Managed Care Trends

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BSWH Managed Care

- Baylor Quality Alliance – all below plus 2,500 specialists
- Hospitals - 14
- Ambulatory Surgery Centers – 35
- Free-Standing EDs (Emerus) – 7
- Outpatient Imaging (Touchstone) – 28
- Inpatient Rehab Hospitals (Select) – 5
- Outpatient Rehab Clinics (Select) – 45
- HealthTexas Provider Network – 600
- Home Care Agency
- Retail Pharmacies - 12

BSWQ&A: Combined contracting oversight for a total of 44 hospitals, 500 care sites, 1,800 employed physicians, and one ACO
Managed Care Trends

1. Market Segment Changing due to economy, demographics, and new delivery options

- **Economy** - Rising costs of medical care for employer-sponsored plans coupled with recession resulted in stagnant market over last several years, but DFW expects improvements as population grows and more employers move to Texas.

- **Aging Demographics** - changing as 10,000 Baby Boomers age in to Medicare every day from 2011 until 2030 (U.S.)

2. Market Segment Changing (continued)

- **New Delivery Vehicle - Public Health Insurance Exchange (HIX)** - Different from managed care. Most using narrow networks and reimbursing providers significantly less than managed care. Market includes: individual policies, COBRA, some employers sending employees to HIX; less than 25% of exchange members were previously uninsured.

- **New Delivery Vehicle – Private Exchanges** - no consistent definition; most led by brokerage firms (Aon Hewitt, Towers Perrin, Mercer, etc); various types of exchange models(single vs multi-carrier, fully vs self-funded); could use narrow networks or ACOs; moving retirees and >65 employees off group plans to Medicare Advantage exchanges

- **Business to Consumer** - Managed Care companies must develop “consumer-centric” processes and services, along with existing business-to-business model.

- **Rapid movement into “electronic care”** - Smartphone apps, teleconferences, Google glasses, EHRs, communication via email and texts. New Norm.
Managed Care Trends

2. Reducing Costs by Paying Providers Less, Changing Benefit Design and Creating Accountable Care
   - Reimbursement Changing – moving from fee-for-service to fee-for-value
   - Pay4Performance (P4P) – providers must meet quality/outcome goals to earn payment
   - Bundled Pricing – no payor in DFW can administer but important to plan for
   - Accountable Care – accountable for health of patient population to minimize medical claims; BSWQA (See Local/Regional ACOs next page)
   - Narrow Networks – have fewer providers in exchange for lower reimbursement;
     • SmartE Network (Wal-Mart, Home Depot); payors and employers developing.
     • Centers of Excellence now driven by low cost, not quality (payors’ COEs, not ours)
   - Domestic Tourism – Lowe’s (cardiac), Wal-Mart (cardiac and spine); non-starter
   - Benefit Plan Coverage More Restrictive – surgeries require more non-surgical pre-treatment; more authorizations or step-therapy required; more services considered “experimental”; prescriptions same

3. Shifting More Cost to Patient
   - High-deductible plans ($6,350/$12,700) now comprise 25% of employer plans offered
   - Price Transparency – driven by high-deductible plans when patient is paying out-of-pocket
   - Reference pricing caps benefit amount – patient pays anything over coverage limit
   - Higher Premiums for unhealthy lifestyles – smoking, obesity…..
   - Defined Benefit changing to Defined Contribution (similar to shift from pension to 401(k))

4. New Industries – Niche Players
   - Competitor Database - Companies paying patients for their EOBs to populate database
   - Physician-only networks - ELAP
   - Network Aggregators - attempt to avoid contract obligations and shop for best contracted price per claim

Who Are Local/Regional ACOs
   - THR and Medical Edge – THR bought 420 member physician group in 2011. Established first commercial ACOs in 2013 with Aetna and BCBS, then Cigna in 2014. Size: 25 hospitals and 750 physicians
   - Houston Memorial Hermann – hospital and physician network formed ACOs with BCBS and Aetna in 2013. Size: 12 hospitals and 3,900 physicians
   - Seton Health Alliance – first commercial ACO in late 2013 with United. Size: 13 hospitals and 300 physicians in Austin Regional Clinic – could be additional independent physicians, but not disclosed anywhere.
Blue Cross Dominates DFW Market

January 2013 - Commercial Market Share (not Medicare Advantage plans or Managed Medicaid)

Blue Cross, 41%
United, 27%
Aetna, 18%
Cigna, 10%
Humana, 3%

Managed Medicare Overview - DFW

Original vs. Medicare Advantage

Have Medicare Advantage 28%
Have Traditional Medicare 72%

Medicare Advantage Market Share

United 57%
Aetna 14%
Humana 13%
18 Others 16%

- 21 Total MA Plans – top 3 account for 84%
- Baylor contracted with Aetna, Humana, SWHP
- Aetna grew from 5K to 28K 2012 to 2013
- Contract for 2015 with BCBS, but CMS didn’t approve network
Health Insurance Exchange - Texas

**Highlights**
- Only 23% of uninsured bought exchange plans (733,000 in Texas, don’t have DFW yet)
- 84% used federal subsidy dollars to help pay premiums
- Patient gets 90-day grace period applies if subsidies were used
- Blue Cross dominated the exchange (early estimates say 75%)
- Very high out-of-pocket costs patients ($6,350 ind/$12,700 fam)

**Early Reports from BSWH**
- Blue Cross patients confused about provider network
- Physicians confused about provider network
- Payors delay in loading member data causing eligibility problems
- Requests for refunds from 90-day grace period terminations starting to come in

“Ready to walk the Reimbursement Maze?”