

# 2011 Military Health System Conference

## Impacting PMPM Through Strong Clinical Management

AMEDD Example: Redstone Arsenal vs. Ft Anywhere

*The Quadruple Aim: Working Together, Achieving Success*

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26 January, 2011



Army OTSG PAE

# Report Documentation Page

Form Approved  
OMB No. 0704-0188

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1. REPORT DATE <b>26 JAN 2011</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2011 to 00-00-2011</b>	
4. TITLE AND SUBTITLE <b>Impacting PMPM Through Strong Clinical Management: AMEDD Example: Redstone Arsenal vs. Ft Anywhere</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Army Medical Command, Army Office The Surgeon General PAE, Fort Sam Houston, TX, 78234</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES <b>presented at the 2011 Military Health System Conference, January 24-27, National Harbor, Maryland</b>					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT	b. ABSTRACT	c. THIS PAGE			
<b>unclassified</b>	<b>unclassified</b>	<b>unclassified</b>	<b>Same as Report (SAR)</b>	<b>13</b>	

# PMPM 101

## Key Terms



- Equivalent Lives
  - Amount of care used by demographically similar groups (based on Age, Gender & BenCat) relative to the amount of care used by the average enrollee (1.00).
- Unit Cost
  - Direct Care (DC) Inpatient and Outpatient MEPRS Cost per unit of care (RWP and APG respectively) by location where care is provided.
- Utilization
  - Amount of care (i.e., number of RWPs and/or APGs) provided to enrollees.
- APG (Ambulatory Patient Group)
  - Classification system designed to explain the amount and type of resources used in ambulatory visits that:
    - Predicts the average pattern of resource use for a group of patients by combining procedures, medical visits and/or ancillary tests that share similar characteristics and resource utilization.
    - Provides greater weights for higher intensity services and lesser weights for lower intensity services

# PMPM 101

## Calculation Components



### Work Center

DC Institutional (Inpatient)  
DC Professional (Outpatient)  
DC Ancillary (Radiology & Lab Only)  
DC Inpatient & Outpatient Expenses  
Purchased Care (PC) Inpatient and Outpatient  
DC, PC & TMOP Pharmacy

### Unit

RWPs  
\*APGs  
\*APGs  
\*\*MEPRS A&B  
Claims (\$\$)  
Actual Costs

### Population

Enrollees

### Unit

Equivalent Lives

- \* APGs account for Outpatient weighted workload (RVUs) and associated Ancillary weighted workload
- \*\* Labor (L) plus Non-Labor (NL) expenses (12 month rolling average)
  - Inpatient NL Expenses (A Codes)= Total expenses minus L & depreciation
  - Outpatient NL Expenses (B Codes)= Total expenses minus L, depreciation, & Pharmacy Step-down

# PMPM 101

## Basic Calculation



- Numerator

DC Outpatient Costs: Number of APGs provided to Enrollees multiplied by Cost per APG of the location where care was provided. Cost per APG is derived by multiplying total APGs generated at location by the Outpatient Expenses of location.

+ DC Inpatient Costs: Number of RWPs provided to Enrollees multiplied by Cost per RWP of the location where care was provided. Cost per RWP is derived by multiplying total RWPs generated at location by the Inpatient Expenses of location.

+ Pharmacy Costs: pulled directly from database (no calculation)

+ PC Inpatient and Outpatient Costs: direct claims data (no calculation)

