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Medicaid value-based care:
Best practice strategies for success

Transitioning from volume- to value-based care is not a ‘one and done’ event. It’s a journey along a continuum that includes several touch points, each of which promote process improvement and innovation. State Medicaid agencies are aware of the challenges inherent in this journey toward accessible and quality health care that uses taxpayer dollars more efficiently. But do they know how to address these challenges using best practice strategies?

3M Health Information Systems has spent nearly two decades helping commercial and government healthcare organizations navigate payment and delivery system reform. The guiding principles behind this work are based on the Institute for Healthcare Improvement’s (IHI) Triple Aim: Improve the patient experience, improve population health and reduce per capita costs.

3M Health Information Systems has developed five best practices that support cost-effective, outcome-driven and patient-centered value-based programs. 3M has applied these best practices to both commercial programs and Medicaid managed care (MMC) programs nationwide.

The following is a discussion of these five best practices that help Medicaid agencies transition toward value-based care.



1. Set a solid data foundation.
2. Use population-based quality measures.
3. Align payment with quality.
4. Provide actionable data.
5. Ensure data simplicity and transparency.



1. Set a solid data foundation.

Data integrity is the most integral part of any value-based program, and it serves as the foundation on which all initiatives are built. Whether you want to build programs for population health management or accountable care, experiment with new payment models, or create community partnerships, a solid data foundation is a necessary first step. With the right data, you can assess the current situation, identify opportunities to improve performance, design an appropriate program to meet your goals and track your progress.

Creating a solid data foundation involves acquiring, aggregating and refining disparate information to produce the most relevant dataset. If data integrity is not high, the result can be poor patient health outcomes and increased costs. To create a solid data foundation, take the following eight steps:

1. Secure the appropriate information from multiple sources.
2. Create an infrastructure to house the data securely.
3. Validate the integrity of the data, and address any errors.
4. Apply business rules to make the data fit for use.
5. Match patient records to avoid duplication.
6. Attribute patients to primary care physicians.
7. Risk adjust the data.
8. Test the data for accuracy and completeness.



2. Use population-based quality measures.

The ability to measure population-based quality, efficiency and performance is a key component of a high-functioning managed-care system. In particular, population-based outcome metrics help Medicaid agencies assess whether population health efforts achieve these three important goals:

- Keep patients healthy and out of the hospital
- Reduce duplicate and/or unnecessary services
- Improve the patient experience

Process measures such as those included in the Healthcare Effectiveness Data and Information Set (HEDIS) help Medicaid agencies understand specific disease-related issues. In addition, the Consumer Assessment of Healthcare Providers and Systems survey ensures that members have a positive experience within the healthcare system. However, neither of these assessment tools motivate shared accountability within health systems. 3M Health Information Systems recommends that Medicaid agencies continue to introduce population-based quality and efficiency measures that:

- Require minimal administrative and cost burden
- Risk-adjust based on patient severity
- Drive system-wide change
- Support continuous monitoring and improvement
- Correlate with total cost of care
- Support provider intervention

3M Health Information Systems offers population-based measures that multiple provider types, including Medicaid agencies, have implemented to create successful value-based care programs. These measures include the following:



3M Solutions for Potentially Preventable Events (PPE), including 3M™ Potentially Preventables Readmissions (PPR), 3M™ Potentially Preventables Complications and 3M™ Population-focused Preventables for identifying hospital admissions, emergency department (ED) visits and ancillary services that are preventable. These actionable quality measures are consistent with the goals of the IHI's Triple Aim.

3MSM Value Index Score (VIS) combines patient experience metrics, HEDIS-conforming metrics, PPEs and other population health metrics into a singular and holistic composite score that identifies high value primary care and allows a state to identify managed care organizations (MCO) that effectively manage population health versus those that don't. 3M VIS is built on PPE quality metrics, and it has undergone thorough reliability and validity testing. The measure is at the center of both commercial and government value-based care programs.



