



CATALYST
FOR
PAYMENT
REFORM

Market Assessment Tool

November 3, 2011



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.**



Focus On Critical Mass & Environment Conducive to Reform



Coordinated 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 – RFIs and contracts
- Toolkit for local action – Market Assessment, Action Briefs, etc.

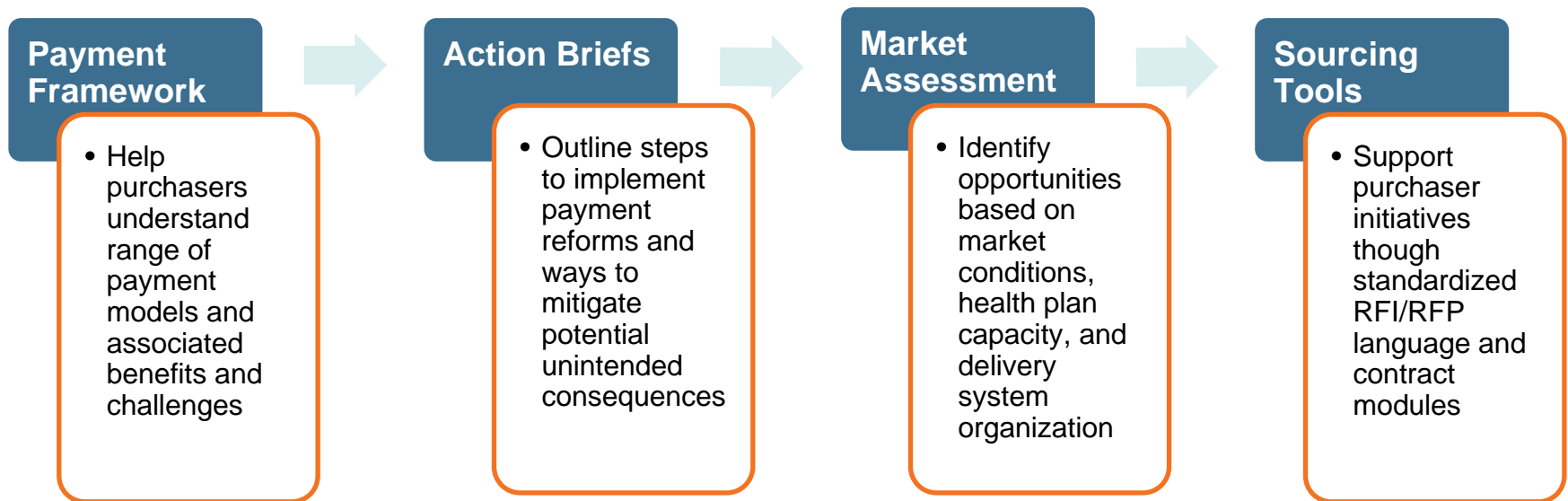
Amplify & Align Market Signals

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



Purchaser Tool Kit

CPR Toolkit developed to create shared understanding of opportunities and to encourage actions that leverage payment to improve value.



