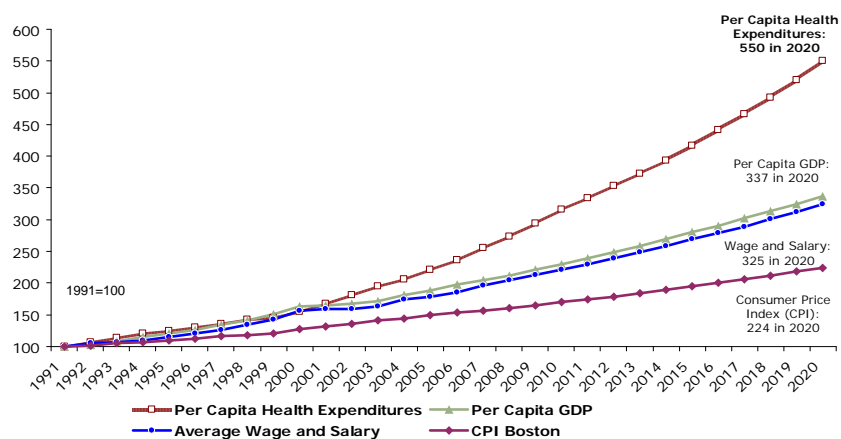


Health Care Reform Massachusetts Payment Reform

Alice A. Tolbert Coombs MD
President-Elect
Massachusetts Medical Society
January 22, 2010

Key Driver #1: Rising Costs

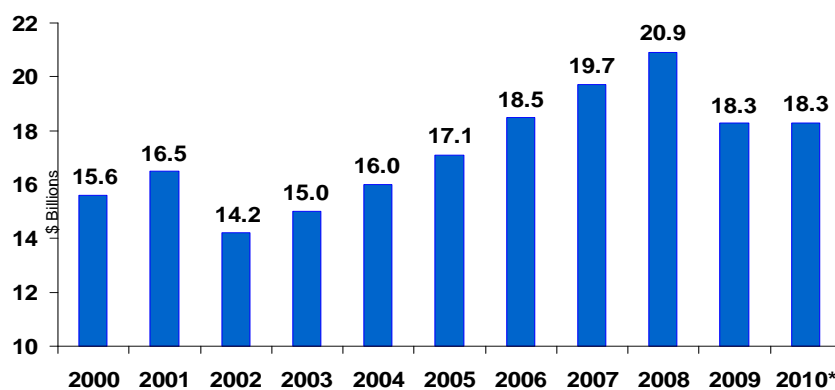


Health Care-Resource gap

- US GDP greater than the sum of Japan, Germany, People's Republic of China and the United Kingdom
- Health Care 17% of GDP
- Health Care \$7800/capita
- Worse Outcomes
 - Infant Mortality
 - Maternal Mortality
 - Life expectancy
- Greater inequities with in segment of the US

Key Driver #2: State Budget

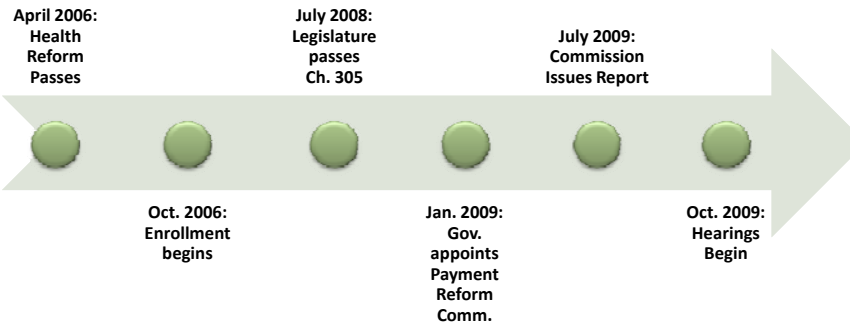
Declining state tax revenues



* Mass. Taxpayers' Foundation estimate

Fiscal Year

How We Got Here



The Legislature's Response



- **Chapter 305 M.G.L.**
- Annual hearings on costs and premiums
- E-health incentives
- Workforce incentives and loan repayments
- Academic research on Rx outcomes and cost effectiveness
- Medical home demonstration projects
- *Payment Reform Commission*

