Making Insurance Sustainable and Affordable:
A Utah Perspective
August 23, 2017

Greg Poulsen
Senior Vice President and Chief Strategy Officer

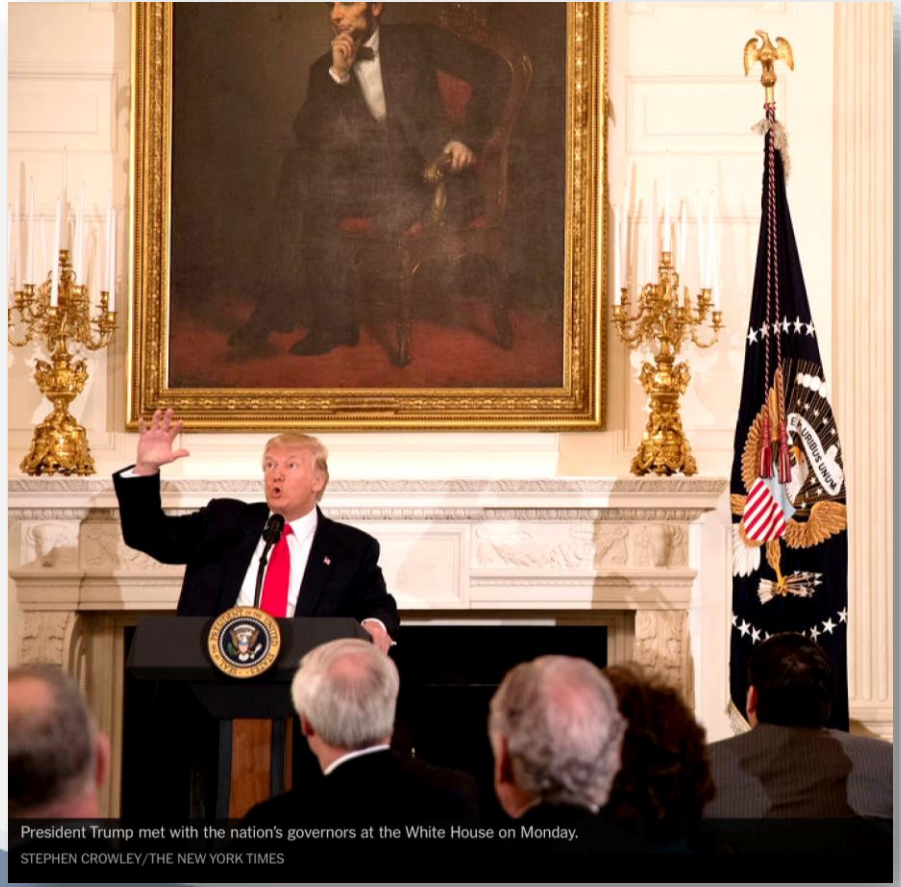


Photo: The New York Times

Public Policy has a tremendous impact on access to affordable healthcare for *all* Americans

"I have to tell you, it's an unbelievably complex subject. Nobody knew that health care could be so complicated."

- *President Donald Trump*

Addressing the nation's governors on Feb 27, 2017

Dealing with the Exchanges

- 23 million people now have coverage through “Affordable Care Act” commercial insurance plans (200,000 in Utah)
- The majority are on the exchanges and receive significant subsidies
- 80% of the people who entered the exchanges came from some other form of insurance – they were not all uninsured. With few exceptions, their prior insurance options no longer exist
- The exchanges are structurally broken, but eliminating them without effective replacement would leave more people without insurance than before the ACA was implemented
- (This is why Intermountain and the University of Utah continue to offer insurance on the exchange in spite of major negative financial impact)

The Exchanges Are Structurally Flawed

The current approach has “community rating” and “guaranteed issue” combined with opportunities for people to opt out of coverage. This is a toxic combination that may continue the death spiral that exists in most states today

