Trends and Strategies for Minnesota Health Plans and Providers

Presented to:

MSBA Health Law Section

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Allan Baumgarten, J.D., M.A.

Presentation Outline -1

- Key health plan trends
  - Growth and profitability by line of business
  - Disruption in state programs
  - Transition from Medicare Cost plans
- Key provider system trends
  - Continued profitability with declining inpatient days
  - Significant capital investment
  - Further consolidation and expansion of market boundaries

Presentation Outline - 2

- Strategies of health plans
  - Focus on niche lines of business/growth opportunities
  - Narrow networks and risk-sharing
- Strategies of provider systems:
  - Consolidation, partnerships and convenient care
  - Emergence of regional systems
  - Health insurance plans
- Outlook for 2017
  - Looking beyond the ACA coverage expansions – the big picture of likely changes

Health Plan Trends

- Growth, profitability by line of business
  - Evolution of Minnesota HMOs
  - Medicare Advantage and Cost plans
    - Transition for 2018: uncertainty and opportunity
  - Individual plans, narrow (or high performance) networks and risk-sharing
- State public programs
  - Administrative shortcomings – compare to Michigan
  - Impact of competitive bid

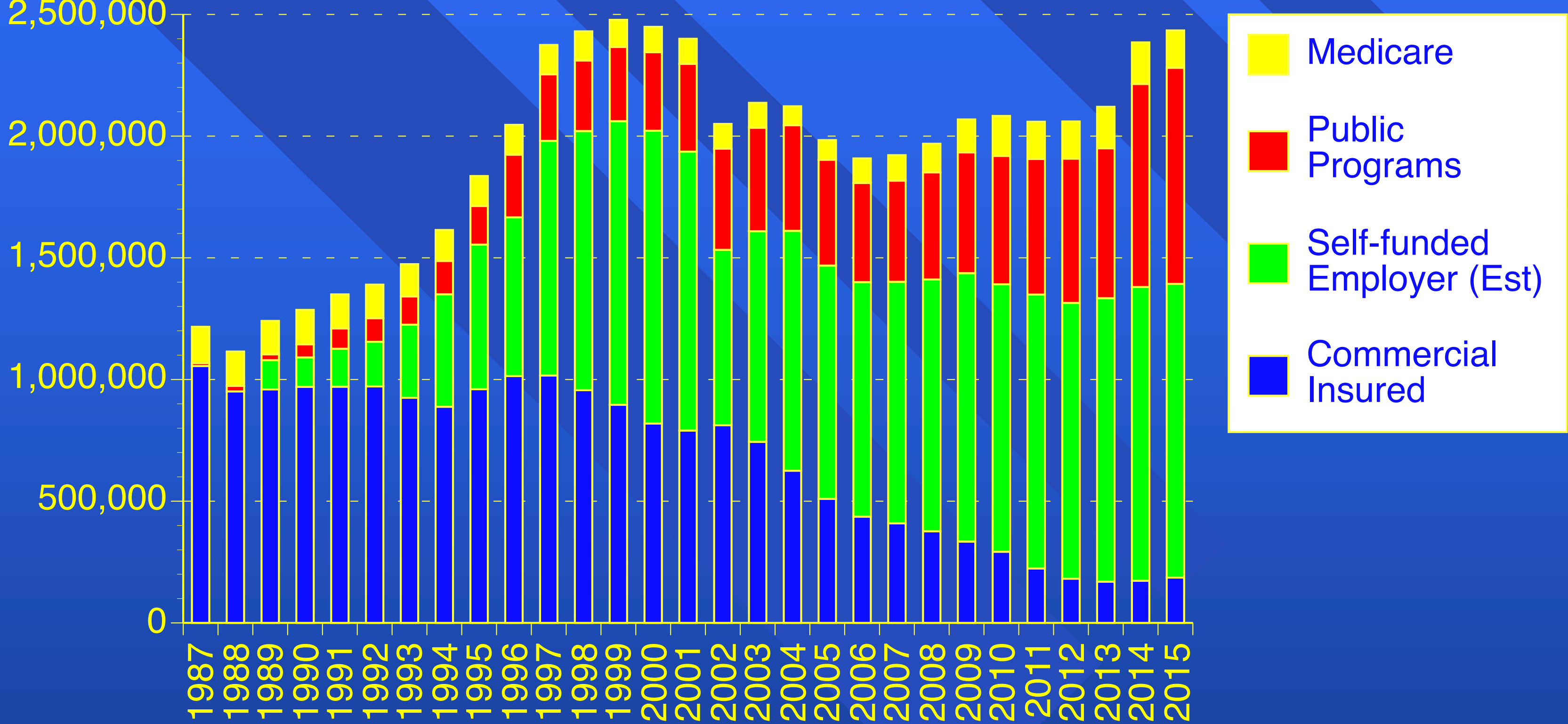
Health Plan Trends -2

- Decline of full risk capitation arrangements
- Role of national health plans:
  - Impact of proposed mega-mergers in Minnesota?
  - Possible entry of national, for-profit plans

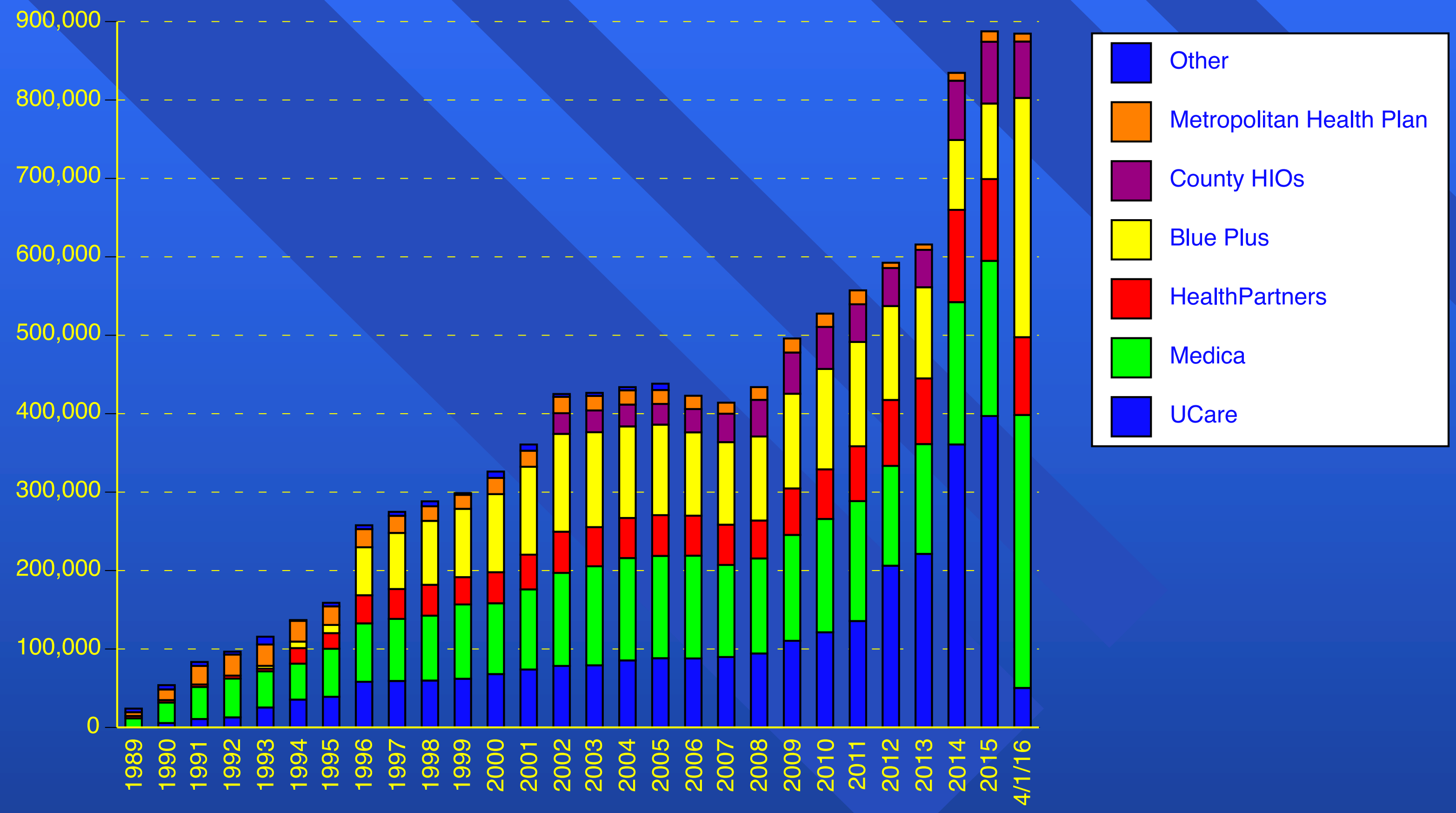
Provider Payment Trends

- Most payment still tied to discounted fee-for-service – rewarding volume
- CMS goal: 50% of Medicare payments based on quality by 2018. MACRA pushes movement to alternative payment methods
- UnitedHealthcare goal: increase payments tied to value to $65 billion in 2018
- What is actually happening for commercial insurance?

