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Ensuring RHP Success: Paying for Outcomes – not Performance



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In this presentation I will discuss

- Why are we even talking about this issue of payment and quality. Money. But which individuals and conditions are we really talking about
- Basic Tenets of Pay for Outcomes
- Potentially Preventable Events (PPEs): The essence of paying for better outcomes
 - What data is used
 - What data is optional
 - How do the PPEs tie back to the RHP Plan and Medicaid Transformation in Texas

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How Do PPEs Support the Transformation Effort

- Reduces Medicaid payments for unnecessary and non-value added services
- Creates additional resources to redirect to higher value services and programs
- Improves provider performance by better aligning payments with outcomes
- Improves overall system accountability
- Moves away from paying for services and moves to paying for outcomes

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Medicaid

A look at who receives Medicaid and each group's share of the costs:

	% of enrollees	% of cost
65 and older	9%	21%
Disabled	18	
Adults under 65	23	45
Children	51	14
		20

Notes: Fiscal year 2010. Percentages may not total 100 because of rounding.

Source: Centers for Medicare & Medicaid Services, Office of the Actuary
Graphics reporting by **NOAM LEVEY**
Los Angeles Times

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The Dartmouth Atlas Findings – And Throughout the World

- There is considerable variation in use of services – both needed and potentially unnecessary services.
- The Dartmouth Atlas describes the challenge of potentially preventable services or events (often called waste which is inappropriate) — but does not present any solutions
- Potentially Preventable Events (PPEs) are in fact a positive response to the challenge posed by the Dartmouth Atlas. The PPEs are potentially- not absolutely- preventable. One can examine the event and its associated clinical logic down to the individual patient level.
- PPEs are a key part of paying for better outcomes – something all would like for themselves and their families

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Key Elements of 3M Pay for Outcomes (P4O) Methodology

- Potentially Preventable Events: classification of encounters/events in five major service areas that are potentially preventable and lead to unnecessary services or contribute to poor quality of care
- Payment adjustment based on provider PPE performance compared to state best practice norms
- P4O financial rewards and penalties should be determined based on a hospital's overall relative outcome performance and applied as an overall hospital payment adjustment, rather than as a patient-specific payment adjustment.
- The determination of the relative outcome performance of a provider must be risk adjusted to take into account patient severity of illness.
- P4O methodologies must be transparent, clinically precise, and comprehensive, with a uniform and consistent structure.

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What Are Potentially Preventable Events (PPEs)

A prime component of health care inefficiency and waste is the delivery of services that would be unnecessary if effective care was delivered.

- Unnecessary services often lead to a increased payment.
- In the context of a payer with a fixed expenditure budget, payments for unnecessary services result in lower payments to those providers who are delivering only necessary services.
- We have systematically identified and classified encounters/events in five major service areas that are potentially preventable and lead to unnecessary services or contribute to poor quality of care: collectively known as Potentially Preventable Events (PPEs).
- PPEs will never be totally eliminated even with optimal care. Therefore, proper risk adjustment and scoring is required in order to use PPEs in provider profiling and payment systems.

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Why are PPEs Important?

- Because they focus on the quality outcomes with largest clinical and payment impact
- Pay for performance link quality to payment
 - Process- *providers determine best processes and practices*
 - **Outcomes** – *what payers and consumers demand*
- **Paying for outcomes** gives providers direct financial incentives to eliminate payment waste by reducing preventable events
- Measure provider PPE performance and compare risk adjusted PPE rates to state norm (average or best practice)
- Provide performance reports to providers *containing actionable information* to foster improvement

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Clinical, Publishing and Current Use of PPEs

- The PPEs have been extensively vetted with many clinicians throughout the United States- and by a number of state hospital associations
- PPEs are extensively published in the peer-reviewed literature
- The PPEs are being used by approximately 15 states, a dozen commercial payers, and the federal government (Medicare Payment Advisory Commission).

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Potentially Preventable Events

- ER visits: just having available hours is not enough; the RHP must be rewarded for having fewer preventable ER visits; but they must be truly preventable
- Complications : PPCs focus on reducing rates of wide range of complications-different from HAC model
- Initial admissions: RHP needs to be rewarded for fewer preventable initial admissions
- Readmissions 30 days preventable readmission decreases should benefit RHPs (15 days for hospitals).
- Preventable ancillary services/ tests ordered including pharmaceuticals – a tremendous opportunity for improvement

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Data Used in the Calculation of the PPEs

