Cost Trends and Market Performance

Health Policy Commission

Committee Meeting
September 4, 2013

Agenda

- Approval of the minutes from the July 10, 2013 meeting
- Presentation by Executive Director Boros of the Center for Health Information and Analysis
- Update on the annual cost trends hearing
- Update on the APCD analysis for cost trends
- Schedule of next committee meeting

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Vote: approving minutes

Motion: That the Cost Trends and Market Performance Committee hereby approves the minutes of the Committee meeting held on July 10, 2013, as presented.

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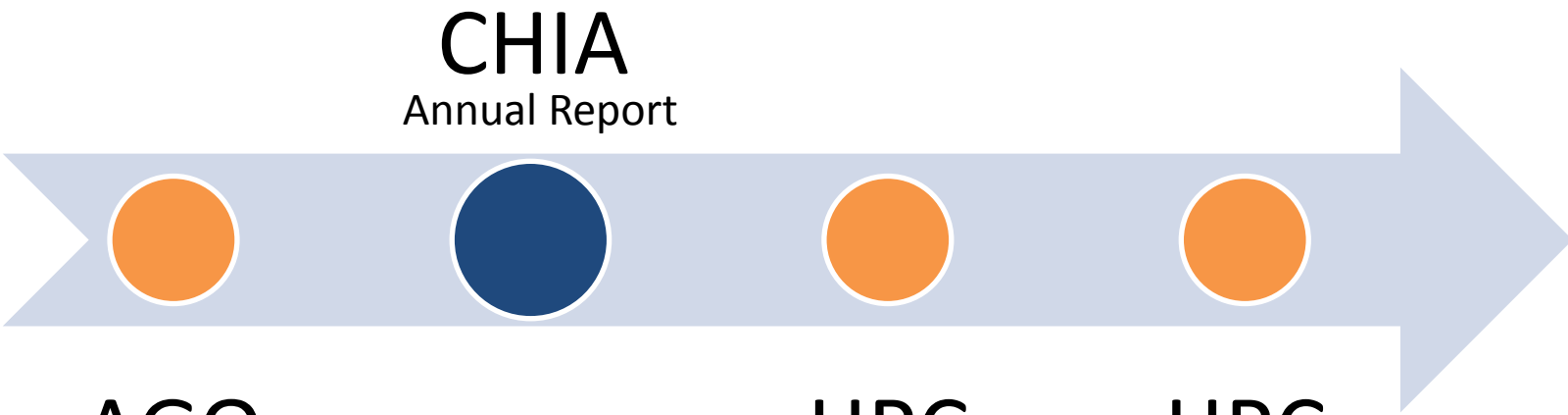
Annual Report on the Massachusetts Health Care Market

Center for Health Information and Analysis

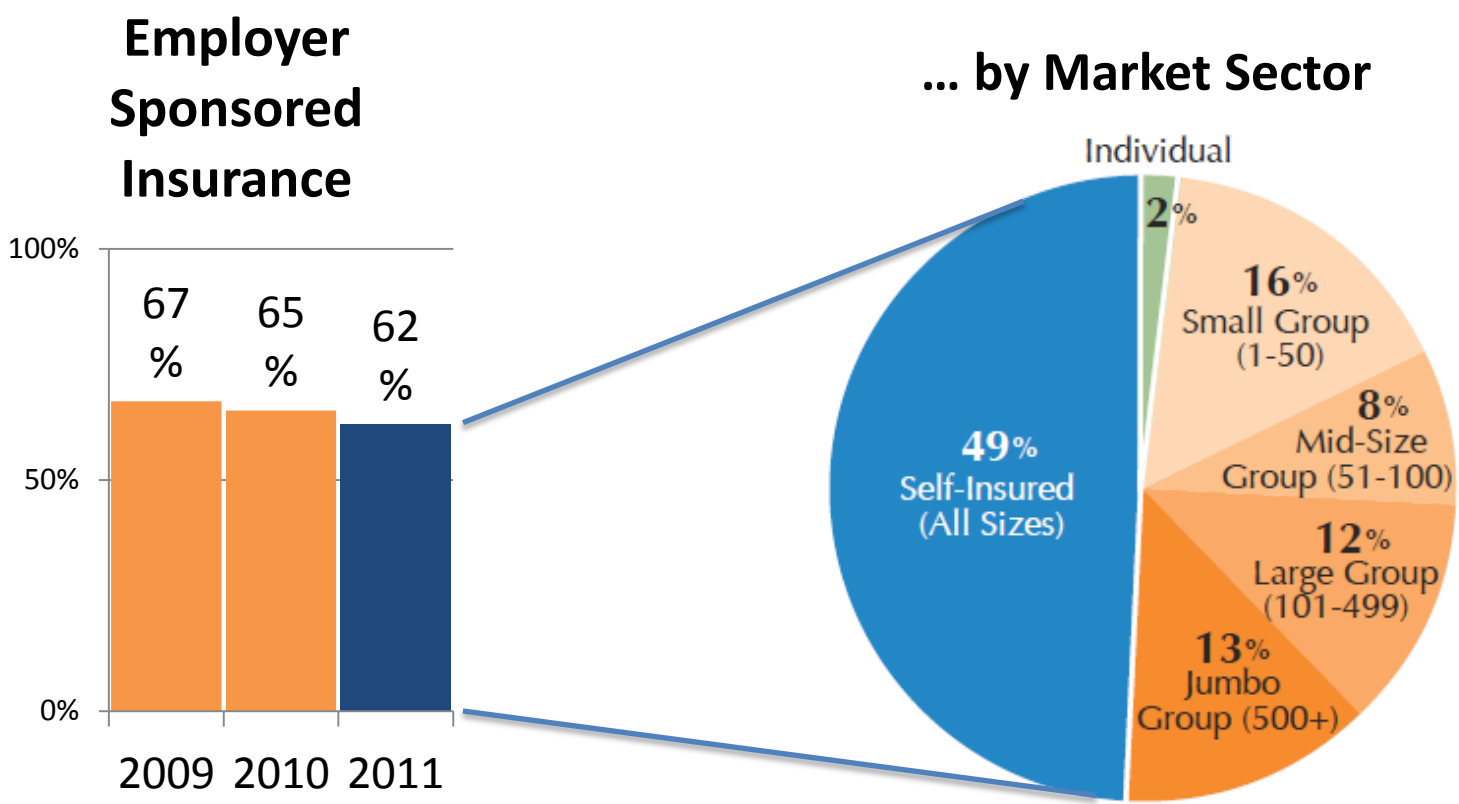
This Annual Report is part of a larger monitoring and cost containment effort

