

October 1, 2015

**VIA E-MAIL**

The Honorable Nia Gill  
Chair, Senate Commerce Committee

The Honorable Joseph Vitale  
Chairman, Senate Health, Human Services, and Senior Citizens Committee

**RE: REQUESTS DATED SEPTEMBER 24, 2015 AND SEPTEMBER 25, 2015**

Dear Chair Gill and Chairman Vitale:

Thank you for your letters, dated September 24, 2015, and September 25, 2015, regarding the OMNIA Health Alliance. Horizon Blue Cross Blue Shield of New Jersey appreciates the Senate Commerce and Senate Health, Human Services and Senior Citizens Committees' continued interest in improving access to quality coverage options for New Jersey residents.

Horizon BCBSNJ provides the information requested as part of the Committees' fact finding and it is our intent to be responsive to your questions. Please note that certain information may be withheld because it is the subject of legal and contractual confidentiality requirements or otherwise proprietary and confidential to Horizon BCBSNJ.

This correspondence outlines the various criteria and processes used to identify the OMNIA Health Alliance members. Specifically, we have broken this response into six sections to clearly demonstrate the deliberative and thorough processes used to develop the OMNIA Health Alliance and its companion network. The sections explored in this response are as follows:

- I. Introduction and context
- II. Identifying Organized System of Care (OSC) partners for the OMNIA Health Alliance
- III. Identifying additional OMNIA Tier 1 hospitals
- IV. Identifying additional OMNIA Tier 1 physicians
- V. Response on the proposed suspension of OMNIA products
- VI. Agreements for the OMNIA network

Horizon BCBSNJ trusts this information to be responsive to your request and appreciates this opportunity to provide further information on the OMNIA Health Alliance.

Sincerely yours,



John Leyman  
Director, Government and Regulatory Affairs

## **I. Introduction and Context**

The latest data from the National Association of Insurance Commissioners (NAIC) indicates that New Jersey has the second highest healthcare premiums in the country, and they continue to grow faster than the national average. Quality-of-care rankings remain average.

Traditional fee for service models have proven ineffective at stemming the tide of growing healthcare costs. Fee for service rewards providers for the volume of services performed rather than the value of services performed. Value is defined as improved quality and outcomes of care, enhanced patient experience in the delivery of care, and lower total cost of care. Given the increasing burden of healthcare costs, our customers and members have told us clearly and loudly the need for a more cost-effective alternative.

In response to consumer and employer demands, Horizon BCBSNJ committed to change how health care is financed and delivered in New Jersey several years ago. The OMNIA Health Alliance is a realization of our commitment to provide more affordable healthcare. A selected group of health systems and physician groups is joining us in an innovative partnership focused on the triple aim of improving the quality of healthcare, enhancing the patient's experience with care, and lowering the total cost of healthcare.

Horizon BCBSNJ has also developed new tiered products that include the OMNIA Health Alliance members, as well as other hospitals and physicians. Through the OMNIA products, Horizon BCBSNJ customers can access high-quality care at more affordable prices. OMNIA products will offer lower premiums than our current plans, with discounted out-of-pocket costs when seeking care from OMNIA Tier 1 providers, including our statewide patient-centered and OMNIA Health Alliance doctors and hospitals. In addition, OMNIA members will have the freedom to visit any provider in Horizon BCBSNJ's broad managed care network.

Unlike narrow network products, OMNIA is built on a tiered network, so coverage is not restricted to a limited set of hospitals or physicians. OMNIA members always have the option to receive care from all doctors and healthcare professionals in our Horizon Managed Care Network and all hospitals in the Horizon Hospital Network, which is the largest in the state. For consumers and small businesses who purchase our new health plans and choose to seek care at Tier 2 hospitals and doctors, members will have similar total out-of-pocket costs to comparable standard plans in 2016. Large employers will have a range of health plan options, including tiered plans where the employee's total Tier 2 out-of-pocket cost can vary based upon the employer's health plan choice.

