1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

King County

KING COUNTY

Signature Report

June 6, 2017

Motion 14877

Proposed No. 2017-0052.1 **Sponsors** von Reichbauer

A MOTION related to acknowledging receipt of the Accountable Care Networks report, as required under the 2017-2018 Biennial Budget Ordinance, Ordinance 18409, Section 121, Proviso P1.

WHEREAS, the 2017/2018 Biennial Budget Ordinance, Ordinance 18409, Section 121, Proviso P1, states that $1,000,000 of the appropriation for employee benefits shall not be expended or encumbered until the executive transmits a report to the council on the executive's proposal to include one or more accountable care networks ("ACNs") as an additional health plan option for county employees and a motion acknowledging receipt of the report and the motion is passed by council, and

WHEREAS, the Accountable Care Networks report is submitted by the department of executive services to fulfill its proviso obligations;

NOW, THEREFORE, BE IT MOVED by the Council of King County:

The receipt Accountable Care Networks report, Attachment A to this motion, as required by Ordinance 18409, Section 121, Proviso P1, is hereby acknowledged.

Motion 14877 was introduced on 3/27/2017 and passed by the Metropolitan King County Council on 6/5/2017, by the following vote:

Yes: 8 - Mr. von Reichbauer, Ms. Lambert, Mr. Dunn, Mr. McDermott, Mr. Dembowski, Mr. Upthegrove, Ms. Kohl-Welles and Ms. Balducci
No: 0
Excused: 1 - Mr. Gossett

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

J. Joseph McDermott, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

Attachments: A. Accountable Care Networks

Accountable Care Networks

Executive Summary

The U.S. devotes 50% more of its economy to health care than other industrialized countries, but lags behind on life expectancy and prevalence of chronic disease, and health care quality, efficiency, and access to care. In order to overcome these problems, the health care industry is undertaking a number of system reforms, including "value-based purchasing" that seeks to align payment and incentives to health care providers and facilities based the quality of care delivered, cost, and the patient experience of care.

The Accountable Care Network (ACN) is a form of value-based purchasing. ACNs bring together physicians, hospitals and other partners into focused networks where the amount of money the network receives for treating a population of patients is based in part on the quality of care they deliver and the patient satisfaction with the care they experience. Because providers in these plans are accountable for achieving an outcome rather than billing for a specific number of services, they behave differently, fostering a person-focused, economically sustainable system. Over time, it is expected that these results-based plans will deliver better care at a lower cost than the current Preferred Provider Organization (PPO) model.

In 2018, King County will introduce an ACN option in addition to the existing KingCare℠ PPO and Group Health SmartCare Connect℠ HMO plans. The King County ACN option, KingCare Select, has a comprehensive provider network which is a subset of the Regence KingCare PPO network. That network includes primary care providers (PCPs), specialists, urgent care facilities and hospitals located throughout the region. It is expected that King County will see two key benefits in offering an ACN. First, the ACN option is designed to help improve the health of eligible employees and covered family members. Second, it is designed to make health care more affordable for employers and employees who choose the ACN option.

Savings from the introduction of KingCare Select will ramp up slowly over time. In the early years, the cost savings targets for the ACN provider groups will be smaller as they develop competence in the model. Also, it is expected that the number of employees who decide to enroll will start small and grow as employees get to know this option better. We have every reason to believe that our ACNs will achieve sustainably lower annual cost growth than the PPO over time.

