

# **Blue Cross Blue Shield of Michigan**

## **A nonprofit mutual insurer**

**Presented by:**

**Mark Cook**

**Vice President, Government and Regulatory Affairs**

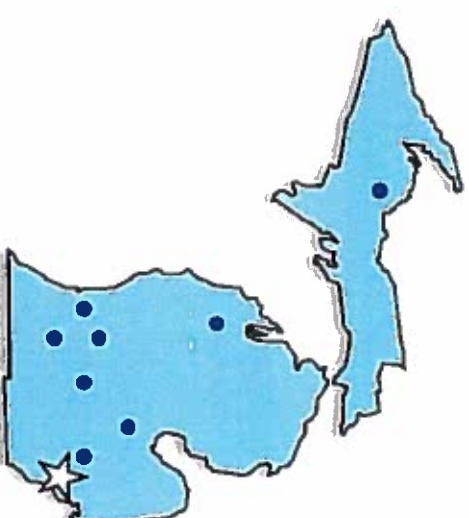
**Blue Cross Blue Shield of Michigan**

**House Health Policy Committee**

**Chairman Vaupel**

**February 7, 2019**

# About Michigan's largest nonprofit insurer



- A **nonprofit mutual insurance company** founded in 1939
- The largest nonprofit mutual health insurer in Michigan, serving **6.1 million people nationwide**
- Headquartered in Detroit, with more than 8,100 Michigan employees across the state
  - A large IT employer, with more than 1,000 tech employees
- As part of our commitment to the state, Blue Cross moved a majority of employees to the core cities of Detroit, Grand Rapids and Lansing
- Nearly 100 million health care claims processed in 2017, with an average claims expense of \$63 million per day.
- The largest network of doctors and hospitals in Michigan: 152 hospitals, more than 33,000 doctors
- A diverse workplace, with a perfect score on the Disability Equality Index.

# About the Enterprise

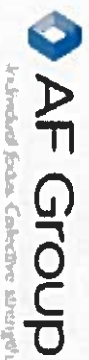


While our core mission is health insurance, we strive to address our diverse customer needs. We offer wholistic insurance solutions through our subsidiaries, which include:



A nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association

**Blue Care Network** is a nonprofit health maintenance organization, part of Blue Cross since 1998.



*A Mutual of New York Company*

**The Accident Fund**, headquartered in downtown Lansing, has provided workers' compensation insurance coverage since 1912.



**Founded in 2006**, LifeSecure Insurance Company is dedicated to providing insurance and noninsurance solutions to protect people from unforeseen health-related risks.



**BCC** is a managed care plan contracted with the state of Michigan that helps Medicaid members get the quality health care they need.



**The Blue Cross Blue Shield of Michigan Foundation** is a nonprofit organization with more than 35 years of grant funding experience. We support diverse research projects, and efforts to control the rising cost of health care through research, demonstration and evaluation projects

Blue Cross Blue Shield of Michigan and Blue Care Network are nonprofit corporations and independent licensees of the Blue Cross and Blue Shield Association



# About Blue Cross



- We keep margins low to improve affordability
- We partner with doctors and hospitals to improve quality outcomes and patient experience for all Michigan residents
- We have long been committed to providing insurance to all – regardless of health status – across the state
- We are deeply committed to the communities of Michigan

## OUR MISSION

*We commit to being our members' trusted partner by providing affordable, innovative products that improve their care and health.*

## OUR CUSTOMER COMMITMENT

*We aspire to be clear and simple, to help you make the right choices, to offer valuable coverage and get quality health care for you and those you love.*

## OUR COMMITMENT TO MICHIGAN

- ✓ Increase access to affordable health care
- ✓ Enhance the quality of care patients receive
- ✓ Improve the health of Michigan's citizens and communities

# BCBSM uniquely invests in communities across Michigan



Blue Cross  
Blue Shield  
Blue Care Network  
of Michigan



- BCBSM has contributed **\$355 million** to the Health Endowment Fund towards a commitment of **\$1.56 billion over 18 years**.
- The mission of the fund is to improve the health of Michigan residents and reduce the cost of health care.



