Re-stimulating Health Care Competition

CalPERS Board of Administration
Offsite Meeting
January 23, 2019

Agenda

- **Managed Competition**
  - Alain Enthoven, Ph.D., The Marriner S. Eccles Professor of Public and Private Management Emeritus, Stanford University
- **Re-stimulating Competition: What We Believe, Observe, Fear, and Can Do**
  - James C. Robinson, Ph.D., MPH, Berkeley Center for Health Technology, University of California, Berkeley
- **The Critical Role of Physicians**
  - Kelly Robison, CEO, Brown and Toland
- **The Quest for Value**
  - Barry Arbuckle, Ph.D., President & CEO, MemorialCare Health System

Kathy Donneson, Chief

Health Plan Administration Division

CalPERS

Moderator

CalPERS Plans

Health Net

UnitedHealthcare

Western Health Advantage

Anthem BlueCross

blue of california

KAISER PERMANENTE

SHARP

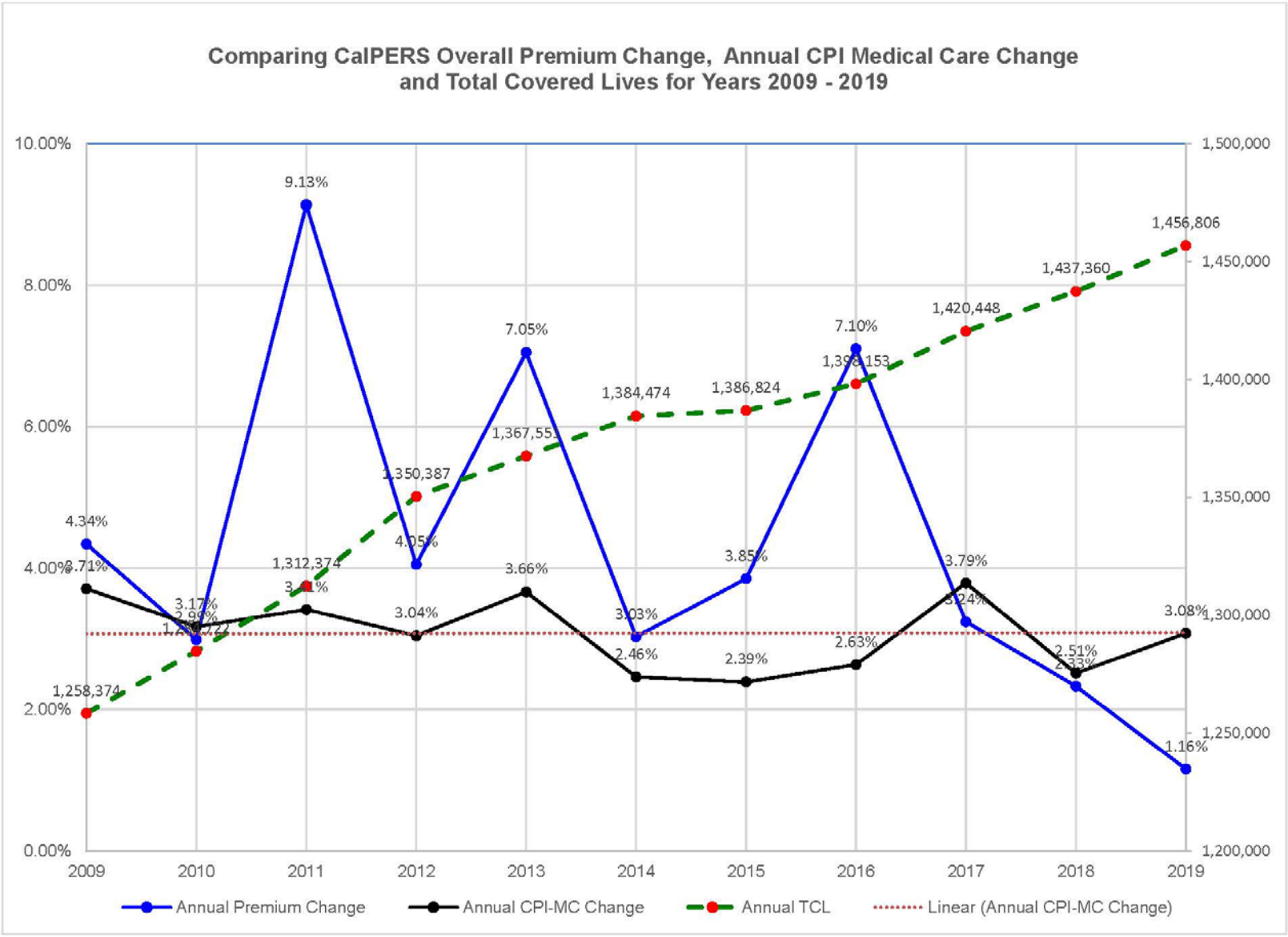
PERS Select | Choice | Care

Association Plans:

