



Brandeis University  
The Heller School for Social Policy and Management

## Health Care Cost Management in Massachusetts: A Discussion of Options

### Meeting #4: Delivery System Strategies

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### Conference Report

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# Delivery System Strategies: Geisinger Health System

Presenter: **Glenn Steele, MD, PhD**, President and CEO, Geisinger Health System

## Overview

Geisinger Health System – a physician-led integrated delivery network in Central Pennsylvania – is considered one of the nation’s most innovative healthcare organizations. Geisinger’s unique structure, strong market position, and culture of innovation have allowed it to implement effective patient care redesign initiatives that have improved both clinical and financial outcomes. Key initiatives include chronic disease care optimization, a medical home initiative, and a provider-driven, evidence-based pay-for-performance program.

Two factors have enabled the success of these initiatives: (1) a system-wide electronic health record (EHR) providing near real-time performance and outcome data; and (2) a wholly-owned health plan which has allowed Geisinger to test provider financial incentives designed to support reliable, efficient, high quality care.

While the Massachusetts market differs from that in Central Pennsylvania, Geisinger’s experience with redesigning care illustrates the importance of a strong information infrastructure with real-time decision support, a strong focus on evidence-based guidelines, and financial incentives designed to reward quality and efficiency.

## Context

In the fourth in this series of Health Industry Forum meetings on cost management, Dr. Glenn Steele, a surgeon and health system CEO, presented Geisinger Health System’s approach to redesigning health care delivery and reimbursement.

## Key Takeaways

- **Geisinger has used its unique structure, culture, and market position to achieve exceptional performance.**

Geisinger Health System is a fully integrated health service organization covering 41 counties in Central Pennsylvania. The system includes four acute care hospitals, specialty hospitals, ambulatory centers, 700 employed physicians (including 215 primary care physicians), and a wholly-owned health plan with 211,000 members. Geisinger is the dominant provider in this geographic market with a non-transient, aging population. The region is characterized by excess demand for health services, allowing Geisinger to invest in programs to reduce unnecessary hospitalizations without significant revenue losses.

While unique in many ways, Geisinger faces many of the same challenges as Massachusetts health systems: unjustified care variation, fragmented care giving, and perverse financial incentives based on units of work rather than patient outcomes. These

core issues became the focus of Geisinger’s care redesign effort, which led to four transformation initiatives:

- *Geisinger medical home.*
- *Transitions of care.*
- *Chronic disease care optimization.*
- *Provider-driven, evidence-based pay-for-performance.*

- **Through disease management optimization and risk-based pricing, Geisinger has improved quality and reduced utilization.**

Dr. Steele focused his remarks on the last two components of Geisinger’s redesign plan—chronic disease care optimization and evidence-based pay-for-performance.

### I. *Chronic Disease Optimization*

Chronic disease management efforts began with diabetes, and then expanded to coronary artery disease, congestive heart failure, hypertension, and more recently, prevention. For each area, relevant specialists were consulted to devise a list of best practices or “bundles” with corresponding performance targets. Compliance with these guidelines has been good; for example, a high percentage of primary care physicians are adhering to the diabetes bundle.

With access to both claims data and a system-wide EHR, Geisinger can track the improvement of participating patients over time. Dr. Steele noted that it is unlikely these chronic disease management programs will create an immediate financial return on investment; Geisinger continues to invest in the program because it is the “right thing to do.”

### II. *Provider-Driven Pay-for-Performance*

Another component of Geisinger’s transformation initiative is tying provider payments to outcomes. To do so, Geisinger created ProvenCare<sup>SM</sup> for acute episodic care. In contrast to traditional P4P programs, ProvenCare<sup>SM</sup> is focused on inpatient specialty care and is designed by physicians. The distinguishing element of this program is a 90-day “warranty”—a global payment covering all care for 30 days before and 90 days after an intervention including any related complications, readmissions, or follow-up care. ProvenCare<sup>SM</sup> involves real financial risk for the delivery system; cardiac surgery rates assume a 50% reduction in historical complications. The first ProvenCare<sup>SM</sup> program for cardiac surgery includes 40 distinct verifiable steps based on the AHA/ACC guidelines. At present, the system only contracts for ProvenCare<sup>SM</sup> rates with the Geisinger Health Plan.



