

Operational Support for a Changing Healthcare Environment: an Update

Presented by:

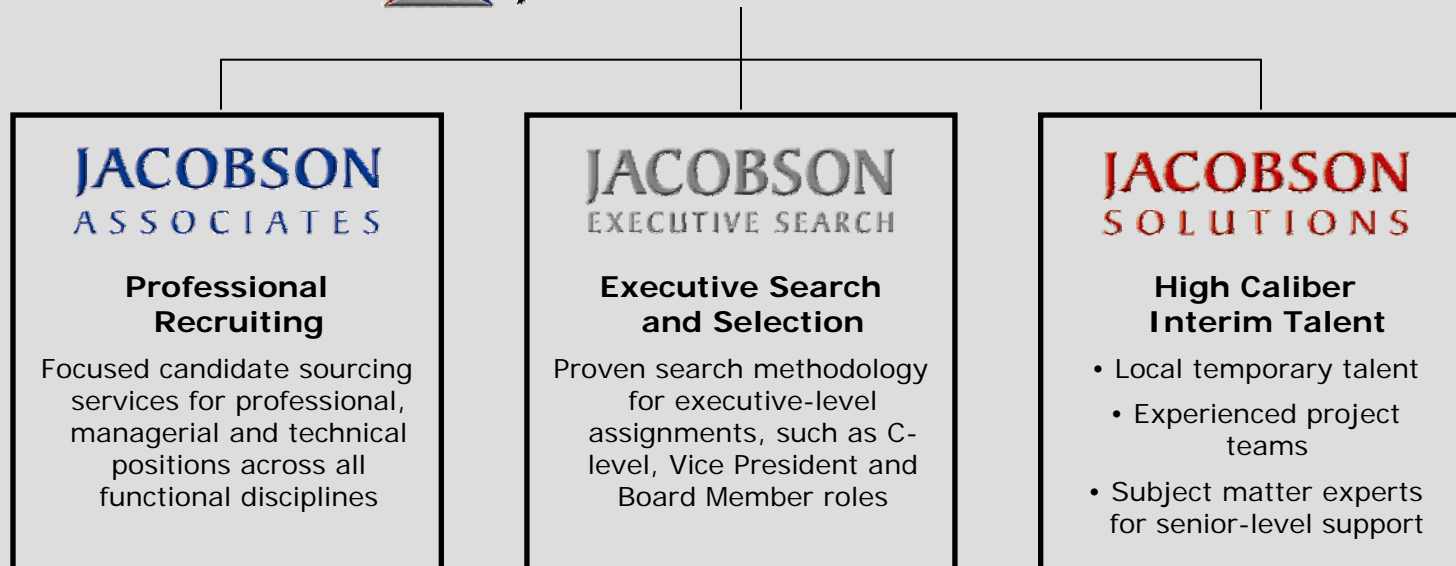
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About The Jacobson Group

Since 1971, The Jacobson Group has provided healthcare organizations nationwide with the professional and human capital solutions necessary to achieve results.



Operational Support for a Changing Healthcare Environment



Agenda

- ✓ Discuss the current state of health insurance
- ✓ Review the healthcare bill and its potential effects on health insurance payers and their operations
- ✓ Uncover the various types of support and partnerships that should be developed
- ✓ Explore decision criteria based on the operational issue and needed support

State of the Health Insurance Industry

- Current State of the Industry
 - There are 300 million Americans and 47 million are uninsured.
 - The unemployment rate is currently 10 percent.
 - Individuals are beginning to come off the COBRA Premium Subsidy extension.
 - Two health reform bills have come out of Congress and the Democratic Party has lost its filibuster-proof strength for passage.
- Current State of the Workforce
 - 43 percent of the labor force is eligible for retirement within the next 10 years.
 - Baby boomers are aging and constitute 40 percent of the nation's workforce.

State of the Health Insurance Industry

- Future of the Industry
 - ICD-9 to 5010 to ICD-10 coding changes will occur throughout the next three years with noncompliance penalties.
 - Significant compliance penalties are also forthcoming for HIPAA, electronic health record inclusion and accounting.
 - Both bills propose an exchange (state or national) that will develop specific operational standards, processes and forms for enrollment, claims, etc.
 - The CDC (Center for Disease Control) projects H1N1 will be even more substantial in the coming months.

