Total Cost of Care and Value Based P4P

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Agenda

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- Background
  - IHA – Who We Are
  - CA P4P Program Evolution
  - Motivation for Resource Use Measures
- Transition to Value Based P4P
  - P4P Program Goals and Objectives
- Total Cost of Care (TCC) Measure
  - Description and Results
- Appropriate Resource Use (ARU) Measures
- Illustrations of Quality, Cost, and Utilization
- Value Based P4P
  - Role of TCC and ARU in P4P
  - Value Based P4P Preliminary Design

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- **Organization:** California multi-sector healthcare leadership group
- **Mission:** Improve quality and lower costs of healthcare
- **Approach:** Multi-stakeholder collaboration incorporating performance measurement & incentive alignment
- **Projects:** Pay-for-performance, medical technology, clinical data sharing, new payment methods (bundled payment), efficiency measurement, and administrative simplification

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California P4P Program Evolution Timeline

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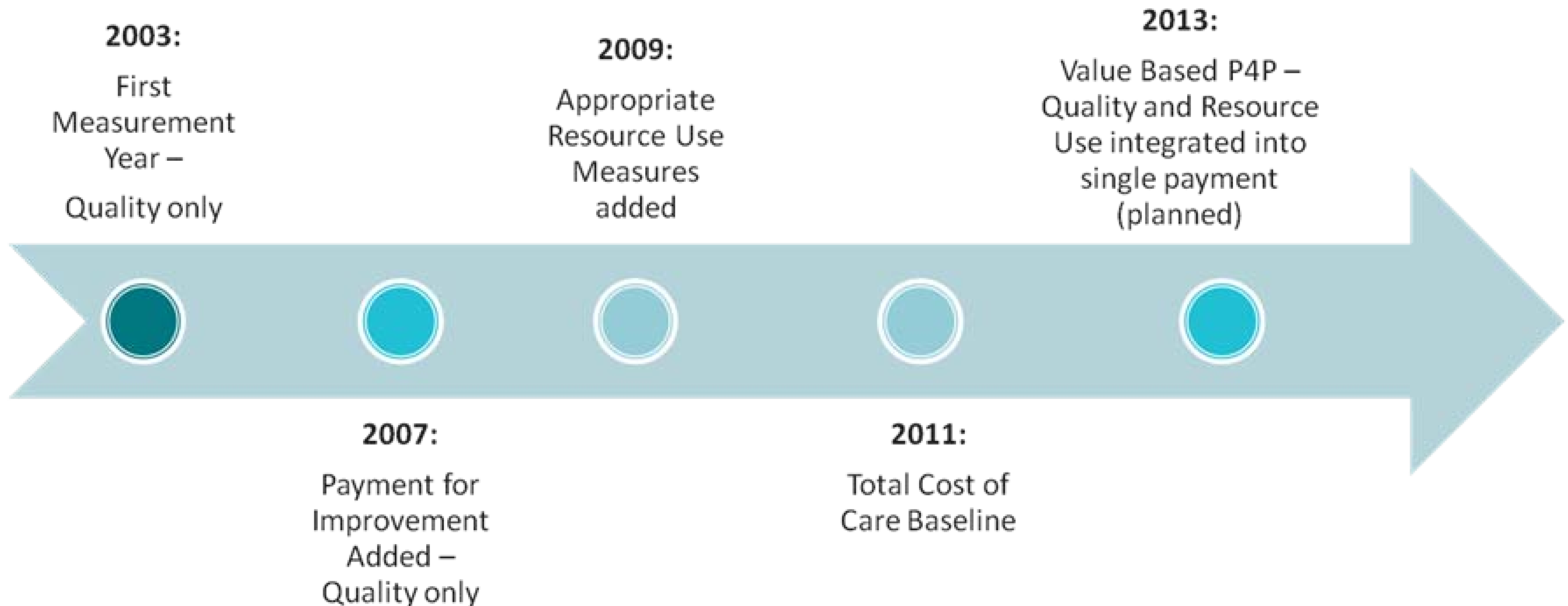

Program Participants

Eight CA Health Plans:

- Aetna
- Anthem Blue Cross
- Blue Shield of CA
- Cigna
- Health Net
- Kaiser Permanente*
- UnitedHealthcare
- Western Health Advantage

Medical Groups and IPAs:

- Over 200 Physician Organizations
- 35,000 Physicians
- 10 million commercial HMO/POS members

** Kaiser Permanente medical groups participate in public reporting only, starting 2005*

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Motivation for Resource Use Measures

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P4P has been successful in improving quality and accelerating IT adoption, but…