CCPOA

CAHP

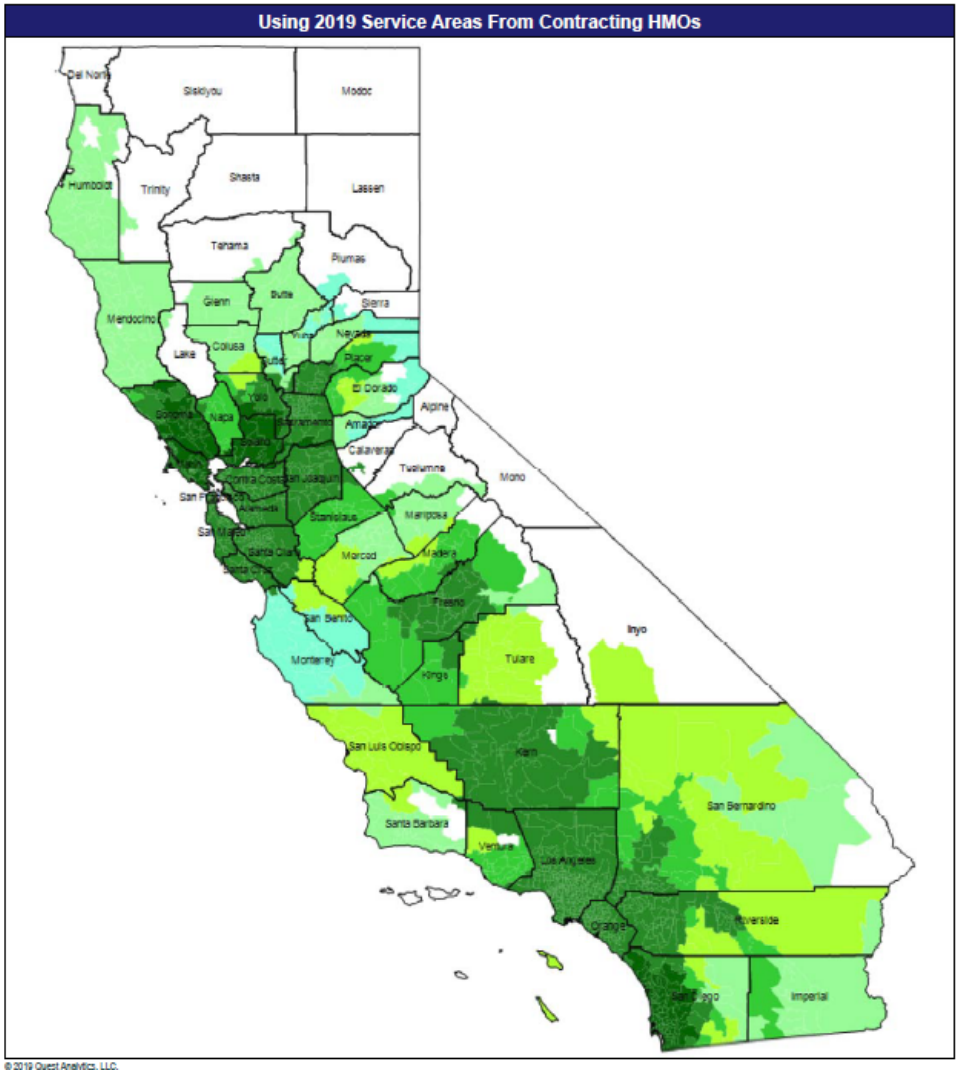
PORAC



Data Sources: Bureau of Labor Statistics, Health Premium Posters

Request #: 201807.13

Heat Map of HMO Health Plan Options for 2019



Legend:

- 1
- 2
- 3
- 4
- 5
- 6
- PPO

Resources: California HMO Plan Count by Zip Code

Intersecting Viewpoints and Evidence

- CalPERS
- Market Competition
- Health Plan Competition
- Provider Competition
- Payment Models
- What is Ideal?

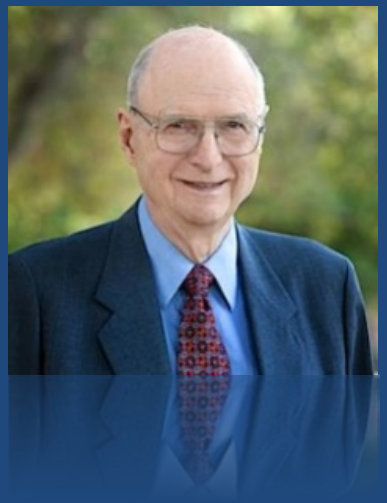
Panelists

Alain Enthoven
PhD
Stanford University

James Robinson
PhD, MPH
UC Berkeley

Kelly Robison
CEO
Brown & Toland

Barry Arbuckle
CEO
MemorialCare Health System



Alain Enthoven

Managed Competition

Alain Enthoven, Ph.D.,
The Marriner S. Eccles Professor of Public and Private Management, Emeritus,
Stanford University

Managed Competition

- CalPERS and Covered CA are best examples
- Market must be managed by principles
- Why competition?
- Systems improve quality and economy
- Delivery system HMOs vs. Carrier HMOs

James Robinson

Re-Stimulating Competition: What We Believe, Observe, Fear, and Can Do

James Robinson

Leonard D. Schaeffer Professor of Health Economics

Director, Berkeley Center for Health Technology

University of California, Berkeley

January 23, 2019

We act on our beliefs and on what we observe

We long have believed in market incentives to improve the efficiency and quality of health care.

But the market has evolved in ways not always consistent with those beliefs. We are bewildered.

We cannot keep doing what we have been doing, or will keep getting the same results.

The market is changing. Our strategy must evolve with it.

Our beliefs

- Managed care: Integrated provider networks deliver cheaper and better care than broad choice networks. HMOs are superior to PPOs.
- Provider organization: The ‘cottage industry’ is inefficient. Physicians, hospitals, and other providers should integrate and coordinate.
- Payment: FFS rewards volume over value, and imposes a 100% tax on provider cost reductions. Solution is global capitation.

We observe consolidation and leverage

- Managed care: HMOs are losing commercial share to PPOs, with exception of Kaiser. Private employers shifting to high-deductible plans.
- Provider organization: Many integrated providers are using market share to raise prices and channel patients from low to high priced sites.
- Payment: ACOs and shared savings contracts are spreading, but slowly, and with only modest cost savings to date for purchasers.

We are bewildered

- Managed care: What should purchasers and public policy do:
  - Health plan mergers?
  - Small provider-sponsored health plans?
- Provider organization: Should policy fight physician and hospital consolidation, via anti-trust and regulation?
- Payment: Is capitation strengthening dominant providers, who then raise prices? What is the right model?

Geographic markets differ

- Southern California: Very large and competitive, with relatively low prices. Trend towards consolidation. Worrisome.
- Bay Area & Sacramento: Very consolidated, high prices. Worrisome.
- Rural areas: Inadequate provider supply, and many local monopolies. Worrisome.

What is to be done? Managed care

- How many health plans?
- How much variety, in types of health plans?
- Collaborate with other public purchasers?

What is to be done? Provider payment

- Blended payment: Most providers still receive FFS; how can it be made value-based?
- Capitation: Payment should shift towards more capitation if and when providers develop financial and clinical capabilities.

