CATALYST FOR PAYMENT REFORM

MODEL HEALTH PLAN CONTRACT LANGUAGE ON PAYMENT REFORM

IMPROVING VALUE THROUGH PAYMENT REFORM

This Agreement is made and entered into this _ day of _____, 2012, by and between [health plan name], hereinafter called "Administrator," and [health care purchaser name], hereinafter called "Company."

I. **Introduction.** Company sponsors a group health plan ("Plan") under which eligible Company employees and their eligible dependents can enroll in health plan coverage. Company sponsors the Plan to ensure that Plan Participants have coverage for and access to comprehensive, high-quality health care. Administrator provides third-party Plan administration services to Company which are described in the Administrative Services Agreement entered into between the parties effective on **[fill in effective date of ASA here]**. To improve the delivery of health care, including its quality, efficiency, safety, patient-centeredness, coordination, and outcomes, there must be significant changes in existing payment structures and methodologies as well as the environment in which payments are made. This Agreement outlines Company's expectations for how Administrator shall facilitate progress in both areas:

A. **Value-Oriented Payment:** Administrator shall design and implement payment methodologies with its network Providers that are designed either to cut waste or reflect value. For the purposes of this agreement, payments that cut waste are those that by their design reduce unnecessary payment (e.g. reference pricing) and unnecessary care (e.g. elective cesarean deliveries). Value is defined as the level of the quality of care for the amount of money paid to the Provider. Payments designed to reflect value are those that are tied to Provider performance so that they may rise or fall in a predetermined fashion commensurate with different levels of performance assessed against standard measures.

B. **Transparency:** In order for those who buy health care to judge its value, Administrator shall make available to Company and Plan Participants the information they need to understand and compare the quality, cost, patient experience, etc., among Providers in the network.

C. **Market Competition and Consumerism:** Administrator shall design contracting methodologies and payment options and administer Company's benefit plans in a manner that enhances competition among Providers and reduces unwarranted price and quality variation. To stimulate Provider competition further, Administrator shall establish programs to engage Plan Participants to make informed choices and to select evidence-based, cost-effective care.

These contractual commitments are included to support and advance Plan initiatives to develop a health care market where (a) payment increasingly is designed to improve and reflect the effectiveness and efficiency with which Providers deliver care, and (b) consumers are engaged in managing their health, selecting their Providers, and sensitive to the cost and quality of services they seek. The Administrator will use best efforts to ensure that these commitments and initiatives apply to all benefits offered under the Plan and administered by the Administrator.

Once implemented, they should also apply across Administrator's book of business (insured and self-insured).

Company will develop benefit designs that support the initiatives and commitments described in this Agreement.

For the purposes of this Agreement, the term "Provider" shall refer to physicians, hospitals, and integrated systems of care (e.g., Accountable Care Organizations). In addition, the term "Plan Participant" shall refer to Company's employees, dependents and retirees who are eligible to receive their health benefits under the Plan.

Unless otherwise specifically provided for herein, Administrator shall comply with the obligations set forth in this Agreement in accordance with the timelines established for each initiative described in this Agreement. Failure of the Administrator to meet these commitments by the applicable dates set forth in this Agreement will be considered grounds for non-renewal or termination of the Agreement.

II. Obligations of Administrator. To advance the objectives stated above, Administrator shall promptly take the following actions on or before the dates described below.

A. VALUE-ORIENTED PAYMENT

Administrator shall implement payment strategies that tie payment to value or reduce waste, as those terms are defined herein. In doing so, Administrator shall, on or before DATE**,** provide Company with its strategy to make 20% of aggregate net payments to Providers value-oriented by 2020 (calculated in the format and with the methodology in tabs 3-7 of CPR's health plan RFI: http://www.catalyzepaymentreform.org/RFI.html). Such strategies shall include the following:

1. Pay Providers differentially according to performance (and reinforce with benefit design). On or before DATE, Administrator shall pilot, evaluate, and implement successful programs to differentiate Providers who meet or exceed national standards for quality and efficiency. Compensation paid to effective and efficient Providers should reflect their performance and result in market efficiencies and savings to purchasers and payers.

