

Brief Notes

News for
Brokers and Consultants

March 18, 2016

Applies to: All markets

Kean says resolving ‘Out-of-Network’ bill should be priority

Politico reported this week on Senate Republican Leader Tom Kean, Jr.’s recent comments in support of expediting resolution of the New Jersey’s “Out-of-Network” bill. Please read the article below.

Senate Republican leader Tom Kean, Jr. has yet to pick a side in the public controversy over Horizon Blue Cross Blue Shield of New Jersey’s OMNIA tiered health plans that has engulfed the Legislature. But on Wednesday night, he indicated his priority is to resolve the other major issue facing hospitals and insurers: the so-called “Out-of-Network” bill.

“One of the great concerns about OMNIA or any of these tiered networks is the sheer market power of the insurance company,” Kean said at panel discussion hosted by the non-partisan Guarini Institute at Saint Peter’s University in Jersey City, which largely focused on how the Affordable Care Act was impacting the state’s health care system.

“When the OMNIA plan was presented, almost coincidentally, there was an out-of-network piece of legislation presented that I think needed a lot of work,” Kean said.

That bill outlines significant reforms to the health care billing process in an effort to protect consumers from surprise out-of-network bills, including an arbitration process for how insurers and providers resolve billing disputes.

Both OMNIA and the Out-of-Network bill deal with the broader issue of negotiating power between hospitals and insurers in an increasingly consolidated marketplace driven, in part, by the Affordable Care Act.

Leila Sadeghi, executive director of the Guarini institute, said the motivation for the panel was to examine this “rapid pace” of change and the impact it has on access to care.

The ACA puts pressure on providers to move from a fee-for-service system to value-based care, which encourages health systems and insurers to work together to keep patients out of the hospital, where care is most expensive.

(continues)



As a result, both hospitals and insurers are looking to increase market share.

“In 2008, fifty-five percent of New Jersey hospitals were in systems and forty-five percent were standalone,” said Neil Eicher, vice president of government relations at the New Jersey Hospital Association.

Eight years later, “Seventy-seven percent of hospitals are in systems and twenty-three percent are standalone,” he said.

This trend is likely to continue.

“You’re not going to be allowed to be inefficient as a hospital system,” said Democratic Assemblyman Herb Conaway, the Assembly health committee chair and a physician by profession. “[Hospitals] are beginning to grow large, to get negotiating leverage against payers and they’re looking at ways to reduce costs.”

But as hospital systems grow, insurers are also looking to increase leverage.

OMNIA, in some ways, is a reaction to this trend. The OMNIA Health Alliance is an agreement between the state’s largest insurer and some of the state’s largest health systems, including Barnabas Health and Hackensack University Health Network, to engage in value-based payment contracts.

Kean said the key issue facing legislators is how to craft legislation that creates a “balanced” system that isn’t “completely weighted in one direction.”

“If you have OMNIA compounded with Out-of-Network being solved in the wrong way, you would give absolute power to the insurance companies,” Kean said.

That’s because one of the ways that hospitals maintain leverage against insurers is the ability to go out-of-network. Hospitals and doctors have said that the current Out-of-Network bill, sponsored by Democratic Sen. Joseph Vitale, would decrease the leverage they have to negotiate with insurers.

Kean said he has been working with Sen. Gerald Cardinale on an alternative version, which will likely be introduced around late April, at the “tail end” of the budget break.

Conaway, on the other hand, has been very focused on the regulation of OMNIA and tiered networks. He also works at Saint Francis Medical Center in Trenton, which was designated as a Tier 2 hospital under the plan.

“Whether it is OMNIA or not, when change comes it highlights deficiencies and it makes us look at our regulatory structure to make sure that it’s adequate for the changing marketplace that we see,” Conaway said.

Almost a dozen bills related to the regulation of tiered networks have been introduced between the Senate and the Assembly. Kean, who sits on the Senate Commerce Committee which heard three of the bills for discussion last week, said he is still “working through” them.