

Alternative Delivery and Payment Models

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AGENDA

- Background
 - Public
 - Private
- Delivery system lens
- Actuarial and financial issues



BACKGROUND



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What's Behind the Evolution?

Limited Care coordination, leading to:

- Higher avoidable admissions and readmissions and unnecessary ED visits
- Lack of efficiency and timeliness of care
- Poor disease and chronic condition management

Unnecessary Cost, due in part to:

- Wrong care, in the wrong setting, at the wrong time
- Redundant and inappropriate tests and procedures
- Inappropriate sites of service (ED for primary care etc.)

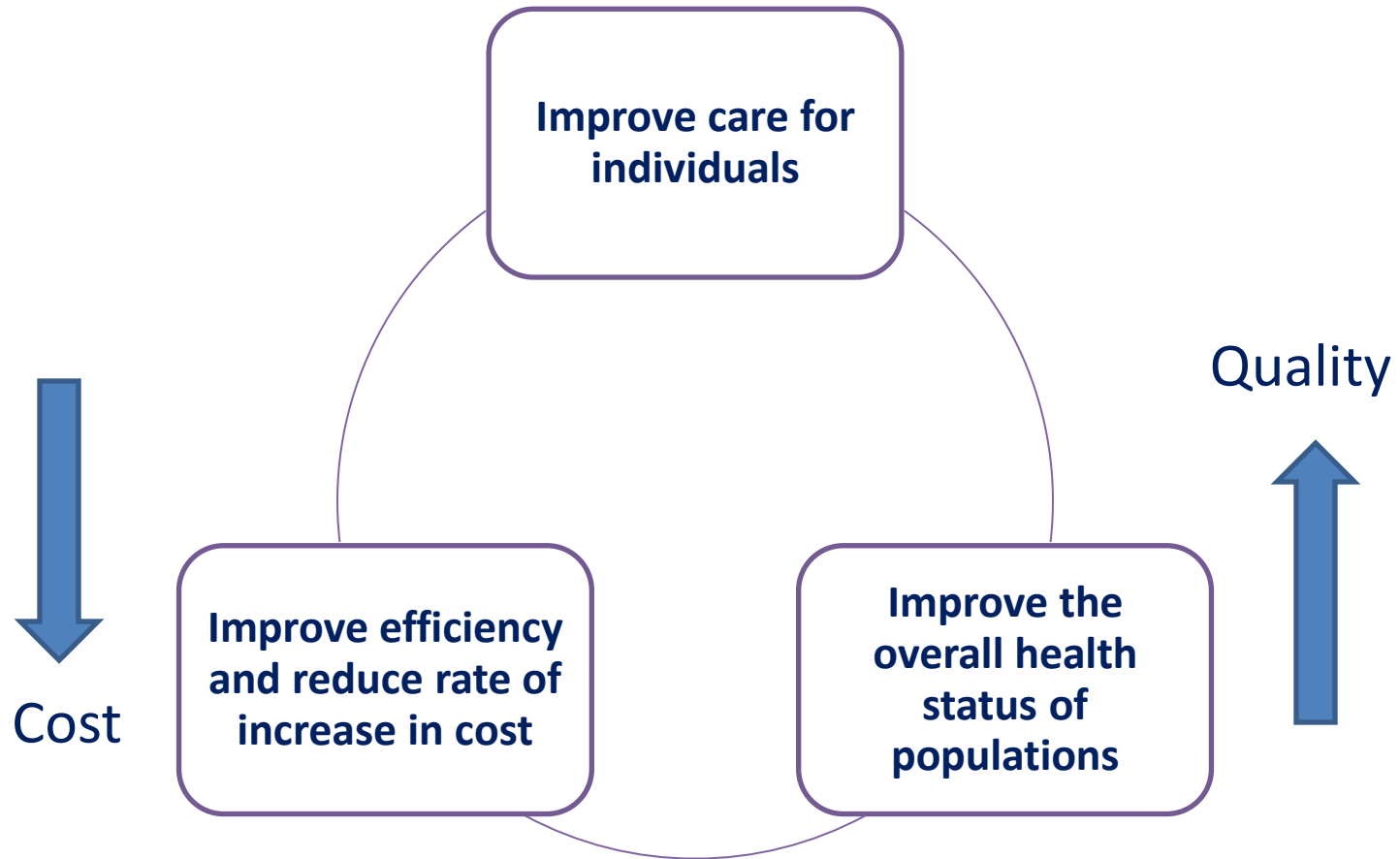
Poor outcomes, resulting from:

- Medical errors and sentinel events
- Little to no consistency in quality benchmarks across the industry
- Unsustainable levels and rates of increase in cost



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Bending the Curve, Improving the Outcome



CMS - Medicare

PPACA

- Called for creation of ACO's with new payment models to drive improved quality and efficiency of care

