

# MichBusiness Healthcare Review:

A strategic overview of trends, new offerings  
and potential solutions

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Blue Care Network

# Agenda!

- 1 . The cost issue
- 2 . Provider network evolution
- 3 . Emerging technologies
- 4 . Private Exchange
- 5 . Q&A

A photograph showing a stack of US dollar bills, with a stethoscope resting on top. The bills are slightly out of focus, and the stethoscope is the central focus. The text "The Cost Issue" is overlaid on the image in a handwritten-style font.

# The Cost Issue

# It's the providers' fault...





31%

Of health care spending is due to  
administrative cost created by  
insurance carriers

69%

The amount that individual premiums increased on a PMPM basis from 2013 to 2015 due to Obamacare



2.4% or \$55.6B

The impact of medical liability (malpractice insurance, defensive medicine, etc.) has on the cost of health care annually

600%

The cost increase of  
EpiPens from 2009  
to 2016

\$1

The cost of epinephrine



# 38% to 65%

The amount of cost increases  
attributed to advances in medical  
technology



26%

Of healthcare costs can be  
attributed to modifiable lifestyle  
decisions

Regardless, we're all feeling the strain...

From 2005 to 2015, the cost of health insurance increased...

61% 54% 83%

In total

To employers

To employees

Kaiser Family Foundation 2015



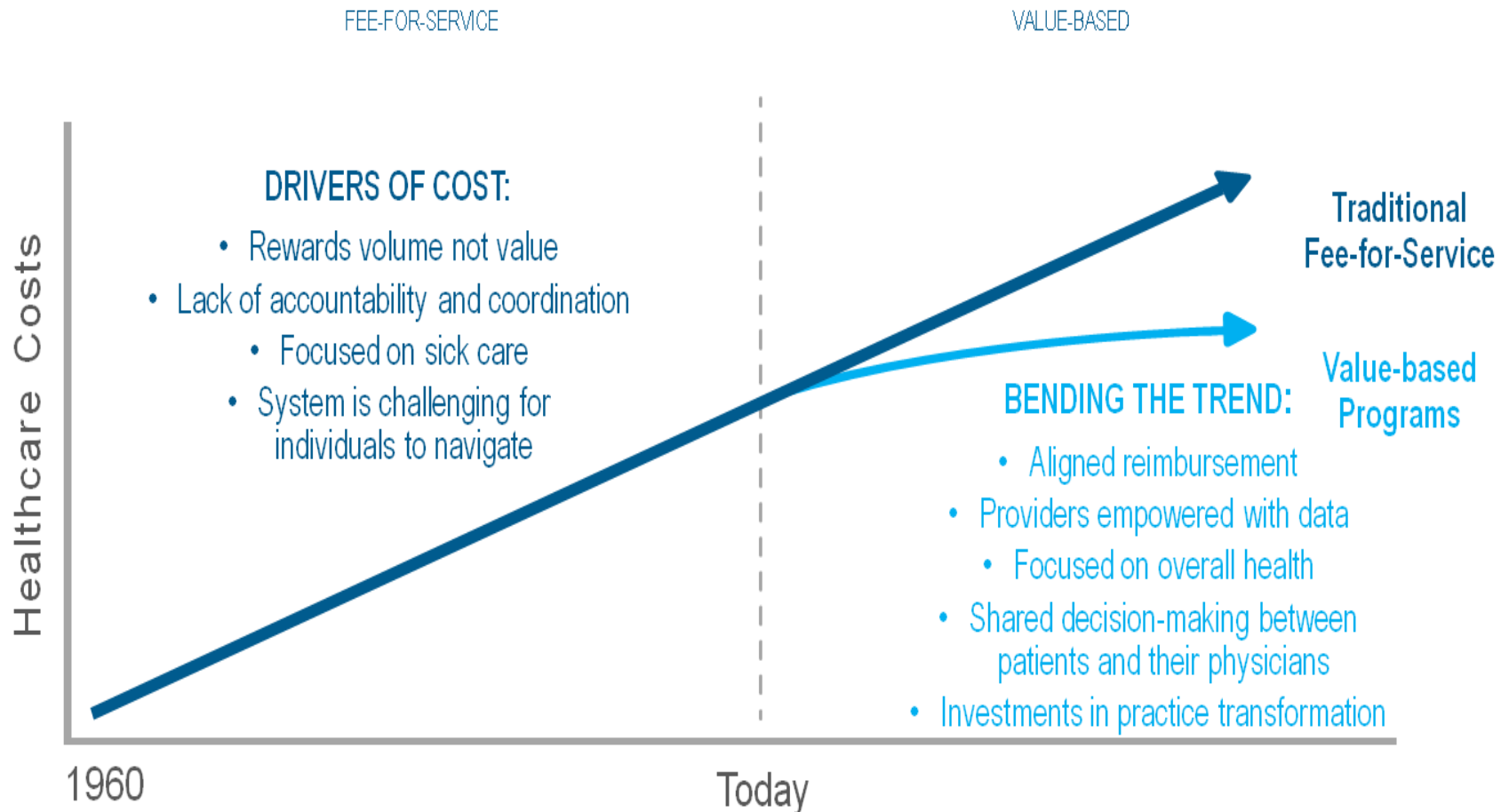
Bottom line: the economics and drivers of health care cost are complex, interdependent, and difficult to unravel

An illustration of two hands, one on the left and one on the right, holding two interlocking puzzle pieces. The left hand holds a purple puzzle piece, and the right hand holds a yellow puzzle piece. The hands are rendered in a light, stylized manner. The background is a light teal color with various white line-art icons: a lightbulb at the top left, a hot air balloon at the top right, a graph with an upward arrow at the bottom left, a flask with bubbles at the bottom center, and a briefcase at the bottom right.

