# Anthem Blue Cross Shared Savings Program: Incentive for Cost Efficiency

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# Background

- HMO Delegated Model in California – Partial financial risk of medical group for professional fees while institutional costs lie with the health plan

| | | |
|---|---|---|
| **Medical Group** | **Capitated Services** | **Professional** |
| **Health Plan** | **Non-Capitated Services** | **Institutional** |

- Approximately 1 million Anthem Commercial HMO members are assigned to these “partial risk” groups

- Medical Groups have no financial liability for institutional costs for inpatient hospital, outpatient surgery or hospital ER facility fees. As such, very little incentives to monitor or utilize more cost efficient networks

# Background

Variability in costs across the network

+

Variation in practice patterns

+

Variation in cost control mechanisms

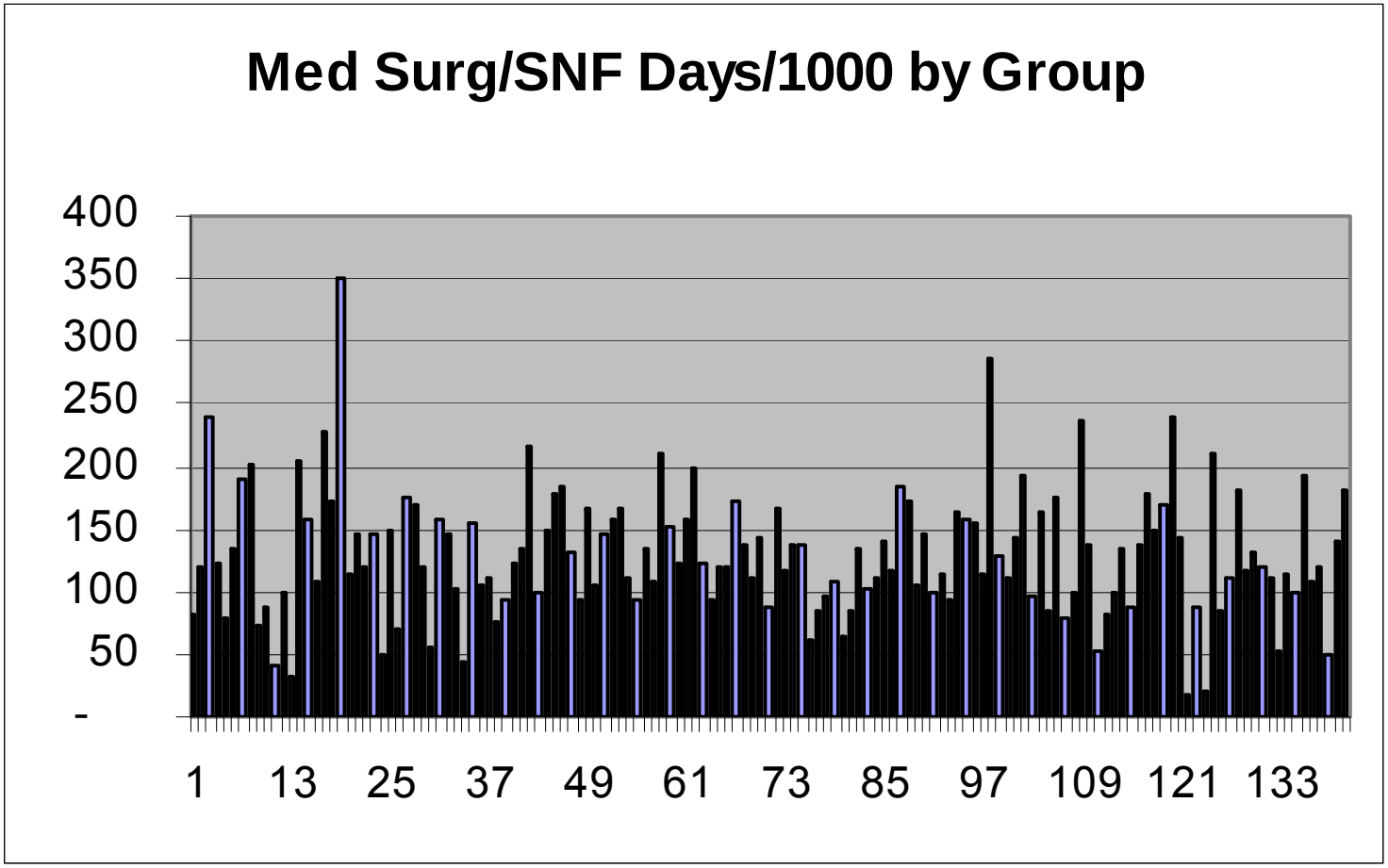
+

No risk for health plan costs but responsibility for directing care in the network

