



Governor's Office of
Health Transformation

Payment Innovation to Improve Health System Performance

Greg Moody, Director
Governor's Office of Health Transformation

HPIO Payment Reform Collaborative
October 24, 2012

How can the State of Ohio leverage its purchasing power to improve overall health system performance?

State of Ohio Health Care Purchasing Power

Department	Enrollment	Insurance Contracts (in millions)	Provider Contracts (in millions)	TOTAL (in millions)
Medicaid	2,100,000 ¹	\$5,112 ²	\$8,852 ³	\$13,964
Public Employee Retirement System	221,000	\$1,560 ⁴	--	\$1,560
Administrative Services	118,000 ⁵	\$522 ⁶	--	\$522
Workers Compensation	213,574 ⁴	--	\$779 ⁷	\$779
Rehabilitation and Corrections	50,250 ⁵	--	\$211 ⁷	\$211
TOTAL	2,702,824	\$7,194	\$9,842	\$17,036

Notes: (1) average monthly enrollment FY 2011, (2) private managed care plans, (3) includes Medicare premium assistance and Part D (an additional \$2.8 billion in Medicare spending for Medicare/Medicaid dual eligibles could potentially be managed by the State of Ohio), (4) CY 2010, (5) current population as of October 2011, (6) self insured and contract with third party administrators, FY 2010, (7) FY 2011



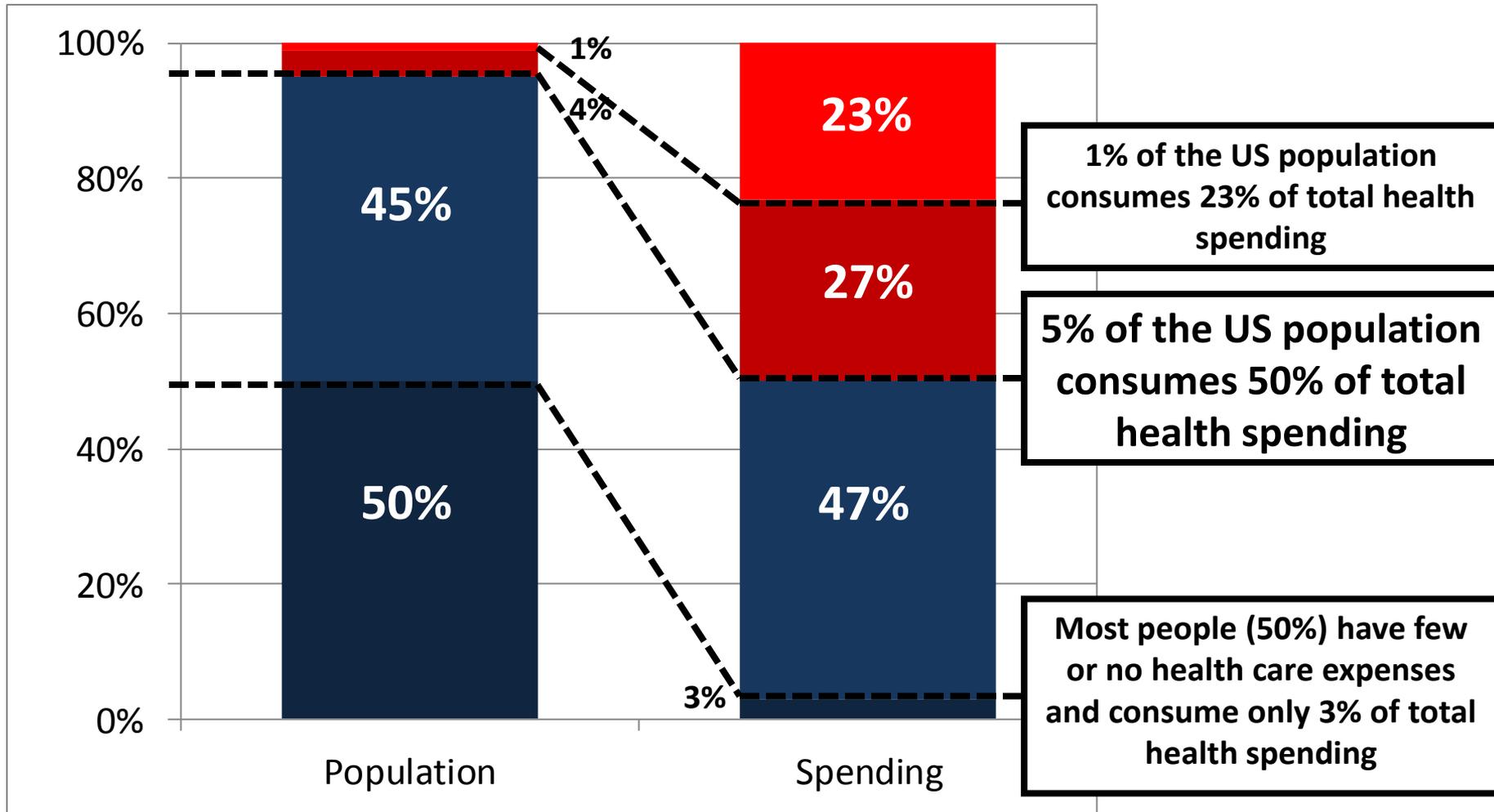
Ohioans spend more per person on health care than residents in all but 17 states¹

