The Role of Innovation In Health Reform

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This Presentation at a Glance

- Why we need innovation in health and health care

- 2013-2014: Full implementation of Affordable Care Act enhances spotlight on innovations

- Exchange startups; payment and delivery innovations; Center for Medicare and Medicaid Innovation; grants and incentives

- What other areas of innovation are driving change in health and health care?

- Some conclusions
First, a story....
Once upon a time, there was a “country”…

With an economy the size of France: $2.7 trillion…

With tens of millions of unhealthy people – and life expectancy below that of 28 of the world’s richest countries…

Where every day, a group of the natives “experimented” on others by subjecting them to “medical care,” about half of which has no evidence suggesting that it works…

Where adverse events that occurred in the course of this “care” were among the top ten causes of death annually…

Where tens of millions didn’t get care they needed and tens of thousands died each year as a result…

And partly because of the cost of the flawed care it does provide, the country was possibly going broke!
What would you do with this country?

- Send in the Marines?
- Send in the International Monetary Fund?
- Send in Amnesty International?
- Other?
We know this country’s identity...

The United States of Health Care

Ripe for Innovation!
Innovation: Some useful definitions

- The introduction of something new
- A new idea, method or device
- The process of translating an idea or invention into a good or service that creates value or for which customers will pay
- Disruptive innovation (as per Clayton Christensen) helps create a new market and value network; disrupts an existing market; or displaces an earlier technology
- Sustaining innovation does not create new markets or value networks but rather evolves existing ones with better value

Sources: Wikipedia; various on web.
Model of Innovation? NASA’s $125,000 grant for 3D Pizza Printer to Systems and Materials Research (TX)

Printer cartridges filled with powders containing carbohydrates, proteins and nutrients without the moisture; last 30 years
Health Reform: The Theory of Innovation

- Expanding coverage will more equitably distribute nation’s health care resources
- More investment in care may make at least some of population healthier
- Some additional investment in public health needed
- Delivery system also needs more population-health focus – e.g., Prevention and Public Health Fund
Health Reform: The Theory of the Case

- Moving from volume-based to value-based payment will encourage provision of more evidence-based care and better outcomes.

- To the degree health insurance procures health care and helps to organize and manage it, putting more regulatory and competitive pressure on insurers will drive additional changes.
The Triple Aim is valuable framing

- Better health
- Better health care
- Lower cost

Became core principle now at heart of payment and delivery system reform

Donald Berwick, MD
Former Administrator
Centers for Medicare and Medicaid Services
Health Insurance MARKETPLACES!
Health Insurance Exchanges: The Evolutionary History of Concept And Theory
## Evolution of Health Insurance Exchanges: Conceptual Models

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Exchanges: The Theory

- Exchanges and insurance reforms should dramatically improve coverage in nongroup (individual) and small group markets

- Consumers will be able to comparison shop for price, cost sharing, networks and coverage once options are standardized

- Premiums to be subsidized up to four times federal poverty level; subsidized coverage will bring more people into exchanges

- Administrative costs of coverage for individuals and small employers likely to be reduced; plans may be able to negotiate better with providers
16 States and DC Will Run Exchanges in 2014, 7 States Conditionally Approved for Partnership

*UT will not pursue a state-run individual exchange but continues to request HHS certify its existing small group exchange, Avenue H.

**VA has indicated they will perform plan management functions and QHP certifications but has not received HHS approval like the other Marketplace Plan Management states (KS, MT, NE, and OH).
Will The Theory of Managed Competition Prove Out?

- How will competition among insurance plans play out in state exchanges?
- How will competition affect premiums and subsidy costs?
- Evidence to date about role of plans in reducing costs isn’t compelling; will that change?
Payment and Delivery
Reforms and Innovations
CMS Innovation Center (CMMI)

Our Innovation Models

The CMS Innovation Center has a growing portfolio testing various payment and service delivery models that aim to achieve better care for patients, better health for our communities, and lower costs through improvement for our health care system.

Learn More >

Where Innovation is Happening

See where our Innovation Model Partners are located.

Select a State Go There

Recent Milestones & Updates

- Jun 06, 2013
  Health Care Innovation Awards Announced: Health Care Innovation Awards Round Two webinar-Overview
Performance-based Innovations under CMS

- Medical homes: All-payer national pilot

- Federally qualified health centers Advanced Primary Care Practice (patient centered medical home) demonstration – 500 participants expected to achieve patient-centered medical home recognition; receive monthly $6 per-beneficiary management fee

- Medicaid “health homes”

- 25 states have now implemented patient-centered medical homes in Medicaid
Performance-based Innovations under CMS

- Federally-sponsored State Demonstrations to Integrate Care for Dual Eligibles

- 15 states awarded contracts and 26 states plan to participate

- Goal to better coordinate and integrate (medical, behavioral, long-term institutional, home-and-community based services) care of “dual eligibles” (Medicare + Medicaid)

- Capitated and managed fee-for-service models; core measures to be collected
Performance-based Innovations under CMS

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- CAPG advocated for the approval of the Coordinated Care Initiative 8-County Dual Eligibles demonstration

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Hospital Value-Based Purchasing

- In January 2013, 1,557 hospitals received bonuses; 1,427 received reduced payments

- Maximum bonus or loss = 1 percent of regular Medicare payments

- Largest recipient: Treasure Valley Hospital, physician-owned, 10-bed hospital in Boise, Idaho, received a 0.83 percent increase in payment

- Biggest loser: Auburn Community Hospital, New York, lost 0.9 percent of every payment
Bundled Payments for Care Improvement Initiative (BPCI)

