

## **Health Care Quality Improvement and Cost Reduction Act of 2012**

Soaring health care costs are a major problem in Massachusetts. The Commonwealth leads the nation in health insurance coverage – but also medical spending. Health insurance premiums for a family average over \$15,000 annually. These extraordinary costs pose problems for employers, who may move to other states because of high medical spending; for patients, who forgo needed care when they cannot afford their medical bills; and for consumers, who are seeing health care costs crowd out investment in every other government program and service.

This legislation would address these unsustainable costs by improving the quality of care that people receive. Every doctor and patient knows that we can spend less and get more. By putting in place common-sense policies to improve the care that people receive, we will avoid the spending that comes from waste, duplication, and administrative complexity.

This bill reflects the views of individual patients, consumer groups, payers, and providers. All of these groups stressed common themes. These themes are the centerpiece of this bill.

### **Putting patients in charge**

The health care system will only work well when patients are in charge of the care they receive. This bill will strengthen the role of the patient in several ways:

1. **Making health care more transparent.** One of the central goals of the legislation is to improve patients' and providers' knowledge of the cost and quality of health care services so that they can make more informed and cost-efficient decisions when planning their care. The bill supports the transparency of health care prices and quality by: providing consumers, via the web, individually-tailored cost-sharing and detailed quality information, categorized by medical procedure, individual provider and payer; and disclosing to providers the cost and quality of health care services and patient-specific data so doctors can better address the unique needs of their patients.

2. Improving prevention and encouraging wellness. Prevention and wellness save lives, and money. The bill has numerous measures to increase access to preventive care. These include: establishing patient-centered medical homes, which will provide patients with a single point of coordination for all of their health care needs; integrating medical and behavioral health care; and encouraging active participation by patients and their families in health care decisions. Under the bill, health plans will be encouraged to reduce premiums for patients who demonstrate a commitment to wellness and adherence to their doctors' advice.

3. Bringing information technology to health care. By 2017, all patients will have secure interoperable electronic medical records that will allow for electronic exchange of health records among all providers in the Commonwealth. The records will be under the control of the patient. In addition, the bill creates an Infrastructure Improvement Trust Fund to provide financial support to providers to develop their electronic health records systems.

4. Introducing 'smart tiering'. Tiered health products have played a key role in moderating the rise of health care rates over the last few years, by encouraging patients to seek care with lower-cost providers. One downside of such products, however, is that they treat all services within a hospital as having the same cost and quality. This can make certain hospitals' services unaffordable for some patients, even if that hospital is the sole provider of a service. Smart Tiering programs will make these services more affordable to patients by allowing payers to tier by service rather than by facility, and creating reasonable cost-sharing for more expensive unique services.

5. Encouraging primary care. To provide better primary care, we need more primary care providers. The bill does this by providing loan forgiveness grants to primary care providers practicing in underserved or rural areas, and funding residencies in primary care settings to encourage new physicians to join the primary care field. To prepare health care workers for changes in the industry, the bill funds employment training, placement, and career ladder services for employed and displaced health care professionals.

## **Changing the Inflationary Payment System**

Our current medical care system rewards expensive care, and punishes doctors who practice high quality but less expensive care. For example, the Medicare program rewards transplanting kidneys, but not preventing the diabetes that leads to kidney failure. As a result, doctors throughout the Commonwealth complain that they spend their time figuring out how to get paid appropriately, not practicing the best care. The bill will address this in several ways.

1. Transitioning to alternative payment methodologies. The bill will initially encourage and then require the industry to adopt alternative payment methodologies such as global payments and bundled payments for acute and chronic conditions. These payment methodologies were recommended by the Special Commission on the Health Care Payment System in 2009 and are the basis for the successful payment initiatives at Blue Cross/Blue Shield of Massachusetts, Tufts Health Plan, and Harvard Pilgrim Health Care.
2. Reforming medical malpractice. Medical malpractice and defensive medicine account for more than \$1 billion a year in spending in the Commonwealth. This legislation would implement the University of Michigan Health System's Disclosure, Apology and Offer program, which resulted in a decrease of litigation costs and a reduction of malpractice claims. Under the bill, providers will now be able to freely offer an apology to patients, allowing physicians to practice without fear of litigation and focus on quality improvement. Patients will be able to receive rapid compensation without lengthy trials. The legislation requires that only board certified physicians can testify in medical trials and creates a 180-day cooling off period during which both sides exchange information and begin to negotiate a settlement before any lawsuit process formally begins.
3. Simplifying administrative processes. Burdensome paperwork drives higher health care costs. The bill includes provisions to simplify administrative procedures so that providers can spend more time with their patients and less time deciphering multiple insurance forms. This legislation will standardize prior authorization forms, which will be available and submitted electronically so that providers will use only one form for all payers; expedite and simplify determinations of a patient's health plan eligibility so that a determination can readily be made at

or prior to the time of service; and simplify and streamline state health care data reporting requirements.

### **Addressing Payment Imbalances**

In 2010, the Attorney General reported on the extreme price variations among hospitals for similar services. That report concluded that the price of a health care service does not necessarily correlate with the quality of that service. To incentivize providers to bring their costs within a reasonable range, the bill will assess hospitals that have prices that are more than 20% above the state median price for that service which cannot be explained by higher quality. These assessments will in turn be used to support hospitals that serve the poorest and most vulnerable members of our society.

The bill also includes several provisions to improve the operation of the Medicaid program and more adequately reimburse providers for treating low-income patients. These include increasing MassHealth rates paid to providers while ensuring greater rate stability and predictability, and ensuring that MassHealth and Commonwealth Care enrollees remain enrolled in their plans for a full year in order to improve efficiency in these programs.

### **Locking in savings**

It is not enough to make these changes and hope for savings. We must guarantee that businesses, families, and state and local governments can afford the medical system. For the first time, this bill locks in cost certainty. It requires that medical costs will grow less rapidly than gross state product. That way, consumer burdens will not increase faster than incomes, and salary and wage raises will not go entirely to health care.

### **Reduced bureaucracy**

State government has too many boards, commissions, and agencies trying to help health care, but that are really just making the system more complicated. As part of the legislation, the bill will consolidate Massachusetts' health care state agencies into a single quasi-governmental Division of Health Care Cost and Quality. The division will be run by a board consisting of consumer, government and industry representatives.

## **Implications**

Overall, the bill guarantees significant savings to families. Under this bill, family premiums will fall by nearly \$2,000 compared to forecasts in the next five years. The savings to our economy will be over \$160 billion in the first 15 years.