



THE LEAPFROG GROUP

Informing Choices. Rewarding Excellence.
Getting Health Care Right.

Leapfrog Hospital Rewards Program™

Program Implementation Case Study: Memphis

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Discussion

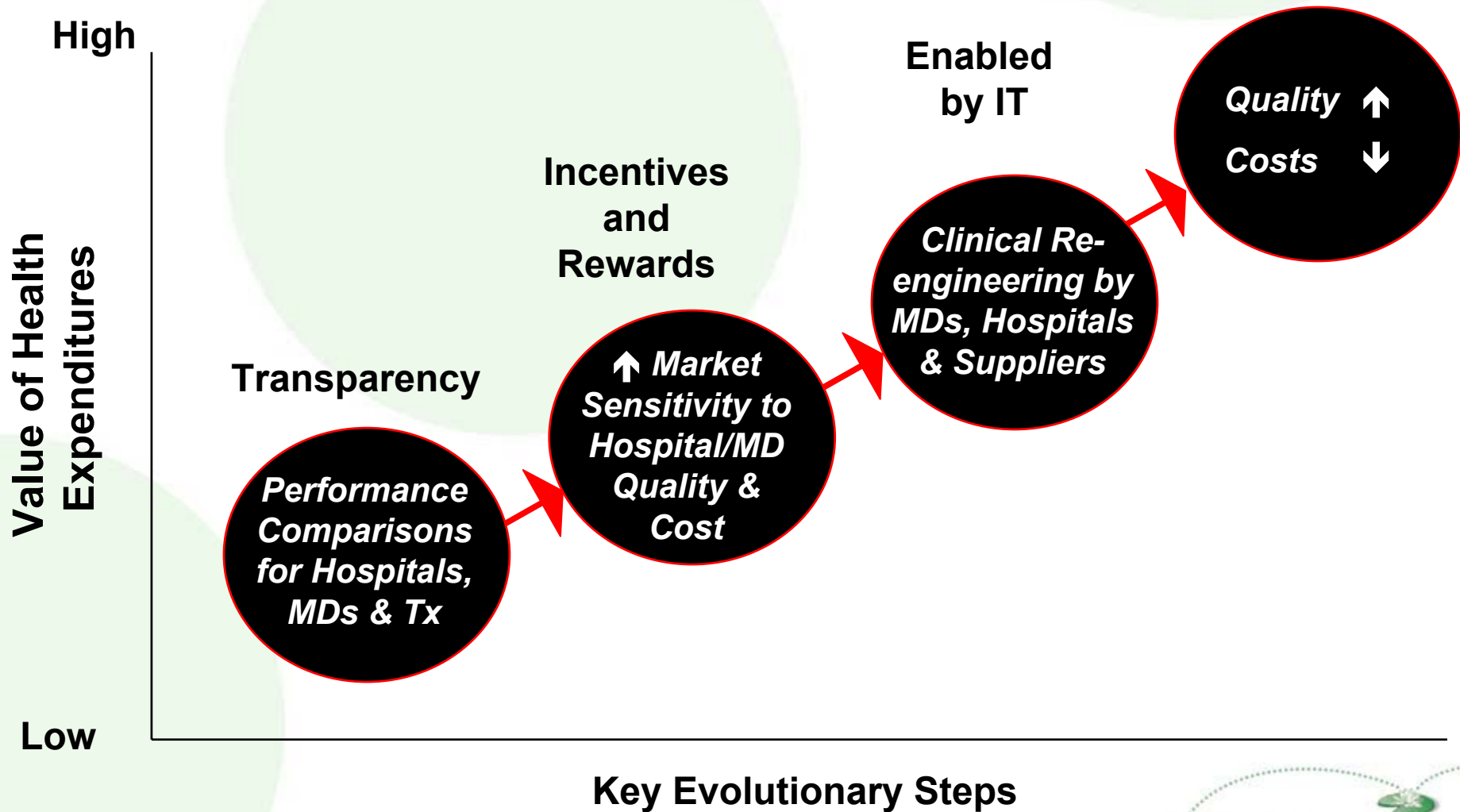
- Overview of MBGH
- Evolution of Value-Based Purchasing
- Current Stage
- Observations

MBGH Overview

Our mission is to facilitate the purchase of effective and efficient health care for the Memphis community.

