Accountable Care Organizations (ACOs)

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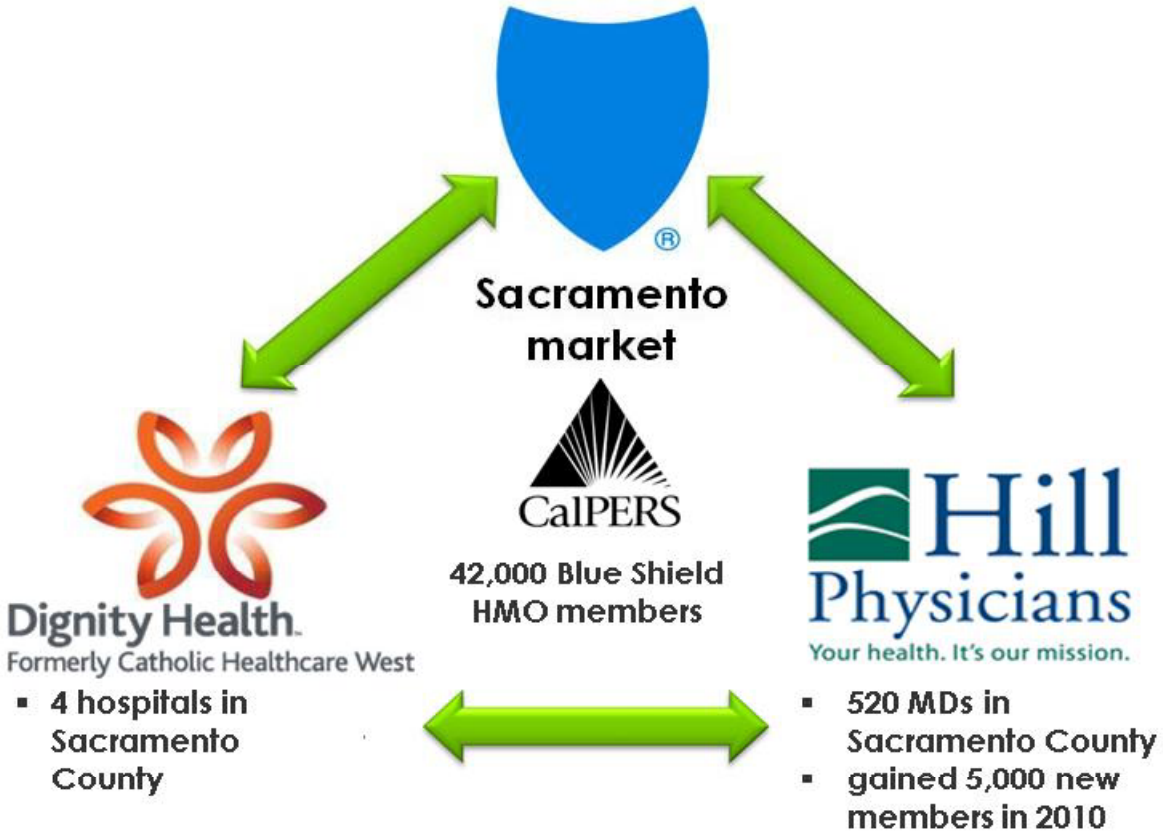
Where it all started



