California's Changing Marketplace from the Perspective of Purchasers

July 16, 2019

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Suzanne Delbanco
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Catalyst for Payment Reform

Effective Value-Oriented Payment Strategies

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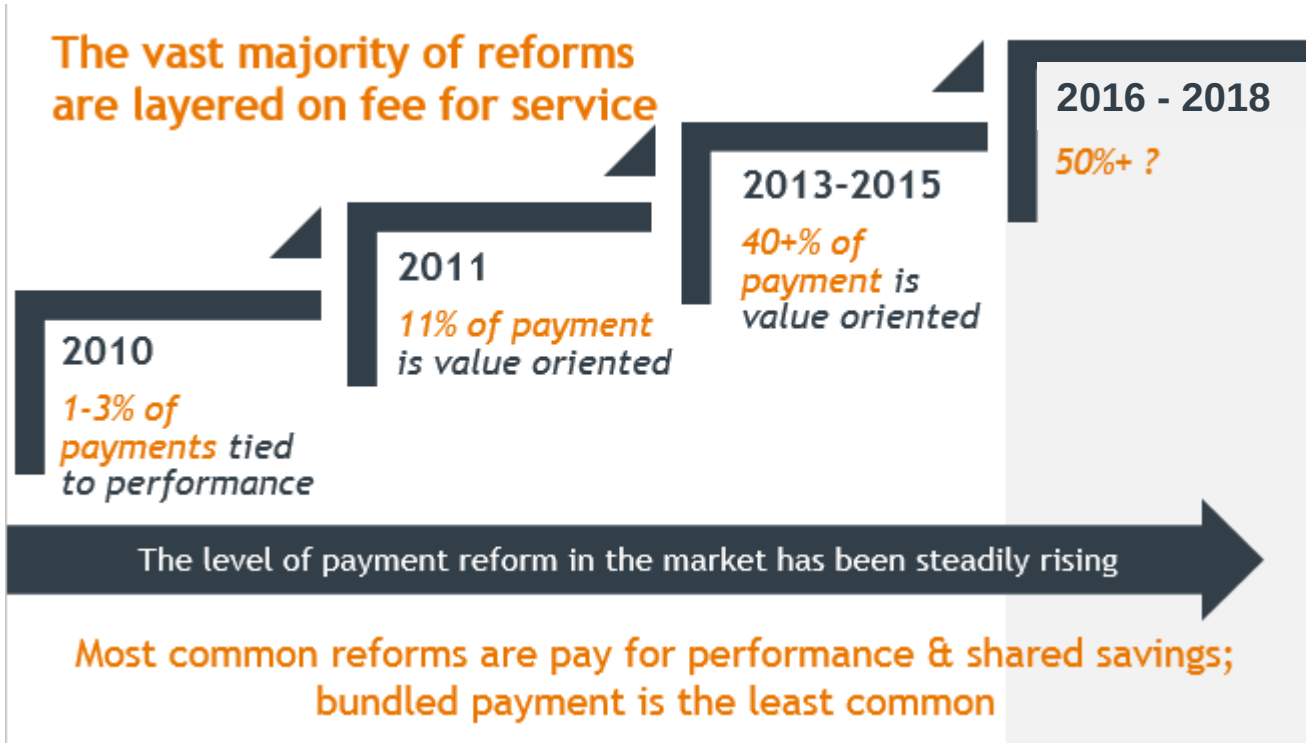
catalyst
FOR PAYMENT REFORM

About CPR

An independent non-profit corporation **working to catalyze employers, public purchasers and others** to implement strategies that produce higher-value health care and improve the functioning of the health care marketplace.

