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December 4, 2014

Senator Mike Gloor
District 35
Room #1401
P.O. Box 94604
State Capital
Lincoln, NE 68509

RE: Patient Centered Medical Home

Dear Senator Gloor,

Blue Cross Blue Shield of Nebraska (BCBSNE) is pleased to report on our Patient Centered Medical Home (PCMH) initiative called Primary Blue. In addition, we have now contracted with SERPA to create comprehensive medical homes for our members of their practices under a different payment methodology that includes shared savings and risk.

Physician practices participating in Primary Blue are as follows:

<u>Year</u>	<u>Number of Offices</u>	<u>Number of Physicians</u>	<u>SERPA ACO Offices</u>	<u>SERPA ACO Physicians</u>
2012	38	191		
2013	54	279		
2014	79*	380*	(10)	N (70)

*In October 2014, 26 CHI offices with 112 physicians were removed from our PCMH program.

BCBSNE continues to learn about processes which improve value. When we first started the program over 6 years ago we focused on incenting performance: treating members with diabetes, heart disease and hypertension. Then we added outcomes for mammography, pap smears, Body Mass Indices (BMI), and colorectal screening. In these phases we saw minimal improvement in medical costs, but some improvement in outcomes reported. We are uncertain whether the improved outcomes resulted from better care delivered or better reporting. Employers, health insurance brokers and individual purchasers of insurance are supportive of new models that focus on value, but are demanding stronger proof that these models are enhancing value.

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Therefore, BCBSNE came to the following conclusions:

- Focusing on individual disease markers may not translate to better overall care
- Our paying for a third party to obtain selected results was increasing expenses
- The third party collecting results were bothersome to some practices
- Member medical care costs had been essentially ignored
- Increasing the reporting work of practices should be avoided

Therefore, our 2015 Primary Blue program will change in the following ways:

- TREO Solutions, a healthcare analytical division of 3M, will be used to risk stratify members, attribute members to each practice, and measure both quality and medical costs in a metric called the Value Index Score (VIS).
- Practices in our PCMH will compare both quality and costs with their Nebraska peers
- Our current system of gleaning quality measures from practices will be discontinued
- Office practices will be rewarded on a PMPM basis, based on quality performance relative to their peers and cost reduction.

BCBSNE is learning much through our pilots to evolve the program. PCMH is a process, not an outcome. Structuring performance targets do not necessarily result in improved value; that is, better clinical outcomes and reduced medical costs. Practices find changes from their existing operations difficult. Any requirement for reporting can create a barrier to implementation. As the PCMH program grows, the analysis of data collected becomes more difficult. We continue to investigate some key questions, including: What are the appropriate targets? How does one compensate for members of varying risk?

Despite active engagement in PCMH programs for over 6 years, BCBSNE realizes that we have not yet reached the goal of the perfect program that maximizes value for patients. Nevertheless, in working with our healthcare partners, BCBSNE is committed to explore and experiment with newer strategies and tactics to realize not only the powerful promise of PCMH but new payment methodologies and quality measurement. It is important to allow programs to innovate and evolve as we pursue high quality, better patient satisfaction and lower overall costs of care for all Nebraskans.

Sincerely,



Joann Schaefer, M.D.

Patient-Centered Medical Home

Positive Outcomes for Patients and Providers

Since 2009, Blue Cross and Blue Shield of Nebraska's Primary Blue patient-centered medical home (PCMH) program, has focused on quality of care and outcomes for patients with chronic conditions related to diabetes, vascular and hypertension issues.

Primary Blue empowers patients to approach these conditions proactively through greater access to and consistent use of preventive care. Physicians are encouraged to provide continuous, coordinated and monitored care to the patient in a timely manner.

During 2013, our PCMH clinics demonstrated favorable outcomes in resource management and cost measures.

