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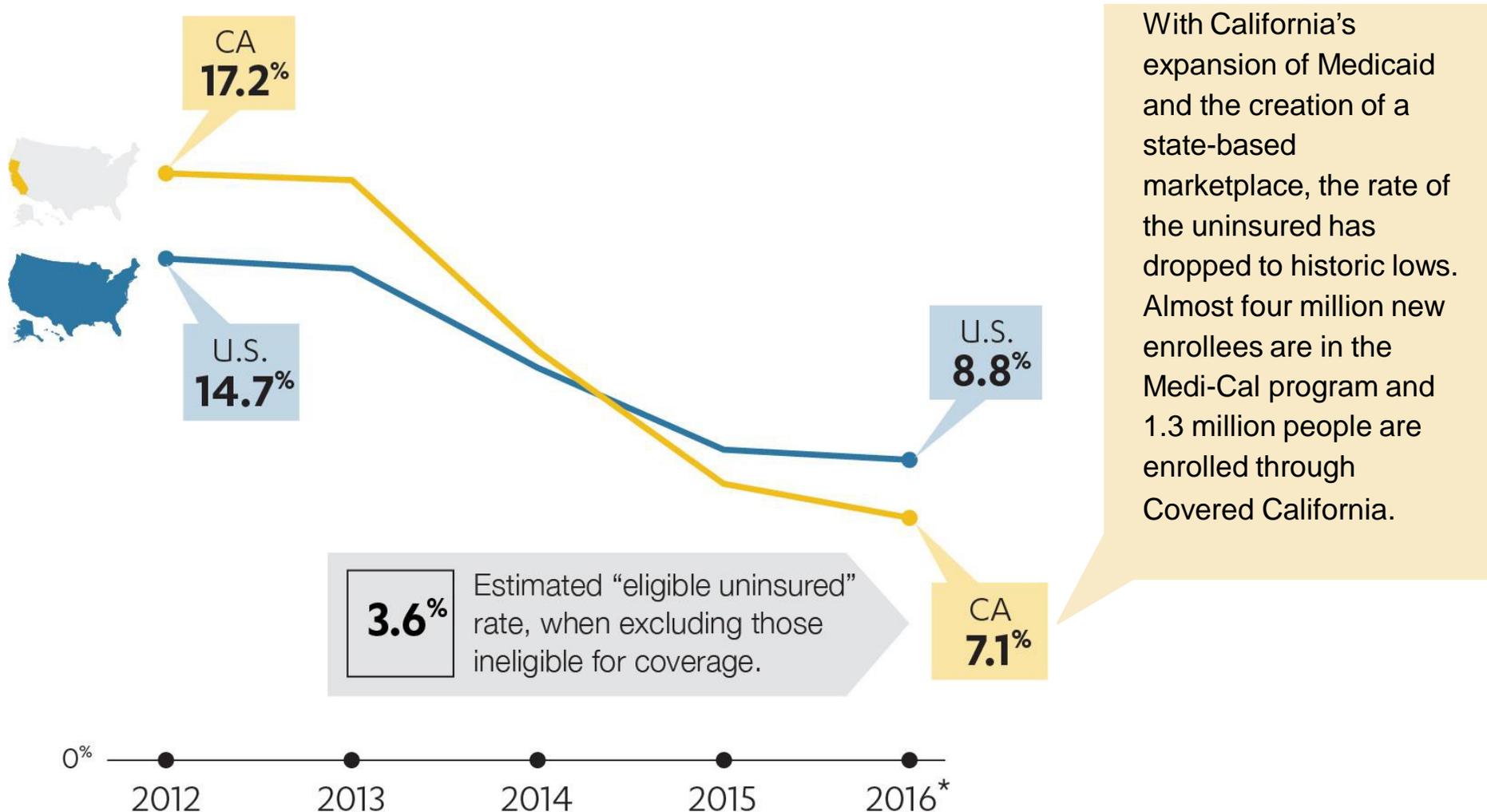
## **Covered California Purchasing to Promote Primary Care Key to Success of Health Reform**

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Patient Centered Primary Care Collaborative Conference  
Peter V. Lee  
October 12, 2017



# Coverage Expansion Having Dramatic Effects in California



\* Estimate of the first nine months of 2016 (all ages)

Source: U.S. Centers for Disease Control and Prevention's National Health Institute Survey

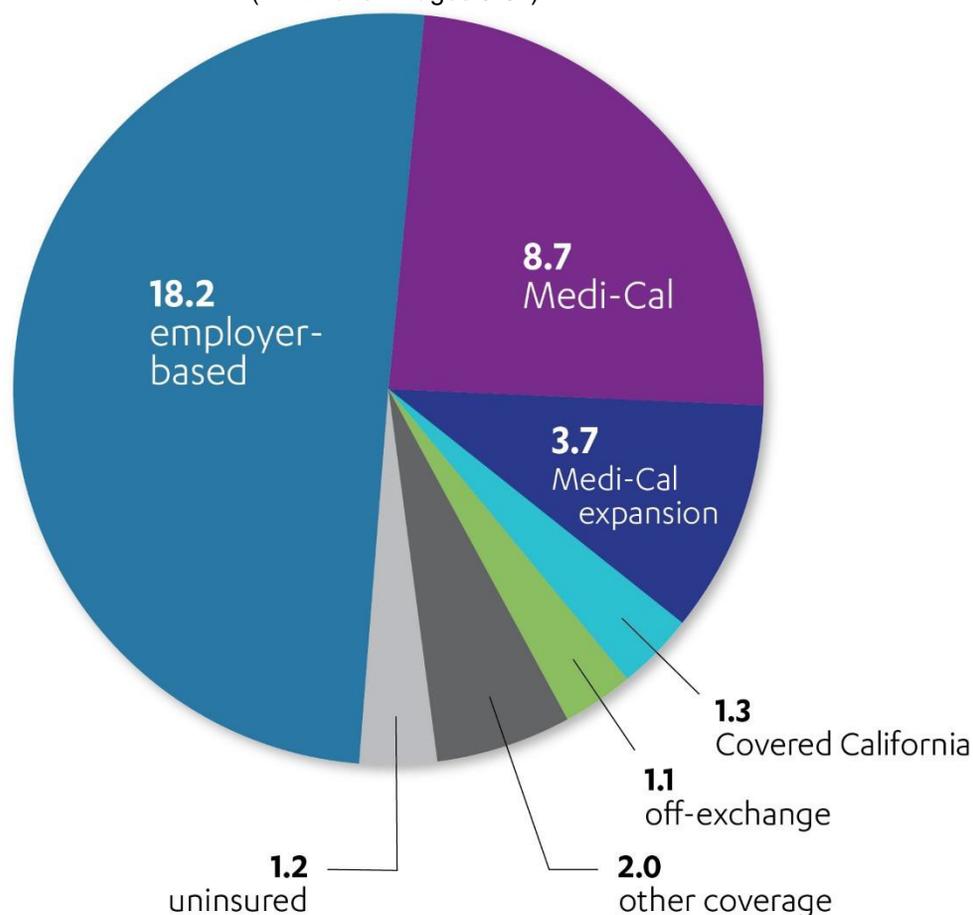


# Coverage Expansion Has Been Woven Into the Fabric of Health Care in California

The Affordable Care Act has dramatically changed the health insurance landscape in California with the expansion of Medicaid, Covered California and new protections for all Californians.

