INDUSTRY SURVEY
HEALTHLEADERS MEDIA 2011

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Health Plans: Embracing ACOs, but Not Reform

While health plan leaders are generally wary of healthcare reform and other changes occurring in the industry, they are optimistic about the outlook of their own organizations—particularly when it comes to accountable care organizations.

OF **HEALTH PLAN LEADERS** SURVEYED:

24 **PERCENT** Say the healthcare industry is on the right track

61 **PERCENT** Say overutilization of services is among the top three drivers of healthcare costs, making it the overall No. 1 driver

3 **PERCENT** Say healthcare reform will help the private insurance industry

About 68% of health plan leaders responding to the *2011 HealthLeaders Media Industry Survey* said ACOs will have a strongly positive or positive impact on their organization in the next three years, while just 6% believe it will have a negative impact. Additionally, 44% say they will develop an ACO in the next five years and 24% say they already have the components in place.

"To me this suggests that survey respondents who are aware and believe these changes are coming, are embracing the changes," says Deborah Gordon, senior director of marketing for Network Health in Medford, MA. "The relatively large neutral responses suggest to me that perhaps a segment of respondents is on the fence about whether [ACOs] will really develop into major trends or not. There was virtually no negative response to these—that's great news."

Despite many health plan leaders embracing accountable care, an integral component of healthcare reform, a majority is pessimistic about the new law.

About 57% of health plan leader respondents said healthcare reform has financially weakened their organization and 42% think it will hurt the private insurance industry.

"I think that negative perceptions of health reform seem grounded in a general level of public confusion and fear of the unknown," Gordon says. "We have had these developments in place in Massachusetts since 2006, and while not perfect, we have done a lot of good for the people in Massachusetts by expanding access to care and coverage to virtually everyone. The mandates, while not everyone's favorite tool, definitely had a major impact on driving enrollments and balancing the risk pool. As such, they played a vital role and I wish others could understand that."

Healthcare reform may also be to blame for the decline of patient experience and patient satisfaction among health plan leaders' top priorities this year. About 38% of respondents to the 2010 survey ranked patient experience/patient satisfaction as a top-three priority for the next three years, ranking second of 19 possible priorities. But 2011 survey respondents seem to have lost focus of the patient, resulting in it falling to seventh place, with just 25% of respondents choosing it as a top-three priority. Cost reduction, care coordination, reimbursement, quality/patient safety, technology system/equipment, and developing an accountable care organization each ranked higher than patient experience/patient satisfaction this year.

It's ironic that healthcare reform changes may have swayed the realignment of health plan leaders' priorities away from patient experience because it is a key component to successful reform, Gordon says.

"In no other business could you even consider not factoring in the customer's preferences, needs, or demands," she says. "But in healthcare, patients aren't always viewed as 'customers' because they aren't always paying the bill. However, they are central to making any reforms work."

But there may be some positives in how health plan leaders intend to respond to healthcare reform, Gordon says.

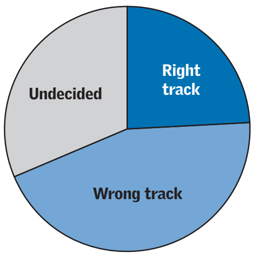
> "I think that negative perceptions of health reform seem grounded in a general level of public confusion and fear of the unknown."

About 62% of respondents said they are going to expand existing coverage options and create new coverage options. About 40% said they plan to actively seek to enroll the previously uninsured and about 28% said they will expand their own staff.

"I see real opportunity in this market," Gordon says. "People are saying they'll hire more people and create/expand coverage options. That should serve organizations and customers well, not to mention the potentially positive effect on the economy as this segment of the market grows and evolves."

—MARIANNE AIELLO

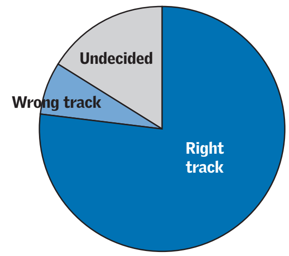
1. Overall, how do you assess the current state of the healthcare industry?



