
Potential Savings from Health Systems Transformation

March 2, 2011



Oregon
Health
Authority

The logo for the Oregon Health Authority is centered within a light blue, curved banner. The word "Oregon" is in a smaller, orange, sans-serif font above the word "Health", which is in a large, blue, serif font. Below "Health", the word "Authority" is in a smaller, orange, sans-serif font.

Oregon Health Policy Board

Oregon's Action Plan for Health

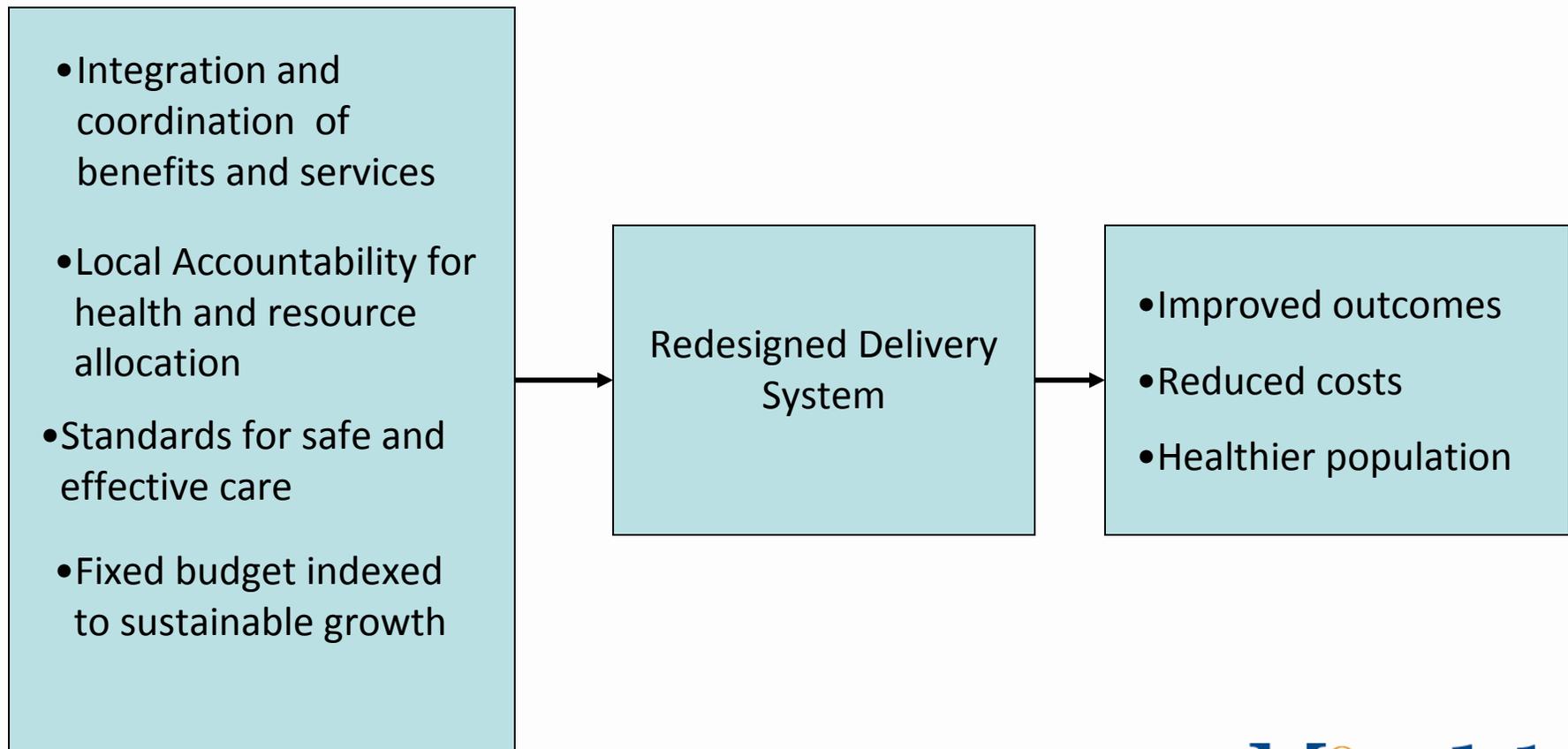
- The work of the Health System Transformation Team builds from the foundation and strategies laid out by the Oregon Health Policy Board in its *Action Plan for Health*.
- The Legislature created the Oregon Health Policy Board in 2009 and charged it with creating a comprehensive health reform plan.
- Over 12 months, the Board met with hundreds of citizens and stakeholders and developed the Action Plan for health.

