

The Employer Response to Today's Health Care Crisis – Next Generation Purchasing Strategies

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About The Pacific Business Group on Health (PBGH)

- 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.



Pacific Business Group on Health Members



Today's Agenda

- Purchasers' questions and concerns, post health reform
- Four purchaser strategies to come out ahead, with some examples from leading purchasers
- A value-based public policy agenda, and our work ahead



Purchaser concerns

- 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



Re-evaluation:

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



Dynamic Environment

www.mercer.com

Few employers planning to drop health plans after reform is in place, survey finds

United States

New York , 9 November 2010

While employers (starting in 2014)

In a survey released by Mercer, the business of professional services for individuals to

The survey results were announced late

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Health Rules Are Waived More Often

By REED ABELSON

As Obama administration officials put into place some of the new rules that go into effect under the federal health care law, they are issuing more waivers to try to prevent some insurers and employers from dropping coverage and also promising to modify other rules because many of the existing policies would not meet new standards.

Last month, federal officials granted dozens of one-year waivers that were aimed at sparing certain employers, including McDonald's, insurers and unions who offer plans that sharply limit the coverage they provide. These limited-benefit plans, also known as "minimeds," fail to



Four Strategies

- Expand performance information systems to specialty care and to sickest patients
- Adopt provider payment methods that align incentives and reinforce accountability
- Modify benefits and incentives to motivate consumer behavior changes
- Aggregate and standardize data for physician, site & care system accountability



1. Expand performance information systems to specialty care and to sickest patients



Outcomes Improvement Dashboard



Consumer incentives: tiering, reference



Provider payment P4R, P4P, Bundling



Consumer education: shared decision-



Registry: Provider feedback, public



Outcomes data collection and



Professional standards & guidelines: appropriate

PBGH uses of the Outcomes Improvement Dashboard

	<i>Consumer incentives: tiering, reference pricing, device formulary</i>	<i>Provider payment P4R, P4P, Bundling</i>	<i>Consumer education: shared decision-making</i>	<i>Registry : Provider feedback, public recognition</i>	<i>Patient reported outcomes data collection</i>	<i>Professional standards & guidelines: appropriate use criteria</i>
Orthopedics	Yes/PERS	Pending	No	Yes	Yes	Pending
Cardiology	Yes	Partial	Yes	Yes	Pending	Yes
Maternity	No	No	No	Yes	No	Pending
AICU	Pending	Yes	Yes	No	No	No

The Boeing approach

- AICU: Personalized care for complex patients



**HEALTH
AFFAIRS**
*The Policy Journal
of the Health Sphere*

“Patients incur 15–20 percent less total health care spending per year than patients treated by regional peers, without evidence of reduced quality...”



2. Adopt provider payment methods that align incentives and reinforce accountability





CATALYST FOR PAYMENT REFORM

CONTACT: Suzanne Delbanco
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Leading employers launch bold payment reform initiative, Catalyst for Payment Reform *Suzanne Delbanco Ph.D. named executive director*

SAN FRANCISCO – October 21, 2010 – Today, seven large employers, including six Fortune 500 companies and one state, officially launched Catalyst for Payment Reform (CPR). CPR is an unprecedented effort to help the largest employers work together to accelerate reforms to how we pay for health care in the U.S.

The employers, including The Boeing Company, Delta Air Lines, Equity Healthcare, GE, the Group Insurance Commission of the Commonwealth of Massachusetts, Intel Corporation, and Wal-Mart Stores, Inc., have agreed to advocate for health care payment approaches that reduce costs and waste while spurring higher quality and to work to put such payments in place with the health insurance plans with which they contract.

In particular, these employers will be using sourcing and contracting tools that lay out a road map for changing the way we pay for health care in the U.S. CPR will provide them with tools to assess the attributes of specific markets to determine how various reforms to payment can be most effective in those locations, and will track the nation's progress on payment reform.

