



Value Partnerships

Leading the way to better health care



WHAT'S VALUE PARTNERSHIPS?

Simply put, Value Partnerships is a key ingredient that makes our health care plans work better for you.

It's a collection of value-based programs and a high-performing provider network — and it makes health care safer, better and more effective for all.

We've been advancing value-based solutions for a dozen years. No other health care plan has anything that compares in size and scope to Value Partnerships.

We provide the platform — and the catalyst — for our physician and hospital partners to work together to find better ways to deliver health care. Our customers and members reap the advantages every time they choose Blue.

Here are some of the key programs that make up Value Partnerships:

BLUE DISTINCTION® SPECIALTY CARE — A national program recognizing facilities that demonstrate high-quality, cost-efficient care for select specialty areas

BLUE DISTINCTION® TOTAL CARE — The industry's largest national network of value-based care programs

COLLABORATIVE QUALITY INITIATIVES — Quality improvement programs aimed at specific, typically high-cost medical or surgical procedures and processes

ORGANIZED SYSTEMS OF CARE — A community of all provider types that coordinates care across all settings for a shared population of patients

PATIENT-CENTERED MEDICAL HOME — A designation program that strengthens the primary care foundation and helps to transform health care in Michigan

PHYSICIAN GROUP INCENTIVE PROGRAM — Care process and quality improvement initiatives for physician organizations and their affiliated practices

PROVIDER-DELIVERED CARE MANAGEMENT — Care management services offered to patients with chronic health conditions through PCMH-designated primary care practices

VALUE-BASED CONTRACTING — Improves individual patient and population-based quality of care, with payments to hospitals based on outcomes

VALUE-BASED REIMBURSEMENT — Rewards PGIP-participating primary care physicians and specialists for improving the quality of care for a population of patients

Read more about the programs in this report at valuepartnerships.com.



TAKING ACTION TO CURB RISING HEALTH CARE COSTS, IMPROVE QUALITY

For more than a decade, Blue Cross Blue Shield of Michigan has successfully leveraged its various programs to slow the growth in health care costs. Our efforts have helped move Michigan from one of the Great Lakes states with the highest health care costs to the lowest. That said, as health care costs continue to tick upward, our customers expect us to take additional steps to manage health care costs and make insurance premiums more affordable.

The good news? Through the Value Partnerships platform, we've put in place more than 50 initiatives that have been proven to manage health care costs while improving the quality of care patients receive. Value Partnerships is the key element that sets Blue Cross apart from other health care plans nationwide.

For example: Blue Cross' Organized Systems of Care program encourages physicians and hospitals to work together more closely to improve the health of their shared population of patients. Their reimbursement is tied to a series of quality and cost measures, with an eye on value, not volume.

It's a win-win situation for everyone involved:

- ✓ Health care providers get the support they need to deliver value-based care and improve outcomes for patients.
- ✓ Group customers reap the benefits of healthier employees who require fewer high-cost health care services.
- ✓ Members enjoy improved outcomes and decreased complications.

In this report, you'll learn about some important initiatives that describe how we're:

- ✓ Managing costs
- ✓ Improving quality
- ✓ Providing innovative solutions
- ✓ Engaging members in our improvement initiatives



A stylized, hand-drawn signature of Thomas Leyden in black ink.

Thomas Leyden
Director II
Value Partnerships



MANAGING COSTS

Focusing on cost efficiency, value

By concentrating on quality and improving health outcomes, we're able to successfully manage costs.

Patient-Centered Medical Home: A proven health care model that's reducing costs by improving care

Blue Cross' Patient-Centered Medical Home program is one of the largest and most robust in the nation.

A patient-centered medical home is a team of health care professionals, led by a primary care physician, that focuses on the individual needs of each patient. A PCMH practice monitors each patient's health between office visits, tracks test results and coordinates care between doctors and health care settings.

According to a study published in *Health Services Research* in March 2017, there are significant cost reductions associated with PCMH. For patients with six chronic conditions — asthma, angina, diabetes, chronic obstructive pulmonary disease, high blood pressure and congestive heart failure* — the PCMH model of care resulted in:



Provider-Delivered Care Management: Helping patients manage chronic conditions, avoid ER visits

With the Provider-Delivered Care Management program, patients with chronic health conditions, such as diabetes, asthma and heart failure, receive coordinated care management through their patient-centered medical home.

This proactive care model results in fewer unnecessary emergency room visits and inpatient hospital stays because patients receive the right care in the right setting at the right time. Care management keeps patients healthier and prevents chronic conditions from worsening.

