Provider Network Design, Contracting Practices, and Regulatory Activity

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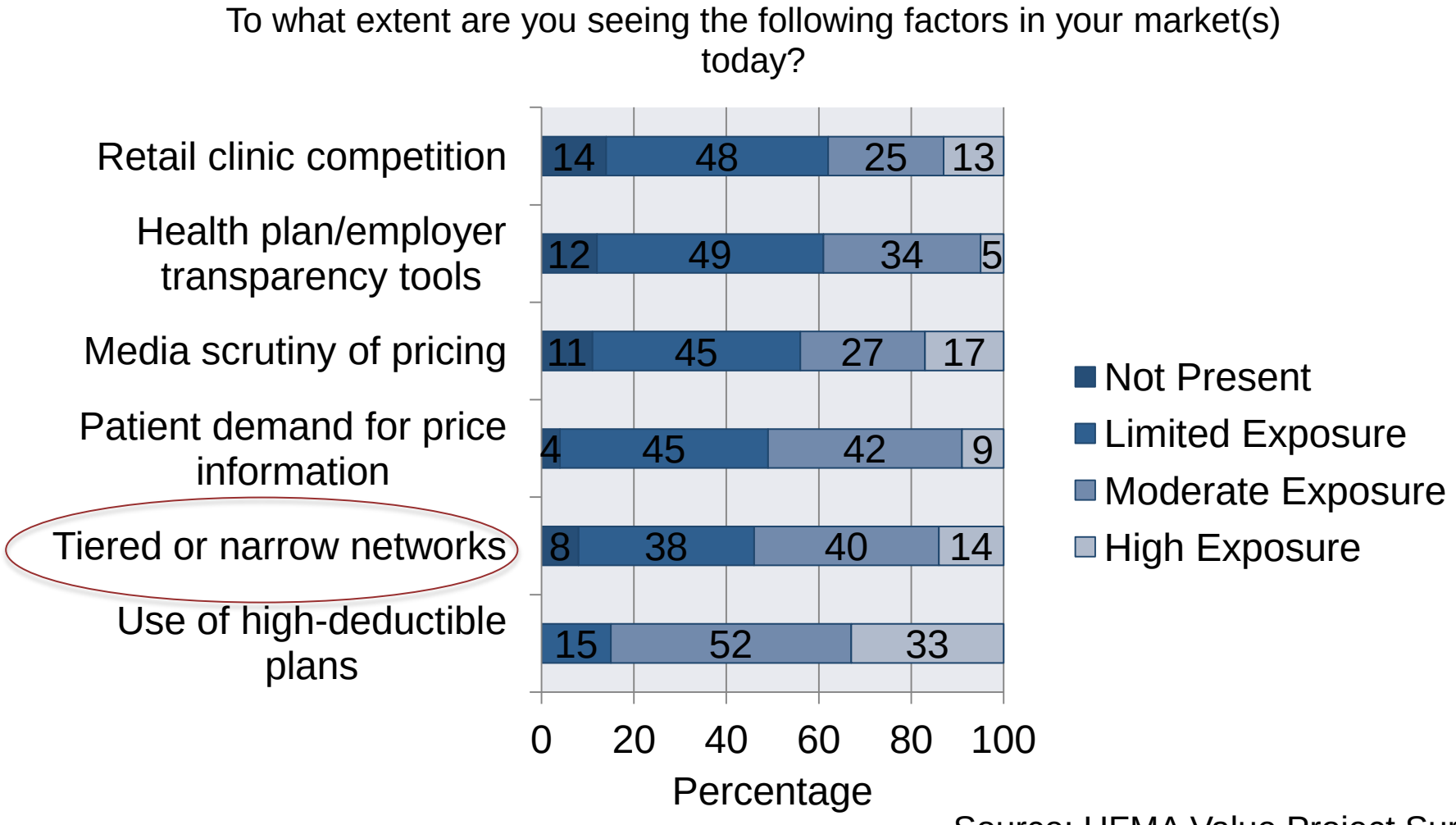
hfma
healthcare financial management association

