Are Employers Serious About Pay for Performance?

Andrew Webber, President and CEO
National Business Coalition on Health

The National Pay for Performance Summit
February 7, 2006

NBCH
National Business Coalition on Health

Presentation Outline

- The Problem and Opportunity
- Purchaser Leadership as Critical Component of Value Based Purchasing
- Impediments to Purchaser Leadership
- Hopeful Signs

National Business Coalition on Health (NBCH)

- ***Our identity***: National, non profit association of nearly 80 business and health coalitions. Network of 7,000 employers and 30 million covered lives
- ***Our vision***: Market-based reform, through value based purchasing, community by community
- ***Our primary mission***: Building coalition and employer leadership capacity in value based purchasing
- ***Our focus***: Local markets and collective employer action
- ***Our current strategic goal***: To be a catalyst and distribution network for best practices in value based purchasing

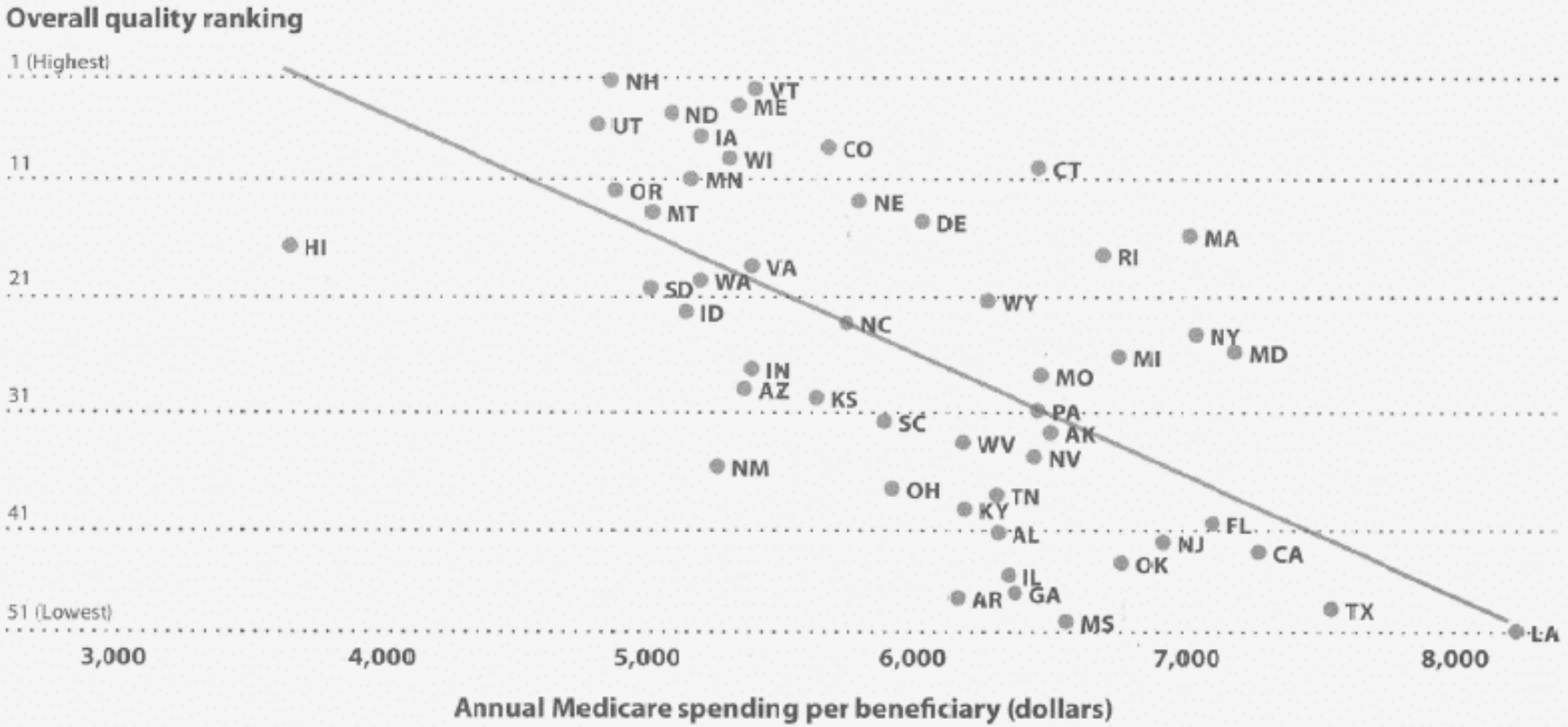
The US Health Care System (or Non-System): Opportunities Abound

