

**Centers of Excellence Administration for the GHIP  
Proposal Review Committee recommendations to the State Employee Benefits Committee  
August 16, 2018**

**Background:**

1. In recent years, the growth rates experienced by the GHIP have exceeded the State Operating Budget growth. In order to avoid shifting additional cost to plan participants and/or taxpayers, the SEBC has begun taking bolder policy actions to mitigate the total cost of care for both the GHIP and its participants while driving improvements in the health of the GHIP member population. In doing so, the SEBC has also been cognizant of the State's significant role as a procurer of healthcare and the impact that its policy decisions can have on Delaware's healthcare markets.
2. One area of focus for the SEBC is Centers of Excellence (COE) for medical procedures. COEs consist of medical facilities and/or professionals that have demonstrated their ability to achieve better health outcomes and provide medical services at a lower cost compared to other facilities and professionals. Encouraging greater use of COEs among the GHIP member population supports the GHIP strategic framework as a way to deliver value-based care.
3. The GHIP currently promotes COEs available through Aetna and Highmark for a limited set of medical procedures: bariatric surgery, knee and 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. For example, the PPO plan covers bariatric surgery with a non-COE, in-network facility at 75% coinsurance versus a \$200 copay maximum at a COE in-network facility. Similarly, a knee replacement at a non-COE, in-network facility will cost members a \$500 copay per admission versus a \$200 copay maximum at a COE in-network facility. The GHIP also provides travel and lodging reimbursement for members traveling to a COE facility that is over 100 miles from the member's home.
4. There are inconsistencies in the current COE offerings between Aetna and Highmark, some of which can be improved through plan design changes to standardize member cost sharing for using COE providers. A more robust COE strategy, however, can be implemented by engaging a third-party carve-out COE vendor ("COE Vendor") for non-emergent surgeries.
  - a. While both Aetna and Highmark can use plan design to steer members to COE facilities (i.e., require higher or lower member cost sharing at the point of care depending on whether the provider is a COE facility), each vendor has a slightly different list of COE-eligible procedures that would qualify for such steerage. This inconsistency leads to differences in member experience among the State's medical plans; a COE Vendor would offer a discrete, consistent set of COE-eligible procedures, eliminating confusion among members as to those surgeries for which steerage to a COE is encouraged.

- b. There are differences in the current list of providers that each vendor considers to be a COE. For instance, Highmark has designated Beebe Medical Center as a COE facility for spine surgery, whereas Aetna has not. Utilization of a COE Vendor would eliminate the variability in access to COE providers across all GHIP participants.
  - i. It should be noted that both Aetna and Highmark leverage aggregate outcomes data from across their book of business to evaluate providers for potential designation as COE facilities, so 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.
  - ii. 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 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.
- c. The scope of COE-eligible procedures under both Aetna and Highmark is fairly limited relative to COE Vendors. In addition to the types of COE-eligible procedures noted above, the only other COEs offered by both Aetna and Highmark are for cardiac and infertility procedures (infertility effective 1/1/19 for Highmark); in addition, Highmark offers COEs for cancer and maternity. In contrast, COE Vendors provide access to high quality providers for procedures related to orthopedic surgeries, joint replacements, general surgery issues, bariatric surgery, women's health, sports medicine, and thyroid conditions.
- d. Neither Aetna nor Highmark guarantee that their COE providers have lower negotiated pricing than their other network providers. In contrast, COE Vendors establish bundled case rates (i.e., includes cost of all services in the entire episode of care) with qualified providers for covered COE-eligible procedures at material discounts to the rates otherwise offered by the current providers. In addition, some COE Vendors are willing to place administrative fees at risk to guarantee that their pricing will produce savings compared to medical vendor contracted rates.

## **Summary of Request for Proposal Process and Bidder Capabilities:**

5. On March 26, 2018, the SEBC issued an RFP<sup>1</sup> to evaluate the market for COE Vendors (including hospital systems) that can provide COE services to self-funded plan sponsors like the State.
  - a. Specifically, the SEBC outlined a scope of services to include management of at least one network of high quality medical facilities and professionals that have demonstrated their ability to achieve better health outcomes while providing medical services at a lower cost than the surrounding community, with the willingness to expand this network within and around the State of Delaware if not already available. Also requested were concierge member services and the ability to integrate with the GHIP's medical third-party administrators and data warehouse vendor, IBM Watson Health, to support the clinical management and care coordination of GHIP members.
  - b. Among the stated proposal objectives, the RFP was intended to identify organizations meeting the scope of services that could demonstrate their ability to:
    - i. Reduce the total cost of care for GHIP participants and the State, without sacrificing the quality of care delivered,
    - ii. 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, and
    - iii. Support financial rewards to medical providers who deliver higher quality care and lower total cost of care.
6. SurgeryPlus and BridgeHealth are the two largest COE Vendors administering carve-out COE networks on a national scale. Both participated in this RFP process and are qualified and eligible for consideration for the award of a contract, subject to the vendor meeting all minimum requirements, including technology and data security, at the time of the subsequent award. Highmark Delaware also submitted a bid response; however, the bid did not meet the minimum requirement to provide access to a COE provider network regardless of the participant's medical plan selection.
7. Both SurgeryPlus and BridgeHealth could deliver the following enhancements to the GHIP relative to the current offering:
  - a. Scope of COE services – Both vendors offer access to a wider variety of COE services, including additional surgeries such as GYN/women's health.

