Innovations in Plan Design and Provider Outreach
Product Innovation Through Provider Partnerships

Presenter: Kevin J. Klobucar
Executive Vice President, Health Care Value
Blue Cross Blue Shield of Michigan

Date: October 5, 2016
Market changes are driving shift toward low cost, higher value networks

<table>
<thead>
<tr>
<th>Key Trends</th>
<th>Driver</th>
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| Increasing demand for tightly integrated provider partnerships and product models | • Growing affordability issues and need for value  
  • Shifting membership towards price sensitive options  
  • Change value equation / proposition |
| 1 Provider partnerships and consolidation                                 | • Shift from fee-for-service to fee-for-value  
  • Population health management and convergence |
| Shrinking barriers to purchase alternative network products               | • Improved consumer, provider tools  
  • Broader provider footprints  
  • Growth of integrated care models |
| 3 Demand for non-traditional delivery models                              | • Alternative care settings such as online visits, retail health  
  • Consumer needs for convenience, value and personalization |
**Broader Set of Product Design Considerations**

1. Network innovation is necessary with a focus on value-based care.

2. New requirements for data analytics and communication with providers are emerging.

3. Consumer engagement and choice are key components of design strategy.

4. More focus on market research across all stakeholders and understanding the consumer experience are critical.
BCBSM’s philosophy to “partner for value” strengthens provider’s ability to improve care

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<tbody>
<tr>
<td><strong>1</strong></td>
<td>Design and execute programs in a <strong>customized and collaborative</strong> manner rather than using a one-size-fits-all approach</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>Recognize and reward performance of <strong>physician organizations</strong>, not only individual physicians</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>Reward <strong>improvement</strong>, not just highest performance, to create meaningful incentives for all physician organizations</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>Focus on investments in <strong>long-term changes in care processes</strong></td>
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<td><strong>5</strong></td>
<td>Encourage <strong>collaboration</strong> among participants</td>
</tr>
<tr>
<td><strong>6</strong></td>
<td>Focus on <strong>population-based</strong> cost measures, rather than per-episode cost, to avoid stimulating overuse</td>
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Approach to value based offerings must align stakeholder needs with market drivers

**Providers need solutions that do the following:**
- Emphasize primary care relationships with patients
- Encourage network engagement with efficient providers through benefit design
- Offer access and appropriate financial incentives

**Members need solutions that do the following:**
- Are affordable without additional cost-share
- Preserve choice while emphasizing relationships with high-value primary care physicians
- Create incentives to be proactive, informed and engaged in health and decision-making

**BCBSM needs solutions that do the following:**
- Lower medical cost trend
- Enable product differentiation
- Harness long-standing investments in provider partnerships
Provider partnership discussions must consider competencies across the desired capabilities

**Health Plan**
- Health benefit products
- Risk, reserves and underwriting
- Distribution – employer and consumer relationships
- Administration
- Provider networks
- Health management tools

**Unfilled Value and Competency Gap Examples**
- Data and infrastructure
- Population management
- Performance management
- Financial/operational Management
- Care Management
- Patient Engagement
- Value Based Insurance Offering

**Integrated Health System**
- Patient intake
- Diagnosis and testing
- Inpatient, emergency, and outpatient treatment
- Prescriptions and drugs
- Follow-up and monitoring
- Billing and administration
- R&D, education
A market back process and value based partnership approach can effectively drive product design and pricing.
Partners must align on a range of performance improvement strategies to address gaps