Chapter 224 of the Acts of 2012



1. Coverage & Premiums

The employer-sponsored insurance market is shrinking and diverse.



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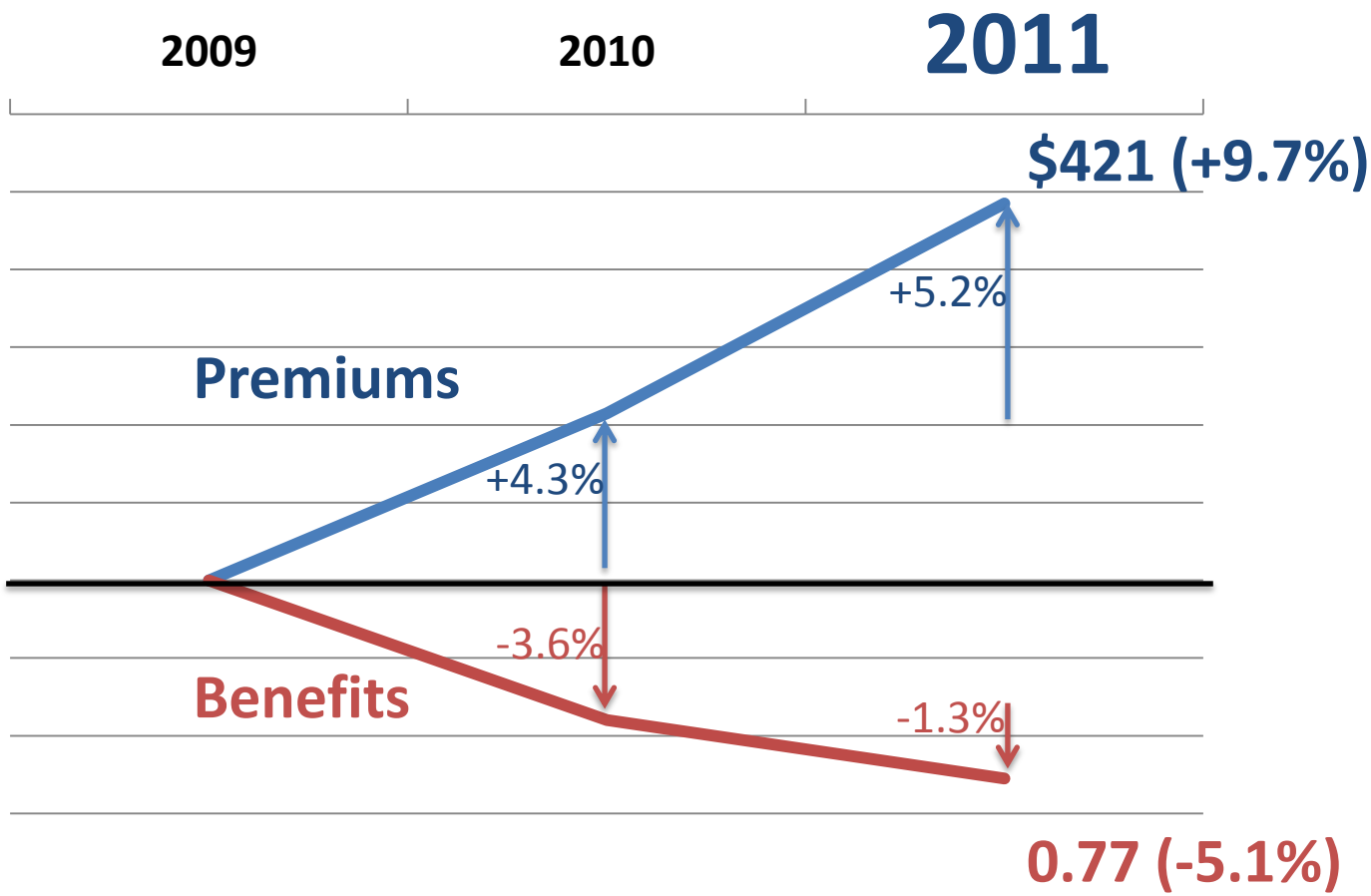
Premiums are rising faster than inflation while benefit levels are falling



