Colorado Health Market Review
2019: Trends and Strategies

Presented to:
Colorado Business Group on Health
September 12, 2019
Allan Baumgarten, J.D., M.A.
Today’s Presentation

- Health plan trends and strategies:
  - Enrollment and profitability
  - Consolidation and new entrants
  - Changes in Medicare, Medicaid
  - Individual plans
  - Payment arrangements
Today’s Presentation - 2

- Provider trends and strategies
  - Growth in multiple dimensions: geographic footprint, patient base, service lines
  - Capital investment, consolidation, partnerships
  - Will there be significant changes in payment – how likely, and what impact?

- Impact of continued consolidation
Cross Cutting Themes

- Balance of power: providers vs. health plans
- Growing importance of government payers – does it create vulnerability?
- Future directions for capital investment for health systems
- Payments changing from volume to value?
Health Plan Trends and Strategies

- Consolidation, niche strategies
- Enrollment growth and profitability
- Risk payment, value payment
- New entrants
Colorado HMO Enrollment

- Other
- Medicaid
- Medicare Advantage
- Commercial
- TOTAL
Health Plan Market Share

- Kaiser (33.8%)
- UnitedHealthcare (26.7%)
- Anthem Blue Cross (19.1%)
- Humana (5.8%)
- CIGNA (5.4%)
- Aetna (3.5%)
- Colorado Access (2.6%)
- Other (3.2%)
Health System Trends and Strategies

- Consolidation and profitability
- Growth in multiple dimensions:
  - Expanded geography – new facilities
  - Expanded patient base
  - Acquisition and organic growth of primary care and specialty practices
  - Strategic partnerships
Profitability of Colorado Systems

Centura
Denver Health
Banner Health
Children's
University of Colorado
SCL Health
HealthOne/HCA
Inpatient Hospital Days in Denver Area, 2005-18

The chart shows the number of inpatient hospital days in the Denver Area from 2007 to 2018. Each bar represents a different healthcare provider, indicated by different colors:

- **Blue**: Other
- **Orange**: Denver Health Medical
- **Purple**: Children's
- **Yellow**: University
- **Red**: SCL Health
- **Green**: Centura
- **Light Blue**: HCA/HealthOne

The y-axis represents the number of hospital days, with major tick marks at 200,000 intervals, ranging from 0 to 1,400,000. The x-axis lists the years from 2007 to 2018.
Capital Investment

- What kind of facilities? Hospitals and also free-standing ERs, surgery centers, imaging centers, urgent care and retail clinics
- Siting decisions: focus on zip codes with higher than average household income and commercial health insurance
Geographic Markets – Not What They Used to Be

- Systems reaching for statewide footprint, crossing into nearby states: University of Colorado, Centura, SCL Health
- Trend of mergers across metropolitan regions within states, or crossing state boundaries
- Health plan companies in joint ventures with health systems
New Models

- Health systems like Ascension seek to downsize their inpatient footprint.
- Micro-hospitals – Emerus, Inc. of Houston has partnered with SCL, with four locations in the Denver Metro area.
Adding Patients

- Trend of flat or declining inpatient volume
- New competition – challenge of building system loyalty for key populations - think of your millennial children
- Payment issues: will providers be rewarded for volume or value? For increasing procedures and hospital days or for improving the health of a population?
## Provider Payment:
**Use of Capitation**

<table>
<thead>
<tr>
<th>HMO</th>
<th>2018 % Paid in Capitation</th>
<th>2012 % Paid in Capitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado Access</td>
<td>28.8%</td>
<td>22.6%</td>
</tr>
<tr>
<td>HMO Colorado</td>
<td>16.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Kaiser</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>PacifiCare</td>
<td>47.7%</td>
<td>22.5%</td>
</tr>
<tr>
<td>Rocky Mountain HMO</td>
<td>12.4%</td>
<td>3.0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>19.6%</td>
<td>5.4%</td>
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</tbody>
</table>
Disruptive Deals

- Health plans and providers: OptumCare, Humana acquisitions
- Health plans, retailers and PBMs merge or partner: CVS and Aetna, Express Scripts and CIGNA, Wal-Mart and Humana
Outlook

- Continued consolidation and partnerships, crossing traditional geographic market boundaries – more antitrust challenges?
- Continued and significant capital investment in facilities
- More performance-based payment for government plans, but less change for commercial plans
For Additional Information