Where we are now – 20 HMO ACOs & growing

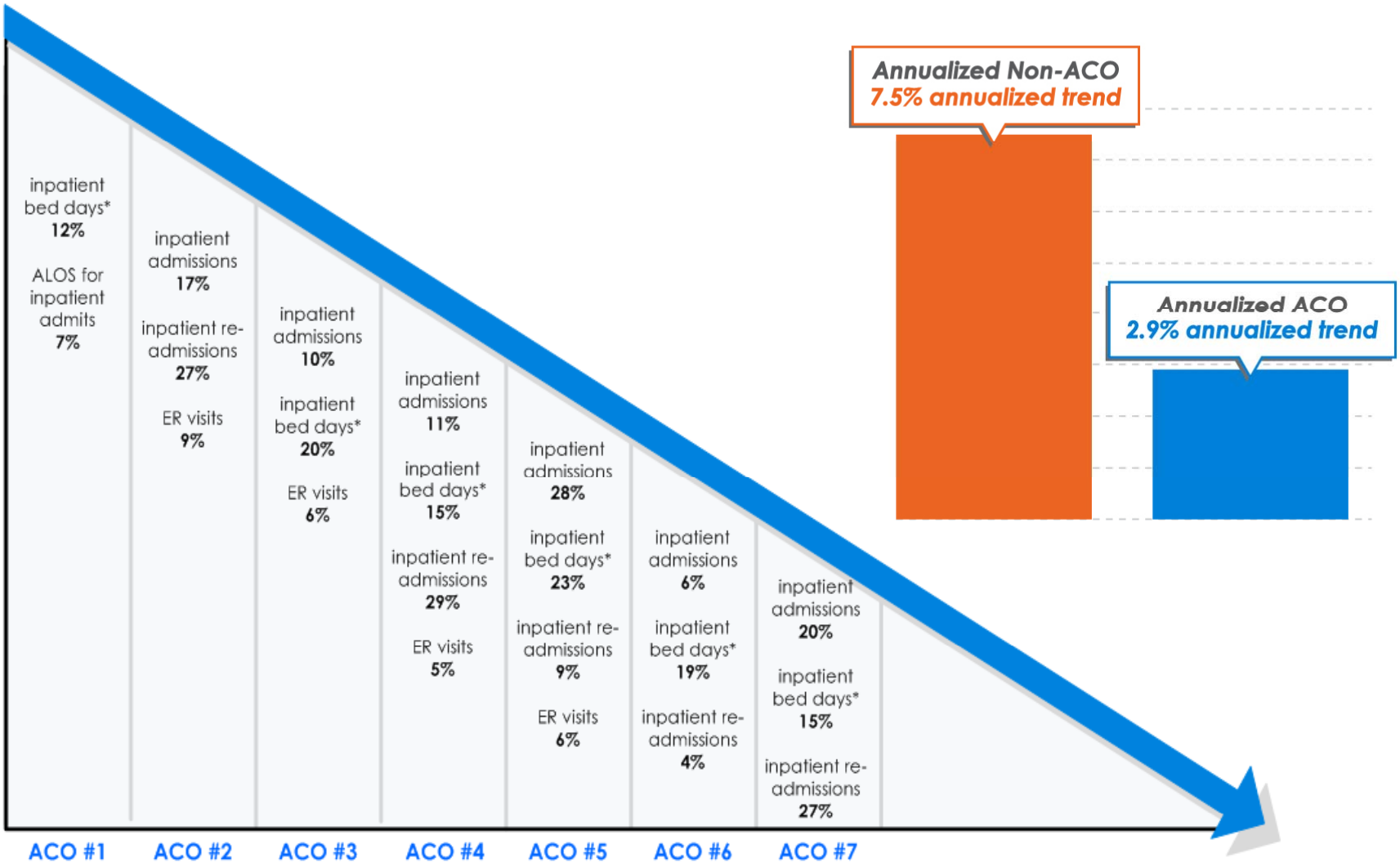
#	Region/ Launch Date	Blue Shield's Partners	Members
1.	Sacramento (January 2010)	Dignity Health / Hill Physicians (CalPERS members)	40,000
2.	San Francisco (Jul y 2011)	California Pacific Medical Center/ Brown & Toland (San Francisco Health Service System members)	18,000
3.	San Francisco (July 2011)	Dignity Health / UCSF / Hill Physicians (San Francisco Health Service System members)	5,000
4.	Stanislaus (January 2012)	AllCare / Doctors Medical Center	8,000
5.	Orange (January2012)	St. Joseph Heritage Hospitals & Affiliated IPAs/MGs	37,000
6.	Orange (July 2012)	Greater Newport Physicians / Hoag Memorial Hospital	10,000
7.	Contra Costa (Jul y 2012)	John Muir Health	16,000
8.	Santa Cruz (Jul y 2012)	Physicians Medical Group of Santa Cruz / Dignity Health	7,000
9.	Los Angeles (January 2013)	Facey / Providence Holy Cross	20,000
10.	Los Angeles (January 2013)	Access / St John Health Center	5,000

