Managed Care Companies
Contracting Issues
from the Employer’s and Payer’s Perspective

May 14, 2008

Executive War College
Miami, Florida

Agenda
- Introduction
- Last Year
- The Questions
- The Process
- Interviewees
- Quotes
- Conclusions
- Recommendations
Three Questions

1. “What are your major cost concerns over the next 18 months?”
2. What is the status of Evidence Based Medicine – Now and in the Future?
3. Your advice to labs

The Process

- Face to face or telephone interviews
- Ground rules
- Unbelievable – Art Linkletter
Interviewees

- **Jack Friedman**, CEO Providence HealthPlans-Portland, OR (20-5)
- **Mary McWilliams**, CEO Regence, Seattle, WA (20-5)
- **Mike Cropp M.D.**, CEO Independent Health, Buffalo, NY (10-2)
- **Greg Culley M.D.**, Medical Director Capital Blue Cross, Harrisburg, PA (20+)
- **Dwight Brower M.D.**, Medical Director BlueCross BlueShield Baton Rouge, LA (20+)
- **Ex Wellpoint Executive**, Richmond, VA (17+5)
- **Dennis Batey, M.D.**, CEO, Presbyterian Health Plan Albuquerque, NM
- **Lee Newcomer, M.D.**, Senior V.P. of Oncology, United Health

Question #1

“Your major health care cost concerns over the next 18 months?”

- “Specialty drugs, bio-tech/chemo, huge increases in both unit costs and usages. There appears to be both; more products and more applications.”
- “Diagnostic Imaging – high usage rates – Doc’s are putting equipment in their offices.”
- “Hospitals insatiable, voracious appetite for more revenue.”
- “Technology – implantable devices, ceramic joints, ocular lens implants, biologics.”
Question #1
“Your major health care cost concerns over the next 18 months?” (continued)

- “General health care trend ahead of regular inflation.”
- “Specialty RX, biologic agents, T&F for Crohn’s disease; every time we turn around there’s a new one.”
- “Infusibles and injectibles and physical therapy – they are turning into Chiropractors (never let go of patients, every morbidity under the sun).”
- “Imaging, I just got a report on our top ten users (patients) THEY MUST BE GLOWING!”

- “Cardiac, cancer and spinal surgery.”
- “The demand for Health Care Services, aging, technology, genomics.”
- “The real issue is not so much trend, it’s very clear reimbursement is going to go down. We have a huge Medicaid and Medicare population and for Medicare to remain viable reimbursement is going to down by 30% (not trend, but real decreases).”
- “Employers big focus is on Health Demand Management and Productivity – everything that’s old is new.”
Question #2
“What is the status of Evidence Based Medicine, now and in the future?

- “We’re doing several things. For one, we are incenting PCP’s for increasing HEDIS Scores and building in house disease management procedures to improve quality and cost of expensive cases.”
- “We have been in the lead of pay for performance for the last ten years and we intend to greatly expand over the next ten years.”
- “PCP Doc’s get it right 55% of the time, quite frankly this argues for more ‘cookbook’ medicine.”
- “We’ve been fairly aggressive with E.B.M.”
- “Our HMO does pay for performance and it will spread to our other products.”

(continued)

- “We are moving more to E.B.M. because reimbursement is shrinking. This will help to provide an excuse for not doing it or not paying for it…”
Question #3
“Any Suggestions to Labs?”

- “If a lab wants to approach us to help with chronic disease, improving compliance with care – we would welcome that.”
- “We’re really looking for the timely availability of valuable data. Can they stream information “just in time?” We’d welcome a pilot project on that.”
- “We need help to be able to identify who will respond to treatment.”
- “We need experts to help us with E.B.M.”

Question #3
“Any Suggestions to Labs?” (continued)

- “Help us get the lab out of the hospitals, it’s 3 to 10 times more expensive for lab tests in the hospital than in reference labs.”
- “The main thing we need help with is Genomics, it’s scary.”
- “Labs need to ‘brand’ themselves. With the increases in Consumer Directed Healthcare, prices will be transparent. Labs need to prove their value proposition to Doc’s, patients, and payers.”
- “Labs need to standardize test results.”
- “Labs need to be transparent in quality. We know labs get it wrong 30% of the time.”
- “Are labs willing to overlook their short term self interest and be more active in educating the Doc’s about the necessity of expensive tests?”
Conclusions

- Reduced reimbursement, more Transparency (cost/quality) and more Demand Management are coming.
- Good thing you’re not in the imaging business. (or Biologics)
- You want to move from vendor to “partner”.
- There’s an incredible opportunity to increase your business with payers.

Recommendations

- Understand the agendas of your various players.
- Learn their problems, have your lab provide them useful value added solutions – ask questions.
- Don’t just be a vendor.
- Spend time creating relationships inside the payer organization.
- Develop your value proposition.
- Help implement more transparency on quality/cost and standardize test results.