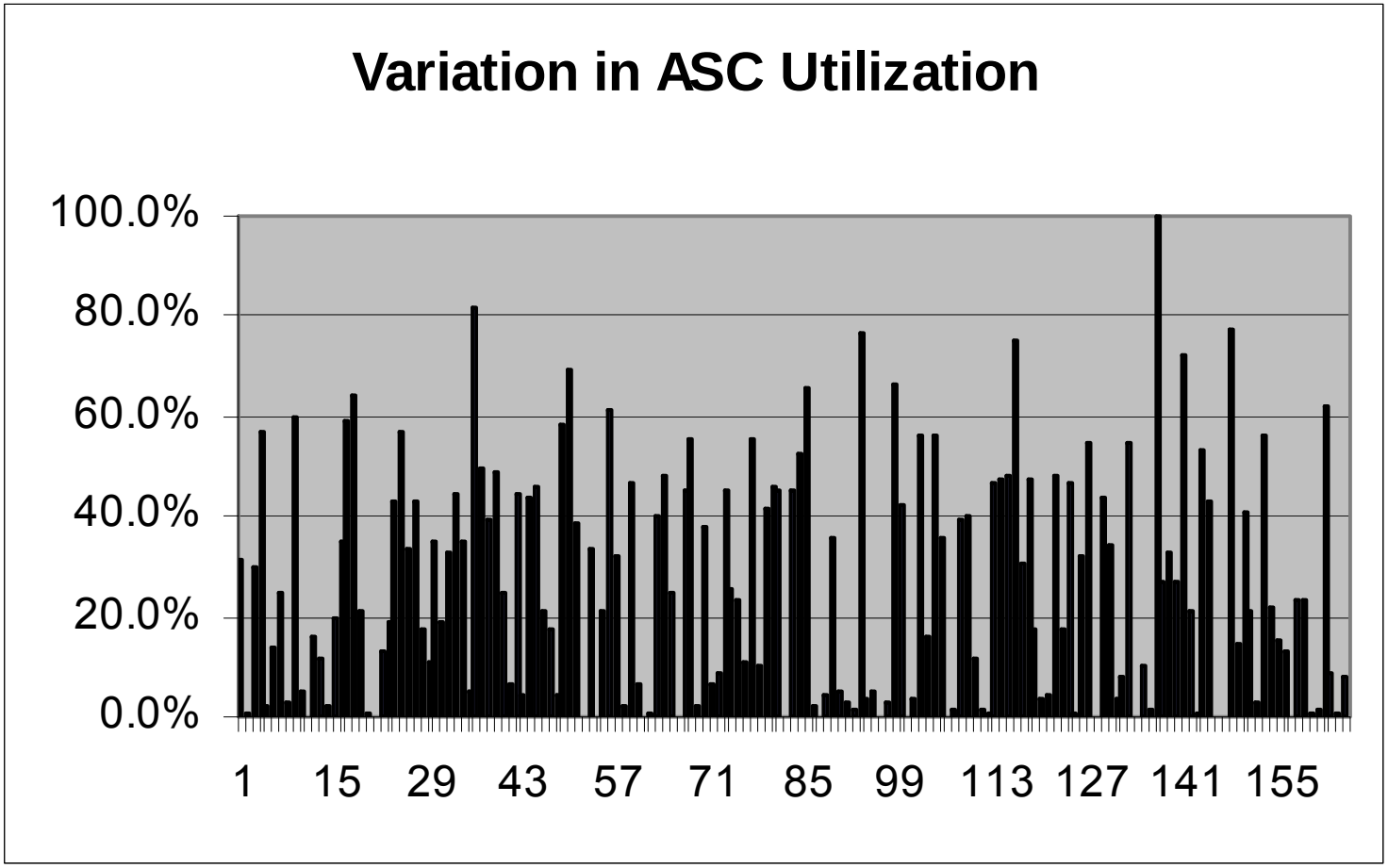
## Result

Increasing Cost trends and premiums

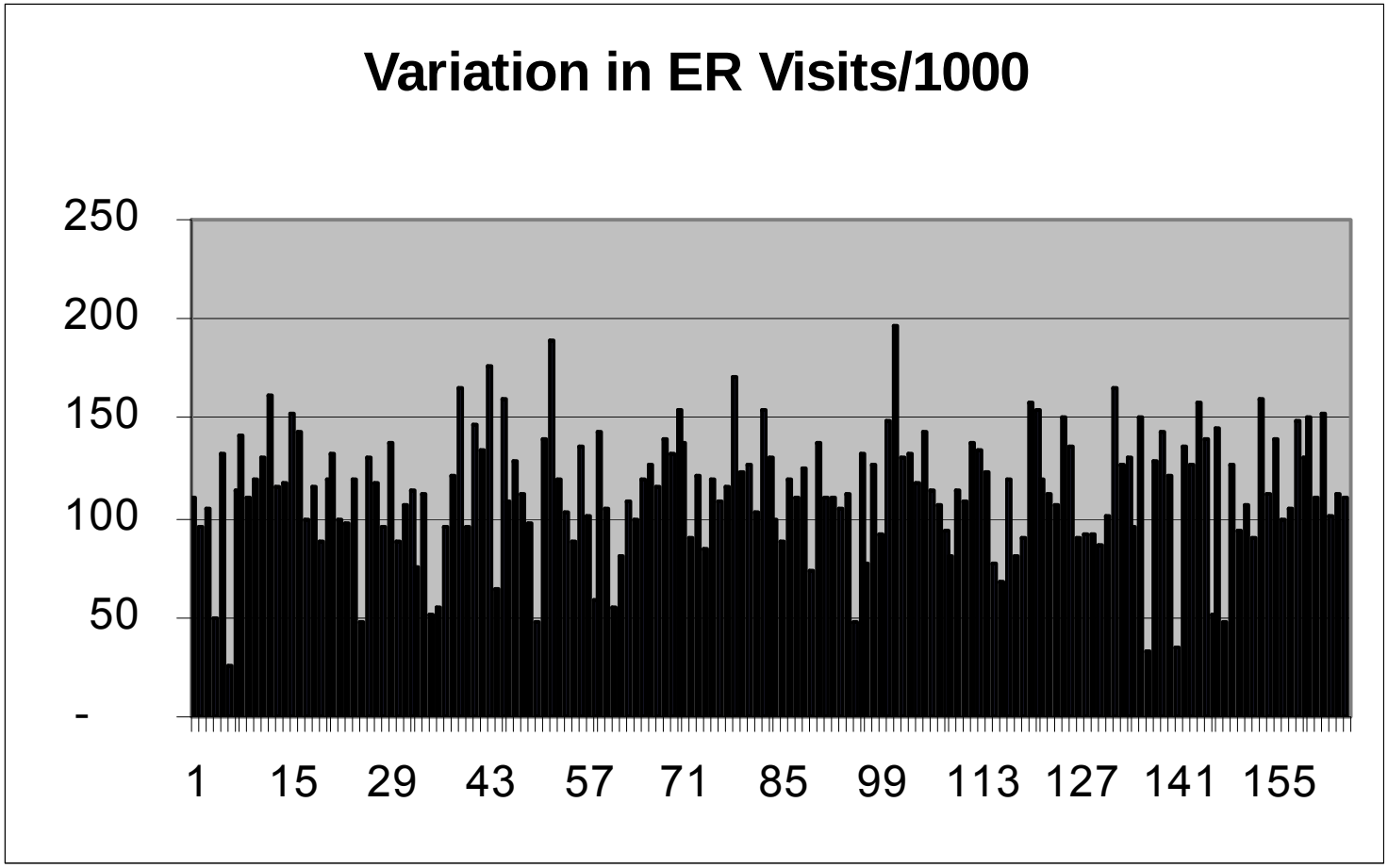
# Problem


Med Surg/SNF Days/1000 by Group
400
350
300
250
200
150
100
50
-
1
13
25
37
49
61
73
85
97
109
121
133

# Problem


Variation in ASC Utilization
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%
1
15
29
43
57
71
85
99
113
127
141
155

# Problem


Variation in ER Visits/1000
250
200
150
100
50
-
1
15
29
43
57
71
85
99
113
127
141
155

# Contributors to Cost Variation

- Supply and Demand
  - Regional differences
  - Network Needs
  - Business Needs
- Utilization Patterns
  - Bed days
  - Visits/1000
- Facilities within Network
  - Hospital vs Non-hospital resources
- Site of Service Choices
  - Appropriate Level of Care
  - Ancillary Network
- Types of Networks
  - Integrated versus Non-integrated Hospital Systems
  - IPA, Staff Model, Hybrids

# Program Development

- In 2007 Blue Cross of California introduced one year performance incentive program focused on cost trend reduction in Med Surg/SNF, Outpatient Surgery, and ER.
- Program measured Per Member Per Month (PMPM) cost trend and established unique projected targets based upon medical groups historical trend
- Medical groups with actual PMPM below target receive sharing in cost savings at the end of the measurement year
- Measurement year from Jan 1, 2007 to Dec 31, 2007
- Medical groups above targets receive no sharing in cost savings but no financial risk.

