



STATE OF WISCONSIN
Department of Employee Trust Funds
 Robert J. Conlin
 SECRETARY

Wisconsin Department
 of Employee Trust Funds
 PO Box 7931
 Madison WI 53707-7931
 1-877-533-5020 (toll free)
 Fax 608-267-4549
 etf.wi.gov

Correspondence Memorandum

Date: December 16, 2019

To: Group Insurance Board

From: Rachel Carabell, Senior Health Policy Advisor
 Office of Strategic Health Policy

Subject: Health Market Update

This memo is for informational purposes only. No Board action is required.

The purpose of this memo is to inform the Group Insurance Board (Board) of developments in the Wisconsin health plan and provider markets relevant to the State Group Health Insurance Program (GHIP). This activity has the potential to affect health care costs and how health care is accessed and delivered in Wisconsin. Below is a brief description of developments since the last Board briefing on this topic in November 2017.

Health Insurance Acquisitions

WEA Acquires Health Tradition

In June 2018 WEA Insurance Corporation (WEA) filed paperwork with the Office of the Commissioner of Insurance (OCI) to acquire Health Tradition, a licensed health insurer owned by Mayo Holding Company. The acquisition was approved by OCI in August 2018. Health Tradition was an offering in the GHIP for state and local employees through 2017, but discontinued participation in 2018. WEA Insurance Corp. is currently an offering in the GHIP for the It's Your Choice Health Plan, the Access Plan, and the Medicare Plus plan.

As part of its filings to OCI, WEA filed paperwork indicating that it was forming a new limited liability corporation, named NeuGen LLC (NeuGen) to be the administrator for health plans insured by WEA, Health Tradition, and any other WEA acquisitions. WEA staff are now employed by NeuGen.

In its paperwork filed with OCI, WEA indicates that it will continue to offer insurance to public sector clients through WEA and will offer insurance to private market clients through Health Tradition.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Eileen K Mallow Electronically Signed 1/15/20

Board	Mtg Date	Item #
GIB	2.5.20	6D

Aspirus Seeks Sole Ownership of Aspirus Arise Health Plan

In January 2019 Aspirus, Inc. (Aspirus), submitted paperwork to OCI for its acquisition of control of Aspirus Arise Health Plan of Wisconsin (Aspirus Arise). Aspirus Arise is a wholly-owned subsidiary of Arise Health Ventures, Inc., which was jointly owned by Aspirus and Wisconsin Physicians Service Insurance Corporation (WPS).

Aspirus Arise is a health maintenance organization in north central Wisconsin serving the individual and group markets. Aspirus, a provider health system, is headquartered in Wausau. Aspirus Arise was an option in GHIP but discontinued its participation starting in 2017.

According to the OCI recommendation on the transaction, following the stock transfer, WPS and Aspirus will maintain their close affiliation through joint marketing efforts, a non-compete clause, the stock purchase agreement, and an adverse selection mitigation agreement.

OCI approved the stock transfer in March 2019.

Insurer Network Expansions

Prevea360 Expansions

Effective January 2019, Prevea360 Health Plan expanded its network to Barron, Buffalo, Chippewa, Dunn, Eau Claire and Pepin counties in northwest Wisconsin through a partnership with Hospital Sisters Health System, which operates six hospitals in Wisconsin, including hospitals in Eau Claire and Chippewa Falls.

Prevea360 Health Plan is a health plan offered through a partnership between Prevea Health and Dean Health Plan. Prevea Health is a medical practice headquartered in Green Bay that partners with Hospital Sisters Health System to provide health care services to northern, eastern, and western Wisconsin.

Prevea360 is offered in the GHIP and these additional northwestern counties were added to Prevea360's service area starting in 2020.

Quartz and ThedaCare

Effective May 1, 2019, ThedaCare joined the Quartz network. Most Quartz commercial members now have access to ThedaCare doctors and specialists at 7 hospitals and more than 80 clinics in nine northeast and central Wisconsin counties. In-network access was added for GHIP members starting January 1, 2020.

Quartz is currently participating in the GHIP and since 2018 has primarily been affiliated with UW Health, Gundersen Lutheran Health System, and UnityPoint Meriter providers. The addition of ThedaCare strengthens its network in the northeastern part of the state but did not result in a change to its service area.

Provider System Mergers

Aurora Health and Advocate Health

In April 2018 Aurora Health and Advocate Health Care Network completed a merger and creation of Advocate Aurora Health. The new combined system owns 27 hospitals in Wisconsin and Illinois and has more than \$11 billion in revenue, according to the *Chicago Tribune*. It will reportedly be the tenth largest non-profit health care system in the country.