Where we are now – 20 HMO ACOs & growing, continued

#	Region/ Launch Date	Blue Shield's Partners	Members
11.	San Joaquin (January 2014)	Dignity Health / Hill Physicians	15,000
12.	San Bernardino (January 2014)	EPIC Health Plan	28,000
13.	Kern (January2014)	Dignity Health/ GEMCare	12,000
14.*	Los Angeles (January 2014)	AppleCare	11,000
15.	Sacramento (January 2014)	Dignity Health / Hill Physicians (Commercial Expansion)	4,000
16.*	Los Angeles (July 2014)	Torrance Hospital IPA / Torrance Medical Center	11,000
17.**	San Diego (July 2014)	Scripps Clinic / Scripps Health Plan Services	11,500
18.**	San Diego (July 2014)	Scripps Coastal / Scripps Health Plan Services	
19.**	San Diego (July 2014)	Mercy Physicians Medical Group/ Scripps Health Plan Services	2,200
20.*	Santa Clara (July 2014)	Santa Clara County IPA / HCA	9,000
Total Membership			**269,700**

*Pending DMHC approval
** Pending contract execution & DMHC filing/approval

Positive results to date…since its inception, the Blue Shield of CA ACO program has achieved a <3% COHC trend



Data paid through 12/13

Comparison of baseline (pre ACO) to most recent completed ACO contract period

[1] trend as of Feb 2013

Garnering national attention for driving innovation and results

U.S. Secretary of Health and Human Services

"This program is on our radar screen as one of the best examples of patient care in the country, and the kind of care that people elsewhere hope to enjoy in the future."

Los Angeles Times

"A rare alliance of healthcare rivals — a giant insurance company, a major hospital chain and a large doctors group — has managed to reduce healthcare costs through a radical new strategy"

Sacramento Business Journal — El Dorado Placer Sacramento Yolo

"Three private-sector health care partners saved the California Public Employees' Retirement System $37 million in health care costs over two years by agreeing to work together in what is considered a national model for bending the cost curve on employee benefits."

San Francisco Chronicle

....In San Francisco's case, officials say, early results have already resulted in lower costs and better care for 26,000 city employees, retirees and dependents covered by Blue Shield of California."

