



**TOGETHER WE CAN CREATE
VALUE-BASED HEALTHCARE
BENEFITS OF THE FUTURE**

TRANSPARENCY | SMART NETWORK | LEGISLATION | COMMUNITY



Solutions for Employers:

Smart Network Program
...for employers, by employers

June 6, 2023



Welcome

Ted Barrall,
Director of Compensation & Benefits
The Friedkin Group
HBCCH Board Chair

Josh Berlin, CEO rule of three, LLC
Moderator



Introductory Comments

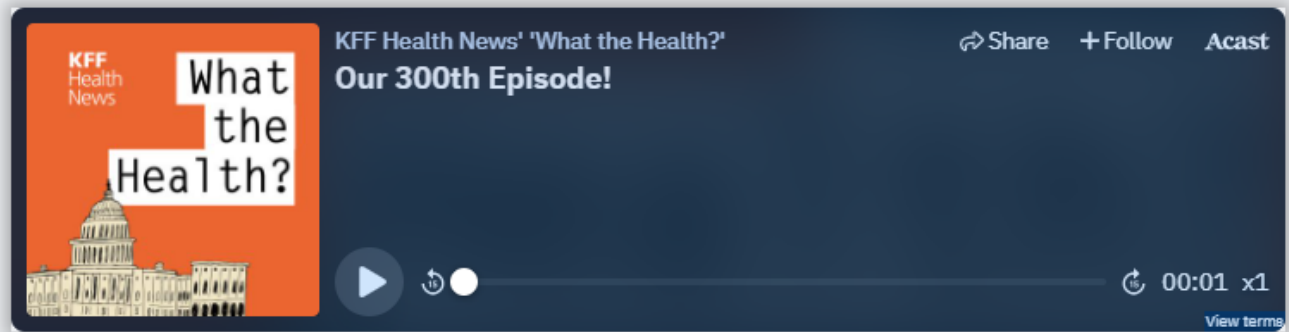
Chris Skisak, PhD
Executive Director
Houston Business Coalition on Health

KFF HEALTH NEWS' 'WHAT THE HEALTH?'

Our 300th Episode!

EPISODE 300 | JUNE 1, 2023 | [VIEW TRANSCRIPT](#)

← PREV: E299
When an Anti-Vacci...



KFF Health News' 'What the Health?'
Our 300th Episode!

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Let's Fix Healthcare Together!

relentlesshealthvalue™

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EP406: The Inertia Show: 5 Excellent Reasons for the "Why" With the Inertia in Benefits Departments, With Lauren Vela



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HBCH KEY INITIATIVES



HOSPITAL TRANSPARENCY

HBCH will continue to provide tools and the collective employer voice to drive lower costs for services.



LEGISLATIVE ADVOCACY

Texas Employers for Affordable Healthcare to pass legislation in 2023 to prohibit anti-competitive contract language.



SMART PURCHASING NETWORK

HBCH will continue to work with local providers and employers to introduce a Smart Network with an Advanced Primary Care foundation and referral to specialists based on price and quality.



EDUCATIONAL PROGRAMMING

Will consist of three forums, the annual conference, and webinars on the quickly changing landscape of employer-sponsored benefits.



COMMUNITY VOICE OF THE EMPLOYER

HBCH will continue its role as the Employer Voice in the Community for several local organizations dedicated to health and welfare of all citizens in greater Houston.

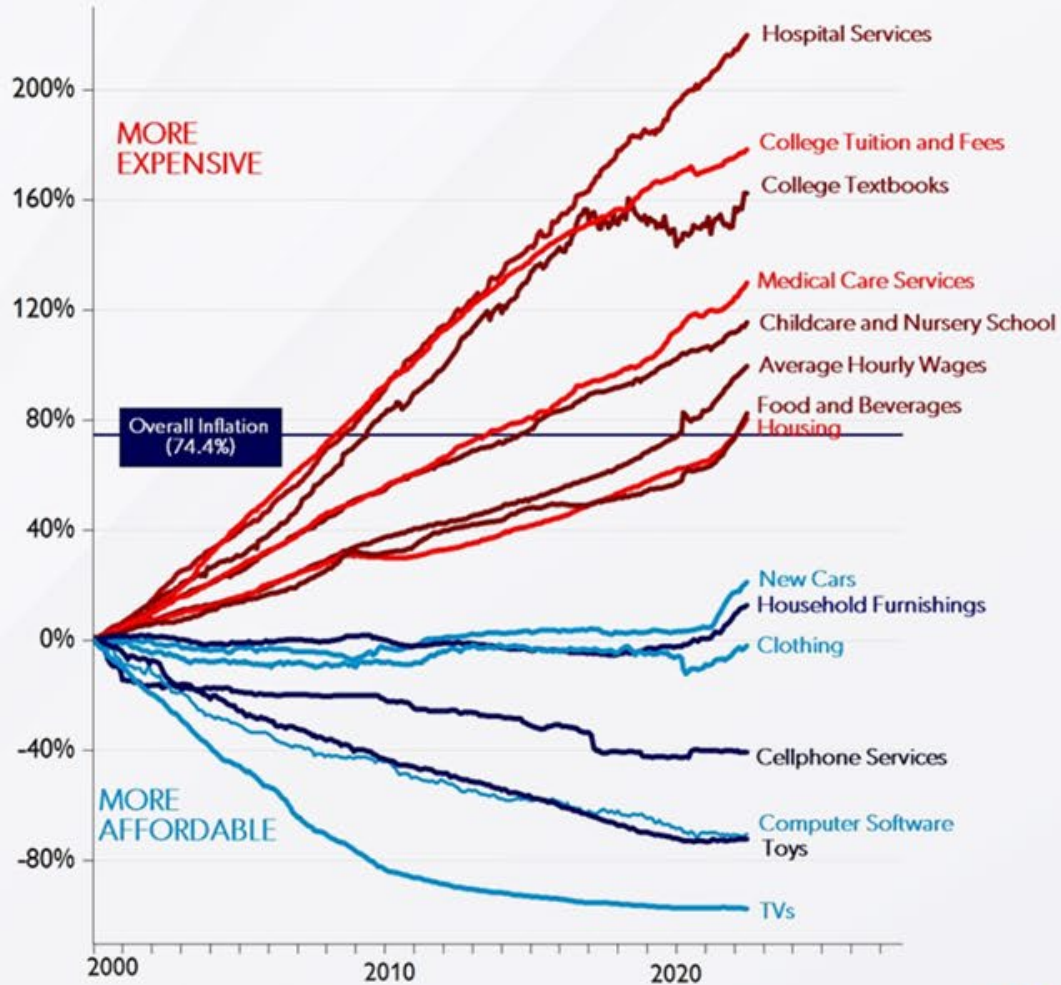
HOSPITAL TRANSPARENCY

PRICE | QUALITY | SAFETY



Health Care Prices are Unaffordable

Price Changes: January 2000 to June 2022
Selected US Consumer Goods and Services, Wages