Underlying Instability in the Exchanges

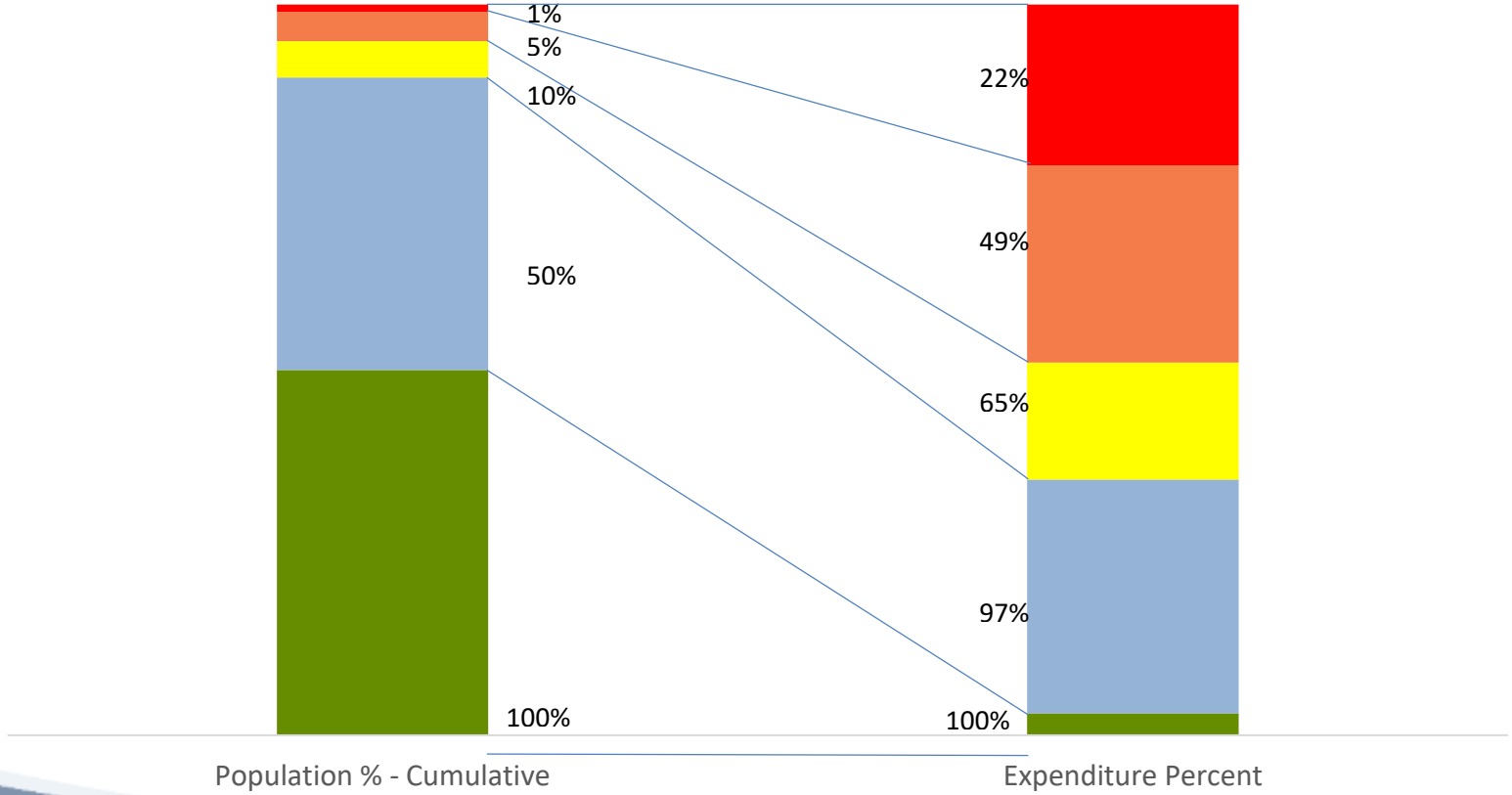
Sally
Age: 24
ACA Premium: $2,900 / Yr
Expected Cost: $1,250 / Yr
Range (95%): $0 – $22,000 / Yr

Steve
Age: 44
ACA Premium: $4,200 / Yr
Expected Cost: $268,000 / Yr
Range: $185,000 – $750,000 / Yr

Rick
Age: 64
ACA Premium: $8,500 / Yr
Expected Cost: $6,300 / Yr
Range: $200 – $65,000 / Yr

Source: *The High Concentration of Healthcare Expenditures*, AHRQ, Research in Action #19

Healthcare expenditures are highly concentrated



Source: *The High Concentration of Healthcare Expenditures*, AHRQ, Research in Action #19

An Example

SPINRAZA™ (nusinersen) injection 12 mg/5 mL

Spinal muscular atrophy is a genetic disease that strikes infants, children and occasionally, adults

Prevalence varies from 1 in 5,000 to 1 in 10,000 in the American population

The disease progresses toward death at varying rates; there is currently no cure

A new drug, Spinraza, was approved by the FDA in December of 2016. It can stop progression of the disease in approximately 40% of victims