- Right track – 24%
- Wrong track – 44%
- Undecided – 31%

BASE: 70

2. Overall, how do you assess the current state of your own organization?



- Right track – 77%
- Wrong track – 7%
- Undecided – 16%

BASE: 70

3. Rank your organization's top 3 priorities for the next 3 years.

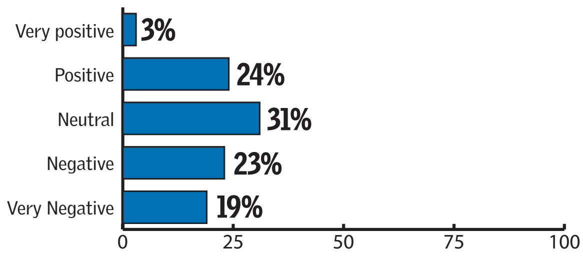
	Priority 1	Priority 2	Priority 3	2011 Percent selected	2011 Rank	2010 Percent selected	2010 Rank	2009 Percent selected	2009 Rank
Cost reduction	26%	18%	15%	59%	1	57%	1	48%	2
Care coordination	13%	18%	6%	37%	2	32%	3	NA	NA
Reimbursement	15%	7%	7%	29%	3	25%	5	34%	4
Quality/patient safety	13%	6%	9%	28%	4	27%	4	55%	1
Technology system/equipment	1%	9%	18%	28%	5	16%	8	14%	7
Developing an accountable care organization	12%	10%	3%	25%	6	NA	NA	NA	NA
Patient experience/patient satisfaction[1]	3%	7%	15%	25%	7	38%	2	37%	3
New clinical products/services	4%	6%	4%	15%	8	13%	9	11%	8
Episode of care/bundled payments	1%	7%	4%	13%	9	2%	18	NA	NA
Revenue cycle	6%	1%	4%	12%	10	21%	6	22%	5
Leadership development	3%	3%	3%	9%	11	5%	16	8%	10
Mergers & Acquisitions	0%	3%	1%	4%	12	11%	11	NA	NA
Physician recruitment and retention	0%	1%	3%	4%	13	16%	7	15%	6 2
Construction/capital improvements	0%	1%	1%	3%	14	7%	13	11%	9
Physician staff ventures/realignment	0%	0%	3%	3%	15	5%	15	7%	11
Dealing with uncompensated care	1%	0%	0%	1%	16	5%	14	NA	NA
Nurse/staff recruitment and retention	0%	1%	0%	1%	18	7%	12	5%	13
Employee satisfaction	0%	0%	1%	1%	17	2%	17	5%	14
Physician employment	0%	0%	0%	0%	19	NA	NA	NA	NA
RACs	0%	0%	0%	0%	20	0%	19	NA	NA
Base				68		56		73	

[1] In 2009, asked as Consumer satisfaction

4. How will the following healthcare issues impact your organization in the next 3 years?

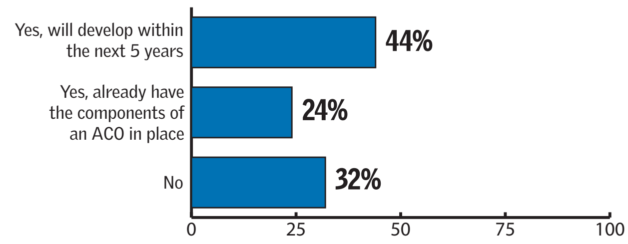
	Strongly Positive Impact	Positive Impact	Neutral	Negative Impact	Strongly Negative Impact	Base
Medical home	24%	47%	24%	5%	0%	66
EHR adoption	23%	38%	35%	5%	0%	66
Accountable care organizations	21%	47%	26%	6%	0%	66
Increase of insured patients	21%	45%	18%	9%	6%	66
Patient experience, patient-centered care	19%	55%	22%	3%	0%	67
Quality improvement initiatives	19%	55%	24%	1%	0%	67
Episode of care/bundled payments	17%	41%	32%	9%	2%	66
Comparative effectiveness research	15%	50%	33%	2%	0%	66
Meaningful use criteria	11%	36%	50%	3%	0%	66
Medicare/Medicaid/Tricare reimbursement rates	10%	12%	25%	34%	18%	67
Private payer reimbursement rates	10%	22%	37%	24%	6%	67
Increased regulatory scrutiny	9%	6%	27%	39%	19%	67
ICD-10	8%	18%	52%	17%	5%	65
Physician supply, specialty care	8%	12%	47%	32%	2%	66
Physician supply, primary care	6%	16%	36%	34%	7%	67
RACs	6%	9%	75%	9%	1%	67
Mergers and acquisitions	4%	24%	61%	9%	1%	67
72-hour payment window	4%	19%	54%	16%	6%	67
Malpractice concerns	3%	5%	61%	29%	3%	66
Organized labor	3%	5%	55%	26%	12%	66
Uncompensated care	2%	6%	38%	38%	17%	66
Stimulus package	1%	16%	51%	19%	12%	67
Nurse supply	0%	9%	52%	34%	4%	67

