DEVELOPING A UNIFIED ADDICTION TREATMENT PROVIDER PLATFORM

NAATP NATIONAL 2017

NATIONAL ASSOCIATION
OF ADDICTION TREATMENT PROVIDERS

Welcome to NAATP

39th Annual National Addiction Leadership Conference

Barton Creek Resort
Austin, Texas

Carl Kester - NAATP Board Chair
Lakeside-Milam Recovery Centers

Peter Palanca - 2017 Conference Chair
TASC
The Value of a Professional Community

Marvin Ventrell
NAATP Executive Director
Thank you for your support!
600 Attendees / 110 Exhibits / 55 Sponsors
Charting our Field’s Trajectory

The NAATP Provider CEO Perspective

Douglas Tieman, CEO
Caron Treatment Centers

Mark Mishek, CEO
Hazelden Betty Ford Foundation

Philip Eaton, CEO
Rosecrance Health Network

Moderator: Carl Kester, CEO - Lakeside-Milam
Where Are We Going?

Good to Know How We Got Here!
“...You’ve asked me how I feel about whiskey...

If, when you say whiskey, you mean that devil’s brew, the poisoned spirit, the bloody monster that defiles innocence.....

I am certainly against it with all my heart.
“...But, if when you say whiskey, you mean the oil of conversation, the philosophical wine, the ale consumed when good fellows get together, that puts a song in their hearts and laughter on their lips....

....then certainly I’m in favor of it.

This is my stand and I will not compromise”
A History Lesson – How Did We Get Here?

Modern Treatment Birth/Evolution 1935-1970

- AA
- Minnesota Model
- Mission/Service Work
- Localized
Industry Created 1970s

Funding a Reality

- Insurance
- Government
  - Hughes Act
  - “War on Drugs”

Nixon speaks to NY reporter

(:44) https://www.youtube.com/watch?v=bsrXpVUKjKU
Industry Created
1970s

The Field “Collaboration & Cooperation”

- Professionalize
  - Standards/Credentials/Ethics
  - Accreditation/Licensure
- All Mission Work
## The Results

### 1970s

<table>
<thead>
<tr>
<th>Year</th>
<th>Treatment Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>500</td>
</tr>
<tr>
<td>1977</td>
<td>2400</td>
</tr>
</tbody>
</table>
The BOOM and... 1980s

- Betty Ford & Public Acceptance
- Emergence of Large “For-Profits”
- Field Matures
  - Professionalism
  - Association
  - Conferences/Conventions
  - NCA

I know I was an alcoholic because I was preoccupied whether alcohol was going to be served or not.

(Betty Ford)
Some states annual prevention and treatment budgets went from a few million dollars in the 1970s to more than $200 million in the 1990’s.

<table>
<thead>
<tr>
<th>Year</th>
<th>Treatment Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>500</td>
</tr>
<tr>
<td>1977</td>
<td>2400</td>
</tr>
<tr>
<td>1987</td>
<td>6800</td>
</tr>
<tr>
<td>1991</td>
<td>9057</td>
</tr>
</tbody>
</table>
Then…We Got Greedy
1980s

- Profiteering and “Competition”
- Census Replaces Care
- Observations
  - James Kemper
  - Dan Anderson
Public Policy Changes
1980s

- Just Say “No”
- Zero Tolerance
- Not a Disease – Peale/Finagerette
- Moderation Management
- Insurance – Managed Care & UR
The Results

Significant decrease in
• Length-of-Stay
• Spending
• Benefits
Parkside Plans To Shut Up To 11 Treatment Units

November 08, 1990 | By Steven Morris.

Lutheran General Health Care Systems will sell or close up to 11 of the 22 centers its Parkside Medical Services Corp. unit owns for treating alcohol and drug abuse, eating disorders and mental illness, officials said Wednesday. Administrators blamed a sharp decline in occupancy at such facilities, caused partly by the increasing unwillingness of insurers and employers to pay for the treatment.

Industry watchers said the move signals the beginning of a shakeout in the industry, but wondered whether a retreat by participants as well-regarded as Lutheran General might leave a vacuum in the provision of needed services.
Rebound in the Late 1990s

Public Policy - The Problem Didn’t Go Away

Traffic (2000)
(1:07)
http://www.metacafe.com/watch/8854714/traffic_2000_thinking_outside_the_box
Late 1990s Rebound

- Economics
  - Rehab is cheaper than jail
- Brain Chemistry
  - Leshner and NIDA 1997
- Chronic Illness
  - Continuum of Care
- Clear Demarcation of Payer Mix
  - Pick a path
Reinvention and Growth 2000-2008

- Recovery Entrepreneur/Private Equity
  - California and Florida Explosion
  - New “softer” treatment modalities
  - Amenities race
  - Internet marketing

- Profitability and Growth
  - Bain/CRC/Sierra Tucson – “Game Changers” in 2005
The Boom 2.0
2008-2016

• Why?
  – Excess cash to invest
  – Huge demand
  – ACA and parity

• Bullish financials
  – $35 Billion
  – 30% EBITA
  – 10 multiples

• Internet
Impact

• Positives
• Negatives
• Competition for dollars/and markets
• Customer Centric vs. Clinical Centric
• Wants vs. Needs
Today….The Issues

- Effectiveness
- Insurance
- Government
- Profitability
- Modality
- Ethics
Tomorrow – Our Future


