



BlueCross BlueShield  
of Texas

# Making Health Care Sustainable:

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

PAUL D HAIN, MD, FAAP

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

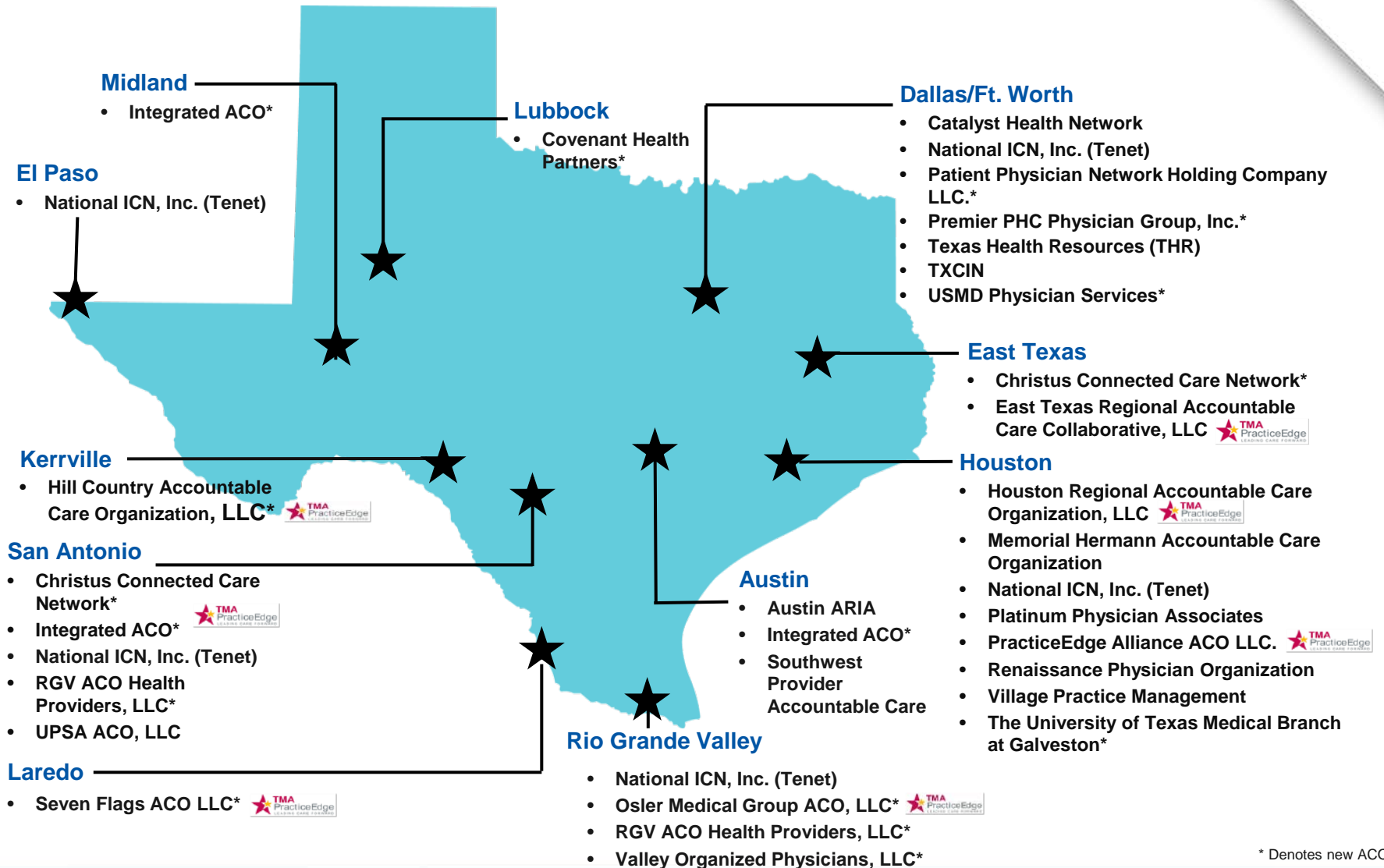


## *Continuum of Payment Models*





# 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

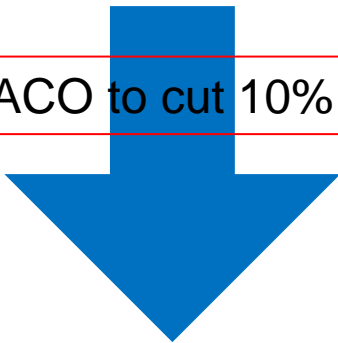
Total costs =  $\$2,000 \times 500 = \$1 \text{ M}$

