

The Future of Wellness and Medicare Part D: The Impact of Mergers and Acquisitions



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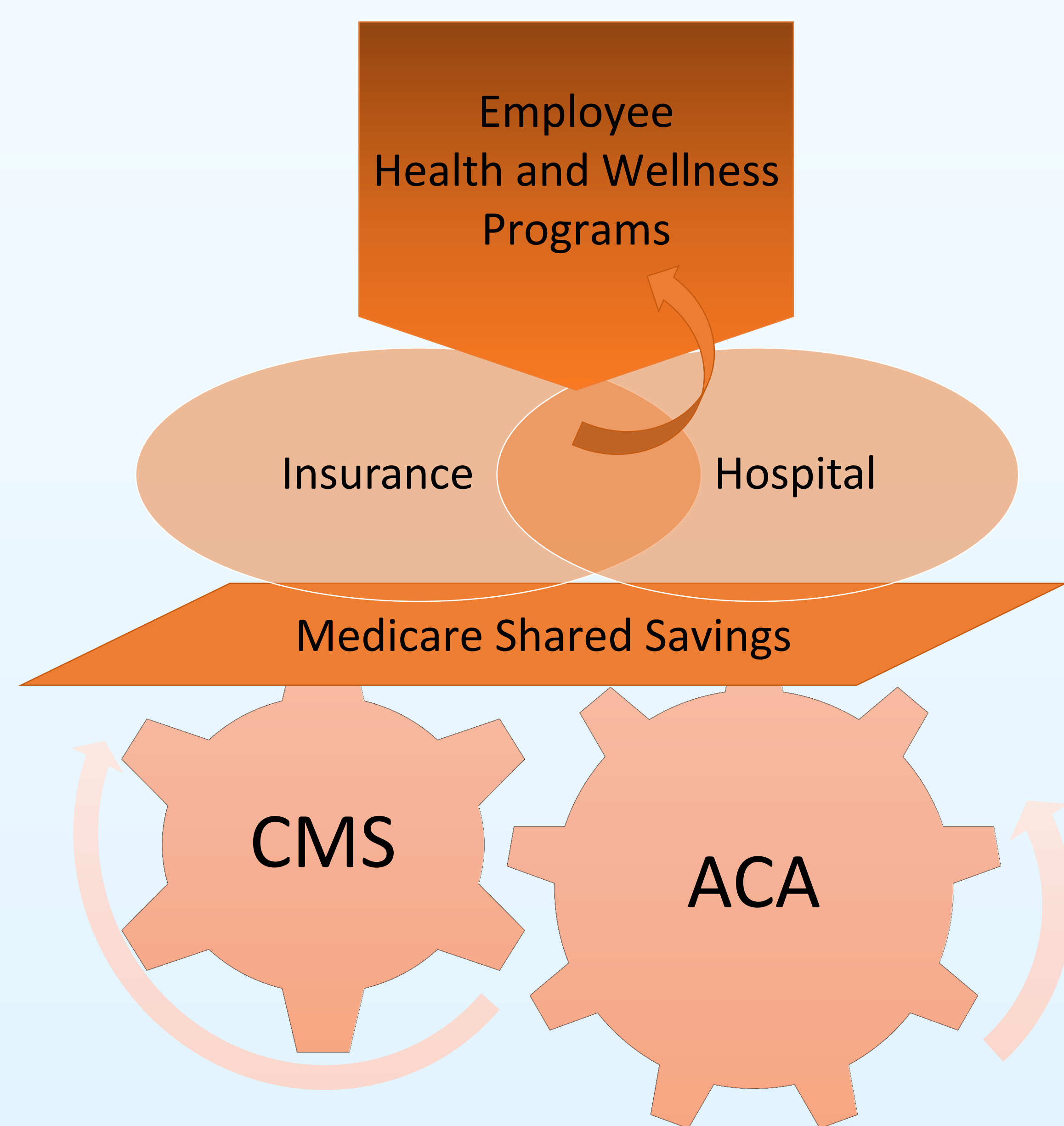
BACKGROUND

