

# Healthcare Competition Workshop

Kim Holland, Vice President, State Affairs  
February 24, 2015



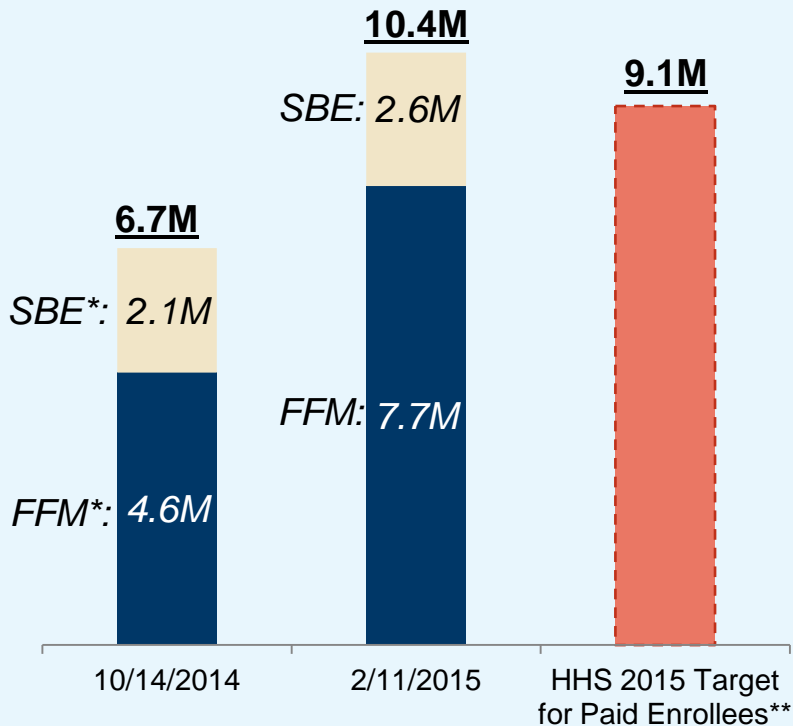
**BlueCross  
BlueShield**  
Association

# Meeting Market Demands

- As with other consumer goods and services, insurers develop products in response to market demands
- The market is demanding insurance products of high value, i.e. relatively low cost (the biggest barrier to individuals obtaining the health services they need), high quality (broad coverage and high performing providers), and choice (options that satisfy individual preferences)
- Our objective is to leverage our significant resources and provider relationships to meet those market demands

# 2015 enrollment tracking above HHS projection

## Total Exchange Enrollment To-Date<sup>1</sup>



## Takeaways from FFM Experience<sup>2</sup>

### Receiving Federal Subsidies:

- 87% of plan selections through 1/16/14
- Versus 85% in 2014

### New vs. Renewals – Plan Selection:

- 42% (3.2M) new enrollees
- 58% (4.5M) re-enrolling (actively or passively)
  - ~100K shifted to ESI, Medicaid, etc.

### Metallic Selection:

- 70% of enrollees in FFM states to-date selected Silver, up from 65% in 2014.
- Other levels +/-2% vs. 2014

\*2014 FFM estimate based on FFM/SBE enrollment percentage of total as of April 2014 ASPE figures. This percentage split was then applied to the 6.7M paid enrollees as of October 2014