- Safety - Tens of thousands die due to medical errors (IOM, 99)
- Effectiveness - 50/50 chance of getting appropriate care (McGlynn, 03)
- Unexplained Medical Practice Variation - Supply Induced Demand (Wennberg, 1973-present)
- Fragmented Health Delivery
- Absence of HIT
- Uninsured- over 40 million people (IOM, 03)

Relationship Between Quality of Care and Medicare Spending

States with higher spending per Medicare beneficiary tended to rank lower on 22 quality of care indicators. This inverse relationship might reflect medical practice patterns that favor intensive, costly care rather than the effective care measured by these indicators.

Relationship between quality and Medicare spending, as expressed by overall quality ranking, 2000–2001



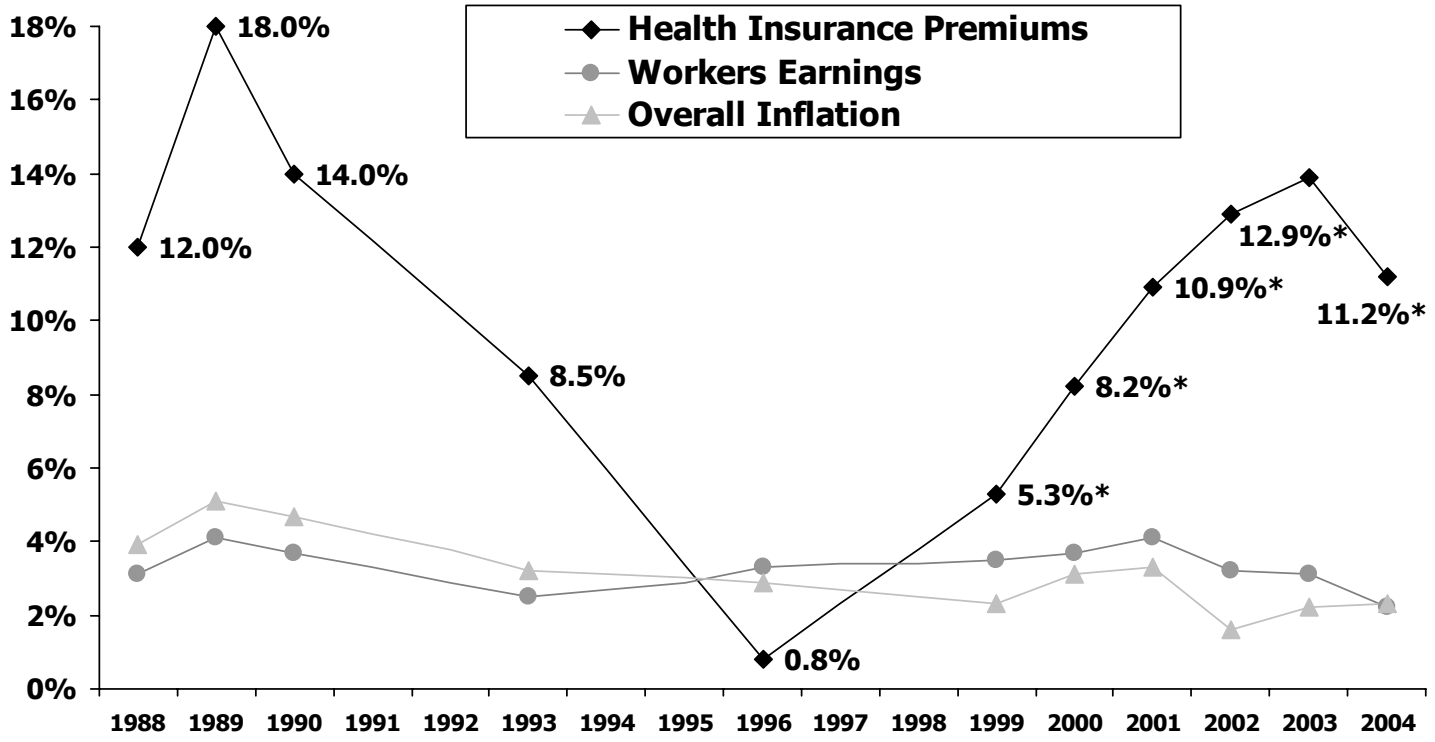
Source: Medicare administrative claims data and Medicare Quality Improvement Organization program data, as analyzed by Baicker and Chandra (2004). The solid line shows that for every $1,000 increase in Medicare spending per beneficiary, a state's quality ranking dropped by 10 positions. Adapted and republished with permission of *Health Affairs* from Baicker and Chandra, "Medicare spending, the physician workforce, and beneficiaries' quality of care" (Web Exclusive), 2004. Permission conveyed through the Copyright Clearance Center, Inc.

