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Quality in the Healthcare Marketplace: Becoming a Rising 'Star'

A basic tenet of federal healthcare reform is promoting higher quality care and improving outcomes. One emerging strategy to achieve these goals is to strengthen the link between patient care outcomes and reimbursement levels. The Centers for Medicare & Medicaid Services (CMS) is a major proponent of this initiative and has established its 5-Star Quality Rating System, which provides the quality rating metrics – and associated bonus payments – for Medicare Advantage (MA) plans. The MA star rating program was created as part of the Patient Protection and Affordable Care Act (PPACA) and was adopted in March 2010.

MA plans can capture significant incremental revenue by meeting certain thresholds through CMS' star rating system. To help health plans address the challenge of increasing quality in healthcare delivery, L.E.K. Consulting has outlined its approach to becoming a rising "star."

Outlining the 5-Star Quality Ratings Program

In 2011, there were approximately 48 million Medicare eligible seniors, and about 12 million of this group were enrolled in MA plans, representing an approximately 25% penetration. The MA star rating program provides an overall measure of plan quality and is a cumulative indicator of care quality, access to care, plan responsiveness and beneficiary satisfaction. The data that underpins these measures is primarily based on plan and beneficiary information collected through three surveys:

- Consumer Assessment of Healthcare Providers and Systems (CAHPS)
- Healthcare Effectiveness Data and Information Set (HEDIS)
- Hospital Outcomes Survey (HOS)

To a lesser degree, CMS also considers administrative data such as member complaints and appeals, and problems getting services. All plans receive a rating based on a 1-5 scale, with 5 stars being the highest quality, and these ratings are made public to ensure that this information is readily available to consumers.

CMS has proposed 51 performance measures for 2013 to rate MA plan quality. At a high level, CMS scores each plan vs. national and regional benchmarks at the H-contract level (product and service area) and grades on a "curve" based on the performance of all other MA plans. So, a MA plan that maintains its performance levels year over year may actually see its rating decrease if a significant percentage of other MA plans continue to increase their individual scores. This provides MA plans with added incentive to continually improve care effectively.

Quantifying the Value of High Star Quality Ratings

MA plans with higher star quality ratings benefit financially in two ways. First, MA plans that submit bids below the county or

Quality in the Healthcare Marketplace: Becoming a Rising 'Star' was written by **Joe Johnson**, Vice President in the Healthcare Services practice of L.E.K. Consulting. Please contact L.E.K. at healthcare@lek.com for additional information.

Figure 1

Rebate and QBP Structure by Star Rating

Base Rate Bonus				
Star Rating	2012-2013	2014	2015	Savings Rebate %
<3	0.0%	0.0%	0.0%	50.0%
3	3.0%	3.0%	0.0%	55.0%
3.5	3.5%	3.5%	0.0%	65.0%
4	4.0%	5.0%	5.0%	65.0%
4.5	4.0%	5.0%	5.0%	70.0%
5	5.0%	5.0%	5.0%	70.0%

Source: CMS

regional CMS benchmark are eligible for a "rebate payment." This rebate payment is a percentage of the difference between the bid and the benchmark. The percentage of the rebate that is retained by the MA plan is tied to a star "grade" based on the 5-Star Quality Rating System. MA plans that receive higher star ratings retain a larger portion of the rebate. However, the rebate must be used exclusively to enhance benefits for beneficiaries or for reducing premiums required of beneficiaries.

Second, the quality bonus payment (QBP) is another incentive created by the PPACA that offers high performing plans additional revenue for achieving certain star rating thresholds (see Figure 1). Regulations proposed in late 2010 offer QBPs to all plans that perform at 3 stars or above and offer exceptional bonuses to 5-star plans, with bonuses ranging from 3-5% of premiums. Star rating bonuses began being awarded in 2012 based on quality measure performance data collected in the 2009-2010 timeframe.

Due to the incentives created by the 5-Star Quality Rating System, MA plans have enacted quality improvement campaigns targeted at members and have refocused on provider network performance to drive star ratings. And these efforts are paying off: based on the 2012 plan ratings, the average star rating weighted by enrollment for MA contracts is 3.44, compared to 3.18 in 2011. These star rating improvements will accrue as incremental revenue gains to the MA plans that are raising their scores. According to L.E.K. analysis, moving from a 3 to 4 star MA plan is worth roughly $50 per member per month (PMPM). MA plans that are not operating at bonus threshold levels are leaving money on the table and could benefit from a systematic review of plan performance across star ratings measures.