CMS

- Published proposed rules for ACO's in March 2011
- Additional proposals (Pioneer) released in June 2011
- Additional proposals (bundled payments) released in August 2011

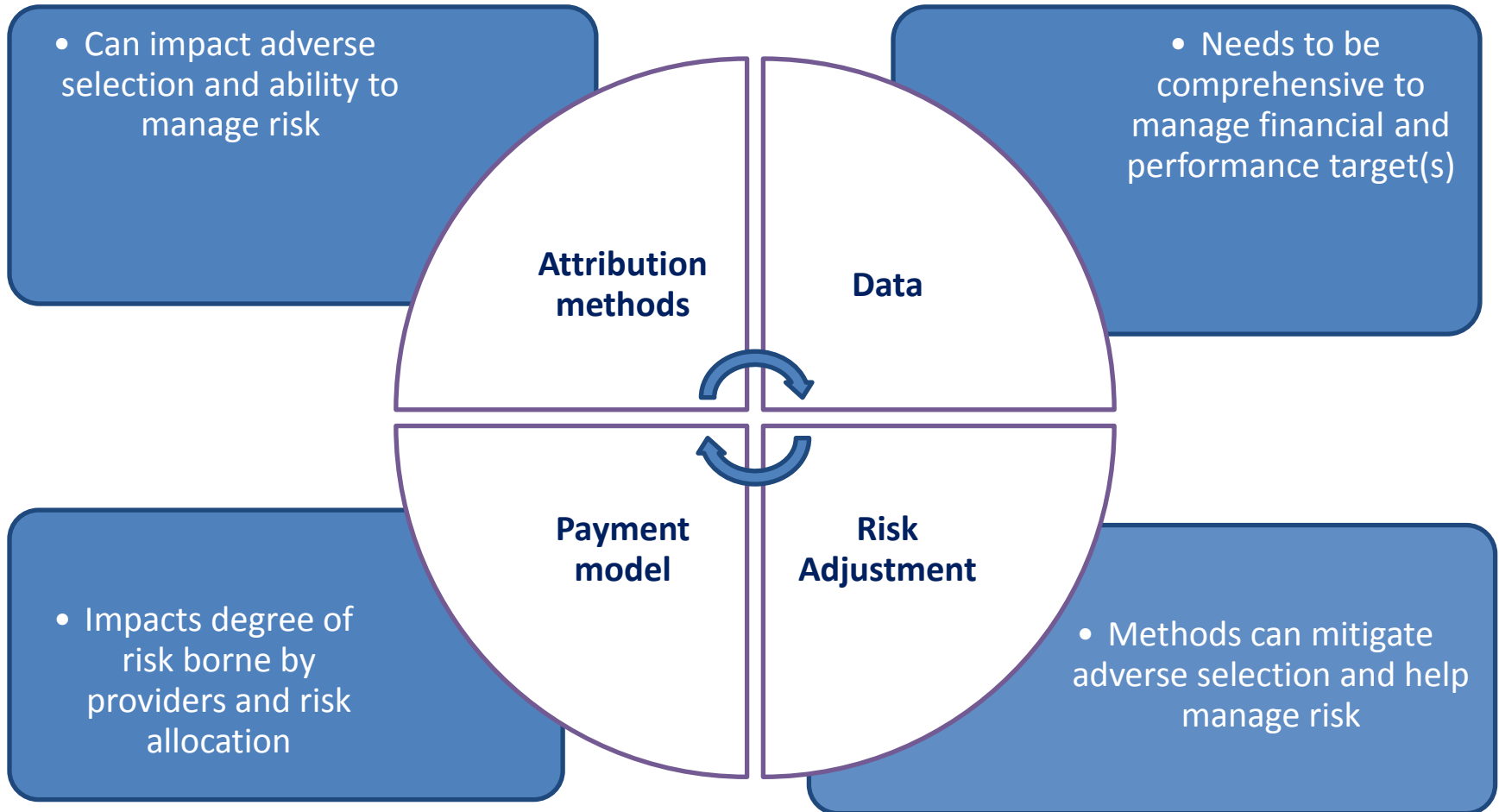


Proposed Rules: A Forecast for Success?

