



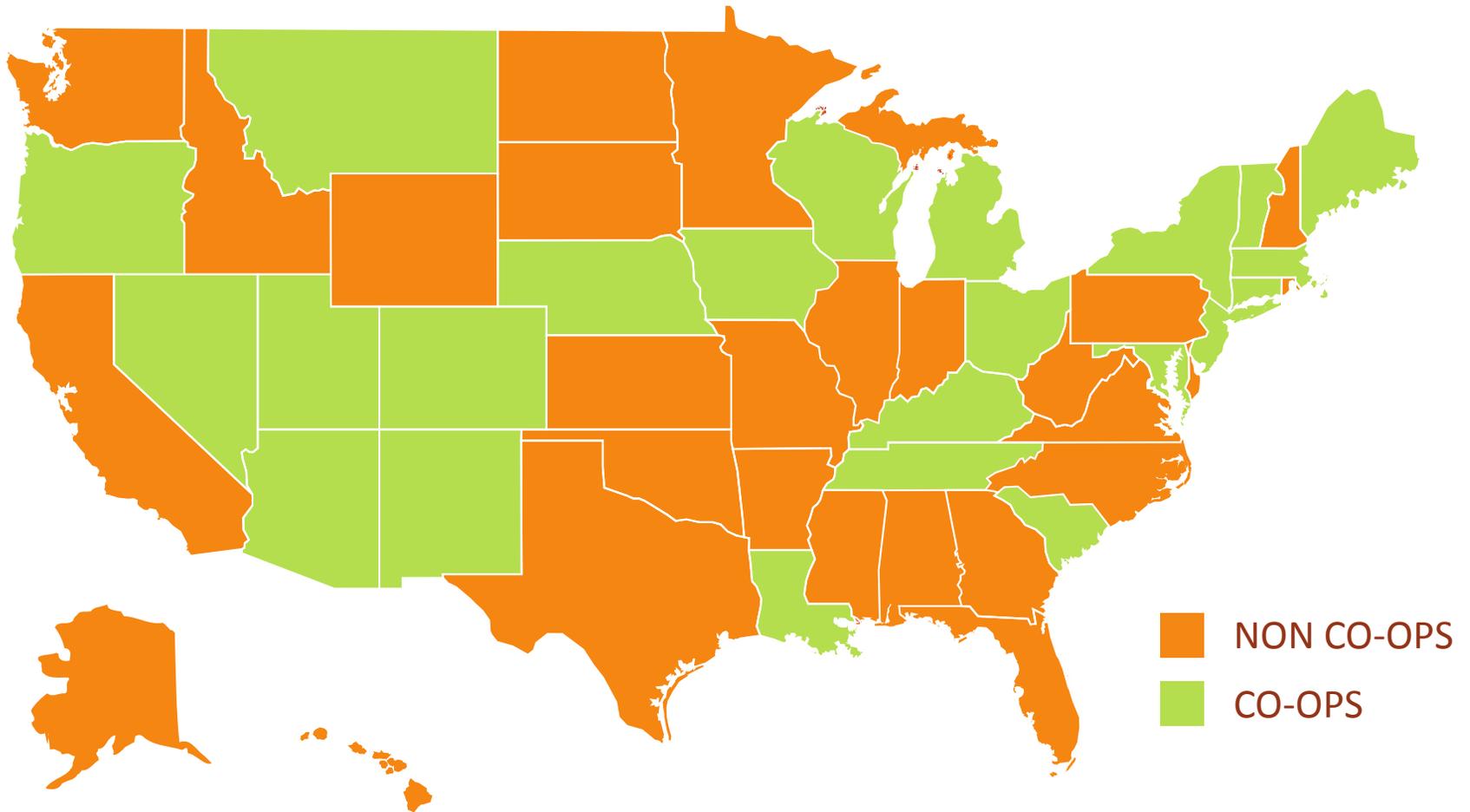
# Utah Legislative Task Force

November 1, 2012

# What is Arches Health Plan?

- A non-profit, member-owned health plan
- Financed by an \$85 million loan under section 1322 of the Affordable Care Act
- Will provide service in all 29 counties in Utah
- Current board of directors comprised of community-minded individuals and experts
- No later than 1/1/16, the board will be entirely elected by the membership (2/3rds of board members must be members)