## **II. Identifying Organized System of Care (OSC) partners for the OMNIA Health Alliance**

Horizon BCBSNJ assessed potential OMNIA Health Alliance partners not as individual hospitals or practices, but as potential Organized Systems of Care (OSCs). Horizon BCBSNJ defines an OSC as "a community of healthcare professionals, that may include facilities, who assume accountability for enhanced coordination of care for large populations in order to improve clinical outcomes, improve patient experience, and reduce total cost of care". This distinction has important implications: in addition to clinical quality, partners needed to demonstrate a commitment to value-based care, an ability to

manage the health of large populations across the continuum of care and a willingness to fundamentally change their business model from a volume based to value-based system.

Horizon BCBSNJ began to develop a process to identify potential providers for the OMNIA Health Alliance in January 2014. Over the course of four months, Horizon BCBSNJ developed and undertook an initial screening process, and prioritized providers based on who would be best positioned to collaborate with Horizon BCBSNJ to deliver cost efficient care while delivering better outcomes and patient experience to our members.

When implementing our strategy, including selecting potential partners, we chose not to issue a Request-for-Proposal because it would have signaled to the market, including competitors, that we were undertaking a new competitive strategy. Our approach is consistent with how most health insurance companies develop new products. Other managed care companies such as Aetna and AmeriHealth also have tiered products in New Jersey. However, to ensure that we were fair and objective, we brought in a healthcare management consulting firm to develop and administer an evaluation process.

Horizon BCBSNJ set out to identify both hospital and physician-based providers who could become effective Organized Systems of Care. To identify potential OSC partners, Horizon BCBSNJ developed a prioritization process using a number of factors measuring a provider's willingness and ability to move to value-based care delivery system. We used the same factors for both hospitals and physician partners, although the specific metrics differed to reflect differences in the roles of each provider type. 75% of the metrics used for hospital scoring were based on objective data, the majority of which was drawn from publicly available sources. The remaining metrics were based on Horizon BCBSNJ's decades of experience working with each provider organization.

Every individual hospital in Horizon BCBSNJ's broad access network was evaluated using these criteria; results were aggregated at the system level.

Six specific criteria were used in the initial prioritization. We believe that these factors effectively measure a provider's willingness and ability to move to value-based care delivery over time.

- **Clinical quality**, which is composed of performance on standardized, publicly available ratings of clinical processes and outcomes
- **Service offering across continuum of care**, representing the range of clinical services offered by hospitals (including inpatient, outpatient, post-acute, ambulatory, and other ancillary care), and specialties and range of admitting privileges of physician groups
- **Consumer preference data**, Strength of reputation and performance on patient surveys as proxy for how attractive inclusion would be for current or potential customers
- **Value-based care capabilities** including current, or demonstrated investments in, capabilities required for value-based care and capacity of financial resources to support a transition from a volume-based reimbursement model to a value-based model

- **OSC scale**, encompassing the current system's size and scale, and the share of Horizon BCBSNJ membership served
- **Commitment to value-based care** based on a willingness and long-term commitment of leadership to change their business models from fee-for-volume to fee-for-value

Details of specific metrics used for each are included below.

