

# **New Hampshire's Health Insurance Market & Provider Payment System: *An Analysis of Stakeholder Views***

Presentation to the New Hampshire Insurance Department  
September 26, 2013



# Project Overview

- Goal: Gain better understanding of the New Hampshire insurance market
  - What is the current contracting environment?
  - What level of payment innovation is occurring?
  - How does the contracting and payment system impact costs and premiums?
  - What recommendations do stakeholders have for NHID?

# Presentation Outline

1. Interview process
  - A. Costs
  - B. Competition
  - C. Plan Design
  - D. Delivery & Payment Reform
2. Key data findings
3. Stakeholder recommendations

# Stakeholder Interviews

- Freedman Healthcare staff conducted 26 interviews with stakeholders from three major categories of stakeholders:
  - Purchasers/consumers
  - Carriers
  - Providers
- Interviewees received questions and briefing paper in advance of interviews
- Questions focused on:
  - Contracting environment
  - Delivery system re-design
  - New payment and delivery models
- Asked for stakeholder recommendations for NHID and state

# Costs

## ***Stakeholder Comments***

# **Costs**

## **Comments Across Groups**

- General consensus that premium and out-of-pocket costs are too high
  - Some cited premium costs as second highest in nation
  - A carrier and a hospital executive stated that having a single geographic rating area results in southern NH subsidizing northern NH

## **Comments From Carriers**

- Several carriers noted that consolidation is driving costs higher
  - Example: Billing for physician services as hospital outpatient services, charging facility fees
- One carrier noted that hospital administrative costs are not scrutinized in the same manner as carrier administrative costs

## *Stakeholder Comments*

# Costs

## Comments From Providers

- Providers widely cited Medicaid underfunding as a contributor to rising premiums, due to cost-shifting
  - 5/6 hospitals interviewed
- Many providers, both hospital and non-hospital, expressed concern that higher cost-sharing was deterring patients to seek care
  - Result is higher costs down the road

## *Stakeholder Comments*

# Costs

## Comments From Employers & Purchasers

- Employers expressed concerns about financial sustainability
  - Some are evaluating costs vs. benefits of dropping coverage and allowing employees to purchase through the Exchange
  - Both employers interviewed developed on-site access to primary care
- Municipal employers are likely to be affected by Affordable Care Act's "Cadillac Tax"

# Competition

## *Stakeholder Comments*

# **Insurer Competition**

## **Carrier Comments**

- Carriers generally felt that the insurance market is competitive, specifically on service and costs
- Carriers noted that purchasers are very price-sensitive and will switch carriers for a small cost-savings
  - Particularly true for self-insured/TPA accounts

## **Provider Comments**

- Most providers interviewed did not believe the insurance market was competitive
- Several providers, including FQHCs and hospitals, cited Anthem as a dominant force and believed that carriers have the upper hand in contracting
  - HPHC followed Anthem with site-of-service product

## *Stakeholder Comments*

# Provider Competition

## Comments Across Groups

- Stakeholders generally agreed that the hospital and physician markets are not very competitive
  - Exceptions of Manchester and Nashua
- Consolidation was cited as a key challenge
  - Hospitals purchasing physician practices, rising costs and increasing provider leverage
  - Carriers noted the particular challenge of negotiating rates with physicians in rural areas, particularly specialists
- Providers cited the effect of Massachusetts hospitals on the NH market

# Plan Design

## *Stakeholder Comments*

# Plan Design

## Comments Across Groups

- Most stakeholders were not in favor of provider tiering as a strategy
  - Cited consumer loyalty, the few providers in New Hampshire, and the geographic distribution of providers
- Most hospitals and some carriers opposed site-of-service plans, citing the drains on resources from hospitals and fragmentation of care

## ***Stakeholder Comments***

# **Plan Design**

## **Provider comments**

- Some providers expressed concern about the increased use of self-insured plans
  - Shrinks fully-insured risk pool
  - Adverse down-stream impact on premiums for fully-insured plans

## **Purchaser comments**

- Purchasers stated that the site-of-service model and increased cost sharing have been the only successful levers to mitigate costs
- Employers also stated that moving to self-funded plans gives them greater flexibility in plan design
- Both employers interviewed emphasized the importance of wellness programs

# Delivery and Payment Reform

## *Stakeholder Comments*

# Delivery and Payment Reform: Comments Across Groups

- Most participants overall noted that coordination of care and accountability for populations is the right approach
- Stakeholders across groups cited the Certificate of Need process as flawed
  - Some stated that the board “rubberstamps” new facilities
  - One provider questioned whether constructing new sites will lower costs
- Multiple interviewees said that more mental health and substance abuse services are needed
  - More than one stakeholder referred to the inadequate number of inpatient beds as a “crisis”

## *Stakeholder Comments*

# Delivery and Payment Reform: Provider Comments

- Providers cited the many efforts currently underway
  - CMS Shared Savings, Accountable Care Organizations (Dartmouth and North Country), and the Granite State Network
- Providers said that they are interested in assuming more risk
  - One hospital stated that they were not interested because they do not have the required infrastructure
- Providers said they needed greater funding for technology and a greater capacity to act on population and performance data