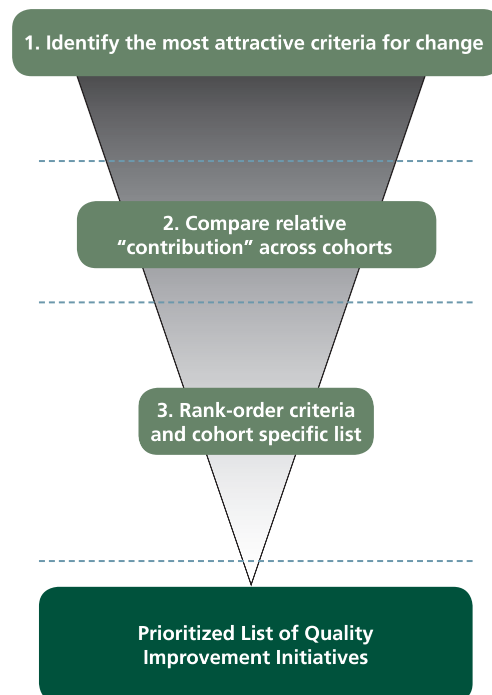
A Three-Step Approach to Reach for the (5) Stars

Drawing from our extensive work with health plans and providers, L.E.K. has developed a star ratings analytical model that identifies how MA plans can take clear steps to improve their star ratings. L.E.K.'s research and model for star ratings shows that not all changes in star ratings measures are created equal.

L.E.K.'s three-step approach determines the relative attractiveness of changes across individual measures and provider cohorts to develop a prioritized list of quality improvement initiatives that can yield the most benefit for MA plans (see Figure 2).

Figure 2

Prioritization Approach for Star Quality Improvement Initiatives



Source: L.E.K. Consulting

L.E.K's approach determines relative attractiveness of changes across cohorts & criteria to aid strategic planning.

1. Identify the Most Influential Star Ratings Criteria Scores to Change: In order to have any measurable impact on the plan's overall rating, a single criterion's score must improve enough to move that metric to the next star rating threshold. Therefore, the most attractive criteria for change are those that are closest to the next star bonus threshold.

2. Compare Relative "Contribution" Across Cohorts: A member cohort's impact on the MA plan's score is directly linked to two factors: its size and the magnitude of improvement needed to change the overall score. To improve star ratings of particular measures and domain areas, MA plans need to drill down to the provider level to understand where providers who deliver care for a significant share of plan membership are underperforming relative to other providers within a given star ratings criteria (see Figure 3).

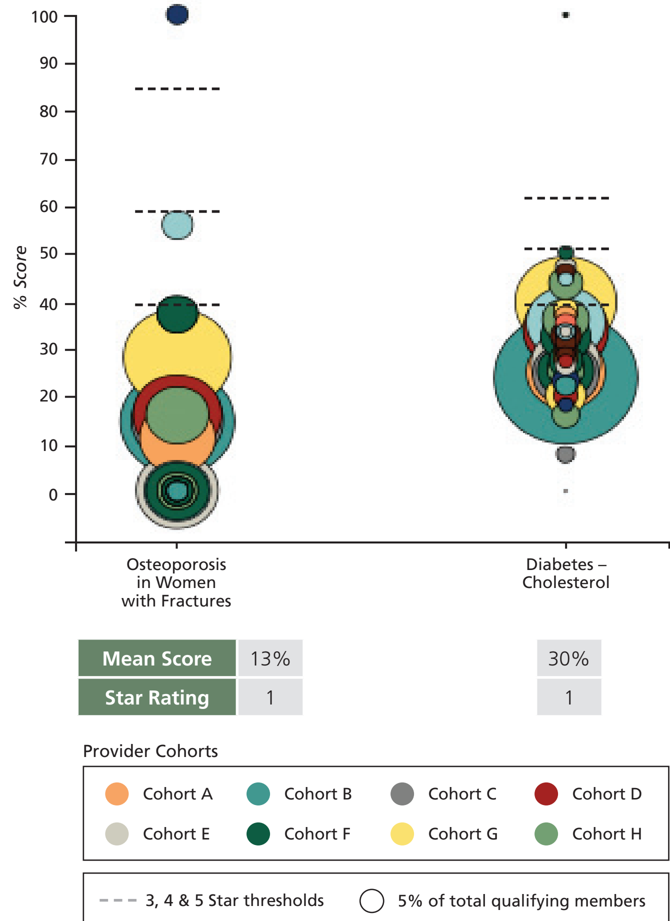
3. Rank the Improvement Opportunities: Criteria-cohort combinations can be rank-ordered by quantifying the relative degree of potential positive economic impact of all the possible improvement opportunities. This calculation controls for current scores relative to the next threshold, cohort size and criteria weight. By ranking the possible improvement initiatives on a relative basis, the organization can focus on the greatest financial opportunities first (see Figure 4).