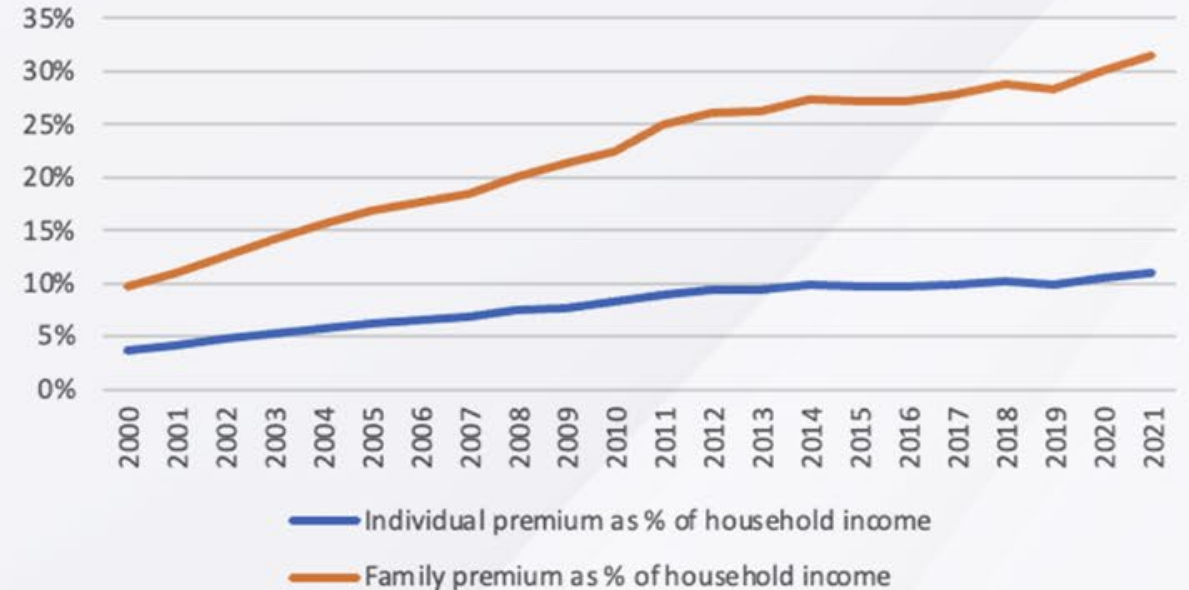


Source: Bureau of Labor Statistics

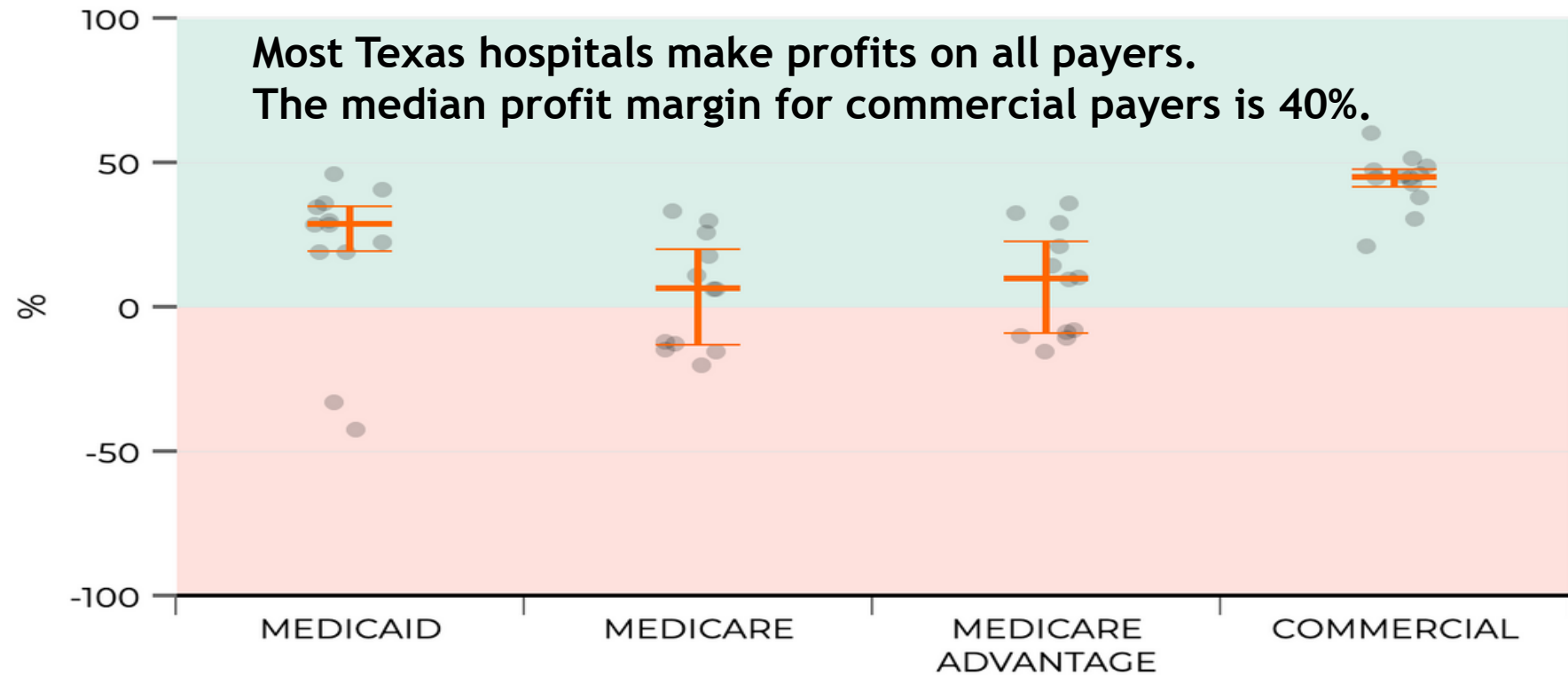
Carpe Diem **AEI**

... and hospital services are a major contributor

Premiums as % of income over time



OPERATING PROFIT MARGIN



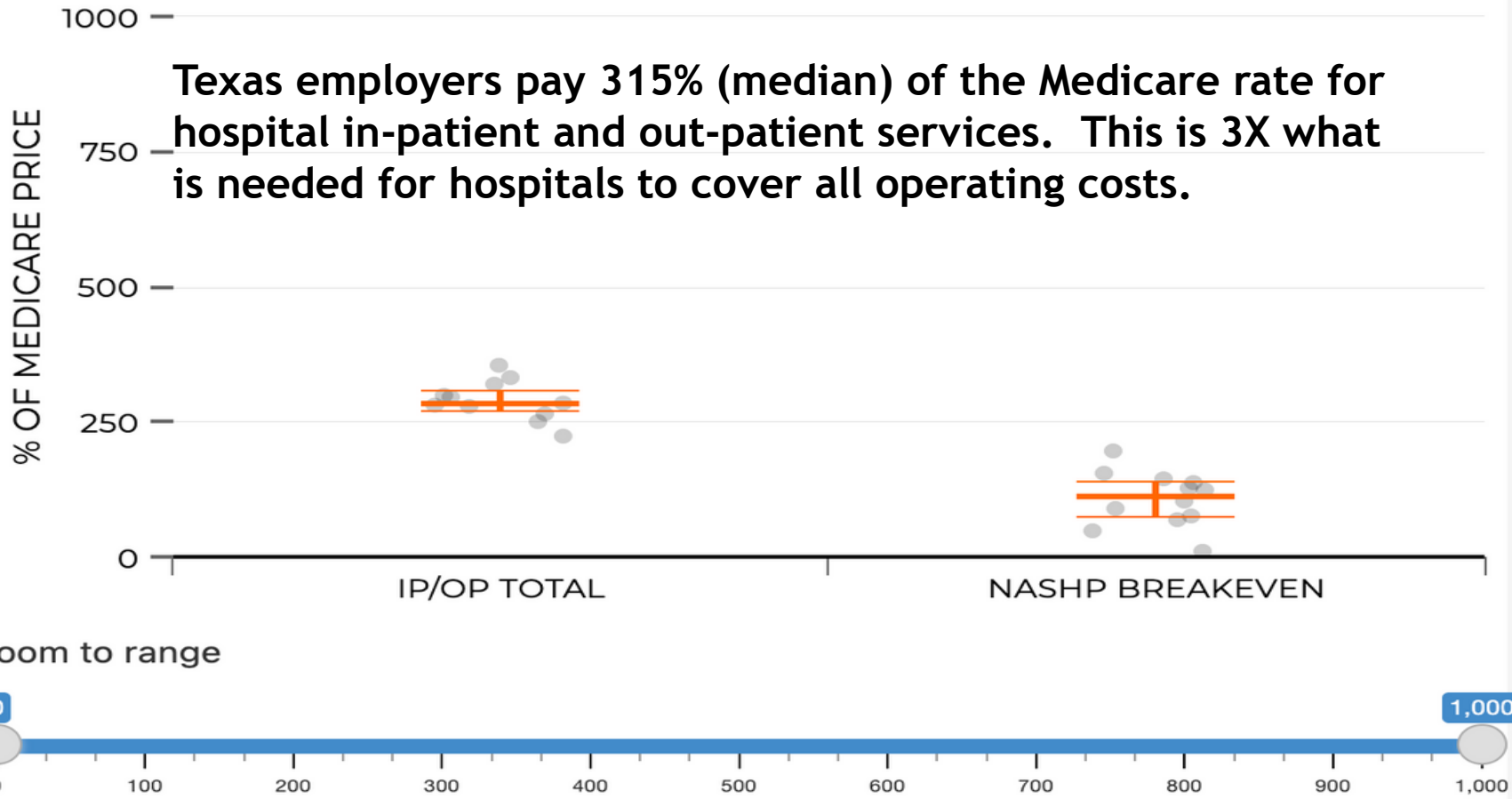
Zoom to range





Texas Employers for Affordable Healthcare

COMMERCIAL & BREAKEVEN
RAND 2018-2020, NASHP 2019



PASSED!

TX HB711

HOUSE 146-0
SENATE 30-1

Texas 88th Legislature

An ACT relating to contract provisions and conduct affecting healthcare provider networks.

