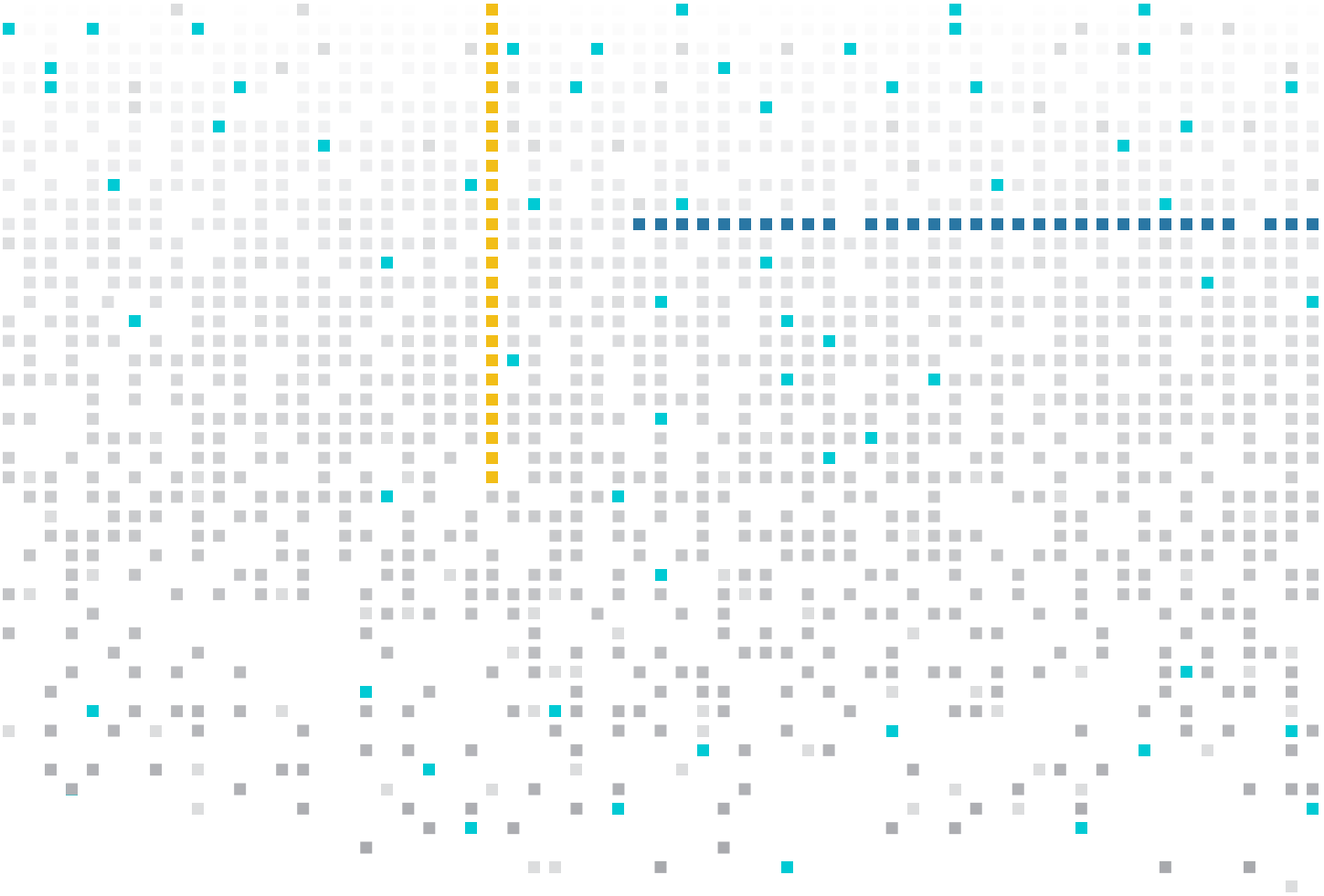


Covered California's Efforts to Lower Costs While Ensuring Consumers Get the Right Care at the Right Time

An Early Look at Results of Covered California's Work to Improve Health Care by Promoting Better Quality While Reducing Costs

COVERED CALIFORNIA

March 2019

About Covered California

Covered California is the state's health insurance marketplace, where Californians can find affordable, high-quality insurance from top insurance companies. Covered California is the only place where individuals who qualify can get financial assistance on a sliding scale to reduce premium costs. Consumers can then compare health insurance plans and choose the plan that works best for their health needs and budget. Depending on their income, some consumers may qualify for the low-cost or no-cost Medi-Cal program.

Covered California is an independent part of the state government whose job is to make the health insurance marketplace work for California's consumers. It is overseen by a five-member board appointed by the governor and the Legislature. For more information about Covered California, please visit www.CoveredCA.com.

INTRODUCTION

The Patient Protection and Affordable Care Act helped millions of people get the health insurance they needed — through guaranteed-issue coverage and financial assistance to help bring it within reach — and it also built on and expands ways to lower costs, improve quality and promote better health.

The Centers for Medicare and Medicaid Services (CMS) has changed payments to both hospitals and physicians, and it has established the Center for Medicare and Medicaid Innovation (CMMI) to test "innovative payment and service delivery models to reduce program expenditures … while preserving or enhancing the quality of care." As of February 2018, the CMMI has launched more than 40 new payment models, involving 200,000 providers and more than 18 million patients.[1]

All marketplaces, both state-based and federally facilitated, are required under the Affordable Care Act to do a minimum of activities related to improving quality by implementing a quality-improvement strategy. Covered California aims to go beyond those requirements.

