
Health Care Costs and Quality: Managing Intensity of Health Care Services

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The Quest for Affordable, High Quality Health Care

Many strategies have attempted to improve health care quality and affordability. None has systematically applied evidence-based medicine and quality outcomes.

1980s

- HMOs
 - Contracting in the setting of excess capacity
 - Aggressive medical management
-

1990s

- Capitation
 - Physician management companies
 - Vertically integrated health care delivery (and financing) systems
-

2000s

- “Boutique” delivery models, such as specialty hospitals
- Consumer-driven health care and health savings accounts
- High performance networks with cost and quality information
- Disease and care management programs
- Rewarding quality performance (pay for performance)

Medical Policy



Medical Policy

Subject: Gene Expression Profiling for Managing Breast Cancer Treatment

Policy #: LAB.00014

Current Effective Date:

04/28/2005

Status: Revised

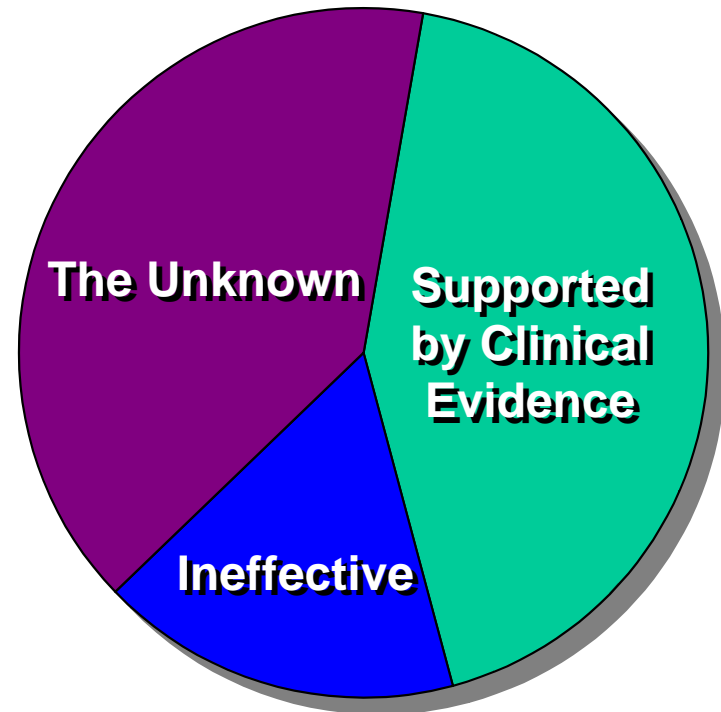
Last Review Date:

04/28/2005

- Evidence-based assessments of clinical value (current state of medical science) are used to establish uniform coverage
- Medical specialty societies, academic and community medical experts, and major academic centers are engaged
- Technology must have final approval from FDA; scientific evidence must demonstrate improved health outcomes
- Improvement must be attainable outside research setting
- All medical policies are fully disclosed on brand websites; updated frequently

Introduction of New Medical Technologies and Therapies

- If effective, promote as consistent best practice
- If ineffective, don't do it
- If insufficient evidence, assess in clinical trial
- Pharmaceutical companies, NIH, device manufacturers, CMS, health plans should support clinical trials and registries

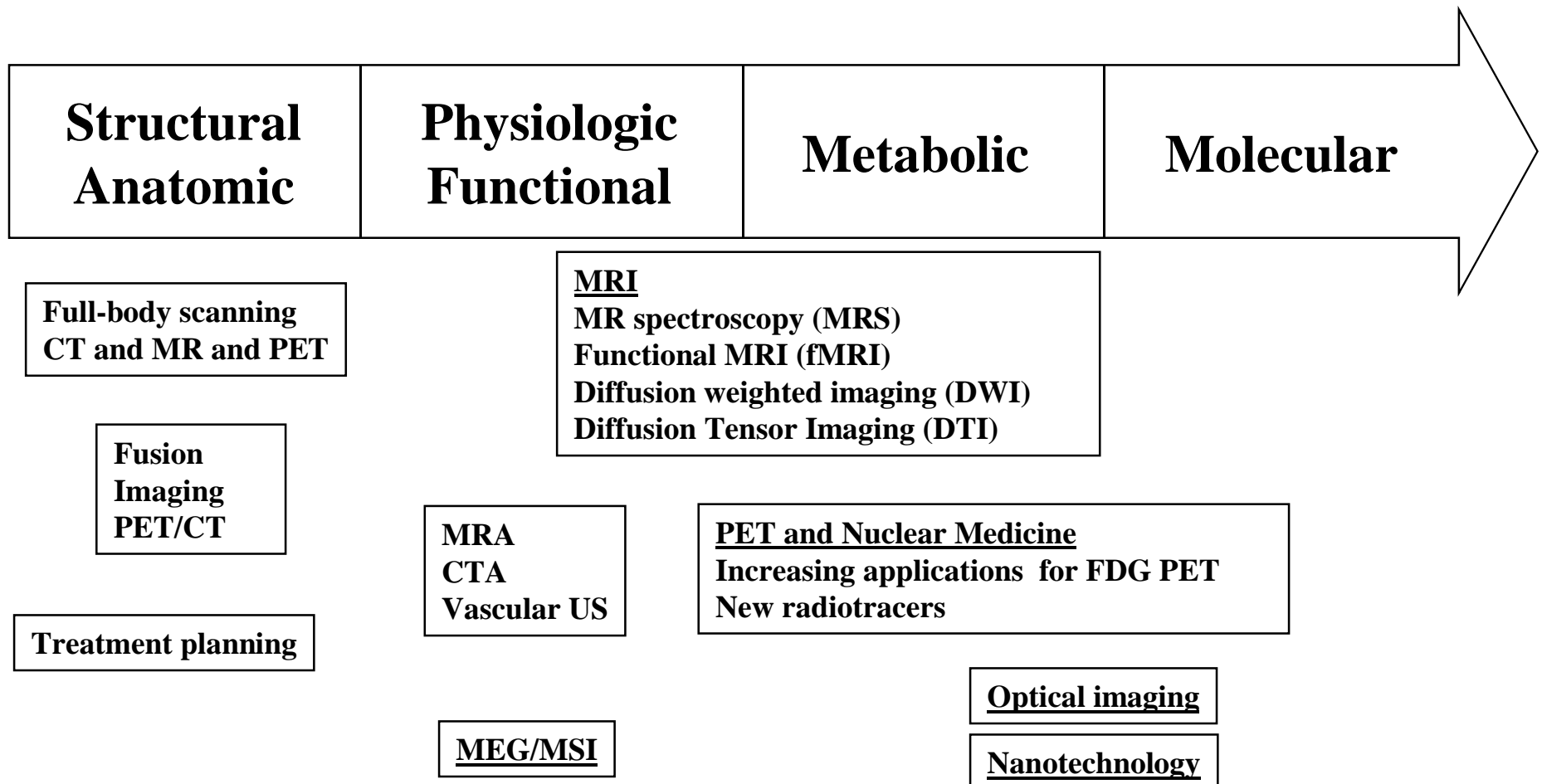


Diagnostic Imaging Market

- Imaging market is large (\$100B, >12% of health care) with accelerating inflation
- Most of growth is attributable to the expanding use of technology driven by new products, consumer demand, and other factors
- State-of-the-art imaging technologies important in improving the quality of health care but cost burden is substantial and needs to be managed
- Patient safety and affordability of health care are key concerns for sponsors (employers) and insurers

