SonarMD

How a Value-based Care Model Can Help Private GI Practices Survive

Why Gastroenterologists Need to Diversify Their Revenue Streams

EXECUTIVE SUMMARY: Gastroenterologists (GIs) have been successful in the fee-for-service world. Yet, most of their income comes from elective colonoscopy screenings. The COVID-19 pandemic has shown that GI professionals will need to diversify their portfolios to be successful post-pandemic. One way to generate new sources of revenue is via value-based care models. Patient behavior changes seen during the pandemic have led to an increased use of remote technologies and patient engagement that can enable the transition to value-based care.

COVID-19 HAS UPENDED BUSINESS for nearly every industry—the U.S. healthcare sector is no exception. The pandemic has forced hospitals and outpatient offices to shutter non-emergency services, leaving lower patient admissions and revenue capture in its wake. Since the pandemic began, medical practices have reported a 55% decrease in revenue and a 60% decrease in patient volume.[1]

Gastroenterologists find themselves at a crossroads during COVID-19. Many GI practices are dependent on elective colonoscopies for income, but elective procedure volumes have fallen.

However, gastroenterology practices can also use this time to diversify their businesses. Revamping their organization's income streams and practice operations will both help them weather the change in practice patterns brought on by the pandemic and prepare them for upcoming healthcare payment shifts.

Gastroenterologists are dependent on colonoscopies. That's a money maker—but also a vulnerability.

More than 14,000 healthcare professionals have chosen the gastroenterology specialty.[2] And they've made a good living in the fee-for-service world.

On average, gastroenterologists take home upwards of $419,000 annually.[3] The profession also drives substantial earnings for hospitals, generating an average net revenue of $2.9 billion for hospitals in 2019.[4]

But most of that revenue is tied to one elective procedure: colonoscopies.

Today, over 80% of a gastroenterology practice's revenue is directly or indirectly tied to a result of a colorectal cancer colonoscopy screening.[5]

In 2018, 66.8% of adults aged 50 to 75 years old were screened for colorectal cancer through sigmoidoscopy or colonoscopy. These two procedures accounted for 61.2% of the overall screenings.[6]

And demand is set to rise in coming years. By 2030, the number of elderly Americans (77 million) is projected to outnumber American children (76.5 million).[7] As more baby boomers age into Medicare, the need for and number of colonoscopy screenings and surveillance will increase.

This dependence on colonoscopy demand has been successful for many GIs in the past, but it has created a significant vulnerability. GI practices are vulnerable to new entrants and environmental or policy changes that affect the need for the procedure.

Companies like Cologuard have exposed that vulnerability by offering a noninvasive screening option for adults 45 years or

1 Medscape Gastroenterologist Compensation Report 2020. https://www.medscape.com/slideshow/2020-compensation-gastroenterologist-6012732#2
2 AAMC. "Physician Specialty Data Report: Active Physicians with a U.S. Doctor of Medicine Degree by Specialty, 2015." https://www.aamc.org/data-reports/workforce/interactive-data/active-physicians-us-doctor-medicine-us-md-degree-specialty-2015
3 Medscape Gastroenterologist Compensation Report 2020. https://www.medscape.com/slideshow/2020-compensation-gastroenterologist-6012732#2
4 Merritt Hawkins. "2019 Physician Inpatient/Outpatient Revenue Survey." https://www.merritthawkins.com/uploadedFiles/MerrittHawkins_RevenueSurvey_2019.pdf
5 SonarMD calculations.
6 National Cancer Institute. "Colorectal Cancer Screening." https://progressreport.cancer.gov/detection/colorectal_cancer
7 U.S. Census Bureau. "Older People Projected to Outnumber Children for First Time in U.S. History." https://www.census.gov/newsroom/press-releases/2018/cb18-41-population-projections.html

older at average risk for colon cancer, having already entered the GI market as an alternative to undergoing colonoscopies. Cologuard claims to find 92% of colon cancers overall, as well as 94% of Stage I and Stage II colon cancers.[8] This technological alternative will drive down the demand for colonoscopies and further impact gastroenterologists procedural revenue.

