

Total Cost of Care in Oregon's Commercial Market

March 2, 2017

Background: Q Corp

About us

- Independent, nonprofit organization
- Neutral, multi-stakeholder collaboration
- Celebrated our 16th anniversary

Mission

- To improve the quality and affordability of health care in Oregon by leading community collaborations and producing unbiased information.



Background: Claims Data Summary

Voluntary Contributions for all payers

80%

Fully Insured
Commercial
population

35%

Self Insured
Commercial
population

100%

Medicaid
population

92%

Medicare,
CMS

Background: Total Cost of Care



REGIONAL COMMITMENT. NATIONAL IMPACT.



The initiative was piloted by NRHI and RHICs in five regions. Their success led to the expansion to nine additional regions over the course of the project.

Pilot RHICs

Center for Improving Value in Health Care | Colorado
Maine Health Management Coalition | Maine*
Midwest Health Initiative | St. Louis, Missouri
Minnesota Community Measurement | Minnesota
Oregon Health Care Quality Corporation | Oregon

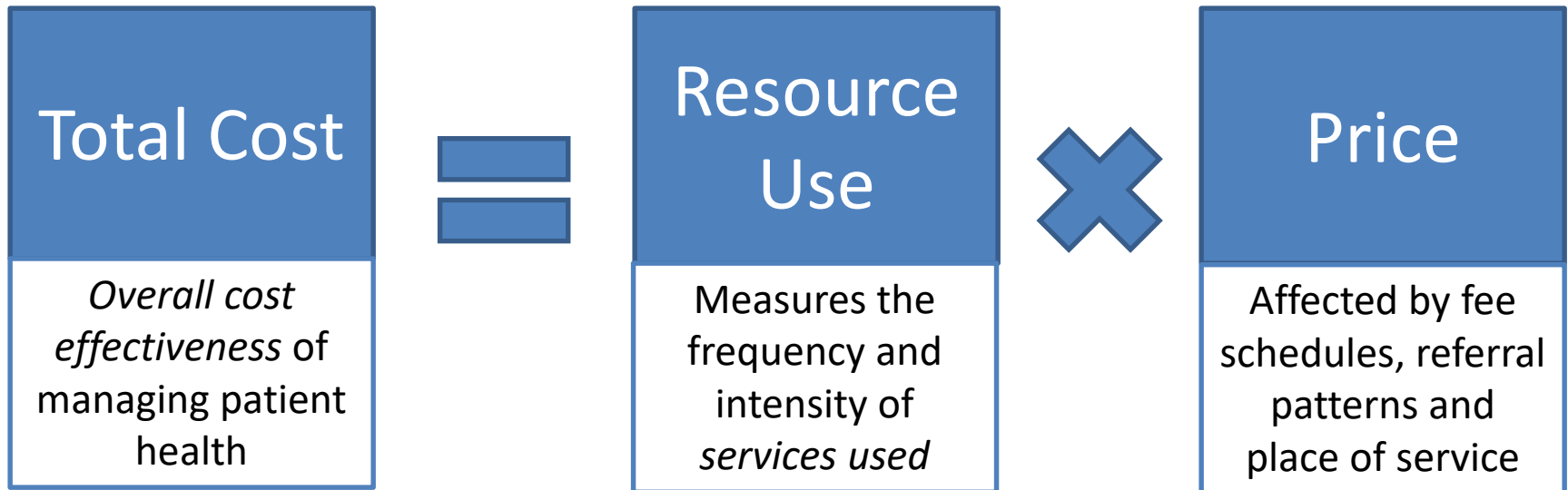
Expansion Regions

HealthInsight Utah | Utah
Health Care Improvement Foundation | Philadelphia
The Health Collaborative | Ohio
Maryland Health Care Commission | Maryland
Massachusetts Health Quality Partners | Massachusetts
The University of Texas Health Science Center at Houston | Texas
Virginia Health Information | Virginia
Washington Health Alliance | Washington
Wisconsin Health Information Organization | Wisconsin

**Phase I and II only participant*

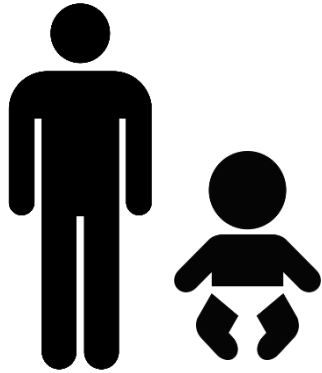
Q Corp's Total Cost of Care work is led by the 19 member, multi-stakeholder Cost of Care Steering Committee

HealthPartners Total Cost of Care Overview

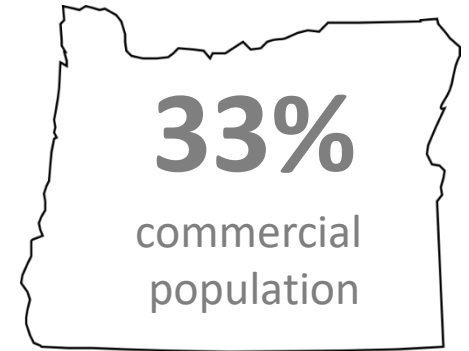


- Population-based measure of average per capita costs (or resources used) for a panel of patients. Costs are adjusted for risk and compared to a benchmark.
- Includes all services delivered – professional, inpatient, outpatient and pharmacy – and all payments made by insurer and patient (all allowed amounts).
- Measures endorsed by the National Quality Forum in 2012

