# Cost Trends and Market Performance

Health Policy Commission

Committee Meeting
November 14, 2013

# Agenda

- Approval of the minutes from the September 4, 2013 meeting
- Update on annual cost trends report, including update on APCD analysis
- Review of framework for reviewing notices of material change (MCN)
- Schedule of next committee meeting (February 5, 2014)

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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 September 4, 2013, as presented.

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# HPC perspective on APCD

- The Commonwealth's all-payer claims database (APCD) is an essential resource for examination of health spending and system change. The APCD is comprised of all medical claims, as well as information about member eligibility, benefit design, and providers for all payers covering Massachusetts residents. CHIA manages the APCD database.

- Critical tasks for the HPC:
  - To begin analysis as soon as possible to directly support HPC's annual cost trends report
  - To produce accurate and useful results
  - To bring results to the public as soon as possible

- The HPC works in collaboration with CHIA and stakeholders

- The HPC engaged Lewin group, a nationally recognized health policy research and consulting firm with APCD experience:
  - To examine data and propose methods for analysis
  - To conduct analyses

- The HPC's current effort creates a foundation both for our future work and for the work of other APCD users

# Sample proposed for December 2013 report

| | |
|---|---|
| **Time period** | ▪ Years: 2009-2011 |
| **Payers and products** | ▪ Payers and products included:<br>– Three major commercial carriers<br>– Medicare FFS<br>– (MassHealth - probably postponed to Spring 2014 supplement) |
| **Spending type** | ▪ Claims-based medical spending only<br>▪ No drug spending<br>▪ No other payments (shared savings, P4P, infrastructure, etc.) |
| **Level of aggregation** | ▪ Present results for three major commercial carriers collectively<br>▪ No analysis by individual carrier<br>▪ No analysis by provider or provider system |

# APCD analyses being evaluated for current report

1. Total expenditures – focus on PMPMs
   - Paid by patient and paid by plan
   - Risk adjusted and not
   - At prices paid and at standardized prices
   - By category of service
   - By demographic group and region

2. Analysis of episodes
   - Number of episodes by type and price paid per episode
   - Disease prevalence rates

3. Analysis of most costly patients
   - Descriptive statistics on spending and most common conditions
   - At prices paid, at standardized prices, and at standardized benefit structure
   - Analysis of behavioral health co-morbidities

4. Adherence to evidence-based guidelines, readmissions

# Longer term opportunities to draw upon APCD

- Conduct detailed analysis of trends in access, quality, utilization, and spending
  - Specific populations or conditions
  - Specific services
  - Specific providers or provider types
- Explore variation among regions and providers
- Evaluate new care delivery and payment models and new insurance product designs
- And more

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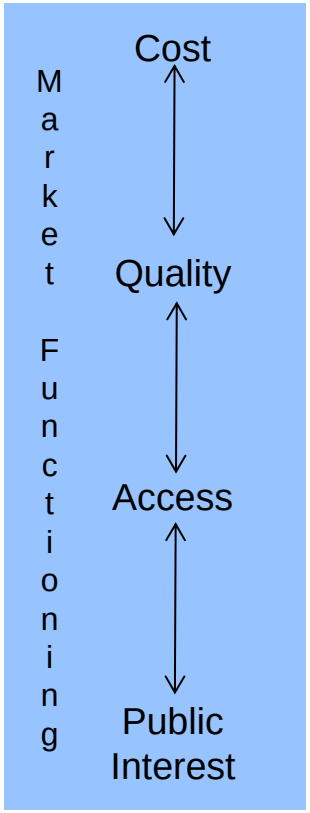
# Timeline for review of material changes

# Statutory factors for review of material changes

**Statutory standard**

Factors should evaluate whether the material change is likely to result in a significant impact
- "on the Commonwealth's ability to meet the health care cost growth benchmark" or
- "on the competitive market"




- Unit prices, including whether prices are ***materially higher*** than other providers
- Health status adjusted TME, including whether TME is ***materially higher*** than other providers
- Provider costs and cost trends, including compared to statewide trends
- Provider size and market share within ***primary service areas*** and ***dispersed service areas***, including whether the provider has ***dominant market share***
- Quality, including patient experience and level of coordinated, population-based care
- Availability and accessibility of services similar to those proposed to be provided
- Impact on competing options for health care delivery, including the impact on existing providers
- Methods used to attract patient volume and to recruit or acquire health care professionals or facilities
- Role in serving at-risk, underserved, and government payer populations, including those with behavioral and substance use disorders or mental health conditions
- Role in providing low margin or negative margin services
- Consumer concerns, such as complaints that the provider has engaged in any unfair method of competition, or any unfair or deceptive act
- Other factors in the public interest

Focused list of factors for 30-day review

# Categories of impact review

Combine historic performance with details of the transaction and the parties' goals and plans to project the impact of the transaction

MCN ↕ CMIR

| | Costs | Quality | Access |
|---|---|---|---|
| **What do we know from the terms of the transaction?** | | | |
| **How will provider and market structure change?** | | | |
| **Ongoing evaluation of the parties' goals and plans** | | | |

