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NAVIGATING HEALTHCARE. DELIVERING SOLUTIONS.

New and Old Payment Models Raising the Stakes

MGMA Meeting

by George Mayzell, MD

May 19, 2012

A Quiz - true or false

- Health Care Reform will be repealed by the Supreme Court and things will return to "normal"
- ACO's are just a phase and will be gone in a year or two

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A Quiz – true or false

- Hospitals buying practices will not change healthcare in Memphis
- My referrals come from other patients and other specialists and will not change

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Reform

Three parts

- Individual Mandate
- Insurance Changes
- Payment Models/ACO's

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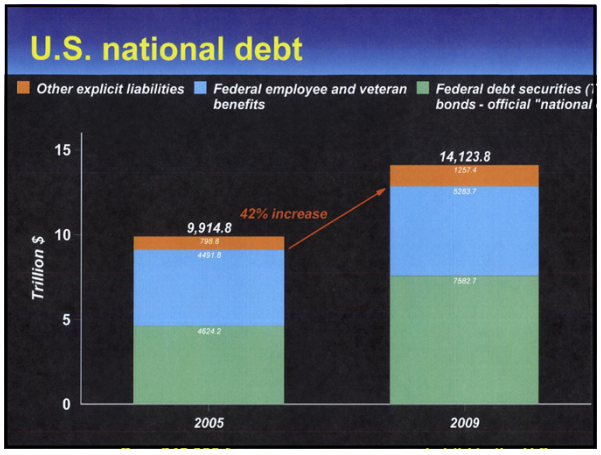
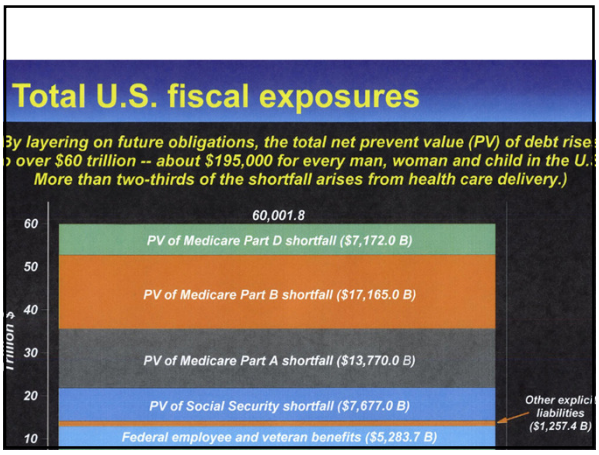
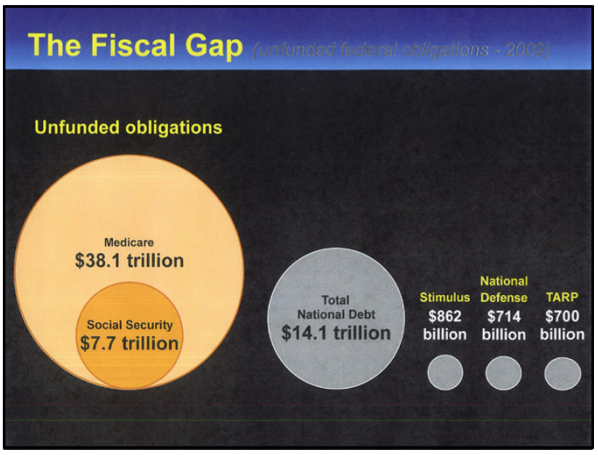
Reform, Part Deux

