# Value-Based Reimbursement, Why the Struggle?

February 21, 2019

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# About Payspan

## LEADERSHIP

Leading provider of electronic healthcare reimbursement and payment automation solutions.

## NETWORK

More than 600 health plans, 1.3 million provider payees and more than 100 million consumers.

## QUALITY

Our network improves value-based reimbursement, patient experience, and cost reduction.

## PAYMENT

Alternative payment and reimbursement solutions that integrate clinical information.

*We're simplifying the healthcare payment and quality process.*

# Payspan EFT Platform – Timely solution to HHSC 85% EFT Compliance Standard

- 95%+ electronic payment adoption rate
- $90B+ in payments annually
- 29,000+ registered Texas TINs
- 500,000 monthly electronic provider payments
- Referenceable Texas MCOs

*EFT Platform - Leveraged to facilitate VBR communications*



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# Agenda

- Market Trends Impacting Payer Business Opportunities
- MA Star Ratings Meeting Primary Goals
- Is the VBR Status Quo Enough?
- Fixing Root Cause

# Market Trends Impacting Payer Business Opportunities



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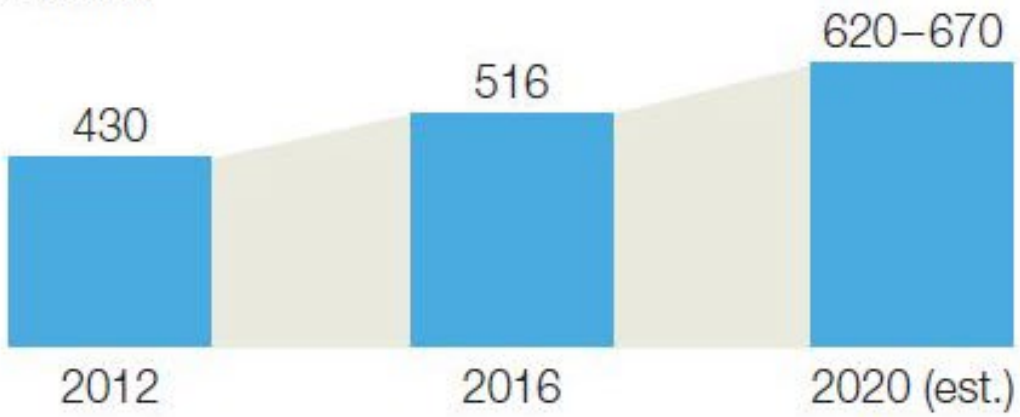
# Exciting Time for Healthcare Industry

