

Health plans and government programs: what it will take to succeed.

By Larry Bridge

Those of you running health plans know that healthcare reform continues to offer enormous opportunity – but extraordinary challenges as well. While government programs administered by the Centers for Medicare & Medicaid Services (CMS) offer the sole opportunities for organic growth this decade, they also will require you to make some pretty significant changes in the way you do business – if you want to stay in business at all.

Medicare Stars

One of the more recent rollouts from CMS that's creating a great deal of concern among payers right now is the Medicare Stars program, which uses a five star rating criteria to evaluate Medicare Advantage and prescription drug (Part D) plans. Medicare Stars will define the bonus payments you can receive, as well as the share of the rebate you get to keep, and will really be the difference between plans that are competitively successful in the future and those that are out of business. Only five-star plans will be able to market to and enroll members year-round, giving higher-rated plans a competitive advantage in their ability to attract and grow membership. To maximize your earning potential from CMS, you'll need sophisticated tools to help measure performance against CMS criteria, identify areas that need improvement, and take action early.

Medicaid

Medicaid represents one of the most certain areas for revenue growth over the coming years. As members of the baby boom generation continue to move into their later years, membership growth will be a given, but profitability is not. The potential for significant revenues is there, but margins are tighter than in the commercial market, leaving little room for error. To succeed here, you'll need to make significant strides in administrative efficiency in order to address medical loss ratio. And integrated, state-of-the-art, self-reporting administrative platforms will be critical to your operations.

Dual eligibles

With more than 9 million Americans jointly enrolled in both Medicare and Medicaid, dual eligibles represent \$200 billion to \$300 billion in organic premium growth for health plans. But these individuals are some of the most fragile and needy segments of the population. They can truly benefit from the management and care coordination that health plans bring to the table – but it will take a new care model to do it effectively and profitably.

In addition to the traditional care delivery and management systems, you'll need to create provider networks in new environments where duals can receive care. That's going to mean integrating things like transportation, Meals on Wheels, and community faith-based programs into provider networks – not typical programs for most payers, but critical to managing this population effectively.

And as with Medicaid and Medicare Stars it will take increased focus on administrative efficiency – making sure that you can take benefit payments from a number of different payers, and coordinating an integrated set of benefits around a single individual.

What it will take

By successfully adapting to the demands of these new government programs, a health plan can improve the quality of care for members while achieving revenue and profitability goals. But to do that will clearly require a strong focus on streamlining administration, simplifying care management, and managing provider networks more effectively. While you're working diligently to sort out your opportunities for growth in government programs, we at TriZetto are building the innovative technologies that will enable you to remain competitive through these complex times.

Larry Bridge is senior vice president of TriZetto's Strategy, Marketing and Corporate Development organizations. With more than 28 years of experience in healthcare, he has led several health plans, including provider-based plans with integrated medical staffs and hospitals. Bridge served previously as president of Novalis Services Corporation and as group president for FHP International Corporation, one of the nation's largest managed-care organizations.