



Practicing Medicine in the Era of Health Reform

Session 3

Contemporary Health Insurance

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Tufts Health Care Institute

Overview

- ◆ **Summary of Key Messages**
- ◆ **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

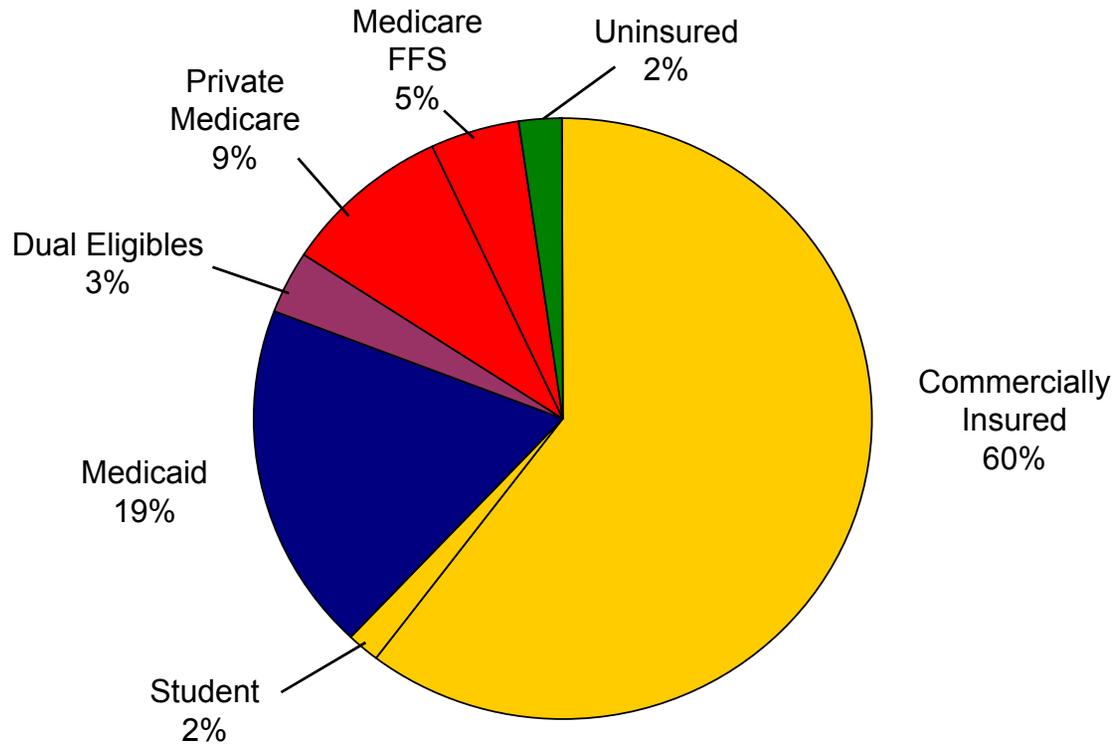
- ◆ **Employer-sponsored insurance comprises two-thirds of how individuals access the health care system**
- ◆ **Health plans charge employers premiums based largely on the underlying medical cost paid to providers; to a lesser extent, health plan administrative costs affect the premiums charged to employers**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

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Size of Employer Sponsored Health Insurance

Roughly two thirds of the Massachusetts health insurance market is Commercial, with significant additional membership in Medicaid and Medicare.



