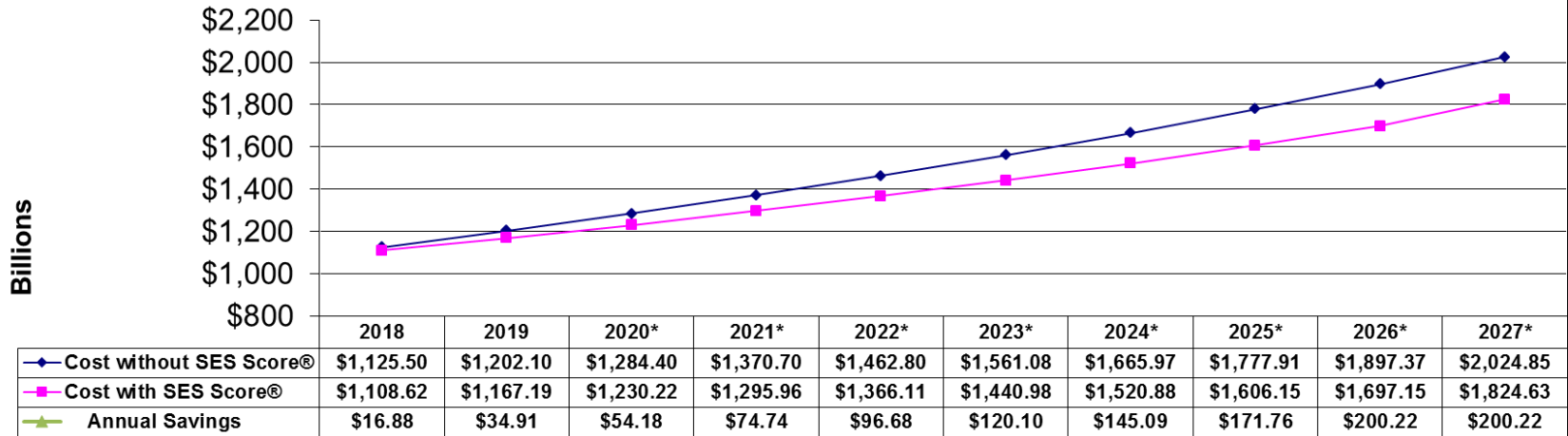
**10-year Savings:
1.5% =
\$914 Billion**

With SES: Bending the cost curve toward lower cost

“Tapping the brakes” to slow the growth of healthcare spending®

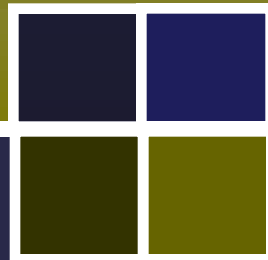
Cost of Professional Healthcare Services - Total Costs

Source: Centers for Medicare and Medicaid Services (CMS)

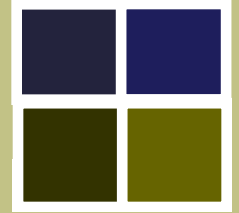


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*Extrapolated from 2019 expenditure growth
Cumulative 10-Year savings utilizing the Supply Efficiency Scoring process = \$914.56 Billion



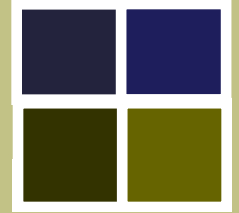
Payers



- Nominal subscription fee for access to results
- Access to scores when distributed as requested by Provider applicants
- Payers determine and publish requirement for score and score thresholds as well as reimbursement changes within a micro-geographic area, as payer policies and contracts dictate
- Payers simply 'bolt on' a claim processing scoring program module to incorporate scoring reimbursement logic.

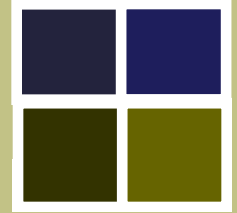
Note: Impact to Patients will be lower overall cost

Providers



- Application Fee submitted with application for SES Score[®] prior to claim reimbursement
- Market study performed and score calculated
- Scores returned to Provider applicant and to Payers (similar to SAT/ACT scores)
- Reimbursement will be modified within a micro-geographic area.
- Outcome: equipment likely only purchased when demonstrating the need for additional capacity of select diagnostic services in the region

CPT as proxy

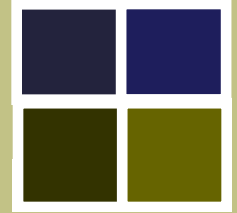


Scoring Methodology

- Proprietary algorithms
- Criteria include:
 - Existing CPT's reimbursement from aggregate payers within a micro-geographic radius of the provider location
 - Patient access adjustments*
 - Utilization adjustments*

**These adjustments are the proprietary component of the SES scoring system.*

Appeals are allowed and may result in a lower SES Score[®] due to conservative assumptions in the methodology. A key criteria of SES is that no patient is denied any needed service. SES will not interfere in the provider/patient relationship.