## California's 2015 Health Care Market

(in millions — ages 0-64)



- As of June 2016, Covered California had approximately 1.4 million members who have active health insurance. California has also enrolled nearly 4 million more into Medi-Cal.
- Consumers in the individual market (off-exchange) can get identical price and benefits as Covered California enrollees.
- From 2013 to 2016, the Centers for Disease Control and Prevention report cutting the rate of uninsured in half (1.5 million are ineligible for Covered California due to immigration status). Not counting those ineligible puts California's uninsured at 1.2 million.

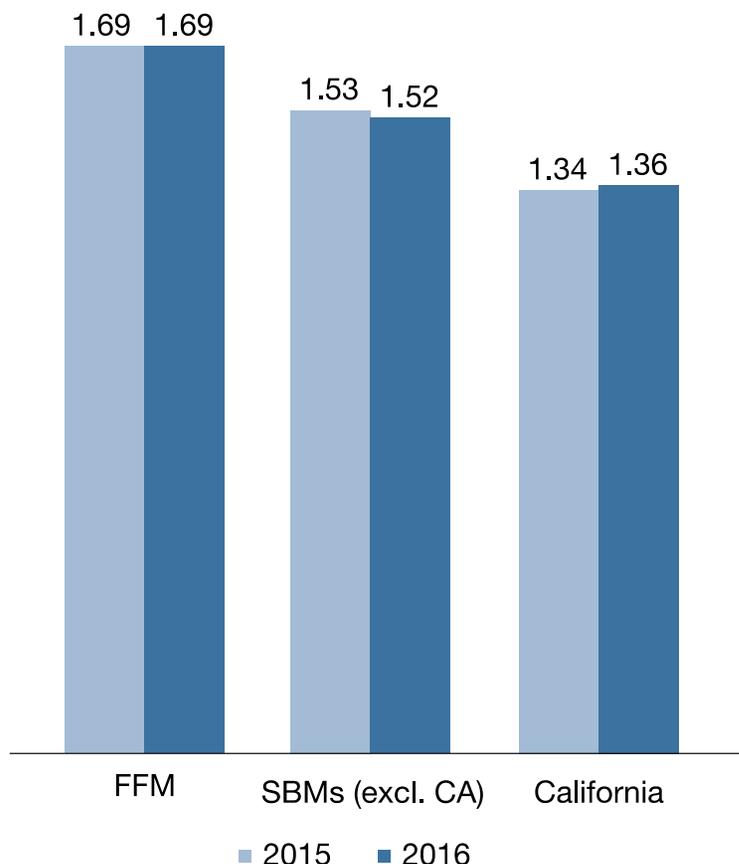
Estimates based on survey data and adjusted for latest available administrative data, including:

- American Communities Survey, 2015 1-year estimates (Table B27010)
- CDC/National Health Interview Survey (2017) (<https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201702.pdf>)
- Covered California Active Member Profile (<http://hbex.coveredca.com/data-research>)
- DMHC and CDI data on enrollment in December 2015 ("AB 1083 reports") as compiled by California Health Care Foundation (<http://www.chcf.org/publications/2016/09/california-health-plans-insurers>)
- Department of Health Care Services Medi-Cal *Medi-Cal Monthly Enrollment Fast Facts* (Sept 2016) ([http://www.dhcs.ca.gov/dataandstats/statistics/Documents/Fast\\_Facts\\_Sept\\_16\\_ADA.pdf](http://www.dhcs.ca.gov/dataandstats/statistics/Documents/Fast_Facts_Sept_16_ADA.pdf))



# California Has a 20 percent Healthier Risk Mix Than Does the Federally-facilitated Marketplace

Average Risk Score Comparison  
Federally-facilitated Marketplace,  
State-Based Marketplaces (ex. CA)  
and California  
(2015 and 2016)

