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New Health Insurer Offers Value Options

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SAN FRANCISCO (MarketWatch) -- Making health **insurance** more user-friendly and responsive to people's routine and preventive-care needs isn't rocket science.

So says Martin Watson, chief executive of SeeChange Health, a start-up in the world of established behemoths such as UnitedHealthcare (UNH) and Aetna (AET), two of his former employers.

Watson wants to change the culture of coverage by encouraging consumers to see their doctors early and often in hopes of saving money by keeping them from getting sick in the first place or holding them at an earlier stage of disease longer than if they had waited until their conditions worsened to seek care.

By waving the carrot of significantly lower deductibles and co-**insurance** for complying with preventive-care and condition-specific care requirements, he hopes to entice people to participate in what's known as value-based **insurance** design. That's a deal where financial barriers such as co-pays and deductibles are wiped away or greatly reduced if people take recommended steps toward protecting their health, and it's commanding attention as the health-reform debate enters the fine-print stage.

Value-based benefit design has gained currency in the last few years as some large employers move away from a one-size-fits-all approach to workers' cost-sharing and toward a more "clinically nuanced" one that reflects the best health outcomes for dollars spent, said Dr. A. Mark Fendrick, an internist and co-director of the University of Michigan Center for Value-Based **Insurance** Design in Ann Arbor. Value-based design elements also are included in the health-reform bills now being considered in Washington.

"Most Americans with **insurance** pay the same co-pay to see a cardiologist after a heart attack or to see a dermatologist for mild acne," Fendrick said of the status quo.

Among employers that have used value-based design, a popular option is lowering co-payments on drugs generally agreed to improve health and productivity substantially. But lower patient contributions also make sense for services such as physical therapy after hip replacement surgery or earlier-than-usual colon-cancer

screening for people with first-degree relatives who had the disease, he said.

It's not a panacea, but value-based design is a baby step toward raising health-care quality and efficiency, Fendrick said, and people's experience with it so far has been positive. "All stakeholders, most importantly patients or beneficiaries, are very pleased to see their monies going preferentially to the services shown to improve health."

"First class for the price of coach seems to be something most people would take."

Culture change

Unlike other health insurers that try to avoid calls and claims, SeeChange would welcome them, Watson said. He compared its approach to that of JetBlue or Virgin America, airlines that don't fly everywhere their larger counterparts do but that place a high value on customer satisfaction and experience.

"Our model is affordably-priced product, but a fundamentally different philosophy," he said. "We want you to take advantage of your benefits and see your doctor."

"We're the next logical iteration of health **insurance** product. What we're doing would be impossible as a legacy **insurance** company."

Among the practices he wants to correct: Health insurers' tendency to pay attention to members only when they're diagnosed with a costly chronic condition, as opposed to actively encouraging healthy people's routine and preventive care. Another change he cited is relying on members' doctors to manage their ongoing care instead of having anonymous nurses phone them from a distant call center to ask if they're taking their medication or following doctors' orders -- four months after a claim was filed.

Also on his to-do list: Providing timely customer service so members and doctors have their calls answered the first time and their claims processed correctly.

"The bar is so low," Watson said. "If we can just deliver to you an ID card on time and give you a product that's easy to understand and [incentivize you to] go see your physician, we'll look like rock stars."

"Our big bet is if we deliver that, we're hoping that because we're competitively priced you're going to stick with us."

The desire for long-term clients is notable in a sector that counts on high customer turnover, or "churn." Some health insurers create the conditions where small-business clients can afford their coverage no more than two or three years, giving the insurer an excuse not to invest in members' long-term health.

Treating small firms better is high on the agenda, Watson said.

"Small businesses are habitually abused by **insurance** companies," he said. "They generate the highest profit for **insurance** companies and they have the least power."

Focusing on the small group and individual markets, SeeChange Health is weeks away from launching in several markets in California. The first will be Fresno, followed by Los Angeles, San Francisco and Bakersfield. The company holds licenses to sell health **insurance** in 25 states. Another firm under the same corporate umbrella called HealthInsight provides the data-crunching capacity that supports other value-based health plans behind the scenes. Many of those plans are offered by large, self-insured employers.

Bargaining with consumers

SeeChange Health will offer major medical **insurance** with six different kinds of benefits designs and a \$5 million lifetime maximum.

The plans' typical structure offers a voluntary three-for-three deal: A member who sees her primary-care doctor for a routine annual wellness visit, has a blood draw to screen for common health problems and fills out an online personal health questionnaire can receive a cost-sharing break of \$1,000, lower co-**insurance** and at least \$200 in a Health Incentive Account, as part of a health reimbursement arrangement. A single person in a \$2,200 deductible plan with a co-**insurance** rate of 20% for most services would see her co-**insurance** knocked down to zero and the out-of-pocket maximum cut to \$2,200 from \$3,200 by complying with the three preventive-care criteria.

Members with chronic illnesses can cash in as well. A person who develops type 2 diabetes can reduce his out-of-pocket costs by seeing a doctor twice a year to have his A1C level checked and by having an annual eye exam and foot exam. Doing so cancels any out-of-pocket costs associated with those services, Watson said.

Of course, driving people to have more office visits results in higher claim volume for the company, but it's still the kind of claim that costs less over time, he said.

"The home run for us is cancer," Watson said. "We know a [diagnosis of] stage two is hugely lower cost than a stage three or four."

Of course, some people may not be receptive to having their health insurer take a more active role in encouraging them to get routine and preventive care. But Watson hopes to earn their trust.

Perhaps what sets the company apart the most is its pledged flexibility to allow patient savings throughout the plan year.

Knowing that a certain portion of health-**insurance** members won't complete the three steps necessary to lower their costs, SeeChange offers to make the out-of-pocket cost reductions retroactive if a member later chooses to follow through. If a person suffers an injury, for example, and in the course of medical treatment decides to take the preventive-care measures, the company will re-adjudicate previous claims at the richer benefit level and cut the member a check for the difference, Watson said.

A final ambition is to break the doggedly upward trend of health-premium cost growth. The company aims to match its premium increases to general inflation as measured by the consumer price index. That's no small feat considering that premiums have jumped 131% over the last decade compared with 28% for overall inflation and 38% for wage gains, according to the Kaiser Family Foundation.

Watson may be aiming high, but it's about time someone did.

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