CATALYST FOR PAYMENT REFORM

EMPOWERING PURCHASERS: ADVANCING TRANSPARENCY, INFORMATION, AND INCENTIVES

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Who We Are

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
- Aircraft Gear Corp.
- Aon Hewitt
- Arizona Health Care Cost Containment System (Medicaid)
- AT&T
- Bloomin' Brands
- The Boeing Company
- CalPERS
- Capital One
- Carslon
- Comcast
- Dow Chemical Company
- eBay, Inc.
- Equity Healthcare
- GE
- Group Insurance Commission, Commonwealth of MA
- The Home Depot
- Ingersoll Rand
- IBM
- Marriott International, Inc.
- Ohio Dept. of Jobs and Family Services (Medicaid)
- Ohio PERS
- Pennsylvania Employees Benefit Trust Fund
- Pitney Bowes
- Safeway, Inc.
- South Carolina Health & Human Services (Medicaid)
- TennCare (Medicaid)
- Verizon Communications, Inc.
- Wal-Mart Stores, Inc.
- The Walt Disney Company
- Wells Fargo & Company

What We Focus On

Shared Agenda

Payment designed to cut waste or reflect/support performance

- Value-oriented payment that creates incentives to improve quality and contain costs
- 20% by 2020 as measured by National and Regional Scorecards

Special Initiatives

- Price transparency
- Reference and value pricing
- Maternity care payment reform

Environment

- Provider market power
- Private-public alignment
- Alternative routes to value
- Critical mass and a consistent ask

What We Do: CPR's Two-Pronged Strategy

Market-Based Action

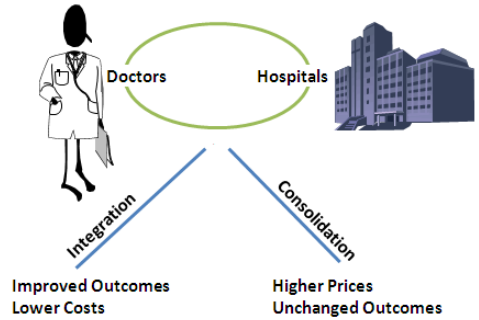
- Aligned purchaser agenda – short-term wins, longer-term bold approaches
- Clear signals to plans – RFIs, contracts, user group discussions and metrics, transparency tool specs
- Toolkit for local action – health plan user group toolkit, Market Assessment Tool, regional scorecards, action briefs, joint pilots, etc.

Shine Light on Urgency to Spur Reform

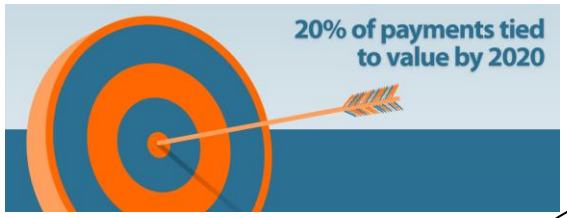
- Accountability: National Scorecard and Compendium on Payment Reform
- Raise visibility of payment variation
- Price Transparency State Report Card & statement
- Highlight provider market power issues & potential solutions

Market-Based Reforms with Wind in their Sails Across the Nation

Provider Consolidation – vertical and horizontal



Payment Reform "Arms Race"

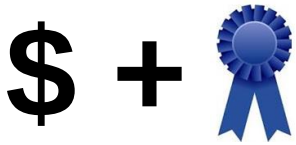


Delivery Reform – ACOs, PCMH, high-intensity primary care, group visits

Employers Shaking Up the Market – high-performance networks, direct contracting, medical tourism

New Markets for Insurance – Private exchanges, state reforms, state exchanges

Engaging Consumers with Incentives: VBID, reference pricing, tiered networks



Engaging Consumers with Information: open notes, shared decision making, true informed consent, comparative effectiveness

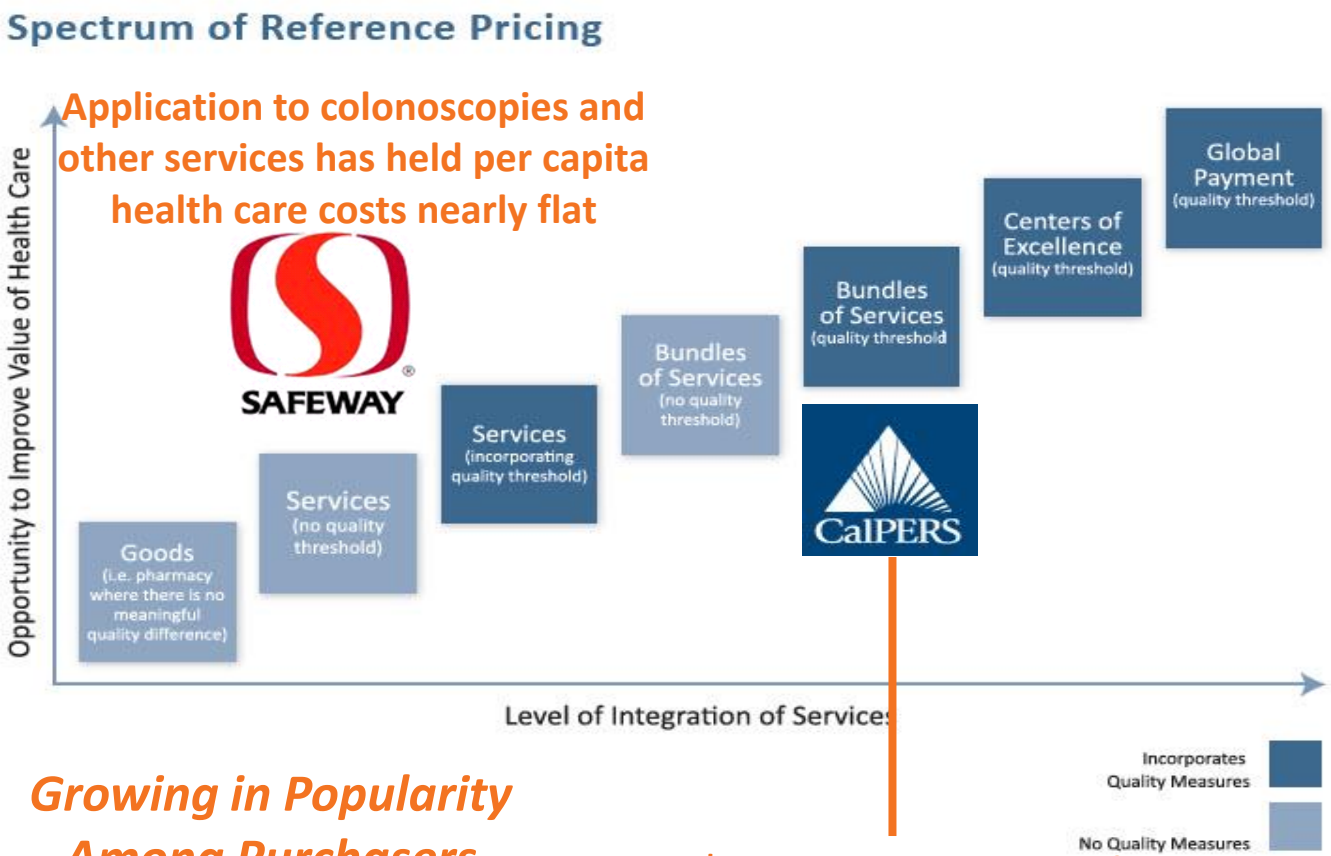
ACA

What are Purchasers Trying Today?

