Value Measurement and Transparency

An Independent Review of the Challenges Facing Community Leaders for Value-Driven Healthcare

April, 2008

Executive Summary

In an effort to strengthen an ailing healthcare system plagued by cost and quality concerns, key events from the past two years suggest the government is prescribing an old-fashioned cure: empowering the consumer to make choices in a competitive market. As the United States Secretary for the Department of Health & Human Services (HHS) Mike Leavitt stated, "every American should have access to a full range of information about the quality and cost of their healthcare options.[1]"

Since the healthcare industry is not prepared to deliver on the level of transparency being demanded, President Bush signed Executive Order 13410 on August 22nd, 2006.[2] The order called for federal agencies providing health insurance coverage to begin taking steps that will result in information about the quality and price of healthcare for consumers. A key part of the Value-Driven Healthcare Initiative, these steps are built around four objectives, or cornerstones:

1. "Increase Transparency in Pricing."
2. "Increase Transparency in Quality."
3. "Encourage Adoption of Health Information Technology (IT) Standards."
4. "Provide Options that Promote Quality and Efficiency in Healthcare."

To further promote the concepts of value-driven healthcare, HHS Secretary Leavitt introduced a plan to push healthcare value reporting to the local level through collaboratives known as "Community Leaders for Value-driven Healthcare.[3]" These organizations are designed to promote private and public collaboration for information transparency at the local or regional level through implementation of the four cornerstones. To date, more than 100 organizations throughout the United States have been defined.

ViPS contracted Porter Research, an independent research company, to conduct primary research interviews with these Community Leaders in an effort to better understand the state of the collaborative market and challenges they face.

The research found that participating Community Leaders are working to develop a sustainable infrastructure, despite navigating operational roadblocks considered vital to any thriving organizations. More than 80% of the organizations interviewed felt they face significant challenges in achieving buy-in from key players, including providers, employers, consumers and payers. Nearly 60% stressed securing funding as a key inhibitor to success.

Tactically, Community Leaders face challenges in reporting on price and quality due to a perceived lack of well-defined standards and measures, cited by 40%. Simply getting data for analyzing and reporting has also been challenging, as 30% of organizations expressed issues related to their ability to access data.

The health system envisioned by Secretary Leavitt is still in its infancy. Although significant strides have been made, even organizations defined as "Community Leaders for Value-Driven Healthcare" face significant challenges in delivering on the requirements of the four cornerstones.

Overview of Research Goals and Methodology

ViPS wanted to better understand the challenges and barriers Community Leaders will face as they mature to become certified Value Exchanges. Secondary goals of the research included:

- Assessing the governance infrastructure, financial strength and related funding sources for participating organizations
- Understanding their technology plans and needs
- Identifying external and environmental factors impacting strategic direction

Any Community Leader for Value-driven Healthcare throughout the United States was targeted in the research to ensure complete understanding of the market. Respondents reported servicing covered lives from less than 100,000 to over 2 million, with the following distribution:

Chart A

Community Leaders by Number of Covered Lives

Number of Covered Lives	Percent of Respondents
Less than 100 Thousand	23.5%
100K – 499K	17.6%
500K – 999K	5.9%
1-2M	29.4%
Over 2 Million	23.5%

[1] *"Value-Driven Health Care Home." HHS.gov. United States Department of Health & Human Services. March 14 2008. http://www.hhs.gov/valuedriven/index.html*

[2] *"Fact Sheet: Health Care Transparency: Empowering Consumers to Save on Quality Care." WhiteHouse.gov. Aug 22 2006. The White House. March 14 2008. http://www.whitehouse.gov/news/releases/2006/08/20060822.html*

[3] *"HHS Secretary Leavitt Unveils Plan for Value Exchanges to Report on Health Care Quality and Cost at Local level." HHS.gov. February 28 2007. United States Department of Health & Human Services. March 14 2008. http://www.hhs.gov/news/press/2007pres/20070228.html*