Source: Blue Cross Blue Shield Association Whitepaper, 2004; CMS, Analyst Reports

Imaging Continuum: From Bigger to Smaller

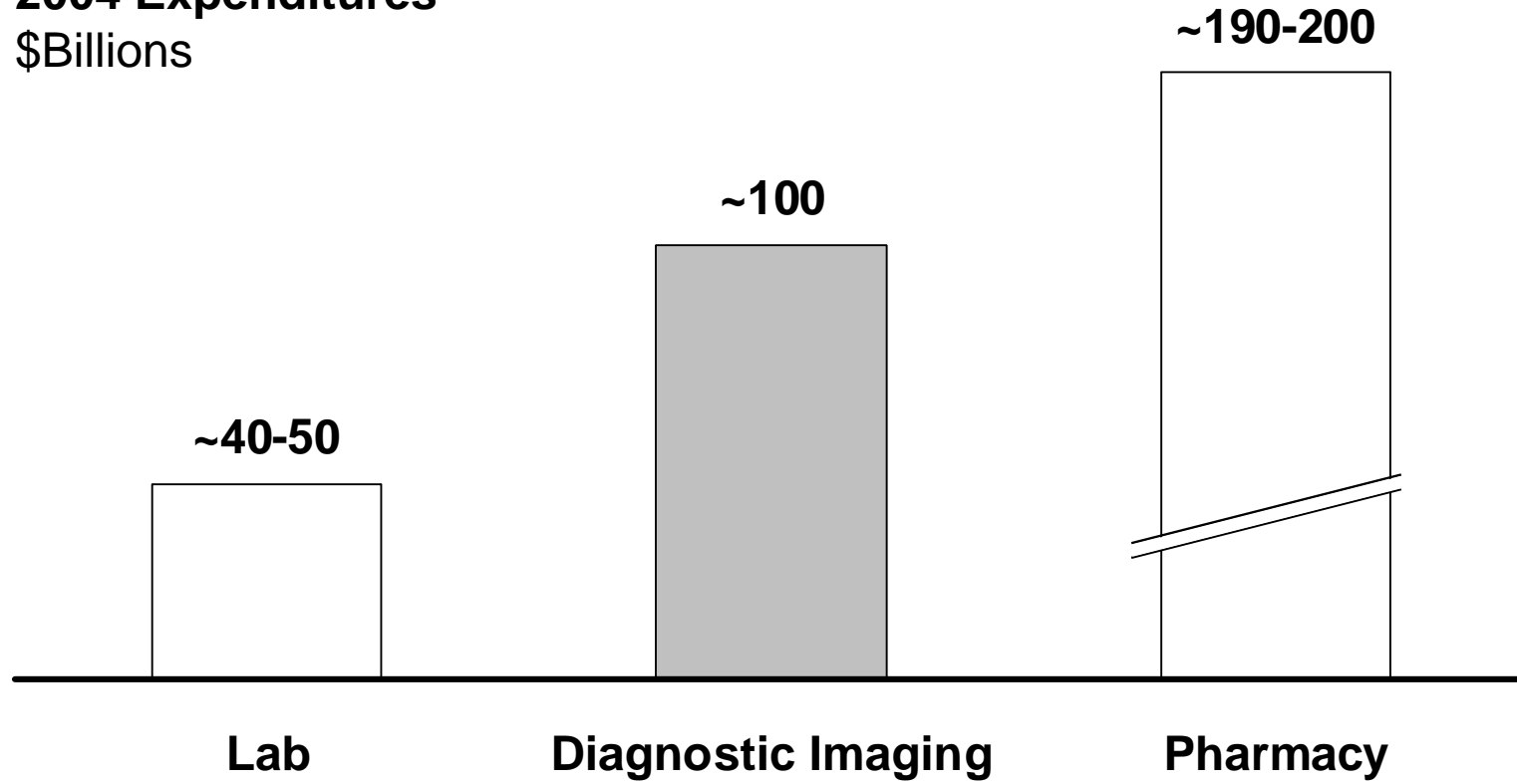


Drivers of Advanced Imaging

- **Free-standing imaging centers owned by radiologists**
- **Non-radiologists invest in imaging centers or in-office imaging:**
 - Primary care physicians
 - Specialists, including orthopedists, cardiologists, neurologists
- **Policy issues: profitable service lines move from hospitals**
- **Quality concerns**
- **Utilization concerns**

Diagnostic Imaging Spend is Substantial...

