

2008 Lee Physician Hospital Organization Report

Presented to:
Operating Committee
Credentialing Committee
Contract Committee
February 25, 2009

OVERVIEW

This report contains information on the contracts held by the Lee PHO, the physician membership of the Lee PHO, national trends in health insurance enrollment and premium levels, and local market factors.

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LEE PHYSICIAN HOSPITAL ORGANIZATION 2008 ACTIVITY

Background

The Lee PHO was formed in 1993 as a sub-agency of LMHS and entered into its first payor contract in 1994. The Lee PHO operates as a messenger model and is governed by a fifteen member Operating Committee comprised of independent elected physicians and hospital appointees. The PHO provides a network of 902 contracted physicians along with all LMHS facilities and serves as the local network for the Lee Employee Health Plan which is the LMHS self-funded health insurance program.

The PHO was re-purposed during 2005-2006 to reflect its emphasis on the local business market and to establish greater clarity on the types of contracts it would undertake. Existing contracts held by the PHO were kept intact following the re-purposing and, with the exception of Great West, all agreements are currently active.

In order to estimate volume from the PHO agreements, data on the Lee PHO commercial contracts was obtained from the LMH/HP/CCH facilities for the period October 1, 2007 through September 30, 2008.

As a percentage of the managed care portfolio for LMH/HP/CCH facilities, the Lee PHO accounted for:

- 20.50% (16,911) of cases
- 14.88% (\$66,210,322) of charges
- 17.33% (\$40,331,031) of payments

This number of cases is comparable to the combined volume of the Aetna contract (12,787 cases) and Blue Cross Health Options contract (3,839 cases).

Excluding the Lee Employee Plan, the Lee PHO accounts for:

- 6.28% (5,182) of cases
- 5.09% (\$22,636,468) of charges
- 6.67% (\$15,494,010) of payments

This number of cases is comparable to the volume of the Cigna contract (5,095 cases).

Contracts

The Lee PHO did not establish any new contracts during 2008; however its contract to serve as the local network for the Lee County Sheriff's Office was extended for an additional one year period. Both Humana and United Healthcare were bidders for the Sheriff's Office business.

The Lee PHO continues to monitor the market to determine if there are opportunities for direct contracts with local organizations or administrators. During 2008, there were no meaningful opportunities for direct contracting, but there does seem to be a renewed interest by several local employers to look at alternatives for health coverage.

No new offers to be transmitted to the membership were received in 2008. Attachment A provides a list of Lee PHO contracts that are currently in effect along with their payment terms and a list of the five largest local employers and their health insurance arrangement.

Membership

During 2008, 76 new physician members joined the Lee PHO and 44 members exited, representing a 4% net increase in physician members from 2007. Attachment B provides a report of Lee PHO membership growth beginning in 1994 and a breakdown of Lee PHO physicians by specialty.

Member Services

The Lee PHO offers the following services to its members:

- Credentialing of new physicians;
- Provision of monthly updates to the managed care plans with physician additions, terminations, or changes that occur each month to ensure accurate payment processing;
- Assistance with claims resolution for physician offices;
- Continuous maintenance of the Lee PHO website, www.leepho.org. This website is used by patients, employers and third party administrators as their primary source of information on network providers. The website offers the capability of searching interactively by physician name, location, and specialty. It also offers printable directories and a list of managed care plans contracted with the Lee PHO along with updated managed care plan information;
- Provision of updates as required to physician office managers with any pertinent information regarding the Lee PHO and the managed care plans under contract;
- Annual data audits to ensure the accuracy of the website information and directories; and
- Provision of data files to the managed care plans to ensure data accuracy.

OVERVIEW OF NATIONAL TRENDS IN PREMIUM AND ENROLLMENT

The enrollment and premium prices in employer-sponsored health insurance and the shift of both Medicare and Medicaid enrollees to the private market are trends that are worth watching at a national level. It is also worthwhile to monitor the enrollment and market power of the health plans at a national level. This section provides the most recently available data for these areas of interest.

