The Massachusetts Story
Massachusetts First State To Pass Universal Coverage Legislation

Commonwealth Has Long History of Expanding Coverage and Regulating Health Spending
Private Insurance Payments Used To Pay For Lower Government Payments

Hospital Payment-to-Cost Ratios

Medicare | Medicaid(1) | Private Payer

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2005, for community hospitals.
(1) Includes Medicaid Disproportionate Share payments.
Private Sector (Insurers and Providers) Join Government Efforts to Reform Health System
Expanded Activity In Private Insurance Market

- Following limits on Premium Increase (Could Be Below Underlying Health Service Trend)
  - Insurers Restructure and Toughen Payment Models
  - Introduce Limited and Tiered Network Plans
  - Increase in High Deductible Plans
Major Healthcare Providers Promote Reform Delivery System Changes
But---Letting Private Market (Commercial Insurers and Individual Providers) Set Rates Can Lead to Significant Differences in Payment Amounts Are They Justified?
Relative 2008 BCBSMA Hospital Payment Rates

Source: BCBSMA data submitted to the attorney general. Red = teaching hospitals.
Massachusetts Legislature Passes Compromise Cost Containment Legislation

(August of 2012)

Includes Many Pieces
Spending & Delivery Reform Oversight

Health Policy Commission*
(11-member board)

Distressed Hospital Fund
$135M

Executive Director and Staff

Payment Reform Fund
$11.5M

Center for Healthcare Information and Analysis

* In EOHS but not subject to EOHS control. Exempt from state civil service requirements and pay scales.
Health Policy Commission Oversight

- Appropriateness of targets
- Total spending relative to targets
- Individual provider performance
  - Corrective action plans
  - Cost and market impact review
  - Penalize Providers Who Fail to Reform System
  - Refer Providers Who Use Market Power To Raise Rates to Attorney General
• Hold annual public hearings
• Certify ACO and PCMH
• Assist in review of risk-based provider organizations
• Establish patient protections and quality oversight
Massachusetts Statewide Heath Care Spending Targets (All Payer)

$25.0

$50.0

$75.0

$100.0

$125.0


Projected Budget Cap

6.2%/yr 3.6%/yr 5.9%/yr 3.1%/yr

Savings 2013 – 2023
$117 billion

Source: Author’s calculation based on historical state spending estimates and projected national health spending growth from the CMS Office of the Actuary and targets set forth in Chapter 224.
Commission and Other Components of Law Can Assist System To Reform

Ultimate Responsibility Still Within Private Sector!
Suppose It Doesn’t?
What’s Next?