The Collaboration of Highmark Health and ChristianaCare
vertical integration of insurer and hospital

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Updated June 2, 2021

Recently, there has been a flurry of public relations releases about the proposed collaboration between ChristianaCare, a private, not-for-profit regional health care system (the largest non-governmental employer in the State of Delaware), and Highmark Health (Highmark), a non-profit health insurance conglomerate that seeks to vertically integrate health care services with health care insurance.

Their goal is to control regional healthcare costs, but they have actually created a monopoly that will impose a "take-it-or-leave-it-price." In its essence, the merger will offer no choice to the state of Delaware for its employees, retirees, and pensioners, including teachers and other public employee and their unions-this, is the largest single employment sector in Delaware and the most generous platinum healthcare plan.

This collaboration is a costly proposition which would necessarily need to be balanced by a substantial increase in taxes, and one or more of the following: a significant rise in the cost of health insurance to the rest of the population of Delaware, a substantial reduction in services, i.e., downgrading the silver and bronze plan benefits, increases in deductibles and copays and no options to seek out better less expensive care elsewhere or less expensive insurance.

The history of Highmark is takeovers of hospital systems, six in recent history culminating in the takeover of the West Penn Alleghany Health System (Alleghany), after "collaborating" for years with the University of Pittsburgh Medical Center (UPMC) to weaken Alleghany. This resulted in several lawsuits filed by the struggling Alleghany against the collaborators, Highmark and UPMC. Alleghany failed financially and was taken over by Highmark. Eventually, after the merger, Alleghany dropped the case against Highmark but continued the lawsuit against UPMC.

There can be little doubt about Highmark's motivations.

To allow a vertical monopoly of Delaware's healthcare delivery system and health care insurance cannot be a good idea.

The cost of health care and health care insurance, including the State's Medicaid responsibility, is unquestionably the largest single budget item in front of the Joint Finance Committee, representing over a quarter of the State's budget, 27.6% according to the Delaware Economic and Financial Advisory Council (DEFAC).

Highmark Blue Cross Blue Shield had recently acquired six hospital systems culminating in the acquisition of Alleghany-the largest acquisition in healthcare history. This is what they do.

For background purposes, "the collaboration" is presented as an innovative way to change the entire structure of how health care costs are managed. The idea behind this is that we should be paying for people to remain healthy and not to take care of people who are sick. The concept has been around for many decades centered around the idea that prevention of disease by primary care intervention will prevent many expensive chronic illnesses such as diabetes, renal failure, and heart disease.

For about four decades in this country, the effort in this direction towards health maintenance organizations has been unsuccessful, largely because of an epidemic in obesity and, therefore, diabetes and heart disease and subsequent renal failure, and other disabling conditions.

Those entities were largely driven by more broad epidemiological factors, including the U.S. Department of Agriculture and the U.S. Food and Drug Administration and the proliferation of high fructose corn syrup as a means to support the corn industry.

Consequently, the broad epidemic of obesity has overwhelmed even the extraordinary efforts of the medical community to advance our health system to the best in the world. Oddly, we have become victims of our own success and now have an old, sick, expensive population. We have been busy and successful at treating the disease caused by obesity while leaving the index cause uncorrected.

During the course of this, we have become exceedingly proficient and successful at doing things like total joint replacement, coronary bypass surgery, and curing many cancers. These are the great successes of modern medicine pioneered in the United States. But these things are expensive. As such, the bean counters look to these measures and correctly conclude that the prevention of incurring these expenses may be the best path forward to balancing future budgets. Therefore, over the last three decades, the choice has been to refocus medicine on primary care as a means to prevent specialist intervention.

The calculation has always been that the primary care treatments might somehow prevent referral to specialty care, which is expensive.

After all, primary care physicians are inexpensive compared to other physicians as they incur far less training and costs of educating. Since the dawn of HMOs, Primary Care Physicians have been promised many times a more "Captain of the Ship" role to garner their support, only to find that the health insurance payor paid them less and regulated them more. Not surprisingly, they have left the profession in droves.

At the end of the day, however, in this country, people seek out the care of specialists because that is where the diagnosis, the treatment, and possibly the cure lies.

They really have little need for primary care physicians that tell them to quit smoking and lose weight. When they are sick, they want it fixed. There is no primary care physician or nurse practitioner who is capable of fixing society.

We are led to believe by the public relations releases that the new collaboration between Highmark Health and ChristianaCare will be an innovation that will transform the landscape of health care.

Let's review that landscape and the history which leads us to this position. It has been tried many times before, with no success.

