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Leapfrog Hospital Rewards Program™: Implementation Options

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Session Objectives

- Discuss Leapfrog Hospital Rewards Program Implementation Options

- Review criteria for designing the Leapfrog Hospital Rewards Program incentive & reward structure

- Review analyses demonstrating LHRP savings potential & describe how savings generate rewards pool

- Introduce LHRP Rewards Principles: the basis of the customizable model

- Illustrate how the LHRP creates value for participating employers & hospitals

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How is the Program Implemented?

1. Publicly available data for purchasers and consumers:
   - Overall Performance Group score displayed on Leapfrog Group Web site, by clinical area.

2. As a data set
   - The quality and efficiency results can be incorporated into pay for performance programs not done the "Leapfrog Way"
   - The performance information can augment consumer education & decision support strategies

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Uses of Summary Level Data

- Show hospitals' LHRP performance in enrollee materials (e.g. provider directories)
- Incorporate quality and efficiency scores and/or performance group information into consumer decision support tools
- Incorporate quality and efficiency scores and/or performance group information into incentives & rewards programs
- Use performance data in network management or tiering programs

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Sample Use of the Data

ProviderNetworkManager™

Select a Level of Analysis:

> Overall Summary
> Summary by Outcome Type

> **Hospital-Specific Full Detail**
> Download Clinical Data Detail

Select a Different Hospital:

▼

Modify My Report:

> **Show all Services**
> Sort by Volume
> Sort by Post-Op Infections
> Sort by Mortality
> Sort by Effectiveness
> Sort by Efficiency
> Sort by Overall Value

Hospital A
Anytown, USA

Clinical Service	Inpatient Volume	Complications	Post-Op Infections	Effectiveness Cohort	Efficiency Cohort	Overall Value Cohort
Angioplasty (PTCA) and Stents	941	As Expected	Better than Expected	Third	Second	Second
Arrhythmia (Irregular Heartbeat)	365	As Expected	--			
Coronary Artery Bypass Graft Surgery (Heart Bypass)	411	Worse than Expected	As Expected	First	Second	Second
Fractures/Sprains/Dislocations	77	As Expected	--			
Gastric Bypass	n/a	Insuff. Data	Insuff. Data			
Heart Attack	187	As Expected	--	Second	Third	Second
Hernia Repair	14	As Expected	As Expected			
Knee Arthroscopy and Repair	30	As Expected	Worse than Expected			
Obstetrics/Delivery	1,283	Worse than Expected	--	First	First	First
Open Cholecystectomy	43	As Expected	As Expected			
Open Heart Surgery	433	Worse than Expected	As Expected			
Pneumonia	361	As Expected	--	First	First	First
Shoulder Repair	11	As Expected	As Expected			

subimo
Know more. Choose well. **Feel better.**

5

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Sample Use of the Data

3. As a customizable hospital I&R program

   – By employers, groups of employers, or health plans in a given market

   – Can use Bridges to Excellence for administration

   – Partner with The Leapfrog Group to implement the Program in specific markets

      • Use LHRP quality and efficiency data as basis for rewarding hospitals

      • Work with Leapfrog to determine savings calculation and rewards payment methodologies, in line with national Program guidelines

      • Collaborate with Leapfrog to engage stakeholders, hospitals, etc.

      • Use the Leapfrog name and brand

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Leapfrog Hospital Rewards Program™: Translating Performance into Hospital Rewards and Payer Value

Savings Determination and
Rewards Methodology

Developing national incentive & reward structure

- Actuarially based
- Limited amount of new money on the table
- Win-win for payers & providers: shared savings model of determining rewards amounts
- Opportunity for multiple types of rewards
  - Financial (direct & indirect)
  - Non-financial
- Customizable to local markets

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Determining Savings

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Hospital Performance Groups

- Hospitals are ranked separately by their quality and efficiency performance and then divided into four performance groups
  - Top tier = top 25%
  - Tiers 2-4 decided by statistical relationship to top tier
- Quality and efficiency performance groups are combined to yield overall performance ranking

