Joint Venture Health Plans May Give ACOs a Run for Their Money

They're in the early stages of integrating regional clinical programs that expand treatment options for patients and facilitate effective population health management.

By Thomas Reinke, *Contributing Editor*

Joint venture (JV) health plans created by insurers and health systems are often considered a tactic by the insurer to increase its market share. Anthem's 2014 partnership with seven Los Angeles health systems to form Vivity health plan was widely reported as a move to chip away at Kaiser Permanente's market share in Los Angeles, but that may be a superficial analysis that overlooked the potential that JV health plans now offer for payment and delivery system reform. Anthem's move to create Vivity was in part to compete with Kaiser, but more importantly it was a step to create a delivery network with shared responsibility and potential rewards that go beyond ACOs.

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Ginzinger is referring to the California model, where physician IPAs take on ACO financial risk and are in the lead as gatekeepers to hospital services.

"What we have done with Vivity is engage the hospitals and also develop a mechanism that has the hospitals accountable to each other for management of the total population." Anthem's step forward with Vivity was to bring hospitals, physician organizations, and itself together with shared financial and care management responsibilities.

Joint venture health plans are starting to demonstrate their ability to implement clinical management and financial management reforms. A JV health plan replaces the off-loading of financial risk by health plans to ill-equipped providers with an executive-level cost management committee staffed jointly by the hospital and payer. Joint venture health plans such as Vivity are in the early stages of implementing regional clinical integration programs across health systems that expand treatment options for patients and facilitate effective population health management.

Anthem was in the lead in putting Vivity together but Ben Umansky of the Advisory Board, a hospital consultancy, says health systems generally deserve much of the credit for taking the initiative to form JV health plans. He says health systems are showing an increased interest in becoming an insurer and accepting insurance risk for all of the company's insured lives, as opposed to narrower ACO risk for members assigned to the provider.

Innovation Health, a JV plan created in 2012 by Aetna and northern Virginia's Inova Health System, is an example of a health system taking the lead on a joint venture. The news media gave much of the credit for the new insurance company to Aetna, but behind the scenes, "Inova took the first step and had discussions with several health insurers and finally selected Aetna," says David Notari, CEO of Innovation Health.

Right fit

While some insurers and health systems are motivated to get together, it can be difficult for both parties to find the right partner. Most commercial insurers have been reluctant to delegate risk to providers. The dominant insurer in a particular market is probably comfortable with its leverage over providers. Why mess around with that relationship? "That means others have to be willing to take the risk," says Umansky.

Insurers have learned to be cautious in their dealings with health systems. "It's not uncommon for health systems to reach out to us and say, 'We should do something together,'" says Ginzinger. These overtures have been going on since the managed care era began. Ginzinger says putting a joint venture together can involve a lot of wasted work if the deal fizzles and never gets done, so Anthem has developed a framework for evaluating the capabilities of providers and any ideas that they might have. Both parties are looking to the other to provide a competitive advantage in the local market. The insurer commonly looks for a large health system with a quality reputation, and the health system looks for a health plan to deliver more patients.

Naturally, if an insurer is interested in a joint venture, the most desirable partner is likely to be the top health system in the market—the one with a large patient population and a strong reputation that can be used as a selling point for a health plan. But there may be many reasons for these systems to avoid overtures from insurers. Umansky points out that one or two health systems may have enough market share and market leverage for rate negotiations and other terms that it does not need to partner with a health plan.

Innovation Health has achieved incredible growth. Its first plan was launched in late 2013 and the company now has 197,000 members, says Notari. The company offers plans in the individual, small group, and large group markets, including a plan for federal employees, one of the largest constituencies in its market. Much of Innovation Health's rapid growth can be attributed to the expertise contributed by Aetna; Notari and the company's executive director both came from Aetna. Aetna has also contributed its IT and insurance licensing expertise.

Exceeds enrollment goals

Vivity Health has also had success, exceeding its target of 24,000 members. Media reports have said more than half came from Kaiser, although an Anthem spokesperson says those reports were inaccurate.

Vivity's successful growth pales in comparison to the success it has had in bringing together a dysfunctional provider sector. A report on the Los Angeles health care market by the California Health Care Foundation that preceded Anthem's partnership called Los Angeles a highly fragmented market where "hospital systems and physician organizations tend to operate in silos." The foundation also reported frenetic maneuvering by both payers and providers trying to maintain their viability as health reforms were taking hold.

The 2013 report, "Los Angeles: Fragmented Healthcare Market Shows Signs of Coalescing," cited

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Better than an ACO

A joint venture health plan may be a better alternative than an ACO for insurers and health systems.

For a health system, the financial upside in a shared savings ACO is limited to the cost of care savings achieved for the members assigned to it. That arrangement has multiple limitations. First, commercial ACOs are usually limited to HMO, POS, and narrow-network PPO patients, where physicians have gatekeeper opportunities to control costs. Commercial ACOs exclude open-access PPO patients who can go to any provider at any time. The 2015 Kaiser Employer Health Benefits Survey reports that only 14% of commercially insured workers are enrolled in HMOs and 10% in POS plans. Kaiser does not break out a number for narrow network PPO plans. The relatively small pool of patients that ACOs draw from limits a health system's financial upside. A joint venture health plan can potentially mean savings from members of many different plans.