Bill Author: James Frank (R)

Rep. James Frank authored HB711 to encourage market competition and help employers and other healthcare purchasers combat unsustainable and rising healthcare costs.

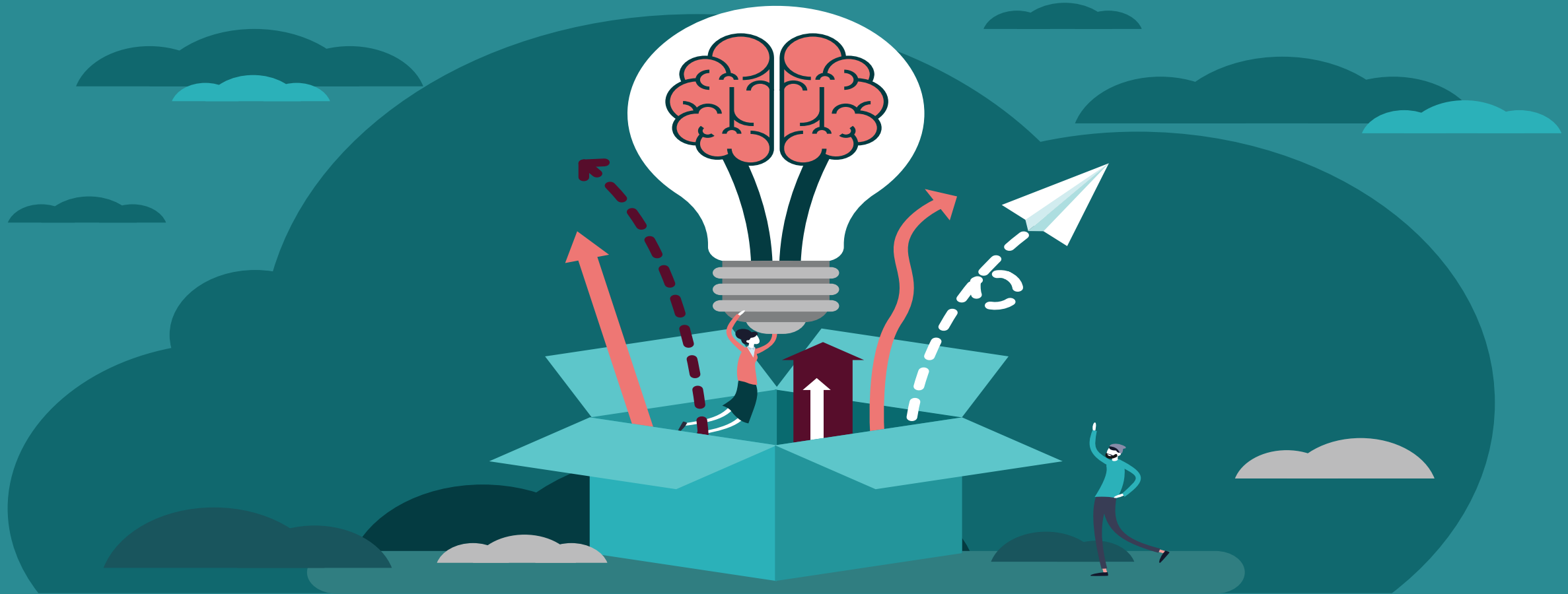
“As nearly 50% of Texans get their health insurance through their employer, I filed this legislation to empower employers to make insurance and healthcare more affordable and attainable for their employees. When we remove predatory behaviors in the marketplace it lowers healthcare costs for all Texans.”



