Annual Health Care

COST TRENDS HEARING

OCTOBER 2 & 3, 2017
Up Next
Presentation by CHIA and the HPC

Annual Health Care
COST TRENDS HEARING

OCTOBER 2 & 3, 2017
MAJOR TOPICS

Cost Drivers

Cost of Coverage
Member Cost-Sharing

Hospital Readmits

APM Adoption

2016 THCE Growth
Components of Total Health Care Expenditures by Insurance Category, 2015-2016

OVERALL SPENDING INCREASED ACROSS ALL MAJOR INSURANCE CATEGORIES, BUT DECLINED FOR THE NET COST OF PRIVATE HEALTH INSURANCE.
Health Care Expenditures by Service Category, 2015-2016

2015

$3.01B Non-Claims
$7.9B Other
$8.6B Pharmacy
$5.3B Other Prof.
$9.0B Physician
$9.7B Hospital Outpatient
$11.4B Hospital Inpatient

2016

$2.95B Non-Claims
$8.1B Other
$9.2B Pharmacy
$5.6B Other Prof.
$9.1B Physician
$10.2B Hospital Outpatient
$11.6B Hospital Inpatient

HEALTH CARE SPENDING INCREASED IN ALL CLAIMS-BASED SERVICE CATEGORIES, WITH PHARMACY BEING THE LARGEST AT 6.4%.
FROM 2015 TO 2016, PAYER PAYMENTS FOR PRESCRIPTION DRUGS GREW BY 6.4% IN THCE. ESTIMATED REBATES TO PAYERS WOULD REDUCE THIS RATE TO 6.1%.
Estimated Drug Rebate Proportion of Pharmacy Spending by Insurance Category, 2016

- Commercial: 10.4%
- Medicare FFS: 18.7%
- MassHealth FFS & PCC: 52.0%
- MassHealth MCO: 34.8%
- Medicare Advantage: 13.8%

Pharmacy Spending (THCE) (billions):
- Commercial: $4.03
- Medicare FFS: $2.43
- MassHealth FFS & PCC: $0.99
- MassHealth MCO: $0.98
- Medicare Advantage: $0.37

Pharmacy rebates varied across insurance categories, from 10.4% in the commercial market to 52.0% in Medicaid FFS and PCC.
Adoption of Alternative Payment Methods by Insurance Category, 2014-2016

**KEY**
- Global
- Limited Budget
- Other, non-FFS

<table>
<thead>
<tr>
<th>Year</th>
<th>Commercial</th>
<th>MassHealth MCO</th>
<th>PCC Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>37.0%</td>
<td>34.2%</td>
<td>21.6%</td>
</tr>
<tr>
<td>2015</td>
<td>35.7%</td>
<td>36.6%</td>
<td>23.0%</td>
</tr>
<tr>
<td>2016</td>
<td>42.0%</td>
<td>35.7%</td>
<td>23.5%</td>
</tr>
</tbody>
</table>

ADOPTION OF APMS INCREASED BY 6.3 PERCENTAGE POINTS IN THE COMMERCIAL MARKET IN 2016.
## Fully-Insured Premiums by Employer Size, 2016

<table>
<thead>
<tr>
<th>ESI</th>
<th>Cost (PMPM)</th>
<th>Percentage Change in Premiums, 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$367</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Small Group</td>
<td>$455</td>
<td>4.6%</td>
</tr>
<tr>
<td>Mid-Size Group</td>
<td>$477</td>
<td>4.1%</td>
</tr>
<tr>
<td>Large Group</td>
<td>$484</td>
<td>3.6%</td>
</tr>
<tr>
<td>Jumbo Group</td>
<td>$502</td>
<td>3.0%</td>
</tr>
<tr>
<td>GIC</td>
<td>$486</td>
<td>4.4%</td>
</tr>
<tr>
<td>Total</td>
<td>$464</td>
<td>2.6%</td>
</tr>
<tr>
<td>Total (ESI only)</td>
<td>$478</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

**INDIVIDUAL PURCHASERS WERE THE ONLY GROUP TO SEE THEIR PREMIUMS DECLINE IN 2016, DUE LARGELY TO MEMBERSHIP SHIFTS TOWARD CONNECTORCARE PLANS.**
HIGH DEDUCTIBLE PLANS WERE MOST PREVALENT AMONG SMALL AND MID-SIZE EMPLOYERS, IN TERMS OF BOTH THE ABSOLUTE NUMBER AND PERCENTAGE OF MEMBERS.
### Cost-Sharing by Employer Size, 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost (PMPM)</th>
<th>Percentage Change in Cost-Sharing, 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$48</td>
<td>-8.0%</td>
</tr>
<tr>
<td>Small Group</td>
<td>$66</td>
<td>8.0%</td>
</tr>
<tr>
<td>Mid-Size Group</td>
<td>$57</td>
<td>8.7%</td>
</tr>
<tr>
<td>Large Group</td>
<td>$49</td>
<td>5.5%</td>
</tr>
<tr>
<td>Jumbo Group</td>
<td>$44</td>
<td>2.5%</td>
</tr>
<tr>
<td>GIC</td>
<td>$51</td>
<td>11.9%</td>
</tr>
<tr>
<td>Total (ESI only)</td>
<td>$49</td>
<td>4.4%</td>
</tr>
<tr>
<td>Total</td>
<td>$49</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

