Shifting Focus To A Value Based System

NCPERS 2016 Healthcare Symposium
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Washington, DC

Tony Saguibo
National Labor Office
Blue Cross Blue Shield Association
Agenda

- Introduction
- Understanding The Healthcare Challenge
- Building On Our Strengths
- Delivering Value
- Looking To The Future
Blue Cross Blue Shield Association

The Blue Cross Blue Shield Association (BCBSA) owns and manages the Blue Cross and Blue Shield trademarks used by its 36 independent and locally operated Blue Cross and Blue Shield member companies.

NATIONWIDE
96% of hospitals contract directly with Blue Cross Blue Shield companies
92% of physicians

#1 CHOICE
of large, multistate employers, insures 84 of Fortune® 100 companies and 377 of Fortune 500 companies

EVERY ZIP code in the 50 states, as well as the District of Columbia and Puerto Rico

36 INDEPENDENT AND LOCALLY OPERATED COMPANIES providing the full spectrum of healthcare coverage, including medical, dental, vision and pharmacy benefits

MORE THAN 105 MILLION members rely on Blue Cross Blue Shield companies for access to safe, quality and affordable healthcare

Globally, BCBS has the largest network of physicians and hospitals across more than 200 COUNTRIES
BCBSA National Labor Office

The numbers:

- **14.6 million** unionized workers in the U.S.
- **35.7% vs. 6.6%** Public sector is unionized at over 5x the rate of private sector
- **96%** labor members reside in NLO funding Plan areas

3 labor sub-segments for Blues:

- Collectively-Bargained Trust Funds (e.g., Taft-Hartley fund)
- Public sector (e.g., City of Chicago)
- Private sector (e.g., Ford Motor Co.)

Sources: Bureau of Labor Statistics "Union Members Summary", 1/23/15; BCBSA Inter-Plan Enrollment DB
Most Trusted Insurer by Labor Leaders, Plan Sponsors, and their Members

17M
LABOR UNION MEMBERS, RETIREES AND THEIR FAMILIES

Source: Fortune Magazine, May 2014, BCBSA Analyses
Agenda

- Introduction
- **Understanding The Healthcare Challenge**
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Healthcare is a National Issue
Care is Delivered Locally

Improvements require local intervention where care is delivered

Healthcare Spending Per Capita by State

Sources: Centers for Medicare and Medicaid Services (spending data); Census Bureau (population); Centers for Disease Control and Prevention (obesity)
Local Factors Contribute to Healthcare Cost and Quality

- **Prevalence of Obesity Among U.S. Adults**
- **Access to Primary Care**
- **Access to Health Food Retailer**
- **Recommended Care**

**HEALTH STATUS**
- Prevalence* of Self-Reported Obesity Among U.S. Adults
- 15% < 20%
- 20% < 25%
- 25% < 30%
- 30% < 35%

**ACCESS TO CARE**
- Primary Care Health Professional Shortage Areas
- 76-100% need met
- 51-75% needs met
- 26-50% needs met
- 0-25% needs met

**HEALTH OPTIONS**
- Percentage of census tracts without at least one healthier food retailer within ½ mile
- 24.1%
- 27.3%
- 31.6%
- 36.6%

**PRACTICE PATTERNS**
- Residents getting recommended cancer screenings and vaccinations

**Improvements require local intervention**
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How do you fix NATIONAL ISSUES when such VARIATION exists in LOCAL practice?
Build On Our Strengths

Local patient-centered programs that meet national quality and affordability criteria to drive unparalleled value

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**MEASUREMENT VALUE**
Using consistent and robust measures to expand and enhance programs focused on improving quality and affordability

**INTEGRATED CARE**
Enabling physician-level coordination and integration of the entire care delivery spectrum to drive better outcomes

**CUSTOMER FLEXIBILITY**
Providing tailored programs that meet unique needs of employers and their workers across the nation

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...and continue to lead care transformation toward value-based care
Aligning provider payments with outcomes
By working together with providers to reward care quality and outcomes – not volume

Leveraging a flexible mix of payment arrangements
By recognizing the need for flexibility when developing value-based programs