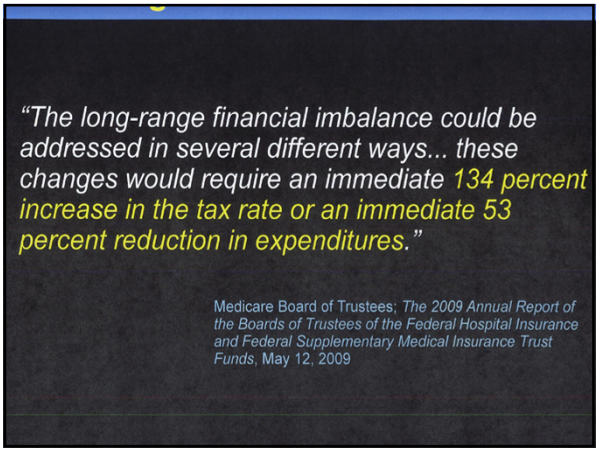
"The United States does not have decades to wait for health system reform; in 2009 about $1.15 trillion of the federal budget was spent on health care. And health care expenditures are growing 2.7% per year faster than non-health care gross domestic product. [The current] reform bill does practically nothing to slow health expenditures."

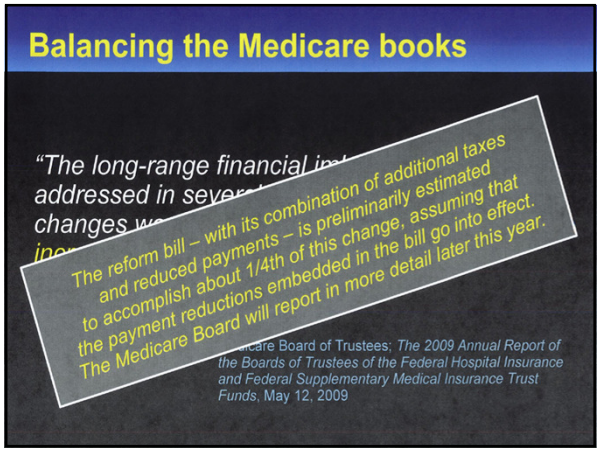
Alain Enthoven, PhD
Stanford University











We must cut health care spending

- Cut payments – lower salaries, etc.
- Become more efficient:
  - take waste out of system
  - decrease profits of non-providers and middle men
  - shift reimbursements to provide the best patient care.

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New Payment Models

Move Toward Accountability = Financial Risk and Outcomes Transparency

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Risk

Financial Risk = Risk of all medical costs, expected and unexpected

Risk Models

- Pay for Performance (P4P)
- Withholds
- Shared Savings
- Bundling
- Primary Care Capitation
- Full Professional Capitation
- Global Risk

Global Payment Models

Pay for Performance (P4P)

Additional Payment for **Value**:

A. Utilization/Cost
B. Quality
C. Satisfaction

Shared Savings Model

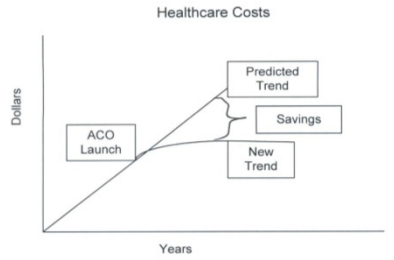
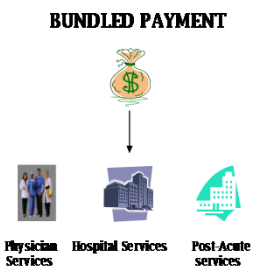


Figure 7.7 Shared Savings Model

Bundling



Bundling Example

Payment for total hip replacement

Includes; Hospital $
Physical Therapy $
Orthopedist $
Anesthesia $

Others: Radiology, lab (path), consultants, etc.

Payment is less than individual fees all added together in today's world

Includes all care:

10 days before and 30 days post surgery (example)

Complications; (readmissions, re-do's, infections, etc.)

For this to work we must have improved and measurable outcomes

Extra dollars comes from:

1. Reduced LOS
2. More efficient use of implants
3. Less complications

Transparency to Market!!!

