



AN INTRODUCTION

and 2015 Annual Report

*Leveraging the clout of purchasers to improve
healthcare outcomes and moderate costs*

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Highlights

- 2 President's Perspective
- 3 Approach & Recent History
- 4 Purchaser Power
- 6 Strategic Pillars
- 7 Membership
- 9 Geography
- 10 Governance & Staff
- 11 2015 Annual Report

Follow us on:



President's Perspective

PBGH feels a responsibility to play a leadership role in assuring that we have a healthcare system that delivers good outcomes while using resources efficiently.

The healthcare environment continues to undergo dramatic change and considerable stress. American consumers and purchasers today are asking a great deal from our physicians, hospitals, health plans, and so many others. We are insisting on getting value for the huge sums we are spending – personally, as companies, and as a society. We are increasingly aware that there are opportunity costs associated with our healthcare spending – that we are forced to spend less than we should on wages, on education, on housing – all of which probably contribute as much to our health and well-being as the medical care we continue to support.

We convene 60 of the leading purchasers of healthcare in America – the organizations that are committed to improved health and to a better healthcare system. We learn from their efforts, bring some of those efforts to large scale implementation, and work closely with health plans, policymakers and public agencies to ensure that the US healthcare system adopts the right incentives and supports to enable us all to receive high value care.

This report outlines some of the ways we advance this agenda. But, like you, we approach these challenges with humility and uncertainty – and a profound need to collaborate with others. There is not yet a proven path to high-value healthcare or to improved population health. But we've seen many positive signals that seem to point the way forward.

I hope you'll follow our efforts and share your own. Thanks for your interest in the work of PBGH.



David Lansky, PhD
President and CEO
Pacific Business Group on Health

Approach & Recent History

PBGH's Membership is comprised of dozens of major healthcare purchasers who share a passionate belief in the possibility of transforming US healthcare and are ready to use their influence to drive improvements in quality and affordability.

Purchasers of healthcare, both private employers and public agencies, comprise one of the most important sectors of the nation's complex healthcare system. To emphasize the strength of purchasers, consider these facts: private purchasers provide insurance coverage to over 160 million Americans and public purchasers (state and federal programs) insure another 150 million.

These purchasers are the most powerful voice for consumers and patients. Ultimately, the profound concern of purchasers about the cost and quality of healthcare puts them on the same side as the American public when it comes to driving improvement through the healthcare system.

PBGH's approach is to use the influence and concentrated power of individual purchasers to test innovative approaches to healthcare in specific markets, and then take successful approaches to scale across the nation. This broad innovation only

works when millions of lives amass and multiple companies as well as state and federal agencies work in partnership toward shared goals.

PBGH functions as a convener, administrator, and advocate for dramatic change and, unlike a think tank, is known as "doers" who are inspired by the hope of helping our Member populations get better and more affordable care in the communities they live. Here are a few examples from PBGH's recent history:

1. Launched the first public website displaying health plan, hospital and medical group quality and patient experience data, called Healthscope (1999).
2. Launched the first consumer-directed health plan and prompted commercial plans to adopt the approach (2001).
3. Operated the California PacAdvantage small business insurance exchange (1999 to 2007) and coached federal officials in

lessons learned when designing today's insurance marketplaces.

4. Influenced the drafting of the Affordable Care Act to emphasize federal value purchasing and accountability and represented purchasers in the Meaningful Use Health IT roll-out (2009).
5. Implemented the Intensive Outpatient Care Program (IOCP) for employees and families with serious chronic illness and brought it to scale in 25 medical groups across five states, leveraging a \$20 million federal grant award (2009-2014).
6. Built the Employers' Centers of Excellence Network (ECEN) to allow employees and dependents everywhere in the country to get the highest quality orthopedic and spine care in America at no cost to themselves (2013-2014).
7. Incorporated outcomes and successfully advocated for inclusion of cost measures in Medicare's Physician Value-based Purchasing program (2013).

Purchaser Power

PBGH leads efforts to transform US healthcare using the combined influence of some of the largest purchasers of healthcare services in the United States.

