HEALTHY CALIFORNIA FOR ALL

Accessible, Affordable, Equitable, High Quality, Universal

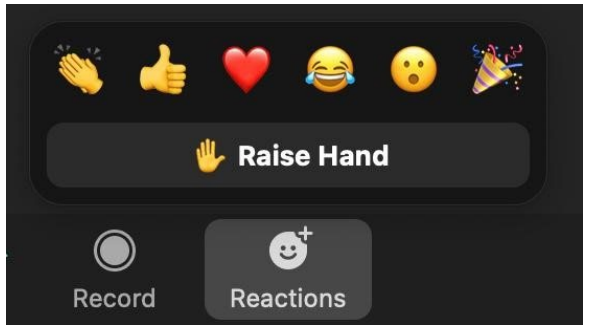
Virtual Commission Meeting

October 11, 2021

Virtual Meeting Protocols

HEALTHY CALIFORNIA FOR ALL

- This meeting is being recorded.
- Commissioners:
  - You have the ability to mute and unmute and the option to be on video.
  - Please mute yourselves when you are not speaking.
  - To indicate that you would like to speak, please use the “raise hand” feature:



- Members of the public:
  - You can listen to and view the meeting.
  - During the public comment period, you will have access to the “chat” feature for written comment, and you can use the “raise hand” feature to request to speak. You can also email comments to HealthyCAforAll@chhs.ca.gov.
  - Public comment provided during the meeting will be a part of the public record.

Opening Remarks

Mark Ghaly, MD, Commission Chair and Secretary of California Health and Human Services Agency

Today's Agenda

HEALTHY CALIFORNIA FOR ALL

- Updates on next steps and remaining meetings
- Explore how provider payments could be structured within a system of unified financing

Upcoming Meetings and Next Steps

HEALTHY CALIFORNIA FOR ALL

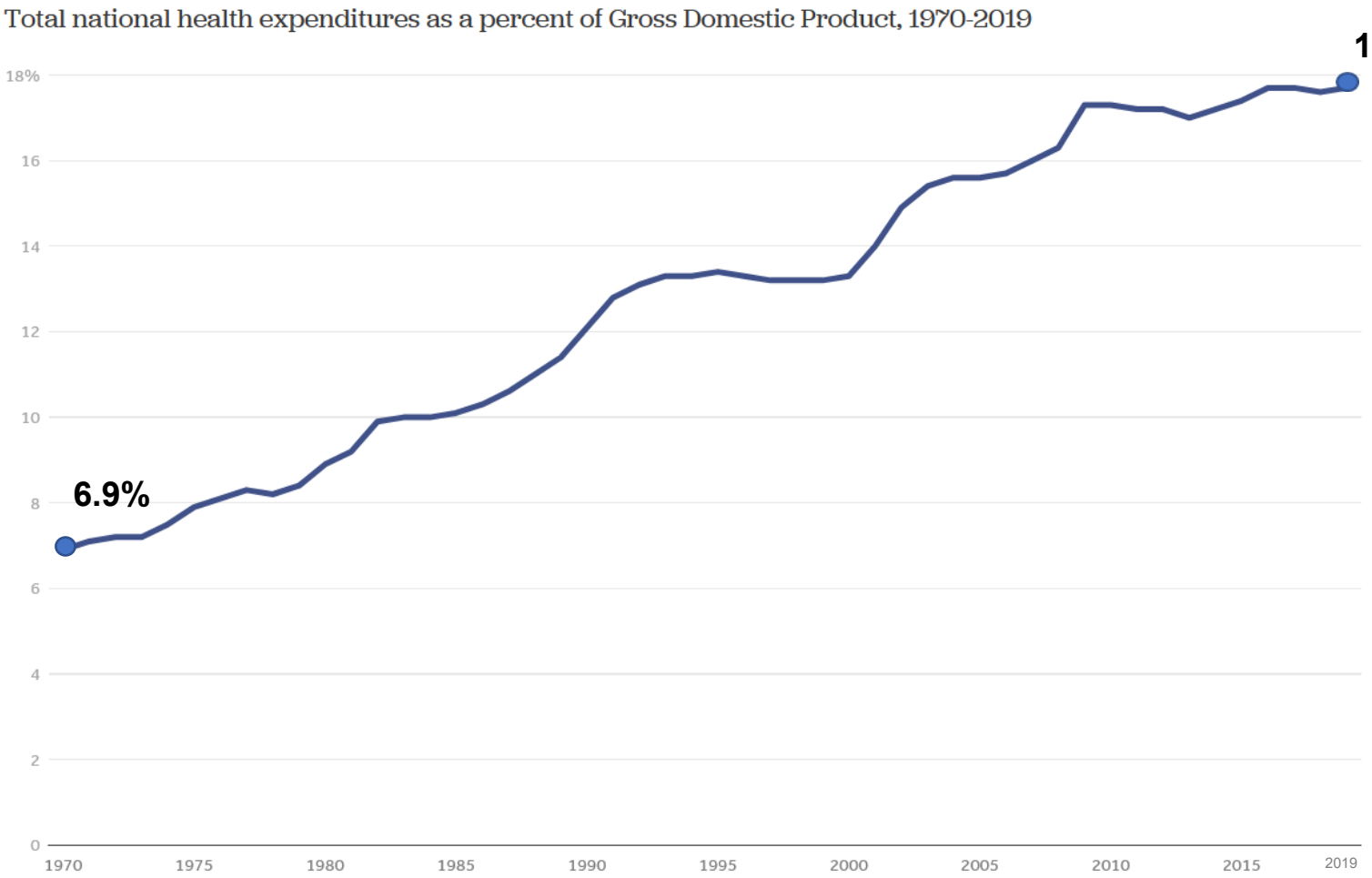
- Revised and expanded Commissioner survey on Goals, Values and Propositions in about two weeks
- Upcoming Commission meetings
  - November 18
  - December 9
  - January 12

Presentations and Discussion

Setting the Stage: Costs, Cost Drivers, and Getting More from Our Investment in Health

Don Moulds, Ph.D.
CalPERS Chief Health Director
October 11, 2021

Health Spending as a Percentage of GDP



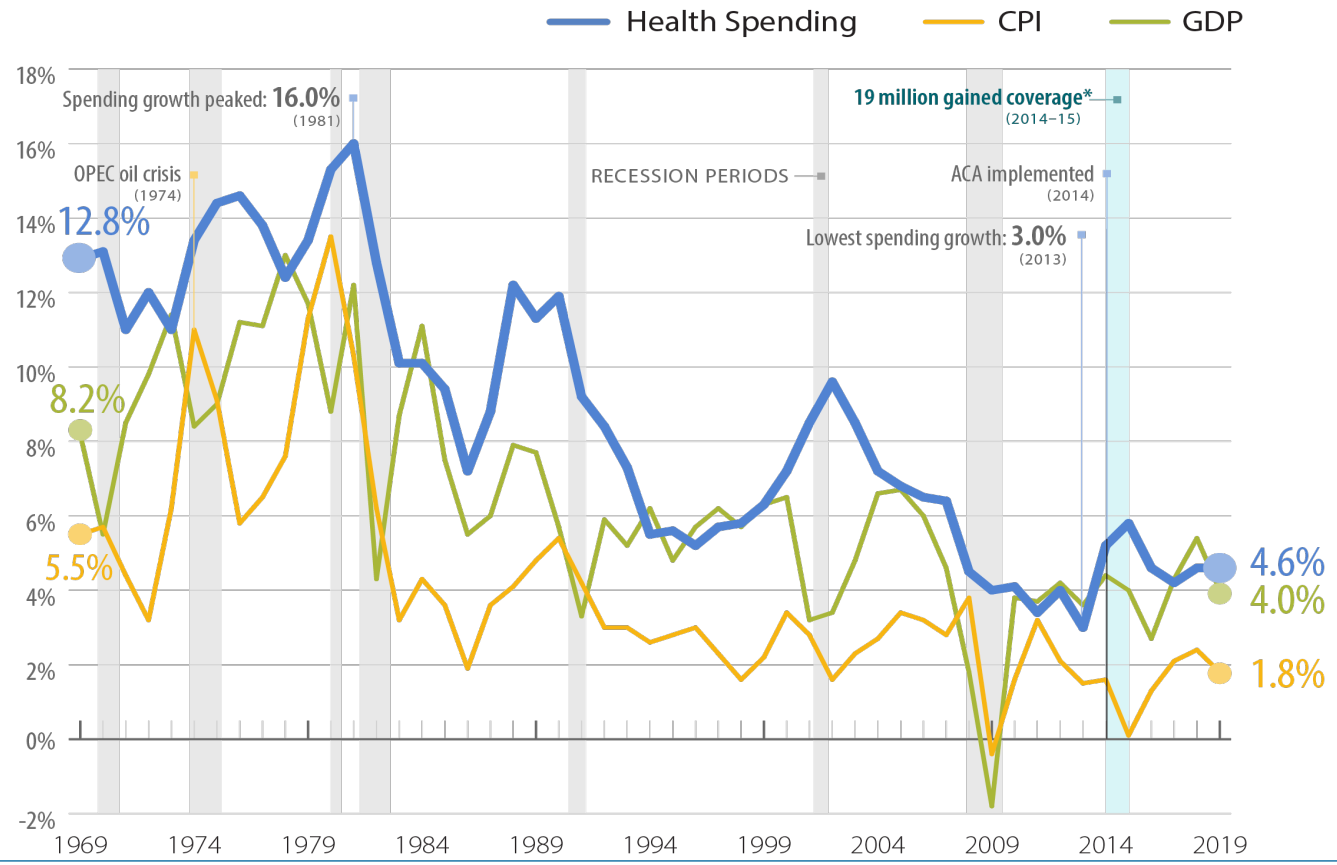
Health spending growth has outpaced growth of the United States Economy