*Remainder of Page Intentionally Left Blank*

**Specific metrics used in prioritization of hospital-based OSCs**

Criteria and Description	Metrics and Data Sources
<p><b>Clinical Quality</b> Performance on standardized, publicly available ratings of clinical processes and outcomes</p>	<ul style="list-style-type: none"> <li>▪ 30-day readmission performance for Acute Myocardial Infarction (AMI), Heart Failure (HF), Pneumonia (PN) <i>Source: CMS AMI/HF/PM readmission ratios (predicted/expected)</i></li> <li>▪ CMS Process of Care scoring <i>Source: 2013 composite Clinical Process of Care scores</i> CMS Process of Care Score is comprised of the following performance metrics:               <ul style="list-style-type: none"> <li>▪ AMI-7a (Acute Myocardial Infarction): Fibrinolytic Therapy Received Within 30 Minutes of Hospital Arrival</li> <li>▪ AMI-8a (Acute Myocardial Infarction): Primary PCI (Percutaneous Coronary Intervention) Received Within 90 Minutes of Hospital Arrival</li> <li>▪ HF-I (Heart Failure): Discharge Instructions</li> <li>▪ PN-3b (Pneumonia): Blood Cultures Performed in the Emergency Department Prior to Initial Antibiotic Received in Hospital</li> <li>▪ PN-6 (Pneumonia): Initial Antibiotic Selection for Community-Acquired Pneumonia (CAP) in Immunocompetent Patients</li> <li>▪ SCIP-Inf-1 (Surgical Care Improvement Project-Infection): Prophylactic Antibiotic Received Within One Hour Prior to Surgical Incision</li> <li>▪ SCIP-Inf-2 (Surgical Care Improvement Project-Infection): Prophylactic Antibiotic Selection for Surgical Patients</li> <li>▪ SCIP-Inf-3 (Surgical Care Improvement Project-Infection): Prophylactic Antibiotics Discontinued Within 24 Hours After Surgery End Time</li> <li>▪ SCIP-Inf-4 (Surgical Care Improvement Project-Infection): Cardiac Surgery Patients with Controlled 6:00 a.m. Postoperative Serum Glucose</li> <li>▪ SCIP-Inf-9 (Surgical Care Improvement Project-Infection): Urinary Catheter Removal on Postoperative Day 1 or Postoperative Day 2</li> <li>▪ SCIP-Card-2 (Surgical Care Improvement Project-Cardiovascular): Surgery Patients on a Beta-Blocker Prior to Arrival Who Received a Beta-Blocker During the Perioperative Period</li> <li>▪ SCIP-VTE-1 (Surgical Care Improvement Project-Venous Thromboembolism): Surgery Patients with Recommended Venous Thromboembolism Prophylaxis Ordered</li> <li>▪ SCIP-VTE-2 (Surgical Care Improvement Project-Venous Thromboembolism): Surgery Patients Who Received Appropriate Venous Thromboembolism Prophylaxis Within 24 Hours Prior to Surgery to 24 Hours After Surgery</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>▪ CMS outcomes metrics <i>Source: 2013 composite outcome score, based on Pneumonia, Acute Myocardial Infarction, and Heart Failure mortality rates</i></li> </ul>
<p><b>Service Offering Across Continuum of Care</b> Range of clinical services offered, including inpatient, outpatient, post-acute, ambulatory, and ancillary care</p>	<ul style="list-style-type: none"> <li>▪ Count of service lines offered by hospital (e.g., cardiac, long term care) <i>Source: AHA survey</i></li> <li>▪ Average diagnosis-related group(DRG) weighting <i>Source: 2013 CMS Case Mix Index (CMI) scores , weighted by NJ AHA admissions size within system</i></li> </ul>
<p><b>Consumer Preference Data</b> Strength of reputation and performance on patient surveys as proxy for how attractive inclusion would be for current or potential customers</p>	<ul style="list-style-type: none"> <li>▪ National and/or local ranking in U.S. News and World Report <i>Source: US News Ranking 2013-2014</i></li> <li>▪ Patient ratings of hospitals <i>Source: 2013 CMS HCAHPS survey, containing 21 patient perspectives on care and patient rating items that encompass nine key topics:</i> <ul style="list-style-type: none"> <li>▪ <i>Communication with doctors</i></li> <li>▪ <i>Communication with nurses</i></li> <li>▪ <i>Responsiveness of hospital staff</i></li> <li>▪ <i>Pain management</i></li> <li>▪ <i>Communication about medicines</i></li> <li>▪ <i>Discharge information</i></li> <li>▪ <i>Cleanliness of the hospital environment</i></li> <li>▪ <i>Quietness of the hospital environment</i></li> <li>▪ <i>Transition of care</i></li> </ul> </li> <li>▪ % of NJ residents who chose each hospital as their preferred from Horizon’s internal surveys <i>Source: Horizon member survey</i></li> </ul>
<p><b>Value-based Care Capabilities</b> Current or demonstrated investments in capabilities required for value-based care and capacity of financial resources to support transition to value- based care</p>	<ul style="list-style-type: none"> <li>▪ Assessment of the provider's IT infrastructure</li> <li>▪ Cash on hand as a proportion of net patient revenue <i>Source: AHA data</i></li> </ul>
<p><b>OSC Scale</b> Encompassing the current system’s size and scale, and the share of Horizon membership served</p>	<ul style="list-style-type: none"> <li>▪ Share of Horizon's hospital allowed charges</li> <li>▪ Share of total patient revenue among hospital systems</li> <li>▪ Number of beds <i>Source: AHA data</i></li> </ul>
<p><b>Commitment to Value-based Care</b> Willingness and long-term commitment of leadership to change their business models from</p>	<ul style="list-style-type: none"> <li>▪ Rating of the organization as a collaborative partner</li> <li>▪ Extent to which the provider has demonstrated active initiatives in population health / cost-saving initiatives</li> <li>▪ Understanding from provider that the future is going to require a reduction in cost of care</li> </ul>