- Only Medicare FFS
- Focus on primary care and disease management
- Patient attribution is retrospective based on claims
- Patient opt-out on data sharing
- Scope of quality performance measures
- Numerous triggers that would force termination
- Forces two-sided risk in third year
- Legal, governance and leadership structures are also complex



AAA Comments



Private and State Initiatives

Washington
Statewide ACO
pilot beginning
in 2012 and
PCMH pilot in
2011

New York
Greater Rochester IPA
(GRIPA) obtained
favorable opinion from
the FTC/DOJ and became
a clinically integrated
physician organization

California
Blue Shield of CA and
Anthem partnering
with IPAs to develop
ACOs

Massachusetts
•Blue Cross of
MA Alternative
Quality Contract
•MA Payment
Reform
Commission
recommended
move to global
payments



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Alphabet Soup from the 90's to Now

1990's

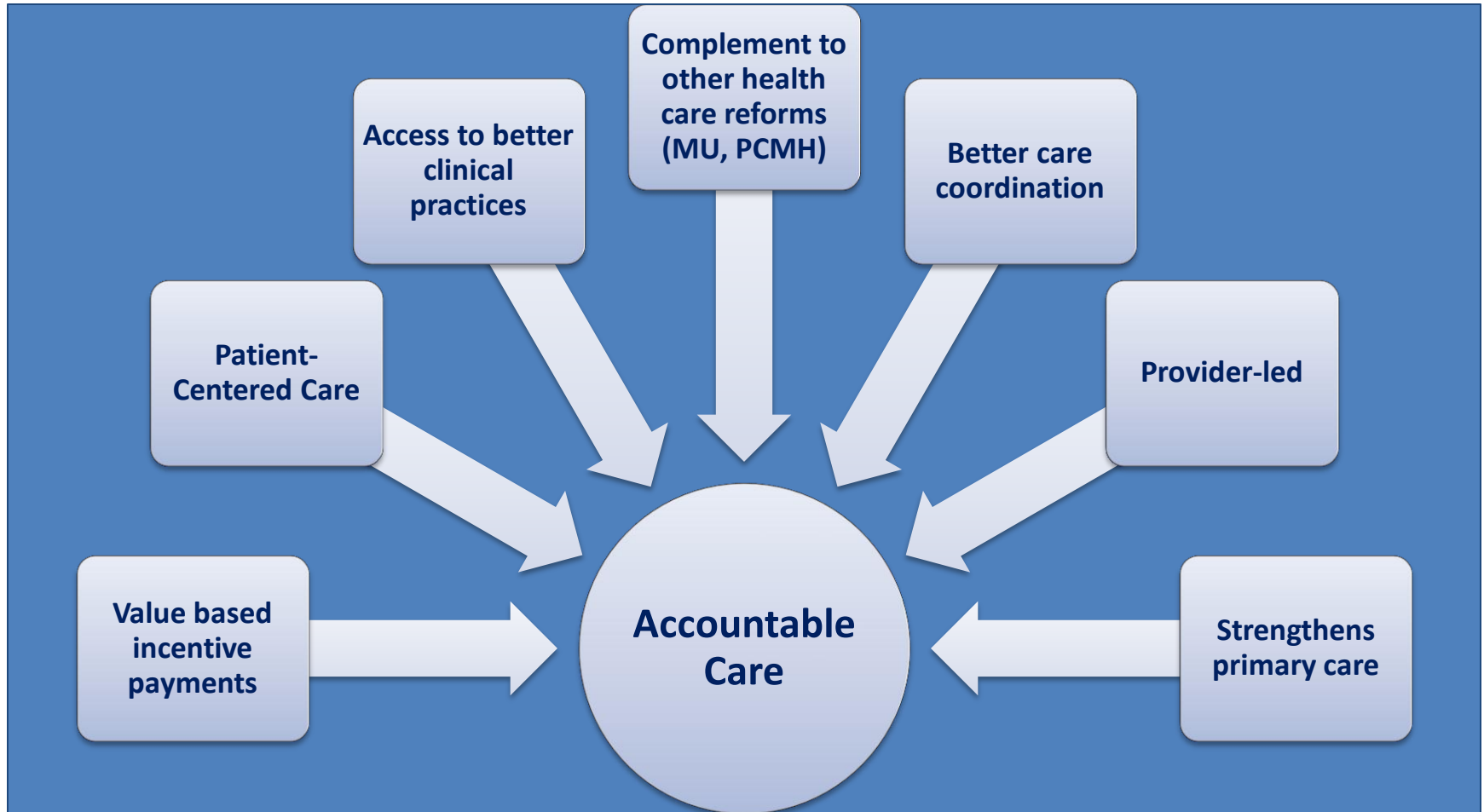
- HMOs
- PPOs
- IPAs
- PHOs
- MCOs
- ASO's