Rising health care costs are eroding paychecks and profitability

Higher spending is not resulting in higher quality or better outcomes for Ohio citizens

36 states have a healthier workforce than Ohio²

Medical Hot Spot: A few high-cost cases account for most health spending



Health Care System Choices

Fragmentation

vs.

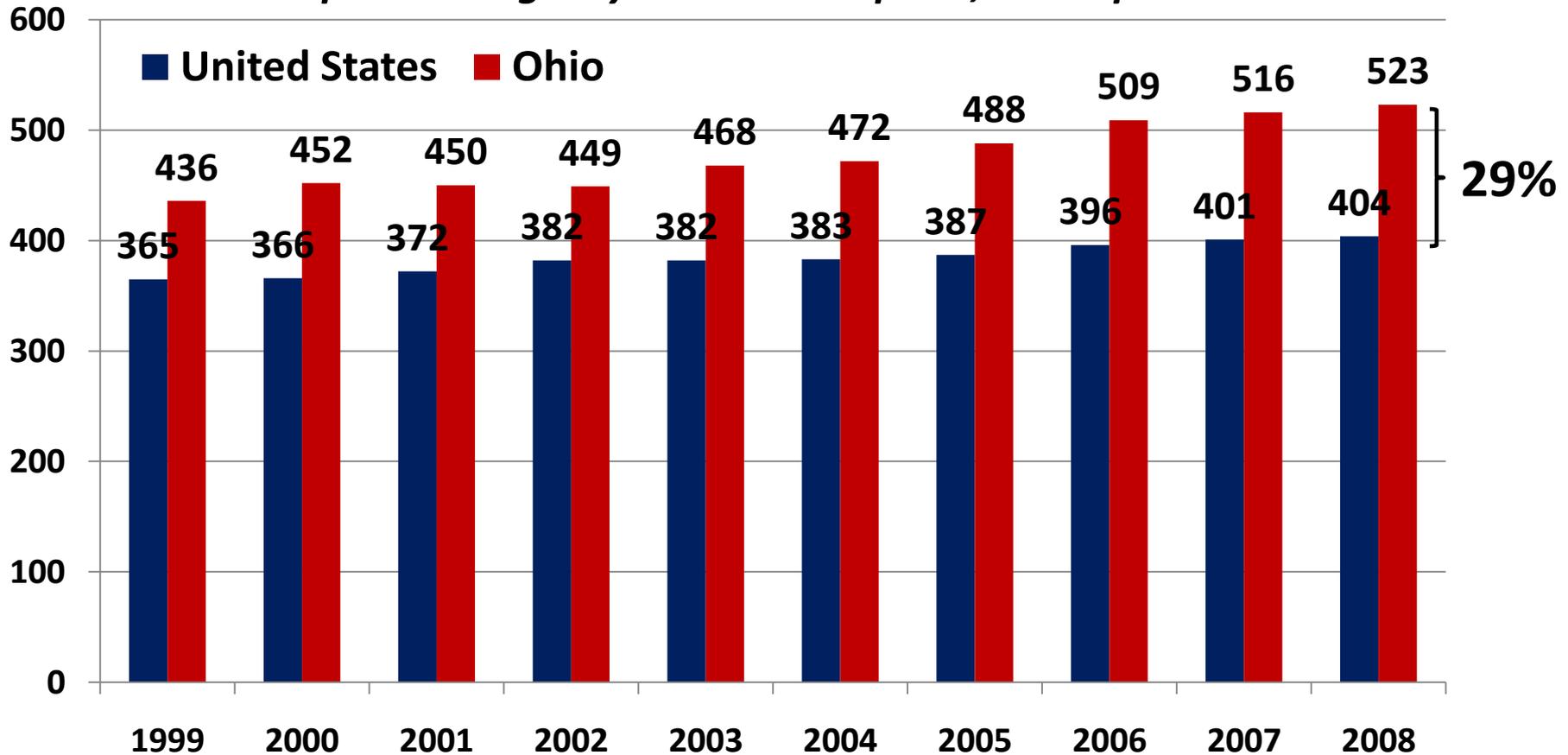
Coordination

- Multiple separate providers
- Provider-centered care
- Reimbursement rewards volume
- Lack of comparison data
- Outdated information technology
- No accountability
- Institutional bias
- Separate government systems
- Complicated categorical eligibility
- Rapid cost growth

- Accountable medical home
- Patient-centered care
- Reimbursement rewards value
- Price and quality transparency
- Electronic information exchange
- Performance measures
- Continuum of care
- Medicare/Medicaid/Exchanges
- Streamlined income eligibility
- Sustainable growth over time

Medical Hot Spot: Emergency Department Utilization: Ohio vs. US

Hospital Emergency Room Visits per 1,000 Population



Source: American Hospital Association Annual Survey (March 2010) and population data from Annual Population Estimates, US Census Bureau: <http://www.census.gov/popest/states/NST-ann-est.html>.



Governor's Office of
Health Transformation

Our Vision for Better Care Coordination

- The vision is to create a person-centered care management approach – not a provider, program, or payer approach
- Services are integrated for all physical, behavioral, long-term care, and social needs
- Services are provided in the setting of choice
- Easy to navigate for consumers and providers
- Transition seamlessly among settings as needs change
- Link payment to person-centered performance outcomes

Payment Innovation Framework

MODEL:	Fee for Service		Bundled Payments			Global Payment	
GOAL:	Discrete service and related incentives, including “pay for performance”		Achieving a specific patient objective and including all associated upstream and downstream care and cost			Total health, quality of care, and total cost of a population of patients over time	
