Ohio | Governor's Office of Health Transformation

Transforming Payment for a Healthier Ohio

Governor Kasich's Advisory Council on Health Care Payment Innovation

January 9, 2013

Ohio | Governor's Office of Health Transformation

Agenda

1. **PROBLEM: Payment drives volume**
2. LEADERSHIP: Payment innovation in Ohio
3. VISION: Payment drives value

Payment Drives Volume

INSTITUTE OF MEDICINE
OF THE NATIONAL ACADEMIES

Costs are unsustainable

- **Absolute expenditures** – $2.8 trillion in 2012*
- **Overwhelming wage gains** – 76% increase health costs in past 10 years vs. 30% gain in personal income
- **Growing faster than the economy** – from 5% of gross domestic product (GDP) in 1960 to 18% in 2012 and 20% by 2021*
- *If prices of other products had grown as fast as health care since World War II* —Dozen eggs: $55
  —Gallon of milk: $48
  —Dozen oranges: $134

Ohio | Governor's Office of Health Transformation

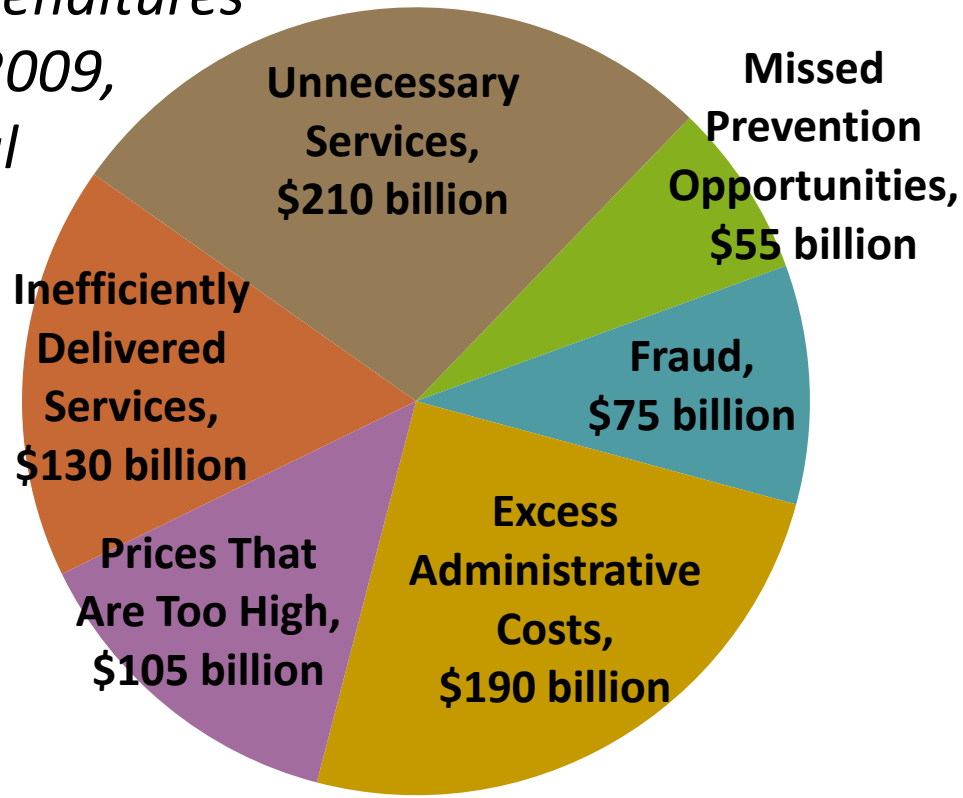
Source: Institute of Medicine, *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America* (September 2012) and (*) updated using CMS National Health Expenditure Projections 2011-2021 (April 2012).

Payment Drives Volume

INSTITUTE OF MEDICINE
OF THE NATIONAL ACADEMIES

Much health spending is wasted

Wasted health care expenditures totaled $750 billion in 2009, 29% of $2.6 trillion total health spending



Ohio | Governor's Office of Health Transformation

Source: Institute of Medicine, *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America* (September 2012).