- Healthcare reform has led to increasing hospital and insurance partnerships¹
 - Horizontal merger: consolidation of businesses that provide the same service
 - Hospital merging with another hospital
 - Vertical merger: consolidation of businesses that provide different services
 - Hospital merging with a health insurer
- Under the Medicare Shared Savings Program, reductions in cost will be shared with Medicare²
- Goal of distributing the risk and resources to increase care coordination
- The Affordable Care Act (ACA) encouraged implementation of employee wellness programs³
 - \$10 million from the Prevention and Public Health Fund to help establish and improve employee wellness programs
 - 86% of hospitals have wellness programs⁴

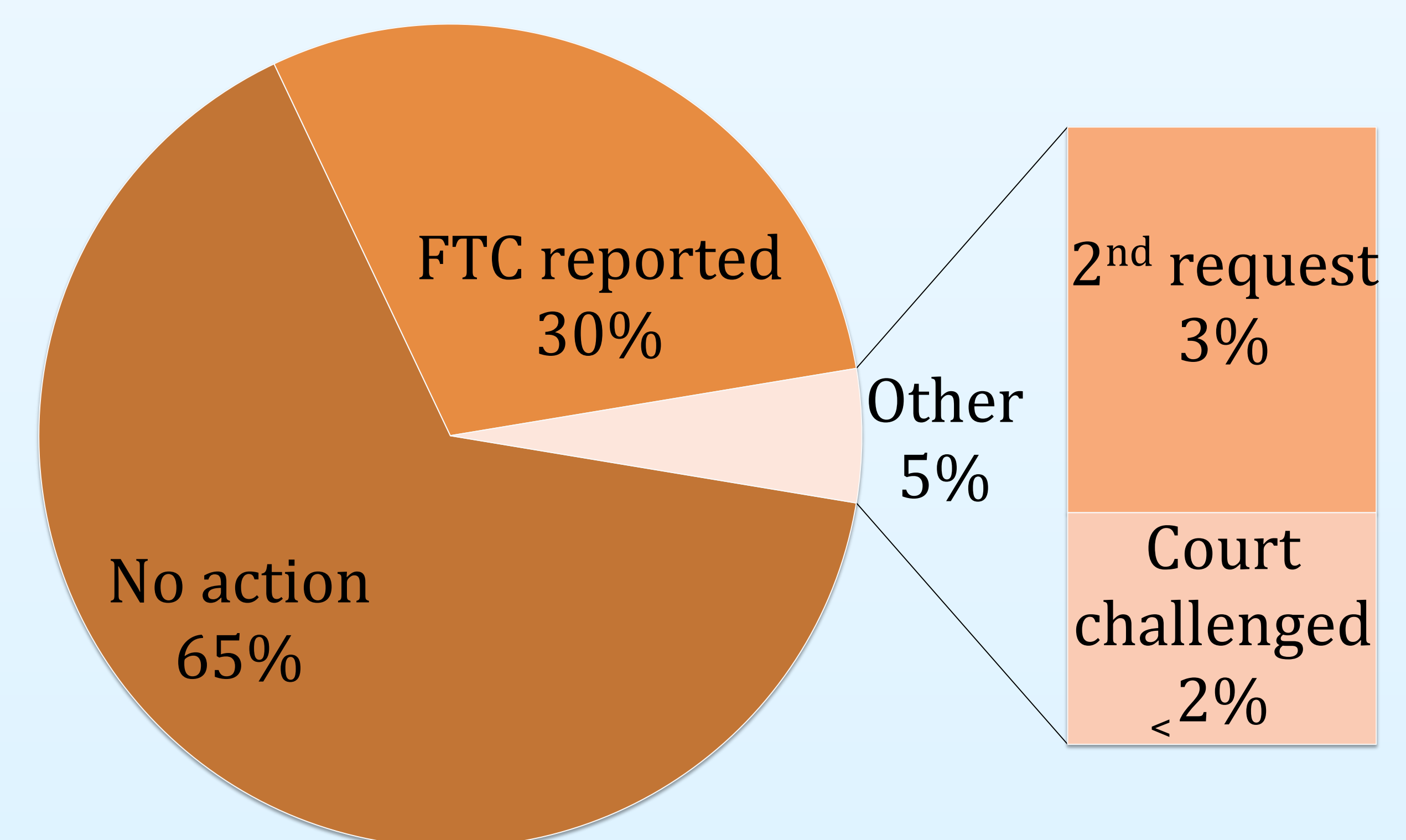
- Before the ACA, employee wellness programs were few, unstandardized, and lacked documented outcomes
- ACA funding expanded health services and mandated quality reporting
- Successful workplace health and wellness programs have varying incentive structures but all included monetary incentives
- Healthcare reform incentives have fostered vertical mergers
 - Unprecedented due to conflicting interests
- Kern Medical Center and Kern Health Systems in California is another prospective vertical merger

