



Physicians Insurance
A MUTUAL COMPANY

Advanced Alternative Payment Models

State of Reform
October 11, 2017

OUR VALUES: PROTECTION | TRUST | INTEGRITY | SERVICE

Move to Value-Based Payments

- Both public and commercial payers are interested in value-based payments
 - shifts from volume-based payment (fee-for-service) to payments that are more closely related to paying for value
 - promote quality, patient outcomes, and value of health care services
- Single condition bundled payments on the rise

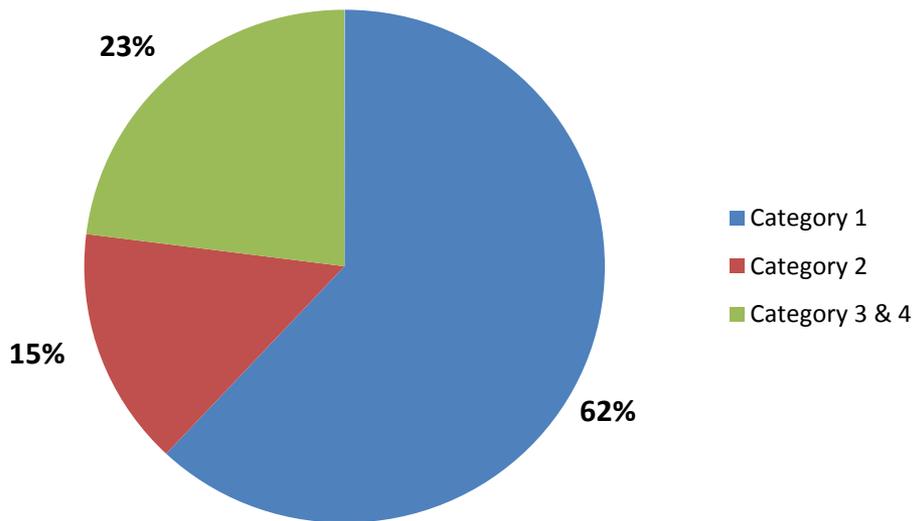
APM Framework at a Glance



Source: Health Care Payment Learning & Action Network

Health Care Dollars by Compensation Category

2015
Look-Back
Metrics



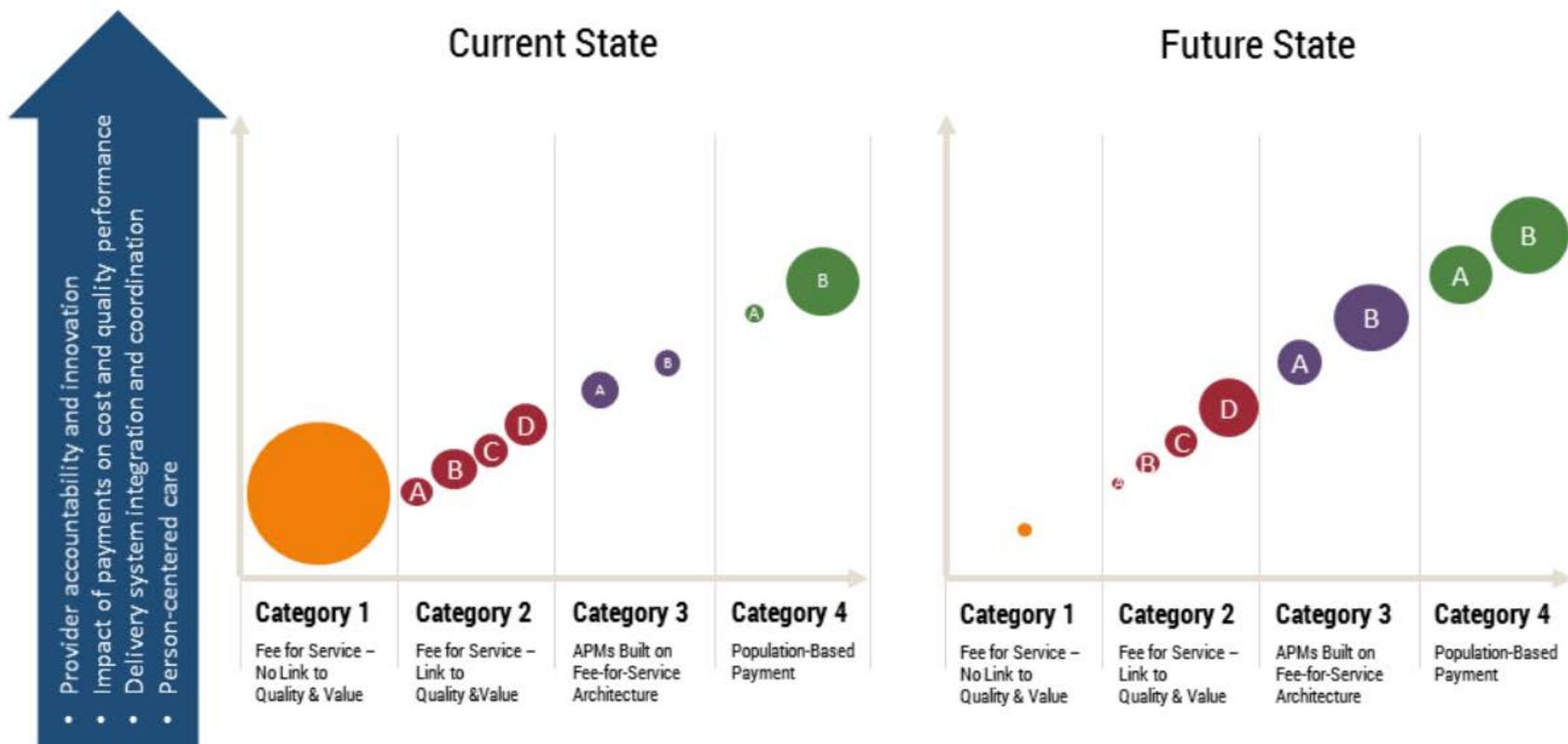
2016
Point-In-Time
Metrics

Categories 3 & 4
25% of health care dollars

- Commercials -- 22%
- Medicare Advantage – 41%