- Systemwide performance breakthrough remains elusive
- Costs continue to escalate
- HMO membership declines as premiums rise
  - HMO premiums up 142% since 2000 and exceed PPO premiums in several CA markets
  - Enrollment covered by P4P decreases 3-4% every year since program inception

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Motivation for Resource Use Measures

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As a result of high costs and declining membership…

- Health plans question the ROI of P4P and demand that cost be included in the equation
- Purchasers demand value from their premiums
  - COST & QUALITY = VALUE

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Transition to Value Based P4P

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2011-2012

- Maintain existing P4P Quality incentive program and Appropriate Resource Use (ARU) shared savings
- Measure Total Cost of Care

2013-2015

- Merge quality/cost/utilization measurement into a single incentive program that fosters quality while working towards bending the cost curve
  - ARU/utilization establishes base amount of incentive
  - Total Cost of Care trend is a threshold "gate"
  - Quality performance is a threshold "gate" and payment adjustor

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P4P Program Goals and Objectives for 2011-2015

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Goal #1: Continue to achieve meaningful quality improvement

Goal #2: Bend the cost trend

Objectives:

- Reorder priorities to emphasize cost control (affordability)
- Continue to promote quality
- Standardize health plan efficiency measures and payment methodology
- Increase funding to the incentive program using a shared savings model

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Total Cost of Care (TCC) and Appropriate Resource Use (ARU) Overview

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- TCC and ARU are complementary
- Both calculated using Health Plan data submitted to Thomson Reuters
  - Total Cost of Care
    - High-level, all services
    - Cost = Price x Utilization
  - Appropriate Resource Use
    - Actionable, key services
    - Focus on utilization

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Total Cost of Care Measure

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- Total amount paid to any provider (including facilities) to care for all members of a PO for a year
- Risk adjusted for age, gender, and health status
- Geographic pricing differences accounted for
- PO results reported for each contracted health plan, and aggregated across all contracted health plans
- Specifications developed by P4P Technical Efficiency Committee

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Total Cost of Care – Data Inclusions

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- All capitation and FFS amounts
- Professional, facility (inpatient and outpatient), pharmacy, and other costs (e.g., DME)
- Other payments and adjustments
  - Shared risk payments, stop loss payments, etc.
- Member co-pays, co-insurance, deductibles
  - Assume member paid appropriate amount

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Total Cost of Care – Data Exclusions

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- Mental health, chemical dependency, dental, vision, chiropractic, acupuncture
- P4P quality incentive payments
- Costs above $100,000 per member per PO truncated
  - Retain all eligible members and their costs up to $100,000, but truncate costs at $100,000 per member per year per PO

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Total Cost of Care – Risk Adjustment

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- **Purpose**: Makes comparisons across Physician Organizations (PO) fair by accounting for differences in member health status, age, and gender
- Verisk Relative Risk Score (RRS)
- Member health status identified through diagnosis codes on claims and encounters
- Members' RRS scores combined to calculate PO-level and plan-level RRS scores, used to determine expected costs
- RRS is normalized across POs and health plans

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TCC Year-over-Year Change

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CA Market	No. of POs	2008 Avg PO TCC PMPY	2009 Avg PO TCC PMPY	2010 Avg PO TCC PMPY	2008-2009 Avg PO Trend	2009-2010 Avg PO Trend
Bay Area + Sacramento	31	$3,153	$3,661	$4,130	14.2%	12.8%
Central Valley + Central Coast + North	20	$2,697	$3,159	$3,436	16.9%	8.9%
Orange County + San Diego	35	$2,604	$2,864	$3,145	11.3%	10.8%
Inland Empire	24	$2,410	$2,711	$2,848	12.7%	5.8%
Los Angeles	62	$2,364	$2,691	$2,912	14.2%	8.7%
Statewide	**172**	**$2,594**	**$2,961**	**$3,231**	**13.7%**	**9.5%**

