BETTER CARE AT LOWER COST THROUGH PHYSICIAN LEADERSHIP
Redesigning Care Delivery, Payment Systems, & Benefit Designs so Physicians, Hospitals, Patients, & Purchasers All Benefit

Harold D. Miller
President and CEO
Center for Healthcare Quality and Payment Reform
www.CHQPR.org
A Short Quiz About the U.S. Economy
A Short Quiz About the U.S. Economy

QUESTION #1: In which U.S. industries are the key employees told that at the end of the year, they can expect to receive a 25% pay cut regardless of how well they’ve performed?
A Short Quiz About the U.S. Economy

QUESTION #1: In which U.S. industries are the key employees told that at the end of the year, they can expect to receive a 25% pay cut regardless of how well they’ve performed?

ANSWER: Health Care
Medicare SGR Is a Big Problem, But So Is Lack of Annual Updates

Physician Practice Costs

Physician Payment Increases

23% Effective Reduction

If SGR Cut Is Made
A Short Quiz About the U.S. Economy

QUESTION #2: In which U.S. industries are businesses forced to sell their products and services through an intermediary who demands large discounts from the supplier but then marks up those prices to the consumer by 18-25%?
A Short Quiz About the U.S. Economy

QUESTION #2:
In which U.S. industries are businesses forced to sell their products and services through an intermediary who demands large discounts from the supplier but then marks up those prices to the consumer by 18-25%?

ANSWER:
Health Care
We Spend As Much on Health Insurance Admin/Profit as on Drugs

Private Health Insurance Spending in U.S., 2012 (Millions)

- Administration: $110 billion
- Medical Equipment and Other
- Nursing Facilities and Home Health
- Dental and Other Prof. Svcs
- Prescription Drugs
- Physician/Clinical
- Hospital

Drugs: $117 billion

Admin: $110 billion

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A Lot of a Physician’s Pay Goes To Costs of Dealing with Health Plans

Private Health Insurance Spending in U.S., 2012 (Millions)

- Admin: $110 billion
- Drugs: $117 billion
- Admin: $30 billion
A Short Quiz About the U.S. Economy

QUESTION #3:
In which U.S. industries can one set of employees only get a raise if other employees take a pay cut, even when the business is performing well?
QUESTION #3: In which U.S. industries can one set of employees only get a raise if other employees take a pay cut, even when the business is performing well?

ANSWER: Health Care
The SGR Pits Physicians Against Each Other

Physician Payments Capped by the Sustainable Growth Rate

Specialty Fees

PCP Fees

Specialty Fees

PCP Fees
Most Medicare Spending Doesn’t Go to *Physicians*

**Medicare Part A, Part B, and Part D Spending in Billions, 2012**

- **Prescription Drugs (Part D)**
- **Other Services**
- **Home Health Agencies**
- **Skilled Nursing Facilities**
- **Hospital Outpatient Services**
- **Hospital Inpatient Care**

Physicians: 16%
All Physicians Should Benefit By Lowering Other Medicare Spending

<table>
<thead>
<tr>
<th>Total Healthcare Costs (Parts A, B, and D)</th>
<th>Hospital &amp; Post-Acute Care Costs (Part A)</th>
<th>Savings</th>
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<td>Physician Fees (Part B)</td>
<td>Drug Costs (Part D)</td>
<td>Hospital &amp; Post-Acute Care Costs</td>
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- Specialty Fees
- PCP Fees
- Drug Costs
QUESTION #4: Who is to blame for the way physicians are paid and micromanaged?
A Short Quiz About the U.S. Economy

QUESTION #4:
Who is to blame for the way physicians are paid and micromanaged?

ANSWER:
Physicians
The Blame Rests With Physicians

- Physicians haven’t defined solutions to control healthcare costs without rationing
- Physicians are seen as the drivers of higher costs
- Physicians haven’t defined payment models that will support lower-cost, higher-quality care and maintain financial viability for physician practices
- Physicians aren’t organized to manage and deliver high-value population health care to purchasers and patients
The Sorry State of American Healthcare

TODAY

- High Healthcare Costs
- Mediocre Quality
- Overworked, Unhappy Physicians
- Loss of Independent Practices
- Purchaser-Provider Price Wars
- Patients as Pawns
Our Goal Should Be More Than the “Triple Aim”

**TODAY**
- High Healthcare Costs
- Mediocre Quality
- Overworked, Unhappy Physicians
- Loss of Independent Practices
- Purchaser-Provider Price Wars
- Patients as Pawns

**FUTURE**
- Healthy, Productive Citizens
- Affordable, High Quality Healthcare
- Physician Satisfaction and Independence
- Purchaser-Provider Partnerships
- Financially Viable Physicians & Hospitals
Are CAPG Groups the Leaders?

**TODAY**
- High Healthcare Costs
- Mediocre Quality
- Overworked, Unhappy Physicians
- Loss of Independent Practices
- Purchaser-Provider Price Wars
- Patients as Pawns

**FUTURE**
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- Affordable, High Quality Healthcare
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- Financially Viable Physicians & Hospitals

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CAPG Groups Aren’t Doing Enough to Change Healthcare

**TODAY**
- High Healthcare Costs
- Mediocre Quality
- Overworked, Unhappy Physicians
- Loss of Independent Practices
- Purchaser-Provider Price Wars
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**FUTURE**
- Healthy, Productive Citizens
- Affordable, High Quality Healthcare
- Physician Satisfaction and Independence
- Purchaser-Provider Partnerships
- Financially Viable Physicians & Hospitals

**CAPG Groups**

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And Some Providers in Other States Are Moving Faster

**TODAY**
- High Healthcare Costs
- Mediocre Quality
- Overworked, Unhappy Physicians
- Loss of Independent Practices
- Purchaser-Provider Price Wars
- Patients as Pawns

**FUTURE**
- Healthy, Productive Citizens
- Affordable, High Quality Healthcare
- Physician Satisfaction and Independence
- Purchaser-Provider Partnerships
- Financially Viable Physicians & Hospitals

**CAPG Group**
**Innovative Providers Elsewhere**
Four Things CAPG Groups Need for Greater Success

CAPG Groups
#1: Improve the Way Physicians Are Paid

CAPG Groups

True Payment Reform for Physicians

PCPs

Specialists
#2: Develop Stronger Partnerships With Hospitals

- **CAPG Groups**
- **PCPs**
- **Specialists**
- **Hospitals**

- Strong Partnerships with Hospitals
- True Payment Reform for Physicians
#3: Stop Relying on HMO Plans For Payment and Patient Control

- Patients
- CAPG Groups
- Hospitals

Patient-Centered Benefit Design & Care Delivery

True Payment Reform for Physicians

PCPs

Strong Partnerships with Hospitals

Specialists
#4: Partner With Your Other Real Customers: Employers

- Employers
  - Strong Partnerships with Employers
    - Patient-Centered Benefit Design & Care Delivery
      - True Payment Reform for Physicians
        - PCPs
        - Specialists
  - Strong Partnerships with Hospitals

Patients
CAPG Groups
Hospitals
#1: Improve the Way Physicians Are Paid

CAPG Groups

True Payment Reform for Physicians

PCPs  Specialists
Everybody Agrees FFS is Bad, But Most Don’t *Really* Know Why
Is FFS an Addiction of Physicians That They Can’t Control?

“I wish I could stop ordering more services, but I can’t control myself”
Health Plans Cut Fees In Order to “Manage Care” (Control Doctors)
The Real Problem: FFS Creates *Barriers* to the Care Patients Need
The Real Problem: FFS Creates **Barriers** to the Care Patients Need

**LACK OF FLEXIBILITY**

- No payment for phone calls or emails with patients
- No payment to coordinate care among providers
- No payment for non-physician support services to help patients with self-management
- No flexibility to shift resources across silos

| Health Plan | Care Mgt/UR | FFS | Physicians |
The Real Problem: FFS Creates Barriers to the Care Patients Need

**LACK OF FLEXIBILITY**
- No payment for phone calls or emails with patients
- No payment to coordinate care among providers
- No payment for non-physician support services to help patients with self-management
- No flexibility to shift resources across silos

**PENALTY FOR QUALITY/EFFICIENCY**
- Lower revenues if patients don’t make frequent office visits
- Lower revenues for performing fewer tests and procedures
- Lower revenues if infections and complications are prevented instead of treated
- No revenue at all if patients stay healthy

Health Plan → Care Mgt/UR → FFS → Physicians
So How Are Payers Fixing These Problems?

