

2011 Military Health System Conference

Current & Future Prospective Payment System

Aligning Financial Incentives with the Quadruple Aim

The Quadruple Aim: Working Together, Achieving Success

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OSD(Health Affairs); Health Budgets & Financial Policy

Report Documentation Page

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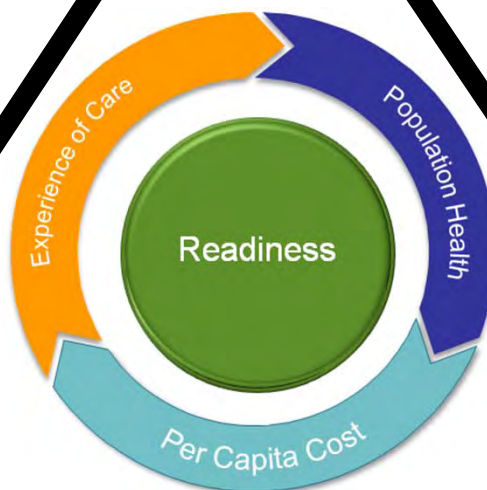
Creating Breakthrough Performance in the MHS



Performance Measures

Process Improvement

Budget Incentives



**Strategic Plan and Effective Leadership
(Quadruple Aim)**

Each Element is essential.

Agenda



- Current PPS Production and Valuation
 - How PPS values production
 - Changes from FY10
 - External Workload reporting
 - FY11 Rates
 - Rebase, Program and Workload Guarantee

- Future Prospective Payment System??
 - Performance Based Planning



Current PPS Production and Valuation

PPS Value of Care



- Value of MTF Workload
 - Fee for Service rate for workload produced
- Rates based on price at which care can be purchased
 - TMAC rates
 - Not MTF costs
- Computed at MTF level but allocated to services
 - Rolled up to Services



TMAC versus PPS

Civilian

- Inpatient
 - Institutional
 - Hospital (MS-DRG)
 - Including ancillaries, pharmacy
 - Professional (RVU)
 - Surgeon
 - Anesthesiologist
 - Rounds
 - Consultants

- Outpatient
 - Professional (RVU)
 - Institutional (APC)

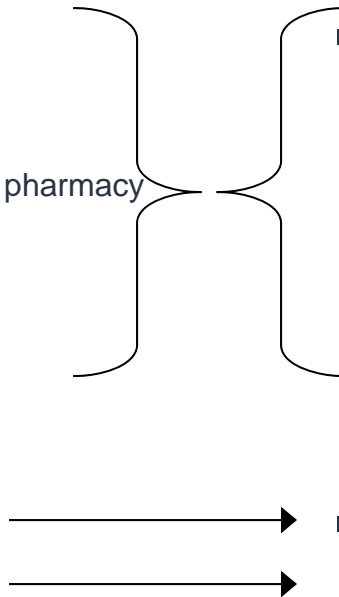
- Outpatient Ancillary
 - (RVU/Fee Schedule)

Direct Care PPS

- Inpatient (RWP, i.e. MS-DRG)
 - All Institutional and Professional
 - Hospital
 - Including ancillaries, pharmacy
 - Surgeon
 - Anesthesiologist
 - Internist
 - Consultants

- Outpatient
 - Professional (RVU)
 - Institutional (APC)
 - Emergency Room and Same Day Surgery

- Outpatient Ancillary (Pass Thru)
 - None



Workload Measure Changes to PPS for FY11



- Units of service
 - Limits determined for each CPT code
 - If above unit of serve limits, value reduced to mode for that CPT

	First 8 months for comparison purposes					
	Work RVUs			Practice Exp RVUs		
	FY09	FY10	Net Diff	FY09	FY10	Net Diff
Sep Data	20,159,894	21,540,184		20,808,726	22,434,233	
Dec Data	19,838,493	21,265,278		19,868,196	21,515,900	
Difference	(321,401)	(274,906)	46,495	(940,530)	(918,333)	22,197

Current PPS Workload



- Inpatient – MEPRS A Workcenters
 - Non-Mental Health – Severity Adjusted DRGs
Relative Weighted Products (MS-RWPs)
 - Mental Health - Bed Days

- Outpatient – MEPRS B Workcenters
 - Enhanced Work + Practice Relative Value Units (RVUs)
 - Excluding Generic Providers and Nurses
 - (910+ and 530/580/582/600/601/606/701)
 - Ambulatory Payment Classification (APCs)
 - Facility charges now available for Emergency Room (ER) and Same Day Surgery (SDS)
 - Consistent with TRICARE change for CY09

