

Beyond Medicare: Local Market Facilitators and Barriers for Accountable Care

Using a Global Budget with Risk Sharing to
Drive Cost Savings and Improved Quality

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Background

- Blue Shield of California (BSC) covers over 3 million members and has revenues of over \$11 Billion
- For the last 10 years BSC and Kaiser have been the primary HMO options for the CalPERS program.
- BSC covers 400,000 CalPERS members
- As Chief Actuary I oversaw Corporate Development, Analytics, Treasury and Actuarial

Goals of the Program

- In 2008 rising medical costs threatened to make commercial health insurance products unaffordable in California
- Average premium for a family of 4 was projected to consume 24% of the median family income in 2013 and 30% by 2020.
- A long term goal was to reduce medical trend to no more than average wage growth

Sacramento Pilot

- BSC, CalPERs, Hill Physicians and Dignity Health initiated a pilot for 40,000 members
- Target was to reduce the current trend rate from a 9%-10% range to 0% for the first year and target a 4%-5% trend in subsequent years.
- Close to a “controlled experiment”.
- The program delivered \$15.5 million in savings to CalPERs and an additional \$5 million sharing for the partners in the 1st year (2010)

The Business Model

Service Category	Target (pmpm)	Hospital Risk Share	Physician Group Risk Share	Plan Risk Share
Hospital services (provider partner)	\$115	50%	25%	25%
Hospital services (non-partner)	\$25	20%	30%	50%
Physician services	\$90	20%	50%	30%
Ancillary services	\$10	20%	30%	50%
Pharmacy card	\$50	10%	45%	45%
Total cost	\$290			

Enablers of Success

- Clear roles that leveraged strengths between hospital, physician group and plan
- Trust, transparency and **aligned incentives** with the partners
- Shared clinical and case management information
- Dedicated project management and clinical intervention team
- Rigorous tracking of results – real time

Barriers to sustaining success

Challenge	Mitigation
It is very people intensive to make real time integrated data available to support the initiative	Health data exchange and automated processes. Need industry partners for required scale.
Evidence based medicine entails complex decision trees and has become challenging to follow consistently	Decision support tools being developed for physicians which provide transparency
Many other initiative with their own requirements: Medicaid expansion Duals' pilot Exchange initiatives Varied commercial initiatives Medicare Medicare ACO Medicare Advantage	Need to leverage initiatives that support multiple populations and infrastructure Providers are picking their health plan partners area of focus

Building on Success

- BSC expanded to 12 sites at year end. Results for City and County of San Francisco have also been very consistent with the CalPERs results
- PPO implementation has been on a slower implementation timeline
 - There is less infrastructure to build on versus organizations set up to manage capitation
 - Stakeholders have been resistant to change in areas where HMO penetration is low
 - Quicker adoption to add in PPO members to successful pilots

Critical Success Factors

- Significant risk and reward incentives!
- Transparency, trust and a commitment to affordability
- Real time data on the population at risk
- Dedicated analytic and program management resources
- Focus on the total cost of the population

Where you can learn more

- Society of Actuaries, Health Section, Health Watch May 2013 <http://www.soa.org/news-and-publications/newsletters/health/pub-health-section-newsletters-details.aspx>
- Health Affairs, September 2012 Health Aff September 2012 31:91969-1976; <http://content.healthaffairs.org/content/31/9/1969.full?sid=e87eeb27-6779-4b89-8e72-d506542de9b1>