

The Employer View of Health Care Reform

Purchaser Expectations and the Opportunities Ahead

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Pacific Business Group on Health



PBGH

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The Pacific Business Group on Health

- The Pacific Business Group on Health helps purchasers improve the quality of health care and limit health care cost increases.
- Our 50 members spend 12 billion dollars annually to provide health care coverage to more than three million employees, retirees and dependents in California alone.

PBGH Members



Opportunity Presented by PPACA

1. Coverage expansion (reduces cost shift)
 - Subsidies
 - Exchanges
2. Toolkit for value:
 - Value based payment
 - Provider quality transparency
 - Continuing HIT incentives, requirements
 - Delivery system redesign (medical homes, ACOs)
 - CMS Innovation Center
 - Comparative effectiveness research
3. Alignment with private sector: measures, payments, business structures

Purchaser concerns post health reform

- Health reform will not moderate costs
- Quality of care only fair, extremely variable, with little transparency
- Cost of care unrelated to value
- Delivery systems and plans show little motivation to seek efficiencies, improve quality
- Current tools – HMOs, P4P, quality measurement – having little impact
- Market trends are unfavorable – consolidation of plans, consolidation of provider systems, pricing patterns
- Little willingness to expand cost-sharing
- Hoping for plans to do the right thing has faded
- Hoping that managed care principles will lead to cost stabilization has faded
- Time for fundamental re-evaluation

Time for re-evaluation?

1. Can we work directly with innovative provider systems?
2. Can we influence consumer behavior enough to change health system behavior?
3. Or... is it time to plan an 'exit' from the employer-sponsored benefits function?

Dials for Change



Consumer Incentives:

Tiering;
Reference Pricing;
Device Formulary



Payment Reform:

Bundled Payment;
Pay for Performance;
Pay for Results



Provider Feedback:

Registries;
Public Recognition



Consumer Education:

Shared Decision-
Making



Outcomes:

Data Collection and Feedback



Professional Standards:

Appropriate Use Guidelines

New Opportunities

1. Insurance Exchanges
2. Payment reform
3. Provider feedback systems;
registries
4. ACOs

New Opportunities

1. *Insurance Exchanges*
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Exchanges

- Large employers: Exchanges may become valuable purchaser allies, and may be an avenue for some employee segments to get coverage.
- A key strategic question: Will Exchanges be active purchasers or simply market organizers?
- Large employers have successfully used effective purchasing tools, e.g., eValue8, to “raise the bar” for health plans offered to their employees.

Exchanges

Health plans must *report* on their activities and *demonstrate results* in the following five domains:

1. Improve clinical outcomes through:

- Quality measurement
- Performance transparency
- Provider payment incentives
- Consumer engagement
- Provider engagement
- Use of health IT
- Specific patient care initiatives, including reduction of avoidable readmissions, care coordination and chronic disease management