What is to be done? Benefit design

- Basic principle Consumers should face financial responsibility for products and services where they have meaningful choice. Their choices must be supported by purchasers (offer low-priced option, eliminate low-value options, mandate transparency on price & quality).
- Reference pricing
- Defined contribution

Kelly Robison

Re-Stimulating Health Care Competition: The Critical Role of Physicians

Kelly Robison
Chief Executive Officer
Brown & Toland Physicians

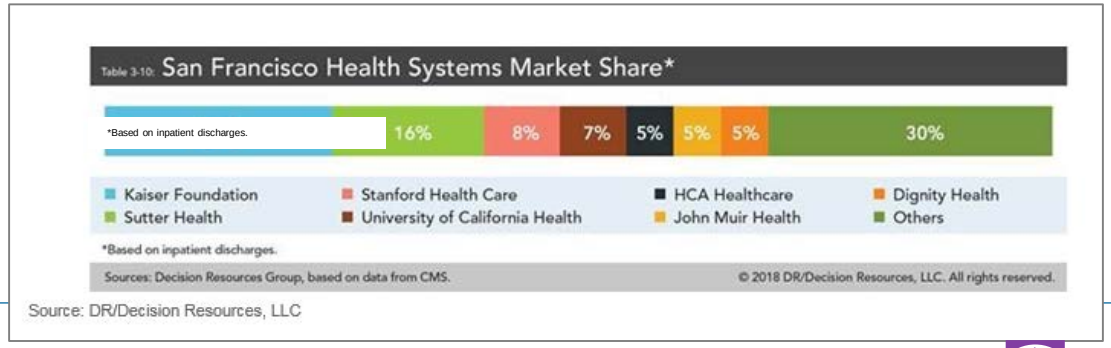
January 23, 2019

Market Trends

The Race to Value Based Care

- Health systems are expanding regional networks
- PWC projects 2019's medical cost trend to be in excess of 6 percent
- Push for lower cost is increasing ACOs, and payment models are putting more pressure on providers to assume risk
- Innovation is driving change in care delivery
- Shift to value based care

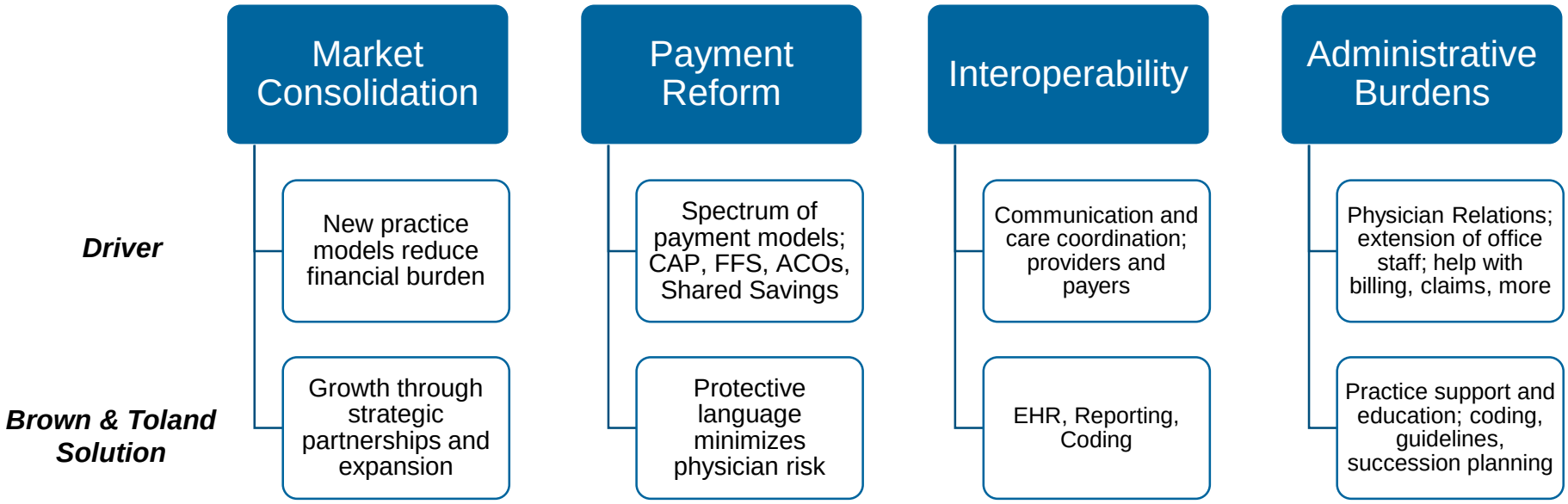
Hospital system landscape



Source: DR/Decision Resources, LLC

The Changing Physician Landscape

Market Drivers



Supporting the Evolution of the Physician Practice

As the healthcare industry continues to evolve, physicians need a partner that is leading the way in business solutions for private practice physicians. New technology, a complex reimbursement environment, and the quest for delivering affordable high quality care are just a few of the challenges that independent physicians face today.

We believe our physicians should have ample time, energy and bandwidth to care for their patients. Through new practice models and our foundational services, we aim to restore a sense of balance for doctors by managing the most stressful and onerous aspects of running a practice. Our goal is to become the “go-to” group for physicians and patients.

Market Competition

The Commercial health plan partners have remained the same; however, they are offering more innovative benefits and products offerings.

Narrow Networks	There is a focus on smaller, full-service networks who can deliver high quality care while reducing the total cost of care.
New Products	High Deductible products and HSA/HRA products have emerged, which encourage patient responsibility for their healthcare choices; i.e. ER versus Urgent Care, Hospital versus ASC.
Integrated Health Systems	These systems promote care coordination along the continuum of services to reduce duplication of services and ensure the right care is delivered at the right time by the right provider.

Brown & Toland Core Competencies

- **Quality**: P4P, HEDIS, STARS
  - Chart retrieval, remote EHR access to close measures, provider education, patient outreach
  - Data analytics tool identifies patient compliance to close gaps in care

We have the clinical guidelines and tools in place, making it easier for physicians to choose treatment options that are cost-effective and are grounded in evidence

- **Reduce** wide care variation across specialties
- **Transitions of care and medication reconciliation**
  - From inpatient to home, from skilled nursing to home, from home to hospice
    - Facilitate wrap around services post discharge
    - Pharmacy team provides medication reconciliation
    - Care Managers are trained to pay special attention to high needs/high cost patients, assigning complex case managers; coordinator/SW/RN

Case Study: Ophthalmology

Achieving Success in Value-Based Care

Challenge	Clinical Lever	Savings
Ophthalmology: top 3 medications to treat macular edema cost ~$1800/dose with injections every 4-6 weeks	Alternative drug Avastin available at 10-20x less with same efficacy as proven in the New England Journal of Medicine	**2018 YTD savings $400,000** **Program in place since 2015**

Key Drivers:

- Engaged with Ophthalmology community to develop guideline
- New guidelines were developed in July of 2015 with **80% adoption by physicians**
- Created a new reimbursement model
- Implemented prior authorization requirement when Avastin is not chosen as the first line treatment
- Reviewed authorizations for medical necessity
- Pharmacy team educated offices on new guidelines and shared the study in the NJM

Case Study: MRI

Achieving Success in Value-Based Care

Beginning April 2016

Monthly savings based on CPMC steerage **$80,000**

Monthly savings based on CPAI recontract **$20,000**

1st Quarter 2016			4th Quarter 2017		
Location	**# of scans**	**Cost**	**Location**	**# of scans**	**Cost**
CPMC	247	$710	CPMC	63	$710
Preferred	171	$322	Preferred	521	$322
CPAI	134	$522*	CPAI	65	$400 Per service

**Recontracted to preferred in 2017*

Total MRI numbers increased 13% over this time period – possibly related to auto authorization policy change

Managed Care Core Competencies

Integrated Healthcare Association reports in 2015, commercial **HMOs outperformed PPOs** on average by 14 percentage points across 10 clinical quality measures of preventive, acute, and chronic care, and did so at a 9 percent average lower total cost of care.