A recent internal analysis of the Provider-Delivered Care Management program found that the treatment group had:



*The study reviewed three years of claims data for adult patients in 2,218 physician practices statewide. Researchers compared inpatient and emergency visit data from all patients with data from patients who had one or more of the six chronic diseases.



Collaborative Quality Initiatives: Reducing complications, avoiding costs

Value Partnerships currently administers 17 statewide CQIs covering areas of care with high costs or high variation in treatment. CQIs sponsored by Blue Cross and Blue Care Network are nationally recognized. They've reduced rates of complications and mortality, resulting in substantial avoided costs.

\$1.4 billion



total statewide health care cost avoidance

This includes: *\$413 million*

total in cost avoidance* for our Blue Cross, BCN and Medicare Advantage plans

The CQIs

- Anesthesiology
- Anticoagulation
- Bariatric surgery
- Cardiac surgery
- Cardiovascular
- Care transitions
- Emergency medicine
- General surgery
- Hospital medicine
- Knee and hip replacement
- Oncology
- Pharmacy
- Prostate cancer
- Radiation oncology
- Spine surgery
- Trauma surgery
- Value collaborative

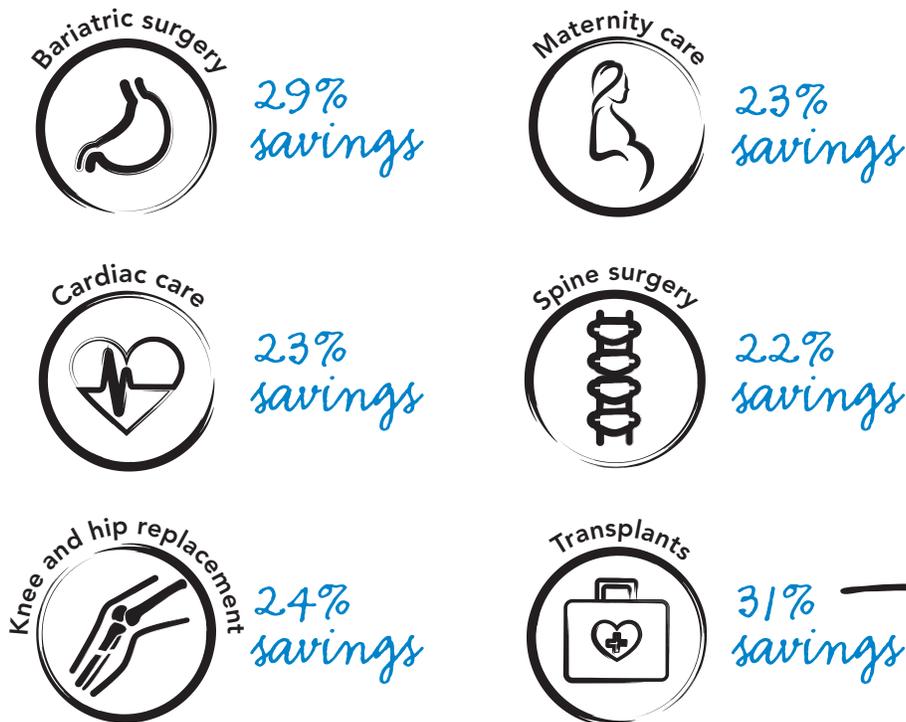


*Cost avoidance evaluations over seven years (2008-15). Select CQIs evaluated for cost avoidance based on what can be measured in claims data. Certified by Blue Cross Actuary.

MANAGING COSTS

Blue Distinction® Specialty Care: Helping members find high-quality, cost-efficient facilities nationwide

Blue Distinction Specialty Care is a national program recognizing facilities that demonstrate high-quality, effective and cost-efficient care for select specialty areas. Here's a look at national savings in six areas for providers receiving the Blue Distinction Center+ designation:



Members can locate a Blue Distinction Center by visiting the Blue Distinction Center Finder at bcbs.com/blue-distinction-center-finder.

Note: Savings, calculated from Blue Cross Blue Shield Association data, are based on total episode cost and compare Blue Distinction Center+ facilities versus a relevant comparison group. The Blue Distinction Center+ designation is given to providers demonstrating cost efficiency in addition to high quality.





Value-Based Contracting: Rewarding value delivered, not volume

Our Value-Based Contracting hospital program, developed in 2013, rewards hospitals for improved quality, better care coordination and increased value. Performance metrics are aligned across our hospital and physician incentive programs.

