



Baskets of Care Background Information

December 2008

Introduction

Our current health care payment system does not reward health care providers who provide higher quality care or who do a good job of preventing medical complications. There are also few incentives for different health care providers, such as physicians and hospitals, to collaborate to improve care in ways that improve health outcomes and reduce costs (e.g., by reducing the rate of readmissions to the hospital).

Changing the way that we pay for health care is a critically important part of improving quality and making health care costs more sustainable. The concept of baskets of care that was included in the 2008 health reform bill seeks to bundle payments for a set of health care services together (e.g., all of the services needed for total knee replacement surgery) in ways that will create incentives for health care providers to cooperate and develop innovative ways to improve health care quality and reduce costs.

Although providers and payers are not required to use baskets of care as a method of organizing health care service delivery or payment, the objective of the baskets concept is to encourage providers, payers, and consumers to think differently about health care service delivery. The law allows providers to begin using baskets of care in January 2010, but does not require them to do so. To the extent that payers elect to make the baskets of care available to beneficiaries, the law is explicit regarding requirements about payment for baskets of care. The law stipulates that there will be a single non-negotiable rate for each basket of care, but it does not require payers to contract for the baskets of care.

The remainder of this paper provides information on the 2008 health reform legislation, as well as possible goals for the baskets of care and criteria that may be considered in the course of developing and defining the seven baskets of care.

Legislation

The 2008 health reform law requires the Minnesota Department of Health to identify and establish uniform definitions for at least seven baskets of care by July 1, 2009 and establish relevant quality measures for these baskets by December 31, 2009. These baskets of care will create incentives for health care providers to package and deliver high quality, lower-cost health services. The law also calls for the Minnesota Department of Health to publish comparative price and quality information on these baskets of care by July 1, 2010. The text of the baskets of care component of the 2008 health reform legislation is included in the Appendix to this document.

Goals

While the health care system currently pays for services on a per-service basis, baskets of care are intended to offer health care providers an incentive to be innovative in treating the identified health conditions or providing the identified episodes of care to support effective, high quality lower-cost care.

In identifying baskets of care, it will be important to consider the following questions:

- What are the goals of baskets of care?
- Will different types of baskets achieve different goals?
- Are there tensions, distinctions, or tradeoffs between goals?

Some possible goals for the baskets of care may include, but are not limited to, the following:

- Promote better value through better health outcomes and better service – both clinical and patient experience – at lower costs
- Focus on outcomes, not care processes
- Promote health
- Foster innovation in care processes/delivery
- Patients/consumers should benefit from better value and share in cost savings
- Foster competition at provider level by enabling comparison across providers
- Promote cost and quality transparency
- Reduce administrative costs
- Engage consumers

Criteria

Possible criteria for the baskets of care may include, but are not limited to, the following:

- **Value:**
 - Does the basket of care create better value?
 - Does the basket of care promote high value health care, where effective care is delivered to every patient every time?
- **Quality:**
 - Does the basket of care promote outcomes and/or health?
 - Is the basket of care an evidence-based, scientific, known, and commonly accepted standard of care or does it result in better outcomes?
 - Does the basket of care make use of existing clinical guidelines and tools?
- **Innovative:**
 - Does the basket of care promote innovation in health care processes or delivery?
 - Does the basket make use of the opportunity for experimentation with the baskets of care concept?
 - Are there a variety of baskets?
- **Flexibility:**
 - Is the basket of care flexible enough to allow for or encourage innovation?
 - Does the basket of care consider the challenge of condition boundaries?
 - Does the basket of care interact or overlap with other baskets of care?
- **Usable and Promotes Comparability:**
 - Does the basket of care work towards developing community standards and tools of comparability that are easily understood and accessible for consumers?
 - How simple/complex is the basket of care?
 - Does the basket of care allow for some predictability of pricing?
 - Does the basket of care engage consumers?
- **Setting, Condition, or Target Population:**
 - Does the basket of care allow for the possibility of care delivery outside of a traditional office-based environment and care delivery that crosses settings?
 - Is the prevalence of the condition/procedure/etc. around which the basket of care is organized sufficient enough to assess the value of different approaches to service delivery and payment?
 - What population of patients is served by the basket of care?

Considerations

The baskets of care concept is complex, due in part, to the potential trade offs; tensions between various stakeholders, preferences, and incentives; the need to balance innovation with comparability and uniformity; and the possibility of unintended consequences. As a result of the wide range of possible baskets of care and the goals they may be used to reach, the steering committee may choose to recommend an initial set of baskets that would assess the feasibility and effectiveness in achieving a variety of objectives. In addition, the steering committee will need to consider whether the basket of care concept is the most appropriate way to incentivize the provision of high quality, coordinated and lower-cost health care services for individuals with chronic health conditions.