Consumerism, Benefit design, and Decision Support Tools:

- Consumer Directed Health Plans/Account-Based Plans
- Cost Sharing and Centers of Excellence
- Evidence-Based Plan Designs & Value-Based Insurance Designs
- Employee Cost Sharing
- Reference Pricing
- Reward/Penalize Health Improvement Activities
- Aggressive Management of Pharmacy Benefits
- Transparency
- Shared Decision Making
- Participation in ACOs and PCMHs

From Reference to Value Pricing



Growing in Popularity Among Purchasers Nationally: 5% in 2013; 15% in 2014*

**NBGH/Towers Watson*

Over $3 million in savings in first year of hip/knee replacement program; some high-priced providers renegotiated

Reference Pricing *establishes a standard price for a drug, procedure, service or bundle of services, and generally requires that health plan members pay any allowed charges beyond this amount.*

Value Pricing *is when quality is also taken into consideration in addition to the standard price.*

- *Signal to providers that payment variation isn't tolerable*
- *Engages Consumers*

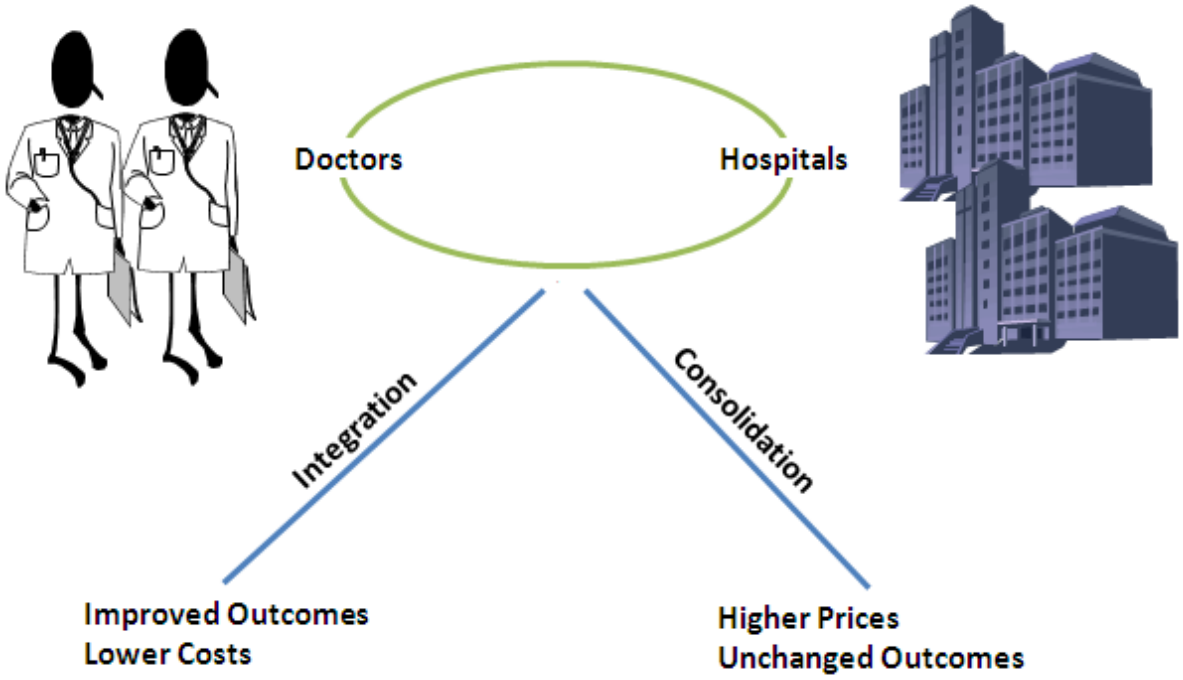
What are Purchasers Trying Today?

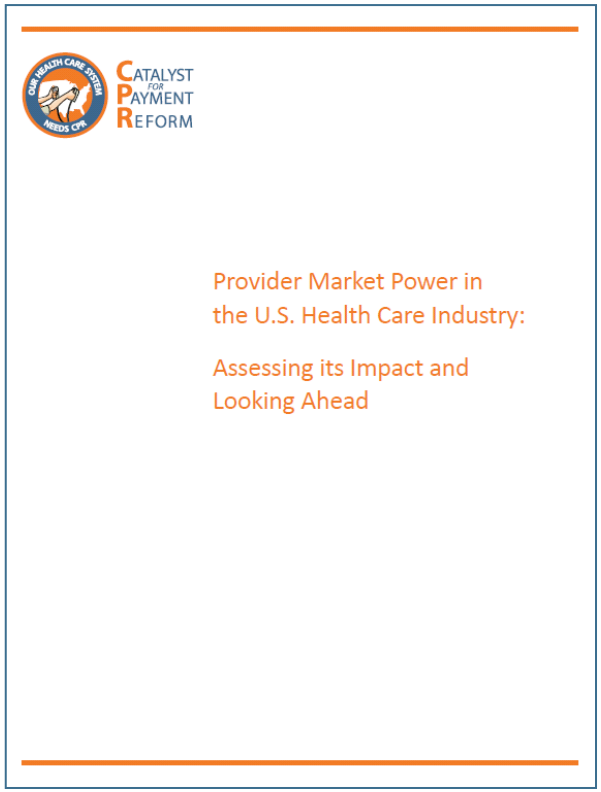
Network design, alternative sources of care:

- Limited, narrow, tiered or customized high-performance networks (e.g. Group Insurance Commission)
- Onsite, Near Site, or Mobile Clinics
- Telehealth
- Direct contracting