# Key Data Findings

# Key Data Findings

## Premium Costs

- Commonwealth Fund study supports stakeholder views that NH has the second highest costs in the nation. The top five areas were:

State	Average Annual Family Premium, 2011
Massachusetts	\$16,953
New Hampshire	\$16,902
District of Columbia	\$16,606
New York	\$16,572
Vermont	\$16,273
<b>National Average</b>	<b>\$15,022</b>

- Notably, NH family premiums are lower as a percent of median family income than nationally: NH 17.9% vs. 21.5% nationally

Source: Schoen, et al., Commonwealth Fund, *State Trends in Premiums and Deductibles, 2003–2010: The Need for Action to Address Rising Costs*, November 2011

# Key Data Findings:

## Patient Cost-Sharing

- New Hampshire's average deductible for a family plan is 25% higher than the Massachusetts deductible of \$2,177<sup>1</sup>; NH's deductibles are third highest in the nation
- High deductible health plans increased their market share in New Hampshire from 2010 (11% of members) to 2011 (18% of members)<sup>2</sup>.

<sup>1</sup> Schoen, et al., Commonwealth Fund, *State Trends in Premiums and Deductibles, 2003–2010: The Need for Action to Address Rising Costs*, November 2011,

<sup>2</sup> New Hampshire Insurance Department, *Supplemental Report of the 2011 Health Insurance Market in New Hampshire*, February 2013

# Key Data Findings

## Competition: Herfindahl-Hirschman Index

- UMass calculated Herfindahl-Hirschman Indices (HHI) for the carrier and hospital markets in New Hampshire.

HHI Score	Indication
< 1,500	Competitive
1,500 – 2,500	Moderate concentration
> 2,500	Highly concentrated

- For carriers, the market share in this study was defined as the percent of total members.
- For hospitals, the market share was defined as percent of total payments.

See Report appendix for further description of HHI calculation

# Key Data Findings

## Carrier Competition

- Using the HHI data, each market in NH is highly concentrated

Market	HHI Score (Based on members)
Large Group	2,541
Small Group	4,015
Non Group	6,054

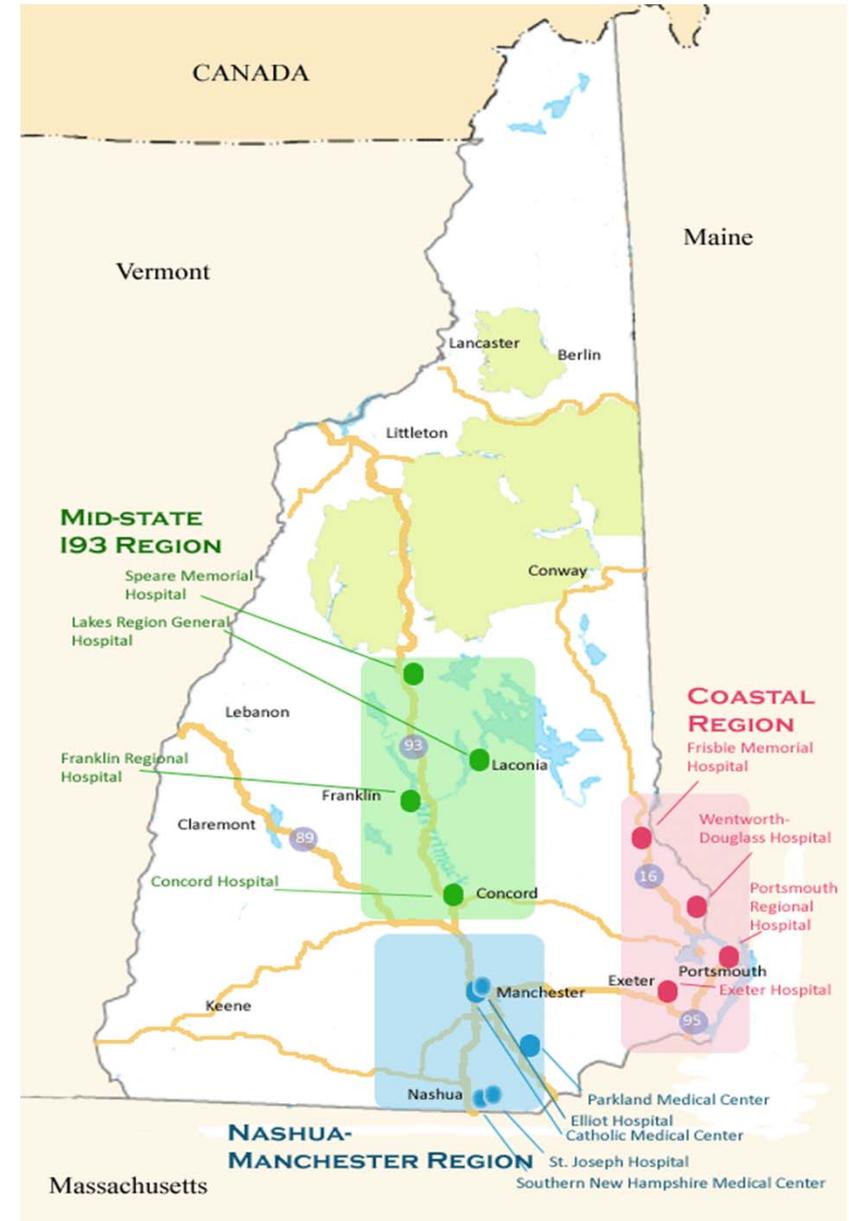
- The Kaiser Family Foundation calculated HHI scores nationally for small and non-groups and found that over 45 states in 2010 had market scores greater than 2,500, indicating markets that are not competitive\*
- NH was above national HHI scores for both small and non-group markets.