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



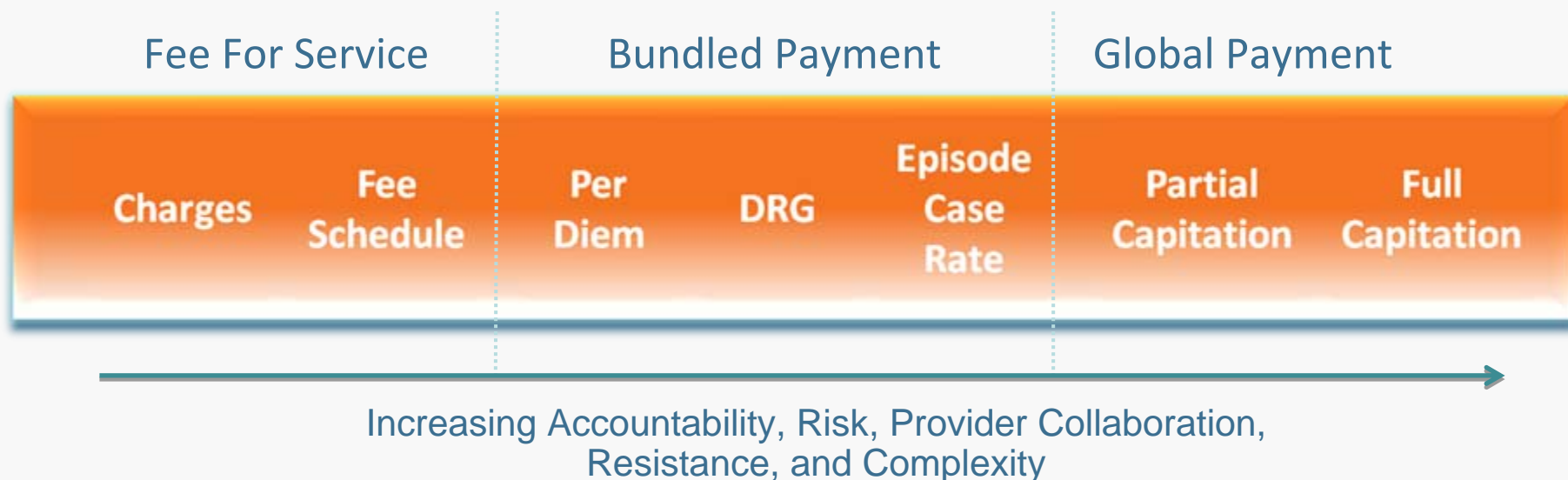
Shared Principles Start With Aligned Perspectives

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



Shared Understanding Begins with Payment Framework

BASE PAYMENT MODELS



PERFORMANCE-BASED PAYMENT OR PAYMENT DESIGNED TO CUT WASTE
(financial upside & downside depends on quality, efficiency, cost, etc.)



Moving Understanding to Action: Action Briefs

Action Briefs detail design options and steps purchasers can take for more positive reforms

- Fee-For-Service
- Bundled payment
- Global payment
- Accountable Care Organizations
- Medical Homes
- Market competition





Informed Action: Market Assessment Tool

Structured process to assess interplay of local dynamics to inform selection of payment reforms and strategy for implementation

- Assists stakeholders to create comprehensive inventory of characteristics that may impact reforms
- Piloting in 3 markets, including Columbus . . . available for public use March 2012

Key

Considerations

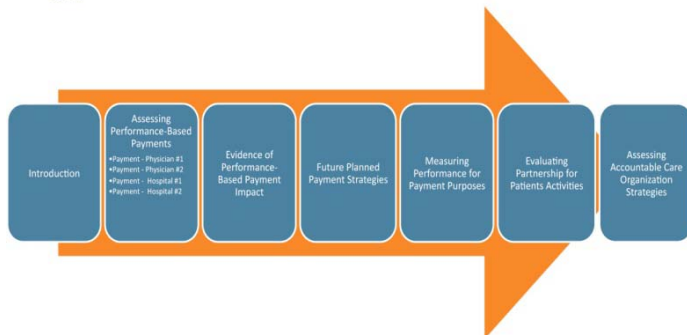
- Purchaser Activation
- Provider Interest, Organization and Payment
- Market Competition
- Payer Readiness
- Regulatory, Legal Landscape



Shared “Ask:” Health Plan Sourcing Tools

RFI Questions

- % payment is tied to value
- Payment innovations being used
- Evidence of impact
- Partnership for Patients
- ACO Oversight
- Special initiatives
 - Price transparency
 - Reference and value pricing
 - Maternity care payment



Contract Language

- Employers can set expectations and requirements
- Model language includes:
 - Targets: 20% by 2020 - payment tied to value (e.g., performance, waste ↓ , etc.)
 - Medicare Alignment: Partnership for Patients
 - Delivery System: ACO oversight
 - Private-Sector Innovation: short-term value initiatives



