

Value Proposition: Tiered Network Plan Design for Navigator[®] by Tufts Health Plan

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Outline

◆ Objectives

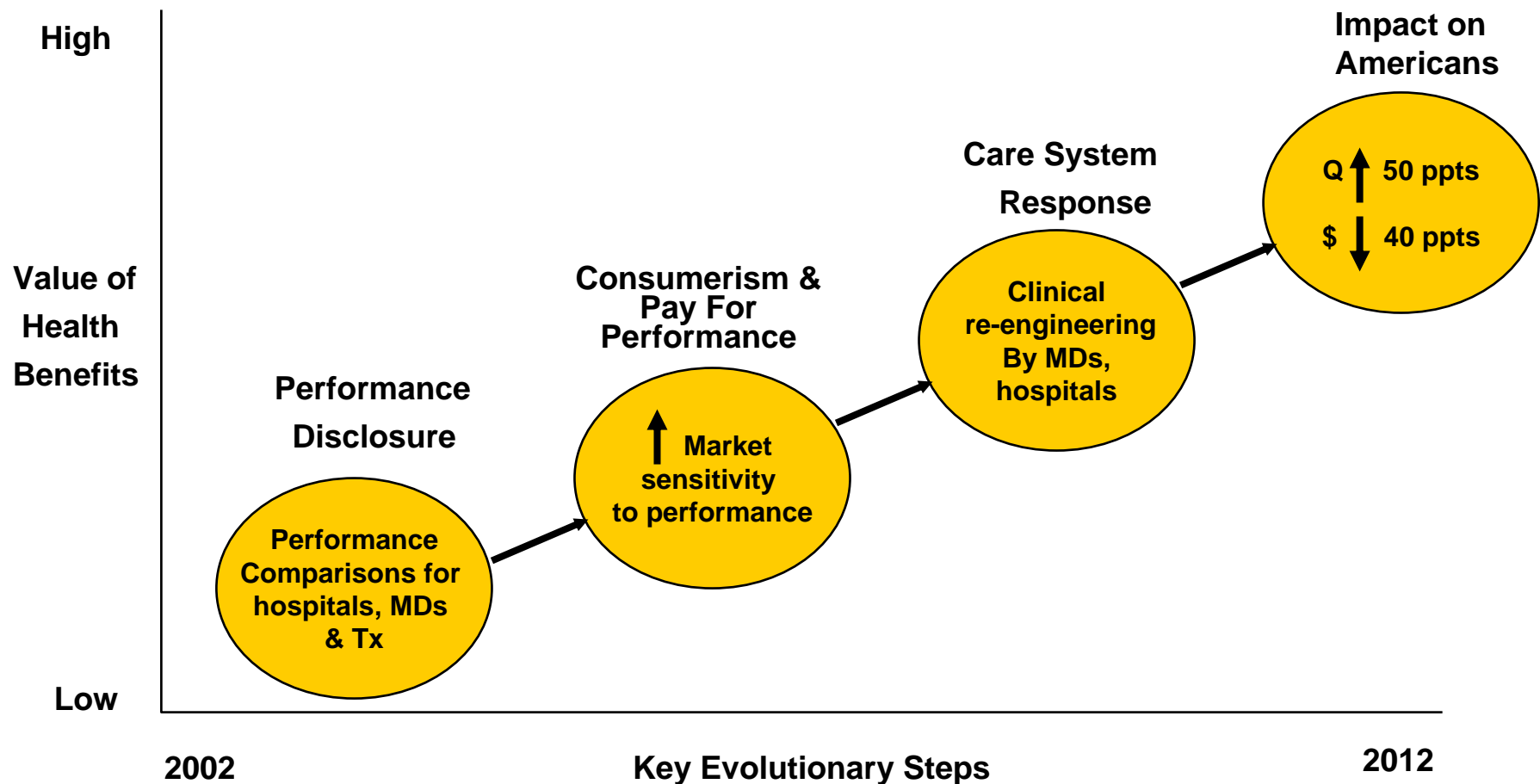
- Understand market dynamics and rationale for tiering
- Review value purchasing as an approach to tiering
- Discuss the creation of the value-based metrics
- Describe process for collaboration with physicians and hospitals

◆ Agenda

- Market dynamics
- Navigator's design
- Value index based on quality and cost
- Metrics included in hospital value index
- Collaborative process
- Summary of lessons learned