## Hospital B

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

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

New ACO to cut 10% costs



**Total Cost  
\$1.5M**



**\$1.64M**

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

Total costs =  $\$1,800 \times 800 = \$1.44 \text{ M}$

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

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

# 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

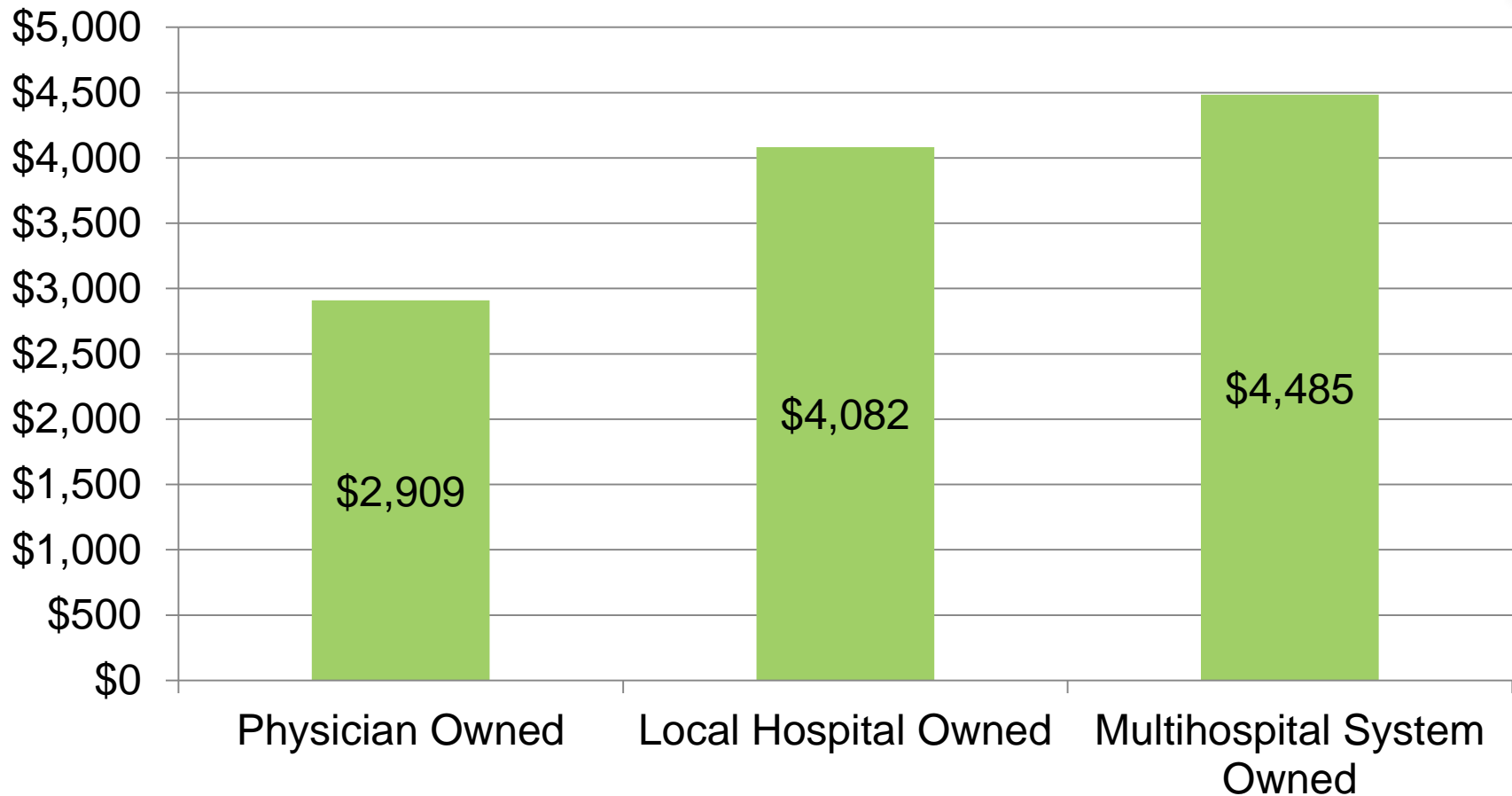


Robert Wood Johnson Foundation

**UPDATE**

June 2012