Allan Baumgarten

www.AllanBaumgarten.com

4800 W. 27th Street

Minneapolis, MN  55416

- E-mail: Baumg010@umn.edu
- 952/925-9121
- Twitter @allanbaumgarten
Transforming Clinical Practice Initiative
Preparing for Value Based Payment

COLORADO BUSINESS GROUP ON HEALTH
SEPTEMBER 12TH, 2019
$700 Million in funding from the Centers for Medicare and Medicaid Innovation

Colorado is one of 29 Practice Transformation Networks

- Colorado: $11.7 million over 4 years
- 1977 providers enrolled across 282 practices

7 overall goals that prepare the healthcare delivery system for Value Based Payment
"Every system is perfectly designed to get the result that it gets" Dr. Don Berwick

We can’t afford not to move to paying for value

If we pay for activity, we get more activity
If we pay for value, we will get more value
Activities to prepare for value based payment

- Interventions are focused on several key areas:
  - Improving health outcomes
  - Reducing hospital admissions and emergency department visits
  - Reducing unnecessary tests/procedures
  - Achieving significant cost savings and return on investment
  - Preparing providers for alternative payment models by developing different infrastructures

- Each practice was asked to improve health outcomes and to identify and work on a cost and utilization goal.

- This had a tremendous effect on the practices in terms of seeing how their day to day operation had a direct impact on the total cost of care.
PRACTICE SPECIALTIES AND LOCATIONS

<table>
<thead>
<tr>
<th>Enrollment</th>
<th>Primary Care</th>
<th>Specialty Care</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinicians</td>
<td>476</td>
<td>1497</td>
<td>1973</td>
</tr>
<tr>
<td>Practices</td>
<td>59</td>
<td>173</td>
<td>232</td>
</tr>
</tbody>
</table>

Colorado Practice Types

- Anesthesiology
- Bariatric Medicine
- Behavioral Health
- Cardiology
- Colon and Rectal Surgery
- Dermatology
- Emergency Medicine
- Family Medicine
- Fetal Medicine
- Gastroenterology
- Hospice
- Infectious Disease
- Internal Medicine
- Interventional Radiology
- Nephrology
- Neurology
- OB/GYN
- Oncology
- Ophthalmology
- Orthopaedics
- Otolaryngology
- Pain Management
- Pediatric Medicine
- Physical Therapy
- Podiatry
- Psychiatry
- Pulmonology
- Radiology
- Rheumatology
- Surgery Sub-Specialties

Department of Health Care Policy & Financing
TCPi
Practice Innovation Program
# TCPI Impact on Colorado

<table>
<thead>
<tr>
<th>Activity</th>
<th>Methodology</th>
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<tbody>
<tr>
<td><strong>Health Outcomes:</strong></td>
<td>A combination of the following:</td>
</tr>
<tr>
<td>100,374 Lives Improved</td>
<td>• Breast and colorectal Screening</td>
</tr>
<tr>
<td></td>
<td>• Depression screening and counselling</td>
</tr>
<tr>
<td></td>
<td>• Diabetes</td>
</tr>
<tr>
<td></td>
<td>• Hypertension</td>
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<tr>
<td></td>
<td>• BMI assessment and counselling</td>
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<tr>
<td></td>
<td>• Specialty specific measures</td>
</tr>
<tr>
<td></td>
<td>• Tobacco screening and counseling</td>
</tr>
<tr>
<td></td>
<td>• Weight assessment and counseling</td>
</tr>
<tr>
<td><strong>Tests reduced:</strong></td>
<td>Radiology Imaging</td>
</tr>
<tr>
<td>4,098</td>
<td>Low value tests</td>
</tr>
<tr>
<td></td>
<td>Lower back imaging</td>
</tr>
<tr>
<td><strong>Hospitalizations avoided:</strong></td>
<td>ED visits</td>
</tr>
<tr>
<td>11,521</td>
<td>Hospitalizations</td>
</tr>
<tr>
<td></td>
<td>Readmissions</td>
</tr>
<tr>
<td><strong>Cost savings:</strong></td>
<td>Combination of all of the above</td>
</tr>
<tr>
<td>$58 million</td>
<td>2017 data from All Payer Claims database</td>
</tr>
<tr>
<td><strong>Progress moving to Alternative Payment Models (APMs)</strong></td>
<td>65% of 1977 clinicians are in some type of Alternative Payment Model Through Medicare, Medicaid, or commercial carrier.</td>
</tr>
</tbody>
</table>
## Examples of Cost Savings

