



April 19, 2007

Care Focused Purchasing, Inc.
Reshaping the Health Care Market

PEBA



CFP Introduction

Who We Are

Guiding Principles



Who We Are, Why We're Working Together CFP Employers

**HR leaders of over 50 US-based companies,
representing over 2 million enrolled health plan members,
joining together to achieve real improvements in health care cost and quality**

Representative List of Employers

- AIMCO
- Aldine Independent School District
- Analog Devices, Inc.
- Ashland Inc.
- Assurant
- Big Y Foods
- Black & Decker
- The Boeing Company
- Campbell Soup Company
- CH2M HILL
- Commonwealth of Massachusetts Group Insurance Commission
- Computer Sciences Corp (CSC)
- Corning Incorporated
- Diversified Communications
- Freightliner LLC
- Gates Corporation
- Genworth Financial
- Hannaford Bros. Co.
- Hubbell Incorporated
- The Kroger Co.
- Lockheed Martin Corporation
- Lowe's Companies, Inc.
- Marsh & McLennan Companies, Inc.
- McDermott International, Inc.
- Northrop Grumman
- Paul, Hastings, Janofsky & Walker LLP
- Penske Truck Leasing
- PepsiCo, Inc.
- The Procter & Gamble Company
- Smiths Group Americas, LLC
- Sprint Corporation
- Texas Instruments Incorporated
- The Navigators
- Unilever
- Vanguard
- Xerox Corporation
- Zions Bancorporation

Employers in blue serve on the Governance Committee



Who We Are, Why We're Working Together Carrier Partners

■ Carrier Partners

- Aetna
- CIGNA
- Fiserv
- Humana
- Preferred Care
- Regence BlueShield
- WellPoint

What does it mean to be a partnering carrier?

Agreeing to:

- Approval of common measures
- Publicly support the CFP project
- Fund 3-year data aggregation contract
- Contribute BoB insured commercial (now) and Medicare data (potential future state)
- Participate in CFP Governance and Carrier Data Advisory Group

