



BlueCross BlueShield
of Texas

Making Health Care Sustainable:

Using Value-Based Care to Transform Patient Outcomes and Minimize Costs

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February 23, 2017

INTEGRITY

RESPECT

COMMITMENT

CARING



**BlueCross BlueShield
of Texas**

OUR PURPOSE

To do everything in our power
to stand with our members
in sickness and in health



Agenda

- Introduction to value-based care
- Understanding how costs impact value-based care
- Helping patients avoid unnecessary health care costs
- How human behavior plays a role

**BETTER HEALTH
CARE BEGINS WITH
HIGHER STANDARDS**

**Fueled by the nation's
largest network, we are
leading the shift to
outcomes-based health
care, while continuing to
drive greater value out of
fee-for-service**



Per Diem

Hospital gets a set fee per day that the patient is in the hospital (different for floor vs ICU)

Incentives

Admissions: Increase
LOS: Increase
Costs: Decrease

Percent of Charges

Hospital gets a negotiated percent of the billed charges (chargemaster)

Incentives

Admissions: Increase
LOS: Increase
Costs: Increase

DRG

(Diagnosis Related Groups)

Hospital gets a bucket of money based on the diagnosis of each admission

Incentives

Admissions: Increase
LOS: Decrease
Costs: Decrease

New Payment Structures



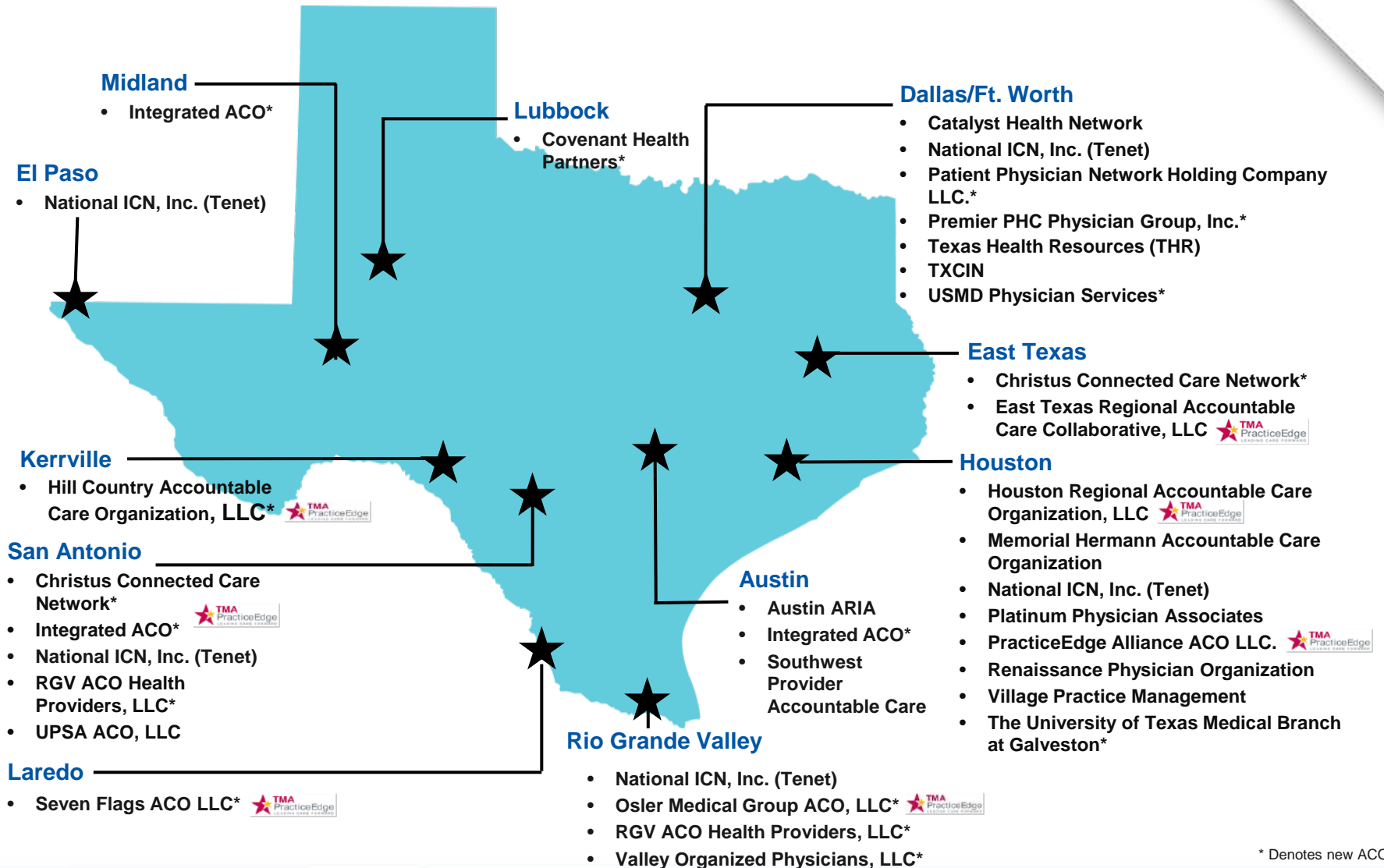
- Pay For Performance (P4P)
 - Negotiate targets for quality, efficiency or both
- Shared Savings
 - Set target goals based on actuarial assessments of populations, group gets a share of the amount of money below the target
- Accountable Care Organization (ACO)
 - Group of physicians/providers/facilities who agree to be responsible for the total care of a population
 - Incentives aligned so that spending less (fewer admissions) results in a gain to the group



Continuum of Payment Models



Our Accountable Care Organizations



* Denotes new ACOs

Texas ACO Program Results



In 2015, 8 out of 9 Texas Accountable Care Organizations had lower costs when compared to the market. All 9 programs exceeded their quality targets and achieved better patient outcomes.

