HealthFirst

Methodology for Hospital Tiering

The Department shall determine which of New Hampshire's twenty six acute care hospitals shall be classified as tier 1 hospitals and which shall be classified as tier 2 hospitals. Hospital tiers exist as a part of the HealthFirst standard benefit design and the member deductible for hospital services will be based on whether the member obtains services from a tier 1 or a tier 2 hospital. Members receiving care from a tier 2 hospital will have higher cost sharing than when obtaining care from a hospital in tier 1.

Carriers will be required to use the Department hospital tiering as part of the standard benefit design, unless an alternative tiering classification has been submitted to and received approval from the department. Determinations about the hospital tiering shall be made on an annual basis, and hospital tiers shall be set on a calendar year basis.

The Department shall use the New Hampshire Comprehensive Healthcare Information System (NHCHIS, RSA 420 G:11-a) and the New Hampshire Health Care Facility Data (Chapter He-C 1500) to determine historical pricing and payment differences among hospitals. The most current data available shall be used to perform the analysis. Payment differences are based on the payments made by commercial insurance carriers and their covered members for similar health care services of similar complexity. Similar services and similar complexity shall be determined through the use of case mix adjustment tools (e.g. Diagnosis Related Groups) and specific procedures that patients have frequently received. The Department may use a sample of patients and procedures to determine overall payment differences between hospitals. The methodology shall consider both unit cost and utilization on a per patient, per visit, basis.

Hospital tiering by the Department shall be based on the relative payment differences between hospitals when services are aggregated and payment differences are generalized. The relative differences in hospital payment levels will be used to rank hospitals from high to low, and those in the lower payment half of the ranking shall be in tier 1, and those in the higher payment half of the ranking shall be in tier 2. Hospitals in rural areas will be given special consideration for tier 1, despite their relative cost burden to insurance carriers and covered members. A hospital in close proximity to a lower cost hospital may be classified as tier 2, despite that hospital's overall ranking in the state. There shall be at least seven acute care hospitals in New Hampshire classified as tier 2 hospitals. Any hospital outside of New Hampshire shall be classified as tier 2 unless a carrier obtains approval from the Department.

Hospital tiering shall be made available to the public by December 1st of each year, with an effective date beginning on January 1 of the following year.

Insurance carriers may apply for approval to use a carrier specific hospital tiering. The carrier must establish that deviations from the Department tiering will result in reduced expenditures to the carrier, based on payment for specific services, admissions, general

health service utilization, and quality measures as appropriate. The carrier shall use historical data, and shall include any change in contract reimbursement levels. The anticipated change between historical data and the calendar year in which tiering will take place, must be less than five percent per year on a per patient, per service basis. The carrier must have a contractual agreement with the hospital covering the calendar year for which a different tiering classification. Requests for alternative tiering shall be submitted no later than one week following the release of the department's tiering for the following calendar year.

The carrier proposal shall demonstrate that payment differences by the commercial insurance carrier for patients of similar complexity and receiving similar health care services will be reduced by deviating from the Department tiering. Similar complexity and similar services shall be determined through the use of case-mix adjustment tools (e.g. Diagnosis Related Groups) and procedures which patients have frequently received. The carrier is permitted to use a sample of patients and procedures to determine overall payment differences between hospitals. The majority of carrier specific admissions and at least fifty common outpatient procedures must be utilized. The methodology shall consider the payment level for each service and the overall utilization on a per patient, per visit or per admission basis.

The carrier must establish that any savings over the department's tiering will take place on a hospital specific basis. Aggregate savings across several hospitals due to the tiering deviations shall not be accepted as proof that the proposed tiering changes are effective at reducing costs to the carrier. Separate criteria for an approval shall exist to move a hospital from tier 2 to tier 1 and from tier 1 to tier 2.

Moving a hospital from the Department determined tier 1 to a carrier specific tier 2 requires that the carrier prove that the carrier specific hospital payment levels for the named hospital are ranked in the top twenty hospitals statewide receiving the highest payment levels. The carrier may prove this by demonstrating that there are at least six hospitals with lower relative payment levels from the carrier.

Approval for moving a hospital from tier 2 to tier 1 will only be granted when substantial evidence is provided that the hospital is one of the top five hospitals in New Hampshire that is most cost effective to the carrier.

The proposal provided to the Department shall include at a minimum:

1. A detailed explanation of the methodology, including:
    a. the time frame of the data used;
    b. membership included;
    c. description of analytic tools used, including a case-mix adjustment system, procedures, units of measurement;
    d. number of observations;
    e. assumptions;
    f. inpatient and outpatient payment weighting;

g. examples of the detail behind any summary statistics;
h. hospital specific relative ranking among all hospitals for each hospital with a possible tier change;
i. the name of each hospital with a potential tier change; and
j. contact information for the analyst who performed the analysis.

Contents of the tiering proposal to the NHID shall remain confidential under RSA-A:5. Carrier specific tiering shall be made public upon approval by the NHID.