



Statement for the Record

**Hearing before the Health Subcommittee of the House Ways and Means Committee
Programs that Reward Providers Who Deliver High Quality and Efficient Care
February 7, 2012**

Private Sector Rewarding High Quality and Efficient Rehabilitation Services

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Therapy Partners, Inc., (TPI) commends Chairman Herger and the Subcommittee on Health of House Ways and Means for holding the hearing of February 7, 2012 on 'Programs that Reward Physicians Who Deliver High Quality and Efficient Care.'

TPI is delighted to share with the subcommittee our innovative private sector experience that has resulted in increased effectiveness and efficiency in the rehabilitative care provided to patients who are insured by HealthPartners, the second largest health plan in Minnesota.

For a number of years, public programs have been engineering health care and reimbursement away from volume and toward value by emphasizing scientific evidence and basing payment in part upon quality or outcomes. Private sector initiatives have also been undertaken, some even mirroring the public models. One such experience involving two private sector entities (HP and TPI) is described in this statement. *The experience suggests that more activity of this type is worthy of pursuit by additional private insurers and public payers as well.*

HealthPartners Health Plan

Health Partners (HP), Minnesota's second largest private health plan with over 1.3 million covered lives, is rooted in one of the first HMOs in the country in the late 1960s, Group Health of Minnesota. HP members are estimated to pay 8 percent lower than Minnesota's average and up to 38 percent lower than the national average for health care coverage. HP has developed a reputation for innovative health care management, and recognizing and rewarding health care providers of all types through their annual Partners in Excellence program.

Therapy Partners Physical Therapy Providers

Therapy Partners, Inc. (TPI) was formed in 1999 as a management services organization for 20 independent therapy clinics with over 70 therapists who serve about 20,000 patients and over 130,000 patient visits annually. TPI provides administrative services such as contracting, billing, provider credentialing, compliance, and "Triple Aim" value services – patient outcomes, clinical guidelines, clinical programs to reduce total cost of care, evidence based educational programs, leadership programs, and customer service training. Therapy Partners' member practices all have long standing reputations for excellent care, impressive customer service, quick, convenient access to care, and collaboration with local provider organizations. TPI enables practices to reduce their operational costs administrative efficiencies; improve their relationships with health plans through size, and geographic distribution while remaining independent small businesses in an era of consolidation.

Focus On Therapeutic Outcomes

Focus On Therapeutic Outcomes, Inc., (FOTO) is an independent outcomes company that collects, compares, and reports therapy outcomes for over 2000 clinics nationwide. FOTO has researched and developed a Value-Based Payment Algorithm for outpatient physical therapy reimbursement. This algorithm was the basis for a pay-for-performance feasibility study funded by Congress and conducted for the Centers for Medicare and Medicaid Services (CMS) in 2006. Results of this study suggested: (1) the risk-adjusted value-based purchasing model had predictive validity; (2) measures of effectiveness (quality) should be matched to measures of efficiency (cost) if value is to be assessed and used in a purchasing model; (3) electronic data collection reduced data collection burdens on patients and clinicians; (4) a model of reimbursement could be

developed for therapy providers in which more effective and efficient clinics receive more reimbursement and less effective and efficient clinics receive less; and (5) it is realistic to achieve alignment of incentives as suggested by the Institute of Medicine (IOM) in its sentinel report *Crossing the Quality Chasm*. In this case, care based on need and payment based on results for physical rehabilitation services.

Background of Payer – Provider Relationship

Therapy Partners has a long-standing relationship with HealthPartners. HP's Medical Director, Tom Marr, and Director of Professional Services Network Management, Marty Michael, have for years worked collaboratively and respectfully with TPI leadership. Dr. Marr is a creative, visionary leader and led efforts to work with therapy providers across the Twin Cities to analyze the effectiveness of physical therapy care for low back pain using a basic Oswestry functional status scores. After several years of study, HP realized Oswestry was not an adequate method for analysis and comparison of provider effectiveness. When HP realized the limitations of its methods of analyzing effectiveness of physical therapy care, a collaboration was pursued with TPI.

