The Pursuit of Affordability in Value-Based Care: Consumer and Payer Perspectives

Monday July 13th, 2020
Agenda

• Welcome
• Introduction to the Health Care Transformation Task Force
• Consumer Perspective: Families USA
• Payer Perspectives:
  • Blue Cross Blue Shield of Michigan
  • Blue Cross Blue Shield of North Carolina
• Q&A
Speakers

Frederick Isasi, Executive Director

Todd Van Tol, SVP, Health Care Value

Troy Smith, VP, Healthcare Strategy and Payment Transformation
Established in 2014, the **Health Care Transformation Task Force** is a multi-sector industry consortium comprised of

- **Providers**
- **Payers**
- **Purchasers**
- **Patients**

committed to advancing delivery system transformation that drives rapid, measurable change for ourselves and our country.
Our members aspire to have 75% of their respective businesses operating under **value-based payment arrangements** by the **end of 2020**.
HCTTF continues to progress towards our goal of 75% of business in value-based payment arrangements by the end of 2020.
Our vision is a nation where the best health and health care are equally accessible and affordable to all
Families USA, a leading national voice for health care consumers, is dedicated to the achievement of high-quality, affordable health care and improved health for all. We advance our mission through public policy analysis, advocacy, and collaboration with partners to promote a patient-and community centered health system.

Working at the national, state and community level for over 35 years
Families USA’s Work on the National, State and Local Levels

Visit us at: www.familiesusa.org
Public’s Concern About Health Care Affordability Mounting

Health Care Affordability Concerns Are Widespread

- **44 percent** of public didn’t go see a doctor when they needed to because of cost (NORC)
- **30 percent** report medical care interferes with their basic needs (food, housing, heat, etc.) (NORC)
- **74 percent** of the public feel that we do not get good value from the U.S. health care system (NORC)
- **78 percent of Americans** think the government should help make sure everyone has access to affordable, quality health care (Consumers Reports)
- In the 2018 Election, **40 percent** of voters selected health care as their most important issue (CNN/NBC poll)
- In this year’s **New Hampshire Primary, 37 percent** of democratic votes selected health care as their most important issue, outpacing issues like climate change (25%), income inequality (21%) and foreign policy (10%) (WaPo)

Public Energy Solidifying Around Affordability Issues

Hot Topics of Pre-existing Conditions, Surprise Billing, and Prescription Drug Pricing

- **Defending Protections for Pre-Existing Conditions:** Solidifying national norms associated with the quality of health insurance coverage and related financial protections
- **Surprise Billing:** Solidifying national norms associated with the quality of health insurance coverage and related financial protections
- **Prescription Drug Pricing:** Solidifying national norms around the role of government in protecting against abusive health care prices
Cost Increasing Faster than Paychecks Across Multiple Dimensions

Percent Growth Over Time

Cumulative Premium Increases for Covered Workers with Family Coverage, 2002-2017

*Percentage change in family premium is statistically different from previous five year period shown (p < .05).

Health Care Costs as a Total of Family Budgets

Health Care Crowding-out Other Priorities for Families

Average portion of household budget devoted to health (nonelderly families), 1990-2017

- Premium Budget Share
- Out-of-Pocket Budget Share
- Total Health Care Budget Share

Source: KFF analysis of Consumer Expenditure Survey. Get the data. Peterson KFF Health System Tracker

Source: https://www.healthsystemtracker.org/indicator/access-affordability/spending-relative-household-budgets/
Another Dimension: Underinsurance Growing

The Rate of Underinsurance for Non-elderly has Almost Tripled Between 2003 and 2018

![Chart showing the rate of underinsurance for non-elderly adults from 2003 to 2018. The rate has almost tripled during this period.](https://www.commonwealthfund.org/publications/issue-briefs/2019/feb/health-insurance-coverage-eight-years-after-aca)

Concerns about Affordability By Insurance and Health Status

Percent of Non-elderly Adults Worried About Their Ability to Pay Medical Bills

Source: https://www.healthsystemtracker.org/indicator/access-affordability/spending-relative-household-budgets/
Characteristics of the non-Medicaid Eligible Uninsured

Startling Percentage of Lower-income Adults Remain Uninsured

Percentage of adults under age 65 who were financially eligible for the individual market but who did not enroll and remained uninsured, by income, 2017

![Bar chart showing percentages for different income brackets: 63% for 139–200% FPL, 56% for 201–300% FPL, 48% for 301–400% FPL, 40% for 401–500% FPL, and 25% for Over 500% FPL.]