- Carrier Partners will contribute insured data for over 24 million members



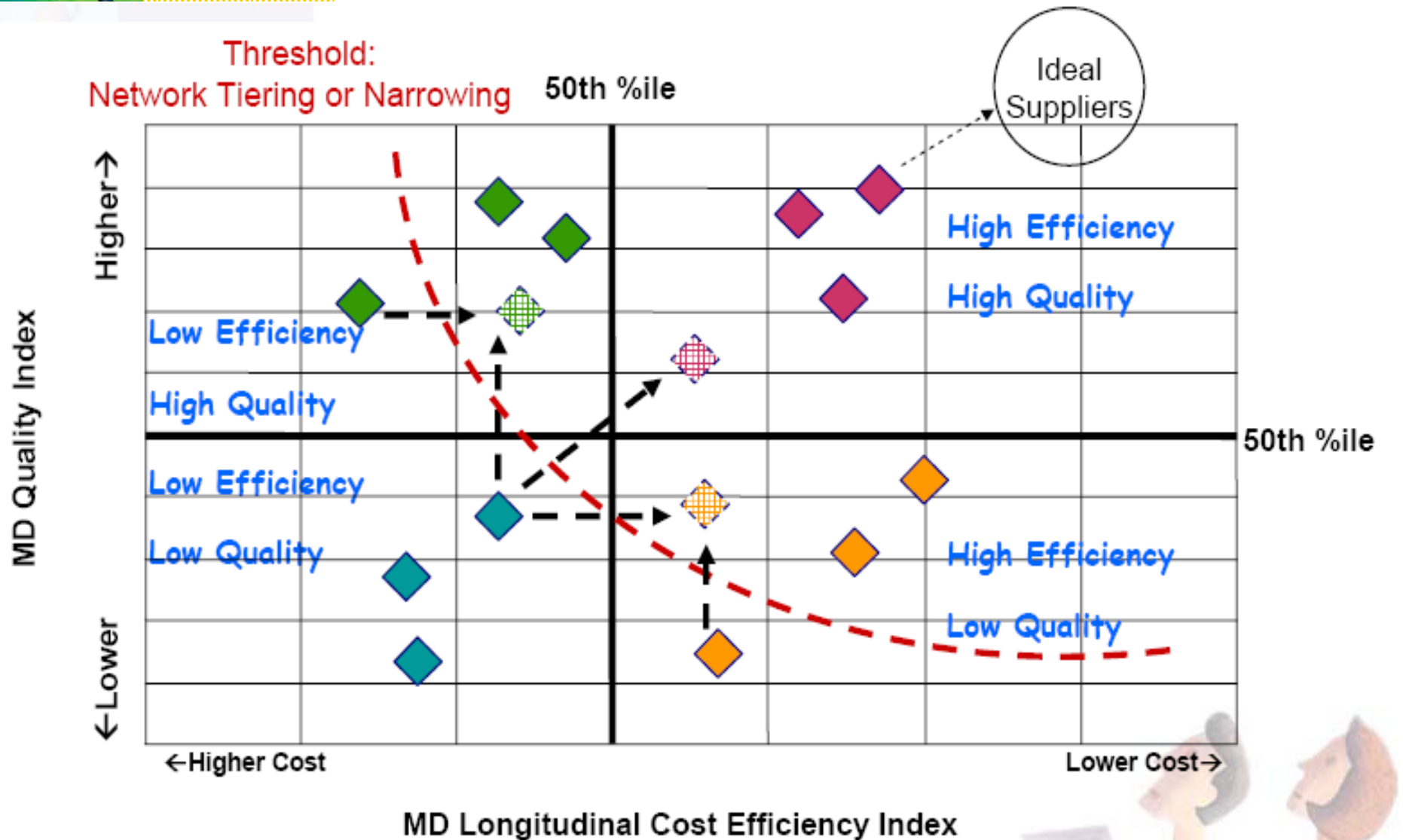
Our Common Guiding Principles

- The current US health care system has:
 - An **unacceptable error rate** and inconsistent outcomes
 - A **cost trend** that jeopardizes the ability of employers to offer affordable coverage
- We need to build a market that rewards:
 - **Better** physicians
 - **Better** hospitals
 - **Better** treatment options ... **Care Focused Purchasing**



Who We Are, Why We're Working Together

Unreliable Quality and Efficiency





Our Common Guiding Principles

- **Our Vision:**

- Market forces – created with transparent and consistent provider performance information – will address many of the current system’s ills
- Market forces will align incentives for providers with their customers’ needs, improve individual responsibility for health management, and lead to even greater freedom of choice

- **Our Goal:**

- A performance-sensitive health care market that results in meaningful and sustainable reductions in trend and improvements in quality

- **We will meet this goal through our key tactical objectives:**

- Development, from existing sources, of industry standard provider performance metrics
- Aggregation of non-financial claims data to enable the most robust and credible application of the performance metrics
- Deployment of aggregated data by partnering carriers to help in provider education, network management, and consumer decision support



CFP and the Executive Order

Overview

Employer Views



CFP and the Recent Executive Order

- **The issue of provider performance transparency is currently in the forefront as a result of several initiatives, including:**
 - Some regional CFP-like efforts that have produced strong results
 - The momentum through employers and carriers from CFP
 - Other national and regional efforts including the Ambulatory Care Quality Alliance (AQA)
 - HHS initiative as a result of the President's Executive Order
- **President Bush issued an Executive Order on 8/22/06 directing federal agencies that administer or sponsor federal health insurance programs to:**
 - Increase transparency in quality of care
 - Increase transparency in pricing
 - Encourage adoption of health information technology (HIT) standards
 - Create positive incentives that promote higher quality and efficiency
- **Targeted programs include Medicare, TRICARE (defense department), Federal Employees' Health Benefit Program, Veterans care program, and Indian Health Service**
 - Excludes Medicaid and State Children's Health Insurance Plans



Actions taken by HHS

- **HHS Secretary Leavitt is driving government efforts through principles based on “Four Cornerstones”**
 - Measuring and publishing cost information
 - Measuring and publishing quality information
 - Developing incentives to promote price competition and improved quality
 - Making widespread use of interoperable health IT
- **Employer community is being asked to commit to:**
 - Sharing information on price and quality
 - Developing quality and price standards within the medical community
 - Adopting standards for health IT
 - Providing incentives to promote high-value health care
- **Each of the four cornerstones is completely consistent with CFP’s objectives – and CFP is now building the experience to make the first two cornerstones operational**



