

Employees and Retirees Benefits Appendix

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Introduction

The Health Care Authority's Value-based Roadmap describes HCA's value-based purchasing goals, delivery system transformation strategies, innovation successes to-date, and future plans to accelerate broad transition into value-based payment models. Specifically, the Roadmap highlights HCA's key successes in value-based payments and reforms since June 2016 and upcoming projects and priorities to drive positive change across the state's health system over the next year.

This Employees and Retirees Benefits Appendix (ERB Appendix) outlines how, as the largest purchaser in Washington State, a strategic innovator, and a stakeholder convener, HCA will continue to influence positive change across the state's health system. HCA's ERB Division operates the Public Employees Benefits Board (PEBB) and the School Employees Benefits Board (SEBB) programs, and will implement transformative purchasing strategies with Healthier Washington (powered by the State Innovation Models [SIM] test grant and the Medicaid Transformation Demonstration).

Purpose

This ERB Appendix provides additional context to the Roadmap, which lays out how HCA is fundamentally changing the health care delivery system by implementing new models of care that drive toward population-based care. The Roadmap braids together major components of Healthier Washington (including Payment Redesign Model Tests, Statewide Common Measure Set, and Accountable Communities of Health [ACHs]), the Medicaid Transformation Demonstration, and the Bree Collaborative care transformation recommendations and bundled payment models. The Roadmap is built upon the following foundational principles:

- Reward the delivery of patient-centered, high-value care, and increased quality improvement;
- Reward performance of HCA's Medicaid, PEBB, and SEBB health plans and their contracted health systems;
- Align payment and delivery reform approaches with CMS for greatest impact and to simplify implementation for providers;
- Improve outcomes for patients and populations;
- Standardize health care based on evidence;
- Increase long-term financial sustainability of state health programs; and
- Continually strive for the Triple Aim of better care, smarter spending, and healthier people.

HCA as a Purchaser and Innovator

Both the Governor (via Executive Order) and the Washington State Legislature directed HCA to implement value-based purchasing strategies through its state-financed health care programs. Accordingly, HCA applied for and won the State Innovation Models (SIM) Round Two Test grant and a Medicaid Transformation Project demonstration (Demonstration). HCA will continue to leverage these federal programs and other state-based initiatives to advance value in the PEBB and SEBB programs.

Overview of PEBB Program

The PEBB¹ Program purchases and coordinates insurance benefits for eligible public employees, retirees and their dependents to more than 374,000 members. Through this program, HCA is implementing value-based purchasing strategies through key initiatives, such as the Accountable Care Program (ACP) and the Total Joint Replacement Center of Excellence (COE) Program:

The Accountable Care Program:

HCA has contracted with two provider networks, the Puget Sound High Value Network and the UW Medicine Accountable Care Network.

Each network has assumed clinical and financial accountability for a defined population of public employees.

HCA is working with each network to expand the offering into additional Washington counties.

Total Joint Replacement Center of Excellence Program:

Eligible public employees may opt to receive total knee and/or hip replacements, at little to no cost, through HCA's competitively selected Center of Excellence, Virginia Mason.

The procedures are paid for as a bundle, with care and quality components based on recommendations from the Bree Collaborative.

HCA will continue to expand each of these programs, and actively look for additional opportunities to accelerate value-based purchasing. For example, HCA is exploring aligning a multi-payer pilot project with the ACP, and released a Request for Information on bundled episodes of care models where providers assume financial risk for clinical quality. HCA intends to release a new bundled payment procurement in the coming months.

Further, HCA will strive to leverage closely aligned programs and strategies as it implements the SEBB Program, and is exploring a future procurement of the fully insured health plans offered through the PEBB Program.

Accountable Care Program

The PEBB Program offers Uniform Medical Plan (UMP) Plus as a medical plan option through the Accountable Care Program (ACP). HCA designed the ACP to improve the health of enrollees and hold providers and delivery systems accountable by rewarding them for the delivery of patient-centered, high-value care and increased quality improvement.

