



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 11th, 2018

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BACKGROUND



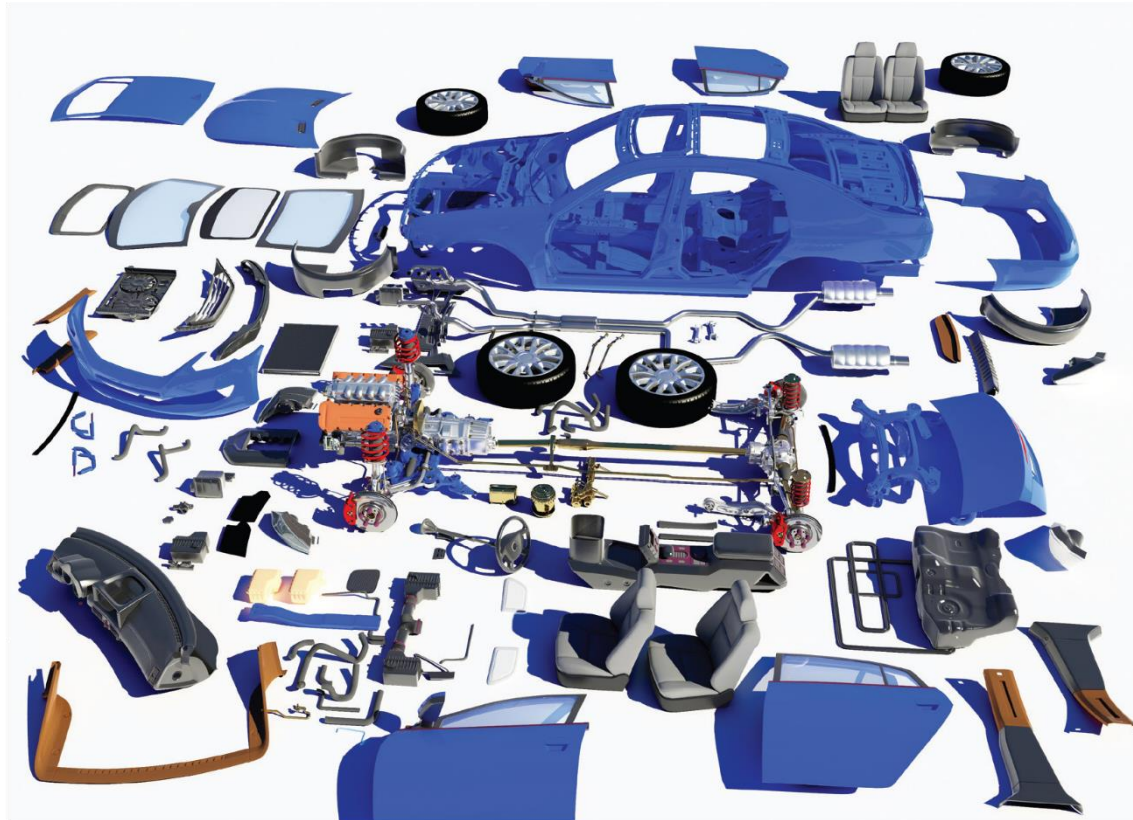
- ▲ Curated over the past three to four years
- ▲ Accelerated due to increased evidence of HDHP defects and push for VBID
- ▲ A committed large employer and major plan/TPA interest
- ▲ Recent RWJF grant to create a blueprint – mid-August
 - Includes complete operational blueprint
 - Overviews regulatory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

