



PPO Serve

Integrated Clinical Consortia™

IN COLLABORATION WITH



FOUNDATION FOR
PROFESSIONAL DEVELOPMENT

Responses to the HMI Provisional findings: April 2019 workshops

Dr Brian Ruff

Seminar 2: Funders market concentration and countervailing power

Recommendations – enabling the right regulatory environment

HMI May 2016



National Supply Side Regulator

Structural design

Capacity planning
New delivery models

**Capacity control
(barriers to entry/ exit)**

Conditional licenses
Underserved areas

Production

Performance reports

Expanded CoMS mandate

Affordability & accessibility

Income level mandate
Scheme Purchase role

**Incentives/ rationing
(Governance)**

Population Value Tariffs

Competition

Regional Schemes
Minimum loss ratio

**Information
(collect & use)**

Data standards & reports

Regulatory control

Regulatory oversight & exclusion

Creates a competitive, value producing market place

Seminar 2: Funders market concentration and countervailing power

HMI Findings:

- **Lack of competition between schemes** i.e. should compete on good benefits, lowest prices; but actually compete on risk selection
- Despite countervailing power, **big funders don't discipline suppliers:** little pressure to innovate; to manage overutilisation; or to provide value (*funders prioritise shareholders over members*)
- **ARMS carry little risk transfer & specialists resist DSPs**
- Hospital plan solution exacerbates admission rate problem 🙄

HMI Questions:

- How to get Schemes to play their role? E.g. grow DSPs & real ARMs?
- 'Not for profit' scheme, 'for profit' administrators. Better solutions?

Seminar 2: Funders market concentration and countervailing power

PPO Serve input - how to better protect consumers

Note 1: Medical Schemes Act is based on ‘strategic purchasing i.e. a ‘purchaser vs. provider split’. Large, competent funders **purchase better care & lower cost per member**

Note 2: the market for scheme cover intends that **consumers choose based on Schemes obvious value purchasing ability**, from transparent, easy to understand data.

But designated purchasers don’t play their agency role = **market failure for the consumer & ineffective regulatory oversight**

Note 3: German reforms in the 1990's

- Sickness fund reform: introduction of **fixed budgets (spending caps) for standard benefit packages** with **competition between sickness funds to improve efficiency**, overseen by regulators
- Funds market themselves to attract new members & retain existing ones, mostly by **reduced contribution rates**
- Lower rates from **selective contractual** arrangements with providers, often in the form of **integrated care**
- An **inter fund risk adjustment scheme** to manage incentives for risk selection

*The Lancet Journal; SERIES|GERMANY AND HEALTH| VOLUME 390, ISSUE 10097, P882-897, AUGUST 26, 2017.
Statutory health insurance in Germany: a health system shaped by 135 years of solidarity, self-governance, and competition. Prof Reinhard Busse, Miriam Blümel, Franz Knieps, Prof Till Bärnighausen*

Note 4: recent Dutch reforms:

- 2006: sickness funds & private health insurances merged into a **single functional social health insurance**.
- **Mandatory cover**, every citizen must buy insurance from a **private ‘for profit’ insurer** (State funds indigent).
‘Guaranteed issue’ & ‘community rating’, with income differentials. Rigorous risk equalisation.
- This is ‘**managed competition**’ between insurers, where **selective purchasing** is the key differentiator. Health insurers are accountable for purchasing good quality care at reasonable prices for the whole Dutch population.

Seminar 2: Funders market concentration and countervailing power

PPO Serve input - how to better protect consumers:

1. Competing Schemes do strong strategic purchasing to create value:

- **Cap Scheme member size:** 20% national; 30% regional = competitive local Schemes purchasers
- **‘For profit’ Schemes** but with fixed premium tables (ala Dutch) or fixed claims ratios e.g. 90% (ala Obamacare)
- **REF** to stop selection by Schemes to create lower risk profile scheme pools

Seminar 2: Funders market concentration and countervailing power

PPO Serve input - how to better protect consumers:

2. Regulation: Scheme purchasing role success as license condition:

- Mandate VBC contracts & outcome reports –**
transparency to inform consumers
- Create a competitive Public Option:**
 - open GEMS to all
- Medicare market for over 65 years**
 - Focus market: < 8% of members but > 30% spend

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PPO Serve input - how to better protect consumers:

3. Create supply side services to deliver Value Based Care:

- **ban FFS tariffs** (exempt unpredictable e.g. major trauma)
- **Global fee tariffs:** encourage teamwork & collaboration
 - PHC: risk adjusted capitation; mandate 24/7 access
 - Hospitals: DRGs
- **outcome linked component %:**
 - **Must be significant to support structure change**
 - first upside rewards only; later larger rewards for taking downside risk



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