

#PowerofthePurchaser18

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# Annual Meeting & All Council Conference

May 16, 2018

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*Quality  
powered.*



# How Purchasers Can Drive Toward Higher-Value Health Care

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May 16, 2018

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## AGENDA

Who We Are

How Purchasers Can Transform the  
Health Care Market

Why Local Market Dynamics Matter

How to Work with Your Health Plan

How to Track Progress and Hold the  
Health Care System Accountable

A Shared Agenda

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# WHO WE ARE

# About CPR

An independent non-profit corporation working to catalyze employers, public purchasers and others to implement strategies that produce higher-value health care and improve the functioning of the health care marketplace.

- 32BJ Health Fund
- 3M
- Aircraft Gear Corp.
- Aon Hewitt
- Arizona Health Care Cost Containment System (Medicaid)
- AT&T
- The Boeing Company
- CalPERS
- City and County of San Francisco
- Comcast
- Compassion International
- Covered California
- Dow Chemical Company
- Equity Healthcare
- FedEx Corporation
- GE
- General Motors Company
- Google, Inc.
- Group Insurance Commission, MA
- The Home Depot
- Mercer
- Miami University (Ohio)
- Ohio Medicaid
- Ohio PERS
- Pennsylvania Employees Benefit Trust Fund
- Pitney Bowes
- Qualcomm Incorporated
- South Carolina Health & Human Services (Medicaid)
- TennCare (Medicaid)
- US Foods
- Wal-Mart Stores, Inc.
- Wells Fargo & Company
- Willis Towers Watson

Catalyst for Payment Reform's work is governed by three core beliefs:

- **A small group of empowered purchasers can change the system**
- **Consistent signals to the market will catalyze change faster**
- **We need to track progress and hold the market accountable**

1. **Effective Payment Reform:** 20% of payments will flow through methods proven to improve value by 2020.
2. **Innovative Health Care Purchasers:** Health care purchasers will become more educated and activated on the use of benefit designs, payment methods, and other tactics that support higher-value health care.
3. **Better Health Care Marketplace:** Through greater visibility and competition, the health care marketplace will be more responsive to the needs of those who use and pay for health care.

# Purchaser Have a Track Record of Success

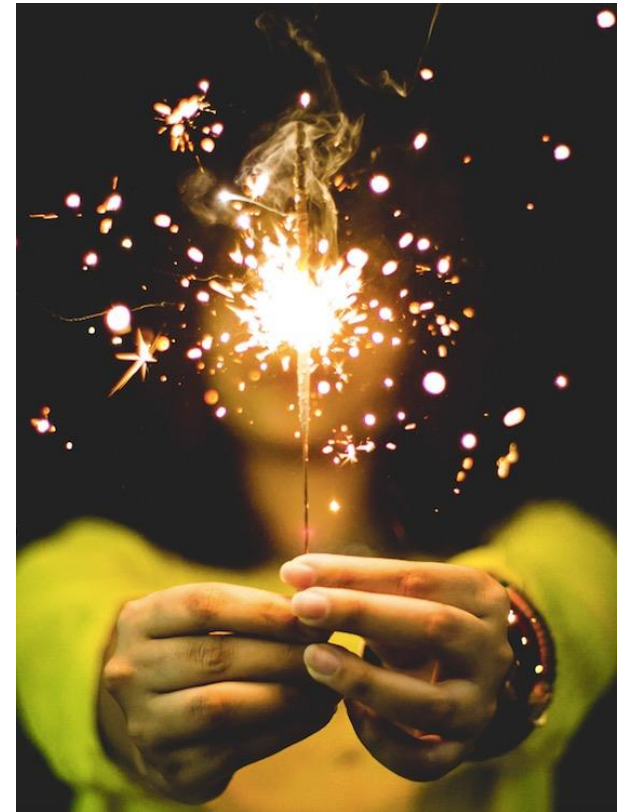
**Standard quality measurement and reporting** sparked by The Leapfrog Group

**Pay for performance** sparked by Bridges to Excellence (incubated by an employer)

**Payment reform movement in private sector** sparked by CPR

**Price transparency movement** sparked by CPR

And many other examples...





