

An Overview of NCQA Relative Resource Use Measures



Today's Agenda

- The need for measures of Resource Use
- Development and testing RRU measures
- Key features of NCQA RRU measures
- How NCQA calculates benchmarks
- NCQA RRU public reporting

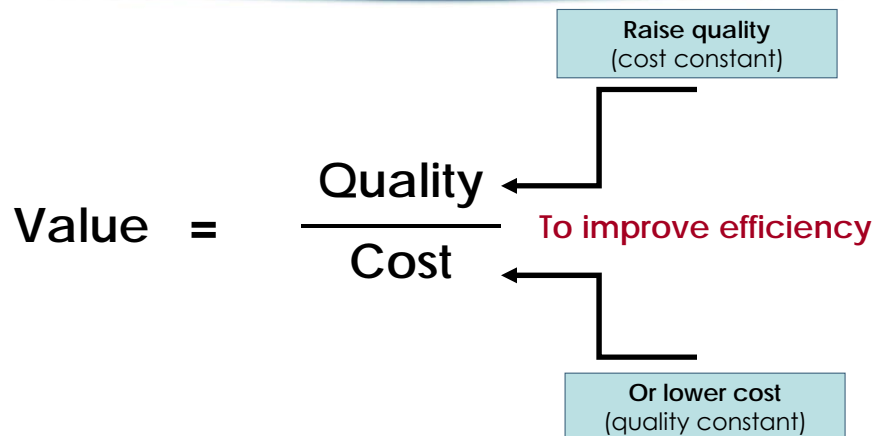


The Need

- Affordability of healthcare has become an overwhelming concern and is threatening to crowd out attention to quality agenda
- Purchasers are very cost conscientious due to the long-term cost curve trends and the current economic environment.
- Without more objective data on relative cost and quality, purchasers will tend to resort to primarily “price-based” comparisons and vendor selection—instead of more objective criteria.



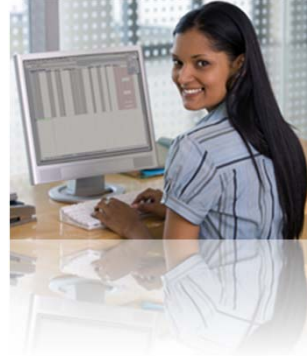
What is high value healthcare?



Cheaper does not necessarily mean better value!

Key Features of NCQA's Approach

- No reliance on proprietary risk-adjustment tools (HCC)—complete transparency in methodology
- Differentiates between variation in unit cost and utilization
- Focus on how purchasers and health plans may use the data to collaborate on improving both resource utilization and quality results



Early RRU Measure Development

- NCQA began researching efficiency measurement concepts for managed care in 2003
 - early work focused on identification of populations to measure (greatest need) and feasible risk adjustment approaches
- Testing (circa 2006) – for what services can resources be reliably and consistently captured?
 - Can some service categories be used as a proxy for total resource consumption?

RRU Testing Summary Results

- Health plans can be meaningfully measured and compared with respect to the relative cost of care of their networks for select resource categories
- Consistent findings were observed across measurement methods for a population
- Relative resource consumption seems to vary meaningfully between health plans and within their provider networks

Six HEDIS RRU Measures Introduced

First Published in HEDIS 2007 Vol. 2 (Technical)

Relative Resource Use for People with

- Diabetes
 - Asthma
 - *Acute Low Back Pain
- Collected for HEDIS 2007**

- Uncomplicated Hypertension
 - Cardiac Conditions
 - COPD
- Collected for HEDIS 2008**

*Episode based RRU measure

Current RRU Measures

- Total annual RRU for people with
 - Diabetes
 - Asthma
 - COPD
 - Cardiovascular Conditions
 - Hypertension
- Collected by NCQA and Reported by peer group
 - Commercial, Medicare, Medicaid
 - HMO, PPO



Common Principles

- Condition-specific “total annual” resource use measures capturing 70+ percent of health care spending for these five chronic conditions
 - Includes both disease-related and other services (total annual costs-not specific episodes of care)
 - Presents “true” picture of overall utilization for someone with identified condition for a given year.
 - Reports selected categories of service that can be reliably measured
 - Standard pricing supports consistent and equitable comparisons of “weighted utilization”

Common Principles

- **Resource Use (Using Standardized Cost)**
 - Inpatient Facility
 - services provided during an inpatient stay, including room, board and ancillary services
 - Evaluation & Management
 - including inpatient visits, outpatient visits, consultations and other services
 - Surgery and Procedure
 - inpatient and outpatient
 - Diagnostic Laboratory Services
 - Diagnostic Imaging Services
 - Ambulatory Pharmacy



Common Principles

- **Utilization (frequency of services)**
 - Total Inpatient Facility Discharges
 - Acute
 - Medicine: Discharges, Days, ALOS
 - Surgery: Discharges, Days, ALOS
 - Nonacute
 - Discharges, Days, ALOS
 - ED Discharges
 - Pharmacy Utilization
 - Name brand only (N1)
 - Name brand—Generic exists (N2)
 - Generic only (G1)
 - Generic—Name brand exists (G2)



Key Features of NCQA's RRU Measures

▪ Risk adjustment

- NCQA Model based on CMS Hierarchical Condition Category (HCC) approach
- A members age, gender, and HCC-RRU category all determine their risk score (cohort)
- members are assigned to a clinical cohort category that provides a more specific classification of the condition and has been shown to be a reliable predictor of healthcare costs



Key Features of NCQA's RRU Measures

Exclusions

- Exclusions for dominant (high cost) clinical conditions (e.g., active cancer, HIV/AIDS, transplantation, ESRD)
- Measure specific co-morbid exclusions (same as accompanying HEDIS EOC measure)

Reporting Results

- Organizations submit "observed" standardized cost PMPM data to NCQA for each service category
- weighted cohort PMPMs are summed across all cohorts to arrive at a PMPM that would be "expected" if the "average" plan had the same case-mix as the plan in question.

