

The Future of Healthcare: How Industry Leaders See It 4.23.14

A recap of the discussion featuring...



Ken Olson, President of Horton Benefit Solutions, which advises large and small employers on healthcare and insurance matters.

thehortongroup.com



Dan Yunker, CEO of Land of Lincoln Health, the first non-profit health insurance company in Illinois governed by its consumers.

landoflincolnhealth.org
[@yunks21](https://twitter.com/yunks21)



Michelle Gaskill, President of Advocate Trinity Hospital on the southeast side of Chicago serving more than 90,000 patients annually.

advocatehealth.com
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Roger Crockett, President R.O. Crockett Leadership Advisory, panel moderator

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The Affordable Care Act (ACA) was touted as a bill for the better—legislative CPR that would breath new life into the American healthcare system for the good of all. The new policy is supposed to extend coverage to those previously without it, increase access to coverage, boost competition among payors, and limit restrictions from insurance companies. However, the rollout has been undermined by computer glitches, missed deadlines, underwhelming enrollment, and intense Congressional opposition. So, is healthcare reform working? How is it impacting business and patients? What innovations in the delivery of care can we anticipate?



Crockett sat with three top industry executives during a panel discussion April 23rd at the Metropolitan Club of Chicago: **Michelle Gaskill**, President of **Advocate Trinity Hospital** on Chicago's southeast side; **Ken Olson**, President of **Horton Benefit Solutions**, which advises large and small employers on healthcare and insurance matters; and **Dan Yunker**, CEO of **Land of Lincoln Health**, the first non-profit health insurance company in Illinois governed by its consumers. In the lively discussion, co-sponsored by **Heidrick & Struggles**, we dissected the shifting sands of healthcare. Here are edited excerpts:

On whether the ACA is working?



Gaskill: It's working for some but there are a lot of challenges for some also. From the provider (hospital) perspective there are a number of pressures that we are still trying to figure out. There are cost pressures that providers are having to deal with associated with the ACA that will have some unintended consequences. We have dramatic cuts that are coming with Medicaid and Medicare. As those happen, hospitals are struggling to try to rebound. And some of the unintended consequences may be hospital closures and hospital consolidation.



Olson: For businesses we have to separate the Act for businesses under 50 employees and businesses over 50 employees. Businesses under 50 employees are supposed to move in 2014 to the new process and on average that caused a substantial increase in health costs for employees. So many small businesses opted to take some transition relief that was offered and were able to push off that piece increase until the end of this year.

When you go over 50 employees there has been a lot of administrative load, such as new employer reporting about who has affordable coverage and who doesn't have affordable coverage. But access has improved for those folks that leave a company and have COBRA continuation. They have coverage for life events that they have never had before. So folks leaving companies and in transition have freedom to get coverage where prior to the Act they didn't have that ability.



Yunker: As we saw the uptick in the ACA online exchange working, we saw an adoption and consumption of coverage. We have to pause and realize the Medicare system had a slow start when it

was introduced (in 1965). The American public has to understand this. It's very complex. It's not simple. If change is the goal here, it's working.

On the cost of healthcare



Gaskill: The intent was never that the cost would go down for patients. The intent is that we would change the curve. It would not rise as fast as it was. Hospitals were supposed to benefit because under the Act more people would be insured, and hospitals would see some of those costs come through. But we believe that is a little bit of a misnomer. The insurance exchanges or marketplaces [which allow consumers who do not get health coverage at work to shop online for plans that meet basic standards] are a little bit like going on Travelocity. You don't necessarily see the fine print. When you see a travel package you don't see the taxes and some of the other costs, but on the back end it's a much larger cost. We believe many people are seeing the premiums, but they don't see that the deductible in many cases is very high. My hospital has a higher percentage of uninsured. And many of the people who have insurance but don't realize that they have to meet a \$5,000 to \$8,000 deductible. But there is immense pressure on hospitals to eliminate waste and reduce costs. At Advocate Trinity we are working to eliminate \$650 million out of our expense base over the next 5 years. We have the intent of curbing the costs that are rising, but it will be a while before that hits the consumer.



