

The Business Case for Quality Improvement Initiatives: A Health Plan Perspective

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Why are we here?

“The purpose of the health care system must be to continuously reduce the impact and burden of illness, injury, and disability, and to improve the health and functioning of the people of the United States.”

US President’s Advisory Commission on Consumer Protection and Quality in the Health Care Industry, 1998

Technical Quality of Care

“...the application of medical science and technology in such a way as to maximize health benefits without increasing health risks...”

Donabedian, 1980

“The degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge.”

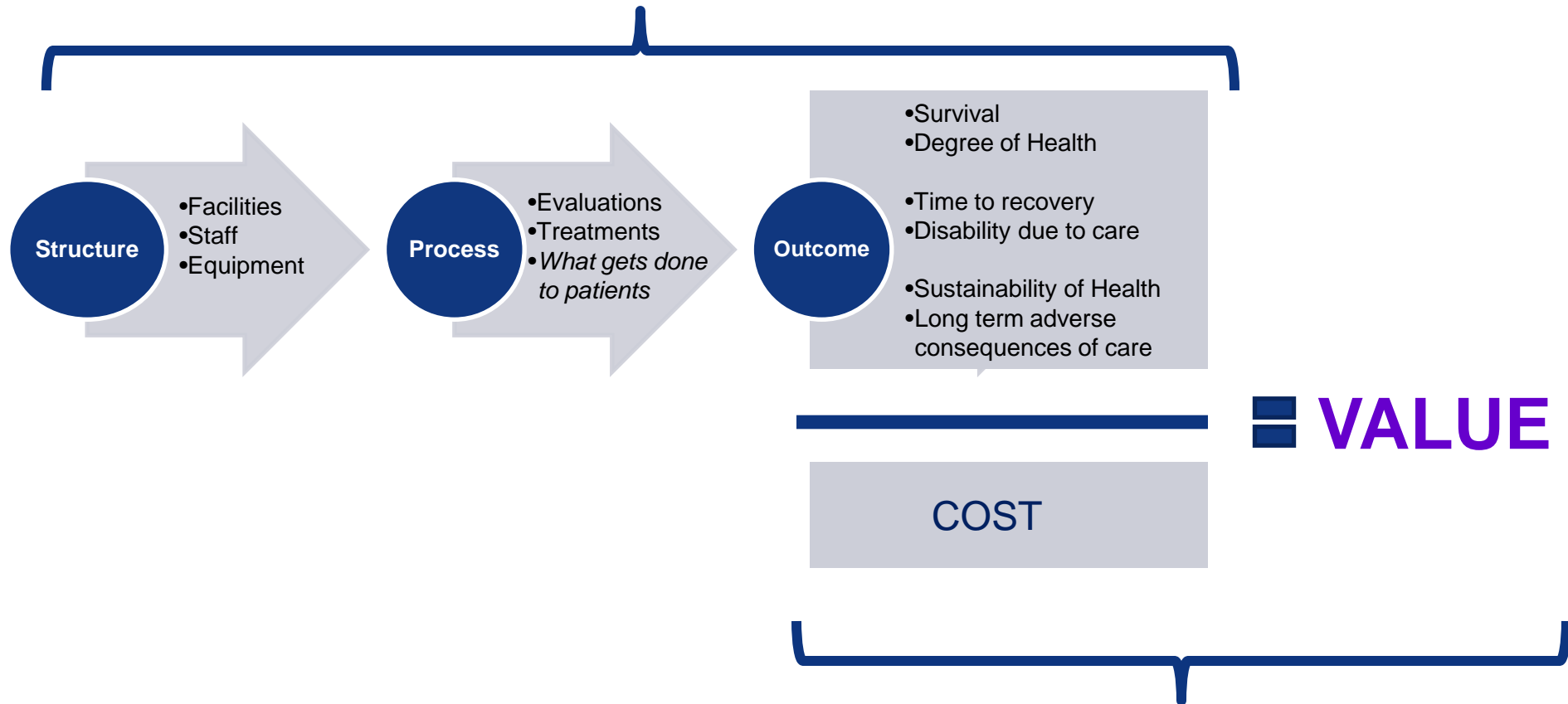
IOM, 1990

Quality is not the outcome...

quality is what we do to attain the outcome.