Background

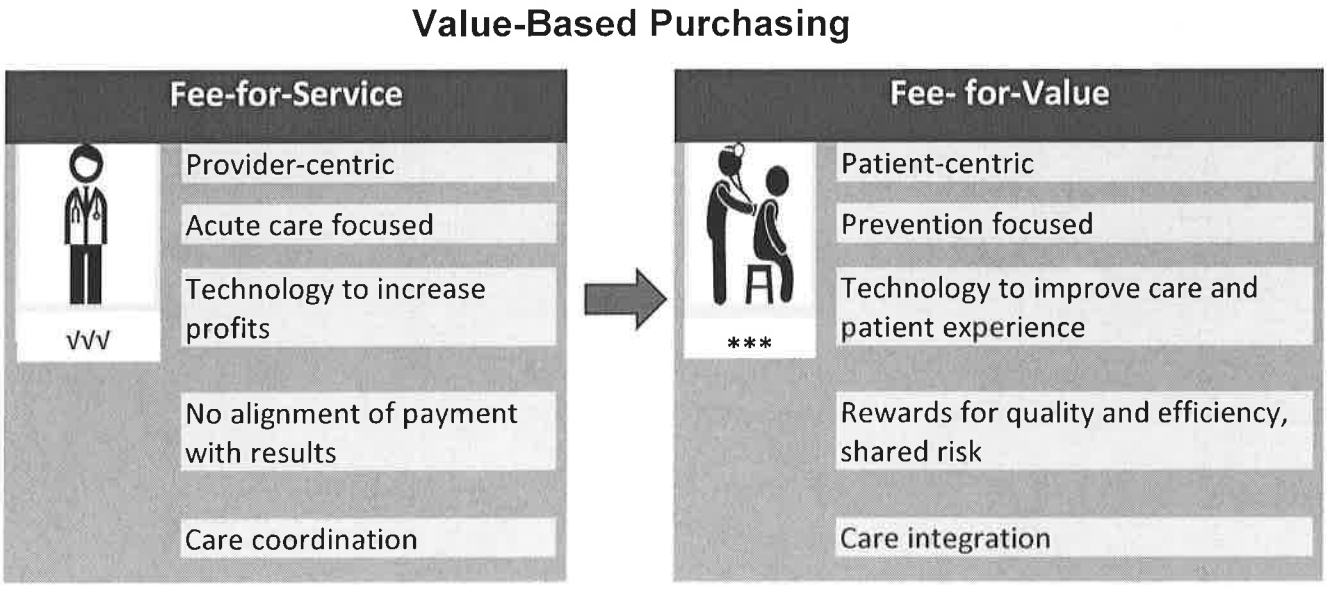
There is widespread agreement in the health care industry that the current system is complex and fragmented, lacks true competition, has a long history of cost growth that outpaces inflation, has inconsistent definitions of quality, and, in its current form, is unstable over the long term.

For example, in terms of cost, the U.S. devotes at least 50% more of its economy to health care than do other countries[i]; and the Institute of Medicine estimates that 34% of all health care spending is wasted.

In terms of quality, medical errors are the third leading cause of death[ii]. Among industrialized countries, the U.S. has the lowest life expectancy at birth, the highest prevalence of chronic diseases[iii], and ranks last overall on measures of health system quality, efficiency, access to care, equality and healthy lives[iv].

In order to overcome these problems, the health care industry is undertaking a number of system reforms, including "value-based purchasing" that seeks to align payment and incentives with outcomes. The biggest change in this approach is moving from a "fee-for-service" model to a "fee-for-value" system. Instead of paying providers for the volume of services they deliver (irrespective of whether the service was needed or of low quality), in a fee-for-value model providers get paid based on their ability to deliver care that has positive results - meaning cost effective and high quality - while maintaining a positive patient experience. Providers do not get paid as much for poor results on their delivery of health care.

Figure 1



Accountable Care Networks

The Accountable Care Network (ACN) is a form of value-based purchasing. ACNs bring together physicians, hospitals and other partners into focused networks where the amount of money the network receives for treating a population of patients is based in part on the quality of care they deliver and the patient satisfaction with the care they experience. Providers in these plans are accountable for achieving the Triple Aim which means to provide improved member experience and better quality at lower costs. Because providers in these plans are accountable for achieving an outcome rather than billing for a specific number of services, they behave differently, fostering a person-focused, economically sustainable system. Over time, it is expected that these results-based plans will deliver better care at a lower cost than the current Preferred Provider Organization (PPO) model.

Unlike the Health Maintenance Organization (HMO) model of the 1990's, the ACN is a more open model focused on integrating care rather than gating care, This change is made possible by advanced data analytics, which were not available for those older HMOs. Figure 2 shows the difference between the older HMO and the new ACN.

Figure 2

Comparison of 1990's HMOs and Modern ACNs

	HMO	ACN
Payment Model	Fee-for-Membership	Fee-for-Value
Cost-Saving Mechanism	Referral Based/Gatekeeper.	Aligned provider financial incentives for cost, quality and member experience of care.
Member Experience	Gatekeeper model created frustration over perceived care denial.	Team-based care led by a primary care provider results in more efficient care.
Data Sharing	Basically no Health IT or analytics.	Data sharing allows for earlier identification of at-risk patients.

Benefits and Realities of Moving to Accountable Care Networks

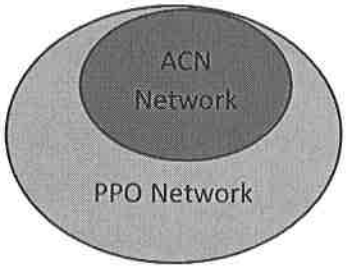
There are two key benefits for King County in offering an ACN. First, an ACN option is designed to help improve the health of eligible employees and covered family members.

