California Association of Public Hospitals and Health Systems

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POLICY BRIEF

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# The Delivery System Reform Incentive Program: Transforming Care Across Public Hospital Systems

## Summary

California's new five-year Section 1115 Medicaid Waiver created the Delivery System Reform Incentive Program,[1] a federal pay-for-performance initiative that is the first of its kind in the nation in terms of its structure and scope. The Incentive Program offers an unprecedented opportunity for California's 21 public hospital systems to transform care delivery to be more integrated and organized, and improve patient health outcomes.[2] The program creates incentives for public hospital systems to dramatically expand upon recent quality improvement initiatives, and make them system-wide. These large-scale efforts embody the principles of health care reform — expanding access to care, enhancing quality, improving population health and containing costs.

The performance-based structure of the Incentive Program represents an effort to align health care delivery with achieving system-wide improvements and better health outcomes, a dramatic shift from traditional health care financing. In order to receive the Incentive Program's designated federal funding of up to $3.3 billion over five years, public hospital systems must each achieve hundreds of ambitious project milestones and provide a local funding match. To accomplish this, they are each undertaking 12-19 major delivery system improvement projects simultaneously. Nearing the end of the first year of the Waiver, public hospital systems have achieved 100% of their 298 Incentive Program Year One milestones.

California's public hospital systems are embracing both the opportunities and risks in the Incentive Program because it underscores their deep commitment to providing patients the right care, at the right time, in the right place. In addition, the intensive learning that will result from this experience can inform policy makers and health systems throughout the country seeking to adopt innovative and systemic quality improvements.

### Public Hospital Systems: Foundation for Health Care Delivery in California

**As the core of the state's health care safety net, California's public hospital systems are:**

- **Coordinated Systems of Care:**
  - Serve 2.5 million patients annually with preventive, primary, specialty, pharmacy, emergency and hospitalization services
  - Deliver 10 million outpatient visits a year, and operate more than half of the state's top-level trauma centers and almost half of its burn centers
- **Leaders in Providing Care to California's Underserved Populations:**
  - Pioneers in expanding coverage to more than 100,000 uninsured adults over the last three years, with expected growth to reach 500,000 adults statewide by 2014
  - Provide about 30% of all hospital-based care to the state's Medi-Cal population and nearly half of all hospital care to the state's 7 million uninsured
- **Leaders in Providing Culturally Competent Care**
  - Our patients speak more than 120 languages, and many speak a primary language other than English. Public hospital systems are national leaders in expanding language access through onsite interpreters, multi-lingual staff and remote video and voice technologies

1 The Incentive Program has also been referenced as DSRIP, Incentive Pool and Incentive Payments. The protocols of the Incentive Program and the five-year plans submitted by the public hospital systems are available on the California State Department of Health Care Services' website: http://www.dhcs.ca.gov. Please note the funding amounts in the plans are gross amounts, which include the federal funding and the matching funds the public hospitals themselves will be providing.

2 These 21 public hospitals include CAPH's 19 members and the University of California, Los Angeles Health System and University of California San Francisco Medical Center.

**"The Incentive Program represents an important opportunity to achieve enhanced quality and clinical outcomes in public hospital systems. The Department is committed to working in partnership with public hospital systems to realize this critical goal."**

*— Neal D. Kohatsu, MD, MPH, Medical Director, California Department of Health Care Services*

## Overview

In November 2010, California's Section 1115 Medicaid Waiver was approved by the state and federal governments, an agreement that will extend from November 1, 2010 to October 31, 2015. The Waiver is the major source of core funding for public hospital systems and allows them to deliver health services to low-income populations. In addition to the Incentive Program, major components of the Waiver include the Low Income Health Program, a county-based coverage expansion program, and a mandatory shift of Seniors and Persons with Disabilities from fee-for-service Medicaid into managed care.[3]

The Incentive Program is a central element of the Waiver that supports public hospital systems in improving access, quality and coordination across their systems. To participate in the Incentive Program, public hospital systems in California submitted five-year plans that were approved by the state and federal governments. The plans span four categories of the Incentive Program that target distinct areas of quality improvement, but are highly inter-related (See below: Incentive Program Categories: Improving Health and Quality).

