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# National Consumer Driven HealthCare Summit

Outsourcing,, Contracting and Pricing issues  
for Employers, Plans and Providers



# Contracting

- Consumer driven changes your managed care contracting
- If you do not remove the contract language that forbids you from balance billing patients you cannot bill for their deductible
- If you cannot distinguish in the eligibility report who has no deductible and who has a deductible you are in trouble
- If you are waiting for someone to come to you with a CDHP contract, you may have a long wait



# Contracting

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- Focus is on performance not just data
- You are currently in a single dimensional world of price concession for market share
- You are moving to a 3 dimensional world of price, clinical effectiveness and reporting.
- There are now 6 reasons for payment denials and payment delays not just 2.



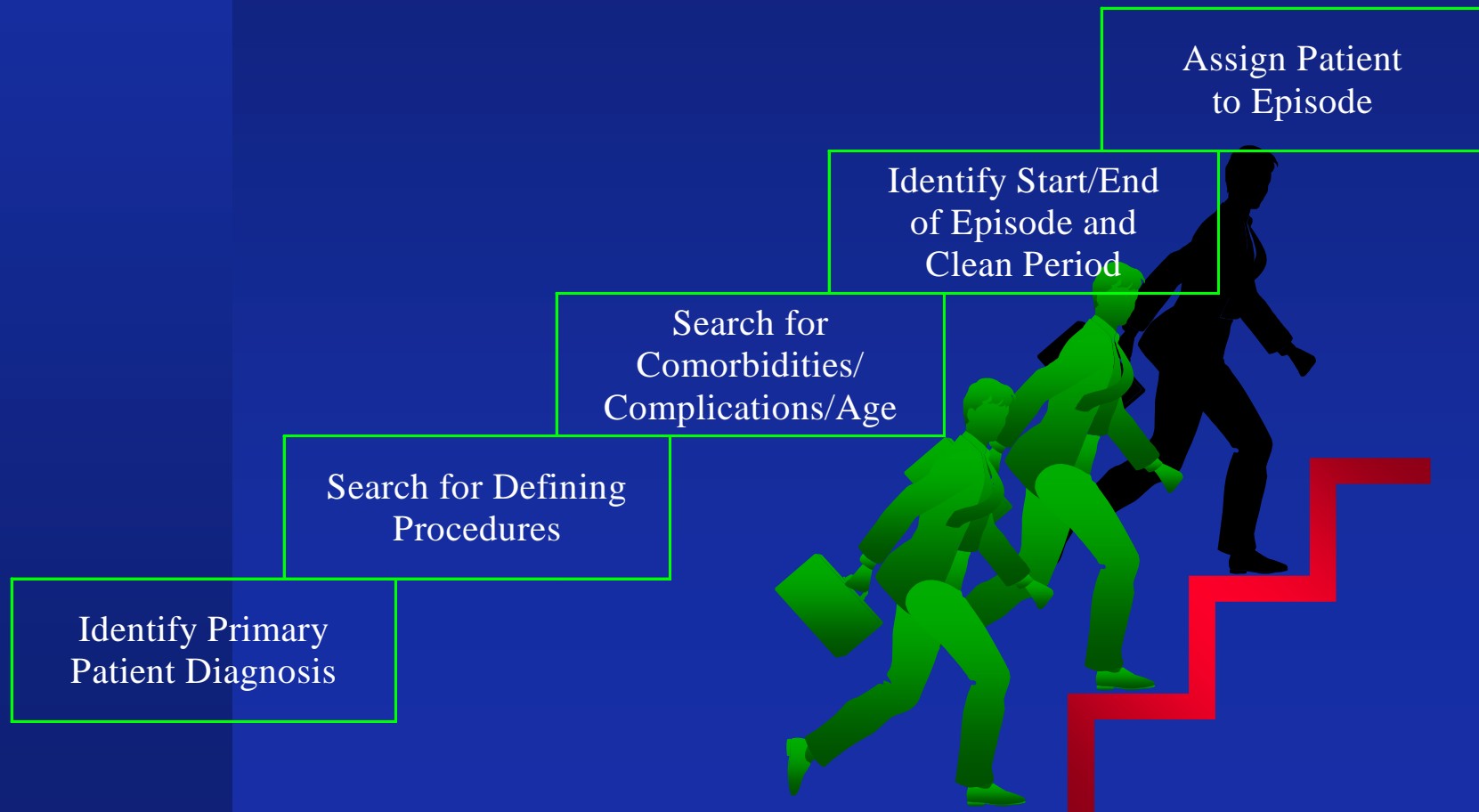
# Contracting

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- Metrics of P4P
- HEDIS
- ETG
- ERG
- DXCG
- Case mix adjusted
- Alternative forms of PMPM



# The ETG<sup>®</sup> Methodology





# Organizations That Use ETG®

- AMGEN
- Anthem
- Bayer
- Catholic Health Initiatives
- Catholic Healthcare West
- CIGNA
- Group Health Incorporated
- Harvard Pilgrim HealthCare
- HCA
- Lilly
- MERCK
- Neighborhood Health Partnership
- PacifiCare Health Systems
- Schering-Plough
- State of Texas
- TRIGEN
- TRIGON
- United Healthcare
- Verizon
- VHA
- Weyerhaeuser
- Zimmer
- ORTHO BIOTECH



# Contract negotiation

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- Do you know what will be asked?
- Are you prepared to request the plans help in getting at the data?
- What are the sticking points?
- How can we avoid them?



# Getting started

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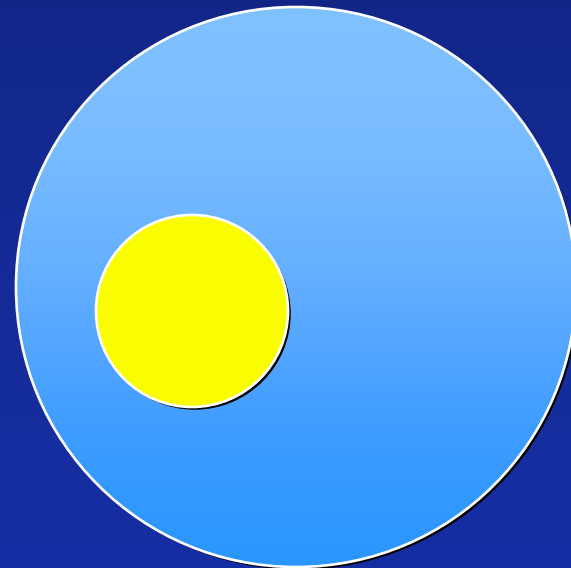
- What will you need to prepare for Consumer driven?
- Patient financial counselors.
- A change in your managed care contracts.
- A better understanding of what employers are doing.
- Good data to prove your performance.





