

2018

ANNUAL
REPORT



HEALTHCARE
PURCHASER
ALLIANCE
OF MAINE



*Advancing value
through collaborative
and engaged
purchaser action*



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ABOUT US

WHO WE ARE

The Healthcare Purchaser Alliance of Maine (HPA of Maine) is a nonprofit organization whose over 50 members include public and private employers, benefit trusts, hospitals, health plans, brokers, doctors, and consumer groups working together to measure and report healthcare value. The HPA of Maine helps employers and their employees use this information to purchase higher quality, more affordable health care.

MISSION

The Healthcare Purchaser Alliance of Maine advances value in health care through collaborative and engaged purchaser action. Its members reward and support improvement in quality, affordability, and service.

WHAT WE BELIEVE

We believe that every employee deserves the best possible health care.

We believe that the collective voice of healthcare purchasers across the state of Maine holds the power to transform how health care is delivered and paid for.

We believe that we can galvanize that voice for change.

OUR MEMBERS

Bowdoin College
• City of Portland • Everett
J. Prescott • First National Bank
• General Dynamics/Bath Iron
Works • Maine Education Association Benefits Trust • MEMIC • Maine
Municipal Employees Health Trust
• Pine State Beverage • Rising Tide
Brewing Company • Maine State Employee Health Commission • The Jackson
Laboratory • University of New England •
Verrill Dana LLP • Blue Water Emergency
Partners • Center for Diagnostic Imaging •
Central Maine Healthcare • Coastal Orthopedics and Sports Medicine • ConvenientMD
• Dragatsi and Co. • Maine Medical Association •
MaineOrtho • Maine Primary Care Association • Maine
Spine and Nerve • Martin's Point Health Care • New
England Cancer Specialists • Northeast Private Practice
Network • Penobscot Community Health Care • Portland Gastroenterology • Quest Diagnostics • Saint Joseph Healthcare
• SequelCare • Spectrum Healthcare Partners • Sweetser • The Opportunity Alliance • Acadia Benefits • Aetna • Alliant • Anthem Blue
Cross Blue Shield • Cigna • Clark Insurance • Cross Insurance • Group
Dynamic Inc. • Harvard Pilgrim Health Care • HealthPlans Inc.
• Mercer • USI • Varney Agency • Willis-Towers
Watson • American Cancer Society
• Consumers for Affordable Health
Care • Southern Maine Agency on
Aging • Abbvie • Celgene • Johnson and Johnson
Health Care Systems Inc. •
Merck • Novo
Nordisk

CEO PERSPECTIVE

HPA Members and Friends,

2018 has been a tremendous year for the Healthcare Purchaser Alliance of Maine. With the organization's transition from a multi-stakeholder to a purchaser-led governance structure now in the rear-view mirror, new programs and strategies have been put in place to lower costs, improve quality, and move the healthcare market towards high-value care. We've launched a group purchasing program for pharmacy benefits with a transparent, pass-through pharmacy benefit manager (PBM) that guarantees flexibility and transparency; we've implemented a consumer shopping tool that effectively moves patients to more affordable sites of care through the use of stipend payments; and we've rolled out a center of excellence network with bundled payments for over 90 procedures that all come with warranties and concierge patient assistance.

These programs will go live at the start of 2019, but they're already beginning to move the market. Anticipating additional volume resulting from the consumer shopping tool, Penobscot Community Health Care became the first Federally Qualified Health Center in the country to offer infusion services – an affordable option in the Bangor area. Also anticipating the demand

for affordable services, Central Maine Healthcare opened the Topsham Care Center to provide low-cost imaging, lab, and infusion services.

Further, we've had hospital systems approach us throughout the year to talk about how they can start offering surgery bundles and be included in the Center of Excellence program. Several insurers have started to put together their own prospective bundle programs. It certainly looks like folks are paying attention to what our purchasers are up to.