2. Enhance patient safety

3. Ensure that care is patient-centered

4. Promote wellness and health promotion

5. Reduce disparities in clinical outcomes

PLUS: enrollee satisfaction system and “STARS” rating system

New Opportunities

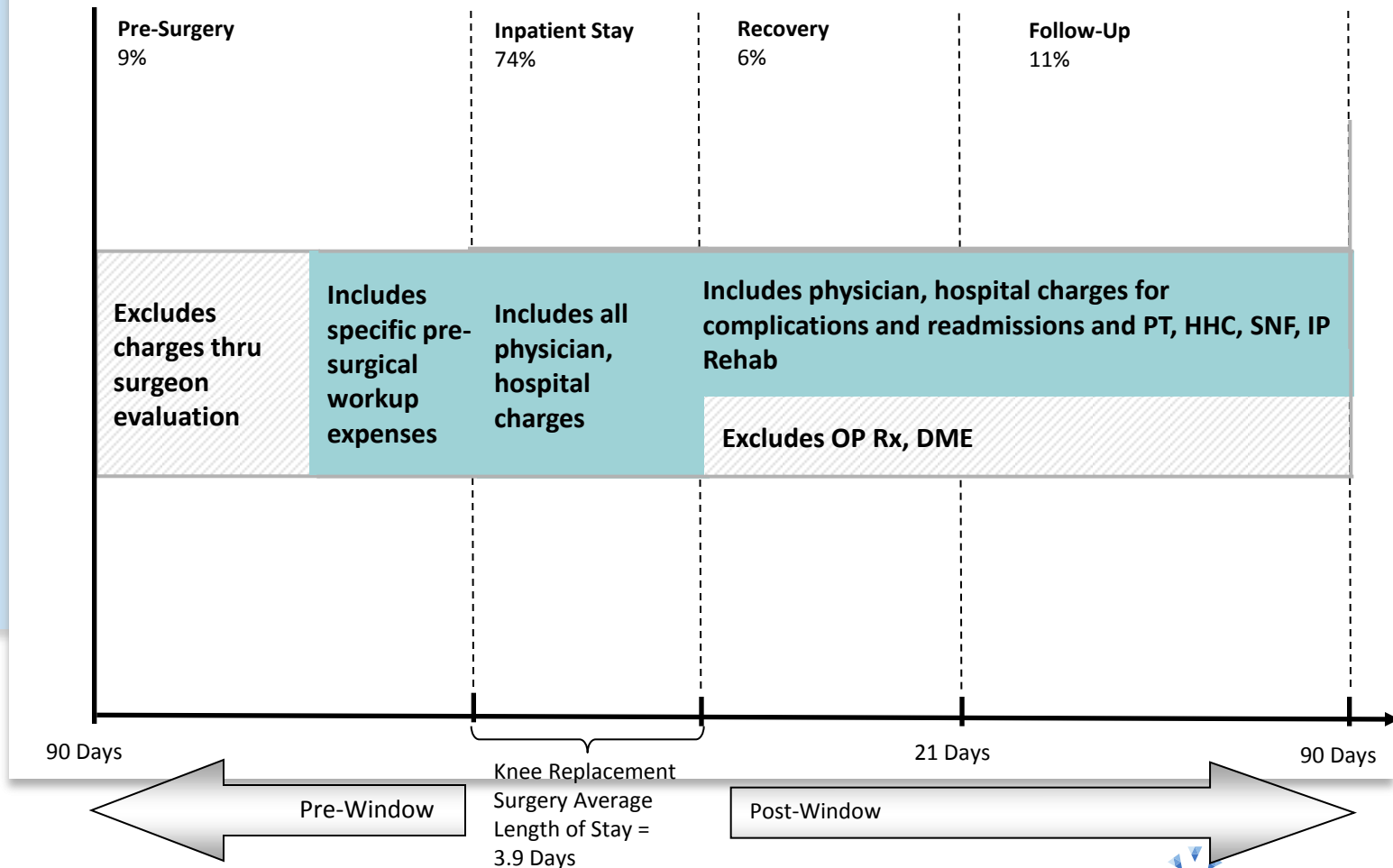
1. Insurance Exchanges
2. *Payment reform*
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Payment Reform

- Alignment of public and private sector
- Pay for value/outcomes, not volume
- Pay for coordination across care continuum
- Assure transparency of payment arrangements (in ACOs, Exchanges, bundles, etc)
- Align with consumer-facing incentives
- Disincentives for preventable errors, readmissions, inappropriate care

Bundled Payment: Knee Replacement (from IHA)

Distribution of Contractual Allowed Amounts in Commercial Population¹



New Opportunities

1. Insurance Exchanges
2. Payment reform
3. ***Provider feedback systems;
registries***
4. ACOs

Provider Feedback

1. General Transparency:

- Physician Compare
- Harmonized quality measures
- Medicare data release, 2717, etc

2. Clinical registries

What are purchasers looking for? Orthopedics

- Affordability:
 - Appropriate use of expensive treatments
 - Appropriate use of expensive technologies
 - Patient engagement – shared decision making
 - Recognition and reward for efficient providers
- Accountability:
 - Evidence of appropriate care (metrics)
 - Evidence of patient health outcomes (metrics)
 - Collaboration across disciplines to optimize care
 - Patient-centeredness – patient experience
- Delivery system innovation:
 - Payment redesign
 - Evidence based practice
 - Information infrastructure
 - “Learning system” – comparative effectiveness

