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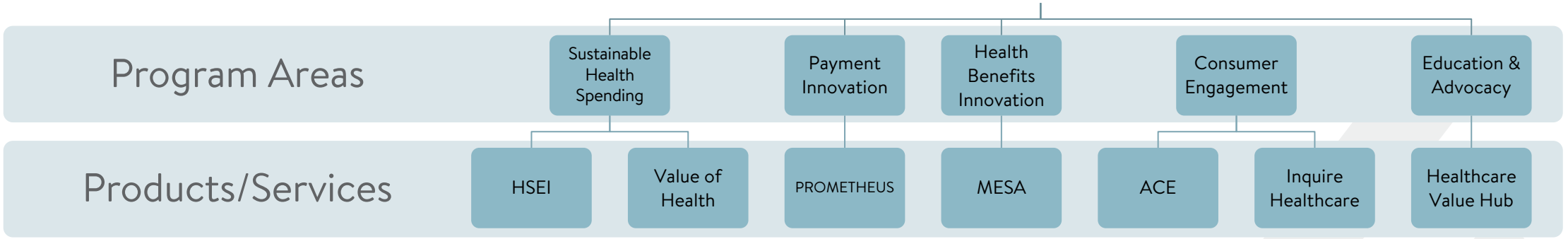
APMS IN 2018: IS THE GLASS HALF FULL OR HALF EMPTY?

François de Brantes, VP & Director

Center for Value in Health Care

Center for Value in Health Care

Center Mission: To create a high value, sustainable and equitable health care system through payment and health benefits innovation, behavioral incentives to promote health, and consumer engagement; and to advocate for broad system change and conduct research on effective ways to bring about that change.



- Health sector spending tracking and reporting
- Estimating value of primary prevention, treatments and therapies

- State of the art health care analytics
- APM design and implementation
- VBID plan design

- Measuring and tracking consumer engagement
- Measuring and reporting quality and costs of care

- Advocating for change
- Educating stakeholders on best practices

It's All a Matter of Perspective

- Cancellation of mandatory cardiac bundles and CJR expansion…but:
  - Introduction of BPCI Advanced
- Anemic growth in private sector APMs…but:
  - Adoption of operational processes to scale APMs, and
  - Continued purchaser push on carve outs and direct contracting

Are We Stuck in The Mud?

- Results are mixed, and have been for decades
- Health system consolidation continues and with it come higher private sector prices
  - Overall health care services price inflation for the private sector from June 2014 through end of 2017 is 3 times that of the public sector, and 4 times for just hospital prices
- Market share isn't shifting fast enough to higher value providers

Some Important Lessons From the Field of Behavioral Economics

- Loss aversion – people overestimate the impact of losses and underestimate the benefits of gains.
  - Downside risk will focus organizational activity to minimize the potential for loss
  - Upside only APMs have little chance of achieving better outcomes
- Ability to affect outcomes – Professionals are rarely motivated by outcomes over which they have no control
  - ”Tournament-style” APMs are unlikely to succeed because the outcome is a function of everyone else’s performance; and the results are known long after the race is over
  - Small sample sizes and inadequate adjustments for patient characteristics impute random variation in outcomes

A Snapshot of Current APM Activity

- The majority of APMs – Medicare and Commercial – are upside only and have inadequate sample sizes
- Most APMs include a tournament element
- Many APMs do not adjust for patient characteristics

It's The Design Stupid !!!

- Ingredients of successful APMs:
  - Prospectively set, severity-adjusted, individually calculated bundles
  - Upside and downside risk contracts with individual and aggregate stop-loss
  - Comprehensive quality scorecard that includes a focus on potentially avoidable complications as a means to increase financial and clinical outcomes
  - Quarterly reports on all patients, with budget-actual in aggregate and per-patient, with drill-down to claim-line level and detailed analyses of potentially avoidable complications
  - KISS principle to reduce barriers to operational implementation and scale

The Upshot

- A well-designed APM should engage front line clinicians, create downward pressure on waste, upward pressure on quality outcomes, and reward high performers
- There are many contracting parameters that can and should be included in every APM, including: target price, margin, stop loss, risk sharing %, quality scores, exclusions
- Market share shifts are an essential component to sustaining effect
- Those who create bad APM designs are wasting our time and spoiling the soup for everyone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