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Overview</th>
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<tbody>
<tr>
<td><strong>Market offering</strong></td>
<td></td>
</tr>
<tr>
<td>Benefit design and steerage</td>
<td>• Products are “bare bones” EHB-based designs</td>
</tr>
<tr>
<td></td>
<td>• Product will drive steerage to lower cost health system partner sites</td>
</tr>
<tr>
<td><strong>Health Plan Administrative fees</strong></td>
<td></td>
</tr>
<tr>
<td>S&amp;M (commissions)</td>
<td>• Exchange and agent commissions are linked</td>
</tr>
<tr>
<td>Non-S&amp;M (admin &amp; ops)</td>
<td>• Anticipate that only basic administration services provided</td>
</tr>
<tr>
<td><strong>Revenue Optimization</strong></td>
<td></td>
</tr>
<tr>
<td>Risk adjustment/selection</td>
<td>• Minor performance impact from risk selection or from risk adjustment improvements</td>
</tr>
<tr>
<td><strong>Medical Cost Management</strong></td>
<td></td>
</tr>
<tr>
<td>Improved care and utilization management</td>
<td>• Potential to look at targeted care models for commercial population</td>
</tr>
<tr>
<td></td>
<td>• Reimbursement must reflect real and anticipated savings</td>
</tr>
<tr>
<td>Implied facility rate discount</td>
<td>• Significant facility rate reduction likely required or risk arrangement reflecting required discounts</td>
</tr>
<tr>
<td></td>
<td>• Potential for small reduction in professional fees to offset need for facility discounts</td>
</tr>
<tr>
<td><strong>Total projected savings</strong></td>
<td>12-18%</td>
</tr>
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Partner revenue reductions due to discounts can be offset through several avenues

Sources of volume and contribution margin to offset potential discounts

<table>
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<tr>
<th>New membership</th>
<th>Reduced leakage of members within product</th>
<th>Reduced leakage across general patient population</th>
</tr>
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<tbody>
<tr>
<td>New members captured from competitors or the newly insured segments</td>
<td>Increased steerage of existing members who enroll in product</td>
<td>“Halo effect” of improving leakage within general commercial population</td>
</tr>
<tr>
<td>Represent approximately 50% of new membership</td>
<td>Benefit design and physician incentives to steer members in Partner network</td>
<td>Small improvements can have significant impact on contribution margins</td>
</tr>
<tr>
<td>Significant potential to offset potential margin reductions</td>
<td>Improved monetization of enrolled members</td>
<td>More difficult to achieve and “credit against discounts”</td>
</tr>
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BCBSM Market Example: Limited network design based on exclusive network product

The network must be designed to appropriately manage and reduce leakage of unique and non-unique services.

Total Population Cost

Health System Partner
- Facility A
- Facility B

Services not offered at all health system Partner facilities
- Open Heart Surgery
- Transplants
- Pediatric Sub Specialties
- Burn Center

Non-Partner Network

PCP Referrals

Physician Organization A

Physician Organization B

*POs contain unaffiliated Practice units and other OSC affiliated units.
BCBSM’s first generation partnered product model was replicated in a larger, more complex market

Metro Detroit HMO

- **Limited network design managed via HMO referral process**
  - PCP referral required for member to receive specialist or hospital care
  - Plan pre-authorization or referral required to receive care at non-partnered provider

- **Provider engagement**
  - Groups need to manage care and utilization to help achieve cost targets
  - Groups collaborate with BCN to better manage referrals and direct care to specific partnered hospitals

- **Member experience**
  - Members receive the majority of their care within the referral network of their designated PCP
The member’s cost share level is limited to Metro Detroit HMO and other in-network HMO providers. Except for emergencies or accidental injuries, the member is not covered out of the BCN HMO network.

**Level 1**

$  

**Level 2**

$ $$  

Select a primary care doctor within the Metro Detroit HMO network:

- Primary care doctor manages the member through the healthcare system utilizing primarily Metro Detroit network providers. The primary care doctor may refer to the HMO network if necessary.

