

THE HEALTH INDUSTRY FORUM

2012 ANNUAL REPORT



THE HEALTH INDUSTRY
Forum

Informing innovative health care policy and practice

CHAIRMAN'S LETTER

TO OUR MEMBERS



STUART ALTMAN, PhD
Chairman and professor,
Brandeis University

All eyes were on Washington this year with the country focused on the economy and the 2012 elections. With President Obama's reelection and the Supreme Court ruling on the Affordable Care Act, the nation is now poised to move forward with its new health care law. Still, many critical policy debates remain ahead, including deficit reduction, entitlement reform and implementation of the Affordable Care Act.

Another broad theme in 2012 was the growing push to control both public and private-sector spending and to encourage delivery system restructuring. By the end of 2012, the Centers for Medicare & Medicaid Services (CMS) Innovation Center had initiated 17 new payment and delivery system reform programs involving hundreds of provider organizations, millions of Medicare beneficiaries and dozens of states. Many health plans are participating in these efforts and establishing complementary programs for commercial members.

The Forum has been closely engaged in the debate over controlling spending and improving the quality and value of health care delivery. We began the year by exploring technical and political barriers to reducing waste in the health care system, including an assessment from former CMS administrator Don Berwick. We also took a deep dive into the efforts of leading medical groups to align their compensation practices and hospital relationships with new reimbursement models, and examined new provider collaborations with health plans to support accountable care.

Our annual Princeton conference considered the challenges states face in controlling costs and implementing the Affordable Care Act. We also explored opportunities that new diagnostic technologies and companion therapies create to develop treatments quickly and effectively.

Successful health care reform will require significant leadership from the private sector. In keeping with this notion, the Forum strives to highlight the work of private-sector innovators in areas such as delivery system restructuring, health care benefit design and comparative effectiveness research. This continues the Forum's successful approach of bringing public and private-sector leaders together to debate, collaborate and promote mutual learning. We are grateful to the Forum's members for their many contributions to this endeavor.

Health Affairs
healthaffairs.org



I FORUMS

These invitation-only meetings provide an ideal venue for dialogue among diverse stakeholders and experts. We structure agendas to create time for open, interactive discussions. Our forums cover pressing national issues, and we often serve as a resource to federal officials by convening groups of industry leaders to provide informal feedback on key initiatives.

Reducing Waste in the U.S. Health Care System: Addressing Political and Technical Barriers (April 5, 2012)

Health care experts widely believe that 30 percent or more of U.S. health care spending is for clinical services that provide little or no benefit to patients. However, it has been extremely challenging to specifically identify and eliminate wasteful spending. This forum examined strategies for breaking down barriers that have limited our nation's ability to successfully reduce health care waste and inefficiency. It began with case studies of two organizations that are working to control spending with support from both clinicians and patients. The discussion then focused on strategies for spreading successful approaches to new health systems and geographic markets. It next re-examined the political and market dynamics that occurred during the 1990s when parties perceived to be adversely affected were able to undermine sustained cost containment efforts. The meeting concluded with a panel discussion of models for discourse across stakeholders that balance the needs of those that generate health care costs and those that pay for them with the objective of moderating the forces that have derailed past efforts to manage spending growth.

States' Role in Health Care Reform: Possibilities to Improve Access and Quality (May 23-25, 2012)

Co-sponsored by the Council on Health Care Economics and Policy

The 19th Annual Princeton Conference focused on how states are addressing health reform as they face significant economic challenges. This meeting included presentations by federal and state officials, policy experts and key stakeholders working on innovative state-level approaches to address cost, quality and access. Key issues included the challenges of managing Medicaid spending, with a particular focus on high-cost and dual-eligible beneficiaries; state initiatives to control spending across multiple payers; and current efforts to prepare for and implement the requirements of the Affordable Care Act, with a particular focus on new health benefit exchanges.

