

Employers & Payment Reform

**“It’s Not Just Whether We Reform
But How We Do It”**

National Payment Innovation Summit

Memphis, TN

February 11, 2016

Today

- ▶ Employer-sponsored insurance (ESI): A primer
- ▶ The revolution in health benefit design
- ▶ Clear thinking on payment reform
- ▶ eHarmony: marrying benefit design with payment reform

What's the WIFFM for Providers?

Why should I care about employers given the fact that I never see these guys, only a couple of them seem to be in the game, and it's insurers and the government that pay me?

- ▶ Commercial revenues are an important source of cost shift and income **AND** commercial insurers are very influenced by employers behind the scenes
- ▶ If there is an activated employer in my area, we can innovate together
- ▶ If government goes in a wrong direction I can look to these guys to think more clearly

not to mention.....

- This is the source of my own benefit design and that of my family!

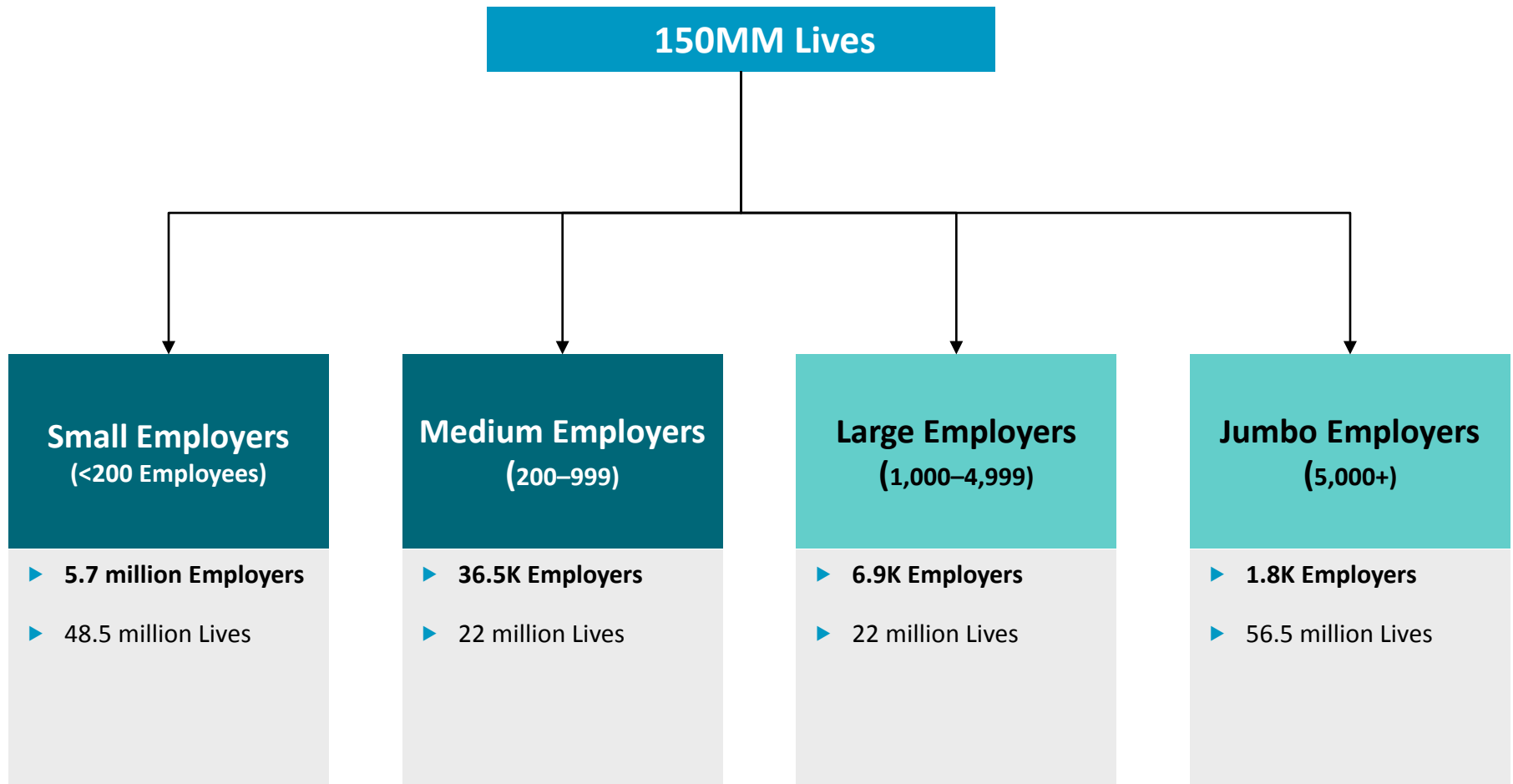
I. Employer Primer

ESI Primer

- ▶ Unique to U.S.
- ▶ In the game for employee recruitment/retention, skepticism about government --- not love of healthcare
- ▶ Powerful but influence market in unique fashion:
 - **Unified** at a high level: influence on government policy and health insurers