## McKinsey Analysis of Profit Pool Shifts

**US healthcare sector EBITDA**

$ billion




**Compound annual EBITDA growth, 2012–16**

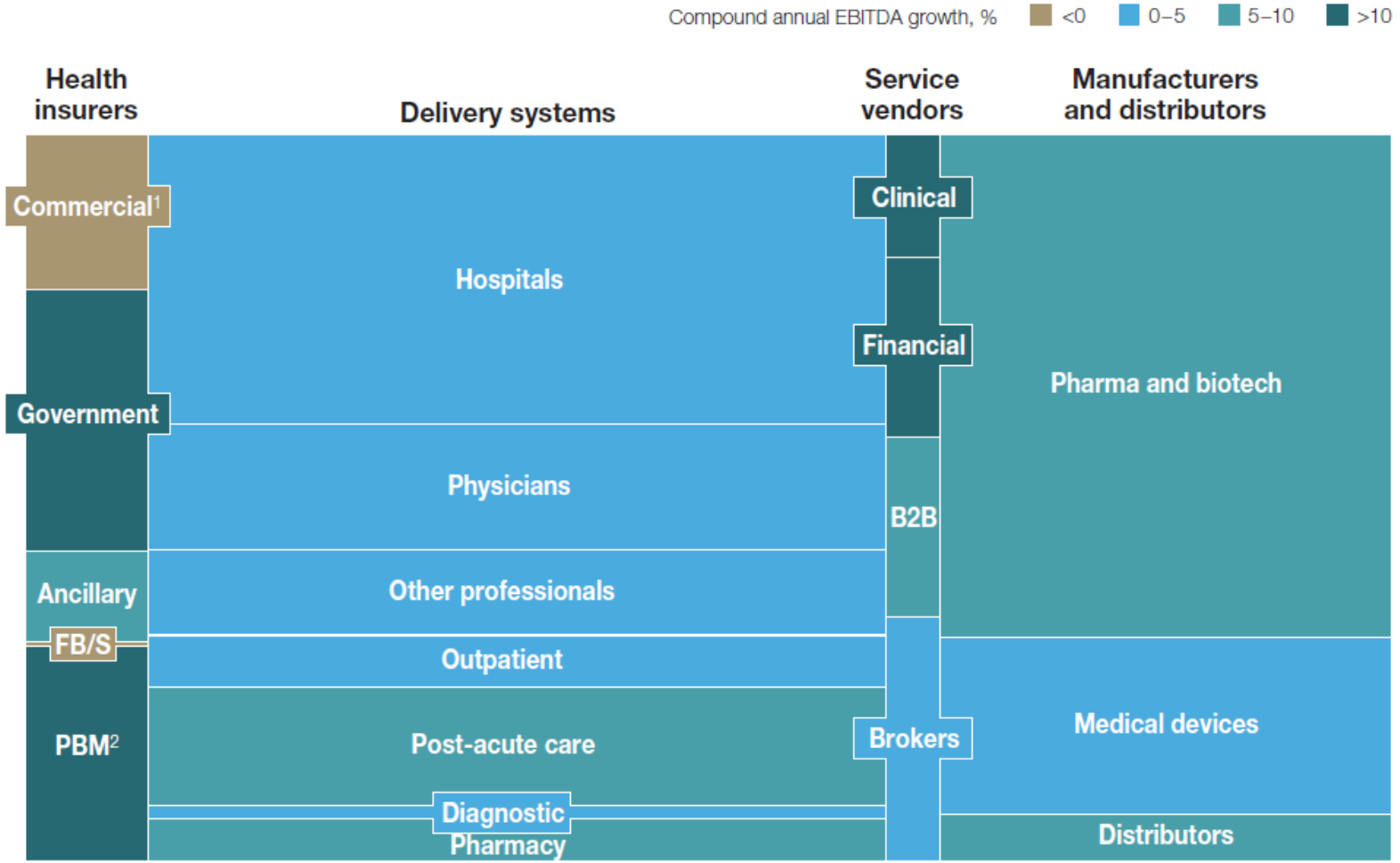

EBITDA, earnings before interest, taxes, depreciation, and amortization.

Sources: Capital IQ industry estimates for top 1,000 US companies; see the detailed sources listed under Exhibits 2 and 3 for the US healthcare industry

McKinsey, "The future of healthcare: Finding the opportunities that lie beneath the uncertainty," January 2018

# EBITDA Growth Across U.S. Healthcare Industry

## Changes from 2012-2016




**The width of each column** reflects the percentage of the healthcare industry's total 2016 EBITDA ($516B) accounted for by each sector. (Payers had 9%; delivery systems, 54%; service vendors, 4%; and manufacturers and distributors, 33%.) **The height of each rectangle** reflects the percentage of a given sector's EBITDA earned by each of the the various stakeholders that year.

McKinsey, "The future of healthcare: Finding the opportunities that lie beneath the uncertainty," January 2018 (page3)

B2B, business to business (e.g., human resources outsourcing, group purchasing organizations); EBITDA, earnings before interest, taxes, depreciation, and amortization; FB/S, fixed benefits and supplemental (e.g., long-term care insurance, accidental death and dismemberment insurance, critical illness insurance); PBM, pharmacy benefit manager. [1] Includes the individual market. [2] PBM 2012-16 EBITDA growth rate reflects uncharacteristically low margin performance in 2012 among key stakeholders in this segment. Sources: The data underlying this analysis came from a wide range of sources, including regulatory filings (e.g., SEC reports, NAIC filings), US Bureau of Labor Statistics, external surveys (e.g., American Hospital Association, Kaiser Family Foundation, US National Health Expenditures), publicly available information from CMS (e.g., Medicare cost reports), and external industry financial reports.



