manatt

The Next Generation of State Healthcare Cost Benchmarking

National Association of Health Data Organizations

35th Annual Conference

August 25, 2020 | 4:00 – 5:00 p.m.

Speakers

Joel Ario

Managing Director
Manatt Health Strategies

JArio@manatt.com

Kevin McAvey

Senior Manager
Manatt Health Strategies

KMcAvey@manatt.com

Robert Wood Johnson Foundation

This white paper and presentation were made possible through generous support from the Robert Wood Johnson Foundation.

Agenda

- Benchmarking: A Pathway to Transparency and Cost Control
- Key Considerations for Benchmarking Programs
- Question and Answer

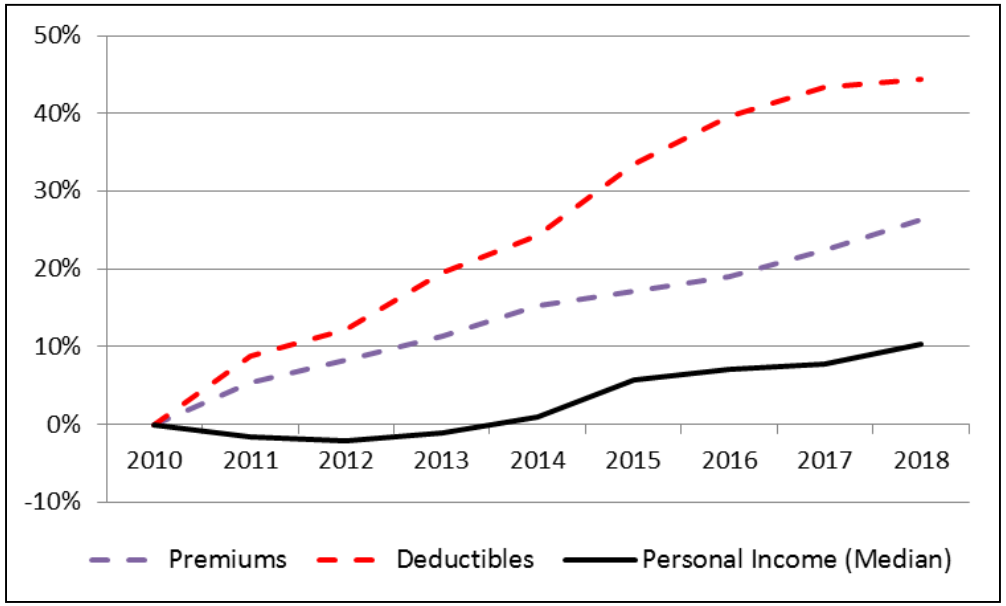
Benchmarking:
A Pathway to Transparency and Cost Control

Attention Shifting From Access to Affordability

State policymakers are increasingly focused on healthcare costs as affordability concerns slow coverage gains.

- Healthcare affordability is an increasingly prominent concern as premiums and consumer cost sharing continue to rise.
- Premiums are growing more than twice as fast as income; deductibles are growing more than four times as fast as income.
- Coverage does not guarantee access, as high deductibles impact care decisions.
- States are also seeing spending priorities "crowded out" by increasing Medicaid and state employee healthcare costs.

U.S. Healthcare Cost Growth vs. Income Growth (2010-18)



