

Cost Trends and Market Performance

Health Policy Commission

Committee Meeting

April 10, 2013



Agenda

- Approval of minutes from February 27, 2013 meeting
- Update on cost trends report
 - Review of Advisory Council discussion
- Update on cost and market impact review process
- Discussion of CTMP implementation timeline for 2013
- Schedule of next Committee meeting

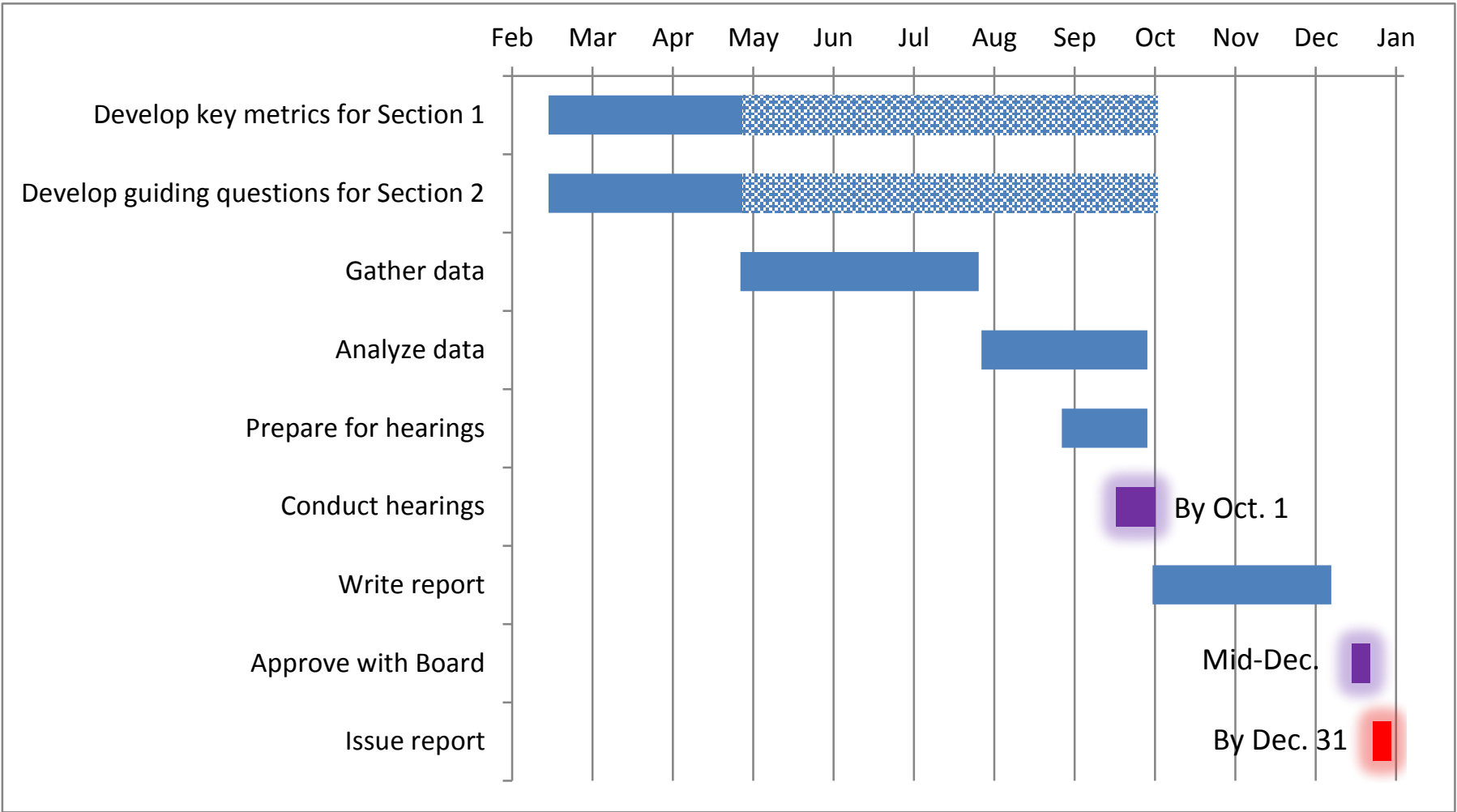
Agenda

- **Approval of minutes from February 27, 2013 meeting**
- Update on cost trends report
 - Review of Advisory Council discussion
- Update on cost and market impact review process
- Discussion of CTMP implementation timeline for 2013
- Schedule of next Committee meeting