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# Profit Pool Shifts Impacting Opportunities

## Disruption Occurring to Commercial Lines of Business

- Changes in provider market structure
  - More employers dropping out of group insurance plans and self-insuring
  - Increase in provider market share
  - 79 health systems working directly with employers[1]
  - 125 million Americans live where leading providers have 35% market share[2]
- Digital models of consumer engagement driving provider direct-to-employer contracts[3]

[1-3]McKinsey, "The future of healthcare: Finding the opportunities that lie beneath the uncertainty," 2018





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# Profit Pool Shifts Impacting Opportunities
## Government Lines of Business Increasing

### Between 2012 and 2016:

### Commercial
- 16% drop in enrollment in fully insured group plans[1]

### Medicare
- 59 million members total[2]
- 71% MA plan enrollment increase[3]
- 21 million MA members currently[4]

### Medicaid
- 72 million enrolled in Medicaid & CHIP[5]
- 80% MCO enrollment increase[6]
- 65 million MCO members currently[7]

### Medicare Health Status[8]

- 30% 5+ chronic conditions
- 34% cognitive mental impairment
- 27% fair or poor health

### Medicaid Health Status

- Largest healthcare payer[9]
- Up to 62% have 1 or more chronic conditions[10]
- High prevalence of heart diseases. hypertension, hyperlipidemia, heart disease and diabetes[11]

[1,3-4,6]McKinsey, "The future of healthcare: Finding the opportunities that lie beneath the uncertainty," January 2018; [2,8]Kaiser Family Foundation, Overview of Medicaid, 2017; [5]November 2018 Medicaid & CHIP Enrollment Data Highlights; 7-Kaiser Family Foundation, Total Medicaid Managed Care Enrollment, 2016; [9]Medicaid and CHIP Payment and Access Commission; [10-11]AJMC, "Identifying the Most Prevalent and Costly Chronic Conditions in Medicaid", 2017



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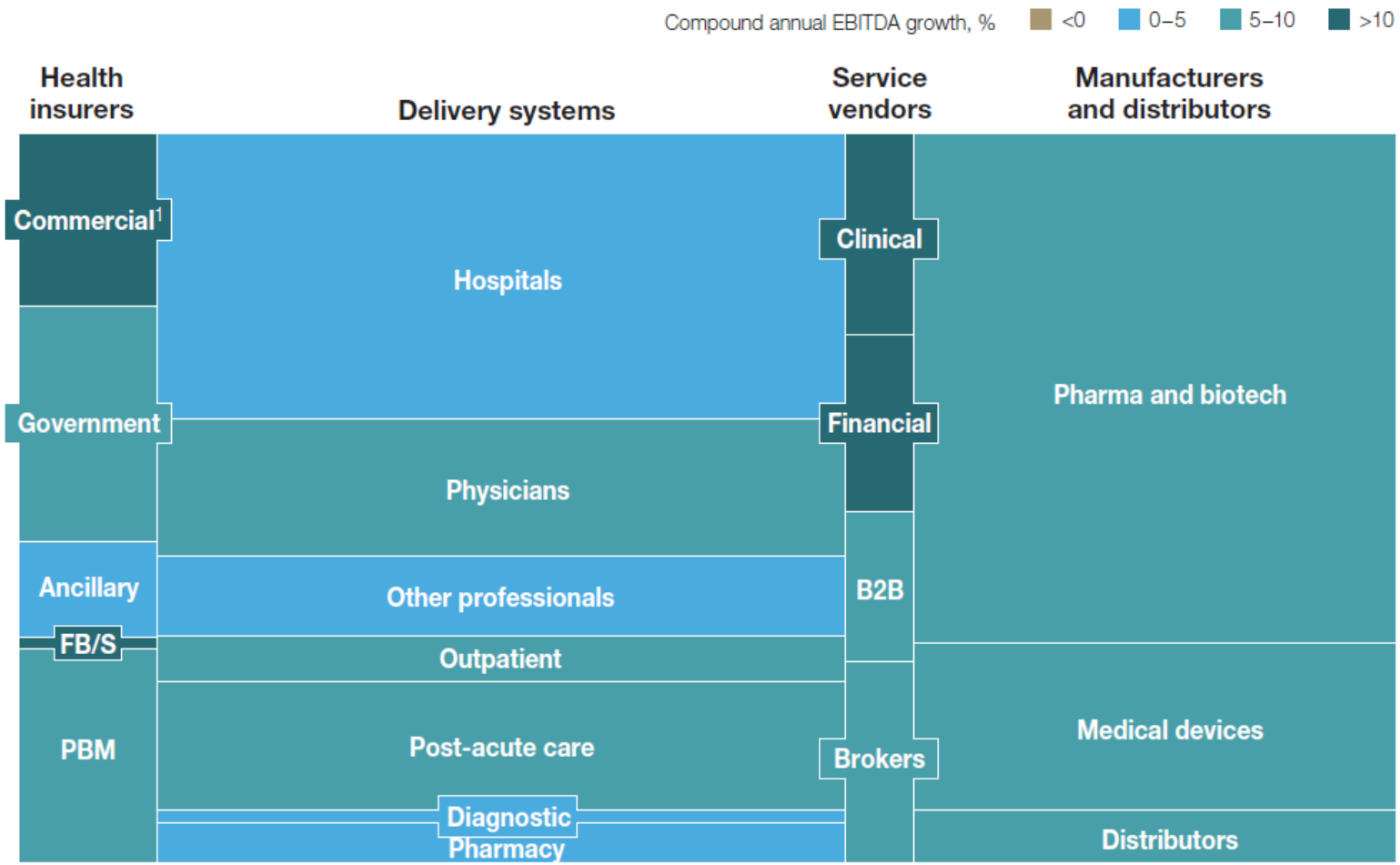
# EBITDA Growth Across U.S. Healthcare Industry

