Health System Transformation and National Health Reform 2.0

Stephen M. Shortell, PhD, MPH, MBA
Blue Cross of California Distinguished Professor
of Health Policy and Management
Director, Center for Healthcare Organizational
and Innovation Research (CHOIR)
School of Public Health
University of California, Berkeley

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On The "CUSP" of a Breakthrough?

NAM's Vital Directions for Health and Health Care Series

- Increasing Demand and Unsustainable Costs
- Lack of Alignment – Payment, Providers, Patients
- Many Innovations – Payment, Technologies, Precision Medicine/Public Health, Delivery Models, Patient Engagement
- Population Health, Wellness, Prevention

Crossing the Quality Chasm 2001

CARE SYSTEM

Supportive payment and regulatory environment

Organizations that facilitate the work of patient-centered team

High performing patient-centered teams

- Outcomes:
- Safe
- Effective
- Efficient
- Personalized
- Timely
- Equitable

REDESIGN IMPERATIVES: SIX CHALLENGES

- Redesigned care processes
- Effective use of information technologies
- Knowledge and skills management
- Development of effective teams
- Coordination of care across patient conditions, services, and settings over time
- Use of performance and outcome measurement for continuous quality improvement and accountability

Source: Institute of Medicine. "Crossing the Quality Chasm." *National Academy Press.* 2001. 127.

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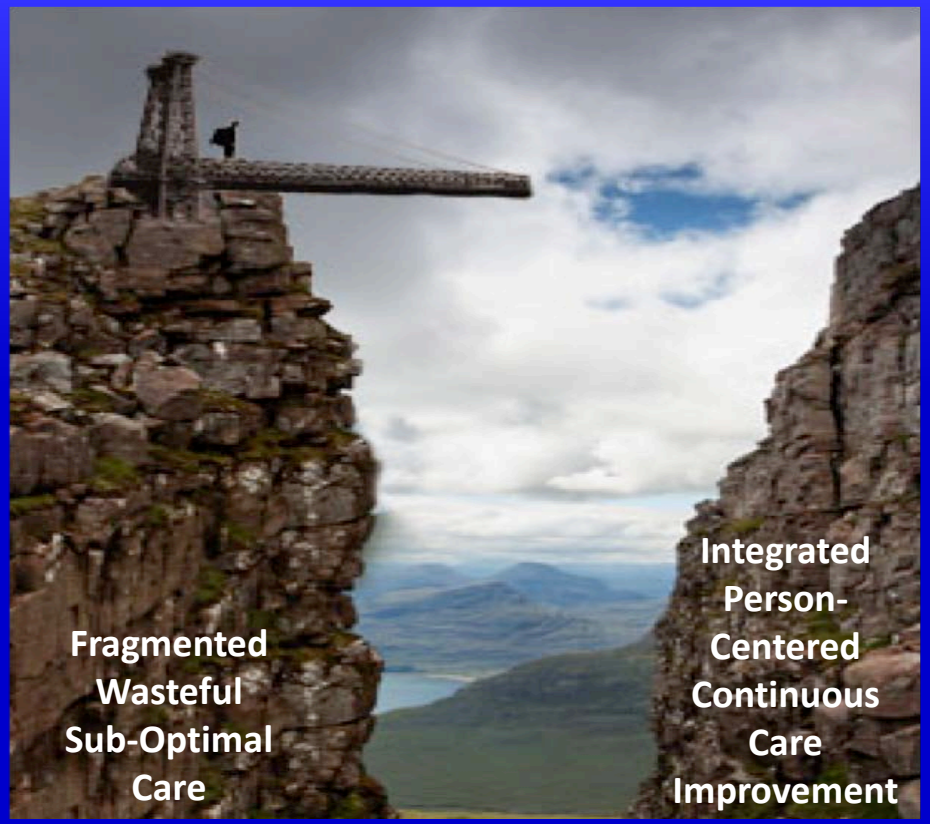
We Have Started to Build the Bridge

But...



Will We Get to the Other Side?

OR

Will it be a Bridge to Nowhere?

We Retreat to the Old Legacy Organizations and Payment Systems of the Past Two Centuries

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Slaying a sacred cow

"Form Follows Function"

Maybe Does Not Work When Faced with Major Turbulent Changes such as those Associated with Health Care Reform

Instead

Need to Change the Form First to Facilitate Changes in Care Delivery

The Accountable Care Organizations (ACO)

Entities that Accept Accountability for the Cost and Quality of Care provided to a defined population of potential patients

KEY:

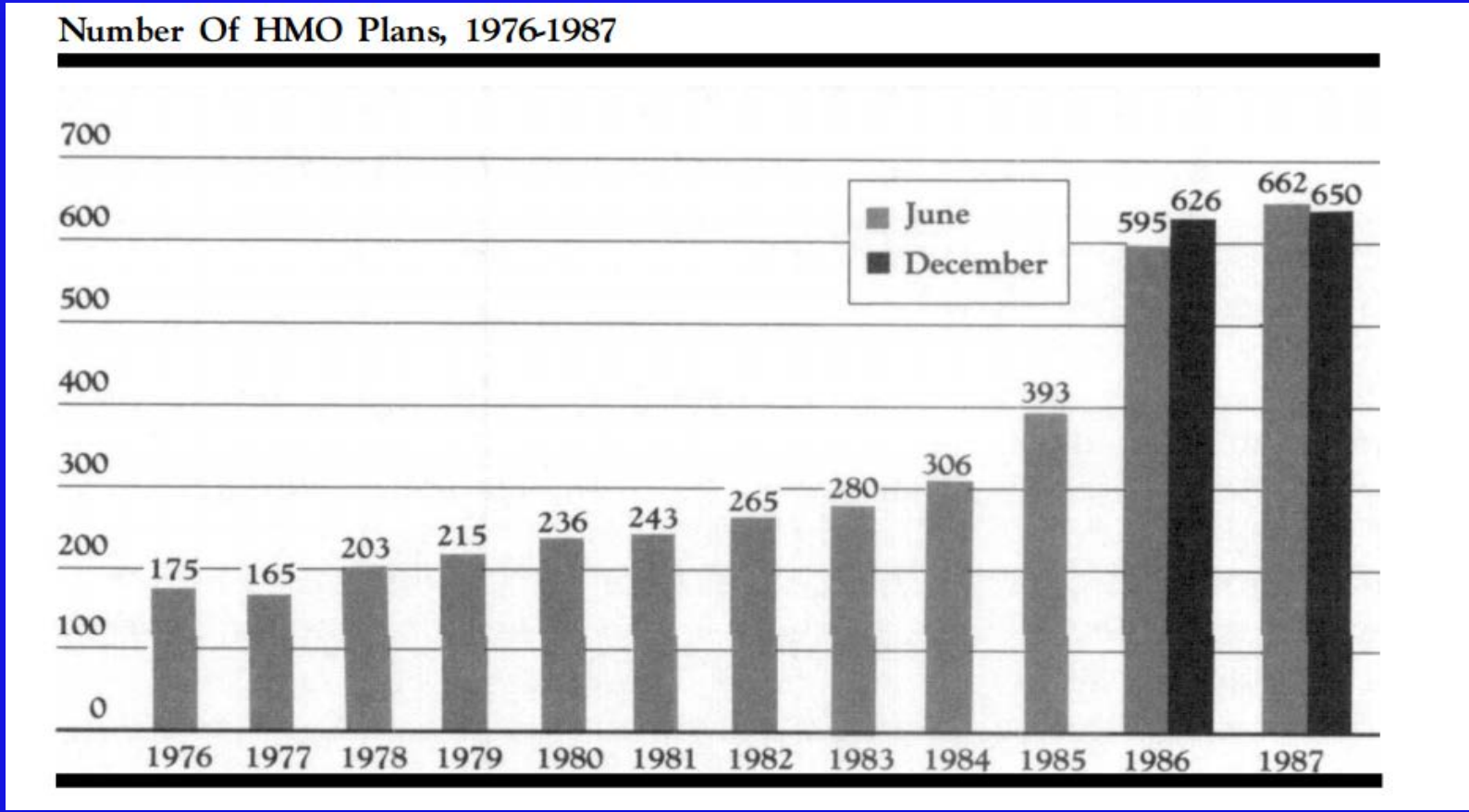
Is Calibrating the Co-Evolution of Payment Reform and Delivery System Reform.