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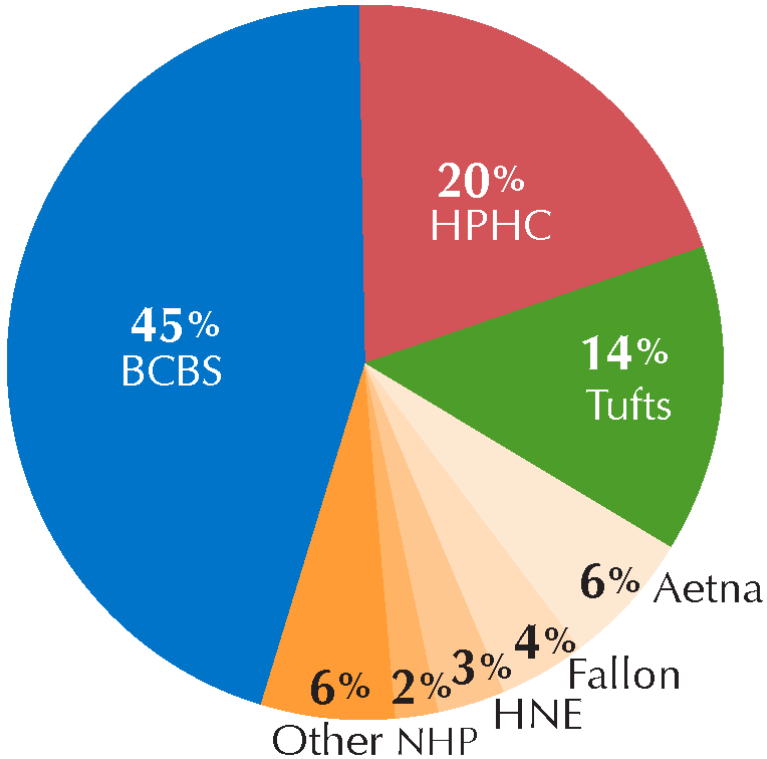
2. Insurers

Commercial enrollment is concentrated in the three largest insurers.

Membership by Plan (2012)



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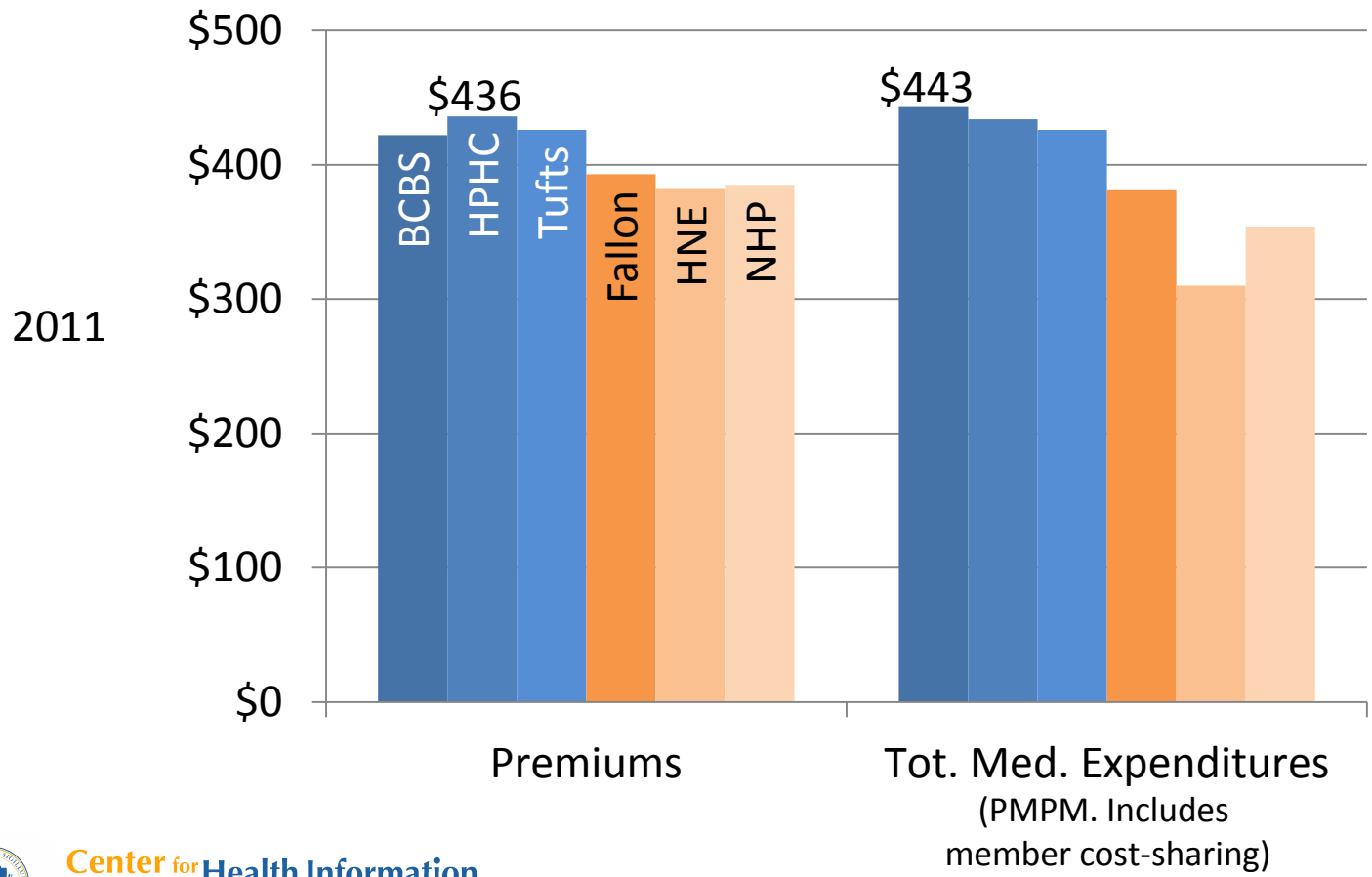
The big three insurers had higher premiums and total medical spend.