The New York Times

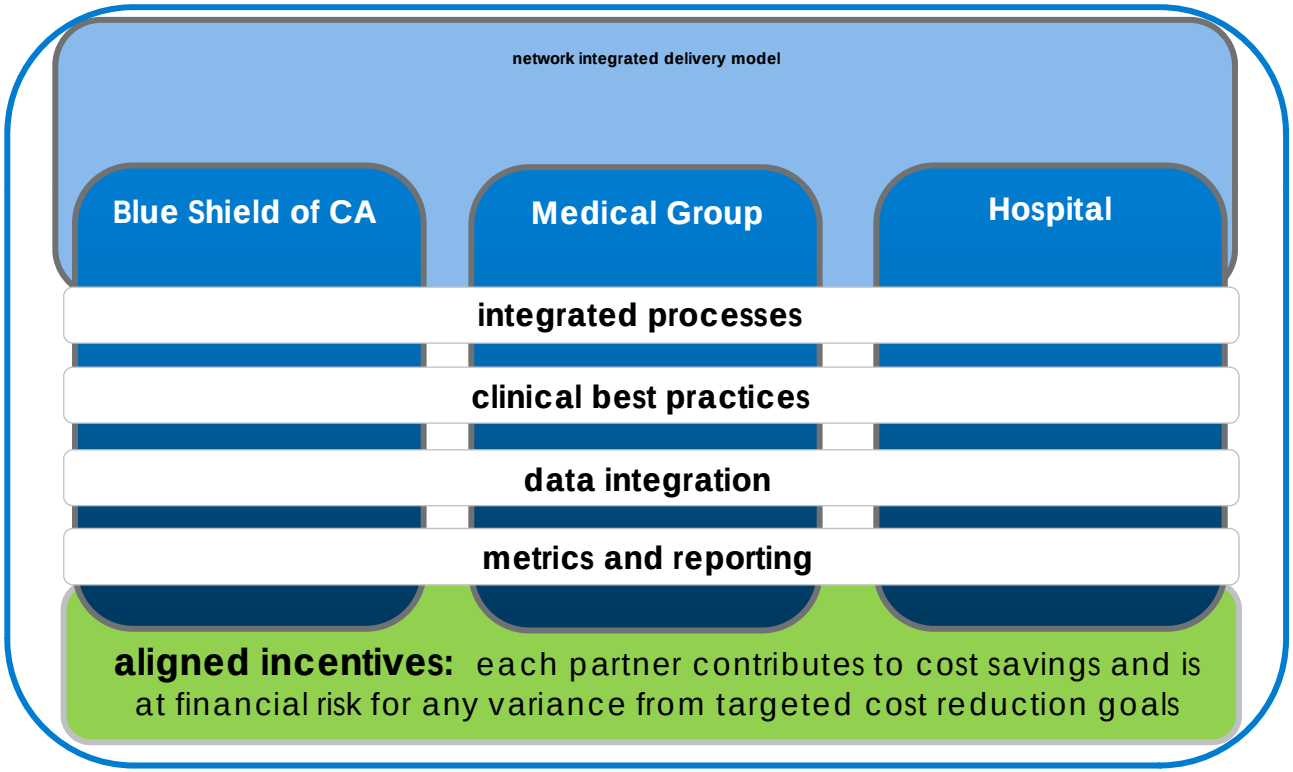
"Simply by working together, the three were able to reduce the number of times patients had to be readmitted to the hospital by 15 percent."

Managed Healthcare Executive

"Most significant was the providers' willingness to work with Blue Shield in partnership rather than as adversaries across the bargaining table."

Reducing trend through integration

an integrated network delivery model that provides **coordinated care** and services resulting in **improved quality outcomes** and **reduced healthcare costs**



driving change through accountability, transparency and aligned incentives

ACO goals

Blue Shield, the Medical Group and the Hospital are responsible for controlling costs and improving the care delivered

4 Goals:

1. Meet cost target
2. Maintain or improve quality
3. Grow membership
4. Create a sustainable, scalable model

Core areas of clinical focus

Clinical Management

- Improve coordination of inpatient services through integrated care delivery
- **Targeted outcomes:**
  - Reduce hospital length of stay, admissions and readmissions
  - Reduce unnecessary emergency room visits

Population Management

- Provide evidence based and high-touch coordinated care to address specific member risks
- Improve member experience and self-management
- **Targeted outcomes:**
  - More members actively managed in a disease/case management program
  - Fewer members "falling through the cracks" and not being managed

Physician Variation

- Stratify providers based on inpatient/outpatient utilization trends to identify opportunities to remove variation in clinical care and resource utilization
- **Targeted outcomes:**
  - Reduction in ED utilization, length of stay, admissions and readmissions
  - Address over and under utilization of key services/procedures

Medication Management

- Increase member and physician engagement to support overall medication management
- **Targeted outcomes:**
  - Reduce drug costs by increasing percent of generic utilization
  - Increase medication adherence
  - Improve processes for medication reconciliation