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# THE RIGHT WAY TO HIGH- VALUE HEALTH CARE

# Key Ingredients of High-Value Health Care Going Forward



**TRANSPARENCY:** insight into quality and prices, building block for other reforms



**BENEFIT DESIGN:** incentives for consumers



**PROVIDER NETWORK DESIGN:** guidance for consumers, leverage for payers, volume for providers



**PAYMENT REFORM:** financial incentives for providers

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# Transparency

# How Does Transparency Impact the Value of Health Care?

Transparent = “Easy to perceive or detect, unconcealed”

Transparency provides **insight** into what’s happening in the health care system.

- Helps employers, other health care purchasers, and consumers **understand the value** (cost and quality) of what they are buying.
- Highlights and reduces unknown and unwarranted quality and price variation in the health care system.
- Enables high-value benefit designs and payment reforms.



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# Benefit Design

# How Does Benefit Design Impact Value in Health Care?

## Today's Innovative Designs

- Value-based insurance design (V-BID)
- High-deductible health plan (HDHP)
- Tiered networks
- Narrow networks
- Reference pricing
- Alternative sites of care
- Centers of excellence

## Benefit designs specify:

The types of health care services covered

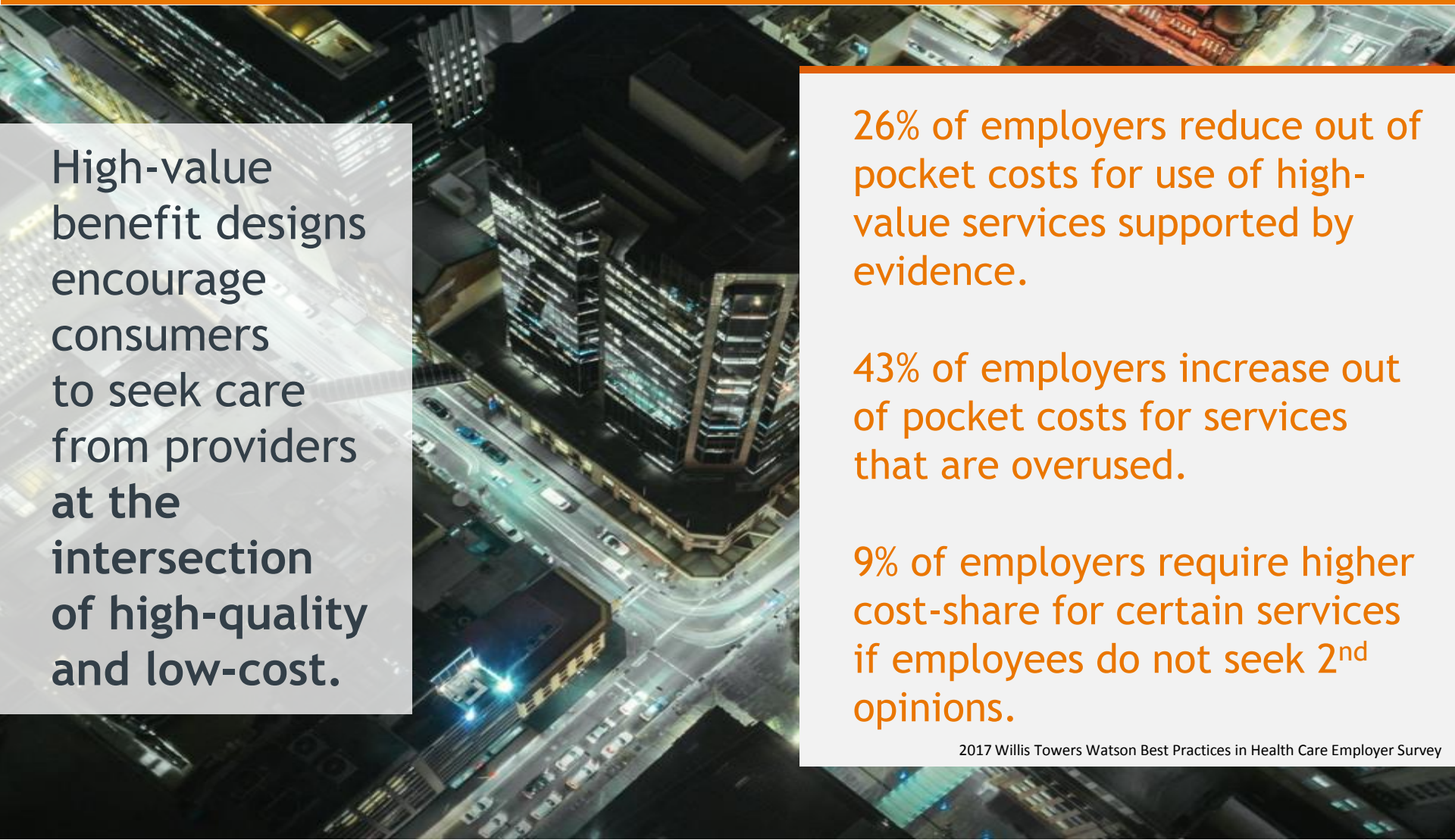
The providers from whom a consumer can receive services

