

The Boston Globe

Health care payment reform is not enough, Coakley argues Says market clout must be tackled

November 20, 2010

By [Matt Murphy](#)

State House News Service

Attorney General Martha Coakley cautioned yesterday against a “full-scale push forward” on payment reform to address spiraling health care costs without addressing the underlying issue of market clout. Coakley said the market factor has led to a disparity in pricing among providers without a clear link to quality of care.

Seeking to make an imprint on the looming debate over cost control, Coakley said yesterday that she planned to produce a follow-up early next year to her yearlong investigation that identified market leverage as a driving force behind escalating health care costs.

Coakley, speaking at the annual conference of the Massachusetts Association of Health Plans, said that she has directed her staff to resume its examination of the health care market in Massachusetts to study models of care delivery and the associated costs.

She said payment reform alone will not succeed in changing a “flawed market that doesn’t work.”

“A shift to global payments by itself is not the panacea to controlling costs,” Coakley said. “Implementing payment reform without addressing the market leverage issue outlined in our report is like trying to fix the roof on a house without fixing the flawed foundation.”

Coakley spoke as the Patrick administration readies a push to overhaul the state’s health care payment model by moving toward set payments to doctors and providers based on individual patient care and outcomes, rather than the current fee-for-service model. The global payment system would require doctors, hospitals, and other providers to band into groups that would split payments, better coordinate patient care, and, it is hoped, improve quality.

Coakley said the report produced by her office and released in January showed how wide disparities in pricing and reimbursements for procedures and care could not be linked to quality of care. She said increasing transparency for consumers around pricing would be the best start to gaining control over market-driven pricing.

“If we seek to better align payment incentives and control cost growth, then we must begin to shift how we purchase health care to align payments with value, measured by those factors the health care market should justly reward, such as better quality and efficiency,” she said.

The annual conference gathered health care executives from across the Commonwealth for a discussion about driving forces behind the high cost of care in Massachusetts and steps that could be taken to lower those costs, which have devoured available funds in households, businesses, and government.

“What is wrong with our health care system is that the system is not set up to reward and encourage coordinated, integrated, patient-centered, and cost-effective care,” said Health and Human Services Secretary JudyAnn Bigby, according to prepared remarks.

“Governor Patrick wants to address the health care cost problem by addressing the systemic problems that drive up health care costs,” she said. “Instead, we reward volume and technology.”

Bigby said the solution must include a shift in the payment and care delivery system to reward value over volume.

Though legislation has yet to be crafted, Bigby said the administration would probably pursue a strategy that “guides and encourages” the formation of accountable care organizations that will gradually accept “more and more responsibility for the overall care of their patients.”

“We believe that primary care medical homes should be the foundation of integrated systems and that payments should reward primary care providers to take care of or coordinate care of patients across clinical settings,” Bigby said.

Bigby said it could also require the creation of an entity to oversee the development of accountable care organizations and pilot programs, under the federal Affordable Care Act, that the state wants to pursue.

Average monthly health insurance premiums increased by 12 percent between 2006 and 2008, disproportionately affecting small businesses, said David Morales, the administration’s commissioner of health care finance and policy. ■

AG: Cost relief must include hospitals

Boston Business Journal - by Julie M. Donnelly

Friday, November 19, 2010- Last Modified: Monday, November 22, 2010

Attorney General **Martha Coakley** said that the market clout of hospitals must be addressed as the state launches its efforts to reform the health care payment system in order to reduce costs. Yet while she said fair practices must be established for hospitals in their negotiations with insurers, she said it would be “premature” to implement and enforce such standards now.

Coakley, speaking at the Massachusetts Association of Health Plans annual conference, said that she will launch a second investigation into the relative costs of different delivery systems of care, including teaching hospitals, community health centers, and so-called Accountable Care Organizations, where a primary care physician acts as the hub of a patient’s care experience, and specialists act as the spokes of the wheel.

A previous report focused on the costs of certain procedures revealed that some hospitals, including the [Partners Healthcare](#) system, hold market clout that enables them to charge significantly higher prices for the same services.

The AG’s comments come as Governor **Deval Patrick**’s administration prepares to file legislation that is expected to include recommendations advocating a global payments system, in which health care providers would be paid per patient, rather than per procedure.

Coakley said that switching to global payments alone is not a panacea. “Implementing payment reform without addressing the market leverage issue outlined in our report is like trying to fix the roof on a house while ignoring a flawed foundation,” Coakley said.

But the Attorney General said she had no immediate plans to level the playing field among hospitals through regulations. Coakley said she will instead focus on improving transparency about costs. She said she prefers to address the market leverage issue through carrots rather than sticks.

STATE HOUSE NEWS SERVICE

AG: PAYMENT REFORM ALONE MAY LEAVE "FLAWED FOUNDATION" IN HEALTH CARE

By Matt Murphy
STATE HOUSE NEWS SERVICE

BOSTON, NOV. 19, 2010.... Attorney General Martha Coakley cautioned Friday against a "full-scale push forward" on global payment reform to address spiraling health care costs without addressing the underlying issue of market clout that has led to a disparity in pricing among providers without any clear link to quality of care.