Quality is Essential to Value

Donabedian Model of Health Care Quality



Porter Model of Health Care Value

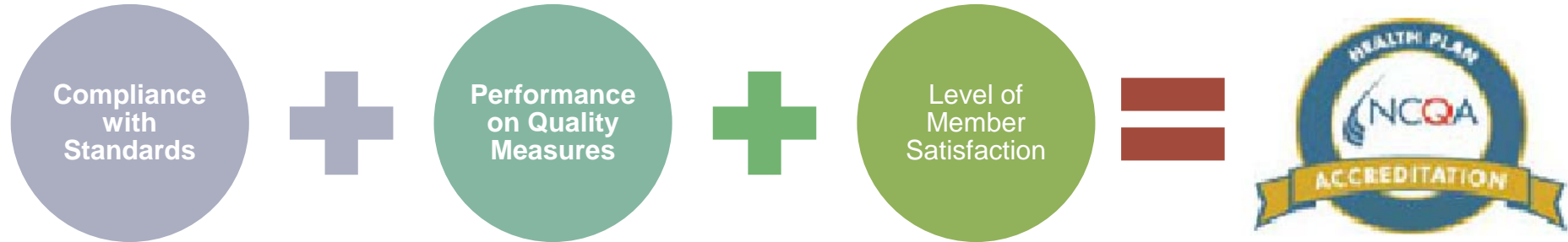
Donabedian, A. The definition of quality and approaches to its assessment. Health Administration Press, 1980.

Porter, ME. N Engl J Med 2010; 363:2477-2481

Measures of Health Plan Quality

- **Accreditation**
- **Performance on Individual Quality Measures or Composite Scores**
 - Healthcare Effectiveness Data and Information Set Measures (HEDIS)
 - HEDIS-like Measures
 - Medicare Advantage Star Measures
 - NCQA Health Plan Rankings
 - State Quality Rankings
- **Quality Programs**
 - Centers of Excellence
 - Physician P4P
 - Hospital P4P
- **Evalu8**

NCQA Health Plan Accreditation



Quality Improvement Standards

- Quality Management and Improvement
- Utilization Management
- Credentialing and Re-credentialing
- Members' Rights and Responsibilities
- Standards for Member Connections
- Medicaid Benefits and Services

Healthcare Effectiveness Data and Information Set HEDIS® Measures

Commercial : 22
Medicare: 16
Medicaid: 20

Consumer Assessment of Healthcare Providers and Systems CAHPS® Measures

Commercial: 9
Medicare: 8
Medicaid: 7

Accreditation Levels

Excellent
Commendable
Accredited
Provisional
Denied

HEDIS and HEDIS-like Measures

▪ HEDIS Measures

- Effectiveness of Care
- Access and Availability of Services
- Use of Services

- Measures vary by line of business (LOB) (HMO, PPO, Medicaid, Medicare)
- ~ 100 measures or components per line of business
- Separate reports for each LOB for each state