- 32BJ Health Fund
- 3M
- Aircraft Gear Corp.
- Aon Hewitt
- Arizona Health Care Cost Containment System (Medicaid)
- AT&T
- The Boeing Company
- CalPERS
- City and County of San Francisco
- Comcast
- Compassion International
- Covered California
- Dow Chemical Company
- Equity Healthcare
- FedEx Corporation
- GE
- General Motors Company
- Google, Inc.
- Group Insurance Commission, MA
- The Home Depot
- Mercer
- Miami University (Ohio)
- Ohio Medicaid
- Ohio PERS
- Penn State University
- Pennsylvania Employees Benefit Trust Fund
- Pitney Bowes
- Qualcomm Incorporated
- Self-Insured Schools of California
- South Carolina Health & Human Services (Medicaid)
- TennCare (Medicaid)
- Unite Here Health
- US Foods
- Walmart Stores, Inc.
- Wells Fargo & Company
- Willis Towers Watson

Growth of Provider Payment Reform



WHAT'S NEXT?

- Fix the fee schedule
- Evaluate which reforms work
- Make smart pairings between provider payment methods and benefit designs

Payment reform: a range of health care payment models that use payment to promote or leverage greater value for patients, purchasers, payers, and providers. New methods support new health care delivery models such as patient centered medical homes and accountable care organizations….

Mixed Results for Reforms: Example of ACOs

Medicare Shared Savings Program	
+	▪ Consistently high quality scores ▪ 31% of ACOs received shared savings bonuses in 2016
0	▪ Unchanged performance on a portion of quality measures ▪ Screening use varied
-	▪ For 2013 entrants, no early reductions in spending ▪ Medicare saw a net loss of $39 million

Connected Care (Intel)	
+	▪ High patient experience and satisfaction scores ▪ Statistically significant improvements in diabetes care
-	▪ Total costs at year end were 3.6% higher than expected

Regional Care Collaboratives (CO Medicaid)	
+	▪ Adult participants had fewer hospital readmissions and ER services than control ▪ Total reduction in spending est. $20 mill to $30 mill FY 2011-2012
0	▪ Use of ER services was about the same for children enrolled and not
-	▪ ER use was higher for enrolled participants with disabilities than those not enrolled

Can't say that ACOs are a slam dunk when it comes to procuring higher-value care!

Mixed Results for Reforms: Example of Bundled Payment

Bundled Payments for Care Improvement (BPCI)	
+	▪ 21% lower total spending per joint replacement episode without complications ▪ 1% reduction in ER visits and readmissions
0	▪ Mixed impact on quality measures – some improved, some stayed the same and some worsened
-	▪ For spinal surgery episodes, average Medicare payments increased more for the hospitalization and 90-day post-discharge period for the BPCI than comparison

Health Care Payment Improvement Initiative (Arkansas)	
+	▪ AR BCBS trend decreased for average LOS for inpatient admissions for TJR, from 2.7 days in baseline year to 2.6 days in 2013 and 2.3 days in 2014 ▪ Medicaid 30-day wound infection rate improved to 1.7% for 2014, down from 2% in 2013
-	▪ Medicaid post-operation TJR complication rate worsened from 8% in 2013 to 14.1% in 2014

Bundles for Maternity Care (PBGH)	
+	▪ Reduction of cesareans by 20% ▪ Savings of $5,000 per averted cesarean delivery

Bundled payments are promising, but the details matter!

Continued Evaluation and Transparency is Critical

E.g. CPR's Standard Plan ACO Report

- Nutrition label-format provides purchasers with a **standard, easy way to identify the value** of their health plans' ACO arrangements.
- Meaningful and comprehensive cost, quality and utilization metrics help purchasers **assess whether care is improving, staying the same, or getting worse**.

