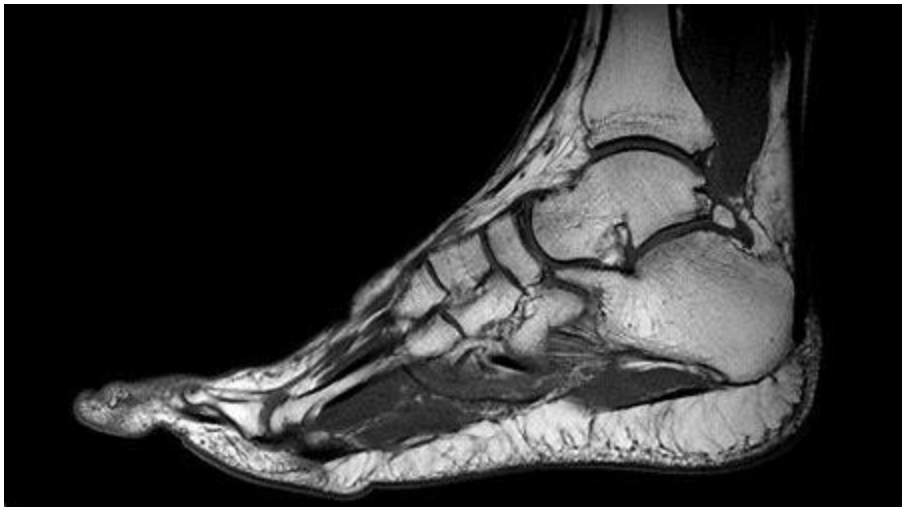


# Transforming Market Forces Using Specialist Cost Tiering

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*Manager, Enterprise Practice Consulting*  
*Practice & Payment Transformation*

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1% of health insurance  
members use online  
cost tools\*



\* [https://healthpolicy.duke.edu/sites/default/files/atoms/files/value\\_innovations\\_by\\_employers\\_examples\\_beyond\\_cost\\_sharing.pdf](https://healthpolicy.duke.edu/sites/default/files/atoms/files/value_innovations_by_employers_examples_beyond_cost_sharing.pdf)

Historically, Healthcare is  
**economically inelastic.**

Medical decisions rarely take price of  
treatment into account.

**Price elasticity of demand** shows the responsiveness, or elasticity, of the quantity demanded of a good or service to a change in its price.