Employer Sponsored Health Insurance

- Employers are the principal source of health insurance in the United States, providing health benefits for about 158 million non-elderly people (Source: Kaiser Family Foundation (KFF) Health Ins. Coverage in America 2007)
- From 2000 to 2006, the percentage of firms offering health benefits has fallen from 69% to 61% (Source: KFF, Employer Health Benefits (EHB) 2006)
- In 2008, 63% of firms offer health benefits which is not statistically different from 60% reported in 2007 (Source: KFF, EHB 2008)
- The average single/family premiums in 2008 (\$4,704 & \$12,680) are about 5% higher than the 2007 averages (Source: KFF, EHB 2008)
- From 2001 to 2007, premiums for family coverage have increased by 78% compared with wage growth of 19% (Source: KFF, EHB 2008)
- Average percentage of premiums paid by workers is statistically unchanged over the last several years at 16% for single coverage and 27% for family coverage (Source: KFF, EHB 2008)
- Patient/Member out-of-pocket responsibilities continue to increase (35% of workers in smaller firms have a deductible of \$1,000 or more) (Source: KFF 2008)

Medicare/Medicaid Shift to Private Markets

- As of October 2008, 10.1 million (22.5%) beneficiaries are enrolled in a Medicare Advantage plan, up from 5.3 million in 2003 (KFF 2008)
- The government paid 113% of the average traditional Medicare cost for beneficiaries enrolled in Medicare Advantage plans in 2008 (KFF 2008)
- As of June 30, 2005 62.95% of Medicaid beneficiaries were enrolled in a Medicaid Managed Care Plan compared to 55.76% in 2000 (CMS)

National Market Power of Health Plans

- In 2000, the two largest insurers, United and Aetna had total membership of 32 million lives (Source: AMA Competition in Health Insurance '07-'09)
- Enrollment and revenue as of December 31, 2007: (Source: aishealth.com)

	Total Enrollment	4Q '07 Revenue
United Health Group	28.6 million	\$18.2 billion
Well Point Inc.	34.8 million	\$15.3 billion
Aetna	16.8 million	\$7.1 billion

- Enrollment of top two plans has doubled since 2000
- The impact of consolidated health insurance markets can be measured by using the Herfindahl-Hirschman Index (HHI) of competition and the FTC/DOJ 1997 merger guidelines that define market concentration:

- In the combined HMO/PPO product market, 96 percent (299) of the MSAs are highly concentrated (HHI>1,800) **Lee County = 2,690**
- In the HMO product market, 99 percent (309) of the MSAs are highly concentrated (HHI>1,800) **Lee County = 3,469**
- In the PPO product market, 100 percent (313) of the MSAs are highly concentrated (HHI>1,800) **Lee County = 2,832**

(Source: AMA Competition health insurance, 2007-2009)

- Two insurers control 36% of the market for commercial health insurance
- A few “Mega Companies” wield enormous political and economic power and influence such things as the overall price of health insurance; the types of health insurance products that are offered; and the wide-spread availability of new drugs and technology through formularies and benefit contracts.
- “Mega Companies” also direct their members to preferred or exclusive providers based on contractual relationships, cost data (which they control), quality data (which they control), and administrative requirements (which they control).
- “Mega Companies” will also be used to implement cost savings for federal and/or state governments

- Recently posted earnings of largest national insurers for 2008:

WellPoint - "Operating revenue was \$15.4 billion in the fourth quarter of 2008, an increase of 0.7 percent from \$15.3 billion in the fourth quarter of 2007. The increase was driven by premium rate increases in all medical lines of business... the company continues to price its business so that expected premium yield exceeds total cost trend."

Aetna - "Fourth quarter earnings per share increased 9 percent... the company's 17 percent growth in full year health care revenue was driven by premium rate increases and medical membership growth."

UnitedHealth - "Full year revenues increased \$5.8 billion or 8 percent year-over-year, with fourth quarter revenues of \$20.5 billion increasing \$1.7 billion or 9 percent year-over-year. The revenue increases were driven by premium increases."

LOCAL MARKET FACTORS

Increased Unemployment—Over the past year since the Lee PHO last met, the unemployment rate in Lee County has reached 10% compared to 2.9% in 2007. It is expected this will correspond with an increase in those who are covered by Medicaid and those who are without any health insurance coverage. Both of these are negative economic factors for physicians, hospitals, and other providers of health care services.

Cover Florida Plan—The State of Florida has enacted legislation aimed at decreasing the number of uninsured residents. This program allows private insurance companies to sell “bare-bones” policies that offer limited benefits as of January 1, 2009. Blue Cross of Florida and United Healthcare are both providing Cover Florida Plans. Initial enrollment for the first 30 days is far lower than projected at approximately 225 enrollees.

Uninsured—The percentage of those under the age of 65 who lack any health care coverage in Lee County is estimated to be around 30 percent.