Payment Reform Commission

- **Section 44.** “. . . investigate reforming and restructuring the system to provide **incentives for efficient and effective patient-centered care** and to reduce variations in quality and cost of care.”
- Nine members: Sec’y of A&F, Comm. of HC Finance and Policy, Senate, House, GIC, **MMS**, MAHP, MHA, BCBS, and health economist “expert in the area of payment methodology.”
- Reported findings and recommendations to Legislature and Governor in July

Top 10 Med/Surg. DRGs Ranked by Volume	Count	Cost (Mil.)	Top 10 Surg. DRGs Ranked by Volume	Count	Cost (Mil.)
Normal newborn	54,868	\$70	Major joint replacement or reattachment of lower extremity	19,805	\$292
Vaginal delivery w/o complication	42,797	\$202	Uterine & adnexa proc. for non malignancy w/o CC	6,852	\$43
Psychoses	29,241	\$296	Appendectomy w/o complicated principal diag w/o CC	4,528	\$28
Heart failure & shock	21,686	\$163	Hip & femur procedures exc. Major joint age >17 w/ CC	4,285	\$65
Major joint replacement or reattachment of lower extremity	19,805	\$292	PCI w/ drug eluting stent w/o maj CV dx	3,983	\$62
Cesarean section w/o CC	19,338	\$139	PCI proc w/ major CV dx	3,961	\$70
Simple pneumonia & pleurisy age >17 w/ CC	19,157	\$137	Major chest procedures	3,886	\$85
Chronic constructive pulmonary disease	15,250	\$97	Back & neck procedures exc./ spinal fusion w/o CC	2,828	\$26
Neonate w/ other significant problems	14,380	\$28	PCI proc w/ drug eluting stent w major CV dx	3,752	\$77
Esophagitis, gastroen & misc digest disorders age >17 w CC	14,298	\$83	OR procedures for obesity	3,675	\$43

Source: Mass. Dept Health Care Finance and Policy, 2007 hospital Inpatient discharge data

Alternative Payment Models

Global Payment

Episodes of care payments

Medical home models

Pay for Performance

Evidence-based purchasing

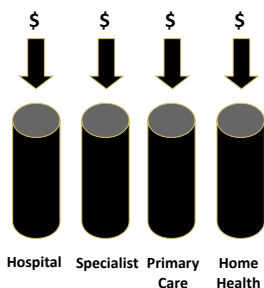
Global budgets

- Capitation combined with other models
 - e.g. FFS, P4P (quality & efficiency bonuses)
 - Risk adjustments
- Seeks to resolve weaknesses in pure capitated models
- Used by Calif. physician groups

Current Fee-for-Service Payment System

Commission's Assessment

Care is fragmented instead of coordinated. Each provider is paid for doing work in isolation, and no one is responsible for coordinating care. Quality can suffer, costs rise and there is little accountability for either.



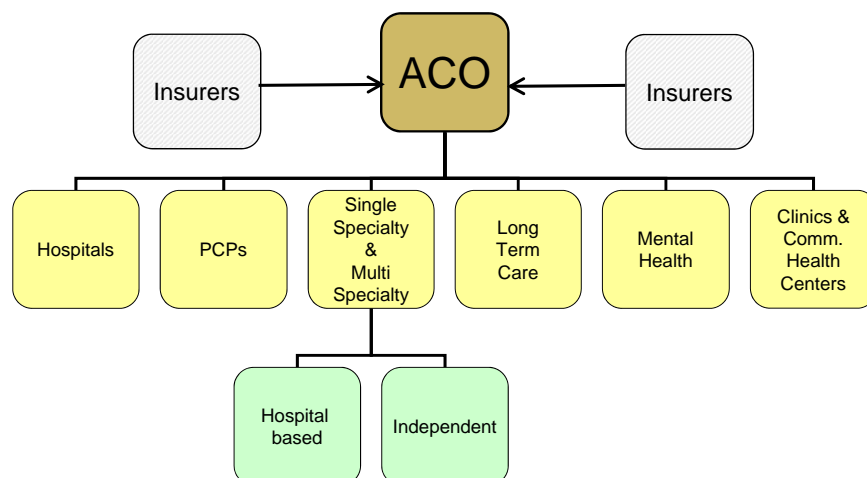
Patient-Centered Global Payment System

Commission's Solution

Global payments made to a group of providers for all care. Providers are not rewarded for delivering *more* care, but for delivering the *right* care to meet patient's needs.