Valuing MHS Workload Fee for Service Rates FY11



- Value per MS-RWP - \$9,535 (MEPRS A codes)
 - Average amount allowed
 - Including institutional and professional fees
 - Excluding Mental Health (MH)/Substance Abuse (SA)
 - Adjusted for local Wage index and Indirect Medical Education Adjustment

- Value per Mental Health Bed Day - \$823 (MEPRS A codes)
 - Average amount allowed
 - Including institutional and professional fees
 - Adjusted for local Wage index and Indirect Medical Education Adjustment

- Value per RVU - \$37.43 (MEPRS B codes)
 - Standard Rate – like TMAC/CMS
 - Excluding Ancillary, Home Health, Facility Charges (except ER/Same Day Surgery (SDS))
 - Adjusted for local geographic price index both Work and Practice

- Value per APC - \$68.86 (MEPRS B codes ER/SDS)
 - Standard Rate

FY 2010 PPS Budget Adjustment



- **Military Personnel**

- PPS value includes work produced with military personnel
- However, MilPers is not in the DHP in year of execution

O&M Factor

	FY 11
Army	73%
Navy	55%
AF	42%
Total	60%

- **Adjustment =**

O&M Adjustment *

(Difference between Most Recent 12 Months Value and
FY09 Workload Valued at FY2010 Rates)

- **Note: Changed Baseline Year from 2007 to 2009**



FY10 Mid Year Summary

	RVUs			APCs			RWPs			Mental Health Days		
	FY09	Rolling 12	FY10 Plan	FY09	Rolling 12	FY10 Plan	FY09	Rolling 12	FY10 Plan	FY09	Rolling 12	FY10 Plan
Army	30,177,999	31,412,270	31,015,010	4,267,545	4,289,766		105,768	105,454	108,887	39,417	38,661	41,064
Navy	18,169,333	18,705,232	17,694,038	2,222,398	2,152,279		54,598	54,951	54,779	21,479	21,931	20,337
Air Force	13,544,108	13,797,703	13,771,202	1,416,849	1,405,760		33,936	34,200	33,218	4,717	4,982	6,469
MHS	61,891,440	63,915,205	62,480,251	7,906,792	7,847,806		194,302	194,605	196,884	65,613	65,574	67,869

	PPS Earnings		
	FY09	Rolling 12	FY10 Plan
Army	2,722,978,025	2,762,136,291	2,725,352,724
Navy	1,521,737,649	1,540,681,378	1,479,118,546
Air Force	1,021,718,922	1,033,455,362	1,015,206,422
Total	5,266,434,597	5,366,733,040	5,219,677,692

FY05 (Millions \$)

Adjustment	Plan	Mid Year Total	Adjustment	Plan	Mid Year
Army	30.6	8.4	Army	15.4	2.5
Navy	2.2	4.1	Navy	17.3	2.9
Air Force	(2.5)	(4.4)	Air Force	(16.4)	(20.0)
Total	30.3	8.1	Total	16.3	(20.4)

FY06 (Millions \$)

FY07 (Millions \$)

	Adjustment in Millions
Army	29.2
Navy	(17.1)
Air Force	(20.9)
Total	(8.8)

FY08 (Millions \$)