Second, it is designed to make health care more affordable for employers and employees who choose the ACN option.

The King County ACN option has a comprehensive provider network which is a subset of the Regence PPO network, and includes primary care providers (PCPs), specialists, urgent care facilities and hospitals located throughout the region.

To receive network benefits, generally members need to use only providers in the ACN network. Emergency care is covered at the network level, even if the provider is not in the ACN network, or if a member is traveling outside the region.

Figure 3



Compared to the regular PPO, the ACN has the following enhanced services:

- Delivers a more personalized and integrated care experience. This is especially important for individuals with complex medical situations such as diabetes or a heart condition.
- Greater use of electronic messaging with providers and access to your electronic medical record.

ACNs will not be right for all employees—they are focused in specific geographic areas that might not be convenient, or the employee may have covered dependents who live out of state, for instance, college students; or a patient may already have a strong working relationship with a provider that is not in any of the ACN networks.

It is also a reality that all of the ACNs are in various stages of their value-based health care journey. It takes a significant amount of infrastructure investment to support the additional care management activities, changes in practice culture, IT systems, clinic work flow processes, accounting, and data collection required to deliver a successful ACN. Some groups *may* not be successful and will continue to operate in a more standard fee-for-service mode. The risk to employers and other purchasers of ACNs is no greater than with standard PPO arrangements.

Research presented to the National Business Coalition on Health in March 2016 by Steve Raetzman, President of Health Value Directions, indicates that a mature ACO (one that has been operating for four to ten years and achieving high sustained performance) can realistically be expected to have a per member per month cost at 6% - 10% below market, and have an on-going trend that is 3% - 6% below an annual cost trend. Figures 4 and 5 below, also from Steve Raetzman's report, shows the expected maturation for ACNs as they transition from PPOs to fully integrated ACNs (called Accountable Care Organizations or ACOs in these charts).