5. What is your assessment of the Patient Protection Act?



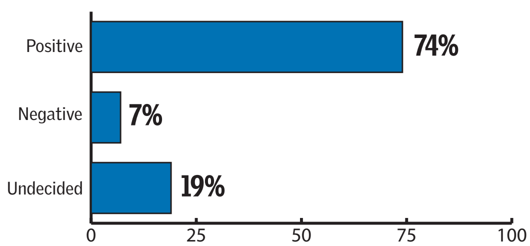
Base: 70

6. Will your organization be part of an accountable care organization within the next 5 years?



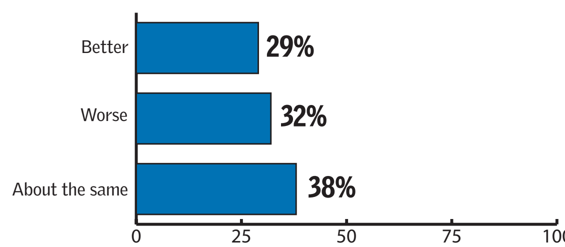
Base: 66

7. How do you view the growing role of mid-level providers in primary care?



Base: 69

8. What is your expectation for your payer-provider relationships in the coming year?



Base: 68

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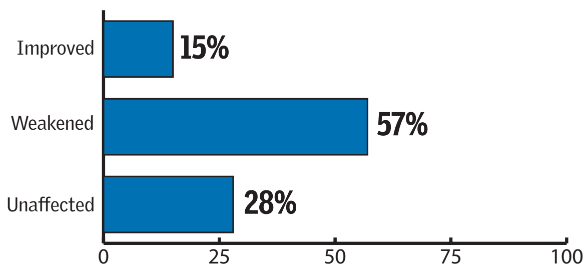
9. Rank your organization's top 3 drivers of healthcare costs.

	No. 1 Driver	No. 2 Driver	No. 3 Driver	2011 Percent	2011 Rank	2010 Percent selected	2010 Rank	2009 Percent selected	2009 Rank
Overutilization of service[1]	30%	19%	12%	61%	1	54%	1	27%	6
Government laws and mandates	30%	16%	12%	58%	2	44%	3	51%	1
Pharmaceuticals	9%	12%	10%	31%	3	30%	4	47%	2
Health plan overhead	4%	12%	10%	27%	4	23%	7	23%	8
Physician inefficiency	4%	7%	13%	25%	5	23%	6	27%	5
Patient lack of responsibility[2]	4%	6%	15%	25%	6	54%	2	26%	7
Clinical technology	6%	9%	9%	24%	7	21%	8	30%	3 (tie)
Labor costs	9%	6%	6%	21%	8	11%	9	15%	10
Medical devices	3%	7%	1%	12%	9	9%	10	19%	9
Hospital errors	0%	4%	7%	12%	10	7%	11	3%	11
Malpractice litigation	0%	0%	3%	3%	11	25%	5	30%	3 (tie)
Base				67		57		73	

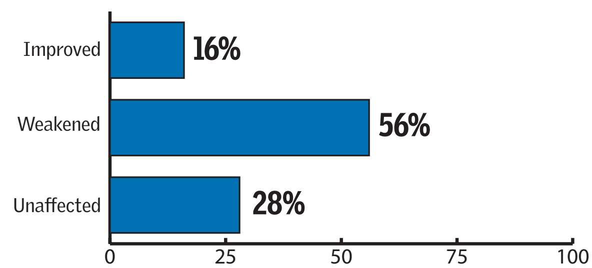
[1] In 2009, asked as Duplication of services
[2] In 2009, asked as Noncompliant patients

10. Describe the impact healthcare reform is having on your organization's financial position.



Base: 68

11. Describe the impact healthcare reform is having on morale at your organization.



Base: 68

12. How would you rate the current quality/status of these aspects of your organization?

	Very Strong	Strong	Neutral	Weak	Very Weak	Base
Dedication to mission	40%	48%	6%	3%	3%	67
Fiscal management	27%	52%	12%	9%	0%	66
Medical quality	27%	55%	16%	1%	0%	67
Care coordination	25%	46%	16%	12%	0%	67
Patient experience	18%	54%	22%	6%	0%	67
Prospects for growth	16%	57%	24%	1%	1%	68
Nursing staff	13%	42%	37%	6%	1%	67
Patient safety	13%	57%	28%	1%	0%	67
Physician staff	11%	38%	50%	0%	2%	66
Construction/capital improvements	7%	31%	46%	10%	4%	67
Physician recruitment and retention	6%	27%	61%	3%	3%	67
Dealing with uncompensated care	1%	13%	70%	9%	6%	67