EXAMPLES:	Charges	Fee Schedule	Per Diem	DRG	Episode Case Rate	Partial Capitation	Full Capitation

Increasing Accountability, Risk, Provider Collaboration, Resistance, and Complexity



Performance Based Payment
 (potential financial upside and/or downside for performance on quality, efficiency, cost, etc.)

Ohio Health and Human Services Innovation Plan

Modernize Medicaid	Streamline Health and Human Services	Improve Overall Health System Performance
<p>Medicaid Cabinet: Aging, ODADAS, ODMH, DODD, Medicaid; with connections to JFS</p>	<p>HHS Cabinet: DAS, OBM, OHT (sponsors); JFS, RSC, AGE, ADA, MH, DD, ODH, Medicaid; with connections to ODE, DRC, DYS, DVS, ODI, TAX</p>	<p>Payment Reform Task Force: Medicaid, BWC, DAS, DEV, DRC, JobsOhio, OHT, OPERS, ODI, TAX</p>
<ul style="list-style-type: none"> • Reform nursing facility payment • Update provider regulations to be more person-centered • Integrate Medicare and Medicaid benefits • Create health homes for people with mental illness • Restructure behavioral health system financing • Improve Medicaid managed care plan performance • Transfer ICF program to DD • Coordinate Medicaid with other state programs 	<ul style="list-style-type: none"> • Create a unified Medicaid budget, accounting system • Create a cabinet-level Medicaid department • Consolidate ODMH/ODADAS • Integrate HHS information capabilities, incl. eligibility • Coordinate housing and workforce programs • Coordinate programs for children • Share services across local jurisdictions • Recommend a permanent HHS structure (coming soon) 	<ul style="list-style-type: none"> • Participate in Catalyst for Payment Reform • Provide access to medical homes for most Ohioans • Use episode-based payments for acute medical events • Pioneer accountable care organizations • Accelerate electronic health information exchange • Decide Ohio's role in creating a Health Insurance Exchange • Promote insurance market competition and affordability • Support local payment reform initiatives