Source: Peterson-KFF Healthsystemtracker.org

Other Key Health Spending Benchmarks

Health Spending vs. Inflation and the Economy

United States, 1969 to 2019

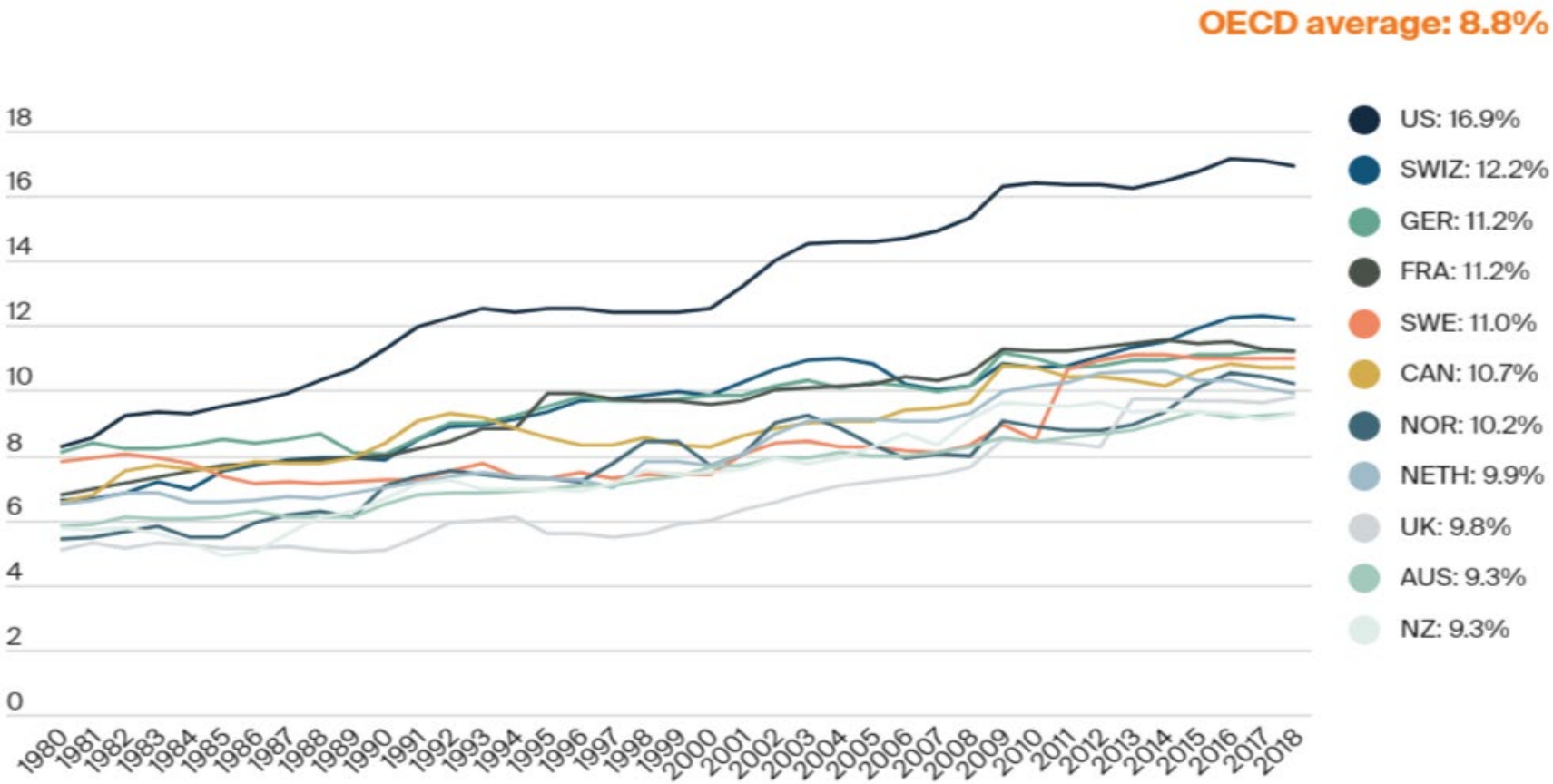


Health spending has outpaced both inflation and economic growth over the last 50 years

