Moving Toward Value-Based Care While Increasing Transparency

Dr. Robert Morrow, President, Houston & Southeast Texas

Sept. 20, 2017
OUR PURPOSE
To do everything in our power to stand with our members in sickness and in health
State of U.S. Health Care

Percentage of GDP Spent on Health Care

Average: 10.4%


But the US is not as sick as Europe

Disease prevalence in the United States is lower than in peer countries for most high-cost medical conditions

<table>
<thead>
<tr>
<th>Disease category</th>
<th>US health care expenditures by disease condition* ($ billion)</th>
<th>Disease prevalence: United States vs. peer countries**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart conditions</td>
<td>76.5</td>
<td>95</td>
</tr>
<tr>
<td>Trauma-related disorders</td>
<td>72.5</td>
<td>106</td>
</tr>
<tr>
<td>Cancer</td>
<td>69.7</td>
<td>105</td>
</tr>
<tr>
<td>Mental disorders</td>
<td>56.0</td>
<td>98</td>
</tr>
<tr>
<td>COPD***, asthma</td>
<td>53.8</td>
<td>67</td>
</tr>
<tr>
<td>Hypertension</td>
<td>42.3</td>
<td>77</td>
</tr>
<tr>
<td>Diabetes mellitus</td>
<td>34.3</td>
<td>86</td>
</tr>
<tr>
<td>Osteoarthritis/other joint disorders</td>
<td>34.2</td>
<td>91</td>
</tr>
<tr>
<td>Back problems</td>
<td>32.5</td>
<td>97</td>
</tr>
<tr>
<td>Other</td>
<td>288.5</td>
<td></td>
</tr>
</tbody>
</table>

* Includes 35 of 60 medical conditions surveyed by US Medical Expenditure Panel Survey; the costs of these diseases represent 35 percent of total US health expenditures.
** Peer countries are France, Germany, Italy, Spain, and the United Kingdom.
*** Chronic Obstructive Pulmonary Disease.

Lower relative disease prevalence in the United States represents an estimated $57 billion to $70 billion in medical cost savings.

Source: Medical Expenditure Panel Survey, 2005; Decision Resources 2006; McKinsey Global Institute analysis
Value Based Care

Paying for Value
Redefining Value in Health Care

VALUE = QUALITY

- Achieve better outcomes
- Increase safety
- Improve satisfaction

COST $:
- Reduce avoidable medical spending
- Decrease total cost of care

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Value Creation in New Models

Continuum of Payment Models

- Fee-for-Service
- Pay for Performance
- Bridges to Excellence
- Our Medical Home Approaches: EMH & IMH
- Episodes of Care
- Accountable Care Organization
- HMO Global Payment

Provider Accountability (cost & quality)
Providing accountable care

Outcomes
• Improve the individual experience of care
• Improve population health
• Reduce the cost of health care for populations

Processes
• Oversee the provision of clinical care
• Coordinate the provision of care across the continuum of health services
• Invest in and learn to use appropriate IT to manage population health

Structure
• Accountability for the measured health of a population
• Align incentives to encourage the production of high quality health outcomes

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ACO QUALITY METRICS

Preventive Health
- Breast Cancer Screening
- Cervical Cancer Screening
- 3Colorectal Cancer Screening
- Childhood Immunization Status – MMR

Comprehensive Diabetes Care
- HbA1c Testing
- HbA1c Control (<8.0%) *
- Blood Pressure Control < 140/90 mmHg *

Asthma
- Medication Management for People with Asthma

Inpatient Utilization
- All Cause Readmissions (Actual to Expected)

Other Quality Metrics
- Avoidance of Antibiotic Treatment in Adults with Acute Bronchitis
- Use of Imaging Studies for Low Back Pain
- Appropriate Treatment for Children With Upper Respiratory Infection
- Appropriate Testing for Children with Pharyngitis

AHRQ Ambulatory Sensitive Admissions
- Prevention Quality Chronic Composite—Includes PQIs 01, 03, 05, 07, 08, 13, 14, 15, & 16
- Prevention Quality Acute Composite—Includes PQIs 10, 11, & 12

Member Experience – CAHPS Clinician and Group Survey
- Clinician/Group CAHPS: Follow-Up on Test Results
- 1Getting Timely Appointments, Care, and Information
- How Well Providers (or Doctors) Communicate with Patients

• Quality metrics run on ACO Population (continuously enrolled members in either Base Period Cohort or Performance Period Cohorts)
• Member Experience Survey by third party
• All metrics based on HEDIS specifications except AHRQ and Member Experience.
• Claims and administrative data are sufficient to calculate most metrics, with no additional data needed from ACO
• * Clinical data needed for control measures (e.g. BP and lab values) will be submitted electronically by the ACO to BCBSXX (Goal is to meet HEDIS Criteria for Standard Supplemental Data.)
Beware of ACOs in Name Only

Hospital A

$2,000 per member per year; Attracts 500 XYZ employees

Total costs = $2,000 \times 500 = $1\ M

New ACO to cut 10% costs

$1,800 per member per year; Attracts 800 members

Total costs = $1,800 \times 800 = $1.44\ M

Hospital B

$1,000 per member per year; Attracts 500 XYZ employees

Total costs = $1,000 \times 500 = $0.5\ M

Total Cost

$1.5\ M

$1,000 per member per year; Attracts 200 XYZ employees

Total costs = $1,000 \times 200 = $0.2\ M

$1.64\ M
Our Accountable Care Organizations

**El Paso**
- National ICN, Inc. (Tenet)

**San Antonio**
- National ICN, Inc. (Tenet)
- UPSA ACO, LLC
- Christus Connected Care Network*
- Integrated ACO*
- RGV ACO Health Providers, LLC*