Positive financial impact for consumers. Patient cost sharing in PPOs in 2015 was **$838** per member versus **$69** per HMO member.

"The continued high value performance of integrated care in both commercial and Medicare HMO products is critical and not subtle, including the lower costs directly experienced by patients," said Don Crane, CEO of America's Physician Groups. "The potential contribution of integrated care systems to improving quality in PPO products is an important new finding, suggesting that integrated care can be successfully delivered by medical groups and independent practice associations in multiple product designs."

Managing the Total Cost of Care

With our data intelligence system, we can work closely with our network providers on targeted measures

Limited Knox Keene License

- Allows us to manage total cost of care. IT infrastructure supports managing global and shared risk

Clinical Quality Awareness

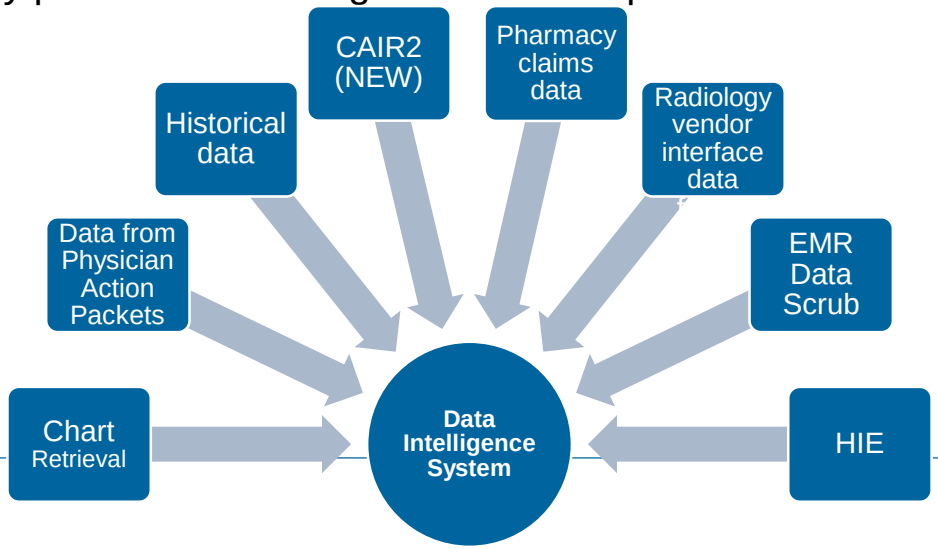
- Identify clinical care gaps, including chronic conditions, and focus on specific measures for patient outreach

Actionable Data Transparency

- Monitor which patients need support and treatment

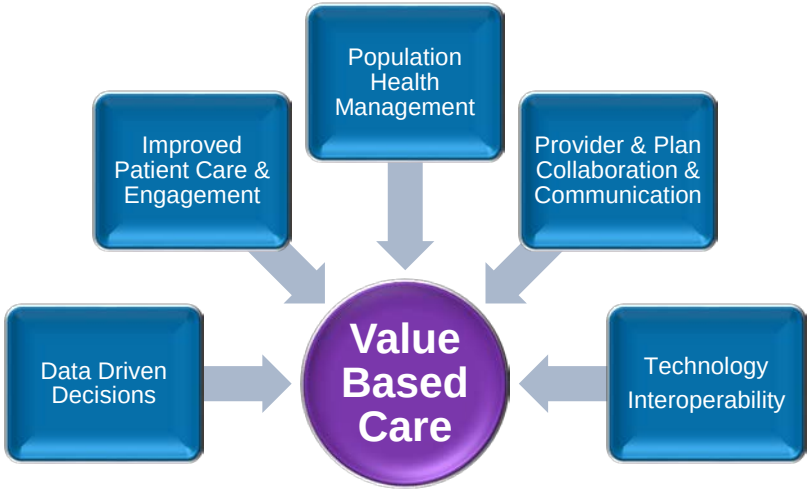
Connecting Quality & Revenue

- Clinical quality performance ratings show health plans that we manage populations well



Bringing Capability for Population Health Across All Products

- 5 PPO ACO programs
- 72,000 PPO ACO members
- $2.5M in Shared Savings Revenue
- $3M in Care Management Fees
- Pioneer Medicare ACO generated more than $17 million in savings for Medicare in three years
- Appropriate reduction ER/IP readmissions
- Delivering care at right site of service



Together We Can Make A Bigger Impact

Value Based Care

- **Scalable infrastructure** to support clinical programs and administrative functions
- **Improved data sharing** and communications between providers and plans
- Clinical models focused on prevention and **population health**
- Strong, **collaborative relationships** with plan partners to expand product offerings
- **New payment models** reward cost and quality improvements
- Access to a **high performing low cost network** will attract employers and membership

