Defining Quality in Health Care: The Payer Perspective

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Michael McMillan
Executive Director,
Market and Network Services
Cleveland Clinic
Healthcare quality is inconsistent

% of diabetic Medicare enrollees receiving appropriate management*, 2003-2007

Source: The Dartmouth Atlas of Health Care, accessed 9/14/10

*Type of Screening: Hemoglobin A1c Test - 2003-2007
...and costs are unsustainable

U.S. Total Health Care Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Spending (Trillions)</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>1.0</td>
<td>10%</td>
</tr>
<tr>
<td>1990</td>
<td>2.0</td>
<td>15%</td>
</tr>
<tr>
<td>2000</td>
<td>3.0</td>
<td>20%</td>
</tr>
<tr>
<td>2010 (E)</td>
<td>3.0</td>
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The cost of a car

(healthcare costs per vehicle)

GM: Cost/Car: $1,525

Toyota: Cost/Car: $201


Employers are unlikely to see near-term relief

Ohio hamburger chain says insurance reform will bite into profits

Published: Sunday, July 04, 2010, 6:00 AM

Sabrina Eaton, The Plain Dealer

Is it the end of The Slider?

The White Castle hamburger chain fears the new health care reform law will be costly to its business.
Health Reform to the rescue?

One key take-away

Cost vs. Quality

Volume-driven healthcare

• Fragmented
• Fee-for-service

VALUE-driven healthcare

• Connected
• Bundled
• Accountable
It will lead to a “disruptive change” in our day-to-day business.

**Today’s business model**
- Core competencies, processes and revenue model designed on fee-for-service

**Value-based business model**
- Capabilities and revenue model designed around value demonstration and management of patient populations

*New competencies are required*
“It ain’t braggin’ if you can back it up”

-Dizzy Dean
The Era of Value at Cleveland Clinic

- Employed physicians
- Institute model
- EMR
- Efficiency
- Outcomes
Experience matters

Source: URN as of 9/18/2006; SRTR data on ustransplant.org
What’s OUT

Only managing patients’ diseases
What’s IN

Managing population health
What’s OUT

Risk avoidance
What’s IN
Being accountable for performance *(taking risk, where it makes sense)*

Base fee-for-service rate + Performance pool
What’s OUT

Payers and providers as rivals
What’s IN

Payers and providers as partners

SUMMACARE

Let's Build Something Together

Aetna

MEDICAL MUTUAL OF OHIO
What’s OUT

Physician fragmentation
What’s IN

Physician integration
What's OUT

Fee-for-service pricing

- Patient Visit
- Patient Referral
- Authorization
- Collect co-pay
- Charge Ticket
- Insurance verification
- Create medical chart
- Medical Coding
- Charge & Codes merged to form bill
- Claim Form sent to Insurance
- Bill edited to comply with payer specific adjudication rules
- Audit of charges & coding
What’s IN

Episode-based pricing

Cleveland Clinic bundles joint procedure costs

Employers welcome predictability, savings
What’s IN

Trust
QUESTIONS?
Cleveland Clinic

Every life deserves world class care.