



CATALYST  
FOR  
PAYMENT  
REFORM

# EMPOWERING PURCHASERS: ADVANCING TRANSPARENCY, INFORMATION, AND INCENTIVES

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# Who We Are

Catalyst for Payment Reform (CPR) is an independent, non-profit corporation working on behalf of large employers and public health care purchasers to catalyze improvements in how we pay for health services and to promote higher-value care in the U.S.

- 3M
- Aircraft Gear Corp.
- Aon Hewitt
- Arizona Health Care Cost Containment System (Medicaid)
- AT&T
- Bloomin' Brands
- The Boeing Company
- CalPERS
- Capital One
- Carlon
- Comcast
- Dow Chemical Company
- eBay, Inc.
- Equity Healthcare
- GE
- Group Insurance Commission, Commonwealth of MA
- The Home Depot
- Ingersoll Rand
- IBM
- Marriott International, Inc.
- Ohio Dept. of Jobs and Family Services (Medicaid)
- Ohio PERS
- Pennsylvania Employees Benefit Trust Fund
- Pitney Bowes
- Safeway, Inc.
- South Carolina Health & Human Services (Medicaid)
- TennCare (Medicaid)
- Verizon Communications, Inc.
- Wal-Mart Stores, Inc.
- The Walt Disney Company
- Wells Fargo & Company



# What We Focus On

## Shared Agenda

### Payment designed to cut waste or reflect/support performance

- Value-oriented payment that creates incentives to improve quality and contain costs
- 20% by 2020 as measured by National and Regional Scorecards

### Special Initiatives

- Price transparency
- Reference and value pricing
- Maternity care payment reform

### Environment

- Provider market power
- Private-public alignment
- Alternative routes to value
- Critical mass and a consistent ask



# What We Do: CPR's Two-Pronged Strategy

## Market-Based Action

- Aligned purchaser agenda – short-term wins, longer-term bold approaches
- Clear signals to plans – RFIs, contracts, user group discussions and metrics, transparency tool specs
- Toolkit for local action – health plan user group toolkit, Market Assessment Tool, regional scorecards, action briefs, joint pilots, etc.

## Shine Light on Urgency to Spur Reform

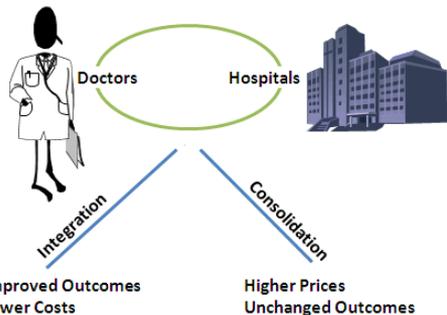
- Accountability: National Scorecard and Compendium on Payment Reform
- Raise visibility of payment variation
- Price Transparency State Report Card & statement
- Highlight provider market power issues & potential solutions



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# Market-Based Reforms with Wind in their Sails Across the Nation

## Provider Consolidation – vertical and horizontal



## Payment Reform “Arms Race”



## Delivery Reform – ACOs, PCMH, high-intensity primary care, group visits



## Employers Shaking Up the Market – high-performance networks, direct contracting, medical tourism



## New Markets for Insurance – Private exchanges, state reforms, state exchanges



## Engaging Consumers with Information: open notes, shared decision making, true informed consent, comparative effectiveness



# ACA

## Engaging Consumers with Incentives: VBID, reference pricing, tiered networks





# What are Purchasers Trying Today?

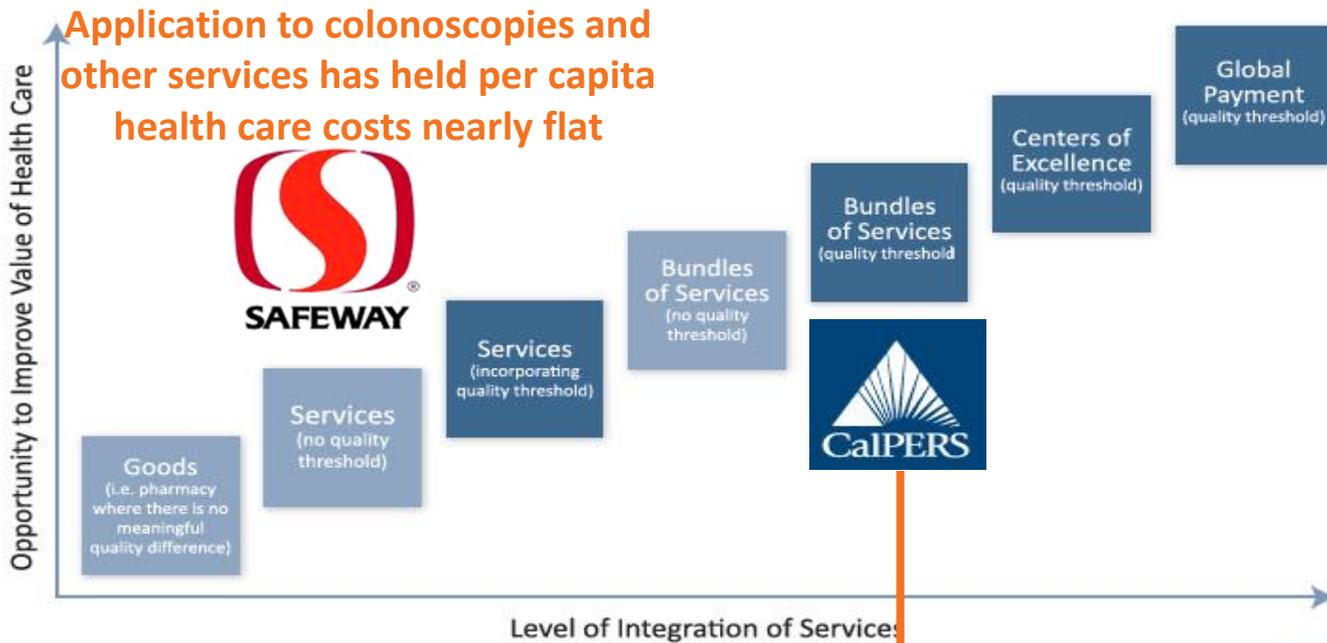
## Consumerism, Benefit design, and Decision Support Tools:

