# Change is Coming:
## How Employers and Other Purchasers Can Strive for Better Value

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# Agenda

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Who is CPR?

What's Driving Health Care Costs Today?

What Can We Do to Address Cost?

The State of Payment Reform

Case Studies

How DFWBGH Members Can Make a Difference

# WHO IS CPR?

# About CPR

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An independent non-profit corporation **working to catalyze employers, public purchasers and others** to implement strategies that produce higher-value health care and improve the functioning of the health care marketplace.

- 32BJ Health Fund
- 3M
- Aircraft Gear Corp.
- Aon Hewitt
- Arizona Health Care Cost Containment System (Medicaid)
- AT&T
- The Boeing Company
- CalPERS
- City and County of San Francisco
- Comcast
- Compassion International
- Covered California
- Dow Chemical Company
- Equity Healthcare
- FedEx Corporation
- GE
- General Motors Company
- Google, Inc.
- Group Insurance Commission, MA
- The Home Depot
- Mercer
- Miami University (Ohio)
- Ohio Medicaid
- Ohio PERS
- Pennsylvania Employees Benefit Trust Fund
- Pitney Bowes
- Qualcomm Incorporated
- Self Insured Schools of California
- South Carolina Health & Human Services (Medicaid)
- TennCare (Medicaid)
- US Foods
- Wal-Mart Stores, Inc.
- Wells Fargo & Company
- Willis Towers Watson

# About CPR

Catalyst for Payment Reform's work is governed by three core beliefs:

- **A small group of empowered purchasers can change the system**
- **Consistent signals to the market will catalyze change faster**
- **We need to track progress and hold the market accountable**

# CPR's Goals

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1. Effective Payment Reform: 20% of payments will flow through methods proven to improve value by 2020.

2. Innovative Health Care Purchasers: Health care purchasers will become more educated and activated on the use of benefit designs, payment methods, and other tactics that support higher-value health care.

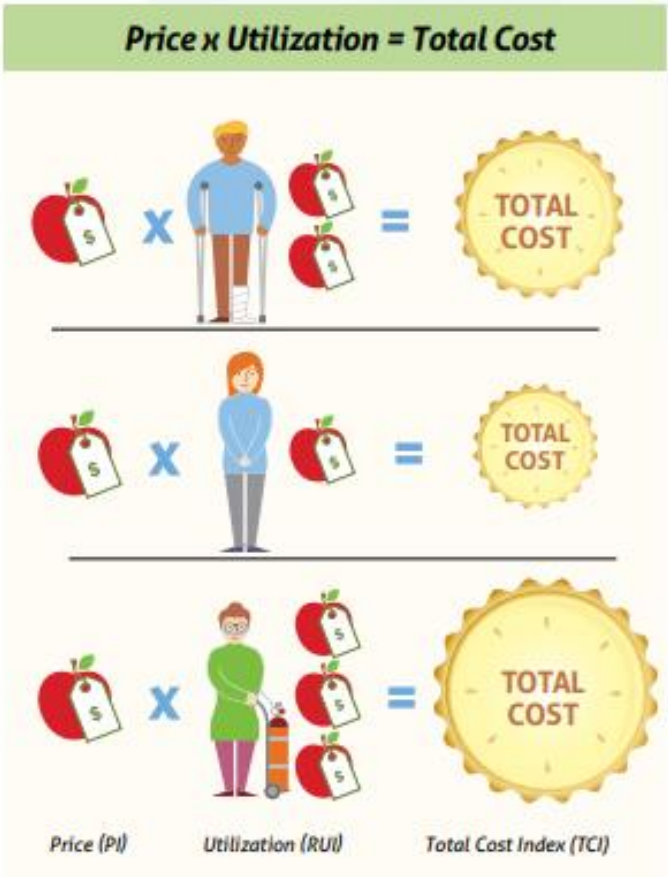
3. Better Health Care Marketplace: Through greater visibility and competition, the health care marketplace will be more responsive to the needs of those who use and pay for health care.

# WHAT'S DRIVING HEALTH CARE COSTS TODAY?

# Major Drivers

- Prices
- Intensity of care
- Utilization patterns (including use of technology)
- Population Growth
- Aging
- Disease Prevalence

Health Spending can't be sustained…
- $3.4 trillion
- $10,372 per capita
- 18.1% of GDP




*Network for Regional Health Improvement, Healthcare Affordability: Untangling Cost Drivers, 2018*

# Local Market Dynamics Matter

In every local market there is a **unique dynamic** among purchasers, payers and providers (along with laws and regulations).

# Variation = Poor Value and Reliability

How well patients are treated and how they fare is dictated, in part, on who provides the care.

- Uneven adherence to care guidelines
- Disparities in outcomes among providers

We pay wildly different amounts for the same services – regardless of the quality of care.