\*\*HHS projects 10.3M-11.2M QHP selections during Open Enrollment 2015

Note: FFM = Federally Facilitated Marketplace and SBE = State Based Exchange

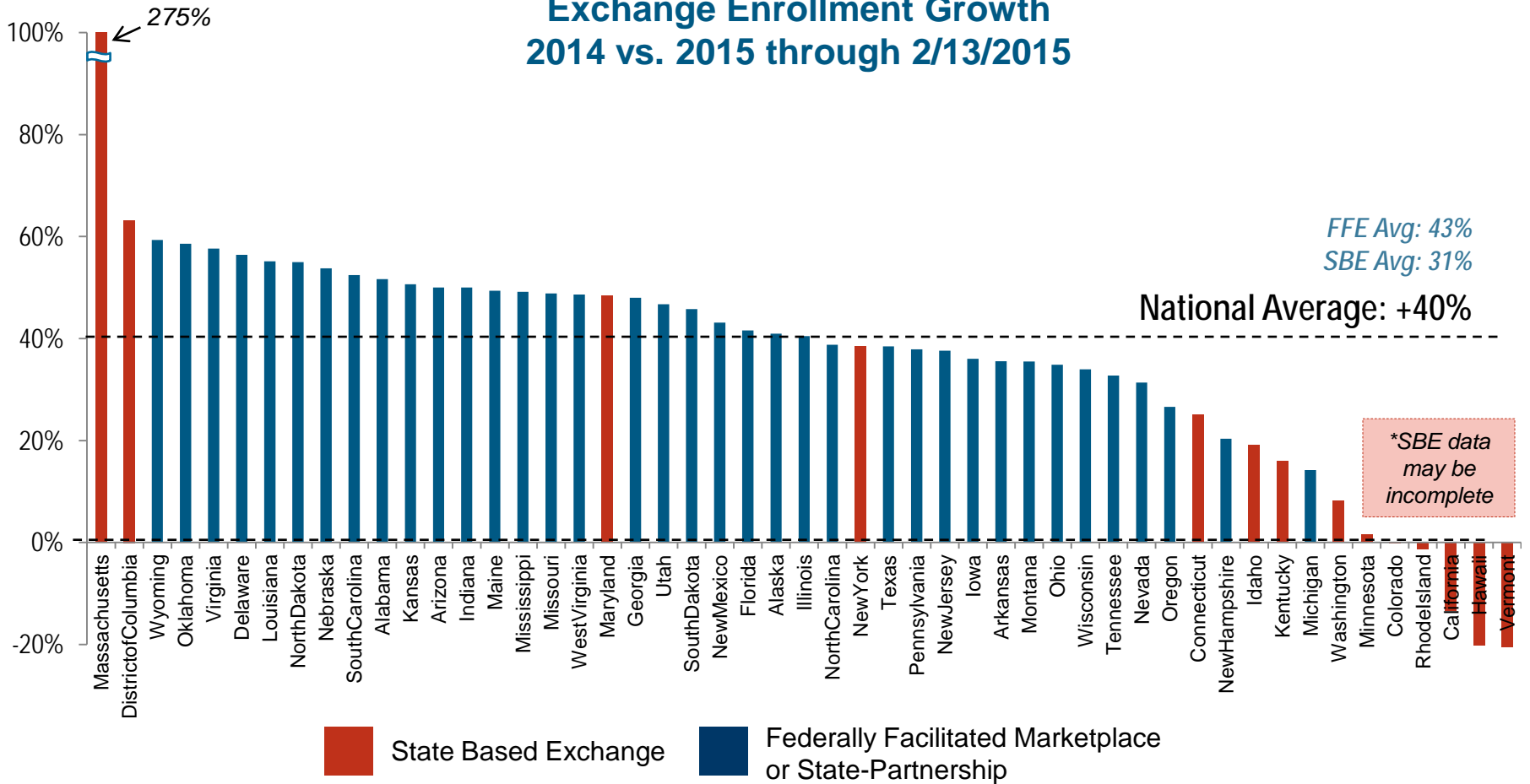
FFM figure above includes Fed-Run states as well as Fed-Supported (NV,NM,OR) and State-Partnership (AR,DE,IL,IA,MI,NH,WV) states.

Source: 1) BCBSA tracking of ASPE releases, UBS analyses, state based exchange websites; 2) ASPE Issue Brief, "Health Insurance Marketplace 2015 Open Enrollment Period: January Enrollment Report," For the period: November 15, 2014 – January 6, 2014

