Impacting PMPM Through Strong Clinical Management
AMEDD Example: Redstone Arsenal vs. Ft Anywhere

The Quadruple Aim: Working Together, Achieving Success
COL Rob Goodman
26 January, 2011
**Title:** Impacting PMPM Through Strong Clinical Management: AMEDD Example: Redstone Arsenal vs. Ft Anywhere

**Performing Organization:** Army Medical Command, Army Office The Surgeon General PAE, Fort Sam Houston, TX, 78234

**Abstract:**
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**Supplementary Notes:**

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PMPM 101
Key Terms

- **Equivalent Lives**
  - Amount of care used by demographically similar groups (based on Age, Gender & BenCat) relative to the amount of care used by the average enrollee (1.00).

- **Unit Cost**
  - Direct Care (DC) Inpatient and Outpatient MEPRS Cost per unit of care (RWP and APG respectively) by location \textit{where care is provided}.

- **Utilization**
  - Amount of care (i.e., number of RWPs and/or APGs) provided to enrollees.

- **APG (Ambulatory Patient Group)**
  - Classification system designed to explain the amount and type of resources used in ambulatory visits that:
    - Predicts the average pattern of resource use for a group of patients by combining procedures, medical visits and/or ancillary tests that share similar characteristics and resource utilization.
    - Provides greater weights for higher intensity services and lesser weights for lower intensity services.
PMPM 101
Calculation Components

Work Center
DC Institutional (Inpatient) RWPs
DC Professional (Outpatient) *APGs
DC Ancillary (Radiology & Lab Only) *APGs
DC Inpatient & Outpatient Expenses **MEPRS A&B
Purchased Care (PC) Inpatient and Outpatient Claims ($$)
DC, PC & TMOP Pharmacy Actual Costs

Population
Enrollees Equivalent Lives

* APGs account for Outpatient weighted workload (RVUs) and associated Ancillary weighted workload
**Labor (L) plus Non-Labor (NL) expenses (12 month rolling average)
  – Inpatient NL Expenses (A Codes)= Total expenses minus L & depreciation
  – Outpatient NL Expenses (B Codes)= Total expenses minus L, depreciation, & Pharmacy Step-down
**Numerator**

- **DC Outpatient Costs**: Number of APGs provided to Enrollees multiplied by Cost per APG of the location where care was provided. Cost per APG is derived by multiplying total APGs generated at location by the Outpatient Expenses of location.
- **DC Inpatient Costs**: Number of RWPs provided to Enrollees multiplied by Cost per RWP of the location where care was provided. Cost per RWP is derived by multiplying total RWPs generated at location by the Inpatient Expenses of location.
- **Pharmacy Costs**: pulled directly from database (no calculation)
- **PC Inpatient and Outpatient Costs**: direct claims data (no calculation)

**Denominator**

**Equivalent Lives**
PMPM 101
Drivers

Enrollees Enrolled to MTF vs. MCSC

Change in Population Demographics

Population (Equivalent Lives)

PMPM

Institutional

Cost per RWP

Discharge per Beneficiary per year

Personnel Hours per Occupied BedDay (OBD)

Workload Sent to Network

Professional

Cost per RVU

RVU per person per year

RVU/Provider/Month

Support staff labor hours per encounter

Pharmacy

Cost per Script

Scripts per person per year

% TMOP

% Retail Pharmacy

% MTF

Purchased Care (Inpatient & Outpatient)

Enrollee Market Share

*Ancillary

Cost per test

Tests per person per year

*Ancillary is wrapped into the APGs
Why Redstone vs. Ft. Anywhere

– Common factors
  • Small MTFs with Ambulatory Operations Only
  • Have downsized over past several years
  • Slated to move to Business Only Operations (BO2)

– Why Redstone
  • HA data included them as possible choice of “good news story”
  • Data reflects relatively low PMPM
  • Data reflects relatively slow upward trend in PMPM

– Why Ft. Anywhere
  • Data reflects relatively high PMPM
  • Data reflects relatively sharp upward trend in PMPM
Why Redstone vs. Ft. Anywhere

Redstone vs, Ft Anywhere
PMPM

- FOX AHC-REDSTONE ARSENAL
- FT ANYWHERE

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What Redstone did Right
Expenses

Redstone Cost/APG vs. Expenses

- Sum of Calc Cost/APG
- Sum of R12 Non Labor Exp
- Sum of Labor Exp
What Redstone did Right

Redstone
Cost/APG vs. APGs

- Sum of Calc Cost/APG
- Sum of Aggregate APG Weight
What Redstone did Right
Population (Equivalent Lives)

Redstone
Equivalent Lives vs. PMPM

![Chart showing equivalent lives vs. PMPM from 2007 to 2010.](chart)

- Green bars represent the sum of calculated costs per equivalent life (Calc Cost/Eq).
- Red line represents the sum of PMPM equivalent lives (PMPM Equivalent Lives).

Legend:
- FOX AHC-REDSTONE ARSENAL - Sum of Calc Cost/Eq
- FOX AHC-REDSTONE ARSENAL - Sum of PMPM Equivalent Lives
What Ft. Anywhere did Wrong Expenses

Ft Anywhere
Cost/APG vs. Expenses

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- Sum of Calc Cost/APG
- Sum of R12 Non-Labor Exp
- Sum of Labor Exp
What Ft. Anywhere did Wrong Workload

Ft Anywhere
Cost/APG vs. APGs

- **Sum of Calc Cost/APG**
- **Sum of Aggregate APG Weight**
What Ft. Anywhere did Wrong Population (Equivalent Lives)

Ft Anywhere
Equivalent Lives vs. PMPM

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