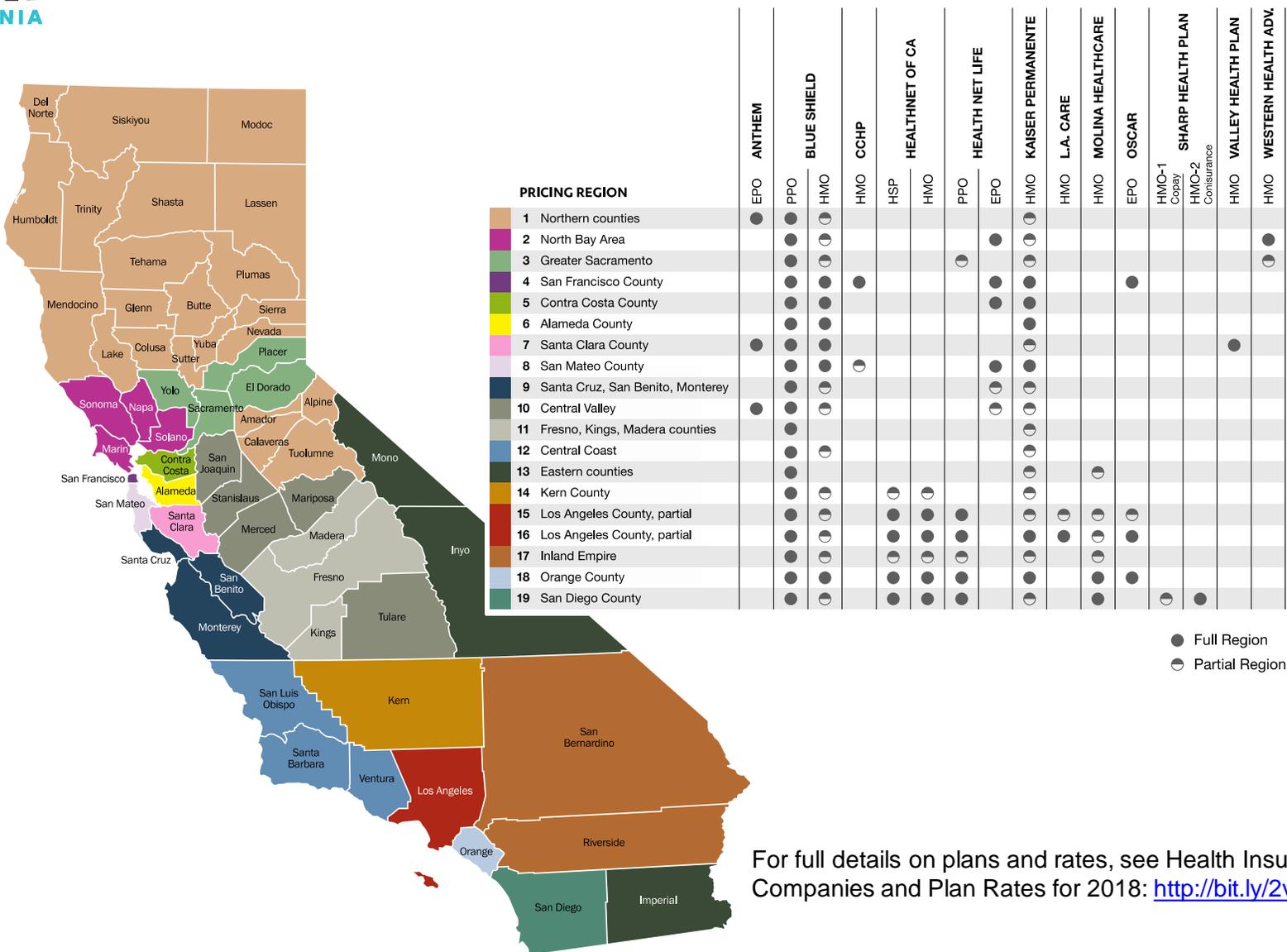


The Centers for Medicare and Medicaid Services (CMS) found that state-based marketplaces collectively had a healthier risk mix than the national average, which meant that health care costs in those states would be 10 percent lower than the national average.

California continued to have one of the lowest risk scores in the nation, which meant health costs would be nearly 20 percent lower based on health status than the national average.



# Covered California Health Plan Offerings for 2018: Broad Choice and Multiple Local Options



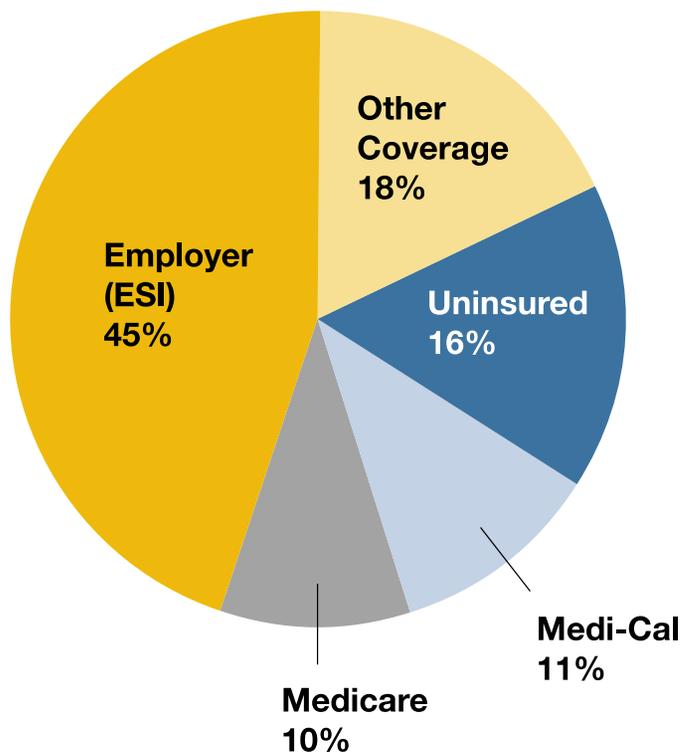
For full details on plans and rates, see Health Insurance Companies and Plan Rates for 2018: <http://bit.ly/2vK08IP>



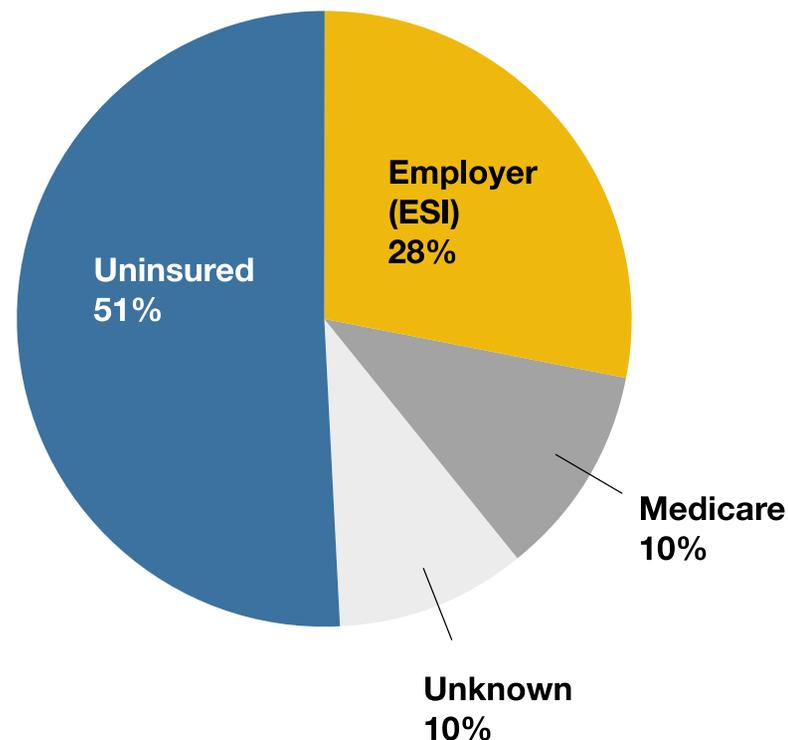
# Coverage Transitions in 2016: Comparing California to FFM Survey Data

## Churn to Uninsured is Recipe for Bad Risk Mix

### Covered California



### FFM



While we do not have data on where consumers go when they leave other state-based marketplaces, it is very troubling that the latest data from the Centers for Medicare and Medicaid Services shows that consumers who leave the federal exchange are more than three times as likely to become uninsured as are those leaving Covered California.



