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# Patient Care Management

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**Table 5-1: California Chronic Disease Snapshot**

Disease	% of Adult Population		Rank in the U.S.*	
	2009	2010	2009	2010
Prenatal care	77.5%	80.4%	9	3
Immunization coverage	80.6%	88.8%	11	34
Prevalence of smoking	14.0%	12.8%	2	2
Prevalence of obesity	24.2%	25.5%	9	16
Cholesterol checks	74.7%	74.5%	25	36

\*Ranking of 1 = lowest incidence.

Source: UnitedHealth Foundation; 2010 America's Health Rankings

## ***Fourth Quarter Outlook For California Patient Care Management***

The Integrated HealthCare Association, which leads statewide efforts to transform California's healthcare delivery system, has a \$2.9 million grant and the commitment of more than a dozen provider organizations and four health plans to experiment with bundling, the latest buzzword in the national lexicon of payment reform. Meanwhile, health plans continue to broaden their accountable care organization programs throughout the state.

### » **Bundling:**

In the first year of a three-year demonstration, the IHA has been working with its industry partners to develop "episodes of care" to be bundled into one bill that the hospital or medical group submits to a health plan to cover the costs of an inpatient procedures and follow-up care.

The IHA project started as a small pilot in Los Angeles and Orange counties in 2009 but was broadened across California in September 2010. The demonstration will first study hip and knee replacement surgeries and will expand to include cardiac catheterization with stents and knee arthroscopy with meniscectomy, which involves the removal of torn cartilage in the knee.

After intensive planning and collaboration on defining the parameters of episodes, the demonstration project is still awaiting its first bundled payment patient. Only one health system, Hoag Memorial Hospital Presbyterian, has gone live for knee replacement episodes under a working contract with a payer.

Since Hoag and Aetna signed their contract in April 2011, the partners had not, as of September 2011, had an opportunity to test the bundled payment on a patient procedure. Hoag has also signed a contract with Blue Shield, Kary says, but the health insurer is awaiting state regulatory approval on its contract.

IHA's experience illustrates that planning and collaboration on payment reform is arduous enough, but putting it into practice requires major change in cultural and technological processes by health plans and providers.

"It's not happening as quickly as we had originally hoped, but it is moving forward," says Weslie Kary, MPP, MPH, director of the Episode Payment Program at the IHA in Oakland. "I think it's just hard to get through a change like this."

The association, armed with a \$2.9 million grant from the Agency for Healthcare Research and Quality, is one of the few organizations in the country sponsoring an initiative that involves multiple providers and health plans.

"There are 300 hospitals that do knee replacements in California, but very few that do more than 500 a year. We're going to try to work with 20 of them, and while 20 is a lot, we still have to worry about how we get some kind of reasonable patient load within that. Most of these initiatives around the country are a single hospital and a single health plan," Kary says.

IHA's participating physician groups include Brown & Toland Medical Group, HealthCare Partners, Monarch HealthCare, and St. Joseph Heritage Healthcare. Hospitals include Cedars-Sinai, Hoag Memorial Hospital Presbyterian, Saddleback Memorial Medical Center, St. Joseph Hospital, St. Jude Hospital, Tenet California, and Ronald Reagan UCLA Medical Center. Participating health insurers include Aetna, Blue Shield of California, CIGNA, and Health Net. Monterey Peninsula Surgery Centers and several other ambulatory surgery centers are also participating.

Kary says the implementation hurdle for health plans is that their systems are not set up to process claims on a bundled basis. "They're working on installing software to allow them to auto-adjudicate these claims. I believe once that's in place, they will be in a position to contract quickly."

She says providers are motivated to try bundling now that the federal government is working toward that new methodology. The Center for Medicare & Medicaid Services Innovation is soliciting providers to participate in its Bundled Payments Initiative and test four models of payment.

As opposed to some other bundling pilot projects around the country with a shared savings program, such as those by the firm PROMETHEUS, the IHA program potentially puts providers at financial risk for adverse outcomes.

