



CATALYST  
FOR  
PAYMENT  
REFORM

# Catalyzing Payment Innovation Through Purchaser Leverage

November 2, 2011



# Today

- How employers think about payment . . . key considerations for reform
- Where the large employer focus is today and how this aligns with Medicaid and State Employee programs
- Tools that could be leveraged by Medicaid and State Employees
- Opportunities for Ohio to gain momentum by aligning with other purchasers (public and private)



# Big Picture

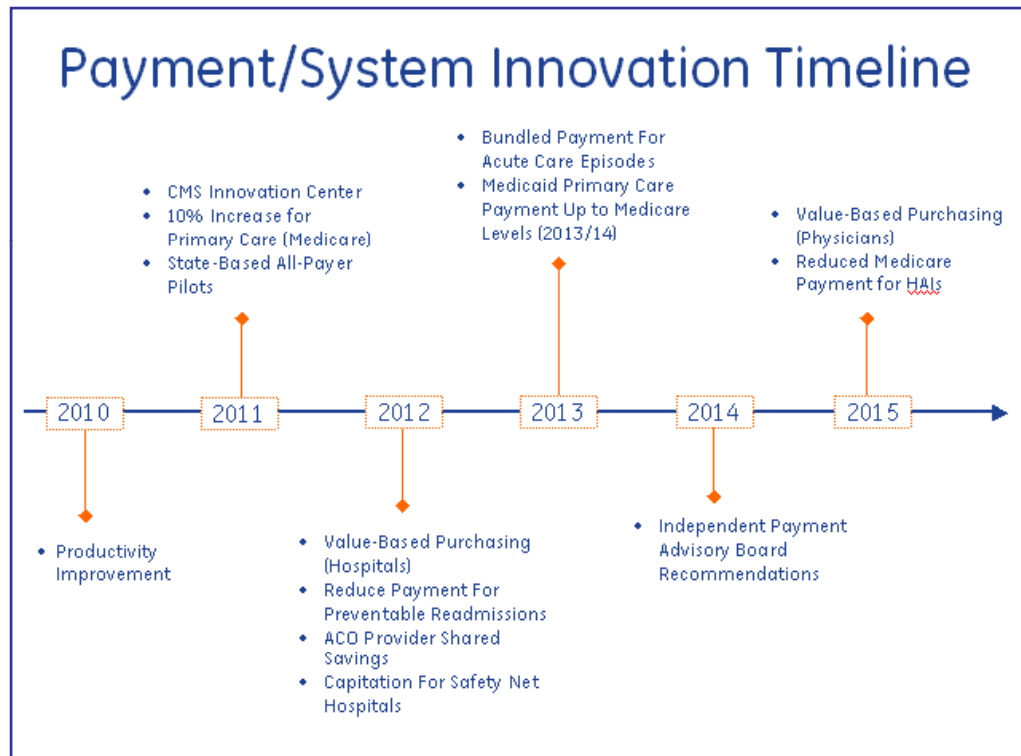
*Transforming payment has momentum . . .*

- Health Reform Included Several “Game Changers” - Some Will Take Time And They Will Be Disruptive
- Focus On Specific Models – But Is There Some ‘Irrational Exuberance’ At Work?
- We Still Know Very Little About What Works
- Our Current System Will Be Around For A While - And We Shouldn’t Ignore It



# Timeline and Focus

## Federal Payers



## Private Purchasers/Payers

- Top 3 Priorities: Cost, Cost & Cost
- Medicare Momentum – Get In Game Or Accept What’s Next
- Doing Nothing = Cost Shift