- Our Value-Based Contracting efforts reflect an industrywide move away from a traditional fee-for-service model toward a population-driven, value-based approach. Approximately **80 percent** of our commercial payments to hospitals now flow through value-based arrangements.
- More than **60 hospitals** have signed value-based contracts with Blue Cross in 2017, with several others in negotiations for a new contract.
- Estimated cost avoidance from Value-Based Contracting through 2017 totaled approximately **\$160 million**, half of which has been shared with hospitals.

The next generation of value-based contracts will:

- ✓ Require greater levels of hospital-physician collaboration.
- ✓ Strengthen the performance metric alignment between physicians and hospitals.
- ✓ Focus on improving overall population health.

Value-Based Reimbursement

We also take a value-based reimbursement approach with our participating primary care physicians and specialists. Their reimbursement is based in part on quality performance and managing the health of their patient populations.

- Currently, **80 percent** of professional reimbursement is tied to physicians in value-based arrangements.



IMPROVING QUALITY

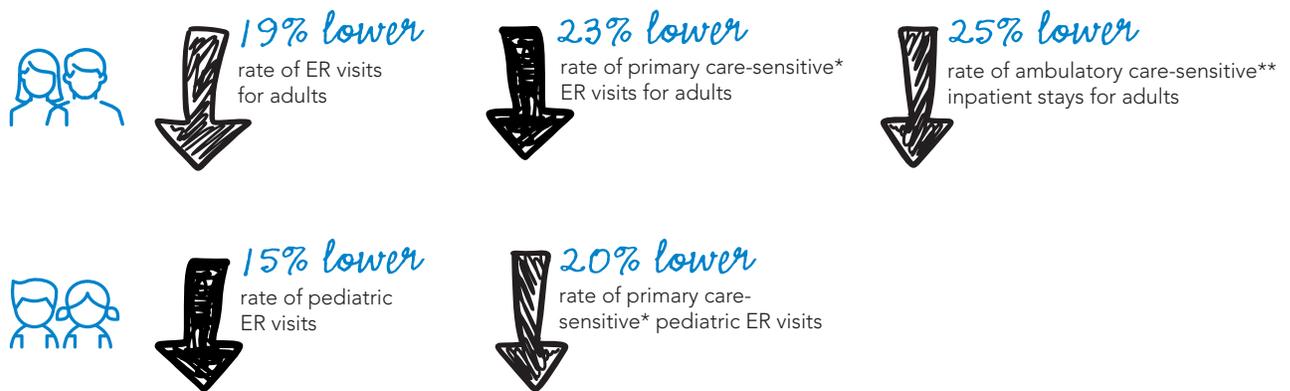
Continuing our quality improvement efforts

When clinical quality improves, costs are reduced and health care outcomes improve. Our quality efforts have led to fewer complications, hospital readmissions and emergency room visits, because members are getting appropriate care at the right time in the right place.

PCMH: The quality connection

Physician practices that have incorporated Blue Cross' Patient-Centered Medical Home model are reducing their patients' use of emergency services.

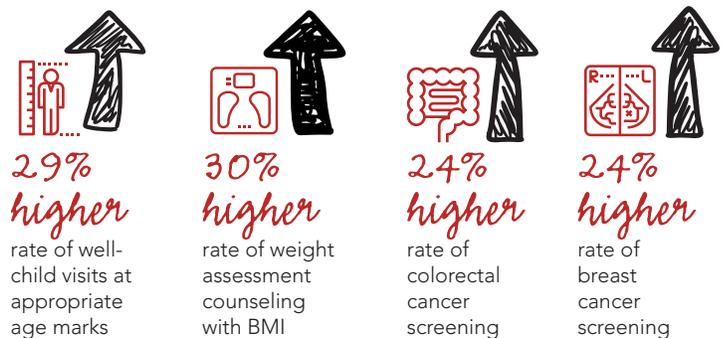
Our 2017 claims data showed that PCMH-designated practices consistently outperform non-designated practices in clinical quality and use measures. Our PCMH-designated practices had:



"Our medical-home model is successful because it's a trusted partnership between Blue Cross and more than 40 physician organizations statewide. The program benefits from the best thinking from physicians who know what really works in practice. And patients are getting better care with better outcomes."

Dr. Thomas Simmer
Senior vice president and chief medical officer

Blue Cross PCMH patients report higher-quality care, more preventive care and reduced costs.



Data as of July 2017

*Primary-care sensitive conditions are those where it's likely that ER visits can be avoided with timely primary care.