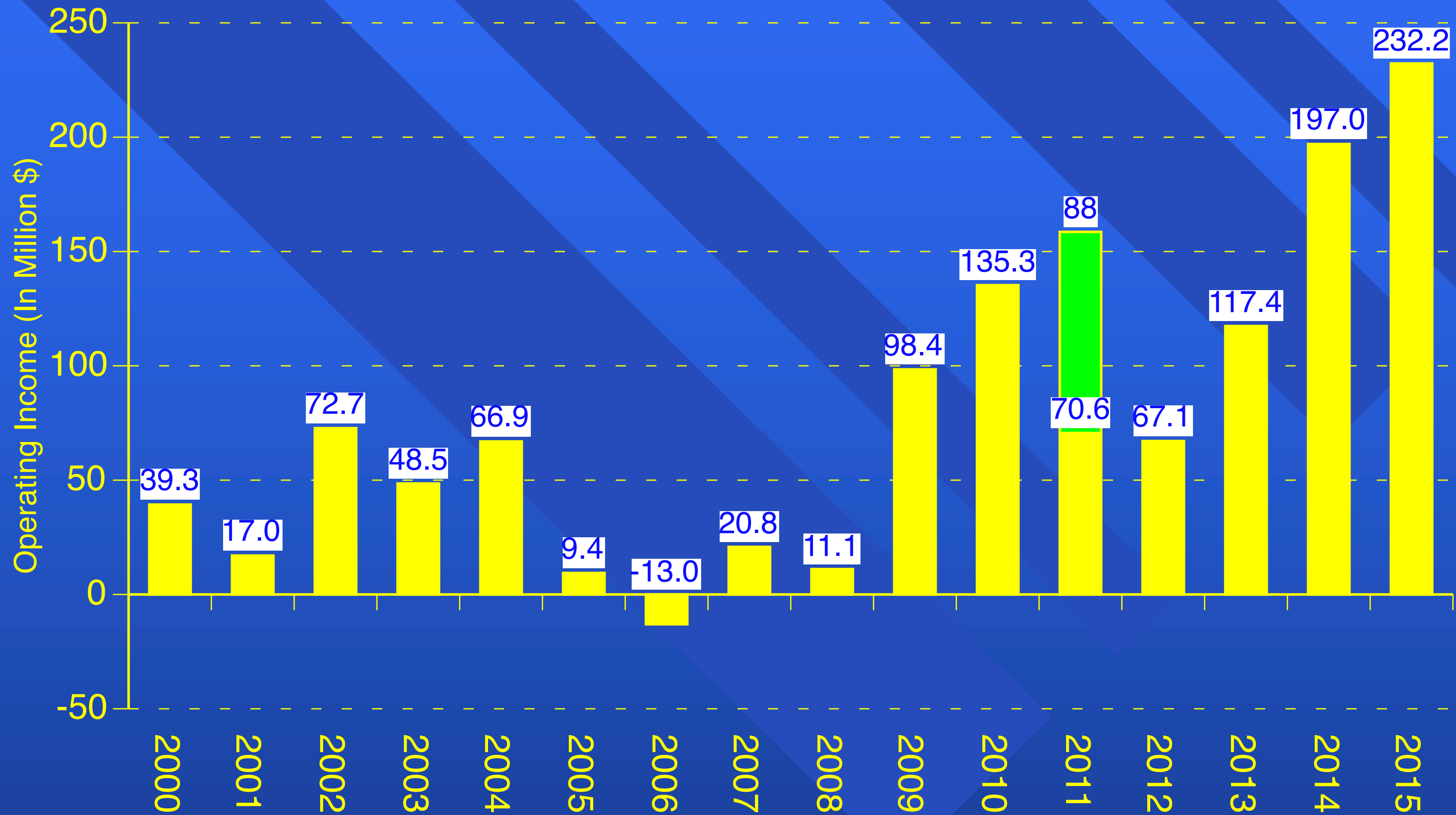
Health Plan Trends: HMO Enrollment, 1987-2015



