HEAL

GETTING A GRIP ON HEALTHCARE

By Mark Crawford

More than 2,000 pages make up the Affordable Care Act (ACA), a highly complex bill that has HR departments across the country struggling to understand its full ramifications. The ACA has put into motion on a national level some aspects of what Wisconsin began experimenting with years ago. That's when in-state providers and consumers realized the present fee-for-service system was unsustainable and started working together to improve quality of care and reduce costs, with fair compensation for high-quality patient outcomes.

The goal of payment reform is to transition from a model that pays providers for volume to a model that pays for improved quality of care. The current fee-for-service model is simply too expensive. "Healthcare costs should be about 40-50 percent less than what they are today," says James Riordan, president and CEO of Wisconsin Physicians Service Insurance Corporation in Madison.

Payment reform can be in the form of accountable care organizations (ACOs), medical homes, bundled payments, pay for performance, and other unique arrangements. All these approaches share the same goal of improving care, reducing costs, and providing fair compensation to providers.

Two of the most promising reform models outlined in the ACA are ACOs and medical homes. ACOs can have multiple structures, such as a group of doctors, doctors and hospitals, hospitals and insurers, doctors and community clinics, etc. These providers manage the care of a specific population of patients by teaming up to deliver better coordinated patient care at lower costs. They also agree to take the financial risk for improving performance – if they delivery better care at a lower cost they will earn more money. A key strategy within the ACO is the concept of the patient-centered "medical home." This typically consists of a team of clinicians (not just the primary care physician) that plans and coordinates the routine care of patients, especially those with chronic illnesses.

"The Pioneer ACO is the first of these structures recognized by Medicare," says John Toussaint, MD and President/CEO of ThedaCare in Appleton. "ThedaCare and Bellin are participating in this ACO. It is a direct contract with the Center for Medicare Innovation in Washington D.C. whereby all the Medicare beneficiaries cared for by both these organizations are pooled together as a population. Part of the overall payment to these provider organizations is based on improving the cost and quality of services year over year."

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The ACO concept is still being developed – there is no guidebook to follow.

"In Wisconsin we are especially well-positioned to implement payment reform because we have several groups, such as Bellin and ThedaCare in northeastern Wisconsin and Dean and St. Mary's in the south-central region, that have been essentially functioning as ACOs for several years," says Christopher Queram, president and CEO of the Wisconsin Collaborative for Healthcare Quality (WCHQ) in Middleton. "They have been proactive in aligning their incentives to provide the highest possible care at lowest possible cost."

Payment Reform in Action

The idea behind payment reform is the creation of better incentives that motivate healthcare providers to deliver the best quality in the most cost-effective manner, as well as incentives for consumers to choose cost-effective, high-quality care. ACOs and medical homes are models designed to incent this kind of care.

The toughest part of payment reform for employers will be redesigning benefit plans and educating employees about the necessity of taking personal responsibility for purchasing healthcare services. "According to a recent survey most employees are on 'autopilot' when it comes to health care, largely choosing the same plans and providers year over year," says Karen Timberlake, director of University of Wisconsin's Population Health Institute in Madison.

From an insurance perspective, the largest difficulty is that systems have been developed and refined for the current fee-for-service environment. Many payment reform models are only in their pilot stages; as providers and insurers discover which models deliver the greatest value they will become automated and more widely available.

Payment reform runs along a continuum, from efforts that are still based on fee-for-service reimbursement, such as "pay-for-performance" incentives, to paying one, risk-adjusted rate for all the care of an entire population of patients.

The Wisconsin Health Information Organization (WHIO), a group of healthcare providers, health insurers and employer representatives, assembled in 2010 to design a set of payment reform projects.

"The goal of this effort, now known as the Partnership for Healthcare Payment Reform, is to move toward value-based reimbursement by testing alternative methods of payments," says Timberlake. "This work is also designed to involve several commercial insurers in a common reimbursement strategy, to increase the clarity of signals sent to provider organizations."

Two sets of pilot projects have been established: a bundled payment for total knee replacement and a shared savings project for patients with diabetes. The bundled payment project involves a flat-rate payment for all the care for commercially insured adults receiving a total knee replacement; the diabetes project involves a set of typical services for patients with diabetes and certain common co-morbid conditions (co-morbidity refers to a disease or other pathological process that occurs simultaneously with another.) Both projects are designed to be implemented in fully insured or self-insured environments and include clear quality metrics that will be tracked and publicly reported.