About HFMA

- Over 40,000 individual members
- Membership distributed over wide range of settings (hospital and health system, physician practice, payer, consultant, vendor)
- Focus on building and support coalitions with other healthcare associations and industry groups to achieve consensus on solutions for the challenges the U.S. healthcare system faces today

Majority of HFMA Survey Respondents See Moderate to High Exposure to Narrow/Tiered Networks



Source: HFMA Value Project Survey of Senior Financial Executive Members, October 2014

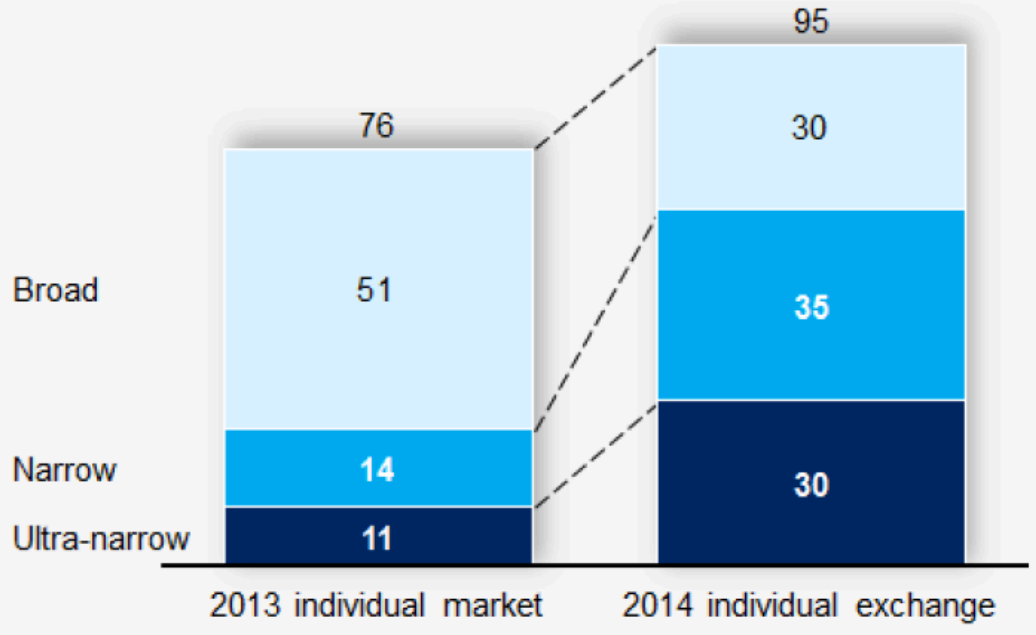
Participation in Exchanges Drove Significant Narrowing of Networks

EXHIBIT 2

Network configuration options have increased across incumbents' offerings

Incumbents' 2013 individual market network offerings vs. 2014 exchange offerings[1]

Number of analyzed networks



1 Incumbents are defined as any existing carrier in 2013 that has filed on the exchange in 2014. 2014 individual exchange data includes silver tier only

SOURCE: McKinsey Center for U.S. Health System Reform/McKinsey Advanced Healthcare Analytics analysis of publicly available rate filings and carrier information; AHA database

