

# There's a New Game in Town! Rewarding High Value Healthcare

Presented by  
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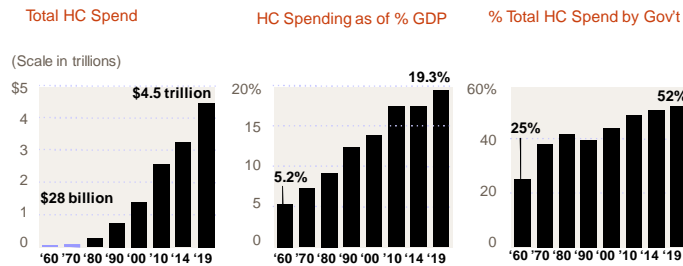
## Where We Are Today

- ◆ **Obesity Pandemic:** *"Obesity indirectly costs the U.S. at least \$450 billion annually—almost triple the nation's direct medical cost."*  
McKinsey analysis; Centers for Disease Control and Prevention
- ◆ **Imaging Costs:** *"Imaging has risen dramatically in the past decade with 97 million MRI and CT scans in the U.S. in 2007, up 90% since 2000."*  
Wall Street Journal
- ◆ **Unnecessary Surgeries:** *"The number of spinal fusions at U.S. Hospitals doubled to 413,000 between 2002 and 2008, generating \$34 billion in bills. Unnecessary surgeries cost at least \$150 billion a year."*  
Federal Healthcare Cost and Utilization Report
- ◆ **Uninsured Population:** *"Texas has an uninsured rate of 25 percent. This rate is among the highest in the nation."*  
HealthLeaders InterStudy
- ◆ **Rising Employer Costs:** *"Premiums for businesses and their employees increased 41% from 2003 to 2009. If costs continue to rise at this same pace, annual premiums shared by employers and employees would increase 79%, costing an average family \$23,342 by 2020."*  
Commonwealth Fund Report

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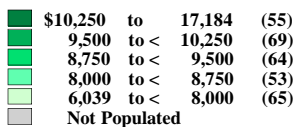
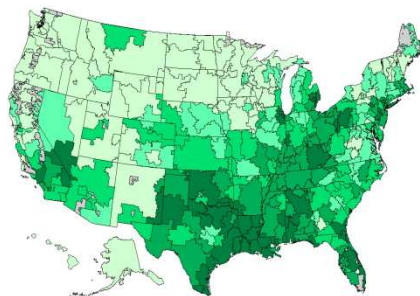
# U.S. Health Care Spending

- ◆ U.S. Spends more on health care than OECD countries
- ◆ Trend continues to be higher than CPI
- ◆ Medicare & Medicaid are driving government deficits
- ◆ Current cost trends are unsustainable



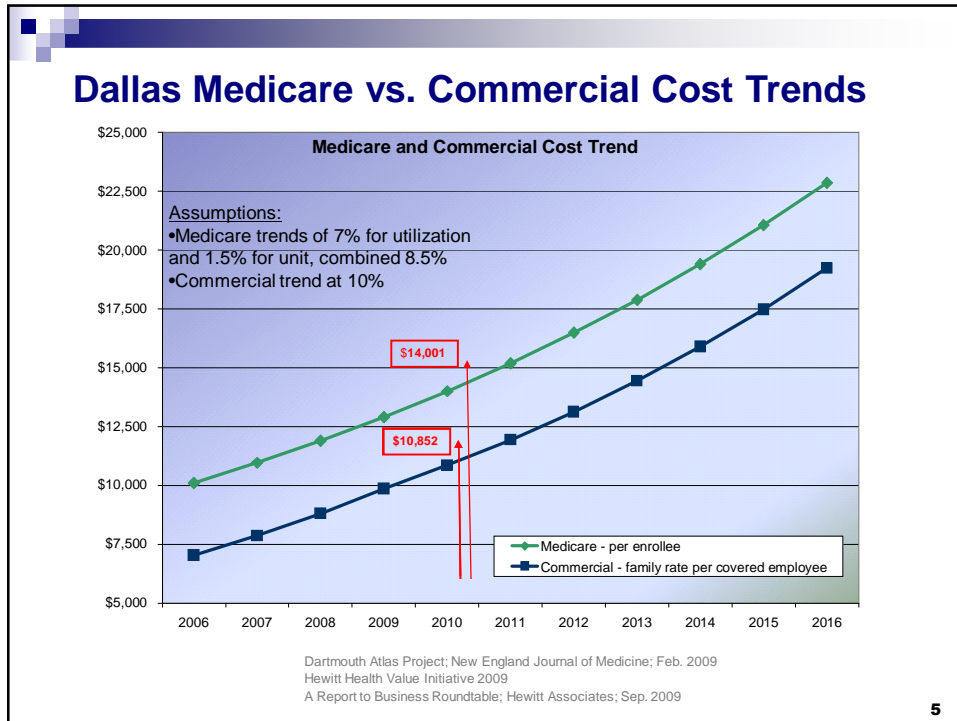
2014 and 2019 data are estimates  
Source: Centers of Medicare and Medicaid Services