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<sup>1</sup> DHR18001–MedicalCOE – Request for Proposal for Centers of Excellence Administration for the Group Health Insurance Program. See pages 12-13 for a complete list of proposal objectives and pages 13-14 for a complete list of the requested scope of services. [http://bidcondocs.delaware.gov/DHR/DHR\\_18001CoeAdmin\\_rfp.pdf](http://bidcondocs.delaware.gov/DHR/DHR_18001CoeAdmin_rfp.pdf). Accessed on 8/15/2018.

- i. Currently, SurgeryPlus has a more robust selection of COE-eligible procedures than BridgeHealth, including sports medicine; ear, nose and throat; and gastrointestinal surgery.
  - ii. Each vendor is building out additional COE capabilities in other areas.
- b. Second opinion services – Each vendor routinely provides members with a second opinion about their treatment options via a COE network provider. Once a member contacts BridgeHealth or SurgeryPlus to begin the process of working with a COE network provider, a care coordinator will be assigned to the member and will request the member’s authorization to collect and provide any relevant medical records to a COE network provider of the member’s choice for review. In both models, providers will share their opinion of whether the member is a good candidate for surgery and whether there are any alternative treatment options, including non-surgical ones, that the member could consider.
- c. Provider payments – As an incentive for providers to contract with these vendors, both pay network providers in a much timelier manner than most medical insurance carriers.
- d. Flexibility – Both vendors have experience with administering a variety of plan design and incentive options to promote the utilization of their COE networks.
- e. Ability to guide members through an enhanced surgical experience – Both vendors provide robust concierge services for travel and care coordination. The member is assigned a care coordinator that works closely with the member, and customer support is available during and after business hours. Travel support services are also available during and after business hours through each vendor’s preferred travel services provider. Both vendors maintain an online Member Portal and extended hours for their call centers.
- f. Ability to accommodate members who need to travel for COE care – Both vendors offer solutions to help members offset up-front costs associated with traveling longer distances to access COE providers. This includes offering concierge travel services to assist members in making travel arrangements at pre-negotiated rates with preferred hotel and airline partners. Both vendors can also administer the travel benefit in accordance with IRS allowable expense guidelines, and both will issue 1099s to members who obtain travel benefits in excess of those expense guidelines, as necessary.
- g. Ability to reduce total cost of care – Total cost of care through current COE providers is estimated to be higher than the bundled case rate pricing available through either COE Vendor. There are differences, however, in each vendor’s administrative fee structure which has an effect on the program’s total cost for the GHIP.
- h. Willingness to guarantee performance – Both vendors offer a 1:1 ROI on the cost of their bundled case rates but with caveats.

8. Both of these COE Vendors meet the minimum requirements to accept the State's member data file feeds and exchange claims data with the medical carriers and IBM Watson Health, the State's third-party data warehouse. Also, both indicated their willingness to work with the Delaware Health Information Network (DHIN) to the extent possible. Robust reporting to the SEBC is also available through both vendors.

**Proposal Review Committee (PRC) Recommendations:**

9. Implement a carve-out COE program for the GHIP – This recommendation is based on the capabilities of either COE Vendor to offer enhanced services beyond the current capabilities of the GHIP medical carriers.
  - a. For the first year of this offering, the PRC recommends implementation of a carve-out COE program offered as a choice alongside the medical carriers' COEs for the COE-eligible procedures in place for the GHIP today (i.e., bariatric surgery, knee and hip replacements, and spine surgery). The PRC additionally recommends further evaluation of the opportunity to broaden the scope of COE-eligible procedures offered through a carve-out COE program either for the first year or in subsequent years.
  - b. For the first year of this offering, the PRC recommends that the SEBC strongly encourage GHIP members to contact the COE Vendor for a consultation about surgical providers and second opinion options before proceeding with any COE-eligible surgery, but without the requirement that the member then must use a provider from the COE Vendor's network to receive coverage of their procedure through the GHIP.
    - i. If a member chooses to move forward with a provider that does not participate in the COE Vendor's network, then they can still get the full in-network benefit if they obtain their procedure through an Aetna or Highmark COE.
    - ii. The PRC additionally recommends reevaluating the program during the first year for a mandatory use model in which use of the COE Vendor's network is required for coverage through the GHIP, for some or all procedures offered through the COE Vendor's network.
  - c. The PRC recommends a robust and frequent communication campaign to promote utilization of the COE Vendor's network, starting from the first year of this offering and ongoing thereafter.
  - d. The SBO would work closely with both Aetna and Highmark to encourage full integration and collaboration with a COE Vendor from both an operational and customer service/member education perspective.