# CO-OPs Nationwide: 23 CO-OPs in 23 states



# Arches' Board of Directors

- **Chair—Mickey Braun:** Retired Assistant Insurance Commissioner
- **Alan Thurgood:** Retired entrepreneur and IT expert
- **Dennis Kunimura:** Actuary (formerly with PEHP)
- **John Stohl, DMD:** Retired dentist and small businessman
- **Judi Hilman:** Executive Director, Utah Health Policy Project
- **Lisa Nichols:** Executive Director of Midtown Clinic
- **Nuno Battaglia:** Financier and health reform advocate
- **Roberta Herzberg:** Professor at Utah State University

# Arches' Management Team

- **CEO—Linn Baker:** Former Executive Director of PEHP
- **COO/Founder—Shaun Greene:** Former VP of Operations/GM of four health insurance start-ups
- **CFO—Nathan Johns:** Former Controller at HealthEquity
- **CIO—Doug Floore:** Former IBM and EDS executive
- **CLO—John Wunderli:** Former General Counsel at Valley Mental Health
- **CMO—Douglas Roland Smith, MD:** Family physician formerly with IHC

What is Arches' vision?

# Payment Reform

# What is Arches's mission?

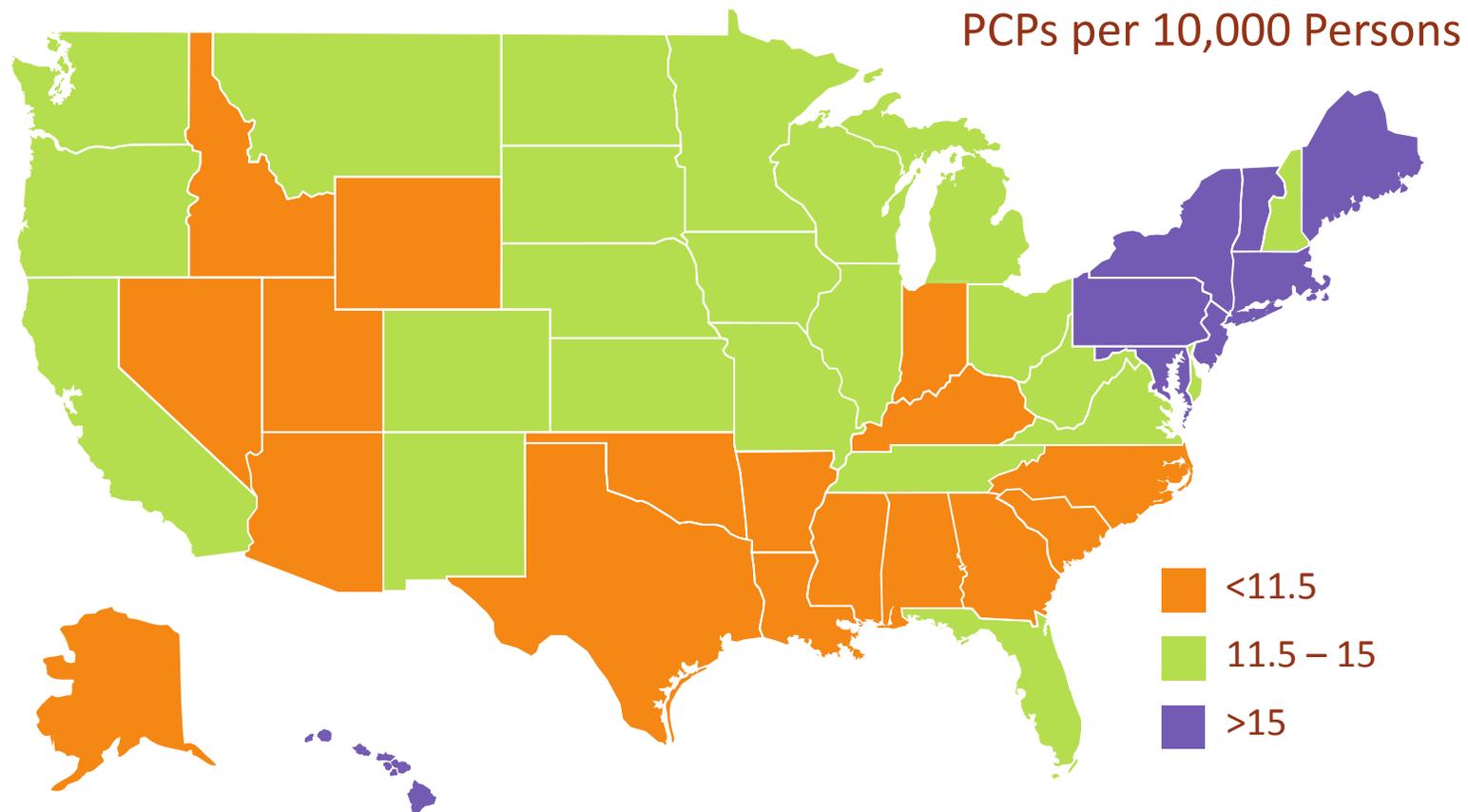
- As Utah's first non-profit, member-owned health insurer, Arches Health Plan facilitates better patient outcomes through encouraging greater collaboration between the doctor and the patient and more physician/patient control in treatment -- creating the most affordable health insurance in the market.