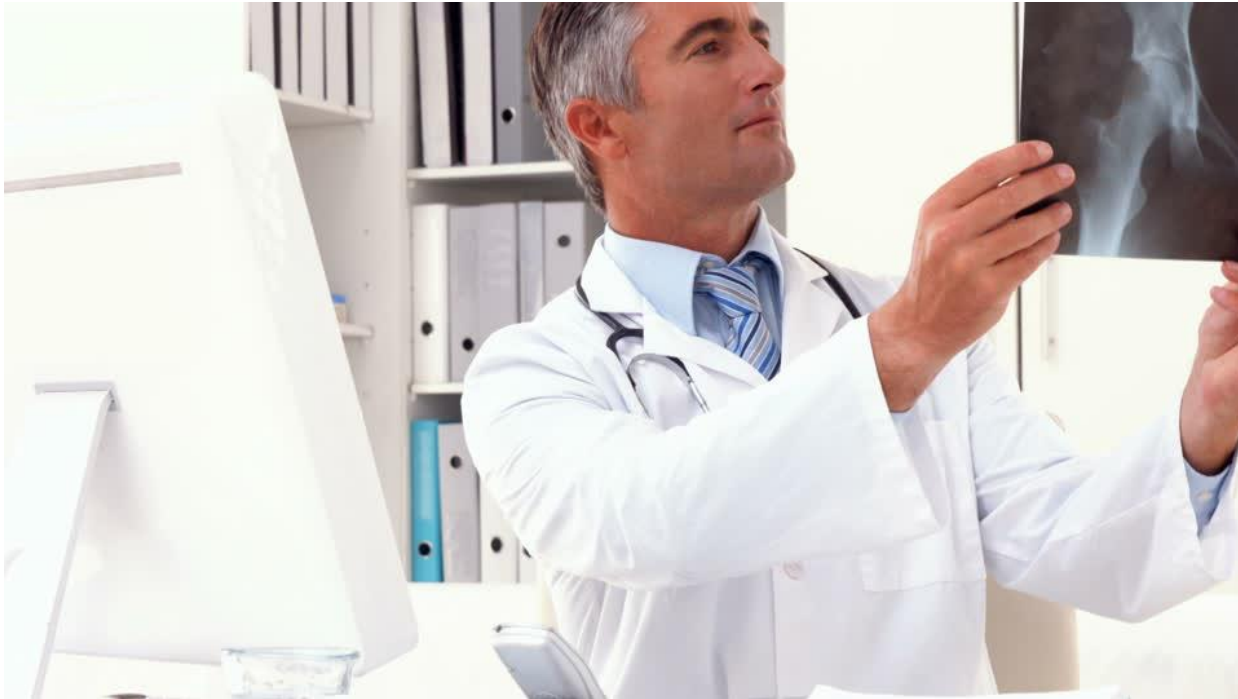


## \$50 MRI Co-pay

Did not affect my decision to get the MRI and  
where to have it done



*What Can?*



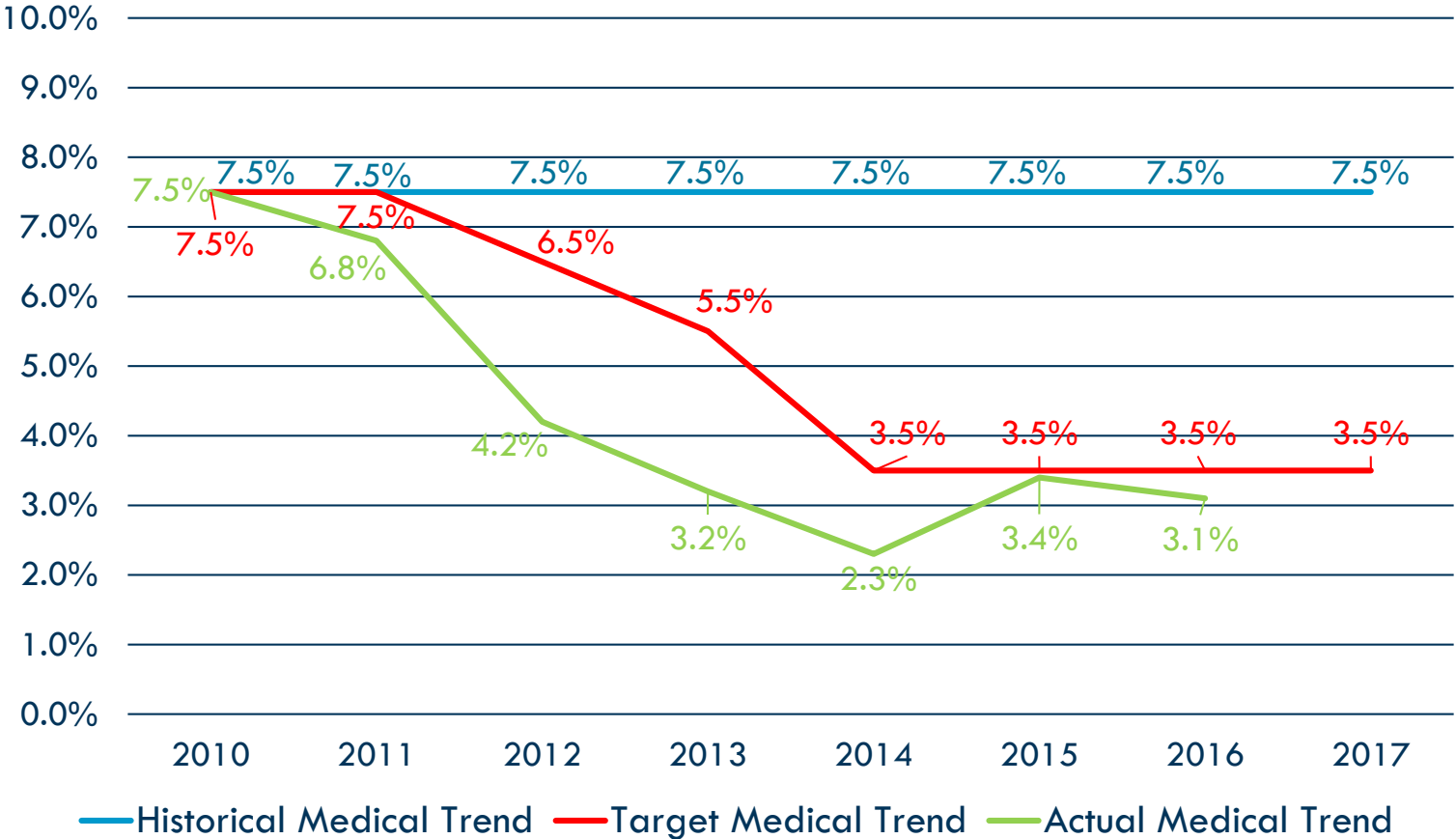
Who is in the best  
position to react to price  
sensitivity?