As with the Geisinger Health System "warranty" model in Pennsylvania, the IHA project assures plan sponsors that they will not be paying extra for complications or readmissions that arise 90 days after an inpatient procedure. "We are transferring risk for the episode to the provider team. So if the hospital or physician organization agrees to get \$30,000 for this episode, that's all they get," Kary says. "If they are above that they lose money. If they're below it, they keep the money."

IHA, with input from insurers and providers, is taking the lead on developing episode definitions for each procedure so that the parameters can be incorporated into contracts between payers and providers. The study will involve PPO members of Blue Shield, CIGNA, and Aetna and HMO members of Health Net.

For the PPO model, the episode bundle begins on the date of admission of the procedure and extends for 90-days. It reflects all physician charges, inpatient charges for the initial procedure, inpatient drugs, routine follow-up care by the surgeon, and the treatment of complications or related readmissions during the episode period. For the HMO patients, IHA expects the bundle to include post-acute care services, such as physical therapy, home healthcare, and skilled nursing.

Acting as a general contractor, the provider organization negotiates with payers on a bundled price and is responsible for paying all its subcontracting professionals within that prearranged payment.

The new system for knee replacements is being tested on Hoag Orthopedic Institute, a 70-bed licensed acute care facility in Irvine with nine operating rooms. Although Hoag believes it can manage the procedure within budget and make an appropriate margin, making money is not the motivation, says Richard Afable, M.D., president and CEO of Hoag Memorial Hospital Presbyterian.

“We are doing this because we believe it is an innovative and important approach to the integration and coordination of care. We believe the process of care is a skill we need to learn and need to have in order to be successful as a leading organization in the future,” he says.

But the potential for provider participation in bundled payments is limited because it can only be handled by integrated health systems. “Given the fact there are 5,000 hospitals in the United States, there are far, far fewer integrated delivery systems,” Afable says. “We have an integrated delivery system for orthopedics, but we actually don’t have an integrated system for other specialties. An integrated system means organizations have partners that have a philosophical and equity stake in a common vision, which is taking care of a patient in the hospital.”

The program works with Hoag Orthopedic Institute, he says, because it is 51 percent owned by Hoag Memorial and 49 percent owned by a group of 35 orthopedic surgeons, which has a stake in the success of the project. Afable describes the bundling process as similar to the process a restaurant owner goes through to set a price for a steak—including all the costs of goods and services and overhead and building in a margin. Similarly, Hoag has come up with what it deems as an appropriate price it will accept for the knee or hip replacement based on what it has paid for devices and pharmaceuticals, and what it has agreed to pay all the supporting professionals, including anesthesiologists, hospitalists, internists, cardiologists, and pathologists.


Even though the potential exists to lose money, Afable says that financial loss is not the biggest risk Hoag faces in participating in the bundling pilot. “We have a very successful, good organization that has a good reputation and great brand. If we were to do this and it went poorly, we’d lose something that has taken years and years to build and develop. It could be for reasons unrelated to our trying real hard,” he says.

» **Accountable care organizations:**

Both Anthem Blue Cross and Blue Shield of California are steadily adding more provider groups to their ACO programs throughout the state. Anthem announced in August 2011 that it has formed its first ACO in Northern California through a direct contract agreement with the Individual Practice Association Medical Group of Santa Clara County, which has 284 primary-care physicians, 550 specialists, and 10 acute-care facilities throughout Santa Clara County.

Anthem says the ACO could affect “tens of thousands” of its PPO members in the Silicon Valley. Anthem also has ACO pilots with four large medical groups in Southern California that are bringing the care management skills honed in the HMO setting to approximately 70,000 PPO members.

Blue Shield of California has five accountable care initiatives for commercial HMO members, the latest of which involves 30,000 Blue Shield HMO members who get their care at St. Joseph’s Health System in Orange County. It also plans to start an ACO with AllCare Independent Physician Association and Doctors Medical Center of Modesto in 2012. That is in addition to two ACOs the insurer has for 26,000 public employees in the San Francisco Health Service System, and another one that Blue Shield started for the California Public Employees Retirement System in Sacramento.

“We are in active discussions with providers throughout the state to explore collaborations. We look for providers that have the will and the skill to develop and execute the initiatives necessary to integrate care, improve quality, and reduce cost,” says Kristen Miranda, vice president for provider network management for Blue Shield. 



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