INSURANCE

Why this hospital-affiliated insurer is expanding as others reel

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Peak Health CEO Ben Gerber and company headquarters in Morgantown, West Virginia (Peak Health/Modern Healthcare compilation)

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Many health system-owned insurance companies are retreating from the health insurance exchanges. Peak Health is jumping in.

The health insurance company, owned by nonprofit Morgantown-based West Virginia University Health System and Huntington-based Marshall Health Network and Valley

Health, has 85,000 commercial and Medicare Advantage members in the Mountain State this year.

Peak Health CEO Ben Gerber said he knows some will view the decision to enter the Affordable Care Act of 2010 marketplace in West Virginia as a head-scratcher.

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"We are going into it with open eyes, knowing that this is going to be challenging but that is the right thing to do," Gerber said.

It's not a welcoming time to join the exchanges. The expiration of the enhanced subsidies combined with unexpectedly high medical costs and President Donald Trump administration's anti-fraud initiatives have driven providers such as Springfield, Missouri-based CoxHealth, Dallas-based Baylor Scott & White Health and Renton, Washington-based Providence Health and Services to bow out of the market next year.

This interview has been edited for length and clarity.

Why now?

There were only two carriers on the exchange in West Virginia — Highmark Health and CareSource — and so there were not a lot of options. CareSource has chosen to leave the state after this year. We decided that it was time for us to step up to the plate.

It's up in the air how many enrollments we'll get, but we do know that CareSource has up to 10,000 members who will have to choose a new plan and potentially select us.

We will be in most of the state, and we'll be offering products across Gold, Silver and Bronze metal levels.

We don't expect to make money on this. But we do think overall it makes sense from a business perspective, because a lot of the folks that would otherwise move to uninsured will now have a good coverage option. It will reduce the amount of additional uncompensated care that our provider-owners need to manage.

There's a lot of value that health plans add besides a margin.

As long as we're tightly integrated and look at growing the pie together, as opposed to the hospital side and insurance side fighting over who gets the dollar, that's when we'll see success.

What makes Peak Health different from other provider-affiliated insurers?

A lot of those health system-owned insurers have a huge amount of ACA exposure. Some of them entered the exchanges while the enhanced subsidy was still in effect.

We're at an inflection point with folks leaving the market. There's some concern among plans that we are entering into the so-called death spiral, where high-risk folks flock to a plan and then that drives your expenses up.

Our hope is that by entering, we're going to help stabilize the market, at least in West Virginia.

One good thing for us, which somewhat mitigates some of the risk, is that the enhanced subsidy is already gone. We're trying to price our product as best as we can so that we don't attract too much risk.

What are your plans for Medicare Advantage?

We're definitely targeting substantial growth and hope to be over 20,000 next year; that is up from 13,000 members this year.

We are adding a couple of additional counties where we're going to be offering products. On Jan. 1, 2027, we'll actually be expanding to offer a Dual Eligible Special Needs Plan product.

We're looking to grow, and we're not going to scale back or exit counties, as some other Medicare Advantage plans have done.

From an administrative standpoint, we need to get to about 35,000 lives on the Medicare Advantage side to smooth the costs. We plan to hit that in the next few years.

From a utilization and cost of services perspective, we're close to breaking even, especially if we're able to keep our Medicare Advantage star rating up.

How will CMS calculate the 2027 star ratings?

It's hard to see where it's going to shake out. But I would predict that there's a good chance that CMS will take a "better of" approach, where if you would have fared better under a revised methodology, they'll give that to you, but they won't necessarily penalize how that we're performing.

Are you eyeing a move into Medicaid managed care?

We will eventually enter the Medicaid market in West Virginia. We're probably three to four years away from that. We do want to provide access to our plan for everybody. But on the other side, we need to do it at a pace where we can make it sustainable.