## **BOTTOMLINE:**

**Align incentives for both the patient and the provider**

# Utah is at the bottom for PCPs

## State Variation in the Supply of Primary Care Physicians (PCPs)



# Numbers of practicing Primary Care Physicians is critically low in Utah

- Utah Ranks 50<sup>th</sup> out of 50 States in number of Active Patient Care PCP's per 100,000 pop.
  - Studies show more PCPs increase quality and decrease costs:  
**We need more meaningful PCP access**
- 34% PCP's (58/100,000)
  - 1,700 Patients/PCP in Utah Ranked #50
  - 1,260 Patients/PCP National Ave
  - 897 Patient/PCP in Vermont Ranked #1
- 66% Specialists (170/100,000)

# Primary Care Solution for Utah

- We need more Primary Care Providers
- If we can't get more, we need to Leverage their Capacity.
- This increased Capacity needs to be Meaningful and Effective at Lowering Costs and Providing Better Outcomes.
- Medical Home model provides framework for Increased Primary Care capacity.

# What is an Arches Medical Home?

- **Medical Home**
  - Capitation with Quality Bonus
  - “Quarterback” — PCP coordinates care for Team Based approach
  - Expand Capacity through use of Extenders (e.g. MA, PA, NP, Health Coaches, etc.)
  - Assumes Technical Risk
  - No Probability Risk
- **HMO/ACO**
  - Capitation
  - “Gatekeeper” — Rations Providers
  - Limited Team Approach
  - Lean and Low-Cost
  - Assumes Technical Risk
  - Assumes Probability Risk

**Team Based Care → Right Care, Right Place, Right Time, Right Price**

# Arches' secondary care vision: Address the dysfunctional market

## **ISSUES:**

- Price fixing by largest purchasers of health care
- Excess capacity (Hospital diagnostic equipment, etc.)
- Over utilization
- Competition based on premiums is ineffective
- Cost of a medical service or supply not available to consumer before purchase

