Health Reform after Health Reform: The Heavy Lifting Begins

Murray N. Ross, Ph.D.
Vice President, Kaiser Foundation Health Plan, Inc.
Director, Kaiser Permanente Institute for Health Policy

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Discussion outline

• The need for health reform after health reform
  • Insurance reform (if that’s what we get) just the beginning

• Kaiser Permanente as a model of integration
  • The structure of KP
  • How the KP model creates “systemness”
  • How do we know integration is working?

• What do we do with this?
  • We have to get beyond fragmentation
  • KP shows possibilities, but isn’t easily replicated
  • Payment reform, delivery system reform go hand-in-hand
Why reform is (ever) on the agenda

• Symptoms
  • Inadequate coverage—50 million uninsured
  • Unsustainable costs—world’s highest, excess growth
  • Dubious care quality—IOM, RAND, Dartmouth

• Untreated underlying disease: fragmentation
  • Information does not exist is or is not easily available
  • Incentives and accountability are not aligned

• Why does this go on?
  • Market forces (alone) have not/cannot solve problem
  • Political process prefers placebo to treatment
How do we break the logjam?

• Create functioning insurance markets
  • Individual mandate, guaranteed issue, rating rules

• Move reimbursement away from fee for service
  • Payment linked to outcomes MAY help
  • Payment for larger units of care essential

• Need greater integration of care delivery
  • Someone needs to take ownership
  • Someone needs to be able to receive bundled payments
  • Someone needs to manage care for chronically ill
  • Someone needs to think about health, not just care
When payment reform meets integration

Kaiser Permanente

- 8.6 million members
- 14,000+ physicians
- 166,000+ employees
- 35 hospitals/medical centers
- 431 medical offices
- $40b revenue (2008)
A simple view of Kaiser Permanente

Kaiser Permanente Medical Program

Kaiser Foundation Health Plan*
Kaiser Foundation Hospitals*
Permanente Medical Groups

* common Board of Directors
Kaiser Foundation Health Plan/Hospitals

Health Plan
- Insurance company role (ultimate holder of financial risk)
- Marketing/Sales - enrolls groups and members, collects premiums
- Contracts with providers for care
- Provides administrative services
- Owns and runs ancillary services

Hospitals
- Owns hospitals and medical facilities
- Coordinates services with independent hospitals
- Expenses reimbursed by Health Plan
The Permanente Medical Groups

• Physician owned (LLC or partnership)
  • Group accepts risk through capitation
  • Physicians are salaried shareholders or partners

• Group hires and manages all MDs—all physician leadership elected

• Provide/organize all primary & specialty MD care for KFHP members only

• Manage cost and quality of care delivery
  • Culture of resource stewardship, accountability, evidence
How integration creates “systemness”

• **Shared responsibility for program success**
  - KP “owned” jointly by physicians, health plan, and labor
  - “Shared fate” model—the “MEMO” relationship

• **Integration along multiple dimensions**
  - Financing and medical care: baked in with capitation
  - Across providers: leadership, performance management
  - Over time (Kaiser babies become Medicare members)

• **Functional specialization**
  - Physicians practice medicine, nurses care for patients
  - Health plan executives practice finance, administration & sales
Knowledge key to successful integration

• Investing $3+ billion in electronic medical record
  • Real-time, continuous access to information on visits, lab and radiology reports, immunizations, medications allergies
  • All caregivers directly connected for decision support

• Data and evidence support performance
  • Focus on population measurement (public health)
  • Systems orientation drives performance improvement
  • Technology assessment, comparative effectiveness research
  • Clinical guidelines and best practices
  • Evidence gathering: clinical trials, registries
Tracking performance improvement
What integration supports: 3 examples

• **Prevention**
  • Building prevention into routine care
  • “Between visit” care: on-line, secure email

• **Chronic condition management**
  • Focus on person, not disease
  • Focus on care continuum
  • View hospitalization as a failure, not as a revenue source

• **Pharmaceutical management**
  • Formulary is a process, not a list
  • Review for appropriateness
  • Drug use management: generics, formulary compliance
Prevention: preventive health prompt

At the bottom of this page are reminders for some preventive services based on Kaiser Permanente’s current electronic records. If you have on-going health problems or are at high risk for certain diseases, you may need more frequent preventive services and should consult your physician. If an appointment is necessary, please schedule it.