Source: California Health Care Foundation

U.S. Spending Compared to Other Wealthy Nations

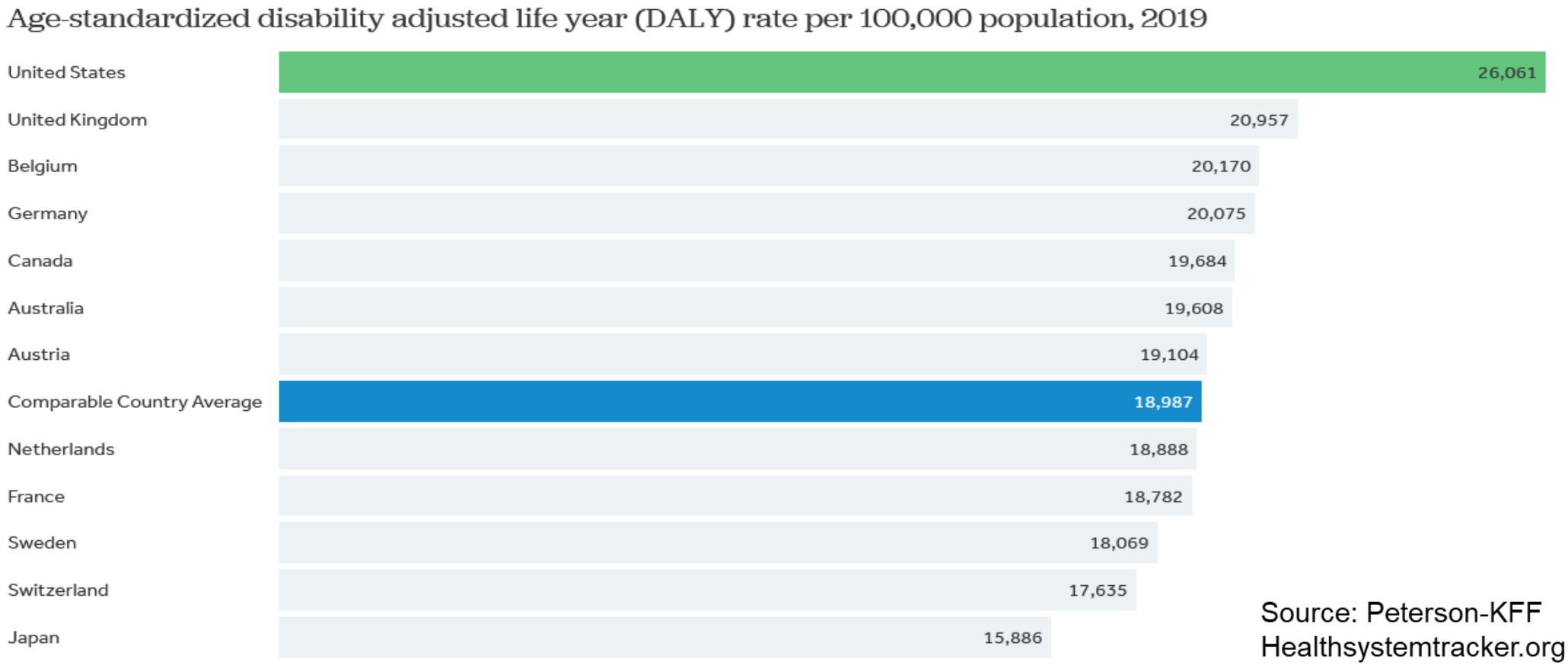
The U.S. spends the most on health care



Source: Commonwealth Fund. January 2020

Comparing Health Outcomes

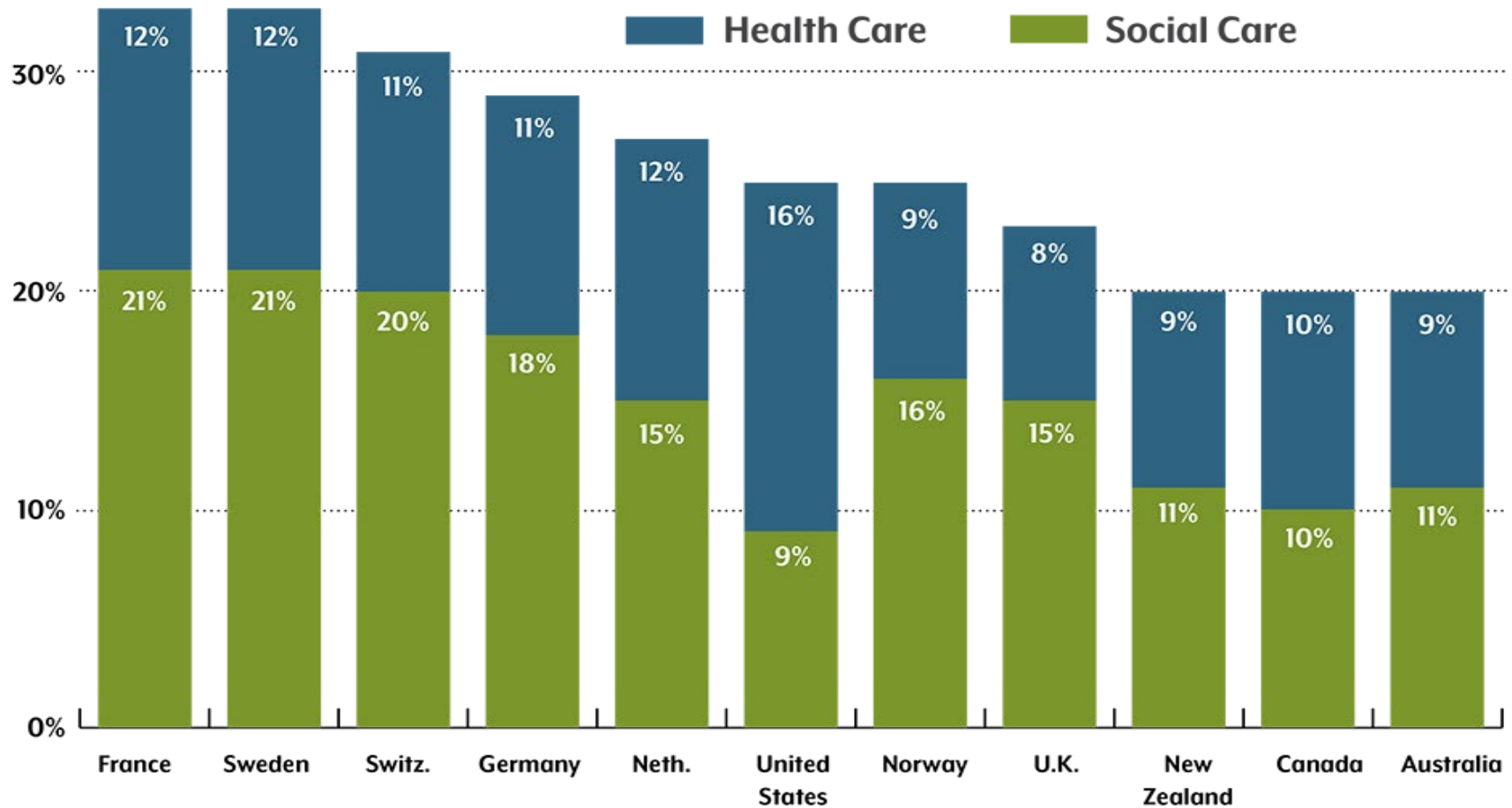
Disease burden is higher in the U.S. than in comparable countries



Source: Peterson-KFF Healthsystemtracker.org

Combined Medical and Social Services Spending in Western Countries

As a Percentage of Gross Domestic Product



Source: E.H. Bradley and L.A. Taylor, *The American Health Care Paradox: Why Spending More is Getting Us Less.* Public Affairs, 2013.

