

Moving Forward with Reform:

The Health Plan Agenda for 2011 and Beyond



The Context

It's March 23, 2010. After a century-long battle to reform the nation's healthcare system, the moment health plans had been anxiously anticipating for years had finally arrived. President Barack Obama had just signed a comprehensive health reform legislation that expanded coverage to at least 32 million additional people into law. This monumental reform law may have appeared to at long last bring the issues and concerns regarding reform for health plans to a close, but, indeed, the law proved to be just the beginning.

It has been nearly a year since health reform has passed. Since then, health plans have been striving to find out not only what the specific provisions of the health reform law actually are, but also how these provisions are being and will continue to be further clarified. Moreover, with some elements of the bill under legal scrutiny it is difficult for organizations to make any specific plans in the midst of uncertainty. Still, despite the volatile environment, there are steps plans are taking to best position themselves in the face of change.

In this overhauled healthcare landscape, larger national health plans with considerable resources may have a steadying edge over smaller, regional plans that lack the same advantages. With prominent leaders, sizable memberships, and heavy investments in policy and analysis, large health plans are often better equipped with the latest from the Capitol. Because of their membership breadth, they are likely to have more influence with federal policymakers. Large plans have more bandwidth to track updates and socialize these changes and provisions throughout their business so that leaders at all levels of the organization are thinking about how the regulations will affect their work. This broad education can assist larger national health plans in their ability to adjust to reform.

To better understand the concerns of smaller, more regional health plans, the Managed Care Executive Group (MCEG), a national organization that provides a forum for the open exchange of information, innovative ideas, and experiences among senior health plan leaders, and HTMS, a technology and management consulting firm focused on the healthcare market and an Emdeon company, partnered to launch a study of the regional health plan landscape, garnering feedback from more than 55 organizations. Health Dialog Services Corporation (Health Dialog), a leading provider of healthcare analytics and care management, assisted in preparing this report to communicate the results.

This report captures several concerns of regional health plans and offers insights into actions that may help health plans address these concerns.

Survey Findings

After compiling the results of the survey and discussing them with MCEG member plans, it became clear that there is no single answer for all health plans in the face of reform. Regional plans are struggling to balance strategic priorities, operational issues, regulatory compliance, and reform readiness. Their response to these inputs will vary depending upon their organization's own perceived strengths and unique marketplace. Many plans were already suffering from an "it's all important" syndrome where they found it difficult to prioritize among a broad series of strategic and operational requirements. Add in reform to this agenda and prioritization becomes even more challenging to manage.

Despite the scattered messages in the market, most respondents to the survey see some opportunity with reform. Close to 99% of regional plans see health reform as either an opportunity, or both an opportunity and a threat for their business. This finding is particularly noteworthy as the health insurance industry is commonly portrayed as uniformly opposed to reform.

“There is an opportunity to service more members, and also to improve automation, such as real-time transactions.”
- Survey Response

“We are making good progress, but I wonder how many plans are facing ‘new interpretation coming out of the wood work’ the way we are.”
- Survey Response

While nearly all plans view some opportunity within reform, nearly half (48%) of plans surveyed cite difficulties with reform preparedness and assert that they are challenged on how to prioritize an agenda amidst the uncertainty.