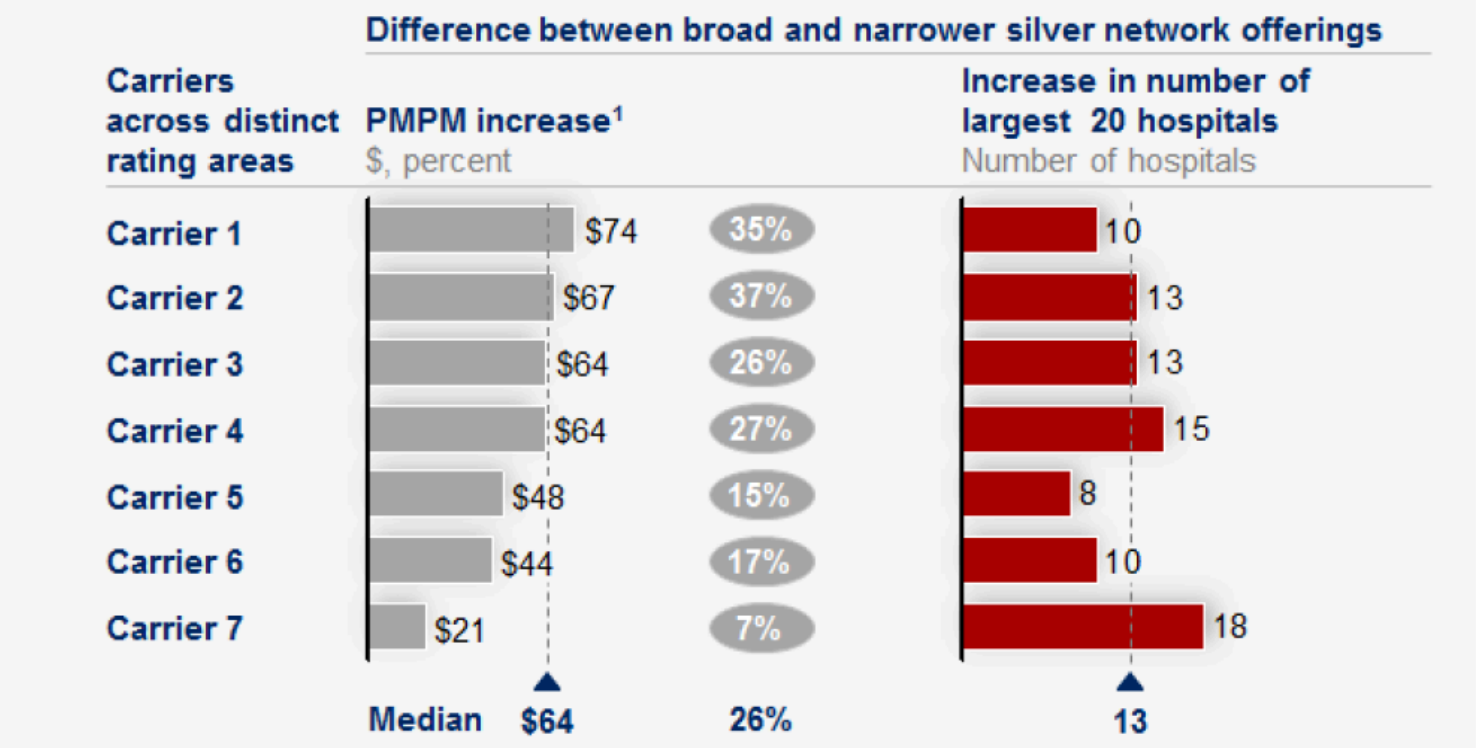
Data as of 11.15.2013

McKinsey & Company

Narrowing of Networks Produced Premium Savings

EXHIBIT 4

Broad networks result in a median premium increase of 26 percent



1 Compares broad and narrow or ultra-narrow networks offered by the same carrier with the same product type (e.g., HMO, PPO) in a given rating area. If more than two networks offered by a carrier meet these criteria, only the broadest and narrowest networks are included. Analysis based on silver premium for 40-year old individual non-smoker

SOURCE: McKinsey Center for U.S. Health System Reform/McKinsey Advanced Healthcare Analytics analysis of publicly available rate filings and carrier information; AHA database