Figure 4

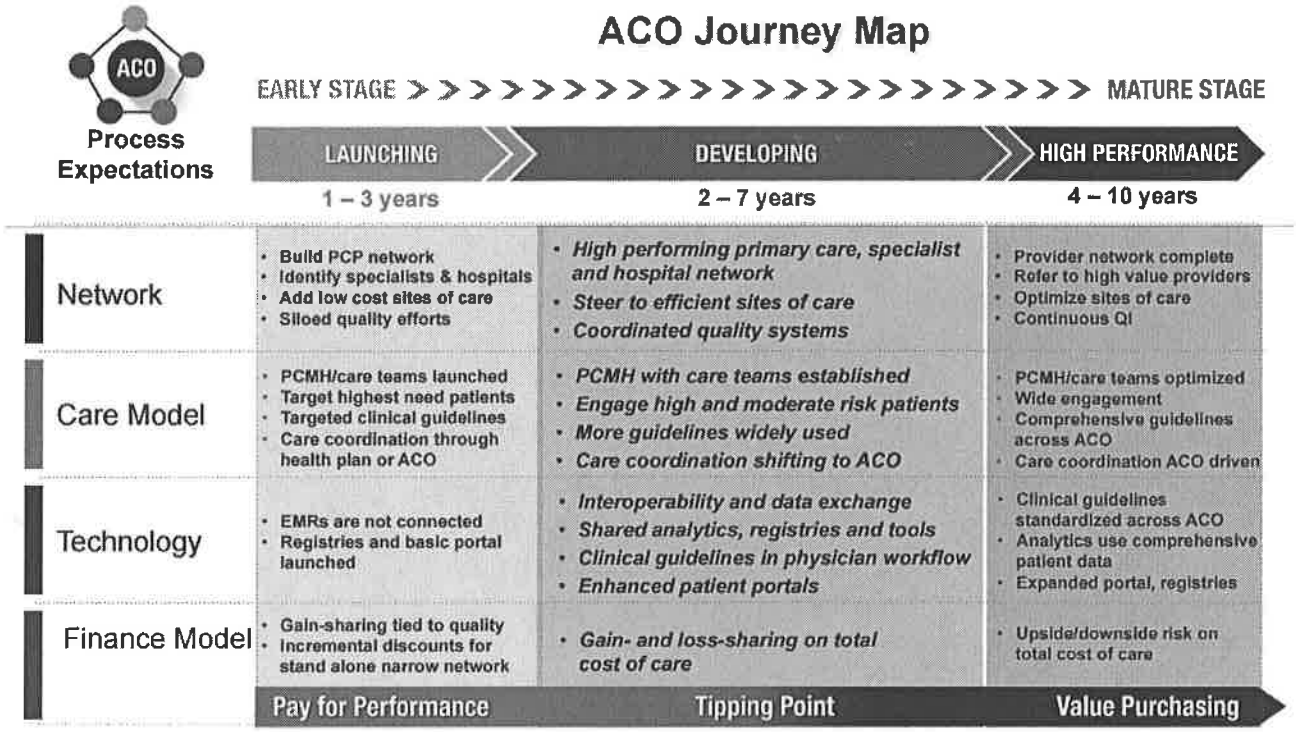
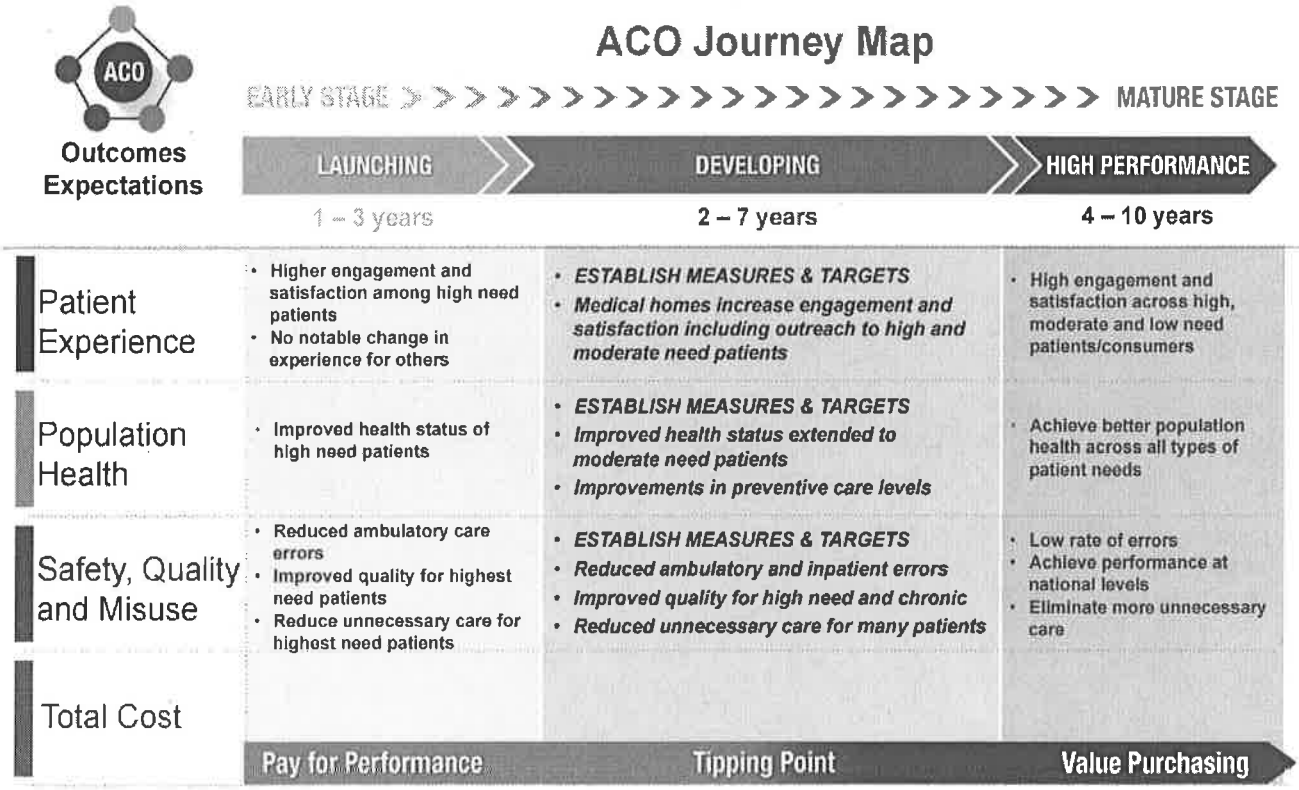


Figure 5



Prevalence of Accountable Care Networks

The ACN model has been in development nationwide since about 2008. The number of ACNs in the U.S. more than doubled from 258 in 2013 to 522 in January 2014[v]. More than 67 percent of the U.S. population lives in an area served by at least one ACN and 40 percent lives in areas served by two or more[vi]. There are already 55 to 62 million Americans currently receiving health care through an ACN. By 2020 it is expected that 80 percent of all hospital systems will have a fee-for-value component in their business model.