# What you have is valuable

- You have data on entire universe of the patient population you treat
- HMOs have a sliver of that data
- Trick is to have a report of how many payers have how many patients so you compare your universe against their reports and demonstrate your performance.
- The payers DO NOT have all the data, yet





# Employer Report

## Population Profiling System - Employer Ranking Total Dollars Paid for Covered Individuals

Population: Automotive Manufacturing >100 Employees  
 Benchmark: Borla Exhaust Products

PROVIDER						POPULATION				BENCHMARK			
Rank	ID	Name	Mbrs Seen	\$ per Mbr	Paid Amt	Expected Paid Amt	Diff	Perf Index	CCI™	Expected Paid Amt	Diff	Perf Index	CCI™
1	2100987	Brembo	163	\$1,643	\$267,817	\$238,334	\$29,483	*1.12	1.12	\$221,651	\$46,166	**1.21	1.21
2	2100119	ZF Transmissions	202	\$1,529	\$308,774	\$298,345	\$10,429	1.03	1.03	\$277,461	\$31,313	*1.11	1.11
3	2100654	Raybestos	204	\$1,919	\$391,417	\$384,161	\$7,256	1.02	1.02	\$357,270	\$34,147	*1.10	1.10
4	2100879	MSD Electronics	290	\$2,100	\$608,935	\$605,443	\$3,492	1.01	1.01	\$563,062	\$45,873	1.08	1.08
5	2100121	OZ Wheels	110	\$1,919	\$211,087	\$207,943	\$3,144	1.02	1.02	\$193,387	\$17,700	1.09	1.09
6	2100444	Eaton	137	\$2,285	\$313,091	\$334,456	-\$21,365	0.94	0.94	\$311,044	\$2,047	1.01	1.01
7	2100349	Momo Steering Wheels	113	\$1,482	\$167,484	\$199,923	-\$32,439	**0.84	0.84	\$185,928	-\$18,444	*0.90	0.90
Average per Provider:			174	\$1,840	\$324,086	\$324,086	\$0	1.00	1.00	\$301,400	\$22,686	1.07	1.07
Total for Report:			1,219		\$2,268,605	\$2,268,605	\$0			\$2,109,803	\$158,802		
Average per Patient:					\$1,861	\$1,861	\$0			\$1,731	\$130		



# Outsourcing

- Too many strands of data to go it alone.

Outpatient, inpatient, pharmacy, mental health, therapy units

- This means physician hospital cooperation.

Having trouble with EMR and APC

- Metrics will/must change over time.

New technology, new measurements of necessity

- In house has politics, “show me in my budget where I saved”.

- Letting someone else control your future.



# Outsourcing

- Vendors sometimes know this better than the health plans.
- Physician/ hospital secret discounts and income disclosure better handled by a 3<sup>rd</sup> party.
- Genuinely equipped to get this data and manage it.

4 step process, entry, analyze, validate, report

- End result is more credible and believable as a change management tool than trying to do it all yourself.



# Outsourcing

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- Finding a good partner
- Who is their sponsor?
- Who are their clients?
- What is their current capital situation?
- How are they in getting data out of your facility?
- What is their turn around time?



# Outsourcing

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- Basic truth about data centers.
- Contracts are complicated, lines of data and transactions equals costs to them.
- Data security.
- If the company is bought who owns this data.
- What are your remedies if you want to change vendors.



# Outsourcing

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- So what are we looking for in a data center?
- What are the specs?
- Do we really understand this new business?
- How can I afford it?



# Pay For Performance Markers And Measures

Condition	Proposed Marker	Proposed Measure
Asthma	<ul style="list-style-type: none"> <li>• Use of inhalers (encounter and pharma data )</li> <li>• Age ranges:               <ul style="list-style-type: none"> <li>• 5 - 9</li> <li>• 10 - 14</li> <li>• &gt; 14</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Based on HEDIS</li> </ul>
Coronary Artery Disease	<ul style="list-style-type: none"> <li>• LDL Screening</li> <li>• LDL Level</li> </ul>	<ul style="list-style-type: none"> <li>• Aggregate %</li> </ul>
Diabetes	<ul style="list-style-type: none"> <li>• HbA1c Levels &lt; 8 (2 pts.)</li> <li>• HbA1c Levels 8 - 9.5 (1 pt.)</li> <li>• HbA1c Levels &gt; 9.5 (0 pt.)</li> </ul>	<ul style="list-style-type: none"> <li>• 2 points/1 point multiplied by percent of patients with HbA1c below 8 and between 8 - 9.5</li> <li>• Credit for recognition of diabetes</li> <li>• Credit for process measures (HbA1c testing)</li> </ul>
Breast Cancer Screening	<ul style="list-style-type: none"> <li>• Mammography</li> <li>• Age &gt; 50</li> </ul>	<ul style="list-style-type: none"> <li>• Aggregate %</li> </ul>

Source: Integrated Healthcare Association.





# Pay For Performance Markers And Measures

Condition	Proposed Marker	Proposed Measure
Cervical Cancer Screening	<ul style="list-style-type: none"> <li>• Pap Smear</li> <li>• Age &gt; 18</li> </ul>	<ul style="list-style-type: none"> <li>• Aggregate %</li> </ul>
Childhood Immunizations	<ul style="list-style-type: none"> <li>• DPT</li> <li>• Polio</li> <li>• Measles</li> <li>• Haemophilus</li> <li>• Hepatitis B</li> <li>• Chicken Pox</li> <li>• Combined Series (?)</li> </ul>	<ul style="list-style-type: none"> <li>• Aggregate % with threshold</li> <li>• 1 point for hitting each threshold: possible 0 out of 6 to 6 out of 6 points</li> <li>• Use HEDIS age definition</li> <li>• ? regarding combined series</li> </ul>
Patient Satisfaction (from CAS)	<ol style="list-style-type: none"> <li>1. Access to specialty care</li> <li>2. General access to care</li> <li>3. Communication with MD</li> <li>4. Global rating of satisfaction with doctor</li> <li>5. Satisfaction with degree of prevention counseling</li> </ol>	<ol style="list-style-type: none"> <li>1. 30 Points</li> <li>2. 15 Points</li> <li>3. 20 Points</li> <li>4. 20 Points</li> <li>5. 15 Points</li> </ol>



