



Governor's Office of  
Health Transformation

# Transforming Payment for a Healthier Ohio

Greg Moody, Director  
Governor's Office of Health Transformation

American Medicaid Pharmacy Administrators Association  
August 25, 2014

[www.HealthTransformation.Ohio.gov](http://www.HealthTransformation.Ohio.gov)

## 2011 Ohio Crisis

- \$8 billion state budget shortfall
- 89-cents in the rainy day fund
- Nearly dead last (48<sup>th</sup>) in job creation (2007-2009)
- Medicaid spending increased 9% annually (2009-2011)
- Medicaid over-spending required multiple budget corrections
- Ohio Medicaid stuck in the past and in need of reform
- More than 1.5 million uninsured Ohioans (75% of them working)

<b>Modernize Medicaid</b>	<b>Streamline Health and Human Services</b>	<b>Pay for Value</b>
<p><i>Initiate in 2011</i></p>	<p><i>Initiate in 2012</i></p>	<p><i>Initiate in 2013</i></p>
<p><i>Advance the Governor Kasich's Medicaid modernization and cost containment priorities</i></p>	<p><i>Share services to increase efficiency, right-size state and local service capacity, and streamline governance</i></p>	<p><i>Engage private sector partners to set clear expectations for better health, better care and cost savings through improvement</i></p>
<ul style="list-style-type: none"> <li>• Extend Medicaid coverage to more low-income Ohioans</li> <li>• Eliminate fraud and abuse</li> <li>• Prioritize home and community services</li> <li>• Reform nursing facility payment</li> <li>• Enhance community DD services</li> <li>• Integrate Medicare and Medicaid benefits</li> <li>• Rebuild community behavioral health system capacity</li> <li>• Create health homes for people with mental illness</li> <li>• Restructure behavioral health system financing</li> <li>• Improve Medicaid managed care plan performance</li> </ul>	<ul style="list-style-type: none"> <li>• Create the Office of Health Transformation (2011)</li> <li>• Implement a new Medicaid claims payment system (2011)</li> <li>• Create a unified Medicaid budget and accounting system (2013)</li> <li>• Create a cabinet-level Medicaid Department (July 2013)</li> <li>• Consolidate mental health and addiction services (July 2013)</li> <li>• Simplify and replace Ohio's 34-year-old eligibility system</li> <li>• Coordinate programs for children</li> <li>• Share services across local jurisdictions</li> <li>• Recommend a permanent HHS governance structure</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in Catalyst for Payment Reform</li> <li>• Support regional payment reform initiatives</li> <li>• Pay for value instead of volume (State Innovation Model Grant)               <ul style="list-style-type: none"> <li>– Provide access to medical homes for most Ohioans</li> <li>– Use episode-based payments for acute events</li> <li>– Coordinate health information infrastructure</li> <li>– Coordinate health sector workforce programs</li> <li>– Report and measure system performance</li> </ul> </li> </ul>

<b>Modernize Medicaid</b>	<b>Streamline Health and Human Services</b>	<b>Pay for Value</b>
<p><i>Initiate in 2011</i></p>	<p><i>Initiate in 2012</i></p>	<p><i>Initiate in 2013</i></p>
<p><i>Advance the Governor Kasich's Medicaid modernization and cost containment priorities</i></p>	<p><i>Share services to increase efficiency, right-size state and local service capacity, and streamline governance</i></p>	<p><i>Engage private sector partners to set clear expectations for better health, better care and cost savings through improvement</i></p>
<ul style="list-style-type: none"> <li>• Extend Medicaid coverage to more low-income Ohioans</li> <li>• Eliminate fraud and abuse</li> <li>• Prioritize home and community services</li> <li>• Reform nursing facility payment</li> <li>• Enhance community DD services</li> <li>• Integrate Medicare and Medicaid benefits</li> <li>• Rebuild community behavioral health system capacity</li> <li>• Create health homes for people with mental illness</li> <li>• Restructure behavioral health system financing</li> <li>• Improve Medicaid managed care plan performance</li> </ul>	<ul style="list-style-type: none"> <li>• Create the Office of Health Transformation (2011)</li> <li>• Implement a new Medicaid claims payment system (2011)</li> <li>• Create a unified Medicaid budget and accounting system (2013)</li> <li>• Create a cabinet-level Medicaid Department (July 2013)</li> <li>• Consolidate mental health and addiction services (July 2013)</li> <li>• Simplify and replace Ohio's 34-year-old eligibility system</li> <li>• Coordinate programs for children</li> <li>• Share services across local jurisdictions</li> <li>• Recommend a permanent HHS governance structure</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in Catalyst for Payment Reform</li> <li>• Support regional payment reform initiatives</li> <li>• Pay for value instead of volume (State Innovation Model Grant)               <ul style="list-style-type: none"> <li>– Provide access to medical homes for most Ohioans</li> <li>– Use episode-based payments for acute events</li> <li>– Coordinate health information infrastructure</li> <li>– Coordinate health sector workforce programs</li> <li>– Report and measure system performance</li> </ul> </li> </ul>

## 2011 Ohio Crisis

vs.