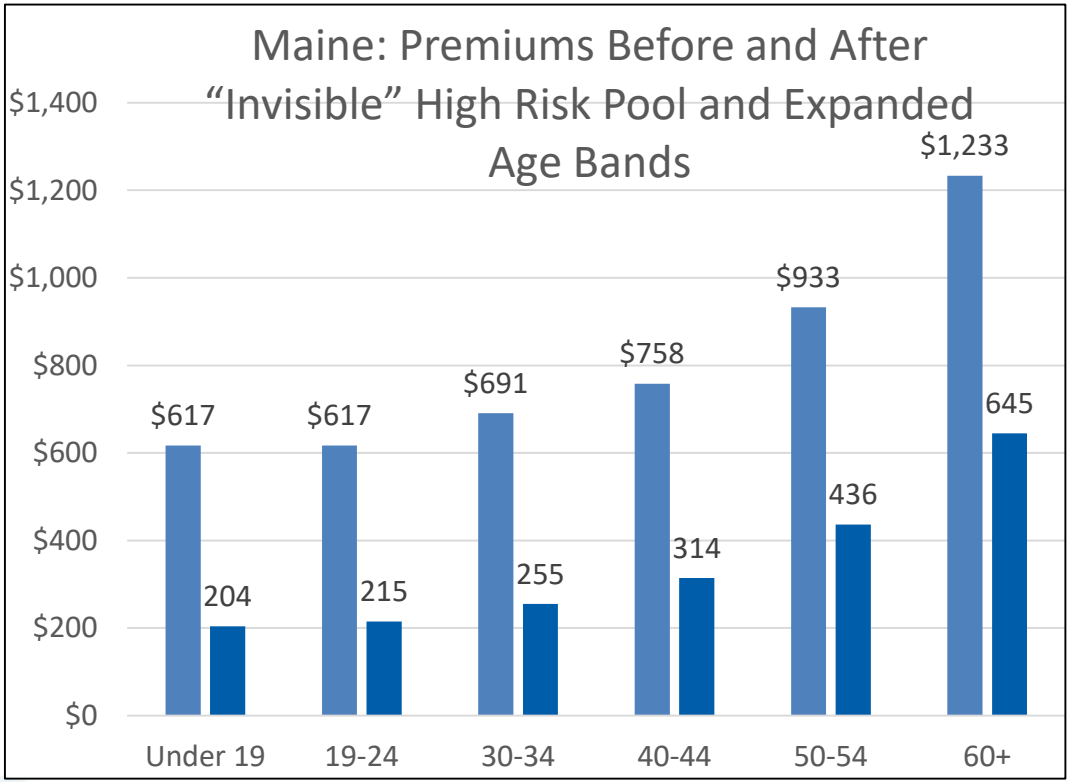
Application of the drug costs $750,000 for the first year, with an additional cost of $375,000 per year for the rest of the patient's life

The Exchange concept was originally a conservative, market-based idea

The Individual Markets and Exchanges CAN be Fixed

- Allow market pricing to reflect age accurately (non-participation of healthy people under age 35 is the #1 problem today)
- Recreate the “high risk pool” concept for those with very high but predictable health costs
  - Tax funding is the only practical and equitable way to fund this extremely expensive group, as both conservative and liberal states demonstrated prior to the ACA – Ideally this source should be Federal
  - Grouping these people with dramatic medical needs and costs would provide greater focus, improving both quality and cost, and provide benefit designs that are better-suited to their situation
- Reduce subsidies for those with higher incomes to encourage those with access to employer-based insurance to use it (and to keep employers in the game)
- Provide strong incentives to keep people from transitioning in and out of insurance coverage

The Maine Experiment Shows Promise



Maine tried guaranteed issue and community rating before the ACA. It was subject to the same market failure that has impacted ACA programs in most states

Maine learned from these bad experiences and, under the ACA and with waivers from CMS, implemented high risk coverage for people with predictable, high-cost health issues. They also expanded age bands to more accurately reflect actual cost

Source: *How Congress Can Lower Premiums and Deal With Pre-Existing Conditions,* Allumbaugh et al, Health Affairs, March 2, 2017

A Healthy Individual Insurance Marketplace

Sally
Age: 24
Premium: ~~$2,900~~ $1,250 / Yr
Expected Cost: $1,250 / Yr
Range (95%): 0 – 22,000 / Yr

Rick
Age: 64
Premium: ~~$8,500~~ $6,300 / Yr
Expected Cost: $6,300 / Yr
Range (95%): 200 – 65,000 / Yr

$$\frac{\text{Cost}}{\text{Person}} = \frac{\text{Episodes}}{\text{Person}} \times \frac{\text{Processes}}{\text{Episode}} \times \frac{\text{Cost}}{\text{Process}}$$

Population Utilization

Intracase Utilization

Efficiency

Intermountain Healthcare

Variation = Opportunity

(Generally)