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

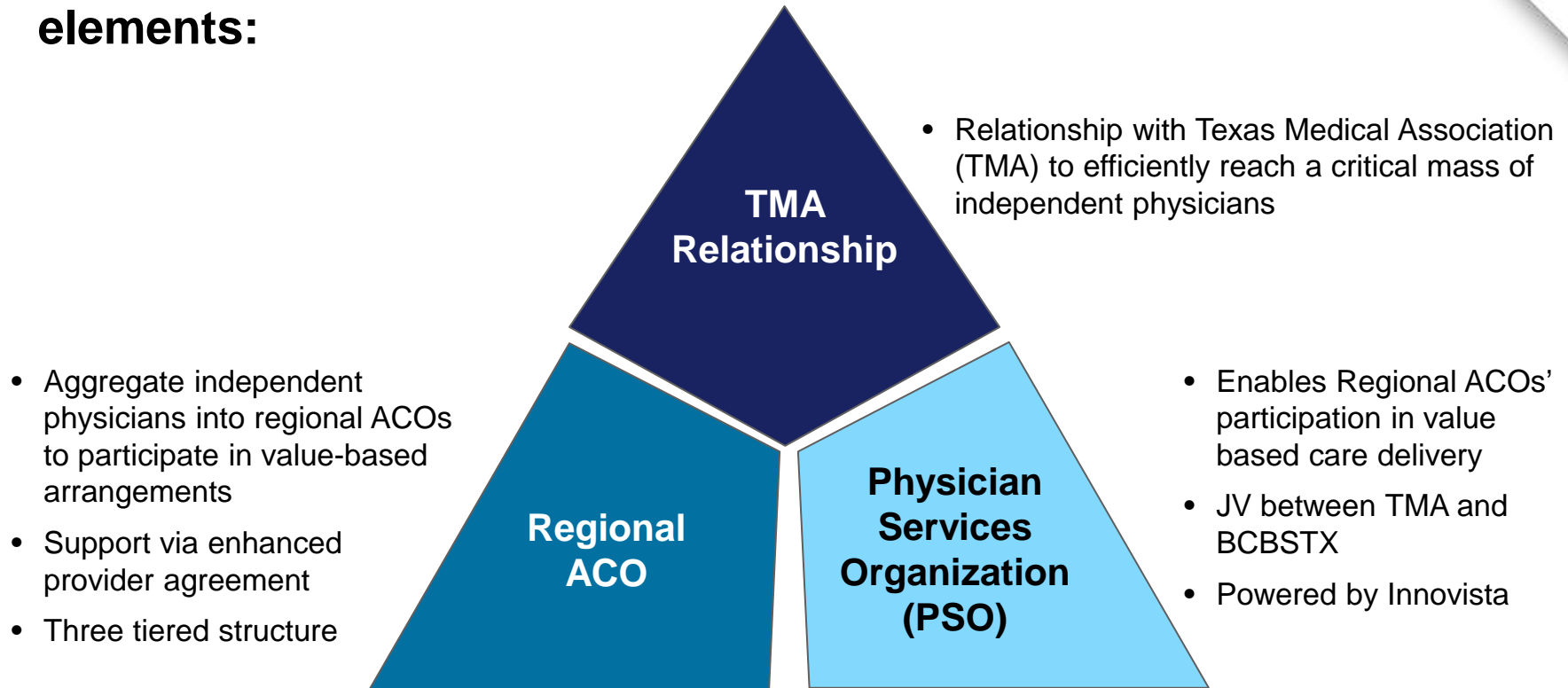


JAMA 2014;312(16):1663-1669. doi:10.1001/jama.2014.14072

# 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





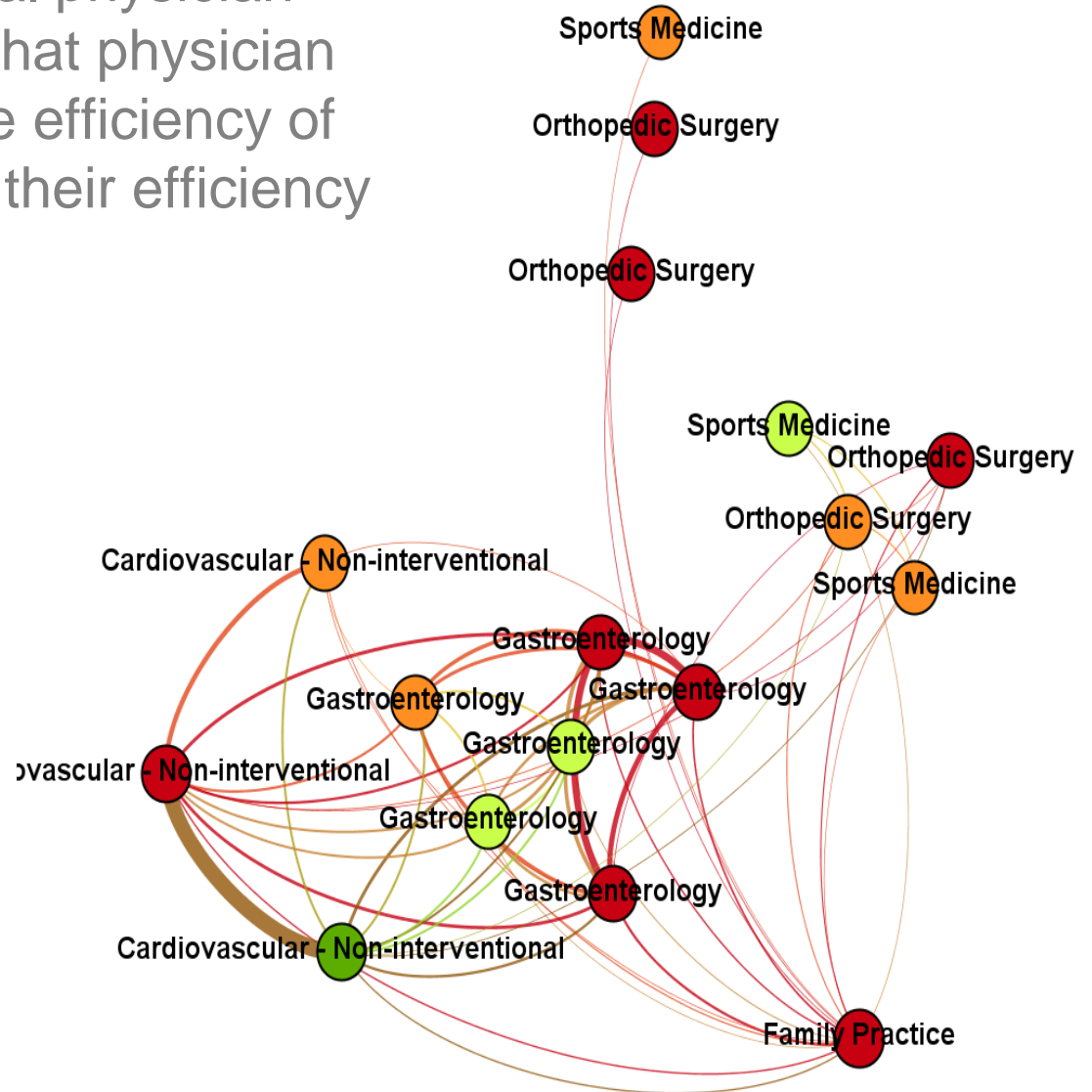
# Welcome to Physician-Led Accountable Care



