

An Overview of NCQA's Relative Resource Use Measures

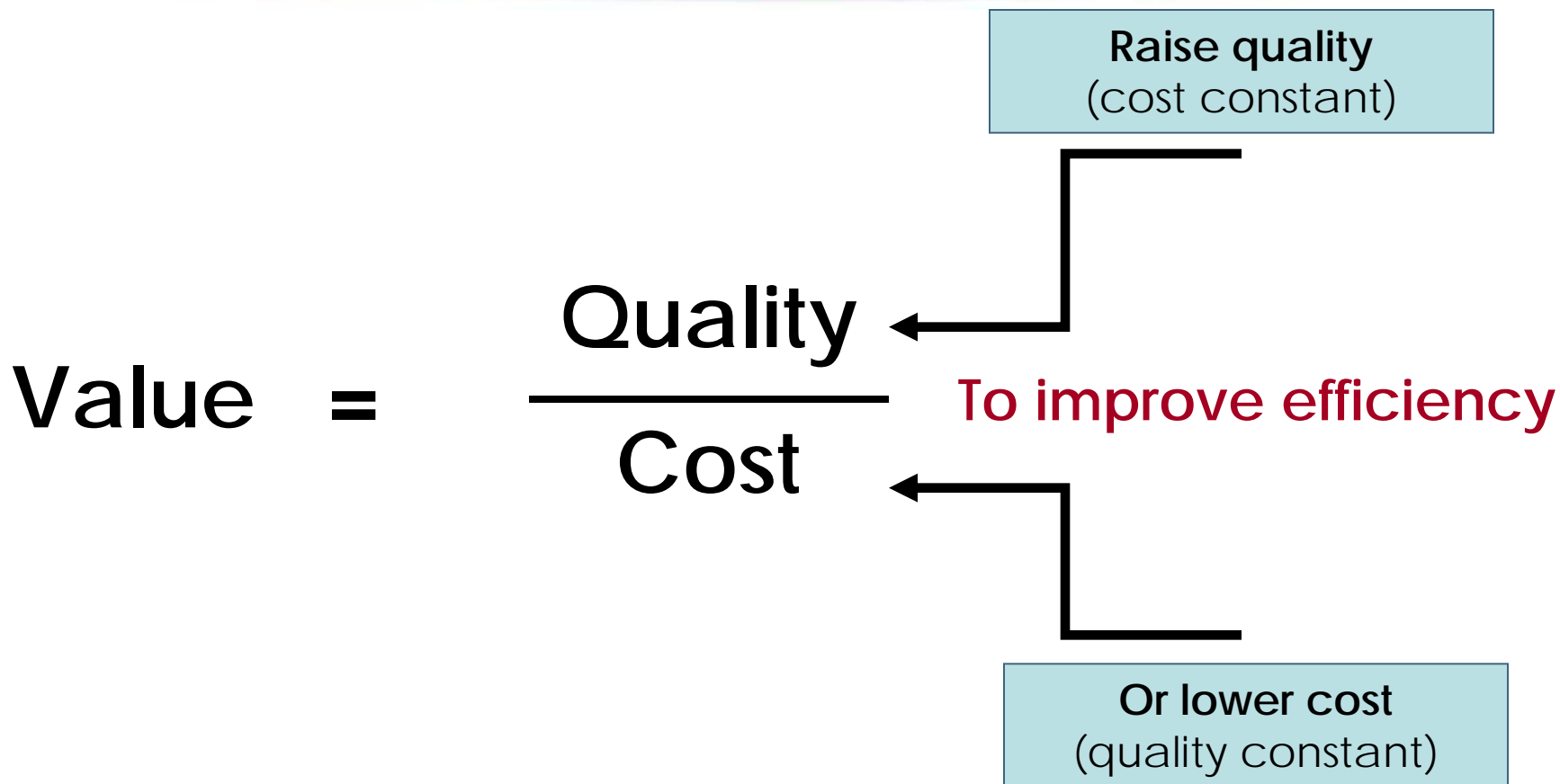


Today's Agenda

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



What is high value healthcare?



Cheaper does not necessarily mean better value!

Why measure resource use?

