



SOLUTIONS THAT MATTER. HEALTH CARE THAT WORKS.

# MEDICAL EPISODE SPENDING ALLOWANCES

A NEW CHOICE ARCHITECTURE FOR REFORMING MEDICAL  
BENEFITS AND PURCHASING

## National Alliance of Healthcare Purchaser Coalitions

January 11<sup>th</sup>, 2018

Francois de Brantes | Altarum

Doug Emery | Altarum

# BACKGROUND



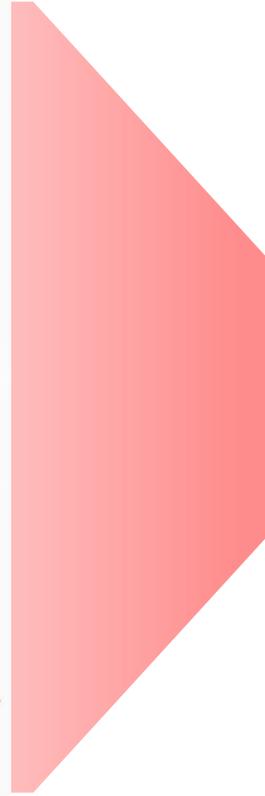
- ▲ Curated over the past three to four years
- ▲ Accelerated due to increased evidence of HDHP defects and push for VBID
- ▲ A committed large employer and major plan/TPA interest
- ▲ Recent RWJF grant to create a blueprint – mid-August
  - Includes complete operational blueprint
  - Overviews regulatory and legal considerations
  - Demonstrates plan actuarial impact



# THE PROBLEM

- ▲ HDHPs are too blunt for VBID
- ▲ Price sensitivity is at the wrong end
- ▲ OOP expenses are crippling families
- ▲ Conflicts between provider payment and plan member incentives are rising