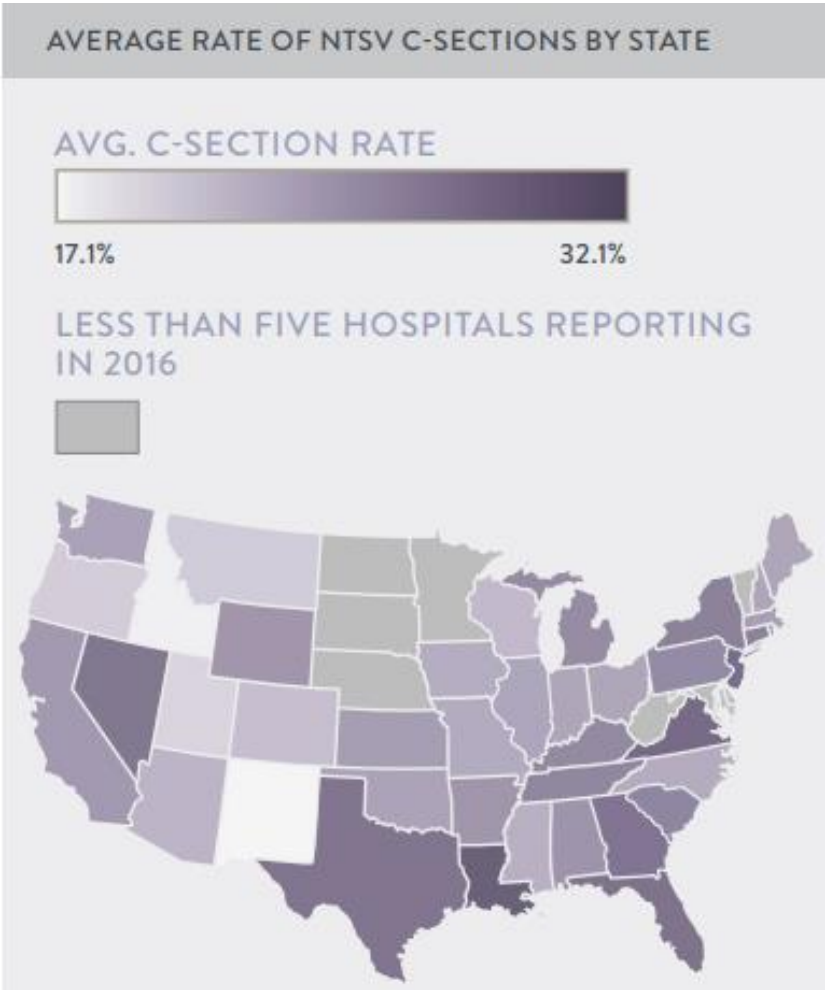
- Knee replacements **were priced more than double** at one hospital compared to another in the Dallas, TX area.
- In the Atlanta, GA area, the most expensive colonoscopy was **more than five times the price** of the least expensive.

http://www.healthcarepricingproject.org/sites/default/files/pricing_variation_manuscript_0.pdf

# Quality Also Varies

## Example of Labor and Delivery Practices:

- Rate of cesarean deliveries in low-risk, first births vary by state and hospital.
- Odds of having a Cesarean delivery shouldn't be impacted by where a woman lives or which hospital she chooses.




http://www.leapfroggroup.org/sites/default/files/Files/Castlight-Leapfrog%20Maternity%20Report%202017_Final.pdf

# Major Drivers in the Future – See Role of Prices!

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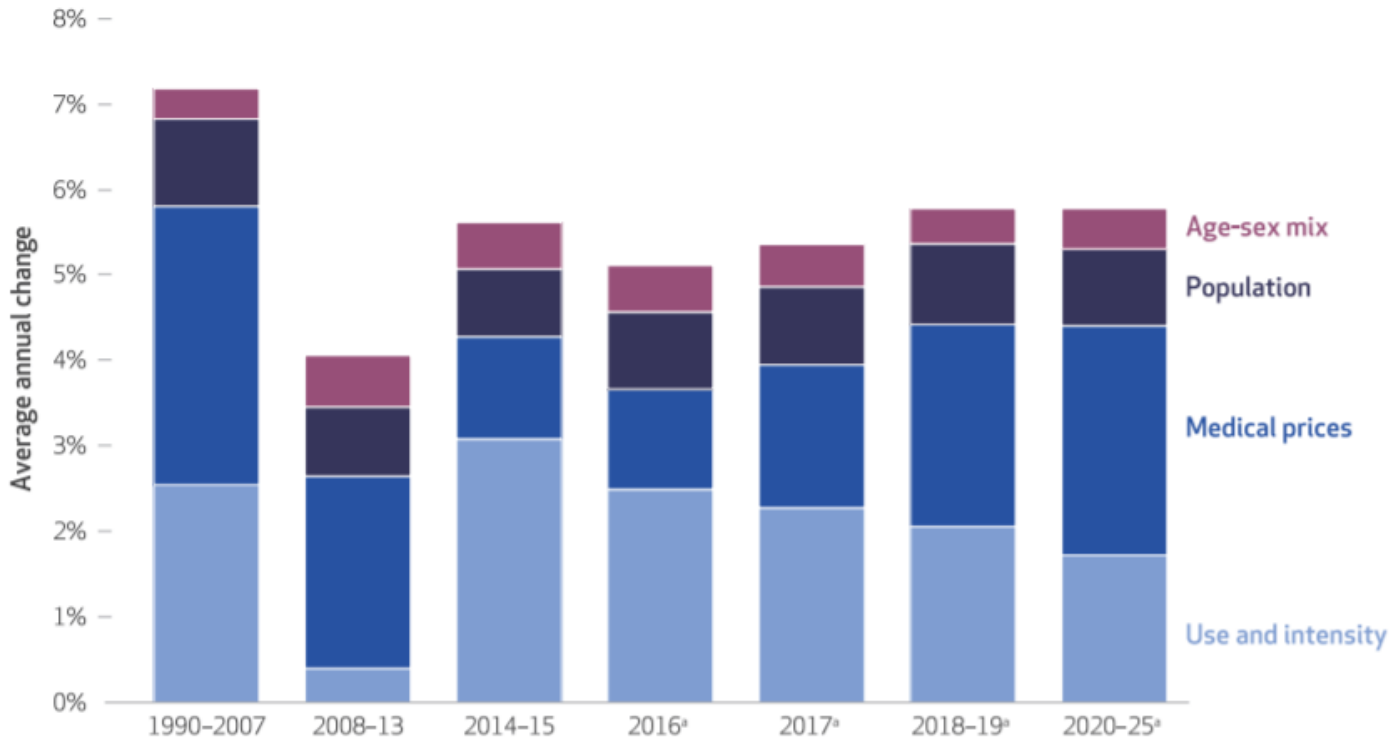
Factors Accounting for Growth in Personal Health Care Expenditures, 1990-2025




HealthAffairs

Source: Sean P. Keehan, et al. "National Health Expenditures Projections, 2016-25: Price Increases, Aging Push Sector To 20 Percent of Economy." *Health Affairs.* February 15, 2017.