# Key Ingredients To Covered California's Success

- Policy Decisions Benefited Consumers
- Financial Help Makes Coverage Affordable
- Competitive Markets Matter
- Designed Benefits to Meet Consumer Expectations
- Independence: Private-Sector Mentality and Public-Sector Accountability
- Extensive Marketing and Outreach
- Creating Value and Reducing Underlying Delivery System Costs

**Introduction**  
There is much discussion nationally and in California about how health care policies should be potentially adjusted and changed, whether under the rubric of repeal, reform, replace or repair. The federal changes in financial support for individuals to afford health care and in the structure and rules governing health insurance that took effect in 2014 have been historic. They have also demonstrated two key facts. First, that while the Patient Protection and Affordable Care Act was large and detailed, it was not "self-implementing." Rather, it required an array of decisions and actions to take effect at the federal and state levels. Second, in the context of the broad federal structures, health care is local. The success of that implementation across the nation is largely a product of how states have or have not chosen to shape the law to meet the needs of their residents.

This issue brief provides a high-level overview of the key ingredients to California's success in expanding coverage and creating a competitive marketplace that has made a difference for millions of Californians. In many ways, California is an example of a state that embraced the Affordable Care Act and sought to use all of the tools offered to expand health care coverage and create markets that work for consumers. While far from perfect, that implementation has had dramatic and positive results that can inform efforts

**Highlights:**

- By expanding its Medicaid program and creating a robust health insurance market with low premium increases and effective delivery of tax credits, California has decreased the rate of uninsured to historic lows and fostered a competitive marketplace where consumers have benefited from lower premiums.
- Covered California built a market for individuals that provides a broad choice of plans, by only selecting the best health insurance companies to participate in Covered California and working with them to offer common patient-centered benefit designs that mean most care is not subject to deductibles and plans compete on price, value and the doctors and hospitals in their networks.
- As an independent state agency, now operating with no state or federal funding, Covered California operates with private-sector nimbleness, public-sector accountability and an eye toward maximizing every dollar spent to promote good customer service and a healthy risk mix.
- Extensive marketing and outreach — where the average Californian saw or heard about Covered California 49 times during the last open enrollment — complements over 14,000 independent insurance agents and more than 800 privately run Covered California "storefronts" to help consumers understand and enroll in coverage, all leading to a better risk mix and lower costs for all consumers.
- Through contracting, Covered California ensures its participating plans focus on delivering the right care at the right time — including a focus on health disparities — to bring costs down across the market.

*This analysis was prepared by Covered California for its ongoing planning and to inform policy making in California and nationally.*

COVERED CALIFORNIA | May 18, 2017 1

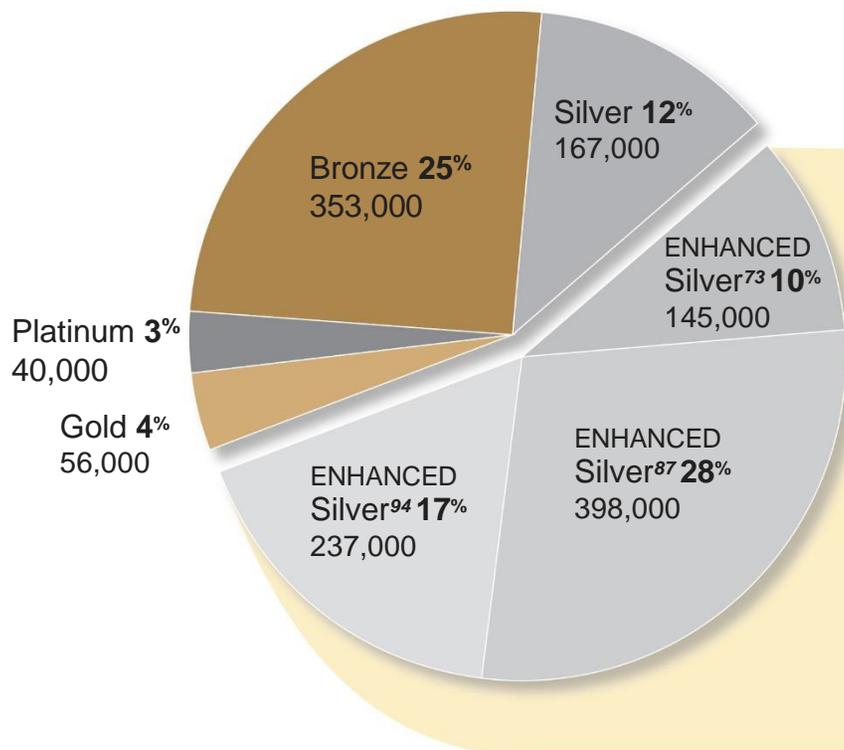
[http://hbex.coveredca.com/data-research/library/CoveredCA\\_Key\\_Ingredients-05-18-17.pdf](http://hbex.coveredca.com/data-research/library/CoveredCA_Key_Ingredients-05-18-17.pdf)



# Covered California Enrollees Able to Choose Both Low Premium and Low Out-of-Pocket Designs

More than 68 percent of Covered California subsidy-eligible enrollees selected a Silver plan, which have NO deductibles for any out-patient services and 56 percent of all subsidy-eligible enrollees qualified for an “Enhanced Silver” plan, which means they benefit for Cost-Sharing Reduction subsidies, leading to lower out-of-pocket costs when accessing services.

**2016 Subsidized Enrollment by Metal Tier**



Eliminating the direct federal support for the Cost-Sharing Reduction subsidy would result in federal spending in California of more than \$220 million, due to increased APTC.<sup>1</sup>

*A few notes on monthly premium costs:*

73 percent pay less than \$150 per month per individual.

More than 192,000 enrollees pay less than \$25 per month per individual.