As we move into 2019, we're excited to see the changes in the market that we're sure these, and other purchaser programs, will have. Ultimately, we have a real opportunity to drive the right care, at the right place, and at the right price, and we hope you'll join us to take advantage of it.

Peter Hayes, CEO

Peter Hayes



BOARD CHAIR MESSAGE

We have a lot to feel good about at the end of 2018, and with all the work the Alliance has done over the last year I think that the organization is uniquely positioned to start delivering real, tangible value to Maine employers. The programs now on offer to members provide the organization with a strong foundation, and as we continue to expand their scope and uptake I believe we'll start to see the entire healthcare market shift toward affordable, safe, patient-centered care.

As we look to next year, engagement is at the top of our minds. We have some great programs that can help employers control their healthcare costs, but to be truly successful in our mission we need purchasers to get involved. One piece of building that engagement will be proving that the Alliance can deliver savings without sacrificing benefits, but another big piece is education. Too many purchasers out there feel like there's nothing they can do to control their rising costs aside from asking employees to pick up a bigger share or paring back benefits, but that's just not the case. There are a myriad of ways to get more from your healthcare dollars, and new, innovative programs and strategies are emerging every day. We need to arm employers with the knowledge to be informed healthcare purchasers and facilitate the change from "market-takers" to "market-makers."

Michelle Probert





SITES OF CARE

“...Prices are all over the map, even for common procedures such as colonoscopies. This has ... everything to do with the lack of pricing transparency, like ordering from a menu without any prices.”

— **Health Affairs**

At the end of 2017 two facts stuck out to us when reviewing Alliance member data. The first was that the cost of common services like labs, imaging, and infusions varied wildly, with little correlation to quality, depending on where patients went for care. To anyone familiar with projects like the Dartmouth Atlas this wasn't a surprise, but the second fact really caught our attention – the vast majority of patients were seeking care at the most expensive locations. For some services, utilization of the most expensive providers exceeded 90 percent.

We love finding information like this in our data because it represents a tremendous opportunity for purchasers to do something about their healthcare costs. The problem then becomes, what exactly can they do? Changing patient behavior is not easy, and many aspects of our healthcare system act as disincentives for patients to change where they receive services. The answer: pay patients to go to high-quality, less expensive providers.

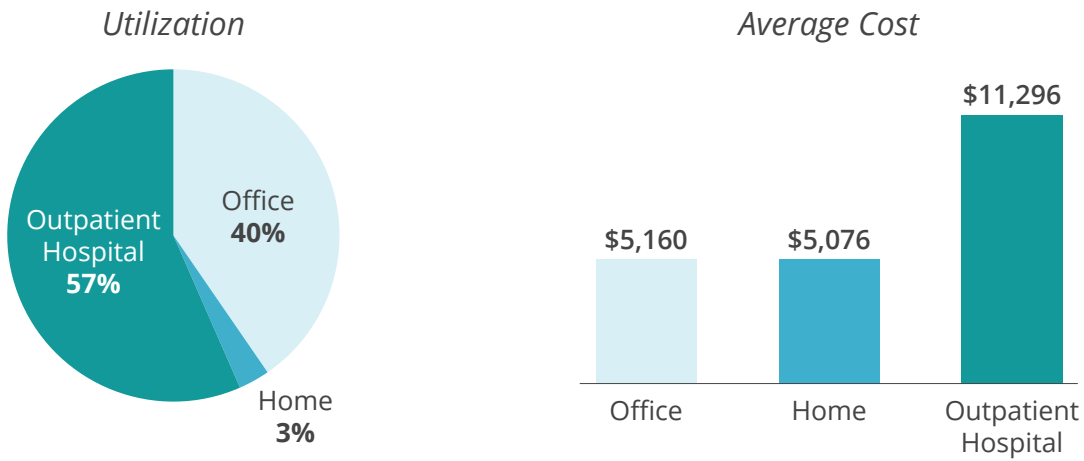
The Alliance identified Vitals SmartShopper as an effective engagement tool for employees and developed a strategic partnership in early 2018. It works like this: When a patient finds out they need a service that has significant price variation, they log onto the SmartShopper app or call a concierge phone line and are presented with low-cost options in their area. If they choose a low-cost provider, they receive a check in the mail, depending on the service, for \$25-\$500. For services like infusion therapy, which ranges in price from around \$5k to \$11k depending on where it is delivered, paying the patient \$500 provides a powerful incentive for the patient to shop their care, and the purchaser still saves thousands of dollars. At the New Hampshire Health Trust, where this program has been in place for several years, **SmartShopper has achieved an 8:1 ROI** after paying incentives.