This cohort-specific analysis helps augment the development of quality initiatives by providing new levels of actionable detail across operational processes, member outreach and provider engagement initiatives. Examples include:

- **Operational Processes:** Improving processes that impact multiple member segments are likely to generate a larger return on investment (ROI) than initiatives targeted at specific population segments. L.E.K.'s approach and model assesses ongoing performance and highlights correlations across cohorts that should help develop process improvements with the broadest impact. This includes reviewing complaint patterns across medical groups and identifying a process shortcoming or systemic customer service failures particular to a provider

Figure 3

Cohort Analysis Example for "Managing Chronic Conditions: Osteoporosis & Diabetes"



	Osteoporosis in Women with Fractures	Diabetes – Cholesterol
Mean Score	13%	30%
Star Rating	1	1

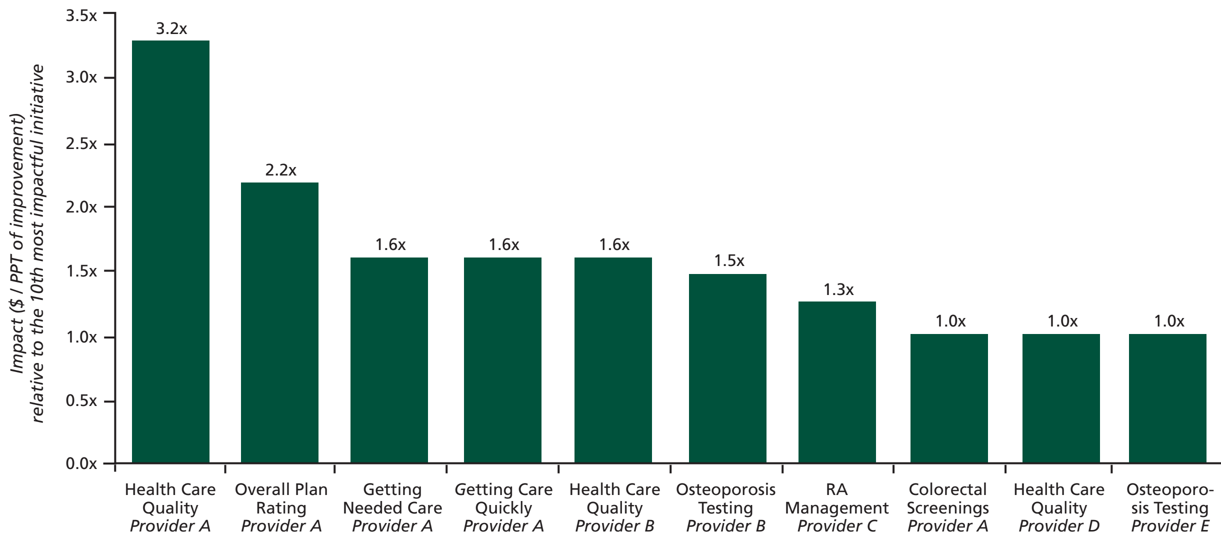
Source: L.E.K. Analysis

It is critical to drill down to the provider level to improve a plan's "Managing Chronic Conditions" ratings. In this graphical representation of cohort-level analysis, the provider that manages member Cohort B is underperforming in osteoporosis management and diabetes care chronic conditions management. This large medical group would be a logical provider to target in quality improvement initiatives.

