

2019 | Annual Report



HEALTHCARE
PURCHASER
ALLIANCE
OF MAINE



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, doctors, brokers, consultants, and consumer groups working together to advance value in our healthcare system.

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 MISSION

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

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A stylized graphic of a branch with several leaves in shades of teal, green, and grey, positioned in the top left corner of the page.

FROM THE CEO

Maine Purchasers and Valued Partners,

2019 was a remarkable year for the Healthcare Purchaser Alliance, and for Maine's healthcare market as a whole. Although there are still many challenges we must work together to address, we made some real progress in advancing value.

When we started the year, we had a few simple goals in mind: become a leading voice advocating for Maine purchasers; deliver programs that help members control their healthcare costs; and create positive changes in the market that add value for people around the state. Now that we find ourselves in early 2020 looking back at all we've accomplished, I'm proud to say that we made real progress on all three objectives.

In January, we launched three programs that have had real, tangible impacts around the state. The first is a center of excellence and bundled payment initiative aimed at identifying top-performing hospitals and surgeons throughout the country and contracting with those providers under prospective bundled rates. Through our partnership with Carrum Health in 2019, we did just that, and starting in 2020 we will have two centers of excellence in Maine offering bundles for hip, knee, and bariatric surgeries. Like Carrum's other centers of excellence, the bundles offered by Maine CoEs offer purchasers consistent prices that are significantly less than the state average, and they will be delivered by some of the highest quality surgeons in the country. They also include warranties to realign incentives and reward providers for focusing on achieving the best possible outcomes for patients.

Over 30,000 Mainers now have access to this program through their employers' participation in Carrum, and we anticipate many more will be able to take advantage of it in the coming year.

The second program we launched in 2019 is a shopping tool that provides financial incentives to encourage patients to seek care from high-value providers. The goal is to address the significant price variation we see around the state for common procedures, and to encourage the many patients using the most expensive sites of care to consider more affordable, high-value providers. It's clear that the strategy is already having an impact. In 2019 we saw HPA member Penobscot Community Health Care become the first FQHC in the country to offer infusion therapy, thus adding an affordable option for patients in the Bangor market. Similarly, another HPA member, Central Maine Healthcare, opened the Topsham Care Center, which offers affordable lab and imaging services. In other areas of the state we've heard that hospitals have begun lowering prices on shoppable services to stay competitive in this new world of price transparency. As a bonus, employers who implement the program save an average of \$5 for every \$1 they spend on incentives and program fees.

Like the centers of excellence program, nearly 55,000 Mainers now have access to the transparency tool, and again, we expect that number to climb over the course of 2020.

The third program we launched, a transparent, pass-through pharmacy benefit manager (PBM), offers substantial savings to employers. Across nearly two dozen Rx repricings we've found an average savings of 17%, and those savings typically more than double when you factor in rebates and value-based formulary and network design changes.

To date, two purchasers have moved to this PBM, and many more have used the repricing analysis to negotiate significant savings from their incumbent pharmacy provider. One moderately sized member was able to leverage the repricing to recoup over \$1 million in rebates that had previously failed to pass through from their carrier.

In the midst of launching these programs, we also continued to educate and activate purchasers around the state. We held four member meetings on emerging purchaser healthcare strategies, and my staff and I were invited to speak numerous times around the state and country on the potential for purchasers to drive value in the healthcare market.

I'm proud of what we've accomplished so far, but there is still much work to be done, and it's going to take real collaboration with all stakeholders if we want to truly change how health care is delivered and paid for in our state. I hope that you continue to stay engaged with us, and that you make your voice heard as we set new strategies and goals for the coming year. If anyone can fix health care, it's all of us in Maine. To quote an old phrase, "as Maine goes, so goes the nation," so let's show the rest of the country what we're made of!



Sincerely,

Peter Hayes

Peter Hayes
President & CEO

DEFINING THE CHALLENGE

The challenges in our healthcare system are numerous, but with many challenges also come many opportunities. To capitalize on these opportunities the Healthcare Purchaser Alliance works with purchasers to develop strategies that address the gaps and misaligned incentives that exist in the market. Before we talk strategies, though, let's examine the problem.

1 MISALIGNED INCENTIVES

W. Edwards Deming once wrote, "Every system is perfectly designed to get the results it gets." For providers, our healthcare system pays for treatment, not results, and for many brokers and health plans, revenue lies in a percent of premium. Is it any wonder that our healthcare system suffers from over-treatment and rising costs?

2 COST

There are a million reasons cited for why the US has the highest healthcare costs in the world, but the fact remains that for many people health care is now a luxury they cannot afford. For years employers have shifted rising costs to employees, but this strategy has reached its limits as patients struggle to afford rising deductibles and other out-of-pocket costs.

