Agenda

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


Total beds in MA: 2,662
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

<table>
<thead>
<tr>
<th>Hospital System</th>
<th>Funding (M)</th>
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<tbody>
<tr>
<td>Partners</td>
<td>$596M</td>
</tr>
<tr>
<td>Children's Hospital</td>
<td>$119M</td>
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<tr>
<td>Beth Israel Deaconess</td>
<td>$100M</td>
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<tr>
<td>Dana-Farber</td>
<td>$95M</td>
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<tr>
<td>Boston Medical Center</td>
<td>$22M</td>
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<tr>
<td>Tufts</td>
<td>$17M</td>
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<tr>
<td>Mass Eye and Ear</td>
<td>$14M</td>
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</tbody>
</table>
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

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

- 134 days
- 6 meetings
- 9 subcommittee meetings