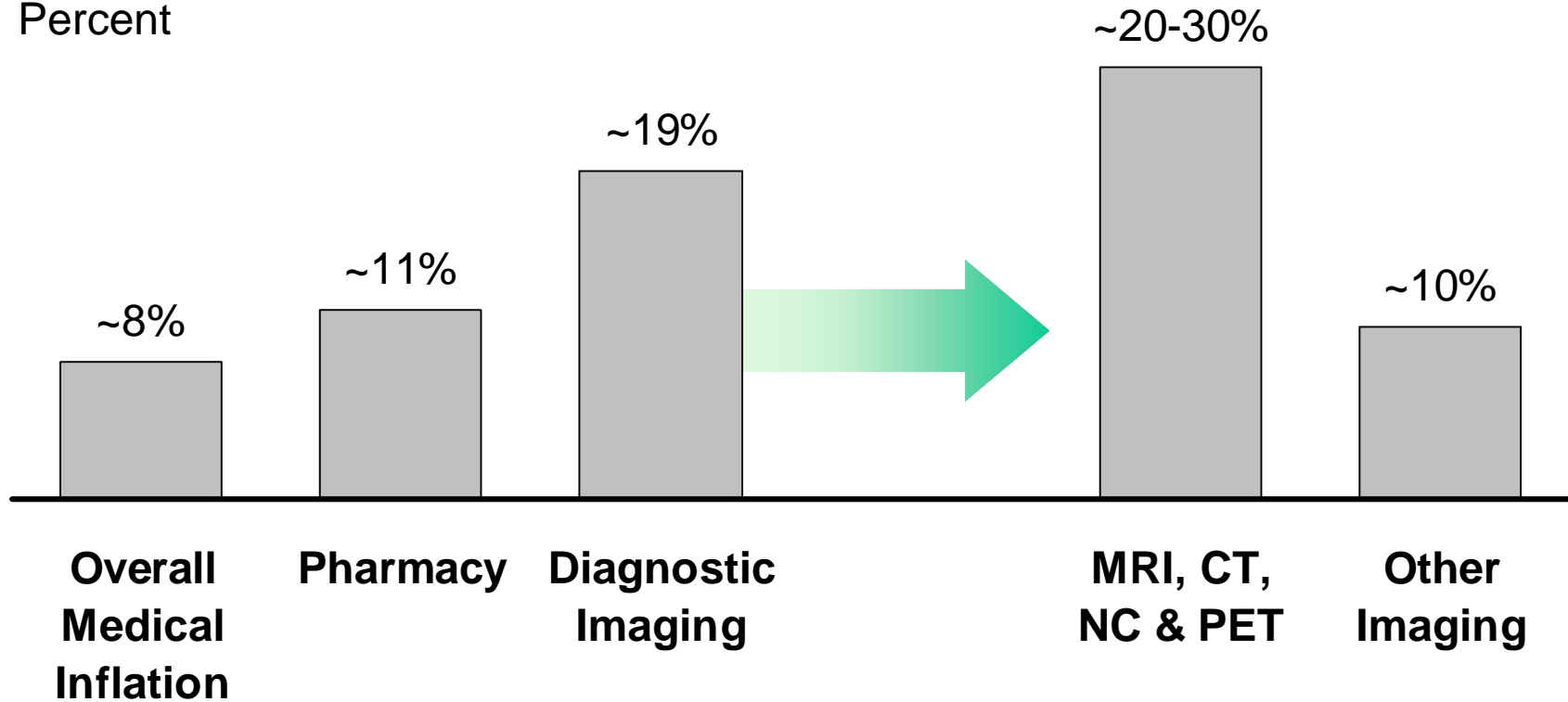
2004 Expenditures
\$Billions



Source: NIA estimates, Health Affairs, IMS Health, M&R health cost index

... And Rapidly Growing

2004 Medical Inflation Rates Percent

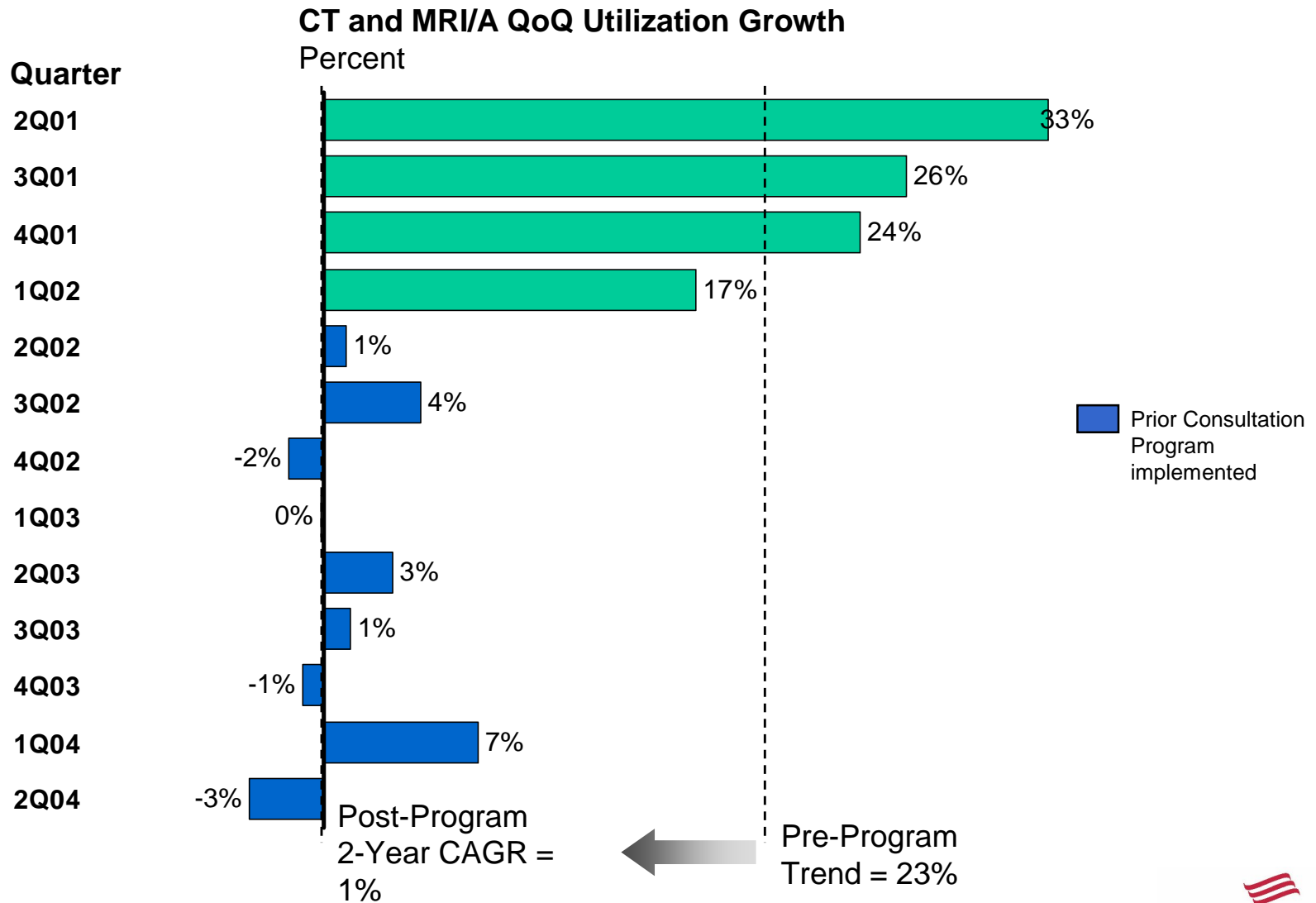


Source: NIA estimates, Health Affairs , CMS, Deloitte & Touche, Hewitt Associates