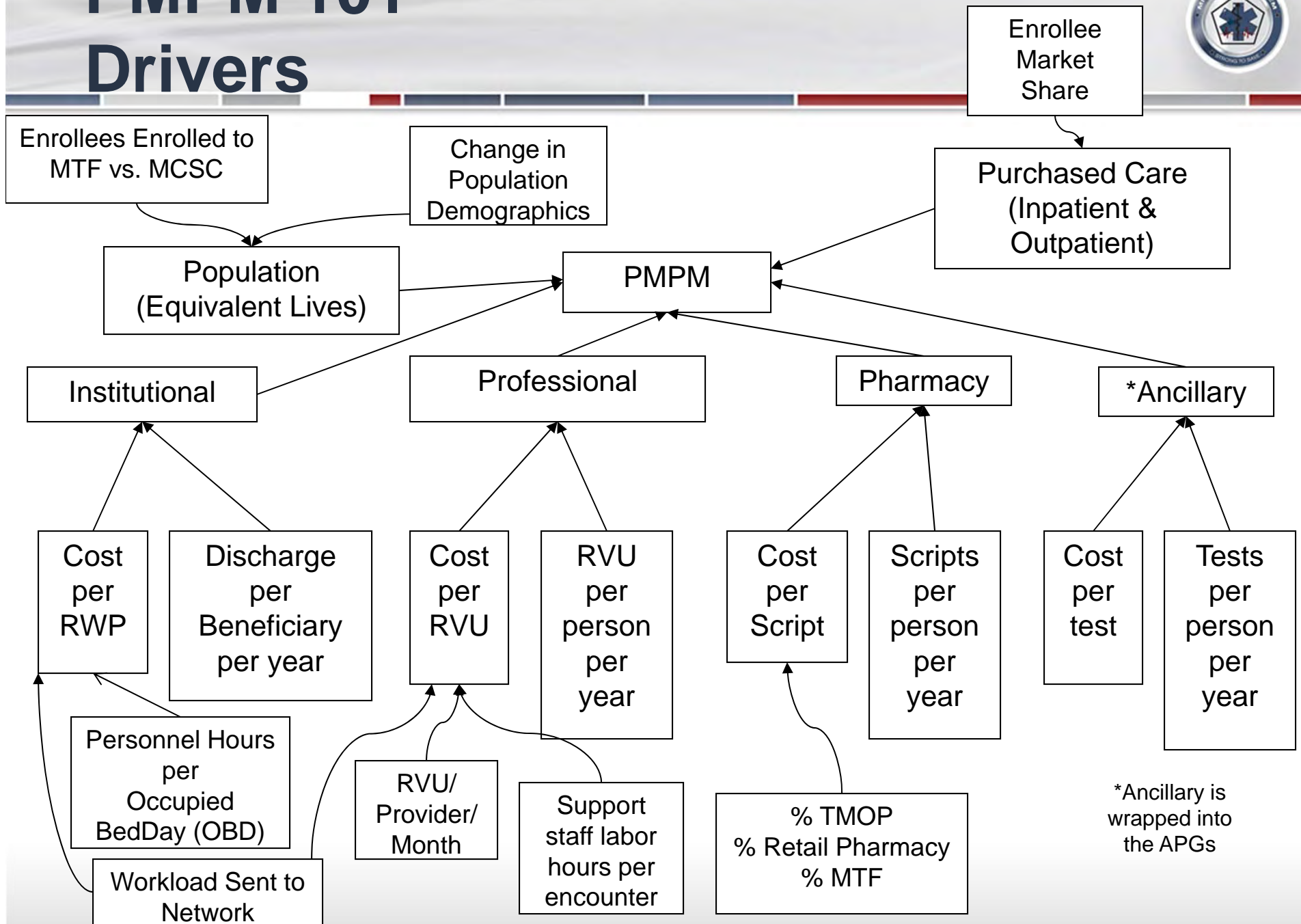
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- Denominator

