Highmark Health CEO Holmberg wants health care to again be ‘personal experience’

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At heart, David Holmberg is a retail guy who wants to bring convenience, choice and quality to an industry where it is sorely lacking.

In an interview with the Business Times, the 56-year-old Holmberg — Highmark Health’s president and CEO since May — distilled the vision for the country’s third-biggest integrated delivery system as it becomes both an insurer and medical provider. As the backdrop, Holmberg chose a ground-floor Visionworks store downtown, where he greeted employees as customers shopped for eyeglasses, signaling in a bigger way the direction he wants to steer the $16 billion company.

The Blue Cross Blue Shield insurer, he declared, was ready to break with the past, moving on from the combat that has pockmarked relations with rival UPMC in recent years.

“What we’re doing is trying to change how health care is delivered,” Holmberg said. “We’re investing in the future of health care, not the past.”

Holmberg is also staring down the first big challenge of his short tenure: convincing state regulators that Highmark Health’s new Medicare Advantage plan doesn’t violate a consent decree reached in July. Holmberg said marketing efforts were continuing, making a lawsuit appear likely.

The insurer employs 37,000 people and had revenue of $15.7 billion last year. Holmberg was named top officer in May, replacing Dr. William Winkenwerder, who was fired after two years in part because Highmark Health’s transition to an insurer and eight-hospital health care provider network was going too slowly while UPMC continued to buy up medical practices and expand services, strengthening its grip on the market.

Holmberg said his only mandate from Highmark Health’s board of directors was to assess the issues and move the organization forward.

“What I found very quickly is there were some really great things happening and what I had to do is accelerate the pace and, frankly, to move forward,” he said.

Holmberg is a seven-year Highmark Health veteran who previously oversaw Diversified Businesses for Highmark Inc., where he was responsible for companies representing more than $3.5 billion in revenue. He also oversaw HVHC Inc., Highmark Health’s vision services, and was chief executive officer and chairman for Visionworks, the third-largest operator of specialty optical retail stores in the country by revenue; stop-loss insurer HM Insurance Group; and United Concordia Dental — companies that contributed nearly half...
of Highmark Health’s net income last year. The three subsidiaries accounted for $147 million of the $294.1 million in total net income for the company for 2013.

Allegheny Health Network’s gleaming $100 million Wexford Health + Wellness Pavilion in Pine Township, which opened Sept. 22, reflects the direction the organization wants to take medical services. The complex of doctors’ offices, surgery center and retail outlets was built where consumers have migrated to the suburbs, making it more convenient.

“The whole concept is to provide care in a much friendlier, less threatening setting,” he said, “so the whole wellness pavilion is about making it a more relaxed environment to be taken care of.”

Holmberg said the center anticipates the ongoing shift in medical treatment to an outpatient setting with services that most often are provided at a hospital. Highmark Health’s goal was to create a comforting environment for patients with access to high-quality care.

“Health care is a very personal experience and over the past couple years, people lost sight of that,” he said. “Wexford has capabilities that you would ordinarily find in a hospital, so it’s really a game changer. It reflects the future of health care.”

He added, “What you can expect from us are new ways of delivering health care and to make it affordable and to make it accessible.”

This approach to health care in Pine will become a template for an outpatient treatment center expansion that’s underway in Bethel Park. The $17 million, 35,750-square-foot Bethel Park Health + Wellness addition will include a surgery center. Completion is expected next year.

The focus on wellness eventually will result in lower health care costs, Holmberg said. At the core of Highmark Health’s strategy are community hospitals, which at times have been suspicious of the insurer’s motives. Community hospital partners are key because patients prefer getting health care close to home and the cost of care is lower than at traditional urban facilities.

“People talk all the time about saving costs in health care,” he said. “We’re all going to buy Band-Aids more efficiently and effectively. That’s not the way we’ll do it. The way we’ll do it is keeping people out of the hospital when we can, keeping them healthy, figuring out innovative ways to keep them in community for their level of care.”

The spat over Highmark Health’s new Medicare Advantage plan isn’t Holmberg’s only challenge. During his five-month tenure, Highmark Health became the first insurer in the country to challenge a commonly used billing practice for cancer care that can triple reimbursement but not affect care. In a lawsuit filed Sept. 3, Highmark Health claimed UPMC had shifted its billing to higher-priced hospitals from doctor’s offices to inflate reimbursement.

The practice is common among hospitals throughout the country and it may have reached a tipping point. The Medicare Payment Advisory Commission unanimously agreed last year that reimbursement for health care services such as chemotherapy should be the same, regardless of where the care is provided. The US Oncology Network, the biggest network of community cancer doctors in the country, also backed the change.

MedPAC, an independent agency that advises Congress on Medicare spending issues, estimates the billing shift to high-cost settings adds $2.1 billion annually to spending by Medicare and its beneficiaries. Highmark Health claims the practice has cost the insurer more than $300 million over the past three years.

It’s too early to say whether showdown with state regulators or the cancer lawsuit marks a new, energized role for Highmark Health, but Holmberg said it reflects the insurer’s plans to be a leader in the marketplace.

“We’re going to be a leader on the tough issues,” he said. “We didn’t want this arbitrated in a back room with no windows. We thought this was so important, not only regionally, but nationally. We needed someone to take a look at this in an open courtroom.”

UPMC has said the matter is best resolved through arbitration, not the courtroom. In addition, Highmark Health’s own hospitals have participated in the billing practice.

Transforming how doctors provide care while taking on the biggest hospital network in the state over billing practices is not the extent of Holmberg’s challenges.

“My toughest challenge is that there’s only 24 hours in a day,” he said, “and I use 22 of them.”

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**CLOSER LOOK**

**THE DIRECTIVE FROM HIGHMARK’S DIRECTORS:**

“The only mandate I got from the board is to get in there, assess the situation and then let’s move forward.”

**HIS FIRST DAYS AS CEO:**

“What I found very quickly were some really great things happening and what I had to do is accelerate the pace and frankly move forward.”

**THE ONGOING SHIFT TO OUTPATIENT TREATMENT WITH SERVICES NORMALLY PROVIDED BY HOSPITALS:**

“Health care is a very personal experience, and over the past couple years, people lost sight of that.”

**HIGHMARK’S DISTINCTION FROM UPMC:**

“We don’t have lots and lots of hospitals that we’re trying to feed. We believe we have the right capability in the marketplace.”

**THE FUTURE:**

“What you can expect from us are new ways of delivering health care and to make it affordable and to make it accessible.”