▪ HEDIS-like Measures

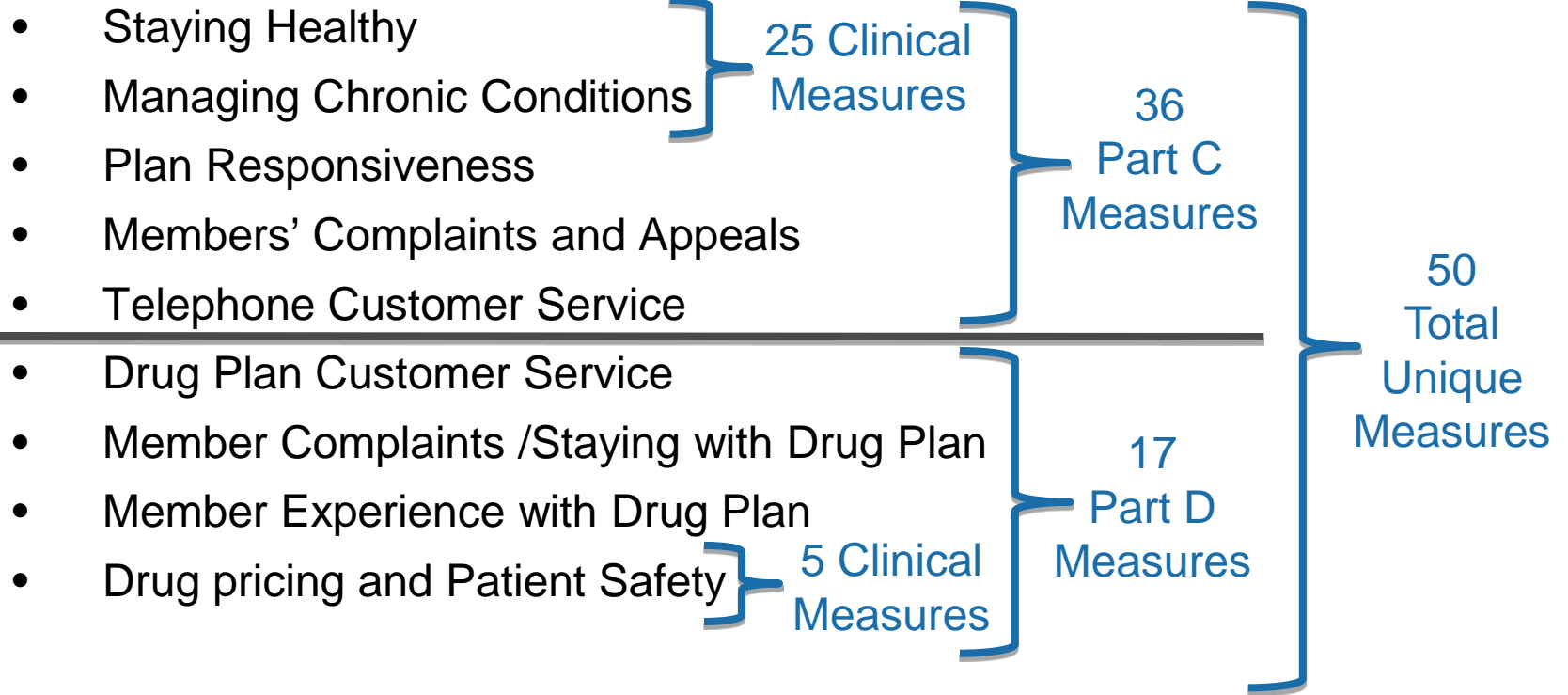
- Early Preventive Screening, Diagnosis and Treatment (EPSDT) Measures
- State-specific process or outcome measures

- Generally applicable to Medicaid
- Measures may be nearly identical to HEDIS

▪ Medicare Advantage Star Measures

- HEDIS
- Health Outcomes Survey
- CAHPS

Medicare Advantage Star Measures and Domains



- **Measures come from HEDIS, CAHPS, HOS, and CMS Compliance Tracking Modules.**
- **Data sources for measures include plan and CMS administrative data, member surveys, CMS contractors (e.g. 'secret shoppers' for telephony)**

NCQA Health Plan Rankings and Report Cards



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[NCQA Health Insurance Plan Rankings](#) > [NCQA Health Insurance Plan Rankings 2010-2011](#)

NCQA Health Insurance Plan Rankings 2010-2011

Programs

Top 10 Medicare & Medicaid Health Insurance Plans

HEDIS & Quality
Measurement

Top 10 Medicare Health Insurance Plans

Report Cards

For a list of all Medicare health insurance plan rankings [click here](#).

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HEALTH PLAN REPORT CARD

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Quality matters. NCQA's Health Plan Report Card helps you choose a health plan that's right for you and your family. The NCQA report card has results on hundreds of health plans. Search below to learn more about how well plans in your area perform.



Search By

Please enter any or all of the information below to narrow your search. Visit [Creating a Report Card](#) for more help.

Health Plan Name

State

Zip Code

Plan Type Commercial (private) Medicaid Medicare

QUALITY COMPASS

Interested in Detailed Health Plan
Performance Data? Check out
NCQA's [Quality Compass](#).