 - **Catalysts** at individual level: jumbo employers and their impact
- ▶ Generally, operate way under potential

A Riddle Wrapped in a Mystery Inside an Enigma

Not All Employers Are Alike



Note: Benfield Research special analysis from the following sources: Kaiser / HRET Survey of Employer-Sponsored Health Benefits, 2012.

(1) U.S. Census Bureau, Current Population Survey, 2012 Annual Social and Economic Supplement.

(2) Source for Number of Employers: Small Business Administration (SBA), 2010.

The ACA: Play or Pay

One of major milestones in ESI history

- **Tax deductibility:** 40's & 50's
- **ERISA:** 70's
- **Retiree accounting change:** 90's
- **Obamacare:** 2010

ACA impact

- **Play**
 - 'Creditable' and affordable coverage
 - Cadillac or excise tax
- **Pay**
 - Potential exit: guaranteed, potentially subsidized coverage
 - Companies >100 employees – \$2-3K tax

What will employers do?

- How \$2K is not less than \$10K – a lesson in the mathematics of healthcare
- Health systems reflect country cultures – the Boston Tea Party happened in Boston

It's All about Stratification

Group I: Don't offer today

Group II: Offer today – could play, could pay

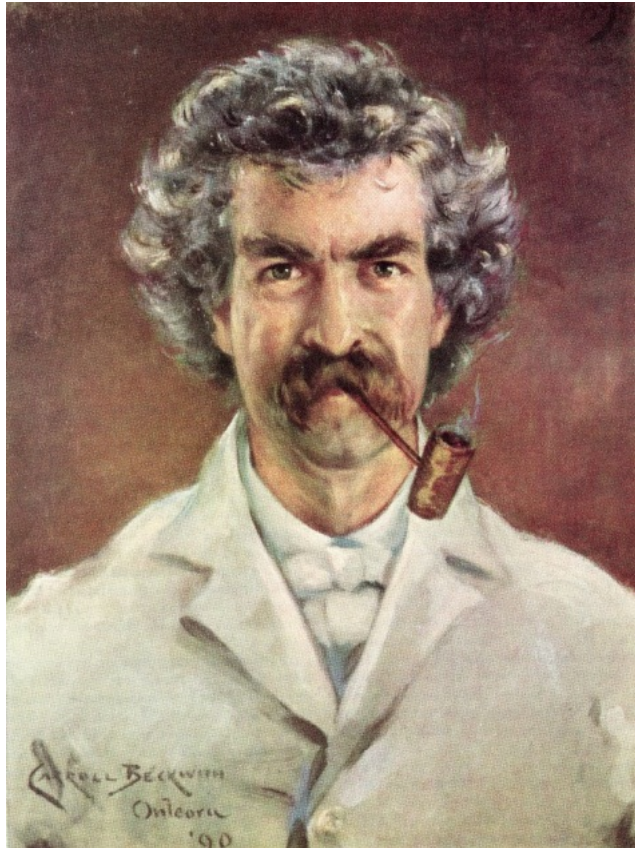
- ▶ In sectors with high turnover, part-time jobs and non-technical workers

