Benefit Design and ACOs: How Will Private Employers and Health Plans Proceed?

Accountable Care Organizations: Implications for Consumers
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## Barriers to Effective Use of Clinical Services by Consumers: Can ACOs “Bend the Curve?”

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Reimbursement System</td>
<td>Rewards volume over quality or outcomes</td>
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<tr>
<td>Expanding Capacity</td>
<td>Increased supply triggers increased demand for certain high technology services</td>
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<tr>
<td>Patient “Preference”</td>
<td>Lack of shared decision making on alternatives</td>
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<tr>
<td>Lack of evidence-based care</td>
<td>Unproven care; limited effectiveness and outcomes studies</td>
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ACOs: Criteria for Success and Current Challenges

**Enablers of success**

- Commit to support evidence-based medicine
- Information; ultimately at the point of care
- Better performance measures for coordination of care, subspecialty care. And outcomes
- Consumer service, satisfaction
- A focus of health, preventive services and risk reduction for chronic illness

**Challenges**

- Higher healthcare costs in the U.S. are the result of increased payments to physicians, and hospitals,
- Overuse of medical services and supply sensitive care represent revenue to physicians, hospitals,
- Underpayment by Medicare and Medicaid has produced significant payment shifting to private payers and employers.
- Most providers have optimized revenue in a fee for service payment environment. Hospitals have acquired specialty practices to enhance their primary care base.
Determinants of Health

Population health status continues to deteriorate…

Key Drivers of Health Status

<table>
<thead>
<tr>
<th>Condition</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Obesity</td>
<td>66% obese or overweight</td>
</tr>
<tr>
<td>Physical Inactivity</td>
<td>28% inactive</td>
</tr>
<tr>
<td>Smoking</td>
<td>23% smokers</td>
</tr>
<tr>
<td>Stress</td>
<td>36% high stress</td>
</tr>
<tr>
<td>Aging</td>
<td>22% &gt; 55 years old</td>
</tr>
</tbody>
</table>

Contribution to Premature Death

- Genetic Predisposition: 30%
- Social Circumstances: 15%
- Environmental Exposure: 5%
- Behavioral Patterns: 10%
- Health Care: 40%

Public Opinion: Effects of Health Care Reform

The primary reason for rising health care costs is…

- Lawsuits: 25%
- Insurance companies: 21%
- Government: 15%
- Drug companies: 9%
- Hospitals: 6%
- Doctors: 5%
- All of the above: 9%
- Don’t know: 9%

Opinions on Cost and Quality

- Cost: Increase / Improve: 50%, Decrease: 20%
- Quality: Increase / Improve: 30%, Decrease: 40%

Source: 2010 National Payor Survey
Rasmussen Poll: March 21, 2010
**Health Care Costs are Highly Concentrated: Implications for ACOs**

<table>
<thead>
<tr>
<th>% of WellPoint Members</th>
<th>% of Health Care Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>4%</td>
<td>30%</td>
</tr>
<tr>
<td>1%</td>
<td>25%</td>
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</tbody>
</table>

- **Well Members**
  - Prevention and Education

- **Low Risk Members**
  - Optimize Resources in Acute Episodes of Care, Population Care

- **Moderate Risk Members**
  - DM and Education, Risk Avoidance

- **High Risk, Multiple Diseases**
  - Episodic Care Mgmt, Clinical Guidelines, High Risk DM

- **Complex and Intensive Care**
  - Total Care Integration

Source: Company estimates.
Current Trends in Health Improvement and Care Management: The Integrated Health Model vs. ACOs
Payment Reform Approaches to Achieve Affordable Care

Meaningful health care reform must reward physicians and hospitals for improving quality and managing costs

- **WellPoint Payment Reform Initiatives**
  - Paying for clinical quality and outcomes
  - Bundled payments
  - Centers of Excellence
  - Patient Centered Medical Homes
  - Accountable Care Organizations

- **WellPoint Payment Reform Considerations**
  - Encourage evidence-based medicine and care coordination
  - Enable a value-based physician-patient dialog
  - A combination of models is most likely to succeed
  - Do not perpetuate cost-shifting amongst payers
Centers of Excellence: Will ACOs be Capable in all Clinical Domains?

