

*Trends and Strategies for Health
Plans and Provider Systems*

Presented to:

Houston Business Coalition on Health

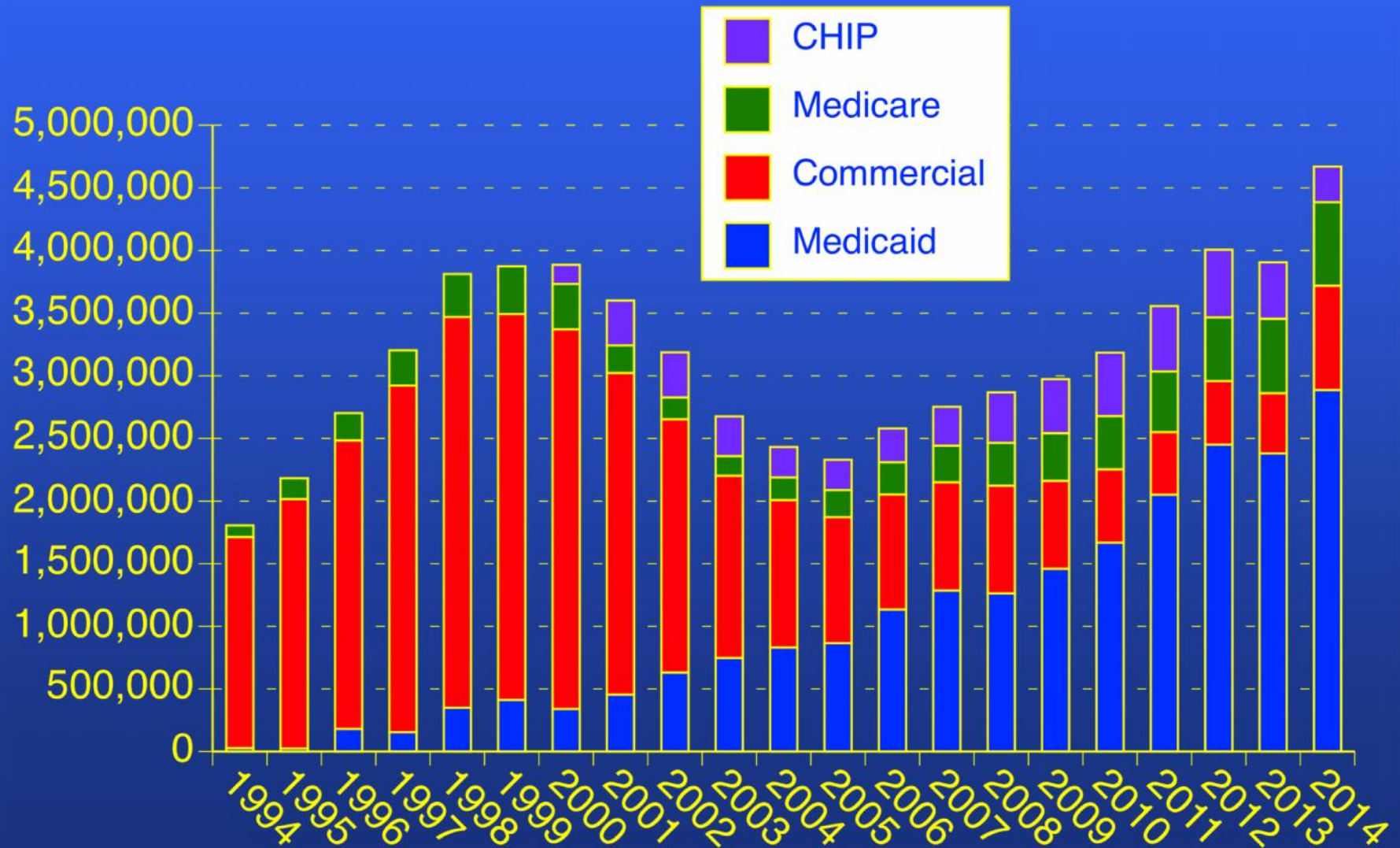
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Presentation Outline

- ❖ Texas market trends: Brief overview of
 - ✓ HMO enrollment and inpatient hospital utilization
 - ✓ Financial results and outlook for HMOs and hospital systems
- ❖ What strategies are providers and health plans pursuing? What are the implications for employer purchasers?
- ❖ Changes in the geography of local markets
- ❖ Changes in payment and risk arrangements

