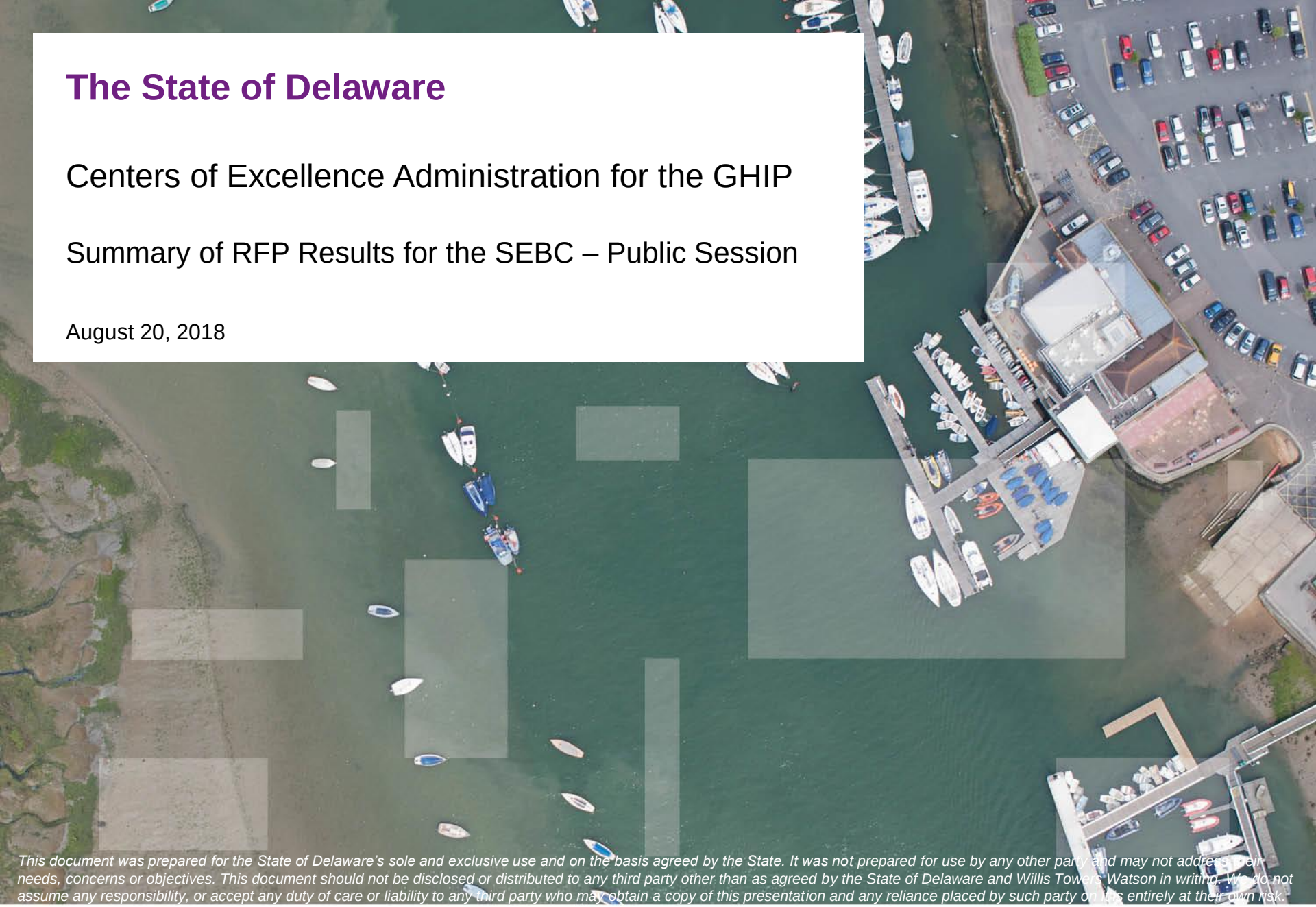

The State of Delaware

Centers of Excellence Administration for the GHIP

Summary of RFP Results for the SEBC – Public Session

August 20, 2018

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Today's discussion

- Considerations for the SEBC and your PRC designees
- Background
  - COE overview
  - Current coverage under the GHIP
- Summary of request for proposal process
- Bidder capabilities
- PRC recommendations