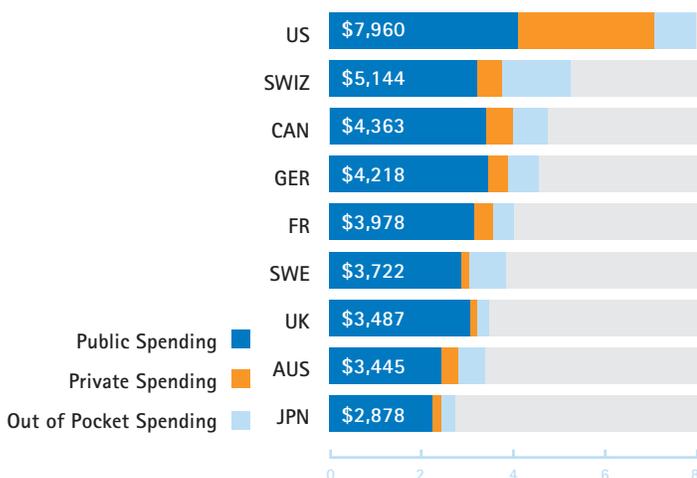
The US healthcare system continues to overcharge and underperform. US per capita health spending is about double that of other developed nations yet the US ranks below most other advanced countries in virtually all health indicators. This poor national performance reduces the US's global economic competitiveness, lowers worker productivity and deprives the nation of resources that could be better invested toward other economic and social goals.

For many wage-earning families – store clerks, hotel housekeepers, high-tech assemblers – healthcare now consumes one-third of their total income and forces them to make tough financial decisions. PBGH Members want to ensure that their workers and families can get high quality, affordable care, and believe that joint pressure on the marketplace can advance a value-driven system.

Individually, PBGH Members are often able to influence the programs offered by their insurance carriers and the services delivered by providers. However, Members recognize that the unreliable performance of the healthcare system cannot be addressed when purchasers contract one-by-one, particularly in an era of highly consolidated national insurance carriers and increasingly consolidated provider systems. Real change will only come when the buyers of healthcare speak with one voice and together demand accountability and transparency from the suppliers of healthcare services.

For more than 25 years, PBGH has embodied this belief in a series of direct interventions into the healthcare system – first in California and the west, and now across the US. PBGH Members have constituents in every state – and perhaps every zip code – and know that they will only be able to provide consistent, high-quality care to their entire populations if they can stimulate deep systemic changes across the entire country.

GDP Per Capita (USD\$)



The 60 Member organizations that comprise PBGH collectively purchase health benefits for over 10 million Americans and spend \$40 billion each year.



Strategic Pillars

PBGH focuses on four strategies. These are not discrete approaches that can be separated one from the other. Rather, they are four closely interwoven strategies that together, and only together, can impact the healthcare system.

1. Accelerate Transparency

PBGH advocates for standardized measures, aggregates large-scale data and performs rigorous statistical analyses. It also produces performance scores for release to the public through such channels as [Consumer Reports](#). The ready availability of performance data enables purchasers to contract with high-scoring provider networks, empowers consumers to improve their health by selecting the best physicians, and holds providers accountable for their performance.

2. Redesign Care Delivery

PBGH works side-by-side with physicians and other practitioners to foster innovative ideas and redesign care provided by the delivery system. PBGH's programs include ones that provide continuity of care for the most costly patients (those with multiple, serious chronic illnesses), as well as programs that train physicians to prevent patients from receiving duplicate services and reduce unnecessary visits (and revisits) to emergency departments and hospitals. These programs aim to engage patients in their own care, an approach that speeds a patient's recovery and return to work.

Strategic Pillars

3. Pay for Value

PBGH supports changes to commercial payment models that move incrementally away from fee-for-service and toward paying for value. These include bundled payments for maternity care, orthopedic surgeries and other high-cost and frequent procedures. We are also working to implement innovative primary care contracting and quality-focused contracts with Accountable Care Organizations. These payment models support aligned benefit design changes, such as reference pricing, tiered networks and Centers of Excellence. At the same time, PBGH is encouraging Medicare and other public programs to implement aligned payment methodologies so that providers receive consistent financial signals from both private and public purchasers.

