



## The Alphabet Soup of Care Delivery Transformation

Alliance for Health Reform Briefing  
Washington, D.C.

September 10, 2012

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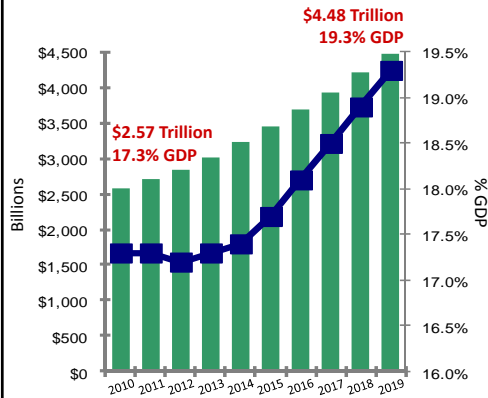
## Challenges in the U.S. Health Care System

- Ranks last or next-to-last on:

- Quality
- Access
- Efficiency
- Equity
- Healthy lives\*

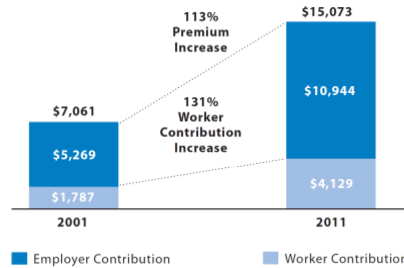
\*The Commonwealth Fund – June 2010

- Variation in quality, safety, outcomes and cost
- Escalating costs/technology advancements
- Aging population and increased chronic diseases
- Lack of information and infrastructure for optimal care
- Primary care shortage
- Fragmented system



2008 version of the National Health Expenditures (NHE) released in January 2010

Average Annual Health Insurance Premiums and Worker Contributions for Family Coverage, 2001-2011



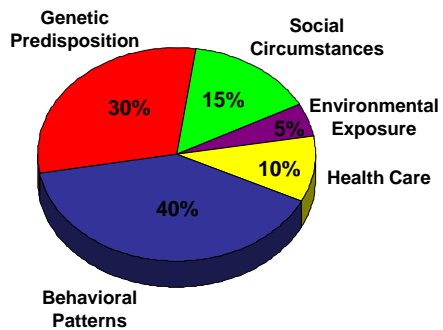
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2001-2011.

## Population health status continues to deteriorate...

### Key Drivers of Health Status

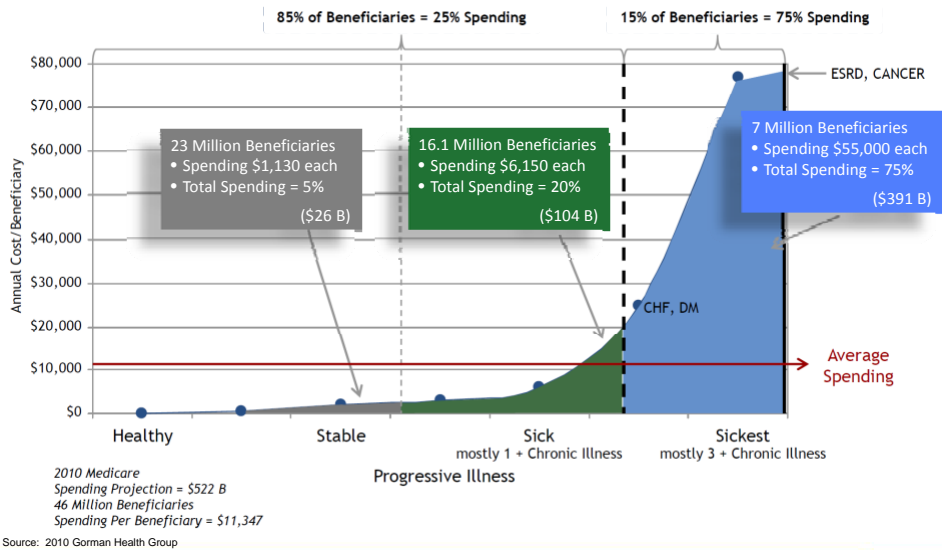
<b>Obesity</b>	66% obese or overweight
<b>Physical Inactivity</b>	28% inactive
<b>Smoking</b>	23% smokers
<b>Stress</b>	36% high stress
<b>Aging</b>	22% > 55 years old

### Contribution to Premature Death



Schroeder S. N Engl J Med 2007;357:1221-1228

## Healthcare Costs are Concentrated



## \$700B in Waste Across U.S. System

Admin and system inefficiencies	4-6%
Provider inefficiencies and errors	3-4%
Lack of care coordination	1-2%
Unwarranted use	11-21%
Preventable conditions and avoidable care	1-2%
Fraud and abuse	5-8%
<b>% of total medical cost that is waste</b>	<b>30%</b>

