

# Medical Episode Savings Accounts: Complementing P4P with B4P



*Fair, Evidence-based Solutions. Real and Lasting Change.*

P4P Summit  
March 2nd, 2015

# Agenda

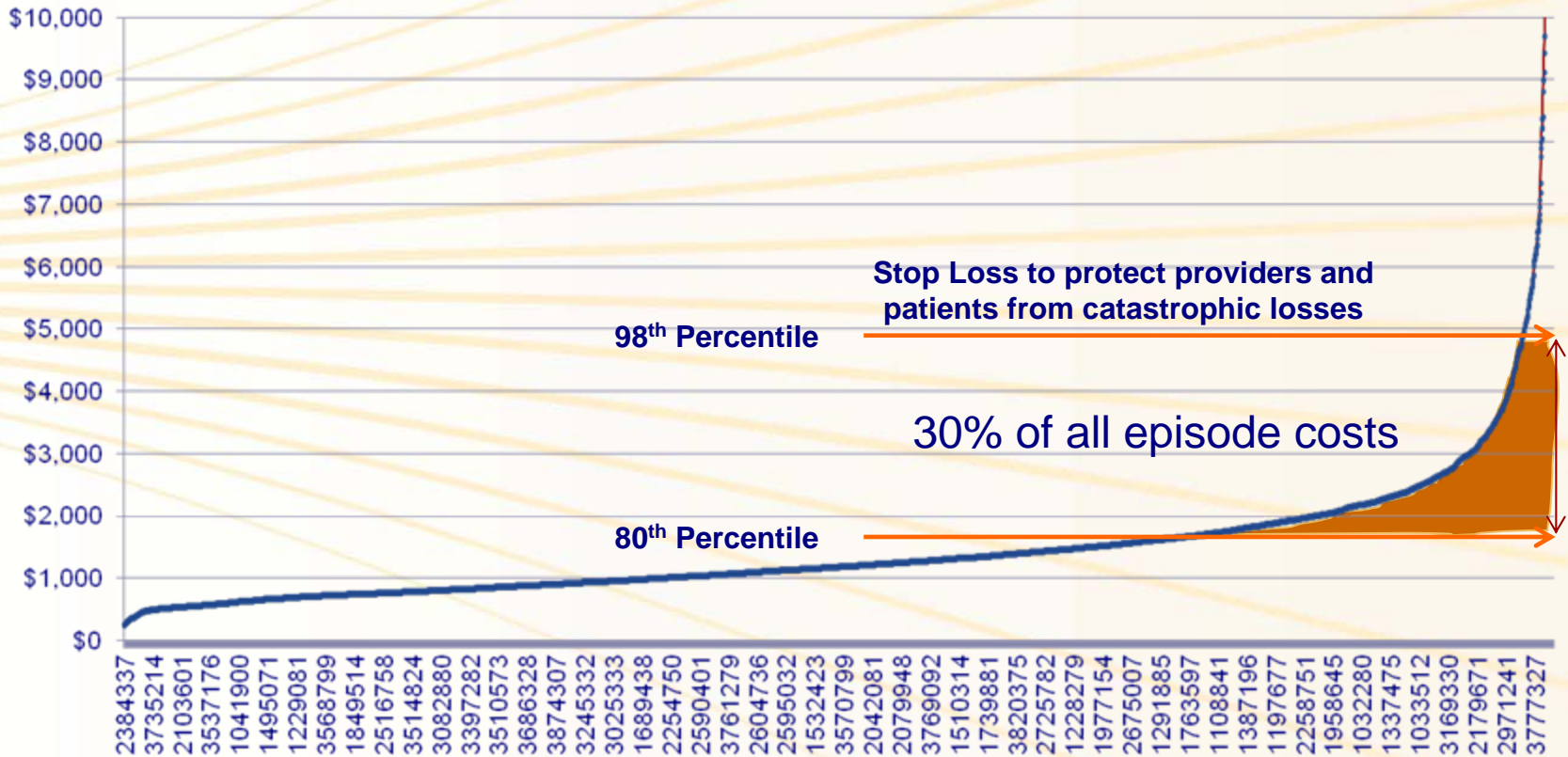
- Rethinking Benefits: Choice-utility Risk
- AF4Q TA HCI3 Learning Center

# Rethinking the Political Economy of American Health Care

- There isn't one market in healthcare, there are two: the Ex Ante Market for Health Insurance (Exchanges) and Ex Post Market for Health Care (Transparency tools and benefits)
- This means recognizing three distinct forms of risk: 1) Probability Risk, 2) Technical Risk, and for today's discussion, 3) Choice Utility Risk

