Commonwealth of Massachusetts

Executive Office of Health and Human Services

Public Payer Commission

January 6, 2014

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Meeting Agenda

- Administrative Tasks
- Overview of Commission
- Overview of MassHealth Payments
- Overview of MassHealth Payment Reform
- Next Steps

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Administrative Tasks

- Open Meeting Law
- Conflict of Interest
- Public Records Requirements

Overview of Commission

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Statutory Charge

- Section 270 of Chapter 224 of the Acts of 2012 created the Special Commission to review public payer reimbursement rates and payment systems for health care services and the impact of such rates and payment systems on providers and on health insurance premiums in the Commonwealth.
- The Commission's charge was further amended by Section 153 of Chapter 38 of the Acts of 2013.

Source: Section 270 of Chapter 224 of the Acts of 2012, as amended by Section 153 of Chapter 38 of the Acts of 2013

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Membership

Commissioner	Affiliation	Statutory Criteria
John Polanowicz (Chair)	Secretary, Executive Office of Health and Human Services	Secretary of Health and Human Services
Kristin Thorn	Director, MassHealth	Director of Medicaid
Aron Boros	Executive Director, Center for Health Information and Analysis	Executive Director of the Center for Health Information and Analysis
Tim Gens	Executive Vice President, Massachusetts Hospital Association	Representative of the Massachusetts Hospital Association
Robert Lebow	Physician	Representative of the Massachusetts Medical Society
Scott Plumb	Senior Vice President, Massachusetts Senior Care Association	Representative of the Massachusetts Senior Care Association
Christopher Attaya	Chief Financial Officer, Visiting Nurse Association of Boston	Representative of the Home Care Alliance
Antonia McGuire	Chief Executive Officer, Edward M. Kennedy Community Health Center	Representative of the Massachusetts League of Community Health Centers
Philip Shea	Chief Executive Officer, Community Counseling of Bristol County, Inc.	Representative of the Massachusetts Association for Behavioral Healthcare
Michael Chernew	Professor, Harvard Medical School	Expert in medical payment methodologies from a foundation or academic institution
Sarah Gordon	Vice President of Policy and Legal Affairs, Massachusetts Association of Health Plans	Representative of a managed care organization contracting with MassHealth
Margaret Ackerman	Clinical Director and Director of Education and Research, Commonwealth Care Alliance	A non-physician health care provider
Kate Walsh	President and Chief Executive Officer, Boston Medical Center	Representative of a disproportionate share hospital

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Purpose and Mission

- Section 270 tasks the commission to study and investigate whether public payer rates and rate methodologies provide fair compensation for health care services and promote high-quality, safe, effective, timely, efficient, culturally competent and patient-centered care.
- The commission's analysis shall include, but not be limited to:
  - An examination of MassHealth rates and rate methodologies, including, but not limited to, SPAD and PAPE to disproportionate share hospitals
  - Current and projected federal financing, including Medicare rates
  - Cost-shifting and the interplay between public payer reimbursement rates and health insurance premiums
  - Possible funding sources for increased MassHealth rates including, but not limited to, utilizing increased federal Medicaid assistance percentage funds received under the Patient Protection and Affordable Care Act of 2010, Public Law 111-148, and section 1201 of the Health Care and Education Reconciliation Act of 2010, Public Law 111-152
  - The degree to which public payer rates reflect the actual cost of care

Source: Section 270 of Chapter 224 of the Acts of 2012, as amended by Section 153 of Chapter 38 of the Acts of 2013

