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# Purchaser Strategies for Driving Health Care Value

November 2, 2011



# Big Picture

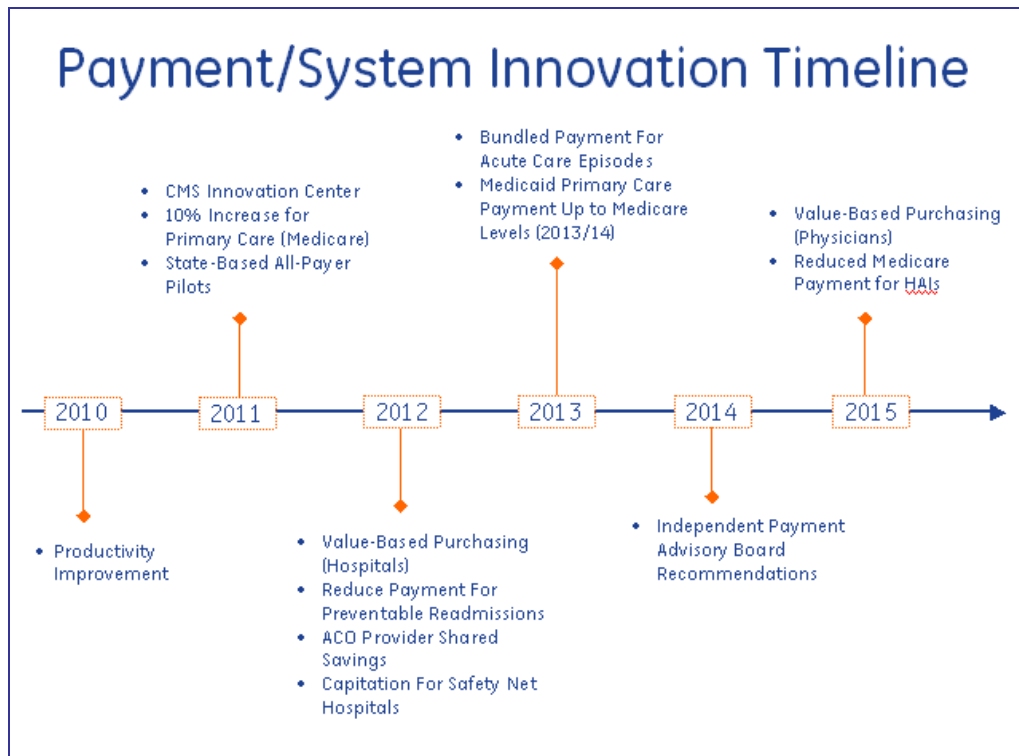
*Transforming payment has momentum . . .*