Texas HMO Enrollment, 1994-2014



Health Plan Trends

- ❖ Growth and competition in individual market
- ❖ Large and medium employers move to self-funded plans
- ❖ Medicaid managed care grows, including low-income and dual eligibles
- ❖ Medicaid expansion would provide huge business opportunity for HMOs, significant benefit to low-income families, providers and employers

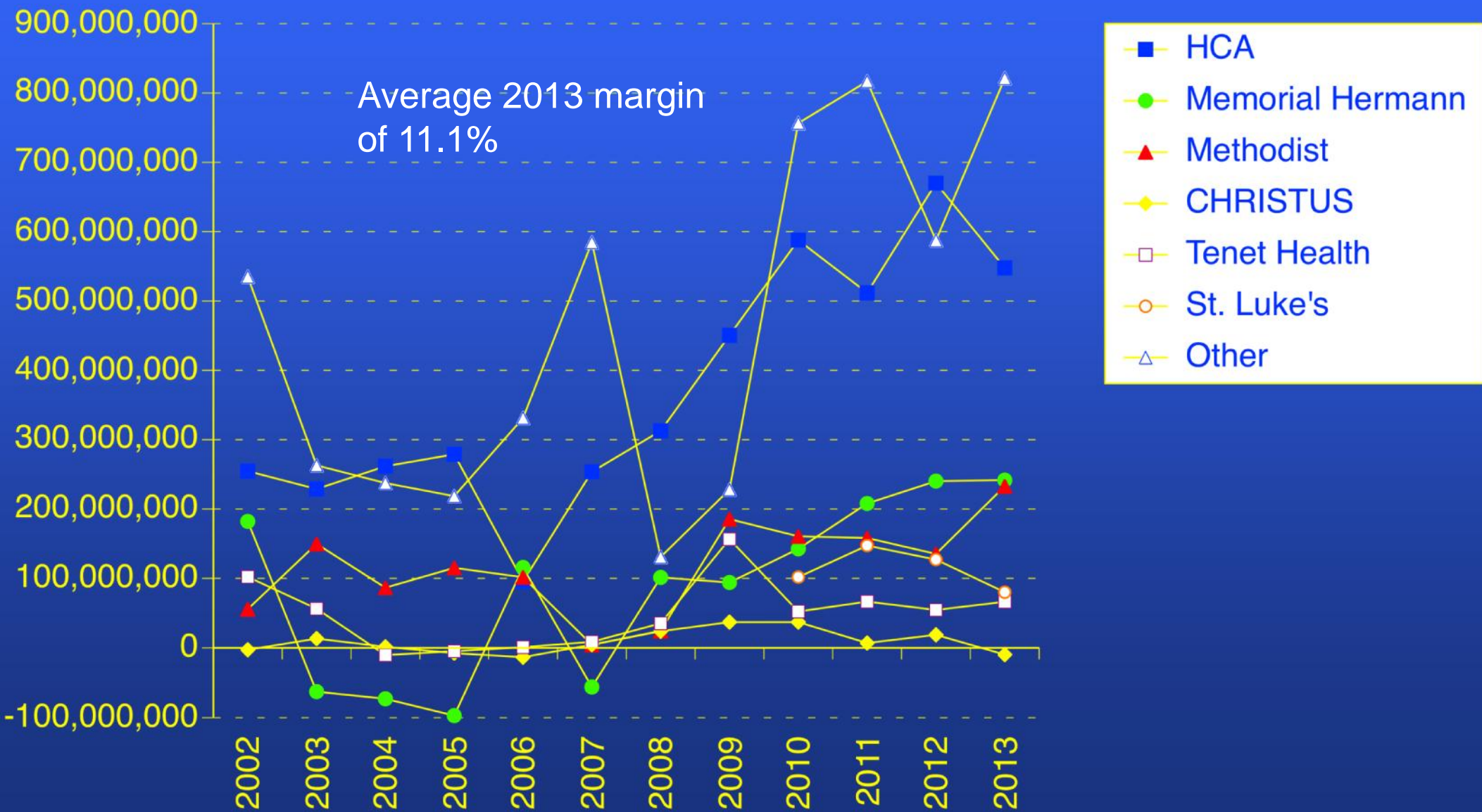
Impact of Proposed Health Plan Mergers in Texas

