

# New Hampshire Health Care Financing: Issues and Recommendations for Reform

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Health Care Payment Reform Forum  
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# The Team

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# Scope of Project

Compass Health Analytics and UMMS/CHLE partnered to respond to NHID's RFP to:

- Evaluate significant changes in the health care system and determine which reform activities are most likely to succeed in New Hampshire.
- Develop recommendations for strategies supporting payment reform.
- Address the trend toward new payment methods and ACO models.
- Write a report describing our recommendations.

# Overview of Topics

- Problem to be Solved and Approach
- Comprehensive Strategies
- Short-Term Steps
- Stand-Alone Actions

# PROBLEM TO BE SOLVED AND APPROACH

# New Hampshire Health Care Costs are High and Rising

- New Hampshire **lacks a competitive market** for health care services creating incentives for improved outcomes and lower costs
- From 1990-2009, New Hampshire moved from 32<sup>nd</sup> to 9<sup>th</sup> in per capita health spending
- Moderated premium growth 2010-2013 masks **high growth in provider prices** and out-of-pocket spending by consumers

# Goals for Reform

- Cost containment over time
  - Reduce growth rate in overall health spending
  - Encourage appropriate consumer out-of-pocket spending
  - Reduce growth rate in actuarial value-adjusted premiums
  - Reduce growth rate and disparity in provider prices
  - Shift utilization to most appropriate mix and level
- Maintain or improve health care access
- Improve health care quality
- Maintain provider solvency

# Approach

- Build on foundational work developed by NHID
- Analyze a wide range of options
- Identify criteria and critical factors for success
- Apply criteria to narrow the list of options
- Group options into strategies that together create components of a well-functioning health care system



# Past Studies

2012 New Hampshire Price Variations (Center for Health Law and Economics, UMass Medical School)

- Found unexplained variation that highlighted opportunities for cost containment

2013 Analysis of Stakeholder Views (Center for Health Law and Economics, UMass Medical School)

- Found wide-spread concern about the high cost of health care
- Found very little competition among some hospitals and insurance carriers

# Manatt Identified Legal Issues

Manatt Health Solutions identified the following as areas for further consideration by New Hampshire policymakers:

- Implementing a regulatory approach to provider risk-bearing
- Evaluating state and federal fraud and abuse laws, with consideration of new approaches to navigating this complex body of law; and
- Adopting antitrust enforcement policies similar to those adopted by federal regulators and evaluating whether further action is appropriate to protect providers from antitrust liability.

# “Wide Net” of Potential Options

- Price transparency
- Cost growth benchmarks
- Payment and service delivery reform
- Certificate of need reform
- Provider risk regulation
- Pricing fairness regulation
- Employer purchasing collaborative
- Non-profit law reforms
- Anti-trust law reform
- Rate setting
- Single payer

# Criteria for Narrowing Options

We evaluated each option using a set of criteria that included:

- Political feasibility
- Cost containment
- Quality of care
- Access to care
- Alignment with Medicaid and Medicare
- Consumer empowerment
- Impact on stakeholders
- Legal hurdles
- Administrative costs

# Critical Factors for Successful Payment Reform

- **Incentives** that reward quality improvement and cost containment, not volume
- **Consensus** among key stakeholders
- **Collaboration** and **alignment** across reform efforts
- **Consequences** for inaction

# RECOMMENDATIONS

# Comprehensive Strategies

1. Publicly **report progress** against benchmarks
2. Promote **alternative payment** methods
3. Study options for strengthening **purchaser power**

Note: These comprehensive strategies require **funding** for development and operation