Through the purchasing power of the Alliance, members have access to highly competitive pricing, and together they have the potential to move the market towards more affordable care for everyone. Just the fact that the Alliance is pursuing this strategy has already encouraged several provider organizations to open competitively priced sites across the state. We're optimistic that this trend will continue as more volume shifts away from the highest cost sites of care.

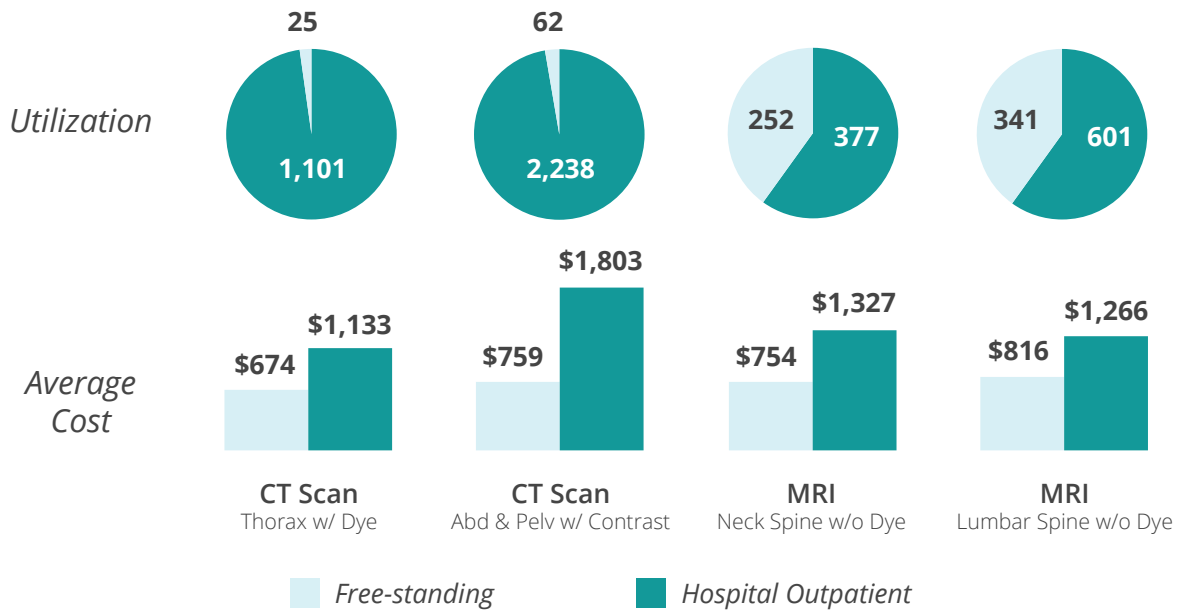
What's the problem?

Patients are using the most expensive sites of care.