Market Assessment Tool

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

GOAL: *Provide those who are leading local reform efforts with a structured process to assess the interplay of local dynamics (e.g., purchaser activism and innovation and provider organization and consolidation, regulatory and legal) to help them select the best mix of payment reforms and develop a strategy to implement payment changes.*

METHOD: *Targeted questionnaires and data requests in five domains to pose to key stakeholders to enhance understanding of the dynamics of the market; outline of key considerations along with scoring system to help determine next steps and strategy.*



MAT Domains

The Market Assessment Tool will explore market dynamics related to implementing various payment reforms. There are five assessment domains:

Purchaser Activation: examines the characteristics of purchasers in the market to understand how engaged and organized they are around payment reform, and the dynamics related to concentration (or “critical mass”) of the covered lives in the market

Provider Interest, Organization and Payment: looks at providers – hospitals and physicians – to understand how they are organized, their interest and engagement in reform activities, and readiness/capability to engage in payment reforms



MAT Domains, continued

Market Competition: gauges the concentration of providers in a given market, which can impact reforms (e.g., high levels of fragmentation could make coordination or sophisticated forms of payment more challenging and very high levels of consolidation can lead to unintended consequences of market power and higher prices)

Payer Readiness: assesses the ability of payers to structure payment and assist providers in accepting those payments which are different from FFS, which is critical to moving payment reform in a given market

Regulatory and Legal Landscape: examines the regulatory and legal activity in a given health care market, which may be instructive about the state's interest and ability to take a central role in catalyzing or supporting payment reforms



MAT Pilots

GOAL:

- Refine the Tool for future broad use
- Help inform purchasers in the 3 pilot markets about market characteristics that could affect payment reform efforts
- Jump start discussions among stakeholders

PILOTING IN 3 MARKETS:

- Columbus, OH
- Long Beach, CA
- Memphis, TN

FUNDING: Support from Aetna Foundation



Timeline

July 2011: Finalize MAT; finalize selection of pilot markets

August 2011-November 2011: Conduct MAT pilot in 3 markets

December 2011-February 2012: Refine MAT

March 2012: Release MAT



CONSULTANT BACKGROUND

Discern is a health care policy consulting firm dedicated to improving health system performance through the strategic intersection of incentives and high-quality care.

Guy D'Andrea, Managing Partner and Founder, has health plan and accreditation background and has worked for 7 years advising organizations like Leapfrog, BTE & NBCH

SCOPE OF WORK

Phase I

Initial refinement of the CPR's market assessment tool prior to deployment.

Phase II

Field testing the Market Assessment Tool in three markets to assess market dynamics; convening of one meeting in each market to report results.

Phase III

Feedback from users of the tool (did purchasers find it useful, did it spur new efforts to reform payment or modify reforms underway); suggestions for refinements; production of Market Assessment Tool version 2.0



Key Questions

- Presence/role of multi-stakeholder coalition(s) focused on health care/payment reform
- History of various stakeholders participating in reform efforts
- Current involvement of stakeholders in payment/delivery reform
- Past/current attempts at payment innovation
- Interest in/future plans for various payment strategies
- Operational readiness for payment reform
- Opportunities for collaboration
- Strategies to implement patient/member behavior change strategies
- Laws/Regulations that may impede payment reform
- Role of legal/regulatory environment in payment reform efforts



Columbus: Market Demographics

- 1.8 million population
 - 12.7% uninsured
 - 11% Medicare
- 18 hospitals organized in 3 large systems
- 5,030 doctors
 - Increasing affiliations with hospital systems
- Large payers
 - Medical Mutual of Ohio
 - UnitedHealth Group
 - Aetna
 - WellPoint (Anthem Blue Cross Blue Shield in Ohio)
 - CareSource
- Largest employers
 - State of Ohio 24,492
 - The Ohio State University 21,107
 - JP Morgan Chase & Co. 14,689
 - Nationwide 11,768
 - United States Government 10,762
 - OhioHealth 10,592