Olson: Employers are not seeing any rate relief. The growth in rates is almost 1% a month. Employers are not happy about it. They have a lot of employees that have a cost of living raise, and then have to turn around and put that into rising healthcare costs. Our hope is that costs will go down because hospitals don't have to pay for uncovered care. At the beginning of March, Illinois was looking at 1.6 million uninsured (not including 200,000 undocumented). Of that, about half a million are eligible for the new expanded Medicaid, with 300,000 of those signed up. So that's good. As far as the online marketplace in Illinois, out of about 1.1 million people we have just over 100,000 signed up. That leaves a tremendous amount of people still in an uninsured situation.

Most of the consumers that we represent thought that healthcare reform meant free insurance and good insurance. Well, it is good catastrophic insurance. What it doesn't do for most people is give them good first-dollar coverage. It's there for wellness. But you're still looking at \$5,000 and up for the deductible. It would help if there were a subsidy to ease the out-of-pocket costs, but there is not much assistance except for the very low qualifying folks.



Yunker: Let's pause for a second and realize we are just over one quarter into the health care reform. Remember that the trend lines were already showing year-over-year increases in premiums before reform. You can't have an immediate decline in costs after one quarter. Illinois is off to a slow start, I agree. But this is an evolution, this is a road that we are on. You can't expect the world to turn over that fast.



Olson: Yes, but our small employers are really fed up. One year they get a 2% decrease and the next year they get a 38% increase. It goes back and forth. And sometimes there's the horrible situation when they get multiple-year 35% increases.



Yunker: As a CO-OP (Consumer Operated and Oriented Plan), legislatively, we have to invest back into the stabilization or reduction of premiums. The 23 states that have a CO-OP in the country today have lower premium products than any other states. We had 8 months to get a health plan together toward the end of 2013. But by 2015 we will really get to execute our business plan. We think the small business community will really value our product plans.

On healthcare innovations and hospitals of the future



Gaskill: Hospitals have moved from a model where volume was good. We had a fee for service model where the more patients we see in hospitals the more strength financially a hospital is considered to have. Now we have a model where hospitals and providers are having to manage populations — you've heard the term Accountable Care Organizations. Well, as ACOs, hospitals are set up to go at risk to manage a pool of patients, and with much more focus on improving quality. We go at risk to manage a patient's health. It's not

about more visits for patients, or more surgeries, which used to lead to more profitability for the provider. Now it's the reverse. The impetus is on getting the patient out of the hospital. The focus is on preventative healthcare. How do we make sure we give the discharge instructions and help patients manage their disease well so they get better and they don't keep using the care. You're seeing hospitals move into social media and find ways to engage the consumer and educate them. But all of that is costing more money. I think we are going to see hospital closures, because all of the innovations we're talking about — reshaping the model and innovating — has administrative costs. So we're in a survival of the fittest mode, and those hospitals, especially independents in areas that are already underserved, will struggle.

What does that mean for hospitals of the future? It means our utilization is going to go down. If we do this well we will have less beds filled. Advocate Healthcare was one of the first to move to an ACO model and we have seen our utilization drop. That is a challenge financially now, but we believe that is the wave of the future. There will be much more focus on critical care. On those that are very sick. And we have moved into having more technology. For example, we have a centralized team of physicians and nurses, in a remote location, who can see every monitor and every blip on the radar for every patient at all of the hospitals in the system.



Yunker: Reform is creating more consumerism. Look at how insurance coverage is procured. When people are choosing those products they are voting on who they are going to do business with and what products they are going to buy. Individuals are making important types of decisions based on the price to be paid. So the healthcare system (insurers, for example) is going to transform to say I want to be part of these products because these are the products that are in demand or that the insurer wants to do business in. That is such a fundamental change. When a company like Horton Benefit Solutions comes in and advises employers, the conversation is now very different. It is now about the individual and on the consumer level. And the insurance products that the employer is offering better have access to convenient healthcare because the consumer buys on price and convenience.

There hasn't really been much responsibility taken for engagement. Who is really engaging consumers and educating them on the new options and environment?

What's exciting is that there are conversations taking place between the adviser and the insurance company and the provider. We're all getting together with the employer to try to solve the problem of serving the employee base and getting them engaged in their own health in new ways.