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**

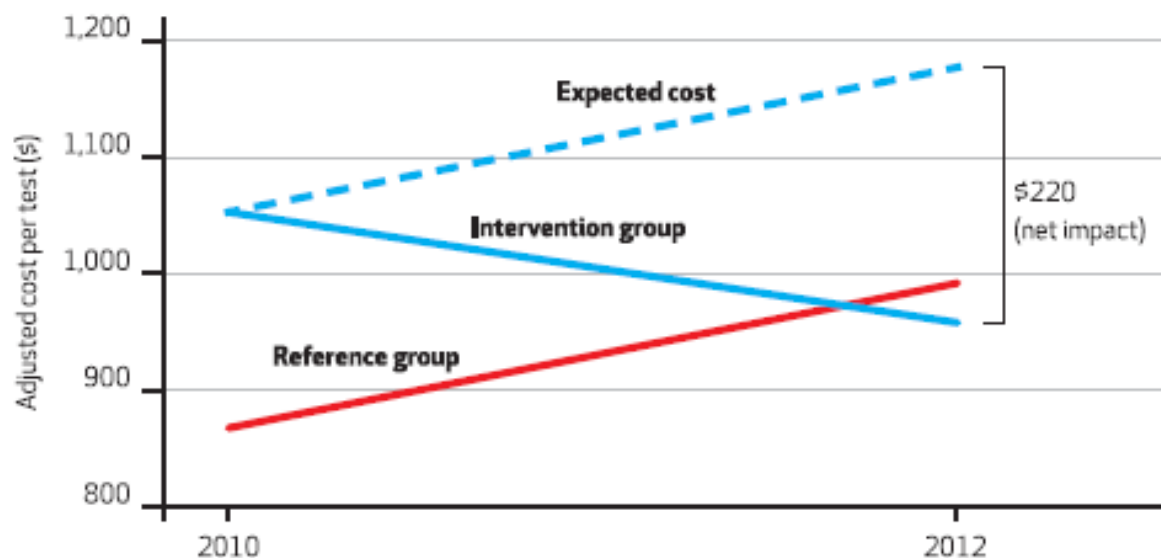


By Sze-jung Wu, Gosia Sylwestrzak, Christiane Shah, and Andrea DeVries