- More than 450 providers now set to participate
- Surge in participation by post-acute care providers
- Participants have “free range” to define and price care bundles for fee-for-service Medicare beneficiaries
- Four models offered: model 1 = all inpatient admissions; models 2 = specific DRG’s; model 3 = post-acute bundle; model 4 = prospective bundle
- Prospective model = hospital gets single lump sum payment from Medicare and then distributes to all providers involved
- Retrospective model = all providers receive FFS payments at standard rates; after episode concludes Medicare calculates whether agreed-upon bundle price was achieved; providers either receive additional payment or repay Medicare
Innovations under CMS

- Accountable Care Organizations, including
  - Medicare Shared Savings Program (now 237 organizations participating)
  - Pioneer program (32 participants, 6 from California, serving 300,000 Medicare enrollees)
  - “Advance Payment” ACOs (30 participants)
  - Total of more than 4 million Medicare beneficiaries participating in all Medicare ACO’s = 7-8 percent of entire fee-for-service portion of Program
  - Medicaid ACO’s in Minnesota, Colorado, Oregon and Washington
ACOs in Private Sector – e.g., Blue Shield of California

- Launched pilot ACO with Dignity Health (formerly Catholic Health Care West) and Hill Physicians in January 2010 for 41,000 CalPERS employees and dependents

- Global budget; shared upside and downside risk

- Tactics included eliminating unnecessary care, such as excessive bariatric surgery; coordinating processes such as discharge planning; reducing variation in practices and resources; reducing pharmacy costs

- 2010-11 combined results: $37 million in savings to CalPERS; compounded annual growth rate for per member per month costs was ~3% vs. ~7% for everyone else
State Innovation Models

- $275 million in competitive funding for states
- Design and test multi-payer payment and delivery models
- 25 states now participating
- Example: Minnesota Accountable Health Model – to ensure that every citizen in state has option to receive ACO care – including for long-term social services and behavioral health
Throwing It Up Against The Wall To See What Sticks?
Insurers And Provider Combinations: Growing In Number

ACA: likely to have galvanized movement?

• United’s OptumHealth services unit acquires Monarch: 2300 doctors; 30+ urgent care centers; access to 20 hospitals in Orange County
• OptumHealth: previously entered into management agreements of two California groups, AppleCare Medical Group and Memorial HealthCare IPA

• Provides Medicare Advantage coverage and coordinated care for 54,000 people in California, Arizona and Nevada
• CareMore’s 26 Care Centers are models for integrated health care and include a variety of services including medical evaluations and diabetes care
Other Innovations
Outside ACA
“Hospital At Home”

- Presbyterian Health Services, New Mexico, in partnership with Johns Hopkins

- Identified patients who could be “hospitalized” at home and deployed physicians and nurses to care for them

- All results equal or better than in hospital

- Receipt of antibiotics in pneumonia patients and medications for heart failure patients superior

- Variable costs per stay are $1000-$2000 lower = 19%

- Patient satisfaction mean score = 90.7%

Source: Lesley Cryer et al, “Cost For Hospital At Home Patients Were 19 Percent Lower, With Equal or Better Outcomes Compared To Similar Patients,” Health Affairs, June 2012

Johnny Baker, 49, COPD patient in “Hospital At Home” program
International Partnership for Innovative Healthcare Delivery (IPIHD)
CMO, The Care Management Company

- Subsidiary of Montefiore Medical Center in New York City
- Contracts with health insurance plans to manage care for more than 250,000 individuals
- Part of Montefiore’s Pioneer ACO
CMO, The Care Management Company

- Pioneering the use of telemonitoring for the care of chronic illnesses; eliminates need for patients to travel for care

- Technology asks patients condition-specific questions daily; transmits answers to nurses; some devices monitor weight, provide telephone reminders

- Data analysis and support; predictive modeling using historical claims information to score patients’ risk of hospital readmissions

- Number of doctors visits and the cost to care for each patient has been reduced ~35%
Use of Data/”Big Data”

- Example: New York State launches Health.Data.NY.gov

- Said to be nation’s first open data website devoted exclusively to health

- "The world now recognizes that the critical component to driving transformation in this system that badly needs disruption is data." -- Bryan Sivak, Chief Technology Officer, Department of Health and Human Services
Narayana Hrudayalaya (NH)

- Narayana Hrudayalaya – “God’s Compassionate Care” – Bangalore, India-based health and hospital system/network

- NH Health City; cardiac hospital; multispecialty hospitals etc.

- 5,000 beds in India now; aims for 30,000 in next five years

- Average cost of heart surgery is $2,000 and is aiming for $800

- “Our vision: Affordable Quality Healthcare for the Masses Worldwide”

- Partnering with Ascension Health Alliance on $2 billion tertiary care hospital in Cayman Islands

Above: Chairman, Dr. Devi Shetty; NH hospital in Bangalore
Changing Technology Makes More Care Delivery Innovations Possible

- Technology company Qualcomm Life – making new inroads into wireless health

- Sponsoring a $10 million X Prize competition for “Tricorder” -- a mobile solution with artificial intelligence that can diagnose patients better than or equal to a panel of board certified physicians” for 12 common conditions – and keep track of vital signs

More than 300 companies and Other entrants now competing
What’s Under Way At Qualcomm Life

http://vimeo.com/67693412
Some Conclusions
“There has never been a better time to be an innovator in health care.”

--Don Berwick, former administrator, CMS
Military Health System conference
January 2011
“Those who say it can’t be done are usually interrupted by others doing it.”

--the late James Baldwin, American novelist, essayist and playwright
“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.”

--Bill Gates Jr.
The End