*What are employer coalitions doing
in other parts of the country?*

Cheryl DeMars, CEO - The Alliance

The Alliance: Employer-led, Market-Driven Health Care Transformation



Our Story...

- 1990 – Hospitals and Medical Groups formed their own insurance companies (HMO's)
 - Significant cost shift to self-funded employers
- *Pool employer purchasing power to contract directly with doctors and hospitals*
 - High quality care, lower costs, informed choices for consumers
- Formed a not-for-profit, employer-owned cooperative
 - By employers for employers
 - **7 founders each contributed \$100k**
- Importance of employer willingness to use plan design to create market rewards and consequences

Today...

- 340 employer owners; 115k employees and family members
 - WI, IL, IA
 - Diverse self-funded membership – all sectors and sizes
 - Employers of all sizes (inc. John Deere, Trek Bikes)
 - School districts and municipalities
 - Ho-Chunk Nation
- \$900M annual health care spend
- Network:
 - 140 Hospitals
 - 7900 Clinic sites

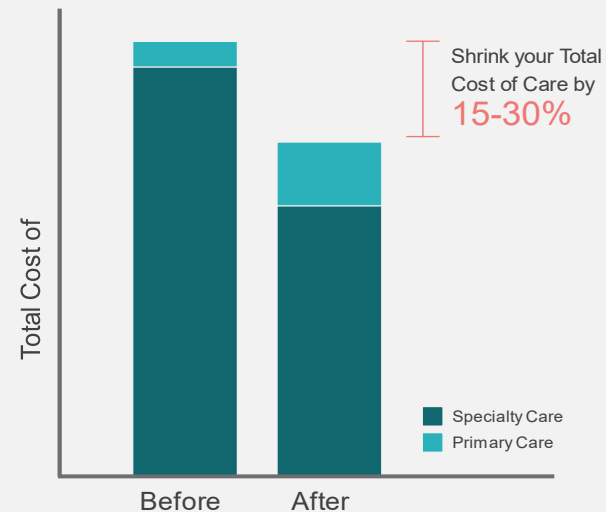
Our Approach

- Negotiate contracts based on % of Medicare
 - Reject anti-competitive contract terms
- Cultivate relationships with high value providers
 - Advanced Primary Care
 - Alternative delivery models including virtual & hybrid
 - Ambulatory Surgery Centers
- Shift care to high value providers
 - Tiered networks
 - Benefit plan design
- Data analytics
 - To identify high value providers and inform contracting function
- Policy Advocacy to foster free-market healthcare

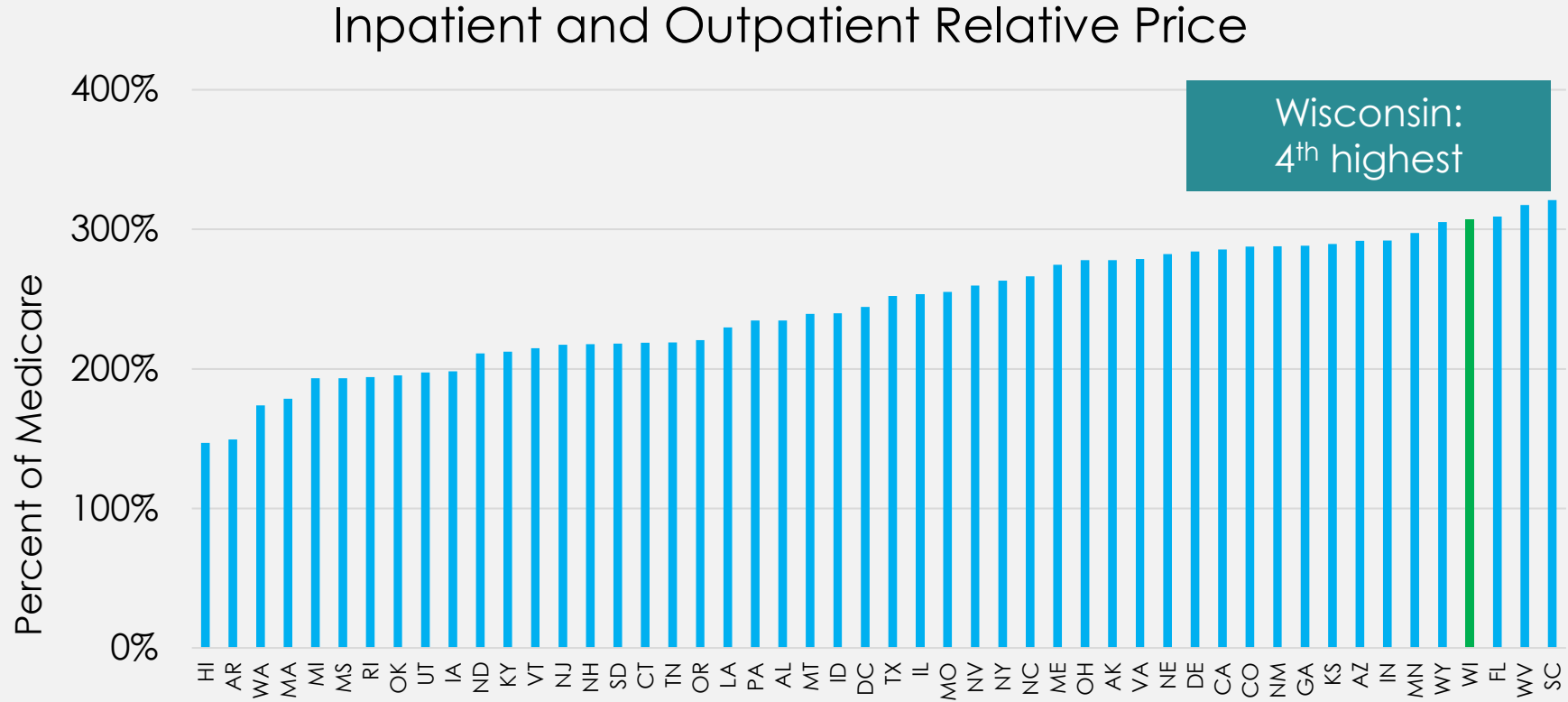
Results

1. Network contracts –
 - Our contracts outperform rates from national carriers based on federal price transparency data
2. Benefit plan steerage – average 10 – 12% savings on total cost of care with in-region (30 – 100 miles) steerage to high value providers for elective procedures
3. Advanced primary care