## **SOLUTION:**

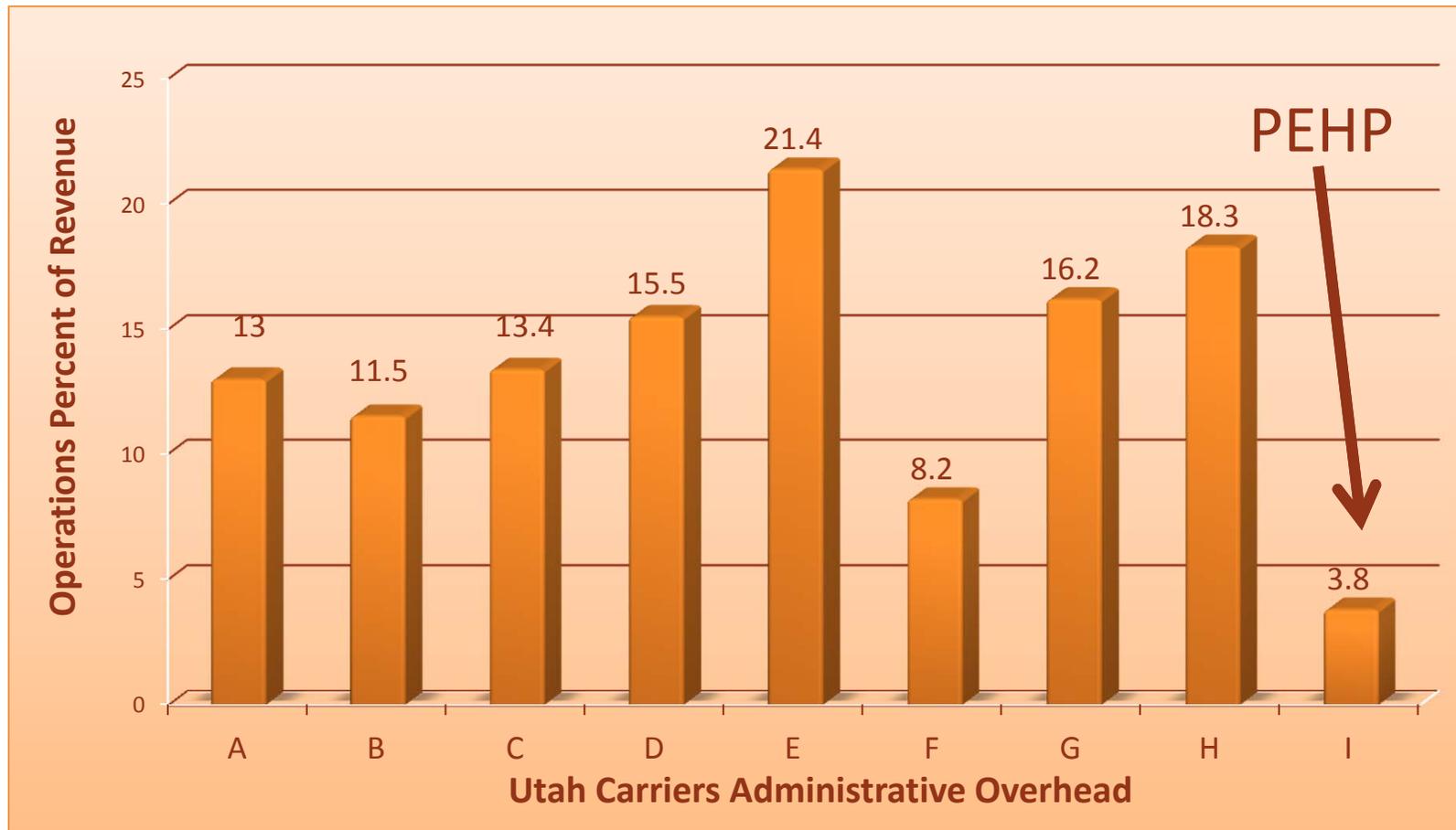
- Global Payments (Centers of Excellence)

# Why Centers of Excellence?

Claims	Members	%	Dollars	%
Over \$100,000	204	0.11%	\$53,200,000	11.00%
Over \$50,000	445	0.24%	\$48,400,000	10.00%
Over \$25,000	1,112	0.60%	\$59,000,000	12.20%
Over \$10,000	3,670	1.98%	\$84,600,000	17.50%
Over \$5,000	7,266	3.92%	\$79,800,000	16.50%
Over \$2,500	10,714	5.78%	\$58,500,000	12.10%
Less than \$2,500	161,948	87.37%	\$100,100,000	20.70%
TOTAL:	185,359	100.00%	\$483,600,000	100.00%