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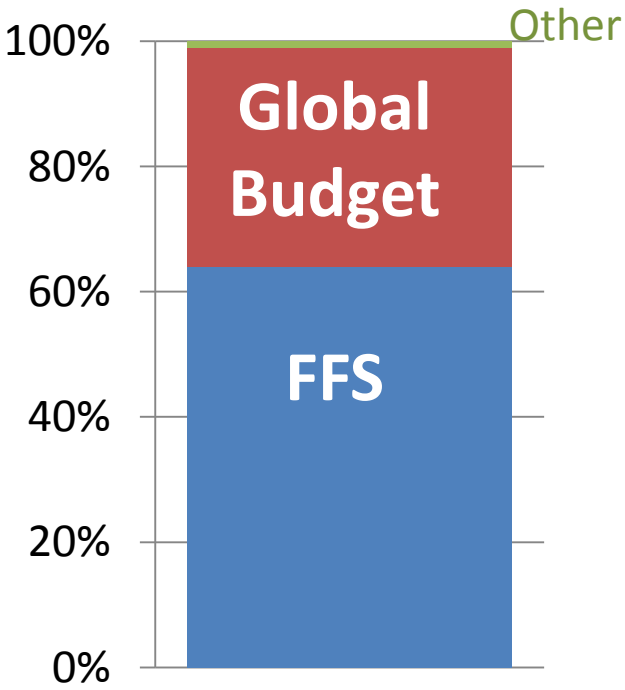
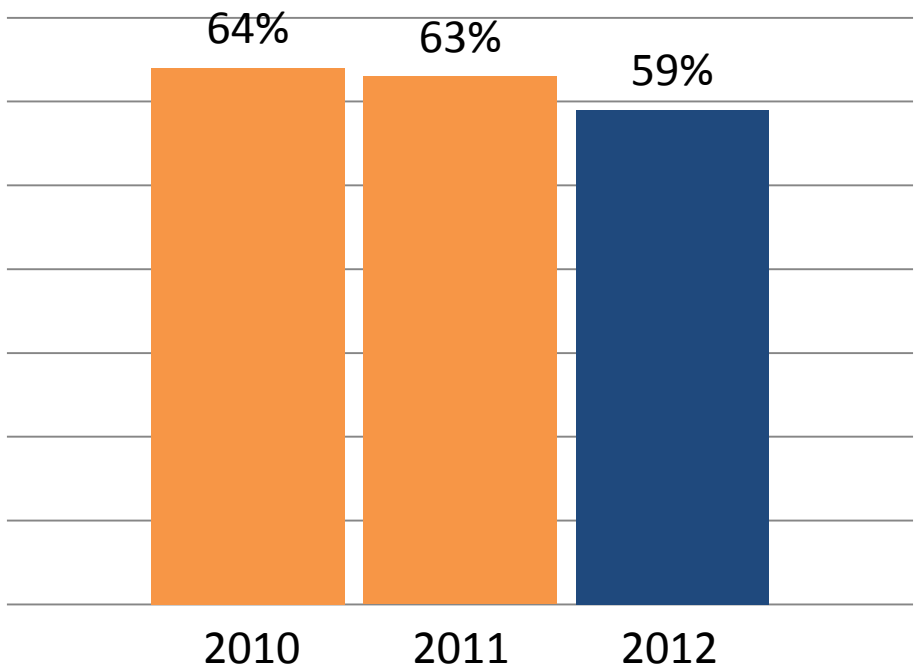
Medical spending didn't rise as fast as premiums, so insurers retained more.

We are a national leader in payment innovation, but FFS remains dominant.

APM Enrollment 2012



HMO Enrollment



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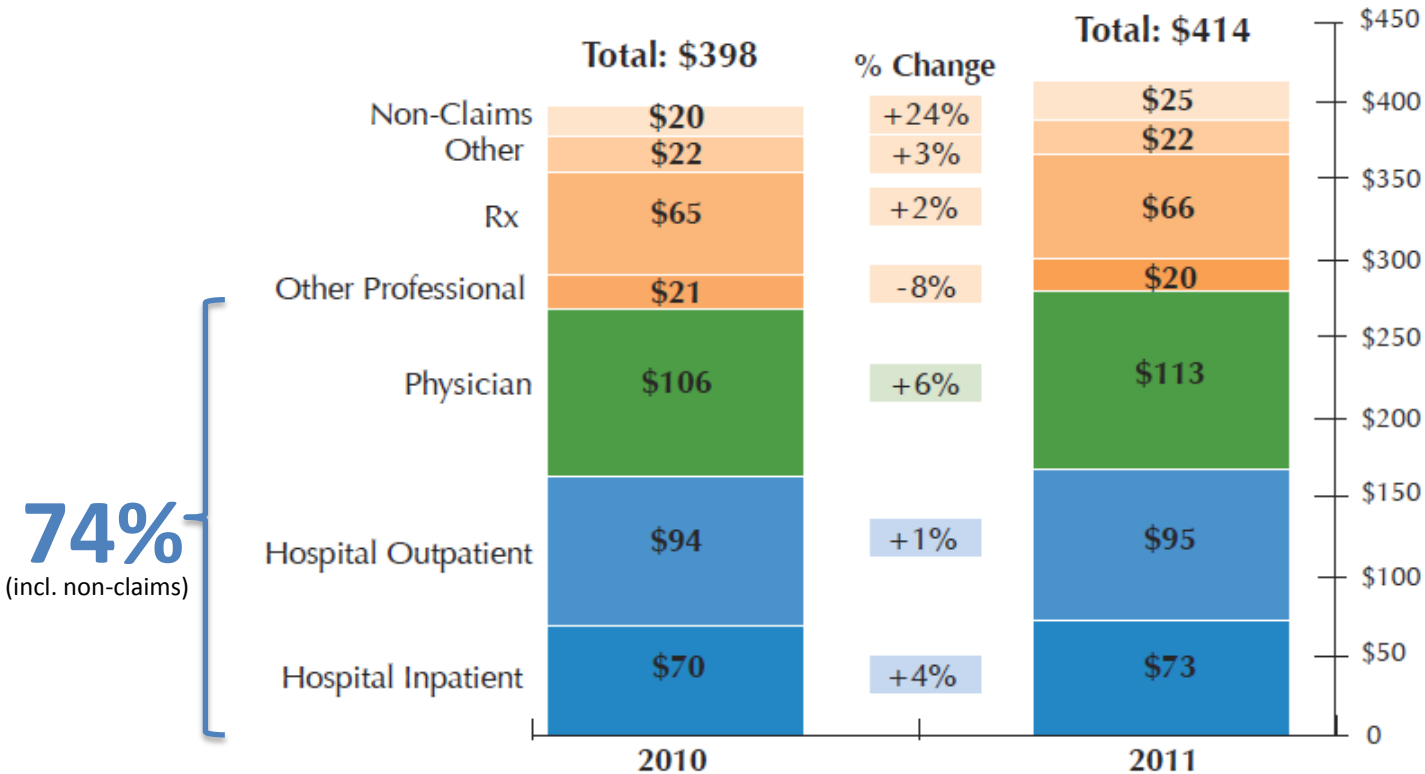
2. Providers

