REPORT TO THE PEBB BOARD

Strategic Planning 2003

Executive Summary

Submitted by

Aon Consulting

OHSU Center for Evidence-based Policy

EXECUTIVE SUMMARY

In 2002, the Oregon Public Employees' Benefit Board (PEBB) embarked on a five-year strategic planning process. Multiple public sessions were held during 2002 during which the Board arrived at a Vision for the year 2007. During the fall of 2003, PEBB worked to further develop its Vision and to define initial steps at implementation.

The PEBB strategic planning process is notable in several ways. The first and most important is PEBB's long-term vision. This Vision was adopted after multiple planning sessions in 2002 during which time the PEBB Board also articulated the need for a new approach.

PEBB'S PROBLEM STATEMENT
Approved December 17, 2002

The Public Employees' Benefit Board believes the current healthcare system is in crisis. From the member to the provider to the insurer, the system is broken. At this time PEBB is not confident that the current marketplace can offer a tangible, statewide solution for the short or long term.

The depth, breadth and complexity of this problem require long-term solutions. PEBB has developed the following vision statement to articulate its desired future. This vision statement says what the long-term solutions might look like. During the next five or more years, it will serve as a guide for the Board's strategic planning, its decision-making and its commitment of resources towards achieving that future.

PEBB VISION FOR 2007

PEBB envisions a new state of health for its members statewide.
Key components of the PEBB program will include:

- An innovative delivery system in communities statewide that provides evidence-based medicine to maximize members' health and utilize dollars wisely;
- A focus on improving quality and outcomes not just providing healthcare;
- The promotion of consumer education and informed choices;
- 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; and
- Benefits that are affordable to the state and employees.

Second, the PEBB Vision is accompanied by a picture of the state of Oregon with multiple sites identified throughout the state that include an evidence-based health care system with evidence-based, innovative primary care centers responsive to PEBB's Vision.

Third, PEBB continued its deliberations during the fall of 2003 to conduct research necessary to identify model approaches, to determine elements most important in the development of PEBB's preferred approach and to name initial steps to implement the Vision.

RESEARCH

Research was conducted during the fall of 2003 to identify model approaches to achieve PEBB's 2007 Vision. The research process included the following steps:

- Identify purchasers or programs that have sought to achieve similar results, and provide working models and experience.
- Produce a report featuring highlights of other programs that address the vision or components of the vision.
- Make an assessment and report on the readiness and availability of Oregon's healthcare delivery systems, regional or national partners and vendors to implement PEBB's vision. Assist the Board in determining their ability and/or willingness to engage, commit resources and provide the flexibility required to achieve the vision.
- Understand & incorporate PEBB's current programs, policies and processes, as well as near term plans.

Research primarily focused on large purchasers (especially CalPERS and Washington PEBB), purchaser coalitions (especially the Pacific Business Group on Health), health care services variation (especially the work of Jack Wennberg from Dartmouth), chronic care strategies (especially Ed Wagner's Chronic Care model) and a variety of efforts related to evidence-based medicine.

Research found no compelling theory or model pointing to a consensus approach except Wagner's Chronic Care Model. Wagner's model, however, is realistically relevant only to populations with chronic diseases. Many other current strategies are short term — consumer driven, tiered networks, disease management — approaches that provide improvement but are not likely to provide the long-term comprehensive solution that PEBB seeks. Changes in infrastructure, such as electronic records, and electronic prescribing are appealing but are still in evolution with many barriers to overcome (e.g. they are risky outside of large systems or long term partnerships)

A significant amount of evidence is available. However, evidence is often not used, or used effectively. Performance information (i.e. profiling, variation data, etc.) is also available, but again, little is processed effectively and used correctly. Analytic information such as risk adjustment is available, but is just beginning to be used effectively.

Little work is being done around benefit approaches, beyond consumer driven strategies. Oregon's efforts to prioritize benefits and use evidence for comparative effectiveness are breaking new ground. There is a surprising lack of interest in exploring choice strategies despite strong evidence that patients are willing to make choices based on cost and quality. Instead patients are currently presented with similar benefit plans provided by identical delivery systems.

Most large purchasers are pursuing a hybrid approach combining delivery, member, plan and system design approaches.

MODEL APPROACHES

Based on research findings, model approaches were developed for discussion that emphasized the central role of the PEBB Board and PEBB community with member communication, outcome information, evidence-based benefit approaches and innovative delivery system change key to success. Four general approaches were considered and discussed:

1. Provider Based Approaches
2. Member Based Approaches
3. Plan Benefit Design Based Approaches
4. System Design Based Approaches

Provider based approaches were examined with financial arrangements, organizational relationships and incentive options in mind. Continuums from traditional approaches to innovative approaches were considered and discussed. One specific delivery system design approach was presented in detail for discussion. Strengths and weaknesses of this specific approach were identified.