## Results Today

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• \$8 billion state budget shortfall</li><li>• 89-cents in the rainy day fund</li><li>• Nearly dead last (48<sup>th</sup>) in job creation (2007-2009)</li><li>• Medicaid spending increased 9% annually (2009-2011)</li><li>• Medicaid over-spending required multiple budget corrections</li><li>• Ohio Medicaid stuck in the past and in need of reform</li><li>• More than 1.5 million uninsured Ohioans (75% of them working)</li></ul> | <ul style="list-style-type: none"><li>• Balanced budget</li><li>• \$1.5 billion in the rainy day fund</li><li>• Ranked 5<sup>th</sup> in the nation in job creation (2011-2013)</li><li>• Medicaid spending increased 3% annually (2012-2013)</li><li>• Medicaid under-spending topped \$950 million (2012-2013)</li><li>• Ohio Medicaid looks to the future and embraces transformation</li><li>• Extended Medicaid coverage</li></ul> |
|--|---|

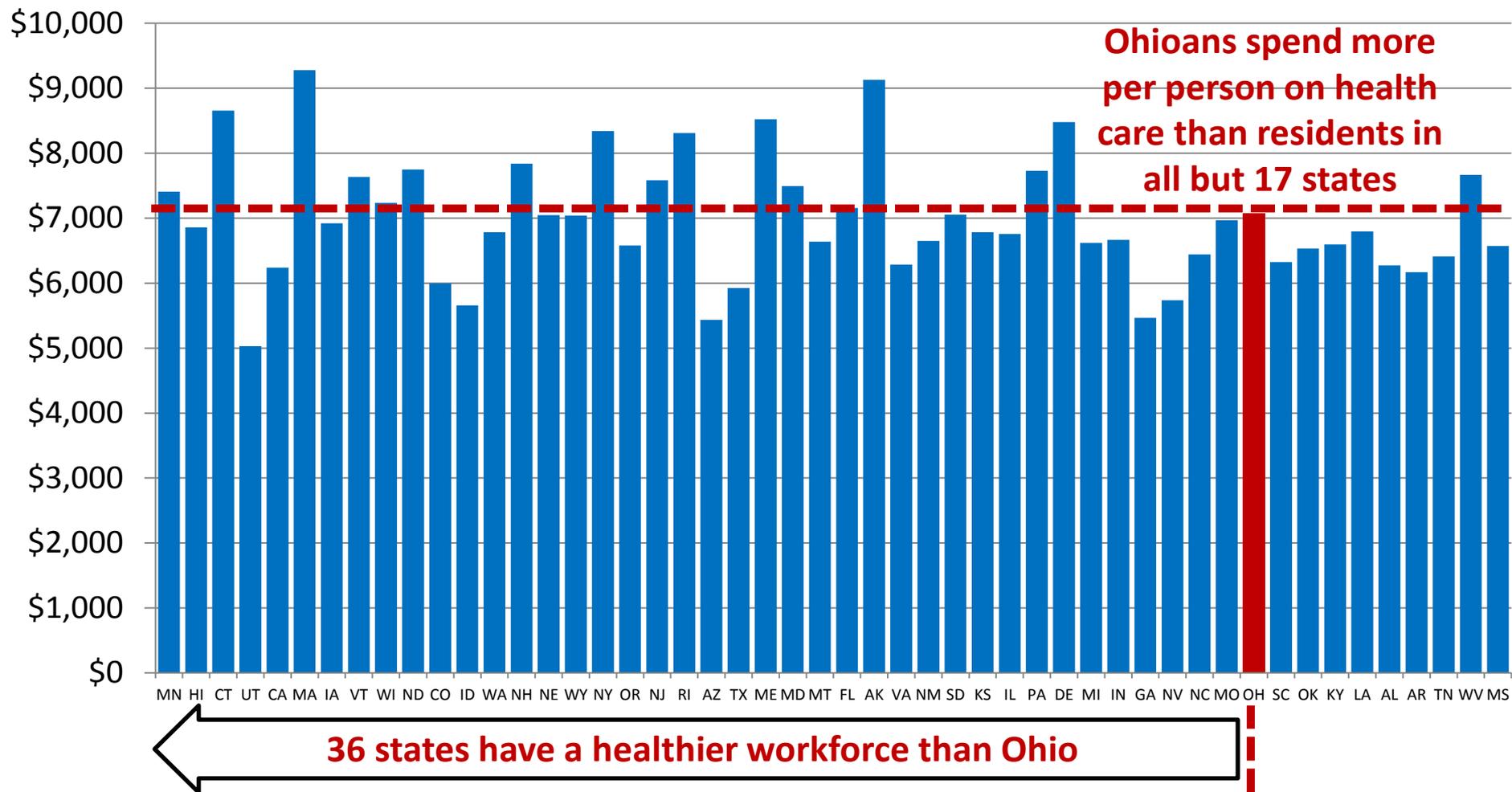
Modernize Medicaid	Streamline Health and Human Services	Pay for Value
<i>Initiate in 2011</i>	<i>Initiate in 2012</i>	<i>Initiate in 2013</i>
<p><i>Advance the Governor Kasich's Medicaid modernization and cost containment priorities</i></p>	<p><i>Share services to increase efficiency, right-size state and local service capacity, and streamline governance</i></p>	<p><i>Engage private sector partners to set clear expectations for better health, better care and cost savings through improvement</i></p>
<ul style="list-style-type: none"> <li>• Extend Medicaid coverage to more low-income Ohioans</li> <li>• Eliminate fraud and abuse</li> <li>• Prioritize home and community services</li> <li>• Reform nursing facility payment</li> <li>• Enhance community DD services</li> <li>• Integrate Medicare and Medicaid benefits</li> <li>• Rebuild community behavioral health system capacity</li> <li>• Create health homes for people with mental illness</li> <li>• Restructure behavioral health system financing</li> <li>• Improve Medicaid managed care plan performance</li> </ul>	<ul style="list-style-type: none"> <li>• Create the Office of Health Transformation (2011)</li> <li>• Implement a new Medicaid claims payment system (2011)</li> <li>• Create a unified Medicaid budget and accounting system (2013)</li> <li>• Create a cabinet-level Medicaid Department (July 2013)</li> <li>• Consolidate mental health and addiction services (July 2013)</li> <li>• Simplify and replace Ohio's 34-year-old eligibility