- Celebrating our 20th Anniversary
- Represent 30 members & affiliates with 100,000 covered lives in Mid-South
- Focus on the health of & health care provided to employees & their families
- Moving toward value-based purchasing, which is a function of outcomes, satisfaction, & cost
- Accomplish mission by:
 - Focusing on what the purchaser (employer) CAN do
 - Adopting proven national initiatives for local implementation
 - Collaborating locally to achieve spread & enhance effectiveness

Evolution of Value-Based Purchasing



Evolution of MBGH-VBP

Transparency

***Performance
Comparisons
for Hospitals,
MDs & Tx***

1987: Quality reporting in group purchase contract

1994: New mission explicit re: effectiveness & efficiency

1997: Philosophy statement explicit re:

- Provider accountability for cost & quality
- Needs & desires of purchasers & users drive the system
- Purchaser & user right to information

1998: First hospital & health plan report cards

2002: Joined The Leapfrog Group & implemented hospital quality & safety survey

2003: 100% hospital reporting on Leapfrog; progress in Hospitals meeting the leaps

Current Stage

**Incentives
and
Rewards**

**↑ Market
Sensitivity
to
Hospital/MD
Quality &
Cost**

2004-2005: Evaluation & implementation of



Leapfrog Hospital Rewards Program™

- Why this program works for our market
- Project description
- Coalition's role
- Challenges
- Observations



Why LHRP?

- Considers both effectiveness & efficiency
 - Meets both MBGH mission provisions
- Clear opportunity for improvement
 - History told us something had to be done
- Extension of existing transparency initiative
 - Builds on hospital-based focus
 - Builds on Leapfrog survey & JCAHO core measures
- Expansion of existing transparency initiative
 - Adds more clinical & efficiency information in public database
- Shared savings rewards methodology limits risk
 - If you don't save, you don't pay

Example of LHRP in Memphis

- Which hospitals will participate?
 - Pilot with Methodist Healthcare for MBGH members that access the Methodist network
 - Collect, report & use data separately for each Methodist Healthcare general, acute care hospital
- How will baseline & progress be measured?
 - Use national benchmarks to rank each hospital separately for baseline & incremental improvement
- Will benefit designs steer toward higher performance groups?
 - Benefit designs will not change initially due to single hospital system focus
 - Benefit designs may change in future years, if significant differences identified among system facilities

Example of LHRP in Memphis

- How will financial rewards be calculated?
 - Develop rewards methodology that is compatible with DRG, case-rate reimbursement:
 - Recognizes & supports improvements in effectiveness
 - Is cost neutral to employer over time
(e.g., long-term savings fund financial rewards)

Coalition Role

- Assess market readiness
 - Program design & development
 - Employer & hospital recruitment
- Facilitate decisions on program specifics
 - Ranking level (e.g., national, regional, local)
 - Rewards methodologies
- Convene & manage local regional team meetings & activities
 - Monitor program performance across employers
- Serve as liaison with hospitals and health plans
- Represent program publicly to the media & community
- Participate in national user group meetings & bring national developments to the local market

Market Readiness

- Design the program by:
 - Working closely with Leapfrog
 - Identifying what's possible
 - Keeping it small if you need to
 - Engaging champions/supporters
 - Key employers
 - Key hospitals
 - Building on prior activities

Market Readiness

- Recruit Employers by:
 - Laying foundation
 - Compare performance
 - LF Hospital Survey
 - JCAHO Core Measure
 - Establish general business case
 - LF/Towers Perrin savings
 - Gaining commitment
 - Analyze local data
 - Perform baseline evaluation
 - Use LHRP ratings
 - Provide administrative structure/support
 - Use BTE, or
 - Use/Develop internal capabilities
 - Appeal to corporate culture

Market Readiness

- Recruit hospitals by:
 - Building/supporting LF survey performance
 - Using already collected data & relationships
 - LF/JCAHO effectiveness measures
 - JCAHO Core Measure vendor
 - Providing transparency
 - Give backup material for key program elements
 - Bringing employers to table
 - Creating a win-win

Program Specifics

- Define the rewards methodology
 - Enlist LF & BTE support
 - Provide draft framework
 - Review with hospitals
 - Establish technical working group(s)
 - Effectiveness
 - » Coordinate with LF & JCAHO surveys
 - Efficiency
 - Payments
 - Engage CFOs early
 - Understand contracting methodologies (e.g., per diem, discount, case rates) & implications
 - Coordinate with health plan contracting
 - Review with employers
 - Model savings & rewards

Challenges

- Readiness of employers
 - Comfortable with “transparency”
 - Isn’t that enough?
 - Significant change in philosophy
 - Aren’t we already paying for quality?
 - Inherent complexity of program design
 - Will hospitals “game the system”?
 - Additional program administration requirements

Challenges

- Readiness of hospitals
 - Reporting requirements
 - Don't I have enough programs I am reporting to now?
 - Note: LHRP does build off of existing reporting processes, but some hospitals perceive it adds to the complexity
 - Lack of physician engagement
 - What is in this for the doctor?
- Rewards methodology
 - Changes in reimbursement methodologies