The amount of consumer cost-sharing

Any other requirements or restrictions that dictate how & when a consumer can receive services

**High-value purchasers utilize benefit design to secure higher quality, more affordable care for their populations.**

# High-Value Benefit Designs are Taking Off



High-value benefit designs encourage consumers to seek care from providers at the intersection of high-quality and low-cost.

26% of employers reduce out of pocket costs for use of high-value services supported by evidence.

43% of employers increase out of pocket costs for services that are overused.

9% of employers require higher cost-share for certain services if employees do not seek 2<sup>nd</sup> opinions.

2017 Willis Towers Watson Best Practices in Health Care Employer Survey

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# Provider Network Design



# How Do Provider Network Designs Impact Value in Health Care?

High-value provider networks **benefit health plans and purchasers** because using them can lower health care spending and help them achieve value.


However, **consumers also benefit** from select provider networks:

- Lower premiums
- More efficient care
- Access to higher-quality providers
- Better health outcomes

For consumers, the key tradeoff is limited provider choice in exchange for lower out-of-pocket costs.

# Provider Network Designs Are Taking Off Too...

A high-value provider network is a select group of in-network providers in a given health plan.



**PROVIDER:** Agrees to deliver care at lower negotiated rates.



**PAYER:** Makes provider “in-network” giving provider increased patient volume.

**13% of purchasers offer high-performance provider networks; that number could rise to 56% by 2018.**

**31% of employers are using COEs; that number could grow to 73% by 2018.**

**22% of employers have onsite or near-site health centers; that number could grow to 40% by 2018.**

2017 Willis Towers Watson Best Practices in Health Care Employer Survey

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# Payment Reform

# What is Payment Reform?

Payment reform changes how we pay providers for delivering care and keeping patients and populations healthy.



A contractual arrangement between a purchaser or payer and a provider that **uses an alternative method of payment.**

**Creates the right kind of incentives** by reflecting or supporting provider performance, spurring quality improvements or greater efficiency, and reductions in unnecessary spending.

# Spectrum of Health Care Provider Payment Methods

## 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 or Payment Designed to Cut Waste  
(financial upside & downside depends on quality, efficiency, cost, etc.)

