



SWEENEY PILOT AIMS TO SAVE MONEY, IMPROVE PUBLIC-EMPLOYEE HEALTHCARE

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Program could shift emphasis onto better health rather than paying for services



State Senate President Steve Sweeney (D-Gloucester) listens as Mark Blum, America's Agenda executive director, describes need to rein in health costs.

Senate President Stephen M. Sweeney has unveiled a proposal for a pilot project that -- if successful -- could go a long way toward saving money on health benefits for state workers while keeping them healthy.

The pilot would start with as many as 60,000 of the 800,000 public workers in the state's two major health insurance plans. Rather than a conventional fee-for-service model, the project is based on "patient-centered healthcare," in which doctors are paid based on seeing a limited number of patients, with bonuses awarded for keeping those patients healthy.

Public-employee insurance programs currently cover about 9 percent of New Jersey residents.

Patient-centered healthcare is similar to the healthcare delivery model increasingly used by self-insured health plans as well as government programs like Medicare and Medicaid. Accountable-care organizations are also based on variations of the concept that doctors' pay should be tied to patient outcomes.

Sweeney said he's hopeful that the proposal would reduce monthly insurance premiums, which saw a sharp increase in worker contributions over the past four years. He said it was "a concept that will actually improve care and reduce costs. I know that's hard to believe, but it is doable."

Under the proposal, primary-care doctors would see a maximum of 1,000 patients, rather than the 1,500 that is typical in New Jersey. This is intended to allow the doctors to spend more time with each patient, including giving them age-appropriate tests and screenings intended to catch serious health issue before they cause crises.

The concept has received backing from public employee labor unions, with New Jersey State AFL-CIO legislative affairs coordinator Eric Richard saying that it would move the focus from shifting healthcare costs onto workers toward lowering the overall cost of care. New Jersey Education Association Secretary-Treasurer Sean Spiller said that until the state takes steps to prevent rapid premium increases, there will always be a "loser" in health-benefit contracts.

Their support will be crucial, since labor representatives comprise half of the benefit-design committees that would determine the details of the pilot program. But the proposal will not advance without the support of Gov. Chris Christie's administration, since Christie appoints the other half of the benefit-design committees. Sweeney said he was "challenging the management side" to support the proposal.

Administration officials were still digesting the proposal yesterday. A state Treasury spokesman noted that the ideas contained in Sweeney's proposal aren't entirely new, since the State Health Benefit Program already includes patient-centered models through insurer Horizon Blue Cross Blue

Shield of New Jersey. He added that the cost of the pilot program would be in addition to existing costs to administer the SHBP and School Employees Health Benefits Program.

Under Sweeney's proposal, five large medical practices or provider networks that are located in areas with large concentrations of public workers would serve as the primary-care providers for the patients in the program.

Up to 60,000 public workers could choose whether they and their families would participate in the program. They could keep their current doctor if the doctor joins the program; otherwise, they would have to switch to a participating doctor.

Doctors who participate would have to agree to have all of their patients in the patient-centered model, since it requires different billing and referral practices than traditional healthcare, in which doctors are paid a fee for each service they provide.

Along with agreeing to the changes in how they're paid, doctors must agree to use electronic medical records and refer patients to specialists who have a track record of providing "high-value" care - with value defined as meeting various measurements of patient health while keeping a lid on costs.

The pilot program would last at least three years, during which time the state would gather data on whether it achieved savings while meeting standards for patient health.

The primary attraction for patients might be the absence of out-of-pocket costs if they use participating providers.

For doctors, the attraction is the opportunity to spend more time with each patient, although some doctors have questioned the shift from the fee-for-service payment model, saying that outcomes-based models remain unproven.

If the program does bring down costs, it would be a major benefit to the state government. The Christie administration has projected that the state will pay hundreds of millions of dollars annually in the Affordable Care Act provision known as the "Cadillac tax." Under this tax, employers would pay an additional 40 percent of the cost of insurance policies that are more than \$10,200 for individuals and \$27,500 for families, starting in 2018.

While the tax will raise revenue to pay for the ACA, it was also designed to put downward pressure on healthcare costs by encouraging the elimination of wasteful or unnecessary services. High-cost states like New Jersey are projected to be especially hard hit by the tax.

The proposal by Sweeney also serves to set the table for legislative discussions of changes to public-worker health benefits. A four-year moratorium on labor negotiations over health benefits is expiring this year. Sweeney said it wouldn't be necessary to reintroduce bargaining over healthcare if his proposal were adopted, since labor representatives would be able to influence the design of benefits.

Representatives of two organizations that could wind up either providing healthcare through the pilot program or supporting those who do highlighted yesterday the savings they've seen through similar patient-centered programs.

Dr. John M. Tedeschi, chairman and CEO of Evesham-based Continuum Health Alliance, noted that medical practices working with his organization have seen significant cost savings. Continuum supplies services to help doctors shift from fee-for-service to "fee-for-value," with the value based on keeping patients healthy while lowering costs. Continuum-affiliated doctors generated \$4.5 million in savings through Horizon Blue Cross Blue Shield of New Jersey's patient-centered medical home program.

Dr. James Barr, chief medical officer of Summit-based Optimus Healthcare Partners ACO, said strategies similar to those proposed by Sweeney lowered the cost of healthcare spending on 30,000 New Jersey seniors Optimus serves by \$17 million.

“This model works,” he said. “It’s something we’ve needed for a long time.”

Sweeney’s proposal was developed with the support of America’s Agenda, a national nonprofit whose board is composed of labor, insurance, pharmaceutical and hospital leaders, including New Jersey Education Association President Wendell Steinhauer.

The group is supporting patient-centered healthcare in other states, including Vermont, which launched the first such program for public workers in 2007.

America’s Agenda Executive Director Mark Blum said the need to rein in health costs was particularly acute in New Jersey. He noted a report by state consultant Aon Hewitt that projected that New Jersey’s annual health costs would rise by 10.3 percent for teachers and 8.1 percent for other public workers this year, well above national averages.

Those in patient-centered programs see their costs decline by between 5 percent to 15 percent, he said.

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