## Price-Adjusted Per-Capita Medicare Spending (2006)



## Texas Per-Capita Medicare Part A & B Reimbursements (2006)

Area	Population	Rates
*National Average	25,935,924	\$8,304
*Waco , TX	33,849	\$6,551
McAllen , TX	42,518	\$14,946
Harlingen , TX	44,070	\$11,991
Corpus Christi , TX	45,801	\$10,327
Dallas , TX	298,277	\$10,103
Lubbock , TX	71,550	\$9,980
Houston , TX	363,727	\$9,881
Beaumont , TX	48,779	\$9,168
Tyler , TX	71,443	\$9,139
Victoria , TX	19,465	\$8,823
San Antonio , TX	188,818	\$8,793
Fort Worth , TX	128,114	\$8,689
Austin , TX	97,443	\$8,681
Odessa , TX	33,524	\$8,515
San Angelo , TX	20,077	\$8,492
Amarillo , TX	48,373	\$7,673
Abilene , TX	39,477	\$7,560
El Paso , TX	80,878	\$7,504
Temple , TX	23,997	\$7,015



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## The Current Fragmented “System”

- ◆ “Chronically ill patients receive episodic care from multiple providers who rarely coordinate the care they deliver.”
- ◆ “Because of this structural deficiency, patients with chronic illnesses receive only 56 percent of clinically recommended medical care.”

*Health Affairs, April 2010*

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## What Does This All Mean?

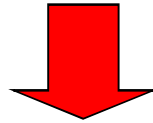
Cost drivers aren't addressed

No transparency

No rewards for high quality care

No consequences for poor care

Consumers are poorly informed and unaccountable



Employers will go **Bankrupt or Drop Coverage**  
if we don't address these known challenges!

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## Healthcare Reform

*A new beginning or déjà vu?*



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## Healthcare Reform Opportunities

### *Catalyst for new approaches to healthcare delivery*

- ◆ Fosters high quality **patient-centered care**
- ◆ Focuses on **measuring performance and value**
- ◆ Promotes widespread adoption of **health information technology**
- ◆ Encourages **new payment models** that link financial rewards to patient outcomes and cost savings
- ◆ Incentivizes **coordinated care** among providers across healthcare settings
- ◆ Supports **public and private sector initiatives**

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## Healthcare Reform Threats

### Impact on Employers

- ◆ **Healthcare costs will increase** (expecting 10% increase in 2012)
- ◆ **Employee health and productivity** will remain a chief concern
- ◆ Big Decision: **Continue or drop coverage**
  - 30% - 50% will drop employer-sponsored insurance in 2014
  - 60% will offer alternatives
    - Defined contribution plans
    - Subsidies
    - Increase employee compensation in other ways, e.g., more time off, tax-advantaged retirement benefits
    - Shift toward part-time labor
    - Set premiums above 9.5% of Household income to favor Exchanges for lower paid workers and tailored coverage for high income workers
    - Expand and refine health & wellness programs for all

McKinsey Quarterly, June 2011

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## Rewarding Value: A few examples

### ◆ Public Sector Initiatives:

- Accountable Care Organizations: *Shared savings-Shared risk model*
- Physician Group Practice Demonstration (2000-2005): *Shared savings/QI model for diabetes management*

### ◆ Private Sector Initiatives:

- Group Health Cooperative of Puget Sound: *PCMH model*
- Buyers Healthcare Action Group: *Market share risk model*
- BCBS-TX: *Bonus payment model for diabetes & cardiac care*

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## There's a new game in town!