Establishing Best Practices

The first step is getting employees off "autopilot" so they can take more active roles in managing their health, especially chronic diseases. This can include workplace wellness programs, full access to primary care and community health improvements efforts like bike paths.

"The most successful employers will be targeting obesity, which is now more of a cost issue to the average employer than smoking," says Riordan. "It's difficult to imagine making a favorable, long-term impact on employer healthcare costs without moving the needle on employee obesity. Even if employers are unwilling to get into the lives of their employees, they can change things like cafeteria offerings, provide physical fitness options, or reward employees who are within normal weight ranges."

Some larger employers have made huge reductions in their healthcare costs by implementing on-site clinics. These typically focus on primary care and fit the model of the medical home. "One example is Serigraph in West Bend," says Riordan. "The consumer-oriented model that chairman John Torinus has implemented started well before healthcare reform got moving and is highly effective."

"Our annual per-employee cost of healthcare is $9,000, which is about 40 percent below the national average of $15,000 per year," says Torinus, the former CEO and current Chairman of the Board for Serigraph Inc. The benchmark for best practices, he notes, is $7,500-$9,000 per year.

Torinus indicates the biggest savings come from three reform strategies:

- Consumer-driven health plans that reduce the cost of health care by 20-30 percent – when employees pay more they are more likely to take care of themselves
- Value-based purchasing of healthcare services based on results, price and service – the best vendors have already driven out waste through lean initiatives and quality improvements
- On-site primary care facilities – "This is the best way to manage the 80/20 rule," says Torinus. "Eighty percent of healthcare cost is spent on 20 percent of the population, which usually has multiple chronic conditions."

The greatest results – for companies with a sufficient number of employees to be self-insured – will be realized through a highly capable medical partner that works with them to share risk and accountability.

"A company should carefully examine any prospective partner's ability to deliver coordinated care, electronic medical records, and methods that measure quality," indicates Jeff Thompson, MD and CEO for Gundersen Lutheran Health System in La Crosse. "If the partner has a well-run, integrated system and establishes an on-site clinic, a business can save 25 percent or more on healthcare costs."

The healthcare field is rapidly evolving and, with the passage of the ACA, has never been more complex. It is therefore critical for companies to innovate and be proactive to stay ahead of the curve. Serigraph, for example, will soon make health-risk assessments mandatory for employees and their spouses. "We also plan to develop individual three-year health plans signed by the employees and the provider," says Torinus. "This enables us to also use health-risk assessments as management tools."

Parting Thoughts

ACOs have the broad goal of managing entire populations within an integrated system of hospitals and physicians. Riordan cautions that many providers are looking at forming ACOs, but it's not an easy process. "Success involves a tremendous commitment of resources from both personnel and technology," says Riordan. "I wouldn't look for an immediate drop in costs, but more of a moderation of the existing healthcare trend. Over time a moderated trend can compound into significant savings."

"The key to controlling healthcare costs is delivering the appropriate care, at the right time and place," says Eric Borgerding, Executive Vice President for the Wisconsin Hospital Association in Madison. "This often means keeping employees out of costly healthcare settings. To accomplish this, business leaders must have access to good data to make informed decisions from sources like WHIO and WCHQ."

Queram agrees that good data is essential for building sound market-oriented models.

"Wisconsin Collaborative for Healthcare Quality is part of this equation," he says. "We collect and report on data from physician groups regarding clinical quality. We use a variety of clinically relevant metrics and make this information available online to help customers choose providers, help providers benchmark their performance and improve their practices and outcomes, and help payers create better payment models."

Data as far back as 2004 is available on the WCHQ website (www.wchq), but is not consumer-friendly, notes Queram. "Another website, www.wisconsinhealthreports.org, repackages this data into narrative stories, which are easier to understand and can lead interested readers to the main database."

Torinus emphasizes that companies must develop new business models that include self-insurance and on-site primary care. "A mid-size company that has done very little regarding cost controls will need about three years to complete a set of at least a dozen best practices," he says.

Wisconsin is consistently ranked as one of the top five states in the country for high-quality care.

"This is because we believe in staying ahead of the curve," says Borgerding. "We knew payment reform was on the way before it was proposed by the Obama Administration. Healthcare costs are a key part of total labor cost for many businesses. A state that does a good job of moderating healthcare costs, and focusing on providing better value for healthcare dollars, should have a competitive edge when it comes to attracting new business operations or expansions, compared to other states. Wisconsin plans to remain a leader in delivering innovative solutions for healthcare that make Wisconsin businesses more competitive in the global marketplace." **BV**

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