Public Program Enrollment, 1989-2016



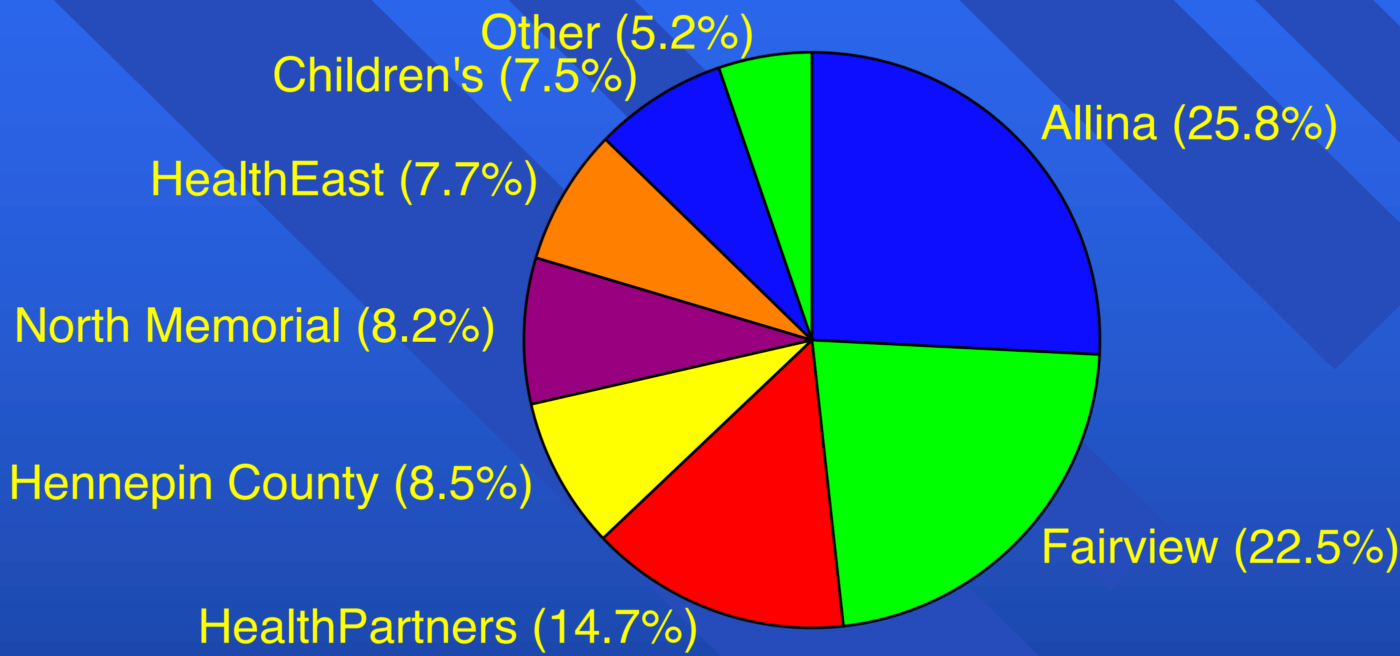
Operating Income for Public Programs, 2000-15