# A Central Thesis: after risk-adjustment, all episodes are highly skewed

## Colonoscopy Episode Costs per Patient



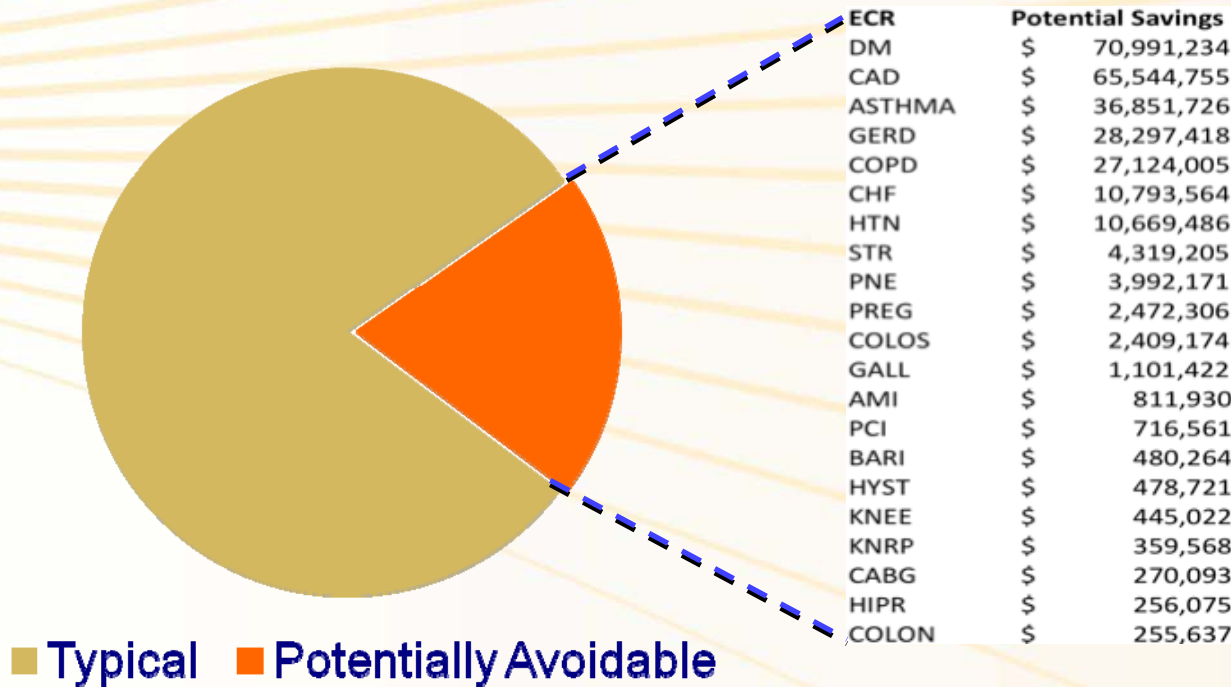
**Holding providers and patients responsible for costs between the 80<sup>th</sup> and 98<sup>th</sup> percentile of episode costs would save 30%**



