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Putting the power of choice in your hands.

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NGBU Quarterly PL Meeting
Hospital Tiering/Physician Profiling
July 18, 2002

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NetworkBlue is one of the many new capabilities being developed

Why are we building a New Network?

- Want to move toward a single flexible network: will reduce both provider and BCBSF administrative complexities and costs while meeting diverse customer needs:

1. Consistent policies and procedures
2. Consumer/patient choice of providers
3. Emphasis on electronic communications/service

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Hospital Tiering

- Data-driven
- Market knowledge- GBU level
- Member preferences
- Quality

Why are we Tiering our Hospital Network?

1. **Price Variation:** Large differences exists in hospital pricing within a single market
2. **Transparency:** Current insurance (80/60) plans already differentiate patient cost sharing; large variation in patient cost sharing exists (20% of different allowances), but the patient is typically unaware of this variance
3. **Education:** Encourages patients and physicians to consider hospital costs as one factor when arranging for hospitalization
4. **Patient-driven choices:** Tiers allow for broad hospital participation that allows patients, not BCBSF, to make the value determination of a hospital
5. **Price Reductions:** Lowers premium costs for all customers to help provide affordable choices

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Criteria for Hospital Tiering

Criteria for Tiering Evaluations Include:

- Inpatient Cost per case, and cost per day (case mix adjusted)
- Outpatient Costs
- Services provided (trauma, open heart, maternity, etc...)
- Geographic Access
- Physician Alignment
- Marketplace Demand

- **ALL** hospitals must be quality providers to be in BCBSF Networks

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Unique & ER Services by a Tier C hospital

- Critics of the tiering methodology oftentimes cite emergency and highly specialized care as a major concern

  - This is due to the patient's **inability to choose** a particular hospital in an emergency situation or when a hospital provides highly specialized care (trauma, cancer, etc...)

  - Patients are charged the higher out-of-pocket deductible if they utilize as C-tier provider **regardless** of the admission circumstances

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Unique & ER Services by a Tier C hospital

- Generally speaking, patients/consumers who utilize high cost services, regardless of the reason, will pay more
  - With Empower the out-of-pocket cost is limited to the **fixed** per admission deductible.
  - In the current PPO environment, the member assumes **at least 20% of the total facility allowance**. This out-of-pocket expense would far exceed the highest Tier-C facility deductible ($2250) for Empower
- As a solution, voluntary product features (individual case management, optional amendments to the employer contracts) can help reduce the patients costs when receiving services at high cost hospitals in these situations.

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Cost Sharing Comparison

Illustrative	Option 1	Option 2	Option 3	Non-Par
BlueCare (HMO)				
Inpatient Hospital Copayment (Up to 5 days @ $150 per day) Avg. LOS 4 days				
Total Member Responsibility	**$ 600**	**$ 600**	**$ 600**	**Pay Member** (Medicare allowance)
BlueChoice (PPO)				
Calendar Year Deductible + Coinsurance (+ An Additional Inpatient Deductible Not Included in Illustration)				
Total Member Responsibility	**$1,287**	**$1,465**	**$1,835**	**Pay Member** (Medicare Allowance*)
BlueOptions (NetworkBlue)				
Inpatient Per Admission Deductible (PAD)				
Total Member Responsibility	**$ 400-500**	**$800-1,000**	**$1,200-2,250**	**Pay Member** (Medicare Allowance*)
Outpatient Copay				
Total Member Responsibility	**$ 100-200**	**$ 200-300**	**$ 300-400**	**Pay Member** (Medicare Allowance*)

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* Less Patient co-insurance or Tier 3 PAD

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Physician Profiling

- Data-driven
- Market knowledge- GBU level
- Member preferences
- Quality

Data-Driven Process:

- PPO and HMO claims data for a 12-month period with 3-month run-out
- Cost and Utilization comparisons to peers
  - Peer comparison based on market and specialty
- Primary care and referral specialties
- Age/Sex, ACG severity adjustments
- Common fee schedule to level reimbursement

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Physician Profiling Analysis Approach

- Preliminary assessment into categories based on peer comparison data
- HMO data supplement for HMO PCPs
- Further review of cost and utilization that are either too high or too low
- Clinical review of claims/profiling data
  - Focus on high or low cost and use
  - Support explanation of performance
  - Identify physicians focused on niche services
  - Identify potential quality or billing issues
- Pre-selection review by local network managers
- Multi disciplinary team completes initial NetworkBlue selection

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Physician Profiling Approach, cont.

- Conducted by a multi disciplinary team of Medical Directors, local network managers and others
- Combination of profiling data, local knowledge, and network needs used in decision process
- Physicians within groups profiled individually, however physician groups, if invited, solicited as a group
- Physician and hospital participation will be aligned

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