

INTRODUCTION

Massachusetts is a national leader in innovative and high-quality health care, but the rising costs of the current system pose an increasing burden for households, businesses, and the state economy. In its inaugural 2013 cost trends report (2013 report), the Health Policy Commission (Commission) provided a profile of health care in the Commonwealth and analyzed significant drivers of cost growth.

The Commission's cost trends reports are intended to support and monitor efforts to meet the statewide benchmark for the rate of growth of total health care expenditures. This benchmark was established in Chapter 224 of the Acts of 2012, Massachusetts' landmark health care cost-containment law and aims for a sustainable rate of growth, set at the growth rate of potential gross state product for a five-year period from 2013 to 2017 and then to 0.5 percentage points below that figure for the following five years. The Commission's reports are informed by the annual reports of the Office of the Attorney General (AGO) and the Center for Health Information and Analysis (CHIA) as well as by testimony and reports submitted at the Commission's Annual Cost Trends Hearings. These cost trends reports serve to inform the activities of the Commission, as well as other policy development in Massachusetts.

The 2013 report recommended four areas of opportunity for the health system:

- **Fostering a value-based market** in which payers and providers openly compete to provide services and in which consumers and employers have the appropriate information and incentives to make high-value choices for their care and coverage options,
- **Promoting an efficient, high-quality health care delivery system** in which providers efficiently deliver coordinated, patient-centered, high-quality health care that integrates behavioral and physical health and produces better outcomes and improved health status,
- **Advancing alternative payment methods** that support and equitably reward providers for delivering

high-quality care while holding them accountable for slowing future health care spending increases, and

- **Enhancing transparency and data availability** necessary for providers, payers, purchasers, and policymakers to successfully implement reforms and evaluate performance over time.

This report is issued as a supplement to the 2013 report, as it provides further analysis related to the prior report's findings. These topics will likely remain key areas of interest for the Commission in its October 2014 cost trends hearing and the 2014 annual cost trends report to be released in December.

Section A focuses on spending levels and trends, with a particular focus on spending in post-acute care, long-term services and supports, and behavioral health.

Section B discusses trends in the Massachusetts delivery system, profiling the mix of providers of inpatient care, levels of concentration of inpatient care, and the status of the implementation of alternative payment methods in the Commonwealth.

Section C analyzes disparities in quality and access through analysis of differences in preventable hospitalization rates based on income.

Section D describes limitations of current approaches for measuring contributions to growth in health care expenditures and identifies areas where additional methods may be needed.

SUMMARY OF KEY FINDINGS

Fostering a value-based market

- Changes in prices paid to providers continued to be the primary driver of growth in commercial payer spending between 2010 and 2012.
- Out-of-pocket spending as a proportion of total health care spending grew from 6.9% to 7.7% of total expenditures between 2010 and 2012, highlighting the growing incentives for consumers to engage in more value-based decision-making supported by information, but also the potential for consumers to face financial barriers to accessing care.
- A significant proportion of Massachusetts residents leave their home region to receive care at hospitals in other regions, with a significant net flow of inpatient care into Metro Boston, especially for patients with commercial insurance and for patients who reside in higher-income communities.
- Concentration of inpatient care in Massachusetts is increasing -- five systems accounted for 48% of commercial inpatient discharges in 2009; in 2014, we estimate that five systems will account for 56% of these discharges.

Promoting an efficient, high-quality health care delivery system

- While the Massachusetts health system achieves high quality performance in many domains, the state lags the national average on quality indicators related to preventable hospitalizations. There is a high rate of preventable hospital admissions among residents of lower income communities, suggesting an opportunity to improve outcomes and reduce cost through targeted community supports and improved ambulatory care.
- For patients with chronic medical conditions, the presence of a behavioral health condition is associated with higher spending on non-behavioral health care, suggesting interactions between behavioral and physical health conditions and potential savings from more integrated care.
- Higher spending for patients with behavioral health

conditions is concentrated in ED and inpatient care, suggesting opportunities to improve care management and provide care in lower-intensity settings.

- Massachusetts residents use post-acute care more frequently than the national average, and there is wide variation among hospitals in the rate of hospital discharge to nursing facilities and home health agencies.

Advancing alternative payment methods

- Alternative payment methods can offer aligned financial support for more patient-centered, integrated care delivery models coordinating across behavioral and physical health conditions.
- At the end of 2012, alternative payment methods covered 29 percent of insured Massachusetts residents across commercial, Medicare, and Medicaid covered lives.
- Continued efforts to expand and improve the use of APMs include four areas:
 - Expanding APM contracts into new provider practices,
 - Extending APM models to include PPO membership,
 - Evaluating the implementation and improving the design of global budget models, and
 - Exploring newer APM concepts like episode-based bundled payments.