And We Get What We Pay For:

- Throughput rather than outcomes
- Individual units of care rather than episodes of illness
- Acute care not prevention
- Medical errors and “do overs”
- With no payment for performance
- And consumers insulated from cost sensitivity because of 3rd party payment

Resulting in No Business Case for Quality!

All Leading to Unsustainable Cost Escalation



- * Estimate is statistically different from the previous year shown at p<0.05.
- † Estimate is statistically different from the previous year shown at p<0.1.
- Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.
- Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999-2004; KPMG Survey of Employer-Sponsored Health Benefits:1993, 1996; The Health Insurance Association of America (HIAA): 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index (U.S. City Average of Annual Inflation (April to April), 1988-2004; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2004.

“Imagine”
John Lennon

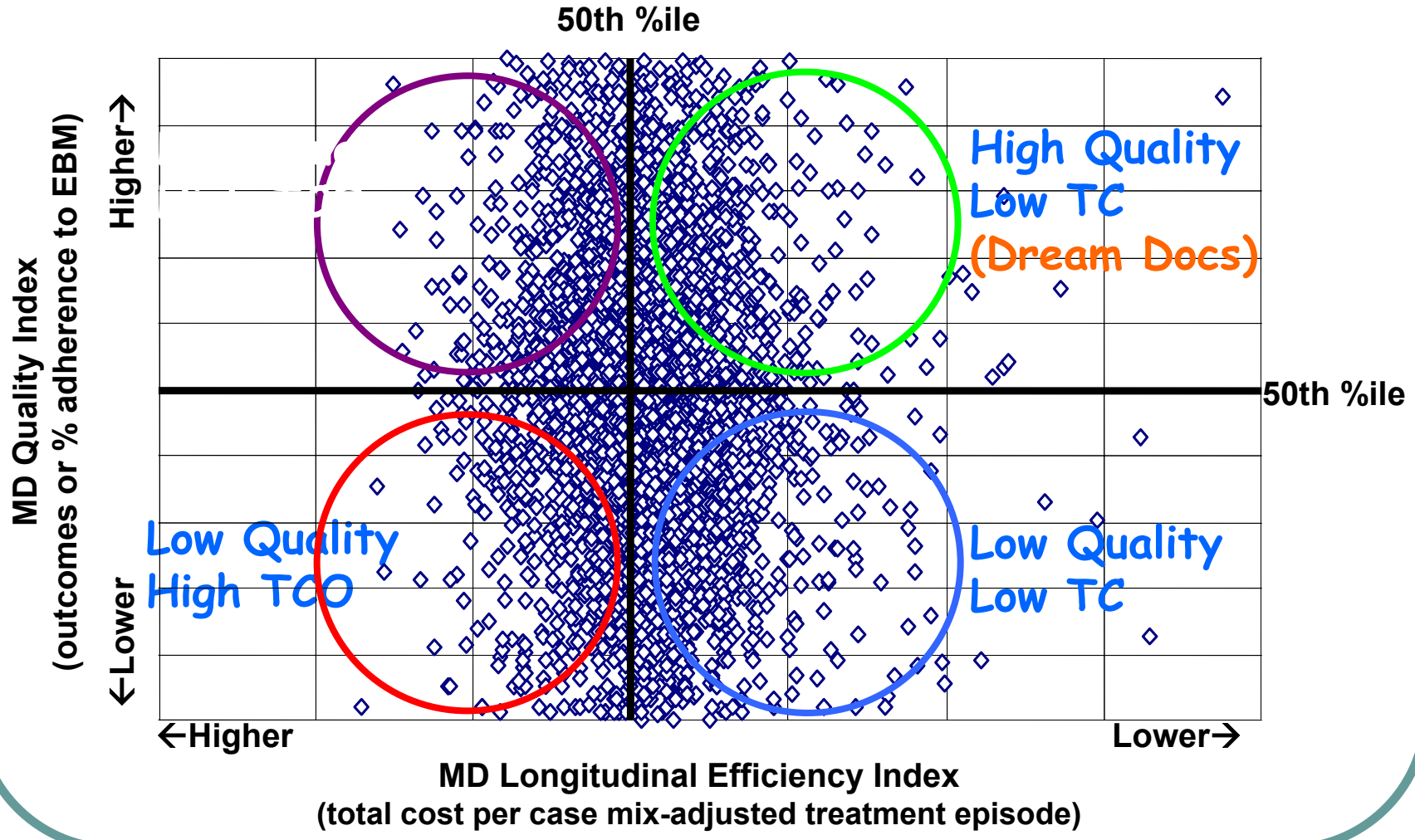
Value Based Purchasing: A Demand Side Strategy