WellPoint: Managing Advanced Imaging Services

- Program criteria developed in collaboration with the American College of Radiology and in consultation with physicians
- Program requires pre-authorization of advanced imaging (MRI, CT, PET, Nuclear Stress)
- Redirects care to the most clinically appropriate imaging study
- Program has received high satisfaction among physicians (near 90%)
- Expanding program across enterprise

Longer-Term Impact of Radiology Management: Anthem Blue Cross and Blue Shield in Colorado



P4P Programs at WellPoint

Partnerships with physicians and hospitals on quality incentive programs (include PPO and HMO products, and Medicaid)

PCP Programs

Focused on primary care physicians. Typical major components:

- ✓ Clinical Outcomes
- ✓ Evidence-based medical procedures
- ✓ Generic Prescribing Rates
- ✓ Technology & streamlined administrative processes
- ✓ Patient Satisfaction

Specialist Programs

Focused on specialty care physicians. Early initiatives in: Ob/Gyn, Cardiology, Orthopedics. Measures similar to PCP programs:

- ✓ Clinical Outcomes
- ✓ Evidence-based medical procedures
- ✓ Generic Prescribing Rates
- ✓ Technology & streamlined administrative processes
- ✓ Patient Satisfaction

Hospital Programs

Focused on acute care hospital, typically full service cardiac facilities. Hospital programs typically have the following components:

- ✓ Patient Safety
- ✓ Clinical Outcomes
- ✓ Patient Satisfaction

Timing Is Right for Pay for Performance

- **Increasing purchaser interest in quality as a factor in buying decisions**
- **IOM reports and Medicare reform boost quality measurement; Medicare launched P4P physician program in April 2005**
- **President's EMR goal to improve quality**
- **AMA, JCAHO and MedPAC focused on P4P**
 - **Senate and House "Value-Based Purchasing" bills incorporate MedPAC P4P recommendations**
- **Regional coalitions forming to improve market adoption of P4P (Leapfrog, IHA, Bridges to Excellence)**
- **Growing public interest: media coverage on pay for performance increased nearly 150 percent (2004-2005)**

Why Pay for Performance?

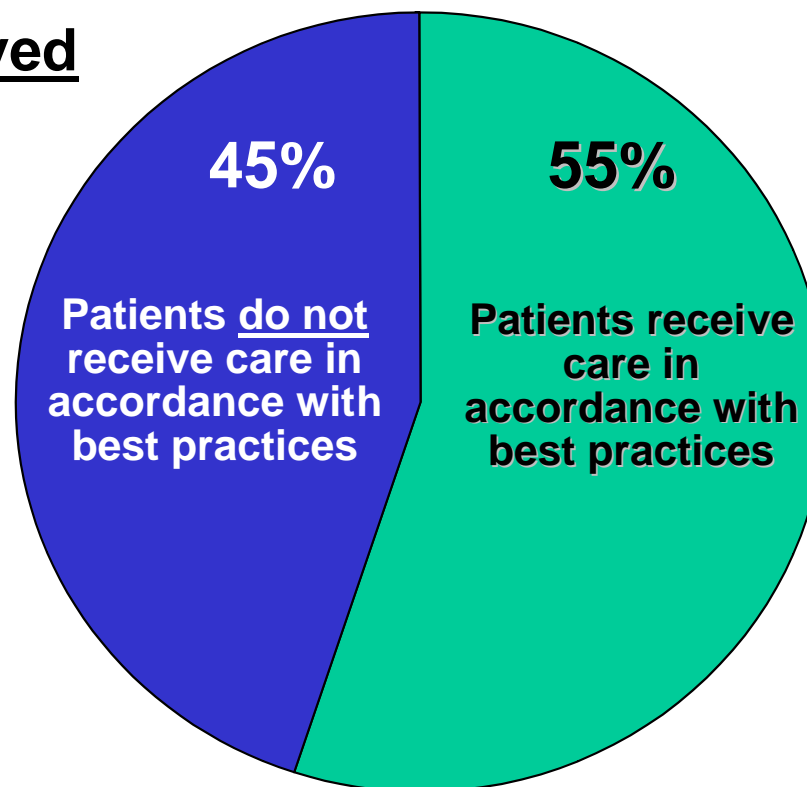
- **Improve Care and Outcomes**
- **Save Lives**
- **Eliminate Ethnic Disparities**
- **Reduce Costs**
- **Incent Health IT Adoption**