At a minimum, Administrator shall align payments to hospitals with the approach being taken by Medicare, in which an increasing proportion of reimbursements is tied to performance, including performance on (as relevant to the commercial market):

a. Hospital-Acquired Conditions;

b. Readmissions; and,

c. The other measures in the Value-Based Purchasing program.

2. **Design approaches to payment that cut waste while not diminishing quality, including reducing unwarranted payment variation.** On or before DATE, Administrator shall pilot, evaluate and implement successful approaches to payment that automatically cut waste out of the system (e.g., rather than relying on payments tied to performance measurement to create incentives for hospitals to reduce cesarean deliveries, reduce or reverse the payment differential between vaginal and cesarean deliveries). Administrator shall explore and implement, as appropriate, programs that utilize reference and value pricing (more below), RFPs for specific services, non-payment or lower payment for undesired services, warranties on discharges for patients with procedures, as well as other approaches further described below.

3. **Payments designed to encourage adherence to clinical guidelines.** On or before DATE, Administrator shall pilot the linkage of adherence to clinical guidelines to payments for maternity care. Company believes that maternity care presents a powerful first opportunity to use payment to drive adherence to clinical guidelines. While consumer and Provider education, Provider policy changes, and benefit design are also powerful tools to push maternity care to be more evidence-based, payment is an underutilized vehicle. Administrator will take the following steps with regard to payment for and evaluation of maternity care services:

    a. **Change incentives.** Administrator shall pilot, evaluate and implement approaches to payment with Providers that remove the established financial incentives for medically unnecessary intervention in labor and delivery, including unnecessary labor induction and cesarean deliveries, and create incentives for adherence to clinical guidelines. In addition, Administrator could require hospitals and physicians to implement a "hard stop" policy on elective deliveries prior to 39 weeks.

    b. **Measure and report results.** Administrator shall provide Company and Plan Participants with information on the quality of maternity care across individual physicians and midwives, their group practices, and the hospitals in Administrator's network using National Quality Forum (NQF)-endorsed maternity quality metrics when available or, in measurement areas where NQF has no endorsed measure, measures that are endorsed by national accrediting organizations, federal agencies, or come from medical specialty society guidelines.

    c. **Educate network.** Administrator shall educate Plan Participants, network physicians, and hospitals about what constitutes high-quality, safe, cost-effective maternity care.

    If the Administrator determines that the linkage between payment and adherence to clinical guidelines results in meaningful improvement in value and clinical outcomes, the Administrator shall report to Company 1)

plans to expand initiatives in the short term (1 year) and longer term (3-5 years); and, 2) other clinical areas where current payment approaches create financial incentives to provide care that is not evidence-based and where a change in payment methodology could instead provide incentives for evidence-based care.

4. **Payment strategies to reduce unwarranted price variation, such as reference or value pricing.** For the purposes of this section, reference pricing is defined as an approach to pricing that establishes a standard price for a drug, procedure, service or bundle of services, and generally requires that health Plan Participants pay any allowed charges beyond this amount. Value pricing builds on reference pricing by adding a threshold of quality performance into the identification of Providers of a procedure, service or bundle of services that are able or willing to provide care at the reference price.

    a. **Analyze prices.** On or before DATE, Administrator shall conduct an analysis of price variation among its network Providers by procedure and service types and share information with Company indicating those regions or other market segments with the widest variation and greatest cost savings opportunities through a reference or value pricing scheme.

    b. **Pilot value pricing programs.** On or before DATE, Administrator shall develop value pricing pilots in procedure or service areas with the greatest potential savings for Company, implement and evaluate the pilots, and share results with Company.

    c. **Encourage consumer value-based purchasing.** In support of such pilots, on or before DATE, Administrator shall support Company in developing and introducing new benefit designs that engage Plan Participants to be active shoppers while also helping them to identify the highest-value Providers and limit out-of-pocket exposure. Administrator shall manage and maintain and/or make available to Company data and tools for consumers to enable price and quality comparisons among Providers.

    d. **Center of excellence pricing.** On or before DATE, Administrator shall explore development of a value pricing program for episodes of care utilizing and based on its existing centers of excellence.