# Solution: capping the top 20<sup>th</sup> percentile yields a 38% savings

*Actual data of 147k patient episodes and \$707M in total costs*

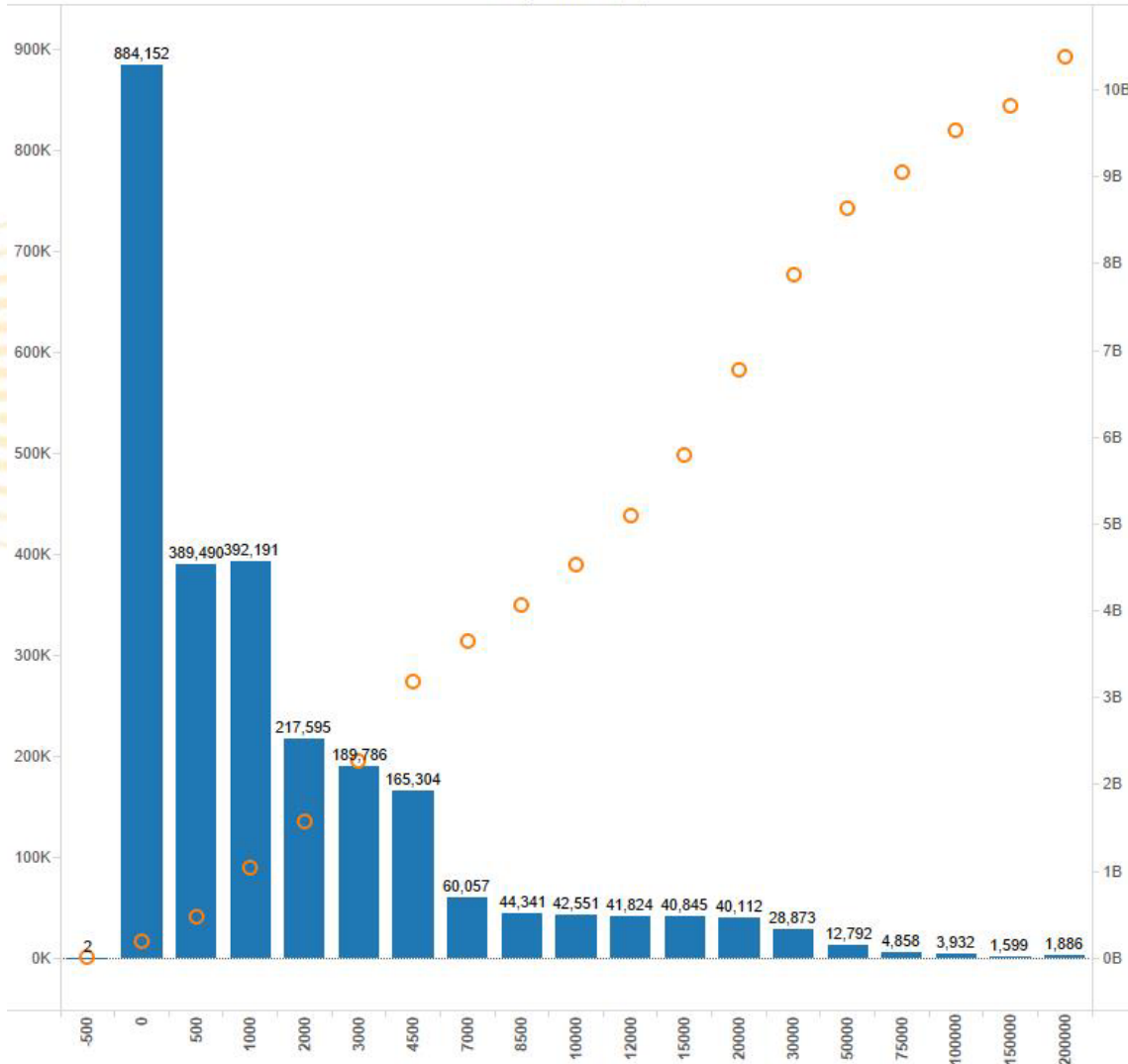
*Top 20<sup>th</sup> percentile defined as episodes above the 80<sup>th</sup> percentile ratio of actual to predicted costs*



**Source: HCI<sup>3</sup>'s Prometheus Payment Work**

# HDHPs Don't Create Price Sensitivity When It Matters

Adjusted Costs (bin)



The vast majority of plan members have total costs of care less than \$2K a year. When it matters, they are price insensitive, leading to lots of plan members going to low value, expensive providers.

# The Problem: Indiscriminant FFS Sick Plans (unilateral deductible)

**Annual Deductible:** *In-network* \$500 Individual / \$1,500 Family *Out-of-Network* \$5,000 Individual / \$15,000 Family

**Annual Out-of-Pocket Maximum:** *In-network* \$1,500 Individual / \$3,000 Family *Out-of-network* \$7,500 Individual / \$15,000 Family

**Co-Insurance/Co-Pay:** *In-network* 80% *Out-of-network* 60%

**Primary Care Physician Services:** *In-network* \$25 Primary Care \$80 Specialist *Out-of-network* Deductible, 60%

**Other Physician Services:** *In-network* Deductible, 80% *Out-of-network* Deductible, 60%

**Preventive Care (In-network coverage only)**

Mammograms, Pap Smear, Prostate Screening, Well Child to Age 6, Physicals \$25 Copay, then 100% 0%

