

AVALON HEALTHCARE SOLUTIONS **INFORMING THE RIGHT CARE WITH LAB TESTING**

September 13, 2022





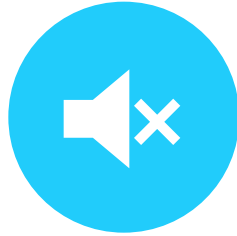
OVERVIEW & INTRODUCTIONS

Barry Davis, Chief Growth Officer, Avalon

Before we start



This meeting is being recorded.



We will be **MUTING** everyone except the presenter to make sure the audio is clean and clear.



Q&A will be done by using the “**Questions**” feature.

Agenda

OVERVIEW AND INTRODUCTIONS

Barry Davis, Chief Growth Officer, Avalon

UPDATE FROM WASHINGTON, D.C.

Julie Barnes, Principal, Maverick Health Policy

WHAT'S GOING ON IN THE INDUSTRY? KEY LAB TESTING TRENDS

Jason Bush, Ph.D., EVP, Product, Avalon

Julie Barnes, Principal, Maverick Health Policy

MONKEYPOX: EMERGING HEALTHCARE AND TESTING NEEDS

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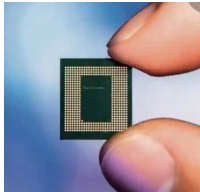


Health Policy Overview

- What Happened Last
- What Happens Next in Congress
- What Happens Next From Federal Agencies



What Happened in August-September 2022



- CHIPS+ bill



- End of PHE roadmap—no more free COVID-19 tests
- No Surprises Act IDR process
- Medicare Advantage RFI



- Inflation Reduction Act



- FDA/CDC authorize new COVID-19 boosters



- FTC data privacy



What Will Happen in Fall 2022

- FDA user fee reauthorization
- Short-term government funding bill (COVID-19? Monkeypox?)
- Same-Sex Marriage Law
- Votes on Circuit Court Judges
- Jan. 6 committee hearings
- Mid-term election

What Won't Happen in Fall 2022

- Antitrust bill targeting Big Tech—the American Innovation and Online Choice Act
- Comprehensive consumer data privacy bill
- Anything else



What Will Happen in Fall 2022

Public Health Emergency Extension—Oct. 15

No Surprises Act transparency provisions

- Advanced EOBs
- Provider directories

Information Blocking

- Oct. 6—EHI expansion
- Penalties

Data Privacy

- FTC proposed rule comments due Oct. 21
- Nov. 1: FTC Privacy Con
- HIPAA update?



WHAT'S GOING ON IN THE INDUSTRY? KEY LAB TESTING TRENDS

Jason Bush, Ph.D., EVP, Product, Avalon

Julie Barnes, Principal, Maverick Health Policy

Broad Laboratory Trend

RECOVERING FROM THE PANDEMIC

- Unit volume down, COVID-19 volume up
- Lab expense up!
- Deferrals in care may lead detection of acute and chronic conditions at later disease stages
- OTC & DTC testing are consuming some units