**Ambulatory care-sensitive conditions are those where appropriate ambulatory care prevents or reduces the need for a hospital admission.



Blue Distinction Total Care: Delivering value nationally

Blue Cross Blue Shield of Michigan's PCMH-designated providers are part of the Blue Distinction® Total Care national network of high-quality health care providers.

According to a Blue Cross Blue Shield Association evaluation, BDTC providers are demonstrating better quality nationally when compared to industry benchmarks and non-BDTC providers. BDTC providers are also doing a better job of driving down the total cost of care than providers who deliver care outside of the BDTC program.

Quality results that reduce medical costs include:



Nationally, Blue Distinction Total Care also decreased the cost trend by 35 percent compared to non-BDTC providers, as measured through Blue Cross Blue Shield Axis®, a data analytics tool.

Members can locate a Blue Distinction Total Care physician by using our Find a Doctor feature at bcbsm.com.

BDTC by the numbers



More than 156,000 health care providers nationwide



95 of the top 100 metropolitan statistical areas



More than 19 million members



IMPROVING QUALITY

Collaborative Quality Initiatives: Creating positive outcomes for patients

Through data collection and collaboration, physicians and surgeons in hospitals and physician practices across Michigan work to improve quality and reduce variation in 17 key high-volume or high-cost areas. These Collaborative Quality Initiatives, sponsored by Blue Cross and BCN, are improving care every day. For example:



Anticoagulation

100,000
unnecessary lab tests
prevented



Knee and hip replacement

32,870 patients
avoided blood transfusion
(2015-17)



Trauma surgery

393 patients
avoided a serious complication
or death (2011-16)



Bariatric surgery

778 patients
weren't readmitted to
the hospital after surgery
(2008-17)



Cardiac surgery

1,497 patients
didn't experience prolonged ventilation

8,391 patients
avoided a transfusion (2008-17)



Hospital medicine

1,268 patients
potentially avoided a major bleed

852 patients
avoided a blood clot (2016)

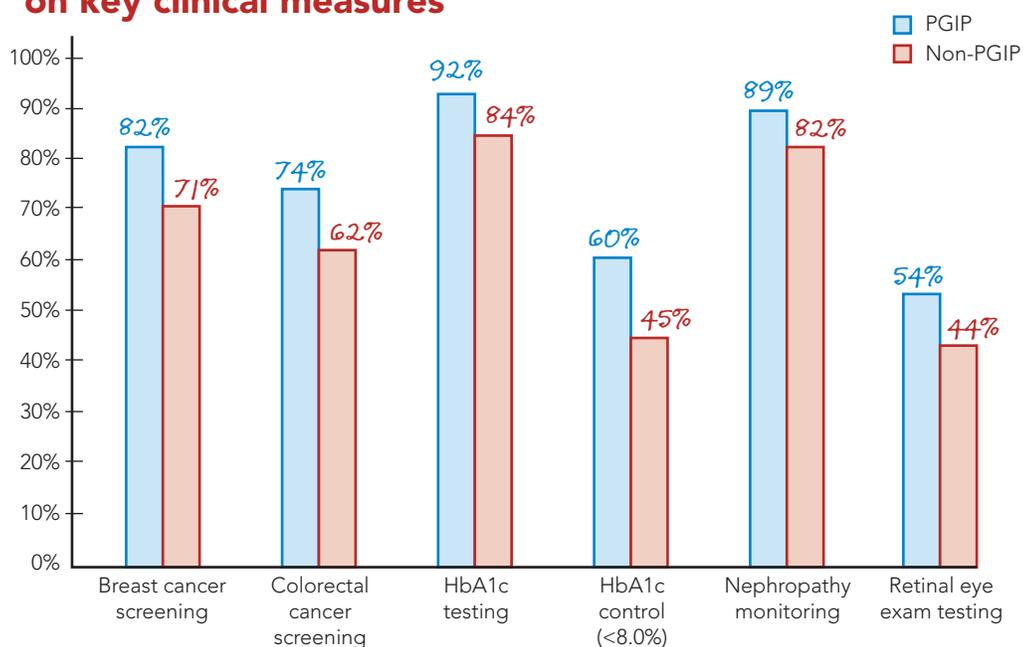


The PGIP advantage

Our Physician Group Incentive Program, introduced nearly 15 years ago, is one of the largest such programs in the U.S. It brings together approximately 20,000 primary care and specialist physicians in provider-led clinical quality improvement efforts.