# Program Design

- Develop group specific benchmarks or cost targets in the categories of Med/Surg/SNF, Outpatient Surgery, and ER
- Targets are unique to each medical groups historical pattern of resource utilization
- Base targets on a PMPM to allow for cost reduction through appropriate utilization and/or unit cost reduction
- No financial risk for exceeding targets/No disincentives
- Savings shared was based upon schedule of 20%, 30% or 40% of savings achieved
- Percent shared savings based upon percent PMPM reduction below target
- Provide feedback and reporting of actionable data to groups

# Shared Savings Payout

**Performance Bonus Schedule**

**1. Inpatient Med/Surg/SNF Performance Bonus Schedule**

| x% Below Target | PMG Share % |
|---|---|
| < = 6% | 20% |
| < = 10% | 30% |
| >10% | 40% |

**2. Outpatient Surgery Performance Bonus Schedule**

| x% Below Target | PMG Share % |
|---|---|
| < = 6% | 20% |
| < = 10% | 30% |
| >10% | 40% |

**3. Emergency Room Performance Bonus Schedule**

| x% Below Target | PMG Share % |
|---|---|
| < = 6% | 20% |
| < = 10% | 30% |
| >10% | 40% |

# Results

- 91 Medical Groups Participated in our Year 2007 Shared Risk Program
- On June 30th 2008 Anthem Blue Cross paid out more than $11 million dollars in Performance Program payments to over 43 (47%) of the 91 participating medical groups with an average payment totaling well over $300,000.

# Results

**Where was the Impact in Savings Seen?**

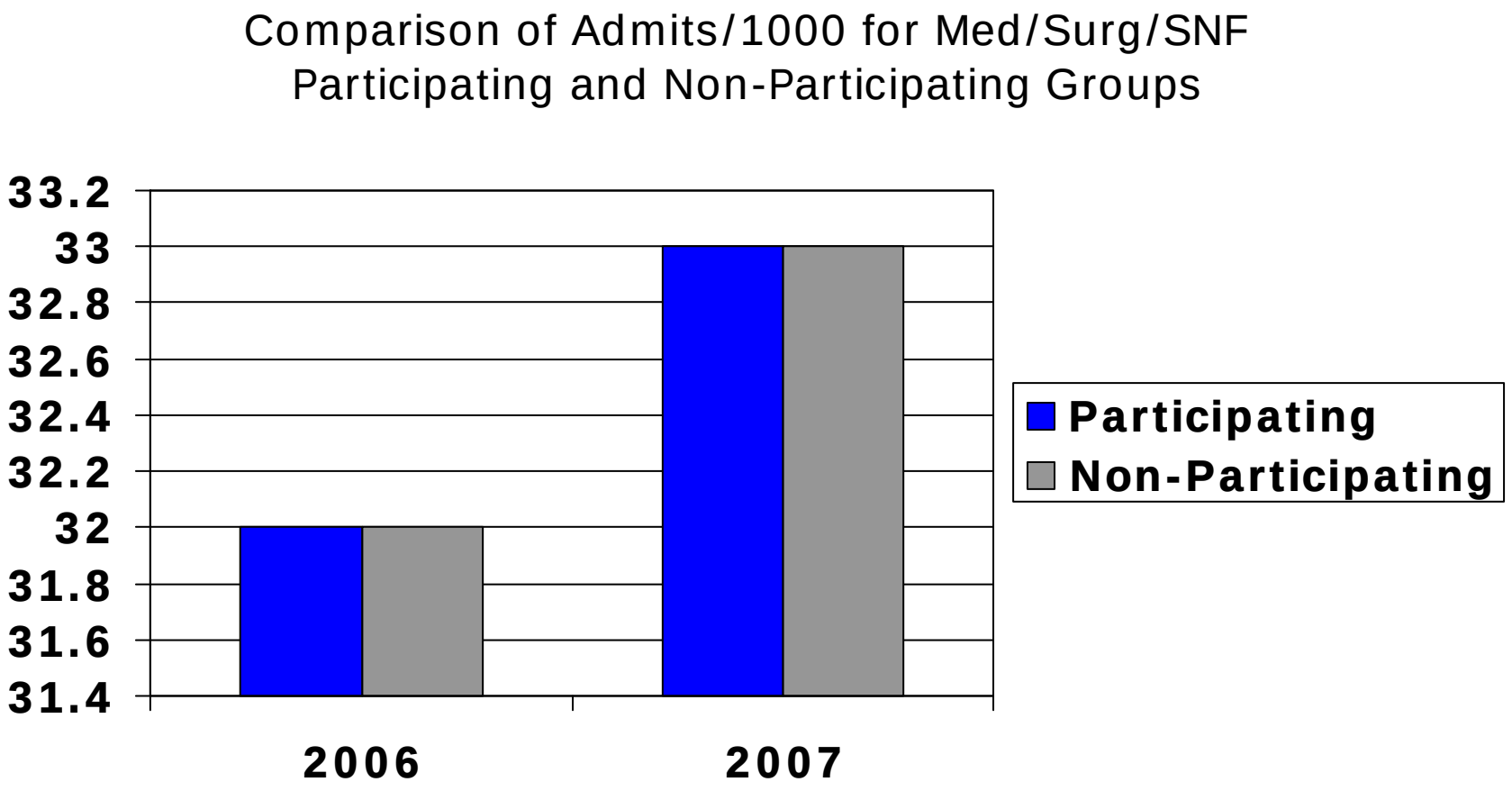
| IP MED/SRG | OPS | ER/UC | # OF PMGS |
|---|---|---|---|
| √ | | | 11 |
| | √ | | 3 |
| | | √ | 0 |
| √ | √ | | 17 |
| √ | | √ | 3 |
| | √ | √ | 3 |
| √ | √ | √ | 6 |
| | | **TOTAL** | **43** |