Announcements

We want you to check out...

State and Federal Health Plan Ratings



California
Office of the Patient Advocate

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What will I find here?

You will find quality ratings for health insurance plans, health care providers, and more.

- ★★★★★ Excellent
- ★★★★ Good
- ★★★ Fair
- ★ Poor

Are You Getting Quality Health Care?

Review our **quality ratings** to see if you and your family are getting the care you deserve.



Health insurance plan ratings

Find out how California's health insurance plans rate on the quality of care their members receive

HMOs... PPOs... Medicare... Medi-Cal... Healthy Families... CalPERS... Not sure

Medicare Plan Finder

Use this tool to search for and compare coverage options available in your area. A general plan search only requires your zip code. To personalize your search, enter your zip and complete Medicare information.

Medicare Health Plans with Drug Coverage						
Medicare Advantage Plans with Drug Coverage offer both health and drug coverage						
There are 26 plans in 11203 that match your preferences. View 10 View 20 View 50						
View plan quality and performance ratings for all Medicare Health Plans with Drug Coverage						
Compare Plans						
Sort Results by: Lowest Estimated Annual Health and Drug Cost						
Liberty Health Advantage Preferred Choice (HMO) (H3337-001-0)						
Organization: Liberty Health Advantage						
Estimated Annual Drug Costs [?]	Monthly Premium [?]	Deductibles [?] and Drug Copay [?] / Coinsurance [?]	Health Benefits [?]	Drug Coverage [?] and Drug Restrictions [?]	Estimated Annual Health and Drug Costs [?]	Overall Plan Rating [?]
<input type="checkbox"/> Retail Annual: \$0.00	\$0.00 Drug: \$0.00 Health: \$0.00	Annual Drug Deductible: \$0 Health Plan Deductible: \$0 Drug Copay/Coinsurance: \$0 - \$50, 25%	Coverage: Plan Doctors Only Out of Pocket Spending Limit: \$6,700 In-Network	All Your Drugs on Formulary: N/A Drug Restrictions: N/A All Generics and Few Brands	\$2,700	★★★ 3.5 out of 5 stars Enroll
Healthfirst Jade Benefits Plan (HMO) (H3359-032-0)						
Organization: Healthfirst Medicare Plan						
Estimated Annual Drug Costs [?]	Monthly Premium [?]	Deductibles [?] and Drug Copay [?] / Coinsurance [?]	Health Benefits [?]	Drug Coverage [?] and Drug Restrictions [?]	Estimated Annual Health and Drug Costs [?]	Overall Plan Rating [?]
<input type="checkbox"/> Retail Annual: \$912	\$0.00 Drug: \$0.00 Health: \$0.00	Annual Drug Deductible: \$0 Health Plan Deductible: \$0 Drug Copay/Coinsurance: \$0 - \$50, 25%	Coverage: Plan Doctors Only Out of Pocket Spending Limit: \$6,700 In-Network	All Your Drugs on Formulary: N/A Drug Restrictions: N/A Many Generics	\$2,100	★★★ 3.5 out of 5 stars Enroll
Empire MediBlue Plus (HMO) (H3370-001-0)						
Organization: Empire BlueCross BlueShield						
Estimated Annual Drug Costs [?]	Monthly Premium [?]	Deductibles [?] and Drug Copay [?] / Coinsurance [?]	Health Benefits [?]	Drug Coverage [?] and Drug Restrictions [?]	Estimated Annual Health and Drug Costs [?]	Overall Plan Rating [?]
<input type="checkbox"/> Retail Annual: \$792	\$0.00 Drug: \$0.00 Health: \$0.00	Annual Drug Deductible: \$0 Health Plan Deductible: \$0 Drug Copay/...	Coverage: Plan Doctors Only Out of Pocket Spending	All Your Drugs on Formulary: N/A Drug Restrictions: N/A	\$2,100	★★★★ 4.5 out of 5 stars Enroll

The Business Case for Quality

MISSION

.....reduce the impact and burden of illness, injury, and disability, and to improve ... health and functioning....