# WE'RE CHANGING HOW CONSUMERS UNDERSTAND HEALTH CARE

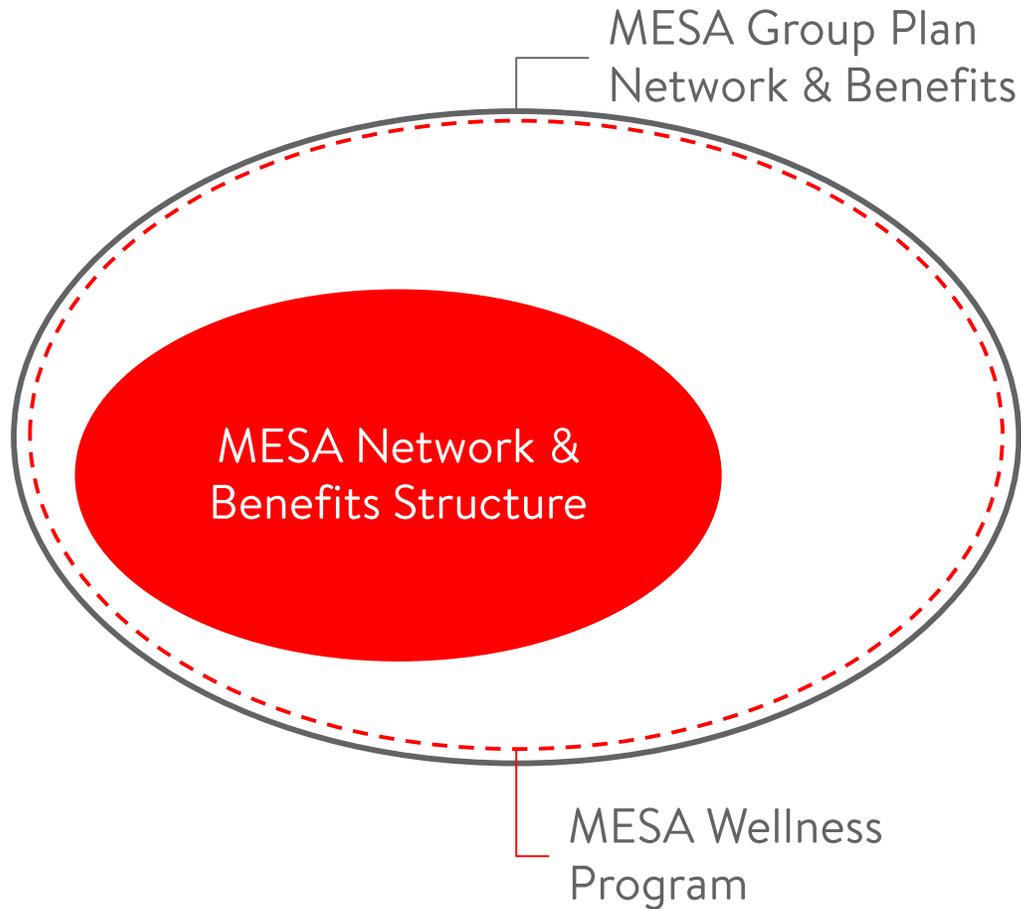


# MESA DEFINITION: REFERENCE BENEFIT

- ▲ From indiscriminate deductible applied on most services to *predeductible* episode of care benefit
- ▲ Each MESA budget is adjusted for patient severity and includes allowances for needed care
- ▲ The deductible kicks in over the budget
- ▲ Selecting EOC-contracted providers eliminates all plan member financial exposure



# MESA PLAN AT A GLANCE



MESA Health Benefits Plan			
1. Opt-in Phase (Prevention & Routine Sick Care)	2. Treatment Phase (MESA Episode)		
	3. Concurrent Phase (Treatment Compliance and Follow-up Care)		
Wellness Program Rewards			
Required Participatory	Governed by the MESA		
	Health Contingent		
Q1 Wellness Program Report	Q2 Wellness Program Report	Q3 Wellness Program Report	Q4 Wellness Program Report

# MESA IN ACTION: PROCEDURAL EOC



## MESA Member Engagement Tool

### Surgeons for John Jackson's Knee Replacement Procedure

Provider A	Provider B	Provider C
<b>Dr. Thomas Hayashi</b>	<b>Dr. Edward Tompkins</b>	<b>Dr. Florencia Mendez</b>
Fixed Bundled Fee: \$22,000	Fixed Bundled Fee: \$24,000	Fixed Bundled Fee: \$25,000
Member Will Bank: \$2,000	Out-of-Pocket Expense: \$0	Out-of-Pocket Expense: \$1,000
Quality Rating: B+ <i>More Information</i>	Quality Rating: A <i>More Information</i>	Quality Rating: B <i>More Information</i>

Provider D	Provider E
<b>Dr. Gerald Lear</b>	<b>Dr. Lucija Salihović</b>
No Bundled Fee: \$20,000–\$50,000	No Bundled Fee: \$20,000–\$50,000
Member Could Pay Up To: \$26,000	Member Could Pay Up To: \$26,000
Quality Rating: A- <i>More Information</i>	Quality Rating: A <i>More Information</i>