Payment Drives Volume

Facing the Evidence on Quality

- **Not safe** – Between one-fifth and one-third of hospital patients are harmed during their stay and much of that harm is preventable (IOM 2012)
- **Not timely** – The U.S. ranks last among 19 industrial nations related to preventable deaths with timely and effective care (Commonwealth 2008)
- **Not effective** – Americans receive only 55% of recommended treatments for preventive care, acute care, and chronic care management (NEJM 2003)
- **Not efficient** – Nearly 30% of all health care spending is wasted, much of it on unnecessary or inefficiently delivered services (IOM 2009)
- **Not patient-centered** – Half of all Americans feel their doctor does not spend enough time with them (Commonwealth 2005)
- **Not equitable** – racial and ethnic minorities receive care that often is of lower quality compared to the care received by whites (NEJM 2004)

Solutions for Patient Safety

- Founded in 2009 to improve quality and reduce costs
- Participating hospitals developed a measurement strategy, shared performance data, and used quality improvement science that:
  - Reduced surgical site infections 60 percent
  - Reduced overall adverse drug events 40 percent
  - Saved 7,700 children from unnecessary harm and
  - Avoided $11.8 million in unnecessary health care costs
- Now the goal is to eliminate all serious harm in Ohio's children's hospitals and create a national learning network
- Working with clinical teams from 25 children's hospitals from around the country in 2012 and will add additional 50 in 2013