Health Plan

Care Mgt/UR

FFS
- No payment for services that will benefit patients
- Lower revenues from reducing avoidable costs

Physicians
Most “Payment Reforms” Don’t Really Fix The Problems with FFS

- **FFS**
  - No payment for services that will benefit patients
  - Lower revenues from reducing avoidable costs

- **P4P**
  - FFS

- **PMPM**
  - FFS

- **Shared Savings**
  - FFS

Health Plan

Care Mgt/UR

Physicians
CAPG Groups to the Rescue!
Payment From Plans is NOT FFS

Health Plan

Care Mgt/UR

P4P/PMPM/SS

FFS
• No payment for services that will benefit patients
• Lower revenues from reducing avoidable costs

Physicians

Health Plan

Capitation

CAPG Group
CAPG Groups Do Care Mgt/UR Instead of Health Plans!

Health Plan

Care Mgt/UR

P4P/PMPM/SS

FFS
- No payment for services that will benefit patients
- Lower revenues from reducing avoidable costs

Physicians

Health Plan

Capitation

CAPG Group

Care Mgt/UR
Then CAPG Groups Pay Docs…

…FFS (“RVUs”) + A Little P4P

Health Plan

Care Mgt/UR

P4P/PMPM/SS

FFS

• No payment for services that will benefit patients
• Lower revenues from reducing avoidable costs

Physicians

Health Plan

Capitation

CAPG Group

Care Mgt/UR

P4P/Surplus

FFS

Physicians
So EVERYBODY Is Still Paying Physicians Fee for Service

Health Plan

Care Mgt/UR

P4P/PMPM/SS

FFS

- No payment for services that will benefit patients
- Lower revenues from reducing avoidable costs

Health Plan

Capitation

CAPG Group

Care Mgt/UR

P4P/Surplus

FFS

Physicians

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What Would
“True” Payment Reform
Look Like?
Example: Oncology
What Takes the Time/Expertise of an Oncology Practice?

Physician and Staff Time for Adjuvant Chemotherapy

- 0 months: New Patient
- 1-6 months: 6 Months of Treatment
- 7-11 months: Post-Tx Follow-Up

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What Generates Revenues for an Oncology Practice?

Typical Medicare Payments for 6 Month Adjuvant Chemotherapy

- **E&M**
- **Infusion**
- **Drug Markup Low**
- **Drug Markup High**

- New Patient
- 6 Months of Treatment
- Post-Tx Follow-Up

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Mismatch Between Revenues and Patient Care in Oncology

Typical Medicare Payments for 6 Month Adjuvant Chemotherapy

Physician and Staff Time for Adjuvant Chemotherapy

New Patient 6 Months of Treatment Post-Tx Follow-Up
Condition-Based Payment Being Developed for Oncology by ASCO

- New Patient Payment
  - Tx Month Pmt
  - Tx Month Pmt
  - Tx Month Pmt
  - Tx Month Pmt
  - Tx Month Pmt
  - Tx Month Pmt
  - Non-Tx Mo. $
  - Non-Tx Mo. $
  - Non-Tx Mo. $

- Higher Payments For More Complex Pts

- Physician and Staff Time for Adjuvant Chemotherapy
  - New Patient
  - 6 Months of Treatment
  - Post-Tx Follow-Up

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Oncology Payment Today: Visits, Infusions, Drugs; No Accountability

TODAY

Oncology Spending Per Patient

- ER/Hospital Admits
- Testing & Surveillance
- Supportive Drugs
- Oncolytic Drugs
- Markup on Drugs
- Chemotherapy Administration Pmts
- Billable E&M Visits
- Unbillable Services

No Accountability

Payment to Oncology Practice
Accountability for Avoidable Oncology-Related Spending

TODAY

- ER/Hospital Admits
- Testing & Surveillance
- Supportive Drugs
- Oncolytic Drugs
- Markup on Drugs
- Chemotherapy Administration Pmts
- Billable E&M Visits
- Unbillable Services

TOMORROW

- ER/Hospital Admits
- Testing & Surveillance
- Supportive Drugs
- Oncolytic Drugs

Savings

PAYMENTS FOR OTHER SERVICES RELATED TO ONCOLOGY TREATMENT

PAYMENT TO ONCOLOGY PRACTICE FOR PATIENT-CENTERED CARE

- Utilization/Cost Adjustments
- Pathway Use Adjustments
- Quality Adjustments
- Cost of Drug Inventory
- Payments for:
  - New Patient
  - Treatment
  - Transition
  - Monitoring

Oncology Spending Per Patient

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Detailed Payment Design for Oncology Payment Model

http://www.asco.org/advocacy/physician-payment-reform
Detailed Payment Design for Oncology Payment Model

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CAPG Physician Groups *Could* Be Doing Something Like This With the Flexibility Under Capitation
Detailed Payment Design for Oncology Payment Model

CAPG Physician Groups *Could Be Doing Something Like This With the Flexibility Under Capitation*

But Are You?

http://www.asco.org/advocacy/physician-payment-reform
Example: Primary Care (and Specialty Neighborhood)
A Better Way to Pay for Primary Care

DRAFT – FOR DISCUSSION
SUPPORTING PATIENT-CENTERED PRIMARY CARE IN WEST MICHIGAN
Changing Payment, Benefit Designs, and Care Delivery to Achieve Higher Quality, Lower Cost Healthcare for Patients

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Current Payment for Primary Care

CURRENT PAYMENT

PRIMARY CARE

Payer
Payer
Payer
Current Payment for Primary Care

CURRENT PAYMENT

Payer
Payer
Payer

PRIMARY CARE

Tests & Procedures for Preventive Services

Office Visits for Preventive Services

CPT Fee
CPT Fee
CPT Fee
Current Payment for Primary Care

CURRENT PAYMENT

Payer
Payer
Payer

CPT Fee
CPT Fee
CPT Fee
CPT Fee

PRIMAry CARE

Tests & Procedures for Preventive Services

Office Visits for Preventive Services

Office Visits for Chronic Disease Issues

Tests & Procedures for Chronic Disease Mgt
Current *Non*-Payment for Primary Care

- Tests & Procedures for Preventive Services
- Office Visits for Preventive Services
- Outreach Calls for Preventive Services
- Office Visits for Chronic Disease Issues
- Tests & Procedures for Chronic Disease Mgt
- Office Visits for Acute Issues
- Tests & Procedures for Acute Issues

CURRENT PAYMENT

Payer

Payer

Payer

NO PAYMENT

Payer

Payer

Payer

CPT Fee

CPT Fee

CPT Fee

CPT Fee

CPT Fee

CPT Fee
Current Non-Payment for Primary Care

- Tests & Procedures for Preventive Services
- Office Visits for Preventive Services
- Outreach Calls for Preventive Services
- Proactive Care Mgt for Chronic Disease
- Office Visits for Chronic Disease Issues
- Tests & Procedures for Chronic Disease Mgt
- Office Visits for Acute Issues
- Tests & Procedures for Acute Issues

Payer

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What Is Not Paid For Is Exactly What’s Needed to Improve Quality

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<th>PRIMARY CARE</th>
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Preventive Care Quality
Chronic Disease Mgt Quality
A Better Approach: Flexible Payment Instead of E&M Payment

**PRIMARY CARE**
- Tests & Procedures for Preventive Services
- Office Visits for Preventive Services
- Outreach Calls for Preventive Services
- Proactive Care Mgt for Chronic Disease
- Office Visits for Chronic Disease Issues
- Tests & Procedures for Chronic Disease Mgt
- Office Visits for Acute Issues
- Tests & Procedures for Acute Issues

**PROPOSED PAYMENT**
- Monthly Core Primary Care Services Payment

**Payers**
- Payer
- Payer
- Payer
Size of Monthly Payment Should Differ Based on Patient Health

**PATIENT HEALTH ISSUES**

- No Chronic Disease and No Major Risk Factors: Small Payment for Large # of Patients
- One Chronic Disease or Major Risk Factors: Larger Payment for Subset of Patients Needing More Proactive Care
- Two Chronic Diseases or One Chronic Disease and Major Risk Factors: Still Larger Payment for Subset of Patients Needing Even More Proactive Care
- Complex and High-Risk Patients: High Payment for Small # of Patients