Since its inception, Covered California has set forth standards and requirements for quality improvement and delivery system reform in its Qualified Health Plan (QHP) Issuer Model Contract[2] to address the underlying costs of health care and promote better quality. Under the requirements — which exceed those set by the Affordable Care Act — participating plans are required to work toward improving health outcomes and patient safety, preventing hospital readmissions and reducing medical errors and health disparities.

Covered California is currently revising its quality improvement and delivery system reform standards and requirements and has organized the strategies to support these expectations into two areas and 13 distinct domains. The "Right Care/Accountability" area includes eight domains that relate directly to Covered California's commitment to ensuring that those who have coverage today are getting the right care, in the right setting and at the best price possible. The "Delivery System Improvement" area includes five value-enhancing strategies that are aimed at promoting near- and long-term delivery system reform through concepts of alignment, payment, measurement and evaluation. (See Table 1: Covered California's Contractual Requirement Domains to Lower Costs and Improve Quality.)

[1] Kaiser Family Foundation. "'What is CMMI?' and 11 other FAQs about the CMS Innovation Center." Feb. 27, 2018. https://www.kff.org/medicare/fact-sheet/what-is-cmmi-and-11-other-faqs-about-the-cms-innovation-center/.

[2] Covered California. "Qualified Health Plan Issuer Contract Through 2017-2019 for the Individual Market." https://hbex.coveredca.com/insurance-companies/PDFs/QHP-Model-Contract-2017-2019-Amended-for-2017-and-2018.pdf. Specific standards and strategies found in Attachment 7, starting on page 133.

Table 1. Covered California's Contractual Requirement Domains to Lower Costs and Improve Quality	
Right Care/Accountability Strategies	**Delivery-System Improvement Strategies**
Chronic Care, General Care and Access	Networks Based on Value
Hospital Care	Promotion of Effective Primary Care
Major/Complex Care	Promotion of Integrated Health Care Models and Accountable Care Organizations
Mental/Behavioral Health and Substance Abuse Disorder Treatment	Alternate Sites of Delivery Care
Preventive Services	Consumer and Patient Engagement
Health Equity: Disparities in Health Care	Population-Based and Community Health Promotion Beyond Enrolled Population
Pharmacy Utilization Management	

The proposed revisions to the contracts would take effect in the 2021 plan year.[3]

The following report details Covered California's extensive work to implement these important reforms, while identifying what lies ahead in this critical area. For the first time, this report reveals early results of Covered California's efforts.

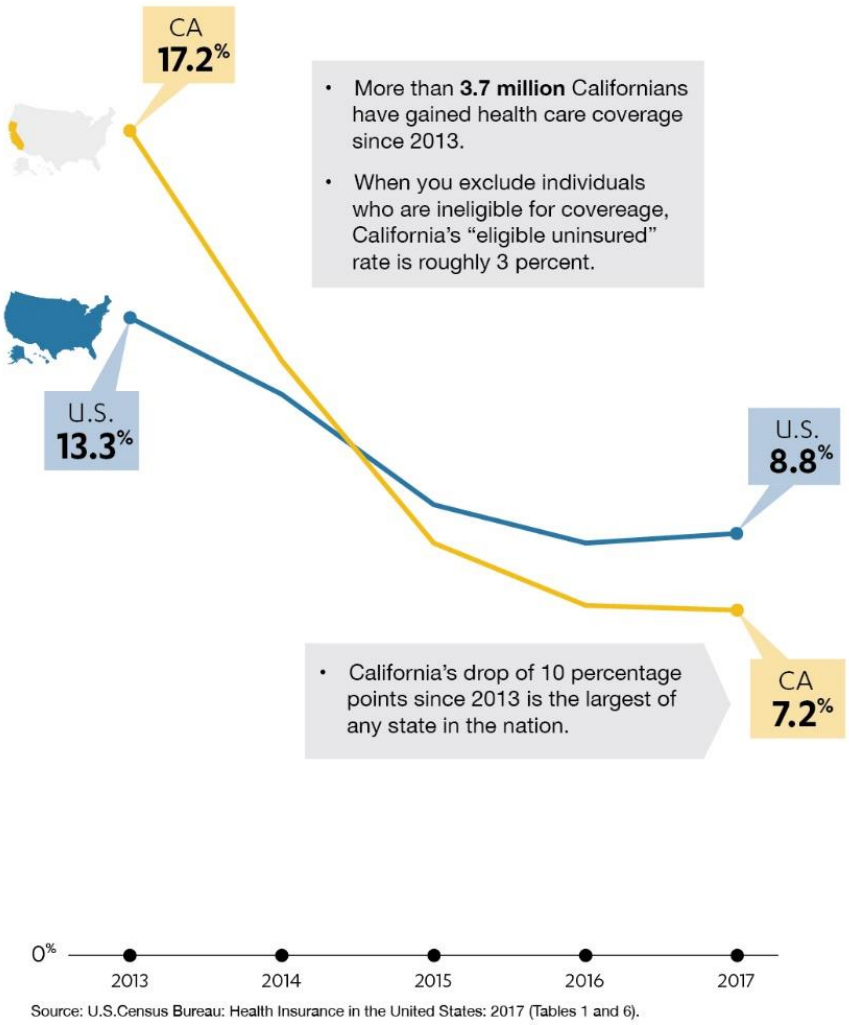
FIRST STEPS TO ADDRESSING AFFORDABILITY: COVERAGE EXPANSION AND PROMOTING A BETTER RISK MIX

One of the major accomplishments of the Affordable Care Act is that it supported the expansion of states' Medicaid programs and provided tax credits to consumers in the individual market to help bring the cost of coverage within reach. In the individual market, the cost to consumers (in the form of the premiums they are charged) is based on the underlying cost of health care as a whole, as well as the health of a state's consumer pool and other factors.