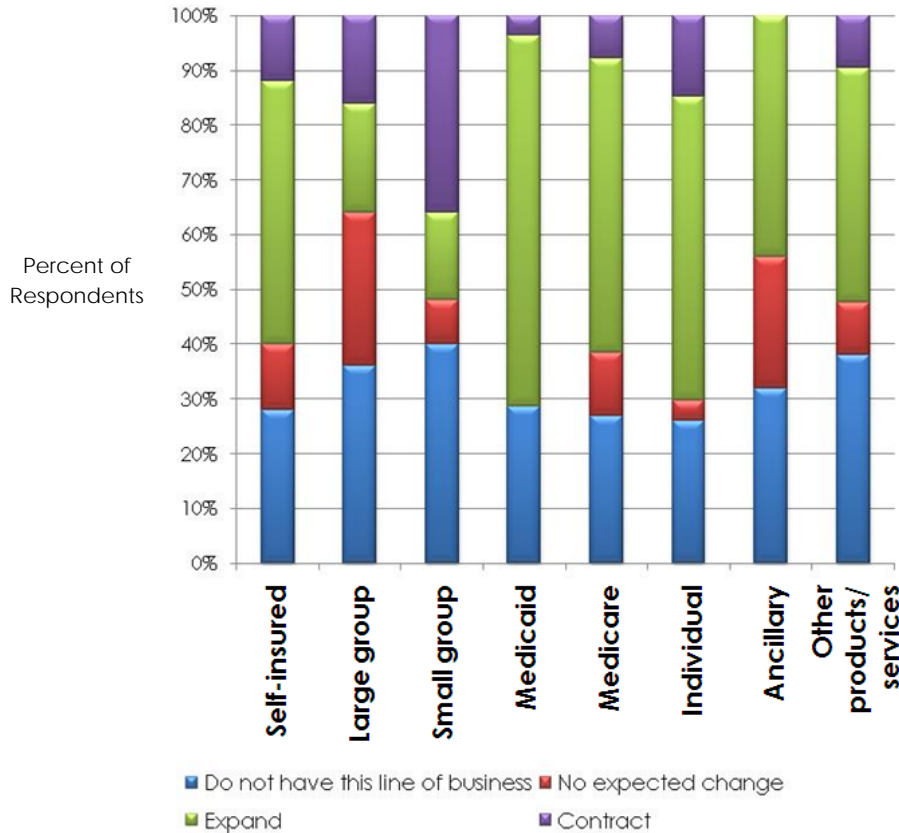
One component of reform in particular stood out as having the potential to strategically differentiate health plans among their competition. Alternative reimbursement methods, such as Accountable Care Organizations, and the Patient-Centered Medical Home, among other emerging ideas, piqued the interest of regional health plans. Although some of these delivery-side innovations are demonstration projects in the bill, over 67% of respondents identified alternative reimbursements as having the most potential for strategic differentiation. Shifts from the traditional FFS model to reimbursement for improved wellness, provider performance, quality outcomes, and member health will be needed, regardless of how specific reform requirements play out.

Finally, most responding plans forecast dynamic changes in their book of business as a result of reform. Per the chart below, regional plans indicated that they expect to see significant growth in the individual market along with expansion in the Medicare, Medicaid, and self-insured markets. The self-insured market may be particularly appealing because self-insured groups are not required to comply with all of the reform mandates. Small group markets will likely contract as individuals and employees may move to purchase their insurance on state-level Health Insurance Exchanges (HIE). By 2016, the number of new and employer-shifted consumers purchasing health insurance directly from health plans or through insurance exchanges could be greater than 100 million.¹ With the growth of the individual market and many more people owning their health insurance decision-making processes, regional health plans will certainly need to shift away from what has previously been a B2B marketplace to what is now rapidly becoming a B2C marketplace. This trend could expand further in 2017 when large employers have the option to enter the HIEs as well.

“Any significant market disruption will result in change, including new winners and new losers.”
- Survey Response

¹ McKinsey & Company, Presentation at AHIP Institute, June 2010.

How do you see your lines of business changing over the next three to five years?



After reviewing these findings, this report offers actions regional health plans are taking now and in the near future that need not wait as reform continues to unfold.

Long-Term Reform Strategy

Scenario Planning

Engagement in structured scenario planning translates uncertain environments into discrete future scenarios that can be understood and managed. The precise future scenarios explored may vary between plans as each organization determines the most critical variables for their own region, marketplace, and unique capabilities. Often, as leaders review the potential future landscapes, they can see common interventions that would be required in each case. In addition, there may be some factors that, although unlikely, could be so devastating to a business that they require intervention and contingency planning. Plans taking a strategic approach to reform may also choose to help guide the future state toward a particular scenario through lobbying, communication with policy experts and colleagues, and key business decisions.

Strategic Prioritization

Most plans indicate that they have a structured prioritization process. Senior leadership, however, is not often aware of the range of projects taking place throughout the organization. Developing a centralized prioritization process for strategic and operational initiatives can ensure that time and resources are focused on the greatest strategic priorities. Some key steps to optimizing the value of strategic prioritization include:

- Developing clear definitions of the size, scope, and resources involved in a project that requires centralized tracking and decision-making
- Ensuring that the process is agile and not unduly loaded with documentation requirements. Requirements-heavy processes can both slow down delivery and drive leaders to actively try to side-track the process.
- Performing high-level risk/benefit and feasibility analyses can provide critical insights to inform decision-making

Education & Empowerment

Rather than creating a distinct unit to respond to reform, plans should consider educating (and re-educating) leaders at all levels of the organization about emerging trends, continuing reform clarifications, and other marketplace issues. This kind of engagement encourages a team to keep the future landscape in mind throughout planning and operational decisions at all levels. To create this outcome, educational memos posted on an Intranet site or distributed by email are not enough. Workshops, visits to team meetings, and other active-learning methods keep staff informed, energized, and feeling a part of the organization's mission.