Examples of Payment Reform Initiatives in Ohio

Innovator	Fee for Service	Bundled Payments	Global Payment
State	<ul style="list-style-type: none"> • Home Choice • Nursing facility performance • Managed care performance 	<ul style="list-style-type: none"> • HHS Strong Start Ohio 	<ul style="list-style-type: none"> • Medicaid health homes for people with mental illness
Medicare	<ul style="list-style-type: none"> • Nursing facility preventable hospitalizations 	<ul style="list-style-type: none"> • Community Care Transition (Medicare, Medicaid) 	<ul style="list-style-type: none"> • Medicare shared savings ACOs at UH, Summa, Mercy • Pioneer pediatric ACO at Rainbow Babies
Private Plan	<ul style="list-style-type: none"> • Shared savings with LTC pharmacies (United) • Hospital performance incentive program (Aetna) • Shared savings with Ohio Health (Medical Mutual) 	<ul style="list-style-type: none"> • Bundled payment tests for transplants, frequent ED, hip replacements (United, Aetna, Medical Mutual) • Cleveland Clinic bundled payment contracts with employers 	<ul style="list-style-type: none"> • Hybrid PCMH program with quality bonuses (Anthem) • Statewide PCMH recognition program (Aetna) • PCMH-focused network building (Medical Mutual)
Multi-payer			<ul style="list-style-type: none"> • Integrated Care Delivery for Medicare-Medicaid Enrollees • PCMH in three largest MSAs including CPCI in Cincinnati • Partner for Kids expansion • Community Oncology Medical Homes



State Innovation Model Grant Opportunity

- \$275 million competitive funding opportunity for states to design and test multi-payer payment and delivery models that deliver high-quality care and improve health system performance
- \$50 million for up to 25 **Model Design Awards** to support state payment reform planning and design efforts
- \$225 million for up to 5 **Model Testing Awards** to test and evaluate multi-payer health system transformation models
- Ohio applied for a \$3 million Model Design Award (plus \$4.1 million in-kind from the state and participating health plans) to develop and submit a Model Testing Application in June 2013
- www.healthtransformation.ohio.gov/CurrentInitiatives/Payforhealthcarebasedonvaluenotvolume.aspx



Ohio's State Innovation Model Proposal

1. Expand the capacity and availability of qualified **medical homes** to most Ohioans across Medicaid, Medicare, and commercially insured patients in a 3-5 year timeframe
2. Define and administer **episode-based payments** for a majority of acute medical events across Medicaid, Medicare, and commercially insured patients in a 3-5 year timeframe



State of Ohio Health Care Payment Innovation Task Force

Governor's Advisory Council on Health Care Payment Innovation

John R Kasich
Governor

Governor's
Senior Staff

Office of Health Transformation

- **Project Management Team:** Executive Director, Communications Director, Stakeholder Outreach Director, Legislative Liaison, Fiscal and IT Project Managers

Participant Agencies

- Administrative Services, Development, Health, Insurance, JobsOhio, Ohio Medicaid, Rehabilitation and Corrections, Taxation, Worker's Compensation, Youth Services, Public Employee and State Teachers Retirement Systems

- **Employers** (Bob Evans, Cardinal Health, Council of Smaller Enterprises, GE Aviation, Procter & Gamble)
- **Health Plans** (Aetna, Anthem, CareSource, Medical Mutual, UnitedHealthcare)
- **Providers** (Catholic Health Partners, Central Ohio Primary Care, Cleveland Clinic, Akron Children's Hospital, Ohio Health, ProMedica)
- **Consumers** (AARP, Legal Aid Society, Universal Health Care Action Network)

