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Network Overlap in Commercial HMO Plans in California

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Summary

In response to Kim Belshé's question concerning network overlap at the February 21st meeting of the California Health Benefit Exchange Board, the Integrated Healthcare Association has produced an analysis that looks at contracting between commercial HMOs and medical groups in California. There is a high degree of network overlap between the commercial HMOs examined; all commercial health plans studied here contract with at least 65% of medical groups, and 33% of medical groups contract with 100% of large commercial health plans. 73% of medical groups contract with at least half of these plans.

Background and Data Source

At the February 21 California Health Benefit Exchange meeting, Ms. Belshé asked members of the first panel (James Robinson, Deborah Kelch, and Marian Mulkey) a question about the extent of network overlap in California, to which none of the panel members had a concrete, numeric response. This memorandum quantifies commercial HMO network overlap using data from Cattaneo and Stroud's (C&S) California Medical Group survey.¹

These data capture relationships between California's HMO plans and medical groups.² They reflect *only* HMO contracting and enrollment, thus they are not entirely complete, but we believe that they are the most comprehensive data readily available to answer Ms. Belshé's question.

Examining Network Overlap

Given data limitations, and the Exchange's focus on commercial populations,³ we have posed the question as "what is the degree of network overlap between large commercial HMOs in California?" We have quantified "large commercial HMOs" as **those with more than 80 commercial contracts** – generally, the term "large" refers to the number of covered lives, but in this analysis, we are instead referring to the number of contracts. Note that this purposefully excludes the Kaiser Foundation Health Plan, which contracts only with the Permanente Medical Group. It also excludes smaller commercial HMO plans that do not contract statewide.

There are a total of seven plans listed in the C&S database that meet these criteria; these are listed in Table One. Note that CIGNA has two listings; as of today, CIGNA has two different commercial contract lines filed with the DMHC, but it is currently phasing out its CIGNA Pacific line of business.⁴ There are 279 medical groups that meet C&S criteria for inclusion in their survey – of these, 173 have at least one commercial HMO contract.

¹ These data were updated in February 2012; see <http://www.cattaneostroud.com/>. Please note that these data represent a good faith effort to capture all developments in HMO contracting with medical groups in California, but there may be developments that are not captured herein due to the dynamic nature of this market.

² "Medical group" is defined as either a medical group or independent practice association with at least 6 PCPs and one HMO contract (covering commercial, Medicare, Medi-Cal, and Healthy Families enrollment)

³ As stated above in footnote 2, the C&S database contains data on not only commercial, but also Medicare, Medi-Cal, and Healthy Families enrollment, thus it may be possible to extend this analysis.

⁴ Personal correspondence with Grant Cattaneo; CIGNA Healthcare-Pacific, Inc. "Notes to Financial Statements." December 31, 2011.

We have looked at this question two ways. First, we looked at the number of these medical groups with which a commercial HMO contracts. The results are in column two of Table One. Every plan contracts with at least 65% of these groups (excluding CIGNA Pacific, which is being phased out).

Table One: Large Commercial HMO Plans, California, 2012

Plan	Number of Commercial HMO Contracts with Medical Groups (%)
Aetna: Commercial	118 (68%)
BlueCross: CaliforniaCare	128 (75%)
BlueShield: Commercial and PERS	128 (74%)
CIGNA: Commercial	112 (65%)
CIGNA Pacific: Commercial*	84 (49%)
HealthNet: Commercial	143 (83%)
UnitedHealthcare: Commercial	118 (68%)

*Note: as stated above, this line is currently being phased out.

Second, in Table Two we look at what percent of these 173 groups contract with one or more of these commercial HMOs. As can be seen, over half of these groups contract with at least six of these seven plans, and 73% of these groups contract with at least 4 out of these 7.

Table Two: Medical Groups' Contracts with Commercial HMOs, California, 2012

Number of Contracts	Number of Groups	Percent of Groups	Cumulative Percent
7	57	33%	33%
6	32	18%	51%
5	20	12%	63%
4	17	10%	73%
3	7	4%	77%
2	13	8%	84%
1	27	16%	100%
Total	173	100%	

Conclusion

Thus, there is a relatively high degree of network overlap between these commercial HMOs. As stated above, these data capture only HMO enrollment, and could be bolstered by the inclusion of PPO data that are not captured in the C&S database. This analysis could also be strengthened by looking at the geographic distribution of enrollment in these plans.

An important question that is not addressed above, but may be important to the Exchange, is the degree of overlap between *lines* of insurance (commercial and Medi-Cal), given stakeholder concerns about ensuring access for individuals who cycle between commercial and Medi-Cal plans. Based on previous research using C&S data,⁵ we know that commercial and Medi-Cal networks are somewhat distinct, and that 66% of Medi-Cal and Healthy Families enrollment is in medical groups whose enrollment is over 80% Medi-Cal or Healthy Families.

⁵ James C. Robinson and Emma L. Dolan, "Accountable Care Organizations in California: Lessons for the National Debate." Integrated Healthcare Association White Paper, 2010. See pages 18-19 for information on Medi-Cal enrollment.