AGGREGATE
PROGRAM
SAVINGS

\$6.9M



\$5.8 PMPM SAVINGS

ACOs exceeded 86% of their quality targets including the following metrics:

Metric	Avg percent above target
Breast Cancer Screening	8%
Cervical Cancer Screening	7%
Colorectal Cancer Screening	9%
HbA1c Testing	8%

Select Program Results for Inpatient Acute Hospital

19.2% REDUCTION
IN ER VISITS

Select Program Results for Inpatient Acute Hospital

8.9% LOWER
Average Length of Stay

Common challenges in value-based care



- Effective data sharing and usage
- Poorly structured data
- Cultural barriers
- Cost control
- Patient engagement
- Effective integration

Source: Phillips Wellcentive, August 9, 2016

Understanding how costs impact value-based care



Beware of ACOs in Name Only



Hospital A

\$2,000 per member per year;
Attracts 500 employees of
company XYZ

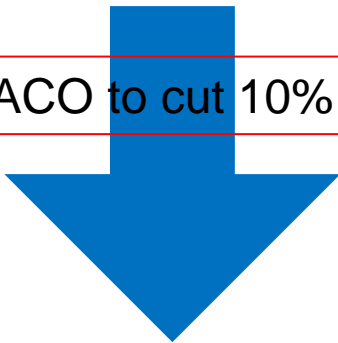
Total costs = $\$2,000 \times 500 = \1 M

Hospital B

\$1,000 per member per year;
Attracts 500 XYZ employees

Total costs = $\$1,000 \times 500 = \0.5 M

New ACO to cut 10% costs



**Total Cost
\$1.5M**



\$1.64M

\$1,800 per member per year;
Attracts 800 members

Total costs = $\$1,800 \times 800 = \1.44 M

\$1,000 per member per year;
Attracts 200 XYZ employees

Total costs = $\$1,000 \times 200 = \0.2 M

The Impact of Hospital Consolidation



Robert Wood Johnson Foundation Study

Key Findings:

- Hospital consolidation generally results in higher prices
- Hospital competition improves quality of care
- Physician-hospital consolidation has not led to either improved quality or reduced costs