**MEMBER COST-SHARING CONTINUED TO BE HIGHER AMONG SMALLER EMPLOYERS IN 2016. SUBSIDIES HELPED DECREASE COST-SHARING FOR INDIVIDUAL PURCHASERS.**
All-payer 30-day Revisits and Readmissions, SFY15

IN SFY15, 26% OF DISCHARGES ENDED UP BACK IN THE ED WITHIN 30 DAYS. 16% WERE READMITTED TO THE HOSPITAL; AN INCREASE AFTER SEVERAL YEARS OF DECLINES.
All-Payer Readmissions by Payer Type, SFY15

READMISSION RATES FOR MEDICARE (18%) AND MEDICAID (17%) WERE SUBSTANTIALLY HIGHER THAN FOR COMMERCIAL PAYERS (11%).
Behavioral Health Comorbidities and Readmissions, SFY15

The 42% of patients with a behavioral health comorbidity had a readmission rate of 20.8%, almost twice that of those without a behavioral health diagnosis.
All-Payer Readmissions among Frequently Hospitalized Patients, SFY 2013-2015

The 7% of patients with frequent hospitalizations accounted for 25% of discharges and 58% of readmissions.
Massachusetts health care cost trends in a national context

David Auerbach, PhD
Director of Research
Massachusetts Health Policy Commission
October 2, 2017
Massachusetts no longer spends the most on health care

Personal health care spending, per capita, by state, 2009 and 2014

Source: Centers for Medicare and Medicaid Services, State Health Expenditure Accounts, 2009 and 2014
Massachusetts healthcare spending grew at the 4th lowest rate in the US from 2009-2014

Average annual healthcare spending growth rate, per capita, 2009-2014

Source: Centers for Medicare and Medicaid Services, State Health Expenditure Accounts, 2009 and 2014
Healthcare spending growth continued to be below the U.S. average in 2015 and 2016

Annual growth in per capita healthcare spending, MA and the U.S., 2000-2016

Source: Centers for Medicare and Medicaid Services, National Health Expenditure Accounts Personal Health Care Expenditures (U.S. 2015-2016) and State Health Expenditure Accounts (U.S. 2000-2014 and MA 2000-2014); Center for Health Information and Analysis Annual Report THCE Databook (MA 2015-2016)

Note: U.S. figure for 2016 is partially projected.
In recent years, growth in spending on private health insurance in Massachusetts has been consistently lower than national rates.

Annual growth in commercial health insurance premium spending from previous year, per enrollee, MA and the U.S.

Notes: U.S. data includes Massachusetts. Center for Health Information and Analysis data are for the fully-insured market only. U.S. data for 2016 is partially projected.

Source: Centers for Medicare and Medicaid Services, State and National Healthcare Expenditure Accounts and Private Health Insurance Expenditures and Enrollment (U.S. and MA 2005-2014); Center for Health Information and Analysis Annual Reports (MA 2015-2016)
Low growth in commercial spending has been driven in part by MA Connector’s 2nd lowest premiums in the U.S.

Average annual premium for single coverage in the employer-sponsored market and average annual unsubsidized benchmark premium for a 40-year old in the ACA Exchanges, MA and the U.S.

Notes: Exchange data represents the weighted average annual premium for second-lowest silver (Benchmark) plan based on country level data in each state. Premiums do not include any subsidies. Employer premiums are based on the average premiums according to a large sample of employers within each state.

Sources: Kaiser Family Foundation analysis of premium data from healthcare.gov; US Agency for Healthcare Quality, Medical Expenditure Panel Survey (insurance component), 2012-2016

Graph showing the annual premium for single coverage from 2012 to 2017 for MA Employer Coverage, U.S. Employer Coverage, U.S. ACA Exchange, and MA Connector. MA Connector has the 2nd lowest premiums in the U.S., while U.S. ACA Exchange has the 4th highest premiums in the U.S.
Healthcare spending Massachusetts remains high, even accounting for higher levels of income

Healthcare spending per capita and median household income, by state, 2014

Note: Income data reported in 2014 dollars. 
Sources: American Community Survey (income data); Center for Medicare and Medicaid Services (per capita health spending)
Hospital care and long-term care are the biggest contributors to excess spending in Massachusetts

Spending per person in MA in excess of the U.S. average, 2009 and 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>2009 Difference</th>
<th>2014 Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital care</td>
<td>$1,060</td>
<td>$854</td>
</tr>
<tr>
<td>Long-term care and home health</td>
<td>$815</td>
<td>$945</td>
</tr>
<tr>
<td>Professional services</td>
<td>$562</td>
<td>$557</td>
</tr>
<tr>
<td>Drugs and other medical non-durables</td>
<td>$69</td>
<td>$136</td>
</tr>
<tr>
<td>Medical durables</td>
<td>$19</td>
<td>$24</td>
</tr>
</tbody>
</table>

Note: Hospital care includes both inpatient and outpatient care, as well as hospital-based nursing home care. Long term care and home health includes spending in freestanding nursing facilities, home health agencies, and other residential and personal care taking place in community and facility settings.

