Catalyst for Payment Reform

# Changing How We Pay for Health Care

Memphis Business Group on Health
September 8, 2011

# Big Picture & Path Forward

- Anticipate prolonged use of current system
- Bake-in improvements
- Experiment & extensively evaluate new models
- Assume no one size fits all
- Work collaboratively among purchasers and with plans

CATALYST FOR PAYMENT REFORM

# Change is Coming in Public Sector

## Payment/System Innovation Timeline

**2010**
- Productivity Improvement

**2011**
- CMS Innovation Center
- 10% Increase for Primary Care (Medicare)
- State-Based All-Payer Pilots

**2012**
- Value-Based Purchasing (Hospitals)
- Reduce Payment For Preventable Readmissions
- ACO Provider Shared Savings
- Capitation For Safety Net Hospitals

**2013**
- Bundled Payment For Acute Care Episodes
- Medicaid Primary Care Payment Up to Medicare Levels (2013/14)

**2014**
- Independent Payment Advisory Board Recommendations

**2015**
- Value-Based Purchasing (Physicians)
- Reduced Medicare Payment for HAIs

# The Audience's Turn

- Optimistic/pessimistic about pending delivery reforms?
- Optimistic/pessimistic about pending payment reforms?

# CPR Purchasers' View of Public Sector Reforms?

- More coordinated, efficient care is essential;
- We should experiment, test and learn before we adopt;
- Opportunities for partnership and influence;
- Concerns about cost shifting from public to private sector.

# What do CPR Purchasers Want?

- To lower health care costs;
- To understand  and feel good about the value of the health care they are purchasing;
- To have present, productive and content employees who are learning to be active shoppers for health care;
- To have health plans act effectively as their agents in the marketplace.

# Catalyst for Payment Reform

## 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.

## Mission

To accelerate reforms to payment that promote the Institute of Medicine's six aims. CPR is creating a national framework for payment reform along with tools that catalyze change in the marketplace and align public and private-sector strategies.

## Platform For Change

1. **Leverage purchasers to catalyze payment reform.**
2. **Measure the progress of the nation's efforts to improve value through payment reforms.**
3. **Promote public-private alignment in the way we pay for healthcare to improve value for all, irrespective of the source of coverage.**

# Initial Employer-Purchasers

- The Boeing Company
- CalPERS
- Delta Air Lines
- Dow
- eBay
- Equity Healthcare
- GE
- Group Insurance Commission, MA
- Intel
- Safeway
- Verizon
- Wal-Mart
- Xerox

**Purchaser recruitment slated for September-November**
**Goal: 40-50 participants**

- **PBGH is a founding partner of CPR and is working collaboratively to advance payment redesign**
- **CPR is housed at PBGH**

# Health Care Purchasers Have Succeeded as Catalysts Before

- Influenced use of standard measures of performance;
- Drove public reporting;
- Now there is work to do on payment.

# Purchasers Have A Catalyst Role to Play Again

CPR Will Coordinate 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 - RFI module, model specs, contract language
- Toolkit for local action - Market Assessment Tool & pilots, Action Briefs

## Amplify & Align Market Signals

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

# CPR Purchaser Participants Agree to…

- Support CPR's mission & principles for payment reform;
- Are vocal about need to reform payment in public forums and discussions with health plans;
- Give consistent signals about importance of payment reform by using CPR's suggested health plan RFI and contract language; and,
- List company's name publicly.

# Multi-Stakeholder Principles Behind Our Work

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

# CPR is Supporting Coordinated Action

Catalyst has developed a **Payment Reform Toolkit** to support purchasers and other stakeholders work together to take calculated and coordinated actions to improve value through reforms to payment.

**Payment Framework**

- Help purchasers understand range of payment models and associated benefits and challenges

**Action Briefs**

- Outline steps to implement payment reforms and ways to mitigate potential unintended consequences

**Market Assessment**

- Identify opportunities based on market conditions, health plan capacity, and delivery system organization

**Sourcing Tools**

- Support purchaser initiatives though standardized RFI/RFP language and contract modules

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

# Payment Framework

BASE PAYMENT MODELS

| Fee For Service | | Bundled Payment | | | Global Payment | |
|---|---|---|---|---|---|---|
| **Charges** | **Fee Schedule** | **Per Diem** | **DRG** | **Episode Case Rate** | **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.)

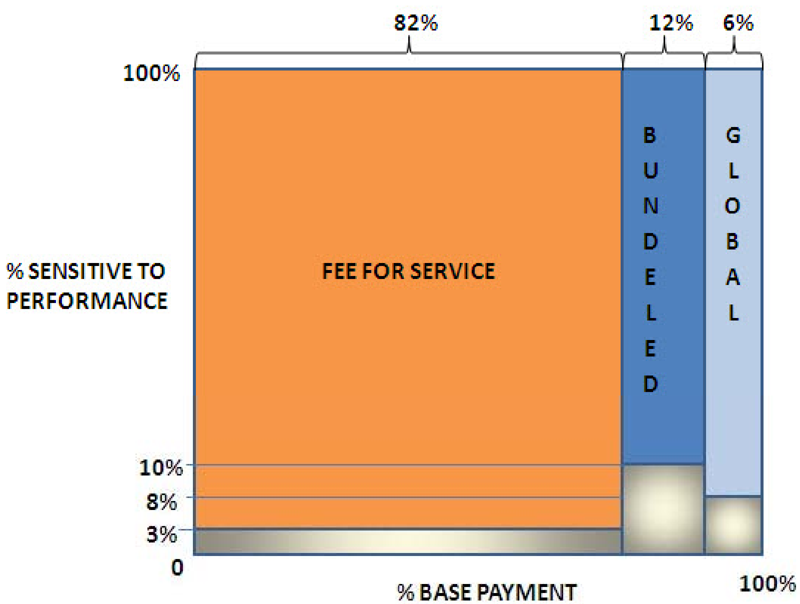
# The Audience's Turn

- What percent of payment to hospitals and doctors today is tied to performance?