It is not clear yet how the combined health system will affect negotiations with insurers. The GHIP offers in-network coverage to Advocate Aurora providers, primarily through WEA Trust and Robin with HealthPartners offerings.

Gundersen Health and Marshfield Clinic

In December 2019 Gundersen Health and Marshfield Clinic announced an end to talks about a possible merger. Gundersen Health is a health provider system primarily operating in western Wisconsin, northeastern Iowa, and parts of Minnesota. Marshfield Clinic is a health provider system operating in northern Wisconsin. Both parties indicated they would continue to work together on various initiatives, but as independent organizations. The December announcement did not elaborate on the reasons the systems decided not to merge.

Background: In May 2019 Gundersen Health and Marshfield Clinic announced they were in talks to merge. The *Milwaukee Journal Sentinel* reported that if these two provider systems joined, together they would serve two-thirds of Wisconsin counties as well as counties in northeast Iowa and Minnesota. In a September 2019 interview with the *LaCrosse Tribune*, the CEO of Gundersen Health said the reason the two systems were talking is because they are both aligned in their commitment to rural health care and integrated health care systems.

Both Gundersen Health and Marshfield Clinic are providers available in the GHIP. In addition, both provider systems are affiliated with health insurers that have participated in the GHIP. Gundersen Health is affiliated with Quartz, which currently participates, and Marshfield Clinic is affiliated with Security Health Plan, which no longer participates as of January 1, 2020. Marshfield Clinic continues to be available to GHIP members through other plan offerings.

Provider Acquisitions

Marshfield Clinic Acquisition of Weston and Flambeau Hospitals

In October 2019 it was announced that Ascension Wisconsin intends to sell Ascension St. Clare's Hospital in Weston to Marshfield Clinic, based on a non-binding memorandum of understanding. Weston is located in Marathon County. According to *Wisconsin Health News*, if approved, Marshfield would drop its plans to build a hospital in Wausau, also in Marathon County. As part of the deal, Flambeau Hospital in Park

Falls would also transfer ownership to Marshfield Clinic. The sale is expected to be completed in spring 2020.

This is the second time in three years that Marshfield Clinic, a physician-owned provider system and Ascension, a hospital-based system have disagreed over hospital facilities in northern Wisconsin. According to reports, in 2016 Ascension was very critical of Marshfield Clinic's decision to build a new hospital in Marshfield that would compete with St. Joseph's Hospital. St. Joseph's hospital was staffed with Marshfield physicians and would have suffered dramatically if Marshfield built a separate facility. Eventually, Ascension agreed to sell St. Joseph's hospital to Marshfield Clinic and the facility was renamed Marshfield Medical Center – Marshfield.

Marshfield Clinic and Neillsville Memorial Hospital

In December 2018 Marshfield Clinic completed its acquisition of the Neillsville Memorial Hospital in Neillsville. Neillsville is in Clark County. As part of the acquisition, the facility will be renamed Marshfield Medical Center – Neillsville. Marshfield will also build a new medical, surgical and outpatient clinic in Neillsville. As part of the agreement, Marshfield will also acquire clinics in Greenwood and Loyal.

Marshfield Clinic Hospital in Minoqua

In October 2018 Marshfield Clinic announced it was starting construction of a 12-bed hospital in Minoqua, connected to an existing clinic. Minoqua is in Oneida County. In addition, the hospital will have a birthing center, a surgical suite with four operating rooms, three procedure rooms, and a DaVinci robot for robotic surgery.

Marshfield Clinic and Rusk County Memorial Hospital

In August 2018 Marshfield Clinic and the Rusk County Board of Supervisors finalized an agreement for the purchase of Rusk County Memorial Hospital in Ladysmith and incorporation of an associated clinic in Riverside into Marshfield Clinic. The hospital is now known as Marshfield Medical Center – Ladysmith. According to the *Ladysmith News*, the agreement authorizes Marshfield Clinic to spend no more than \$35 million to purchase land and construct a new hospital in Rusk County. No location has yet been identified for the new facility.

Marshfield Clinic and Beaver Dam Community Hospitals.

In June 2018 Beaver Dam Community Hospitals signed a letter of intent to join Marshfield Clinic. Beaver Dam Community Hospitals includes one hospital and five family practice clinics. It also includes one nursing home and two assisted living facilities. Beaver Dam is in Dodge County. The deal was finalized in 2019. The hospital will now be known as Marshfield Medical Center – Beaver Dam. It will no longer be an independent organization but will have a local advisory board. Marshfield Clinic indicates the benefit of the new affiliation will include bringing Marshfield Clinic specialists to Beaver Dam.

