



Taming the Cost of Health Care



Senator Richard T. Moore

Senate Chairman, Joint Committee on Health Care Financing



Taming Health Costs – States Making A Difference

July 27, 2010

Louisville, Kentucky



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Overview

- Massachusetts Health Reform was about more than expanding access
- Nevertheless, expanding access also helps contain costs
- What Massachusetts has done to improve quality and contain costs
 - Health Reform I
 - Health Reform II
- Next steps for Massachusetts Health Reform
 - Small Business Cost Relief
 - Health Reform III (Payment Reform)





“Health Law Costs Aren’t the Problem!”

- Massachusetts Taxpayers Foundation – July 23, 2009

Despite claims to the contrary, the Massachusetts Taxpayers Foundation’s recently released analysis of the costs to taxpayers of achieving near-universal access to health care showed that the average yearly increase was only \$88 million, well within original estimates. Because of health reform, employee-sponsored enrollment has grown by 150,000 and individuals private coverage by 40,000 adding at least \$750 million in costs to Massachusetts employers. Critics ignore the fact that the fundamental problem is not the costs of Commonwealth Care but rather the unprecedented collapse of state revenues.

Source:  Massachusetts Taxpayers Foundation



The Massachusetts Model

- Expanding access reduces cost shifting – the insured help pay for the uninsured through premiums
- People with insurance and who access primary care, save by reducing reliance on the high cost of emergency department use
- A healthier population eases the burden on expensive episodes of care – “if you don’t get sick or injured – health costs are very reasonable!”





The Boston Globe

September 28, 2009

Public support for Massachusetts' closely watched health insurance overhaul has slipped over the past year, a new poll indicates, but residents still support the path-breaking 2006 law by a 2-1 ratio. 59% support the law, 28% oppose it. Last year, 69% supported it compared to 22% opposed.



The Massachusetts Model

Passage of Chapter 58 helped to assure billions of federal health care dollars through approval of the 1115 Medicaid Waiver under Governor Romney, and additional billions from the second Waiver under Governor Patrick.





Chapter 58 – Cost & Quality Achievements

- Appropriated over \$12 million new dollars for prevention programs in the Department of Public Health; including the first \$1 million to fund statewide infection prevention program following Centers for Disease Control (CDC) guidelines to save lives and eliminate millions of wasted dollars from costly health care acquired infections
- Appropriated \$500,000 for the operation of the Betsy Lehman Center for Patient Safety and Medical Error Reduction saving millions more in medical error reduction



Chapter 58 – Cost & Quality Achievements

- Established and funded a Massachusetts Quality & Cost Council to set and implement health care quality improvement and cost containment goals intended to lower or contain the growth in health care costs while improving the quality of care, including reductions in racial and ethnic disparities and to report on progress on a publicly available web site
- Established a Massachusetts Health Disparities Council to advise the Quality & Cost Council on ensuring equitable delivery of care across the Commonwealth regardless of race, gender, ethnic, cultural, or geographic differences
- Reorganized the Massachusetts Public Health Council to provide more professional, committed leadership to the Commonwealth's development of evidence-based public health policies



Chapter 58 – Cost & Quality Achievements

- Reorganized the Massachusetts Insurance Partnership to expand the number of small businesses and employees who could obtain affordable health insurance
- Linked hospital rate increases to adherence to quality standards and achievement of performance benchmarks, including the reduction of racial and ethnic disparities in the provision of health care so as to advance a common national framework for quality measurement and reporting, drawing on measures that are approved by the National Quality Forum



Chapter 58 – Cost & Quality Achievements

- Required that employers who do not adequately assist employees to obtain health insurance coverage will help to support the rising costs of the safety net care pool
- Required that all employers implement the provisions of Section 125 of the IRS code to withhold health insurance premium payments in order to lower the cost of health insurance by employees using pre-tax dollars to purchase health insurance
- Established a mechanism through the Commonwealth Connector to determine the quality of health insurance products offered in Massachusetts and to use the state's purchasing power to hold down costs for health insurance



Chapter 58 – Cost & Quality Achievements

- Strengthened employer-sponsored health insurance programs that have helped nearly 200,000 Massachusetts residents obtain privately funded health insurance
- Established a pilot program for smoking and tobacco use cessation, education and treatment to reduce expensive and deadly cancer and cardiovascular diseases,
- Established and funded with an initial \$5 million the initial implementation of a computerized physician order entry system initiative and other activities designed to save lives, reduce health care costs and increase economic competitiveness for the citizens of the Commonwealth – a system that has clearly demonstrated it can reduce health costs by \$170 million annually in Massachusetts hospitals



Chapter 305 – Health Care Reform II

Having achieved substantial progress in expanding health access and building a foundation for improving health care quality and containing health costs, Health Reform II focused more specifically on the quality and cost issues, while continuing to expand access to care, not just to health care insurance.





Chapter 305 – Health Care Reform II

Among other things, the law...