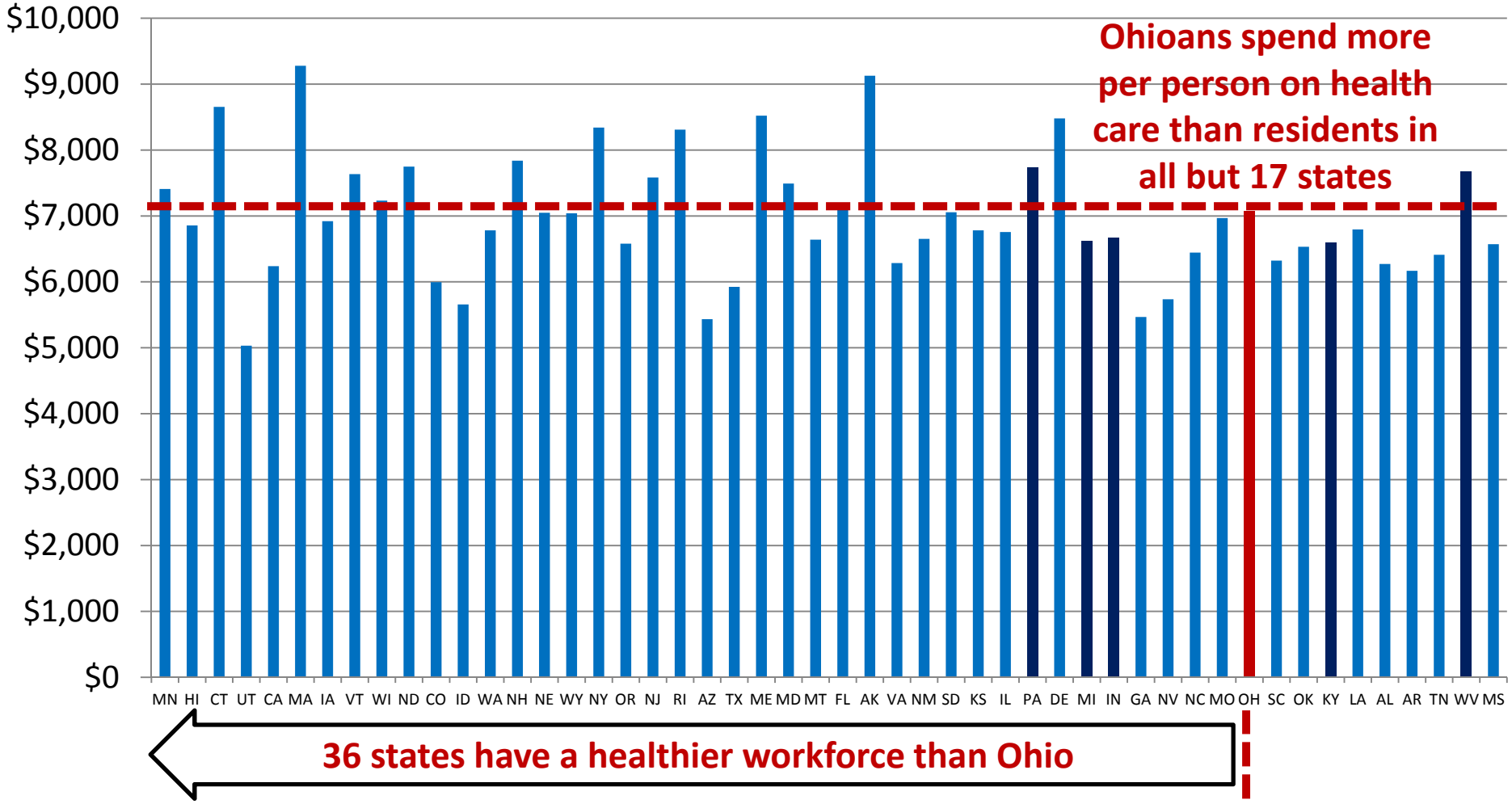
Payment Drives Volume

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

Source: UnitedHealth, *Farewell to Fee-for-Service: a real world strategy for health care payment reform* (December 2012)

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



Ohio | 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).

Ohio | Governor's Office of Health Transformation

Agenda

1. PROBLEM: Payment drives volume
2. **LEADERSHIP: Payment innovation in Ohio**
3. VISION: Payment drives value

Overview

Catalyst for Payment Reform (CPR) is an independent, non-profit corporation working on behalf of large employers and public health care purchasers to catalyze improvements in how we pay for health services and to promote higher-value care in the U.S.

- 3M
- Bloomin' Brands
- The Boeing Company
- CalPERS
- Capitol One
- Carlson
- Delta Air Lines
- Dow Chemical
- eBay
- Equity Healthcare
- FedEx
- GE
- Group Insurance Commission, MA
- Intel
- Marriott
- Ohio Medicaid
- Ohio PERS
- Safeway
- South Carolina Medicaid
- TennCare
- US Foods
- Verizon
- Wal-Mart
- The Walt Disney Company
- Xerox

Goal: 20% of payments tied to value by 2020

CPR's Two-Pronged Strategy

Coordinated Purchaser Action

Leverage Purchaser Power: Critical Mass

- Shared purchaser agenda
  - short term wins
    - Maternity care
    - Reference pricing
    - Price transparency
  - -longer-term bold changes, including alignment with public sector
- Clear signals to plans – RFIs, contracts, user groups metrics
- Toolkit for local action – Market Assessment, Action Briefs, etc.

Highlight Urgency to Spur Reform

- Accountability: National Scorecard and Compendium on Payment Reform
- Raise visibility of payment variation
- Shine light on provider market power issues & suggest solutions
- Direct dialogue with HHS for alignment and influence

Payment Innovation Framework

Objective

Accountability for the Triple Aim
- Improving the health of the population
- Enhancing the patient experience of care
- Reducing or controlling the cost of care

Delivery System Reform

Continuously Learning Health Care System
- Real time access to knowledge
- Engaged, empowered patients
- Incentives aligned for value
- Performance transparency
- Teamwork, collaboration, adaptability

Promising Strategies:
Patient-Centered Medical Home
Accountable Care Organization

Enabling Initiatives

Payment Innovation

Health care workforce development

Consumer engagement and personal responsibility

Health information technology adoption

Ohio | Governor's Office of Health Transformation

Source: Institute of Medicine, *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America* (September 2012).

Performance-Based Fee-for-Service

UnitedHealthcare Premium Designation Program

The goal is to evaluate physicians against quality and efficiency benchmarks and link payment to performance

- 250,000 physicians (1/3 of total) in 145 markets across 41 states
- Significant differences in the care patients receive:
  - Cardiologists who earn a quality designation have a 55% lower complication rate for stent placement and 55% fewer redo procedures
  - Orthopedic surgeons who earn a quality designation have a 62% lower complication rate for knee surgeries and 46% fewer redo procedures
- On average, physicians who receive both quality and efficiency designations have 14% lower costs per episode

Source: UnitedHealth, *Farewell to Fee-for-Service: a real world strategy for health care payment reform* (December 2012)