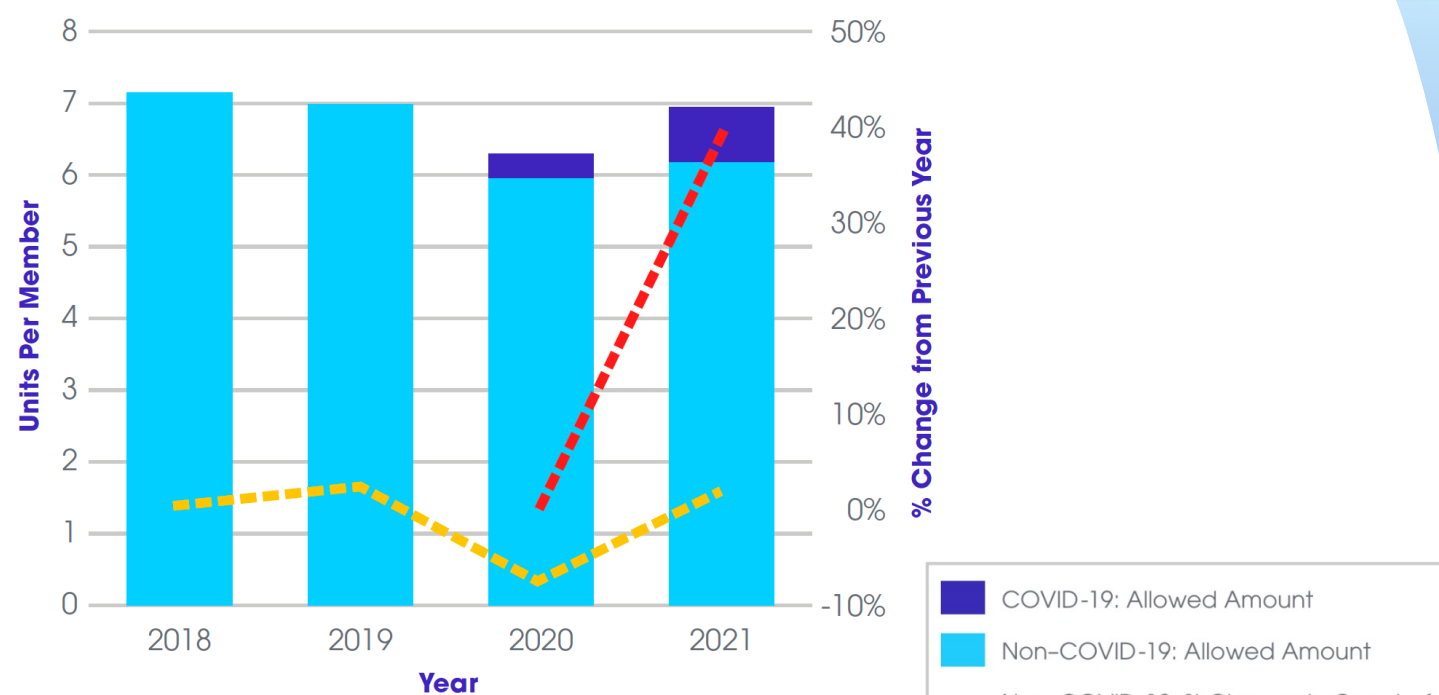


Figure 12: Units Per Member Per Year

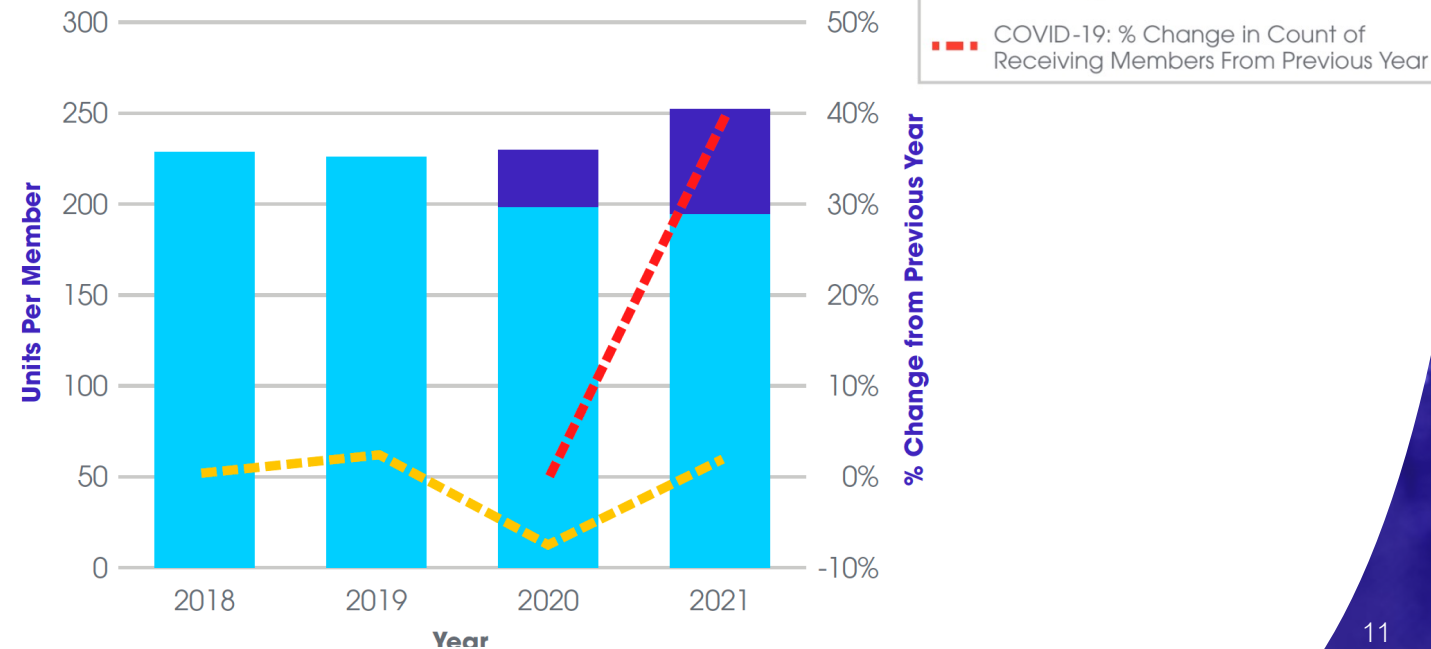


Figure 13: Allowed Amounts Per Member Per Year

Poll Question: What was the highest paid for a COVID-19 antigen test in 2021?