In the 1980s, three hospitals in Wilmington consolidated and formed Wilmington Medical Center (Memorial Hospital, Wilmington General Hospital, and Delaware Hospital). After the consolidation, two of the three hospitals were torn down (Memorial Hospital and Wilmington General Hospital).

Wilmington Medical Center moved out of the city of Wilmington and relocated to the Ogletown area, and was renamed the Medical Center of Delaware, subsequently renamed ChristianaCare.

The formerly named Delaware Hospital remained in the city of Wilmington. It was renamed Wilmington Hospital, *a division of ChristianaCare*, but it suffered.

The original intent was to close Wilmington Hospital and tear it down as well. The city of Wilmington correctly interpreted the move out of the city to represent an escape from the poor economics. The subsequent lawsuit demanded that Wilmington Hospital remain open.

There were few hospitals left operating in the city of Wilmington. Riverside Osteopathic Hospital went bankrupt and was put out of business by ChristianaCare in 2002.

Once the most profitable of the Catholic Health Initiatives system of hospitals, Saint Francis Hospital was ultimately consumed by a larger entity, and its endowment essentially raided, and the hospital became impoverished. The demise of Saint Francis Hospital and its once-thriving Catholic service to the city was put on life support. A few executives fared well with nice payouts. The CEO moved over to Blue Cross Blue Shield of Delaware.

Not so many years later, Blue Cross Blue Shield of Delaware, an independent licensee of the Blue Cross Blue Shield System, failed at an attempt to create a health maintenance organization to convert itself from a not-for-profit organization to a for-profit organization.

After that failure, in a separate action, they enjoined the U.S. Department of Justice (DOJ) to sue the physicians of Delaware to prevent their right to collectively bargain. While the physicians ultimately won the lawsuit allowing other physicians around the country to collectively bargain, the consent decree with DOJ prevented Delaware physicians from collective bargaining for seven years.

Following that, Blue Cross Blue Shield of Delaware gave itself away with all of its reserves and assets garnered from the people of Delaware to Highmark Blue Cross Blue Shield-the reserves were well in excess of $100 million.

Except for the very generous retirement packages of the six executives of Blue Cross Blue Shield of Delaware, the Delaware assets were transferred to Highmark Blue Cross Blue Shield in 2012, a Pennsylvania company. Delaware's Blue Cross Blue Shields rates skyrocketed.

Aetna briefly tried to enter Delaware's market but then withdrew under the pressure of the Affordable Care Act (ACA), Obamacare, as it is commonly known. Coventry Health Care and Principal Health Insurance fared similarly.

Blue Cross Blue Shield of Delaware sold its list of participating doctors on its panel to Maryland's Medicaid program called CareFirst in 2000, which then marketed that panel to subscribers to discover later that CareFirst did not actually have contracts with Delaware's panel of doctors and refused payment for services often after the precertification of that treatment. The behavior of the health insurance industry was horrid. The patients were left out in the cold with no doctors.

The Delaware Health Care Commission (HCC) was initiated to combat the increasing rise in healthcare costs and increasing problems with access as Delaware's demographics changed.

They adopted the "Triple Aim" of Dr. Arnold Berman, briefly head of Center for Medicare and Medicaid Services (CMS) and a prominent author of the inaptly named Affordable Care Act, or Obamacare. That goal was to "Increase access, increase quality, and decrease the cost of healthcare." Many millions of dollars were spent, largely from tobacco settlement money on the entertainment of the HCC.

The HCC, from its inception, was heavily populated by employees and board members of ChristianaCare. One of HCC's board members, Nick Moriello, also served on the Delaware Health Resources Board (HRB) and is now market president of BlueCross Blue Shield Delaware division of Highmark.

The HCC was tasked with the oversight of the HRB, which issues the Certificate of Public Review (formerly CON). Clearly, by the metrics, they have failed their mission.

The State of Delaware will spend 27.6% of its FY2021 budget on health insurance, the overwhelming bulk of which will go to Highmark Health, which is the state's only Medicaid insurer, $731,000,000 for this year.

In addition, according to DEFAC and Dr. John Stapleford, Senior Economist at the Caesar Rodney Institute, the state of Delaware will spend $375 million this year on state employee's health insurance and $149 million on pensioners' health insurance. The total is an astonishing $1,255,500,000, or $1.255 billion. More importantly, when these costs soar for the state's largest employer (the state of Delaware), the costs will also increase for all Delaware businesses and its citizens.

With the stoppage of the elective and the non-emergent healthcare sector this past COVID-19 year, all healthcare expenditures have gone down dramatically nationwide.

Highmark proposed a 2% increase in rates but settled on an average 1% decrease due to a federally funded reinsurance program and a massive increase in enrollees as President Biden increased access to Medicaid through the health insurance exchange (online marketplace) and Aetna left the marketplace leaving nowhere else to go but Highmark.