## Medicaid

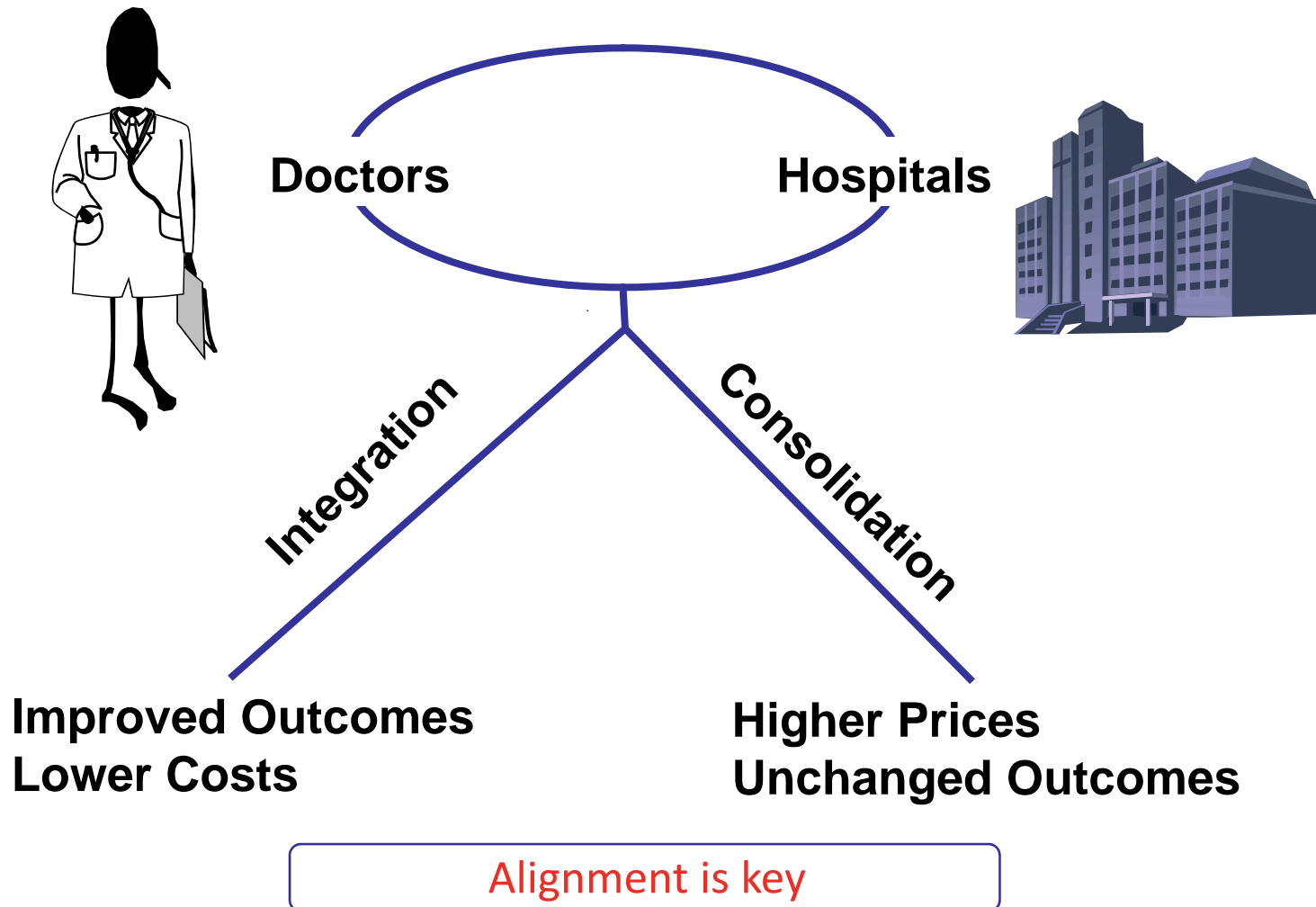
- Alignment Can Increase Leverage
- Many Medicaid-specific Issues . . . But Cross Sector Opportunities Too

Details matter



**C**ATALYST  
**F**OR  
**P**AYMENT  
**R**EFORM

# ACOs - Great Hopes, But Worries Too





# CPR's Approach

## Who We Are

A national independent organization led by large employers, with the active involvement of providers, health plans, consumers and labor groups working to improve health care quality and reduce costs by identifying and coordinating workable solutions to improve how we pay for health care in the U.S.

- 3M
- The Boeing Company
- CalPERS
- Carlson
- Delta Air Lines
- Dow
- eBay
- Equity Healthcare
- GE
- Group Insurance Commission, State of Massachusetts
- Intel
- Safeway
- US Foods
- Verizon
- Wal-Mart
- Xerox

## Shared Agenda

### **Demand payments be designed to cut waste or reflective of performance**

- Track progress with National Scorecard
- 20% by 2020

### **Leverage purchasers and create alignment**

- Model health plan RFI questions and contracts and dialogue with plans
- Alignment with CMS, e.g. HHS Partnership for Patients