Our Clinical Quality Initiative, one of 19 PGIP initiatives, has made significant strides in improving HEDIS® performance. Doctors participating in PGIP have higher quality scores on several key clinical measures than physicians who don't participate in PGIP.

2016 year-end rates: PGIP versus non-PGIP on key clinical measures



Note: HbA1c testing, HbA1c control and nephropathy monitoring (screening for kidney disease) all play a role in effectively treating patients with diabetes.

HEDIS®, which stands for Healthcare Effectiveness Data and Information Set, is a registered trademark of the National Committee for Quality Assurance.

Did you know?

Eighty-nine percent of our in-state commercial PPO members were attributed to a PGIP physician in 2017.

INNOVATION

At the forefront of innovation

Blue Cross is widely recognized as an industry leader in transforming health care.

Over the years, Value Partnerships' quality initiatives have been showcased at conferences in nearly 25 countries across five continents. And provider organizations and Blue plans in other states have sought our advice on replicating our programs in their states.

For example, Blue Shield of California is providing funding for the Fresno Heart and Surgical Hospital to participate in the Michigan Bariatric Surgery Collaborative.

In 2017, the Michigan Surgical Quality Collaborative held the first Center of Excellence for Collaborative Quality Improvement Summit, which shared information about our Collaborative Quality Initiatives model. It brought together about 75 surgeons and health professionals from across the country and beyond who wanted to learn about our CQI program and network with quality improvement leaders.

Here are three other examples of innovative efforts that are driving change:



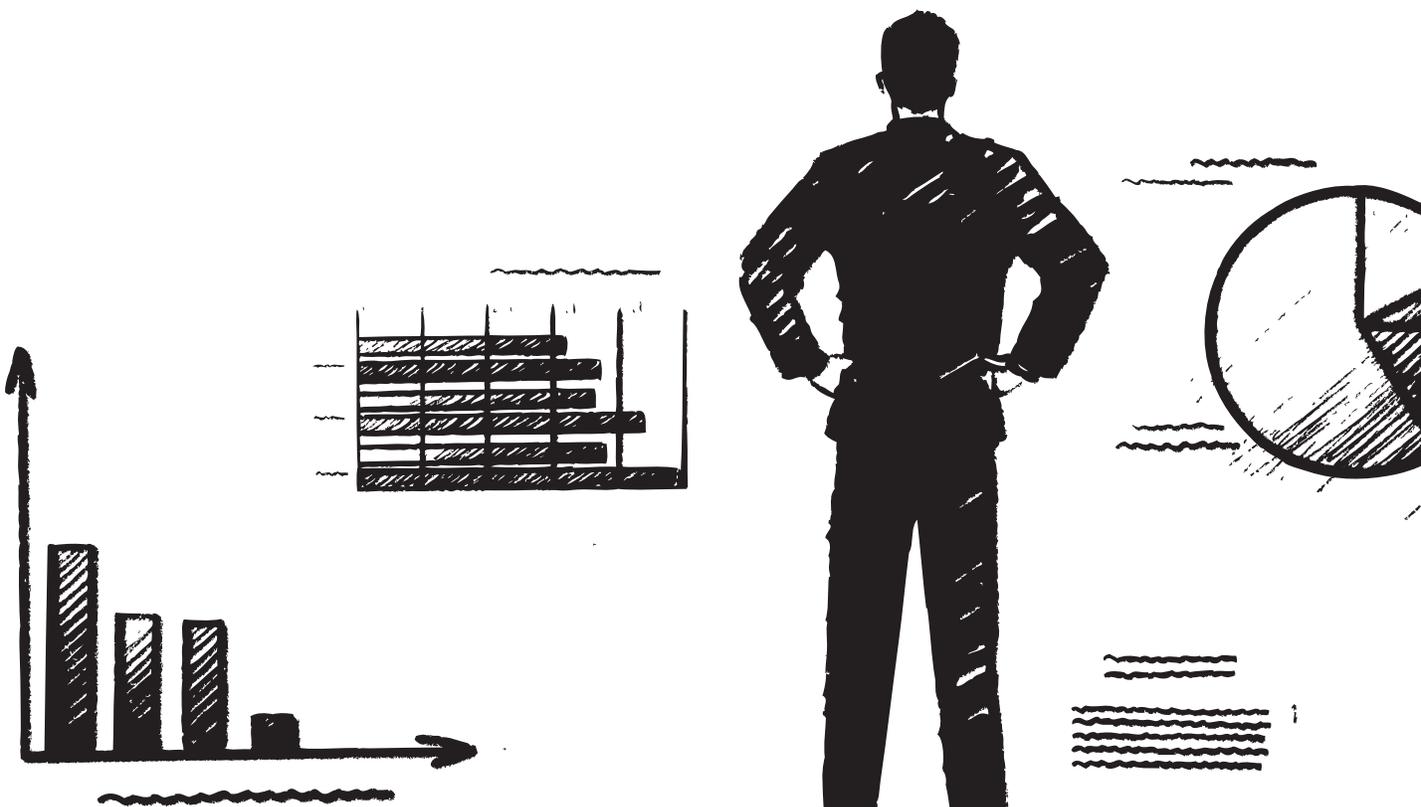
The Michigan Opioid Prescribing Engagement Network, in collaboration with the Michigan Surgical Quality Collaborative, created a free online tool that offers prescribing guidelines for 11 common operations. Using data from several CQIs, physicians in Michigan-OPEN found that post-surgical pain could be controlled with just a fraction of the number of pills commonly prescribed. This is helping to reduce opioid consumption and prevent inappropriate use of leftover pills.



