



Multi-Stakeholder Health Care Payment Reform in California

January 31, 2013

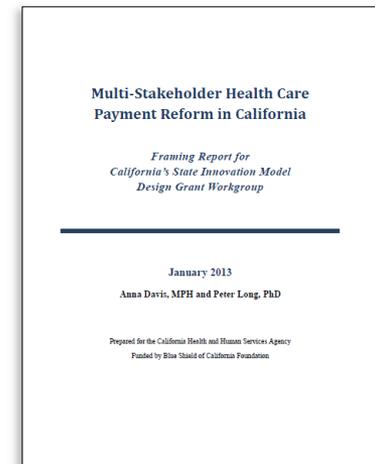
Welcome

Diana S. Dooley, Secretary,
California Health and Human Services
Agency

Agenda

1) Present framing report on payment reform in California

- Groundwork for California's six-month State Innovation Model (SIM) design grant
 - Establish foundational knowledge and common language
 - Profile possible approaches to payment reform
 - Frame key issues and considerations



2) Respond to comments and questions

3) Next steps

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Acknowledgments

- California Health and Human Services Agency
- Blue Shield of California Foundation
- Key Informants

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Framing Report: Multi-Stakeholder Health Care Payment Reform in California

- Set the stage for California's SIM Design Grant process
- Establish a shared understanding of payment reform and a common set of resources.
 - Typology characterizing methods of provider payment
 - Descriptions of past and current examples of payment and delivery system reforms in the U.S. and review existing evidence
 - Initial considerations for California's Design Grant workgroup

Why Payment Reform?

- Unsustainable health care cost growth
- Current health expenditures produce limited value and limit spending in other critical areas
- Strong national interest under the Affordable Care Act and the Triple Aim:
 - Improving health
 - Improving health care
 - Lowering health care costs



The State Innovation Model (SIM): An Opportunity to Innovate

- Center for Medicare and Medicaid Innovation opportunity for state-led reform that will transfer the “preponderance of care” in the state to models that reward value and have potential to reduce costs and improve quality
 - New payment methodologies
 - Strategies to improve population health
- California applied for a 6-month SIM design grant
- May lead to a 3-year model testing award
 - Model should produce savings during this phase

California's Context

- Let's Get Healthy California (LGHC)
 - Report goals, priorities, indicators will serve as the basis for State Health Care Innovation Plan
 - Workgroups are being organized around each goal
 - Recommendations will be included in the State Health Care Innovation Plan
- LGHC Goal 6: Lowering Health Care Costs
 - Constrain health care spending growth to the rate of general growth in GDP by 2022
 - Focus on maximizing the value of existing expenditures
 - Change how we pay for care



Multi-Stakeholder Collaboration

- CMMI requires participation of public and private payers/purchasers
 - Must reach “preponderance of care”
- Multi-purchaser approach may increase impact
 - Diversity of provider contracts
 - Administrative complexity
 - Short- vs. long-term incentives
- Goal: identify a model that can achieve broad adoption
 - Reward value over volume and reduce administrative waste



A Typology of Health Care Payment Strategies

Premise of Payment Reform

- All health care payment systems create incentives for providers and/or consumers
- Re-structuring or targeting provider payments can reshape incentives to maximize value
- There are innumerable ways to structure health care expenditure reforms
 - Limited core array of possible strategies and tools
 - Typology of payment strategies to organize possible approaches

Three Payment Domains

1. **Base Payments**

- Core way health care services are reimbursed
- Payments can be for services or people
- Central driver of provider incentives