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Savings Analysis

- LHRP scoring methodology was applied to national commercial payment database
    - Performance group rankings indicate potential yield if hospitals move to performance levels of top performance group hospitals
    - Results are reasonably consistent across all five LHRP conditions
        - Few hospitals fall into top performance group; average payments 25% to 35% lower than mean
        - The majority of hospitals (50% - 65%) fall into performance group 2; average payments 10%[1] lower than mean
        - 25% to 30% of hospitals are in performance group 4 – greatest opportunity for improvement
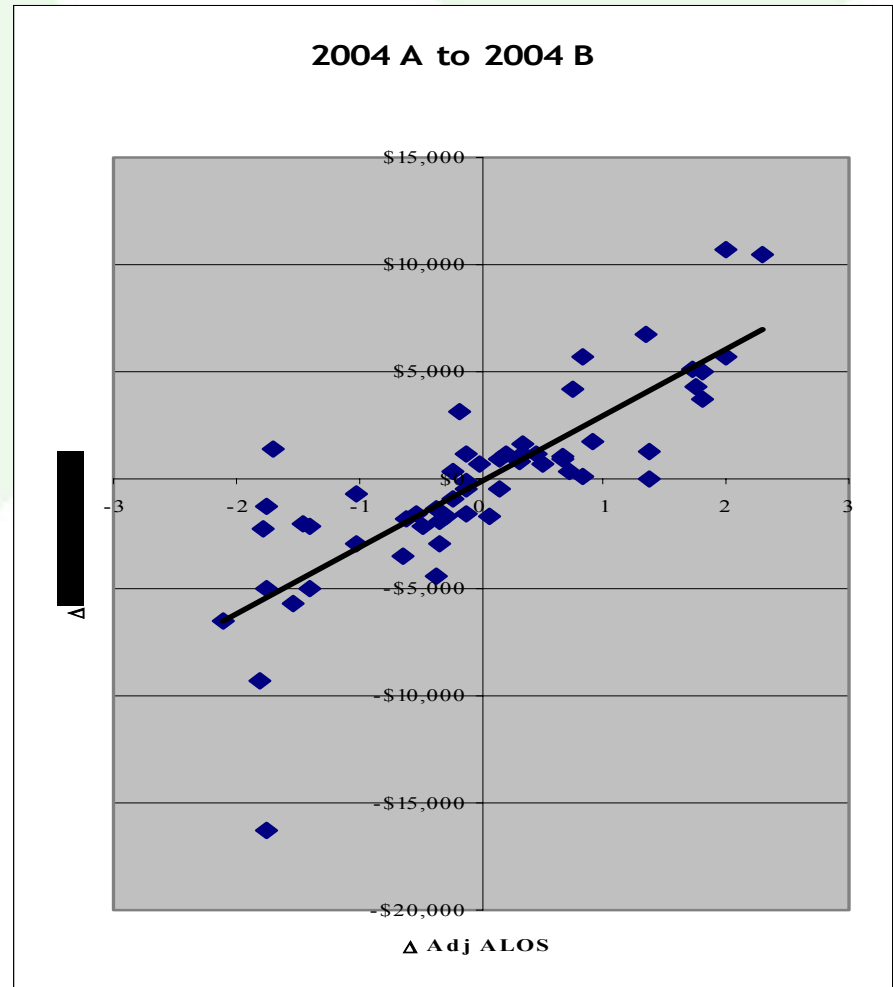
[1] 20% lower for PCI

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Savings Analysis - Results

AMI

	# hospitals	% of Total Hospitals	Avg Payment	% of Grand Mean
Cohort 1	9	8.2%	$13,631	65%
Cohort 2	56	50.9%	$18,699	90%
Cohort 3	14	12.7%	$23,372	112%
Cohort 4	31	28.2%	$25,700	123%
Grand Mean	110	100.0%	$20,852	100%

CABG

	# hospitals	% of Total Hospitals	Avg Payment	% of Grand Mean
Cohort 1	8	7.5%	$24,685	71%
Cohort 2	55	51.9%	$31,626	91%
Cohort 3	10	9.4%	$39,145	113%
Cohort 4	33	31.1%	$41,025	118%
Grand Mean	106	100.0%	$34,737	100%

CAP

	# hospitals	% of Total Hospitals	Avg Payment	% of Grand Mean
Cohort 1	9	4.4%	$4,851	76%
Cohort 2	115	56.1%	$5,809	90%
Cohort 3	31	15.1%	$6,723	105%
Cohort 4	50	24.4%	$7,918	123%
Grand Mean	205	100.0%	$6,420	100%

PCI

	# hospitals	% of Total Hospitals	Avg Payment	% of Grand Mean
Cohort 1	3	2.7%	$11,050	73%
Cohort 2	72	64.9%	$12,438	82%
Cohort 3	9	8.1%	$17,641	116%
Cohort 4	27	24.3%	$20,190	133%
Grand Mean	111	100.0%	$15,170	100%

Deliveries / Newborn

	# hospitals	% of Total Hospitals	Avg Payment	% of Grand Mean
Cohort 1	17	6.9%	$3,071	75%
Cohort 2	137	55.7%	$3,708	90%
Cohort 3	28	11.4%	$4,082	99%
Cohort 4	64	26.0%	$5,048	123%
Grand Mean	246	100.0%	$4,113	100%

[1] Cohort 1 "Top Performance" Hospitals are Top Quadrant in Efficiency and Effectiveness

13

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Savings Analysis, cont'd

- Analysis of hospital data tells us how much is saved when hospital efficiency improves

- Example: Each 1 unit reduction in Adj ALOS for AMI saves about $3,300 per admission

2004 A to 2004 B

△ Adj ALOS

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National Program Rewards Principles

Principle 1: Bonuses to hospitals are 50/50 share of payer savings

Principle 2: All top performance group hospitals and hospitals that show sustained improvement should receive rewards. (First year bonuses should be considered an investment in the program.)