**Hospital / Skilled Nursing Facility Charges:** *In-network* \$100 Copay, 80% *Out-of-network* \$500 Copay, 60%

**Outpatient Facility Charges:** *In-network* Deductible, 80% *Out-of-network* Deductible, 60%

**Emergency Room:** *In-network* Deductible, *Out-of-network* 80% Deductible, 60%

**Ambulance:** Deductible, 80%

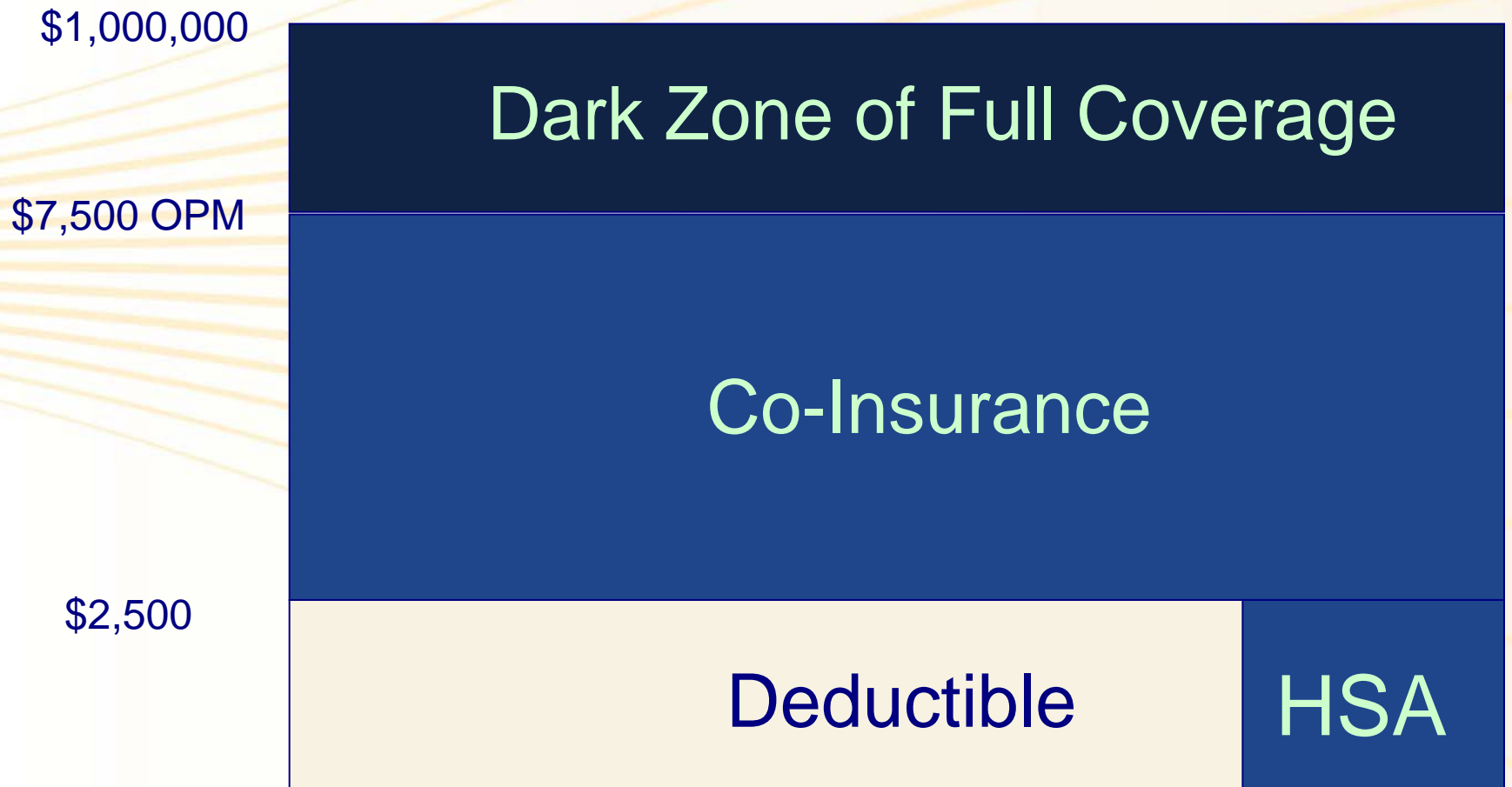
**Other Services (Outpatient Facility, Home Health, Physical Therapy, Mental Health):** *In-network* Deductible, 80% *Out-of-network* Deductible, 60%