Larger Payment for Subset of Patients Needing More Proactive Care

Still Larger Payment for Subset of Patients Needing Even More Proactive Care

High Payment for Small # of Patients
A Better Benefit Design
For Patients

**BENEFIT DESIGN**

- Patient enrolls as a “member” of the primary care practice, but has no restrictions on other care
- Patient has no copays for visits related to either preventive care or chronic disease care from this practice
- Patient only pays cost-sharing for acute issues

**PROPOSED PAYMENT**

- Monthly Core Primary Care Services Payment
- CPT Fee

**PRIMARY CARE**

- Tests & Procedures for Preventive Services
- Office Visits for Preventive Services
- Outreach Calls for Preventive Services
- Proactive Care Mgt for Chronic Disease
- Office Visits for Chronic Disease Issues
- Tests & Procedures for Chronic Disease Mgt
- Office Visits for Acute Issues
- Tests & Procedures for Acute Issues
Better Payment for the “Medical Neighborhood” (Specialists)

**SPECIALIST PMT**
- Payments for telephone calls & emails for PCP consults with specialists they work with
- Sharing of the monthly core payment if the specialist is co-managing the patient with the PCP
- Transfer of monthly payment to specialist for some patients

**PROPOSED PAYMENT**

- **PRIMARY CARE**
  - Tests & Procedures for Preventive Services
  - Office Visits for Preventive Services
  - Outreach Calls for Preventive Services
  - Proactive Care Mgt for Chronic Disease
  - Office Visits for Chronic Disease Issues
  - Tests & Procedures for Chronic Disease Mgt
  - Office Visits for Acute Issues
  - Tests & Procedures for Acute Issues
ACCOUNTABILITY

- Monthly payment would be adjusted up or down based on quality and avoidable utilization
  - Quality of preventive care
  - Quality of chronic disease care
  - Avoidable ER utilization
  - High-tech imaging
  - Specialty referrals

PROPOSED PAYMENT

- Tests & Procedures for Preventive Services
- Office Visits for Preventive Services
- Outreach Calls for Preventive Services
- Proactive Care Mgt for Chronic Disease
- Office Visits for Chronic Disease Issues
- Tests & Procedures for Chronic Disease Mgt
- Office Visits for Acute Issues
- Tests & Procedures for Acute Issues

CPT Fee

Payer

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This is Different Than Current PCMH Programs

**Current PCMH Model**

- P4P/Shared Savings
  - PMPM for “Care Management”
  - Tests & Procedures for Preventive Services
  - Office Visits for Preventive Services
  - Office Visits for Chronic Disease Issues
  - Tests & Procedures for Chronic Disease Mgt
  - Office Visits for Acute Issues
  - Tests & Procedures for Acute Issues

**NEW MODEL**

- Tests & Procedures for Acute Issues
- Office Visits for Acute Issues
- Tests & Procedures for Chronic Disease Mgt
- Tests & Procedures for Preventive Services

- Performance Adjustment
- Core Primary Care Services Payment

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It’s Also Different from Traditional PCP Capitation Programs

<table>
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<th>Current PCMH Model</th>
<th>NEW MODEL</th>
<th>PCP Capitation</th>
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<td><strong>Tests &amp; Procedures for Acute Issues</strong></td>
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It’s Better Than Current PCMH or Capitation

Current PCMH Model

- Most practice revenue still comes from office visits
- Fewer office visits = lower revenue, even with PMPM
- Patient still discouraged from office visits by copays
- Patients must be attributed based on claims

NEW MODEL (PARTIAL CAPITATION)

- PCP practice receives predictable, flexible payment for patient mgt
- Higher payment for patients with greater needs
- Employer only pays more if patient needs or receives more services
- Patient enrolls only for prev. & chronic care

PCP Capitation

- No incentive for PCP practice to see patient for acute needs
- Payment is the same for patients with high needs as low needs
- Employer is paying even if patient needs few services
- Patients must enroll for all services
A Better Way to Pay for Primary Care

CAPG Physician Groups *Could* Be Doing Something Like This With the Flexibility Under Capitation
A Better Way to Pay for Primary Care

CAPG Physician Groups Could Be Doing Something Like This With the Flexibility Under Capitation

But Are You?
Those Are SOME Examples of True Payment Reform

CAPG Groups

True Payment Reform for Physicians

PCPs

Specialists
What About the Proceduralists??
Many Ways to Reduce Tests & Services Without Harming Patients
Savings from Shifting to Lower Cost Procedures and Settings

• Maternity Care
  – Vaginal delivery instead of C-Section
  – Term delivery instead of early elective delivery
  – Delivery in birth center instead of hospital

• Back Pain
  – Less radical surgery
  – Physical therapy instead of surgery

• Chest Pain
  – History and exam before imaging
  – Lower cost imaging
  – Non-invasive imaging instead of invasive imaging
  – Medical management instead of invasive treatment
Savings from Shifting to Lower Cost Procedures and Settings

- **Maternity Care**
  - Vaginal delivery instead of C-Section
  - Term delivery instead of early elective delivery
  - Delivery in birth center instead of hospital

- **Back Pain**
  - Less radical surgery
  - Physical therapy instead of surgery

- **Chest Pain**
  - History and exam before imaging
  - Lower cost imaging
  - Non-invasive imaging instead of invasive imaging
  - Medical management instead of invasive treatment

Savings = Lower Revenues for Specialists and Hospitals
Savings from Shifting to Lower Cost Procedures and Settings

• Maternity Care
  – Vaginal delivery instead of C-Section
  – Term delivery instead of early elective delivery

Why would any physician group or hospital do these things unless they were forced to??

  – Lower cost imaging
  – Non-invasive imaging instead of invasive imaging
  – Medical management instead of invasive treatment

Savings = Lower Revenues for Specialists and Hospitals
## Example: Reducing Avoidable Procedures

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<td>Total Pmt/Cost</td>
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<td>$1,550,000</td>
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### Potentially Avoidable Procedure

- Physician evaluates all patients
- Physician performs procedure on 2/3 of evaluated patients
- Up to 10% of procedures may be avoidable through patient choice or alternative treatment
Most of the Money Goes to the Hospital, Not the Physician

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The physician is getting less than 10% of the spending
Typical Health Plan Approach: Prior Auth/Utilization Controls

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Under FFS, Payer Wins, Physicians and Hospitals Lose

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# Is There a Better Way?

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Pay Physicians to Manage Patient Care, Not to Do Procedures

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Better Payment for Condition Management

- Physician paid adequately to engage in shared decision making process with patients and given the decision support tools to ensure quality
Physicians Could Be Paid More While Still Reducing Total $

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### Do Hospitals Have to Lose In Order for Physicians To Win?

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*Physician Wins  
Hospital Loses  
Payer Wins*
What Should Matter to Hospitals is \textit{Margin}, Not Revenues (Volume)
### Adequacy of Payment Depends On Fixed/Variable Costs & Margins

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Now, if the Number of Procedures is Reduced...

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<td>$3,500  50%   $700,000</td>
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<tr>
<td>Variable Costs</td>
<td>$3,150  45%   $630,000</td>
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<td>$350    5%    $70,000</td>
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...Fixed Costs Will Remain the Same (in the Short Run)...

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...Variable Costs Will Go Down in Proportion to Procedures...

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...And Even With a Higher Margin for the Hospital...

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...The Hospital Gets Less Revenue, But a Higher Margin...

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Chg: +2%

Total Pmt/Cost: $1,550,000
...And The Payer Still Saves Money

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I.e., Win-Win-Win for Physician, Hospital, and Payer

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Total Pmt/Cost | $1,550,000 | | | $1,491,400 | | -4% |
What Payment Model Supports This Win-Win-Win-Win Approach?