CPR: Supporting Coordinated Purchaser Action

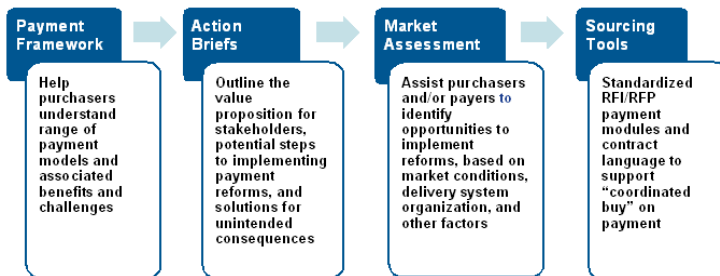
Purchaser Toolkit

- Principles & Framework
- Market Assessment
- Action Briefs
- Sourcing Tools



Payment Reform Purchaser Toolkit

This strategic framework will support purchasers and other stakeholders to take calculated and coordinated supply-side actions to reform payment



Plus...A High-Level Scorecard To Monitor Progress

Plus . . .

- National Scorecard on Payment
 - ✓ Measure progress and impact
- Focused Advocacy
 - ✓ Inform policy
 - ✓ Public-private alignment

3. Modify benefits and incentives to
motivate consumer
behavior changes



The CalPERS approach

- Value Based Purchasing Design, in partnership with Anthem Blue Cross.
- a payment threshold for elective procedures; member can choose a provider that offers services within an appropriate cost range.



Applying the concept to hip/knee replacements

- Price varies from \$15,000 to \$110,000 (commercial PPO population)
- Anthem Blue Cross and CalPERS have established a threshold of \$30,000 – reference price – for a standard inpatient hip/knee replacement procedure.



Cost to the member



	Designated Prudent Buyer hospital	In-network Prudent Buyer hospital	Out-of-network hospital
Hospital billed	\$60,000	\$60,000	\$60,000
Negotiated rate/C&R	\$30,000	\$40,000	\$50,000
Provider write-off	\$30,000	\$20,000	\$0
Member coinsurance/ annual OOP	\$3,000	\$3,000	\$20,000
Paid	\$27,000	\$27,000	\$30,000
Member obligation	\$3,000	\$13,000	\$30,000