Clinic Comparison Reports



Separate Adult and Pediatric reports
Commercial health plan patients



Data from 7 health plans

421,000+ covered lives

Cost, quality and utilization are compared to Oregon average

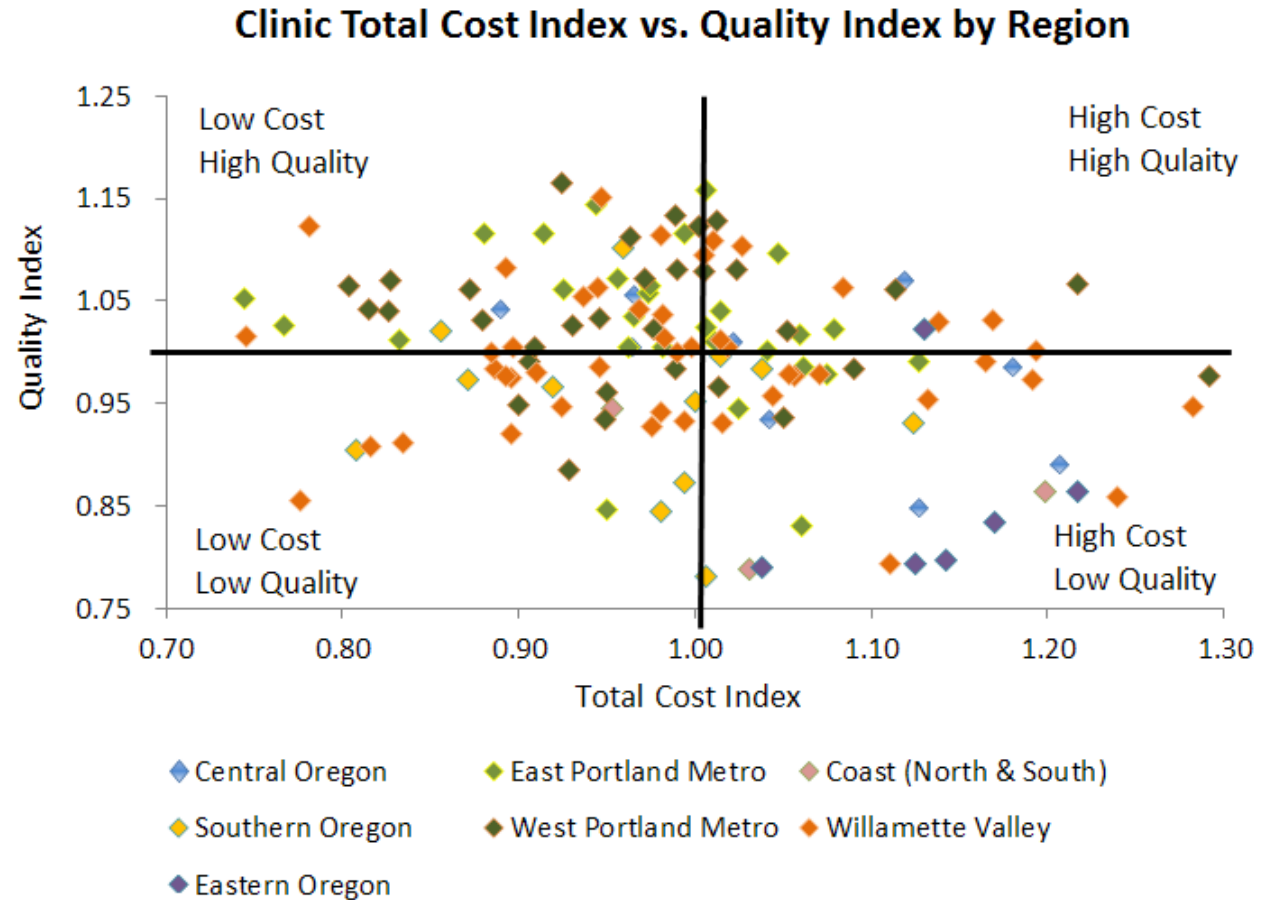
Delivered to 176 practices with 600+ attributed patients

Two rounds of reports – 2013 & 2014 – have been sent,
with plans for annual delivery going forward

Variation in Cost vs. Quality

Variation exists in quality and cost:

- Among clinics across the state
- Among regions around Oregon
- Among clinics within any region



Urban vs. Rural Clinics

- In general, rural clinics have higher costs
- Not all rural clinics are high cost; not all urban clinics are low cost
- Possible Factors
 - Higher provider compensation
 - Utilization of providers, facilities and equipment not optimized
 - Lack of access to certain services

National Benchmarking: Variation Exists



Total Cost Index and Resource Use Index: Commercial Population 2014 Combined Attributed and Unattributed

Measure	HI Utah	MHCC Maryland	MHI St. Louis, MO	MNCM Minnesota	Q CORP Oregon
Risk Adjusted Total PMPM Per Member Per Month	\$348	\$279	\$290	\$369	\$354
TCI Price x Utilization	1.07	0.86	0.89	1.13	1.09
RUI Utilization	1.08	0.88	1.08	1.05	0.93
PI Price Index	0.99	0.97	0.82	1.08	1.17

What's driving the variation?