Within all four categories, the plans include multiple projects. Each has several milestones, which serve as a guide to measure progress toward intended project outcomes. On average, public hospital systems are each carrying out 15 projects simultaneously, with an average of 217 milestones per hospital system over five years.

The plans also include the testing of new quality improvement models. It is anticipated that successes and challenges with these models will provide broad learning and unfold best practices and opportunities for replication throughout the broader industry.

## Bold, New Ground

The quality improvement projects and milestones of the Incentive Program are structured to increase integration and improve patient care system-wide, throughout the hospital's primary care clinics, specialty clinics, urgent care centers, emergency departments and inpatient services. The foundation for this program was built over the past decade as public hospital systems began implementing effective methods for improving care

### The California Health Care Safety Net Institute

Since 1999, the California Health Care Safety Net Institute (SNI), a non-profit affiliate of CAPH, has facilitated quality improvement initiatives for public hospital systems in areas such as chronic care improvement, outpatient efficiency, language access, palliative care and health information technology. Through these intensive programs, SNI has become a national leader in quality improvement, fostering innovation and replicating best practices.

As California's public hospital systems implement their Incentive Program plans, SNI will provide expertise and facilitate shared learning on an expanded and deeper level in order to help facilitate system-wide transformation. With a strong emphasis on testing and innovation, Incentive Program projects will likely identify practices that can lead to better patient outcomes. SNI will also serve a critical role in dissecting and analyzing the data for the purposes of helping drive ongoing quality improvement within, among and beyond public hospital systems.

3 For more information on elements of the Waiver that pertain to California's public hospital systems, please see CAPH's November 2010 Policy Brief: *The New Section 1115 Medicaid Waiver: Key Issues for California's Public Hospital Systems,* caph.org/AssetMgmt/getDocument.aspx?assetid=190.

coordination, patient safety, access and efficiency. The Incentive Program helps expand and hardwire this work on a massive scale. Through the achievement of their milestones, public hospital systems will demonstrate results that will improve integration, patient care and outcomes. The scope and potential impact of the Incentive Program on quality and population health is unprecedented.

## Incentive Program Categories: Improving Health and Quality

Public hospital system plans include multiple projects in all four of the following categories:

1. **Infrastructure Development:** Category 1 lays the foundation for delivery system transformation through investments in people, places, processes and technology. Projects include implementing disease management registries, expanding primary care capacity and increasing training of the primary care workforce.

2. **Innovation & Redesign:** Category 2 includes the piloting, testing and replicating of innovative care models. Many plans include projects to expand medical homes, integrate physical and behavioral health care, expand chronic care management models, redesign primary care and improve patient experience.

3. **Population-Focused Improvement:** Category 3 requires all public hospital systems to report on the same 21 measures across four domains: (1) the patient's experience, (2) the effectiveness of care coordination (e.g., measured by hospitalization rates for heart failure patients), (3) prevention (e.g., mammogram rates and childhood obesity), and (4) health outcomes of at-risk populations (e.g., blood sugar and cholesterol levels in patients with diabetes). Because population health measures are still being refined across the nation, lessons learned through Category 3 reporting will help guide the ongoing national dialogue.

4. **Urgent Improvement in Care:** Category 4 requires all public hospital systems to achieve significant improvement in targeted quality and patient safety measures that are particularly meaningful to safety net populations and have a strong base of evidence. All public hospital systems will improve severe sepsis detection and management, and increase prevention of central line associated bloodstream infections. These two conditions can be acquired while a patient is in the hospital and can cause significant harm. Public hospital systems are also required to choose two additional measures from a list of five, and the majority of hospitals are focusing on reducing surgical site infections and achieving a less than 1.1% hospital-acquired pressure ulcer prevalence, which would place them in the top quartile based on state data.