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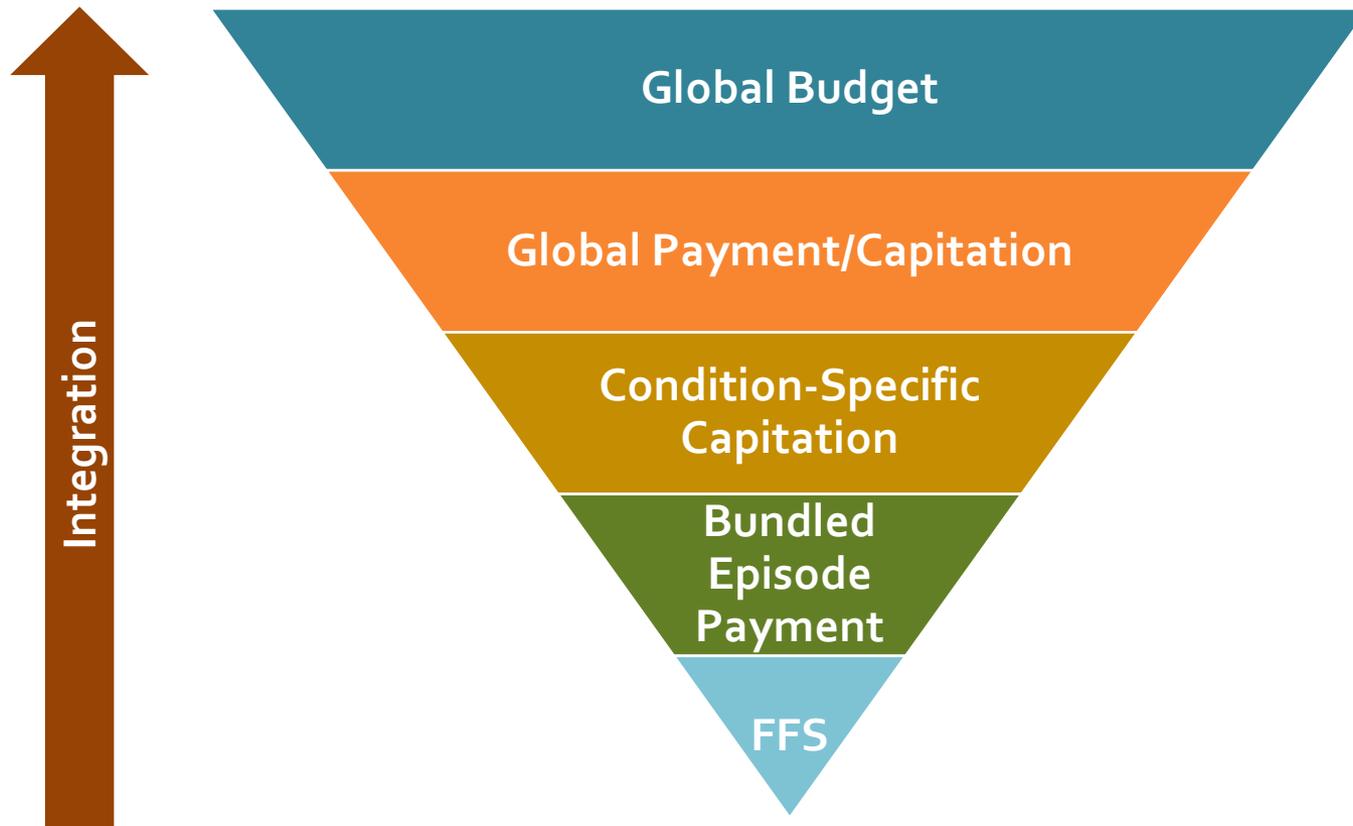
2. **Complementary Strategies**

- Adjust the base payment to achieve secondary aims
- Create/strengthen incentives for providers and/or consumers

3. **Population Health Investments**

- Redirect, restructure, or unify existing prevention and wellness expenditures for population-level outcomes
- Focuses on non-clinical services/expenditures

Base Payment Models



Complementary Strategies

Two general approaches to modify incentives

Adjust Payments

- Shared savings/shared risk
- Enhanced payment for additional services
- Pay-for-performance
- Provider warranty

Provide Information

- Reference pricing
- Tiered or limited networks
- Value-based insurance design
- Technology assessment/evidence-based purchasing
- Performance reporting

Investments to Improve Health Outcomes at a Population Level

- Maximize impact of existing investments in non-clinical prevention and wellness services
- Key possible approaches
 - Global Budgets
 - Wellness Trusts
 - Social Impact Bonds
 - Community Health Collaborative/
Health in All Policies model



Question for the Audience

Given the aims of the SIM and Let's Get Healthy California, which of these three types of payment reform interests you the most?