**Prescriptions** \$10 (Generic) / \$25 (Preferred) / \$60 (Non-Preferred)

**Lifetime Maximum** \$1,000,000

# Blind “Coverage”

Across spectrum of care and benefits package



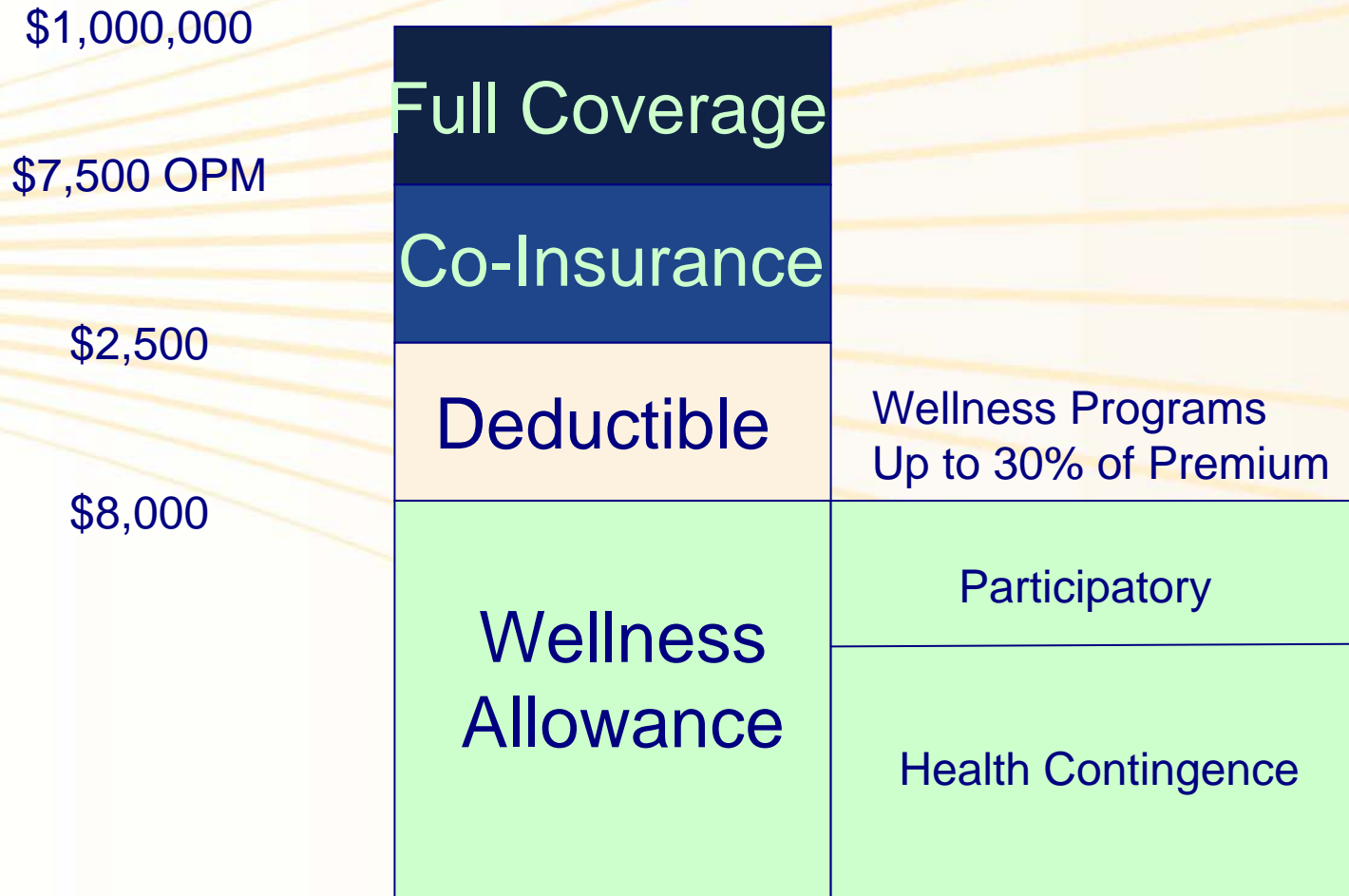


# The Solution P4P = B4P: Medical Episode Savings Accounts (MESA)

- A multilateral deductible system that distinguishes clinical nuance – that is, cost exposure is tuned to condition *and* patient response
- Rather than just generating a bill at the end of a care episode, a MESA gives the patient an allowance at the beginning.
- A MESA gives the patient a list of high-performing providers who can provide the needed care, each provider's negotiated bundled price, and the quality recognitions they have earned.
- Armed with clear cost and quality information, the patient can then choose any provider on the list.
- A MESA can be linked to wellness programs so that *patient consumption performance* can be rewarded (B4P)

# MESAs: Parsing Clinical Nuance

## Diabetes MESA



# Example – Joint Replacement Procedure



- **John Jackson**
- Age 55
- Manchester, NH
- Spending Allowance for Knee Replacement Procedure: **\$24,000**

# John – An Employee With a Bad Knee

- When the need for the procedure is confirmed, he receives an allowance that covers all services for the entire episode of care, including consultations, procedure, equipment, and follow-up.
- He is given a list of providers who can perform the procedure, some with bundled fees.
- If the cost comes in under budget, the unspent funds can be rebated as additional income
- If the cost comes in over budget, the patient's deductible and co-insurance kick in.