Covered California has used all of the tools of the Affordable Care Act to build a strong and sustainable individual market that helped drive down health care premiums. The result is a competitive marketplace in which a stable group of carriers vies for consumers based on price and quality. Significant investments in marketing and outreach have led to more than 1 million actively enrolled consumers and one of the lowest risk scores in the nation. As a result, individual market health care premiums in California are about 20 percent lower than the national average.

[3] Covered California. "Refreshing Contractual Expectations Designed to Promote Accountability and Delivery System Improvements." Jan. 17, 2019. https://board.coveredca.com/meetings/2019/01-17%20Meeting/Refreshing-Contractual-Expectations.pdf.

These achievements have helped California lower its uninsured rate from 17.2 percent in 2013 to 7.2 percent in 2017. The 10-point decline is the largest decrease of any state in the nation during that time and reflects 3.7 million Californians gaining health insurance coverage. When you exclude individuals who are ineligible for coverage due to their immigration status, California's eligible uninsured rate is roughly 3 percent.[4]



Source: U.S.Census Bureau: Health Insurance in the United States: 2017 (Tables 1 and 6).

While having an effective market and increasing the number of insured are significant factors in keeping costs down over the short term, the long-term solution to affordability must address the underlying factors that are driving the increase in health care costs.

A new report by the independent Office of the Actuary at the Centers for Medicare and Medicaid Services (CMS) estimates that national health expenditure growth will average 5.5 percent annually from 2018 to 2027.[5] As a result, health care spending as a share of the gross domestic product in the United States is projected to rise from 17.9 percent in 2017 to 19.4 percent by 2027.

Covered California is working on both short-term and long-term solutions to affordability, and this report shows the early results of those efforts.

[4] U.S. Census Bureau. "Health Insurance Coverage in the United States: 2017." https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-264.pdf.

[5] CMS. "CMS Office of the Actuary Releases 2018-2027 Projections of National Health Expenditures." https://www.cms.gov/newsroom/press-releases/cms-office-actuary-releases-2018-2027-projections-national-health-expenditures.

COVERED CALIFORNIA'S EFFORTS PROMOTE DELIVERY SYSTEM REFORM AND ASSURE ENROLLEES RECEIVE QUALITY CARE

To ensure the best value and outcomes for the more than 2 million enrollees in the individual market, Covered California seeks to address the "triple aim" through its 11 health plans. The triple aim is a health care framework shared by many purchasers and providers that aims to ensure patients get high-quality care, keep consumers healthy and have them get healthier, and reduce overall costs.

Covered California holds itself accountable for improving the performance of California's health system through the quality and delivery system reform standards in its contracts with health plans. As a purchaser for a diverse enrollee population, Covered California has expanded on its triple aim accountability efforts to include health equity and reductions of disparities in health care to ensure improved health for all Californians.

With its purpose firmly rooted in an expanded triple aim framework, Covered California aims to address the challenges in our current health care system by:

- Requiring providers to meet quality standards without exception, to provide safe and high-quality care for all.
- Reducing disparities in health outcomes among various racial and ethnic groups.
- Adopting payment strategies that support quality performance.
- Adopting proven models of primary care and integrated, coordinated delivery models.
- Providing tools to help consumers make informed choices while selecting providers.

Covered California is providing a glimpse of early results of the quality-improvement efforts during the past three years. The results are collected from carriers and based on the most recent available data, with most results coming from 2017. The initial analysis shows that health plans working with their networks of providers and have made steady improvement in quality. Consumers are getting the quality care that they need at the right time. We are laying the groundwork to reduce health disparities and promote health equity, and consumers are being given tools to better engage with the health care system.

Ensuring Patients Receive Quality Care at the Right Time

Enrollees in Health Plans Through Covered California Get High-Quality Care, and It Is Getting Better

Covered California puts consumers first, with a focus on making sure they receive quality care at the right time, particularly those with chronic conditions. Overall, the best current national measure to assess health plans is the global quality-rating system (QRS) score, which is a summary of 42 different measures that track quality care. The QRS scores show how Covered California's health insurance companies compare on helping members get the right medical care and on member-reported experiences of care and service. The results are displayed prominently during the consumer's enrollment process and on our website, www.CoveredCA.com.[6]

Covered California actively uses these ratings, along with the underlying specific measures, to review how our plans are performing. Initial indications are that Californians served in the individual market are getting good care and that care is getting better. Plans are required to report data on getting the right care (HEDIS metrics) and member-reported experiences of care and service (CAHPS metrics) to the Centers for Medicare and Medicaid Services to develop the QRS scores.

Covered California has reported quality-rating system results since 2014 and uses this data to conduct clinical reviews with its plans, to set targets for improvement and to hold plans accountable. In 2016, six of the products from Covered California's plans earned a rating of one or two stars, while only two products received four or five stars. By 2018, all 14 of the individual products from Covered California's 11 health plan issuers earned a rank of three stars or better, with five products earning four or five stars, giving us confidence that consumers are getting the right care at the right time. (See Table 2: Global Quality Rating by Reportable Products for the California Individual Market.)

Table 2. Global Quality Rating by Reportable Products for the California Individual Market

QRS Year	★	★★	★★★	★★★★	★★★★★	No. of Products with No Global Rating*
2018	0	0	6	3	2	3
2017	0	2	6	1	1	4
2016	0	6	2	1	1	4

* There is no global rating if a newer product that is ineligible for reporting, or has insufficient sample sizes to report results, for at least two of the three summary indicator categories.

Covered California's plans have shown steady improvement in a subset of critical categories. The following four tables illustrate how Covered California's efforts have led to concrete results in specific situations.

[6] Covered California. https://www.coveredca.com/individuals-and-families/quality-ratings/.