3. Align payment with quality.

In addition to measuring outcome-based metrics, Medicaid agencies that tie payment to performance will have the greatest impact on the cost and quality of care. Medicaid agencies can base these payment arrangements on quality targets that health systems must meet as a prerequisite to receive additional reimbursement. Agencies can also center these performance-based payments on a statewide benchmark that rewards positive outcomes.

These approaches are successful because they:

- Offer substantial financial incentives that influence behavior change within a healthcare system
- Allow health systems to implement initiatives that best suit their population
- Enhance effective collaboration between clinicians and finance departments

Medicaid agencies using 3M VIS can apply pay-for-quality arrangements that include metrics to support high-value primary care. They can also create long-term care programs that focus on outcome measures, such as 3M™ Potentially Preventable Admissions (PPA) to help reduce unnecessary hospitalizations. These programs are important because they incentivize MCOs and providers to align micro and macro interventions to achieve true system-wide change.

State Medicaid agencies that tie payment to outcome-based metrics have already seen a financial savings. Consider the following:

- Maryland saw a 61 percent reduction in hospital complications over five years, garnering \$400 million in savings.¹
- Illinois realized \$40 million in savings over two years by reducing PPRs.²
- The Minnesota Hospital Association's Reducing Avoidable Readmissions Effectively (RARE) initiative reduced PPRs by 20 percent, recognizing \$70 million in savings.³

These three states, along with several others, continue to invest in value-based programs that align payment with quality for their MMC populations. These real results demonstrate how 3M Health Information Systems supports government and commercial organizations to implement successful value-based programs using outcome-based metrics in the general and long-term care populations.

4. Provide actionable data.

Value-based metrics on which financial incentives are based must meet the following criteria:

- Produce insights upon which state Medicaid agencies can act
- Stand on their own and correlate with measures of overall program performance (e.g., total cost of care)
- Adapt to provider interventions
- Provide ongoing provider feedback regarding overall performance, giving providers the opportunity to adjust their interventions as necessary

Each of the outcome-based metrics that 3M Health Information Systems has developed satisfy these requirements.

For example, 3M VIS is comprised of several measures that rely on administrative claims data. This continuous source of data allows 3M VIS and most of its components to refresh regularly. Once refreshed, users can drill down into each of the measures to immediately identify the areas that require attention.

Consider 3M™ Potentially Preventable Emergency Room (ER) Visits (PPV), a measure included within 3M VIS that represents avoidable ER utilization. PPVs help health systems identify ER visits that could have been prevented using primary care interventions. A more detailed review of these events may indicate challenges pertaining to care access or patient engagement. Once a health system implements an initiative to address a high occurrence of PPVs, it can refresh the data to determine whether the intervention is effective. Following these principles allows all levels of the healthcare system to continuously monitor performance and maximize the ability to implement effective interventions.



5. Ensure data simplicity and transparency.

The volume of available quality metrics can easily overwhelm providers and payers alike. However, healthcare providers are more likely to accept programs that value transparency and take a simplistic approach to quality metrics.

Healthcare transparency is more than a single snapshot in time. It goes beyond access to health information via a portal or posting average procedure prices on a website. It's a philosophy in which all stakeholders—consumers, physicians, hospitals and payers—have access to the right information at the right time and in the right form. A truly transparent program responds completely to stakeholders' questions and decisions about cost, quality, risks and consequences.



Best practices in action



Wellmark BCBS

Together with 3M Health Information Systems, Wellmark BCBS began its journey toward value-based care in 2006 when it transitioned its inpatient and outpatient payments to 3M™ All Patient Refined DRGs and the 3M™ Enhanced Ambulatory Patient Grouping System. Since then, Wellmark BCBS has made significant strides in moving from volume to value, and it currently partners with 16 ACOs throughout Iowa for which 3M calculates annual financial and quality targets. When an ACO achieves its targets, the entity shares in the savings garnered. Wellmark BCBS uses 3M VIS to measure system performance holistically. Financial targets and 3M VIS are risk-adjusted using 3M™ Clinical Risk Groups (CRG). In addition to annual targets, 3M Health Information Systems has built and maintained a web-based dashboard for each ACO, allowing these organizations to benchmark their performance against each measure. They also receive detailed lists that support providers in taking action. In 2015, Wellmark BCBS saved \$35 million in healthcare costs because of this shared savings program.⁴