We're bringing the "voice of the patient" to our Collaborative Quality Initiatives program to help physicians better understand what patients experience. Patients currently serve on advisory panels for five CQIs. They provide feedback to ensure that the patient perspective is reflected in each of the CQIs.



We're working closely with health care providers to accelerate the implementation of telehealth services. Telehealth offers critical access to health care and improves health care outcomes in a cost-effective way.





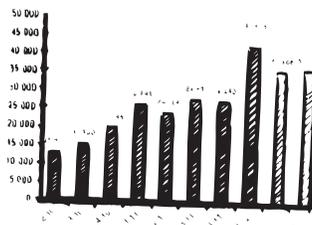
HIE: The engine that drives population management

The Health Information Exchange Initiative lies at the heart of our efforts to effectively manage populations of patients.

Value Partnerships collaborates with the Michigan Health Information Network to offer incentives for participation in a statewide notification service, administered by MiHIN. The service transmits information about a patient's admission, discharge, transfer, ER visit and discharge medication in real time from hospitals and skilled nursing facilities to the patient's doctor.

The goal? To improve care transitions across the entire continuum of care. Participating providers use the information to:

- Improve post-discharge follow-up care.
- Reduce ER use.
- Minimize preventable hospital readmissions.
- Improve coordination of care, especially for patients with complex and chronic conditions.
- Help prevent adverse drug events and reduce medication errors.
- Identify potential "doctor shopping" behavior.



HIE by the numbers



104 hospitals, **201** skilled nursing facilities and more than **2,000** practices that are part of **39** physician organizations are connected to the statewide network.



More than **1.3 billion** messages have successfully passed through the statewide network.



ADT notifications sent to the MiHIN service by participating hospitals represented nearly **93 percent** of the total volume of admissions statewide.

"Michigan has become a leader in effective and timely data sharing among different types of providers. This type of sharing not only improves patient care but helps to lower health care costs by avoiding duplicate tests, services and procedures."

Thomas Leyden
Director II, Value Partnerships

MEMBER ENGAGEMENT

Involving members in their care plans

As we look to hold the line on health care costs, we're increasingly involving members in our efforts. And we're partnering with them in new and innovative ways:

Care management: Enhancing the doctor-patient relationship

As part of the Patient-Centered Medical Home and Provider-Delivered Care Management models, patients are encouraged to take a more active role in managing their own health. Here are a couple of examples of how it works:



A patient wasn't following his medication regimen to control his diabetes because he was so busy at work. As a result, his A1c was bouncing between 8 and 9 percent. The PCMH office referred the patient for care management. The patient and the care manager together came up with solutions for meals and medication compliance. With close collaboration among the patient, his physician and his care manager, the patient's medication was changed. One month later, he reported that he finally felt normal again. He said he felt as if he had his life back, and he's been maintaining his A1c at 6.7 percent.

Practice: Yale Family Care, Yale
Physician organization: Lake Huron PHO, Port Huron



A patient with multiple conditions was admitted to the hospital four times over the course of one year, along with an emergency room visit for alcohol abuse, cirrhosis of the liver with ascites, alcoholic hepatitis and pancreatitis. The patient's last visit resulted in a hospital admission for very high blood sugar levels. Care management services were initiated, and the patient took advantage of local diabetes self-management training. After bi-weekly calls and office visits, the patient was sober, lost more than 75 pounds and was no longer on diabetes medications.