- Consumer Directed Health Plans/Account-Based Plans
- Cost Sharing and Centers of Excellence
- Evidence-Based Plan Designs & Value-Based Insurance Designs
- Employee Cost Sharing
- Reference Pricing
- Reward/Penalize Health Improvement Activities
- Aggressive Management of Pharmacy Benefits
- Transparency
- Shared Decision Making
- Participation in ACOs and PCMHs



# From Reference to Value Pricing

## Spectrum of Reference Pricing



**Reference Pricing** establishes a standard price for a drug, procedure, service or bundle of services, and generally requires that health plan members pay any allowed charges beyond this amount.

**Value Pricing** is when quality is also taken into consideration in addition to the standard price.

**Growing in Popularity Among Purchasers Nationally: 5% in 2013; 15% in 2014\***

*\*NBGH/Towers Watson*

**Over \$3 million in savings in first year of hip/knee replacement program; some high-priced providers renegotiated**

Incorporates Quality Measures  
No Quality Measures

- Signal to providers that payment variation isn't tolerable

- Engages Consumers



# What are Purchasers Trying Today?

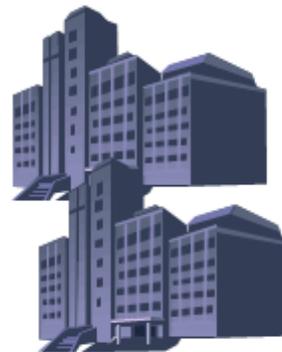
## Network design, alternative sources of care:

- Limited, narrow, tiered or customized high-performance networks (e.g. Group Insurance Commission)
- Onsite, Near Site, or Mobile Clinics
- Telehealth
- Direct contracting



# Provider Market Power: Bringing Issue to Forefront

*Price is the leading driver of health care cost growth today*



**Improved Outcomes  
Lower Costs**

**Higher Prices  
Unchanged Outcomes**



Provider Market Power in  
the U.S. Health Care Industry:  
Assessing its Impact and  
Looking Ahead

*Consolidation pushes payments 3% higher nationwide*



# What are Purchasers Trying Today?

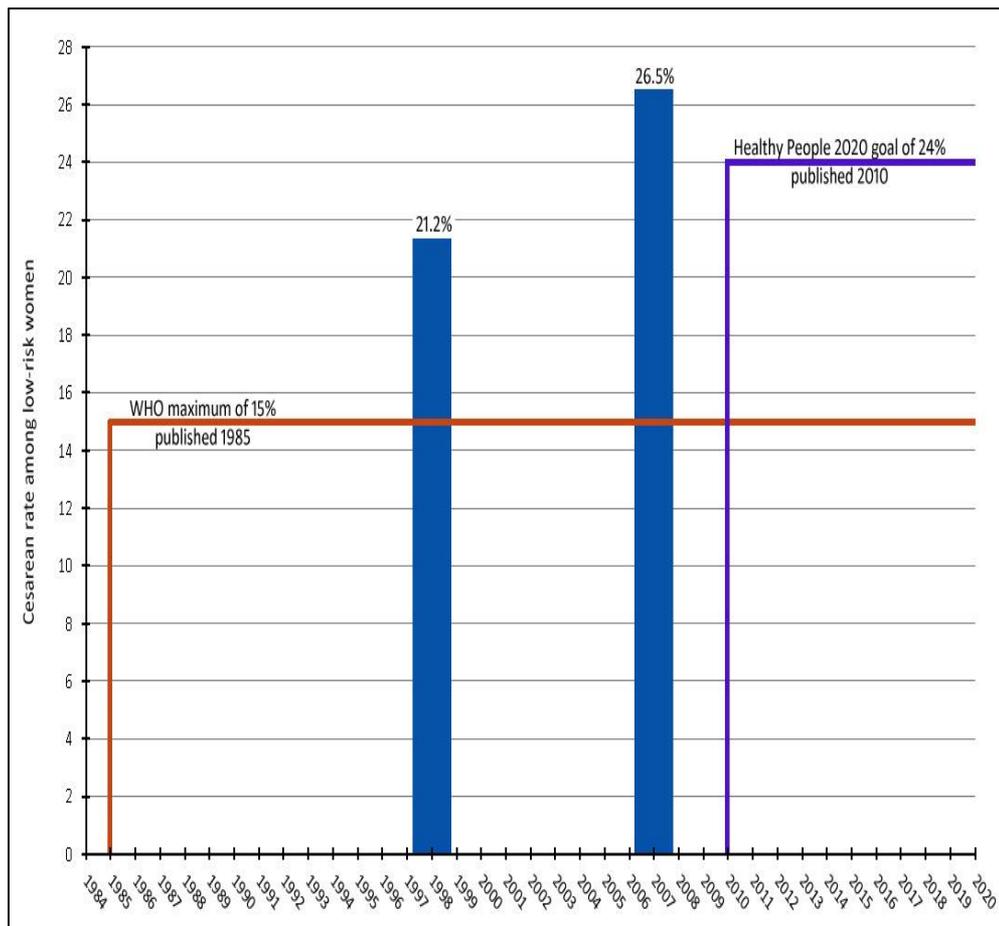
## Payment Reform

- PCMH
- ACOs
- Bundled payment
- Non-payment for care that doesn't follow guidelines



# Fix How we Pay for Maternity Care

- Practice patterns straying from the evidence
  - Pre-term elective births
  - Unnecessary intervention
  - Worse outcomes and higher costs
- The way we pay today creates incentives for unnecessary intervention
  - Need to insert right incentives
  - Blended, bundled payment
  - Non-payment for early elective deliveries