# 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

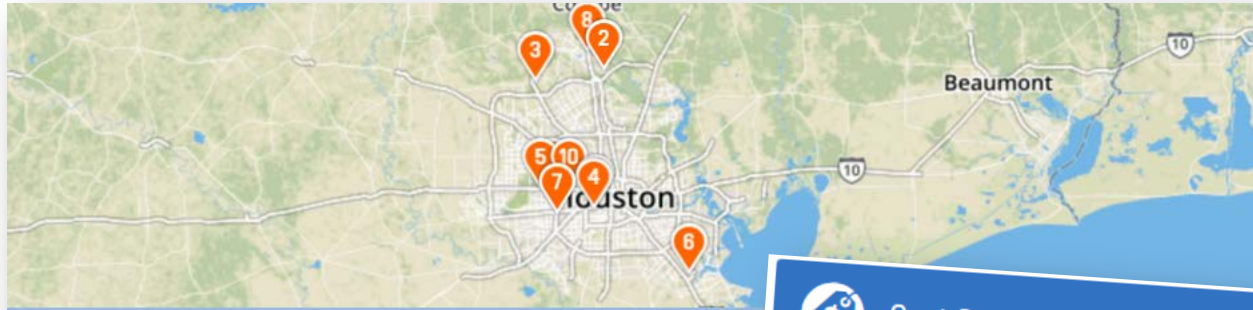
Any medical group affiliation

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



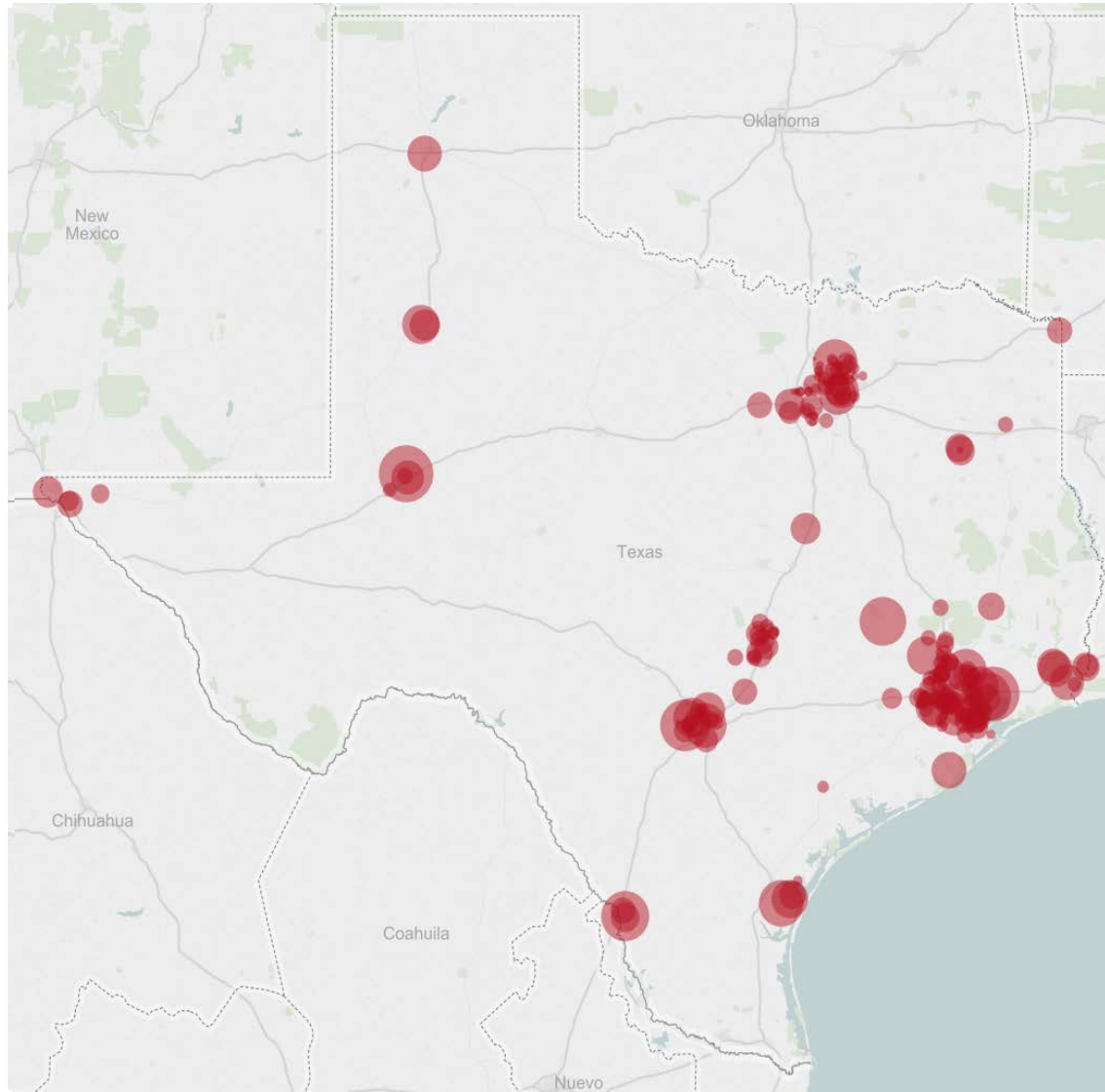
