Shifting from Volume to Value-based Healthcare

November 2014
Briefing

The Healthcare Collaborative of Greater Columbus is a non-profit, public-private partnership. We serve as a catalyst, convener, and coordinator of healthcare transformation & learning in Greater Columbus.
WHY is a shift to value-based health care needed?

WHAT is the definition of value in health care?

WHAT will transformation mean for consumers, employers, health plans and providers?

WHAT activity is taking place at national, state and local levels?
WHY: The need to transform healthcare in the U.S.

U.S. HEALTH CARE RANKS LAST AMONG WEALTHY COUNTRIES

A recent international study compared 11 nations on health care quality, access, efficiency, and equity, as well as indicators of healthy lives such as infant mortality.

Overall Health Care Ranking

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<thead>
<tr>
<th>Low</th>
<th>High</th>
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<td>U.K.</td>
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<td>SWITZERLAND</td>
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<td>SWEDEN</td>
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<td>AUSTRALIA</td>
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<td>GERMANY</td>
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<td>THE NETHERLANDS</td>
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<td>NEW ZEALAND</td>
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<td>FRANCE</td>
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<td>CANADA</td>
<td>U.S.</td>
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WHY: The need to transform healthcare in the U.S.

As much as 30%: wasteful, unproductive or unnecessary

WHY: The need to transform healthcare in the U.S.

Variations in QUALITY: Readmissions within 30 days medical discharge

Central Ohio region is one of 57 regions ranked with highest variation
WHY: The need to transform healthcare in the U.S.

Variations in COST: Recent study for Lower Back MRI

Columbus Ohio
Average: $1,711
Price Range: $1,335 - $2,749

Nashville TN
Average: $1,066
Price Range: $531 - $1,975

Source: Castlight Health. The primary source of data used for this analysis is medical claims data. Castlight augments this data with other data including: publicly available data, provider information, and actual provider rate sheets that list the negotiated price between a provider and an insurer. Castlight then applies proprietary algorithms to obtain the provider prices used for this analysis. Prices are defined as the employee cost-sharing plus the amount paid by the consumer.

Note: Displayed prices are representative of in-network non-visits.
WHY: Spending not aligned with what influences our health status?

What influences our health status

- Access to Care: 10%
- Environment: 20%
- Genetics: 20%
- Lifestyle & Behavior: 50%

Where our nation spends its health care dollars (~$3+ Trillion)

- Access to Care: 88%
- Other: 8%
- Health Behaviors: 4%

Source: Centers for Disease Control and Prevention, University of California at San Francisco, Institute for the Future
Patient–driven care

• “Others have struggled to find a proper definition of patient-centeredness. Three useful maxims that I have encountered are these:”
  – “The needs of the patient come first.”
  – “Nothing about me without me.”
  – “Every patient is the only patient.”

Donald M. Berwick, What 'Patient-Centered' Should Mean: Confessions Of An Extremist Health Affairs, 28, no.4 (2009):w555-w565

New definition: Patients largely determine their own outcomes.
WHY: The need to transform healthcare in the U.S.

The fragmentation of our delivery system is a fundamental contributor to the poor overall performance of the U.S. health care system.

- patients and families navigate unassisted across different providers and care settings, fostering frustrating and dangerous patient experiences
- poor communication and lack of clear accountability for a patient among multiple providers lead to medical errors, waste, and duplication
- the absence of peer accountability, quality improvement infrastructure, and clinical information systems foster poor overall quality of care
- high-cost, intensive medical intervention is rewarded over higher-value primary care, including preventive medicine and the management of chronic illness

Source: The Commonwealth Fund
The toll of health care costs on American families

- In 1999-2009, an average American family of four saw its annual income increase from $76,000 to $99,000

- Nearly all those income gains were erased by higher health spending

- The greatest burden of national health spending has fallen on families in the lowest one-fifth of the income distribution

- Average annual income in 2004 of $13,450.

