

## Lessons Learned in Direct Contracting & Joint Purchasing

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# Definition of Direct Contracting

**Direct contracting** occurs when a self-insured employer partners with a healthcare system to reimburse providers for services rendered. The employer bypasses the traditional relationship most have with an insurance company to negotiate directly with providers. Employers report that they have turned to direct contracting because they were **dissatisfied** with the traditional health benefit plans offered by insurers or were frustrated by a lack of transparency behind annual rate increases.

## **Several major employers have entered into such agreements:**

- General Motors and Henry Ford Health System
- Disney and Orlando Health and Florida Hospital
- Walmart Centers of Excellence and now entering into Primary Care

## **Other forms of Direct Contracting could include:**

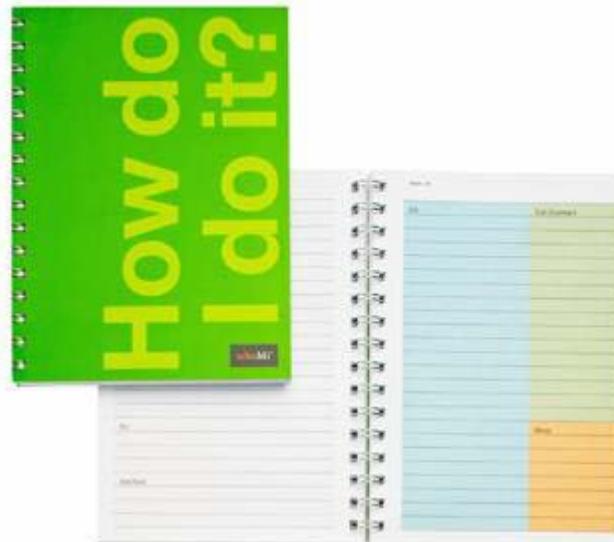
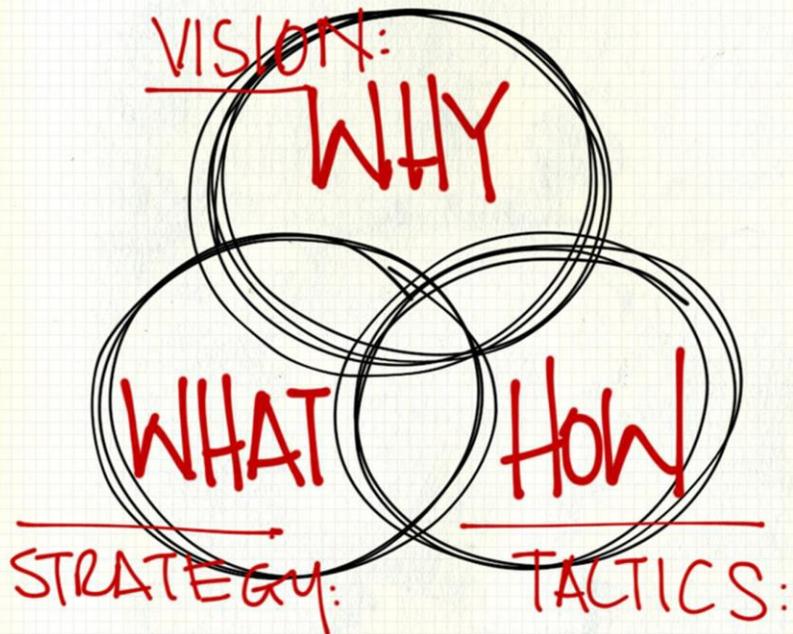
- Onsite and/or Near-Site Health Clinics
- Episode of Care/Bundled Payment arrangements
- Reference based pricing programs (Medicare Plus type programs)

# SBG Background

- Established in 1982
- Adopted Value Based Purchasing
- Use no insurance carriers
- Contract directly with providers
- Started network in 1986
- Represent ~15% commercial population



# Why do you want to Direct Contract?



PLAN:



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# Do a Market Scan

- Provider mix
  - Who is Dominant
- Payer mix
  - Who is controls the market
- Employer mix
  - Local, Union, National, Government
- Current provider contracting posture PPO, HMO
  - Medicare, Medicaid
- Are there any independent networks?
- Are you Regionally isolated?
- Where are you centers of excellence?
- Where are the babies born?
- How many hospital service areas are involved?
- Are the local providers high quality?
- Do the hospitals own the primary care doctors?
- Do the hospitals own the specialist?
- How many physician stand alone facilities?
- Do the providers work with employers?
- Is their any competition in your market?
- What employers are interested?
- What are the patient utilization patterns?
- How do our costs compare to other areas?
- Is there CEOinterest?
- How much do we pay now?
- What are we paying for?

