North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Provider Reimbursement Strategies

Board of Trustees Meeting

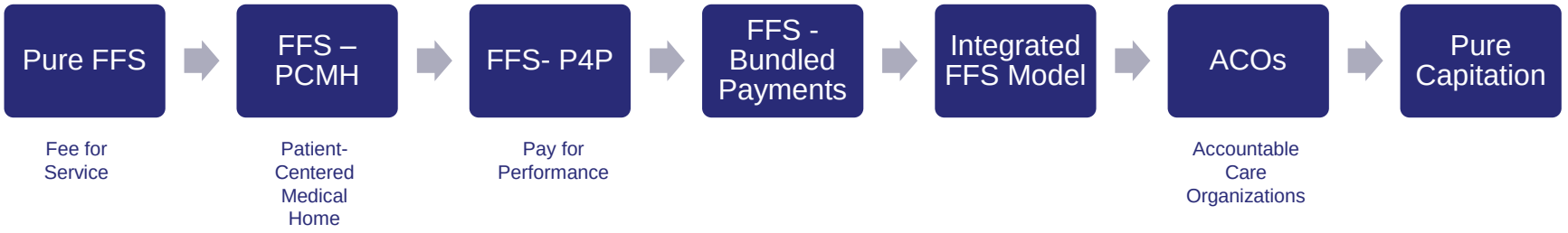
April 27, 2016

Presentation Overview

- January 2014 Board Presentation on Provider Payment Methodologies and Strategies
- Board Approved Strategic Initiative to Pursue Alternative Payment Models
- Blue Cross and Blue Shield of NC Provider Reimbursement Savings Initiatives
- Considerations and Decision Points

Spectrum of Potential Payment Methodologies

- The goal of many alternative provider payment arrangements is to shift from paying for productivity and each procedure (i.e. the FFS model) to paying for quality and outcomes
  - Additional benefits include better member experience and engagement as well as overall efficiency in the health care system
  - Currently, providers are not compensated if all their members are healthy
- The alternative payment models take various approaches to addressing quality but some key themes include:
  - Coordination of care
  - Enhanced focus on primary care
  - Incentives for reducing undesirable outcomes and bonuses for positive outcomes and use of appropriate settings of care
  - Payment withholds for lower quality care and/or redundant care



Summary of Findings

- Alternative payment opportunities are emerging in North Carolina in different parts of the State and at different levels based on the provider groups; Plan members have access to some of these
- Payment strategies that focus on quality and costs can have an impact on member choice and access – Need appropriate balance
- Alternative models require effective data analytics to monitor performance
- The size of the Plan member population offers opportunities when considering alternative payment methodologies and arrangements; however, the geographical dispersion of members throughout the State presents challenges

Next Steps and Recommendations

- Alternative payment opportunities are emerging in North Carolina in different parts of the State and at different levels based on the provider groups – *Do we promote utilization of these models?*
- A global, statewide strategy toward alternative payments does not appear to be possible in the short-term
- The State Health Plan should work with current and future TPAs/carriers to identify opportunities to incent quality of care and pay for outcomes while facilitating the development of successful evidence-based practices that are emerging in NC
- Investigate the use of alternative network arrangements and plan designs that can reward members for using higher quality and lower cost facilities
- Consider pursuing condition-based partnerships to reduce avoidable hospitalizations and help members manage conditions

Ensure a Financially Stable State Health Plan

Strategic Initiative: Pursue Alternative Payment Models

What It Means	What We Will Do	Why It Is Important
• Shift away from the current pay for volume approach in health care to paying for outcomes based on evidence based metrics. • Utilize the spectrum of alternative payment strategies, ranging from PCMH to pure capitation, to more efficiently compensate providers to provide care in the most effective setting. • Take a long-term, prospective view to improve member health to manage cost growth versus only short-term price reductions.	• Partner with current and future third party administrators (TPA)/carriers to identify opportunities to incent quality of care and pay for outcomes while facilitating the development of successful evidence-based practices that are emerging in North Carolina • Partner with other payers, where appropriate, to implement consistent approaches to alternative payment strategies throughout North Carolina • Engage with providers who are able to work directly with the Plan on value based payments and metrics	• Moving away from pure fee for service provides an incentive to focus on better coordination and effective care • 15.6% of hospital admissions had a readmit within 30 days • Average inpatient cost per day has increased by 4.4% over the past year