4. Influence Policy

PBGH represents its Member organizations with a strong, unified voice in Washington by: testifying in Congress; communicating with White House and agency staff; serving on key advisory bodies; and publishing widely through Issue Briefs, blog postings and op-eds. PBGH advocacy focuses on the "value agenda" of health reform, including payment reform and alignment, use of measures to support value-payment systems, data transparency and the fostering of competitive markets.



David Pryor, MD • Corp Med Director • Exec. Director, Strategic Health • Comcast Cable

Membership

PBGH Members are organizations that have the will, resources, sophistication and brand to make a system-wide impact in collaboration with others.

Member Profile

PBGH membership is open to purchasers of healthcare services, including private employers and public agencies, as well as such new players as state insurance exchanges. Most Members have a significant California presence; however, having offices or workforce in the state is no longer a requirement for membership.

PBGH Members meet four times each year to share experiences and knowledge as well as to engage with national thought leaders on issues that inform their healthcare strategies. The relatively manageable size of PBGH's membership means that individual purchasers have an impact on the agenda. Other PBGH-sponsored work groups and health plan user groups also provide forums

in which Members unite around specific issues or health plans.

Health industry organizations and suppliers are often invited to join PBGH Member organizations at educational and networking events; they also provide financial support for initiatives of common interest.



*Teresa Wolownik
Senior Director, Benefits and Health Services
Qualcomm, Inc.*

Members

CSAA Insurance Exchange • Bechtel Corporation • Boeing Company • California Chamber of Commerce • CalPERS • Chevron Corporation • City and County of San Francisco • Comcast Cable • Covered California • Disney • Greenbrier Companies • JetBlue • Levi Strauss • McKesson Corporation • Pacific Gas & Electric Company • Qualcomm • Safeway Inc. • Silicon Valley Employers Forum • Small Business California • Stanford University • Target Corporation • Tesla Motors • Union Bank • University of California • WalMart • Wells Fargo & Company ■

Membership

Membership Value

Some of the many ways that PBGH delivers value to its Members include:

1. Implementing practical purchasing programs that return value to Members and their employees – such as intensive chronic care services, surgery centers of excellence, reference pricing for certain non-emergency labs and services, and maternity bundled payment.
2. Providing Members with instant access to an invaluable network of like-situated professionals to share experiences and best practices, as well as to solve problems.
3. Convening Health Plan User Groups (Aetna, Anthem, Cigna, Kaiser and United

Healthcare) to address plan-specific issues and organizing Member Work Groups to tackle issues regarding retirees, private and public exchanges, on-site clinics, ACA compliance, wellness/health improvement and many more.

4. Building platforms for the public release of cost and quality information so Members can form value-based networks and consumers have the tools to make more informed decisions.

5. Advocating with national and state policymakers through direct relationships, testimony, formal comment letters on proposed regulations, and representing purchasers on key policy committees.

6. Disseminating timely information and alerts via newsletters, webinars, Twitter feeds and a Member-only LinkedIn group and web portal.



*Debbie Boccuzzi
Senior Manager, Integrated Health Management
Pacific Gas & Electric*

Silicon Valley Employers Forum (SVEF)



In the high-tech sector, employers are particularly interested in sharing information and learning from each other about the characteristics and challenges of recruiting and retaining a unique population. In response, the Silicon Valley Employers Forum (SVEF) was formed in 1994 to benchmark benefit designs, share best practices and collaborate on projects.

SVEF is a benefit-centric coalition with a focus on all employee benefits, including health and welfare, creating a natural fit

with PBGH's health-related mission. Although organized as a distinct and separate organization, SVEF has enjoyed a strategic alliance and administrative relationship with PBGH since 1999. Additionally SVEF works closely with PBGH on tactical solutions in partnership with health plans and holds one seat on PBGH's Board of Directors.