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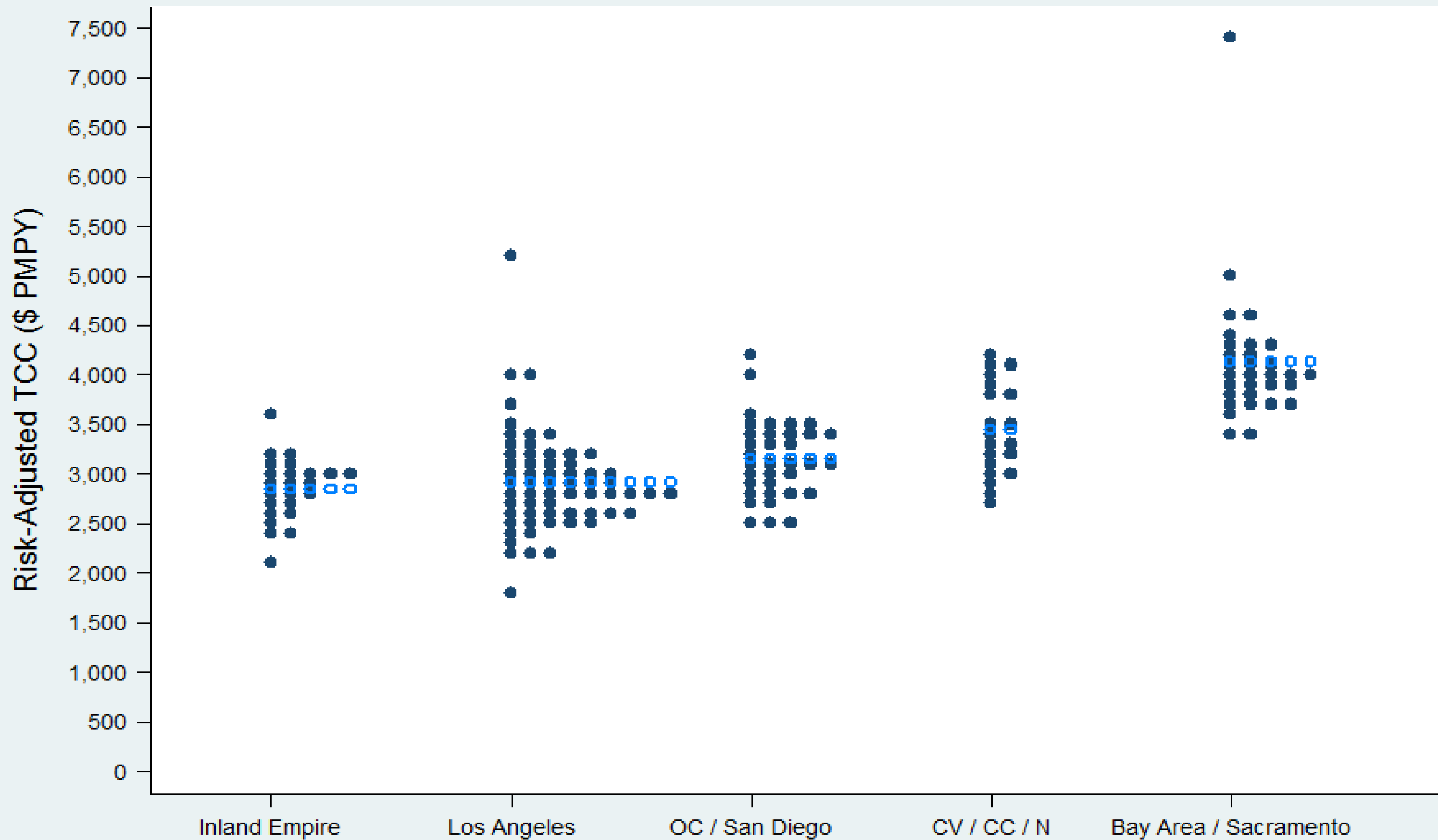
TCC Regional Variation