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| Total Pmt/Cost| $1,550,000 | | | $1,491,400 | | -4% |
It’s Impractical to Renegotiate Fees for Individual Services

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Pay Based on the Patient’s *Condition*, Not on the *Procedure*

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<tr>
<td>Total Pmt/Cost</td>
<td><strong>$5,167 300</strong></td>
<td><strong>$1,550,000</strong></td>
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Plan to Offer Care of the Condition at a Lower Cost Per Patient

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|                      | $/Patient   | # Pts      | Total $ |
|                      |             |            |        |
| Evaluations          | $150        | 300        | $45,000 |
| Procedures           | $600        | 180        | $108,000 |
| **Subtotal**         |             |            | $153,000 |
| Fixed Costs          |             |            | $700,000 |
| Variable Costs       |             |            | $567,000 |
| Margin               |             |            | $71,400  |
| **Subtotal**         |             |            | $1,338,400 |
| **Total Pmt/Cost**   | $4,971      | 300        | $1,491,400 |

**Chg**

-4%
Use the Payment as a Budget to Redesign Care…

<table>
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<td>300</td>
<td>$1,550,000</td>
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…And Let the Health System Decide How It Should Be Paid

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Would “Shared Savings” Achieve the Same Thing?
Same Example As Before…

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<tr>
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<td></td>
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<tr>
<td>Savings</td>
<td></td>
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</tbody>
</table>

Optional Procedure for a Condition

- Physician evaluates all patients
- Physician performs procedure on 2/3 of evaluated patients
- Up to 10% of procedures may be avoidable through patient choice or alternative treatment
# Year 1: Physicians & Hospitals Both Lose With Fewer Procedures

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<td><strong>Total Pmt/Cost</strong></td>
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Reduce Procs by 10%

Year 1: Lower Revenue for Docs & Hospital
Year 2: Losses Are Lower If Shared Savings Are Paid…

<table>
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<td>$138,000</td>
<td>-8%</td>
<td>$150,000</td>
<td>0%</td>
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</table>

| **Hospital Pmt**    |        |        |      |        |      |
| Procedures          | $1,400,000| $1,260,000| -10%| $1,260,000|      |
| Shared Savings      | $64,000 |        |      |        |      |
| **Subtotal**        | $1,400,000| $1,260,000| -10%| $1,324,000| -5%  |

| **Total Pmt/Cost**  | $1,550,000| $1,398,000| -10%| $1,474,000| -5%  |
| **Savings**         | $152,000  | $76,000  |      |          |      |
...But Physicians and Hospitals Still Have Net 2-Year Losses

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</table>

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It’s Even Worse Than That…

• There is no shared savings payment at all if a minimum total savings level is not reached

• If there is a shared savings payment, it’s reduced if quality thresholds aren’t met, even if the quality measures have nothing to do with where savings occurred

• The shared savings payment ends at the end of the 3-year contract period, even if utilization remains lower, and the payer keeps 100% of the savings in future years
## Condition-Based Payment Puts the Physicians+Hospital in Control

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<td>$100</td>
<td>$150</td>
<td>+2%</td>
</tr>
<tr>
<td>Procedures</td>
<td>$600</td>
<td>$600</td>
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<tr>
<td>Subtotal</td>
<td>$150,000</td>
<td>$153,000</td>
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<table>
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<th>TODAY</th>
<th>TOMORROW</th>
<th>Chg</th>
</tr>
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<tbody>
<tr>
<td>Fixed Costs</td>
<td>$3,500</td>
<td>$700,000</td>
<td>-0%</td>
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<tr>
<td>Variable Costs</td>
<td>$3,150</td>
<td>$567,000</td>
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<td>$350</td>
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<tr>
<td>Subtotal</td>
<td>$7,000</td>
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<table>
<thead>
<tr>
<th>Total Pmt/Cost</th>
<th>TODAY</th>
<th>TOMORROW</th>
<th>Chg</th>
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<tbody>
<tr>
<td>$5,167</td>
<td>$4,971</td>
<td>-4%</td>
<td></td>
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</tbody>
</table>

|$5,167 300 $1,550,000 $4,971 300 $1,491,400 -4%
If The Physician Can Reduce the Hospital’s Costs Per Procedure….

<table>
<thead>
<tr>
<th></th>
<th>TODAY</th>
<th></th>
<th></th>
<th>TOMORROW</th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$/Patient</td>
<td># Pts</td>
<td>Total $</td>
<td>$/Patient</td>
<td># Pts</td>
<td>Total $</td>
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</tr>
<tr>
<td><strong>Physician Svcs</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
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<td><strong>Hospital Pmt</strong></td>
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</tr>
<tr>
<td>Fixed Costs</td>
<td>$3,500</td>
<td>50%</td>
<td>$700,000</td>
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<tr>
<td>Variable Costs</td>
<td>$3,150</td>
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<td>$2,363</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<td>180</td>
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<tr>
<td><strong>Total Pmt/Cost</strong></td>
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<td>300</td>
<td>$1,550,000</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
## Everyone Can Win Even More

<table>
<thead>
<tr>
<th></th>
<th><strong>TODAY</strong></th>
<th></th>
<th><strong>TOMORROW</strong></th>
<th></th>
<th><strong>Chg</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$/Patient</td>
<td># Pts</td>
<td>Total $</td>
<td>$/Patient</td>
<td># Pts</td>
</tr>
<tr>
<td><strong>Physician Svcs</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Evaluations</td>
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<td>300</td>
<td>$30,000</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>Procedures</td>
<td>$600</td>
<td>200</td>
<td>$120,000</td>
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</tr>
<tr>
<td>Subtotal</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hospital Pmt</strong></td>
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<tr>
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<td>$5,167</td>
<td>300</td>
<td>$1,550,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SMARTCare – A Condition-Based Payment Model for Stable Angina

http://www.chqpr.org/cardiac-care.html
To Do This, CAPG Groups Need Partnerships With Hospitals

CAPG Groups

Strong Partnerships with Hospitals

True Payment Reform for Physicians

PCPs

Specialists

Hospitals
Partnership Does Not Mean Consolidation

• There are many physician groups and IPAs working with hospitals as partners to manage overall costs in global payment arrangements.
• Example: The Mount Auburn Cambridge IPA (MACIPA) and Mount Auburn Hospital jointly contract with three major Boston-area health plans for full-risk capitation. The IPA is independent of the hospital; they coordinate care with each other without any formal legal structure. Some of the physicians in the IPA are employees of Mount Auburn Hospital, others are independent. www.macipa.com
• Example: Blue Shield ACOs in California with hospital and physician groups as partners in the payment
# Opportunities and Solutions Vary By Specialty

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Opportunities to Improve Care and Reduce Cost</th>
<th>Barriers in Current Payment System</th>
<th>Solutions via Accountable Payment Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiology</td>
<td>• Use less invasive and expensive procedures when appropriate</td>
<td>• Payment is based on which procedure is used, not the outcome for the patient</td>
<td>• Condition-based payment covering CABG, PCI, or medication management</td>
</tr>
<tr>
<td>Orthopedic Surgery</td>
<td>• Reduce infections and complications</td>
<td>• No flexibility to increase inpatient services to reduce complications &amp; post-acute care</td>
<td>• Episode payment for hospital and post-acute care costs with warranty</td>
</tr>
<tr>
<td>Psychiatry</td>
<td>• Reduce ER visits and admissions for patients with depression and chronic disease</td>
<td>• No payment for phone consults with PCPs</td>
<td>• Joint condition-based payment to PCP and psychiatrist</td>
</tr>
<tr>
<td>OB/GYN</td>
<td>• Reduce use of elective C-sections</td>
<td>• Similar/lower payment for vaginal deliveries</td>
<td>• Condition-based payment for total cost of delivery in low-risk pregnancy</td>
</tr>
</tbody>
</table>
## Examples from Other Specialties