According to Deloitte, AHIP's partner on this transaction:

"Because of the complex structure of ICD-10 codes, implementing and testing the changes in EMRs, billing systems, reporting packages, decision and analytical systems will require more effort than simply testing data—it will involve installing new code sets, training coders, re-mapping interfaces and recreating reports/extracts used by all constituents who access diagnosis codes."

- Deloitte, "ICD-10: Turning Regulatory Compliance into Strategic Advantage"

The Public's Opinion

According to voters, what is the biggest issue with healthcare?

- 23% Lack of universal coverage
- 53% Cost
- 3% Inconvenience of scheduling
- 13% Quality of care
- 8% Not sure

Source: Rasmussen Report Survey of Potential Voters

Current Bills in Congress





Patient Protection and Affordable Care Act (H.R. 3590)

Passed by Senate on December 24, 2009



Operational Support for a Changing Healthcare Environment



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Proposal

- Does not include a government-run health insurance plan option.
- CBO (Congressional Budget Office) estimates bill will cost \$871 billion over 10 years and reduce the deficit by \$132 billion over 10 years.
- Methods of funding include the following:
 - \$149.1 billion over 7 years from a new excise tax on high-premium insurance plans
 - Cuts to Medicare/Medicaid
 - \$54 billion over 10 years from a Medicare payroll tax hike on couples making over \$250,000 annually
 - \$102.3 billion over 10 years from fees on insurance companies, drug makers and medical device manufacturers

Approach

- Create state-based American Health Benefit Exchanges through which individuals can purchase coverage.
 - Premium cost-sharing credits available to individuals/families with income between 100-400 percent of the federal poverty level (FPL).
- Create separate exchanges through which small business can purchase coverage.
- Create the Consumer Operated and Oriented Plan (CO-OP) program to foster the development of non-profit, member-run health insurance companies in all 50 states.
- The Office of Personnel Management (OPM) contracts with insurers to offer at least two multi-state plans in each exchange - at least one plan must be non-profit. Each multi-state plan must meet certain qualifications.

Requirements

- Most Americans are required to obtain insurance.
 - Penalty up to \$750 per person or \$2,250 per family if required to obtain insurance and refuse.
- Required premiums capped at 9.8 percent of income.
- Companies with more than 200 employees must automatically enroll employees in plans.
- Companies with more than 50 full-time workers that do not offer coverage pay a fee of up to \$750 multiplied by their total workforce.

Health Plans

- Plans sold to individuals and small businesses must cover basic benefits.
- Insurers barred from denying coverage to anyone with pre-existing conditions.
- Income eligibility levels likely to be standardized to 133 percent of FPL.
- Guarantee issue and renewability required and rating variation based only on age (3:1 ratio).
- Exchange plans must meet marketing, provider network, community outreach, enrollment form and standardization requirements.

Health Plans

- Make Medical Loss Ratio less than 85 percent for plans in large group market and 80 percent for plans in the individual and small group markets.
- Adopt a single set of administrative and financial transaction standards and rules to promote simplification or face a \$1 penalty for every life covered.
- Develop standards for insurers to use in providing information on benefits and coverage.
- Permit states to form healthcare choice compacts and allow insurers to sell policies in any state participating in the compact.

Health Plans

- Require exchange plans to report information such as claims payment policies, enrollment, disenrollment, number of claims denied, cost sharing requirements, out-of-network policies and enrollee rights.
- Require exchanges to maintain a call center for customer service and establish procedures for enrolling individuals and businesses.
- Permit states to create a Basic Health Plan for the uninsured with incomes 133-200 percent FPL.
- Provide dependent coverage up to age 26.
- Impose an excise tax on insurers of employer-sponsored health plans with aggregate values that exceed \$8,500 for individual, \$23,000 for family.
- Place an increasing annual fee on health insurance sector starting at \$2 billion in 2011.