TPI is an innovative provider organization which for several years had been using Focus On Therapeutic Outcomes, Inc. (FOTO) to measure effectiveness of patient care (outcomes). FOTO is an independent organization that uses a relatively inexpensive and easy-to-use web-based technology that collects, reports, and compares therapy provider outcomes with over 2000 other clinics nationwide. Functional change is determined by each patient's response to specific questions related to their ability to perform day-to-day functions. FOTO's methodology has strong psychometrics (validity, reliability and responsiveness) and its robust data and rigorous methods have been the basis of research that has been published in over 80 articles that have appeared in peer-reviewed publications.

For over a decade, TPI and HP have been exploring a meaningful and effective arrangement that rewards enhanced value of patient services. Early attempts were predicated only on efficiency but the arbitrary utilization standards were very difficult to meet and thus fell short of the desired success.

Value Based Purchasing Model – Pay for Performance

In 2009, Dr. Marr and Mr. Michael invited the leadership of Therapy Partners, Inc. (TPI) to discuss the possibility of changing their reimbursement model from the "efficiency" methodology described above to a model that incented and rewarded "value" – effectiveness and efficiency. Both TPI and HP were fully in favor of such a model that requires the provider to share risk and rewards value. *The collaboration resulted in the adoption of a model that rewards both efficiency and effectiveness.* Operationalizing this concept required an accurate, valid and reliable method of measuring and reporting the outcome of care, i.e., effectiveness.

The parties also agreed that the measurement tool would have to meet the following criteria:

1. Provide accurate functional and utilization outcome data for physical therapy patients
2. Provide a means to compare the provider's this outcome data to a national data base
3. Have been validated through scientific studies
4. Provide risk-adjusted patient and population outcome reports. Risk adjusted refers to the consideration of 9 separate factors or situations (eg age, co-morbidities, prior surgery, acuity of injury, fear avoidance behavior) that have been proven to complicate a patient's condition.
5. Perform the data collection, analysis, and reporting electronically
6. Be implemented at a reasonable cost and applied relatively easily

The value based model developed calls for HP to pay Therapy Partners' clinics a slightly larger rate for each patient visit but also implement a percentage withhold which could be earned back (rewarded) based not only on utilization (efficiency) but also functional improvement (effectiveness). FOTO developed a creative yet simple model utilizing a 9-cell matrix that measures each patient's functional change and therapy utilization relative to FOTO's national data. Following completion of therapy care, based on patient self-report, each patient is scored as "Above Expected", "Expected", or "Below Expected" relative to a combined "value" score considering both functional improvement and cost. Therapy Partners was rewarded with a higher percentage of the withhold dollars for higher

percentages of patients that achieved “Above Expected” or “Expected” outcomes.

The “**Value Based Purchasing Model for Therapy Services**” was implemented as a pilot for 2010 during which FOTO provided HP and TPI quarterly outcome reports. HP and TPI leadership met quarterly to discuss the results and strategize ways for clinics to improve the process. Clinic teams were also provided the data and met to determine ways to improve their patient outcomes. Distribution of the withhold payment to the TPI practices was based on 13 months of data. The determination was based on a statistical and risk-adjusted analysis using the FOTO database that houses over 3 million episodes of care.

Purpose

There were 2 primary issues driving this innovation:

1. Reimbursement Rewards Not Aligned with Effectiveness and Efficiency.

The present fee-for-service reimbursement model provides perverse incentives as it rewards utilization and ignores quality. Reimbursement models must move from “*paying for volume*” to “*paying for value*”.

Objectively measuring patient health outcomes is a challenge for all provider types including physical therapists (PTs). PTs provide therapeutic interventions that focus on improving patient function. Measurement of physical therapy outcomes must therefore involve quantitative assessment of “*patient functional improvement*” relative to specific conditions. Generic (basic) body part-specific questionnaires designed to measure patient functional change are inadequate because they are not psychometrically robust, are not risk-adjusted, do not have comparisons to a national data base, are inefficient (require manual data collection), and do not provide accurate outcome information that can compare patient performance and provider effectiveness.

The FOTO methodology was selected because it provides physical therapists with a valid, reliable and responsive outcome measurement tool that can efficiently and economically measure patient function and resource utilization with a relational data base for comparison of performance.

2. Inefficient Utilization Management Processes

As a payer, HP managed therapy utilization via annual limits on the number of PT visits per member and through medical review acted on requests to treat a patient beyond those limits. This practice is labor-intensive as providers and the payer must employ staff to perform and manage these processes. Moreover, patients often experience delays in care while the review takes place. These efforts are successful in controlling utilization but at the expense of inefficiencies, added costs and patient and provider frustration.

