Health Care Cost Containment in Massachusetts

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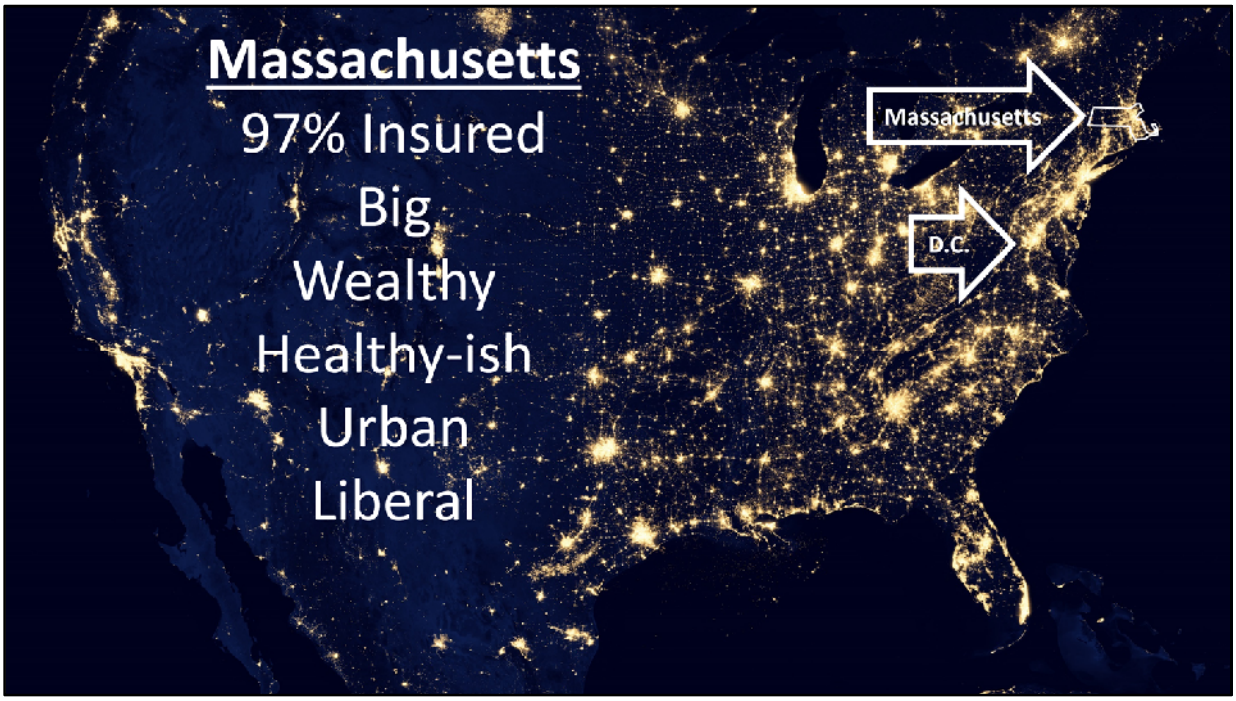
Mass.gov/CHIA

Copies of this presentation and some links to supporting materials are available at:

http://www.mass.gov/CHIA/ICA2014

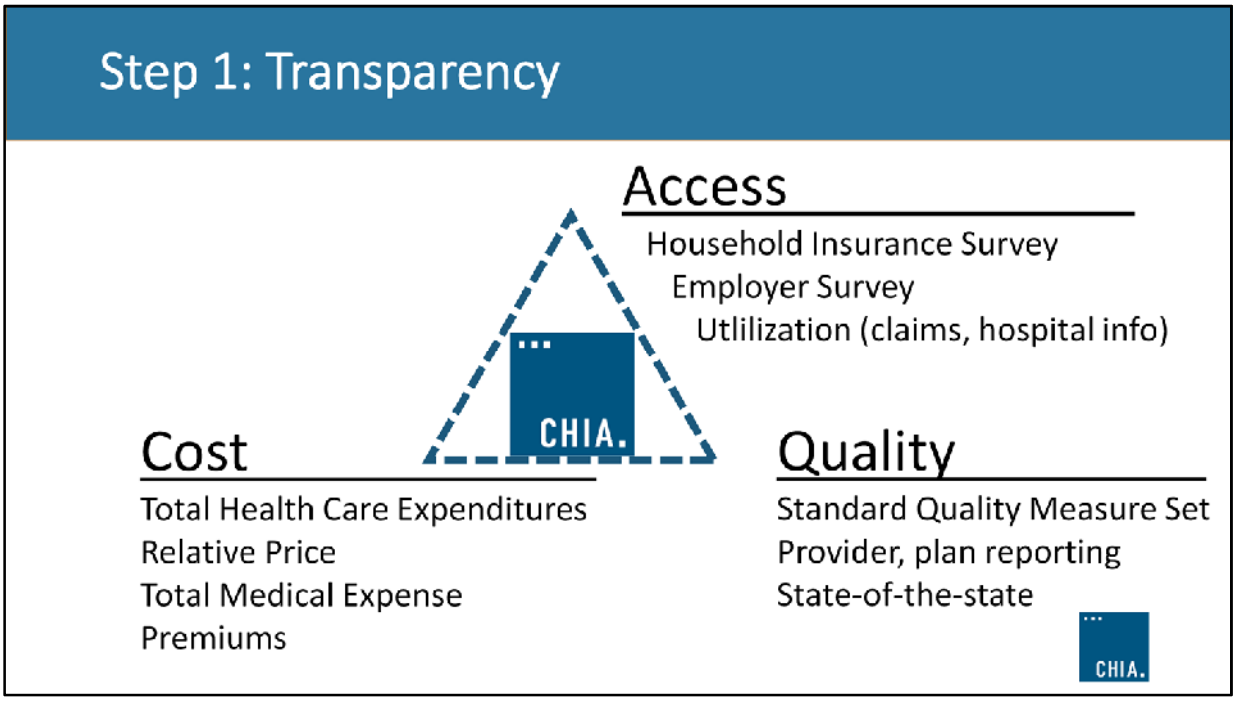


Why are we talking about Massachusetts?

- First mover on coverage expansion (2006 reform, now a stable 97% insured. Provided a model for ACA)
- Leader in health care delivery and health care policy
- Most expensive health care in the country (in the world!)

Some facts about Massachusetts

- **Big:** 14th largest state (6.7M) (bigger than Denmark, smaller than Switzerland)
- **Wealthy:** 5th by per capita income (median $62,859 in 2011)
- **Relatively Healthy:** e.g. top 10 in % of adults reporting moderate or vigorous physical activity (BRFSS; KFF)
- **Urban** (8% in rural and small cities; #5 most urban; #3 most dense) http://www.census.gov/geo/reference/ua/urban-rural-2010.html (more dense than the UK; less dense than England)
- **Liberal** (#1: http://www.gallup.com/poll/160196/alabama-north-dakota-wyoming-conservative-states.aspx)
- **Cooperative:** Significant non-profit presence in carrier and provider markets (80% of commercial members in 3 Massachusetts non-profit health plans; 80% of hospitals non-profit)
  - http://www.mass.gov/chia/researcher/hcf-data-resources/information-on-the-massachusetts-health-care-system/2013-annual-report-on-the-massachusetts-healthcare-mark.html
  - http://kff.org/other/state-indicator/hospitals-by-ownership/?state=MA



Transparency efforts started in 2006, and have ramped up significantly.

CHIA is the custodian, responsible for collecting and disseminating data around cost, access, and quality.

Notably, price transparency has changed the policy conversation and the substance of negotiations between insurers and providers.

CHIA data is available to inform actuarial analysis. In fact, we are using our data for the ACA risk adjustment program – the only state that has a custom program.

http://www.mass.gov/chia/researcher/chia-publications.html

http://www.mass.gov/chia/researcher/hcf-data-resources/information-on-the-massachusetts-health-care-system/

http://www.mass.gov/chia/gov/commissions-and-initiatives/statewide-quality-advisory-committee/

Step 2: Increased Oversight by Division of Insurance

Merged Market

Quarterly Carrier Rate Reviews
- High MLR requirements (88-90%)
- Administrative expense trend requirements
- Limitations on contribution to surplus

New Regulation of **Risk Bearing Provider Organizations**

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Traditionally, DOI rate review has focused on solvency. Reform has expanded the focus to include consumer cost.