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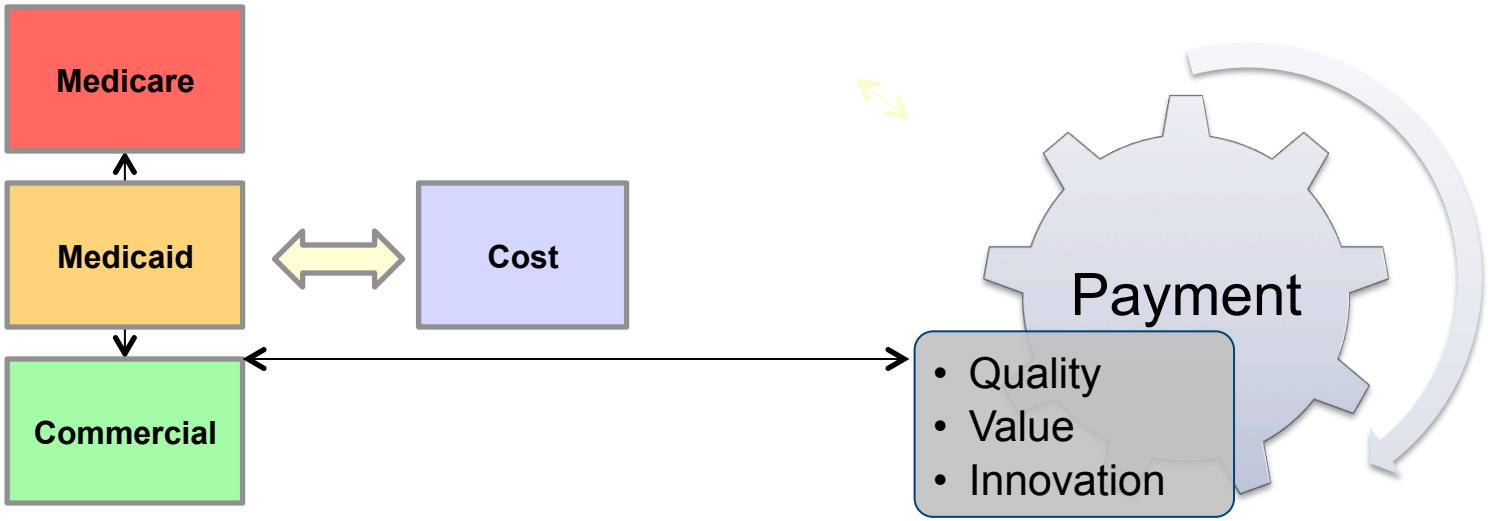
Proposed Approach

- Begin with examination of Medicaid and Medicare rate methodologies
- Select 2-3 areas for detailed analysis, including comparison of payment rates between different payers (Medicare, Medicaid, commercial) and comparison of payment to cost
  - Seek Commission input on selection and selection criteria (e.g. high cost, high cost growth, high volume, or other factor)
- Understand how payment can be used to drive high quality care, value and innovation



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Draft Workplan

January	Overview of Commission Administrative Tasks Introduction to MassHealth Payment
February	MassHealth Payment (Part 2) Prioritization of Areas for Payment/Cost Analysis
March	Overview of Medicare Payment Issues (Dr. Katherine Baicker) Cost-shifting Presentation
April	Overview of Data Sources Used for Cost Analytics Interim Update on Payment/Cost Analysis
May/June	Presentation of Cost/Payment Analysis
June/July	Discuss findings/recommendations Finalize report

Overview of MassHealth Payments

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MassHealth Basics

- Mission Statement
  - To improve the health outcomes of our diverse members, their families and their communities, by providing access to integrated health care services that sustainably promote health, well-being, independence, and quality of life.
- The MassHealth population consists of ~1.4M members, and has unique characteristics and needs
  - ~314,000 (22%) are disabled
  - ~580,000 (41%) are 19 or younger, ~663,000 (47%) are 19-64, and ~163,000 (12%) are 65+
- MassHealth uses its annual budget to pay rates and provide broader programmatic support, consistent both with our commitment to ensuring that our members have access to a broad network of providers and with our broader goal of driving high quality care, value, and innovation
  - In FY12 MassHealth paid $9.3B of claims
- MassHealth lives fall broadly into several programs
  - ~497,000 (35%) receive MassHealth Fee-for-Service coverage
  - ~369,000 (26%) are managed through the MassHealth PCC Plan
  - ~506,000 (36%) are managed by MassHealth's MCO partners
    - An additional ~22,000 (2%) are part of Senior Care Organizations (SCO)
    - An additional ~3,000 (0.2%) are part of Programs for All-inclusive Care for the Elderly (PACE)