Group III: Offer today and will continue to offer

- ▶ In sectors with high degree of labor competition
- ▶ Strong cultural (or CEO) beliefs in health as a business strategy or lack of trust in government
- ▶ In healthcare space commercially

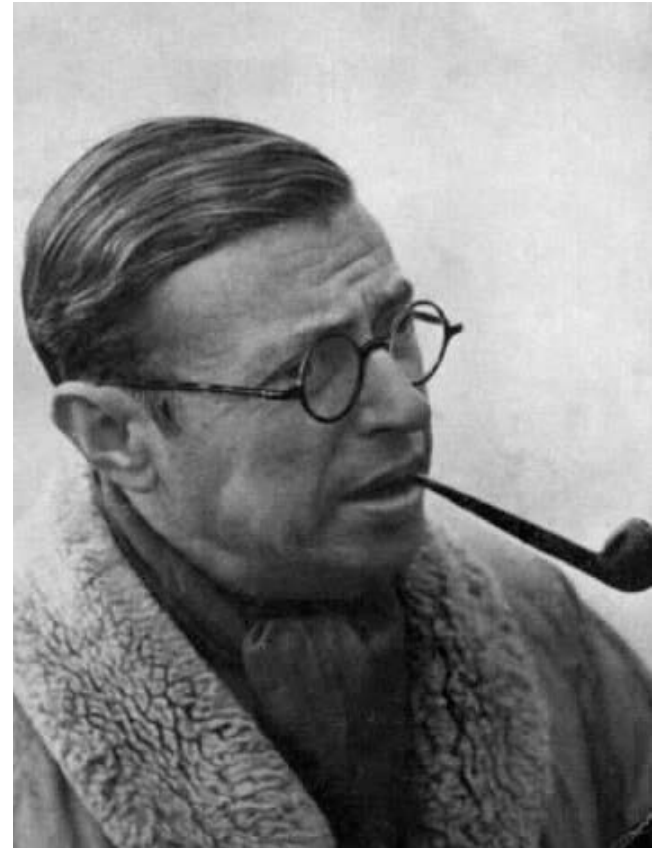
For Active Employees: ~ 10MM exit, 140 MM stay

“Reports of My Death Have Been Greatly Exaggerated”



Mark Twain

“No Exit”



Jean-Paul Sartre

II. Revolution in Benefit Design

What I Hear from CEO's – A Paradigm Shift



The NEW ENGLAND
JOURNAL of MEDICINE

"How Employers Are Responding
to the ACA"

– Robert Galvin, MD
February 2016

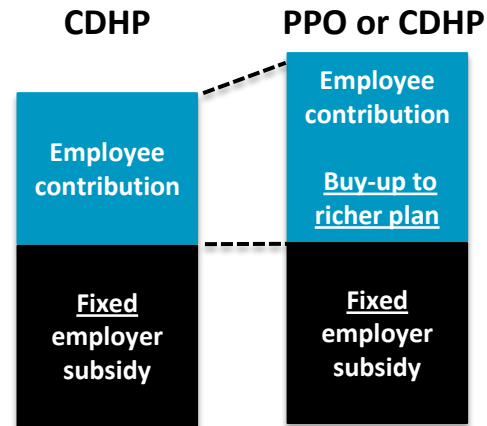
Old

- ▶ "We pay 80% of costs and leave it to health insurers to manage the rest – it's up to employees to decide how engaged they want to be in their health"

New

- ▶ "We will protect employees financially against catastrophic expenses and fund their preventive services....but the vast number of healthcare decisions in the middle need to be made by employees and resemble other important decisions they make in their lives....and enough of their money has to be at stake to get them engaged"