PROVIDER REIMBURSEMENT SAVINGS INITIATIVES

BlueCross BlueShield of North Carolina

REIMBURSEMENT SAVINGS INITIATIVES

Initiative	Comments/Description	Annual Savings Projection
Out-of-network Lab	Implemented reimbursement change in 2015	$8 million
Reimbursement policy changes	e.g., Incidental services edits; assistant surgeon, residential treatment centers, and out of network professional reimbursement changes; implemented in late-2015 to early-2016	$3.6 + million
Bundled payment arrangements	Knee and hip replacements	Average savings per knee: $1,000-$2,000 Average savings per hip: $4,200-$4,800 Apr 2014-Mar 2015 total savings: $142,000.
Blue Local	Currently available in Triangle (Duke and WakeMed) and in Charlotte (Carolinas HealthCare System)	6-8% savings in Blue Local markets, assuming total replacement offer; approximately 118,000 Plan members would have access to current Blue Local arrangements
ACO arrangements	Plan currently participates with WakeMed / Key Physicians (WKCC) ACO	TBD based on ACO performance
Aligning outlier reimbursement	e.g., Wayne Memorial , Carteret Health Care	As example, ~5% savings on facility rates per initiative. Varies by facility.
Large health system renewal strategy	Value-based contracting strategy, ongoing at contract renewal	Varies by health system; projected annual savings of $10.8 million off run rate
Benchmark-driven professional reimbursement update	Benchmarking to industry-standard methodology	TBD based on benchmarking results
Sleep study management	Implementing mid-2016	$2 million
Hospital and high volume specialist designation program	Designation based on cost and quality; more than 40% of inpatient admissions are to designated facilities; in place since 2014	$4 million (based on historical Plan data); net savings of $2.4 million, after incentives
Blue Distinction Center (BDC) Program	BDCs for joint replacement, spine surgery, bariatric surgery, cardiac care, complex and rare cancers, transplants, and maternity; BDCs are designated based on cost and quality	Savings range from 5-20% for total episode of care, depending on procedure and based on BDC facilities versus relevant comparison facilities
Recruitment of ABA therapy providers	Upon the addition of ABA therapy to Plan benefits, BCBSNC contracted with additional providers to join the network	Approximate savings for 2015: $40,000 Savings will increase as utilization increases

LONGER TERM COST MANAGEMENT STRATEGY

- BCBSNC continuously evaluates the total cost of care to ensure savings for clients and members and to ensure a competitive advantage in the market
- BCBSNC has executed on a number of initiatives that are already generating savings
- Over the next 2-4 years and ongoing, BCBSNC will execute on medical expense strategies to further improve its competitive advantage, starting with professional reimbursement (currently benchmarking), followed by facility outpatient and inpatient
- In addition to reimbursement advantage, BCBSNC is evaluating savings opportunities related to medical policy and reimbursement policy
- Quality and access will be important components of any reimbursement or policy initiative
- Long term cost management will result from the totality of these efforts, not from reimbursement alone

Considerations and Decision Points

- If the primary goal is achieving reductions in FFS reimbursements, the Board needs to reassess the strategic initiative to pursue alternative payment models
- If the Plan sets “allowed” amounts or specifies maximum reimbursement rates without also establishing a network of contracted providers, members may experience access issues and balanced billing
- Development of next TPA RFP is under way – need clear strategic direction
- Key focus of upcoming discussions regarding changes/updates to the strategic plan