

Advisory Committee on Consumer Operated and Oriented Plans

Testimony of Andrea Walsh
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Thank you for the opportunity to testify before the Advisory Committee on Consumer Operated and Oriented Plans. I am Andrea Walsh, Executive Vice President and Chief Marketing Officer at HealthPartners. HealthPartners is the largest consumer-governed, nonprofit health care organization in the country with a mission to improve the health of our patients, our members and the community. We serve over 1.3 million members in medical and dental plans, and actively market our coverage and care in Minnesota and Wisconsin. We originate out of the health care cooperative movement and today continue to maintain what we believe are the most important attributes of cooperatives— member governance, a community and consumer focus, and careful stewardship of member resources. I appreciate the opportunity to share our observations on how non-profit consumer-governed health plans can play an important role in health care reform across the country.

Our History:

HealthPartners roots go back to 1937 when financial hardship was forcing people with minor illnesses to delay medical care because it was too expensive. In response, four men – a credit union manager a cooperative manager, a postal worker and a lawyer– met to organize a consumer-governed prepaid health plan and care system. At the time, prepaid medicine was illegal in Minnesota so the group worked for almost 20 years to change the laws; finally in 1957 a law supporting prepaid health plans was enacted. Members enrolled in our prepaid plans paid a pre-determined fee to receive coverage for preventive and acute care from a physician as well as hospitalization. Today our product portfolio has expanded significantly in response to our members' needs and expectations. We offer a full continuum of products ranging from traditional HMO co-pay plans, traditional indemnity plans to consumer directed health plans. We serve members from all types and sizes of employers, individuals, seniors and public program members as well.

Since our inception our organization has been both a care delivery and financing organization. Initially our members need to access care exclusively from our delivery system to receive coverage for services. Over time in response to market demands, we needed broader geographic coverage and began to contract with other provider groups. Today we offer open access products and contract with nearly every clinic and hospital in the state. We have directly contracted with providers across Minnesota, Wisconsin, North Dakota, South Dakota, and Iowa, and through an alliance with CIGNA offer a national network to our members as well.

Today our own delivery system continues to provide care for about one-third of our health plan members. We directly employ over 700 physicians in 40+ locations across the Twin Cities, central Minnesota and into Western Wisconsin. We also operate Regions Hospital, a level one trauma center in St. Paul, and two critical access hospitals in Western Wisconsin, Hudson Hospital and Westfields Hospital.

Pathways to Success – What Matters?

I was asked to address the Committee and share a perspective on what is the pathway to success for a consumer-oriented plan. Over our nearly 55-year history there are several lessons that we have learned that may be useful to other organizations starting as a health care cooperative or other form of consumer governed organization. In reflecting on the most important attributes, I believe there are four -- consumer governance, consumer and community focus, care/coverage integration and stable finances.

Consumer Governance: Consumer governance is critically important to keep the organization focused on its health improvement mission. At HealthPartners, our Board is comprised of 15 directors. Thirteen are members elected by members and two are physicians. Our CEO is a nonvoting director. Our members have a direct, clear and are the dominant voice in choosing our board. Having a member-governed organization brings the patient, member, employer and community perspective to the board room. It also allows the consumer's perspective to cascade from governance to management to operations in a credible way. Consumer governance gives us the benefit of regular and reliable feedback and insight from the customers who use our system and are directly impacted by the decisions we make. Our board serves as the final arbiter of member appeals with every board member participating on our member appeal panels. Our board holds an annual meeting where our CEO and CFO present an update on the organization and members are invited to ask questions. In addition, we routinely get feedback from our members in a number of other ways including patient councils, feedback from our website, surveys and our member services department. This feedback enables us to focus on the health of the population we serve, creating an exceptional experience for each individual and reducing medical trend.

We believe that consumer governance provides the organization with a longer-term view and a stronger commitment to providing value to our end customer. Instead of measuring the outcome of our collective work based on return to shareholders, we measure our outcomes based on our members and patients maintaining good health, improving their health and/or reducing the impact of disease and improving the health of the community.

Consumer and Community Focus: The short-term and long-term success for any organization is determined by how well the organization can respond to consumer and community needs. A critical element of our structure is our not-for-profit status keeps our focus squarely on delivering value to members and also allows us a longer term horizon to invest in. We pay attention to our members and patients and to the companies our members work for as well. Most of our members and patients access their coverage through employer groups. Employer groups determine the products that they are

interested in buying and this varies by employer size and by geographic market as well. Employers also understand the unique care needs of their employee population. With this input, we are better able to structure our products and services to meet those needs.

To be successful in Minnesota and the other states we are in today, we need to have a full range of products to provide adequate choice to our members and their employers. This requires us to have sophisticated administrative systems to monitor and administer claims and pay providers efficiently. We offer fully-insured and self-insured coverage, thousands of variations in benefit designs as well as customized provider networks. Across all of this product variation, we offer a full range of care and disease management programs to assist our members in optimizing their health and controlling medical trend.

Care/Coverage Integration: HealthPartners founders believed that employing physicians and other caregivers was the best way to ensure alignment of interest for the consumer. We still believe that is true. We are neither a health plan that owns a delivery system, or a delivery system that owns a plan. As an integrated system, we represent the full interest of our members and patients —care and coverage together. Our culture begins with our consumer board and is carried throughout the organization through integration. One of the benefits of integration has been that we can test, innovate and redesign within our delivery system, and then share that learning across the community. It's why we were the first to offer 24 hour nurse line, first to offer dental sealants in our community and first in the country to stop paying for medical errors and never events (a practice CMS adopted last year).

The culture within our medical group supports member and patient interests in unique ways. For instance, we have been leaders in advocating for transparency around clinical quality. This approach has resulted in the development of a state-wide clinical quality measurement system and the establishment of ICSI (Institute for Clinical Systems Improvement) in partnership with Park Nicollet and Mayo Health System. We advocated for transparency around clinical quality results and supported the development of Minnesota Community Measurement. We currently are working on sharing our total cost of care measurement approach as well as efforts to address appropriate use of MRI/CTs.

Financial Stability: One of our goals is to keep care and coverage affordable with low administrative costs, adequate reserves to protect our members' premium stability long-term, and adequate margins for capital expenditure.

Our administrative costs have been decreasing over the past five years and are among the lowest in the industry. This is a direct reflection of consumer values to keep pressure on administrative costs and ensure the dollars are spent on health and health care. Before taxes and assessments, HealthPartners administrative costs were less than six percent of revenue. Member dollars are directed toward health care services, preventive care and programs that result in better health and lower health care costs. These programs cover conditions including diabetes, heart disease, asthma, and depression which reduce expenses by as much as \$5 for every \$1 invested.

Our members want as much stability in their premiums as possible and they want to know we will be here tomorrow. As a result, we must ensure financial stability for our members and hold adequate financial reserves as defined by risk-based capital rules. All health care insurers, including new start ups, need reserves in excess of 200 percent. This protects members and ensures money is available to pay claims long-term.

We are a three plus billion dollar organization and aim for a two to three percent annual margin to generate the capital needed for investment in technology, facilities, programs and services. Our focus is to simultaneously optimize the experience of the individual, the health of our members, patients and the community, and keep care and coverage affordable. Our focus is not on maximizing financial returns for shareholders.

In closing, I attribute HealthPartners success to the fact that we are centered on the interests of our members and patients. By being consumer-governed, our members require a consumer-value focus to our decision making, and we are a better organization as a direct result.

We believe that both new and existing consumer-operated and oriented plans should be offered in the developing state-based exchanges, and we will advocate for that to ensure that plans like ours can continue to play a leadership role in health care reform and transformation.