Practice: Edgewater Family Health, St. Joseph
Physician organization: Lakeland Care Inc., St. Joseph





Resource Stewardship Initiative: Addressing health care overuse, waste

Health care overuse and unnecessary care continue to be huge problems in the U.S. A key part of solving this problem involves taking a hard look at treatments and tests. We're encouraging doctors to have discussions with patients before scheduling tests or procedures.

Physician organizations target specific measures, or areas, for improvement. These areas include inappropriate antibiotic prescribing for adults with bronchitis or unnecessary annual electrocardiograms. Typically, they choose measures in which they're performing worse than the average among physician organizations.

We encourage physician organizations and practitioners to reduce the use of 16 specific medical services, procedures and tests that may be overused or are of questionable value. Not surprisingly, physician organizations make more significant improvements on select measures they focus on.

Although it may seem like we should only focus our efforts on reducing the use of high-cost services, we've found that reducing the number of high-volume, low-value, low-cost services can also help save money and protect patients.

"Reducing the use of antibiotics has been an area of keen focus for our providers who work in our urgent care facilities. Our biggest learning experience has been to consider what to say when talking to the patient. Providers are focusing their conversations on why a patient shouldn't receive an antibiotic and what can be done instead of prescribing one."

Linda Hutchinson
Director of practice operations,
Bronson Medical Group, Kalamazoo



MEMBER ENGAGEMENT

Behavioral health integration: The mind-body connection

Mental health has a profound effect on overall health and wellness. That's why the Value Partnerships team launched an initiative in 2015 that encourages the integration of behavioral and physical health.

The initiative recognizes the important role behavioral health specialists, including psychologists and clinical social workers, can play in improving patient care. Helping patients focus on changing behavior that may be harmful can lead to improved health and productivity.

This multifaceted approach to behavioral health integration encourages primary care physicians to:

- Incorporate depression and anxiety screenings into office visits.
- Refer patients who have difficulty managing chronic conditions or who are experiencing stress or anxiety to a behavioral health specialist — and to follow up with them at their next visit to discuss the outcome of that referral.
- Build relationships with behavioral health practitioners and community health agencies in their area so they feel comfortable when referring patients.
- Help combat the stigma that's associated with behavioral health problems.
- Consider co-locating a primary care practice in the same facility as a behavioral health care practice, or bring a behavioral health specialist into a primary care practice.

How integration can help: 2 case studies



A PCMH-designated practice connected a licensed master social worker with a patient suffering from anxiety to show the effects that mindfulness meditation can have on anxiety. The patient had visited the emergency room twice the previous year but hasn't needed to visit it once for the past several months. Her depression and anxiety have decreased and her pain has been controlled with nonopioid treatments.