Controlling Diabetes

The latest data from the Centers for Disease Control and Prevention (CDC) shows that "more than 1 in 3 Americans has prediabetes, and about 30 million Americans currently have diabetes — with the number of adults diagnosed with diabetes tripling in the past 20 years."[7]

Diabetes — which is marked by high blood glucose (blood sugar) due to the body's inability to make or use insulin — can lead to heart disease, stroke, hypertension, blindness, kidney disease, diseases of the nervous system, amputations and even premature death. The average level of blood sugar is tracked through a hemoglobin A1c test, or HbA1c test, and the target HbA1c level for people with diabetes is 8 percent or lower.

Covered California's early results show that its plans are doing well compared to the national average, with its best-performing plan scoring higher than the 90th percentile when compared to national marketplace plans. Even more importantly, its lowest-performing plan dramatically improved from 2016 to 2018 (see Table 3: HbA1c < 8 Percent HEDIS Measure).

Table 3. HbA1c < 8 Percent HEDIS Measure

	2016	2017	2018
US 90th Percentile for National Marketplace Plans	0.67	0.67	0.69
US 50th Percentile for National Marketplace Plans	0.56	0.57	0.59
Covered California Weighted Average	0.59	0.60	0.63
Covered California Best-Performing Plan	0.75	0.70	0.73
Covered California Lowest-Performing Plan	0.38	0.47	0.52

Furthermore, Covered California plans also continued to show progress in proper diabetes management, which is essential to controlling blood sugar, reducing risks for complications and prolonging life.

The early results found that Covered California's plans had a higher rate of diabetes medication adherence than the national average, with its best-performing plan scoring higher than the 90th percentile when compared to national marketplace plans and a 20 percent improvement among the lowest-performing plan (see Table 4: Diabetes Medication Adherence HEDIS Measure).

[7] Centers for Disease Control. "Newest Prediabetes Awareness Campaign by Nation's Medical Authorities Spreads the Words: 1 in 3 Americans Has Prediabetes, Learn Your Risk." Nov. 14, 2018. https://www.cdc.gov/media/releases/2018/p1114-new-prediabetes-campaign.html.

Table 4. Diabetes Medication Adherence HEDIS Measure			
	2016	2017	2018
US 90th Percentile for National Marketplace Plans	0.79	0.79	0.80
US 50th Percentile for National Marketplace Plans	0.68	0.69	0.71
Covered California Weighted Average	0.66	0.69	0.72
Covered California Best-Performing Plan	0.77	0.80	0.87
Covered California Lowest-Performing Plan	0.51	0.50	0.61

Controlling High Blood Pressure (Hypertension)

High blood pressure increases the risk of heart disease and stroke, which are the leading causes of death in the United States. The latest data from the CDC shows that hypertension affects nearly one-third of adults in the United States, approximately 75 million people, and in roughly half of those adults, the disease is uncontrolled.[8] Controlling high blood pressure is an important step in preventing heart attacks, stroke and kidney disease, and in reducing the risk of developing other serious conditions.

Again, Covered California's early results show that its plans have a higher rate of controlling high blood pressure, performing better than the national average, with its best-performing plan scoring higher than the 90th percentile when compared to national marketplace plans (see Table 5: Controlling High Blood Pressure HEDIS Measure).

Table 5. Controlling High Blood Pressure HEDIS Measure			
	2016	2017	2018
US 90th Percentile for National Marketplace Plans	0.76	0.76	0.77
US 50th Percentile for National Marketplace Plans	0.58	0.59	0.61
Covered California Weighted Average	0.66	0.63	0.66
Covered California Best-Performing Plan	0.85	0.86	0.82
Covered California Lowest-Performing Plan	0.49	0.43	0.43

Screening for Cancer and Other Conditions

Covered California plans are also improving when it comes to conducting screenings and making early diagnosis of potentially deadly diseases. There are 15 measures classified under the "prevention" domain of the QRS to help people avoid or identify conditions for early intervention.

[8] Centers for Disease Control and Prevention. "A Public Health Approach to Detect and Control Hypertension." Nov. 18, 2016. https://www.cdc.gov/mmwr/volumes/65/wr/mm6545a3.htm.

One of those is recommended screenings for colorectal cancer. According to the American Cancer Society, when skin cancers are excluded, colorectal cancer is the third most common cancer diagnosed in men and women in the United States.[9]

Many adults between the ages of 50 and 75 years old do not get the recommended screenings, when doctors can detect polyps before they become cancerous, or detect colorectal cancer in its early stages when treatment is most effective. Treating colorectal cancer in its earliest stage can lead to a 90 percent survival rate after five years.

The early results found that, on average, Covered California's plans had improved to the national average, with its best-performing plan scoring higher than the 90th percentile when compared to national marketplace plans (see Table 6: Colorectal Cancer Screening HEDIS Measure).

Table 6. Colorectal Cancer Screening HEDIS Measure

	2016	2017	2018
US 90th Percentile for National Marketplace Plans	–	0.67	0.68
US 50th Percentile for National Marketplace Plans	–	0.52	0.54
Covered California Weighted Average	0.48	0.49	0.53
Covered California Best-Performing Plan	0.82	0.80	0.78
Covered California Lowest-Performing Plan	0.28	0.35	0.34

Source: Quality-rating system reporting for all national marketplace plans. Weighted average based on enrollment in products eligible for a QRS score in the individual market.

The concrete examples above are specific measures for people with particular conditions. It is important to note that there could be several explanations for the improvements seen among Covered California plans. In addition to holding them to account, the increase in the rate of insured means that people who were previously uninsured are now getting the care they need to control their chronic conditions. Nevertheless, improving care for people with chronic conditions by making sure they get the right care at the right time can greatly improve their lives while reducing health care costs.

