OFFICE OF THE
HEALTH INSURANCE COMMISSIONER
STATE OF RHODE ISLAND

2011 Large and Small Group Rate Factor Review
Provider Contracting Survey: Draft Summary of Results

Purpose: The purpose of this survey is to assess the pace and nature of provider payment reform in Rhode Island, given a baseline survey last year and the Advisory Council's Affordability Standards, and to consider the information survey responses in connection with OHIC's 2011 Rate Factor Decision. The survey assesses three areas of hospital contracting:

1) Hospital inpatient
2) Hospital outpatient
3) Professional services

Summary of Key Results

Hospital Inpatient:

- With the exception of two BCBSRI contracts paid using global liability, all contracts across all carriers use a combination of DRG, per diem, and percent of charge payment methodologies.
- At least half of the contracts negotiated by each carrier have quality or customer service incentives (ranging from 0-3% of total payments), and at least half of BCBSRI and United's contracts have utilization incentives (only one of Tufts' contracts does). Carriers do *not* measure quality and service incentives using similar benchmarks.
- Most contracts do not contain a provision for additional outlier payments and/or severity adjusters.

Hospital Outpatient & Professional Services (Note: United did not report data on professional svs. contracts):

- With the exception of two outpatient BCBSRI contracts paid using global liability, all contracts across all carriers for both outpatient and professional services use a procedure-based payment methodology.
- Inclusion of quality and service incentives varied significantly by carrier: most BCBSRI contracts have incentives, most Tufts contracts do not, and none of United's contracts include incentives. For those contracts that do have quality and service incentives, the range of the percent of total payments made as incentives is much broader for professional services than hospital outpatient (0 – 17% for professional services as compared to 0-3% of total payments to hospitals).
- Limited utilization incentives were included in contracts by all carriers.

Background: The Office of the Health Insurance Commissioner has promulgated Affordability Standards for commercial health insurers in Rhode Island:

Health plans will improve the affordability of health care in Rhode Island by focusing their efforts upon provider payment reform, beginning with primary care. Achievement of this goal will not add to overall medical spend in the short-term, and is expected to produce savings thereafter. Specific areas of focus in support of this goal are as follows:

1. *Expand and improve the primary care infrastructure in the state – with limitations on ability to pass on cost in premiums*
2. *Spread adoption of the medical home*
3. *Standardize electronic medical record (EMR) incentives*
4. *Work toward comprehensive payment reform across the delivery system*

To support the fourth standard above, OHIC issued six conditions for health insurer contracts with hospitals in Rhode Island in connection with its review of 2010 large and small group rate factors. Health insurers must implement these conditions upon contract execution, renewal or extension (see OHIC's July 2010 Rate Factor Decision – Additional Conditions, for the complete text of the conditions)**:**

1. Utilize unit of service payment methodologies for both inpatient and hospital outpatient services that realign payment to provide incentives for efficient use of health services, and are derived from nationally utilized payment practices other than fee for service.

2. Limit average annual effective rates of price increase for both inpatient and outpatient services to a weighted amount equal to or less than the Centers for Medicare and Medicaid Services (CMS) National Prospective Payment System Hospital Input Price Index ("Index"), for all contractual and optional years covered by the contract

3. Provide the opportunity for hospitals to increase their total annual revenue for commercially insured enrollment under the contract by at least additional two percentage points over the previous contract year by improving or attaining mutually agreed-to performance levels for no less than three nationally- accepted clinical quality, service quality or efficiency-based measures.

4. Include terms that define the parties' mutual obligations for greater administrative efficiencies,

5. Include terms that promote and measure improved clinical communications between the hospital and each patient/member's designated primary care physician, specialist physicians, long term care facility, or other providers.

6. Include terms that explicitly relinquish the right of either party to contest the public release of the any and all of these five specific terms by state officials or the participating parties to the agreement.

Results: Summary of Key Provider Contracting Provisions (Insurer responses – unaudited)

	BCBSRI	United	Tufts
Inpatient Contracts			
Compliance with 2010 rate factor conditions*	5 – Yes 1 – in negotiation 5 – N/A	3 – Yes 2 – No 1 – Contains some elements 1 – N/A	1 – Yes 7 – N/A
Number of Contracts	11	7	8
Unit of Payment for Services**	3 - DRG 9 - Per diem 5 – Case Rates 3 – Implant Cost 2 – Global Liability	7 - DRG 7 - Per diem 7 - % of charges	2 - DRG 5 - Per diem 3 - % of charges
Quality or Customer Service Incentives in Contracts?*	3 – No incentives 8 – yes Range of % of total on incentive payments = 0.4 – 3.0%	3 – No incentives 4 – yes Range of % of total on incentive payments = 0%	4 – No incentives 4 – yes Range of % of total on incentive payments = 0.1 – 2.0%
Utilization Incentives in Contracts?	2 – Admission reductions 2 – day reductions 8 – process/ structural changes	2 – Admission reductions 3 – day reductions 4 – process/ structural changes	1 – day reductions
Provision for Additional outlier payments and/or severity adjusters	6 – No 3 – Yes, but eliminated as of 1/1/2011 2 - Yes	7 – No	4 – No 4 – yes, to outlier provision
Outpatient Contracts			
Unit of Payment for Services**	9 – Procedure Based methodology 2 – Global Liability	7– Procedure Based methodology 2 – % of charge in limited categories	8 – Procedure Based methodology
Quality or Customer Service Incentives in Contracts?*	2 – No incentives 9 – yes Range of % of total on incentive payments = 0.4 – 3.0%	7 – No incentives 0 – yes	5 – No incentives 3– yes Range of % of total on incentive payments = 0.0 – 2.0%
Utilization Incentives in Contracts?	2 – Visit/Volume reductions 2 – Global Liability	None	None
Professional Services Contracts			
Number of Contracts	Top 11	No data reported	Top 10
Unit of Payment for Services**	11 – Procedure Based methodology	No data reported	10 – Procedure Based methodology
Quality or Customer Service Incentives in Contracts?	6 – No incentives 5 – yes Range of % of total on incentive payments = 1.4 – 17%	No data reported	7 – No incentives 3 – yes Range of % of total on incentive payments = 0.0 – 5.0%
Utilization Incentives in Contracts?	4 – use of pharmacy services 1 – overall efficiency of care	No data reported	2 – Visit/Volume reductions 2 – use of pharmacy services 1 - other