- i. \$8
- ii. \$81
- iii. \$128
- iv. \$812
- v. \$1812

Pricing Arbitrage Remains

- Location matters!
- Hospitals prices are growing faster than independent labs

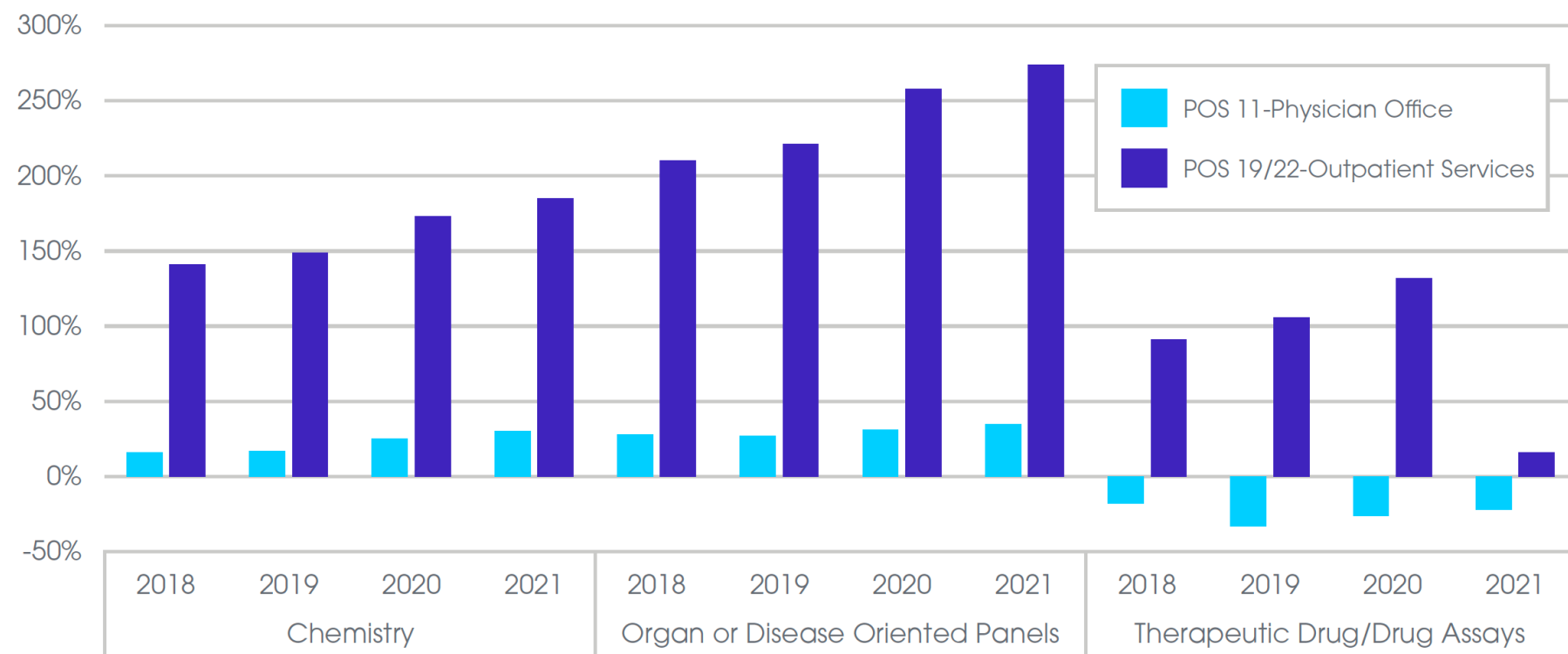


Figure 14: Percent Change in Average Cost Per Unit by Test Type, Year, and Place of Service (POS), Relative to Tests Rendered by Independent Labs

Pricing Arbitrage Remains

THERAPEUTIC CATEGORIES

- Arbitrage at the individual lab service varies
- Price disparity provides incentives for hospitals to purchase physician practices
- Consolidation of physician practices by hospital systems will result in increased medical spend