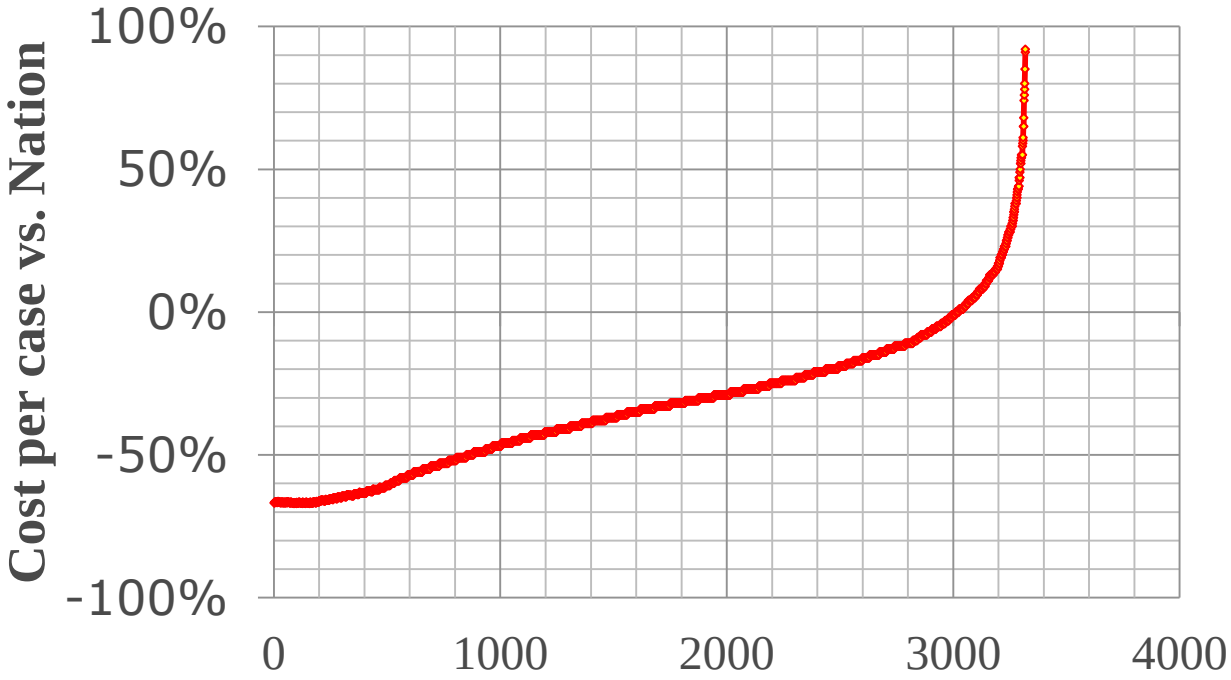
Population Utilization

Intracase Utilization

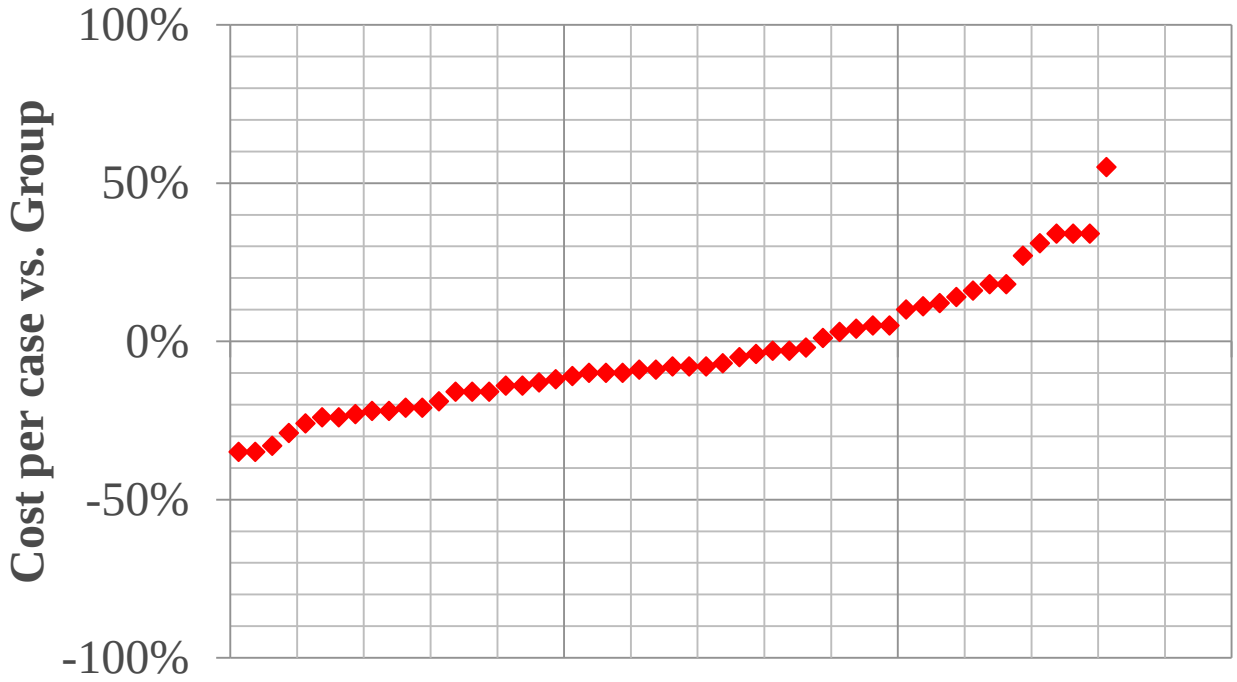
Efficiency

Intermountain Healthcare

US Hospitals: Cost Per Case vs. National Average (For Like Cases)