Helping Consumers Navigate the Health Care System by Matching Them With a Primary Care Clinician

The health care system in America can be complicated, fragmented and costly. In the past, most people who enrolled in health maintenance organization (HMO) plans were required to identify a specific doctor to serve as their primary care physician (PCP). However, this requirement has not typically extended to people who enrolled in preferred provider organization (PPO) plans, meaning that many consumers in

[9] American Cancer Society. "Key Statistics for Colorectal Cancer." https://www.cancer.org/cancer/colon-rectal-cancer/about/key-statistics.html.

California and across the nation were on their own, without the help of a clinician to guide them.

In January 2017, Covered California became the first purchaser to require that all of its consumers, in both PPOs and HMOs, be matched to a primary care physician or other primary care clinician, such as a nurse practitioner.

The purpose of the requirement was to bring the PCP match to the PPO environment and give consumers a single point of contact who would help them navigate their health care system. A primary care physician can provide continuity and address most health care needs, helps consumers select the proper specialist, coordinates their care with other providers and ensures they understand their treatment options. While having a PCP is important, people enrolled in PPO plans can still choose to navigate the health care system on their own and do not need permission from their PCP to seek treatment or a referral to see a specialist.

Within less than a year, virtually all of Covered California's enrollees, 99 percent, had either selected or been matched with a PCP, which was nearly a 30 percentage point increase from the 2016 baseline rate of 70 percent. Covered California believes this PCP match will ultimately help people get better access to care in a timelier manner. Covered California is currently working with its plans and examining the data to understand the patient experience and clinical and financial effects of this program.

Promoting Effective Care Coordination and Integration

Promoting Enrollment in Accountable Care Organizations (ACOs)

Covered California also pursues higher quality and lower costs by promoting the adoption and expansion of integrated, coordinated and accountable systems of care. The exchange adopted a modified version of the CalPERS definition of integrated health care models, also known as accountable care organizations (ACO), and required plans to provide details on existing or planned integrated systems of care, explain how these systems of care compare to other ACO models and increase the number of enrollees cared for in ACOs over time.

Evidence compiled by the Integrated Healthcare Association in their "Cost and Quality Atlas"[10] found that integrated models, which usually operate under capitation, perform better on both cost and quality management than providers in open fee for service models.

[10] Integrated Healthcare Association. "California Regional Health Care Cost & Quality Atlas." October 2018. https://www.iha.org/sites/default/files/resources/fs_atlas.pdf

In 2017, 55 percent of Covered California enrollees were cared for in ACO-like arrangements, which represents a 9-point change from 2015. Two plans, Kaiser Permanente and Sharp HealthCare, already meet the definition of an ACO because they are already integrated delivery systems.[11] After excluding Kaiser Permanente and Sharp HealthCare, 25 percent of Covered California enrollees were cared for in an ACO, representing a 4-point change from 2015 (see Table 7: Percentage of Covered California Enrollee in ACO-like Arrangements).

Table 7. Percentage of Covered California Enrollees in ACO-like Arrangements

	2015	2017
All Enrollment	**46%**	**55%**
Fully Integrated Delivery Systems (Kaiser Permanente and Sharp HealthCare)	*100%*	*100%*
All Other	*21%*	*25%*

Promoting Enrollment in Patient Centered Medical Homes (PCMHs)

In addition to promoting increased enrollment in ACOs, Covered California sought to provide better quality and lower costs to consumers by requiring its health plan issuers to promote effective primary care. Plans are required to have an increasing portion of enrollees who obtain their care in a patient-centered medical home (PCMH) model that utilizes a patient-centered, accessible, team-based approach to care delivery, enrollee engagement and data-driven improvement, as well as integration of care management and community resources for patients with complex conditions.

Plans are required to use formal recognition programs to assess which providers are PCMHs and describe a payment strategy that creates a business case for primary care physicians to adopt accessible, data-driven, team-based care with accountability for meeting the goals of improving quality, lowering costs and improving outcomes.

The percentage of people cared for by PCMH-recognized practices, outside of the Kaiser Permanente system, increased from 3 percent to 6 percent between 2016 and 2017 (see Table 8: Percentage of Covered California Enrollees Cared for in a Patient-Centered Medical Home). Covered California is looking at whether the definition of a PCMH or other issues are affecting the number of enrollees seeking care in this model. It is also looking at the overlap and relationship between ACO and PCMH models that seek to promote care coordination, effective primary care and integration through different but often complementary strategies.

[11] In Covered California, Kaiser Permanente and Sharp HealthCare are fully integrated delivery system while other health plans base their ACO model on existing provider organizations, such as integrated medical groups and hospitals.

Table 8. Percentage of Covered California Enrollees Cared for in a Patient-Centered Medical Home		
	2016	2017
All Enrollment	**25%**	**32%**
Kaiser Permanente	*100%*	*100%*
Non-Kaiser Permanente	*3%*	*6%*

Increasing Access to Telehealth Services

Coordinated, integrated and accessible care can also be achieved by increasing access to telehealth services. Prior to the Affordable Care Act, patients often had endure long waits or face lengthy travel times to access quality care, particularly in rural areas.

Advancements in technology, such as video conferencing and telehealth, help assure that consumers get access to the care they need. In addition to reducing wait times and providing quality care, a 2017 study of the University of California Davis Health System's Telemedicine Program found that these "virtual visits" also "saved upwards of 11,000 patients a total of 9 years in time and $2.8 million in travel costs."[12]

Covered California required its plans to report the extent to which they support and use technology to assist in providing higher quality, accessible, patient-centered care to enrollees.