# Provider Network Evolution

# Move from fee-for-service

Both locally and nationally, insurance carriers are working hard to bend the cost curve based on our innovative network management programs...





# BCBSM Value Partnerships programs

**Physician  
Group Incentive  
Program**

**Patient  
Centered  
Medical Home**

**PCMH  
Neighborhood**

**Provider  
Delivered Care  
Management**

**Organized  
Systems of Care**

**Collaborative  
Quality  
Initiatives**

**Hospital  
Value-based  
Contracting**

**National  
Solutions**

**Hospital  
Pay-for-  
Performance**

# Blue Distinction® Specialty Care results

The results are in and they demonstrate the importance of continued investment in these programs...

Bariatric Surgery	Cardiac Care	Knee & Hip Replacement	Maternity Care	Spine Surgery	Transplants
<b>Better Quality<sup>1</sup></b>					
<b>26%</b> lower readmission rates	<b>18%</b> lower in-hospital mortality rates	<b>4%</b> lower readmission rates	<b>71%</b> lower early elective delivery rate	<b>24-38%</b> lower readmission rates	<b>15+%</b> better risk-adjusted 1 yr. patient survival
<b>31%</b> lower complication rates	<b>29%</b> lower rates of inappropriate procedures	<b>7%</b> fewer complications	Better overall patient satisfaction with facility	<b>47%</b> fewer reoperations	<b>20+%</b> better risk-adjusted 1 yr. graft survival
<b>Greater Savings<sup>2</sup></b>					
<b>13%</b>	<b>23%</b>	<b>24%</b>	<b>25%</b>	<b>22%</b>	<b>20%</b> or greater



10.9%

**Fewer** emergency room visits than non-designated, physician peers

12.6%

**Fewer** primary care sensitive emergency room visits than non-designated, physician peers

26%

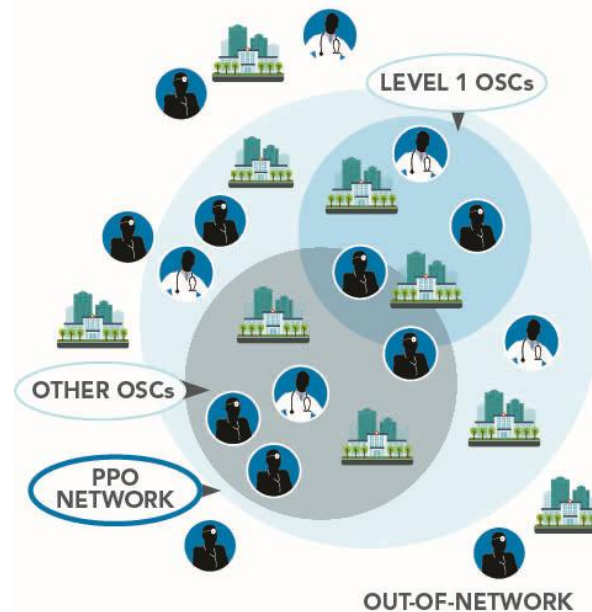
**Fewer** ambulatory care-sensitive inpatient discharges than non-designated, physician peers

**Note:** these results compare the 2015 pool of 1,551 PCM designated practices to their non-designated peers participating in the PGIP program. (For adult patients ages 18-64 only; based on 2014 claims data.)

# Introducing Personal Choice PPO

## It's a ground-breaking PPO product that:

- Is built on our Organized Systems of Care model
- Encourages members to become more engaged with their health care and receive high quality, coordinated care for lower out-of-pocket costs
- Allows you to continue to offer your employees a PPO plan with the potential for premium savings
- Covers a wide range of services, including all essential health benefits



### Access to care

- \$ LEVEL 1 OSCs:  
Proven to provide the highest level of care at the lowest costs.
- \$\$ OTHER OSCs:  
Provide high quality coordinated care but at a higher cost.
- \$\$\$ PPO NETWORK:  
Doctors and hospitals in the PPO network that are not part of an OSC.
- \$\$\$ OUT OF NETWORK:  
Doctors and hospitals not contracted with Blue Cross.