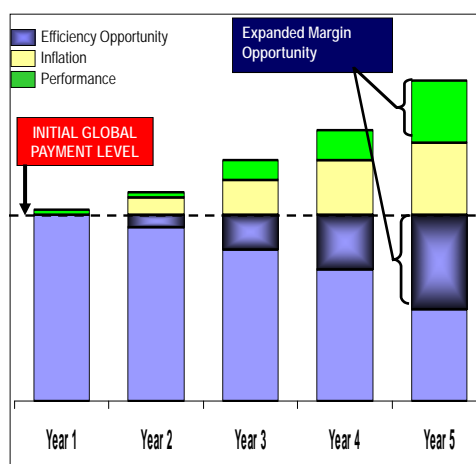


The Basic Organization Chart



Key Components of Blue Cross AQC

- ❖ **Unique contract model:**
 - Physicians & hospital contracted together as a "system" – accountable for cost & quality across full care continuum
 - Long-term (5-years)
- ❖ **Controls cost growth:**
 - Global payment for care across the continuum
 - Annual inflation tied to CPI
 - Incentive to eliminate clinically wasteful care ("overuse")
- **Improved quality, safety and outcomes:**
 - Robust performance measure set creates accountability for quality, safety and outcomes across continuum
 - Substantial financial incentives for high performance (up to 10% upside)



Essential Strategies

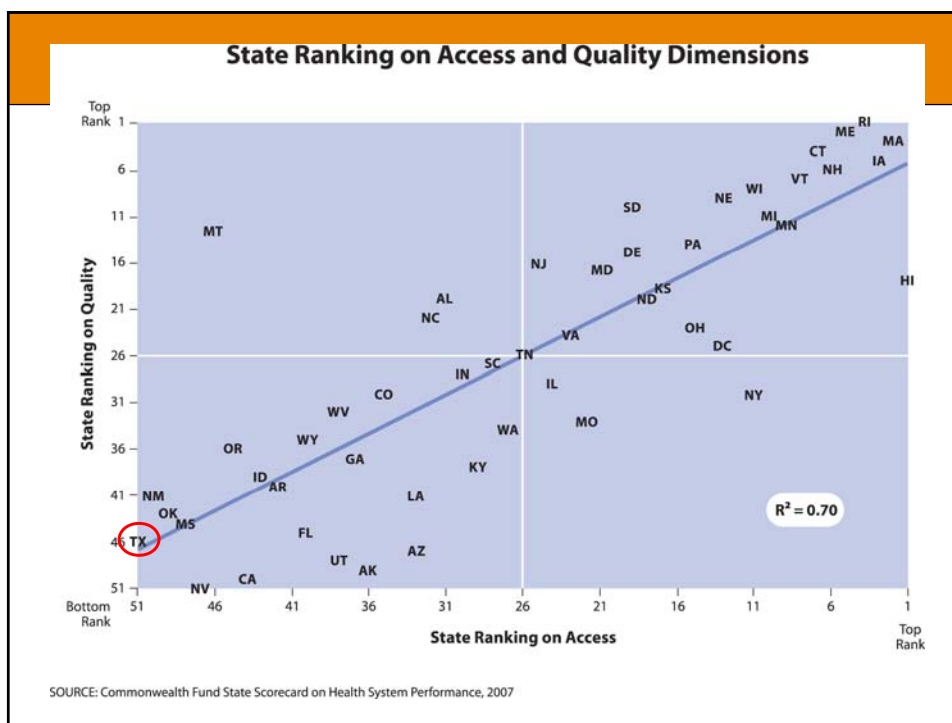
- Substantial support for physicians and hospitals*
- Review of existing laws and regulations*
- Administrative simplification*
- Medical malpractice reform*
- Primary care workforce development*
- Payment for provider teaching and standby capacity
- Health plan design and coverage policy
- Consumer engagement
- Establish milestones and make midcourse corrections*

