The Medical Home Summit 2015
Managing Population Health
in the Medical Home:
Promise and Pitfalls

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Three Premises
1. Today’s Risk …. 
Predicts, Correlates or Causes … Future (Fiscal Year) Costs

EXHIBIT 2

<table>
<thead>
<tr>
<th>2010 patient activation level</th>
<th>Predicted per capita billed costs ($)</th>
<th>Ratio of predicted costs relative to level 4 PAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1 (lowest)</td>
<td>966**</td>
<td>1.21**</td>
</tr>
<tr>
<td>Level 2</td>
<td>840</td>
<td>1.05</td>
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**Source**: Judith H. Hibbard, Jessica Greene, and Valerie Overton, “Patients with Lower Activation Associated with Higher Costs; Delivery Systems Should Know Their Patients’ ‘Scores,’” *Health Affairs* 32, no. 2 (2013): 216–22. **Notes**: Authors’ analysis of Fairview Health Services billing and electronic health record data, January–June 2011. Inpatient and pharmacy costs were not included. PAM is Patient Activation Measure. **p < 0.05"
2. Clinical Quality Doesn’t

Correlation of Quality Measures and Savings: NS
CMS Accountable Care Organizations Medicare Shared Savings Program
3. Risk Can Be *Stratified*

- **Low Risk, Low Cost**
- **Intermediate Risk & Costs**
- **High Risk, High Cost**

*Number of Enrollees*

*Risk or Future Costs/Charges* per Enrollee
How Clinicians See It

- Remains Low Risk
- Manageable Risk
- Remains High Risk

Risk or Future Costs/Charges per Enrollee

*With apologies to The Simpsons
Ned’s Challenge

An *economic* proposition

- *Less Triple Aim* (Quality/Experience of Care)
- *Tyranny of the fiscal year*

Measurable $p < .05$ impact is problematic:

- Destined to go from low cost to …. low cost!
- Pooling: pulls the overall mean down
- Opportunity cost for care management personnel
Abe’s Problem

An economic proposition

- *Not Triple Aim* (Quality/Experience of Care)
- Basis for risk pooling
- Basis for the clinicians plea for “Risk Adjustment”

Unstable Clinical Reality
Measurable p<.05 impact problematic:
- Low numbers
- High variation: many outliers
- Skewed distribution
- Basis for “reinsurance”
Multipayer Intervention Quality, Utilization, & Costs of Care
Per Member Per Month Costs

**All Patients: Costs of Care**


**High Risk: Change in Costs of Care**

- Higgins *et al.* AJMC 2014;20(3):E61-E71
Modifiable Risk

deBrantes Lee: Bridges to excellence: Building a business case for quality care JCOM 2003;10(3): 439

Decision Support
- Patient Identification
- Promote Guidelines

Patient Education
- Educational Assessment
- Shared decision making
- Provider-patient communication
- Self Management

Care Management
- Team Composition
- Specialty care
- Appropriate level of contact based on clinical condition and compliance with follow-up care
“Capitation”

Payment to the provider of a lump sum per patient per month
- Risk transfer
- Less care
- Selective enrollment
- Provider vs. payer perspective

Bodenheimer: Capitation or decapitation JAMA. 1996;276(13):1025-1031
The Opportunity Spectrum

The Boundaries are Flexible
Conclusions

- “80-20” PCMH economics are tied to *risk stratification*
- The underlying risk of a population varies and there is a “sweet spot”
- Sweet spot is based on the *modifiable* risk of utilization:
  - Vulnerability, need, impactability…
  - Condition as well as
  - Compliance, Engagement….

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