## Projected Changes by 2020




**The width of each column** reflects the percentage of the healthcare industry's projected total 2020 EBITDA ($620B-$670B) accounted for by each sector. (We estimate that payers could have 10%; delivery systems, 50%; service vendors, 5%; and manufacturers and distributors, 35%.) **The height of each rectangle** reflects the percentage of a given sector's EBITDA likely to be earned by each of the various stakeholders in 2020.

McKinsey, "The future of healthcare: Finding the opportunities that lie beneath the uncertainty," January 2018 (page3)

B2B, business to business; EBITDA, earnings before interest, taxes, depreciation, and amortization; FB/S, Fixed benefits and supplemental; PBM, pharmacy benefit manager. [1] Includes the individual market. Sources: The data underlying this analysis came from a wide range of sources, including regulatory filings (e.g., SEC reports, NAIC filings), US Bureau of Labor Statistics, external surveys (e.g., American Hospital Association, Kaiser Family Foundation, US National Health Expenditures), publicly available information from CMS (e.g., Medicare cost reports), MedPAC reports, McKinsey Center for US Health System Reform, and external industry financial reports.



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# MA Star Ratings Meeting Primary Goals



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# Value-based Care Improving Quality of Care

## Medicaid

- Alternative payment models that reward providers for higher quality care at a lower cost is improving care and reducing costs by 5-10%[1]

## McKinsey Analysis of MA Star Ratings

Star Ratings meeting 2 primary goals[2]:

1. Giving financial incentives to improve scores across 22 quality measures increased scores by 16.7% since 2009
2. Increasing percentage of members enrolled in plans with 4 or 5 stars
   - Medicare grew 17%
   - MA enrollment grew from 9.7 million members in 2008 to 18.5 million in 2017
   - Percentage of enrollees in MA-PD plans with 4 or more start grew from 24% in 2011 to 73% in 2017

## PwC Overview of Trends in 2018

- 68% of members enrolled in plans with 4-5 stars in 2018[3]

[1]McKinsey, "The Medicaid agency of the future: What capabilities and leadership will it need?", 2017; [2]McKinsey, "Assessing the Medicare Advantage Star Ratings," July 2018; [3]PwC Health Research Institute, "Top health industry issues of 2018," 2017



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# Assessment of Star Ratings

## Enrollment in 4.0+ MA-PD Plans Increased Over Time


MA-PD, Medicare Advantage prescription drug.

Source: CMS Star Ratings fact sheet (2013–18)

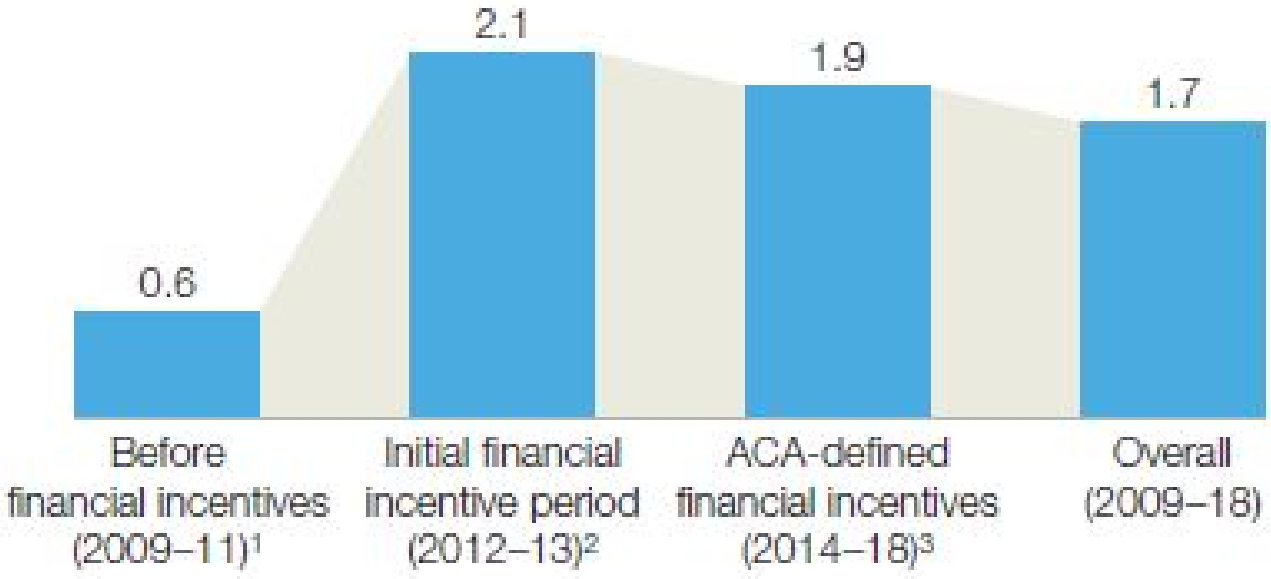
McKinsey, "Assessing the Medicare Advantage Star Ratings," July 2018