High Reputation Hospitals and Cost Per Case (For Like Cases)



Identifying Efficiency and Intracase Utilization Differences

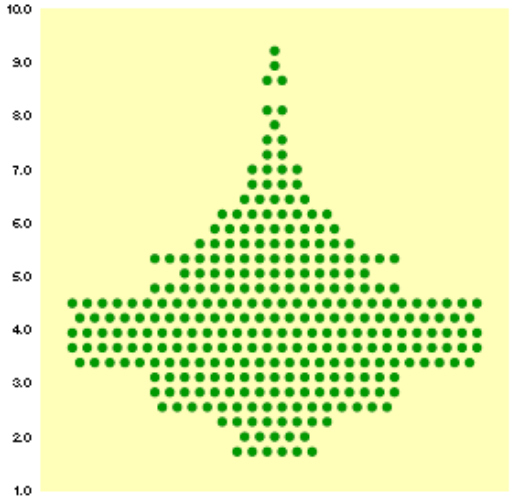
- Length of Stay
- Intensive Care Percentage
- Intracase Imaging Use
- Laboratory Use
- Surgical Use
- ER use for Inpatient Care

Variation – 25th Percentile vs. 75th Percentile

	Population Utilization	Intracase Utilization	Efficiency
National		40%	25%
Regional (Utah*)		25%	15%

*Results based on Utah data. Other regions may have different results, but are probably directionally similar.

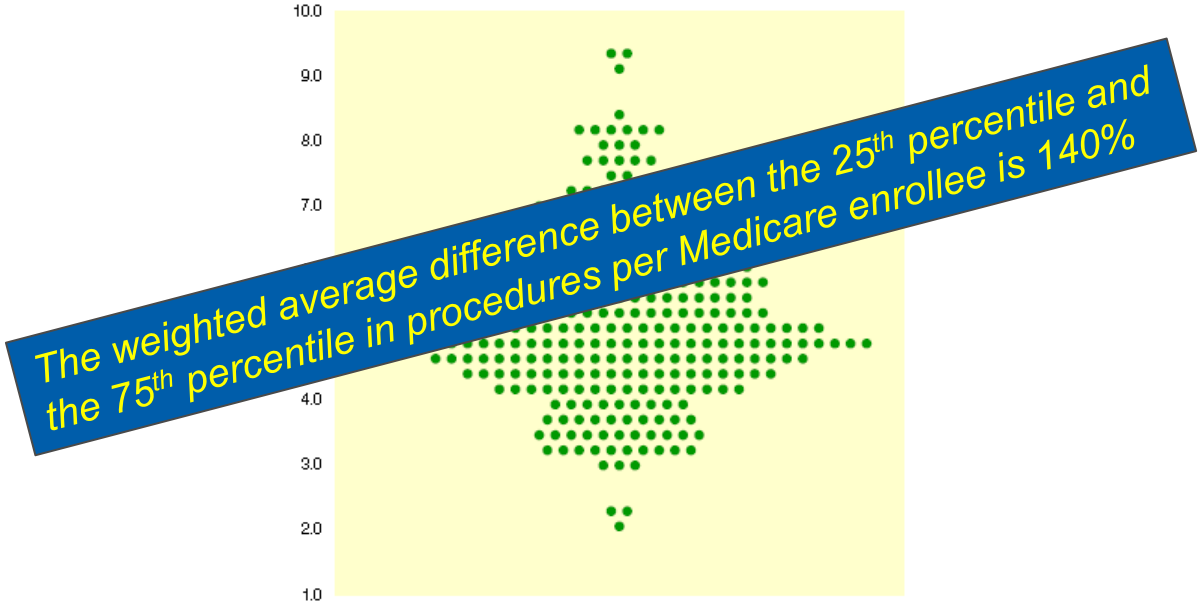
“It’s the Population Utilization”



Spine Surgery Use Rate per 1,000 Medicare Enrollees

Source: The Dartmouth Atlas of Health Care: Studies of Surgical Variation

"It's the Population Utilization… Really"