Total Massachusetts Market YE2014
7.1M

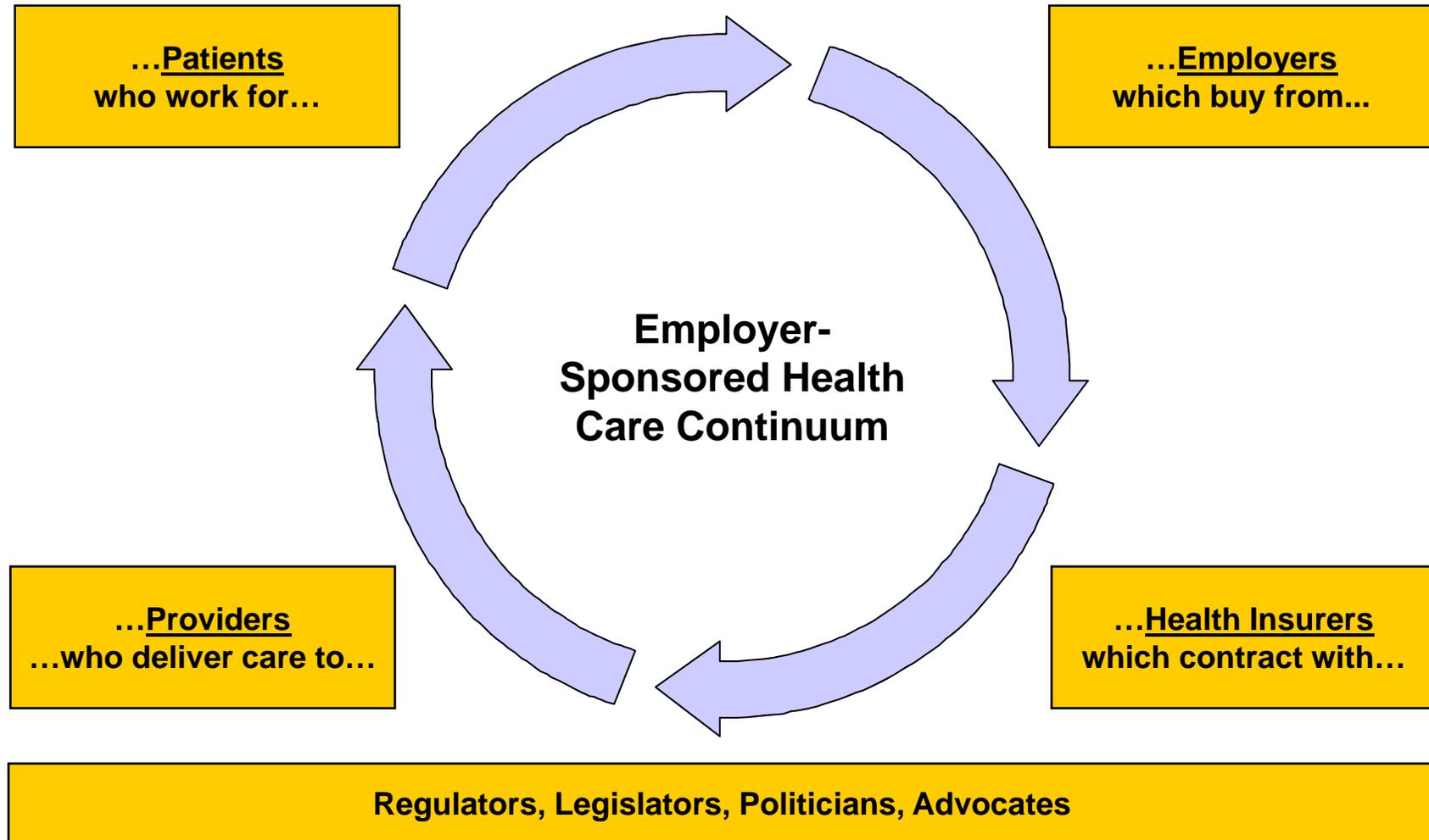
Note 1: Total Mass insured market of 7.1M is greater than the total reported population of 6.7M because of out of state residents receiving coverage through Massachusetts based employers

Note 2: Private Medicare includes Medicare Supplement, Medicare Advantage and Part-D

Note 3: Medicare FFS is another name for traditional Medicare

Key Constituents in the Health Care System

Several stakeholders have roles in, and influence, access to the health care system.