- Medicaid – 18%

Source: Health Care Payment Learning & Action Network 2016 Commercial Payer Survey (respondents represent over 128 million covered lives, or nearly 44% of the combined commercial, Medicare Advantage, and Medicaid markets)

Are APMs Here to Stay?



Source: Health Care Payment Learning & Action Network, Alternative Payment Model (APM) Framework Final Whitepaper (2017)

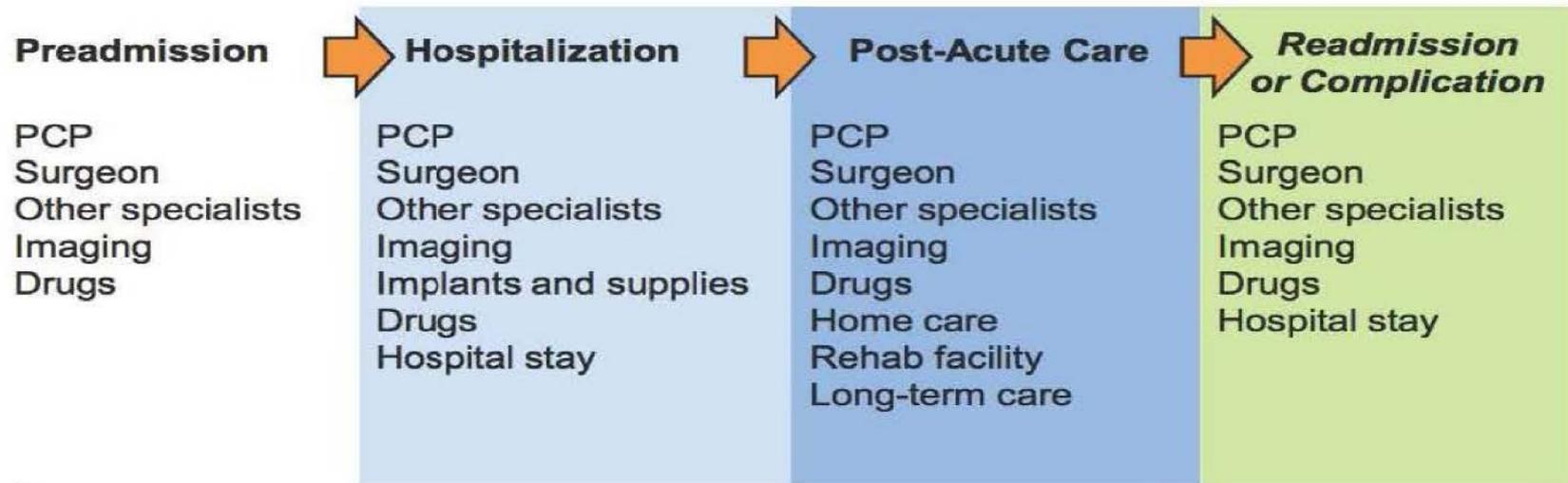
Single Condition Bundled Definition

Single payment that covers services delivered by two or more providers during a single episode of care or over a specific period of time

Episodic Bundles (Examples)

- Maternity
- Localized prostate cancer
- CABG
- Spine
- Joint replacement

What is an Episode of Care?



An episode of care includes all related services for a single patient for a given diagnosis or intervention.