- 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



# Timeline and Focus

## Federal Payers



## Private Purchasers/Payers

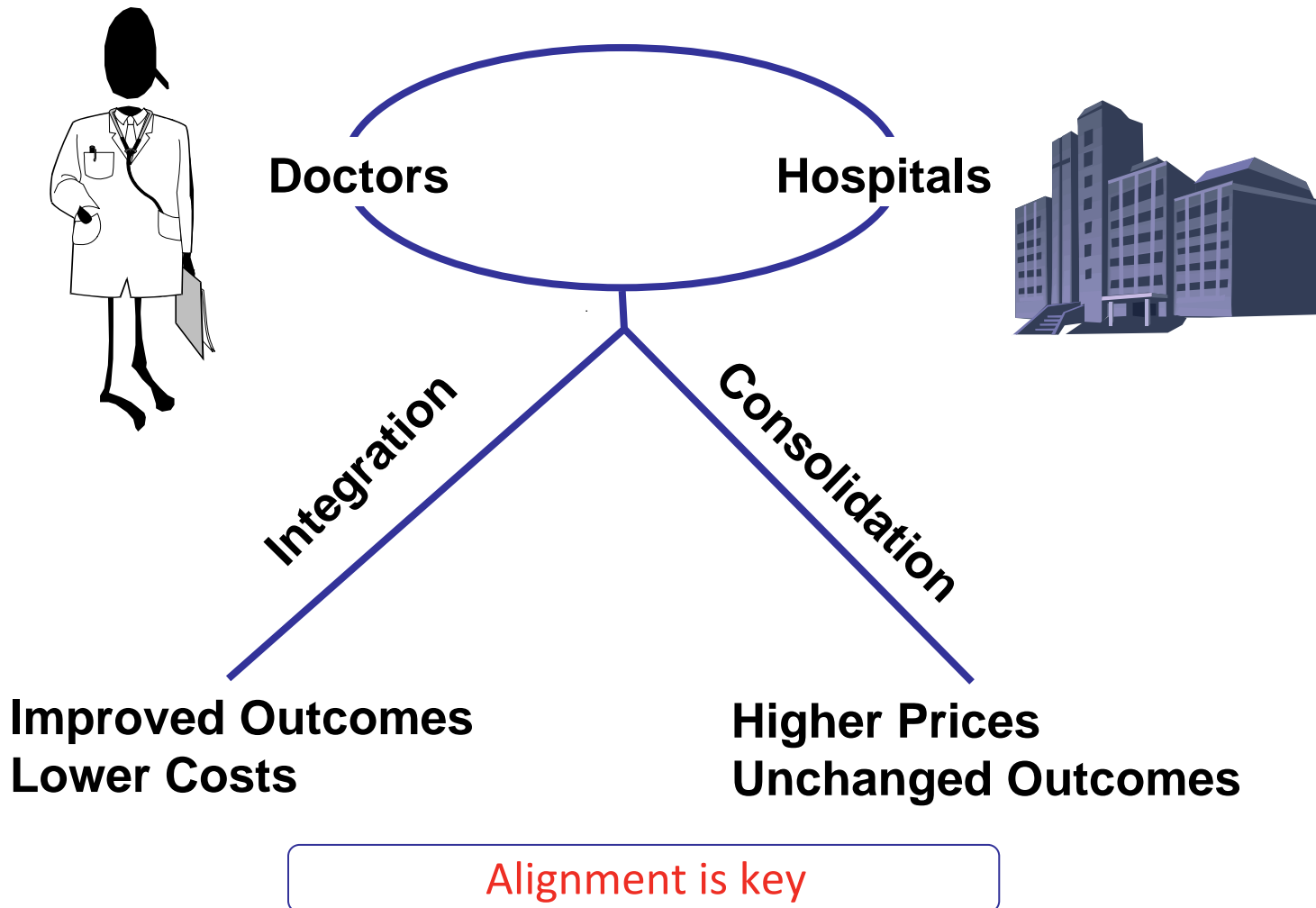
- Top 3 Priorities: Cost, Cost & Cost
- More coordinated, efficient care is essential
- We should experiment, test and learn before we adopt
- Medicare Momentum – Get In Game Or Accept What’s Next
- Doing Nothing = Cost Shift

Details matter



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# ACOs - Great Hopes, But Worries Too





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## The Audience's Turn

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



# CPR's Approach

## 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.

- **3M**
- **The Boeing Company**
- **CalPERS**
- **Carlson**
- **Delta Air Lines**
- **Dow**
- **eBay**
- **Equity Healthcare**
- **GE**
- **Group Insurance Commission, State of Massachusetts**
- **Intel**
- **Safeway**
- **US Foods**
- **Verizon**
- **Wal-Mart**
- **Xerox**

## Shared Agenda

### **Demand payments be designed to cut waste or reflective of performance**

- Track progress with National Scorecard
- 20% by 2020

### **Leverage purchasers and create alignment**

- Model health plan RFI questions and contracts and dialogue with plans
- Alignment with CMS, e.g. HHS Partnership for Patients

### **Implement Innovations**

- Price transparency
- Reference or value pricing
- Maternity care payment



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# CPR's Philosophy

## *A Purchaser's Path Forward . . .*

- Develop Strategic Framework and Align the “Ask”
- Anticipate Prolonged Use of Current System
- Bake-in Improvements
- Extensively Evaluate New Models
- Assume No One Size Fits All



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# Focus On Critical Mass & Environment Conducive to Reform



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## 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.