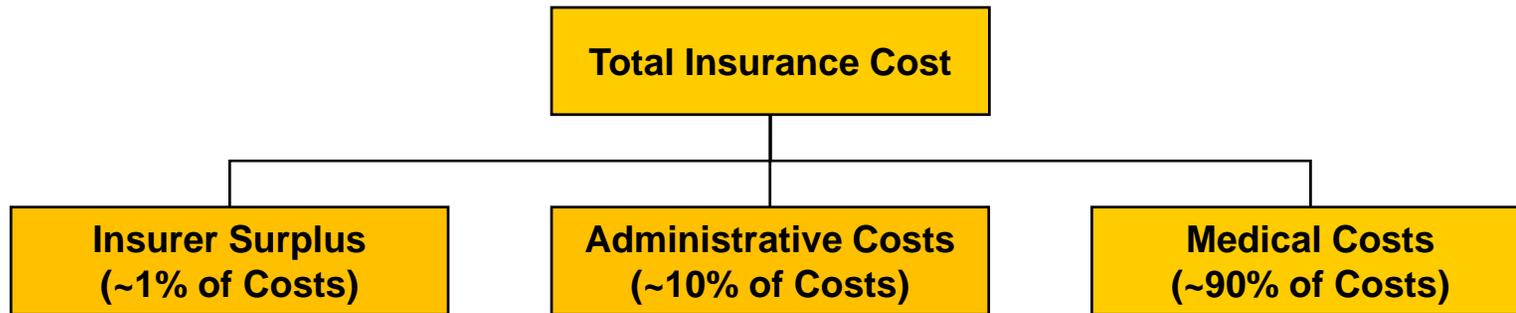


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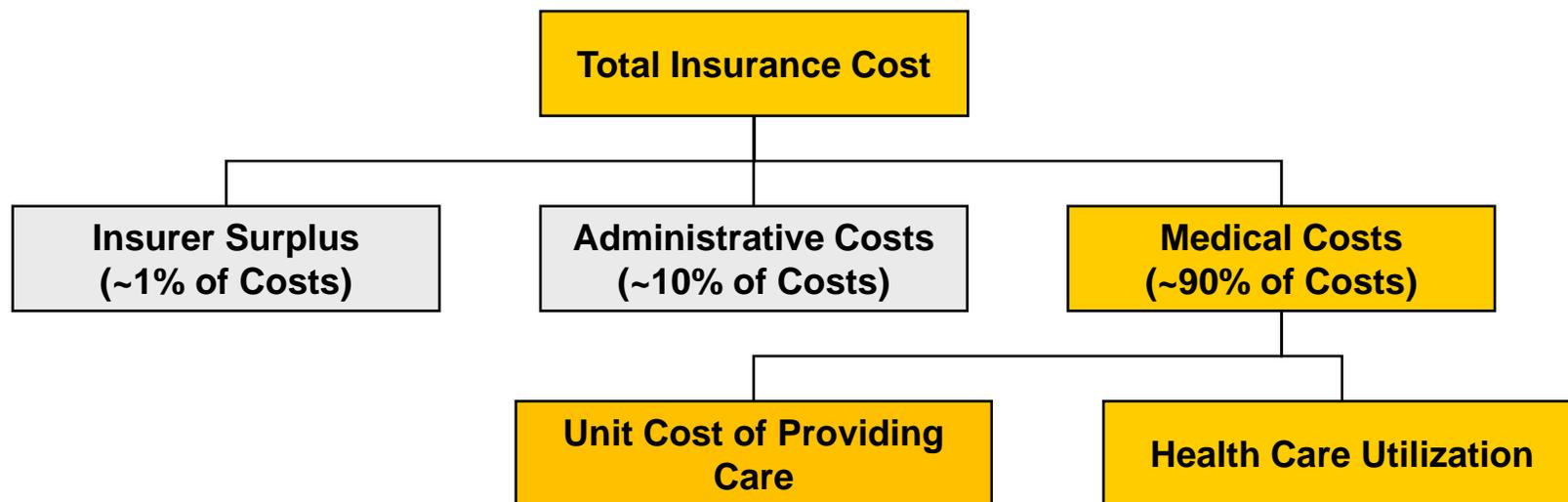
Health Insurance Cost Drivers

Medical costs are the critical driver of premiums charged to employers.