	2011 Very Strong/Strong	2010 Very Strong/Strong	2009 Very Strong/Strong
Dedication to mission	88%	75%	80%
Medical quality	82%	77%	74%
Fiscal management	79%	66%	72%
Prospects for growth	73%	62%	68%
Patient experience	72%	69%	75%
Care coordination	71%	N/A	N/A
Patient safety	70%	N/A	N/A
Nursing staff	55%	52%	57%
Physician staff	49%	56%	57%
Construction/capital improvements	38%	N/A	N/A
Physician recruitment and retention	33%	N/A	N/A
Dealing with uncompensated care	14%	N/A	N/A

13. Describe your overall job satisfaction.

	2011 Percent	2010 Percent	2009 Percent
Very satisfied	26%	30%	42%
Satisfied	58%	54%	42%
Neutral	12%	12%	11%
Dissatisfied	4%	4%	3%
Very dissatisfied	0%	0%	1%
Base	69	57	73

14. Would you encourage your child to enter a career in the healthcare industry?

	2011 Percent	2010 Percent	2009 Percent
Yes	74%	82%	86%
No	26%	18%	14%
Base	69	57	73

15. How effective are the following measures in improving quality of care?

	Very Effective	Effective	Neutral	Ineffective	Very Ineffective	Base
Using technology such as EMRs and e-prescribing	39%	45%	13%	3%	0%	67
Improved communication among physicians and hospitals	34%	49%	15%	1%	0%	67
Care coordination teams	29%	60%	7%	3%	0%	68
Increased focus on preventive care and patient education	29%	57%	10%	1%	1%	68
Paying physicians based on quality measures	27%	58%	7%	4%	3%	67
Better treatment guidelines or protocols	25%	66%	9%	0%	0%	68
Medical home	24%	48%	24%	0%	3%	66
Withholding payment for "never events"	24%	26%	30%	15%	5%	66
Decision-support tools	23%	61%	14%	2%	2%	66
Employing physicians to enhance alignment	21%	31%	37%	9%	1%	67
Comparative effectiveness	15%	60%	24%	1%	0%	67
Accountable care organizations	12%	47%	35%	5%	2%	66
Remote patient monitoring	10%	57%	28%	4%	0%	67
Transparency/public reporting	10%	52%	25%	10%	1%	67
Low nurse-to-patient ratios	6%	48%	33%	12%	1%	67

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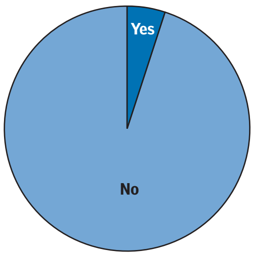
16. Are you offering financial incentives to encourage members to consider domestic medical travel?



Yes – 5%

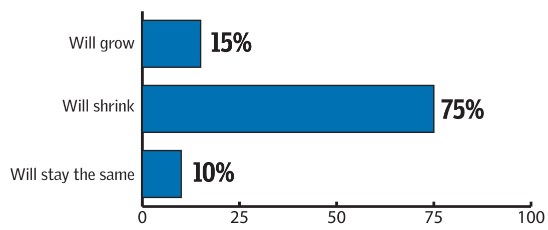
No – 95%

BASE: 65

17. How will these issues impact health plans and managed care in the next 3 years?

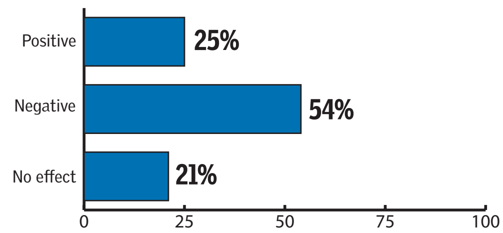
	Strongly Positive	Positive	Neutral	Negative	Strongly Negative	Base
Members' engagement in their own health	32%	56%	11%	0%	2%	66
Cost and quality transparency	20%	65%	9%	6%	0%	66
Medical homes	19%	53%	25%	2%	2%	64
Accountable care organizations	18%	46%	31%	5%	0%	65
Technology, such as personal health records and remote patient monitoring	15%	64%	18%	3%	0%	66
Plan costs and premiums	14%	22%	23%	35%	6%	65
Relationships with physicians	9%	49%	29%	12%	0%	65
Employer-based insurance market	8%	41%	30%	20%	2%	66
Domestic medical travel	5%	15%	68%	11%	2%	66
Individual-based insurance market	5%	35%	34%	20%	6%	65
International medical travel	5%	15%	52%	27%	2%	66
Government intervention/mandates	3%	17%	15%	38%	27%	66

