

Uncertainty – The New Black: Moving forward with continuing unknowns

Joint Research by MCEG/HTMS
AHIP Fall Forum - November 16, 2011

Hosted by:

Ferris W. Taylor, Strategy & Planning Advisor to MCEG

Presentation by:

Nancy Wise, Vice President of Planning and Strategy

nwise@htms.com

Panelists:

Alan Abramson, CIO & SVP, Health Partners

Barbara Christensen, Chief Sales and Marketing Officer, Providence Health Plans

Mary Ann Tournoux, Chief Marketing Officer, Health Alliance Plan



The Managed Care Executive Group (MCEG)

Organizational purpose

To create a forum amongst senior health plan leaders for the exchange of ideas, the development of valuable peer relationships, the opportunity to explore innovation, and navigate tactical and strategic issues that will transform health care organizations and the industry

Objectives

- 1. Provide channels for the exchange of relevant information between managed care/health plan executives*
- 2. Provide a forum for the development of policy relating to the use of information technology in healthcare*
- 3. To provide feedback to vendor sponsors and other vendors on the trends and technology needed to ensure their products and strategies meet their customer's present and future managed care computing needs*
- 4. To educate executives on clinical and administrative trends in the healthcare, new and emerging technologies, and other pertinent information to assist in achieving the key goals of cost containment, effective service and high quality health care*

MCEG is supported by involved industry sponsors



MCEG Partner Organization

Health Plan Alliance
Health plans, hospitals and physicians working together

HTMS services

*Healthcare
Technology
Management
Services
(HTMS) is a
consulting firm
that provides
services to
private and
public sector
clients in the
health industry*



The MCEG Top 10 Annual Survey

Each year MCEG leaders and conference participants identify the top 10 issues for health plans over the next year

Objective

Determine critical issues for health plans as they face the many impacts of reform and other issues in the market

Goal

Offer a perspective on the issues that mid-sized and regional health plans face

MCEG partnered with HTMS to perform its third annual survey.

The survey assesses how midsized and regional health plans are impacted by, grapple with and manage the changes, threats and opportunities of strategic and health care reform priorities

Distribution

The survey was distributed to the MCEG affiliated list with an invitation for plan leaders to pass it onto their colleagues. It was also distributed to members of the Health Plan Alliance and other regional payer groups

Participation

Responses from more than 90 participants representing more than 50 organizations. Some organizations had more than one participant (often representing both IT and business). Some contributors chose not to provide their health plan affiliation

2011 MCEG Top 10 List

Nine out of the top 10 strategic issues from 2010 remained in the 2011 MCEG Top 10 List. The new addition to the 2011 Top 10 list is Bending the Cost Trend*

MCEG Top 10 List

- Administrative Mandates (HIPAA 5010 Compliance, ICD-10, MLR, etc.)
- Care Management, Data Analytics, and Informatics
- Health Insurance Exchanges (HIX)
- New Provider Payment Models & Delivery Systems (ACOs, PCMHs, etc.)
- Bending the Cost Trend
- Medicare and Medicaid
- Health Information Exchange (HIE)
- Consumer's Role in the Modernization of Health Care
- Reform Uncertainties
- Payer/Provider Interoperability

* *Note: Automated member acquisition was identified as a priority in 2010 but did not make it to the top 10 list in 2011*

Additional issues were also included in the MCEG survey

Questions on operational issues and health care reform impacts are included in the survey to access a deeper understanding of the breadth and depth of issues faced by survey participants