PRIMARY CARE DOCTORS

SPECIALISTS

HOSPITALS



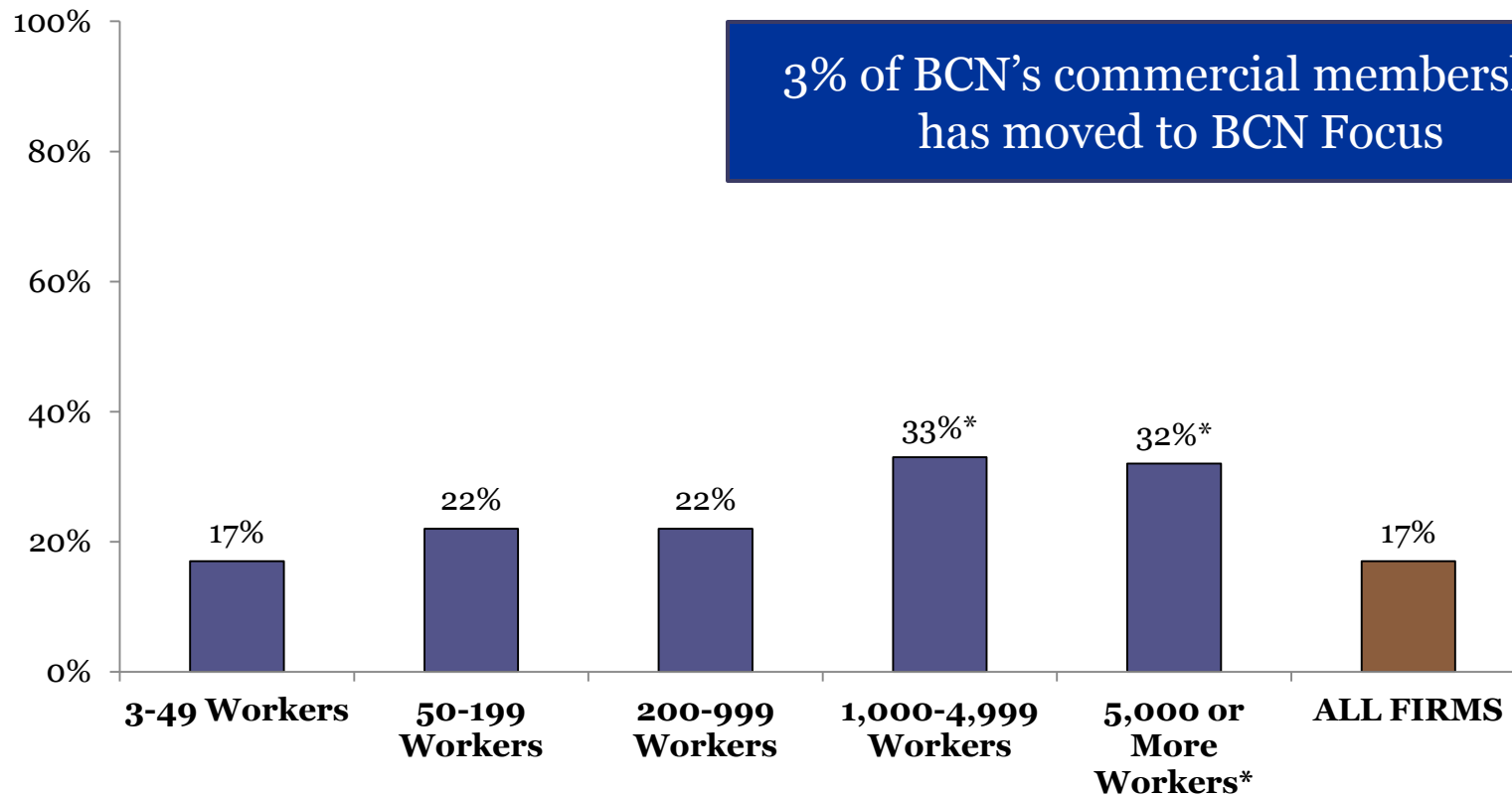
# Personal Choice product design

A three tier design that encourages members to see high quality low cost physician groups

	<b>Level 1</b> High-performing OSC	<b>Level 2</b> PPO network	<b>Out of network</b>
Deductible	\$500 Family: \$1,000	\$1,500 Family: \$3,000	\$3,000 Family: \$6,000
Coinsurance	20%	30%	50%
Preventative Care	100%	100%	Not covered
Office Visit	\$20	\$40	Deductible + coinsurance
Specialist Visit	\$40	\$60	Deductible + coinsurance
Emergency Room Visit	\$150	\$150	\$150
Coinsurance Maximum	\$1,500 Family: \$3,000	\$2,500 Family: \$5,000	N/A
Total Out-of-Pocket Max	\$6,600 Family: \$13,200		\$13,200 Family: \$26,400