system</li> <li>• Coordinate programs for children</li> <li>• Share services across local jurisdictions</li> <li>• Recommend a permanent HHS governance structure</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in Catalyst for Payment Reform</li> <li>• Support regional payment reform initiatives</li> <li>• Pay for value instead of volume (State Innovation Model Grant)               <ul style="list-style-type: none"> <li>– Provide access to medical homes for most Ohioans</li> <li>– Use episode-based payments for acute events</li> <li>– Coordinate health information infrastructure</li> <li>– Coordinate health sector workforce programs</li> <li>– Report and measure system performance</li> </ul> </li> </ul>



Governor's Office of  
Health Transformation

1. Ohio Approach to Paying for Value Instead of Volume
2. Patient-Centered Medical Home Model
3. Episode-Based Payment Model

# Health Care Spending per Capita by State (2011) in order of resident health outcomes (2009)



Governor's Office of  
Health Transformation

Sources: CMS *Health Expenditures by State of Residence* (2011); The Commonwealth Fund, *Aiming Higher: Results from a State Scorecard on Health System Performance* (October 2009).

## In fee-for-service, we get what we pay for

- **More volume** – to the extent fee-for-service payments exceed costs of additional services, they encourage providers to deliver more services and more expensive services
- **More fragmentation** – paying separate fees for each individual service to different providers perpetuates uncoordinated care
- **More variation** – separate fees also accommodate wide variation in treatment patterns for patients with the same condition – variations that are not evidence-based
- **No assurance of quality** – fees are typically the same regardless of the quality of care, and in some cases (e.g., avoidable hospital readmissions) total payments are greater for lower-quality care



# Shift to population-based and episode-based payment

## Payment approach

**Population-based**  
(PCMH, ACOs, capitation)

**Episode-based**

**Fee-for-service**

(including pay for performance)

## Most applicable

- Primary prevention for healthy population
- Care for chronically ill (e.g., managing obesity, CHF)
- .....
- Acute procedures (e.g., CABG, hips, stent)
- Most inpatient stays including post-acute care, readmissions
- Acute outpatient care (e.g., broken arm)
- .....
- Discrete services correlated with favorable outcomes or lower cost