Remicaid Infusion



Imaging Services



Data based on HPA book of business

SmartShopper Outcomes

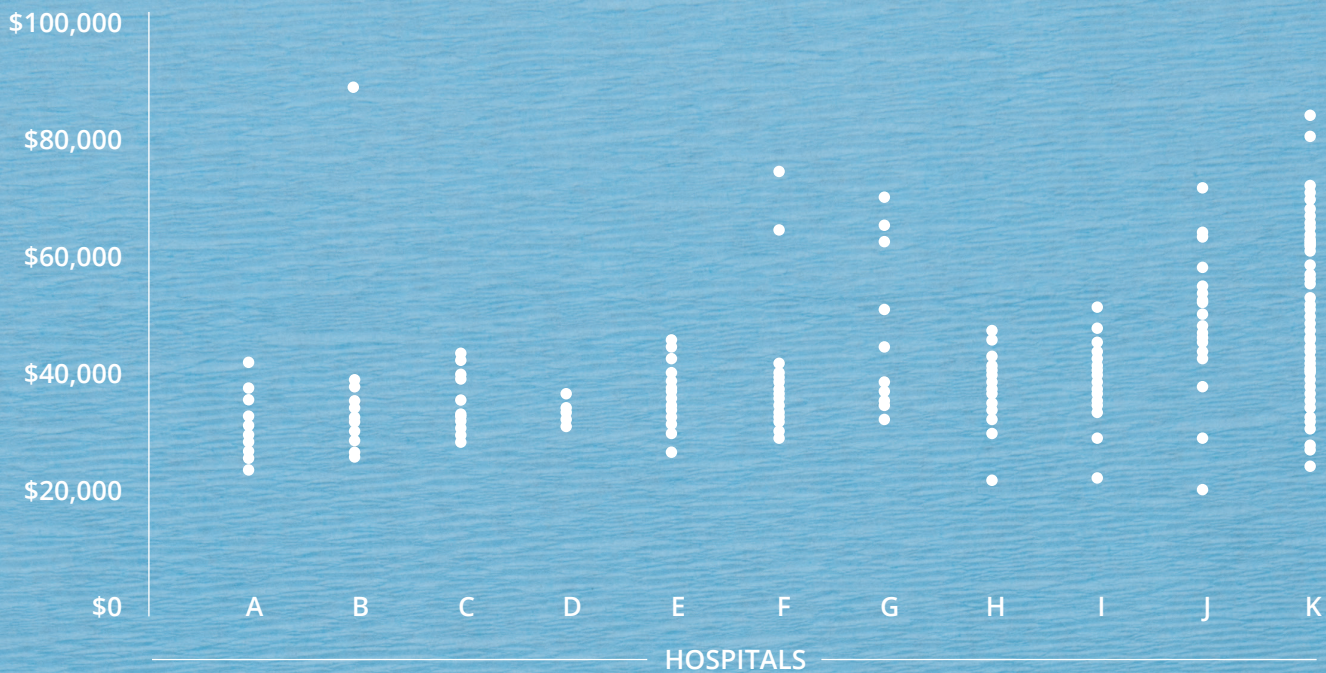
5:1
Average ROI

97%
Patient Satisfaction

200+
Incentivized Services

What's the problem?

Surgery price and outcomes vary drastically



Total Knee Replacement cost variation across and within Maine hospitals

Data based on HPA book of business

Carrum Health's Solution:

- ✓ Bundle over 90 surgical procedures
- ✓ Use only the highest quality surgeons
- ✓ Negotiate competitive, predictable pricing
- ✓ Avoid unnecessary surgeries
- ✓ Warranty surgeries
- ✓ Ensure the best patient experience

“Carrum went above and beyond any reasonable expectations to ensure access and coordination of patient care.” — Carrum Customer



BUNDLED PAYMENT

Costs for episodes of care can vary significantly around our state. For example, based on an analysis of Alliance member data, the median cost of knee replacements at Maine hospitals ranges from \$30,000 to \$50,000. Even within a single hospital prices can vary substantially, and studies suggest there is little or no correlation between cost and quality.

In addition to the wide variation in cost, financial incentives in our current fee-for-service system reward the volume of services delivered rather than well-coordinated, safe care with the best outcomes.

To address these issues, the Healthcare Purchaser Alliance of Maine has partnered with Carrum Health to offer over 90 episode-based bundles of care that will be delivered at the highest quality centers of excellence in the country. Purchasers will be able to pay one upfront fee for all the services associated with an episode of care, and they can be sure that their employees are getting care from the best surgeons. This approach has been shown to lower costs, improve outcomes, and enhance patients' experience of care.