# Narrow network current popularity

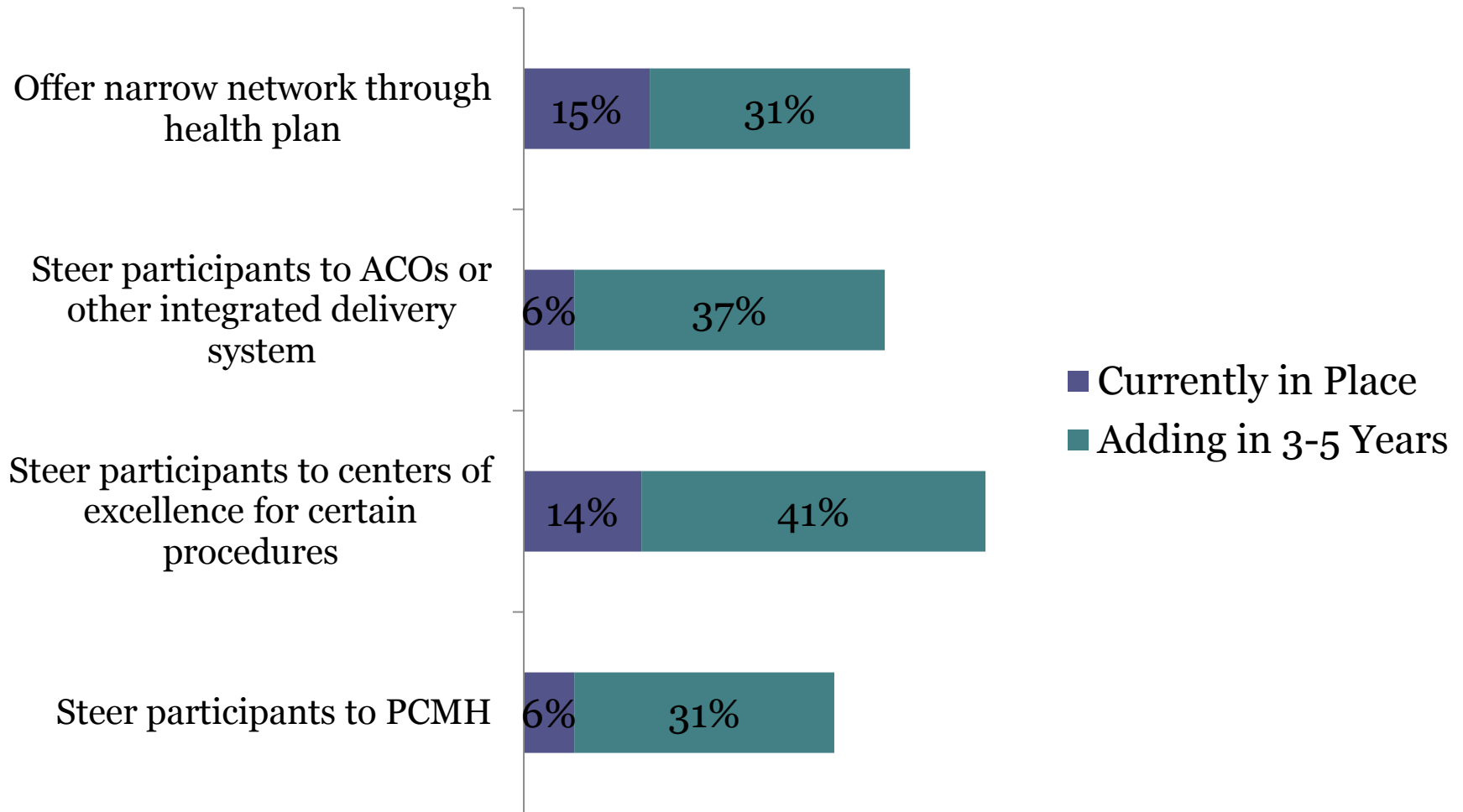
Among Firms Offering Health Benefits, Percentage of Firms Whose Largest Plan Includes a High-Performance or Tiered Provider Network by Firm Size, 2015