HCA contracts with two provider networks in the ACP: Puget Sound High Value Network (PSHVN) and UW Medicine Accountable Care Network (ACN). These networks' contracts include financial incentives

¹ For more information on the PEBB Program, visit www.hca.wa.gov/pebb

to improve their performance on specific quality measures and financial disincentives for when performance declines. The ACP networks receive a bonus payment (or make a deficit payment to HCA) based on their quality of care and ability to lower the cost of care.

The networks enrolled more than 10,000 enrollees in their first year (2016) and more than 17,000 in 2017. The networks initially covered five counties: King, Kitsap, Pierce, Snohomish, and Thurston. Now the networks include Grays Harbor, Skagit (UW Medicine ACN only), and Spokane and Yakima (PSHVN only). HCA intends to continue expanding the geographic reach of UMP Plus, and eventually offer it statewide.

To calculate financial incentives for the ACP networks, HCA developed the Quality Improvement (QI) Model. The QI Model measures the ACP network's improvement on, and attainment of, quality measure targets from one year to the next. Quality measures in the QI Model align with the Washington State Common Measure Set for Health Care Quality and Cost.

Regence BlueShield serves as the third-party administrator for UMP Plus, which involves processing claims and maintaining the ancillary provider network. They also provide customer service to PEBB members regarding which providers are in-network, explaining benefits, and handling complaints and appeals. Enrollees receive network-level benefits when they see ancillary providers in their ACP network or Regence's network for covered services within the allowed service area.

By creating its own ACP model and contracting directly with providers (rather than an existing Accountable Care Organization), HCA has full leverage to negotiate the terms of the ACP contracts. Some important contract terms HCA negotiated include the selection of quality measures, care transformation projects, and the amount of upside and downside risk.

Initial results from the first performance year of UMP Plus are promising:

- About 89 percent of subscribers in UMP Plus in 2016 remained in the plan for 2017.
- One or both of the ACPs improved on all 13 clinical quality measures in the contract.
- Enrollment increased 55 percent from January 2016 to January 2017.
- UMP Plus is the only non-Medicare PEBB medical plan that reduced its monthly premium from 2017 to 2018.
- UMP Plus expanded from five counties in 2016 to nine counties in 2017.

Center of Excellence Program

To address the wide variation in care quality and claims costs for its members undergoing total joint replacement surgeries, HCA implemented the Center of Excellence (COE) Program for total joint (hip or knee) replacement.

After a competitive bidding process, HCA contracted with Virginia Mason Medical Center as a "center of excellence" for hip and knee joint replacements for public employees, non-Medicare retirees, and their dependents who are enrolled in the Uniform Medical Plan (UMP) Classic and UMP Consumer-Directed Health Plan (CDHP).

In this program, the state pays the provider one previously negotiated payment for the entire episode of care, from the presurgical visit, throughout the inpatient stay, to discharge from the hospital. Virginia Mason receives a fixed fee for each joint replacement and provides additional care in the event of certain post-operative complications.

In the COE model, Virginia Mason:

- Uses evidence-based best practices as recommended by the Bree Collaborative.
- Coordinates patient care across the clinical team—including physicians, the hospital, and others involved in knee and hip replacements—and encourages shared decision-making with the patient.

Premiera Blue Cross administers the COE Program and provides case management and customer service to guide members through their health care journey. Premiera gathers the member's medical records for review by a surgeon at Virginia Mason, arranges travel and accommodations for the member and a care companion while the member is hospitalized, and acts as a concierge for the member throughout the episode.

Partial first-year results (January 1, 2017 through November 25, 2017) for COE are impressive:

- 85 completed surgeries through the COE Program, which represents a four-fold increase in the number of PEBB members receiving a total joint replacement at Virginia Mason.
- Each member enjoys roughly \$1,000 in out-of-pocket cost savings.
- Projected COE cost savings to the state are 10-15 percent in the first year.
- 100 percent of members say they would recommend the COE to a friend.
- An additional eight surgeries were scheduled in 2017.