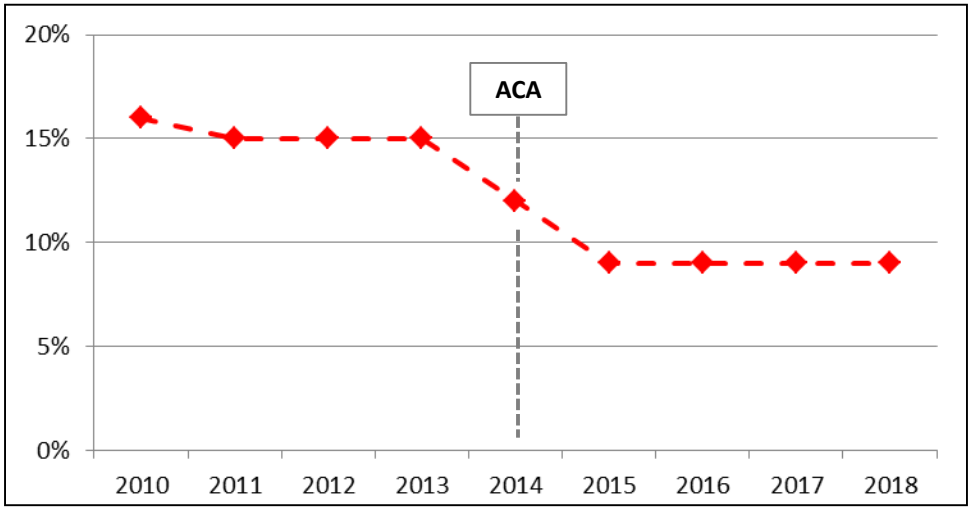
Sources: AHRQ Medical Expenditure Panel Survey – Insurance Component data for private-sector employees and individual plan premiums/deductibles; Federal Reserve Economic Data, Economic Research Division, Federal Reserve Bank of St. Louis data for real median personal income

Federal Gridlock Shifts Attention to States

States made major coverage gains under the Affordable Care Act, but federal leadership has been lacking when it comes to cost control.

- Many states cut their uninsured populations in half with Medicaid expansion and ACA subsidies, but those gains have leveled off in recent years.
- Federal cost control initiatives have been limited, though some payment reform models show promise.
- Congressional efforts to address drug, hospital and other cost drivers have faced legislative gridlock.

U.S. Uninsurance Rate (2010-18)



Sources: Kaiser Family Foundation estimates based on the Census Bureau's American Community Survey, 2008-18

- States are the most promising arena for innovation.

States Advancing Models to Address Cost Drivers

Targeted Cost Control

Hospital Pricing

Transparency beyond list prices, limits on surprise bills, price caps through reference pricing

Drug Pricing

Transparency across distribution system (e.g., Pharmacy Benefit Managers), purchasing pools, restraints on large price increases

All-Payer Claims Databases (APCDs)

Data collection to identify cost variation and address cost outliers

Systemic Cost Control

Antitrust Enforcement

Limits on mergers and anti-competitive contracting practices

Hospital Rate-Setting

Maryland established rate-setting commission, which has been operating since 1971

Medicaid Buy-In/Public Option

Leveraging public infrastructure and bargaining power to make coverage more affordable

Cost Growth Benchmarking

Massachusetts established benchmarking program in 2012

In July 2019, Manatt published a toolkit to help insurance regulators understand the wide range of transparency and competition strategies available to them, including new and evolving strategies.

Cost Growth Benchmarking

Benchmarking programs can be established through legislation or executive action, or some combination of the two.

Massachusetts

- Path-breaking law enacted in 2012
- High-cost environment
- Benchmark started at 3.6%, now 3.1%
- Oversight by policy agency and data agency
- Robust annual process with data reports, hearings, and policy recommendations
- Performance improvement plans

Rhode Island

- Affordability standards back to 2010
- History of state/payer/provider collaboration
- Executive order in 2019 with public/private leadership on steering committee
- Benchmark starting at 3.2%
- Payer reporting on spending for first two years, then testing whether it can leverage state APCD

Delaware

- Legislative resolution in 2017
- Executive order in 2018, with oversight by Health Care Commission
- Benchmark starting at 3.8%, goal of 3.0%
- Payer reporting on spending and quality
- Quality benchmarks to monitor population health targets

Oregon

- Medicaid 3.4% benchmark back to 2012
- Task force recommended benchmark expansion rather than rate setting
- 2019 law with MA-style annual process
- Builds on APCD and hospital/drug transparency
- Considering payer and provider reporting
- Enforcement plan deferred to 2021 legislature

Key Considerations for Benchmarking Programs

Benchmarking programs can be customized to address state differences in market competitiveness and regulatory philosophy.