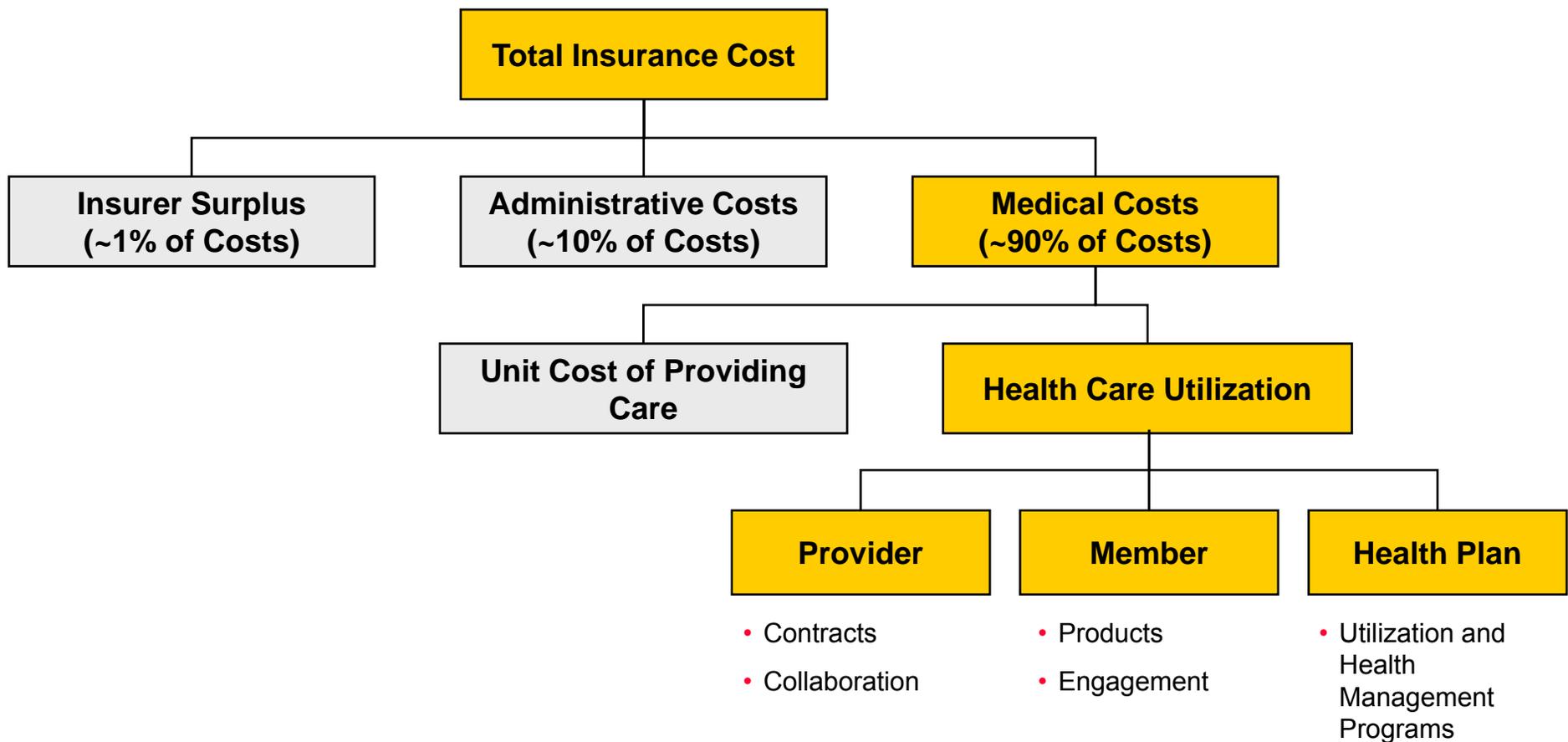
Health Insurance Cost Drivers

Medical costs are driven by two variables: how much is paid for a given unit of service and how many units of those services are consumed by members?