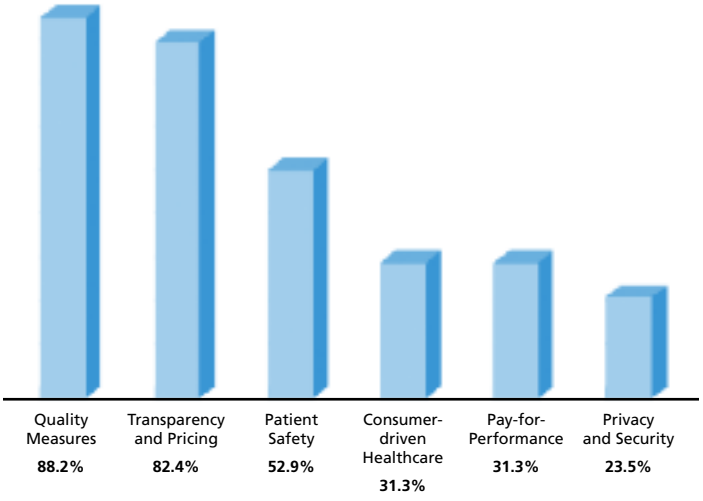
The research was fielded over 30-days from December 2007 to January 2008. All respondents participated in a 30-40 minute in-depth telephone interview. Respondents typically held the title of Executive Director or President/ CEO of their respective organization.

The purpose of this white paper is to present an independent summary review of the high-level findings of the research program.

Value-Driven Healthcare Initiatives and Related Challenges

With any developing market, prioritizing initiatives on which to focus requires a ground-up approach. To better understand the short-term goals and objectives for Community Leaders for Value-driven Healthcare, the survey opened by asking respondents to rate how important six initiatives were to their collaborative over the next two years using a scale from 1 ("Not Important") to 5 ("Very Important"). Chart B displays the percentage of respondents rating each initiative a 5, or "Very Important" to their collaborative.

Chart B % of Respondents Rating "Very Important"



As the results show, Community Leaders are most likely to emphasize developing initiatives around "Quality Measures" and "Transparency and Pricing," at 88% and 82% respectively. The overwhelming weight to these initiatives indicates the critical nature of each in the maturation of collaborative organizations.

Over the course of the interview, respondents were asked to describe the challenges their organizations face in achieving these goals in three unique but integrated areas: "Value-driven Healthcare Goals", "Reporting Objectives" and "Data Collection Objectives". Although each question was asked separately, it was not uncommon to receive similar types of responses. In general, stated challenges were likely to fall into one of two categories:

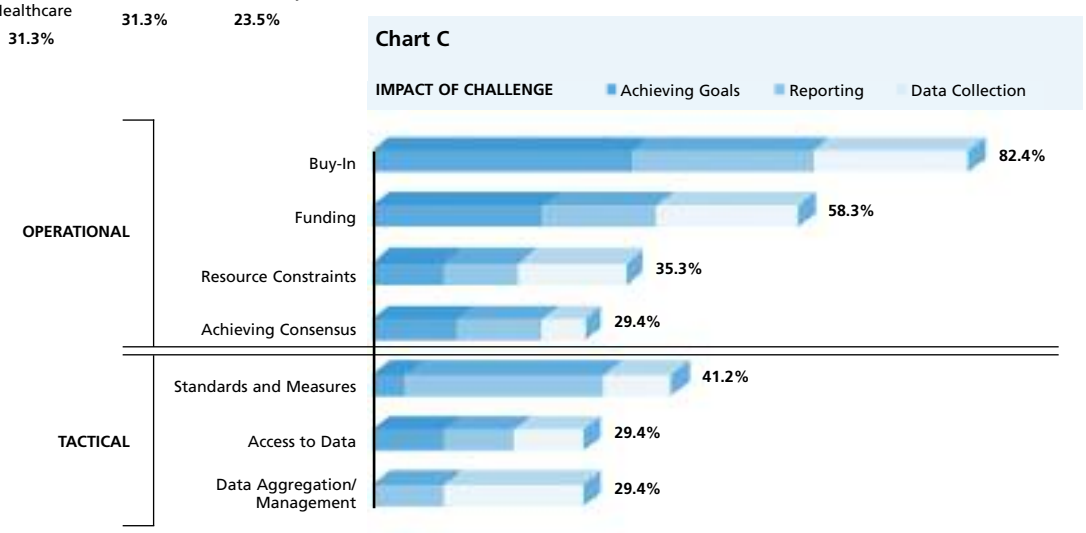
- **Operational:** Supporting stakeholders and infrastructure critical to sustainability
- **Tactical:** Challenges specific to collaborative objectives, including processes and technology supporting transparency and value-measurement reporting