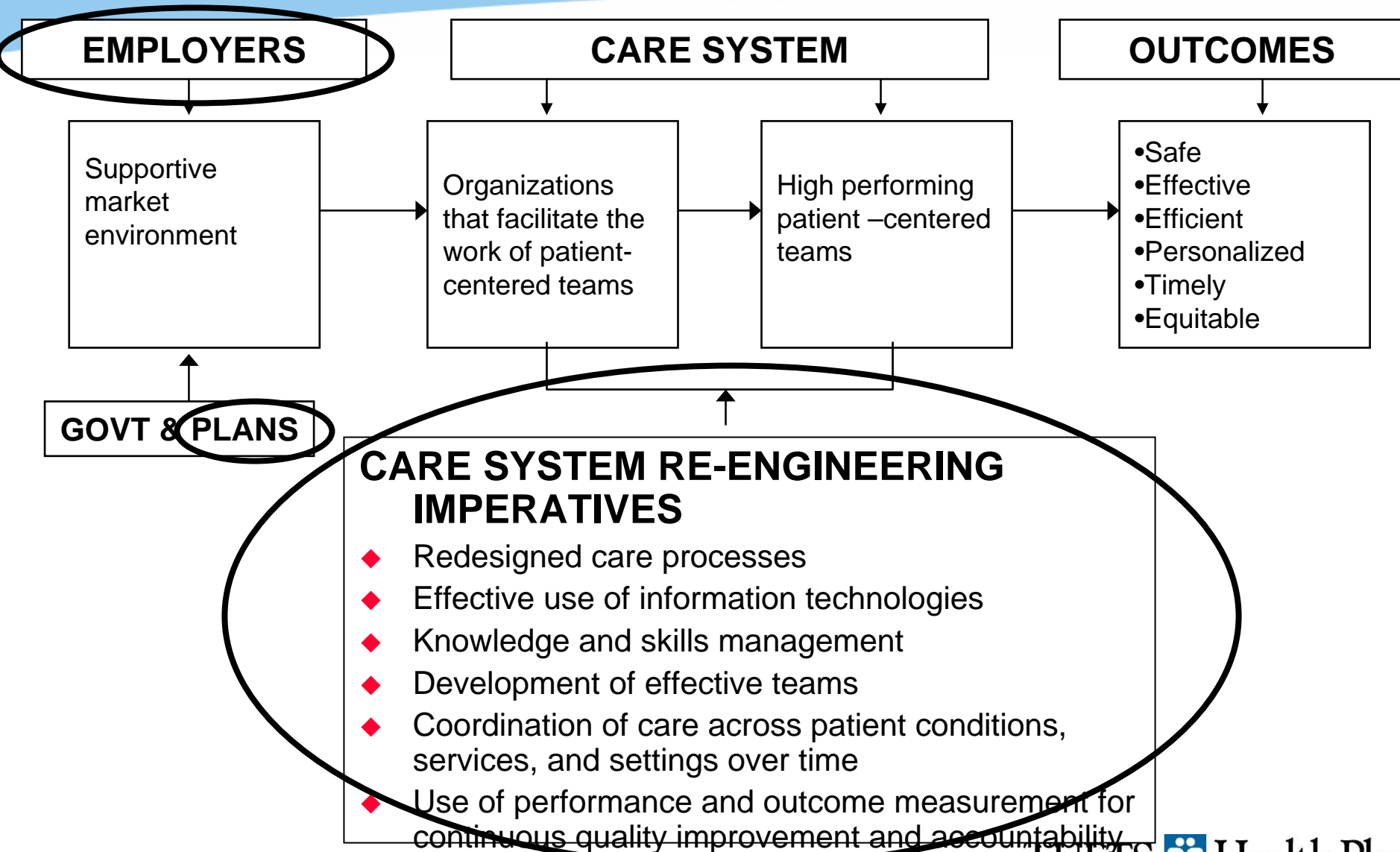
Market Dynamics – National Trends

National Purchaser and Consumer Organization Vision



Market Dynamics – National Trends

The Institute of Medicine Vision



THP Long-Term Vision & Strategy

***Decrease
Medical Trend
Improve Quality of
Services Delivered***



Employee/Member Engagement

- Optimize Health Care Value
- Financial Plan Design Incentives
- Behavioral Incentives
- Information/Decision Support

Provider Engagement & Accountability

- Tiering Based on Efficiency and Quality
- Pay for Performance
- Published Quality Metrics
- Transparency
- Improvements in Patient Safety

