

Wisconsin Health Information Organization: A Case Study Measuring Total Cost of Care in a Capitated Environment

As healthcare organizations across America move from volume-based models to value-based models, their payment and cost evaluation methods must evolve accordingly. Through its Total Cost of Care (TCOC) Project, the Network for Regional Healthcare Improvement (NRHI), with support from the Robert Wood Johnson Foundation, is leading the way in establishing a standard way to report cost information so that it aligns with national efforts and yet is consistent, relevant and actionable at the local level. NRHI recognizes that regions of the country are in different places on the continuum of measuring and reporting Total Cost of Care. In an effort to leverage and spread learnings across regions, keep communities engaged and keep organizations moving forward with this work, a funding opportunity was offered for development regions to work on overcoming specific barriers.

These Case Studies are the stories of how development regions gathered lessons **from the field** and applied them **to the field** to meet the needs of their particular communities, and advance payment and cost reforms in the process.

The Barrier: Measuring Total Cost of Care (TCOC) in an Environment with 80% Global Capitation

Wisconsin is unusual in the extensive penetration of global capitation in payment arrangements. The state has nine provider-owned health plans, several of whom have more members than the national players in the market (e.g. Humana, United and Anthem). Many of these provider-owned health-plans have global capitation payment arrangements for 80+% of their fully insured covered lives. Obtaining



The Wisconsin Health Information Organization (WHIO) has worked with and supported:

- The State Value Committee, a multi-stakeholder group whose objective is to improve quality and reduce cost of care in WI
- The State Health Improvement Program, a CMMI funded project to plan how to produce a roadmap to improve healthcare in WI

- NRHI in regard to the need to measure Total Cost of Care (TCOC)

These organizations indicated a pressing need to measure TCOC during extensive discussions. Given WHIO has established good relationships with health plans, the source for TCOC data, the groups looked to WHIO to lead the effort in the region.

The goal of the project is to contribute the information needed to establish a baseline of

the cost of care in Wisconsin and monitor the impact of initiatives to reduce cost over time. WHIO's mission is to be the source of information needed to support the reduction of cost and the improvement of quality of care in Wisconsin.

The Wisconsin Health Information Organization received a Development Site Grant from the Network for Regional Healthcare Improvement (NRHI) as part of a project funded by the Robert Wood Johnson Foundation.

the necessary data to measure Total Cost of Care in an environment of global capitation is a significant barrier.

The existing data available in Wisconsin can be used to produce a global per member per month (PMPM) measure but not any granular level of cost, e.g. the cost of hip replacement at xyz health system, or xyz county for 50-60 years olds. The current inability to produce that level of information restricts the value of measurement and monitoring of targeted initiatives to reduce cost.

WHIO is working to understand and address many facets of this challenge:

- The prevalence of global capitation payment arrangements
- The political capital, time and resources needed to obtain necessary approvals to collect the information and reprogram the Extract, Transform, and Loads (ETLs)
- How to address the few health plans that may resist or be unable to provide the information in a voluntary data submission environment
- How to address the employer coalitions who base a part of their marketplace differentiation on measuring and reporting Total Cost of Care for their customers

What Wisconsin Stands to Gain

Wisconsin would benefit from the ability to establish a baseline and monitor Total Cost of Care, by high cost procedure (the main stated need of employers), by prominent chronic diseases, e.g. diabetes, hypertension and Congestive Heart Failure (CHF) and the ability to monitor the impact of initiatives to reduce cost, improve coordination of care and quality metrics. Using Total Cost of Care would enable calculation at this level of detail and inform areas of price and utilization variation across practices.

Strategies to Overcome Barrier

WHIO is a voluntary organization, with no state mandates to support claims data submission. The provider-owned health maintenance organizations (HMOs) capitate a majority of their providers, making allowed amounts less available and transparent.

Strategy 1:

Elevate the discussion around the true cost of care amongst providers.

WHIO engaged stakeholders in discussions around their concerns, the barriers to achieving this ultimate goal and how beneficiaries might best be served. They ultimately decided to spend their efforts on getting access to allowed amounts from the partners, and combine those with efforts already developed around reporting on cost and quality.

Strategy 2: Protect the confidentiality of payers contracted rates so organizations are willing to share claims cost details.

WHIO engaged stakeholders in discussions around collecting allowed and paid amounts information but forgoing billed amounts. The collective conclusion was that this would make calculation of the contractual amounts more difficult but still provide the necessary information to calculate Total Cost of Care. There was a sense among payers that this would not be a problem.

Strategy 3:

Gain agreement on how to get measurement information to consumers.

WHIO began discussing the possibility of perhaps publishing a range of costs at the consumer level. The level of specificity that can be achieved will be driven by the willingness of focused networks and various payers to submit the detailed paid claims data. Actual costs will ultimately help providers understand the measurements, give them incentives and assistance in improving cost structure, and therefore would ultimately help consumers.

Next Steps

WHIO will seek approval from their Board of Directors to approach health plans and payers and gain agreement to begin collecting the allowed amounts in the future to enable Total Cost of Care reporting.

WHIO is exploring ways to address the challenge that a significant amount of time, perhaps two or more years, would be required to obtain Board approval, obtain signatures on appropriate Data Use Agreements (DUAs) and to reprogram the claims data extracts supplied to WHIO.

Further exploration of how best to work with employer coalitions that contract with providers directly and reprice claims appreciating that producing Total Cost of Care may negatively impact their differentiation in the marketplace.

Acknowledgments

This report was developed with support from the Robert Wood Johnson Foundation.

Primary Author

Wisconsin Health Information Organization

Contributor

Network for Regional Healthcare Improvement

ABOUT THE NETWORK FOR REGIONAL HEALTHCARE IMPROVEMENT (NRHI)

The Network for Regional Healthcare Improvement is a national organization representing over 35 regional multi-stakeholder groups working toward achieving the Triple Aim of better health, better care, and reduced cost through continuous improvement. NRHI and all of its members are non-profit organizations, separate from state government, working directly with physicians, hospitals, health plans, purchasers and patients using data to improve healthcare. For more information about NRHI, visit www.nrhi.org.

ABOUT THE ROBERT WOOD JOHNSON FOUNDATION

For more than 40 years the Robert Wood Johnson Foundation has worked to improve health and healthcare. We are working with others to build a national Culture of Health enabling everyone in America to live longer, healthier lives. For more information, visit www.rwjf.org. Follow the Foundation on Twitter at www.rwjf.org/twitter or on Facebook at www.rwjf.org/facebook

For more information about the Getting to Affordability initiative, visit our website at www.nrhi.org/work/multi-region-innovation-pilots/tcoc or email us at gettingtoaffordability@nrhi.org.

October 31, 2016