fee-for-volume to fee-for value	<ul style="list-style-type: none"> <li>▪ Demonstration of the organization’s urgency to act</li> <li>▪ Alignment of CEO, CFO and clinical leadership on movement towards to value-based care</li> </ul>
---------------------------------	---

Horizon BCBSNJ drew from a number of publicly available sources for many of the metrics. These sources included:

- American Hospital Association (for hospital volumes, service line offerings, and finances)
- Centers for Medicare and Medicaid Services (for clinical quality rankings, including process of care, outcomes of care, readmission rates, and HCAHPS satisfaction scores)
- US News and World Report (for rankings of hospitals)
- National Committee for Quality Assurance (for Healthcare Effectiveness Data and Information Set on physician quality)

Where data was not publicly available, Horizon BCBSNJ used its own data and experience. These sources included:

- Claims data to understand the utilization patterns of patients, and specialties of providers
- “Voice of the Customer” surveys to evaluate provider reputation among patients

The market for health insurance in New Jersey is highly competitive. Understanding that all of Horizon BCBSNJ’s competitors have publicly stated intentions to pursue similar strategies and knowing that it would take considerable time to negotiate mutually acceptable arrangements for such a complex undertaking, we did not want to signal our intentions prematurely to competitors.

Horizon BCBSNJ held discussions with potential OSC partners who were identified during the evaluation process. In these discussions, Horizon BCBSNJ confirmed each provider’s commitment to pursue value-based care and willingness to offer unit costs that would enable Horizon BCBSNJ to offer attractive premium rates to our customers. At no time during the prioritization process did Horizon BCBSNJ consult with providers on the inclusion of or exclusion of other providers.

All other providers in Horizon BCBSNJ’s broad managed care network were included in a second tier of the OMNIA network at their normal managed care network rates.

**III. Identifying additional OMNIA Tier 1 hospitals**

As part of our mission to serve the entire state of New Jersey, Horizon BCBSNJ wanted to ensure there were OMNIA Tier 1 hospitals throughout the state. After establishing the partnerships for the OMNIA Health Alliance, Horizon BCBSNJ added Tier 1 providers to ensure geographic coverage for all parts of the state, consistent with NJ state regulations regarding geo-access requirements. Additional Tier 1 hospitals were identified based on locations that were not already covered by OMNIA Health Alliance partners, breadth of services, and market preference. As with the OMNIA Health Alliance partners,

Horizon BCBSNJ held discussions with identified Tier 1 hospitals to confirm their willingness to participate.

#### **IV. Identifying additional OMNIA Tier 1 physicians**

In determining the OMNIA Tier 1 participation status of physicians and other health care professionals, Horizon BCBSNJ considered Primary Care Practitioners (PCPs), physicians in selected specialties and hospital-based physicians in certain specialties. 63% of the 38,956 physicians and other healthcare professionals in the Horizon Managed Care Network are designated as OMNIA Tier 1.