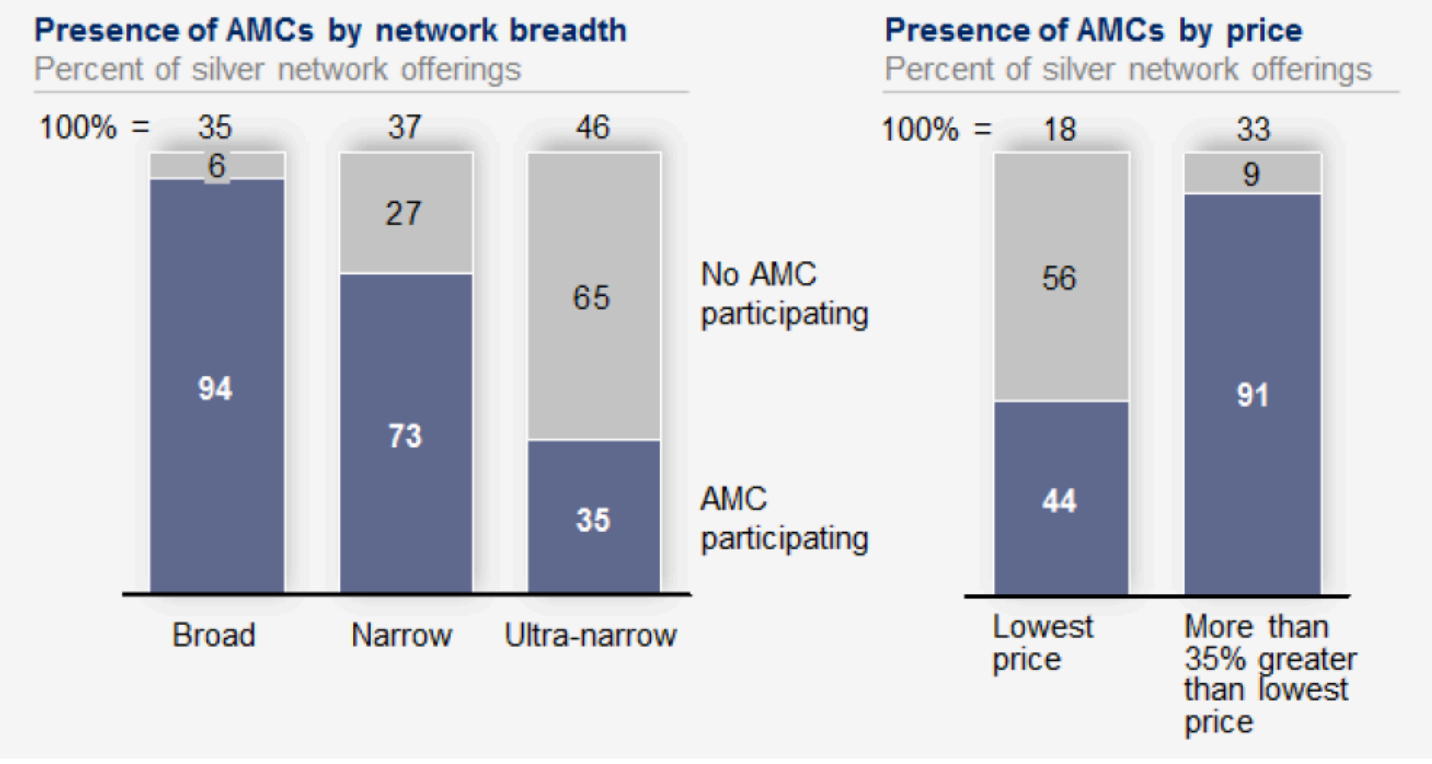
Data as of 11.15.2013

McKinsey & Company

But Lower-Priced, Narrower Networks More Likely to Exclude AMCs

EXHIBIT 8

AMCs are participating in broader and higher-priced exchange networks



1 Analysis based on PMPM for 40 year old non-smoking individual not eligible for premium subsidies

SOURCE: McKinsey Center for U.S. Health System Reform/McKinsey Advanced Healthcare Analytics analysis of publicly available rate filings and carrier information; AHA database