* Key MMS advocacy issues

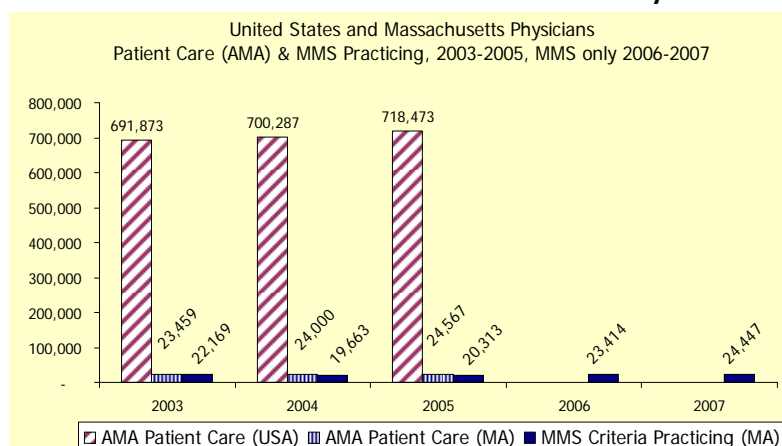
15 Largest Specialties in Mass.

Internal Medicine	6,324
Pediatrics	2,540
Psychiatry	1,939
Anesthesiology	1,319
General Surgery	1,181
Family Medicine	1,165
OB-GYN	1,080
Emergency Medicine	944
Diagnostic Radiology	869
Cardiology	794
Orthopedic Surgery	734
Pathology	730
Neurology	612
Ophthalmology	513
Gastroenterology	433

Source: Physician Characteristics and Distribution in the U.S., 2009 Edition
 Subspecialists in these specialties included in overall specialty count
 Shows only those involved in patient care, including residents. Excludes physicians in admin., medical teaching, research or "other"



United States and Massachusetts Physicians



MMS Advocacy at the Commission

- One size does not fit all
- Slow, careful consideration
- Voluntary participation by physicians
- Support for physicians and hospitals who wish to go to a global payment system
 - Technical
 - Financial
 - Structural
 - Legal

Next Stop: State Legislature

- First legislative hearing on October 8
- Workgroup established
- Continued strong, persistent MMS advocacy
- Ensure that physicians' concerns are addressed, and their transitional needs are adequately provided
- Advocate for needed midcourse corrections

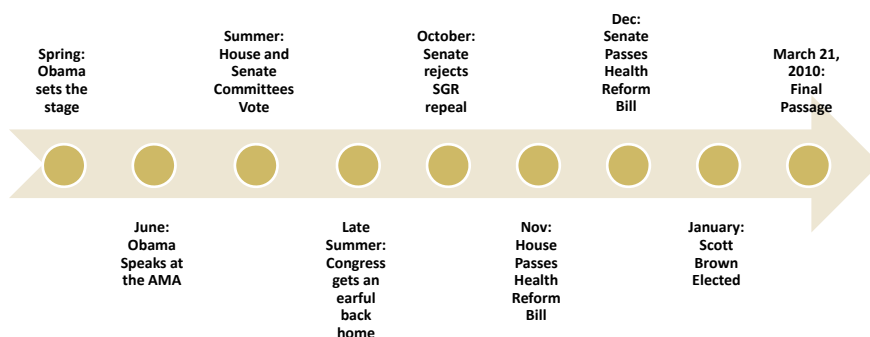


Committee on
Health Care Financing
Oct., 8, 2009

Federal Health Care Reform



Federal Reform: How We Got Here



Federal Reform: After Jan. 19

- Congressional leadership considering next steps
- Dodd: “Take a breather for a month, six weeks”
- Possible outcomes
 - Limit scope
 - Enact step by step
 - Include in budget reconciliation
 - Nothing – no legislation



