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Lawmakers call on AG to probe OMNIA

Horizon officials, others spend hours testifying before joint committee

BY ANJALEE KHEMLANI

Horizon Blue Cross Blue Shield is not off the hook after a grueling eight-hour joint Senate committee hearing last week resulted in a call for the attorney general to investigate the plan for the OMNIA Health Alliance and affiliated product.



Nia Gill

Sen. **Nia Gill**, chair of the Senate Commerce committee, grilled first Horizon officials and then Department of Banking and Insurance officials about technicalities in the alliance and product plan.

"We know a lot more now than we did when (we) walked in," said Gill (D-Montclair) after the Oct. 5 hearing, adding that she wanted the AG to investigate antitrust concerns while the plan is still in its early stages rather than disrupting the market at a later stage.

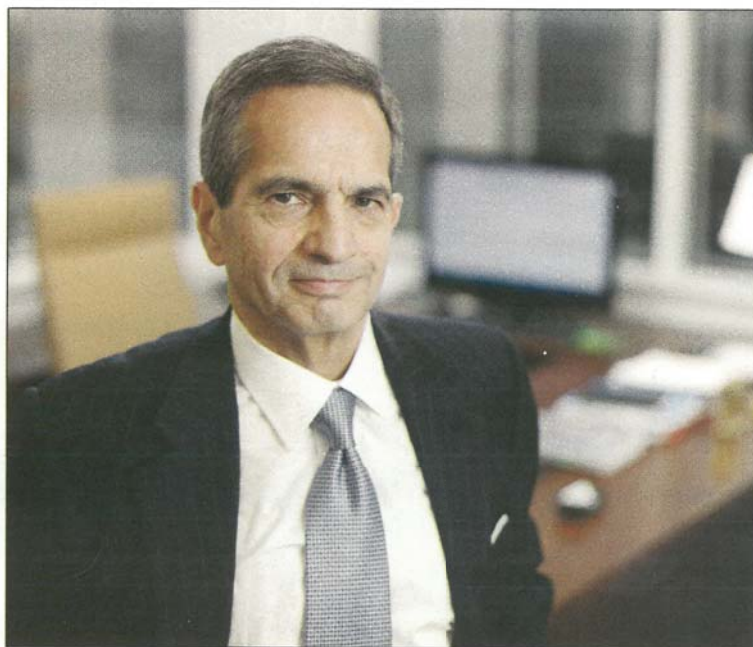
"In addition, the Department of Banking and Insurance may have violated state law and its own regulations by approving the tiered plans even though they did not meet the established requirements. The attorney general must immediately intervene and establish a permanent oversight mechanism for the process to ensure fairness, transparency and consistency in the hospital and physician ratings and a focus on quality of care," Gill said in a joint statement with Sen. **Joe Vitale**, chair of the Health and Human Services committee, after the hearing.

Gill told the standing-room-only crowd that 700 pages of documents had only been submitted at the start of the hearing by the DOBI, despite prior requests.

The Department of Banking and Insurance, tasked with regulatory oversight of fully funded insurance plans such as OMNIA, allowed Horizon to obtain approval despite not meeting adequacy rules for Burlington County — the largest area county in the state and the only one without a Tier 1 or OMNIA partner hospital.

Sens. **Dawn Marie Addiego** (R-Medford) and **Diane B. Allen** (R-Cinnaminson), both representing Burlington County, were concerned with distance of access, as some residents could be at least 30 miles away from a Tier 1 facility.

Horizon said that, based on the information it had regarding current member residences, the hospitals chosen to serve policyholders were an average of 14 miles



Robert Marino, CEO, Horizon Blue Cross Blue Shield. —AARON HOUSTON

away — putting them well within the 20-mile limit.

A Sept. 15 email revealed that Horizon had not met the requirement for Burlington County, yet approval was given three days later.

Department of Banking and Insurance Director **Peter Hartt** said that, prior to approval of the tiered product, officials were aware Horizon's Tier 1 presence in Burlington County was just shy of the required 90 percent, at 88 percent.

Hartt explained that Horizon committed to take action that would rectify the problem, which was treating obstetric services as Tier 1 within Burlington County.

"DOBI allowed Horizon to dictate to it how it would meet adequacy rules. That's a very dangerous way, in terms of regulatory power, even for the narrow jurisdiction they (DOBI) have. So there is a failure of the regulatory agency to follow the very rules that are in place," Gill said.

She had also asked Horizon about the tier designations.

"We asked for, and did not receive, the entire list of criteria and scores used for the OMNIA Health Alliance," Gill said to Horizon.

Horizon CEO **Robert Marino** replied: clinical quality, service offerings, consumer preference, value-based capabilities and scale of the organization. But he did not reveal the weight of each criterion or the scores of the hospitals, saying it was proprietary information.

Gill spent a significant amount of time questioning Horizon on whether or not there are binding contracts for the partnership.

Horizon responded that there are con-

tractual documents to allow the sale of the product plan Jan. 1, but could not answer whether or not the partner hospitals were in legally binding contracts with Horizon.

The alliance is a partnership of six of the state's largest health care systems as well as the largest physicians group. A total of 36 hospitals, of which 22 belong to partner systems, are designated Tier 1 hospitals — which means patients using these systems benefit by lower or no co-pays.