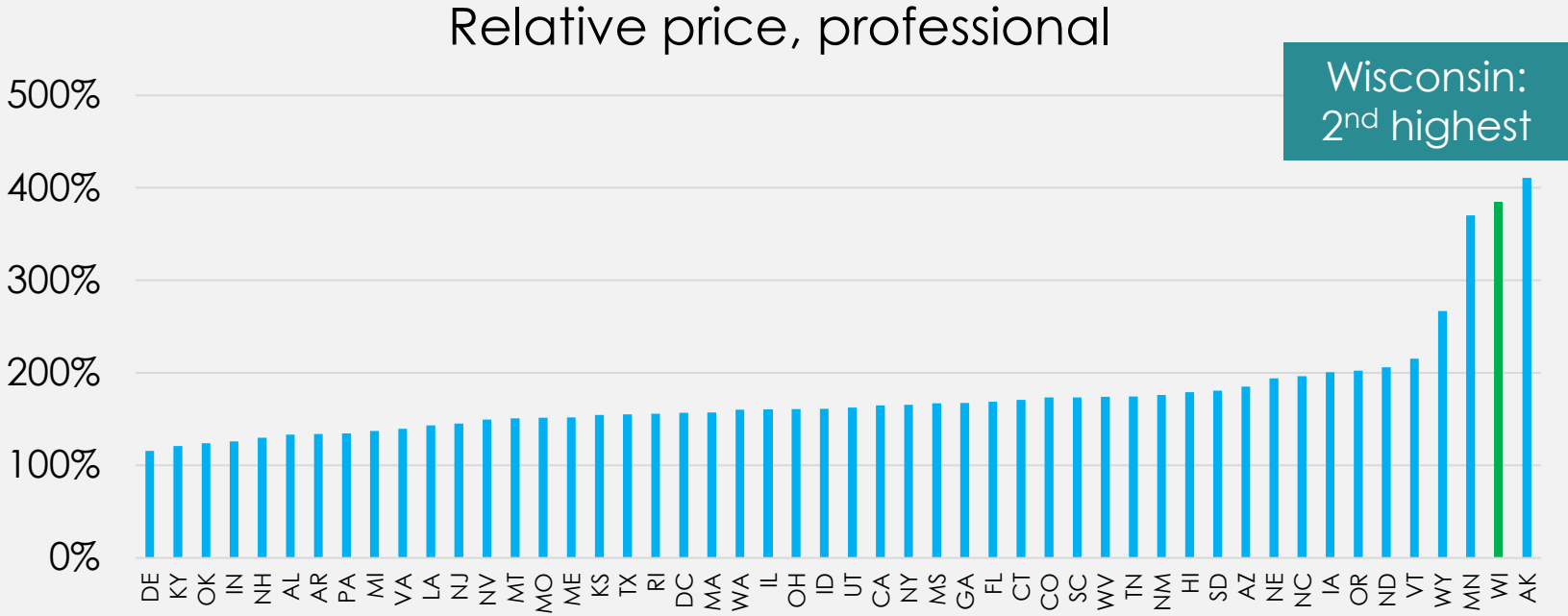
Total Spend Goes Down



Hospital Prices in Wisconsin are Higher Than Most Other States



Physician Prices for Hospital Care in WI are the 2nd Highest in the US



Now that we know what we know...

- Negotiate contracts based on % of Medicare
 - Reject anti-competitive contract terms
- Cultivate relationships with high value providers
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 - Alternative delivery models including virtual & hybrid
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HBCH's Advantages

1. Transparency –
 - What's a fair price to pay?
 - Who are the high-value providers?
2. Philanthropic Support
 - Help to get started
3. Policy Success
 - Brand strength
4. Leadership

The Alliance

Mission

We are moving healthcare forward by controlling costs, improving quality, and engaging individuals in their health.

Vision

We are working toward a future where:

- High-quality, affordable healthcare is reliably delivered to all patients.
- People have confidence that their health plans enable them to take care of themselves and their families.
- The Alliance employers thrive by joining together to control the trend of healthcare costs.



Thank You

cdemars@the-alliance.org



(608) 210-6621





Solutions for Employers:

Smart Network Program
...for employers, by employers

Ken Janda, JD

Dan Crowe, MD

Steve Cyboran, ASA, MAAA, FCA

About our Speakers

- ▶ ***Ken Janda, JD*** is a warrior for health equity and recovering health insurance executive (formerly CEO of Community Health Choice, Market President for Humana, Regional Network Operations Head for Aetna), with 40 years experience.
- ▶ ***Dan Crowe, MD*** is a former senior medical director for Superior Health Plan (Centene) and CMO for CommunityCare (a multi-location federally qualified health center).
- ▶ ***Steve Cyboran, ASA, MAAA, FCA*** is a consulting actuary with Humaculture, Inc. Formerly with Willis Towers Watson, Mercer and other actuarial firms.

The Employer Problem



Health costs rising, impacting wages/profits

Provider/pharmacy costs going up

Utilization of care questionable at times

Costs unbalanced with quality of care

Value-based care/payments mixed results

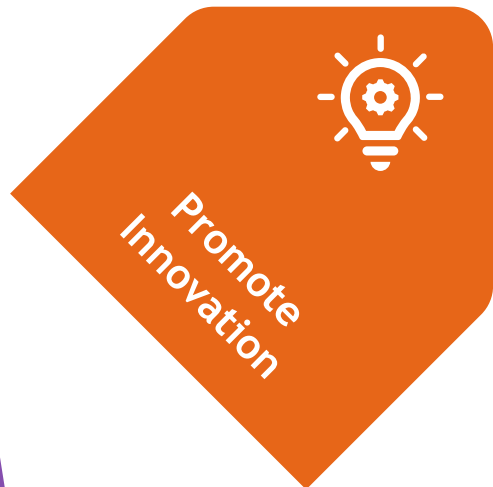
Point solutions dominate vendor space

In Houston...

