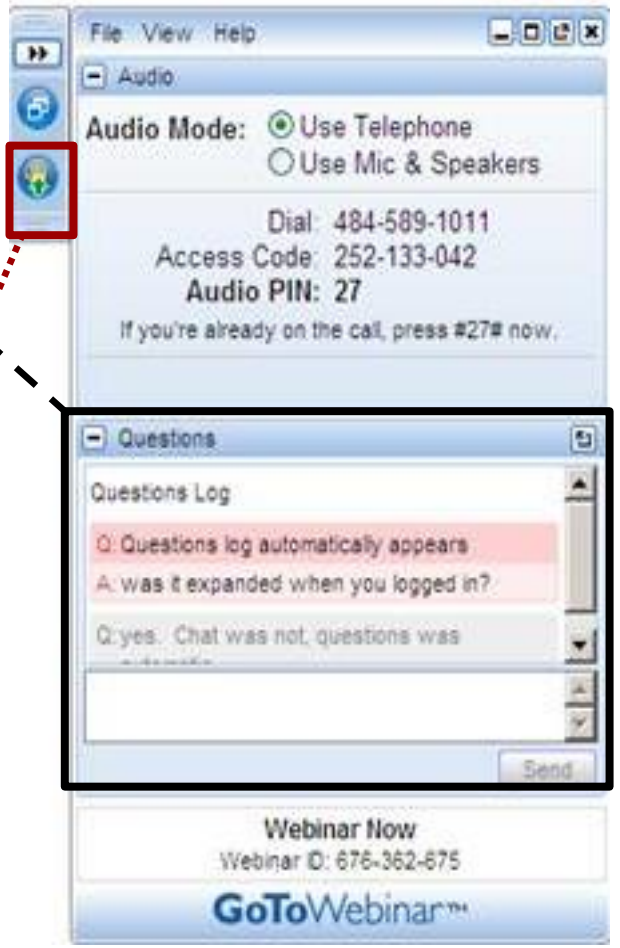
Webinar Housekeeping

- Berkeley Forum Report and webinar slides are available at: http://www.chhs.ca.gov/Pages/PayRefInnovat.aspx
- Submit questions in writing using the Questions feature on the Citrix webinar control panel at any time.
- After the presentation, there will be an opportunity for public questions and comments. Please use the Raise Your Hand feature if you wish to speak and you will be unmuted.
- If you are having any technical difficulties, please either use the Questions feature or call/email Sonia Robinson at 650.704.8264 or srobinso@chhs.ca.gov.
- This session is being recorded and will be posted on the CHHS website.



Welcome

Patricia E. Powers, M.P.A.
Innovation Director
Let's Get Healthy California /
Centers for Medicare and Medicaid Innovation
State Innovation Models Design Grant

Berkeley Forum for Improving California's Healthcare Delivery System presentation to Let's Get Healthy California Task Forces

February 28, 2013

Stephen M. Shortell, Ph.D., MPH, MBA, Chair of the Berkeley Forum, Blue Cross of California Distinguished Professor of Health Policy & Management and Dean of School of Public Health, University of California, Berkeley

Richard Scheffler, Ph.D., Vice Chair of the Berkeley Forum, Distinguished Professor of Health Economics & Public Policy, and Director of the Nicholas C. Petris Center, School of Public Health, University of California, Berkeley

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Brent D. Fulton, Ph.D., MBA, Adjunct Professor, Research Economist and Associate Director, Nicholas C. Petris Center, School of Public Health, University of California, Berkeley

Berkeley Forum
for Improving California's Healthcare Delivery System

School of Public Health
UNIVERSITY OF CALIFORNIA, BERKELEY

Outline

- Berkeley Forum report overview
  - Berkeley Forum participants and report
  - Berkeley Forum Vision
  - Challenges
- Affordability crisis and initiatives summary
- Seven initiatives to bend the cost curve and improve health
- Crosswalk between Berkeley Forum and Let's Get Healthy California reports / collaborative ideas

Berkeley Forum Participants

- Anthem Blue Cross; Pam Kehaly, President
- *Blue Shield of California; Bruce Bodaken, Chairman, President and Chief Executive Officer
- *Blue Shield of California; Paul Markovich, President and Chief Executive Officer
- **California Department of Insurance; Dave Jones, Insurance Commissioner
- **California Health and Human Services Agency; Diana S. Dooley, Secretary
- Cedars-Sinai Medical Center; Thomas M. Priselac, President and Chief Executive Officer
- Dignity Health; Lloyd Dean, Chief Executive Officer

* During 2012, Bruce Bodaken retired as President and CEO of Blue Shield of California, and Paul Markovich replaced him.
**These individuals' participation in the Forum meetings/discussions does not represent any formal endorsement of the Report by their state or federal Department/Agency nor in their official individual capacities as elected or appointed public officials at the aforementioned Departments/Agencies

Berkeley Forum Participants (cont.)

- Health Net; Jay M. Gellert, President and Chief Executive Officer
- HealthCare Partners Medical Group; Robert J. Margolis, Managing Partner and Chief Executive Officer
- Kaiser Permanente; George C. Halvorson, Chief Executive Officer
- MemorialCare Health System; Barry Arbuckle, President and Chief Executive Officer
- Monarch HealthCare; Bart Asner, Chief Executive Officer
- Sharp HealthCare; Michael Murphy, President and Chief Executive Officer
- Sutter Health; Patrick E. Fry, President and Chief Executive Officer
- **U.S. Department of Health and Human Services; Herb K. Schultz, Regional Director (Region IX)

