HEALTHCARE
BUSINESS SUMMIT
APRIL 25-29, 2011
MANDALAY BAY RESORT • LAS VEGAS

Healthcare Payment Reform: Bundled Payment as a Driver of Integration

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(HCI3)

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Director, Risk and Reimbursement
Providence Health Plans

Presentation slides are available at the end of this document.

Healthcare Payment Reform: Bundled Payment as a Driver of Integration

OVERVIEW

The Providence Health & Services' philosophy of better patient experience and access to care, improved health outcomes and reduced per capita cost of care underlies Providence's patient-centered care model, including payment reform. Providence Health Plan is part of the Providence Health & Services integrated system. Providence will use the PROMETHEUS episode bundling model to report the results of its global budget pilot in 2011. What makes this reporting different from other global budget models is the reporting by what we call "care packages" or episodes rather than by type of service we are putting the patient at the center of the analysis. This allows a focus on improvements in processes of care which must coexist with the introduction of new financing arrangements. It is the combination of both strategies that lead to sustainable and meaningful improvements in patient outcomes and per capita cost efficiencies. The Providence Health& Services' integrated system is unusual in that it has all of the components (hospitals, physician groups and health plan) necessary to accelerate improvement through payment reform coupled with transformation in the delivery of care.

LEARNING OBJECTIVES

- Participants will gain perspective from a nationally-recognized health plan on questions such as:
  How can we optimize the resources of an integrated delivery system to drive the value proposition?
  Can we use economics to drive integration?
  Do we wait for the external forces of healthcare reform to act or do we move proactively?
- Participants will glean insight from lessons learned in the early implementation period of the Providence Health & Services global budget pilot.
- Participants will learn some initial steps in joining claims data and medical records data into actionable information.

FACULTY

Doug Emery
Program Implementation Leader, Western Region
Health Care Incentives Improvement Institute (HCI3)

Doug Emery has been working in healthcare reform policy 20 years. Beginning in 1991, at the Institute of Political Economy, he and other colleagues began to work out a new microeconomic model for healthcare economics and episode of care purchasing. Since then, Mr. Emery has worked in the public sector (Public Employees Health Program of Utah), non-profit sector (eHealth Initiative) and the private sector as an executive and consultant (Oxford Health Plans, HealthSouth, HealthMarket, Medstat, Definity Health, etc.) He served as the principal investigator for the HRSA/OAT Connecting Communities for Better Health Cooperative Agreement, completed in May, 2007. Mr. Emery has published many articles and two books on moving towards episode of care, or Evidence-informed Case Rate purchasing. Currently, he serves as program implementation leader, western region for HCI3 (Prometheus Payment and Bridges to Excellence). He is also adjunct professor at Jon Huntsman School of Business and Economics at Utah State

University. From 1990 to 1998, Mr. Emery served in the Army National Guard in fire direction control for self-propelled 8-inch howitzer battalions.

Eddie Bell
Director, Risk and Reimbursement
Providence Health Plans

In 1990, Eddie Bell joined Providence Health Plan and managed the development and introduction of a limited provider network product. In the role of director of risk and reimbursement, Eddie oversees departments that tie the health plan's fixed revenue from government programs to payments for medical services and quality under negotiated provider agreements. For commercial business these departments analyze utilization and payment data to establish global budgets for pricing and, with the medical quality departments, develop, negotiate and administer pay for performance programs.

INTENDED AUDIENCE

Vice president, director/manager of finance, accounting directors, finance managers and analysts

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To be eligible for CE NASBA credit:

- Attendees must be badge scanned for attendance and submit a completed evaluation form for this session.
- Attendees may download their Certificate of Completion from the site above or may contact Patrick Cross (pcross@medassets.com).

