Making Health Care Sustainable: Using Value-Based Care to Transform Patient Outcomes and Minimize Costs

PAUL D HAIN, MD, FAAP
February 23, 2017
OUR PURPOSE

To do everything in our power to stand with our members in sickness and in health.
Agenda

- Introduction to value-based care
- Understanding how costs impact value-based care
- Helping patients avoid unnecessary health care costs
- How human behavior plays a role
Fueled by the nation’s largest network, we are leading the shift to outcomes-based health care, while continuing to drive greater value out of fee-for-service.
# Payment Methodologies

<table>
<thead>
<tr>
<th>Per Diem</th>
<th>Percent of Charges</th>
<th>DRG (Diagnosis Related Groups)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital gets a set fee per day that the patient is in the hospital (different for floor vs ICU)</td>
<td>Hospital gets a negotiated percent of the billed charges (chargemaster)</td>
<td>Hospital gets a bucket of money based on the diagnosis of each admission</td>
</tr>
</tbody>
</table>

**Incentives**
- Admissions: Increase
- LOS: Increase
- Costs: Decrease
- Admissions: Increase
- LOS: Increase
- Costs: Decrease
- Admissions: Increase
- LOS: Decrease
- Costs: Decrease
New Payment Structures

• Pay For Performance (P4P)
  – Negotiate targets for quality, efficiency or both

• Shared Savings
  – Set target goals based on actuarial assessments of populations, group gets a share of the amount of money below the target

• Accountable Care Organization (ACO)
  – Group of physicians/providers/facilities who agree to be responsible for the total care of a population
  – Incentives aligned so that spending less (fewer admissions) results in a gain to the group
Value Creation in New Models

Continuum of Payment Models

Fee-for-Service → Pay for Performance → Bridges to Excellence → Our Medical Home Approaches: EMH & IMH → Episodes of Care → Accountable Care Organization → HMO Global Payment

Provider Accountability (cost & quality)
Our Accountable Care Organizations

Midland
- Integrated ACO*

El Paso
- National ICN, Inc. (Tenet)

Kerrville
- Hill Country Accountable Care Organization, LLC*

San Antonio
- Christus Connected Care Network*
- Integrated ACO*
- National ICN, Inc. (Tenet)
- RGV ACO Health Providers, LLC*
- UPSA ACO, LLC

Lubbock
- Covenant Health Partners*

Dallas/Ft. Worth
- Catalyst Health Network
- National ICN, Inc. (Tenet)
- Patient Physician Network Holding Company LLC.*
- Premier PHC Physician Group, Inc.*
- Texas Health Resources (THR)
- TXCIN
- USMD Physician Services*

East Texas
- Christus Connected Care Network*
- East Texas Regional Accountable Care Collaborative, LLC

Houston
- Houston Regional Accountable Care Organization, LLC
- Memorial Hermann Accountable Care Organization
- National ICN, Inc. (Tenet)
- Platinum Physician Associates
- PracticeEdge Alliance ACO LLC.
- Renaissance Physician Organization
- Village Practice Management
- The University of Texas Medical Branch at Galveston*

Rio Grande Valley
- National ICN, Inc. (Tenet)
- Osler Medical Group ACO, LLC*
- RGV ACO Health Providers, LLC*
- Valley Organized Physicians, LLC*

Laredo
- Seven Flags ACO LLC*

* Denotes new ACOs
Texas ACO Program Results

In 2015, 8 out of 9 Texas Accountable Care Organizations had lower costs when compared to the market. All 9 programs exceeded their quality targets and achieved better patient outcomes.

$6.9M AGGREGATE PROGRAM SAVINGS

$5.8 PMPM SAVINGS

ACOs exceeded 86% of their quality targets including the following metrics:

Select Program Results for Inpatient Acute Hospital

<table>
<thead>
<tr>
<th>Metric</th>
<th>Avg percent above target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breast Cancer Screening</td>
<td>8%</td>
</tr>
<tr>
<td>Cervical Cancer Screening</td>
<td>7%</td>
</tr>
<tr>
<td>Colorectal Cancer Screening</td>
<td>9%</td>
</tr>
<tr>
<td>HbA1c Testing</td>
<td>8%</td>
</tr>
</tbody>
</table>