Provider Market Power: Bringing Issue to Forefront

Price is the leading driver of health care cost growth today





Consolidation pushes payments 3% higher nationwide

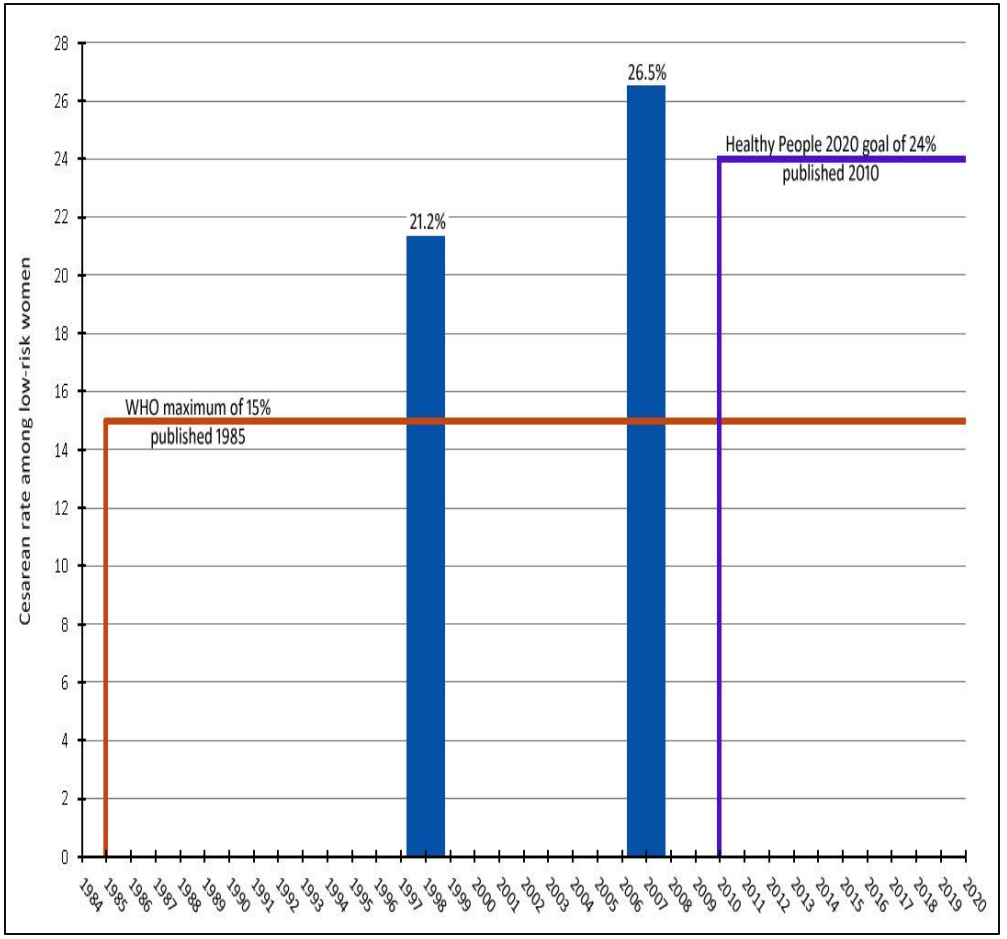
What are Purchasers Trying Today?

Payment Reform

- PCMH
- ACOs
- Bundled payment
- Non-payment for care that doesn't follow guidelines

Fix How we Pay for Maternity Care

- **Practice patterns straying from the evidence**
  - Pre-term elective births
  - Unnecessary intervention
  - Worse outcomes and higher costs
- **The way we pay today creates incentives for unnecessary intervention**
  - Need to insert right incentives
  - Blended, bundled payment
  - Non-payment for early elective deliveries



US is moving farther away from goals

What are Purchasers Trying Today?

Efforts to improve employee health:

- High-Cost Case Management Programs
- Financial Incentives for Health Improvement
- Require Employee Engagement to Receive Health Benefits

Road Map

- **Leg 1:** Discounts in return for volume
- **Leg 2:** Unfettered access, insulation from costs
- **Leg 3:** Awareness of variation and poor value, engaging consumers, transparency, creating incentives, seeking alternative sources of care

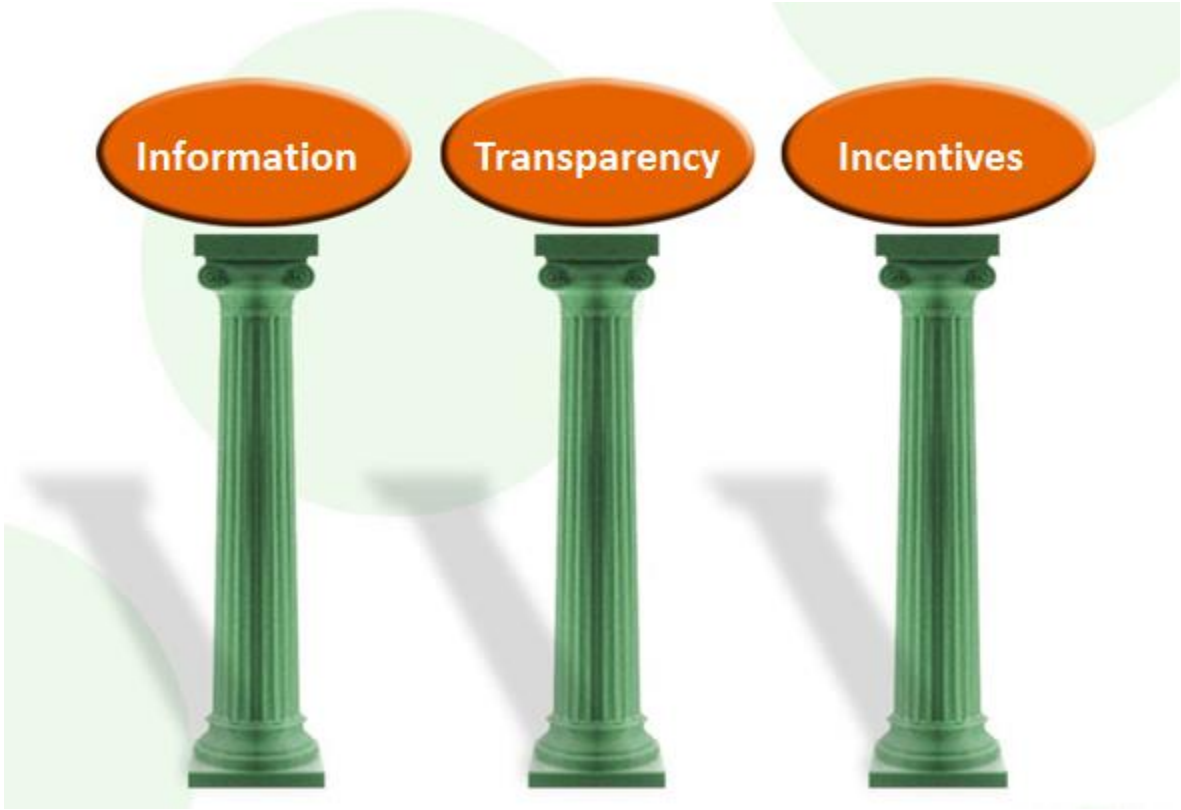
- **Leg 4:** Shaping provider and consumer behavior with a stronger market, identification of best overall value, payment varying with quality and cost, willingness to select select providers, public and private exchanges…

WHERE IS THE HEALTH CARE SYSTEM GOING? WHAT'S THE NEXT LEG OF THE JOURNEY? WHO TAKES THE WHEEL?