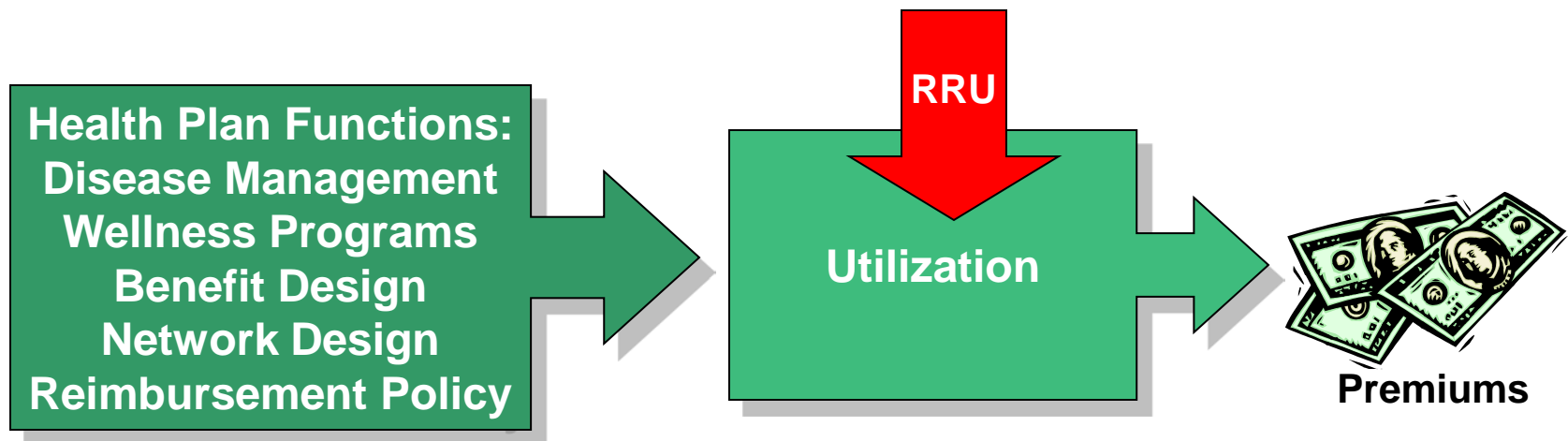
- Value-based purchasing requires information on both cost and quality
- Quality: well covered by HEDIS quality measure reporting
- Cost: purchasers only have premiums to rely on



Premiums confound utilization of services with benefit design, underwriting cycles, provider fee schedules, regional cost variation, and market competition factors

Why measure resource use?

- Health plans conduct functions that influence member utilization of services
- Utilization influences premiums
- NCQA Relative Resource Use measures observe member utilization of services



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



RRU Data Overview

- Plans vary on measures of resource use

Sample Diabetes Relative Resource Use in a Single State – HEDIS 2008

Plan	Medical Components				Pharmacy
	Combined Medical	Inpatient Facility	Evaluation & Management	Surgery & Procedure	
Plan A	1.14	1.32	1.00	0.89	1.14
Plan B	0.85	0.96	0.74	0.73	1.12
Plan C	0.80	0.84	0.79	0.71	1.16
Plan D	0.74	0.77	0.85	0.56	1.13
Plan E	0.73	0.79	0.76	0.54	1.19

