

New Payment Models for Asthma

Katharine London

Principal

University of Massachusetts Medical School

Center for Health Law and Economics

October 22, 2014

Overview

- New payment methods
- Example: Massachusetts Children's High-risk Asthma Bundled Payment (CHABP) Demonstration Program
- Opportunities and challenges of new payment methods

New Payment Methods

Payment Methods

- Change of terminology from “reimbursement” to “payment”
- Goal is to give providers flexibility to use funds efficiently and effectively to produce the best health outcomes
- Moving away from
 - Reimbursement of actual costs incurred
 - Fee for service payments that reward volume of services

Payment Methods

- **Fee-for-Service:** A payment approach in which health care providers receive a separate fee for each service they deliver. (Traditional payment method)
- **Shared Savings:** A payment approach whereby a provider or provider organization shares in the savings that accrue to a payer when actual spending for a defined population is less than a target amount. (Example: Medicare demonstration)

Source: Adapted from “Payment Reform: Bundled Episodes vs. Global Payments: A debate between Francois de Brantes and Robert Berenson.”
Timely Analysis of Immediate Health Policy Issues, September 2012.

New Payment Methods

- **Bundled Payment:** A single payment to cover the cost of services delivered by multiple providers over a defined period of time to treat a given episode of care (e.g., a knee replacement surgery, or a year’s worth of diabetes care). (Example: MassHealth Primary Care Payment Reform Initiative)
- **Global Payment:** A fixed-dollar payment (“capitation”) for the care that patients may receive in a given time period, such as a month or year. Global payments place providers at financial risk for both the occurrence of medical conditions as well as the management of those conditions. (Example: Blue Cross Blue Shield of MA Alternative Quality Contract)

Source: Adapted from “Payment Reform: Bundled Episodes vs. Global Payments: A debate between Francois de Brantes and Robert Berenson.”
[Timely Analysis of Immediate Health Policy Issues](#), September 2012.

Massachusetts Children's High-risk Asthma Bundled Payment (CHABP) Demonstration Program

CHABP Goal and Objectives

Goal: To evaluate the degree to which a bundled payment and flexible use of funds enhances the effects of delivery system transformation, as demonstrated by improved health outcomes at the same or lower cost.

Objectives:

- **to develop a bundled payment system** for members with high-risk pediatric asthma enrolled in selected MassHealth (Massachusetts Medicaid) Primary Care Clinician Plan Practices, designed to support a comprehensive chronic disease management approach to asthma in order to prevent the need for hospital admissions and emergency department visits and to improve health outcomes;
- **to demonstrate whether a financial return on investment** can be achieved through the reduction of costs related to hospital admissions and emergency department visits in order to justify and support the sustainability and expansion of the model;
- **to help pediatric providers** begin developing skills and infrastructure they will need **to manage global payments as accountable care organizations**; and
- **to help children and their families learn practical and actionable methods for managing asthma** in the context of their lives and for optimally controlling asthma symptoms to minimize asthma's impact on their health, wellbeing and quality of life.

CHABP Program Summary

Massachusetts Children's High-risk Asthma Bundled Payment (CHABP) Demonstration Program

- Expect to enroll approximately 200 patients at 3-4 primary care practice sites
- Enrollees must have high-risk asthma, have poorly controlled asthma, be enrolled in MassHealth, be assigned to a participating practice site
- Bundled Payment: \$50 PMPM
- Practices use funding to pay for non-traditional services, including
 - Home visits by Community Health Workers (CHWs)
 - Supplies for mitigating environmental asthma triggers in the home: mattress covers, HEPA vacuums, pest management supplies, etc.
 - Training for school and day care staff
- Positive return on investment expected within 3 years: Expect to generate savings by preventing expensive inpatient hospitalizations and emergency department visits

Opportunities and Challenges of New Payment Methods

Opportunities and Challenges

Opportunities

- Give providers flexibility to provide care that best meets patients' needs
- Support preventive care that is cost-neutral or helps to contain total health care costs (note that social benefits, like days of work and school not lost to illness, are generally not included in health care costs)
- Community service organizations can offer to provide cost-effective care to patients on behalf of their primary care clinician

Challenges

- Targeting preventive services to individuals who are most likely to require hospital care without those services
- For Medicaid, obtaining federal approval

Cost-Neutrality Analysis

Hypothetical example:

Hospital discharge cost: \$6,000.

Emergency visit cost: \$800.

Preventive treatment: \$60.

$\$60 < \$6,000.$

$\$60 < \$800.$

Is that all you need to know?

Example 1: Broad Prevention

	Number of patients	Cost each	Total cost
Hospital discharge	50	\$6,000	\$300,000
ED visit	400	\$800	\$320,000
Total			\$620,000
Savings if we prevent 60%			(\$372,000)
Preventive treatment	40,000	\$60	\$2,400,000
Net cost (savings) from intervention			\$2,028,000

Example 2: Targeted Prevention

	Number of units	Cost each	Total cost
Hospital discharge	50	\$6,000	\$300,000
ED visit	400	\$800	\$320,000
Total			\$620,000
Savings if we prevent 50%			(\$310,000)
Preventive treatment	500	\$600	\$300,000
Net cost (savings) from intervention			(\$10,000)

Questions?