We are here

LOOKOUT FOR NEW OPPORTUNITIES

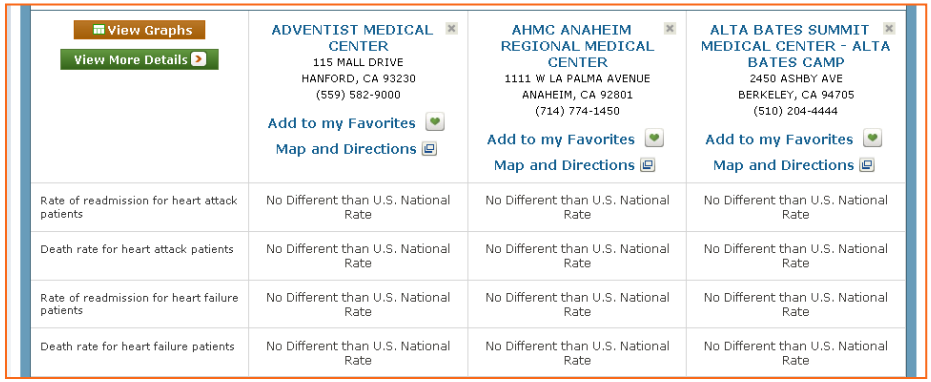
Three Pillars



Information

Huge quality variation

- Quality Measures would be different if set by purchasers: measures on areas of performance where improvement could lead to the greatest reduction in harm, with the greatest variation on quality and price, areas of greatest cost
- Instead we have measures that are easy to collect and show little variation across providers and meaningless to consumers
- But we know enough to know there are massive failures



Huge payment variation (amounts)

Table 6: Observed Prices for Selected High-Volume Maternity DRGs by Severity of Illness, 2009

APR-DRG and severity	Minimum price	Median price	Average price	Maximum price	Difference between maximum and minimum price	Ratio of maximum to minimum price
Cesarean delivery (540)						
Severity 1	$3,244	$7,598	$7,859	$15,915	$12,671	4.9
Severity 2	$2,828	$8,718	$9,338	$20,424	$17,596	7.2
Severity 3	$3,621	$11,389	$13,266	$26,018	$22,397	7.2
Severity 4	$9,600	$17,134	$19,156	$30,660	$21,059	3.2
Vaginal delivery (560)						
Severity 1	$1,810	$4,990	$5,225	$11,066	$9,256	6.1
Severity 2	$2,182	$5,692	$5,884	$12,177	$9,995	5.6
Severity 3	$2,812	$6,450	$7,656	$20,446	$17,634	7.3

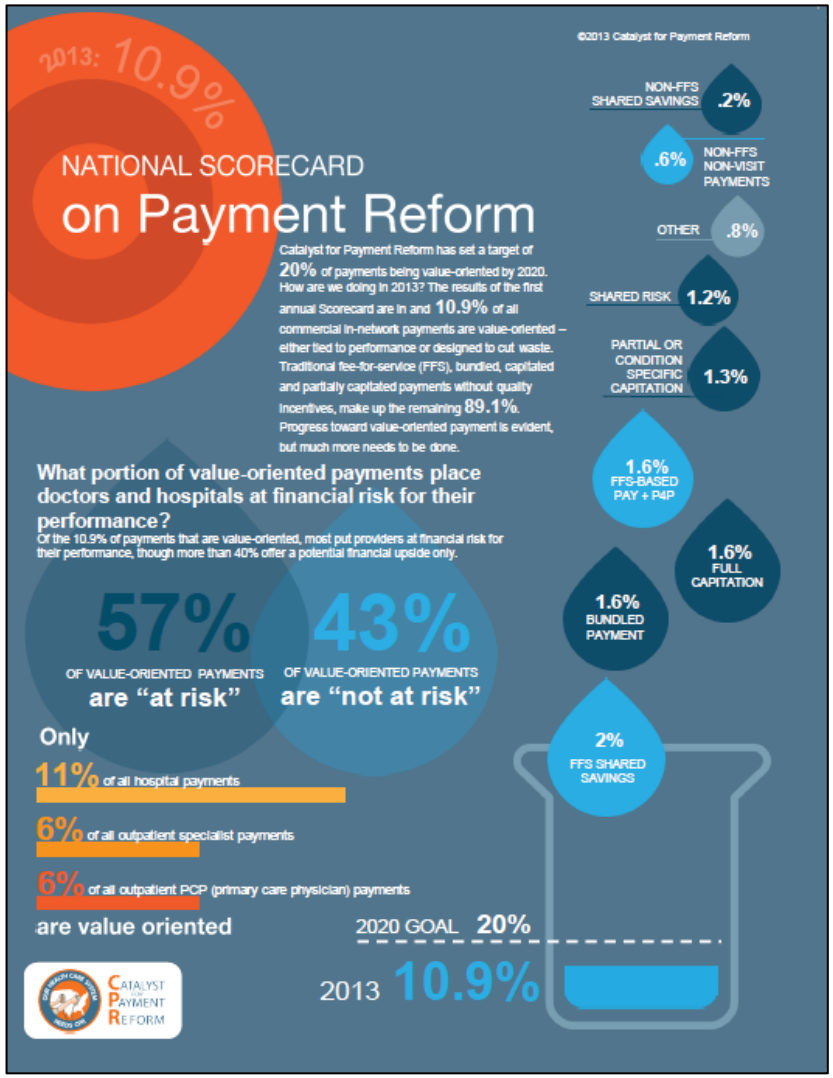
Source: Mathematica Policy Research analysis of private insured and self-insured fee-for-service claims for Massachusetts residents.

Note: Payments include patient cost-sharing in fee-for-service coverage. Payments made under managed care contracts are not included.