Hospital-physician systems dominate the market as consolidation continues.



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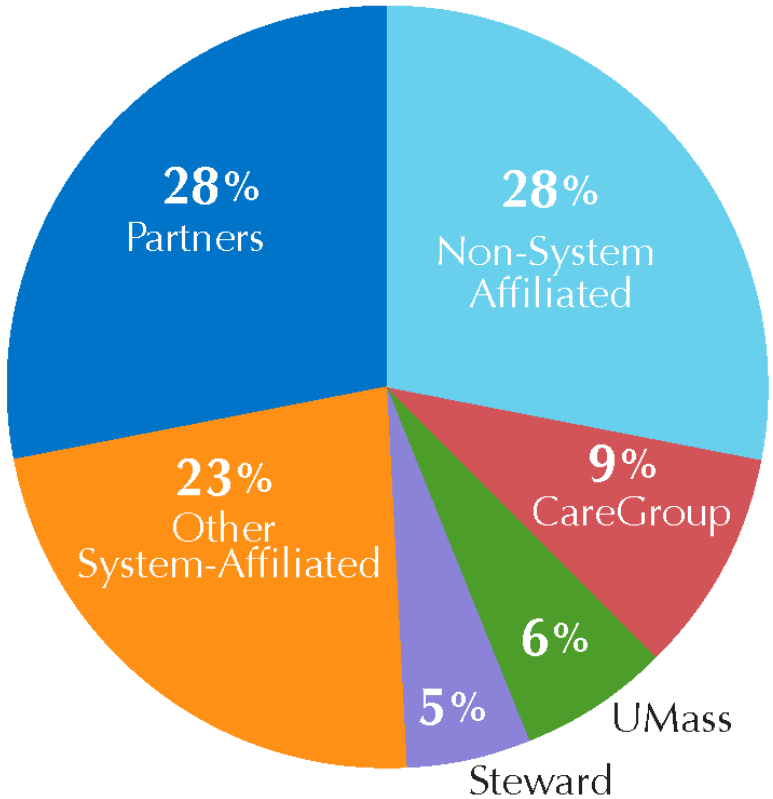
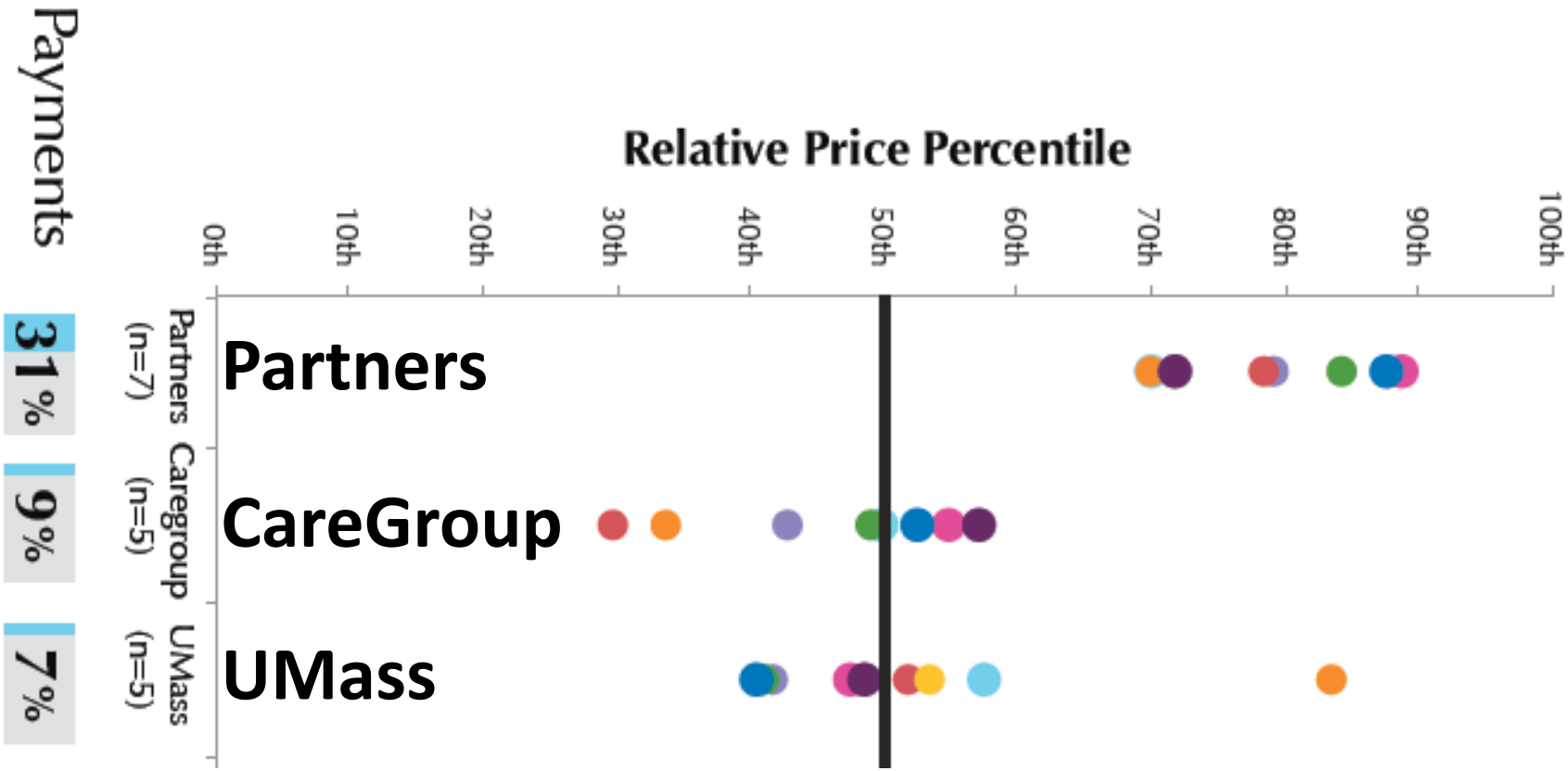
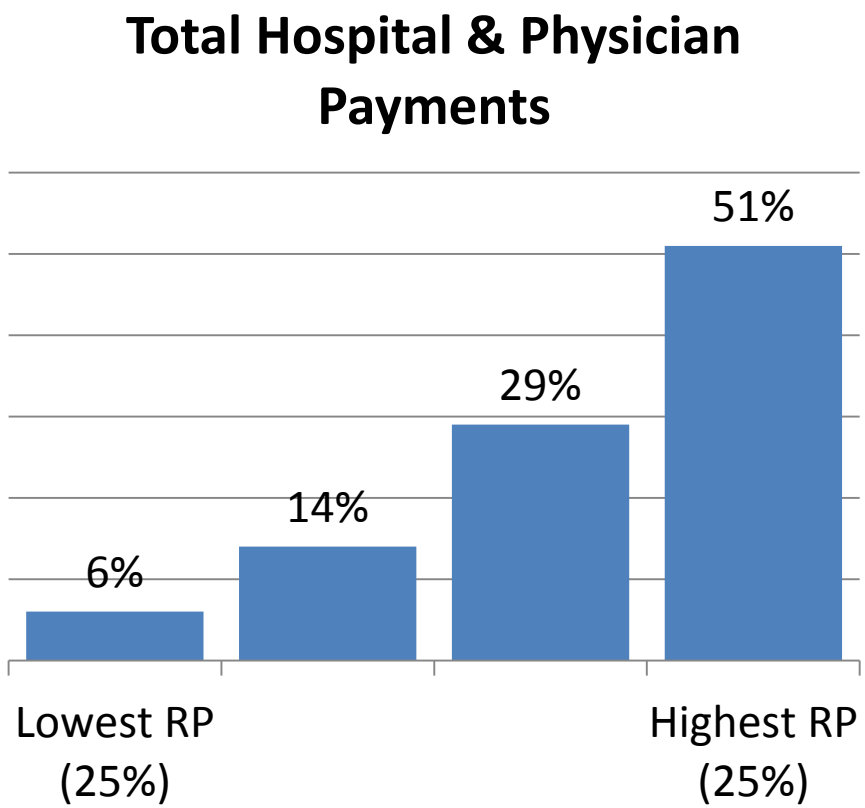