*Specialist?*

# Central Ideas of CareFirst's PCMH Program

- Clinically supported
- Incentives
- Total cost of care (no risk) with global accountability
- Population health
- Primary Care

# Bending The Cost Curve





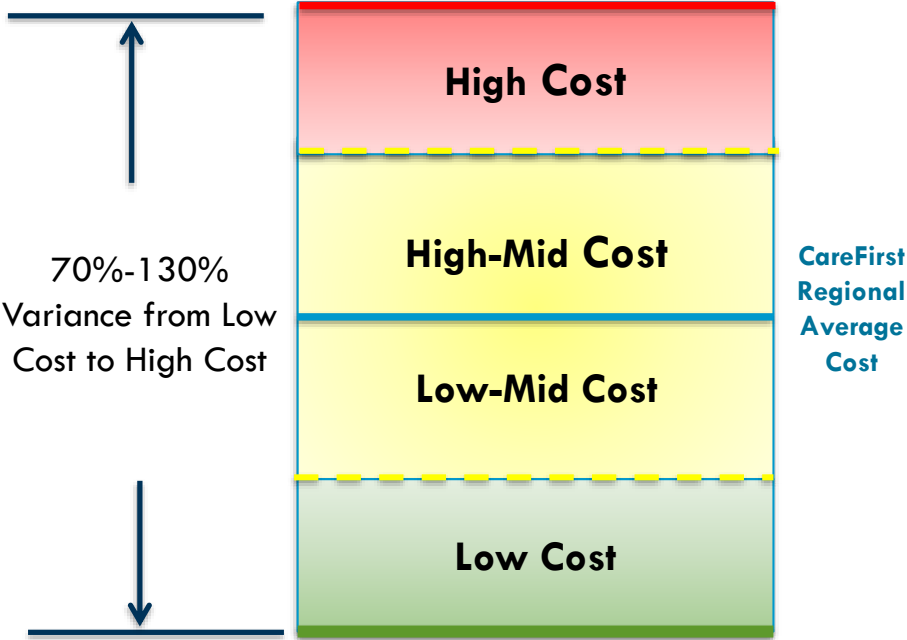
# PCMH Strategies

- Ensuring Accessible Care
- Determining Clinically Appropriate Site of Care
- Utilizing Telemedicine
- **Shifting Specialist Referrals**
- Decreasing Over Utilization
- Managing Medication Costs
- Monitoring Hospital Utilization (Readmissions/Discharge planning)
- Addressing Gaps in Care
- Care Coordination of Expensive Members