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# What could we do instead?

- Have a long talk with your current network
- Have a long talk with your core providers
- Own (and use) your Data
- Improve your plan design
- Improve your contract
- Narrow the network
- Start carving out selective services
- Improve utilization management
- Coordinate the care
- Do Wellness & Prevention
- Improve Chronic Care Management
- Integrate all health related programs
- Include pharmacists in your network
- Work on social determinants
- Partner with disease advocate groups

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CEOs speak loudly



Use your clout

Stay Together



Driven by data



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## MISSION

The Healthcare Purchaser Alliance of Maine advances value in healthcare through collaborative and engaged purchaser action. Its members reward and support improvement in *quality, affordability, and service.*

# About the HPA

- Purchaser (employer) led 501c3 nonprofit
- Members represent over 150,000 commercially insured lives in Maine
- Together they spend over \$1 billion annually on health care

**GENERAL DYNAMICS**  
Bath Iron Works



**First**  
National Bank

 **The Jackson  
Laboratory**

**MEMIC**

**UNE**

**Pine State**  
BEVERAGE

**MEA**  
Benefits Trust

  
**BOWDOIN**



**TEAM EJP**  
Pipeline Specialists

 **Maine Municipal  
Employees Health Trust**

**Verrill Dana**<sub>LLP</sub>  
Attorneys at Law

  
**Habitat**  
for Humanity<sup>®</sup>  
of Greater Portland



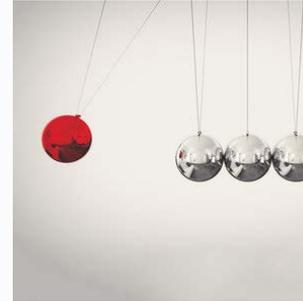
## Healthcare Cost Containment

Through initiatives like Rx group purchasing, bundled payments for inpatient procedures, and incentives that drive patients to high-value care, HPA members are on the cutting edge of healthcare purchasing.



## Networking and Learning

The HPA serves as a learning lab for purchasers around Maine who are interested in getting more value from their healthcare spend. Through groups like the Purchaser Learning Collaborative, members share what's working, and not working, at their organizations.



## Purchaser Advocacy

Every stakeholder in our healthcare system has an organization that advocates for their best interests. The HPA is that organization for employers, and our members believe that by joining forces they can drive the change they want to see in healthcare quality and affordability.



## Custom Analytic Services

Typical health plan reports can be underwhelming and leave employers wondering what to do next. With dedicated analysts and custom reports, HPA members get insight into the factors driving their spend and help identifying strategies they can take to lower costs.



Guided by member data, the Alliance identified three primary areas to impact costs in 2018. All programs launched 1/1/19.

- 1) High-Value Sites of Care
  - *Primary objectives: lower medical trend & improve access*
  
- 2) Pharmacy Group Purchasing Program
  - *Primary objective: lower pharmacy costs and increase transparency*
  
- 3) Centers of Excellence
  - *Primary objectives: improve surgical outcomes, lower costs, move to value-based payments*
  
- 4) *Star Captive*
  - *Primary objective: provide self-funding vehicles for small to mid size employers.*

# Case Study: NH Health Trust

- Non-profit, employee benefits pool serving municipal, school and county governments
- 47K covered lives across New Hampshire

**2015-2017 Savings**

<b>\$7.3M</b> Gross Savings	<b>\$797,900</b> Incentives Paid	<b>\$554</b> Avg. Savings Per Claim
<b>20%</b> Employees Registered	<b>81%</b> Registered Users Shop	<b>21%</b> Redirection Rate
<b>8:1 ROI</b>		

# Transparent, Pass-Through Savings

- Transparent—client has access to all records (claims, payments, etc.)
- No spread pricing; employer pays the same amount paid to the pharmacy
- Employer gets 100 percent of rebates (incl. ZBD claims)
- Variable copay program
- Acquisition plus pricing for specialty drugs
- No aggregators
- ProCare gets a flat PEPM admin fee



