



"World-Class Community Health Care Where You Live"

**Massachusetts Medical Society,
Annual Education Program:
Patients First. Social Accountability...**
May 20, 2011

Presented by David Morales,
Vice President for Public Policy and Planning



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Today's Agenda

- ☐ Timeline of Health Care Reform Milestones in MA
- ☐ Rising Annual Health Care Costs
- ☐ Financial Responsibility and Accountability



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Phase One of Health Care Reform: Expand Coverage

- ❑ On April 12, 2006, Massachusetts enacted legislation that would provide near-universal health care coverage to MA residents
- ❑ Key components of Chapter 58: *An Act Providing Access to Affordable, Quality, Accountable Health Care*
 - Individual Mandate
 - Medicaid Expansions and Provider Rate Adjustments
 - Subsidized Health Insurance Programs
 - Preservation of the Safety Net
 - Employer Participation and Responsibilities (11+ Employees)
 - Insurance Market Reforms
- ❑ Note that key provisions of the federal Patient Protection and Affordable Care Act (PPACA) mirror MA health reform

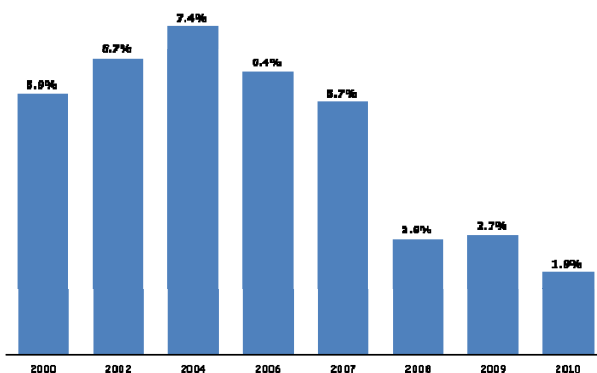


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Success in Access & Coverage

Good News! + 98% of MA residents have health insurance

Source: HCFCP



More than 98% of Massachusetts residents had health insurance at the time of DHCFP's 2010 Health Insurance Survey, an uninsurance rate of 1.9%. This corresponds to approximately 120,000 uninsured residents.

Children (residents between 0 and 18 years) made up only 0.2% of the total population that remained uninsured in 2010.

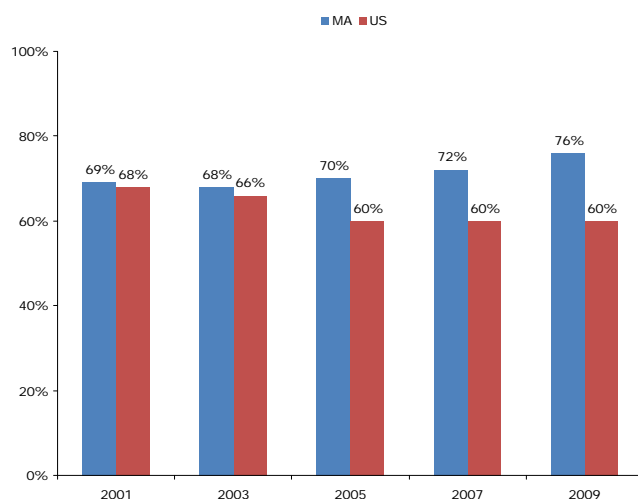
The national uninsurance rate was 16.7% in 2009, the most recent year for which data was available.



1 Population estimates are based on estimates of the total civilian non-institutionalized population in Massachusetts from the March Current Population Survey for the relevant year.
Sources: DHCFP Household Surveys for 2000, 2002, 2004, 2006, and 2007; surveys from 2000 through 2006 were conducted February through June of the survey year; survey for 2007 was conducted January through July of 2007. Data for 2008, 2009 and 2010 are from the Urban Institute tabulations on the Massachusetts Health Insurance Survey for the respective years. For more information, please visit www.mass.gov/dhsd. Click on "Publications and Analyses" then go to "Household Health Insurance Survey." National uninsurance rate is as reported by the US Census Bureau in Income, Poverty, and Health Insurance Coverage in the United States, 2008 and 2009 data. Online at <http://www.census.gov>.