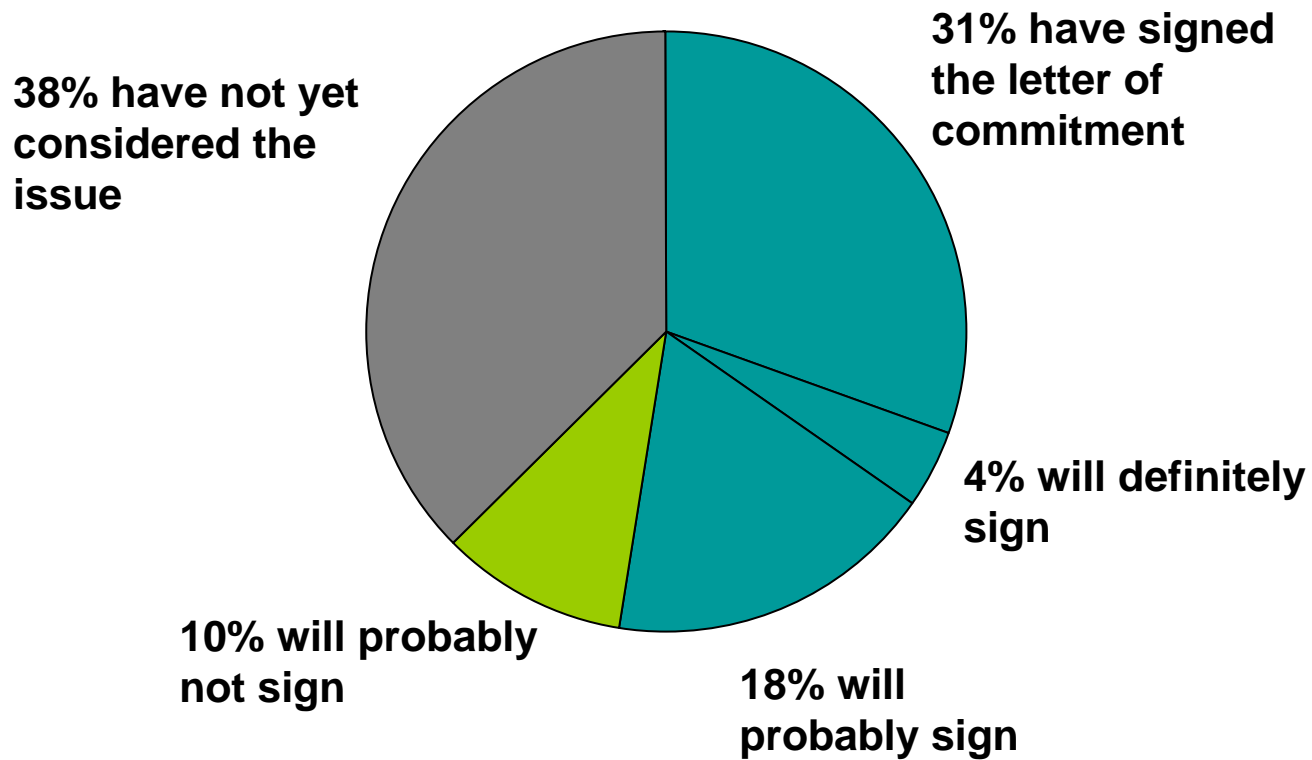
Employer Views

- **Given the important role foreseen for employers, the National Business Group on Health (NBGH) and Mercer Health & Benefits jointly sponsored a survey to test employer attitudes**
- **120 employers responded**
 - 56% had > 20,000 employees
- **Key findings demonstrated that we should continue to:**
 - Build greater awareness in employer community about the business case for transparency
 - Continue efforts to build credibility of quality and efficiency measurement
 - Expand size of available databases by including Medicare data
 - Overcome resistance to measurement by physicians and hospitals
- **The next few pages summarize the survey highlights**