Source: Centers for Medicare and Medicaid Services, State Health Expenditure Accounts, 2009 and 2014
After years of steady decline, the inpatient admissions rate in Massachusetts has started to increase and is now 8% above the U.S. rate.

Inpatient hospital admissions per 1,000 residents, MA and the U.S., 2001-2016

Source: Kaiser Family Foundation analysis of American Hospital Association data (2001-2015); HPC analysis of Center for Health Information and Analysis Hospital Inpatient Database (MA 2016)
Readmission rates are increasing in Massachusetts while falling elsewhere

Thirty-day readmission rates, MA and the U.S., 2011-2015

Source: Centers for Medicare and Medicaid Services (U.S. and MA Medicare), 2011-2015; Center for Health Information and Analysis (all-payer MA ), 2011-2015
The rate of emergency department visits has improved, but remains 9% higher than the U.S.

The rate of discharge to institutional post-acute care continues to decline

Percent of patients discharged to institutional post-acute care following an inpatient admission, 2010-2016

Notes: Institutional post-acute care settings include skilled nursing facilities, inpatient rehabilitation facilities, and long-term care hospitals. Rates adjusted using ordinary least squares (OLS) regression to control for age, sex, and changes in the mix of diagnosis-related groups (DRGs) over time. Discharges from hospitals that closed and specialty hospitals, except New England Baptist, were excluded. Several hospitals (UMass Memorial Medical Center, Clinton Hospital, Cape Cod Hospital, Falmouth Hospital, Marlborough Hospital) were excluded due to coding irregularities in the database.

Source: HPC analysis of Center for Health Information and Analysis Hospital Inpatient Discharge Database, 2010-2016
The share of community-appropriate discharges taking place at community hospitals continues to decline

Share of community appropriate discharges, by hospital type, 2011-2016

Notes: Discharges that could be appropriately treated in community hospitals were determined based on expert clinician assessment of the acuity of care provided, as reflected by the cases’ diagnosis-related groups (DRGs). The Center for Health Information and Analysis defines community hospitals as general acute care hospitals that do not support large teaching and research programs.

Source: HPC analysis of Center for Health Information and Analysis, Hospital Inpatient Discharge data, 2011-2016
Access and affordability challenges remain in Massachusetts, especially for families with self-reported health problems

Averages for middle-income families, grouped by self-reported health status

- Average out-of-pocket costs: $3,840
- Average ED visits: 2.3
- % with any outstanding medical bills: 20.4%

Have you had to ________ because of cost?

- Not fill a prescription: 16.7%
- Not get doctor care: 4.9%
- Not get dental care: 9.4%

Notes: Analysis is based on 843 families with employer-sponsored health insurance between 200% and 500% of the federal poverty level, representing 1.5 million state residents (across two years). All differences are statistically significant at the 10% level (p<.10) or less and all but two (outstanding medical bills and doctor care) are statistically significant at the 5% level (p<.05). Better health is defined as those reporting their health is ‘excellent’ or ‘very good’. Worse health is ‘good’, ‘fair’ and ‘poor’. Source: HPC analysis of Center for Health Information and Analysis Massachusetts Health Insurance Survey, data from 2014 and 2015.
Health care costs represent a high burden on all Massachusetts families, leaving less for other priorities

- Monthly budget for an average Massachusetts family of four with median income ($75,000) that obtains health insurance from a family policy through an employer.
- Data are for 2015.
- The family’s total monthly compensation received from the employer is $7,863

$7,863 TOTAL INCOME AND BENEFITS

$1,164 (14.8%) EMPLOYER PREMIUM CONTRIBUTION

$374 (4.8%) EMPLOYEE PREMIUM CONTRIBUTION

$234 (3.0%) OOP HEALTH SPENDING

$248 (3.1%) TAXES GOING TO HEALTH CARE

TOTAL $2,020 (25.7%) OF INCOME PER MONTH IN 2015

Available to spend on housing, food, transportation, etc.

Note: Compensation paid by employers not counted in income includes the employer health insurance premium contribution and employer share of payroll taxes. Share of taxes devoted to health care include spending on Medicare, Medicaid and other federal health programs.

Data sources: Massachusetts Health Interview Survey (CHIA), data from 2014-5 on 843 families with employer-sponsored health insurance between 200% and 500% of the FPL, representing roughly 1.5 million state residents across two years. Other data sources include US and state government budget data and data from the US Agency for Healthcare Research and Quality.
How does healthcare spending growth affect family and state budgets?


Data sources: Family health insurance premiums are obtained from the US Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Insurance component. Other data sources are detailed on the previous slide.
Who is spending?

What is CMS doing about it?

How can MA do it better?
NATIONAL HEALTH EXPENDITURES

Expenditures, billions

Expenditures per capita

WHO IS SPENDING?

Patients: 90.0%

Spending: 48.8%

Potentially Preventable Spending: 73.8%

Joynt et al, Healthcare 2016
### WHO ARE THESE HIGH-COST PATIENTS?