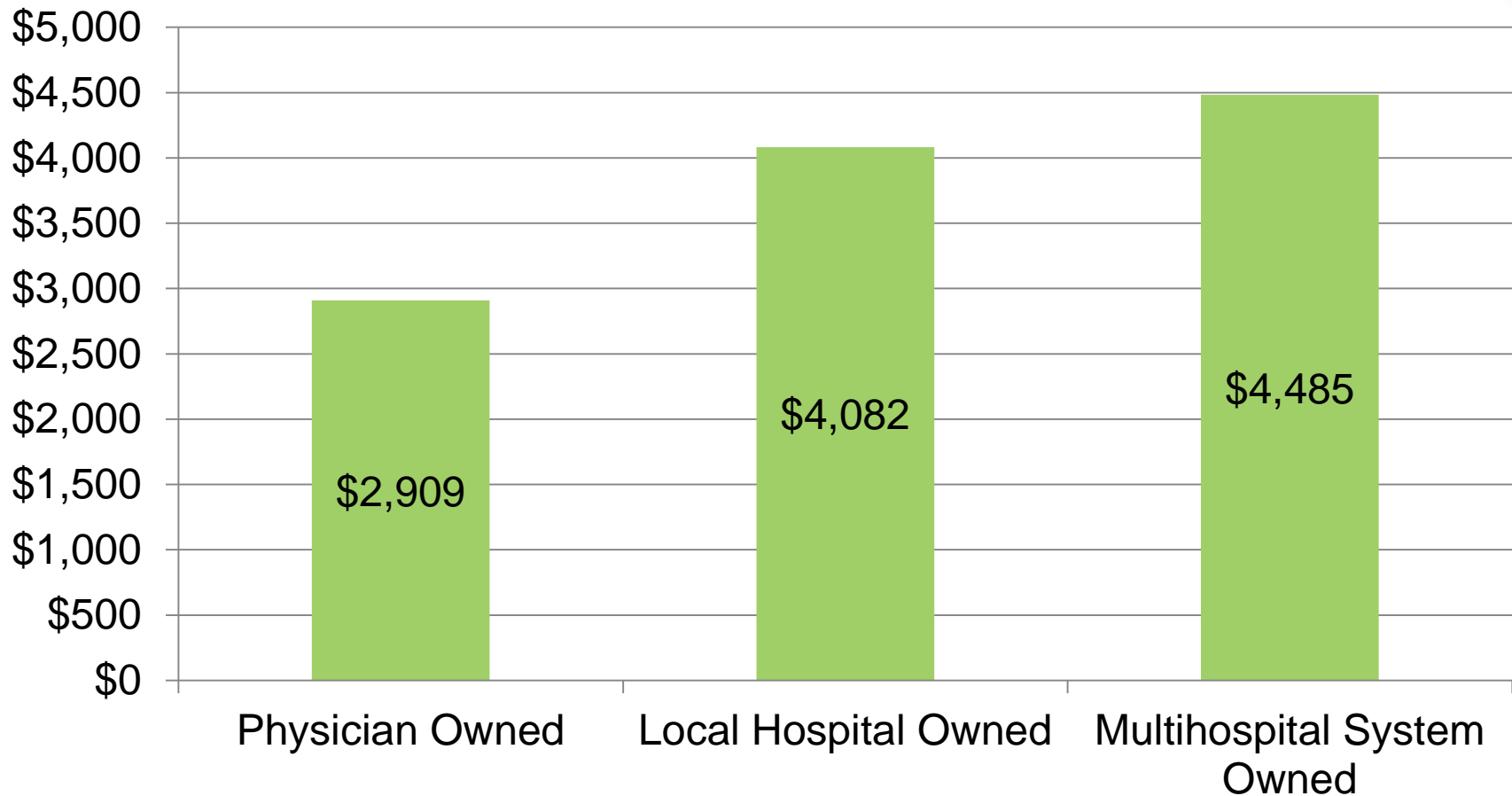


Robert Wood Johnson Foundation

UPDATE

June 2012

Average Total Cost of Care Per Member by Type of Physician Practice

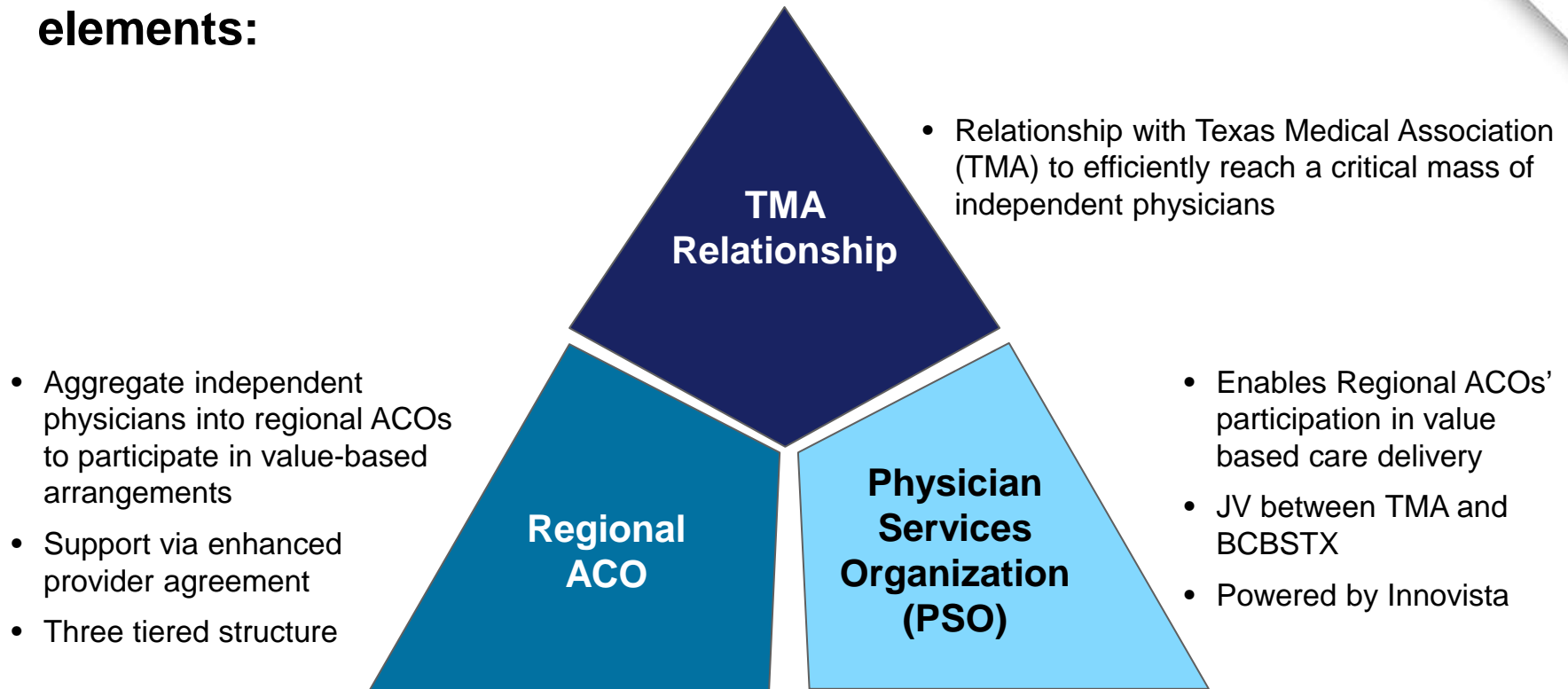


JAMA 2014;312(16):1663-1669. doi:10.1001/jama.2014.14072

Physician Centric Model Overview



The physician centric model will consist of the following key elements:



Strategic Investment

- Multi-year strategic investment to provide operational and financial support to independent physicians
- Provide them with a more desirable alternative than alignment with IDNs or competitors



