COVERED CALIFORNIA | NEWS RELEASE

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COVERED CALIFORNIA'S BOARD ADOPTS PRESCRIPTIONS FOR A BETTER HEALTH CARE SYSTEM

New Contract Changes for 2017 Require Health Plans to Focus on Quality and Delivering the Right Care at the Right Time for All Who Have Coverage

SACRAMENTO, Calif. — Covered California announced Thursday that its board adopted significant new changes to its contracts with health insurers as part of its prescription to take health care reform to the next level. The new contract provisions, which will cover the years 2017-2019, will advance ongoing efforts by health insurance companies, hospitals and care providers to ensure that patients receive quality health care.

"Covered California's mission is not just getting patients health insurance; it's about improving the quality of the health care delivery system," Covered California Executive Director Peter V. Lee said. "We are creating a market that rewards quality over quantity and moves health reform forward in an impactful way."

"Covered California is making it clear that we are about more than just getting consumers coverage, by ensuring they get the right care when they need it," said California Health and Human Services Secretary and Covered California Board Chairwoman Diana Dooley. "We are proud of the hard work and extensive collaboration — which has been a hallmark of Covered California's work — engaging with doctors, hospitals, health plans, consumer advocates, patients themselves and other stakeholders who are working together with us to improve quality and strengthen the health care delivery system for all Californians."

The new contract provisions seek to address the challenges in our current health care system and provide concrete prescriptions for the future that will address both quality and costs, such as strengthening value-based, patient-centered benefit designs to improve access to primary care. In addition, Covered California uses core levers to promote better quality and lower costs, such as:

- Requiring providers to meet quality standards without exception, to provide safe care for all, including various racial and ethnic groups.

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- Adopting payment strategies that support quality performance.
- Adopting proven models of primary care and integrated delivery models.
- Providing tools to help consumers make informed choices when selecting providers.

Specifically, the new contract includes the following initiatives.

Ensuring the Right Care at the Right Time, Every Time

Diagnosis:

- Many consumers do not have a primary care provider and do not know how to use the current fragmented and costly health care system.

Prescription:

- Plans will ensure all consumers either select or are provisionally assigned a primary care clinician within 30 days of effectuation into their plan, so they have an established source of care.
- Covered California will encourage plans to promote enrollment in advanced models of primary care, including patient-centered medical homes and integrated health care models, such as accountable care organizations.
- Plans will exchange data with providers so that physicians can be notified if their patients are hospitalized and can track trends and improve performance on chronic conditions, such as hypertension or diabetes.

Promoting and Rewarding Quality Care at the Best Value

Diagnosis:

- The current health care system rewards providers based on the volume of care delivered, regardless of its quality or value.

Prescription:

- Covered California will adopt a payment system for hospitals, such as the one employed by the Centers for Medicare and Medicaid Services (CMS), which, over time, will put at least 6 percent of reimbursement at risk or subject to a bonus payment based on quality performance.
- Plans will be required to identify hospitals and providers that are outliers and deliver either poor-quality care or unwarranted high-cost care. Once these providers are identified, health plans will be expected to work with them to improve their care or to lower their costs, and, if they do not and do not provide justification, plans will exclude those hospitals from Covered California networks as early as 2019.

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- Plans will manage high-cost pharmaceuticals and help consumers better understand the effectiveness and costs of their drug treatments, as well as any alternatives.

Reducing Health Disparities and Promoting Health Equity

Diagnosis:

- There are significant health disparities and problems with health equity, meaning that the care received by millions of Californians — and the health status of those Californians — varies because of their race, ethnicity or income.

Prescription:

- Plans will be required to track health disparities among all their patients receiving care, identify trends in those disparities and reduce the disparities, beginning with four major conditions: diabetes, hypertension, asthma and depression.

- Plans will develop programs to proactively identify and manage at-risk enrollees, with requirements to improve in targeted areas.

Giving Consumers Tools to Make the Best Choices for Themselves

Diagnosis:

- Consumers do not have the tools they need to make an educated decision on picking a provider based on cost and quality, and there is a huge variation in costs for consumers.

Prescription:

- Plans will be required to help consumers be active participants in their health care by providing tools to help consumers better understand their diagnoses and treatment options and understand their share of costs for medical services — based on the contracted costs of their plan.

“We are insisting on the best care and value for our consumers,” Lee said. “In the near term, keeping costs low is about making sure Covered California has a good mix of enrollees, but over the long term there must be system-wide efforts to lower costs and improve quality for all Californians.”

The improvements were hailed by a wide variety of stakeholders, including CMS and the American Academy of Family Physicians (AAFP).

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"We applaud California's focus on delivery system reform in the California health insurance exchange," said Dr. Patrick Conway, CMS's deputy administrator for innovation and quality and its chief medical officer. "Through payment incentives, innovative care delivery and improvement science, and transparent information, the public and private sector can collaborate to transform the health system to achieve better care, smarter spending and healthier people."

"We applaud Covered California for their leadership in working to ensure that all Californians have an ongoing relationship with a primary care physician and that the care patients receive is truly coordinated across the continuum of services," said Dr. Douglas E. Henley, executive vice president and CEO of AAFP. "Research has consistently shown that people who have access to a usual source of health care are in better health and have lower medical costs. This initiative will help make that vision a reality for Covered California beneficiaries because it values primary care and shifts payment toward paying for the quality of care and away from the number of services or procedures."

The contract provisions were developed over the past year in conjunction with consumer advocates, health plans, clinicians, and other stakeholders and subject matter experts. See the full summary of the 2017 contract provisions and the slides presented at the board meeting. In many cases, these improvements will benefit both Covered California members and consumers enrolled outside the exchange.

Covered California is required under both state and federal law to strengthen the health care delivery system; require that health plans improve health outcomes through effective case management, care coordination, chronic disease management and care compliance initiatives; and require health plans to reduce health and health care disparities.

In addition, Covered California will also make improvements to its patient-centered benefit design for 2017 plans. Benefits will be structured to remove financial barriers to consumers getting needed care and will include:

- Making all outpatient care in Silver, Gold and Platinum plans not subject to any deductible.
- Providing Bronze plan consumers three outpatient visits not subject to the deductible, in addition to the free preventive visits.
- Protecting consumers from high specialty drug costs by limiting out-of-pocket costs.

For 2017, Covered California is proposing to build on this structure by lowering the out-of-pocket costs for primary care and urgent care. For more details, see the proposed 2017 Standard Benefit Plan Designs and 2017 Standard Benefit Plan Design Endnotes.

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About Covered California
Covered California is the state's marketplace for the federal Patient Protection and Affordable Care Act. Covered California, in partnership with the California Department of Health Care Services, was charged with creating a new health insurance marketplace in which individuals and small businesses can get access to affordable health insurance plans. Covered California helps individuals determine whether they are eligible for premium assistance that is available on a sliding-scale basis to reduce insurance costs or whether they are eligible for low-cost or no-cost Medi-Cal. Consumers can then compare health insurance plans and choose the plan that works best for their health needs and budget. Small businesses can purchase competitively priced health insurance plans and offer their employees the ability to choose from an array of plans and may qualify for federal tax credits.

Covered California is an independent part of the state government whose job is to make the new market work for California's consumers. It is overseen by a five-member board appointed by the Governor and the Legislature. For more information about Covered California, please visit www.CoveredCA.com.

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