Client: The Commonwealth of Massachusetts

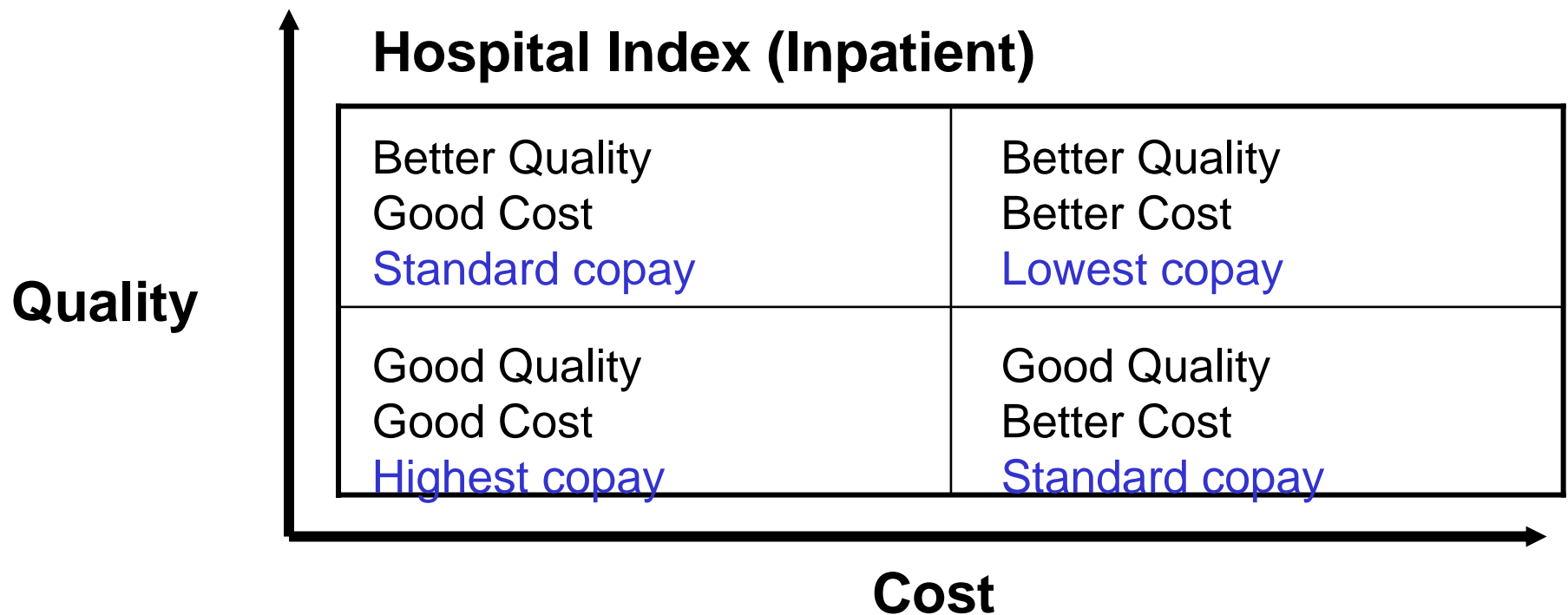
- ◆ **Largest employer in MA - 270,000 beneficiaries**
- ◆ **THP's largest client**
- ◆ **4+ years of double-digit premium increases**

