Health Plan Contracting — Establishing Profitable and Meaningful Relationships

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CALIFORNIA RURAL MARKET UPDATE
MARCH 22, 2018

MARKET OVERVIEW

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
MARKET OVERVIEW (CONT.)

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

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

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
EVOLUTION OF STRATEGIC PROVIDER CONSOLIDATIONS (CONT.)

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

EVOLUTION OF STRATEGIC PROVIDER, HEALTH PLAN AND EMPLOYER RELATIONSHIPS

A. PHYSICIANS, HOSPITALS AND HEALTH PLANS LOOK FOR PARTNERS
- Vivity
- Providence Health
- 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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