

Research on behalf of:

Oregon Health Policy & Research &  
Portland State University

By Foley Research, Inc.



# Value-Based Benefit Design – Findings

December 2010

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# OVERALL FINDINGS

Value-based/low cost sharing services are appealing

An emphasis on wellness

Levels & tiers are complicated

- Administrative cost to explain the benefits
- Members/patients might delay or not seek needed care
- Members cannot anticipate their cost

Perceived inequities



People want to know who is making the decisions

Perceived need for exceptions:

- For subpopulations
- Flexibility desired & step-wise approach

Significant education & communication will be required

Lower premiums is a top priority

Being asked for feedback by the State is appreciated

## • 20 Sessions

▪ September 15 to October 19

–Insurers

–Hospitals

–Medical Groups

–Agents/brokers

–Employers

–Consumers

–Consumer Advocates

## • 141 participants

# INSURERS

Interest in value-based benefit designs in the market has been low so far

Structure tiers by procedure or diagnosis, but together is difficult to administer

Tiers are complex and perceived as arbitrary in some cases



**Administrative impact is significant:**

- Customer service
- Automating information
- Diagnostic tests & pharmacy
- Physician billing
- Appeals
- Treatment cost navigators
- ICD9 conversion underway

**Anticipated impact on members:**

- May see as a take-away
- May not seek needed care

May be more complicated to explain benefits to members

**Explore opportunities to control cost:**

- Physician networks
- Differential co-pays or OOP max at each tier
- Step-wise approach

- **3 meetings with insurers**
- **4 representatives from each insurer group**
- **60 minute meetings**
  - ODS
  - Providence
  - PacificSource

# HOSPITALS/MEDICAL GROUPS

## Administrative impacts:

- Patients expect front office to know insurance details



Potential for patient dissatisfaction with charges in high tiers

## Impact on reimbursement:

- Difficulty collecting co-pay upfront
- Co-insurance for high tiers
- Bad debt/write-offs

## Doctors focus on medical necessity:

- Low understanding of insurance
- Need tools to make it work

Medical home is an optimal way to deliver this benefit

Conversation between doctor and patient will change:

- Positively
- Negatively

Additional costs to administer this benefit design

This is a more rational approach:

- Removes cost barriers for value-based/low cost sharing services
- Encourages primary care
- Improves compliance
- Reduces inappropriate ER use

## Hospitals

- 3-day online group— 7 hospital representatives of valley & coast hospitals
- St Charles Hospital representative
- Legacy System – 4 representatives

## Medical Groups

- 3-day online group— 13 medical group representatives of valley, coast, central Oregon, and metro groups
- In-person focus group –12 medical group representatives in Portland area

# EMPLOYERS/AGENTS & BROKERS

This approach can save money

- But will premium costs go up or down?

Perceptions of “government involvement”

Importance of preventing illness before it becomes chronic

- Prevention will save cost for employers and employees



Challenges:

- Challenging for unions, employees in other states, non-English speaking employees
- Employees could see it as a benefit reduction
- Perceived lower benefits vs. the promise of cost savings

Offer it together with a traditional plan

- A premium 10-30% lower is attractive

Currently demand for this type of design is low

Upfront/low cost-sharing services will give people coverage

- Healthier employees

## Employers

•Portland focus group—8 employers size 100-500 employees

•Portland focus group—8 public employers

•Medford focus group—8 employers size 25-100 employees

•Online focus group—9 employers size 25-250 employees from eastern, southern, central, valley, and metro communities

## Agents/brokers

•3 individual interviews with agents/brokers in Portland and central Oregon; 45-minute sessions

# CONSUMERS/ADVOCATES

Those without insurance more enthusiastic than those with coverage



People will think twice before going to the doctor

Uneasy about unexpected costs in high tiers and affordability

Preventive/holistic approach desired:

- Incentives for keeping healthy

Consumers ask for direct assistance and advice

Dental, vision and mental health benefits at a low cost are wanted

Consumers wonder if out of pocket costs will be higher or lower

- Or whether premium will be higher or lower

**Consumers** – employed, individual insurance, uninsured

•Portland focus group—8 consumers

•Bend focus group—8 consumers

•Pendleton focus group—8 consumers

•3-day online focus group—13 consumers from eastern, southern, central, and valley communities

**Advocates**

•70-minute meeting of “Health Allies” in metro area with 19 advocate representatives of 12 organizations

# Thank you

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# Value-based Essential Benefit Package

## Proposed Next Steps

Presentation to Oregon Health Policy Board

by

Dr. Jeanene Smith

December 14, 2010



Office for Oregon Health Policy & Research

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# Proposed Next Steps

- Assign accountability within the Oregon Health Authority to develop detailed implementation plans for the value-based benefit plan across all OHA lines of business. Items to consider:
  - Use of pilot programs,
  - Phased implementation and/or implementing the most appropriate elements of the design for different populations.
- Create a sophisticated actuarial tool that:
  - Purchasers can use to compare their current benefits with the value-based essential benefit plan and assess how it will impact their healthcare expenditures,
  - Incorporates additional actuarial work on each value-based service to weigh costs and savings for each intervention.

# Proposed Next Steps, *continued*

- Examine how benefit design can be coupled with payment incentives to increase the use of effective services and treatments to improve health, and reduce the use of less-effective services and treatments.
- Work with impacted stakeholders to address administrative and operational concerns.
- Develop and provide outreach and educational tools to support the implementation and adoption of the benefit plan.