Sources:

- Modern Healthcare, July 25, 2011
- HealthLeaders/InterStudy
- Columbus Chamber of Commerce



Columbus: Interviewees

- 4 large health care systems
- 2 professional medical associations
- 1 large, primary care medical group
- 5 large payers
- 5 large purchasers
- 2 legal/regulatory bodies
- 2 consumer groups



Columbus: General Market Themes

- Columbus moving more slowly than other markets in OH (e.g., Cincinnati)
- Exploratory stage—early discussions on payment reform
- Payment reform progress has slowed with change in administration
 - Payment reform is still a priority
 - Formation of Office of Health Transformation
- Importance of consumer engagement
- Trend of hospitals buying physician practices
- Move towards focus on outcomes
 - P4P
 - Employer wellness incentive programs



Columbus: Current & Potential Reform Initiatives

- PCMH
 - Access Health Columbus PCMH project
- P4P
 - arrangements currently being implemented by various payers
 - Plans to expand P4P in future
- Shared savings/shared risk
 - Some shared savings arrangements exist
 - Providers not ready to take on risk
 - Discussions taking place on future implementation of shared savings and shared risk arrangements
- Global/bundled payments
 - little interest
- ACOs
 - Trend towards clinical integration
 - Few ACO-like arrangements in market
- Potential for future development



Columbus: Physicians

- Limited history of participation in reform efforts
- Active role in Access Health Columbus PCMH project
- Majority are self-employed
 - Small and large group practices, solo practitioners
- Low HIT usage, but realize need to move towards adoption
- Reimbursement: majority FFS with some P4P arrangements
 - Not operationally ready for non-FFS payments



Columbus: Hospitals

- 3 large hospital systems
- 1 children's hospital
- Buying physician practices for clinical integration
- Moving towards widespread HIT adoption
- Reimbursement: Majority DRG-based with P4P arrangements
 - Not operationally ready for payment reform



Columbus: Payers

- Majority are participating in Access Health Columbus PCMH project
- Current reimbursements mainly traditional FFS/DRG
- P4P arrangements
 - Early stages
 - Plans to expand P4P programs
- Shared Savings/Shared Risk
 - Likely to occur in future
- Global/Bundled Payment
 - Discussions for future implementation
 - No active movement
 - Little provider interest



Columbus: Consumers

- Draft MAT did not include a consumer section
- Early feedback from multiple Columbus stakeholders emphasized importance of including consumers in dialogue
- CPR developed MAT section for consumers, and interviewed two consumer representatives
- Consumer groups are more active in Columbus than in other communities



Columbus: Stakeholder Interest

Ranked in order from most willing to engage in payment reform efforts to least willing:

- Payers
- Regulators/Legislators
- Purchasers
- Physicians
- Hospitals



Market Assessment Tool Outputs

Microsoft Excel - MAT Calculator Columbus

	A	B	D	E	H	I
52	Composite (Weighted) Overall Score		COMPLETE		198	
53	Highest Possible Score =				324	
54						
55	OVERALL ASSESSMENT					
56	Key Consideration	Weight	Percentage		Overall Weighted %	
57	Purchaser Activation	9	35%		37%	
58	Provider Activation	9	23%			
59	Market Competition	6	40%			
60	Payer Readiness	6	22%			
61	Regulatory and Legal Landscape	9	61%			
62						
63						
64						
65						

as is Experts Survey Summary

1:16 PM 11/2/2011



MAT Evaluation

- Is this information useful to support payment reform discussions in Columbus?
- What information is most useful?
- What information is missing?



For Discussion

- Payment is negotiated between individual payers and providers ...
- How can the community facilitate payment reform?
 - Remove barriers?
 - Legal/regulatory
 - Policy
 - Understanding
 - Create infrastructure?
 - Measurement
 - IT systems