US is moving farther away from goals



# What are Purchasers Trying Today?

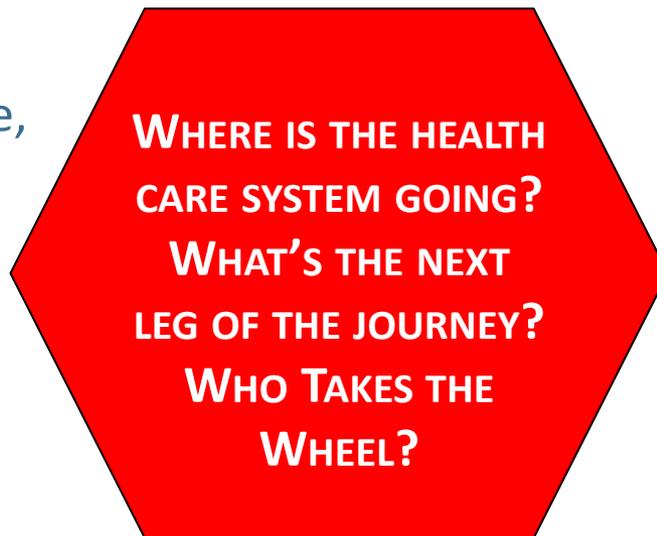
## Efforts to improve employee health:

- High-Cost Case Management Programs
- Financial Incentives for Health Improvement
- Require Employee Engagement to Receive Health Benefits



# Road Map

- **Leg 1:** Discounts in return for volume
- **Leg 2:** Unfettered access, insulation from costs
- **Leg 3:** Awareness of variation and poor value, engaging consumers, transparency, creating incentives, seeking alternative sources of care

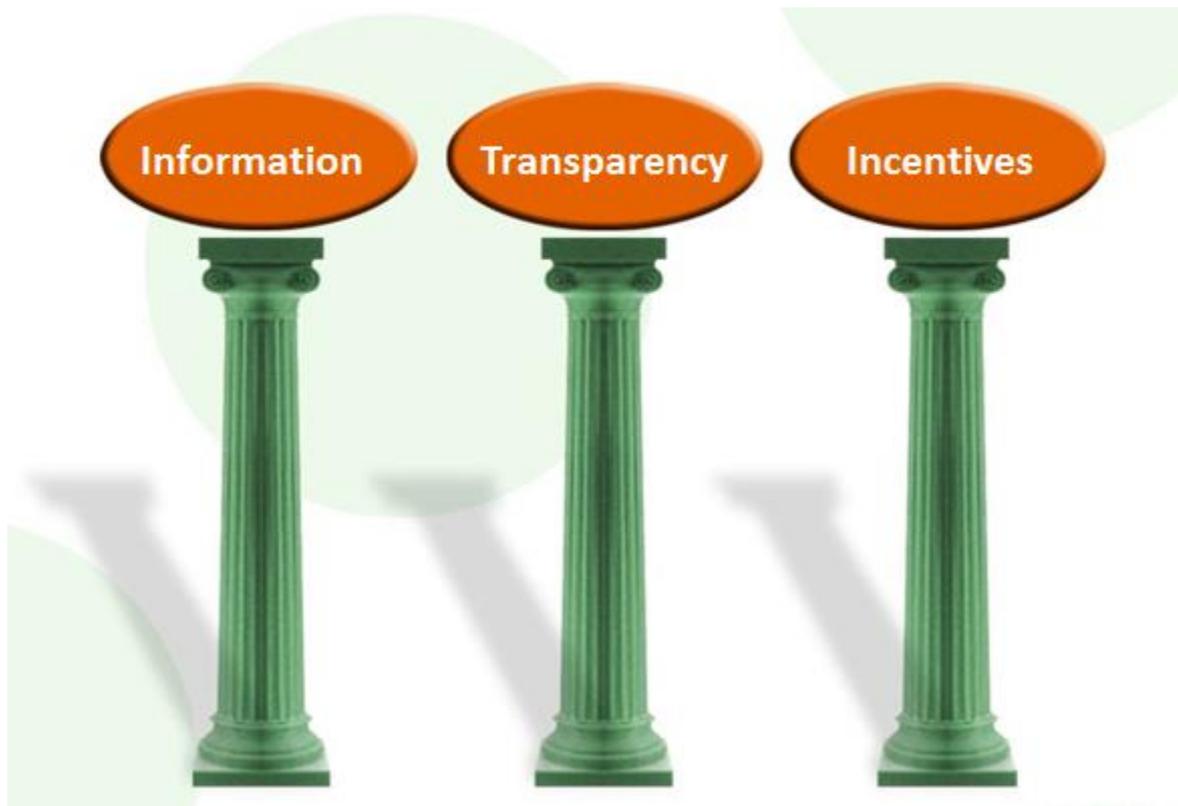


- **Leg 4:** Shaping provider and consumer behavior with a stronger market, identification of best overall value, payment varying with quality and cost, willingness to select select providers, public and private exchanges...





# Three Pillars





## Huge quality variation

- Quality Measures would be different if set by purchasers: measures on areas of performance where improvement could lead to the greatest reduction in harm, with the greatest variation on quality and price, areas of greatest cost
- Instead we have measures that are easy to collect and show little variation across providers and meaningless to consumers
- But we know enough to know there are massive failures

**HSPH News**

Home > HSPH News > Press Releases > Pregnant women's likelihood of cesarean delivery in Massachusetts linked to choice of hospitals