# Results

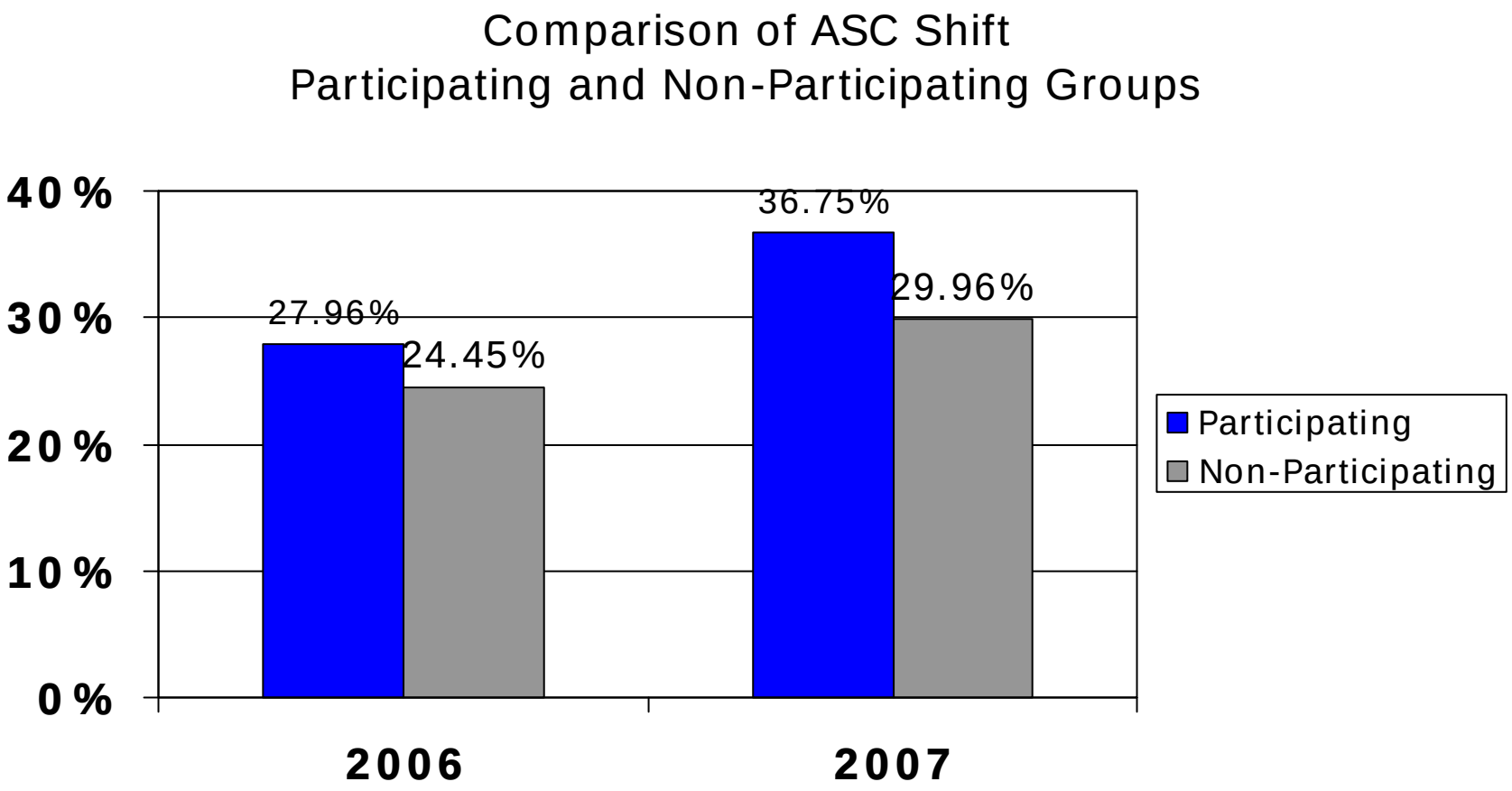
**Payout by Measurement Type**

| | PAYOUT ($) | % PAYOUT |
|---|---|---|
| **IP MED/SRG** | $8,982,849 | 76% |
| **OPS** | $2,407,871 | 20% |
| **ER/UC** | $463,206 | 4% |
| **TOTAL** | $11,853,926 | 100% |