In the 2017 coverage year, 10 of Covered California's 11 plans — that covered 99 percent of enrollees — offered telehealth services. In addition, six of the 10 offered telehealth visits at the same cost of a primary care visit or less, while four offered telehealth visits at no cost share. Covered California is assessing the effectiveness of this program.

Improving Hospital Patient Safety

There have been several efforts over the years to improve patient safety, to revise hospital payments and reward quality care. Covered California is working to not only align its efforts with some of those, such as CMS initiatives, but is also working with plans to increase the number of hospitals that take advantage of collaborative programs to improve quality and safety at their facilities.

Infections acquired during a hospital stay are a leading cause of injury and death in hospitals and can be extremely costly because they create complications that extend the length of the hospitalization. Among these complications are five hospital-acquired infections (catheter-associated urinary tract infection, or CAUTI; central line-associated

[12] Value in Health. "Impact of a University-Based Outpatient Telemedicine Program on Time Savings, Travel Costs and Environmental Pollutants." April 2017. https://www.valueinhealthjournal.com/article/S1098-3015(17)30083-9/fulltext.

blood stream infections, or CLABSI; methicillin resistant staph, or MRSA; clostridium difficile bacterial infection, or C. diff; and surgical site infection of the colon surgery, or SSI Colon). All of these infections are linked to avoidable harm and hospital deaths.

Health care-acquired infections are reported as a Standardized Infection Ratio (SIR), a risk-adjusted measure managed nationally that compares observed versus expected number of events per year. A score of 1.0 means a hospital has an expected rate of infections. Below 1.0 is better and above is worse. When Covered California first adopted its quality standards and requirements, hospital performance on these ranged from zero (meaning the hospital had eliminated the complication) to nearly five times the risk-adjusted expected rate.

Covered California requires plans to:

- Encourage hospitals to take advantage of free coaching programs to adopt best practices that result in lower infection rates.
- Adopt payment strategies tied to quality, as noted previously.
- Either exclude hospitals that have not achieved or made significant improvements toward the expected rate or explain why they must keep the hospital in their network.

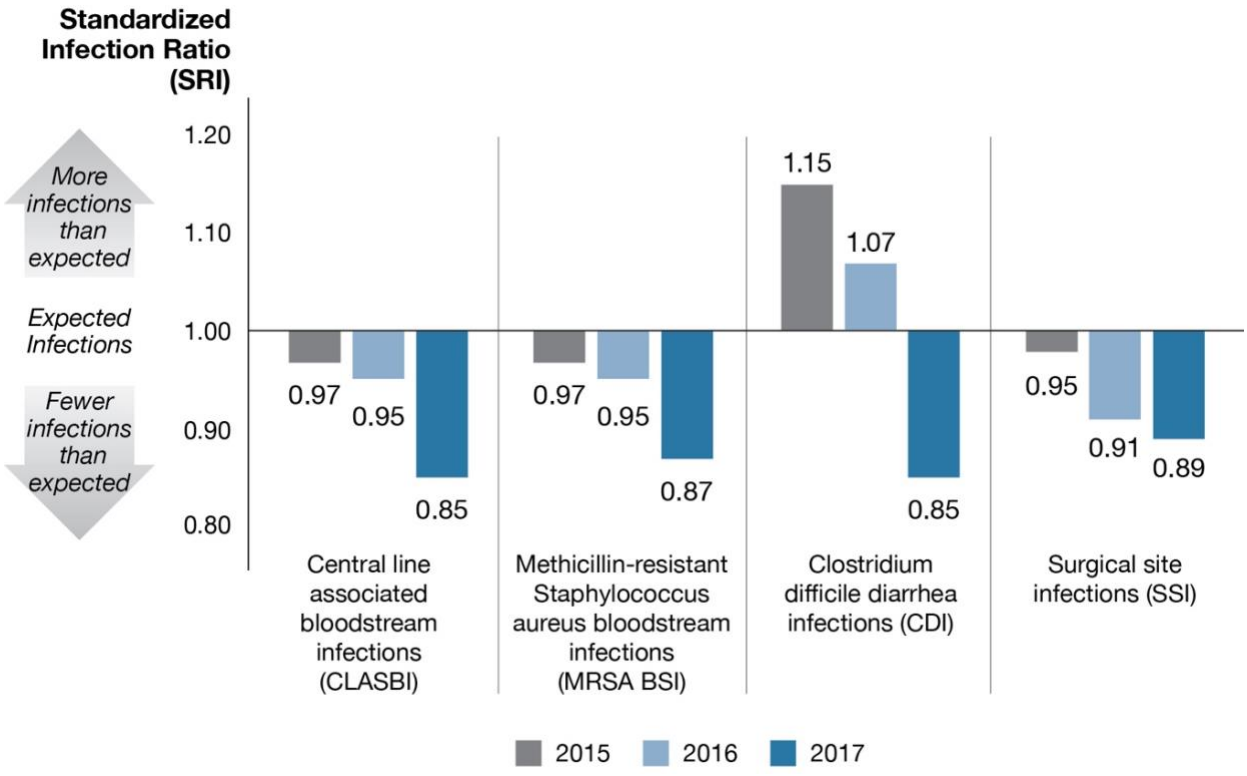
By reviewing annual public data on each health plan issuer's hospital network performance on the incidence of health care-associated infections (HAI), Covered California and its health plans identified hospitals with higher-than-average HAI rates to be sure those hospitals were participating in statewide hospital-improvement collaboratives.

These hospitals often had relationships with multiple Covered California-contracted health plans, underscoring the potential for widespread patient safety improvement for both the exchange population and all Californians. By sharing hospital performance relative to other network hospitals on key HAI and patient-safety measures, health plans and hospitals identified targets for improvement and worked with established collaborative programs on quality improvement efforts, resulting in increased hospital participation in collaboratives and in HAI rates overall.

