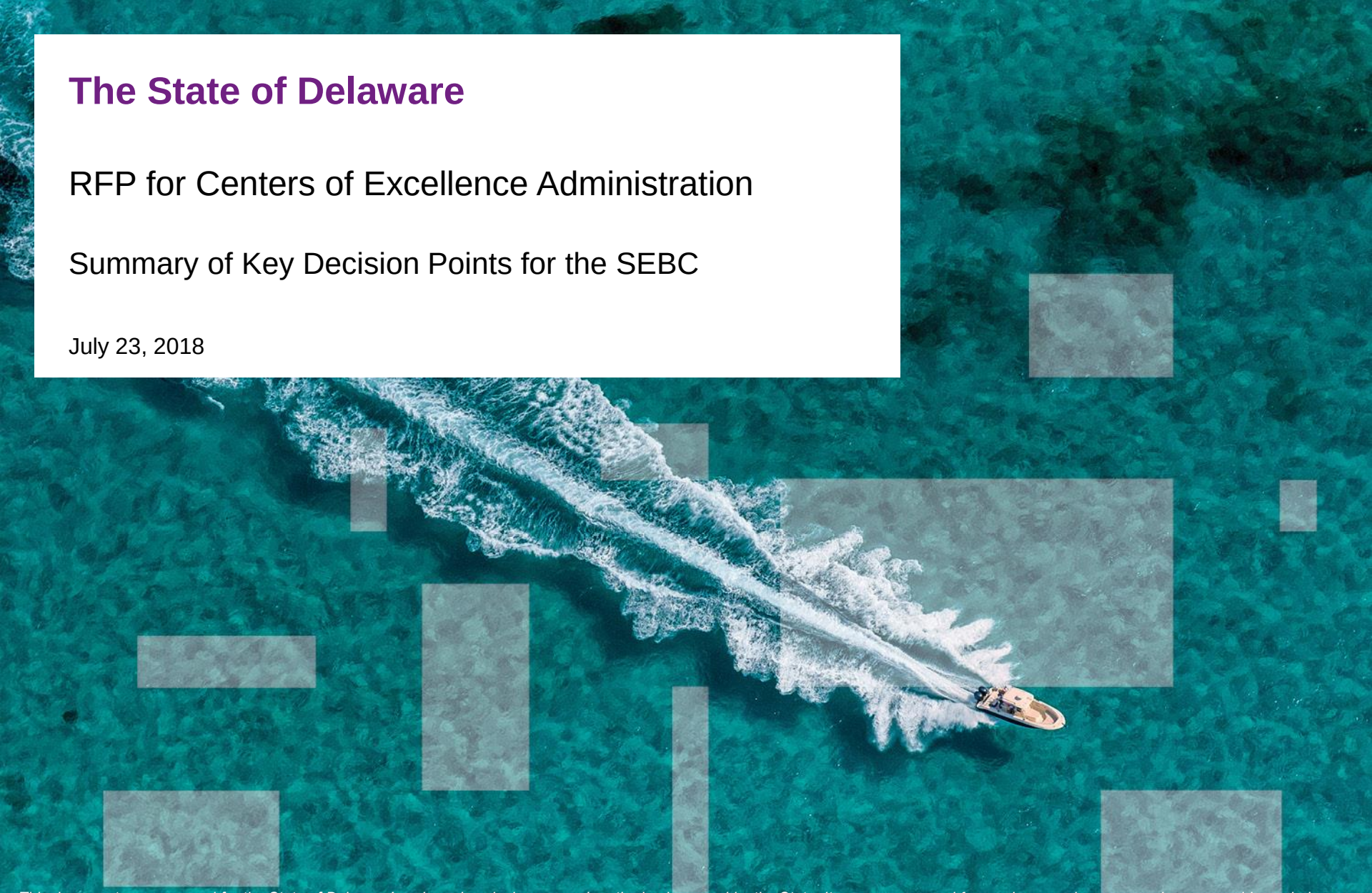
The State of Delaware

RFP for Centers of Excellence Administration

Summary of Key Decision Points for the SEBC

July 23, 2018



Willis Towers Watson

Considerations for the SEBC and your PRC designees

- The Proposal Review Committee (PRC) for the RFP for Centers of Excellence (COE) Administration for the GHIP met on July 18 to discuss the results of the RFP
- Further input from the SEBC is required to determine a path forward regarding COEs
- Each SEBC member should discuss following decision points with your PRC designee:

1. ***For FY20 and later, should the State award a contract to a carve-out COE vendor?***
2. ***If so:***
   a) ***How should the State's coverage for non-TPA COE providers be structured? Includes related decisions such as:***
      - ***Offer access to carve-out vendor as a choice, or mandate its use?***
        - ***If offered as a choice, what incentives should be used to encourage utilization?***
        - ***If mandated, is there tolerance for requiring members to travel for care when they will need to pay travel expenses up-front and be reimbursed later?***
      - ***Should there be any plan design changes related to use of COE vs. non-COE providers?***
   b) ***Which vendor provides the business model in line with the State's decisions for a carve-out COE program?***

Considerations for the SEBC and your PRC designees

For evaluation during the decision-making process

Considerations	SBO & Willis Towers Watson Comments
Your point of view on the ability of Aetna and Highmark's COEs to meaningfully impact cost and quality of care	▪ Consider past discussions with SEBC on this topic ▪ Previous estimate of savings for steerage to medical TPA COEs: $0.7m (based on agreed-upon plan design changes, reflects 60% cost shift to members and 40% savings due to improved quality)
Does one or both vendors meet the Minimum Requirements outlined in the RFP?	Both vendors meet the Minimum Requirements with no major deviations identified to date.
Is there willingness to pay ongoing monthly fee for access to a carve-out COE network, if it's unknown whether members will use it?	SEBC members should speak with your PRC designees about the fee options proposed by each vendor and each vendor's performance guarantees related to return-on-investment. WTW-calculated estimated "break-even point" (admin fees + procedure costs vs. savings) for both vendors if offered as a choice alongside Aetna and Highmark COEs: 1-2 years, consistent with each vendor's average utilization rates for initial 1-2 years of operation when offered as a choice.

Considerations for the SEBC and your PRC designees

For evaluation during the decision-making process

Considerations	SBO & Willis Towers Watson Comments
What is the appetite to require COE utilization as mandatory and for which COE-eligible procedures?	SEBC members should speak with your PRC designees about each vendor's recommendations related to driving utilization of their COE networks and each vendor's capabilities for tailoring the range of procedures offered through the COE network.
It is not known what the impact of offering a third-party COE network may have on the State's contractual performance guarantees with Aetna and Highmark.	Providing an alternative network of COE providers will require a review of Aetna and Highmark's existing performance guarantees related to their managing the total cost of care for GHIP members. Discussion will be necessary with the medical vendors regarding carve-out coverage for COE-eligible procedures in the event that the SEBC intends to mandate use of a third party COE network for those services. Further dialogue with both medical carriers would be necessary to evaluate the impact of these decisions.
Both vendors' networks are limited in and around the State of Delaware.	A core principle of both vendors' network contracting strategies is to identify high quality providers that are willing to accept lower fees for higher patient volume. It is reasonable to expect that these networks have fewer providers than a traditional medical TPA's network.

Considerations for the SEBC and your PRC designees

For evaluation during the decision-making process

Considerations	SBO & Willis Towers Watson Comments
Members may need to travel for care and pay their own travel expenses before being reimbursed.	The requirement for members to pre-fund travel expenses exists today; however, the locations of COE network providers under both carve-out COE vendors may require additional travel. There is greater potential for member disruption if the SEBC decides to offer a carve-out COE vendor's network as the only option for members to obtain COE-eligible procedures.
How should members be incentivized to use COEs?	Financial advantages ▪ Enhanced plan design tends to work best when plan is not very rich – waiving all member cost sharing for COE use may not be enough to drive behavior change ▪ Offering a cash incentive may be administratively burdensome if left for the SBO to manage Financial disincentives (consistent with FY19 medical plan designs) ▪ Encourages behavior change while only penalizing those who choose to use a non-COE facility ▪ Makes it possible for the State to preserve the member experience for those who choose the "preferred" provider and at the same time drive behavior change in an effort to "shrink the pie" and lower the total cost of the plan ▪ Further reducing or eliminating member cost sharing for using a carve-out COE network, especially when that network is offered alongside the medical carrier's COE providers and keeping member cost sharing in place for use of medical carrier COEs, may encourage greater use of a carve-out COE network

Next steps

Meeting / Action Item	Responsible Party	Date
Initial presentation to SEBC	WTW	July 23
PRC scoring meeting	PRC, WTW	July 25
Presentation to SEBC and vote on award recommendation	SBO, SEBC	August 20