# What you can do with data

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- Ravenswood medical Staff Organization
- Tremendous variety of training among docs
- Were in a spot to do or die
- Made up their own data inputs and system
- Made it work



# RPA Covered Lives Growth

	1997	1998	1999	2000	2001
<b>HMOI</b>	1,552	1,718	2,035	2,527	5,761
<b>Blue Advantage</b>	29	662	1,236	1,781	2,962
<b>Humana</b>	598	896	1,474	2,600	3,048
<b>Unicare</b>	243	1,352	1,764	1,560	1,252
<b>Other Plans</b>	1,219	1,074	780	*	*
<b>TOTAL</b>	<b>3,641</b>	<b>5,702</b>	<b>7,289</b>	<b>8,468</b>	<b>13,023</b>

\* No other plans in use.

*Source: RPA Annual Shareholders Meeting, October 2, 2001.*



# Financial Highlights

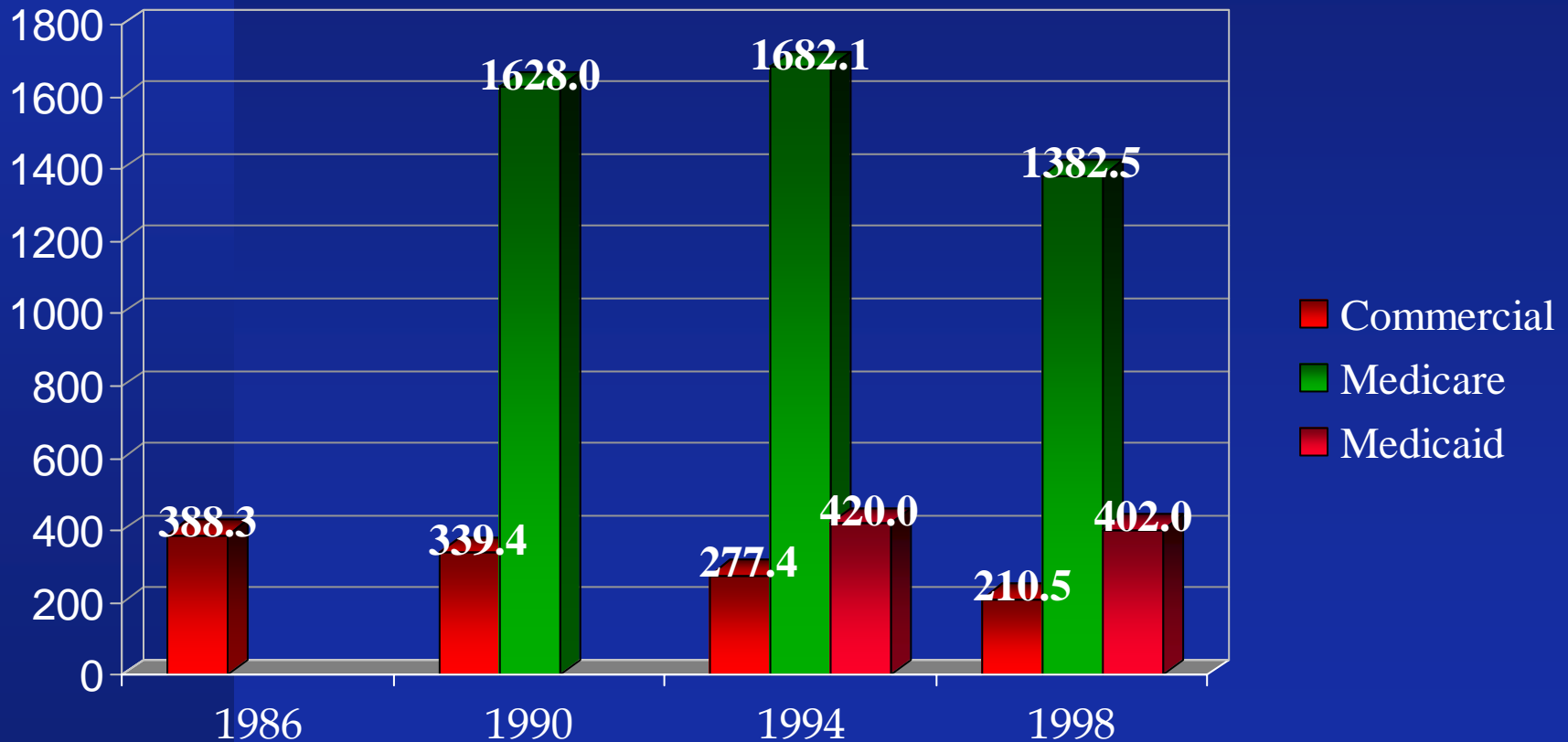
## RPA Profit and Loss Statement

	<u>Jan-Aug 2000</u>	<u>Jan-Aug 2001</u>	<u>% Change</u>
Income	\$4,021,888	\$5,053,972	26%
Expenses	\$3,407,579	\$4,143,525	22%
<u>Net Income</u>	\$614,309	\$910,447	48%