Principle 3: Patients should be encouraged to go to hospitals in top two performance groups (co-pay or co-insurance differential).

Principle 4: Rewards are calculated every six months based on market and performance group activity in previous six months.

Specific rewards methodologies can be tailored to local market needs.

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Market-specific Implementation

- Tailor LHRP Rewards Principles based on the market:
  - Goals of program implementation
  - Current reimbursement mechanism in the market
  - Analysis of historic reimbursement information
  - Other recognition & rewards as part of "total rewards package"

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Rewards Process Example

	Period 1	Period 2	Period 3	Period 4
Hospital A	2	2	1	1
Hospital B	1	1	2	2
Hospital C	4	3	3	3
Hospital D	3	2	3	2

- Performance group by 6-month period
- Green cells indicate rewards earned
- Reward amounts determined by market-specific savings analysis

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Payer Value

- No rewards are paid if no savings are generated
- If savings are generated, payer shares 50% with hospital
- Positive ROI is designed into program
- Hospital quality improvements motivated by Program implementation

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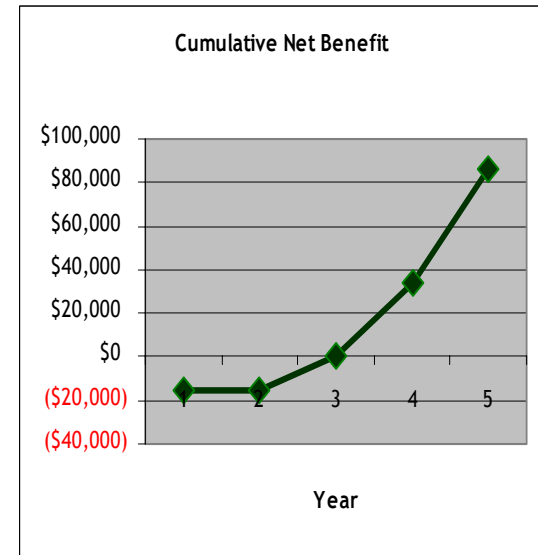
Hospital Value

- The Rewards Package:
  - Direct rewards
  - Patient shift
  - Public recognition
- Costs are kept low by use of existing data reporting systems and processes
- Data feedback & benchmarking reports catalyze performance improvements

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Getting Started:
Estimating Implementer ROI

- Inputs
  - Number and demographics of covered lives:
    - Number of admissions for each of the five LHRP conditions
  - Local hospital costs
  - Administrative costs
  - Assumptions about program adoption rates and influence

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Estimating ROI, cont'd

	Year 1	Year 2	Year 3	Year 4	Year 5
Savings for AMI	$0	$8,546	$17,782	$27,765	$38,554
Savings for CABG	$0	$5,576	$11,614	$18,153	$25,231
Savings for CAP	$0	$1,433	$2,976	$4,637	$6,428
Savings for PCI	$0	$5,980	$12,476	$19,524	$27,163
Savings for OB	$0	$8,137	$16,873	$26,254	$36,334
Total Savings	**$0**	**$29,672**	**$61,720**	**$96,333**	**$133,710**
Reward Payments	$0	$14,836	$30,860	$48,167	$66,855
Administrative Costs	$15,000	$15,000	$15,000	$15,000	$15,000
Total Costs	**$15,000**	**$29,836**	**$45,860**	**$63,167**	**$81,855**
Net Benefit	**($15,000)**	**($164)**	**$15,860**	**$33,167**	**$51,855**
Cumulative Net Benefit	**($15,000)**	**($15,164)**	**$696**	**$33,863**	**$85,718**

Cumulative Net Benefit

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Getting Started: Program Implementation

- ## Assess the market

  - Leadership: are purchasers & payers familiar with The Leapfrog Group and committed to incentive & reward programs?

  - Is a plan or plans willing to administer the program on behalf of the employers in the area?

  - How prevalent are the LHRP clinical areas in the population?

  - How much does the market spend annually on the LHRP clinical areas?

  - How many hospitals have already participated in the Leapfrog Hospital Quality and Safety Survey? What is the level of awareness of The Leapfrog Group and its efforts among the hospitals in the area?

  - How are patients spread throughout the market? Is there opportunity for meaningful patient shift?

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Program Implementation, cont'd

- Identify partners & market leaders: employers, plans, hospitals

- Seek help from The Leapfrog Group
  - Guidance in assessing the market
  - Use Leapfrog Hospital Rewards Program ROI Estimator to determine program impact
  - Help identifying partners in specific markets

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