The criteria used to determine OMNIA Tier 1 participation status varied based on the type of physician/other health care professional being evaluated. All Ancillary providers (e.g., durable medical equipment providers) are considered OMNIA Tier 1.

Please note that OMNIA Tier status was determined at the group practice level. This means that **all** physicians and other health care professionals affiliated with, or practicing under or on behalf of a group practice, were designated to participate with OMNIA Health Plans at the same tier when treating members under that group's Tax ID Number (TIN).

##### ***PCP Criteria***

Horizon Managed Care Network PCPs were designated as OMNIA Tier 1 providers based on their participation with a group practice that is part of, or aligned with, the OMNIA Health Alliance and Horizon BCBSNJ patient-centered programs, such as our Patient-Centered Medical Home and Accountable Care Organization programs. 54% of the Primary Care Physicians participating in the Horizon Managed Care Network are in Tier 1 of the OMNIA network.

##### ***Specialist Criteria***

Horizon Managed Care Network specialty practices within certain specialties (i.e., Allergy & Immunology, Cardiology, Cardiothoracic Surgery, Cardiovascular Surgery, Chiropractic Medicine, Dermatology, Endocrinology, Gastroenterology, General Surgery, Hematology, Hematology Oncology, Neurological Surgery, Neurology, Oncology, Ophthalmology, Orthopedic Surgery, Otolaryngology, Plastic & Reconstructive, Surgery, Podiatry, Pulmonology, Reproductive Medicine, Rheumatology, Urology, and Vascular Surgery) were evaluated for OMNIA Tier status based on one or more of the following criteria.

***Cost efficiency metrics*** – Horizon BCBSNJ analyzed risk-adjusted cost efficiency data at the group practice level using Episode Treatment Group (ETG) data. To qualify for ETG analysis, practices needed to have a minimum of 50 episodes of care for services provided between July 2013 and June 2014 that were processed on claims no later than September 2014.

***Admitting privileges*** – Horizon BCBSNJ reviewed physicians admitting privileges and referral patterns to OMNIA Tier 1 hospitals, where applicable for the specialty in question.

***Geographic Access*** – Horizon BCBSNJ analyzed geographic access and coverage standards to ensure projected member access to PCPs and specialists.



Physicians and other health care professionals in other specialties who were not evaluated were designated as OMNIA Tier 1. 60% of physician specialists and 75% of other healthcare professionals participating in the Horizon Managed Care Network are OMNIA Tier 1.

### ***Hospital-based Specialist Criteria***

The OMNIA tier status for participating hospital-based physicians (anesthesiologists, radiologists, pathologists and emergency room physicians providing services within a hospital) in the Horizon Managed Care Network are aligned with the OMNIA tier status of the network hospital at which they practice. For example, if a group practice of participating hospital-based physicians practices at an OMNIA Tier 1 hospital, that participating hospital based practice is OMNIA Tier 1. For instances where a participating hospital based practice provides services at both an OMNIA Tier 1 and a Tier 2 hospital, that group practice was designated as OMNIA Tier 1.

## **V. Response on the proposed suspension of OMNIA products**

Horizon is not taking away any of our standard, broad network health plans. On the contrary, it is providing New Jersey consumers with new, lower cost health plan options to choose, if they wish. OMNIA health plan members will have the choice of seeking care at specific hospitals and doctors, if they wish to save additional out-of-pocket costs, on top of lower monthly premiums. Importantly, however, OMNIA health plan members will not lose access to any network doctor or hospital they currently use. Therefore, a delay in releasing our OMNIA health plans would take away from consumers a more affordable coverage option that provides access to all of Horizon BCBSNJ's network hospitals and doctors, the largest networks in the state.