Coronary Artery Bypass Rate per 1,000 Medicare Enrollees

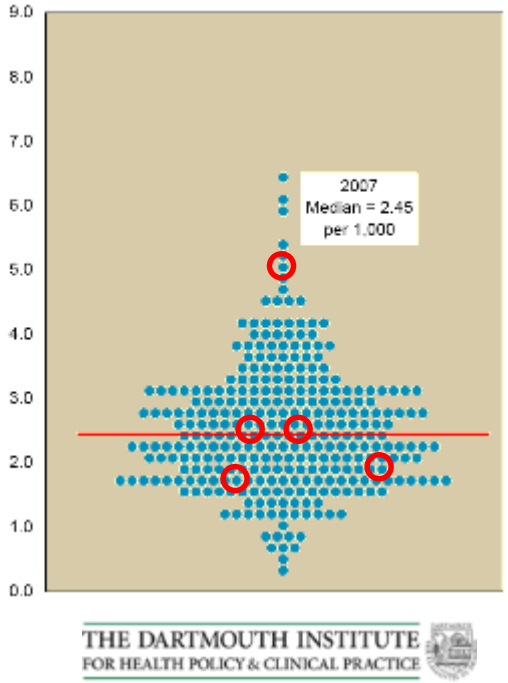
Source: The Dartmouth Atlas of Health Care: Studies of Surgical Variation

Variation – The Bottom vs. Top Quartile

	Population Utilization	Intracase Utilization	Efficiency
National	140%	40%	25%
Regional (Utah*)	50%	25%	15%

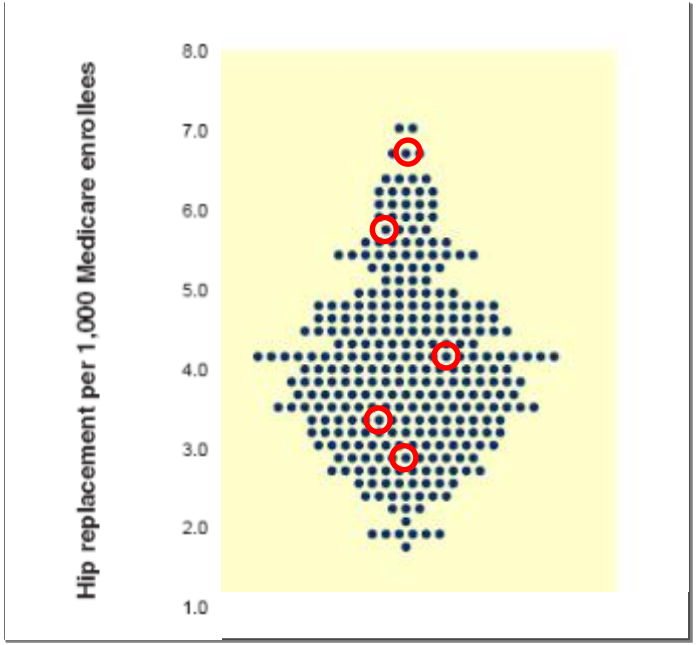
*Results based on Utah data. Other regions may have different results, but are probably directionally similar.

Carotid Stent Placement per 1,000 Medicare Enrollees



Source: Dartmouth Atlas of Healthcare

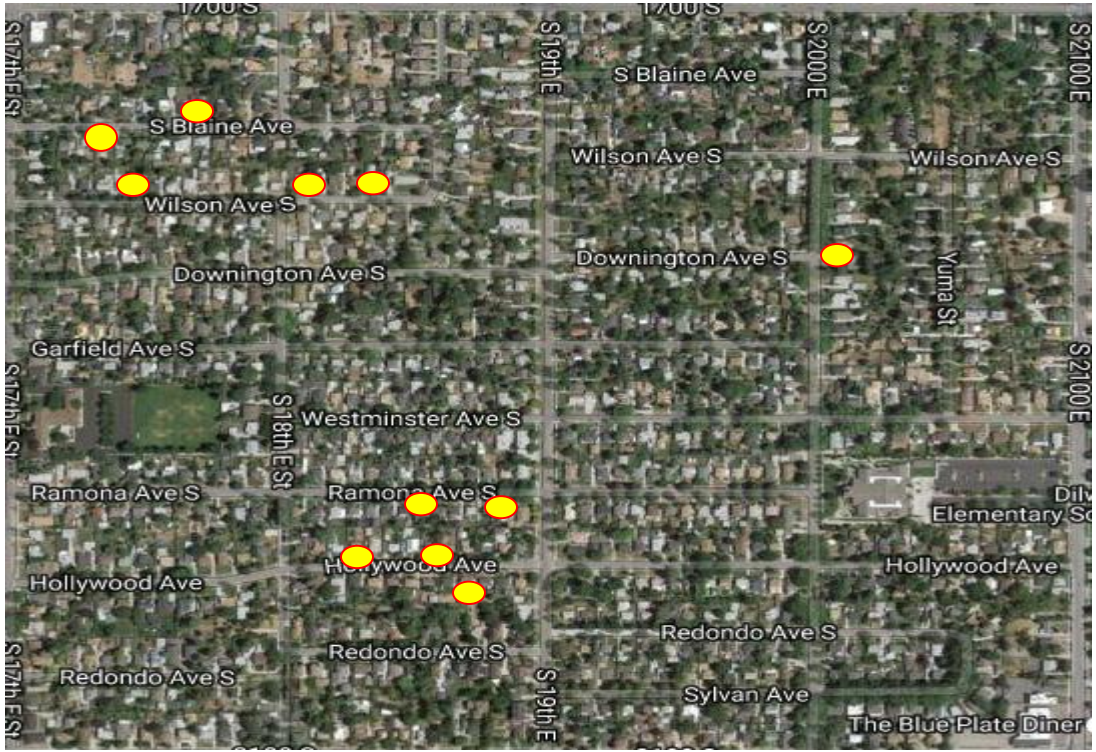
Hip Replacements per 1,000 Medicare Enrollees