BCBSM is proud to be the **single largest private funder** of Michigan's free clinics.



- BCBSM created **Building Healthy Communities** in 2009
- The program has grown to a partnership with 10 statewide organizations, including MDHHS and MDE
- We have reached more than **750 schools and 340,000 students**
- Academic research demonstrates the elementary school program successfully **reduces obesity**

# Improving quality, cost and the patient experience



Blue Cross  
Blue Shield  
Blue Care Network  
of Michigan



Better Care. Better Outcomes. Better Value.



- Value Partnerships is our collection of statewide physician and hospital programs designed to improve quality, cost and patient experience.

- These programs have transformed Michigan's health care to an outcomes-based, patient-focused, fee for value system.

- The successful efforts span more than two decades and have been profiled in over 25 countries on 5 continents.



Collaborative  
Quality  
Initiatives

A subset of CQIs have saved \$1.4 billion statewide (2008-2015)



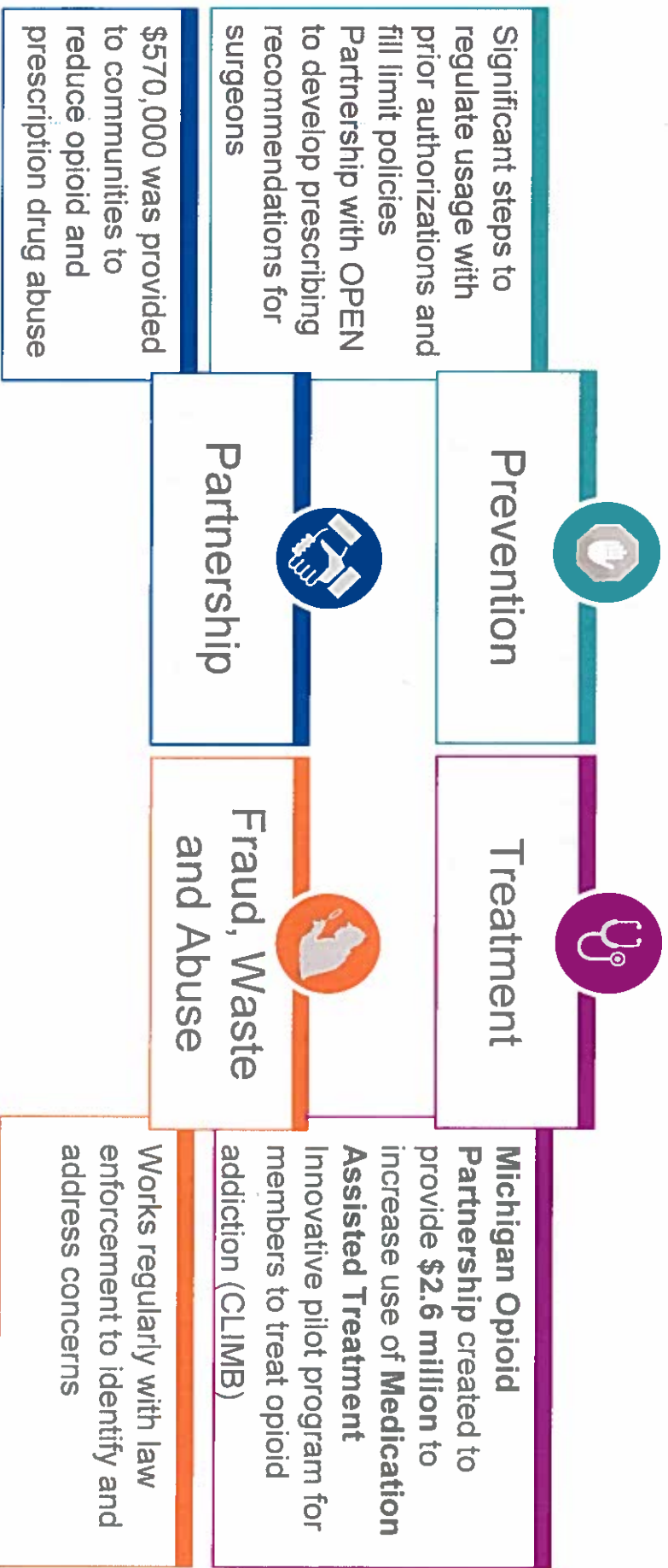
patient-centered  
medical home

4,638 physicians in  
1,715 practices  
across Michigan

# The Blue Cross commitment to addressing the opioid epidemic



**Blue Cross has assembled an enterprise-wide task force to confront this crisis on multiple fronts. Our mission is to prevent addiction before it starts and ensure effective treatment for those suffering from addiction.**





**Early efforts have resulted in promising results, and we will keep working to make a difference**



***We are encouraged by the results so far...***

Through both internal efforts and partnership with the provider community, we've seen:

- ✓ More than 850,000 fewer tablets dispensed since 2014, due to the Dr. Shopper and "Triple Threat" initiatives
- ✓ Thirty-two percent decrease in opioid prescriptions since 2012, including a 51 percent reduction in fentanyl products dispensed
- ✓ "Triple Threat" initiative has decreased the dangerous combination by 84 percent from 2012-2017
- ✓ Criminal prosecutions and revoked licenses for predatory providers