Ohio | Office of Medical Assistance

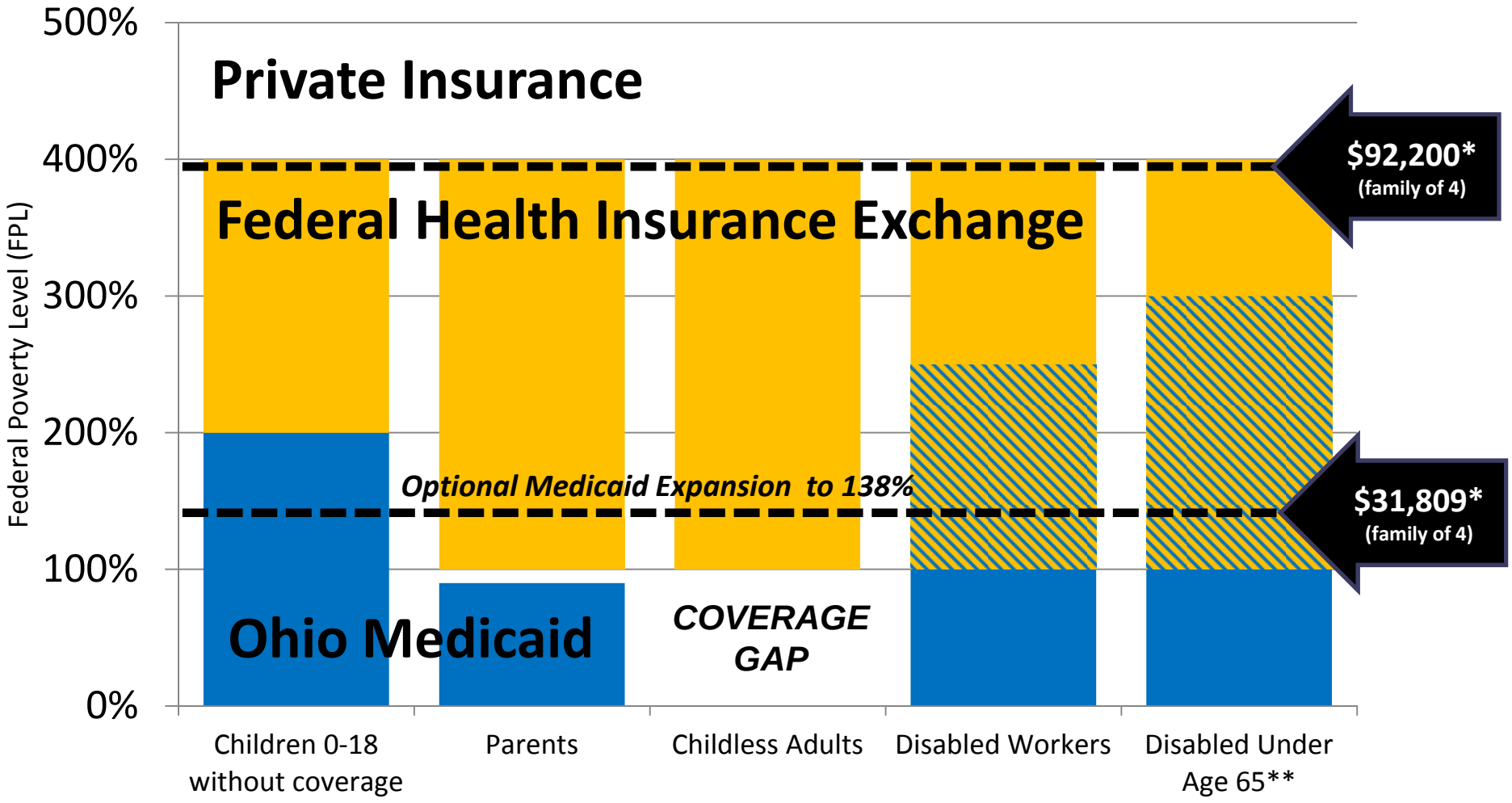
Value-Based Purchasing Programs

Medicaid is Ohio's largest health payer, covering 1 in 5 Ohioans and almost half of all births, and accounting for 3.6% of the Ohio economy

- First state Medicaid program to join Catalyst for Payment Reform
- Linked 10 percent of the nursing home per diem to quality
- Created Medicaid health homes for people with serious mental illness
- Currently updating Ohio's 20-year-old hospital bundled payment system
- Improved managed care plan performance

Source: www.healthtransformation.ohio.gov

Federal Income Eligibility Levels, January 2014



Ohio | Governor's Office of Health Transformation

* 2012 poverty level is $11,170 for an individual and $23,050 for a family of 4

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

Patient-Centered Medical Homes

PCMH models reorganize primary care to be patient-centered, comprehensive, team-based, and easily accessible – all supported by health IT and systems that continuously improve quality and safety