18. What is your outlook for the employer-based health insurance market?



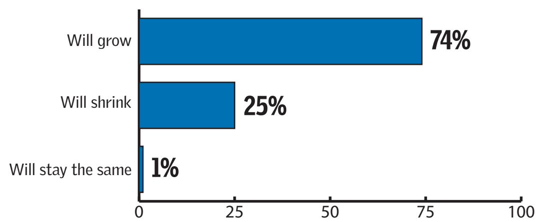
Base: 68

19. And how will that outlook for the employer-based health insurance market affect your organization?



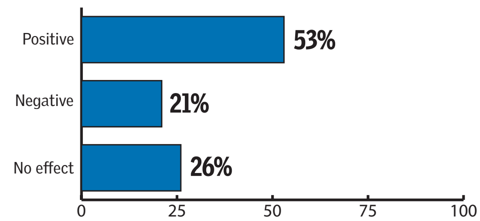
Base: 68

20. What is your outlook for the individual health insurance market?



Base: 68

21. And how will that outlook for the individual health insurance market affect your organization?



Base: 68

22. How will your organization deal with the increase in newly insured through healthcare reform?

	Percent
Create new coverage options	62%
Expand existing coverage options	62%
Actively seek to enroll the previously uninsured	40%
Expand your own staff	28%
Accept, but not seek, the previously uninsured	18%
Base	68

Multi Response

23. How will healthcare reform affect health plans?

	Percent
It will hurt the private insurance industry	42%
It will help the private insurance industry	3%
Impact will vary based on organization strength and strategy	55%
Base	69

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24. How will healthcare reform affect competition among insurers?

	Percent
It will result in more consolidation	90%
It will result in less consolidation	6%
There will be no change	4%
Base	69

25. Which of the following best describes your prediction for the medical home model in the next five years?

	2011 Percent	2010 Percent	2009 Percent
Some physicians and health plans will try it, but it won't be the norm	41%	49%	32%
It will gain widespread acceptance because of its new focus on wellness	26%	11%	14%
I don't know enough about the medical home model to predict what will happen	12%	7%	19%
It will not gain traction because there is not enough research to show the benefits of the model	10%	NA	NA
There will be a new system created in which DM companies will work with physicians rather than health plans	9%	14%	4%
The medical home model will not happen	1%	2%	10%
Base	68	57	73

26. Rate the effectiveness of your organization's communication with your members.

	Percent
Very effective	16%
Effective	59%
Neutral	16%
Ineffective	9%
Very ineffective	0%
Base	69

27. In the next 3 years, which will be the most effective way to engage members?

	2011 Percent	2010 Percent	2009 Percent
Link financial incentives for physicians to positive health decisions	43%	35%	31%
Communicate with the member using the best health coaching tools	22%	29%	33%
There is no way a managed care organization can truly alter behavior	10%	12%	17%
Interactive website/e-mail	9%	15%	10%
Link financial penalties for physicians to negative health decisions	7%	4%	1%
Remote patient monitoring	6%	4%	3%
Contact the member's primary care physician regularly	3%	2%	4%
Base	69	52	70

28. In the next 3 years, what role do you believe technology advancements, such as personal health records, e-prescribing, and remote patient monitoring, will play in improving managed care organizational performance?

	2011 Percent	2010 Percent	2009 Percent
They will improve services and may cut costs, but not enough to produce major cost savings	42%	43%	46%
They will reduce costs, improve outcomes, and foster more educated healthcare consumers	36%	32%	24%
Improvements won't be realized that soon, but they will come	13%	21%	24%
They won't have any effect	4%	4%	6%
They will have negative consequences	4%	0%	0%
Base	67	57	71

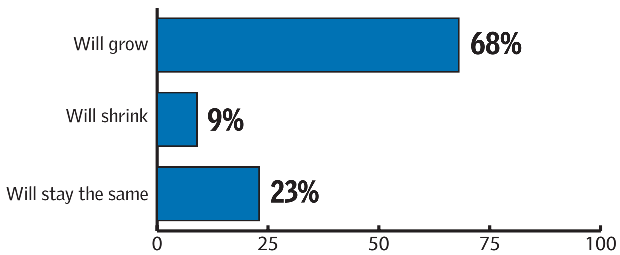
29. Which of the following best describes your view of consumer driven healthcare and health savings accounts?