Merged individual and small group markets: predictable effect: significantly lower individual rates, modestly higher small group rates.
http://www.mass.gov/ocabr/docs/doi/legal-hearings/nongrp-smallgrp/finalreport-12-26.pdf

MLR requirements: 88%
Presumptive disapproval if:
- Administrative Expense Loading Component minus taxes exceeds medical inflation (CPI)
- Contribution to surplus > 1.9%
- MLR floor of 88 in 2015 and refunds for excess premiums

https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXXII/Chapter176J/Section6

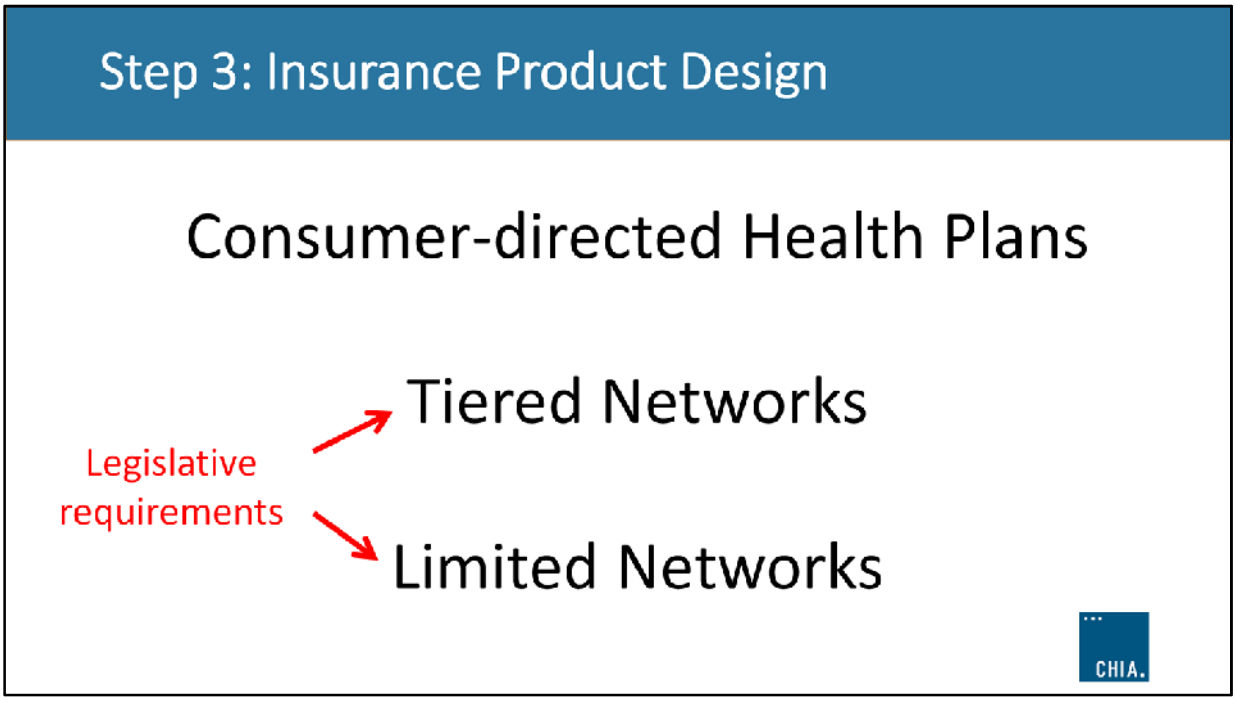
1) Direct contracting with employers or individuals still constitutes selling insurance and brings the requirements thereof;
2) Providers that take on downside risk in contracts with carriers will be required to register as “Risk-Bearing Provider Organizations” and demonstrate on an annual basis that they do not assume

excessive financial risk that could threaten their financial solvency.
- Downside Risk (and waiver if not “significant”)
- Actuarial Certification
- Examinations

RBPO regulations are in draft as of now.
http://www.mass.gov/ocabr/business/insurance/doi-regulatory-info/doi-public-hearings/2013-doi-public-hearings/hnot-g2013-10.html

Some history:

http://www.ebglaw.com/showclientalert.aspx?Show=13553



CDHP: modest but growing take-up in Massachusetts
Providers required by DOI to offer tiered or limited network products, and to show at least 14% savings for those products.

