



Mini-Rotation on the Health Care System

Theme: The Organization and Financing of the US Health Care System

Topic: Commercial Health Insurance

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Objectives:

By the end of this session, participants should be able to identify and describe:

- The inter-relationships among the key constituents in the health care system.
- The key inputs of medical cost, and therefore the drivers of premiums, for employer-based health insurance.
- Mechanisms utilized by health insurance companies to help control medical cost inflation.
- Ways in which a health insurer's employer customers are categorized and the options they have for purchasing health insurance coverage.
- The types of products and plan designs purchased in today's health insurance market.
- Key terms and acronyms within health insurance.

Overview of the presentation (August 2015):

Topics

- Overview of the Employer Sponsored Health Care System
- Creating Value as an Insurance Company
- How an Insurer Goes to Market
- Considerations for Providers

Summary of key messages:

- Employer-sponsored insurance comprises two-thirds of how individuals access the health care system
- Health plans charge employers premiums based largely on the underlying medical cost paid to providers; to a lesser extent, health plan administrative costs affect the premiums charged to employers

- The medical cost paid to providers is driven by two factors: unit cost (price per service) and utilization (number of services ordered by physicians and consumed by patients)
- Health insurance value is created by utilizing incentives related to cost, quality and access
- Employers are characterized by their size; this characteristic influences the funding type of their insurance
- Employers have a range of products to select from; generally speaking, these products vary based on the role of the primary care provider and the cost sharing imposed on members who select the product

Size of employer sponsored health insurance

- Distribution of Massachusetts health insurance market
- Segments: commercial, Medicare, Medicaid. dual eligibles, student, uninsured

Key constituents in the health care system

- Employers; health insurers; providers; patients; and regulators, legislators, politicians, advocates

Health insurance cost drivers

- Medical costs (~90% of costs); administrative costs (~10%); insurer surplus (~1%)
- Medical costs driven by (1) unit cost of providing care and (2) health care utilization

Utilization factors

- Provider items: contracts, collaboration
- Member items: products, engagement
- Health plan items: utilization and health, management programs

Contract structures

- Continuum of risk: health plan risk to provider risk
- Reimbursement structures defined: fee-for-service; pay-for-performance; upside surplus; budget risk share; full risk/capitation

Health management

- Continuum of programs: healthier members to sicker members
- Programs described: health and wellness; utilization management; disease management; complex case management

Insurance marketplace: key questions

- Who is the customer?
- What do they buy?
- Why do they buy it?

Employer-sponsored market breakdown

- Distribution of employers by group size: small (1-50); large (51-1,000); major (1,000+)

Employer funding types

- Fully-insured; self-insured

Commercial product categories

- Continuum of more restrictive/lower premium to less restrictive/higher premium
- Products defined: HMO; POS (point of service); PPO (preferred provider organization); indemnity

Emerging trend in commercial products

- Tiered and narrow network products
- Incentives for using high-value physicians and facilities

Considerations for selecting a health insurer

- Dimensions of competition among insurers: price; product features; programs and member support; quality

Considerations for providers

- As a provider, what will you need to do to be successful under risk-based contracts?
- How important is it to you as a provider to work with health plans to control the overall cost of medical care?
- How can providers and health plans best work together to achieve common goals (delivery of high quality care at a reasonable cost)?