A Pathway to Accountability

MHDC

06-04-2010

What is HCI3?

- Resulted from the merger of Prometheus Payment Inc into BTE – continues to be a broad multi-stakeholder organization
- Changed corporate name to Health Care Incentives Improvement Institute
- Goal is still to catalyze change and push innovative solutions in the market
  - First to set up a national system to measure physician quality using EMRs
  - First to broadly pilot episode of care payment
  - First to set up a real medical home measurement system

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PPACA-mandated changes on cost and quality of care

The "Burning Platform"

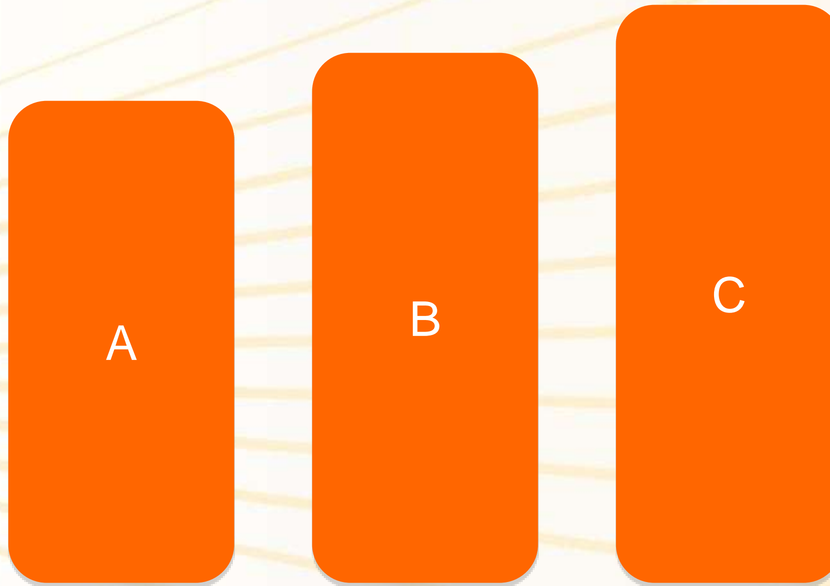
- Regulatory power shift:
  - New MedPAC
  - Center for Payment Innovation
- Changes in existing comp and VBP programs:
  - Episode of care analysis, public domain "grouper"
  - Reductions in payments for readmissions
  - Reductions in payments for HACs and PSIs
  - Across the board cuts for low-performers in quality/safety

What to expect on the other side:

- Delivery System reform:
  - ACOs
  - Medical Home and Primary Care
- Changes in payment:
  - Bundled payment pilot
  - Post-acute care episodes
  - Gain-sharing
  - Global fees

Our End Game: True Value-Based Purchasing

Episode of Knee Replacement



Each "team" can improve by (1) increasing their quality score, (2) decreasing their episode price – provided they meet the min Q score of 80

Episode Cost	**$25,500**	**$27,500**	**$30,000**
Quality Score	82	90	92
Value Index	311	**305**	326
Co-pay	$540	$0	$1,890

Value Index =
Episode Price / Quality Score
Co-pay A = (311-305) * 90
Co-pay C = (326-305) * 90

Barriers to Episode Payment to-date

- Lack of standard definitions – CMS will have those by 01-01-2012, NQF to endorse episode approaches by end of Summer 2010.
- Lack of operational infrastructure – we have contracted with MedAssets to create a functional v1.0 of an episode accounting engine, and it's working.
- Doesn't solve all problems (e.g. appropriateness) – There isn't a payment model that does.
- Highly disruptive to providers and plans – it's the new law of the land, so get over it.

The Prometheus Payment solution

- Calculates compensation for hospitals and doctors based not on specific treatments a patient receives but on the care a patient should receive "per episode" (no event risk).
- Creates incentives for doctors to reduce total episode cost of care by wringing out the current costs associated to potentially avoidable complications (PACs) (full technical risk).
- Provider margins per patient improve as PACs are reduced (rewarding value).

Motivating ACOs

- It’s about margin, and whether you create it at the episode level or global per capita budget shouldn’t matter much.
  - Global per capita budget creates a natural restraint for total number of episodes but creates insurance risk (in many states, providers would have to file with insurance commissioner)
- Within an “ACO” providers should be made accountable and episodes could be an internal mechanism to deal with team incentives and transfer pricing

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