Health Care Provider and Payer Markets in Wisconsin: Key Trends and Issues

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Presentation Outline

• Key Trends for Health Plans and Provider Systems
• Payment Arrangements: Shared Risk and Performance Incentives
• Changes in Medicaid and Implications for Provider Systems
• Exchange Health Plans: New Entrants, Benefit and Network Design and Early Results
• Employer Purchasing Strategies
Background: Analyzing Payer and Provider Markets

• Using template developed in Minnesota to analyze payer and provider markets in eight states.
• Health plan data from Departments of Insurance and Employee Trust Funds and CMS
• Hospital data from Wisconsin Hospital Association annual surveys and CMS reports
• Interviews with leaders in health plan and provider organizations, state agencies, purchasers, other observers
Health Plan Trends: Enrollment

- Medicare Supplement/Other
- Medicare Advantage
- Medicaid/BadgerCare
- Commercial
Health Plan Enrollment

• Steady decline for employer groups who leave SE Wisconsin HMOs for high deductible PPO plans, often self-funded.

• HMO model still widely used by employers in Madison and other submarkets

• Strong growth in Medicaid/BadgerCare HMOs to 40% of all HMO enrollment. But exit of UnitedHealthcare wiped out much of that; total HMO enrollment fell by 100,000 lives in 2012
Health Plan Profits


-100,000,000
-50,000,000
0
50,000,000
100,000,000
150,000,000
200,000,000

CompCare
Dean Health
Humana
Managed Health
Network Health
Security
Physicians Plus
Touchpoint*
UnitedHealthcare
ALL HMOs
Health Plan Profits

- HMO profits overall weak: average margins of 1.5% in 2011, 1.7% in 2010
- Some provider-sponsored HMOs suffered large losses, especially on employer groups
- Medicaid has not been strongly profitable here as in other states, especially in past two years.
Outlook for Health Plans: Exchange

• Many health plans selling in Wisconsin exchange, including new competitors: Common Ground co-op and Molina

• State promotion efforts and enrollment numbers (about 56,000) at end of January were small

• Only a few plans offered in many counties of state

• Prices are generally higher here than in Minnesota; but not a simple comparison. Locally dominant providers affect pricing

• Medicaid expansion would be a big boost for HMOs, but not supported by administration
Outlook for Health Plans: Medicare and Medicaid

- Medicare enrollment doubled in past four years.
- UnitedHealthcare and Security are the largest Medicare HMOs; Humana has largest PPO for MA.
- Most Medicare Advantages plans in state earned 4-5 stars and gain rewards.
- State’s enthusiasm for Medicaid managed care has faded and payments and profits are lower.
- Wisconsin continues to expand Partnership and other programs for aged, disabled Medicaid recipients. Aged/disabled are 25% of Medicaid recipients but 67% of spending.
Outlook for Health Plans: Employers

• In SE Wisconsin employers have left HMOs in favor of PPOs, often self-funded

• Formed 3-way partnerships with (self-funded) employers, health plans and provider networks, Examples: Aurora with Anthem; business coalition with all providers

• In other parts of the state, HMO is still preferred by employers, public and private, but

• State looking at move away from HMOs for its employees
Provider System Trends: Key Themes

• Continued consolidation of systems, but also a shift to strategic partnerships
• Continued high level of capital investment
• Generally strong profitability
• Strong success by ACOs and other kinds of shared savings demonstrations
Net Income of SE Wisconsin Systems

- Aurora Health
- Wheaton Franciscan
- Columbia St. Mary’s
- Froedtert Health
- Pro Health
- Children’s
Declining Inpatient Volume
System Growth, Affiliations

• New construction by Aurora, UW, Wheaton-Franciscan and other systems; are they competing for a shrinking pie of inpatient care?

• Ascension (St. Louis) takes over Ministry hospitals, including Affinity Health. Lots of M&A for Catholic hospitals. National deals with local impact

• Distance makes the heart grow fonder? Aurora partnership with University of Wisconsin?

• In Madison: SSM takes over Dean Clinic and health plan; UnityPoint of Iowa takes over Meriter Health and Physicians Plus HMO
New Provider Strategies

- Health reform (ACA) and market trends encourage mergers, but:
- Mergers have reached saturation point in some metropolitan areas -
- New theme: avoiding FTC objections by
  - crossing local market boundaries,
  - Forming strategic partnerships
- Crossing for-profit and non-profit sector lines: examples of Aurora-IASIS, Ascension
High Level of ACO Activity

• Seven Medicare shared savings or Pioneer ACOs in Wisconsin, including ThedaCare, one of the most successful

• Success by Marshfield Clinic in Physician Group Practice Demonstration

• Commercial ACO arrangements – Aurora with Anthem; the “everyone but Aurora” ACO, Quality Health Solutions with UnitedHealthcare

• Multiple nonprofits involved in setting quality standards, gathering, exchanging and disseminating data on cost and outcomes
Outlook for Provider Systems

• Impact of Medicaid changes, exchange limited network plans: pressure to accept lower prices in exchange for access to newly insured patients

• Payers – Medicare, private – increasingly link payment to performance. Penalizing high readmission rates, rewarding savings coupled with quality improvement. New focus on bundled payments.

• HMO use of capitation is relatively high here, though biggest users are provider-sponsored plans like Dean Health, Physicians Plus and Gundersen.
In Summary

• Provider systems continue growth strategies, but in less conventional ways and directions

• Providers need to respond to pressures from health plans and purchasers alike, who are asking providers to work for less while focusing on quality improvement

• Health plans have broad challenges and focused opportunities through lines of business: Medicare Advantage, Medicaid for aged and disabled and exchange plans for individuals and small groups
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