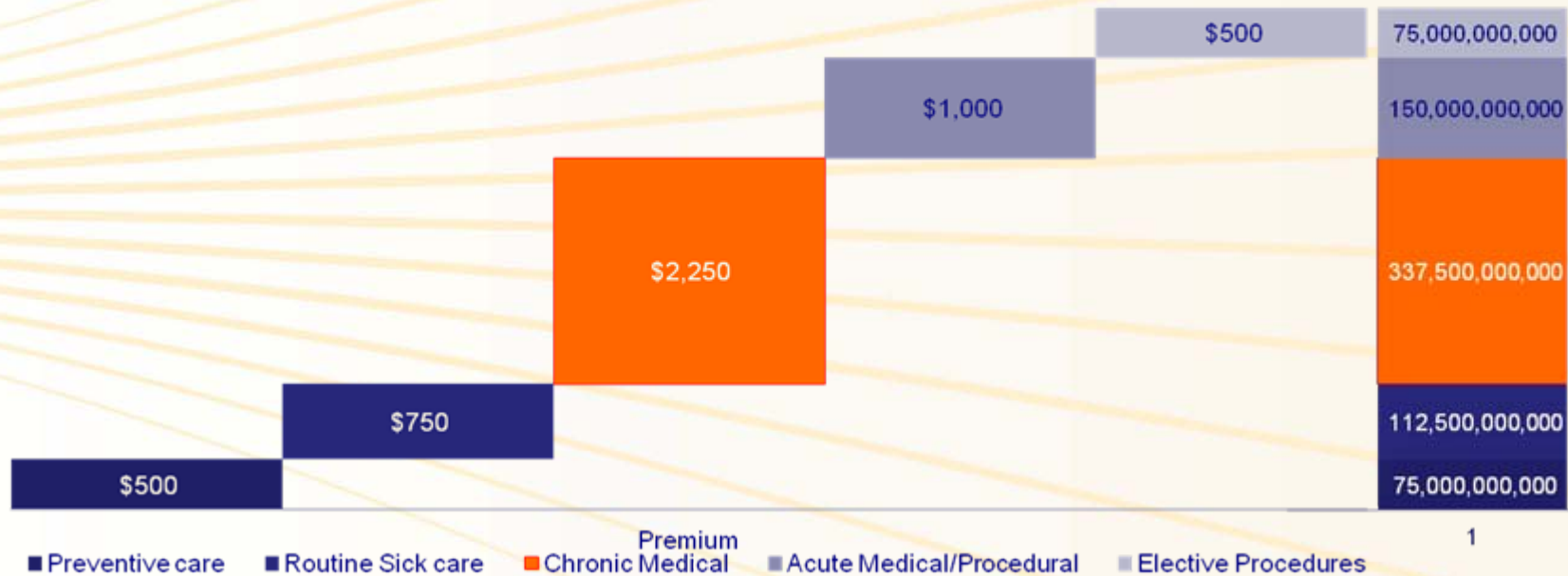
# John's Provider Choices



# Procedures Are Important But So Is Chronic Care


Average Per Member Yearly Premium Component

Total US Medical Spend (\$)



- Employers cover 48% of lives in U.S.
- Chronic care management comprises 45% of total spend (*more when including elective surgeries and acute medical events*)

# Example – Diabetes

A portrait of Mary Walsh, a woman with dark hair, wearing a light green sweater, framed by a white border.

