

July 30, 2018

The Honorable Dale Folwell
North Carolina Department of State Treasurer
3200 Atlantic Avenue
Raleigh, NC 27604

Transmitted via email to dale@nctreasurer.com

Re: Savings Strategies for the North Carolina State Health Plan

Dear Treasurer Folwell,

The North Carolina Medical Society appreciates the opportunity to hear your views about how to control health care costs in the State Health Plan. We view the recent stakeholder meeting as an initial one, and hope we can collaborate with you to achieve savings for the Plan, while maintaining quality and access to care for teachers, state employees, and their families. Improving the health status of Plan members and cutting costs are complementary goals, consistent with our vision for the future of health care in North Carolina.

We understood you to indicate that your preferred method for saving \$300 million in 2019 is to direct Blue Cross Blue Shield of North Carolina, as the Plan's third-party administrator (TPA), to cut provider reimbursement rates by at least fifteen percent. NCMS does not support this approach because it has not proven to be an effective strategy. Over and over, rate cuts have failed to control costs. Experience has shown that physicians will discontinue their participation with a health plan when confronted with sharp declines in payment rates. Fewer in-network physicians will disrupt established physician-patient relationships and jeopardize continuity of care. This would also mean reduced access in rural areas, as well as increased emergency department visits and payments to out-of-network providers.

We recommend a different savings strategy; one that enlists and motivates physicians to align their care delivery with your stated goals. While our approach may not generate the immediate results that you seek, we believe it will benefit the Plan long-term and result in improved health status of members. The following approaches will allow your team to collaborate with physicians and other providers to create savings for the Plan:

Improved Data Availability. A challenge that you identified during the meeting was how to change provider behavior in a way that will improve quality and generate savings. As I stated in our dialogue, the first step is to help physicians understand the entire picture of a member's health status and the health care services he/she is consuming. The Plan, in cooperation with its TPA and the provider community, can do this by making available claims and cost data to physicians on an individual member basis. This would improve the care for Plan members, and inform the Plan on what drives costs. Your leadership and insistence that the TPA provide this data to physicians is critical to success.

Bundled Payments. Bundles reduce costs and provide budget predictability by incentivizing physicians to perform high-quality procedures as efficiently as possible. A few common

orthopaedic procedures are now paid on a bundled basis, where the Plan pays all the expected costs (e.g., surgery, facility, anesthesia, implant, rehabilitation) in a single payment. Bundles are also administratively simple for patients: typically only one EOB is generated for the entire episode of care. Tennessee's state health plan has embraced bundled payments on a large scale, with a goal of bundling 75 different procedures by 2020. The same could be done here.

Chronic Disease Management. Long-term conditions like cardiovascular disease, stroke, diabetes, asthma, and arthritis are typically among the leading cost-drivers for health plans. While the Plan currently contracts for care management services, we believe more can be done. Targeted programs with on-the-ground care managers can ensure members with chronic diseases receive their screenings, check-ups, coordinated treatment, and education. Effective, proactive management can not only improve the member's quality of life, but also reduce the Plan's health care costs. The Plan should consider taking a more proactive approach to helping its members manage chronic diseases.

Thank you again for the opportunity to offer these solutions for your consideration. I agree with your desire to control costs in the Plan so that the State of North Carolina has resources for other priorities like education, roads, and more. So we welcome the opportunity to continue the conversation, and hope to play a part in your strategy for strengthening the Plan's effectiveness and financial standing. I, and other members of the North Carolina Medical Society, stand ready to meet you and your staff, to discuss and advocate for solutions whenever you desire.

Sincerely,

A handwritten signature in black ink that reads "Timothy J. Reeder". The signature is written in a cursive style with a large, prominent 'T' and 'R'.

Timothy Reeder, M.D., M.P.H.
President-Elect

Copy: John Reynolds, M.D., President, North Carolina Medical Society – jreynolds@carolina.rr.com
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