



BERKELEY CENTER
FOR HEALTH TECHNOLOGY

Health Plan Strategies for Controlling Health Care Costs

California Health Benefits Exchange
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James C. Robinson
Leonard D. Schaeffer Professor of Health Economics
Director, Berkeley Center for Health Technology
University of California, Berkeley



Overview



- Controlling costs is difficult.
- What do health plans do?
- What do you want them to do?



What We Want

- We want health plans that cover all medically and socially relevant services, with no consumer cost sharing; that offer access to all providers, with no network restrictions; that allow physicians and patients access to all treatments for all conditions regardless of the medical evidence.
- And we want this for free.
- This, however, is not what we are going to get.



Controlling Costs

- There is no painless way to control healthcare costs.
- Health plans seek to reduce costs by limiting benefit coverage, increasing cost sharing, restricting provider networks, paying providers less, and requiring prior authorization for costly services.
- Purchasers and consumers can choose which is their least disfavored set of cost-control methods and pick those plans that use them most.



Health Plan Cost Control Instruments

Benefit Design	Network Design	Medical Management
<p>Services covered:</p> <ul style="list-style-type: none">• Essential health benefits• Mental health• Complementary medicine• Drugs <p>Consumer-cost sharing:</p> <ul style="list-style-type: none">• Deductible, co-pays• Coinsurance• Out-of-pocket maximum• Reference pricing	<p>Providers covered: few or many?</p> <ul style="list-style-type: none">• Narrow networks• Centers of Excellence <p>Payment methods:</p> <ul style="list-style-type: none">• Discounted FFS• Capitation• Episode of care payment• Medical home (blends)• Shared savings <p>Transparency on provider prices, quality</p>	<p>Utilization management:</p> <ul style="list-style-type: none">• Prior authorization <p>Risk stratification and predictive modeling</p> <ul style="list-style-type: none">• Disease management• Case management• Wellness incentives



Health Conditions and Health Care

Catastrophic	Chronic	Acute	Wellness
Costly	Low cost per service, but many services per patient	Mix of high and moderate cost services	Low Cost
Unpredictable	Predictable	Episodic	Desirable
High volume leads to lower costs, better quality	Continuity not volume is key to better quality, cost	Neither volume, nor continuity are key; focus is on prices	Key is encouraging utilization
Patients willing to travel for care	Patients unwilling to travel	Some patients willing to travel	Patients not willing to travel



Health Plans Today and Tomorrow

	Benefit Design	Network Design	Medical Management
Catastrophic Care	Covered	Centers of excellence	Case management (extended programs)
Chronic Care	Covered with deductible, coinsurance	Sub-networks, tiers, pay-for-performance	Disease management (extended programs)
Acute Care	Covered with deductible, reference pricing?	Selective, discounted networks, episode payment?	24-hour RN call line, surgical coordination, outcomes data
Wellness Care	Covered (extensive list)	Non-selective broad network	Web, workplace, community programs



Health Plan Strategies

- Health plans are similar in their strategies:
 - Benefits, networks, medical management
 - Multiple products with multiple options
 - Cost sharing: high or low?
 - Networks: broad or narrow
 - Payment: high or low, FFS or capitation?
 - Medical management: more or less?
 - All seek to improve relations with providers but are concerned for costs.
 - All seek to support consumers/patients through price and quality transparency.
- They differ in ability to implement strategy.



The Role of the Benefit Exchange

- Should HBEX rely on individual consumer choices (contract with wide range of plans and product designs, offer comparative data on premiums, cost sharing, networks, etc.)?
- Or should HBEX use its leverage to push plans (demand or favor particular benefit designs, network designs, etc.) and limit its contracting to a small number of plans?
- To rely purely on individual choice is to forgo potential strength in numbers.
- But to place too many demands on plans may discourage participation.



Conclusion

- Health plans rely on benefits, networks, and medical management to limit costs.
- They differ at success of implementation.
- Purchasers, including HBEX, must balance virtues of plan choice and competition against the virtues using volume and leverage to specify plan characteristics and behaviors.