Equivalent Lives

# PMPM 101 Drivers



# Why Redstone vs. Ft. Anywhere

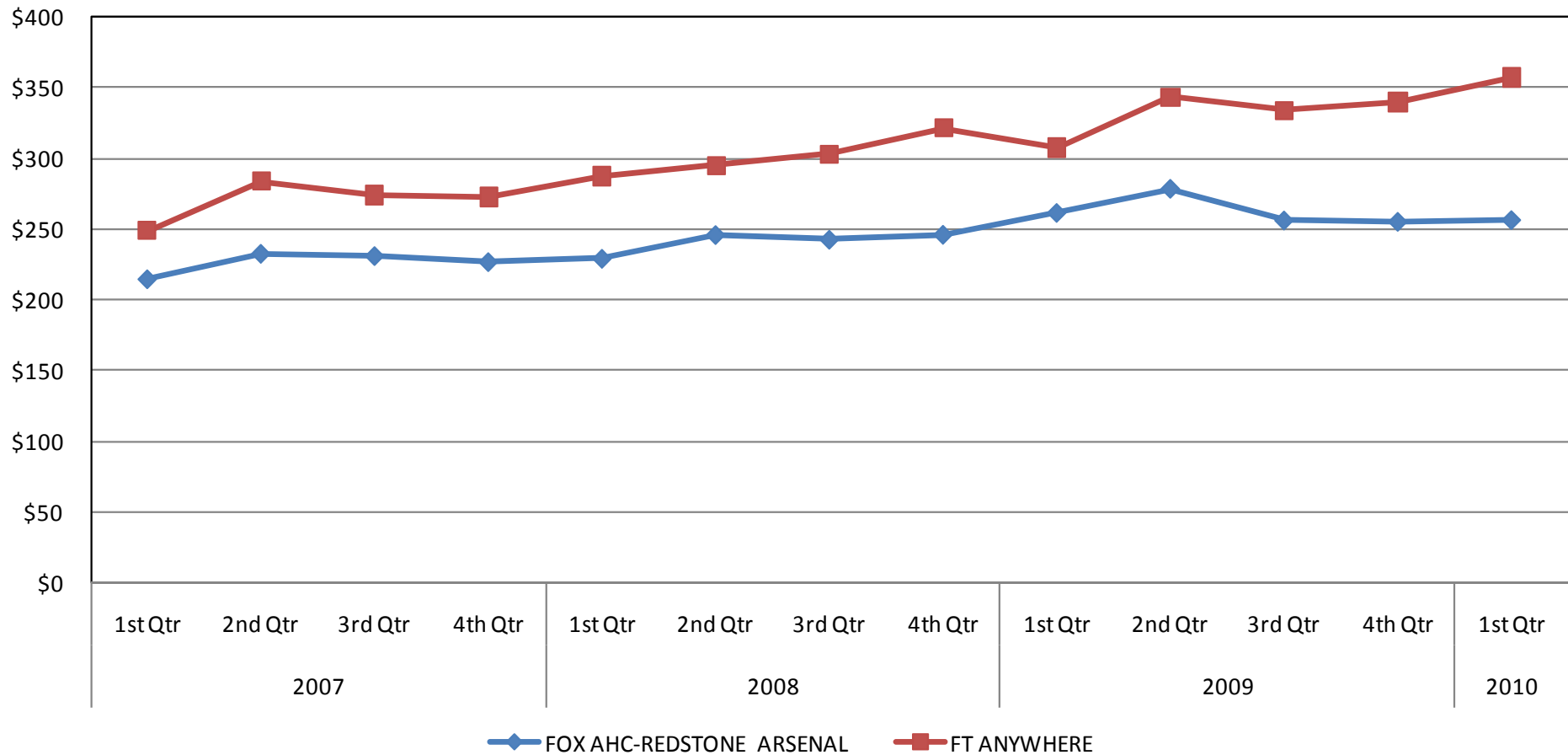


- Common factors
  - Small MTFs with Ambulatory Operations Only
  - Have downsized over past several years
  - Slated to move to Business Only Operations (BO2)
- Why Redstone
  - HA data included them as possible choice of “good news story”
  - Data reflects relatively low PMPM
  - Data reflects relatively slow upward trend in PMPM
- Why Ft. Anywhere
  - Data reflects relatively high PMPM
  - Data reflects relatively sharp upward trend in PMPM