# Ranking Specialist on Cost Efficiency

- Based on comprehensive episode profiling over a 3-year period
- Quality is excluded from ranking

## Specialists Stratified Relative to Regional Average Episode Cost



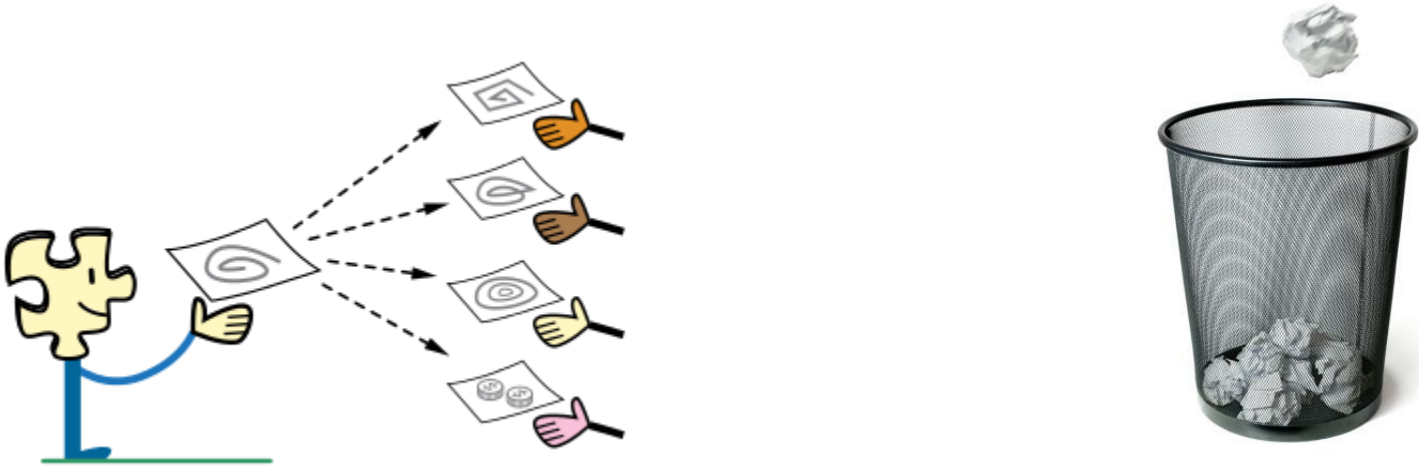
- **Location:** Office, ambulatory surgical center or outpatient hospital setting



- **Pharmacy Management:** Medication costs associated with an episode

- **Practice Patterns:** Quantity of tests ordered & frequency of follow up visits

- **Fee Schedule:** Higher negotiated fee schedules impacts the cost tier



Practice Transformation	22.5 points
PCP identifies and refers to cost-efficient specialists in the top specialty categories.	10 points
PCP has an effective plan for after-hours care, including active use of telemedicine and nurse hotline capabilities to enhance Member access and avoid unnecessary emergency room visits or breakdowns.	5 points
PCP actively refers Members to TCCI Program elements through LCCs assigned to Panel.	5 points
PCP actively collaborates with hospitalists on patients prior to and after admission.	2.5 points

# Clinical Compacts & The Medical Neighborhood

**Benefits to the Patient**

- Increased coordination between Specialist and PCP
- Shortened wait time to get appointments
- Rapidly scheduled PCP visit following hospital admission
- Potential lower out-of-pocket expense



**Benefits to the Specialist**

- More referrals from the PCP
- Increased knowledge of hospital and medication costs
- Improved communication between offices

**Benefits to the PCP**

- Shared decision-making
- Patients return to the PCP after visiting specialist
- Improved communication between offices

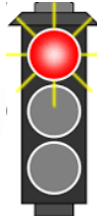
**32**

## Clinical Compacts

Impacting the decisions of

**127,000 + Members**

**HIGH COST**



- Making necessary practice style changes to prevent losing PCP referrals
- Reconsidering how committed they are to preventing “leakage”