Agenda

- Approval of minutes from February 27, 2013 meeting
- **Update on cost trends report**
 - **Review of Advisory Council discussion**
- Update on cost and market impact review process
- Discussion of CTMP implementation timeline for 2013
- Schedule of next Committee meeting

Timeline for preparing cost trends report



What are total health expenditures?

- **Definition:** Annual per capita sum of all health care expenditures in the Commonwealth from public and private sources
- **Includes**
 - All categories of medical expenses and all non-claims related payments to providers
 - All patient cost-sharing amounts, such as deductibles and copayments
 - Net cost of private health insurance



A more holistic measure of health care expenditure growth than just total medical expenditures

Section 8g of Chapter 6d of Chapter 224 of the Acts of 2012

The commission shall compile an annual report ^A concerning spending trends and underlying factors ^B, along with any recommendations for strategies to increase the efficiency of the health care system. The report shall be based on the commission's analysis of information provided at the ¹hearings by providers, provider organizations and insurers, ²registration data collected under section 11, ³data collected by the center for health information and analysis under sections 8, 9 and 10 of chapter 12C and ⁴any other information the commission considers necessary to fulfill its duties under this section, as further defined in regulations promulgated by the commission. The report shall be submitted to the chairs of the house and senate committees on ways and means and the chairs of the joint committee on health care financing and shall be published and available to the public not later than December 31 of each year. ^CThe report shall include any legislative language necessary to implement the recommendations.

Required outputs

- A. Concerning spending trends and underlying factors
- B. Recommendations for strategies to increase efficiency
- C. Legislative language necessary to implement recommendations

Data inputs

1. Hearings
2. Registration data
3. CHIA data
4. Any other information necessary to fulfill duties

Takeaways on cost trends from March 26 Advisory Council meeting

- Focus on costliest patients
 - Research provider cost structure
 - Delivery systems should coordinate care
 - Impact of public payer policies
 - Focus on behavioral health issues
 - Effects of federal policy on physician reimbursements
-

Topics of research for 2013 cost trends report

Section 1: Setting baseline

Goal: develop a set of metrics/ indicators that allow for the analysis of total health expenditure growth

- Descriptive statistics
- Decomposition of total health expenditures
- Access and quality
- Market evolution and current landscape

Section 2: Uncovering drivers

Goal: explore the drivers of cost growth with specific, targeted questions, both forward and backward looking

- Care of costliest patients
- Waste in the system
- Impact of market changes
- Provider cost structure

Section 3: Discussion/next steps

Goal: discuss implications of our findings/ analyses on future of health care landscape and further areas of study

Appendices

- Summary of sister agency reports
- Summary of Health Policy Commission reports (e.g., CDHP report)
- Methodology for analyses

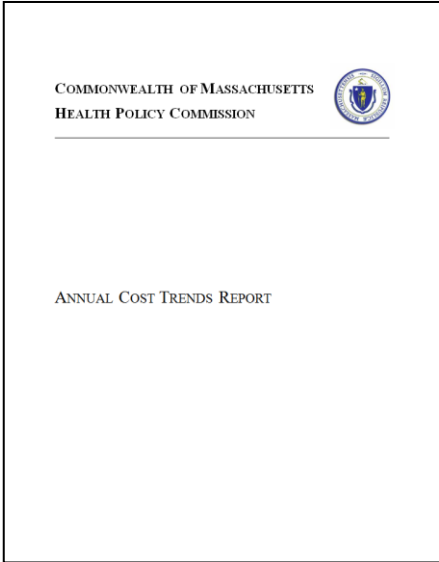
Potential sources for examining Total Health Expenditures