Benefit Design

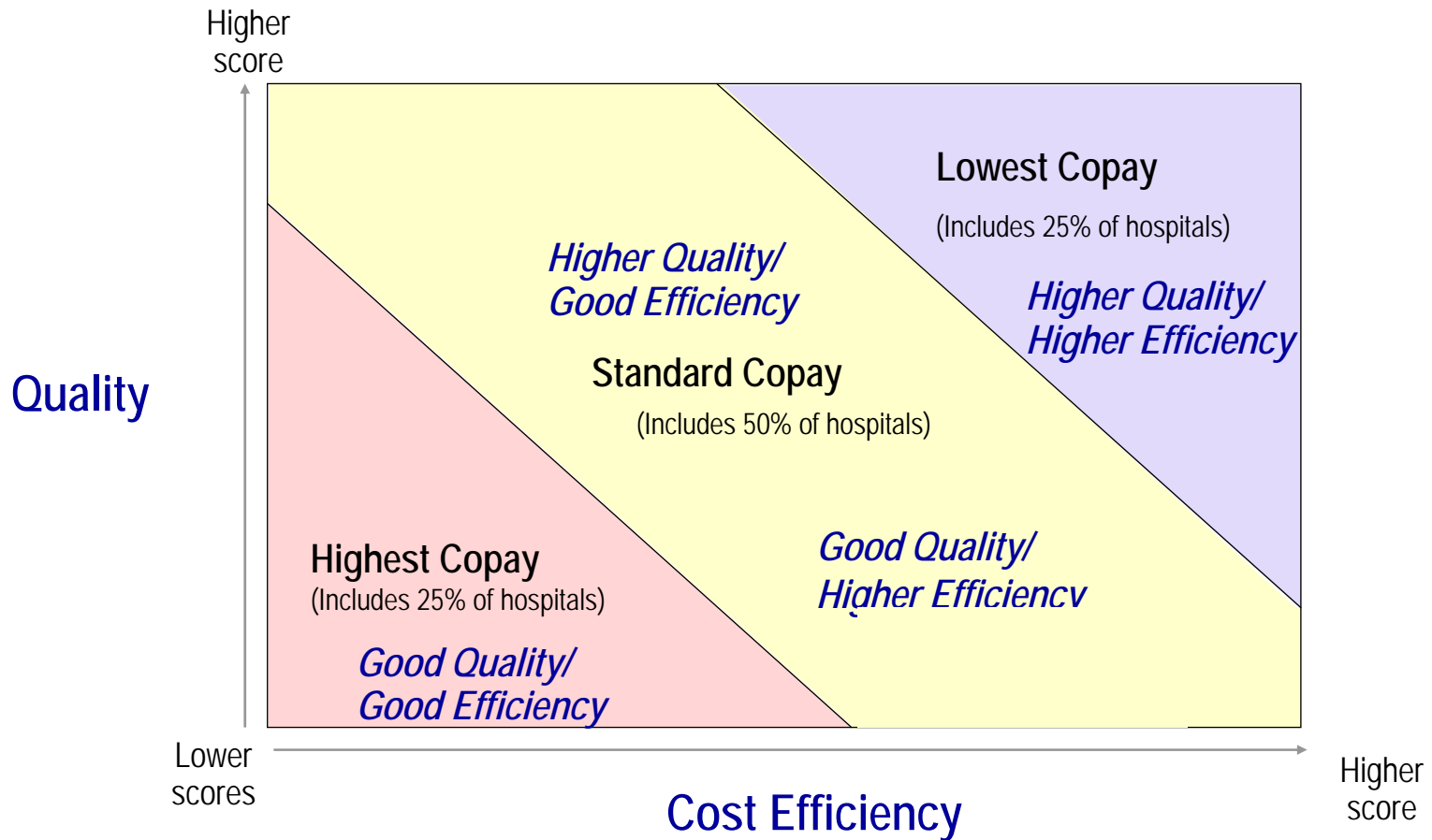
- ◆ **PPO Plan**
- ◆ **Phased-in metrics &/or tiering beginning 7/1/04**
 - Hospitals 2004
 - PCPs 2005
 - Specialists 2006
- ◆ **Cost and quality measures**
 - Hospital measures in 3 clinical service areas
 - Adult Med/Surg, Pediatrics, Obstetrics
- ◆ **Variable member inpatient copayment**
- ◆ **Core medical management programs**

Example of Hospital Index

Year 1: Fiscal Year 2005 (7/1/04 – 6/30/05)



Example of Hospital Index (Inpatient)