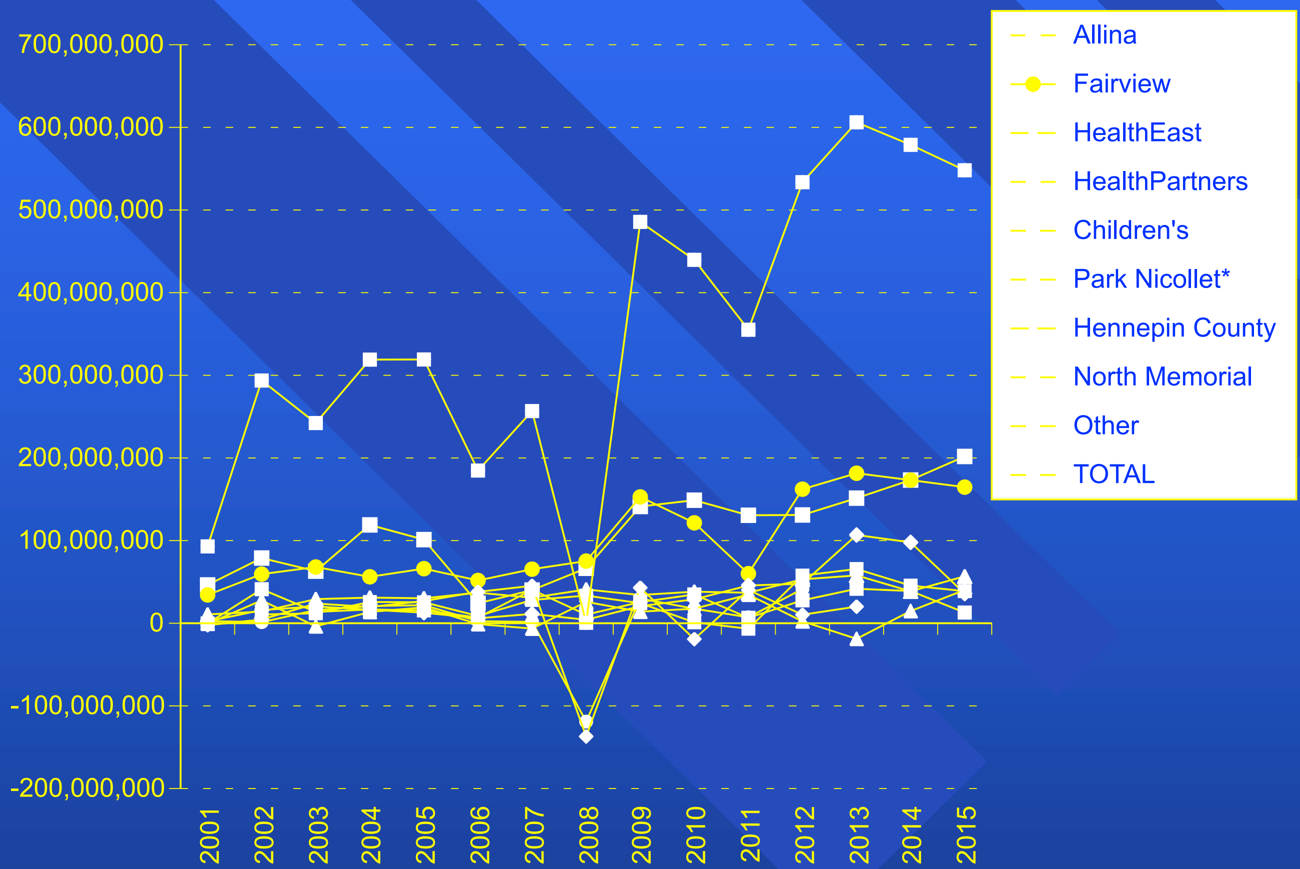
Provider System Trends

- Evolution of systems, market share
- Continued strong profitability
- Declining or flat inpatient utilization
- Expanding geographic reach, moving toward population health and risk-sharing; also covering bets for volume incentives

