Value Based Payment: Inpatient Admissions
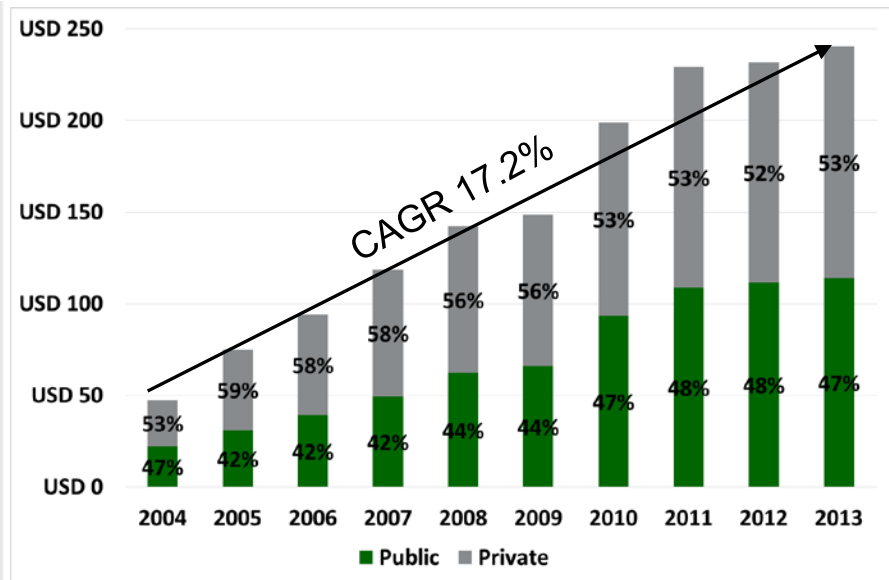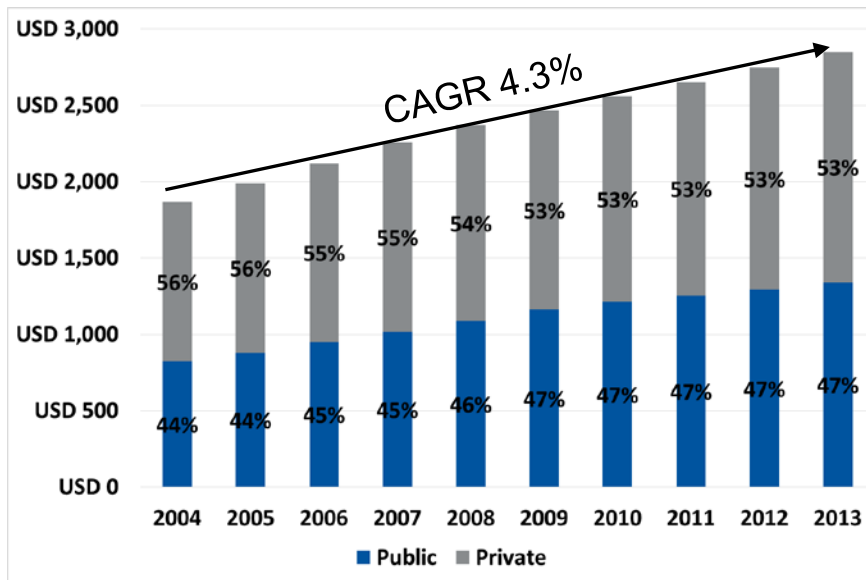
Sarah Dye