Five Pillars:

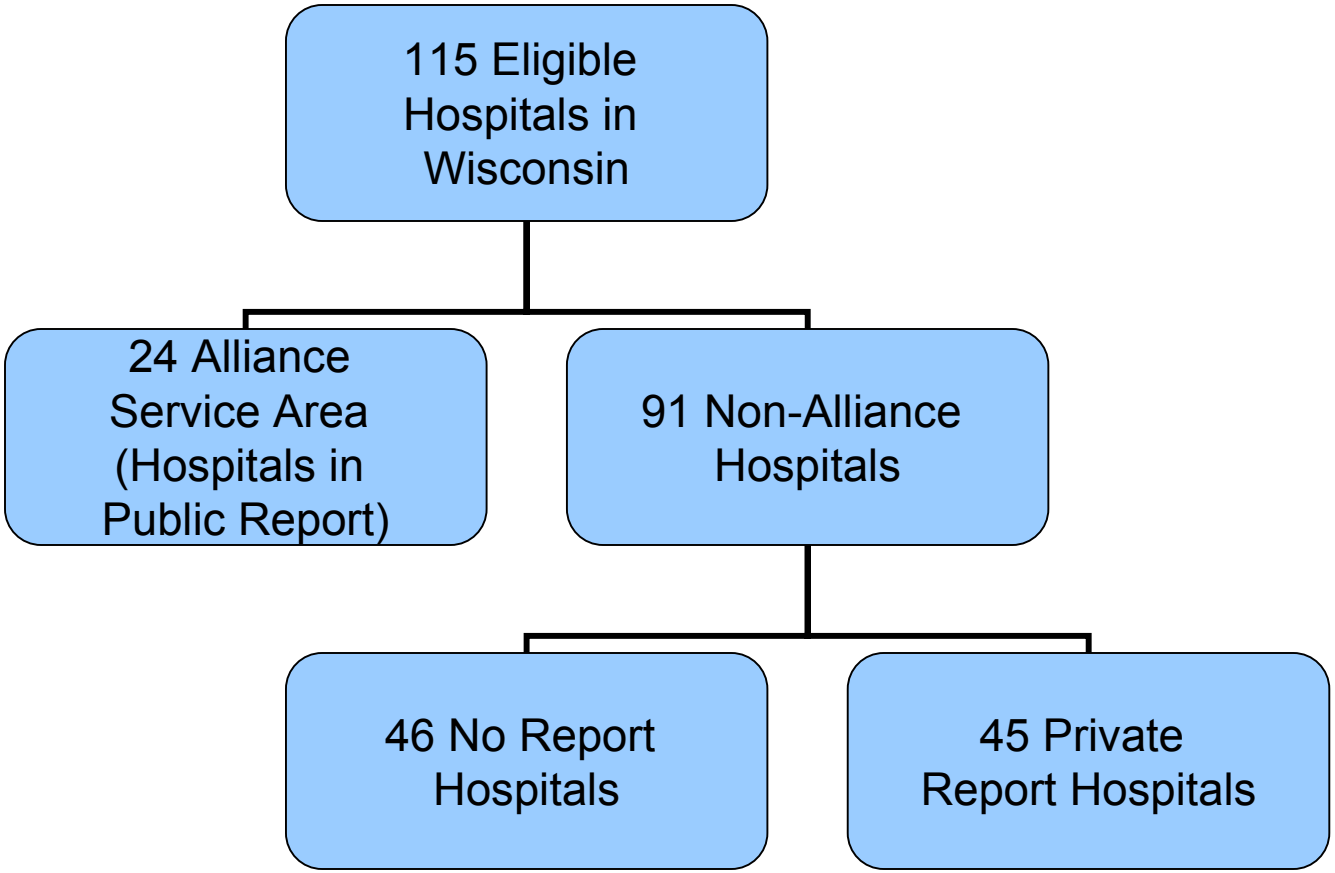
1. Performance Measurement
2. Transparency and Public Reporting
3. Payment Reform
4. Informed Consumer Choice
5. ***Public and Private Purchaser Leadership***