Marshfield Clinic Facility in Eau Claire

In 2018 Marshfield Clinic opened a new, 44-bed hospital in Eau Claire. The facility will provide cancer care, emergency services, general and orthopedic surgery and advanced spinal surgery, and women's and infant care. The hospital will compete with a Hospital Sister Health System's Sacred Heart hospital and the Luther campus of Mayo Clinic System.

Marshfield Clinic Rhinelander

In 2018 Marshfield Clinic opened a new clinic in Rhinelander. Rhinelander is in Oneida County. The clinic offers providers specializing in pediatrics, general surgery, obstetrics and gynecology, oncology, urology, and internal medicine. The new clinic is co-located with the Marshfield Clinic's Rhinelander Dental Center.

Hospital Sisters Health System and Oak Leaf Clinics

In January 2019 Hospital Sisters Health System acquired Oakleaf Clinics, an independent, physician-owned medical practice with clinics in Eau Claire, Chippewa Falls and Baldwin, Wisconsin. Hospital Sisters Health System includes six Wisconsin hospitals located in Eau Claire, Chippewa Falls, Sheboygan, Oconto Falls, and two hospitals in Green Bay. It also owns nine hospitals in northern and central Illinois.

Planned Parenthood and Essential Health Clinics

In August 2019 Planned Parenthood of Wisconsin announced it will be merging with Essential Health Clinic in the western part of the state. Through the merger, Essential Health Clinic's centers in La Crosse, Sparta and Blair will join 21 Planned Parenthood of Wisconsin health centers.

ThedaCare and Bellin Cardiovascular Care Partnership

In October 2019 Bellin Health and ThedaCare announced their cardiovascular care teams would become partners under shared administrative leadership. The combined cardiovascular team will include 50 physicians serving patients in 17 counties in Wisconsin and Michigan. The organizations indicate this partnership will improve access to specialty care and advanced technology in that part of the state.

New Provider Facilities

Froedtert and Medical College of Wisconsin (MCW) Micro Hospitals

In 2018 Froedtert and MCW announced plans for two new, small hospitals -- one in Oak Creek and the other in Mequon in Milwaukee County. These facilities are referred to as "neighborhood" or "micro hospitals". Both hospitals will have eight inpatient beds and offer emergency services, but not surgical services. They will be staffed by clinicians from MCW, but operated by Tandem Hospital Partners, headquartered in Texas. Tandem has experience operating micro hospitals in other states. The new facilities are scheduled to open in 2020.

In the GHIP, Froedtert and MCW providers are primarily available in-network through Network Health Plan and the Access plan through WEA Trust.

Ascension Micro Hospitals

In 2019 Ascension announced it would also build three new neighborhood or micro hospitals in partnership with Emerus Holdings, another Texas-based company with experience operating micro hospitals in other states. These micro hospitals will provide eight inpatient beds, emergency services, as well as lab and imaging services. Surgical services are not available at the micro hospitals.

Two of the three locations have been identified. One will be in Greenfield and another will be in Menominee Falls. Emerus will employ the physicians providing emergency medicine at these facilities but the facilities will share physical space with other Ascension clinics that provide primary and specialty care. Both facilities are expected to open in 2021. The location of the third facility has not yet been identified.

In the GHIP, Ascension providers are primarily available in-network through Network Health Plan and WEA Trust.

Ascension Facility in Mount Pleasant

In February 2019 Ascension announced it broke ground on a new medical center in Mount Pleasant in Racine County. The new facility will be called the Ascension Racine Medical Center. It will offer primary and specialty care, lab and imaging services and an outpatient surgery center. It is set to open in 2020.

Ascension Clinic in Shorewood

In September 2019 Ascension opened a new primary care and women's health clinic in Shorewood in Milwaukee County.

Advocate Aurora Facility in Mount Pleasant

In May 2018 Advocate Aurora announced plans to build a medical center in Mount Pleasant in Racine County. The new medical center will include a 60-bed hospital, two primary care clinics and medical office space. The medical center is expected to open in 2021.

Advocate Aurora Facility in Pleasant Prairie

In February 2018 Advocate Aurora announced plans to open a medical center in Pleasant Prairie located in Kenosha County. The center will include an ambulatory surgery center, outpatient imaging services, some specialty services, pediatric health, pharmacy and sports medicine. The center is expected to open in 2020.