# Where You Go Matters – Top 10 Dx



## 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

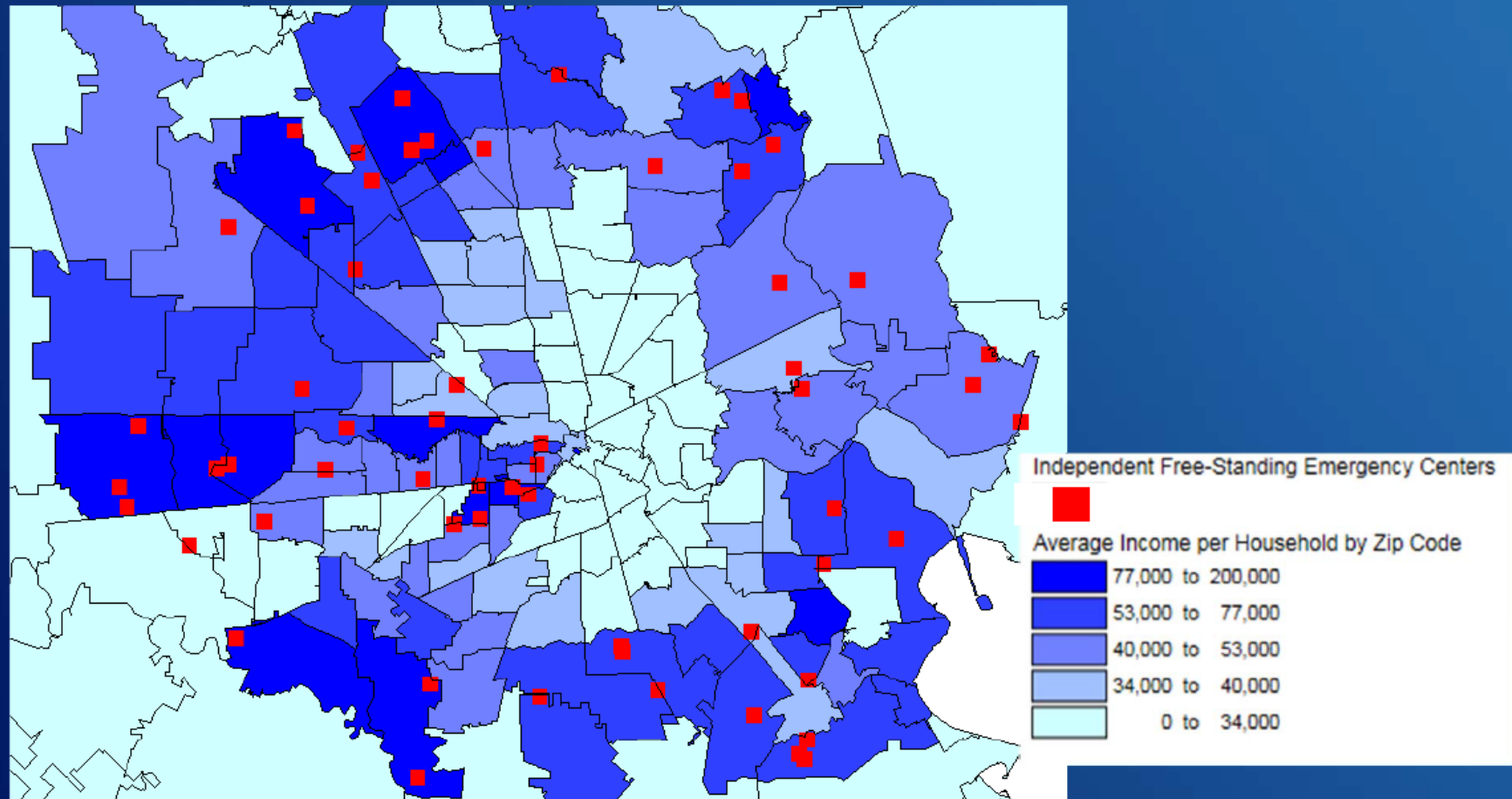
# Increase in Free-Standing ERs



Data shows  
2012-2016.