# 5-Year Goal for Payment Innovation

## Goal

80-90 percent of Ohio's population in some value-based payment model (combination of episodes- and population-based payment) within five years

## State's Role

- Shift rapidly to PCMH and episode model in Medicaid fee-for-service
- Require Medicaid MCO partners to participate and implement
- Incorporate into contracts of MCOs for state employee benefit program

### Patient-centered medical homes

### Episode-based payments

## Year 1

- In 2014 focus on Comprehensive Primary Care Initiative (CPCi)
- Payers agree to participate in design for elements where standardization and/or alignment is critical
- Multi-payer group begins enrollment strategy for one additional market

- State leads design of five episodes: asthma acute exacerbation, perinatal, COPD exacerbation, PCI, and joint replacement
- Payers agree to participate in design process, launch reporting on at least 3 of 5 episodes in 2014 and tie to payment within year

## Year 3

- Model rolled out to all major markets
- 50% of patients are enrolled

- 20 episodes defined and launched across payers

## Year 5

- Scale achieved state-wide
- 80% of patients are enrolled

- 50+ episodes defined and launched across payers

# Ohio's Health Care Payment Innovation Partners:

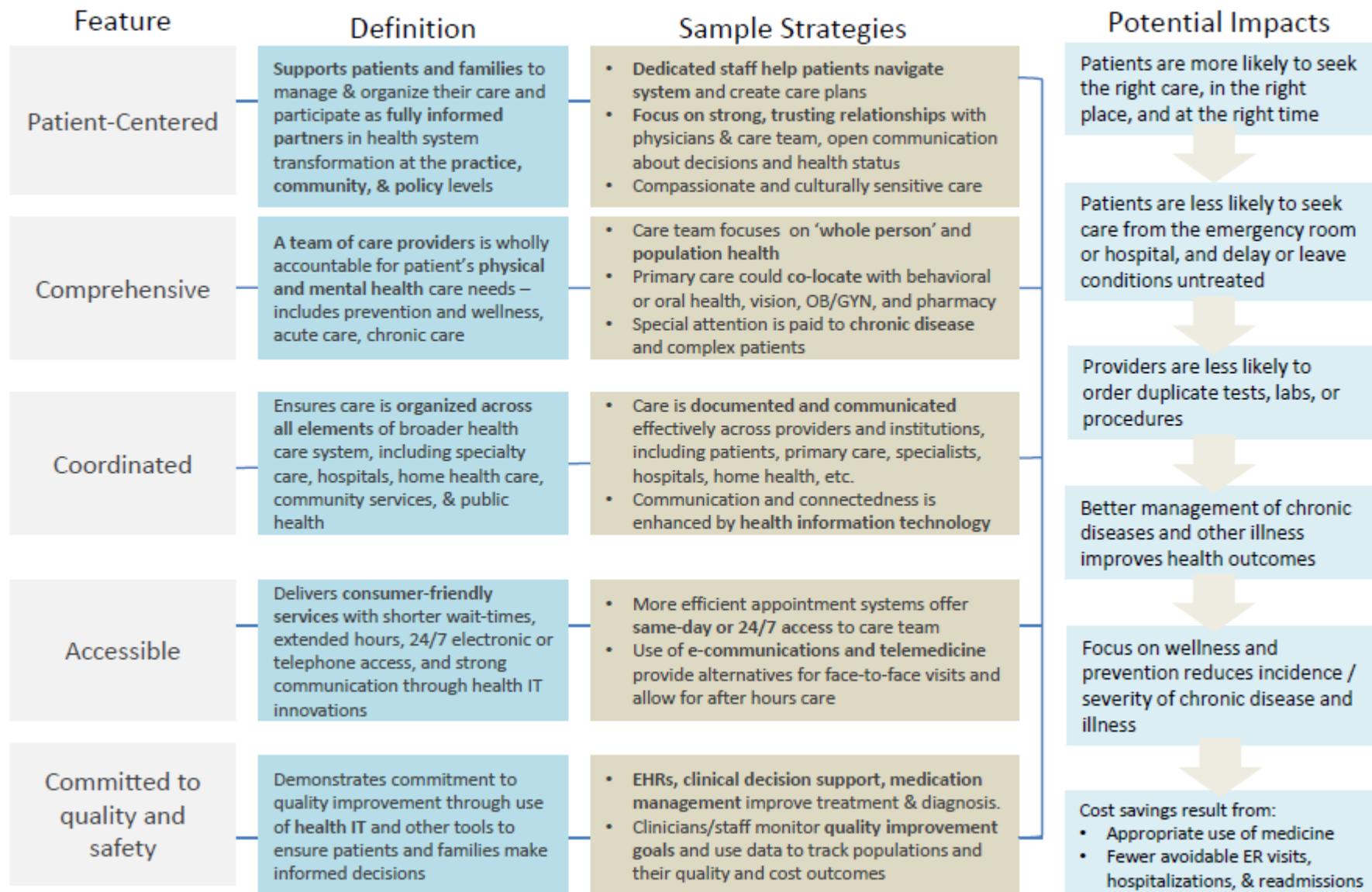




Governor's Office of  
Health Transformation

1. Ohio Approach to Paying for Value Instead of Volume
2. Patient-Centered Medical Home Model
3. Episode-Based Payment Model

# Why the Medical Home Works: A Framework



Source: Patient-Centered Primary Care Collaborative (2014)

# Benefits of Implementing a PCMH

PCMH	Fewer ED visits	Fewer Hospital Admissions	Cost savings
Alaska Medical Center	50%	53%	
Capital Health Plan, FL	37%		18% lower claims costs
Geisinger Health System, PA		25%	7% lower total spending
Group Health of Washington		15%	\$15 million (2009-2010)
HealthPartners, MI	39%	40%	
Horizon BCBS, NJ		21%	
Maryland CareFirst BCBS			\$40 million (2011)
Vermont Medicaid	31%		22% lower PMPM (2008-2010)



## Comprehensive Primary Care Initiative

- Dayton/Cincinnati is one of only seven CPCI sites nationally
- Bonus payments to primary care doctors who better coordinate care
- Multi-payer: Medicare, Medicaid, nine commercial insurance plans
- 75 primary care practices (261 providers) serving 44,500 Medicare enrollees in 14 Ohio and 4 Kentucky counties
- Practices were selected based on their use of HIT, advanced primary care recognition, and participation in practice improvement activities