CalPERS Health Spend

$9.6 billion

Spent to purchase health benefits in 2020

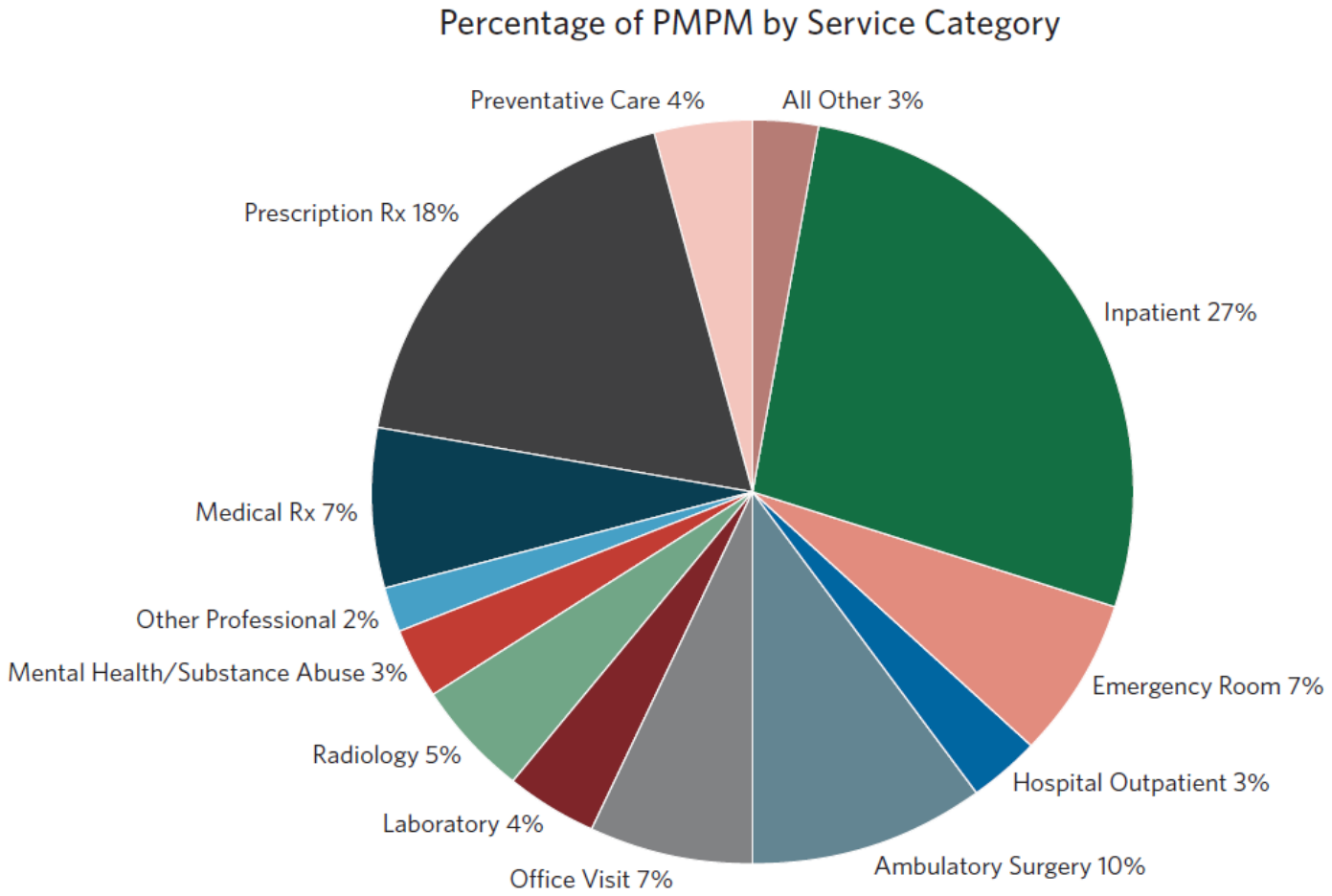
1.5 million

Members

$6,457

Annual health spend per member

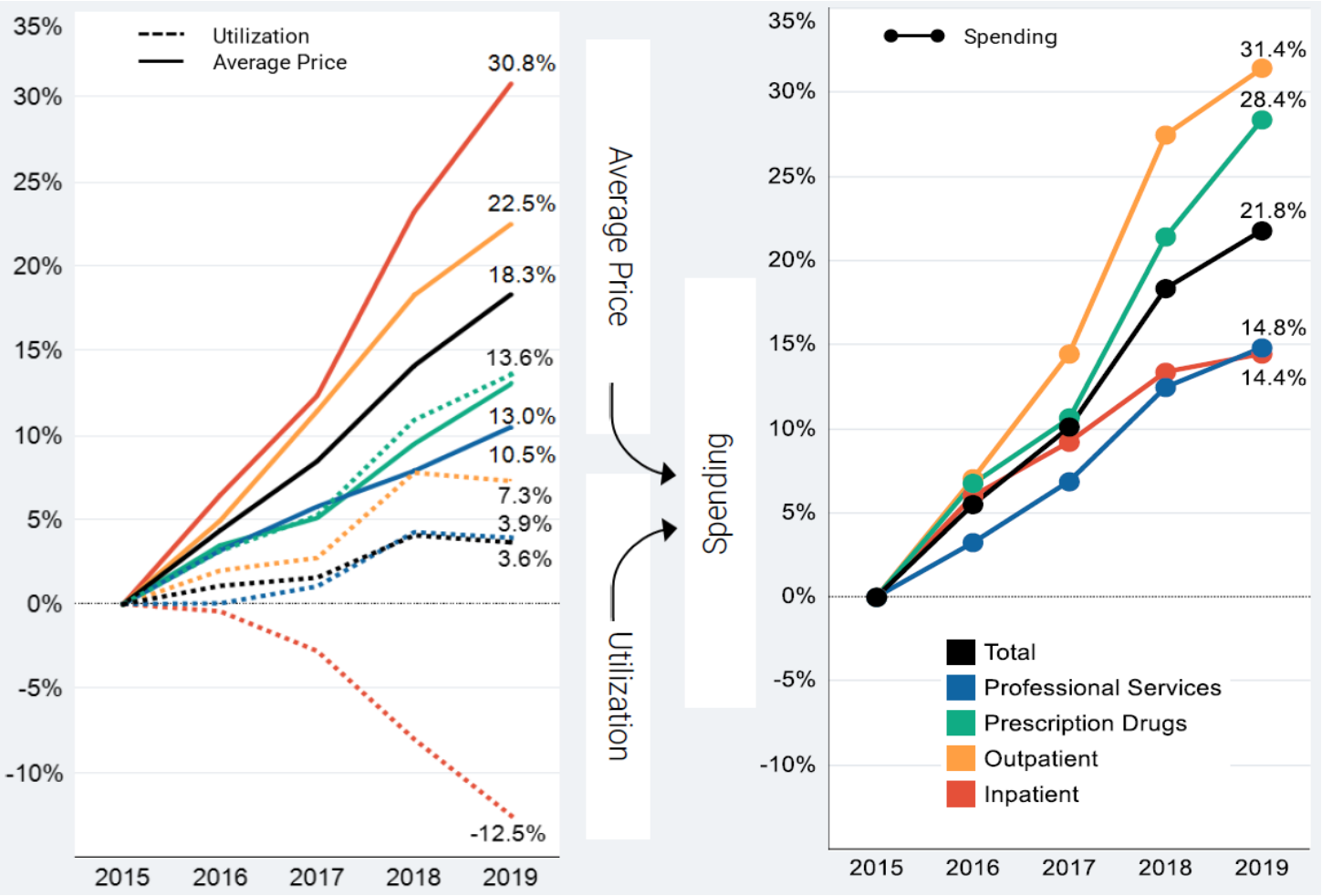
Where Does the Money Go



Data as of June 23, 2021

Source: 2020 CalPERS Health Benefits Program Annual Report

Prices are Primarily Driving Health Care Costs

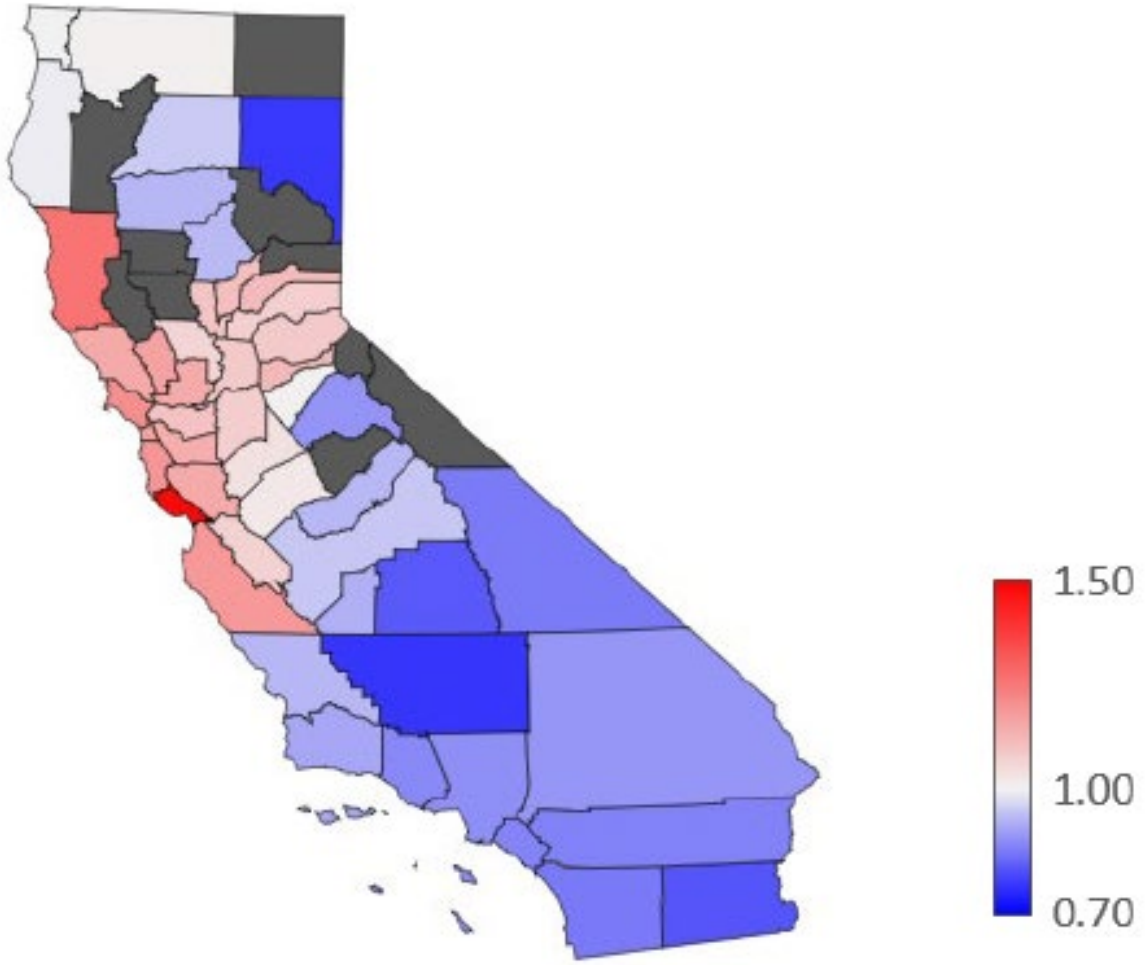


From 2015 to 2019 prices increased by 18.3% while the cumulative growth in utilization was only 3.6% over the same period

Source: Health Care Cost Institute

Higher Costs ≠ Higher Quality

Healthcare Cost Variation in California



Source: 2019. Milliman

Healthcare Markets Don’t Fully Value

Quality or Quality Improvement

Efficiency

Prevention

Care Coordination

Equity

Some Things We've Tried (and How They've Worked)