The SGR Repeal

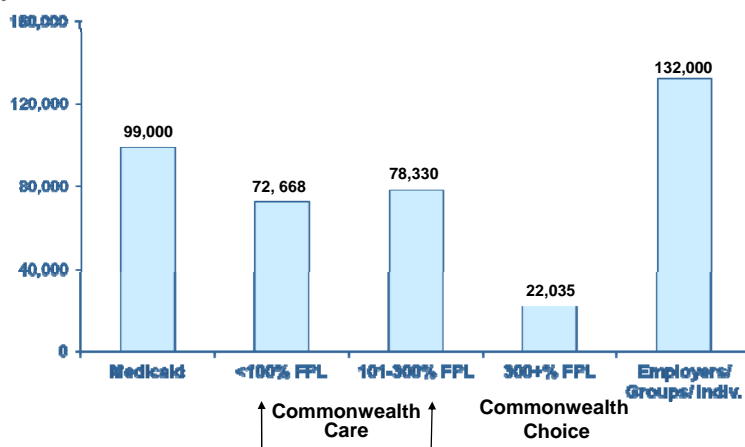
- House approved ... Senate rejected
- Repeals the SGR formula and erases past “debt” for prior cuts (\$210 billion)
- Establishes new annual payment targets
 - E&M services: GDP +2%
 - All others: GDP +1%
- Increases Medicaid primary care rates to Medicare levels by 2012
- Underserved areas get an additional 5%
- Future status unclear: Delay of 21% payment cut expires **Feb. 28**
- AMA increasing pressure for prompt action

The Role of AMA Advocacy

- **AMA House Policy, June 2009**
 - “Support health system reform alternatives that are consistent with AMA principles of pluralism, freedom of choice, freedom of practice, and universal access for patients”
- **Secured major improvements**
 - Blocked Medicare “buy-in”
 - Blocked 5% cut for high-utilization physicians
 - Blocked cosmetic surgery tax
 - Blocked physician Medicare enrollment fee
 - Blocked cuts in physician services to pay for primary care bonuses
 - Comparative effectiveness research can’t be used for coverage or payment decisions

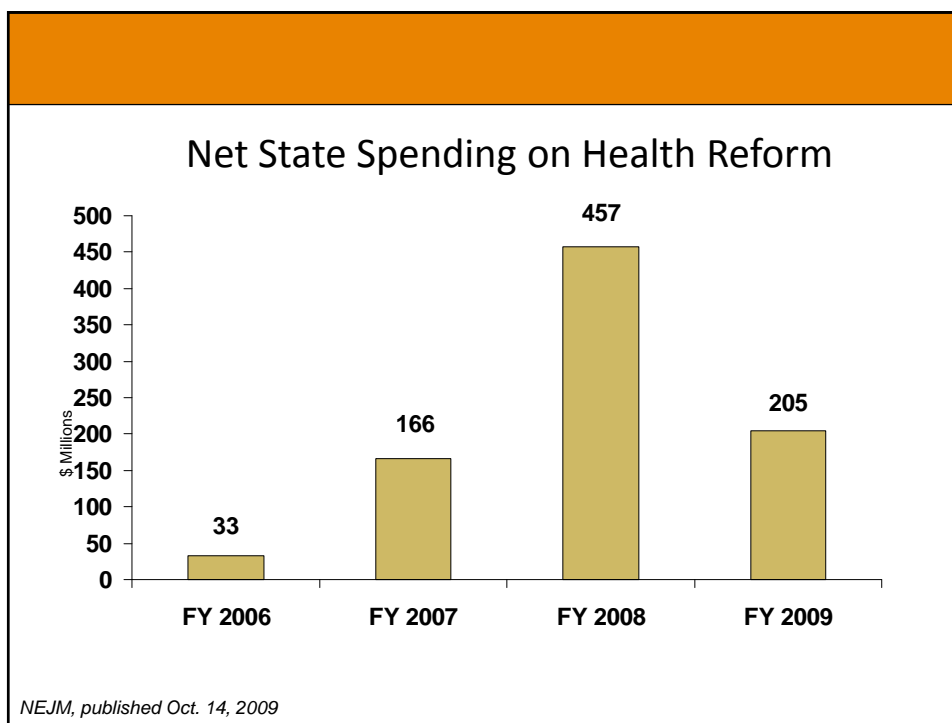
Health Care Reform in Massachusetts

Newly insured since 2006



Sources: Commonwealth Connector and
Mass. Dept. of Health Care Finance and Policy

Commonwealth Care and Commonwealth Choice data through June 2009
Medicaid and employer/group data through December 2008



Support for Mass. Reform Law

- Massachusetts Physicians strongly support state reform law¹
 - Support 70%
 - Oppose 13%
- Mass. voters still support reform law – even after Jan. 19 election²
 - 68% of Jan. 19 voters support reform law (including 51% of Brown voters)

¹ Physicians' Views of Massachusetts Health Care Reform Law, NEJM, Oct. 21, 2009

² Massachusetts Special Election Poll. Washington Post/Kaiser Family Foundation/HSPH, Jan. 23, 2010

Federal Health Care Reform Bill

Insures 30 million/46million

Insurance Reform

No Rescission!