US President's Advisory Commission

Improve the lives of the people we serve and the health of our communities...

Create the best health care value...

WellPoint



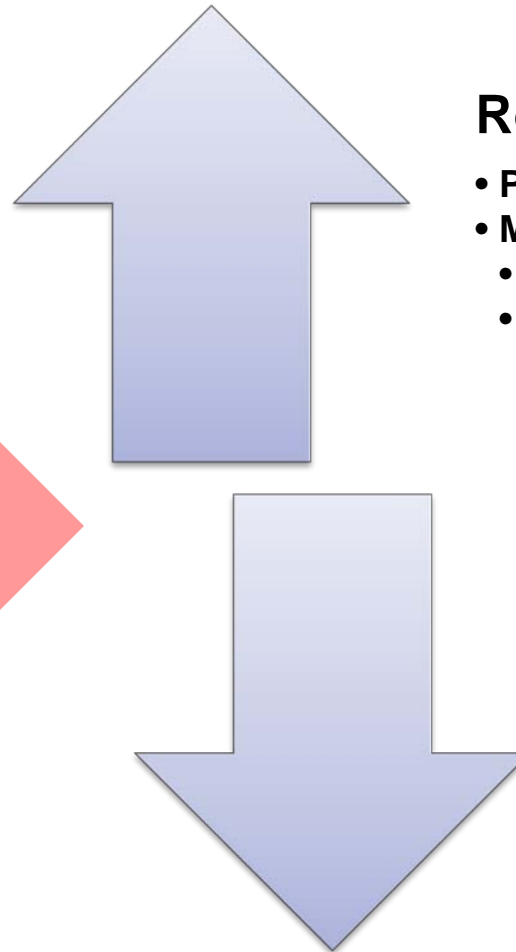
MARGIN

Revenue

- Performance Guarantees
- Membership
- Winning Contracts
- Auto-assignment

Expenditures

- Cost of Care
- Avoidance of Administrative Costs
- Corrective Action Plans
- Sanctions



Medicare Advantage Revenue

Benchmark set by CMS for each county

Benchmark will increase based on Star Rating starting in 2012

Previously 75%

Plan revenue* =

Plan bid amount + (Benchmark - Plan bid amount) * X%

Rebate

Rebate Percentage Based on Star Rating starting 2012

* Assumes risk score of 1.0

Impact of MAPD Quality Ratings on Rebates and Bonus Payment

- Stars ratings based on Part C and Part D score

Rebate Percentage and Benchmark Increase by Star Score CMS Demonstration Project												
	<3-Star		3-Star		3.5-Star		4-Star		4.5-Star		5-Star	
	Rebate	Benchmark ↑	Rebate	Benchmark ↑	Rebate	Benchmark ↑	Rebate	Benchmark ↑	Rebate	Benchmark ↑	Rebate	Benchmark ↑
2012	66.7%	0	66.7%	3%	71.7%	3.5%	71.7%	4%	73.3%	4%	73.3%	5%
2013	58.3%	0	58.3	3%	68.3%	3.5%	68.3%	4%	71.7%	4%	71.7%	5%
2014	50%	0	50%	3%	65%	3.5%	65%	5%	70%	5%	70%	5%
2015	50%	0	50%	0%	65%	0%	65%	5%	70%	5%	70%	5%

IMPACT OF 2012 STAR RATINGS ON REVENUE

Scenario 1

Plan Bid = Regional Benchmark

Members in High Quality Plans Benefit from Higher Quality and More Robust Benefits