In markets where Carrum Health is being utilized, purchasers are realizing significant cost savings. **In Maine, Alliance members are finding an average of 20% savings over traditional reimbursement models**, and Carrum's shared decision-making process is redirecting 10-30 percent of patients to more appropriate, less invasive care which results in further savings. In addition, Carrum Health's high-touch concierge service yields some of the highest patient satisfaction scores in the industry. Ninety-five percent of Carrum Health patients would recommend the service to their peers.

Based on similar programs implemented by other coalitions and purchasers, the Alliance believes that centers of excellence and bundled payments create the right incentives to promote high-quality, efficient, coordinated care that can be purchased at a competitive price.



Rx Group Purchasing

“We’re a small company, but the Alliance’s Rx program was still able to save us substantial dollars, and we’ve got the flexibility to pursue formulary strategies that can save us even more.”
— **Mike Brown, E.J. Prescott**

Nationally, prescription drugs accounted for 17 percent of total healthcare spending in 2018, and brand drugs continue to rise at more than four times the rate of inflation.¹ This trend is driven primarily by rising drug prices and the expanded use of specialty medications, but there is also a tremendous amount of gamesmanship in the supply chain between manufacturers and patients that contributes to escalating costs. Pharmacy Benefit Managers (PBMs) have become a poster child for this gamesmanship, so in 2017 we began to look at what the Alliance could do to bring more transparency into the convoluted world of pharmacy contracts.

After lots of research and conversations with other Alliances around the country, the Healthcare Purchaser Alliance started to define what we were looking for and began the process of requesting proposals from PBMs. By May of 2018 the Board of Directors settled on ProCare Rx, a transparent, pass-through PBM.

