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Peter V. Lee
Executive Director
California Health Benefit Exchange
1000 G Street, Suite 100
Sacramento, CA 95814

Re: Qualified Health Plan Management and Delivery Reform Planning

Dear Mr. Lee:

The Pacific Business Group on Health (PBGH) appreciates the opportunity to provide input to the California Health Benefit Exchange (HBEX) Board regarding the management of qualified health plans (QHPs) and the role the exchange can play in improving the value of health care delivery. We submit some initial recommendations based on lessons learned from two experiences. First, PBGH has direct experience in health plan selection and negotiation through our management of the Health Insurance Plan of California/PacAdvantage, a small group purchasing pool, from 1998-2006. Second, PBGH draws best practices in health care purchasing from its large employer members, who have significant experience collaborating with health plans, providers and consumers to improve health and health care.

We see a clear relationship between the role the exchange plays in selecting and managing participating plans and its impact on delivery system improvement. The more the exchange aligns its purchasing practices with private and public purchasers by (1) setting high standards for plan and provider quality and accountability (2) improving transparency of pricing and quality data and (3) offering tools to help consumers make the right plan and provider choices, the more it can help realize an affordable, high quality delivery system. We encourage the California HBEX to align with existing public and private purchasers to achieve the "biggest bang for the health care dollar" as it pursues initial selection of QHPs and ongoing performance improvement.

<u>Qualified Health Plan Management Principles</u>

In order to achieve a high-performing delivery system unlike the one we have today, our experience tells us the exchange must follow these principles in their approach to health plan selection and management:

- The exchange must be designed with a goal of *improving value*, meaning higher quality of health plans and care, better patient and member experience and more affordable insurance options.

- The exchange, participating plans and decision support tools should first meet the needs of exchange participants and beneficiaries.
- The best way to achieve improved value is through market-based incentives and healthy competition among health plans and their affiliated providers. This requires:
    - consumer choice, information and decision support tools and incentives
    - effective purchasing strategies
    - guidelines from the federal government and the state exchanges to ensure the market operates effectively
- The California HBEX must set high standards for the performance of QHPs and their network of providers by implementing the following:
    - a meaningful and balanced dashboard of performance measures, starting with those used in existing reporting systems, but with a roadmap to implement more consumer-focused measures
    - provider-level quality data made available to the consumer at the time of plan selection
    - transparent plan pricing and quality information paired with decision-support tools
    - effective purchasing tools used by large employers

<u>Examples of Effective Purchasing Practices that Drive Care System Improvement</u>

Our members' experience tells us that purchasers must take an active role in demanding more transparency and better quality in order to transform the current system into one where value is visible and rewarded. Below is a selection of relevant purchasing practices PBGH employers have pursued to get more value out of their purchasing dollar. We hope the exchange may be able to use these as a model.

- **Set consistent, high expectations of plans.** Leveraging tools such as the Catalyst for Payment Reform's model contract and the National Business Coalition on Health's eValue8 RFI, purchasers approach candidate plans with consistent performance expectations. Purchasers can gather information to evaluate how the plans contract with providers, how they assess eligibility, whether they participate in quality improvement efforts, among other activities that control costs, minimize waste, ensure patient safety, close gaps in care and improve health and health care.
- **Hold plans accountable for outcomes.** Purchasers can evaluate contracted plans' ability to identify and effectively manage high-risk beneficiaries. With the right systems in place, purchasers can evaluate the baseline health risk of their members and determine how effective the plans' programs (such as health coaches) are at managing members' health over time.
- **Support good plan and provider decision-making with better information.** Using tools such as the PBGH Plan Chooser, employers offer online decision support tools that help consumers compare across plan options and select the plan that best meets their needs based on expected medical care and medication use. Safeway uses tools such as Castlight

Health to allow employees to shop for costs before visiting a doctor or making other choices about health care. Other employers have encouraged plans to submit data to multi-payer claims databases that can aggregate, analyze and report on provider performance. Blue Shield of California, for example, has incorporated this data into their provider directory to guide consumers to choose high-performing providers.

