

First Choice Health Introduces New *Care System* Product

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One of the big challenges that we continually hear about in healthcare is that the current fee-for-service (FFS) payment system leads to unnecessary and over utilization of services. There is a lot of discussion about Accountable Care Organizations and more integrated approaches, but not much has been done in the commercial self insured market. This is likely because claims are paid by the self insured employer and there are no premium dollars left over with which to

reward efficient providers.

First Choice Health's Approach

First Choice Health is a Seattle based provider owned company that operates a PPO network in the Pacific Northwest and Northern Rocky Mountain states with over 60,000 contracted providers. First Choice Health also provides Third Party Administration (TPA) services to self insured employers. We decided to develop a TPA product that begins to move the payment system away from FFS by contracting with a select group of organized Care Systems that are prepared to offer a more integrated and efficient model of care. Six systems are currently under contract: The Everett Clinic, EvergreenHealth, MultiCare Health System, The Polyclinic, Overlake Hospital Medical Center and Rockwood Health System in Spokane. Discussions continue with several other systems and more will be contracted soon.

One of our goals in introducing this product is to pro-actively address the pitfalls of the FFS system. Our goal is to start to change the current system. This is a starting point on that journey and not the end point. Many of us have the scars from

global capitation in the 90's and are not ready to start there. A critical principle is to keep this as simple as possible and leverage existing work already performed when at all possible.

The Care System product is a point-of-service product in which the member selects the Care System at the point of enrollment. If the member receives their care within the Care System, they receive the highest benefit level. The broad First Choice Health PPO network is available, but if the provider is outside of the Care System, there is a lower benefit level. The nice thing about this design is the Provider knows the member is assigned to them at the point of enrollment. We believe this is a superior approach than incentives structured through a PPO with retrospective member attribution.

Requirements to Participate

The Care Systems must have additional service capability beyond what is normally reimbursed in the FFS system such as expanded access through phone, e-mail and/or expanded hours of access. There is a quality baseline to participate as a Care System that is based on the

Puget Sound Health Alliance Community Checkup reports. This is part of the commitment to not re-invent the wheel but to use existing resources. Groups outside of the Puget Sound area can provide their existing quality reports. There is also a minimum membership level to be eligible for performance bonuses.

How it Works for Providers

Providers continue to be paid on the standard FFS basis but also receive an additional per member per month fee to provide non-visit based and expanded services that are required to participate. The performance bonus is calculated based upon only two criteria: hospital emergency room use and medical/surgical admissions. The actual utilization is compared to benchmarks from the Milliman Health Cost Guidelines™. Savings from utilization better than benchmark targets are split between the provider and employer. The benchmark targets are currently quite a bit lower than current utilization levels

and a stretch target. So the goal is to reduce unnecessary ER use and hospital admissions and to reward the Care Systems for doing this.

How it Works for Self Insured Employers

For a self insured employer this product works similar to the existing FFS system with the addition of the per member per month management fee. The final utilization is compared to the targets after a 90-day run out period and if a Care System has earned a performance bonus, it is paid by the employer group. Keep in mind a bonus is only paid after hitting the utilization targets and the savings are split 50/50 between the employer and Care System.

Advantages for Providers

The primary advantage of the Care System product for providers is that the member selects the Care System, allowing the system to know

the members they are responsible for. This starts to reward providers for reduced utilization in the self insured market. To our knowledge, this is a new concept. Obviously providers want to be rewarded for good performance, whether the employers are fully insured or self insured.

Advantages for Employers

Employers are able to offer to their employees a product featuring integrated Care Systems that are working very hard to alter their practices to bend the cost trend. The performance bonus is only paid if the stretch targets are achieved and the savings are shared 50/50 between the employer and Care System. We think it is a win-win and are rolling it out as an option for our employees this year.

For more information about the Care System product, please contact First Choice Health at (800) 257-1185 Ext. 2.

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