- Currently 228 PCMH-recognized practice sites in Ohio (as of 1/6/2013)
- Columbus, Cleveland and Cincinnati have multi-payer PCMH projects
- PCMH quality bonuses (Anthem), statewide PCMH recognition program (Aetna), network building with PCMH focus (Medical Mutual)
- CMMI Independence at Home Demonstration (Cleveland Clinic)
- CMMI Community Oncology Medical Home (Oncology Business Solutions)
- Ohio Patient-Centered Primary Care Collaborative – 400+ active stakeholders
- Ohio PCMH Education Pilot Project provides grants to convert 50 practices in underserved areas to PCMH status and use them as training sites

SOURCE: State Innovation Model Design Grant Application, Ohio Office of Health Transformation, September 21, 2012.

Performance-Based Fee-for-Service

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 (276 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

Source: www.innovations.cms.gov/initiatives/Comprehensive-Primary-Care-Initiative/Ohio-Kentucky

Performance-Based Fee-for-Service

Accountable Care Organizations

A group of providers that takes responsibility for quality and cost performance for a defined population during a defined time period

- Medicare recognized four Ohio health systems as meeting ACO criteria and qualified to share savings that result from care coordination:
  - Mercy Health Select (Cincinnati)
  - ProMedica Physician Group (Toledo)
  - Summa ACO (Akron)
  - University Hospitals Coordinated Care (Cleveland)
- CMMI Health Innovation Awards to Ohio pediatric ACOs:
  - Nationwide/Akron Children's Hospital Partners for Kids ($13.0 million)
  - University Hospital of Cleveland Rainbow Babies ($12.8 million)

Sources: www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram and www.innovations.cms.gov/initiatives/Innovation-Awards

Bundled Payment

Payment reforms that aggregate the unit of payment from an individual service to a collection of related services for a given patient

- Ohio Medicaid nursing facility and hospital reimbursement systems
- CMMI Bundled Payments for Care Improvement Application and hospital bundled payment contracts with employers (Cleveland Clinic)
- CMMI Strong Start Initiative to reduce early elective deliveries (Medicaid)
- CMMI Community-based Care Transitions Program to reduce hospital readmissions (Area Agency on Aging-led in Akron/Canton, SE and SW)
- Bundled payment tests for transplants, frequent emergency room visits, hip replacements (Aetna, United, Medical Mutual)
- United's OptumHealth episode-based organ transplant program:
  - Reduced 1-year mortality 3% for liver and 5% for heart transplants
  - 25% decrease in the average length of hospital stays for transplants
  - Average savings of 49% per case

Global Payment

Partners for Kids

- Physician Hospital Organization created by Nationwide Children's Hospital to provide "one stop" for Medicaid health plans
- Innovative contracts with Medicaid health plans (CareSource, Molina, United and beginning July 2013 Paramount and Buckeye)
- Currently serve 300,000 children in 34 counties
- Proposed partnership with Akron Children's Hospital would expand Partners for Kids to 500,000+ children in 46 counties
- CMMI awarded $13 million in federal support for the expansion

Source: www.nationwidechildrens.org/partners-for-kids

Center for Medicare & Medicaid INNOVATION

Ohio | Office of Medical Assistance

Medicare-Medicaid Integrated Care Delivery System (ICDS)

The goal is to align the financial incentives of Medicare and Medicaid to provide better care for Medicare-Medicaid enrollees

- 182,000 Ohioans are eligible for Medicare *and* Medicaid, representing only 14% of Medicaid enrollment but accounting for 34% of costs
- In December 2012, CMMI approved Ohio's proposal to enroll 114,000 Medicare-Medicaid enrollees (63% of total) in 7 regions (29 counties) in health plans (Aetna, Buckeye, CareSource, Molina and United)
- Consumer and provider protections are built into health plan contracts
- Ohio Medicaid will share in savings that accrue to the federal Medicare program as a result of improved care coordination

Ohio | Governor's Office of Health Transformation

Agenda

1. PROBLEM: Payment drives volume
2. LEADERSHIP: Payment innovation in Ohio
3. **VISION: Payment drives value**

Governor Kasich's Advisory Council on Health Care Payment Innovation

Purpose:

- Convene health care purchasers, providers, plans and consumer advocates to prioritize and coordinate multi-payer health care payment innovation activities statewide
- Identify and assign experts to interact with the Office of Health Transformation to develop immediate and longer-term strategies that leverage payment reform to improve overall health system performance

Governor Kasich's Advisory Council on Health Care Payment Innovation

Immediate Strategies:

1. Adopt Catalyst for Payment Reform (CPR) Principles
2. Prioritize 3-4 high-value opportunities to pull waste out of the system and implement across multiple payers
3. Prioritize state activities that enable payment innovation
4. Apply for a federal State Innovation Model (SIM) grant to design and test payment models across multiple payers

Governor Kasich's Advisory Council on Health Care Payment Innovation

Immediate Strategies:

1. Adopt Catalyst for Payment Reform (CPR) Principles

1. Payment reforms should promote health by rewarding the delivery of quality, cost effective and affordable care that is patient-centered and reduces disparities.
2. Health care payments should encourage and reward patient-centered care that coordinates services across the spectrum of providers and care setting while tailoring health care services to the individual patient's needs.
3. Payment policies should encourage alignment between public and private health care sectors to promote improvement, innovations and meeting national health priorities, and to minimize the impact of payment decisions of one sector on the other.
4. Decisions about payment should be made through independent processes that are guided by what serves the patient and helps society as a whole, and payment decisions must balance the perspectives of consumers, purchasers, payers, physicians and other health care providers.
5. Payment policies should foster ways to reduce expenditure on administrative processes (e.g., claims payment and adjudication).
6. Reforms to payment should balance the need for urgency against the need to have realistic goals and timelines that take into account the need to change complex systems and geographic and other variations.

Governor Kasich's Advisory Council on Health Care Payment Innovation

Immediate Strategies:

1. Adopt Catalyst for Payment Reform (CPR) Principles
2. **Prioritize 3-4 high-value opportunities to pull waste out of the system and implement across multiple payers**

Examples:	Don't pay for elective deliveries prior to 39 weeks
	Don't pay for serious, preventable medical errors
	Don't pay for or reduce pay for avoidable hospital readmissions
	Pay for post-acute rehabilitation in the least restrictive setting
	Contract for innovation from health plans (e.g., CPR Model Contract)

Governor Kasich's Advisory Council on Health Care Payment Innovation

Immediate Strategies:

1. Adopt Catalyst for Payment Reform (CPR) Principles
2. Prioritize 3-4 high-value opportunities to pull waste out of the system and implement across multiple payers
3. **Prioritize state activities that enable payment innovation**

Examples:	Price transparency	Quality measurement
	Claims data sharing	Evaluate payment models
	Regulatory reform	Market consolidation
	Workforce and training programs	Patient engagement
	Health information exchange	Health Insurance Exchange

Governor Kasich's Advisory Council on Health Care Payment Innovation

Immediate Strategies:

1. Adopt Catalyst for Payment Reform (CPR) Principles
2. Prioritize 3-4 high-value opportunities to pull waste out of the system and implement across multiple payers
3. Prioritize state activities that enable payment innovation
4. **Apply for a federal State Innovation Model (SIM) grant to design and test payment models across multiple payers**

- Federal funding for states to design and test multi-payer models
- Ohio applied for a $3 million design grant with $4.1 million in-kind to (1) expand access to medical homes and (2) define episode-based payments
- "Core team": Medicaid, Aetna, Anthem, CareSource, Medical Mutual, United

Governor Kasich's Advisory Council on Health Care Payment Innovation

Longer-Term Strategies:

5. Expand the capacity and availability of qualified medical homes to most Ohioans within 3-5 years
6. Define and administer episode based payments for most acute medical events within 3-5 years

Ohio | Governor's Office of Health Transformation

Ohio Health Care Payment Innovation Initiative

John R Kasich
Governor

Governor's Senior Staff

State of Ohio Health Care Payment Innovation Task Force

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

Governor's Advisory Council on Health Care Payment Innovation

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

State Implementation Teams	Public/Private Workgroups
Patient-Centered Medical Homes	Ohio Patient-Centered Primary Care Collaborative
Bundled or Episode-Based Payments	Ohio Hospital Payment Workgroup
Accountable Care Organizations	Medicare Shared Savings Program Participants and Pioneer ACOs
Other Internal Teams as Needed to Enable Payment Innovation	Other External Groups as Needed to Enable Payment Innovation