HOW OCHSNER HEALTH SERVED 30,000 PATIENTS IN ITS MEDICARE ADVANTAGE PROGRAM WITH SAVINGS OF $100 MILLION

by Santiago Leon

Beyond the already-established integrated delivery systems like Kaiser Permanente, more traditionally organized hospital systems are looking into establishing their own Medicare Advantage plans. In doing so, they may be able to learn something from the experience of Ochsner Health, which has had its own plan for several years and seems to have done well with it. This article is based in large part on three recorded interviews with David Carmouche, MD, Ochsner's outgoing EVP of Value-Based Care, and was inspired by an episode on this topic in Dr. Eric Bricker's AHealthcareZ - Healthcare Finance Videos, available through YouTube and LinkedIn. These resources are linked below.

Background:

Ochsner Health, founded in 1942 in New Orleans, includes 40 owned, managed, and affiliated hospitals and specialty hospitals, and more than 100 health centers and urgent care centers.

The accomplishment:

As stated by Dr. Carmouche on the Relentless Health Value podcast, Ochsner delivered services for a year to 30,000 patients in its Medicare Advantage program for $100 million less than the cost for 30,000 comparable patients in its Medicare ACO. (It should be pointed out here that Ochsner's ACO is itself one of the top 15 in the country.) There are clearly many details not included here, such as clinical results and the demographics of the groups compared, but they will presumably be addressed in an article that Dr. Carmouche and his colleagues have submitted for publication in the journal Health Affairs. Assuming average Medicare costs of $18,000 per year, these financial results would represent savings of almost 20% of total cost.

Ochsner's financial motivation:

Ochsner operates largely in the state of Louisiana, which is primarily a one-carrier state where commercial fee-for-service reimbursement is, in the words of Dr. Carmouche, "not exciting." Ochsner provides tertiary and quaternary services to its service area, and its operating expenses are such that most services provided under the traditional Medicare program are money-losers for the system. Thus, Ochsner has a powerful motivation to move as many patients as possible into risk-based contracts under which Ochsner can be rewarded for controlling the total cost of care while maintaining or enhancing quality.

Ochsner's challenges:

Ochsner employs about 1600 physicians, 250 of them in primary care. The downside is that these employed primary doctors had in the past become accustomed to acting as access points for, and driving volume to, the specialists- exactly the reverse of the capitation model.

The employed primary care physicians, as well as affiliated community physicians, face the "two canoe" problem: they must practice fee-for-service medicine with some patients (with a revenue

goal of throughput), while other patients are capitated (with a revenue goal of controlling total cost of care).

In addition to these day-to-day challenges, the professional training of physicians creates its own problems: physicians are accustomed to thinking of themselves as having sole responsibility for patients, rather than sharing responsibility as a member of a team.

On a system level, capitated care creates special budgeting problems: while fee-for-service payments are more or less evenly distributed over the year, capitation contracts are often set up to require service provision in one year to be rewarded with payments the following year.

Ochsner's advantages:

On the upside, Ochsner's large number of employed physicians has made it easier to change compensation schemes to reward controlling the cost of care.

From its founding in 1942, Ochsner has emphasized a culture of clinical integration and community relationships. In addition, Ochsner is accustomed to handling risk, having for many years owned its own insurance plan. (Ochsner sold the insurance plan to Humana in 2004, but retained substantial risk under an Ochsner-labeled Humana Medicare Advantage plan. Ochsner is now enrolling for its own MA plan for 2022.) Ochsner has accumulated sufficient assets to handle the financial challenges of capitation.

On a clinical level, Ochsner has made a substantial investment in dealing with data. Its Epic system is shared with all components of the Ochsner system, and employs all the capabilities that Epic affords. Ochsner's IT sophistication has reached the point where it has created a separate entity, "innovationOchsner," to develop and commercialize health-related software systems. This strength in IT facilitates value-based payment as well as population health management and continuous quality improvement.

The COVID pandemic has demonstrated to community physicians the value of steady capitation payments in contrast to severe fluctuation in fee-for-service revenue, as well as promoting the use of telehealth. These developments have made physicians more receptive to value-based relationships. In addition, a growing number of primary care physicians are turning against the revenue model of maximizing the number of seven-minute visits, accompanied by hours of EMR charting, as well as the distortions of practice that result from having to schedule face-to-face visits to maximize revenue while not getting paid for interventions that may make more sense.

Ochsner's strategies:

The strategies being implemented by Ochsner include the following:

-Paying PCP's on the basis of panel size and performance, and rewarding specialists based on reduced resource utilization and avoidance of unwarranted care and clinical variations (this latter being a major continuing challenge)

-Building a network of professionals and services around the physician, including nurses, pharmacists and care coordinators; emphasizing the use of call centers, integrated mental health care, home visits, and frequent health risk assessments; and managing outpatient and post-acute care

-Helping PCP's assume their new role as team members and leaders, with much direct care being provided by other professionals

-“The more risk the better”- moving as many patients as possible into value-based relationships

-“The more value the better”- reducing the “two canoe” problem by building value-based financial relationships not only with Medicare but also with Medicaid, commercial insurers and employers

-At the system level, accepting the responsibility that value-based care must not be a “science project” or an academic exercise, but rather must make a profit and be a central part of the organization’s mission and operations

-Vision- top leadership must see value-based relationships as the future of health care

Conclusion:

"The future is already here – it's just not evenly distributed" (William Gibson, The Economist, December 4, 2003). Pure fee-for-service health care is clearly on its way out. As the system evolves, it may be possible to learn from the experiences of pioneers like Ochsner.

Notes:

AhealthcareZ, “Value-Based Care: Ochsner Health Has Real Hospital Success,” November 7, 2021

https://www.youtube.com/watch?v=rets0-oSVmU

Relentless Health Value, “EP343: What Provider Leadership Teams Need to Know to Operationalize Value-Based Care, With David Carmouche, MD,” October 28, 2021:

https://relentlesshealthvalue.com/audios/ep343-david-carmouche/

Pop Health Week, “The Ochsner Health Experience: Meet David Carmouche MD & Josh Berlin JD,” July 8, 2021:

https://www.blogtalkradio.com/pophealth-week/2021/07/08/the-ochsnerhealth-experience-meet-david-carmouche-md-josh-berlin-jd

The Scope Podcast, “Ochsner Health - Dr. David Carmouche”:

https://soundcloud.com/the-scope-podcast/ochsner-health-dr-david-carmouche?si=04ed662d6627463f87e4ac6e8cb3135c

Ochsner Health Plan web page:

https://www.ochsnerhealthplan.com/

LOUISIANA’S LARGEST ACCOUNTABLE CARE ORGANIZATION ANNOUNCES UNPRECEDENTED SAVINGS FOR MEDICARE BENEFICIARIES IN 2020

https://ochsneracn.org/2021/08/26/louisianas-largest-accountable-care-organization-announces-

unprecedented-savings-for-medicare-patients-in-2020/

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