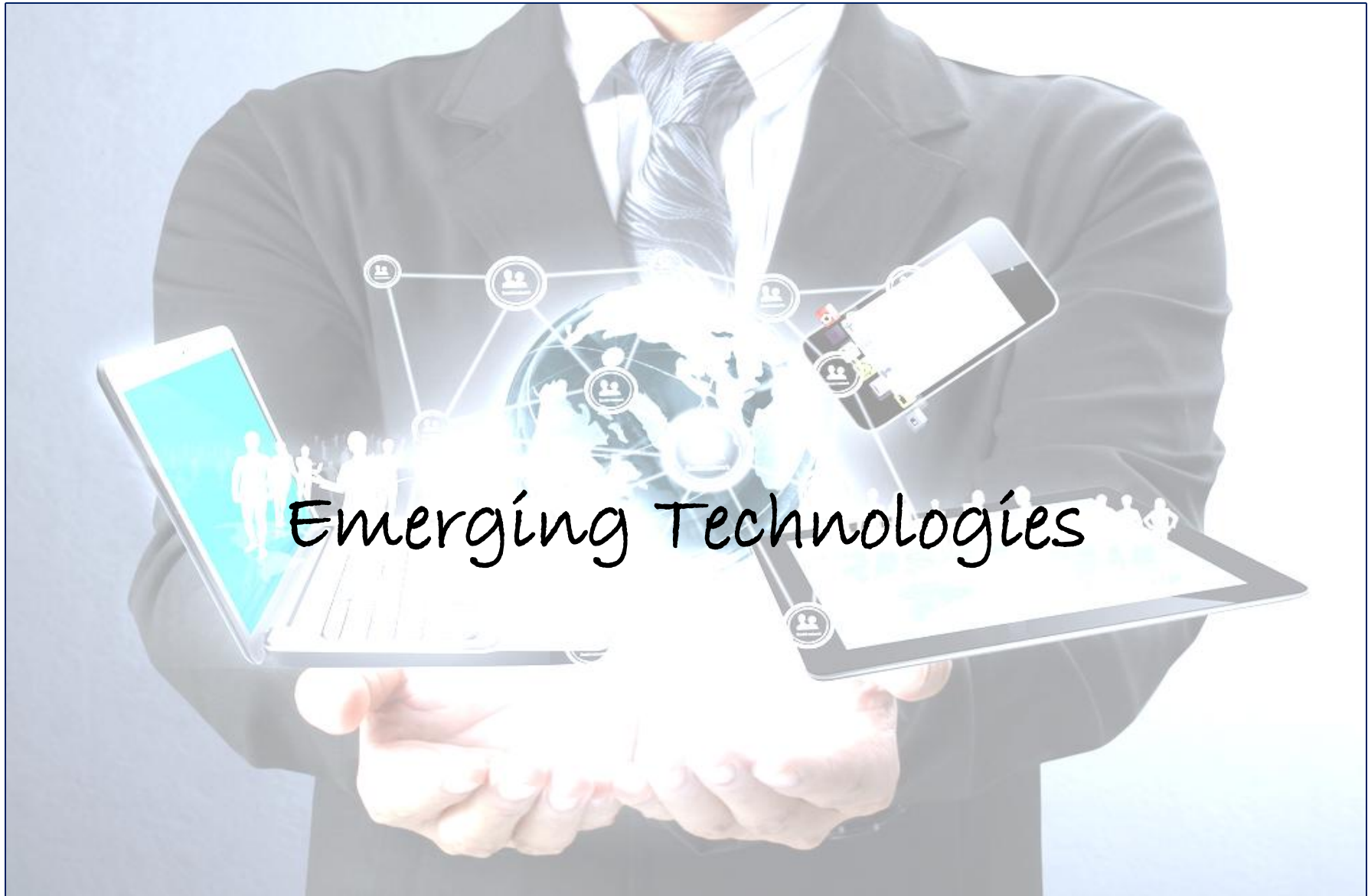
Kaiser Family Foundation 2015



# Narrow network future popularity



AON Future of Health Survey 2015



# Emerging Technologies

# The push towards digital

51%

of emails  
opened are on a  
smartphone

98%

open text  
messages vs.  
22% open email

14X

Time spent on a  
mobile device  
vs. desktop

90%

move between  
devices to  
complete a task



694

Uber passengers  
take rides

51k

Apps are downloaded  
by Apple users

77k

Hours of video is streamed  
by Netflix subscribers

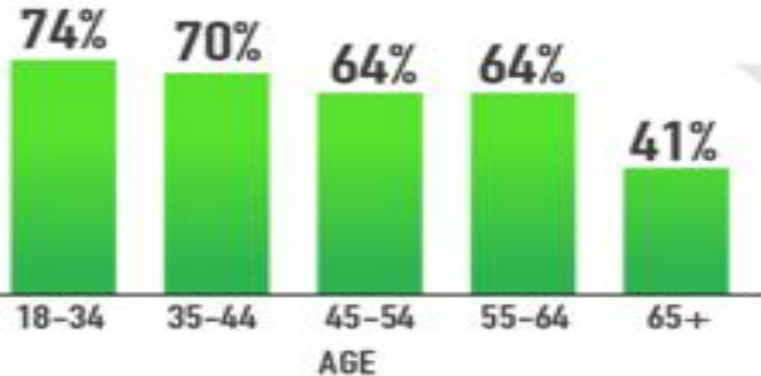
590k

Swipes are made  
by Tinder users



**Tablet growth is the largest in the 65+ age segment!**

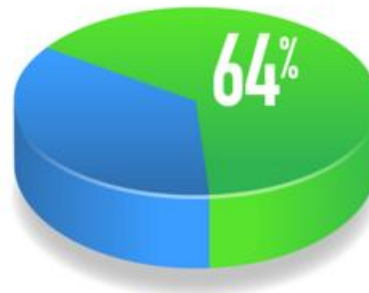
Sources: Adweek, Computerworld, Emarketer, Gigya, Hubspot, Internet Reteller, Keep it Usable, Live Science Momentology, MyBuys, Nielsen Norman Group, Shopify, Statista via KBMG Health's *4 Digital Marketing Trends to watch in 2015*.