2011

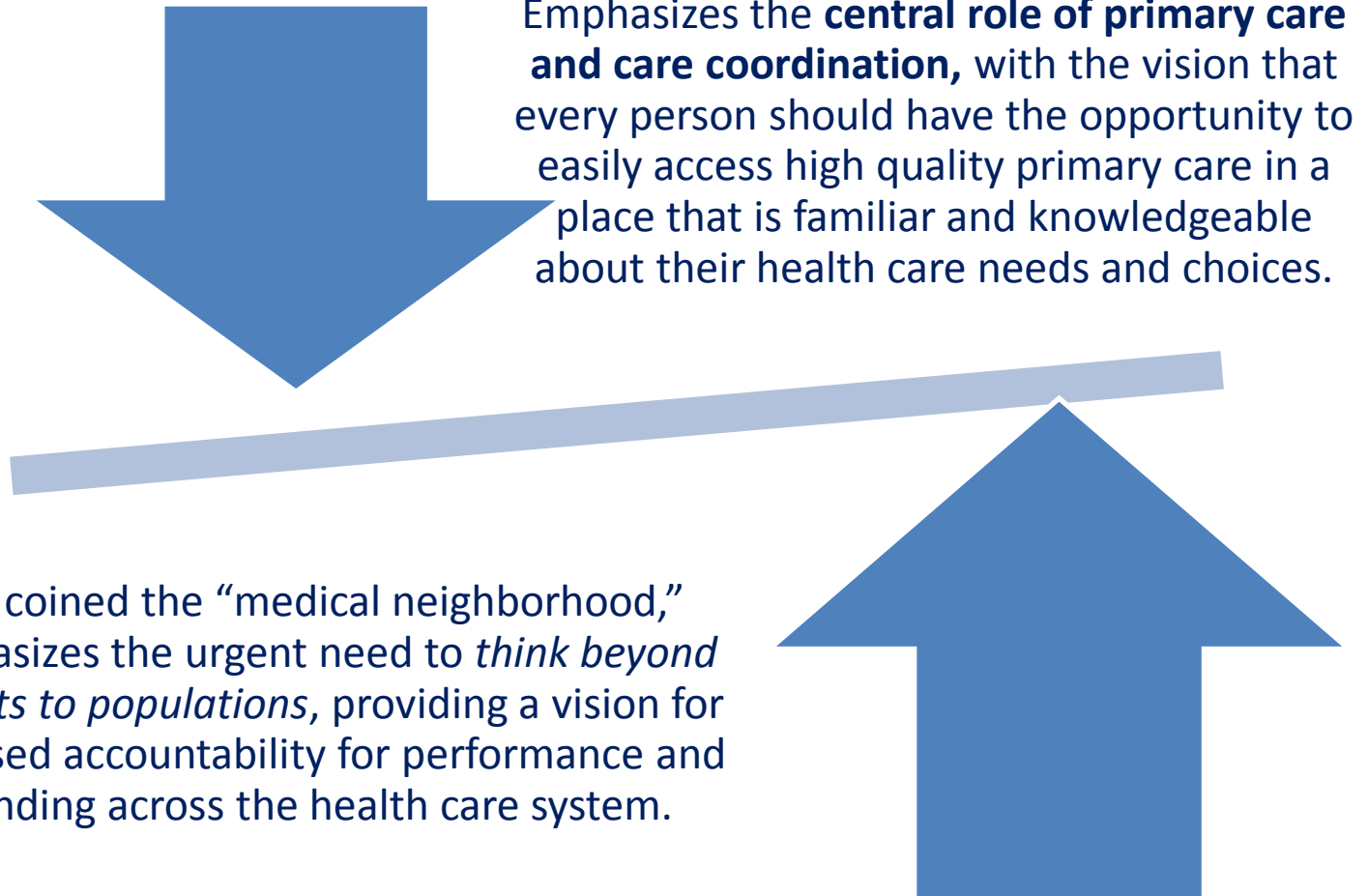
- MU (Meaningful Use)
- ACO's (Accountable Care Organizations)
- PCMH (Patient Centered Medical Home)
- CI (Clinical Integration)
- RHIO (Regional Health Informatics Organization)



“accountability” Promises



Leveling the Playing Field



Source: Better to Best, Value-Driving Elements of the Patient-Centered Medical Home and Accountable Care Organizations, Health2Resources, Washington, D.C., March 2011



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DELIVERY SYSTEM PERSPECTIVE



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So much criticism about the regulations, what is really going on?

- “accountable care” trend is inevitable
- FFS payment model is unsustainable
- Change is evolutionary
- Opportunity as well as risk
- First movers more likely to have long-term success



Accountable Delivery Systems Will Require:

Manage risk
Plan for the future
Foster change
Create solutions

1. Coordination and engagement of physicians
2. Real-time, deep-dive analysis
3. Robust data and accountability systems

- Clarity of purpose
- A focus on PCPs as the driver of value
- Collaboration across the care continuum
- Careful governance and structural planning
- Aligned expectations
- Strong operations and analytics



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I am already managing risk... what has changed?

Today	Tomorrow
Volume, cost, intensity of <u>specific</u> services	Volume, cost, intensity of <u>all</u> services for assigned patients
<u>Retrospective</u> and/or concurrent assessment of performance and results	<u>Prospective</u> assessment of performance. Understanding past and current performance as predictor of future.
<u>Variation</u> in results driven by # and mix of patients and services	<u>Variation</u> in results driven by #, mix, cost, intensity of all services for assigned patients and changes in characteristics of assigned patients
<u>Fixed payments</u> based on services performed	<u>Shared losses/gains</u> based on full cost of population healthcare



What is the industry asking?