A Go To Expert Across the Continuum

*How **Physicians** Want to Practice*

*As **Patients** Change Products*

Barry Arbuckle

The Quest for Value

Barry Arbuckle, Ph.D., President and CEO
MemorialCare Health System

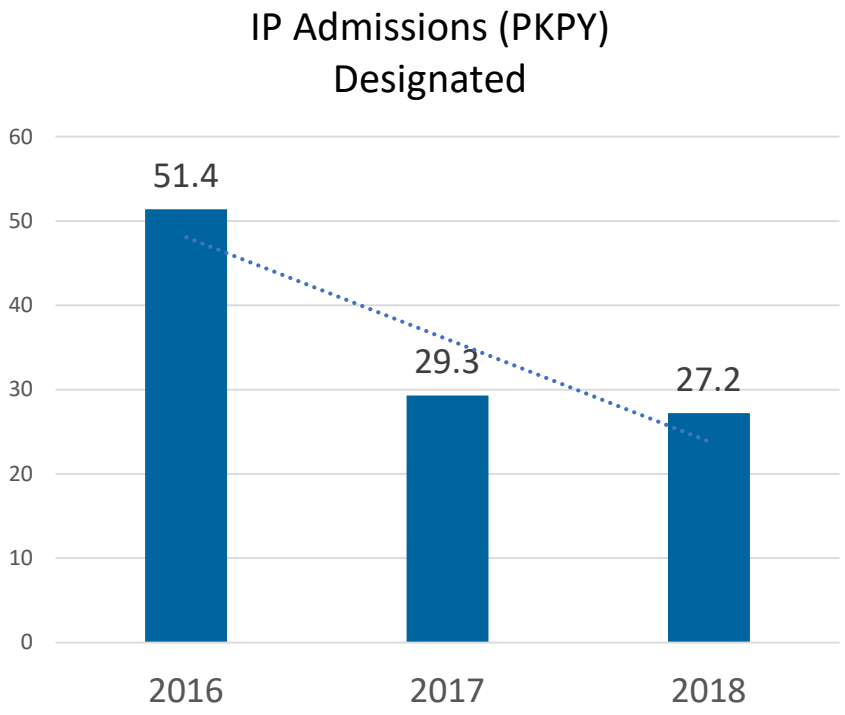
Value-Based Ambulatory Network

Value-Based Products

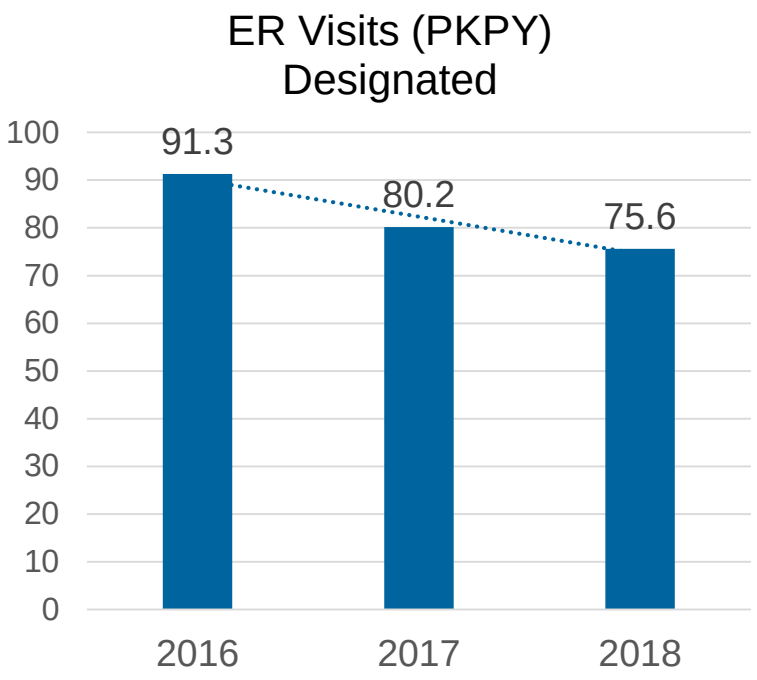
Health Plan Partnerships & Direct-to-Employer (DTE)	
Vivity offered by Anthem BlueCross	HMO, 7 Founding Health Systems **Reduced C-section rate from 34% to 24%**
aetna | MemorialCare	PPO, Attributed & Product Model **Out-performed market trend by 5% in 2018**
Anthem Blue Cross	PPO, Attributed Model Only **Out-performed market trend by 2.5% in 2018**
MemorialCare	Direct-to-Employer, PPO **Reduced total-cost-of-care by 4% in first year** **Reduced Pharma spend by 25% YOY**
BPCI Model 2: Retrospective Acute & Post Acute Care Episode	Medicare FFS Episodes (Cardiac, Orthopedics) **Shared savings achieved: 100% Year 1 and 96% Year 2**
NextGen ACO	Medicare FFS Advanced Alternative Payment Model 2016, 2017 **NORC estimated we saved Medicare $12.6 M in 2016**

MemorialCare is in more value-based products than any other health system in Southern California. 250K Lives including Sr & Commercial HMO

Direct-to-Employer (DTE) Outcomes
Hospital & ED Utilization Trend



47% decrease since 2016 (designated)

