

Health Care Quality Improvement and Cost Reduction Act of 2012

Similar to the rest of the country, the Commonwealth faces the challenge of soaring costs in health care. This problem poses issues for employers who face the choice of providing affordable care for their employees or hiring new workers; for patients who forgo needed care when they can't afford their medical bills; and for state officials facing difficult cost-cutting decisions when crafting the state budget as health care encompasses nearly 50% of the budget. This legislation will address these unsustainable costs while allowing our health care industry to continue providing world-class health care. Conversations between consumers, government, payers and providers have resulted in the crafting of this legislation. The bill addresses the following areas of focus:

Division of Health Care Cost and Quality

To further the evolution of the Massachusetts health care delivery and payment system, the bill will create an independent quasi-governmental agency named the Division of Health Care Cost and Quality:

- The bill will consolidate into the Division several state agencies that are involved in health care.
- Governing the system will be a board consisting of consumer, government and industry representatives.

Transparency

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, detailed comparative price and quality information, categorized by medical procedure, individual provider and payer.
- Disclosing to providers the cost and quality of health care services and patient-specific data so that doctors can better address the unique needs of their patients and help reduce the overall cost of the health care system.
- Disclosing out-of-pocket costs to patients so they know up-front what they will be expected to pay for a service under their health plan.

Patient Centered Medical Homes (PCMH)

When doctors don't communicate with each other patient care can become fragmented, leading to duplicative medical tests and procedures, an incomplete understanding of a patient's medical condition, conflicting treatment recommendations, and possible dangerous medication interactions. The bill seeks to reduce this fragmentation by establishing patient-centered medical homes, providing a patient with a single point of coordination for all their health care needs. The bill supports care coordination by:

- Allowing certain primary care, behavioral health, and specialty care providers to be certified and reimbursed as patient-centered medical homes.
- Integrating medical and behavioral health care within the medical home.
- Providing patients with a team of providers to manage and improve the patient's health.
- Encouraging active participation by the patient and their family in making health care decisions.

Accountable Care Organizations (ACO)

An accountable care organization further supports care coordination through a formal structure. This structure will include a leadership team to ensure that patients receive all the types of care necessary to keep them healthy, both physically and mentally. An ACO will have the resources to take on financial risk and the ability to share savings with its providers. Patients and providers will be able to voluntarily join an ACO. The bill will:

- Establish limits on ACO patient panel size to reduce risk and protect against excessive market power.
- Ensure that ACO providers will be responsible for helping patients make decisions on their health care needs, including long-term care and supports like home care, nursing home care, and palliative care.

Alternative Payment Methodologies

The fee-for-service reimbursement system is known to promote quantity rather than quality care. Under the bill, providers will be rewarded based on keeping their patients healthy, not for the number of tests and procedures they order: This is accomplished by:

- Transitioning the industry to adopt alternative payment methodologies such as global payments and bundled payments for acute and chronic conditions.

Consumer Protection

In recognition that there will be significant changes to the health care system, the bill provides consumers with new protections. To safeguard patients, the bill:

- Gives patients the right to appeal medical decisions made by their ACO doctors with an internal and external appeals process.
- Gives patients the right to receive a second opinion from any provider.

Health Information Technology (HIT)

A central tool in improving communication amongst providers is the use of electronic health records. The bill promotes HIT by:

- Requiring the implementation of a fully interoperable health information exchange by 2017 that will allow for the secure electronic exchange of health records among all providers in the Commonwealth.

- Creating an Infrastructure Improvement Trust Fund to provide financial support to providers to develop their electronic health records systems.

Health Care Cost Growth Targets

The bill reduces medical spending by:

- Setting a target for health care spending to grow no faster than the gross state product, which measures the state's economic growth.
- Allowing consumers to spend out-of-pocket, or through supplemental insurance, for any service or procedure they deem appropriate. Nothing in this legislation rations peoples' access to medical care.

Price Variation

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 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% of the state median price for that service which cannot be explained by higher quality. These assessments will support hospitals that serve the poorest and most vulnerable members of our society.

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 it ignores the cost and quality of individual services by rating the institution as a whole. This can make certain hospitals' services unaffordable for some patients as they are expected to pay more out-of-pocket for seeking care at a higher-tiered hospital. Smart Tiering programs will make these services more affordable to patients by:

- Allowing payers to tier by service rather than by facility.
- Allowing patients to pay reasonable cost-sharing for more expensive unique services.

Medical Malpractice Reform

Medical malpractice and defensive medicine account for slightly more than \$1 billion a year in the Commonwealth. This legislation will 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. This section will model Michigan by:

- Creating a 180-day cooling off period during which injured patients will provide a notice of intent to sue while both sides exchange information and begin to negotiate a settlement.
- Allowing providers to freely offer an apology to a patient.

Workforce Development

As we move forward with payment reform there will be new health care jobs that replace others. With this reality in mind, the bill aims to maintain a fully-employed and well-trained health care workforce. The legislation also addresses the need for more primary care providers in the state, especially in light of their vital role as coordinators of care under the new system. The bill supports health care workforce development by:

- Funding employment training, placement, and career ladder services for employed and out-of-work health care professionals seeking new positions within the health care industry.
- Providing loan forgiveness grants to primary care providers practicing in underserved or rural areas.
- Funding residencies in primary care settings to encourage new physicians to join the primary care field.

Medicaid

The bill includes several provisions to improve the operation of the Medicaid program and more adequately reimburse providers for treating low-income patients. This includes:

- Increasing MassHealth rates paid to providers while ensuring greater rate stability and predictability and encouraging the use of alternative payment methods.
- Conducting a phased transition to use ACOs and PCMHs by Medicaid with an aim of 75% of its enrollees participating in such organizations by January 1, 2015.
- Ensuring that MassHealth and Commonwealth Care enrollees remain enrolled in their plans for a least a full year in order to improve efficiency in these programs.

Administrative Simplification

One contribution to health care costs is the burdensome amount of paperwork involved in running a practice. The bill includes provisions to simplify certain administrative procedures so that providers can spend more time with their patients and less time deciphering multiple insurance forms, including:

- Standardizing prior authorization forms, which would be available and submitted electronically, so that providers would use only one form for all payers.
- Expediting and simplifying determinations of a patient's health plan eligibility so that a determination can readily be made at or prior to the time of service.
- Simplifying and streamlining state health care data reporting requirements.