Who We Are and What We Do

Shared Agenda

Payments designed to cut waste or reflect performance

Leverage purchasers and create alignment

- Health plan sourcing, contracting, management and user groups
- Alignment with public sector

Implement Innovations

- Price transparency
- Reference and value pricing
- Maternity payment reform
- Pilots on high-impact areas
- Enhance provider competition

Catalyst for Payment Reform (CPR) is an independent, non-profit corporation working on behalf of large employers and public health care purchasers to catalyze improvements in how we pay for health services and to promote higher-value care in the U.S.

- 3M
- Aircraft Gear Corp.
- Aon Hewitt
- Arizona Health Care Cost Containment System (Medicaid)
- AT&T
- Bloomin’ Brands
- The Boeing Company
- CalPERS
- Carlson
- Comcast
- Delhaize America
- Dow Chemical Company
- eBay Inc.
- FedEx Corporation
- Equity Healthcare
- GE
- Group Insurance Commission, Commonwealth of MA
- The Home Depot
- Maine Bureau of Human Resources
- Marriott International, Inc.
- Mercer
- Michigan Department of Community Health (Medicaid)
- Ohio Medicaid
- Ohio PERS
- Pennsylvania Employees Benefits Trust Fund
- Pitney Bowes
- Qualcomm Incorporated
- Safeway, Inc.
- South Carolina Health & Human Services (Medicaid)
- TennCare (Medicaid)
- Towers Watson
- Verizon Communications, Inc.
- Wal-Mart Stores, Inc.
- The Walt Disney Company
- Wells Fargo & Company
- Woodruff-Sawyer & Co
The Challenges to High Value: Variation in Quality and Safety

Huge quality variation

- To Err is Human, 1999: 44,000-98,000 deaths per year
- McGlynn et al, 2003: Patients only get recommended care 55% of the time

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Pregnant women’s likelihood of cesarean delivery in Massachusetts linked to choice of hospitals

Boston, MA – There is wide variation in the rate of cesarean sections
Market-Based Reforms with Wind in Their Sails Across the Nation

Provider Consolidation – vertical and horizontal

Payment Reform “Arms Race”
20% of payments tied to value by 2020

Delivery Reform – ACOs, PCMH, high-intensity primary care, group visits

Employers Shaking Up the Market – high-performance networks, direct contracting, medical tourism

New Markets for Insurance – Private exchanges, state reforms, state exchanges

Engaging Consumers with Information: open notes, shared decision making, true informed consent, comparative effectiveness

Engaging Consumers with Incentives: VBID, reference pricing, tiered networks

ACA

$ +

January 29, 2015
There is momentum behind transforming payment to providers and incentives for consumers. . .

- Health reform included several “Game Changers” - some will take time and they will be disruptive

- Focus on specific models – but is there some ‘Irrational exuberance’ at work?

- We still know very little about what works – but there is no one-size-fits-all model

- Our current system will be around for a while - and we shouldn’t ignore it
Payment Model Evolution

Performance-Based Payment or Payment Designed to Cut Waste
(financial upside & downside depends on quality, efficiency, cost, etc.)

BASE PAYMENT MODELS

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<thead>
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<th>Charges</th>
<th>Fee Schedule</th>
<th>Per Diem</th>
<th>DRG</th>
<th>Episode Case Rate</th>
<th>Partial Capitation</th>
<th>Full Capitation</th>
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<td>Bundled Payment</td>
<td>Global Payment</td>
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Increasing Accountability, Risk, Provider Collaboration, Resistance, and Complexity
2014 National Scorecard Results

- 40% of commercial in-network payments are value-oriented
- 53% of the value-oriented payment is considered “at-risk”
- 38% of payment to hospitals is value-oriented
- 10% of outpatient specialist and 24% of PCP payment is value-oriented
- Respondents may be larger than average health plans in the U.S. and include HMOs
- Scorecard results not statistically reliable, possibly biased upward as survey is voluntary and self-reported
2014 Scorecard Benchmark Metrics Results

Benchmarks for Future Trending

Attributed Members

- Percent of commercial plan members attributed to a provider participating in a payment reform contract, such as those members who choose to enroll in or do not opt out of, an Accountable Care Organization, Patient Centered Medical Home or other delivery models in which patients are attributed to a provider.

- **15%** National Average

Share of Total Dollars Paid to Primary Care Physicians and Specialists

- Of the total outpatient payments made to primary care physicians and specialists, 71% is paid to specialists and 29% is paid to PCPs. Over time, this figure will show if there is a rebalancing of payment between primary and specialty care.

- **71%** Paid annually to specialists
- **29%** Paid annually to PCPs

Non-FFS Payments and Quality

- Quality is a factor in **97%** of non-FFS payments
- Quality is not a factor in **3%** of non-FFS payments

Transparency Metrics

- **97%** of plans offer or support a cost calculator
- **63%** of hospital choice tools have integrated cost calculators
- **74%** of physician choice tools have integrated cost calculators
- **82%** of plans reported that cost information provided to members considers the members’ benefit design relative to copays, cost sharing, and coverage exceptions

Hospital Readmissions*

- **8%** of hospital admissions are readmissions for any diagnosis within 30 days of discharge, for members 18 years of age and older

*Derived from data submitted to employers using NQF’s Hospital Readmission Measure. Not all plans report readmissions.

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How to Define Success

Are we going to hit our target but miss the bull’s-eye?

**CURRENT**

- We are measuring use of “value-oriented payment” methods.
- What happens if we get to 60%, 70%, or 80% by 2020 but value hasn’t improved?
- Bundled payment proven to work best, but only 1.6% payment is bundled now

**FUTURE**

- We need to build an evidence base of what works in what context
- We need to get to a preponderance of payment flowing through methods proven to produce “value”...
Looking forward: Transparency and benefit design changes will put consumers in the driver’s seat & change the role of physicians
The Apocalyptic Slide – 50 Years From Now

- With massive population pressures and global warming, will the U.S. be able to afford spending 20+% of GDP on health care?
- Serious pressures (including unprecedented global competition for the U.S. economy) to develop technological and efficiency improvements and root out unnecessary costs.
- Comparative effectiveness will finally have come together with cost effectiveness.
- The public-private divide in the health care market may be gone. Will employers have a role? Will health plans have a role?
- Beam me up Scotty!
Contact

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