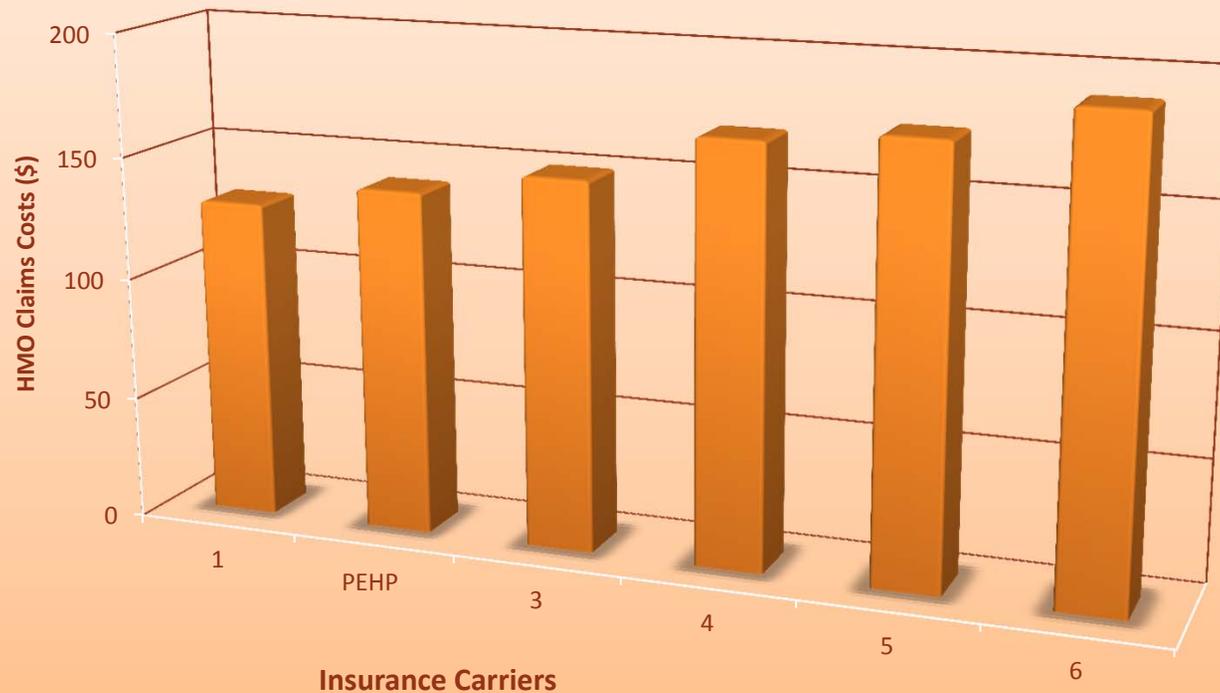
- **2.93% of the members used 50.7% of the claims dollars**
- **12.63% of the members used 79.3% of the claims dollars**

# Frustration of solving dysfunctional market: The case of PEHP



# Even with the best operational overhead and 2<sup>nd</sup> best claims PMPM, PEHP still required increases

**HMO Claim Costs. PEHP's HMO claim costs are second to the lowest.**



# To enable the creation of Centers of Excellence a robust All Payers Data Base is required

## Example: Physician Selection

### Specialty Episode Case-Mix Summary Top ETGs, by Total Costs (Complete Episodes of Care)

#### Episodes

ETG Description	Episodes	Specialist's Cost/episode	Peers Cost/episode
Joint Degeneration, Localized	17.0	\$5,198.72	\$7,605.53
Joint Derangement	23.0	\$1,998.97	\$2,803.19
Bursitis and Tendinitis	5.0	\$1,112.43	\$884.87
Fracture or Dislocation, Closed, Upper Extremity Ha	11.0	\$982.87	\$1,373.83
Carpal Tunnel Syndrome	1.0	\$2,638.89	\$2,801.72
Orthopedic Congenital or Acquired Deformity	1.0	\$64.63	\$196.11
Fracture or Dislocation, Closed, Thigh, Hip and Pelvis	0.0	\$0.00	\$0.00
Fracture or Dislocation, Closed, Lower Extremity	5.0	\$479.78	\$1,018.63
Minor Orthopedic Trauma	3.0	\$449.78	\$375.93
Other Episodes	12.0	\$717.64	\$368.59
All Episodes	79.0	\$2,103.50	\$2,923.34