The Incentives with the Capabilities to Address the Incentives to Succeed Under Them.

"Payment Reform and Delivery Reform are like a pair of skis. Policymakers often want to see immediate results and push the policy ski as far forward as possible, but forget about the lagging delivery ski. If progress in Payment Reform is not matched by progress in Delivery Reform, the misaligned skis will cause a crash or, in this case it will cause ACOs to leave the voluntary program and revert to Non Value-Based Models"

D. Muhlestein, R. Saunders, and M. McClellan, "Medicare ACOs Results for 2015." *HealthAffairs Blog, September 9, 2016 , healthaffairs.org/blog/2016.09.09/*

ACOs Have Grown more Extensively and Rapidly in the 21st Century than HMOs did in the 20th



Source: Gruber, L.R., Shadle, M. and Polich, C.L. "From movement to industry: The Growth of HMO" *Health Affairs* . 1988. 7 (3) : 199.

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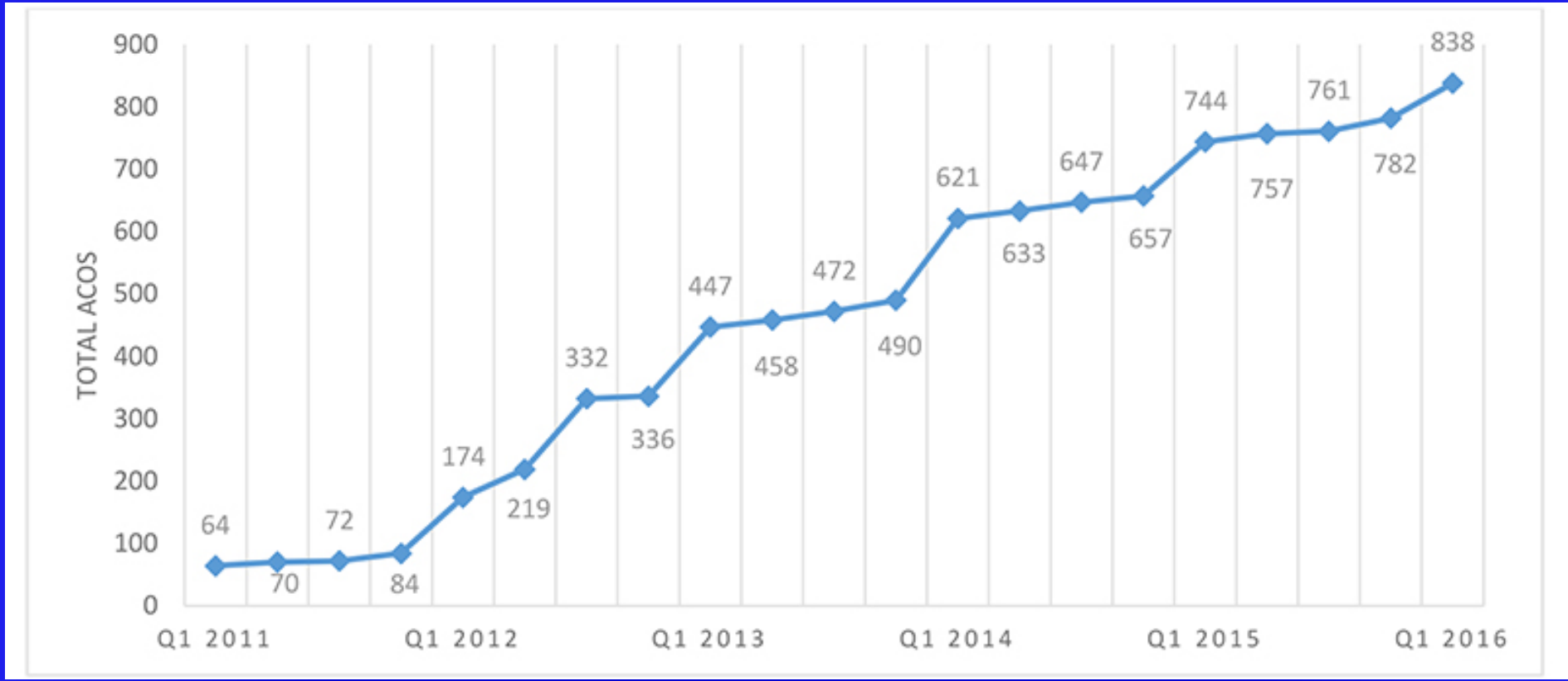
ACOs Over Time



Source: Muhlestein D., and McClellan, M. "Accountable Care Organizations in 2016: Private and Public-Sector Growth and Dispersion." *HealthAffairs Blog*. April 21, 2016.