Generally, operational issues were the most prominent. Issues related to "Buy-In" from stakeholders were the most common response, mentioned by 82.4% of the interviewees. "Funding" followed at 58.3%. Tactically, the lack of well-defined "Standards and Measures" surfaced as most important, cited by 41.2%.

Chart C displays the percentage of respondents citing the seven most common challenges. Additionally, each challenge is broken down to display how great an impact it has on "Data Collection", "Reporting" and "Achieving Goals" for the value-driven collaborative.

Although these challenges represent issues common to many organizations, they can be more pronounced in a developing entity. The remainder of this white paper will more closely examine the specifics of both Operational and Tactical challenges confronting the value-driven healthcare market.

Chart C



Operational Challenges in Developing a Sustainable Collaborative Organization

According to the Value-driven Healthcare Initiative, Community Leaders are defined as "less-developed collaboratives, especially those aiming at growth in stakeholder participation and quality measurement capacity[4]." It is during this development phase that organizations set a solid foundation for sustained success.

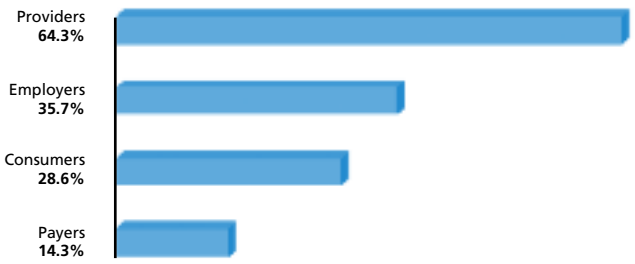
The research findings suggest that even coalitions that are considered on the forefront of developing their organizations are still unsure how to address their infrastructure and operational needs. As one respondent noted, "I think all organizations like ours worry about their long-term sustainability." Key operational challenges identified in the research include securing "Buy-In", "Funding", "Resources" and "Achieving Consensus through Collaboration".

Buy-In

Gaining support or buy-in is a challenge to any organization. For Community Leaders, this is undoubtedly no different. Overall, 82.4% of the organizations interviewed emphasized "Buy-In" as their greatest challenge, by far the most significant.

"Buy-In" challenges surfaced from four unique stakeholders: providers, employers, consumers and payers. Chart D displays the percentage of respondents citing buy-in challenges with specific emphasis on each group.

Chart D Buy-In Challenges by Stakeholder



At just under 65%, pushback from the provider community is most pronounced. "There is a little bit of denial about what's happening in terms of value-driven healthcare and the need for more transparency, so we have some resistance from providers here," felt one participating organization. Many respondents cited lack of buy-in from the provider community as a key challenge in accessing data to drive reporting.

Employer participation was also a key concern, mentioned by nearly 36% of respondents. As one respondent explained, "A lot of employers say they support the concepts of value-driven health, but based upon the surveys we have done, only 20% of them are actually incorporating value-driven design into their benefits and asking their plans to meet those requirements for transparency."

Though less common at 28.6%, consumer engagement also appeared to be of great concern, as respondents appear to be struggling with how to get the right information in front of the consumer and how to promote use of the information. "You have a lot of disparity in educational levels and interest. We have to figure out ways to reach all of them. We think that's going to be difficult in order to drive value because consumers, even if you get them engaged, still can't get very much information."