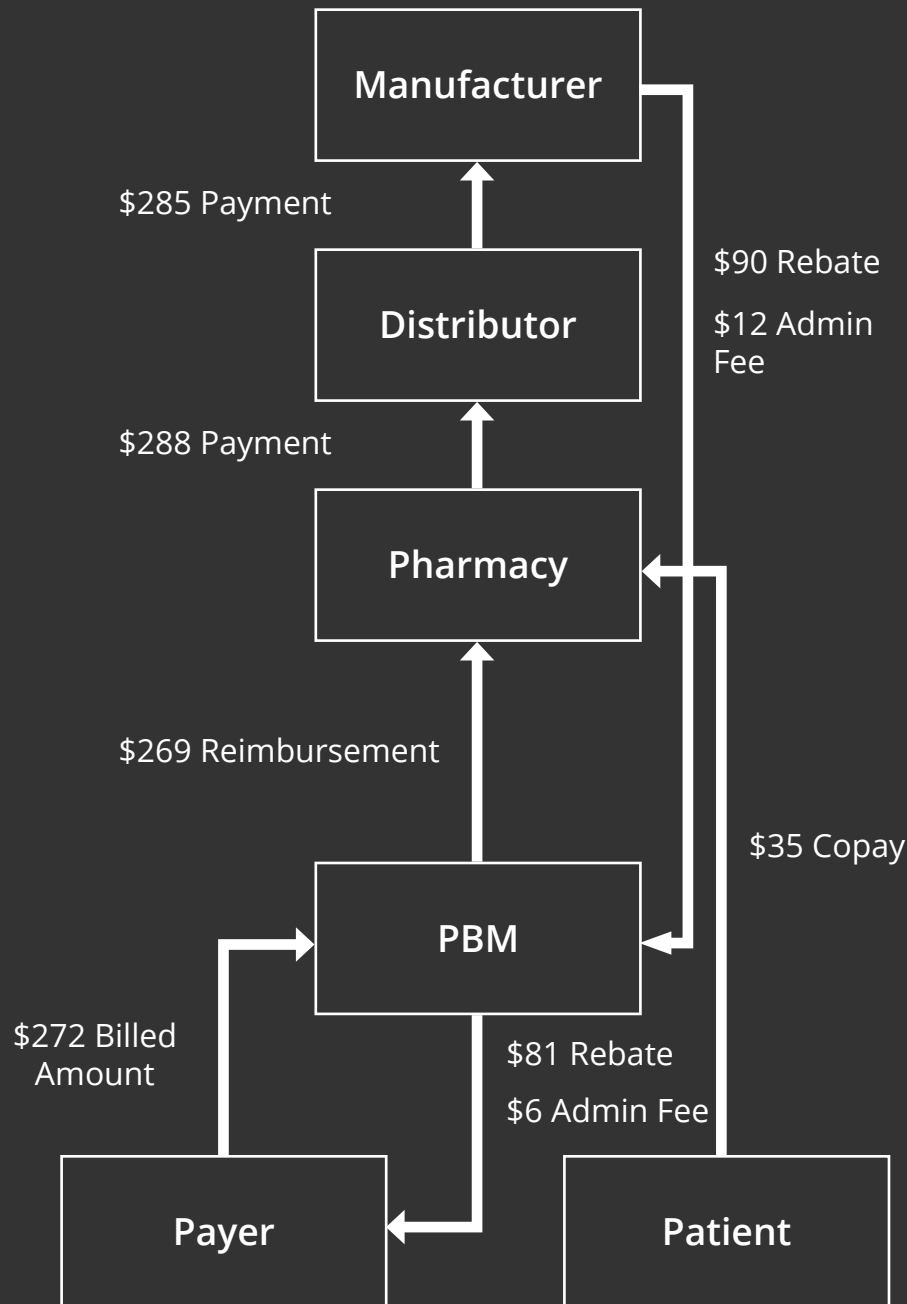
Unlike most PBMs, ProCare Rx is completely transparent about how every penny of an employer’s prescription dollars are spent, and they pass 100% of drug rebates onto their customers. They also do not engage in spread pricing, which is the practice of charging an employer a margin above what the PBM pays the pharmacy. Instead of complex and opaque pricing models, ProCare Rx charges a fully transparent, per-employee admin fee. In addition, ProCare Rx offers total flexibility on formulary design, so if you want to keep your pharmacy plan exactly as it is now and just swap out your Rx card, that’s not a problem. The Alliance feels strongly that few other PBMs out there offer the same level of value to participants, and the repricing exercises we have done to date bear that out.

To date, **Alliance employers average a 17 percent cost reduction** when repricing their claims through ProCare Rx, and these savings assume no changes at all to formulary or benefit design. We think this program is going to be a game-changer for employers struggling with high prescription costs, and we’re excited to be going live with our first participants at the beginning of 2019!

1. Schondelmeyer, S. & Purvis, L. (2018). *Brand Name Prescription Drug Prices Increase Four Times Faster than Inflation in 2017*. AARP Public Policy Institute.

