



BERKELEY CENTER
FOR HEALTH TECHNOLOGY

Aligning Payment Reform and Benefit Design

Kimberly MacPherson, MBA/MPH
Program Director, Health Policy & Management
Co-Director, Berkeley Center for Health Technology
University of California, Berkeley
School of Public Health



Agenda

- Panel Introductions & Mini-Summit Overview
- The Case for Alignment of Payment Reform and Benefit Design
 - Substitutes or Complements?
- Key Levels of Benefit Design Decision-making



Overview of the Mini-Summit

1. The Case for Alignment of Payment Reform and Benefit Redesign
2. What Is the Range of Benefit Design Innovations in the Market?
 - Focus on high cost surgical services
3. Two Examples of Innovation in Practice:
 - Safeway – Brad Wolfson
 - Anthem/CalPERS – Aldo de la Torre
4. Panel Discussion: If these are such good ideas, how come they have not already swept the market?

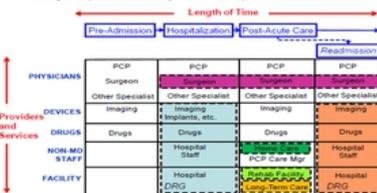


Wave of Payment Reform Efforts

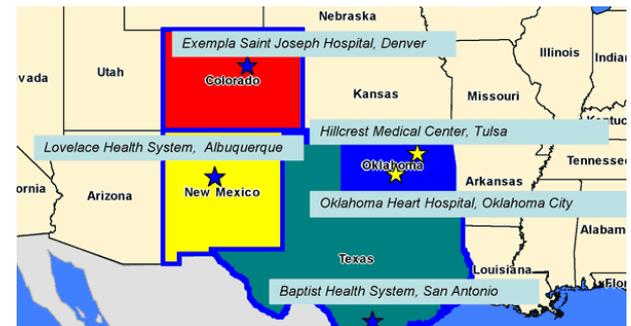
What is bundled (episode) payment?

- A single prospective price for all services needed by the patient over an episode of care.
- Defined on parameters of time and services.

Potential Elements of an Episode Payment for Major Acute Care, Including Components Already Paid on an Episode/Case Rate Basis



Source: Center for Healthcare Quality and Payment Reform, Transitioning to Episode-Based Payment (www.chqr.org)



Medicare ACE Demonstration sites



MASSACHUSETTS

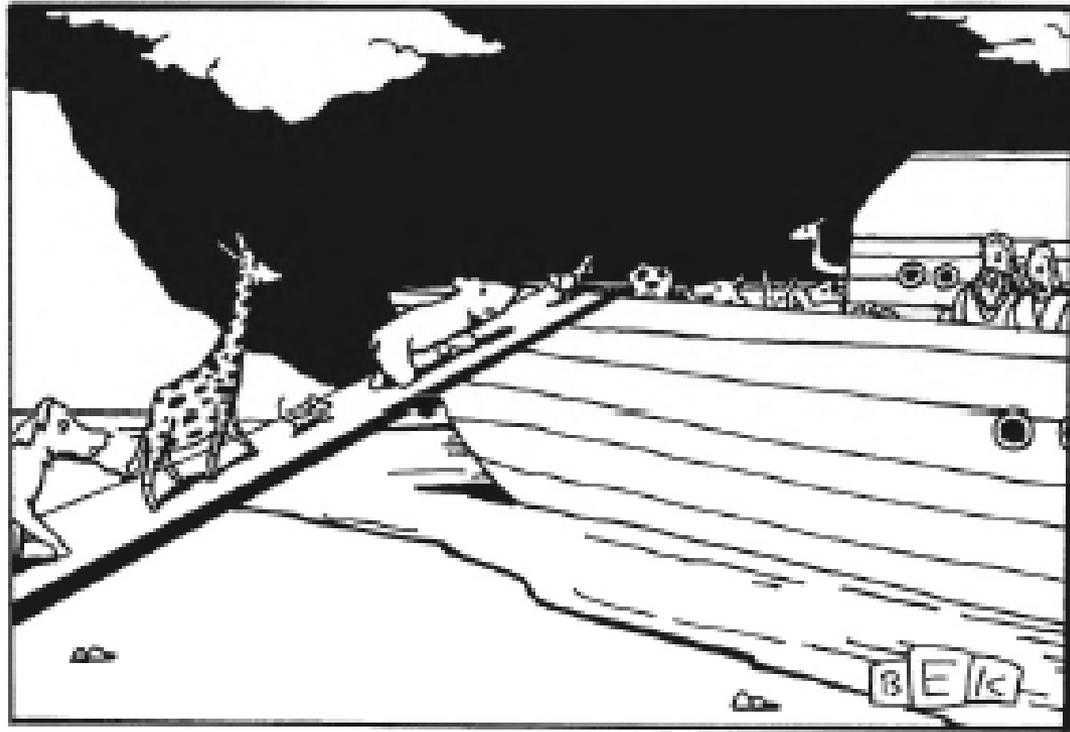
Blue Cross Blue Shield of Massachusetts is an Independent Licensee of the Blue Cross and Blue Shield Association

Alternative Quality Contract

EOC Demonstration & P4P Program



We Just Need to Be Thoughtful....



“I know we have to cut costs, but is bringing only one of each a good idea?”



Key Challenges in Payment Focus

- Can be glacially slow as contracts between providers and payers are difficult to reopen
- High administrative burden; often veering outside of existing IT capabilities
- May be no rationale for a lower (reformed) price in many situations
- **FOCUS FOR TODAY:** these provider directed incentives do not typically do anything to engage consumers to care about value (price, quality, etc) or do anything to update our traditional FFS oriented forms of cost sharing and benefit design
 - Can end up with dynamic where benefit design is actually frustrating pursuit of efficiency and quality with insufficient coverage for high value services and overly generous coverage for low value services



Complement or Substitutes?

- Benefit redesign can sometimes be the easier lever to pull, especially for large, self-insured employers
- Some are fed up waiting on payment reform and want to “shake up” provider landscape with benefit design signals AND create real reductions in benefit

- Contemporary benefit designs often fail to support price conscious and quality conscious decision making and do not contribute to the aims driving payment reform
- Many innovations likely not as readily available for the fully insured commercial market

Need to consider payment and benefit design innovation in collaborative, integrated fashion to maximize reinforcing effects including promoting value and rewarding providers that are successful at reform



Levels of Consumer Decision Making

- Benefit redesign should focus on the three major choices facing consumers:
 - **Treatment selection/appropriateness**
 - **Provider selection/channeling**
 - **Product selection/formulary**
- Also need to be thoughtful about the interactions of each with provider incentives