Impact of Federal Stimulus Package—There are some positives for health care providers in the recently enacted stimulus package in the areas of additional funding for the adoption of electronic medical records as well as increases in federal funding of Medicaid. It is too soon to quantify the local impact with precision, but this could be a bright spot in the generally negative business conditions.

Medicare Advantage Plans—As of January 2009, there are 22,052 enrollees in Medicare Advantage plans in Lee County. (See Attachment C.) The largest enrollment is in United Healthcare products with 11,884, followed by Humana at 3,076, Blue Cross of Florida at 1,594, Universal at 1,094 and Aetna at 847.

Medicaid Managed Care—As of the end of the second quarter of 2008, 29,940 Lee County Medicaid recipients (52% of total) were enrolled in a Medicaid Managed care plan. Well Care, which is contracted through the Lee PHO, has the largest enrollment at 15,037, followed by Amerigroup at 13,685. Effective November 1, 2008, Prestige, which is a provider sponsored network, entered the market and has enrollment of approximately 4,500.

FUTURE CONSIDERATIONS

The Lee PHO has been an effective model in its scope of contracting. Given the limited number of insurance options in the market coupled with local interest in cost controls, additional direct contracting opportunities will be available in the upcoming year. This is consistent with what other markets across the country are experiencing as financial pressure on businesses and municipalities creates a desire to seek greater cost controls in the delivery of health care. All local opportunities should be thoroughly evaluated to determine the benefit to the Lee PHO and the local employer/administrator.

Attachment A

Grandfathered Contracts				
Contracted Plan	Effective Date	Claims Payment Timeframe	Logo Required	Timely Filing Requirement
Beech Street	11/1/1997	30 Days RCC	Yes	60 Days
IHG - Accountable	5/1/1994	45 Days RCC	Yes	N/A
Wellcare - Medicaid	5/1/1997	30 Days RCC	No	60 Days
Wellcare - Healthy Kids	2/1/2002	30 Days RCC	No	60 Days
Self Insured Plans	9/1/2000	35 Days RCC	Yes	N/A
Multiplan	4/1/1994	45 Days RCC	N/A	90 Days
PPO Next	8/15/1997	45 Days RCC	Yes	N/A
NPPN	3/1/1995	30 Days RCC	Yes	N/A
AVMED	8/1/2001	35 Days RCC	Yes	120 Days
Choice Medical Management	3/15/1998	45 Days RCC	N/A	FL Statute
FOCUS	10/1/1997	N/A	N/A	FL Statute
Heritage Summitt	8/1/1999	45 Days RCC	N/A	FL Statute
Marriott International	4/1/2001	30 Days RCC	N/A	FL Statute
Metracomp	5/1/1999	45 Days RCC	N/A	FL Statute
Contracts Meeting New Criteria				
Contracted Plan	Effective Date	Claims Payment Timeframe	Logo Required	Timely Filing Requirement
LMHS Health Plan	1/1/1995	30 Days	No	90 Days
SIBA - LCSO, MAPMC	12/1/2004	35 Days	Yes	35 Days

Large Employer Health Coverage

Lee County Government (LCG)

Covered Subscribers: 3,750

Covered Members: 8,100

Carrier: Aetna, Self-Funded

LCG issued a Request for Proposal (RFP) for their health benefits in March 07. The PHO was not able to respond to the RFP as it was written for Administrative Services Only (ASO) companies. The RFP process concluded with the LCG staying self-funded with Aetna.

Lee County School Board

Covered Subscribers: 9,300

Covered Members: 12,000

Carrier: Blue Cross Blue Shield, Self-Funded

In 2007 the Lee County School Board moved from a fully insured product with BCBS to a self-funded arrangement with BCBS.

Lee Memorial Health System

Covered Subscribers: 6,280

Covered Members: 13,530

Carrier: Self-funded through Lee PHO/Web TPA

City of Fort Myers

Covered Subscribers: 1100

Covered Members: 2300

Carrier: Blue Cross Blue Shield, Fully Insured

The City of Fort Myers issued an RFP for health benefits in May 07. The RFP was written for fully insured products only. The City chose to remain fully insured with Blue Cross.

Lee County Sheriff's Office

Covered Subscribers: 1470

Covered Members: 3000

Carrier: Self-funded through Lee PHO/SIBA

The Lee County Sheriff's Agreement with the Lee PHO has been extended through December 2009.