Designs and Programs Driving Consumerism



- ▶ **Defined Contribution:** fix contribution at lowest priced plan
- ▶ **High Deductible with HSA:** influence choice at time of service
 - Narrow networks & Centers of Excellence
 - Price transparency
 - Alternate sites of care, including telehealth
- ▶ **Targeted Financial Incentives**
 - Wellness incentives
 - Value-based insurance design (VBID)

Impact of Benefit Designs on Providers

- ▶ Decreased utilization in general
- ▶ Increased receivables
- ▶ Price transparency with downward pressure on prices
- ▶ Worries about alternate sites of care

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- ▶ Potential incompatibility with payment reforms – we'll come back to this one

III. Clear Thinking on Payment Reform

Jumbo Employers Have Been Innovators in Payment Reform..

Innovators

- ▶ Bridges to Excellence & PROMETHEUS (2003)
- ▶ Patient-Centered Primary Care Collaborative – (2006)
- ▶ CPR (Catalyst for Payment Reform) - (2009)
- ▶ Direct contracting and bundling: Walmart, Target, GE (~2013)
- ▶ Late breaking news: Alliance for Healthcare Transformation (2016)

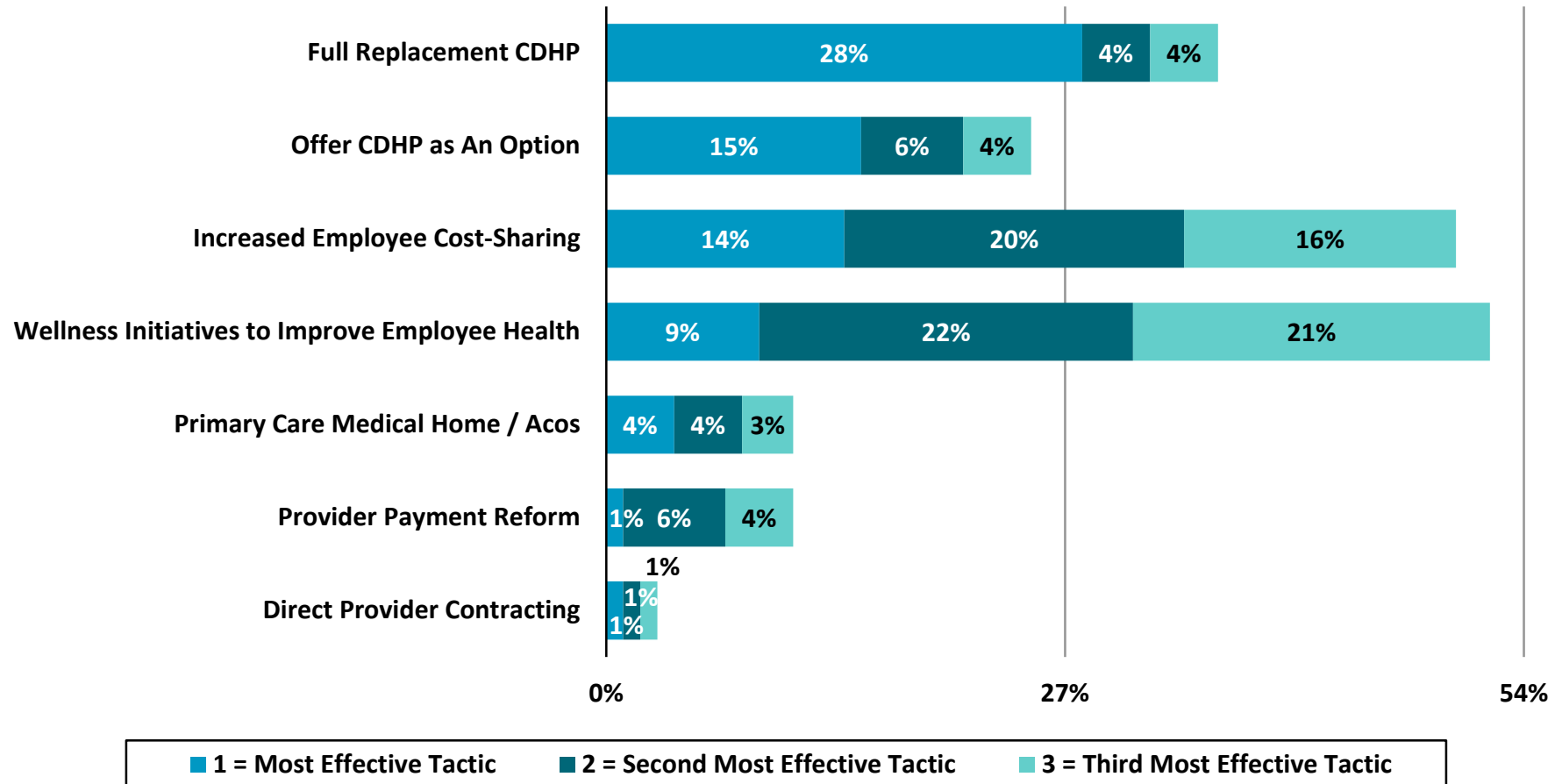
THE WALL STREET JOURNAL.