- ❖ Analysis of market power by line of business and geography.
 - Example of Medicare Advantage plans in Houston-Woodlands-Sugar Land area. About one-third of 510,000 seniors are in MA plans. Combined Aetna and Humana would have 40,000, about the same as SelectCare. UnitedHealthcare is 3rd with about 31,000 seniors
- ❖ Would be unusual to successfully object to merger based on commercial enrollment

Hospital Systems Prosper, But Face Risks

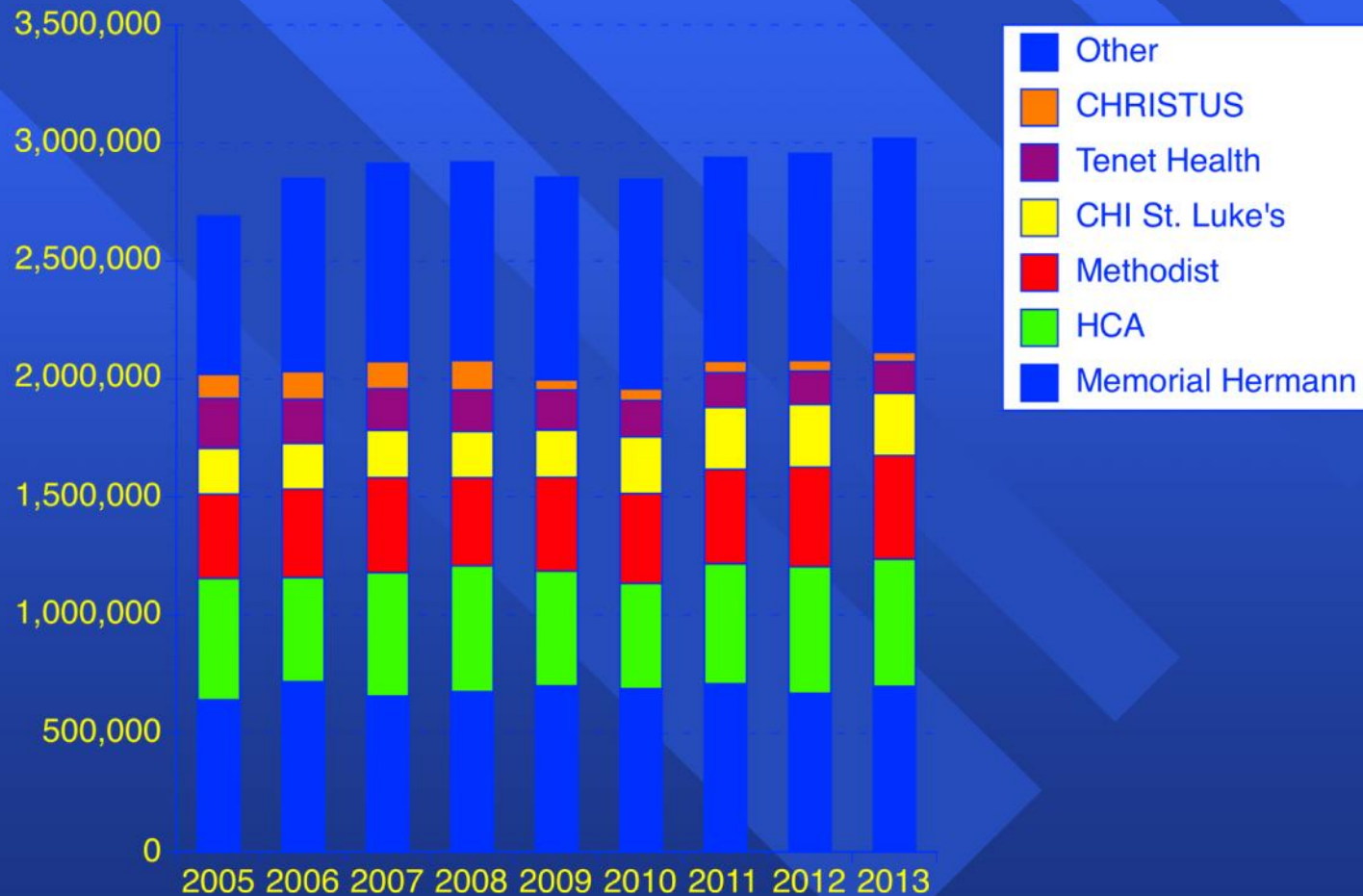
- ❖ System consolidation and growth results in better payment terms, higher profitability and often higher costs to employers – “must have hospitals” -- which, in turn, finances enormous construction programs
- ❖ How much capacity is needed? New stage of system building - adding hospitals to extend geographic reach and specialty centers to compete with entrepreneurs and to cement ties with star physicians

Houston Hospital Profitability



Is Inpatient Care in Decline?