SVEF Members

Adobe Systems • Agilent Technologies • Apple • Applied Materials • Autodesk • Cadence Design Systems • Avago Technologies • CA Technologies • Cisco Systems • Citrix • Dell • eBay • Electronic Arts • Facebook • Google • Hewlett-Packard • Intel • Intuit • Juniper Networks • KLA-Tencor • Lam Research • LinkedIn • Lenovo • Marvell • Mentor Graphics • Microsoft • NetApp • Nvidia • Oracle • Qualcomm Inc. • Salesforce.com • SanDisk • Seagate Technology • Symantec • Synopsys • Texas Instruments • Twitter • VMWare • Yahoo! ■



Geography

California Roots, National Reach

While PBGH has proud roots in California, most of its Member organizations now have employees and dependents throughout the country and the world. PBGH Members recognize that many of the decisions affecting the healthcare of their populations – how providers are paid, what quality and price information is available, which treatments are covered – are made on a national basis by federal agencies, large national insurance plans, and even large provider systems. Ancillary care – from laboratories and pharmacies – is also often managed through national

business partners. PBGH continues to focus much of its implementation work on California and the western states, while also seeking new ways to bring successful market innovations to scale nationwide. PBGH influences the US healthcare system by harnessing the collective strength of its Members to advocate with the national health plans, and by bringing concerned Member organizations to Washington, D.C. to advocate for value-oriented policy changes.

Governance & Staff

Governing Board in 2015

PBGH is governed by an Executive Committee, which is composed of a subset of elected Members from the Board. The Executive Committee provides continuous oversight and conducts the business of PBGH.

The Board leadership includes:

- ▶ Executive Chair, Barbara Wachsman, Disney
- ▶ Vice Chair, Sally Welborn, Walmart



*Barbara Wachsman
PBGH Executive Chair
Director, Benefits Program Development and Strategy
The Walt Disney Company*

PBGH Staff

Leading PBGH is Chief Executive Officer **David Lansky, Ph.D.**, a nationally recognized expert and researcher in healthcare accountability, quality measurement and health IT. With 30 years' experience in the field of healthcare transformation, including many years as CEO of two not-for-profit organizations, Dr. Lansky is a frequent advisor to national healthcare organizations, including business associations, Medicare, the White House, Joint Commission, and Congressional Budget Office.

Arnie Milstein, M.D., is PBGH's Medical Director. Building on his 20 years' experience advising



*Arnie Milstein, M.D.
PBGH Medical Director
Professor of Medicine, Stanford University*

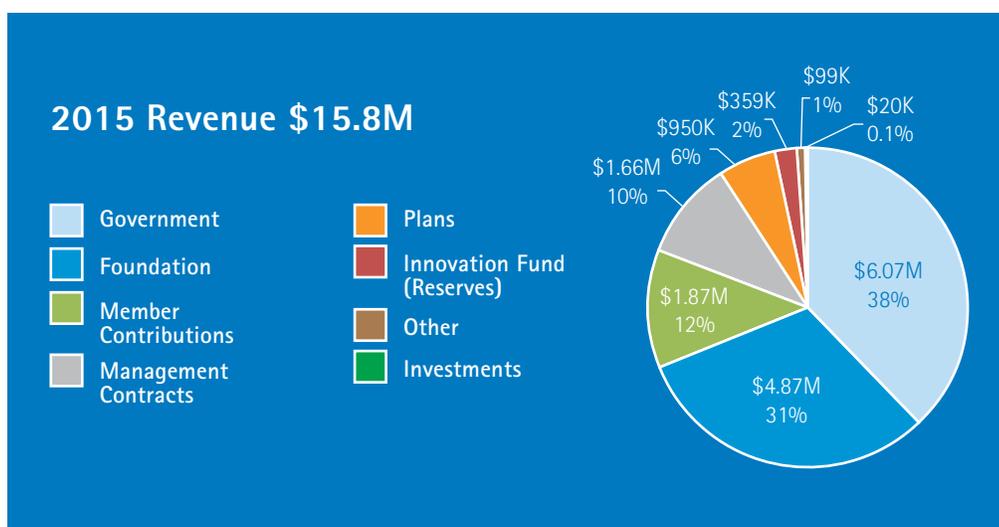
large healthcare purchasers on innovative strategies, Dr. Milstein designs and demonstrates new healthcare delivery models for large purchasers and the government to safely lower per capita healthcare spending and improve patients' experience of their care. Dr. Milstein is a Professor of Medicine at Stanford University and directs the Stanford Clinical Excellence Research Center.

