

**VALUE-BASED HEALTH CARE PURCHASING**  
**Oregon Health Fund Board**  
**Delivery Systems Committee**  
November 15, 2007

**Jean Thorne, Administrator**  
**Public Employees' Benefit Board (PEBB) and**  
**Oregon Educators Benefit Board (OEBB)**



## Overview

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- Why PEBB chose to change its focus
- PEBB's Vision for changes in health care delivery
- PEBB's RFP and results
- Challenges for PEBB
- eValue8™ as a tool for value-based purchasing
- What you can do

## PEBB Background

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- Designs and purchases health care and other benefits on behalf of state employees
- Governed by 8-member Governor-appointed board (management and labor reps)
- Largest employer-based purchaser in Oregon
- PEBB Program
  - 45,000 employees
  - 120,000 covered lives
  - 2 medical care vendors (Kaiser, Regence) prior to 2006

3

## Why PEBB Changed Its Focus

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In 2002, the PEBB Board questioned whether PEBB was getting value for its health care investment.

Value = Quality/Cost

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## Is PEBB Getting Value: *Quality?*

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- Estimated 2,000 *preventable* hospital deaths in Oregon
- Performance for chronic disease at about 55% of recommended care

5

## Is PEBB Getting Value: *Cost?*

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- Annual expenses: *(estimated)* 2005: \$435M
- Average *annual* increase 1999-2005: 10.5%
  - vs. average annual raises: 1.7%
  - vs. average annual inflation 2.0%
- Proportion of total employee compensation now
  - going to health benefits: 12.3%
- Proportion of general fund: 2.5%
- Estimated general fund proportion, 2009-2011: 3.6% to 4.5%

6

## PEBB Vision – Why Now?

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- Current contracting arrangements not clearly containing costs or improving health - *and trends are going in the wrong direction.*
- Merely increasing member cost-sharing does not address underlying issues of health care costs

7

## What's The Appropriate Role For PEBB?

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- Be crystal clear about what we want
- Use purchasing tools to encourage positive private sector response
- Educate all stakeholders about need for change and opportunity for improvement
- Hold plans and providers accountable for performance
- Offer ways to help members achieve best possible state of health

8



## PEBB's Strategic Vision

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PEBB envisions a ***new state of health*** for its members statewide.

Key components of the PEBB program include:

9



## PEBB Vision Components

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- Systems of care that provide evidence-based medicine to maximize health and utilize dollars wisely.
- A focus on improving quality and outcomes, not just providing healthcare.
- The promotion of consumer education, healthy behaviors, and informed choices.

10



## PEBB Vision Components

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- Appropriate market and consumer incentives that encourage the right care at the right time.
- System-wide transparency through explicit, available and understandable reports about costs, outcomes and other useful data.
- Benefits affordable to the state and employees.

11



## Some Guiding Principles

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- Seek “systems” of care – coordination, integration, accountability across all traditional boundaries
- Each member should have a medical home
- Set expectations for improved clinical and population-based outcomes
- Establish benchmarks against which to measure improved health status
- Recognize role of technology in supporting better clinical decision-making and patient information

12



## RFP Domains

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- Medical Home
- Evidence-Based Care
- Member Self-Management
- Service Integration
- Infrastructure
- Transparency
- Managing for Quality

13



## Medical Plans for 2006 and Beyond

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- Kaiser Permanente HMO, Added Choice Point of Service (POS) plan – Multnomah, Washington, Clackamas, Clark (WA), Yamhill, Columbia, Marion, Polk, Linn, Benton
- Providence Choice PPO – Multnomah, Clackamas, Washington, Yamhill
- Regence BCBSO PPO – statewide
- Samaritan Select PPO – Linn, Benton, Lincoln

