

Operational Support for a Changing Healthcare Environment

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.



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- Experienced project teams
- Subject matter experts for senior-level support

Agenda

- ✓ Discuss the current state of health insurance
- ✓ Review the bills before Congress and their 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 who are uninsured.
 - The unemployment rate is 9.4 percent and rising.
 - Individual members are beginning to come off the COBRA Premium Subsidy extension.
- 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
 - All proposed healthcare bills before Congress include the strong potential for Medicare buy-in beginning at the age of 55.
 - There will be coding changes from ICD-9 to 5010 to ICD-10 over the next three years with penalties for noncompliance.
 - Significant compliance penalties are also forthcoming for HIPAA, electronic health record inclusion and accounting.

American Recovery and Reinvestment Act (ARRA)

Major Health Provisions:

- Comparative Effectiveness (\$1.1B)
- Prevention/Wellness Fund (\$1B)
- Coverage for Unemployed (\$21B)
- HRSA (Health Resources Services Association) Grants (\$2.5B)
- HITECH: Health IT Standards/Grants/Privacy (\$2B)
- Medicare/Medicaid Incentives (>\$19B)

ICD-10/5010 Coding

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."

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

The Perfect Storm: *Are you prepared?*



Operational Support for a Changing Healthcare Environment



Healthcare Scenarios



Scenario 1: The Senate Finance Committee Bill



The Senate Finance Committee Bill

Proposal: Create non-profit, member-operated health cooperatives to compete with insurers

- The government provides seed money (\$6B) to help doctors, hospitals, businesses and other groups start co-ops.
- Co-ops form at the national, state or local levels.
- People and small businesses are able to buy co-op memberships through state insurance exchanges.
- Hundreds of health co-ops were formed after the Great Depression to provide medical care in rural areas. Nearly all of them failed.

The Senate Finance Committee Bill

Pros:

- Politically palatable
- Competition for private health insurance companies
- Kinder, gentler version of private insurance
- Backup plan providing financial health security for those without workplace coverage and small employers without access to good group health options
- Back stop to bring down spending through innovations in payment and delivery of care

Cons:

- Unclear start-up timeline and cost
- Difficult to benchmark cost and quality for private insurance

The Senate Finance Committee Bill

Operational Needs:

- Private insurers would compete for the 47 million uninsured.
 - Provide excellent customer service while reducing operational cost
- There is a potential reduction of private payer members as 55-65 year-olds shift to Medicare plan.
 - Retention of current membership base of prime importance
- Outbound provider and member outreach will be extremely important.
- Enrollment support needs will be critical.
- There will be an increase in claims activity and confusion due to new member enrollment numbers, as well as coding and technology transitions.

Scenario 2: HR 3200/America's Affordable Health Choices Act/ The Tri-Conference Bill



The Tri-Conference Bill

Proposal: Jointly create three separate House committees: Education and Labor, Ways and Means, and Energy and Commerce.

- This government-run plan is much like Medicare.
 - Lets individuals without employer-provided insurance buy into Medicare or a similar program at cost.
 - Pays doctors and hospitals rates close to what Medicare pays and could be a powerful engine in keeping down costs.
 - Provides Medicare buy-in for individuals starting at the age of 55.
 - Has an estimated enrollment of 100 million people.

Source: Lewin Group

The Tri-Conference Bill

- This has passed all three committees, mostly along party lines.
- The bill is expected to be heard by the full House when lawmakers return in September.
- The most controversial component in the 1,018-page bill is the creation of a public insurance option and healthcare exchange allowing consumers the option of choosing either private coverage or a new government-run public plan.

The Tri-Conference Bill

Pros:

- Powerful engine in keeping down costs
- Major competitor for private insurers
- Ability to run nationally rather quickly, due to Medicare's existing infrastructure
- Reduced provider costs due to negotiating strength
- Counter health plan consolidation: Employer and individual can choose among a number of plans competing with the government plan
- Simplified purchasing

The Tri-Conference Bill

Cons:

- Lower quality of health coverage
- Politically not accepted by Congress
- Increased premiums by exacerbating cost-shift to private sector; loss of employer coverage
- Government unable to afford new entitlement programs
- Stepping stone to single payer system
- Government unable to innovate as quickly or as effectively as private organizations

The Tri-Conference Bill

Operational Needs:

- Outsourcing by the government will be a prime avenue for operational support as it is today within Medicare.
- The needs will be located in the U.S. versus internationally.
- Payers will need to seek various support partners for recruitment, staffing and outsourcing.

Scenario 3: The Affordable Health Choices Act/Senate HELP Committee Bill



The Senate HELP Committee Bill

Proposal: Create a state-run internet portal that lists all individual and small group insurers. Each state develops consensus templates of standard benefit comparisons and consensus applications to be used by all insurers. A tax subsidy calculator would estimate available subsidies.

