

Special Commission on Provider Price Variation

November 1, 2016

Agenda

- ▶ Welcome & Updates
- ▶ Presentation: MassHealth Payment System
- ▶ Discussion of Payment Factors

Review: October 11th Commission Meeting

- ▶ Medicare and MassHealth adjust payment rates or give additional payments for:
 - ▶ Location
 - ▶ Cost
 - ▶ Quality
 - ▶ Services provided to unique or underserved populations
- ▶ Medicare provides additional payments for graduate medical education.
- ▶ Medicare adjusts rates for a small number of new technologies and gives temporary add-on payments for certain innovative devices, drugs and biologics, which it reviews on a case-by-case basis.

Presentation

MassHealth Payment Systems

Matthew Klitus
Chief Financial & Strategy Officer
MassHealth

Stand-By Service Capacity

- ▶ These are hospital units that deliver care on a twenty-four hour basis.
- ▶ Tend to have higher overhead costs than other units as they must be staffed 24/7.
- ▶ Examples: burn centers, trauma centers, psychiatric units & emergency departments
- ▶ Maintaining stand by services requires the support of:
 - ▶ Sufficiently trained staff
 - ▶ Facilities responsive to general population needs, and
 - ▶ Specialized facilities responsive to unique cases or events.

Stand-By Service Capacity: Trauma Centers

- ▶ Trauma centers treat patients with severe or life-threatening physical injuries.
- ▶ Must be certified by DPH and verified by the American College of Surgeons.
- ▶ 9 Level One trauma centers in MA
 - ▶ Baystate
 - ▶ UMass
 - ▶ BID
 - ▶ BMC
 - ▶ Brigham
 - ▶ BCH
 - ▶ MGH
 - ▶ Tufts
 - ▶ Tufts Floating



Stand-By Service Capacity: Burn Centers

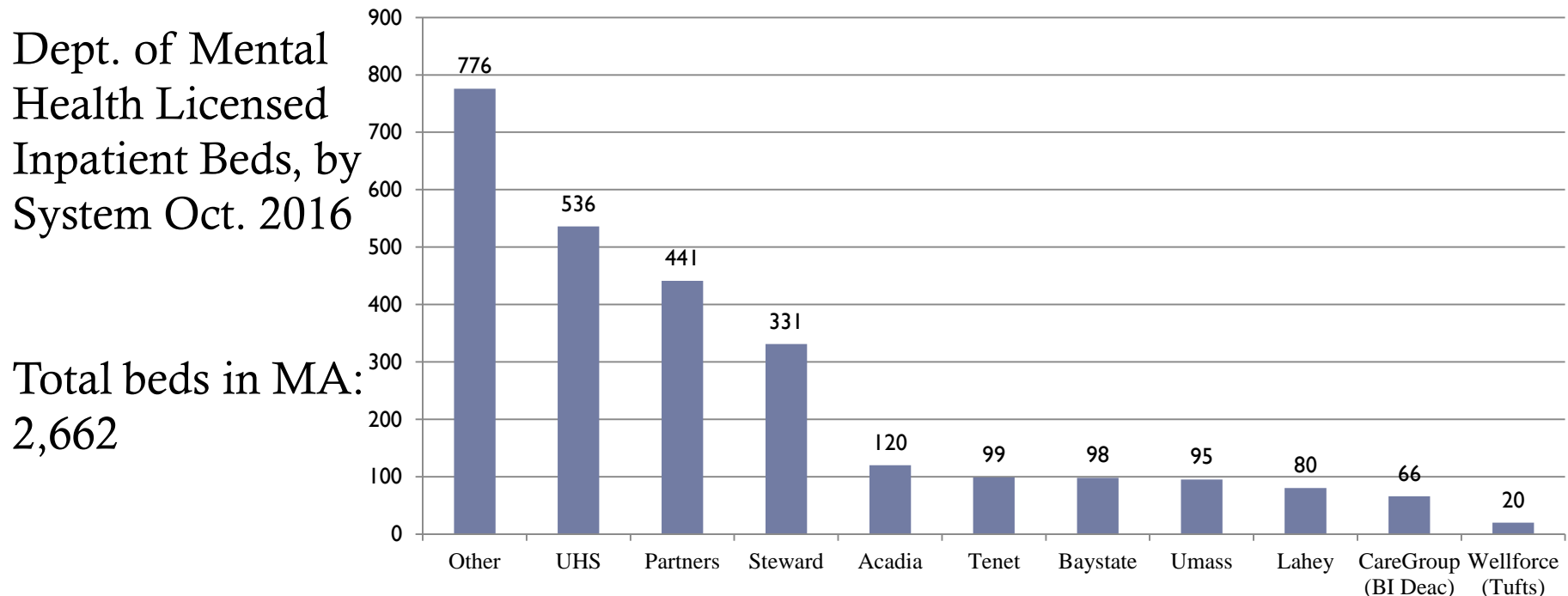
- ▶ Treat burn patients, require specialized resources and staff.
- ▶ Anecdotal evidence is that burn centers have very high fixed costs and that revenue from these services may not cover costs.
- ▶ 5 burn centers in MA

- ▶ Brigham & Women's
- ▶ Shriner's
- ▶ MGH
- ▶ BMC
- ▶ UMass



Stand-By Service Capacity: Psych Units

- ▶ Anecdotal evidence suggests that inpatient hospital psychiatric units are costly to operate.
- ▶ Some Massachusetts hospitals/health systems have cut services; others have built or expanded psychiatric units.