High Quality Plans Benefit from Greater Enrollment

	Plan A	Plan B	Plan C	Plan D
Star Rating	2	3	4	5
Star Benchmark Reward	0	3%	4%	5%
Star Rebate	66.7%	66.7%	71.7%	73.3%
Regional Benchmark	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Star-Adjusted Benchmark	\$1,000.00	\$1,030.00	\$1,040.00	\$1,050.00
Plan Bid	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Plan Rebate	\$0.00	\$20.01	\$28.68	\$36.65
Plan Revenue	\$1,000.00	\$1,020.01	\$1,028.68	\$1,036.65
Member Premium/month	\$0.00	\$0.00	\$0.00	\$0.00
Extra Member Benefits/month	\$0.00	\$20.01	\$28.68	\$36.65
Cost of Care/month	\$850.00	\$850.00	\$850.00	\$850.00
Plan Admin Cost + Profit/Member/month	\$150.00	\$150.00	\$150.00	\$150.00
Enrollment	1,000	2,000	3,000	4,000
Total Plan Admin Cost + Profit/month	\$150,000.00	\$300,000.00	\$450,000.00	\$600,000.00

Assumptions: HCC Score =1.0

IMPACT OF 2012 STAR RATINGS ON REVENUE

Scenario 2

Plan Bid = Star-adjusted Benchmark

Members in High Quality Plans Benefit from Higher Quality

High Quality Plans Benefit from Higher per-Member Revenue

	Plan A	Plan B	Plan C	Plan D
Star Rating	2	3	4	5
Star Benchmark Reward	0	3%	4%	5%
Star Rebate	66.7%	66.7%	71.7%	73.3%
Regional Benchmark	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Star-Adjusted Benchmark	\$1,000.00	\$1,030.00	\$1,040.00	\$1,050.00
Plan Bid	\$1,000.00	\$1,030.00	\$1,040.00	\$1,050.00
Plan Rebate	\$0.00	\$0.00	\$0.00	\$0.00
Plan Revenue	\$1,000.00	\$1,030.00	\$1,040.00	\$1,050.00
Member Premium/month	\$0.00	\$0.00	\$0.00	\$0.00
Extra Member Benefits/month	\$0.00	\$0.00	\$0.00	\$0.00
Cost of Care/month	\$892.50	\$892.50	\$892.50	\$892.50
Plan Admin Cost + Profit/Member/month	\$107.50	\$137.50	\$147.50	\$157.50
Enrollment	1,000	1,000	1,000	1,000
Total Plan Admin Cost + Profit/month	\$107,500.00	\$137,500.00	\$147,500.00	\$157,500.00

Assumptions: HCC Score =1.0

IMPACT OF 2012 STAR RATINGS ON REVENUE

Scenario 3

Plan Bid = Regional Benchmark + 3%

Members in High Quality Plans Benefit from Lower Premium, Higher Quality and More Robust Benefits

High Quality Plans Benefit from Greater Enrollment

	Plan A	Plan B	Plan C	Plan D
Star Rating	2	3	4	5
Star Benchmark Reward	0	3%	4%	5%
Star Rebate	66.7%	66.7%	71.7%	73.3%
Regional Benchmark	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Star-Adjusted Benchmark	\$1,000.00	\$1,030.00	\$1,040.00	\$1,050.00
Plan Bid	\$1,030.00	\$1,030.00	\$1,030.00	\$1,030.00
Plan Rebate	\$0.00	\$0.00	\$7.17	\$14.66
Plan Revenue	\$1,030.00	\$1,030.00	\$1,037.17	\$1,044.66
Member Premium/month	\$30.00	\$0.00	\$0.00	\$0.00
Extra Member Benefits/month	\$0.00	\$0.00	\$7.17	\$14.66
Cost of Care/month	\$850.00	\$850.00	\$850.00	\$850.00
Plan Admin Cost + Profit/Member/month	\$180.00	\$180.00	\$180.00	\$180.00
Enrollment	500	1,000	1,500	2,000
Total Plan Admin Cost + Profit/month	\$90,000.00	\$180,000.00	\$270,000.00	\$360,000.00

Assumptions: HCC Score =1.0

2011 PLAN RATINGS FOR MA-PD, ALL CARRIERS

Overall Score	Contract Count	%	MA-PD % Weighted By Enrollment
5 stars	3	0.5%	1.0%
4 stars	74	13.2%	23.2%
3 stars	271	48.4%	60.4%
2 stars	48	8.6%	7.2%
Not enough data to calculate overall rating	104	18.6%	3.6%
Plan too new to be measured	60	10.7%	4.5%
Total	560	100.0%	100.0%

**Bonus
Thresholds**

2014

2012

These ratings summarize all Part C and Part D measures combined. Half-star ratings are rounded down.