Accelerating the Pace to the Ultimate Goal: Health and Health Care Improvement

Performance Measurement

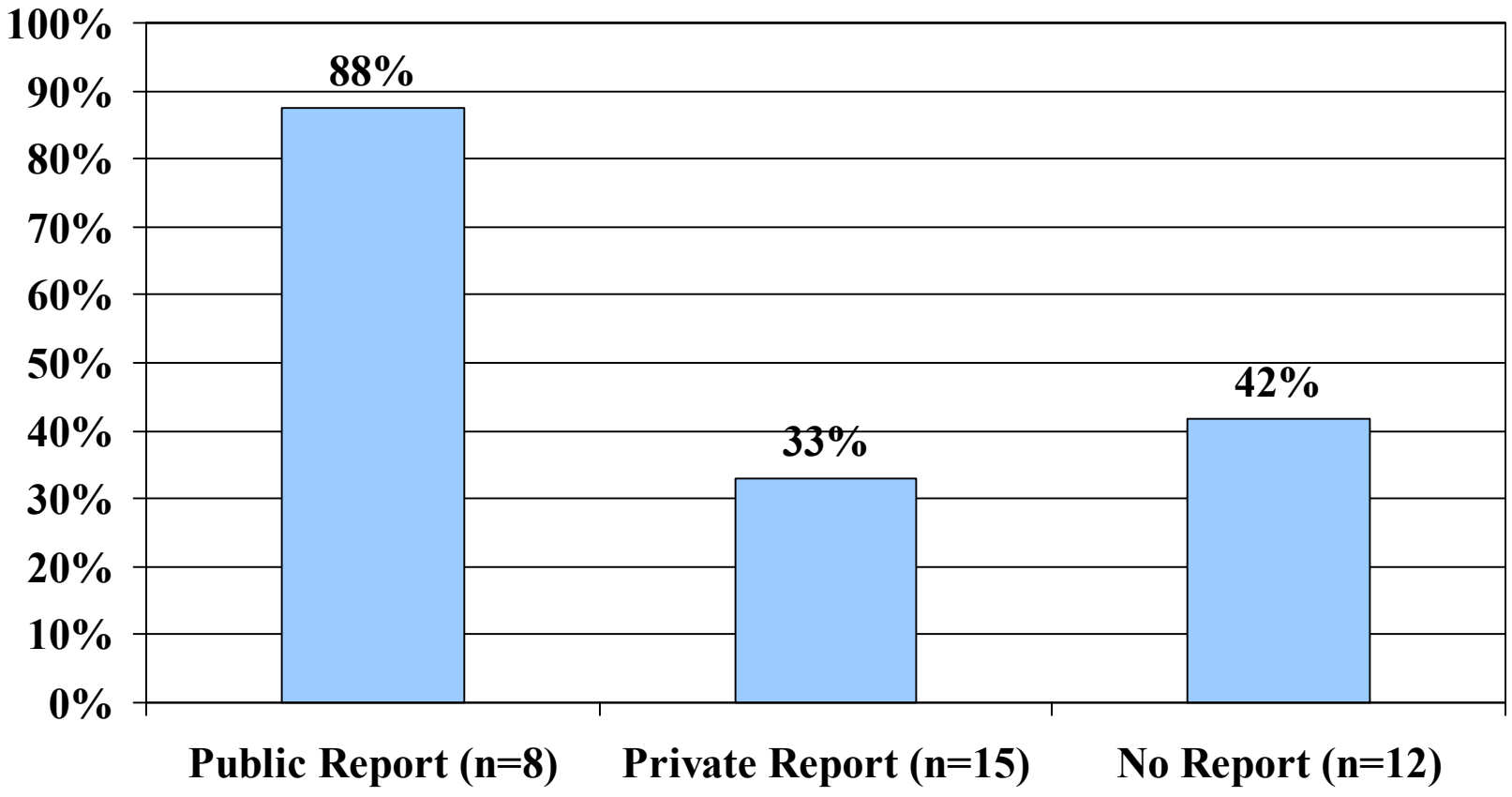


Transparency and Public Reporting



*The Alliance's Quality Count Program – Madison, WI

Percentage of hospitals who had poor scores at baseline and who improved their scores in the post-report period



Payment Reform – Bridges to Excellence

Structure (PPC):

PHYSICIAN OFFICE LINK

- Patient safety – e-prescribing
- Guideline-driven care – EHRs
- Focus on high-cost patients – Care coordination
- Improved compliance – Patient education & support