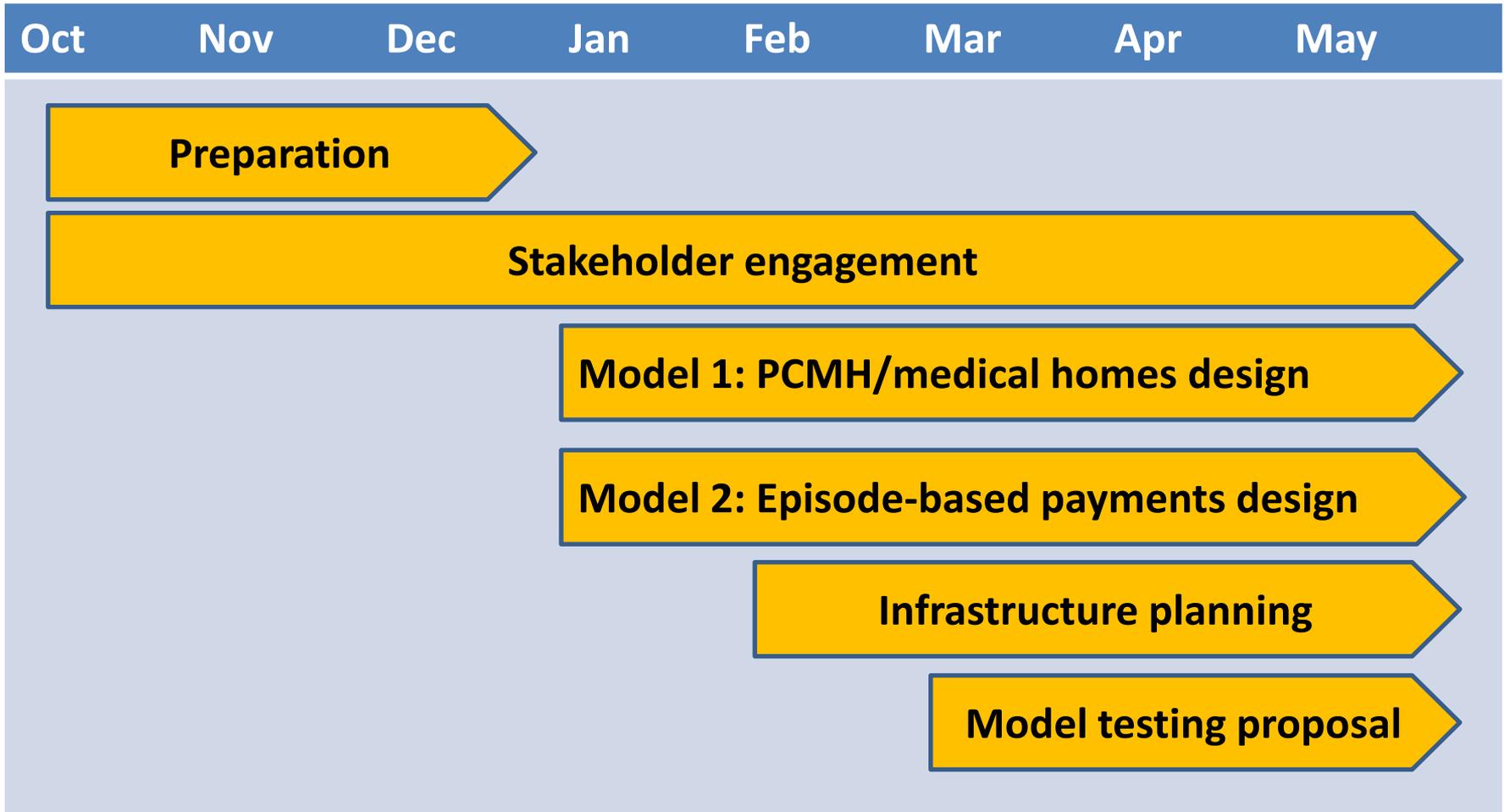
State Implementation Teams

- Accountable Care Organizations
- Patient-Centered Medical Homes
- Episode-Based Payments
- Other Internal Teams as Needed to Enable Payment Innovation

Public/Private Workgroups

- Medicare Shared Savings Program Participants and Pioneer ACOs
- Ohio Patient-Centered Primary Care Collaborative
- Ohio Hospital Payment Group
- Other External Groups as Needed to Enable Payment Innovation

Payment Reform Project Plan and Timeline





Current Initiatives

Modernize Medicaid

- Reform nursing facility reimbursement
- Integrate Medicare and Medicaid benefits
- Rebalance spending on long-term services and supports
- Create health homes for people with mental illness
- Restructure behavioral health system financing
- Improve Medicaid managed care plan performance

Streamline Health and Human Services

- Consolidate mental health and addiction services
- Create a cabinet-level Medicaid department
- Modernize eligibility determination systems
- Integrate HHS information capabilities
- Coordinate programs for children
- Share services across local jurisdictions

Improve Overall Health System Performance

- Pay for health care based on value instead of volume
- Encourage Patient-Centered Medical Homes
- Accelerate electronic Health Information Exchange

Stay Informed

- [Sign up for health transformation updates](#)
- [Share your common-sense ideas](#)

Recently Added

- [OHT submits a State Innovation Model Design Grant Application](#)
- [Update: Final Tentative Selection of ICDS Plans](#)
- [OHT releases detailed estimates of Medicaid enrollment](#)
- [Press Release: Kasich Administration Announces Next Steps to Modernize Medicaid](#)