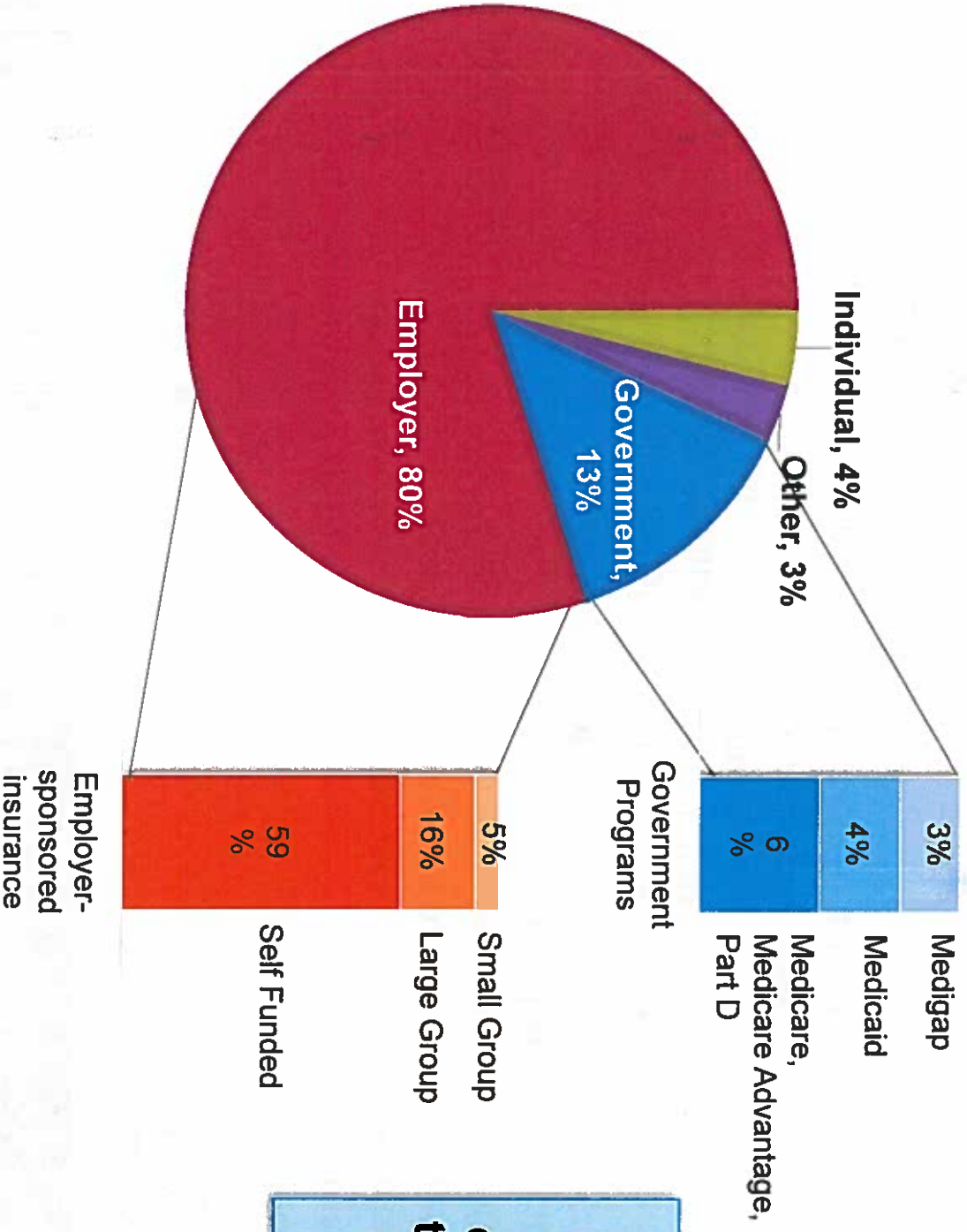


**Zero  
overdose  
or death**

**...but there is  
clearly more work  
to do.**



# BCBSM's membership composition



**Most people get insurance coverage through their employers or the government**

Blue Cross Blue Shield of Michigan and Blue Care Network are nonprofit corporations and independent licensees of the Blue Cross and Blue Shield Association.



# Cost-sharing tools used by employers



## Deductible

- The amount you pay for health care services before your health insurance begins to pay
- Example for \$1,500 deductible:
  - You pay 100 percent of eligible health care expenses until the bills total \$1,500.
  - Afterwards, you share costs with your plan by paying coinsurance.

## Coinsurance

- Your share of costs for a health care service
- Usually a percentage of the amount insurer allow to be charged for services
- Start paying coinsurance after deductible is paid

## Copay

- A fixed amount you pay for a health care service received, which can vary by the type of service
- How it works: Your plan determines your copay for different types of services, and when you have one.
  - You may have a copay before and/or after you've met your deductible, and when you owe coinsurance.
  - Example: \$20 copay for doctor's office visits when sick

# How insurers interact with state government



The state agency overseeing health insurance is the Department of Insurance and Financial Services. We file more than 20 reports throughout the year. Information filed on our products can be found online at [Michigan.gov/DIFS](http://Michigan.gov/DIFS).