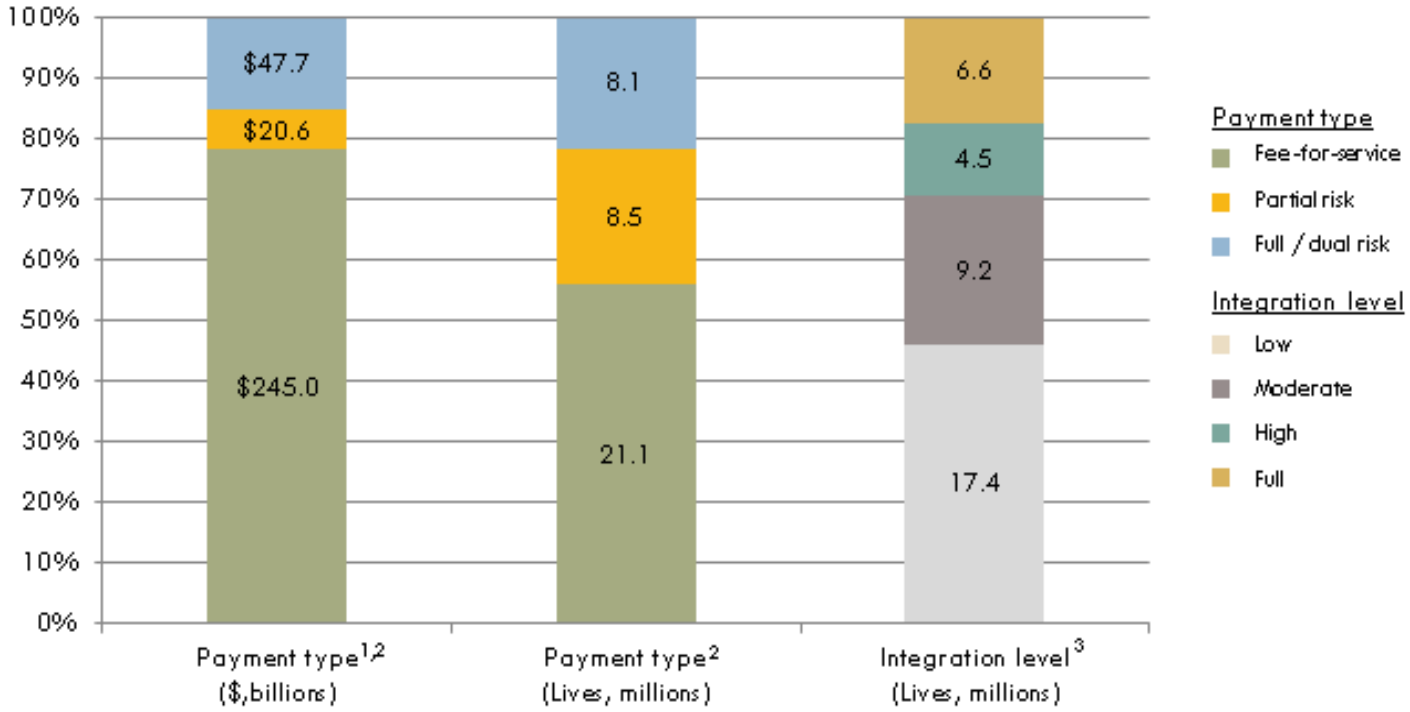
**These individuals' participation in the Forum meetings/discussions does not represent any formal endorsement of the Report by their state or federal Department/Agency nor in their official individual capacities as elected or appointed public officials at the aforementioned Departments/Agencies

Berkeley Forum released its report February 26

- *A New Vision for California's Healthcare System: Integrated Care with Aligned Financial Incentives*
  - Released February 26, 2013: http://berkeley.healthcareforum.berkeley.edu
  - Appendices will be released on or before April 12
- Many of the following tables and figures can be found in our report above

Four-fifths of spending is paid via FFS, and over two-thirds of patients receive care from low- or moderately-integrated systems

Breakdown of Payment Mechanisms and Delivery System Integration in California, by Lives and Dollars, 2012



Notes: 1) Expenditure estimates are reported in 2012 dollars. 2) Full / dual risk refers to a payment arrangement in which providers accept risk for both professional services and hospital services. Partial risk refers to a payment arrangement in which providers accept professional services risk only. 3) There are various factors that are relevant in assessing care integration; for the purposes of this analysis, we estimate lives by integration level based on medical group size in California given that size has been shown to be associated with use of more integrated care processes. Only Kaiser Permanente physicians are considered to be fully-integrated. Medical groups of greater than 100 physicians are considered highly-integrated, while Independent Practice Associations (IPAs) are considered moderately-integrated. Lives receiving care from medical groups with 100 or fewer physicians are allocated into either moderate or low integration based on both medical group size and a physician's likelihood of being in an IPA.

Source: Berkeley Forum analysis. See Appendix II: "California's Delivery System Integration and Payment System (Methodology)" for more detail on methodology, assumptions and sources.