INTEREST IN TELEHEALTH  
**SPANS ALL AGES**  
BUT PEAKS IN MILLENNIALS

## AMERICANS ARE READY FOR TELEHEALTH

A nationally projectable survey conducted by Harris Poll on behalf of American Well® found that 64 percent of consumers were willing to have a video visit with a doctor.



## Amwell's virtual visit model

- Convenience: Members access doctors online, 24/7 at \$49 (or less)
- Video consult with a board certified doctor
- Available on mobile (IOS, Android) or web
- Access in under 3 minutes (average)
- 85% issue resolution rate

It's difficult to get in to see a doctor across the nation



to see a provider across US



to see a doctor online

There are four key pillars to most health insurance carriers' approach to digital evolution...

**Manage plan**



Award-winning  
bcbsm.com

**Shop for care**

'Find a doctor' & cost estimation



Pharmacy tools & estimator

**Get well**



Blue Cross Health & Wellness  
Powered by **WebMD** health services

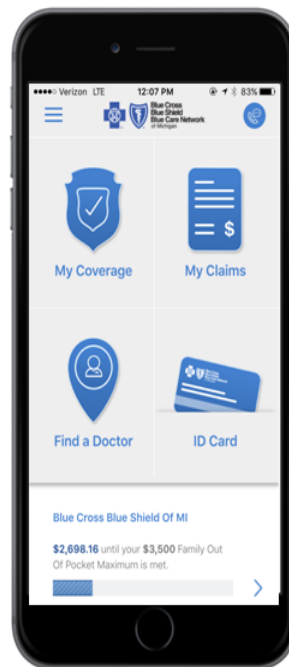
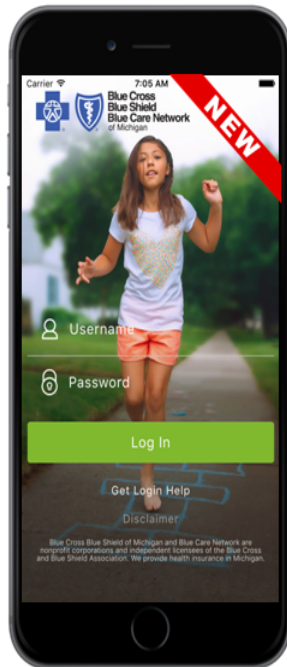
**Get care**

24/7 Online Health Care  
Powered by **amwell**





BCBSM continues to devote resources into evolving our mobile technology to meet our membership where they work or live...



Download at  
App Store or  
Google Play

## Key features

- Check coverage
- View virtual ID card
- Review claims
- Deductible/Out-of-pocket status
- EOB
- Find a doctor & estimate cost
- Pharmacy costs
- Update profile

## Features later in 2016







- Register via mobile
- **Access WebMD® services**
- Message Center
- 'Remember me' feature
- Touch ID
- Five-digit passcode
- Send virtual ID card to provider
- Send virtual ID card to Wallet
- Single sign-on to Health Equity
- Search for benefits within "What's Covered"

**BOLD** denotes functionality available via mobile Web using bcbsm.com on a mobile device.



# The cost of having babies...

In a recent study of the 30 most populous U.S. cities, the price of delivering a baby defies logic. For example, it is more expensive, on average, to have a natural delivery in San Francisco than it is to have a cesarean section in New York City.

#	City	Avg Price	Min Price	Max Price	Variance
1	Sacramento, CA	\$15,420	\$4,560	\$24,549	5x 
2	San Francisco, CA	\$15,204	\$7,728	\$28,541	4x 
3	Minneapolis, MN	\$11,527	\$6,111	\$16,446	3x 
4	Philadelphia, PA	\$11,340	\$5,764	\$24,534	4x 
5	Portland, OR	\$11,043	\$7,762	\$14,190	2x 
21	Detroit, MI	\$8,463	\$3,601	\$12,966	4x 

7x

Variance for  
cesarean delivery  
in Los Angeles

Castlight 2016

# Medical cost transparency

Increasing awareness of health care cost and introduce and driving care decisions...

The screenshot shows a web interface for medical cost transparency. At the top, there are navigation links for 'Home' and 'Settings'. Below that, a search bar contains 'Knee replacement' and 'Grand Rapids, MI'. A map on the left shows the search area with several provider locations marked. The main content area displays search results for 'Knee replacement' in Grand Rapids, MI. It includes a summary of the average total cost (\$28,927) and a range of costs (\$17,874 - \$66,833). Below this, a list of providers is shown, including 'MERCY HEALTH SAINT MARYS' and 'SPECTRUM HEALTH HOSPITAL', each with their average total cost and a 'Compare' button.