		2009 Background	2010 Background	2011 Background	2012 Baseline
Commercial	Total medical expenses ¹	<ul style="list-style-type: none"> Available from May 2012 CHIA report² 	<ul style="list-style-type: none"> Available from May 2012 CHIA report² 	<ul style="list-style-type: none"> Available from upcoming CHIA report 	<p>To be reported by CHIA per Section 16 of Chapter 12C 30 days prior to the annual hearings</p>
	Net cost of insurance	<ul style="list-style-type: none"> Available from May 2012 CHIA report³ 	<ul style="list-style-type: none"> Available from May 2012 CHIA report³ 	<ul style="list-style-type: none"> Available from upcoming CHIA report 	
Public payers	Total medical expenses ¹	<ul style="list-style-type: none"> By request from Medicare and MassHealth 	<ul style="list-style-type: none"> By request from Medicare and MassHealth 	<ul style="list-style-type: none"> By request from Medicare and MassHealth 	
	Net cost of insurance	Not included in definition of THE			

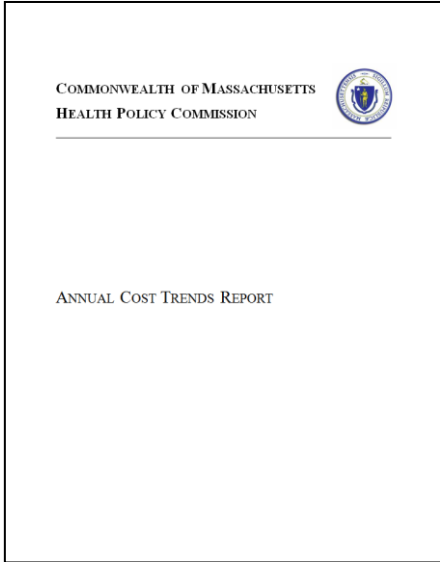
1 Total medical expenses include both payments by the plan and patient cost-sharing. See report for definitions & details.
 2 See CHIA's "Massachusetts Health Care Cost Trends, Premiums and Expenditures" issued in May 2012
 3 Report calculates loss ratios, retention and administration, which are closely related to the net cost of insurance

Publication expectations through end of 2014

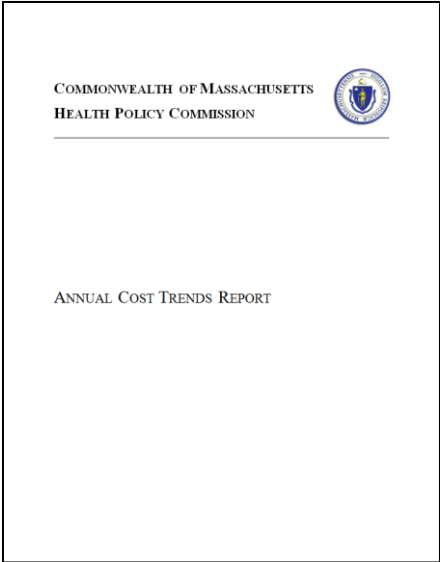
December 2013



Early Summer 2014



December 2014



Total Health Expenditures

2012

2012

2013

APCD

2011
(claims files released by CHIA on ~Jun 30 2013)

2012
(claims files released by CHIA on ~Dec 30 2013)

2012
(claims files released by CHIA on ~Dec 30 2014)

Agenda

- Approval of minutes from February 27, 2013 meeting
- Update on cost trends report
 - Review of Advisory Council discussion
- **Update on cost and market impact review process**
- Discussion of CTMP implementation timeline for 2013
- Schedule of next Committee meeting

Overview of cost and market impact reviews

Cost and market impact reviews can be initiated when...