Blue Shield Pharmacy - What we do

- Recommend drug cost and quality improvement initiatives
- Share best-practices related to drug interventions in ACOs
- Promote the role of pharmacists in non-dispensing roles
- Leverage BSC pharmacy data to improve quality and reduce cost across all aspects of the ACO partnership

Pharmacy toolkit

formulary optimization

- **Increase generic drug utilization** and formulary (preferred brand) selection.
- **Reduce pharmacy costs** and member out-of-pocket expenses.

quality improvement

- Promote the development and implementation of quality improvement interventions for **safe and appropriate medication use.**

specialty management

- Ensure patients with chronic illnesses and complex medical conditions receive **customized specialty drug therapy management** services.

comprehensive medication management

- Promote safe and effective medication use through an **interdisciplinary team** including the patient (and/or caretaker), physician, pharmacist and other healthcare professionals.

Pharmacist integration models

Models:

- full time or part time pharmacist employed by the medical home/medical group
- connect to community pharmacies and affiliated hospital pharmacist staff
- connect to an established pharmacist-run care clinic (ex. anti-coag clinic, hypertension management clinic)

In all models:

- physicians have access to pharmacist documentation
- the pharmacist(s) may follow the patient until goals are met, or until the physician changes the level of care
- pharmacist(s) receive training to use principles of shared decision-making to improve effectiveness of medication adherence consults

BSC ACO Pharmacist Integration Models

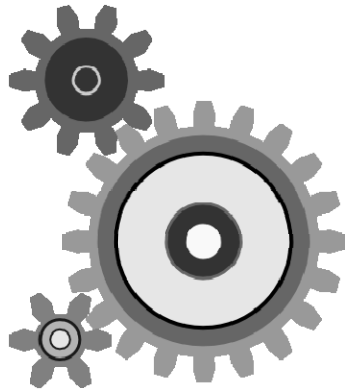
Examples of collaborative drug therapy management in BSC ACOs – distinct areas of pharmacist involvement

- **Diabetes Clinics**:
  - pharmacist practitioner prescribes and manages drug therapy
  - other team members include nurse practitioner, dietician and social worker; oversight by group endocrinologist
- **Discharge Clinics**:
  - pharmacist provides med management consults post discharge
  - collaboration with care team hospitalist and case manager
- **Virtual Pharmacist**
  - provides comprehensive medication review for target patients: high-risk, polypharmacy, non-adherence, generic switch
  - inputs clinical recommendations into the EMR for action by the primary care physician/care team

Examples of Best Practices

- Pharmacist integration within Care Teams/Clinics/ERs – pharmacists practicing at top of license (eg. provide drug therapy recommendations, conduct medication reconciliation)
- Medical Directors fully engaged – meeting with PCPs to “get in front of prescribing”
- Utilizing pharmacy students to flag EMR for formulary optimization opportunities and clinical interventions
- Leveraging close relationships with hospital campus pharmacies to expand pharmacist pool to provide discharge consultations

In the works for pharmacy



- **Collaboration with pharmacy networks**
  - Specialty drug reporting used to identify and manage patients
  - WellTransitions program – facilitates med reconciliation at discharge
  - Meds to Beds program – bedside delivery of meds at discharge
- **Provide Medication Therapy Management (MTM) services** to ACO partners through OutcomesMTM
- **Partnering with local schools of pharmacy** to provide comprehensive medication management
- **Coordination with mental health service providers** to address areas of concern – narcotic analgesics and amphetamine overutilization

Challenges

- Drug costs are increasing!
- Showing the value of pharmacists in advanced practice roles
- Medical Group and Physician engagement
- We need feet on the street! Limited resources and staffing

Future BSC Pharmacy ACO Strategy

- Expansion!
- Continue to meet needs of ACO partners for pharmacy
- Help ACOs “get in front of prescribing” to bend the Rx trend
- Validation of Pharmacist value in the ACO space
- Support pharmacists practicing at the top of their license

questions?