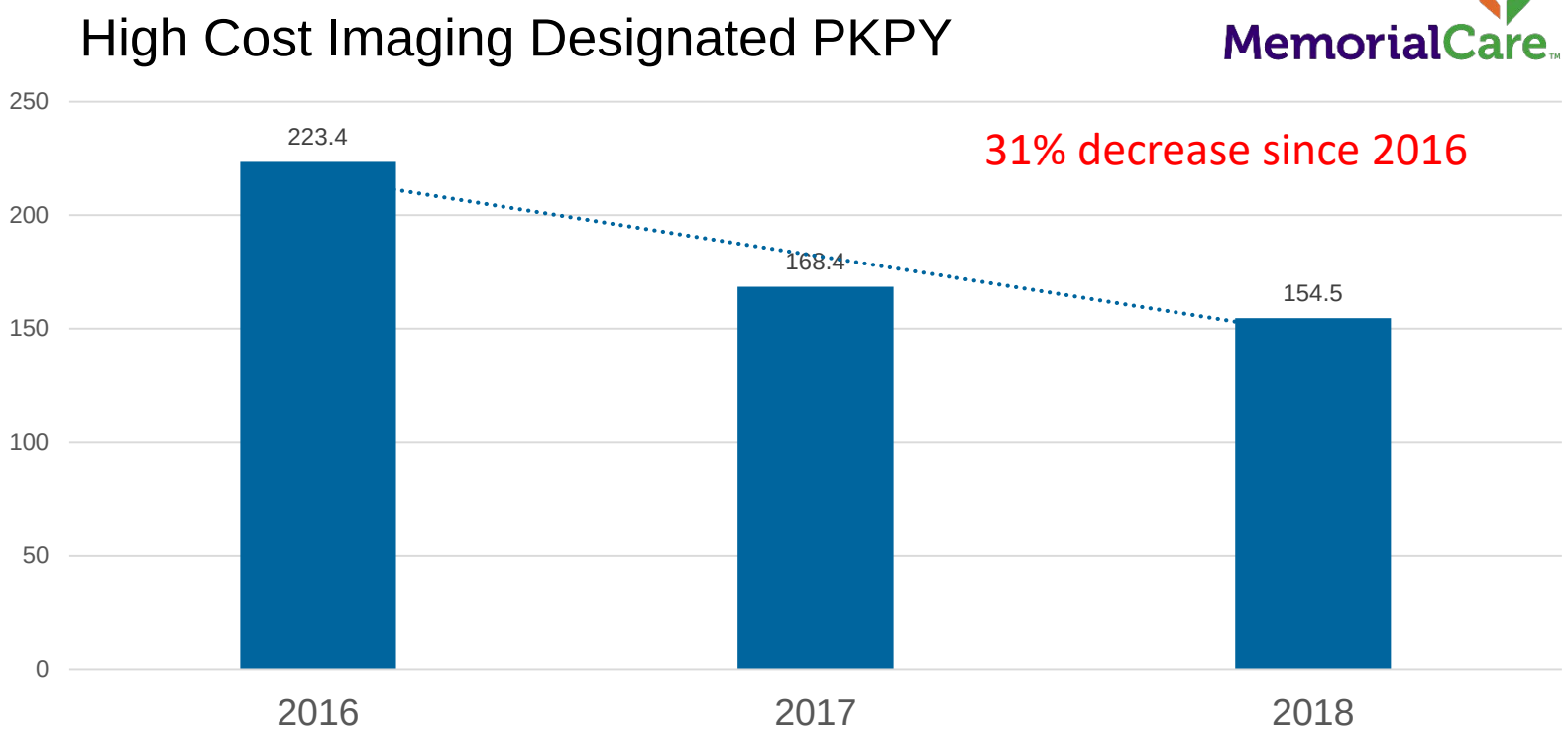


17% decrease since 2016 (designated)

MemorialCare

CalPERS

Direct-to-Employer (DTE) Outcomes
Imaging Utilization Trend



CalPERS

Direct-to-Employer (DTE) Outcomes
Lowering Total Cost-of-Care PMPM

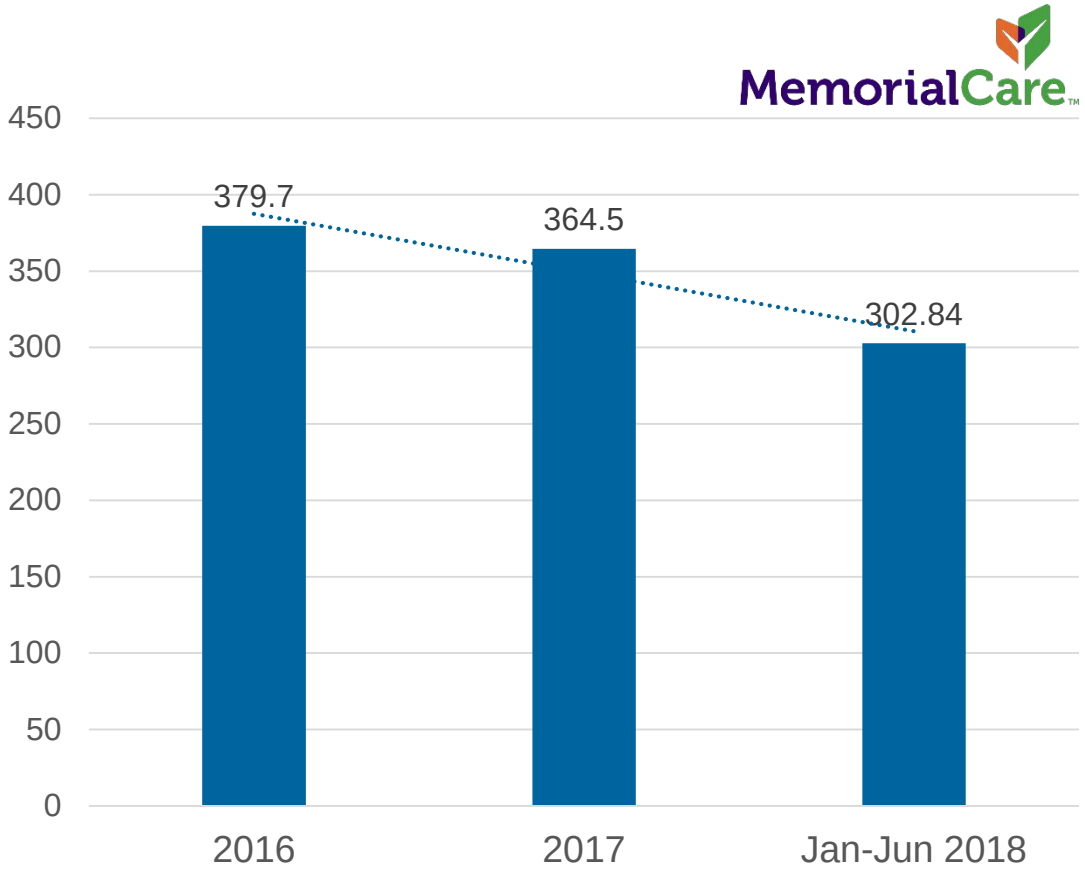
Year 1 (2017)

⬇ 4%

Year 2 (2018)

⬇ 17%

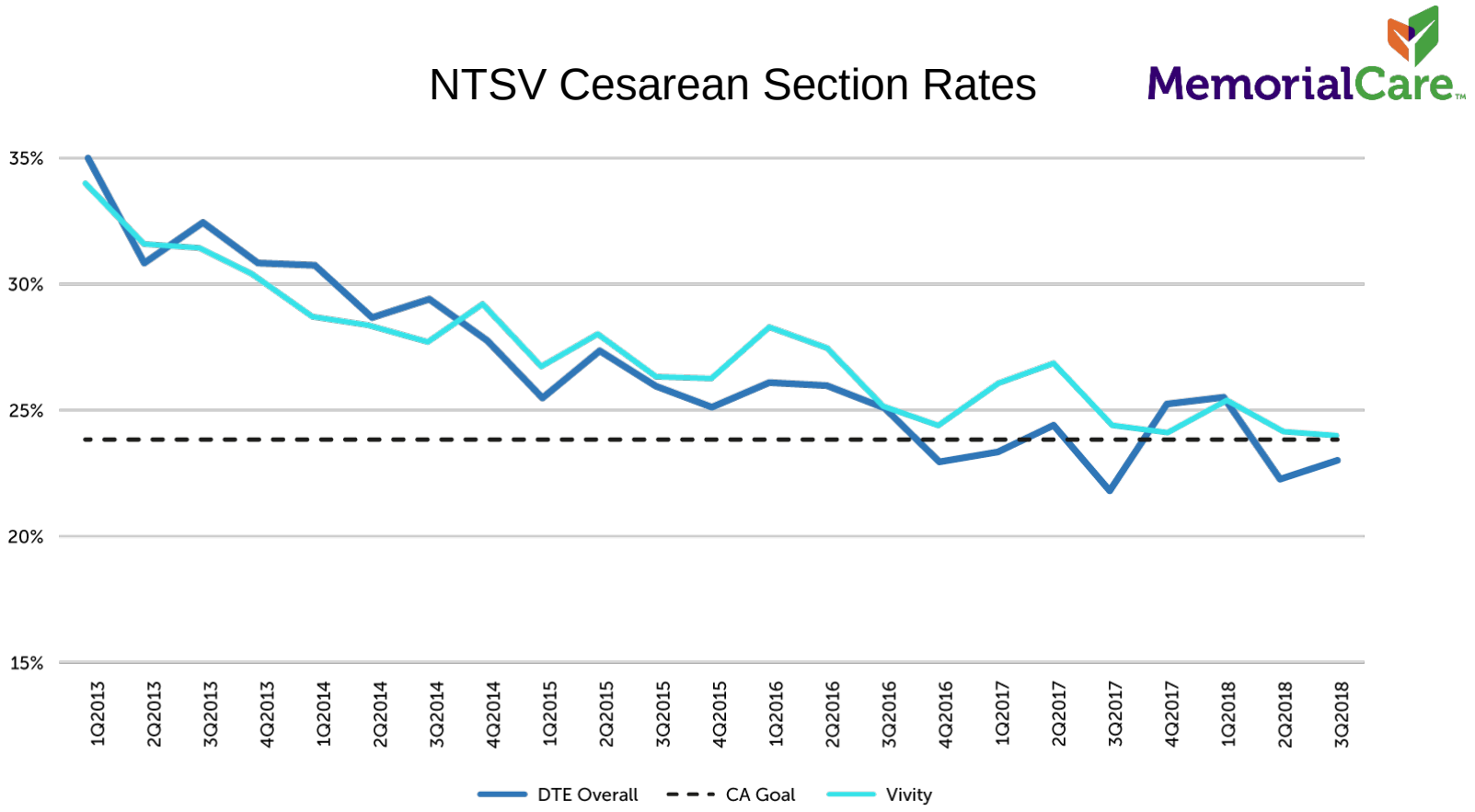
*Designated Population in DTE the entire year