Source: CMS Fact Sheet 11/10/2010.

Medicaid Quality Revenue

■ **Performance Guarantees**

- Vary by State
- Generally a fixed bonus tied to meeting specified thresholds on certain measures

■ **Auto-assignment of members**

- In some states, Medicaid beneficiaries who do not choose a health plan are assigned to a health plan by the State.
- Beneficiaries may be assigned to plan(s) with highest quality scores

■ **New Medicaid Contracts**

- States putting increasing emphasis on quality track record when evaluating plans who bid for new contracts

Commercial Quality Revenue

■ **Performance Guarantees**

- Vast minority of commercial contracts have *quality*-based performance guarantees
- If tied to HEDIS scores, requires high performance for entire state

■ **New Contracts**

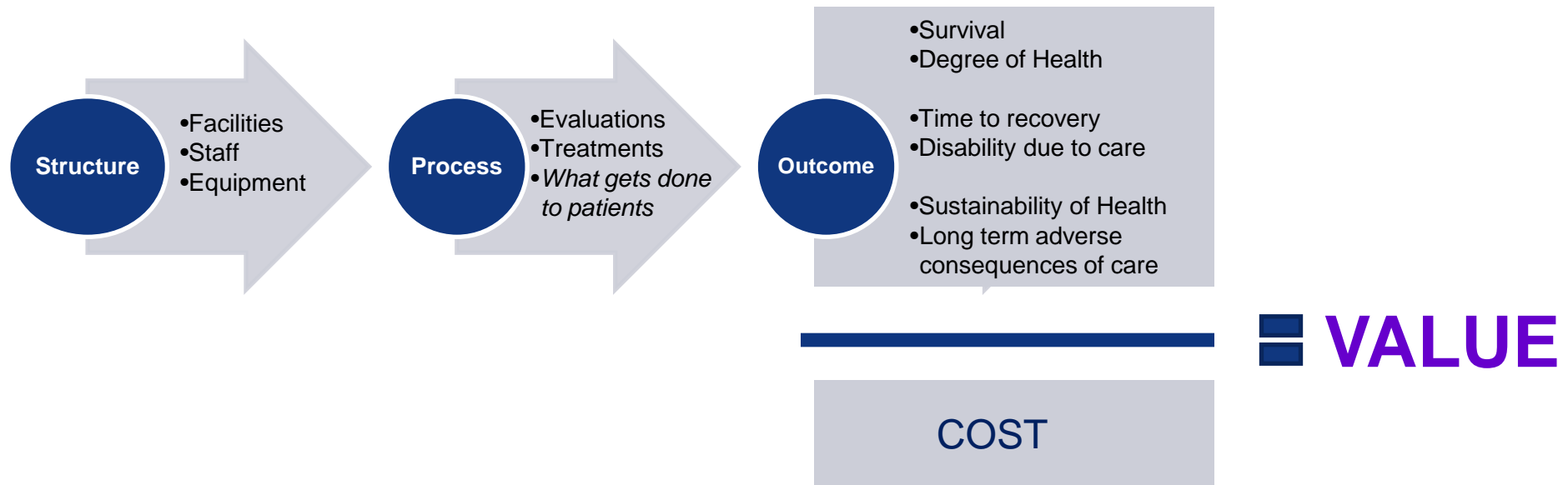
- Increasing emphasis on quality track record when evaluating plans who bid for new contracts, especially for large national employers

Quality to Reduce Cost of Care

- **Increase delivery of procedures cost saving procedures**
 - e.g. vaccinations, colorectal cancer screening
- **Reduce delivery of ineffective or unsafe procedures**
 - e.g. elective delivery before 38 weeks; radiographs for acute, uncomplicated back pain

High quality care is cost-saving in some specific instances, but may not be cost-saving in other instances.

Quality Improves Value



High quality care can improve value relative to low quality care.

We need a better understanding of the relative value of medical evaluations and treatments.

We need to define the value thresholds at which consumers are willing to purchase medical services.