Sources: David Auerbach and Arthur Kellermann; Patricia Ketsche et al, *Health Affairs*, September 2011.
Shift to Value-based Health Care

Clinical outcomes across spectrum of integrated & coordinated care

Total costs across spectrum of integrated care

Patient experience

Value for the consumer and purchaser

Source: A Strategy for Health Care Reform — Toward a Value-Based System
What will transformation mean for consumers, employers, health plans and providers?
Keys to Transformation: Value-Based Health Care Delivery

Employers
- clinical integration
- care coordination
- population health management
- cultural, language & health literacy
- health information technology

Consumers
- health literacy assistance
- engagement in how to use cost and quality information
- promote positive behavior change

Providers
- payment incentives based on value
- partner with providers on care coordination
- streamline administrative processes

Health Plans
- value-based insurance design
- health and wellness programs
- partner with providers on care coordination
Public & Private: Payment Reform Framework

BASE PAYMENT MODELS

- **Fee For Service**
  - Charges
  - Fee Schedule

- **Bundled Payment**
  - Per Diem
  - DRG
  - Episode Case Rate

- **Global Payment**
  - Partial Capitation
  - Full Capitation

Increasing Accountability, Risk, Provider Collaboration, Resistance, and Complexity

+ PERFORMANCE-BASED PAYMENT
  (potential financial upside and/or downside for performance on quality, efficiency, cost, etc.)

Source: Catalyst for Payment Reform  www.catalyzepaymentreform.org
Employers are rapidly increasing their participation in regional health improvement collaboratives

Employers are demanding more value from health care delivery systems

Employers are shifting from “payors” to “purchasers” of high value health services

Employers are beginning to change benefits to provide incentives for use of high-value health services and disincentives for lower value services

Other regions in Ohio are ahead of Central Ohio and intend to use as a competitive advantage for economic development activities
Primary Care Transformation
- Comprehensive Primary Care Initiative
- Federally Qualified Health Center Advanced Primary Care Practice
- Multi-payer Advanced Primary Care Practice

Accountable Care – Payment Reform
- Bundled Payment for Care Improvement
- Accountable Care Organization (ACO)
- State Demonstrations to Integrate Care for Medicare-Medicaid (dual) Enrollees
- Financial Alignment Model Demonstrations
Practice and Payment Redesign through the CPC initiative

- Enhanced, accountable payment
- Continuous improvement driven by data
- Optimal use of health IT

Comprehensive primary care functions:
- Risk-stratified care management
- Access and continuity
- Planned care for chronic conditions and preventive care
- Patient and caregiver engagement
- Coordination of care across the medical neighborhood

Aim:
- Better health
- Better care
- Lower cost
Modernize Medicaid
✓ Reform nursing facility reimbursement
✓ Integrate Medicare and Medicaid benefits
✓ Rebalance spending on long-term services and supports
✓ Create health homes for people with mental illness
✓ Restructure behavioral health system financing
✓ Improve Medicaid managed care plan performance

Streamline Health and Human Services
✓ Consolidate mental health and addiction services
✓ Create a cabinet-level Medicaid department
✓ Modernize eligibility determination systems
✓ Integrate HHS information capabilities
✓ Coordinate programs for children
✓ Share services across local jurisdictions

Improve Overall Health System Performance
✓ Pay for health care based on value instead of volume
✓ Encourage Patient-Centered Medical Homes
✓ Accelerate electronic Health Information Exchange
### 5-Year Goal for Payment Innovation

**Goal**
80-90 percent of Ohio’s population in some value-based payment model (combination of episodes- and population-based payment) within five years

**State’s Role**
- Shift rapidly to PCMH and episode model in Medicaid fee-for-service
- Require Medicaid MCO partners to participate and implement
- Incorporate into contracts of MCOs for state employee benefit program

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<th>Year 1</th>
<th>Patient-centered medical homes</th>
<th>Episode-based payments</th>
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<td></td>
<td>In 2014 focus on Comprehensive Primary Care Initiative (CPCI)</td>
<td>State leads design of five episodes: asthma (acute exacerbation), perinatal, COPD exacerbation, PCI, and joint replacement</td>
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<td>Payers agree to participate in design for elements where standardization and/or alignment is critical</td>
<td>Payers agree to participate in design process, launch reporting on at least 3 of 5 episodes in 2014 and tie to payment within year</td>
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<td>Multi-payer group begins enrollment strategy for one additional market</td>
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<td>Model rolled out to all major markets</td>
<td>20 episodes defined and launched across payers</td>
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<td>50% of patients are enrolled</td>
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<td>Scale achieved state-wide</td>
<td>50+ episodes defined and launched across payers</td>
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Providers: Shifting to Population Health Management Delivery