5. **Rebalance payment between primary and specialty care.** On or before DATE, Administrator shall develop, pilot and implement successful strategies to improve payment for primary care services, including strategies to reduce payment discrepancies between primary and specialty care. Delivery system pilot programs (e.g., Medical Homes, Accountable Care Organizations), irrespective of reimbursement method,

should be structured to focus on improving quality of care while also reducing overall health care costs.

B. TRANSPARENCY

1. Quality and Efficiency

a. Allow for meaningful comparison of Providers. On or before DATE, Administrator shall develop and implement a strategy to report the comparative performance of Providers, using the most current nationally-recognized or -endorsed measures of hospital and physician performance. Information delivered through Administrator's Provider ranking programs should be meaningful to Plan Participants and reflect a diverse array of Provider clinical attributes and activities. Information available to Plan Participants should include, but not be limited to, Provider background, quality performance, patient experience, volume, efficiency, price of services, etc., and should be integrated and accessible through one forum providing Plan Participants with a comprehensive view.

i For physicians, the scope of the program should encompass, at a minimum, the elements outlined in the "Patient Charter" (http://www.rwitorg/files/research/disclosurepatientcharter.pdf).

ii For hospitals, the scope of the program should promote and advocate to Plan Participants and Providers the value and benefit of utilizing Provider performance measures and identifying variations in quality including, but not limited to, NQF-endorsed measures, the Leapfrog Group's patient safety and quality practices, as well as the measures Medicare is using for reporting and payment purposes.

2. Price

a. Fully disclose prices to facilitate cost comparisons of Providers by Company and Plan Participants. On or before DATE, Administrator shall make Plan- and any Company-specific price information for all services transparent and available, including full disclosure of the prices it is paying to Providers, for use by Company and its Plan Participants, including those in consumer-directed plans and those seeking out-of-network services in a network-based platform. The disclosed information shall include the contracted price of specific procedures and services including, without limitation, reasonable and customary estimates to facilitate Plan Participants' informed choice of treatment and care decisions.

b. Combine projected cost information with Plan Participants' account balances. On or before DATE, Administrator shall integrate tools

providing information about the price of specific services with information about the benefit design, including deductibles, coinsurance, balance of account-based plans, etc.

c. **Progress in all markets.** On or before DATE, Administrator shall implement a strategy to make pricing information available to Plan Participants in all markets in which Administrator operates.

d. **Phase out Provider contracts with gag clauses.** On or before DATE, Administrator shall implement a strategy so that 100% of network Provider contracts permit the ability to publish prices either directly or to provide data to a third-party vendor.

3. Third-Party Data Use

a. At Company's request, Administrator shall provide the necessary data in a usable format to any third-party vendor contracted by Company to provide Company with comparative reports on Provider quality, efficiency and price/payment as outlined in sections 1.a., 2.a. and 2.b.

4. Consumer Tools and Incentives

a. **Make quality, efficiency and price comparisons of Providers accessible.** On or before DATE, for all service areas, Administrator shall integrate Provider information from sections 1 and 2 above into a comprehensive display to provide Plan Participants with "user friendly" support in selection of higher-value Providers. Provider comparisons shall seek to incorporate quality, efficiency and price information among all Providers for all services in all markets in which Administrator operates. Information shall be displayed in such a way that makes relevant information both obvious and coherent to the Plan Participants, regardless of search level. Information shall be available through web, all mobile devices, print, or other Provider directories and other consumer decision support tools.

b. **Support Plan Participant selection of higher-value Providers.** On or before DATE, Administrator shall develop and implement incentives to support Plan Participants' selection of higher-value Providers via one or more of the following methods:

i Identification and promotion of higher-value Providers, selection/de-selection of Providers, and enrollment freezes;

ii Economic incentives that vary Plan Participant out-of-pocket costs; and,

iii Easy access to scheduling appointments, such as online capability.

C. COMPETITION

1. **Measure Provider competition.** On or before DATE, Administrator shall measure and monitor the magnitude of competition among Providers in the top 10 markets in which Administrator operates.

2. **Evaluate effects of Provider competition.** On or before DATE, Administrator shall evaluate the effects of Provider competition on price within the top 10 markets in which Administrator operates. Administrator will also evaluate its current approaches to payment for their potential impact on competition among Providers.