19.2% REDUCTION IN ER VISITS

8.9% LOWER Average Length of Stay
Common challenges in value-based care

- Effective data sharing and usage
- Poorly structured data
- Cultural barriers
- Cost control
- Patient engagement
- Effective integration

Source: Phillips Wellcentive, August 9, 2016
Understanding how costs impact value-based care
Beware of ACOs in Name Only

Hospital A

$2,000 per member per year;
Attracts 500 employees of company XYZ

Total costs = $2,000 x 500 = $1 M

New ACO to cut 10% costs

$1,800 per member per year;
Attracts 800 members

Total costs = $1,800 x 800 = $1.44 M

Hospital B

$1,000 per member per year;
Attracts 500 XYZ employees

Total costs = $1,000 x 500 = $0.5 M

Total Cost

$1.5M

$1.64M
The Impact of Hospital Consolidation

Robert Wood Johnson Foundation Study

Key Findings:
• Hospital consolidation generally results in higher prices
• Hospital competition improves quality of care
• Physician-hospital consolidation has not led to either improved quality or reduced costs
Average Total Cost of Care Per Member by Type of Physician Practice

<table>
<thead>
<tr>
<th>Type of Physician Practice</th>
<th>Average Cost Per Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician Owned</td>
<td>$2,909</td>
</tr>
<tr>
<td>Local Hospital Owned</td>
<td>$4,082</td>
</tr>
<tr>
<td>Multihospital System Owned</td>
<td>$4,485</td>
</tr>
</tbody>
</table>

The physician centric model will consist of the following key elements:

- Relationship with Texas Medical Association (TMA) to efficiently reach a critical mass of independent physicians
- Enables Regional ACOs’ participation in value-based care delivery
- JV between TMA and BCBSTX
- Powered by Innovista
- Aggregate independent physicians into regional ACOs to participate in value-based arrangements
- Support via enhanced provider agreement
- Three tiered structure

Strategic Investment

- Multi-year strategic investment to provide operational and financial support to independent physicians
- Provide them with a more desirable alternative than alignment with IDNs or competitors
Zooming in on an individual physician provides insight into who that physician connects with and how the efficiency of their connections impacts their efficiency.

<table>
<thead>
<tr>
<th>Node Color</th>
<th>Efficiency Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>75% - 100%</td>
</tr>
<tr>
<td>Med-High</td>
<td>50% - 75%</td>
</tr>
<tr>
<td>Med-Low</td>
<td>25% - 50%</td>
</tr>
<tr>
<td>Low</td>
<td>0% - 25%</td>
</tr>
</tbody>
</table>
Helping patients avoid unnecessary health care costs
So What Are the Main Drivers of Cost?

It's The Prices, Stupid. Why The United States Is So Different From Other Countries

Medical Mergers Are Driving Up Health Costs

Obesity Now Costs Americans More In Healthcare Spending Than Smoking

$1,000-a-Pill Sooladi Jolts US Health Care System

How the U.S. Health-Care System Wastes $50 Billion Annually
Prices Are Too High

Health Care Costs = Utilization x Cost/Unit
Price Transparency For MRIs
Increased Use Of Less Costly Providers And Triggered Provider Competition

Adjusted Cost Per Magnetic Resonance Imaging (MRI) Scan In Intervention And Reference Groups, 2010 And 2012

- Expected cost
- Intervention group
- Reference group

$220 (net impact)
The cost of a knee MRI in Dallas ranges from:

A. $300-$600
B. $700-$3,000
C. $500-$800
D. $400-$2,000
E. $600-$1,000
Transparency Tools

Find a Cost

- Primary care visit - new patient
  - New patient visit to a primary care physician

- Knee replacement
  - Knee replacement surgery for one knee performed in a hospital

- Physical therapy visit
  - Initial physical therapy consultation

- ACL repair by arthroscopy
  - Repair of a torn ACL by arthroscopy

- Specialist care visit
  - Consultation with a dermatologist, orthopedist, cardiologist etc.