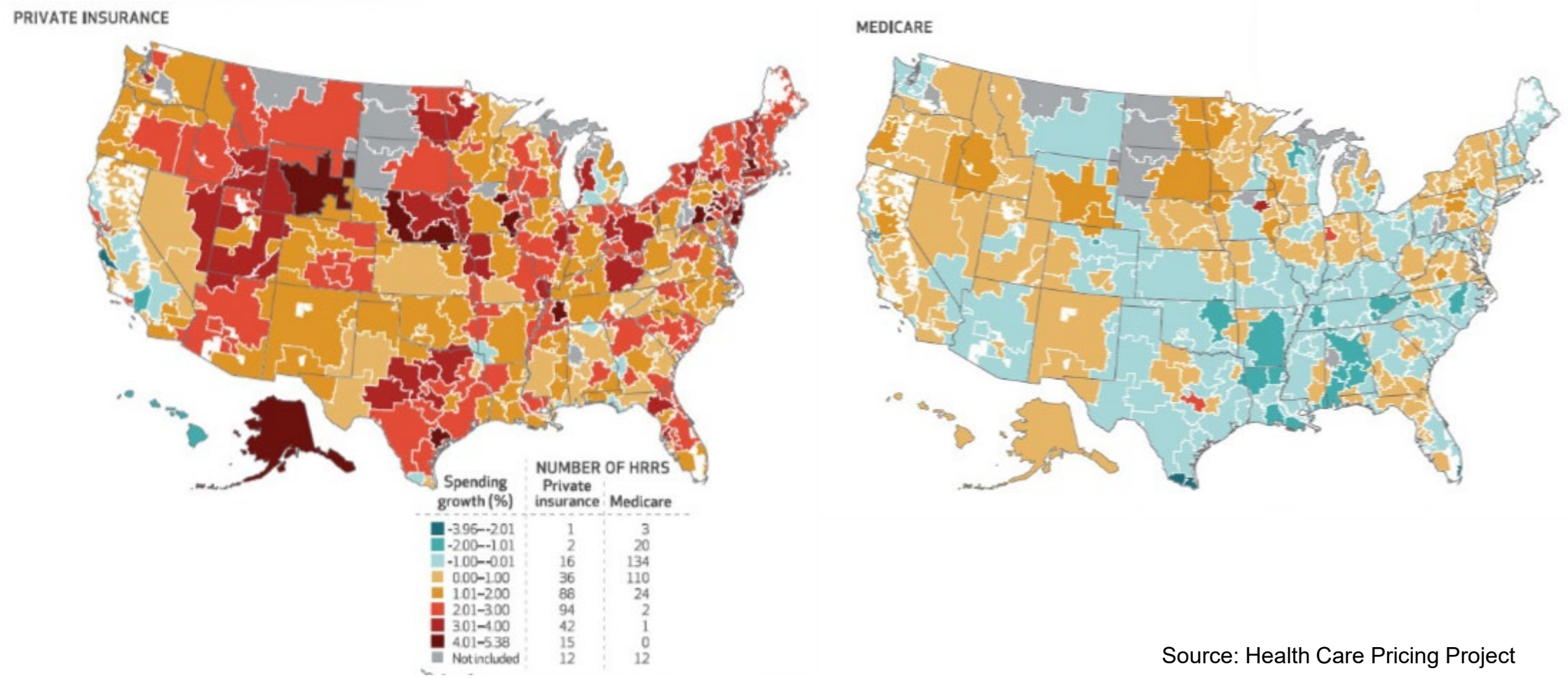
Bundled Payments

Hospital Readmission Penalties

Accountable Care Organizations

Cost Control Commissions

Another Challenge – Cost Shifting



Source: Health Care Pricing Project

Key Considerations

Universal Financing may create an environment that is more conducive to Cost Control.

BUT, right-sizing costs will require a distinct Cost Control Strategy.

Unified Health System Financing alone may not bridge the gap between U.S./CA health outcomes and other wealthy nations;

Addressing drivers outside the health system is critical.

Some Questions for the Commission

- What key strategies should we employ to right-size healthcare spending?
- Which of the payment models we employ in our current health system translate under unified financing? Which do not?
- What great payment models should we be looking to steal from other countries – e.g. NICE?
- Understanding that much of what drives health status sits outside of the healthcare system, what is our strategy for improving health? Should our goal be reducing healthcare spending to free up resources for, say, better social supports, or should we be trying to address other needs through the health system?

NATIONAL QUALITY FORUM
Driving measurable health improvements together

https://www.qualityforum.org

Value Based Payment & Health Equity: Can We Advance These in Tandem?

Dana Gelb Safran, Sc.D., President and CEO

Presented to: Healthy California for All (HCFA) Commission
11 October 2021

NATIONAL QUALITY FORUM

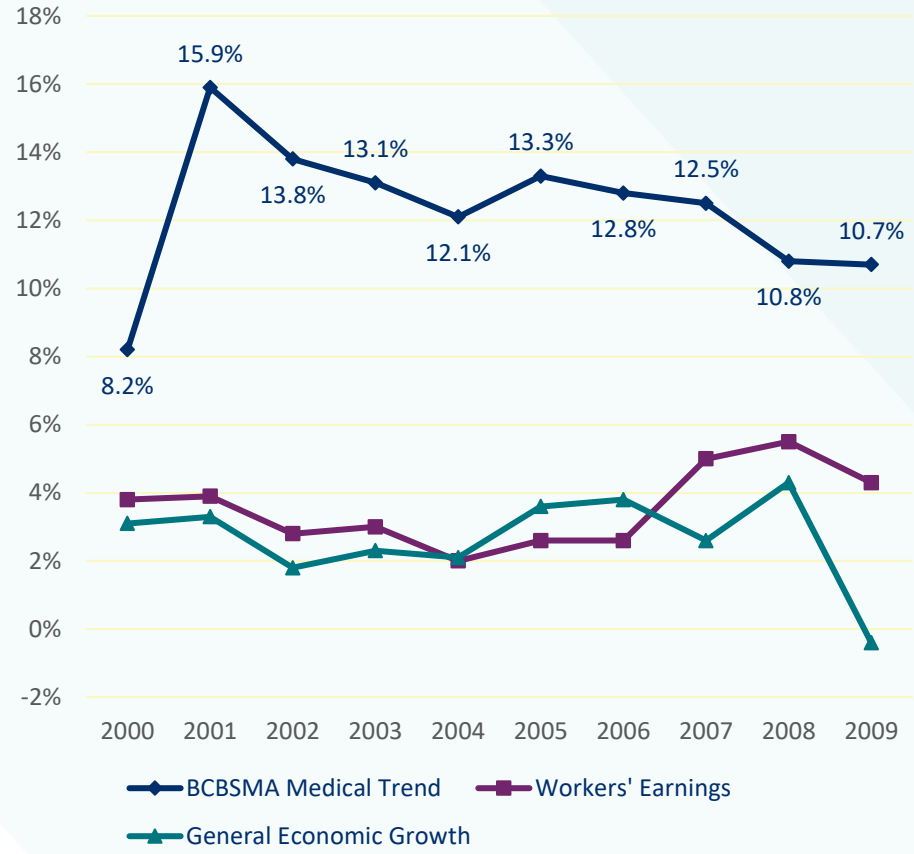
Roadmap for Today's Discussion

- Alternative Quality Contract (AQC)
  - Demonstrating the value of combining accountability for cost with accountability for quality and outcomes
  - Impact on health disparities
- Investing in health equity
  - Adjusting payment rather than performance scores
- Q&A

NATIONAL QUALITY FORUM

In 2007, leaders at Blue Cross Blue Shield of Massachusetts (BCBSMA) challenged the company to develop a new contract model that would improve quality and outcomes while significantly slowing the rate of growth in health care spending.

The Massachusetts health reform law (2006) caused a bright light to shine on the issue of unrelenting double-digit increases in health care spending growth (Health Care Reform II).