Hospital tiering is common. Anecdotally, tiering is based largely on price; in some cases there are minimum quality standards to be listed in the preferred tier.
State employee benefits (GIC) are tiered for both doctors and hospitals.

http://www.mass.gov/anf/docs/hpc/2013-cost-trends-report-final.pdf (see p. 19-20)

https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXXII/Chapter176J/Section11

http://www.steward.org/Steward-Health-Care-System/Patient-Information/Insurance-Product/Steward-Community-Health-Insurance

http://www.mass.gov/anf/docs/hpc/health-policy-commission-section-263-report-vfinal.pdf

Step 4: Insurer-provider contracting Innovations…

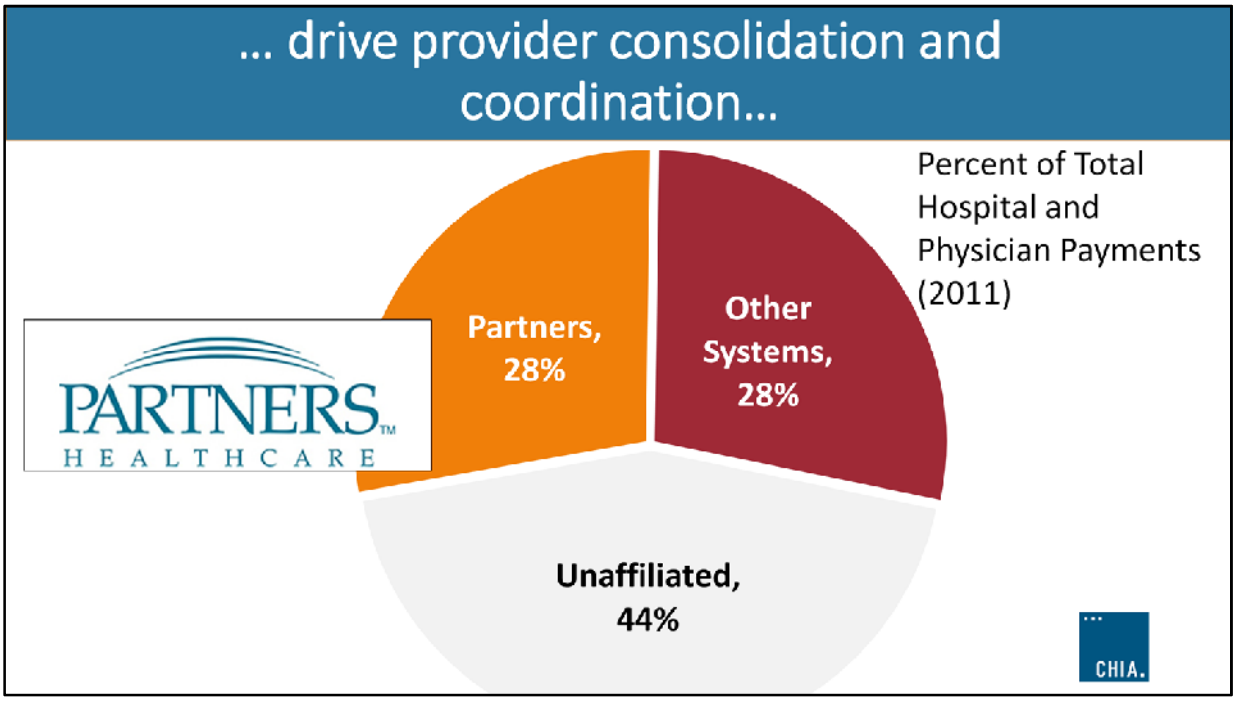
Global Budgets

- Per-member budgets
- Primary care groups take financial *responsibliity* for all care.
- Primary care not responsible for financial *management*: carriers make FFS payments to all providers, settle the global budget retrospectively

Alternative Payment Methods in the Massachusetts Commercial Market:Baseline Report (2012 Data)
http://www.mass.gov/chia/researcher/hcf-data-resources/information-on-the-massachusetts-health-care-system/alternative-payment-methods-apms.html

Blue Cross Blue Shield of Massachusetts Alternative Quality Contract
http://www.bluecrossma.com/visitor/about-us/affordability-quality/aqc.html

