

IBC deals to emphasize incentives

PART EIGHT IN AN OCCASIONAL SERIES about the local impact of national health-care reform.

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The region's largest health insurer is dangling a new carrot in front of area hospitals.

Independence Blue Cross is looking to replace its existing pay-for-performance hospital contracts with broader incentive-laden deals designed to improve quality and lower costs.

IBC's "integrated provider performance incentive plan" encourages hospitals and physicians to integrate their efforts to reduce infections and readmissions. It also calls for both groups to work together to ensure evidence-based guidelines are followed for the treatment of conditions such as heart attacks and surgical care.

The first such deal, for two years, was reached with the Jefferson Health System — the area's largest health-care provider — late last year. The second, a three-year pact, was signed by Holy Redeemer Health System in March. Three or four more are close to being signed.

Doug Chaet, IBC's senior vice president of contracting and provider networks, said the Center City-based health insurer wants to make the performance incentive plan part of all new hospital contracts when they come up for renewal. Participation in the program, however, is not mandatory. Hospitals can also switch into the program earlier than their renewal date.

The increase in hospital payments under the incentive program can reach into the millions of dollars, Chaet said, but medical centers must hit minimum quality performance standards to be eligible for any additional reimbursement.

IBC's program comes at a time the federal government is doing more to tie pay to performance. Last week, the Centers for Medicare and Medicaid Services finalized plans under which the Medicare program — which covers health-care costs of the elderly — will, starting in October 2012, adjust payments to hospitals, up or down, based on quality performance scores.

So far, Chaet said, there has been little "push back" from hospitals when the two sides sit down to talk about the performance incentive plan, which is replacing an older pay-for-performance model IBC introduced last decade.

"We understand hospitals have needs,"



CURT HUDSON

Independence Blue Cross Senior Vice President Doug Chaet said the insurer's performance incentive program gives hospitals a way to earn higher rates.

Chaet said. "When a hospital comes to us and says it needs to be reimbursed at a certain level, rather than say, 'No, we can't afford to pay you that,' our approach is to give them an opportunity to earn it."

Under the incentive plan, IBC contracts with a joint venture organization formed by the hospital and its physicians that is responsible for deciding how any earned incentive dollars are divided up between the physicians and the medical center.

"There are going to be bumps in the road."

Michael Laign
 Holy Redeemer

Chaet said the features of the model match closely with the just-released regulations governing the accountable care organizations (ACOs) called for in the national health-care reform law passed last year.

ACOs, as defined by the U.S. Department of Health and Human Services, are "groups of providers of services and suppliers that work together to manage and coordinate care" for a defined population of Medicare beneficiaries. If an ACO delivers quality care and reduces costs, it will share with the government in the Medicare savings it achieves.

John Harris, a partner in the Bala Cynwyd-based health-care consulting firm DGA Partners, agreed the IBC incentive program has provisions that parallel many of the provisions in regulations HHS put forth for ACOs last month.

"Hospitals may say I'm not ready to do a Medicare ACO yet, but this IBC program can be a step in that direction," Harris said.

He said the challenge for health insurers, which are increasingly pushing pay-for-performance reimbursement models, is developing methods that fairly incentivize hospitals for containing costs and providing quality care.

"There are still skeptics who say this is

too complicated and too difficult to implement, but most hospital leaders are pretty clear they need to move in this direction," he said. "Their questions are how quickly can they do it, how quickly do we engage our physicians and how do we make this work financially?"

Michael Laign, Holy Redeemer's president and CEO, said by being an "early adopter" of the still-evolving IBC incentive program they will have an opportunity to shape the template that governs it.

"There are going to be bumps in the road," he said.

Laign noted Holy Redeemer has a strong continuum-of-care component with its growing obstetrics program in its acute-care hospital, affiliated physicians and its long-term-care and home-care divisions.

"It made sense for us to evaluate [the IBC performance incentive contract]," Laign said. "We already have structures in place to do this kind of contracting and, in all honesty, it involved stuff we were already preparing to do. We've been moving forward with our IT platform to enable us to better manage populations and participate in incentive programs."

Holy Redeemer has a history of participating in at-risk contracting and population management programs with managed-care companies and employer groups. Laign says the performance incentive contract with IBC will further position the health system to be part of an ACO.

Under IBC's old pay-for-performance model, hospitals could earn an extra 1 percent to 3 percent in their payment rates for meeting certain quality standards covering childhood immunizations, breast cancer and cervical cancer screenings, cholesterol management, and asthma and diabetes care.

The performance incentive plan still has those quality measures along with a provision for reducing readmission rates. "Re-

RULES AND REGULATIONS

Independence Blue Cross says many of the rules and regulations governing Medicare Accountable Care Organizations, released by the government in March, parallel provisions in IBC's new integrated provider performance incentive plan (IPPIP):

Those common provisions include:

- THE CREATION** of an organized legal entity that is accountable for quality, cost and overall care and has an ability to distribute gains;
- THE USE** of a value-based reimbursement model that includes shared savings, quality improvement incentives through self-reported data, and incentives that are aligned across the care continuum;
- A PATIENT** population based on primary-care physician membership/attribution;
- CLINICAL CARE** coordination by means of vertical integration; and
- PERFORMANCE MONITORING** and data reporting capabilities

Sources: Independence Blue Cross, HHS

admission rates have become a focal point of the industry," Chaet said. "There are all sorts of costs associated with readmissions. Any hospital will tell you they are striving to reduce that rate."

The program also has an efficiency component under which hospitals can share with IBC cost savings they generate.

Chaet said IBC and each hospital develop specific cost targets based on the center's historical medical-cost trends. "The goal is to reward performance compared to their baseline," he said. "The degree of payout is tied to the degree of improvement. The shared savings can be 30 percent, 40 percent or 50 percent based on the degree of improvement."

IBC is giving hospitals six months to a year to prepare for the program. Measurement periods for medical centers won't start until early 2012. ■