Beyond Medicare: Local Market Facilitators and Barriers for Accountable Care

Using a Global Budget with Risk Sharing to Drive Cost Savings and Improved Quality

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Background

• Blue Shield of California (BSC) covers over 3 million members and has revenues of over $11 Billion

• For the last 10 years BSC and Kaiser have been the primary HMO options for the CalPERs program.

• BSC covers 400,000 CalPERs members

• As Chief Actuary I oversaw Corporate Development, Analytics, Treasury and Actuarial
Goals of the Program

• In 2008 rising medical costs threatened to make commercial health insurance products unaffordable in California

• Average premium for a family of 4 was projected to consume 24% of the median family income in 2013 and 30% by 2020.

• A long term goal was to reduce medical trend to no more than average wage growth
Sacramento Pilot

• BSC, CalPERs, Hill Physicians and Dignity Health initiated a pilot for 40,000 members
• Target was to reduce the current trend rate from a 9%-10% range to 0% for the first year and target a 4%-5% trend in subsequent years.
• Close to a “controlled experiment”.
• The program delivered $15.5 million in savings to CalPERs and an additional $5 million sharing for the partners in the 1st year (2010)
# The Business Model

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Target (pmpm)</th>
<th>Hospital Risk Share</th>
<th>Physician Group Risk Share</th>
<th>Plan Risk Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital services (provider partner)</td>
<td>$115</td>
<td>50%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Hospital services (non-partner)</td>
<td>$25</td>
<td>20%</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Physician services</td>
<td>$90</td>
<td>20%</td>
<td>50%</td>
<td>30%</td>
</tr>
<tr>
<td>Ancillary services</td>
<td>$10</td>
<td>20%</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Pharmacy card</td>
<td>$50</td>
<td>10%</td>
<td>45%</td>
<td>45%</td>
</tr>
<tr>
<td>Total cost</td>
<td>$290</td>
<td></td>
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Enablers of Success

• Clear roles that leveraged strengths between hospital, physician group and plan
• Trust, transparency and **aligned incentives** with the partners
• Shared clinical and case management information
• Dedicated project management and clinical intervention team
• Rigorous tracking of results – real time
## Barriers to sustaining success

<table>
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<th>Challenge</th>
<th>Mitigation</th>
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<tbody>
<tr>
<td>It is very people intensive to make real time integrated date available to support the initiative</td>
<td>Health data exchange and automated processes. Need industry partners for required scale.</td>
</tr>
<tr>
<td>Evidence based medicine entails complex decision trees and has become challenging to follow consistently</td>
<td>Decision support tools being developed for physicians which provide transparency</td>
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<td>Many other initiative with their own requirements: Medicaid expansion Duals’ pilot Exchange initiatives Varied commercial initiatives Medicare Medicare ACO Medicare Advantage</td>
<td>Need to leverage initiatives that support multiple populations and infrastructure Providers are picking their health plan partners area of focus</td>
</tr>
</tbody>
</table>
Building on Success

• BSC expanded to 12 sites at year end. Results for City and County of San Francisco have also been very consistent with the CalPERs results

• PPO implementation has been on a slower implementation timeline
  – There is less infrastructure to build on versus organizations set up to manage capitation
  – Stakeholders have been resistant to change in areas where HMO penetration is low
  – Quicker adoption to add in PPO members to successful pilots
Critical Success Factors

• Significant risk and reward incentives!
• Transparency, trust and a commitment to affordability
• Real time data on the population at risk
• Dedicated analytic and program management resources
• Focus on the total cost of the population
Where you can learn more


- Health Affairs, September 2012 [http://content.healthaffairs.org/content/31/9/1969.full?sid=e87eeb27-6779-4b89-8e72-d506542de9b1]