- ◆ Real healthcare reform is underway in North Texas.
- ◆ Key Stakeholders are collaborating to develop a new value-driven healthcare model for the community.
- ◆ Everyone can be a winner!
- ◆ But not everyone can play (yet).

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## The Players

- ◆ Hospitals and Hospital Systems
- ◆ Physicians and Physician Groups
- ◆ Health Plans
- ◆ Self-insured Employers
- ◆ Insured Employees

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## Getting Started

- ◆ **Steering Committee** formed in Dec. 2009
- ◆ Non-profit **501(c) 3** organization formed in Oct. 2010
  - Multi-Stakeholder Board to be elected in Sept. 2011
  - Advisory Council composed of supporting organizations
- ◆ A regional **Health Information Exchange** is being developed with state funding (\$730,000 grant) – *to begin operations in Dec. 2011*
- ◆ Initial participants are being recruited
- ◆ Players are “anteeing up”
- ◆ **Launch Date:** January 2013

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## North Texas Accountable Healthcare Partnership

- ◆ **Mission Statement:** *Promote and reward local healthcare clinical performance for the citizens of North Texas that is coordinated, transparent and value based.*
- ◆ Initial Focus: **Diabetes** and **Congestive Heart Failure**
- ◆ Focus on **commercially insured population** and self-insured employers
- ◆ Engage **Community leadership** to “bless” initiative
- ◆ **Steering Committee** of 4 to plan and coordinate project
- ◆ Multi-stakeholder **Workgroups** to develop new delivery model

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## Multi-Stakeholder Workgroups

- ◆ **Performance Metrics**  
*Developed evidence-based performance measures for Diabetes & CHF*
- ◆ **Care Coordination**  
*Agreed on NQF-endorsed model for physicians*
- ◆ **Payment Structure and Rewards**  
*Developed Shared Savings models for Diabetes & CHF with meaningful and significant rewards*
- ◆ **Plan Design**  
*Designed standard coverage provisions, co-pays and plan features*
- ◆ **Deployment Processes (new)**  
*Operationalize measurements, HIE data collection and reporting, payments and rewards, etc.*