PBGH is comprised of approximately 45 staff members attracted to PBGH for the opportunity to do meaningful work. Full bios are on the PBGH website.

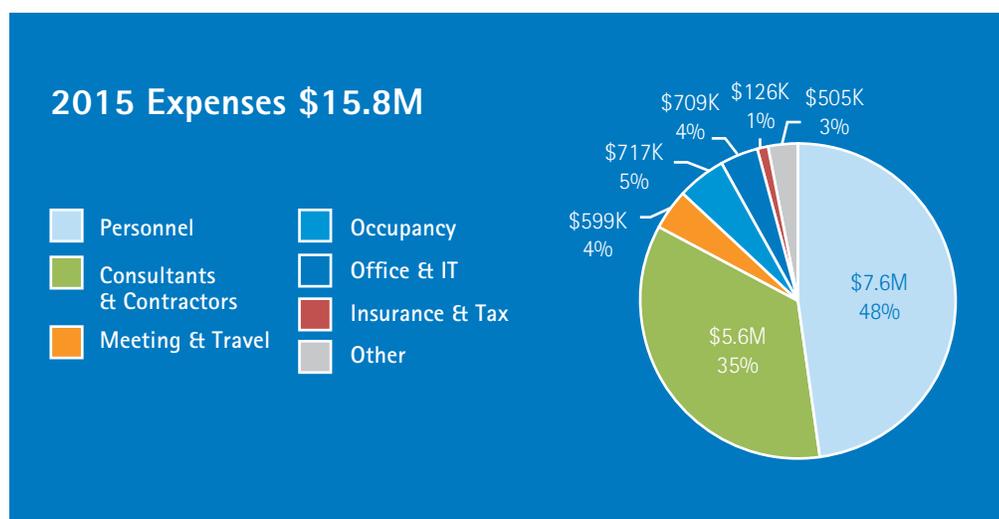
2015 Annual Report

Budget

In 2015, PBGH's budgeted revenues totaled \$15.8M, with revenue from seven principal sources. The federal government, which awarded PBGH a significant innovation grant through the Centers for Medicare and Medicaid Services (CMS), represented the largest revenue portion (38%). Although Member contributions represented a modest portion (12%), these contributions are critical as they symbolize Member interest and catalyze funding from others.



In 2015, PBGH budgeted expenses totaled \$15.8M and were incurred in six major categories. "Personnel" expenses represent the majority of these expenses, at 48%, closely followed by "Consultant and Contractor" expenses (35%).





Major 2015 PBGH Programs

Accelerate Transparency		Revenue / Program
1.	Patient Assessment Survey (PAS)	\$ 560,402
2.	Health Plan Chooser (Chooser)	\$ 165,547
3.	California Healthcare Performance Information (CHPI)	\$ 818,579
4.	Center for Healthcare Transparency (CHT)	\$ 1,364,414
5.	California Joint Replacement Registry (CJRR)	\$ 780,914
Pay for Value		
6.	Accountable Care Organization (ACO)	\$ 89,002
7.	Transform Maternity Care (TMC)	\$ 453,016
8.	Employers Centers of Excellence Network (ECEN)	\$ 599,133
Redesign Care		
9.	Intensive Outpatient Care Program (IOCP)	\$ 6,121,089
10.	California Quality Collaborative (CQC)	\$ 1,060,833
Influence Policy		
11.	Consumer Purchaser Alliance (C-P Alliance)	\$ 1,902,907
12.	Cost Containment	\$ 573,500



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