Efficient processes were needed to allow providers and the payer to control costs while simultaneously ensuring that patients receive necessary, effective care in a timely manner.

Implementation Process and Challenges

TPI leadership chose 2 physical therapists to be “FOTO Champions”. Two months prior to implementation, they, along with leadership, provided each clinic – therapists and support staff – with a thorough training program that involved a detailed explanation of the importance and value of the HP-TPI Value Based Purchasing Model to patients, therapists, practices, HP, and the health care delivery system as a whole; roles; responsibilities; process work flow; and expectations. While there was some resistance early on and to a lesser extent throughout the pilot, a vast majority of staff has been cooperative in supportive of the process in all 20 clinics. Therapy Partners clinics and therapists faced several challenges in the 13 month pilot. Most notably:

Challenge 1 - Clinical staff resistance to the pilot project. Prior to the start of the pilot and for the first few months of the program, some clinicians showed varying amounts of resistance and frustration with the process. Like other health care providers, physical therapists strive to optimize their one on one time with their patients. The outcomes measurement data collecting process took some time from that.

Solution - Leadership of the physical therapy organization designated “outcomes champions” to continue to work with the staff regarding:

- the benefit of the value based outcomes pilot program to each patient, each therapist, the practice, and the communities we serve;

- the most efficient process for collecting the data from patients and using the outcomes system; and
- tips on how to make the process and work flow even more efficient.

This effort aligned most of the clinicians and support staff with the program.

Three months after the start of the pilot program, management modified the outcomes gathering process to allow support staff to help more with the process to lessen the time burden on the clinicians. Management provided clinicians and support staff periodic updates of the outcomes results and reiterated the benefit of the program to staff members. At the end of the pilot, management recognized the staff's accomplishments with a luncheon that included a summary of the success of the pilot and a personal recognition of each individual on the team.

At the conclusion of the pilot, a vast majority of the clinicians and support staff strongly supported the outcomes effort and its value proposition. Many have proactively offered ways to further use the outcomes tool and the outcomes data to enhance patient care.

Challenge 2 - Time involved for patients to complete outcomes intake and status surveys. Although most patients require only 3-4 minutes to complete their FOTO on-line surveys, some people struggled with the process (difficulty using a computer, misunderstanding questions, technical problems) which resulted in delays in their appointments.

Solution - Front desk support staff took time to help those patients who struggled. We brought in IT professionals to solve the technical problems involving hardware.

Challenge 3 - Initial methodology for determining value had some flaws. Over the first three quarters of the pilot, all parties involved agreed that Therapy Partners' outcomes analysis did not seem to accurately represent the true value of the services provided relative to the national data base. Utilization rates were significantly lower than the national average and functional change scores were mostly on par or above the expected results, but the analysis did not depict the expected value.

Solution - Researchers from the outcomes company looked closer at the algorithm used to determine value and through deeper analysis, they found two minor flaws in the original methodology. With a slight change, the analysis of the physical therapy organization's outcomes displayed a more accurate representation of the value of the care. Health Partners' team, the physical therapy provider organization, and the outcomes company agreed that the new format should be used, and the final analysis revealed a more accurate assessment and recognition of the value the physical therapy organization provided.

Health Care Reform and “The Triple Aim”

- *Improve the health of the population*
- *Enhance the patient experience of care*
- *Reduce the Total Cost of Care*

The innovative payment model adopted in a collaborative fashion by a private insurer and a provider of outpatient physical therapy described in this paper is consistent with certain health care reform initiatives currently underway; specifically, those that focus on improving quality, enhancing efficiency, and reducing costs related to health care delivery, the so-called “Triple Aim”. To reach this target, providers, health plans, and patients must collaborate to develop innovative programs that measurably deliver value. Developing new reimbursement models align incentives, i.e., reward clinicians for providing value requires the use of reliable quality measurement tools that accurately quantify patient outcomes.