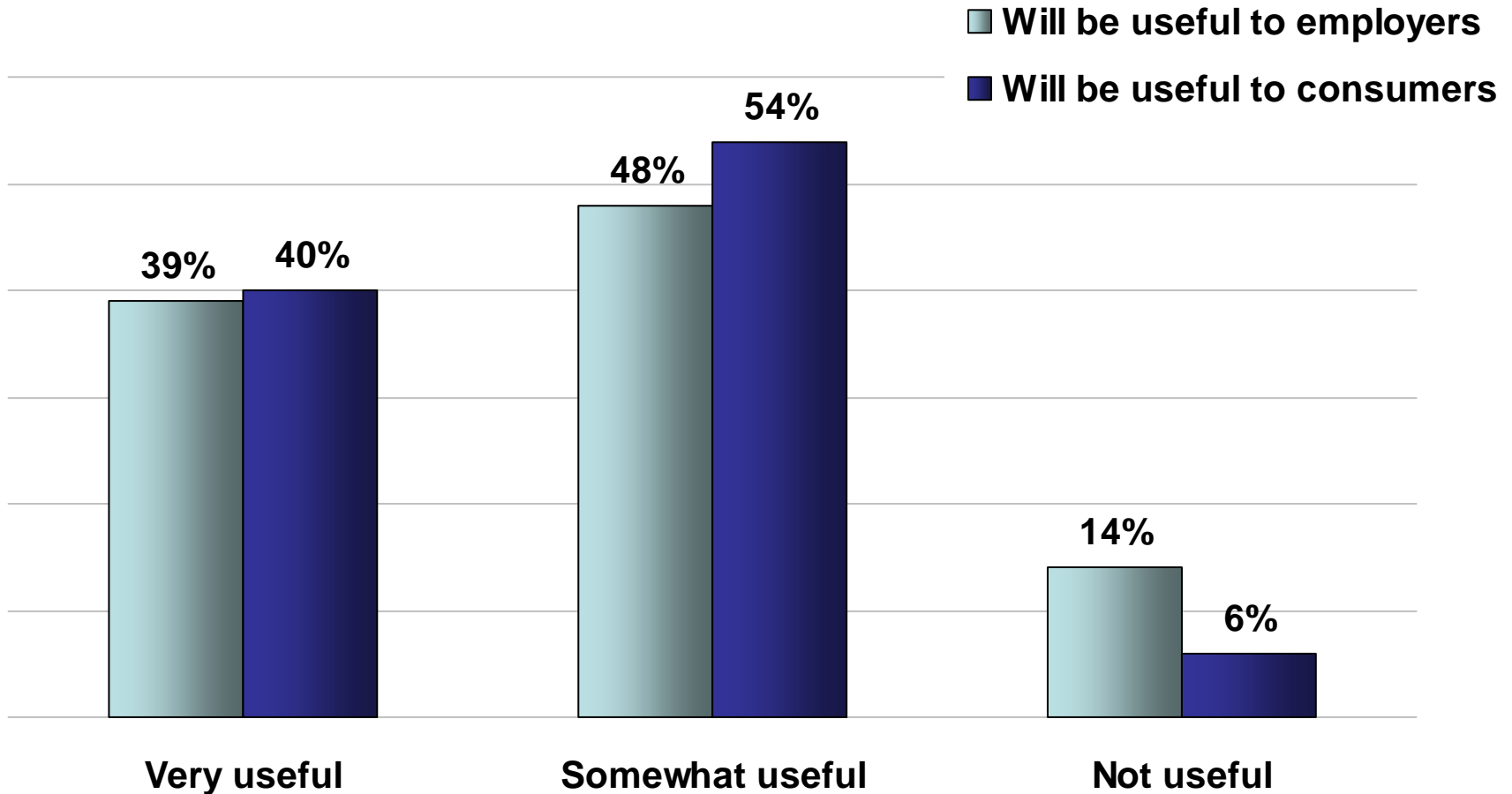
Support for HHS Transparency Initiative

Among the 61% of respondents who are aware of the initiative:



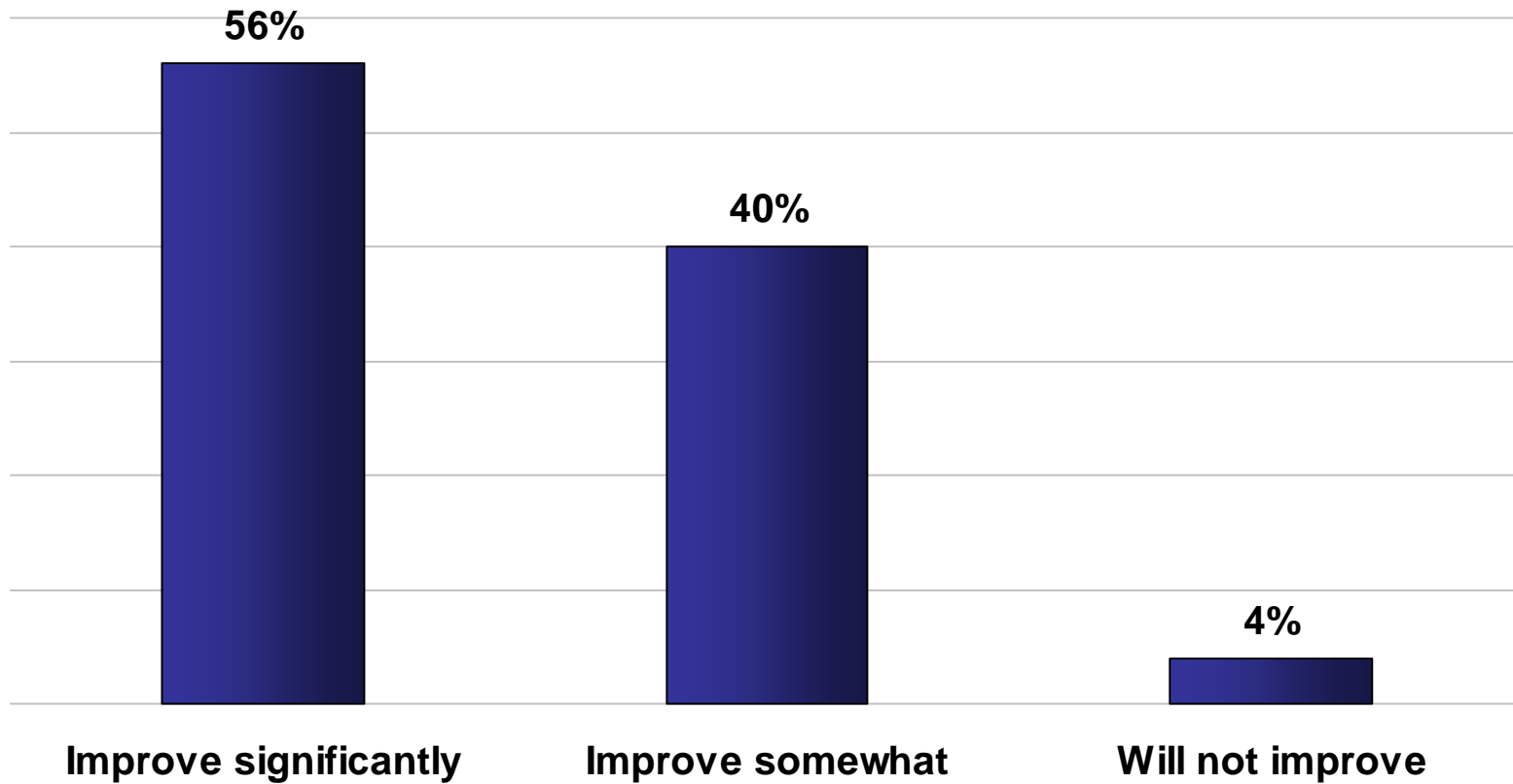


Opinion about public disclosure of Medicare provider cost/quality information





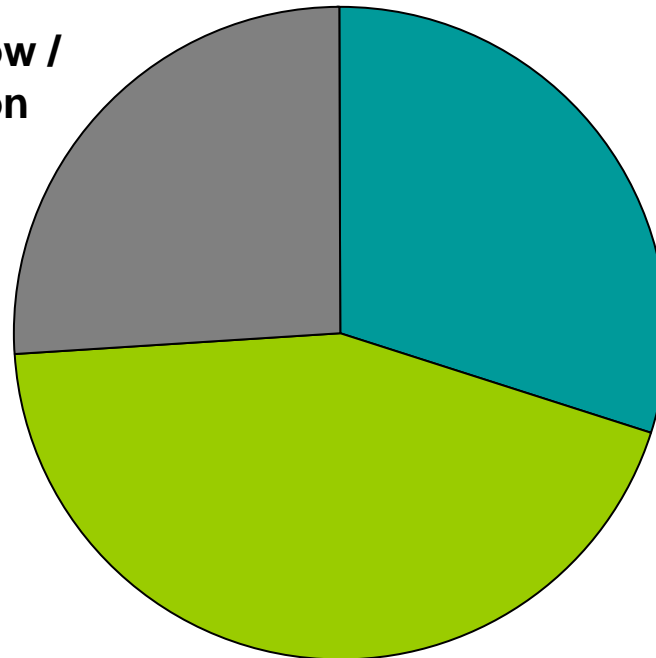
Most believe adoption of HIT standards will improve quality of care or cost efficiency





Are we ready to measure provider performance?