Improve Care and Outcomes

Nearly one-half of physician care not based on best practices

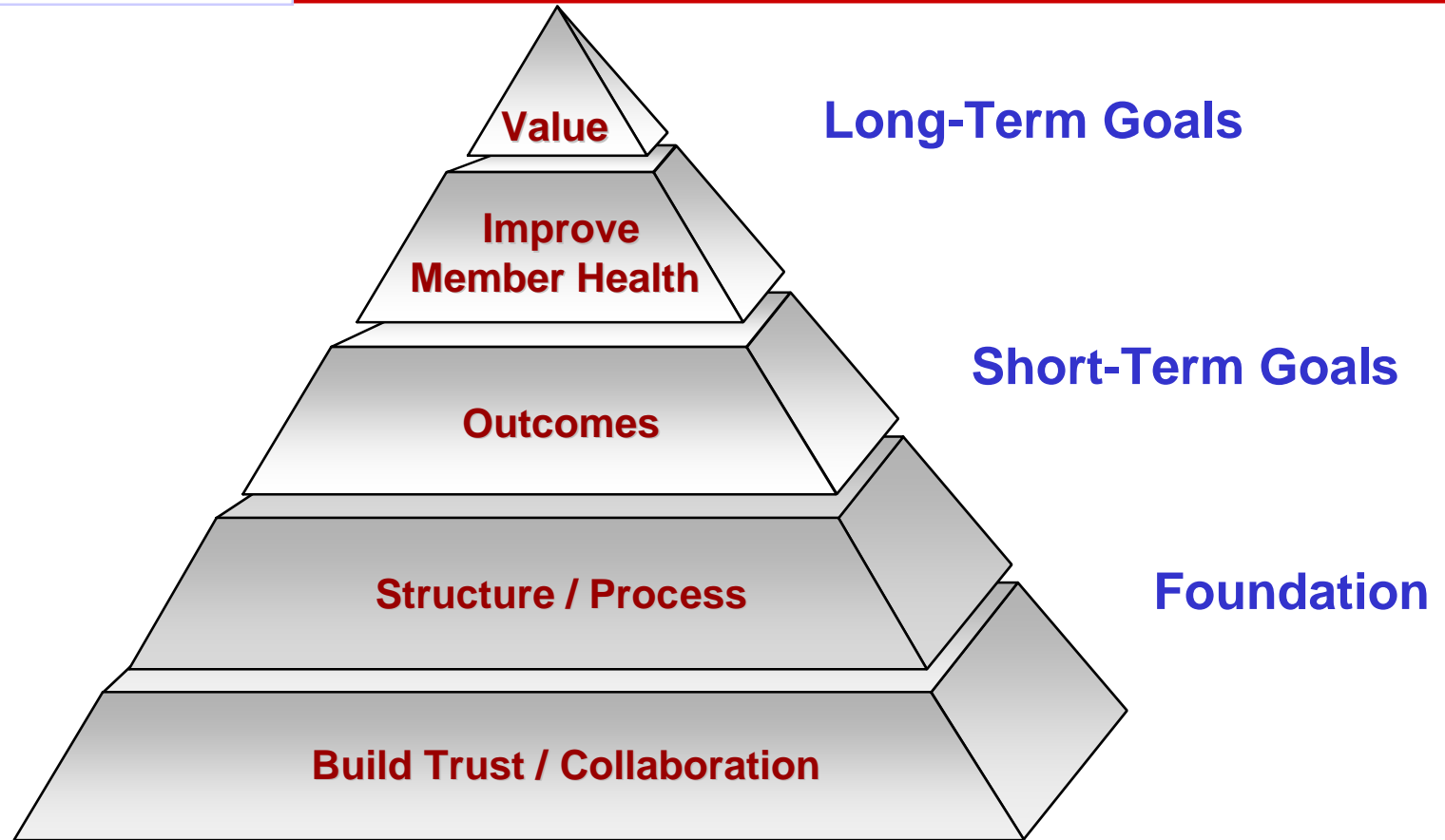
% of Recommended Care Received

64.7%	Hypertension
63.9%	Congestive Heart Failure
53.9%	Colorectal Cancer
53.5%	Asthma
45.4%	Diabetes
39.0%	Pneumonia
22.8%	Hip Fracture



Source: Elizabeth McGlynn et al, RAND, 2003

Quality Vision for P4P Programs



Quality broadens the dialogue beyond fees to building a foundation of trust

Quality Insights Hospital Incentive Program

Patient Safety - 25%

- Meet 6 JCAHO patient safety goals:
 - Improve the accuracy of patient identification
 - Improve the safety of using high-alert medications
 - Eliminate wrong-site, wrong-patient and wrong-procedure surgery
 - Improve the safety of using infusion pumps
 - Improve the effectiveness of clinical alarm systems
 - Improve the effectiveness of communication among caregivers
- Implement 3 patient safety initiatives
 - Computerized Physician Order Entry (collected via Leapfrog survey)
 - ICU staffing standards (collected via Leapfrog survey)
 - Automated pharmaceutical dispensing devices
- Report 2 patient safety indicators
 - Anesthesia complications, post-operative bleeding, etc.

Note: Text in red reflects NQF measure

Quality Insights Hospital Incentive Program

Patient Outcomes - 60%

- Improve indicators of care for patients with heart disease
 - Participation in American College of Cardiology cardiovascular data registry
 - Cardiac catheterization and angioplasty intervention indicators
 - Acute MI or heart failure indicators (collected via JCAHO)
 - Administer aspirin, beta blockers at ER arrival, discharge
 - Smoking cessation
 - Coronary artery bypass graft indicators
- Pregnancy-related or community acquired pneumonia indicators

Patient Satisfaction - 15%

- Survey of members
- Link between improvement in care processes and outcomes, and patient satisfaction

Note: Text in red reflects NQF measure

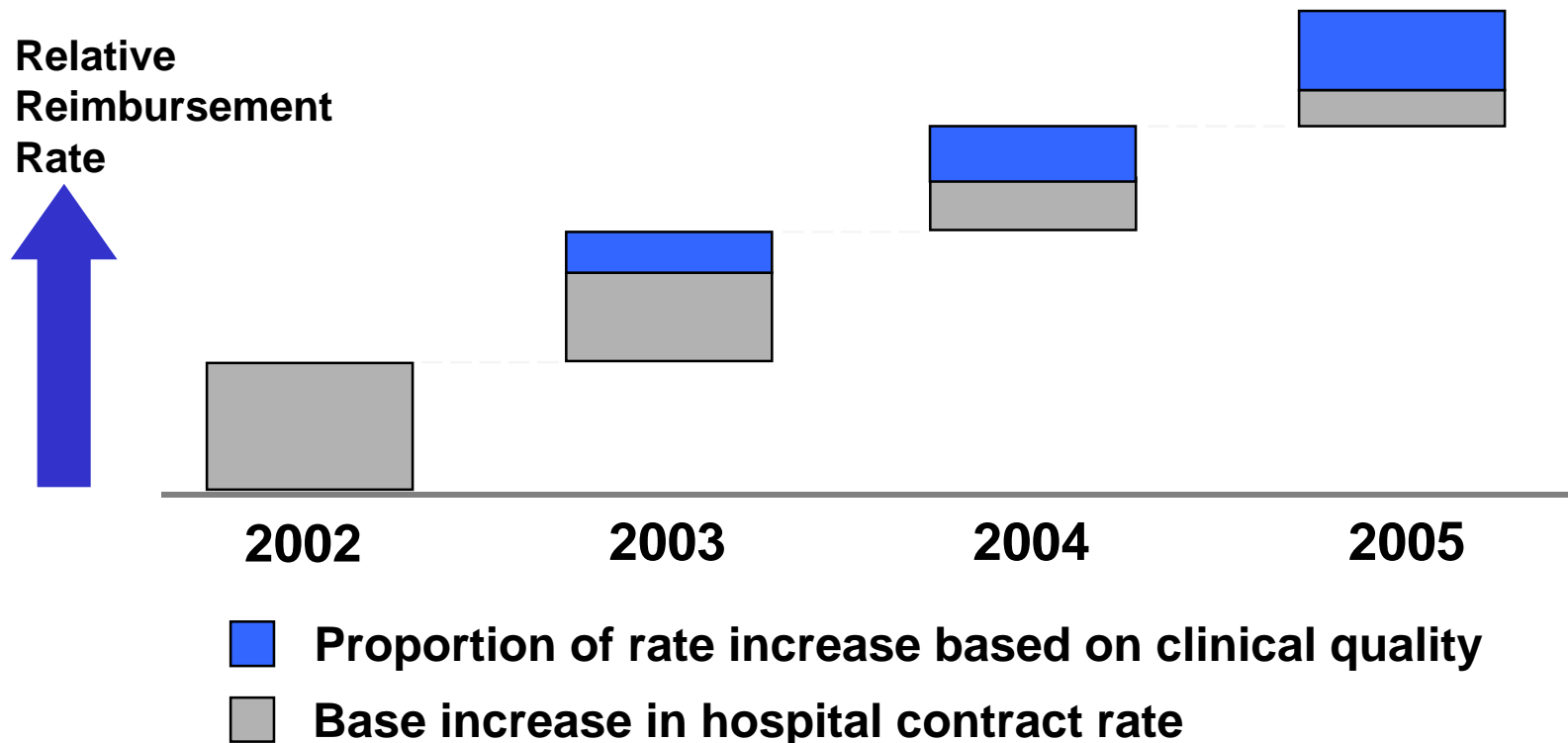
WellPoint Hospital Quality Programs: Goals and Guiding Principles

