

# Regional Health Plans & Reform: The 2010 Agenda



## The Context

Today's troubled economy, coupled with a solid year of heated debates over potential directions for healthcare reform in the United States, has left many health plans worrying about their positioning and future direction. Though the details of reform are still unclear, health plans must anticipate potential transformations now, and be prepared to quickly adapt to market changes.

In this volatile healthcare landscape, larger national health plans with significant resources will have certain stabilizing advantages that smaller regional plans may not possess. With influential executives, membership breadth, as well as the latest resources in research and technology, large health plans are often better equipped to stay abreast of what is happening in Washington, DC. Further, especially given their member size, they tend to have more pull with federal policymakers, and are able to lobby on behalf of their own interests. In addition, larger health plans can utilize their resources to track trends in healthcare and socialize these trends throughout the company so that leaders at all levels of the organization are thinking about how changes in healthcare will impact their work. Ensuring that all leaders in their organization stay current in the face of pending reform better enables these larger national health plans to engage in scenario planning, as well as contingency planning and strategic investment. These advantages permit large health plans to adjust to reform, and/or to ride out market changes.

In an effort to better understand what smaller regional health plans are discussing and seeing as priorities and challenges over the next year, the Managed Care Executive Group (MCEG), a national organization that provides a forum for the open exchange of information, innovative ideas, and experiences among senior health plan leaders, set out to study the smaller, regional insurer landscape, soliciting executive feedback from member and non-member regional plans. MCEG engaged two of its service provider sponsors, HTMS, a technology and management consulting firm focused on the healthcare market, particularly payer organizations, to conduct, interpret, and present the research, and Health Dialog Services Corporation (Health Dialog), a leading provider of healthcare analytics and care management, to communicate the results.

In the reform debates, the health insurance industry is often referred to as a single monolith rather than a diverse set of players with varying approaches to the marketplace. Insurers, particularly larger ones, have been easy targets in the national dialogue. However, the research team (MCEG, HTMS, and Health Dialog) represents and works with a broad range of plans that embody the variety. The research team's goal is to provide a perspective on how these smaller regional health plans perceive their own issues and opportunities in the wake of the recession and reform.

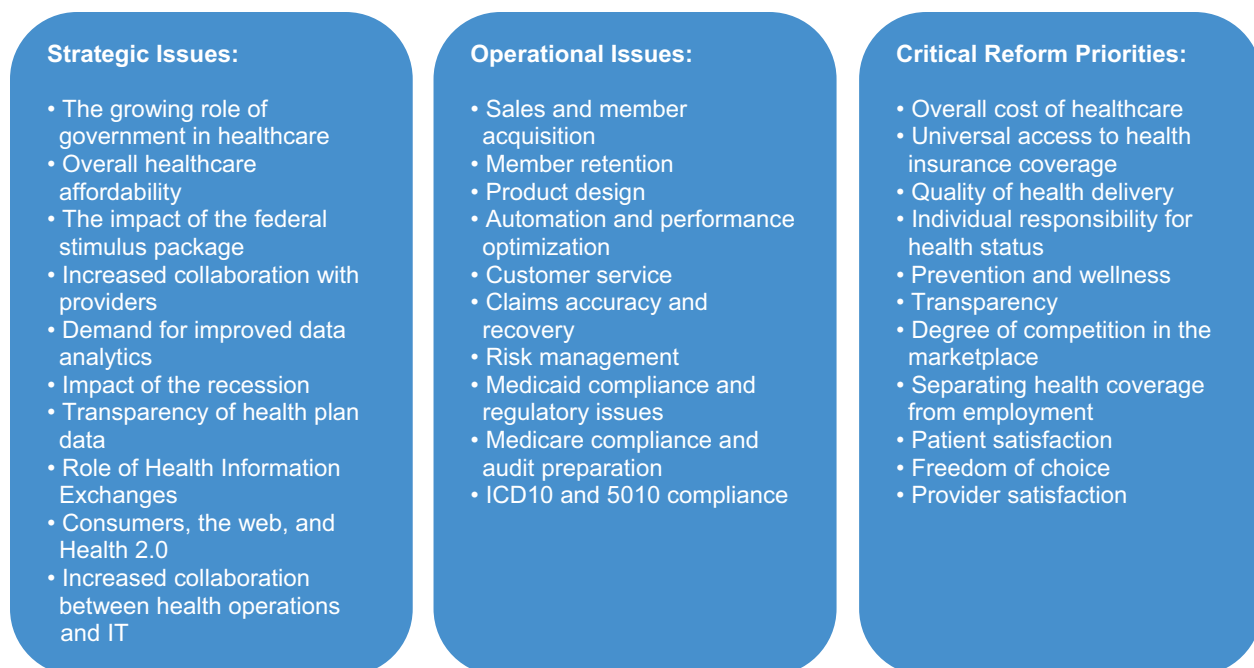
This research creates a platform for the smaller regional health plan voice to assist other plans as they create their 2010 priorities and initiatives. The findings can provide a meaningful benchmark to enable plans to evaluate their strategic and operational priorities relative to like-minded organizations.