The innovative value-based purchasing model used in this private sector pilot contributed to “Triple Aim” value in the following ways:

Improve the health of the population

The data required to implement the value-based purchasing algorithm were collected and used to quantify the effectiveness of physical therapy delivered, which precisely described the functional status improvement of the patients treated. In this way, the improvement in the functional ‘health of the population’ was quantified, and because the measures have been shown to be reliable, valid, sensitive to change, responsive and usable, the patients and therapists could use the data to assist in the development and modification of the patient’s treatment plan in order to achieve an optimal outcome. In addition, because the data necessary to

develop the statistical risk-adjusted models for the algorithm came from a large national aggregate data set, direct comparisons of the local physical therapy organization's ability to produce effective and efficient care could be made. These comparisons facilitated improvements in the algorithm for a more equitable distribution of reimbursement to the clinics. Because the measures of effectiveness and efficiency were risk-adjusted, the value-based purchasing process can be interpreted as equitable to the patients who represented a disparate population of people treated in the pilot clinics. As the value-based purchasing process is expanded and analyzed, the data could be used by the payer to better understand the rehabilitation process, which might prove useful in refinements to the health care delivery system. In general, the physical therapists involved in this project now have a greater focus on quantifiable patient outcomes, which will improve the functional status of people in their communities. Safety was not an issue in these patients or treatments. Therefore, the impact of the innovation related to the health of the population is considered large.

Enhance the patient experience of care (timely, patient-centered)

Data were collected electronically, and patient-specific reports reflecting the current status of the patient compared to the risk-adjusted national aggregate were printed and available to the treating therapists at time of treatment, i.e., in 'real time'. The data on the reports could be used by the therapist and patient to plan and improve the treatment plan in real time, which makes the innovation timely. In addition, because the functional status data came from patient self-reported surveys and were risk-adjusted, the functional status data were patient-centered, i.e., specific to the patient being treated and compared to the risk-adjusted national aggregate data. Such data enhance the patient experience by making the data 'real' to the patient and predictive of possible improvement goals, which facilitates a positive experience for patient and therapist. Finally, if the data being displayed on the patient-specific reports were not reflective of improvement expected, the therapist could modify treatment in real time to facilitate a timely modification of the treatment plan. Therefore, the impact of the innovation related to the patient experience is moderate to large. Further studies should consider direct feedback from patients regarding their feelings on the entire

patient experience (access; convenience; caring, friendliness, and helpfulness of staff, etc).

Reduce the Total Cost of Care (efficient)

The data collected showed the local physical therapy organization provided and managed an episode of care on average between 6-7 visits compared to the national aggregate data set of 9-10 visits. Thus, the cost of care is relatively lower and more efficient.

The electronic data collection and reporting processes were efficient and functional status measures were estimated using modern psychometric methods (Item Response Theory mathematics) administered using Computerized Adaptive Testing applications. The primary benefit of the computerized adaptive application is reduced respondent burden while maintaining measurement precision. Real time functional assessment made the processes efficient for the patient and therapist. Thus, the direct and indirect costs of reporting were minimized. Therefore, the impact of the innovation related to cost is large.

Results

Quantitative Analysis

The 2011 data comparison between Q2 and Q4 shows an improvement efficiency (Overall change/visit) in nine of the ten Care Types measured in FOTO, one of which is "All" care types. Improvements in effectiveness (Overall change/episode of care) shows improvement in three of the ten measured care types. Due to the short time since the start of the pilot (2010) and pay for performance contract with HP(2011) it is difficult to show statistical change in either the positive or negative direction. The change in efficiency between Q2 and Q4 in 2011 is +2% in "All" care types, and +4.5% change in effectiveness in the same care type. We expect stability in the outcome numbers over time will allow us to make better conclusions about the effectiveness of our quality improvement processes and cost control.

Qualitative Analysis

Patients, TPI, and HP achieved “Win – Win – Win” results.

Patient perspective

A vast majority of patients appreciated the process and complied with it. Since the onset of the pilot and through the subsequent Patient outcomes have been improving at most TPI clinics. Patient feedback reveals that many truly appreciate that our clinics and their health care plan care enough about patient outcomes to measure and reward them.

TPI perspective

TPI made significant changes and investment into this program.

- Investment of financial resources for direct costs of the outcome system - monthly user fees, hardware on which to deploy the outcome tool.
- Dedicated human resources to the project - time and materials for staff training and re-training, staff time dedicated to gathering, analyzing and reporting on the data to staff members, Health Partners, and other outside stakeholders.
- After the completion of the pilot, TPI hired a very experienced physical therapist to serve as Director of Clinical Integration. This position focuses on leading and implementing efforts to improve outcomes at each clinic and deliver higher value “*Triple Aim*” services including clinical guidelines, customer service training, and programs that reduce total cost of care.
- Clinicians focus on measurable value - functional outcomes and cost. Therapists look closely at measured outcomes per patient. This has become a part of their standards of care.