*"We have a principle at Geisinger . . . you should only get paid if you do it right."*

— Glenn Steele

In the 18 months since the ProvenCare<sup>SM</sup> was implemented for coronary artery bypass graft (CABG) surgery, Geisinger has seen positive results. Clinical outcomes for CABG, including morbidity and complication rates, have significantly improved; readmission rates declined by 44 percent. Financial outcomes also improved; average length of stay dropped while hospital net revenue and contribution margin grew. Strong results have prompted physicians in other specialties to follow suit, and the program has now expanded to other procedures such as cataract surgery, angioplasty, and hip replacement, as well as for expensive biologics like erythropoietin (EPO) for chronic kidney disease.

▪ **The success of Geisinger's pay-for-performance program is driven by several factors.**

Dr. Steele attributed the success of Geisinger's P4P program to:

— *Choosing the right starting point.* The program intentionally started with CABG, which had the benefit of a pre-existing set of best practices already ratified by national specialty organizations. Using CABG also allowed Geisinger to test the new approach on a service that was financially important to the health system, but that also had relatively strong baseline performance, allowing Geisinger to focus on moving outcomes from good to better.

— *Involving key physicians.* Dr. Steele noted that the program would not have succeeded without the support of key specialists and subspecialists. Geisinger had a highly respected physician champion the CABG effort.

— *Establishing unambiguous criteria for inclusion.* It was critical that ProvenCare<sup>SM</sup> be based on well-defined, evidence-based, criteria that were specific enough to rule out patients not indicated for surgery.

— *Supporting patient activation.* Geisinger developed a "patient compact" to engage patients as partners in their care process. In addition, an education work group revised all patient education materials to help patients comply with the ProvenCare<sup>SM</sup> process.

▪ **Owning a health plan enables innovation and risk taking.**

Geisinger is an open system and receives 70% of revenues from non-Geisinger Health Plan (GHP) patients. Nevertheless, a wholly owned health plan has been critical to innovation; according to Dr. Steele, most innovations occur at the "sweet spot" where the provider side and insurance side overlap. The health plan allows the Geisinger to experiment with provider financial incentives with substantially less overall financial risk than would be possible with external payers. Although Geisinger does not currently contract with external payers using ProvenCare<sup>SM</sup>, it does market the ProvenCare<sup>SM</sup> results as it works with employers and third party payers.

▪ **An electronic health record (EHR) is essential to improving care quality and reducing costs.**

In 1995, Geisinger invested \$80 million to implement the Epic<sup>®</sup> EHR to provide connectivity across its three hospitals, 40 community practice sites, and 1,000 non-Geisinger practices. The system also connects patients via a Web-based patient portal.

The investment yielded two major benefits. First, the EHR enabled an operational turnaround, helping to reverse years of significant financial losses. Following the turnaround, Geisinger has used real-time data provided by the EHR to support its patient care redesign.

*"You can't deliver this kind of care without near real-time data."*

— Glenn Steele

▪ **Geisinger's strategy required redesigning roles and shifting some care to non-physicians.**

In order to engage primary care physicians in care redesign, nurses – funded by Geisinger Health Plan – were embedded in community practice sites to support Geisinger's medical home initiative. Once socialized into the practices, these nurses were able to improve the effectiveness of care. As Dr. Steele put it, "savings come more from managing *care* than managing *costs*."

There has also been a conscious effort to shift some routine care from doctors to nurses, physician assistants, and nurse practitioners to improve efficiency and allow physicians to focus more time on complex patients. This shift is supported by the EHR including best practice alerts to help standardize decision-making.

*"The more we get the routine care away from the doctors, the quicker the improvement."*

— Glenn Steele

## Other Important Points

▪ **Consumers ignore data.** Pennsylvania has a strong history of making provider outcomes data available to the public. However, research suggests that such data has little, if any, impact on consumers' choice of health care providers.

▪ **Patient activation challenging.** The "weak link" in Geisinger's patient care redesign is patient engagement. Currently, the EHR includes basic patient tools, such as diabetic report cards tracking key values (e.g., cholesterol, blood pressure). Geisinger has brought in experts to better understand patient motivations and help engage them in managing their own chronic diseases.

▪ **Potential markets.** Geisinger has begun to explore new markets for programs like ProvenCare<sup>SM</sup>, including employers, other providers, and other insurers. Large employers and unions, in particular, have shown interest but have not yet moved forward. Dr. Steele characterized them as extremely risk-averse.



# Delivery System Strategies: Participant Roundtable

Presenter: **Jim Roosevelt, Jr., JD**, President and CEO, Tufts Health Plan

## Overview

Leaders from across the health care community agree that addressing the cost management problem will require a combined strategy of reengineering the current care delivery system and fundamentally restructuring the reimbursement system. There is consensus that the current fee-for-service model must be replaced, but questions remain as to what the best alternative is (a return to capitation, provider-driven pay-for-performance, or other models). Participants acknowledged the challenge of gaining buy-in for non-traditional payment programs in a risk-averse marketplace.

