Transformation:
A Collaborative Approach to Health Care

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The Patient Imperative
The Patient Imperative
The Economic Imperative
BCBSMA’s medical cost trend is growing five times faster than workers’ earnings, and nearly four times the rate of inflation.

Sources: BCBSMA, Bureau of Labor Statistics
Two Problems, One Solution: Better Care
Performance Pays: Higher Quality, Lower Costs
Premier Quality Demonstration Project

Hospital Costs for Heart Bypass Surgery

<table>
<thead>
<tr>
<th>Patient Process Measure</th>
<th>Average Hospital Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (0-49%)</td>
<td>$41,539</td>
</tr>
<tr>
<td>Medium (50-74%)</td>
<td>$34,895</td>
</tr>
<tr>
<td>High (75-100%)</td>
<td>$30,061</td>
</tr>
</tbody>
</table>

Hospital Costs for Hip Surgery Patients

<table>
<thead>
<tr>
<th>Patient Process Measure</th>
<th>Average Hospital Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (0-50%)</td>
<td>$14,493</td>
</tr>
<tr>
<td>Medium (51-99%)</td>
<td>$14,172</td>
</tr>
<tr>
<td>High (100%)</td>
<td>$13,186</td>
</tr>
</tbody>
</table>

Hospital Costs for Pneumonia Patients

<table>
<thead>
<tr>
<th>Patient Process Measure</th>
<th>Average Hospital Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (0-50%)</td>
<td>$13,090</td>
</tr>
<tr>
<td>Medium (51-99%)</td>
<td>$12,745</td>
</tr>
<tr>
<td>High (100%)</td>
<td>$12,388</td>
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</tbody>
</table>

Hospital Costs for AMI Medical Patients

<table>
<thead>
<tr>
<th>Patient Process Measure</th>
<th>Average Hospital Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (0-49%)</td>
<td>$10,113</td>
</tr>
<tr>
<td>Medium (50-99%)</td>
<td>$9,702</td>
</tr>
<tr>
<td>High (100%)</td>
<td>$8,998</td>
</tr>
</tbody>
</table>

Hospital Costs for AMI Surgical Patients

<table>
<thead>
<tr>
<th>Patient Process Measure</th>
<th>Average Hospital Costs</th>
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</thead>
<tbody>
<tr>
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</tr>
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<td>High (100%)</td>
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</tbody>
</table>

Hospital Costs for Knee Surgery Patients

<table>
<thead>
<tr>
<th>Patient Process Measure</th>
<th>Average Hospital Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (0-50%)</td>
<td>$13,000</td>
</tr>
<tr>
<td>Medium (51-99%)</td>
<td>$12,000</td>
</tr>
<tr>
<td>High (100%)</td>
<td>$10,000</td>
</tr>
</tbody>
</table>
Why Is The System Stuck?
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- Public is divided and confused
- Quality movement conflicts with MDs training and beliefs
- Payment system rewards more care, not better care
- Response lacks will, coordination, vision
What Will It Take To Achieve Transformation?

A health care system that provides safe, timely, effective, affordable, patient-centered care for everyone in Massachusetts.
We have identified seven levers, or elements of the system, where we believe simultaneous, sustained pressure for change can lead to system transformation.

**Governance**
Trustees of not-for-profit health care organizations embrace their role as quality and safety champions, mandating safe, effective, and efficient care.

**Quality & Safety**
There are well-established quality and safety measures and performance expectations in place. Health care organizations and practitioners are committed and equipped to perform in accordance with these expectations.

**Technology**
Broad access to clinical information technology that supports high-quality, reliable care.
Seven Levers, *continued*

**Public Engagement**
Consumers and health care purchasers demand improved performance of the health care system and need to become better, more informed health care decision-makers.

**Organizational Readiness**
Health care provider organizations have the commitment, capacity, and capability to achieve performance expectations and realize radical improvements in cost and quality: Safety and reliability are their key cultural characteristics.

**Legislative & Regulatory**
A legislative and regulatory environment in Massachusetts that supports the goals of transformation, including the removal of hurdles that prevent innovation and change.

**Finance & Payment**
Development of a payment system that supports quality, safe, and appropriate care rather than quantity and intensity of services; needed investment will be funded through fair-share financing mechanisms.
An Alternative Quality Contract
A New Approach

- To attempt to address these issues, we have begun to design an innovative alternative contracting model with these goals in mind

### Performance Drivers
- Tie performance payments to achieving goals of quality, safety, efficiency, and patient-centeredness
- Work with patients to encourage the appropriate use of services

### Quality & Total Cost
- Provider payments focus on quality and total cost, decoupling volume and revenue
- Create opportunities for the implementation of alternate care delivery models (email, group visits, etc.) and other innovations

### Plan Designs
- Offer new plan designs that drive volume to high quality providers
- Provide transparent reporting about performance

### Integration
- Create a payment model which rewards for managing integration of care delivery across the continuum
- Create a model for providers to clinically and financially center on the patient

### Member Incentives
- Create incentives that align with the end state objectives of improved quality and healthy behavior
Value Proposition

**Provider**
- Sustainable competitive advantage based on value as high quality efficient provider
- Margin expansion
- Increased volume through transparency and plan designs

**Member/Patient**
- Transparency creates educated, engaged consumers
- Incentives for choosing the right providers
- Incentives for wellness and compliance

**Employer**
- Affordable premium
- Predictable cost increases
- Improved workforce productivity

**BCBSMA**
- Supports transformation of health care delivery system
- Fulfills promise to put our members’ health first
- Delivery of affordable products
Key Components Of The Alternative Quality Contract Model

- Initial global payment level based on health status adjusted regional network averages
- Inflation factor derived from CPI
- Providers benefit from this model by a) achieving high performance on quality and safety metrics and b) driving efficiencies while managing to a global payment level
- Customers benefit from this model due to more predictable and controlled trend
- Full payment of the incentive is based on achieving “Gate 5” performance on all measures in a given year
- Partial payment will be based on achieving performance levels along a continuum
Defining Performance Measures For The AQC

- **Goal:** Measures should collectively advance safe, affordable, effective, patient-centered care

- **Principles for selecting measures:**
  - Nationally accepted
  - Sufficient variation among providers
  - Sufficient data on provider being measured
  - Measurement at level (individual, group, hospital, system) that can influence outcome

- **Incentives based on established performance thresholds**
  - Rewards for both absolute performance and for performance improvement
  - Offers transparency to providers regarding performance priorities and expectations
## Hospital Quality and Safety

### Clinical process measures
- Acute MI
- Heart Failure care
- Pneumonia care
- Surgical care

### Clinical outcomes measures
- Hospital-acquired infections
- Complications after major surgery (AMI, PE/DVT, Pneumonia)
- Obstetric trauma

### Patient Care Experiences
- Communication quality: physicians
- Communication quality: nurses
- Responsiveness
- Discharge support/planning

## Ambulatory Care Quality

### Clinical process measures
- Depression
- Diabetes
- Cardiovascular Disease
- Cancer Screening
- Pediatric: Appropriate Testing / Treatment
- Pediatric: Well Child Visits

### Clinical outcomes measures
- Diabetes (HbA1c poor control, LDL-c control, blood pressure control)
- Hypertension (blood pressure control)
- Cardiovascular Disease (BP control, LDL-c control)

### Patient Care Experiences
- Quality of clinical interactions
- Integration of care
- Access to care