## Public Hospital System Plans: Broad Scope & Innovation

Below are examples of two proposed plans. The first highlights an innovative project that is being tested by public hospital systems through the program, and the second demonstrates the scope and breadth of these plans.

Innovative Project: University of California, Irvine & San Diego Medical Centers

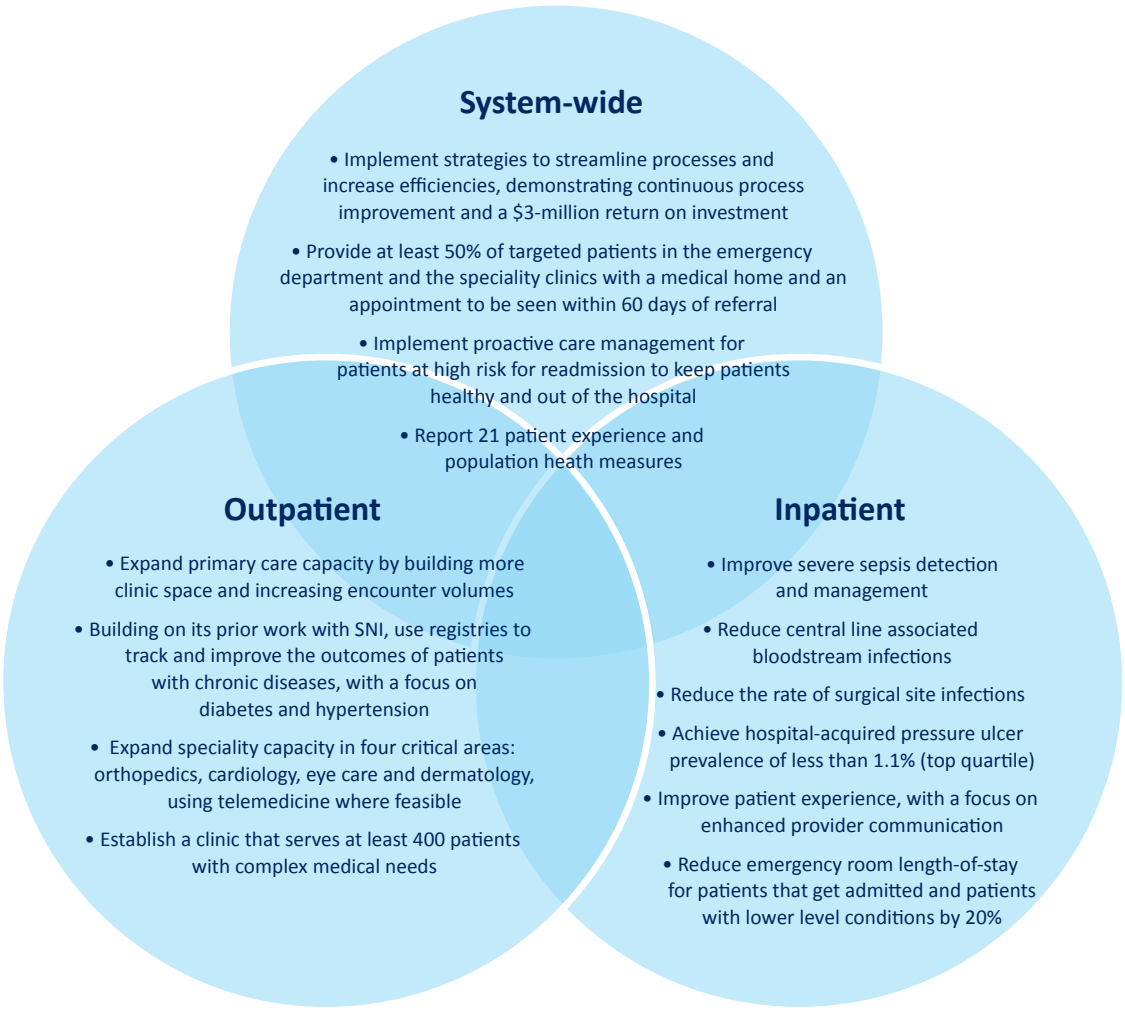
The Incentive Program promotes testing groundbreaking methods to improve health care. Through separate projects in their plans, UC Irvine Medical Center and UC San Diego Medical Center will be at the forefront of piloting a real-time electronic surveillance system that alerts clinicians to the presence of patient conditions and medical devices that increase the risk of hospital-acquired infections. The system also triggers interventions to prevent hospital-acquired infections. By testing this innovation to see whether it results in increased detection and prevention, these hospitals will be contributing to national efforts to reduce hospital-acquired infections.