# Progress and Next Steps on Provider Payment Reform

The vast majority of reforms are layered on fee for service

**2010**  
*1-3% of payments tied to performance*

**2011**  
*11% of payment is value oriented*

**2013-2015**  
*40+% of payment is value oriented*

**2016 - 2018**  
*50%+ ?*

The level of payment reform in the market has been steadily rising

Most common reforms are pay for performance & shared savings; bundled payment is the least common

New payment methods support new health care delivery models such as patient-centered medical homes, accountable care organizations...

## WHAT'S NEXT?

- Fix the fee schedule
- Evaluate which reforms work
- Make smart pairings between provider payment methods and benefit designs

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# WHY LOCAL MARKET DYNAMICS MATTER

# Latest Stats on Provider Consolidation

## Health Spending can't be sustained...

- \$3.4 trillion
- \$10,372 per capita
- 18.1 % of GDP



## There's been A LOT of hospital consolidation\*

- 1,412 mergers from 1998-2015, which is about 28% of hospitals in operation in '98
- Only 35% of hospitals are independents by 2014
- ~1/2 of hospital markets are considered HIGHLY CONCENTRATED

## And physician practice consolidation...

- % of physicians who own their own practice fell from 76.1% to 50.8% in 31 years
- 56.7% increase in the number of doctors/dentists employed by hospitals 1999-2014

*Adapted from slides for CPR by Martin Gaynor, Carnegie Mellon, 2017*

[\\*http://www.aha.org/research/reports/tw/chartbook/ch2.shtml](http://www.aha.org/research/reports/tw/chartbook/ch2.shtml)

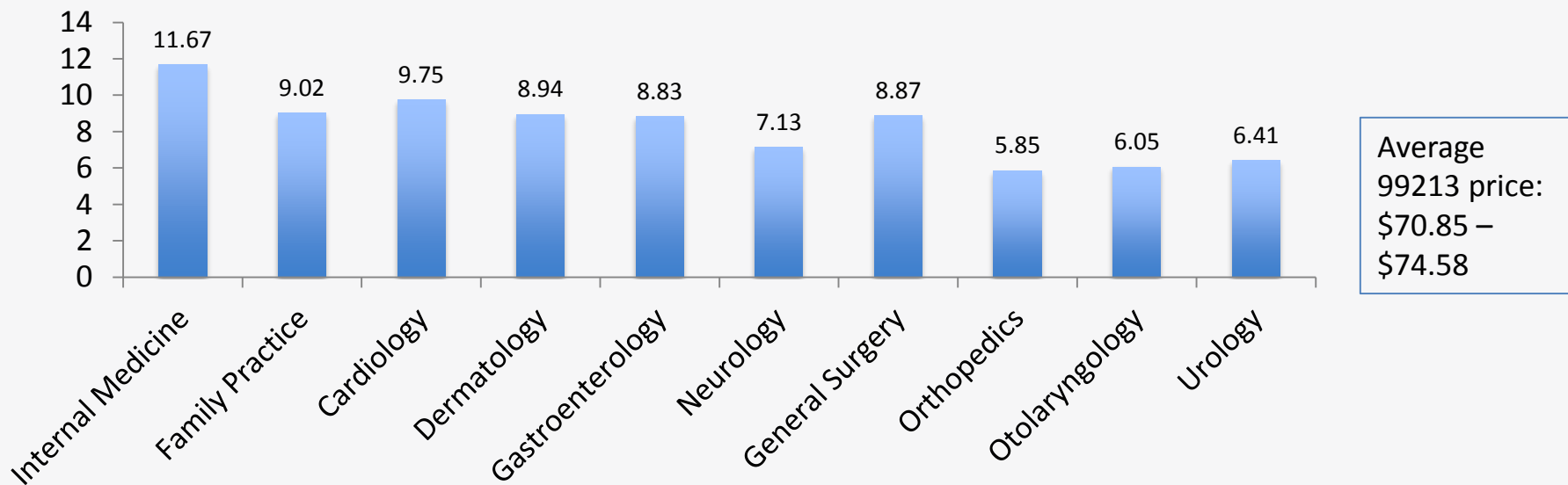


# Evidence of its Impact on Health Care Prices

In recent analysis, hospitals in monopoly markets had (private) price index 15-25% higher than hospitals in four-hospital+ markets

