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Systematic Health Management Can Improve Cost and Quality and Strengthen Payers' Role in U.S. Healthcare

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Healthcare reform legislation creates new opportunities to improve the quality of care and reduce healthcare costs, and in response, payer organizations are evaluating strategies that align incentives to reward quality outcomes instead of volume. One new strategy, which prizes clinical value over volume, is called [Systematic Healthcare Management](#) (SHM). A unique approach to population health management, SHM leverages a suite of technology-enabled solutions to help payers implement innovative new delivery and reimbursement models, improve the coordination of care and benefits, align incentives, modify behaviors, improve outcomes, and reduce costs.

Design Value-Driven Strategies to Improve Cost and Quality of Care

[Healthcare payers](#) are in a position to be knowledge leaders in leveraging technology and clinical analytics to engage providers in coordinating care based on value rather than volume. The following are examples of SHM initiatives that payers can deploy:

- Wellness, disease management and other care management programs
- Value-based benefit programs
- Payment-bundling reimbursement programs

Payers can address medical-loss ratio (MLR) rules and bend the cost curve by encouraging consumers to make healthier choices; incenting providers to practice proven, evidence-based medicine; and, hence, reducing the volume and cost of acute care. Additionally, payment-bundling, or episode-of-care reimbursement, can both reduce costs and improve quality outcomes by helping move U.S. healthcare away from a historically ineffective, inefficient fee-for-service model.

Make Investments That Reward Payers, Providers and Patients

Often treated favorably under MLR rules, SHM solutions address quality improvements and create value in the following areas:

- Improved health outcomes: Care and disease management, coaching, compliance support, patient-centered medical home (PCMH), reporting, data analytics
- Hospital readmission prevention: Discharge planning, post-discharge care, analytics, information sharing post-discharge
- Improved patient safety and medical error reduction: Error identification and prevention, infection control, analytics, data sharing
- Increased wellness: Wellness assessments, coaching and education, prevention, healthcare information technology associated with these activities

Such activities proactively engage consumers in the management of their health and tap into growing interest among employers, the primary customers of health plans, in value-based purchasing strategies.ⁱ

Reduce Cost Variances With Value-Based Insurance Design

Value-based insurance design (VBID) presents one way for payers to incent members to manage chronic illnesses, engage in treatment management (e.g., informed consent), obtain preventive care, and make better lifestyle choices concerning nutrition and fitness. Examples of member incentives include contributions to health fund accounts, gift cards, co-pays, and coinsurance reductions for specific diagnosis or procedures.

Growing employer interest in VBID creates an opportunity for payers to gain a competitive edge in the market, but only if health plans manage member benefits cost-effectively and measure results accurately. Both require technology-enabled solutions, available today, that capture data and enable payers to adjust benefits accordingly, process claims, administer incentives, answer member questions and carry out member communications.

Bundle Payments for a Winning Strategy

Additional technology-enabled SHM solutions can help payers manage the automation and scalability of payment-bundling programs. Health plans can administer such programs for clearly defined provider groups and episodes of care for which financial incentives can improve clinical outcomes and control costs. Payers often target episodes of care involving high-volume, high-cost cardiac or orthopedic procedures.

Using episodic-based payment can reduce medical costs 5 percent to 6 percent in some patient-management models, according to the Centers for Medicare and Medicaid Services (CMS).^{ii, iii} About 80 percent of payers and 52 percent of all providers are expected to adopt payment bundling for a range of medical events by the end of 2012, according to an industry survey by TriZetto.^{iv}

Payment bundling offers multiple benefits to health plans. Evidence from the CMS Healthcare Financing Administration project during the 1990s suggests the following benefits:

- Reduces medical expenses, which can help healthcare payers meet reform mandates to control costs
- Shifts some risk to providers in an intelligent way
- Creates a stepping stone to integrated patient-centric models of care that are essential to health reform goals

Pave the Pathway to Improving the Cost and Quality of Care

Healthcare payer organizations have an opportunity to use SHM solutions – available today – to identify and stratify their member populations; improve care management for all acuity levels; implement VBID programs; and leverage payment bundling to improve episodic-care outcomes. A marked focus on value will position payers for a strong role in accountable care organizations, PCMH and other coordinated care models that can help improve the cost and quality of care delivery.

Footnotes

i. “Value” refers loosely to how much a buyer gets for each dollar spent. In value-based healthcare, it denotes the quality and extent of health outcomes per dollar spent, reflecting a shift away from the prevailing care model of fee-for-service.

ii. Medicare Participating Heart Bypass Center Demonstration – Executive Summary, Final Report, prepared by Health Economics Research Inc for HCFA, July 24, 1998.

iii. Samitt, Craig; Walters, Barbara; and Zucker, Michael. “Medical Home Reimbursement ABCs: Funding Care Delivery through ACOs, Bundled Payments and Concrete Contracts.” Healthcare Intelligence Network, November 2009. Dobbs, Steve. “The Medicare ACE Demonstration Program, Testing a New Bundled Payment System at Hillcrest Medical Center,” Presentation at the World Healthcare Congress Leadership Summit 2010.

iv. Industry survey research conducted by TriZetto using a professional research company, unpublished.

v. The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*; and Robert E. Mechanic and Stuart A. Altman, “Payment Reform Options: Episode Payment Is a Good Place to Start,” *Health Affairs* 28, 2, Web Exclusive (Jan. 27, 2009), <http://content.healthaffairs.org/cgi/content/abstract/28/2/w262>.

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