Specialists for Orthopedic Surgery		
LOW	Stern, Howard G, MD 2511 Edison Hwy	⋮
LOW MID	Gold, David L, MD 1050 S North Point Rd	⋮
LOW MID	Krug, Esther, MD 600 N Wolfe St	⋮
LOW MID	Leu, David J, MD 600 N Wolfe St	⋮
LOW MID	Naiman, John B, MD 7850 Eastern Ave	⋮
HIGH MID	Ball, Douglas W, MD 601 N Caroline St	⋮

- An urgency to improve the patient experience and PCP communication to win referrals

- Increased access by guaranteeing sooner new patient appointment
- Improved consistent note delivery by large orthopedic group to community PCPs
- Sharing cell phone numbers between specialists and PCPs for bedside consults to prevent unnecessary specialist visits
- Commitment to Choosily Wisely
  - *Choosing Wisely is an initiative of the American Board of Internal Medicine (ABIM) Foundation that seeks to advance a national dialogue on avoiding unnecessary medical tests, treatments and procedures.*



# Decreasing Waste

- Shifting to generic therapeutic alternatives away from high cost brand medications: Bystolic, Cialis, Lo Lestrin Fe, Duexis, Vimova, Dexilant
- Health system reevaluating surgeries in their hospital or move to ASC
- PCPs referring to academic medical centers for complicated cases and keeping routine procedures in the community hospitals/ASCs
- Cardiologist recommends PCP order EKG, stress test themselves to prevent unnecessary cardio visits.

# Outcomes

## 2017 to 2018

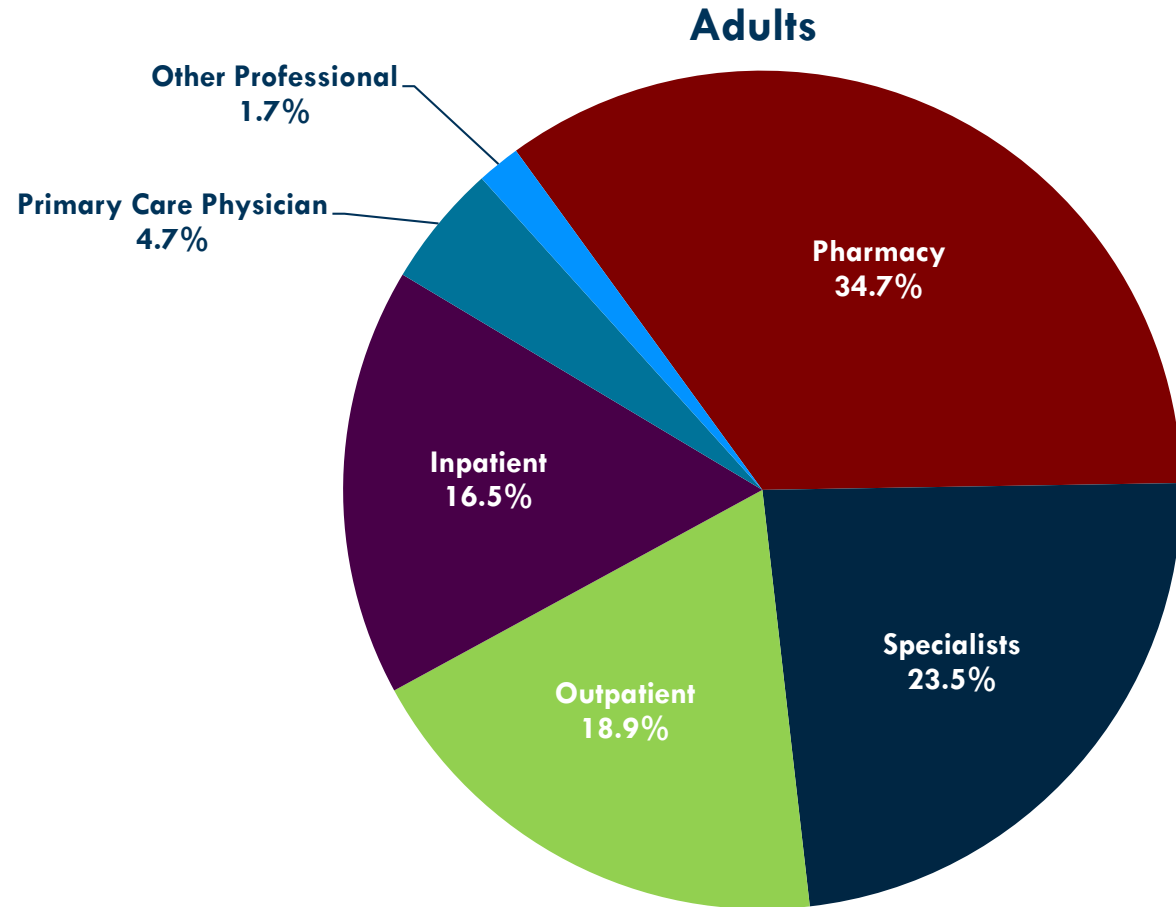
- Average cost per visit decreased by 2.6% (\$189 to \$184)
- Specialist visits per 1,000 decreased by 4.4% (6,585 to 6,290)
- Specialist Per Member Per Month (PMPM) costs decreased by 6.8%
  - (\$103.80 to \$96.70)