- Supported by a unique regional collaborative: The Greater Cincinnati Health Council, the Health Collaborative, and HealthBridge

# Regional Health Improvement Collaboratives





# 5-Year Goal for Payment Innovation

## Goal

80-90 percent of Ohio's population in some value-based payment model (combination of episodes- and population-based payment) within five years

## State's Role

- Shift rapidly to PCMH and episode model in Medicaid fee-for-service
- Require Medicaid MCO partners to participate and implement
- Incorporate into contracts of MCOs for state employee benefit program

	Patient-centered medical homes	Episode-based payments
Year 1	<ul style="list-style-type: none"> <li>▪ In 2014 focus on Comprehensive Primary Care Initiative (CPCi)</li> <li>▪ Payers agree to participate in design for elements where standardization and/or alignment is critical</li> <li>▪ Multi-payer group begins enrollment strategy for one additional market</li> </ul>	<ul style="list-style-type: none"> <li>▪ State leads design of five episodes: asthma acute exacerbation, perinatal, COPD exacerbation, PCI, and joint replacement</li> <li>▪ Payers agree to participate in design process, launch reporting on at least 3 of 5 episodes in 2014 and tie to payment within year</li> </ul>
Year 3	<ul style="list-style-type: none"> <li>▪ Model rolled out to all major markets</li> <li>▪ 50% of patients are enrolled</li> </ul>	<ul style="list-style-type: none"> <li>▪ 20 episodes defined and launched across payers</li> </ul>
Year 5	<ul style="list-style-type: none"> <li>▪ Scale achieved state-wide</li> <li>▪ 80% of patients are enrolled</li> </ul>	<ul style="list-style-type: none"> <li>▪ 50+ episodes defined and launched across payers</li> </ul>



# 5-Year Goal for Payment Innovation

## Goal

80-90 percent of Ohio's population in some value-based payment model (combination of episodes- and population-based payment) within five years

## State's Role

- Shift rapidly to PCMH and episode model in Medicaid fee-for-service
- Require Medicaid MCO partners to participate and implement
- Incorporate into contracts of MCOs for state employee benefit program

### Patient-centered medical homes

#### Year 1

- In 2014 focus on Comprehensive Primary Care Initiative (CPCi)
- Payers agree to participate in design for elements where standardization and/or alignment is critical
- Multi-payer group begins enrollment strategy for one additional market