Moreover, all of Horizon BCBSNJ's competitors will have tiered network products, similar to our new OMNIA health plans, in the New Jersey market for 2016. Aetna, our only SHBP competitor, will also be offering its own new tiered product to compete with ours. Aetna, as far as I know, has not been asked to delay the release of its new tiered product, which would provide a significant advantage to an out-of-state, national competitor. Furthermore, the SHBP alone controls the release of its product portfolio for public employees.

Furthermore, we are currently projecting approximately 255,000 consumers will choose the new OMNIA health plans in 2016, more than 70% of which will be in the individual or small group markets and are most sensitive to the high cost of health care. We also project that 40,000 currently uninsured individuals will now be able to afford health insurance because the OMNIA health plans will have premiums, on average, that are 15% lower than our standard plans. Any delay would jeopardize the ability for those uninsured residents to obtain affordable health insurance.

Finally, this document demonstrates that Horizon BCBSNJ undertook a rigorous and exhaustive process to select its OMNIA Health Alliance partners and additional Tier 1 providers. This process was administered by a healthcare management consulting firm to ensure objectivity and fairness. Horizon BCBSNJ remains committed to answering your questions to the extent permitted by confidentiality requirements, and to educating consumers about the product and Alliance. However, we strongly believe

that this conversation should not delay the release of new plans that offer New Jersey residents lower-cost, value-based care.

For the foregoing reasons, Horizon BCBSNJ cannot delay the release the OMNIA health plans. I hope you understand how these new plans will benefit New Jersey residents with another lower cost choice for health insurance. I remain open to answering any additional questions you may have.

## **VI. Agreements for the OMNIA network**

### ***OMNIA Health Alliance Members:***

Each OSC partner has signed rate agreements to participate as a Tier 1 provider for the OMNIA Health Plans. Each OMNIA Health Alliance partner has provided contractual commitments to collaborate with Horizon on the advancement of population health management initiatives and on the development of a high-value integrated health care delivery system and financing model. The OMNIA Health Alliance members are as follows:

- Atlantic Health System
  - Chilton Medical Center
  - Morristown Medical Center
  - Newton Medical Center
  - Overlook Medical Center
  
- Barnabas Health
  - Clara Maas Medical Center
  - Community Medical Center
  - Jersey City Medical Center
  - Monmouth Medical Center
  - Monmouth Medical Center, Southern Campus
  - Newark Beth Israel Medical Center
  - Saint Barnabas Medical Center
  
- Hackensack
  - Hackensack UMC at Pascack Valley
  - Hackensack University Medical Center
  - Hackensack UMC Mountainside
  
- Hunterdon Medical Center
  
- Inspira Health System
  - Inspira Medical Center Elmer
  - Inspira Medical Center Vineland

- Inspira Medical Center Woodbury
- Robert Wood Johnson Health System
  - RWJ University Hospital Rahway
  - RWJ University Hospital Somerset
  - RWJ University Hospital New Brunswick
  - RWJ University Hospital Hamilton
- Summit Medical Group

***Non-Alliance Tier 1 Hospitals:***

Non-Alliance OMNIA Tier 1 hospitals have also signed rate agreements to participate as an OMNIA Tier 1 hospital for the OMNIA Health Plans. Non-Alliance OMNIA Tier 1 hospitals that have signed contracts to participate as OMNIA Tier 1 hospitals are as follows:

- AtlantiCare
  - Atlanticare Regional Medical Center – Mainland
  - Atlanticare Regional Medical Center – Atlantic City
- Cape Regional Medical Center
- Cooper Hospital/University Medical Center
- Englewood Hospital and Medical Center
- Meridian Health
  - Bayshore Community Hospital
  - Jersey Shore University Medical Center
  - Ocean Medical Center (Brick)
  - Riverview Medical Center
  - Southern Ocean Medical Center
- Shore Medical Center
- St. Joseph’s Healthcare System
  - St. Joseph’s Hospital and Medical Center
  - St. Joseph’s Wayne Hospital
- University Medical Center of Princeton at Plainsboro

Please see the accompanying document for a complete list of Horizon BCBSNJ’s OMNIA Tier 1 providers.