Healthcare Incentives & Payment
Pilot:
An Employer- Led Colorado Payment Reform Initiative

From Theory to Practice

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Executive Director
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Discussion Areas

- Introductions
- Background – CBGH/HCI3 and the feasibility study conducted in 2010
- Overview of the Prometheus Payment Model
- Summary of the outcome of the feasibility study
- Goals and Structure of the implementation grant
- Discussion: Barriers and Opportunities
Colorado Business Group on Health

- Member organization - NBCH
- Established in 1996
- Mission: The mission of the Colorado Business Group on Health is to advance the purchaser role to accelerate cost effective, high quality healthcare.
- Vision: Purchasers—united, motivated, and focused on health care value and quality.

One of over 50 coalitions in the U.S.; a proud member of the National Business Coalition on Health
Colorado Business Group on Health

**Purchasers:**
- Boards of Education Self Funded Trusts
- Boulder Valley School District
- City of Colorado Springs
- Colorado College
- Colorado PERA
- Colorado Springs School District #11
- Colorado Springs Utilities
- Elward Construction Systems
- Poudre School District
- St Vrain School District
- TIAA-Cref
- University of Colorado

**Associations:**
- Colorado Education Association
- Denver Metro Chamber of Commerce
- Rocky Mountain Healthcare Coalition
- South Metro Chamber of Commerce

**Affiliates:**
- 21 Affiliates
COLORADO BUSINESS GROUP ON HEALTH

**Our Mission:** To advance the purchaser role in order to accelerate cost effective, high quality health care.

**Our Vision:** Purchasers – united, motivated, and focused on health care value and quality.

**CBGH Purchasers Strategy**
- Value-Based Purchasing
- Benefit Design
- Wellness
- Disease Management
- Transparency of Cost
- Transparency of Quality
- Informed Consumers

**Physicians**
- Bridges to Excellence
- Physician Satisfaction Survey
- Colorado Value Exchange

**Hospitals**
- Leapfrog Hospital Survey
- Patient Safety
- Never Events
- Computerized Physician Order Entry

**Health Plans**
- CAHPS Satisfaction Survey
- HEDIS Quality Measures
- eValue8 RFI

Healthcare Transparency

*Health Matters: Colorado Health Plan and Hospital Quality Report*
An estimated 60%+ of health care costs are driven by behavior-based risk factors.

As little as 5% of employees typically generate 60% or more of healthcare costs.

Numerous studies have documented that 35-45% of spending is attributable to inefficient delivery of care.

While various standards for outcomes have been proposed, healthcare quality remains “opaque.”

Supply and demand side factors interact in ways that often make interventions ineffective or unpredictable.
In addressing the supply/demand problem, Employer’s Paradox

**On one hand:**

As an individual organization… employers must have a multi-year strategy for addressing demand and promoting increasing wellness, consumerism and compliance.

**On the other hand:**

Only the communities where employers collaboratively address healthcare as an economic development issue have successfully addressed supply.

The bottom line: only employers, the true buyers, can untangle the knot but no individual employer can do it alone or without engaging providers.
The Participants

And many community partners…
Prometheus Payment Methodology

- Effort started in 2006
- Funded by RWJF and the Commonwealth Fund
- All work is transparent….methods are freely available and open to comment on web site
- Partners with Brandeis University in implementing CMS’s episode mode in 2014 under the ACA
- More information at www.hci3.org
Intent of TCHF Study Grant: 2010

- **Data Analysis Phase**
  - Plan and employer data extractions
  - Analysis for 21 Evidence-Informed Case Rates (ECRs)
  - Share results

- **Planning for Pilot Sites Implementation**
  - Solicit RFI responses from potentially interested parties
  - Select possible Communities
  - Draft timelines and milestones

- **Secure Implementation Grant**
Using clinical standards to inform a different perspective:

Resource use at the **Episode of Care** Level

- **HCI3** examined 21 conditions of care using complex algorithms.
- By applying clinical rules to each care episode, they can determine “**relevant**” vs “irrelevant” costs/episode.
- By applying **clinical standards**, relevant costs can be further broken down into:
  - **Typical** costs, eg., expected but not necessarily baseline or irreducible
  - **Potentially avoidable** costs due to complications
A two-step process for measuring...
Quality waste in healthcare

1. Identify Relevant Costs

Examine every claim for every patient and sort as....