# Why Are Prices Rising? Provider Consolidation a Major Factor

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**There has been A LOT of hospital consolidation***

- 1,412 mergers from 1998-2015, which is about 28% of hospitals in operation in '98
- Only 35% of hospitals are independents by 2014
- ~1/2 of hospital markets are considered HIGHLY CONCENTRATED

**And physician practice consolidation…**

- % of physicians who own their own practice fell from 76.1% in 1983 to 50.8% in 2014
- 56.7% increase in the number of doctors/dentists employed by hospitals 1999-2014

*http://www.aha.org/research/reports/tw/chartbook/ch2.shtml

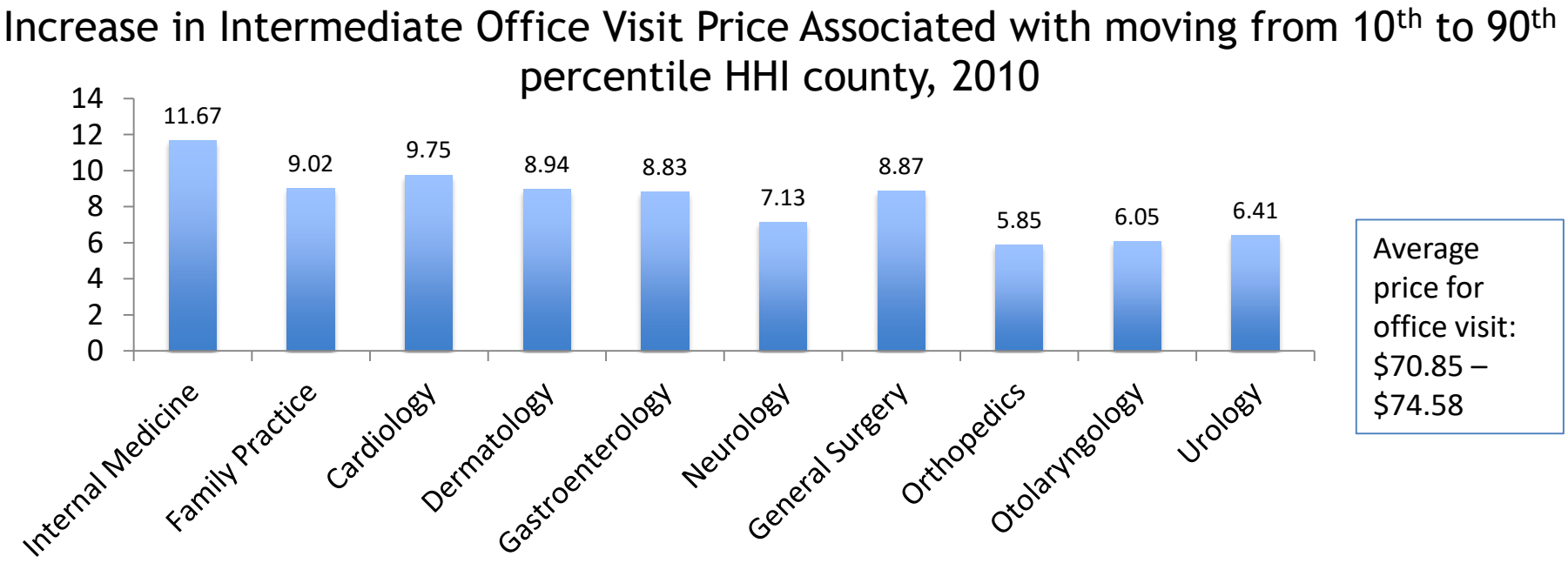
*Adapted from slides for CPR by Martin Gaynor, Carnegie Mellon, 2017*

# Evidence of Consolidation's Impact on Prices

In recent analysis, hospitals in monopoly markets had (private) price index 15-25% higher than hospitals in four-hospital+ markets

Source: Cooper, Craig, Gaynor, Van Reenen, NBER WP 2015;

Higher physician concentration associated with higher private insurance prices




Data from Baker, Bundorf, et al, JAMA 2014

*Adapted from slides for CPR by Laurence Baker, Stanford University, 2017*

# Correlation Between Price and Quality

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Medicare patients receiving care from high- vs. low-price physicians…

1) Experienced better care coordination, but
2) Reported no differences in care experiences, process measures of quality, or use of potentially preventable acute care/hospitalizations

Ateev Mehrotra and J. Michael McWilliams, *Health Affairs* 36(5): 855-864.; and Eric T. Roberts, Ateev Mehrotra and J. Michael McWilliams. *Health Affairs* 36(5): 855-864.

# WHAT CAN WE DO TO ADDRESS COST?

# Key Ingredients of High-Value Health Care Going Forward

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TRANSPARENCY: insight into quality and prices, building block for other reforms

BENEFIT DESIGN: incentives for consumers

PROVIDER NETWORK DESIGN: guidance for consumers, leverage for payers, volume for providers

PAYMENT REFORM: financial incentives for providers

# What Does Transparency Mean in Health Care?

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## Transparent = "Easy to perceive or detect, unconcealed"

Transparency provides **insight** into what's happening in the health care system.