# MESA IN ACTION: CHRONIC EOC



**Mary Washington**  
Age 45  
Charleston, SC  
Spending Allowance for  
Annual Diabetes Care:  
\$8,000

## MESA Member Engagement Tool

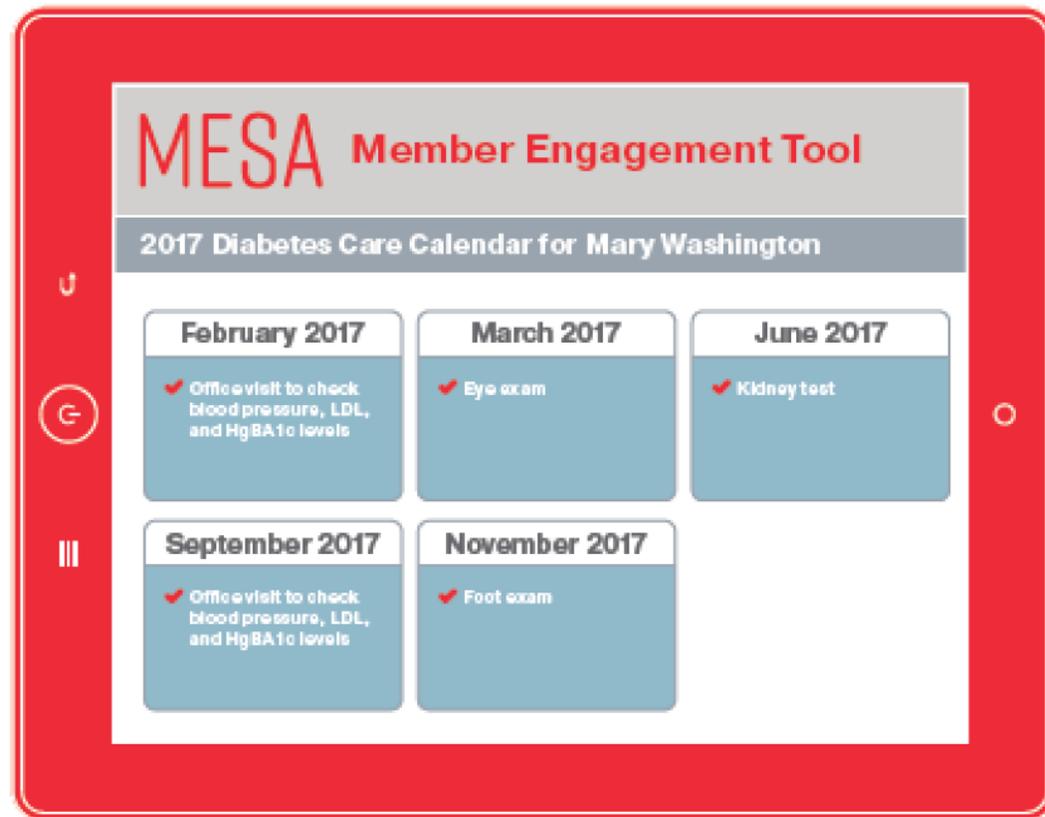
### Physicians for Mary Washington's 2017 Diabetes Care

Provider A	Provider B	Provider C
<b>Dr. James Younger</b>	<b>Dr. Poornima Kothari</b>	<b>Dr. Kevin Carson</b>
Fixed Bundled Fee: \$7,000	Fixed Bundled Fee: \$8,000	Fixed Bundled Fee: \$9,000
Member Will Bank: \$1,000	Out-of-Pocket Expense: \$0	Out-of-Pocket Expense: \$1,000
Quality Rating: A <a href="#">More Information</a>	Quality Rating: B+ <a href="#">More Information</a>	Quality Rating: B <a href="#">More Information</a>

Provider D	Provider E
<b>Dr. Matthew Rison</b>	<b>Dr. Moses Okudzeto</b>
No Bundled Fee: \$5,000-\$12,000	No Bundled Fee: \$5,000-\$12,000
Member Could Pay Up To: \$4,000	Member Could Pay Up To: \$4,000
Quality Rating: B <a href="#">More Information</a>	Quality Rating: A <a href="#">More Information</a>

# MESA WELLNESS PROGRAM REQUIRES CONTINUED ENGAGEMENT



Member Engagement  
Includes:

- ▲ Care Support in collaboration with Physicians
- ▲ Treatment Plan to reduce risks of complications
- ▲ Wellness goals

# WHY WE NEED A MESA WELLNESS PROGRAM

- ▲ Helps increase the likelihood that patients will adhere to recommended treatment protocols
- ▲ Preferred method to distribute rewards for selecting MESA Network providers



# KEY OBSERVATIONS



- ▲ The Plan will (and should) attract those who need health care services the most – those with chronic conditions, on-going treatments, and scheduled for elective procedures
- ▲ Selecting providers that are contracted in the MESA Network can remove all out-of-pocket expenses
- ▲ There are strong incentives to select MESA Network providers and strong incentives to comply with the terms of the Wellness Program