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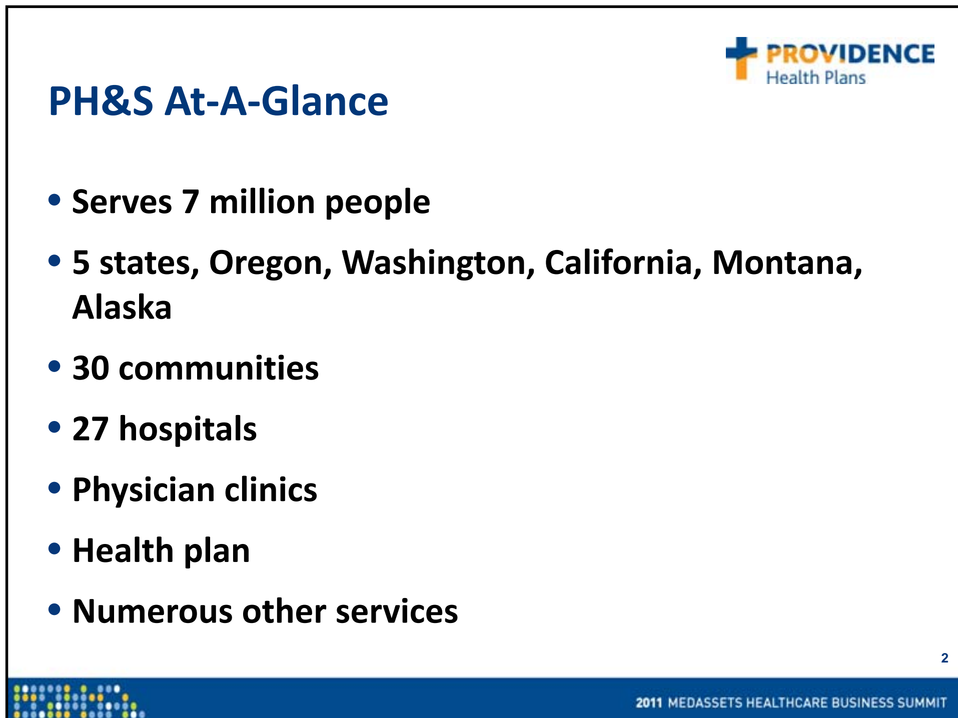
PROVIDENCE
Health Plans
PH&S At-A-Glance
• Serves 7 million people
• 5 states, Oregon, Washington, California, Montana, Alaska
• 30 communities
• 27 hospitals
• Physician clinics
• Health plan
• Numerous other services
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PHP At-A-Glance

- 25 years old
- 380K members/800K customers
- $1.2 billion
- Commercial, ASO, individual, Medicare, Medicaid, PPO network, work comp
- HMO for government programs
- EPO/POS for commercial markets
- New medical home product for public employees
- Proprietary network in Oregon/SWW

Case for Change

- Health care premium trend
- Health care reform/exchanges
- Prepare for Medicare ACO in 2012
- Evidence of opportunity

Global Budget Pilot:
What Is It?

- **Defined population**
  - PHP PMG North Commercial Insured (attributed by claims data confirmed through EMR)
- **Established Budget**
  - All Medical and Pharmacy Services
  - Risk adjusted
  - Ties to premium
  - Uses Prometheus logic where applicable
- **Savings**
  - Real dollars
  - Reported by condition
  - Common bottom Line
  - No downside risk to delivery system

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How is it Different from 1990?

1. **Reporting Quality Measures by condition reported from Electronic Health Record….for example**
   - **Diabetes** -- 1. Blood Pressure (BP) control and cessation advice and treatment 2. LDL control 3. HbA1c control 4. Documentation of Ophthalmologic exam 5. Documentation of Smoking status 6. Documentation of Nephropathy assessment 7. Documentation of Podiatry exam
   - **COPD** -- 1. Lung Function/Spirometry Evaluation 2. Inhaled Bronchodilator Therapy 3. Smoking Cessation Advice and Treatment 4. Assessment of COPD Exacerbations 5. COPD Exacerbation Therapy 6. Assessment of Oxygen Saturation 7. Long-Term Oxygen Therapy 8. Pneumococcal Immunization 9. Influenza Immunization
2. **PMG Compensation Model in 2011**

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How is it Different from 1990?