- Vertical/horizontal consolidation (plans and providers)
- Accountable Care remains inconsistent versus rest of US
- Rampant anti-competitive behavior
- Health plans have been unable/unwilling to act

Houston's Smart Network: Vision and Objectives

(for employers, by employers)



Achieve Better Outcomes

Design a solution that delivers measurably better, high quality outcomes for Employees



Demonstrate Cost Savings

Generate cost savings through better prices and reduction of low-value services



Deliver an Integrated Experience

Simplify healthcare for Employees via an integrated platform approach that result in higher patient satisfaction



Promote Innovation

Align with healthcare partners who believe in continuous improvement and innovation

Houston's Smart Network

Key Attributes

Create value-based Population Health Services Organization (PHSO), for employers, by employers

- ▶ PHSO develops a Smart Network of directly contracted providers of care. Smart Network offering includes:
 - Capitated advanced primary care
 - Behavioral health integration with primary care
 - Smart referrals to high-value (quality and price) contracted specialists
 - Direct contracts with hospitals and physicians at or near Medicare prices
 - Bundled payments for common procedures
 - Fully transparent 100% passthrough PBM
- ▶ PHSO contracts with independent TPA and other service providers for eligibility, claims adjudication, data analysis, and related functions
- ▶ Employer contracts with the PHSO to access the self-funded “Smart Network” care and benefit options with limited cost-sharing for employees

Population Health Services Organization (PHSO): Construct

HBCH
(sponsor)

Employers
contract with
PHSO

▶ NewCo
▶ Population Health Services Organization

Provider Network

- Hospitals
- Specialists
- Ancillaries: Lab, radiology, etc.
- Other Services
- Other Facilities
- Wrap Network

Primary Care

- APC Group 1
- APC 2
- APC 3
- Other Advanced Primary Care
- Digital Support for referral management

Management

- Quality/Value Vendor
- Specialty Rx Navigator
- PBM
- Employee Incentives
- Referral Platform 2
- Digital Solution(s)

Operations

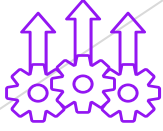
- Data Analytics
- TPA TBD (admin, benefit design, eligibility, claims)
- Bundled Payments Specialist
- Reinsurance
- Health Information Exchange?

Smart Network

Advanced Primary Care

Spend Management

Operational Excellence



Improving Health Care Value with Advanced Primary Care

What makes primary care “advanced” primary care?

- 1 Enhanced Access for Patients**
Convenient access, same day appointments, walk-ins, virtual access, no financial barriers to primary care
- 2 Disciplined Focus on Health Improvement**
Risk stratification and population health management, systematic approach to gaps in care
- 3 More Time with Patients**
Enhanced patient engagement and support, shared decision-making, understanding preferences, social determinants of health
- 4 BH Integration**
Screening for BH concerns (e.g., depression, anxiety, substance use disorder) and coordination of care
- 5 Organizational & Infrastructure Backbone**
Relevant analytics, reporting, reporting and communication, continuous staff training
- 6 Referral Management**
More limited, appropriate and high-quality referral practices, coordination and reintegration of patient care
- 7 Realigned payment methods**
Patient-centered experience and outcomes, quality and efficiency metrics, deemphasize visit volume