Charges that are **RELEVENT** to the disease and any co-morbid conditions.

Charges that are **IRRELEVENT** to the disease and any co-morbid conditions.

2. Separate/Segment PACs

Use clinical guidelines to sort **RELEVENT** claims into those associated with...

“**Typically**” Provided Services (and costs)

“**Potentially**” Avoidable Complications (and costs)

Colorado Business Group on Health
Evaluating care along a longitudinal sequence: A Patient-Centric Perspective

Source: Sustaining the Medical Home: How Prometheus Payment Can Revitalize Primary Care, RWJ publication
A Few Definitions

- Prometheus Evidence-informed Case Rates (ECRs) – Episodes of care that are based on clinical practice. Modeled using a national database of commercially insured. ECRs are “normalized” by running the analytics through the plan’s database.

- Potentially Avoidable Costs/Complications (PACs) – The way that the Prometheus model quantifies “waste” and adverse outcomes in the system.
Quality waste in Chronic Care for Six Health Plans in Colorado

### Potentially Avoidable Costs as a % of Total Spend:

<table>
<thead>
<tr>
<th>PAC Percentage</th>
<th>CHF</th>
<th>COPD</th>
<th>DM</th>
<th>Asth.</th>
<th>HTN</th>
<th>CAD</th>
<th>GERD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan A</td>
<td>65%</td>
<td>47%</td>
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<td>34%</td>
<td>23%</td>
<td>18%</td>
<td>29%</td>
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<tr>
<td>Plan B</td>
<td>62%</td>
<td>45%</td>
<td>25%</td>
<td>32%</td>
<td>21%</td>
<td>15%</td>
<td>31%</td>
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<td>35%</td>
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<td>33%</td>
<td>42%</td>
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<tr>
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<td>30%</td>
<td>36%</td>
<td>20%</td>
<td>13%</td>
<td>25%</td>
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<tr>
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<td>47%</td>
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<td>45%</td>
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<td>11%</td>
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</tr>
<tr>
<td>Plan F</td>
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<td>49%</td>
<td>36%</td>
<td>37%</td>
<td>27%</td>
<td>25%</td>
<td>26%</td>
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<tr>
<td><strong>CO Ave.</strong>*</td>
<td>63%</td>
<td>46%</td>
<td>34%</td>
<td>37%</td>
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<td>19%</td>
<td>32%</td>
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<td><strong>US Ave.</strong></td>
<td>56%</td>
<td>45%</td>
<td>29%</td>
<td>29%</td>
<td>17%</td>
<td>14%</td>
<td>35%</td>
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<tr>
<td><strong>US Max</strong></td>
<td>69%</td>
<td>61%</td>
<td>36%</td>
<td>41%</td>
<td>25%</td>
<td>23%</td>
<td>43%</td>
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<tr>
<td><strong>US Min</strong></td>
<td>40%</td>
<td>26%</td>
<td>21%</td>
<td>22%</td>
<td>14%</td>
<td>9%</td>
<td>17%</td>
</tr>
</tbody>
</table>

“Every system is perfectly designed for precisely the results it gets.” — Don Berwick, MD

Colorado Business Group on Health
Defining the Issue…

In short, we would argue:

- US healthcare costs are not due to high quality but just the opposite: healthcare is often ineffective and almost always inefficient.

- This “quality waste” has three distinctly different components: the over-use, under-use, and mis-use of various medical services.

- Only physicians can solve this multi-factorial problem, but only with the right feedback and accountability.