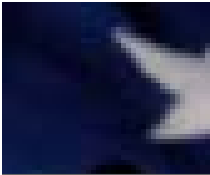
Medicaid/Medicare

Medicaid

- Expand to all individuals under 65 with incomes up to 133 percent FPL.
- Require all states to maintain current income eligibility levels for children in CHIP.
- Improve care coordination of dual-eligibles by creating a new office in CMS – the Federal Coordinated Health Care Office, to integrate benefits and quality of care.

Medicare

- Restructure payments to Medicare Advantage Plans (except PACE) to base payments on the average of plan bids in each market.
- Freeze the threshold for income-related Part B premiums.
- Create an Innovation Center within CMS to test, evaluate and expand payment structures and methodologies to reduce cost and improve quality.
- Increase the Part D coverage limit by \$500.



Affordable Healthcare for America Act (H.R. 3962)

Passed by House on November 7, 2009



Proposal

- Government-run health insurance plan option.
- CBO estimates this bill will cost \$894 billion over 10 years and will reduce the deficit by \$104 billion over 10 years.
- Methods of funding include the following:
 - \$460 billion over the next 10 years from new income taxes on single people earning more than \$500,000 annually and couples earning more than \$1 million (5.4 percent)
 - More than \$400 billion from cuts to Medicare/Medicaid
 - Fines on individuals that don't obtain coverage
 - \$20 billion fee from medical device manufacturers and another \$13 billion in savings by limiting FSA/HSA contributions

Approach

- Create a National Health Insurance Exchange through which individuals and businesses can purchase coverage.
 - Cost-sharing credits available to individuals/families with incomes up to 400 percent of the FPL.
- Allow states to operate state-based exchanges (must meet requirements).
- Require employers to provide coverage to employees or pay into a Health Insurance Exchange Trust Fund.
- Create the Consumer Operated and Oriented Plan (CO-OP) program to foster the creation of non-profit, member-run health insurance companies in all 50 states.

Requirements

- Most Americans required to obtain insurance.
 - Penalty of up to 2.5 percent of adjusted income per person for those that refuse.
- Maximum amount workers required to spend on premiums is capped at 9.8 percent of income.
- Employers must provide insurance to their employees or pay a penalty of 8 percent of payroll. (Companies under \$250,000 annually are exempt.)
- Employers must contribute 72.5 percent of the premium cost for an individual and 65 percent for a family.
- Companies with less than 10 full-time workers receive tax credits to help them provide coverage.
- Employers must automatically enroll employees into the lowest-cost premium plan unless they opt out.

Health Plans

- Insurers cannot deny coverage to anyone with pre-existing conditions.
- Income eligibility levels likely to be standardized to 150 percent FPL.
- Guarantee issue and renewability are required and allow rating variation based only on age (2:1 ratio).
- Plans in the exchange must meet marketing, provider network, community outreach, enrollment form and standardization requirements.
- Provide dependent coverage up to age of 27.

Health Plans

- Make Medical Loss Ratio less than 85 percent for all plans.
- Adopt a single set of administrative and financial transaction standards and rules to promote simplification or face a \$1 penalty for every life covered.
- Develop standards for insurers to use in providing information on benefits and coverage.
- Permit states to form healthcare choice compacts and allow insurers to sell policies in any state participating in the compact.

Health Plans

- Require plans in the exchange to report information such as claims payment policies, enrollment, disenrollment, number of claims denied, cost sharing requirements, out-of-network policies and enrollee rights.
- Create the Health Choices Administration to establish qualifying health benefits standards, establish the exchange, and administer and enforce requirements.
- Require exchanges to maintain a call center for customer service and establish procedures for enrolling individuals and businesses.
- Impose a medical device tax of 2.5 percent on the first taxable sale.

Medicare/Medicaid

Medicaid

- Expand to all individuals under 65 with incomes up to 150 percent FPL.
- Repeal CHIP and require enrollees in separate state CHIP programs with incomes above 150 percent FPL to obtain coverage through the Health Insurance Exchange.
- Improve care coordination of dual-eligibles by creating a new office in CMS to integrate benefits and quality of care.
- Implement the Medicaid eligibility expansions with respect to provider payment rates, benefit enhancements, quality improvement and program integrity.