Highlighted Plan: Alameda County Medical Center
Alameda County Medical Center (ACMC), which is located in the East Bay region of the San Francisco Bay Area, has 17 projects and 189 milestones. Through its Incentive Program plan, ACMC is moving from a disease-focused model of episodic care to a model of patient-centered, coordinated, proactive care that helps patients manage their own conditions. To support this, ACMC recognizes the need for increased patient access to primary and chronic care, and a culture of ongoing transformation and innovation. Therefore, over five years, ACMC proposes to make significant systemic improvements that will strengthen both outpatient and inpatient care:

**Public Hospital System Patients**

Public hospital systems treat approximately 2.5 million Californians each year, a diverse, multilingual patient population that is 48% Hispanic/Latino, 29% White, 12.5% Black, 6.5% Asian and 3.9% Other. Our patient population has disproportionately high rates of chronic disease and is predominantly low-income. While public hospital systems provide 69% of their care to patients who receive Medi-Cal benefits or are uninsured, all other California hospitals together provide only 25% of their care to the same populations.

**Table 1: ACMC Plan**



## Table 2: Summary of Public Hospital Systems' 5-Year Plans

Below is a summary of the Incentive Program projects selected by the 21 public hospital systems.[4] In the first year of the program, public hospital systems met 100% of their 298 first year milestones, resulting in them being eligible to receive 100% of their Year One (2010-2011) federal funding.

| INCENTIVE PROGRAM | PUBLIC HOSPITAL SYSTEMS | |
|---|---|---|
| | Number of hospitals that selected specific projects | Percentage of hospitals that selected specific projects |
| **Category 1: Infrastructure Development** *(must choose at least 2 projects, which include multiple milestones)* | | |
| Implement and Utilize Disease Management Registry Functionality | 14 | 67% |
| Expand Primary Care Capacity | 11 | 52% |
| Increase Training of Primary Care Workforce | 9 | 43% |
| Enhance Performance Improvement and Reporting Capacity | 8 | 38% |
| Expand Specialty Care Capacity | 7 | 33% |
| Enhance Interpretation Services and Culturally Competent Care | 5 | 24% |
| Enhance Urgent Medical Advice | 5 | 24% |
| Enhance Coding and Documentation for Quality Data | 5 | 24% |
| Collect Accurate Race, Ethnicity and Language (REAL) Data to Reduce Disparities | 3 | 14% |
| Introduce Telemedicine | 2 | 10% |
| Develop Risk Stratification Capabilities/Functionalities | 1 | 5% |
| **Category 2: Innovation & Redesign** *(must choose at least 2 projects, which include multiple milestones)* | | |
| Expand Medical Homes | 17 | 81% |
| Expand Chronic Care Management Models | 10 | 48% |
| Integrate Physical and Behavioral Health Care | 10 | 48% |
| Redesign Primary Care | 7 | 33% |
| Redesign to Improve Patient Experience | 7 | 33% |
| Implement/Expand Care Transitions Programs | 6 | 29% |
| Conduct Medication Management | 5 | 24% |
| Increase Specialty Care Access/Redesign Referral Process | 4 | 19% |
| Apply Process Improvement Methodology to Improve Quality/Efficiency | 3 | 14% |
| Establish/Expand a Patient Care Navigation Program | 2 | 10% |
| Improve Patient Flow in the Emergency Department/Rapid Medical Evaluation | 2 | 10% |
| Use Palliative Care Programs | 2 | 10% |
| Implement Real-Time Hospital-Acquired Infections (HAIs) System | 2 | 10% |
| Redesign for Cost Containment | 1 | 5% |
| **Category 3: Population-Focused Improvement** *(all projects required, includes 70 milestones)* | | |
| Patient/Care Giver Experience *(required)* | 21 | 100% |
| Care Coordination *(required)* | 21 | 100% |
| Preventive Health *(required)* | 21 | 100% |
| At-Risk Populations *(required)* | 21 | 100% |
| **Category 4: Urgent Improvement in Care** *(2 projects required; must choose at least 2 additional)* | | |
| Severe Sepsis Detection and Management *(required)* | 21 | 100% |
| Central Line Associated Blood Stream Infection Prevention (required) | 21 | 100% |
| Surgical Site Infection Prevention | 16 | 76% |
| Hospital-Acquired Pressure Ulcer Prevention | 13 | 62% |
| Venous Thromboembolism (VTE) Prevention and Treatment | 9 | 43% |
| Stroke Management | 3 | 14% |
| Falls with Injury Prevention | 1 | 5% |