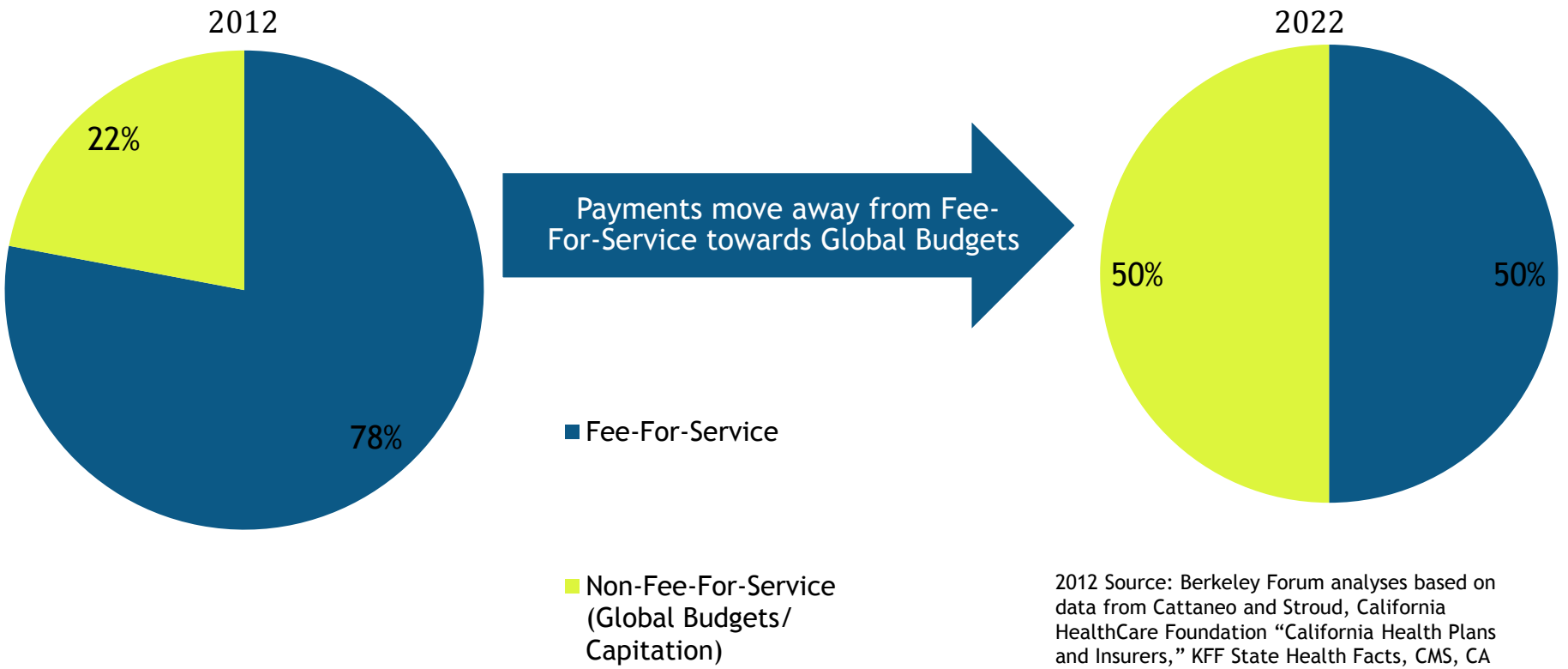
Berkeley Forum Vision

- Payment Reform
  - Rapid shift towards risk-adjusted global budgets
  - Reduce the share of healthcare expenditures being paid via fee for service from 78% in 2012 to 50% in 2022
- Integrated Care
  - Double the share of the state's population receiving care via fully or highly integrated care systems from 29% in 2012 to 60% by 2022
- Population Health
  - Emphasis on population health, including lifestyle and environmental factors that promote good health

Forum Vision: Payment Reform

Increase Global Budgets and Other Risk-based Payments

Percentage of California Healthcare Expenditures by Payment Type

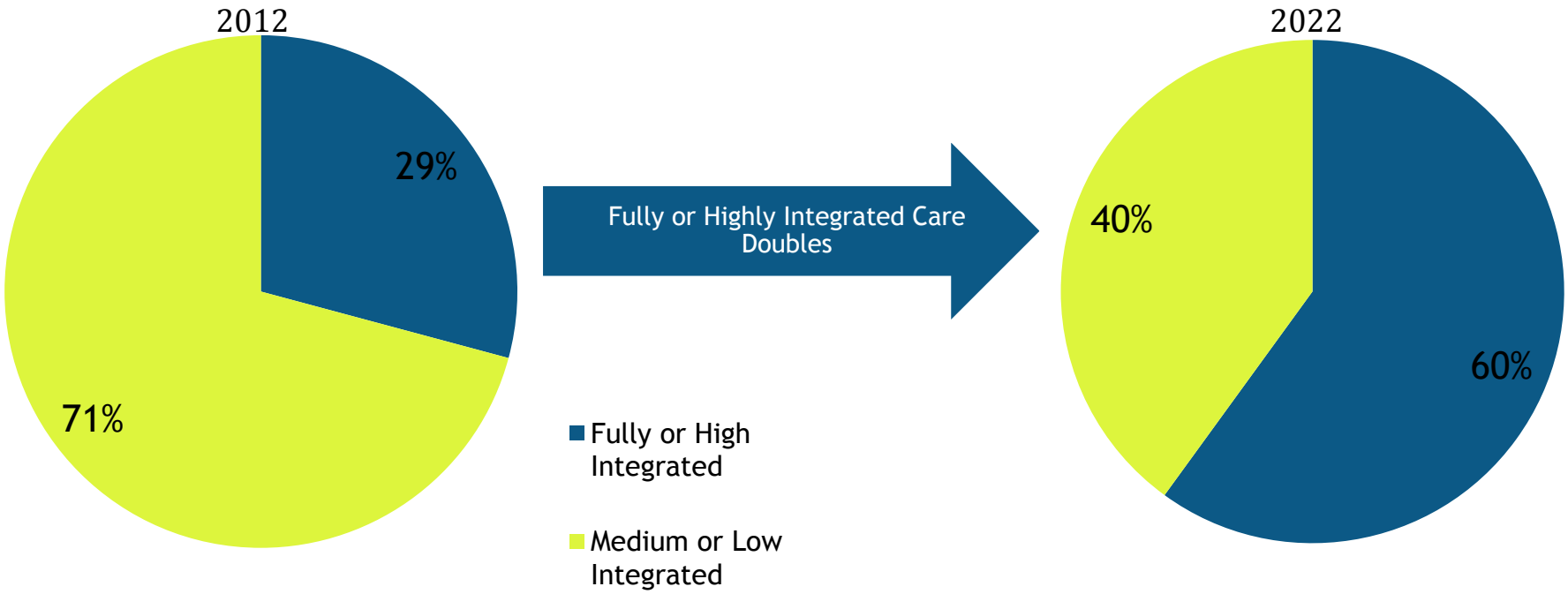


2012 Source: Berkeley Forum analyses based on data from Cattaneo and Stroud, California HealthCare Foundation "California Health Plans and Insurers," KFF State Health Facts, CMS, CA DHCS, and CA DOI