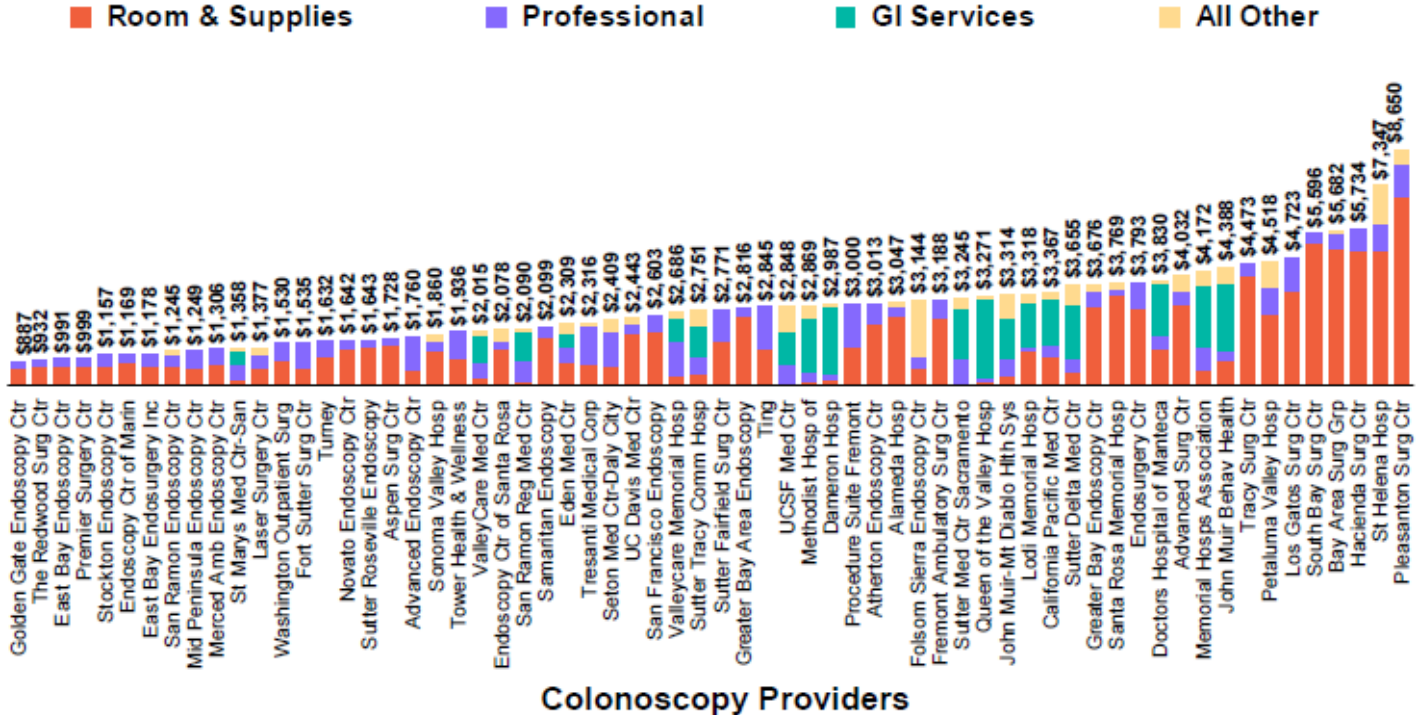
The Safeway approach

Wellness meets consumer directed
health care



Colonoscopy

Cost Per Procedure (\$) – Greater SF Bay Area MSA



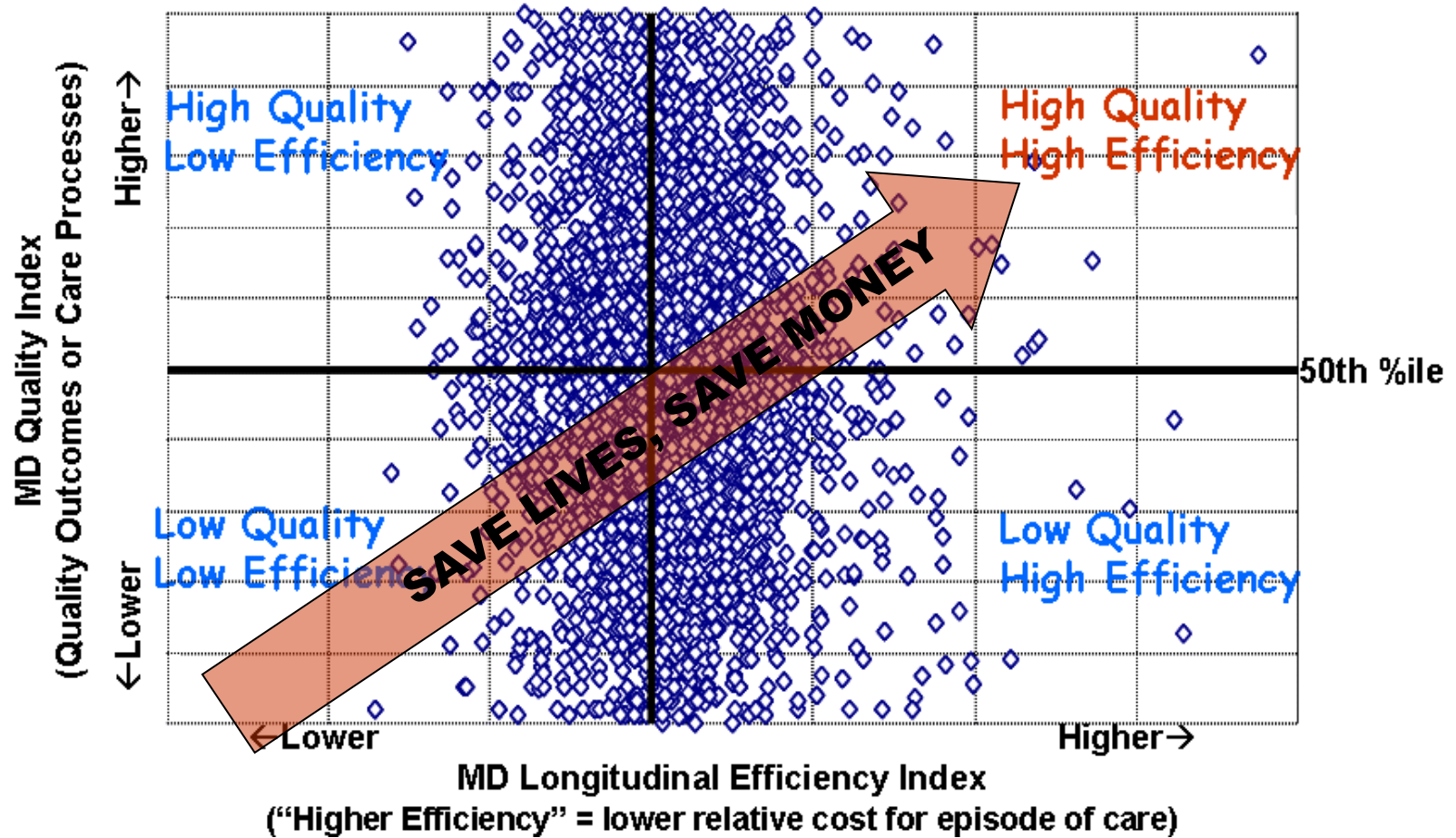