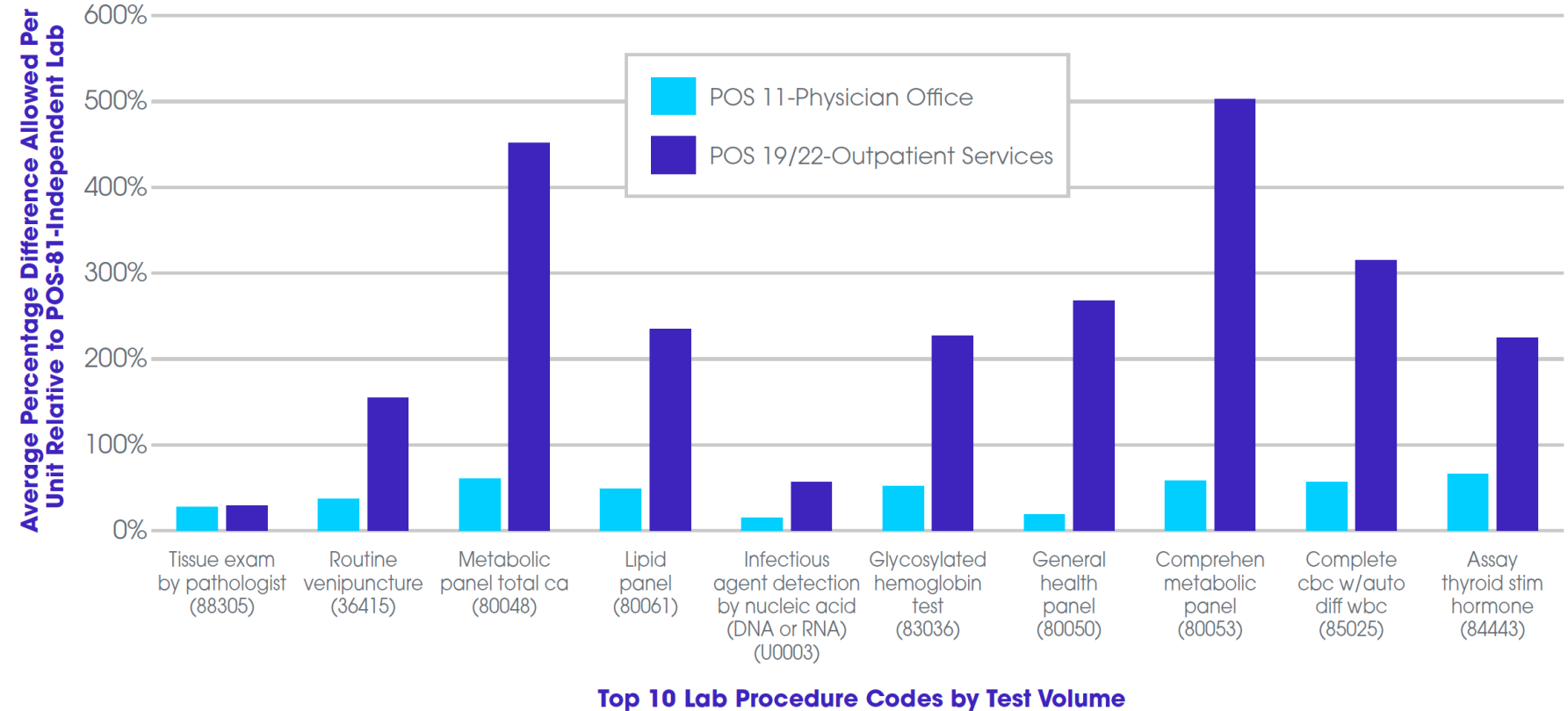


Figure 15: Percent Difference in Average Allowed Payments for Independent Labs for 2021's Top 10 Procedure Codes

Poll Question: What was the growth rate reported by CMS for genetic testing years 2016 to 2019?

- i. Less than 15%
- ii. Near 25%
- iii. Almost 33%
- iv. Close to 40%
- v. Approaching 50%

Genetic Testing

- Complex and rapidly evolving industry
- Avalon clients seeing a 17% growth rate, CMS at nearly 50%
- Market expected to reach over \$10B by 2027, 150% growth¹
- Increasing levels of market fraud: \$2B+ identified through US DOJ enforcement²

¹<https://www.fortunebusinessinsights.com/u-s-genetic-testing-market-105034>

²Federal Law Enforcement Action Involving Fraudulent Genetic Testing Results in Charges Against 35 Individuals Responsible for Over \$2.1 Billion in Losses in One of the Largest Health Care Fraud Schemes Ever Charged | OPA | Department of Justice