# Assessment of Star Ratings

## Impact of Financial Incentives on Plan Performance

**Change in enrollment-weighted averages (2009–18)**

CAGR, %




| | | | | |
|---|---|---|---|---|
| **Total percentage growth during the period** | 1.3 | 4.2 | 9.9 | 16.7 |

ACA, Affordable Care Act; CAGR, compound annual growth rate; MA, Medicare Advantage; QBP, Quality Bonus Payment Demonstration. 1 For Star Ratings years 2009–11, data was collected January 2007–July 2010 (i.e., all data was collected before announcement of the QBP demonstration); QBP payment for 2011 was based on the demonstration. 2 For Star Ratings years 2012–13, data was collected January 2010–June 2012 (i.e., some data was collected after the QBP demonstration had been announced); QBP payments were based on the demonstration. 3 For Star Ratings years 2014–18, data was collected January 2012–June 2017; QBP payments were based on ACA methodology. NOTE: Analysis was based on Star Ratings measures available in all years (2009–18); excludes breast cancer screening, controlling blood pressure, and appealing auto-forward metrics; enrollment based on April enrollment per contract for the year the Star Ratings fall data is released; numbers are rounded for clarity. Sources: McKinsey analysis of CMS Medicare Star Ratings data (2009–18) and contract enrollment data (2008–17) 9.Click to add text

McKinsey, "Assessing the Medicare Advantage Star Ratings," July 2018



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# VBR is working…
# So, what's the problem?



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# VBR is complicated, opaque, inefficient... a struggle