Molecular Diagnostics and Companion Therapies: Partnerships, Payment and Evidence Development (July 24, 2012)

Co-sponsored by the National Pharmaceutical Council

Personalized medicine can focus therapy on those who are most likely to respond, enhancing effectiveness and reducing treatment costs over a population. But the pathway to developing personalized approaches based on molecular diagnostics is dependent on securing credible evidence of clinical utility. This meeting reviewed the expanding role of molecular diagnostics in our health care system, as well as potential barriers to adoption. It examined the business models for developing personalized treatments, including the increasingly common collaborations between the drug and diagnostic industries. It also discussed the evidence payers and consumers will require for adoption, and the role of independent clinical review authorities in setting standards for clinical utility.

Building the Components of Accountable Care: What Do Physicians, Hospitals and Insurers Need to Do Differently? (October 22, 2012)

Co-sponsored by the Kaiser Permanente Institute for Health Policy and the Council of Accountable Physician Practices

Federal policymakers and private insurers are rapidly implementing programs designed to hold health systems accountable for providing care under predetermined budgets in order to help control health care spending. This forum examined strategies for optimizing performance under such arrangements through program design and development of organizational capacity. It began by presenting the results of a new survey of risk contracting in organized medical groups that illustrated operational differences between risk-based and fee-for-service groups. It then examined key areas that organized delivery systems must address in order to succeed in accountable care arrangements — aligning physician compensation with organization objectives and developing strong partnerships with hospitals and post-acute care providers. It concluded by examining accountable care programs developed by private insurers and assessing the necessary elements for productive collaborations between health plans and provider systems.





II PUBLICATIONS

The Health Industry Forum staff published the following papers in peer-reviewed journals this year.

Robert Mechanic and Christopher Tompkins. Lessons Learned Preparing for Medicare Bundled Payments. *The New England Journal of Medicine*, November 16, 2012.

Robert Mechanic, Stuart Altman and John McDonough. The New Era of Payment Reform, Spending Targets and Cost Containment in Massachusetts: Early Lessons for the Nation. *Health Affairs*, October 2012.

Stuart Altman. The Lessons of Medicare's Prospective Payment System Show That the Bundled Payment Program Faces Challenges. *Health Affairs*, September 2012.

Robert Mechanic and Darren Zinner. Many Large Medical Groups Will Need to Acquire New Skills and Tools to Be Ready for Payment Reform. *Health Affairs*, September 2012.

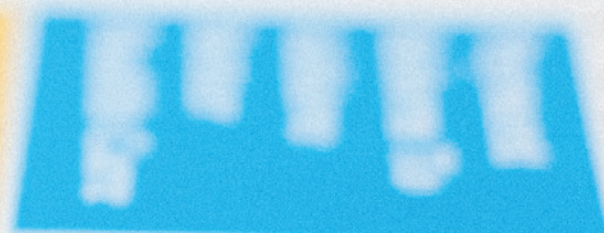
Ezekiel Emanuel, Neera Tanden, Stuart Altman, et al. A Systemic Approach to Containing Health Care Spending. *The New England Journal of Medicine*, September 6, 2012.

Zuiri Song, Dana Safran, Bruce Landon, Mary Landrum, Yu He, Robert Mechanic, Matthew Day and Michael Chernew. The "Alternative Quality Contract," Based on a Global Budget, Lowered Medical Spending and Improved Quality. *Health Affairs*, August 2012.

HEALTH CARE MATTERS
A Flawed Mental
That Failed My Son

CARE, AND POLICY

Health Affairs



Lessons From
Medicare's
Prospective
Payment
For Hospital
Bundled Payment

David Altman

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Shared Savings
Pilots And
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David Messman et al.

New Capitation
Models For
Balance Sheet
For Providers
And Types

Change Models
In Medicare
Physician

III PRESENTATIONS

The Health Industry Forum staff discussed health care reform, payment policy and the evolution of delivery systems in a variety of venues. Selected presentations include:

On April 18, 2012, Stuart Altman debated health care and politics at the World Health Care Congress in Washington, D.C.