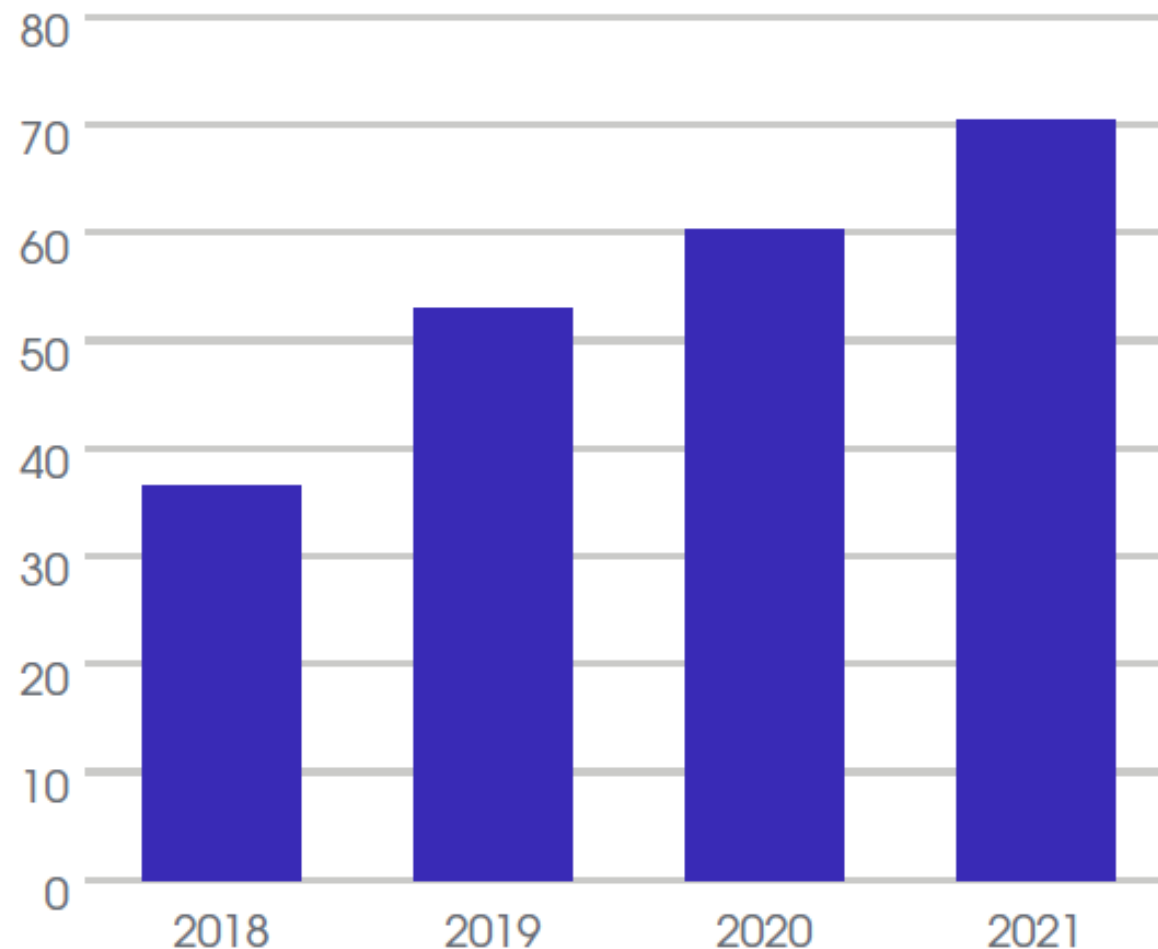


Figure 16: Ordered Genetic Testing Units Per 10,000 Members by Year

Genetic Testing

- NIPT growing significantly
- Challenges with coding, pricing, and utility of novel tests

