



PARTNERSHIP YIELDS MINNESOTA'S LARGEST ACO, NEW EMPLOYER HEALTH PLAN

Health systems, Navigant focus on clinical integration to guide PreferredHealth formation

CHALLENGE

As pressure from the government, private payers, and consumers to deliver better value increases, progressive health systems are contemplating how to facilitate an enterprise-wide transformation across the continuum of care. For some, this entails a merger and acquisition approach, but for others operating in a fiercely competitive market, a more creative solution is required.

Recognized as a leader in healthcare, Minnesota consistently ranks among the best-performing states in coverage, access to high-quality care, overall health, and the total cost of care, particularly in Medicare populations. Nevertheless, employers and consumers in the Twin Cities market of Minneapolis and St. Paul voiced the need for a better healthcare option. Three independent health systems – Fairview Health Services, HealthEast, and North Memorial Hospital – were each on individual paths to respond to this charge. Although all three organizations demonstrated success in shared savings contracts with private health plans, the leaders of the respective systems recognized a common set of challenges:

1. Insufficient geographic coverage across the Twin Cities market to meet consumer needs regarding access
2. Escalating investments costs required to build a population health infrastructure
3. A need to create differentiation in a market with a strong prevalence of integrated delivery networks

With a merger not desired or feasible due to multiple constraints, the health systems sought an alternative option to address these three barriers.

SOLUTION

In 2013, Fairview, HealthEast, and North Memorial partnered with Navigant to design a coordinated and comprehensive blueprint to enable effective population health management and position all three organizations for sustainable growth.

The parties identified their solution to be a partnership using clinical integration as its foundation. Clinical integration – a collaborative effort to actively develop a shared clinical program with initiatives to improve the quality and control the costs of healthcare – is an increasingly popular imperative for providers in their journey to value. It offers the opportunity to improve care under a contracting model that harvests and monetizes the value of such improvements. Importantly for the three organizations, it provides an alternative for securing the benefits of collaboration without the ownership change required under a merger or acquisition.

The transition to a clinical integration model is not easy, even for systems with a long history of innovation. Navigant guided the three health systems through a process to reach the goals of each organization with these key activities:

- External assessment of market dynamics
- Organizational readiness evaluation
- Legal structure and operating model design
- Implementation plan development
- Go-to-market action steps formation

Upon its formation, the partnership began to create a shared clinical integration program to underpin its efforts. Clinicians from each respective network, inclusive of independent and employed physicians, collaborated around three focus areas: readmissions, emergency department utilization, and women's health.

PREFERREDHEALTH SUCCESS INDICATORS

HIGHER QUALITY

Quality Index

When you look at the top five conditions that drive costs and savings you will find that PreferredHealth providers (Fairview, North Memorial, HealthEast) achieve high quality index factors compared to non-PreferredHealth providers. A quality index over one means higher quality.

Top 5 Conditions	PreferredHealth Quality Index
Cardiology	1.04
Endocrinology	1.03
Gastroenterology	1.08
Orthopedics	1.01
Mental Health/Substance Abuse	1.01

WHAT'S THE SECRET?

PreferredHealth Team

The secret is proactive outreach to members who we identify as needing a more engaged approach to their care. The top five conditions typically make up over 50 percent of medical spend. PreferredHealth's care system navigators and care coordinators connect with PreferredHealth members and provide information and services to assist them in getting the right care at the right time.

	MEMBER
	ONBOARDING
	NAVIGATOR
	CARE TEAM

PREFERREDHEALTH MEMBERS

From the largest employer in Minnesota to companies with 100 employees, PreferredHealth has seen significant membership growth.



“The heart of clinical integration is care coordination. By working together as payer and providers, we can effectively identify and proactively reach out to patients who need care. Navigant’s approach to uniting culture and strategy will sustain our organization well into the future.”

/ AARON BLOOMQUIST, CHIEF FINANCIAL OFFICER
NORTH MEMORIAL HEALTHCARE

IMPACT

The pursuit of clinical integration provided the vehicle for Fairview Health, HealthEast, and North Memorial to offer the state’s largest accountable care organization (ACO) to payers. The parties collaborated with PreferredOne, a local health plan, to offer a new group employer health plan called PreferredHealth. The network provides access to more than 5,000 providers, 625 primary and specialty clinics, and 13 hospitals, in addition to a value-based insurance benefit design featuring a concierge line, full on boarding, and travel coverage.

Since its launch in 2013, PreferredHealth has demonstrated tangible success, as defined by the following indicators:

- An 11 percent lower risk-adjusted total cost of care index compared to a large open access network
- A 10 to 15 percent differential in premiums paid by employers and employees
- A superior quality index factor for the top five conditions that drive costs (cardiology, endocrinology, gastroenterology, orthopaedics, and mental health/substance abuse)
- A 470 percent increase in covered lives - from 7,000 to 40,000 members

The partnership continues to develop innovative models for delivering high-value care to the community using the chasis of clinical integration.

LARGEST ACO NETWORK

The Largest ACO Network in Town

No other ACO gives employees access to more primary care, specialty care, and hospitals than PreferredHealth. And employees do not have to pick a clinic or get a referral, it is open access.



LOWER COST

11 Percent Lower Risk-Adjusted Cost Index

With PreferredHealth the total cost of care index is 11 percent less* than our open access network. See the positive difference in these key metrics.

	Health Risk	Inpatient Days per 1000 Members	Average Length of Stay	ER Visits per 1000 Members	Rx per 1000 Members
PreferredHealth	1.08	256	4.30	161	7,464
Open Access	1.00	297	4.53	175	8,093

*2014 data

About Fairview Health Services

Fairview Health Services has 22,000 employees, 2,500 affiliated physicians, more than 40 primary care clinics, 10 hospitals and a variety of other care facilities. The system partners with the University of Minnesota and owns the University of Minnesota Medical Center, Fairview and the University of Minnesota Amplatz Children's Hospital.

About HealthEast

HealthEast is the leading healthcare provider in the Twin Cities East Metro area. With nearly 7,500 employees and 850 physicians on staff, four hospitals, 14 clinics, home care, and medical transportation, the focus is optimal health and well-being for patients, communities and the HealthEast organization.

About North Memorial

North Memorial Health Care is a comprehensive healthcare system that serves the north, central and west communities in the Twin Cities metro area. The system includes two hospitals and metro-wide network of primary, specialty and urgent care clinics; outpatient centers; medical transportation and home and community outreach, and is a regional leader in advanced medical care.

About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant's professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the Firm primarily serves clients in the healthcare, energy and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant's practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at navigant.com.

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