According to Delaware's Insurance Commissioner Trinidad Navarro, State Health Exchange Updates, and The Kaiser Family Foundation, in 2017, Aetna lost money in the Delaware Exchange market due to adverse patient selection (unhealthy patient demographics), Highmark raised its rates by 32%. In 2018, when Aetna left the Delaware and ACA marketplace, Highmark raised its rates an average of 25%.

Far and away, the biggest provider paid by Highmark Blue Cross Blue Shields in Delaware is ChristianaCare.

Every year for the last 12 years, regardless of Consumer Price Index (CPI) or Gross Domestic Product (GDP), the Board of Directors at ChristianaCare has raised its fee schedule by 5% even as its profit margin grew to over 16%. Its control over the population and its doctors grew steadily.

Highmark paid ChristianaCare the 5% fee, added in a substantial multiplier and passed the cost onto the state of Delaware and the citizens of Delaware.

According to The Commonwealth Fund, Delaware's average premiums between 2014 and 2015, when competition still existed, was an average 3 % increase per year, still high for the country at large.

By 2016 (latter half of 2015 and the first half of 2016), the rate increases had jumped to 25% to 32%. The state of Delaware negotiated it down to 22.4%, as Delaware's health insurance marketplace shrunk to one insurer (Highmark) and one dominant provider (ChristianaCare).

Delaware has significant issues with access to healthcare in Sussex County and downtown Wilmington because of a deficient panel of Medicaid participating providers.

In several notable instances, Beebe Health and Bayhealth were denied expansion of emergency and other facilities by the HRB Certificate Review program.

Delaware has mediocre health outcomes and the third-highest per-capita health care costs.

The Delaware HRB, overseen by the Delaware HCC, has had a dismal record, both by the public census and its own analysis. Its goal, the same "triple aim" of the HCC, has not been met. In fact, the HRB has been used relentlessly by ChristianaCare to discourage or outright block outside competition by creating a barrier to competitive entry to Delaware's healthcare provider market by using the Certificate of Public Review, a glorified renaming of the Certificate of Need program that is a de facto licensing board.

Now when you see that ChristianaCare is currently offering extraordinarily generous retirement packages to its administrative staff, which is bloated (there are far more billing people and administrators than there are providers of direct patient care, doctors, and nurses), then you can understand where this is going.

They are preparing their financials, EBIDTA, for a takeover, which will certainly include very lucrative senior executive packages. Just as with Blue Cross Blue Shield of Delaware, the demographics have caught up with ChristianaCare, and those in the know, after taking a shellacking from COVID-19, are going to leave the ship. The time seems right for ChristianaCare's executives to leave Delaware's problems to someone else (Highmark) just as Blue Cross Blue Shields of Delaware did.

A comprehensive analysis, "Vertical Integration between Hospitals and Insurers," was presented at a University of California Health Care Econometrics Forum that looked at the effects of vertical integration of hospitals and payors (insurers). Those results are unequivocal. Anticompetitive practices cause price increases.

Within the analysis are the references for the previous six Highmark vertical integrations, many very litigious, and the willful destruction and takeover of some western Pennsylvania competitive hospitals.

In the meantime, there are massive numbers of physician retirements throughout the nation; according to Merritt Hawkins salary data, upwards of 53% left private medical practice in 2019 alone. The supply side is clearly decreasing.

A vertical monopolization of our healthcare, the largest single sector of our economy, is not a good choice.

Delaware's businesses must demand better outcomes, lower costs, and more choice and access to healthcare. The state of Delaware must deal with its largest budget buster and the second largest reason businesses will not move to Delaware. *The chief reason is Delaware's miserable school system.*

There is a very real possibility of no choice at all, and Highmark is banking on it. Why isn't this being reviewed on a state level? If this is not the purview of the *Delaware Health Resources Board (HRB)*, the *Delaware Health Care Commission (HCC)*, or the *Delaware Department of Health and Social Services (DHSS)*, then what is their purpose?

As far as the Delaware Health Resources Board is concerned, the question is rhetorical. We should end that charade. Certainly, the Delaware Insurance Commissioner Trinidad Navarro should have an extraordinarily strong interest in the lack of Insurance competition in Delaware and the effect of this vertical integration on attracting other insurers.

Can the State Legislators decline to probe this? If there ever was a reason to exist, the Delaware Health Care Commission should be concerned, but they are a wholly-owned subsidiary of ChristianaCare and most unlikely to do anything but rubberstamp this merger. This is not only more than a quarter of our state's economy but also, arguably, the future of Delaware.