



BHCAG November 2011 Member Meeting

Presented by: Tina Frontera, Inspiration Health LLC



MYTHS, FACTS AND THE UNKNOWN: FOLLOWING THE MONEY IN HEALTH CARE



Today

- Understanding the Cost Basics
- New Terms, Approaches and Models
- Where Concepts and Reality Clash
- Financial Incentives and Flow
- Who is Saving/Gaining What and Where?
- What is Really Changing?
- What Can You Expect? When?
- What is the Timeline?
- Analyzing Progress

Continuum of Cost


Unit Price on Partial Procedures



Total Value



Understanding The Cost Basics:

- **Billed Charges:** Providers usual amount to payers.
 - **Allowed:** Payer considered total reimbursement.
 - **Paid:** Actually reimbursed by the payer
 - **Unit Price:** A single procedure/service
- 

Understanding the Cost Basics:

- **Grouped/Bundled:** Care with many services utilized by a person.
- **Per Member Per Year/Per Month:** Total cost incurred by a person.
- **Efficient/Utilization:** Amount of resources to provide care.
- **Risk Adjustment:** Accounts for sicker patients. ACG's a standard.
- **Diagnostic Related Group:** Inpatient hospital stay for condition.
- **Episode Treatment Group:** Multiple setting care for a condition.



Lets Follow the Money

- Colonoscopy Example
- Cataract Example

Let's Follow the Money

Asthma

Primary Care Clinic A \$5000

- Specialist B
- Lab C
- Hospital D

Primary Care Clinic A \$8000

- Specialist E
- Lab F
- Hospital G

Myths, Facts and The Unknown

Is The Cost Discussed Your Cost?

- Fact: The Devil is in the Data
- Myth: Grouped Cost Information is Always Better
- Unknown: Is the Cost Information You Get, the Cost Data You Want?

New Terms, Approaches and Payment/Cost Models

- **Baskets of Care:** Condition/Episodes of care with service definition.
- **Provider Peer Grouping:** Local effort-total or episode cost, plus specific quality
- **Ad Hoc Procedure/Diagnostic Grouping:** Standard or bootleg for various uses
- **Total Cost of Care (TCOC):** Provider's risk adjusted total cost of managing attributed population.
- **Relative Resource Use (RRU):** Method quantifies intensity of resources with and without actual pricing.
- **Value Measures:** Concept to include outcomes and health status.

Let's Follow the Money

Actual Total Cost Price

	Plan A	Plan B
Primary care system A	\$200 PMPM	\$400PMPM
Primary care system B	\$350 PMPM	\$300PMPM

Relative to a Standard Price

Primary care system A	.9	.9?
Primary care system B	1.2	1.2?

Relative to Each Other

Primary care system A	\$	OON
Primary care system B	\$\$\$	\$\$

Let's Follow the Money

- Consensus Process

 - Contracting

 - Computer Programming

 - Communication Materials/Reporting

 - Funding and Payment



Myths, Facts and the Unknown

Where Concepts and Reality Clash

- Myth: Agreement on Methodology is the Only Real Work
- Fact: The Devil is in the Implementation
- Unknown: Will These Be Measurement or Payment Changes?

Provider and Health Plan Activity

- **Accountable Care Organizations:** Affiliated provider groups accountable for a population
- **Care Systems:** A difference?
- **Care Redesign:** An improvement process
- **Disease Management:** Management of Specific Diseases
- **Patient Centered Models:** Focused on the needs of the Patient
- **Coaching Programs:** Focused on the needs of the individual
- **Network Products:** Tiered, Narrow, Designated, Preferred

Let's Follow the Money

- Typical Vendor Product Pricing
- Pay or Pend Logic
- Multiple bills, multiple providers
- Many little rates, one overall rate goal
- Rewarding providers before, during or after
- Employer banking
- Member EOB/Copayments
- When time runs out

Fact, Myth and the Unknown

The Emperors “New” Clothes?

- Fact: Efficiency, Quality, Education, Network and Care Management Programs Exist Today.
- Myth: The “new” will quickly be aligned, large scale, far reaching, uniform, repeatable, scalable, transferable, measurable and applicable to all.
- Unknown: How Can We Prevent These From Resulting in More Administrative Cost?



Financial Incentives and Flow/Translation For Purchasers

- A. Payment funding
- B. Medical Financial Risk
- C. Contracting and Payment Terms
- D. Administrative Risk
- E. Payment Determination
- F. Provider Ownership
- G. Regulations
- H. Administrative Operations
- I. Incentives, Shared Savings, Care Coordination Fees

Let's Follow the Money

- At the Contracting Table
- Meeting Business Goals
- What is Doable and Automatic
- What is Complicated and Compromised
- Give and Take Realities

Facts, Myths and the Unknown

Who is Saving/Gaining? What/Where?

- Fact: Suppliers Want to Gain, Purchasers Want to Save
- Myth: Savings in One Area Always Results in Savings in Total
- Unknown: Who Will Bear the Cost of Development Improvement Efforts?

What You Can Expect/What is Really Changing

- Timing: Activity Toward Mandated Timelines
- Cost: Analytics for New Cost Models
- Care Coordination: Certain Process Changes
- Industry Opportunities: Ventures, Alliances, Collaboratives



Let's Follow the Money

- Corporate Setting of Priorities
- Cost/Benefit of Each
- Implementation of the Most Beneficial
- Pushing from Each Perspective

Fact, Myth and the Unknown

Differentiating Process From Outcome

- Fact: Change Will Be Worked on to Improve
- Myth: Everything Will Be Improved at Once
- Unknown: Will the Processes and Improvements Be Large Enough?



Making Future Decisions/Analyzing Progress

- Cost: Value
- Reporting: Awareness vs. Meaningful Use
- Depth of Change: Scope and Impact
- Marketing: Concept Agreement vs. Reality



Let's Follow the Money

- Vendor Call
- Pitch
- RFP
- Response
- Actual Delivery

Facts, Myth and the Unknown

Marketing is Not Always Reality

- Fact: The Silver Bullet Has Not Yet Arrived
- Myth: A Press Release, Numbers and a Website Equals Substance
- The Unknown: How Much Time Will It Take For Impactful Substance?

Asking the Questions

- Is it already available for free?
- How is it different than what I am already paying for?
- How many are in the data? How old is it?
- What will be different for the patient?
- What will change administratively?
- What percent is commercial vs. Medicare, etc?
- What is not included?
- Give me a demo now, let me ask the questions.
- If I am not paying extra, who is?



More to Learn to Keep Ahead of the Curve

We are Evolving.....

tina@inspirationhealthllc.com