In the Puget Sound region, Boeing was the first employer to contract directly with UW Medicine and Providence Health & Services to create ACNs in 2015. In these contracts Boeing pays a fixed amount to cover employees based on their claims histories. The medical systems, in turn, agree to handle all the patients' medical needs. These ACNs are required to meet quality and patient satisfaction targets. If the ACN meets the targets at a lower cost than expected, it shares in the savings. If expenses are higher, it bears some of the added costs. This arrangement creates an incentive for providers to deliver better care at a lower cost.

As a part of its *Healthier Washington* initiative, in 2016 the Washington State Health Care Authority (HCA) began offering ACNs to State employees. They negotiated with UW Medicine and a network of providers that includes Virginia Mason and Overlake Medical Center. The State is also seeking approval from the federal government that would allow it to offer ACNs to the State's 1.8 million Medicaid clients. The goal for *Healthier Washington* is that by 2019, 80 percent of all the health care purchased by the State (for employees and Medicaid) will have value-based provider payment, and the annual cost growth for health care for the State will be 2 percent less than the national trend. By 2021 the State is targeting that more than 90 percent of its health care will be purchased through value-based payment models.

Regence, the third party administrator for our KingCare PPO plan, now has ACN contracts with four major provider groups—UW Medicine, MultiCare Better Connected, Evergreen Health Partners/Virginia Mason and the Everett Clinic. King County will be using the Regence ACNs. A description of each of these networks is provided in the frequently asked questions section of Appendix A. We are calling our ACN options the *KingCare Select* plan.

Plan Design for KingCare Select

All four of the King County ACN networks will have the same plan design (deductibles, coinsurance, and out-of-pocket maximum). The treatments and health services covered will be the same as those covered in the current KingCare PPO plan. Appendix B is a chart summarizing the proposed details of the out-of-pocket expenses for KingCare Select plan for 2018 compared to those for the KingCare PPO and SmartCare Connect

(Group Health) HMO. Note that the out-of-network employee costs for KingCare Select are much higher than for in-network. This is an intentional design to encourage members who choose the KingCare Select plan to use only the providers in their network—those provider groups are being measured on their success in keeping members healthy at a lower cost, and they cannot do that if their members are getting care elsewhere. This plan design is still under negotiation with the county's unions.

Timeline for Introducing Accountable Care Networks

The agreement with the county's large labor coalition for benefits negotiation – the Joint Labor Management Insurance Committee (JLMIC) - is to introduce KingCare Select and to change the KingCare PPO and Group Health HMO plans over 2018 and 2019. Resources will be needed starting in 2017 to prepare for and accomplish this major transformation:

- 2018: Offer new Accountable Care Networks (ACNs) along with the current KingCare and Group Health plans. Create equity-sensitive outreach to all segments of the employee population to increase understanding of new plan options.

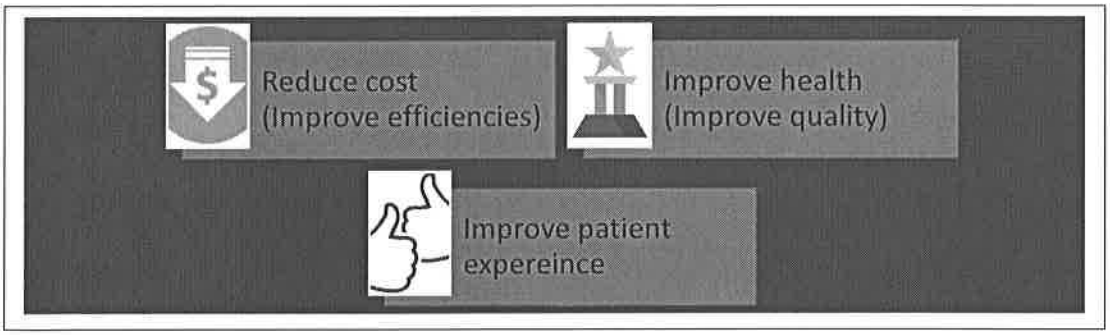
- 2019: Evaluate 2018 enrollment and member satisfaction with the ACNs. Adjust benefits design in all plans as needed. Continue outreach on how to make more informed health/healthcare choices.

The King County Police Officers' Guild (KCPOG) was presented with this JLMIC plan for their consideration. The Amalgamated Transit Union (ATU), the county's largest union that is also not part of the JLMIC, has agreed to introducing KingCare Select in 2018.

The 2017-2018 budget adds several positions to the Benefits Fund to accomplish a major conversion of the Healthy Incentives program to an expanded Employee Health and Well-Being program in addition to implementing the ACN option. The changes are needed to support the county's commitment to join health care leaders locally and nationally that are focusing on the Triple Aim: (1) better care for individuals (quality and experience), (2) better population health, and (3) lower/controlled per capita health care costs.

