

Content from HealthLeaders-InterStudy's  
Ohio, Kentucky & Indiana Health Plan Analysis, Fall 2009, Vol. 10 No. 4:

September 25, 2009

# American Community Assembles First Proprietary Network In Ohio

BY RICK BYRNE

In a difficult economy, insurers are finding many of their customers going it alone. But American Community Mutual Insurance Co. will be going it alone too, as it will launch its first proprietary medical provider network in Ohio.

The Michigan-based insurer, which offers group and individual PPO products, previously rented networks in the 14 states where it does business, but has long-term goals to bring its networks in-house, first in Ohio, then in Indiana, with other states to follow. The new Ohio AC Provider Network features 7,500 physicians with 13,900 locations around the state and 83 hospitals reaching all points of the compass.

Eric Hales, American Community's director of network development and provider relations, called the network "comprehensive in geography and specialty." It includes a broad cross-section of the state's hospitals, primary-care physicians, specialists, outpatient and ambulatory surgical centers, durable medical equipment suppliers and ancillary providers. The network will apply to all products in the American Community line, with the exception of the ancillary providers.

"It grows every day as we continue to get contracts in," Hales said. "We may plug a hole here or there, but it really is comprehensive throughout Ohio, top to bottom, east to west."

The pharmacy network does not change in the transition from a rental network to a proprietary one, as CVS Caremark remains American Community's pharmacy benefit manager. The insurer would also like to capitalize on the PBM's connection with convenient care clinics as an option by adding parent company CVS' clinic locations to its network.

**Opting For Building, Rather Than Renting**

The decision to adopt a proprietary network was primarily an economic one, Hales said. American Community believes that by bringing networking in-house, it can save its Ohio policyholders an average of 5 percent on premiums. Ohio was selected because its rental costs, as measured by discounts and access fees, were among the highest of the states in which the company operated.

“We are a PPO design, so it was an easy transition to establish the network,” Hales said. “Our goal is to bring a more price competitive product to the market. The overall consideration was what offered the best value for our members.”

The greatest challenge in developing the network was achieving an appropriate balance of physicians and hospitals. “It was a chicken-and-egg situation, with hospitals waiting to see how physicians were on board so they’d be assured they will get referrals, and sometimes physicians [waiting] to see what hospitals are on board,” Hales said.

**Table 6-2: American Community Mutual Insurance Enrollment Trends, Jan 1, 2009**

State	PPO Jan. 2008	PPO Share	PPO Jan. 2009	PPO Share
Arizona	10,532	1.23%	18,458	2.35%
Illinois	14,721	0.53%	17,159	0.88%
Indiana	17,361	2.01%	17,540	2.46%
Iowa	2,456	0.28%	4,415	0.96%
Michigan	50,313	2.72%	42,217	2.06%
Missouri	22,973	2.20%	24,937	2.78%
Nebraska	11,284	3.57%	12,084	4.98%
Ohio	25,031	1.27%	25,276	1.42%
Texas	0	0.0%	1,164	0.32%
Wisconsin	0	0.0%	2,722	0.42%
<b>Total</b>	<b>154,671</b>		<b>165,972</b>	

Source: HealthLeaders-InterStudy

Providers gain access to the company’s Web-based provider portal as soon as they sign a contract. From the portal, they can search and check member eligibility and the statuses of claims— including payments and details of payment status. The portal will also soon add the availability to designate an account for electronic fund transfer, for direct deposit of reimbursement payments. At present, American Community has no pay-for-performance initiatives. A member who finds his or her physician is not on the AC Provider Network is encouraged to suggest the provider for inclusion so the insurer can take active steps to include the physician.

The network is available for all American Community group and individual plans that include a PPO network, including APEP Choices, American’s Omega Solutions, Community Flex, Coverage on Demand, Latitude, Next Generation HSA and Triple Tier. The company’s chief marketing officer, Neal Spero, said the most popular products among individual purchasers will be Community Flex and the Next Generation HSA with a health savings account, and on the group side, a new product in the lineup, Latitude, which can be paired with a health reimbursement arrangement.

### Individual Market Is Growing

The company expects its book to remain about equally divided between individual purchasers and small-group employers. Spero said employers reducing coverage of workers have driven increasing sales growth of the individual line, while the small-group market is flat for the same reason.

“Our target market remains the same,” Spero said. “The network just gives us the ability to go after business with a more competitive price. The economy has been tough, so people are looking for a lower cost. We can use product design with latitude so you can lower cost, but the network can give you a little better price than just product design can give you.”

Community Flex comes with three different plan designs and a variety of options, up to a \$10,000 deductible in all markets. Customers may choose different coinsurance levels, ranging from 100 to 80 to 60 percent. Within each level, an individual or family may choose a range of deductibles from \$500 to \$10,000, including a choice of copays and different drug plans.

Spero said two main features differentiate Community Flex in the marketplace. An accident benefit is included in all plans. With this benefit, the deductible is waived and covered charges related to an injury are paid for services incurred within 30 days of the injury. Another popular feature is the \$12,000 maternity deductible. While the product doesn't offer maternity coverage, it does give pregnant women access to network discounts of around 30 percent to 40 percent off of network charges.

All plans come with a discount drug card, which can be used at network retail pharmacies for preferred pricing on select generic and brand-name prescription drugs. Members may also buy up to two optional prescription drug plans: a generic-only plan or a four-tier plan that includes brand-name drugs after a \$250 up-front deductible. Members who choose a deductible of \$5,000 or higher get a guaranteed premium for the first 24 months of coverage.

Most people go with the \$2,500 deductible and 80 percent coinsurance. A base rate for a 25-year-old male who selects this plan with the American Community network runs around \$68 per month with generic drug coverage, including a \$30 office visit copay and \$60 for urgent care.

The network will expand to Indiana next, following a slightly different strategy from the comprehensive one in Ohio. It also will target the hospitals first in its negotiations because, among other things, children's and tertiary hospitals have disproportionate control due to their exclusivity. “We'll be targeting the larger markets first,” Hales said. “It will reach Indianapolis and the northeast portion of the state first, then branch out from there.”

American Community markets individual and group health insurance products in Arizona, Arkansas, Illinois, Indiana, Iowa, Michigan, Missouri, Nebraska, Ohio, Oklahoma, South Carolina, Tennessee, Texas and Wisconsin. ACM insured 165,972 members through Jan. 1, 2009, according to HealthLeaders-InterStudy. The company says it serves 4,800 small employer groups, 140 large (51 to 99) employer groups and 60,000 individuals. Michigan remains its largest market by enrollment with 51,000 members, while it enjoys the greatest market share in Nebraska, where its penetration is over 3 percent.

### Outlook

***The launch of American Community's own provider network in Ohio will help drive American Community enrollment higher as its prices trend lower. The small-group and individual markets appear poised for growth in Indiana, Ohio and the company's home state of Michigan because of economic factors, and better cost structure will allow American Community to grow in those markets.*** ■



## Get To Know Us Better

HealthLeaders  
InterStudy  
A Decision Resources, Inc. Company

This article is just one example of the comprehensive managed care and healthcare market intelligence HealthLeaders-InterStudy delivers. To learn more about how our national and market-specific data and analysis products can meet your business needs, visit [www.HL-ISY.com](http://www.HL-ISY.com).

To purchase our Health Plan Data & Analysis reports, contact [Randy Hagopian](mailto:Randy.Hagopian@hl-is.com) at **781.296.2694**.