- **Market landscape:** Payer and provider markets vary significantly by state, creating different data reporting priorities.
- **State resources:** Benchmarking programs are adaptable to state resources for data collection, report writing, and stakeholder engagement.
- **Governance:** States have different traditions and philosophies of how programs should be governed, though benchmarking lends itself to use of stakeholder boards.
- **Data collection:** Measuring spending requires public and private payer data; states may want to phase-in data collection and be judicious about data segmentation.
- **Supplemental data collection:** Supplemental reports from payers, providers, and others may provide context and depth to spending data; consumer cost sharing burdens are emerging area of interest.
- **Public process:** Benchmarking programs derive much of their leverage from high-profile data reports and processes to engage payers and providers in addressing leading cost drivers across market segments.
- **Enforcement:** Benchmarking programs are primarily a soft path to cost containment, but states may choose to develop specific enforcement tools to enhance accountability.

Key Considerations for Benchmarking Programs

Resources Needed for a Successful Benchmarking Program

Benchmarking programs do not require significant new investments, but do require broad buy-in for creating a transparent and accountable healthcare system.

- ***Regulatory authority*** to collect key data from payers and providers
- ***Broad buy-in*** for creating a culture of transparency and accountability in the state's healthcare system
- ***Strong, respectful partnerships*** between data submitters and collectors
- ***Insulated reporting infrastructure*** to protect the integrity of the benchmarking process from political influence and allow for the model to evolve to meet new state priorities
- ***Dedicated staff and analytic capacity*** to support data collection, report drafting, and stakeholder engagement
- ***Clear processes*** that align government leaders, stakeholders, and the public on key cost drivers and potential solutions

Is your state interested in pursuing a cost growth benchmarking program?

What existing agencies, collaboratives, and authorities could you build-on?

Key Considerations for Program Implementation

State policymakers should consider key questions when developing their benchmarking programs.

- What ***goals*** is the state hoping to achieve through benchmarking?
- What ***types of data*** does the state need to capture about critical cost centers and cost drivers to meet those goals?
- How can benchmarking data be used ***within an ecosystem of healthcare data assets*** (e.g., APCDs, discharge data) to promote transparency, accountability, and inform action?
- How can the state build upon existing ***data collection and reporting processes*** to establish a benchmarking program?
- How can states use a ***benchmarking program to centralize*** existing data collection and reporting, ***and strengthen connections between existing efforts*** to improve the health system?
- How can states ***use the reporting process to focus attention and force action*** around key healthcare issues, helping to align government leaders, stakeholders, and the public on issues and solutions?

The Future of Benchmarking

Benchmarking programs are evolving to match new state priorities.

- ***Expanding the scope of benchmark data collection***
  - Consumer total out-of-pocket spending trends, including cost sharing by service category
  - Pharmaceutical costs, including rebates, coupons, and other incentives impacting net cost
  - Provider-perspective costs and cost drivers (i.e., "360-degree reporting")
- ***Encouraging data collection standardization***
- ***Assessing spending in context of where dollars are coming from and going to***
  - Consumer (and employer) cost burden
  - State cost burden
  - Spending trends on healthcare priorities (e.g., primary care, behavioral healthcare)
- ***Translating goals into new benchmarks to incent new payer/provider behavior***
  - Service-specific cost growth ceilings or floors
- ***Strengthening enforcement mechanisms*** to ensure benchmark-implicated organizations are reducing costs (and passing savings on to consumers/purchasers)
- ***Serving as a convening mechanism*** for broad and specific policy and program reform efforts

Questions?

Thank You!

Joel Ario
Managing Director,
Manatt Health Strategies, LLC
JArio@manatt.com

Kevin McAvey
Senior Manager,
Manatt Health Strategies, LLC
KMcAvey@manatt.com