Provider	Average Total Cost
MERCY HEALTH SAINT MARYS General Acute Care Hospital	\$30,631
SPECTRUM HEALTH HOSPITAL General Acute Care Hospital	\$28,600

A view of the entire care path

**Procedure cost estimates by provider:**

- 1,600 services
- Nationwide
- Few restrictions on showing cost
- Personalized estimates coming soon

# Pharmacy cost transparency

You searched for:

**Lipitor 10 Mg Tablet**  
10 Mg Tablet, Brand  
Pfizer Us Pharm  
Tier 2: Formulary Options  
[View drug information](#) | [Recalculate](#)  
[View formulary alternatives](#)

Pharmacy / day's supply	Is this drug covered?	Qty	You pay	Add to drug list
Home delivery pharmacy 90-day supply	<input checked="" type="checkbox"/> <b>YES</b> <a href="#">View coverage notes</a>	90	<b>\$468.06</b> TotalCost: \$468.06 <a href="#">Explain my costs</a>	<a href="#">Add</a>
Retail 90-day supply	<input checked="" type="checkbox"/> <b>YES</b> <a href="#">View coverage notes</a>	90	<b>\$489.44</b> TotalCost: \$489.44 <a href="#">Explain my costs</a>	<a href="#">Add</a>

★ [Generic equivalent](#) available:

**atorvastatin 10 mg tablet**  
10 Mg Tablet, Generic  
Apotex Corp  
Tier 1: Formulary Preferred  
[View drug information](#) | [Recalculate](#)  
[View formulary alternatives](#)

Pharmacy / day's supply	Is this drug covered?	Qty	You pay	Add to drug list
Home delivery pharmacy 90-day supply	<input checked="" type="checkbox"/> <b>YES</b> <a href="#">View coverage notes</a>	90	<b>\$10.00</b> TotalCost: \$16.65 <a href="#">Explain my costs</a>	<a href="#">Add</a>
Retail 90-day supply	<input checked="" type="checkbox"/> <b>YES</b> <a href="#">View coverage notes</a>	90	<b>\$10.00</b> TotalCost: \$19.55 <a href="#">Explain my costs</a>	<a href="#">Add</a>



- Cost of brand vs. generic and retail vs. mail order drugs
- Personalized cost based on member's benefits
- Available via desktop or mobile

A product design that establishes a standard price for a procedure, service or bundle of services and requires that members pay any allowed charges beyond this amount.

## Illustrative range of price variation (CT Scan - Abdomen)

*Based on member location – In network providers*



If a member chooses facility location at or **below** reference price.....



**Standard** member cost share rules apply

If a member chooses facility location **above** reference price.....



Member pays the **difference** between the **reference price** and the **allowed amount\***



## How it works



### Select Benefits Menu

A certified GlidePath Consultant helps you assess your current benefit offering and select an appropriate benefits menu.



### Establish Budget

With the guidance of your GlidePath Consultant, you decide on a benefits budget.



### Allocate Funds

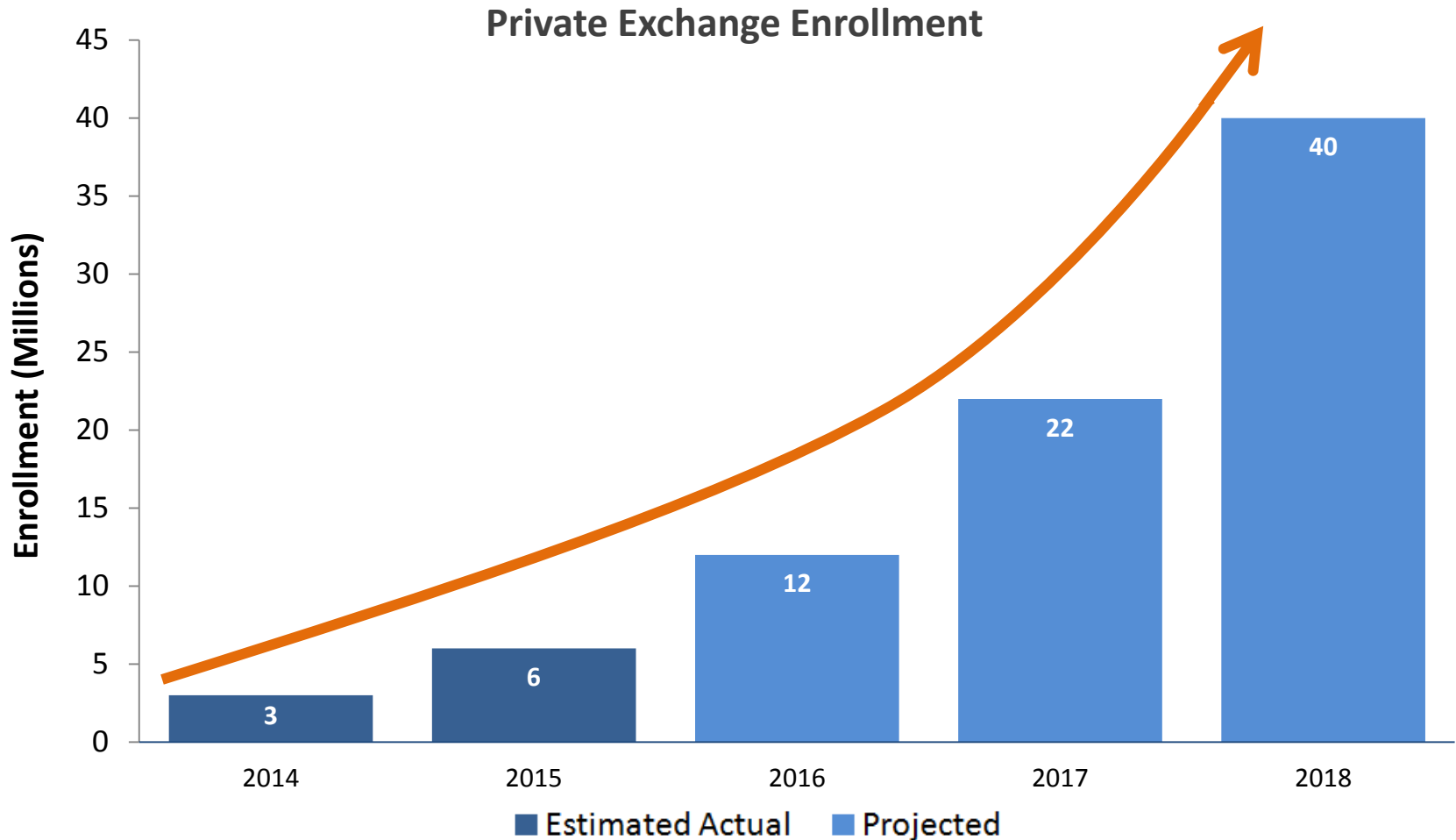
You deposit pretax dollars into a GlidePath benefits spending account for each employee.