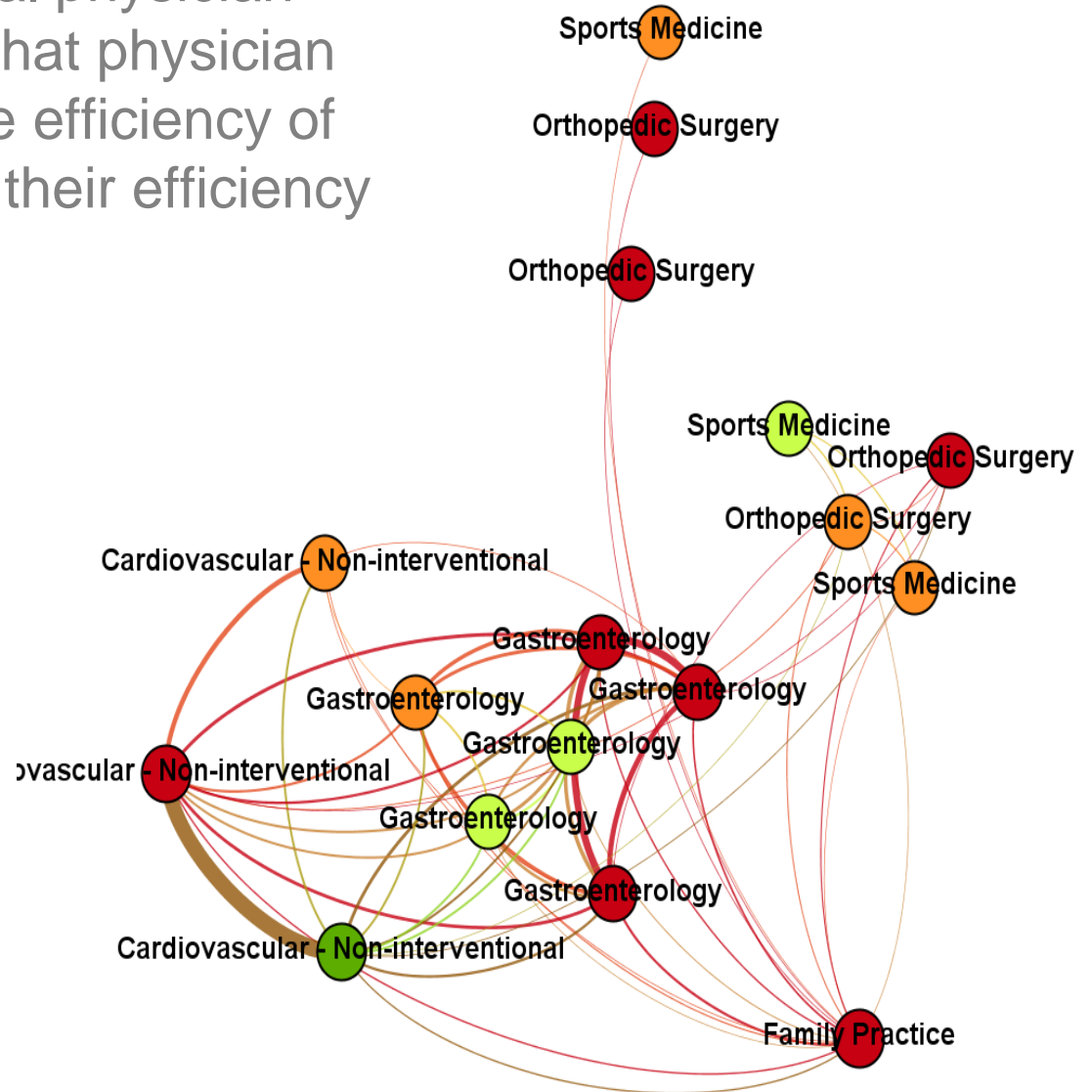
Welcome to Physician-Led Accountable Care



The
Future of
Independent
Medicine

Zooming in on an individual physician provides insight into who that physician connects with and how the efficiency of their connections impacts their efficiency

	High	75% - 100%
	Med-High	50% - 75%
	Med-Low	25% - 50%
	Low	0% - 25%





Helping patients
avoid unnecessary
health care costs

So What Are the Main Drivers of Cost?



*It's The Prices, Stupid: Why
The United States Is So
Different From Other Countries*

*How the U.S. Health-Care
System Wastes \$750 Billion
Annually*

Medical Mergers Are Driving Up Health Costs

**Obesity Now Costs Americans More In
HealthCare Spending Than Smoking**

\$1,000-a-Pill Sovaldi Jolts US Health Care System



**Health Care Costs =
Utilization x Cost/Unit**

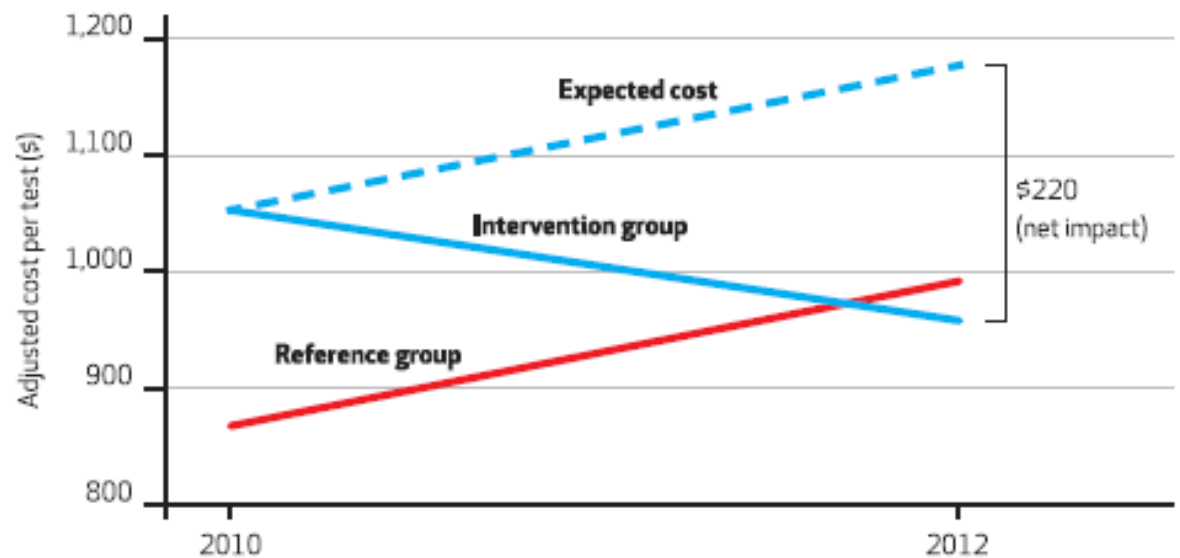


By Sze-jung Wu, Gosia Sylwestrzak, Christiane Shah, and Andrea DeVries

Price Transparency For MRIs Increased Use Of Less Costly Providers And Triggered Provider Competition

DOI: 10.1377/hlthaff.2014.0168
HEALTH AFFAIRS 33,
NO. 8 (2014): 1391-1398
©2014 Project HOPE—
The People-to-People Health
Foundation, Inc.