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Opportunities to Improve Care and Reduce Cost</th>
<th>Barriers in Current Payment System</th>
<th>Solutions via Accountable Payment Models</th>
</tr>
</thead>
</table>
| **Neurology** | • Avoid unnecessary hospitalizations for epilepsy patients  
• Reduce strokes and heart attacks after TIA | • No flexibility to spend more on preventive care  
• No payment to coordinate with cardio | • Condition-based payment for epilepsy  
• Episode or condition-based payment for TIA |
| **Gastroenterology** | • Reduce unnecessary colonoscopies and colon cancer  
• Reduce ER/admits for inflammatory bowel disease | • No flexibility to focus extra resources on highest-risk patients  
• No flexibility to spend more on care management | • Population-based payment for colon cancer screening  
• Condition-based payment for IBD |
| **Oncology** | • Reduce ER visits and admissions for dehydration  
• Reduce anti-emetic drug costs | • No flexibility to spend more on preventive care  
• Payment based on office visits, not outcomes | • Condition-based payment including non-oncolytic Rx and ED/hospital utilization |
| **Radiology** | • Reduce use of high-cost imaging  
• Improve diagnostic speed & accuracy | • Low payment for reading images & penalty for 2x  
• Inability to change inappropriately ordered tests | • Global payment for imaging costs  
• Partnership in condition-based payments |
To Control Total Spending, All Specialties Must Be Engaged

**SAVINGS FOR MEDICARE**

- Fewer Avoidable Hospitalizations
- Fewer Complications
- Reduce Costs of Treatments

### Medicare Spending vs. Today

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Medicare Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Conditions (23%)</td>
<td></td>
</tr>
<tr>
<td>Mental Illness (4%)</td>
<td></td>
</tr>
<tr>
<td>Trauma (6%)</td>
<td></td>
</tr>
<tr>
<td>Brain and Nervous System (7%)</td>
<td></td>
</tr>
<tr>
<td>Diabetes, Endocrine (8%)</td>
<td></td>
</tr>
<tr>
<td>Joints, Back, Bones (8%)</td>
<td></td>
</tr>
<tr>
<td>COPD, Asthma, Pneumonia (9%)</td>
<td></td>
</tr>
<tr>
<td>Cancer (12%)</td>
<td></td>
</tr>
<tr>
<td>Heart/Circulatory Conditions (23%)</td>
<td></td>
</tr>
</tbody>
</table>

### Future Savings

- Fewer Avoidable Hospitalizations
- Fewer Infections, Complications
- Reduce Cost of Treatments

### Specialties Engaged

- Dermatology
- Gastroenterology
- Ophthalmology
- Nephrology
- Others
- Psychiatry, PCPs
- Emergency Med
- General Surgery
- Neurology
- Neurosurgery
- Endocrinology
- Primary Care
- Orthopedics
- Primary Care
- Pulmonology
- Primary Care
- Oncology
- Radiology, Surgery
- Gastroenterology
- Cardiology
- Cardiac Surgery
- Vascular Surgery
- Primary Care
Accountability Must Be Focused on What Each Specialty Can Influence

- Spending the Physician *Cannot* Control
  - e.g., PCPs can’t reduce surgical site infections
  - e.g., surgeons can’t prevent diabetic foot ulcers

- Spending the Physician *Can* Control or Influence
  - e.g., PCPs can help diabetics avoid amputations
  - e.g., surgeons can reduce surgical site infections
How Will Payment Reforms Be Designed?

THE WRONG WAY
(BUT THE DOMINANT MODE TODAY)

Medicare and Health Plans Design Payment Systems

Physicians Have To Change Care to Align With Payment Systems

Patients and Physicians May Not Come Out Ahead
How Will Payment Reforms Be Designed?

THE WRONG WAY
(BUT THE DOMINANT MODE TODAY)

Medicare and Health Plans Design Payment Systems

Physicians Have To Change Care to Align With Payment Systems

Patients and Physicians May Not Come Out Ahead

THE RIGHT WAY
(REQUIRES PHYSICIAN LEADERSHIP)

Physicians Redesign Care and Identify Payment Barriers

Physicians Design Payment That Payers Implement to Support Care

Patients Get Better Care and Physicians Stay Financially Viable

© 2009-2014 Center for Healthcare Quality and Payment Reform www.CHQPR.org
Leaders in DC Don’t Believe Physicians Will Do It

CBO expects that physicians would generally choose to participate in the payment options that offer the largest payments for the services they provide…

CBO expects that most of the alternative payment models that would be adopted under this legislation would increase Medicare spending. CBO’s review of numerous Medicare demonstration projects found that very few succeeded in reducing Medicare spending.

CBO expects that the greater influence of providers within the design process specified in H.R. 2810 would lead to smaller savings than would arise from the development and adoption of new approaches through the [current] CMMI process.

*Congressional Budget Office Cost Estimate for H.R. 2810 (September 13, 2013)*
CAPG Should Show the Way By Changing the Way it Pays Docs

- HMO Health Plan
- Capitation
- CAPG Group
  - Care Mgt/UR
  - True Payment Reform
  - Physicians
But That Won’t Solve The Problem of How Other Payers/Plans Pay

PPO Health Plan

Care Mgt/UR

P4P/PMPM/SS

FFS
• No payment for services that will benefit patients
• Lower revenues from reducing avoidable costs

Physicians

HMO Health Plan

Capitation

CAPG Group
Care Mgt/UR

True Payment Reform

Physicians
It’s the Same Physicians, But In Two Different Payment Models

PPO Health Plan

Care Mgt/UR

P4P/PMPM/SS

FFS

- No payment for services that will benefit patients
- Lower revenues from reducing avoidable costs

HMO Health Plan

Capitation

CAPG Group Care Mgt/UR

True Payment Reform

Physicians
And Different Payment Models Can Drive You Crazy

**PPO Health Plan**
- Care Mgt/UR

**FFS**
- No payment for services that will benefit patients
- Lower revenues from reducing avoidable costs

“Dissociative identity disorder is characterized by the presence of two or more distinct or split identities or personality states that continually have power over the person's behavior.”

(DSM-5 300.14)

**HMO Health Plan**
- Capitation
  - CAPG Group
    - Care Mgt/UR
  - True Payment Reform
    - Physicians

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Is the Solution to Hope That More Patients Sign Up for HMOs?

- **PPO Health Plan**
  - Care Mgt/UR
  - P4P/PMPM/SS
  - FFS
  - No payment for services that will benefit patients
  - Lower revenues from reducing avoidable costs

- **HMO Health Plan**
  - Capitation
  - CAPG Group
  - Care Mgt/UR
  - True Payment Reform
  - Physicians
What's the difference between a PPO and an HMO?

The most significant difference between a PPO and HMO plan is how you access care.

If you're covered by a PPO plan, you may access care for covered services from any participating provider, but you also have the option to access care from non-participating providers at higher out-of-pocket costs.

In an HMO plan, you need to access care through a designated personal physician to be covered except in case of an emergency. A personal physician directs your care which you can choose or we can assign one to you.

Blue Shield of California Website
Physician Groups
Don’t Promote HMOs

Accepted Health Plans

HealthCare Partners accepts most major health insurance plans. Your insurance plan may require a co-payment at your doctor’s visit.

We also welcome cash, checks, Visa, and MasterCard. If you are paying for your care out-of-pocket, please see our list of Fees for Basic Services.

Turning 65? HealthCare Partners-affiliated doctors accept most Medicare Advantage Plans and Original Medicare.
HMOs Aren’t Much Cheaper Than PPOs, and Not the Cheapest Option

Average Monthly Premiums, by Plan Type
California vs. United States, 2013

Single Coverage
- All Plans*: California $572, United States $490
- HMO: California $555, United States $502
- PPO*: California $613, United States $503
- POS: California $585, United States $498
- HDHP/HSO: California $482, United States $442

Family Coverage
- All Plans: California $1,442, United States $1,363
- HMO: California $1,439, United States $1,379
- PPO*: California $1,501, United States $1,389
- POS: California $1,370, United States $1,369
- HDHP/HSO: California $1,286, United States $1,269

*Estimates are statistically different between California and US.
Notes: POS means point-of-service plan. HDHP/HSO means high-deductible health plan with savings option. HDHPs have a deductible of at least $1,000 for single coverage and at least $2,000 for family coverage.
## And What Kind of Care Am I Locking Myself Into?