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## The Game Plan

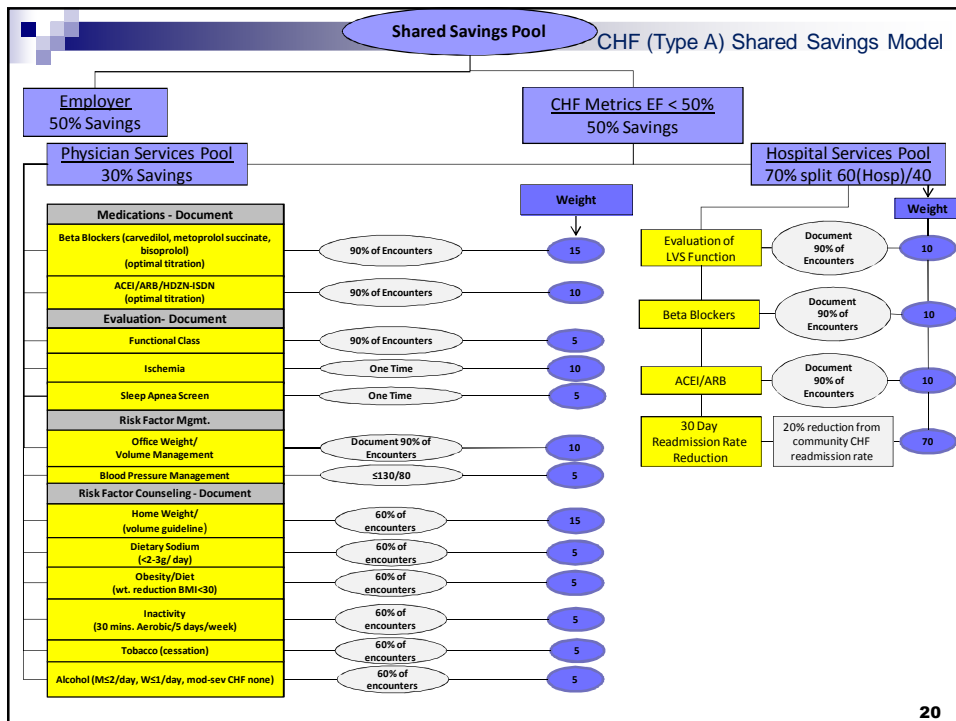
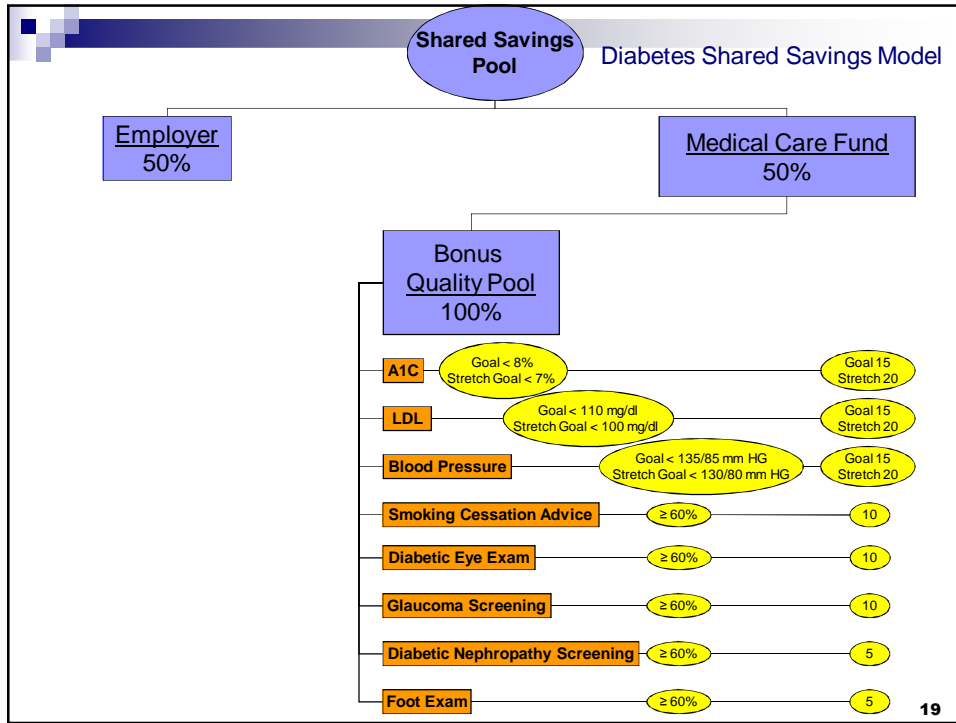
- ◆ Hospitals and physicians work together to deliver transparent, coordinated, evidence-based healthcare services.
- ◆ Employers offer standardized plan design and incentives that facilitate evidence-based healthcare and patient compliance.
- ◆ Health plans administer “healthcare transactions” between participating employers, employees/patients and providers.

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## Game Rules

- ◆ **Pay for Value**
  - Providers achieve defined performance measures and report results.
  - Providers communicate and cooperate to ensure coordinated care across settings
  - Employers steer employees to Partnership providers and hold employees accountable (via incentives) for complying with prescribed treatment
- ◆ **Reward Performance**
  - Employers and Providers share 50-50 in any cost savings
  - Health plans distribute audited savings to participating hospitals and physician groups
  - Hospitals and Physician Groups allocate savings to individual providers involved in care processes

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## **Partnership Responsibilities and Accountability: *Employers***

- ◆ Self-funded employers offer Partnership's standardized plan design
- ◆ Commit to participate in January 2013 launch
- ◆ Promote and incentivize employees to use Partnership providers and comply with prescribed treatment
- ◆ Reward quality and efficiency with shared savings to high performing providers

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## **Partnership Responsibilities and Accountability: *Physicians & Hospitals***

- ◆ Report defined clinical metrics electronically to HIE
- ◆ Utilize Partnership "Care Coordination" program and tools
- ◆ Deliver measurable high quality, cost effective care in order to participate in rewards and shared savings
- ◆ Publicly report outcomes