Components of Medical Cost
Commercial Population 2014
Combined Attributed and Unattributed

Measure	HI Utah	MHCC Maryland	MHI St. Louis, MO	MNCM Minnesota	Q CORP Oregon
TCI					
Overall	1.07	0.86	0.89	1.13	1.09
Inpatient	1.45	0.62	0.82	1.12	1.08
Outpatient	1.15	0.67	0.97	1.09	1.17
Professional	0.94	0.90	0.76	1.26	1.16
Pharmacy	0.91	1.16	1.09	0.95	0.86
RUI					
Overall	1.08	0.88	1.08	1.05	0.93
Inpatient	1.57	0.63	1.03	1.01	0.85
Outpatient	1.21	0.52	1.25	1.07	0.99
Professional	0.93	1.05	0.96	1.07	0.97
Pharmacy	0.93	1.14	0.96	1.06	0.88
Price Index					
Overall	0.99	0.97	0.82	1.08	1.17
Inpatient	0.93	0.98	0.79	1.11	1.27
Outpatient	0.95	1.28	0.77	1.02	1.18
Professional	1.01	0.86	0.79	1.18	1.19
Pharmacy	0.98	1.02	1.13	0.89	0.98

Cost Drivers: Why are Oregon's Prices Higher?

Factors Affecting Commercial Unit Price:	Factors Affecting Utilization:
Provider market power	Health status (morbidity)
Health Plan market power	Physician practice patterns
Cost-shifting	Patient cost-sharing level
Regional cost of living	State mandates
Location of service	Providers in network

- In states with lower utilization rates the price of services is often increased.
- Cost-shifting: Medicare reimbursement rates are low in Oregon.
- Provider and Health Plan negotiation can play a role. Limited competition can lead to higher prices.

Priorities for Total Cost of Care

- Expanding to Medicare Fee For Service and exploring potential to expand to Oregon's Medicaid population
- Collaboration with local stakeholders to analyze spending trends across regions and payer types
- Develop tools to help stakeholders address costs
- Benchmark reports for 2015 & 2016
- Public reporting
- Spread to additional communities

Thank You

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Additional Material: Total Cost of Care Measure Calculation

Standardized and Adjusted For Risk

Costs per member per month (PMPM) are adjusted to account for patient characteristics.

- Patients are grouped based on diagnoses, age and gender using Johns Hopkins' Adjusted Clinical Groups (ACG) risk adjusters
 - One ACG per person per time period
 - 92 different ACGs active at a given time. Each ACG includes individuals with a similar pattern of morbidity
 - Unit of analysis is patient and not visit or service
 - Person-focused: captures longitudinal, multi-episode dimension of care
- Exclusions:
 - Costs over \$100k per patient for one year measurement period
 - Patients under the age of 1 or over the age of 65

HealthPartners Total Cost of Care

Total Cost Index (TCI)

Total Cost

Numerator

$$\text{Total PMPM} = (\text{Total Medical Cost}/\text{Medical Member Months}) \\ + (\text{Total Pharmacy Cost}/\text{Pharmacy Member Months})$$

Denominator

Risk Score

Rate Calculation

$$\text{Risk Adjusted PMPM} = \text{Total PMPM}/\text{Risk Score}$$

$$\text{TCI} = \text{Risk Adjusted PMPM}/\text{Peer Group Risk Adjusted PMPM}$$

Total Cost Relative Resource Values (TCRRV)

Calculation of “Weights” used for Resource Use Index

- Scale of values designed to evaluate resource use across all types of medical services, procedures and places of service.
- Each service is assigned a number of resource units (weights) using a CMS based approach for components of care:
 - Inpatient: MS-DRG (Medicare Diagnosis-Related Grouper)
 - Outpatient: APC (Ambulatory Payment Classification)
 - Professional: RVU (Relative Value Units)
 - Pharmacy: NDC (National Drug Code) Average Wholesale Price
- Services are effectively re-priced to standard values.
 - Adjusted to actual cost distribution across components of care.
 - TCRRVs are additive, as dollars are, across components of care.

HealthPartners Total Resource Use

Resource Use Index (RUI)

Resource
Use

Numerator

Resource PMPM = (Total Medical TCRRV/Medical Member Months)
+ (Total Pharmacy TCRRV/Pharmacy Member Months)

Denominator

Risk Score

Rate Calculation

Risk Adjusted Resource PMPM = Resource PMPM/Risk Score

RUI = Risk Adjusted Resource PMPM/Peer Group Risk Adjusted Resource PMPM