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FOR YOUR INFORMATION
The Idaho Statesman
Boise, Idaho
Sunday Sept. 17, 2017
by Maria L. La Ganga

St. Luke's has yet to report savings as health plan grows

What began as a small health care reform effort by Idaho's largest hospital operator has grown over the past five years into a network that covers 170,000 people, includes five insurers and is responsible for nearly a quarter of the revenues for the St. Luke's Health System.

But St. Luke's has yet to deliver on its promised savings in insurance premiums.

St. Luke's leaders say they still hope the insurance plan they created in 2012 with Utah-based SelectHealth eventually will lower costs and premiums, and improve patient outcomes. They say their planning has taken time but they're on the right track.

Executives say their network's rapid expansion shows that there is a need for their approach and that it bodes well for future success.

"That's amazing growth, and I think it speaks to the market's readiness for collaboration," said Dave Self, chief administrative officer of St. Luke's Health Partners, the wholly owned subsidiary that runs the network.

They also say it is too soon to tell whether they can change how health care is paid for and meet their goals. This is the first year the network has been fully operational, Self said, and its financial results won't be known until next July 1.

Most health care services today are paid for on a fee-for-service basis. A patient goes into a doctor's office and gets a prostate exam or a Pap smear. The physician sends out a bill, the insurance company and the patient pay it. The more a doctor does, whether necessary or not, the more the doctor earns.

"Experts agree that the prevailing method — fee for service — fuels waste and does not promote high-quality care," the editors of Harvard Business Review wrote in the July-August 2016 issue. "The big question is: What should replace it?"

St. Luke's says 'value-based' pay will work

St. Luke's officials argue that the hybrid payment system they call "value-based" is the answer.

In collaboration with SelectHealth, they created an insurance plan that has a fee-for-service structure at its heart, with one big difference. Instead of open-ended reimbursement, providers are given a global budget. At the end of the year, if the costs of caring for the plan's members exceed that budget, it is the provider — St. Luke's Health System — and not the insurance company that absorbs the loss. If costs come in under budget, the provider gets to keep what's left.

St. Luke's portrays itself as a leader in the national movement to replace fee-for-service. At least one expert is skeptical: Dr. R. Adams Dudley, director of the Center for Healthcare Value at the University of

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California, San Francisco, said value-based payment systems are often little more than a "management fad" in the health care industry.

Dudley also points to St. Luke's dominance in the Treasure Valley as a driver of higher prices, not lower ones. He uses Boise as an example of a health care market with insufficient competition.

"You do not have a competitive market," he said. "There are other providers, but there's just one very dominant provider that's able to ask whatever price it wants."

That market dominance led to a successful antitrust lawsuit against St. Luke's after the health system in 2012 refused to comply with the state's request that it refrain from buying Nampa's Saltzer Medical Group. It was the first time the Federal Trade Commission sued a local hospital system over its acquisition of a physician practice.

In addition to Select-Health, Aetna, Pacific-Source Health Plans, Blue Cross of Idaho and Mountain Health CO-OP are participating in the health system's new effort. With around 100,000 members, SelectHealth is the biggest player.

Last year, St. Luke's exceeded its plan budget

"We have one goal: to take care of patients and make them healthy again," said Jerry Edging-ton, vice president and general manager for SelectHealth in Idaho. "The more efficiently we do that, the more money there is to acknowledge the efforts of the provider community.

"Historically, in the fee-for-service model, the provider is rewarded for volume," he continued. "In this model, the provider community is rewarded for good patient outcomes."

Or not. Edgington said the current payment method — fee-for-service with a global budget — was instituted in 2016. St. Luke's did not come in under budget that year in its partnership with Select-Health, did not get money back and "was accountable for that deficit," he said. St. Luke's and SelectHealth declined to say how big the deficit was.

"There's incentive to perform within the budget," Edgington said. "The reason they started this is to say that we have to improve. ... There are many areas where we have to gain efficiencies. There's no reason with 100,000 [SelectHealth] members that over all of those market segments we shouldn't perform within a reasonable budget."

But Self said St. Luke's does not view 2016 "as being a benchmark or a baseline." And he reiterated that 2017 is when the new effort "went to market as a financially and clinically integrated network with many of the programs that we are confident will positively influence the health of the population."

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Why no premium savings yet?

When pressed about why an effort conceived five years ago has yet to reach its goals of lower premiums, lower health care costs and improved patient care, Self said much of that time was spent laying the foundation for a complex system.

Health care reform is "not flipping a switch," he said. Up until 2017, the new effort was in "a foundational period where St. Luke's began putting infrastructure in place."

"We've already started seeing the quality measures be addressed by providers," Self said. "I would say in the grand scheme of our plans that we would expect by 2020 to understand whether or not this model is successful as conceived."

One concern about shifting away from a fee-for-service model is that incentives change from doing more medical procedures to essentially doing fewer. If patient care improves under such a system, then everyone wins. If it does not, only the providers win.

But Self and Jeff Taylor, senior vice president and chief financial officer for St. Luke's Health System, say value-based systems do not encourage the withholding of care. If St. Luke's and other providers in the system do not meet certain measures of quality, they will not share in whatever surplus might be left at the end of the year.

"You share in the surplus only if you go through certain gates of quality outcomes," Self said.

For instance, one gate ensures that patients with advanced-stage chronic kidney disease are seen by a nephrologist. Another makes sure that patients with defined stages of colon cancer begin chemotherapy within a certain time after having surgery.

"High performance on measures like those will improve patient outcomes," said Dr. George H. Beauregard, chief physician executive at St. Luke's Health Partners.

One goal St. Luke's set was to create a group of quality measurements that are the same across all insurers that take part.

St. Luke's efforts, Beauregard said, "go well beyond" the standard quality measures required by the federal Centers for Medicare and Medicaid Services and the Healthcare Effectiveness Data and Information Set.

HEDIS is used by more than 90 percent of health plans in America to measure performance on 81 measures, including comprehensive diabetes care, controlling high blood pressure, antidepressant medication management and potentially harmful drug-disease interactions in the elderly.

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Saint Al's has a network too

Saint Alphonsus Health System, second in size to St. Luke's, has been working on its own clinically integrated, value-based network. The Saint Alphonsus Health Alliance, which covers about 50,000 members, has been in place for about four years.

Saint Al's also began with its own employees and their dependents, about 10,000 total, a "shared-savings model" that started about two years ago, said Kate Ho-man, director of contracting and network services for the Saint Alphonsus Health Alliance.

"We were able to save the health plan enough so that we lowered premiums for our employees," Homan said. "I'm not going to quote the premium reduction. ... But we were able to pass that savings on to the employees."

The proof will be in the reported data

Dudley, the University of California researcher, said the value-based plan suffers from lots of talk, little innovation and even less use of data to measure whether changes actually work, care is improving and waste is being reduced.

"If you say you're going to do it but don't really try very hard, then nothing changes," Dudley said.

The proof will be in the data that St. Luke's reports, he said.

"If they really do have a whole lot of measurements going on, that is a radical change," he said. "If St. Luke's is saying, 'We see a world in the future where the care system has been switched to one that's based on really understanding better what's going on and right-sizing costs and being able to explain that to people' ... that's a different approach."

"If you say you're going to do it but don't really try very hard, then nothing changes."

— Dr. R. Adams Dudley, director of the Center for Healthcare Value at the University of California, San Francisco

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