<table>
<thead>
<tr>
<th>Feature</th>
<th>High-Cost</th>
<th>Non-High-Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Age</td>
<td>73</td>
<td>72</td>
</tr>
<tr>
<td>Non-white</td>
<td>24%</td>
<td>19%</td>
</tr>
<tr>
<td>Dually eligible</td>
<td>37%</td>
<td>18%</td>
</tr>
<tr>
<td>Qualified based on disability</td>
<td>37%</td>
<td>24%</td>
</tr>
<tr>
<td>Mental health diagnosis</td>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>Number of chronic conditions</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>2 or more frailty indicators</td>
<td>40%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Joynt et al, Healthcare 2016
NATIONAL EFFORTS TO REDUCE COSTS

- Clinical innovation
- Payment reform
- Price setting
- Consumerism
PAYOUT REFORM

- Fee-for-Service Payment, no value assessment
- Fee-for-Service Payment, with assessment of quality
- Alternative Payment Model with Fee-for-Service architecture
- Alternative Payment Model with Global Payment architecture

- Current payments for many encounters, some physician billing
- Hospital Value-Based Purchasing, Physician Value-Based Payment Modifier
- Medicare Shared Savings Program, Bundled Payments for Care Improvement
- Primary care innovation programs, Maryland hospitals
## HOSPITAL READMISSIONS REDUCTION PROGRAM

<table>
<thead>
<tr>
<th>STATE</th>
<th>HOSPITALS PENALIZED</th>
<th>HOSPITALS NOT PENALIZED</th>
<th>% PENALIZED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delaware</td>
<td>6</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>West Virginia</td>
<td>29</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>Arkansas</td>
<td>42</td>
<td>2</td>
<td>95%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>61</td>
<td>3</td>
<td>95%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>28</td>
<td>2</td>
<td>93%</td>
</tr>
<tr>
<td>New York</td>
<td>139</td>
<td>11</td>
<td>93%</td>
</tr>
<tr>
<td>Florida</td>
<td>155</td>
<td>13</td>
<td>92%</td>
</tr>
<tr>
<td>Virginia</td>
<td>68</td>
<td>6</td>
<td>92%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>59</td>
<td>6</td>
<td>91%</td>
</tr>
<tr>
<td><strong>Massachusetts</strong></td>
<td><strong>52</strong></td>
<td><strong>5</strong></td>
<td><strong>91%</strong></td>
</tr>
</tbody>
</table>
HOSPITAL READMISSIONS REDUCTION PROGRAM

Announcement

Implementation

Graph showing readmission rates over time with targeted and nontargeted conditions. The graph indicates a decrease in readmission rates post-announcement and implementation.

Zuckerman et al, NEJM 2016
POLICY EVALUATION: 2 PARTS

Prove efficacy

- Like the treatment effect in a clinical trial
  - Size and consistency of effect

Evaluate for unintended consequences

- Like the safety effect in a clinical trial
- What is “safety” in health policy?
  - Risk aversion
  - Gaming
  - Penalizing vulnerable hospitals
  - Exclusion of vulnerable populations
HOSPITAL-BASED PAYMENT REFORM: IMPACT ON THE SAFETY NET

Proportion of Hospitals Penalized

<table>
<thead>
<tr>
<th>Program</th>
<th>Safety-Net</th>
<th>Non-Safety-Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Readmissions Reduction Program</td>
<td>89%</td>
<td>80%</td>
</tr>
<tr>
<td>Hospital Value-Based Purchasing Program</td>
<td>58%</td>
<td>41%</td>
</tr>
<tr>
<td>Hospital-Acquired Conditions Reduction Program</td>
<td>31%</td>
<td>20%</td>
</tr>
</tbody>
</table>

ASPE Office of Health Policy, 2016
## Social Risk and Readmissions

<table>
<thead>
<tr>
<th>Condition</th>
<th>Dual Enrollment Alone</th>
<th>Dual Enrollment, Adjusting for Comorbidities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute MI</td>
<td>1.45</td>
<td>1.14</td>
</tr>
<tr>
<td>Heart Failure</td>
<td>1.24</td>
<td>1.13</td>
</tr>
<tr>
<td>Pneumonia</td>
<td>1.26</td>
<td>1.10</td>
</tr>
<tr>
<td>Hip/knee replacement</td>
<td>1.67</td>
<td>1.31</td>
</tr>
<tr>
<td>Chronic obstructive pulmonary disease</td>
<td>1.44</td>
<td>1.15</td>
</tr>
</tbody>
</table>
MEDICARE ADVANTAGE PAYMENT REFORM: IMPACT ON THE SAFETY NET

![Bar Chart]

- **Proportion of Contracts ≥ 4 Stars**
  - Fewest Duals: 60.5%
  - Few Duals: 61.6%
  - Middle: 30.6%
  - High-Dual: 23.3%
  - Highest Duals: 12.9%

ASPE Office of Health Policy, 2016
SOCIAL RISK AND QUALITY METRICS

Dual enrollees had lower odds of meeting 16 measures, similar odds for two, and higher odds for one.
PHYSICIAN-FOCUSED PAYMENT REFORM: IMPACT ON THE SAFETY NET

![Bar chart showing the proportion of practices under different risk categories and penalty systems.]

