Why The Move To High Deductible Health Plans Will Accelerate Payment Reform

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CEO, Memphis Business Group on Health
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• Non-profit coalition of employers sharing solutions and providing tools to manage the cost and quality of health benefits in an ever-changing environment
• Members with 300,000+ covered lives in Memphis and Tennessee
• Our work focuses on:
  o Creating a culture of health at the worksite
  o Aligning health benefit programs with overall goals for employee and family health
  o Setting strong purchaser expectations for safe, high quality, cost effective, affordable health care services through the leverage of employers as clients and purchasers

The Move To High Deductible Health Plans And It Is Happening in Memphis Too!

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The move to high deductible health plans is happening in Memphis too! According to the Kaiser/HRET survey of employer-sponsored health benefits from 2006 to 2014, the percentage of covered workers enrolled in either a high deductible health plan (HDHP) or health savings account (HSA)-qualified HDHP has increased significantly.

The chart below illustrates the growth in enrollment in HDHPs and HSAs. The data shows a steady increase from 2006 to 2014, with a substantial rise after 2009. The trend indicates a growing preference for high deductible plans, as employers and employees seek to manage healthcare costs more effectively.
CDHP enrollment growth accelerated in 2014
Percentage of all covered employees enrolled in each plan type

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>31%</td>
<td>32%</td>
<td>33%</td>
<td>34%</td>
</tr>
<tr>
<td>Medium</td>
<td>35%</td>
<td>34%</td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td>Low</td>
<td>31%</td>
<td>31%</td>
<td>30%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Sharp increase in offerings of consumer-directed health plans
Percent of employers offering/delaying to offer CDHP, by employer size

<table>
<thead>
<tr>
<th>Year</th>
<th>Very Likely to Offer CDHP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>17%</td>
</tr>
<tr>
<td>2011</td>
<td>22%</td>
</tr>
<tr>
<td>2012</td>
<td>23%</td>
</tr>
<tr>
<td>2013</td>
<td>21%</td>
</tr>
<tr>
<td>2014</td>
<td>36%</td>
</tr>
<tr>
<td>2015</td>
<td>51%</td>
</tr>
<tr>
<td>2016</td>
<td>46%</td>
</tr>
<tr>
<td>2017</td>
<td>50%</td>
</tr>
</tbody>
</table>

Majority of large employers expect to offer a CDHP by 2017 — but most see it as an option, rather than a full replacement

- Large employers (500+ employees): 48% will offer CDHP
- Jumbo employers (5,000+ employees): 34% will offer CDHP
- Will not offer CDHP: 12%

About a third of employers at risk of hitting excise tax threshold in 2018
Percentage of employers that will be subject to tax by the specified year if they make no changes to their current plans

<table>
<thead>
<tr>
<th>Year</th>
<th>All employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>31%</td>
</tr>
<tr>
<td>2020</td>
<td>33%</td>
</tr>
<tr>
<td>2021</td>
<td>36%</td>
</tr>
<tr>
<td>2022</td>
<td>40%</td>
</tr>
<tr>
<td>2023</td>
<td>45%</td>
</tr>
<tr>
<td>2024</td>
<td>52%</td>
</tr>
</tbody>
</table>
Employers save with HSA-based CDHPs: They cost 18% less than PPOs and 20% less than HMOs in 2014 (includes employer contributions to HSA accounts).

Single-Person Deductibles, by State, 2013

Average deductibles are $1,000 or more in 47 states

Source: 2013 Medical Expenditure Panel Survey-Insurance Component.

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of $2,000 or More for Single Coverage

All Small Firms (1-199 Workers)
All Large Firms (200 or More Workers)
All Firms

Percent of Covered Workers Enrolled in a Plan with an Out-of-Pocket-Maximum Above $6,350 or in a Plan without an Out-of-Pocket Limit, 2006-2014

Source: 2013 Medical Expenditure Panel Survey-Insurance Component.
Changing Consumer Needs
Price Transparency

Source: Catalyst for Payment Reform

Transparency tools need to:

- Be easy to use
- Allow consumers to understand their share of cost, the total cost, and their spending and utilization to date
- Show quality measures that matter to consumers
- Allow consumers to compare price and quality, easily and side-by-side
- Help consumers identify and understand value
- Present information in a way that is easy to compare and understand
- Provide tools that help consumers avoid unnecessary care and find less expensive care options
- Encourage consumers to use the tool
- Be easily customizable, while integrating smoothly with other platforms and products
- Give employers insights on utilization and savings, and enables them to continuously improve their plan

Source: Catalyst for Payment Reform
Changing Payment Models
Step-wise Progression

- So, if more employers are offering high deductible health plans; and
- More employees are being covered by high deductible health plans; and
- Many, especially the low wage earners, have difficulty covering their deductibles; and
- Employees need to “shop” for the best price (and quality); and
- Employers are providing tools to help their employees shop; and

These tools need to provide accurate prices for employees that are now paying first dollar; and
A fee-for-service payment model makes it impossible to provide accurate prices

Then:

We will move faster toward payment models that make accurate price transparency possible
How Episodes Work

1. Patients and providers deliver care as they do today.
2. Providers submit claims as they do today.
3. Payers reimburse for all services as they do today.

 Patients seek care and select providers as they do today.

‘Quarterbacks’ are provided detailed information for each episode which includes actionable data.

Providers reimburse for all services as they do today.

State of Tennessee Health Care Innovation Initiative
http://www.tn.gov/HCFA/strategic.shtml
Quality Performance Also Included

- Each provider report will include provider performance on key quality metrics specific to that episode.
- Some quality metrics will be linked to gain-sharing, while others will be reported for information only.
- The thresholds for the first performance period are set between the 50th and 75th percentile.

- Total Joint Replacement (Hip & Knee)
  - 30 day readmission rate
  - Frequency of post-op venous thromboembolism (30 days post-surgery)
  - Frequency of dislocations or fractures (90 days post-surgery)
  - Average length of stay

- Restorative
  - Linked to gain-sharing:
  - HIV screening rate (85%)
  - Group & symptomatic bacterial screening rate (80%)
  - Overall C-section rate (45%)
  - Informational only:
  - Gestational diabetes screening rate
  - Asymptomatic bacterial and viral screening rate
  - Hepatitis & screening rate
  - Tuberculosis screening rate

Retrospective episodes, with bonuses and/or penalties, based on fee-for-service are NOT where we need to end up.
- But it is a place to start
  - Prospective bundles could evolve

Source: Network for Regional Healthcare Improvement; Center for Healthcare Quality and Payment Reform; Robert Wood Johnson Foundation

And High Deductible Plans Don’t Just Impact Payment...
And, worksite (or near site) clinics

- Employers with 5,000+ employees
  - 24% offered clinics in 2013
  - 29% offered clinics in 2014

Source: Mercer National Survey of Employer-Sponsored Health Plans 2014

Thank You

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