Source: MassHealth Budget Office, EOHHS Data Warehouse; Cognos, SFY13

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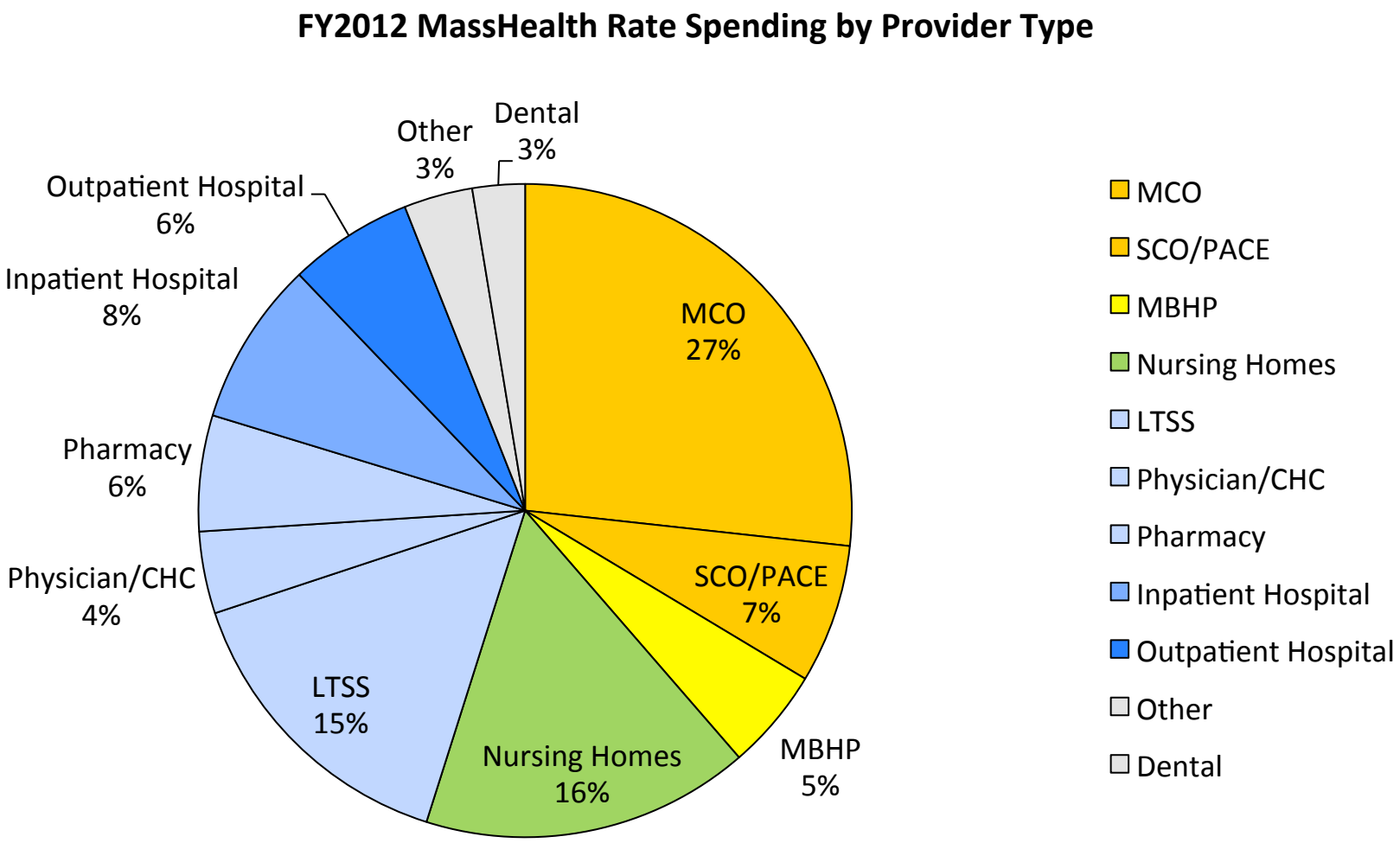
MassHealth Payment Distribution



Source: MassHealth Budget Office, EOHHS Data Warehouse

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MassHealth Payment Distribution

FY2012 MassHealth Rate Spending by Provider Type ($ Millions)

MCO	$2,498.5
SCO/PACE	$642.4
MBHP	$469.8
Nursing Homes	$1,518.7
LTSS	$1,404.7
Physician/CHC	$379.5
Pharmacy	$536.2
Inpatient Hospital	$760.0
Outpatient Hospital	$575.1
Other	$318.3
Dental	$242.6
Total	**$9,345.7**