The following information is reported by BCBSM annually:

- | <b>Member</b>  | <b>Financials</b>   | <b>Insurer</b>   |
|--|---|--|
| <ul style="list-style-type: none"><li>☀️ Claims payment information</li><li>☀️ Membership details</li><li>☀️ Information about member complaints and grievances</li><li>☀️ Certificates and riders (what's covered and what's not)</li></ul> | <ul style="list-style-type: none"><li>☀️ Medical Loss Ratio</li><li>☀️ Revenue</li><li>☀️ Risk-based Capital (RBC) calculations<ul style="list-style-type: none"><li>▪ Investments</li><li>▪ Statements from auditors</li></ul></li></ul> | <ul style="list-style-type: none"><li>☀️ Premium rates calculation methodology</li><li>☀️ Rate approval</li><li>☀️ Advertising approval for certain products<ul style="list-style-type: none"><li>▪ Changes to the board of directors and corporate officers (with fingerprints and biographical affidavits)</li></ul></li><li>☀️ Market conduct information</li></ul> |

☀️ Information can be found on DIFS' **System for Electronic Rate and Form Filing (SERFF)** and other portions of DIFS' website (FIS 322 database, PRIRA reports)

# Understanding the Affordable Care Act



## What's the Marketplace?

The Federally Facilitated Marketplace (FFM), sometimes referred to as:

- Healthcare.gov; Obamacare; the Exchange; the Health Insurance Marketplace
- The FFM includes 39 states – Michigan is one. The other 11 states run their own exchange