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# LEGAL, REGULATORY, ACTUARIAL CONSIDERATIONS

August 2017

# THE BASE GROUP HEALTH PLAN



- ▲ The benefits delivered through the MESA Network and Benefits Structure are not a separate group health plan under ERISA, but part of the broader MESA Group Health Plan
- ▲ All regulatory and compliance obligations are measured against the MESA Group Health Plan as a whole, not just the MESA benefit structure
- ▲ The MESA Group Health Plan has to comply with ACA and ERISA regulations. The GHP cannot be an HSA-based plan

## Examples of Compliance Functions at Health Plan Foundation Level

Annual and Lifetime Limits	Essential Health Benefits	5500s
Preventive Services	1095/1094 Reporting	SPDs
Wellness	Main Provider Network	Claims and Appeals

# THE MESA NETWORK & BENEFITS STRUCTURE



## Plan Design

- ▲ The plan design is the fundamental vehicle for lowering costs and improving quality in a MESA plan:
- ▲ A high performing network is created to provide services under direct referenced based contracts
- ▲ Cost sharing to the participants encourages use of high performing network

## The Settlor Function

- ▲ When structuring the plan design, the employer functions, in ERISA terms, as a “Settlor”
- ▲ As a Settlor, an employer can select a plan design that incentivizes plan participants to use targeted high performing providers.
- ▲ Settlor functions include:
  - What benefits will be covered
  - Deductible levels
  - Copay and co-insurance levels
  - Benefit limits
  - Whether it will be a closed or open provider network plan, or a combination.

# ACHIEVING ACTUARIAL EQUIVALENCE WITH A MESA PLAN



Actuarial  
Value



Employee MESA Value

EOC Contract Price

Volume of Contracted  
Providers



# ACTUARIAL ANALYSIS RESULTS



## Premium Equivalent to MESA Premium Comparison

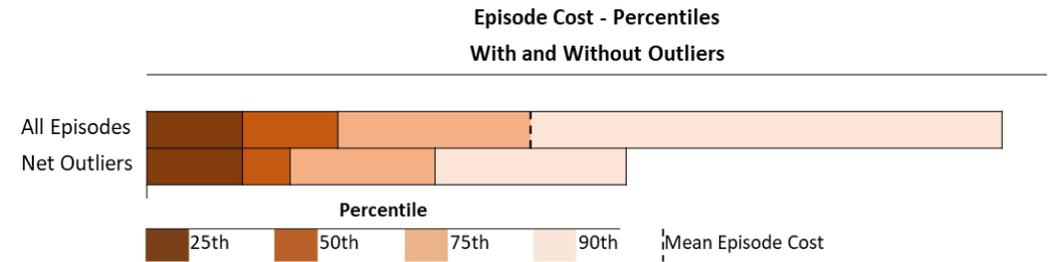
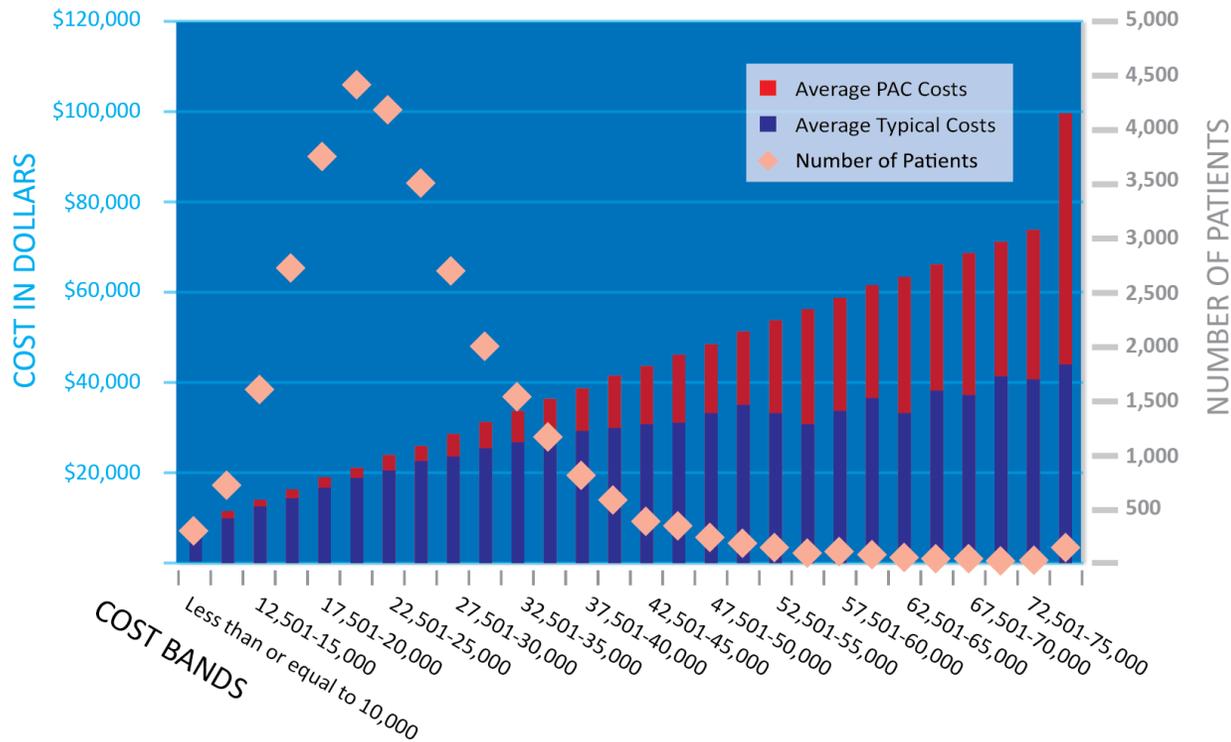
Plan	Design (Ded./MOOP/Coins.)	Actuarial Value	HDHP Loaded Premium	MESA Loaded Premium	MESA Cost Difference
Plan 1	\$2,500/\$6,000/20%	69%	\$283.01	\$276.01	-2%
Plan 2	\$5,000/\$6,600/10%	63%	\$258.68	\$245.65	-5%
Plan 3	\$6,000/\$6,800/15%	61%	\$250.33	\$240.32	-4%