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14 million times a year!
“Between visit” care

Health and wellness
- Ready for a new you? Take a total health assessment or get a custom action plan.
  - Stay out of holiday traps: keep calm in a crowd with breathing exercises
  - Fabulous fitness without the lat
  - Wrap yourself up with the gift of yoga
  - Health encyclopedia (topics A-Z)
  - Le pule en español
  - More

Health plans and services
- A perfect match of choice and price: Apply for coverage
  - Plans for peace of mind:
    - 3 easy steps: individual and family plans
    - Think big: right prices, right choices for your small business
    - Get the whole story on Medicare (even Part D)

Now that we’ve found each other:
- New member, meet Kaiser Permanente
- Travel partners: We’ll fit in your country

My health manager
- The cure for questions: e-mail your doctor
  - My lab results
  - Schedule appointments
  - Menu...
  - Enhance your care
    - Be choosy: select a personal physician
    - Notes we look for your next office visit

KP in the news
- How green is your hospital? Kaiser Permanente praised for environmentally friendly building
- Find out what’s up in your area
Focus on people, not diseases

- **Original CCM Programs** involved disease-specific approaches

- **PHASE** views a broader population as high risk

  ![Diagram showing overlap of Diabetes, CAD, and other health conditions]

  - Diabetes
  - CAD
  - Chronic Kidney Disease
  - Peripheral Vascular Disease
  - Stroke
Integration puts focus on care continuum

PHASE
PREVENT HEART ATTACKS AND STROKES EVERYDAY

Primary Prevention

Secondary Prevention

Acute Initial Management

Tertiary Interventions

Post-event Management

Heart Health

KPHC members
Avoiding inpatient hospital admissions

Inpatient Admissions/1000, 65 and Older

- Hip fracture
- Knee replacement
- Hip replacement
- Angina
- Heart failure
- AMI
- CABG
- COPD
- Stroke

Legend:
- U.S.
- California
- KP

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Rx pharmaceutical management

• MD response to peers/evidence yields leading:
  • Generic use (98% if available), formulary compliance (97%)

• Appropriate use of Cox-II inhibitors
  • Scoring mechanism identified patients at risk of GI bleed
  • 5% in 2003 compared with U.S. average of 40-45%

• “Prozac First” campaign
  • Drove use from 45% of prescriptions to 58% (U.S. = 20%)

• Promote generic statins with same LDL control
  • KP: Lovastatin share=74%; brand share = 26%
  • US: Lovastatin share = 0%; brand share = 100%
What should be in reform (but isn’t yet)

- **Data (personal, population, provider, process)**
  - We can’t manage what’s not measured and not shared.
  - We can’t pay on what’s not measured and we shouldn’t pay on what’s not evidence-based.
  - We can’t learn from what’s not measured.

- **Systemness & accountability**
  - Data alone do nothing—we need ability & incentive to act.
  - We need rules & institutions to support market functioning.

- **Delivery system reform**
  - Alignment of fiduciary and clinical responsibility
  - Connection of physicians with each other, hospitals
  - Focus on people, not diseases; prevention not treatment
Getting there from here

Exhibit 1. Interrelation of Organization and Payment

Integrated system capitation
Global DRG fee: hospital, post-acute, and physician inpatient
Global DRG fee: hospital only
Global ambulatory care fees
Global primary care fees
Blended FFS and medical home fees
FFS and DRGs
Small MD practice; unrelated hospitals
Primary care MD group practice
Multi-specialty MD group practice
Hospital system
Integrated delivery system

Less Feasible

More Feasible

Outcome measures; large % of total payment
Care coordination and intermediate outcome measures; moderate % of total payment
Preventive care; management of chronic conditions measures; small % of total payment