THE DARTMOUTH INSTITUTE
FOR HEALTH POLICY & CLINICAL PRACTICE

Source: Dartmouth Atlas of Healthcare

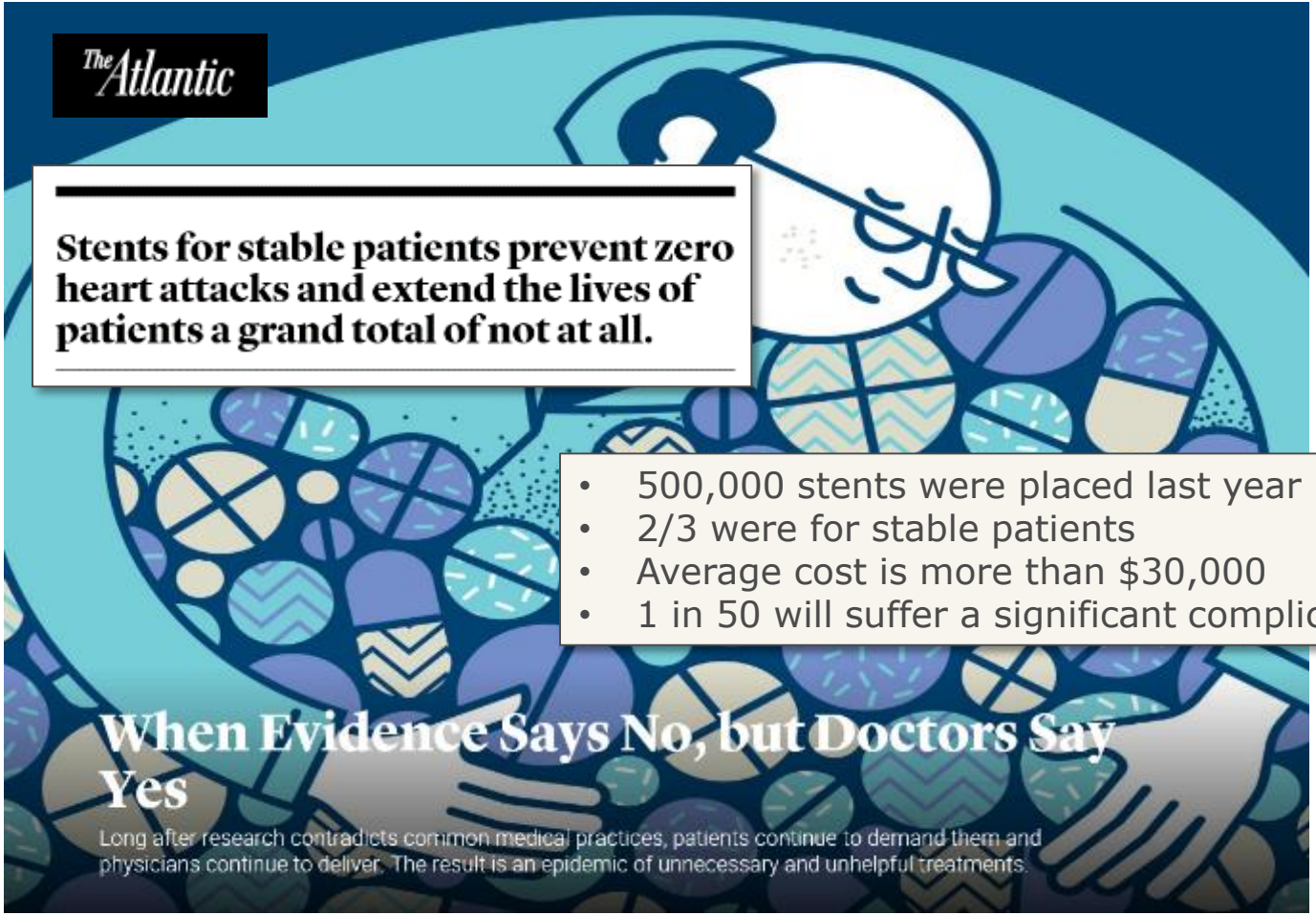
Pathbreaking work by Intermountain's crack analytics team has now proven that osteoarthritis of the knee is a communicable disease



NOTE: The location has been modified to protect patient privacy.