Figure 6

King County's Health Care Triple Aim



One of those positions, a two-year TLT Program Development Specialist, is included in the budget specifically to communicate the new KingCare Select option and create interactive tools to help employees determine if KingCare Select is a good option for them. Work related to introducing ACNs is expected to be very high in 2017-2018. Information about the status of program changes will need to be communicated to new benefits plan vendors and to new wellness program vendors. Following the introduction of ACNs, it is anticipated that processes will be well documented, resulting in reduced need for this position in the future. The cost of this TLT for the biennium is $ $251,671, including benefits.

ACNs represent a promising model that will benefit both employees and King County as an employer, but these benefits will not be achieved unless employees understand what ACNs are and take action to enroll in an ACN. It will take a strong education and outreach effort starting in 2017 to make this happen.

A large percentage of KingCare members are already seeing providers that are in one of four ACNs offered by the county's PPO administrator, Regence. For these members, enrolling in an ACN may entail very little change in the doctors that they see, and it may lead to a much more positive member experience (e.g., priority appointments, more options 24/7); better health outcomes (better coordination of healthcare services from providers); and lower costs for both members and the county. This will be the focus of the communications messaging that needs to occur.

Description of the KingCare Select Plan Design

Appendix A shows how the deductible, copays and member out-of-pocket maximums compare the Group Health HMO and KingCare PPO plans. These amounts are lower than for KingCare PPO and higher than for Group Health HMO. The intent is to attract members from the PPO into Select, but not draw members from Group Health. The Group Health HMO will continue to deliver high quality services at a lower cost than the Select ACNs in the immediate and mid-term future. Please note that the out-of-network

member expenses in the Select plan are higher than the out-of-network member expenses in the regular PPO. This feature is designed to encourage members to get all their care in the ACN; the ACN providers are being held accountable for the cost and quality results for their enrolled population and can only be effective if they are actually delivering all of the care the member receives. Also note that in 2018 only there is a $100 reduction in the deductible as a further incentive to try the new plan.

Projected Savings

Figure 7 shows our actuary's projections for savings from the ACNs in 2018 and 2019.

Figure 7

Projected Savings for ACNs 2018-2019

KingCare PPO to KingCare Select Enrollment Shift	Savings		
	2018	2019	Total
5% enrollment shift	$102,000	$148,000	$250,000
10% enrollment shift	$277,000	$388,000	$665,000
15% enrollment shift	$632,000	$862,000	$1,494,000
25% enrollment shift	$1,378,000	$1,846,000	$3,224,000

- Assumes no switching from Group Health
- 2018 includes $100 lower deductible bonus for KingCare Select enrollment for JLMIC and $215 lower deductible bonus for ATU

Savings from the introduction of KingCare Select will ramp up slowly over time. In the early years, the cost savings targets for the ACN provider groups will be smaller as they develop competence in the model. Also, it is expected that the number of employees who decide to enroll will start small and grow as employees get to know this option better. We have every reason to believe that our ACNs will achieve sustainably lower annual cost growth than the PPO over time.

Appendix A
Proposed KingCare Select Plan Design for 2018

	SmartCare Connect℠ (Group Health) Gold	KingCare℠ Select		KingCare℠ PPO	
		In-Network	Out-of-network	In-Network	Out-of-network
Deductible Employee only/family	$0	$200/$600	$500/$1,500	$300/$900	
Out-of-pocket (Deductible + copay) Employee only/family	$1,000/$2,000	$1,100/$2,400	$2,500/$5,500	$1,100/$2,500	$1,900/$4,100
Office Visit Copay/Coinsurance	$20 Copay	$20 (no deductible)	40%	15%	35%
Inpatient Hospital Copay/Coinsurance	$200 copay	10%	40%	15%	35%
Emergency Room	$100 copay ($150 for out-of-network)	$200 copay, 10% coinsurance		$200 copay, 15% coinsurance	
Retail Prescription Drug (Mail 2x Copay)	Copays apply to out-of-pocket maximum	Out-of-pocket limit on Rx drugs: $1,500/$3,000		Out-of-pocket limit on Rx drugs: $1,500/$3,000	
Generic	$10 copay	$5 copay		$7 copay	
Brand Formulary	$20 copay	$25 copay		$30 copay	
Non-Formulary	$30 copay	$75 copay		$60 copay	
Actuarial Value	96%	93%		91%	
2018 Sign-up Bonus	$0	$100 lower deductible		$0	

Appendix B

Introducing KingCare Select—Frequently Asked Questions

1. What is an Accountable Care Network (ACN)?

An ACN is a group of physicians, hospitals and other health care providers who join together to provide highly integrated care with the goal of improving quality and outcomes, while lowering costs.