Iowa Medicaid Enterprise

In February 2013, the Centers for Medicare & Medicaid Services awarded Iowa Medicaid Enterprise (IME) a federal State Innovation Model grant to develop an incentive-based healthcare payment plan to improve outcomes and slow the growth of healthcare costs. The plan focused on the evaluation and development of multi-payer accountable care organizations (ACO) with aligned performance measures and shared savings. IME modeled its program after the ACO program that Wellmark Blue Cross® Blue Shield® (BCBS) rolled out using 3M VIS as its quality component.

In addition, IME engaged 3M Health Information Systems to roll out a patient-centered medical home solution for the state's expanding Medicaid population. In this capacity, 3M Health Information Systems was tasked with establishing baseline and target quality scores for each primary care physician who was contracted to serve this population of 150,000 new Medicaid enrollees. The program went live on January 1, 2014. 3M Health Information Systems is currently in the process of finalizing baseline and target quality scores. 3M is also responsible for providing quarterly web-based performance reports to the providers and IME. 3M will calculate provider payment amounts based on quality metric performance.



Texas Medicaid

Over the last five years, Texas Medicaid has implemented an ambitious quality outcomes-based initiative in both its hospital fee-for-service and managed care programs pursuant to mandates set forth in Senate Bill 7 (2011, 2013). Texas now monitors the quality performance of health plan participants in both its State of Texas Access Reform (STAR) program (i.e., standard managed care) and STAR+PLUS program (i.e., complex populations) with respect to PPRs, PPAs and PPVs. It also intends to eventually adjust plan premiums based on PPE reduction performance.

Thus far, Texas Medicaid and the Texas Association of Health Plans report impressive PPE reductions and cost savings in both the STAR and STAR+PLUS programs. More specifically, with respect to STAR+PLUS, PPAs decreased by 10 percent (17 percent savings); PPRs by 15 percent (30 percent savings) and ED visits by four percent (14 percent savings). Texas Medicaid uses 3M PPEs to operate this program, and several of the largest state MMC plans also use these tools and related services to develop value-based programs.⁵



New York Medicaid

New York Medicaid has used 3M CRGs since 2008 for risk adjustment in calculating its managed care capitation rates. It has also used 3M CRGs in its managed long-term care program since 2012, and it uses 3M CRGs as it incorporates more complex populations (e.g. those with behavioral health diagnoses and/or those with intellectual or developmental disabilities) into its managed care programs. 3M CRGs are the core classification system for the state's Medicaid Delivery System Reform Incentive Payment (DSRIP) programs and value-based payment programs that also rely on several 3M PPE measures. Accordingly, most of the state's MMC plans and several provider systems use 3M tools and services.



Ohio Department of Medicaid

The Ohio Department of Medicaid has adopted 3M PPAs as one of five quality metrics on which it bases payment adjustments to Ohio nursing facilities. The department chose 3M CRGs to appropriately adjust the 3M PPA metric based on the illness burden of nursing facility residents. The Ohio Department of Medicaid assesses each nursing facility's performance annually and bases payment on the risk-adjusted rate of 3M PPAs compared to that of the entire Ohio population of nursing facility residents.

Conclusion

Clients nationwide already use 3M software to classify patients into clinically similar groups. These proven 3M methodologies help payers and providers adjust to payment reform with tools for episode grouping, bundled payment, risk adjustment and measuring potentially preventable events.

For more information on how 3M software and services can assist your organization, contact your 3M sales representative, call us toll-free at **800-367-2447**, or visit us online at **www.3m.com/his/vbc**.



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- ⁴ To read the entire 3M case study on Wellmark and Wheaton Iowa, go to: http://multimedia.3m.com/mws/media/1032705O/3m-viswellmark-wheaton-case-study.pdf?fn=3m_vis_wellmark_wheaton_cs.pdf.
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Published 10/17
70-2011-6698-3