Baskets of Care

The 2008 health reform legislation defines a “basket” or “baskets of care” as a collection of health care services that are paid separately under a fee-for-service system, but which are ordinarily combined by a provider in delivering a full diagnostic or treatment procedure to a patient (Sec. 4 Subd. 2).

The legislation is broad and does not preclude the development of baskets that are defined by criteria other than specific health conditions. For example, baskets of care may be organized into the following broad categories:

- **Procedural**, some examples may include:
 - Total knee or hip replacement
 - Coronary Artery Bypass Graft (CABG) surgery
 - Imaging
 - Hernia repair

- **Episodic or Time-Limited**, some examples may include:
 - Maternity care
 - Preventive services (e.g., one year of preventive care for a male/female)
 - Care for a certain age-range (e.g., children 4 to 8 years old)
 - All care for infants up to age 2, including preventive/routine and minor acute care (excluding hospitalization and care for accidental/trauma and catastrophic illnesses)

- **Chronic**, some examples may include:
 - Depression
 - Asthma
 - Back pain
 - Primary hypertension
 - Coronary artery disease (CAD)
 - Osteoarthritis
 - Headaches
 - Fibromyalgia

- **Other or Cross-Cutting**, some examples may include:
 - Chemical dependence treatment
 - Smoking cessation
 - Common ailments (e.g., sore throats)
 - Cancer care

Please note that there may be other baskets of care categories that are not identified here – this list is not meant to be a complete inventory but rather to serve as a starting point for purposes of brainstorming and discussion. In addition, the specific baskets of care within each of these broader basket categories might not be mutually exclusive. For example, care for depression could be conceptualized within the chronic care basket category or within the episodic/time-limited category, or smoking cessation could be included in the asthma care basket or prevention care basket rather than as a separate basket in the other category. Prescription drugs could also be included in the baskets of care.

Appendix

LEGISLATION:

CH. 358, ART. 4 LAWS OF MINNESOTA FOR 2008

PROVIDER PRICING FOR BASKETS OF CARE [62U.05]

ESTABLISHMENT OF DEFINITIONS (SEC. 8 SUBD. 1):

- (a) By July 1, 2009, the commissioner of health shall establish uniform definitions for baskets of care beginning with a minimum of seven baskets of care. In selecting health conditions for which baskets of care should be defined, the commissioner shall consider coronary artery and heart disease, diabetes, asthma, and depression. In selecting health conditions, the commissioner shall also consider the prevalence of the health conditions, the cost of treating the health conditions, and the potential for innovations to reduce cost and improve quality.
- (b) The commissioner shall convene one or more work groups to assist in establishing these definitions. Each work group shall include members appointed by statewide associations representing relevant health care providers and health plan companies, and organizations that work to improve health care quality in Minnesota.
- (c) To the extent possible, the baskets of care must incorporate a patient-directed, decision-making support model.

PACKAGE PRICES (SEC. 8 SUBD. 2):

- (a) Beginning January 1, 2010, health care providers may establish package prices for the baskets of care defined under subdivision 1.
- (b) Beginning January 1, 2010, no health care provider or group of providers that has established a package price for a basket of care under this section shall vary the payment amount that the provider accepts as full payment for a health care service based upon the identity of the payer, upon a contractual relationship with a payer, upon the identity of the patient, or upon whether the patient has coverage through a group purchaser. This paragraph applies only to health care services provided to Minnesota residents or to non-Minnesota residents who obtain health insurance through a Minnesota employer. This paragraph does not apply to services paid for by Medicare, state public health care programs through fee-for-service or prepaid arrangements, workers' compensation, or no-fault automobile insurance. This paragraph does not affect the right of a provider to provide charity care or care for a reduced price due to financial hardship of the patient or due to the patient being a relative or friend of the provider.

QUALITY MEASUREMENTS FOR BASKETS OF CARE (SEC. 8 SUBD. 3):

- (a) The commissioner shall establish quality measurements for the defined baskets of care by December 31, 2009. The commissioner may contract with an organization that works to improve health care quality to make recommendations about the use of existing measures or establishing new measures where no measures currently exist.
- (b) Beginning July 1, 2010, the commissioner or the commissioner's designee shall publish comparative price and quality information on the baskets of care in a manner that is easily accessible and understandable to the public, as this information becomes available.