Source: MassHealth Budget Office, EOHHS Data Warehouse

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Methods of Payment

Type of Service	Method of Payment
MCO/SCO/PACE	*Capitated payments*
Behavioral Health	MBHP/Fee Schedule
Nursing Home	Per-diem
Chronic Disease and Rehab (CDRs)	Per-diem
Long Term Supports and Services (LTSS)	Fee Schedule
Professional (including Primary Care)	Fee Schedule
Pharmacy	Fee Schedule
Acute Inpatient Hospital	Case Rate (SPAD)
Acute Outpatient Hospital	Encounter Rate (PAPE)

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Payment Methodologies 1: the SPAD

Standard Payment Amount per Discharge (SPAD)		
Pays for	**Basis of payment**	**Rate type**
Acute inpatient hospital care	Per Discharge	Hospital-Specific

Inputs

- Hospital reported cost data
- Statewide average payment amount per discharge
- Adjustments include wage area differences, hospital-specific case mix, and operating cost inflation factor
- Hospital-specific malpractice/organ acquisition costs and capital costs, adjusted for case mix and capital inflation
- Other
  - High Public Payer Hospitals
  - Critical Access Hospitals
  - Potentially Preventable Readmissions

Outputs

- Annual RFA
- Hospital-specific rate
- Tied to historical case mix

Distribution of SPADs

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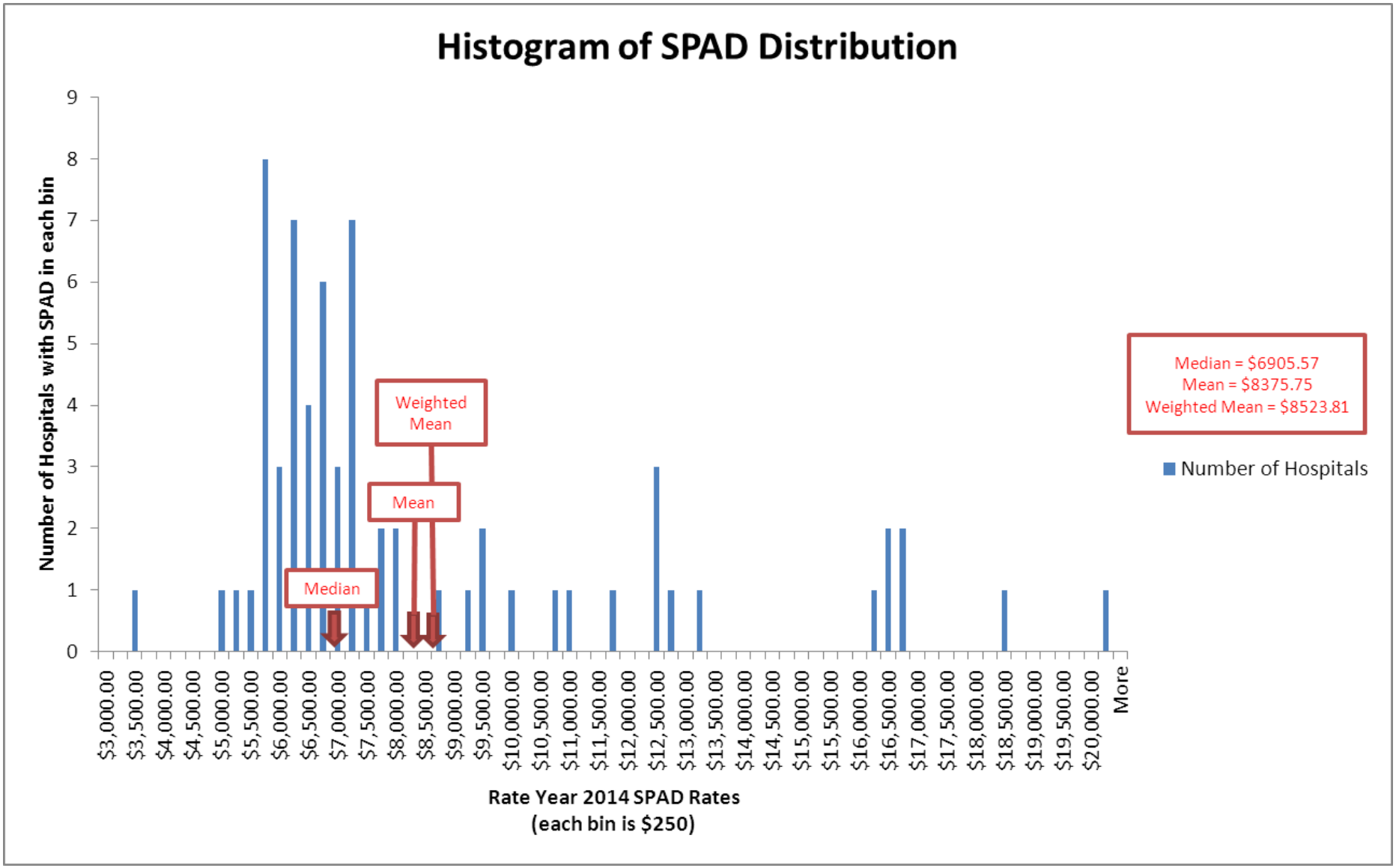