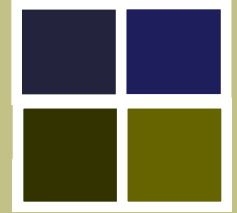


Scoring Methodology

Range from zero to 800

- **0-200** **“Over-saturated”** • **Market appears to have excess capacity to deliver the service**
- **201-400** **“Marginal”** • **Some capacity exists and the service is marginally needed**
- **401-600** **“Reasonable”** • **The service proposed is reasonably needed and is justified, with some competition in the region**
- **601-800** **“Justified/Needed”** • **The service is needed to accommodate the current and projected demand by the regions’ population. In some situations a shortage of needed services may exist.**

Implementation



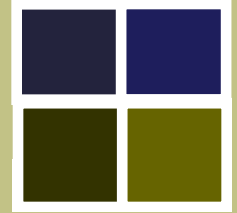
PAYER CONTRACT (Example)

“Any claim for reimbursement of diagnostic CPT codes that have not been reimbursed within the previous 12 months at the designated service location must have an SES score[®] and will be reimbursed at a rate indicated in schedule XXX.”

- payer may determine a rate of 100%, or an increase, for a SES Score[®] of 600 or above and a declining rate with reduced reimbursement for a SES Score[®] of 400 or below
- other methodology to apply the score in reimbursement criteria may be utilized.

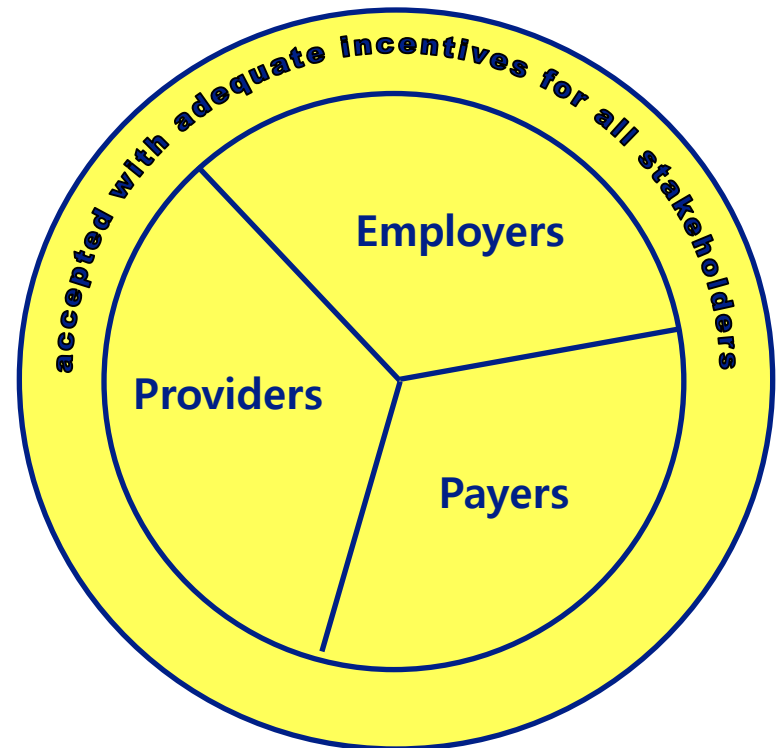
Changes to this methodology (schedule) create a significant lever to control spending growth year to year over time.

Stakeholder advantages



Collaborative focused approach

- **Employers** receive savings from reduced program expenses
- **Payers** receive savings from reduced claims costs
- **Providers** receive increased reimbursement in underserved areas



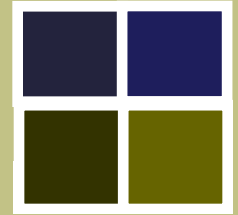
Objections



- Equipment manufacturers will view this as an obstacle to their sales efforts

SES is not playing a role in clinical decisions. SES will not interfere in a provider/patient relationship. SES is designed so that no patient is denied any needed service. SES is a score opinion reflecting a market review and availability of services within a micro-geographic area.



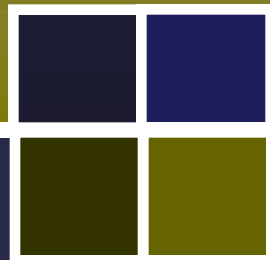


- What innovation will completely change the way we think about healthcare financing (reimbursement) in the U.S.? **SES Score®**
- What innovation gives payers the ability, for the first time ever, to adjust payments for services, on a micro-geographic basis? **SES Score®**
- What innovation has been reviewed by major health insurance executives with a resulting statement, “This makes sense”? **SES Score®**
- What innovation is simple, effective and ready for implementation? **SES Score®**
- What innovation has fully developed and vetted intellectual property? **SES Score®**
- What innovation has been designed by and ready for implementation now? **SES Score®**
- What innovation will reduce the artificial demand creation problem and bring forth normal supply and demand economics to the U.S. Healthcare system? **SES Score®**
- What innovation will save the U.S. healthcare system \$91 Billion per year? **SES Score®**

Next Steps:

- _____
- _____
- _____
- _____

www.sesscoring.com



Questions?

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