- Helps employers, other health care purchasers, and consumers **understand the value** (cost and quality) of what they are buying.
- Highlights and reduces unknown and **unwarranted quality and price variation** in the health care system.
- Enables high-value benefit designs and payment reforms.

# High-Value Benefit Designs are Taking Off

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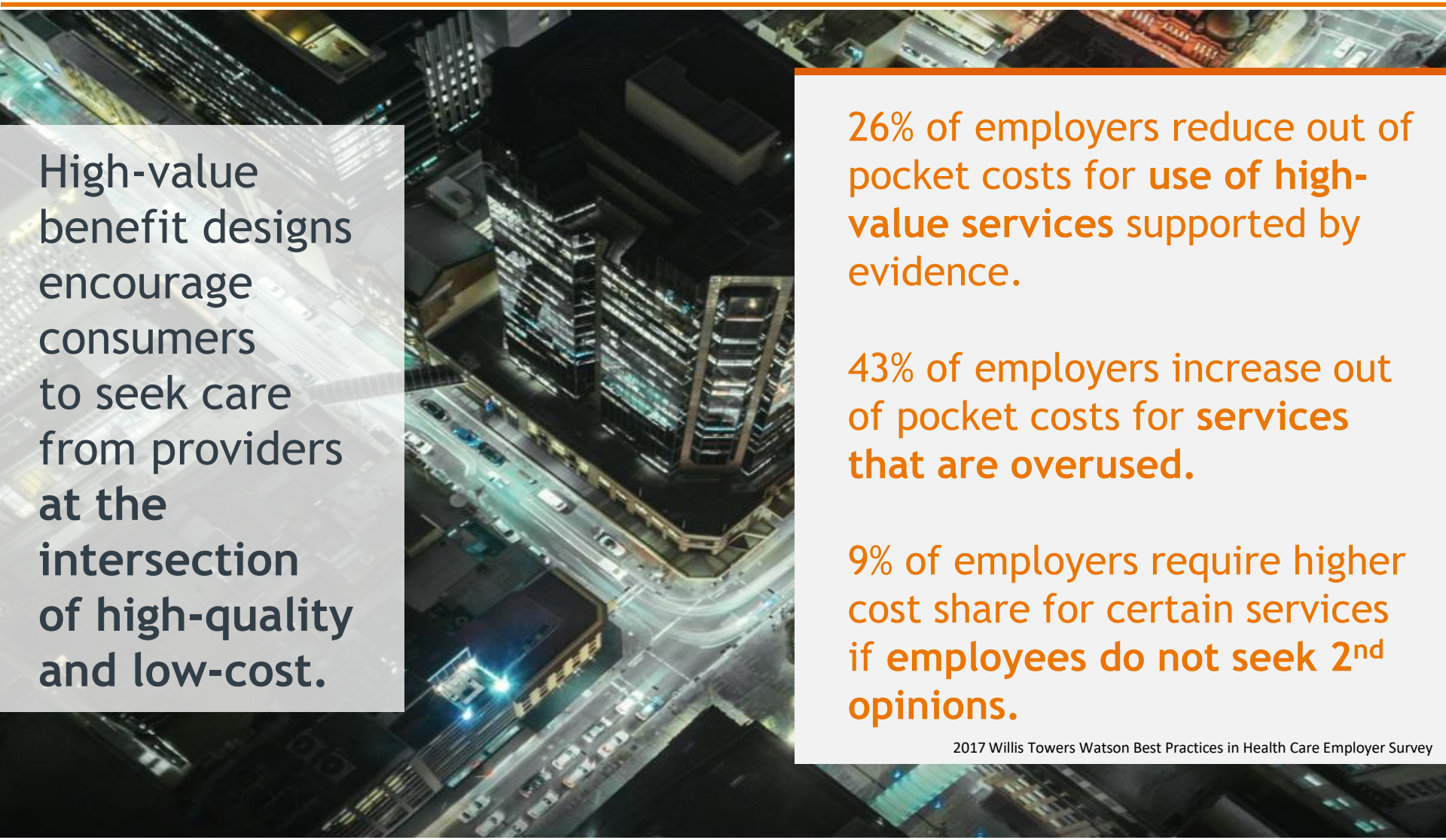


High-value benefit designs encourage consumers to seek care from providers **at the intersection of high-quality and low-cost.**