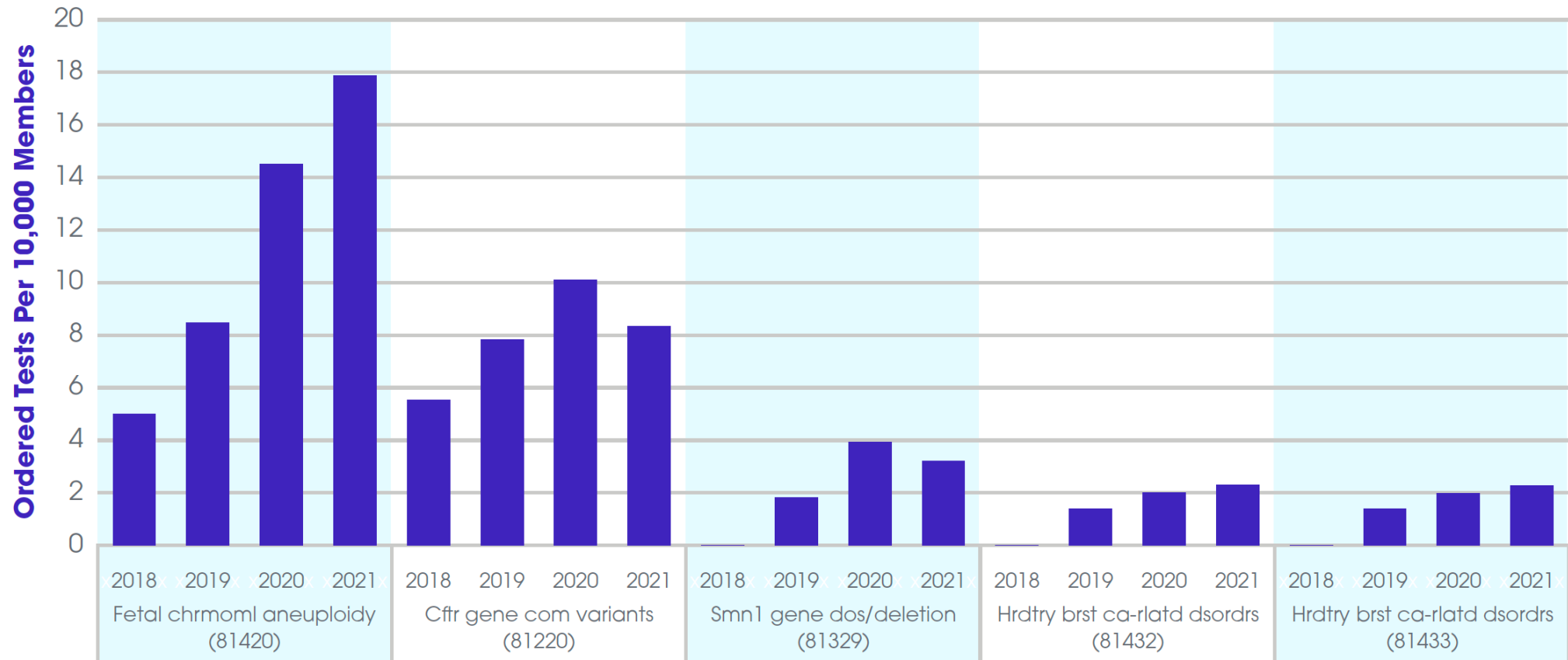


Figure 17: Top 5 Genetic Tests Number of Units Per 10,000 Members by Year

Lab Insights

RIGHT TEST, RIGHT DATA, RIGHT INTEL, AND RIGHT CARE



- Leveraging digitized lab results to transform how care is delivered
- Right test at the right time at the right location for the right price
- Lab Values Management Solution delivers actionable information for health plans, provider groups, and other key stakeholders