Oregon Health Policy Board

Oregon's Action Plan for Health

- The vision of the Board:
 - A coordinated and regionally integrated health system in which incentives are aligned toward quality care for every Oregonian.
 - A holistic approach that focuses on the patient, not the symptoms, and emphasizes preventive care and healthy lifestyles.
 - A community-based team of health care professionals, not just doctors, who will help keep people healthy and treat them when they are sick.
 - A delivery system that will be held accountable for reducing or controlling costs.
 - Private, secure electronic medical records help providers see their patients' complete health picture
 - Clinical and public health providers will be accountable for the health of the whole community.

Oregon Health Policy Board's Theory of Change



Opportunities to Improve Health Care Efficiency

- National experts estimate that approximately 1/3 of health care spending in the U.S. is due to inefficiencies
- The effect of health system transformation in Oregon can be modeled by identifying categories of inefficiencies addressed and their likely share of projected spending
- Assumes Oregon's Medicare and Medicaid spending suffers from the same proportional inefficiencies

Inefficiencies Addressed by Health System Transformation

1. Preventable conditions, avoidable care and lack of care coordination
 - E.g., Ambulatory care sensitive conditions
2. Unwarranted use
 - E.g., Unnecessary tests & procedures
3. Service delivery inefficiency and errors
 - E.g., Hospital acquired infections

Share of Spending Due to Inefficiency

Percentage of all health care spending attributable to categories of inefficiency

- | | |
|---|-------|
| 1. Preventable conditions, avoidable care and lack of care coordination | 4.1% |
| 2. Unwarranted use | 13.6% |
| 3. Service delivery inefficiency and errors | 4.1% |

(Thomson Reuters 2009)

GBB Target for Medicaid Savings for 11-13 Biennium

Percentage of total Medicaid spending (after payment & benefit reductions)

- | | |
|---|------|
| 1. Preventable conditions, avoidable care and lack of care coordination | 1.3% |
| 2. Unwarranted use | 8.7% |
| 3. Service delivery inefficiency and errors | 1.3% |

Inefficiencies Addressed by Health System Transformation

1. Preventable conditions, avoidable care and lack of care coordination
 - Avoidable ED visits:
 - Example: Use of the ER when a less expensive primary care office visit would have been appropriate
 - Avoidable hospitalization
 - Example: Hospitalization for a condition that can be managed with prescription drugs

Inefficiencies Addressed by Health System Transformation (cont.)

2. Unwarranted use

– Inappropriate choice of diagnostic test

- Example: Using an MRI when an X-ray would have revealed the problem

– Inappropriate surgery

- Example: Back surgery performed before less aggressive treatment plan is tried

Inefficiencies Addressed by Health System Transformation (cont.)

3. Service delivery inefficiency and errors
 - Hospital acquired infections
 - Example: Infection following surgery threatens patient health, extends hospital stay, and increases system costs
 - Inefficient provider use
 - Example: Physician appointment is made to remove ear wax rather than a nurse or other health worker

Medicare Savings for Dually Eligible from Health System Transformation

- Request CMS permission to keep portion of the savings that would have accrued to Medicare for dual eligible individuals during the 2011-13 biennium.
- Rough estimate:
 - Assuming the same impact of efficiency improvement in Medicare as in Medicaid;
 - And that Oregon is provided 2/3 of savings to Medicare
 - State would accrue approx. \$81.6m in offsetting funds.
 - Note: Medicare savings sharing is not assumed in GBB estimates.