Fully Insured Medical Plans

HCA will continue to identify ways to purchase value through its contracted fully insured medical plans offered to public employees. Updates to current contracts and any future procurements will include key elements of value-based purchasing, aligning with other purchasing strategies including the desire to increase value-based payments throughout the health delivery system.

Bundles RFI

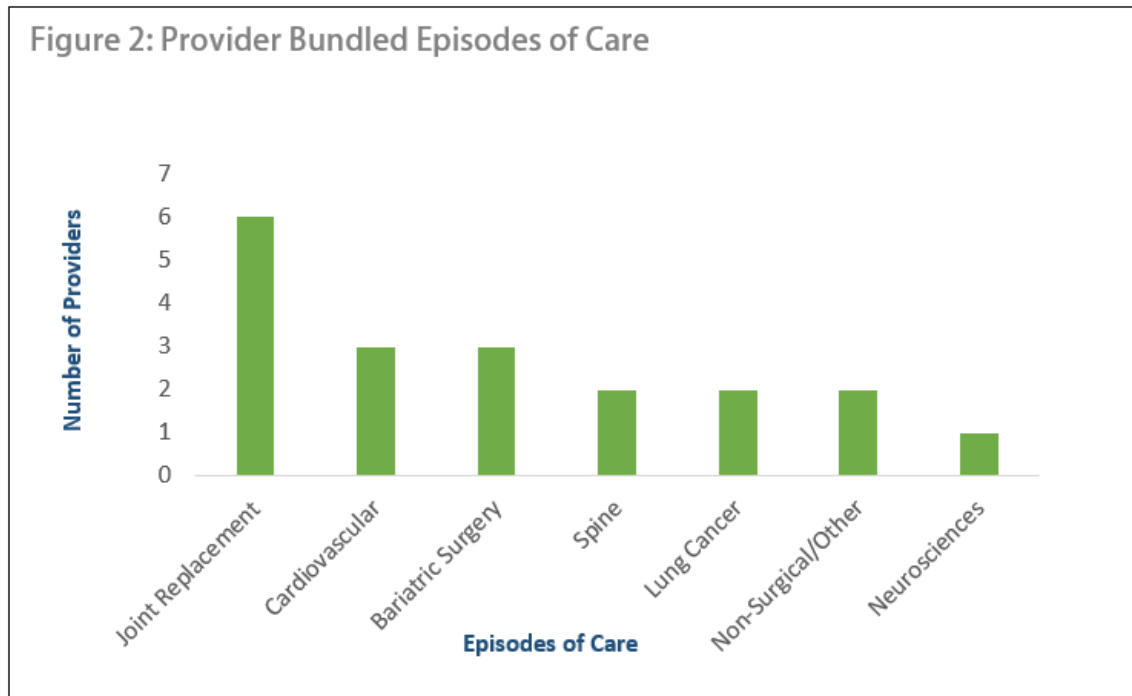
HCA released a Request for Information (RFI) in April 2017 to learn about other bundled episodes of care available in Washington State. In the RFI, HCA reiterated the goal to continue its efforts to transform the state's health care purchasing strategies, and its focus on high-quality care based on patient safety and outcomes. The RFI included six sections related to bundled episodes of care: Development and Experience; Process; Clinical; Outcomes; Payment and Finances; and Feedback for HCA.

HCA received 15 responses from providers, health plans, and vendors:

Figure 1: Responders

Responders	
EvergreenHealth	Kaiser Permanente Washington*
Overlake Medical Center	Community Health Plan of Washington
Providence St. Joseph Health	Washington State Hospital Alliance
UW Medicine	McKesson
Virginia Mason Medical Center	Navigant
Skagit Regional Hospital	Vestica Healthcare
Seattle Cancer Care Alliance	Liberty Health Partners
Northwest Medical Specialties, PLLC	*cover letter only; no submission

Figure 2 shows the number of providers participating in each bundled episode of care. Most providers responding to the RFI indicated that they had experience with bundles for total joint replacement, which has been the focus for Centers for Medicare and Medicaid Services (CMS) bundles for several years and are fairly well defined. Cardiovascular episodes of care are less common, and are not as prevalent, even for CMS.