<table>
<thead>
<tr>
<th>Approximate savings: as reported by practices</th>
<th>Category</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30 million</td>
<td>Pharmaceuticals</td>
<td>Use of generic pharmaceuticals as “default”; only use brand name if generic was not effective</td>
</tr>
<tr>
<td>$20 million</td>
<td>Unnecessary tests</td>
<td>Radiology Imaging Associates reduces 9% of all ordered imaging studies to a lower cost/lower radiation exposure</td>
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<tr>
<td></td>
<td></td>
<td>Better sharing of test information among providers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Eliminating low-value tests that don’t inform care path</td>
</tr>
<tr>
<td>$2.4 million</td>
<td>E-consults</td>
<td>A primary care doctor requests an electronic consult from specialist on care of a specific patient:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Out of 2878 requests, 86% avoided a specialty visit. Avoids cost of higher price specialist</td>
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<tr>
<td></td>
<td></td>
<td>Accelerates access to treatment avoiding expensive complications</td>
</tr>
<tr>
<td>$7 million</td>
<td>Changing the site of service</td>
<td>By moving surgeries to lower cost site –</td>
</tr>
<tr>
<td></td>
<td></td>
<td>From Hospital to Ambulatory Surgery Center</td>
</tr>
<tr>
<td></td>
<td></td>
<td>From Ambulatory Surgery Center to Office</td>
</tr>
<tr>
<td>$7 million</td>
<td>Reducing ED visits</td>
<td>Providing “open” slots to see patients same day</td>
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<tr>
<td></td>
<td></td>
<td>Providing 24/7 physician on call with access to the medical record</td>
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</table>
Progress

• Met with Colorado health plans
• Hosted an Alternative Payment Model Summit for Health Plans and Practices
• Connecting health plans with TCPi Practices
  • Facilitating conversations between health plans and targeted specialty care practices
  • Linking primary care providers in at risk contracts to high value specialty care providers

Outcomes Achieved

• Multi-payer Collaborative (MPC) sees specialty care as a priority to the state and value to the health system
Customized Practice Facilitation

- Practice Facilitators (coaches) customized work to the 27 different types of specialty providers in Colorado

Clinical Health Information Technology Advisor (CHITA)

- CHITA worked with each practice on reporting and ensuring accuracy from electronic health records
- Provided education and understanding around practice reporting for Quality Payment Program
- 91 measures reported by 27 specialty types over 47 electronic health records.

Faculty and Practice Facilitator Pairings

- Each practice was assigned a Practice Facilitator who was paired with a clinical faculty member
- Pairing helped translate the goals of the initiative to the goals of the practice
Exemplar practice

• Largest retina practice in the rocky mountain region
  • 12 Physicians
  • 18,046 patients per year

• **Cost Savings: $20 Million**

• Reduced ED visits by utilizing same day appointments,

• Providers see patients on weekends if needed

• Using generics, saved $20 million in compared to national average of peers
Exemplar practice

Background:
42 surgeons
36,000 surgeries per year
24,000 patients

Cost Savings: $24,600,000 Annually
Using Ambulatory Surgery Centers rather than hospital operating rooms - $10,000,000
Using robotics - $6,000
Imaging review – $8,000,000
Lowering surgical infection rate - $6,000,000

Patient and Family Engagement:
Patient suggestions inform their QI projects
Reward staff and publicize to entire practice when a patient calls out a staff member by name

Opioid Management:
Reduced opioid dosages by 50%

Alternative Payment Models:
Used their cost and quality data to negotiate rates with commercial carriers including shared savings

Quality:
Lower complication rates
EXEMPLAR PRACTICE

- Gynecology Practice: 2 providers
- Serving 4,189 patients
- Very committed to reducing costs for patients
  - Perform surgeries in ambulatory surgery center, even hysterectomies go home same day
- 302 ED visits avoided utilizing same day appointments,
  - Savings of $257,908 annually
- Examined standing orders for surgical tray set up: $120,000 savings per year
  - Reduced from $3000 per surgery to $106 per surgery
Safety-net health system for the City and County of Denver:

- Primary Care, Specialty Care, in-Patient acute care, and Level 3 trauma center
- 151,000 unique patients per year

462 clinicians enrolled in TCPI

- 30 specialty clinics
- 17 School based health centers
- 4 Dental clinics
2018 - Q2 2019 E-Consult Results across six specialties:
2,878 e-consults requested
2,481 avoided specialty visits

86% of the consults avoided a specialty visit.