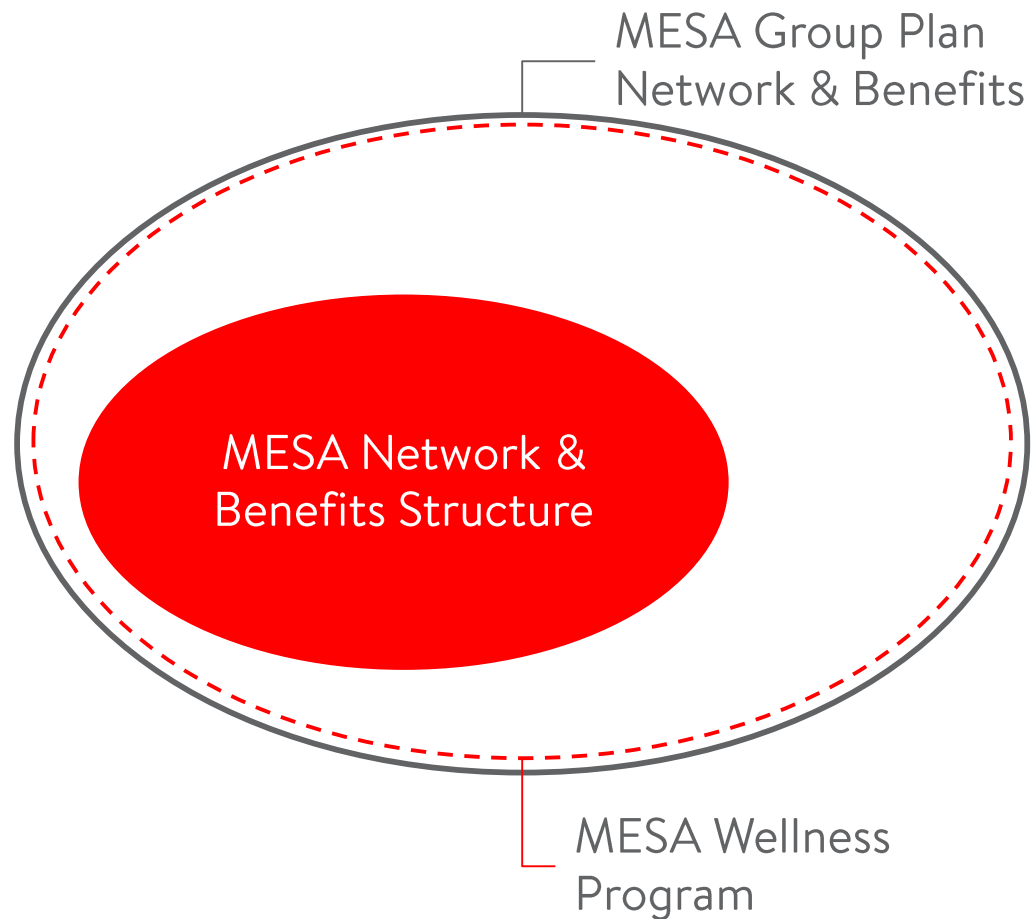


MESA DEFINITION: REFERENCE BENEFIT

- ▲ 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



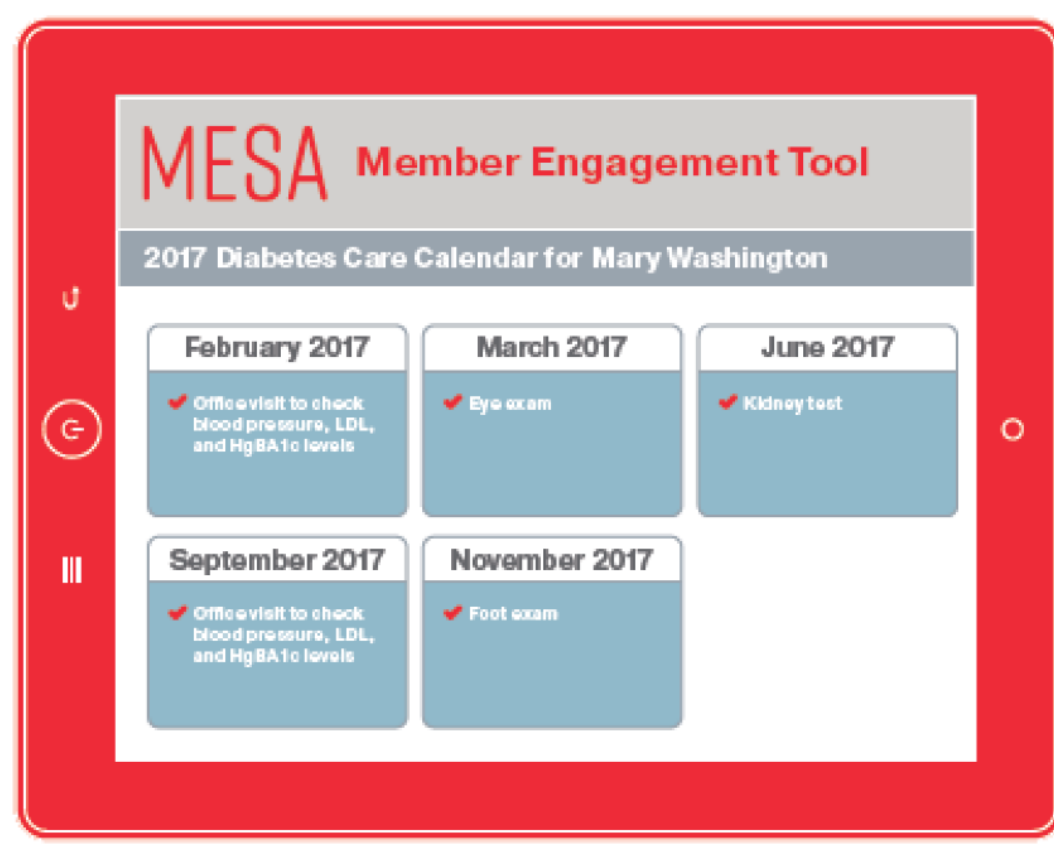
| MESA Member Engagement Tool | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Surgeons for John Jackson's Knee Replacement Procedure | |
| Provider A Dr. Thomas Hayashi Fixed Bundled Fee: \$22,000 Member Will Bank: \$2,000 Quality Rating: B+ More Information | Provider B Dr. Edward Tompkins Fixed Bundled Fee: \$24,000 Out-of-Pocket Expense: \$0 Quality Rating: A More Information |
| Provider D Dr. Gerald Lear No Bundled Fee: \$20,000–\$50,000 Member Could Pay Up To: \$26,000 Quality Rating: A- More Information | Provider E Dr. Lucija Salihović No Bundled Fee: \$20,000–\$50,000 Member Could Pay Up To: \$26,000 Quality Rating: A More Information |
| Provider C Dr. Florencia Mendez Fixed Bundled Fee: \$25,000 Out-of-Pocket Expense: \$1,000 Quality Rating: B More Information | |

MESA IN ACTION: CHRONIC EOC



| MESA Member Engagement Tool | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Physicians for Mary Washington's 2017 Diabetes Care | |
| Provider A Dr. James Younger Fixed Bundled Fee: \$7,000 Member Will Bank: \$1,000 Quality Rating: A More Information | Provider B Dr. Poornima Kothari Fixed Bundled Fee: \$8,000 Out-of-Pocket Expense: \$0 Quality Rating: B+ More Information |
| Provider D Dr. Matthew Rison No Bundled Fee: \$5,000–\$12,000 Member Could Pay Up To: \$4,000 Quality Rating: B More Information | Provider E Dr. Moses Okudzeto No Bundled Fee: \$5,000–\$12,000 Member Could Pay Up To: \$4,000 Quality Rating: A More Information |
| Provider C Dr. Kevin Carson Fixed Bundled Fee: \$9,000 Out-of-Pocket Expense: \$1,000 Quality Rating: B More Information | |