**Pregnant women's likelihood of cesarean delivery in Massachusetts linked to choice of hospitals**



Boston, MA – There is wide variation in the rate of cesarean sections

	ADVENTIST MEDICAL CENTER 115 MALL DRIVE HANFORD, CA 93230 (559) 582-9000	AHMC ANAHEIM REGIONAL MEDICAL CENTER 1111 W LA PALMA AVENUE ANAHEIM, CA 92801 (714) 774-1450	ALTA BATES SUMMIT MEDICAL CENTER - ALTA BATES CAMP 2450 ASHBY AVE BERKELEY, CA 94705 (510) 204-4444
Rate of readmission for heart attack patients	No Different than U.S. National Rate	No Different than U.S. National Rate	No Different than U.S. National Rate
Death rate for heart attack patients	No Different than U.S. National Rate	No Different than U.S. National Rate	No Different than U.S. National Rate
Rate of readmission for heart failure patients	No Different than U.S. National Rate	No Different than U.S. National Rate	No Different than U.S. National Rate
Death rate for heart failure patients	No Different than U.S. National Rate	No Different than U.S. National Rate	No Different than U.S. National Rate



## Huge payment variation (amounts)

**Table 6: Observed Prices for Selected High-Volume Maternity DRGs by Severity of Illness, 2009**

APR-DRG and severity	Minimum price	Median price	Average price	Maximum price	Difference between maximum and minimum price	Ratio of maximum price to minimum price
<b>Cesarean delivery (540)</b>						
Severity 1	\$3,244	\$7,598	\$7,859	\$15,915	\$12,671	4.9
Severity 2	\$2,828	\$8,718	\$9,338	\$20,424	\$17,596	7.2
Severity 3	\$3,621	\$11,389	\$13,266	\$26,018	\$22,397	7.2
Severity 4	\$9,600	\$17,134	\$19,156	\$30,660	\$21,059	3.2
<b>Vaginal delivery (560)</b>						
Severity 1	\$1,810	\$4,990	\$5,225	\$11,066	\$9,256	6.1
Severity 2	\$2,182	\$5,692	\$5,884	\$12,177	\$9,995	5.6
Severity 3	\$2,812	\$6,450	\$7,656	\$20,446	\$17,634	7.3

Source: Mathematica Policy Research analysis of private insured and self-insured fee-for-service claims for Massachusetts residents.

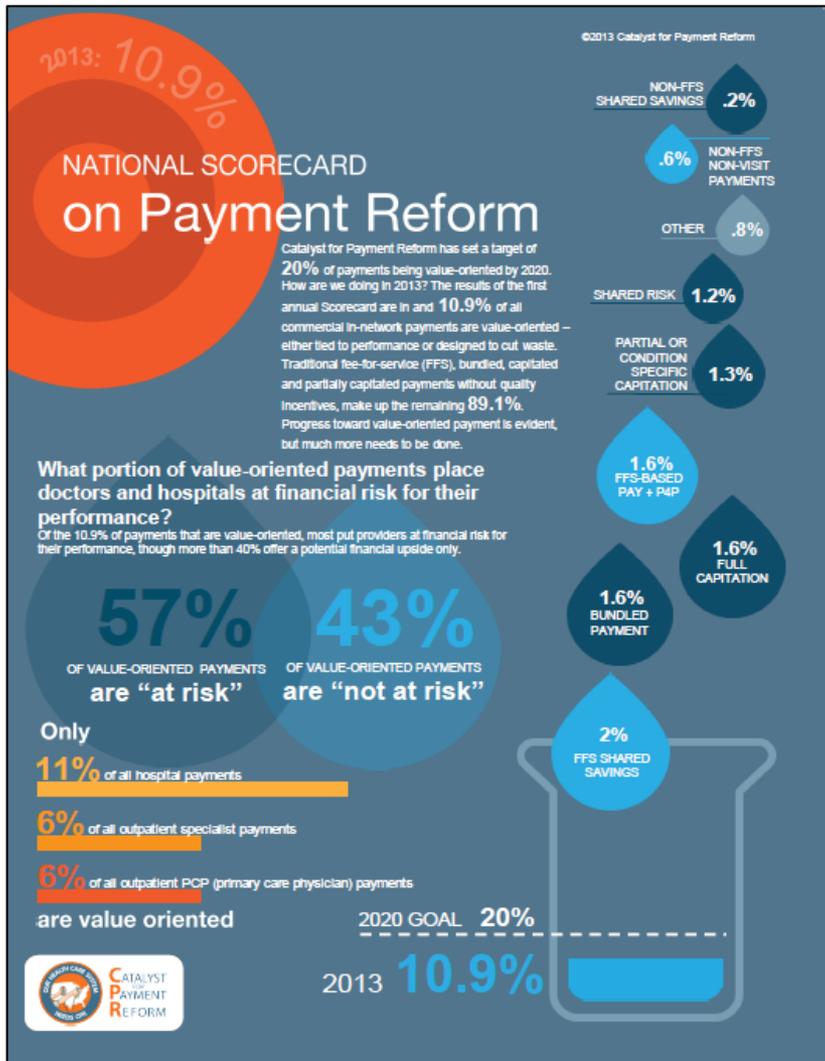
Note: Payments include patient cost-sharing in fee-for-service coverage. Payments made under managed care contracts are not included.

## Huge payment variation (methods)

- See CPR's Scorecards...



# National Scorecard on Payment Reform: Baseline



- 2010 estimate was 1-3% of payments were tied to performance
- 2013 Scorecard found 10.9% of commercial in-network payments are value-oriented
- 57% of the value-oriented payment is considered “at-risk”
- 11% of payment to hospitals is value-oriented
- 6% of outpatient specialist and PCP payment is value-oriented
- Scorecard results possibly biased upward



# National Scorecard on Payment Reform: Benchmark Metrics

## Benchmarks for Future Trending

### Attributed Members



Percent of commercial plan members attributed to a provider participating in a payment reform contract, such as those members who choose to enroll in, or do not opt out of, an Accountable Care Organization or a Patient-Centered Medical Home.

**2%** NATIONAL AVERAGE

### Share of Total Dollars Paid to Primary Care Physicians and Specialists

Of the total outpatient payments made to physicians and specialists, 75% is paid to specialists and 25% is paid to PCPs. Over time, this figure will show if there is a rebalancing of payment between primary and specialty care.