- Support staff members now show an interest in the patient outcome data for the practice.
- We now have valid, objective physical therapy outcome information to share with physicians and others with whom we collaborate in patient care.
- We have valid, objective outcome data that managers and therapists use to improve care delivery to patients based on patient conditions, therapist skills, and mentoring opportunities.
- The pilot performed in collaboration with Health Partners' team created a closer working relationship between the TPI and HP which should lead to more innovative efforts to enhance the value of physical therapy services delivered.
- Collecting, using, and considering value based outcomes at TPI has become a real team effort and part of the culture of the practices.

HP perspective

HP gained significant benefits from this pilot:

- HP now has a very large database of member therapy outcomes and has a much better understanding of how to assess the value of those services.
- HP was able to eliminate the need to perform costly utilization management processes for TPI practices and has saved significant money and time by allowing TPI to manage their care based on FOTO predictions and outcome data.
- They now have greater and more accurate predictability of outpatient therapy costs.
- They have a proven successful model that they can apply with not only other therapy providers but with health care providers of other specialties.

Conclusion

Based on the quantitative and qualitative analysis, the collaborators (HP and TPI) determined the pilot to be a success. *TPI achieved excellent patient outcomes (as measured by FOTO), and HP rewarded TPI by paying them 100 percent of the withhold amount. This is very significant in that based on FOTO results, TPI earned about 80 percent of the withhold. HP's real and perceived value of the program was exhibited by their decision to "bonus" TPI the remaining 20 percent. And both parties agreed to refine and extend the payment model for 2011 and 2012.*

Additionally, HealthPartners awarded Therapy Partners, Inc., one of its exclusive ***Excellence in Innovation Awards for 2011.***

Summary

Through strong leadership, communication and teamwork, the parties were able to identify and overcome challenges associated with implementation of this innovative payment model. And a retrospective analysis led both HP and TPI to conclude that the pilot was a success. This was based on excellent (improved) patient care results (functional outcomes); that is, increased effectiveness AND increased efficiency; (better results; lower cost).

For a number of years, public programs have been engineering health care and reimbursement away from volume and toward value by emphasizing scientific evidence and basing payment in part upon quality or outcomes. Private sector initiatives have also been undertaken, some even mirroring the public models. One such experience involving two private sector entities (HP and TPI) is described in this statement. The experience suggests that more activity of this type is worthy of pursuit by additional private insurers and public payers as well.

The TPI- HP Value Based Purchasing Model for Therapy Services has proven that providers and health plans can collaborate to develop models that incent value – quality and cost effectiveness.

Such models can result in great benefits for patients, plans, and providers alike. The HP-TPI model can be used not only for other physical therapy providers but could be modified and applied to a number of other health care provider specialists.

Collecting valid, reliable patient outcomes has proven to be a wise and valuable investment of time and financial resources. Providers who do so can use this information to improve quality and lower total cost of care. Health plans that have a visionary perspective on the health care delivery system will benefit by working closely with providers who share a similar vision to provide services in ways that benefit society and the health care delivery system as a whole.

Future Plans

HP and TPI will continue the value based model with slight modifications throughout 2011 and 2012. TPI has a chance to earn a higher reimbursement per visit with increasing value delivered.

TPI plans to offer this model to other private health plans in its market and invite collaboration to share risk and provide greater value and predictability for those plans and their members. Additionally, TPI plans to use this model in efforts to create relationships with Accountable Care Organizations (ACOs) and innovative care delivery models. Currently there are three Medicare ACOs in the Minneapolis-St. Paul metropolitan area – Fairview, Allina, and Park Nicollet. TPI's experience with value-based purchasing along with outcomes data and clinical guidelines should be of critical importance to organizations pursuing "shared savings" models.

This value-based model can now be expanded to involve even greater risk sharing arrangements. The robust data TPI has from FOTO and its experience in sharing risk are invaluable and should prove helpful in exploring "bundled payment" models.

Thank you for holding this hearing and allowing us the opportunity to share these experiences in value-based purchasing with the committee.