Lab Insights

PROCESS MEASURES AND OUTCOMES FOR DIABETES PATIENTS

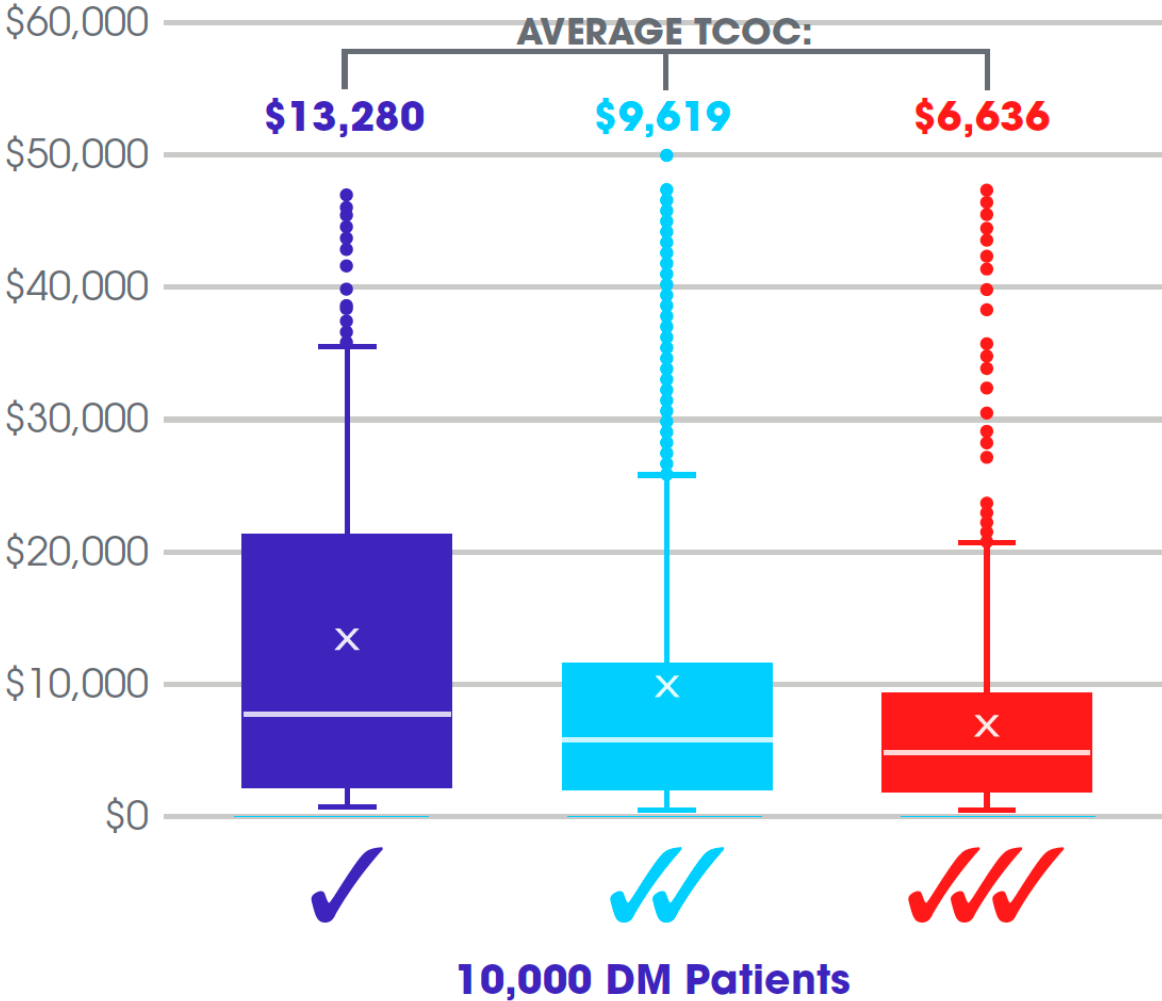


Figure 18: Distribution of TCOC by Checks

Lab Insights

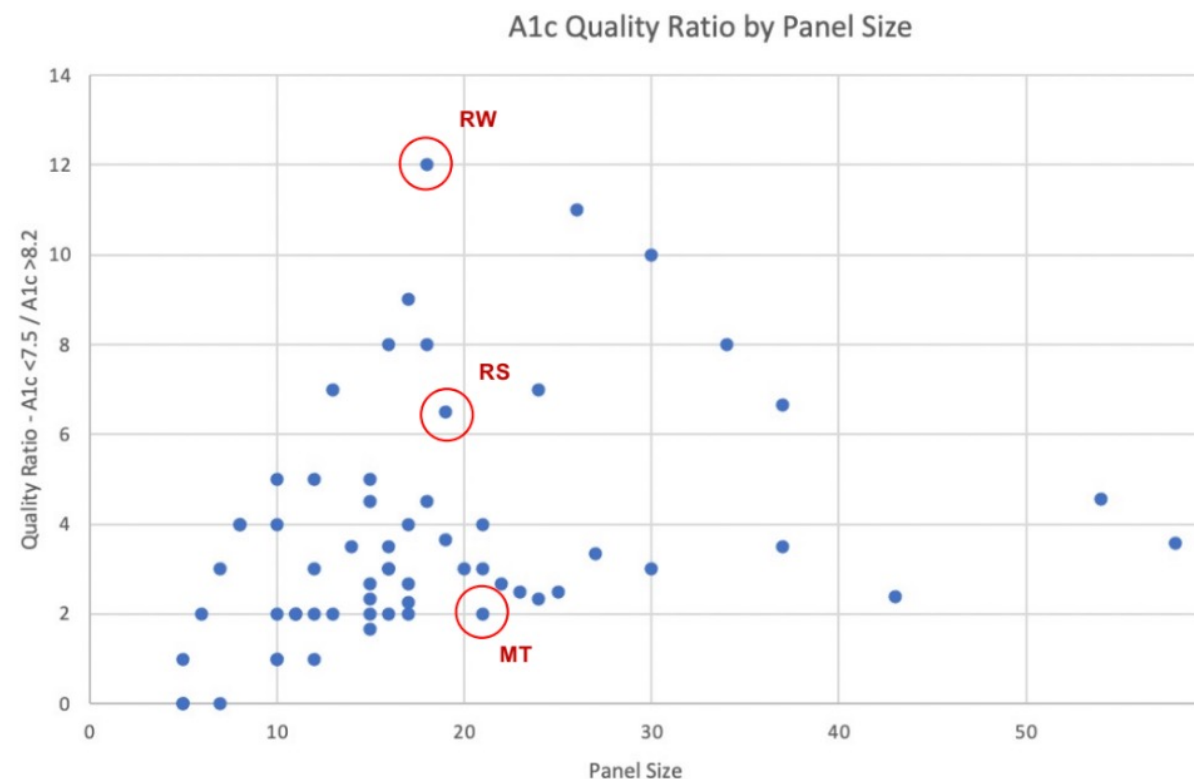
EVALUATING PROVIDER PERFORMANCE USING PROCESS VERSUS OUTCOME MEASURES

Process Measures



**Physician Network Stratified by Process Measures
(Ratio ✓✓✓ / ✓) and Panel Size**

Outcome Measures - A1c Results



**Quality Ratio:
members A1c < 7.5% / # mem > 8.2%**



MONKEYPOX: EMERGING HEALTHCARE AND TESTING NEEDS

Jason Bush, Ph.D., EVP, Product, Avalon

Julie Barnes, Principal, Maverick Health Policy



Monkeypox

- Orthopoxvirus (same family as smallpox but different than chickenpox).
- **Symptoms:** Rash (pimples, blisters), fever, headache, muscle aches, swollen lymph nodes.
- **Progression:** Infection from exposure → asymptomatic for 1-2 weeks → fever, headache, fatigue for a few days → rash. Total infection 2-4 weeks, contagious from symptom onset until rash heals.
- **Transmission:** Direct contact with rash, close-contact respiratory secretions or contact with contaminated surfaces.
- **Diagnosis:** Swab of active skin lesion with PCR; a person who may have been exposed who has no symptoms and no rash cannot be tested.
- Most patients heal without treatment within 2 to 4 weeks. Antiviral treatments (tecovirimat) and vaccines (JYNNEOS and ACAM2000) developed for smallpox are effective against monkeypox.