- **Pursue value-based insurance designs and shared decision-making.** Purchasers can encourage members to enroll in high-value plans, determined by member satisfaction, good clinical outcomes, affordability and high levels of consumer and provider engagement. CalPERS, for example, participates in a value-based purchasing design program in partnership with Anthem Blue Cross, which sets a payment threshold or "reference price" for elective procedures. A member can choose a provider that offers services within an appropriate cost range.
- **Catalyze health care delivery innovations.** Boeing participates in an "ambulatory intensive care unit" or AICU, which delivers intensive primary care support and care coordination targeted to high risk, high cost patients. Results show patients incur 15-20 percent less total health care spending per year than patients treated by regional peers, without evidence of reduced quality. Others participate in Accountable Care Organizations, or provider networks that accept responsibility for the total cost and quality of care delivered to a specific group of patients. ACOs seek to save dollars through reducing avoidable hospital days and ER visits, discharge planning and reduced readmissions and complex case management.

Initial Recommendations

We understand there must be a balance between the standards the exchange sets for participating health plans and ensuring an adequate choice of plans for consumers. We also recognize that the exchange, like other purchasers, cannot afford to miss the opportunity to demand and reap higher value out of our care system. We provide two sets of initial recommended criteria below, the first should apply to all QHPs and the second should indicate a "high value" QHP.

The exchange should set the following basic requirements for all QHPs:

- **Accreditation**. This includes access to care, utilization management, quality assurance, provider credentialing, complaints and appeals, network adequacy and access, patient information programs and evaluation on clinical and patient experience measures.
- **Performance reporting**. Leverage measures of clinical quality, patient experience, and cost/resource use to help consumers make the right choices. Quality measures should cover: outcomes, processes linked to outcomes, patient safety/HACs, care coordination, functional status and volume.
- **Description of quality improvement initiatives and outcomes.** Plans should outline participation in quality improvement and delivery reform activities and the results of these efforts.
- **Justification for premium increases.**

The exchange should apply the following criteria to evaluate QHPs for participation or "value placement" in the exchange:

- Accreditation rating of "Excellent"
- Use of consumer incentives, such as a value-based insurance design, reference pricing and tiered networks
- Use of provider incentives, such as bundled payments, global budgets and tiered networks
- Evidence of quality improvement initiatives and outcomes
- Evidence of delivery system innovation, e.g., Accountable Care Organizations, Patient-Centered Medical Homes
- Appropriateness of premium increases

To support these requirements, the exchange must act as a "prudent purchaser":

Table 1: Qualities of the Exchange as a Prudent Purchaser

Prudent Purchaser Attribute	Elements
Measure and evaluate performance and use incentives for high value QHPs and affiliated providers	• Adopt systems for performance measurement at the health plan and provider levels • Implement a system and criteria for evaluation and rating of QHPs, e.g., eValue8 • Provide incentives for high performing QHPs, e.g., "value placement"
Improve transparency of information for consumers, support good decision-making and pair with incentives	• Supply meaningful and useful information for consumers on QHP and provider performance including: o composite or summary measures (e.g., "stars") o detailed information on patient and member experience, clinical quality and costs • Include decision support tools, including: o cost calculator – premium, tax credits and out-of-pocket costs for different levels of expected utilization o ability to choose provider first, then the health plan • Provide access to tools and support via the web, phone, print, brokers, navigators • Offer incentives for consumers to choose high value QHPs and providers, e.g., value-based insurance design
Align with other purchasers (Medicare, Medicaid and private purchasers)	• Use standard performance measures for QHPs and affiliated providers • Use standard evaluation criteria for QHPs • Provide incentives to consumers and providers for making good choices and improving quality

Hold the exchange and QHPs accountable for outcomes and use feedback for continued improvement	• Report to HHS, the state, and the public on: o clinical quality and quality improvement o the consumer experience (as patients, members and exchange participants), including use and satisfaction with information and decision support tools available through the exchange o trends in premiums and consumer cost-sharing

We look forward to working with the Board and other exchange stakeholders further to shape this critical effort.

Sincerely,

David Lansky
President & Chief Executive Officer