Note that approximately 16 percent of non-elderly uninsured (4.4 million people) would be eligible for Medicaid coverage if all states expanded (range of 48% of uninsured in MS and 8% in WI).

Affordability Greatest Concern to Working Class Families

The Percentage of Non-elderly Adults Who Missed a Doctor’s Visit Because of Cost (1999-2016)

Source: Families USA-commissioned analysis of BRFSS data, 1999-2016. Note: BRFSS data for this indicator were unavailable for 2002.

Women of Color Most Likely to Struggle with Affordability

The Percentage of Non-elderly Adults Who Missed a Doctor’s Visit Because of Cost (1999-2016)

Increasing Health Care Costs: the Greatest Threat to Coverage and Access

Gulf Between Public and Private Payments for Health Care Growing

Trends in Relative Prices for Selected States, 2015–2017

Relative Prices of Hospital Systems in 25 States, 2015–2017

## Six Transformational Strategies that are Working

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Behavioral health integration</strong></td>
<td>Collaborative Care Model—more than 70 randomized controlled trials have shown collaborative care for common mental disorders such as depression to be more effective and cost-effective than usual care, across diverse practice settings and patient. And both consumers and providers loved it.</td>
</tr>
<tr>
<td><strong>Empowering primary care providers</strong></td>
<td>Vermont Blueprint for Health Patient-Centered Medical Home shows significantly lower cost and cost growth over 6 years—saving over $500 per person per year while also improving access to social services, access to chronic care management, and Medication Assisted Treatment for Opioid disorder.</td>
</tr>
<tr>
<td><strong>Addressing drivers of emergency department utilization (and related reforms)</strong></td>
<td>In first year of Washington State ER is for Emergencies program, Medicaid ED costs fell by nearly $34 million through a reduction in ED visits. ED visits by Medicaid patients declined by nearly 10 percent, with rates of visits by high utilizers (5+ visits/year) declining by approximately 11 percent.</td>
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<tr>
<td><strong>Evidence-based housing interventions for complex patient populations</strong></td>
<td>2016 study of Housing-First intervention in Oregon demonstrated significantly improved access to primary care and self-reported health outcomes as well as $8,724 per person savings to state Medicaid program.</td>
</tr>
<tr>
<td><strong>Coordinating transitions in care</strong></td>
<td>North Carolina Community Care program, 1 readmission was averted for every 3 of the highest-risk patients, overall NCCC credited with a 9 percent savings to the Medicaid program (2009) and $382 million savings to Medicaid from 2007-2010.</td>
</tr>
</tbody>
</table>
Our vision is a nation where the best health and health care are equally accessible and affordable to all
SUSTAINABLE HEALTH CARE COSTS
VALUE-BASED CONTRACTING

TODD VAN TOL
SENIOR VICE PRESIDENT, HEALTH CARE VALUE
Health Care Costs keep increasing – continued focus on affordability is an imperative

Employer healthcare costs are increasing at unsustainable pace…

Average annual employer and employee contribution and total premiums for family coverage [2008-2018]

Source: Kaiser Family Foundation
Managing ongoing cost and use risk requires collaboration with providers that rewards cost and quality outcomes.

**Manage cost, trend and quality**
- CPI-like trend
- Strengthen Medicare and Commercial business
- Quality benchmarks which must be achieved

**Support provider transition to population health management**
- Drive market transformation
- Data-driven enablement capabilities
- Deep provider relationships

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**Traditional Fee-for-Service**

**Value-Based Care Programs**

Uncertainty from COVID-19

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Blue Cross Blue Shield of Michigan is a nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association.
Blueprint for Affordability builds upon a strong foundation of provider partnerships

A strong BCBSM track record of value-based leadership
- Largest single-state Patient Centered Medical Home program
- Deployed nationally recognized Collaborative Quality Initiatives
- Saved over $2 billion through Value Partnerships initiatives

2005
- Physician Group Incentive Program rewards primary care physicians for cost and quality improvements

PGIP expanded to include specialist providers

Value-based hospital contracting aligns provider and facility strategies

Blueprint for Affordability enhances risk-sharing and enabling support
Blue Cross Blue Shield of Michigan is supporting provider transition to value and risk-based payments

**Fee for Service**
- Provider paid for services provided
- No financial incentives to improve quality, efficiency, outcomes

**Pay-for Performance**
- Bonus payments for meeting metrics (e.g., quality, process)

**Upside gain-sharing**
- Provider shares savings created if total of care is below target

**Shared Risk**
- Upside and downside risk sharing
- Provider shares upside savings, but pays back some costs above target