- What percent of payment to hospitals and doctors today should be tied to performance?

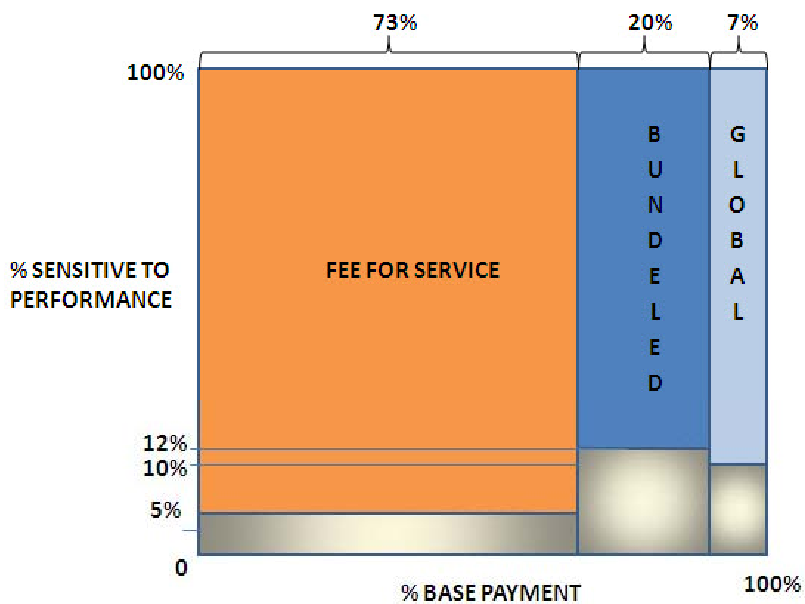
# Imagine...

## 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*

# Action Briefs

✓ Action Briefs detail steps purchasers can take for more positive reforms regarding

- bundled payment
- global payment
- Accountable Care Organizations
- medical homes
- ensuring competition in the marketplace

- fee-for-service (coming soon)

# Market Assessment

✓Market Assessment Tool helps employers and others create a comprehensive inventory of market characteristics that may impact health care delivery and payment reforms

✓Grant to conduct assessments in 3 markets in 2011, including Memphis (Memphis Business Group on Health)

- Market dynamics - regulatory, market power, presence of coalition, etc.
- History of and current payment reform activities
- Readiness to participate in reform initiatives spurred by passage of health reform

# Health Plan Sourcing Tools

## RFI Questions

- ✓What proportion of payments tied to performance?
- ✓What proportion of payments designed to align incentives to reduce unnecessary costs?
- ✓Partnership for Patients (hospital patient safety)
- ✓Oversight of ACOs
- ✓Questions to be developed:
  - Short-term payment reforms

*Synched with eValue8; evolving with CPR agenda*

## Contract Language

- ✓Model language to insert in contracts between employers and plans
- ✓Will develop language on:
  - targets around payments tied to performance or designed to cut waste - 20% by 2020?
  - Partnership for Patients
  - Oversight of ACOs
  - Short-term payment reforms

# A Shared Purchaser Agenda

In addition to:

- ✓ pushing for payment to be tied to performance and designed to cut waste
- ✓ alignment with Partnership for Patients (HHS hospital patient safety program)
- ✓ oversight of ACOs, and
- ✓ ensuring provider competition…

CPR will emphasize

- ✓ "quick wins" – shorter-term payment reform built on existing payment platforms

# Quick Wins Priorities 2011

- After expert interviews, literature review, employer data analysis and a modified six sigma ranking process, CPR purchasers agreed to focus first on:
  - ✓ maternity care payment, and
  - ✓ reference pricing

- CPR supports purchaser implementation through
  - ✓ health plan RFI questions
  - ✓ contract language, and
  - ✓ direct dialogue with plans

- California HealthCare Foundation support for consulting help from Towers Watson

# Quick Wins Priorities 2011

- Maternity care payment
  - ✓ Focus on changing how we pay doctors and hospitals
  - ✓ e.g. blended payment to hospitals splitting difference between c-section and vaginal birth payment levels
  - ✓ Needs to be combined with benefit design, change in hospital policy, consumer education

# Quick Wins Priorities 2011

- Reference pricing
  - ✓ Continuum of options
    - reference pricing for "commodity services" and price only
    - including quality thresholds
    - tiered/narrow networks
  - ✓ Initial steps
    - price transparency
    - doing away with gag clauses
    - pilots

# The Audience's Turn

- Do you think the health care system would function better or worse if patients could see prices?

# Enhancing Provider Competition

- Help purchasers use purchasing practices to enhance competition among providers in era of consolidation

- Market –based solutions to provider market power
  - Price transparency
  - benefit design (narrow or tiered networks)
  - health plan expectations (e.g. shared savings should depend on meeting quality thresholds)
  - participate in development of ACOs
  - TBD…

# Monitor Cost Shifting

- Providers are first to share that they make up for shortfalls from public payments by shifting costs to private sector

- Hoping to develop proposal for how to monitor degree and impact of cost shifting

# Final Thoughts

- Bending the cost curve is a long-term challenge, and it must include payment reform
- Effective implementation requires adopting 'ready, aim, fire' approach
- Optimize current payment approaches (FFS, DRGs) as new models are tested
- Private purchasers and payers have a significant role and must work together

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