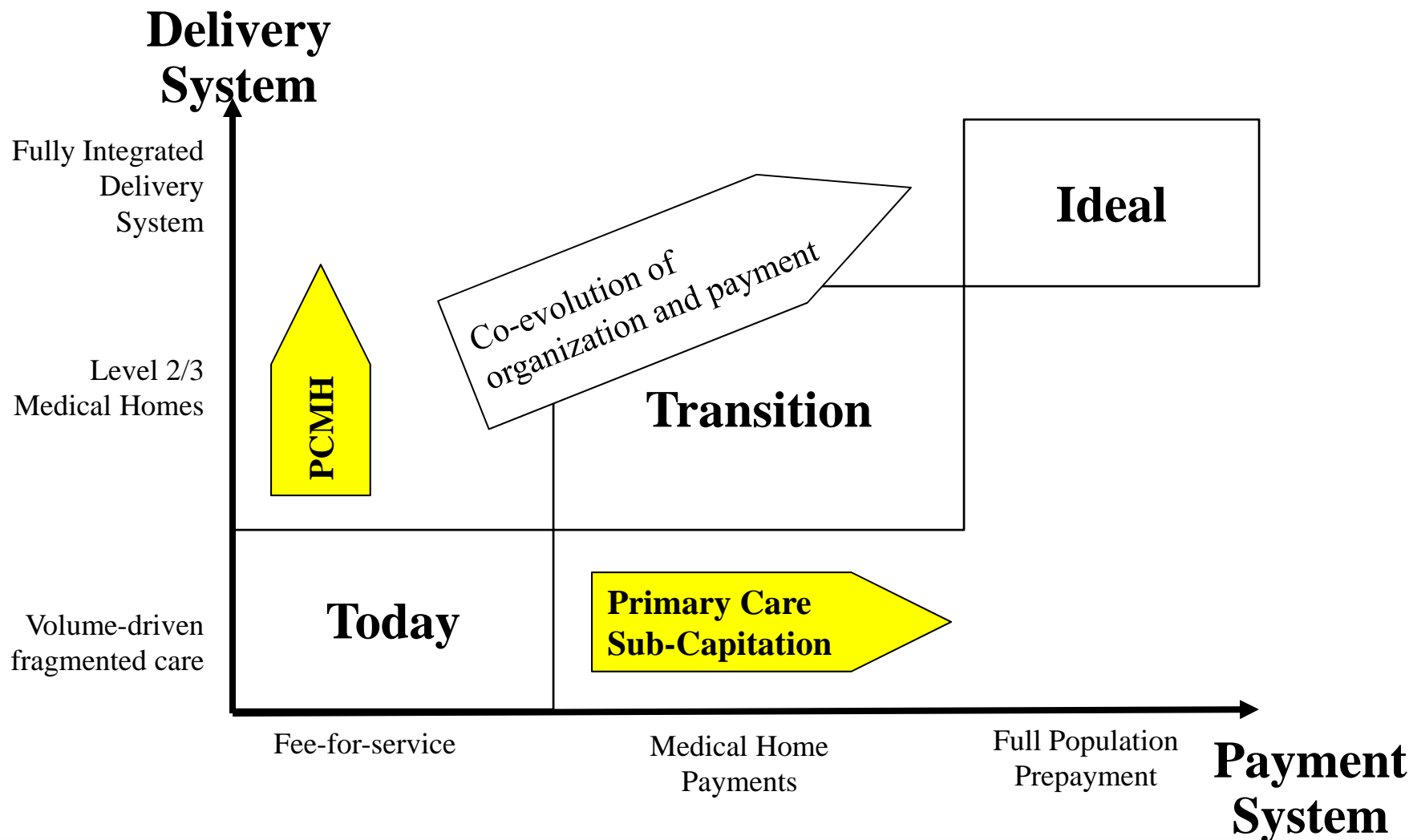
Adjustment	Millions	
	Rolling 12	Plan
Army	20.1	(36.3)
Navy	(9.4)	40.2
Air Force	(6.2)	(57.6)
Summary	4.5	(53.7)



Future Prospective Payment System??

Performance-Based Planning

Transition In Both Payment & Delivery Systems



Adapted From "From Volume To Value: Better Ways To Pay For Health Care", Health Affairs, Sep/Oct 2009.