- **Improved quality through outcome metrics**
- **Programs**
  - Transplant
  - Bariatric Surgery
  - Cardiac Surgery
  - Rare Complex Cancer
  - Orthopedics: Lower Back Pain
  - Spine, Hip, and Knee Surgery

**Median Cost Per Event**

<table>
<thead>
<tr>
<th></th>
<th>AMI</th>
<th>CABG</th>
<th>CABG+PCI</th>
</tr>
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<tbody>
<tr>
<td>$0</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
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**CABG Readmissions/Complications**

- CABG Readmissions
- CABG Complications

[Charts showing cost and readmissions/complications for AMI, CABG, and CABG+PCI]
Does the Patient-centered Medical Home Reside Within ACOs?

Payment Methodology

FFS
For services currently recognized through Medicare RBRVS system; potential for additional services

Prospective Payment
NCQA’s PPC Recognition:
- Care Coordination
- Process Redesign
- HIT
Evaluate Levels of Achievement

Pay For Quality
Clinical Process and Outcomes
Resource Use/Cost of Care
Satisfaction and Service

For services currently recognized through Medicare RBRVS system; potential for additional services
Accountable Care Organizations: Will Shared Savings Reduce Health Care Costs?

Improved quality and decreased spending growth results in shared savings for provider

- Changes from volume to value-based reimbursement
- Delivery system collaboration to manage continuum of patient care
- Shared savings for costs below benchmarks of historical data
- Performance measurement on quality, outcomes, and patient-experience
Limited Networks Based on Financial Performance: Potential Regulation

Due to the rapidly evolving and expanding programs, the need for transparency, accuracy and oversight is great

- Ensure adequate and appropriate transparency and quality measurement
- Provide meaningful information to enable highly-informed health care decisions
- Programs should be fair and transparent, enabling providers to use the data to improve the care they deliver
- Creation of an impartial oversight organization to assure responsible deployment of this network reporting and innovation
Improving Care for Chronic Illness: Can ACOs Reign in Costs in the Near-term?

- Telephonic diabetes education and support (TDES) program
- Incentives for medication compliance
  - Waived diabetic medication/supplies co-pays
  - Steered patients to higher quality hospitals and physicians
  - Preventive care exempt from deductible
- Higher overall cost during study period
- Longer term follow-up may demonstrate savings due to:
  - Higher medication compliance
  - Higher utilization of preventive service
Opinion Leaders See Financial Interests, Lack of Incentives as Barriers to the Growth of ACOs

“In your view, how significant are the following barriers to growth of population-based, accountable care systems?”

| Current financial interests and incentives of health care providers, suppliers, and other stakeholders | 64% | 29% |
| Lack of financial incentives for integration | 45% | 41% |
| Lack of alignment of public and private payer policies & practices | 39% | 36% |
| Culture of physician autonomy | 30% | 41% |
| The way in which providers are currently trained | 24% | 37% |
| Availability of technical assistance to undergo necessary transformation | 14% | 38% |
| Patient preference for open access to providers and services | 13% | 39% |

Opinion Leaders See Need for Regulations Specific to ACOs

• While most opinion leaders support ACOs, they also see the need for regulation.
  • Nearly eight of 10 support establishing standards for primary care capacity as a condition for qualifying for payments as an ACO.
  • Almost two-thirds (63%) support development of a national ACO accreditation system.
  • Nearly three-quarters (74%) are concerned about undue market power and dominance among provider groups.
  • A majority (56%) favor public utility regulation of ACO payment rates in areas with insufficient market competition.
  • A majority support exempting ACOs from certain requirements in exchange for meeting performance, disclosure and accreditation standards.
    ▪ 62% favor exempting ACOs from antitrust and other legal barriers to coordinating care and sharing cost information, but only if ACOs meet explicit performance, disclosure and accreditation standards
    ▪ 56% support exempting ACOs from provider scope of practice laws