Provider feedback varied regarding the value of bundled payments. They see benefits in maintaining their current retrospective payments due to the infrastructure and lead-time needed to create successful prospective payment bundles. However, they also understand that for the sake of provider accountability, a prospective payment allows the provider the opportunity to define the services that are included and excluded from the bundled episode of care payment upfront, “... *in the longer term, we feel a prospective rate is better for the sake of managing a budget and allowing the accountable party (the one receiving the funds) to then work with subcontractors on their responsibilities and payment terms in regards to services covered by the bundle. This also allows the accountable party to better define what is included and excluded from the sake of taking on the associated risk.*” Some providers mentioned the difficulty of implementing prospective payments when the physicians, hospital, and other components of the care are not within the same organization:

“Prospective payment is difficult since we do not employ all components of the bundle. It would not be impossible to set up a process to administer a prospective bundled payment model although it would require additional infrastructure and lead time to be successful.”

“The infrastructure [for prospective payments] required increases with the complexity of the episode: number of external partners, length of episode, etc. Unless a provider has an integrated health plan, they will need to partner with a third party, or create their own infrastructure to register beneficiaries, adjudicate claims from all providers within the bundle, negotiate case rates, and implement third party reimbursement mechanisms.”

If a payer or purchaser wants a bundled payment program, there are two critical components that were identified by a respondent that HCA agrees with: “1) *a discrete starting point and ending point of the bundle; and 2) a process for handling extreme outliers if and when they occur.*”

Experience from CMS, private purchasers, and HCA show a bundled payment model can be effective in improving the quality of care provided and the patient experience, while helping to lower costs. While there are hurdles in implementing bundled episodes of care, purchasers have an important role in ensuring that providers are appropriately rewarded for improving the care and outcomes of their members.

The RFI findings show there are providers in Washington State that have dedicated themselves to developing bundled products. However, without the support of other purchasers and commercial payers, providers and health systems face an increased risk of bundled payment episodes becoming an example of how underlying initial investment without support cannot sustain progressive design demands (for example, the Washington State Health Services Act failed to broadly implement managed care).

HCA will use bundled payment programs as a key strategy to reach its goal of driving 90 percent of state-financed health care into value-based payment arrangements by 2021, and expects to release a Request for Proposals in the first quarter of 2018. HCA encourages other purchasers and health plans to explore this payment model in their purchasing arrangements and is actively serving as a resource.

Multi-payer Pilot

Recognizing that providers need new and expanded sets of patient-level data to take on financial and clinical accountability, improve care coordination practices, and better manage population health, HCA has contracted with two provider groups to lead a multi-payer pilot demonstration under Healthier Washington Payment Model 4. The goal of Model 4 is to increase the acceleration of VBPs among participating providers and payers by increasing providers' access to patient data and align quality measures used to assess provider performance throughout the health care system. HCA will test this model in an urban and a rural setting, contracting with a provider organization for each setting with the requisite infrastructure and financing needed:

- Northwest Physicians Network (NPN) – urban demonstration
- Summit Pacific Medical Center (Summit Pacific) – rural demonstration

NPN and Summit Pacific have agreed to a draft Statement of Work that includes these deliverables:

- Use a shareable data aggregation solution
- Support partners in the adoption of value-based purchasing
- Provide matching funds
- Submit an annual work plan to HCA
- Submit semi-annual progress reports to HCA (including reports on quality measures)
- Attend semi-annual meetings with HCA

HCA has committed to:

- Share attributable medical and pharmacy claims data extracts from UMP and Washington Apple Health (Medicaid).
- Provide technical assistance around care transformation.
- Explore using our purchasing power and stakeholder relationships to encourage broader participation in the model test.

HCA worked with each provider group's data vendor to set up the infrastructure and process for transmitting data and fully implemented the model in the winter of 2017.