- **Low Risk**: 20.8% Penalty for Non-reporting, 0% Performance-based Penalty, 76.2% No Adjustment, 0% Performance-based Bonus
- **High Medical Risk Only**: 30.5% Penalty for Non-reporting, 1.6% Performance-based Penalty, 68.0% No Adjustment, 0% Performance-based Bonus
- **High Social Risk Only**: 52.9% Penalty for Non-reporting, 2.0% Performance-based Penalty, 44.1% No Adjustment, 0% Performance-based Bonus
- **Both High Social and Medical Risk**: 45.9% Penalty for Non-reporting, 3.3% Performance-based Penalty, 50.8% No Adjustment, 0% Performance-based Bonus

Chen et al, JAMA 2017
SOCIAL RISK AND COSTS OF CARE

Overall Diabetes Coronary Artery Disease Chronic Obstructive Pulmonary Disease Heart Failure

Dually enrolled  Not dually enrolled

ASPE Office of Health Policy, 2016
SO WHERE ARE WE WITH FEDERAL PAYMENT REFORM?

- Suboptimal efficacy
- High likelihood of unintended consequences

What can we learn?
STRATEGIES TO IMPROVE EFFICACY

- Match program design to goals
  - Narrow or broad focus?
    - Readmissions program more efficacious than value-based purchasing
    - Data from the UK suggests erosion of gains over time, so rotation might be needed
  - Penalties or bonuses?
    - Standard of care might respond to penalties
    - Innovation might better be driven by bonuses
      - Harness clinicians’ drive to do good and do well

- Ensure adequate incentives
  - Unclear what this is for hospitals, clinics, etc.

- Focus on addressing the actual problems...
EVIDENCE FOR FINANCIAL INCENTIVES

Did the policy have a large impact on your institution's efforts to reduce readmissions?

Joynt et al, AJMC 2016
EVIDENCE FOR FOCUSING ON SOCIAL RISK

Call patients 48 hrs after discharge: 66.4%
Schedule follow-up appts: 68.5%
Electronic tools to share D/C summary: 72.5%
Discharge Planner/Coordinator: 75.2%
Electronic tools to reconcile D/C meds: 77.0%

Lack of transportation (to/from appointments): 44.6%
Lack sufficient staffing to implement programs: 54.7%
Lack financial resources for new programs: 61.4%
Patient mental health or substance abuse disorders: 69.2%
Lack of mental health and substance abuse services: 73.3%

Proportion Reporting they “Always” or “Usually” employ the strategy
Proportion Reporting Item as a “Great” Challenge

Figueroa et al, Med Care 2017
STRATEGIES TO REDUCE UNINTENDED CONSEQUENCES

- Account for social and medical risk in performance evaluation, where appropriate
  - Risk adjustment – including functional status
- Reward improvement
  - Helps baseline poor performers enter and succeed
- Consider targeted bonuses
  - Rewards only available to clinicians serving vulnerable populations
IMPACT OF MEDICAL AND SOCIAL RISK ADJUSTMENT

For an individual with serious mental illness:

- No risk adjustment
  - Paid: $6,000
  - Costs: $17,000

- Medical risk adjustment
  - Paid: $15,600
  - Costs: $17,000

- Medical and social risk adjustment
  - Paid: $16,500
  - Costs: $17,000

For a Department of Mental Health client:

- No risk adjustment
  - Paid: $6,000
  - Costs: $30,000

- Medical risk adjustment
  - Paid: $17,500
  - Costs: $30,000

- Medical and social risk adjustment
  - Paid: $30,000
  - Costs: $30,000

Ash et al, JAMA IM 2017
ACCOUNTABLE CARE COST TARGETS ARE AN IMPROVEMENT MEASURE

- All ACOs: 25.8% No savings, 45.6% Saved, but not enough to share in savings, 28.6% Shared Savings
- High-Dual ACOs: 30.3% No savings, 31.8% Saved, but not enough to share in savings, 26.9% Shared Savings
- High-Disabled ACOs: 38.1% No savings, 26.9% Saved, but not enough to share in savings, 35.0% Shared Savings

ASPE Office of Health Policy 2016
TARGETED BONUSES

- Pros: address both access and performance
- Cons: if patient factors are powerful enough, few may qualify

![Chart showing the proportion of practices across different risk categories and penalties.](image)

- Pinpoint for Non-reporting
- Performance-based Penalty
- No Adjustment
- Performance-based Bonus

0% performance-based bonus

Chen et al, JAMA 2017
SUMMARY AND CONCLUSIONS

- Healthcare spending is high, rising, and concentrated in complex, vulnerable patients.
- Payment reform has potential, but efficacy thus far has been modest.
- Must be done with caution, or could hurt the most vulnerable.
QUESTIONS / DISCUSSION
Up Next
Panel 1: Reducing Unnecessary Hospital Use