***2018 excludes 1 outlier patient**

CalPERS

C-Section Rate Reduction



Vivity: Decreased C-section rate from 34% to 24%

DTE: Decreased C-section rate from 35% to 24%

1. Data Infrastructure

Population Health Data → Action

A. Data Inputs

- Claims
- Eligibility
- Lab & Pharmacy
- Encounter/Clinical
- ED/Admit Notifications

B. Health Catalyst Analytics

- Risk Stratification
- Work Lists
- Analyze Trends

C. Partner Sharing

2. Care Management Infrastructure
Managing the High Risk and Rising Risk

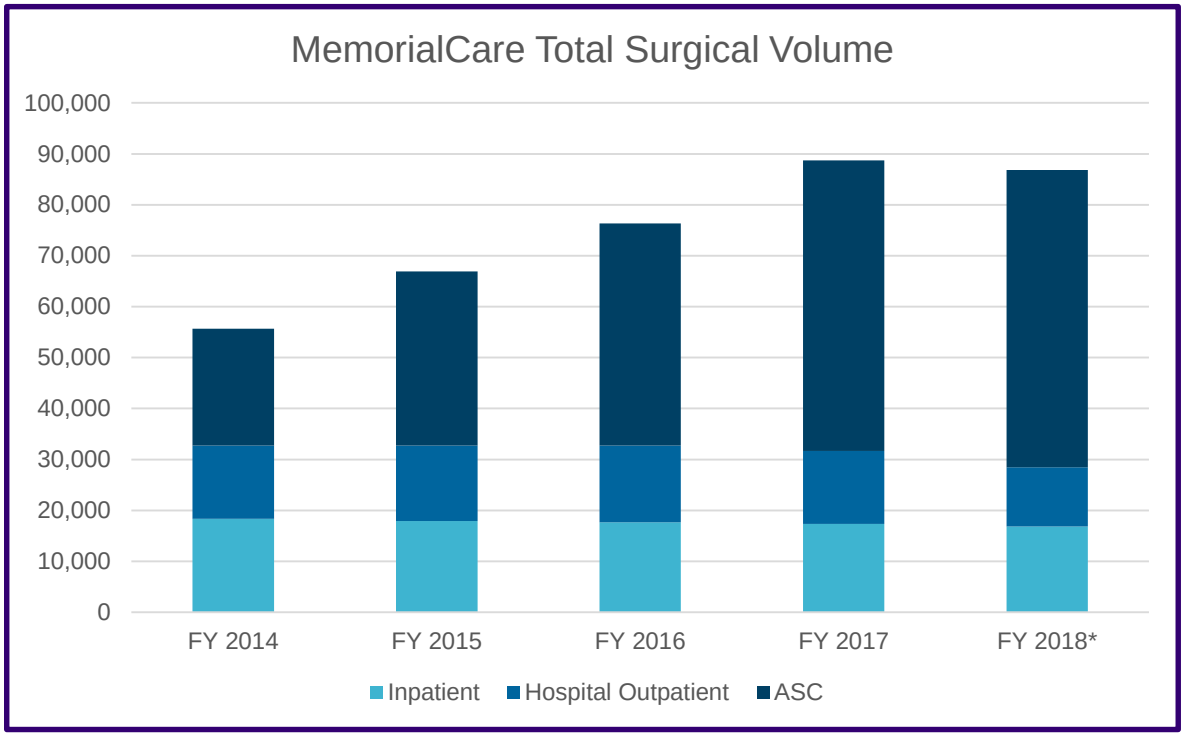
A. Manage the High Risk
- Multi-Disciplinary Team
- Case Managers
- Care Coordinators
- Pharmacists
- Social Workers

B. Triage
- Telephonic
- Virtual Case Conference
- Post-Discharge Clinic
- Disease-Specific Clinics
- Intensive Outpatient Clinic

MemorialCare™

3. Primary Care Access & Shift to Outpatient
Lowering the Cost-of-Care & the Price-of-Care

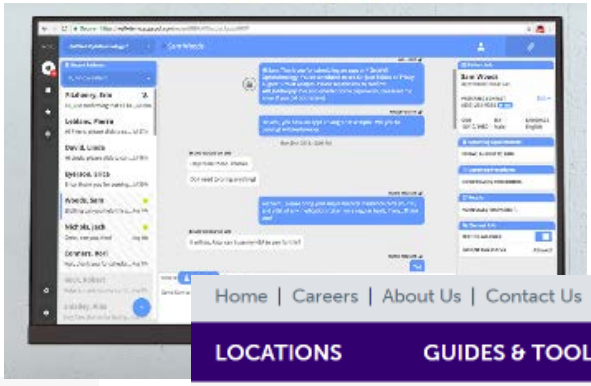
- OP procedures can be done in 2 distinct sites of care
- 'Procedures' include surgery, imaging, diagnostic tests, dialysis, infusion, urgent care, etc.
- Known as:
  - Hospital OP Departments (HOPD)
  - Community-based ambulatory sites
- Price to payer/employer can vary from 200%-400% depending on the site
- Same patient, procedure, physician (usually), and the same/similar equipment

