

# THE HEALTH INDUSTRY FORUM

2013 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

The real countdown for the Affordable Care Act began in 2013 with new insurance rules, health exchanges and mandated insurance coverage set to go live in 2014. It has been a difficult home stretch with the troubled rollout of the new exchanges. Yet the law has catalyzed a frenzy of activity as hospitals, health systems and insurers position to compete in local markets. Health spending growth remained low in 2013, with pressure to contain costs affecting all sectors of the health care industry.

Much of the pressure to control costs has focused on hospitals where revelations of their pricing practices were documented in an entire Time magazine issue titled The Bitter Pill. Hospital consolidation and pricing power is a serious concern for purchasers, yet current payment models make it difficult for hospitals to transition away from a volume-based business model. In April, The Forum explored the challenges facing hospitals and health care purchasers with insights provided by Cleveland Clinic Chief Toby Cosgrove and health futurist Jeff Goldsmith.

Cost concerns are compelling large health systems to examine their supply chain management practices and the billions they spend on medical devices, equipment and biopharmaceuticals. In June, we took a closer look at how some systems are working with their physicians to make product decisions and how manufacturers are responding with value-added partnership models.

Initial developments in the new health exchanges highlight a renewed focus on establishing affordable health insurance premiums with a high proportion of new offerings based on limited networks of physicians and hospitals. In October, we examined this insurance product evolution, both in the exchanges and in the programs offered by large self-insured employers.

In 2014, we will continue to monitor the Affordable Care Act's implementation and monitor legislative efforts to amend and improve it. We will also continue to watch the frenetic pace of change in local health care markets to identify innovations with important implications for health policy. 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.



# I FORUMS

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

## **Postelection Outlook for the Health Care Industry (January 10, 2013)**

Implementation of the Affordable Care Act has created a range of new opportunities and challenges for health plans and providers. Although Congress continues to struggle with long-run deficit reduction, future controls on Medicare and Medicaid spending growth seem inevitable. Health care markets are becoming more turbulent as providers and insurers position in anticipation of new payment systems and new alliances are forming across traditional industry boundaries. This roundtable examined the forces and trends that will influence the health insurance, health care delivery and biopharmaceutical sectors over the next five to 10 years.

## **The Future of the American Hospital (March 11, 2013)**

American hospitals will face unprecedented financial pressure in the coming decade from a combination of federal budget cuts; increasing consumer and employer price sensitivity; and new payment models with incentives to reduce hospital utilization. Yet hospitals also wield tremendous economic power that has increased with market consolidation. This meeting examined whether hospitals will be willing or able to transition away from business models based on volume growth, and how to create conditions in which such shifts could be successful.

## **20th Princeton Conference: The U.S. Health Care System in Transition (May 22-23, 2013)** *Co-sponsored by the Massachusetts Health Policy Forum*

This meeting brought together 130 key stakeholders representing health care organizations, policy officials and academic experts to discuss how the Affordable Care Act and state-based reforms are influencing key areas of health care, including delivery system organization, quality improvement, Medicare and Medicaid expenditures, and private insurance market competition. The meeting featured eight panels with more than 30 speakers and focused on understanding the implications of policy reforms on long-run health spending, Medicare solvency, and the structure of local health care markets.

**Health Care Purchasing Under Accountable Care Incentives: How Will Provider Groups Define Value? (June 25, 2013)**

*Co-sponsored by the National Pharmaceutical Council*

As hospitals and health systems face declining reimbursement, some are focusing on managing supply costs that account for 30 to 50 percent of their operating expenses. This will intensify scrutiny of the value of medical device, equipment and biopharmaceutical products that they purchase. Large systems are adopting sophisticated supply chain management operations that engage their physicians in evaluating medical products. For this Forum, Ascension Health, Kaiser Permanente, Partners HealthCare and Carolinas HealthCare System detailed their approaches, which they believe have saved hundreds of millions in annual costs. As use of such strategies grows, pharmaceutical and device firms are crafting new partnerships that focus on helping health systems meet specific performance goals. These purchasing initiatives will have both positive and negative impacts on future product innovation.

**Designing Affordable Health Insurance Products: The Role of Purchasers, Payers, Providers and Policy (October 31, 2013)**

National health care reform creates growing scrutiny on health care spending, and new insurance exchanges have stimulated new price competition in the individual insurance market. Health plans are developing new products that feature selective provider networks, strong member financial incentives and new payment models. Because exchanges will initially cover a relatively small share of the population, the strategies of large employers are important in determining whether these new products actually influence local delivery systems. This forum examined different employer strategies, including use of private exchanges with defined employer premium contributions as well as active management of employee incentives combined with new provider and service-level transparency tools.