Issues with payers were typically much lower, at 14%. "Buy-In" issues are magnified to the Community Leader by acting as a collaborative for many different – and sometimes competing – stakeholders. Although issues with the payer market were much less significant, they represent yet another group that must be represented by the collaborative.

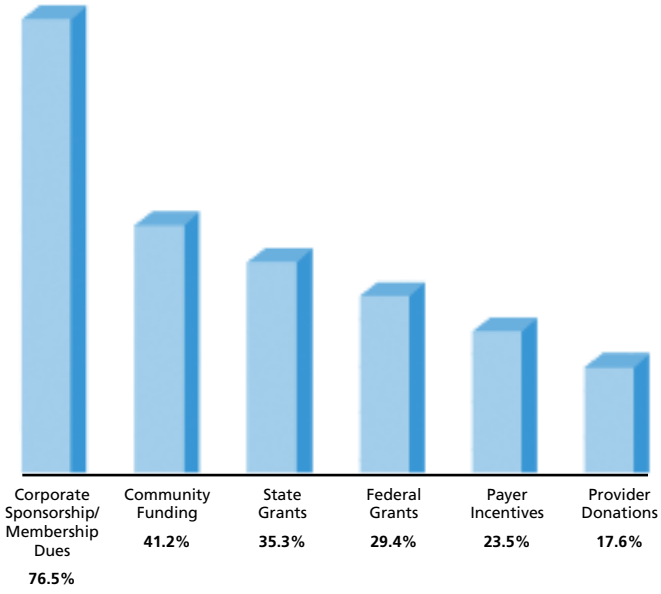
Funding

There has been much attention to the need for data exchanges to exist in the healthcare industry nationwide, but very little funding to make it realistic for organizations to implement solutions for these endeavors.

Just over 58% of respondents cited "Funding" issues, making it the second most consistent issue discussed in the interview process. One respondent described his funding challenges as, "how to maintain ongoing support for the collection and analysis and maintenance of an entity, which is also tied to making a business case for why all those (stakeholder) groups you mentioned participate and pay for it."

Another respondent also had concerns about proving return to solidify funding: "Really being able to bring to the table the ROI proposition. It's really not the proposition; it's the ROI proof."

Chart E Sources of Funding – % of Respondents



[4] *"HHS Secretary Leavitt Unveils Plan for Value Exchanges to Report on Health Care Quality and Cost at Local level." HHS.gov. February 28 2007. United States Department of Health & Human Services. March 14 2008. http://www.hhs.gov/news/press/2007pres/20070228.html*

When asked which sources of funding they currently receive or plan to receive in the near future, "Corporate Sponsorship" and "Membership Dues"–at 76.5%–far exceed other potential sources.

As the research shows, federal, state or local government agencies will not be providing the bulk of funding for collaborative exercise. Instead, that responsibility appears to rest on the pocketbooks of key stakeholders supporting the coalitions themselves, most notably employers, payers and providers. Unfortunately, these organizations are experiencing a cash crunch of their own in the face of declining reimbursement rates and costs of doing business.

Certainly, funding is a major inhibitor to the average coalition and will likely continue to be unless other factors change.

Resources

Also a key issue, lack of "Resources" or staffing raised red flags for more than 35% of respondents.

"A lot of people are engaged in, and are excited about, the work (that we do), but frankly this is not any one person's full-time job," as an interviewee mentioned. "There's one consultant that's doing this as a full-time job. The rest of us are all engaged in various ways because we care about the initiative. Are we going to have the staffing and that sort of thing to actually carry it off?" they asked.

Or as another collaborative manager stated, "the to-do list is so big compared to resources."

Due to resource concerns, many Community Leaders indicated they were looking to consultants to help facilitate workload. Similarly, technology vendors offered automation to processes that may otherwise be manual and time consuming.