#### Year 3

- Model rolled out to all major markets
- 50% of patients are enrolled

#### Year 5

- Scale achieved state-wide
- 80% of patients are enrolled

### Episode-based payments

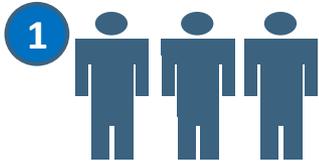
- State leads design of five episodes: asthma acute exacerbation, perinatal, COPD exacerbation, PCI, and joint replacement
- Payers agree to participate in design process, launch reporting on at least 3 of 5 episodes in 2014 and tie to payment within year

- 20 episodes defined and launched across payers

- 50+ episodes defined and launched across payers

# Retrospective episode model mechanics

Patients and providers continue to deliver care as they do today



**1** **Patients** seek care and select providers as they do today



**2** **Providers** submit claims as they do today



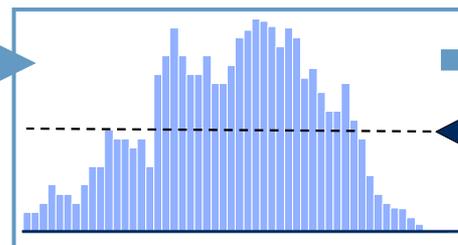
**3** **Payers** reimburse for all services as they do today

Calculate incentive payments based on outcomes after close of 12 month performance period



**4** Review claims from the performance period to identify a **'Principal Accountable Provider'** (PAP) for each episode