Standard Plan ACO Report

ACO Facts: Purchaser

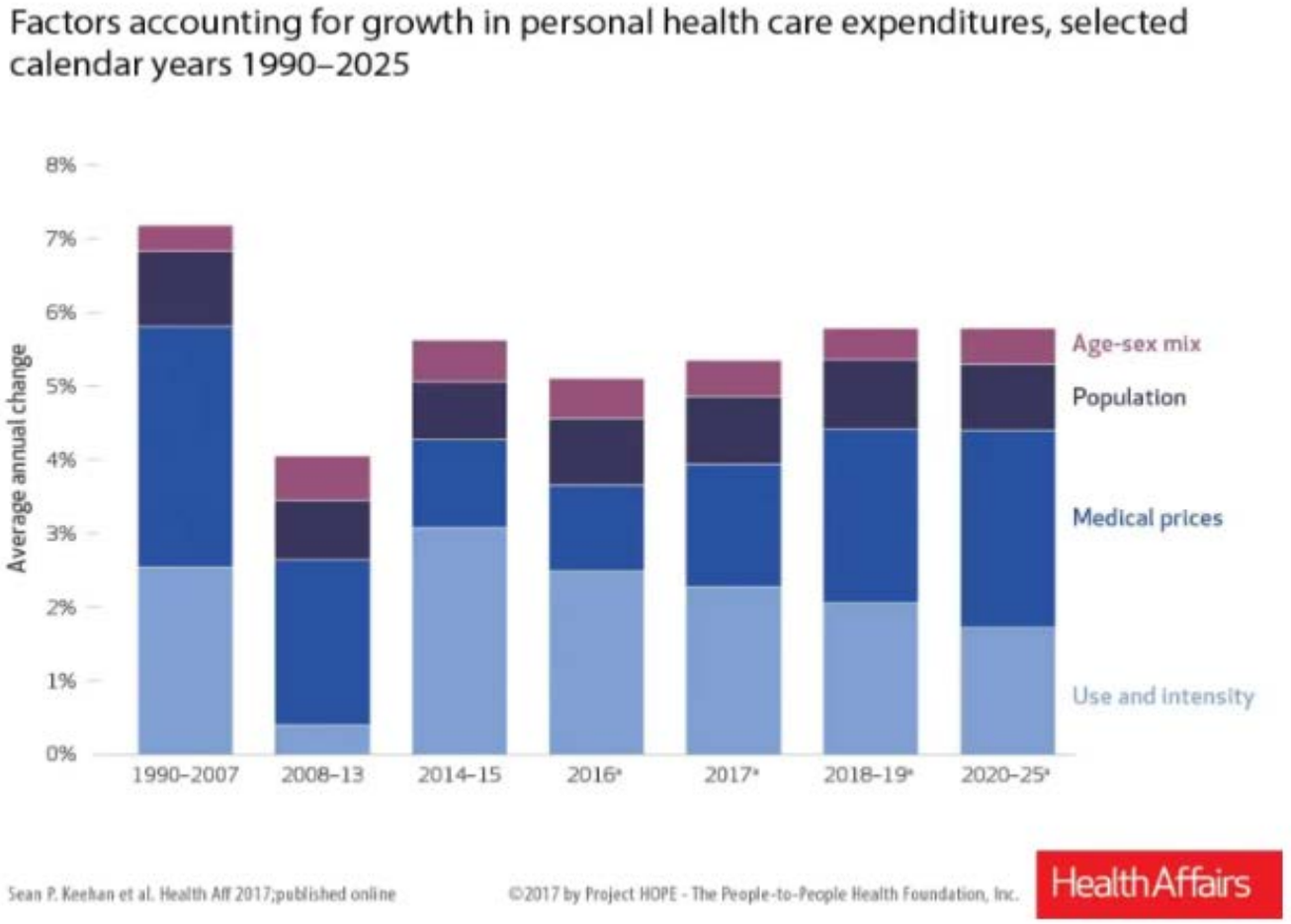
To the extent possible, all information should be ***specific to the purchaser-customer*** *requesting the report. Reference the "Definitions" tab as needed.*

Name of Administrator:	
Current Period:	[month, year] *through* [month, year]
Administrator	#
Total current members assigned or attributed to an ACO	#
Percent of current members assigned or attributed to an ACO	#VALUE!

