



THE HERTEL REPORT

INSURER EXITS FROM HEALTHCARE.GOV CREATE BIG CHANGES FOR ARIZONA CONSUMERS

Instead of insurers racing to compete for Arizona consumers on HealthCare.gov in 2017, many household names such as Blue Cross Blue Shield of Arizona (BCBSAZ), Health Choice, Health Net, Humana and UnitedHealthcare (UHC) have taken to the sidelines by withdrawing in part or in whole from the competition.

BCBSAZ is leaving Maricopa and Pinal counties and is focusing on rural Arizona. The not-for-profit insurer is the only carrier selling qualified health plans (QHPs) on the marketplace in 12 of 15 counties in Arizona. It faces competition only in Pima County where it goes head to head with Health Net.

Health Choice is the latest insurer to leave the Health Insurance Marketplace (HIM). While Health Choice's 2017 HIM exit doesn't affect its AHCCCS or Regional Behavioral Health Authority lines of business, it appears its foray into the commercial market has come to an end.

Health Net also announced it was leaving Maricopa and Pinal counties and will offer QHPs only in Pima County.

Humana abandoned the entire Arizona marketplace in 2017. Last year it had plans in Maricopa and Pima counties and was the only health plan offering consumers a platinum option.

After sitting out year one of the marketplace, UHC got in the game offering offered QHPs in all 15 counties in 2016. This year, as part of a national exodus from the marketplace, UHC has withdrawn statewide.

In contrast to carriers pulling back, Aetna will expand its 2017 offerings beyond Maricopa County to include Pinal County. As a result of a contracting marketplace, Aetna is now the sole carrier in the rural county that borders Tucson and Phoenix.

TRANSFORMING PRACTICES: INNOVATION BEGINS WITH PII

The dusty adage, "If you don't know where you're going you won't know when you get there," applies to the bumpy road many clinicians and healthcare providers travel on their way to achieving value-based care.

"Every provider believes they should be paid more and many believe they're ready to participate in alternate payment arrangements today," explained Chief Innovation Officer

Christi Lundeen of the recently developed Practice Innovation Institute (PII). “We show them how to prove it.”

As a Practice Transformation Network, PII was funded through a \$3.6 million grant received last year by Arizona Health-e Connection (AzHeC) which operates “The Network” the state’s rapidly expanding health information exchange (HIE).

Through its collaboration with Mercy Care Plan and Mercy Maricopa Integrated Care, a mix of 2,500 primary care and behavioral health clinicians are involved in the beginning of a five stage, four-year journey designed to navigate participating practices into the future of value-based contracting arrangements and MACRA implementation.

As a network, PII participants don’t go it alone, but in collaboration with dedicated practice transformation coaches and learning collaborative. They also have access to the help

of support and alignment networks (SANS); a mix of 10 national and regional professional associations such as the American Board of Family Medicine, the American Psychiatric Association and the American Medical Association.

The first year on the road to preparedness included a full assessment of practice readiness, a collaborative process that led to quality improvement plans for each practice.

“Together we identified three areas of improvement for each practice, things they really want to improve on,” explained Lundeen. “Next we provided them our business plan template and now we’ll start the work. The icky party is over and now the fun stuff is going to happen.”

The vehicle most likely to accelerate clinicians’ movement into alternative payment models (APMs) is the ability to use population health management (PHM) analytics along with existing HIE data. Investing in PHM systems is increasingly popular as predictive analytics and risk stratification become critical in preparing to accept more financial risk in

WHO’S NOT ELIGIBLE FOR PII

Participants in the Medicare Shared Savings Program, Pioneer ACO program, Next Generation ACO, Multi-Payer Advance Primary Care Practice, Comprehensive Primary Care Initiative or Comprehensive Primary Care

“Our philosophy is if there is an ability to get economies of scale, we’re happy to develop the services the community wants. By including it [population health management tool] in the Practice Innovation Institute, we got a jump start to what could be extended to the rest of the community.”

- Melissa Kotrys CEO of AzHeC

value-based.

Although funding for PII won’t go on forever, the organization noted another \$14.6 million in grant funds could be available through 2019. And although PII has completed its recruitment of Arizona providers who can participate as part of the Transforming Clinical

Practice Initiative award, the institute will offer its first PII Academy in collaboration with the University of Arizona School of Medicine Aug. 26.