Considerations for the SEBC and your PRC designees

- Proposal Review Committee (PRC) for the RFP for Centers of Excellence (COE) Administration for the GHIP met on July 18 and July 25 to discuss 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?***

GHIP Strategic Framework Goals:

- Addition of at least net 1 VBCD model by end of FY2018
- Reduction of gross GHIP trend by 2% by end of FY2020
- Enrollment in a CDHP or value-based plan >25% by end of FY2020

Centers of excellence

Overview

A Center of Excellence (COE) is a medical facility and/or professional that has been identified as delivering high quality services and superior outcomes for specific procedures or conditions. COEs may incorporate separate contracting arrangements for a predetermined set of services (e.g., bundled payments). Plan design steerage to encourage use of COEs is optional.

- Encouraging greater use of COEs is a tactic on the GHIP strategic framework as a way to deliver value-based care
- Helps SEBC mitigate the total cost of care for GHIP and its participants while driving improvements in the health of the GHIP population

COE coverage under the GHIP

FY19 medical plan design

- Access to COEs are provided through the medical TPAs, Aetna and Highmark
- The State's medical plan allows lower member cost sharing when COEs are used for bariatric surgery, knee/hip replacements, spine surgeries and transplants
  - Members pay the lowest cost share when COE facilities are used for these types of procedures
  - When non-COE facilities are used instead, members will pay a higher cost share that varies according to the type of procedure
- GHIP also provides travel and lodging reimbursement for members traveling to a COE facility that is over 100 miles from the member's home

	FY19 Medical Plan Design		
Type of provider	**Transplants**	**Bariatric**	**Orthopedics (Knee/Hip) & Spine**
COE, in-network provider	Covered at in-network benefit level	Covered at in-network benefit level	Covered at in-network benefit level
Non-COE, in-network provider	Covered at out-of-network benefit level	75% covered. Does not accrue to total maximum out-of-pocket (TMOOP)	$500 copay per admission (PPO and HMO plans only) 90% after deductible (CDH Gold and POS plans only)
Non-COE, out-of-network provider	Not covered	55% covered, does not accrue to TMOOP (PPO, CDH Gold, First State Basic, Port plans) Not covered (HMO)	Covered at out-of-network benefit level (PPO) Not covered (HMO)

COE coverage under the GHIP

Inconsistencies within current COE offering

- Some differences within the Aetna and Highmark lists of COE-eligible procedures (example below)
- Dictates which procedures qualify for plan design steerage to COE facilities

DRG #	Diagnostic Related Group (DRG)	Aetna	Highmark
Orthopedic			
461	Bilateral or multi major joint procedures of lower extremity w/ major Complications and Comorbid Conditions (CC)	✓	✗
462	Bilateral or multi major joint procedures of lower extremity w/o major CC	✓	✓
464	Wound debridement and skin graft except hand, for musculoskeletal and connective tissue disorders w/ CC	✗	✓
466	Revision of hip or knee replacement w/ major CC	✓	✗
467	Revision of hip or knee replacement w/ CC	✓	✓
468	Revision of hip or knee replacement w/o CC / major CC	✓	✓
469	Major joint replacement w/ major CC	✓	✓
470	Major joint replacement w/o major CC	✓	✓

COE-eligible procedure ✓
Not a COE-eligible procedure ✗

- Third-party COE vendor would offer a discrete, consistent set of COE-eligible procedures, eliminating potential confusion among members as to those surgeries for which steerage to a COE is encouraged

COE coverage under the GHIP

Inconsistencies within current COE offering

- Some differences within the Aetna and Highmark lists of providers considered to be a COE