## Who we spoke with

The research team prepared an online survey with questions related to the following three areas:

- Strategic Issues (10 issues), including data exchange and the role of government
- Operational Issues (10 issues), including member impact
- Critical Reform Priorities (11 issues), including cost, quality, and access to care

The full scope of the research is laid out in the chart below:



To conduct this research, the team approached 500 health leaders who either work in a regional health plan or in a role that directly interacts with plans. The team conducted the research via email, and the health leaders took the survey online. The survey distribution list included leaders in MCEG member plans as well as those who have attended MCEG events. The email encouraged recipients to forward the email to colleagues and other industry leaders. The team received feedback from 55 leaders, representing 45-55 health plans – a strong response rate of over 10%.<sup>1</sup>

The plans that responded were generally mid-sized and smaller private non-profit organizations, and represented states throughout the US, including: Arizona, California, Florida, Kansas, Louisiana, Massachusetts, Michigan, Minnesota, Nevada, New Mexico, New York, Ohio, Oregon, Pennsylvania, Washington, Washington, DC, and Wisconsin.

<sup>1</sup> The true number of organizations represented is unknown as some respondents elected to leave their organizational affiliation anonymous.

## Discussion of Key Findings

### Strategic Issues

Cost of healthcare is the leading strategic issue that health plans are currently facing. In fact, 92% of plans classified healthcare affordability as critical or important. The findings under Critical Reform Priorities echoed this sentiment, with 89% of plans ranking the overall cost of healthcare as one of the top three priorities for reform.

“The reform debate is not getting to the real issue of the actual cost of care, [such as new technologies,] and appears to be aimed at finding a new way to pay the same high costs...”  
- Survey Response

Percentage of health plans that viewed these strategic issues as critical or important	
Cost of care	92%
Government role	85%
Demand for improved data analytics	82%
Increased collaboration with providers	80%
Increased collaboration between health operations and IT	75%

An additional significant issue plans identified is the role of government in healthcare, with 85% of health plans viewing it as critical or important. The drivers of this high ranking are further explored in the Critical Reform Priorities portion of this study.

While none of the new age, cutting edge technology-related trends in healthcare, such as Health Information Exchange, Health 2.0, and the impact of the federal stimulus package emerged as top priorities for the majority of respondents, health plans are still watching them with interest rather than taking immediate action.<sup>2</sup> As such, plans that proactively embrace these trends may have an opportunity to strategically differentiate. While many plans see the digitization of health records and interoperability as more relevant to providers in the near-term, cutting edge plans, that are proactive in these areas, could become leaders on the delivery side with quality and cost innovations. Examples of such innovations include integrated care delivery, value-based benefit design, and value-based purchasing. These are critical capabilities and differentiators that will position plans strongly as the conversation moves beyond expanded access to care to tackling the underlying delivery system and cost drivers.

### Operational Issues

Membership is the most prominent operational issue for health plans. 95% of respondents marked member retention as critical or important, and 89% asserted that member acquisition is critical or important. Fortunately, several opportunities to boost membership growth and retention over the next few years are apparent, and the health plans in the survey were optimistic about these opportunities:

- Medicaid expansion

<sup>2</sup> The survey grouped the federal stimulus package with Health Information Exchange and Health 2.0 because incentives for digitization of data among providers and Health Information Exchange are explicit foci for the stimulus package.

- Business line expansion into the individual, small group, and Medicaid marketplace
- Geographic expansion into new counties and states
- Preparing for Health Information Exchanges

Four other operational issues emerged as high priority, with more than 75% of plans ranking them as critical or important:

- Customer service
- Automation and performance optimization
- Product design
- Claims accuracy and recovery

Percentage of health plans that viewed these operational issues as critical or important	
Member retention	95%
Member acquisition	89%
Customer service	87%
Automation and performance optimization	80%
Product design	78%
Claims accuracy and recovery	76%

Operational issues related to Medicare and Medicaid featured highly for health plans with Medicare or Medicaid products, with issues related to these business plans ranked as critical or important. Health plans without Medicare or Medicaid products did not rank these issues at all. Interestingly, Medicare and Medicaid stood out in qualitative comments related to membership expansion. In general, government products were seen as an opportunity for growth for many contributors.

“[Our plan is preparing] for significant growth in Medicaid enrollment as health reform is implemented. The next year will be spent fine tuning network and processes to prepare for near doubling of membership.”  
- Survey Response

“An expanded Medicaid plan could jump membership rapidly based on the approach.”  
- Survey Response

Of the ten total operational issues included in the survey, essentially six were deemed as critical or important. This result suggests that many plans could be suffering from an “It’s All Critical” syndrome. This industry has faced cost pressures and other challenges for the past decade. Having too many urgent priorities has led many plans to operate in a reactive mode, addressing fire after fire. Many strategic issues remain on the shelf while executives are pulled to urgent operational needs.

