State Strategies for Health Cost Growth Containment

MT’s MARA Legislative Committee

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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?

<table>
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<th>Policy Approach</th>
<th>Tools</th>
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| Gather data                                  | • All payer claims databases  
• Enhanced hospital financial reporting and hospital cost tool  
• Understanding community spend                                                                                                     |
| Active state purchasing                      | • Reference-based pricing state employee health plans                                                                                   |
| Mitigate consolidation and abuses of market power | • Pre-transaction review and approval of proposed transactions  
• Banning anti-competitive contract terms between providers and physicians                                                              |
| Oversee hospital cost growth                 | • Health care cost growth benchmarks                                                                                                  |
| Limit hospital rates                         | • 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?
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