Forum Vision: Integrated Care

Increase Care from Integrated Systems

Percentage of Californians receiving care from integrated systems



2012 Source: Berkeley Forum analysis based on data from IMS Health, Inc.

Challenges

- Balance efficiencies gained in integration with the potential risk of higher prices in non-competitive markets
- Declining enrollment in HMO plans among people with employer-sponsored insurance
- Barriers to implementing initiatives

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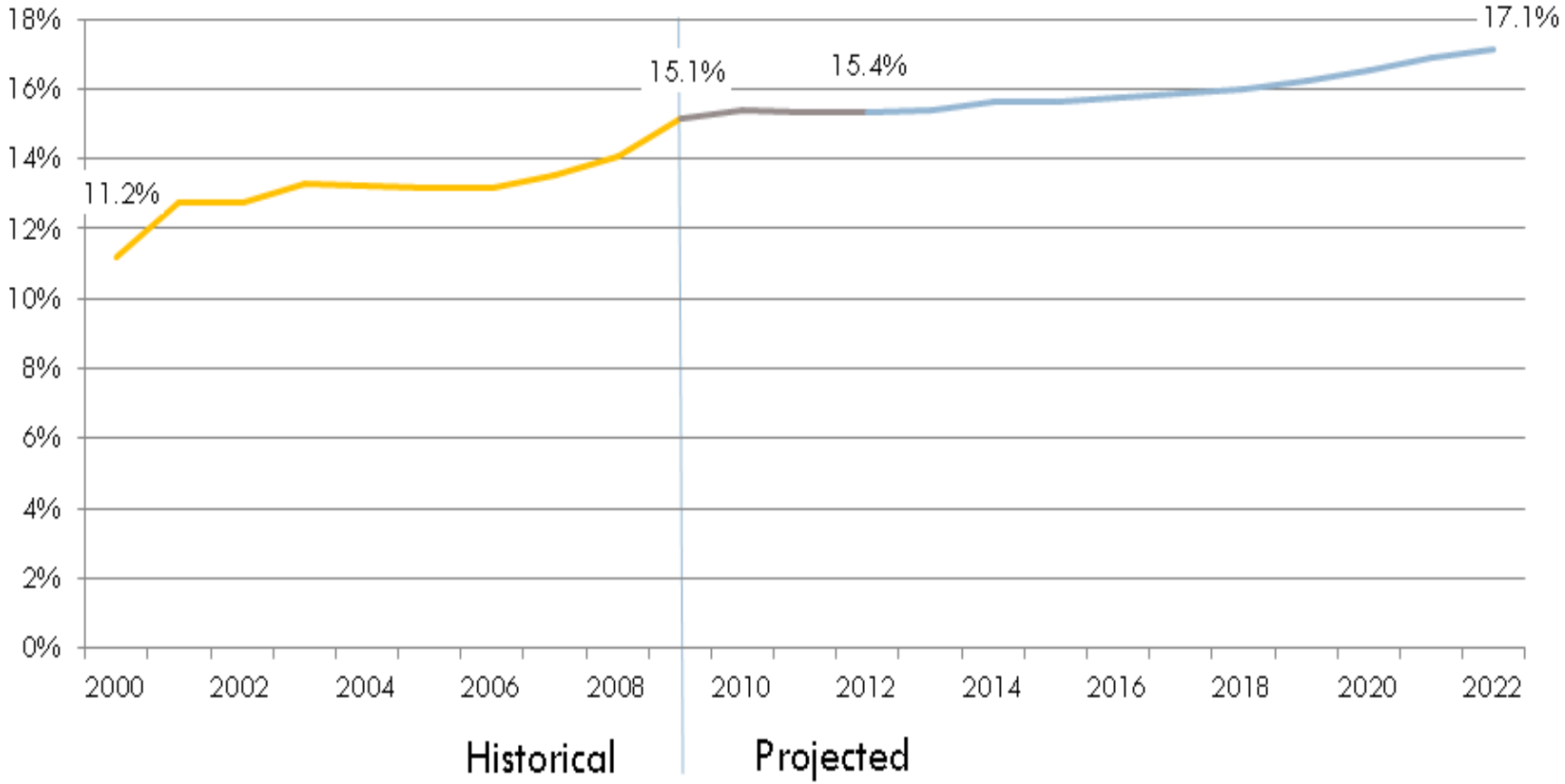
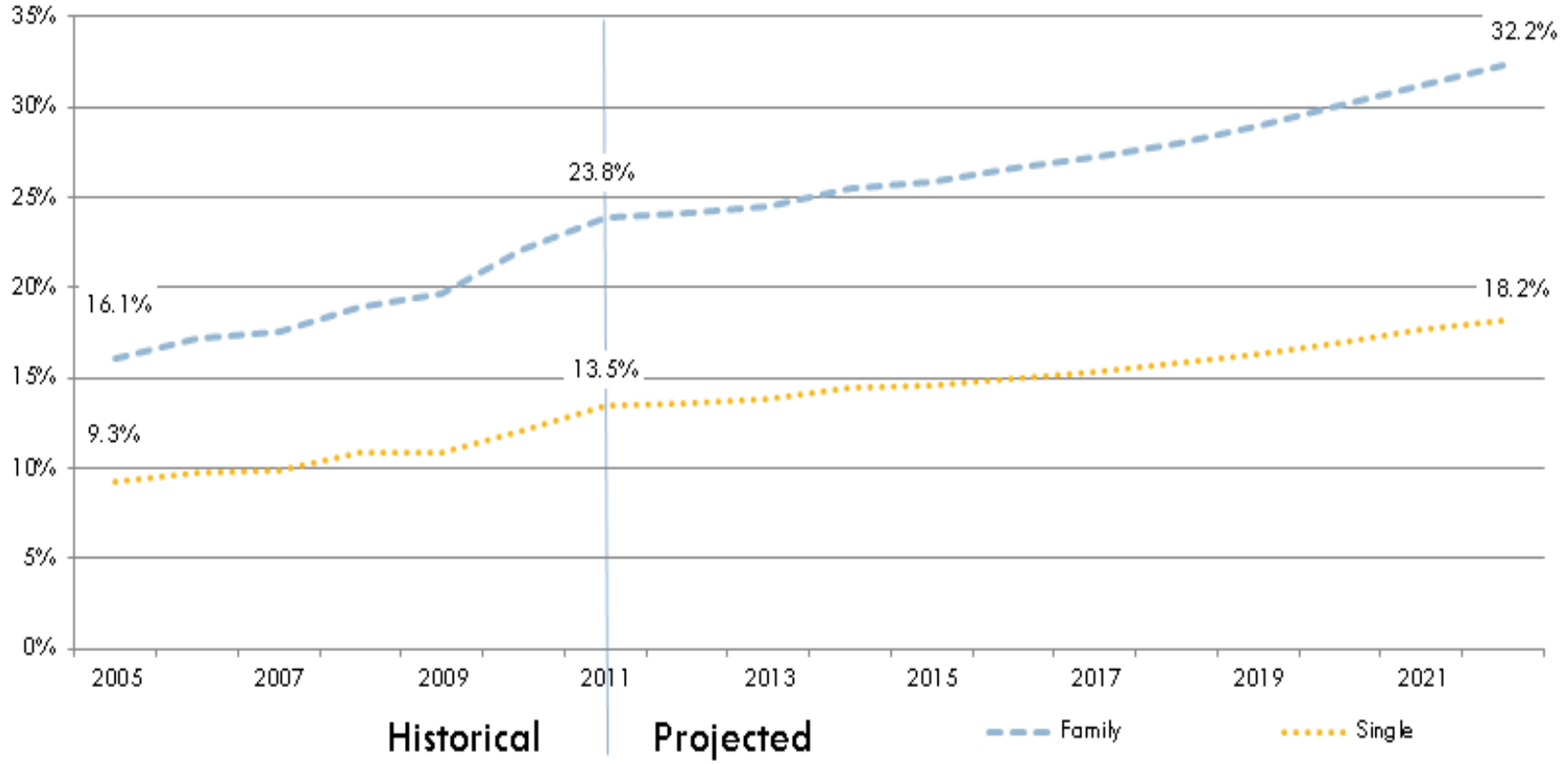
California's Cost Curve – Historical (2000-2009) and Projected (2010-2022) Healthcare Expenditures As a Percent of Gross State Product