- MRI of the brain with and without contrast
  - MRI of the brain performed as an outpatient procedure

Or, search for a procedure:
Transparency Tools
Transparency Tools

MRI (without and with Contrast) Neck Spine

Estimated cost to you: $508—$1,411
Expected cost to your employer: $0—$3,060

Cost Overview

Cost Estimate for MRI (without and with Contrast) Neck Spine

- $864 Your estimated cost
- $868 Your employer's expected cost

Total cost: $1,732

See breakdown of your cost
Are these ERs or Urgent Care Centers?
The answer matters.
Explosion of Free-Standing ERs

- **50%** of the USA’s Free-standing ERs are in Texas
- **75%** Overlap in services between FSEDs and UCC
- **10X** Service Costs are 10X that of Urgent Care
## Where You Go Matters – Top 10 Dx

### Average Cost to Treat (per claim)

<table>
<thead>
<tr>
<th>Diagnosis</th>
<th>Hospital ER</th>
<th>Freestanding ER</th>
<th>Urgent Care Clinic</th>
<th>Retail Clinic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headache</td>
<td>$2,214</td>
<td>$2,472</td>
<td>$170</td>
<td>$80</td>
</tr>
<tr>
<td>Urinary Tract Infection, Site</td>
<td>$1,987</td>
<td>$1,579</td>
<td>$151</td>
<td>$66</td>
</tr>
<tr>
<td>Other and unspecified, Site</td>
<td>$2,527</td>
<td>$2,729</td>
<td>$158</td>
<td>$77</td>
</tr>
<tr>
<td>Acute Bronchitis</td>
<td>$1,298</td>
<td>$1,611</td>
<td>$175</td>
<td>$77</td>
</tr>
<tr>
<td>Acute Upper Respiratory Infection</td>
<td>$872</td>
<td>$1,127</td>
<td>$162</td>
<td>$82</td>
</tr>
<tr>
<td>Dizziness and Giddiness</td>
<td>$2,696</td>
<td>$3,026</td>
<td>$167</td>
<td>$70</td>
</tr>
<tr>
<td>Acute Pharyngitis</td>
<td>$888</td>
<td>$1,331</td>
<td>$166</td>
<td>$86</td>
</tr>
<tr>
<td>Nausea with Vomiting</td>
<td>$2,257</td>
<td>$2,126</td>
<td>$169</td>
<td>$77</td>
</tr>
<tr>
<td>Unspecified Essential Hypertension</td>
<td>$1,872</td>
<td>$2,024</td>
<td>$142</td>
<td>$63</td>
</tr>
<tr>
<td>Lumbago</td>
<td>$1,482</td>
<td>$1,814</td>
<td>$159</td>
<td>$66</td>
</tr>
</tbody>
</table>
Increase in Free-Standing ERs

Data shows 2012-2016.
FSERs are Located in Affluent Areas

Source: Texas Department of Health Services and Census Bureau
FSER Cost by Network

Increased Out Of Network Costs

INN  OON

2012  $26,100,511
2013  $67,861,532
2014  $130,120,413
2015  $195,107,049
How human behavior plays a role
Many of the Costs Driven by Behavior

- Obesity: $190 Billion per year
  - 25% of all Americans got NO exercise in the last month
- Diabetes: $176 Billion per year
  - A non compliant diabetic costs $11,000 more per year than a compliant one
- Smoking: $170 Billion per year
Incentive Research

- People feel loss twice as much as they feel gain.
- Reframing a question in terms of a loss instead of a gain changes the response.
Does Loss Aversion Apply in Health Care Decision Making?
# The Mug Experiment

<table>
<thead>
<tr>
<th>Class A</th>
<th>Given a coffee mug at the beginning of class, and then at the end of class, offered to switch mug for a bar of Swiss chocolate.</th>
<th>89%</th>
<th>Chose Coffee Mug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class B</td>
<td>Given a bar of Swiss chocolate at the beginning of class, and then at the end of class, offered to switch for the mug.</td>
<td>10%</td>
<td>Chose Coffee Mug</td>
</tr>
<tr>
<td>Class C</td>
<td>Offered the choice between a coffee mug and a bar of Swiss chocolate at the beginning of class.</td>
<td>59%</td>
<td>Chose Coffee Mug</td>
</tr>
</tbody>
</table>

Kahneman, *Thinking Fast and Slow*, 2011
Disincentives drive HIGHEST management rates*

41% 2x 1x 6%
Disincentive Incentive No Incentive

The management rate compared to no incentive

4x more eligible pregnancies are managed by the Special Beginnings® program for accounts with mandatory participation vs. incentives

*Management Rate = Total members enrolled or managed / Total estimated deliveries
Questions?