*Source: RPA Annual Shareholders Meeting, October 2, 2001.*



# Hospital Days Per 1,000 Members

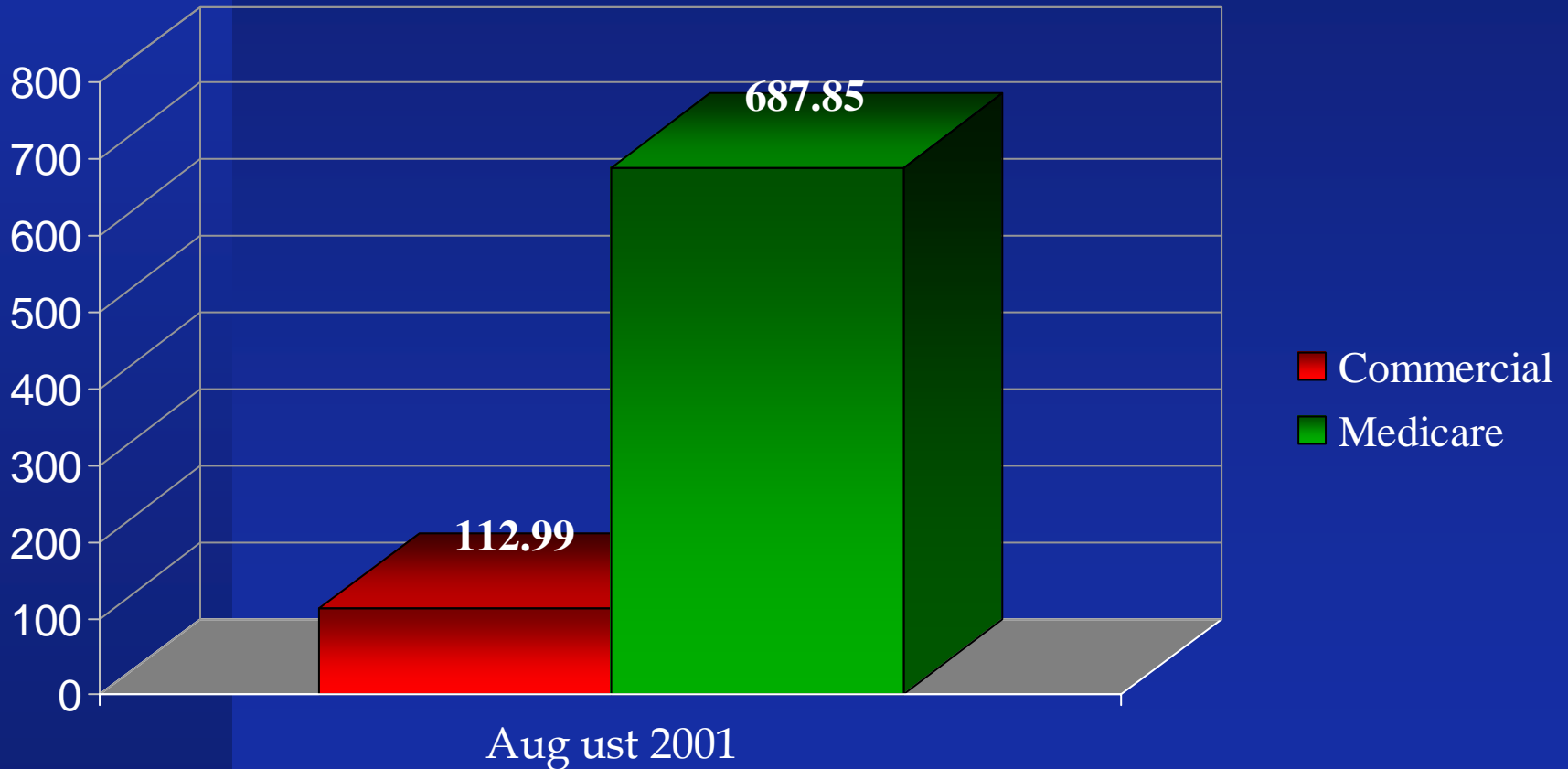


All HMO Utilization data excludes well baby, neonatal ICU and psychiatric patients.

Source: Managed Care Digest Series 2000: Managed Care Trends Digest Aventis Pharmaceuticals, 2000.



# Hospital Days Per 1,000 Members

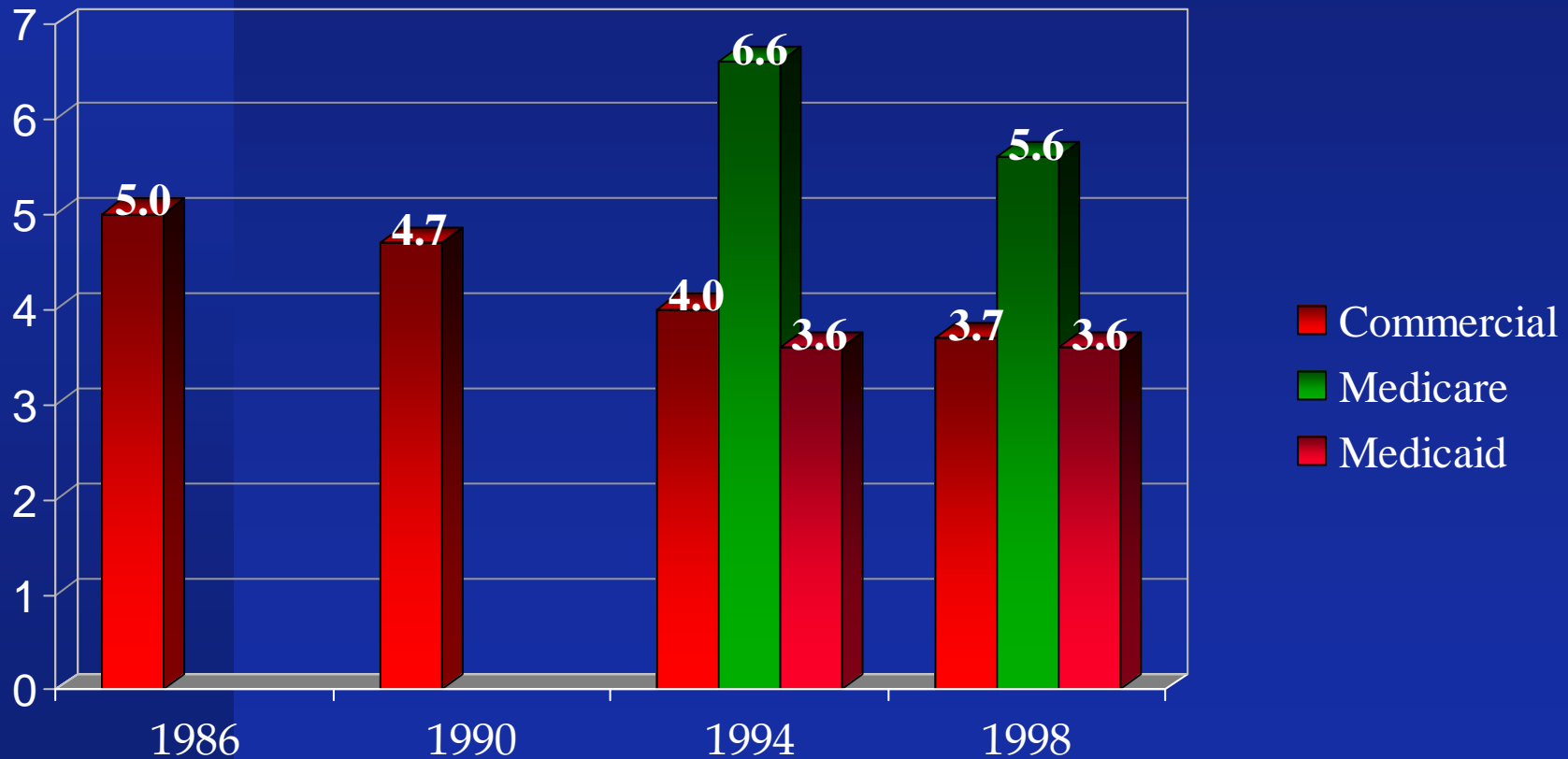


12 month rolling average.