3 QUALITY

One might expect that the country with the highest cost of care would also have the highest quality of care, but studies have shown time and again that the US ranks near the bottom of industrialized nations on healthcare quality. While top-quality care does exist, outcomes are highly variable, and patients have no meaningful way to identify quality providers in the market.

4 TRANSPARENCY

Quality and cost might not be such a daunting challenge for healthcare purchasers if they had transparency around which providers deliver high-value care, but more often than not purchasers are in the dark about whether they're delivering good outcomes for employees. Lack of transparency is particularly acute on the medical and pharmacy side.

5

ACCESS TO DATA

Access to data is critical for purchasers to understand their cost drivers and opportunities, but too often meaningful data is not available to guide strategy. All healthcare stakeholders know that access to data is power, and many guard that access or generate only curated analyses that don't provide a complete picture of savings opportunities.

6

CONSUMER ENGAGEMENT & LITERACY

Health care is complicated, and unfortunately, most patients do not have the knowledge or tools to be savvy consumers. While some resources exist to help patients find and choose high-value care, most are chronically underutilized. To address this engagement gap, employers are increasingly incentivizing patients to get more involved.

7

RISKING DISRUPTION

All too often employers and patients embrace the path of least resistance. Whether it be due to time constraints, the potential of complaints from employees, or fear of change, this risk aversion is costing purchasers real money. Employers need to embrace positive disruption in the healthcare market; it is the only thing that will break the status quo.

8

LACK OF COMPETITION

Increasingly, the healthcare market is dominated by a handful of large players. Whether it's the healthcare providers, broker services, pharmacy benefit managers, or carriers, consolidation is picking up steam. Studies show that this consolidation skews the market in favor of these large organizations, and costs to employers increase.

9

LACK OF REPRESENTATION

For too long, the healthcare market has lacked an organization dedicated to advancing the interests of employers. Without a strong, cohesive voice, employers are left out of important conversations, and their perspective goes unconsidered. As the primary funder of our healthcare system, the employer voice needs to be front and center.

HPA PROGRAMS



CENTERS OF EXCELLENCE & BUNDLED PAYMENTS

Through its partnership with Carrum Health, the HPA offers members access to bundled payments for over 90 inpatient and 30 ambulatory procedures, including hip/knee replacement, spinal fusion, and bariatric surgery. These services are delivered by top surgeons in the US so employers can be assured their employees receive the best care, and they come with warranties to protect against costs associated with complications. Not only that, but these bundled procedures are 25-40 percent lower in cost compared to state averages.



TRANSPARENT PHARMACY BENEFITS

PBM contracts are notoriously opaque and filled with loopholes that allow them to siphon off as much as 40 cents of every dollar a purchaser spends on pharmacy. To address these deficiencies, the HPA offers a custom contract with MC-Rx, a unique player in the PBM industry. MC-Rx operates on a modest admin fee-only revenue model, and under this model purchasers get 100 percent of their rebates, total flexibility on formulary and network, a guarantee of no spread pricing, and transparency into where every penny is spent. On average, HPA members save 17% of total pharmacy spend with no changes to their formulary.



CUSTOM, ACTIONABLE DATA ANALYSES

Data is foundational to all the work we do at the Healthcare Purchaser Alliance. With claims on over 130,000 commercially insured lives in Maine, the HPA analytics program provides key insights into the specific challenges impacting purchasers and highlights areas where employers can better manage costs. We believe that data is so important to tackling healthcare challenges that we offer employer analytic services at well below market rates so that all purchasers can benefit from data-driven decision making.



HIGH-VALUE MEMBER CAPTIVES

For too long, small and medium-size businesses have felt powerless to control their healthcare costs, but thanks to a partnership with the National Alliance of Healthcare Purchaser Coalitions, there's a new option in the market. HPA members can now access the STAR Captive, an innovative way of self-funding healthcare benefits without all the risk. Captives allow groups with as few as 50 employees to start purchasing health care like a jumbo employer, with the flexibility to implement meaningful cost reduction and risk-mitigation strategies. Be protected in bad claim years, and reap the rewards in good ones!



COST TRANSPARENCY & CONSUMERISM

It's no surprise that the cost of a given healthcare service varies dramatically depending on where a patient goes for care, but what is surprising is that in Maine, patients are overwhelmingly using high-cost providers. To help mitigate this trend, and to encourage healthcare consumerism, the HPA offers Sapphire Digital's SmartShopper© tool. SmartShopper provides patients with an easy way to look up the cost of over 200 procedures, and it pays them a reward for choosing a high-value provider. It is simple, straightforward, and best of all, the program averages a 5:1 ROI even after accounting for program fees and incentive payments.

2019 MEMBER IMPACT

It can be difficult to measure the annual impact of an organization like the Healthcare Purchaser Alliance. As a group working broadly to transform the way health care is delivered and paid for, change can take many forms: a provider lowering the cost of imaging to ensure they are an incentivized provider in the SmartShopper tool; a shifting conversation in the finance office of a hospital; a health plan deciding not to charge its customers for carving out pharmacy benefits. Regardless of how challenging it can be to measure success, there are a few major changes that are easy to point to, and that our members should proudly own.

