

# **Innovative Plan Designs as a Response to Rising Health Care Costs**

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# Overview

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- Understanding the Current Environment
- Testing Innovation Opportunities
- Employer Options to Pursue with Payers

# The Environment for Employers

- This is a time of significant change.
- Employers continue to find rate increases unmanageable and need to take action.
- Nationally, employers:
  - Continue shifting costs to employees and dependents through increased adoption of high deductible plans
  - Are moving to self-insurance with as few as 200 employees to avoid state benefit mandates and to save on administrative costs
  - Are focusing on directly addressing cost drivers through better management of chronic conditions and promoting wellness
  - Are even considering adopting a direct contribution strategy with uncertain implications under the Affordable Care Act

# The Environment for Insurers

- Insurers must implement the ACA, which removes some traditional levers for controlling costs such as:
  - Medical underwriting
  - Rating bands
  - Annual and lifetime limits on coverage
- Insurers are developing innovative plan designs that pull costs out of the system rather than increase enrollee cost sharing
- This presentation will focus on these latter activities

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# Responses to Key Cost Drivers

- Innovative plan designs focus on counteracting three key cost drivers by:
  - I. Lowering the price of medical care services
  - II. Promoting more efficient use of health care services to reduce unnecessary or inefficient use of services
  - III. Encouraging members to better manage their health to reduce long-term health care costs

# I. Lowering the Price of Medical Care Services

- Unit cost growth has the most significant impact on an insurer's service costs.
  - Utilization, mix of services, and illness burden make up the other cost factors.
- Plans are offering benefit designs organized around a network of providers who have lower reimbursement rates, but provide high quality services (“high-value” networks).

# A. High Value Network Products

- Limited networks:

- Usually exclude the highest cost providers
- Offer savings between 6% and 30% depending on the size and cost structure of the network and the plan design
- Savings are maximized when the network is narrow and plan design includes aggressive cost sharing

- Examples:

- In Massachusetts, Harvard Pilgrim Health Care “Focus” excludes Partners HealthCare and several high cost community hospitals, has \$2,400/\$4,800 out-of-pocket maximums and offers 5% to 7% premium savings
- In Massachusetts, Tufts Health Plan “Community Choice” includes only Steward Health Care with access to Partners HealthCare services not otherwise available and offers premium savings between 15% and 30%



# B. Tiered Networks

- Second generation creates tiers at the provider organization level, rather than individual provider level:
  - Avoids confusion about tiers and using providers with different tiers for related set of services
  - Builds on creation of provider entities that will be accepting global payments to care for a population of patients
  - Offers savings of 3% to 15%
- Example:
  - In Massachusetts, Tufts Health Plan offers “Your Choice” which tiers hospitals and affiliated doctors together plus freestanding ancillary services.
  - Savings of 15% compared to product with tier 1 co-payment/deductible design, but no additional tiers

# C. Open Access Product with Selective Network Feature

- Similar to tiered products, but focus is on open access to all providers in and out of network
- Offers narrow in-network provider network with modest enrollee cost sharing and full access to all other providers with very substantial cost sharing
  - Being built around accountable care organizations or patient-centered medical homes
- Example:
  - In Minnesota, HealthPartners’ “CareChoices” enrollees may select 1 of 6 provider/hospital groups with different premiums based on selection

## II. Promoting More Efficient Use of Health Care Services

- Incentivizing medical step therapy and health care options coaching
- Plan encourages enrollee to use lower cost treatment option when outcomes are comparable
  - Waives co-payments/deductibles for lower-cost services
  - Example: Minnesota plan waives co-payment for physical therapy treatment of back pain if the patient tries it before a surgical option
- Plan offers health coaching and reduces cost sharing for any services received if the enrollee talked with a health coach about options before receiving services

# A. Multiple Plans Under a Single Premium

- Blue Shield of California offers three separate plans for single premium designed to reduce costs:
  - **“Main Groove”**: Limited network with small cost share. Must complete biometric screening and online health assessment to stay in this groove, (hopefully) leading to early identification of health risks
  - **“Care Groove”**: Provides more intensive services to people with chronic conditions. Reduced cost sharing for key services; the member must select a primary care provider that specializes in management of the chronic condition(s).
  - **“Basic Groove”**: Large network preferred provider network with high deductibles
- Plan offers health coaching and reduces cost sharing for any services received if the enrollee talked with a health coach about options before receiving services

# B. Value-Based Benefit Design

- Plan designs include incentives to encourage better management of chronic conditions, including incentives that cover recommended medical services, prescription drugs, broader wellness incentives, and online support tools and care management support.
- Examples:
  - Lower/no co-payments for drugs for chronic conditions
  - Zero co-payment for using a PCP associated with a medical home
  - Zero co-payment for preventive education (e.g., weight loss and smoking cessation)
- Cost savings variable depending upon exact design

# III. Encouraging Members to Better Manage Their Health

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- Plans focused on wellness are another approach
- Premium discounts also a feature here
- These plans may also reduce long-term health care costs

# A. Encouraging Wellness to Lower Risk of Future Illness

- Enhanced high deductible plan:
  - Health Incentive Account (HIA) provides strong wellness incentives
  - Not a tax-preferred account which is funded by employer
  - Employee earns HIA funds to pay for deductibles by performing specific wellness activities that are verified through claims (e.g., annual physical and cancer screenings and standard diabetes care—annual eye exam and laboratory tests)
  - Can be structured to eliminate deductible costs if all wellness activities are accomplished
  - Pilot account in Pennsylvania reduced trend to 0.3% from 6% in six years

# B. Wellness Steps to Reduce Member Costs

- Members rewarded (e.g., earn payments, placed in plan with richer benefits) if specific wellness steps undertaken
  - Complete online health assessment
  - Complete action plan with primary care provider
  - Obtain primary care provider verification that the action plan has been achieved
- Employers who offer the plan must take specific leadership steps to encourage wellness
- Example: Blue Cross Blue Shield Massachusetts’ “Healthy Actions”
  - Employees can earn up to \$300 annually
  - Employers can earn 1.25% to 5% premium savings based on the percent of employees participating.



# C. Integrated Wellness Infrastructure

- Wellness promotion no longer a “one-off” activity
  - Online health assessment and claims (medical and workers’ compensation) analyzed to identify high risk enrollees
  - Enrollees can see program requirements and track achievement online; access online wellness resources (e.g., courses, information, and activity tracking tools)
  - Risks tied to health coaching outreach
  - Participation tracking also linked to incentive structure
  - Online access to HIA funds by providers at time of service
  - User-friendly website—engaging, not text-heavy

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# Rhode Island Plan Offerings

## Status of Rhode Island Plan Innovation by Insurer

Innovation	Blue Cross Blue Shield of Rhode Island	Tufts Health Plan	United Healthcare
1. High Value Network	Yes	No	Yes
2. Incentivized Medical Step Therapy	No	No	No
3. Multiple Plans Under Single Premium	Yes	No	No
4. Value-Based Benefit Design	Yes	No	No
5. Enhanced High Deductible Plan	No	No	No (Cost Estimator)
6. Wellness Steps	Yes	Yes	Yes
7. Integrated Wellness Infrastructure	In Process	In Process	In Process

# Employer Opportunities

- Convey to insurers interest in bolder plans that focus on removing costs from system
- If offering a high deductible plan, consider adding substantive wellness incentives
- If the covered population is older, consider incentives focused on managing chronic conditions
- Consider a high performance network plan
- Rhode Island Health Benefits Exchange will be accelerating this work