# Provider Obstacles to Value-based Care

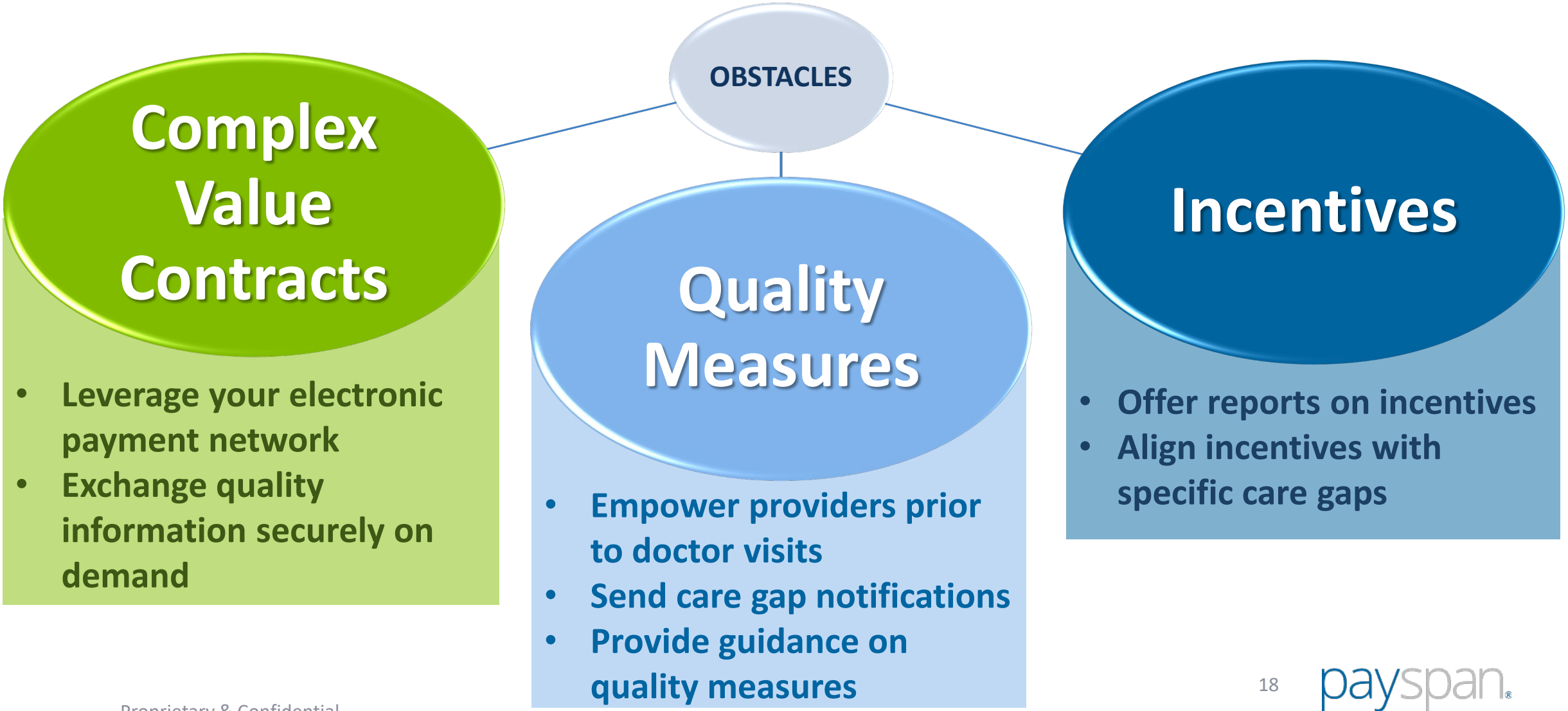
**Value contracts with physicians are too complex and cumbersome to manage[1]**

**Physicians do not know the quality measures for individual patients[2]**

**80% of physicians not aware incentives are available to them[3]**

[1-2]Quest Diagnostics/Inovalon, "Finding a Path to Value-Based Care," June 2016; [3]The Physicians Foundation, "2016 Survey of America's Physicians," 2016;

# What if we changed the approach…



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# Fixing Root Cause

# Payer-Provider Communication Alignment

## Solution:

- Simple, actionable messages
- Alerts about care gaps
- Instructions for quality measures
- Incentives reports

# Communication Alignment


## Quality Notifications

alert providers about care gaps for individual patients and provide the quality measures they need to take to close those gaps.

## Actionable Incentive

reports that list all member-patients, their care gap status and financial incentive for closing the gaps

## Medical Records Exchange

a simple portal where both payers and providers can log on to upload or download their documents.





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# Quality – Maximizing Incentives by Provider

Easy to Understand Bonus Attainment

Attainment Summary by Provider

By Provider Care Gap Closure

Easily Identify Top Performing Providers

Page 1 of 1

**PAYER LOGO**

**IPA/Organization Payee**
Address
City, State Zip
March 24, 2017

**Payment ID 3Q423**
Attained: $4,200.00
Adjusted: $250.00
Paid: $3,950.00

## 2017 Quality Report

**Quarterly Attainment** Q1/2017
84%
Total Incentive Attainable $5,000.00
Total Attained $4,200.00
Remaining Incentive Available $800.00

**Annual Attainment** 2017
21%
Total Annual Attainable $20,000.00
Current YTD Attained $4,200.00
Remaining Incentive Available $15,800

**ATTAINMENT SUMMARY**

| Rendering Provider Name | NPI or Provider ID | Tax ID Number | Incentive Progress by Provider |
|---|---|---|---|
| Adams, Jim | 37898 | 12-3456789 | 33% Attained: $800 Total: $3,000 |
| Brown, Richard | 49876 | 13-4583749 | 33% Attained: $1,500 Total: $5,000 |
| Day, Bridget | 73948 | 26-3459288 | 33% Attained: $630 |
| Green, David | 93473 | 42-5748399 | 30% Attained: $740 Total: $4,500 |
| Helm, Michael | 83747 | 19-5467489 | 15% Attained: $530 Total: $4,000 |

