Bringing Value-based Purchasing of Health Benefits to Greater Philadelphia through Establishment of a Regional Business Coalition on Health

Neil I. Goldfarb 23 September 2011

The Value Problem

The United States spends more than double what any other nation spends on healthcare on a per capita basis (Squires 2011). Nearly one-fifth of our gross domestic product now is related to healthcare (NHE Fact Sheet 2011), which would not in itself be unacceptable if we could demonstrate that our investment led to a healthier population and that funds were not being wasted. However, most analyses show that the U.S. ranks poorly in relation to other industrialized nations on measures such as access to care, quality of care (which is not just about how much technology is available), timeliness of care and effectiveness of care (Schoen 2010). Furthermore, every dollar spent on healthcare is a dollar that could have been invested in other public goods such as education. There is

a large body of evidence demonstrating that our healthcare system does not consistently deliver high-quality care, that medical errors are commonplace, and that a large portion of our health spending is wasted on ineffective, duplicative or otherwise unnecessary care. So, we have a significant value problem: we're spending a lot, but we are not getting a lot for our money.

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Beginning in the late 1990s, several large employers and business coalitions on health around the country began developing a new model for "value-based purchasing" (VBP) of health benefits. VBP refers to a range of activities initiated by public and private purchasers of healthcare to use comparative performance information to publicly recognize, select and financially reward healthcare vendors, particularly health plans and providers (Goldfarb 2003). The goal of VBP is to improve the quality, safety and affordability of healthcare services. Specific activities within the broad realm of VBP include:

- Collecting information and data on quality, in order to better understand the needs of the population and to identify higher-quality providers.
- Publicly reporting data on performance, to help

consumers make informed choices, and stimulate plans and providers to continuously improve performance.
- Selective contracting with high-quality plans and providers.
- Paying for performance (P4P) – offering financial incentives for improvement, or financial penalties for poor performance.
- Value-based benefit design – Realigning health benefit plans, including co-payments and deductibles, to reduce financial barriers to high-value services, and discourage use of ineffective or marginally effective services.
- Offering education and incentives to consumers to promote healthy lifestyles and better utilization of highly-effective services from higher-quality providers.
- Designing health and disease management programs to support consumers, improve service coordination, and reduce the incidence and impact of high-cost episodes of care.

One often-cited example of a multi-faceted VBP program was conducted by Pitney-Bowes, a global mail services corporation (Choudhry 2010). When faced with a continuing pattern of increasing healthcare costs, the company's HR leadership began examining data to understand why costs were rising, and identified chronic diseases such as diabetes and heart disease as being

major drivers of medical utilization. The company was an early innovator of value-based benefit design, in which the co-payments for diabetes and cardiac management drugs were lowered, rather than raised, in an effort to control costs. The rationale was that making preventive management medications more financially accessible by lowering co-payments would increase adherence and improve outcomes. Concurrently, Pitney-Bowes implemented employee wellness activities, re-priced cafeteria offerings, moved and changed the stock in vending machines, relocated their Employee Assistance Program (basic behavioral health and counseling services) to a more confidential location, and looked for other opportunities to improve prevention, education and employee population health. These efforts resulted in a nearly 25 percent reduction in projected costs over a 5-year period ($39.8 million savings).

Because only a handful of large employers have enough influence in any one market to bring about change, and because healthcare is local, much of the VBP work has been led by regional business coalitions on health rather than individual employers. Well-established business coalitions around the country have demonstrated the value of employer partnership in trying to address the value problem. Just a few of the many examples of coalition-led initiatives include:

- The Florida Health Care Coalition analyzed risk-adjusted mortality data on coronary artery bypass

grafting (CABG) in the Orlando region, provided surgeons and hospitals with comparative data, and convened a provider working group that resulted in marked mortality reductions across the population.

- The Buyers Health Care Action Group in Minnesota created one of the first consumer-friendly report cards on provider quality and cost outcomes, and developed innovative strategies to educate consumers and give them financial incentives to seek care from better-performing providers.
- HealthCare21, a coalition in eastern Tennessee, has created a data warehouse including medical claims, health risk appraisals, physiologic measures, workers compensation, disability and productivity data, which is being used to create regional benchmarks for performance and to identify high-performance providers and systems.

The National Business Coalition on Health (NBCH, www.nbch.org) represents these regional coalitions, and has over 50 members throughout the United States. NBCH recently introduced its "Value-based Purchasing Guide," a continually updated web-based resource for coalitions and employers seeking to practice a value-based approach to benefits purchasing. The Guide provides an overview of VBP strategies and case studies from around the country. Another tool developed and offered by NBCH to its members is evalue8, a platform through which healthcare purchasers can deploy a

common Request for Information to health plans, which provides detailed information on health plan operations and performance. Using evalue8, coalitions have been able to increase transparency around health plan operations, improve dialogue with health plans about opportunities for improvement, and successfully negotiate more competitive rates.