Covered California requires plans to make a percentage of reimbursement based on quality: 2 percent by the end of 2019, increasing by 2 percent every two years to 6 percent by the end of 2023. Covered California gives plans the freedom to identify which areas to focus on, but the efforts must include reducing hospital-acquired infection rates and lowering the number of unnecessary cesarean sections (C-sections) for low-risk pregnancies.

As of 2018, virtually every hospital in California has joined collaborative efforts to improve safety performance, and the California Department of Public Health reports significant reduction in complication rates. Californians are safer when they need hospital care (see Figure 1: Health Care-Associated Infection Incidence in California Hospitals, 2015-2017).

Figure 1: Health Care-Associated Infection Incidence in California Hospitals, 2015-2017



Improving Maternity Care

The Centers for Disease Control and Prevention (CDC) states that the number of C-sections in the United States rose 60 percent between 1996 and 2009.[13] While many of these surgeries are the safest choice for mother and child, many of the operations are medically unnecessary.

The California Maternal Quality Care Collaborative (CMQCC) states that the increase in C-sections did not coincide with demonstrable improved outcomes for moms or babies,

[13] National Vital Statistics Report. "Trends in Low-risk Cesarean Delivery in the United States, 1990-2013." Nov. 5, 2014. https://www.cdc.gov/nchs/data/nvsr/nvsr63/nvsr63_06.pdf.

and that the overuse of this procedure — particularly for low-risk, first-time mothers — has "significant social, economic and health costs." These include:

- Higher rates of maternal complications including mortality and longer recovery times.
- Higher rates of NICU admissions.
- Increased barriers to the mother-infant breastfeeding relationship.

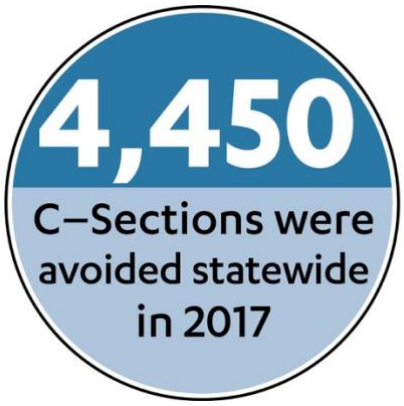
In addition, CDC data shows that once a woman has her first C-section, it greatly increases the odds that she will have another one. Only 12.8 percent of women in 2017 were able to have a successful vaginal birth after cesarean section (VBAC).[14]

At hospitals in California, the rate of C-sections for low-risk deliveries in 2016 varied from 12 to 70 percent for women who are having their first baby, have carried their babies to full term, did not have twins, and the baby's head was down.

Covered California joined the Department of Health Care Services, CalPERS and the Pacific Business Group on Health in adopting the national Healthy People 2020 target of 23.9 percent for C-sections for such low-risk births, and it has required that plans:

- Encourage hospitals to take advantage of free coaching programs to adopt best practices that result in only medically necessary C-sections.
- Adopt payment strategies that end the practice of paying more for C-sections than for natural deliveries.
- Track the performance of all hospitals in their networks.
- Either exclude hospitals that have not achieved or made significant improvements toward the target rate or explain why they must keep the hospital in their network.

Due to these combined efforts by purchasers in coordination with contracted plans, almost all hospitals in the state are engaged in collaborative improvement efforts. An honor roll sponsored by the state's purchasers has been established and announced by the state Secretary of Health and Human Services, and nearly 4,500 fewer unnecessary C-sections were performed for low-risk pregnancies in 2017. The majority of hospitals have now achieved or exceeded the target rate while improvement continues.



[14] National Vital Statistics Report. "Births: Final Data for 2017." Nov. 7, 2018. https://www.cdc.gov/nchs/data/nvsr/nvsr67/nvsr67_08-508.pdf.

The overall improvement in hospital performance in reducing avoidable infections and in maternity care demonstrates the value of aligned requirements among purchasers and plans in setting priorities for delivery system reform to raise quality and lower costs.

Understanding and Addressing Health Disparities

Covered California's mission statement includes "reducing health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value." Decades of health and social science research demonstrate that individuals will experience different clinical outcomes, not only based on access and quality of care, but also based on the conditions in which they are born, live and work, known as the social determinants of health.

Covered California aims to narrow these disparities in care through its health disparities and health equity agenda reflected in its contracted requirements of its qualified health plan issuers. The initiative is centered on four objectives, which are related to addressing health disparities and community health:

- *Identifying the race or ethnicity of all enrollees through self-identification or imputed methodology*.
  To achieve high self-identification rates across all qualified health plan issuers, Covered California set a goal for all plans to achieve identification of at least 80 percent of all Covered California membership by 2019, and encouraged use of various data collection methods beyond the enrollment application to identify membership.

  In 2017, nine of 11 plans have seen increases in the self-identification rate, with six meeting the target a year early and three exceeding 95 percent self-identification. Plans have attributed the increased identification rates to improved data collection and incorporation of best practices for asking members for race or ethnicity information.

- *Collecting data on disease control and management measures for diabetes, hypertension, asthma and depression.*
  While Covered California compares self-identification rates across health plans for purposes of sharing best practices and assessing progress toward the 2019 target, it has pursued a different strategy for narrowing health care disparities: focusing on each issuer's unique population, demonstrated health care disparities and unique strategies for improving quality.

- *Conducting population-health improvement activities and interventions to narrow observed disparities in care.*
  Covered California requires plans to submit data by race or ethnicity on 14 measures of disease control and management for four conditions: diabetes, asthma, hypertension and depression. Plans submit data for all lines of business, excluding Medicare. This work helps "track, trend and improve" care across race or ethnicity groups.