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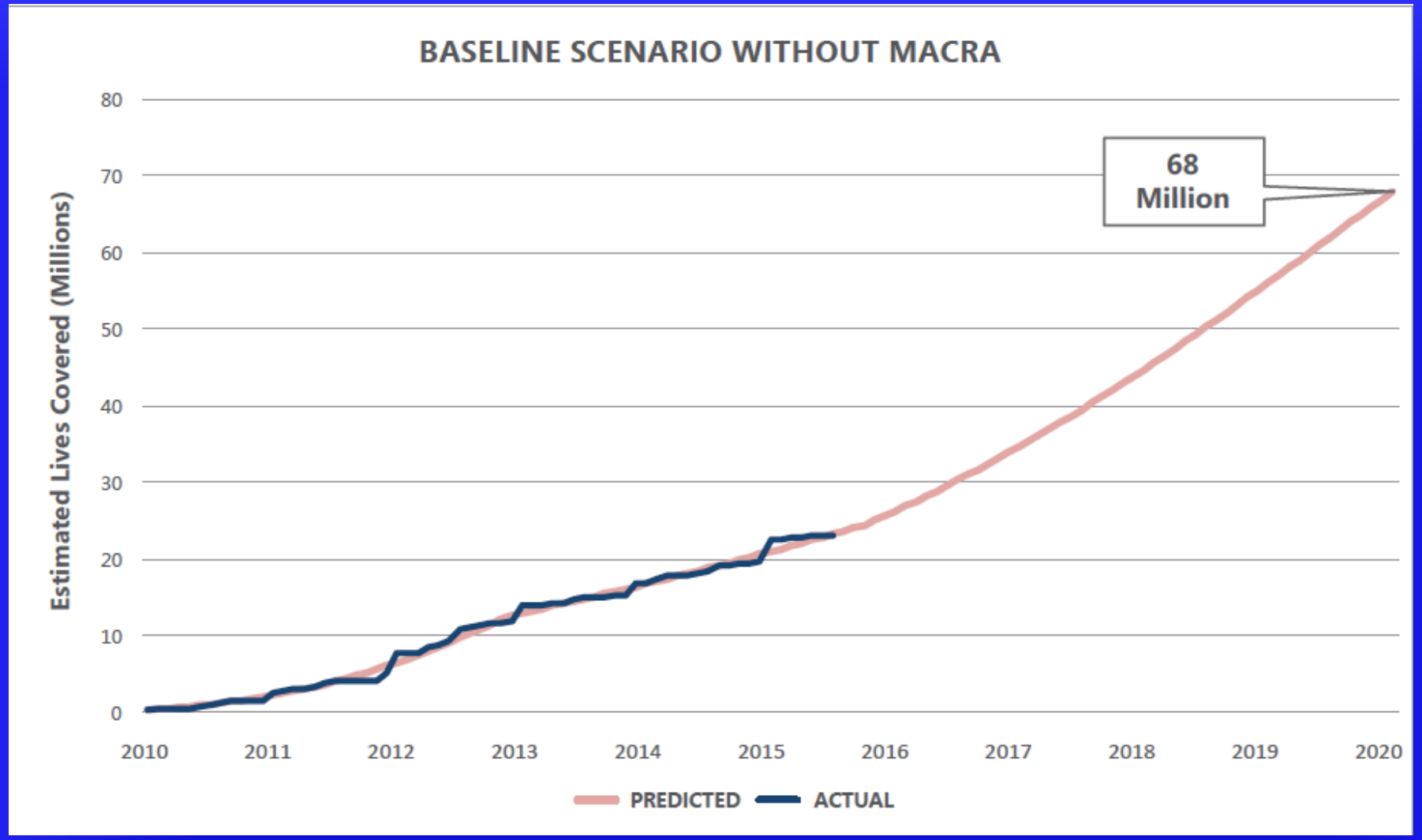