The conference, open to everyone, will feature a collaborative care program focused on psychiatrists and primary care providers. With more than 150 participants, Arizona's HIE handles 7 million transactions each month and includes the clinical data for 6.2 million patients. Since the fall of 2015, participation in the network exploded from just 44 participants after AzHeC retired participation fees in "The Network" for community providers.

IRS CREATES UNCERTAINTY FOR COMMERCIAL ACOs

Since the passage of the Affordable Care Act, the Department of Health and Human Services (HHS) has promoted accountable care organizations (ACOs) as one way to improve quality and reduce costs by taking a more holistic approach to providing healthcare services. Instead of rewarding healthcare providers based on volume, the ACO model creates financial incentives for providers to focus on preventative care and offers rewards based on value.

ACOs accomplish this objective by integrating, coordinating and fostering accountability for patient care among various healthcare providers in the ACO's network (ACO's do NOT directly provide healthcare services). Most ACOs serve Medicare enrollees through CMS's Medicare Shared Savings Program (MSSP), but recently more ACOs are serving commercial populations through contracts with private insurers or employers.

Despite HHS's seemingly favorable view of ACOs, another federal agency – the Internal Revenue Service (IRS) – recently issued an adverse determination letter denying a strictly "commercial" ACO's application for federal income tax-exempt status. Formed by a nonprofit healthcare system, the ACO (its location and name are unavailable) was created to negotiate with commercial payers and did not participate in the MSSP. Providers in the ACO included both physicians employed by the health system and unaffiliated, community-based providers. The ACO acted as the contracting agent for all participating providers in negotiating agreements with third-party commercial payers.

In denying the ACO's request for federal tax exemption, the IRS noted that an organization must be organized and operated exclusively for a charitable purpose in order to be tax exempt. One such charitable purpose – lessening the burden of the government – does not apply to an ACO operating outside the MSSP, according to the IRS. While the promotion of health may also be a charitable purpose allowing for exemption, the IRS ruled that the ACO's negotiations with private health insurers on behalf of unrelated providers is not a charitable activity because such activities benefit the private interests of the physicians. As a result, the IRS determined that the ACO was not operated exclusively for a charitable purpose and therefore ineligible for tax exemption.

So what does the IRS's ruling mean for ACOs going forward? For those ACOs participating in the MSSP, it should have no impact. However, non-MSSP "commercial" ACOs – particularly those with large numbers of providers unaffiliated with the health systems which created them – appear to face an uphill battle in qualifying for federal tax

exemption. Moreover, any non-profit hospitals that create such commercial ACOs must proceed with caution so as not to jeopardize their own tax-exempt status.

PHOENIX CHILDREN'S HOSPITAL CANCER MOONSHOT 2020

Phoenix Children's Hospital is one of 10 children's hospitals chosen by oncologist and entrepreneur Dr. Patrick Soon-Shiong for a new consortium that will share research information as part of the U.S. initiative: Cancer MoonShot 2020. The initiative's approach includes immunotherapy with an emphasis on data access and collaboration between researchers, patients, doctors, patient advocates, biotechnology and pharmaceutical companies.

The Chan Soon-Shiong Children's Precision Medicine Institute at Phoenix Children's Hospital is a joint venture with Soon-Shiong. The institute is designed to serve as the exclusive national hub for pediatric genomic research and translational precision medicine to advance healthcare for young patients. The institute includes a technology infrastructure that provides complex genomic analysis and rapid transfer of genomic data.

The Cancer MoonShot 2020 includes leaders from large pharma, biotech, academic cancer centers, community oncologists and others who are committed to accelerating the potential of combination immunotherapies as the next generation standard of care for cancer patients.

Soon-Shiong, the world's wealthiest doctor rated by Forbes and the CEO of the highly influential NantWorks said during the 34th annual J.P. Morgan Healthcare Conference in January that the MoonShot is an "opportunity to change healthcare forever." In March, Soon-Shiong expressed confidence that the supercomputing infrastructure is now ready to

"Today, the potential of genomics and proteomics is fully within our grasp. And with that comes promising new ways to combat cancer (in essence, combination immunotherapy), whose very success is optimized when we understand the complete molecular profile of a patient—from the DNA, to the RNA, to the protein." **-Dr. Patrick Soon-Shiong.**

meet the cancer challenge.