3. **Medical criteria for reporting over and under use:**
    - By condition or Episode of Care / Care Package
    - Examples: admissions for Diabetes, COPD, CABG
    - Examples: complications of pregnancy
    - Examples: patient safety failures for AMI, Pneumonia, Bariatric Surgery
    - Driven by Prometheus logic

4. **Regular Review of Opportunities by Condition**
    - Quality Measures
    - Avoidable Costs

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What It Does Not Yet Address:

- **Cost of producing services**
- **Conditions not yet well analysed**
  - Cancer
  - Spine
  - Behavioral Health
- **Insurance Risk**
- **Mechanism to charge savings back to market and set long term sustainable budget (CPI?)**
- **Medicare population**
- **Incentives to individual specialists**
- **New payment methods**

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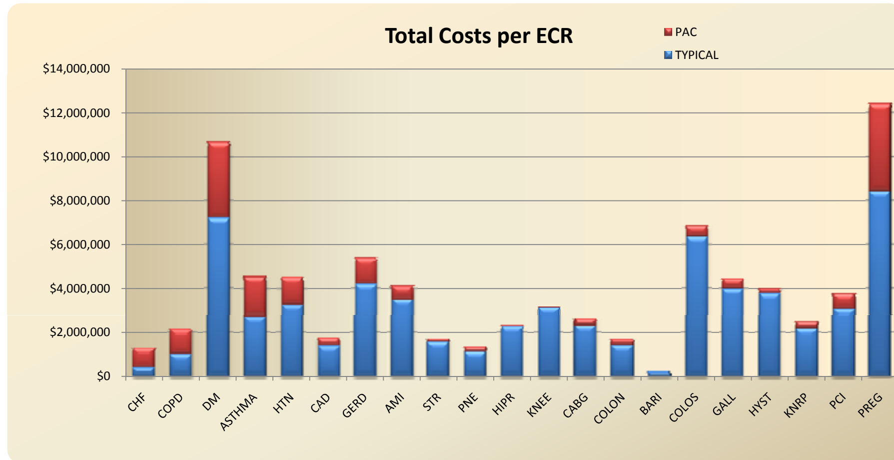
OPPORTUNITY
Potentially Avoidable Cost



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Helps to Organize CTC Initiatives

- PMG Medical Home
- Care Management Redesign
- COPD Pilot with The Oregon Clinic
- Management of 1st Time Pregnancy
- Arthroscopy at PHS ASCs
- Total Joint Replacement, Bundled Payment with Warranty
- Coronary Revascularization
- Intel Collaborative – Phase 1 (Uncomplicated Back Pain) Phase 2 (Musculoskeletal)
- Conservative Surgical Spine Indications/Outcomes
- Transforming Care of Advanced Lung Cancer
- Breast Health
- Transforming End of Life Care for Oncology Patients: Palliative Care Model

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Ties to P4P Physician Contracts

- Orthopedics: total joint and arthroscopies knee and shoulder
- Obstetrics: inductions and hysterectomies
- Cardiology: angiography
- Gastroenterology: upper GI endoscopy
- Pediatrics: asthma
- Oncology: chemotherapy

