



Office of Health Plan Administration
P. O. Box 1953
Sacramento, CA 95812-1953
Telecommunications Device for the Deaf (916) 795-3240
(916) 795-3579; FAX (916) 795-1513

September 14, 2010

AGENDA ITEM 3c

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Potentially Avoidable Complications (PAC) Analysis Proposal
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the Board authorize staff to conduct negotiations with the University of California at San Francisco and Community Campaigns for Quality Care to conduct a PAC analysis pilot project.

IV. BACKGROUND:

At the March 16, 2010, Health Benefits Committee meeting, Tom Moore and Sally Covington of Community Campaigns for Quality Care (CCQC) spoke regarding their proposal that CalPERS conduct a Potentially Avoidable Complications (PAC) analysis. PACs are "deficiencies in care that cause harm to the patient, and might have been prevented with more effective treatment."¹

In the PROMETHEUS Payment® model promulgated by the Health Care Incentives Improvement Institute, PAC analyses help inform Evidence-informed Case Rates™ (ECRs). ECRs constitute budgets for "bundled payments" for episodes of care. These bundled payments provide an incentive for health care providers to reduce the rates of PACs, which are thought to "account for 22% of all private-sector health care expenditures in the United States."² The PROMETHEUS Payment® model is currently being tested at six sites throughout the U.S.

After discussions with CalPERS staff, Mr. Moore and Ms. Covington submitted a draft interagency agreement between CalPERS and the University of California at San Francisco (UCSF) on June 22, 2010, and materials regarding the uses and benefits of PAC analysis on August 17, 2010. The proposal is divided into two phases. In Phase One, UCSF would perform PAC analyses for 21 chronic

¹ Source: <http://www.hci3.org/Documents/Prometheus%20Brch-F6.pdf> .

² Source: de Brantes et al., NEJM 2009, at <http://www.nejm.org/doi/full/10.1056/NEJMp0906121> .

conditions, acute events, and surgical procedures for CalPERS members in self-funded Preferred Provider Organization (PPO) plans using de-identified data from the Health Care Decision Support System (HCDSS). Among other activities, UCSF would "identify providers (hospitals, medical groups and physicians) with the highest to lowest rates [of PACs]." In Phase Two, UCSF would subcontract with CCQC to brief stakeholders and develop a consensus report with recommendations about how CalPERS can reduce PACs.

In addition to analyzing written materials, staff spoke with representatives of the Illinois, Michigan, Minnesota, and Pennsylvania PROMETHEUS Payment® pilot sites concerning the proposal. The purpose of this agenda item is to present the advantages and disadvantages of the PAC proposal and staff's recommended course of action.

V. ANALYSIS:

Advantages

- RAND Corporation researchers have concluded that of eight methods "that evidence suggests have the potential to reduce spending and are broadly applicable to the United States," bundled payment is the most promising. PAC analysis is an important first step in creating a bundled payment system of reimbursement.
- Proponents of the proposal include the California School Employees Association which "believe[s] that proceeding with the analysis and development of quality improvement strategies as soon as possible will help improve medical outcomes and reduce costs."³
- The PAC analytic tool is in the public domain and is accepted by many organizations; for example, the National Quality Forum Steering Committee and Technical Advisory Panel recommends endorsement of PACs as outcome measures for chronic conditions, acute myocardial infarction, pneumonia, and stroke.
- The representative of one PROMETHEUS Payment® pilot site felt that an exploratory data analysis using PAC methodology would be useful in stimulating discussion among relevant parties (CalPERS, Anthem Blue Cross, which administers CalPERS self-funded PPO plans, and providers). The representative believes that providers will be interested in seeing their own PAC results.

Disadvantages

- No published scientific literature demonstrates that the PAC analysis approach in combination with any intervention (including bundled payments) produces actual cost savings. The final quantitative results of the PROMETHEUS Payment® pilot projects will not be known for several years.

³ Source: August 20, 2010, email "cc"ed to CalPERS staff.

- At this time, CalPERS does not have a specific explicit commitment to bundled payments. Representatives of three PROMETHEUS Payment® pilot sites felt that an exploratory data analysis using PAC methodology would be of questionable value in the absence of a specific explicit commitment to bundled payments such as the ECR methodology.
- According to the Health Care Incentives Improvement Institute, analysis of PACs at the provider level is associated with a "lot of push-back from providers."⁴ Representatives of three PROMETHEUS Payment® pilot sites agreed with this assessment.

Conclusion

Staff recommends proceeding with the PAC analysis pilot project, but also requests authority to negotiate the terms of the draft interagency agreement to mitigate the disadvantages of the proposal. Within the time frame of the interagency agreement, some of the PROMETHEUS Payment® pilot sites testing the concepts of PAC and ECR will likely have produced "lessons learned" and preliminary quantitative results. At that time, the Committee and staff can discuss how CalPERS's own findings can be combined with the findings of the other pilots to improve health care for CalPERS members.

VI. STRATEGIC PLAN:

This directly relates to Goals X and XI of the Strategic Plan which state:

- "Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers."
- "Promote the ability of members and employers to make informed decisions resulting in improved lifestyle changes and health outcomes."

VII. RESULTS/COSTS:

The recommendation has the potential to lead to interventions that reduce health care costs over time.

KATHLEEN DONNISON, Chief
Office of Health Plan Administration

KIMBERLY A. MALM
Interim Assistant Executive Officer
Health Benefits Branch

⁴ Source: August 2010 "PROMETHEUS ECRs" PowerPoint presentation by Dr. Amita Rastogi submitted to CalPERS by CCQC on August 17, 2010.