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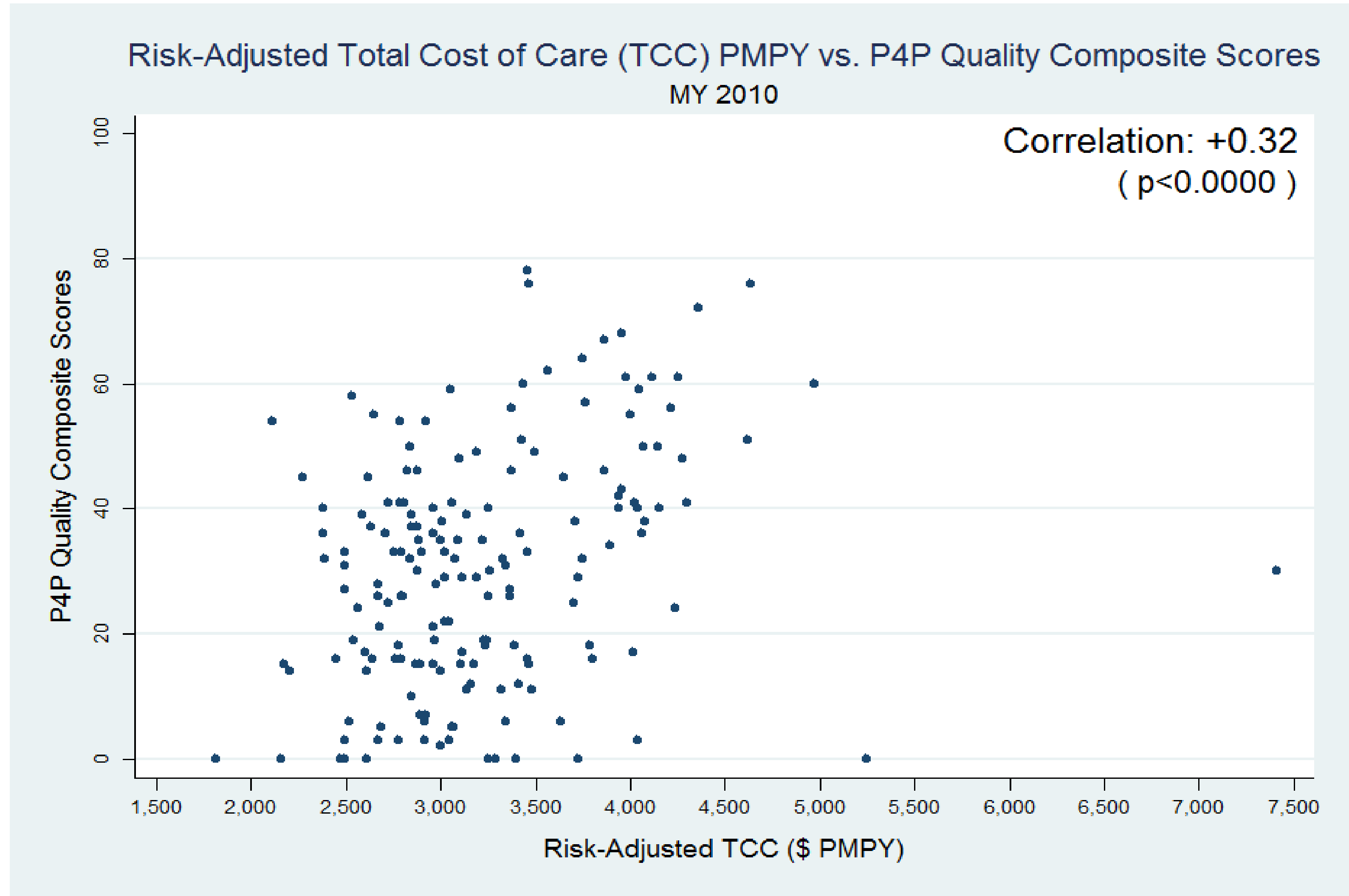
TCC Correlation with Quality



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Appropriate Resource Use (ARU)

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- TCC provides a high level picture of costs, but doesn’t give much guidance as to what is driving the costs.
- Appropriate Resource Use (ARU) measures provide more granular detail and can be used to:
  - Provide underlying key indicators to inform POs about their performance relative to peers in specific aspects of care
  - Formulate actionable plans to improve efficiencies

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ARU Measures

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- Inpatient Utilization – Acute Care Discharges
- Inpatient Utilization – Bed Days
- Inpatient Readmissions Within 30 Days
- Emergency Department Visits
- Outpatient Procedures Utilization – Percentage Done in a Preferred Facility
- Generic Prescribing
- Frequency of Selected Procedures (FSP) being tested for measurement year 2011

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TCC Correlation with Inpatient Utilization