TOP OF THE PYRAMID
Frail Elder, Poly-chronic, Urban Poor

The upside-down pyramid (Today): Cost by clinical segment

- 5% Polychronic
- 20% At-risk for major procedures (e.g., cardiology, oncology)
- 75% Healthy, minor health issues

COST BREAKDOWN
- 45% ER visits, overutilization, high care variation, noncompliance
- 35% Infections, complications, rehospitalizations
- 20%

Source: The Volume-to-Value Revolution, Oliver Wyman, 2012,
Providers: Shifting to Population Health Management Delivery

**MIDDLE OF THE PYRAMID**
Integrated Healthcare

Today: The upside-down pyramid: Cost by clinical segment (Middle of the pyramid)

- **5%**  
  Polychronic  
  - 45%  
  ER visits, overutilization, high care variation, noncompliance

- **20%**  
  At-risk for major procedures (e.g. cardiology, oncology)  
  - 35%  
  Infections, complications, rehospitalizations

- **75%**  
  Healthy, minor health issues  
  - 20%

**COST BREAKDOWN**  
$910 billion

Source: The Volume-to-Value Revolution, Oliver Wyman, 2012,
The healthcare industry by 2025 will begin to resemble today’s IT industry, where the fast pace of innovation is rewarded by savvy consumers, and laggards lose market share and market value.

If today’s healthcare players don’t innovate, extra-industry retail and technology players along with an awakened consumer, will spark and accelerate change – and capture much of the value in a $2.6 trillion industry.

Source: The Volume-to-Value Revolution, Oliver Wyman, 2012,
$1 Trillion of Market Value Redistribution – examples...

**AN INDUSTRY WAKE-UP CALL**
Consumers Shopping for Value

**EMPLOYERS WHO “THINK DIFFERENT” ARE DRIVING THE SHIFT TO RETAIL**

**RETAIL CLINICS**
Bringing Care Closer to the Consumer

**TELEHEALTH**
Remote Doctor-Patient Consultations

Source: The Volume-to-Value Revolution, Oliver Wyman, 2012,
$1 Trillion of Market Value Redistribution – examples...

Duet empowers patients with the best care tools to change behaviors.
$1 Trillion of Market Value Redistribution – examples...

Wal-Mart, Lowes use “corporate-sponsored medical tourism” to manage surgery bills
February 9, 2014 9:25 am by Kevin McKelvie | 6 Comments

Beginning this year, employees in need of a knee or hip replacement with health coverage at a Wal-Mart or a Lowe’s didn’t have to choose surgery at their local hospital.

Instead, they can travel to four medical centers in Baltimore, Seattle, Irvine, Calif., or Springfield, Mo., sites selected for the Employers Centers of Excellence Network.

What’s more, the worker doesn’t pay any out-of-pocket costs for the medical treatment and the trip, including a caregiver required to go too.

If employees choose to get hip or knee surgery closer to home and outside of the network, they’ll be responsible for the normal health insurance deductibles and co-payments that can amount to several thousand dollars.

When Adeptus arrives, that trip to the ER won’t be the same
SUBSCRIBER CONTENT: Aug 29, 2014, 6:00am EDT

When Adeptus arrives, that trip to the ER won’t be the same

Our name has changed, but our purpose remains the same: helping people on their path to better health.

Share the news f t l

Health is Everything
Disrupting a culture of distrust and blame

LESS OF THIS...

- HIS FAULT
- HER FAULT
- THEIR FAULT
- NOT ME
Disrupting a culture of distrust and blame

LESS OF THIS...

MORE OF THIS...

SHARED RESPONSIBILITY for patients/parents/caregivers and healthcare teams having important conversations necessary to receive high-quality healthcare at a lower cost
Accepting disruptive change as the norm in healthcare

Measure value: achieving good outcomes as efficiently as possible

Medicine is in for a radical change as we shift to performance-driven teams

All members of performance-driven teams will need to function at “the top of their license”

Integrating care to be patient-centered
What are your reflections and questions?