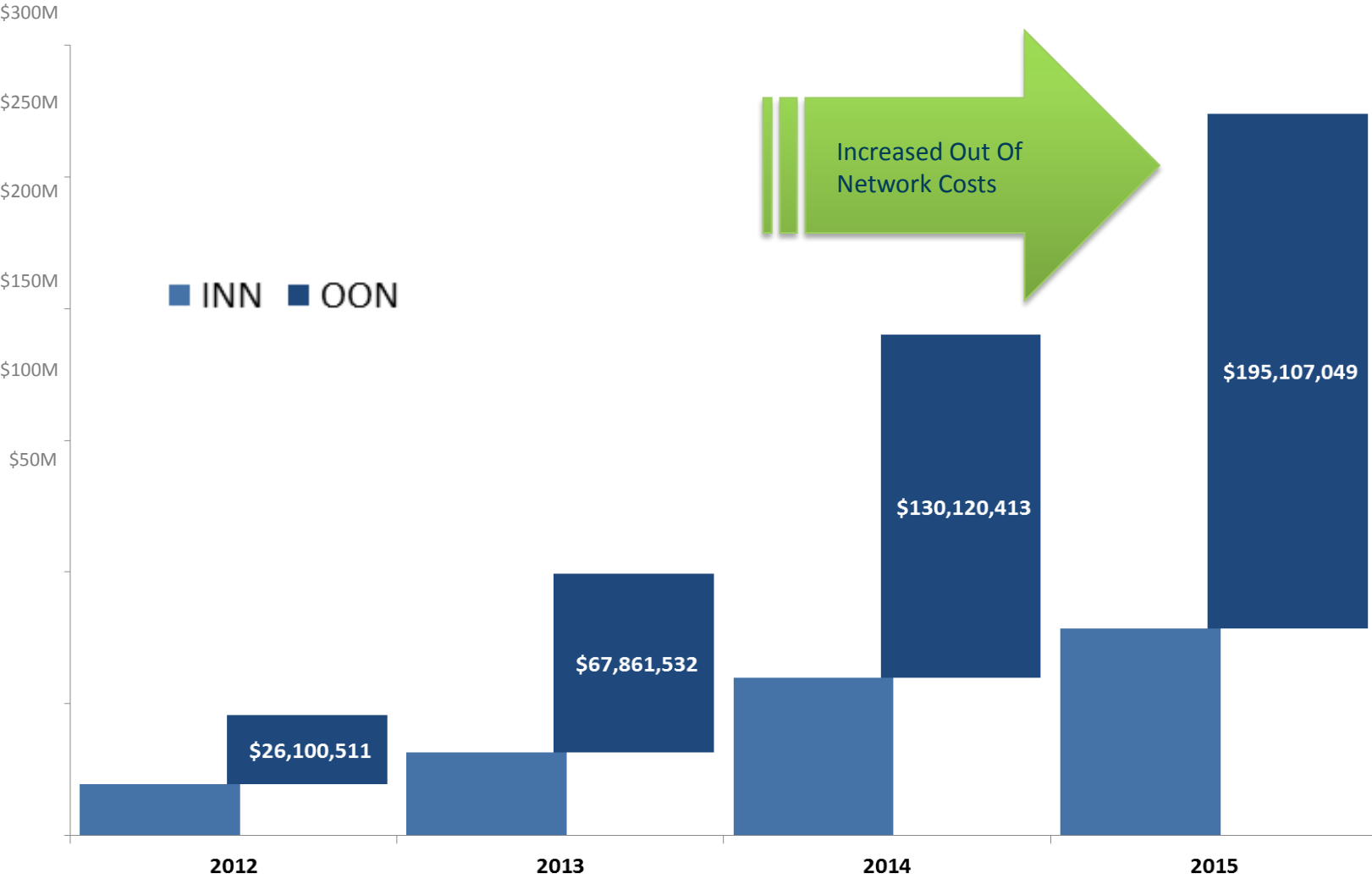


# FSERs are Located in Affluent Areas



Source: Texas Department of Health Services and Census Bureau

# FSER Cost by Network



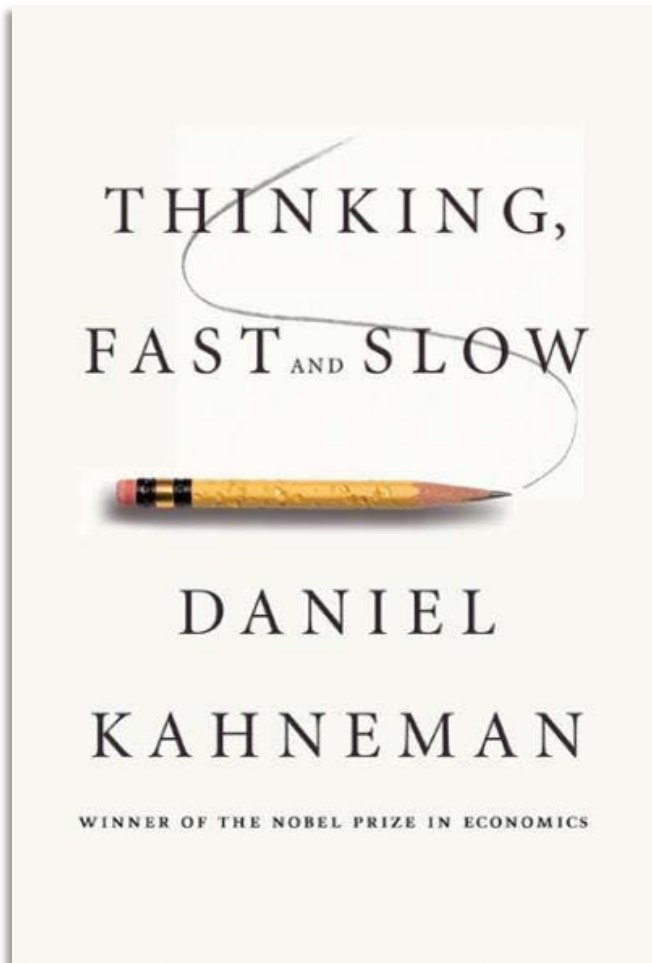


How human behavior  
plays a role

# 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



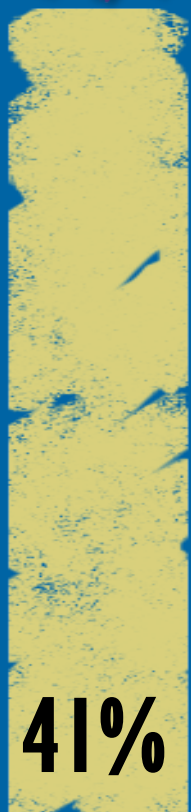
# Disincentives

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**<sup>®</sup> program for accounts with mandatory participation vs. incentives



# Questions?