- The bill features a government-run, public health insurance option that would compete with private insurers to drive costs down.
- All individuals must obtain healthcare coverage, although some exceptions could be made for those who cannot afford coverage.
- Employers with 25 or fewer employees are also exempt from penalties. The bill's minimum penalty to accomplish the goal of "enhancing participation" is \$750 per individual annually.

Slide 21

N4

is this comma necessary?

Nikki, 9/2/2009

The Senate HELP Committee Bill

- The Senate Health, Education, Labor, and Pensions Committees passed this package in mid-July, but it's still in mark-up and has yet to receive a bill number.
- The bill cleared the committee on a 13 to 10 party-line vote.
- The bill is expected to be merged with whichever bill emerges from the Senate Finance Committee.
- It includes a health insurance exchange ("Affordable Health Benefit Gateway") that states would individually establish.

The Senate HELP Committee Bill

Pros:

- State-specific competition
- Medicare buy-in at 55
- Pay-for-performance
- Mandated by the state, not the federal government

Cons:

- Diverse regional plans all over the country – lack of national clout and buying power
- Limited national operational expense due to state or regional nature
- Mandated by the state, not the federal government

The Senate HELP Committee Bill

Operational Needs:

- Significant and disparate support will be needed by region and state.
- Plans with current strongholds with the state will benefit as they will be asked to scale their current operations.
- Outsourcing relationships will continue to scale upwards.
- Teams of cost-effective personnel will be needed to help through the transition and changing of individuals from one plan to another.

The Workforce

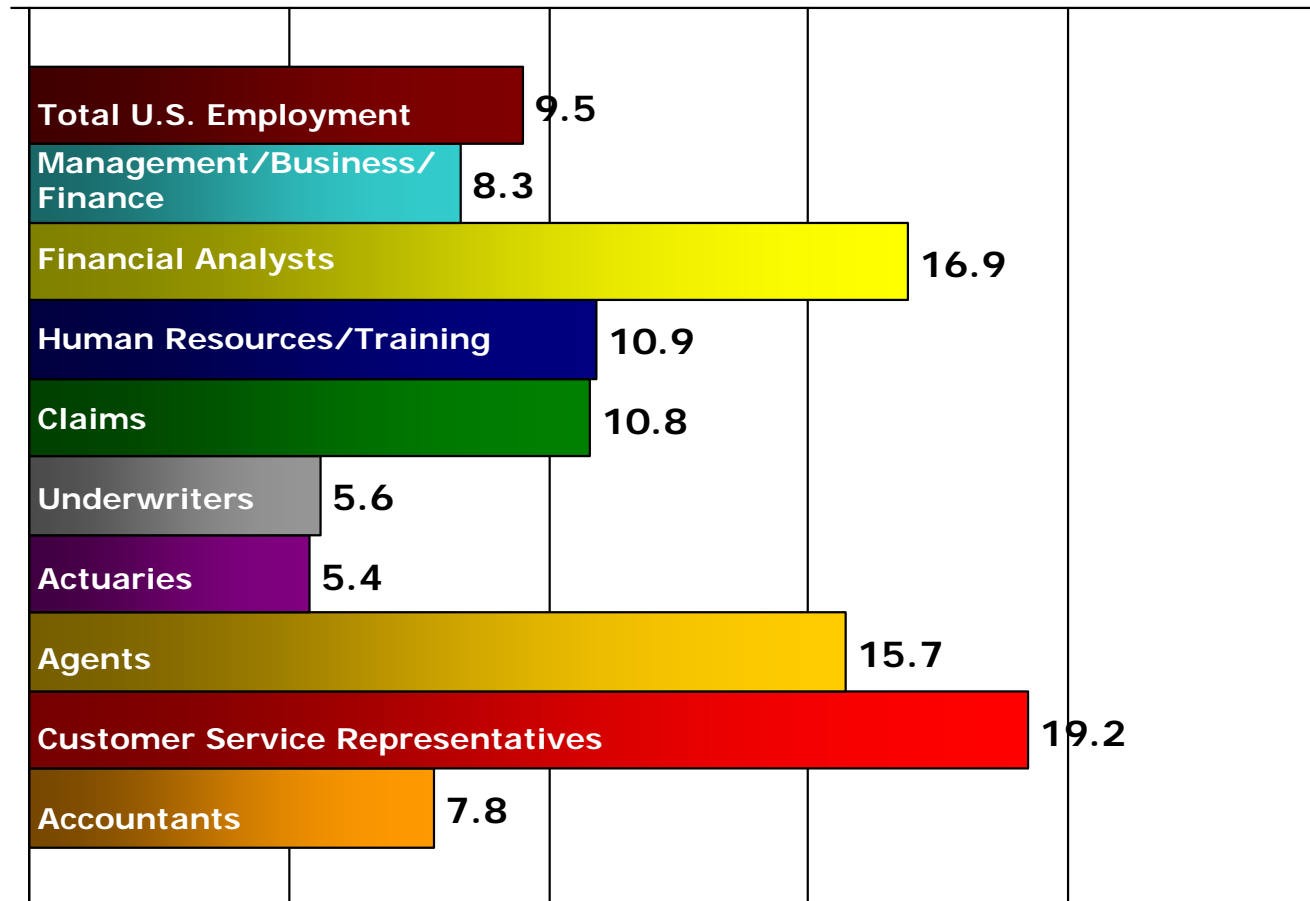


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Industry Job Growth: 2006-16