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Mass Employer Offer-Rate Exceeds Nation's

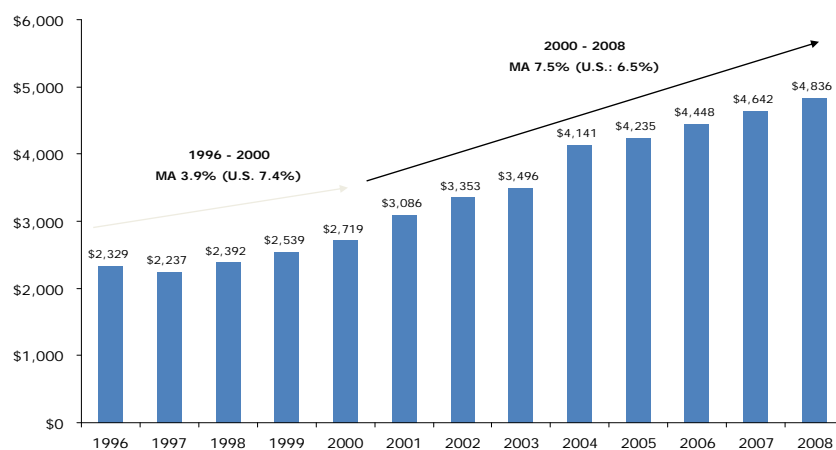


Source: Center for Survey Research tabulations on the 2009 MES data; Division of Health Care Finance and Policy tabulations on the prior year MES data. National data source: Kaiser/HRET Survey of Employer Sponsored Benefits



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But, Premiums Continued to Rise Rapidly

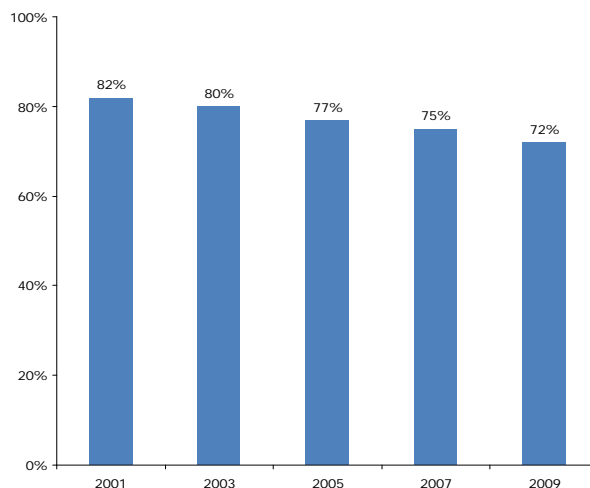


Sources: 1996-2006 and 2008: Agency for Healthcare Research and Quality (AHRQ), Medical Expenditure Panel Survey (MEPS)-insurance component. 2007 premiums are estimated using the average of 2006 and 2008 premiums.



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Employers Paying Less Toward Employee Premiums



Source: DHCFP, Calculations are based on the median monthly plan premium.



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Phase Two of MA Health Reform-- C. 305 of 2008: "Understanding Health Care Costs"

August 10, 2008:

Chapter 305 of the Acts of 2008 (An Act to Promote Cost Containment, Transparency and Efficiency in the Delivery of Quality Health Care)

- ☐ Payment Reform Commission established
- ☐ Cost Trends Analysis
- ☐ Cost Trends Hearings
- ☐ HCFP & AG Directed to develop short-term and long-term recommendations to improve the efficiency of the health care system
- ☐ Establish statewide electronic health records by 2015
- ☐ Created the Health Care Workforce Center to improve recruitment and retention of primary care providers



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Payment Reform Commission's Recommendation

July 16, 2009:

Recommendations of the Special Commission on the Health Care Payment System:

"To promote safe, timely, efficient, effective, equitable, patient-centered care, and thereby reduce growth and levels of per capita health care spending, the Special Commission recommends that global payments with adjustments to reward provision of accessible and high quality care become the predominant form of payment to providers in Massachusetts.

The Special Commission notes that infrastructure, legal and technical support are needed for many providers to make this transition; and that government, payers and providers will be required to share responsibility for supporting providers in making this transition."



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Cost Trends Hearings Recommendations, pt 1

January 29, 2010:

Attorney General Martha Coakley issues her report,
Investigation of Health Care Cost Trends and Cost Drivers:

1. Increasing transparency and standardization in both health care payment and health care quality to promote market effectiveness and value-based purchasing by employers and consumers, including:
2. Consideration of steps to improve market function, including:
 - Adopting payment reform measures that account for and do not exacerbate existing market dynamics and distortions;
3. Engaging all participants in the development of a value-based health care market by promoting creation of insurance products and decision-making tools that allow and encourage employers and consumers to make prudent health care decisions;
4. Prompt consideration of legislative or administrative action to discourage or prohibit insurer-provider contract provisions that perpetuate market disparities and inhibit product innovation.



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Addressing Health Care Costs: Small Businesses

February 10, 2010:

State House News Service...