SAFEMAY

4. Aggregate and standardize data
for physician, site & care system
accountability



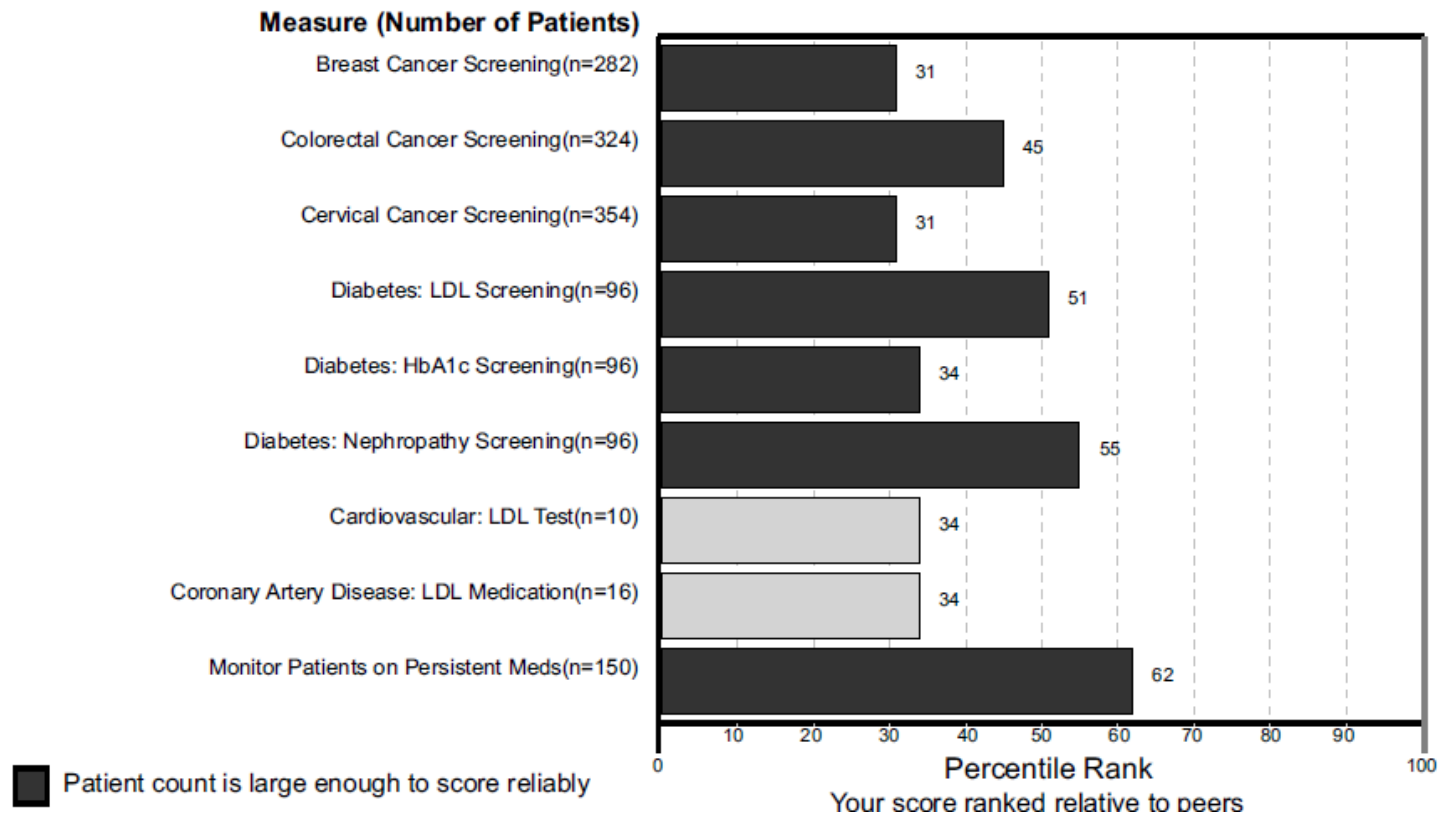
Real Savings from Physicians who are High Quality and Efficient: 5% to 16%