Defining *Observed* and *Expected*

▪ Observed

- A health plan's summarized amount used (PMPM or Events/1,000 MY).
- How much the plan actually used.

▪ Expected

- A risk adjusted benchmark. How much the plan was expected to use.
 - The expected value is NCQA's estimated resource use or utilization after risk adjustment
 - Each plan is provided an *expected* estimate for each of its services categories

RRU Results Provided to Health Plans

Health Plans receive a report of their RRU results from NCQA that contain two calculated RRU ratios:

(O/E) Ratio— Plan Population Comparison

Index Ratio—Plan to Plan Comparison

Included with these results is the Health Plan's *Quality Index*

- HEDIS quality measures are selected for each RRU quality index calculation based on strict criteria of validity, reliability, and data completeness

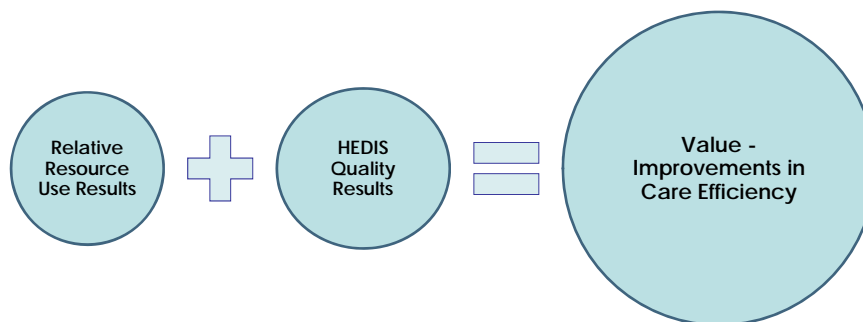
Identifying Opportunities to Improve

- Health plans can (and do) dig deeper to further analyze their own data beyond what is reported in Quality Compass.
- Tailored RRU analyses of member-level data by health plans can point to areas where opportunities exist to improve healthcare value.



QI Using RRU Results

Intention behind RRU measures



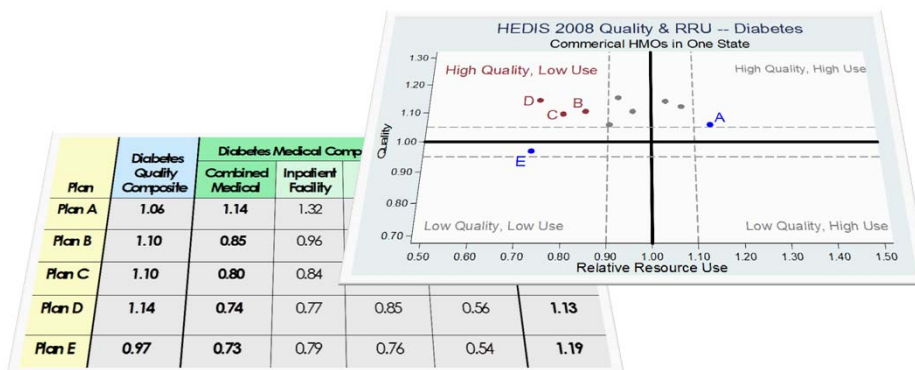
The RRU measures are not meant to be used by themselves, but in conjunction with quality measures in the HEDIS *Effectiveness of Care* domain

RRU Data Collection

- NCQA has designed a new data collection and distribution platform for HEDIS 2012 RRU measures to improve customer experience
- The new structure defines a set of global meta-data points for each measure using XML, a widely used industry standard for data management
- Reduces complexity of the structure and the burden of reporting measures



Public Reporting of RRU Results



Public Reporting RRU Results

In October 2010, NCQA published:

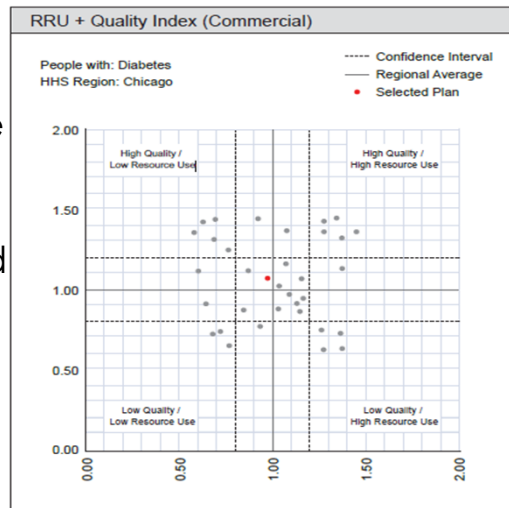
*Quality Compass: RRU +
Quality Index(Commercial)*



- The first time that RRU and Quality data are publically available together
- Only by comparing the types of resources used by patients with specific diseases with the level of quality provided to these same patients can health plan determine how to improve the value and efficiency of care provided.

RRU Results

Combining the Index ratio together with the quality index provides critical information on comparative cost and quality of care



Additional RRU Resources

NCQA has a number of additional resources to assist health plans, purchasers, policy makers and consumers to understand RRU:

- www.ncqa.org/rru
 - Resource library containing user guides, schedule of educational webinars, frequently asked RRU questions, and much more!
- *Insights for Improvement: Measuring Healthcare Value*
 - Comprehensive guide to understanding what RRU is and how to interpret the data
- NCQA Policy Clarification Support (PCS) system
 - Online support for any questions on RRU