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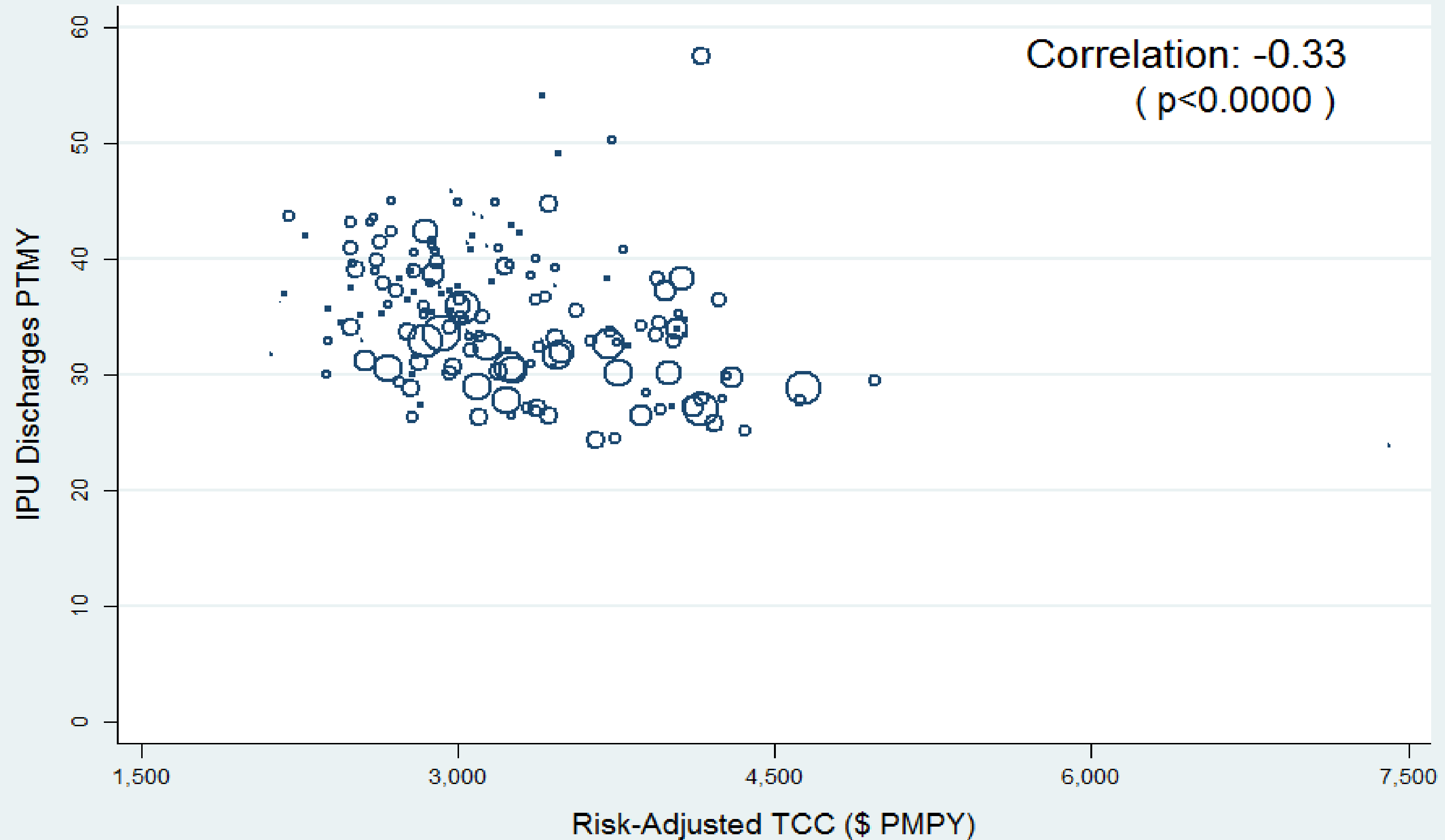

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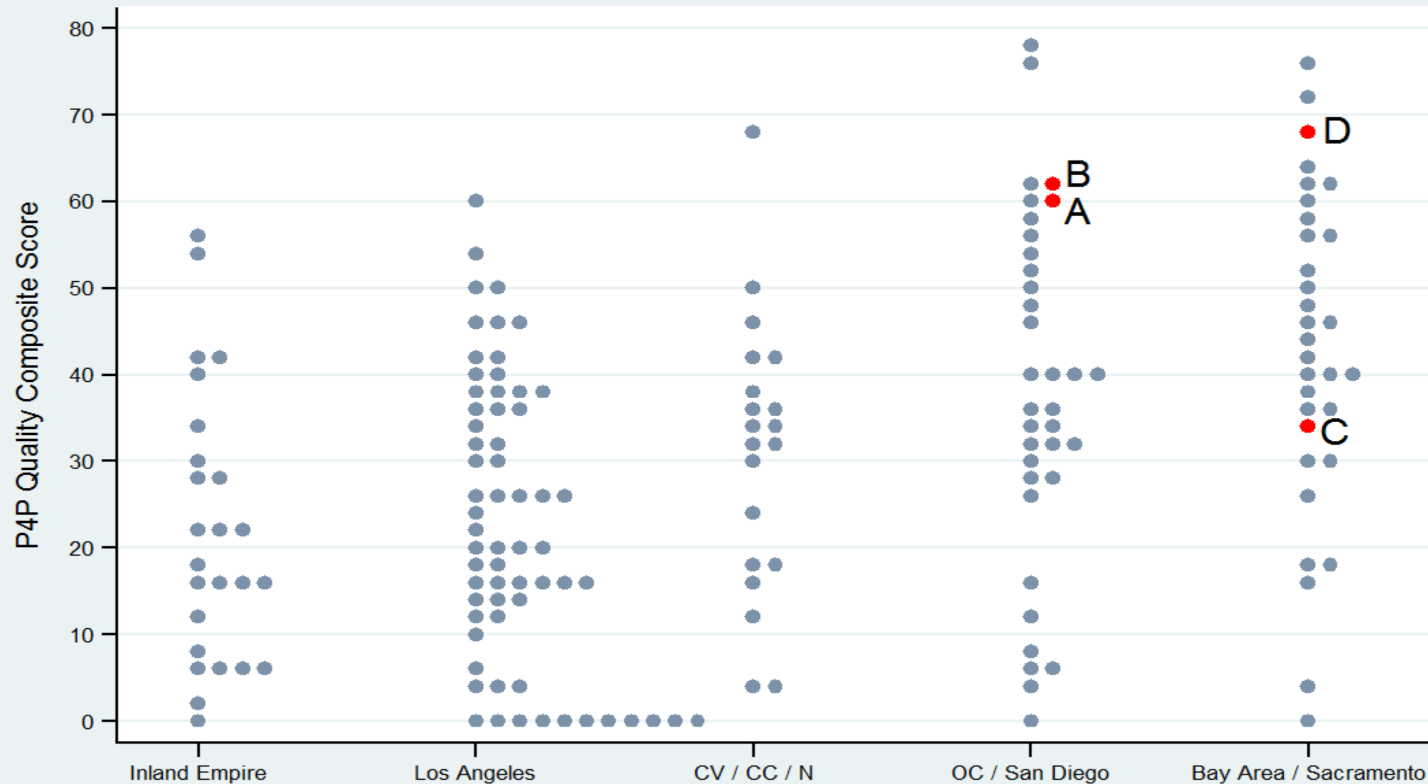
Regional Variation in Quality: Comparison