"Patrick health insurance rate cap plan scores with lawmakers"

BOSTON —

Key lawmakers voiced support Wednesday for Gov. Deval Patrick's bold step into the health care market, lending the governor tentative endorsement of a plan that would limit the rate hikes insurers can levy and screen the increases providers can charge.

Patrick's move to impose an immediate "soft cap" on health insurance rate increases he deems in excess of "a reasonableness standard" drew concern from insurers, who said the payments they must make to care providers are unsustainable in the face of restrained revenues.



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Federal Reform!

March 2010:

President signs Affordable Care Act:

- ❑ Individual Responsibility & Affordability Standards
- ❑ Employer Responsibilities
 - MA Fair Share / Free Rider rules vs. PPACA rules
- ❑ Quality and Wellness (co-payments & innovation grants)
- ❑ Additional Initiatives: 2010 - 2013
 - Medicaid Global Payment System Demonstrations
 - National quality strategy
 - Accountable Care Organizations (Shared Savings, etc.)
 - Pilot programs for bundled payments



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Cost Trends Hearings Recommendations, pt 2

April 2010:

Massachusetts Division of Health Care Finance & Policy, Health Care Cost Trends Final Report

- ☐ Comprehensive, Coordinated Payment Reform
- ☐ Formation of Oversight Entity
- ☐ Delivery System Redesign
- ☐ Transparency of Cost and Quality Information
- ☐ Invest in Primary Care, Prevention, and Wellness



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Addressing Health Care Costs: New Legislation

August 10, 2010:

Governor Patrick signs, Chapter 288 of the Acts of 2010 (An Act to Promote Cost Containment, Transparency and Efficiency in the Provision of Quality Health Insurance for Individuals and Small Businesses):

- ☐ Small Group Premium Rate Reviews
- ☐ Open Enrollment Changes
- ☐ Provider "Tiered Networks"
- ☐ Network Adequacy
- ☐ Group Purchasing Cooperatives
- ☐ Uniform and public reporting of total medical expenses, relative prices, and hospital inpatient and outpatient costs
- ☐ Advisory committee to recommend a standard set of quality measures for public reporting by all providers
- ☐ Pilot programs to foster adoption of bundled provider payments for two acute conditions and two chronic care conditions
- ☐ Special commission on provider price reform to study the impact of payments made by health insurers to providers and develop recommendations



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Looking back over the last 4 years...

- MA, a National Leader on Access & Coverage
- Very Public & Intense Focus on Health Care Costs
- Considerable Increases in Out-of-Pocket Health Care Spending for Individuals
- Consensus that Rising Health Care Costs Hurt Economic Growth and Patient Access to Care...



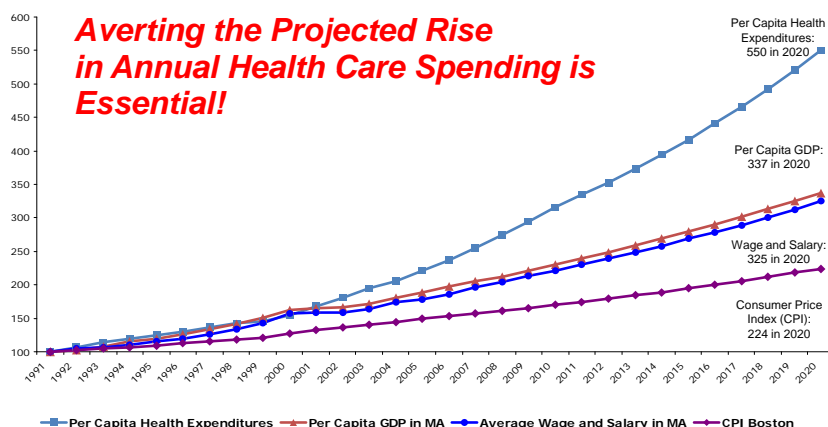
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And what about health care costs?



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Growth in Health Spending is Expected to Surpass Other Economic Indicators in MA



Sources: 1991-2007: Per capita health expenditures: Centers for Medicare & Medicaid Services (CMS), Office of the Actuary, National Health Statistics Group, 2007 (2004-2020 data are projected). Per capita GDP and wage and salary: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. CPI-Urban for Boston area: Bureau of Labor Statistics, U.S. Department of Labor.
 2008-2020 (except for health spending): US Social Security Administration, "The 2008 OASDI Trustees Report," Supplemental Single-Year Tables, intermediate projection, www.ssa.gov/OACT/TR/Tr08/index.html. Per capita GDP index: real GDP annual change + GDP price index annual change - population annual change; wage index: average annual wage in covered employment.