# Why Redstone vs. Ft. Anywhere



**Redstone vs, Ft Anywhere  
PMPM**

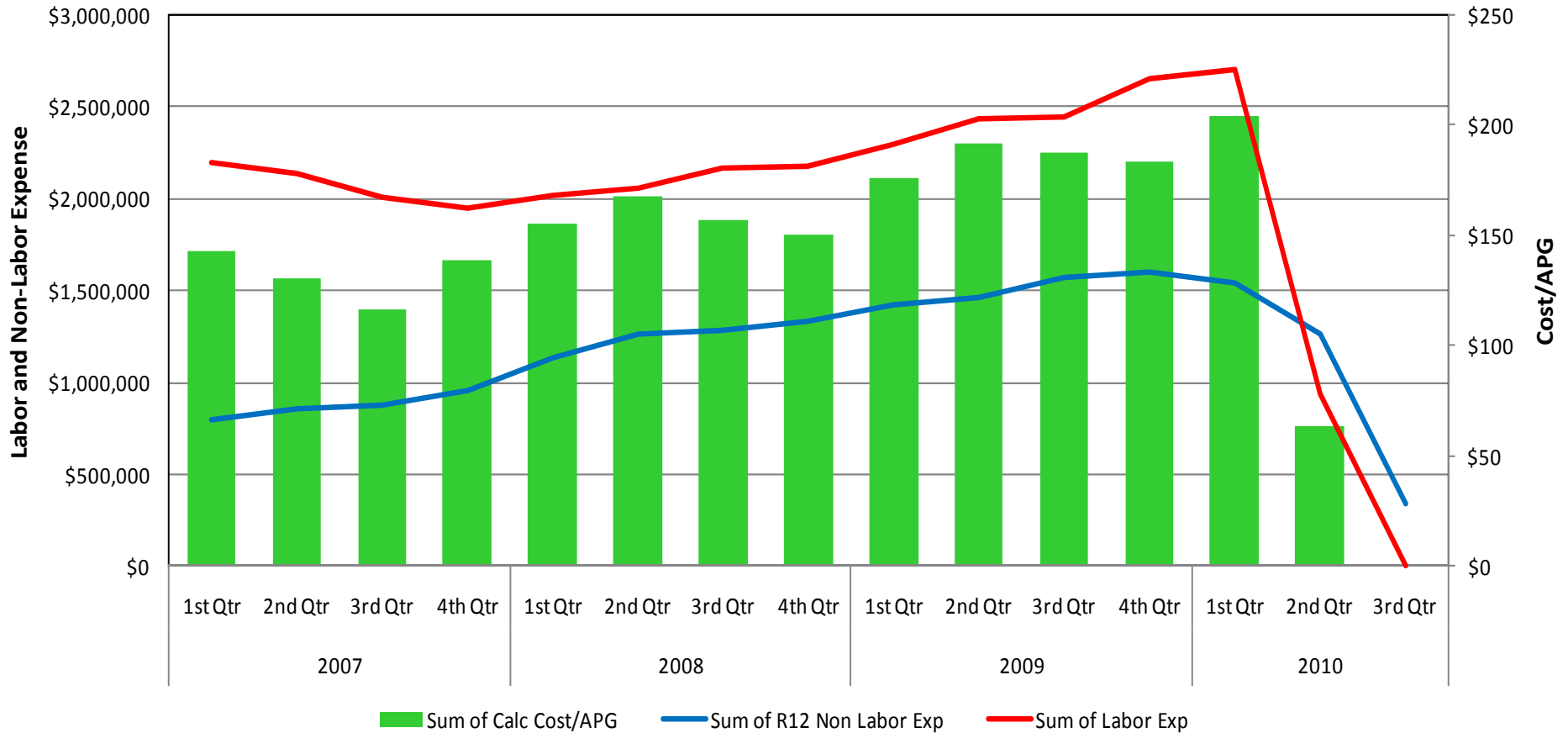




# What Redstone did Right Expenses



