

DECISION RESOURCES GROUP

Market Overview Brief Seattle

Analyst: Heather Johnson

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DRG
Part of **Clarivate**

Questions@TeamDRG.com
www.DecisionResourcesGroup.com





COVID-19 Impact



What it means for providers

Falling revenues due to COVID-19 procedure bans and skipped appointments have hit providers from large integrated delivery networks to independent physicians. While large IDNs have the reserves to push through the year, independent physicians are likely to look for health system or insurer employment or join a larger practice with an IDN-affiliation. Expect a wave of consolidations in the market, especially as more physician groups are acquired by UnitedHealthcare subsidiary Optum or an IDN.

PROVIDERS



What it means for payers

Seattle's insurers and employers have seen lower-than-expected claims costs for this time of the year, even with costs associated with treating COVID-19 patients. The real change is likely to come in late 2020 and 2021 as some furloughed employees are laid off and unemployed workers have trouble finding jobs. The market's strong economy with lots of high-paying jobs will protect many workers, while employees in the service industries, such as food service, tourism, and travel will suffer the most. Commercial enrollment will likely fall, although membership in Medicaid MCOs and health insurance exchange plans will increase.

PAYERS



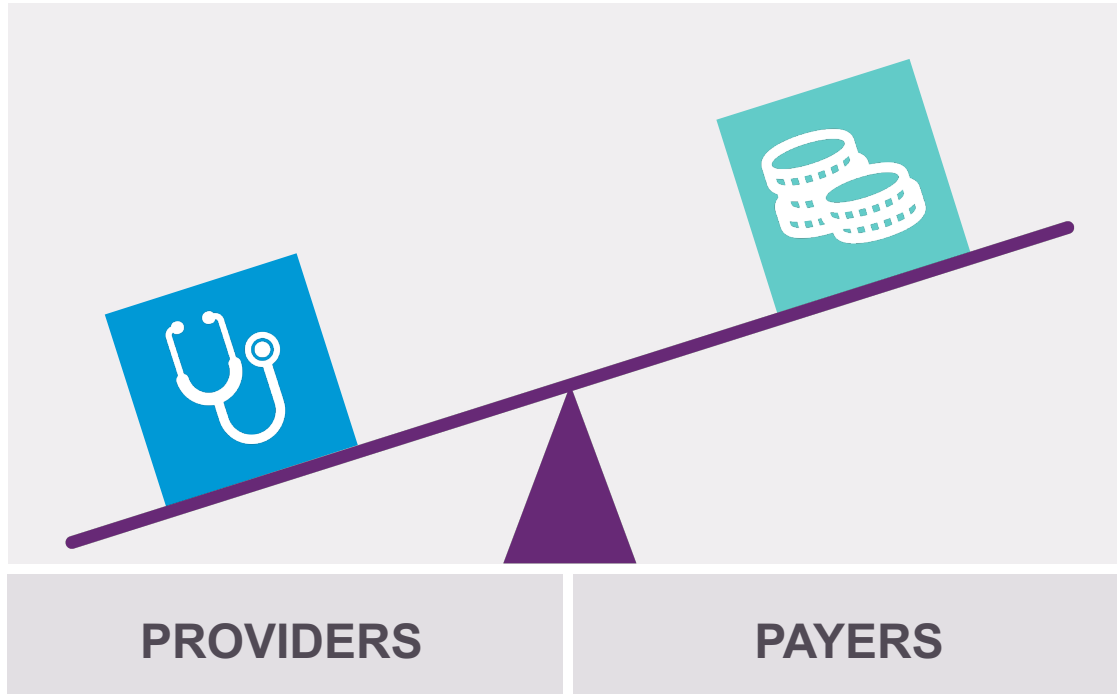
What it means for pharma

Drug benefits for Medicaid recipients, state employees, and members of health insurance exchange plans could change in future years as Washington manages budget shortfalls due to falling tax revenues. Since the state is such an important payer in the Seattle market, formularies could become more restrictive and cover fewer branded drugs. Washington still commits to evidence-based treatments, however, such as the push to fund access to hepatitis C drugs.