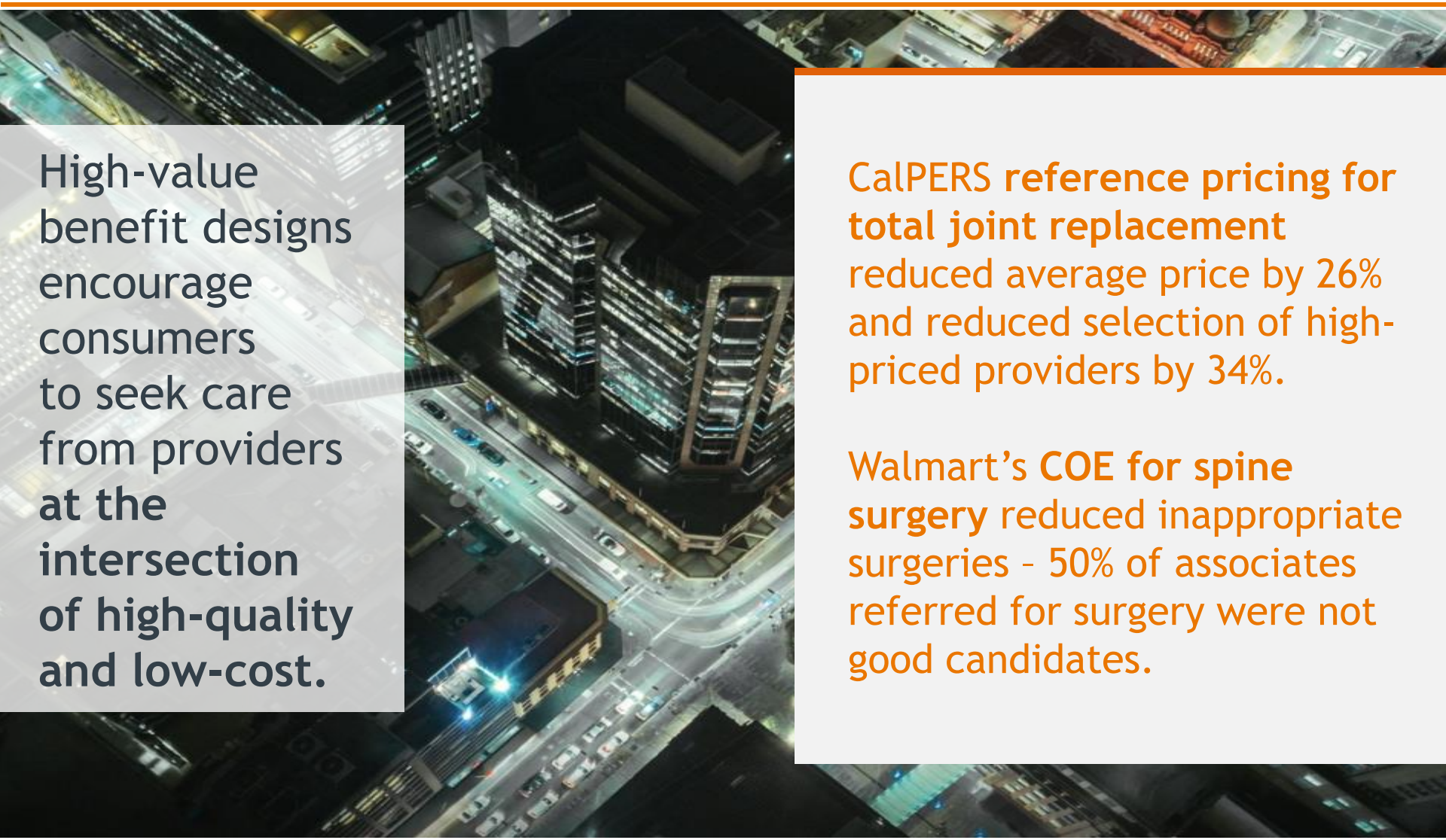
26% of employers reduce out of pocket costs for **use of high-value services** supported by evidence.

43% of employers increase out of pocket costs for **services that are overused.**

9% of employers require higher cost share for certain services if **employees do not seek 2nd opinions.**

2017 Willis Towers Watson Best Practices in Health Care Employer Survey

# Evidence that Innovative Benefit Designs Work



High-value benefit designs encourage consumers to seek care from providers **at the intersection of high-quality and low-cost.**

CalPERS **reference pricing for total joint replacement** reduced average price by 26% and reduced selection of high-priced providers by 34%.

Walmart's **COE for spine surgery** reduced inappropriate surgeries – 50% of associates referred for surgery were not good candidates.

# Why Provider Network Designs Matter

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A high-value provider network is a select group of in-network providers in a given health plan.


13% of purchasers **offer high-performance provider networks**; that number could rise to 56% by 2018.

31% of employers are **using COEs;** that number could grow to 73% by 2018.

22% of employers have **onsite or near-site health centers**; that number could grow to 40% by 2018.

2017 Willis Towers Watson Best Practices in Health Care Employer Survey

# Americans Willing to Make Trade-Offs…For Now

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As the health system pushes Americans to become smarter shoppers for care, consumers may start to take a closer look at network offerings.

**Consider this:**

- Americans willing to make tradeoffs, but could become skeptical
- Given that many plans don't consider quality…
- Transparency on quality and prices will be essential

# Evidence that Innovative Provider Network Designs Work

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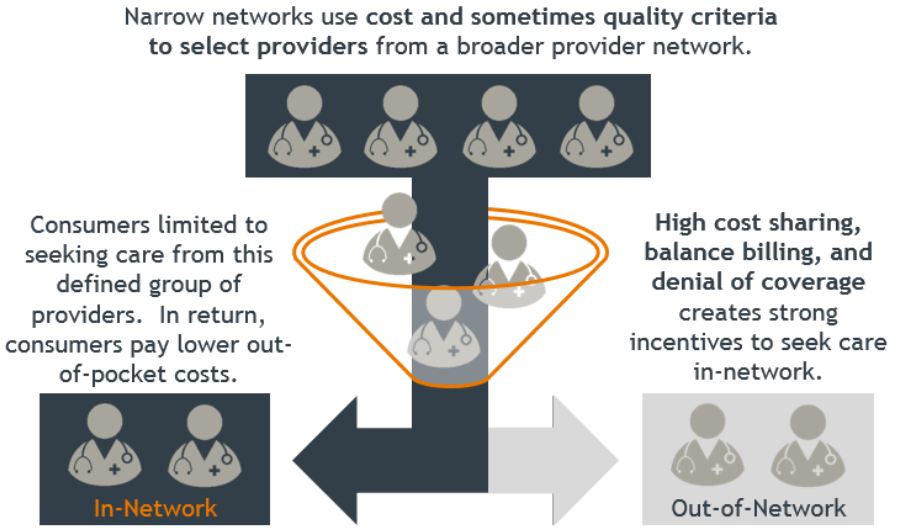
## Group Insurance Commission in MA found:

- Enrollees in narrow networks **spent 36% less.**
- Tiered networks **reduced market share** of poorly performing providers by 12%.
- BCBS of MA's tiered network **reduced spending by 5%.**