**Don't know /
No opinion
26%**

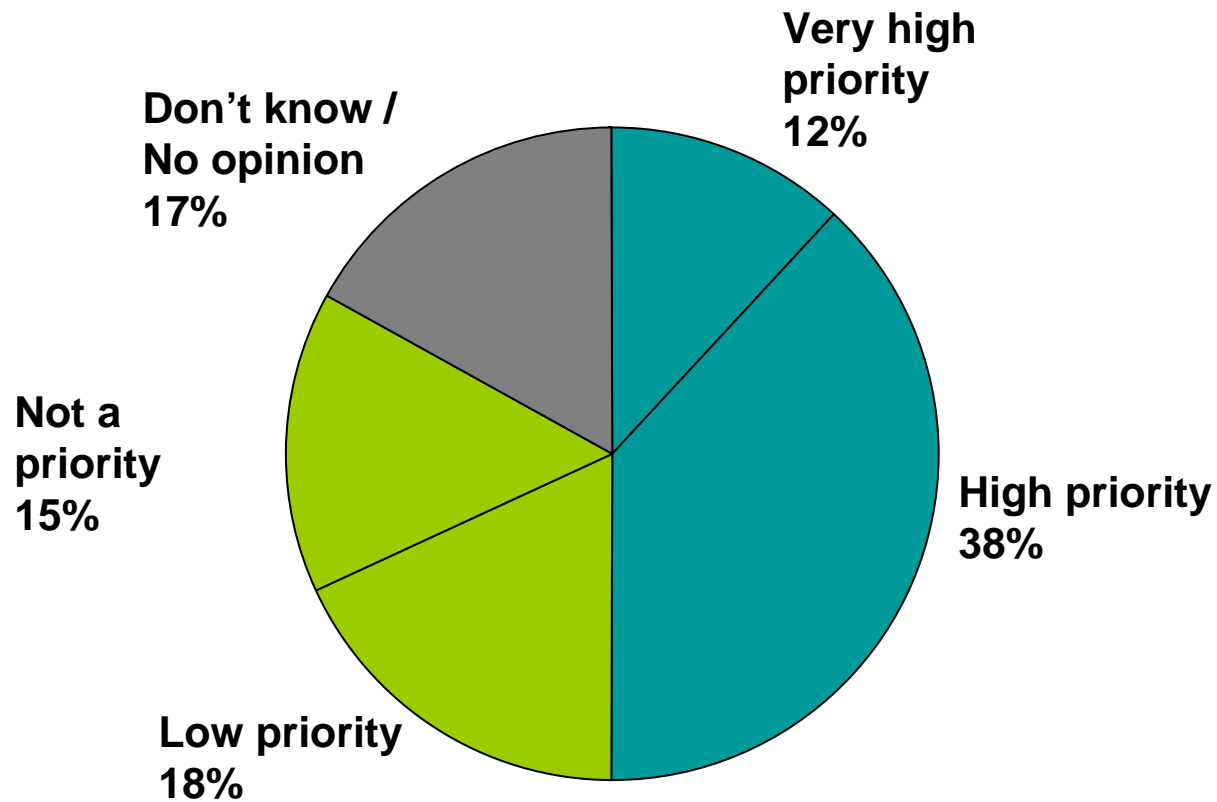


**Our current ability to measure provider performance is not adequate; we should not be measuring
30%**

**Our current ability to measure provider performance is sufficient; we should be measuring
44%**

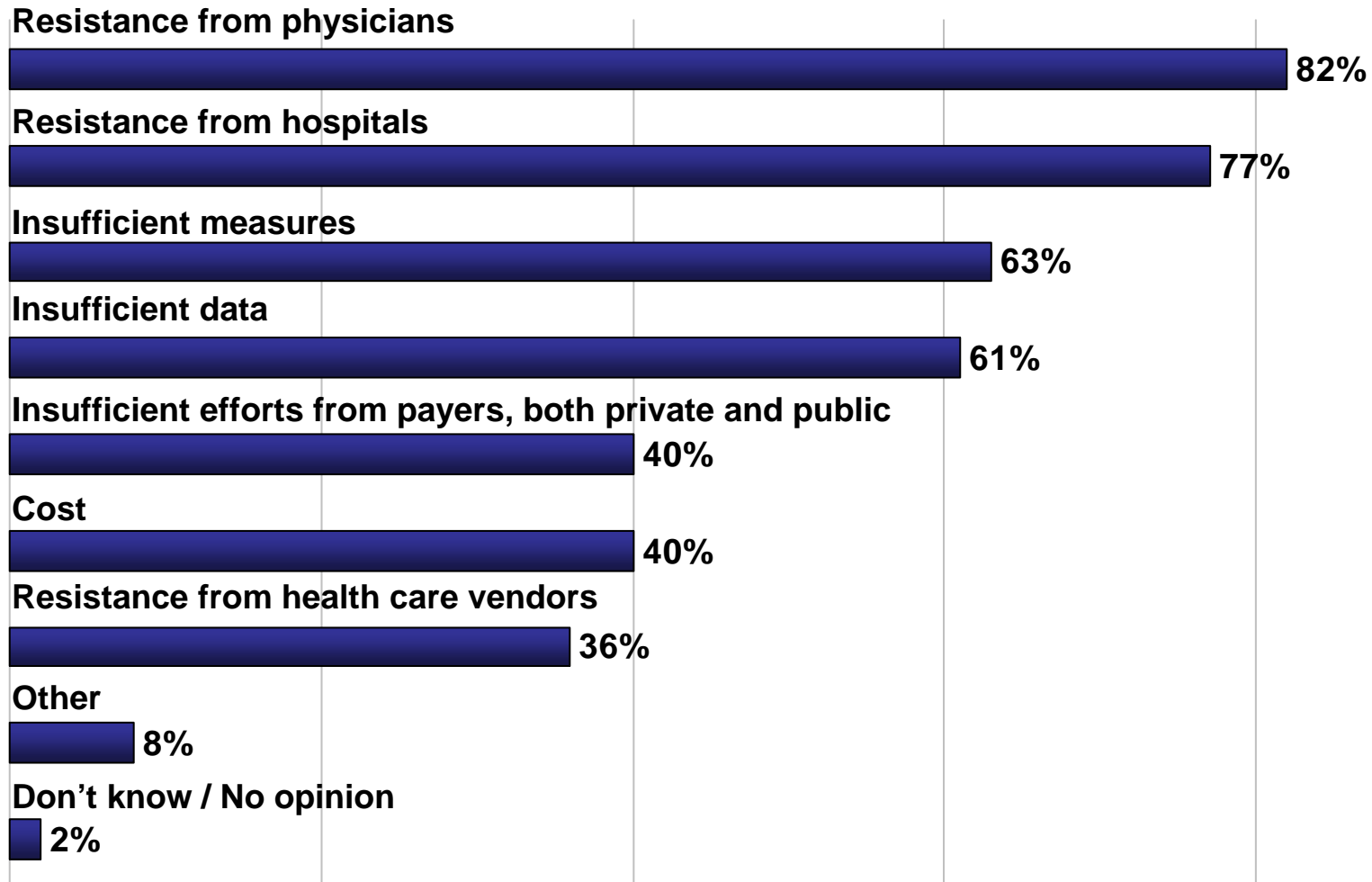


Priority placed on the release of Medicare claims data for use in performance measurement