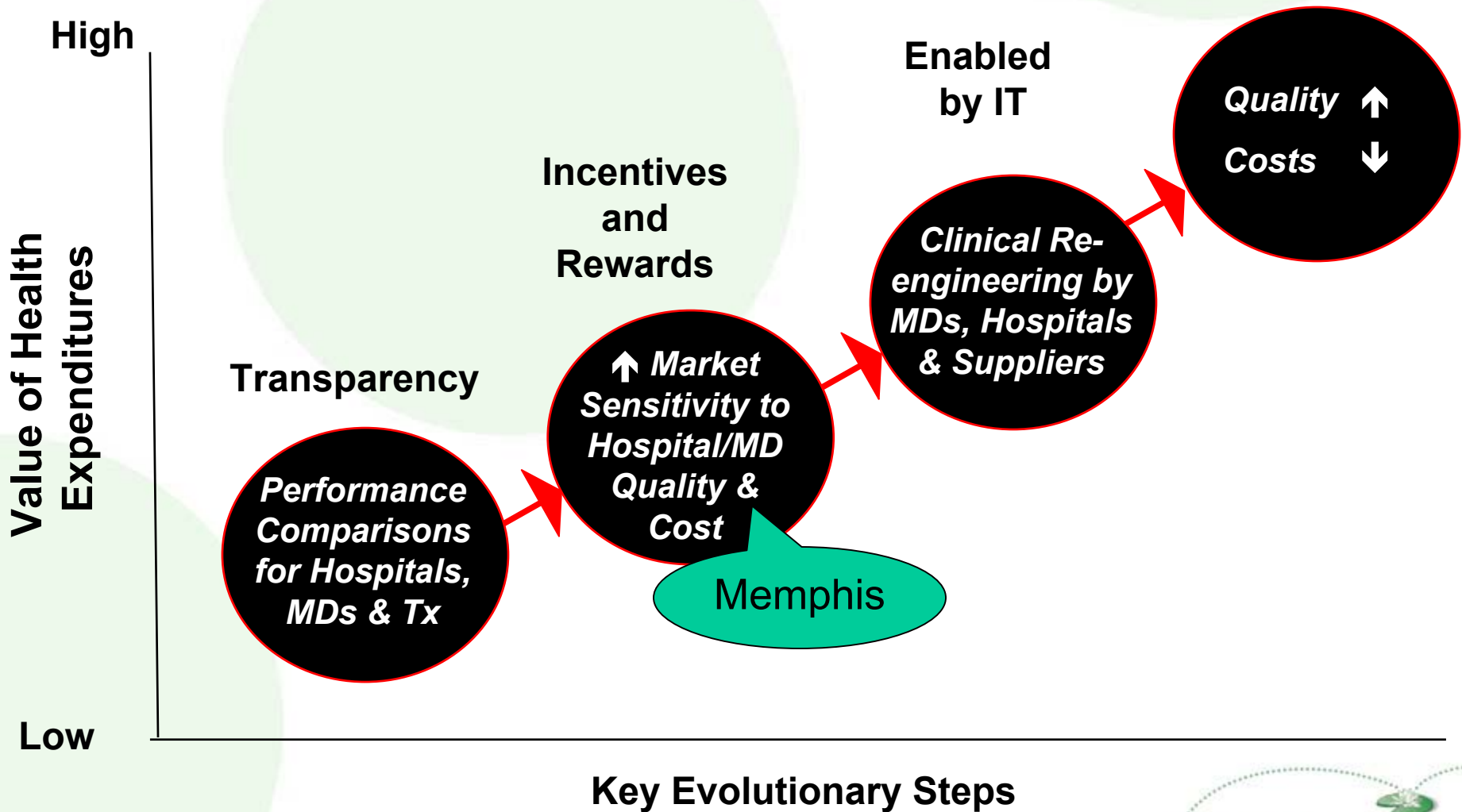
Observations

- For both employers & hospitals:
 - It isn't (only) about the money
 - It is about:
 - Improvement
 - Transparency
 - Recognition
 - Partnership
- Change takes time
 - Education (repeat, repeat, repeat)
 - Internal review & approval process
 - Sign-offs
 - Budget
 - Benefit year
- It's easier if there is data
 - Historical transparency initiatives
 - Ran local data through the model

Observations

- Rewards result in improvement
 - LF leap progress & implementation
 - JCAHO improvement
- Engage the right people
 - Hospital CEOs & CFOs
 - Influential employer(s)
 - Local champion
- Expect the unexpected
 - E.g., change in reimbursement methodology
 - Activity spurs activity (by others as well)
- Rewards can be rewarding
 - Intellectually stimulating
 - Creates collaborative environment
 - Builds trust

Current Stage



Thank You

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