Many of NBCH’s members also serve as regional roll-outs for the Leapfrog Group on Patient Safety, another national VBP initiative organized by employers (www.leapfroggroup.org). Leapfrog was the purchaser community’s response to the Institute of Medicine’s report, To Err is Human, which estimated that as many as 98,000 Americans die each year in hospitals due to medical error. The Leapfrog Group used published literature to identify three safe practices that could significantly reduce errors and adverse events in hospitals: using a computerized order entry system, staffing the intensive care unit with intensivists (specially trained physicians), and engaging in evidence-based hospital referral (basically, not doing something at a hospital that has a low volume of cases for that procedure when a more experienced provider is available). The Leapfrog Group also adopted the National Quality Forum’s Safe Practices Score, a composite score of important practices associated with a higher degree of patient safety. Hospitals voluntarily participate in Leapfrog reporting by completing an annual survey, which is

summarized and reported in a standardized format on the Leapfrog Group's website. Consumers can use this information to identify safer hospitals, health plans can use the information in network development and contract negotiations, and hospitals have been shown to respond to the public reporting by trying to improve their safety and resultant scores.

Although employers and coalitions launched the VBP movement, the federal Centers for Medicare and Medicaid Services (CMS) is also adopting a value-based approach to buying benefits for public insurance programs. Two years ago, CMS implemented a list of non-payment events ("never events") for the Medicare population. The events on the list, such as surgery on the wrong body part, development of a stage 3 or 4 pressure ulcer, or retention of a foreign body post-surgery, are meant to be unambiguous, usually preventable, and serious. The non-payment events policy is intended to end a 40+ year policy under which hospitals were financially rewarded for doing the wrong thing (not that these things were purposely done, but there was no real incentive to implement systems to reduce their likelihood).

More recently, CMS also has announced a VBP program to reduce unnecessary 30-day hospital readmissions. Under the Patient Protection and Affordable Care Act (PPACA, or "health reform"), hospitals with excessive 30-day readmission rates for pneumonia, heart failure and heart attack will see a 1 percent reduction in their

Medicare revenues in 2013, and a 3 percent reduction in 2015. The list of conditions included in the measurement will expand over time. Hospitals throughout the nation now have increased incentive to measure and reduce their readmission rates, and many are scrambling to revamp their discharge planning, care transition and case management programs.

Bringing VBP to the Greater Philadelphia Region

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Unlike most major metropolitan areas in the United States, Philadelphia has not had a business coalition on health. However, efforts are now underway to launch a coalition in the region. Organized as a program under the Public Health Management Corporation, the Greater Philadelphia Business Coalition on Health (GPBCH) has as its mission, "to represent the employer community in working with healthcare providers, health plans, and other system stakeholders to improve the value of health benefit spending for its members, by improving healthcare quality and safety and reducing health care costs." Membership is open to all employers in the Greater Philadelphia region, including Philadelphia and the surrounding counties in Pennsylvania (Bucks, Montgomery, Delaware and Chester), southern New Jersey (Burlington, Camden and

Gloucester), and northern Delaware (New Castle). A category of “affiliated membership” is available for organizations and individuals who have an interest in the Coalition’s work but are not joining in a role representing an employed population.

GPBCH will seek to identify and adapt VBP initiatives that have already been successfully implemented in other regions, and to innovate within the Greater Philadelphia market to further demonstrate the effectiveness of VBP strategies. A steering committee, composed of GPBCH members, will be responsible for developing strategy, reviewing progress in meeting program objectives, and overseeing operations. GPBCH also will join the National Business Coalition on Health in order to gain access to NBCH tools and educational programs, and learn from other NBCH member coalitions’ experiences. Among the activities that are being planned for the Coalition’s first years of operation are:

- A Leapfrog Group on Patient Safety regional roll-out to create greater transparency in hospital safety (currently only 3 hospitals in the region voluntarily report).
- Creation of a regional report card for consumers on hospital and physician quality, safety and cost.
- Development and implementation of pilot projects in wellness (e.g., obesity prevention and treatment, or smoking cessation) and/or disease management (e.g., diabetes or asthma care management

programs).

- Development and implementation of pilot VBP projects (e.g., promoting minimally-invasive surgery over open procedures; reducing unnecessary C-sections for delivery).

Members also will be encouraged to attend monthly educational sessions on specific VBP strategies and results from around the nation.

Conclusion

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Employers nationally are struggling with the ongoing problem of escalating healthcare costs, and most of these employers are not even measuring the significant additional indirect costs associated with health-related lost productivity in the workplace. Cutting benefits and raising out-of-pocket payments (co-pays and deductibles) may provide some short-term relief, but evidence shows that these measures are likely to lead to higher costs, as employees delay or don't seek necessary care or don't adhere to physician recommendations and prescribed medications. While there is no quick fix, we can make significant strides toward improvement through a two-pronged approach: providing consumers with education and incentives to engage in healthy lifestyles and seek highly-effective preventive services; and ensuring that when consumers do encounter the

healthcare system, they receive safe, high-quality care. A growing body of evidence suggests that this value-based approach to purchasing health benefits can bend the cost curve and improve population health. Business coalitions on health are leading this charge, and representing the employer community in multi-stakeholder initiatives, in many markets; Philadelphia is long overdue for a similar effort.

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