Attacking key cost drivers
By developing solutions to control healthcare costs and ensure an affordable, sustainable healthcare system in the future

Engaging in deeper partnerships
By partnering with providers to improve their effectiveness with data and technology
BlueDistinction
the foundation from which members can access higher quality and affordable care

BlueDistinction®
Total Care
Recognizes physicians, group practices and hospitals participating in locally tailored programs designed to lower cost trend through better coordinated care and performance-based payment

BlueDistinction®
Specialty Care
Recognizes healthcare facilities for their expertise and efficiency in delivering specialty care
Evolution of Blue Distinction Total Care

### 2009-2012
**BUILDING THE FOUNDATION**

- BCBS Plans launch new patient-centered, coordinated care programs to further transform from fee-for-service to performance-based care in local communities across the country.

- With more members accessing programs and more providers participating, BCBS Plans assume leadership position in local care delivery transformation.

### 2013-2015
**EXPANDING VALUE TO OUT-OF-AREA MEMBERS**

### 2016
**REALIZING THE VISION**
Evolution of Blue Distinction Total Care (BDTC)

- BCBS Plans develop BDTC to give national employers/labor leaders and their members access to locally tailored programs (ACO, PCMH and other similar programs) designed to improve value through patient-centered care
  - BDTC enables employers/labor leaders to monitor and track member populations attributed to value-based programs and report on the value and costs savings over time
  - BDTC enables providers to monitor attributed individuals, obtain valuable data on care delivery outcomes and make better decisions to improve care delivery

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<tr>
<td>BUILDING THE FOUNDATION</td>
<td>EXPANDING VALUE TO OUT-OF-AREA MEMBERS</td>
<td>REALIZING THE VISION</td>
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Evolution of Blue Distinction Total Care (BDTC)

- Employers/Labor Leaders use benefit differentials to guide members to high-performing providers nationwide
- Nationally consistent criteria evolves to recognize physicians and hospitals for achievements improving value through patient-centered care
# Standard Criteria Offers National Consistency

## REQUIREMENTS
PROGRAMS MUST MEET

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Details</th>
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<tbody>
<tr>
<td>Provider contracts contain value-based incentives tied to both cost and quality outcomes</td>
<td>Data and analytics used to support quality and affordability improvements</td>
</tr>
<tr>
<td>Providers responsible for managing care for population of BCBS members</td>
<td>Available to BCBS national account employees through a PPO-based product</td>
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<tr>
<td>BCBS members attributed to a provider responsible for managing their care</td>
<td>Available to BCBS national account employees covered by ASO and fully insured products</td>
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• **Delivering Value**
• Looking To The Future
Leading the Way to High Performance Healthcare

BCBS partners locally with providers – building programs that best support the needs of each community and its members – and have been doing it for decades

<table>
<thead>
<tr>
<th></th>
<th>Programs*</th>
<th>States with Programs*</th>
<th>Primary Care Physicians Participating*</th>
<th>Specialty Physicians Participating*</th>
<th>Hospitals Participating*</th>
<th>Blue Members Covered*</th>
</tr>
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<tbody>
<tr>
<td>Accountable Care Organizations (ACO)</td>
<td>450</td>
<td>32</td>
<td>53,981</td>
<td>57,496</td>
<td>580</td>
<td>6,333,043</td>
</tr>
<tr>
<td>Patient-Centered Medical Homes (PCMH)</td>
<td>69</td>
<td>42</td>
<td>43,786</td>
<td>12,280</td>
<td>97</td>
<td>7,853,778</td>
</tr>
<tr>
<td>Pay-for-Performance (P4P)</td>
<td>37</td>
<td>21</td>
<td>37,110</td>
<td>20,821</td>
<td>765</td>
<td>10,564,627</td>
</tr>
<tr>
<td>Episode-Based Payment (EBP)</td>
<td>14</td>
<td>9</td>
<td>2,200</td>
<td>980</td>
<td>104</td>
<td>576,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>570</td>
<td>48</td>
<td>137,077</td>
<td>91,577</td>
<td>1,546</td>
<td>25,327,548</td>
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*Participation and coverage figures reflect programs in market and in development for 2015.
Note: Not all value-based programs are available to national accounts. See BDTC programs for national account availability.