## Context

Following Dr. Steele's presentation, Jim Roosevelt began the roundtable discussion by highlighting recent Tufts Health Plan initiatives to improve quality and reduce costs. The discussion that followed explored the applicability of Geisinger's experience to the Massachusetts health care market.

## Key Takeaways

### Mr. Roosevelt's comments:

- **Massachusetts health care leaders recognize the need to reform the payment system but continue to struggle with the best way forward.**

The unique nature of the Massachusetts market—namely, the predominance of academic medicine and the shared provider networks among all major payers—creates an environment where quality standards are increasing. Like Geisinger, Tufts Health Plan and other major players in Massachusetts are working to reduce variation and improve outcomes through greater use of evidence-based guidelines. Tufts also shares Geisinger's commitment to medical informatics, and is in the midst of discussions on whether and how to share electronic health records (EHRs) across medical communities.

The biggest challenge for Massachusetts is controlling health spending. Health industry leaders across the state have discussed the need for a new payment system, but a consensus on what that system should look like has yet to emerge.

Some health plans are exploring pay-for-performance. There is also some interest in revisiting capitation. Mr. Roosevelt noted that although capitation has been pushed to the margins in Massachusetts, a few highly capitated programs such as the Tufts Senior Plan remain.

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*"Contrary to popular belief, capitation. . . never completely went away."*

— Jim Roosevelt, Jr.

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Mr. Roosevelt believes capitation can be a viable option for both reducing cost and improving quality, as long as the right infrastructure is in place. Still unclear is whether providers have the appetite for creating this infrastructure.

### Participant Discussion:

- **Large-scale care redesign is impossible without fundamentally changing the reimbursement system.**

Dr. Stuart Altman, noting continued skepticism in the payer community as to whether care coordination and disease management actually yield cost savings, asked whether Geisinger-like care redesign is possible within the existing fee-for-service payment system. Dr. Steele responded, "The answer is no." In Dr. Steele's opinion, effective patient care redesign requires fundamental change in the financial incentives facing providers.

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*"I don't see essential change occurring as long as we continue to get paid for units of work."*

— Glenn Steele

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Geisinger was able to achieve exceptional results without moving to capitation. Through its ProvenCare<sup>SM</sup> program, Geisinger takes risk, but on an episodic basis. Dr. Steele noted that Geisinger moved away from capitation many years ago because it was too difficult to simultaneously manage both capitation and fee-for-service.

- **Provider-owned health plans face many challenges, but can help enable delivery system redesign.**

Charlie Baker noted difficulties providers face in owning and operating health plans—conflicting missions and conflicting financial objectives—and questioned how Geisinger manages the tension between the provider and health plan sides of its business.

Dr. Steele acknowledged the potential for conflicts, but noted that the system has taken steps to mitigate tensions:

- *Resizing community practices.* Initially, Geisinger's owned primary care practices were too large relative to the amount of tertiary care they were creating for the system. Reducing the size of this network allowed them to better balance margins across primary and specialty care.
- *Expanded payer base.* Geisinger made a decision to move away from a closed Kaiser-type model to open access to all interested payers. It intentionally reduced the share of Geisinger Health Plan from about 70% of system patients previously to



about 30% today. This ratio helps ensure that its providers remain responsive to the external market.

Geisinger's commitment to its health plan is fueled by a belief that the plan enables its innovation strategy. With a wholly owned insurance plan, Geisinger can experiment with new financial models to support health care redesign without the level of financial risk it would face with external payers. This culture of innovation also has the benefit of attracting creative leaders to the system who are passionate about driving change.

▪ **Convincing risk-averse employers to support new payment mechanisms is difficult.**

Dr. Steele noted the difficulty of selling new programs like ProvenCare<sup>SM</sup> to the broader market. In particular, large employers and unions have been averse to change; they remain largely unmoved by data demonstrating improved quality and don't want to be perceived as reaping cost savings on the backs of employees or union members.

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*"Big business talks the talk, but in the end is very risk-averse."*  
— Glenn Steele

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It will take repeated exposure to get employers to recognize the value of these initiatives. In the interim, the best approach may be to "triangulate"— seeking the support of insurance companies serving as third-party administrators.

- **The importance of marketing.** Noting the strong negative connotation many providers and patient advocates associate with words like capitation and gatekeeper, Dr. Steel quipped "doesn't medical home sound a lot nicer?" He recommended finding a new term if capitation is to be reintroduced broadly in Massachusetts.

**For more information about this series:**

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