Second, in an ACO arrangement, the insurer typically has the upper hand in setting the financial terms and defining the extent of the working relationship, including the data it will share on the cost of care incurred. Providers often have very little input to key financial terms in ACOs offered by health plans. As an owner of a joint venture health plan they would be able to receive a portion of the profits for all members, not just the members assigned to them.

Third, in an ACO arrangement, health systems do not have access to the full scope of cost-control activities that may produce savings. In effect, providers are limited to their ability to control the utilization of services. But in a joint venture, all the benefit design strategies that insurers use are available, including copays, deductibles, and the provider network.

Innovation Health has created mechanisms for Inova and physicians to participate in the full range of cost control activities as well as revenue enhancing activities, says Notari, the CEO. The joint venture health plan has developed a three-year plan with work groups that include its physicians in network as well as Inova and Aetna executives. On the cost side, the groups are targeting six areas including controlling pharmacy and behavioral health costs and management of high-risk patients. On the revenue side, they are digging into coding and billing activities and improving the accuracy of risk adjustment for plans offered through the individual market.

intense competition for physicians, hospitals' growing interest in affiliating with each other, and the activities of powerhouse physician organizations like Healthcare Partners and Heritage Provider Networks to develop ACOs. The report also highlighted Anthem's ACO development activities with both a narrow-network, small-group PPO product and another PPO product offering a three-tier network to large groups. Anthem also had an HMO product for city employees that excluded Cedars-Sinai Health System.

Just a year after the report, Anthem's announcement of a joint venture with seven health systems, including previously nixed Cedars-Sinai, could be viewed as a major coup because of the level of commitment it obtained for competing health systems to work together.

The Vivity partnership with Cedars-Sinai Health System has allowed for better management of the health of the patient population, says Doug Sturnick of Cedars-Sinai.

Prior to the creation of Vivity, the Los Angeles market was characterized by physician-led ACOs that accepted financial risk based on the precedent of large capitated physician IPAs. In total-cost-of-care arrangements, the physician-led ACOs excluded the hospitals and focused on controlling hospital costs. Vivity broke the mold and included the health systems as well.

The starting point at Vivity for shared accountability across all seven health systems and physician organizations was creating the proper organizational culture, says Ginzinger, the Anthem VP. After that came aligning the parties and establishing "a level of trust among the health systems and with the health plan."

"We have all learned tremendously from each other in the process [of implementing Vivity Health] and feel that as a team we are more prepared to manage the health of our population than we would have been if attempting something like this alone," says Doug Sturnick, vice president of managed care and payer relations at Cedars-Sinai Health System.

The collaboration between the providers who founded Vivity and Anthem has helped to remove the traditional barriers and friction between a health plan and a provider. "We've been able to simply focus on doing the right thing for our members while leveraging the experience and knowledge of each partner," says Sturnick.

The California Health Care Foundation issued a follow-up to its 2013 report in September. The update sketches a picture of Cedars-Sinai and the University of California–Los Angeles hospital striving to keep their status as the go-to hospitals for remunerative specialized care while also venturing into services for people with less acute problems. Vivity, the report says, is a complete departure from how hospitals have traditionally attracted patients, and skeptics are dubious about hospitals directing patients to lower-cost community hospitals despite all the talk of coordination. So far, says the report, Anthem has marketed Vivity only as an HMO product and only to large employers. To compete with Kaiser, Anthem is reportedly subsidizing the premiums.

More JVs popping up

Meanwhile, Innovation Health in Virginia is working on clinical integration and channeling more care to Signature Partners, a physician organization consisting of Inova's owned practices and contracted community physicians. Notari, the CEO, emphasizes that a culture of collaboration among Aetna, Inova, and Signature Partners has played a major role in the company's success. "All three of us are able to work on population health, controlling costs, and improving the patient experience, and we have had early success," he says. Collaboration on cost containment allowed the company to achieve flat per-member, per-month costs from 2014 to 2015, he says.

In April, Anthem announced a new joint venture with Aurora Health, the largest health care system in Wisconsin. A month later, Aetna announced a partnership with Texas Health Resources, a 27-hospital not-for-profit system based in Arlington. Next year, the new Aetna–Texas Health Resources JV health plan will offer the narrow-network product in 14 counties around Dallas, where Aetna insures about 700,000 people. The plan will be available for fully insured and self-insured employers.

At the end of October, Aetna announced a new JV health plan with Banner Health in the Phoenix area. Aetna's news release said: "Together, Aetna and Banner are rethinking, reimagining, and redefining the health care model to reward better outcomes." Aetna is echoing Anthem's assertion that JV health plans are a vehicle to change how care is delivered and a way to overcome the financial limitations of ACOs.

Much of the success of these health plans has been tied to a formal, closer relationship inherent in a joint venture. There is much talk about payment reform and delivery system reform. Perhaps the most successful reform will be changes to the insurer–provider relationship that results in stronger working relationships and more effective health care. MC