Eliminates Preexisting
Conditions restrictions

Increase Primary Care

Wellness

Prevention

Demonstration Projects

Education Loans

**IPAB eliminates
Congress input**

No Tort Reform

Defensive Medicine

No SGR Fix

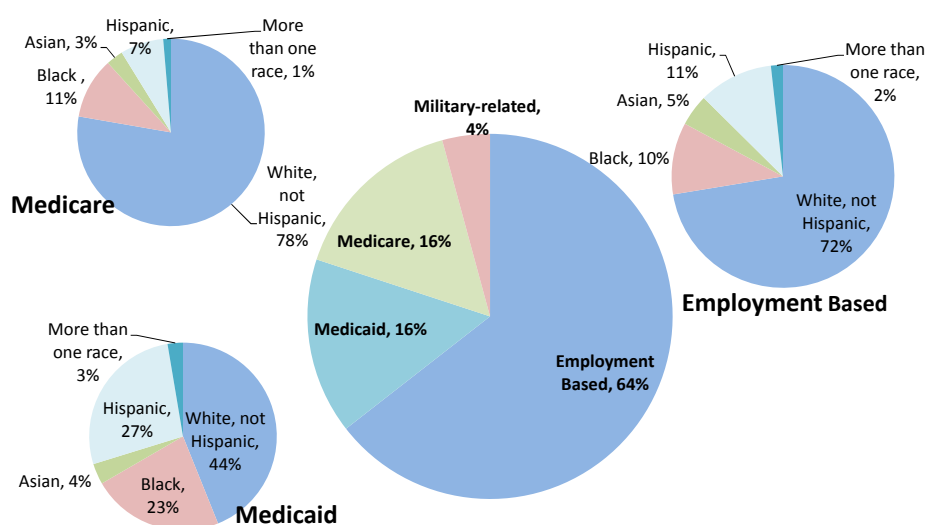
Physician

Workforce

Specialist

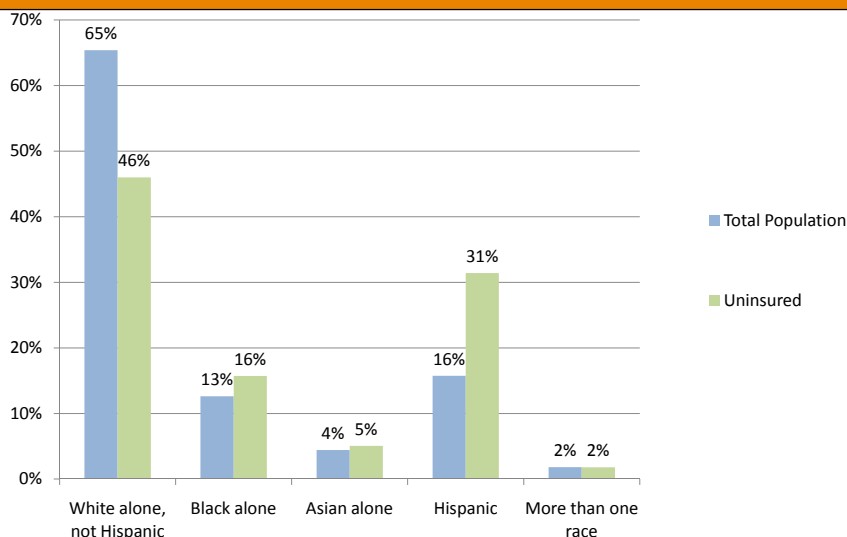
Health Insurance Coverage

U.S. Census Data - 2008



Source: U.S. Census Bureau, Household and Housing Economic Statistics Division. 2008. *Current Population Survey*.

U.S. Census Data - 2008



Source: U.S. Census Bureau, Household and Housing Economic Statistics Division, 2008. *Current Population Survey*.



www.massmed.org/PaymentReform
www.massmed.org/HealthCareReform



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