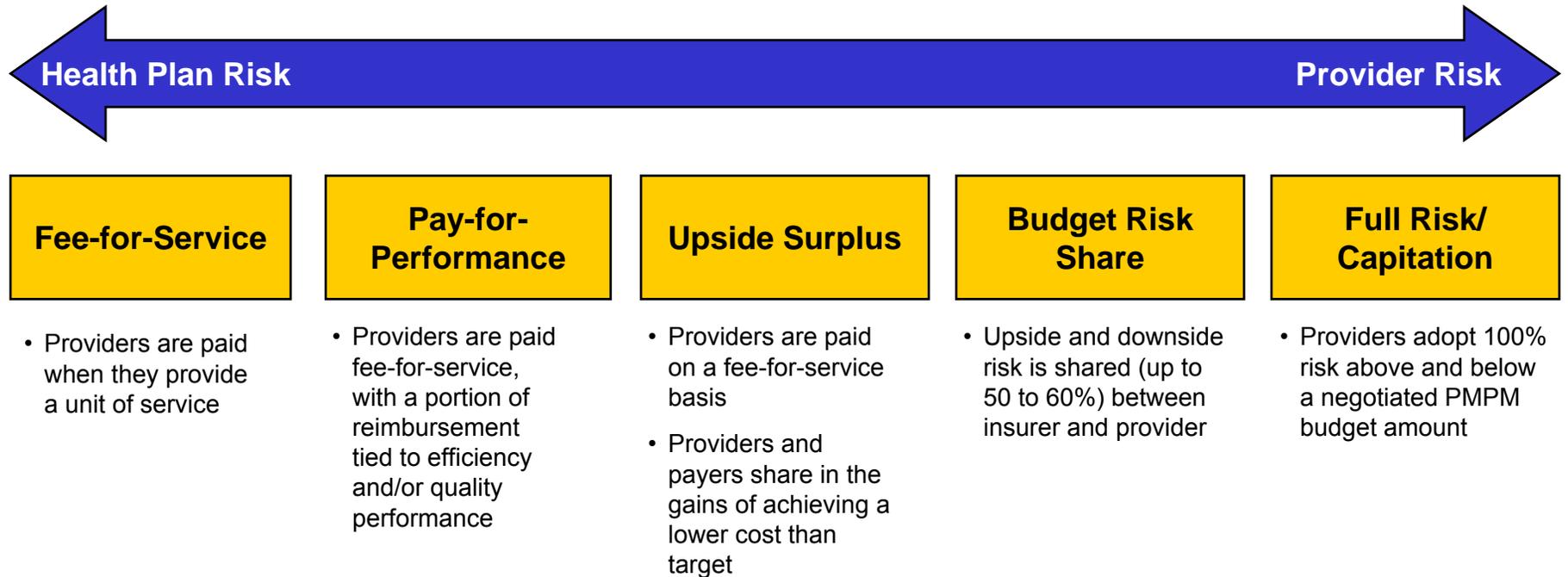
Health Insurance Cost Drivers

Because of the intersection with the provider community, utilization management is far more effective when done in conjunction with the provider community.



Contract Structures

Increasingly, the industry is moving to risk-based reimbursement structures.



Health Management

Health insurers implement a wide range of Clinical programs to impact members of varying health status.



Health and Wellness

- Personal health assessment, onsite wellness program, smoking cessation programs, health program and product discounts, and online decision-support tools

Utilization Management

- Health Utilization Management for inpatient hospital stays, high-tech imaging and certain procedures

