

MASSACHUSETTS ASSOCIATION OF HEALTH PLANS (MAHP)

MAHP's Perspective on Payment Reform in Massachusetts

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We face a critical moment in health care. The continued increase in the cost of health care is unsustainable and is placing enormous strain on Massachusetts employers and residents and state and municipal budgets. Action is necessary to reform how we pay for care and to lower costs for Massachusetts

businesses, consumers, and cities and towns.

Through the Committee on the Status of Payment Reform, MAHP has been an active participant in the discussions on reforming the payment system. Like many participants in this discussion, we agree that the predominantly fee-for-service (FFS) payment model rewards volume and often promotes more fragmented and uncoordinated care, and that we should transition towards a system that rewards quality and efficiency while reducing costs and significantly slowing future health care growth. It also is critical to address the variations in rates paid to providers to ensure that payment reform does not unintentionally memorialize current market distortions.

Recent reports by Massachusetts Attorney General Martha Coakley¹ and the state's Division of Health Care Finance and Policy² found that increases to health care premiums have been driven by increases in the prices paid to providers for medical services and that the most expensive providers do not necessarily provide the highest quality care. The Attorney General's report went on to highlight that there is not a direct correlation between the rates paid to providers and the type of payment model used. In fact, some of the highest paid providers are paid using a global payment model and some of the lower costing providers are paid using fee-for-service.

According to the Attorney General's report, "Price variations are correlated to market leverage as measured by the relative market position of the hospital or provider group compared with other hospitals or provider groups...Price variations are not correlated to quality of care, the sickness or complexity of the population served, the extent to which a provider is responsible for caring for a large portion of patients on Medicare or Medicaid, or whether a provider is an academic teaching or research facility." Essentially, the higher prices charged by certain providers have no correlation to the quality of care they provide, the acuity of their patients or the type of institution where the care is provided. Instead, those prices are a result of the market clout those providers have. Achieving the long term cost control goals associated with reforming the payment system and reducing the cost of health care requires effectively dealing with the market clout issues raised by the Attorney General to ensure that payment reform does not lead to further consolidation (and higher costs) in the marketplace.

Massachusetts health plans and providers have already made significant progress in transitioning the market to one that rewards high value and coordinated care. For example, some plans are implementing global payment-like models and expanding contracts to supply support to providers in the form of assistance with budgeting, population-based analytics, risk adjustment, and care coordination. We should learn from those initiatives, capitalizing on the existing infrastructure and expertise in the marketplace to encourage future innovations that will produce the goals of payment reform.

Rather than a prescribed "one-size-fits-all" approach, the best way to achieve this is through a voluntary, market-based approach with clearly defined goals aimed at improving care and lowering costs. At a minimum, payment reform must:

- Ensure that the health care system continues to meet the needs of the residents of the Commonwealth
- Reduce the rate of increase in per capita health care spending to stabilize or reduce health care cost trends and provide demonstrated savings to employers
- Ensure that providers have the tools they need to effectively manage care through timely data on cost, utilization and outcomes
- Include participation of all payers, public and private, and address cost shifting from public to private payments due to inadequate public reimbursement
- Increase access to primary and preventative services delivered in an integrated manner and deliver care in an appropriate setting
- Create incentives that reward high value, low cost providers
- Measurably improve quality standards and patient outcomes through aggressive quality reporting and corrective action planning
- Decrease remaining waste, fraud, and complexity within the system
- Ensure that payment reform does not result in market consolidation that does not benefit employers and consumers and increases costs.

It will be important for state government to have a role in establishing guardrails that help guide the transition to payment reform. This should include the creation of a new Payment Reform Advisory Council to help facilitate the transition with clearly defined responsibilities including setting cost and quality goals and measuring progress in meeting the goals, as recommended by the Special Commission on Payment Reform.

As in 2006, we have a unique opportunity to put Massachusetts at the forefront of health reform and lay the appropriate foundation for an effective payment reform system to thrive. It will require the same level of commitment as it did nearly five years ago from hospitals, physicians, health plans, employer organizations, consumer groups, and policymakers; this time, however, the focus must be on controlling costs. Ultimately, how we address the dynamics and distortions of the current marketplace will determine how we achieve payment reform's goals of better integration of care, better alignment of incentives, and lower costs.

Lora Pellegrini is the President and CEO of MAHP, a non-profit organization committed to promoting high-quality, affordable health care in Massachusetts. MAHP represents 13 member health plans, which provide health care coverage to more than 2.3 million residents.

Feedback on this article can be sent to info@mahp.com.

(Footnotes)

1 Office of the Attorney General, Examination of Health Care Cost Trends and Cost Drivers, Pursuant to G.L. c. 118G, § 61/2(b), Report for Annual Public Hearing, March 16, 2010.

www.mass.gov/Cago/docs/healthcare/final_report_w_cover_appendices_glossary.pdf

2 Division of Health Care Finance and Policy, Massachusetts Health Care Cost Trends, 2010 Final Report, April 2010.

www.mass.gov/?pageID=eohhs2terminal&L=5&L0=Home&L1=Researcher&L2=Physical+Health+and+Treatment&L3=Health+Care+Delivery+System&L4=Health+Care+Cost+Trends&sid=Eeohhs2&b=terminalcontent&f=dhcfp_researcher_cost_trends_cost_trends_final_report&csid=Eeohhs2