Vice President, Operations and Affordability
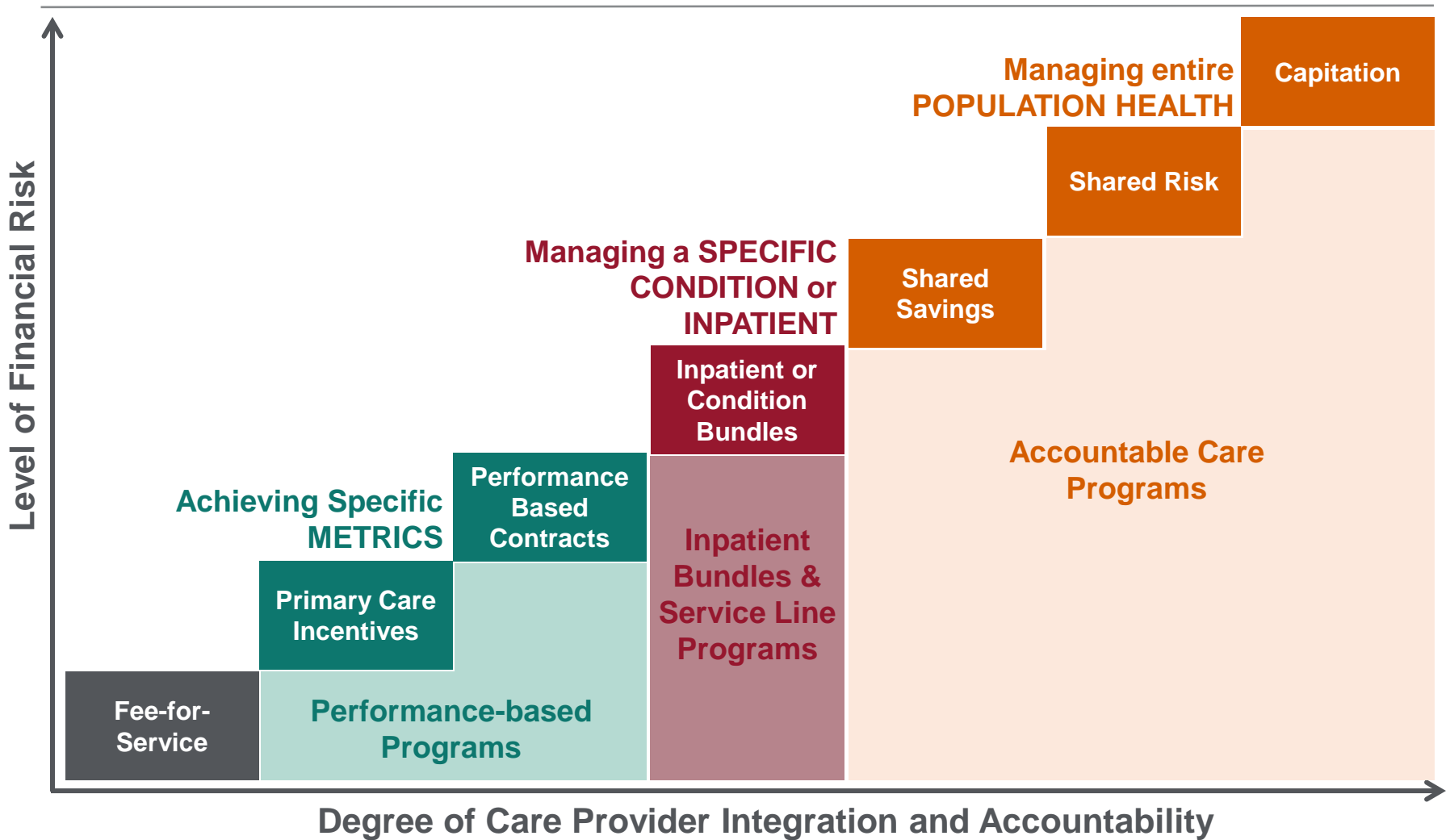
Payment Reform is a Critical Step to Controlling Health Care Costs