For consumers enrolled in an Enhanced Silver 94 plan, more than half pay less than \$50. *In addition, these individuals pay only \$3 for doctor visits.*

Covered California’s Patient-Centered Benefit Design:

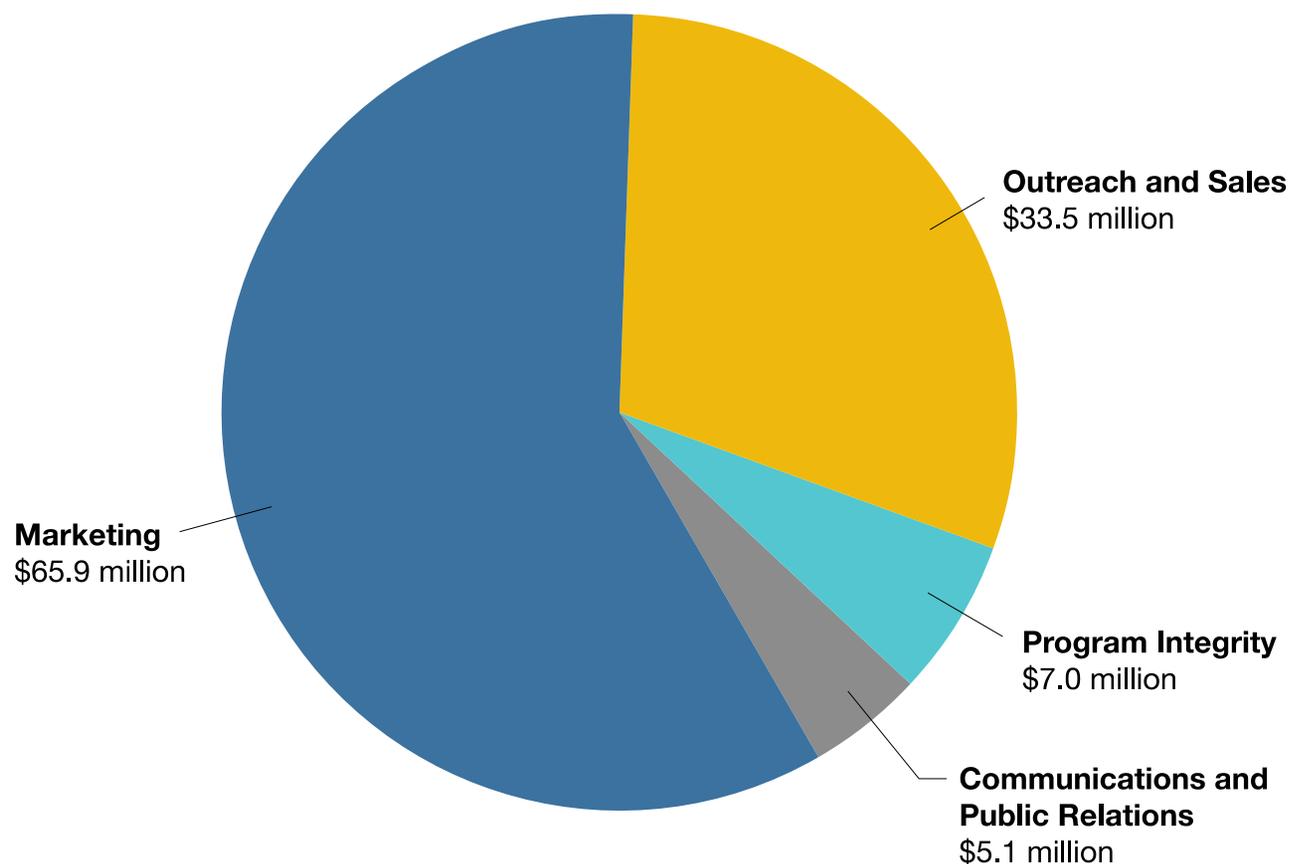
- Bronze — three office visits and lab work, not subject to deductible.
- Silver, Gold, Platinum — no deductibles on **any** outpatient services.

Source: Covered California enrollment data as of June 2016, including only subsidized enrollees who have paid for coverage.

<sup>1</sup> Evaluating the Potential Consequences of Terminating Direct Federal Cost-Sharing Reduction (CSR) Funding ([http://www.coveredca.com/news/pdfs/CoveredCA\\_Consequences\\_of\\_Terminating\\_CSR.pdf](http://www.coveredca.com/news/pdfs/CoveredCA_Consequences_of_Terminating_CSR.pdf))



# Covered California's 2018 Marketing and Outreach Spend — \$111 million

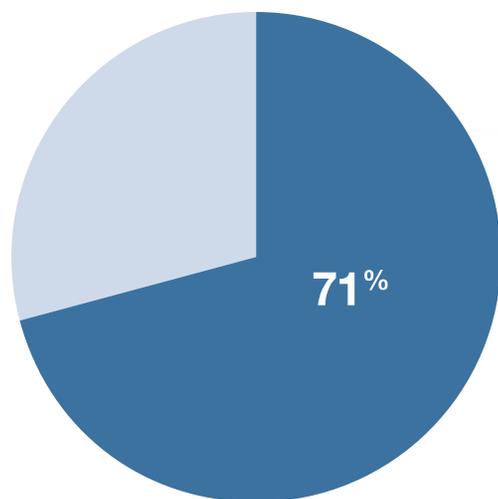


California's circumstances are unique. As one of the most populous and diverse states in the country, California is truly a microcosm of our nation, with numerous large media markets surrounded by hundreds of miles of rural landscape. Nevertheless, California's success through targeted investments in marketing and outreach provides a benchmark that may be helpful to inform strategic planning by the federal government and other states that are also working to foster stable and competitive individual markets.

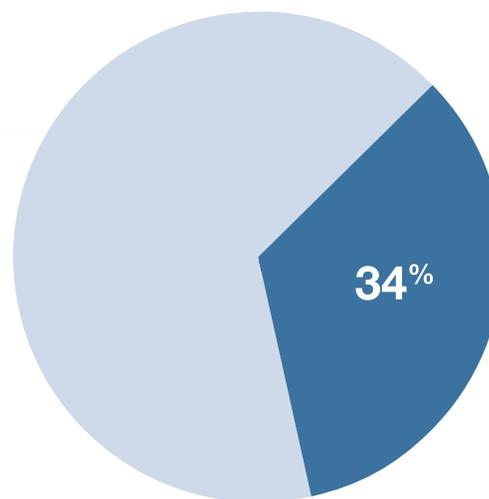


## Even with Great Recognition of Our Brand – Marketing Is Crucial

**Uninsured: Expectation of Subsidy Eligibility is Associated with Higher Intent to Enroll – 2017**



Expect Subsidy  
**2X More Likely To Enroll**



Unsure/Don't Expect Subsidy

**If Consumers Know They Are Subsidy Eligible They Are 2X More Likely to Enroll**

- 96 percent of those surveyed are aware of Covered California and the Affordable Care Act
- However, nearly 75 percent of the uninsured don't know they qualify for subsidies
- Those who are eligible for a subsidy are twice as likely to enroll