2. What is the benefit to an employer?

There are two key benefits. First, an ACN option is designed to help improve the health and experience of care of eligible employees and covered family members. Second, it is designed to create sustainable savings year after year to make health care more affordable for employers and employees who choose an ACN option.

3. How does an ACN option work?

The ACN option has a robust provider network that is a subset of the Regence PPO network. It includes primary care providers (PCPs), specialists, urgent care facilities and hospitals. Members will have access to a team of doctors and other health care professionals led by a primary care provider (PCP) of their choosing. Think of the PCP as the quarterback--the PCP helps coordinate care with the other health care professionals. The member's team of professionals uses data-sharing technology and other tools to make sure they're all on the same page when it comes to the member's care. They will use this information to see the bigger picture of the member's health and any gaps in their care. This means it will be easier for the team to work with each other and with the member to help keep the member healthy.

To receive network benefits, members need to use providers in the ACN network. Emergency care and ambulance benefits are covered at the network level, even if the provider is not in the ACN network, or if a member is traveling outside the region. However, out-of-network providers may bill members for the difference between what the ACN coverage amount and what they charge. This is called "balance billing". The member would be responsible for this extra amount.

4. Why is choosing a Primary Care Provider (PCP) important on this plan?

Choosing a PCP is important because the PCP is a key resource to ensuring a member gets the right care at the right time. The PCP is responsible for coordinating the team of health care professionals that is responsible for each member's care. The PCP reminds the member to come in for routine preventive care, treats the member's illness and injuries, provides information and decision making tools to help the member actively participate in their own care, and helps the member coordinate care with specialists as needed. Members can choose any of the following kinds of providers to be their PCP:

- Family practice physician

- General practice physician
- Internal medicine physician
- Pediatrician
- OB/GYN

Members are encouraged to work with their PCPs on all their care, but they can also self-refer to specialists within their ACN network.

5. What is "better" about an ACN compared to the regular PPO?

- ACNs deliver a more personalized and coordinated care experience because of the role of the PCP, and data sharing with all of the health care professionals on the member's team. This is especially important for individuals with complex medical situations such as diabetes or a heart condition.
- ACNs offer greater use of electronic messaging with providers (for example, email and telehealth visits), and member access to their electronic medical record.

6. Are there other ACN plans in the Puget Sound region?

In 2015 Boeing was the first employer in the region to contract directly with UW Medicine and Providence Health & Services to create ACNs. In these contracts Boeing pays a fixed amount to cover employees based on their claims histories. The medical systems, in turn, agree to handle all the patients' medical needs. These ACNs are required to meet quality and patient-satisfaction targets. If the ACN meets the target at a lower cost than expected, it shares in the savings. If expenses are higher, it bears some of the added costs. This arrangement creates an incentive for providers to deliver better care at a lower cost.

In 2016 the Washington State Health Care Authority (HCA) began offering ACNs to State employees negotiated with UW Medicine and a network of providers that includes Virginia Mason and Overlake Medical Center. The State is also seeking approval from the federal government that would allow it to offer ACNs to the state's 1.8 million Medicaid clients.

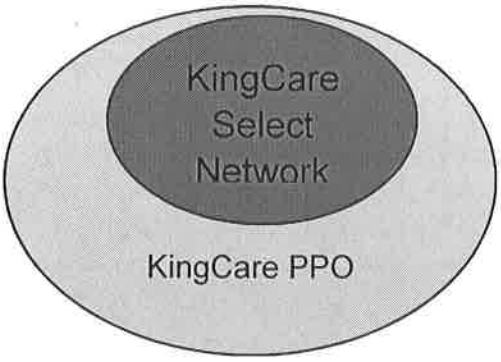
Regence, the third party administrator for our KingCare PPO plan, now has ACN contracts with four major provider groups.

7. Why add an ACN health plan?

King County has been actively looking for a new approach to health care benefits that offers employees meaningful choice, better quality outcomes and saves them money. The new approach is called KingCare^{SM} Select. In this plan, employees will be able to choose a leading health system of primary care providers, specialists, urgent care facilities, clinics and hospitals designed to improve quality, provide a better health care experience and be more affordable.

Starting in 2018, we will *add* this plan choice to our existing options of KingCare PPO and SmartCare (Group Health) HMO.