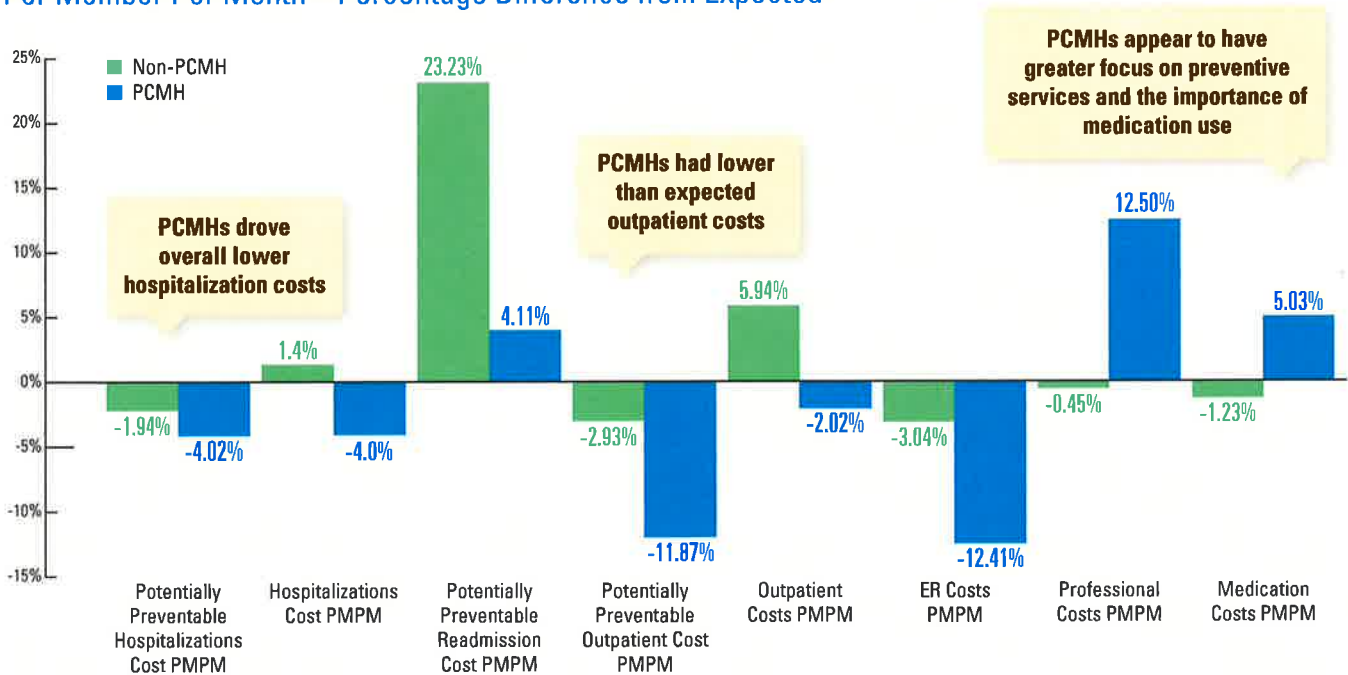
Better Cost Management and Use of Services

Per member per month (PMPM) costs were lower than expected in the following areas:

- ✓ Overall hospitalizations
- ✓ Preventable hospitalizations and readmissions
- ✓ Preventable outpatient visits
- ✓ Emergency room visits

Professional and medication costs PMPM were higher than expected, demonstrating a focus on preventive care and medication use.

Per Member Per Month – Percentage Difference from Expected



Graphs and program evaluation disclaimer:

The provided analysis excluded Blue Cross and Blue Shield of Nebraska members with out-of-state providers and members with Coordination of Benefit claims. Providers were located in Nebraska for comparison purposes. All measures are risk-adjusted.

The analysis is a review of performance only and is not intended to be an actuarial study. Measurement of costs and quality is in regards to best use of resources.

The 2013 PCMH population is large enough to establish preliminary comparisons between PCMHs and non-PCMHs.

The methodology for potentially preventable hospitalizations, outpatient services and readmissions are provided by 3M Health Information Systems. The analytics were provided by Treo Solutions.