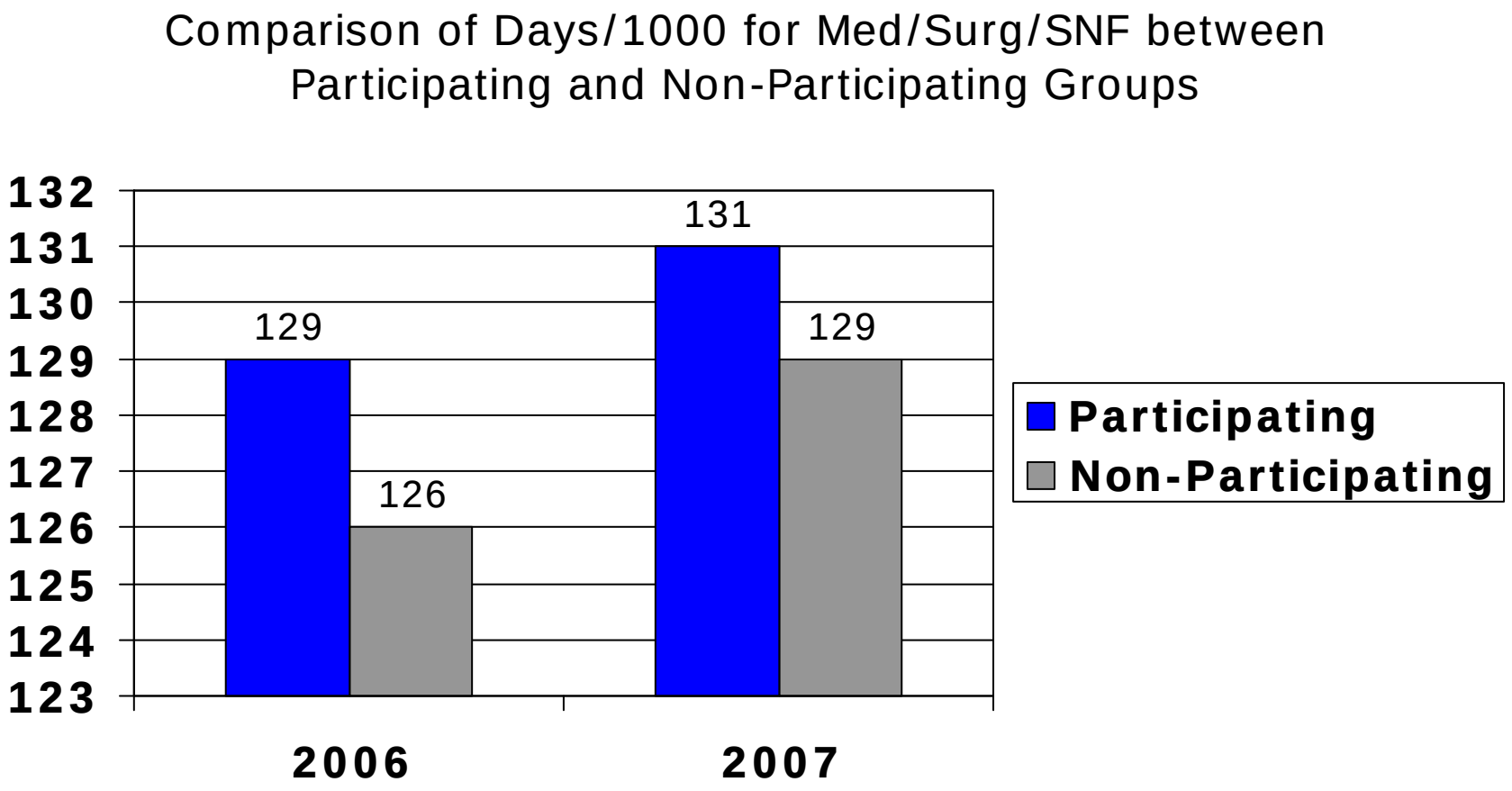
# Impact


Comparison of Admits/1000 for Med/Surg/SNF
Participating and Non-Participating Groups
33.2
33
32.8
32.6
32.4
32.2
32
31.8
31.6
31.4
2006
2007
Participating
Non-Participating