**5** Payers calculate **average cost per episode** for each PAP<sup>1</sup>

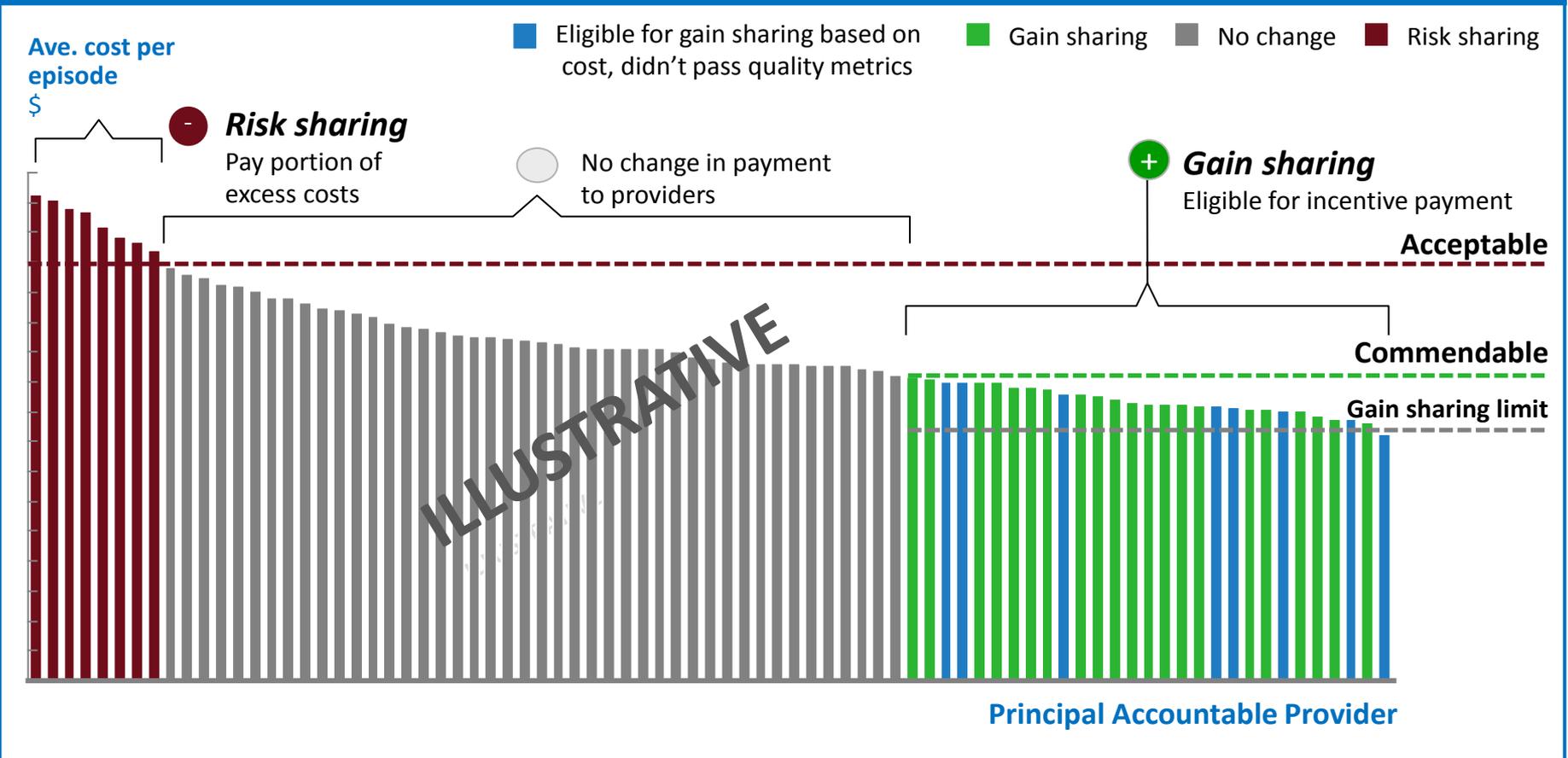


**Compare average costs** to predetermined "commendable" and "acceptable" levels<sup>2</sup>

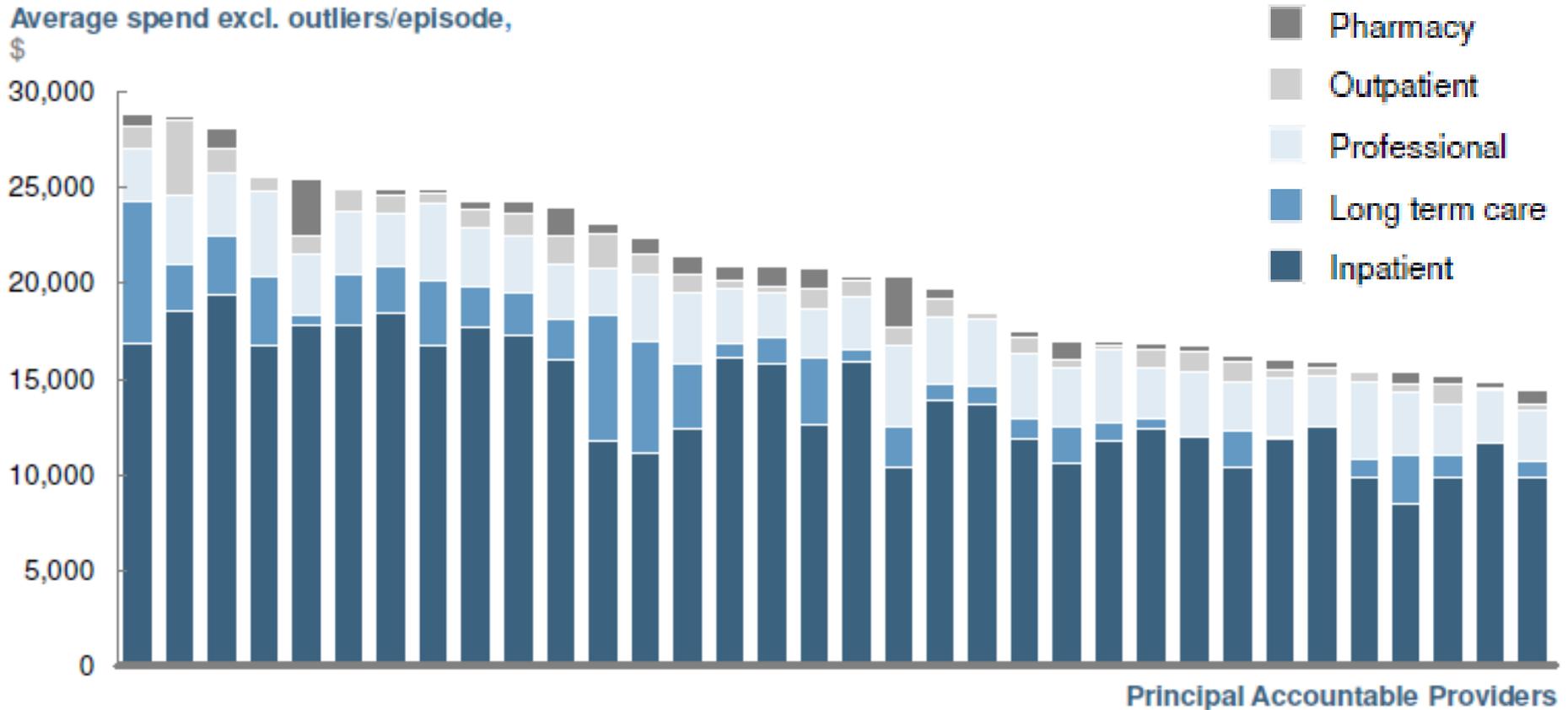
- 6** **Providers may:**
- **Share savings:** if average costs below commendable levels and quality targets are met
  - **Pay part of excess cost:** if average costs are above acceptable level
  - **See no change in pay:** if average costs are between commendable and acceptable levels

# Retrospective thresholds reward cost-efficient, high-quality care

## Provider cost distribution (average episode cost per provider)



# Preliminary Provider Summary: Total Joint Replacement Episode Distribution by Claim Type



Governor's Office of Health Transformation

NOTES: Average episode spend distribution by claim type for PAPs with five or more episodes; each vertical bar represents the average spend for a PAP.  
SOURCE: Analysis of Ohio Medicaid claims data, 2011-2012.