# What do we know from the terms of the transaction?

| | Costs | Quality | Access |
|---|---|---|---|
| **What do we know from the terms of the transaction?** | ▪ Will contractual prices change as a result of the transaction?<br>▪ Will care shift to lower or higher priced providers? | ▪ What are the identified areas for quality improvement?<br>▪ What changes do the parties propose to address these areas? | ▪ Are any changes in services identified?<br>▪ How do these changes affect any shortages or oversupply of services? |
| **How will provider and market structure change?** | | | |
| **Ongoing evaluation of the parties' goals and plans** | | | |

# How will provider and market structure change?

| | Costs | Quality | Access |
|---|---|---|---|
| **What do we know from the terms of the transaction?** | | | |
| **How will provider and market structure change?** | ▪ Will market share or concentration increase or decrease?<br>▪ What is the anticipated impact on bargaining leverage? | ▪ How are the parties aligning incentives?<br>▪ Does the proposed structure support greater clinical integration and population care management? | ▪ Will the resulting organization have higher or lower government payer mix?<br>▪ Higher or lower mix of low/negative margin services? |
| **Ongoing evaluation of the parties' goals and plans** | | | |

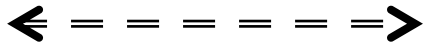
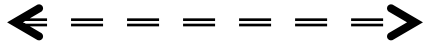
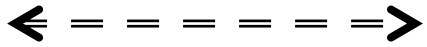
# Ongoing evaluation of the parties' goals and plans

| | Costs | Quality | Access |
|---|---|---|---|
| **What do we know from the terms of the transaction?** | | | |
| **How will provider and market structure change?** | | | |
| **Ongoing evaluation of the parties' goals and plans** | Continued evaluation with additional data, production, and interchange with parties and market participants. E.g.,<br>▪ Are the parties' plans internally consistent and/or supported by historic results?<br>▪ Are proposed changes both necessary and sufficient to improve cost, quality, and access?<br>▪ Are cost savings likely to be passed on to consumers? | | |

# 30-day quantitative analysis

| | Costs | Quality | Access |
|---|---|---|---|
| **What do we know from the terms of the transaction?** | ▪ Will contractual prices change as a result of the transaction?<br>▪ Will care shift to lower or higher priced providers? | ▪ What are the identified areas for quality improvement?<br>▪ What changes do the Parties propose to address these areas? | ▪ Are any changes in services identified?<br>▪ How do these changes affect any shortages or oversupply of services? |
| **How will provider and market structure change?** | ▪ Will market share or concentration increase or decrease?<br>▪ What is the anticipated impact on bargaining leverage? | ▪ How are the parties aligning incentives?<br>▪ Does the proposed structure support greater clinical integration and population care management? | ▪ Will the resulting organization have higher or lower government payer mix?<br>▪ Higher or lower mix of low/negative margin services? |
| **Ongoing evaluation of the parties' goals and plans** | Continued evaluation with additional data, production, and interchange with parties and market participants. | | |

# Modeling quantitative analysis

| Unlikely CMIR | | Likely CMIR |
|---|---|---|
| Decrease in price |  | Increase in price, especially if a “material” increase |
| Modest to no change in market share or concentration |  | Significant change in market share or concentration |
| Increase in proportion of care for underserved populations/low margin services |  | Decrease in proportion of care for underserved populations/low margin services |

# Recommended updates to material change submission

## NOTICE OF MATERIAL CHANGE

**Date of Notice:** _____

| | | |
|---|---|---|
| 1. | Name: | |

| 2. | Federal TAX ID # | MA DPH Facility ID # | NPI # |
|---|---|---|---|
| | 000-000-0000 | 0000 | 00000000 |

| | **Contact Information** | | | | | |
|---|---|---|---|---|---|---|
| 3. | Business Address 1: | | | | | |
| 4. | Business Address 2: | | | | | |
| 5. | City: | | State: | | Zip Code: | |
| 6. | Business Website: | | | | | |

| | | | | |
|---|---|---|---|---|
| 7. | Contact First Name: | | Contact Last Name: | |
| 8. | Title: | | | |
| 9. | Contact Phone: | | Extension: | |
| 10. | Contact Email: | | | |

| | **Description of Organization** |
|---|---|
| 11. | *Briefly* describe your organization. |
| | |

| | **Type of Material Change** |
|---|---|
| 12. | Check the box that most accurately describes the proposed material change: |
| | ☐ Merger or affiliation with a carrier<br>☐ Acquisition of or acquisition by a carrier<br>☐ Merger with or acquisition of or by a hospital or a hospital system |

# Next steps

- Modeling definitions of materially higher price and total medical expenses, primary service area, dispersed service area, dominant market share, and other statutorily identified terms (Winter 2013-14)
- Modeling ranges for these definitions (Winter 2013-14)
- Recommending updates to the Interim Guidance and Form for submitting material change notices (Jan-Feb 2014)
- Proposing regulations (Q1 2014)

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# Contact us

For more information about the Health Policy Commission:

- Visit us: http://www.mass.gov/hpc
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