## On-Marketplace of Off-Marketplace

- A consumer must enroll On-Marketplace to qualify for subsidies (enrolling through Healthcare.gov or via phone)

## Tax credits

- Advanced Premium Tax Credits (APTC), also known as a premium subsidy
- Individuals qualify for premium assistance if income is below 400% of the Federal Poverty Level (FPL)

## Metal Levels:

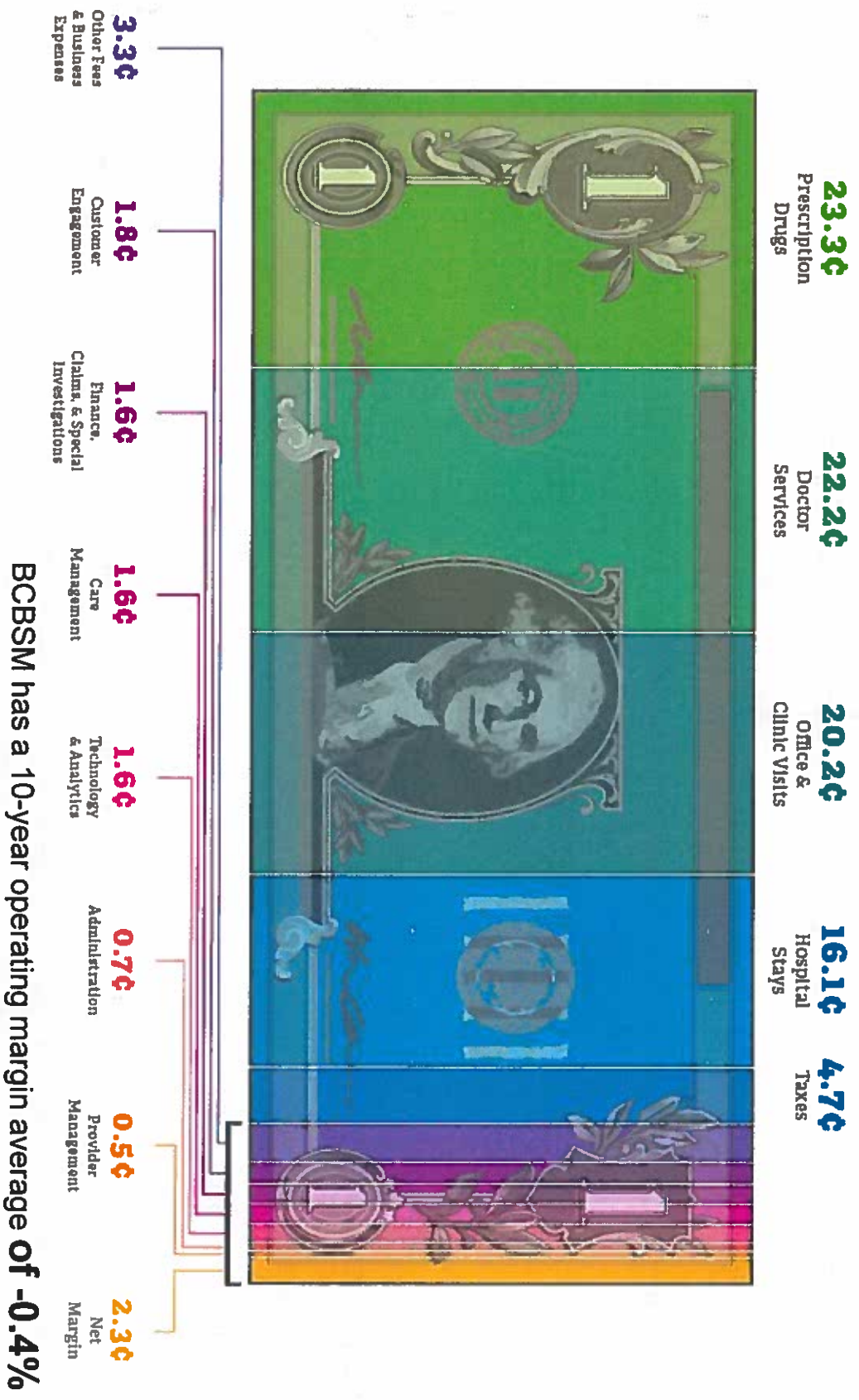
- The product tiers are highly standardized and ranked on actuarial value (AV) - or the percentage the insurer pays
  - Platinum (90% AV)
  - Gold (80% AV)
  - Silver (70% AV)
  - Bronze (60% AV)