- Standard available claims data submitted by hospitals, physician offices, long term care settings
- Pharmaceutical Data - if available
- Health Status information – if available
- Socio-demographic information – should always be tested. As much as possible risk for PPE should be differentially understood at the clinical level (e.g. seriously mentally ill individuals will frequently move)

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RISK ADJUSTMENT – IS KEY

- Cannot overemphasize the importance of comprehensive and detailed risk adjustment for EACH of the PPEs.
- A diabetic on insulin who is schizophrenic will have higher number of PPEs than a diet controlled diabetic

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Potentially Preventable Events

- Potentially Preventable Readmissions (PPR)
- Potentially Preventable Admissions (PPIA)
- Potentially Preventable Visits (PPV)
- Potentially Preventable Complications (PPC)
- Potentially Preventable Services (PPS)

Not all readmissions are preventable

Clinically related to initial discharge

Result of poor quality care, discharge disposition and/or, follow-up care

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Potentially Preventable Events

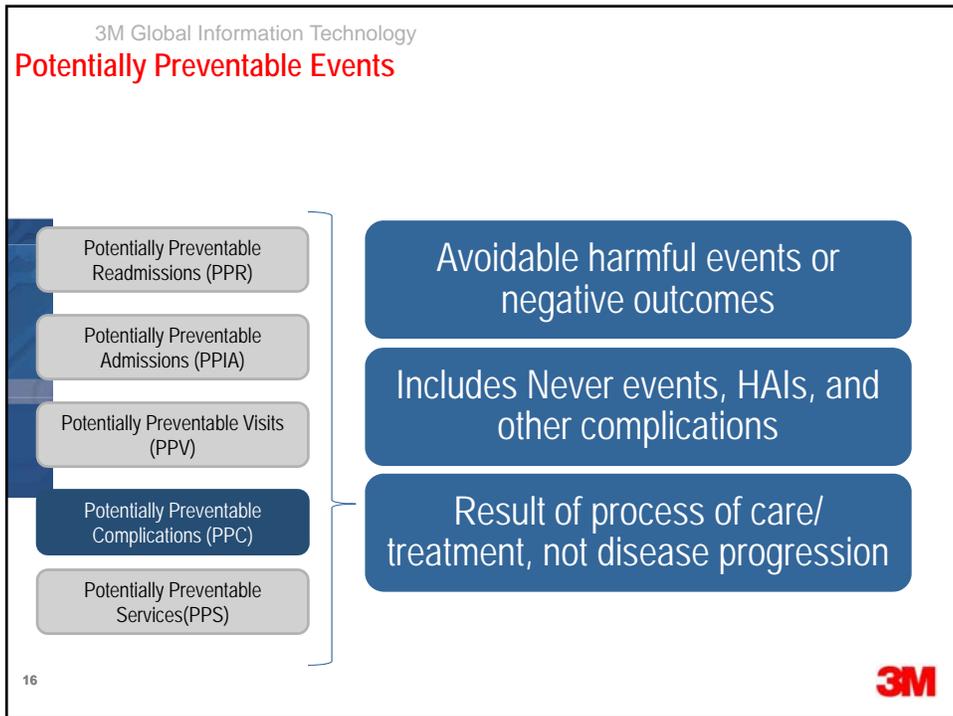
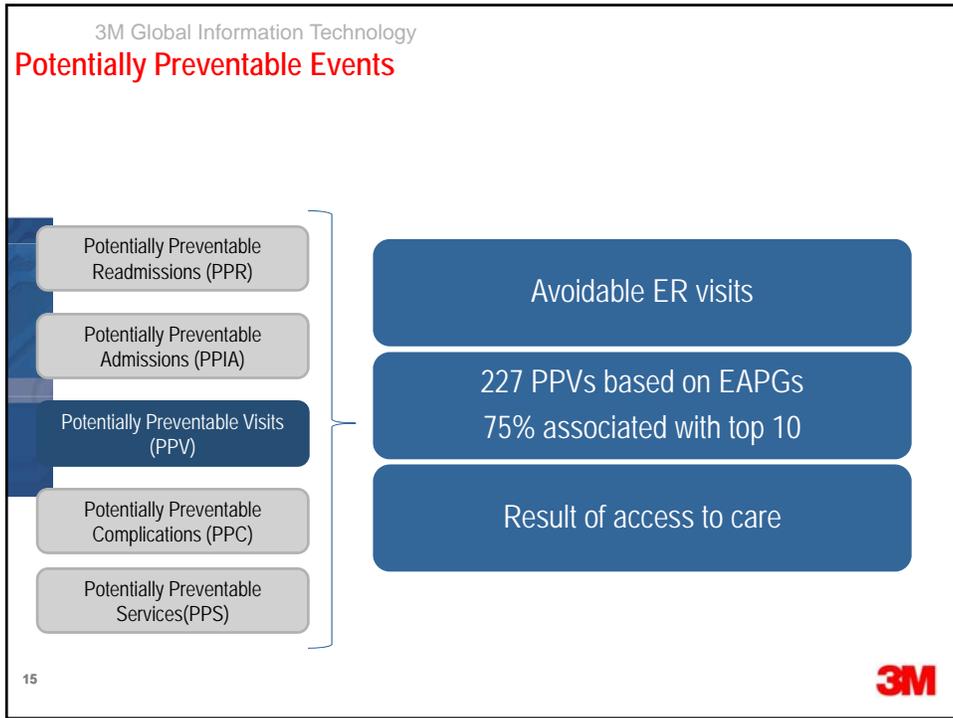
- Potentially Preventable Readmissions (PPR)
- Potentially Preventable Admissions (PPA)
- Potentially Preventable Visits (PPV)
- Potentially Preventable Complications (PPC)
- Potentially Preventable Services (PPS)