Cost	Prior Period	Current Period
Total per member per month spend for non-attributed/non-assigned members (specify if includes/excludes Rx)	$	$
Total per member per month spend for attributed/assigned members (specify if includes/excludes Rx)	$	$
Total cost of care (health care spend of ACOs)	$	$
Total savings produced or overspending (gross gains or losses)	(+/-)	(+/-)
Total gains or losses shared with ACOs	(+/-)	(+/-)
Total per member per month savings or losses generated from participating in the ACO	#VALUE!	#VALUE!
Total non-visit related payments charged to Company (e.g., infrastructure, management fees, quality incentives)	$	$

Based on the Nutrition Label

But Don't Forget the Prices – They Matter Too



- Provider consolidation has been driving up prices
- Consolidation will continue
- Prices have no correlation to quality of care
- High prices can negate positive impacts of reform

Evidence that Innovative Benefit Designs Work

High-value benefit designs encourage consumers to seek care from providers **at the intersection of high-quality and low-cost.**

Walmart's **COE for spine surgery** reduced inappropriate surgeries – 50% of associates referred for surgery were not good candidates.*

CalPERS **reference pricing for total joint replacement** reduced average price by 26% and reduced selection of high-priced providers by 34%.**

*https://www.catalyze.org/product/centers-of-excellence-walmart-employer/
**James Robinson and Timothy Brown "Increases In Consumer Cost Sharing Redirect Patient Volumes And Reduce Hospital Prices For Orthopedic Surgery," Health Affairs (August 2013) https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2013.0188 at 1393-96; David Cowling "CalPERS Reference Pricing Program for Hip or Knee Replacement," CalPERS Presentation (November 18, 2013) http://www.allhealthpolicy.org/wp-content/uploads/2016/12/DAVID_COWLING_PRESENTATION_5U.pdf.

Evidence that Innovative Provider Network Designs Work

Group Insurance Commission in MA:

- Enrollees in narrow networks **spent 36% less.***
- Tiered networks **reduced market share** of poorly performing providers by 12%.**

BCBS of MA:

- Tiered network **reduced** total adjusted medical spending per member per quarter by 5%.***

*Jonathan Gruber and Robin McKnight "Controlling Health Care Costs Through Limited Network Insurance Plans: Evidence from Massachusetts State Employees," National Bureau of Economic Research Working Paper 20462 (September 2014) http://www.nber.org/papers/w20462.pdf at 4, 21, 23-24.

**Anna Sinaiko and Meredith Rosenthal "The Impact of Tiered Physician Networks on Patient Choice," Health Services Research (August 2014) https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4239853/ at 1350-51, 1355-56.

Anna Sinaiko, Mary Beth Landrum, Michael Chernew "Enrollment In A Health Plan With A Tiered Provider Network Decreased Medical Spending By 5 Percent," Health Affairs (May 2017). https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2016.1087?journalCode=hlthaff at 870, 873-74.

Effective Strategies for the Future?

Push for **price and quality transparency because it creates competition among providers and supports innovative benefit and provider network designs.**

Introduce **new benefit designs** that encourage employees to use high-value providers.

- Reference pricing
- Centers of excellence

Customize **provider network designs** based on value.

- Narrow network
- Tiered network
- Direct contracting for ACO or episodes/procedures
- Onsite/near-site clinics

Effective Strategies for the Future?

Pay providers differently through **alternative payment methods** that hold them responsible for quality and spending.

Encourage **new entrants into the market** to compete.

- Telehealth
- Onsite/near-site clinics
- Retail clinics, urgent care centers, etc.

Take a new approach to pricing through contracting, such as using Medicare rates as a reference price.

THANK YOU

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David Lansky, PhD
Senior Advisor and Former CEO
Pacific Business Group on Health

Purchaser Leverage to Drive System Transformation

David Lansky, PhD

CalPERS Board of Administration Offsite
Santa Rosa, Ca

July 16, 2019

PBGH
PACIFIC BUSINESS GROUP ON HEALTH

Selected PBGH Members

PBGH has the opportunity to drive change

We have the insight and experience:

30 years of knowledge

Proven track record

Have earned the respect of the market

We have the leverage and resources:

39 members

Together we wield over $100 Billion

We have the responsibility:

Those in this room represent over 15 Million covered lives.

No one else will do it for us.