Operational issues

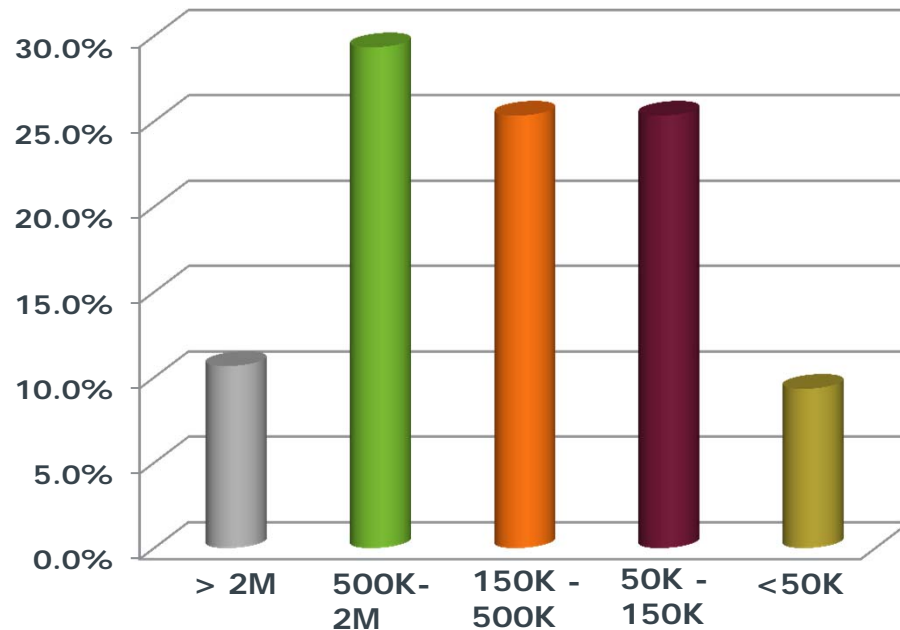
- Member growth
- Member retention
- Product design
- Automation and performance optimization
- Customer service
- Claims accuracy and recovery
- Risk management
- Regulatory compliance
- Privacy and security

HCR and other strategic and issues

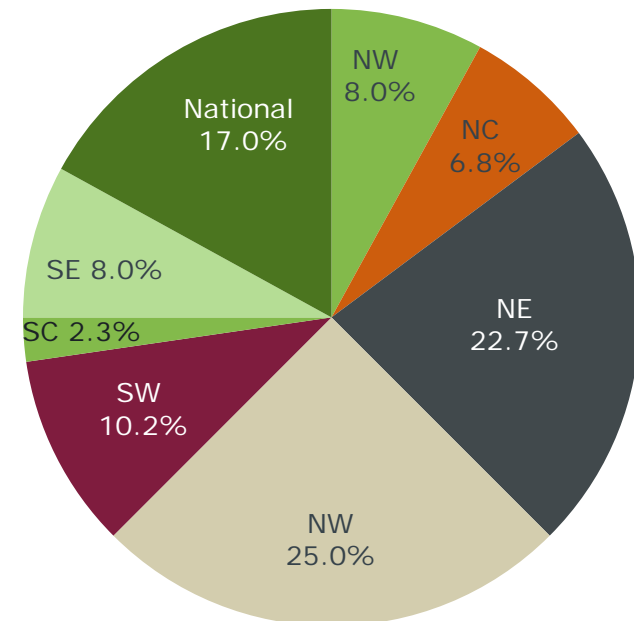
- Health Insurance Exchange
- Line of business shifts
- Strategic direction
- Major mandates (such as ICD-10, HIPAA 5010)
- Health Information Exchange (HIE)
- Internal initiatives
- Financial and human resources

Profile of Survey Responders

Health plan membership



Geographic distribution



Profit vs. Non-profit

- 61% are non-profit
- 39% are for-profit

Organizational roles

- ~ Half of responders are from business roles
- ~ Half of responders were from IT roles

Participants represented organizations and market territories across the country

What we'll be sharing

- A subset of findings from the survey – for a more thorough set of results, attend our webinar scheduled for December 6th
- Assessment of what the data says, and some of our interpretation of what might be going on
- Some thoughts on what this might mean moving forward

Quotes peppered throughout the document – to make the survey results come forward in the voices of health plan participants

Administrative mandates continue to absorb organizational bandwidth and is the topmost priority

2011 Priorities Ranking

- #1 Administrative mandates (HIPAA 5010 compliance, ICD-10, MLR, etc.)
- #2 Care management, data analytics, and informatics
- #3 Bending the cost trend
- #3 Medicare and Medicaid
- #4 Health insurance exchanges
- #5 Reform uncertainties
- #6 New provider payment models and delivery systems (ACOs, PCMH, etc.)
- #7 Payer / Provider interoperability
- #8 Consumer's role in the modernization of health care
- #9 Health information exchange (HIE)

While HIE has dropped in priority rank, it is still an important amongst responders

"EMR and sharing of clinical information sharing between providers and patients may be buried in the MCEG Top 10 but it is a key healthcare priority, especially with respect to privacy and security issues and concerns with respect to adoption"

Consumerism has also dropped in rank

"Compliance continues to be a priority but consumerism is less of a factor than originally thought..."