# Spectrum of Health Care Provider Payment Methods

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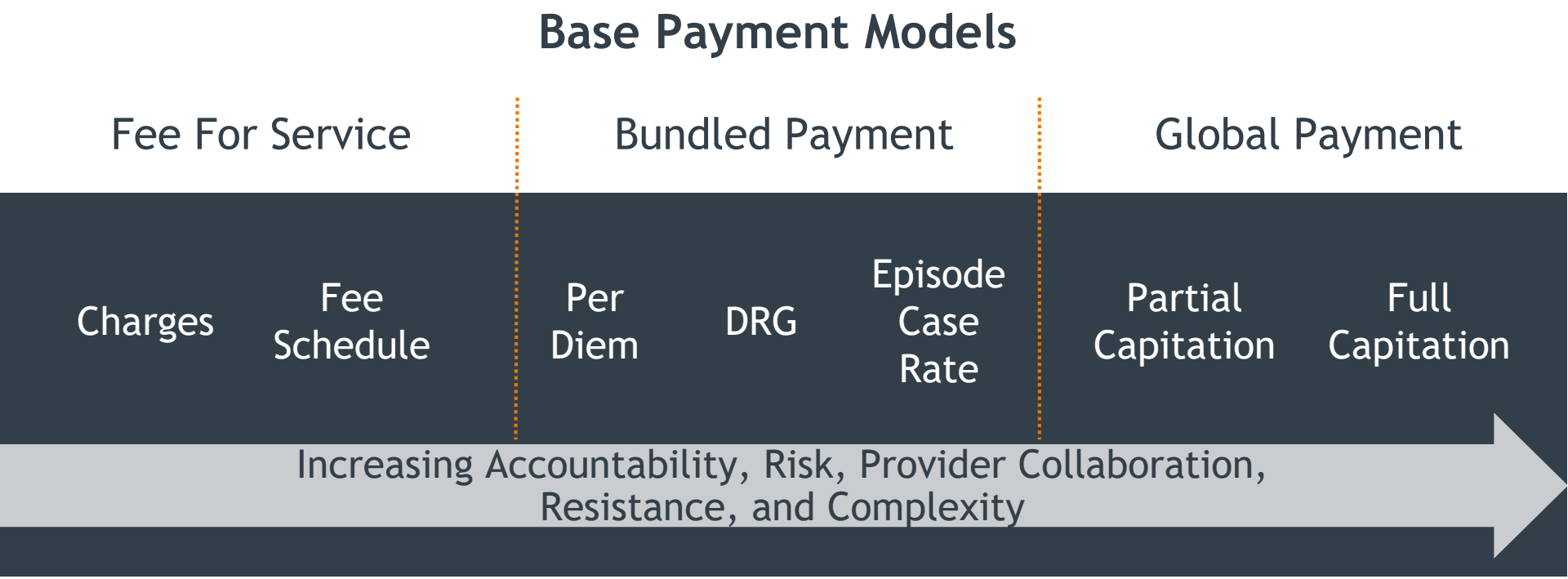


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Performance-Based Payment or Payment Designed to Cut Waste
(financial upside & downside depends on quality, efficiency, cost, etc.)

# Making Progress on Provider Payment Reform

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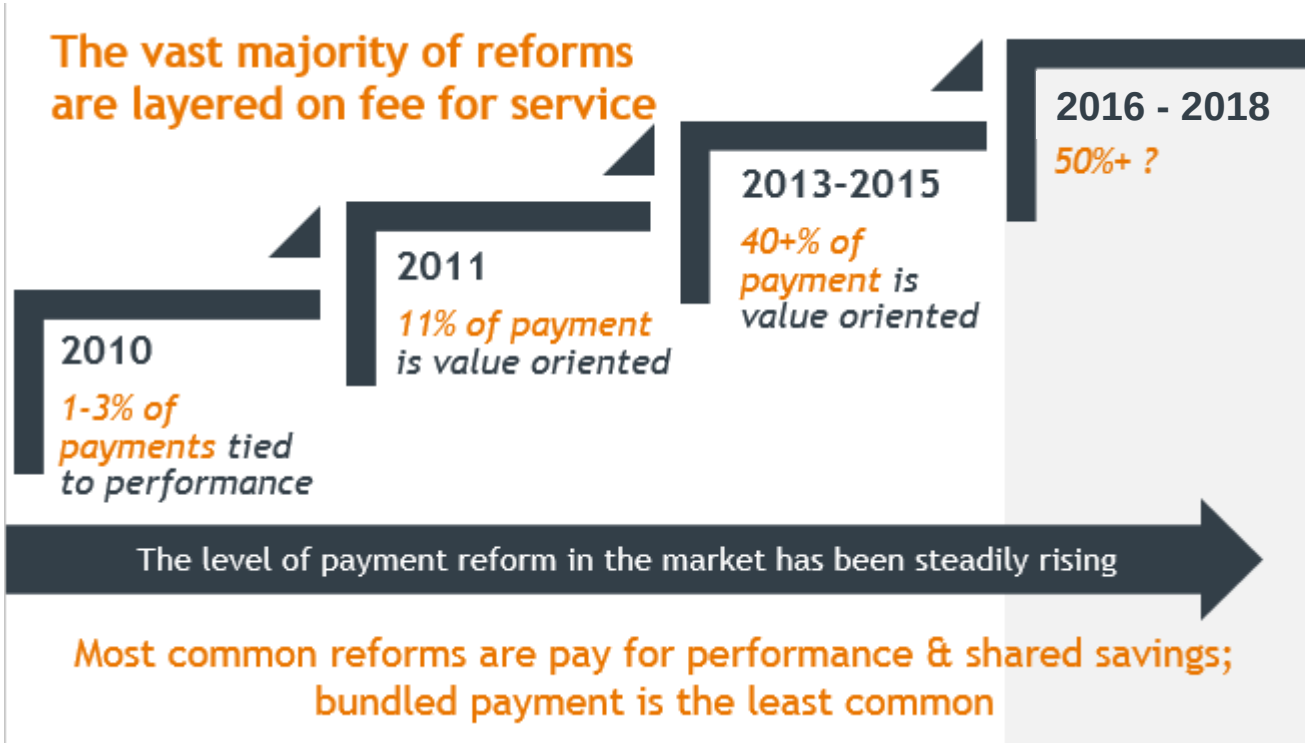