# Average state enrollment up 40% over 2014

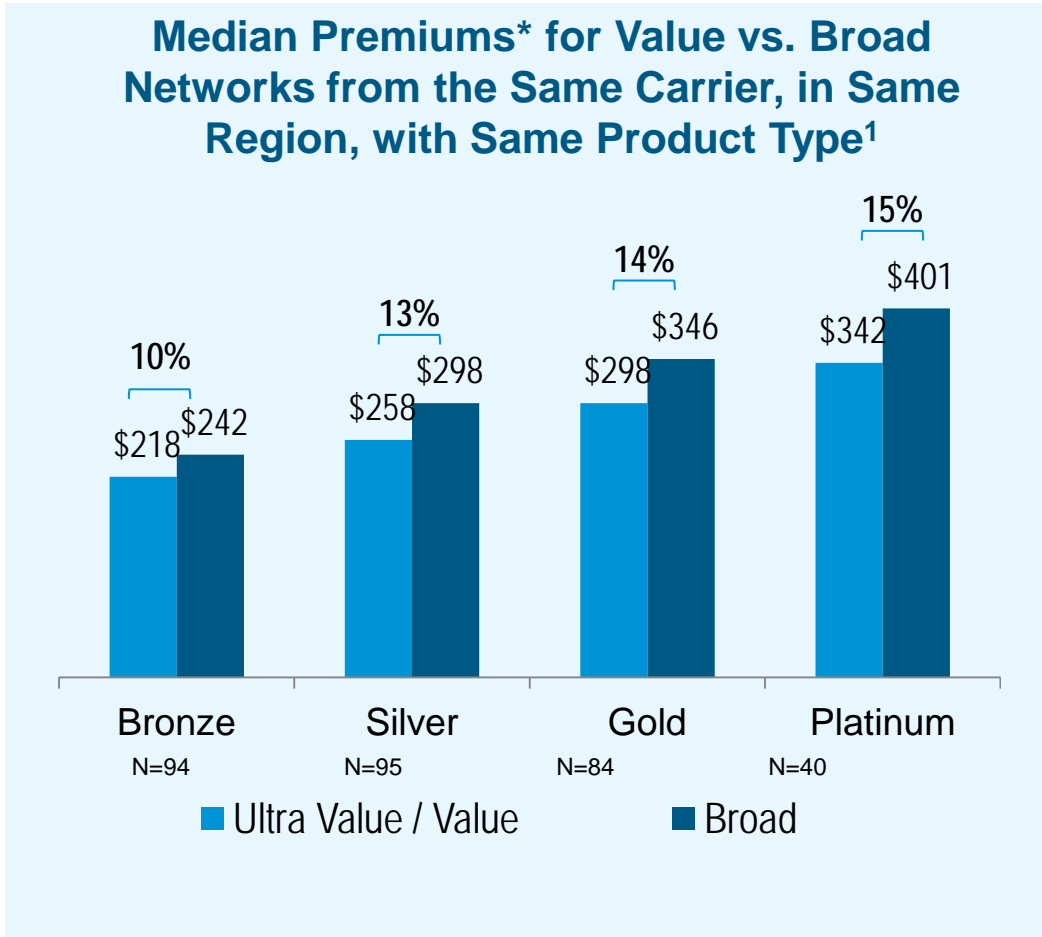
## SBE states achieving less growth

**Exchange Enrollment Growth  
2014 vs. 2015 through 2/13/2015**

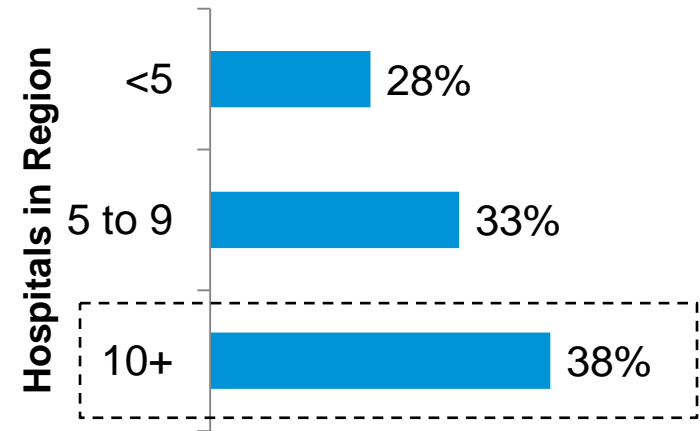


Source: 1) BCBSA tracking of ASPE releases, UBS analyses, state based exchange websites

# Carriers achieve double-digit premium reductions when leveraging value networks



### Price Spread of Lowest Cost Silver Plans in Regions with 3 or More Competitors, by Number of Hospitals in Region



**Price spread increases significantly when there are 10+ hospitals**

\*Median Premium for a 40-Year Old

Source: 1) ASPE computations of CMS Federally-facilitated Marketplace data as of 5/12/2014; 2) McKinsey Analysis as of 10/22/2014