Perspectives are beginning to shift, though slowly, as greater understanding is gained about health reform and its impacts

Overall, do you see health reform as a threat or an opportunity for your business?

	2010	2011
Threat	2%	4%
Opportunity	27%	30%
Threat & Opportunity	72%	64%
No impact	0%	2%

Cost is an overarching concern

"Concern for overall US is ability to pay for the cost"

"Cost of implementation is a threat. MLR provisions potentially problematic for some products"

"Eliminating pre-existing conditions for eligibility will put more financial stress on our organization"

Many organizations are finding their way or perhaps have established their position in health reform and they are defining new opportunities

"Catch 22: The opportunities seem to come at a huge price in terms of how to not lose more than we gain. The threat aspect is that we're not ready and well positioned to deal well with the shift from employer-sponsored health benefits that reform will seem to drive"

Over half of responders are taking advantage of the health care reform opportunities to differentiate in the market



However, the path is not easy...

"We are gradually moving up the scale. We would like to achieve the Strategic level but are just recently moving beyond the wait-and-see aspect of "Follower" and taking more intention, aggressive action to be compliant"

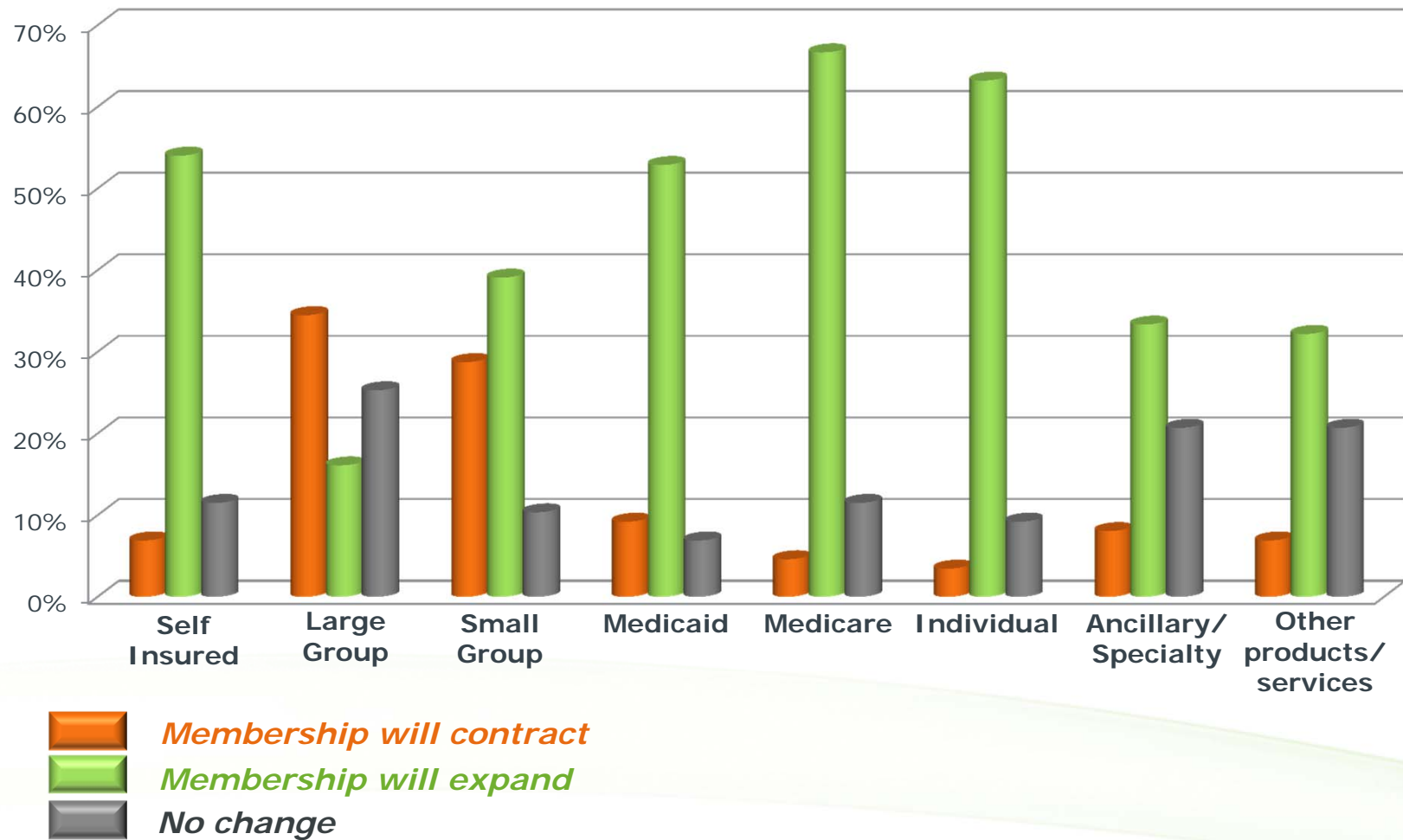