\*Kaiser Family Foundation, *Focus on Health Reform: How Competitive are State Insurance Markets?*, October 2011.

# Key Data Findings

## Hospital HHI Analysis

Market	Acute Care Hospitals	HHI Score (Based on payments)
Mid-State I-93	Concord, Franklin, Lakes, Speare	4,783
Coastal	Exeter, Frisbie, Portsmouth, Wentworth-Douglass	2,675
Nashua-Manchester	Catholic, Elliot, Parkland, St. Joseph, SNH	2,396



# Data Analysis

## Survey Results: Payment Arrangements

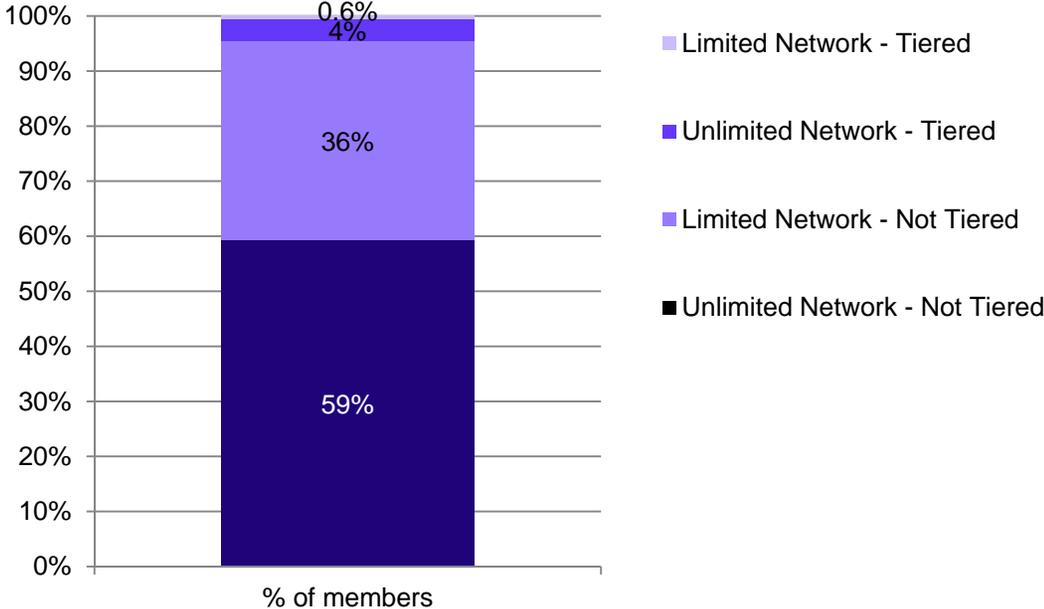
- UMMS sent a survey to five of the largest carriers in New Hampshire, obtaining 3 responses
- CY2011 data regarding current payment arrangements & tiering
- The carrier survey indicated that, in 2011:
  - Only 12% of total payments reported were paid using global payment methods (with downside risk), paid to ACOs
  - Only 0.1% of all payments were paid in bundled payment arrangements, used for acute (vs. chronic) conditions
  - Of the fee schedule and charge-based payments, 20% used pay-for-reporting incentives

# Data Analysis

## Survey Results: Plan Design

- The use of tiering and limited networks comprise less than half of the total market

**Percent of members by network type, 3 large carriers (CY2011)**



Source: UMMS Carrier Survey

# Stakeholder Recommendations

# Stakeholder Recommendations

1. Create a shared long term vision on the health of the NH population and align policies and regulations to support the vision.
2. Continue to support transparency and the development of tools that make information, utilization and cost data more accessible to providers, payers and consumers.
4. NHID should play a convening role in the development of new payment models, developing guidelines for new models, and supporting developmental pilots.
5. NHID and other state agencies should address provider payments, by encouraging greater use of alternative payment methods and addressing public payer shortfalls.
6. Increase investment in primary care
7. Reform the Certificate of Need process

# Discussion

- Reactions
- Feedback