Hospital Cost & Quality Measures

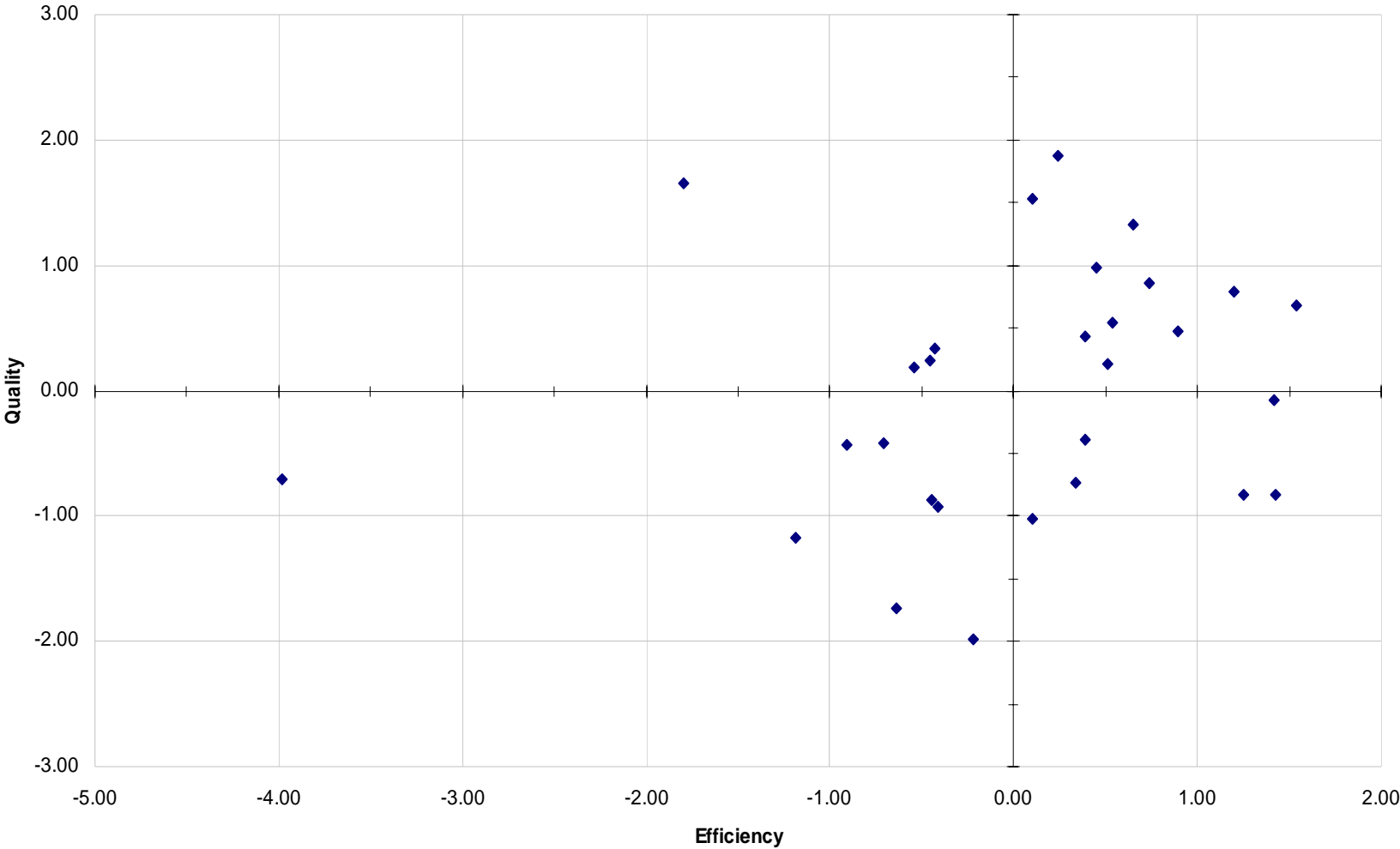
◆ Cost

- Adjusted average cost per case:
- Contracted rates
- Average length of stay
- Service mix
- Case-mix and severity adjusted

◆ Quality

- Adjusted mortality rate
- Adjusted complications rate (AHRQ)
- NHVRI/JCAHO measures
- Leapfrog (CPOE and ICU Staffing)
- Volume
- Credentialing status

Eastern Pediatric Quality vs. Efficiency
Community Hospitals



Navigator Launch

- ◆ **Rapid development - December, 2003-March, 2004**
- ◆ **Open Enrollment April-May, 2004**
- ◆ **Go-live July 1, 2004**
- ◆ **68,000 members**

- ◆ **Preliminary results are favorable**

Refinements via collaboration

- ◆ **Feedback on hospital inpatient metrics**
- ◆ **Extensive network involvement**
 - Network hospitals
 - Expert Panel convened throughout summer, 2004
- ◆ **PCP ratings begun July, 2005**
 - Network physician organizations meetings
 - Expert Panel input
 - Ratings based on cost and quality (HEDIS & patient satisfaction)

Summary

1. Important differences in cost and quality exist and must be addressed. Value-based tiering is one option.
2. The marketplace is moving. Larger plans, larger employers may be first, but CMS will have major impact, and others are already following
3. Success of tiered networks is dependent upon the value they deliver
4. Collaboration with network representatives helps ensure best metrics and methods used

Future directions

1. Transparency of data
2. Broad standards of measurement
3. Government support
4. Whither competition?