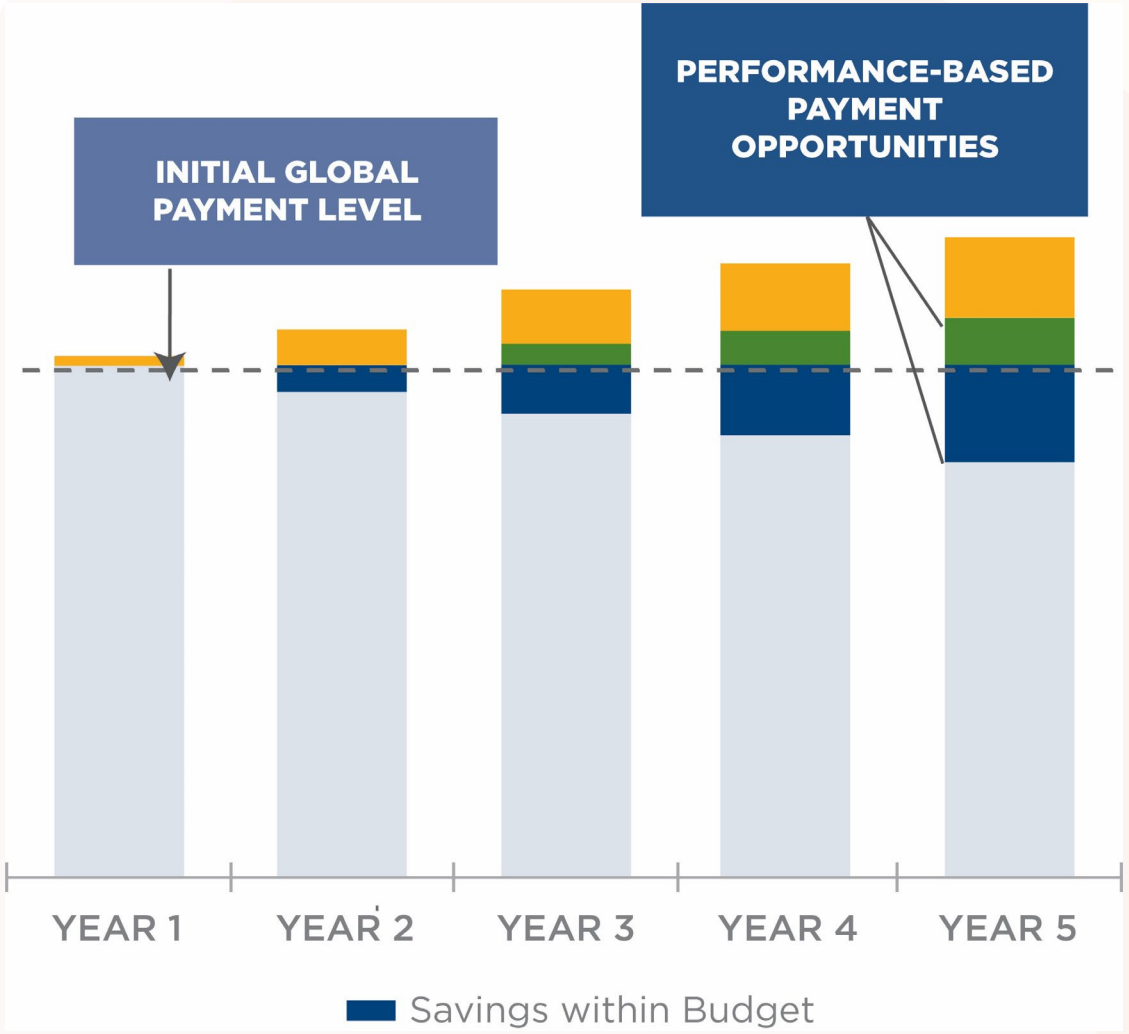


Sources: BCBSMA; Bureau of Labor Statistics

NATIONAL QUALITY FORUM

AQC Model: Key Components

- Unique Contract Model
  - Accountability for quality and resource use across full care continuum
  - Long-term (5-years)
- Controls Cost Growth
  - Global population-based budget
  - Shared risk: 2-sided symmetrical
  - Health status adjusted
  - Annual inflation targets set at baseline annually and designed to significantly moderate cost growth
- Improved Quality, Safety, and Outcomes
  - Robust performance measure set creates accountability for quality, safety and outcomes across the continuum
  - Substantial financial incentives for high performance and for improvement



MASSACHUSETTS

NATIONAL QUALITY FORUM

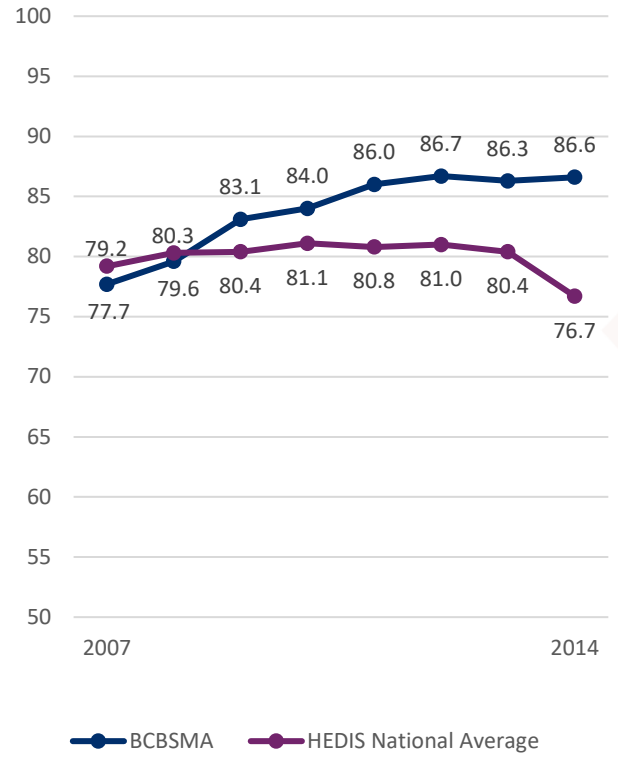
AQC Measure Set for Performance Incentives

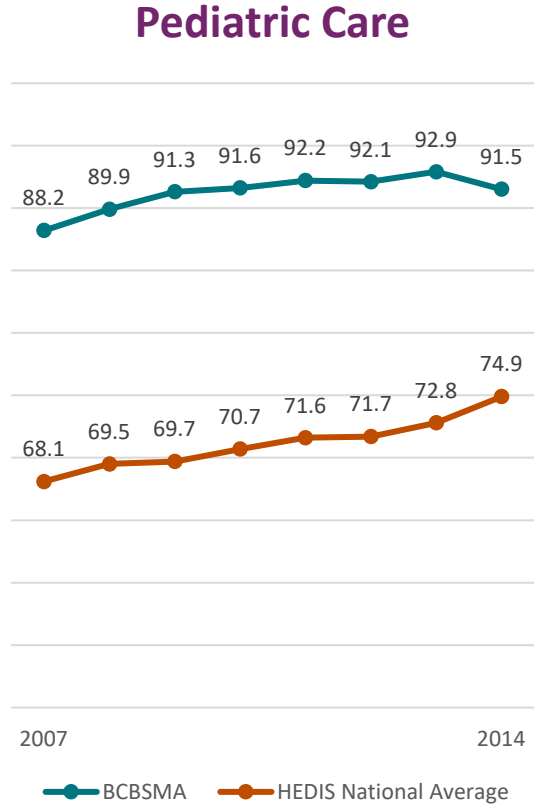
	Ambulatory	Hospital
Process	▪ Preventive Screenings ▪ Acute Care Management ▪ Chronic Care Management ▫ Depression ▫ Diabetes ▫ Cardiovascular Disease	▪ Evidence-based care elements for: ▫ Heart attack (AMI) ▫ Heart failure (CHF) ▫ Pneumonia ▫ Surgical infection prevention
Outcome	▪ Control of Chronic Conditions ▫ Diabetes ▫ Cardiovascular Disease ▫ Hypertension ****Triple Weighted****	▪ Post-Operative Complications ▪ Hospital-Acquired Infections ▪ Obstetrical Inquiry ▪ Mortality (Condition-Specific)
Patient Experience	▪ Access, Integration ▪ Communication, Whole-Person Care	▪ Discharge Quality, Staff Responsiveness ▪ Communication (MDs, RNs)
Emerging	Up to 3 measures on priority topics for which measures lacking	

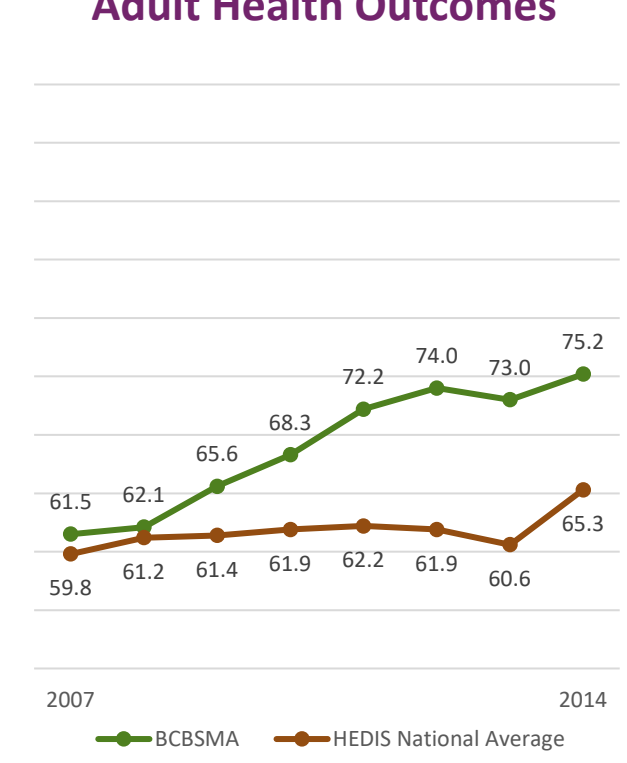
MASSACHUSETTS

Superior Quality Performance Improvement of the 2009 Cohort of AQC Groups from 2007-2014