**QUALITY PROGRESS UPDATE**

| Rendering Provider Name | NPI or Provider ID | Tax ID Number | Care Gap Progress by Provider |
|---|---|---|---|
| Adams, Jim | 37898 | 12-3456789 | 36% Closed: 12 Total: 36 |
| Brown, Richard | 49876 | 13-4583749 | 33% Closed: 22 Total: 66 |
| Day, Bridget | 73948 | 26-3459288 | 34% Closed: 10 |
| Green, David | 93473 | 42-5748399 | 20% Closed: 20 Total: 100 |
| Helm, Michael | 83747 | 19-5467489 | 15% Closed: 8 Total: 53 |

Payspan Quality Incentive Communication System 2017

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Bonus Earned

Total Bonus Available to Provider

Care Gaps Closed

Total Care Gaps

Easy to Understand Quality Payments Made

**Reward-focused**



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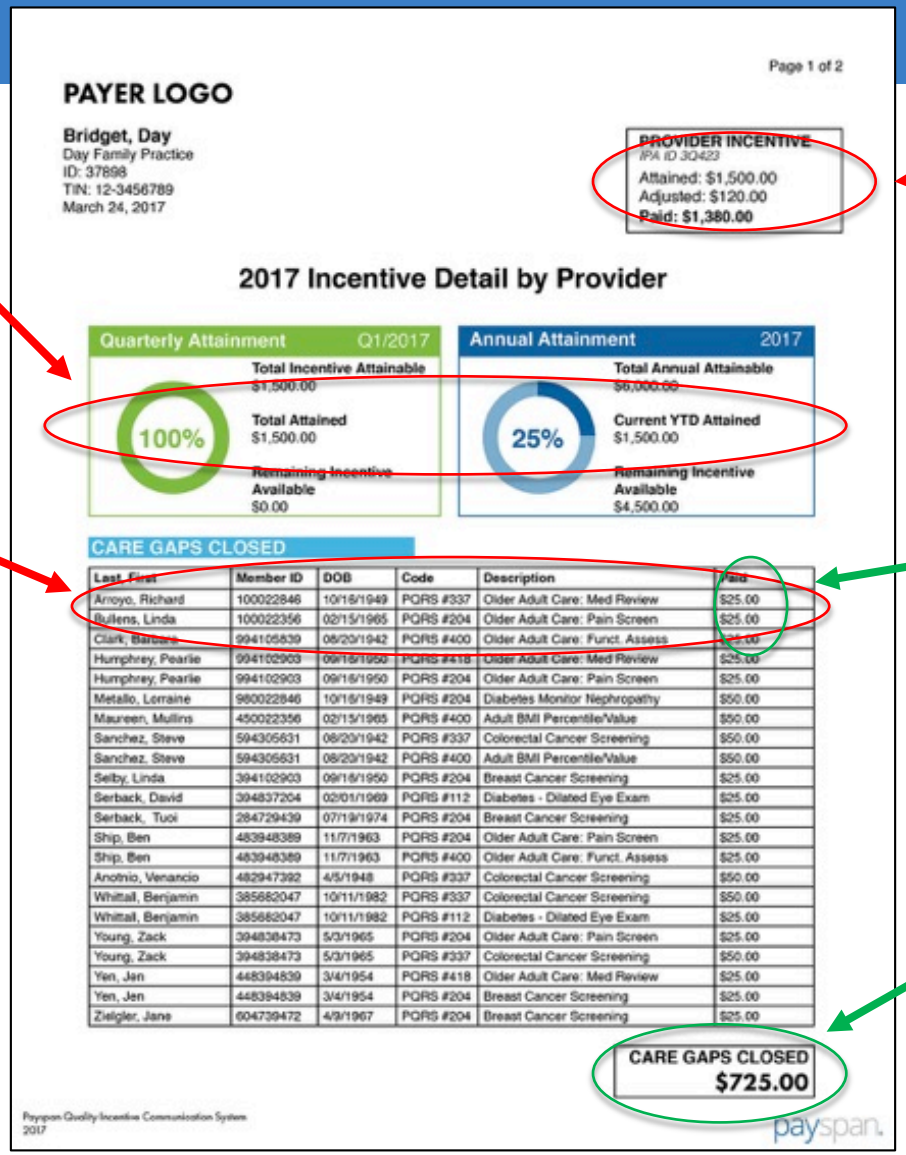
# Quality – Maximizing Incentives by Patient