3. **Reform payment to encourage competition.** On or before DATE, Administrator shall consider Provider competition in the development in its new approaches to payment and, where possible, implement approaches to payment that enhance competition. In doing so, Administrator shall have processes in place to measure and monitor competition among Providers in the top 10 markets where the Administrator operates. Approaches may include, but are not limited to:

   a. Offering tiered networks;

   b. Offering narrow networks;

   c. Increasing transparency about Provider costs and quality;

   d. Allowing for comparison of Providers within Accountable Care Organizations at the individual Provider level;

   e. Allowing Accountable Care Organizations to reap savings only if they meet quality standards;

   f. Regional Centers of Excellence for specific services; and,

   g. Issuing RFPs for specific services.

4. **Report to Company.** Administrator shall report to Company no less than annually and in no event later than each July 1st the following:

   a. Assessment of the impact of competition levels on overall cost to Company during the prior calendar year; and,

   b. Administrator's strategies to ensure competition for the current calendar year.

D. EVALUATING RESULTS

1. **Report to Company.** Administrator shall provide annually to Company not later than each **[July 1]** a report on its efforts to achieve the objectives of this Agreement, including without limitation:

   a. Yearly report on the progress with and impact of value-based payment initiatives imputed to the Company's annual spend for the preceding calendar year using the format and calculation methodology in tabs 3-7 of CPR's health plan RFI http://www.catalyzepaymentreform.org/RFI.html.

   b. Company utilization of the most effective and efficient Providers in the network as designated by Administrator and quantifying by specialty the dollar variances on an episode basis between physicians designated high-quality and efficient compared to all others in the associated specialties in the Administrator's network.

   c. Administrator's longer-term strategic plan (3-5 year horizon) with respect to movement toward value-based payment, as aligned with CPR's 2020 goals, as well as Administrator's longer-term payment strategies that Administrator will employ to reduce waste.

2. **Provide data** to CPR's National Scorecard on Payment Reform and National Compendium on Payment Reform

   a. National Scorecard. The Administrator shall provide information about its approaches to paying hospitals and doctors to CPR to support the implementation of its National Scorecard on Payment Reform, hereinafter called "Scorecard." The Scorecard will provide a view of progress on payment reform at the national level and then at the market level as the methodology and data collection mechanisms allow.

   b. National Compendium. The Administrator shall provide data to CPR to support the implementation of its National Compendium on Payment Reform, hereinafter called "Compendium." The Compendium will be an up-to-date resource regarding payment reforms being tested in the marketplace and their available results. The Compendium will be publicly available for use by all health care stakeholders working to increase value in the system.

   c. Data Submission for Scorecard and Compendium.

      i Data provided by Administrator would be de-identified, unless specifically agreed to otherwise and only as permitted by applicable law.

ii CPR will work with recognized experts in Provider payment and performance measurement to develop 5-10 specific metrics (e.g., percent of payment tied to value, penetration of specific payment models, etc.) for the Scorecard as well as to develop the Compendium. CPR will consult with health plans regarding the feasibility of the metrics and data submission.

iii As the Scorecard will be produced annually, Administrator will provide data each February 1st for the contract period running from October 1 of the immediately preceding calendar year to September 30 of the current calendar year. (For example, for the 2012 reporting period, report data from October 2010 through September 2011).

iv As the Compendium will be kept up-to-date, Administrator will provide updates on a regular basis, no less than by February 1st for the contract period running from October 1 of the immediately preceding calendar year to September 30 of the current calendar year. (For example, for the 2012 reporting period, report data from October 2010 through September 2011). If Administrator implements new payment reform initiatives, it may submit information about those initiatives on an ongoing basis.

E. Acknowledgement [OPTIONAL SECTION. Include if the ASA does not address this issue generally.]

Administrator acknowledges that the Company is relying on Administrator's experience and expertise in providing the evaluative and analytic information described in this Agreement and that Administrator represents that it will use its best efforts to achieve the objectives set forth in this Agreement. Administrator and Company agree that Administrator has full and complete responsibility for negotiation, execution and maintenance of the contracts governing its Provider network and that the Company has no authority with respect to or control over the terms of such contracts, including methods and rates of payment and evaluation of Provider performance.

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