Source: B. Ahier, "ACO Journey Continues," September 16, 2016

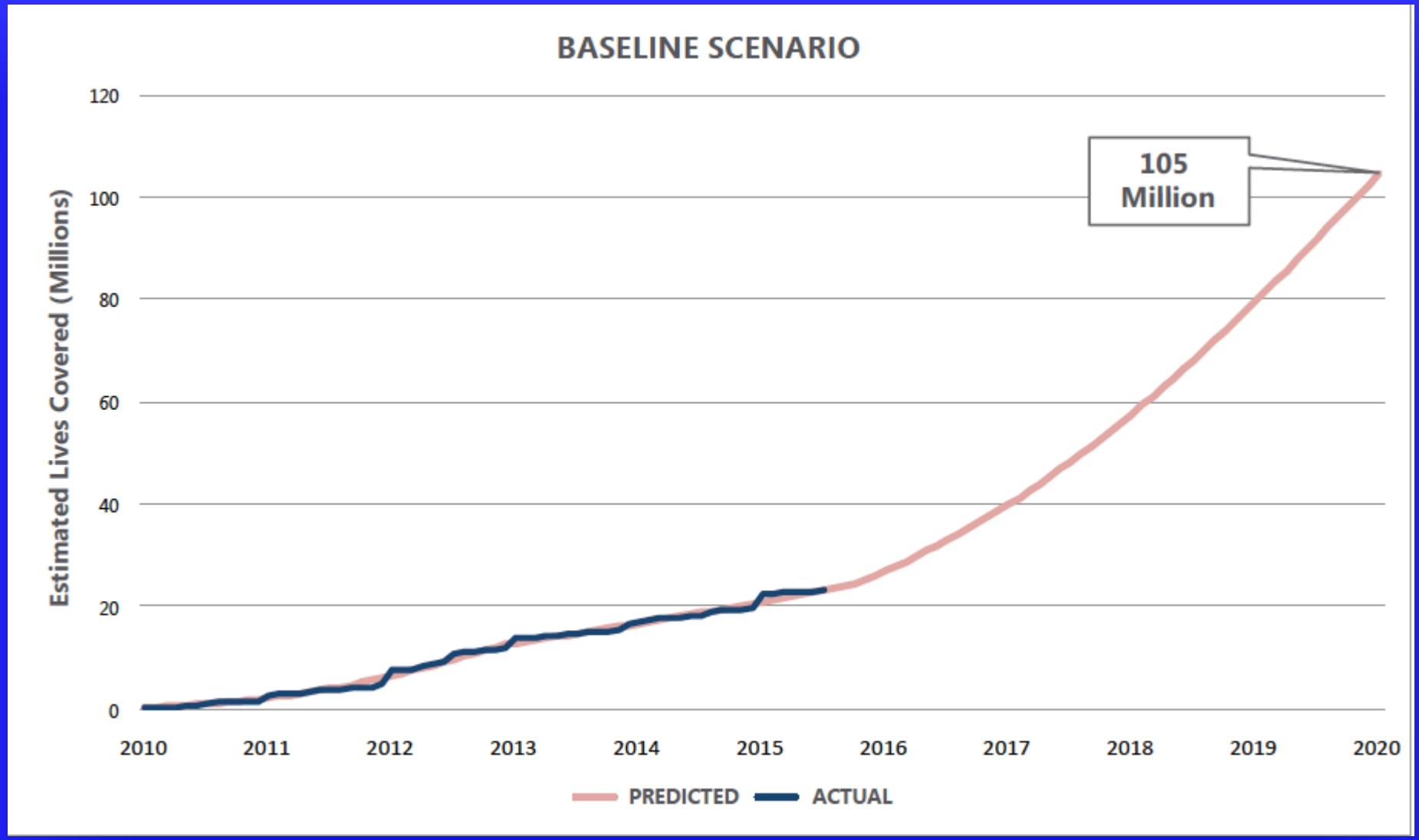

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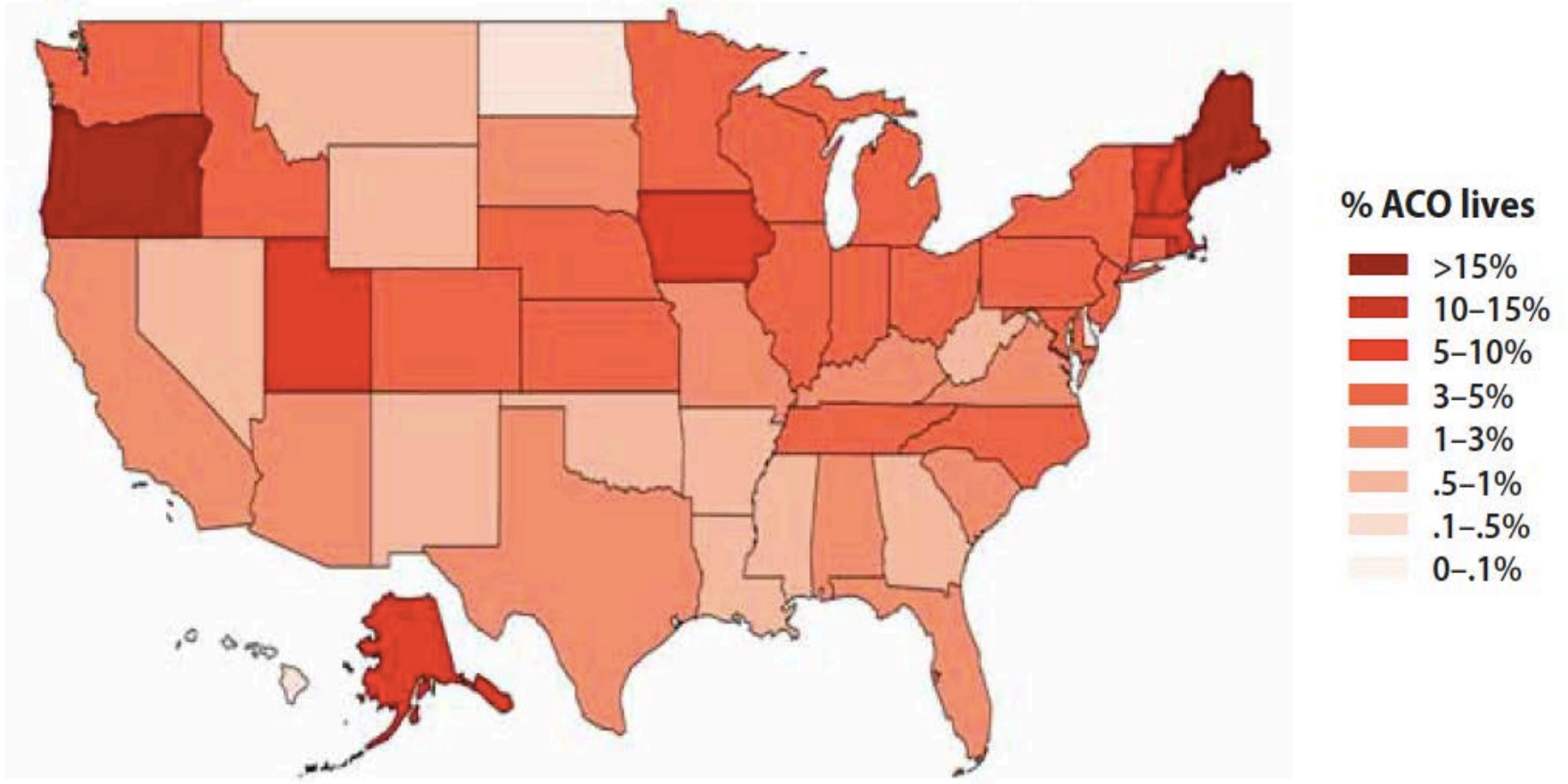
Figure 2 | Estimated ACO Penetration by State



Source: B. Ahier, “ACO Journey Continues,” September 16, 2016

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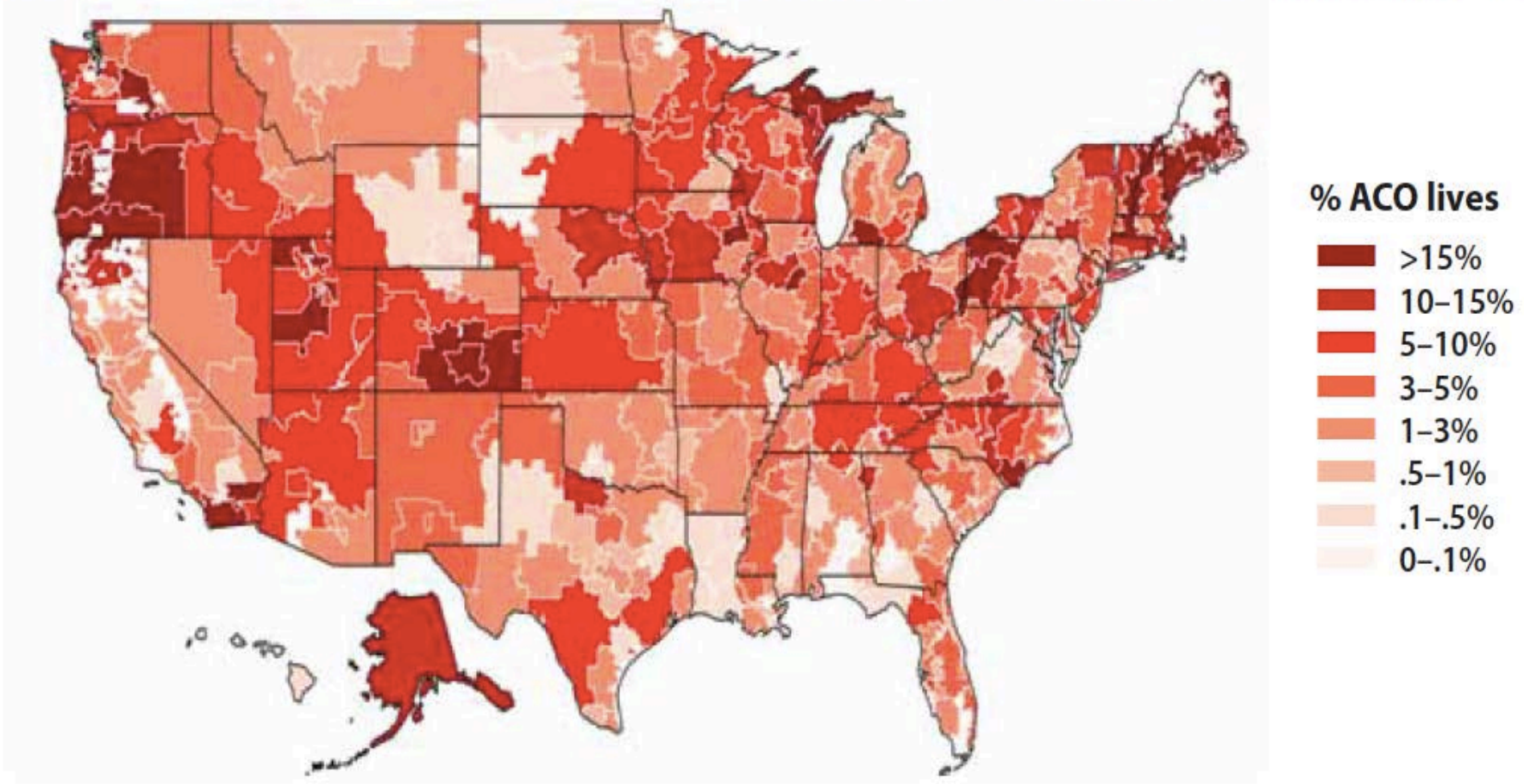
Figure 1 | Estimated ACO Penetration by Hospital Referral Region