# Network/Product Design Considerations

- Competitive positioning
- Legal/regulatory compliance; accreditation
- Consumer needs and preferences
  - Value (cost/quality)
  - Access
    - Geographic and demographic considerations
    - Provider selection

## Consumer Research on Network Design\*

### What are consumer preferences toward various emerging value network models?

- “Choice-Based” approach was used to measure consumer preferences
  - Consumers select from a series of dual choice options
  - Based on choice, can determine preferences for the price, network, and service features
- This approach has the following advantages:
  - Consumers actually choose rather than rate items so preference is measured in terms of market-like decision-making
  - Measure consumer preference for various features by requiring trade-off features, i.e. price and access, similar to market-place choices
  - Models expected consumer behaviors under different market scenarios

\* National survey of nearly 1800 commercially insured consumers including oversample of direct and Exchange customers

# Key Findings – Consumer Network Research

***Main Takeaway: Most Consumers will trade-off broad choice to obtain lower cost***


- **Cost—particularly OOP cost—is the most important factor in consumer decision-making**
  - Three out of four consumers are willing to trade-off some network choice to get lower premiums and lower OOP expenses
  - Value networks become more attractive than broad when the premium is discounted around 10% and out of pocket savings is around \$1000
- **Most consumers view access as being able to see the doctor they want**  
—hospital choice is less important
  - The relative importance of doctor choice in selecting health coverage is three times greater than that of hospital choice
  - Preference for value networks increases slightly by offering tailored networks that enhance PCP choice




# Robust Transparency Tools Drive Informed Decisions

Leveraging BCBS information and resources to power user-friendly transparency tools that ensure member access to meaningful cost and quality information

Sort by: [Quality](#) | [Distance](#) | [Cost](#) 6 facilities meet requirements: [1](#) | [2](#) ▶

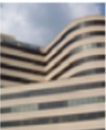


**Provider Facility A**  
 ★★★★★ | 54 patient reviews  
 1220 Medical Ctr Dr, Anytown, USA 55555  
 877-322-5000


compare 

**2**  
MILES

Knee Replacement Total Cost  
 AVG **\$32,420**  
 You Pay \$2,250  
 Plan Pays \$30,170




**Provider Facility B**  
 ★★★★★ | 37 patient reviews  
 4220 Lincoln St, Anytown, USA 55555  
 877-222-2111


compare 

**4**  
MILES

Knee Replacement Total Cost  
 AVG **\$34,050**  
 You Pay \$2,650  
 Plan Pays \$31,400



**John Smith, MD**  
 ★★★★★ | 38 patient reviews  
 237 Main St., Anytown, USA 55555  
 777-469-7704

compare 

**Physician Quality Measurement and Recognition Programs**

**Cost estimator tools** enable members in most major markets to view and compare cost estimates for common treatments and procedures

**Member out-of-pocket tools** allow members of participating BCBS Plans to obtain estimates of the amount of money they may have to pay for healthcare services

**Physician quality measurement and recognition programs** allow members to view consistent measurements of BCBS network providers to help engage members in their healthcare decision-making

# The Health of America Report

A collaboration between the Blue Cross Blue Shield Association and Blue Health Intelligence

- Aims to mine market-leading claims information to uncover key trends and provide insight into healthcare dynamics
- Support improved quality and affordability for Americans
- This is the first report