### Non-FFS Payments and Quality

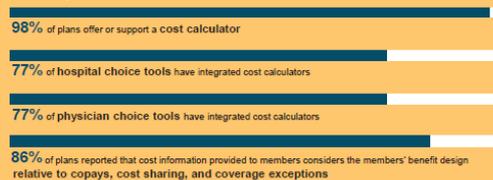
Quality is a factor in only **35%** of non-FFS payments



Quality is not a factor in **60%** of non-FFS payments

\* Unclassified

### Transparency Metrics



Only **2%** of total enrollment use these tools

### Hospital Readmissions\*



\* Derived from data submitted to eValue used NQDA's all-cause readmission measure. Not an official NQDA Benchmark.



## Slow Progress On Efforts To Pay Docs, Hospitals For 'Value,' Not Volume

# Health Affairs

AT THE INTERSECTION OF HEALTH, HEALTH CARE, AND POLICY

## Payment Reform: A Promising Beginning, But Less Talk And More Action Is Needed

# The Washington Post

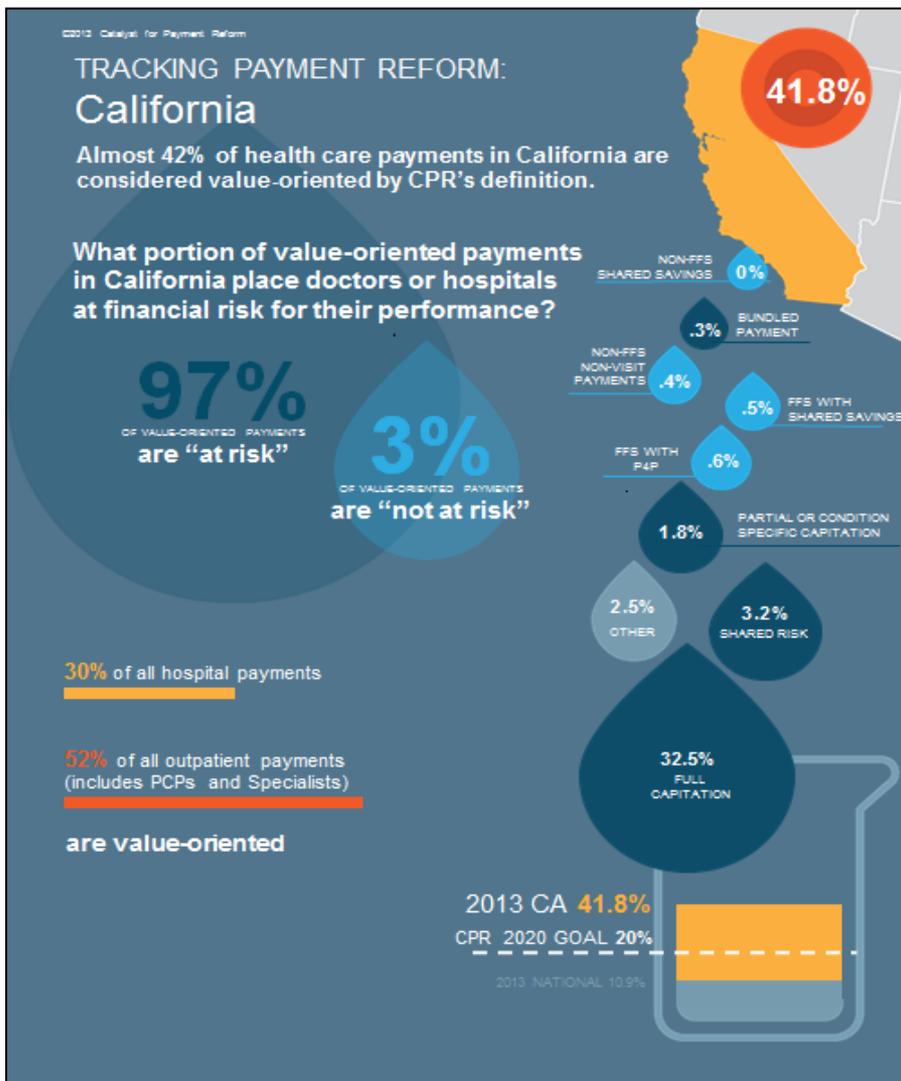
## How Fortune 500 companies plan to cut health costs: Act like Medicare