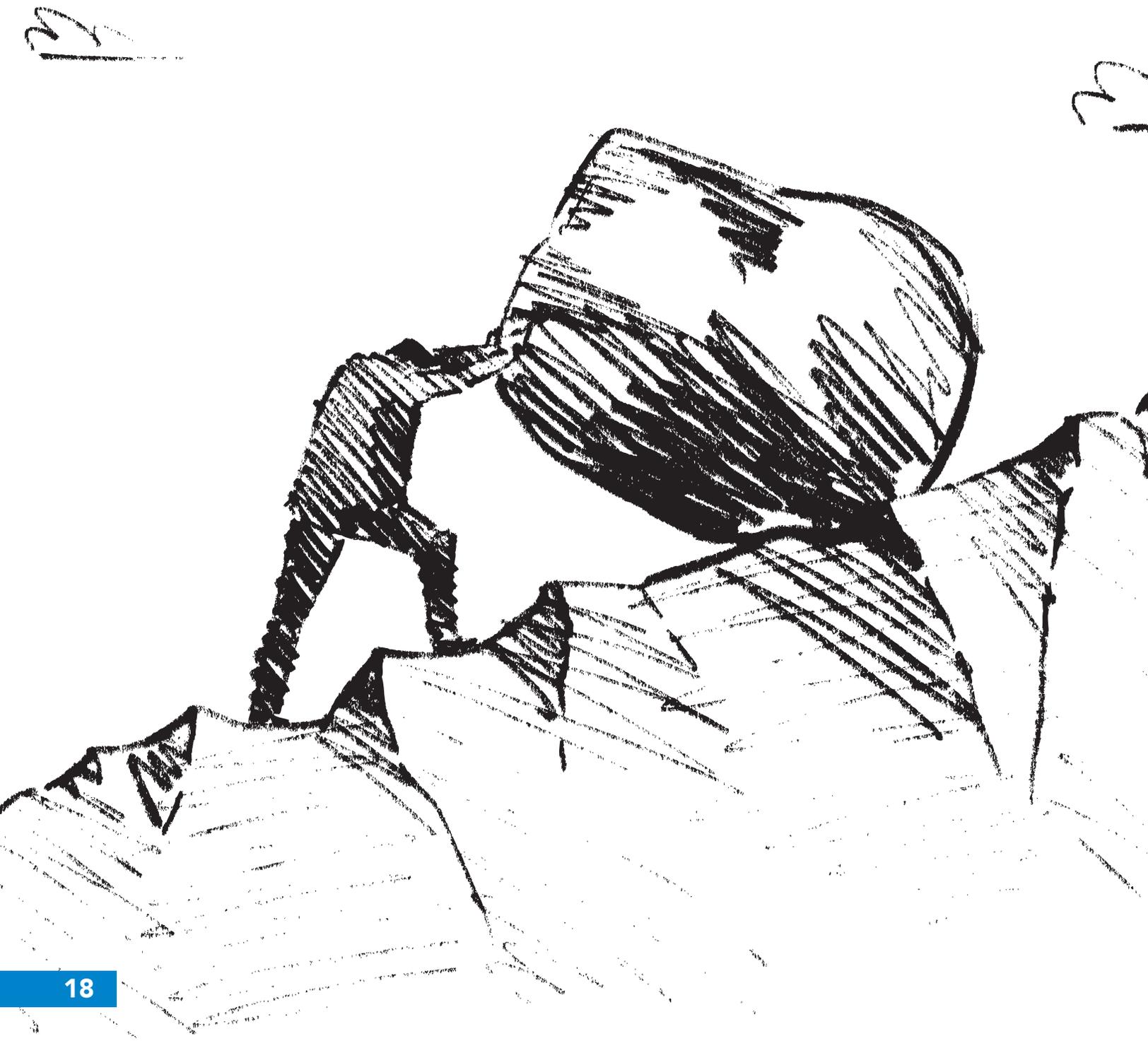
Practice: Beaumont Associates of Internal Medicine, Troy
Physician organization: United Physicians Inc., Bingham Farms



At one physician practice, patients weren't following through with recommendations to see a behavioral health specialist because of the stigma associated with seeing a psychiatrist or psychologist. After the practice brought a behavioral health specialist into its office one evening a week, patients were much more comfortable seeing a therapist. Many of the patients subsequently scheduled sessions with the therapist outside of the office.

Practice: Wattles Park Family Practice, Battle Creek
Physician organization: Integrated Health Partners, Battle Creek





FORGING AHEAD, FINDING SOLUTIONS

This report has detailed just a few of our efforts to rein in health care costs while improving health care quality overall. These efforts have been underway for more than a decade. But we're just getting started.

High health care costs are a big problem that demands an equally big solution — and our track record with Value Partnerships makes us well-suited to the challenge. We're committed to doing all we can to improve patient care and create a more efficient, less fragmented health care system.

Our ultimate success will rely on the following three principles:

Collaboration. Collaboration has always been at the heart of Value Partnerships. We foster open, honest, spirited discussions among hospitals and physicians about what's going right — and, perhaps most important, what's going wrong — in the health care arena. And we help to speed the implementation of best practices.

Alignment. We need to create greater alignment and increased communication among doctors, hospitals and other health care providers to ensure better coordination of care and eliminate duplication of services and treatments. Good data capturing and data sharing through a health information exchange are keys to successful alignment, and we're moving quickly in this direction.

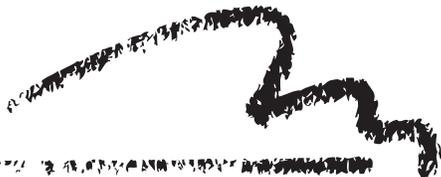
Value-based reimbursement. We need to work closely with physician organizations and hospitals to speed the transition to a value-based reimbursement system. Payments to physicians and hospitals will increasingly be based on their quality improvements and the health of their shared population of patients.

We've already developed many programs that support these principles, with more in the works. The more quickly we can implement solutions to combat rising health care costs, the sooner we can reach our ultimate goal: safer, better, more cost-effective health care.



A stylized, handwritten signature in black ink that reads "Kevin Klobucar".

Kevin Klobucar
Executive Vice President
Health Care Value



**Blue Cross
Blue Shield**
of Michigan

A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