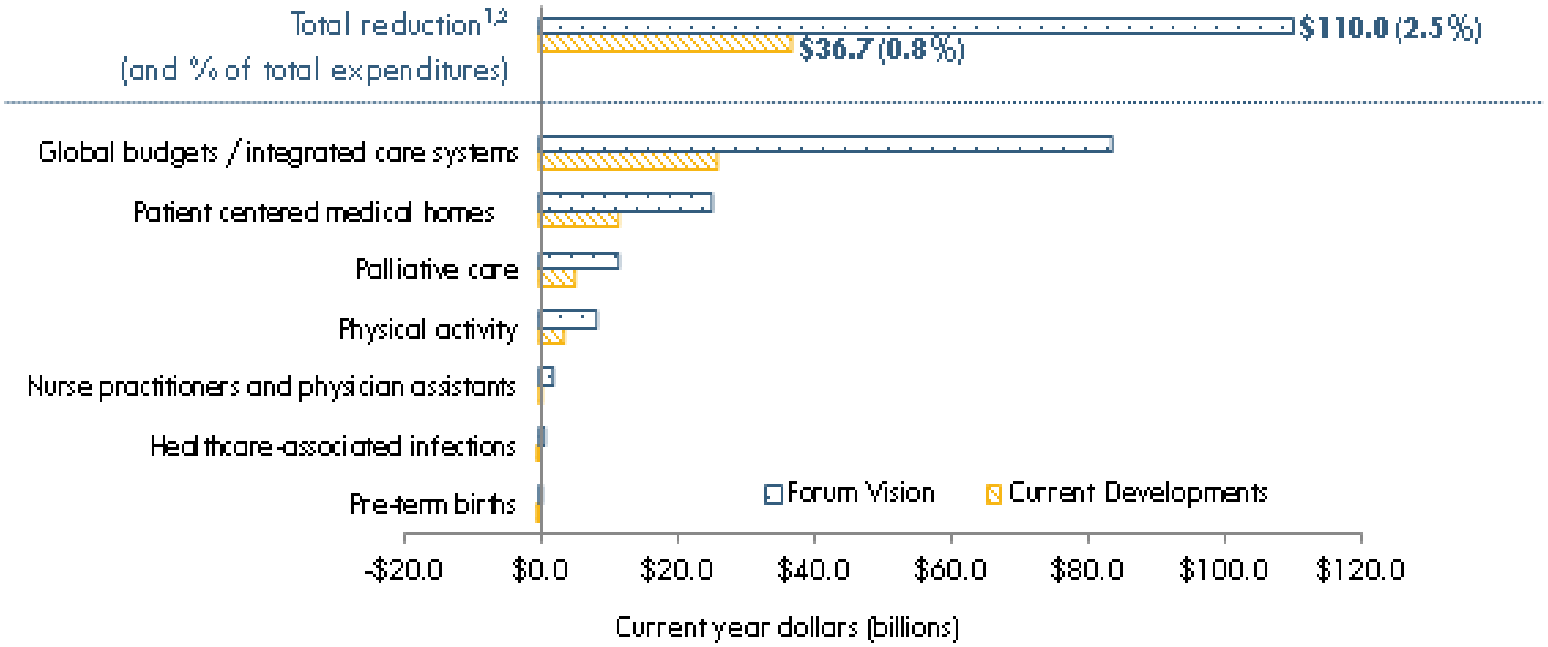
Source: Berkeley Forum analysis. See Appendix III: "California Cost Curve, Healthcare Expenditures and Premium Projections (Methodology)" for sources and additional detail.