Actual Distribution of Physicians by Quality and Efficiency



California Physician Performance Initiative

Your Percentile Rank Compared To California Physician Peers 2008



Blue Shield's Physician Blue Ribbon Program

Home > Find a Provider > Find a Doctor > Results > Jackie Smith, MD Profile

Jackie Smith, MD Profile

[Return To Search Results](#)

Contact Information

Sequoia Physicians Network 2900 Whipple Ave Ste 205 Redwood City, CA 94062 (650) 363-5262	Quality recognition 39 years in practice Educated at University Of Pennsylvania School of Medicine, 1969 English spoken Female Reachable by e-mail
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[View Map](#)


Blue Shield Plans Accepted

Your plan: Active Choice Provider Number 00A240950 Affiliated with Sequoia Hospital District and Stanford Medical Center Accepting new patients Specializing in Internal Medicine Board certified in Internal Medicine (exp. Dec 31, 2010)	View other accepted Blue Shield plans
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Recognition for Jackie Smith, MD

[Performance Profile](#)

- [Adult Care](#)
- [Preventive Health and Cancer Screenings](#)
- Women's Health
 -  **Breast Cancer Screening**
Women 52-69 years old received a mammogram in the past two years.
[Details](#)
 -  **Cervical Cancer Screening**
Women 24-64 years old received a Pap smear in the past three years.
[Details](#)

 This doctor performed better than other California doctors in this measure.



Support a public policy agenda that promotes Value

- Health Information Technology
 - Quality measurement infrastructure
 - Health information exchange
 - Meaningful use: efficiency, patient engagement, care coordination
- Quality measurement
 - NQF standards
 - Meaningful use
 - Physician compare and similar reporting platforms
- Payment reform
 - CMS payment changes: value-based payment modifier, etc
 - Innovation center: medical home, ACO, episode payments
- Other key value-promoting policies
 - Anti-trust and safe harbors
 - Insurance exchanges
 - Comparative effectiveness research



PBGH's Work Ahead

- 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