Huge payment variation (methods)

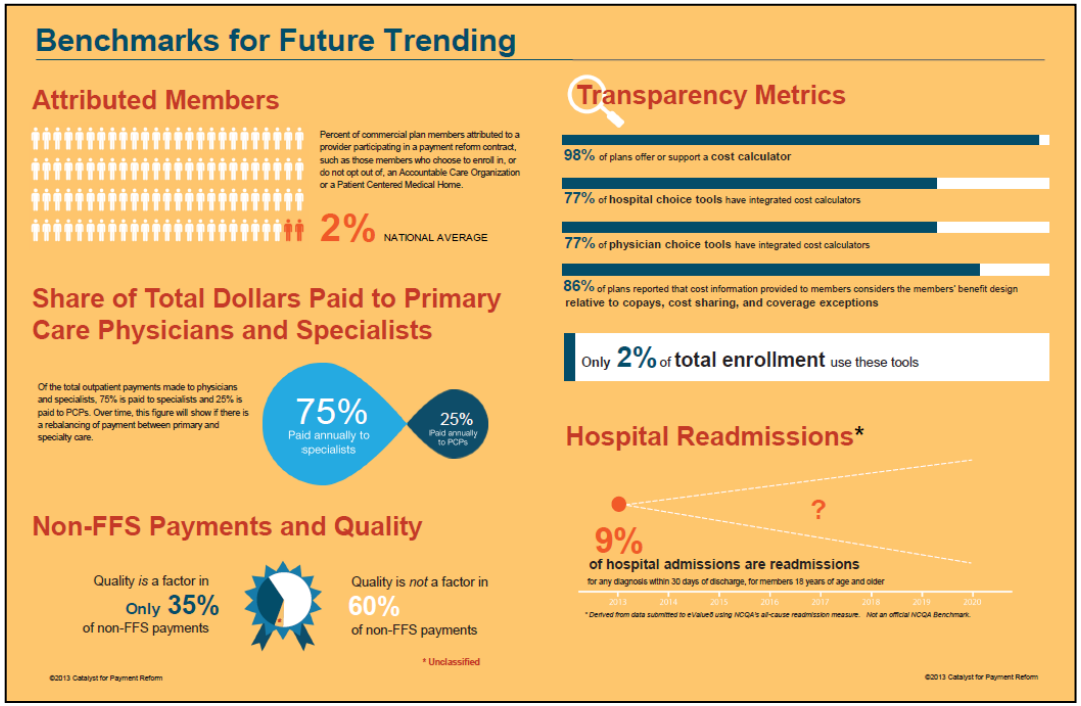
- See CPR's Scorecards…

National Scorecard on Payment Reform: Baseline



- 2010 estimate was 1-3% of payments were tied to performance
- 2013 Scorecard found 10.9% of commercial in-network payments are value-oriented
- 57% of the value-oriented payment is considered "at-risk"
- 11% of payment to hospitals is value-oriented
- 6% of outpatient specialist and PCP payment is value-oriented
- Scorecard results possibly biased upward