Higher physician concentration associated with higher private insurance prices

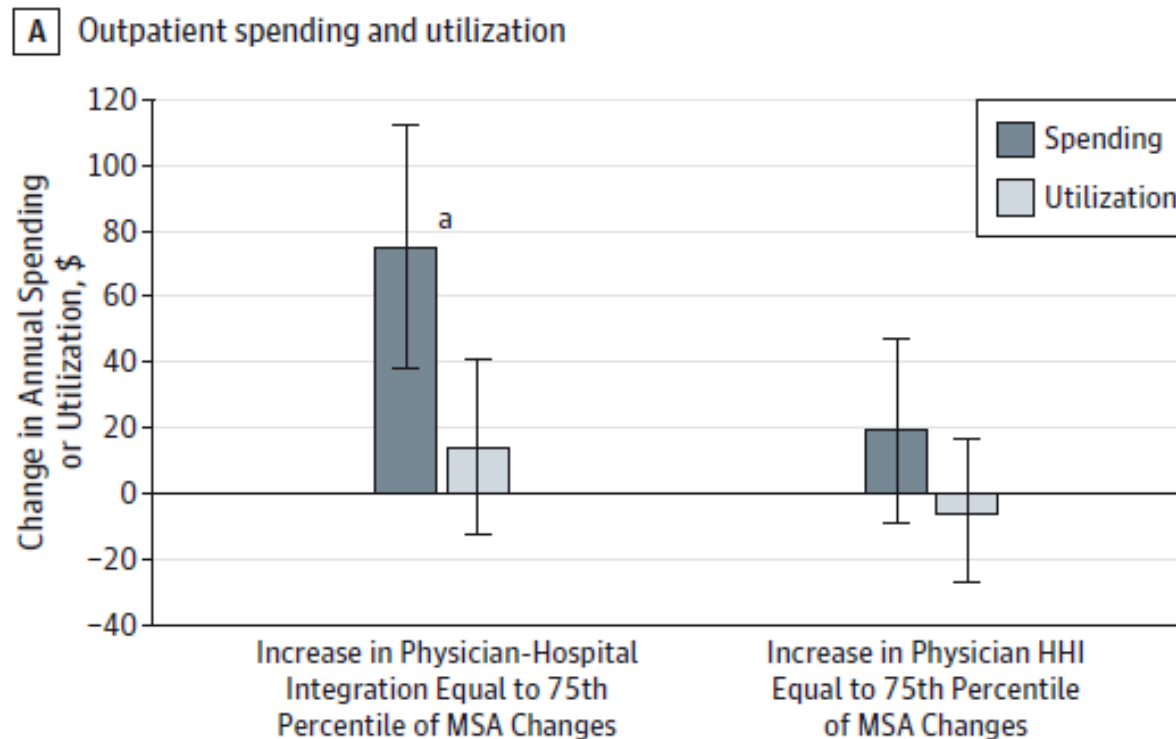
- Increase in Intermediate Office Visit Price Associated with moving from 10<sup>th</sup> to 90<sup>th</sup> percentile HHI county, 2010 Source: Cooper, Craig, Gaynor, Van Reenen, NBER WP 2015;



# Evidence of its Impact on Health Care Prices

Hospital-physician integration associated with higher physician prices paid by private insurers (e.g. Neprash, Chernew, et al 2015)

- Larger effects for outpatient spending than inpatient spending



\$75 =  
3.1%  
increase

# Evidence of its Impact on Quality & Efficiency

Medicare patients receiving care from high- vs. low-price physicians...