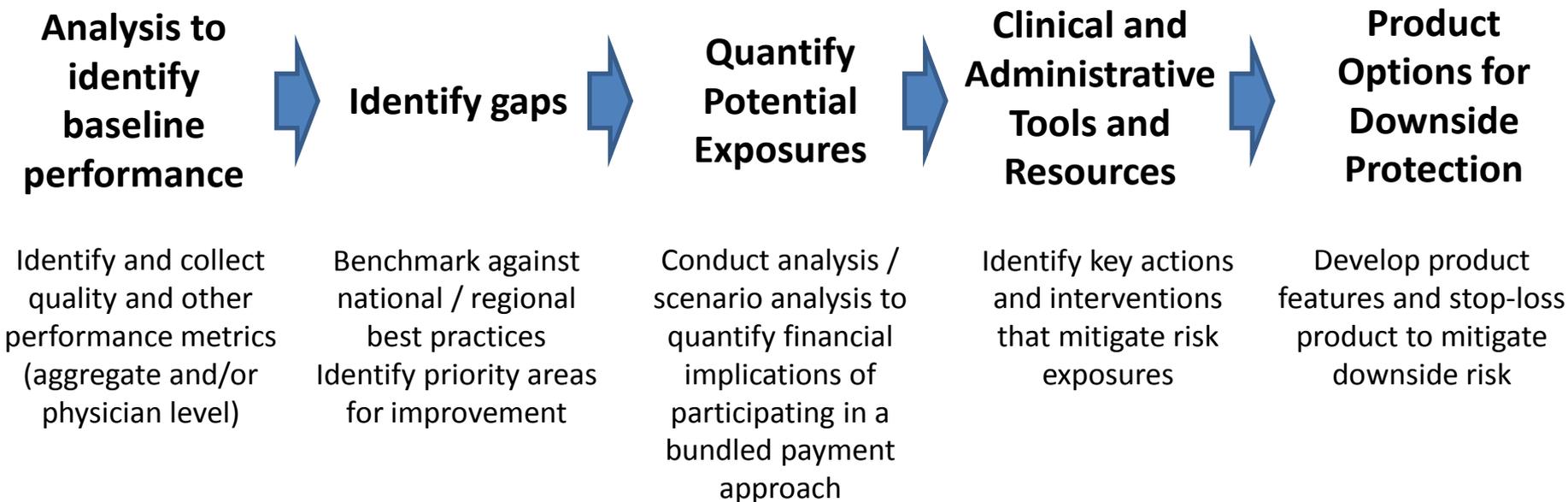
Sources:

- Center for Healthcare Quality & Payment Reform
- Paths to Healthcare Payment Reform: Transitioning to Episode-Based Payment
- Center for Healthcare Quality and Payment Reform

Bundled Payment Considerations for Providers

- What are we getting into?
 - Analyze risk exposures of adopting a bundled payment approach
- What can we do to get ready?
 - Identify intervention opportunities to maximize payments, narrow variations, and mitigate poor outcomes
- How can we protect ourselves from downside risk?
 - Explore data analytical tools, clinical and administrative tools, and insurance products to limit downside risk

A Comprehensive Solution to Improve Quality and Reduce Costs



Critical to have alignment throughout the continuum of care by all participating providers of care and the patient

Challenges

- Must *clearly* define **goals** and **requirements** of new, alternative payment models
 - What quality measurements *really* matter?
- Who is the Captain of the APM? Does the Captain own all pieces of the delivery of care in the APM? Is their alignment among the pieces?
- Adoption rates – will providers of all sizes adopt APMs?
 - Will provider excess coverage encourage adoption?
- Are we repeating the 1990s?
 - *CREDIBLE* data, and clinical and administrative management tools are critical
- Patient (*broadly defined*) engagement and accountability

Representative Results of the Impact of Bundled Payments

Measure	All Bundles (N= 5180)	Jt. Replacement (N= 2564)	CABG (N= 201)
Savings Per Episode	6.5%	8.6%	5.4%
Readmission Reduction	24.9%	30.6%	40.1%
Decrease in Discharges to SNF/IRF	15.7%	32.6%	
Decrease in SNF LOS	10.3%	36.7%	
Increase in Discharges to Home/HHA			18.2%

Nemours Children's Health System Use Case

Value-Based Model for Childhood Asthma

- 60% reduction of asthma-related ER visits
- 44% reduction in asthma-related hospital admission
- More than a \$2,100 reduction in annual medical costs per child
- Outpatient costs outweighed by the reduction in utilization of hospital services

VBC must be augmented with a structured approach to eliminate waste and be delivered in conjunction with a broad-based effort to address factors that are outside of the traditional boundaries of healthcare.

But...

- Hospital VBC
 - No significant improvements in clinical-process and patient-experience measures (as measured in mortality rates)
 - acute myocardial infarction
 - heart failure
 - But a significant reduction in mortality among patients who were admitted for pneumonia