Source: MassHealth internal rate summary, August 16, 2013

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Payment Methodologies 2: the PAPE

Payment Amount per Episode (PAPE)		
Pays for	**Basis of payment**	**Rate type**
Acute outpatient hospital care	Per Episode	Hospital-specific

Inputs

- Hospital-specific Outpatient Case Mix
  - Enhanced Ambulatory Patient Group (EAPG) bundling
  - Conversion Factor
  - Outlier Threshold
- Outpatient Statewide Standard
- Other
  - Critical Access Hospitals

Outputs

- Annual calculation
- Case mix-adjusted hospital rate
- Groups all care into Episodes
- Episode = all care for one member in one calendar day

Distribution of PAPEs

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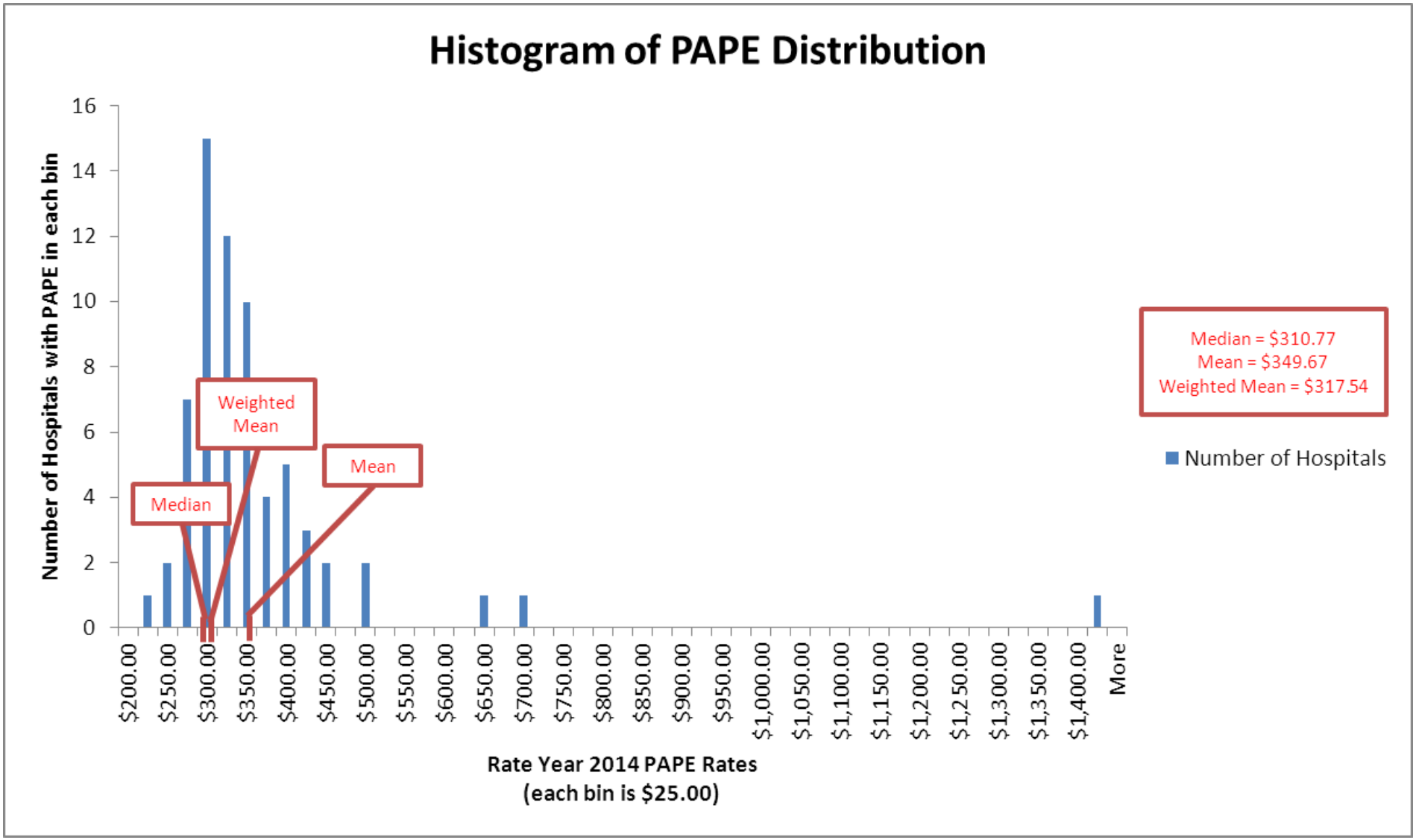