Adjusted Cost Per Magnetic Resonance Imaging (MRI) Scan In Intervention And Reference Groups, 2010 And 2012



The cost of a knee MRI in Dallas ranges from:



- A. \$300-\$600
- B. \$700-\$3,000
- C. \$500-\$800
- D. \$400-\$2,000
- E. \$600-\$1,000

Transparency Tools



BlueCross BlueShield
of Texas

Log Out | English ▾

I'm looking for:

near

on

PPO (Participating Provider
Options)

for

Paul Hain
▾

 Search



Find a Cost

Primary care visit - new patient

New patient visit to a primary care physician

Physical therapy visit

Initial physical therapy consultation

Specialist care visit

Consultation with a dermatologist, orthopedist, cardiologist etc.

Knee replacement

Knee replacement surgery for one knee performed in a hospital

ACL repair by arthroscopy

Repair of a torn ACL by arthroscopy

MRI of the brain with and without contrast

MRI of the brain performed as an outpatient procedure

Or, search for a procedure:

Search

Transparency Tools



MRI Lower Limb without Contrast

Expected cost to you: **\$461—\$2,081**

Expected cost to your employer: **\$0—\$241**

[Read more about this procedure](#)

13 results

Relevancy ▾

\$461 your expected cost



PROVIDER NOT YET REVIEWED

NO AWARDS

Compare

\$461 your expected cost



PROVIDER NOT YET REVIEWED

NO AWARDS

Compare

\$495 your expected cost



PROVIDER NOT YET REVIEWED

NO AWARDS

Compare

Compare side-by-side

Compare any results by selecting them at left.

Refine your results

[Reset All](#)

Basic

Within 10 miles ▾

Any tier ▾

All Limited Provider Network ▾

Any rating ▾

Any language ▾

?

?

Provider Type

Facility ▾

Specialties

Any specialty ▾

Any expertise ▾

Affiliations

Any hospital affiliations ▾

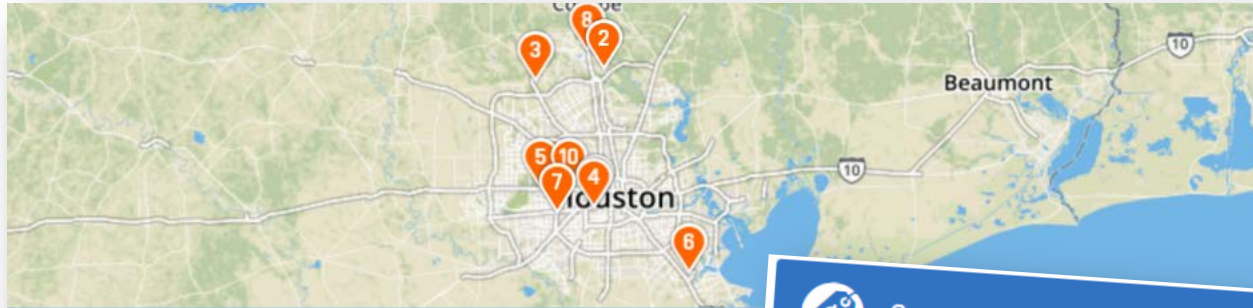
Any medical group affiliation ▾

Quality

Any award ▾

Any Clinical Quality Measure ▾

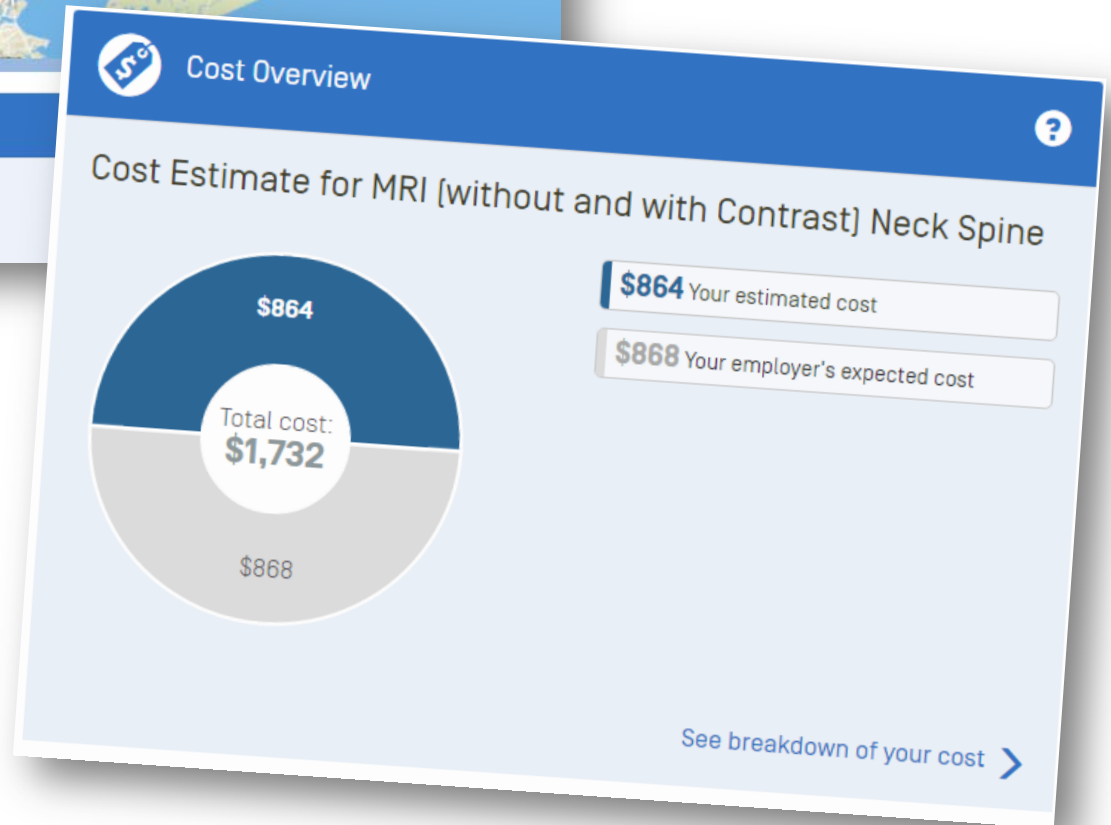
Transparency Tools



MRI (without and with Contrast) Neck Spine

Estimated cost to you: \$508—\$1,411

Expected cost to your employer: \$0—\$3,060





Are these ERs or Urgent Care Centers?
The answer matters.