### **Implement Innovations**

- Price transparency
- Reference or value pricing
- Maternity care payment



CATALYST  
FOR  
PAYMENT  
REFORM

# CPR's Philosophy

## *A Purchaser's Path Forward . . .*

- Develop Strategic Framework and Align the “Ask”
- Anticipate Prolonged Use of Current System
- Bake-in Improvements
- Extensively Evaluate New Models
- Assume No One Size Fits All



CATALYST  
FOR  
PAYMENT  
REFORM

# Focus On Critical Mass & Environment Conducive to Reform



CATALYST  
FOR  
PAYMENT  
REFORM

## Coordinated Purchaser Action

### Leverage Purchaser Power

- Shared vision - payment reform framework & principles
- Aligned employer agenda - short term wins, longer-term bold approaches
- Clear signals to plans – RFIs and contracts
- Toolkit for local action – Market Assessment, Action Briefs, etc.

### Amplify & Align Market Signals

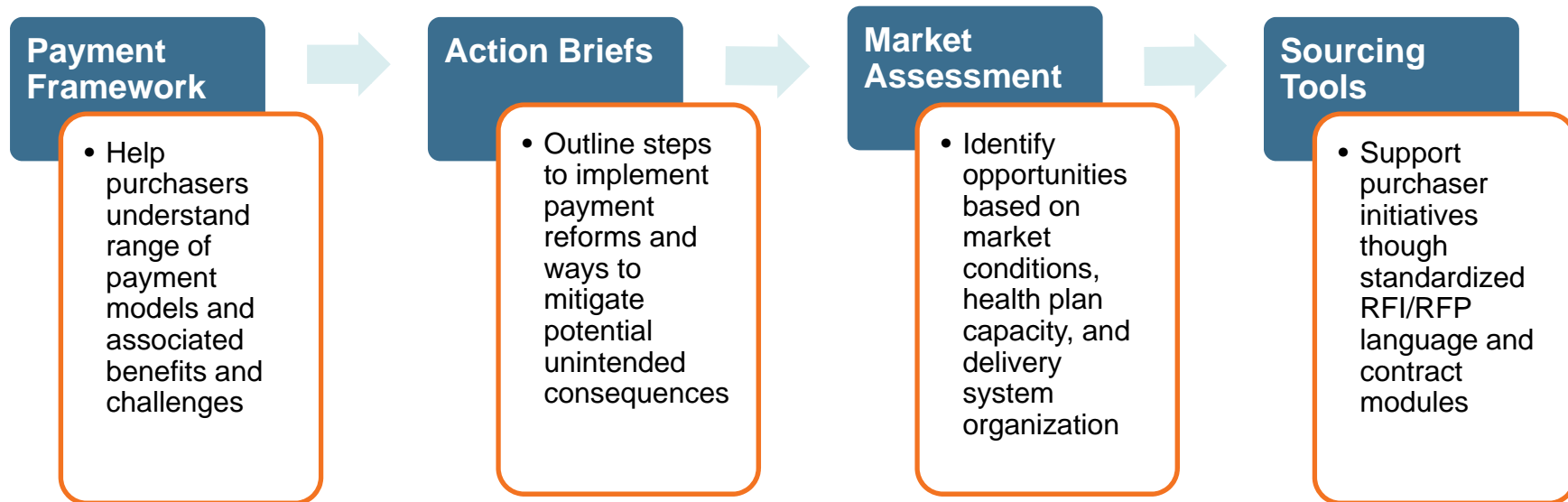
- Direct dialogue with HHS for alignment and influence
- National Scorecard on Payment
- Compendium of Payment Reform Efforts – what works?
- Analyze and raise visibility of provider market power and cost shifting issues





# Critical Mass Starts With Active Purchasers

CPR Toolkit developed to create shared understanding of opportunities and to encourage actions that leverage payment to improve value.