How we will move forward

Advanced Primary Care

Purchasing Value

Functional Markets

Our legacy is our future

Advanced Primary Care

- Primary Care Transformation
- California Quality Collaborative
- Quality Improvement Training
- Mental Health

Purchasing Value

- Accountable Care Organizations
- Accountable Care Marketplace
- Member Value
- Purchaser Value Network (PVN)
- Patient Assessment Survey
- Transform Maternity Care
- Accountable Pharmacy
- New Payment Models
- Patient-Reported Outcomes Measures
- Employers Centers of Excellence Network

Functional Markets

- Federal Policy
- State Policy
- Multi-payer Alignment

These strategies build on our past work

Advanced Primary Care

- **Reform Payment**
  for advanced primary care
- Multi-payer alignment
- Practice transformation support
- Behavioral Health Integration

Purchasing Value

- **Scale innovations**
  Centers of Excellence
- **Pressure incumbents**
  health plans
- Foster entrants: TPAs, non-profit PBM
- Align: common standards & payment models

Functional Markets

- **Design the market**
  preempting industry resistance
- Policy leadership: CMMI, Medicare and state
- Market intervention: Restrict egregious anti-competitive practices

California’s Changing Marketplace from the Perspective of Purchasers

Bill Scott, Principal
Mercer

Health Wealth Career

Healthcare Transformation and Premium Trends

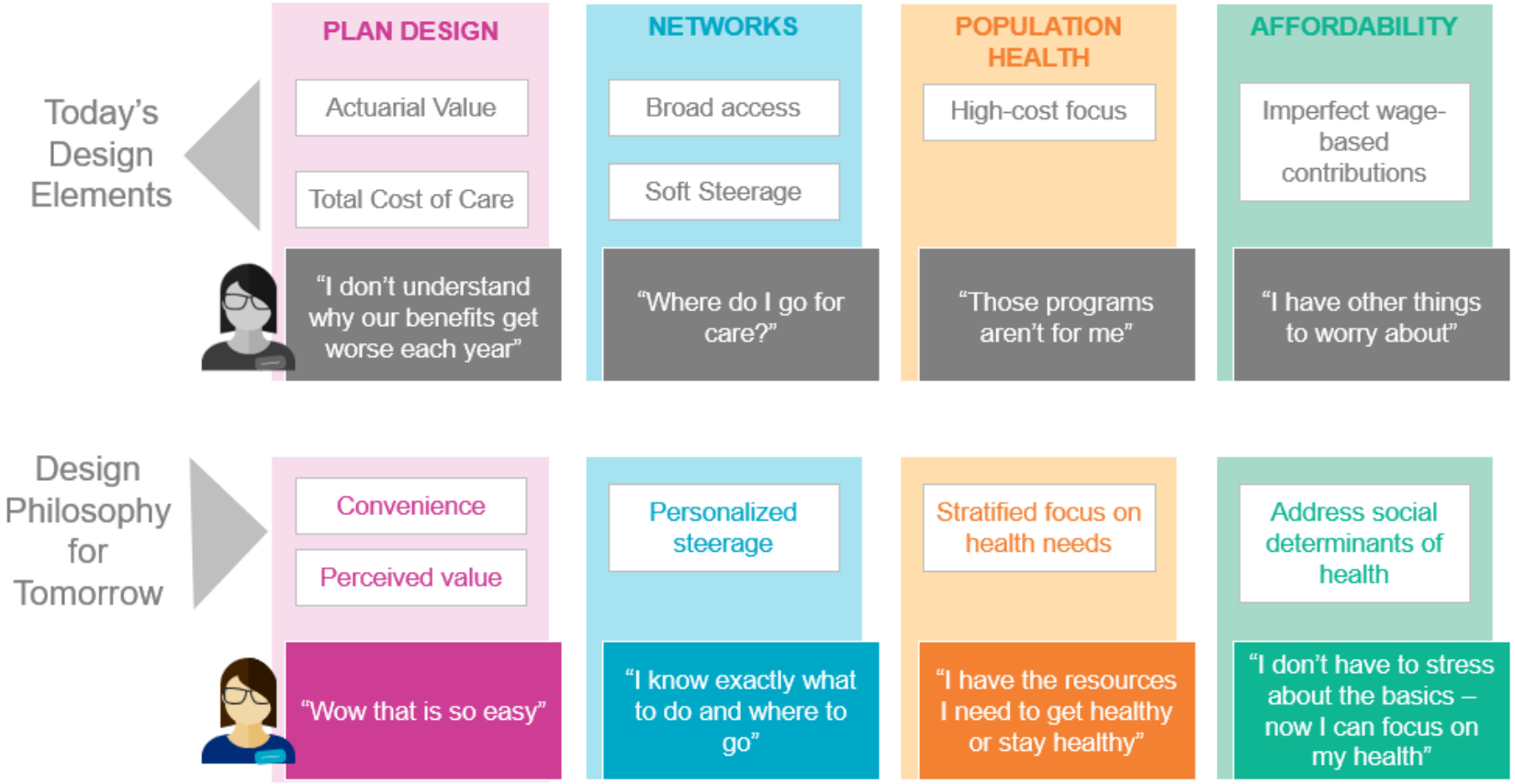
CALPERS

July 2019