Attachment B

LEE PHO MEMBERSHIP GROWTH 1994-2008						
Year	Members 1/1/2008	New Members	Exiting Members	Members 12/31/2008	Net Change	%age Change
1994	400	50	10	440	40	10%
1995	440	57	13	484	44	10%
1996	484	36	9	511	27	6%
1997	511	80	16	575	64	13%
1998	575	56	26	605	30	5%
1999	605	67	48	624	19	3%
2000	624	41	39	626	2	0%
2001	626	44	34	636	10	2%
2002	636	47	41	642	6	1%
2003	642	75	32	685	43	7%
2004	685	54	33	706	21	3%
2005	706	74	50	730	24	3%
2006	730	77	29	778	48	7%
2007	778	126	34	870	92	12%
2008	870	76	44	902	32	4%

231 physicians have been active in the Lee PHO since its inception on 1/1/1994. This represents 26% of the total physicians in the PHO.

LEE PHO MEMBERSHIP CHANGE BY SPECIALTY 2007-2008				
<i>SPECIALTY</i>	<i>12/31/2007</i>	<i>12/31/2008</i>	<i>CHANGE</i>	<i>% CHANGE</i>
ALLERGY & ASTHMA	4	5	1	25%
ANESTHESIOLOGY	27	28	1	4%
CARDIAC ELECTROPHYSIOLOGY	1	1	0	0%
CARDIOLOGY	38	37	-1	-3%
COLORECTAL SURGERY	3	3	0	0%
CRITICAL CARE MEDICINE	4	3	-1	-25%
DERMATOLOGY	7	9	2	29%
DIAGNOSTIC RADIOLOGY	40	44	4	10%
EMERGENCY MEDICINE	45	48	3	7%
ENDOCRINOLOGY	5	3	-2	-40%
FACIAL PLASTIC & RECON SURGERY		1	1	
FAMILY MEDICINE	82	81	-1	-1%
GASTROENTEROLOGY	29	30	1	3%
GENERAL MEDICINE	16	16	0	0%
GENERAL SURGERY	16	18	2	13%
GERIATRICS	1	1	0	0%

GYNECOLOGIC ONCOLOGY	4	4	0	0%
GYNECOLOGY	3	4	1	33%
HOSPITALIST	22	24	2	9%
HYPERBARIC MEDICINE	1	1	0	0%
INFECTIOUS DISEASE	11	11	0	0%
INTERNAL MEDICINE	81	84	3	4%
MATERNAL FETAL MEDICINE	5	5	0	0%
NEONATOLOGY	7	7	0	0%
NEPHROLOGY		2	2	
NEUROLOGY	16	16	0	0%
NEUROSURGERY	13	12	-1	-8%
OBSTETRICS & GYNECOLOGY	36	39	3	8%
OCULAR REHABILITATION	1	1	0	0%
ONCOLOGICAL SURGERY	1	1	0	0%
ONCOLOGY/HEMATOLOGY	14	15	1	7%
OPHTHALMOLOGY	31	33	2	6%
OPHTHALMOLOGY /GLAUCOMA	2	2	0	0%
ORAL & MAXILLOFACIAL SURGERY	7	7	0	0%
ORTHOPEDIC SURGERY	34	34	0	0%
OTOLARYNGOLOGY (ENT)	14	14	0	0%
PAIN MANAGEMENT	10	10	0	0%
PATHOLOGY	10	10	0	0%
PEDIATRIC CARDIOLOGY	2	2	0	0%
PEDIATRIC ENDOCRINOLOGY	1	1	0	0%
PEDIATRIC GASTROENTEROLOGY	2	2	0	0%
PEDIATRIC HEMA/ONCOLOGY	2	3	1	50%
PEDIATRIC HOSPITALIST		4	4	
PEDIATRIC INFECTIOUS DISEASES	2	2	0	0%
PEDIATRIC INTENSIVE CARE	3	3	0	0%
PEDIATRIC NEUROLOGY	2	3	1	50%
PEDIATRIC OPHTHALMOLOGY	1	1	0	0%
PEDIATRIC ORTHOPEDICS	2	2	0	0%
PEDIATRIC OTOLARYNGOLOGY	1	1	0	0%
PEDIATRIC PULMONOLOGY	3	3	0	0%
PEDIATRIC SURGERY	3	3	0	0%
PEDIATRICS	52	50	-2	-4%
PHYSIATRY	12	12	0	0%
PLASTIC SURGERY	11	11	0	0%
PODIATRY	35	36	1	3%
PSYCHIATRY	6	6	0	0%
PSYCHOLOGY	19	22	3	16%
PULMONARY MEDICINE	13	16	3	23%
RADIATION ONCOLOGY	11	10	-1	-9%
REPRODUCTIVE ENDO/INFERTILITY	1	1	0	0%
RHEUMATOLOGY	4	4	0	0%
SLEEP MEDICINE	1	1	0	0%
SPORTS MEDICINE	1		-1	-100%
TRAUMA SURGERY	5	5	0	0%
UROLOGIC ONCOLOGY	1	1	0	0%
UROLOGY	19	19	0	0%
VASCULAR SURGERY	10	9	-1	-10%
VITREORETINAL SURGERY	4	5	1	25%
Grand Total	870	902	32	4%