4 Table 2 represents only the projects included in public hospital systems' Incentive Program plans; it does not reflect all of the other projects public hospitals are working on within their systems.

## Investment and Risks

While the Incentive Program offers significant opportunities to improve care for patients, its funding is not guaranteed and will require significant local investment. All federal funding in the Incentive Program is tied to the public hospital systems first: (1) achieving the milestones in their approved plans; and (2) providing the non-federal share. Public hospital systems are providing all the matching funds for the Incentive Program. Because Medicaid is a joint federal-state program, federal dollars can only be drawn down after the state/local funding match is provided. As with other areas of the Waiver, there is no State General Fund for public hospital systems in the Incentive Program.

If all milestones are met and public hospital systems contribute the required matching dollar-for-dollar funds, then they may receive a total of $3.3 billion in federal funding over the five-year term of the Waiver. However, if a public hospital system does not meet its milestones, it will not receive its full allocation of federal funding even if it invested significant local resources toward achieving those goals. Additionally, if the State of California does not achieve projected cost savings in the Medi-Cal program agreed to by the State and the federal government as part of the Waiver (i.e., through the shift of Seniors and Persons with Disabilities into managed care), the Incentive Program and other funds to the State would be reduced.

It is also important to note that the Incentive Program is being implemented in the context of severe budget reductions at the national, state and local levels. Thus, while these investments are being made in their systems, in other areas, many public hospital systems are having to make painful cuts. Another challenge for public hospital systems stems from the financing structure of the Waiver: For a significant number of services public hospital systems provide, the reimbursement will continue to be limited to 50 cents for every dollar they spend to care for low-income patients.

Although these milestones may be very challenging to achieve, public hospital systems are taking a leadership role in publicly committing to this ambitious effort. Through the Incentive Program, they will be at the forefront of the nation in aligning performance and financing.

## Looking Ahead

Despite the risk-based, arduous nature of the Incentive Program, most of California's public hospital systems are going above and beyond minimum requirements because their Incentive Program plans are aligned with their overall strategic objectives which reflect their deep commitments to providing better care and improving their patients' health. Furthermore, such transformation will help prepare public hospital systems for national health reform by increasing their capacity through improvements in integration and efficiency.

The experiences of California's public hospital systems in implementing their Incentive Program plans can contribute to the national discourse on how to provide more integrated, effective and value-added health care to safety net populations. The gains made and lessons learned through the Incentive Program can establish a new standard for quality improvement and delivery system transformation that can serve as a model for the health care industry nationwide.

## About CAPH

*The California Association of Public Hospitals and Health Systems is a non-profit trade organization representing 19 public hospital systems that collectively serve more than 2.5 million patients annually. Together, CAPH works to strengthen the capacity of our members to advance community health; ensure access to comprehensive, high-quality, culturally sensitive health care services for all Californians; and educate the next generation of health care professionals. Our passionate belief that everyone deserves an equal opportunity to enjoy good health – regardless of their insurance status or ability to pay – drives our policy and advocacy agenda.*