2011 MHS CONFERENCE

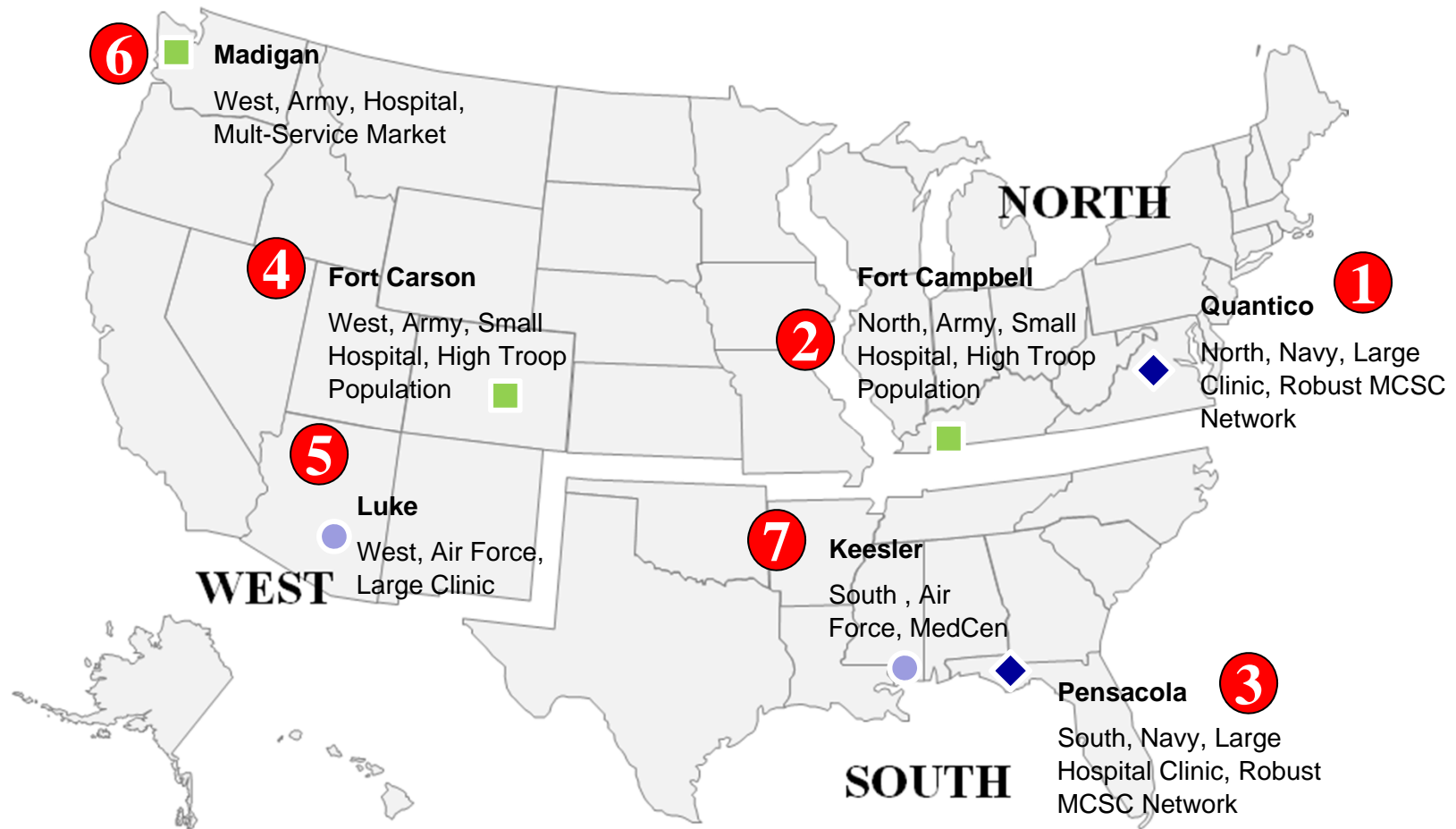
Performance Planning Integrated Project Team



- The Joint Health Operations Council (JHOC) chartered a Performance Planning Integrated Project Team (IPT)
 - Create a revised incentive structure and planning approach aligned with the Quadruple Aim
 - Readiness/Population Health/Experience of Care/Per Capita Cost
 - The approach encompasses the total beneficiary population
 - Direct and Purchased
 - Prime, Standard
 - Piloted at seven sites in 2010.



Pilot Sites



Legend: ■ Army ◆ Navy ● Air Force

Incentive structure

Readiness, Pop Health, Experience of Care



AIM	ATTRIBUTES
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Readiness	Indeterminate Rate - TBD
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Population Health - Prevention	Mammography
	Colorectal
	Cervical

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Experience of Care- Evidence Based Guidelines	Diabetes A1c Sreening
	Diabetes LDL < 100mg/dL
	Diabetes A1c > 9
	ORYX AMI - Aspirin at discharge
	ORYX AMI - Beta blocker at discharge
	ORYX CAC - HMPC Document
	ORYX HF - Discharge
	ORYX PN - Antibiotic received
	ORYX PN - Vaccination
	ORYX SCIP - Inf1a Antibiotic overall
ORYX SCIP - Inf3A Antibiotic dc	

AIM	ATTRIBUTES
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Experience of Care- Beneficiary Satisfaction	Satisfied with health care during visit
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Experience of Care- PCM Continuity	Continuity
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Experience of Care- Access	3rd Avail Apt (Routine)
	3rd Avail Apt (Acute)

Incentive structure

Per Capita Cost



AIM	ATTRIBUTES
Management of ER Utilization	Enrollee Utilization of ER Services
Primary Care RVUs considered under PCMH capitation rate	Primary Care RVUs, primary care RVUs generated under the PCMH primary care capitation definition; RVUs for "preventive services" are excluded
Primary Care Fee for Service, Non-Capitated	Primary Care RVUs, Non-Cap total RVUs generated from primary care services not falling under the capitation definition;
Specialty Care Fee for Service	Specialty Care RVUs total number of RVUs from specialty care; RVUs for "preventive services" are excluded
Outpatient Facility Fee for Service	Ambulatory Payment Classification (APCs) (facility fee for ER and ambulatory surgical services)