8. How is KingCare Select different from the KingCare PPO?



KingCare Select is a more integrated, smaller network of providers inside the KingCare PPO network. It will cover all the same services that are covered in the KingCare PPO, however it offers *lower member expenses (deductibles, copays and out-of-pocket maximums)* than the KingCare PPO.

9. Who are the providers in this new plan?

Appendix C is a list of the largest provider groups in the KingCare Select option. In addition to these major groups, there are hundreds of individual providers and services (for example alternative care, urgent care, mental health and rehab services) included in the KingCare Select networks.

10. Which employees are good candidates to enroll in KingCare Select?

KingCare Select will work best for employees who:

- Like working with a PCP who can coordinate their care and connect them with other specialists
- Want to work with their providers to make decisions about their care
- Are looking for value and accountability in a plan
- Access care locally
- Typically access care outside of local area on an emergency-basis only

11. Can members get care outside of KingCare Select?

Members in the KingCare Select plan will pay the lowest cost when they use KingCare Select network providers. They will still be able to get care outside the network, but it will cost more. Emergency care and ambulance are still covered at the in-network level of benefits, but may be subject to balance billing.

If employees have children covered under the plan living outside the region, the PPO option may be a better choice.

12. Will there be tools/resources to help employees decide is KingCare Select is a good choice for them?

King County is actively working with Regence to create:

- Clear information about the new plan
- Easy-to-use tools the help employees determine if their current providers are in the KingCare Select
- Information on how much they will save

13. Why would provider groups want to be in an ACN?

Provider groups report they are interested in the ACN model because it provides incentives to make investments in their IT structures: (1) to better track patients; (2) to make their clinical processes more effective and efficient; and (3) to include more direct support for patients such as providing tools for making joint-decisions on treatment options and ensuring follow up after acute care. The ACN model gives provider groups information about the total cost of care and more control over ways to improve the care for a fixed population.

Appendix C
Provider Networks Available in KingCare Select

Note: Employees who sign up for KingCare Select will choose **one** of these four systems for their care.

	UW Medicine Accountable Care Network	EvergreenHealth Partners / Virginia Mason	MultiCare BetterConnected	The Everett Clinic Medical Center
Geography	King County	King County, parts of Snohomish County	Pierce County, parts of King County	Snohomish County
Network	**417 Primary Care** **9,556 Specialists** **5 Hospitals** ▪ Harborview Medical Center ▪ Northwest Hospital & Medical Center ▪ University of WA Medicine ▪ Valley Medical Center ▪ Seattle Children's	**316 Primary Care** **10,222 Specialists** **3 Hospitals** ▪ EvergreenHealth Medical Center ▪ EvergreenHealth Monroe ▪ Virginia Mason Medical Center ▪ Seattle Children's	**290 Primary Care** **10,169 Specialists** **5 Hospitals** ▪ Auburn Medical Center ▪ Good Samaritan Hospital ▪ Mary Bridge Children's Hospital ▪ Tacoma General ▪ Allenmore	**223 Primary Care** **6,101 Specialists** **3 Hospitals** ▪ Evergreen Medical Center ▪ Providence Regional Medical Center Everett ▪ Seattle Children's
Retail Walk-In Clinics	In development	Not currently in place	Rite Aid Rediclinics	Not currently in place
Special Access	In development; some functionality available	In development; some functionality available	In development; some functionality available	Not currently in place
Highlights	▪ 24/7 virtual clinic ▪ 24/7 nurse line for appropriate, timely access to care ▪ High risk care management for complex patient needs	▪ Urgent care located next to ER ▪ Wellness coaching with RN ▪ Home health/hospice ▪ Integration of behavioral health into primary care	▪ Personal care partners program ▪ 24/7 virtual clinic ▪ Cardiac and stroke rehab programs ▪ Pediatric behavioral health unit	▪ Virtual care with My Chart ▪ Behavioral health tele-visits ▪ Integration of behavioral health into primary care

Endnotes

[i] http://www.commonwealthfund.org/publications/issue-briefs/2015/oct/us-health-care-from-a-global-perspective)

[ii] http://www.forbes.com/sites/learnvest/2013/05/16/10-things-you-want-to-know-about-medical-malpractice/#558312a42323)

[iii] http://www.forbes.com/sites/learnvest/2013/05/16/10-things-you-want-to-know-about-medical-malpractice/#558312a42323)

[iv] (The Commonwealth Fund, http://www.commonwealthfund.org/publications/press-releases/2014/jun/us-health-system-ranks-last

[v] As of January 2014. Sources: News releases, company websites, Dartmouth Atlas PCSAs, Claritas, Commonwealth Fund

[vi] http://www.hhs.gov/news/press/2015pres/01/20150126a.html