Optimal Care





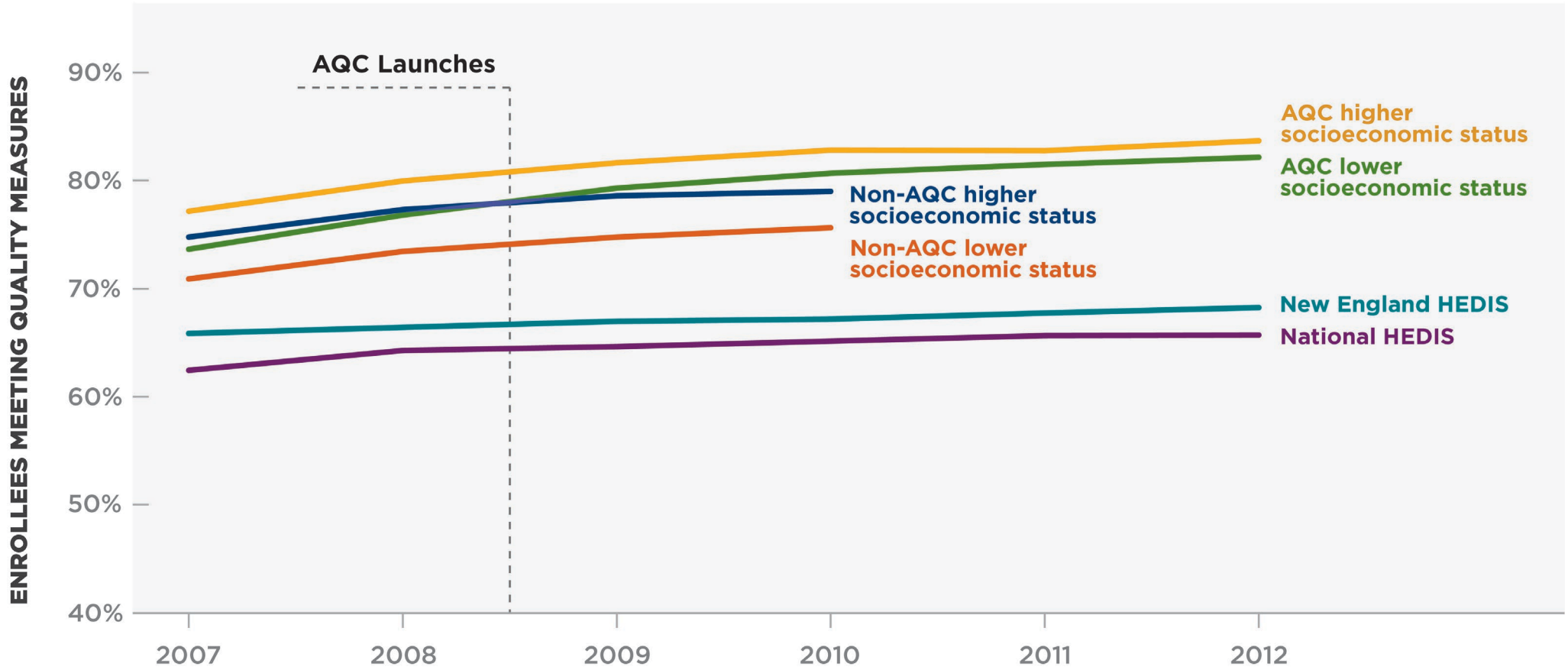


MASSACHUSETTS

NATIONAL QUALITY FORUM

EXHIBIT 1

Performance on process quality measures among Alternative Quality Contract (AQC) enrollees and comparison groups, by socioeconomic status according to enrollee area of residence, 2007-12



Source: Song Z, Rose S, Chernew ME, Safran DG, et al. Lower- Versus Higher-Income Populations In The Alternative Quality Contract: Improved Quality And Similar Spending. *Health Affairs*. 2017;36(1):74-82

MASSACHUSETTS

NATIONAL QUALITY FORUM

The NEW ENGLAND JOURNAL of MEDICINE

SPECIAL ARTICLE

Health Care Spending, Utilization, and Quality 8 Years into Global Payment

Zirui Song, M.D., Ph.D., Yunan Ji, B.A., Dana G. Safran, Sc.D., and Michael E. Chernew, Ph.D.

SPECIAL ARTICLE

Changes in Health Care Spending and Quality 4 Years into Global Payment

Zirui Song, M.D., Ph.D., Sherri Rose, Ph.D., Dana G. Safran, Sc.D., Bruce E. Landon, M.D., M.B.A., Matthew P. Day, F.S.A., M.A.A.A., and Michael E. Chernew, Ph.D.

SPECIAL ARTICLE

Health Care Spending and Quality in Year 1 of the Alternative Quality Contract

Zirui Song, B.A., Dana Gelb Safran, Sc.D., Bruce E. Landon, M.D., M.B.A., Yulei He, Ph.D., Randall P. Ellis, Ph.D., Robert E. Mechanic, M.B.A., Matthew P. Day, F.S.A., M.A.A.A., and Michael E. Chernew, Ph.D.

NATIONAL QUALITY FORUM

Investing in Health Equity

- As value-based payment models increasingly hold providers financially accountable for outcomes, there is growing concern that organizations caring for populations with greater social risk factors are unfairly penalized
- Some argue that we should adjust performance scores for social risk to fairly assess and reward providers with great social vulnerability in their patient mix
- Others argue that adjusting performance scores for social risk accepts a lower standard of care for socially at-risk populations, masking low performance with statistical adjustments
- Satisfying these seemingly divergent views: Adjust payment rather than performance scores
  - Up-front payments
  - Multipliers on performance payments

Source: Jaffery J, Safran DG., 2021. Addressing Social Risk Factors In Value-Based Payment: Adjusting Payment Not Performance To Optimize Outcomes and Fairness. [Blog] *Health Affairs Blog*, Available at: <https://www.healthaffairs.org/do/10.1377/hblog20210414.379479/full/> [Accessed 8 October 2021].

Let’s Talk

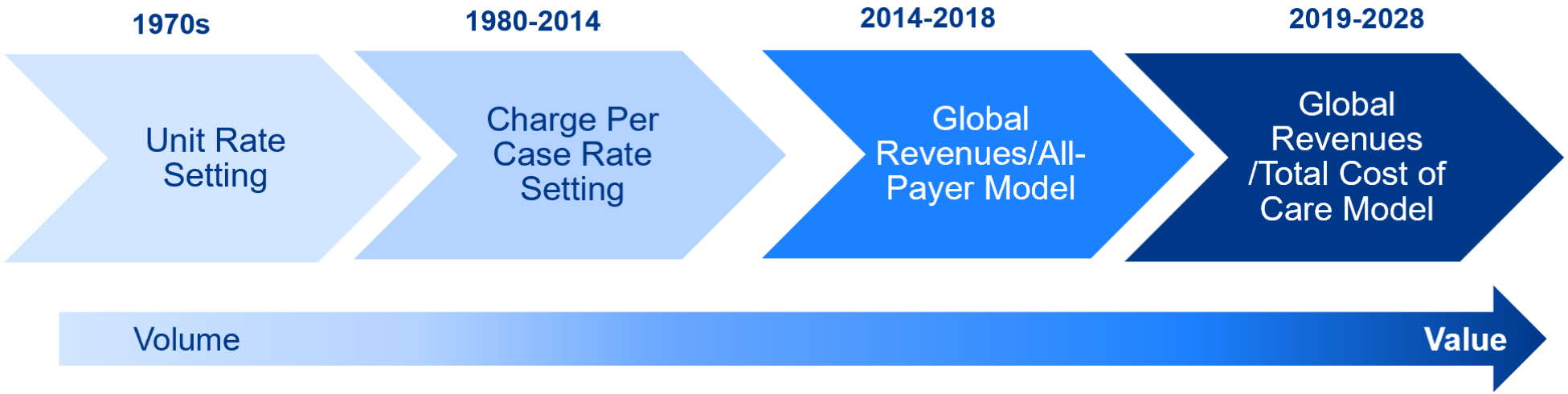
NATIONAL QUALITY FORUM
www.qualityforum.org

JOHNS HOPKINS
BLOOMBERG SCHOOL
of PUBLIC HEALTH

All-Payer Global Hospital Budgets

Joshua M. Sharfstein, M.D.
October 11, 2021

Maryland's Unique Path



Maryland has an independent commission to set all-payer hospital rates. For many years, these were fee-for-service rates. In 2014, Maryland shifted to paying hospitals through global revenues.

Under global revenues, the total amount of revenue to be earned through inpatient and outpatient charges at hospital facilities is preset. This new system incentivizes reducing preventable admissions and controlling the total cost of care, as well as improving outcomes.