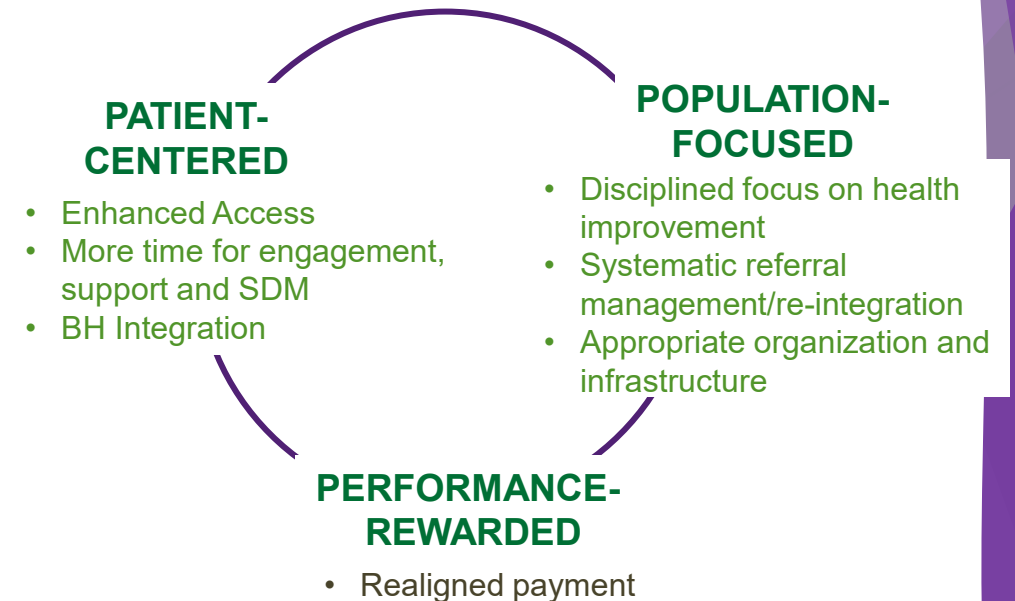
The Promise of APC

Improve and Increase

Health, patient engagement, satisfaction, personalized and holistic care

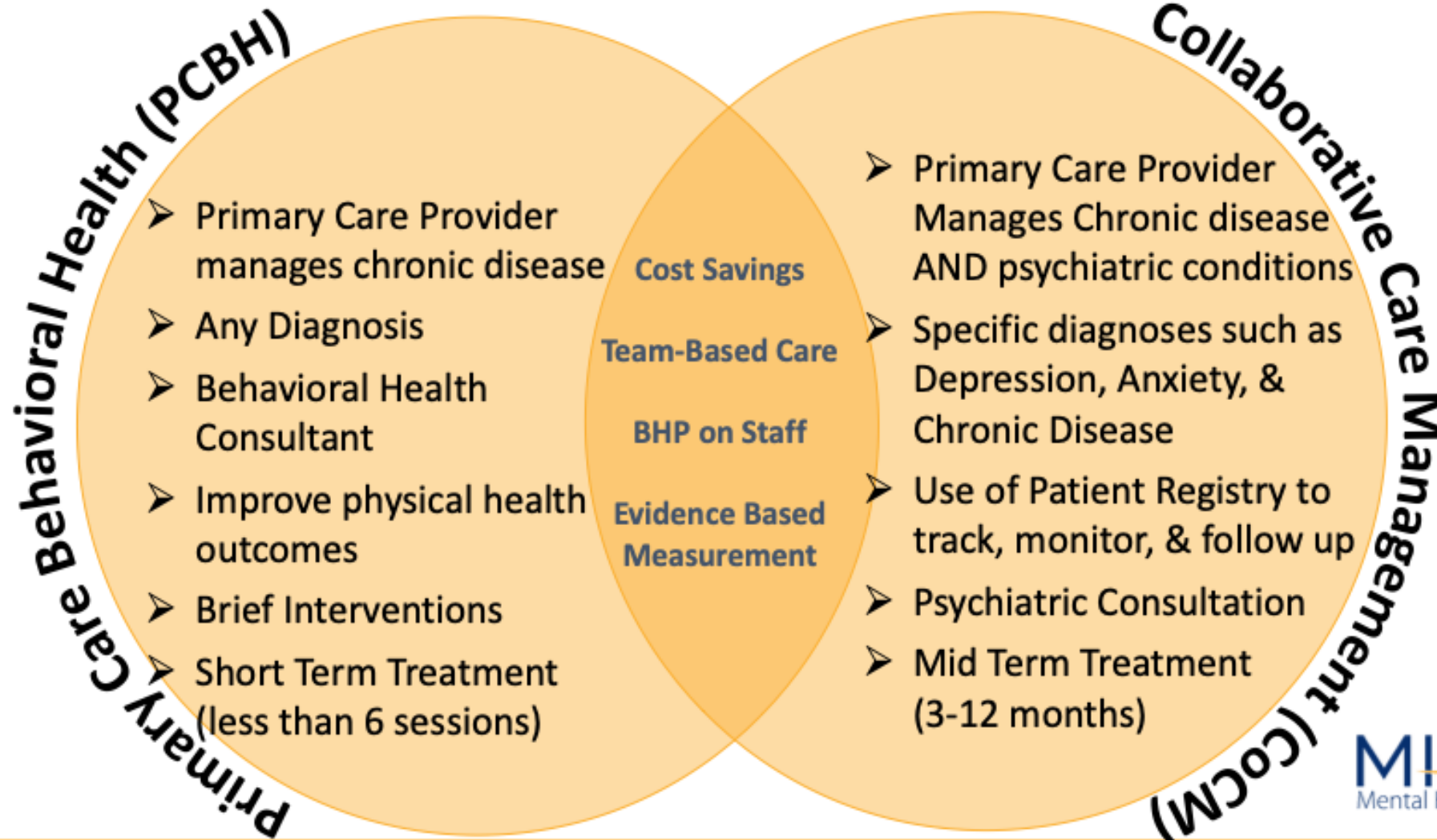
Reduce

Unnecessary care and referrals
Urgent care, ER visits, and hospitalizations
overall reduced total cost of care



Behavioral Health & Advanced Primary Care

Two widely adapted models of IBH



Smart Network: Population Health Approach

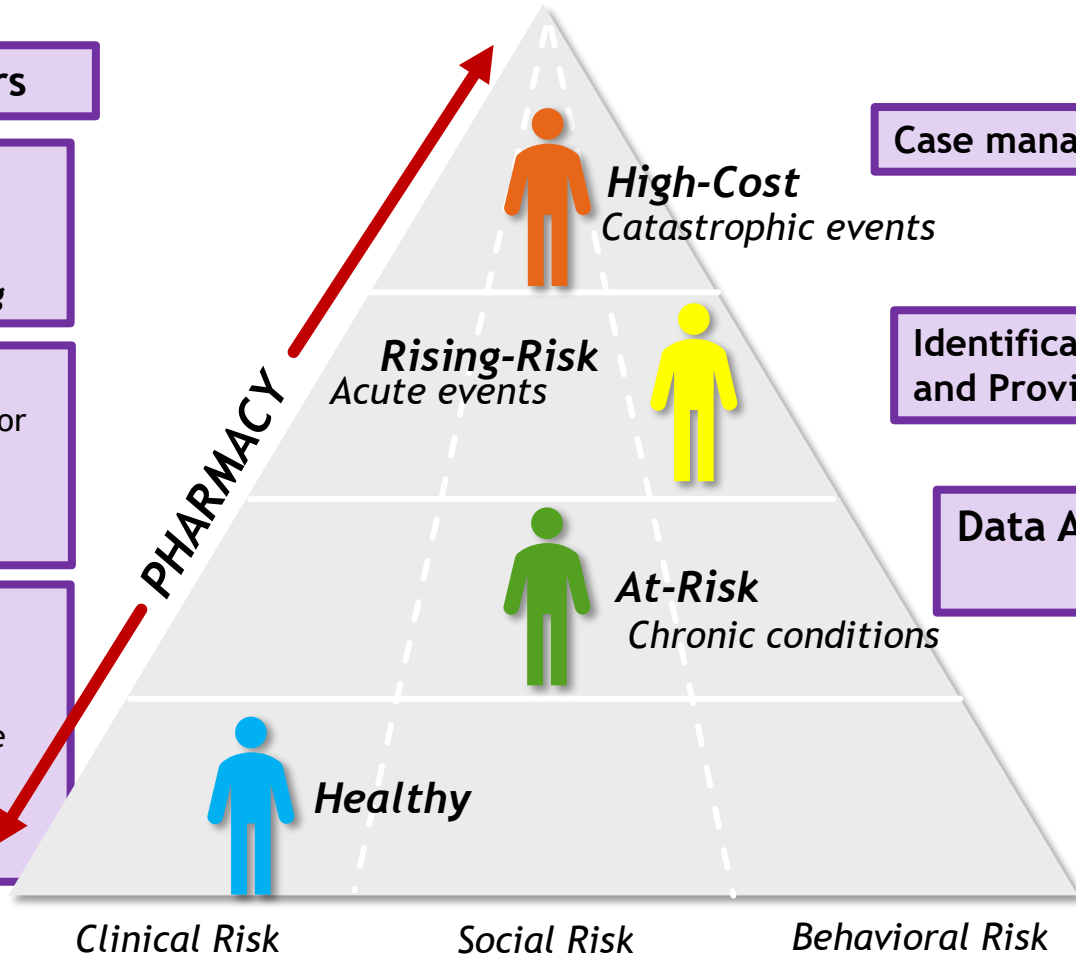
Direct Contracting with Providers

- ### Facilities and Other Services
- Hospital, rehab, skilled nursing
 - Ambulance, DME, supplies
 - *Contracts Referenced to Medicare Pricing*

- ### Specialty Care
- Surgical, medical and chronic care bundles or population-based payments (60-70%)
 - FFS payments for emergency and other services not bundled

- ### Advanced Primary Care
- Prevention, wellness, chronic care
 - Sick visits, urgent care
 - Integrated mental health, lab, telemedicine
 - *Care coordination, Navigation services*

- ### Pharmacy
- Transparent PBM
 - Aggressive formulary based on lowest net prices
 - Patient incentives (low copays, etc.)