Prior range of BCBS Michigan PPO payment models

- **Fee for Service**: 11,000 providers (40% of members)
- **Pay-for Performance**: 11,000 providers (27% of members)
- **Upside gain-sharing**: 8,000 providers (4% of members)
- **Shared Risk**: 6,000 providers (30% of members)

*Data reflects Michigan members and providers as of June 2020

Blue Cross Blue Shield of Michigan is a nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association.
Risk-based contracting: collaborating to make health care more affordable

Twelve provider groups have signed risk-based contracts with Blue Cross Blue Shield of Michigan

6,000+ providers

30+ percent Attributed PPO lives

*Data reflects Michigan members and providers as of June 2020
Transforming care delivery and bending the benefit cost curve requires freedom and flexibility balanced with accountability

**Objective:** Achieve a CPI-like trend that delivers greater affordability to our customers while deepening provider relationships

<table>
<thead>
<tr>
<th>From…</th>
<th>To…</th>
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<tbody>
<tr>
<td>Market shaping <strong>incentive-based</strong> provider programs with <strong>broad adoption</strong></td>
<td><strong>Evolve and shape</strong> the market to drive <strong>increasing value</strong> through <strong>next generation payment models</strong></td>
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<td><strong>Targeted incentive based approaches</strong> to improve cost and quality</td>
<td><strong>Up and downside risk</strong> arrangements to drive behavior change</td>
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<tr>
<td><strong>Reliance</strong> on Utilization Management as a <strong>long-term</strong> cost management strategy</td>
<td><strong>Empowering providers to decrease scope of mandatory Utilization Management</strong> programs based on participation in risk based contracting</td>
</tr>
<tr>
<td>A focus on <strong>near-term</strong>, incremental improvements to <strong>existing programs</strong></td>
<td><strong>Productizing risk-based arrangements</strong> for customers as a <strong>long-term strategy</strong></td>
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The Blue Cross Blue Shield of Michigan approach leverages risk-sharing contracts based on cost and quality performance.

**Emphasizes provider accountability:**
- Better manage their patient population
- Reduce the cost of care while maintaining quality standards

**Gives providers financial responsibility:**
- Providers who successfully manage the health and cost of care for their patients share in the savings generated
- Those who don’t meet cost and quality targets share in the financial cost

**Cost Performance Component**
- Commercial = Cost of care trend
- Medicare Advantage = Medical Loss Ratio

**Quality Performance Component**
- Commercial & MA providers must meet select measures
Risk-based contracting enhances opportunities for providers meeting outcome targets

Contracted entities agree to:

- **Upside risk** — could share in the savings generated for effectively managing cost and quality components for patients

- **Downside risk** — could share in costs for not effectively managing cost and quality components for patients

*Risk corridors are tailored to different provider types*
Effective provider collaboration relies on transparent data and analytics to enable achievement of cost and quality outcomes

<table>
<thead>
<tr>
<th>Short-term analytic and enablement focus</th>
<th>Future-state focus</th>
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<tr>
<td>Integrated reporting across lines of business</td>
<td>Co-designed provider risk management capabilities</td>
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<tr>
<td>- Broad data and reporting that allows comparisons to network best practices</td>
<td>- Capability building for provider-led care/utilization management</td>
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<tr>
<td>- Cost transparency to allow improved referral management</td>
<td>- Additional programs around risk coding and quality of care gaps</td>
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<tr>
<td>Tactical insights to support clinical behavior change</td>
<td></td>
</tr>
<tr>
<td>- Analytics on payment, financials, cost/use, and customers to incentivize transformation</td>
<td></td>
</tr>
<tr>
<td>- Translation of insights into clinical savings opportunities</td>
<td></td>
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Blue Cross Blue Shield of Michigan has and continues to take action in support providers challenged by COVID-19

**Funding**
Addressing short-term funding needs by advancing earned incentive payments and reimbursements

**Ongoing Forums**
Holding weekly forums to align information among providers, state agencies, labs and stakeholder groups

**Legislation**
Working closely with independent physicians and provider organizations to navigate the CARES act and state regulations

**Equipment**
Procuring and donating personal protective equipment to providers and the State of Michigan to help address significant shortages

**Resilience**
Developing a comprehensive plan to enable independent physicians to maintain financial and operational sustainability

**Sustainability**
Working with providers engaged in risk-based contracts to address the impacts of COVID-19 on 2020 goals and 2021 performance targets
Strong provider partnerships will enable the deployment of sustainable, market leading member care