**100%  
REBATES**



**ELIMINATE  
SPREAD**



**NETWORK/  
FORMULARY  
CHANGE**

SAVINGS OPPORTUNITIES

## **INITIATIVE 3**

CENTERS OF EXCELLENCE  
& BUNDLED PAYMENTS

# Carrum Repricing Outcomes

	CLIENTS			
	A	B	C	D
Year 1 per bundle savings	22%	22%	13%	34%
5-year total net savings	\$9-10 million	\$12 million	\$2-3 million	\$600-700 K
Year 5 PEPM net savings	\$21	\$12	\$15	\$12
Year 5 ROI	10:1	6:1	7-8:1	6:1
Current variation in cost	615%	558%	255%	NA

# Henry Ford Health System



-  Established in 1915 in Detroit, MI
-  Over 30,000 employees
-  Five hospitals, three behavioral health facilities, and over 40 ambulatory facilities staffed by Henry Ford Medical Group employed physicians  
Includes primary care and multi-specialty medical centers, outpatient surgery, urgent care, and emergency services
-  Community Care Services Division  
Includes full pharmacy services, DME, optometry, dialysis, and home health services
-  Provider-Sponsored Health Plan: Health Alliance Plan  
Covers over 535,000 lives with HFHS and non-HFHS networks
-  Clinically Integrated Network: Henry Ford Physician Network launched in 2010  
Over 3,000 providers, employed and independent and participating in the Next Generation ACO  
Now over 400 locations for primary care and specialty

# Experience in Value-Based Care



- **Outcomes-based payments**

- ~50% of HFHS volume and net revenue tied to value-based contracts
  - ~90% of PCP-aligned lives are in some sort of value-based contract
- Value-based care is embedded in HFHS's strategic plan
- Part of Next Generation ACO and other risk-based Medicare, Medicaid, and commercial contracts

- **Coordinated care and quality improvement**

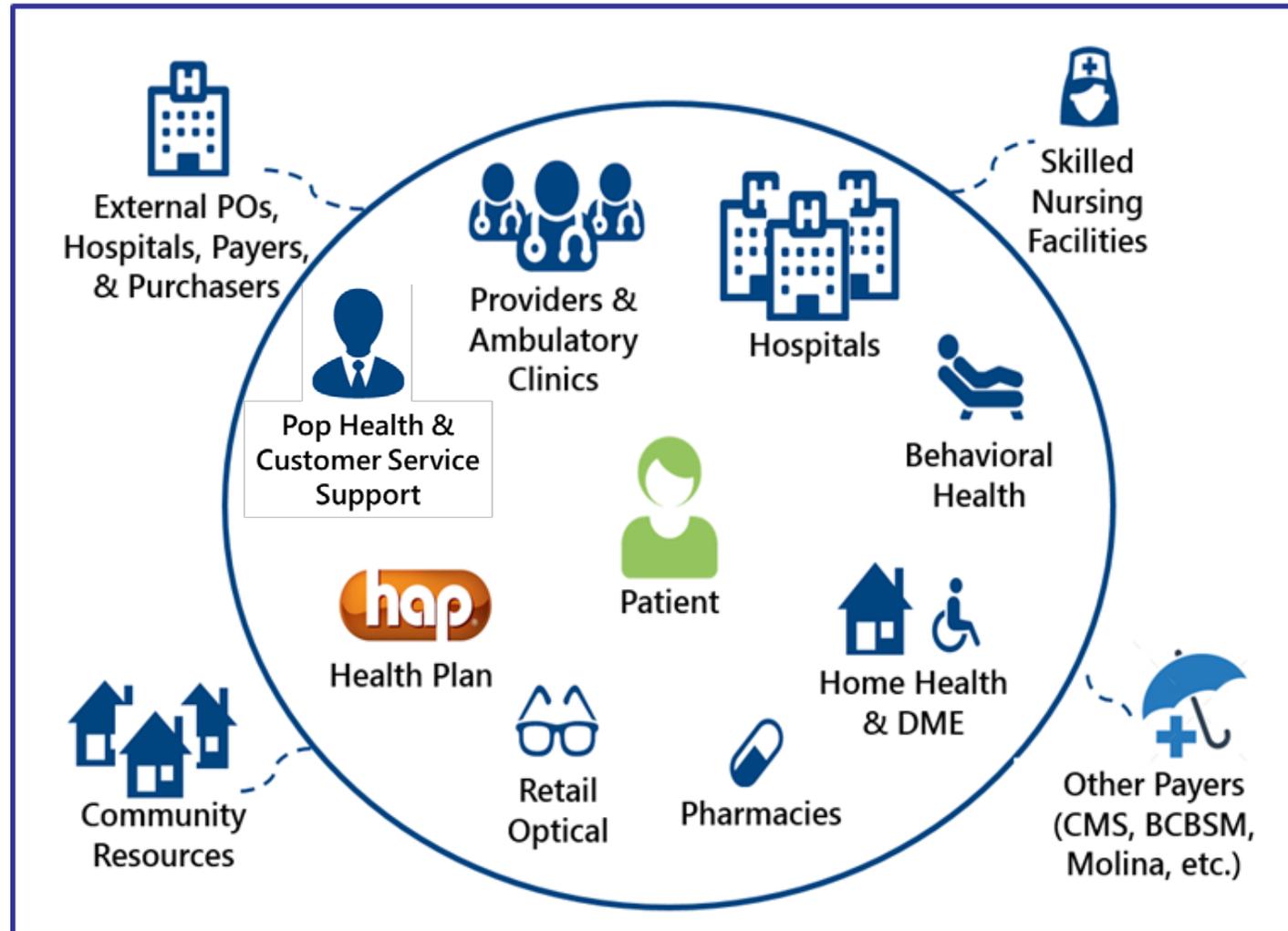
- Population Health Management department and the Henry Ford Medical Group have a longstanding relationship designing clinical programs to meet population needs and developing robust analytical capabilities
- Most of the experience came from working on Medicare Advantage and Next Gen ACO contracts
- Experience in value-based care helped secure the GM contract