NCQA will display RRU data with quality data

Note: 1.0 = average, <1.0 = below average, >1.0 = above average

Resource Use and Quality Results

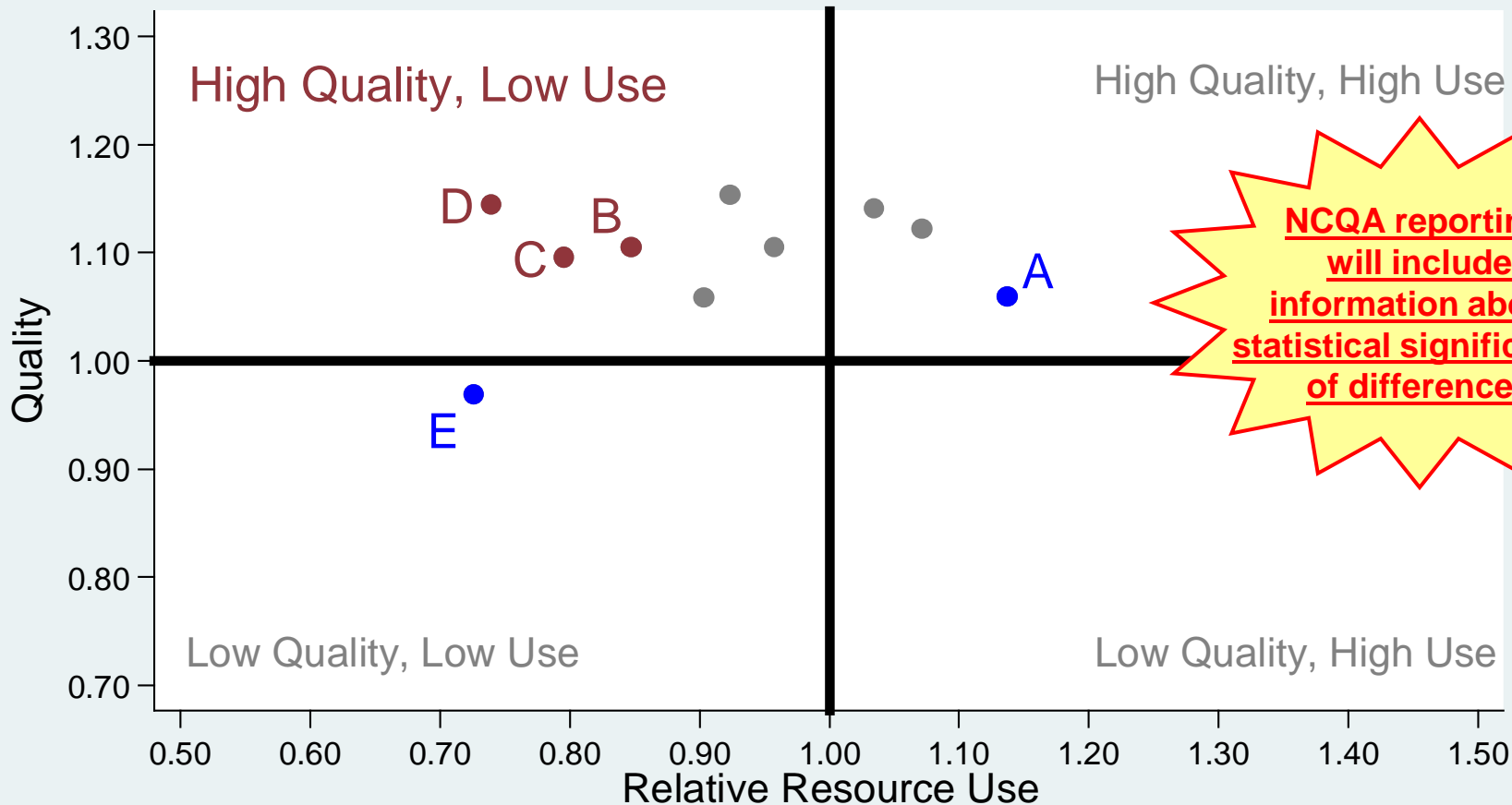
Sample Diabetes Relative Resource Use in a Single State – HEDIS 2008

Plan	Diabetes Quality Composite	Medical Components Resource Use				Pharmacy Resource Use
		Combined Medical	Inpatient Facility	Evaluation & Management	Surgery & Procedures	
Plan A	1.06	1.14	1.32	1.00	0.89	1.14
Plan B	1.10	0.85	0.96	0.74	0.73	1.12
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Resource Use and Quality Results

HEDIS 2008 Quality & RRU -- Diabetes Commerical HMOs in One State



Note: Plan results are based on national relative indices for quality and RRU.

Public Reporting RRU Results

NCQA publishes RRU results in

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



- RRU and Quality data are publically reported together
- Health plans can determine how to improve the value and efficiency of care provided using the “value” RRU equation

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”

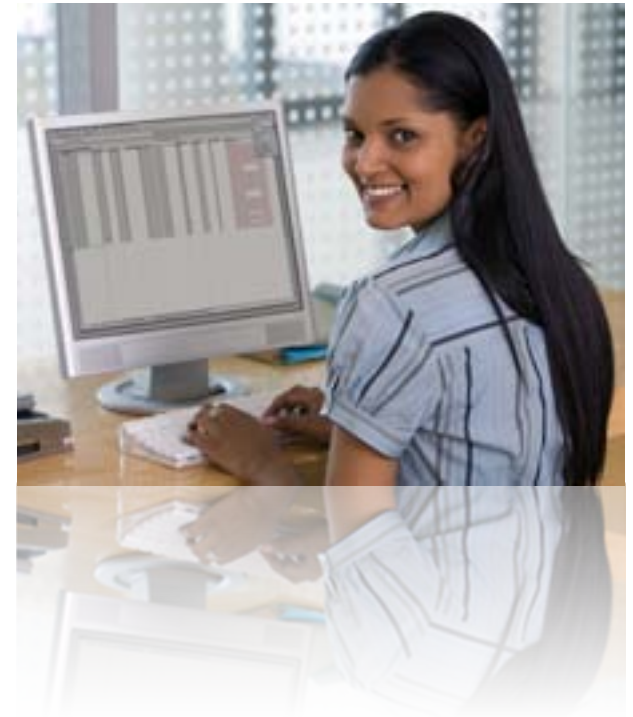
Common Principles

- **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



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
- Focuses on use of the data to improve both resource utilization and quality results



Key Features of NCQA's RRU Measures

■ Risk adjustment

- NCQA Model based on CMS's Hierarchical Condition Category (HCC) approach
- A member's 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

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.



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