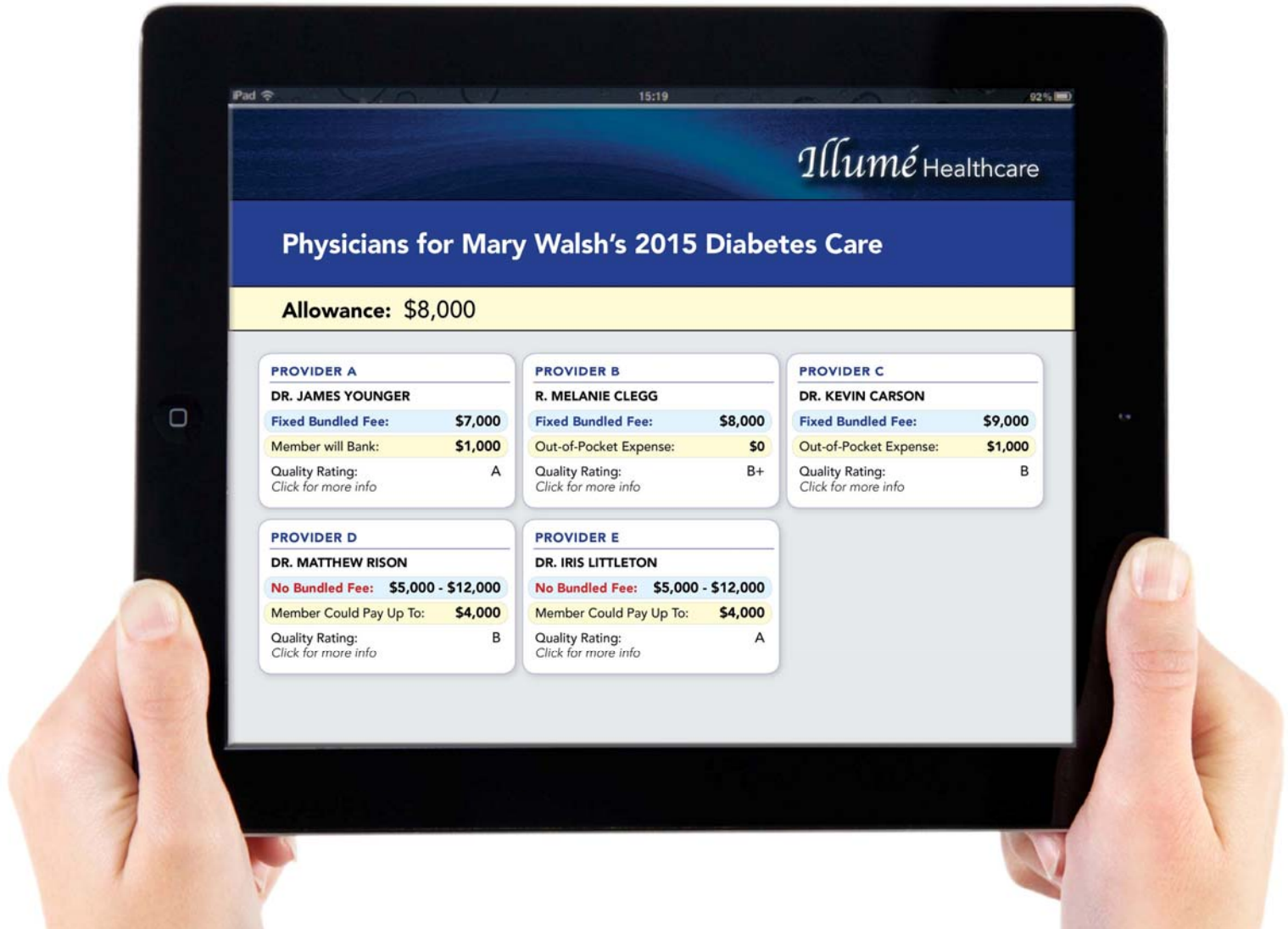
- **Mary Walsh**
- Age 45
- Nashua, NH
- Spending Allowance for Annual Diabetes Care: **\$8,000**