2011

Partners is the biggest system and commands the highest prices.



High prices at large providers drive overall costs.



CHIA: monitoring a Bilateral Oligopoly with Differentiated Products since 2012

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Annual Cost Trends Hearings – Legislative Mandate

Not later than October 1 of every year, the commission shall hold public hearings based on the report submitted by the center for health information and analysis under section 16 of chapter 12C comparing the growth in total health care expenditures to the health care cost growth benchmark for the previous calendar year. The hearings shall examine health care provider, provider organization and private and public health care payer costs, prices and cost trends, with particular attention to factors that contribute to cost growth within the commonwealth's health care system.

G.L. Chapter 6D, Section 8

SOURCE: Mass. General Laws

Objectives for the annual cost trends hearing

- Discuss stakeholders' observations of performance against the cost growth target
- Engage experts and witnesses to discuss particular challenges and opportunities in the Commonwealth
- Identify innovations that can work in the Commonwealth to help drive the HPC's core objectives
- Examine experience of stakeholders to inform the annual cost trends report

Witnesses testify under oath and are subject to questioning by the HPC, CHIA, and OAG

Witnesses to be called by statute

- At least 3 academic medical centers
- At least 3 disproportionate share hospitals
- Community hospitals from at least 3 separate regions of the commonwealth
- Freestanding ambulatory surgical centers from at least 3 separate regions of the commonwealth
- Community health centers from at least 3 separate regions of the commonwealth
- The 5 private health care payers with the highest enrollments in the commonwealth
- Any managed care organization that provides health benefits under Title XIX or under the commonwealth care health insurance program
- The group insurance commission
- At least 3 municipalities that have adopted chapter 32B
- At least 4 provider organizations, at least 2 of which shall be certified as accountable care organizations, 1 of which has been certified as a model ACO, which shall be from diverse geographic regions of the commonwealth
- Any witness identified by the attorney general or the center

Topics to be covered by statute, including but not limited to…

- Payment systems
- Care delivery models
- Payer mix
- Factors underlying premium cost and rate increases
- Relation of reserves to premium costs
- Cost structures
- Utilization trends
- Reserve levels
- Quality improvement and care-coordination strategies
- Investments in health information technology
- Efforts to improve the efficiency of the delivery system
- Efforts to reduce the inappropriate or duplicative use of technology
- Efforts by the payer to increase consumer access to health care information
- Efforts by the payer to reduce the use of fee-for-service payment mechanisms