- Market share and volume impact
- Partner with others? Go it alone?
- Changes in existing relationships; new relationships
- Cost
- Financial impact
- Impact on malpractice exposure
- Does this make care better for patients?
- Downside of not participating
- How to manage the IT stuff
- Non monetary impacts – lifestyle, administrative simplification



ACTUARIAL AND ANALYTIC CONSIDERATIONS



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The continuum of risk....



Financial Management Today



Drivers:

- Volume & Mix
- Strong payer negotiations

Drivers:

- Productivity
- Collections



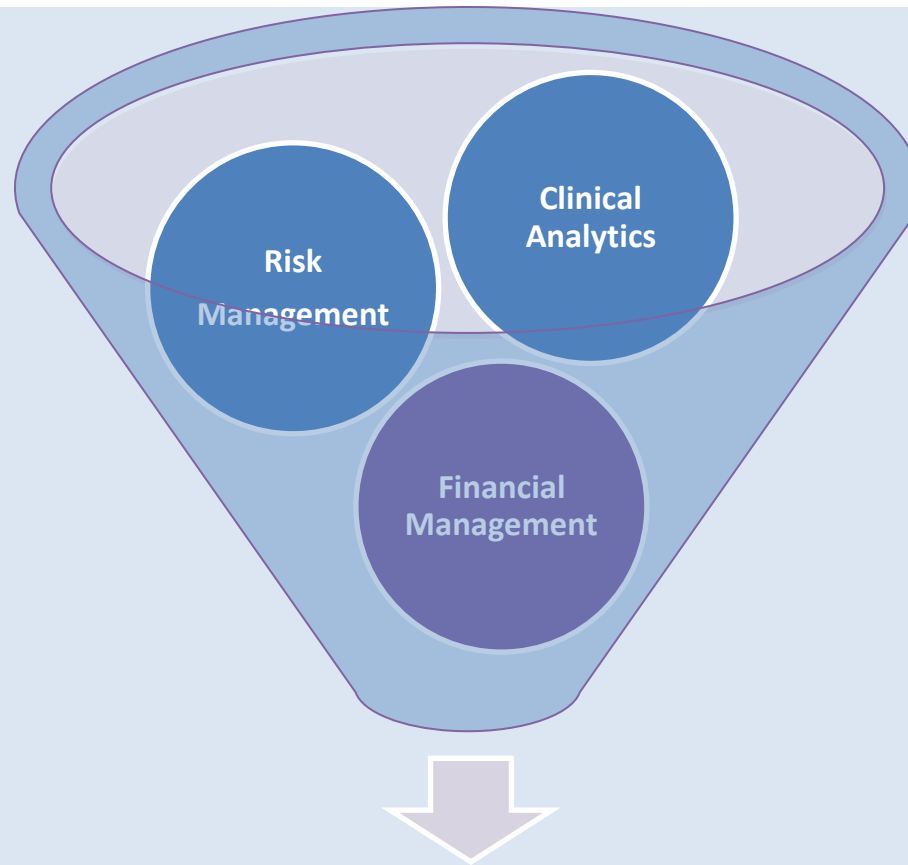
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One – sided Risk