MAKE TOMORROW, TODAY MERCER

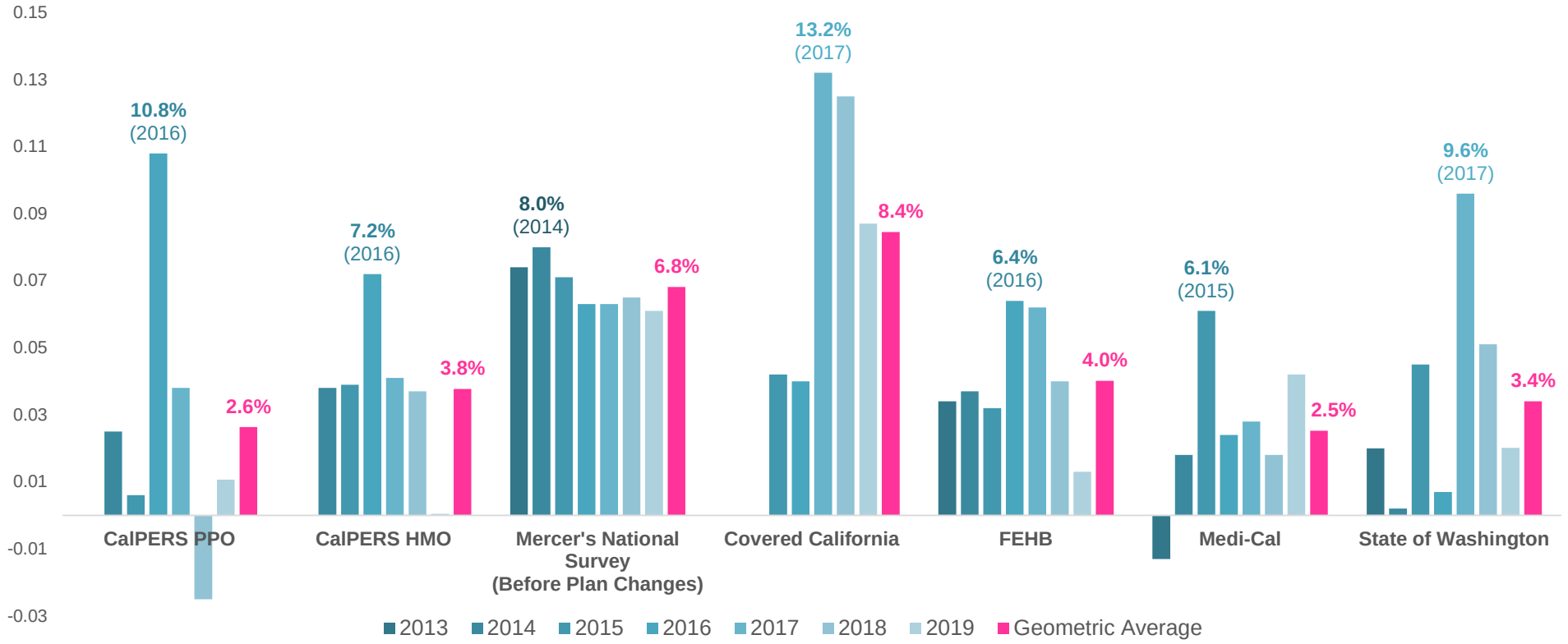
HEALTHCARE TRANSFORMATION

HEALTHCARE TRANSFORMATION
DESIGNING FOR THE CONSUMER OF TOMORROW



PREMIUM TRENDS

ANNUAL HEALTH CARE PREMIUM RATES
2013-2019 INCREASES



ANNUAL HEALTH CARE PREMIUM RATES
2013-2019 INCREASES

	% Increase in Premium							
	2013	2014	2015	2016	2017	2018	2019	Geometric Average
CalPERS PPO		2.5%	0.6%	10.8%	3.8%	-2.5%	1.1%	**2.6%**
CalPERS HMO		3.8%	3.9%	7.2%	4.1%	3.7%	0.0%	**3.8%**
Mercer's National Survey (Before Plan Changes)	7.4%	8.0%	7.1%	6.3%	6.3%	6.5%	6.1%	**6.8%**
Covered California			4.2%	4.0%	13.2%	12.5%	8.7%	**8.4%**
FEHB	3.4%	3.7%	3.2%	6.4%	6.2%	4.0%	1.3%	**4.0%**
Medi-Cal	-1.3%	1.8%	6.1%	2.4%	2.8%	1.8%	4.2%*	**2.5%**
State of Washington	2.0%	0.2%	4.5%	0.7%	9.6%	5.1%	2.0%	**3.4%**

* Not yet final, subject to CMS approval

2020 GROSS INCREASES IN PREMIUM
JUMBO CLIENTS

		Industry	# of Employees	Types of Plans	2020 Gross Increase to Premium
Jumbo Clients	Client 1	Financial Services	20,000	CDHP	**7.0%**
	Client 2	Assisted Living Facilities	10,000	CDHP / Regional HMO	**2.0%**
	Client 3	Pharmaceutical	14,000	PPO / CDHP	**-2.1%**
	Client 4	Pharmaceutical	8,500	PPO / CDHP	**8.2%**
	Client 5	Engineering	63,000	PPO / CDHP	**3.8%**
	Client 6	Retail	100,000	PPO / CDHP	**3.2%***

* Before program changes; status quo gross increase to premium before changes is 7.1%