Historical (2005 – 2011) and Projected (2012 – 2022) Employer-Sponsored Health Insurance Premiums for Single and Family Coverage as a Percent of Median Household Income in California



Notes: Premiums include both employer and employee contributions.
Source: Berkeley Forum analysis. See Appendix III "Methodology: California Cost Curve, Healthcare Expenditures, and Premium Projections" for sources and more detail.

Healthcare Expenditure Reductions in California from Initiatives under Current Developments and Forum Vision Scenarios, Total Reductions, 2013 – 2022



$110 billion in expenditure reductions is equivalent to $800 per household per year.

Notes: 1) Total projected healthcare expenditures in California from 2013 – 2022 are $4,387 billion (in current-year dollars). 2) The "total reduction" is adjusted for savings overlap among the individual initiatives.
Source: Berkeley Forum analysis. Refer to Appendices IV-XI for expenditure reduction estimates for each initiative as well as to Appendix III: "California Cost Curve, Healthcare Expenditures, and Premium Projections (Methodology)" for projections of California's healthcare expenditures under the status quo from 2013-2022.

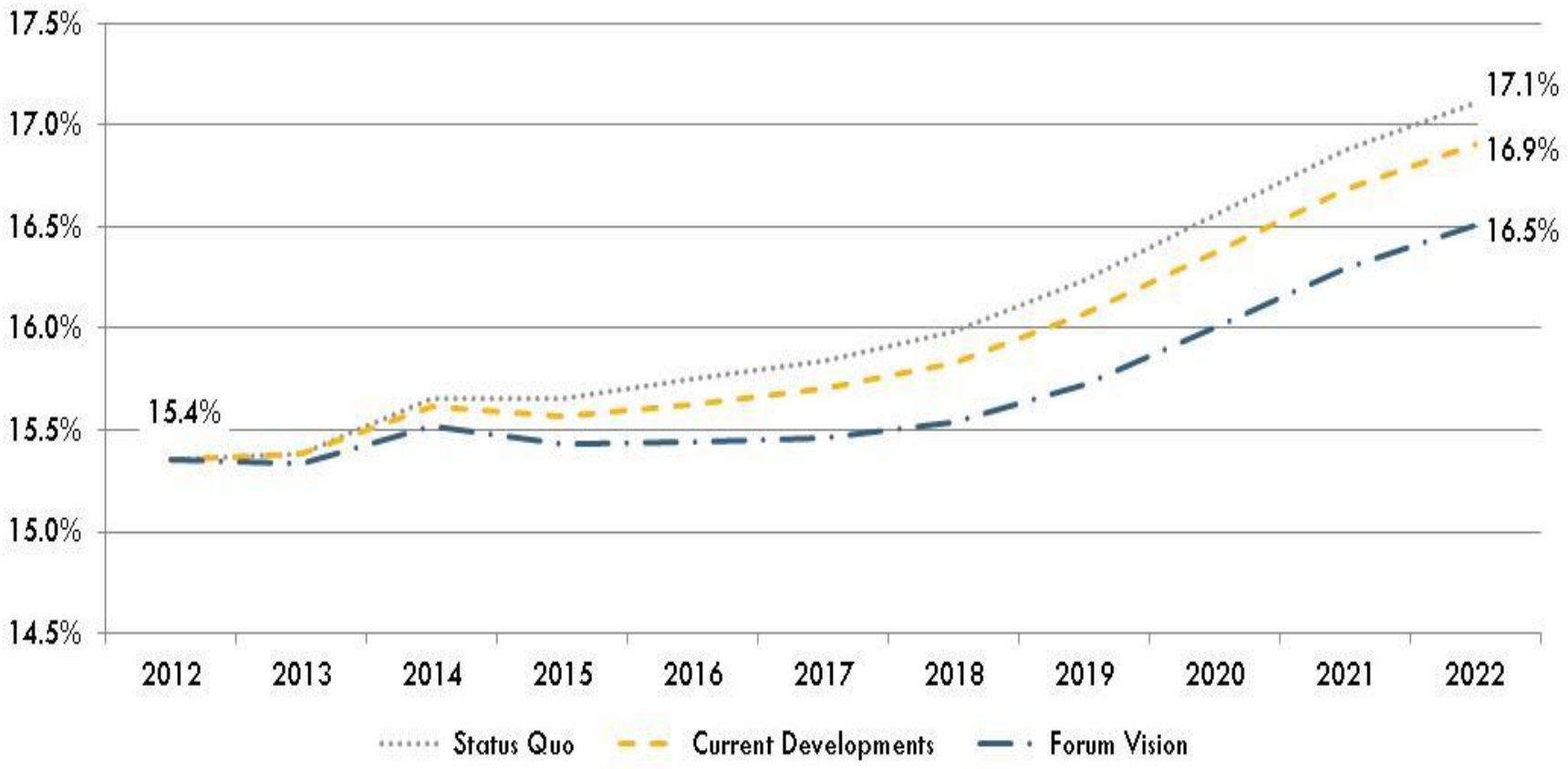
Reduction in spending under the Forum Vision totals $110 billion from 2013-2022, or 2.5% of projected status quo expenditures

Initiatives	**Reduction in Spending ($bn)**
Global budgets/integrated care systems	$83.6
Patient centered medical homes	$25.2
Palliative care	$11.4
Physical activity promotion and obesity prevention	$8.2
Nurse practitioners and physician assistants	$1.8
Healthcare associated infections	$0.7
Preterm births	$0.1
TOTAL (1)	**$110.0 (2.5% of $4,387)**

(1) The total is less than the sum of the individual interventions, because the total accounts for overlap across interventions.