PHARMA



The Power Fulcrum



Large clinically integrated networks give providers power in the Seattle market, especially as networks for direct-employer contracts. The provider networks are viable alternatives to insurer products, which are marketed by an unconsolidated sector. While the CINs currently are looser coalitions tied to integrated delivery networks, alignment should tighten under fewer health systems in the near future as smaller IDNs merge with larger systems.

PROVIDERS 

Seattle's IDNs are moderately consolidated, and the market's midsize and small IDNs use outpatient networks with growing convenient care options to market directly to employers. These neighborhood-level options can offer niche services to Seattle-based employers like Microsoft and Expedia. As inpatient facilities shift volume to ambulatory surgery centers and home health services, Seattle providers are using artificial intelligence-enabled technology to squeeze out greater efficiency and improve quality.

Since Washington state government-sponsored plans set the tone for value-based options in Seattle, expect providers to use a dual strategy of consolidations and direct contracts to make the most of lower reimbursements.

PAYERS 

Seattle's unconsolidated insurance market has shifted in recent years, giving enrollment wins to payer/provider networks, Kaiser Permanente and the UnitedHealthcare/Optum combination. The state's Blues plans, Premera Blue Cross and Regence BlueShield of Washington, rely on the BlueCard Program and third-party administrator contracts for many members. Seattle employers, including Boeing, Amazon, and Microsoft, demand better value and insurers mostly rely on preferred network to deliver lower premiums.

Insurers that exert the most control over physician behavior, such as the market's payer/provider networks, should continue to have the most popular products in the market, including wins among state employee plans and on the state exchange.



Provider Questions

INNOVATION AND KEY CHANGES

Heather Johnson

Seattle Analyst | Senior Analyst

Which two IDNs are seeking a merger in 2020?

CHI Franciscan announced plans to merge with Virginia Mason by the end of 2020 in a move that could launch a new era for the IDN. The two systems would form a joint operating company led by current CEOs, which will enhance current collaborations on obstetric and women's health and radiation oncology.

Which IDN may shift from hospital expansions to develop a virtual-based care strategy?

CHI Franciscan has put future expansion plans on hold as the IDN re-evaluates the need for in-person facilities vs. the ability to provide virtual care. Projects to expand St. Joseph Medical Center and St. Francis Medical Center may be tabled depending on patient flow changes.

Which IDN is part of major research efforts to discover disease treatment breakthroughs?


UW Medicine participates in clinical trials for cancer drugs, develops procedures for kidney disease, as well as funds centers to research hard-to-treat conditions like amyotrophic lateral sclerosis (ALS), muscular dystrophy, myotubular myopathy (a congenital disease that creates problems with muscle tone and contraction), dementia, and Alzheimer's disease, among many others.



Health Systems



Moderately Consolidated: Largest 4 organizations control between 60% and 82% of the market.