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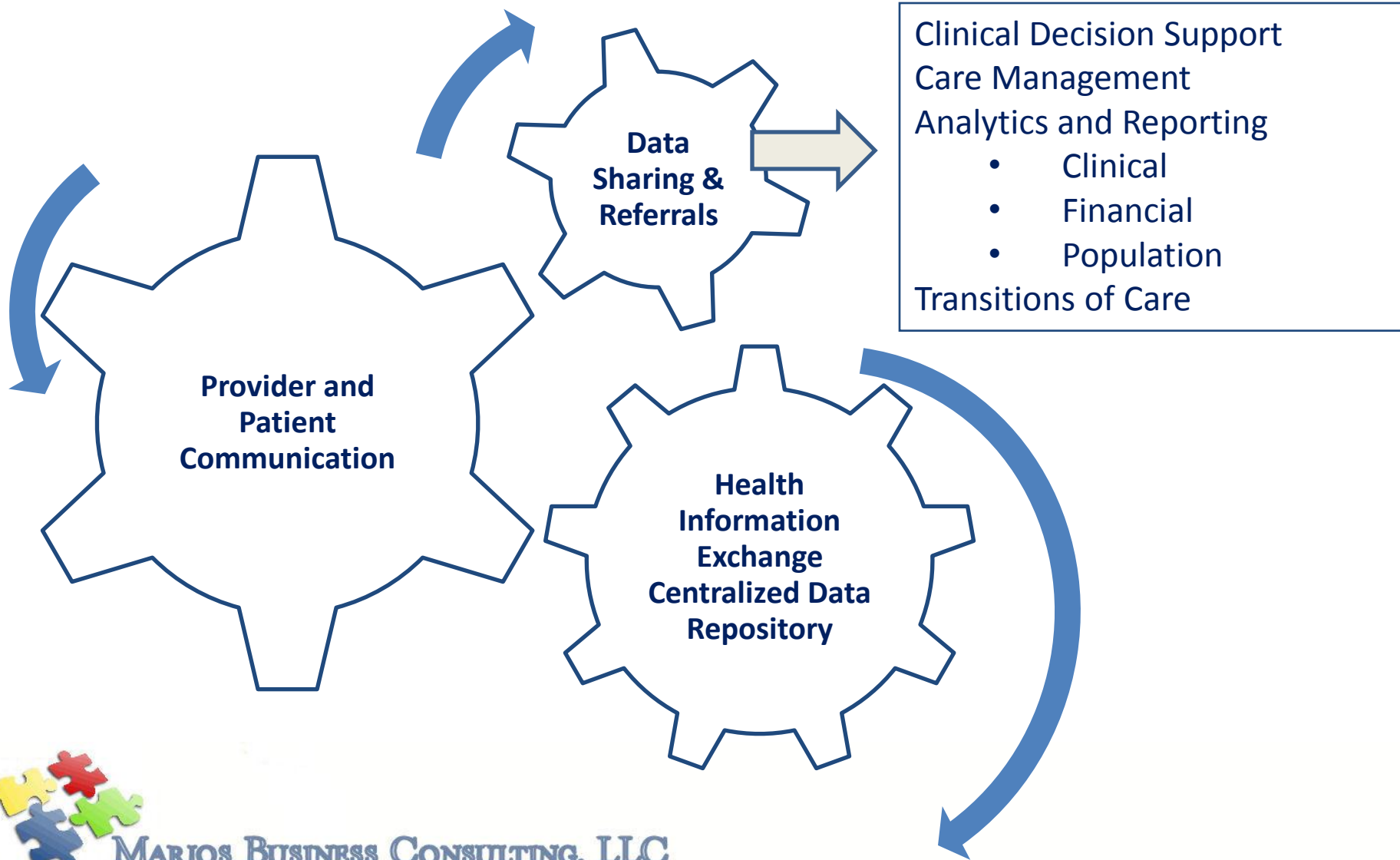
Two – sided Risk