Explosion of Free-Standing ERs



50%

of the USA's
Free-standing
ERs are in
Texas



75%

Overlap in
services between
FSEDs and UCC



10X

Service Costs
are 10X that of
Urgent Care



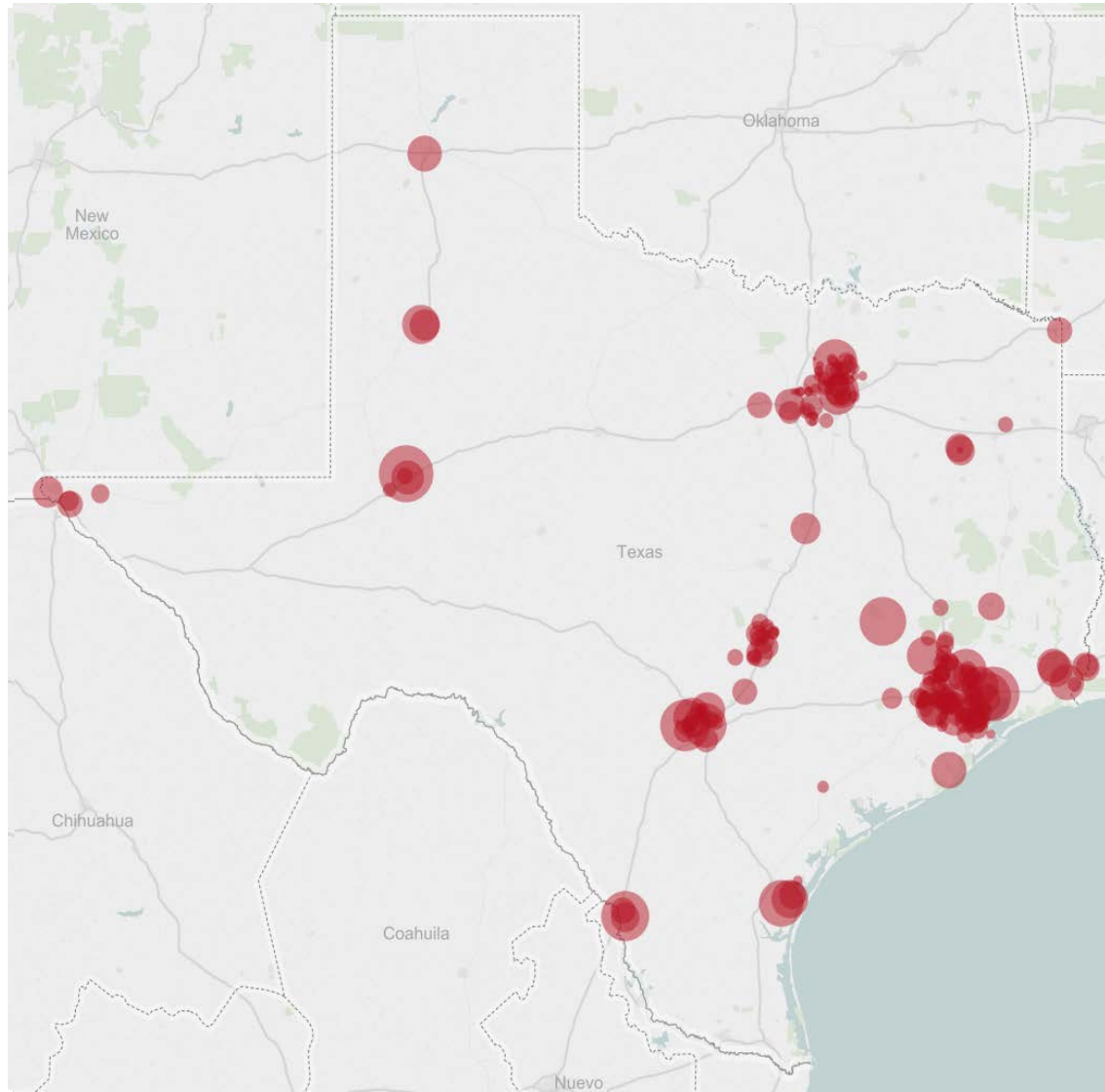
Where You Go Matters – Top 10 Dx



Average Cost to Treat (per claim)