Companies Form New Alliance to Target Health-Care Costs
Twenty major employers band together in bid to hold down cost



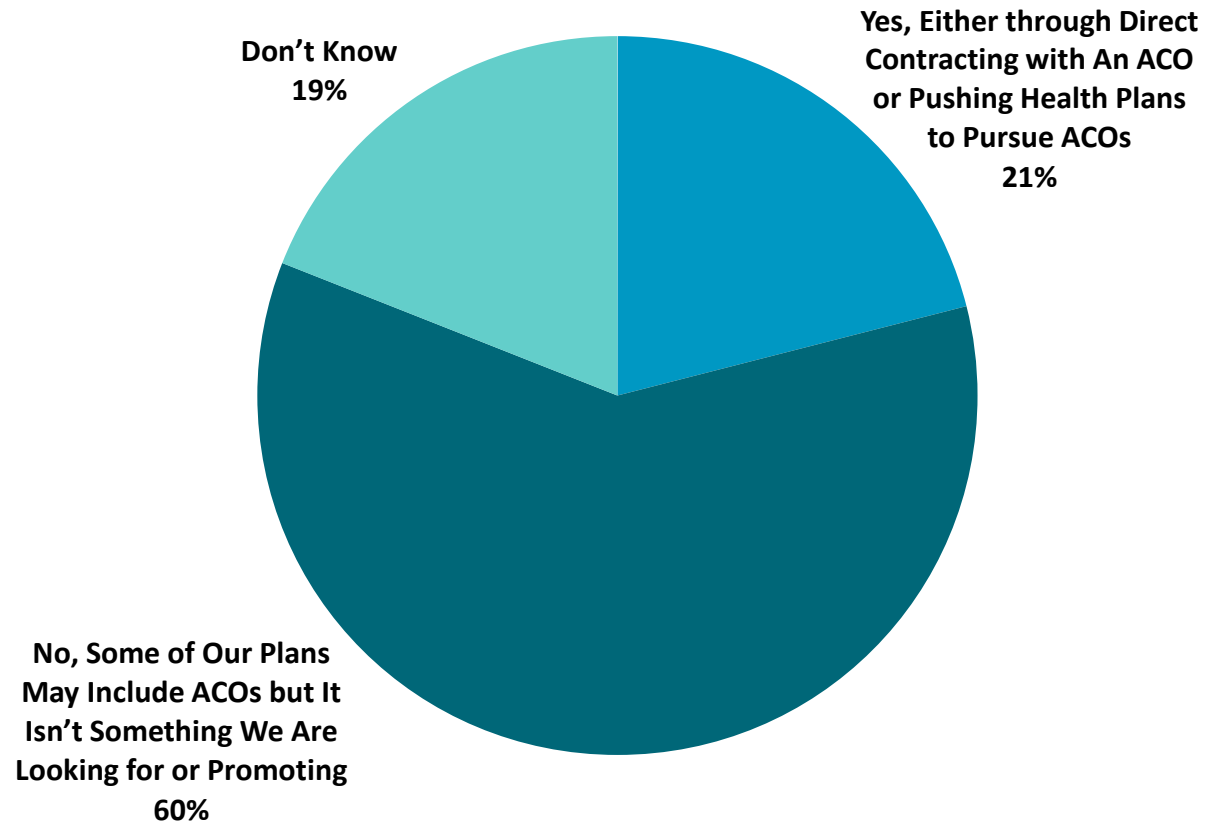
...But The Rate of Diffusion of Payment Reform Has Been Slow..