<table>
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<tr>
<th>National leadership for 15 years</th>
<th>Risk-based contracting for the future</th>
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<tbody>
<tr>
<td>$2 billion in avoided costs</td>
<td>Commercial business</td>
</tr>
<tr>
<td>20,000 participating physicians</td>
<td>Medicare Advantage</td>
</tr>
<tr>
<td>33 unique collaborative quality initiatives</td>
<td>Hospitals</td>
</tr>
<tr>
<td></td>
<td>Physician Organizations</td>
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<td></td>
<td>Independent providers</td>
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Blue Cross Blue Shield of Michigan is a nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association.
HCTTF Affordability Webinar

Troy Smith
Vice President, Health Care Strategy and Payment Transformation

July 2020
National Health Expenditure Trend

As a share of gross domestic product 1960–2026 (Projected)

## Defining Affordability

*Total Health Care Costs < 10% of family’s income*

<table>
<thead>
<tr>
<th>Metric Definition</th>
<th>Calculation Method</th>
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</thead>
<tbody>
<tr>
<td>Total Premiums + OOP Expenses</td>
<td>Blue Cross NC Expense Data</td>
</tr>
<tr>
<td>Family / Household Income</td>
<td>Experian + Other Data Sources</td>
</tr>
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</table>
Defining Affordability

Using our analysis, we have found that 20-30% of households are under affordability stress, and it is compounded by medical expense growth.

Impact of medical expense growth on how many households can afford health care, assuming 3% average wage growth

<table>
<thead>
<tr>
<th>Percent of households without affordability stress</th>
<th>Calendar Year</th>
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<tbody>
<tr>
<td>1% Medical Expense Growth</td>
<td>Calendar Year</td>
</tr>
<tr>
<td>3% Medical Expense Growth</td>
<td>Calendar Year</td>
</tr>
<tr>
<td>5% Medical Expense Growth</td>
<td>Calendar Year</td>
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Crisis of Affordability in NC
Variability in affordability across the state

2018 population (%) households under affordability stress by county
Addressing Affordability

Traditional tools and methods that health plans have leveraged to manage medical expense trend and affordability

Medical Expense
  Inpatient
  Outpatient
  Professional
  Rx

Unit Price
  UCR, Discounts & Rebates
  Network Design
  Reimbursement Policy

Utilization
  Benefits/Product Design
  Prior Authorization / Medical Review
  Care Management / Disease Management
  Coverage Policy / Payment Integrity
Blue Premier Value Transformation Program

- Primary Care-Centric Model w/ Specialty Care APMs
- Reimbursement tied to Quality and TCOC metrics
- Multi-year deals with upside/downside risk potential
- Decreased health plan utilization management w/ adoption of downside risk
- Partnership expanded to include clinical data exchange, claims-based data sharing and reporting on managed populations.
Addressing Affordability
2020 Blue Premier System-Based ACOs
7 of top 10 health systems (by size) in NC are currently participating
Addressing Affordability

Blue Cross NC is partnering with Aledade to transition independent primary care into value-based care across 171 practices.
This is a bit confusing as it's currently worded. Maybe:

Blue Cross NC is partnering with Aledade to transition independent primary care into value-based care.

Then, underneath the image you could put in a text box:

In 2019, we signed 171 independent primary care practices across the state of North Carolina into Blue Premier through Aledade ACOs.

Theresa Chu, 7/10/2020
Addressing Affordability
Blue Premier 2019 highlights and progress to date

Blue Cross NC Attribution

33% not currently aligned - requires other means
33% attributed to Blue Premier ACO Partner
33% aligned to a provider not in an ACO – working on contracting

Highlights
• Goal of 100% of member attribution to accountable providers by 2023
• Currently ~1M members are in a Blue Premier ACO
• ACOs span each segment with each partner – U65, Group and Medicare Advantage
• 2019 results generated both quality payments, shared savings and improved medical expense trends.
• 2020 has focused on growing the provider base in Blue Premier, as well as improving member attribution by introducing PCP Selection tools.
Instead maybe:

Goal of 100% of members attributed to accountable providers by 2023

Theresa Chu, 7/10/2020
Next Steps

What lies ahead for Blue Premier and Affordability?

<table>
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<tr>
<th>Blue Premier</th>
<th>Affordability</th>
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<tr>
<td>• Provider/Member Expansion</td>
<td>• Expanding analysis to include city, county and state breakouts with academic partners</td>
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<tr>
<td>• COVID-19 Impact Relief</td>
<td>• Integrating SDOH-related expenses into calculations</td>
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<tr>
<td>• Accelerate to Value Program and PCP Capitation</td>
<td>• Aligning corporate programs and investments to address opportunities</td>
</tr>
<tr>
<td>• Narrow Network Products with improved OOP expense / benefit design</td>
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Questions?
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