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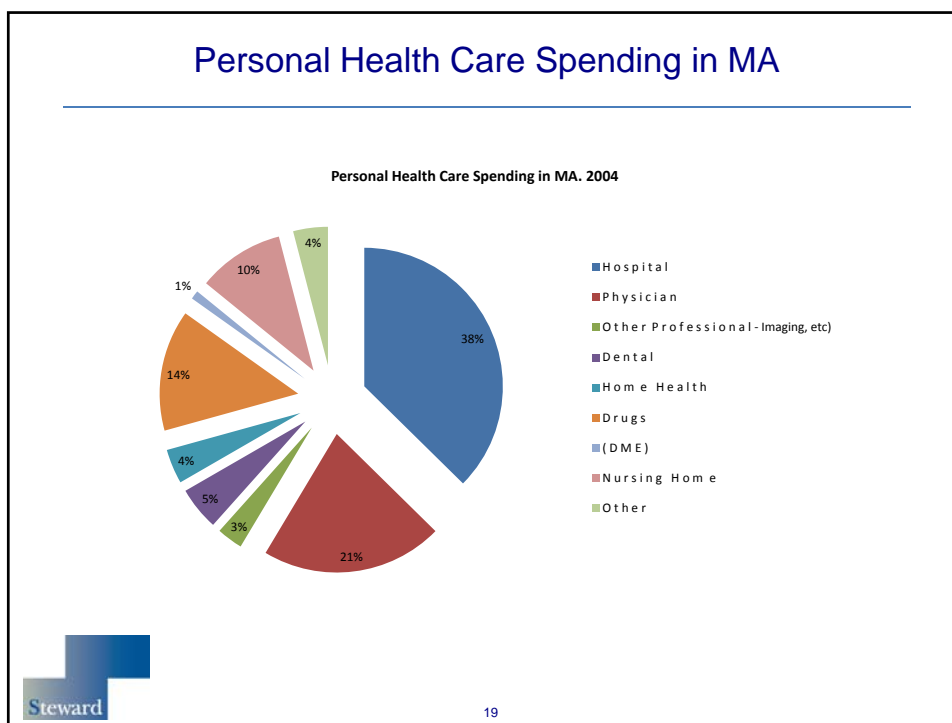
Health Care Costs in Massachusetts at a Glance

- ☐ When unadjusted, Massachusetts health care spending is 27% higher than the national average
- ☐ Even after adjusting for economic differences (non-patient revenues and wages), MA per capita personal health spending remains 15% higher than the national average; for hospitals it is 18% higher
- ☐ While nationally, the rate of growth of premiums has been decreasing (from 7.4% during 1996-2000 to 6.5% during 2001-2008), it has almost doubled in MA (from 3.9% to 7.5% during the same time period)
- ☐ Evidence of significant "benefit buy-down" in the last few years

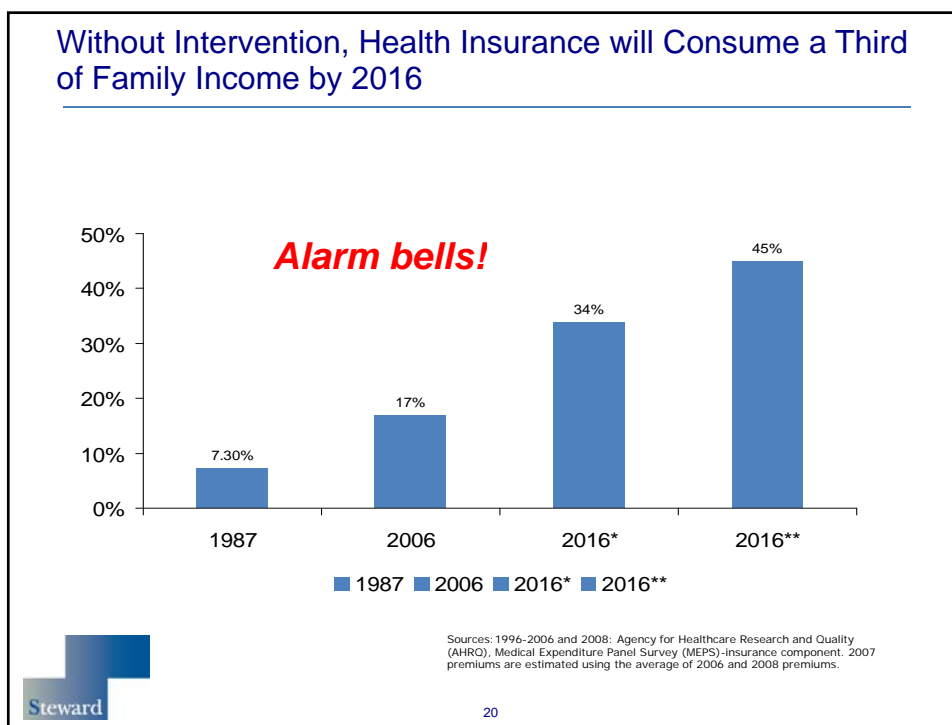


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Personal Health Care Spending in MA