- **Continuously improve quality of care delivered in network hospitals**
- **Develop program using comprehensive evidence-based metrics**
- **Minimize administrative burden to participate**
- **Promote partnerships with key hospitals**
- **Drive change in overall health care delivery arena**
- **Designed to improve care delivered to all patients, not just WellPoint members; reporting for all hospital patients**
- **Support health care delivery goals and public reporting of outcomes data**
- **Financial incentives for clinical performance, quality care, error reduction**

Hospital Quality Programs

Rewarding high scores creates tangible incentive for quality improvement

Reimbursement Increase Schedule



Physician Quality Scorecard: Blue Cross of California

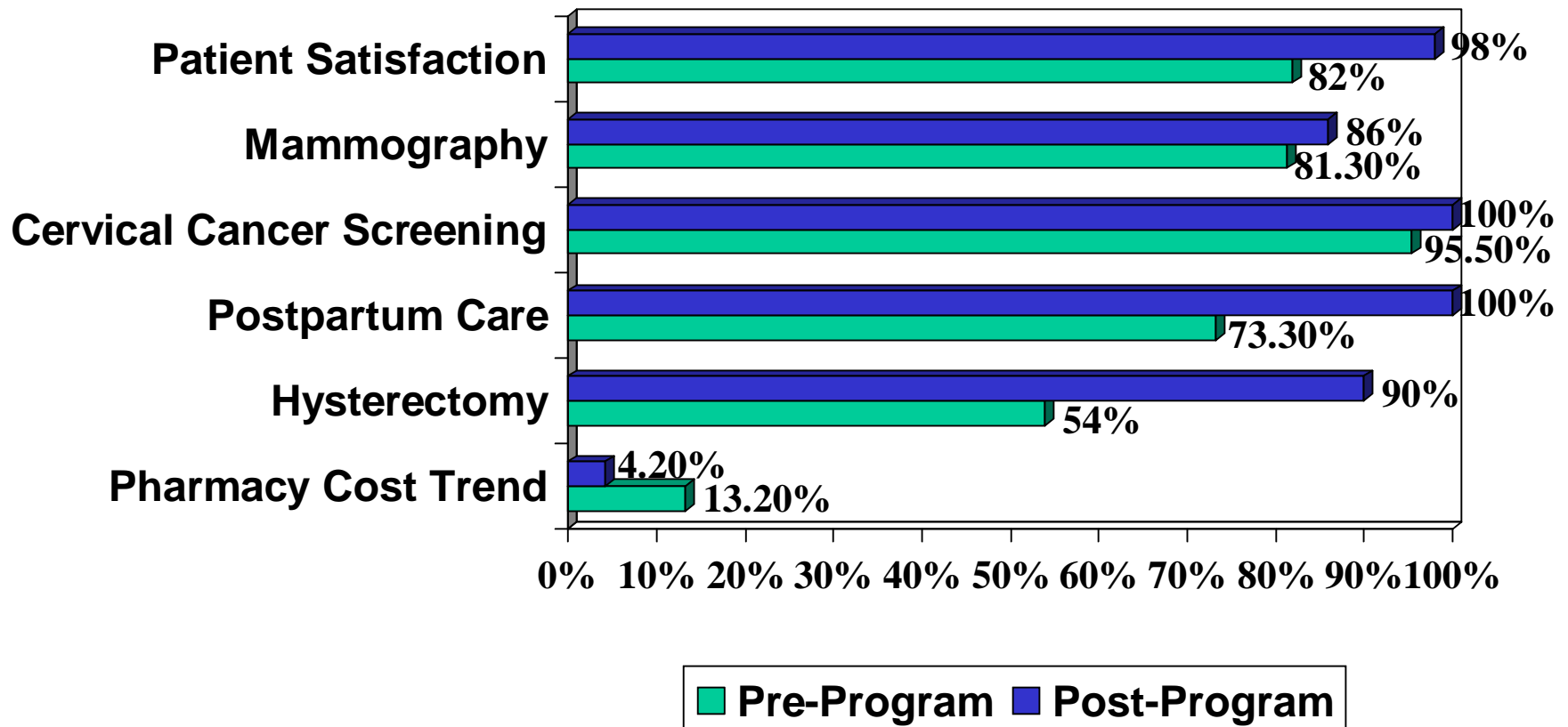
- **A decade of quality: scorecards (1994) and bonus payments (1997-1998)**
- **Scorecard combines: clinical quality measurements, generic prescription performance, administrative service, member satisfaction**
- **Third year of expanded incentive program**
- **Added efficiency measure for 2005 based on medical group-specific UM targets**
- **Total of \$66 million in quality and generic pharmacy payments**
- **176 of 190 PMG/IPAs on new program**
- **Alignment with IHA clinical and member satisfaction measures**

Payment for Clinical Performance and Quality: Obstetrics and Gynecology Program with MaternOhio Physicians

- **Approach:**
 - Preventive care: mammography, pap smear
 - Patient satisfaction
 - American College of Obstetrics and Gynecology's guidelines for hysterectomy
 - Generic index for pharmaceuticals
- **Recognition and reward:**
 - No precertification or concurrent review requirements
 - Positive adjustment in reimbursement

Payment for Clinical Performance and Quality: Obstetrics and Gynecology Program with MaternOhio Physicians