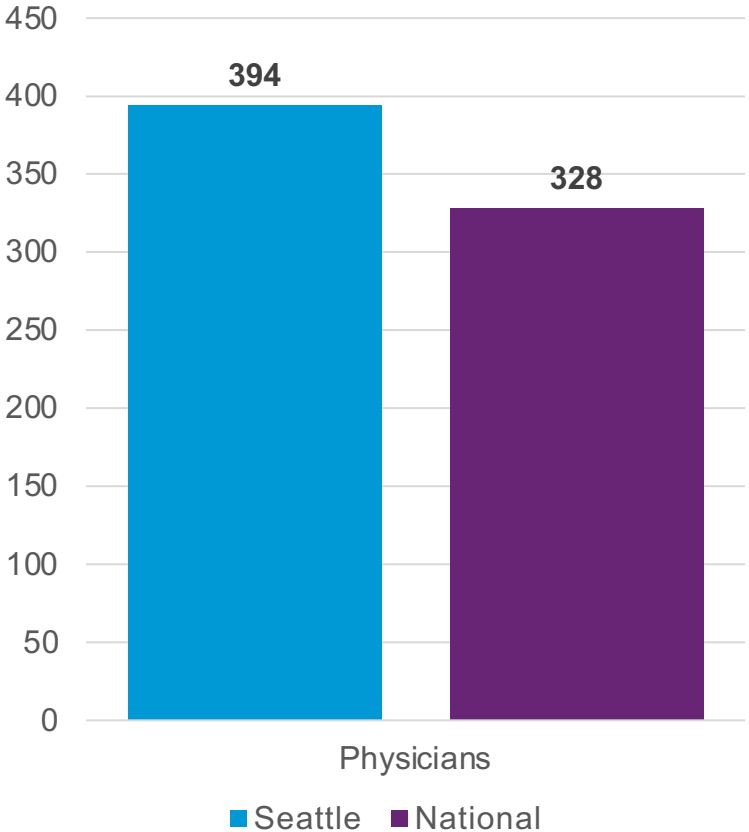
<p>Providence St. Joseph Health</p>	<p>32%</p>	<p>Providence’s wide network, with clinics and facilities throughout the market, makes it a popular option for employees living in less population-dense areas. Premera Blue Cross may need to include Providence in more of its networks to remain an option for the state’s education employees.</p>	
<p>CHI Franciscan</p>	<p>22%</p>	<p>A planned merger with Virginia Mason Health System should enhance CHI Franciscan’s population health management programs as it gains access to Virginia Mason’s patient data and clinics throughout the market. The IDN also boosts the influence of Virginia Mason within the powerful Puget Sound High Value Network.</p>	
<p>UW Medicine</p>	<p>14%</p>	<p>A powerful academic system in the region, UW Medicine leads one of the market’s most powerful CINs, UW Medicine Accountable Care and has a majority equity stake in the new CIN, Embright. Expect ongoing technology innovation from the IDN as it works to increase efficiency and quality as part of payer contracts</p>	
<p>Others</p>	<p>32%</p>	<p>Smaller health systems are financially struggling the most in Seattle and could seek merger opportunities in the future. MultiCare Health System is in a stronger position, however, with a growing outpatient network and strong technology investments that will enhance its population health programs.</p>	

*Percentages are market shares based on CMS inpatient discharges.



Providers: Supply

Physicians Per 100,000 People in Seattle Market



Healthcare Provider Landscape:

⬆️ ABOVE NATIONAL RATE ⬇️ BELOW NATIONAL RATE

Supply rate for primary-care physicians



Supply rate for specialty physicians



Supply rate for nurse practitioners



Supply rate for physician assistants



57

ACO Contracts
(40 Commercial, 12 Medicare, 5 Medicaid)