Source: Berkeley Forum

Cost Curve: Projected Healthcare Expenditures as a Share of Gross State Product, 2012-2022



Source: Berkeley Forum analysis. See Section VI "Addressing the Affordability Crisis: Bending the Cost Curve" and Appendix III: "California Cost Curve, Healthcare Expenditures, and Premium Projections (Methodology)."

Under the Forum Vision, healthcare expenditures are projected to grow at GSP + 0.8% versus GSP + 1.1% under the status quo

Impact of Initiatives on Reducing the Projected Growth Rate of Healthcare Expenditures in California

	Status Quo	Current Developments	Forum Vision
Healthcare expenditures ($ billion)			
2012	$313.2	$313.2	$313.2
2022	$572.2	$565.4	$551.9
2012 - 2022 average annual growth rate	6.2%	6.1%	5.8%
Gross State Product			
2012 - 2022 average annual growth rate	5.1%	5.1%	5.1%
Difference between healthcare expenditure and GSP average annual growth rates (percentage points)	1.1	1.0	0.8[1]

Notes: (1) The "Difference" is based on non-rounded average annual growth rates. All estimates are in current-year dollars.
Source: Berkeley Forum analysis.

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Initiative 1:
Increase Global Budgets/Integrated Care Systems

- Although 44% of Californians are part of an HMO, many Californians still receive care in a fragmented system that pays for most services via fee for service
- Forum Vision goal: increase share of Californians under a global budget within an integrated care environment
  - Increase penetration from estimated current 23% to 70% by 2022*
- Estimated expenditure reduction
  - 2013-2022: $83.6 billion (1.9% of 2013-2022 total expenditures)
  - 2022: $14.9 billion (2.8% of 2022 total expenditures)
- Potential implementation barriers include: 1) variation in ability of provider to manage patient risk; 2) external variations in health spending impact shared savings and targets; and 3) physicians in solo or small practices unable to form integrated care systems if not part of larger IPAs/groups.

*If California were to attain the Forum Vision goal of 50% of expenditures being paid for outside of fee-for-service, it would most likely mean an even higher percent of Californians (e.g. 70% as modeled) receiving care in systems utilizing risk-adjusted global budgets.

Initiative 2:
Increase Use of Patient Centered Medical Homes (PCMH)

- PCMH is a care delivery model targeted at individuals with chronic conditions to better manage their care, by increasing appropriate use of medical care while reducing unnecessary services, such as emergency department visits and hospitalizations.

- Forum vision goal: increase enrollment of Californians with at least one chronic condition in PCMH.
  - Increase penetration from estimated current 25% to 80% by 2022

- Estimated expenditure reduction
  - 2013-2022: $25.2 billion (0.6% of 2013-2022 total expenditures)
  - 2022: $5.2 billion (0.9% of 2022 total expenditures)

- Potential barriers to implementation include: 1) difficulty in coordinating multiple health and social services; 2) lack of commitment to facilitate access to all components of care; 3)difficulty in ensuring that patients with chronic condition will be enrolled in a PCMH; 4) access to cost effective specialists

Initiative 3:
Increase Use of Community-based Palliative Care (PC)

- Although inpatient PC has expanded greatly in recent years, a rough estimate suggests that perhaps only 10% of patients that are good candidates for it are receiving community-based PC in California today
- California could potentially reduce healthcare expenditures by increasing the use of palliative care; numerous studies suggest that PC generally results in lower and/or shorter hospitalizations and ICU stays, reduced ED visits, and increased selection of hospice care
- Forum Vision goal: increase access to and adoption of community-based PC
  - Increase penetration from estimated current 10% to 50% by 2022
- Estimated expenditure reduction
  - 2013-2022: $11.4 billion (0.3% of 2013-2022 total expenditures)
  - 2022: $2.4 billion (0.4% of 2022 total expenditures)
- Potential implementation barriers include: 1) lack of adequate physician & non-physician workforce, both generalists and specialists; 2) lack of business case unless in global budget / shared-risk reimbursement system; 3) lack of patient-centric health data to help target appropriate patients and 4) lack of patient education about PC / misperceptions

Initiative 4: Increase Rates of Physical Activity via Walking

- According to Behavioral Risk Factor Surveillance System, 48.3% of Californians failed to meet the Healthy People 2020 goal of at least 30 minutes of moderate activity, five days per week in 2007. Studies have estimated the share of healthcare costs directly caused by obesity to range from 2.5% to 3.9%.

- Forum Vision goal: decrease share of Californians who are physically inactive
  - Decrease share of inactive Californians from 48.3% to 43.8% by 2022

- Estimated expenditure reduction
  - 2013-2022: $8.2 billion (0.2% of 2013-2022 total expenditures)
  - 2022: $1.7 billion (0.3% of 2022 total expenditures)

- Potential implementation barriers include 1) difficulties in changing people's behaviors; and 2) lack of long-term incentives for insurers / providers to improve their members' health due to member turnover; 3) safety concerns / poor built environment that does not support walking

Initiative 5: Increase Use of Nurse Practitioners (NPs) and Physician Assistants (PAs)

- As compared to other states, California has fewer NPs and PAs
  - NPs: 45 versus 60 per 100,000 population
  - PAs: 22 versus 28 per 100,000 population
- California could potentially reduce healthcare expenditures by increasing the use of NPs and PAs, because their wages are about one-half primary care physician's wages in California.
- Forum Vision goal: increase NP and PA shares of office-based visits to primary care clinicians
  - NP share to increase from 9.7% (2009) to 24.5% by 2022
  - PA share to increase from 2.5% (2009) to 5.5% by 2022
- Estimated expenditure reduction
  - 2013-2022: $1.8 billion (0.04% of 2013-2022 total expenditures)
  - 2022: $0.4 billion (0.07% of 2022 total expenditures)
- Potential implementation barriers include 1)physician supervision requirements of NPs and PAs as well as reimbursement; and 2) empanelment policies.