Member based approaches were also examined. Key components of such approaches are processes that stimulate member choices around value options, transparent independent robust analysis of those options, application of evidence when available, and incentives/disincentives to encourage value. One specific member based approach was also presented in detail for discussion. Strengths and weaknesses of this specific approach were identified.

Plan benefit design approaches are of particular interest because of PEBB's knowledge of and access to evidence-based approaches. Evidence-based strategies require a different course. It is particularly important to establish the degree to which the current system uses evidence. Research has shown that care provided currently, in the best of circumstances, is consistent with evidence just over 50% of the time. Many if not most consumers are not aware of this gap but rather perceive their care to be individualized to their needs/request.

Finally, system design approaches were considered. A system-oriented approach offers some advantages, especially if a hybrid approach is preferred by PEBB. "System oriented" does not mean an approach limited to already integrated health systems. Rather it means an orientation to organizations and individuals who acknowledge the importance and potential effectiveness of system oriented solutions. Such an approach favors:

- Identifying and focusing on the most organized delivery systems capable of change;
- Using evidence to identify best strategies and infrastructure to implement;
- Engaging innovators as local decision makers—include them in the evidence-based process for benefit design;
- Building infrastructure with innovators — invest in them, partner long term with them; and
- Building commitment with use of evidence, incentives, patient information strategies and patience.

ELEMENTS OF PEBB'S PREFERRED APPROACH

Based on discussion of the model approaches, the PEBB Board identified key elements to include in its preferred approach to implementing the 2007 Vision. The key elements were a major topic of discussion by PEBB, focus group and consultants. The key elements identified by PEBB include:

- Information that is explicit, available and understandable about costs, and outcomes;
- Evidence-based medicine;
- Appropriate incentives; and
- Innovative delivery systems.

The outcome/information element is driven by PEBB's Vision, the source of data and the source of analysis. For this element, PEBB goals need to articulate the blend of service objectives versus clinical/population objectives. These objectives should also drive the delivery element, evidence-based element and incentive element. An important early decision by PEBB will be application of risk adjustment methodologies.

The evidence-based element is driven by goals related to value and improvement in clinical outcomes. PEBB will need to make a number of decisions related to the organization of an evidence-based process. These include selection of staff, decisions on a variety of key policies, selection of topics and commitment to a specific systematic process. The evidence-based process will need to be coordinated with the outcome/information and incentive elements and integrated with the delivery design element.

Incentive element goals include the "right care at the right time," "more care is not better always better care," and related objectives. Incentives will need to be consistent with overall goals, evidence and the outcomes selected as important to PEBB. And, patient and practitioner incentives will need to be aligned.

Goals of the delivery system element include: improved outcomes, reduced errors, increased efficiency, reduced variation, constant improvement, explicit decisions based on evidence, and improved quality of life for practitioners and patients. The most important of these need to be identified and prioritized by PEBB, and the associated design principles identified. Once the elements outlined above are defined and in order, a design team should be identified to plan and recommend the implementation of this element for PEBB's Vision. A selection process and a partnership continuum needs to be designed, practitioners and members will need to be involved and communicated with, and PEBB will need to determine how best to integrate its health center into this design.

IMPLEMENTATION PLANS

The discussion of the elements outlined above led to a number of implementation schematic models generated by both consultants and PEBB staff. Two such schematics are included in this report.

The first schematic is centered on the resources of the PEBB Board, primarily focused on the 2005 Plan RFP/renewal effort with multiple elements moving in coordination. Members, stakeholders and key administrative issues are indicated as separate elements. This schematic formed the basis for PEBB's implementation discussion.

The second emphasizes the importance of the PEBB community and implementation timing by overlaying the most important implementation elements identified by PEBB on the community as a whole. The information/outcomes element begins the process with evidence-based and incentive elements following soon after. These three elements input into and result in a delivery system design realizing PEBB's Vision.

Initial implementation plans suggest the parallel pursuit of immediate purchasing strategies and staged implementation of the 2007 Vision. Effective implementation is most likely with innovative change in delivery systems. This most ambitious aspect of the PEBB Vision could be catalyzed via a request for information (RFI) process related to PEBB's Vision in order to allow a full discussion of a responsive delivery system with interested providers, carriers and experts, followed by an eventual request for proposal (RFP) to implement such delivery systems. The PEBB Board adopted draft implementation plans at its January, 2004 meeting.