- 1) Experienced better care coordination, but
- 2) Reported no differences in care experiences, process measures of quality, or use of potentially preventable acute care/hospitalizations

## EXHIBIT 2

Differences in experiences with care between patients served by high-price practices and those served by low-price practices

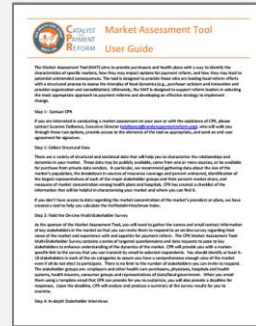


Adapted from slides for CPR by Eric Roberts, Harvard U., 2017

Ateev Mehrotra and J. Michael McWilliams, *Health Affairs* 36(5): 855-864.; and Eric T. Roberts, Ateev Mehrotra and J. Michael McWilliams. *Health Affairs* 36(5): 855-864.

# Dynamics Impact Reform Options

In every local market there is a **unique dynamic** among purchasers, payers and providers (along with laws and regulations).



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# HOW TO WORK WITH YOUR HEALTH PLAN

# Relationship with Health Plans at the Crux



Aligning sourcing and contracting approaches across purchasers **ensures health plans have a business case to implement** the high-value strategies you need to succeed.

**Standard RFI questions** are a common tool for sourcing and comparing health plan proposals.

**Model contract language** solidifies the purchaser's ask and articulates clear expectations for payment and delivery reform.

**User groups** help you and your plan stay on track and on the same page.

Health Plan Management Tools for Purchasers - see [www.catalyze.org](http://www.catalyze.org)

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# HOW TO TRACK PROGRESS AND HOLD THE HEALTH CARE SYSTEM ACCOUNTABLE

# Multiple Levels for Evaluation

Evaluation can occur at the macro (system) level

Both levels of evaluation together paint a full (or more complete) picture of the impact of payment reform.

Or it can occur at the micro (individual program) level.



# Payment Reform Evaluation Framework

Data demonstrating effectiveness of payment reforms are limited - **we need more evidence** about the impact of various approaches and to compare outcomes across programs.

The PREF establishes a **standard evaluation process for payment reform programs** that could support mid-course corrections, cross learning, and identify successful approaches.

**Available for purchasers free of charge at [www.catalyze.org](http://www.catalyze.org)**

## Domains Critical for Evaluation

Program design

Feasibility

Cost

Quality

And specific elements within those domains

# How to Hold Health Plans Accountable for their ACOs

## CPR's Standard Plan ACO Report

Developed to provide purchasers with an easy way to identify the performance of their health plans' ACO arrangements!

### What does it show?

- Meaningful Cost, Quality and Utilization metrics
- The impact of ACOs on the purchaser's population and spending

**AND, it requires that health plans show the whole picture, not cherry-picked results.**

### Based on the Nutrition Label



**Available for purchasers  
free of charge at  
[www.catalyze.org](http://www.catalyze.org)**

# Tracking of Implementation and Macro Impact of Payment Reform

Measuring payment reform implementation and its impact on health care costs and outcomes

## CPR is piloting Scorecard 2.0 in 3 states

### New Jersey

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Colorado

Virginia

### How will we measure payment reform's impact?

CPR's 2.0 metrics fall into three domains that together tell a story about the health care system.

**Economic Signals** like the prevalence of limited networks

**System Transformation**, like reducing low risk c-section rate

**Outcomes**, like controlling high-blood pressure

Funded by the Laura and John Arnold and Robert Wood Johnson Foundations

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# A SHARED AGENDA

# A Shared Purchaser Agenda

One purchaser alone cannot move the market to deliver value.



But many **purchasers working together** to achieve the same goals, asking for the same things, and leveraging a critical mass of demand **can create real change**.

This means collaborating with individual purchasers, as well as employer coalitions and other stakeholders.

**Our eyes are set on evaluation - the need for rigorous and consistent assessment of progress and outcomes. Time to demand transparency on results!**

# QUESTIONS?

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Tools and resources available at  
[www.catalyze.org](http://www.catalyze.org)

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