Disease Management

- Additional programs provided for chronic conditions

Complex Case Management

- Case management for members with serious illness and complex diseases

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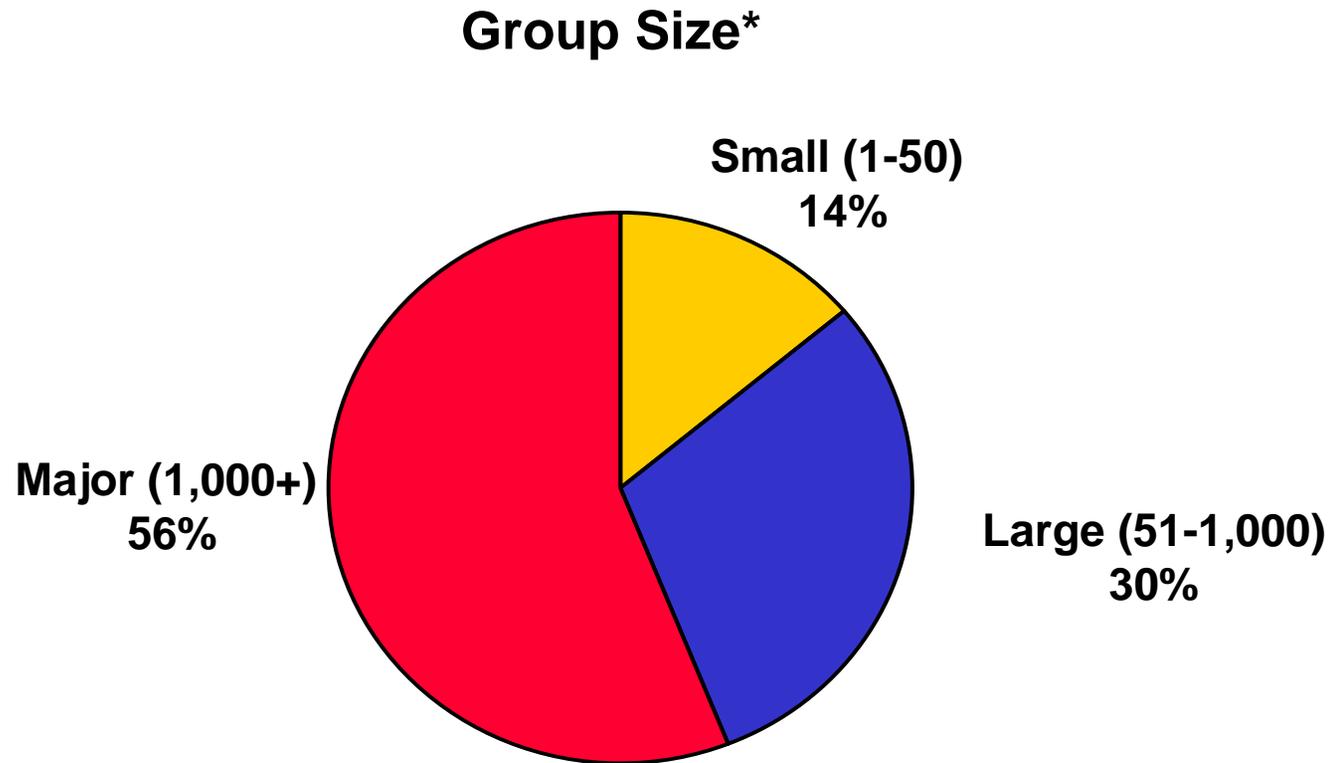
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Key Questions to Answer