Annual Health
Expenditure
(USD in Billions)

Value Based Payment is a Journey

Aligned Incentives Generate Savings and Improve Clinical Outcomes

Monarch Pioneer ACO* produced substantial savings for Government Payer *and* paid participating physicians bonuses

| Key Operating Indicators	FFS (2011)	ACO PY3 (2014)	MA** (2014)
Acute Admits/K	282	194	170-180
Acute Days/K	1,408	955	750-850
Acute Readmit Rate	18%	14%	10-12%
SNF Admits/K	136	90	60-70
SNF Days/K	4,225	2,334	800-900
SNF Readmit Rate	17%	10%	11%

Same Population

Different Population, Same PCPs

* Medicare patients
** "Medicare Advantage" = Medicare HMO products

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4

Inpatient Costs are Nearly 50% of Total Health Care Costs in Brasil
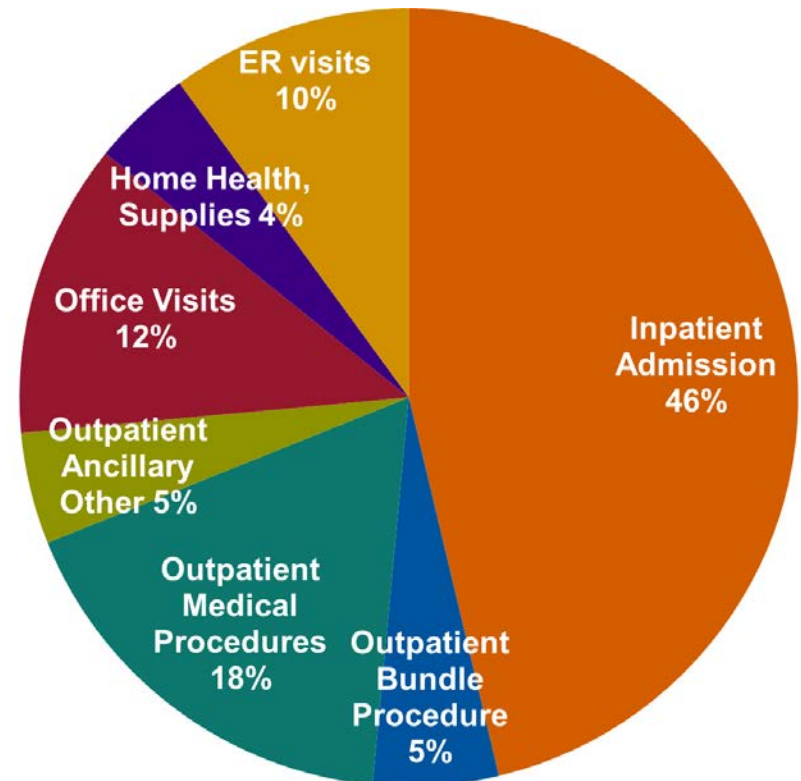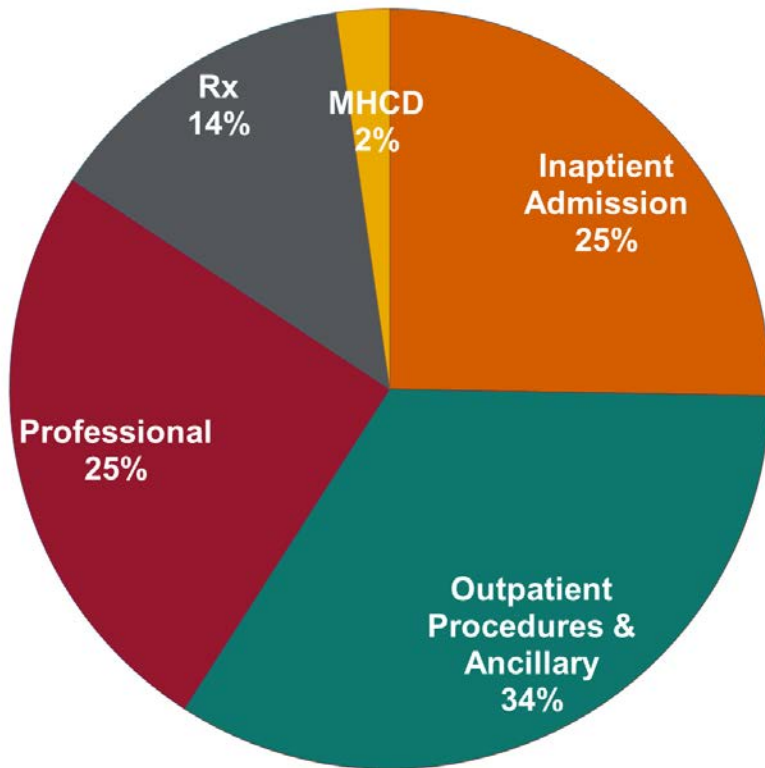
1. Based on actual experience from a larger private payer in US
2. Based on actual experience from a large private payer in Brasil

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CMS Prospective Payment System Results