2,481 X 82/month X 12 months = $2.4 Million
What employers can do:

- Healthcare Reform is changing how we deliver AND pay for care
- Accelerate the move to value based payment models
  - Insist that the health plans or brokers to Alternative Payment Models include specialists
- Consider including payment for e-Consults
  - Cost savings, more timely access to care, and more comfortable for the patient
- **Provide benefit design for employees to choose high value practices**
  - Incentivize employees to select high value practices
    - Reduced co-pay is one way
    - Premium reduction for “narrow networks”
  - One Example: Zero Card
Questions and Contact

Andrew Forbes – TCPI Data and Policy Analyst
Andrew.Forbes@state.co.us
303-866-3746

Allyson Gottsman – Practice Innovation Program
Allyson.Gottsman@cuanschutz.edu
303-915-7701
About Catalyst for Payment Reform

- CPR is a nationally respected, independent non-profit working to catalyze employers, public purchasers and others to implement strategies that produce higher-value health care.

- CPR has worked previously with CIVHC to measure use of value-based payments in Colorado and understands our state very well.

- In 2019, in anticipation of CBGH’s role in creating a statewide purchasing alliance, CPR partnered with the Colorado Business Group on Health (CBGH) to conduct an extensive assessment of the local dynamics that drive the Denver Metro Area’s health care market.
Catalyst for Payment Reform

Members

• 32BJ Health Fund
• 3M
• Aircraft Gear Corporation
• Aon
• Arizona Health Care Cost Containment System (Medicaid)
• AT&T
• The Boeing Company
• CalPERS
• City and County of San Francisco
• Comcast
• Compassion International
• Covered California
• The Dow Chemical Company
• Equity Healthcare LLC
• FedEx Corporation
• General Motors
• Google Inc.
• Group Insurance Commission, MA
• Hilmar Cheese Company, Inc.
• The Home Depot
• Mercer
• Miami University (Ohio)
• Ohio Medicaid
• Ohio PERS
• Penn State University
• Pennsylvania Employees Benefit Trust Fund
• Pitney Bowes
• Qualcomm Incorporated
• Self-Insured Schools of California
• South Carolina Health & Human Services (Medicaid)
• Teacher Retirement System of Texas
• TennCare (Medicaid)
• Unite Here Health
• US Foods
• Walmart Inc.
• Wells Fargo & Company
• Willis Towers Watson
About the work....

Compiled and prepared by CPR:
- Andréa Caballero, MPA
- Alejandra Vargas-Johnson

Supported by a grant from the Peterson Center on Healthcare
CPR’s Market Assessment Tool (MAT)

- Has been completed in 6 other major metro markets.

- Provides a structured process for assessing the characteristics and local dynamics of a specific market to determine which payment reform strategies to implement based on market type.

- Utilizes primary and secondary research with stakeholder groups to identify where the locus of *market-shaping* power resides in any given market.

- Each market type has a corresponding set of reform initiatives that have the greatest prospects of effectiveness and feasibility.

- Full report can be downloaded from CBGH website.
Local Market Dynamics Impact Value

In every local market, there is a unique dynamic among purchasers, payers and providers (along with laws and regulations).
How the report is organized...

- **Section 1:** The landscape of the Colorado health care market in detail - with a specific focus on Denver.

- **Section 2:** In-depth analysis of the three stakeholder groups who most shape payment reform opportunities using insights and perspectives from primary interviews.

- **Section 3 & 4:** Classify Denver among 8 market types and create a Denver-specific list of reform opportunities based on:
  - Market dynamics
  - Public-private partnership opportunities
  - Legislative constraints
Section 1: The Landscape
Denver Metro Top 10
Private & Public Employers (by EE’s)

- HealthONE Corporation: 11,870
- Centura Health: 9,450
- UCHealth: 9,380
- SCL Health System: 8,930
- CenturyLink: 7,800
- Lockheed Martin Corporation: 7,510
- Comcast: 7,250
- Children’s Hospital Colorado: 7,160
- Kaiser Permanente: 7,000
- Amazon: 6,490

- U.S. Government: 36,222
- State of Colorado: 29,180
- University of Colorado: 22,984
- Denver Public Schools: 15,386
- Jefferson County Public: 14,436
- City & County of Denver: 12,445
- Douglas County School: 8,700
- Cherry Creek School: 7,348
- Denver Health: 7,073
- Adams 12 Five Star Schools: 5,312
Insurance Coverage

Since Colorado expanded Medicaid coverage in 2014, only 6.5% of residents regionally were uninsured in 2017, with even smaller proportions uninsured at the county level in the Denver region.