Most significant barriers in efforts to measure provider performance





Making a Difference with CFP

Where We're Going

Why We Need You



Where We're Going, How We're Getting There Measures Version 1.0 Summary

Efficiency

Quality

Hospital

- Standard Hospital Resource Use (SHRU) – 3M All Patient Refined Diagnosis Related Groups (APR-DRG)

- Hospital Patient Safety Survey – Leapfrog Group
- National Quality Forum (NQF) Endorsed Joint Commission on Accreditation of Healthcare Organizations (JCAHO) Measures and Centers for Medicare and Medicaid Services (CMS) Voluntary Measures
- Transplant Graft Survival – United Network of Organ Sharing (UNOS)

Physician

- Standard Episode Resource Use (SERU) – Symmetry Episode Treatment Groups (ETG)

- Compliance with evidence-based guidelines (RAND Quality Indicators, NCQA HEDIS level measures, and Resolution Health measures)
- NCQA's Physician Recognition Programs (PRP) in Diabetes, Heart/Stroke, and Physician Office Link



Where We're Going, How We're Getting There Accomplishments to Date

- **Since inception, CFP has made significant progress:**

- An academic and health plan expert panel endorsed CFP Measures Version 1.0
- A data aggregator (CSC) and physician quality measures partner (RHI) were selected and implementation is underway
- Seven health plans agreed to partner with the CFP employers on measures, data aggregation and funding
- CFP incorporated as a not for profit entity
- Legal research concluded that the CFP approach provides significant protection from antitrust and tort claims for employers and carriers
- Carrier partners and CFP employers agreed to fund CFP for 3 years
- Carrier partners are full CFP members and currently hold six seats on the Governance Committee
- A committee consisting of employers, carriers, leaders of health care quality organizations, and academic experts will serve as the Data Steward
- CFP engaged in an outreach effort to ensure alignment with other groups with similar goals (AQA, Disclosure Project, HSPA, Leapfrog, NBSH, PBGH, etc.)
- CFP made progress toward our goal of release of the Medicare data
- CFP completed contract negotiations and initiated data aggregation



Where We're Going, How We're Getting There Key 2007 Objectives and Action Items

- **CFP's data aggregator, CSC, will deliver data outputs during 2007**
- **Partnering carriers plan to use the CFP data to populate consumer portals and to support network, product and service development**
- **Employers will have a forum for input to CFP partnering carriers on product-specific launches of High Performance Networks and provider performance information resources**
- **CFP and Mercer will continue to recruit additional carriers and employers**
- **CFP will continue to pursue CMS data, working with other aligned stakeholders**
- **Evolve CFP Measures to Version 2.0**
- **Work with other organizations to maximize consensus on measures**
- **File for 501(c)(3) status**
- **Finalize Data Steward Committee Charter and name committee members**