Source: MassHealth internal rate summary, August 16, 2013

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Payment Methodologies 3: MassHealth Fee Schedules

MassHealth Fee-for-Service (FFS) Rates		
Pays for	**Basis of payment**	**Rate type**
Professional physician services	Per procedure	Statewide rate for each procedure

Inputs

- Individual regulations for each provider type
- Cost analysis
- Industry market inputs
- Pharmacy rates are calculated based off of cost indices in accordance with state and federal regulations

Outputs

- Updated in accordance with rate-setting regulatory process
- Cost-based
- Procedure-specific

Overview of MassHealth Payment Reform

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Innovations in Payment Reform: Rationale

- Promote higher quality care for our members and lower costs for the Commonwealth
- Meet legislative requirements. Chapter 224 requires that, to the maximum extent feasible, MassHealth pay for health care using Alternative Payment Methodologies (APMs) for 25 percent of its enrollees not covered by other insurance by July 2013, 50 percent by July 2014, and 80 percent by July 2015
- Respond to feedback from stakeholders, including providers and payers
- Continually learn from best practices in other sectors and other states

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Innovations in Payment Reform

- Strengthening care coordination and integration: Patient Centered Medical Home → Primary Care Payment Reform → Accountable Care Organizations
  - PCMH (April 2011 – March 2014) = medical home payments age-adjusted for each individual member ($2.10 -$7.50) for practice transformation and care management, + shared savings program
  - PCPR (Jan 2014 – December 2016) = capitated (PMPM) primary (and some behavioral) care, additional medical home payment of $12.50 for practice transformation and care management, + TME shared savings program and quality incentive payments
  - ACO (next) = building on PCPR, MassHealth is working towards expanding APMs to ACO entities as a part of our current 1115 Waiver application
- Health Homes
  - State Plan Amendment in development with Department of Mental Health
  - Provider-based provision of enhanced care coordination and integration services for adult and pediatric members with chronic mental health conditions
- SPAD/PAPE transition to Prospective Payment System
  - SPAD (October 2014) and PAPE (October 2015) moving from historic average Case Mix to concurrent acuity measures

Innovations in Payment Reform

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- One Care
  - Integrated, capitated health plan option for dual-eligible members ages 21-64
  - Coverage beginning October 2013; covers ~90,000 eligible members
- Money Follows the Person
  - Collection of community-based programs designed to keep people in their homes and out of institutional care
- Senior Care Organization (SCO) and Program for All-inclusive Care for the Elderly (PACE)
  - Managed Care Entities that prioritize community-first approaches to meeting members' functional and care needs
- Health Information Exchange (HIE)
  - MassHealth provider-facing infrastructure for EMR inter-connectivity
- Delivery System Transformation Initiative (DSTI)
  - Incentive payments to qualified hospitals for initiatives designed to improve care and facilitate transition to APMs with specific performance criteria required to receive payment
  - In FY13, provided $209M to 7 hospitals
- Infrastructure Capacity Building grants (2007 – current)
  - Competitive grant program for hospitals and CHCs to promote best practices and assess readiness for cost containment and quality improvement initiatives
  - In FY13, provided $14.5M to 57 hospitals and CHCs, typically in grants of 6 months to a year

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Next Steps

- Discussion of Commission goals and approach
- Next meetings:

February 5, 2014
1-2:30 PM
One Ashburton, 21st Floor

March 4, 2014
1-2:30 PM
Location TBD