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TCC Correlation with Quality: Comparison

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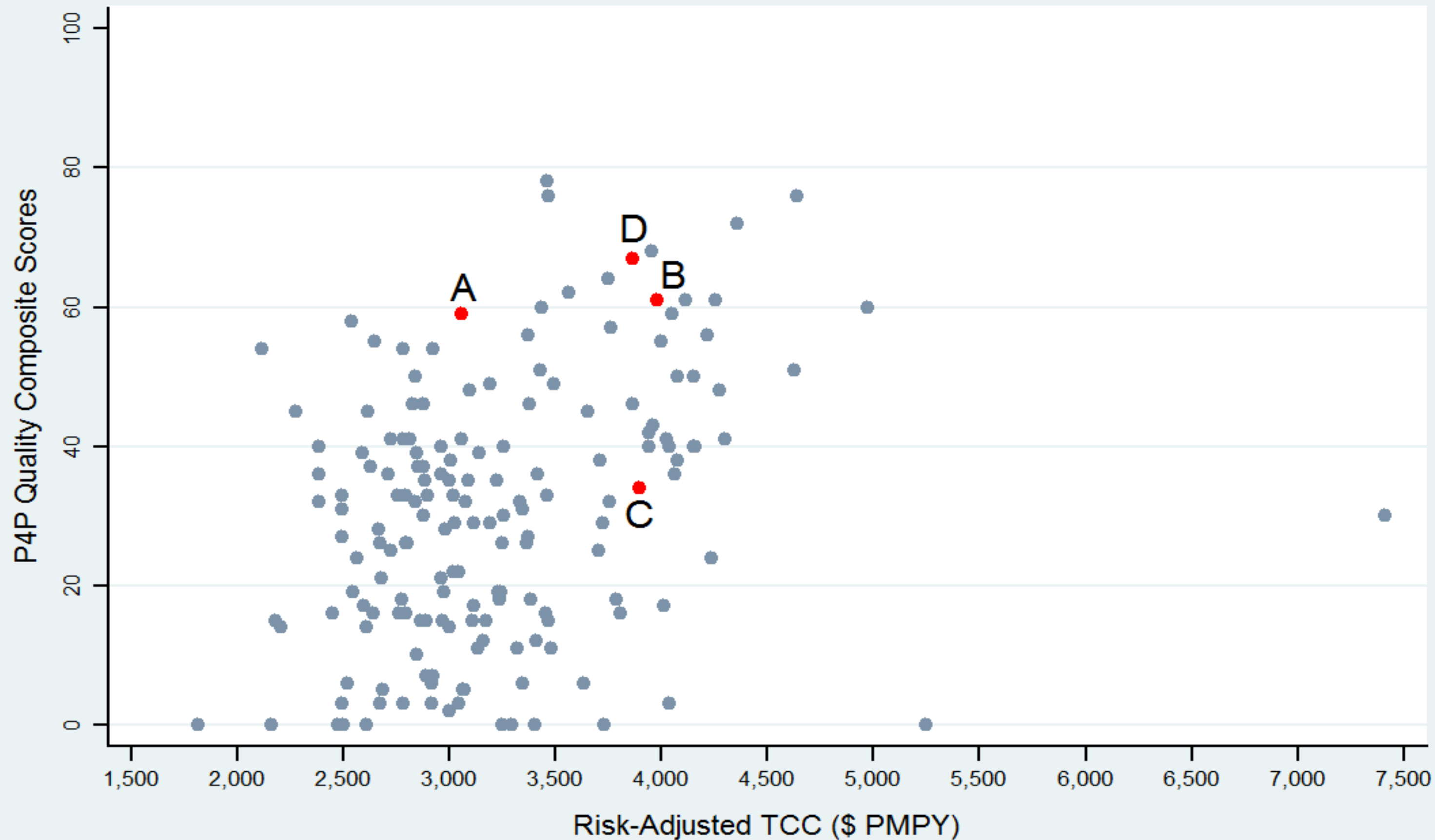