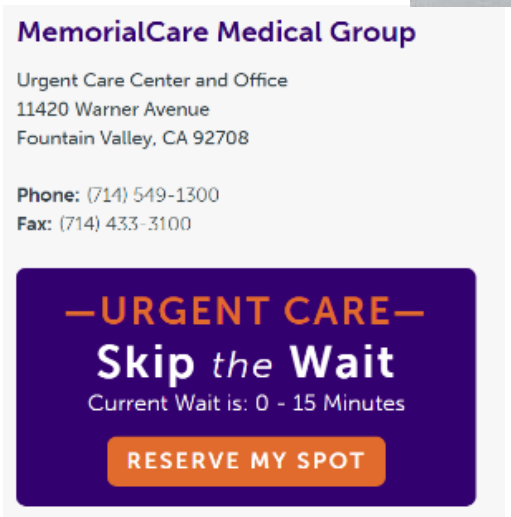


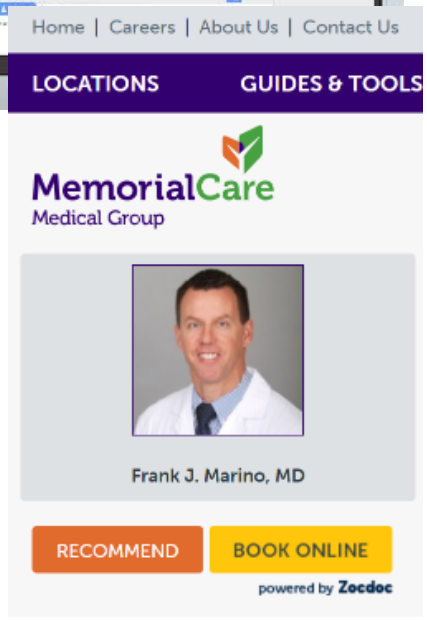
4. Engaging & Coaching Patients for Better Care
Creating the Amazing Experience

- Concierge Call Center
- Dedicated Website
  - Patient Portal
  - ZocDoc
- Well Health Messaging
- Clockwise
- Gold Card
- Plan Design Imperative

w/ optimal financial alignment

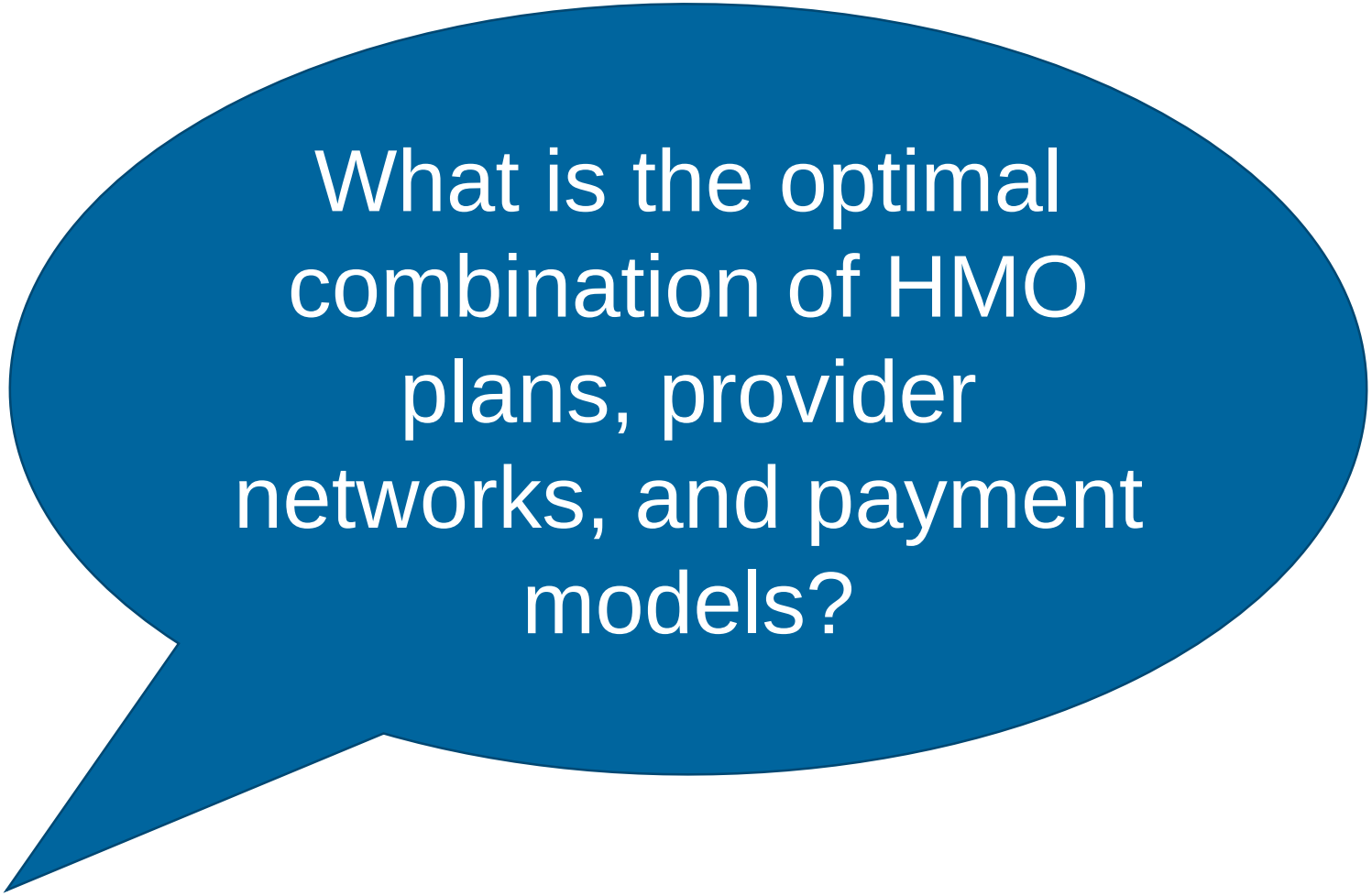






Questions & Discussion

Question


What is the optimal combination of HMO plans, provider networks, and payment models?