

State Strategies for Health Cost Growth Containment

MT's MARA Legislative Committee

Maureen Hensley-Quinn, Senior Program Director, NASHP

May 3, 2022



About NASHP

- A national, nonpartisan organization committed to developing and advancing state health policy innovations and solutions to improve the health and well-being of all people.
- NASHP provides a unique forum for the productive exchange of strategies across state government, including the executive and legislative branches.
- To accomplish our mission, we:
 - **Advance** innovation in developing new policies and programs
 - **Surface** and support implementation and spread of best practices
 - **Ensure** availability of info, data, tools
 - **Encourage** sustainable cross sector solutions by strengthening partnerships
 - **Elevate** the state perspective

What Can States Do to Address High Provider Costs?

Policy Approach	Tools
Gather data	<ul style="list-style-type: none"> • All payer claims databases • Enhanced hospital financial reporting and hospital cost tool • Understanding community spend
Active state purchasing	<ul style="list-style-type: none"> • Reference-based pricing state employee health plans
Mitigate consolidation and abuses of market power	<ul style="list-style-type: none"> • Pre-transaction review and approval of proposed transactions • Banning anti-competitive contract terms between providers and physicians
Oversee hospital cost growth	<ul style="list-style-type: none"> • Health care cost growth benchmarks
Limit hospital rates	<ul style="list-style-type: none"> • Health insurance rate review – affordability standards • Limit outpatient facility fees • Public option • Establish maximum payment limits for out-of-network services • All-payer model, global budgets

Gather Data

- Use a state [all-payer claims database](#) (APCD) to gather data on hospital prices, variation, market trends
- Enhanced [hospital financial reporting](#) and analysis
- [NASHP Resources](#):
 - [Model Legislation to Ensure Financial Transparency](#) in Hospitals and Health Care Systems
 - Hospital Financial Transparency [Reporting Template](#)
 - [Hospital Cost Tool](#) - uses data from a hospital's annual Medicare cost report to analyze to what extent its payments cover its reported patient care costs

Active State Purchasing

- Use **reference-based pricing** for public employee health plans.
- Reference-based pricing limits hospital prices to a multiple of what Medicare pays (as opposed to negotiating discounts from hospital charges).
- **NASHP Resources:**
 - [Independent report](#) found that Montana's use of reference-based pricing saved \$47.8 million from 2017-2019 and significantly reduced inpatient and outpatient prices.
 - Reference-based pricing [resources](#) from implementation in six states

Mitigate Consolidation and Abuses of Market Power

- Require [pre-transaction notice, review, and approval](#)
- Bar use of [anticompetitive contracting terms in contracts between health systems and plans](#) (all-or-nothing contracts, anti-tiering or anti-steering, most-favored nations, or gag clauses)
- [NASHP Resources](#):
 - [Model law](#) and [overview](#) on health care merger and transaction review
 - [Model law](#) and [policy brief](#) to prohibit anticompetitive contracting between providers and health plans

Oversee Hospital Cost Growth

- Implement a **health care cost growth benchmark**
- A cost-containment strategy that limits how much a state's health care spending can grow each year. Pioneered by Massachusetts in 2012, states have added quality and outcome measures and have expanded to non-hospital settings
- **NASHP Resource:**
 - [Overview of states' cost growth benchmark programs](#)

Limit Hospital Rates

- Use **health insurance rate review authority** to implement health care affordability standards
 - **NASHP [Toolkit](#)**, including model law and regulations
- Limit **outpatient facility fees** that result from vertical consolidation
 - **NASHP resource: [Model law to prohibit unwarranted outpatient facility fees](#)**
- Establish **maximum payment limits** for out of network services
 - NASHP working on a model policy now – available soon

Limit Hospital Rates Continued

- Pursue a **public option**
 - WA implemented Cascade Care; NV enacted law to establish a public option
 - CO similar approach mandates reduction in spend or standard plans
 - NASHP [chart](#) including overview of cost-containment in state public options
- **All-payer/multi-payer models** – reduce admin complexity, gain efficiency
 - Increase purchasing power by aligning efforts across public and private plans
- **Global budgets** – MD model +
 - Goal = population-based payment model focused on health outcomes; not FFS

Infrastructure Needed for All Strategies

- What agency or office will...
 - Analyze data to understand and identify trends?
 - Provide oversight to ensure data analytics, federal and state laws are considered/leveraged in policy development and implementation?
 - Responsibly enforce laws and policies intended to contain costs?



nashp.org



State options to bolster health cost oversight

- Enhance authority and invest in existing office/agency
 - Insurance Commission/Department
 - Department of Public Health/ Certificate of Need (CON) Program
 - Attorney General's Office
- Establish new office/commission/agency/program
 - Central program for data analytics – APCD
 - Central health policy/reform office – dedicated professional workforce focused on health costs – to include to work with data analytics experts
- Establish funding mechanism using fees from stakeholders

Thank you!

Resources:

[NASHP Health System Costs Center](#)

[NASHP Hospital Cost Tool](#)

[NASHP Model Legislation & Resources](#)



NATIONAL ACADEMY
FOR STATE HEALTH POLICY

nashp.org



@NASHPhealth



@NASHP