## WHAT'S NEXT?

- Fix the fee schedule
- Evaluate which reforms work
- Make smart pairings between provider payment methods and benefit designs

New payment methods support new health care delivery models such as patient centered medical homes, accountable care organizations….

# Mixed Results for Reforms: Example of ACOs

| Medicare Shared Savings Program | |
|---|---|
| + | ▪ Consistently high quality scores<br>▪ 31% of ACOs received shared savings bonuses in 2016 |
| 0 | ▪ Unchanged performance on a portion of quality measures<br>▪ Screening use varied |
| - | ▪ For 2013 entrants, no early reductions in spending<br>▪ Medicare saw a net loss of $39 million |

| Connected Care (Intel) | |
|---|---|
| + | ▪ High patient experience and satisfaction scores<br>▪ Statistically significant improvements in diabetes care |
| - | ▪ Total costs at year end were 3.6% higher than expected |

| Regional Care Collaboratives (CO Medicaid) | |
|---|---|
| + | ▪ Adult participants had fewer hospital readmissions and ER services than control<br>▪ Total reduction in spending est. $20 mill to $30 mill FY 2011-2012 |
| 0 | ▪ Use of ER services was about the same for children enrolled and not |
| - | ▪ ER use was higher for enrolled participants with disabilities than those not enrolled |

Can't say that ACOs are a slam dunk when it comes to procuring higher-value care!

# Mixed Results for Reforms: Example of Bundled Payment

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| Bundled Payments for Care Improvement (BPCI) | |
|---|---|
| + | ▪ 21% lower total spending per joint replacement episode without complications<br>▪ 1% reduction in ER visits and readmissions |
| 0 | ▪ Mixed impact on quality measures – some improved, some stayed the same and some worsened |
| - | ▪ For spinal surgery episodes, average Medicare payments increased more for the hospitalization and 90-day post-discharge period for the BPCI than comparison |

| Health Care Payment Improvement Initiative (Arkansas) | |
|---|---|
| + | ▪ AR BCBS trend decreased for average LOS for inpatient admissions for TJR, from 2.7 days in baseline year to 2.6 days in 2013 and 2.3 days in 2014<br>▪ Medicaid 30-day wound infection rate improved to 1.7% for 2014, down from 2% in 2013 |
| - | ▪ Medicaid post-operation TJR complication rate worsened from 8% in 2013 to 14.1% in 2014 |

| Bundles for Maternity Care (PBGH) | |
|---|---|
| + | ▪ Reduction of cesareans by 20%<br>▪ Savings of $5,000 per averted cesarean delivery |

Bundled payments are promising, but the details matter!

# CASE STUDIES

# Case Example 1: Aircraft Gear Corporation

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## What They Did

- Developed and implemented an independent near-site clinic in Rockford, Illinois to combat a lack of primary care access for their employee population.

## Program Design

- Clinic staffed with nurse practitioners and physician assistants, with 2 salaried employees to start.
- Paired with a custom narrow network of high-quality specialists.
- Members using the clinic would not face any cost-sharing.

## Results

- Within one year of roll out, they reduced health care costs by around 20%.
- The volume of care from outpatient facilities dropped due to the clinic's effectiveness.

## Lessons Learned

- When implementing a new strategy, have realistic expectations for when to see results.
- Be willing to refine the model along the way.

# Case Example 2: The County of Santa Barbara

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## What They Did

- Implemented a prospective bundled payment program for its covered population for certain procedures and services at lower prices from high-quality providers.

## Program Design

- Only providers meeting certain quality metrics are included in the bundled payment network.
- There is no financial liability for participating employees, plus travel, lodging and food are covered 100%.

## Results

- Based on experience to date, estimated savings of $70 per employee per year across all EEs enrolled in the health program, despite only 18% of joint replacements went through the program.

## Lessons Learned

- These programs can be launched off cycle, with low upfront costs and administration fees.
- Employers should always be on the lookout for new ways to use alternative payment structures.

# Case Example 3: The Home Depot

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## What They Did

- Implemented a reference pricing program for colonoscopies and endoscopies.

## Program Design

- Selected services that were non-emergent, shoppable, and a significant cost driver. Set the reference price to ensure adequate access.
- Implemented the program in every market with a broad provider network offered by the carrier.
- Secure member portal to show included procedures, along with the reference price by zip code. The portal also directs members to a tool to find facilities at or below the reference price.

## Results

- Found that most associates continued to follow the referrals they received from their physicians.

## Lessons Learned

- Physicians need to get on board; engaging physicians to make informed, high-value referrals is an essential lever.

# Case Example 4: Michaels Companies

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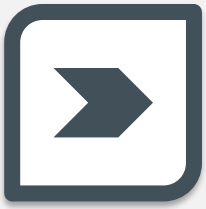

## What They Did

- Used a multi-year approach to phase out traditional plans and shift to full replacement HDHPs with health reimbursement accounts (HRA), paired with a health care navigation solution.