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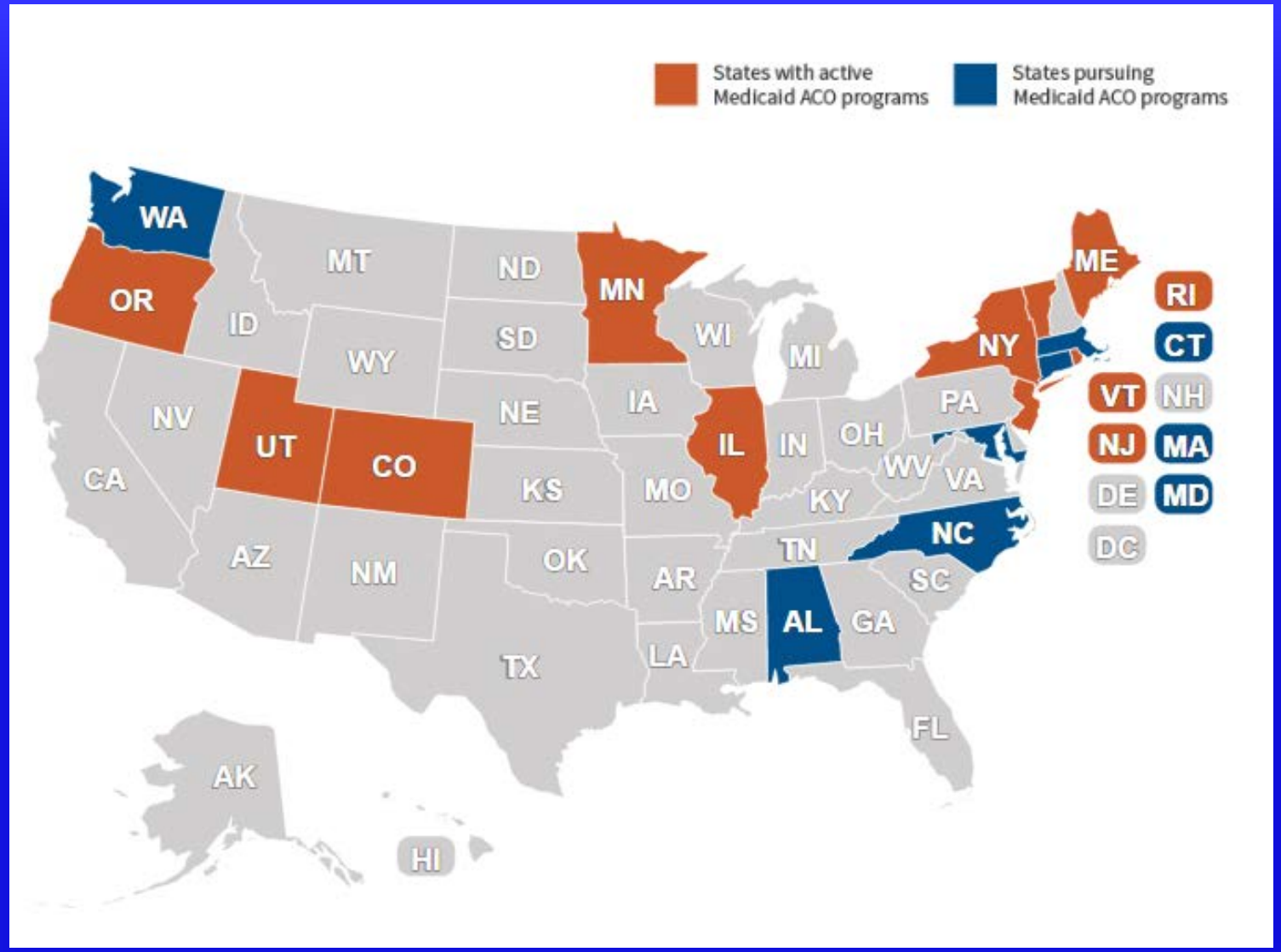

Source: chcs.org/resource/Medicaid-aco-state-update/

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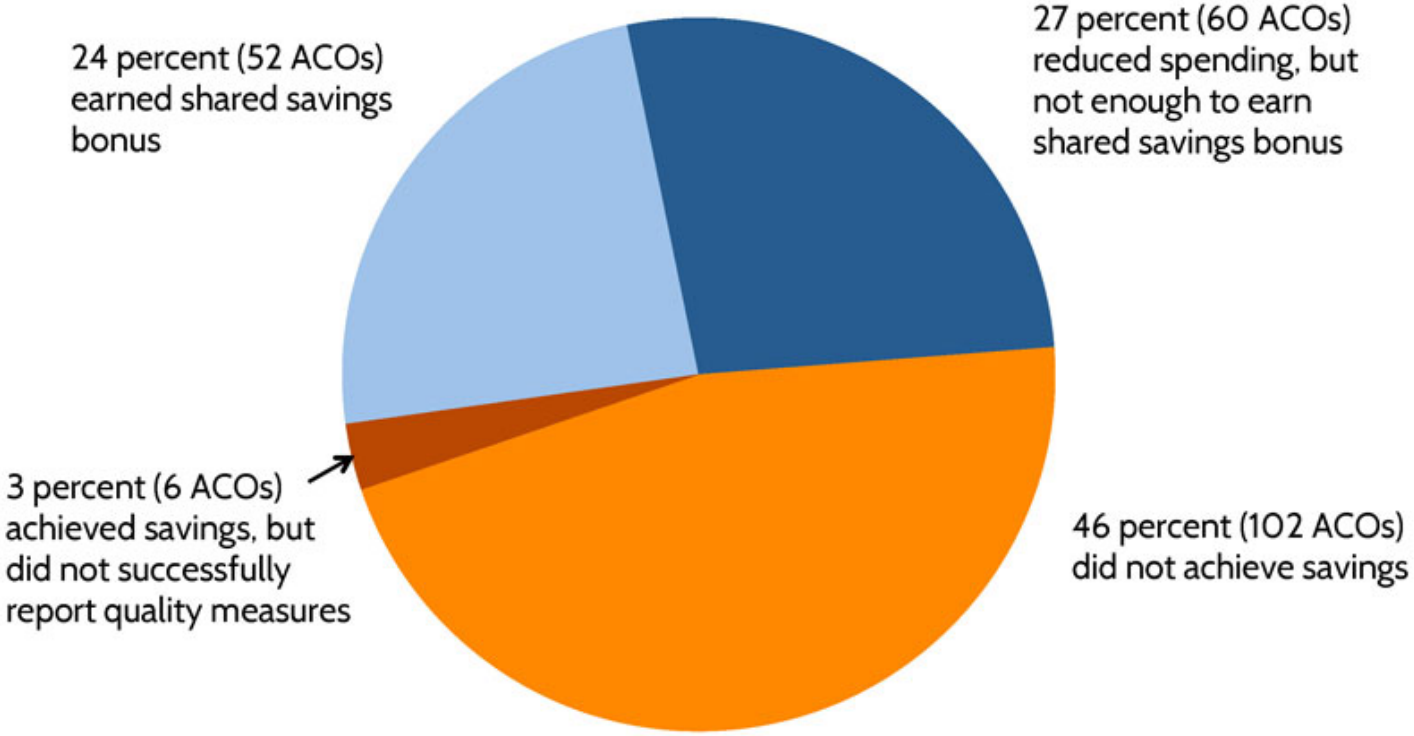
Major ACO Challenges

- Setting of Benchmarks
- Measurement Consolidation and Standardization
- Behavioral Health Integration
- Post-Acute Care Coordination
- Patient Engagement