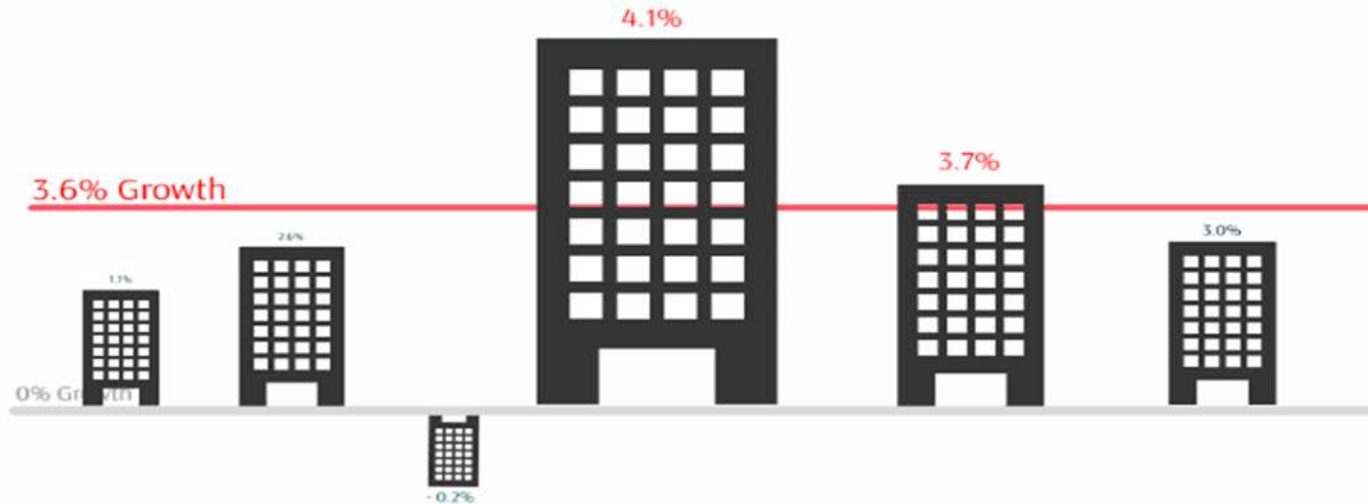
# Strategy 1. Publicly Report Progress Against Benchmarks

- Set health care cost growth and quality **benchmarks**
- Tie cost growth benchmarks to **economic indicators**
- **Measure progress** against the benchmarks for providers and payers



# Strategy 1. Publicly Report Progress Against Benchmarks (Continued)

- Expand **transparency** by publicly reporting provider prices, health plan premiums, and quality indicators against benchmarks



# Strategy 1. Publicly Report Progress Against Benchmarks (Continued)

- Consider establishing **consequences** for failing to meet benchmarks
- Consider requiring **standard basis** of payment, such as DRG and RBRVS, to ease cost comparisons

## Strategy 2: Promote Alternative Payment Methods

- Transition to **Alternative Payment Methods** that reward providers for efficiency and outcomes rather than volume
- Develop **Model Contract between** health plans and providers
- **Convene** multi-stakeholder commission charged with evaluating and adopting the model contract or proposing a similar alternative
- Consider **consequences** or additional measures if stakeholders fail to reach agreement on model contract or similar alternative

## Strategy 2: Promote Alternative Payment Methods (Continued)

**Model Contract** for providers/ACOs and payers could include these provisions:

- **Global payment methodology** that puts providers on risk-adjusted budgets
- **Shared savings methodology**, in which providers share in savings and losses based on financial and quality performance.
- **Financial readiness requirements** for providers
- **Additional** care coordination, quality, and consumer protection **requirements**

## Strategy 2: Promote Alternative Payment Methods (Continued)

**Regulate provider risk-bearing** to protect provider solvency:

- Decide **how far downstream** to impose risk
- **Protect** ACOs/provider organizations that are taking on risk need protections from taking on excessive financial risk.
- **Monitor** to evaluate how effectively risk is being regulated

## Strategy 2: Promote Alternative Payment Methods (Continued)

### Address anti-trust concerns:

- Coordinate reform efforts and anti-trust issues across state agencies
- Consider enacting state action immunity legislation and a comprehensive process of supervision to promote specific elements of the state's policy agenda
- Under state action immunity, participants in a state program may be able to receive immunity from federal anti-trust rules

## Strategy 3. Study Approaches to Strengthen Purchasing

- New Hampshire has a lot of **small businesses**
- Small businesses have a **disadvantage** when purchasing health insurance
- Strengthening purchasing power could help **empower** small businesses to negotiate better rates

# Short Term Steps for Reform

These steps have immediate benefits and lay groundwork for more comprehensive reforms

- **Continue to expand data transparency** by reporting provider and payer data on relative efficiency, quality, and access.
- **Coordinate/leverage available resources** and seek funding for long-term reform



# Short Term Steps for Reform (Continued)

- **Establish a commission** charged with recommending payment reform legislation
- **Expand consumer protections** through quality measurement, utilization monitoring, and grievance and appeals processes

# Stand – Alone Reforms

These reforms can be implemented separately or together with the comprehensive reforms

- Reform the **Certificate of Need** process
  - Streamline process
  - Expedite projects that further health reform goals
- Reform certain **nonprofit** laws
  - Promote community benefits
  - Monitor executive salaries relative to regional norms

# DISCUSSION