“Half of what you are taught as medical students will in ten years have been shown to be wrong; and the trouble is, none of your teachers knows which half.”

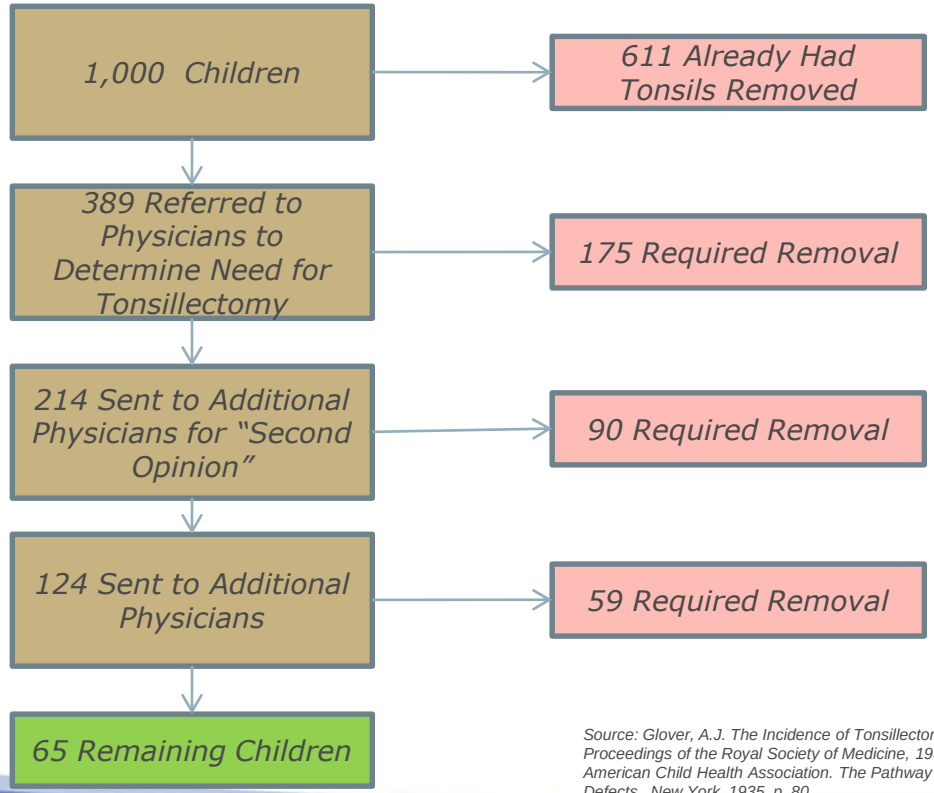
C. Sidney Burwell, MD
Dean, Harvard Medical School, 1935-1949



- 500,000 stents were placed last year
- 2/3 were for stable patients
- Average cost is more than $30,000
- 1 in 50 will suffer a significant complication

Source: Atlantic, February 22, 2017

American Child Health Association – New York Tonsil Study, 1934
1,000 Students in New York Public Schools Examined to Determine "Unmet" Need for Tonsillectomy



Source: Glover, A.J. The Incidence of Tonsillectomy in School Children. Proceedings of the Royal Society of Medicine, 1938.31 p. 1219-36
American Child Health Association. The Pathway to Correction in Physical Defects. New York, 1935, p. 80

Rewarding Providers for Total Value Improves Performance

- Organizations here and elsewhere have demonstrated that costs are lower when payment is correctly provided
  - Utah Medicaid has a very strong track record of constraining costs while offering very high quality services. The "ACO" concept of providing payment to meet the totality beneficiaries' needs has proven to be very successful; Utah has among the lowest cost in the nation, one of the lowest trend (increase) rates, and very high beneficiary satisfaction
  - Elsewhere, organizations such as CareMore and Health Care Partners have shown the ability to take excellent care of unusually vulnerable Medicare enrollees, and to do it at a much lower cost. They can afford to do this because they are rewarded for doing this (by being prepaid)
- Organizations can invest in capabilities that improve quality while lowering cost; but traditional payment mechanisms punish such innovation (prevention and low-intensity care are less remunerative than high-intensity treatment in the traditional payment world)

A single group of thoracic surgeons provided exclusive care in two Utah hospitals.

	Hospital A	Hospital B
All – Cause Mortality (National Average=3.4%)	0.91%	2.88%

Source: Utah Health Data Committee, Hospital Discharge Data Base, 2006.

Questions?