### Los Angeles

<table>
<thead>
<tr>
<th>Medical Group</th>
<th>Medical Group Provides Recommended Care</th>
<th>Patients Rate Their Medical Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountable Healthcare IPA (aka Accountable Healthplan Medical)</td>
<td>🌟🌟🌟🌟🌟 POOR</td>
<td>Too few patients in sample to report</td>
</tr>
<tr>
<td>AKM Medical Group</td>
<td></td>
<td>Not rated</td>
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<tr>
<td>Alamitos IPA</td>
<td>🌟🌟🌟🌟🌟 FAIR</td>
<td>🌟🌟🌟🌟🌟 GOOD</td>
</tr>
<tr>
<td>All Care Medical Group</td>
<td>🌟🌟🌟🌟🌟 POOR</td>
<td>Not rated</td>
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<tr>
<td>Allied HealthCare Providers</td>
<td></td>
<td>Not rated</td>
</tr>
<tr>
<td>Angeles IPA</td>
<td>🌟🌟🌟🌟🌟 POOR</td>
<td>🌟🌟🌟🌟🌟 FAIR</td>
</tr>
</tbody>
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© 2009-2014 Center for Healthcare Quality and Payment Reform  www.CHQPR.org
### And What Kind of Care Am I Locking Myself Into?

**Los Angeles**

<table>
<thead>
<tr>
<th>Medical Group Provides Recommended Care</th>
<th>Patients Rate Their Medical Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Samaritan Medical Practice Association</td>
<td><img src="image" alt="Star Rating: Poor" /></td>
</tr>
<tr>
<td>Greater Newport Physicians</td>
<td><img src="image" alt="Star Rating: Fair" /></td>
</tr>
<tr>
<td>HealthCare Partners IPA</td>
<td><img src="image" alt="Star Rating: Good" /></td>
</tr>
<tr>
<td>HealthCare Partners Medical Group</td>
<td><img src="image" alt="Star Rating: Good" /></td>
</tr>
<tr>
<td>Hispanic Physicians IPA dba Medico Hispanic IPA</td>
<td><img src="image" alt="Star Rating: Not rated" /></td>
</tr>
</tbody>
</table>
And What Kind of Care Am I Locking Myself Into?

## Los Angeles

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>- Kaiser Permanente - Southern California Permanente Medical Group - Baldwin Park</td>
<td>EXCELLENT</td>
</tr>
<tr>
<td>- Kaiser Permanente - Southern California Permanente Medical Group - Downey</td>
<td>EXCELLENT</td>
</tr>
<tr>
<td>- Kaiser Permanente - Southern California Permanente Medical Group - Fontana</td>
<td>GOOD</td>
</tr>
<tr>
<td>- Kaiser Permanente - Southern California Permanente Medical Group - Los Angeles</td>
<td>GOOD</td>
</tr>
<tr>
<td>- Kaiser Permanente - Southern California Permanente Medical Group - Orange County</td>
<td>EXCELLENT</td>
</tr>
</tbody>
</table>
What Do Other Industries Do?
What the HMO Model Would Look Like in the Auto Industry

HMO Model

Purchasing a Car

• If you buy your car at our dealership, you can only get it repaired here
What Consumers Want, and Get

HMO Model

Purchasing a Car
- If you buy your car at our dealership, you can only get it repaired here

What Consumers Expect

Purchasing a Car
- Buy your car at our dealership and get it serviced wherever you can get the best service and price
What the HMO Model Would Look Like in the Airline Industry

### HMO Model

**Purchasing a Car**
- If you buy your car at our dealership, you can only get it repaired here

**Traveling by Air**
- To buy a ticket on this flight from us, you have to buy all your flights on this airline for the next year

### What Consumers Expect

**Purchasing a Car**
- Buy your car at our dealership and get it serviced wherever you can get the best service and price
What Consumers Want, and Get

HMO Model

Purchasing a Car
• If you buy your car at our dealership, you can only get it repaired here

Traveling by Air
• To buy a ticket on this flight from us, you have to buy all your flights on this airline for the next year

What Consumers Expect

Purchasing a Car
• Buy your car at our dealership and get it serviced wherever you can get the best service and price

Traveling by Air
• Buy a ticket for this flight with us, and decide next time who to fly with
What the HMO Model Would Look Like in Bookstores

HMO Model

Purchasing a Car
• If you buy your car at our dealership, you can only get it repaired here

Traveling by Air
• To buy a ticket on this flight from us, you have to buy all your flights on this airline for the next year

Buying a Book
• You can only buy a book at our store if you give up the right to buy a book anywhere else, and you can only read what we tell you

What Consumers Expect

Purchasing a Car
• Buy your car at our dealership and get it serviced wherever you can get the best service and price

Traveling by Air
• Buy a ticket for this flight with us, and decide next time who to fly with
What Consumers Want, and Get

### HMO Model

#### Purchasing a Car
- If you buy your car at our dealership, you can only get it repaired here

#### Traveling by Air
- To buy a ticket on this flight from us, you have to buy all your flights on this airline for the next year

#### Buying a Book
- You can only buy a book at our store if you give up the right to buy a book anywhere else, and you can only read what we tell you

### What Consumers Expect

#### Purchasing a Car
- Buy your car at our dealership and get it serviced wherever you can get the best service and price

#### Traveling by Air
- Buy a ticket for this flight with us, and decide next time who to fly with

#### Buying a Book
- Buy a book at Amazon today (no matter how trashy it is), and go elsewhere next time if you’re not happy
Does That Mean Consumers Want Fragmented Service?
What the PPO Model Would Look Like in the Auto Industry

PPO Model

Purchasing a Car

• Buy our parts kit and assemble the car yourself. Call your auto insurance company for advice about how to connect the engine and transmission, if you can get through. They’ll pay for your injuries if the brakes fail to work.
What Consumers Want, and Get

PPO Model

Purchasing a Car
• Buy our parts kit and assemble the car yourself. Call your auto insurance company for advice about how to connect the engine and transmission, if you can get through. They’ll pay for your injuries if the brakes fail to work.

What Consumers Expect

Purchasing a Car
• If the car you buy here doesn’t work, bring it back and we’ll fix it free of charge. Major parts are guaranteed for many years. Basic maintenance is your responsibility, though.
## What the PPO Model Would Look Like in the Airline Industry

<table>
<thead>
<tr>
<th>PPO Model</th>
<th>What Consumers Expect</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchasing a Car</strong></td>
<td><strong>Purchasing a Car</strong></td>
</tr>
<tr>
<td>• Buy our parts kit and assemble the car yourself. Call your auto insurance company for advice about how to connect the engine and transmission, if you can get through. They’ll pay for your injuries if the brakes fail to work.</td>
<td>• If the car you buy here doesn’t work, bring it back and we’ll fix it free of charge. Major parts are guaranteed for many years. Basic maintenance is your responsibility, though.</td>
</tr>
<tr>
<td><strong>Traveling by Air</strong></td>
<td></td>
</tr>
<tr>
<td>• Buy plane tickets for each segment separately and hope the schedules don’t change. Make sure you have an apartment in Chicago where you can stay when your flights don’t connect.</td>
<td></td>
</tr>
</tbody>
</table>
## What Consumers Want, and Get

### PPO Model

**Purchasing a Car**
- Buy our parts kit and assemble the car yourself. Call your auto insurance company for advice about how to connect the engine and transmission, if you can get through. They’ll pay for your injuries if the brakes fail to work.

**Traveling by Air**
- Buy plane tickets for each segment separately and hope the schedules don’t change. Make sure you have an apartment in Chicago where you can stay when your flights don’t connect.

### What Consumers Expect

**Purchasing a Car**
- If the car you buy here doesn’t work, bring it back and we’ll fix it free of charge. Major parts are guaranteed for many years. Basic maintenance is your responsibility, though.

**Traveling by Air**
- Buy a single ticket for the whole trip, with guaranteed rebooking if there’s a misconnect. We’ll book you on another airline if necessary to get you there as soon as possible.
How Do Businesses in Other Industries Keep Their Customers?
High Quality Products and Good Customer Service

- **Auto Industry**
  - “Our service department is committed to your satisfaction. We have evening and Saturday hours. If you’re not happy with the service you received, call the service manager directly.”
High Quality Products and Good Customer Service

• Auto Industry
  – “Our service department is committed to your satisfaction. We have evening and Saturday hours. If you’re not happy with the service you received, call the service manager directly.”