Source: 2017 Colorado Health Access Survey
Structural Highlights - Hospitals

- With 85% of hospitals admissions distributed among four health systems, the Herfindahl-Hirschman Index (HHI) indicates metro-Denver market is “Moderately Concentrated,” - i.e., concentrated enough to stifle price competition.

- Despite an overall occupancy rate of 63% in 2016, capital expenditures for Colorado hospitals are the second highest in the nation, after Alaska.

- “There is substantial evidence* that provider consolidation leads to higher health care prices, and this correlation clearly plays out in the Denver market.”

Despite a relatively limited number of insurers, there are signals that the payer market does function competitively.

- Self-insured employers contract with multiple carriers for their employee plan offerings.
- Profit margins of Colorado payers have been a mixed bag.

Carriers are governed by stricter regulatory oversight than hospitals in two ways:

- Colorado is a “prior approval” state (e.g., premium increases)
- Insurers must provide a competitive impact analysis in order to proceed with proposed mergers and acquisitions.
Summary - Legislative & Executive

- Both branches are extremely active in health care reform.

- In 2017:
  - Colorado legislature re-instated the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board to oversee delivery and payment reform programs statewide.
  - Colorado Commission on Affordable Health Care published its final report in 2017

- Current Administration identifies affordability as a key issue.
  - Office of Saving People Money on Healthcare
  - Polis-Primavera Roadmap To Saving Coloradans Money On Health Care
  - Support for use of CRS10.16.1001 to create a statewide employer purchasing alliance (piloted by Peak Alliance)
Section 2: Stakeholder Perceptions
Stakeholder Perceptions

**Employer Surveys (5) / Interviews (3):**
- Though accommodating, health plans are minimally ready to implement new forms of payment and have shown little interest in payment reform.
- Health systems have the power and are driving the market.
- Group purchasing, price transparency, and reference-based pricing (e.g., relative to Medicare) are the best opportunities for health reform.

**Physician & Hospital Surveys (5) / Interviews (3):**
- Indicated that health plans have the power and drive the market.
- View multi-stakeholder coalitions, which include health systems as members, as having a strong presence in the work toward payment reform.
- See the main obstacle to implementing new forms of payment, such as requiring global payment or downside risk, as the lack of IT infrastructure to support such contracts.
- Expressed no particular desire or incentive to champion alternative payments and expressed particular resistance to reference-based pricing.
Perceptions - Cont’d

- Health Plans Surveys (6) / Interviews (2):
  - Said FFS dominates due to hospital inability to handle new forms of payment.
  - Expressed significant strength in their own ability to roll out payment reform.
  - Lack of consensus as to where the balance of power lies in Denver’s health care market; disagreement as to whether employers or providers could drive change.

Share of Value-Oriented Payments Not Based on Fee-For-Service & That Put Providers at Financial Risk

Source: CPR 2018 Colorado Scorecard Commercial & Medicaid Payment Reform
Section 3 & 4: Analysis & Recommendations
CPR Conclusions

CPR considers Denver a market type 5, in which...

- Providers and payers are market-shaping and purchasers are not (yet).
- Caveat: there is significant regulatory payer oversight that both constrains their insurer market power and harnesses it toward high-value programs.
- Given to the current legislative and regulatory environment...purchasers appear to be stepping into a market-shaping role.
- Payment models that best suit this type of market include:
  - Upside only payment reforms for providers, which are already in place.
  - Benefit designs that shift consumers to high-value, low-priced providers.
Key CPR Recommendations

- **Continue Building on Purchaser Momentum.** A critical mass of purchasers is needed to drive payment reform forward.

- **Use Benefit Designs to Shift Consumers.** To create market conditions for providers to deliver high-value services, purchasers can adopt financial incentives to encourage patients to seek care from high-value health care providers. Even providers said this is necessary to change the market.

- **Align with Medicaid.** Employers need to “piggy-back” on HCPF’s Hospital Transformation Program (HTP) to expand and accelerate hospital value-based payment programs.
Recommendations - Cont’d

- **Building Value-Based Programs.** Identify and contract for “Centers of Excellence” using bundled/episodic payments built on pricing referenced to Medicare.

- **Expand in Areas of Success: Transparency.** Colorado stakeholders have taken impressive strides to promote transparency into health care costs and quality -- though more work remains.
We Are At A Tipping Point

- A critical mass of purchasers is needed to drive payment reform forward
- Consistent signals catalyze change faster
Concluding Comments

- CPR assessment relative to the recommendations of the Colorado Commission on Affordable Health Care
- Necessity of a Statewide, Employer-led Purchasing Cooperative