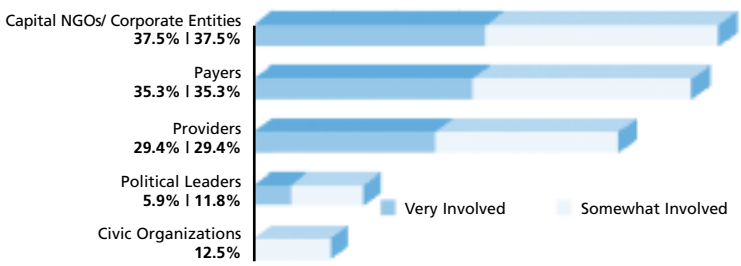
Achieving Consensus in the Collaborative Process

The final operational challenge emerging from the research was described as "Achieving Consensus" in a collaborative environment populated by multiple stakeholders, cited by nearly 30% of the interviewees. As one respondent noted, it is "the collaborative messiness that goes on from moving consensus forward, getting to consensus and generally driving consensus in the right direction."

Respondents were asked to rate how involved different stakeholders were in making decisions for their collaboratives. Five different stakeholders were identified as being at least somewhat involved in the decision-making process, with "Corporate Entities" – most notably employers – involved in 75% of organizations. Payers and providers also appear to be free to provide input.

With such a wide variety of stakeholders involved, simply setting priorities and navigating the politics of the decision-making

Chart F



process can be time consuming. "As much as my health plans, employers and health systems understand the concepts of being a chartered value exchange and executing the four cornerstones, it's still very politically complex," indicated an interviewee. He continued, "everybody believes, wants and agrees ... but when it comes down to writing the check and dealing with market competition ... that's really where the rubber meets the road and that's where the complexities lie."

Tactical Challenges in Achieving Information Transparency

Although not as considerable as those operational challenges already discussed, a few key tactical challenges related to achieving information transparency also emerged. In particular, responding organizations expressed difficulties accessing data and related aggregation/ management of that data to produce actionable value-measurement reporting. Largely, the processes, technology and standards are not yet in place to fully deliver on the four cornerstones.

Data Access, Aggregation and Management

Without meaningful data, coalitions defined as Community Leaders for Value-driven Healthcare will not produce meaningful results. When asked what sources they plan to leverage for value-based measurement over the next two years, commercial claims data and data sourced from payers dominated responses, at 88% and 77% respectively.

Chart G

Current and Planned Sources of Data – Next Two Years

Source	Percent of Respondents
Commercial Claims Data	88.2%
Data Sourced from Payers	76.5%
Data Sourced from Provider Community	58.8%
Data Sourced from State Agencies	52.9%
Collection of Medicare Claims Data	47.1%
Collection of Medicaid Claims Data	5.9%

However, nearly 30% of the responding organizations felt they faced significant challenges as it relates to "Access to Data". In particular, collecting data at the physician-level is complicated by technology constraints.

As explained by one respondent, "the bearers on the physician-side are pretty significant. Unless we go strictly to pull health plan claims data the physicians don't have the capability to give us data in a good format, or even electronically at all. There's not enough concentration of electronic medical records that we can get direct reporting from physicians in any kind of efficient, cost effective and meaningful way."

A second respondent echoed his concerns, indicating that the technology infrastructure is difficult to manage because "not every Doc has a computer and/or knows how to use it." His plans are further crowded by data ownership concerns. "We don't have what people would call a community database, so setting the ground work for that and coming to an understanding of who owns the data and how the information will be used is a huge challenge."

To complicate matters, another 30% of respondents talked about the challenges associated with "Aggregating and Managing Data" once they are collected. Issues related to quality of the data and integrating disparate sources of information were viewed as common.

As one Community Leader commented, "getting access to the data is challenging. Once you have the data it's incredibly expensive to house and clean them. There are challenges with aggregating different data sources together. There are challenges with grouping individual Docs up to physicians and getting people into the appropriate unit of analysis."

Making Results Actionable

Analysis and reporting of data ultimately define the Value-Driven Healthcare Initiative. Without meaningful results on which a consumer can act, the message has been lost. The large majority of plans are reporting data at the "Hospital- and Physician Group-level", at 82% and 77%, respectively. Just less than half of the organizations interviewed are reporting at the "Individual Physician"- or "Health Plan-level".