Market mechanisms

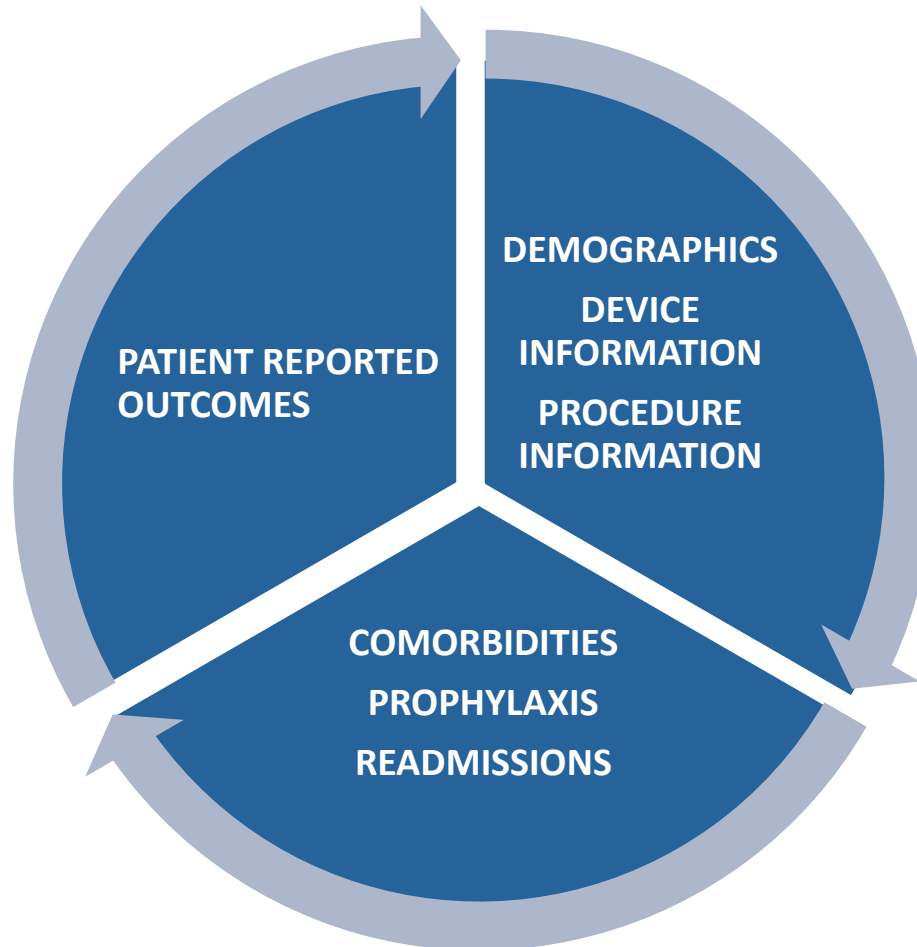
Patient-facing incentives

- Reduced co-pays for selecting recognized surgical practices
- Shared decision-making prior to knee replacement surgery
- Workplace education on musculoskeletal issues, prevention techniques, etc.
- Peer support networks (e.g., PatientsLikeMe.com)
- Patient ratings networks (e.g., HealthCareScoop.com)

Provider-facing incentives

- Recognition of high performing physicians in provider directories, referral systems, etc.
- Bonus payment for outcomes reporting and attainment
- Incentives for involving patients in shared decision-making protocols
- Incentives for participation in uniform clinical registries with public reporting
- Disincentives for care without adequate documentation of indications, failure to comply with prophylaxis guidelines, etc.
- Bundled payment for episode of care (to include rehab, potential DVT or other complications)

California Joint Replacement Registry: A Level 3 Registry



What is the benefit to surgeons?

- Improved patient outcomes
- Improved patient selection
- Inclusion in preferred networks, including ACOs and similar risk-bearing models
- Recognition in provider directories
- Payment for participation in registries, feedback systems
- Payment for performance (improvement or threshold)
- Influence over emerging measurement, payment, delivery system designs

New Opportunities

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Purchaser principles for ACOs

1. ACOs must be transparent.
2. ACOs must be outcomes-focused.
3. ACOs must be patient-centered.
4. ACOs must pay providers for quality, not quantity.
5. ACOs must address affordability and contain costs.
6. ACOs must support a competitive marketplace.
7. ACOs must demonstrate meaningful use of health information technology

Performance transparency

- Engage in collaborative measurement and reporting efforts
- Support availability of consumer information
- Disclose provider financial arrangements and portion of payment linked to performance

Support robust metrics that are outcomes-focused

- Clinical outcomes
- Functional status
- Appropriateness
- Patient experience
- Care coordination and care transitions
- Cost
- Efficiency and resource use

Support patient-centered care

- Deliver coordinated patient education and preventive care support
- Inclusion of the patient in the care process
- Support for shared decision making
- Support for self-care, self-management and risk reduction
- Provide patient access to their health information

Advance payment reform

- Structure provider payment to reward quality, not quantity
- Align private and public sector approaches
- Use risk-adjusted, episode payment or bundling methodologies
- No payment for “never events,” errors and inappropriate use
- Use incentives to reward physicians and other health professionals based on performance
- Participate in shared risk and or gainsharing arrangements – subject to financial qualifications

Improve affordability and contain costs

- Demonstrate sound financial management with specific targets such as trend at CPI + 1%
- Establish sound fiscal policies and financial management practices that assure oversight of risk-based contracts
- Reduce waste

Support a competitive marketplace

- Refrain from contractual non-disclosure provisions that preclude
 - ✓ Community-level quality and efficiency measurement
 - ✓ Consumer access to performance information
 - ✓ Comparative performance reporting
- Refrain from contractual prohibitions on provider differentiation by payers

Demonstrate Meaningful Use of Health IT

- Use information systems for clinical decision support
- Demonstrate clinical integration among medical providers
- Manage care process such as electronic ordering and results
- Share information among providers
- Exchange information among providers
- Exchange information with the patient
- Federate with the NHIN structure and set rigorous Health IT adoption expectations as a practitioner entry requirement

What purchasers can do to support PPACA

- Influence policy and implementation of reform
- Support members with key reform issues
- Test examples of high-performance delivery systems and provide evidence for value-focused strategies
- Implement payment reform and benefit design strategies