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



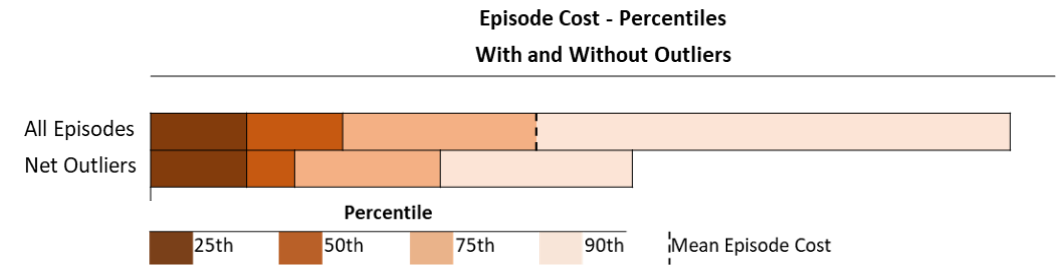
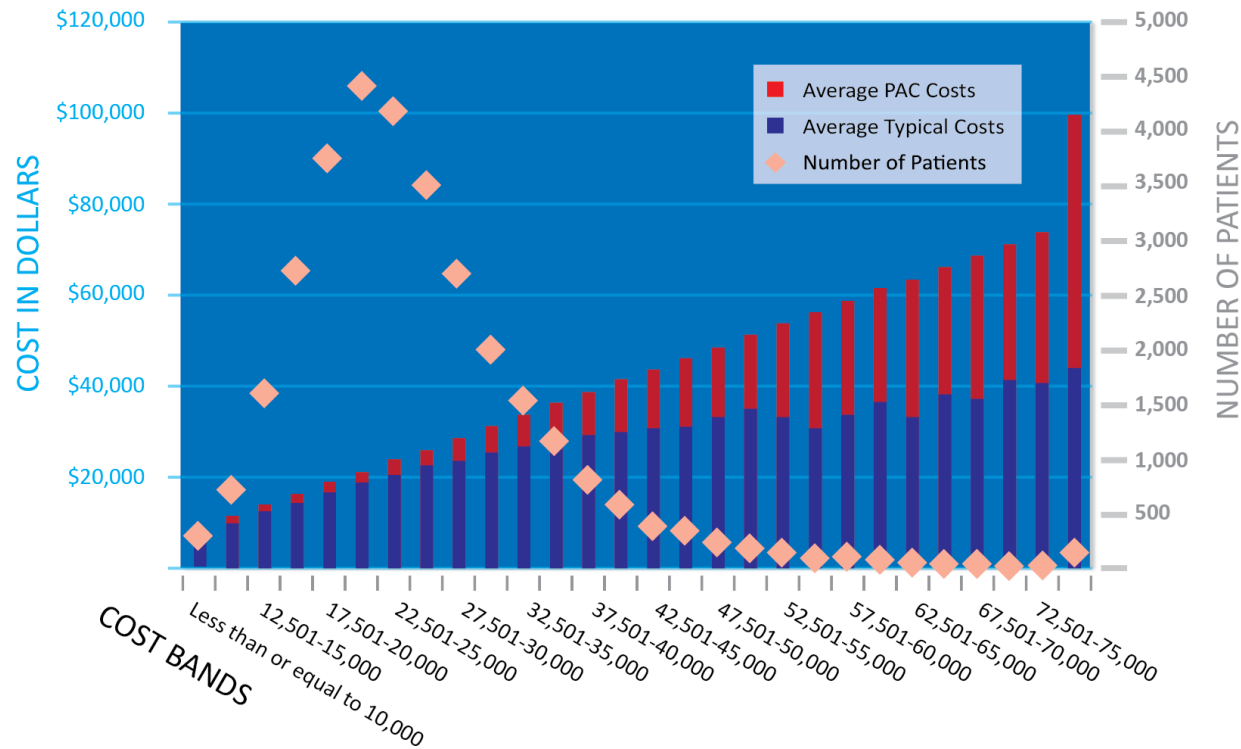
| Premium Equivalent to MESA Premium Comparison | | | | | |
|-----------------------------------------------|------------------------------|--------------------|---------------------------|---------------------------|-------------------------|
| Plan | Design (Ded./MOOP/Coins.) | Actuarial Value | HDHP 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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