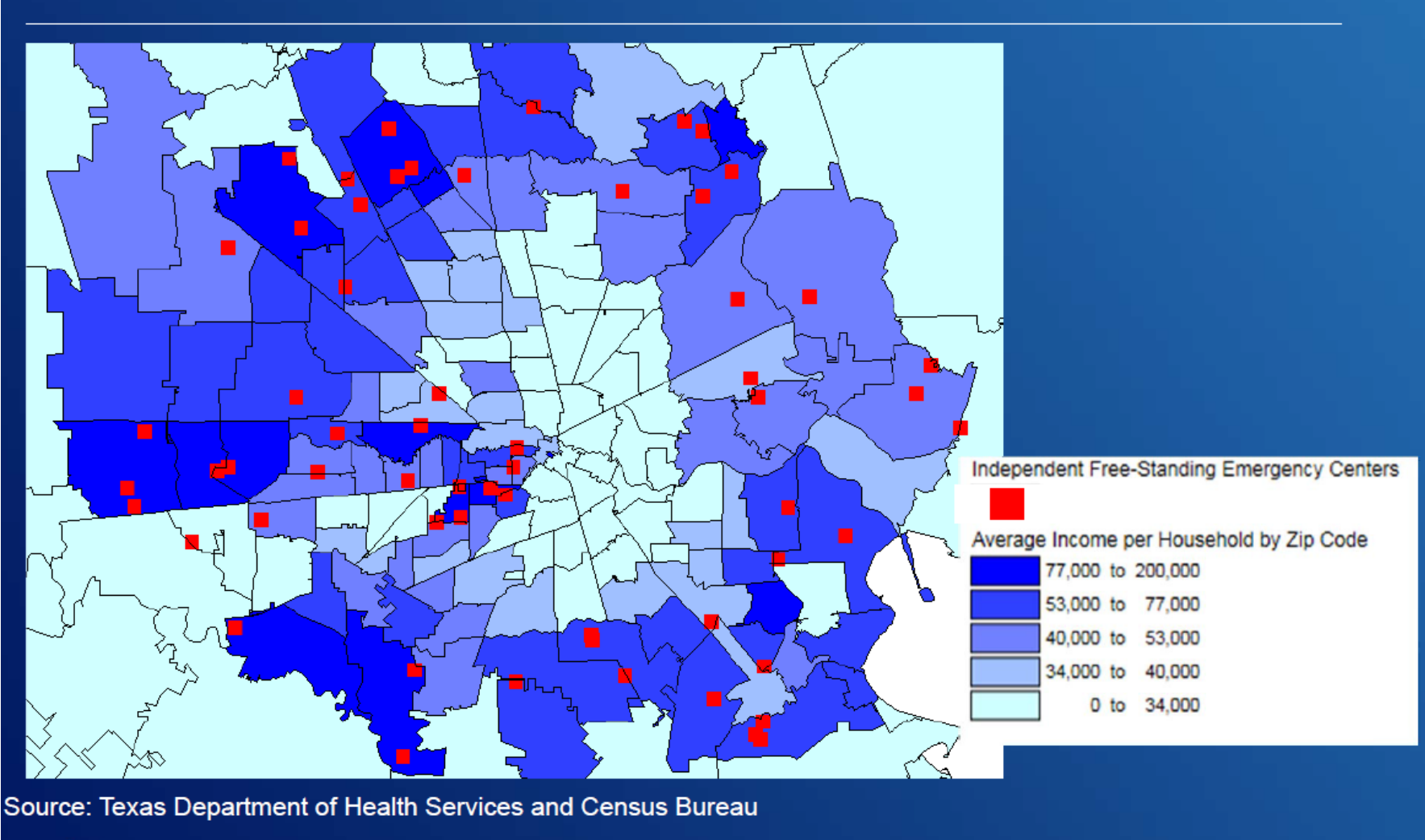
Diagnosis	Hospital ER	Freestanding ER	Urgent Care Clinic	Retail Clinic
Headache	\$2,214	\$2,472	\$170	\$80
Urinary Tract Infection, Site	\$1,987	\$1,579	\$151	\$66
Other and unspecified, Site	\$2,527	\$2,729	\$158	\$77
Acute Bronchitis	\$1,298	\$1,611	\$175	\$77
Acute Upper Respiratory Infection	\$872	\$1,127	\$162	\$82
Dizziness and Giddiness	\$2,696	\$3,026	\$167	\$70
Acute Pharyngitis	\$888	\$1,331	\$166	\$86
Nausea with Vomiting	\$2,257	\$2,126	\$169	\$77
Unspecified Essential Hypertension	\$1,872	\$2,024	\$142	\$63
Lumbago	\$1,482	\$1,814	\$159	\$66