Annual Health Care

COST TRENDS HEARING

OCTOBER 2 & 3, 2017
Reducing Unnecessary Hospital Utilization is a Top Priority for Providers and Health Plans in Massachusetts

<table>
<thead>
<tr>
<th>Top Cost Containment Strategies, 2017</th>
<th>As Identified by MA Health Care Leaders (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce unnecessary hospital utilization</td>
<td>69.2%</td>
</tr>
<tr>
<td>Reduce growth in prescription drug spendings</td>
<td>54.6%</td>
</tr>
<tr>
<td>Shift patient care from high cost settings</td>
<td>63.6%</td>
</tr>
<tr>
<td>Increase the use of alternative payment methods</td>
<td>34.6%</td>
</tr>
<tr>
<td>Reduce over utilization of institutional post-acute care</td>
<td>36.4%</td>
</tr>
<tr>
<td>Reduce provider price variation</td>
<td>26.9%</td>
</tr>
<tr>
<td>Reduce provider practice pattern variation</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

Source: HPC 2017 Pre-Filed Testimony. All responses may be found at: http://www.mass.gov/anf/budget-taxes-and-procurement/oversight-agencies/health-policy-commission/public-meetings/annual-cost-trends-hearing/testimony.html
Reducing Unnecessary Hospital Utilization: Readmissions By the Numbers

<table>
<thead>
<tr>
<th>All-payer, all-cause readmissions increased from 15.2% in 2013 to 15.8% in 2015*</th>
<th>Readmission rate for patients with a behavioral health diagnosis: 20.2%*</th>
<th>Reducing readmissions by 20% would yield $245 M in annual savings**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerson risk-adjusted readmission rate: 14.9%*</td>
<td>Baystate Franklin risk-adjusted readmission rate: 15.9%*</td>
<td>Tufts Medical Center risk-adjusted readmission rate: 17.4%*</td>
</tr>
</tbody>
</table>
| # of hospitals working to reduce readmissions through the CHART Program: 15 | ** CHIA Hospital-Wide Adult All Payer Readmissions in Massachusetts, December 2016: http://www.chiamass.gov/assets/docs/r/pubs/16/Readmissions-Report-2016-12.pdf
Panel 1: Reducing Unnecessary Hospital Use

Witnesses

Baystate Franklin Medical Center  Ms. Cheryl Pascucci, Family Nurse Practitioner
Emerson Hospital  Ms. Christine Schuster, President and CEO
Hilltown Community Health Center  Ms. Eliza Lake, Chief Executive Officer
Tufts Health Plan  Mr. Christopher “Kit” Gorton, President, Public Plans
Tufts Medical Center  Dr. Michael Wagner, President and CEO

Goals

This panel will focus on efforts to reduce avoidable hospital readmissions and other forms of unnecessary hospital utilization. The panel will also discuss addressing the behavioral health and social needs of patients to avoid emergency department visits and boarding.
Up Next
Presentation by the Office of the State Auditor
Panel 2: Evaluating the Impact of Recent Provider Transactions

Annual Health Care
COST TRENDS HEARING

OCTOBER 2 & 3, 2017
Panel 2: Evaluating the Impact of Recent Provider Transactions

Annual Health Care

COST TRENDS HEARING

OCTOBER 2 & 3, 2017
Review of Past Hospital Acquisitions and Contracting Affiliations

• The HPC has continued to monitor the performance of providers post-transaction to understand the ongoing impacts on health care costs, quality, and access.

• Today, the HPC is reporting on one such metric – changes in site of care – for community hospitals that were recently acquired by, or which affiliated with, larger provider organizations.

• All of these hospitals and provider organizations cited “keeping care in the community” as a goal of the affiliation.

• Monitoring changes in site of care is important as one of the drivers of health care spending growth in Massachusetts is the increasing share of community-appropriate care provided by academic medical centers and teaching hospitals.

• Yet, providers have cited a range of barriers to keeping more care in the community.
Top Provider-Reported Barriers to Keeping Care in the Community

- Patient Preference and Perception of Quality
- Physician Preference
- Geographic Proximity of More Expensive Setting
- Insufficient Cost-Sharing Incentives
Site of Care Changes after Hospital Acquisitions and Affiliations: Overview

• The HPC examined 14 hospitals that were acquired by a provider organization or began a new contracting affiliation between 2011 and 2015.

• To examine the effects of hospital acquisitions and affiliations on whether community-appropriate care remained in the community, the HPC analyzed:
  • the share of local patients receiving community-appropriate care at the focal hospital, before and after the transaction, and
  • the share of local patients receiving community-appropriate care at other hospitals, including academic medical centers (AMCs) and teaching hospitals, before and after the transaction.

• Note that short time periods following transactions may prevent us from seeing the full impact of these affiliations, and observed trends may also be impacted by factors not related to the transactions.

Notes: “Community-appropriate discharges” do not include intensive or specialized procedures, complications, or comorbidities and are clinically appropriate for nearly all community hospitals. “Local patients” were defined as those residing within the primary service area (PSA) of the focal hospital, as defined in the HPC’s Technical Bulletin for 958 CMR 7.00: Notices of Material Change and Cost and Market Impact Reviews, available at http://www.mass.gov/anf/docs/hpc/regs-and-notices/technical-bulletin-circ.pdf Source: 2009 to 2016 CHIA hospital discharge data.
Community-appropriate inpatient care is increasingly being provided by teaching hospitals and AMCs.