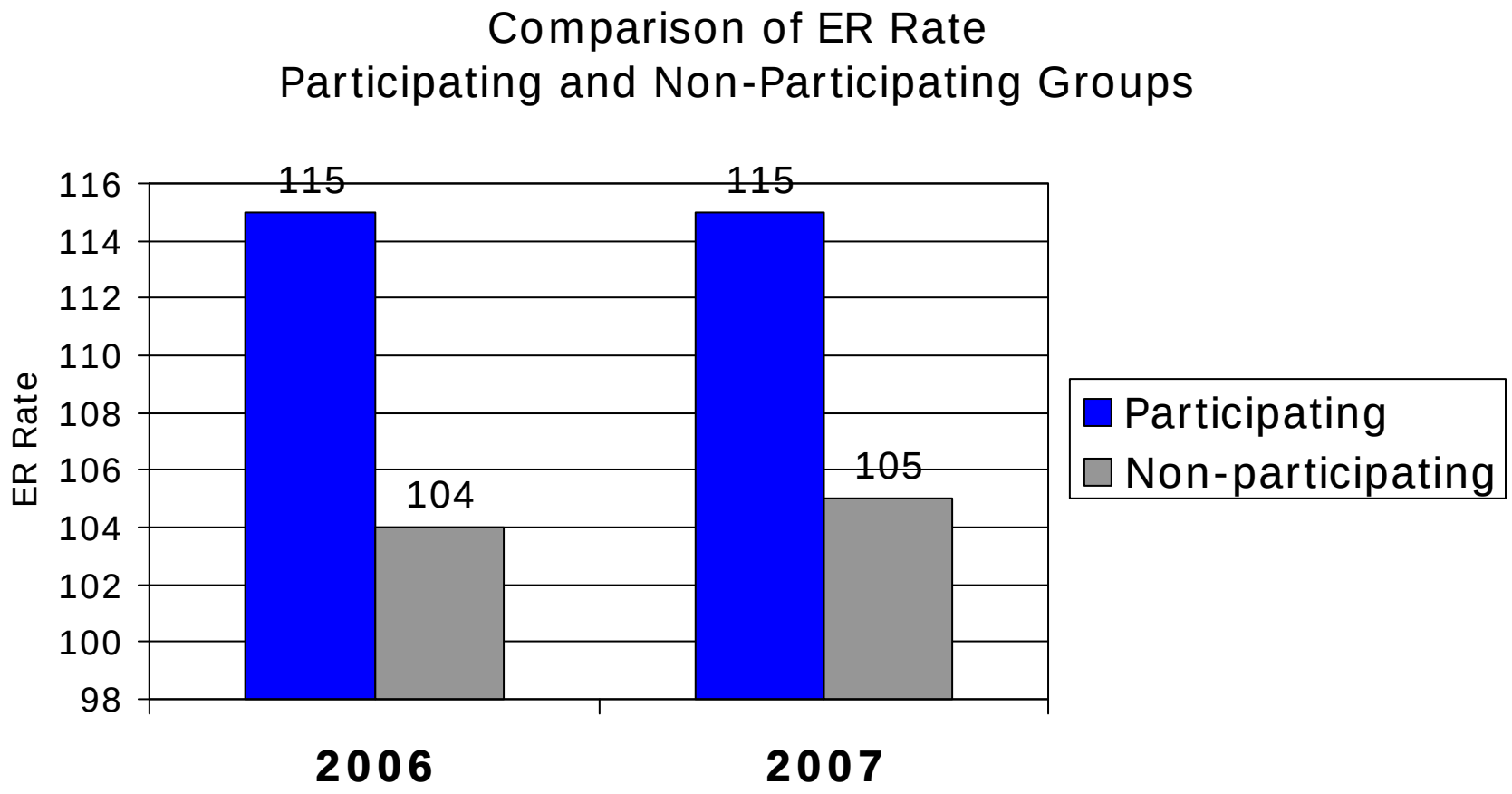
# Impact


Comparison of ASC Shift
Participating and Non-Participating Groups
40%
30%
20%
10%
0%
27.96%
24.45%
36.75%
29.96%
2006
2007
Participating
Non-Participating

# Impact


Comparison of Days/1000 for Med/Surg/SNF between Participating and Non-Participating Groups
132
131
130
129
128
127
126
125
124
123
129
126
131
129
2006
2007
Participating
Non-Participating

# Impact


Comparison of ER Rate
Participating and Non-Participating Groups
ER Rate
116
114
112
110
108
106
104
102
100
98
115
104
115
105
2006
2007
Participating
Non-participating