- **Private Payers**
  - Out-of-Pocket
  - Private Insurance
  - Other Private
  - Medicare
  - Medicaid
  - Other Federal
  - Other State and Local

- **Public Payers**

**1986**
- SUD Spending = $9 Billion
- Percent Distribution:
  - Out-of-Pocket: 13%
  - Private Insurance: 32%
  - Other Private: 9%
  - Medicare: 27%
  - Medicaid: 31%
  - Other Federal: 11%
  - Other State and Local: 11%

**2009**
- SUD Spending = $24 Billion
- Percent Distribution:
  - Out-of-Pocket: 11%
  - Private Insurance: 16%
  - Other Private: 5%
  - Medicare: 21%
  - Medicaid: 31%
  - Other Federal: 11%
  - Other State and Local: 11%

**2014**
- SUD Spending = $31 Billion
- Percent Distribution:
  - Out-of-Pocket: 9%
  - Private Insurance: 16%
  - Other Private: 4%
  - Medicare: 25%
  - Medicaid: 28%
  - Other Federal: 10%
  - Other State and Local: 28%

**2020**
- SUD Spending = $42 Billion
- Percent Distribution:
  - Out-of-Pocket: 9%
  - Private Insurance: 16%
  - Other Private: 4%
  - Medicare: 28%
  - Medicaid: 28%
  - Other Federal: 10%
  - Other State and Local: 28%

Note: Percentages may not add to 100 due to rounding.

Source: SAMHSA Spending Estimates.
Tomorrow – Our Future
Will the 1990s be Repeated?

- Greedy
- Treatment doesn’t work
- Is it a disease?
- Government and insurance intervention
- Incarceration
- Market Exit?

Can’t Be the Story
So What Is the Story?

The Facts

According to the Substance Abuse and Mental Health Services Administration’s (SAMHSA’s) 2015 National Survey on Drug use and Health

21.7 Million people 12 years of age and older needed treatment for an illicit drug or alcohol abuse problem

only

2.3 Million of these individuals --11 percent -- received treatment at a specialty facility.
The Facts

So What Is the Story?

U.S. State and Federal Prison Population, 1925-2014

- Nixon Launches War on Drugs
- "Zero Tolerance" approach begins during Reagan's presidency

Source: Bureau of Justice Statistics Prisoners Series.
So What is the Story?
The Facts: Treatment Saves $

- Saves $7 in Criminal Justice Costs
- Saves $4 in Health Care Costs
- Saves $12 in the Workplace
It is interesting that the high relapse rates among diabetic (30-50%), hypertensive (50-70%) and asthmatic patients (50-70%) following cessation of their medications have been considered evidence of the effectiveness of those medications, the need to retain patients in the medical monitoring and the need for compliance enhancement strategies. In contrast, relapse to drug or alcohol use (40-60%) following discharge from addiction treatment has been considered evidence of treatment failure.
The Story Should Be...

Cooperate and Collaborate for More $

- Treatment on Demand vs. “Rationing”
- Research Equity vs. “Second Class”
- Cures 21 a Moral Victory vs. “The Real Deal”
Tomorrow – Our Future
Or, Will There Be Enlightenment?

- Use of Technology, Medicine, EBT to Reduce Costs and Improve Results
- Integration of MAT
- True and Verifiable Outcomes
- Behavioral Health Part of ACOs
  - Define how to pay for chronic disease treatment
- Visible/Respected/Credible Spokespeople
And If We Don’t…
It’s like déjà-vu,
All over again.

Yogi Berra
Caron’s Plans for the Future

-**Financial**-

- Double Down on Core Competencies
  - **People with Choices**
    - Premier Programs & Facilities
    - Self-pay and Contracts with Discerning Payors
  - **Our Community**
    - Charity Care
- **Energetic Philanthropic Growth**
Caron’s Plans for the Future

- **Clinical** -
  - Behavioral Health Expertise
  - Effective Use of Technology & Medicine
  - Increase Regional Recovery Center Services
  - Academics/Research/Training Center
  - Outcomes Sophistication

- **Overarching** -
  - Cooperate & Collaborate
Charting our Field’s Trajectory:

The NAATP Provider CEO Perspective

- Mark Mishek
- President and CEO
- Hazelden Betty Ford Foundation
Current Trends and Trajectories

- Continued growth of national for-profit providers
  - Universal Health Services
    - Talbott
    - Foundations Recovery Network
  - Acadia
    - CRC
    - Timberline Knolls
  - American Addiction Centers
  - Recovery Centers of America
  - Origins Behavioral Health

- Fragmentation and Undercapitalization
Current Trends and Trajectories

- **Rampant Industry Abuses**
  - black hat marketing
  - fraudulent/abusive billing of out-of-network benefits
  - payments for referrals
  - drug testing
    - over-utilization
    - self-referrals
    - over-pricing

- Consumer demand to use in-network insurance benefits
- Payer curbs on out-of-network benefits due to abuses
Hazelden Betty Ford Strategic Direction

- Serve more people through a full continuum of integrated services
  - Robust growth of day treatment and intensive outpatient services
  - Standardized approach to clinical care supported by a common EHR
- Embrace third-party payers as partners
  - Contract with all national payers
  - Engage in value-based contracting
- Measure everything we do and publicly report outcomes
- Expand opioid treatment pathways (COR-12) throughout HBF and across the field
- Grow size and scale to offer a national system of care
Our Trajectory

Philip W. Eaton
President/CEO

rosecrance®
Thank you!