**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







- \$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



- 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



- United’s OptumHealth services unit acquires Monarch: 2300 doctors; 30+ urgent care centers; access to 20 hospitals in Orange County
- OptumHealth: previously entered into management agreements of two California groups, AppleCare Medical Group and Memorial HealthCare Independent Practice Association

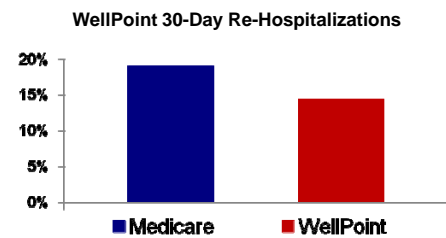
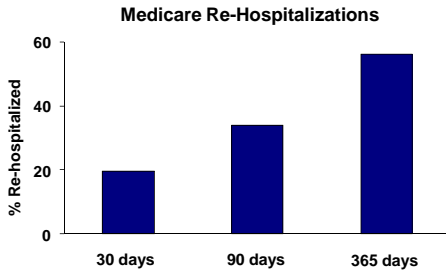


- Provides Medicare Advantage coverage and coordinated care for 54,000 people in California, Arizona and Nevada
- CareMore’s 26 Care Centers are models for integrated health care and include a variety of services including medical evaluations and diabetes care

## 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>

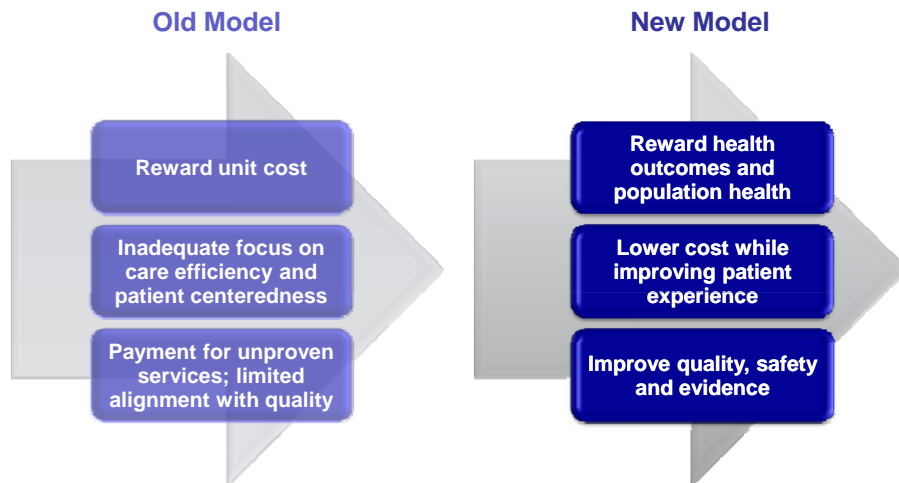


### • Causes

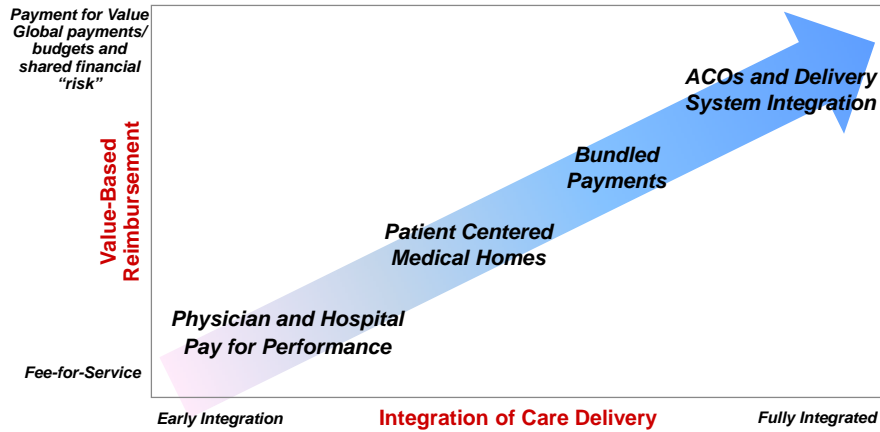
- No scheduled follow-up
- Poor medication compliance
- Unclear discharge instructions

### • 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



## Level of Integration Drives Payment Models



## The Race to Value-Based Care



**Start:**  
**Fee For Service**

### 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

### 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