california case study: a model for accountable care

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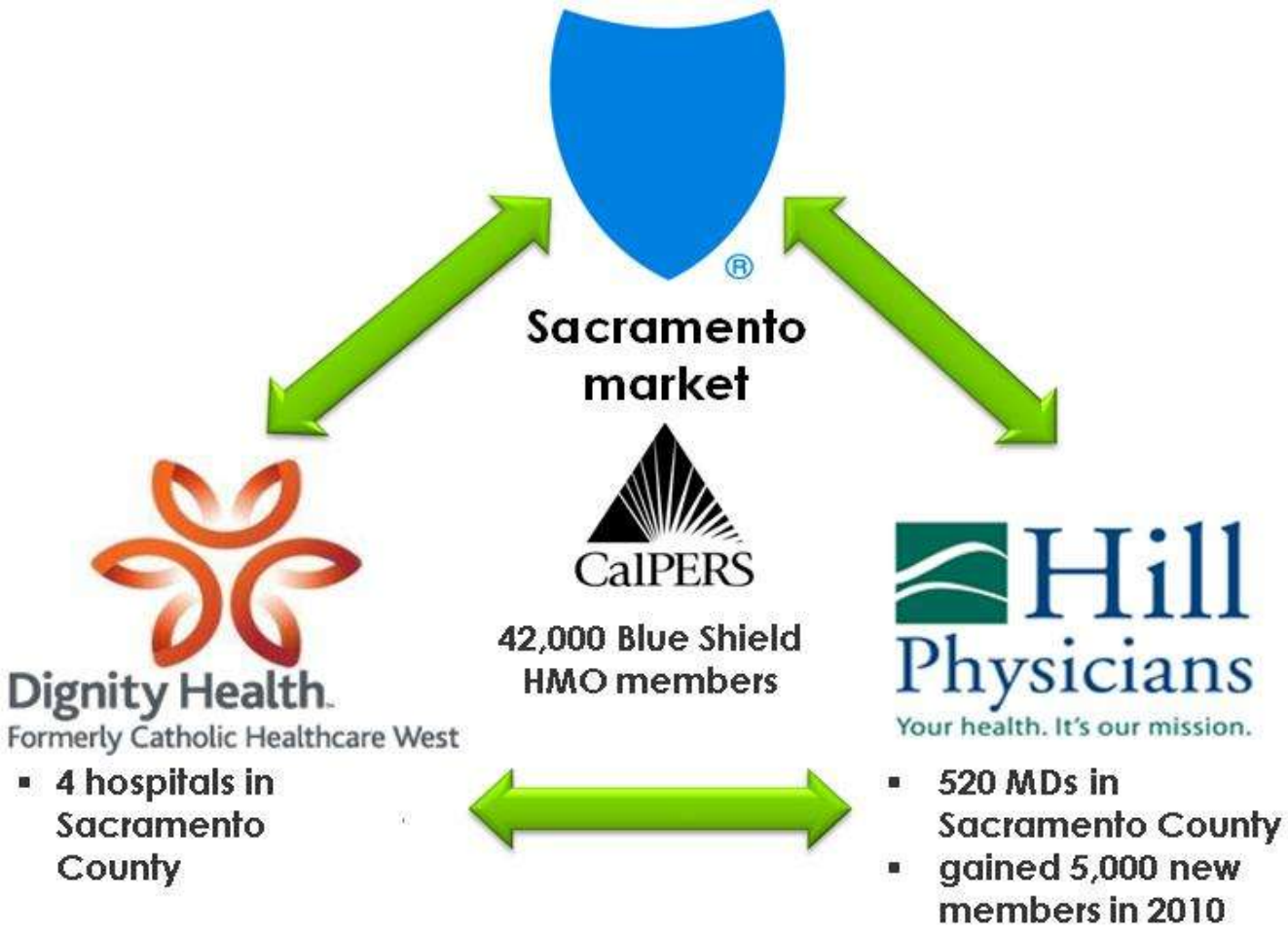
program framework and core tenets

- To achieve measurable results, there must be meaningful financial integration from the start (including downside risk) to ensure aligned incentives across physicians, hospitals and health plans
- Quality is foundational - must be an integral, ongoing part of program for sustainable results
- Hospitals must have a seat at the table and be invited to be part of the solution
- Providers are willing to take risk with health plans if they are convinced that savings will accrue to the customers, not the health plan
- Blue Shield's model establishes global budgets/targets across 5 categories:
    - total facility
    - professional
    - mental health
    - pharmacy
    - ancillary
- Financial model links success/failure across the ACO partners and compels a new kind of information sharing and cooperation across separate organizations
- Program learnings are applicable to a provider's entire book of business – we hear from ACO partners that the program has been hugely valuable (some have said "transformative") in opening lines of communication and streamlining processes
- Model requires significant investment of time and resources by both Blue Shield and its provider partners; however, these investments have been far outweighed by the savings generated