Source: Managed Care Digest Series 2000: Managed Care Trends Digest Aventis Pharmaceuticals, 2000.



# Average Length Of Stay (Days) Per HMO Member



All HMO Utilization data excludes well baby, neonatal ICU and psychiatric patients. Commercial rate for 1986/90 includes Medicare and Medicaid. 1986 data is estimated.

Source: Managed Care Digest Series 2000: Managed Care Trends Digest Aventis Pharmaceuticals, 2000.



# Outcome

## Specialists

140% of  
RBRVS

## PCP

\$16  
PMPM

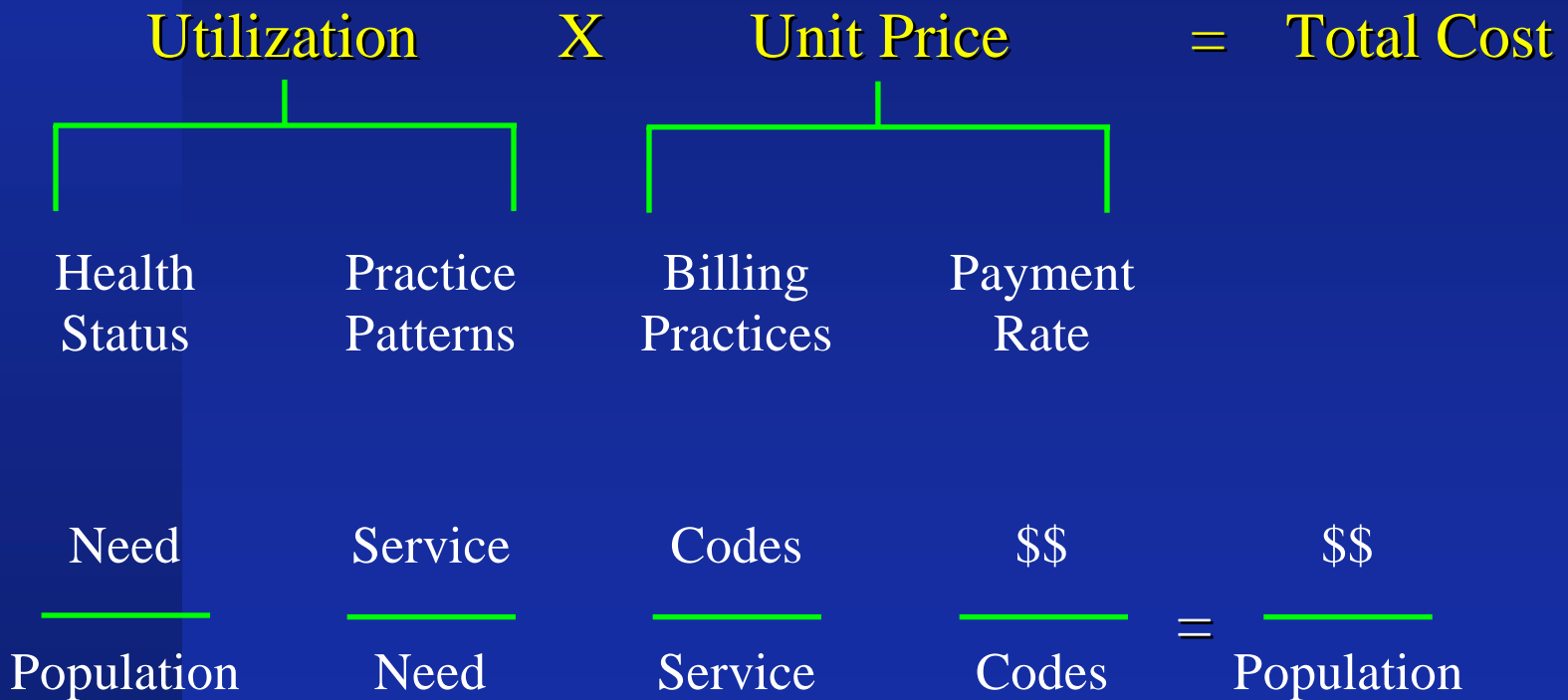


*Source: RPA Annual Shareholders Meeting, October 2, 2001.*





# Component Parts Of Medical Cost Model



Source: RPA Annual Shareholders Meeting, October 2, 2001.

