



Q. WHAT ARE EVIDENCE-INFORMED CASE RATES (ECRs[®])?

A. Pre-determined budgets that are bundled to cover comprehensive, evidence-based, personalized care in treating a given condition.

From fee-for-service, to capitation, to episode-based models – proposals for paying providers in the United States’ health care system have come in all shapes and sizes over the decades. Tried and tested payment systems have all purported to be effective in addressing the fundamental problem in our nation’s health care reimbursement practice – that it encourages *volume-driven* health care, rather than *value-driven* health care. In other words, providers are rewarded for “doing things” (often too many and/or unnecessary things), rather than for delivering services that are proven to keep people healthy, reduce errors and help avoid unnecessary care.

Yet despite decades of experimentation, as the U.S. health care system remains beset by widespread deficiencies and poor value, the current health reform debate reminds us how little progress has been made on this key issue. The payment reform models implemented so far have proven to be inadequate at sustaining a system that pays providers fairly, yet still improves quality and reduces costs.

The PROMETHEUS Payment[®] model seeks to do this, igniting a transformation in health care payment by moving away from unit-of-service payment to episode-of-care payment.

Launched in 2006 and now with four pilot sites operational across the U.S. through the support of the Robert Wood Johnson Foundation, PROMETHEUS Payment steps beyond “paying for performance” to test paying for individual, patient-centered treatment plans that fairly reward providers for coordinating and providing high-quality, efficient care.

The core of the PROMETHEUS Payment model centers on packaging payment around a comprehensive *episode* of medical care that covers *all* patient services related to a single illness or condition. Called an “Evidence-informed Case Rate” (ECR), this bundle calculates a patient-specific budget for the costs of treatment throughout the entire care episode.

Base Costs

ECRs start with a base cost that includes *all* the covered services related to the care of a *single* condition in an *individual* patient.

Services unrelated to the defined condition are filtered out so that each condition that a patient has, receives its own personalized ECR budget. Thus, a patient with diabetes, who also has breast cancer, and is now having knee replacement surgery, would have three ECRs tracking her care, each of which are calculated and considered independently for her given conditions.

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Covered services in each ECR are determined by calculating costs for delivering care that tracks with commonly accepted, evidence-based clinical guidelines or expert opinions that lay out the tested, medically accepted method for best treating a given condition from beginning to end. However, under PROMETHEUS’ model, providers treating a patient for that condition are not *restricted* to these prescriptive treatment plans or from delivering additional needed services that might improve outcomes in particular cases.

ECRs include all of the services across all of the providers (i.e., hospital, primary care physician, specialist, pharmacy, rehabilitation facility) who would potentially treat a given patient for the given condition. This helps to support clinical collaboration, avoiding the gaps in care across the treatment continuum that patients frequently encounter in our existing health care system – gaps that can lead to adverse events.

Risk Adjustment and Local Practice Patterns

After the base set of services and associated costs for the individual patient condition's ECR are determined, the PROMETHEUS Payment model then adds a risk-adjustment variable and accounts for variations that might result from local practice patterns.

Recognizing that not all cases are the same, and that individual patient needs and circumstances differ, the risk adjustment takes into account the severity and complexity of the individual patient's clinical condition. Factors considered include age, gender, co-morbid conditions and the severity of illness.

The PROMETHEUS Payment Evidence-informed Case Rates (ECRs) offer a comprehensive solution to bundling provider payment that can effectively account for unique variables in each patient's care.

Taking into account the regional variations in practice patterns also allows base ECR budgets to be adjusted for the widely recognized geographic differences in treatment that is the result of our nation's fragmented delivery system.

The calculations for these adjustments are arrived at through step-wise, multivariable regression models using claims data sets and statistics. Fine-tuning them with risk and practice pattern variables allow the ECR budgets to be completely unique for each patient, provider and payer combination.

Potentially Avoidable Complications (PACs)

The final calculation in PROMETHEUS Payment ECRs is an allowance for potentially avoidable complications (PACs).

PACs are defined as deficiencies in care that cause harm to the patient, yet might have been prevented through more proactive care – for example, when a patient with diabetes

ends up needing an amputation because of long-term uncontrolled blood sugar.

Unfortunately, such complications remain all too common in the U.S. health care system. A PROMETHEUS Payment analysis of large sets of national claims data found that up to 40 cents of every dollar spent on chronic conditions, and approximately 15–20 cents of every dollar spent on acute hospitalizations and procedures are attributable to PACs. In total, PACs amount to hundreds of billions of dollars for less than optimal care and represent a substantial opportunity for improving patient care and reducing total cost of care.

The PAC allowance calculated and included in each ECR amounts to 50 percent of the dollars spent today on these conditions. Under the PROMETHEUS Payment model, this portion of the budget serves as an incentive for providers to act on and reduce PACs. Should complications occur, it serves to offset the added costs of the correction treatment. But if providers can reduce or eliminate PACs, they can keep the remaining allowance margin as a bonus, significantly improving their margin per patient.

Conclusion

The PROMETHEUS Payment ECRs offer a comprehensive solution to bundling provider payment that can effectively account for the unique variables in each patient's care.

To date, for pilot purposes, PROMETHEUS Payment has developed ECRs for a number of acute, chronic and inpatient procedures, including heart attacks, hip and knee replacement, diabetes, asthma, congestive heart failure and hypertension. These existing ECRs can potentially impact payment for almost 30 percent of the entire insured adult population and represent a significant amount of dollars spent by employers and health plans.

Building an Evidence-informed Case Rate (ECR): Knee Replacement

All Core Services:

- Lab tests
- Office visits
- Pharmacy costs
- Rehabilitation therapy



Margins for:

- Geographic practice variations
- Risk adjustment
- Potentially Avoidable Complications (PACs)