**Kerrville**
- Hill Country Accountable Care Organization, LLC*

**Midland**
- Integrated ACO*

**Lubbock**
- Covenant Health Partners*

**Austin**
- Austin ARIA
- Southwest Provider Accountable Care
- Integrated ACO*

**Rio Grande Valley**
- National ICN, Inc. (Tenet)
- Osler Medical Group ACO, LLC*
- RGV ACO Health Providers, LLC*
- Valley Organized Physicians, LLC*

**Dallas/Ft. Worth**
- Catalyst Health Network
- National ICN, Inc. (Tenet)
- Texas Health Resources (THR)
- TXCIN
- USMD Physician Services*
- Patient Physician Network Holding Company LLC.*
- Premier PHC Physician Group, Inc.*

**East Texas**
- East Texas Regional Accountable Care Collaborative, LLC
- Christus Connected Care*

**Houston**
- Houston Regional Accountable Care Organization, LLC
- Memorial Hermann Accountable Care Organization
- National ICN, Inc. (Tenet)
- Platinum Physician Associates
- Renaissance Physician Organization
- Village Practice Management
- The University of Texas Medical Branch at Galveston*
- PracticeEdge Alliance ACO LLC.

**Laredo**
- Seven Flags ACO LLC*

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Our ACO Program Results

2015

5 Accountable Care Organizations
118K Avg. Membership
86% % of Quality Targets Achieved

2016

14 Accountable Care Organizations
427K Avg. Membership
88% % of Quality Targets Achieved

$14.4M Aggregate Program Savings to Date
Making the Case for Transparency
SHOP AROUND: IT COULD SAVE YOU THOUSANDS

COST OF HIP REPLACEMENT SURGERY

LOS ANGELES-LONG BEACH
MIN: $17K
MAX: $46K
+1.7x

HOUSTON
MIN: $18K
MAX: $45K
+1.5x

MINNEAPOLIS-ST. PAUL
MIN: $19K
MAX: $45K
+1.4x

Source: Blue Cross and Blue Shield Association
Transparency Tools: Cost Estimator

MRI [without and with Contrast] Neck Spine

Estimated cost to you: $508—$1,411
Expected cost to your employer: $0—$3,060

Cost Estimate for MRI [without and with Contrast] Neck Spine

Total cost: $1,732

$864 Your estimated cost
$868 Your employer's expected cost

See breakdown of your cost
Price Transparency For MRIs
Increased Use Of Less Costly Providers And Triggered Provider Competition

Adjusted Cost Per Magnetic Resonance Imaging (MRI) Scan In Intervention And Reference Groups, 2010 And 2012

- Expected cost
- Intervention group
- Reference group

$220 (net impact)
## Where You Go Matters – Top 10 Dx

### Average Cost to Treat (per claim)

<table>
<thead>
<tr>
<th>Diagnosis</th>
<th>Hospital ER</th>
<th>Freestanding ER</th>
<th>Urgent Care Clinic</th>
<th>Retail Clinic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headache</td>
<td>$2,214</td>
<td>$2,472</td>
<td>$170</td>
<td>$80</td>
</tr>
<tr>
<td>Urinary Tract Infection, Site</td>
<td>$1,987</td>
<td>$1,579</td>
<td>$151</td>
<td>$66</td>
</tr>
<tr>
<td>Other and unspecified, Site</td>
<td>$2,527</td>
<td>$2,729</td>
<td>$158</td>
<td>$77</td>
</tr>
<tr>
<td>Acute Bronchitis</td>
<td>$1,298</td>
<td>$1,611</td>
<td>$175</td>
<td>$77</td>
</tr>
<tr>
<td>Acute Upper Respiratory Infection</td>
<td>$872</td>
<td>$1,127</td>
<td>$162</td>
<td>$82</td>
</tr>
<tr>
<td>Dizziness and Giddiness</td>
<td>$2,696</td>
<td>$3,026</td>
<td>$167</td>
<td>$70</td>
</tr>
<tr>
<td>Acute Pharyngitis</td>
<td>$888</td>
<td>$1,331</td>
<td>$166</td>
<td>$86</td>
</tr>
<tr>
<td>Nausea with Vomiting</td>
<td>$2,257</td>
<td>$2,126</td>
<td>$169</td>
<td>$77</td>
</tr>
<tr>
<td>Unspecified Essential Hypertension</td>
<td>$1,872</td>
<td>$2,024</td>
<td>$142</td>
<td>$63</td>
</tr>
<tr>
<td>Lumbago</td>
<td>$1,482</td>
<td>$1,814</td>
<td>$159</td>
<td>$66</td>
</tr>
</tbody>
</table>
Explosion of Freestanding ERs

50% of the USA’s Freestanding ERs are in Texas

75% Overlap in services between FSEDs and UCC

10X Service Costs are 10X that of Urgent Care

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Freestanding ER Response Efforts

- Legislative Support
- Media Coverage
- Social Media Awareness
- Public Policy Research
Key Takeaways

• Health care costs are growing, and we must work together to keep health care affordable.

• Employers and consumers carry the weight of a heavy portion of health care costs.

• Creative solutions include increasing cost transparency and moving toward fee-for-value reimbursement.
Thank you.