# Program Vulnerabilities

- Small membership groups subject to higher variability in PMPM trend
  - Statistical variation greater with smaller membership
- No risk adjustment or case mix adjustment of data
  - Difficult to measure comparisons to network
- Targets established from baseline year which is subject to variations in PMPM cost
  - Potential for High or Low Target
- Quarterly feedback on program progress subject to IBNR
  - Projections of groups impact early in the year is difficult to interpret
- Pays for improvement > High Achievement
  - Greatest Payout related to greatest savings opportunity
- Savings is based upon “unanticipated cost avoidance”
  - How do you measure prospective savings?
- Applicable to California delegated Model Only

# What happens to Quality?

**Question: Did this Program Impact Colonoscopy Rates?**

Comparison of Colonoscopy Rates from Baseline to Measurement Year

| All Groups | 2006 | | 2007 | |
|---|---|---|---|---|
| | Visits/1000 | % | Visits/1000 | % |
| Hospital | 9.59 | 52 | 9.62 | 45 |
| ASC | 8.76 | 47 | 11.87 | 55 |
| Hospital OPS | 0.11 | 1 | 0.05 | 0 |
| Total | 18.47 | 100 | 21.56 | 100 |

# What Happens to Quality?

- No significant change or negative impact on P4P scores of participating groups
- No significant change or negative impact seen on Grievance & Appeal rates from participating groups during measurement year
- Could quality metrics be tied to cost efficiencies as pre-requisites to payout
- Should resource utilization measures/thresholds be established to ensure appropriate services are not compromised

# Modifications to Program in 2008/2009

- Included smaller membership groups by pooling data by regions
  - Expanded participating membership and opportunities to smaller medical groups
  - Encouraged more collaboration
- Enhanced Data reporting for greater feedback on performance
  - More focused reporting to outline specific areas of opportunity
  - Deep Dive reporting and analysis
- 50% shared savings for top quartile participating groups
  - Rewarding for High Achievement
- ASC Thresholds – Demonstrated minimum of 10% ambulatory surgery center use for shared saving payout for Outpatient Surgery

# 2008 HMO Physician Incentive Plan

Generic Drug Rate and Incentive Program

Michael Belman

Medical Director, Clinical Quality and Effectiveness

# Introduction

- Health Care cost inflation decreased in 2008 from 6.9% to 6.1%
- Decrease largely due to reduction in drug costs
- Reduced drug costs due to increase in generic prescriptions
- Reduction related largely to blockbuster brand to generic conversion and lower number of new brand drugs
- Secular trend in generic drug prescription confounds measure of generic rate attributable to physician intervention
- Use PPO (unmanaged) generic rate as comparator

# Generic Drug Metric - Key Changes in Methodology

- Generic rate would be therapeutic class specific
  - Control for patient mix
  - Better estimate of drug prices
  - More actionable to physicians
  - Excludes drug classes with no reasonable generic substitutes
- Measure PMG on generic improvement ($\Delta$)
- Shared savings bonus available to groups who exceed a predetermined threshold

# Drug Classes Quarterly Report

| Rx Class | **Rate 07 %** | **Rate 08 %** |
|---|---|---|
| Anti Depress | 56.8 | 59.7 |
| Anti Lipids | 41.8 | 46.4 |
| Anti Hyper – tensives | 81.8 | 86.1 |
| Anti Ulcer | 38.5 | 59.5 |
| Analgesics | 98.5 | 97.9 |

26 Classes as defined by GPI codes: annual change compared to change in unmanaged PPO

# Projected Rx Cost Reduction with Increased in Generic Usage

- Estimated NETWORK average brand price and average generic price for each therapeutic class for the measurement year
  - These prices are calculated using Anthem Blue Cross paid amount
  - Expressed in pmpm dollars
  - These prices can vary from year to year
- Estimated saving per additional 1% increase in generic usage for each therapeutic class

# Qualifying for Generic Drug Rate (GDR) Bonus

- If the GDR in any drug class is less than the average PPO GDR for the same drug class OR
- If the GDR in any drug class is less than the 25th percentile of the overall HMO GDR for the same drug class
- Then the PARTICIPATING MEDICAL GROUP is ineligible to receive an incentive for such drug class(es)

# Method for Determining Available $ for Sharing

- To Qualify for Shared Savings bonus, group needs to demonstrate percent improvement in generic utilization exceeding the PPO change (improvement) OR percent in excess of HMO 75$^{th}$ percentile (performance)
    1. Bonus $$ = percent over PPO change x $pmpm saving (brand-generic) x pharmacy Mbr months

    OR

    2. Bonus = percent in XS of PPO x $PMPM Saving x Mbr Months
- This calculation is repeated for each drug class
- Use higher of 1 or 2

# Summary

- Targets efforts at high impact drug classes
- Reports can isolate meaningful opportunities to increase GDR
- Excludes classes with no generic alternatives
- Compares increase in GDR to secular trends
- Translates increase in GDR to real savings through actual dollars saved
- Overall provider bonus opportunity is lower than with use of global GDRs

# Questions

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