Initiative 6:
Reduce the Number of Healthcare Associated Infections

- Healthcare associated infections (HAIs) are infections that patients develop during the course of receiving healthcare treatment for other conditions. HAIs are the most common complication of hospital care, occurring in approximately one in every 20 patients.
- California could potentially reduce healthcare expenditures by implementing an intervention to target five common HAIs: central line-associated blood stream infection, Methicillin-resistant *Staphyloccocusaureus*, *Clostridium difficile* infection, Vancomycin-resistant Enterococci, and surgical site infection.
- Forum vision goal: reduce the rate of 5 targeted HAIs.
  - 5 percent reduction from the previous year for each of the HAIs, which will as reduction of 40% by 2022.
- Estimated expenditure reduction
  - 2013-2022: $0.66 billion (0.015% of 2013-2022 total expenditures)
  - 2022: $0.16 billion (0.03% of 2022 total expenditures)
- Potential barriers to implementation include: 1) the need for upfront and ongoing costs of the intervention to support staff and equipment; and 2) lack of consensus in determining a reasonable goal, in terms of the type of infections to target or the magnitude of improvement.

Initiative 7: Reduce the Number of Preterm Births

- Preterm births, defined as babies born before 37 weeks of gestation, occur in about 12 percent of all pregnancies in the U.S. and are one of the top causes of infant death. They are result in significant healthcare expenditures for each case that occurs.
- Forum vision goal: reduce or delay the number of preterm births
  - Decrease rate of preterm births by 3% to 9.4% in 2022. A similar rate of increase in the preterm births that will benefit from a one week longer gestational period
- Estimated expenditure reduction
  - 2013-2022: $0.12 billion (0.003% of 2013-2022 total expenditures)
  - 2022: $0.05 billion (0.01% of 2022 total expenditures)
- Potential barrier to implementation include: 1) lack of evidence on effective strategies to prevent preterm births; and 2)the cost of the intervention may exceed reduction in spending.

Berkeley Forum's Key Focus Areas

- Physical Activity Promotion and Obesity Prevention
- Palliative Care

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Alignment of Goals (1)

Berkeley Forum Report	Let's Get Healthy California Task Force Final Report
Healthy Beginnings	
• Prevention of preterm births • Obesity reduction through increased physical activity, "Get Walking"	• Decrease infant mortality • Childhood fitness and healthy diets • Obesity and diabetes prevention
Living Well	
• Better management of chronic illness through more people receiving care from integrated coordinated care systems	• Increase overall health status • Control high blood pressure and cholesterol
Advanced Serious Illness Care	
• Increased access to palliative care	• Palliative care and hospice care

Alignment of Goals (2)

Berkeley Forum Report

Let's Get Healthy California Task Force Final Report

Redesigning the Health System

- Expanding integrated care covering more Californians
- Patient-centered medical homes
- Redesigning end of life care
- Reducing healthcare associated infections

- Efficient, safe, and patient-centered care
- Coordinated outpatient care
- Hospital safety and quality of care, decrease Sepsis related mortality

Lowering the Cost of Care

- Aligned risk-adjusted financial incentives
- Tracking growth in health care expenditures

- Making coverage affordable and align financing to health outcomes

Let's Get Healthy California
Goal 6: Lowering the Cost of Care

Priority	Indicator
↓ 1. People without insurance	Uninsurance rate
↑ 2. Affordable care and coverage	Healthcare cost as percent of median household income
↓ 3. Rate of growth in health spending in California	Compound annual growth rate
↑ 4. People receiving care in an integrated system	Percent of people in managed health plans
↑ 5. Transparent information on cost and quality of care	Indicator Development Needed: Transparent information on cost and quality
↑ 6. Payment policies that reward value	Indicator Development Needed: Most care is supported by payments that reward value

Source: Let's Get Healthy California report

Let's Get Healthy California
Goal 6: Lowering the Cost of Care
Additional indicators suggested by the Berkeley Forum (see *)

Priority	Indicator
↓ 1. People without insurance	Uninsurance rate *Percent receiving insurance via employer sponsored insurance *Underinsurance rate (high deductible health plans)
↑ 2. Affordable care and coverage	Healthcare cost as percent of median household income *Share of gross state product *Employer sponsored premiums (cost shift) *Costs accounting for benefit package changes and exposure to financial risk
↓ 3. Rate of growth in health spending in California	Compound annual growth rate *Growth rate variation among Medicare, Medi-Cal, commercially insured, uninsured

Source: Let's Get Healthy California report and Berkeley Forum

Let's Get Healthy California
Goal 6: Lowering the Cost of Care
Additional indicators suggested by the Berkeley Forum (see *)

Priority	Indicator
↑ 4. People receiving care in an integrated system	Percent of people in managed health plans *Percent of people receiving care by medical group size *Percent in managed care by insurance type
↑ 5. Transparent information on cost and quality of care	<u>Indicator Development Needed:</u> Transparent information on cost and quality *Identify unit cost drivers
↑ 6. Payment policies that reward value	<u>Indicator Development Needed:</u> *Percent of people receiving care based on global budget, global payments, or partial capitation *Percent of spending that occurs via non-fee-for-service reimbursement

Source: Let's Get Healthy California report and Berkeley Forum

Collaborative ideas

- Establish additional relevant healthcare expenditure indicators
- Conduct research to test the impact of various payment models on expenditures, quality of care, and health outcomes
- Work with Integrated Healthcare Association and others who are implementing payment reforms

Questions

Please use the Raise Your Hand feature if you wish to speak.

Conclusion and Next Steps

- Go to www.chhs.ca.gov and click on the Payment Reform Innovation tab for continued updates.
- Sign up for the Payment Reform Innovation ListServ by emailing "Subscribe" to innovate@chhs.ca.gov. Be sure to include your name, email, title, and organization.