### The Alphabet Soup of Care Delivery Transformation

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Sam Nussbaum, M.D.  
Executive Vice President, Clinical Health Policy  
and Chief Medical Officer

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### Challenges in the U.S. Health Care System

<table>
<thead>
<tr>
<th>Ranks last or next-to-last on:</th>
<th>Variation in quality, safety, outcomes and cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>Escalating costs/technology advancements</td>
</tr>
<tr>
<td>Access</td>
<td>Aging population and increased chronic diseases</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Lack of information and infrastructure for optimal care</td>
</tr>
<tr>
<td>Equity</td>
<td>Primary care shortage</td>
</tr>
<tr>
<td>Healthy lives*</td>
<td>Fragmented system</td>
</tr>
</tbody>
</table>

*The Commonwealth Fund – June 2010

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The State of U.S. Population Health

Population health status continues to deteriorate...

Key Drivers of Health Status

<table>
<thead>
<tr>
<th>Driver</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Obesity</td>
<td>66% obese or overweight</td>
</tr>
<tr>
<td>Physical Inactivity</td>
<td>28% inactive</td>
</tr>
<tr>
<td>Smoking</td>
<td>23% smokers</td>
</tr>
<tr>
<td>Stress</td>
<td>36% high stress</td>
</tr>
<tr>
<td>Aging</td>
<td>22% &gt; 55 years old</td>
</tr>
</tbody>
</table>

Contribution to Premature Death

- Genetic Predisposition: 30%
- Behavioral Patterns: 40%
- Social Circumstances: 15%
- Environmental Exposure: 10%
- Health Care: 5%

Healthcare Costs are Concentrated

- **85% of Beneficiaries** = 25% Spending
  - 23 Million Beneficiaries
  - Spending $1,130 each
  - Total Spending = 5% ($26B)

- **15% of Beneficiaries** = 75% Spending
  - 16.1 Million Beneficiaries
  - Spending $6,150 each
  - Total Spending = 20% ($104B)

- **7 Million Beneficiaries**
  - Spending $55,000 each
  - Total Spending = 75% ($391B)

Average Spending

Source: 2010 Gorman Health Group

$700B in Waste Across U.S. System

<table>
<thead>
<tr>
<th>Waste Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin and system inefficiencies</td>
<td>4-6%</td>
</tr>
<tr>
<td>Provider inefficiencies and errors</td>
<td>3-4%</td>
</tr>
<tr>
<td>Lack of care coordination</td>
<td>1-2%</td>
</tr>
<tr>
<td>Unwarranted use</td>
<td>11-21%</td>
</tr>
<tr>
<td>Preventable conditions and avoidable care</td>
<td>1-2%</td>
</tr>
<tr>
<td>Fraud and abuse</td>
<td>5-8%</td>
</tr>
<tr>
<td>% of total medical cost that is waste</td>
<td>30%</td>
</tr>
</tbody>
</table>

Eliminating 50-70% of waste will reduce 15-20% of total medical costs

*Thomson Reuters, 2009 White Paper, Where Can $700 Billion In Waste Be Cut From the US Healthcare System*
Insurers and Providers: An Evolving Landscape

- **West Penn Allegheny Health System**
  - $475M contribution to 5-hospital West Penn Allegheny
  - This “affiliation” will enable West Penn to move from fee for service to salaries for physicians and offer incentives for quality and efficiency goals

- **Humana**
  - 300 medical centers in 42 states; 240 worksite health-care facilities
  - Will provide urgent care, wellness programs, and physical and occupational therapy to 3 million Humana members near a Concentra center

- **Concentra**
  - United’s OptumHealth services unit acquires Monarch: 2300 doctors; 30+ urgent care centers; access to 20 hospitals in Orange County

- **CareMore**
  - Provides Medicare Advantage coverage and coordinated care for 54,000 people in California, Arizona and Nevada
  - CareMore’s 26 Care Centers are models for integrated health care and include a variety of services including medical evaluations and diabetes care

Congressional Budget Office Review of Medicare Demonstrations

- **Medicare categories of demonstrations:**
  - Disease management and care coordination
  - Value-based payment

- **CBO: independent review of 10 demonstrations:**
  - Most have not reduced spending
  - Programs in which care managers had “substantial direct interaction with physicians” and “significant in-person” patient interaction more likely to reduce spending, but did not achieve sufficient savings to offset cost

- **Substantial change to payment and delivery systems is needed to reduce spending and improve quality of care**

Source: Congressional Budget Office, Lessons from Medicare’s Demonstration Projects on Disease Management, Care Coordination, and Value-Based Payment, January 2012, Located at http://www.cbo.gov/publication/42860
Preventing Avoidable Re-Hospitalizations

### Causes
- No scheduled follow-up
- Poor medication compliance
- Unclear discharge instructions

### Intervention
- Identify patients with greatest opportunity to impact
- Create discharge plan with patient during hospital stay
- Nurses call to schedule and coordinate follow-up care

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Payment Innovation: Improving Value and Affordability

**Old Model**
- Reward unit cost
- Inadequate focus on care efficiency and patient centeredness
- Payment for unproven services; limited alignment with quality

**New Model**
- Reward health outcomes and population health
- Lower cost while improving patient experience
- Improve quality, safety and evidence
Level of Integration Drives Payment Models

Payment for Value
Global payments/budgets and shared financial “risk”

Value-Based Reimbursement

Physician and Hospital Pay for Performance

Bundled Payments

Patient Centered Medical Homes

ACOs and Delivery System Integration

Early Integration Integration of Care Delivery Fully Integrated

The Race to Value-Based Care

Key Principles for the Race:
• Primary Care is central
• Commit to evidence-based medicine
• Information at the point of care
• Focus on health, prevention, risk reduction for chronic illness
• Coordination of care

Start: Fee For Service

Concerns Along the Way:
• Attribution and more limited networks of care
• Overuse of supply sensitive care increases revenue; optimized FFS revenue model
• Payment shifting to private sector; will gain sharing overpower FFS
• Acquisition of specialty practices drive revenue
• Can “Big Medicine” reduce waste and drive efficiency

Finish: Value-Based Care
Public and private payer partnerships to test and accelerate better health, improved health care and affordability

- Multi-payer advanced primary care practice model
- Pioneer ACOs
- Comprehensive Primary Care Initiative
- Partnership for Patients
- Health Care Innovation Challenge