While not a silver bullet, the program is delivering significant results across multiple markets and different provider organizations

where we started…



pilot ACO:
Dignity Health &Hill Physicians

launched pilot ACO with Dignity Health and Hill Physicians in January 2010 for 42,000 CalPERS employees and dependents

4 Goals:

1. maintain or improve quality
2. deliver $15.5M savings to CalPERS
3. grow membership
4. create a sustainable, scalable model

quality must be the starting point for long term results

- Started ACO partnership with Hill Physicians, a group with a sustained history of quality
  - 2011:
    - Integrated Healthcare Association (IHA) recognized Hill Physicians as one of the "Top Performers
  - 2010:
    - California Association of Physician Group highest designation – Elite status – to Hill Physicians, based on its assessment of clinical quality, technology and engagement with members
    - IHA awarded "Top Performer" and "Most Improved" status to Hill Physicians.
- Quality/P4P metrics integral part of "standard" HMO program
- Quality metrics specific to ACO program are in addition to already robust quality programs

core areas of clinical focus

Clinical Management

- Reduce fragmentation and duplication for inpatient services through integration of care delivery
- Implementation of evidence based best practices and streamlined administrative processes
- **Targeted outcomes:**
  - Reduce length of stay, admissions and readmissions
  - Better patient care

Population Management

- Provide evidence based and high-touch coordinated care to address specific member risks
- Improve member experience and self-management
- **Targeted outcomes:**
  - More members actively managed in a disease/case management program
  - Fewer members "falling through the cracks" and not being managed

Physician Variation

- Stratify providers based on inpatient/outpatient utilization trends to identify opportunities to remove variation in clinical care and resource utilization
- **Targeted outcomes:**
  - Reduction in ED utilization, length of stay (LOS), admissions and readmissions
  - Address over and under utilization of key services/procedures

Medication Management

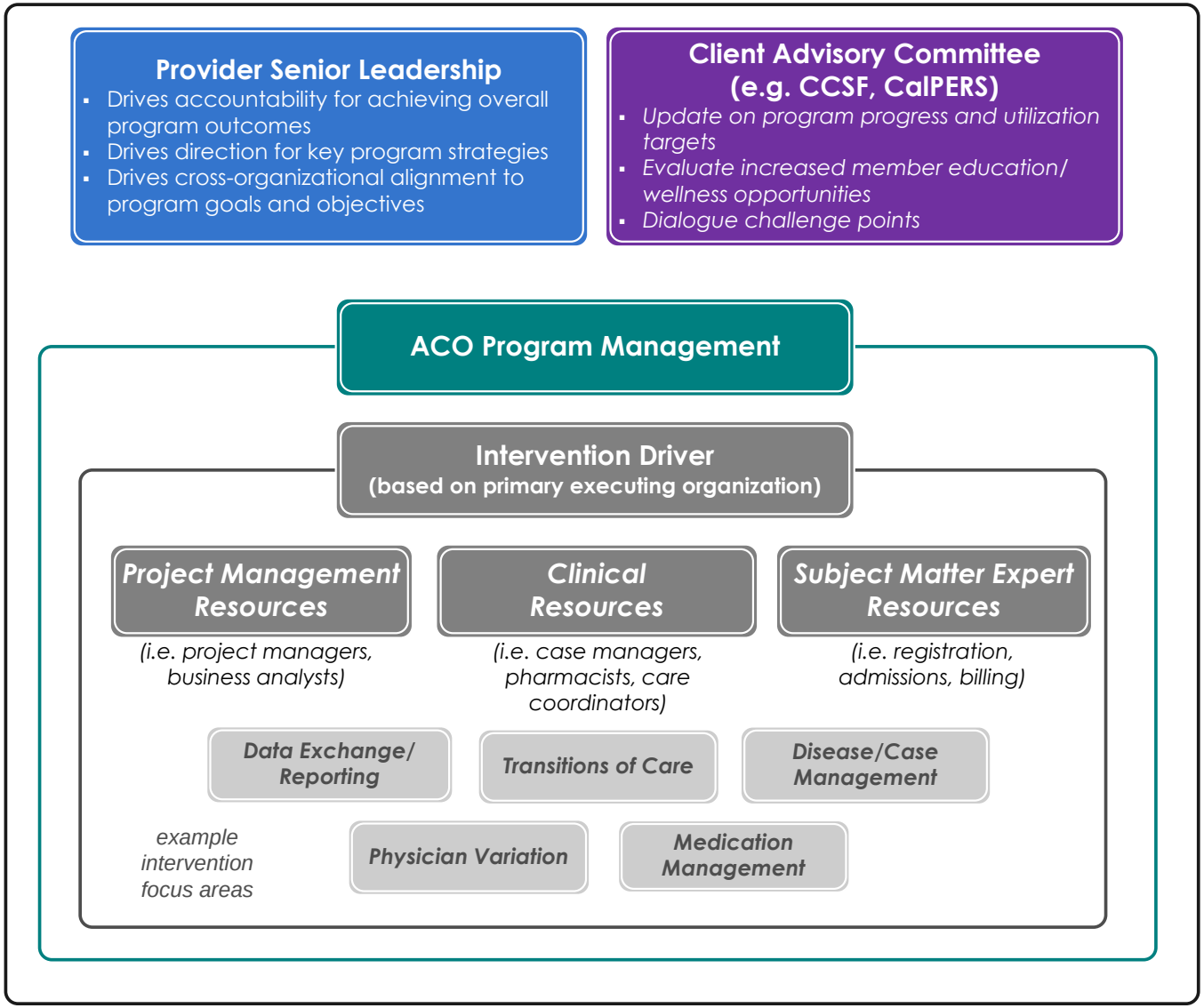
- Increase member and physician engagement to support overall medication management
- **Targeted outcomes:**
  - Reduce drug costs by increasing percent of generic utilization
  - Increase medication adherence
  - Improve processes for medication reconciliation