How It Would Work

GLOBAL BUDGET BY EPISODE/CONDITION		CHF	Diabetes	Hypertension	CAD	Asthema	Pregnancy	Other	TOTAL
Member Months									180,000
Target									
	Typical	$ 860,936	$ 2,431,165	$ 1,232,703	$ 2,307,405	$ 1,747,308	$ 3,301,884		
	PAC	$ 1,095,736	$ 993,011	$ 234,801	$ 285,185	$ 551,782	$ 1,100,628		
	Total	$ 1,956,672	$ 3,424,176	$ 1,467,504	$ 2,592,590	$ 2,299,090	$ 4,402,512	$ 36,198,432	$ 48,916,800
Actual									
	Typical	$ 613,417	$ 2,431,165	$ 975,890	$ 1,945,739	$ 1,288,640	$ 3,301,884		
	PAC	$ 1,245,422	$ 1,506,637	$ 418,239	$ 517,222	$ 895,495	$ 1,937,105		
	Total	$ 1,858,838	$ 3,937,802	$ 1,394,129	$ 2,462,961	$ 2,184,135	$ 5,238,989	$ 33,703,675	$ 46,470,960
Variance									
	Typical	$ 247,519	$ -	$ 256,813	$ 361,666	$ 458,668	$ -		
	PAC	$ (149,685)	$ (513,626)	$ (183,438)	$ (232,037)	$ (343,714)	$ (836,477)		
	Total	$ 97,834	$ (513,626)	$ 73,375	$ 129,630	$ 114,954	$ (836,477)	$ 2,494,757	$ 2,445,840
Responsible party/change agent									
	PMG person								
	Clinical Program Executive	HEART	PMG	PMG	HEART INSTITUTE	PMG	WOMEN & CHILDREN	CANCER: SPINE: ORTHO	
	Health Plan QMM Leader								
Initiatives currently under way			PMG Medical Home	Care Management Redesign	CoronaryRevasclarization	Care Management Redesign	1st Pregnancy Management	Breast Health/Lung Cancer/Palliative Care: Surgical Indications: Arthroscopy/total joint bundles	
Track II Measures (QUALITY)		1. Beta Blocker Therapy	1. Blood Pressure (BP) control and cessation advice and treatment	1. Blood pressure (BP) control	1. Blood pressure (BP) control	1. Asthma Assessment and Classification			
		2. Ace Inhibitor/ARB Therapy	2. LDL control	2. LDL control	2. LDL control	2. Lung Function Testing			
		3. LVF Assessment	3. HbA1c control	3. Complete lipid profile	3. Complete lipid profile	3. Medication Therapy			
		4. Weight Measurement	4. Documentation of Ophthalmologic exam	4. Use of aspirin	4. Evaluation of activity level and anginal symptoms	4. Influenza Vaccination			
		5. Assessment of Clinical Symptoms of Volume Overload	5. Documentation of Smoking status	5. Documentation of urine protein test	5. LDL drug therapy	5. Patient Self-Management Plan			
		6. Assessment of Activity Level	6. Documentation of Nephropathy assessment	6. Documentation of annual serum creatinine test	6. Use of aspirin or other antiplatelet therapy	6. Smoking Cessation Advice and Treatment			
		7. Patient Education	7. Documentation of Podiatry exam	7. Documentation of smoking status and cessation advice and treatment	7. ACE inhibitor/ARB therapy	7. Appropriate Testing for Children with Pharyngitis			
				8. Documentation of diabetes screening test	8. Documentation of smoking status and cessation advice and treatment				
				9. Documentation of counseling for diet and physical activity	9. Betablocker treatment after a heart attack				

How It Would Work

	GLOBAL BUDGET BY EPISODE/CONDITION		
			Diabetes
Member Months			
Target			
	Typical	$	2,431,165
	PAC	$	993,011
	Total	$	3,424,176
Actual			
	Typical	$	2,431,165
	PAC	$	1,506,637
	Total	$	3,937,802
Variance			
	Typical	$	-
	PAC	$	(513,626)
	Total	$	(513,626)
Responsible party/change agent			
	PMG person		
	Clinical Program Executive	PMG	
	Health Plan QMM Leader		
Initiatives currently under wa		PMG Medical Home	
Track II Measures (QUALITY)		1. Blood Pressure (BP) control and cessation advice and treatment	
		2. LDL control	
		3. HbA1c control	
		4. Documentation of Ophthalmologic exam	
		5. Documentation of Smoking status	
		6. Documentation of Nephropathy assessment	
		7. Documentation of Podiatry exam	

Oversight Committee

- **Committee Purpose**
  - The committee would review data to identify actionable opportunities then act on them.
  - Prometheus output by care package / episode of care (EOC) (from health plan)
  - Clinical Performance Measurement data on other EOCs (spine, cancer) and various supporting data such as specialty profiles(from health plan)
  - Quality Data (from PMG EHR)
  - Financial performance compared to health plan premium (from health plan)
- **Composition**
  - Jim Carlisle, MD, Medical Director PMG: Opportunities in PMG medical home particularly around the chronic conditions
  - Gil Rodriguez, MD, CMO Specialists: Opportunities involving employed specialists, e.g. cardiology for CAD or CABG
  - Doug Walta, MD, Chief Physician Strategy Officer / Lisa Vance, Chief Executive Clinical Programs: Opportunities involving the non-employed specialists and clinical programs
  - Eddie Bell: Opportunities involving revision of PHP P4P programs

First Six Months 2011

1. **Establish overnight committee reporting to CTC**
2. **Write and execute communication plan**
3. **Establish data exchange protocols with vendor**
4. **Build internal data warehouse**
5. **Establish budgets by condition**
    1. Prometheus
    2. Ingenix ETGs
6. **First Quarter Reports to Oversight Committee**
7. **Oversight Committee Outreach to Clinical Programs**

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