National Scorecard on Payment Reform: Benchmark Metrics



USA TODAY

Slow Progress On Efforts To Pay Docs, Hospitals For 'Value,' Not Volume

HealthAffairs
AT THE INTERSECTION OF HEALTH, HEALTH CARE, AND POLICY

Payment Reform: A Promising Beginning, But Less Talk And More Action Is Needed

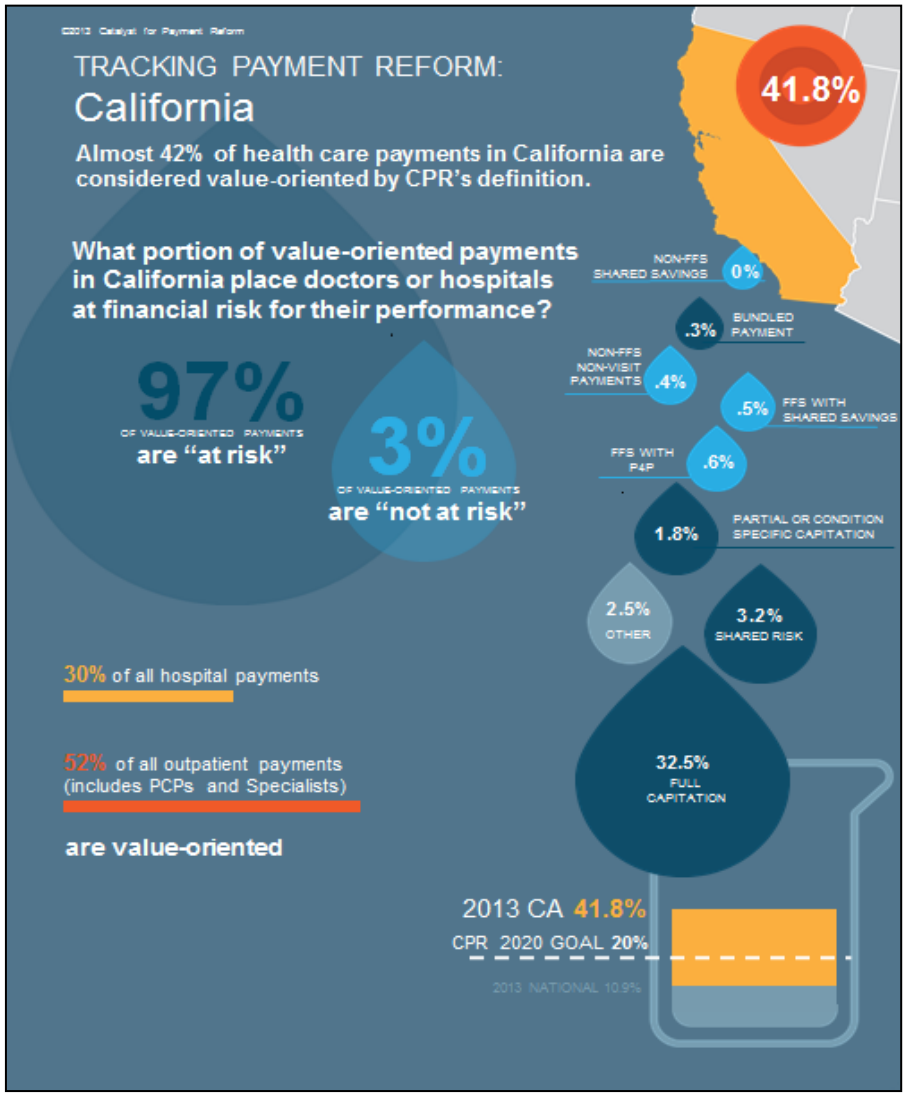
The Washington Post

How Fortune 500 companies plan to cut health costs: Act like Medicare

ModernHealthcare.com

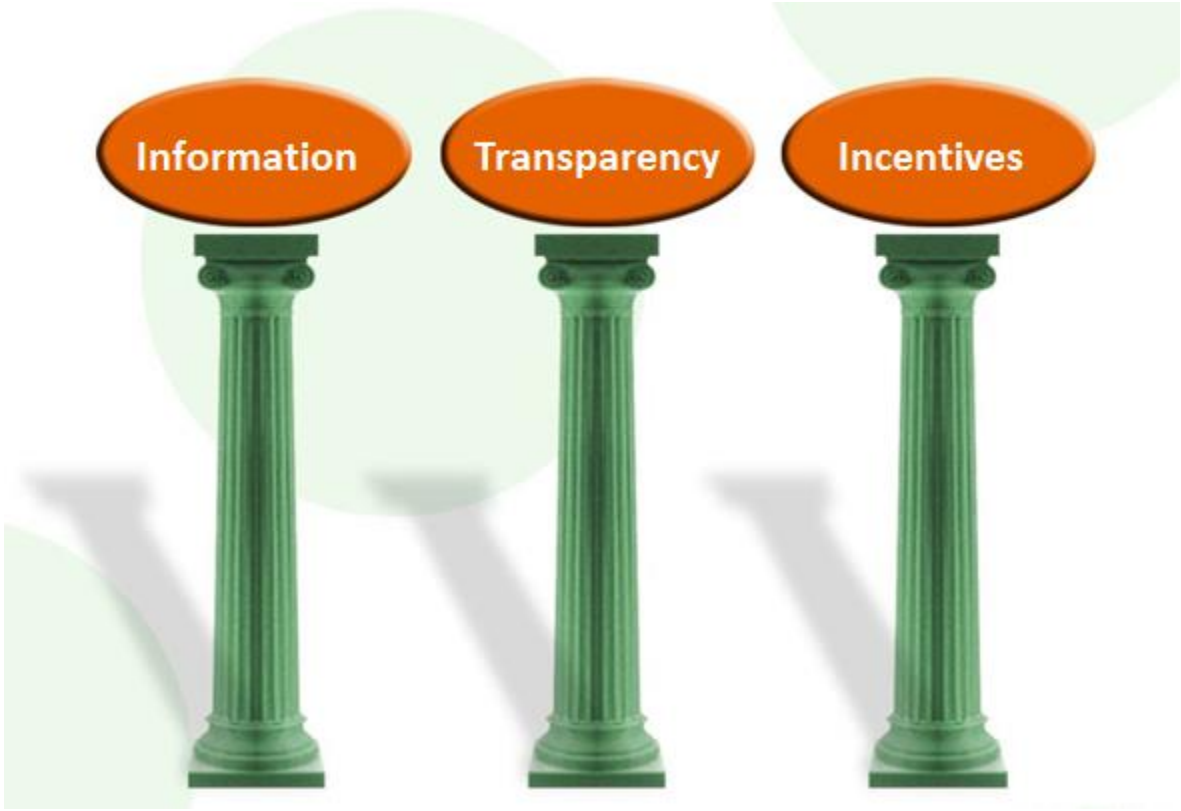
Value-based insurance plans gain momentum

California Scorecard on Payment Reform: Released 9/27/13



- 41.8% of commercial in-network payments are value-oriented
- 97% of the value-oriented payment is considered "at-risk"
- 32.5% of California's payment is capitation with quality
- 36% of commercial health plan members are "attributed"
- CA's health care spending per capita ($6,238) is 9th lowest in the nation
- But, huge variation across payers, examples of poor quality: maternal mortality, cesarean deliveries, flu vaccines and diabetes screenings
- **Where's the value in value-oriented?**

Three Pillars



Transparency

Quality Transparency

- Head start, especially for hospitals
- Voluntary efforts will fall short – Leapfrog Group

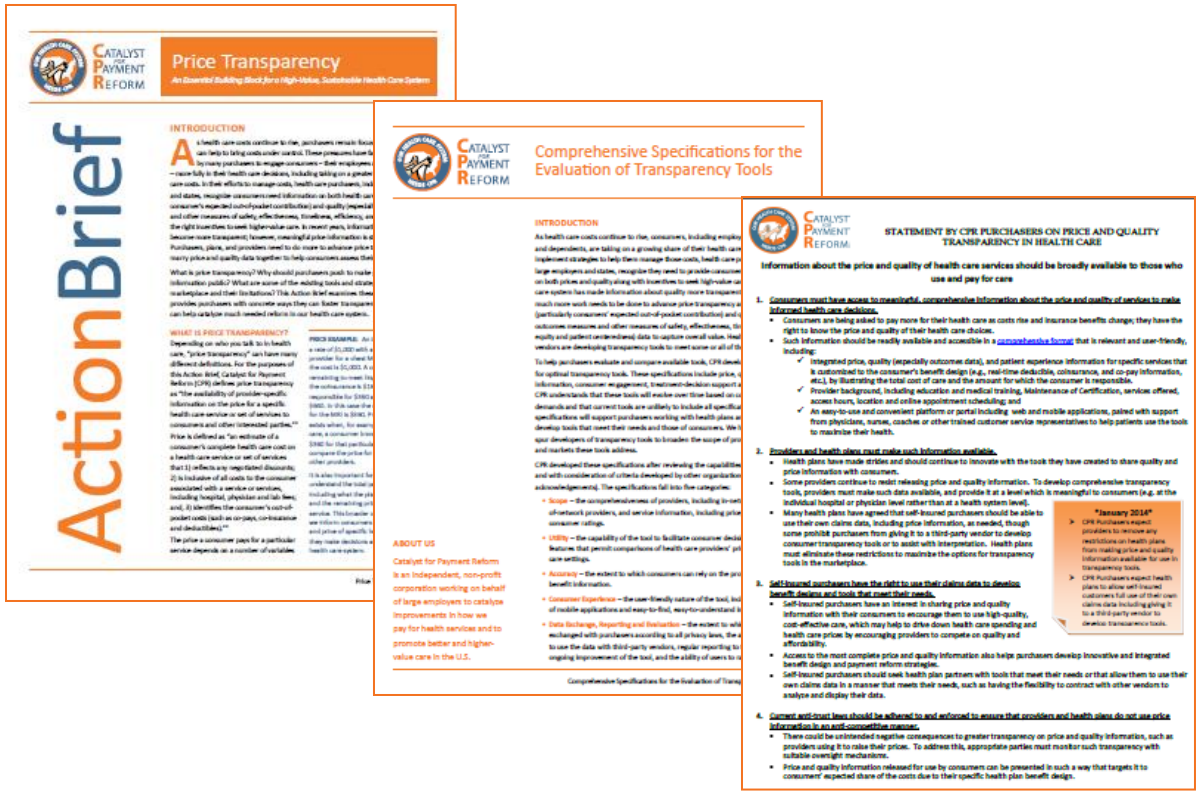
Price Transparency

- Private and public efforts (34 states with laws)
- Medicare has some tools
- Private sector competing for appetite

Best Overall Value

- Combining quality with price information
- Consumers will make the right choices