Source: Donna Kinzer

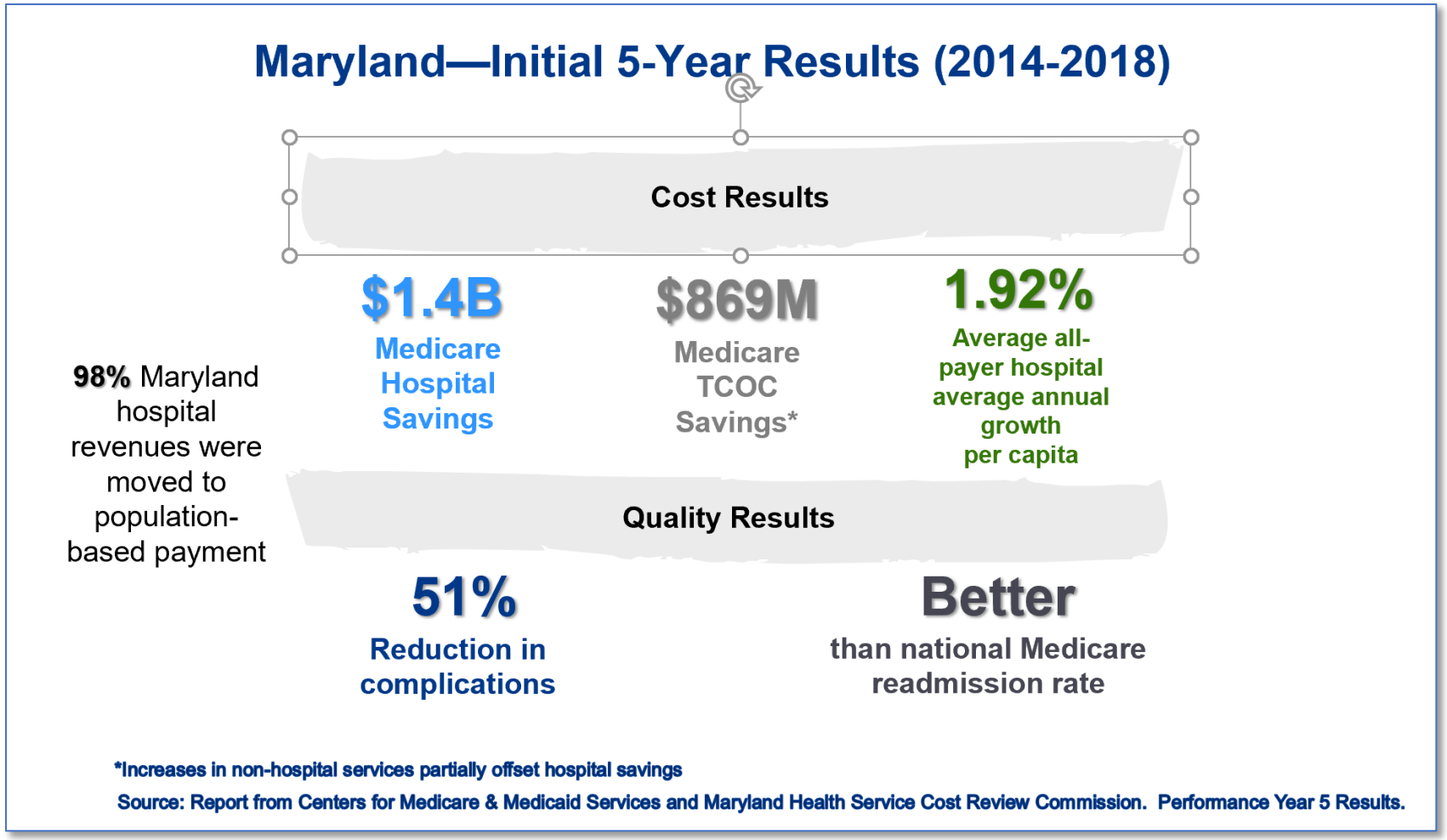
Why All-Payer Global Hospital Budgets?

- Fee-for-service hospital reimbursements are expensive and are poorly aligned with improved health outcomes. They also threaten the viability of hospitals in many areas.
- By contrast, global budgets:
  - Provide stability to hospitals, allowing them to shift services based on community needs
  - Create a way for hospitals to “make money” through prevention

In Maryland, Global Hospital Budgets Have Led to…

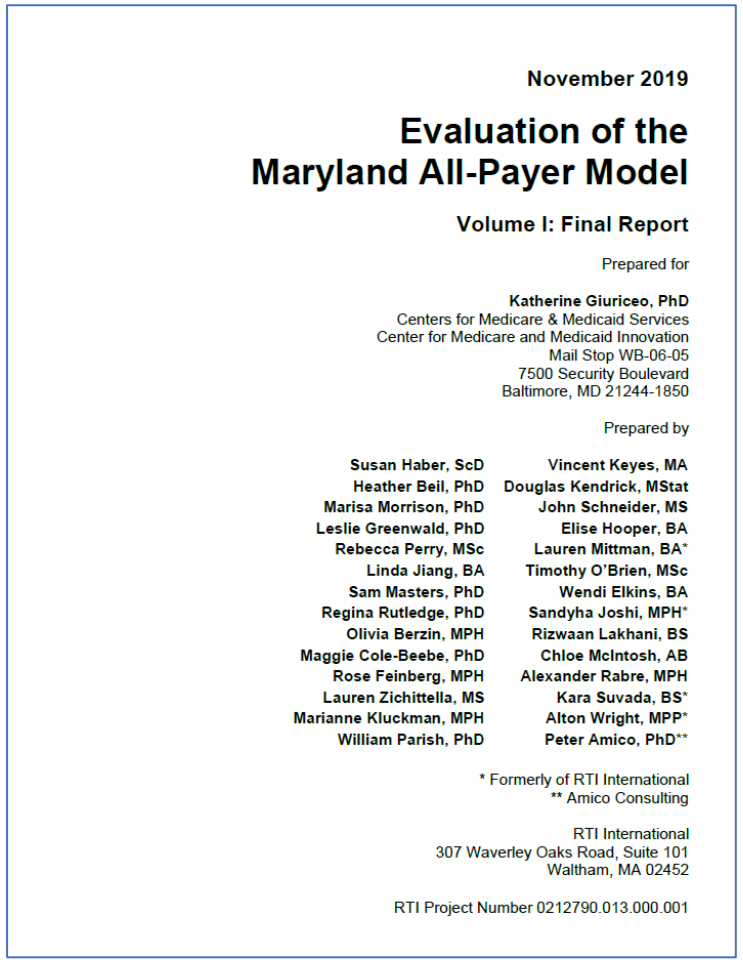
- Care redesign efforts
- Coordination with primary care
- Regional prevention efforts (including housing investments)
- Population health goals (initially diabetes, overdose, childhood asthma & maternal health outcomes)

Maryland Top Line Results



Source: Donna Kinzer

RTI Evaluation



November 2019

Evaluation of the Maryland All-Payer Model

Volume I: Final Report

Prepared for

Katherine Giuriceo, PhD
Centers for Medicare & Medicaid Services
Center for Medicare and Medicaid Innovation
Mail Stop WB-06-05
7500 Security Boulevard
Baltimore, MD 21244-1850

Prepared by

Susan Haber, ScD — **Vincent Keyes, MA**
Heather Beil, PhD — **Douglas Kendrick, MStat**
Marisa Morrison, PhD — **John Schneider, MS**
Leslie Greenwald, PhD — **Elise Hooper, BA**
Rebecca Perry, MSc — **Lauren Mittman, BA***
Linda Jiang, BA — **Timothy O'Brien, MSc**
Sam Masters, PhD — **Wendi Elkins, BA**
Regina Rutledge, PhD — **Sandyha Joshi, MPH***
Olivia Berzin, MPH — **Rizwaan Lakhani, BS**
Maggie Cole-Beebe, PhD — **Chloe McIntosh, AB**
Rose Feinberg, MPH — **Alexander Rabre, MPH**
Lauren Zichittella, MS — **Kara Suvada, BS***
Marianne Kluckman, MPH — **Alton Wright, MPP***
William Parish, PhD — **Peter Amico, PhD****

* Formerly of RTI International
** Amico Consulting

RTI International
307 Waverley Oaks Road, Suite 101
Waltham, MA 02452

RTI Project Number 0212790.013.000.001

- Hospitals were able to operate within their global budgets without adverse effects on their financial status.
- Admissions for ambulatory care sensitive conditions declined in both the Medicare and commercial populations.
- Low-income Medicare patients and those with chronic conditions had more favorable outcomes.
- Also: Need for additional coordination with community providers, particularly in areas like behavioral health.

Lessons from Maryland

- All-Payer global hospital budgets are a viable health policy reform to control costs and improve outcomes, including community health.
- An important benefit is stabilizing financially vulnerable hospitals.
- Incentives alone do not necessarily lead to changes in care delivery, but they can help.
- States should consider pairing global budgets with plans for care delivery transformation. Key metrics can cover community health and health equity.
- The alignment between hospitals and their communities can have benefits well beyond clinical care provided inside a building.

Commissioner Discussion

Public Comment

Adjourn