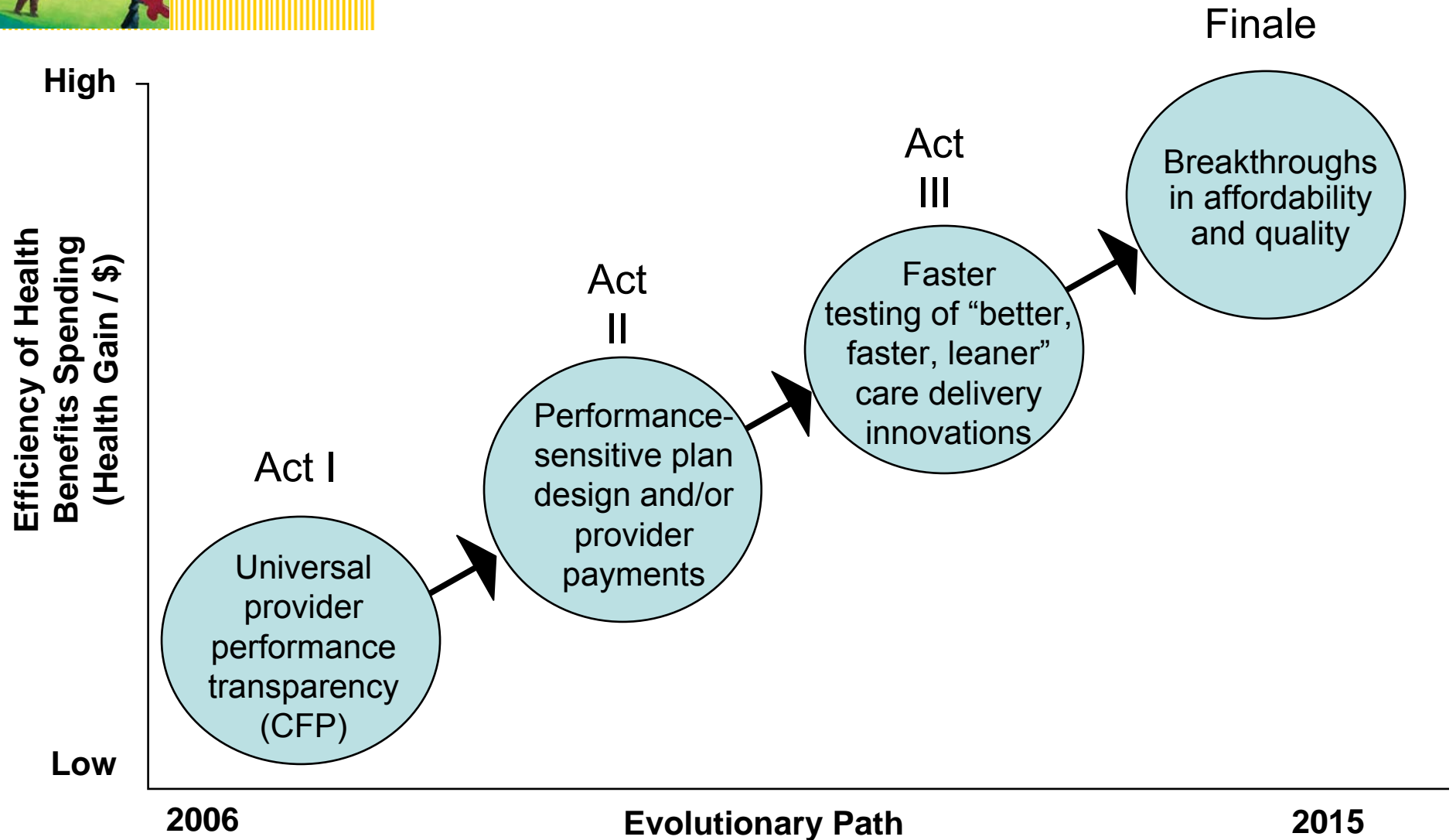


Why We Need You, Why You Should Join

- **To continue our success, we need to expand CFP to employers of all sizes and geographies**
- **Without a market-transforming effort, we will all continue with unsustainable trend and unacceptable quality**
- **We have a short window of time to address these challenges – or our CEOs, CFOs, or the Government will step in**
- **There are multiple good “quality improvement” efforts underway, but none have enough national data to measure performance with precision across the majority or all providers**
- **To measure quality and efficiency at the individual physician or hospital service line level, multiple claims databases must be pooled**
- **If employers partner with carriers on this effort, we’re in a position to capture big gains in quality improvement and cost reduction**



The Payoff Long-term Return





The 2007 Investment to Join CFP Employer Fees

- **Annual operational cost of \$5,000 per employer**
- **Each employer pays a small additional PMPM charge to fund the data aggregation project and other CFP work. The fee:**
 - Does not exceed \$0.04 for the first eight months of the data aggregation process and \$0.02 for the remaining months
 - Is subject to the contract period through July 30, 2009
 - If it is not feasible for an employer to contribute data, the PMPM charge due is reduced to 12.5% of total PMPM charge
- **At month eight of the data aggregation process, a one-time performance payment of approximately \$0.06 per member will be paid to CSC**
- **All CFP fees were determined by the CFP Governance Committee**



Next Steps

- **Contact Governance Committee members or Mercer with any questions**
- **Return the CFP Confirmation document to express your commitment for 2007**
- **Contact your carrier(s) to express the importance of their support for CFP**
- **Participate in upcoming CFP employer meetings/conference calls**



CFP Governance Committee

Name	Company	Phone Number
Mike Alexander	Regence BlueShield	(503) 226-8722
Nancy Brunton	Smiths Group Americas, LLC	(703) 893 7667
Collier Case	Sprint Corporation	(913) 315 4993
Helen Darling	National Business Group on Health	(202) 585 1805
Jim Foreman	Aetna	(860) 273 4997
Peter Hayes	Hannaford Bros. Co	(207) 885 2760
Bill Howard	Fiserv Health	(804) 346 0022
Bob Ihrle	Lowe's Companies Inc.	(704) 758 3711
Stephanie Johnson	The Boeing Company	(312) 544 2054
Jan Kelly	Campbell Soup Company	(856) 342 3652
Maria Norman	Northrop Grumman	(310) 201 3136
Joe O'Neill	Penske Truck Leasing	(610) 775 6205
Ken Sperling	CIGNA	(860) 226-6340
Sheila Sweeney	Assurant	(212) 859 7016
John Watts	WellPoint, Inc.	(404) 842 8479
Pearce Weaver	Humana	(713) 513 4640