The Next Generation of Health Care:
Payment Reform

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Governor’s Office of Health Transformation
Ohio Association of Health Plans
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Federal Health Care Reform

“Affordable Care Act”

“We are answering the call of history”
– President Barack Obama

“National health reform will save Maryland $1 billion over 10 years.”
– Governor Martin O’Malley

41 percent of Americans favor the new reform law
– Kaiser Family Foundation

“Obamacare”

It’s “Armageddon”

“Federal reform will increase Virginia Medicaid spending $1 billion over 12 years”
– Governor Bob McDonnell

43 percent of Americans do not favor the new reform law
– Kaiser Family Foundation

Sources: The White House, FOX News, Washington Post (March 21, 2010); and Kaiser Family foundation Health Tracking Poll (conducted December 2011)
Ohioans spend more per person on health care than residents in all but 17 states\(^1\)

Rising health care costs are eroding paychecks and profitability

Higher spending is not resulting in higher quality or better outcomes for Ohio citizens

36 states have a healthier workforce than Ohio\(^2\)

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Medical Hot Spot: Emergency Department Utilization: Ohio vs. US

*Hospital Emergency Room Visits per 1,000 Population*

Source: Providers and Service Use, Emergency Department Use, at [www.statehealthfacts.org](http://www.statehealthfacts.org)
**Medicaid Hot Spot:**
Hospital Admissions for People with Severe Mental Illness

Avoidable hospitalizations per 1000 persons for ambulatory care sensitive conditions (avoidable with proper treatment)

- **Diabetes:**
  - Non-SMI: 3.53
  - SMI: 7.01

- **COPD:**
  - Non-SMI: 3.69
  - SMI: 6.75

- **Congestive Heart Failure:**
  - Non-SMI: 3.24
  - SMI: 4.18

- **Asthma:**
  - Non-SMI: 2.33
  - SMI: 4.86

Source: Ohio Colleges of Medicine Government Resource Center and Health Management Associates, Ohio Medicaid Claims Analysis (February 2011)

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**Medical Hot Spot:**
Per Capita Health Spending: Ohio vs. US

<table>
<thead>
<tr>
<th>Measurement</th>
<th>US</th>
<th>Ohio</th>
<th>Percentage Difference</th>
<th>Affordability Rank (Out of 50 States)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Health Spending</td>
<td>$6,815</td>
<td>$7,076</td>
<td>+3.8%</td>
<td>33</td>
</tr>
<tr>
<td>Hospital Care</td>
<td>$2,475</td>
<td>$2,881</td>
<td>+16.4%</td>
<td>36</td>
</tr>
<tr>
<td>Physician/Clinical</td>
<td>$1,650</td>
<td>$1,456</td>
<td>-11.8%</td>
<td>12</td>
</tr>
<tr>
<td>Nursing Home Care</td>
<td>$447</td>
<td>$610</td>
<td>-36.5%</td>
<td>43</td>
</tr>
<tr>
<td>Home Health Care</td>
<td>$223</td>
<td>$223</td>
<td>--</td>
<td>38</td>
</tr>
</tbody>
</table>

Medical Hot Spot:
A few high-cost cases account for most health spending

Most people (50%) have few or no health care expenses and consume only 3% of total health spending.

5% of the US population consumes 50% of total health spending.

Source: Kaiser Family Foundation calculations using data from AHRQ Medical Expenditure Panel Survey (MEPS), 2007

Health Care System Choices

Fragmentation vs. Coordination

- Multiple separate providers vs. Accountable medical home
- Provider-centered care vs. Patient-centered care
- Reimbursement rewards volume vs. Reimbursement rewards value
- Lack of comparison data vs. Price and quality transparency
- Outdated information technology vs. Electronic information exchange
- No accountability vs. Performance measures
- Institutional bias vs. Continuum of care
- Separate government systems vs. Medicare/Medicaid/Exchanges
- Complicated categorical eligibility vs. Streamlined income eligibility
- Rapid cost growth vs. Sustainable growth over time

Source: Adapted from Melanie Bella, State Innovative Programs for Dual Eligibles, NASMD (November 2009)
Office of Health Transformation Priorities

<table>
<thead>
<tr>
<th>OHT Priority</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
</table>
| Modernize Medicaid           | Plan Medicaid Cabinet | Build SFY 12/13 Budget | Run Program Reforms | - Integrate Medicare-Medicaid benefits  
- Streamline home and community services  
- Rebalance long-term care spending  
- Improve Medicaid health plan performance  
- Create health homes for serious mental illness  
- Restructure behavioral health system financing  
- Provide accountable care for children  
- Pay for performance in Medicaid |
| Streamline Health and Human Services | Plan HHS Cabinet | Build Mid-Biennial Review | Run Operational Reforms | - Simplify eligibility systems  
- Share data across systems  
- Integrate claims payment  
- Accelerate electronic HIE  
- Recommend a permanent HHS organizational structure |
| Improve Overall Health System Performance | Plan Public-Private Task Force | Build SFY 14/15 Budget | Run Payment Reforms | - Standardize performance measurement  
- Publicly report performance  
- Encourage patient-centered medical homes  
- Comprehensive Primary Care Initiative  
- Reform the health care delivery payment system |

Eligibility Modernization: New Federal Income Eligibility Levels in 2014

Private Insurance

Fed. Poverty Level (FPL)

- Medicaid
- Health Benefit Exchange Subsidies?
- 400%  $89,400 (family of 4)
- 138%  $30,843 (family of 4)

Federal Poverty Level (FPL):

- 0% - 138%
- 100% - 400%
- 500% +

- Children 0-18 without coverage
- Children 0-18 with coverage
- Former Foster Kids 18-26
- Pregnant Women
- Breast & Cervical Cancer Program
- Parents
- Childless Adults
- Disabled Workers
- Other Aged, Blind and Disabled
How can the State of Ohio leverage its purchasing power to improve overall health system performance?