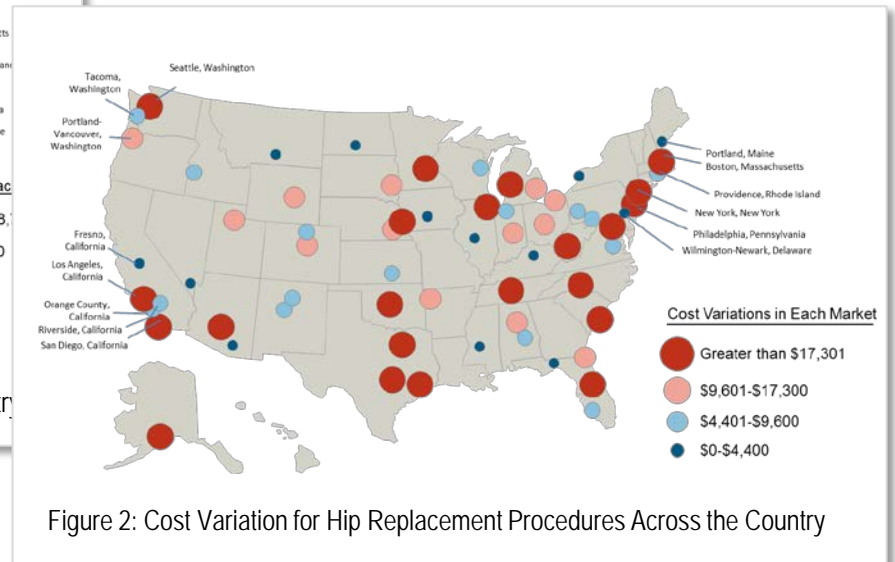
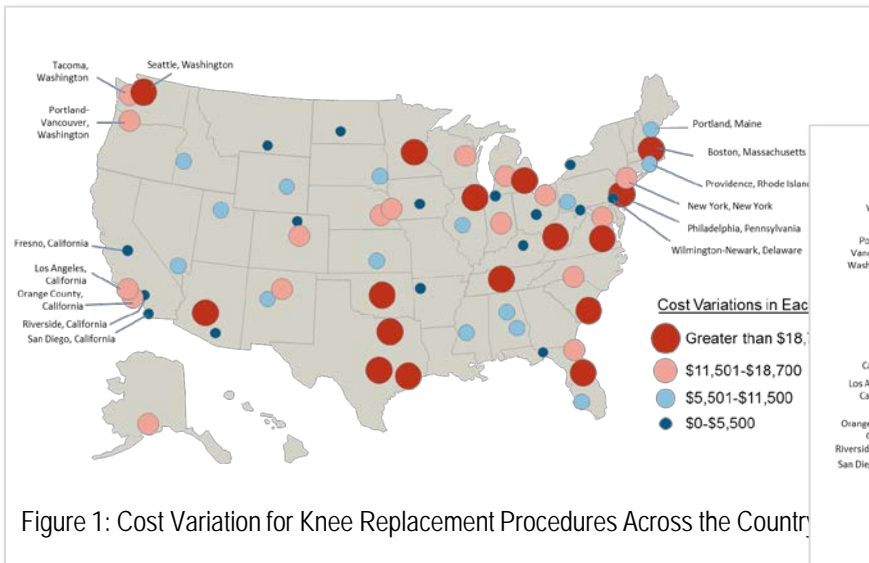
# Hip and Knee Replacement Cost Variation Study

- Sophisticated methodology to measure provider cost
- Includes nationwide payment information over 36 months
- Evaluated typical episode costs for Hip and Knee Replacements across 64 MSAs
  - Selected MSAs required at least two facilities with at least six procedures performed
- Longitudinal evaluation - episodic costs include the first physician appointments, the hospital stay, the device and follow up visits to the doctor

# BCBSA Study Reveals Extreme Cost Variations for Knee and Hip Replacement Surgeries

The two maps below highlight cost variation within 64 markets across the country, based on average episodic costs for typical knee and hip replacement procedures.

This confirms generally accepted industry findings that **significant cost variation exists** across the country.



## Key Finding

Some hospitals charge tens of thousands of dollars more than others for the same medical procedures, even within the same metropolitan MSA

- Cost can vary by as much as 313 percent, depending on where the surgeries are performed

# Additional Analyses

- BHI can also consider variation of quality based on BHI's Adverse Outcome Index (AOI)
  - Adjusts for potentially avoidable complications
    - Indexes the facility's rate of complications per episode and the costs associated with complications
  - Adjusts for readmissions
    - Indexes the facility's rate of readmissions and the costs associated with readmissions
- Information can be used to ensure networks include high performing facilities based on a combined cost and quality index

## Summing it up....

- Partnerships with high performing providers via networks is the most effective lever insurers employ to ensure quality and lower cost to members
- Anything that interferes with this lever will negatively impact insurer effectiveness in managing healthcare cost and quality on behalf of consumers
  - Restrictive, one size fits all quantitative standards; proscribed contract requirements
  - Any willing provider and like legislation that creates incentives for providers NOT to contract
- Dynamic environment; flexibility necessary to ensure evolution that is mutually beneficial