Risk Models

Shift Financial Risk to Providers

- Quality & Satisfaction criteria
- Carve Outs (OON, transplants, cost out layers)
- Risk Corridors – protect downside, limit upside
- Shared Savings - percentage

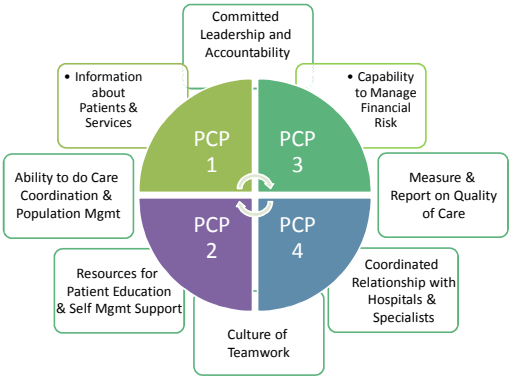
One payment to cover all medical care for

1. Primary Care
2. Primary & Specialty Care
3. All care with or without carve outs

Risk can include physicians time and/or hospital costs or the total cost of healthcare

Clinical Integration (ACO) is a Vehicle to Manage Risk (global payments) and provide more efficient care

Accountable Care Organization



CMS Value-Based Purchasing Incentive Plan

- CMS initiative that rewards acute care hospitals with incentive payments for the quality of care they provide to people with Medicare.
- Gives CMS the power to base a portion of hospital reimbursement payments on how well hospitals perform in 25 core measures
- Effective FY (July) 2013
- Payments will be based on performance during the period July 1, 2011 – March 31, 2012 (annually thereafter)
- The 25 measures will be used to generate DRG payments
  - ➢17 clinical process-of-care measures used in five categories
  - ➢8 measures from the HCAHPS survey that reflect how patients view their care experiences

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17 Clinical Process-of-Care Measures: in 5 Categories

- Acute MI
- Heart Failure
- Pneumonia
- Healthcare associated infections
- Surgical care improvement

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8 Measures from the HCAHPS Survey

That reflects how patients view their care experiences, including:

- Patient's views of their communication with the nurses & doctors
- Responsiveness of hospital staff
- Pain management
- Cleanliness and quietness of the hospital environment
- Communication about medications
- Communication about discharge information
- Overall rating

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Added Measures – by 2014

- Mortality outcome measures for the three health conditions
- 8 hospital acquired condition measures, including:
  - Surgical foreign object retention
  - Air embolism
  - Blood incompatibility
  - Pressure ulcer stages III and IV
  - Falls and trauma such as burns or electrical shocks
  - Catheter associated urinary tract infections
  - Manifestations of poor glycemic control
- 9 AHRQ measures

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Thoughts……..

- Hospitals will be able to differentiate themselves through patient perception of care scores
- Ultimately, the quality scores for physicians may affect their medical staff privileges or their membership in a group
- Focusing on the following might provide the biggest return on investment:
  - Doctor communication
  - Nurse communication
  - Hospital staff responsiveness
  - Quiet, clean room

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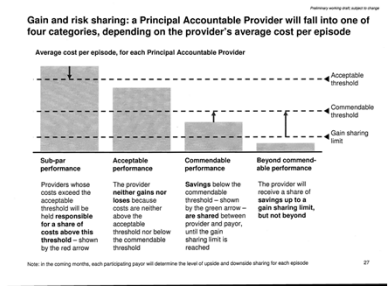
The Arkansas Health Payment Improvement Initiative

- Cost threshold for episode determined
- Providers are designated as "principally accountable provider" (PAP)
- Claims filed as usual and then measured against the cost threshold
- Gains/Excesses are shared between PAP's and employer/payer/government
- PAP's can share $$ with non-PAP's
- Some quality metrics TBD

What and When?

- Connection to portal May 1, 2012
- Six episodes of care:
  - Upper respiratory infections
  - Cardiovascular disease
  - Developmental disabilities
  - Behavioral health
  - Hip and Knee replacements
  - Pregnancy/ NICU

Proposed payment methodology



In Summary

- Payment Reform is already happening and will continue (accelerate)
- There is and will be opportunity (and risk) on competing on value and efficiency.

Contact Information

George Mayzell, M.D., MBA, FACP
Chief Executive Officer
Health Choice, LLC
1661 International Place Dr., Suite 150
Memphis, TN 38120
mayzellg@myhealthchoice.com
Phone: (901) 821-6721