# ModernHealthcare.com

## Value-based insurance plans gain momentum



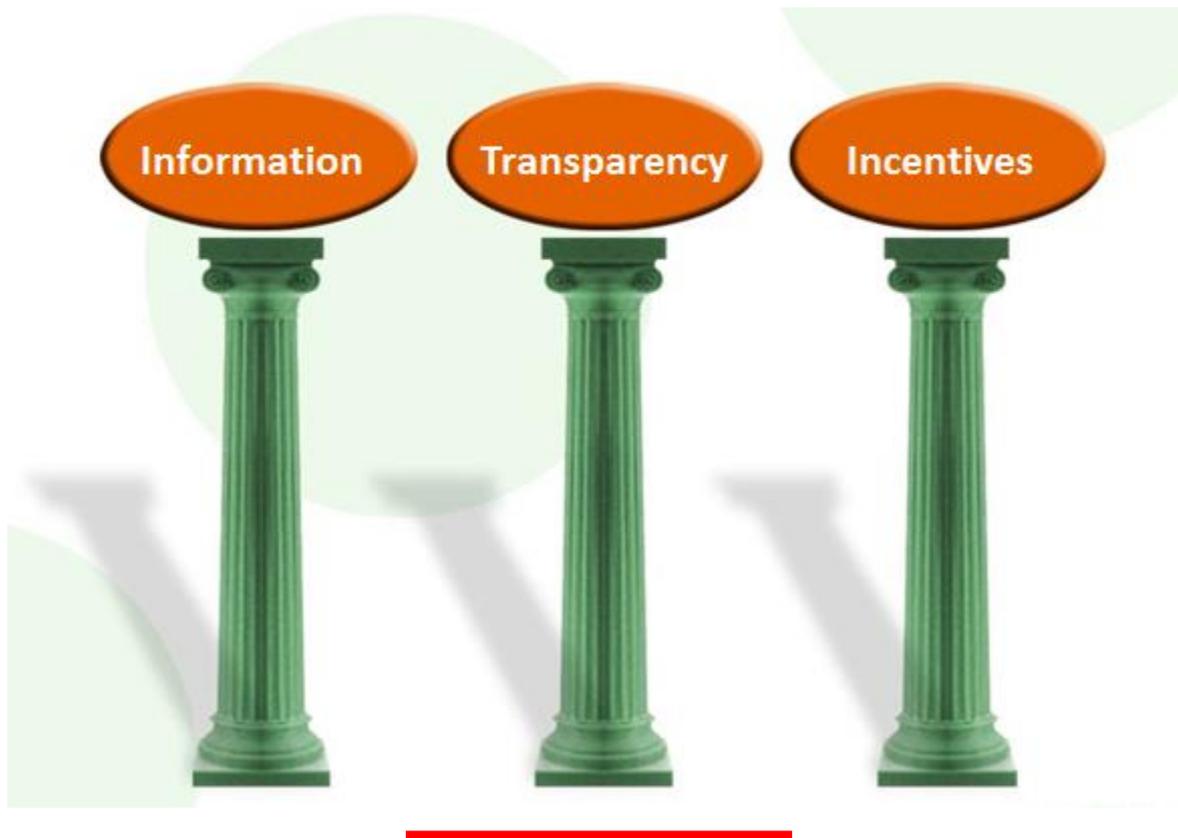
# California Scorecard on Payment Reform: Released 9/27/13



- 41.8% of commercial in-network payments are value-oriented
- 97% of the value-oriented payment is considered "at-risk"
- 32.5% of California's payment is capitation with quality
- 36% of commercial health plan members are "attributed"
- CA's health care spending per capita (\$6,238) is 9<sup>th</sup> lowest in the nation
- But, huge variation across payers, examples of poor quality: maternal mortality, cesarean deliveries, flu vaccines and diabetes screenings
- **Where's the value in value-oriented?**



# Three Pillars





# Transparency

## Quality Transparency

- Head start, especially for hospitals
- Voluntary efforts will fall short – Leapfrog Group

## Price Transparency

- Private and public efforts (34 states with laws)
- Medicare has some tools
- Private sector competing for appetite

## Best Overall Value

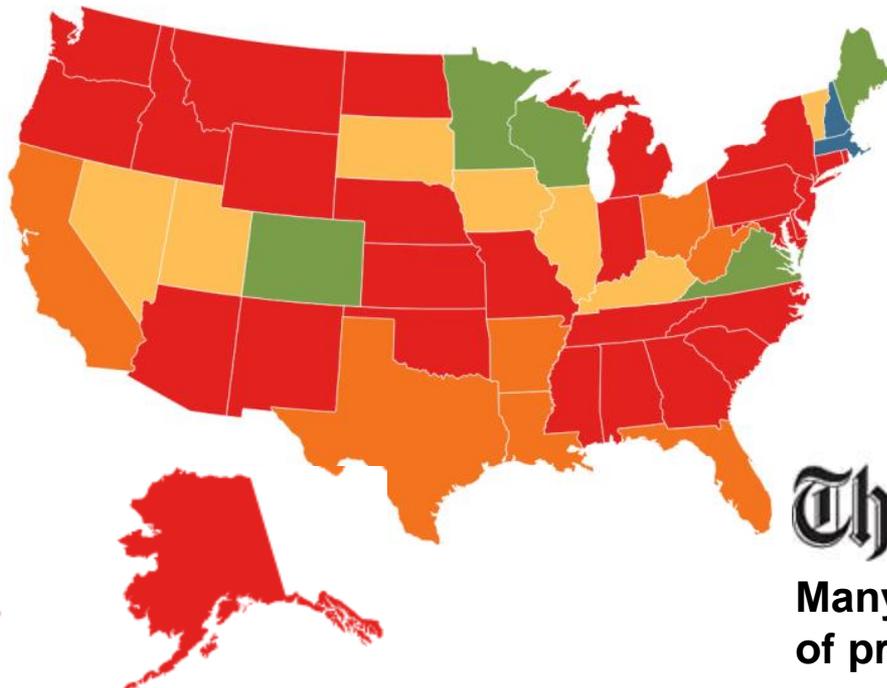
- Combining quality with price information
- Consumers will make the right choices





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# 2013 Report Card on State Price Transparency Laws



**Forbes**

**Health Care Prices Remain A Mystery In Most States**

**The Washington Post**

**Many states don't require disclosure of prices for medical procedures**

**THE WALL STREET JOURNAL.**

**Most of U.S. flunks health price transparency test: study**

GRADE	FROM	TO
A	60%	100%
B	50%	59%
C	40%	49%
D	30%	39%
F	0%	29%



# Best Practices: Massachusetts

For Physicians & Providers

For Insurers & Employers

MyHealthCareOptions™



A Health Care Resource Provided by the Commonwealth of Massachusetts Health Care Quality and Cost Council

- One of only two states in the nation to receive and A grade (in addition to New Hampshire) – **but on a scale!**
- Myhealthcareoptions – *only* most common inpatient and outpatient services and procedures and no user customization
- Will this progress or stop short here?