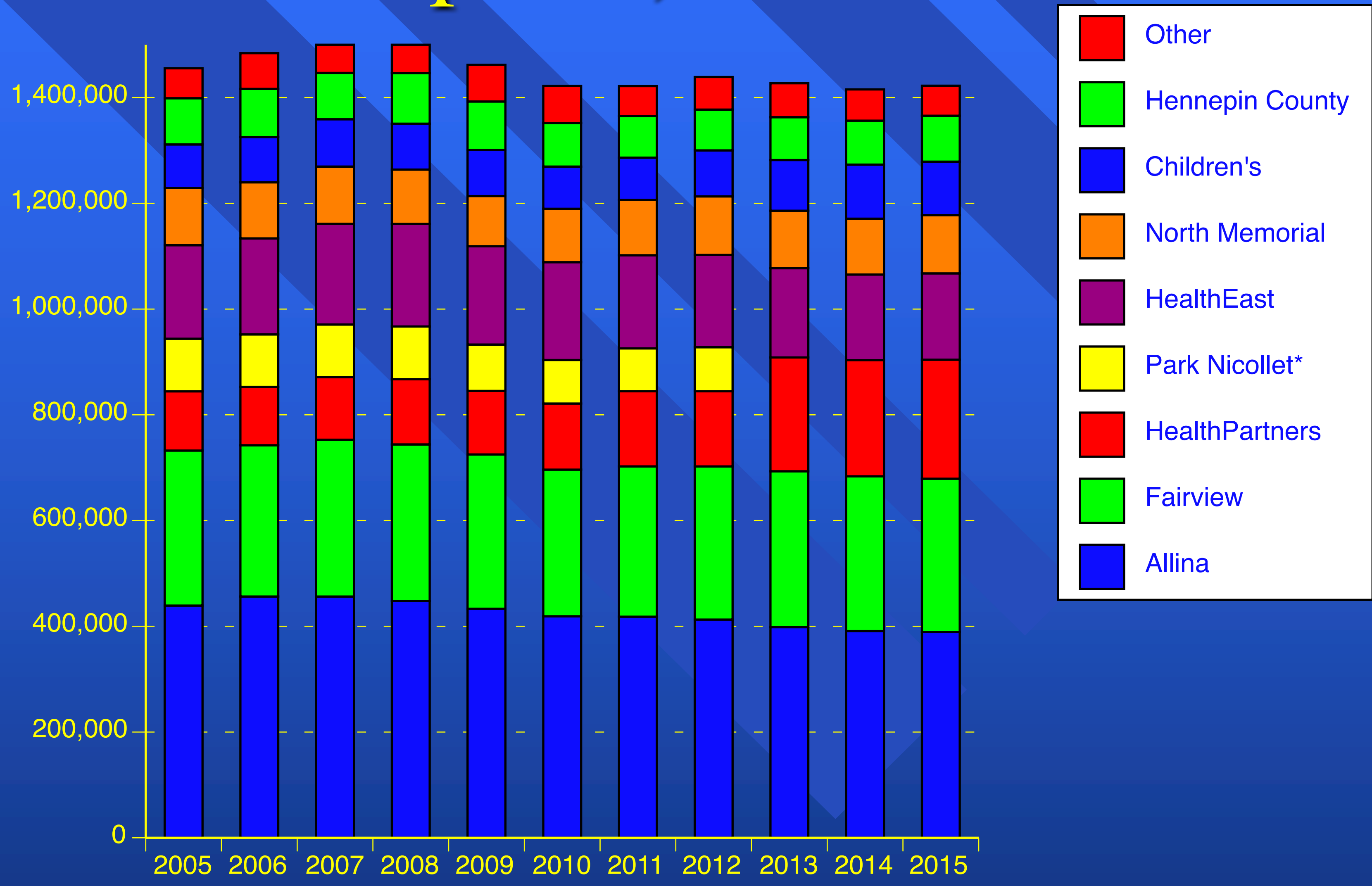
Twin Cities Hospital Market Share by Revenue, 2015



Net Income for Twin Cities Hospitals, 2001-2015



Inpatient Days in Twin Cities Hospitals, 2005-2015



Health Plan Strategies

- Limited networks, high deductible health plans
- Provider payment increases tied to performance, participation in primary care home models, care coordination
- Expansion of Medicaid plans into individual and small business

Provider System Strategies-1

- Expansion/Consolidation/Capital Investment; Going beyond traditional local market boundaries
  - Challenge for independent hospitals – recent examples of Grand Itasca, District One
- Convenient care – retail, urgent care and free-standing emergency departments

Provider System Strategies - 2

- Moving toward population health and Triple Aim; preparing for increased performance-based payment and risk sharing while also covering bets for volume incentives
- Strategic partnerships
- National networks: Mayo, Cleveland Clinic, MD Anderson

Provider System Strategies 3

- Clinically integrated networks: Where is the extra value?
- Accountable Care Organizations
- Insurance plans – what is the outlook for provider-sponsored health plans?
- Look at largest provider systems and their strategies: Fairview, HealthPartners, Allina
- Results from other states

Outlook

- Continued consolidation and partnerships for both health plans and provider systems
- Changes in federal policy – look beyond ACA coverage expansions to:
  - Group consumer protections
  - Medicare ACOs, bundled payments
  - Medicare change to premium support
  - Medicaid block grants to states

For Additional Information

Allan Baumgarten

www.AllanBaumgarten.com

4800 W. 27th Street

Minneapolis, MN 55416

- E-mail: Baumg010@umn.edu
- 952/925-9121
- Twitter @allanbaumgarten