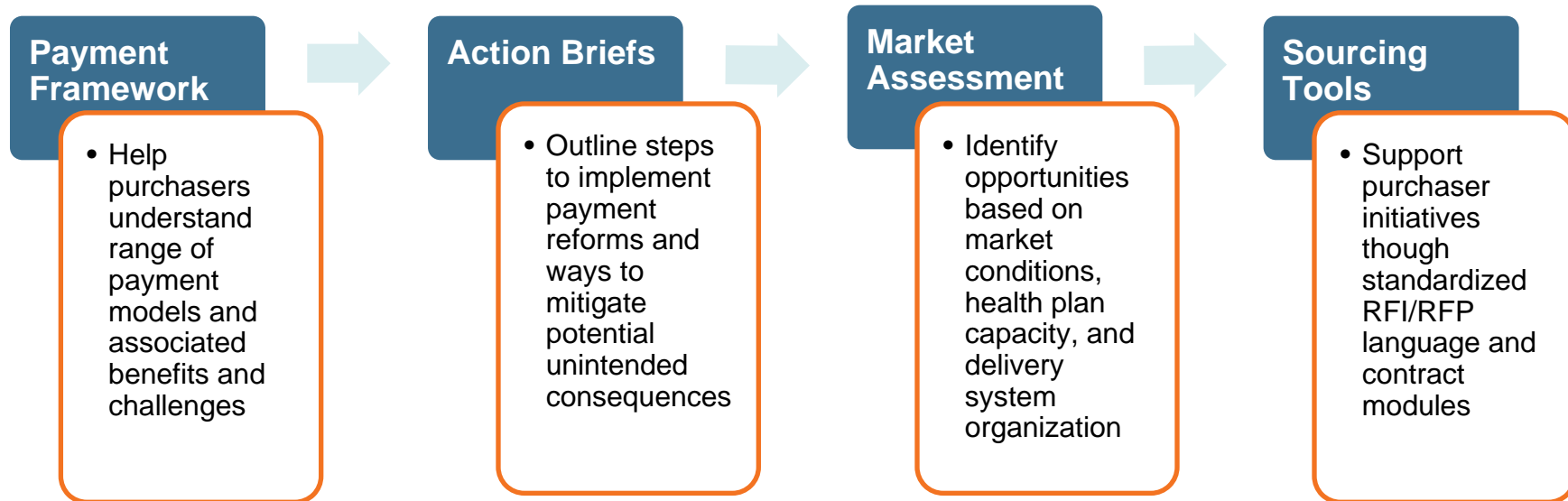
### Amplify & Align Market Signals

- 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



# Critical Mass Starts With Active Purchasers

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**



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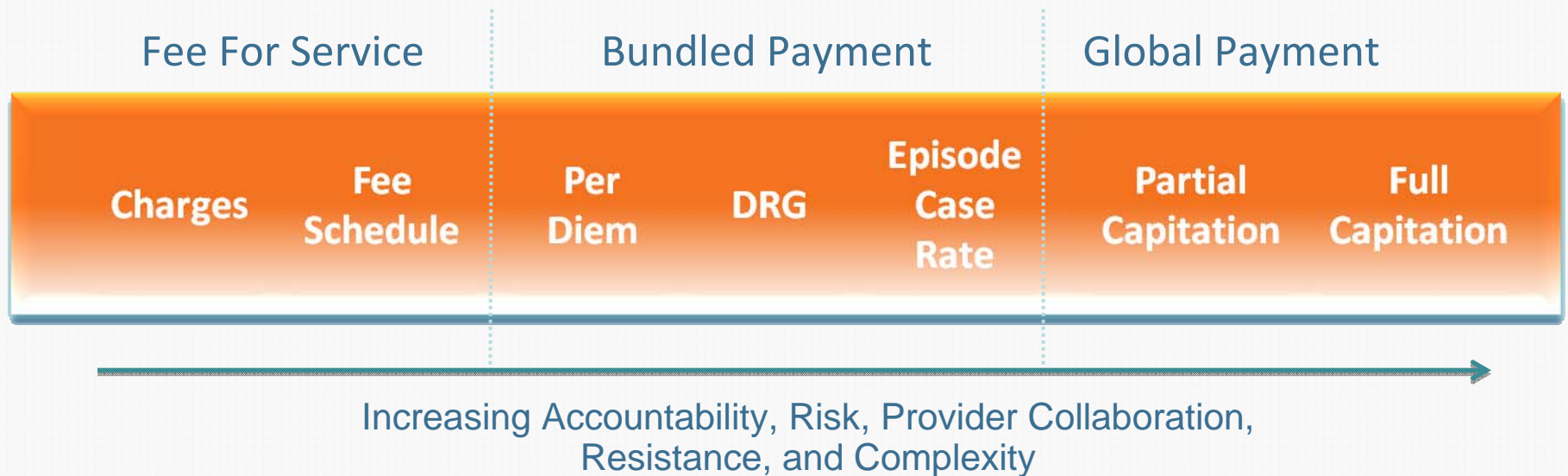
# Shared Principles Start With Aligned Perspectives