# LESSONS FROM ACTUARIAL ANALYSIS



- ▲ Migrating plan members to MESA Network providers is essential – Need enough physicians to accept the contracted price for the episode of care
- ▲ Depending on assumptions the MESA allowance may have to be set to force the deductible to trigger – estimates are that the average deductible spent would be \$1,500, considerably lower than current HDHPs
- ▲ Ultimately, the two supply-side levers that generate the savings are the prices for the contracted episodes and the MESA allowance per triggered episode

# SAVINGS COME FROM REDUCING AVOIDABLE COMPLICATIONS



Removing the outliers by shifting financial risk for complications to providers significantly reduces average episode costs



NEXT STEPS

# 2018 National Alliance – 2025 “Value Based Vision”



## ▲ Value-Based Design

- Consumerism reboot
- HealthNext Population Health
- Medical Episode Spending Allowances (MESA)
- Choosing Wisely
- Wellbeing

## ▲ Intermediary Performance Assessment (eValue8)

- Health plans
- PBMs



- Healthcare Delivery and Contracting
  - Leapfrog
  - Choosing Wisely
  - Purchaser Value Network
  - ACO's, Bundled Payments, Advanced Primary Care
  - Measurement & Transparency
- Prescription Drug Management
  - Specialty Drug management
  - Purchaser driven formulary
  - Pass through contracting
  - Eliminate waste

# Letter of Commitment for Foundation Grants from Coalition Members



- ▲ The primary objectives of implementation funding will be to build the operational block-and-tackling of operating the plan on behalf of pilot site employers;
- ▲ Working with pilot site providers to embrace and contract MESA APM models, enable participating TPAs to administer the MESA health plan;
- ▲ Socialize MESA with benefits consultants, conduct actuarial equivalent modeling for individual employers, write employee fulfillment and communications templates;
- ▲ Faithfully execute ERISA/ACA compliance features;
- ▲ We are currently seeking \$6 million for a three-year pilot venture.



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