# Mary – An Employee With Diabetes

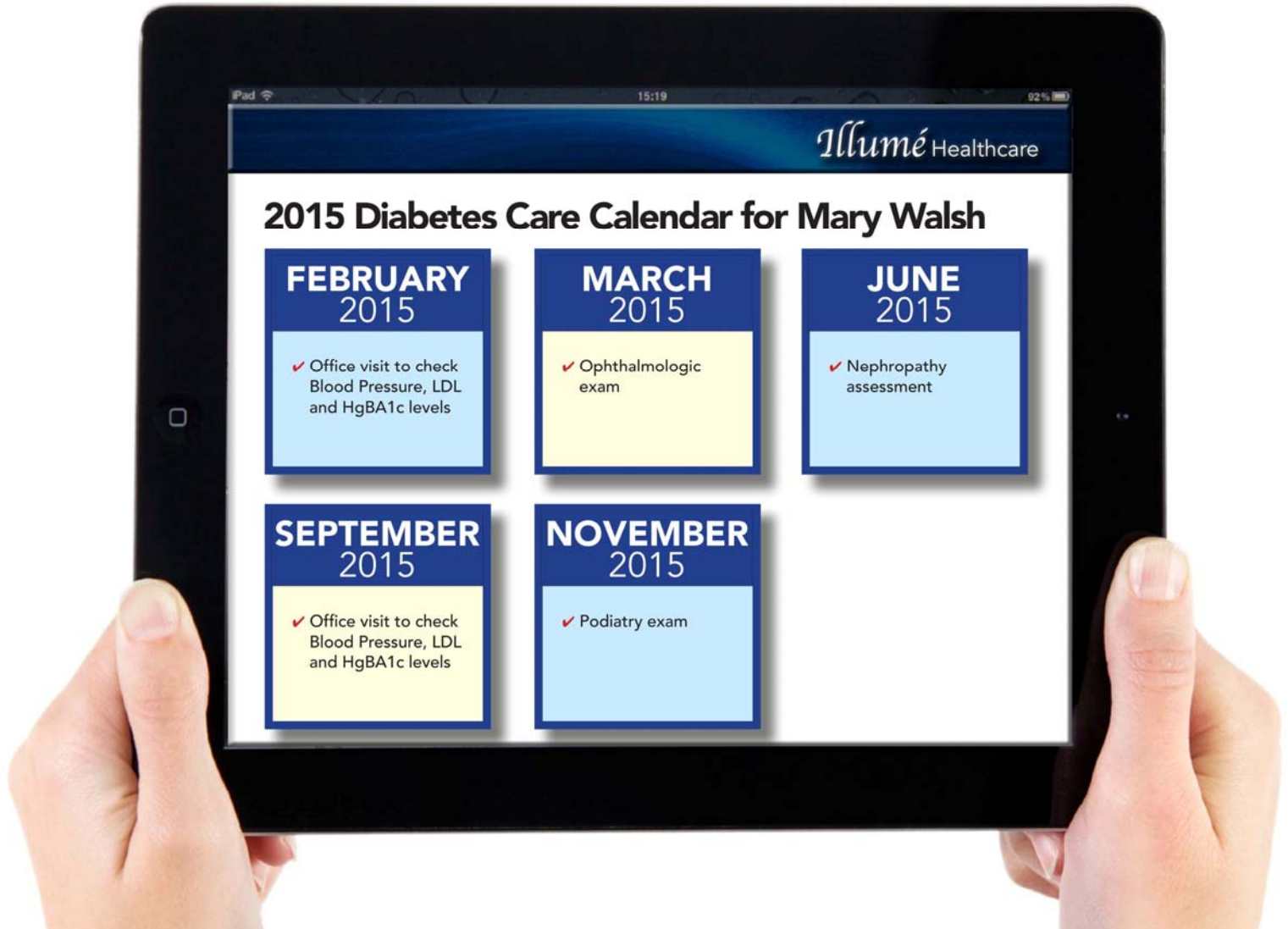
- At the beginning of the year, she receives one allowance that covers preventive care and another allowance that covers diabetes care (and related conditions) for the year.
- She is given a list of doctors who can provide care, some with bundled fees.
- Once she chooses a doctor, she is given a schedule of recommended services for the year.
- If she does not get recommended services, or gets non-recommended services, she is assessed a penalty and her allowance amounts are reduced.
- “Use it or lose it” – any funds not used by year-end are forfeited.



# Mary's Transparency Tool



# Mary's Chronic Care Engagement Tool



# Matching MESA with wellness and accountable care – a specific diabetes example

## The Scenario

- Mary selects Dr. James Younger practicing with Medical Partners
- Mary's MESA for diabetes is \$8,000 for 2015
- Medical Partners has a contract with her plan to manage her 2015 diabetes care for \$7,000

# The Medical Partners Diabetes Management and Wellness Program

- Mary is entered into the MP EMR Diabetic Registry that has a practice wide diabetic care flow template continuously updating key metrics
- Key metrics: H1Ac, Lipid profiles, blood pressure, weight, foot and eye exams, neuropathy exams, smoking status, Influenza and Pneumococcal vaccination status – important Participatory and HC wellness targets
- Diabetic education class partners with local pharmacies and Certified Diabetic Educator (4 hours)
- Free glucometers and support with pharmacy for medication management and injection training
- Nutritional counseling and ongoing support
- Personal coach for patients with H1Ac > 9



# Mary's Wellness Ledger

Mary's MESA Budget: \$8,000 HP Contract: \$7,000 Mary's Plan Cost: \$17,000  
**PWP \$1,000** **HCWP 30% = \$5,100 50% = \$8,500**

## PWP

## HCWP

Recognized Provider	HbA1c	< 7.0
Recommended OV	Lipid	< 100mg / dl
Diabetes Education	Blood Pressure	< 130 / 80
Nutritional Program	BMI	< 20
Med Compliance	Smoking	Quitter
Vaccinations		
Gym Membership		

# The Takeaway...

## Health *is* Wealth

The solution is to merge health benefits to one's *sense of estate*

For Mary, over the course of her career, that's \$186,862 (@5%) added to her family's savings!

# A New Platform: with a broadened toolkit for “tunable parameters”

- Operates episode of care contracting and MESA benefits *at scale*
- Provides simple to understand consumer interfaces on provider price and quality
- Offers wellness programs that rewards *results*
- Feds should allow new wellness rewards to accrue to tax-deferred instruments (remember Mary!)

**FAIR, EVIDENCE-BASED SOLUTIONS.**

*Real and Lasting Change.*



For contact information:

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