- Established and funded (\$15 million) the Massachusetts e-Health Institute for health care innovation, technology and competitiveness to advance the dissemination of health information technology across the Commonwealth, including the deployment of electronic health records systems in all health care provider settings that are networked through a statewide health information exchange



Chapter 305 – Health Care Reform II

- Set goals implementing the statewide health information exchange and for physicians to demonstrate competency in using health information technology as a condition of licensing
- Directed the University of Massachusetts Medical School to develop, implement, and promote an evidence-based outreach and education program about therapeutic and cost-effective utilization of prescription drugs for physicians, pharmacists and other health care professionals authorized to prescribe and dispense prescription drugs to counter the high cost effects of pharmaceutical marketing.





Chapter 305 – Health Care Reform II

- Limited the marketing practices of pharmaceutical and medical device manufacturers by imposing new ethics standards so that the practices of these industries will not continue to influence higher cost drugs and devices that increase the cost of care
- Restructured the capital improvements program by emphasizing “need” in determination of need (DoN) authorization for expanded hospital, imaging and other programs that drive up costs without, necessarily, improving the quality of care
- Implemented a number of workforce incentives to encourage more primary care providers to improve the quality of cost-effective care



Chapter 305 – Health Care Reform II

- Established patient and family advisory councils at health care providers to promote a better quality of care
- Reduced the expensive requirement for health records storage from 30 years to 20 years, saving millions of dollars as well as promoted shifting to electronic records rather than paper records
- Strengthened the statewide infection prevention program with enhanced reporting of infections





Chapter 305 – Health Care Reform II

Early analysis of provider payments and contracts between providers and payers is revealing startling findings!

- There is no correlation between high costs and health care quality!
- Case Mix (high patient acuity or high percentage of public pay patients) does not produce high cost shifts to commercial sector!
- Primary driver of high cost is market share!



Chapter 305 – Health Care Reform II

- Streamlined and standardized bill coding to save millions of dollars and wasted time in processing of claims between providers and insurers and to ensure the uniform reporting of information from private to public health care payers
- Established the Massachusetts Nursing and Allied Health Workforce Development Trust Fund to assist with expanding the workforce so that sufficient primary care providers are available
- Elimination of payments to providers for “never events,” and for preventable hospital re-admissions, both of which will improve quality of care and reduce costs



Chapter 305 – Health Care Reform II

- Directed the Administration to maximize enrollment of eligible persons in the MassHealth Senior Care Options program, the Program of All Inclusive Care for the Elderly (PACE), the Enhanced Community Options Program and the Community Choices program, or comparable successor programs, and shall develop dual eligible plans to provide comprehensive and cost-effective care for Medicare-Medicaid eligible individuals that will improve care and minimize expensive alternatives
- Required the Division of Insurance to study the impact of Massachusetts medical malpractice laws on the quality and cost of health care, especially the expensive practice of defensive medicine



Chapter 305 – Health Care Reform II

- Required the Executive Office of Health & Human Services to study end-of-life care to look for quality improvements and cost containment policy development opportunities
- Created a Special Commission on Payment Reform to investigate reforming and restructuring the system to provide incentives for efficient and effective patient-centered care and to reduce variations in the quality and cost of care.





Small Business Cost Relief

Stabilizing and controlling the costs of health insurance is critical to getting the Commonwealth's economy back on track and providing small businesses with the relief they need to grow and retain jobs.

The Massachusetts Senate passed comprehensive legislation that set the foundation for further delivery system reform by enhancing the transparency of the relative cost, quality, and efficiency of all health care providers in the Commonwealth.



Small Business Cost Relief

Among other things, the legislation...

- Enhances transparency of insurer costs and efficiency by offering the option of reasonable limits on rate increases or medical loss ratios
- Introduces affordable insurance products for small businesses by requiring carriers to offer one selective network plan with premiums that are at least 10% lower than those of the full network product





Small Business Cost Relief

- Addresses instability in the merged market:
 - Moves individuals to an annual open enrollment
 - Establishes a high risk reinsurance pool to reduce adverse selection among insurance plans and to lower premiums by providing greater protection against high-risk claims
- Reduces year to year fluctuation in premiums:
 - Replaces current 5-year age brackets with yearly increments to smooth out annual increases as an employee group ages
 - Permits the Division of Insurance to annually limit the impact of any rating factors on rate increases



Small Business Cost Relief

- Establishes a pilot program that provides a state enhancement of the federal tax credit program for small businesses that purchase insurance through the Connector and participate in wellness programs

This legislation passed the Senate on May 18, 2010 and is currently being considered by the House of Representatives.





Payment Reform – Health Reform III

- Shifting payment rates to create incentives for primary care providers so that more physicians, nurses, and others focus on primary care and delivery of primary care at times and in places that meet patient needs such as in community health centers
- Incentives promote urgent care centers and to encourage patients to utilize urgent care centers and primary care providers rather than hospital emergency departments
- Coordination of care by both actual and virtual “accountable care organizations,” focusing primarily on the “medical home” concept of care



Payment Reform – Health Reform III

- Sharing of savings between the payers and the providers who achieve savings in order to provide incentives for appropriate care
- Implementation of health information technology throughout the health care system
- Streamlining of the administration of health care emphasizing electronic health networks





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