- Few hospitals that were acquired or formed contracting affiliations appear to have reversed this trend.
Lawrence General’s share of local community-appropriate discharges declined faster than the statewide trend after it affiliated with BIDCO.

Anna Jaques and Cambridge Health Alliance also saw their shares of CADs in their local areas decrease at a rate faster than the statewide trend after affiliating with BIDCO, with AMCs and teaching hospitals gaining shares at a rate faster than the statewide trend.
Cooley Dickinson’s share of local community-appropriate discharges also decreased faster than the statewide trend after it was acquired by Partners.
Nashoba Valley also lost shares of community-appropriate discharges in its local area after it was acquired by Steward.
Merrimack Valley also lost shares of community-appropriate discharges in its local area after it was acquired by Steward.
Morton Hospital lost a significant share of community-appropriate discharges in its local area after it was acquired by Steward.
In contrast, Northeast Hospital did not experience the same decline in its share of community-appropriate discharges after acquisition by Lahey.

- The share of community-appropriate discharges at Northeast Hospital (Beverly Hospital and Addison-Gilbert) has **slightly increased** following acquisition by Lahey.
- Until 2016, the share of community-appropriate discharges at teaching hospitals and AMCs was also relatively stable.
Similarly, Winchester Hospital did not have a decline in its share of community-appropriate discharges after it was acquired by Lahey.

- Winchester Hospital’s share of community-appropriate discharges was decreasing before its acquisition by Lahey, but its share appears to have now stabilized and slightly increased.

- While AMCs and teaching hospitals gained a slightly larger share of CADs in this service area following Winchester’s acquisition, it has also been slower than the statewide trend.
The HPC is monitoring a range of other performance metrics for those providers that have formed new corporate or contracting affiliations.

The HPC is continuing to monitor a range of metrics for providers that have new affiliations such as:

- Relative price and composite relative price percentile;
- Inpatient net patient service revenue per case mix adjusted discharge;
- Inpatient costs per case mix adjusted discharge;
- Case mix index;
- Occupancy rate;
- Payer mix;
- Nationally-recognized quality metrics;
- Total Medical Expenses for patients residing in the providers’ primary service areas; and
- Total Medical Expenses by provider organization.

We look forward to reporting information about these and other performance metrics in the future.
Panel 2: Evaluating the Impact of Recent Provider Transactions

Witnesses

Lahey Health
Dr. Howard Grant, President and CEO
Lawrence General Hospital
Ms. Dianne Anderson, President and CEO
Massachusetts General Hospital
Dr. Peter Slavin, President
Steward Health Care System
Mr. John Polanowicz, Executive Vice President

Goals

This panel will examine trends in keeping community-appropriate care in the community, before and after recent hospital acquisitions and affiliations. The panel will also discuss how broader changes in the provider market are impacting care delivery as well as cost, quality, and access.
Up Next
Presentation by the Office of the Attorney General

Annual Health Care
COST TRENDS HEARING

OCTOBER 2 & 3, 2017
Presentation Topics

I. Aligning AGO Community Benefits Guidelines with Broader Population Health Initiatives

II. A Related Question of Proportional Care for Underserved Communities
What Are Community Benefits?

• Hospitals have long been recognized for their charity care and efforts to improve the health of the communities they serve.

• Community Benefits are investments by hospitals and HMOs that further their charitable mission of addressing their communities’ health and social needs.

• Community Benefits reporting programs have developed in many states, as well as federally through reporting to the IRS, as a way of formalizing the provision of these benefits and quantifying their community health impact.
Goals for Updated Community Benefits Guidelines

• Align AGO Guidelines with IRS and DPH standards to decrease administrative burden on participants and harmonize resources for building long-term capacity to improve health outcomes and reduce disparities

• Improve coordination among participants and within regions, and enhance transparency around community engagement throughout the planning and implementation process

• Develop approaches to improving program assessment and transparency (e.g., by enhancing reporting on Community Benefits expenditures)
Breakdown of 2016 Hospital Community Benefits Spending

- Community Benefits Programs: $336,230,105
- Health Safety Net Assessment: $228,582,825
- Health Safety Net Denied Claims: $28,539,269
- Free/Discounted Care: $41,472,032
- Corporate Sponsorships: $9,182,143

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Opportunity for Increased Transparency into Substantial Community Health Investments

Community Benefits Programs
$336,230,105

E.g., Investment Type
- Community Health Education
- Direct Clinical Services
- Access/Coverage Supports
- Investments in Social Determinants
- Grants/Donations
- Substance Use Disorder
- Housing Stability/Homeliness
- Mental Illness/Mental Health
- Chronic Disease
- Other Health Needs Identified by Community

E.g., EOHHS/DPH Focus Issues

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I. Aligning AGO Community Benefits Guidelines with Broader Population Health Initiatives

II. A Related Question of Proportional Care for Underserved Communities
Significant Variation in Payer Populations Served by Providers Is Well Documented by the HPC

