Health Plan Contracting — Establishing Profitable and Meaningful Relationships

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A. MORE AND DIFFERENT
ADMINISTRATIVE AND INSURED
BENEFITS BEING PURCHASED BY EMPLOYERS

- Leased networks
- Administrative services only
- Medical management services
- Credentialing services
- Data collection and evaluation
- Pharmacy services
- HMO versus PPO
- HMO/PPO hybrids
B. NEW PRODUCTS

- Fee-for-service / budgeted / at risk model(s)
- Networks focused on transparency
- Employer driven narrow networks
- Tiered / restricted / narrow networks
- Chronic disease management programs
- High copayment and deductible plans
- Accountable care and collaborative care organizations
- Networks focused on technology
C. Health Insurance Exchange(s)
   - 2018 smaller networks
   - 2018 exclusive networks

D. Medicare Advantage
   - The new commercial
   - FFS vs risk

E. Managed Medi-Cal
   - The new commercial
   - FFS vs risk
MARKET OVERVIEW (CONT.)

F. PROVIDER / EMPLOYER / HEALTH PLAN MODELS
   - Budgeted self-insured networks

G. PROVIDER / EMPLOYER DIRECT MODELS

H. PROVIDER SPONSORED NETWORKS
I. PROVIDER-SPONSORED PLANS

- Assumption of full economic risk for most health care services (including pharmacy)
  - Health plan licensure issues

- Maximization of provider compensation through efficiencies generated in the delivery, pricing of and payment for health care services

- Provider as employer
  - Health plan as provider partner
J. Rural Market Specifics

- Sole community provider(s)
  - Strength at the negotiation table

- Commercial contracting vs Medi-Cal contracting vs Medicare contracting

- Interfacing with external capitated provider systems
  - Health plans transfer financial risk

- Health plan partnerships
  - Unique products
EVOLUTION OF STRATEGIC PROVIDER CONSOLIDATIONS

A. PHYSICIAN AND HOSPITAL PARTNERSHIP GOALS

- Financially and clinically integrate with key community and tertiary hospitals
  - Enhance market position
- Financially and clinically integrate with key community physician groups
  - Retain and grow physician base and physician referral base
  - Providence/westside
B. PHYSICIAN AND HOSPITAL PARTNERSHIP GOALS (CONT.)

- Enhance data collection and data evaluation capabilities of aligned community physicians and community hospitals
- Enhance abilities to assume more financial risk
- Maintain and grow market share
E Volution of Strategic Provider, Health Plan and Employer Relationships

A. Physicians, Hospitals and Health Plans Look for Partners

- VivitySM
  - Multiple health care systems plus Anthem
- Providence Health
  - Multiple health care systems plus OSCAR Health Plan
  - Los Angeles/Orange County Network
- Canopy
  - University of California/John Muir/Dignity/Hill Physicians
- University of California
  - Blue and Gold (Health Net, UC and non-UC Providers)
  - UC Care (Anthem, UC and non-UC Providers)
- Sutter/Optum/United
EVOLUTION OF STRATEGIC PROVIDER, HEALTH PLAN AND EMPLOYER RELATIONSHIPS (CONT.)

B. PHYSICIANS, HOSPITALS, HEALTH PLANS AND EMPLOYERS LOOK FOR PARTNERS
- Community Hospital of the Monterey Peninsula plus CalPERS plus Anthem

C. CLINICALLY INTEGRATED NETWORKS
- University of California San Diego
- Children’s Hospitals
- Providence Health
- Cedars Sinai Medical Center
A. **FINANCIAL CONSIDERATIONS**

- Focus product requests to reflect goals of integrated system (e.g., basic health care, tertiary care, quaternary care, Commercial PPO, Commercial HMO, Medi-Cal, Employer, Health Insurance Exchange).
- Focus financial requests to reflect needs of integrated system (e.g., educational issues, research issues, clinical issues) to reflect current market dynamics.
- Focus financial requests to reflect desire to attract specific lines of business.
- Focus financial requests on self-insured market.
B. FINANCIAL CONSIDERATIONS (CONT.)

- Focus on different forms of reimbursement that yield financial benefits based on enhanced clinical performance
  - Partial risk or full-risk by clinical diagnosis
  - Partial risk or full-risk by product line (e.g., Commercial PPO)
  - Partial risk or full-risk by purchaser
Questions?
Thank You

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