Episodes of Care
A Value-Based Model for Specialty Care

National Bundled Payment Summit

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Director, Market Innovations

June 2016
Episodes of Care

Value-based model designed to engage specialists and refocus health care delivery and reimbursement on quality and value rather than volume.

Full spectrum of health care services related to and delivered for a specific medical condition, illness, procedure or health care event during a defined time period.
Retrospective Model

- Partner with a “Conductor”

- All providers of care within the continuum of the episode are paid at their contracted fee for service rates

- Episode assessment is made, post episode
  - Quality
  - Patient Experience
  - Total Cost of Care

If metrics are met, savings are shared
Upside only
Retrospective Upside Only Model

• Collaboration between payer and providers
  – Trust and Credibility Established
  – Transparency
• No-risk environment
• Opportunity to figure out, together, how to create success in value-based model
  – Preparing for the evolution to Prospective Model

• Does not eliminate FFS
• Reward & Feedback can be far removed from behavior affecting change
Horizon BCBS NJ
Current Portfolio of Retrospective Episodes

- Hip Replacement
- Knee Replacement
- Knee Arthroscopy
- Colonoscopy
- Pregnancy
- Hysterectomy
- CHF
- CABG
- Oncology: Breast Cancer, Colon Cancer, Lung Cancer
### Results – Quality – Standard Metric

EOC Practices performing better than Non-EOC

**All cause Re-Admissions***

<table>
<thead>
<tr>
<th></th>
<th>EOC</th>
<th>Non-EOC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knee</td>
<td>1.06%</td>
<td>1.36%</td>
</tr>
<tr>
<td>Hip</td>
<td>0.96%</td>
<td>1.52%</td>
</tr>
<tr>
<td>Knee Arthro</td>
<td>0%</td>
<td>4.49%</td>
</tr>
</tbody>
</table>

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## Results – Quality – Episode-specific Metric

### EOC Practices Performing Better than Non-EOC

<table>
<thead>
<tr>
<th></th>
<th>EOC</th>
<th>Non-EOC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knee Revisions after</td>
<td>1.05%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Replacements</td>
<td>EOC</td>
<td>Non-EOC</td>
</tr>
<tr>
<td></td>
<td>2.4%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Hip Revisions after</td>
<td>1.05%</td>
<td>5.4%</td>
</tr>
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<td>Non-EOC</td>
</tr>
</tbody>
</table>
Results – Episode-Specific Average C-section Rates

<table>
<thead>
<tr>
<th>Partner 1</th>
<th>Partner 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before EOC</strong></td>
<td><strong>Current Rates</strong></td>
</tr>
<tr>
<td>47.9</td>
<td>42.3</td>
</tr>
</tbody>
</table>
Results - Financial

2014 Average Costs for Hip Replacement

- **Average Non EOC**
  - Average Claims Cost: $34,840
  - Total Cost: $34,840

- **Average EOC**
  - Average Claims Cost: $24,051
  - Average Shared Savings: $433
  - Total Cost: $24,484

- **Average Inaugral**
  - Average Claims Cost: $22,051
  - Average Shared Savings: $1,694
  - Total Cost: $23,745
### Patient Experience

Members in episodes have great experiences & are working in partnership with their physicians

#### Patient Satisfaction

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hip Replace</td>
<td>99%</td>
</tr>
<tr>
<td>Knee Replace</td>
<td>91%</td>
</tr>
<tr>
<td>Knee Arthro</td>
<td>89%</td>
</tr>
<tr>
<td>Pregnancy</td>
<td>93%</td>
</tr>
<tr>
<td>Colonoscopy</td>
<td>97%</td>
</tr>
</tbody>
</table>

#### Shared Decision Making

<table>
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<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
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<td>98%</td>
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<tr>
<td>Knee Replace</td>
<td>93%</td>
</tr>
<tr>
<td>Knee Arthro</td>
<td>95%</td>
</tr>
<tr>
<td>Pregnancy</td>
<td>94%</td>
</tr>
<tr>
<td>Colonoscopy</td>
<td>96%</td>
</tr>
</tbody>
</table>
Standard EOC Program vs. COTA Oncology

EOC

“Standard” Claims-based Algorithms
  - Stratification based on claims

COTA
  - Stratification based on clinical criteria extracted from EHR
A new digital classification for cancer patients

- ICD-9 Code: 174.9
- Therapy Type: Adjuvant
- Progression Track: 0
- Sex: Female
- Age: 49
- Estrogen Receptor: Positive
- Progesterone Receptor: Positive
- Her2neu: Negative
- Tumor Size: <1mm
- Nodal Involvement: None
- Metastatic Sites: None
- ECOG at Presentation: 0
- OncotypeDX: 12

* Provisional patent application submitted
Not Just Apples to Apples …

• Allows for more precise stratification of members and episodes
• Includes clinical and claims/cost information
• Disease state and stage considered
• Precise ability to compare truly like patients with like disease to allow for standardization and optimization of care
How Does Horizon See Its Challenge
Factors Driving Care Delivery Changes in New Jersey

Recent health care trends have reduced the availability of affordable, high-quality care for New Jersey residents.