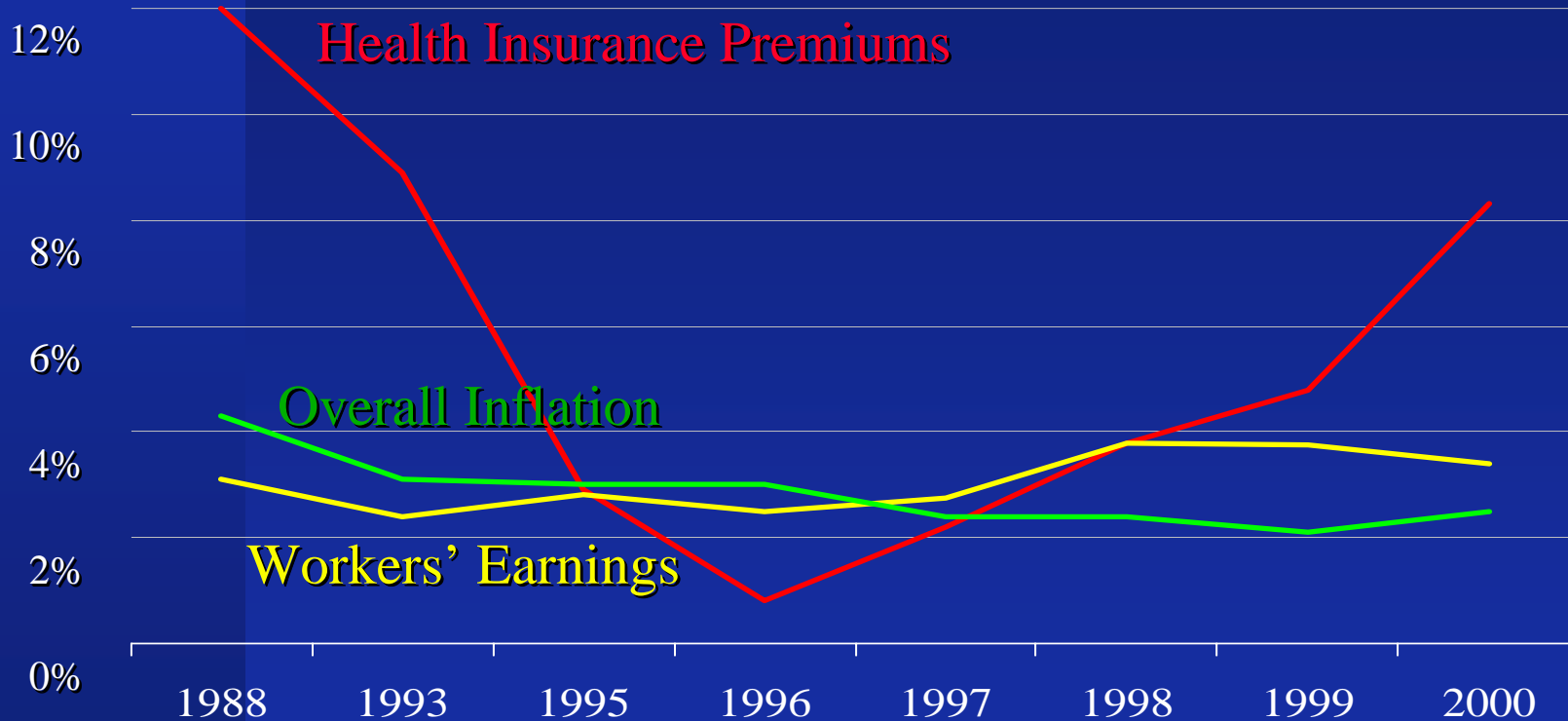


# Outsourcing

- Employers get data from health plans and health plans charge for it .
- Hospitals give data to health plans and does not charge for it.
- Health plans use it to beat hospitals in to a discount annually.
- What is it???



# Premium Increases Compared With Other Indicators

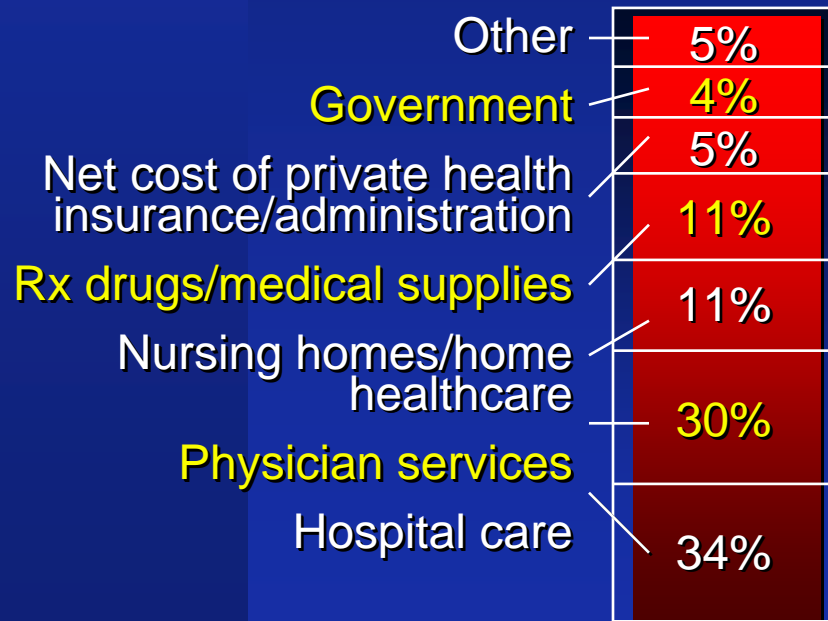


NOTES: Estimates for health insurance premiums are statistically different from the previous year for years 1998, 1999 and 2000 ( $\alpha = .05$ ). No tests were done on years prior to 1998 or for workers' earnings or overall inflation. Sample for 1997 included firms with 200 or more workers only.

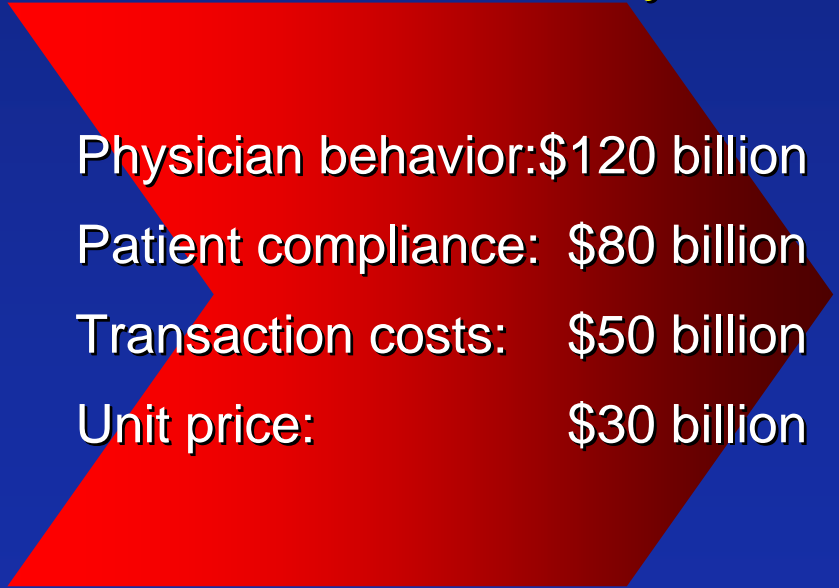
Source: Kaiser/Health Research & Educational Trust Survey of Employer-Sponsored Health Benefits, 1999 & 2000; and KPMG Survey of Employer-Sponsored Health Benefits, 1988, 1993, 1996 & 1998; and Bureau of Labor Statistics, 2000.