**Plus, a National Scorecard to monitor the nation's progress**



CATALYST  
FOR  
PAYMENT  
REFORM

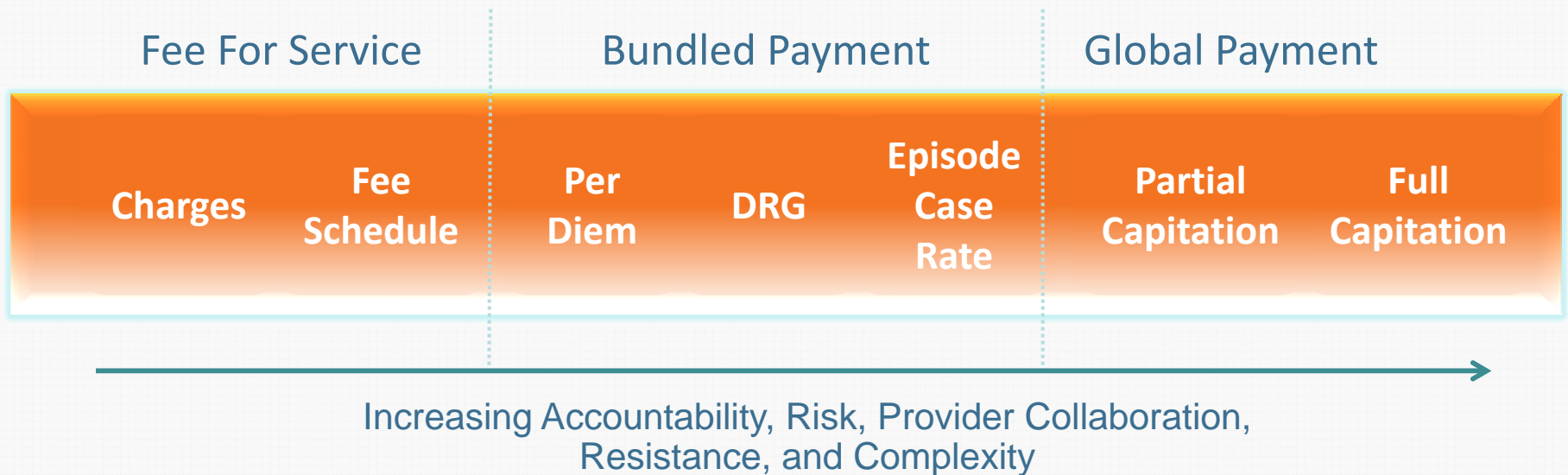
# Shared Principles Start With Aligned Perspectives

1. Reward delivery of high-quality, cost-effective and affordable care
2. Reward patient-centered care that coordinates services across health care providers and settings and reduces disparities
3. Encourage alignment between public and private sectors to promote improvement and minimize impact of payment decisions in one sector on the other
4. Balance perspectives of consumers, purchasers, payers and health care providers and be guided by what serves the patient and society
5. Reduce expenditures on administrative processes
6. Balance the need for urgency against realistic goals and timelines



# Shared Understanding Begins with Payment Framework

## BASE PAYMENT MODELS



PERFORMANCE-BASED PAYMENT OR PAYMENT DESIGNED TO CUT WASTE  
(financial upside & downside depends on quality, efficiency, cost, etc.)



# Moving Understanding to Action: Action Briefs

Action Briefs detail design options and steps purchasers can take for more positive reforms

- Fee-For-Service
- Bundled payment
- Global payment
- Accountable Care Organizations
- Medical Homes
- Market competition

**Action Brief**

**Implementing Accountable Care Organizations**

**WHAT IS AN ACCOUNTABLE CARE ORGANIZATION?**

An accountable care organization, or "ACO," is a local provider entity that is responsible for all of the health care and related expenditures for a defined population of patients. The provider entity can take many different forms. The concept was conceived relatively recently, but builds upon past experience with health plans contracting with medical groups on a capitated basis.

The law created a model when the 2010 Patient Protection and Affordable Care Act (PPACA) included a new Medicare ACO program beginning in 2012. This prompted focused activity among many providers to position themselves to become ACOs, even before the rules of the Medicare ACO program were defined.

**WHAT PROBLEMS DOES AN ACO TRY TO SOLVE?**

The ACO seeks to address the high costs, suboptimal quality and patient frustration that result from the currently fragmented health care system. Much of the current fragmentation is cost delivery and the lack of clinical or financial accountability results from the predominant fee-for-service payment system. While fee-for-service payment promotes access to services and protects to some degree against underpayment, it has significant weaknesses, too, that make it a poor target for reform. ACOs seek to solve the problems of fee-for-service payment by organizing doctors, hospitals and other providers to assume responsibility for a population of patients, with reimbursement typically under either a shared savings arrangement or by global payment.