	Bariatric	Knee / Hip / Spine	Transplants
Aetna	**Christiana Care –** Wilmington, DE **Nanticoke Memorial Hospital** – Seaford, DE **St. Francis Hospital** – Wilmington, DE *Plus 15+ other facilities in surrounding area[1]*	**Knee / Hip / Spine** **Christiana Care –** Wilmington, DE *Plus 15+ other facilities in surrounding area[1]*	**duPont Hospital for Children** – Wilmington, DE *Plus 10+ other facilities in surrounding area[1]*
Highmark	**Christiana Care –** Wilmington, DE **Kent General Hospital** – Dover, DE **Milford Memorial Hospital** – Milford, DE **Nanticoke Memorial Hospital**– Seaford, DE **St. Francis Hospital** – Wilmington, DE *Plus 20+ other facilities in surrounding area[1]*	**Knee / Hip** **Christiana Care –** Wilmington, DE **Spine** **Beebe Medical Center** – Lewes, DE **Christiana Care –** Newark, DE *Plus 20+ other facilities in surrounding area[1]*	**duPont Hospital for Children** – Wilmington, DE *Plus 8+ other facilities in surrounding area[1]*

- Both Aetna and Highmark leverage aggregate outcomes data from across their book of business to evaluate providers for potential designation as COE facilities
  - It is possible for any provider to meet each vendor's quality standards but not produce the volume of cases for the vendor to evaluate during a given measurement period
- Providing access to a network of COE providers via a COE vendor would drive consistency across all GHIP plan participants regardless of their medical plan election
  - However, a core principle of third-party COE vendors' network contracting strategies is to identify high quality providers that are willing to accept lower fees for higher patient volume
  - Therefore, it is reasonable to expect that these networks have fewer providers than a traditional medical carrier's network

1 Surrounding area defined as southern Pennsylvania and New Jersey (Philadelphia, Camden, Vineland), Maryland (Baltimore, Annapolis, Salisbury), and Washington, D.C. (including Arlington, VA).

Summary of request for proposal process

- On March 26, 2018, the SEBC issued an RFP to evaluate the market for COE vendors (including hospital systems) that can provide COE services to self-funded plan sponsors like the State
- Requested scope of services included:
  - Management of at least one COE network with demonstrated ability to achieve better health outcomes while providing medical services at a lower cost than the surrounding community
  - Willingness to expand COE network within and around Delaware (if not already available)
  - Concierge member services
  - Ability to integrate with Aetna, Highmark and the GHIP data warehouse vendor, IBM Watson Health, to support the clinical management and care coordination of GHIP members
- Among the proposal objectives, RFP was intended to identify organizations that could demonstrate their ability to:
  - Reduce the total cost of care for GHIP participants and the State, without sacrificing the quality of care delivered
  - Facilitate GHIP participant choice of providers who deliver high quality care at a lower total cost, while minimizing disruption and providing an excellent member experience
  - Support financial rewards to medical providers who deliver higher quality care and lower total cost of care
- Bids were received from 3 vendors: BridgeHealth, SurgeryPlus and Highmark

Bidder capabilities

- Both SurgeryPlus and BridgeHealth could deliver the following enhancements to the GHIP relative to the current offering:
  - Scope of COE services
  - Second opinion services
  - Timeliness of provider payments
  - Flexibility to administer plan design and incentive options
  - Ability to guide members through an enhanced surgical experience
  - Ability to accommodate members who need to travel for COE care
  - Ability to reduce total cost of care
  - Willingness to guarantee performance
- Both vendors:
  - Meet the minimum requirements outlined by the RFP
  - Indicated their willingness to work with the DHIN, to the extent possible
  - Can provide robust reporting to the SEBC

Proposal Review Committee recommendations

Implement a carve-out COE program for the GHIP *– Based on the capabilities of either COE Vendor to offer enhanced services beyond the current capabilities of the GHIP medical carriers*