	Percent
They save money for health plans and empower consumers	54%
They save money for health plans, but don't empower consumers	22%
They don't save money for health plans or empower consumers	24%
Base	68

30. Which of the following most closely matches your views about disease management?

	Percent
It saves money and improves health outcomes	38%
It doesn't save money, but improves health outcomes	13%
It doesn't save money or improve health outcomes	7%
It does save money and outcomes in some cases, but it depends on the disease state	41%
Base	68

31. What is the outlook for value-based insurance design?



Base: 66

32. Regarding reimbursement payments to hospitals and physicians for preventable medical errors, what is your organization's plan in the next 3 years?

	Percent
Have already ceased payments, and no further changes expected	14%
Have already ceased payments, and expect to add more "never events" to the list	33%
Have not ceased payments, but will do so	21%
Have not ceased payments, but will study the issue	23%
Have not ceased payments, and have no plans to do so	9%
Base	66

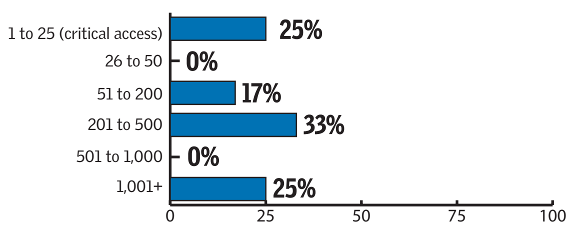
33. Which best describes your organization?

	Percent
Health plan	72%
Integrated health system	12%
Population health management company	3%
Accountable care organization	1%
Pharmacy benefit manager	1%
Other	10%
Base	68

34. Which best describes your healthcare organization?

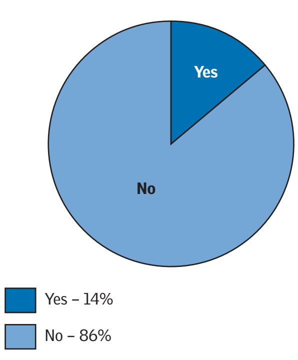
	Percent
Health insurance plan	75%
Hospital or health system	12%
Ambulatory or outpatient center	4%
Multispecialty group practice	3%
Single-specialty group practice	3%
Physician-owned specialty hospital	1%
Disease management/wellness plan provider	1%
Base	68

35. Which best describes your organization by number of beds?



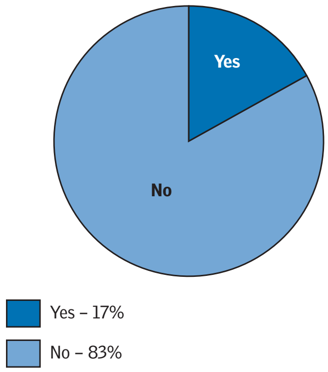
Base: 12

36. Is your healthcare organization in a rural area?



BASE: 69

37. Is your hospital a community hospital?

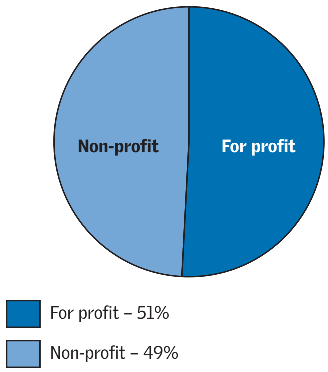


BASE: 12

38. What best describes your primary market area?

	Percent
Northeast	28%
Southeast	22%
Midwest	13%
Southwest	7%
Northwest	0%
West Coast	7%
Other	21%
Base	67

39. Which best describes your type of organization?



BASE: 67

40. Please indicate your age range.

	2011 Percent	2010 Percent	2009 Percent
35 or younger	7%	9%	8%
36–45	28%	26%	14%
46–55	38%	44%	44%
56–65	26%	19%	30%
66 or older	0%	2%	4%
Base	68	57	73

41. What is your gender?

	2011 Percent	2010 Percent	2009 Percent
Male	54%	56%	46%
Female	46%	44%	54%
Base	68	57	72