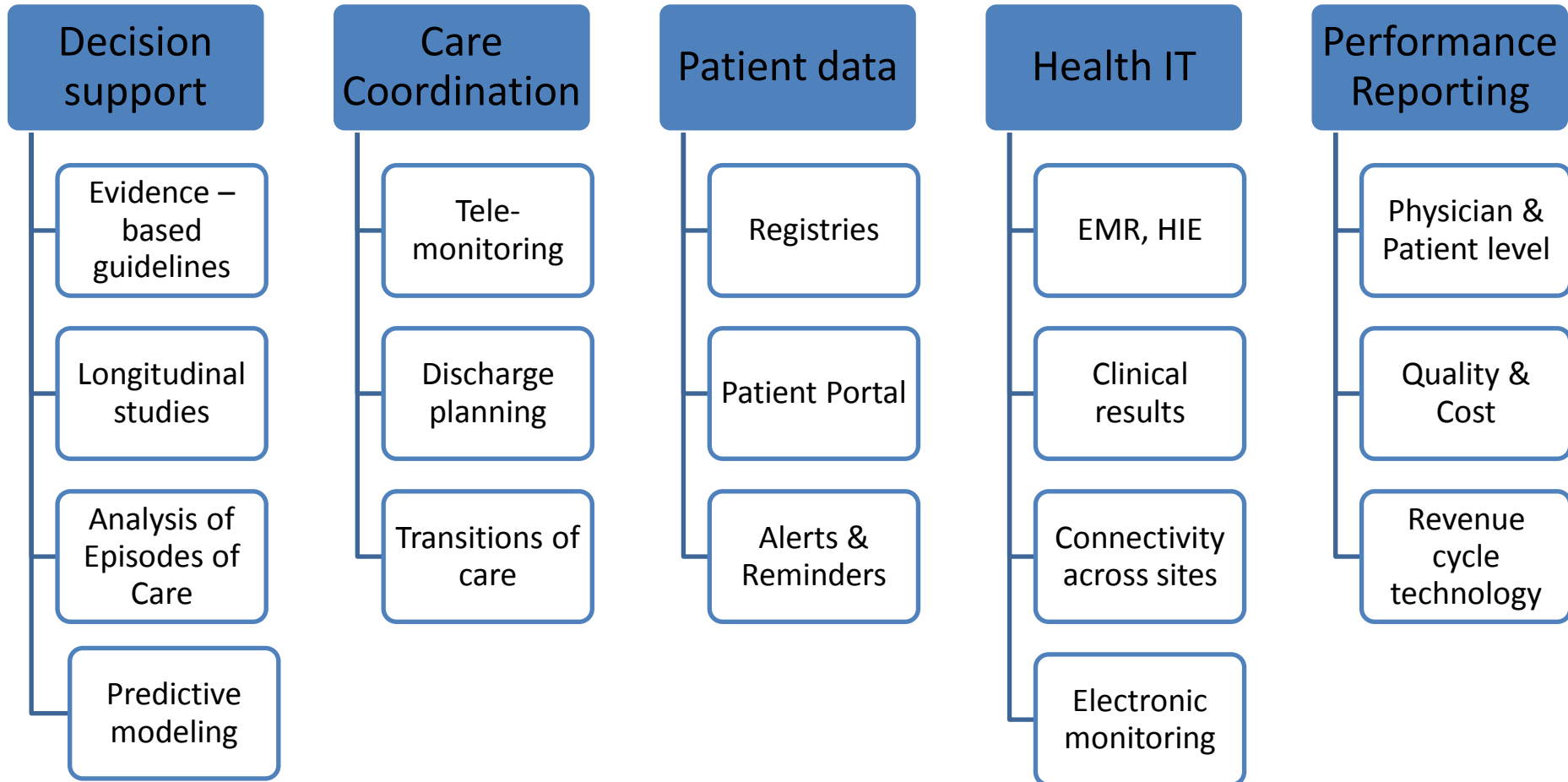
Ability to take on Full Risk



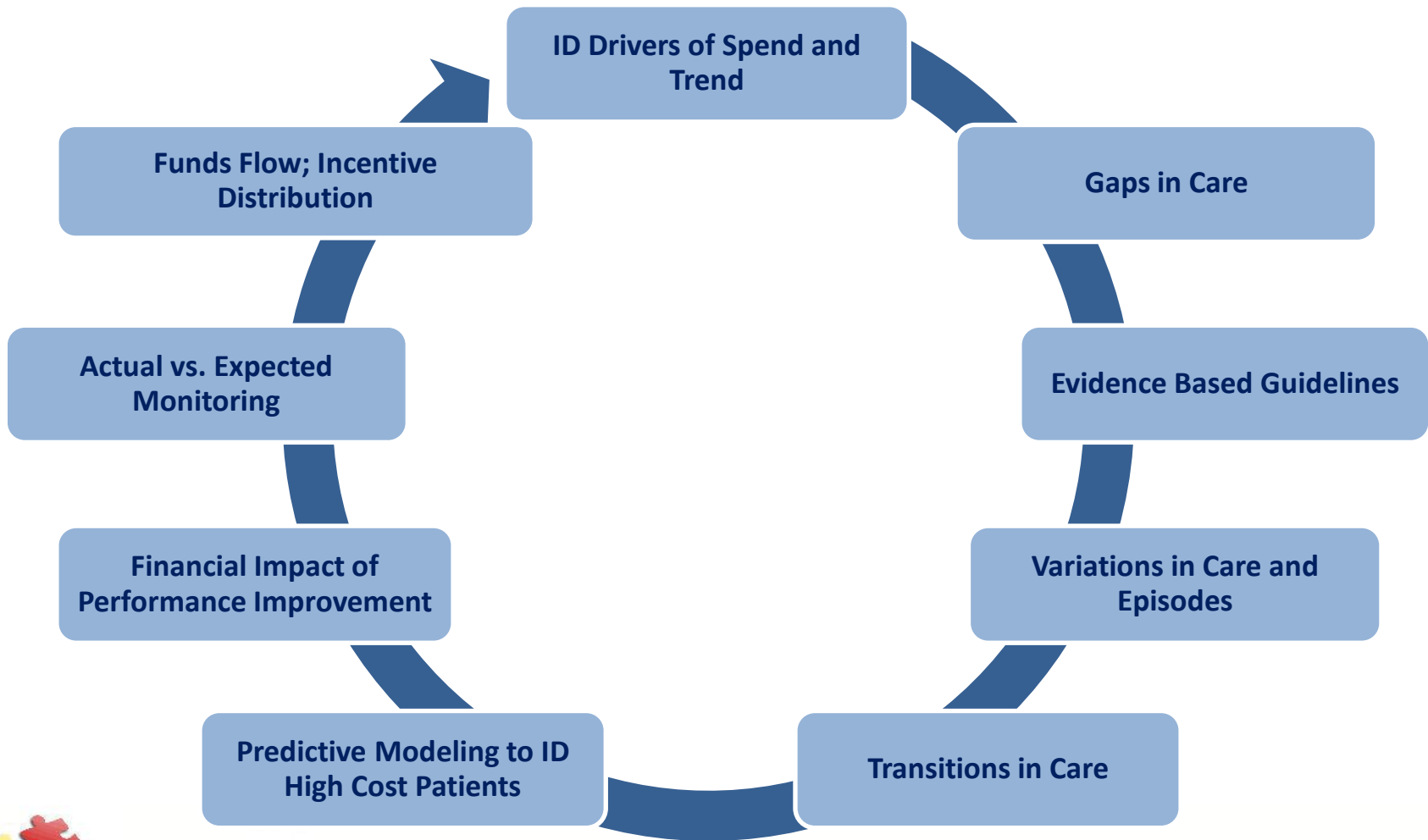
Key Health IT Components



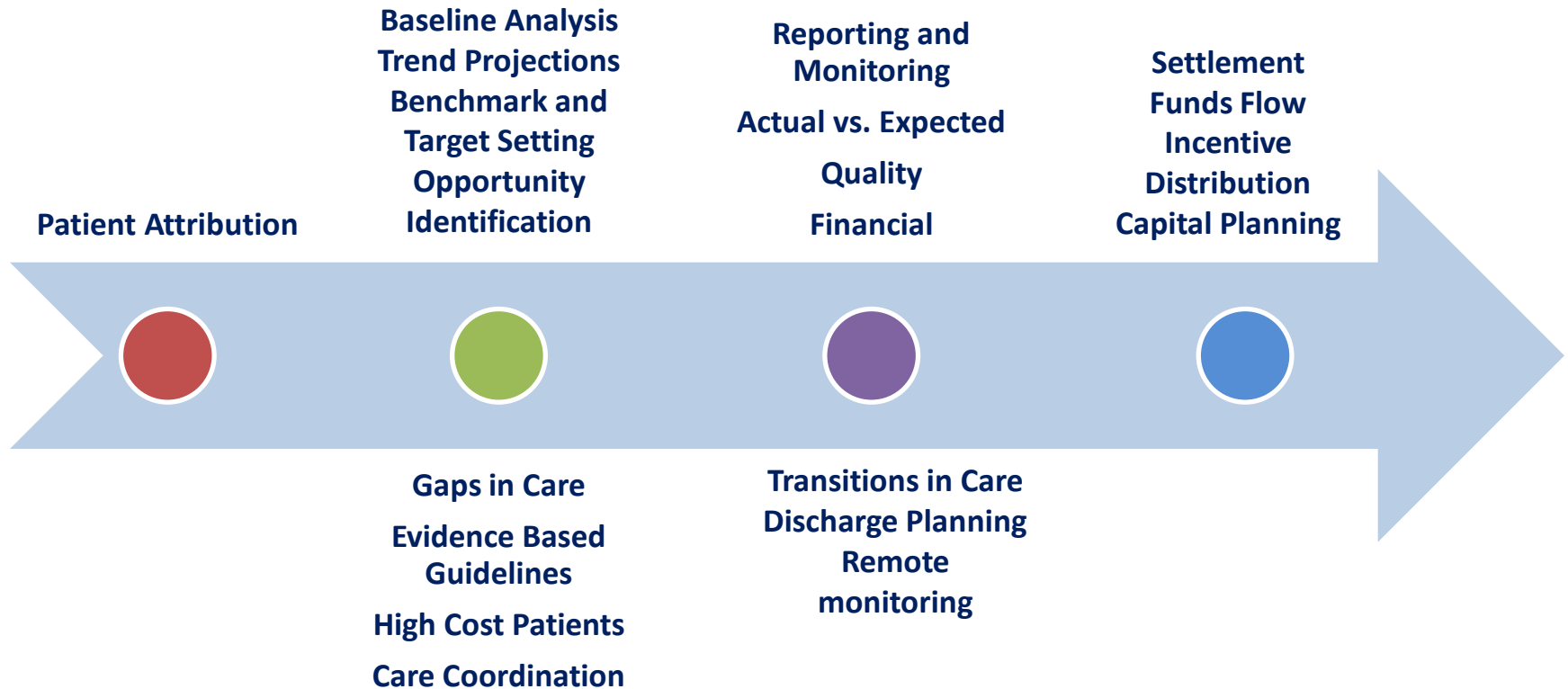
Clinical Technology and Analytics



Process of Continuous Improvement



What Needs to be Done?



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Summary Points

- FFS payment model is unsustainable and as such, payers and providers of care must be willing to shift to alternative reimbursement models
- Triple Aim must be fulfilled
- Provider groups are not happy with the ACO rules
- CMS wants and needs the ACO initiative to succeed
- “accountable care” trend is inevitable
- Providers can control their future, IF they are willing to move to a value-based delivery model
- Private payers are proceeding with ACO-like initiatives based on promising PCMH outcomes
- First movers more likely to have long-term success