- **Member Outreach Initiatives:** Targeting specific populations with mailings, telephone and other forms of outreach can be effective ways to improve scores in specific, low-scoring cohorts. L.E.K.'s approach and model accounts for the size of cohorts and their relative distance to the next star level to prioritize improvement opportunities and maximize the plan's star rating. Examples include focusing patient education on large membership cohorts or steering patients in particular geographies toward specific medical facilities

Figure 4

Ranking Criteria-Cohort Opportunities for Improvement



	Health Care Quality Provider A	Overall Plan Rating Provider A	Getting Needed Care Provider A	Getting Care Quickly Provider A	Health Care Quality Provider B	Osteoporosis Testing Provider B	RA Management Provider C	Colorectal Screenings Provider A	Health Care Quality Provider D	Osteoporosis Testing Provider E
Current Star Rating	1	2	1	1	1	3	2	3	1	3
Cohort Size* (%)	12%	12%	12%	12%	4%	13%	7%	12%	1%	7%

Note: *Qualifying members in the specified cohort as a percent of total plan qualifying members for the specified criterion
Source: L.E.K. Analysis

By ranking the initiatives on a relative basis, the organization can focus on the greatest financial opportunities first. Improving the rating for Healthcare Quality for Provider A can be expected to have a 3.2 times greater impact (in terms of dollars per percentage point star rating improvement) relative to improving the rating for Osteoporosis Testing for Provider E.

- **Provider Engagement Initiatives:** Incenting providers through contract clauses and customized pay structures (e.g., pay-for-performance) can be a powerful tool to improve quality ratings. L.E.K.'s approach and model identifies under- and over-performing cohorts (e.g., medical groups) that can be used as a fact-base to inform provider engagement and contracting decisions across the network. This could entail creating financial incentives for specific, poorly performing providers or creating profit sharing goals with a medical group based on quality ratings created from published provider report cards

Armed with this information, an organization's star quality improvement team can evaluate opportunities for implementation – including effort and cost – and create a roadmap of initiatives for implementation.

Taking Next Steps

Health plans are undertaking a variety of initiatives to drive higher MA Star Quality bonuses. Internally-focused organizational innovations are becoming more common such as cross-functional programs to identify the largest addressable gaps among the star quality dimensions being measured and implement specific programs to address the gaps.

Additionally, provider networking and engagement innovations among health plans are taking root. Health plans will want to exclude consistently poor-performing providers. Likewise, high-quality providers will not want to be "mixed-in" and reimbursed with mediocre providers, which will lead to new models to rank, stratify and incent providers to build a "quality network." Therefore, it will become increasingly important to identify and engage "best and better" providers to deliver high quality, cost-effective care by aligning incentives and quality performance.

However, the focus on quality has a broader application in the healthcare arena than just the 5-Star Quality Rating System. We have also seen a greater emphasis on quality in commercial health plans, which is expected to impact innovations across commercial and government-products oriented health plans alike: the proliferation of new care delivery models such as Patient Centered Medical Homes (PCMHs), Accountable Care Organizations (ACOs), and other forms of preferred provider networks / tiered provider reimbursement constructs.

L.E.K.'s approach to understanding how to drive quality improvements at a cohort level can also be applied to these other areas where quality improvement initiatives need to be identified and prioritized to maximize reimbursement. As quality performance is increasingly tied to revenue, health plans have an opportunity to develop and manage programs that capture added performance incentives while helping to improve care.

L.E.K. Consulting is a global management consulting firm that uses deep industry expertise and analytical rigor to help clients solve their most critical business problems. Founded nearly 30 years ago, L.E.K. employs more than 900 professionals in 20 offices across Europe, the Americas and Asia-Pacific. L.E.K. advises and supports global companies that are leaders in their industries – including the largest private and public sector organizations, private equity firms and emerging entrepreneurial businesses. L.E.K. helps business leaders consistently make better decisions, deliver improved business performance and create greater shareholder returns.

For further information contact:

Boston
75 State Street
19th Floor
Boston, MA 02109
Telephone: 617.951.9500
Facsimile: 617.951.9392

Chicago
One North Wacker Drive
39th Floor
Chicago, IL 60606
Telephone: 312.913.6400
Facsimile: 312.782.4583

Los Angeles
1100 Glendon Avenue
21st Floor
Los Angeles, CA 90024
Telephone: 310.209.9800
Facsimile: 310.209.9125

New York
1133 Sixth Avenue
29th Floor
New York, NY 10036
Telephone: 646.652.1900
Facsimile: 212.582.8505

San Francisco
100 Pine Street
Suite 2000
San Francisco, CA 94111
Telephone: 415.676.5500
Facsimile: 415.627.9071

International Offices:
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