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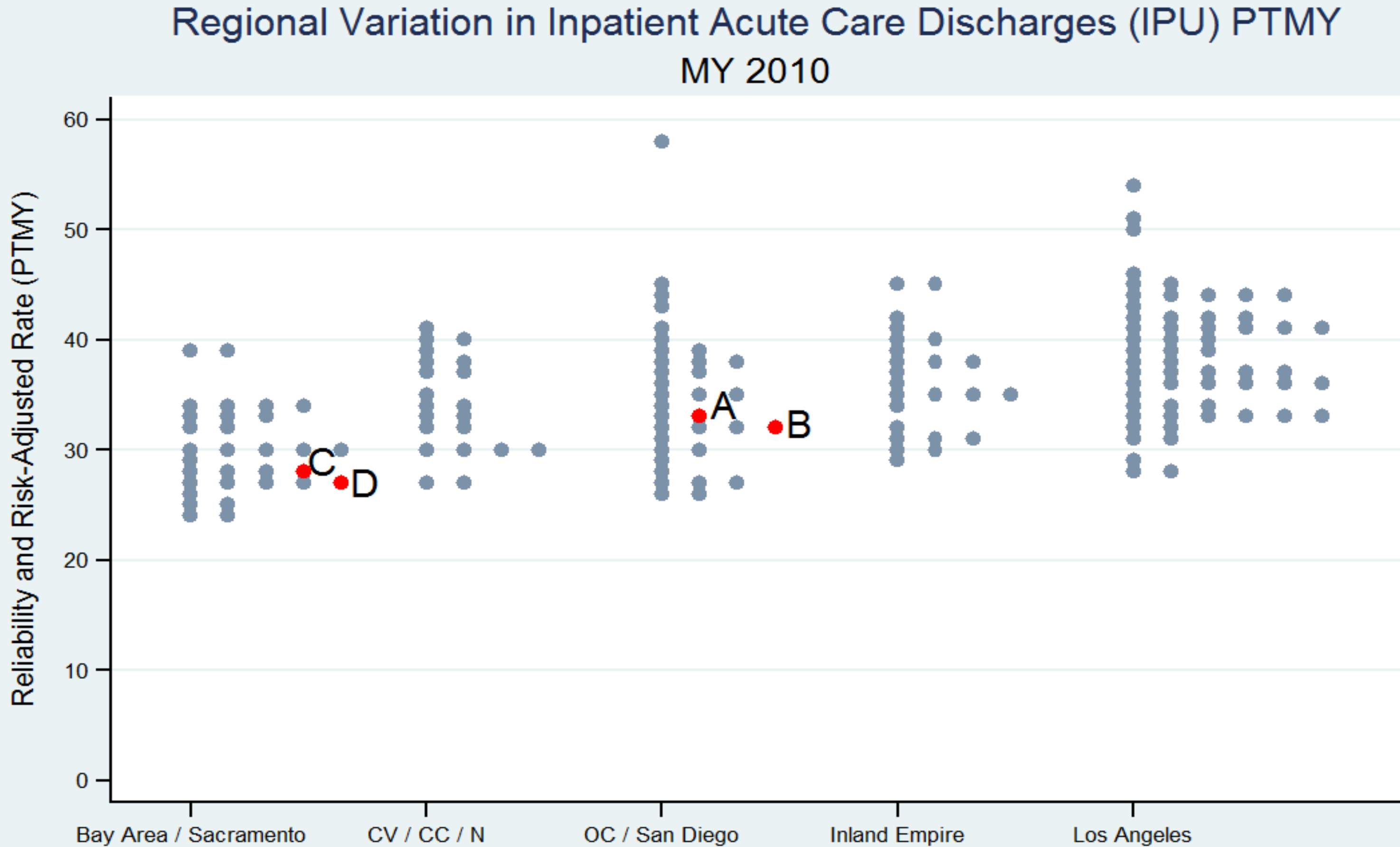
Regional Variation in Utilization: Comparison