Advocate Aurora Facility in Sheboygan

In August 2019 Advocate Aurora began construction on a new facility in Kohler in Sheboygan County. The new facility will include a hospital and medical office buildings

and will replace the existing Sheboygan Memorial Medical Center. The new facility will open in 2022.

Advocate Aurora Clinic in Racine

In October 2019 Advocate Aurora announced plans to build a new outpatient clinic in the city of Racine. The new clinic will include primary care, urgent care, and lab and x-ray services. The clinic is expected to open in 2020.

In the GHIP, Advocate Aurora providers are primarily available in-network through WEA Trust and Robin with HealthPartners.

ProHealth Facility in Mukwonago

In October 2018 ProHealth released its design for a new hospital in Mukwonago in Waukesha County. The hospital will include 24 inpatient rooms, emergency services, inpatient and outpatient surgery, outpatient services, advanced diagnostic imaging, laboratory services and a cancer center. The new hospital is expected to open in June 2020.

In the GHIP, ProHealth providers are primarily available in-network through WEA Trust, Dean Health Plan, and Quartz Community offerings.

PBM Mergers and Acquisitions

Mergers between the country's largest insurers and pharmacy benefit managers (PBMs) dominated the health care news in 2018. The new entities will compete with UnitedHealthCare, which already partners with OptumRx, one of the country's largest PBMs.

CVS and Aetna

In November 2018 CVS, the nation's largest PBM, closed a \$69 billion deal to purchase Aetna, one of the country's largest health insurers. CVS has also recently purchased specialty pharmacy vendor, Premier. 2019 also saw a significant increase in CVS investments in retail clinics across the country, including an initiative to use its Minute Clinics for hospital discharge follow-ups to prevent readmissions. CVS is also increasing its same-day delivery of prescription drugs to compete with online retailer Amazon. CVS is not currently a network provider in the GHIP.

Cigna and Express Scripts

In December 2018 Cigna, one of the nation's largest health insurers finalized its deal to purchase Express Scripts, one of the country's largest PBMs. Cigna indicates the merger allows it to offer a more integrated approach to care for its customers.

Optum and Diplomat

In December 2019 OptumRx announced it was purchasing Diplomat, the country's fifth-largest specialty pharmacy, according to Drug Channels Institute. This purchase allows

OptumRx, a PBM subsidiary of the United Health Group, which also owns UnitedHealthCare, to compete with the combined CVS Aetna entity, and the Cigna Express Scripts entity which are the first and second largest specialty pharmacies in the country according to Drug Channels Institute.

The Board contracts with Navitus Health Solutions (Navitus), a Wisconsin-based PBM to administer prescription drugs benefits. Navitus offers specialty pharmacy services through Lumicera, its wholly owned subsidiary specialty pharmacy; members can also purchase specialty pharmaceuticals through UW Specialty pharmacy, which is owned by UW Health.

These mergers and acquisitions do not directly affect the GHIP. Rather, these combinations reflect insurers' and PBMs' goals to gain leverage with pharmaceutical manufacturers to reduce prices. In addition, such combinations arguably can improve coordination between medical care and pharmaceutical use.

Other National Initiatives

Haven by Amazon, JPMorgan Chase and Berkshire Hathaway

In January 2018 the CEOs of Amazon, JPMorgan Chase, and Berkshire Hathaway announced they wanted to do something to combat rising health care costs. Their new joint venture is called Haven. In November 2019 CNBC reported that Haven initiated pilot programs in Ohio and Arizona for JPMorgan employees. The pilot is focusing on pricing transparency, no-deductible benefit plans, relatively low copayments, and incentives for good behavior. The pilot is being administered in partnership with Aetna.

Since announcing the venture, Amazon has pursued several health-related acquisitions, including a telehealth platform, a prescription drug delivery vendor, a home visiting vendor, and a health care payment vendor. It is not clear at this time how these purchases will be leveraged by Haven. In addition, there is speculation that Haven will eventually leverage Amazon's home speaker system, Alexa, in its delivery of care and monitoring of patients. In April 2019, Amazon announced that Alexa was HIPAA compliant and had partnerships with insurer, Cigna; digital health management company, Livongo; and Boston's Children's Hospital to use six new skills in Alexa to provide information to and monitoring of patients.

It is expected that as Haven evolves, it could begin contracting directly with providers, pharmaceutical manufacturers and pharmacy benefits managers. It is expected that it will use data analytics and artificial intelligence to improve risk management and care delivery. While Haven's initial focus will be on its own employees, expectations are that it will be a market disruptor and have implications for how health care services are purchased and delivered across the country.

Staff will be at the Board meeting to answer any questions.