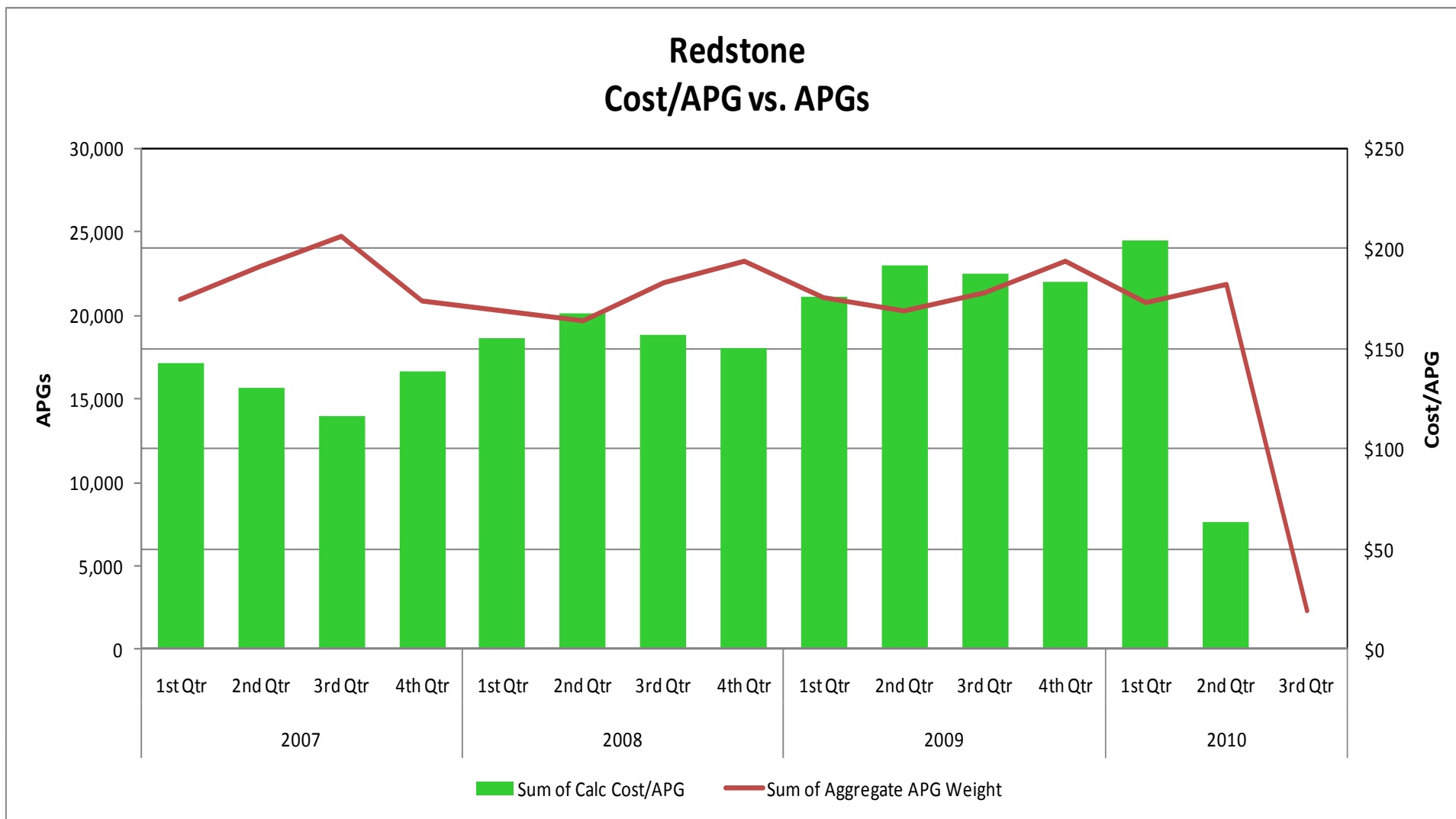
## Redstone Cost/APG vs. Expenses



# What Redstone did Right Workload



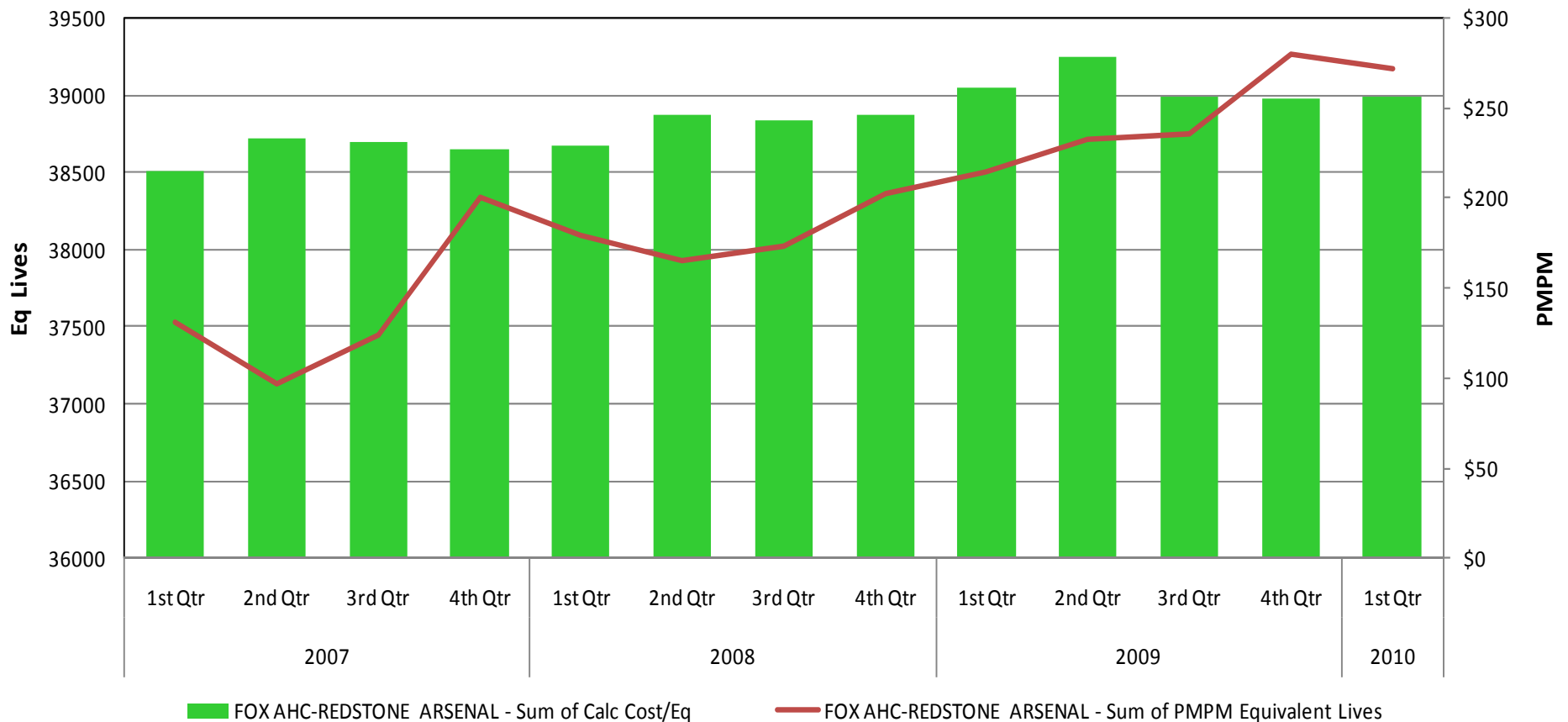