INDUSTRY ASSESSMENT

Nationally, substantive health care reform is unlikely. As a result, it is unlikely that any national health care reform effort will impact PEBB in the vision time frame. It is likely that individual states will pursue significant health care services strategies, though these pursuits are unlikely to be comprehensive. Some of these strategies may involve public employee groups, with prescription drug strategies being the most likely. Medicaid programs in states with uncertain revenues and tax situations will also be unstable — Oregon is one of those states. As a result, a cost-shifting environment will continue to impact commercial purchasers.

Purchaser Coalitions appear to be gearing up for major initiatives around safety, quality and cost. The Oregon Health Care Purchaser Coalition is actively engaging the delivery system around safety issues and has an interest in variation strategies. The Oregon Coalition is interested in working with PEBB and could be a supportive partner of the PEBB Vision. Other large public and private purchasers are interested in the PEBB Vision and could also partner with PEBB in portions of implementation. In general, public employee plans find themselves in the midst of increasing premiums, tight state budgets and substantial market influence due to their size and potential sophistication. On the west coast CalPERS and Washington PEBB are pursuing multiple strategies emphasizing self-insurance options, more highly selective delivery systems, and focus on fewer carriers.

Carriers are assessing the market for opportunities. Providers repeatedly expressed a lack of trust for carriers (except for providers with substantial commitments to carriers—Permanente PC, Providence Medical Group, etc). Carriers in general expressed support for PEBB's Vision, though they are concerned that the Vision is overly ambitious. Carriers expressed concern that the PEBB culture could not overcome the entitlement members perceive due them, and that PEBB would have difficulty making decisions that would reduce costs. Carriers expressed concern about whether PEBB could establish relationships with providers resulting in meaningful change.

Providers are still recovering from various misadventures during the 1990s related to managed care. Hospitals and physicians consistently expressed distrust for carriers and purchasers though it appears that at least some trust could be improved with a PEBB Vision. Major problems with safety, quality, variation and the uninsured are well acknowledged. Given a lack of confidence in any of the usual industry leaders, a very strong sense of inevitable change is common. A significant subset of providers are responding to these circumstances with proactive efforts. Medical groups are trying to improve system infrastructure to reduce errors, improve efficiency and improve their quality of life. These groups are interested in and will respond to PEBB's Vision if presented in a positive way. Many of these groups realize that a different practice model is on the horizon that offers better care, better outcomes and better quality of life that will, however, require resources, behavior change, leadership and patience.

Given the current lack of innovative strategies in the industry the PEBB Vision is highly likely to attract innovators, both inside and outside PEBB's current carriers and contractors.

2003 PLANNING PROCESS

Consistent with the Vision and the key elements outlined above, PEBB conducted its strategic planning sessions in public. PEBB utilized a combination of successful, research-based strategic planning and project management to:

1. Further define and develop their vision;
2. Identify goal(s) and desired objectives;
3. Conduct research and fact finding through primary and secondary inquiries;
4. Develop model approaches;
5. Evaluate models & identify preferred approach;
6. Research implementation issues; and
7. Develop an implementation plan.

Outreach efforts were also initiated including multiple focus groups, interviews with thought leaders and discussions with other similar purchasers. Much input from these groups echoed research findings:

- Focus groups knew of no compelling information or experience pointing to a consensus approach at reform.
- PEBB's Vision itself was initially confusing, particularly the pieces discussing "incentives".
- Focus group participants worried that evidence-based medicine runs counter to the desire of consumers to "have everything", and that "culture trumps strategy". In other words, can PEBB's Vision survive the current culture at PEBB, among its members, with carriers and providers? In particular, there was doubt that PEBB will be able to make and stick with the necessary tough decisions.
- Focus group members believed that providers should be required to meet certain outcomes/standards, but that PEBB should relate to provider organizations rather than individual providers. It was believed that higher rates of performance would be achieved if

appropriate incentives were built in, and that implementation performance should also be tracked.

- Focus group participants thought that PEBB could not communicate and/or educate enough about the Vision and its implementation. In particular, PEBB should engage members and innovators as partners in designing how the Vision will be implemented.

Overall, those who participated in focus groups and interviews were excited by PEBB's Vision and the opportunities it brings to change health care culture. Implementation from these perspectives, seems "do-able" with the right implementation strategies. It was repeatedly suggested that PEBB partner with other like-minded and innovative individuals and organizations in achieving its Vision. Health care reform (culture, system and delivery) will be achieved more quickly and successfully in a partnership environment, able to make and deliver difficult decisions.