Shared savings and global payment, as discussed on page 3 and 6, reduce (shared savings) or remove (global payment) the economic incentive for providers to deliver more services or more expensive services.

**FEF-FOR-SERVICE ...**

- is inherently inflexible; it creates a strong financial incentive to deliver more care.
- creates a financial incentive to deliver more costly care, even if the services are of no or marginal benefit to the patient.
- does not create incentives for, or reward, superior care delivery or outcomes, nor does it limit or reward efficient resource use or care coordination across providers or settings.
- has produced shortages of certain services, including primary care, by offering much greater financial rewards for interventions (specialty services (e.g., surgery, imaging, testing) than for non-interventional, primarily regenerative services.

Implementing Accountable Care Organizations | 5



# Informed Action: Market Assessment Tool

Structured process to assess interplay of local dynamics to inform selection of payment reforms and strategy for implementation

- Assists stakeholders to create comprehensive inventory of characteristics that may impact reforms
- Piloting in 3 markets, including Columbus . . . available for public use March 2012

## Key Considerations

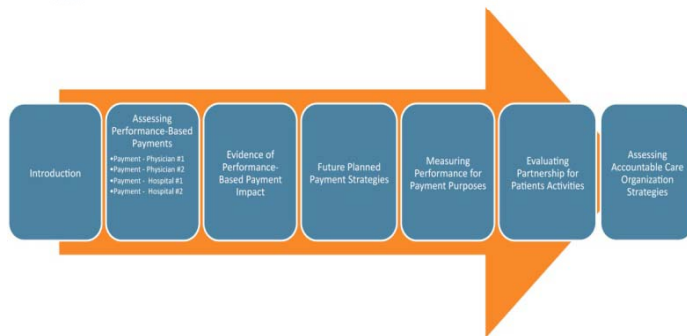
- Purchaser Activation
- Provider Interest, Organization and Payment
- Market Competition
- Payer Readiness
- Regulatory, Legal Landscape



# Shared “Ask:” Health Plan Sourcing Tools

## RFI Questions

- % payment is tied to value
- Payment innovations being used
- Evidence of impact
- Partnership for Patients
- ACO Oversight
- Special initiatives
  - Price transparency
  - Reference and value pricing
  - Maternity care payment



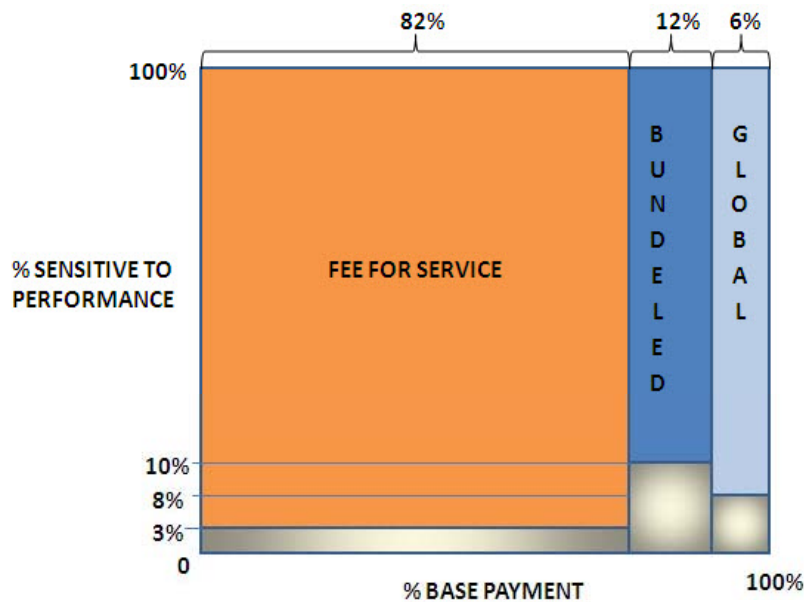
## Contract Language

- Employers can set expectations and requirements
- Model language includes:
  - Targets: 20% by 2020 - payment tied to value (e.g., performance, waste ↓, etc.)
  - Medicare Alignment: Partnership for Patients
  - Delivery System: ACO oversight
  - Private-Sector Innovation: short-term value initiatives