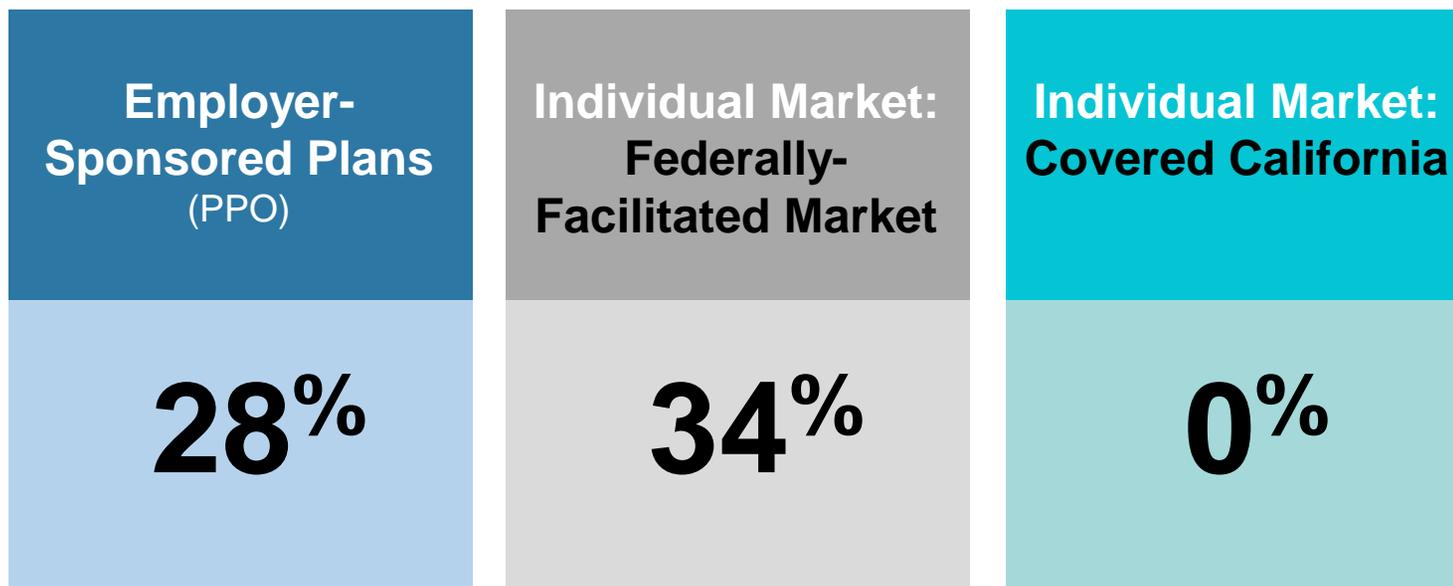
Covered California Sentiment Research Wave 2: A Quantitative Study on Current Attitudes and Select Insured Californians Toward Health Insurance Coverage. Greenberg Strategy. Oct. 5, 2017 ([http://www.coveredca.com/PDFs/October\\_2017\\_Covered\\_California\\_Sentiment\\_Survey\\_FINAL.pdf](http://www.coveredca.com/PDFs/October_2017_Covered_California_Sentiment_Survey_FINAL.pdf))

See "Marketing Matters: Lessons From California to Promote Stability and Lower Costs in National and State Individual Insurance Markets": [http://hbex.coveredca.com/data-research/library/CoveredCA\\_Marketing\\_Matters\\_9-17](http://hbex.coveredca.com/data-research/library/CoveredCA_Marketing_Matters_9-17)



## Designs With Key Benefits Subject to Deductible Far Too Common

Percent of plan offerings that require consumers to meet their deductible before they could access their primary care physician:





# Covered California 2017 Patient-Centered Benefit Designs

In California, standard benefit designs allow apples-to-apples plan comparisons and seek to encourage utilization of the right care at the right time with many services that are not subject to a deductible. *Benefits below shown in blue are not subject to a deductible.*

2017 PATIENT-CENTERED BENEFIT DESIGNS BY METAL TIER

MEDICAL COST SHARES				
Coverage Category	Bronze	Silver	Gold	Platinum
	Covers 60% average annual cost	Covers 70% average annual cost	Covers 80% average annual cost	Covers 90% average annual cost
Annual Wellness Exam	\$0	\$0	\$0	\$0
Primary Care Visit	\$75	\$35	\$30	\$15
Specialty Care Visit	\$105	\$70	\$55	\$40
Urgent Care Visit	\$75	\$35	\$30	\$15
Emergency Room Facility	Full cost until out-of-pocket maximum is met	\$350 once medical deductible is met	\$325	\$150
Laboratory Tests	\$40	\$35	\$35	\$20
X-Ray and Diagnostics	Full cost until out-of-pocket maximum is met	\$70	\$55	\$40
Deductible	Individual: \$6,300 medical \$500 drug Family: \$12,600 medical \$1,000 drug	Individual: \$2,500 medical \$250 drug Family: \$5,000 medical \$500 drug	N/A	N/A
Annual Out-of-Pocket Maximum	\$6,800 individual and \$13,600 family	\$6,800 individual and \$13,600 family	\$6,750 individual and \$13,500 family	\$4,000 individual and \$8,000 family

Benefits shown in blue are not subject to any deductible. White corner = not subject to a deductible after first three visits. Copay is for any combination of services (primary care, specialist, urgent care) for the first three visits. After three visits, they will be at full cost until the out-pocket-maximum is met.

DRUG COST SHARES — 30 DAY SUPPLY				
Generic Drugs (Tier 1)	full cost up to \$500, after deductible is met	\$15 or less	\$15 or less	\$5 or less
Preferred Drugs (Tier 2)	full cost up to \$500, after deductible is met	\$55 after drug deductible	\$55 or less	\$15 or less
Non-preferred Drugs (Tier 3)	full cost up to \$500, after deductible is met	\$80 after drug deductible	\$75 or less	\$25 or less
Specialty Drugs (Tier 4)	full cost up to \$500, after deductible is met	20% up to \$250 after drug deductible	20% up to \$250	10% up to \$250

2017 PATIENT-CENTERED BENEFIT DESIGNS BY INCOME

MEDICAL COST SHARES			
Coverage Category	Enhanced Silver 94	Enhanced Silver 87	Enhanced Silver 73
Eligibility Based on Income and Premium Assistance	Covers 94% average annual cost	Covers 87% average annual cost	Covers 73% average annual cost
Single Income Ranges	up to \$17,655 (≤150% FPL)	\$17,656 to \$23,450 (>150% to ≤200% FPL)	\$23,451 to \$29,425 (>200% to ≤250% FPL)
Annual Wellness Exam	\$0	\$0	\$0
Primary Care Visit	\$5	\$10	\$30
Specialty Care Visit	\$8	\$25	\$55
Urgent Care Visit	\$5	\$10	\$30
Laboratory Tests	\$8	\$15	\$35
X-Ray and Diagnostics	\$8	\$25	\$65
Imaging	\$50	\$100	\$300
Deductible	Individual: \$75 medical Family: \$150 medical	Individual: \$650 medical \$50 drug Family: \$1,300 medical \$100 drug	Ind.: \$2,200 medical \$250 drug Family: \$4,400 medical \$500 drug
Annual Out-of-Pocket Maximum	\$2,350 individual and \$4,700 family	\$2,350 individual and \$4,700 family	\$5,700 individual and \$11,400 family

Benefits shown in blue are not subject to any deductible.