2 Maine hospitals are now Centers of Excellence offering bundled rates and warranties on surgeries

55k Mainers can now shop for high-value care via the HPA's SmartShopper © tool

90+ Inpatient bundles for surgical procedures offered at competitive, prospective rates and with warranties through HPA's partnership with Carrum Health

17% Average savings on ingredient costs alone when switching to the HPA's PBM

30k+ Mainers now have access to Carrum Health through the HPA

15 New Purchaser Alliance members dedicated to advancing high-value care

PLUS

As a result of the SmartShopper © program, Penobscot Community Health Care became the first Federally Qualified Health Center in the country to offer infusion services—a much-needed affordable option in the Bangor market.

Central Maine Healthcare opened the Topsham Care Center which offers affordable labs, imaging, and infusions in the mid-coast market.

Members recouped over a million dollars from their Pharmacy Benefit Managers using actionable repricing data through the HPA's pharmacy program.



What our members are saying about the
Healthcare Purchaser Alliance:

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“The HPA introduced the State to Carrum Health’s center of excellence program, and it’s already begun to move the needle towards higher value care for our health plan members. Maine providers are increasingly recognizing the impact of Alliance programs like Carrum, and they’re adapting to a changing landscape where purchaser voices are transforming how health care is delivered and paid for.”

- Kurt Caswell, Executive Director
Maine State Employees Health & Benefits

“The great work of the HPA to help employers control cost and quality helped incentivize PCHC to become the first FQHC in the country to offer infusion services. HPA members wanted an affordable option in the Bangor market, and they were willing to incentivize patients to move away from high-cost locations, so we stepped in to fill the need. It’s great to be able to control costs not just for employers who provide healthcare coverage, but also, in keeping with our mission, for patients who increasingly pay out of pocket and sometimes cannot access these critical medications.”

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- Lori Dwyer, President & CEO
Penobscot Community Health Care

BOARD OF DIRECTORS

Sandra Bissell

Goodwill Industries of Northern New England

Kurt Caswell

Maine State Employee Health Commission

Kiley Cyr

Bath Iron Works

Tom Drottar

University of New England

Tom Ellis

The Jackson Laboratory

Jennifer Kent

Maine Education Association Benefits Trust

Christopher Lockman, Esq.

Verrill

Susan Norton

First National Bank

Tracy Thibodeaux

Dead River Company

Godfrey Wood

Habitat for Humanity of Greater Portland

Anne Wright

Maine Municipal Employees Health Trust

OVER **60** MEMBER ORGANIZATIONS

OVER **130,000** COVERED LIVES

OVER **\$1** BILLION SPENT ON HEALTH CARE ANNUALLY

PURCHASERS

Bowdoin College · City of Portland · Dead River Company · Everett J. Prescott · First National Bank · General Dynamics/Bath Iron Works · Goodwill Industries of Northern New England · Habitat for Humanity of Greater Portland · Maine Education Association Benefits Trust · Maine Municipal Employees Health Trust · Maine State Employee Health Commission · Moody's Collision and Auto Body Repair · Pine State Beverage · Systems Engineering · The Jackson Laboratory · University of New England · Verrill

PROVIDERS

Center for Diagnostic Imaging · Central Maine Healthcare · Coastal Orthopedics · ConvenientMD · MaineGeneral Health · Maine Medical Association · MaineOrtho · Maine Primary Care Association · New England Cancer Specialists · NorthEast Private Practice Network · Penobscot Community Health Care · Portland Gastroenterology · Quest Diagnostics · SequelCare · Spectrum Healthcare Partners · St. Joseph Healthcare · Sweetser · The Opportunity Alliance

HEALTH PLANS, BROKERS, & BENEFIT CONSULTANTS

Acadia Benefits, Inc. · Aetna · Alliant · Anthem · CGI Benefits · Clark Insurance · Community Health Options · Cross Insurance · Group Dynamic, Inc. · Harvard Pilgrim Health Care · Health Plans, Inc. · Mercer · USI Insurance Services · Varney & Co. Benefits Advisors · Willis Towers Watson

CONSUMER GROUPS

Consumers for Affordable Health Care · Southern Maine Agency on Aging

AFFILIATES

Abbvie · Celgene · Johnson & Johnson Health Care Systems, Inc. · Merck · Novo Nordisk · Pfizer

“Every state needs an organization like the Healthcare Purchaser Alliance of Maine. There’s no other organization out there that brings employers together to amplify their voice and pursue common strategies that can push the market to deliver high-value health care.”

“

- Tracy Thibodeaux,
Director of Human Resources
Dead River Company



**Join us
in the quest
for high-value
health care**

www.purchaseralliance.org