# Healthcare System Complex And Inefficient

U.S. Healthcare spending  
in 1998: \$1.1 trillion



Estimated healthcare  
improvement opportunities  
could save a significant  
amount of money





# Population Profiling System

## PMPM Average Dollars

### Specialty: Family Practice

Provider Rank	PCP ID	PCP Name	Average # of Members	Total Member Months	Actual PMPM	Expected PMPM	Difference	Percent Difference	Performance Index	Statistical Significance	Relative CCI (RCCI)
27	XXXX	*****	398	4,752	\$93.34	\$68.64	\$24.70	36%	1.36	**	1.04
28	XXXX	*****	48	577	71.67	47.43	24.24	51%	1.51		0.72
29	XXXX	*****	213	2,556	91.25	67.40	23.85	35%	1.35	**	1.02
30	XXXX	*****	236	2,833	97.60	74.79	22.81	30%	1.30	**	1.13
31	XXXX	*****	476	5,715	96.90	75.93	20.97	28%	1.28	**	1.15
32	XXXX	*****	619	7,433	112.04	91.91	20.13	22%	1.22	**	1.39
33	XXXX	*****	524	6,285	86.53	66.68	19.85	30%	1.30	**	1.01
34	XXXX	*****	260	3,116	81.87	62.42	19.45	31%	1.31	*	0.94
35	XXXX	*****	266	3,190	95.66	78.06	17.60	23%	1.23		1.18
36	XXXX	*****	773	9,281	74.33	56.83	17.50	31%	1.31	**	0.86
37	XXXX	*****	356	4,271	73.46	57.30	16.18	28%	1.28	**	0.87
<b>38</b>	<b>0002</b>	<b>Brian Henry, MD</b>	<b>274</b>	<b>3,291</b>	<b>77.98</b>	<b>61.93</b>	<b>16.05</b>	<b>26%</b>	<b>1.26</b>	<b>**</b>	<b>0.63</b>
39	XXXX	*****	235	2,823	69.80	54.07	15.73	29%	1.29	**	0.82
40	XXXX	*****	101	1,208	58.82	44.00	14.82	34%	1.34	*	0.66
41	XXXX	*****	63	761	60.45	46.01	14.44	31%	1.31		0.69
42	XXXX	*****	326	3,939	87.79	73.50	14.29	19%	1.19	*	1.11
43	XXXX	*****	370	4,439	91.97	77.77	14.20	18%	1.18	*	1.17
44	XXXX	*****	658	7,897	69.48	55.42	14.06	25%	1.25	**	0.84
45	XXXX	*****	185	2,214	\$95.13	\$83.02	\$12.11	15%	1.15		1.25



# Population Profiling System Specialty Report By Major Category

## Specialty: Family Practice

PROVIDER NAME: 0002 Brian Henry, MD

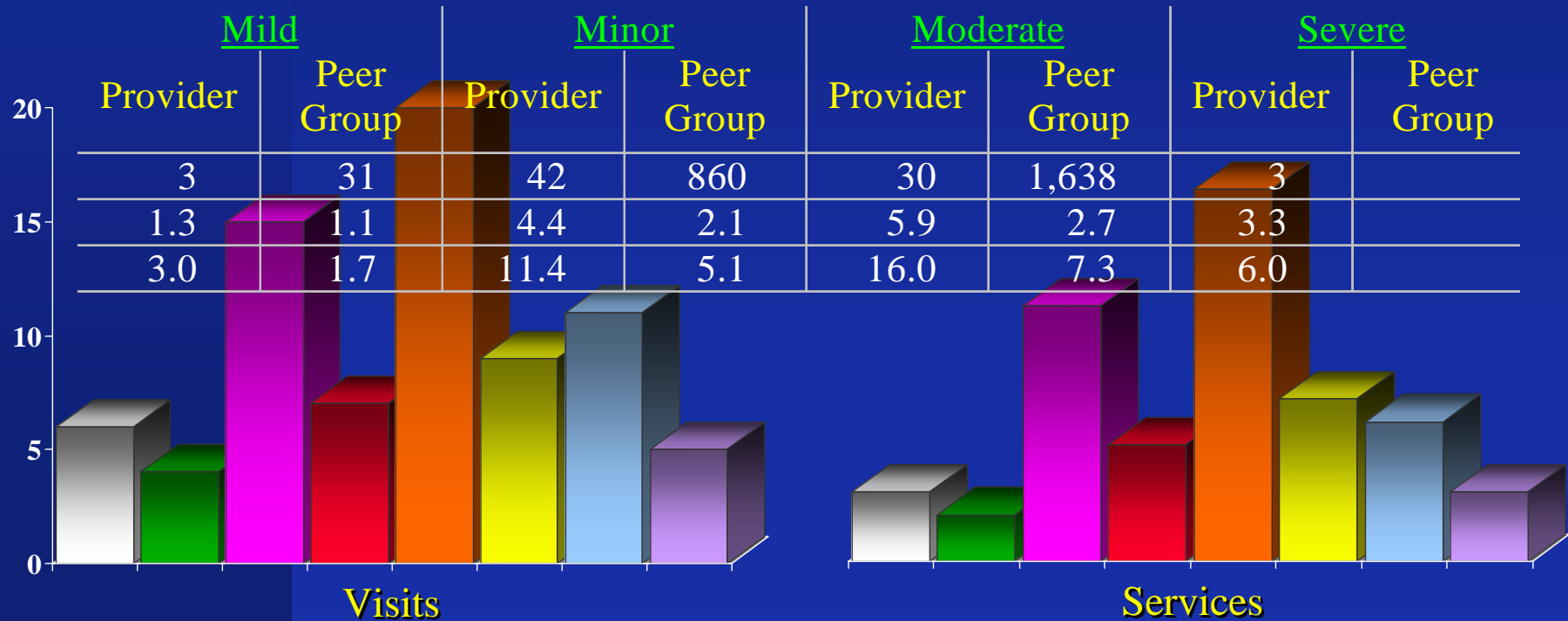
Major Category	Total Actual Dollars	Total Expected Dollars	Difference	Percent Difference	Performance Index
Diagnostic Procedures	\$5,914.00	\$4,103.85	\$1,810.15	44.00%	1.44
Laboratory	\$4,824.00	\$2,715.86	\$2,108.14	78.00%	1.78
Office Visits - Brief	\$22,452.00	\$12,472.96	\$9,979.04	80.00%	1.80
Office Visits - Intermediate	\$6,040.00	\$7,568.66	(\$1,528.66)	-20.00%	0.80
Other Medicine	\$6,930.00	\$6,792.67	\$137.33	2.00%	1.02
Pharmacy	\$2,392.00	\$3,152.26	(\$760.26)	-24.00%	0.76
Radiology	\$4,180.00	\$5,886.32	(\$1,706.32)	-29.00%	0.71
Office Visits - Extended	\$828.00	\$915.47	(\$87.47)	-10.00%	0.90
Therapeutic Services	\$374.00	\$691.05	(\$317.05)	-46.00%	0.54
Unassigned	\$3.00	\$2.24	\$0.76	34.00%	1.34