On May 8, 2012, Stuart Altman addressed the American Hospital Association's annual membership meeting in Washington, D.C.

On June 7, 2012, Stuart Altman gave the keynote address at the Nursing Economic Summit in Washington, D.C.

On June 13, 2012, Robert Mechanic moderated a keynote panel of applicants to the Center for Medicare and Medicaid Innovation's bundled payment program at the second National Bundled Payments Summit in Washington, D.C.

On June 21, 2012, Stuart Altman spoke at the Maine MidCoast Leadership Lecture in Brunswick, Maine.

On August 2, 2012, Palmira Santos presented AHRQ "Healing Without Harm" Study Evaluation Outcome Measures to Ascension Health and other study participants in Orlando, Fla.

On September 7, 2012, Stuart Altman presented "The Lessons of Medicare's Prospective Payment System Show That the Bundled Payment Program Faces Challenges" at a Health Affairs briefing release at the National Press Club in Washington, D.C.

On September 8, 2012, Stuart Altman presented "Obama's Health Reform Plan" to the MaineHealth Board of Trustees in Portland, Maine.

On September 13, 2012, Stuart Altman spoke at the Colorado Hospital Association's annual meeting in Vail, Colo.

On October 31, 2012, Robert Mechanic presented "Risk Contracting and Operating Strategies in Organized Delivery Systems" at the Integrated Healthcare Association's Third National ACO Congress in Los Angeles.

On November 14, 2012, Robert Mechanic presented “The New Era of Payment Reform, Spending Targets and Cost Containment in Massachusetts: Early Lessons for the Nation” to the New York State Health Foundation’s fall conference in New York City.

On December 20, 2012, Robert Mechanic presented “Payment Reform and Cost Containment in Massachusetts” to the Rhode Island Health Care Reform Commission.

IV NEWS AND EVENTS

The Health Industry Forum staff's analyses of current health care development were featured regularly in the news.

The biggest news of the year was that Governor Deval Patrick appointed Stuart Altman as chairman of the new Health Policy Commission, charged with monitoring health care spending and overseeing health care payment and delivery reforms in Massachusetts.

On February 23, 2012, Stuart Altman spoke to USA Today commenting on health care reform and its effect on the 2012 election ("Swing States Poll: Health Care Law Hurts Obama in 2012").

On March 17, 2012, Stuart Altman spoke to The Boston Globe about health care reform and presidential politics ("Obama, Romney Sweep Health Care Laws Under a Rug").

On March 20, 2012, Stuart Altman spoke to BusinessWeek about health care reform and presidential politics ("Obama, Romney Talk Little About Health Care Laws").

On March 26, 2012, Stuart Altman spoke to the Salt Lake Tribune discussing Mitt Romney's health care plan ("Romney's Health Care Law May Prove Mandate Works").

On June 23, 2012, Stuart Altman spoke to The Boston Globe about the history of efforts to pass health care reform ("Recalling the Nixon-Kennedy Health Plan").

On June 28, 2012, Stuart Altman discussed the ruling of the U.S. Supreme Court on health care legislation on the NPR program "On Point."

On July 1, 2012, Stuart Altman discussed the Supreme Court Decision and the Affordable Care Act on New England Cable Network's "This Week in Business."

On September 9, 2012, Robert Mechanic spoke with the Worcester Telegram about hospital financial incentives to invest in robotic surgery programs.

On September 22, 2012, Stuart Altman spoke to The Cleveland Plain Dealer about changes in health care delivery systems (“Medical Billing, a World of Hurt: Costs Rise for Patients on High Deductible Insurance Plans as Hospital Health Centers Replace Private Practice Doctors”).

On October 21, 2012, Robert Mechanic spoke with the WNBR syndicated radio show “Conversations on Health Care” about the recent Massachusetts health care cost-control legislation.

On November 15, 2012, Robert Mechanic spoke with New England Journal of Medicine Managing Editor Stephen Morrissey about the Medicare bundled payment program.