Enhancing transparency and data availability

- Centralized collection of standardized data on treatment utilization, spending and outcomes is especially important for behavioral health given the diversity of providers and services involved in the care continuum.
- Current measures of total medical expenditures examine the growth in spending for populations managed by provider organizations that provide primary care, but do not specifically measure the contributions to health care spending growth of other provider types, such as specialist physician groups, hospitals, and post-acute care providers.

CONCLUSION

This supplemental report provides additional findings related to topics discussed in the Commission's 2013 report. We continue to observe significant opportunities in Massachusetts to enhance the value of health care, addressing issues of cost and quality. Our supplemental findings continue to highlight opportunities in these four areas:

1. **Fostering a value-based market** in which payers and providers openly compete to provide services and in which consumers and employers have the appropriate information and incentives to make high-value choices for their care and coverage options,
2. **Promoting an efficient, high-quality health care delivery system** in which providers efficiently deliver coordinated, patient-centered, high-quality health care that integrates behavioral and physical health and produces better outcomes and improved health status,
3. **Advancing alternative payment methods** that support and equitably reward providers for delivering high-quality care while holding them accountable for slowing future health care spending increases, and
4. **Enhancing transparency and data availability** necessary for providers, payers, purchasers, and policymakers to successfully implement reforms and evaluate performance over time.

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- A significant proportion of Massachusetts residents leave their home region to receive care at hospitals in other regions, with a significant net flow of inpatient care into Metro Boston, especially for patients with commercial insurance and for patients who reside in higher-income communities .
- Concentration of inpatient care in Massachusetts is increasing -- five systems accounted for 48% of commercial inpatient discharges in 2009; in 2014, we estimate that five systems will account for 56% of these discharges.

Commission recommendations:

- The Commission will study the impact of new insurance products and increased cost-sharing in commercial insurance plans on consumers' decision-making and on access to care.
- If health care provider systems grow, they should find ways to ensure they deliver care to their patients in lower-cost, community settings for lower-complexity care.
- The Commission will continue to examine the flow of patients to academic medical centers for lower-complexity care to identify and recommend policy solutions for reducing unnecessary outmigration.

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- For patients with chronic medical conditions, the presence of a behavioral health condition is associated with higher spending on non-behavioral health care, suggesting interactions between behavioral and physical health conditions and potential savings from more integrated care.
- Higher spending for patients with behavioral health conditions is concentrated in ED and inpatient care, suggesting opportunities to improve care management and provide care in lower-intensity settings.
- Massachusetts residents use post-acute care more frequently than the national average, and there is wide variation among hospitals in the rate of hospital discharge to nursing facilities and home health agencies.

Commission recommendations:

- Hospitals should work to optimize use of post-acute services, including enhancing efficacy of care coordination and transitions for behavioral health patients. Where aligned with project goals, the Commission will work with community hospitals receiving CHART investments to achieve these goals.
- Payers and providers should continue to increase integration of behavioral health and primary care through use of incentives and new delivery models.
- The Commission will support provision of behavioral health services in primary care settings through its PCMH and ACO certification programs.

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Commission recommendations:

- The Commission will study the implementation of APMs in Massachusetts to evaluate their effectiveness in improving health and reducing costs, monitor for potential adverse impacts, and review opportunities to increase alignment around identified best practices.
- Given the variety of design choices in attribution methods and the importance to provider organizations of information on the patient populations for which they are accountable, payers should engage in a transparent process to review and improve their attribution methods and should align their methods to the maximum extent feasible.
- The Commission will work with CHIA, payers, and providers in the fall of 2014 to understand the current state of development of attribution methods and explore opportunities to accelerate the development of aligned methods.

Enhancing transparency and data availability

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tals, and post-acute care providers.

Commission recommendations:

- CHIA should convene state agencies to increase transparency in behavioral health spending, quality of care, and the market for behavioral health services, including:
 - Prioritizing improvement of behavioral health information in data sets collected from payers and providers, including incorporating MBHP claims into the APCD, and
 - Enhancing availability of behavioral health quality data and promoting measure development in this area.
- To monitor and understand cost trends in the significant and growing PPO segment, CHIA should extend its reporting to include a TME measure for PPO populations that uses an agreed-upon attribution algorithm to identify accountable provider organizations.
- In 2014 and 2015, the Commission will seek to work with CHIA to design and evaluate potential measures of contributions to health care spending growth for provider types such as hospitals, specialist physician groups, and others that do not deliver primary care. Where feasible, these measures should be aligned with those used by other states to facilitate meaningful benchmarking.

The 2013 report and this supplement have established a baseline profile of spending in Massachusetts and have highlighted a number of important cost drivers. Later this year, CHIA will make the first determination of Massachusetts' growth in total health care expenditures from 2012 to 2013, which will be the measure of performance against the health care cost growth benchmark. As we review performance under the first year of the benchmark and look forward to the actions needed to meet the benchmark in future years, it will be critical to evaluate progress on these four areas of opportunity.