Evidence to Date is Mixed

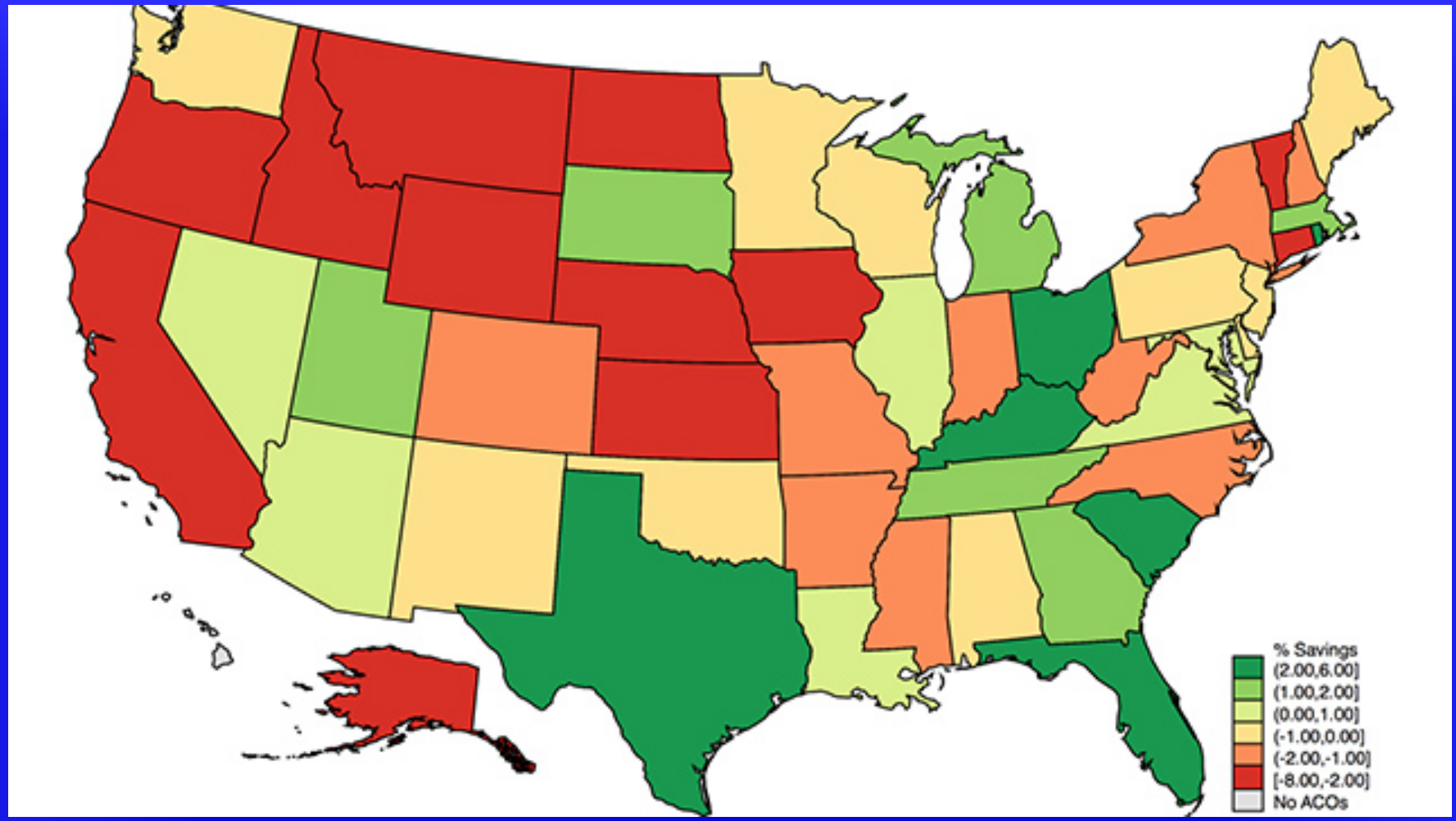
- First cohort of shared savings ACOs saved an average of 1.4% 1st year, but 2nd year, essentially none.
- First year of Pioneer ACOs saved 1.2%, but smaller in 2nd year.
- In both programs, ½ achieved some savings, but only ¼ enough to receive bonuses.
- Those led by Primary Care Physician Groups achieved greater savings than those integrated with Hospitals.
- Commercial Sector – the Massachusetts Alternative Qualitative Contract show savings increase from 1.9% in year One to 6.8% in year Four.
- ACOs that earned shared savings had modestly better quality scores.

Exhibit 1. Medicare Shared Savings Program: Year 1 Performance of Participating Accountable Care Organizations (2013)



220 Medicare Shared Savings Program ACOs

Source: Centers for Medicare and Medicaid Services, www.cms.gov.



Source: D. Muhlestein, R. Saunders and M. McClellan, "Medicare ACO Results for 2015: The Journey to Better Quality and Lower Costs Continues." Sep. 9, 2016.

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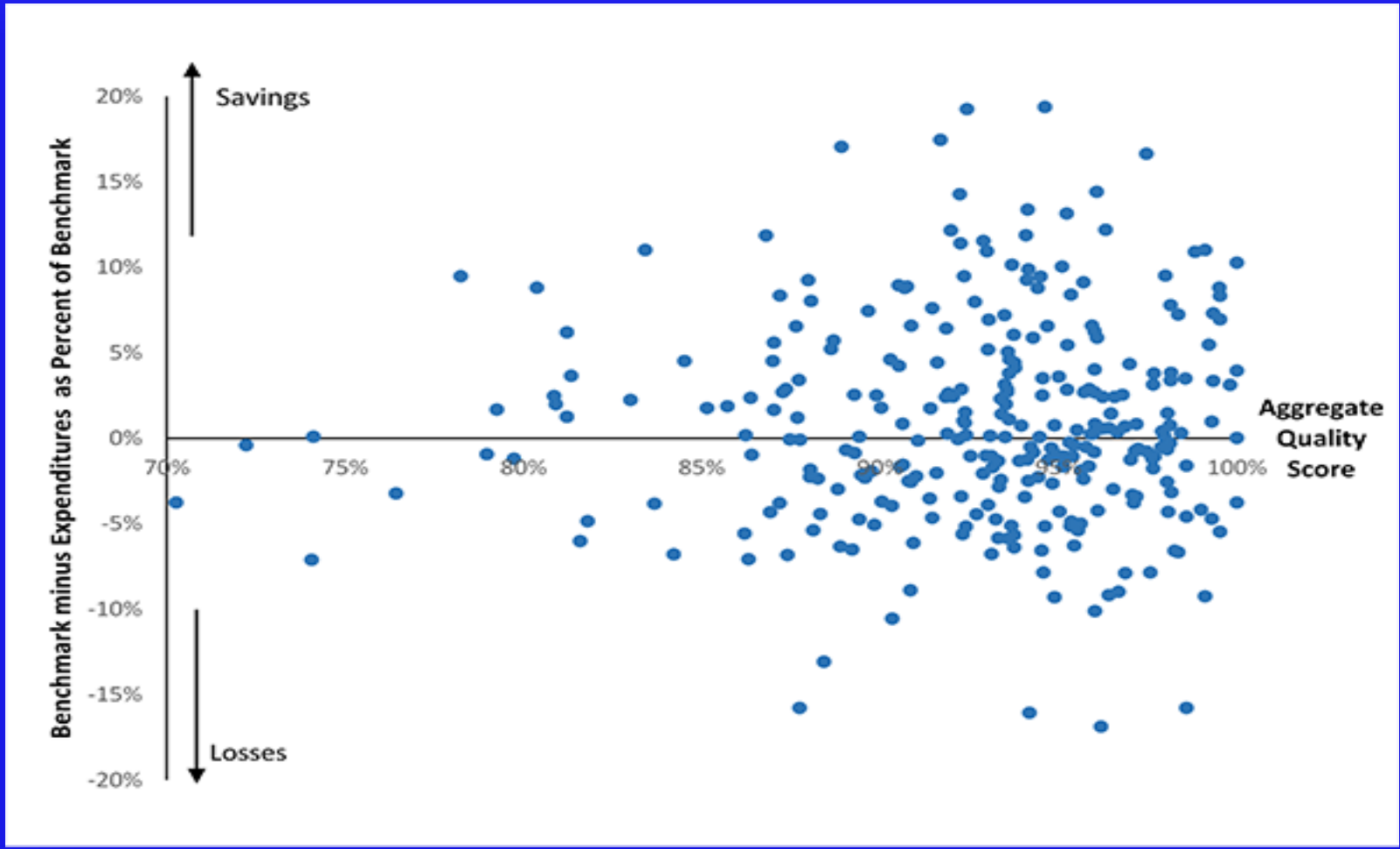
Relationship of savings (benchmark spending minus actual spending as a percentage of benchmark) versus quality (aggregate quality score) for MSSP ACOs in 2015.