10. Review the current plan designs and incentives to maximize the use of COEs for all procedures covered by the GHIP – This recommendation is based on the opportunity to offer a more consistent approach to plan design for GHIP coverage of COE-eligible procedures and the use of COEs as a major policy tool to drive competition for higher quality, cost efficient care in Delaware’s healthcare markets. During this review, the PRC recommends continuing the disincentive of requiring a higher copay for not using a COE provider that participates in either Highmark, Aetna, or the COE Vendor’s network.

- a. Consideration of plan design incentives include:
  - i. Waiving all member cost sharing for use of COE providers (which is possible under all of the State’s medical plans in place today) and requiring higher member cost sharing for use of non-COE, in-network providers;
  - ii. Encouraging members to contact the COE Vendor for a consultation and second opinion prior to moving forward with any type of surgery;
  - iii. Prepaying members’ travel expenses to remove a barrier to accessing COE providers that are located farther away from GHIP members; and
  - iv. Sharing savings with members who use COE providers for care (which for ease of administration, could be calculated as an average amount aggregated across all COE-eligible procedures).
- b. For any non-plan design incentives such as shared savings with members, the incentive amount, method of payment and tax treatment would also be considered for final approval by the SEBC.
- c. The SBO would closely monitor GHIP members’ use of COE vs. non-COE providers, in particular for the recently adopted plan design changes associated with member use of COEs for knee/hip replacements and spine procedures.

11. Award a contract for COE administration to SurgeryPlus for an effective date no earlier than July 1, 2019 – This recommendation is based on the following key differences in the vendors’ proposals:

- a. Cost –
  - i. SurgeryPlus offers several options for how their administrative fees can be structured, including one in which the State bears no up-front costs but instead pays 37.5% of the vendor’s bundled case rate from procedures carried out through their COE network.
    - 1. The administrative fee includes all the costs of an aggressive communication plan as part of the implementation (5% of the 37.5% fee).

2. Due to the meaningful savings per procedure, this fee model will still provide overall cost savings to the State.
  3. Other fee options, including a fixed fee *per-member-per-month* option, are available should the SEBC decide to renegotiate the proposed administrative fee structure following implementation.
- ii. There is a greater potential for SurgeryPlus to generate near-term savings for the GHIP, given its case rate pricing and administrative fee structure. Based upon the existing SurgeryPlus network and the availability of COE providers aligned with the existing COE services under the FY19 GHIP non-Medicare health plans, Willis Towers Watson estimates a positive return on investment with SurgeryPlus following the first year of operation, with estimated savings potential based on the level of program utilization.
  - iii. SurgeryPlus has the ability to administer a shared savings approach with both the GHIP and members. It is recommended that additional research be conducted to determine the legality of such an approach if the SEBC chose to implement this plan design feature.
  - iv. SurgeryPlus attaches fewer qualifications to its ROI guarantee and the PRC is comfortable with those caveats.

b. Network –

- i. While both COE Vendors have a robust evaluation process for identifying high quality COE providers, SurgeryPlus operates primarily on a surgeon-based network model, which is more rigorous and based on their philosophy that “a poor doctor will lead to a poor result even in the best facility”. After SurgeryPlus’ stringent and comprehensive evaluation process, surgeons that are accepted into SurgeryPlus’ network are not limited to specific facilities.
- ii. SurgeryPlus is confident that its existing network of COE providers for the COE services currently offered through the GHIP (i.e., orthopedic, spine and bariatric procedures) is adequately distributed to support the GHIP membership. However, providing SurgeryPlus with an implementation period of six to nine months would allow the vendor ample time to evaluate the surgeons and facilities within Delaware and the surrounding region and work towards expanding its network to include health systems, outpatient facilities and imaging centers for both the current COE services offered through the GHIP as well as others offered by SurgeryPlus.
- iii. SurgeryPlus’ full suite of covered procedures, including the procedures currently in the GHIP’s plan, include knee, hip, shoulder, foot and ankle, and wrist and elbow procedures; bariatric, ear, nose and throat; general surgery (gallbladder hernia and thyroidectomy); gastrointestinal

(colonoscopy and endoscopy); GYN/women's health; thyroid and pain management. Transplants and neurology are in development.

- c. Other enhancements – to the member experience and the COE Vendor's approach to member outreach and communications factored into the recommendation.
12. RESOLVED that with respect to the award of a contract pursuant to the Request for Proposal for Centers of Excellence Administration for the Group Health Insurance Program, the Proposal Review Committee recommends to the State Employee Benefits Committee as follows:
- a. 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.