## II 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 February 4, 2013, Robert Mechanic presented “Lessons Learned Preparing for Medicare Bundled Payment” at the AcademyHealth National Health Policy Conference in Washington, D.C.

On February 7, 2013, Stuart Altman gave the keynote address on “Creating an Effective Federal, State and Local Partnership for Successful Health Care Transformation” at the Network for Regional Healthcare Improvement National Summit on Regional Health Care Transformation in Washington, D.C.

On February 20, 2013, Robert Mechanic presented “Getting Ready for Medicare’s New Bundled Payment” at the North Carolina Hospital Association Winter Meeting in Raleigh, N.C.

On March 1, 2013, Stuart Altman was the featured plenary speaker at the 2013 North Carolina Care Transitions Summit. He spoke on “National and North Carolina Perspectives on Enhancing Transitions in Care” in Greensboro, N.C.

On March 30, 2013, Robert Mechanic presented “Physician Compensation in Organized Medical Groups” at the Symposium on Physician Reimbursement, sponsored by Beth Israel Deaconess Medical Center, in Boston.

On April 27, 2013, Stuart Altman discussed “Medicare and Social Security: Who Wins and Who Loses in Entitlement Reform?” for the first James Callahan Jr., PhD’68, Memorial Lecture.

On May 2, 2013, Robert Mechanic presented “Episode-Based Bundled Payment: Opportunities for Group Practices” to the Group Practice Improvement Network at the GPIN Semi-Annual Conference in Asheville, N.C.

On June 4, 2013, Stuart Altman presented “The Next Big Challenge for the U.S. Health Care System: Slowing the Growth in Spending” at the fifth annual International Jerusalem Conference in Health Policy in Jerusalem, Israel.



THE HEALTH IND

On June 11, 2013, Robert Mechanic presented “Lessons Learned Preparing for Medicare Bundled Payment” to the Integrated Healthcare Association at the third National Bundled Payment Summit in Washington, D.C.

On June 13, 2013, Robert Mechanic presented “Massachusetts New Health Care Cost Containment Law: Implications for Providers, Payers and Patients” to the Massachusetts Health Data Consortium in Waltham, Mass.

In July 2013, Stuart Altman conducted sessions on U.S. health policy for physician leaders in Maine in partnership with the Daniel Hanley Center for Health Leadership in Portland, Maine.

On September 9, 2013, Stuart Altman gave the keynote address to the North Carolina Institute of Medicine on “Guiding North Carolina Into a New Era of Health Care” in Cary, N.C.

On September 26, 2013, Stuart Altman spoke about “Health Reform and Restructuring Health Care Systems” to Express Scripts in St. Louis, Ohio.

In September 2013, Stuart Altman presented “The Future U.S. Health Care System: How Will It Respond to New Fiscal Pressures?” to the Colorado Hospital Association Annual Meeting in Vail, Colo.

In September 2013, Stuart Altman presented “Obama’s Health Reform Plan” to the Maine Health Board of Trustees Board Education Forum in Portland, Maine.

On October 16, 2013, Stuart Altman addressed the Worcester Economic Club in Worcester, Mass. He spoke with the Telegram & Gazette before addressing a dinner of the Worcester Economic Club at the College of the Holy Cross that more than 180 local businesspeople attended.

On November 11, 2013, Stuart Altman spoke about “Health Reform and Restructuring Health Care Systems” to the Governance Institute in Washington, D.C.

On November 18, 2013, Stuart Altman made the presentation “The Changing Landscape of Health Care in the United States” to Novartis Pharmaceuticals in Basel, Switzerland.

# III 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 has designed analytic reports to help hospitals assess financial risks and identify areas for improving quality and efficiency, and provided technical support during the program's implementation.

## **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 is conducting site visits and interviews with participating primary care practices and preparing a statistical analysis of changes in spending and quality for program participants.

## **Identifying Rapid Change in Reimbursement Contracts Among Group Physician Practices**

Brandeis University researchers surveyed 30 physician groups affiliated with the Council of Accountable Physician Practices (CAPP) and the Group Practice Improvement Network (GPIN) to document changes in contracting between 2010 and 2013. The survey identifies changes in payment that occurred during the implementation of the Affordable Care Act and catalogs operational changes involving physician compensation, data management and performance improvement initiatives. The analysis will focus particularly on groups with large expansions in value-based reimbursement.