• Airline Industry
  – “Thank you for flying with us today. We know you have a choice of airlines.”
  – “A special welcome to our frequent flyers.” (You may have been the only ones to find carry-on luggage space, and we’ll upgrade you to First Class every so often to make you think twice about that other airline.)
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- **Online Bookstores**
  - “Rate the last book you purchased from us to help other customers.”
  - “Here are some other books that you might also like.”
High Quality Products and Good Customer Service?

• **Auto Industry**
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  – “Here are some other books that you might also like.”

• **CAPG Physician Groups**
  – ???
What Would a Patient-Centered ACO Look Like?

- The patient (and their employer) gets a 90 day money-back guarantee if they choose the CAPG group.
- The CAPG group helps the patient find a primary care physician with the type of access, team, cultural competence, and personality the patient will be most comfortable with.
- The CAPG group immediately works to welcome the patient and design a plan of care to match the patient’s needs and preferences, and it regularly solicits feedback on performance.
- If the patient has a specific health problem, the CAPG group commits to get the patient the best care for that problem at the lowest cost, even if that is not from a provider in the group.
  - The CAPG group provides the patient with comparative information on the quality and cost of the CAPG physicians and providers compared to all other providers (rather than forcing the patient to search the internet).
  - If the patient chooses a non-group provider, the patient will pay the difference in cost unless the other provider’s quality is better.
- The CAPG group pays physicians to manage the patient’s conditions effectively, not based on office visits or procedures.
How A Patient-Centered ACO Would Work for Patients

PATIENTS

Heart Disease
Diabetes
Back Pain
Pregnancy
Each Patient Should Choose & Use a Primary Care Practice…

<table>
<thead>
<tr>
<th>PATIENTS</th>
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<tbody>
<tr>
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</tbody>
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Primary Care Practice
…Which Takes Accountability for What PCPs Can Control/Influence

MEDICARE/HEALTH PLAN

PATIENTS

Heart Disease
Diabetes
Back Pain
Pregnancy

Accountable Medical Home

Primary Care Practice

Accountability for:

- Avoidable ER Visits
- Avoidable Hospitalizations
- Unnecessary Tests
- Unnecessary Referrals
…With a Medical Neighborhood to Consult With on Complex Cases

**MEDICARE/HEALTH PLAN**

**PATIENTS**
- Heart Disease
- Diabetes
- Back Pain
- Pregnancy

**Primary Care Practice**

**Endocrinology, Neurology, Psychiatry**

**Accountability for:**
- Unnecessary Tests
- Unnecessary Referrals
- Co-Managed Outcomes

**Accountable Medical Home**
..And Specialists Accountable for the Conditions They Manage

Accountability for:
- Unnecessary Tests
- Unnecessary Procedures
- Infections, Complications

**PATIENTS**
- Heart Disease
- Diabetes
- Back Pain
- Pregnancy

**Primary Care Practice**

**Cardiology Group**
**Orthopedic Group**
**OB/GYN Group**

**Endocrinology, Neurology, Psychiatry**

**Heart Episode/Condition Pmt**
**Back Episode/Condition Pmt**
**Pregnancy Management Pmt**
That’s Building the ACO from the Bottom Up

MEDICARE/HEALTH PLAN

Accountable Payment Models

ACO

Heart Episode/Condition Pmt

Back Episode/Condition Pmt

Pregnancy Management Pmt

Heart Disease

Diabetes

Back Pain

Pregnancy

Primary Care Practice

Cardiology Group

Orthopedic Group

OB/GYN Group

Endocrinology, Neurology, Psychiatry

Accountable Medical Home

Accountable Medical Neighborhood

PATIENTS

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Most ACOs Today Aren’t Truly Reinventing Care or Payment

Fee-for-Service Payment

MEDICARE/HEALTH PLAN

ACO

Expensive IT Systems

Nurse Care Managers

Shared Savings Bonus

PATIENTS

Heart Disease

Diabetes

Back Pain

Pregnancy

Primary Care

Psych., Neuro

Cardiology

Orthopedics

OB/GYN

Shared Savings Payment

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With True Payment Reform, the ACO Doesn’t Need Patient Lock-In
With Payment Reform, an ACO Can Make a Global Payment Work

MEDICARE/HEALTH PLAN

Risk-Adjusted Global Payment

PATIENTS
Heart Disease
Diabetes
Back Pain
Pregnancy

Primary Care Practice

Endocrinology, Neurology, Psychiatry

Accountable Medical Home

ACO

Cardiology Group
Orthopedic Group
OB/GYN Group

Heart Episode/Condition Pmt
Back Episode/Condition Pmt
Pregnancy Management Pmt

Accountable Medical Neighborhood
Specialty Payment Models Become Internal Compensation Structures

MEDICARE/HEALTH PLAN

Risk-Adjusted Global Payment

ACO

Compensation for Co-Management of Patients

Cardiology Group

Orthopedic Group

OB/GYN Group

Compensation for Heart Condition Mgt

Compensation for Back Pain Management

Compensation for Pregnancy Care

Primary Care Practice

Endocrinology, Neurology, Psychiatry

Compensation for Prevention & Chronic Care
#3: Better Benefit Design Requires Payment/Comp. Reform for Docs

- Patients
- CAPG Groups
- Hospitals
- PCPs
- Specialists

- Patient-Centered Benefit Design & Care Delivery
- Strong Partnerships with Hospitals
- True Payment Reform for Physicians

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Will Health Plans Implement New Benefit and Payment Models?

- Patients
  - Patient-Centered Benefit Design & Care Delivery
  - True Payment Reform for Physicians
    - PCPs
    - Specialists
  - Strong Partnerships with Hospitals
    - Hospitals
    - CAPG Groups
      - Strong Partnerships with Hospitals
Major Barrier: Gaining Support from a Critical Mass of Payers

Physician is only compensated for changed practices for the subset of patients covered by participating payers
For Most Employees, the **Employer** is the Insurer, Not a **Health Plan**

**Percentage of Workers With Employer-Sponsored Insurance Who Are in Self-Funded Plans, 1999-2012**

- **60% in Self-Funded Plans**

Source: Employer Health Benefits 2012 Annual Survey. The Kaiser Family Foundation and Health Research and Educational Trust
For Self-Funded Employers, The Health Plan is Just a Pass Through

Self-Funded Purchasers → Provider Claims → Purchaser Payment → Providers

ASO Health Plan (No Risk)
Little Incentive for Health Plans to Support True Payment Reforms

True Payment Reform Means:

• Health plan incurs the costs of implementing new payment models

• Purchaser gains all the savings from reduced utilization and spending (because all claims are passed through)
So Employers Feel Compelled to Use The Only Tools They Have

- High Deductibles
- Narrow Networks
- Transparency Demands
A Better Approach: Purchaser/Provider Partnerships

**Self-Funded Purchasers**

- Better Payment and Benefit Structure

**Providers Willing to Manage Costs**

- Lower Cost, Higher Quality Care

**Purchasers and Patients “win” if:**
- Providers reduce purchasers’ costs
- Patients stay healthy and have lower cost-sharing

**Provider “wins” if:**
- Patients stay healthy and need less care
- Purchaser pays provider adequately to manage care efficiently
Health Plan Implements Changes Purchasers/Providers Agree On

ASO Health Plan (No Risk)

Implementation

Better Payment and Benefit Structure

Self-Funded Purchasers

Lower Cost, Higher Quality Care

Providers Willing to Manage Costs
Employers Care About More Than Just Healthcare Spending

- Economic Burden of Disease
- Total Healthcare Costs
- Physician Fees
  - Specialty Fees
  - PCP Fees
  - Hospital Costs
  - Drug Costs
  - Patient Time Off Work

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Non-Medical Costs > Medical Costs For Working-Age Adults

Source: Timothy Dall et al, “The Economic Burden of Diabetes,” Health Affairs February 2010
Employers & Docs Can Both Win If Employee Productivity Improves

- Increased employee productivity
- Increased physician revenue
- Economic Burden of Disease
  - Patient Time Off Work
  - Hospital Costs
  - Drug Costs
  - Specialty Fees
  - PCP Fees
  - Physician Fees
  - Total Healthcare Costs
More Employers Now Want to Pursue This Approach

Self-Funded Purchasers

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Employer Partnerships Require Ability to Manage Total Cost

Employers

Strong Partnerships with Employers

Patient-Centered Benefit Design & Care Delivery

True Payment Reform for Physicians

PCPs

Specialists

CAPG Groups

Strong Partnerships with Hospitals

Patients

Hospitals
Employers Insure Fewer Than Half of Patients – What About the Rest?
Instead of Having To Accept What Medicare and Health Plans Pay…

Medicare Beneficiaries

Fully Insured Large Groups

Self-Insured Employers

Individuals & Small Groups

State Medicaid

CMS

MA Plans

Commercial Health Plans

Physician Group, IPA, or Health System

Medicare FFS

Commercial FFS

Medicaid FFS
What Could Happen If Providers Had Their Own Health Plans?