On November 19, 2012, Stuart Altman spoke with WBUR’s Martha Bebinger about his new role as chairman of the Massachusetts Health Policy Commission.



V RESEARCH PROJECTS AND PARTNERSHIPS

Health Industry Forum staff, in collaboration with colleagues at Brandeis University and research partners, continue to work on a range of projects analyzing new health care payment models, delivery system reforms and quality improvement initiatives.

Analytic Support for CMS Bundled Payment for Care Improvement Program

Brandeis University continues to support more than 40 hospitals in partnership with the Geisinger Health System, the Association of American Medical Colleges and the Estes Park Institute as they prepare for Medicare's new bundled payment program. Brandeis is designing and producing analytic reports to help hospitals assess financial risks and identify areas for improving quality and efficiency.

Evaluation of Carefirst Patient-Centered Medical Home Program

Brandeis University researchers are working with a team from Harvard Medical School to assess the impact of a new program that aims to reduce the rate of health care spending by offering new financial incentives and care management support to groups of primary care physicians. The research team will conduct a series of site visits and interviews with practices participating in the program as well as a statistical analysis of Carefirst Blue Cross Blue Shield claims data.

Phase II Evaluation of the Alternative Quality Contract

Brandeis University is conducting a second evaluation of the medical groups participating in the Blue Cross Blue Shield of Massachusetts Alternative Quality Contract — the nation's largest private-sector global payment program. Results from the initial evaluation of this five-year contract were published in *Health Affairs* and the *New England Journal of Medicine*. The second phase will assess medical groups' perceptions of their initial performance improvement strategies and the extent to which they have modified or expanded these strategies through the contract's fourth year.

Safety Net System Transformation to an Accountable Care Organization

Brandeis University is conducting a case study to evaluate the process of implementing an accountable care organization (ACO) in the Cambridge Health Alliance, a safety-net provider serving primarily low-income patients. The project team is using semistructured interviews and analyses of secondary data to assess operating strategies, infrastructure and development needs, efforts to change organizational culture, and successes and key challenges inherent in ACO development for safety-net providers.

Risk Contracting and Physician Compensation in Organized Medical Groups

Brandeis University conducted a survey of 28 organized-delivery systems in collaboration with Kaiser Permanente and the Council of Accountable Physician Practices (CAPP) documenting the prevalence of alternative (non-FFS) payment contracts and the extent to which organizations have modified their internal business practices to better match these incentives. This Commonwealth Fund–supported study also interviewed senior executives to understand their interest in expanding alternative payment contracts in the future, and their principal strategies for managing health care spending and improving quality. The study was published in the September 2012 issue of *Health Affairs*.

Evaluation of HHS Delivery System Reforms Under the Affordable Care Act

Brandeis University completed a project to provide the HHS Assistant Secretary for Planning and Evaluation with recommendations on a coordinated evaluation plan to tie results from the numerous Medicare, Medicaid and Dual-Eligible delivery system reform initiatives and Affordable Care Act provisions into an overall model of health system change. The project involves developing a common set of organizational and market variables to utilize across projects, an analysis of viable data sources and recommendations for a coordinated evaluation design.

Data Sharing and Withholding Among Academic Scientists

Open data sharing is a major ideal in the conduct of academic science. Failure to share data is believed to have negative effects on innovation and the efficiency of science, as well as the education of the next generation of scientists. Brandeis University, in partnership with the Massachusetts General Hospital, is conducting a National Institutes of Health–funded study of data sharing attitudes and practices, employing a national survey of 3,000 academic life scientists.

VI MEMBERS

The Health Industry Forum is made possible by the generous support of its members. The enthusiastic participation of the Forum's members has been invaluable in helping us to engage leading policymakers, inform the national health care reform debate and promote strategies to improve the quality and value of the U.S. health care system.

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Special thanks to Health Affairs for the use of its photos on pages 4, 12 and 15.

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