

Administration Launches Health Care Payment Reform Effort to Focus on Value, Quality, Not Volume

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The Kasich administration and its Office of Health Transformation (OHT) took the next major step in its efforts to modernize and contain the state's health care expenditures with Monday's announcement that it will begin to address payment reform, changing Ohio's public and private health care business model from one based on volume to one based on value and performance.

According to OHT spokesman Eric Poklar, this will be done in cooperation with Catalyst for Payment Reform (CPR), an independent, national nonprofit organization based in San Francisco that "leverages the collective strength of private- and public-sector health-care purchasers to achieve better value and quality in health care." It is model language from CPR that will be used by the state's Medicaid program—the first to participate with CPR—as the basis for revised contract language for Ohio's managed care organizations (MCO's).

Those contracts expire in 2013 and must be renegotiated this year.

It is this language, Poklar explained, that will allow the state to begin focusing on "paying for performance."

OHT has been pointing out since the Kasich administration took office that Ohio "spends more per person on health care than residents in all but 13 states."

In addition, "41 states have a healthier workforce than Ohio," based on the 2009 State Scored on Health System Performance from the Commonwealth Fund.

This approach will allow the state to work with large, private sector purchasers of health care—CPR's main partners—as well as other state public health purchasers of health care beyond Medicaid including the Ohio Public Employee Retirement System (OPERS). Also part of the discussion in Ohio are the Department of Administrative Services, workers' compensation and the Department of Rehabilitation and Correction.

"In Ohio and across the country, we must do a better job of meeting the health needs of individuals and creating a healthy and productive workforce at a price that is affordable for businesses, governments, individuals and other payers," said OHT Director Greg Moody. "In partnership with CPR, we are setting clear expectations for providers and health plans in Ohio and developing tools to give Ohioans more bang for their health care buck."

CPR's participating purchasers include some of the nation's largest corporations and public purchasers that share the belief that payment reforms should promote health by rewarding the delivery of quality, cost-effective and affordable care that is patient-centered. Participants work to tailor payment strategies to improve the performance of the health care system. In particular, CPR purchasers agree to use CPR's model health plan contract language on payment reform to drive quality outcomes for consumers.

"No single employer or health care purchaser has enough leverage on its own to change the way we pay for health care in the United States," CPR Executive Director Suzanne F. Delbanco, Ph.D., said in a statement. "By coming together with other large health care purchasers around

a shared agenda, Ohio's Medicaid program will enhance its leverage and work toward a payment system that generates better value for each health care dollar. We are thrilled that Ohio Medicaid is going to be participating in our cutting-edge efforts, and we applaud Gov. Kasich for participating with CPR as part of his approach to health transformation."

"The state of Ohio spends more than \$17 billion per year to provide health care for more than 2.7 million people, with Medicaid covering 2.1 million beneficiaries and \$14 billion of the total cost," said Ohio Medicaid Director John McCarthy. "CPR allows us to combine our considerable purchasing power with that of some of the nation's largest corporations and public purchasers, such as OPERS, FedEx, eBay, Inc., Xerox Corporation, 3M and GE, to drive reforms in the health care system. I am excited about the opportunity that this partnership provides for the individuals we serve and for the taxpayers of Ohio."

Poklar also noted that the administration will be ramping up discussions with public- and private-sector partners within Ohio—including insurers, health systems, employers, providers, and advocate groups—to align priorities and work on payment reform.

"If payers start lining up their expectations, it becomes a powerful tool to change the delivery of health care," Moody said. "We are going to be working with all stakeholders to develop expectations that put individuals and taxpayers first, and then make sure how we pay is aligned with those expectations."