# Population Profiling System Provider Case Load By Complexity Level

Specialty: Endocrinology

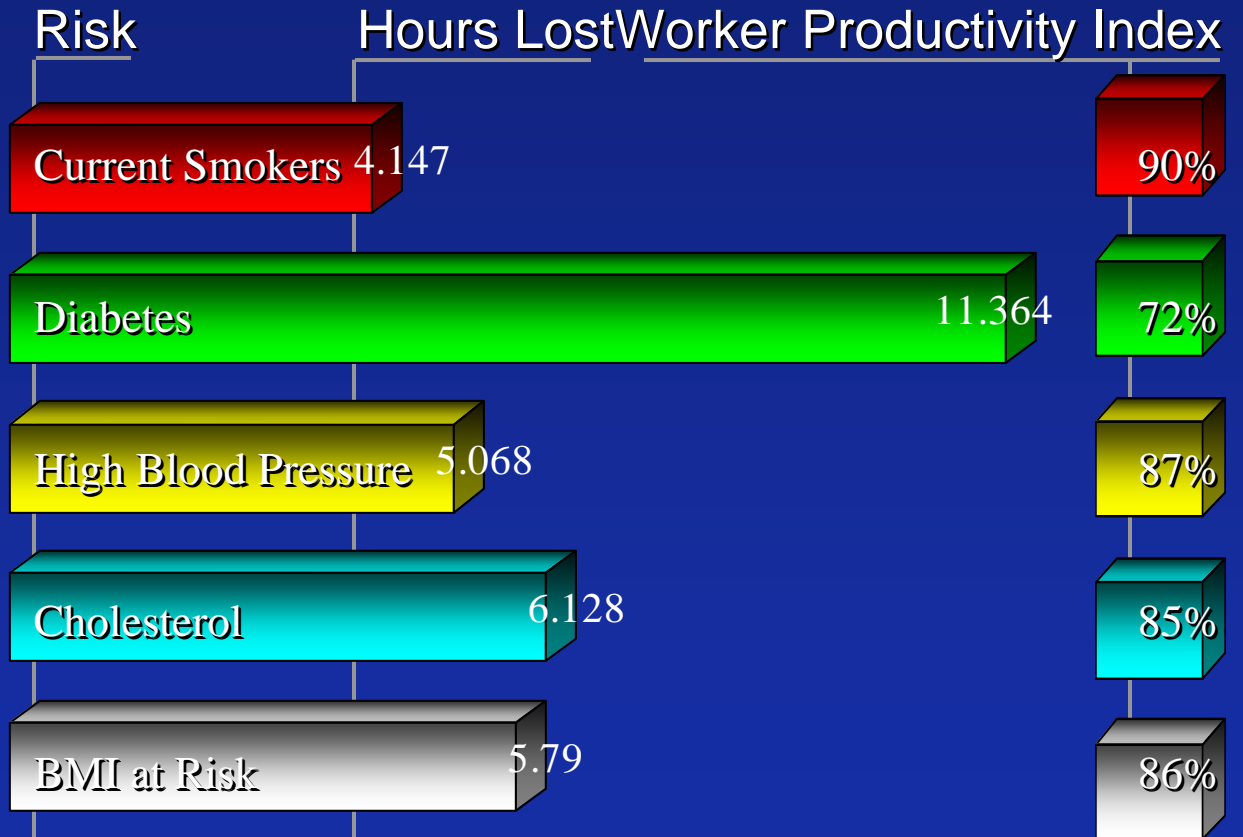
PROVIDER NAME: 2285 Robert Gregory





# Average Hours Lost Per Week And Productivity By Selected Health Risks

In a study of 564 telephone customer service agents, absenteeism, disability costs, and worker productivity losses were assessed to yield an average number of hours lost per week for various health states. The worker productivity index shows the average percentage of an established productivity standard workers in that health category achieved.



Source: *The State of Health Care in America 2001, Vol. 19, No. 6, Supplement A.*





### Kaiser Daily Health Policy Report

Wednesday, August 30, 2006

#### Coverage & Access

#### **Some Large Employers Contract Directly With Medical Groups To Reduce Health Care Costs**

*Investor's Business Daily* on Monday examined how some large employers, such as [Sprint Nextel](#) and [Waste Management](#), have begun "cutting the middleman in health insurance" and have "signed direct-contracting deals with medical groups instead of insurers" to help reduce costs. Under such agreements, employers directly pay medical groups to provide health care to employees, a practice that "eliminates the need to wrangle with insurers over plans and rates," and employees continue to have payroll deductions and make copayments, the *Business Daily* reports. According to the *Business Daily*, such agreements first appeared in the late 1980s, when "HMOs came under fire for putting profit before patient health," and have "gotten recent attention in no small part because of rising health care costs." Waste Management in 2005 decided to contract directly with the [Kelsey-Seybold Clinic](#) to provide health care to employees after a report found that the agreement would cost 16% less than a contract with a traditional health insurer. Since 2001, Sprint has contracted directly with physicians and four hospitals to provide health care to employees at the company headquarters in Overland Park, Kan., an agreement that costs 5% to 10% less than a contract with a traditional health insurer, according to Collier Case, director of health and productivity at Sprint. However, health care experts "don't expect direct contracting to be a universal solution to health insurance inflation because local medical groups don't have the capacity to reduce prices" on a large scale, the *Business Daily* reports (Benesh, *Investor's Business Daily*, 8/28).



# Summary

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- The Consumer driven movement has created a whole new audience for Pay for Performance.
- Pay for Performance is in its “pay for data” stage with Medicare but that will change this year.
- Private payers and coalitions are leading the charge.
- As distinctions between providers quality and cost are reported, patients and payers and physicians will begin to rethink their institutional loyalty and preference.



# Conclusion

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- To get ahead of this performance driven environment data is key.
- Key to demonstrate your effectiveness.
- Key to fixing whatever needs fixing.
- Key to creating change within the organization.
- Early adopter have a advantage over those that are going to wait for the payers and the government to report their findings.