Medicare

- Restructure payments to Medicare Advantage Plans (except PACE) phasing down to equal 100 percent of fee-for-services payments.
- Create an Innovation Center within CMS to test, evaluate and expand payment structures and methodologies to reduce cost and improve quality.
- Increase the Part D coverage limit by \$500.

Operational Preparedness

- Improve best practices across all operations.
- Reduce unnecessary operational costs.
- Develop member and provider outreach programs. (tutorials, flyers, etc.)
- Create partnerships with support companies (recruiters, staffing organizations, outsourcing entities, technology automation and process improvement specialists, consultants).
- Upgrade talent.
- Initiate coding transformation.
- Identify risk adjusters, coders and compliance personnel.

What Does This Mean For Your Organization?

Any bill that passes Congress means major operational changes for health insurance plans.

Healthcare Reform in the News

"Health insurance is beginning to resemble air travel-- where deep-pocketed business passengers subsidize penny-pinching vacationers."

-Forbes, January 18, 2010

"The victory of Scott Brown, a previously little known Republican state senator, in the Massachusetts special election to fill Mr. Kennedy's seat, upset all calculations and left Democrats scrambling for approaches that might allow them to pass some version of the bill."

-The New York Times, January 20, 2010

Is Your Organization Prepared?



Operational Support for a Changing Healthcare Environment

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Support Strategies



1. Recruit and Hire
2. Utilize Interim Support Solutions
3. Outsource

1. Recruit and Hire



Hire a Recruitment Partner

- Make sure they possess the core competencies that you would like portrayed (industry expertise and network, strong references, etc.).
- Determine the added value this relationship would bring to the hiring process (better candidate pool, shorter identification-to-hire timeline, ability to find passive job seekers, etc.).
- Identify your partner's commitment to your relationship and the search.
- Hold both your recruiting partner and yourself accountable for the success of the timelines and outcomes.

Develop and Train

- Training should be an integral part of the succession planning strategy.
- Focus on analysis, management and development of key employees to promote your “bench strength.”
- Identify training needs on both individual and enterprise-wide levels.
- Forecast openings and adjust training as appropriate to best prepare internal candidates.

Retain

- The average executive will work in a minimum of five companies throughout his or her career.
- Employ a proactive approach rather than a reactive approach to employee retention.
- Employ retention strategies:
 - Comprehensive orientation program
 - Mentoring program
 - Career development program
 - Knowledge management
 - Community involvement
 - Family inclusion in company activities

Recruit and Hire

- Pros:
 - Development of long-term company relationship
 - High level of interaction and control
 - Buy versus lease
 - Incorporation of company values and processes
 - Attrition
- Cons:
 - Burden rate of 25-35 percent
 - Utilization
 - Attrition
 - In-the-box thinking

Is Recruit and Hire the Right Decision?

- Are your needs consistent and long-term?
- Do you have a culture of hiring from within?
- Are your attrition rates lower than your competitors'?
- Do you have the capability to mentor and develop the position internally?
- What is the development/training timeline versus the timeline required for results?

2. Utilize Interim Support Solutions



Interim Support

- In 2008, 2.66 million people were employed per day by staffing companies.
- During the course of one year, 11.2 million temporary and contract employees are hired by U.S. staffing firms.
- 79 percent of staffing employees work full time, virtually the same as the rest of the workforce.
- 80 percent of staffing clients say staffing firms offer a good way to find people who can become permanent employees.
- As a whole, the employment services industry added 55,700 jobs from November to December 2009.

Source: www.Americanstaffing.net, American Staffing 2009 Annual Economic Analysis; BLS January Report

Types of Interim Personnel

- Local
- Travel (Project)
- Work-at-Home
- Subject Matter Expert

Hire an Interim Talent Partner

Identify and develop a partner that can deliver qualified interim talent to handle your short-to-mid-term support needs.