Gill said the reason she asked was because **Barnabas Health**, which is one of the biggest partners, declined an invitation to participate in the hearing last week.

"Barnabas is one of several contracted providers. We are currently in negotiations with Horizon, a component of which is participating in the OMNIA Health Alliance. Consequently we are unable to participate and provide testimony regarding the alliance at this time," Gill said, reading from a reply. "So Saint Barnabas, at least, has not yet signed a binding contract for the alliance. You have a rate agreement but not a binding contract. You come here to testify today as if they are part of the alliance, but you are still in negotiations."

Hours later, **Summit Medical Group** CEO **Jeffrey LeBenger** testified and confirmed that the partnership was still in a negotiation stage.

Gill also asked if, as part of the alliance, partners were told they could expect increased volumes of patients to offset the cuts in costs they agreed to in order to participate, as well as sharing in profits from the savings achieved over the year.

Kevin Conlin, executive vice president at Horizon, said yes, but that does not mean the hospitals share in the risk

of losses, as Gill had suggested.

"It's a flawed and dishonest process from the beginning," Vitale said. "(Horizon) decided which of the higher cost hospitals they wanted in their program so they could lower their cost. That's a value to Horizon, not to anyone else."

Vitale said if Horizon were to double back on the list of Tier 1 facilities, and add some of the high-quality institutions such as St. Francis or St. Peters University Hospital, it would fracture the alliance. Partners who are in the same market and would benefit from the volume of patients from those Tier 2 hospitals would find themselves without a reason to stay, since they would not be gaining the market share but still be taking a rate cut.

But Horizon maintains the goals of the alliance and the plan are to push for a value-based system, an idea that is already prevalent in health care in the state, some have said.

Senior officials of some of the Tier 2 hospital systems testified last week as well.

"It is all about market manipulation and steering," not value, said Holy Name Medical Center President **Michael Maron**. "New Jersey's health care marketplace lacks the transparency, maturity and competitiveness to support a tiered insurance product of this scale."

"The rates negotiated by (Horizon) can vary by as much as 300 percent. So you have

to ask yourself, if we are really concerned about bringing value to the consumer, if we are really concerned about lowering those premiums, then why did you align yourself with most expensive, costliest, highest reimbursed hospitals in the state of New Jersey? A 15 percent reduction off of their rates? Nothing. Take (a look at) all of us who have operated on one-third of those costs for so many years," he said.



Michael Maron

The **Trinity Health System** is comprised of hospitals who have served urban communities, such as St. Francis in Trenton.

"A small movement of commercially insured patients will undermine the financial viability of that institution," said **Alex Hatala**, CEO and president of **Lourdes Health System**.

This movement of patients is exactly what some legislators are concerned about, especially since hospitals are some of the state's largest employers.

The state has pumped at least \$55 million into state institutions and urban safety net hospitals, and legislators are concerned about the ability of hospitals that care for poor or underserved populations to survive the cost shift necessary with the loss of insured customers.

"The statements made at today's hear-

Who's in

The OMNIA Health Alliance includes six health systems and a physicians group: **Atlantic Health System; Barnabas Health; Hackensack University Health Network; Hunterdon Healthcare; Inspira Health Network; Robert Wood Johnson Health System; and Summit Medical Group.**

Eight other hospital systems will be a part of Horizon's Tier 1 plan: **AtlantiCare; Cape Regional Medical Center; Cooper University Health System; Englewood Hospital; Meridian Health; Shore Medical Center; St. Joseph's; and Princeton HealthCare System.**

ing further prove that Horizon's OMNIA plan will severely burden Tier 2 hospitals and, by extension, New Jersey taxpayers by unfairly labeling them as second-rate facilities. Despite repeated requests from the Legislature, Horizon has yet to disclose the criteria for its new network or any justification for excluding nearly 90 percent of Catholic hospitals, not to mention so many others," said Sister **Patricia Codey**, president of the Catholic HealthCare Partnership.

"The goal was not to stigmatize any hospitals," said Conlin, adding that the loss of patients to Tier 2 hospitals is about one per day.

Medicare is also pushing for similar value-based systems, and hopes to have a majority of reimbursements by 2018 come from

value-based arrangements, Marino said.

At least 30 pages of supporting testimony submitted to the committees highlighted the high cost of health care in New Jersey, and applauded Horizon's efforts while berating the legislators' attempts to delay the plan rollout.

"I notice that a lot of the discussion about the OMNIA product is centered around preserving hospital jobs. While that is a consideration, we need to reflect on the myriad of other businesses that are choking on their health care premiums, and the many patients for whom affordability of basic health insurance is taking away from other priorities such as housing and education for their families," wrote **Robert Eidus**, president of **Vanguard Medical Group**.

Based on the testimony heard Monday, Vitale concluded that the OMNIA tiered plan was nothing more than a "bizarre, hybrid, out-of-network" scheme.

Gill said what most shocked her was the lack of transparency and oversight, and the use of the partnership to promote the product when the former was still in a negotiations stage.

"There is a consumer protection issue ... they are using organizations to induce you to use their product, when in fact, those organizations are not a part of the product," she said.

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