Easy to Understand Bonus Attainment

Care Gap Closed by Patient

**Clearly Communicate Attained Incentives to Providers**



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**PAYER LOGO**

**Bridget, Day**
Day Family Practice
ID: 37898
TIN: 12-3456789
March 24, 2017

**PROVIDER INCENTIVE**
IPA ID 3Q423
Attained: $1,500.00
Adjusted: $120.00
**Paid: $1,380.00**

## 2017 Incentive Detail by Provider

**Quarterly Attainment** Q1/2017
100%
Total Incentive Attainable
$1,500.00
Total Attained
$1,500.00
Remaining Incentive Available
$0.00

**Annual Attainment** 2017
25%
Total Annual Attainable
$6,000.00
Current YTD Attained
$1,500.00
Remaining Incentive Available
$4,500.00

**CARE GAPS CLOSED**

| Last, First | Member ID | DOB | Code | Description | Paid |
|---|---|---|---|---|---|
| Arroyo, Richard | 100022846 | 10/16/1949 | PQRS #337 | Older Adult Care: Med Review | $25.00 |
| Bullens, Linda | 100022356 | 02/15/1965 | PQRS #204 | Older Adult Care: Pain Screen | $25.00 |
| Clark, Barbara | 994105839 | 08/20/1942 | PQRS #400 | Older Adult Care: Funct. Assess | $25.00 |
| Humphrey, Pearlie | 994102903 | 09/16/1950 | PQRS #418 | Older Adult Care: Med Review | $25.00 |
| Humphrey, Pearlie | 994102903 | 09/16/1950 | PQRS #204 | Older Adult Care: Pain Screen | $25.00 |
| Metallo, Lorraine | 980022846 | 10/16/1949 | PQRS #204 | Diabetes Monitor Nephropathy | $50.00 |
| Maureen, Mullins | 450022356 | 02/15/1965 | PQRS #400 | Adult BMI Percentile/Value | $50.00 |
| Sanchez, Steve | 594305631 | 08/20/1942 | PQRS #337 | Colorectal Cancer Screening | $50.00 |
| Sanchez, Steve | 594305631 | 08/20/1942 | PQRS #400 | Adult BMI Percentile/Value | $50.00 |
| Selby, Linda | 394102903 | 09/16/1950 | PQRS #204 | Breast Cancer Screening | $25.00 |
| Serback, David | 394837204 | 02/01/1969 | PQRS #112 | Diabetes - Dilated Eye Exam | $25.00 |
| Serback, Tuoi | 284729439 | 07/19/1974 | PQRS #204 | Breast Cancer Screening | $25.00 |
| Ship, Ben | 483948389 | 11/7/1963 | PQRS #204 | Older Adult Care: Pain Screen | $25.00 |
| Ship, Ben | 483948389 | 11/7/1963 | PQRS #400 | Older Adult Care: Funct. Assess | $25.00 |
| Anotnio, Venancio | 482947392 | 4/5/1948 | PQRS #337 | Colorectal Cancer Screening | $50.00 |
| Whitall, Benjamin | 385682047 | 10/11/1982 | PQRS #337 | Colorectal Cancer Screening | $50.00 |
| Whitall, Benjamin | 385682047 | 10/11/1982 | PQRS #112 | Diabetes - Dilated Eye Exam | $25.00 |
| Young, Zack | 394838473 | 5/3/1965 | PQRS #204 | Older Adult Care: Pain Screen | $25.00 |
| Young, Zack | 394838473 | 5/3/1965 | PQRS #337 | Colorectal Cancer Screening | $50.00 |
| Yen, Jen | 448394839 | 3/4/1954 | PQRS #418 | Older Adult Care: Med Review | $25.00 |
| Yen, Jen | 448394839 | 3/4/1954 | PQRS #204 | Breast Cancer Screening | $25.00 |
| Zielgler, Jane | 604739472 | 4/9/1967 | PQRS #204 | Breast Cancer Screening | $25.00 |

**CARE GAPS CLOSED**
**$725.00**

Payspan Quality Incentive Communication System
2017

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Easy to Understand Quality Payments Made to Provider

Bonus Paid by Service Rendered by Patient

Total Bonus Paid for All Care Gaps Closed



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# Easy Solution for a Complex Problem

## PAYER

**Simple Communications > Provider Engagement > Reduced Costs**

**Care Gap Alerts** **Guidance** **Incentive Reports**

**Proof of Care Gap Closures** **Electronic Attachments**


**Incentive Payments**

## PROVIDER

**Meaningful Patient Interactions > Care Gap Closures > Better Health Outcomes & Bonus Payments**

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