Operational Interventions

System Upgrade / System Consolidation

Plans using older technology and legacy systems often lack the flexibility to implement evolving regulations and to address emerging strategic needs. Upgrading or replacing legacy systems can lower administrative costs, enable a plan to better manage risk, and help an organization to become more agile in the face of rapid change. Indeed, from 2007-2010, 115 payers signed new contracts, and at least 10 are in play in early 2011.² For many plans, a system upgrade can enable them to consolidate operations into a single (or at least fewer) system(s), significantly simplifying regulatory compliance and reducing maintenance costs. Further, greater focus on transparency, new trends in innovative reimbursement, and a push toward real-time processing require a more modern technical infrastructure than many plans have.

A particular driver for core-system upgrade or replacement is ICD-10 and HIPAA 5010 compliance. In many cases, vendors will not bring old versions into compliance, forcing a plan to upgrade. In some instances, this urgency has created the impetus to explore new system and vendor capabilities. Plans must exercise caution, however, when adding a major upgrade to the list of strategic initiatives, as a core upgrade involves a significant commitment of money and resources from almost every area of an organization.

² Gartner, January 2011.

Automated Member Acquisition

Regardless of the form of the HIE in any state or regional marketplace, health insurance is likely to trend away from primarily employer-based arrangements. Plans that can more effectively and efficiently sell, price, enroll, and electronically service members will have a competitive advantage. This capability will be particularly competitive when participating in an HIE for individual and small group business.

Fraud, Waste, and Abuse

Despite regulations denying fraud, waste, and abuse administration a space in the numerator for Medical Loss Ratio (MLR) calculations, this function is not off the table for improvement. Automated and outsourced solutions can create greater return on investment than traditional “chase and catch” methods. Providing greater operational efficiency to achieve fraud and abuse savings can reduce administrative costs while achieving the same or better cost of healthcare reductions. While balancing savings on both sides of the MLR equation is critical for achieving a healthy MLR, overall cost savings will be a driver of business, especially as parallel plan designs are sold side-by-side on an HIE.

Portfolio Management

Regional plans would do well to perform an inventory of applications, databases, and other “units” of automation throughout their organizations. This type of a record is a valuable foundation for impact and cost analysis of reform on other initiatives. These evaluations can also help inform strategic investment decisions, which, in turn can help plans:

- Reduce cost and optimize value
- Align the application portfolio with business strategies
- Standardize business practices
- Implement shared services, and
- Increase speed-to-deployment and speed-to-market.

Conclusions

Shortly after his signing of the healthcare reform legislation, President Obama declared, “After a century of striving, after a year of debate, after a historic vote, healthcare reform is no longer an unmet promise. It is the law of the land.” And what a law it is.

While larger national plans may have an edge as a result of their membership breadth and their resources, they may also face challenges for those same reasons. Larger health plans have to handle relationships with not only numerous vendors, but in many cases numerous states as well. The broad scale and lack of technical integration for many of these plans can make organizational alignment more difficult to attain.

Smaller and regional plans may have an advantage by being more nimble in the face of change. Many have closer relationships with local regulators and providers, which could prove to be advantageous when exploring alternative reimbursement strategies and anticipating increased state-level regulation. Any time there is a significant change in the marketplace, there will be

new winners and new losers. Regardless of size, plans who are both strategic and tactical in addressing reform and the many other subsequent market changes have an opportunity to surge forward.

Appendix: Participants

To conduct this research, the team solicited feedback from a broad list of health leaders who either work in a regional health plan or in a role that directly interacts with plans. The team conducted the research via email, and the health leaders took the survey online. The survey distribution list included both leaders in MCEG member plans and members of the Health Plan Alliance and other regional payer groups. The survey invitation encouraged recipients to forward the email to colleagues and other industry leaders. The team received responses from more than 55 organizations, with 65% of respondents working for non-profit organizations, and 35% of respondents working for for-profit organizations. These statistics closely resemble the broader United States health plan landscape, as 64% of U.S. health plans are considered non-profits, and 31% of plans operate for-profit.³

The plans that responded were generally mid-sized and smaller private non-profit organizations, and represented states throughout the United States, including: Arizona, California, Colorado, Delaware, Florida, Illinois, Indiana, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York, Ohio, Oregon, Pennsylvania, Tennessee, Texas, Utah, Washington, and Wisconsin.



³ Data extracted from AIS's Directory of Health Plans: 2010.