## **Safety Net System Transformation to an Accountable Care Organization**

Brandeis University conducted an in-depth case study to evaluate the implementation of an accountable care organization (ACO) in the Cambridge Health Alliance, a safety-net provider serving primarily low-income patients. The project team used semistructured interviews and analyses of secondary data to assess operating strategies, infrastructure

needs and efforts to change organizational culture. Although early results indicate some improvements in quality and utilization rates, delivery system transformation efforts are limited by structural and marketplace factors that have led to continuing financial shortfalls.

#### **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 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.

#### **Hospital-Acquired Conditions and Avoidable Readmissions: Cost and Correlation With Safety Culture**

Brandeis University researchers are working with Ascension Health to examine the relationship between physician and nursing staff assessment of their hospital’s safety culture and rates of avoidable readmissions and hospital-acquired conditions — focusing on measures used in the CMS Partnership for Patients. Brandeis researchers are also developing a methodology to estimate the actual costs of different hospital-acquired conditions.

## IV 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.

### CHARTER MEMBERS

Aetna Inc.  
Ascension Health  
EmblemHealth Inc.  
Genentech  
Johnson & Johnson  
Kaiser Permanente  
Pfizer Inc.

### MEMBERS

Atrius Health  
Blue Cross and Blue Shield of Massachusetts  
Boston Scientific Corporation  
Cigna  
Geisinger Health System  
GlaxoSmithKline  
Highmark Blue Cross and Blue Shield  
Medtronic Inc.  
Novartis Corporation  
Premier Inc.

## ADVISORY BOARD

### STUART ALTMAN, PHD, CHAIRMAN

Sol C. Chaikin Professor of National Health Policy,  
Heller School for Social Policy and Management,  
Brandeis University

### LAWRENCE H. COHN, MD

Virginia and James Hubbard Professor of Cardiac Surgery,  
Harvard Medical School

### ELIZABETH FOWLER, PHD, JD

Vice President, Global Health Policy,  
Johnson & Johnson

### ROBERT GALVIN, MD

Chief Executive Officer, Equity Healthcare,  
The Blackstone Group

### WILLIAM A. GILLESPIE, MD

Senior Vice President, Chief Medical Officer,  
EmblemHealth Services

### KAREN IGNAGNI, MBA

President and CEO,  
America's Health Insurance Plans

### STEVEN B. KELMAR

Senior Vice President for Policy and Governmental  
Affairs, Aetna Inc.

### DANIEL LEONARD, MA

President, National Pharmaceutical Council

### DANIEL T. MCGOWAN, MS

Chairman, Hygea Health Holding Inc.

### BARBARA MCNEIL, MD, PHD

Ridley Watts Professor of Healthcare Policy,  
Harvard Medical School

### MARY ELLA PAYNE, RN, MSPH

Senior Vice President, System Legislative Leadership,  
Ascension Health

### ROBERT REISCHAUER, PHD

President Emeritus, the Urban Institute

### MURRAY ROSS, PHD

Vice President and Director, Kaiser Permanente  
Institute for Health Policy

### JOHN ROWE, MD

Professor of Health Policy and Management,  
Columbia University

### KEVIN SCHULMAN, MD

Professor of Medicine and Business Administration,  
Duke University

## LEADERSHIP

The Health Industry Forum staff is part of the Heller School  
for Social Policy and Management at Brandeis University.

### STUART ALTMAN, PHD

Chairman

Sol C. Chaikin Professor of National Health Policy at the  
Heller School for Social Policy and Management at Brandeis  
University. Altman serves as chairman of both the Health  
Industry Forum and the Council on Health Care Economics  
and Policy.

### ROBERT E. MECHANIC, MBA

Executive Director

Senior Fellow at the Heller School for Social Policy and  
Management at Brandeis University and Executive Director  
of the Health Industry Forum

### ELLEN AUERBACH GRODY, MBA

Director of Operations

### PALMIRA SANTOS, PHD

Senior Policy and Research Analyst

### DARREN E. ZINNER, PHD

Scientist and Senior Lecturer

Associate Program Chair, Health: Science,  
Society and Policy

THE HEALTH INDUSTRY

# Forum

**Brandeis University**

The Heller School for Social Policy and Management  
415 South Street  
Waltham, MA 02453

781-736-3903  
781-736-3306 Fax

[www.healthforum.brandeis.edu](http://www.healthforum.brandeis.edu)