...and filled with uncertainty

"This is a joke – no one knows for sure what 2014 will bring, so planning at this point is futile..."

HIX's will be biggest driver of change in memberships. Not sure how it will roll out."

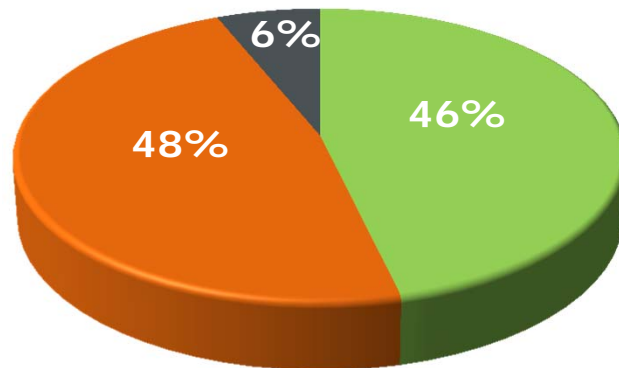
"We have plenty of "disbelievers" in the industry right now...with good reason!"




Except in the large group market, most responders forecast membership growth in all other sectors



Responders indicate increasing interest and activity in engaging providers in payment reform alternatives

How would you describe your organization's response to the emerging trend of Accountable Care Organizations and other payment reform alternatives?



-  **Still trying to understand**
-  **Actively planning**
-  **No plans**

While responders are actively planning and understanding stages...

"ACO's, in particular, seem to be very "hospital" centric and we are struggling with how the plan plays a role beyond just another reimbursement model"

Some have implemented...

"already experimenting with some new models"

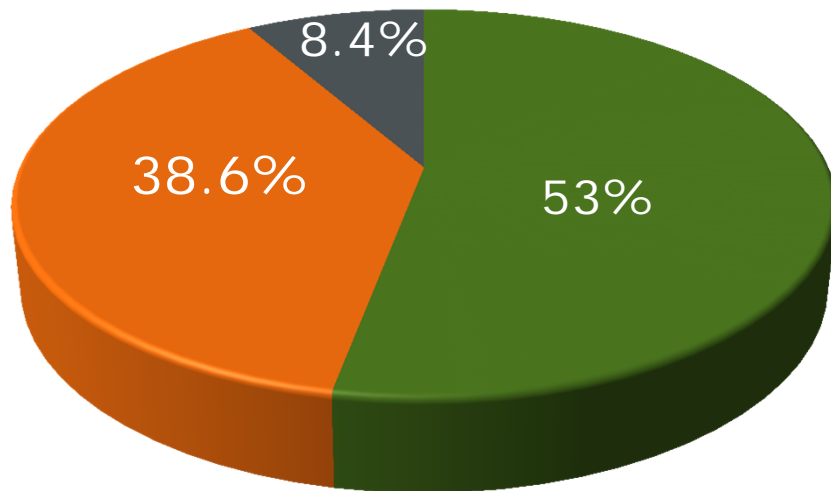
"Piloting"




and identified new opportunities

" We create ACO business partnerships to assist providers who are seeking ACO certification"

Over half of responders expect membership growth due to HIX's

How do you think HIX will impact your organization's membership?