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.)

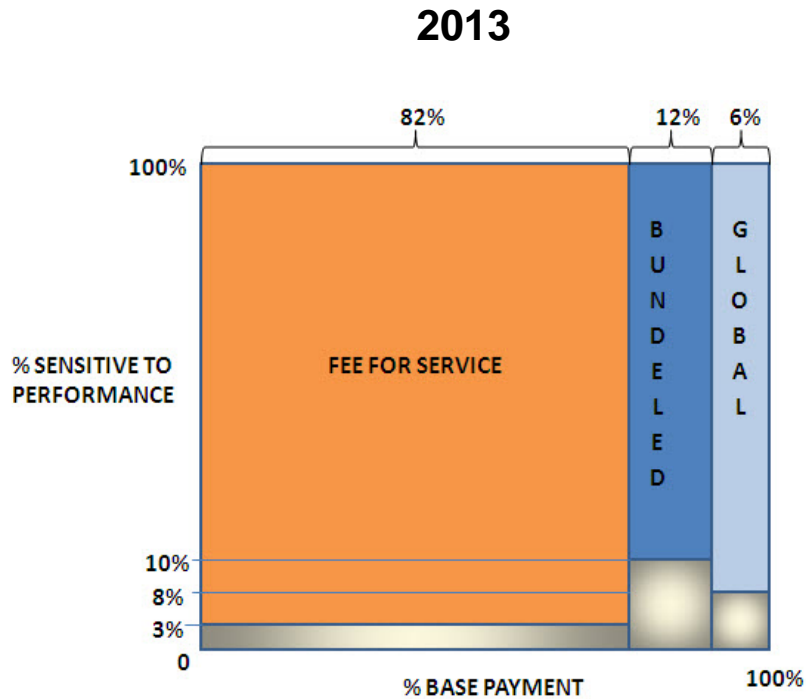


## The Audience's Turn

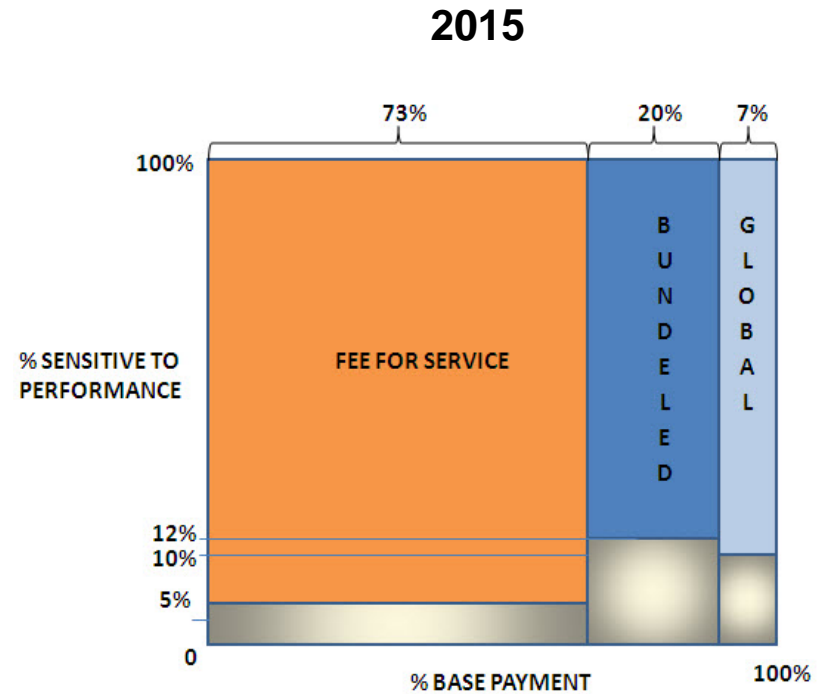
- What percent of payment to hospitals and doctors today is tied to performance?
- What percent of payment to hospitals and doctors today should be tied to performance?



# Shining A Light: Just Imagine . . .



4% of all types of base payment is sensitive to performance



6.75% of all types of base payment is sensitive to performance

*Creating a market conducive to reform means measuring progress against 'status quo'*



# 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

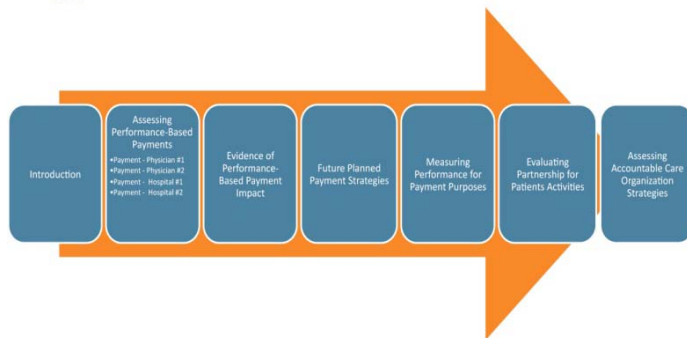
- Purchaser Activation
- Provider Interest, Organization and Payment
- Market Competition
- Payer Readiness
- Regulatory, Legal Landscape



# 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



## Enhancing Leverage . . . Alignment With CPR Purchasers

- Quick Win #1: Maternity payment (Medicaid, State Employees)
  - Practices straying from the evidence
  - Payments (doctors and hospitals) encourage unnecessary medical intervention – both costly and harmful
  - Quick Win: Multi-pronged strategy including payment aligned to evidence, benefit design and education to encourage appropriate use, hospital policy to reduce inappropriate care
  
- Quick Win #2: From reference to value pricing (State Employees)
  - Significant and unwarranted quality and price variation for services
  - Package pricing aligned to market value . . . signal to providers that unwarranted variation unacceptable (basic and complex procedures)
  - Educate and engage consumers as active shoppers



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## The Audience's Turn

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



# Enhancing Leverage . . . Creating A Market Conducive To Reform

## Market Strategy: Ensure Price Transparency

- Price transparency key to longer term reform of payment system
- Price of health care services is a public good . . . Insurers should compete on better consumer engagement tools and products, not on information
- Improve transparency using multiple strategies
  1. Clear Signals: RFI and contract language
  2. Purchaser Engagement: Health Plan-purchaser discussions to obtain specific commitments from health plans
  3. Scorecard: Measure health plan progress on specified commitments



## Other Opportunities: Short & Long Term

### Short-Term (largely based on fee-for-service)

- Maternity care payment reform
- Reference pricing
- Shared savings or shared risk pilots
- Tiered or narrow networks
- Pay for asynchronous visits
- Primary Care Medical Homes
- Reduced or non-payment for undesired events (e.g., readmissions, hospital-acquired conditions)

### Long-Term

- Bundled payments
- Global payments
- Accountable care
- Enhance competition among providers



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## What do CPR Purchasers Want?

- 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.



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## 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.



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## 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.



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