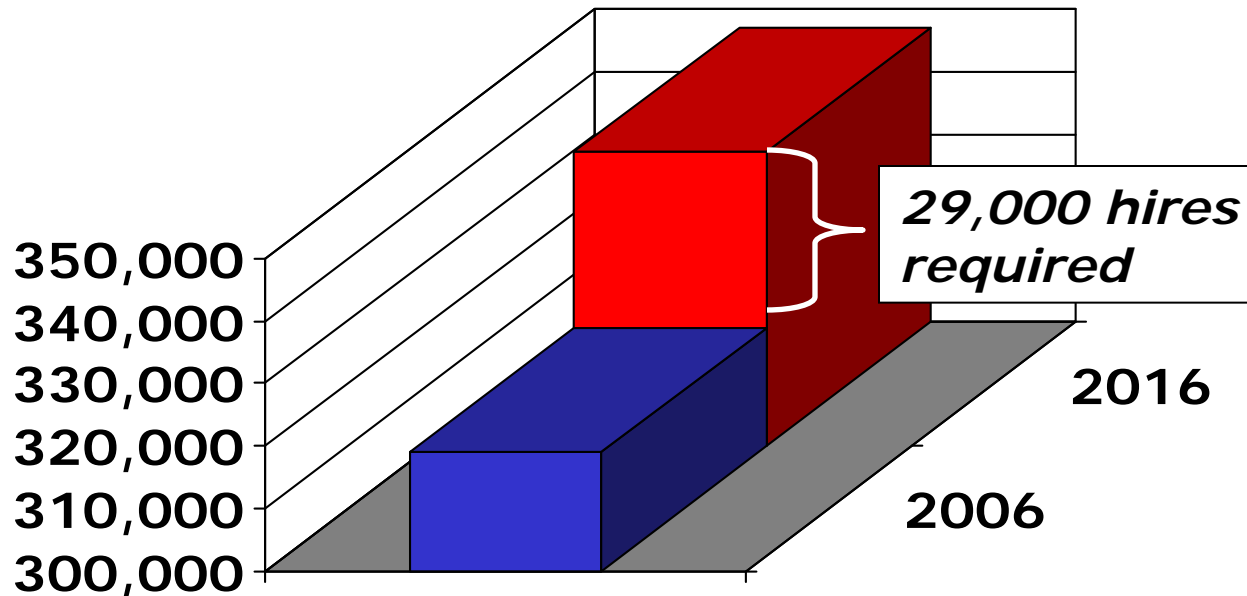
Insurance industry labor market is expected to grow at 7.4 percent.