Seeking to make an imprint on the looming debate over cost control, Coakley on Friday said she planned to produce a follow-up early next year to her year-long investigation that identified market leverage as a driving force behind escalating health care costs.

Coakley, speaking at the annual conference of the Massachusetts Association of Health Plans, said that she has directed her staff to resume its effort of examining the health care market in Massachusetts to study models of care delivery and the associated costs.

She said payment reform alone will not succeed in changing a "flawed market that doesn't work."

"A shift to global payments by itself is not the panacea to controlling costs," Coakley said. "Implementing payment reform without addressing the market leverage issue outlined in our report is like trying to fix the roof on a house without fixing the flawed foundation."

Coakley's comments came as the Patrick administration is readying a push next legislative session to overhaul the state's health care payment model by moving toward set payments to doctors and providers based on individual patient care and outcomes, rather than the current fee-for-service model.

Coakley said the report produced by her office and released in January showed how wide disparities in pricing and reimbursements for procedures and care could not be linked quality of care, predicated more on the market clout of major providers than patient outcomes.

She said increasing transparency for consumers around pricing would be the best start to gaining control over market-driven pricing.

"If we seek to better align payment incentives and control cost growth, then we must begin to shift how we purchase health care to align payments with 'value,' measured by those factors the health care market should justly reward such as better quality and efficiency," Coakley said.

The annual conference gathered health care executives from across the Commonwealth for a discussion about driving forces behind the high cost of care in Massachusetts and steps that could be taken to lower those costs, which have devoured available funds in households, businesses and government.

"What is wrong with our health care system is that the system is not set up to reward and encourage coordinated, integrated, patient centered and cost effective care," said Health and Human Services Secretary Judy-Ann Bigby, according to prepared remarks. "Governor Patrick wants to address the health care cost problem by addressing the systemic problems that drive up health care costs. Instead, we reward volume and technology."

Bigby, whose future in the Patrick administration remains uncertain as the governor prepares for a second term, said the long-term solution must include a shift in the payment and care delivery system to reward "value" over "volume."

Though legislation has yet to be crafted, Bigby said the administration would likely pursue a strategy that "guides and encourages" the formation of accountable care organizations that will gradually accept "more and more responsibility for the overall care of their patients."

"We believe that primary care medical homes should be the foundation of integrated systems and that payments should reward primary care providers to take care of or coordinate care of patients across clinical settings," Bigby said.

Bigby said it could also require the creation of a new entity to oversee the development of ACOs and pilot programs, under the federal Affordable Care Act, that the state wants to pursue.

David Morales, the administration's commissioner of Health Care Finance and Policy, estimated over \$1 billion in preventable hospitalizations and readmissions on the table, attributable to the lack of integrated care.

Average monthly health insurance premiums increased by 12 percent between 2006 and 2008, disproportionately affecting small businesses, Morales said. Prices for services are also rising faster than utilization, with most of the costs associated with outpatient services such as imaging and lab tests.

Morales, like Coakley, identified the availability and use in Massachusetts of more expensive academic medical centers as a cost driver, noting market consolidation and richer benefit packages for consumers.

Several speakers said Massachusetts insurers were actually leading the nation in terms of cutting down on administration costs. Morales said that 88 percent of cost in Massachusetts is spent on health care versus administrative expenses, compared with 84 percent nationally.

David Cutler, a professor of economics at Harvard University, laid out a six- to seven-year strategy for cutting costs and reforming the health care delivery system, starting with a requirement that providers begin the process of moving to electronic medical records.

Cutler, who advised President Barack Obama's presidential campaign on health care policy, also called for a push within the first three years of comprehensive reform for bundled payments for acute and post-acute care.

"The poster child here is the people who are hospitalized, discharged and come back to the hospital within and month..." said Cutler, who estimated tens of billions of dollars are spent each year nationally on recurring acute care. "Come up with a system that say's you're not going to get paid for doing more stuff, you're going to get paid for doing a good job."

Cutler said that with a greater emphasis on "efficiency" that reduced unnecessary tests and procedures, profit margins for hospitals and providers could actually be increased while still producing savings to the system.

Though Cutler said it could take six or seven years to fully transition to a bundled-payment system, he also said he believed it is possible to cut administrative costs in the health care sector by 50 percent within five years, an effort that could produce \$350 billion in savings nationally.

"The reason why health care has lagged behind (other industries) is because no one has figured out how to organize the system," Cutler said.

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11/19/2010

Coakley: Global Payments Alone Won't Fix Escalating Health Costs

November 21, 2010 | 2:10 PM | By [Rachel Zimmerman](#)

Determined to remain in the center of the conversation on how to rein in health care costs, Attorney General Martha Coakley said [payment reform alone won't slow the escalating cost of health care](#) in Massachusetts, *The Boston Globe* reports. Instead, she said, a hard look at how hospital systems with "market clout" (such as Partners in Boston) tend to charge more for care, without necessarily delivering higher quality medicine, will be key to any efforts to control costs.

"A shift to global payments by itself isn't the panacea to controlling costs," she said. "Implementing payment reform without addressing the market leverage issue...is like trying to fix the roof on a house while ignoring a flawed foundation."

Here is a copy of Coakley's [keynote speech](#), delivered Friday at a meeting of the Massachusetts Association of Health Plans.