Stand By Service Capacity: Emergency Service Capacity

- ▶ Emergency departments (ED) are valuable to communities.
- ▶ Many factors influence the ability of an ED to support itself.
 - ▶ % of commercially-insured patients
 - ▶ Relative price of the hospital
 - ▶ # of admissions from ED to hospital
- ▶ Inpatient admissions from the ED may generate additional net income or losses, depending on payer mix (commercial vs. Medicare vs. Medicaid).

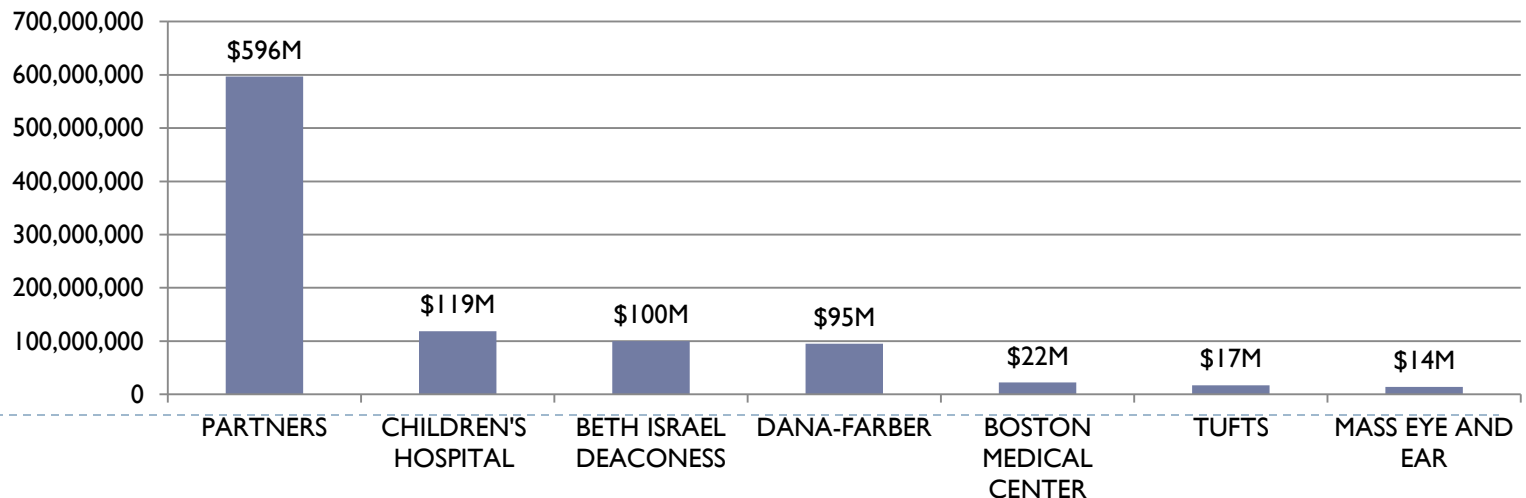
Advertising

- ▶ The average advertising budget is less than 1% of total budget.
- ▶ Health care facilities are increasing their advertising and marketing budgets. Possibly due to:
 - ▶ Mounting pressure to increase revenue
 - ▶ More active decision-making by patients
- ▶ Advertising can add value to the healthcare system to the extent that it better informs patients and drives the appropriate use of services, not just higher utilization.
- ▶ Brand name is very influential on patient decision making.

Research

- ▶ Top source of research funding is government, both state and federal dollars.
- ▶ Supporting research in the clinical setting requires investment in staff, technology, and physical space to comply with rigorous methodological research standards as well as governing laws and regulations.
 - ▶ Ex: clinical trial management, contract review and/or protocol development
- ▶ Massachusetts is second only to California in the amount of funding received from the National Institutes of Health for 2016.
 - ▶ MA awarded \$1.9B

NIH Funding by Hospital System, 2016



Care Coordination Among Providers & Allied Health Professionals

- ▶ Care coordination is the commitment to and development of systems to enhance patient care management.
- ▶ Allied health professionals are professionals that do not directly work in medicine or pharmacy but support these functions through diagnostics, therapy, rehabilitation, and other services.
- ▶ There are different mechanisms to pay for care coordination services.

Global budgets

- ▶ Global budget: a single payment covers all the health care for a patient over a given period of time.
- ▶ Medicare has several global budget pilots including the NextGen ACO model.
- ▶ MassHealth's OneCare program, jointly administered with Medicare, serves patients ages 21-64 who are dually eligible for Medicare and Medicaid.
- ▶ State demonstrations:
 - ▶ Maryland has an all-payer rate setting system.
 - ▶ Vermont recently received permission from CMS to set up an all-payer model.
- ▶ Blue Cross Blue Shield Alternative Quality Contract (AQC)

Factors Discussed

Factor	Medicare	MassHealth
Quality	✓	✓
Medical Education	✓	
Stand-by Service Capacity		
Emergency Service Capacity		
Special Services by DSH to Unique Populations	✓	✓
Market Share		
Provider Size		
Advertising		
Location	✓	✓
Research		
Cost	✓ (for high-cost outlier cases)	✓ (for high-cost outlier cases)
Care Coordination		
Community Based Services by Allied Health Professionals		
Use/Advancement of Medical Technology & Pharmacology	✓ (small # of specific technologies)	

Next Steps

- ▶ Upcoming Commission Meeting
 - ▶ November 29, 2016
 - ▶ 11:00am – 2:00pm at 50 Milk Street, 8th floor (Health Policy Commission)

- ▶ Upcoming Subcommittee Meeting
 - ▶ State Monitoring Subcommittee
 - ▶ November 10th at 11:00am, House Members Lounge
 - ▶ Market Forces Subcommittee
 - ▶ November 16th at 11:00am, House Members Lounge
 - ▶ Transparency Subcommittee
 - ▶ November 17th at 11:00am, Room 350

The Commission's Report is due in...