**Choose a Topic**

- Patient Safety
  - Influenza Vaccination
  - Patient Safety
  - Serious Reversible Events
  - Surgical Care
- Patient Experience
  - Patient Experience
- Bone and Joint Care
  - Back Procedure
  - Hip Fracture
  - Hip Replacement
  - Knee Replacement
- Cardiovascular Disease
  - Angioplasty
  - Bypass Surgery
  - Cardiac Screening Tests
  - Heart Attack
  - Heart Failure
  - Heart Valve Surgery
  - Stroke
- Digestive System
  - Gall Bladder
  - Intestinal Surgery
  - Weight loss Surgery
- Obstetrics
  - Cesarean Section
  - Normal Newborn
  - Ultrasound
  - Vaginal Delivery
- Outpatient Diagnostic

**Angioplasty**

Angioplasty (also called "percutaneous cardiovascular intervention" or "PCI") is a procedure that helps increase blood flow to the heart and is sometimes recommended for individuals with heart disease. This procedure helps reopen any blocked blood vessels. Angioplasty can help prevent heart attacks. (more)

Diagnostic classification: Angioplasty only (APR-DRG 174); Angioplasty with heart attack, heart failure or shock (APR-DRG 175)

Summarized Report | View Detailed Report | View Strategic Procedure Costs

**Quality of Care** (more)

	Both Israel Deaconess Medical Center	Massachusetts General Hospital	Mount Auburn Hospital	St. Elizabeth's Medical Center
Quality Rating	☆☆☆	☆☆☆	☆☆☆	☆☆☆
Statistical Significance	Not Different from State Average Quality	Above State Average Quality	Not Different from State Average Quality	Not Different from State Average Quality

**Cost of Care** (more)

	Both Israel Deaconess Medical Center	Massachusetts General Hospital	Mount Auburn Hospital	St. Elizabeth's Medical Center
Cost Rating	\$\$\$	\$\$\$	\$	\$\$\$
Statistical Significance	Above Median State Cost	Above Median State Cost	Below Median State Cost	Above Median State Cost

Both Israel Deaconess Medical Center | Massachusetts General Hospital | Mount Auburn Hospital | St. Elizabeth's Medical Center

State	Level of Transparency	Scope of Providers			Scope of Price			Scope of Services			Grade
		Both Practitioners & Facilities	Health Care Practitioner or Facility	Subset of Either Practitioner or Facility	Both	Paid Amounts	Charges	All IP & OP	All IP or OP	Most common IP or OP	
MA	State Only	✓			✓			✓			A
	Upon Request				✓				✓		
	Report		✓				✓	✓			
	Website	✓				✓				✓	



# Best Practices: New Hampshire

## Detailed estimates for Vaginal Birth and New Baby (inpatient)

Procedure: [Vaginal Birth and New Baby \(inpatient\)](#)

Insurance Plan: CIGNA, Preferred Provider Organization (PPO)