### Redstone Cost/APG vs. APGs



# What Redstone did Right Population (Equivalent Lives)



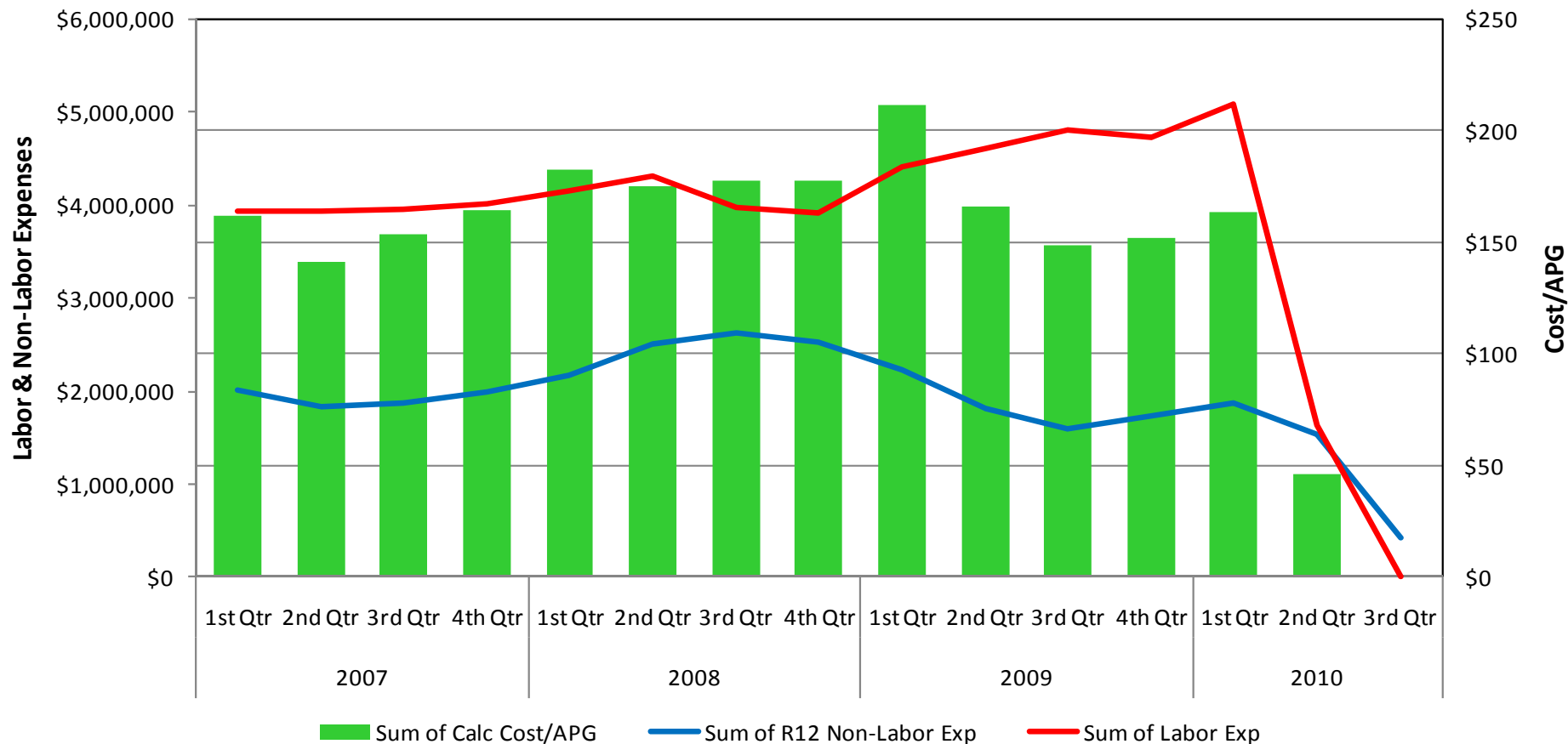
## Redstone Equivalent Lives