- The member is not covered out of the HMO network and is responsible for all costs, except for emergencies and accidental injuries unless authorized by the plan.
Partnered products are competitively priced and attractive to consumers in niche markets

- In Southeast Michigan, 47% of members are enrolled in a narrow network
- In West Michigan, 62% of members are enrolled in a narrow network

<table>
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<tr>
<th>Total Statewide Membership Distribution by Product</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>Product</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broad PPO</td>
<td>47%</td>
<td>48%</td>
<td>47%</td>
</tr>
<tr>
<td>Metro Detroit EPO</td>
<td>-</td>
<td>&lt; 1%</td>
<td>&lt; 1%</td>
</tr>
<tr>
<td>Broad HMO</td>
<td>18%</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>PCP Focus</td>
<td>29%</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td>Partnered Product</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Metro Detroit HMO</td>
<td>-</td>
<td>7%</td>
<td>8%</td>
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Broad PPO offered in all counties
Broad HMO offered in all counties, but Schoolcraft
There were several insights / lessons learned from BCBSM’s partnered product design efforts

1. Provider partner must be ready and willing for a “new model”

2. BCBSM must help provide the business case

3. Product discussions need to be separated from ongoing contract negotiations

4. Population health management will be an area of significant value and strategic control

5. Providers are investing in new population health management capabilities
Summary

1. Current market drivers focus on growing affordability issues, network design, value-based payment, innovation and the rise of consumerism.

2. BCBSM is leveraging long-standing investments in provider partnerships through new product innovation.

Product development engages all stakeholders in design and strives to build solutions to provide and incent high-value care with the best quality outcomes and lowest costs.

3. Partnership discussions must recognize – and development must take into account – the level of competency needed across an array of capabilities necessary for success, including population health management.

4. A track record of collaboration, trust, and data sharing is a huge enabler of success in ultimately launching a partnered product.
Provider Contracting Approaches for the Marketplace

Shawn Fitzgibbon
Chief Product Officer
EmblemHealth
Session 3-October 5, 2016
EmblemHealth

• A NYC based health plan that has served its members for more than 75 years by offering affordable and high-quality access to care.

• One of the nation’s largest nonprofit health plans, serving 3.1 million people who live and work across the New York tri-state area.

• Offers a diverse suite of products for large group employers, small groups, individuals, Medicare, Medicaid, as well as coverage for prescription drugs, dental and vision care.
Provider Networks

PCPs

- **Broad**
  - 21,259 Providers
  - 303,601 Members paneled to PCPs in Broad Network

- **Tailored**
  - 6,789 Providers
  - 26,269 Members paneled to PCPs in Tailored Network
Provider Networks

Hospitals

Broad
145 Hospitals

Tailored
82 Hospitals

Specialists

Broad
85,013 Providers

Tailored
49,986 Providers
HMO Membership in VBP

August 2016
- Global Risk: 34%
- Professional Cap: 32%
- Shared Savings/Risk: 12%
- P4P: 17%
- FFS: 0%

2017
- Global Risk: 34%
- Professional Cap: 32%
- Shared Savings/Risk: 17%
- P4P: 17%
- FFS: 0%

August 2016
- Global Risk: 34%
- Professional Cap: 32%
- Shared Savings/Risk: 12%
- P4P: 17%
- FFS: 0%
Value Based Reimbursement

Aligning Incentives:

• Total Cost of Care
• Quality
• Revenue
• Consumer Satisfaction and Retention
Retrospective and concurrent reporting:

- Daily Admission and Discharge Reports
- Monthly clinical “Databook” (rolling 12 months)
- Monthly Quality Gaps in Care and Compliance Rates
- Integrated Rx and Behavioral
Each entity has an assigned Clinical Practice Advisor whose role is to work directly with the Care Coordinators/Navigators and PCPs to:

- Implement best practices
- Provide training
- Assist with the execution and completion of Quality Improvement initiatives and closing HCC gaps
Consumer Engagement

Engagement Solutions

- Speed and Flexibility
- Empowered Customers
- Payment and Cost
- Communications and Interactions
- Technology and Digital
Q&A Session

To engage on social media use the following hashtag: #issuerinsights

To submit questions remotely, email us at: Partnership@cms.hhs.gov
Marketplace Year 3: Issuer Insights & Innovation

Break for Lunch