but it's all about execution: core program components

the strengths, experience and capabilities of each partner must be assessed and leveraged

Governance and Leadership	Care Delivery	Population Health Management	Employer, Member & Physician Engagement	Measurement & Tracking	Data Exchange
▪ establish the right governance structure to drive change	▪ assess gaps and redundancies ▪ redesign processes to be proactive & efficient and build continuity & coordination ▪ evaluate each organization's capability strengths and how to collectively leverage ▪ evaluate the challenges of implementing clinical change		▪ engage members, physicians and the employer	▪ collectively monitor outcomes and process measures	▪ assess how to share data to build integration

…and program governance is critical to success



pilot ACO (Dignity & Hill)
2010/2011 results

2010 outcome

- **$15.5M** in savings to CalPERS ($20.5M total savings)
- major reductions in:
  - readmissions
  - inpatient days
  - inpatient stays of 20 or more days
  - ALOS

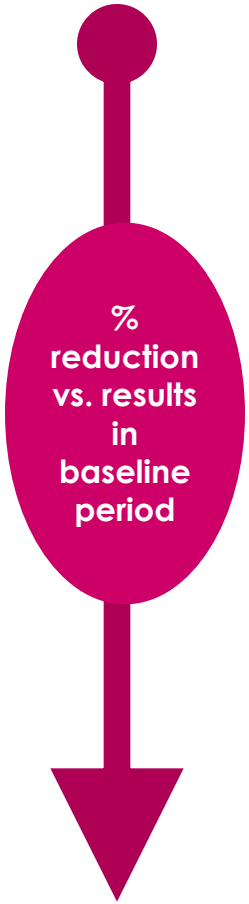
results validated by Milliman

2010-11 combined

- **$37M** in savings to CalPERS
- PMPM cost trend ~ 3% vs. ~7% for non-ACO population

- 2011 quality results:
  - Increase in ACE/ARB use
  - Decrease in readmissions
  - Significantly higher patient satisfaction
  - Other measures comparable to non-ACO

early aco results/"proof points" beyond sacramento



CCSF: Hill/UCSF /Dignity Health (7/2011 – 6/2012)	CCSF: B&T /CPMC (7/2011 – 6/2012)	St. Joseph Health (1/2012-11/2012)	AllCare/ Doctors Medical Center (1/2012-10/2012)
13% ↓ in admits/1000	**14%** ↓ in admits/1000	**9%** ↓ in admits/1000	**37%** ↓ in admits/1000
9% ↓ in ALOS for inpatient admits	**2%** ↓ in ALOS for inpatient admits	**4%** ↓ in ALOS for inpatient admits	**12%** ↓ in ALOS for inpatient admits
7% ↓ in ER/1000	**0.5%** ↓ in ER/1000	**4%** ↓ in ER/1000	**17%** ↓ in ER/1000

conclusions & lessons learned

- ✓ **global budgets with risk sharing works**
  - aligns incentives among independent hospitals, doctors and payers
  - keeps ACO partners focused on total cost of care
  - allows for "up front" savings projections to be passed to clients immediately
- ✓ **hospital engagement can accelerate results, but…**
- ✓ **…physician organizations still do much of the heavy lifting**
- ✓ **senior executive level commitment and engagement is critical**
  - program will require long term commitment – there will be ups & downs
  - will require significant investment of resources
- ✓ **biggest challenge is creating foundation of trust**
  - process requires total transparency
  - no "sacred cows"
  - all partners must be candid about organizational competencies and deficiencies
- ✓ **information exchange central to process and still too manual**

this approach is replicable and scalable: Blue Shield now has 10 active ACOs covering >130,000 members and growing

to expand and accelerate this success, we will need more transformational means of information exchange…

blue shield's continuous learning center - testing new technologies in aco context

blue of california

Saint John's Health Center

multi-specialty acute center
234 Beds

onsite and virtual care coordination model with transition planning

Access Medical Group of Marina del Rey

primary/urgent care facility
40 physicians