Fewer

National retail clinic chain locations compared to national rate

Fewer


National urgent-care chain locations compared to national rate



Physician Organizations

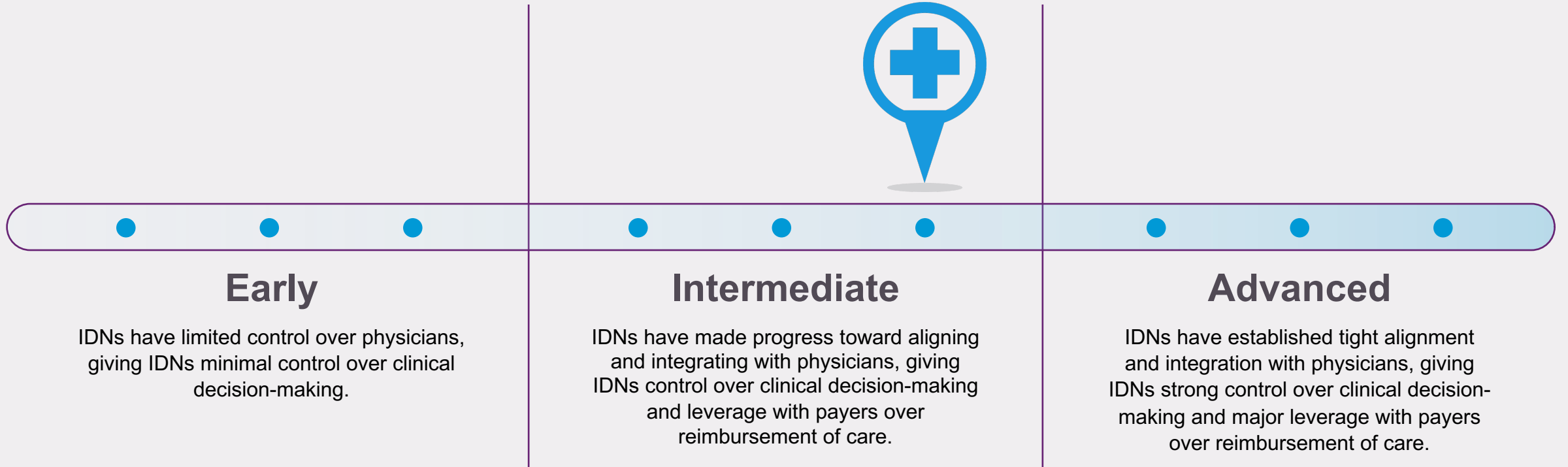


Moderately Consolidated: Largest 4 organizations control between 60% and 82% of the market.

<p>UW Medicine Accountable Care Network</p>	<p>Clinically integrated network</p>	<p>4,481 physicians</p>	<p>One of two large CINs acting as a network for direct-employer contracts, UWMACN is a new option for education employees. Tied to UW Medicine, MultiCare Health, and other systems, the network competes with Puget Sound High Value.</p>	
<p>Puget Sound High Value Network</p>	<p>CIN</p>	<p>4,291 physicians</p>	<p>The second large CIN to act as a competing network for direct-employer contracts, PSHVN was founded by Virginia Mason. Now that a merger between CHI Franciscan and Virginia Mason is likely, the network could form tighter alignment with the IDNs.</p>	
<p>Rainier Health Network</p>	<p>CIN</p>	<p>2,949 physicians</p>	<p>Primarily affiliated with CHI Franciscan, Rainier Health Network runs one of a few Medicare Shared Savings Program ACOs in Seattle.</p>	
<p>MultiCare Connected Care</p>	<p>CIN</p>	<p>1,969 physicians</p>	<p>Supporting MultiCare Health's statewide expansion, the CIN uses the latest technology to improve patient data collection and interpretation. Look for MCC to negotiate innovative direct-employer options as it exerts more control over primary care.</p>	



Provider Alignment




While Seattle’s IDNs have established powerful clinically integrated networks in the market, so many IDNs are involved with each CIN that power is diluted among the various health systems. Future IDN consolidation in the market, including a possible merger between CHI Franciscan and Virginia Mason, could promote tighter physician alignment. Both state and federal government plans put pressure on reimbursement in the market, making it crucial for providers to manage their costs.