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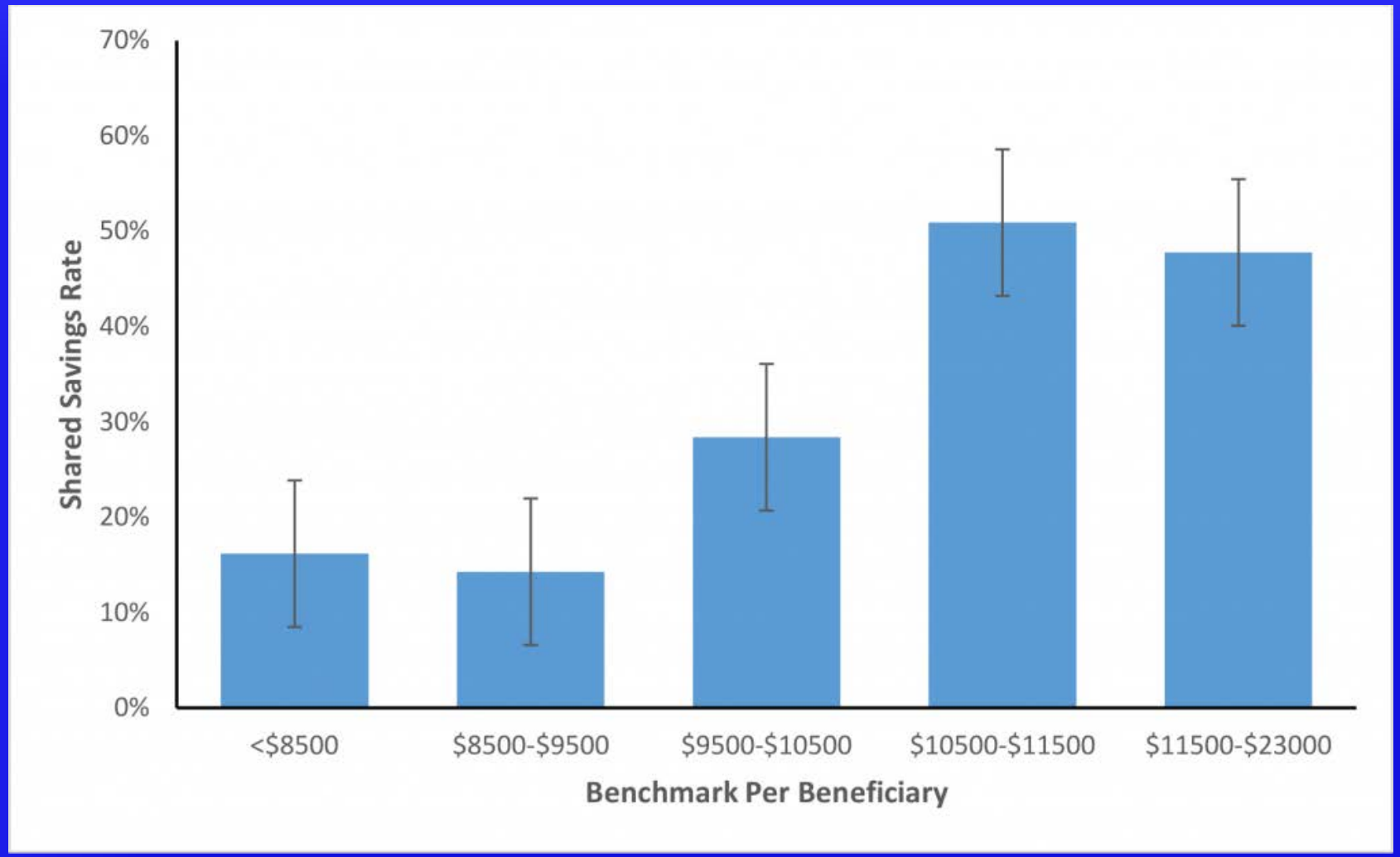
Percentage of ACOs Qualifying for Shared Savings Based on Their Benchmark per Beneficiary



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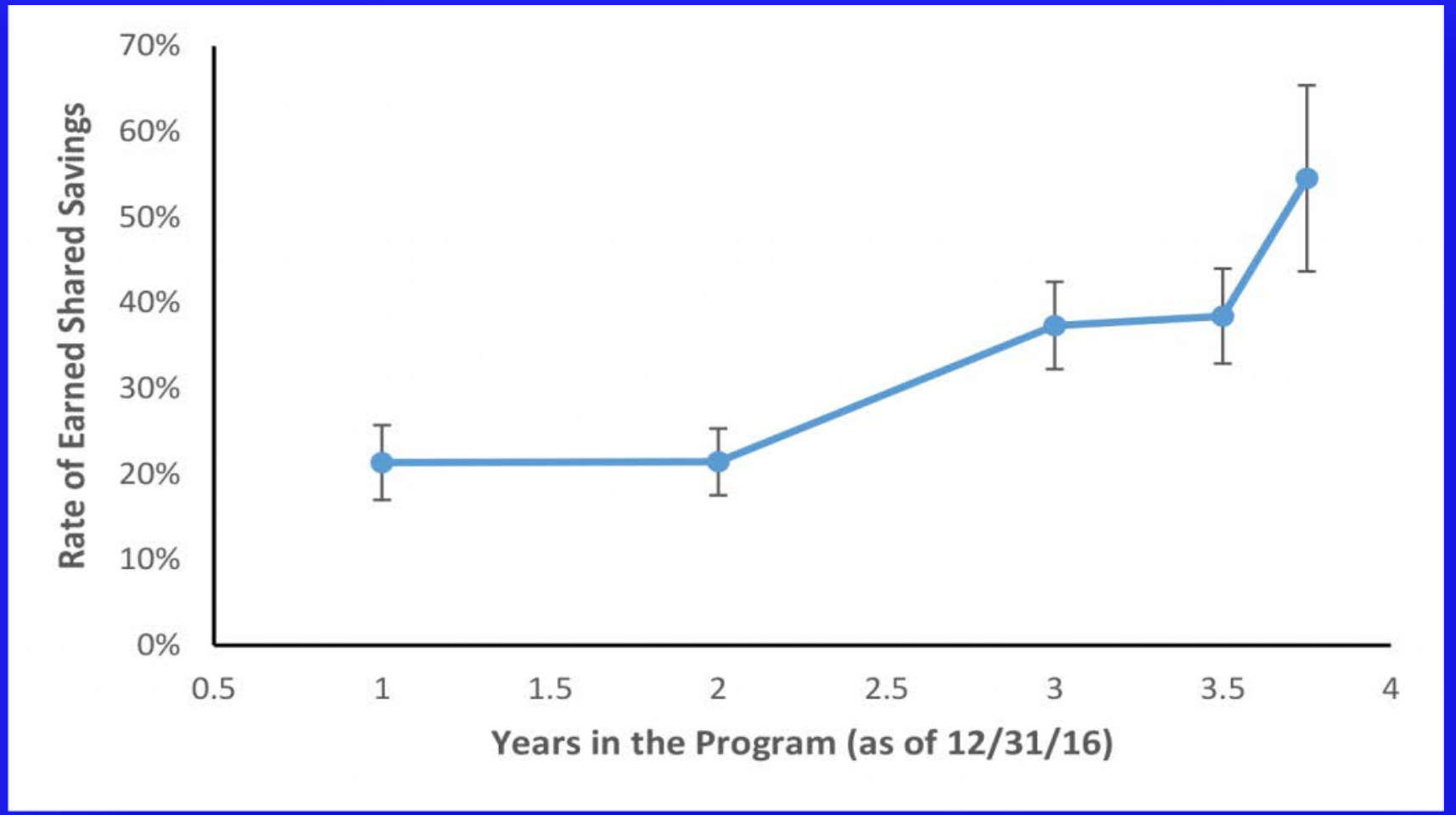
The Percentage of ACOs Earning Shared Savings Bonuses as a Function of Years in the Program