- **Hospital Cost Trend:**

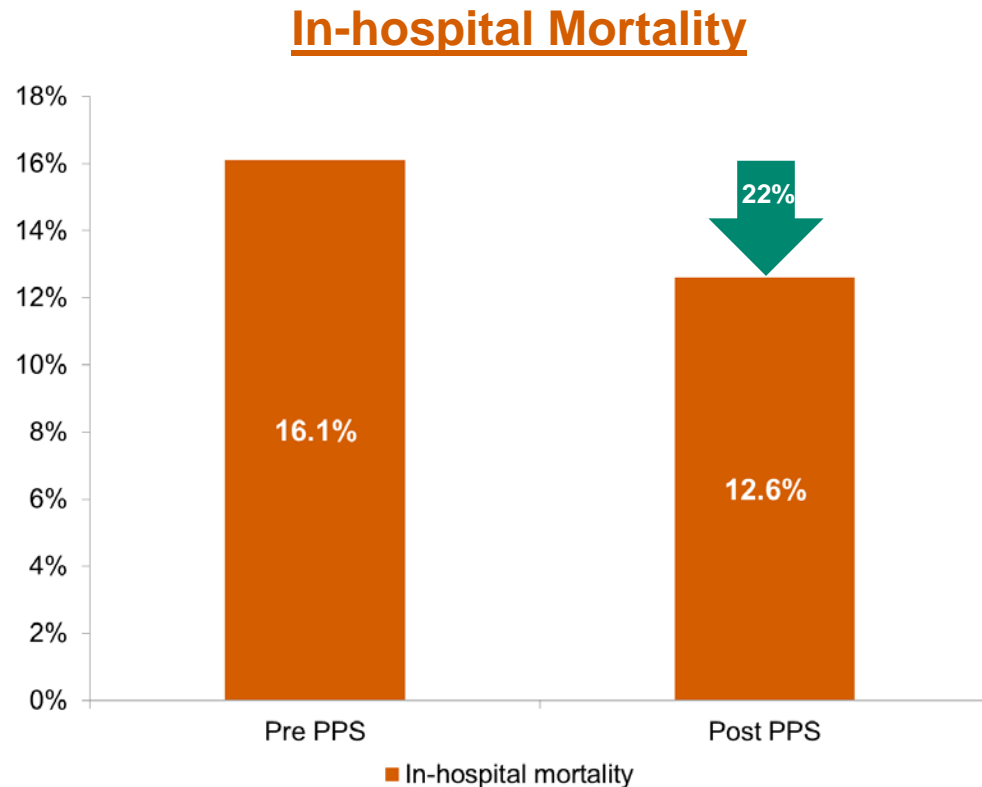 Almost a 2 percentage point reduction in trend for New Jersey implementation when compared to national average: 1.4% vs. 3.1% [1]

- **Length of Stay:**

  Decrease of 24% in a sample of 14,012 Medicare patients [2]

- **In-Hospital Mortality:**

  Decline from 16.1% to 12.6% [2]

In-hospital Mortality

1. Hsiao, Sapolsky, et al., Health Affairs, 1986
2. Kahn, Keeler, et al., JAMA, 1990

Optum is a U.S. leader in Building and Implementing New Models

1. People
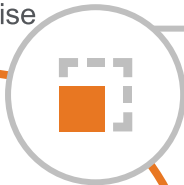Unmatched health care expertise
80,000 professionals

4. Action
Scale to mobilize and achieve results globally

Powering Modern Healthcare

2. Technology
Comprehensive solutions
System-wide scale serving the unique needs of health care

3. Data
Insights that drive decision
Two decades of longitudinal data

Helping:

170 million U.S. lives
served by Symmetry episode treatment groups

18 federal agencies
deliver technology enabled health care

1 million people
receive home visits to guide them to the right care

Process 500k documents
per day by computer-assisted coding

4 out of 5 U.S. Hospitals
use our products & services to provide the right care

2 million people
access care at local care delivery clinics

25 million people
receive services in international markets

Tens of thousands
of physicians leverage our data platform to provide smarter care

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Inpatient Grouper Designed for Brasil's Data and Health Care System

1

Mapped the Inpatient Groups

- Identified and built over 500 clinically homogenous groups based on 1.3 million admissions over 1 million members across 3 years

2

Built the Resource Intensity Index

- Built a regression model to calculate a resource intensity index for each IPG
- Weight of 1.0 represents an average admission

3

Validated with Clinical Experts

- Quality assurance review and validation with Brasil clinical experts

4

Implemented

- IPG based reimbursement processes with initial hospitals
- New analytics processes with severity risk adjusted to provide comparisons