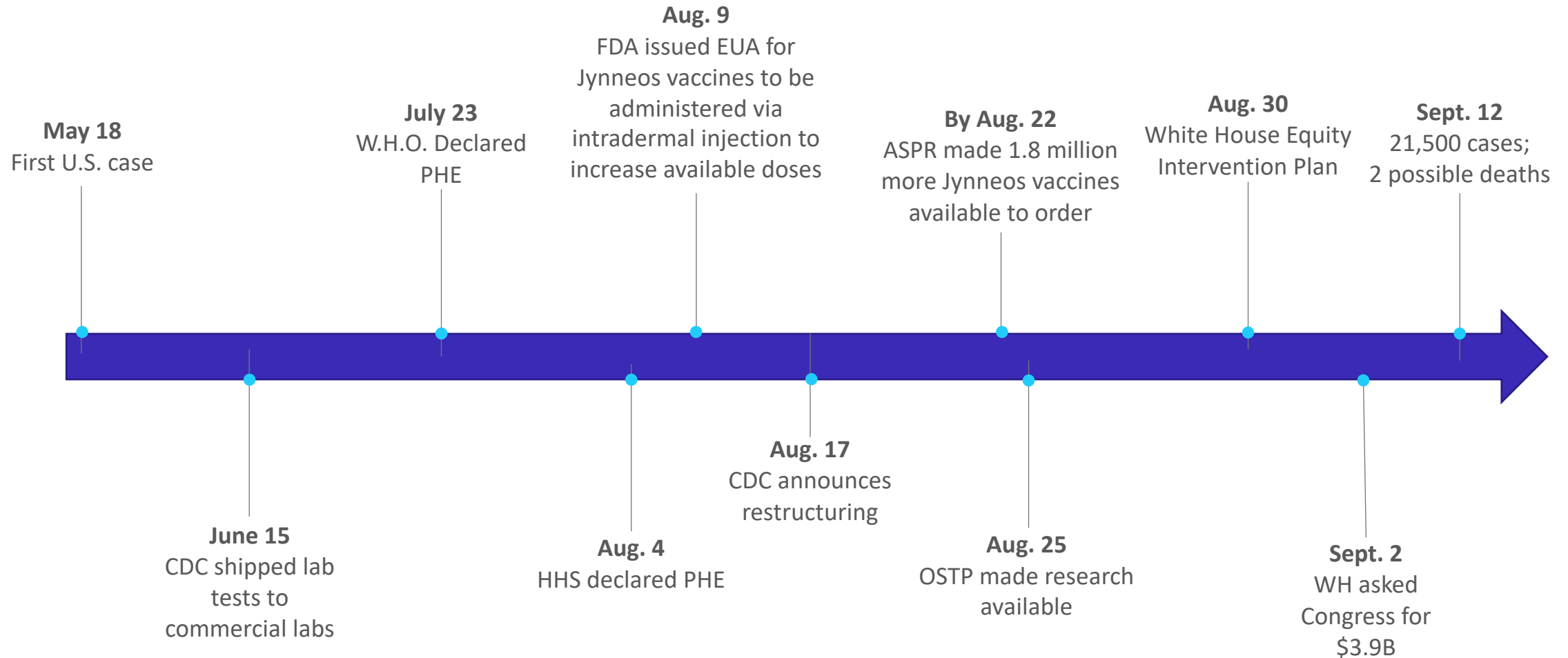


Rash is often multiple clustered lesions but can be isolated too.
“Rash without systemic symptoms doesn’t occur in Monkeypox.”

Poll Question: Since the first case was diagnosed in May 2022, How many confirmed cases of monkeypox have there been in the US?

- i. 500
- ii. 2,500
- iii. 15,763
- iv. 21,500

Monkeypox—U.S. Response



Coming in October—2022 Lab Trend Report

EMERGING TRENDS AND ACTIONABLE INFORMATION

- The lingering impact of COVID-19
- Market forces affecting the laboratory space and health plans
- Avalon's view of laboratory trends
- Lab Values Management through data

Thank you

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SAVE THE DATE

November 15 | 2:00 - 3:00 PM EST
Registration open: www.avalonhcs.com