Determine Partnering Qualifications

- History of industry experience with qualified references
- Detailed recruitment and qualification process to ensure high caliber of personnel
- Operational team that supports the people and process on-site
- Accountable for the level and type of personnel delivered to the program
- Customer-first approach – Goals achieved?
- Flexibility on the timing and support delivered

Interim Support

- Pros:
 - Control over training, development, accountability and outcomes
 - Control over personnel requirements and experience
 - Ultimate flexibility:
 - Length of contract and need
 - Hourly utilization
 - Personnel utilization
 - Rapid deployment
 - Best talent to potentially convert to hire if needed
 - Benefits, personnel issues and support handled by partner

Interim Support

- Cons:
 - May still require entire training program
 - Potentially high attrition rates
 - Potentially high absenteeism rates
 - Less committed than full-time employees

Is Interim Support the Right Decision?

- Are your needs short-term or long-term?
- Do you have a temp-to-hire culture?
- Is utilization of these resources a critical business need?
- What is the risk of failure?
- What is the timeline for success?
- What is the cost of not having these resources or the cost of overtime applied to your internal team?

Virtual Support

- From 1999 to 2000, teleworkers said their productive time increased about 30 minutes to a little more than 7 1/2 hours in an 8-hour day, while office productivity remained unchanged at 6 hours per day. (Source: ATT.com)
- In 2006, productivity from workers transitioning from in-office to work-at-home environments increased by 20 percent. (Source: SI Review)
- 20.7 million persons reported that they work at home at least once per week. (Source: U.S. Bureau of Labor Statistics)
- There are more than 150,000 people that work “virtually” from their home offices.

Virtual Support

- Pros:
 - Highly-skilled interim talent
 - Low cost of overhead and deployment
 - Utilization for short-term and long-term needs
 - On-site or remote training
 - Higher productivity rates than in-office employees
 - Increased pool for candidate identification
- Cons:
 - Home office must be established – technology, hardware
 - Lack of on-site support/communication
 - Lack of team-building

Is Virtual Support the Right Decision?

- Is space a constraint to leverage needed resources?
- Could this be a longer term need?
- Is this a function that can be effectively handled without on-site supervision?
- Do we or our partner have the technology support to manage this function?
- Do we or our partner have the process controls to manage this function?

3. Outsource



Outsourcing

- Onshore
 - There are more than 5,000 onshore outsourcing companies managing operational elements for U.S. companies.
- Offshore
 - 19 percent of U.S. businesses and 95 percent of Fortune 500 companies have an offshore outsourcing strategy.

Sources: Newsweek, ZDNet Research, Information Week

Outsourcing Partnership

- Find a partner that shares your core values.
- Identify or hire someone with the ability and knowledge to develop and manage this relationship.
- Develop an integration plan to become a seamless support mechanism to the customer.
- Develop a daily communication plan that incorporates training, operational quality, technology and implementation.
- Hold each other accountable, but face adversity as a single solution.

Onshore Outsourcing

- Pros:
 - Outsourcing unwanted and non-core capability functions
 - Fixed budget
 - Personnel issues handled by partner
 - Partner manages and is held accountable to key performance metrics
 - Perform all training functions
- Cons:
 - Sometimes non-dedicated personnel to reduce cost
 - Contractual obligations
 - Scalability
 - Attrition
 - Control

Is Onshore Outsourcing the Right Decision?

- Is space a constraint to leverage needed resources?
- Is this a long-term need?
- Is this one of our core competencies?
- What are the potential risks? How can they be mitigated?
- Is scalability needed?
- How will attrition affect this project?
- What are the contractual obligations?

Offshore Outsourcing

- Pros:
 - Cost
 - Educated staff
 - Shift flexibility (3rd Shift)
- Cons:
 - Language/understanding U.S. dialects
 - Political and union concerns
 - Member backlash
 - Control

Is Offshore Outsourcing the Right Decision?

- Are the services you are outsourcing outside of your core competency or focus?
- Is cost an issue with your current delivery model?
- Have you identified all of the risks and obligations?
- Are these services transparent to the member?
- Is there a U.S. contact and accountability?
- Will you be visiting the service site?
- Are dedicated resources needed for this function?

Uncovering Value

- Determining need, success factors and ongoing solution
- Seasonal or operational
- Change – technology, process, personnel
- Risks

Questions & Answers



Thank you for attending today's webinar!

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