Questions?

# Appendix

50% of 3.2 million  
CareFirst Members  
have a Primary Care  
Provider

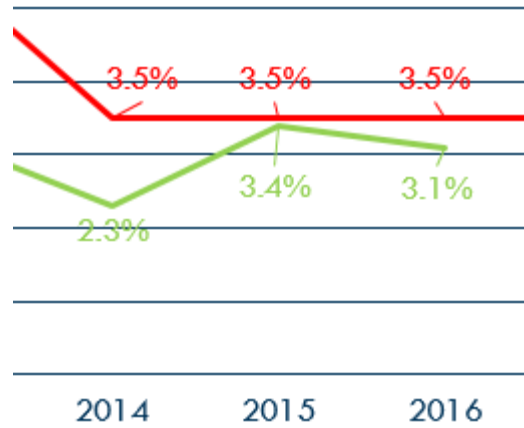
...but what drives the  
cost?



## Net Savings from Expected Costs Every Year

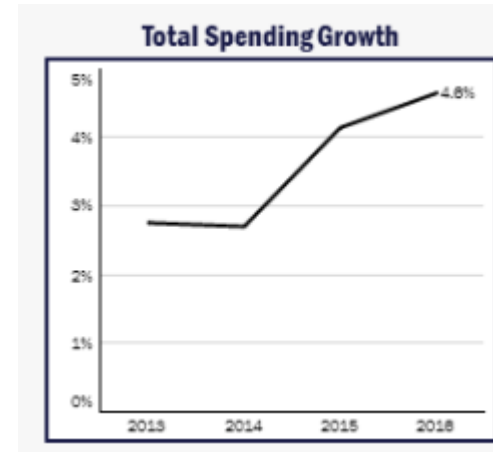
Performance Year	% Panels with Savings	Savings % (all panels)	Panels Beating Budget		Panels Exceeding Budget		Net
			Savings \$	Savings %	Cost \$	Cost %	
2011	60%	1.5%	\$72M	4.2%	-\$33M	-4.0%	\$39M
2012	66%	2.7%	\$130M	4.7%	-\$32M	-3.6%	\$98M
2013	69%	3.1%	\$164M	5.1%	-\$37M	-4.1%	\$127M
2014	84%	7.6%	\$370M	8.9%	-\$25M	-6.3%	\$345M
2015	74%	3.9%	\$239M	8.1%	-\$53M	-8.4%	\$186M
2016	67%	3.0%	\$245M	6.8%	-\$92M	-5.9%	\$153M

### CareFirst Trend



The 2015-2016 rise in total spending per person **decreased** by 0.3%

### National Trend



The 2015-2016 rise in total spending per person increased by 0.5%

<http://www.healthcostinstitute.org/>

## Specialist Rankings

The Specialist Ranking Methodology helps PCPs identify variance in practice patterns and resulting costs for specialists managing similar episodes. The cost difference between high and low-cost specialists varies from 20-150 percent across each episode type/category and across all episodes and specialties.