- For the first year of this offering:
  - Offer carve-out COE program as choice alongside medical carriers' COEs
  - Offer for current COE-eligible procedures in place for GHIP today (bariatric surgery, knee/hip replacements, spine surgery)
  - Evaluate opportunity to broaden scope of COE-eligible procedures
- Strongly encourage GHIP members to contact carve-out COE vendor for consultation and second opinion options before proceeding with COE-eligible surgery, ***without*** the requirement to use a provider from COE vendor's network
  - Members can continue to get the full in-network benefit using any COE provider designated as such by Aetna, Highmark or COE vendor
- Robust and frequent communications campaign to promote utilization
- SBO to work closely with Aetna and Highmark to ensure integration and collaboration in operations and in customer service / member education

Proposal Review Committee recommendations

Review current plan designs and incentives to maximize use of COEs for all procedures covered by the GHIP *– Based on opportunity to offer more consistent approach to coverage of COE-eligible procedures and use of COEs to drive competition for higher quality, cost efficient care in Delaware's healthcare markets*

- During this review, continue current plan design disincentive requiring higher copay for not using COE provider participating in either Aetna, Highmark or COE vendor's network
- Consideration of plan design incentives include:
  - Waived member cost share for use of COEs and higher cost share for use of non-COEs
  - Encouraging members to contact COE vendor for consultation and second opinion prior to surgery
  - Prepaying member travel expenses to remove barrier to accessing care
  - Sharing savings with members who use COEs
- For non-plan design incentives, consider incentive amounts, method of payment and tax treatment (for final approval by SEBC)
- SBO to closely monitor members' use of COE vs. non-COE providers, in particular for recently adopted changes associated with COEs for orthopedic and spine procedures

Proposal Review Committee recommendations

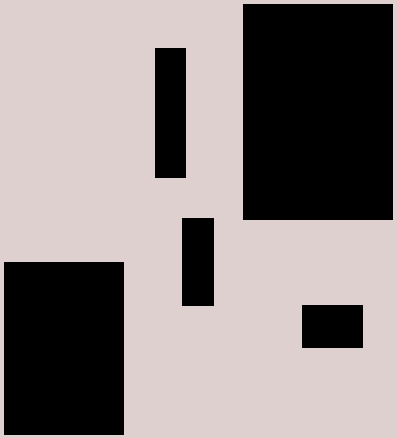
Award a contract for COE administration to SurgeryPlus for an effective date no earlier than July 1, 2019 *– Based on the following key differences in the proposals*

- Cost
  - Offered several options for how administrative fees can be structured, including one with no up-front cost to the State
  - Greater potential under SurgeryPlus for near-term savings to the GHIP, with potential for positive ROI following the first year of operation, depending upon level of program utilization
  - Able to administer shared savings approach – but additional research recommended to determine legality of such an approach under the GHIP
  - Fewer qualifications for ROI guarantee; PRC is comfortable with those caveats
- Network
  - Approach to incorporating surgeons as a component of the vendor's COE network
  - Is adequately distributed to support GHIP membership (according to SurgeryPlus) but is willing to work towards expanding its network within Delaware
- Other enhancements to member experience and vendor's approach to member outreach and communications

Next steps

- SEBC to continue evaluating these considerations with your PRC member
- Vote at 9/24 SEBC meeting on PRC recommendation with respect to the award of a contract pursuant to the RFP:
  - Contract award for a third-party Centers of Excellence administration program to EmployerDirect Healthcare (dba SurgeryPlus) for an initial term of three years effective July 1, 2019 and two one-year optional renewal years due to the following reasons:
    i. No up-front costs to the GHIP;
    ii. A concierge member service business model;
    iii. There is a guaranteed 1:1 ROI, with the adoption of the qualifications for this guarantee as outlined by SurgeryPlus; and
    iv. The SEBC has the flexibility to adopt any other COE program options and requirements after the award of the contract and during subsequent plan years.

Appendix



Considerations for the SEBC and your PRC designees

For evaluation during the decision-making process

Considerations	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	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	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