## The Situation

- Selected a navigation vendor that could provide high-touch, person-to-person support via phone or email for help with annual enrollment, finding providers, cost comparisons and more.

## Results

- Each year, an increasing proportion of team members elected to enroll in the new plans. The first year the traditional PPO plan was gone 45% of members had enrolled in the HDHP voluntarily in previous years.
- Estimated average savings of $840 per team member using the service from selecting less expensive care or avoiding unnecessary care.

## Lessons Learned

- Would have been tremendously risky to offer a HDHP without supplemental communications or navigation support.
- One of the most effective ways of promoting the navigation benefit was word of mouth.

# HOW DFWBGH MEMBERS CAN MAKE A DIFFERENCE

# Purchasers Have a Track Record of Influence

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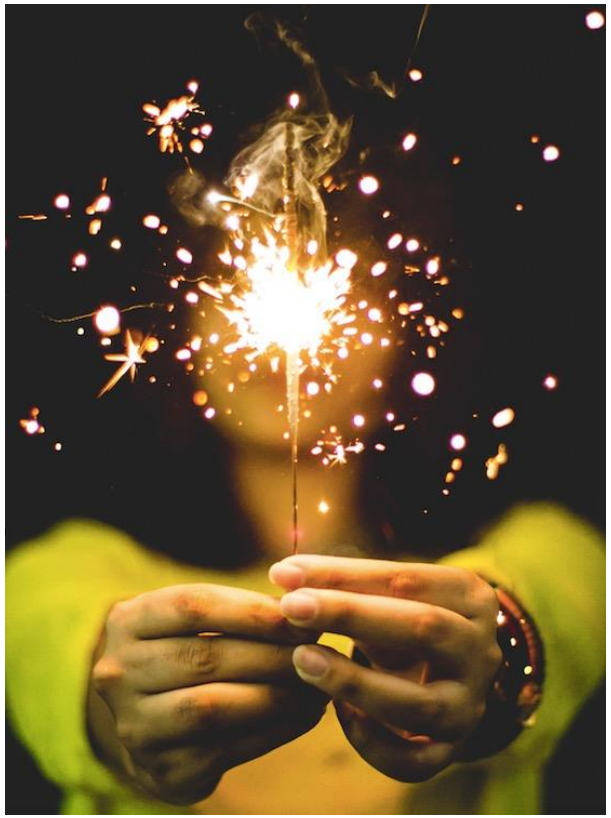
**Standard quality measurement and reporting** sparked by The Leapfrog Group

**Pay for performance** sparked by Bridges to Excellence (incubated by an employer)

**Payment reform** movement in private sector sparked by CPR

**Price transparency** movement sparked by CPR

And many other examples…



# How Can DFWBGH Members Help?

Push for **price and quality transparency because it creates competition among providers and supports innovative benefit and provider network designs.**

Introduce **new benefit designs** that encourage employees to use high-value providers

- Reference pricing
- Centers of excellence

Customize **provider network designs** based on value.

- Narrow network
- Tiered network
- Direct contracting for ACO or episodes/procedures
- Onsite/near-site clinics

# How Can DFWBGH Members Help? (continued)

Pay providers differently through **alternative payment methods** that hold them responsible for quality and spending.

Encourage **new entrants into the market** to compete.

- Telehealth
- Onsite/near-site clinics
- Retail clinics, urgent care centers, etc.

# How CPR Can Help DFWBGH Members?

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As part of our mission, **CPR offers resources** to help implement high value purchasing strategies:

- Access **30+ hands-on purchasing tools** covering payment reform & benefit design strategies.
- Follow our **blog and podcast** spotlighting topics vital to health care purchasers.
- Attend **free webinar series** and browse over **40+ webinar recordings.**
- Subscribe to ***CPR Weekly*** to stay-in-the-know on special opportunities for purchasers.

Visit **catalyze.org** to get started

# Relationship with Health Plans at the Crux

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Aligning sourcing and contracting approaches across purchasers **ensures health plans have a business case to implement** the high-value strategies you need to succeed.

Standard RFI questions are a common tool for sourcing and comparing health plan proposals.

Model contract language solidifies the purchaser's ask and articulates clear expectations for payment and delivery reform.

User groups help you and your plan stay on track and on the same page.

Health Plan Management Tools for Purchasers – see www.catalyze.org

# Holding Health Plans Accountable for their ACOs

## CPR's Standard Plan ACO Report

Developed to provide purchasers with an easy way to identify the performance of their health plans' ACO arrangements!

**What does it show?**

- Meaningful Cost, Quality and Utilization metrics
- The impact of ACOs on the purchaser's population and spending

AND, it requires that health plans show the whole picture, not cherry-picked results

**Available for purchasers free of charge at www.catalyze.org**

Based on the Nutrition Label

# How CPR Can Help DFWBGH Members?

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## 100 LEVEL COURSE

### Introduction to High-Value Health Care Purchasing

- Major health care **trends**
- The **key players** influencing value
- The **business case** for smarter purchasing
- Understanding **insurance options**
- **Using data** to craft a strategy

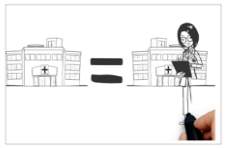
## 200 LEVEL COURSE

### Strategies for High-Value Health Care Purchasing

- Innovative **benefit designs**
- How **payment reform** can drive value
- The role of **price and quality transparency**
- Working with **health plans, consultants, & partners**
- Working with **your peers**

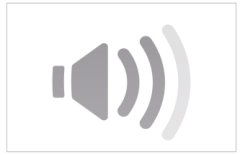
## LESSONS INCLUDE:

**White board videos**



**Interactive quizzes**


**Audio podcasts**



**Guided presentations**

# THANK YOU!

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