### Employees Choose Benefits

With the help of GlidePath's online tools and personal advisors, your employees decide the rest.

# Private exchange projected growth



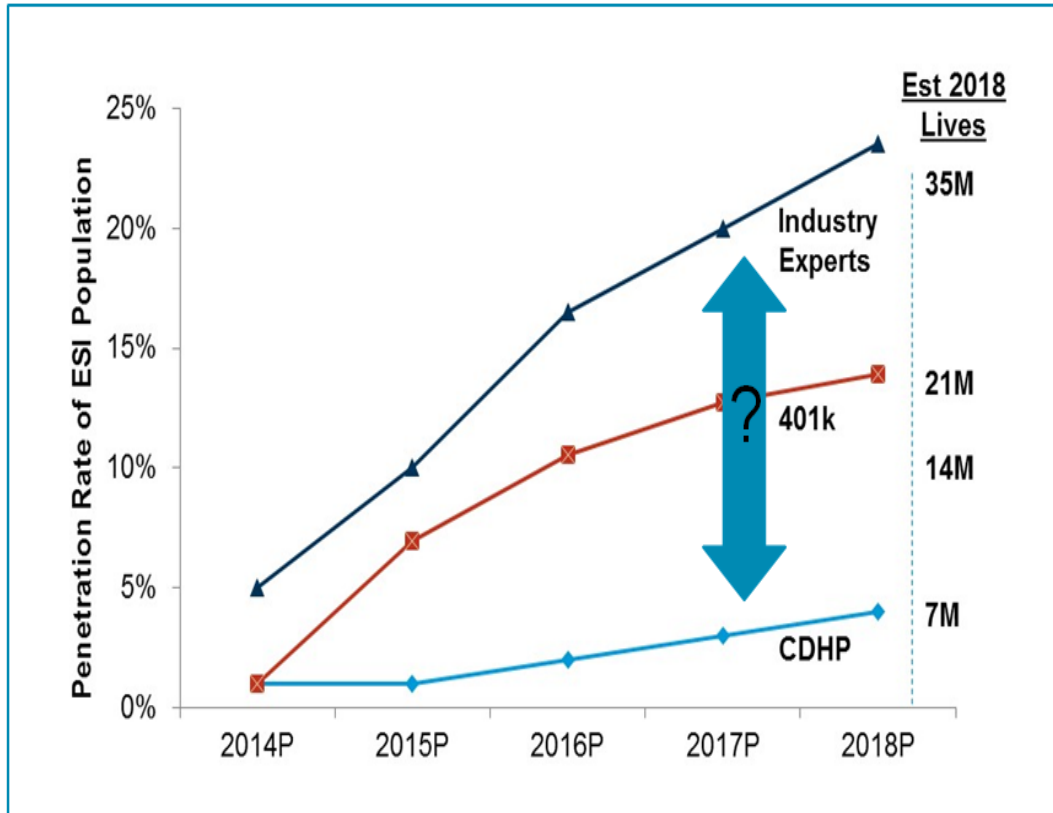
Source: Private Exchange: Accenture analysis, based on data from: U.S. Census, Bureau of Labor and Statistics, Kaiser Employer Health Benefits Annual Survey



# Private exchange adoption indexed to other innovations

What will be the trajectory of private exchange adoption?

What could speed or slow adoption?



Sources: BCBSA; Internal Analysis

## Potential Accelerators



- Increasing medical cost trend
- Economic downturn
- Cadillac tax

## Potential Decelerators



- Unfavorable early private exchange cost trend
- Employer dropping to public exchanges
- Federal elections / regulatory change

# Questions?



THANK YOU!