The COVID-19 pandemic has made the GI practice vulnerability clearer than ever. A recent survey of gastroenterologists found that in 65% of centers, endoscopy volume decreased 10% due to COVID-19. As nonessential healthcare services were curtailed and patients stayed home, 97% had deferred screening colonoscopies.[9]

Even after elective surgery centers fully reopen and hospitals allow non-emergent appointments again, colonoscopy volumes will be affected for the foreseeable future. In "the new normal," patients may hesitate to undergo an elective surgery for fear of contracting COVID-19.

Colonoscopies will continue, but patient behaviors post-COVID-19 will undoubtedly have significant financial impacts on a gastroenterologist's income.

The GI Disease Index pinpoints which conditions to target when entering the value-based care arena.

Now is the perfect time for GI practices to engage in value-based care contracts. COVID-19 exposed GI practices' vulnerability of colonoscopies making up the main source of revenue. Value-based care arrangements with payers can make practices less reliant on elective colonoscopies and bring in new revenue streams post-COVID-19.

Specialists like gastroenterologists are well-positioned to succeed in various value-based care arrangements. Specialty care accounts for more than half of office visits and nearly 70% of healthcare expenditures.[10]

Some of the earliest opportunities to participate in value-based care arrangements have come from CMS. Yet, just 41% plan to participate in the 2020 MIPS program for MACRA—which is known as a precursor to entering value-based care arrangements. (It can be noted, however, that CMS may waive the requirements for this program in 2020). Additionally, just 13% plan to engage with the APM track of MACRA, where they have the opportunity to take on risk.[11] On the commercial side, only 23% of gastroenterologists are participating in an accountable care organization program.[12]

Value-based care is not one size fits all; the appropriate arrangement depends on the **variability in cost and outcomes** of the disease in question.

Symptomatic chronic diseases differ in their propensity for serious and costly morbidity. However, reliable metrics for identifying these diseases and assessing their relative volatility are lacking. To address this issue, Dr. Lawrence R. Kosinski, a practicing gastroenterologist for 30+ years and founder/chief medical officer of SonarMD, developed the **GI Disease Index (GIDI.)**

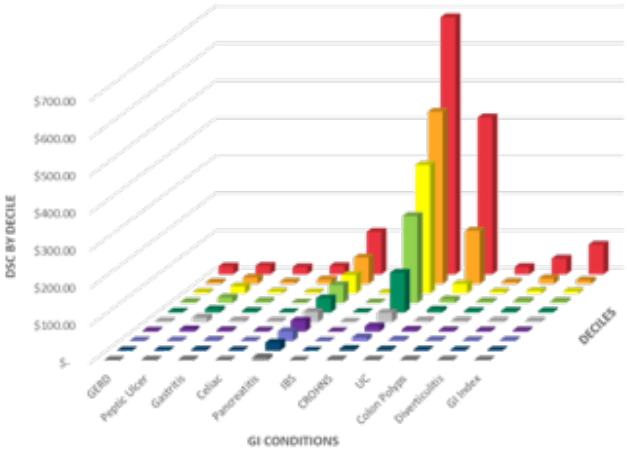
The GI Disease Index was created by calculating the **Total Disease Specific Cost (TDSC)** for the following conditions:

- Gastroesophageal reflux disease (GERD)
- Peptic Ulcer Disease
- Gastritis
- Celiac
- Pancreatitis
- Irritable bowel syndrome (IBS)
- Crohn's Disease
- Ulcerative Colitis
- Colon Polyps
- Diverticulitis

The GIDI TDSC was then segregated into deciles. The **cost/decile** was calculated for each condition and compared against the cost/decile for the GI Disease Index.

Finally, a **beta rating (Beta)** was calculated using standard deviations of the relative cost/decile **(SDCD)** where Beta = SDCD (Illness)/SDCD (Index), yielding the **Disease Specific Cost by Decile**—shown below.