Understanding the Cost & Value of Care



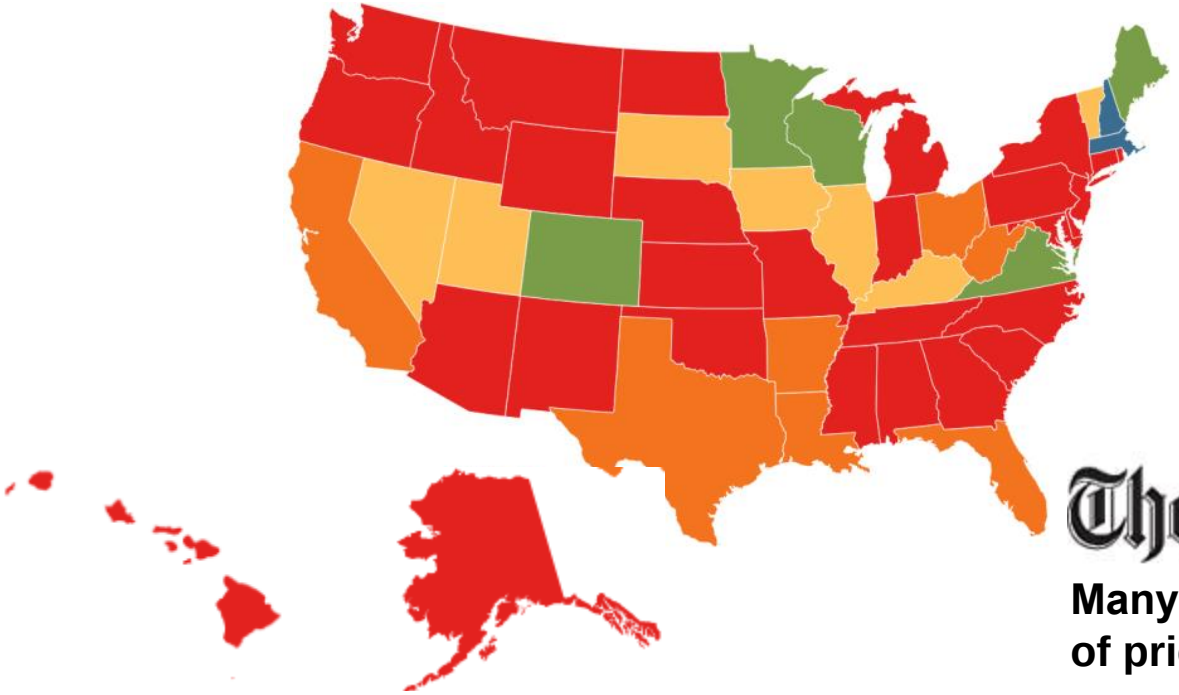
Fall 2013

Evaluation of Consumer Transparency Tools

Report on State of the Art of Transparency Tools

Updated Specifications for Transparency Tools

2013 Report Card on State Price Transparency Laws



GRADE	FROM	TO
A	60%	100%
B	50%	59%
C	40%	49%
D	30%	39%
F	0%	29%

Forbes

Health Care Prices Remain A Mystery In Most States

The Washington Post

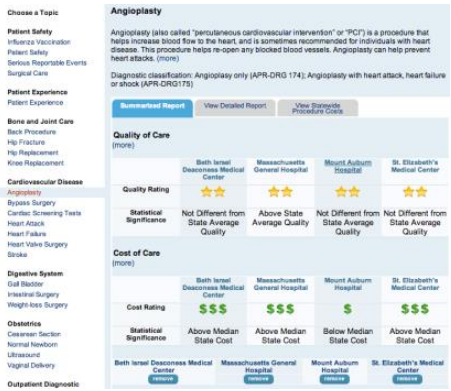
Many states don't require disclosure of prices for medical procedures

THE WALL STREET JOURNAL.

Most of U.S. flunks health price transparency test: study

Best Practices: Massachusetts

- One of only two states in the nation to receive and A grade (in addition to New Hampshire) – ***but on a scale!***
- Myhealthcareoptions – *only* most common inpatient and outpatient services and procedures and no user customization
- Will this progress or stop short here?



State	Level of Transparency	Scope of Providers			Scope of Price			Scope of Services			Grade
		Both Practitioners & Facilities	Health Care Practitioner or Facility	Subset of Either Practitioner or Facility	Both	Paid Amounts	Charges	All IP & OP	All IP or OP	Most common IP or OP	
MA	State Only	✓			✓			✓			A
	Upon Request				✓				✓		
	Report		✓				✓	✓			
	Website	✓				✓				✓	

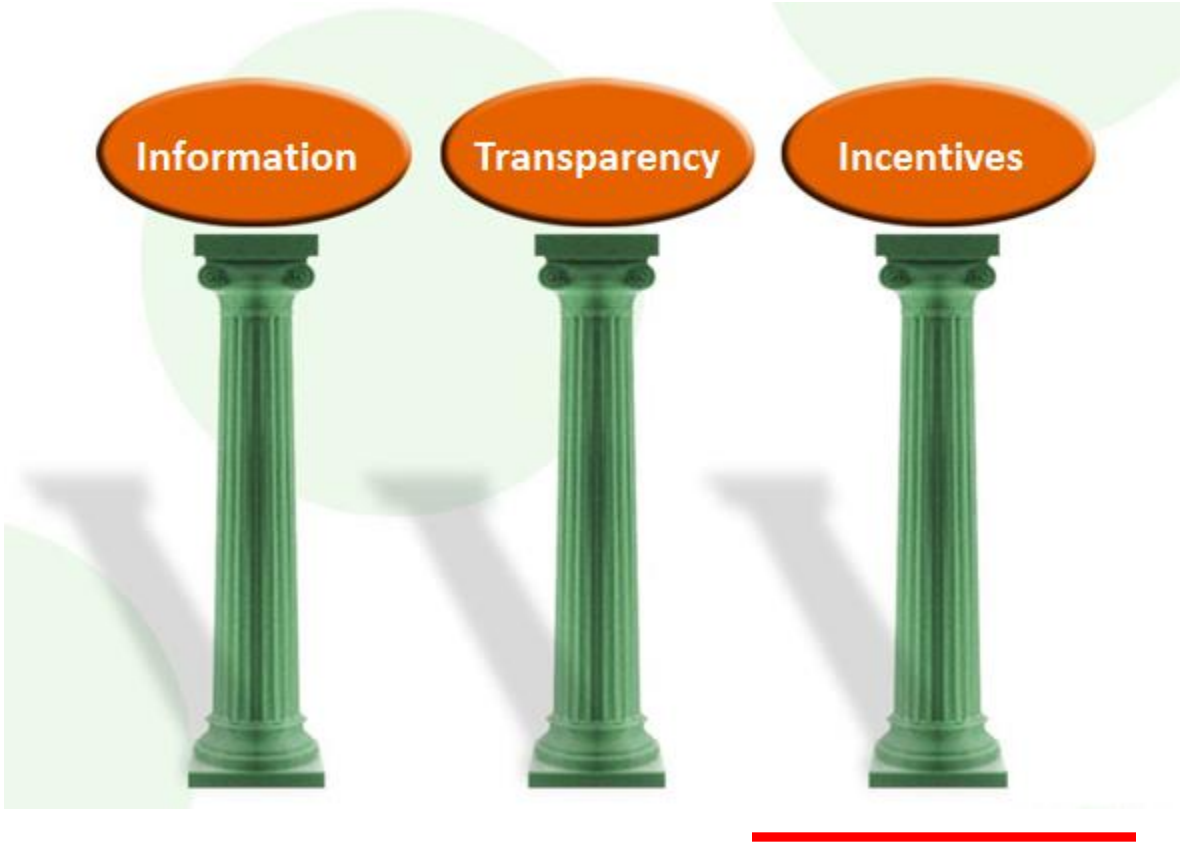
Best Practices: New Hampshire

Detailed estimates for Vaginal Birth and New Baby (inpatient)