Prescription Benefits: The Black Box

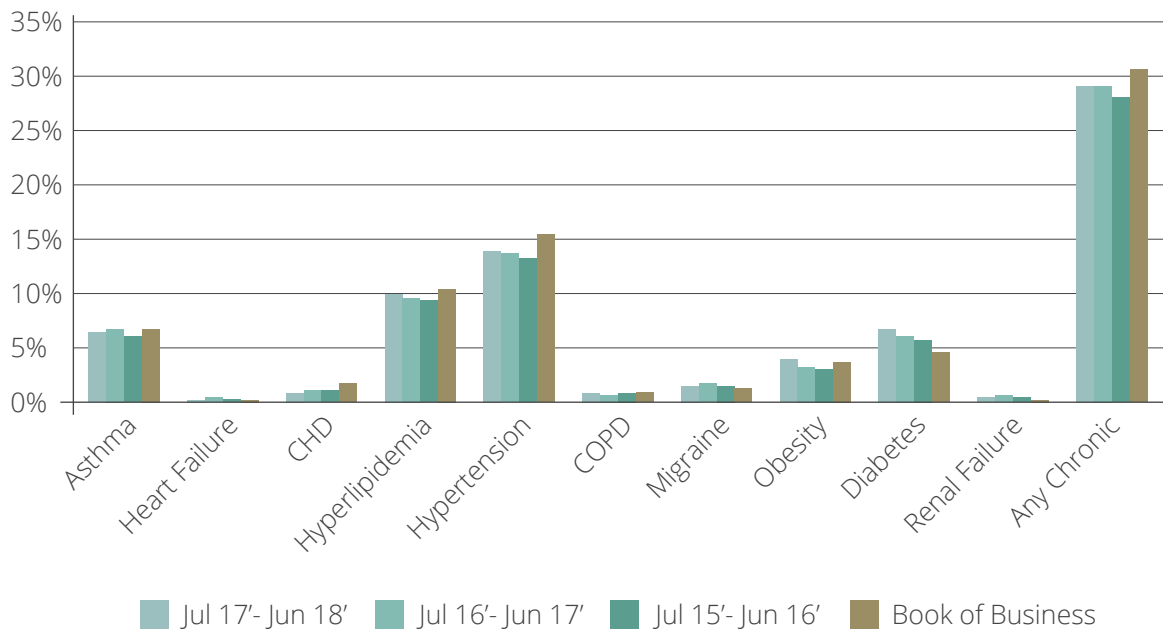
Pharmacy Fund Flow: Example from Drug Channels



Confused? You're not alone.

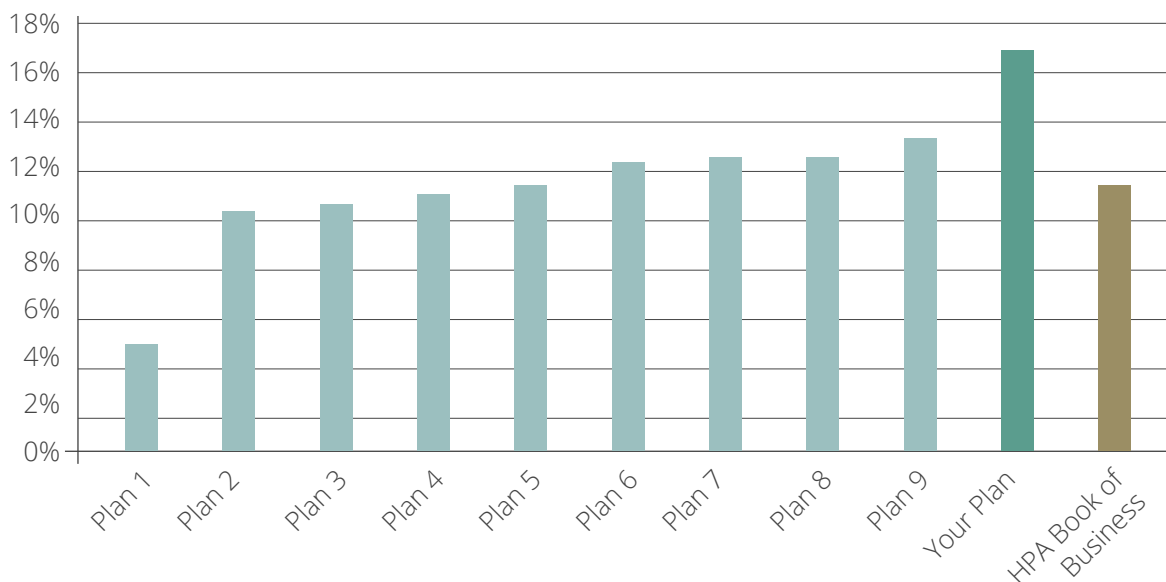
Sample Purchaser Analyses

Prevalence of Chronic Conditions



Note: Diabetes prevalence exceeds the Alliance's benchmark. As a key driver of healthcare costs, this employer should consider a targeted condition management intervention.