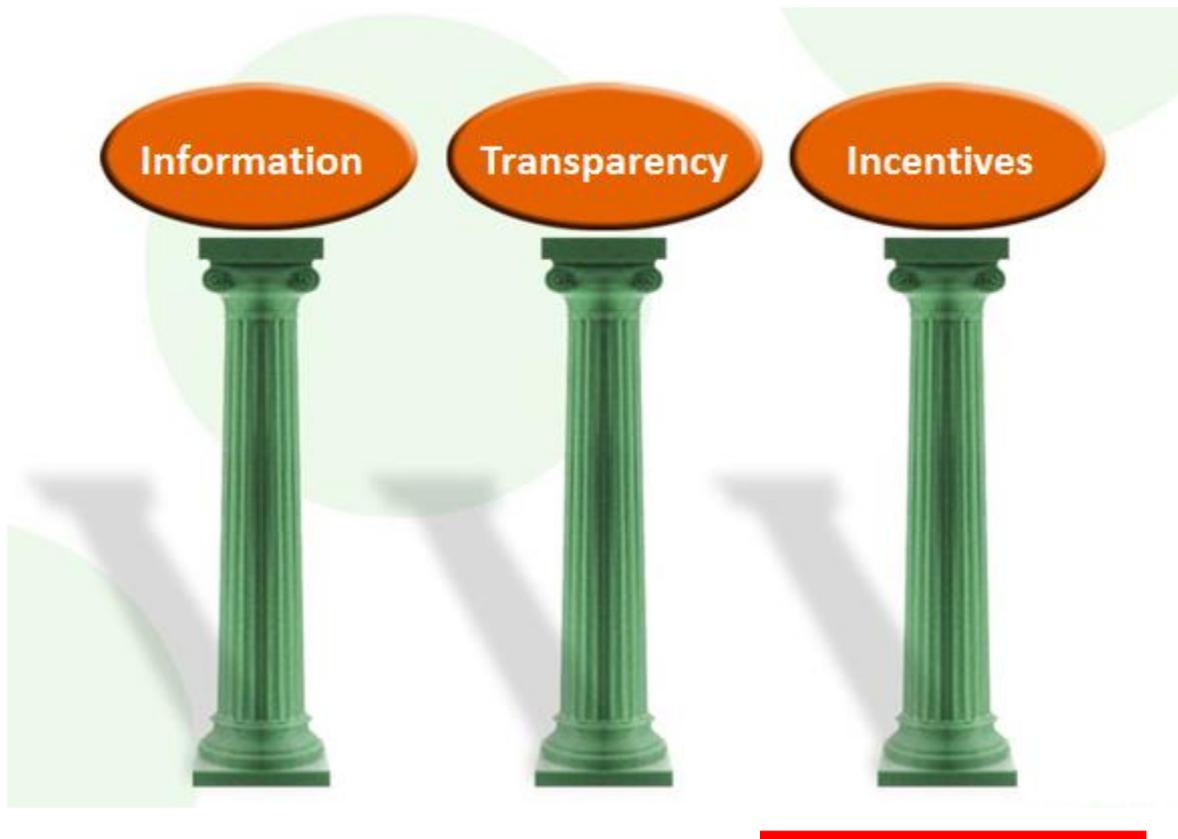
Within: 50 miles of 03301

Deductible and Coinsurance Amount: \$1,500.00 / 20%

Lead Provider Name	Estimate of What you Will Pay	Estimate of What Insurance Will Pay	Estimate of Combined Payments	Precision of the Cost Estimate	Typical Patient Complexity	Contact Info
<b>ALICE PECK DAY MEMORIAL HOSPITAL</b>	\$2342	\$3372	\$5714	LOW	MEDIUM	<a href="#">ALICE PECK DAY MEMORIAL HOSPITAL</a> 603.448.3121
<b>SPEARE MEMORIAL HOSPITAL</b>	\$2447	\$3792	\$6239	MEDIUM	VERY HIGH	<a href="#">SPEARE MEMORIAL HOSPITAL</a> 603.536.1120
<b>MONADNOCK COMMUNITY HOSPITAL</b>	\$2683	\$4732	\$7415	LOW	LOW	<a href="#">MONADNOCK COMMUNITY HOSPITAL</a> 603.924.7191
<b>PARKLAND MEDICAL CENTER</b>	\$2995	\$5980	\$8975	LOW	MEDIUM	<a href="#">PARKLAND MEDICAL CENTER</a> 603.432.1500
<b>ST JOSEPH HOSPITAL</b>	\$3054	\$6219	\$9273	LOW	HIGH	<a href="#">ST JOSEPH HOSPITAL</a> 603.882.3000
<b>ELLIOT HOSPITAL</b>	\$3062	\$6249	\$9311	HIGH	HIGH	<a href="#">ELLIOT HOSPITAL</a> 603.669.5300
<b>CATHOLIC MEDICAL CENTER</b>	\$3121	\$6487	\$9608	HIGH	HIGH	<a href="#">CATHOLIC MEDICAL CENTER</a> 800.437.9666
<b>CHESHIRE MEDICAL CENTER</b>	\$3218	\$6876	\$10094	HIGH	MEDIUM	<a href="#">CHESHIRE MEDICAL CENTER</a> 603.254.5400



# Three Pillars





# Big Picture

*There is momentum behind transforming payment to providers and incentives for consumers. . .*

- Health Reform Included Several “Game Changers” - Some Will Take Time And They Will Be Disruptive
- Focus On Specific Models – But Is There Some ‘Irrational Exuberance’ At Work?
- We Still Know Very Little About What Works
- Our Current System Will Be Around For A While - And We Shouldn’t Ignore It



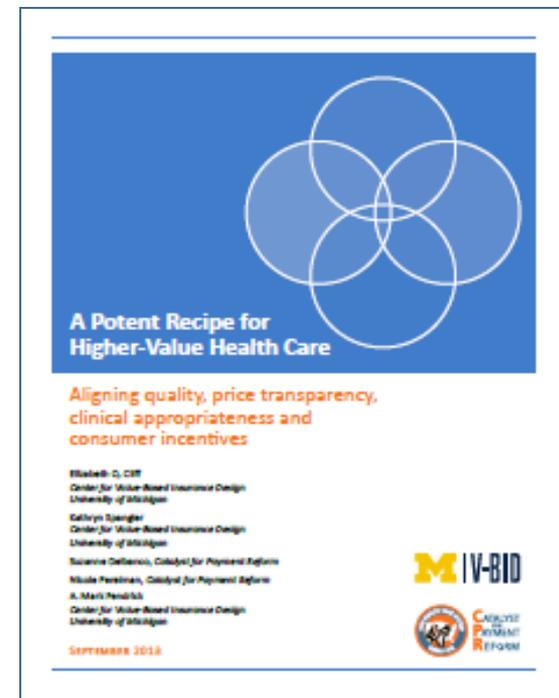
# Provider Incentives

- Migration from carrots to carrots & sticks
- Any carrots have to be sustainable
- Savings don't reach the end users
  - Many approaches being modeled, but translation of savings to purchasers and affordability hasn't happened – at the end of the day, it's about the price
- Competition can be its own incentive



# Consumer Incentives

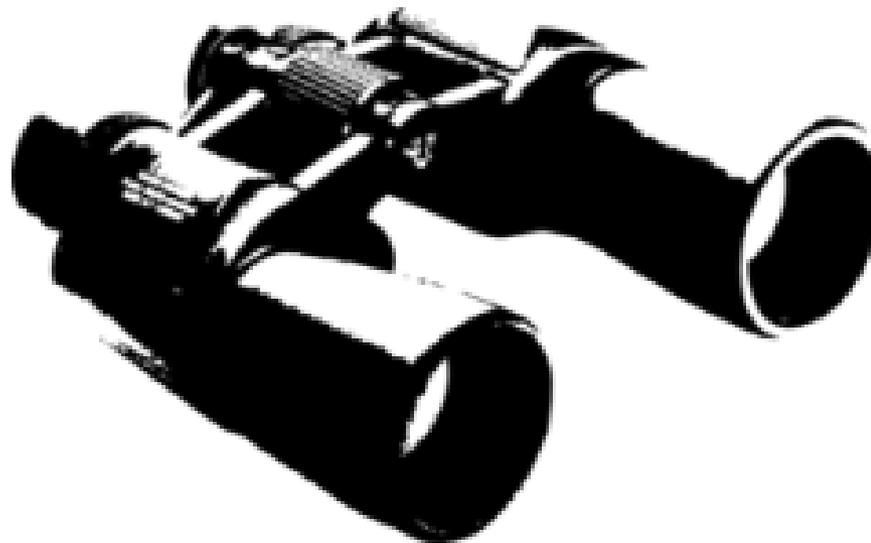
- Information must be paired with incentives
- Examples: Reference pricing, select provider networks, centers of excellence, value-based insurance design
- With the right information, consumers will choose a high-quality provider (defined as lowest price with best quality) 80 to 90 percent of the time





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# All Eyes on Massachusetts





# Questions to Ponder

- How will the patient experience change over the next 5-7 years as a result of these trends?"
- How will provider behavior change as they are increasingly at financial risk for their performance on cost and quality?
- What will be the role of the health insurer?
- Will employers use their potential leverage to drive reforms to make health care higher-quality and more affordable?

*What could shift the current direction of reforms?*



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