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Role of TCC and ARU in P4P

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Value Based P4P

- Developed in collaboration with P4P stakeholders
- Introduces a shared savings incentive model that incorporates quality, cost, and utilization
- Shared savings based on improvement on ARU measures
- Quality used as threshold and payment adjustor
- TCC trend used as threshold
- In alignment with national move towards Accountable Care Organizations

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Value Based P4P Preliminary Design

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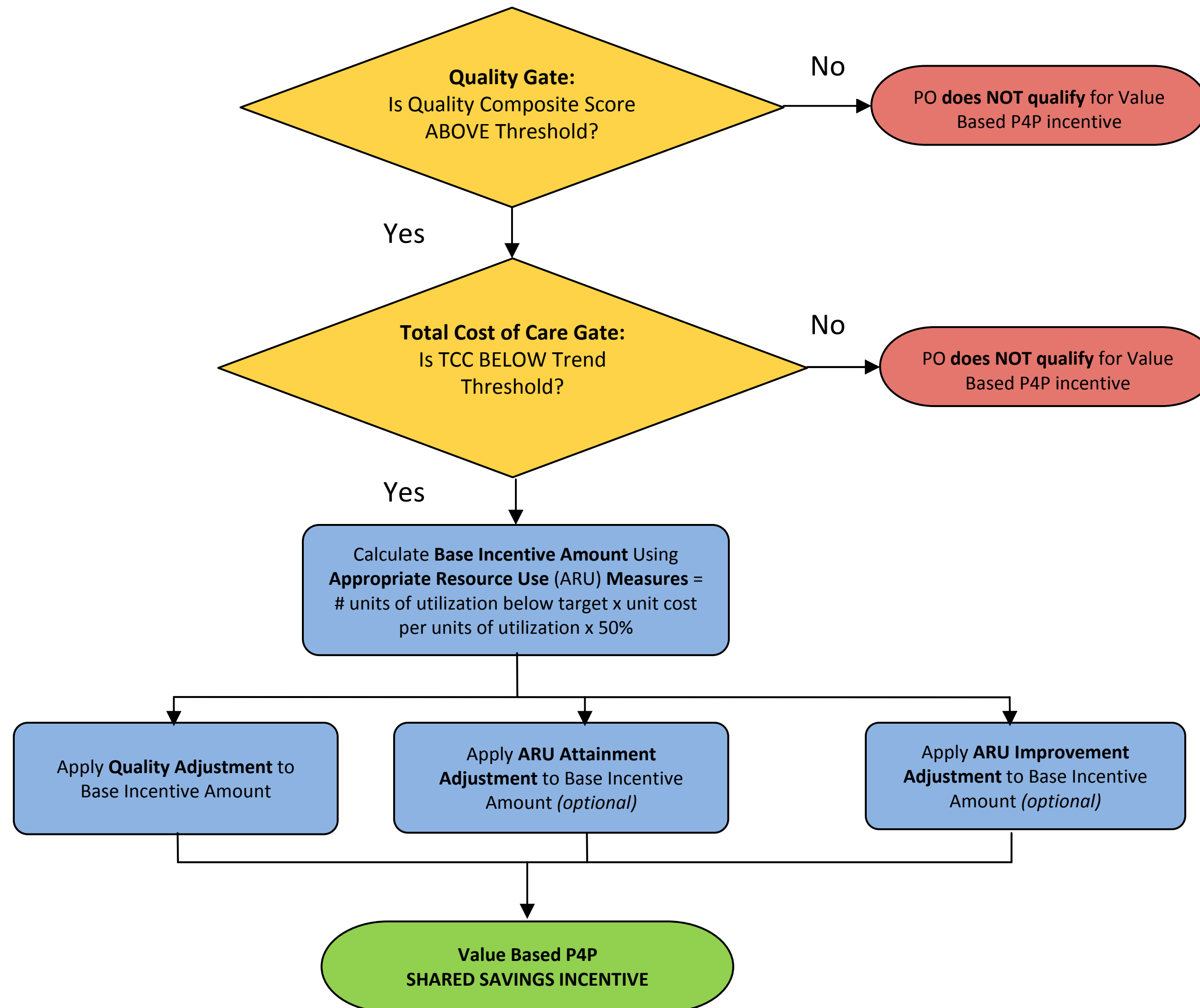

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QUESTIONS?

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