Program Results



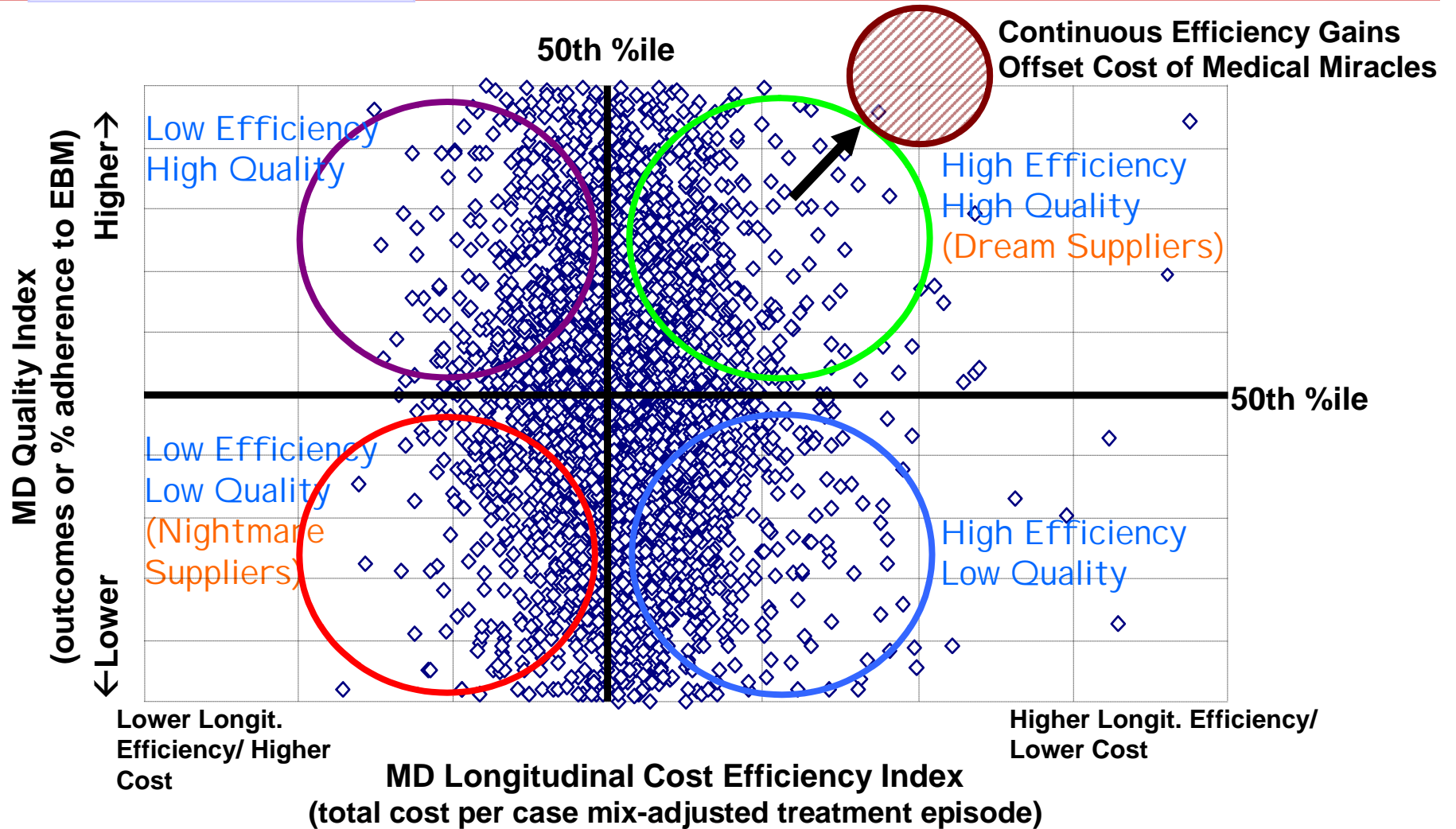
Increasing Numbers of Physicians, Hospitals Engaged in Quality Improvement Programs at WellPoint

Health Plan	Physicians/Hospitals in Program	Engagement
California	> 1,200 physicians; 180 medical groups	97% of all medical groups
Colorado	> 1,040 PCPs; 18 hospitals	80% of all admissions in CO and NV occur in participating facilities
Nevada	> 50 PCPs	
Connecticut	> 2,400 physicians; 7 hospitals (QHIP)	78% of PCPs eligible in Northeast (CT, ME, NH)
Maine	> 1,080 physicians; 15 hospitals (QHIP)	
New Hampshire	> 725 physicians	
Georgia	1,300 physicians; 7 hospitals	Expanding in 2006
Indiana	300 physicians; 110 hospitals	Hospital Quality Program in IN, KY, OH recognized by Harvard as outstanding quality programs
Kentucky	60 PCPs; 99 hospitals	
Ohio	> 5,300 physicians; 148 hospitals	
Missouri	> 1,060 physicians; 6 hospitals (QHIP)	32% of HMO PCP network
Virginia	6,000 eligible physicians; 49 hospitals	100% for HMO products

High Performance Networks: A Definition

- **High Performance Networks (also called Value Networks and Efficient Networks) represent both a new product design and a network development strategy that:**
 - Ranks physicians and facilities based on cost and/or quality measures
 - Encompasses an approach to analyzing physician performance generally using an episode treatment grouper (ETG) methodology
 - Creates incentives to direct members to selected physicians and hospitals; may include additional financial rewards for physicians and hospitals
- **While some High Performance Networks only recognize efficiency (cost), others attempt to ensure high quality care**
 - Clinical Effectiveness Measures
 - Diabetes care, care of members with heart attacks
 - Preventive Care Measures
 - Immunizations, breast cancer screening
 - Specialty care (orthopedics, surgery, cancer) is the key driver of health care costs; however, specialty care quality measures are generally not available with the exception of cardiology