Organizations that can rein in this pattern and engage in disciplined strategic planning and prioritization will have an advantage in the volatile marketplace ahead.

Many plans volunteered their need to address technology infrastructure in the immediate term. As plans realize that antiquated systems will not hinder their ability to achieve the efficiency and agility required to compete in the evolving marketplace, delayed infrastructure projects are becoming more urgent. Regulatory changes, particularly those related to ICD10, make these investments critical.

## Critical Reform Priorities

"[Reform] is a threat in terms of market share and an opportunity in terms of aligning with our goals of bending the trend for medical costs."  
- Survey Response

The growing role of government in healthcare is viewed as a critical or important issue for 85% of respondents. Rather than being the naysayers often represented in the media, most of these regional plans (69%) see reform as an opportunity rather than a threat. However, even among those plans that consider reform an opportunity, the public option is a concern. Only a few plans indicated that lack of marketplace competition is a concern, and this is the issue the public option is designed to address. Further, there was concern about how smaller plans would be able to compete with government-negotiated rates.

Many regional plans seem to be taking a "wait and see" approach to dealing with reform. All organizations indicated that they expect reform will impact their organization, but only 35% of respondents to this survey have begun to take action. The remaining 65% may find themselves at a disadvantage when competing with plans that have been tracking and planning for reform.

"This is being watched by individual areas with their own primary interests in mind. We have yet to put forth a coordinated effort to educate staff and management, comprehend the impacts and formulate strategic and/or tactical responses."  
- Survey Response

## Conclusions

It is a tenuous time for all health plans as reform is still uncertain and the economy continues to struggle. Plans with a strategic and proactive focus, however, may find tremendous opportunity in the years ahead. While larger national plans have certain advantages due to their size and resources, they may also face challenges for those same reasons. Larger health plans have to wield relationships with not only numerous providers, but also varied business lines, which can make organizational impact more difficult to achieve.

If smaller regional health plans can take the time to address the challenges and priorities presented in these findings, they may be well-prepared and able to use their smaller size to gain ground. A smaller size frequently facilitates quicker adjustment to change, as smaller plans do not have to untangle the complex organizational impact of multi-state service areas and diverse business lines. These plans must use their size to their advantage; they need to remain agile and adaptable, and make use of their relative ease in automating operations. Their stronger local presence should provide an opportunity to leverage their close relationships with providers, state officials, and policymakers by collaborating with them to innovate and adapt to healthcare reform. Any national reform that passes will have to be implemented at the state level, so influence at the local level will be valuable.

As we all move forward in a time of uncertainty, even after a health reform bill is passed, smaller, regional health plans should ask themselves the following questions in an effort to build strategies and position themselves for change:

- Are these findings consistent with your experience?
- Has your organization's response to these issues changed over the past few months?

- What are the key obstacles to being more proactive about preparing for changes in the marketplace?
- What other interpretations do you have of the data presented?
- What is missing from this view?

Even with a rapidly changing market landscape, by examining key issues and getting ready for change, plans can readily adapt to the platform upon which change arrives.

In order to direct health plans in this uncertain climate, the team offers the following specific suggestions of activities that plans can engage in now to better position their organizations moving forward:

Activity	Purpose
Scenario planning	Scenario planning helps organizations to identify: <ul style="list-style-type: none"> <li>• Opportunities and needs that are consistent across a range of future scenarios</li> <li>• Risks that, although uncertain, may be so critical as to require exploration</li> <li>• Ways to make the uncertain future become manageable from a business perspective</li> </ul>
Driving organizational knowledge	Drive awareness of these broad industry shifts, such as reform, digitization of health records, state and federal regulations, etc. so that executives, directors, and managers are equipped to respond. These issues could change business operations in every area of the company.
Applications Inventory	Many plans have a dizzying array of legacy systems and processes with manual or minimal integration. Performing an inventory and assessment of applications and interfaces provides a foundation for any planned upgrades as well as a list for operational performance improvements.
Performance Improvement	While large IT and infrastructure projects may have compelling ROIs and expand business opportunity, many plans can significantly improve performance in their current environment. Seeking opportunities to gain efficiencies through streamlined processes, error reduction, better coordination, and more effective data utilization can pay for itself and improve outcomes.
Automated Member Acquisition	Regardless of the final reform scenario, market trends on the whole show health insurance has moved away from the employer-based arrangements. Plans that can more effectively and efficiently sell, price, and enroll individual members will have a competitive advantage.
System upgrades	Upgrading legacy systems can lower administrative costs, enable a plan to better manage risk, and help an organization to become more agile in the face of rapid change.



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