vs. PMPM



# What Ft. Anywhere did Wrong Expenses



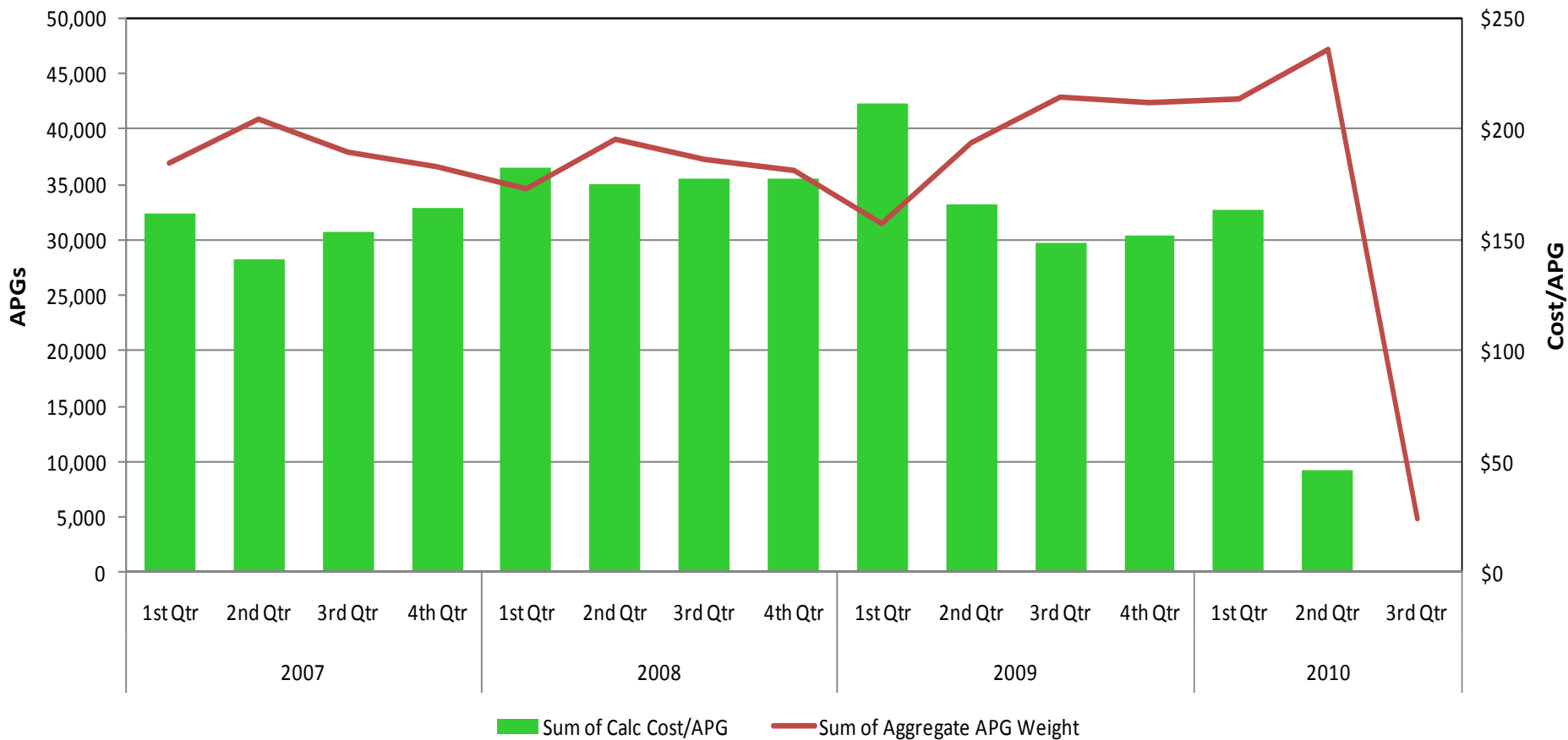
## Ft Anywhere Cost/APG vs. Expenses



# What Ft. Anywhere did Wrong Workload



Ft Anywhere  
Cost/APG vs. APGs



# What Ft. Anywhere did Wrong Population (Equivalent Lives)



**Ft Anywhere  
Equivalent Lives vs. PMPM**