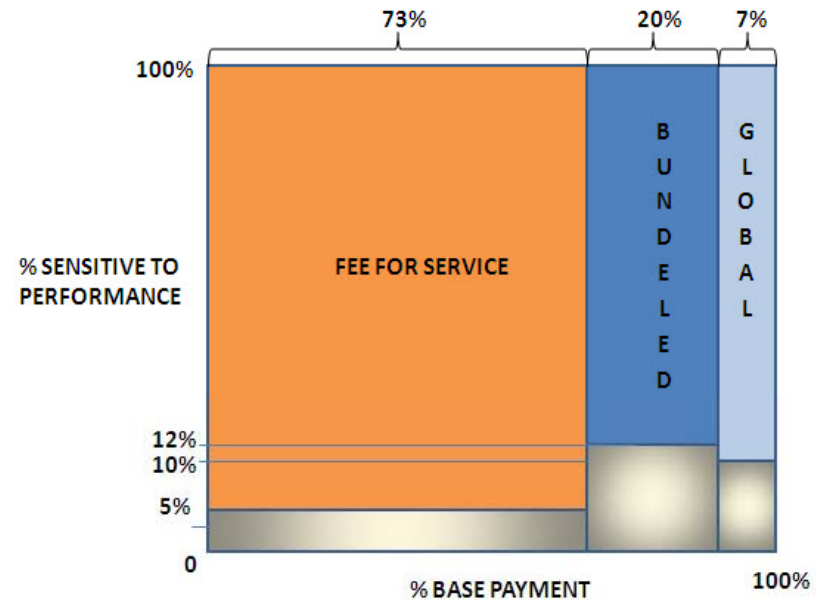
# Shining A Light: Just Imagine . . .

**2013**



*4% of all types of base payment is sensitive to performance*

**2015**



*6.75% of all types of base payment is sensitive to performance*

*Creating a market conducive to reform means measuring progress against 'status quo'*



## Potential Actions: What Medicaid Can Do Today

Medicaid can enhance leverage through alignment and can take action to be an even more active purchaser using CPR tools

- Set clear health plan expectations using CPR RFI and model contract language aligned to Ohio market and Medicaid
- Consider Partnership for Patients initiatives aligned to Ohio market and Medicaid
- Ensure competitive markets in Ohio through expectations on ACO oversight and other market monitoring strategies
- Explore reforms to primary care payment (including PCMH and other mechanisms)
- Create momentum through shorter-term “quick wins”





# Enhancing Leverage . . . Alignment With CPR Purchasers

- Quick Win #1: Maternity payment (Medicaid, State Employees)
  - Practices straying from the evidence
  - Payments (doctors and hospitals) encourage unnecessary medical intervention – both costly and harmful
  - Quick Win: Multi-pronged strategy including payment aligned to evidence, benefit design and education to encourage appropriate use, hospital policy to reduce inappropriate care
  
- Quick Win #2: From reference to value pricing (State Employees)
  - Significant and unwarranted quality and price variation for services
  - Package pricing aligned to market value . . . signal to providers that unwarranted variation unacceptable (basic and complex procedures)
  - Educate and engage consumers as active shoppers



# Enhancing Leverage . . . Creating A Market Conducive To Reform

## Market Strategy: Ensure Price Transparency

- Price transparency key to longer term reform of payment system
- Price of health care services is a public good . . . Insurers should compete on better consumer engagement tools and products, not on information
- Improve transparency using multiple strategies
  1. Clear Signals: RFI and contract language
  2. Purchaser Engagement: Health Plan-purchaser discussions to obtain specific commitments from health plans
  3. Scorecard: Measure health plan progress on specified commitments



## Other Opportunities: Short & Long Term

### Short-Term (largely based on fee-for-service)

- Maternity care payment reform
- Reference pricing
- Shared savings or shared risk pilots
- Tiered or narrow networks
- Pay for asynchronous visits
- Primary Care Medical Homes
- Reduced or non-payment for undesired events (e.g., readmissions, hospital-acquired conditions)

### Long-Term

- Bundled payments
- Global payments
- Accountable care
- Enhance competition among providers
- Other innovations TBD



**C**ATALYST  
**P**AYMENT  
**R**EFORM

**Contact information:**  
**[www.catalyzepaymentreform.org](http://www.catalyzepaymentreform.org)**

**Suzanne Delbanco, Ph.D.**  
**Executive Director**  
**[sdelbanco@catalyzepaymentreform.org](mailto:sdelbanco@catalyzepaymentreform.org)**  
**510-435-2364**