* Separate analysis of compliance with the 2010 rate factor conditions will be produced by OHIC.

** Contracts may have more than one unit of payment for services.

Quality and Service Incentives – Measurement detail

Five most common areas in each health plan's inpatient contracts:

	BCBSRI	United	Tufts
1	CMS Core Measures	Inpatient admission reduction/ increased use of observation where appropriate	Joint Commission measures (e.g. AMI, CHF, pneumonia)
2	Hospital Consumer Assessment of Healthcare Providers and Systems (HCAPHS)	Inpatient re-admission reduction	Leapfrog measures (i.e. CPOD, ICU staffing)
3	Transitions of Care	National Hospital Quality Core Measures	Prevention of "Never events"
4	Computerized physician order entry (CPOE)		Surgical infections rates
5	National Surgical Improvement Program		Readmission rates

Five most common areas in each health plan's professional services contracts:

	BCBSRI	United	Tufts
1	Electronic Medical Records	None	Healthcare Effectiveness Data and Information Set (HEDIS)
2	HEDIS		HCHAPS
3	NCQA Certification		EMR Adoption
4	Management of Complex Members		Inpatient and ER use
5	Generic prescribing		Rx Management

For hospital outpatient services, BCBSRI and United did not report any quality and service measures in their outpatient contracts. Tufts uses the same quality measures for both inpatient and outpatient services in hospital contracts that combine both services.

Estimated percent of total payments to Rhode Island hospitals for services in CY 2010 (health plan calculations – unaudited):

Type of payment	BCBSRI			United			Tufts		
Service Category	Inpt	Outpt	Prof. Svs.	Inpt	Outpt	Prof. Svs.	Inpt	Outpt	Prof. Svs.
Quality incentive payments	1.3% (2.2% in CY2011)	1.3% (2.2% in CY2011)	5.0%	0%	0%	0%	0.5 – 1.0%	0.5 – 1.0%	<1%
Paid through units of service based on efficient resource use (DRG, capitation, bundled service, or partial/global budgeting	16.4% (64% by end of CY2011)	9.4% (60.8% by end of CY2011)	<1.0%	0%	0%	0%	<5%	N/A	N/A

Comparison of 2010 and 2011 survey results (reflecting CY 2009 and CY 2010 contracts[1])

	BCBSRI	United	Tufts
Inpatient Contracts			
Number of contracts	No change	8 in 2009 → 7 in 2010	No change
Unit of Payment for Services**	No change	In 2010, United reported that the all of their contracts use DRG, per diem, and % of charges unit of payments – in 2009, most use per diem, 2 use case rate, and 2 use DRG.	No change
Quality or Customer Service Incentives in Contracts?**	No change	4 contracts have quality incentives offered in 2010, compared to zero in 2009.	4 contract includes quality incentives in 2010 compared to 3 in 2009
Utilization Incentives in Contracts?	Report that the 8 contracts with no utilization incentives in 2009 have "procedural/structural changes" in 2010	5 contracts have utilization incentives offered in 2010, compared to one in 2009.	No change
Provision for Additional outlier payments and/or severity adjusters	No change	No change	No change
Outpatient Contracts			
Unit of Payment for Services**	No change	No change	No change
Quality or Customer Service Incentives in Contracts?**	No change	No change	No change
Utilization Incentives in Contracts?	Two contracts have utilization incentives offered in 2010 compared to zero in 2009.	No change	No change
Professional Services Contracts			
Unit of Payment for Services**	No change	No data reported for 2010	No change
Quality or Customer Service Incentives in Contracts?**	5 contracts have quality incentives offered in 2010, compared to 4 in 2009.	No data reported for 2010	No change
Utilization Incentives in Contracts?	5 contracts have utilization incentives offered in 2010, compared to zero in 2009.	No data reported for 2010	3 contracts have utilization incentives offered in 2010, compared to zero in 2009.

** Contracts may have more than one unit of payment for services.

- No change in the estimated percent of total payments to RI hospitals represented by quality incentives for any carrier
- No change in the estimated percent of total payments to RI hospitals paid through units of service based on efficient resource use for any carrier

[1] Hospital contracting conditions came into effect mid-2010.