Inpatient Days in Houston Area



Three Provider Strategies

Seeking to build stronger brands

- ❖ Consolidation
- ❖ Strategic partnerships
- ❖ Expansion through new facilities, new convenient care locations

1. Provider Consolidation/ System Expansion

- ❖ National and local deals have impact in local markets: examples of Tenet/Vanguard, Catholic Health Initiatives/St. Luke, Community Health Systems/HMA
- ❖ Hospitals added or expanded in places like The Woodlands, Sugar Land and Katy, also at the Texas Medical Center
- ❖ Employing more physicians, both primary care and specialty

2. Strategic Affiliations

- ❖ National networks for Mayo Clinic and Cleveland Clinic
- ❖ M. D. Anderson Centers in New Jersey (Cooper University), New Mexico (Presbyterian Kaseman) and Arizona (Banner Health)
- ❖ Marketing theme: “Get _____ quality medicine close to home”

3. New Convenient Care Sites

- ❖ Growth of retail clinics, urgent cares and freestanding emergency rooms
- ❖ CVS Minute Clinics in 62 Texas cities, affiliations with UT Medical Branch and San Antonio, Texas Health in north; 20 RiteAid RediClinics in Houston area Memorial Hermann – note location strategies
- ❖ Urgent cares by Tenet (MedPost), Optum
- ❖ Freestanding ERs (5 Memorial Hermann, 25 First Choice)

Changing Geography of ‘ Local Markets

Systems developing statewide presence/brand

- ❖ HCA
- ❖ University of Texas
- ❖ Baylor Scott and White
- ❖ Tenet
- ❖ Community Health Systems
- ❖ New alliance of UT Southwestern and Texas Health

Changing Payment From Volume to Value

- ❖ Most payment still tied to discounted fee-for-service – rewarding volume
- ❖ CMS goal: 50% of Medicare payments based on quality by 2018
- ❖ UnitedHealthcare goal: increase payments tied to value to \$65 billion in 2018
- ❖ Even so – what % of provider payments are actually tied to performance now? Can a tipping point be reached?

Providers Taking Risk

- ❖ Significant history for provider groups in Houston, especially for Medicare
- ❖ Capitation declines here— less than 14% of HMO provider payments in 2013
- ❖ Provider sponsored health plans – new generation emerges nationally and here
- ❖ ACO arrangements for Medicare and commercial plans – limited risk-sharing, population health focus. Outlook for future?

ACOs, Shared Savings and Payment Reform

- ❖ Goal: replace a quest for volume with a quest for value – Medicare and commercial plans
- ❖ Two Pioneer ACOs drop out: Seton and Plus! North Texas ACO
- ❖ Memorial Hermann ACO - \$28.3 million in shared savings for 2013, \$22.7 million in 2014. Other local ACOs that earned shared savings: Accountable Care Coalition of TX, Physicians ACO

Transparency in Pricing and Quality

- ❖ Health plan online calculators and provider evaluation programs
- ❖ Websites from Medicare, state agencies and provider associations with ratings and measures of quality for both health plans and hospitals
- ❖ Yelp comes to physician ratings

Provider Strategies: Implications for Employers

- ❖ Research: Provider consolidation often accompanied by price increases to insurers and purchasers
- ❖ Providers respond to health plan consolidation by seeking to work directly with employers: wellness programs, population health initiatives, narrow network plans for self-funded employer groups

Summing Up: Opportunities and Risks

- ❖ Changes in geography of local markets for providers
- ❖ Consolidation continues and affiliations are increasingly important
- ❖ Health plans and provider systems each take turns to expand their market reach and power – how will they relate to employer purchasers?
- ❖ Convenient care sites gaining wider acceptance

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