-  **Positive** – membership growth
-  **Neutral** – no membership impact
-  **Negative** – reduction in membership

Membership growth is expected in the individual market....

"As long as we continue to refine our "individual market" offerings, the exchange will simply give us another distribution point"

...while some continue to be uncertain about membership impact

"Depends on the role of the state"

"Not really sure"

"Don't know"

Many health plans support the exchange of clinical information...

In what ways does your organization support the clinical exchange of information?

Encourage providers to exchange data with each other and their patients	66%
Supply health plan data to an HIE	48%
Take a role in the governance and running of an HIE	32%
Financially support an HIE through direct investment	26%
Provide incentives for provider participation in HIE's through P4P, ACOs and other mechanisms	21%

Note: Organizations were encouraged to answer all that apply

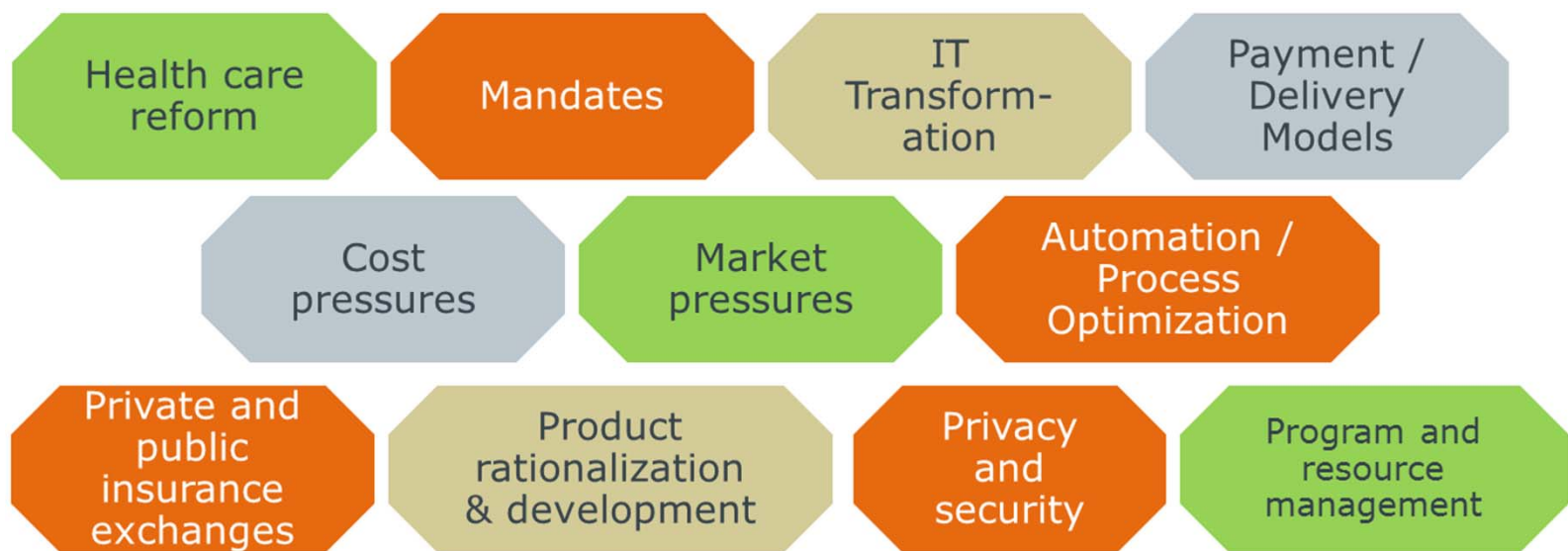
...and yet, less than half of health plans are providing any funding for HIEs