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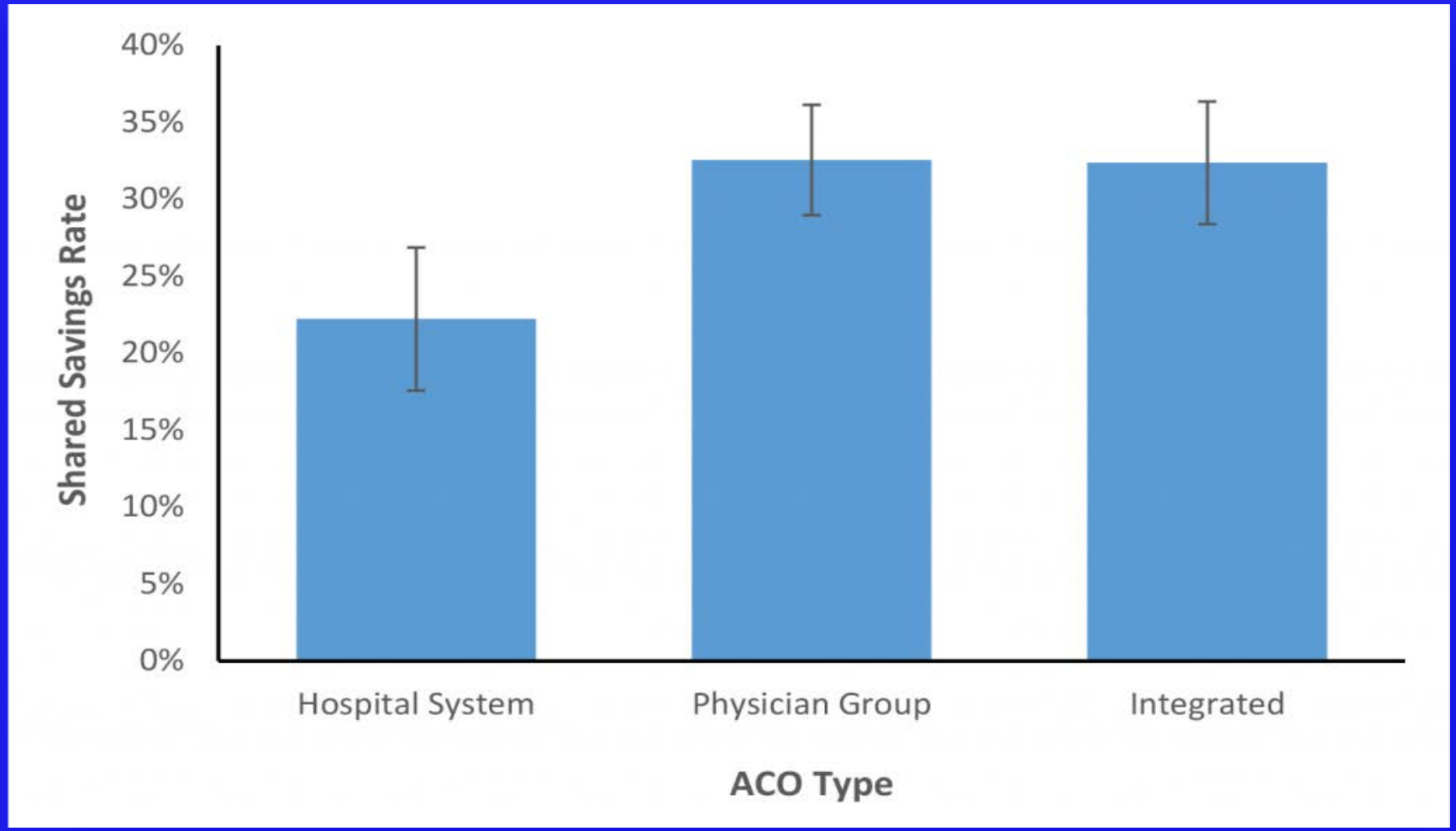
Rate of Shared Savings Bonus for Different Types of ACOs (Hospital Systems, Physician Groups, or Integrated)



Source: D. Muhlestein, R. Saunders and M. McClellan, "Medicare ACO Results for 2015: The Journey to Better Quality and Lower Costs Continues." Sep. 9, 2016.

Evidence to Date

Is the Glass Half Empty or Half Full?

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Four Ways to Reduce Costs

1) Provide Care in Lower cost Settings
2) Provide Care Using Lower Cost Personnel
3) Eliminate Waste – Non-Value Producing Activities
4) Do Not Provide Care at All - Keep People Well

Accountable Communities for Health

For 1) above:	Physician Organizations	52%
	Hospitals	33%
	Health Systems	26%

Source: L. Dafny and T. Lee, "Insights Report" *NEJM Catalyst, March 3, 2016*

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Key Pillars or Robust Properties for any Model to Succeed

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ACO Tennis Analogy

Some are Playing to Win

- "All In"
- Hit Long, Hard and Aim for the Corner Lines, Take Risk, Think Next Gen and Pioneers

Some are Playing to Avoid Losing

- Just Keep the Ball In Play – Hope your Opponent Makes a Mistake
- Do not Go Deep or To the Corners, Think Shared Savings

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ACO Flower Analogy

Some are like **Dandelions** – Will grow anywhere under any soil conditions

Some are like **Orchids** – Are fragile and require very special care and nurturing

Some are like **Roses** – Not as hardy as Dandelions; Not as fragile or delicate as Orchids. Require some attention (sun, water, feeding balance) but not a lot

Suggestion ➡ Neither trying to confirm the Dandelion hypothesis or the orchid hypothesis will get us over the bridge. Perhaps, greater attention should be focused on growing a beautiful rose garden but watch out for the thorns!

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Your Questions

Thank You!

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www.choir.berkeley.edu

shortell@berkeley.edu

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