



STATE OF TENNESSEE
DIVISION OF HEALTH CARE FINANCE AND ADMINISTRATION
STRATEGIC PLANNING AND INNOVATION GROUP

MEMORANDUM

Date: April 2014

Subject: Tennessee Health Care Innovation Initiative

Through Governor Haslam's leadership, the State of Tennessee has launched the Health Care Innovation Initiative to transition the state's health care payment system to reward patient-centered, high-quality, high-value health care for all Tennesseans.

All across Tennessee, patients, providers, employers, insurance companies, and communities agree that the current health care system is unsustainable. Medical inflation outpaces growth of the rest of the economy each year, without concomitant improvements in the quality of care. For several years, stakeholders in Tennessee have been engaged in conversation about how to transition to patient-centered, high quality, high value care in Tennessee. During the past year, the State's initiative has focused the conversation with stakeholders on specific strategies to achieve that goal.

Insurance companies that administer TennCare, state sponsored employee health benefits, and CoverKids are now implementing one of the initiative's strategies: *episodes of care*. In addition to the state-sponsored plans, several insurance companies are implementing episodes of care for their commercial members as well, or have plans to do so in the future.

Episodes of care reward providers for delivering high-quality and efficient care for an acute health care event. Episodes of care align provider incentives and create continuity across a fragmented health care system without making changes to the current fee-for-service payment method that most providers use. It is possible to move forward with episodes of care with all types of providers—rural and urban, large groups and individual practitioners—because episodes of care work with the infrastructure, business processes and relationships that Tennessee providers have today.

With input from Tennessee clinicians and insurers, the initiative is now implementing a first wave of three episodes: perinatal care, total joint replacements, and acute asthma exacerbations. Over time, additional episodes will be added, each developed with the input of Tennessee clinicians.

For each episode of care there is a Principal Accountable Provider, also called the quarterback. The quarterback is the provider who is in the best position to influence the total cost and quality of an episode. For the perinatal care episode, the quarterback is the Ob/Gyn, family practitioner, nurse midwife, or other provider who delivers the baby. For the asthma exacerbation episode the quarterback is the facility where the patient went for an emergency department visit or inpatient

stay related to an asthma exacerbation. For the total joint replacement, the quarterback is the surgeon who replaced the patient's knee or hip.

Participating insurance companies are starting to share reports with quarterbacks that show information about their episodes of care. Quarterbacks can talk to the insurance company's provider representatives to learn more about their own episodes of care and the overall initiative. Quarterbacks will continue to receive reports with information about their episodes of care every quarter. All quarterbacks will receive reports according to their tax ID number.

Over the next few months, quarterbacks will start by receiving actionable information on their episodes of care but will see no other changes. Next year, insurance companies will start to reward quarterbacks who have episodes of care that meet quality metrics and are at a lower average cost than most other providers in the state, and penalize providers whose episodes of care are more expensive than most other providers. The total cost of an episode includes the cost of all the services involved in the episode, including some that are billed by providers other than the quarterback.

There are several ways to find out more about episodes of care and the Tennessee Health Care Innovation Initiative. The best way for a quarterback to discuss the specifics of their own episodes is to talk to the insurance companies that are implementing episodes of care. There is also general information about the initiative available at <http://www.tn.gov/HCFA/strategic.shtml>. In addition to the episodes of care strategy to address acute care, the initiative also includes a strategy to address population based care, primarily through patient centered medical homes.

Tennessee is a recognized leader in health care innovation. The episodes of care reports that providers are receiving contain information that has not been previously available to providers. These reports are a step in Tennessee's transition from a health care system that rewards volume of care to a health care system that rewards patient-centered, high-quality, high-value health care.