High Performance Network Opportunities



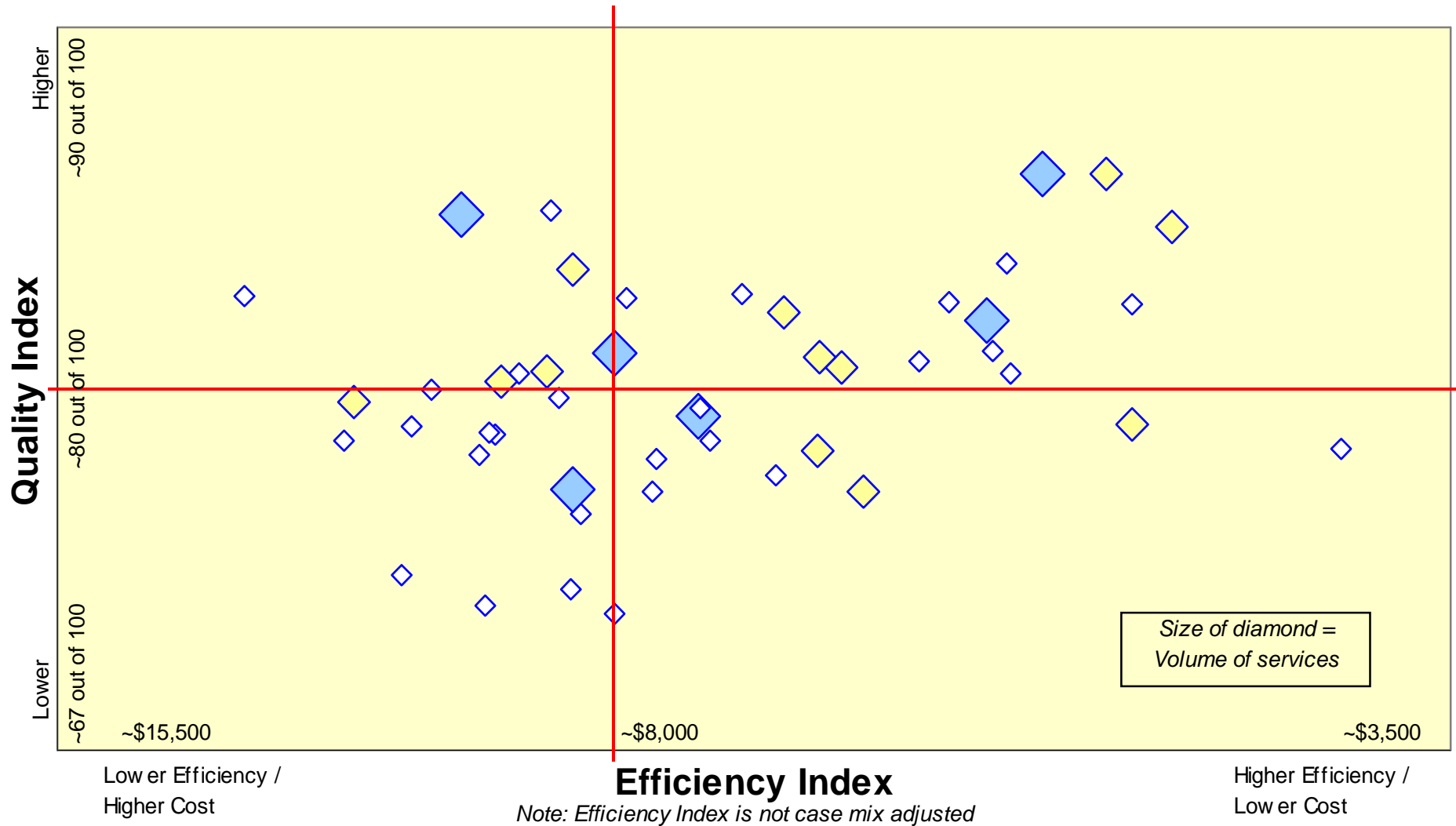
Source: Arnie Milstein, Mercer

Adapted from Regence BlueShield

WellPoint Coronary Services Network: Extensive Quality Outcomes Metrics

- **Coronary Artery Bypass Grafts (CABG)**
 - number of procedures
 - mortality
 - return to OR
 - saphenous vein use
 - infections
- **Percutaneous Transluminal Coronary Arteriography (PTCA)**
 - number of procedures
 - repeat PTCA
 - failed PTCAs which go onto CABG within 24 hours
 - primary PTCA for acute myocardial infarction
- **Myocardial Infarction (MI)**
 - number of patients with MI
 - time to PTCA
 - time to thrombolytic therapy from ER (door to drug)
 - aspirin use in 24 hours
 - mortality
 - β -blocker use
 - critical pathway use
 - number with LVEF < 40% prescribed ACE inhibitors

WellPoint Coronary Services: Quality and Cost Performance



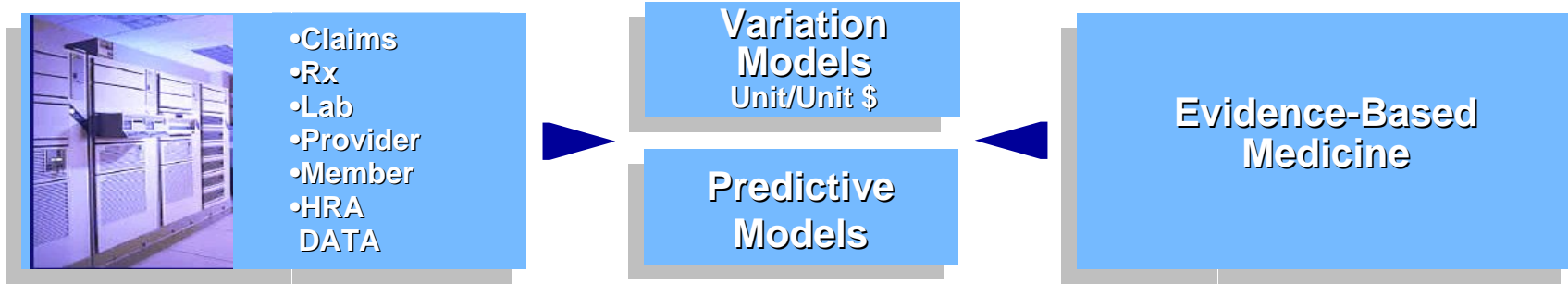
High Performance Networks: Finding the Right Balance

Issues to Consider

- Can HPNs combine quality and efficiency criteria, particularly for high-cost, high-impact specialties?
- Will purchasers embrace long-term value of addressing quality as well as cost?
- What is the best approach where there is insufficient data to determine quality or efficiency?

The Way Forward

- Measurable, meaningful quality criteria must be developed for primary care and specialty physicians
- Develop methodology that reflects optimal care
- Programs should be designed to enhance physician relationships
- Involve key physicians, hospitals and national specialty societies
- Programs should be developed around “raising the bar” – supporting initiatives to make all physicians/hospitals higher quality and more efficient



Identification and Stratification

% of WellPoint Members				
50%	20%	25%	4%	1%
Well Members	Low Risk Members	Moderate Risk Members	High Risk, Multiple Diseases	Complex and Intensive Care
Prevention and Education	Optimize Resources in Acute Episodes of Care, Population Care	DM and Education, Risk Avoidance	Episodic Care Mgmt, Clinical Guidelines, High Risk DM	Total Care Integration
% of Health Care Costs				
10%	10%	25%	30%	25%