Three years of baseline data have informed potential areas of focus for each plan's disparity-reduction intervention. Covered California is working with its health plan issuers to analyze early condition-specific data and to address challenges related to data quality, small denominators and data interpretation. Despite data challenges, Covered California is working with plans to develop improvement plans in 2019 with outcomes of these interventions expected in 2020.

- *Promoting community health initiatives that foster better health, healthier environments, and the promotion of healthy behaviors.*
  Plans report on the initiatives, programs and projects that specifically address health disparities and efforts to improve community health apart from the health delivery system. Plan involvement in external-facing activities is used by Covered California to identify potential disparity-reduction opportunities.

Achieving Value in Drug Spend

The increased cost of prescription medication continues to make headlines in California and across the nation. The recent CMS report on national health expenditures projected that prescription drug spending would grow by 5.6 percent for 2018-27[15] because of faster utilization growth.

Part of Covered California's work involves achieving value in prescription drug spend by requiring plans to report annually on 1) how they currently consider value in formulary selection, 2) whether independent value assessment methodologies are used (and which ones are used), 3) if and how construction of formularies are based on total cost of care, 4) if and how off-label use is monitored, and 5) the extent of decision support provided to prescribers and members.

The most recent data shows that seven out of 11 plans, which covered 86 percent of Covered California enrollees in 2017, had a process for analyzing drug efficacy in the context of total cost care and outcomes and that they actively use those results.

In addition, all Covered California plans have a systematic, evidence-based approach for monitoring the off-label use of pharmaceuticals.

Covered California is also actively participating in a public collaborative, in response to Gov. Gavin Newsom's recent executive order[16] to work with other public agencies (including Medi-Cal, the Department of Corrections and Rehabilitation and others). Together, they will strengthen the state's bargaining power when it comes to negotiating drug prices and use that bargaining power for the benefit of all Californians.

[15] CMS. "CMS Office of the Actuary Releases 2018-2027 Projections of National Health Expenditures." https://www.cms.gov/newsroom/press-releases/cms-office-actuary-releases-2018-2027-projections-national-health-expenditures.

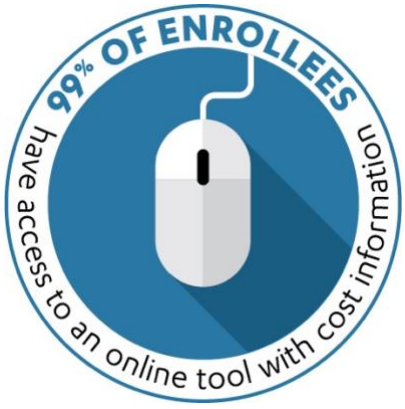
[16] Gov. Gavin Newsom. "In His First Act as Governor, Gavin Newsom Takes on Cost of Prescription Drugs & Fights for Health Care for All." Jan. 7, 2019. https://www.gov.ca.gov/2019/01/07/first-acts-as-governor/.

Consumer Support Tools

Covered California's patient-centered benefit designs allow consumers to compare health plans on costs and quality. In addition to the quality-rating system scores described earlier, Covered California's QHP contract also lists six consumer-decision support tools where plans are either reporting activities or working toward performance goals to improve appropriateness of care delivery. They include: 1) provider cost and quality transparency, 2) access to personal health information, 3) shared decision-making 4) reducing overuse of services 5) improving provider directory accuracy through a statewide provider directory and 6) consumer incentive programs and value pricing.

- **Consumer Decision Tools**

  Plans with more than 100,000 members are required to have online tools that enable members to look up in real time provider-specific cost shares of common elective inpatient, outpatient and ambulatory surgery services and prescription drugs, and accumulations toward deductibles and maximum out of pockets (MOOPs). Plans with fewer than 100,000 members in Covered California business lines can provide this information to members through another method such as a call center.

  The most recent data shows that nine of Covered California's 11 plans, covering 99 percent of enrollees in 2017, provide consumers with an online tool with cost information, including four plans with fewer than 100,000 enrollees.

  Smaller plans have also confirmed that members can obtain all cost-related information, including provider-specific cost shares and real-time accumulations to deductibles and maximum out-of-pocket balances, through their call center. Not all plans have integrated quality information into the display of each individual provider; however, those that do not either link to independent quality sites, such as California's Office of the Patient Advocate (OPA), Cal Hospital Compare, or Leapfrog, or have agreed to add links.

  While providing this information for consumers is important, the utilization rate is very low at this time and Covered California is working with plans to investigate ways to make the information more accessible and meaningful to consumers as well as determine whether this transparency has an effect on value.

- **Member Portal Tools**
  Covered California also requires its plans to report on enrollee access to personal health information and the tools offered through their member portals.

  All plans offer a comprehensive online member portal with ability to make premium payments, search for a provider, select or change their PCP and manage prescription drugs.

  In addition, seven of Covered California's 11 plans — covering 86 percent of enrollees in 2017 — offer access to personal health information through their member portal.

Conclusion

While Covered California's initial efforts show steady improvement, the positive start only represents the beginning of the journey. Covered California's process of revising and improving its quality improvement and delivery system reform standards and requirements is anchored in understanding the best evidence available nationally and how Covered California can best align its efforts with other purchasers.

In doing so, Covered California's efforts should be informed by a clear picture of the potential impacts, as well as performance benchmarks and efforts of major national and California purchasers. To inform Covered California's efforts, we are engaging health plans, providers, advocates and other stakeholders as we propose revisions to contractual terms that take effect in plan year 2021.

Covered California intends to share summary findings and seek initial feedback from stakeholders in early 2019. Drafting, public review and discussion of the new model contract will take place throughout summer and early fall of 2019, with an anticipated completion date of November 2019.