# What ANY Health Plan Should be Able to Tell You About Their Benefit Design Decisions

The Affordable Care Act has reshaped health insurance in America — it is no longer about “avoiding sick people” — now it is about getting all those eligible covered and then making sure they are getting the right care at the right time. What follow are questions for insurers to see how they are adapting to this new reality:

1. Has the plan evaluated which enrollees are leaving coverage to become uninsured and the reasons for their terminating? (In particular, are healthy individuals leaving coverage because they face barriers to out-patient care in the face of high deductibles?)
2. Does the health plan have data to support the proposition that consumers “prefer” products that put deductibles between them and seeing a doctor (e.g., results of surveys or focus groups)?
3. Does the plan have any analysis that supports which benefit design better serves consumers and the risk mix? Is it designs where deductibles are a barrier to out-patient and primary care versus patient-centered benefit designs?
4. Does the plan have any data or information that would reconcile claimed support and investments in patient-centered medical home, primary care or Accountable Care Organizations with benefit designs that impede access of consumers to those models?
5. Does the plan have any data that would support a “more is better” hypothesis in deciding to offer many different benefit designs to consumers – which appears at odds with behavioral economic literature that shows consumers are advantaged by there being fewer options that have meaningful differences (e.g., price and network)?



# Covered California Provides Consumers With Tools to Make Informed Choices Among Plans

## Key Consumer Factors in Choosing a Plan:

- Monthly Premium
- Estimated Total Costs (with out-of-pocket)
- Maximum-Out-of-Pocket
- Amount of Federal Support
- Plan Quality
- Doctor in Plan
- Hospital in Plan
- Drugs Covered

← Back

**Browse plans**

Apply

### 8 Plans

Previous 1 2 3

Sort by Filter by Your favorites (0) Print Apply

<p>Kaiser Silver 70 HMO Your monthly premium <b>\$256.19</b> After premium assistance of \$21.00</p>	<p>Blue Shield Silver 70 PPO Your monthly premium <b>\$261.00</b> After premium assistance of \$21.00</p>	<p>Anthem Blue Cross Silver 70 PPO a Mu... Your monthly premium <b>\$269.61</b> After premium assistance of \$21.00</p>								
<p>▼ Summary</p> <table border="1"> <tr> <td>Estimated total costs premium + out-of-pocket</td> <td>\$3374.28 per year</td> <td>\$3432.00 per year</td> <td>\$3535.32 per year</td> </tr> </table>			Estimated total costs premium + out-of-pocket	\$3374.28 per year	\$3432.00 per year	\$3535.32 per year				
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<p>▼ Deductible &amp; Out-of-pocket</p> <table border="1"> <tr> <td>Deductible (Individual)</td> <td>Not Applicable</td> <td>Not Applicable</td> <td>Not Applicable</td> </tr> <tr> <td>Out-of-pocket maximum (Individual)</td> <td>\$6250</td> <td>\$6250</td> <td>\$6250</td> </tr> </table>			Deductible (Individual)	Not Applicable	Not Applicable	Not Applicable	Out-of-pocket maximum (Individual)	\$6250	\$6250	\$6250
Deductible (Individual)	Not Applicable	Not Applicable	Not Applicable							
Out-of-pocket maximum (Individual)	\$6250	\$6250	\$6250							

“Default” display of plans is from lowest to highest by **total cost** (including premium and likely out-of-pocket costs).

Plans are rated on overall quality based on feedback from Covered California members

Consumers can search to see if a desired physician is in the plan’s network. *Starting in 2017, Covered California plans to have a consolidated physician directory.*



# Covered California is Promoting Improvements in the Delivery of Care

Covered California contract requirements to promote the triple aim of improving health, delivering better care and lowering costs for all Californians include:



## Promoting innovative ways for patients to receive coordinated care, as well as have immediate access to primary care clinicians

- All Covered California enrollees (HMO and PPO) must have a primary care clinician.
- Plans must promote enrollment in patient-centered medical homes and in integrated healthcare models/Accountable Care Organizations.



## Reducing health disparities and promoting health equity

- Plans must "track, trend and improve" care across racial/ethnic populations and gender with a specific focus on diabetes, asthma, hypertension and depression.



## Changing payment to move from volume to value

- Plans must adopt and expand payment strategies that make a business case for physicians and hospitals.



## Assuring high-quality contracted networks

- Covered California requires plans to select networks on cost and quality and in future years, will require exclusion of "high cost" and "low quality" outliers — allowing health insurance companies to keep outlier providers, but detailing plans for improvement.

Note: for detailed information about improvements in the delivery of care, Covered California requires health insurance companies to abide by Attachment 7 of the model contract. To view Attachment 7, go to [http://hbex.coveredca.com/stakeholders/plan-management/PDFs/Attachment\\_7\\_Individual\\_7-5-2016\\_Final\\_Clean.pdf](http://hbex.coveredca.com/stakeholders/plan-management/PDFs/Attachment_7_Individual_7-5-2016_Final_Clean.pdf)

Covered California Board presentation slides on Attachment 7: <http://www.coveredca.com/news/pdfs/CoveredCA-Board-QualitySummary-04-07-16.pdf>



# MOVING THE NEEDLE ON PRIMARY CARE: COVERED CALIFORNIA'S STRATEGY TO LOWER COSTS AND IMPROVE QUALITY <MORE THAN JUST DEFINING IDEAL>

## Four Inter-related Elements

### 1. Benefit Design

From the beginning, Covered California has made sure consumers can seek ambulatory care without needing to meet the deductible

### 2. A Primary Care Physician for Every Enrollee

As of March of this year, 99% of Covered California enrollees have a doctor who can serve as their advocate

### 3. Payment Reform

Moving away from Fee for Service

### 4. Patient Centered Medical Home Recognition

Support PCPs in adopting accessible, team-based, data-driven care

## HealthAffairsBlog

### Moving The Needle On Primary Care: Covered California's Strategy To Lower Costs And Improve Quality

Lance Long, Peter V. Lee, and Kevin Grumbach

June 14, 2017



Many of the national policy discussions today are focused on who will be covered and the scope of benefits consumers will receive. Unfortunately, as important as these issues are, neither of them in any way addresses the underlying issues of high health care costs and the highly variable quality of care in the United States. To foster sustainable reform, we need to focus on promoting high-value care, which means we need to address not only insurance coverage but also reform of the delivery system. Covered California, a state health insurance exchange, has taken advantage of its role as a purchaser to work with health plans and providers to implement policies to emphasize and enhance the role of primary care.