1. ...a material change "...is likely to result in a significant impact on the commonwealth's ability to meet the health care cost growth benchmark, established in section 9, or on the competitive market."
2. ...a provider is identified by CHIA as having excessive growth relative to the benchmark

What it is

- Comprehensive and multi-factor review of the provider organization and its proposed change
- Following a preliminary report and opportunity for the provider to respond, HPC issues a final public report summarizing its findings
- Potential referral to the Attorney General's Office
- Proposed change cannot be completed until 30 days after the Commission issues its final report

What it is not

- Differs from Determination of Need reviews by Department of Public Health
- Differs from antitrust or other law enforcement review by state or federal agencies

Process to initiate a cost and market impact review

Statutory requirements

- *Time Constraints:* Notices of Material Change must be reviewed and any cost and market impact review (CMIR) initiated within 30 days
- *Open Meeting Law* requirements constrain timely Commission or Committee review of each notice

Guiding principles to CMIR process

- Transparent
- Timely
- Consistent with Open Meeting Law
- Consistent with chapter 6D
- Commissioner determination of criteria for review
- Input by Commissioners
- Advance review of preliminary and final reports

Factors to consider in a cost and market impact review

For provider and provider organizations...

- 1 size and market share within its primary service areas by major service category, and within its dispersed service areas
- 2 prices for services, including its relative price compared to other providers for the same services in the same market
- 3 health status adjusted total medical expense, including its health status adjusted total medical expense compared to similar providers
- 4 quality of the services it provides, including patient experience
- 5 provider cost and cost trends in comparison to total health care expenditures statewide
- 6 availability and accessibility of services similar to those provided, or proposed to be provided, through the provider within its primary service areas and dispersed service areas
- 7 impact on competing options for the delivery of health care services within its primary service areas and dispersed service areas including, if applicable, the impact on existing service providers of a provider's expansion, affiliation, merger or acquisition, to enter a primary or dispersed service area in which it did not previously operate
- 8 methods used to attract patient volume and to recruit or acquire health care professionals or facilities
- 9 role in serving at-risk, underserved and government payer patient populations, including those with behavioral, substance use disorder and mental health conditions, within its primary service areas and dispersed service areas
- 10 role in providing low margin or negative margin services within its primary service areas and dispersed service areas
- 11 consumer concerns, including but not limited to, complaints or other allegations that the provider has engaged in any unfair method of competition or any unfair or deceptive act or practice
- 12 other factors in the public interest

Agenda

- Approval of minutes from February 27, 2013 meeting
- Update on cost trends report
 - Review of Advisory Council discussion
- Update on cost and market impact review process
- **Discussion of CTMP implementation timeline for 2013**
- Schedule of next Committee meeting

CTMP 2013 Implementation Timeline

First quarter (Jan – Mar)

- ✓ Establish state health care cost growth benchmark for total health care expenditures for calendar year 2014
- ✓ Issue interim guidance regarding notice of material changes of providers or provider organizations

Second quarter (Apr – Jun)

- Develop regulations on notice of provider material changes
- Develop key metrics and examination questions for the annual cost trends report
- Review and deliberate on the Attorney General's cost trends report

Third quarter (Jul – Sep)

- Adopt regulations on notice of provider material changes
- Analyze data and information in preparation for the annual cost trends report

Fourth quarter (Oct – Dec)

- Hold, in collaboration with the Center for Health Information and Analysis and the Office of the Attorney General, the annual cost trends hearings
- Issue the Commission's annual report on cost trends and underlying factors with recommendations for strategies to increase the efficiency of the health care system

Agenda

- Approval of minutes from February 27, 2013 meeting
- Update on cost trends report
 - Review of Advisory Council discussion
- Update on cost and market impact review process
- Discussion of CTMP implementation timeline for 2013
- **Schedule of next Committee meeting**

Contact information

For more information about the Health Policy Commission:

- Visit us: <http://www.mass.gov/hpc>
- Follow us: [@Mass_HPC](#)
- E-mail us: HPC-Info@state.ma.us