MEDICARE ADVANTAGE ENROLLMENT JANUARY 2009

County	Contract ID	Organization Name	Organization Type	Plan Type	Enrolled
Lee	H5414	Aetna Health Inc.	Local CCP	HMO/HMOPOS	37
Lee	H5437	Aetna Life Insurance Company	Local CCP	Local PPO	17
Lee	H5736	Aetna Life Insurance Company	PFFS	PFFS	793
Lee	H3333	American Progressive Life/Hlth Ins.	PFFS	PFFS	22
Lee	H1689	Anthem Insurance Companies, Inc.	PFFS	PFFS	92
Lee	H5434	Blue Cross And Blue Shield Of Florida, Inc.	Local CCP	Local PPO	1594
Lee	H2319	Blue Cross Blue Shield Of Michigan	PFFS	PFFS	738
Lee	H1019	Care Plus Health Plan	Local CCP	HMO/HMOPOS	11
Lee	H3655	Community Insurance Company	Local CCP	HMO/HMOPOS	11
Lee	H2762	Connecticut General Life Insurance Company	PFFS	PFFS	25
Lee	H5227	Coventry Health And Life Insurance Company	PFFS	PFFS	71
Lee	H5304	Empire Healthchoice Assurance, Inc.	PFFS	PFFS	19
Lee	H0846	First Health Life And Health Insurance Company	PFFS	PFFS	207
Lee	H5427	Freedom Health Plan, Inc.	Local CCP	HMO/HMOPOS	537
Lee	H7226	Harvard Pilgrim Health Care Inc.	PFFS	PFFS	12
Lee	H9793	Highmark, Inc.	PFFS	PFFS	60
Lee	H5934	Hope Hospice And Community Services, Inc.	National PACE	National PACE	53
Lee	H5426	Humana Advantagecare Plan, Inc.	Local CCP	HMO/HMOPOS	1559
Lee	H1804	Humana Insurance Company	PFFS	PFFS	238
Lee	R5826	Humana Insurance Company	Regional CCP	Regional PPO	1243
Lee	H1036	Humana Medical Plan, Inc	Local CCP	HMO/HMOPOS	36
Lee	H0524	Kaiser Foundation Hp, Inc.	Local CCP	HMO/HMOPOS	11
Lee	H5594	Optimum Healthcare, Inc.	Local CCP	HMO/HMOPOS	25
Lee	H5402	Quality Health Plans, Inc.	Local CCP	HMO/HMOPOS	139
Lee	H6806	Rochester Area Health Maintenance Organization	PFFS	PFFS	222
Lee	H3305	Rochester Area Hmo/ DbA Preferred Care	Local CCP	HMO/HMOPOS	20
Lee	H5421	The Pyramid Life Insurance Company	PFFS	PFFS	404
Lee	H0540	Unicare Life And Health Ins. Company	PFFS	PFFS	36
Lee	H5417	United Healthcare Insurance Company	Local CCP	Local PPO	3193
Lee	H5435	United Healthcare Insurance Company	PFFS	PFFS	370
Lee	H5532	United Healthcare Insurance Company	Local CCP	Local PPO	176
Lee	R5287	United Healthcare Insurance Company	Regional CCP	Regional PPO	4737
Lee	H1080	United Healthcare Of Fl, Inc.	Local CCP	HMO/HMOPOS	3408
Lee	90091	United Mine Workers Of America Health & Retirement	HCPP - 1833 Cost	HCPP - 1833 Cost	34
Lee	H5820	Universal Health Care Insurance Company	PFFS	PFFS	808
Lee	H5404	Universal Health Care, Inc.	Local CCP	HMO/HMOPOS	1033
Lee	H5429	Universal Health Care, Inc.	Local CCP	Local PPO	61
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