- Medicare Beneficiaries
- Fully Insured Large Groups
- Self-Insured Employers
- Individuals & Small Groups
- State Medicaid
- Medicaid MCOs
- CMS
- MA Plans
- Commercial Health Plans

Provider-Owned Health Plan

Physician Group, IPA, or Health System
Get Risk-Adjusted Payment from Medicare, Pay Providers Better

CMS

Risk-Adjusted Medicare Advantage Payment

Provider-Owned Health Plan

Better Provider Payment

Physician Group, IPA, or Health System

Medicare Beneficiaries

Commercial Health Plans

Fully Insured Large Groups

Self-Insured Employers

Individuals & Small Groups

State Medicaid

Medicaid MCOs
Contract Directly with Self-Insured Employers, Pay Providers Better

- Medicare Beneficiaries
- Fully Insured Large Groups
- Self-Insured Employers
- Individuals & Small Groups
- State Medicaid
- CMS
- Commercial Health Plans
- Provider-Owned Health Plan
- Medicaid MCOs
- Physician Group, IPA, or Health System

Flow:
- Medicare Beneficiaries → CMS
- Fully Insured Large Groups → Commercial Health Plans
- Self-Insured Employers → Risk-Adjusted Direct Contract
- Individuals & Small Groups → Provider-Owned Health Plan
- State Medicaid → Medicaid MCOs
- Physician Group, IPA, or Health System → Better Provider Payment

- Risk-Adjusted Medicare Advantage Payment
- Risk-Adjusted Direct Contract
- Better Provider Payment
Use Exchange for Small Group Business, Pay Providers Better

- Medicare Beneficiaries
- CMS
- Physician Group, IPA, or Health System
- Fully Insured Large Groups
- Commercial Health Plans
- Risk-Adjusted Medicare Advantage Payment
- Self-Insured Employers
- Risk-Adjusted Direct Contract
- Individuals & Small Groups
- Insurance Exchanges
- Risk-Adjusted Premium Revenue
- State Medicaid
- Medicaid MCOs
- Better Provider Payment

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Contract Directly With State for Medicaid, Pay Providers Better

- **Medicare Beneficiaries**
- **Fully Insured Large Groups**
- **Self-Insured Employers**
- **Individuals & Small Groups**
- **State Medicaid**

- **CMS**
- **Commercial Health Plans**

- **Provider-Owned Health Plan**
  - **Risk-Adjusted Medicare Advantage Payment**
  - **Risk-Adjusted Direct Contract**
  - **Better Provider Payment**

- **Insurance Exchanges**
  - **Risk-Adjusted Premium Revenue**
  - **Risk-Adjusted Global Payment**

**Physician Group, IPA, or Health System**
Get Global Payment for Large Groups, Pay Providers Better

- Medicare Beneficiaries
- Fully Insured Large Groups
- Self-Insured Employers
- Individuals & Small Groups
- State Medicaid
- CMS
- Insurance Exchanges
- Provider-Owned Health Plan
- Risk-Adjusted Medicare Advantage Payment
- Risk-Adjusted Direct Contract
- Better Provider Payment
- Risk-Adjusted Premium Revenue
- Risk-Adjusted Global Payment
- Physician Group, IPA, or Health System

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Result: A “Single Payer System” Controlled by Physicians & Hospitals

- **Medicare Beneficiaries**
- **Fully Insured Large Groups**
- **Self-Insured Employers**
- **Individuals & Small Groups**
- **State Medicaid**

**CMS**

- **Risk-Adjusted Medicare Advantage Payment**
- **Risk-Adjusted Direct Contract**

**Provider-Owned Health Plan**

- **Better Provider Payment**
- **Risk-Adjusted Premium Revenue**
- **Risk-Adjusted Global Payment**

**Physician Group, IPA, or Health System**

**ONE PAYER, MANY CUSTOMERS**
The Best Health Plans In the U.S. Are Run by Providers

• 11 of 578 Medicare Advantage Plans Had 5 Stars in 2013
  – 10 of 11 Are Provider Owned
    • Kaiser Permanente (6 plans in multiple states)
    • HealthPartners (Minnesota)
    • Group Health Cooperative (Washington)
    • Gundersen Lutheran (Wisconsin)
    • Health New England (Massachusetts) – 7,000 members
  – 1 of 11 is Non-Provider Owned
    • Humana Wisconsin

• Most Large National Health Plans Had 3.5 Stars or Less
  – Aetna
  – Cigna
  – Humana
  – United
  – Wellpoint
High Quality Health Plans
Run By Physician Groups
So What Will CAPG Groups Do?

**TODAY**
- High Healthcare Costs
- Mediocre Quality
- Overworked, Unhappy Physicians
- Loss of Independent Practices
- Purchaser-Provider Price Wars
- Patients as Pawns

**FUTURE**

CAPG Groups

?
Keep Doing What You’re Doing & Hope It Works Until You Retire?

**TODAY**

- High Healthcare Costs
- Mediocre Quality
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- Loss of Independent Practices
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**CAPG Groups**

One day Alice came to a fork in the road and saw a Cheshire cat in a tree. "Which road do I take?" she asked. "Where do you want to go?" was his response. "I don't know," Alice answered. "Then," said the cat, "it doesn't matter."
High Healthcare

If you can’t find a way, create one.

Patients as Pawns

TODAY

Or Forge a Physician-Led Path to the Future?

CAPG Groups

FUTURE

Healthy, Productive Citizens

Affordable, High Quality Healthcare

Physician Satisfaction and Independence

Purchaser-Provider Partnerships

Financially Viable Physicians & Hospitals

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Instead of Four Weaknesses…

- Employers
  - Weak Partnerships with Employers
  - Reliance on HMO Plans & Restrictions

- CAPG Groups
  - Weak Partnerships with Hospitals
  - Lack of True Payment Reform for Physicians

- Patients
  - Reliance on HMO Plans & Restrictions

- PCPs
- Specialists

- Hospitals
…Build Four Key Strengths As a Model for Doctors Everywhere

- Employers
  - Strong Partnerships with Employers
- Hospitals
  - Strong Partnerships with Hospitals
- Patients
  - Patient-Centered Benefit Design & Care Delivery
  - True Payment Reform for Physicians
- CAPG Groups
  - Strong Partnerships with Hospitals
- PCPs
- Specialists
What Should CAPG Members Do Next?
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OPTION 1:

- Sit and listen to PowerPoint presentations at the JW Marriott at LA Live for 3 days and go back home to business as usual. Tell Don not to invite Harold Miller any more.
What Should CAPG Members Do Next?

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OPTION 2:
• Organize meetings of the employers, unions, hospitals, and physicians in your community to identify ways to improve care and reduce costs and to design the payment and benefit changes needed to support that. Ask a neutral organization, like IHA, to facilitate the discussions and help provide the data needed to identity and quantify opportunities.
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• Educate citizens about why they should want the new models you develop instead of PPOs, HMOs, and narrow networks.
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• Educate citizens about why they should want the new models you develop instead of PPOs, HMOs, and narrow networks.
• Turn the next CAPG Conference into a Working Summit. Invite hospitals, employers, unions, and citizens to attend and work on ways to overcome the barriers to win-win-win approaches to delivery systems, payment systems, and benefit designs. Advocate jointly for any changes in federal and state laws and regulations needed to make California a leader in high quality, affordable care.
Learn More About Win-Win-Win Payment and Delivery Reform

Center for Healthcare Quality and Payment Reform
www.PaymentReform.org
For More Information:

Harold D. Miller
President and CEO
Center for Healthcare Quality and Payment Reform

Miller.Harold@GMail.com
(412) 803-3650

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