This model creates two categories of conditions for GI diseases:



- **Low beta conditions** with minimal variation in cost/decile
- **High beta conditions** with large variation in cost/decile

Low variation in cost/decile of low beta conditions identifies an opportunity for value-based care designed around bundles, whereas **high variation** in cost/decile of high beta conditions identifies an opportunity for care coordination, patient

8 https://www.cologuardtest.com/effective-and-easy
9 NEJM Journal Watch. "Impact of COVID-19 on North American Gastroenterology Practices." https://www.jwatch.org/na51535/2020/05/12/impact-covid-19-north-american-gastroenterology-practices
10 AJMC. "Current Value-Based Care Models Need Greater Emphasis on Specialty Care." https://www.ajmc.com/journals/ajac/2019/2019-vol7-n3/current-valuebased-care-models-need-greater-emphasis-on-specialty-care
11 Medscape Gastroenterologist Compensation Report 2020. https://www.medscape.com/slideshow/2020-compensation-gastroenterologist-6012732#2
12 Medscape Gastroenterologist Compensation Report 2020. https://www.medscape.com/slideshow/2020-compensation-gastroenterologist-6012732#2

engagement and care management to improve clinical and financial outcomes.

Conditions with little variability—such as colorectal cancer screening and prevention—have a lower overall cost per patient. They are more appropriate to bundle first as GI practices refine their path to value-based care.[13]

The high variability conditions—inflammatory bowel diseases such as Crohn's disease and ulcerative colitis—are more appropriate for care coordination, patient engagement, and care management initiatives which will result in lower cost variability.[14]

"I was once called into my gastroenterologist's office because of my Sonar Score. We quickly learned my blood and iron counts were dangerously low. If it weren't for SonarMD, I would have most likely ended up in the hospital."

Patient Using SonarMD

Patient engagement has increased during COVID-19. That's great for value-based care initiatives.

Change is hard but not impossible. The needed transformation from fee-for-service to value-based care for GI practices will require structural changes for patient management.

There are three essential components for the successful transition to value-based care:

- **Alternative Payment Models:** These come in many forms, including bundled payments, episode-based payments, condition-based payments, and intensive medical homes for specific diseases. The focus moves from "one patient" to "populations."
- **Practice Redesign:** A team-based approach that embraces all levels of healthcare professionals, including care managers, mid-levels, social workers, pharmacists, and more.
- **Patient Engagement:** GI practices must engage patients as partners in their care journey. This will require **diversified** forms of technology and communication streams, such as from apps and patient portals.

Fortunately, a confluence of behaviors amid COVID-19 has led to the increased use of remote technologies and patient engagement to enable that transition. Practices pivoted to add telehealth services as most patients were not allowed to enter doctor's offices.

As a result, remote patient engagement has increased 225% since the beginning of the pandemic.[15] Telehealth use—though it may be beginning to plateau—has skyrocketed since March.[16]

At SonarMD, patient engagement and enrollment has never been higher. As a virtual care coordination platform, SonarMD is designed to connect with patients, calculate their symptom intensities, and coordinate care with their physicians.

SonarMD enables change in three easy steps.

Connect: We regularly ping patients with clinical questions they can respond to via secure text, email or phone call.

Calculate: We use their responses to generate a numerical value that correlates with symptom intensity, called a Sonar Score, which we track over time to detect which patients are at risk of sudden decline.

Coordinate: We organize patient care activities between patients and their specialist when intervention is needed and we help to optimize the use of increasingly complex therapeutics.

Through remote monitoring, SonarMD's clinical experts track a patient's score over time to detect any signs of worsening symptoms. If SonarMD detects a potential problem, they quickly connect the patient with their GI specialist so they can prescribe and optimize treatments.

Enrollment rates at SonarMD jumped from 28% of eligible patients in October 2019 to 80% through September 2020. More than 1,700 individuals were added to the platform during that 11-month period.

Savvy COOPERATIVE®

SonarMD worked with Savvy Cooperative to understand patient preferences and the top 3 factors that impact patient participation in programs like SonarMD.