- Not only CAN employers engage physicians, but employers are the ONLY ones who can in any meaningful way.
Risk Allocation in the PROMETHEUS model

- Total Cost of Care
  - Total Relevant Costs of a Specific Episode
    - Reliable Care
    - Typical Costs of Episode
      - Costs of all Base Services
      - Costs of all Severity Adjusters
    - Costs of all Potentially Avoidable Complications (and other provider-specific variation)
      - ECRs
        - Insurer - Probability risk
        - Provider - Technical risk
        - Consumer - Probability risk
        - Global Cap

"Coarse" Episodes
Final Status:
Data Submission (*) or Letters of support

- Anthem*
- Cigna Health Plans
- Centura Health
- City of Colorado Springs*
- Colorado Access*
- Colorado Medicaid*
- CO Springs Health Partners
- Colorado Springs Utilities*
- D-11 School District
- Exempla
- Independent Physicians Network
- Lutheran Health Partners
- Memorial Health
- PERA
- Rocky Mountain HealthCare Coalition
- Rocky Mountain Health Plan*
- San Luis Valley HMO*
- State of Colorado
- SLV Regional Hospital
- TIAA-CREF*
- United Medical Alliance*
Goals for the end of Year 3:

- **Participants.** An increase in the number of:
  - Patients whose care is being paid for under ECRs
  - Providers who are providing care under ECRs

- **PAC Rates.** A decrease in PAC rates for these patients, including:
  - An increase in patients who received evidenced-informed care
  - A decrease in services related to care for potentially avoidable complications

- **Costs.** A decrease in overall cost per ECR attributable to a decrease in PAC rates.
Contractual Relationships
For Implementing Self-Funded Employer Agreements

Funds will flow through contractual relationships, e.g., modeled after BTE)

Individual Employers

Contract

CBGH

Individual PC Practices

Contract

ECR “Engine”

Data Repository

All agreements HIPAA compliant and all data transferred/stored in a secure manner.
## What Participation Means

### How to Participate

1. Execute NDA/BAA
2. Have ASO/TPA submit data for analysis
3. Execute Participation Agreement with CBGH

### Targeted Benefits

**Cost Benefits:**
- Current Medical Spend $\_
- Chronic Spend (.20) $\_
- Quality Waste (.33) $\_

**Effectiveness:**
- Better Coordination of Care
- Better Site of Care
- Improved Outcomes
Total relevant spend for three year time period was $14,834,000
Total typical spend for three year time period was $10,555,000
Total PAC identified for the sum of the six chronic conditions is $4,279,000
## Total Cost per ECR, Colorado Springs Community, 10/1/10-9/30/12

<table>
<thead>
<tr>
<th>Community</th>
<th>Total Costs in Dollars</th>
<th>PAC</th>
<th>Typical Volume</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>$4,500,000</td>
<td>1,200</td>
<td>600</td>
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<tr>
<td>B</td>
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<td>I</td>
<td>$500,000</td>
<td>2,000</td>
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</tr>
</tbody>
</table>

### Total Costs
- COPD: $500,000
- DM: $1,000,000
- Asthma: $1,500,000
- HTN: $2,000,000
- CAD: $2,500,000
- GERD: $3,000,000
The average of three years of relevant spend was $4.9 million per year. Total budgeted amount is $4.3 million.
We can all argue about the math, but the bottom line is pretty clear that “bundled payment” holds a lot of promise.
Recent Conclusions of Researchers

- We believe that healthcare **bundles are the most promising strategy** for systemically and sustainably reducing costs and improving healthcare quality.”  **Booz & Company**, 2013

- “If appropriately designed, **bundled payments could support the goals of health reform** by encouraging providers to consider not only the services they deliver but the overall efficiency, effectiveness, and coordination of care patients receive across providers and settings.”  **The Commonwealth Fund**, 2012

- By using a ‘bundle’ — a small set of evidence-based interventions for a defined patient population and care setting — the **improvements in patient outcomes exceeded expectations** of both teams and faculty.”  **The Institute for Healthcare Improvement**

- “It is possible to achieve very **substantial health care savings** by moving from a fee-for-service model to bundled payments for episodes of care....”  **Harvard University, Department of Economics**
THANK YOU!

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