Without Intervention, Health Insurance will Consume a Third of Family Income by 2016



Governor's Payment Reform Legislation

February 17, 2011:

Governor Patrick filed a bill (An Act Improving the Quality of Health Care and Controlling Costs by Reforming Health Systems and Payments) to reform the delivery and payment system

Governor's Legislation*:

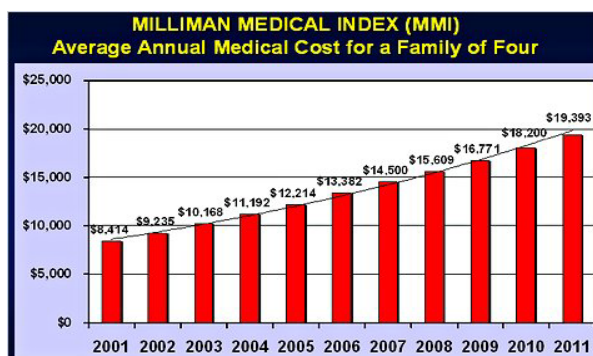
- Division of Insurance authority to disapprove excessive health insurance premium increases;
- Formation and use of integrated care organizations, comprised of groups of providers that work together to achieve improved health outcomes for patients at lower costs;
- Benchmarks and timelines for the transition to "alternatives to fee for service" and the predominant use of integrated care organizations by 2015;
- Use of payment methods (such as global payments, bundled payments, etc.) to decrease the rate of growth in expenditures and improve the quality of health care
- Transparency and of payer and provider costs, provider payments, clinical outcomes, quality measures, and other information which is necessary to discern the value of health services;
- State to monitor disparities in the health care market that contribute to high health care costs;

*Source: Governor Patrick's filing letter



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Today? Costs are Still Rising...



- The estimated average cost of health spending from all sources for a typical privately insured American family more than doubled in ten years, to \$19,393 in 2011 from \$8,414 in 2001.
- Despite national focus on health care costs, the growth rate is still more than twice the rate at which total average employee compensation has grown, and well above GDP growth

Source:

May 2011 Milliman index: Measures the total cost of health care for a typical American family of four covered by a preferred provider plan. Index includes employer's and employee's premiums as well as out-of-pocket expenses the family has under the plan.

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In addition to Costs, Other Challenges Ahead...

- ❑ Persistent, modest economic growth
- ❑ State budget challenges
- ❑ Ensuring newly-insured have access to services
- ❑ Sustaining consumer and employer support for reform
- ❑ Integrating evolving PPACA changes with State reform policies and regulations
- ❑ Provider Industry's Difficulty Containing Costs After Several Years of Administrative and Spending Reductions
- ❑ Engaging Patients and Individuals in their Personal Health Habits and Better Health Care Utilization



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So...what does all this stuff mean?



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Responsibility and Accountability!

For Providers –

At a time of uncertainty regarding healthcare reform, cuts and down-ward pressure on all revenue sources (self-pay, Medicare, Medicaid, private insurance), un-aligned federal and state laws...

- Now and Into the Future, Providers will have to Concurrently Balance Cost, Quality and Access...and,
- Providers will be held responsible for managing total medical expense and care coordination



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Responsibility and Accountability!

Thus, Providers will have to be nimble, adept, forward-thinking and must better understand patient behavior and needs in order to:

- ☐ “Mitigate” annual increases total medical expense, while preserving access and enhanced quality
- ☐ Innovate their health care delivery systems:
 - ☐ Grow sources of working capital, or “tap” into financial markets
 - ☐ Monitor consolidations and affiliations and leverage such opportunities
 - ☐ Coordinate patient care among spectrum of providers and settings
- ☐ Meet patient and consumer expectations, ie.
 - Value driven care = High Quality, Affordability, and Choice



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Responsibility and Accountability!

For Individual Patients—

We will have to become smarter purchasers of care:

- In the short-term, health plan benefit designs will be value-driven, ie. cost driven, examples:
 - Provider tiering by “price”
 - Select / narrow networks
- In the long-term, individual patients may be held accountable for our personal health and wellness, examples:
 - Self-insured market trends in wellness strategies
 - Higher enrollment in “high-deductible” plans
- Access to timely and accurate quality and cost information will be essential for prudent users and purchasers of care (employers and individuals alike)



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Questions

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