- Commoditization of Health Insurance
- Inadequate Access to Affordable Care
- Unsustainable Health Care Inflation
- Growing High-Risk Populations
- Rapidly Changing Provider Landscape
- Unique Out-of-Network Protected Environment
Over the past decade, health care costs in New Jersey have drastically outpaced inflation.

As New Jersey’s population ages, health care utilization and spend per capita will rise.

New Jersey Population by Age Segment

<table>
<thead>
<tr>
<th>Age Segment</th>
<th>2000</th>
<th>2012</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>60+</td>
<td>17%</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>40 - 59</td>
<td>27%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>20 - 39</td>
<td>28%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>0 - 19</td>
<td>27%</td>
<td>26%</td>
<td>25%</td>
</tr>
</tbody>
</table>

The proportion of New Jersey residents over 60 years of age is growing faster than any other age group.

By 2020, over half of the population of New Jersey is expected to be over the age of 40 years.

New Jersey has one of the highest average monthly premiums in the country, driven in part by high per capita health care costs.

<table>
<thead>
<tr>
<th>Total Health Care Cost Per Capita</th>
<th>Average Monthly Premiums After Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey</td>
<td>U.S. Average</td>
</tr>
<tr>
<td>$7,583</td>
<td>$6,815</td>
</tr>
<tr>
<td>$172</td>
<td>$105</td>
</tr>
</tbody>
</table>

Source: Kaiser Family Foundation; CMS National Health Expenditures Database; WHO Global Health Expenditures database.

Note: 2014 monthly premiums in 36 Federally Facilitated Markets.
Population Health Management
Our patient-centered programs include more than 6,000 physicians that are committed to improving the quality of care.

More than 800,000 Horizon BCBSNJ members are in patient-centered programs, including Patient-Centered Medical Homes, Accountable Care Organizations and Episodes of Care Programs.
2014 Patient-Centered Results

- 6% Higher rate in diabetes control.
- 7% Higher rate in cholesterol management for diabetic patients.
- 8% Higher rate in colorectal cancer screenings.
- 3% Higher rate in breast cancer screenings.
- 8% Lower rate in hospital admissions.
- 5% Lower rate in Emergency Room visits.
- 9% Lower total cost of care.
Sample ACO’s Results Select Drivers of Overall Change
(Total cost of care favorable difference)

PMPM – Place of Service

ACO

<table>
<thead>
<tr>
<th></th>
<th>Inpatient</th>
<th>Outpatient</th>
<th>Professional</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACO</td>
<td>55</td>
<td>95</td>
<td>189</td>
</tr>
<tr>
<td>Matched</td>
<td>82</td>
<td>124</td>
<td>176</td>
</tr>
<tr>
<td>Reference</td>
<td>105</td>
<td>135</td>
<td>181</td>
</tr>
</tbody>
</table>

Reference population is a larger Horizon BCBSNJ comparison across the state.
Episode Contracting Only Goes So Far

Advantages
• Engages specialists in Population Health orientation
• Identifies transformation opportunities
• Rewards full continuum focus
• Brings data to the point of care

Weaknesses
• Must build EOC models incrementally
• Episodes only cover a small percentage of patients presenting at specialty practice
• Much harder to encourage practice transformation
• Other drivers can influence all actors
Model Integration Has Reflexive Synergies

• Patient Centered Medical Home
  – Needs high valued specialty partners

• Accountable Care Organizations
  – Requires a specialty network

• Episode of Care Partners
  – Always seeking referral partners
Value Based Reimbursement Creates New Levers

• Reimbursement tools for VB relationships enhance the negotiating position of all partners
  – Shared Savings
  – Care Coordination Fees
  – Shared Risk
  – Shared Premium
  – Outcomes Based Payments
  – Withholds

• While the accounting is more complex, you can vary these tools to foster partner collaboration.
Open Discussion