- **75%** No cost to me
- **65%** Getting in to see my doctor faster
- **63%** Easy to use

13 GI & Hepatology News. "Bundled Payment for Colonoscopy." https://www.mdedge.com/gihepnews/article/79515/bundled-payment-colonoscopy
14 Financial Volatility Abstract Lawrence R. Kosinski, Joel Brill, Siddharth Singh, Sachin Singh, Leanne Metcalfe, Dimitrina Dimitrova Gastroenterology, Vol. 158, Issue 6, S-95–S-96. https://www.healio.com/news/gastroenterology/20200512/ibd-may-require-more-intense-care-approach-due-to-higher-cost-volatility
15 Medscape Gastroenterologist Compensation Report 2020. https://www.medscape.com/slideshow/2020-compensation-gastroenterologist-6012732#2
16 The Commonwealth Fund. "The Impact of the COVID-19 Pandemic on Outpatient Visits: A Rebound Emerges." https://www.commonwealthfund.org/publications/2020/apr/impact-covid-19-outpatient-visits

For some practices, COVID-19 has been the ideal time to make an organizational change. For example, Allied Digestive Health, a multispecialty practice based in New Jersey, launched SonarMD for IBD patients as COVID-19 began to spread in its state.

So far, the practice has seen positive adoption rates. In less than two months, all 50 of the practice's GI physicians signed up for the platform, and all eligible patients were enrolled in the program.

Out of 1,000 eligible patients, Allied Digestive Health has a 55% response rate on SonarMD.[17]

"Patients with chronic disease wanted to find another way to remotely engage with their providers, and SonarMD was the perfect tool to provide that remote monitoring for patients at a time when patients were not even sure their doctor's offices were open."

Nadeem Baig, MD,
Vice President of Allied Digestive Health[18]

Everybody wins with better chronic care management.

These changes not only help practices modernize their business for value-based care—they help patients.

By detecting problems early, patients save on expensive ER visits, hospital admissions, and other preventable costs that can add up to thousands of dollars per year, even with healthcare coverage. Their conditions enter a more controlled state, and they can experience a better quality of life.

That is also a win for payers. One study found SonarMD's care coordination tool reduced the annual medical cost for each patient in a cohort of 176 Crohn's disease patients by $6,500.

Practices also win. **SonarMD has been able to secure shared savings contracts with multiple payers.** That way, some of those significant savings are passed down to GI practices.

By moving toward value-based care, payers realize significant savings and GI groups increase revenue while improving strategic positioning.

Adapting for the "what next" after COVID-19.

COVID-19 is deeply disrupting the healthcare industry. The industry will have to evolve and adapt from its previous infrastructure.

The changes made now will endure beyond COVID-19 and become the new foundation that allow gastroenterology entrepreneurs to thrive after the storm passes.

Don't rebuild a GI practice to match how it looked before COVID-19. Expand service lines. Explore value-based contracts with payers that maximize shared savings. Help payers control financial risk exposure through care coordination.

The future is unwritten, but GI practices can take the lead to manage their own success stories.

Interested? Get in touch with SonarMD to discuss how to modernize a GI practice.

KEY TAKEAWAYS:

- Due to the COVID-19 pandemic, medical practices have reported a 55% decrease in revenue and a 60% decrease in patient volume.
- Over 80% of a gastroenterology practice's revenue is directly or indirectly tied to a result of a colorectal cancer colonoscopy screening—but that revenue is being threatened by COVID-19.
- One survey found 97% of gastroenterologists had deferred screening colonoscopies during the COVID-19 outbreak.
- While gastroenterology practices are cautiously reopening, it is unclear if patient volumes will return to normal.
- Value-based care—enabled by remote technologies—can help GI practices diversify their revenue streams.

17 Healthcare Innovation. "Enhancing Care Coordination for Patients with Inflammatory Bowel Diseases." https://www.hcinnovationgroup.com/population-health-management/care-management/article/21138794/enhancing-care-coordination-for-patients-with-inflammatory-bowel-diseases
18 Healthcare Innovation. "Enhancing Care Coordination for Patients with Inflammatory Bowel Diseases." https://www.hcinnovationgroup.com/population-health-management/care-management/article/21138794/enhancing-care-coordination-for-patients-with-inflammatory-bowel-diseases
19 SonarMD. "DDW 2019: New Study Shows SonarMD Lowers Cost of Managing Crohn's Disease." https://www.businesswire.com/news/home/20190519005024/en/DDW-2019-New-Study-Shows-SonarMD-Lowers