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

Employer-Sponsored Market Breakdown

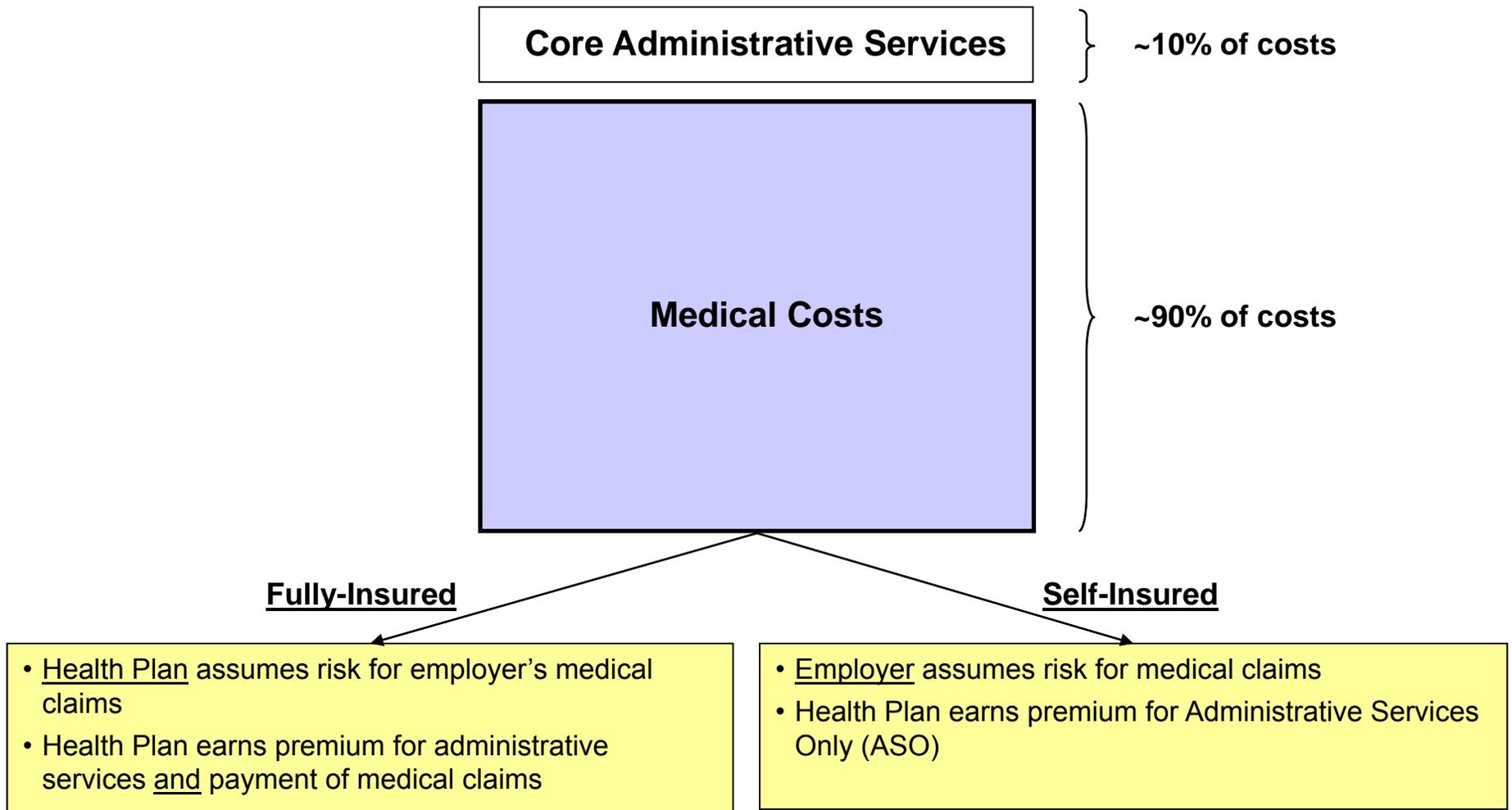
The first key dimension of an employer is their relative size.



* Approximate share of the Massachusetts market.

Employer Funding Types

The second key dimension is how an employer funds the purchase of their health insurance.



Commercial Product Categories

The third key dimension is the type of health insurance product an employer buys; the more restrictive the care, the lower the cost to the employer.

