Overview: Value-Based Innovation by State Public Employee Health Benefits Programs

STATE Health & Value STRATEGIES | *Driving Innovation Across States*

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Value-Based Innovation by State Public Employee Health Benefits Programs provides an overview of three areas of value-based innovation and then affords a deeper examination into specific examples of state employee purchaser activity in California, Connecticut, Massachusetts, Minnesota, Tennessee, and Washington. Despite their differences in size and scope, these state health care purchasers found they could learn from their colleagues in other states as they strive to improve the value of care.

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In late March 2017, the Robert Wood Johnson Foundation's State Health and Value Strategies (SHVS) program convened a meeting of public employee purchasers from multiple states to share strategies and learnings to promote value through their purchasing and benefit design work. The meeting participants described innovations in three areas: value-based payment; incentivizing selection of high-value providers; and incentivizing use of high-value services.

State public employee benefits purchasers are consistently the largest employer purchasers in states across the United States. As a result, they can apply significant influence on the organization and operations of the health insurance and health care delivery markets. These purchasers have traditionally focused on obtaining large price discounts through their self-funded plans. Over the past decade, however, they have begun to introduce varied innovative value-based models.

State Innovations at a Glance

Innovation Area	Strategy	State	Policy Innovation	Findings
Establishing value-based payments	Tiered provider networks	California	In California, the Public Employees' Retirement System (CalPERS) developed a shared savings and shared risk arrangement with a Sacramento-based Accountable Care Organization (ACO).	While the contracts guarantee CalPERS less than 2 percent annual per member per month growth in medical spending over five years, results have yet to be confirmed.
Incentivizing use of high-value services	Reduced cost-sharing tied to prevention and disease management	Connecticut	Connecticut's voluntary Health Enhancement Program (HEP) for state employees targets preventive care and chronic disease in exchange for lower health care costs and no annual deductible.	HEP has improved the use of preventive screenings among participants compared to non-participants, reduced emergency department use, and lowered the overall costs of health care by 3.2 percent.
Incentivizing selection of high-value providers	Tiered and limited provider networks	Massachusetts	The Massachusetts Group Insurance Commission introduced tiered and limited networks to state employees and dependents based on efficiency and quality metrics with variable co-pays.	An evaluation found that limited network plans were associated with substantial savings with no difference in quality of care compared to open network plans, and that tiered networks resulted in some shift away from poorly ranked providers.
Incentivizing selection of high-value providers	Tiered provider networks	Minnesota	The Minnesota State Employee Group Insurance Program (SEGIP) uses tiered networks where lower provider costs are reflected in lower member cost-sharing.	Results have shown that about 90 percent of SEGIP members chose providers in the lowest two (out of four) tiers.
Establishing value-based payments	Episode-based payment	Tennessee	Tennessee's State Group Insurance Program pursued episode-based payment across state agencies for five common medical conditions and/or procedures.	The episodes have not been in place long enough to determine cost or quality results.
Establishing value-based payments	Episode-based payment and population-based payment	Washington	Washington pursued an episode-based payment model for total joint replacement and ACO model emphasizing patient-centered medical homes.	The two payment models have not been in place long enough to determine cost or quality results.

State employee purchasers are implementing a variety of purchasing and design innovations to promote value, improve care, and be more cost-effective in their provision of health benefits to public employees. By learning from each other, state purchasers can add value for their employees, dependents and taxpayers through better design, implementation and expansion of value-based payment approaches and incentives for the selection of high-value providers and use of high-value services.

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State Health and Value Strategies (SHVS) assists states in their efforts to transform health and health care by providing targeted technical assistance to state officials and agencies. The program is a grantee of the Robert Wood Johnson Foundation, led by staff at Princeton University's Woodrow Wilson School of Public and International Affairs.

The program connects states with experts and peers to undertake health care transformation initiatives. By engaging state officials, the program provides lessons learned, highlights successful strategies and brings together states with experts in the field. Learn more at *www.statenetwork.org*.

ABOUT BAILIT HEALTH

This summary was prepared by Bailit Health, a health care consulting firm dedicated to ensuring insurer and provider performance accountability on behalf of public agencies and private purchasers. For more information on Bailit Health, see *www.bailit-health.com*.