Overview of pre-filed testimony

- In order to meet our statutory requirements, and be consistent with past practice, the HPC, OAG, and CHIA sent written testimony questions to a representative sample of health care providers and payers.
- Selection process included a review of past respondents and input from Commissioners, the HPC Advisory Council, CHIA, and the OAG, as well as a consideration of size, geographic diversity, and unique market position.
  - 40 providers identified, including hospitals, community health centers, behavioral health providers, long-term care facilities, home care providers, ambulatory surgery centers, and physician organizations.
  - 12 payers identified, including non-profit and for-profit payers, and Medicaid managed care organizations.
  - 3 communities identified that have entered the Group Insurance Commission.
- A selection of these witnesses will also be called to provide oral testimony at the hearings and answer direct questions from the Commissioners.

Topics covered in pre-filed testimony questions

- Providers and payers identified through this process have been asked to submit written responses to a number of questions. Questions may require narrative responses as well as data requests.
- Questions were selected based on a review of past inquiries and input from Commissioners, the Advisory Council, CHIA, and the OAG. A key consideration in developing the questions was minimizing the administrative burden on identified witnesses, while maximizing the value of the information collected.

Topics included in provider questions

- Reaction to the passage of chapter 224 of the acts of 2012, including the establishment of a health care cost growth benchmark
- Quality improvement and care coordination opportunities
- Provider price trends
- Behavioral health integration
- Adoption of alternative payment models
- Operational cost structure
- Consumer transparency
- Operating margin trends
- Risk contracting practices
- Population health management
- Health and wellness programs

Topics included in payer questions

- Reaction to the passage of chapter 224 of the acts of 2012, including the establishment of a health care cost growth benchmark
- Factors underlying premium cost and rate increases
- Quality improvement and care coordination opportunities
- Provider price trends
- Adoption of alternative payment models
- PCP attribution
- Member engagement on price and quality
- Impact of material changes on spending trends
- Consumer transparency
- Medical expenditure trends through Q1 of 2013
- Membership trends by product line
- Risk contracting practices
- Tiered and limited network products
- Health and wellness programs

Selection of witness panels

- A selection of witnesses (15-20) will also be called to provide oral testimony at the hearings and answer direct questions from the Commissioners. In addition, these witnesses will be asked to provide supplemental written testimony related to the topic of the panel. Invitations are in the process of being sent.
- Selection process included a review of past witnesses and input from Commissioners, the HPC Advisory Council, CHIA, and the OAG, as well as a consideration of geographic diversity, market position, and including a variety of perspectives on each panel.

Cost trends hearing agenda

Advancing efficient delivery of high-quality care (10/1)	
9:00 – 10:00AM	▪ Welcome and opening remarks
10:00 – 11:00AM	▪ CHIA presentation on health care access and cost trends in MA
11:00 – 11:15AM	▪ *Break*
11:15 – 11:45AM	▪ **Expert Presentation** (TBD)
11:45 – 1:15PM	▪ **Witness Panel:** High-value care for high-need patients
1:15 – 2:00PM	▪ *Lunch*
2:00 – 2:30PM	▪ **Expert Presentation** (K. Feinstein)
2:30 – 4:00PM	▪ **Witness Panel**: Addressing system barriers to efficiency

Advancing a value-based market (10/2)	
9:00 – 10:00AM	▪ Welcome and opening remarks
10:00 – 11:00AM	▪ OAG presentation on market structure and trends in MA
11:00 – 11:15AM	▪ *Break*
11:15 – 11:45AM	▪ **Expert Presentation** (P. Ginsburg)
11:45 – 1:15PM	▪ **Witness Panel:** Evolving market structure
1:15 – 2:00PM	▪ *Lunch*
2:00 – 2:30PM	▪ **OCA Presentation:** Engaging consumers through transparency
2:30 – 3:00PM	▪ **Expert Presentation** (S. Delblanco)
3:00 – 4:30PM	▪ **Witness Panel:** Empowering purchasers through information, incentives, and choice

Overview of confirmed expert speakers for cost trends hearing panels

Paul B. Ginsburg, Ph.D.
President, Center for Studying Health System Change (HSC)

- The non-partisan HSC informs policy makers and private decision makers about how local and national changes in the financing and delivery of health care affect people.
- Nationally recognized economist and health policy expert whose recent research topics include cost trends and drivers, Medicare provider payment policy and health care markets
- Founding executive director of the Medicare Payment Advisory Commission (MedPAC); formerly worked at RAND and as deputy assistant director of the Congressional Budget Office
- Ph.D., Economics, Harvard University

Karen Wolk Feinstein, Ph.D.

President & CEO
Jewish Healthcare Foundation, Pittsburgh Regional Health Initiative, Health Careers Futures