Payers

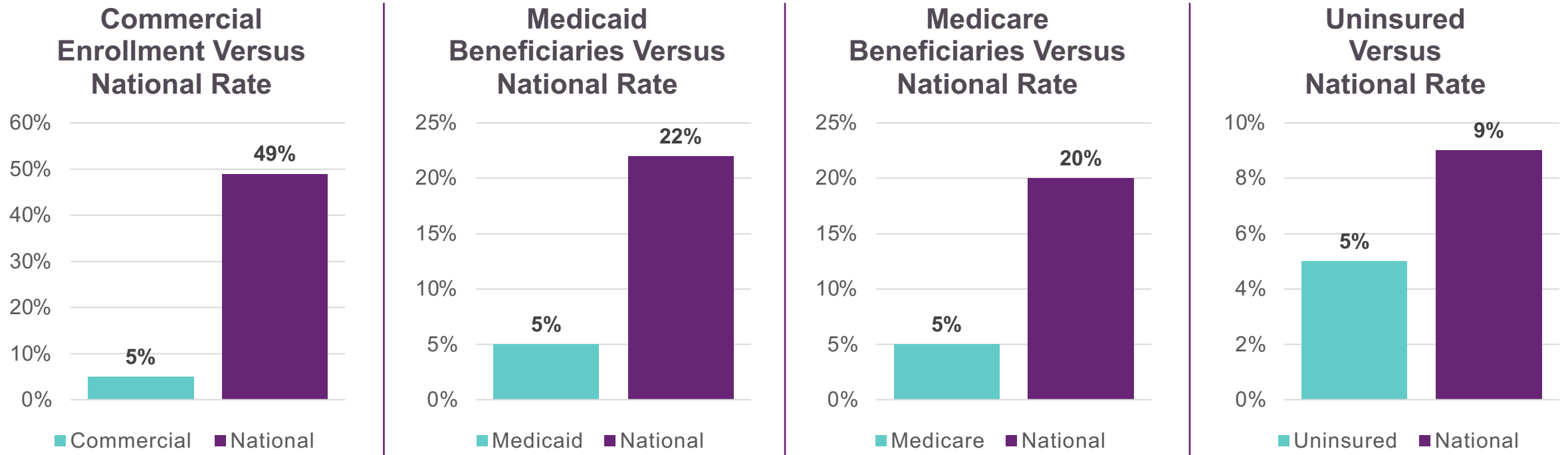


Unconsolidated: Largest 4 organizations control less than 60% of the market

<h2>Kaiser Permanente</h2>	<h1>15%</h1>	<p>Seattle's current frontrunner, Kaiser Permanente capitalizes on its popular payer/provider network to offer convenient provider access and affordable premiums, making it the most popular option for state employees. KP's new Virtual Plus plan, which requires virtual visits as a way to lower premiums, could be an attractive option for individuals and employers.</p>	
<h2>UnitedHealthcare</h2>	<h1>12%</h1>	<p>UnitedHealthcare has grown its own payer/physician network in Seattle with physician group acquisitions. The insurer will leverage the care coordination potential from the physician network to manage costs for its new plan on the state health insurance exchange. Plus, the insurer's Medicare Advantage-Prescription Drug Plan is a new option for retired state employees. Look for UnitedHealthcare to further grow government-sponsored membership in the market as it uses its local network to keep premiums competitive.</p>	
<h2>Premera Blue Cross</h2>	<h1>12%</h1>	<p>Once a market leader, Premera enrollment fell in recent years after it lost contracts for education employees. The insurer has a shot to win them back as a choice on the new statewide School Employees' Benefit Board program. Premera also offers a new virtual care plan to compete with Kaiser.</p>	
<h2>Others</h2>	<h1>61%</h1>	<p>An unconsolidated insurance market offers little ability for one or two insurers to dictate value-based contract terms or influence drug formularies. Along with activism regulation from the state government, insurers should continue to offer competitive premiums in Seattle.</p>	



Payer Mix



What does this mean?

Seattle has a large number of high-wage earners, who will keep their commercial insurance, but the market also suffers from income disparities that create affordability issues, including lack of affordable housing. COVID-19-related unemployment and under-employment will increase Medicaid enrollment and interest in new lower-premium public option plans on the health insurance exchange. Washington state lawmakers, however, must grapple with falling tax revenues, which will put pressure on provider reimbursements and could have a ripple effect that leads to access issues if providers refuse to accept Medicaid or exchange plans.



Payer Questions

INNOVATION AND KEY CHANGES

Which insurers will be part of Washington's Cascade Care program, offering public option plans on the state health insurance exchange?

Which insurers have launched a new plan design that relies on members using virtual care first?

Now that education employees have access to a statewide health insurance exchange, which options are available?