For health plans that do fund HIEs, the business model that supports HIE sustainability include the following approaches

Providing direct payments / funding to local, regional or state-wide HIEs	16%
Providing incentives for adoption of Electronic Medical Records (EMR) and the exchange of clinical data	14%
Exchange clinical data with providers by paying a transaction fee	11%
Paying a transaction or a subscription fee for access to the HIE	19%

Note: Organizations were encouraged to answer all that apply

Participants report “unprecedented” changes in the market resulting in an “overflowing plate” of challenges that they must manage



Perspectives on the level of change in the market and health plan challenges

The minority view

“Nothing unusual – attract and retain members, and keep an eye on G&A, same as always...remain compliant and implement required compliance changes”

...vs. the majority view

“The scale of change is unprecedented and meanwhile we need to keep the lights on and grow our business”

“...External change in our market is picking up speed...Our biggest challenge next year (and for the next three) will be to absorb this much change without any drop in service quality and value to our customers”

While change is rampant and challenges many, responders identified opportunities for market competitiveness

Opportunities	
Internal improvement	<ul style="list-style-type: none"> • Organizational development leading to: <ol style="list-style-type: none"> 1. improved prioritization, efficient/effective decision making and focus by executive team 2. ability to move quickly and be responsive to change • Technology that improves automation and associated process improvements • Performance optimization resulting in: <ol style="list-style-type: none"> 1. administrative expense reduction 2. better risk management 3. rapid development of solutions and products to market
Providers	<ul style="list-style-type: none"> • ACO development • Building better and collaborative relationships with provider community to positively impact cost and quality of care • Differentiation on network quality and cost
Market products	<ul style="list-style-type: none"> • HIX: Individual and small group • Potential for growth: TPA market, mid size employer groups • Product diversification

“In the next year, our biggest opportunities appear to be in strengthening our internal capabilities in anticipation of the market explosion in the individual, retail, and Medicaid (markets)”

Long-Term Strategy

Many organizations are establishing strategic and educational processes to ensure the team is aligned and informed for the long haul

Scenario planning

- Engage in structured scenario planning to determine the critical threats and opportunities for differentiation for your organization.

Strategic and educational lens

- Rather than creating a discrete unit to respond to strategic initiatives and opportunities, educate (and re-educate) leaders at all levels of the organization so that they can apply a strategic lens for strategic and operational decisions.

Organizational Alignment

- Some organizations are beginning to realign business functions to be better positioned to respond to an increasingly retail-oriented marketplace

Operational realities / requirements

Many organizations have also determined that infrastructure upgrades are needed

Project Management Office – Dedux	While PMO's sometimes can create challenges, a streamlined version ensures that health plans are continually aligning resources and spending with strategic priorities
Application Inventory and Portfolio Management	Managing an inventory of applications, databases, and other "units" of automation throughout the organization is a valuable foundation for impact and cost analysis of reform on other initiatives.
System upgrade / System consolidation	Upgrading systems can lower administrative costs and help a plan to become more agile in the face of change. <i>For many plans, a system upgrade allows for them to consolidate operations into a single (or at least fewer) system(s), significantly simplifying regulatory compliance.</i>
Automated member acquisition	Regardless of the form of the HIX in any regional marketplace, health insurance is trending toward retail solutions. Plans who can more effectively and efficiently sell, price, and enroll members will have a competitive advantage.

Panel discussion

Moderator:

Nancy Wise
Vice President of Planning and Strategy, HTMS

Panelists:

- Alan Abramson
CIO & Senior VP of IT/IS for Health Partners
Bloomington, Minnesota
- Barbara Christensen
Chief Sales and Marketing Officer for Providence
Health Plans
Portland, Oregon
- Mary Ann Tournoux
Chief Marketing Officer
Health Alliance Plans
Detroit, Michigan

To continue the discussion, please join us at a full presentation of research findings during a webinar scheduled for December 6th & 23rd Annual Forum March 25-28, 2012 To register, visit www.htms.com