Data as of 11.15.2013

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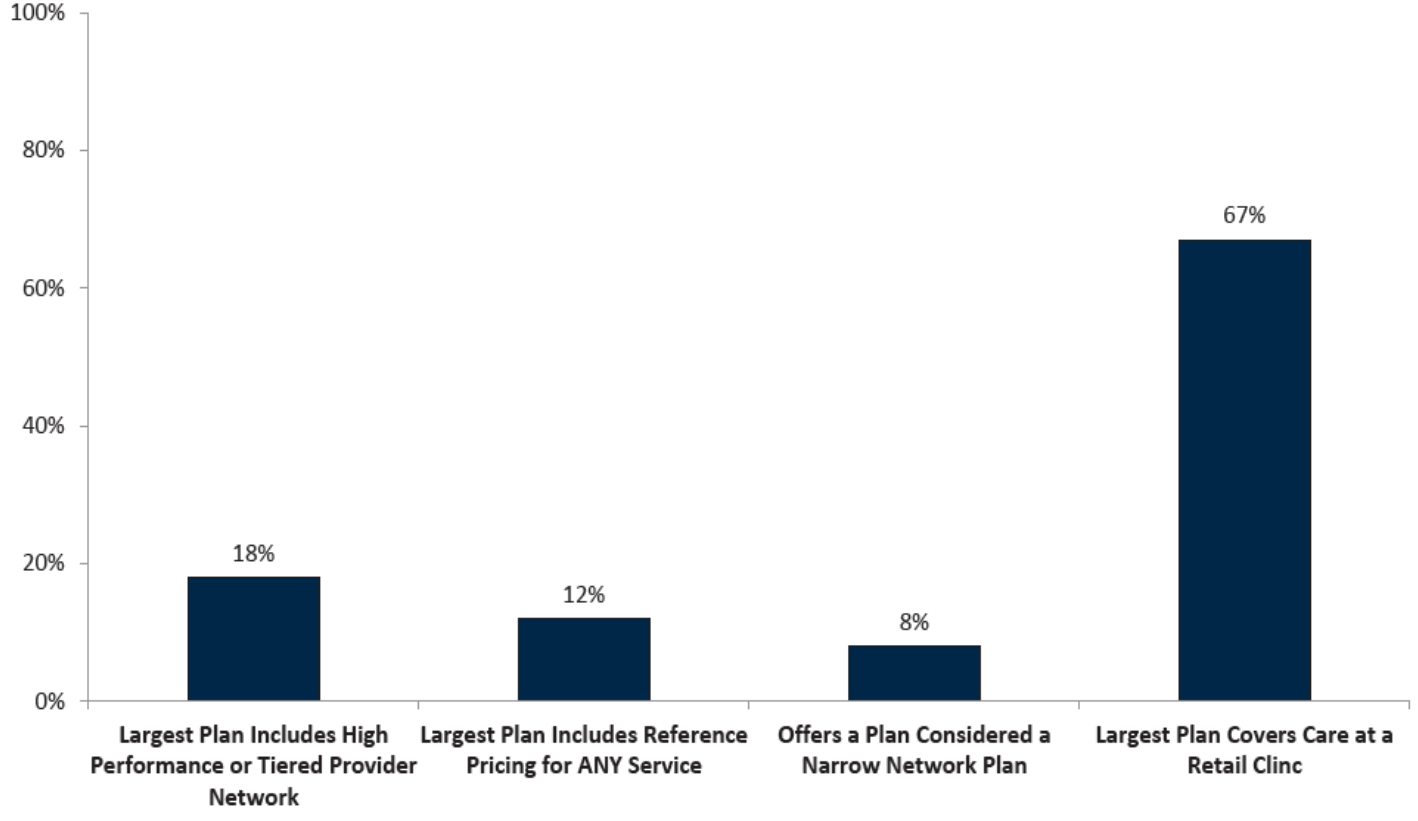
Do Consumers Understand What They Are Buying?

- In one study:[1]
  - Only 14% of individuals could correctly identify four basic components of traditional insurance design: deductible, copay, coinsurance, and out-of-pocket maximum
  - Only 11% could correctly answer a fill-in-the-blank question about the cost of a hospitalization
- Do consumers understand and have accurate information on who is in (and who is not in) the network?

[1]Source: George Loewenstein et al., "Consumers' Misunderstanding of Health Insurance," *Journal of Health Economics* 32 (2013): 850-862

Low Employer Adoption of Tiered and Narrow Network Plans (Thus Far)

Among Large (200 or More Employees), Offering Firms, Percentage of Firms whose Largest Plan has Various Features, 2014



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

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Additional Questions For Providers

- How many providers are in the network and what services will they be contracted to provide?
- Can I trust my projections regarding rates and volumes for the term of the contract?
- Is there transparency of the criteria for tier designation or for inclusion in a (non-exclusive) narrow network?
- Will my payment be fee-for-service or tied to total cost of care/risk-based?
- Who will take the lead on care management with patients (payer or provider)?
- What data will I have access to?