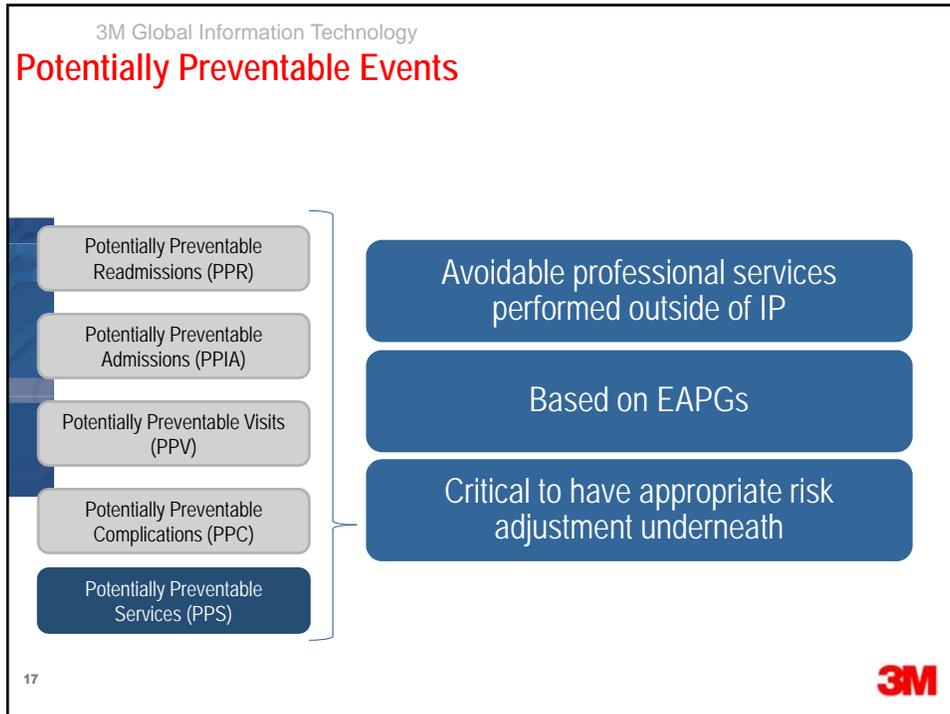
Avoidable hospitalizations and associated physician costs

3M-developed list based on APR-DRGs
More expansive than ACSCs

Result of inadequate access to care or adhering to treatment

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Why Should This Approach Work?

- This approach builds on the national and international experience in implementing the Diagnosis Related Groups (DRG) system, the most effective payment reform methodology of the modern healthcare era
 - Quality improvement and dollars saved can be quantified in advance.
 - Specifies a path to health reform that reasonably increases provider performance and insurance risk while
 - Allowing for physicians and hospitals to participate in the definition of innovation (e.g. medical home/ ACO) and the path
 - Key to this approach is the transparency of the payment reforms and clinical detail inherent in the DRG based methodology
 - Has worked well already in other states (MD, FL, NY)

Humility is necessary--leading to a variety of pathway options while relying on transparency and clinical detail to evaluate efficacy.

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Potentially Preventable Event Summary

- PPEs provide the sum total of the vast majority of immediately actionable events that are potentially preventable
- PPE outcomes are specified in the Regional Healthcare Partnership Planning Protocol
- PPEs can be drilled down from the group to the individual level-- and action plans can be developed and success tracked.
- PPEs need to be population risk adjusted
- PPEs can be used to measure the effectiveness and/or payment incentives of any RHP

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