Coordination with Medicare

HCA continues to monitor health systems transformation at the federal level, particularly Medicare Access and CHIP Reauthorization Act (MACRA) and the Quality Payment Program (QPP). HCA has participated in the public comment process for the programs' annual rulemaking, and expects to align state-financed value-based purchasing programs with federal alternative payment models (APMs), where appropriate, and will seek certification as Advanced APMs for Apple Health, PEBB, and SEBB value-based purchasing models.

HCA held leadership roles on the Health Care Payment & Learning Action Network (HCP-LAN) Guiding Committee and Purchaser Affinity Group and expects to remain actively involved in both.

Worksite Wellness

In October 2013, Governor Jay Inslee signed Executive Order 13-06 directing HCA and the Department of Health to co-chair the State Employee Health and Wellness Steering Committee. The committee was charged with creating a comprehensive wellness program for state employees. This wellness program, SmartHealth:

- Allows eligible PEBB members to engage in health-improvement activities anytime, anywhere through the program's secure website and/or mobile app.
- Offers financial incentives when eligible members complete a well-being assessment and certain health activities.
- Provides members with easy access to useful health information.

SEBB and Other Future Activities

In June 2017, the Washington State Legislature passed Engrossed House Bill 2242. This bill directs the HCA to administer health care and other benefits (such as life insurance) for all Washington State school employees through the School Employees Benefits Board (SEBB) Program.

Starting January 1, 2020, all K-12 school districts, educational service districts, and charter schools will be required to purchase their employees' health care coverage through the SEBB Program.

The School Employees Benefits Board (SEB Board) will design and approve insurance benefit plans for school employees, and establish eligibility criteria for participation in these plans. The SEB Board is separate and independent from the Public Employees Benefits Board (PEB Board).

The SEB Board began meeting in October 2017 to discuss the SEBB benefits structure. Their meetings are open to the public; their schedule is available at www.hca.wa.gov/pebb.

HCA will explore opportunities to, in collaboration with the SEB Board, expand programs like the ACP and COE through SEBB and advance value in SEBB's fully insured health plans.

Value-based Purchasing Requires Collaboration

A transformed health system will require significant, multi-sector, system-wide collaboration and individual commitments to improve how we collectively pay for services; to ensure that care focuses on the whole person; and to support the development of healthier and better integrated communities.

HCA supports the following action steps from these stakeholder groups:

Providers

- Enter into value-based contracts, assuming accountability for clinical quality and financial performance.
- Actively participate in Accountable Communities of Health (ACHs) and use community and social supports to advance value-based purchasing.
- Implement state-certified shared decision-making tools.

Payers

- Actively promote value-based purchasing to health care purchasers.
- Offer carrier-led Accountable Care Organizations (ACOs) that align with HCA's common elements:
 - Reward quality improvement and attainment of target benchmarks.
 - Require care transformation strategies based on evidence (for example, recommendations from the Bree Collaborative).
 - Use HCP-LAN APM Framework to define payment models.
 - Apply measures from the Statewide Common Measure Set to all provider contracts.
- Support providers with broader access to data (multi-payer alignment) and participate in All-Payer models, including adopting a "data follows person" approach by sharing claims data from attributed patients with all contracted providers.
- Participate in HCA Multi-Payer Pilot Demonstration model.

Purchasers

- Ask health plan partners to include measures from the Statewide Common Measure Set into provider contracts.
- Use the Washington Health Alliance's Community Checkup to evaluate provider and health plan performance and inform employees.
- Implement employee wellness programs that tie to high-value uses of health care services (for example, primary care provider selection and preventive care visits).
- Use HCA's purchasing initiatives and Purchaser Toolkit, which includes copies of HCA's Accountable Care Program and Center of Excellence procurement documents and contracts.

Patients

- Explore information on the Washington Health Alliance's Community Checkup website.
- Demand value on quality and cost from employers and health plans.
- Become informed consumers, including asking for shared decision-making tools.

ACHs

- Engage the provider community in value-based purchasing.
- Align community and social resources to support the provider community, and vice versa.
- Support integration of behavior and physical health services.