Demonstrating the Business Case for Quality in Medicaid: Challenges and Opportunities

Findings from the evaluation of the Business Case for Quality demonstration were recently published by Sandra Greene and colleagues in the Oct/Dec 2008 edition of Health Care Management Review.[1] The following summary includes excerpts and key findings from the report, as well as a description of CHCS' follow-up initiative, the Business Case for Quality – Phase II.

Conversations about health care spending are increasingly focused on ways of getting better value for health care dollars. The Center for Health Care Strategies (CHCS) has long believed that there are multiple opportunities in Medicaid to increase value of taxpayer funds by providing higher quality, coordinated care for people with chronic illnesses, thereby reducing avoidable and costly utilization.

To test the idea that quality improvement can reduce health care spending over and above the required investment costs, CHCS developed the *Business Case for Quality (BCQ)* initiative. The original demonstration, launched in April 2004, tested the existence of a business case for quality for Medicaid managed care organizations. The current phase, *BCQ II*, launched in April 2008, is testing the business case for quality for multiple stakeholders across the health care system. In so doing, *BCQ II* aims to identify financing arrangements that serve as potential disincentives for investments in quality, as well as strategies for correcting those misalignments.

Program Origins

The impetus for *BCQ* came from a 2003 *Health Affairs* article by Sheila Leatherman, Don Berwick, and colleagues, which questioned the existence of a business case for improving health care quality.[2] Noting the absence of Medicaid among the case studies in the article, CHCS recognized that Medicaid managed care offered significant opportunities for testing the business case for quality, based on the high prevalence of chronic illness among eligible populations and the powerful financial incentives provided by capitation arrangements.[3] In response, CHCS partnered with researchers at the University of North Carolina at Chapel Hill (UNC) to conduct the *BCQ* demonstration, with funding provided by the Robert Wood Johnson Foundation (RWJF) and The Commonwealth Fund (CMWF).

Program Details

Ten Medicaid managed care entities were competitively selected to participate in the *BCQ* demonstration, with quality improvement projects across a range of clinical conditions and intervention strategies. Interventions were launched in 2004 and completed by late 2006.

Key Findings

Evaluation results indicate a positive return on investment (ROI) for four of the eleven interventions implemented by the ten participating entities. Interventions with positive results included: a complex case management program for adults with multiple co-morbidities; case management for children with high-risk asthma; a community-based outreach program for high-risk pregnant women; and a care management program for adults with diabetes. The remaining seven interventions failed to show positive ROIs within the two-year timeframe, although four came close to realizing sufficient savings to offset investment costs. Taken together, these results suggest that the following intervention characteristics may hold potential for demonstrating short-term financial returns:

- ***Focus on Risk-Stratified Target Populations.*** Although targeting high-cost, high-risk populations does not guarantee a positive ROI, these groups comprise priority populations in terms of improving quality of care and reducing inefficient health care utilization. Many payers and purchasers alike are focusing on the subset of their population that is driving a disproportionate share of total health care spending. It is for these populations that the business case may be a powerful lever for driving improvements in quality of care.

- ***Certain Conditions have Greater Short-Term ROI Potential than Others.*** The original *BCQ* demonstration deliberately encouraged participants to focus on a wide range of clinical conditions, so as to identify which conditions or clinical characteristics might hold the most

[1] Greene SB, et al. "Searching for a Business Case for Quality in Medicaid Managed Care." *Health Care Management Review*, 2008, 33(4):350-360.
[2] Leatherman S, et al. "The Business Case for Quality: Case Studies and an Analysis." *Health Affairs*, 2003, 22(2):17-30.
[3] Somers SA. Letter to the Editor. *Health Affairs*, 2003, 22(4):260.

promise for demonstrating a business case within the two-year intervention timeframe. Among the included conditions, the results suggest that high-risk childhood asthma and high-risk pregnancy have strong potential to demonstrate short-term financial returns.

- ***Focus on Conditions Associated with Avoidable Acute Care Utilization.*** A positive ROI is more likely to be achieved when interventions focus on conditions responsible for a large portion of emergency room (ER) and hospital claims for the target population. For example, targeted care management interventions for children with high-risk asthma have potential to decrease ER visits and hospitalizations associated with asthma attacks. Similarly, outreach to high-risk pregnant women can reduce the neonatal intensive care or post-partum hospital admission rates among their infants in the first year of life.

Challenges and Opportunities

The original *BCQ* demonstration highlighted many challenges associated with rigorous analysis of the business case for quality. Addressing these limitations may allow for more rigorous analyses of the business case and, in turn, greater ability to identify financial misalignments that impede investments in quality care:

- ***Control for Regression to the Mean***: The ability to draw conclusions from *BCQ* was constrained by limitations in its study design. To isolate intervention effects from the statistical phenomenon of regression to the mean, demonstrations should include equivalent comparison groups in their evaluation design.

- ***Accounting for Trend***. All else being equal, health care costs typically rise over time. In the absence of suitable comparison groups to account for such trends, ROI calculations should include an adjustment for the price increases that are embedded in successive years of paid health care claims. Without such an adjustment, ROI analysis will understate the financial savings.

- ***Robust Measurement of Implementation and Quality Improvement.*** To accurately assess the business case for quality, three questions must be answered: (1) Was the intervention implemented as intended? (2) Did quality of care improve? and (3) If quality improved, was there a positive financial return? Although the *BCQ* evaluation measured the third question, it was not designed to answer questions of implementation and quality improvement. To accurately determine whether utilization-related savings are associated with better care, or to isolate the source of cost savings or increases, business case evaluations should track implementation as well as consensus-based measures of clinical quality.

- ***Analysis of Multiple Stakeholders***. The ROI for the investing organization is only one aspect of a broader analysis of whether "quality pays." Investments in quality may produce financial gains for one organization while generating losses for another – and the investing entity is not necessarily the one to whom the financial rewards will fall. As these types of financial misalignments may serve to deter investments in higher quality care, business case analyses should include the full range of stakeholders affected by changes in the delivery and utilization of health care services. *BCQ* recognized the need to identify all the downstream effects of investments in quality, but did not include the full range of stakeholders needed to conduct a comprehensive analysis.

Next Steps: BCQ II

To address the challenges and opportunities identified above, CHCS recently launched *BCQ II* with continued funding support from RWJF and CMWF. Compared to the original demonstration, *BCQ II* is designed to deliver more robust and actionable results through:

- Focus on a single disease – high-risk childhood asthma;
- Rigorous study design;
- Measurement of clinical quality; and
- Business case analyses for multiple-stakeholders.

Participants in this four-year initiative include: the Alameda Alliance for Health (Oakland, CA); Cincinnati Children's Hospital Medical Center; and the Monroe Plan for Medical Care (Rochester, NY). The evaluation is being conducted by Mathematica Policy Research and UNC, with interim results expected in early 2010.

By evaluating the potential for care management interventions to improve quality and reduce costs, *BCQ II* may help determine whether investments in quality are financially sustainable across the health care system. And, by measuring which stakeholders win and lose financially, *BCQ II* may pave the way for reforms that remove disincentives in the current payment systems to investing in quality.

For More Information

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