Increase in Free-Standing ERs

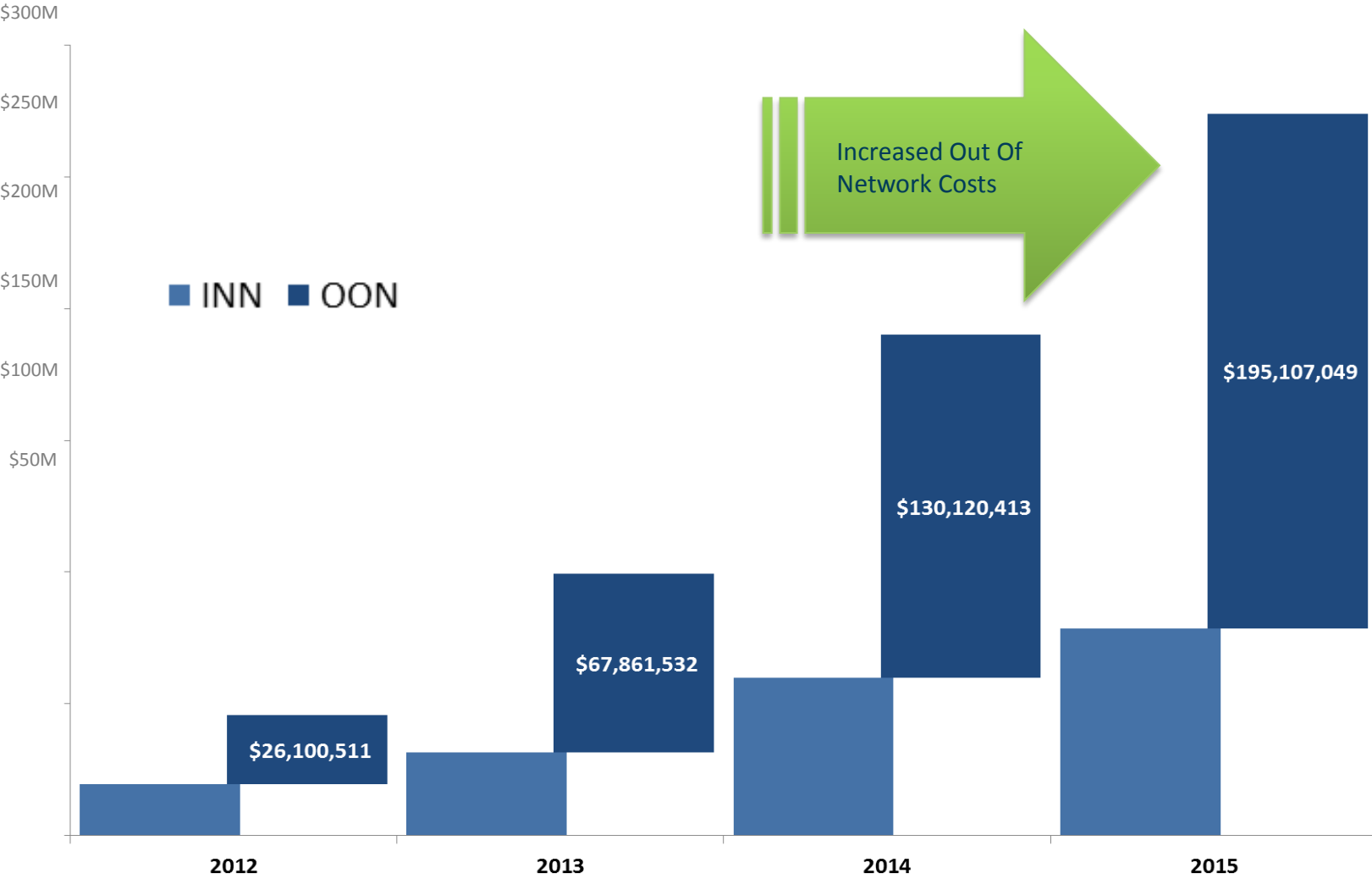


Data shows
2012-2016.

FSERs are Located in Affluent Areas



FSER Cost by Network



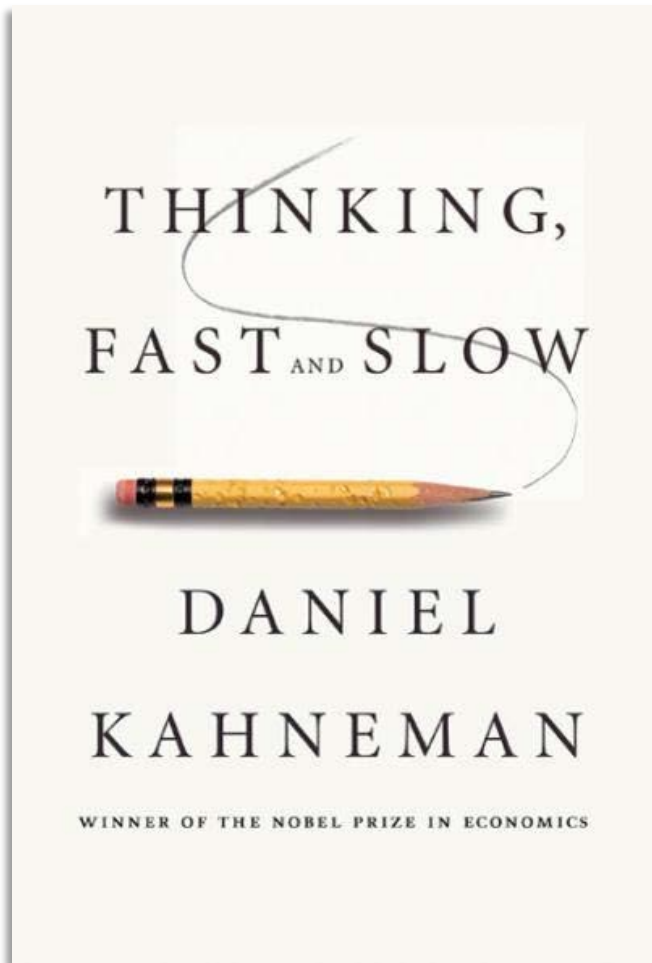


How human behavior
plays a role

Many of the Costs Driven by Behavior



- Obesity: \$190 Billion per year
 - 25% of all Americans got NO exercise in the last month
- Diabetes: \$176 Billion per year
 - A non compliant diabetic costs \$11,000 more per year than a compliant one
- Smoking: \$170 Billion per year



- People feel loss twice as much as they feel gain.
- Reframing a question in terms of a loss instead of a gain changes the response.



Does Loss Aversion Apply in Health Care Decision Making?

The Mug Experiment



Class A

Given a coffee mug at the beginning of class, and then at the end of class, offered to switch mug for a bar of Swiss chocolate.

89%

Chose Coffee Mug

Class B

Given a bar of Swiss chocolate at the beginning of class, and then at the end of class, offered to switch for the mug.

10%

Chose Coffee Mug

Class C

Offered the choice between a coffee mug and a bar of Swiss chocolate at the beginning of class.

59%

Chose Coffee Mug

Kahneman, *Thinking Fast and Slow*, 2011

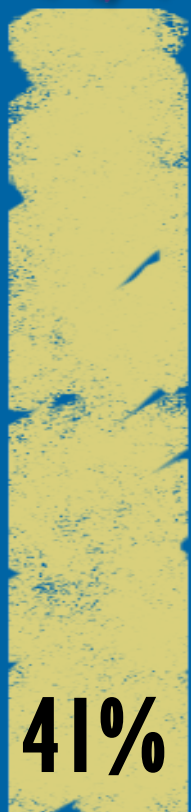
Disincentives

drive **HIGHEST**

management rates*

7x

THE
MANAGEMENT
RATE COMPARED
TO NO INCENTIVE



41%

2x

10%

1x

6%

Disincentive Incentive No Incentive

4x

more eligible pregnancies are managed by the **Special Beginnings**[®] program for accounts with mandatory participation vs. incentives



Questions?