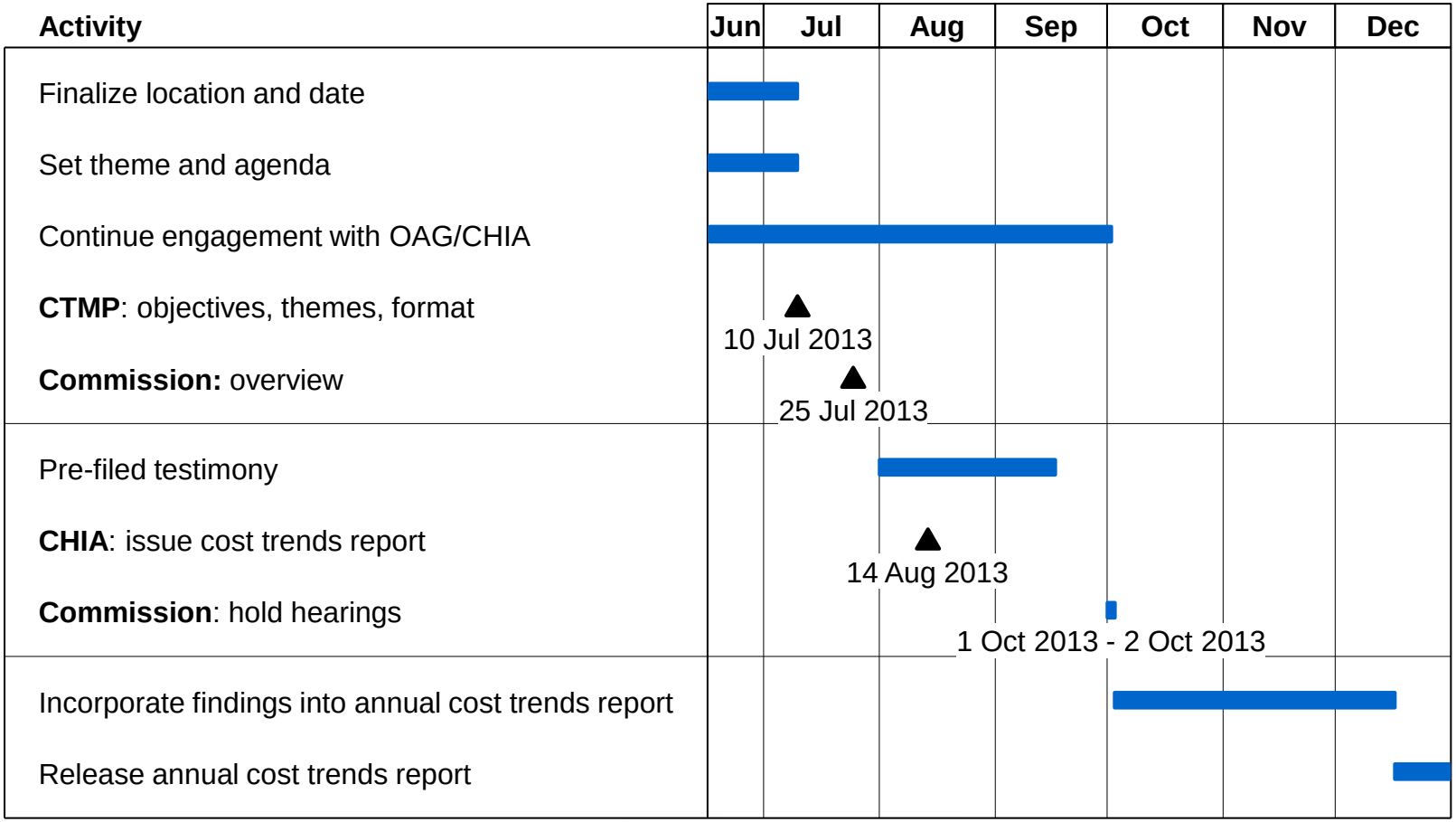
- Founder of Pittsburgh Regional Health Initiative, among the nation's first regional multi-stakeholder quality coalitions devoted to advancing efficiency, best practices and safety in health care
- National leader in health care quality improvement; author of numerous regional and national publications on quality and safety; previously served as editor of the Urban & Social Change Review
- Ph.D., Social Welfare Policies & Economics, Brandeis University
- MSW, Boston College

Suzanne F. Delbanco, Ph.D.

Executive Director
Catalyst for Payment Reform (CPR)

- CPR is a non-profit organization working for coordinated action among the largest purchasers of health care and health plans
- Founding CEO of The Leapfrog Group
- Ph.D., Public Policy, Goldman School of Policy
- M.P.H., School of Public Health, University of California, Berkeley

Timeline for cost trends hearing



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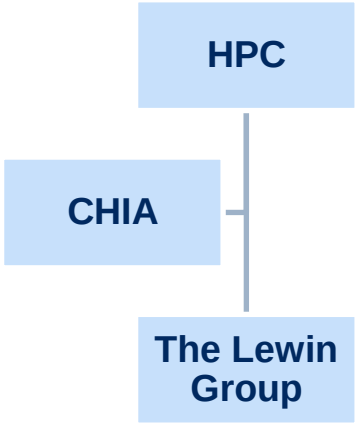
Overview of APCD Cost Trends Project

Objectives

- Obtain analytic support in examining trends in health care costs sourced from Commonwealth's all-payer claims database (APCD)
  - Produce analyses that directly support HPC's annual cost trends report
  - Build a foundation for more extensive work in future years
  - Collaborate with CHIA to enhance value of APCD for all stakeholders

Partners



Phases of contract

Phase 1
Jul - Sep

- Evaluate data quality
- Develop analytical approach

Phase 2
Sep – Nov

- Complete analytical work with 2009-2011 APCD data

Phase 3
Dec – May 2013

- Update Phases 1 and 2 with 2012 APCD data

The award of each phase is contingent on successful completion of the phase before

Phase I is well underway

- The HPC and The Lewin Group have a signed contract
  - HPC, CHIA, and Lewin met in person on 8/28
- CHIA delivered commercial data to Lewin on 8/20
  - HPC and CHIA are working towards Medicare data
  - HPC, CHIA, and MassHealth are working towards MassHealth data
- Lewin is assessing data, focusing on validity for cost trends analysis
  - HPC and Lewin are refining the analytic approach
- Phase II will be awarded pending successful completion of Phase I

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Contact Information

For more information about the Health Policy Commission:

- Visit us: http://www.mass.gov/hpc
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- E-mail us: HPC-Info@state.ma.us