New relationships: Employer involvement in payment and delivery system reform
Objectives

- To provide context for recent developments in employer involvement in payment and delivery reform initiatives

- To describe ways in which employers are getting involved in payment and delivery reform initiatives, including the new relationships they are forging with plans and providers
Definitions

- **Patient Centered Medical Home (PCMH)**
  - A primary care practice that gives patient the individualized care and support they need to stay healthy. A team of care providers and the patient create plans of care that details the patient’s optimal medication use, diet, exercise, etc.

- **High-intensity primary care**
  - The provision of patient-centered, team-based care to those patients with the most significant health care needs (e.g., severe illnesses or multiple chronic conditions). Similar to a PCMH, but focused on a smaller subset of sicker patients.
Definitions (continued)

- **Bundled payments**
  - Reimbursement for all services needed by a specific patient for a particular condition or treatment (usually more accurately, “episode-based payments”).

- **Population-based payments**
  - An agreement where the provider agrees to accept responsibility for the health of a group of patients in exchange for a set amount of money. If the provider manages costs and performs well on quality targets, they may keep some of the savings generated.
Sixty percent of Americans receive their health insurance through their employer and employers are feeling the pinch of soaring costs and the high price for care of variable quality.

Increased costs of insurance has reduced global competitiveness for certain industries.

While delayed, the ACA will require employers with more than 50 employees to offer health insurance to full-time workers.
How are employers getting involved in payment and delivery system reform?

- Some large employers are moving toward direct contracting using alternative payment and delivery models.

- Traditionally employers who pursued direct contracting did so to get a larger fee-for-service discount.

- Now some employers are using (or demanding their health plan use) payments that are alternative to traditional fee-for-service (e.g., bundled payments and population-based payments).
Example of employer involvement in delivery system reform: *direct contracting with PCMHs*

- Progressive Insurance, Lubrizol Corporation and the Lake County School District teamed up with the Health Action Council of Ohio and Better Health *Greater* Cleveland to directly contract for PCMH services with Lake Health System.
- Lake Health System agreed to achieve NCQA PCMH recognition for all of its primary care sites.
- The three employer organizations agreed to fund nurse care coordinators to support care for their employees.
- The parties have been negotiating a shared-savings arrangement.
Example of employer involvement in delivery system reform: *direct contracting with high-intensity primary care*

- Boeing worked with three Seattle-area physician groups to create an Intensive Outpatient Care Program (IOCP) to use high-intensity primary care to support its beneficiaries' severe chronic illnesses.

- Boeing paid a PMPM for each patient enrolled in exchange for each patient receiving individualized care from the IOCP.
  - Per capita spending dropped 20 percent and savings offset the additional PMPM and increased utilization of services.
  - Patient functional status, depression, experience of care and absenteeism improved.
Example of employer involvement in payment reform: *bundled payments*

- PepsiCo is paying Johns Hopkins a bundled payment for knee and hip replacements.
- Under the agreement, PepsiCo will waive deductibles and coinsurances and pay for travel and lodging for any employee that travels to Johns Hopkins for surgery.
- PepsiCo chose Johns Hopkins for its high quality of care as a way to improve the outcomes of its employees that receive major surgery.
- A similar arrangement has been structured between Lowes and the Cleveland Clinic for cardiac surgery.
Example of employer involvement in payment reform: *population-based payment*

- CalPERS launched a two-year population-based payment program with its TPA (Blue Shield) and two large providers.
- The provider agreed to set amount of money to care for 41,500 CalPERS employees and dependents. The providers were able to keep any dollars not spent.
  - More than $20 million was saved in the first year and over three years, CalPERS realized $32 million in savings.
  - There was a 15% reduction in inpatient days and 13% reduction in surgeries.
A few other examples...

- **Population-based payment:**
  - Maine State Employee Health Commission (and other Maine employers too)
  - Intel (Albuquerque and Seattle)

- **High-intensity primary care**
  - Hotel Employees and Restaurant Employees International Union Welfare Fund (NJ and NV)
New relationships

- Prior to this bout of activity, employers typically paid a health plan to organize and manage the health of their employees.
- Now, some employers are becoming more interested and influential in health plan activity.
- Employers are also forging relationships with providers and utilizing health plans as administrators, more so than before.
- Employers aren’t doing this alone – employer organizations and consultants are playing major roles in assisting them.
Support for employers

- The National Business Coalition on Health, the National Business Group on Health and the Leapfrog Group are three existing organizations that focus on providing resources and support to employers interested in improving their health care outcomes and reducing costs.

- NBCH member coalitions sometimes help their members develop new arrangements with providers, e.g.,
  - Health Action Council (OH)
  - Maine Health Management Coalition

- All three organizations have focused on payment and delivery system reform initiatives.
The Catalyst for Payment Reform was created to change health care through the use of alternative payments.

It provides employer purchasers with tools to assist efforts in reform such as:

- Model contract language for employers to incorporate with health plans
- A Market Assessment Tool to gather information about what payment reform may work best in an employer’s market.
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