Chart H

A leading barrier to delivering actionable information through timely, meaningful reporting appears to be the lack of well-defined standards and measures. Essentially 41% of responding coalitions struggled with defining those measures.

"Coming to agreement on reporting and at what level proved challenging, meaning are we going to report all of our data at the physician group level or are we going to get down to the individual physician level?" explained one collaborative representative. He continued to state that "the second challenge would be putting information in the framework, or in context, for whom we're doing all this, potentially it's the employee or the patient. We need to be able to put it in words and pictures and language that they can understand and use."

Developing standards for measuring and reporting of data influenced many aspects of the responses, even impacting data collection efforts. Without standardized goals on what is to be reported, defining data requirements can be challenging. Mostly, the lack of clear, well-defined standards and measures impacted the perceived ability to make reporting results actionable, in turn making it difficult for the collaborative to accelerate buy-in.

Lastly, respondents were asked to indicate how their reporting initiatives were being used to promote healthcare quality and efficiency. Tiered premium/ co-pays, and pay-for-performance tied to the quality and performance of physician group practices, individual physicians and hospitals are the most mentioned types of measurement programs currently in place.

Chart I

Current and Planned Sources of Data – Next Two Years

Source	Percent of Respondents
Incentive based strategies such as tiered premiums and copays, pay-for-performance tied to the quality and performance of physician group practices, individual physicians, and hospitals	70.6%
Transparency and Public Reporting where data is collected for purposes of sharing comparative information on quality, efficiency and value to facilitate decision making about healthcare choices	64.7%
Centers for Excellence such as giving special designation to the best performing physicians	23.5%

Conclusions

Certainly, early coalitions defined as "Community Leaders for Value-driven Healthcare" face significant challenges in both developing a sustainable infrastructure and delivering easy-to-use, actionable information to promote value-based decision making.

Although clearly related, distinct operational and tactical challenges emerged. Funding, resource constraints and difficulty achieving consensus in a multi-stakeholder environment present significant operational hurdles that threaten long-term stability. Meanwhile, challenges accessing, aggregating and managing data inhibit these Community Leaders' ability to drive meaningful reporting initiatives.

Perhaps the point where these organizations' operational and tactical struggles are most aligned revolves around challenges faced in achieving buy-in from stakeholders and delivering actionable information. In many cases, a clear proof of concept is needed to secure stakeholders' acceptance, which is difficult to deliver without their data and financial support. Further fundamental complications exist at the core of these collaboratives in asking competing organizations to share data and ultimately risk customer base.

Clearly, the market is accepting of the role third-party providers can play in achieving the goals of the value-driven organization. Whether it's the independent consultant simply serving as an additional resource or the technology vendor contributing best practices and business intelligence for measuring and reporting, they're welcomed with open arms. However, key stakeholders will ultimately need to come up with a sustainable funding model for one-time capital and ongoing operating costs to maintain and deliver on the infrastructure and technology needs.

In less than two short years, the Value-driven Healthcare Initiative and the Community Leaders on its forefront have made significant progress in opening the door to a consumer-empowered marketplace. Nonetheless, they'll need continued and growing support from their government, payer, provider, corporate constituents and each other to fully achieve the four cornerstones.

About ViPS

ViPS® is a leading provider of healthcare data management, informatics, decision support, process automation and related information technology solutions that help governmental and commercial healthcare payers improve patient outcomes, enhance market position and reduce costs.

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Since 1989, Porter Research has delivered the needed knowledge to the healthcare information technology industry. Senior executives with world-class sales and marketing experience at major healthcare IT companies lead a team of veteran market research specialists to conduct more than 7,000 annual research interviews with decision makers and influencers at all levels of healthcare delivery, from physician offices and hospitals to payers. Our custom B2B market research products enable our customers to develop plans and strategies to take to the market, validate opportunities to improve sales success, and ultimately increase customer satisfaction. For more information, visit **www.porterresearch.com**.

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