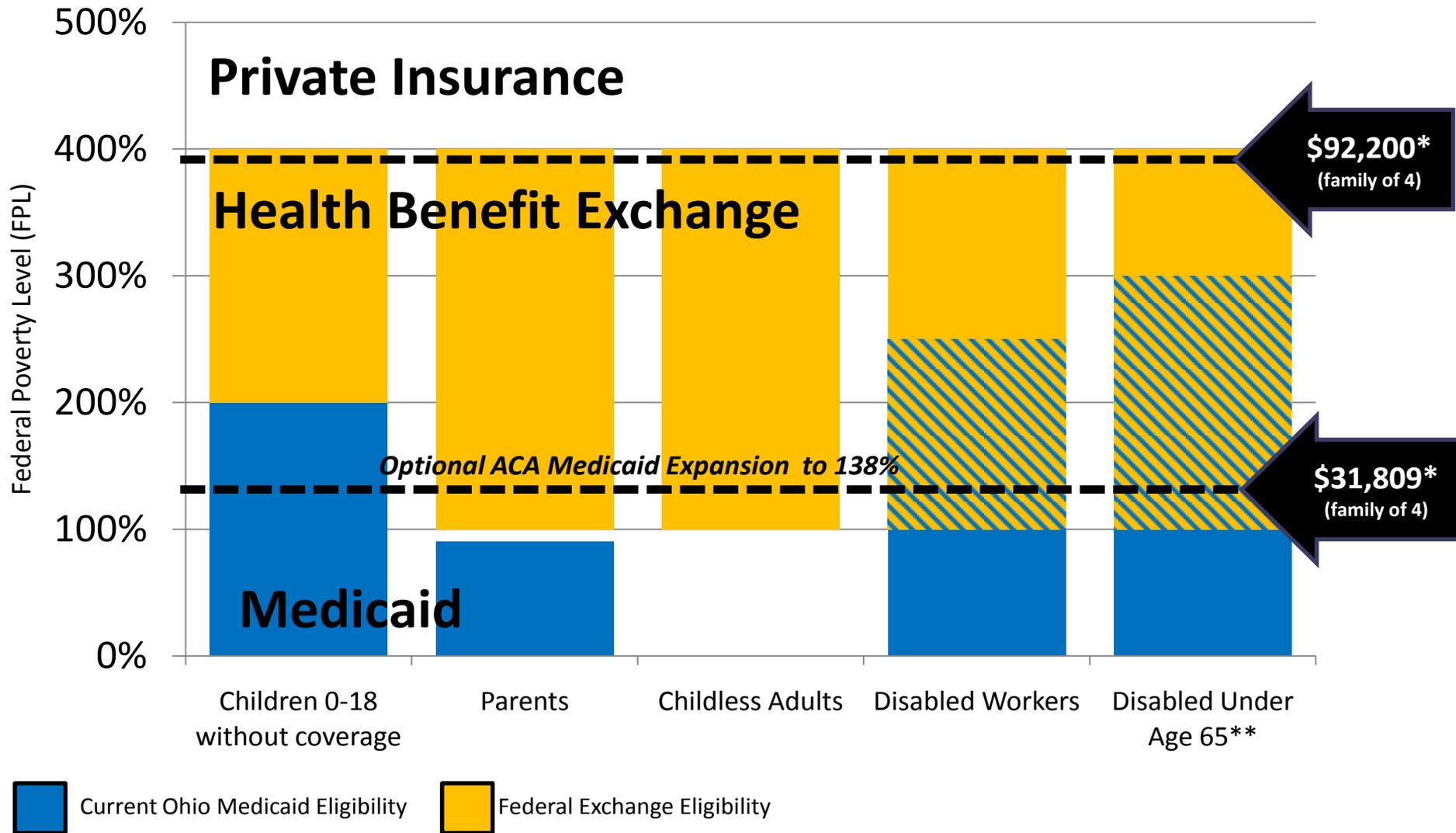
Related Topics

- [Strategic Framework](#)
- [Guiding Principles](#)
- [Chartbooks](#)
- [Accomplishments](#)

After the Supreme Court Decision: Key Health Policy Questions for Ohio

- Can Ohio further reform its insurance market to promote competition and affordability?
- Should Ohio build a state-run health benefit exchange or coordinate with a federal exchange?
 - *Ohio's exchange "blueprint" is due November 16, 2012*
 - *Leaning toward federal-run but retain plan oversight*
- Should Ohio expand Medicaid eligibility or not?

Affordable Care Act: Federal Income Eligibility Levels in 2014



* The 2012 poverty threshold is \$11,170 for an individual and \$23,050 for a family of four.

**Over age 65 coverage is provided through Medicare, not the Exchange.