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

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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).

Source: L.E.K. Consulting
L.E.K’s approach determines relative attractiveness of changes across individual measures and provider cohorts 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.

- **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.
**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.

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**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.