Source: Health Policy Commission CMIR (Sept. 7, 2016) at 57; based upon 2015 CHIA hospital discharge data.
Largest Provider Systems Tend to Have Higher Commercial Mix Than Government Mix

Proportion of Eastern MA GPSR Across Hospital Systems by Payer Type (2015)

- **Commercial**: 50% (Largest Two Eastern MA Systems) vs. 50% (All Other Eastern MA Hospitals)
- **Medicare**: 47% (Largest Two Eastern MA Systems) vs. 53% (All Other Eastern MA Hospitals)
- **Medicaid/Subsidized Populations**: 37% (Largest Two Eastern MA Systems) vs. 63% (All Other Eastern MA Hospitals)

*Medicaid/Subsidized Populations includes MassHealth, Health Safety Net, and ConnectorCare.*
Prior AGO Analysis Showed That Higher Income Communities Are Generally Healthier

Health Risk Scores for Low and High Income Communities
Even Among Commercial Discharges, Hospitals Serve Different Proportions of Low-Income Patients

Average Income Quintile of Hospital/System’s Commercial Discharges

1 = lowest income quintile
5 = highest income quintile
Opportunities for Coordinated Oversight of Access Questions

- Department of Public Health – e.g., Determination of Need Regulations
- Health Policy Commission – e.g., CMIRs, Performance Improvement Plans
- Attorney General’s Office – e.g., Health Care Market Oversight, Community Benefits

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October 3, 2017

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OCTOBER 2 & 3, 2017
Up Next
Panel 3: Promoting High-Value Care Through Payment Reform and Purchaser Innovations

Annual Health Care
COST TRENDS HEARING
OCTOBER 2 & 3, 2017
Promoting High-Value Care Through Payment Reform and Purchaser Innovations

### Top Health Plan APM Expansion Strategies
- Expand APM adoption in public programs, such as MassHealth and Medicare Advantage
- Expand adoption beyond primary care to include other provider types, such as specialists

### Health Plan Payment Policy Innovations
- 100% have policies related to readmissions
- 82% have policies related to telemedicine
- 45% have policies related to behavioral health integration into primary care
- 18% have policies related to services to remove/protect patients from violence

### Top Provider APM Expansion Barriers
- Lack of alignment on APM models, including quality measurement, with limited resources to invest in necessary infrastructure
- Most APMs are still based on a fee-for-service chassis

### Quality Measures
Payers require provider reporting on 106 different quality measures for APMs

### Health Care Website Transparency Inquiries
The top health plans reported 180,705 inquiries in 2016, a 30% increase from 2015

Source: HPC 2017 Pre-Filed Testimony. All responses may be found at: http://www.mass.gov/anf/budget-taxes-and-procurement/oversight-agencies/health-policy-commission/public-meetings/annual-cost-trends-hearing/testimony.html
Panel 3: Promoting High-Value Care Through Payment Reform and Purchaser Innovations

Witnesses

Atrius Health
- Dr. Steven Strongwater, President and CEO

Blue Cross Blue Shield of Massachusetts
- Ms. Deborah Devaux, Chief Operating Officer

Group Insurance Commission
- Dr. Roberta Herman, Executive Director

New England Baptist Hospital
- Ms. Trish Hannon, President and CEO

Goals

This panel will focus on the adoption and improvement of alternative payment models (APMs) and innovations to promote the use of high-value providers. The panel will also examine purchaser strategies to promote efficient care and innovative care delivery models.
Up Next
Panel 4: Achieving the Health Care Cost Growth Benchmark in 2018 and Beyond

Annual Health Care COST TRENDS HEARING

OCTOBER 2 & 3, 2017
Key “Forward-Looking” Policies and Strategies Discussed During the Hearing

• Strengthen and support primary care, behavioral health, and team-based models of coordinated care that address “whole person” needs of patients to better reduce avoidable hospital use (e.g. readmissions, ED visits)

• Account for socio-economic factors in payment policies

• Address underlying price disparities

• Continue to monitor community appropriate discharges in Massachusetts, and investigate other measures of success for the aligned goal of providing the “right care, at the right price, at the right time”

• Improve alternative payment methodologies to reward providers for providing high-value care and move away from an underlying FFS architecture

• Improve financial incentives to reward consumers who choose high-value health insurance products and providers
Panel 4: Achieving the Health Care Cost Growth Benchmark in 2018 and Beyond

Witnesses

AstraZeneca
Beth Israel Deaconess Medical Center
Harvard Pilgrim Health Care
Iora Health

Mr. Richard Buckley, Vice President, Global Corporate Affairs
Dr. Kevin Tabb, President and CEO
Mr. Eric Schultz, President and CEO
Dr. Rushika Fernandopulle, Co-Founder and CEO

Goals

This panel will discuss strategies to meet the health care cost growth benchmark in 2018 and beyond by tackling issues such as the scalability of innovations in care delivery and payment, spending on pharmaceuticals and medical devices, and the future of the Massachusetts health care system.
Annual Health Care

COST TRENDS HEARING

OCTOBER 2 & 3, 2017