Medicare Pioneer ACO Model
http://innovation.cms.gov/initiatives/Pioneer-ACO-Model/
http://www.bostonglobe.com/lifestyle/health-wellness/2013/07/16/four-five-mass-pioneer-acos-cut-medical-spending-last-year-better-coordinating-care/UrH4895cjTxIw6qhY7lcCN/story.html
Partners HealthCare
Steward Health Care
Beth Israel Deaconess Physician Organization
Mount Auburn Cambridge Independent Practice Association
Atrius Health



http://www.mass.gov/chia/researcher/hcf-data-resources/information-on-the-massachusetts-health-care-system/2013-annual-report-on-the-massachusetts-healthcare-mark.html
http://www.mass.gov/anf/budget-taxes-and-procurement/oversight-agencies/health-policy-commission/material-change-notices-and-cost-and-impact-reviews/

Cost and Market Impact Review

In structuring a cost and market impact review, we took the following steps. First, we identified the primary areas of impact for the HPC to study. MASS. GEN. LAWS ch. 6D, § 13 tasks the HPC with examining impact in three interrelated areas:

1. Costs. The statute directs the HPC to examine prices, total medical expenses, provider costs and market share, and other measures of health care spending.

2. Quality. The statute directs the HPC to examine the quality of services provided, including patient experience.

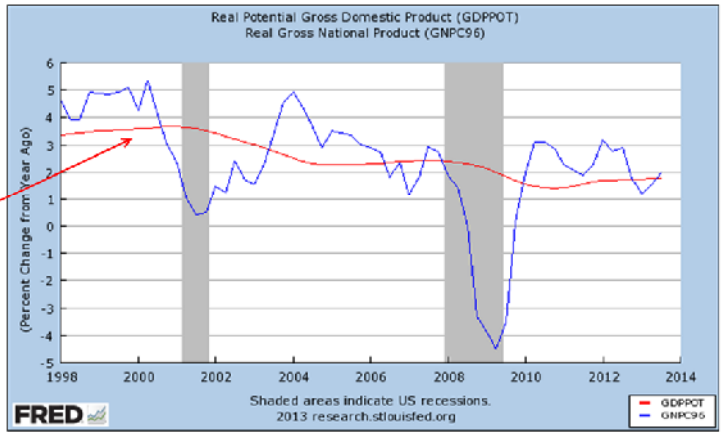
3. Access/market structure. The statute directs the HPC to examine the availability and accessibility of services provided; the provider's role in serving at-risk, underserved, and government payer patient populations; the provider's role in providing low or negative margin services; the provider's methods for attracting patient volume and health care professionals; and the provider's impact on competing options for care delivery.

http://www.mass.gov/anf/docs/hpc/hpc-preliminary-review-of-phs-ssh-harbor-12-18-2013.pdf

Note: Massachusetts also has more traditional 'Health Planning' Functions, including a Determination of Need process. However, these tools have not been used to address cost containment or quality improvement.

Step 5: Set an annual health care cost growth 'benchmark'

Benchmark growth Limit: **+3.6%** (based on PGSP)



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1) Measure **Total Health Care Expenditures**
2) Compare to **Benchmark Growth**
3) If Expenditure Growth exceeds Benchmark, the Health Policy Commission can exercise new authority.

Total Health Care Expenditures

Public and Private spending on medical care, including cost sharing and commercial plan administrative costs.
http://www.mass.gov/chia/researcher/chia-publications.html#thce

Benchmark Growth

Health care cost growth benchmark: the target growth rate for average total per person medical spending in the state for the next calendar year. The health care cost growth benchmark is tied to growth in the state's economy—specifically the potential gross state product (PGSP). Beginning in 2018, HPC can adjust the annual cost growth benchmark after following protocols that give the Legislature time to comment and intervene.

Definition of "Growth rate of potential gross state product", the long-run average growth rate of the commonwealth's economy, excluding fluctuations due to the business cycle.

CALENDAR YEARS COST GROWTH BENCHMARK
2013-2017 Potential Gross State Product (PGSP) (+3.6% in 2013)
2018-2022 PGSP –0.5% (may be modified up to PGSP)
2023 and beyond PGSP (may be modified to any figure)

Step 6: Intervene?

COMMONWEALTH OF MASSACHUSETTS
HEALTH POLICY COMMISSION

If the market can't keep health spending below the benchmark…

2015: Performance Improvement Plans?