1. Changes to base payment models
2. Changes based on supplemental strategies
3. Population health initiatives

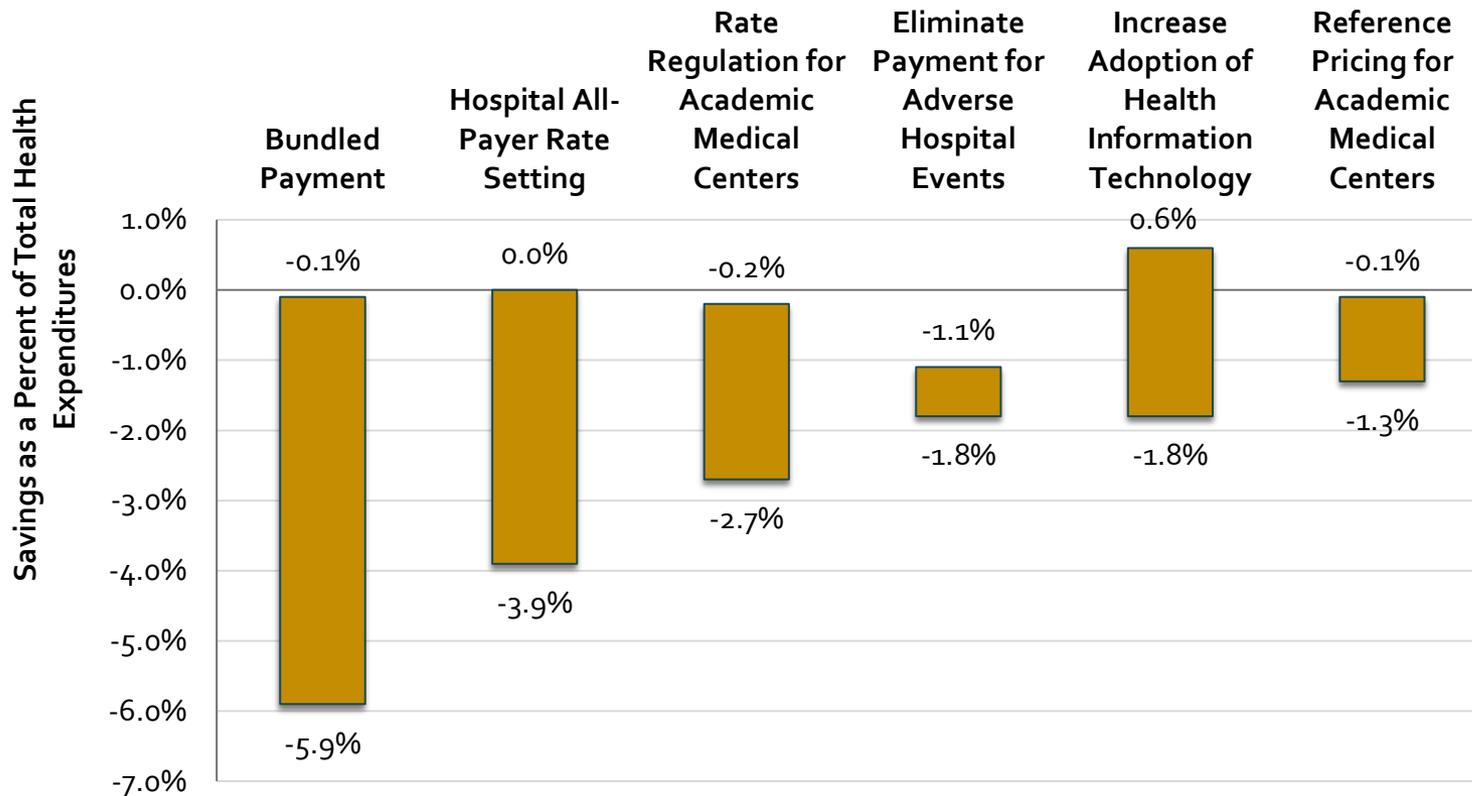
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Evidence and Examples: Payment Reform Initiatives

Do Payment Reforms Save Money?

- The evidence base to date is thin
 - Variations in strategy design/implementation
 - Combined approaches
 - Limited independent evaluation
- Models are very sensitive to implementation strategies
 - Small adjustments can create savings
- SIM initiative aims to establish effectiveness

Best-case Scenario: Estimated Savings Over Ten Years



Source: Eibner, C., et al., *Controlling Health Care Spending in Massachusetts: An Analysis of Options*, 2009. The Rand Corporation.

Payment Reforms Around the Nation

- Growing number of well-known initiatives
 - Most sponsored by CMS or private sector
 - Few are implemented across all purchasers
 - Many are in early stages or still under development
- Some approaches are more common
 - Bundled episode payment
 - Shared savings/shared risk
 - Enhanced payment – medical home
 - Pay-for-performance
 - Benefit design approaches
- Framing report catalogs examples of specific initiatives



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Considerations for California

California's Health Care Environment

- Distinct regional markets
- Dominant providers in each market
- High HMO enrollment with regional variation
 - Declining trend with movement toward PPO models
- Five dominant commercial payers
 - Kaiser, Anthem Blue Cross, Health Net, Blue Shield, and United Healthcare
- Large rural areas

Sources:

California HealthCare Foundation, *California Health Care Market Report 2006*.

California HealthCare Foundation, *California Health Care Almanac: California Health Plans and Insurers*, 2011.

