Health Net

Supporting Healthy Deliveries at Health Net

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Smart Care Meeting

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Items for Discussion

- **Payment at Health Net:**
  - Commercial products
  - Medi-Cal products
- **Key concepts for aligning quality and payment**
- **Building a Cost-Effectiveness Model:** Components and Approach?

Payment under Commercial Products (Non-Cap)

Physicians:

- Typically receive bundled payment for all pre-, post- and delivery-related care
  - Some contracts include well-baby care
  - Rarely include NICU care

Hospitals:

- Typically paid separate case rates (vaginal or C-Section)
  - C-Section rates higher
  - Some hospitals receive per diem rates, again favoring C-Sections

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Payment under Commercial Products

Hospitals, Cont'd

New PPO product: implementation in late 2017/early 2018

- Includes a **blended case rate** (vaginal/C-Section) for approximately half of hospitals in this network contracted to date.
  - Note: Contracting staff reported little to no awareness among hospitals of Covered CA's requirement to eliminate financial incentives favoring C-Sections.
- Plans to roll out blended case rate to hospitals throughout commercial networks as contracts come up for renewal.
- Bundled payment is not currently under consideration.
  - Concern among hospitals about exposure to NICU costs in particular.

Payment under Medi-Cal Products

Physicians:

- **Capitated:** Paid as part of an overall PMPM payment – not carved out.
- **FFS:** Reimbursed in a blended payment (C-section and vaginal delivery cost and utilization combined).

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Payment under Medi-Cal Products

Hospitals (non-capitated):

- The typical contract arrangement for hospitals defaults to a percentage of the Medi-Cal Fee schedule. In some contracts, a blended global or per diem rate may have been negotiated, but this is not the norm.

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Aligning Payment with Quality Goals

- **Address financial incentives which favor C-Sections**
  - Identify opportunities to phase in these changes.
  - Ensure that payment designs continue to properly cover C-Sections (and associated needs for mothers and babies) when medically appropriate.
    - Guidance from CMQCC about coding vis a vis “appropriateness”?
- **Support care needed to facilitate vaginal deliveries**
  - Explore use of resources to make available **consistent, continual labor support** around the clock. (E.g., hospital laborists, team care.)
- **Quality determination at the hospital level**
  - Data are available to plans at this level to benchmark and measure improvement. Challenge to address OB level in absence of data.

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A (Money) Trail of Two First Births

Vaginal Delivery

Associated Costs:

- **Continuous labor support**
- **Hospital room and resources during labor and delivery**
- **Professional fees**
- **Stay in hospital (shorter average – 2.5 days)**
- **Fewer complications**

Cost-Effectiveness Model: Which components should be included to project the total costs associated with each type of delivery?

C-Section

Associated Costs:

- **Potentially less labor support**
- **OR resources for procedure**
- **Professional fees**
- **Stay in hospital (longer – 4-5 days)**
- **Higher likelihood of complications**
  - **Short term:** Examples include obstetric hemorrhage, infection, deep vein thrombosis
  - **NICU costs**
  - **Long term:** Multiple C-Sections associated with higher risk of complications including uterine rupture, uterine atony, placenta previa, placenta accreta, surgical adhesions

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Thank you!

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