# Where does your health care dollar go?



A glimpse at national health care average expenses



Source: America's Health Insurance Plans

Blue Cross Blue Shield of Michigan and Blue Care Network are nonprofit corporations and independent licensees of the Blue Cross and Blue Shield Association

# Pharmacy costs are growing at an unsustainable rate



- Prescription drugs play an important role in the health of our members.
- 60% of Americans use at least one prescription drug annually
- Prescription drug costs are growing at an unsustainable rate.
- Prescription drug costs account for nearly 28 percent of our overall costs and are the single largest expense for our enterprise.

- The cost for brand-name drugs rose



- In Michigan, drug spending on high cost specialty medications increased by 12 percent in 2017.
  - Specialty drugs account for 1 percent of prescriptions filled, but over 40 percent of our pharmacy payments.
  - If unchecked, the trend is expected to reach 66 percent of pharmacy spend by 2022.
- Highlighting the costs of prescription drugs will help curb excessive price increases that make drugs inaccessible.

**Our top priority is making prescription drugs available when our members need them.**

# Twelve of the most expensive drugs in 2018



Blue Cross  
Blue Shield  
Blue Care Network  
of Michigan

| Drug              | Cost per patient per year* | Benefit  | Condition                           | Company   |
|-------------------|----------------------------|----------|-------------------------------------|-----------|
| Luxturna™         | \$850,000                  | Medical  | Genetic retinal disease             | Spark     |
| Exondys 51™       | \$800,000 <sup>1</sup>     | Medical  | Duchenne muscular dystrophy         | Sarepta   |
| Ravicti®          | \$790,000                  | Pharmacy | Urea cycle disorder                 | Horizon   |
| Spinraza®         | \$750,000 <sup>2</sup>     | Medical  | Spinal muscular atrophy             | Biogen    |
| Brineura™         | \$702,000                  | Medical  | CLN2 disease                        | BioMarin  |
| Soliris®          | \$540,000                  | Medical  | Paroxysmal nocturnal hemoglobinuria | Alexion   |
| Hemlibra®         | \$500,000                  | Medical  | Hemophilia                          | Genentech |
| Kymriah®          | \$373,000-                 | Medical  | Cancer                              | Gilead,   |
| Yescarta® (CAR-T) | \$475,000 <sup>3</sup>     |          |                                     | Novartis  |
| Vitrakvi®         | \$393,000                  | Pharmacy | Cancer                              | Bayer     |
| Cuprime®          | \$380,000                  | Pharmacy | Wilson's disease                    | Valeant   |
| Kalypdeco®        | \$307,000                  | Pharmacy | Cystic fibrosis                     | Vertex    |

\*Annual costs estimates are based on wholesale acquisition cost (WAC), average dosing and rounded; Luxturna™ and CAR-T are given as one-time treatments  
<sup>1</sup>Based on average weight; costs could exceed \$1 million per patient per year  
<sup>2</sup>For first year, then \$375,000 annually  
<sup>3</sup>Yescarta® and Kymriah® drug costs; total medical costs could exceed \$1 million



# Questions?



## Blue Cross Government and Regulatory Affairs Team



**Mark Cook**  
*Vice President*  
*Government and*  
*Regulatory Affairs*



**Amy Modlin**  
*Vice President*  
*Office of Federal Affairs*



**Kristen Kraft**  
*Director*  
*State Relations*



**Gabe Basso**  
*Manager*  
*State Relations*