Heather Johnson

Seattle Analyst | Senior Analyst

Public option proposals from BridgeSpan Health (a subsidiary of Cambia Health Solutions), Community Health Network of Washington (a local Medicaid and Medicare Advantage plan), Coordinated Care (Centene), LifeWise Health Plan (a subsidiary of Premera Blue Cross), and UnitedHealthcare were accepted, although they must receive final approval before open enrollment Nov. 1, 2020.

Kaiser Permanente and Premera Blue Cross have introduced plan designs that rely on patients choosing virtual care visits as the first point of care option. Kaiser's plan launches Jan. 1, 2021 on and off the exchange for individuals and for employers, while Premera's plan was available in October 2020 to employers.

Education employees participated in the state-funded State Employees Benefits Board program for the first time in 2020, as the state law requiring comprehensive benefits to all school districts kicked in. Kaiser Permanente and Premera Blue Cross offer plans in addition to the self-insured Uniform Medical Plan and direct-employer options from Puget Sound High Value Network and UW Medicine Accountable Care Network.



Payer/Provider Synergy

Direct Contracts

- Two large clinically integrated networks tied to Seattle's major integrated delivery networks, are behind three significant direct-employer contracts in the market. UW Medicine Accountable Care Network and Puget Sound High Value Network offer plans on Washington's state employee health insurance exchanges, the Public Employees Benefits Board and the School Employees Benefits Board. The CINs also offer coverage to Boeing employees.
- First Choice Health, a Seattle-based provider-owned third party administrator, now partners with Eastside Health Network to offer direct-employer contracts to businesses on Seattle's Eastside. The network offers enhanced care coordination and access to regional patient databases that should ensure a patient's care journey is tracked to avoid gaps in care.

Narrow Networks

- UnitedHealthcare is the latest insurer to leverage a narrow network, the insurer launched its new Harmony health plan in Seattle in 2020, the plan offers premiums 20 percent lower than other products and steers members to physicians at Optum clinics, a subsidiary of UnitedHealthcare (Bloomberg, Mar. 2, 2020).
- Premera Blue Cross actively promotes narrow network options through its PersonalCare plans, which limit members to one of six health system provider networks, including EvergreenHealth Partners, MultiCare Connected Care, and UW Medicine Accountable Care Network.
- A new option from Premera, Peak Care, partners with MultiCare Health System to offer a narrow network with premiums 15 percent lower than traditional PPOs. Available in Pierce, and Thurston counties as well as outside the market in Spokane County, the product offers online appointment services as well as a car service to get to appointments.
- Regence BlueShield of Washington offers Accountable Health Network products featuring Eastside Health Network, MultiCare Connected Care, and UW Medicine network options.



Key Takeaways



What it means for providers

Integrated delivery networks and their associated provider networks have the upper hand with experience contracting directly with employers. If IDNs use technology to develop market-wide patient data sharing abilities and tighter integration among various physician groups, the number of direct-employer contracts will continue to grow. Expect future partnerships with Seattle-based technology companies to increase data interoperability.

PROVIDERS



What it means for payers

Lower-premium insurance products and lower-cost healthcare will be even more important for payers as Seattle (and the rest of the country) deal with pandemic-related revenues challenges. Payers rely on narrow network products to offer lower-priced products, but these options work better in Seattle than outlying areas. Premera, for example, struggles to satisfy education employees in rural areas, because its narrow network does not include Providence facilities. Expect more innovation, likely greater use of virtual care, as payers work to solve members' desire for low price and better access.

PAYERS



What it means for pharma

Payers will continue to stress generic use in Seattle, but there is growing appreciation for evidence-based drug treatments. Washington is committed to funding hepatitis C treatments, and other evidence-based drugs will be options. UW Medicine supports research into muscle-related diseases and brain diseases, heightening awareness about drug treatments for these conditions.

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Have a Question?

questions@teamdrg.com

DRG

Part of **Clarivate**

Tel +1.781.993.2500

Fax +1.781.993.2550

Email Questions@Teamdrg.com
decisionresourcesgroup.com

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