Source: Bureau of Labor Statistics

Less Skilled Industry Workers

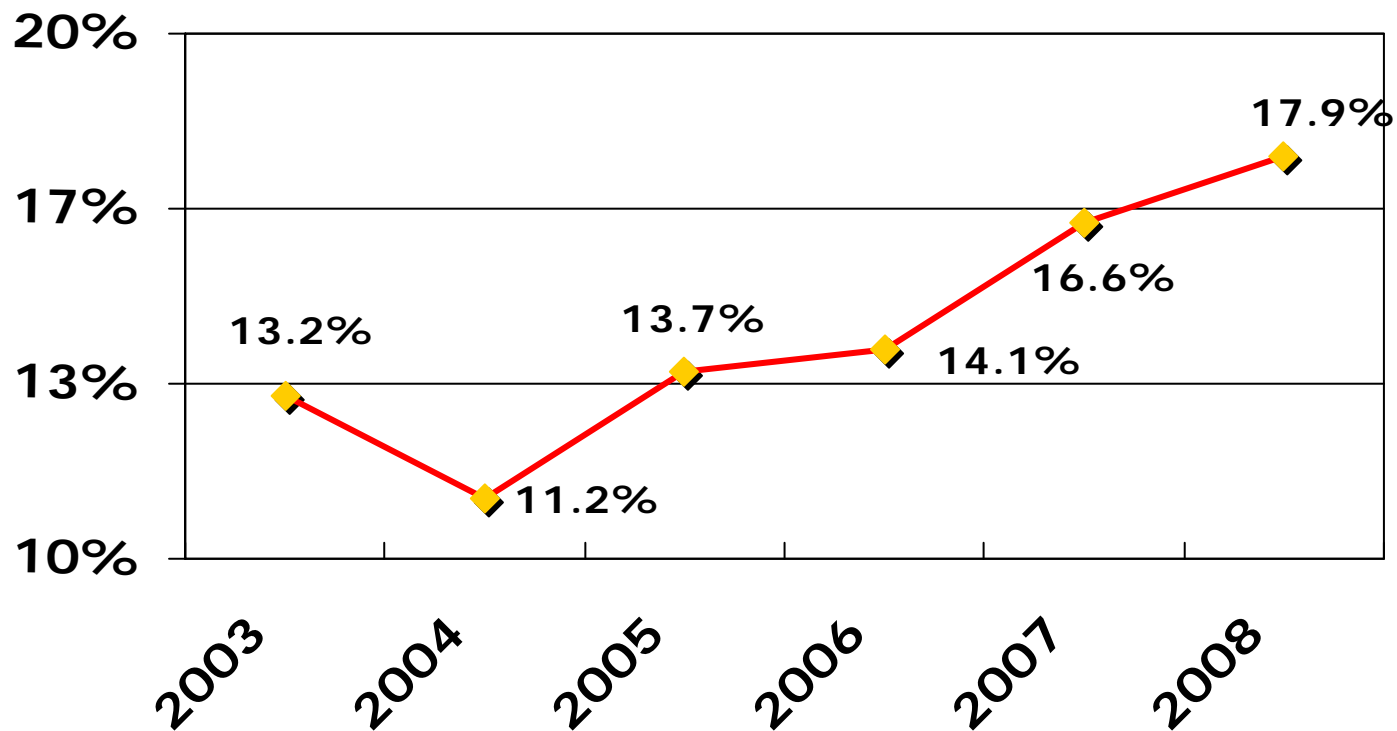
Estimated Claims Adjuster Hiring Requirements (2016)



Source: Bureau of Labor Statistics

Workforce - Industry Turnover Rate

Percentage of Quits, Insurance and Finance, 2003-2008



Source: Bureau of Labor Statistics

Support Strategies



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

Recruit and Hire



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 JACOBSON

Foster a Recruiting Culture

- Recruitment is a 365-days/year process.
 - Recruit continuously, not only when there is an open position.
 - Recruitment should be an integral part of your succession planning strategy.
- Everyone is a recruiter.
 - Develop a recruiting-friendly culture.
 - Offer referral bonuses.
- Everyone is a potential candidate (vendors, clients, association colleagues).
 - Network! Network! Network!
 - Always present the industry and your company in the best light.
 - This is the time to improve the talent of your organization.

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.

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?

Utilize Interim Support Solutions



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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.

Source: www.Americanstaffing.net, American Staffing 2009
Annual Economic Analysis

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

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

Is Local 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 of overtime applied to your internal team?

Travel Interim Support

- Pros:
 - Highly specialized and tenured personnel
 - Reduced training needs
 - Rapid personnel deployment
 - Low attrition and absenteeism rates
 - High flexibility on workload, overtime and shift adjustments
 - Control of on-site resources incorporated within your process and technology
 - Temp-to-hire available, but less likely
 - Commitment to program's completion
 - All personnel needs handled by partner
 - Flexible contractual obligations
- Cons:
 - Expenses
 - Temp-to-hire less likely
 - Periodic rotations home

Is Travel Interim Talent the Right Decision?

- Are your needs short-term or long-term?
- Is your utilization of these resources a critical business need?
- What is the risk of failure?
- What is the timeline for success? For training?
- What is the cost of not having these resources or 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.
- In 2006, productivity from workers transitioning from in-office to work-at-home environments increased by 20 percent.
- 20.7 million persons reported that they work at home at least once per week.
- There are more than 150,000 people that work “virtually” from their home offices.

Sources: ATT.com, SI Review, U.S. Bureau of Labor Statistics

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?

Outsource



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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.
 - Offshore outsourcing will create more than 337,000 jobs by 2010.

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

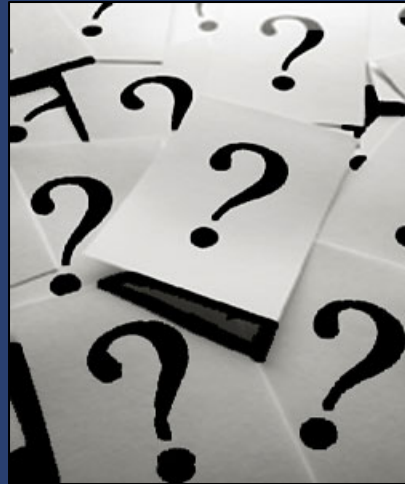
Is Offshore Outsourcing the Right Decision?

- 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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