Q: What do you consider to be the top 3 most effective steps to control health care cost increase?



...But There Are Some Signs of Growing Momentum

% Actively Pursuing



Why Are Employers Not Moving Faster to Payment Reform

- ▶ Lack of deep knowledge about the delivery system
- ▶ Skepticism that consolidation and price increases are over-powering real changes in efficiency
- ▶ Lack of trusted evaluation
- ▶ The Tragedy of the Commons due to workforce dispersion

Next Step: Education and Evaluation



How-to Guide: Evaluating Payment Reform Programs *December 2015*

What employers will be looking for:

- 1) **Information:** credible data and information that gets to right provider at right time
- 2) **Risk:** if not two-sided is it really risk?
- 3) **Impact:** must be felt at the level of the provider not just the organization; e.g., FFS chassis or not?
- 4) **Evidence:** of decisions that lower costs, e.g., change in referral patterns, etc.
- 5) **Commitment:** are employees in the game – do they even know the story?
- 6) **Analytics:** reporting on employer level
- 7) **Macro-economics:** is there true market pressure for the provider organization to change?

IV. eHarmony: Marrying Benefit Design and Payment Reform



Alternative Payment Models Framework – (HCP LAN)



Category 1
 Fee for Service –
 No Link to Quality &
 Value

Category 2
 Fee for Service –
 Link to Quality &
 Value

Category 3
 APMs Built on
 Free-for-Service
 Architecture

Category 4
 Population-Based
 Payment

A
 Fee-for-Service

A
 Foundational
 Payments for
 Infrastructure
 & Operations

A
 APMs with
 Upside Gainsharing

A
 Condition-Specific
 Population-Based
 Payment

B
 Pay for
 Reporting

B
 APMs with
 Upside Gainsharing /
 Downside Risk

B
 Comprehensive
 Population-Based
 Payment

C
 Rewards for
 Performance

D
 Rewards and
 Penalties for
 Performance

Marrying Benefit Design to Payment Models

Benefit Design	Payment Models								
	Fee Schedules	PCP Cap	Per Diems	DRGs / MS-DRGs / APGs	Global Budget	Bundled Episodes	Global Cap	Shared Savings	P4P
Narrow Networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reference Pricing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tiered Networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
HDHPs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input style="text-align: center; font-weight: bold; font-size: 1.2em; vertical-align: middle;" type="radio" value="?"/>	<input type="radio"/>	<input type="radio"/>
Centers of Excellence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Alternative Sites of Care	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
VBID	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Utilization Management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

This Won't Be Easy....

Example: High deductible plans and ACO with two-sided risk

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- Less service use means savings for risk-bearers
- Smarter consumers means more partnering with providers
- People more focused on health to lower costs line up incentives with providers
- Interest in judicious use of services at optimal cost shared by patient and provider

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- Consumer less interested in face-to-face contact that costs money
- Patient may not take meds or do necessary follow-ups due to cost
- Patient may want to go to highly efficient provider not in the ACO
- Once patient hits annual out-of-pocket max, cost becomes irrelevant

Summary

- At long last payment reform has momentum
- But momentum can be bad if you're a heavy vehicle without a windshield or brakes headed for a cliff
- Incentives must be aligned between providers, employers, commercial payers and consumers
- Benefit design not currently a factor in developing pilots for payment reform
- But that has to change

- Have a fun afternoon!