# The solution is creation of Centers of Excellence for episodes of care payment

## Example: Maternity Selection

MEASURES as values	A	B
Allowed Amount per Episode	\$8,412.57	\$10,240.12
Peers Allowed Amount per Episode	\$9,237.32	\$9,663.90
Allowed Amount per Encounter	\$471.92	\$436.18
Peers Allowed Amount per Encounter	\$518.19	\$411.64
Encounters per 1,000 Episodes	17,826.20	23,476.70
Peer Encounters per 1,000 Episodes	1,958.46	20,019.10
Allowed Amount	\$1,404,900.00	\$1,617,939.00
Cost Efficiency	0.91	1.06
Peers Allowed Amount	\$1,542,633.14	\$1,526,896.80
Standard Amount	\$1,453,145.00	\$1,538,305.00
Peers Standard Amount	\$1,518,321.00	\$1,503,658.00
Standard Amount per Episode	\$8,701.46	\$9,736.11
Peers Standard Amount per Episode	\$9,091.74	\$9,516.82
Standard Amount per Encounter	\$488.13	\$414.71
Peers Standard Amount per Encounter	\$464.23	\$475.39
Encounters	2,977.00	3,709.00
Peers Encounters	3,271.00	3,163.00
Encounters Efficiency	0.91	1.17
Risk Score	3.25	3.40
Episodes	167.00	158.00

# Example: Fee-for-service for prostate procedure

Description	Charged	Allowed	Co-Pay	Paid	Patient Responsibility
Initial Exam	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Biopsy of Prostate	\$350.00	\$269.00		\$249.00	\$61.00
X-Ray Labs	\$602.00	\$322.00	\$20.00	\$322.00	\$280.00
Pathology	\$1,656.00	\$997.00		\$997.00	\$659.00
Pre-op Labs	\$421.00	\$240.00		\$240.00	\$181.00
Surgery	\$10,000.00	\$2,015.00		\$2,015.00	\$7,985.00
Hospital	\$23,134.00	\$17,848.00	\$1,028.00	\$17,644.00	\$4,258.00
Anesthesia	\$1,440.00	\$851.00		\$851.00	\$589.00
Follow Up Visits/Labs	\$1,280.00	\$1,030.00		\$1,030.00	\$250.00
<b>TOTAL</b>	<b>\$38,533.00</b>	<b>\$23,572.00</b>	<b>\$1,048.00</b>	<b>\$23,348.00</b>	<b>\$14,263.00</b>

CENTER OF  
EXCELLENCE



*Guide  
to Prostate  
Cancer*



# Results: Centers of Excellence for prostate

Description	Charged	Allowed	Co-Pay	Paid	Patient Responsibility
Initial Exam	\$210.00	\$185.00	\$25.00	\$160.00	\$0.00
Biopsy of Prostate	\$350.00	\$275.00	\$25.00	\$250.00	\$0.00
X-Ray Labs	\$602.00	\$185.00		\$185.00	\$0.00
Pathology	\$1,680.00	\$1,459.00		\$1,459.00	\$0.00
Pre-op Labs	\$635.00	\$411.00	\$50.00	\$361.00	\$0.00
Surgery	\$5,370.00	\$3,600.00		\$3,600.00	\$0.00
Hospital	\$26,665.00	\$7,155.00	\$1,073.00	\$6,082.00	\$0.00
Anesthesia	\$1,458.00	\$999.00	\$100.00	\$899.00	\$0.00
Follow Up Visits/Labs	\$256.00	\$182.00	\$25.00	\$157.00	\$0.00
<b>TOTAL</b>	<b>\$37,226.00</b>	<b>\$14,451.00</b>	<b>\$1,298.00</b>	<b>\$13,152.00</b>	<b>\$0.00</b>

- Total cost non-Center of Excellence: \$38,533 (Patient paid \$14,263)
- Total cost Center of Excellence: \$14,451 (Patient paid \$1,298)



# QUESTIONS?