Percent of ED Visits for Non-Emergent Diagnoses



Note: ED utilization for non-emergent diagnoses are higher than other purchasers. This employer should consider increasing the ED copay or implementing an educational campaign on urgent care center locations to bring utilization in line with what other HPA clients have achieved.

“The HPA’s data analytics are invaluable to our organization. They help us better understand how we compare to other Maine purchasers and drill down into each district to see what’s driving our costs.” — **Jenn Kent, MEA Benefits Trust**



DATA ANALYTICS

Since 2007 the Healthcare Purchaser Alliance has provided custom analyses for Alliance members to help better manage their healthcare spend and improve the health of their employees and dependents. HPA analysts mine cost and utilization data on over 150,000 commercially insured lives in Maine, comparing members’ plan data to state benchmarks and identifying actionable steps that they can take to lower their healthcare costs.

For example, one Alliance member wanted to better understand what factors were driving costs in each of its business units, and what could be done to better control those costs. After digging into the data, our analysts found that multiple factors were contributing to spend, including chronic disease prevalence, utilization of high-cost providers, and a few high-cost claimants. The member used that information to inform adoption of both targeted wellness initiatives designed to address high-prevalence chronic diseases as well as benefit design changes that encouraged utilization of high-value providers.

In another example, a member requested custom analyses to determine whether its onsite clinic was being utilized to its full potential, and also to evaluate price variation for lab and radiology services in their local market. The Alliance team was quickly able to answer both questions, and the employer made plans to add new incentives that will encourage employees to seek high-value care.

These are just a couple of examples of the ways in which the HPA’s data program provides timely, customized, and actionable analytics to its members; but the value of the HPA’s analyses goes beyond individual purchasers. Looking at statewide trends in the data helps all Alliance members by identifying challenges facing purchasers, and opportunities for new HPA programs to address those challenges. An analysis of prescription claims, for example, helped lay the groundwork for the Alliance’s partnership with ProCare Rx, a transparent, pass-through pharmacy benefit manager, and an analysis of cost and quality variation for orthopedic procedures helped spur a partnership with Carrum Health to offer bundled payments at centers of excellence – all of which come with a 30-day readmission warranty.

HPA PATH TO VALUE

Education and Networking

The first step in getting a handle on your healthcare costs is understanding the issues and the opportunities that exist. The Healthcare Purchaser Alliance works hard to help members understand the complexities of our healthcare system, so they can be informed purchasers. Whether through **member meetings, webinars, newsletters, or our online member forum**, Alliance members have the opportunity to stay on top of all the latest industry trends and best practices.

Meaningful, Solutions-Oriented Analytics

Once purchasers have a handle on the ins and outs of our healthcare system, they can dive into the trends driving their own spend with custom analytics from the Alliance's team of data scientists. With data on over 150,000 commercially insured lives in Maine, the analytics team can examine how your organization's population, costs, and utilization compare to state benchmarks, and they can **identify actionable steps you can take to lower your healthcare costs.**

High-Value Purchasing Programs

By leveraging the volume of lives across members the Alliance is able to offer **innovative programs at discounted rates**. If your prescription costs are out of control, you can join our transparent, no-spread, pass-through Rx group purchasing program that saves an average of 17 percent. If your employees are utilizing high-cost sites of care, you can educate and incentivize them to choose more affordable providers with the Vitals SmartShopper program. And if you have expensive surgery claims, you can take advantage of the highest quality surgeons with Carrum Health's Centers of Excellence program.

A Voice That Moves the Market

By working together and pursuing common purchasing strategies, Alliance members can shape how care is delivered and paid for. Already we are seeing the results when purchasers align and speak with a common voice. Over the course of 2018 we have had multiple provider organizations come to the table to offer bundled payments and warranties, and to ensure that they'll be listed as cost-effective providers for common services. As our CEO, Peter Hayes, likes to say, **"we have the power to be "market-makers," not "market-takers."**

High-Value Health Care



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TOM ELLIS

The Jackson Laboratory

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market-maker,
not a
market-taker*