- **Technology**

- Epic as EMR, Care Everywhere
- Enterprise data warehouse, ability to receive and analyze claims and EMR data
- Michigan Health Information Network (MiHIN) for ADT tracking
- Patient registries embedded in EMR and equipped with alerts
- Dashboards and quality reporting deployed across employed network
- Risk/population stratification capability (vendor and home grown models)



# HFHS "ACO"



# HFHS-GM Contract Overview



- Available to salaried GM employees and their dependents living in eligible zip codes in southeast Michigan
  - Coverage began January 1, 2019
- Incentives and risk sharing based on total cost of care and quality/experience metrics for two populations: those who chose the ConnectedCare product and those who are attributed to HFHS
- First-of-its-kind for both HFHS and GM – creating a high degree of collaboration, transparency, and mutual learning
- HFHS serves as the “ACO”
  - All HFHS facilities and services in the GM eligibility zone are included the network
  - Henry Ford Physician Network (one of two HFHS Clinically Integrated Networks) serves as the provider network
- Leverages and enhances HFHS’s value-based care processes and mindset
- BCBSM is the Third Party Administrator



# Lessons Learned



- The entire process is a team effort
- It's crucial to create collaborative, working relationships with all involved – including internal stakeholders – and working together to solve problems
- Employer must have clear goals, an understanding of their population, and certain plan design elements in place
  - Employee demographic and utilization data in the RFP helped us understand the financial potential with this contract
- “Healthcare IQ” of employees is generally low
- We underestimated the difficulty in getting timely data feeds from multiple third parties
- We’ve realized the need for internal actuarial expertise
- We celebrated often to keep teams engaged and build relationships



# Direct Contracting HISTORY of EACH

## EHC/EACH – History

- EHC/PPO – Direct contract with Facilities and Physicians for local PPO type program with National PPO wrap (Aetna or Cigna)
- ECRx Pharmacy Benefit Program including direct contract with Walmart and Sam's Club pharmacies
- Premise Health Onsite Clinic and Community Near-Site DPC locations
- Diabetes Care Management

# Direct Contracting **FUTURE** of **EACH**

## **EACH** – Future is Now!

- **EACHCHOICEPLUS**  - Direct contract with Mercy Health Systems serving Fort Smith, NW Arkansas and Springfield, MO. Contract features Medicare cost plus pricing foundation to max of 180% of Medicare.
- **ECRx** Pharmacy Benefit Program continues strong results using **RBP** pricing approach and negotiated new direct contract with Walmart pharmacy to increase savings for members.
- **Premise Health** Near-Site clinic now available to small and midsize employer market (NA STAR Captive) on fixed PMPM cost basis.
- Aggregator agreement with **Edison Healthcare** to offer Centers of Excellence for all current and future **EACH** member companies.

## Questions and Sharing from the Audience

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