- **High** (costs much higher than average)
  - **High-Mid** (costs higher than average)
  - **Low-Mid** (costs lower than average)
  - **Low** (costs much lower than average)
- Target Referral Zone

The rankings are completed at two levels:

- **By Individual Specialist**—based on cost versus peers within the same specialty group performing like episodes
- **By Practice Group**—based on cost versus peer practices with like specialties

<sup>1</sup> CareFirst Health Care Analytics, 2016 Data, Page 299—CareFirst's Program Description and Guidelines.  
[www.carefirst.com/pcmhguidelines](http://www.carefirst.com/pcmhguidelines)



### What is an episode?

An episode is a series of sequential health services that are related to the treatment of a given illness or in response to a Member's request for healthcare.

Episodes are constructed using a combination of logic rules called “groupers” (MEG and PEG) and medical billing codes specific to each episode.

- **Medical Episode Grouper (MEG):** All aspects of care for a particular disease state (4,905 possible disease-stages)
  - Developed by *Truven Health Analytics* over 25 years ago
  - Methodology updated annually by a distinguished panel of more than 50 Specialists
  - Utilized by payers covering more than 43 million lives
- **Procedural Episode Grouper (PEG):** Surgical intervention such as a procedure (182 possible procedures)
  - Developed by *Optum* over 20 years ago
  - Methodology updated annually and utilized by more than 300 U.S. health care organizations, serving more than 75 percent of the covered population

## Specialty Referrals: Shifting Referral Patterns

Specialty	# Patients	# Episodes	Total Amount Spent	\$/Episode	Currently going to Low Cost
Orthopedic Surgery	446	613	\$1,648,267	\$2,689	28%

Percent Shift	Number of Episodes to Shift
15%	264
25%	442
50%	883
75%	1325
100%	1766

**GOAL 35%**

264 episodes / 10 PCPs / 12 Months = **2 referrals per month**

Name: **[REDACTED]** NPI: **[REDACTED]**

Specialty: Rheumatology

Cost Tier: High

2016 Cost Analysis by Place of Service									
Place of Service	Expected				Actual				Actual vs. Expected %
	Visits #	Total \$	Visits/ Episode	Average \$/ Visit	Visits #	Total \$	Visits/ Episode	Average \$/ Visit	
Inpatient Admission	0	\$72	1.00	\$879	0	\$0	0.00	\$0	100.0%
Outpatient	9	\$1,386	1.74	\$152	2	\$328	1.00	\$164	76.4%
Ambulatory Surgical Center	0	\$41	1.08	\$217	0	\$0	0.00	\$0	100.0%
Professional Office	215	\$23,897	2.64	\$111	293	\$27,395	3.53	\$94	-14.6%
Laboratory	33	\$1,780	1.32	\$54	76	\$5,805	1.55	\$76	-226.0%
Radiology	34	\$4,088	1.27	\$119	73	\$6,349	1.49	\$87	-55.3%
Emergency Department	2	\$374	1.15	\$234	2	\$132	2.00	\$66	64.7%
Pharmacy	84	\$978	2.00	\$12	121	\$1,440	2.88	\$12	-47.2%
Other	4	\$304	1.42	\$81	2	\$93	2.00	\$46	69.5%
<b>Total</b>	<b>382</b>	<b>\$32,921</b>	<b>1.51</b>	<b>\$86</b>	<b>569</b>	<b>\$41,540</b>	<b>1.61</b>	<b>\$73</b>	<b>-26.2%</b>