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IPG Example: Angioplasty with Complication [1]
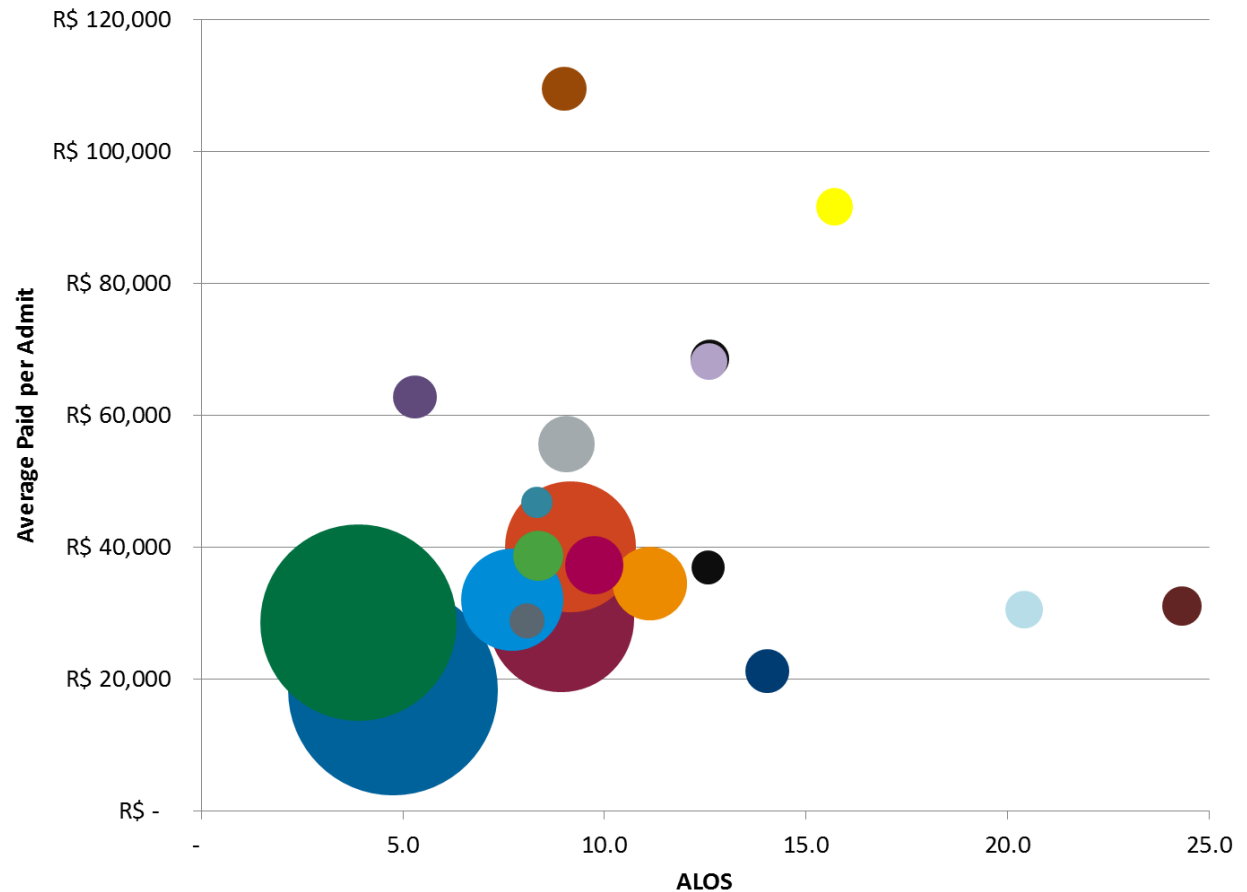
- **Top 20 Hospitals:**

  Nearly 90% of total admissions

- **Average Length of Stay range:**

  3.9 to 24.3

- **Average Paid per Admit range:**

  R$18K to R$109K

*Size of bubble represents volume of admissions

1. Based on 2014 admissions for a larger private payer in Brasil

Inpatient Grouper Project Status

Reimbursement

- **Initial Implementation:**

  In process of implementing IPG reimbursement in a handful of Brasil hospitals by the end of 2015

- **Expansion:**

  Plans to significantly increase the scope of admissions covered by IPG reimbursement in 2016

Analytics

- **Data Warehouse:**

  IPG is built into client's data warehouse and already being used as a method to case-mix adjust when comparing hospitals or groups of membership

- **Analysis**

  Leverage the output of analytics to inform business decisions (contract negotiations, network configuration, etc.)

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Challenges to Advanced Payment Models in Brasil

Data Accuracy
- Lack of diagnosis codes in claims submission is a challenge in properly coding severity of illness and comorbidity
- Inconsistent coding of procedures creates difficulties in mapping
- Incomplete cost data outside of private insurers limits ability to validate resource intensity in the public sector

Outpatient Data
- No diagnosis codes in claims data
- Electronic clinical data not currently in a standardized format that could be used for groupers
- Cost data not complete especially in the public sector

Quality Metrics
- Due to lack of clinical information quality metrics are difficult to build into any advanced payment information
- Lab result data often incomplete and not connected to member visit
- Drug prescription data difficult to obtain

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Better Together: Creating Value and Transforming Markets

Market Success Factors

Aligned Incentives → Reward Results

Coordinated Care Across Market → Timely Exchange of Actionable Data

Accurate Data → Increase Accuracy of Payment Model

Financial Discipline & Sustainability → Measure, Manage & Monetize

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