More Restrictive/
Lower Premium

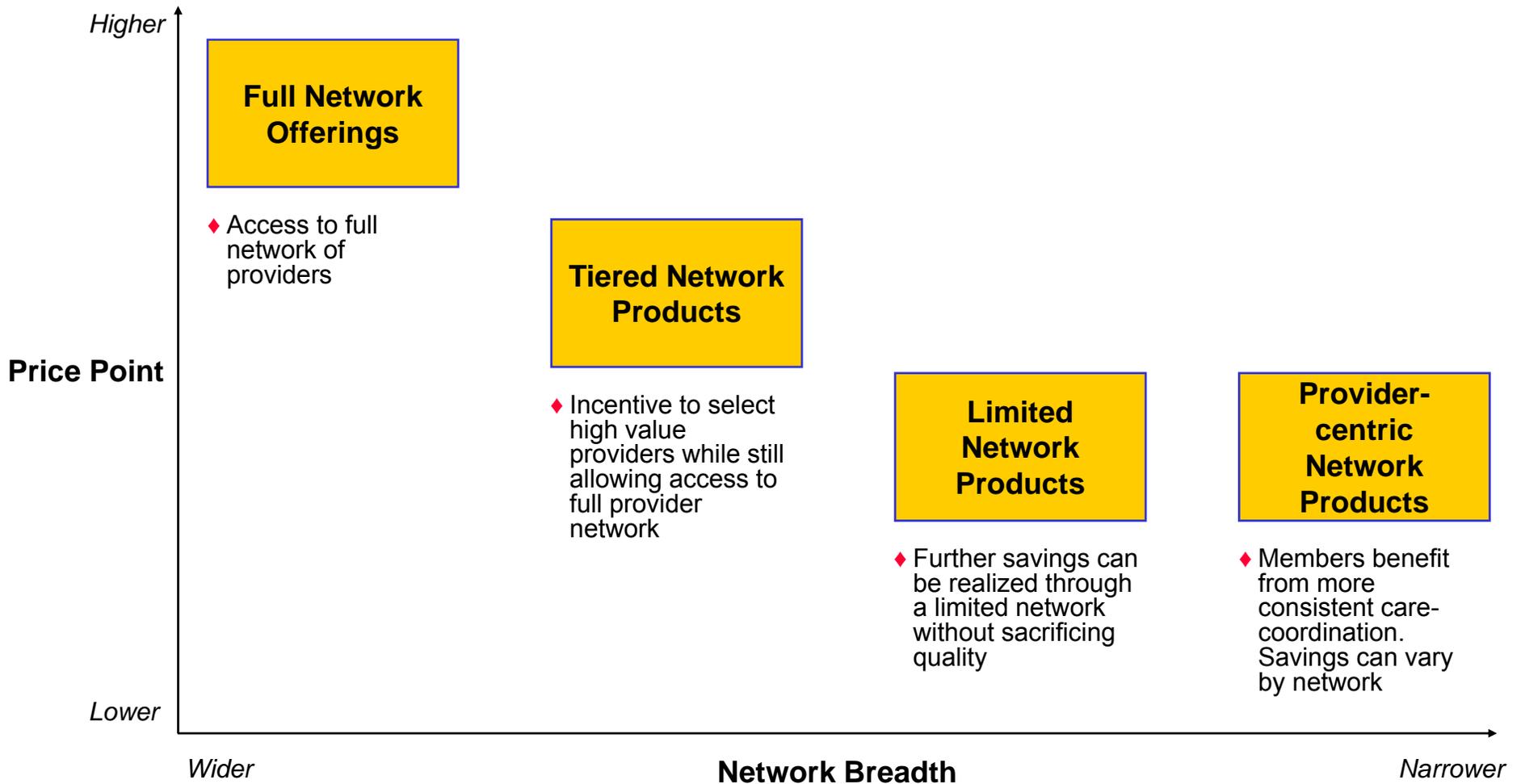
Less Restrictive/
Higher Premium



HMO	POS	PPO	Indemnity
<ul style="list-style-type: none"> • Health Maintenance Organization • Member selects a PCP who acts as a gatekeeper (referrals) • Care is delivered in a defined network • No “out of network” care is allowed 	<ul style="list-style-type: none"> • Point of Service • Member selects a PCP who acts as a gatekeeper • “Authorized” or referred care is delivered in a defined network at lower member cost • “Unauthorized” or non-referred care is available at higher member cost 	<ul style="list-style-type: none"> • Preferred Provider Organization • Member does not select a PCP (no referrals required) • In-network care has lower member cost sharing • Out-of-network care has higher member cost sharing 	<ul style="list-style-type: none"> • N/A • Member seeks care from any provider for any illness

Commercial Product – Emerging Trend

Tiered and narrow network products are increasing in popularity as a further attempt to provide an incentive for using high-value physicians and facilities.



Considerations for Selecting a Health Insurer

Insurers compete on several dimensions.

Price

- Ability to control medical and administrative costs that leads to an affordable price point

Product Features

- Network size and composition
- Cost-sharing mechanisms
- Covered services

Programs and Member Support

- Health and wellness
- Care management
- Discounts
- Cost and quality support tools

Quality

- HEDIS* scores
- Member services and member satisfaction

*HEDIS: Healthcare Effectiveness Data and Information Set

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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)?**