Table 1. Vertical Merger/Partnership Descriptions

Entities (Insurer/Hospital)	Resulting Partnership	Location	Characteristics	Date
Continuum Health Partners/ Mount Sinai	Mount Sinai Health Systems	New York City, NY	<ul style="list-style-type: none"> 3,500 beds 12 Ambulatory Surgical Centers 6,600 physicians 35,000 employees 	Merged in July 2013
MedStar Health/Southern Maryland Hospital Center	MedStar Southern Maryland Hospital Center	Baltimore, MD	<ul style="list-style-type: none"> 10 hospitals 27,000 employees 	Merged in December 2012
Highmark/West Penn	Allegheny Health Network	Pittsburg, PA	<ul style="list-style-type: none"> 6 hospitals 11,000 employees 	Merged in April 2013
WellStar/Piedmont	Georgia Health Collaborative	Atlanta, GA	<ul style="list-style-type: none"> 10 hospitals 900 physicians 19,600 employees 	Partnered in October 2012



Hospital Mergers and Anti-trust Disputes (n=333)



OBJECTIVES

The objectives of this study were to:

- Summarize the literature on Medicare reimbursement associated with mergers
- Provide examples of successful mergers
- Describe the pros and cons of developing health plan driven health and wellness programs

METHODS

- A systematic review was conducted to identify successful mergers and best practices of health and wellness programs
- Articles after 2008 were compiled using search engines PubMed, Galileo, Ebscohost, and Google Scholar
- Key terms used were "corporate", "health and wellness program", "health plan", "insurance plan", "hospital", "vertical", and "merger"
- Exclusion criteria to identify successful wellness programs were articles involving consolidations and wellness programs not tied to insurance plans
- Notable characteristics were summarized in tables

RESULTS

A total of 29 relevant articles were retrieved. Findings revealed:

- Mergers prevent hospitals from trading-off quality and services for cost reductions
- Medicare reimbursement related to mergers includes a "shared risk" payment model
- Providers are eligible for bonuses if they keep costs below a certain threshold
- Blue Cross Blue Shield, Aetna, and Anthem/WellPoint
- The partnership between Piedmont and WellStar health care systems of Georgia allowed for the formation of a new insurance plan for coverage
- Administrators believed merging would allow the companies to meet ACA standards for improving clinical outcome at reduced costs

Table 2. Health-Plan Driven Wellness Programs^{6,7,8}

Pros	Cons
Accountable Care Organizations <ul style="list-style-type: none"> Improve the coordination of patient care, reduce costs, and align payment models around care quality instead of volume 	Potentially Higher Costs <ul style="list-style-type: none"> Some studies suggest increasing concentration of the healthcare market will result in higher costs for patients
Reimbursement <ul style="list-style-type: none"> Increased the reward amount of outcomes-based health and wellness programs from 20% to 30% of the cost of employee's coverage Increased to 50% coverage for tobacco-reduction goals 	Varying ROI <ul style="list-style-type: none"> Less than 7% of programs have been evaluated for ROI Some evaluations demonstrate nonsignificant savings and health improvements.

CONCLUSIONS

- The ACA's Medicare reforms have incited rapid growth of mergers and health and wellness programs
- Medicare shared savings incentives can represent a unique opportunity for health plans to promote health and wellness

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