The evidence supporting the health- and value-promoting influence of primary care is well established. The Patient-Centered Primary Care Collaborative publishes an annual summary of the evidence, which has grown progressively more solid, demonstrating that investment in primary care is key to improving health care delivery that can achieve better care at a lower cost.

There is also evidence that primary care delivery can be greatly improved. Some health maintenance organizations (HMOs) assign primary care physicians the role of "gatekeeper," controlling care through rules that transformed primary care physicians into utilization managers. Preferred provider organizations (PPOs) gained traction by promoting freedom from these rules, often with broad and unrestricted access to specialists. Within both business models, payment to providers was too often

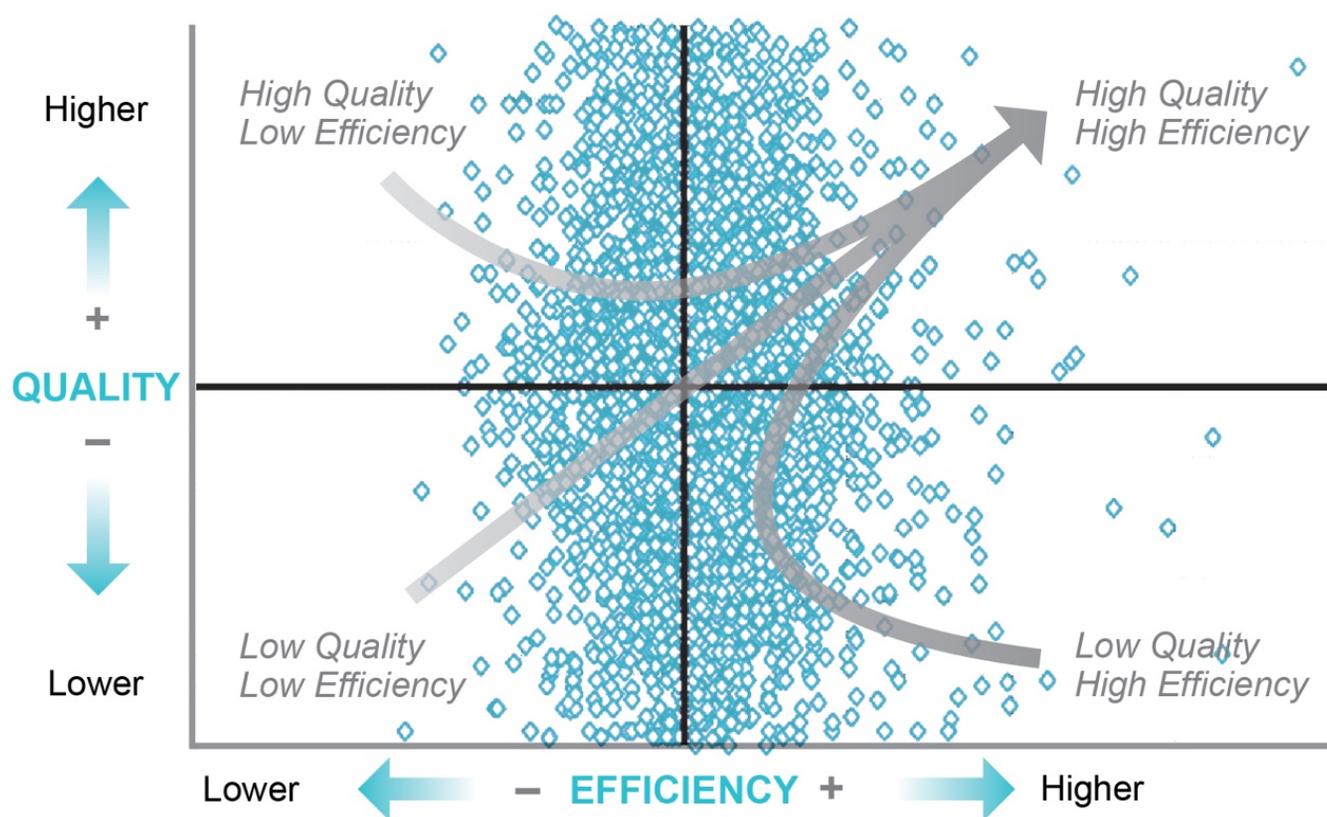
<http://healthaffairs.org/blog/2017/06/14/moving-the-needle-on-primary-care-covered-californias-strategy-to-lower-costs-and-improve-quality/>





# Covered California Requires Network Design, Payment Reform and Transparency to Promote Higher-Value Care

Repeated research shows no correlation between more expensive health care and better quality.



Covered California is using all tools at its disposal to move consumers to lower-cost/higher-quality providers, such as:

- Plan network design promoting new models of integrated care and the exclusion or justifying the inclusion of high-cost/low-quality outlier providers.
- Payment based on performance.
- Health insurance tools with cost and quality information for consumers.

Distribution of physicians with “Higher Efficiency” equals lower relative cost for each instance of care delivered.



# The Goal — As Expressed by Two Great Thinkers

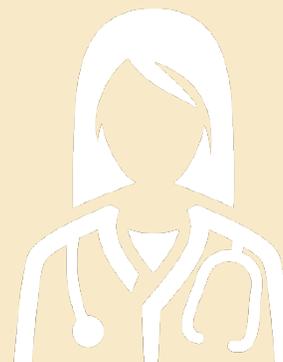
Prescription for healthy eating  
from **Michael Pollan**

“Eat food  
Not too much  
Mostly plants”



Prescription for high value health  
care from **Kevin Grumbach**

“Get medical care  
Not too much  
Mostly primary care”





Information for consumers

[CoveredCA.com](https://www.CoveredCA.com)

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Information on exchange-related activities

[hbex.CoveredCA.com](https://hbex.CoveredCA.com)