nearly $71B spent annually in Blue medical claims tied to Value-Based programs
...and Value-Driven Care Bends the Cost Curve

FEE-FOR-SERVICE

VALUE-BASED

DRIVERS OF COST:
- Rewards volume not value
- Lack of accountability and coordination
- Focused on sick care
- System is challenging for individuals to navigate

BENDING THE TREND:
- Aligned reimbursement
- Providers empowered with data
- Focused on overall health
- Shared decision-making between patients and their physicians
- Investments in practice transformation

Healthcare Costs

1960

Today
DRIVING IMPROVED QUALITY

Source: BCBSA 2015 Value-Based Program Request for Information. Plan-reported information as of 10/12/2015. Quality results experienced by multiple Total Care programs. 1) Premera BC 2) BCBS Michigan 3) Excellus 4) BCBS Tennessee 5) BCBS Kansas.
$6.62 PaMPM Net Savings¹

$9.23 PaMPM Net Savings²

$12 PaMPM Net Savings³

$8.20 PaMPM Net Savings⁴

AND MORE

AFFORDABLE CARE

Source: BCBSA 2015 Value-Based Program Request for Information. Plan-reported information as of 10/12/2015. Savings experienced by multiple Total Care programs.

1) Anthem BCBS (CO, CT, GA, IN, KY, ME, MO, NH, NV, OH, WI) 2) BCBS North Dakota 3) Independence BC 4) Florida Blue

AND MORE

AFFORDABLE CARE

Source: BCBSA 2015 Value-Based Program Request for Information. Plan-reported information as of 10/12/2015. Savings experienced by multiple Total Care programs.

1) Anthem BCBS (CO, CT, GA, IN, KY, ME, MO, NH, NV, OH, WI) 2) BCBS North Dakota 3) Independence BC 4) Florida Blue
Estimated annual savings of $840 million over traditional payments

$6-9 PaMMP net savings

MARKED QUALITY IMPROVEMENTS

Lower Utilization (avoidable hospital admissions, ER visits)
Better Control of Chronic Conditions (diabetes, hypertension)
Improved Delivery of Preventive Care
Improved Patient Experience

DEMONSTRATING MEASURABLE RESULTS

Source: BCBSA 2015 Value-Based Program Request for Information. Plan-reported information as of 10/12/2015. 1) Per attributed member per month (PaMMP) 2) Quality improvements experienced by multiple Total Care programs.
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Locally Invested, Nationally Committed

**Horizon Blue Cross and Blue Shield** plans to shift approximately 80% of its membership under value-based models by 2020.

**BlueCross BlueShield of Tennessee** has a five year expansion plan for growth; doubling the number of practices, tripling participating membership – all while continuing to push the envelope on quality performance.

50% of the physicians under contract with **Anthem Blue Cross Blue Shield** are paid based on a pay-for-performance basis.

Over the last 5 years, **Florida Blue** had tangible scorecard goals to build the number of value-based programs – *increasing contracts, members and providers*.

**Blue Cross Blue Shield of Massachusetts, Blue Shield of California** and **Blue Cross and Blue Shield of Illinois** are participating in the newly formed Health Care Transformation Task Force, and have committed to put 75% of their businesses in the next five years into value-based payment arrangements.

**Blue Shield of California** is committed to having 40% of its spend in value-based models by 2016, and 60 percent by 2018.

**Blue Cross Blue Shield of Michigan’s PCMH**, the nation’s largest, has designated more than 4,340 physicians in more than 1,551 practices across the state.

38% of national BCBS claims already tied to value-based programs

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1) Source: BCBSA 2015 Value-Based Program Request for Information. Plan-reported information as of 10/12/2015.
Evolving Blue Distinction® Total Care

2016

Continued expansion while evaluating **quality** performance and **savings** results nationwide.

2017 AND BEYOND

Align **benefit designs** to drive further **cost mitigation** and **quality improvements** through optimal network utilization. Evolve the program to recognize providers for **achievements** in improving value.
Questions?