Case management, stop-loss

Identification of High Value Facilities and Providers (quality and price)

Data Analysis, Risk Stratification and Navigation

Proposed Smart Network Benefit Offerings

Employer contracts with the PHSO to access the self-funded “Smart Network” care and benefit options with limited cost-sharing for employees

- ▶ Strongly encouraged to work with primary care physician on appropriate referrals (but not a strict gatekeeper model)
- ▶ Incentives for healthy behaviors, smart use of benefits
- ▶ Can be offered side by side with other plan options, to move more employees over time, not “forced” by employer
- ▶ On-going measures of consumer satisfaction and outcomes to demonstrate improved experience, quality and lower out-of-pocket expenses

Financial Analysis:

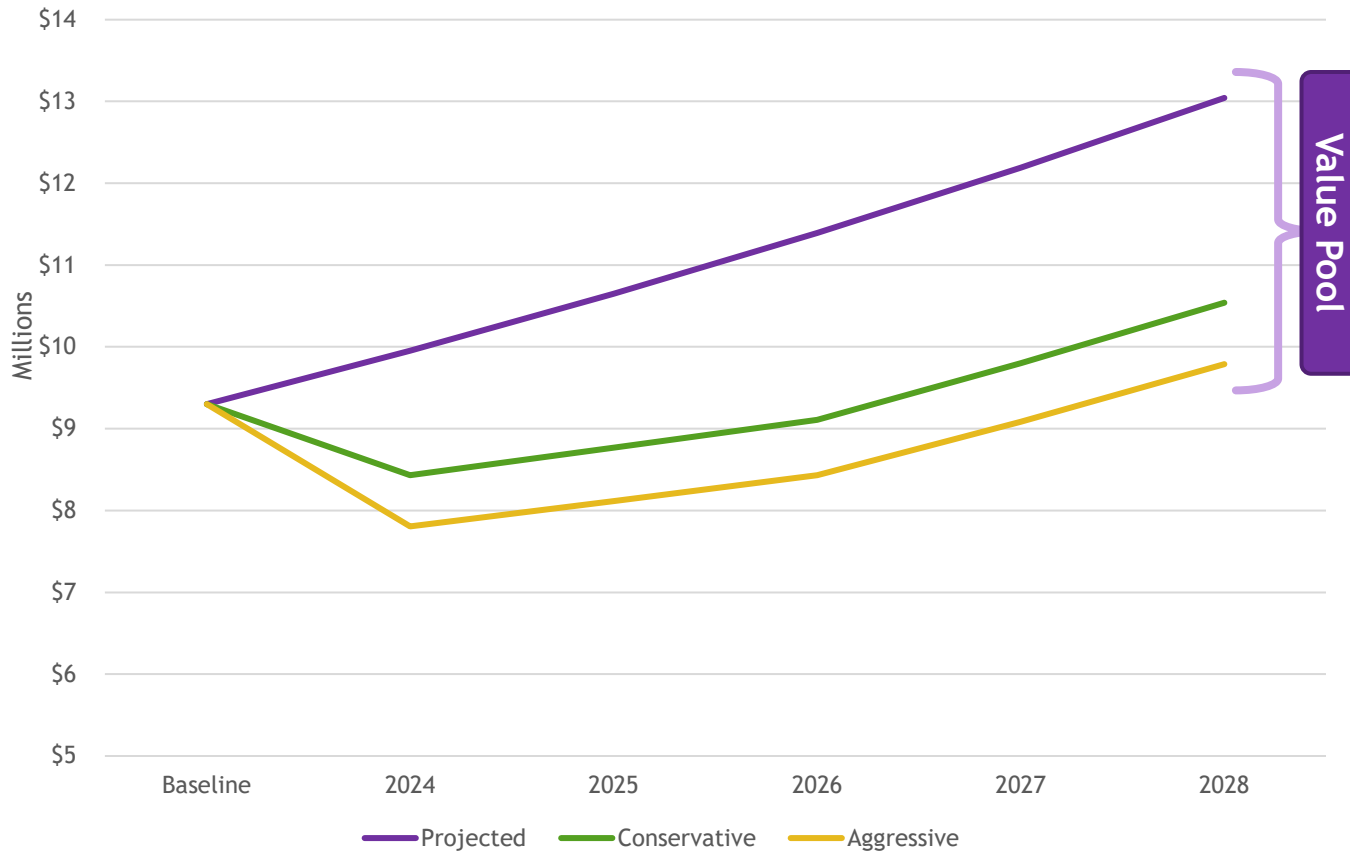
Where do the savings come from?

- Increase in primary care utilization resulting in:
 - Reduction in specialty physician costs from:
 - More effective primary care coordination and triage
 - Bundled payments
 - Smart contracting with free-standing professionals and facilities
 - Reduction in facility, specialty physician and surgical utilization
- Reduction in facility costs due to direct contracts
- Reduction in prescription drug spending from:
 - Smart formulary
 - Better management of high-cost, specialty, and office administered drugs

Projecting total savings of 15% to 25% of allowed cost

Potential PHSO Value Creation

Health Plan Spend
(Based on 1k Lives Under Management)



- The PHSO could generate **\$10-14M in cumulative value** per 1,000 lives under management over the course of 5 years¹
- Employers, Employees, the PHSO, and Smart Network providers share the savings based on a defined distribution methodology

¹ Assumes 1,000 managed lives at a baseline plan spend of \$775 PMPM; Projected spend grows at a rate of 7% per year, with Conservative and Aggressive scenarios modeled to improve 25% toward optimal management in Year 1 and 45% toward optimal by Year 3.

Provider Panel Discussion

Juliet Breeze, MD
CEO, Next Level Medical

Cristen Dickerson, MD
Managing Member, Green Imaging

Building the PHSO for 1-1-25

- ▶ Refine business plan, proformas with employer input
- ▶ Setting up the organization (legal, board, administration)
- ▶ RFPs, agreements for service providers (TPA, data analysis, etc.)
- ▶ Provider contract negotiations, starting with APC
- ▶ Develop employer agreements, pricing
- ▶ Staffing

Funding need:

\$1M to \$1.5M (Pre-Op and 1st year)

Funding the PHSO build-out

Pre-operational \$1M to \$1.5M needed

- ▶ \$500,000 from employers
- ▶ \$1M in philanthropic matching funds

First year operations

- ▶ Implementation Fees
- ▶ TPA fees

What you get for your investment

- ▶ Membership
- ▶ Input on final design, pricing and operations
- ▶ Potential board seat
- ▶ Preferred pricing for services

Number of Employees	Participating Employers	Funding Rate
0 - 1,000	4	\$5,000
1,000 - 5,000	9	\$20,000
5,000 +	6	\$50,000
TOTAL	19	\$500,000

Open Discussion

- ▶ What can we do to put you in this network?
- ▶ What will you need to support your internal discussions?
- ▶ What aspects are most appealing?
- ▶ What else should we be considering?

NEXT STEPS

▶ June 7-July 7

- ▶ Employer Internal Discussions
- ▶ HBCH outreach
- ▶ Additional resources
- ▶ Letter of Intent

▶ July - Grant Proposal

▶ Sept - Organizational Startup

“small enough to accomplish, big enough to matter”

*No employer can accomplish the Smart Network on their own.
Together we are big enough to matter.*