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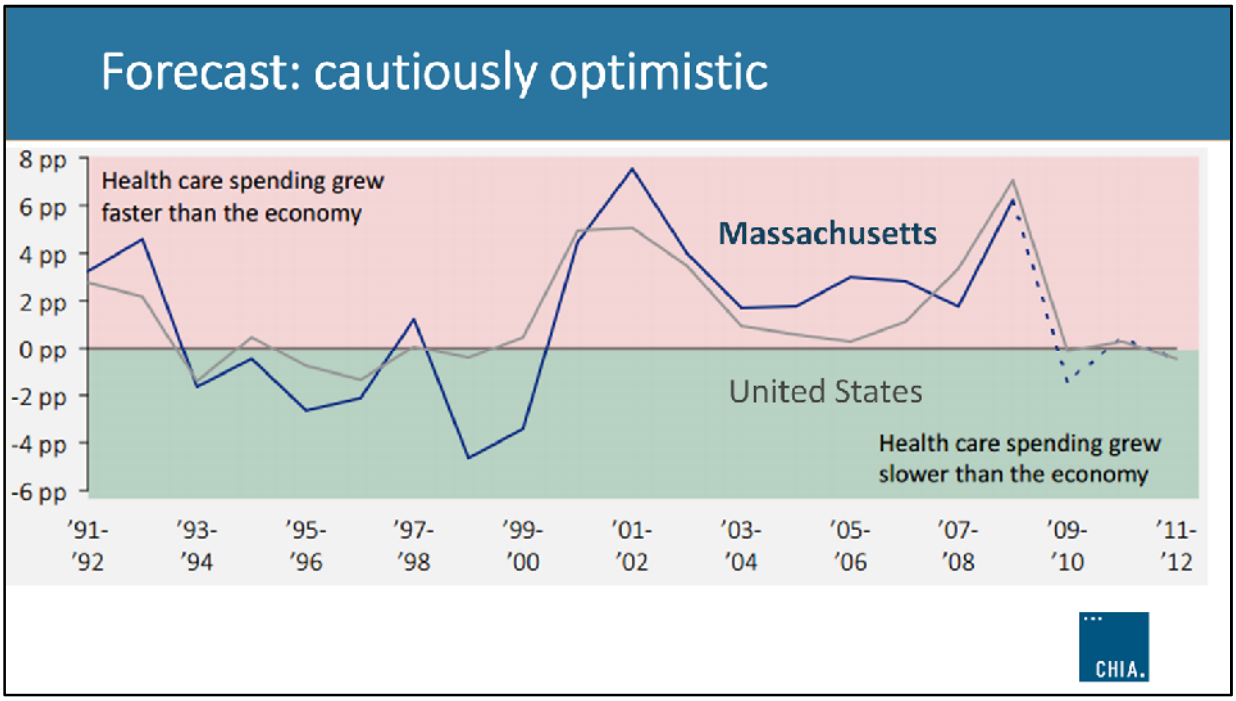
HPC will notify all health care entities—hospitals, physician groups, ACOs, and payers—that exceed the cost growth benchmark each year. Beginning in 2015, HPC may require health care entities that exceed the benchmark to file and implement performance improvement plans.

Performance improvement plans must identify the factors that led to cost growth and include specific cost-saving measures for the entity to undertake within 18 months. HPC will post on its website those entities that are implementing performance improvement plans.



Massachusetts has generally tracked the national health care trends.
http://www.mass.gov/anf/docs/hpc/20131230-cost-trends-report-chartbook-vf.pdf (19)

Future increases are widely expected. Can Massachusetts buck the trend?
http://www.kaiserhealthnews.org/Daily-Reports/2013/April/23/health-costs-issues.aspx
http://healthaffairs.org/blog/2013/05/07/is-the-recent-health-care-spending-growth-slowdown-sustainable-over-the-long-term/

Kaiser / Altarum: http://kff.org/health-costs/issue-brief/assessing-the-effects-of-the-economy-on-the-recent-slowdown-in-health-spending-2/
Cutler: http://content.healthaffairs.org/content/32/5/841.abstract
Chernew: http://content.healthaffairs.org/content/32/5/835.abstract

On the horizon:
State Innovation Model: http://www.mass.gov/eohhs/gov/commissions-and-initiatives/state-innovation-model-grant.html