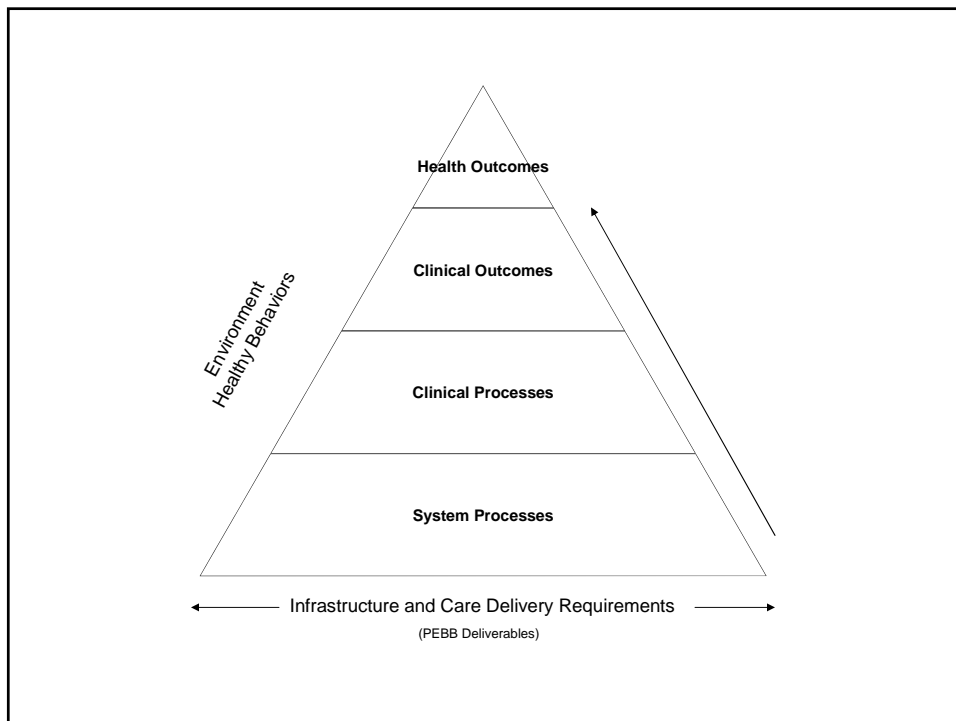
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## Challenges Ahead

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- Defining quality
- Monitoring and rewarding quality
- Engaging providers
- Engaging members
- Recognize this will take time

15





## The Role of Others in Supporting Value-Based Purchasing

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- PEBB can't do it alone
- The more purchasers and payers demand and incentivize quality, the more likely the market will respond
- The eValue8™ RFI provides a tool to assess health plan quality

17



## What is eValue8™?

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- Evidence-based request for information
- Uses standard annual survey to gather hundreds of benchmarks in critical areas
- Offered through National Business Coalition on Health (NBCH)
- Offered in Oregon in 2007 through the Oregon Coalition of Health Care Purchasers (OCHCP)

18



## eValue8™ Objectives

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- Implement standardized performance expectations that
  - Are evidence-based, defensible in the Board Room
  - Increase the “signal strength” for multiple purchasers
  - Align with major stakeholders: HHS/CMS, OPM
- Reduce redundancy by consolidating purchaser requests
- Promote health plan accountability
- Differentiate plan performance
- Encourage health plans to evaluate the delivery systems that comprise the network
- Promote consumer engagement and informed decision making
- Provide a community-based forum for communication between purchasers and plans

19



## eValue8™ Collaborators

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- Centers for Disease Control (CDC)
- Centers for Medicare and Medicaid Services (CMS)
- Substance Abuse and Mental Health Services Administration (SAMHSA)
- Agency for Healthcare Research and Quality (AHRQ)
- National Committee on Quality Assurance (NCQA)
- Joint Commission for the Accreditation of Health Care Organizations (JCAHO)
- URAC
- American Board of Internal Medicine (ABIM)
- eHealthInitiative (eHI)
- The Leapfrog Group
- Pennsylvania State University
- George Washington University

20



## Participating Oregon Plans in 2007

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- HMOs

- Kaiser

- PPOs

- CIGNA
- HealthNet
- LifeWise
- ODS
- Providence
- Regence BCBS
- United

21



## Participating Oregon Purchasers

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- A-dec, Inc.
- Benton County
- Bethel School District
- Blount International
- City of Corvallis
- City of Eugene
- City of Springfield
- Eugene School District 4J
- Evraz Oregon Steel Mills
- Harry & David Operations Corporation
- Intel Corporation
- Lane County
- Lane Transit District
- Oregon Educators Benefit Board
- Oregon School Boards Association
- Portland General Electric
- Public Employees' Benefit Board
- SAIF Corporation
- SEIU Local-49
- Seneca Sawmill
- Tektronix, Inc.
- TOC Management Services
- United Metal Trade Association Trust

22



## 2007 Evaluation Areas

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- Plan Profile
- Consumer Engagement
- Provider Measurement
- Prevention & Health Promotion
- Pharmaceutical Management
- Chronic Disease Management
- Behavioral Health

23



## Use of eValue8™ in Oregon

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- Used to identify plan performance against other plans in Oregon and against national benchmarks
- In 1<sup>st</sup> year, use is for quality improvement (no public sharing of results)
- OCHCP uses to establish priorities for plan action (site visits)

24



## How Purchasers Can Support Value

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- Look beyond short-term (one year) cost savings
- Join together with other purchasers to form a common voice in support of quality
- Consider requiring eValue8™ participation as a condition of RFPs and/or contracts
- Consider using eValue8™ results as a measure of continuous improvement for contract renewal
- Communicate the importance of quality to members

25



## What You Can Do

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- Don't reinvent the wheel; build on existing collaborations
- Recognize that state government – as a purchaser – can impact the health care delivery system
- Find ways to encourage or incentivize change that increases quality
- Recognize that one size doesn't fit all – different purchasers and different consumers have different needs

26