- Mercer inquired with the client teams that responded last year; several are still in the process of setting premiums for 2020 and therefore rate increases are not yet available.

DATA – NOTES ON PREMIUM TREND ANALYSIS

Increase in Premium 2013-2019

- Covered California percentage increases were based upon data since the program's inception in 2014
- The data for Medi-Cal managed care program were calculated on a State Fiscal Year (July-June) up until 2019, which is for an 18 month period of July 1, 2019 – December 31, 2020.
- Medi-Cal 2013 – 2018 percentage changes are for the TANF (Temporary Assistance for Needy Families), CHIP (Children's Health Insurance Program), and Disabled Medi-Cal populations. Prior to ACA Optional Expansion (OE), these groups made up ~91% of the Medi-Cal managed care population. The ACA OE population has been excluded in the development of these percentages.
- Medi-Cal 2019 percentage change is for all Medi-Cal managed care populations (Medicaid + CHIP).
- Percentage change in Health Benefit Cost per Employee – Before Changes is from Mercer's 2018 National Survey of Employer Sponsored Health Plans.

2020 Gross Increases in Premium – Jumbo Clients

- 2020 gross premium increases were provided by internal Mercer teams
- Jumbo clients range from 5,000 to 100,000 employees
- Increases reflect after plan design changes

CalPERS Board of Administration Offsite – July 2019

Discussion

Where should CalPERS be in 3 to 5 years on healthcare?

What strategies should CalPERS be implementing?