Rethinking New York’s Direct Pay Market

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The goal of this presentation is to share some initial ideas for how to think differently about the Direct Pay market. This is a thought-starter – we look forward to collaborating with the State and other stakeholders.

- Issues and Implications
- Suggested Solution
- Conclusion
Issues & Implications: Variability

There is huge variability in the Direct Pay market today in everything but benefits.

Variability in:

- Price
- Network
- Unit cost
- Administrative expenses
- Distribution system
- Medical management policies
- Quality care/health outcomes

Implications: Inefficiencies, unnecessary costs
The stop-loss pool created in 2000 to stabilize rates was frozen in 2004 and is no longer sufficient.

- Covered claims through 2003
- Reduced to $37M in August 2008
- Now covers less than 50% of claims liability

**Implication**

Return of instability for both the consumer and carrier
The mandated benefit designs are extremely rich and haven’t kept up with the changing market.

• Mandated benefit design requirements adopted by statute in 1995 – unchanged in 13 years
• 1995-level office visit co-pays
• Comprehensive drug & medical coverage
• Low out-of-pocket cost sharing

Implications

• Generous benefit package + lack of flexibility = high premium cost
  • No incentive for healthy people to join
  • Lack of consumer choice of products
• Outdated benefits given current health issues (e.g., wellness, chronic diseases)
The people joining the Direct Pay market are those who need insurance (generally those with chronic conditions) and are willing to pay the higher price.

- Mandated rich benefits encourages/allows high utilization
- People who buy DP need insurance – generally those with chronic conditions
- Current price points are unaffordable for the average uninsured person – likely to be exacerbated by current economic climate

**Implications**

- As membership continues to decline, premium cost will spiral out of control
- High cost creates no incentive for healthy people to join = no ability to offset or balance risk
Issues & Implications: Summary

If we don’t take action now, the DP market risks collapse in the near future.

- Variability
- Stoploss Inadequacy
- Inflexible Benefit Design
- Uneven Risk Selection

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- Premium increases
- Enrollment declines
- Variability of health outcomes
- Collapse of Direct Pay Market

Rising Uninsured
The first step is to create a stable platform for the future by getting into a single structure. This model leverages NYSHIP’s experience and unit costs.

- **Efficiencies**
  - One ID card for all DP market
  - One mechanism for claims payment
  - One network with one set of unit costs
  - One medical management process
  - Consistent pricing

- **Rating options**
  - Initially - current community rating
  - Long-term - consider other rating strategies

**Existing Direct Pay**
Population – 12 carriers

Transfer current DP membership to NYSHIP vendors as condition of NYSHIP contract

No initial benefit change

**NYSHIP Direct Pay**
Community Pool
The second step is to attract better risk to offset those with chronic conditions. This will essentially create more of a true insurance product with a wider range of benefit options at a variety of price points.

- Develop a new pool which will protect the current subscribers from benefit changes
- Devise new, more flexible benefit options within this new pool to create choice and attract a wider variety of enrollees
- Consider strategies to create a range in pricing:
  - Age/sex adjustments
  - Rating region adjustments
  - Wellness/DM adjustments
- Market through State, consumer groups, clinicians and other stakeholders – e.g., Healthy NY campaigns
The final step is to create a long-term solution that results in better care management, more appropriate utilization and ultimately lowers costs and creates higher quality of care and better outcomes.

- **Benefit Design Pilots**
  - Study population and identify unique cost drivers
  - Develop benefit designs and care models targeted at these specific populations
  - Evaluate outcomes and refine as necessary

- **Chronic Care Coordination & Disease Management**
  - Predictive outreach
  - Case management
  - Compliance support
  - Integrated pharmacy, medical, behavioral

- **Consumer engagement/wellness programs**
  - Healthy living (e.g., pregnancy)
  - Wellness programs (e.g., weight management)
  - Health assessments
  - Educational outreach/mailings
  - Screening exam and immunization reminders

- **Primary care/family physician pilots**
Suggested Solution: Potential Premium Reduction

By implementing this solution, we should be able to reduce Direct Pay premiums by 17% without impacting tax payers or the small group pool.

8% Medical • Better economics

+ • Lower insurance risk charge

9% Medical • More consistent medical management of chronic conditions

• Increased focus on wellness

• PMPM-based charge within a cost structure already serving 1 million members

= 17% TOTAL Savings

Outcome

• No increase in small group subsidy to Direct Pay market (Reg 146) – no additional burden to small group

• Uses existing stoploss funding

• No additional public monies required
The suggested solution addresses the current issues and returns the viability of Direct Pay as a long-term healthcare solution.

- Eliminate Variability
- Expand Pool
- Increase Benefit Designs
- Better Manage Outcomes

= • Premium stability
• Enrollment increase
• Better health outcomes
• Viability of Direct Pay Market

Slowdown in growth of uninsured