Procedure: Vaginal Birth and New Baby (inpatient)
Insurance Plan: CIGNA, Preferred Provider Organization (PPO)
Within: 50 miles of 03301
Deductible and Coinsurance Amount: $1,500.00 / 20%

Lead Provider Name	Estimate of What you Will Pay	Estimate of What Insurance Will Pay	Estimate of Combined Payments	Precision of the Cost Estimate	Typical Patient Complexity	Contact Info
ALICE PECK DAY MEMORIAL HOSPITAL	$2342	$3372	$5714	LOW	MEDIUM	ALICE PECK DAY MEMORIAL HOSPITAL 603.448.3121
SPEARE MEMORIAL HOSPITAL	$2447	$3792	$6239	MEDIUM	VERY HIGH	SPEARE MEMORIAL HOSPITAL 603.536.1120
MONADNOCK COMMUNITY HOSPITAL	$2683	$4732	$7415	LOW	LOW	MONADNOCK COMMUNITY HOSPITAL 603.924.7191
PARKLAND MEDICAL CENTER	$2995	$5980	$8975	LOW	MEDIUM	PARKLAND MEDICAL CENTER 603.432.1500
ST JOSEPH HOSPITAL	$3054	$6219	$9273	LOW	HIGH	ST JOSEPH HOSPITAL 603.882.3000
ELLIOT HOSPITAL	$3062	$6249	$9311	HIGH	HIGH	ELLIOT HOSPITAL 603.669.5300
CATHOLIC MEDICAL CENTER	$3121	$6487	$9608	HIGH	HIGH	CATHOLIC MEDICAL CENTER 800.437.9666
CHESHIRE MEDICAL CENTER	$3218	$6876	$10094	HIGH	MEDIUM	CHESHIRE MEDICAL CENTER 603.254.5400

Three Pillars



Big Picture

There is momentum behind transforming payment to providers and incentives for consumers. . .

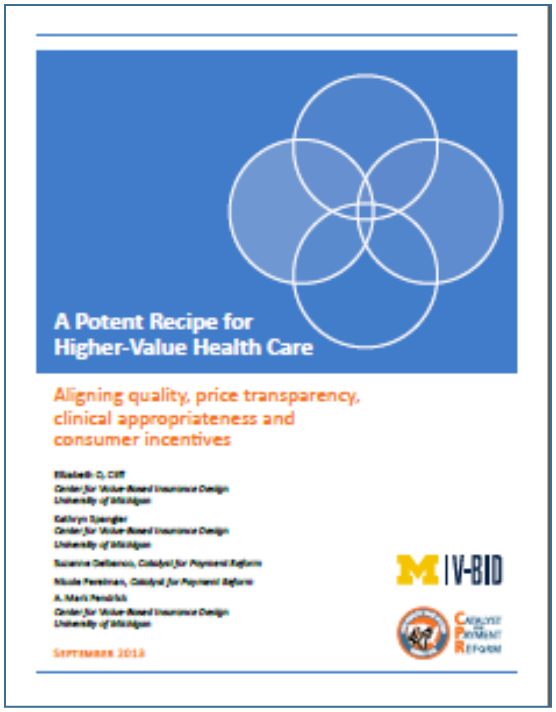
- Health Reform Included Several "Game Changers" - Some Will Take Time And They Will Be Disruptive
- Focus On Specific Models – But Is There Some 'Irrational Exuberance' At Work?
- We Still Know Very Little About What Works
- Our Current System Will Be Around For A While - And We Shouldn't Ignore It

Provider Incentives

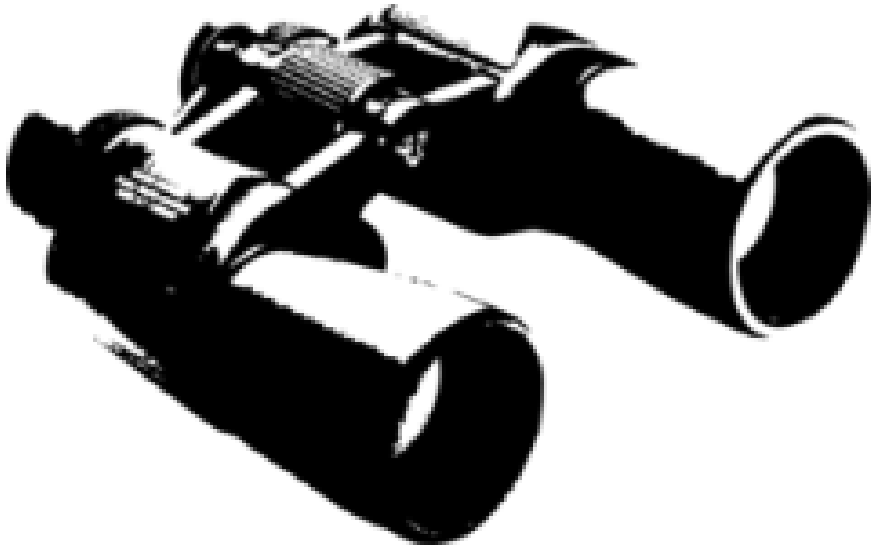
- Migration from carrots to carrots & sticks
- Any carrots have to be sustainable
- Savings don't reach the end users
  - Many approaches being modeled, but translation of savings to purchasers and affordability hasn't happened – at the end of the day, it's about the price
- Competition can be its own incentive

Consumer Incentives

- Information must be paired with incentives
- Examples: Reference pricing, select provider networks, centers of excellence, value-based insurance design
- With the right information, consumers will choose a high-quality provider (defined as lowest price with best quality) 80 to 90 percent of the time



All Eyes on Massachusetts



Questions to Ponder

- How will the patient experience change over the next 5-7 years as a result of these trends?"
- How will provider behavior change as they are increasingly at financial risk for their performance on cost and quality?
- What will be the role of the health insurer?
- Will employers use their potential leverage to drive reforms to make health care higher-quality and more affordable?

What could shift the current direction of reforms?

Contact

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