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## Partnership Responsibilities and Accountability: *Health Plans*

- ◆ Provide administrative services to participating employers to support goals of Partnership
- ◆ Establish baseline of global cost of care per employee for future cost savings
- ◆ Incorporate changes to plan administration to support Partnership Care Coordination services
- ◆ Conduct Health Risk Assessments to identify employees who would benefit from participation in Partnership program

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## Keys to Success

- ◆ **Adequate Funding:** \$500,000/yr needed for annual operating budget
  - Annual Dues: \$25,000/year
  - HIE User Fees (TBD)
  - Donations
- ◆ **Broad-based participation** by hospitals and physician groups
- ◆ **THE GLUE – EMPLOYER PARTICIPATION**
  - Employer involvement in the Partnership's Board
  - Participate in Partnership funding via annual dues
  - Continued involvement in Workgroups

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## Key Challenges

- ◆ **Shared Savings is built on FFS chassis**
  - No downside risk for providers
  - No cost or risk at all for health plans, unless fully insured are included
  - Employers bear the risk offset by potential savings and anticipated better outcomes
- ◆ **Providers do not have experience or infrastructure to effectively and efficiently coordinate care and manage population health**
  - Majority of DFW physicians practice in small groups or solo
  - Few have EMR (essential for performance reporting)
  - Providers lack access to complete clinical data to manage patient care
  - Only organized Physician Groups with EMR can participate initially

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## More Key Challenges

- ◆ **Savings may not be large enough** in early years to keep players in the game
  - Savings will diminish over time
  - Employers will demand audited savings and will deduct their direct costs of wellness programs and incentives, leaving a much smaller pool of shared savings
- ◆ **Employers are impatient and may not wait** for the Partnership to work out kinks in Shared Savings model and increase participation

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## **Bringing Value to Healthcare and Reaping Rewards: *For Employers***

- ◆ Experience higher quality, more efficient, cost-effective care, and better outcomes for employees
- ◆ Enjoy transparency in healthcare cost and quality
- ◆ Gain better understanding of the business of medicine
- ◆ Build closer direct relationships with providers through Partnership's data sharing
- ◆ Achieve healthier, more productive workforce

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## **Bringing Value to Healthcare and Reaping Rewards: *For Physicians and Hospitals***

- ◆ Participate in performance evaluations based on evidence-based clinical metrics instead of insurance claims
- ◆ Standardize clinical care as per standard plan design with assurance that treatment is a covered service
- ◆ Share data across the healthcare community via HIE to improve care quality and reduce unnecessary care
- ◆ Share in cost savings resulting from high quality, coordinated care
- ◆ Understand public reporting and trust that the playing field is level among competitors

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## **Bringing Value to Healthcare and Reaping Rewards: *For Health Plans***

- ◆ Achieve community-wide acceptance of standards of care and standardized provider evaluation
- ◆ Enjoy more meaningful patient engagement and improved outcomes as a result of physicians' use of Care Coordination services
- ◆ Gain administrative efficiencies through HIE
- ◆ Achieve goal of standardized physician and hospital measurement tool

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## **Bringing Value to Healthcare and Reaping Rewards: *For Patients***

- ◆ Enjoy collaborative relationship with physician, health plan and hospital
- ◆ Become motivated to comply with treatment and change behaviour and lifestyle
- ◆ Receive high quality, coordinated care consistent with current clinical standards
- ◆ Experience better health, fewer visits to ER, fewer hospital readmissions, etc.

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## **Bringing Value to Healthcare and Reaping Rewards: *For the Community***

- ◆ Experience efficiencies in healthcare delivery through exchange of relevant care information and transparency in quality information
- ◆ Benefit from extension of Partnership model's competencies beyond the scope of the Partnership

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## **The Pursuit of Value and Accountability!**

- ◆ As the ultimate payers, employers are key for holding individuals, healthcare professionals, and health plans accountable for performance.
- ◆ There must be a shift from fee-for-service to value-based payment with rewards for quality and cost efficiency.
- ◆ Real healthcare reform comes from collaboration among the willing stakeholders.

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# Questions?

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