### State of Ohio Health Care Purchasing Power

<table>
<thead>
<tr>
<th>Department</th>
<th>Enrollment</th>
<th>Insurance Contracts (in millions)</th>
<th>Provider Contracts (in millions)</th>
<th>TOTAL (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>2,100,000$^{1}$</td>
<td>$5,112$^{2}</td>
<td>$8,852$^{3}</td>
<td>$13,964$</td>
</tr>
<tr>
<td>Public Employee Retirement System</td>
<td>221,000</td>
<td>$1,560$^{4}</td>
<td>--</td>
<td>$1,560$</td>
</tr>
<tr>
<td>Administrative Services</td>
<td>118,000$^{5}$</td>
<td>$522$^{6}</td>
<td>--</td>
<td>$522</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>213,574$^{4}$</td>
<td>--</td>
<td>$779$^{7}</td>
<td>$779</td>
</tr>
<tr>
<td>Rehabilitation and Corrections</td>
<td>50,250$^{5}$</td>
<td>--</td>
<td>$211$^{7}</td>
<td>$211</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,702,824</strong></td>
<td><strong>$7,194</strong></td>
<td><strong>$9,842</strong></td>
<td><strong>$17,036</strong></td>
</tr>
</tbody>
</table>

Notes: (1) average monthly enrollment FY 2011, (2) private managed care plans, (3) includes Medicare premium assistance and Part D (an additional $2.8 billion in Medicare spending for Medicare/Medicaid dual eligibles could potentially be managed by the State of Ohio), (4) CY 2010, (5) current population as of October 2011, (6) self insured and contract with third party administrators, FY 2010, (7) FY 2011

Source: Office of Health Transformation survey of agencies (October 2011)
Catalyst for Payment Reform (CPR)

- Shared purchaser agenda on payment reform
- 3M, Boeing, CalPERS, Delta, Dow, eBay, Equity, FedEx, GE, Intel, Marriott, Safeway, Verizon, Wal-Mart, Xerox
- Ohio was the first Medicaid program to join, also PERS
- Writing CPR model contract language into January 2013 health plan contracts

*Overall goal: 20 percent of payment value-oriented by 2020 leading to improved health and contained costs*

Six Health Plans Cover Most Ohioans

- WellPoint
- UnitedHealthcare
- Aetna
- Cigna
- Medical Mutual
- CareSource

Source: Milliman Inc. prepared for the Ohio Department of Insurance (August 31, 2011) and Ohio Medicaid managed care enrollment reports (October 2011)
### Ohio’s Top Employers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Estimated Ohio Employment</th>
<th>Headquarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart</td>
<td>52,275</td>
<td>Bentonville, AR</td>
</tr>
<tr>
<td>2</td>
<td>Cleveland Clinic</td>
<td>39,400</td>
<td>Cleveland, OH</td>
</tr>
<tr>
<td>3</td>
<td>Kroger</td>
<td>39,000</td>
<td>Cincinnati, OH</td>
</tr>
<tr>
<td>4</td>
<td>Catholic Health Partners</td>
<td>30,300</td>
<td>Cincinnati, OH</td>
</tr>
<tr>
<td>5</td>
<td>Ohio State University</td>
<td>28,300</td>
<td>Columbus, OH</td>
</tr>
<tr>
<td>6</td>
<td>Wright-Patterson</td>
<td>26,300</td>
<td>Dayton, OH</td>
</tr>
<tr>
<td>7</td>
<td>University Hospitals</td>
<td>21,000</td>
<td>Cleveland, OH</td>
</tr>
<tr>
<td>8</td>
<td>JP Morgan Chase</td>
<td>19,500</td>
<td>New York, NY</td>
</tr>
<tr>
<td>9</td>
<td>Giant Eagle</td>
<td>17,000</td>
<td>Pittsburgh, PA</td>
</tr>
<tr>
<td>10</td>
<td>OhioHealth</td>
<td>15,800</td>
<td>Columbus, OH</td>
</tr>
<tr>
<td>11</td>
<td>Meijer</td>
<td>14,400</td>
<td>Grand Rapids, MI</td>
</tr>
<tr>
<td>12</td>
<td>Premier Health Partners</td>
<td>14,070</td>
<td>Dayton, OH</td>
</tr>
</tbody>
</table>

What will deliver better health for Ohioans and cost savings for Ohio businesses?

- Patient-Centered Medical Homes?
- Health Homes?
- Accountable Care Organizations?
- Managed Care Organizations?
- P4P or Bundled Payments or Global Payments?
- Market Competition?
- Other innovations?