Process & Outcomes (DPRP & HSRP):

DIABETES CARE LINK

- HbA1Cs tested and controlled
- LDLs tested and controlled
- BP tested and controlled
- Eye, foot and urine exams

CARDIAC CARE LINK

- LDLs tested and controlled
- BP tested and controlled
- Use of aspirin
- Smoking cessation advice

Informed Consumer Choice

The Goal – To Stir the Individual Consumer (the Sleeping Giant) to Make Informed Choices Selections of:

- A Healthy Life Style
- Evidenced-based Preventive Services, Medical Treatments, and Pharmaceutical Interventions
- Self-management of Illness/Disease
- High Performing Health Plans, Doctors, Hospitals

What is the Employer Role?

Two Key Strategies:

- **Health and Productivity Programs**
- **Value-based Health Benefit Design**

In Combination and Coordinated a Powerful Force!

What is Value-Based Benefit Design?

Key Principles:

- Individuals need financial “skin in the game,” ideally means tested
- Benefit design should be used to steer individuals towards evidence based medical and pharmaceutical interventions and high performing plans and providers.
- Basic architecture should rely on broad choice but with differential tiering and copays

The Boeing Company

Creating Differential Hospital Insurance for Employees

- Effective July 1, 2004, union employees and early retirees will obtain 100% coverage after deductible for services provided by a Leapfrog-compliant hospital.
- Hourly employees hospitalized in facilities that do not meet the Leapfrog safety practices will obtain 95% coverage after deductible.
- This benefit design will remain in place until July 1, 2006 when a new collective bargaining agreement becomes effective.

So Great Battle Plan, but Where are the Purchaser Generals?

- The unanswered question
- “Culture beats strategy every time.”
- Without top employer leadership engagement, there will be no reform
- And this is a job for the C-Suite, not HR
- National ***and*** Community leadership required

What are the Impediments?

- Not our business – “We make widgets”
- No understanding of health care
- And frustration for those that do
- Corporate silos – HR and Health&Safety
- Many employers in the business of health care
- Narrow self interest dominates, not community, collective employer, focus

And More Practical Impediments Related to Pay for Performance

- Aversion to putting new $s on table
- No strong ROI as yet
- Performance measures at physician level, in particular, still lacking consensus
- Extraordinary struggle for data aggregation
- Health plans will follow not lead

Whither Employers?
A Tale of Two Cities

- **Stay in the Game Employers:**
  - workforce as primary competitive asset
  - investment in health and productivity
  - investment in robust benefits as critical to recruitment and retention
- **Exit/Battle Fatigue Employers:**
  - workforce not primary competitive asset
  - shift costs to employees
  - plan exit strategy
- **Cultivate purchaser leadership with former not later!**

Signs of Hope for Employer Engagement: The National Scene

- The Leapfrog Group
- Bridges to Excellence (BTE)
- National Quality Forum (NQF)
- National Business Coalition on Health (NBCH)
- HR Policy Association
- Employer Led Coalition on Medicare Value Based Purchasing Legislation

Signs of Hope for Employer Engagement: The Community Level

- Integrated Healthcare Association (IHA) - California
- The Smart Buy Alliance – Minnesota
- Save Lives, Save Dollars – Detroit
- The Georgia Initiative
- And More Emerging

Other Signs of Hope: A Cadre of Purchaser Thought Leaders

- Robert Galvin
- Arnie Milstein
- Peter Lee
- Suzanne Delbanco
- Michael Porter
- David Durenberger

And Hopeful Signs from the Largest Single Purchaser - CMS

- Commitment to standardized performance measurement and public reporting
- P4P Demonstrations
- Congress engaged and legislating
- And leadership from the Number One Purchaser General in America –

  Mark McClellan

But Much More Leadership is Needed for Health System Reform

A Strategy Moving Forward?

- CEO Summit Meeting on Health Care – Business Roundtable to Organize
- Cadre of CEO leaders mobilized, speaking out, and national Steering Committee formed
- Value Based Purchasing Councils organized in each major market
- NBCH College established for HR personnel education and training

Key Take Aways

- Health system reform will not happen without a robust demand side strategy of value based purchasing. P4P is a critical element.
- Value Based Purchasing must be led by the C-Suite, not HR. And CMS
- Hopeful signs emerging but top leadership still not engaged
- Can CEO leadership be cultivated and mobilized nationally and locally? Should the Business Roundtable lead?