AIM	ATTRIBUTES
Inpatient Fee for Service (non-mental health)	RWPs
Inpatient Fee for Service for Mental Health	Mental Health Bed days
Dental Fee for Service	Dental Weighted Values - TBD
PMPM Management	PMPM Management PMPM % Increase annually

Incentive structure

Per Capita Cost, cont



AIM	ATTRIBUTES
Total Prime Enrollees	Enrollment
Total PCMH Enrollees	PCMH enrollees (could be new or current prime enrollees). NOTE: this provides a target for total PCMH enrollment; it is not the year to year difference.
RVUs per PCMH Enrollee	Primary care RVUs produced at the MTF for PCMH enrollee
Leaked RVUs per PCMH Enrollee	Primary care RVUs NOT produced at the MTF for PCMH enrollees
Total Net Reward for PCMH Enrollees	Final capitated value

Additional rewards given for

> Balanced bonus: % of measures improving

> Care management: \$/enrollee (higher \$ for PCMH enrollees) for overall mgn

How to Succeed



- Current Prospective Payment System (fee for service)
 - Maximize workload
 - Recapture private sector care
 - Optimize coding
 - Complete records
 - Improve productivity
 - Maximize patient visits
 - Fee for Service rate for workload produced
- Pilots – Follow Quadruple Aim
 - Readiness (TBD)
 - Experience of care
 - Population Health
 - Per Capita Cost

How to Succeed



- Current Prospective Payment System (fee for service)

- Maximize workload
 - Recapture private sector care
 - Optimize coding
 - Complete records
 - Improve productivity
 - Maximize patient visits
 - Fee for Service rate for workload produced

- Pilots – Follow Quadruple Aim

- Readiness (TBD)
- Experience of care
- Population Health
- Per Capita Cost

How to Succeed, cont



- Experience of Care
 - Satisfied customer
 - Timely access
 - PCMs treat own patients
 - Follow clinical guidelines

- Population Health
 - Follow preventive screening protocols

How to Succeed, cont



■ Per capita cost

– Effective management of enrollees

- Manage utilization
- Provide care at appropriate location
 - Minimize ER use

– Effective use of MTF & staff

- Increase productivity
- Recapture private sector care

– Effective management of PCMH enrollees

- Use of non-visit touches
- Efficient use of support staff
- Optimize enrollment ratios
- Comprehensive care coordination

*PMPM
& ER*

*Productivity
(RVUs,
RWPs &
APGs)*

*PCMH &
Capitation*



Back-up

DRG Comparison



- Historical DRG
 - System to classify hospital cases into one of approximately 500 groups
 - System in use since approximately 1983, with minor updates on a yearly basis
 - Calculated for TRICARE using CMS method just for our beneficiaries with-in Purchased Care claims

- MS-DRG – Severity Adjusted DRGs
 - System used to differentiate levels of complexity for the DRGs
 - Approximately 750 different groups
 - CMS implemented in 2008
 - TRICARE implemented in 2009

RVU comparison



- Old Method
 - Uses Work RVU for all payments
 - Work RVU only represents provider portion
 - Payments based on Product Lines
 - Defined by MEPRS codes
 - Significant variation in rates (\$38/RVU to \$330/RVU)
 - Rates based on Allowed Amount from Purchased Care claims divided by Work RVUs
- New Total RVU method
 - Uses both Work and Practice RVUs for payments
 - Practice RVU represents the cost of the staff/office/equipment
 - Includes Units of Service adjustments for both RVUs
 - Provides appropriate credit for equipment intensive procedures
 - Allows for a Standard Rate per RVU
 - Can use same rate as Purchase Care
 - Used with Ambulatory Payment Classification (APCs)
 - Facility charges now available for ER and Same Day Surgery
 - Consistent with TRICARE change for CY09

Geographic Practice Cost Index (GPCI)



- Based on Medicare locality Adjustments
- Different rates for Work and Non-Facility Practice
 - Work
 - Generally 1.0 +, max 1.5 for Alaska
 - Non-Facility Practice
 - Range 0.803 (part of Missouri) to 1.342 (part of California)
- Payment Amount
 - Multiply the RVU for each component times the GPCI for that component

Expansion of PPS for External Workload



- Valuation to began in FY2008
 - All reporting will be considered “new” workload
 - Standardized reporting method across Services
- External Partnerships (5400) and VA facilities (2000)
 - Differentiate Professional Service vs Facility Charges
- Payment based on Total RVU
 - Enhanced (Work + Facility Practice)
 - Standard Rate similar to CMS
 - Not Product Line specific – FY10 same as all RVUs
 - Professional Providers only
 - MEPRS A & B codes only
- Still must solve DoD Circuit Rider workload reporting