# Selection of episodes in the first year

## Guiding principles for selection:

- Leverage episodes in use elsewhere to **reduce time to launch**
- Prioritize meaningful **spend across payer populations**
- Look for opportunities with **clear sources of value** (e.g., high variance in care)
- Select episodes that incorporate a **diverse mix** of accountable **providers** (e.g., facility, specialists)
- Cover a **diverse set of “patient journeys”** (e.g., acute inpatient, acute procedural)
- Consider **alignment with current priorities** (e.g., perinatal for Medicaid, asthma acute exacerbation for youth)



## Working hypothesis for episodes in the first year:

- Perinatal
- Asthma acute exacerbation
- Chronic obstructive pulmonary disease (COPD) exacerbation
- Joint replacement
- Acute and non-acute percutaneous coronary intervention (PCI)



*This is a sample report; the actual report is under development*



Governor's Office of Health Transformation

# EPISODE of CARE PAYMENT REPORT

PERINATAL

REPORTING PERIOD: July 1st, 2013 to June 30th, 2014

PAYOR NAME : Medicaid, Ohio

PROVIDER CODE : HGY28731

PROVIDER NAME : John Smith

Reporting period covering episodes that occurred between July, 1st, 2013 and June 30th, 2014

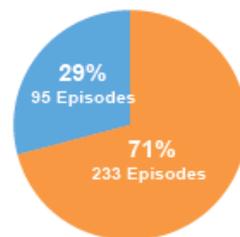
You would have been eligible for gain sharing of **\$14,563**

## Episodes inclusion and exclusion

Total: 328 Episodes

EXCLUSION

INCLUSION



## Risk adjusted average cost per episode

Distribution of provider average episode cost (risk adj.)



## Episodes risk adjustment

**25%** of your episodes have been risk adjusted

## Quality metrics

You achieved 3 of 3 quality metrics linked to gain sharing

HIV Screening	99%	✓
GBS screening	87%	✓
Chlamydia screening	90%	✓

## Potential gain/risk share

If you had performed in the top quartile, your gain sharing would have been

between **\$18,500** and **\$53,000**



### Current Initiatives

#### Modernize Medicaid

Extend Medicaid coverage to more low-income Ohioans  
Reform nursing facility reimbursement  
Integrate Medicare and Medicaid benefits  
Prioritize home and community based services  
Create health homes for people with mental illness  
Rebuild community behavioral health system capacity  
Enhance community developmental disabilities services  
Improve Medicaid managed care plan performance

#### Streamline Health and Human Services

Implement a new Medicaid claims payment system  
Create a cabinet-level Medicaid department  
Consolidate mental health and addiction services  
Simplify and integrate eligibility determination  
Coordinate programs for children  
Share services across local jurisdictions

#### Pay for Value

Engage partners to align payment innovation  
Provide access to patient-centered medical homes  
Implement episode-based payments  
Coordinate health information technology infrastructure  
Coordinate health sector workforce programs  
Support regional payment reform initiatives  
Federal Health Insurance Exchange

- **Ohio's Innovation Model Test Grant Application**
- **Multi-Payer PCMH Charter**
- **Multi-Payer Episode Charter**
- **Detailed Episode Definitions**



- Governor Kasich created the Office of Health Transformation to improve overall health system performance
- Pay for health care value instead of volume across Medicaid, state employee, and commercial populations
  - Launch episode based payments in November 2014
  - Take Comprehensive Primary Care to scale in 2015
- Partners include Anthem, Aetna, CareSource, Medical Mutual, and UnitedHealthcare, covering ten million Ohioans
- Build on momentum from extending Medicaid coverage, Medicare-Medicaid Enrollee project, Medicaid health home
- Comprehensive, complementary strategies for health sector workforce development and health information technology
- Active stakeholder participation – 150+ stakeholder experts, 50+ organizations, 60+ workshops, 15 months and counting ...