Defining Savings in a Multi-Stakeholder Framework

- Savings can be achieved at many levels
 - Individual patient
 - Provider/organization
 - Payer/purchaser
 - Regional
 - State
- Workgroup must establish a clear savings goal
 - How “savings” are defined will impact design and implementation
 - Definition must be broad enough to avoid cost-shifting

Market Consolidation and Regulatory Structure

- Existing lack of competition in some markets
 - Consolidation can create undue leverage, drive higher costs
 - Reform might push providers to further integrate
- Dual goals of increasing integration and coordination while controlling market leverage
- Analysis of regulatory framework should be completed once candidate payment reform models are selected

Question for the Audience

Which of the following is the most important consideration in assessing the state's readiness for payment reform?

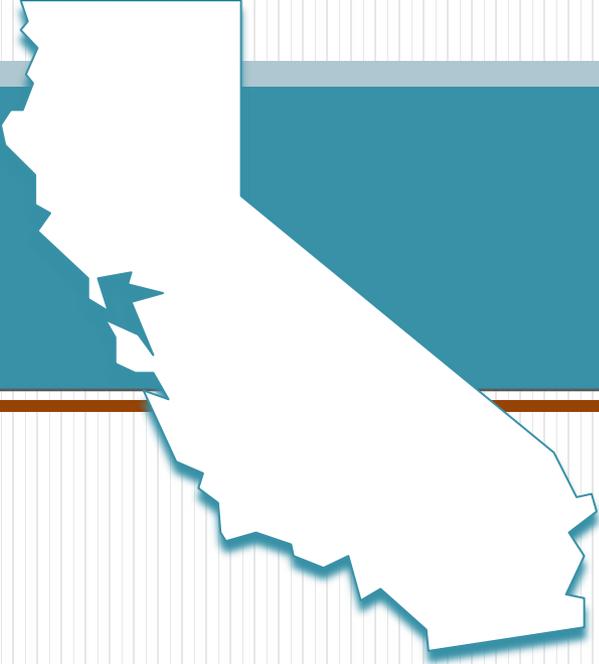
1. Health IT infrastructure among providers
2. Provider capacity/supply
3. Access and delivery system factors in rural areas
4. Payer/Purchaser administrative capacity
5. Provider integration

Stakeholder Input

- Solicited public input on payment reform concepts
 - 23 responses received
 - Payment models receiving the most frequent interest:
 - Enhanced Medical Home Payments (18), Capitation (11), Wellness/Population Health (11), Pay-for-performance (10), Shared Savings/Accountable Care (9)
 - Strong support for a multi-payer framework
 - Medi-Cal, Medicare, Commercial payers, Covered California, Employers, Unions, CalPERS, Counties, and others
- Input will be reviewed and considered by workgroups

Summary of Key Points

- Multi-payer approach is critical
- Possible approaches to payment reform are diverse; there is no clear choice
- California must identify a strategy that can achieve broad adoption in public and private sectors
- SIM testing phase is time-limited
 - Current focus must be near-term savings
 - Long-term system reform is needed
 - Coordination across payers can maximize changes to provider behavior in the testing period



Questions?



Next Steps

Patricia E. Powers

State Health Care Innovation Plan
Let's Get Healthy California
The Triple Aim
Better Health · Better Care · Lower Costs

1. Healthy Beginnings:
Laying the Foundation for a
Healthy Life

Co-Leads:

- Children Now
- Service Employees International Union – United Healthcare Workers West

2. Living Well:
Preventing and Managing
Chronic Disease

Co-Leads:

- California Primary Care Association
- Kaiser Permanente
- Pacific Business Group on Health

3. End of Life:
Maintaining Dignity and
Independence

Co-Leads:

- California HealthCare Foundation
- Coalition for Compassionate Care of California

4. Redesigning the Health System:
Efficient, Safe, and Patient-Centered Care

Co-Leads:

- California Association of Physician Groups
- California Association of Public Hospitals and Health Systems
- University of California Center for Health Quality and Innovation

5. Creating Healthy Communities
Enabling Healthy Living

Co-Leads:

- California State Association of Counties
- The California Endowment

6. Lowering the Cost of Care:
Making Coverage Affordable and
Aligning Financing to Health Outcomes

Co-Leads:

- California Health and Human Services Agency
- Integrated Healthcare Association

Ways to get involved

- Upcoming Webinar: A New Vision for California's Healthcare System: Integrated Care with Aligned Financial Incentives
 - Dr. Steve Shortell will be presenting modeling for possible payment reform solutions
 - February 28th from 9:30-11:00
 - Look for a forthcoming invitation
- Sign up for the listserv: Send an email with “Subscribe” in the title and your name, title and organization in the body of the text to innovate@chhs.ca.gov
- Participate/listen in to work group meetings and periodic stakeholder webinars

Thank you for your participation!

- Please periodically check the Payment Reform Innovation website for additional information on upcoming events:
<http://www.chhs.ca.gov/Pages/PayRefInnovat.aspx>