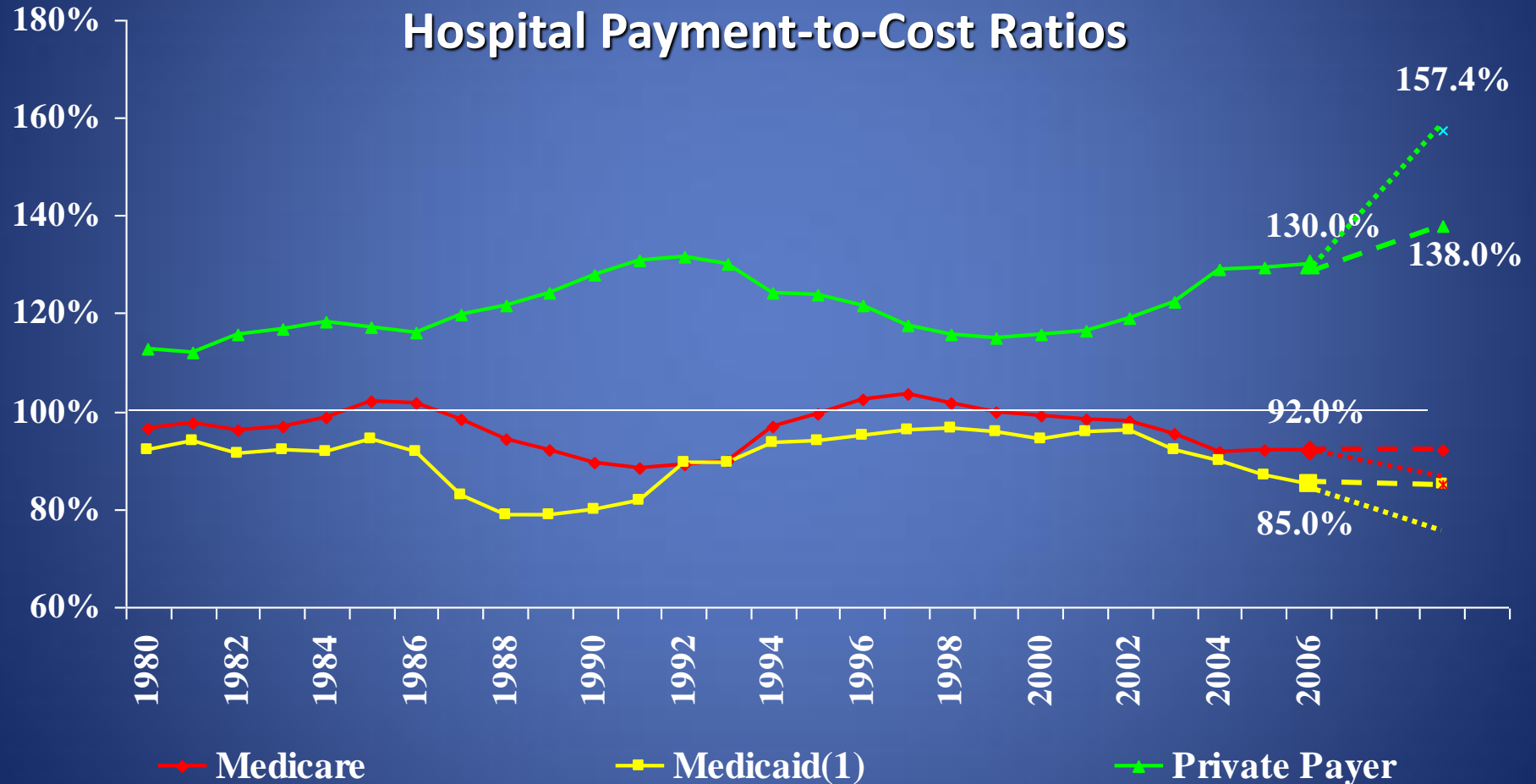


# The Massachusetts Story

# 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



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

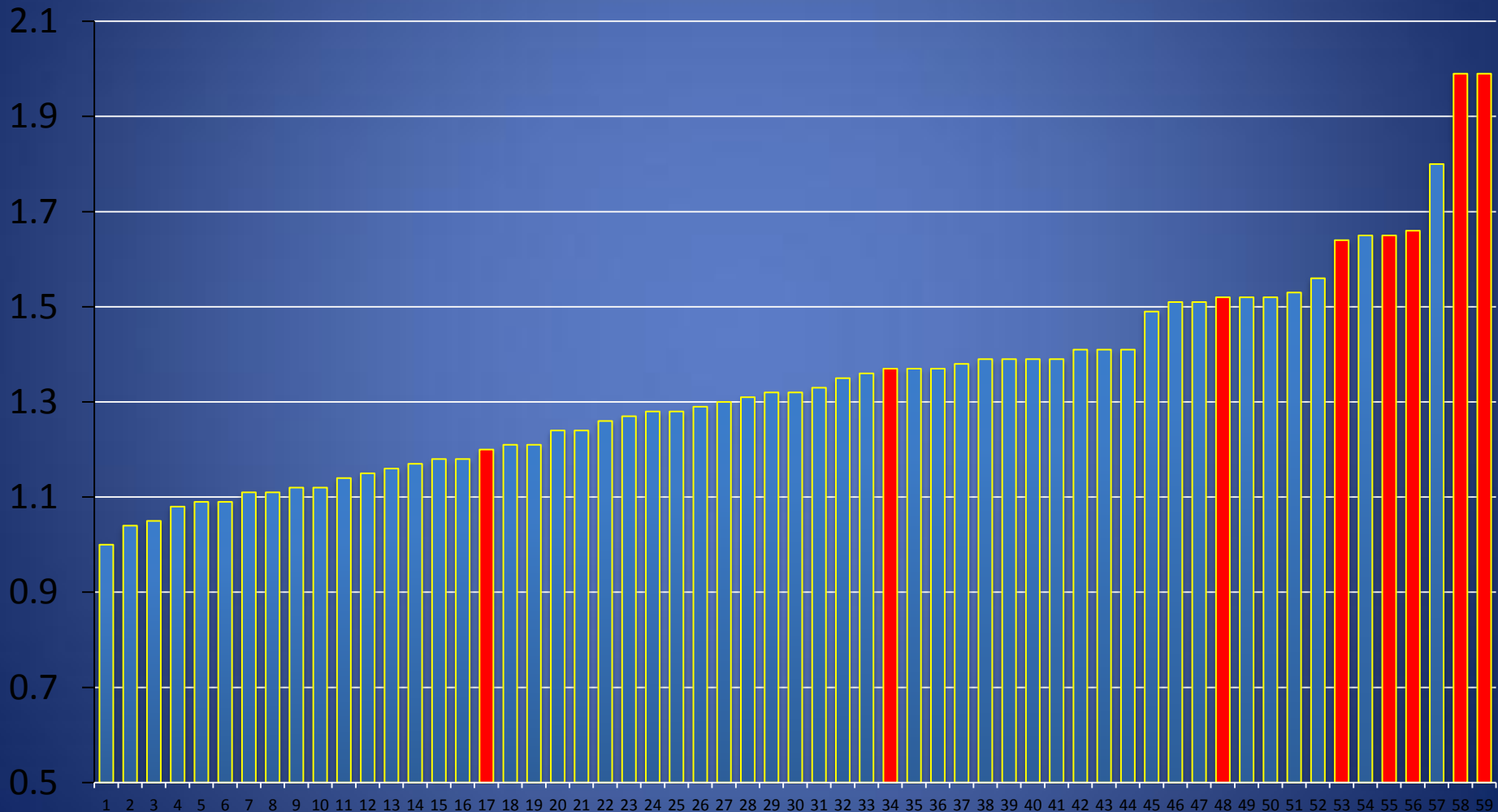
- **Following limits on Premium Increase**  
*(Could Be Below Underlying Health Service Trend)*
  - *Insurers Restructure and Toughen Payment Models*
  - *Introduce Limited and Tiered Network Plans*
  - *Increase in High Deductible Plans*

**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.

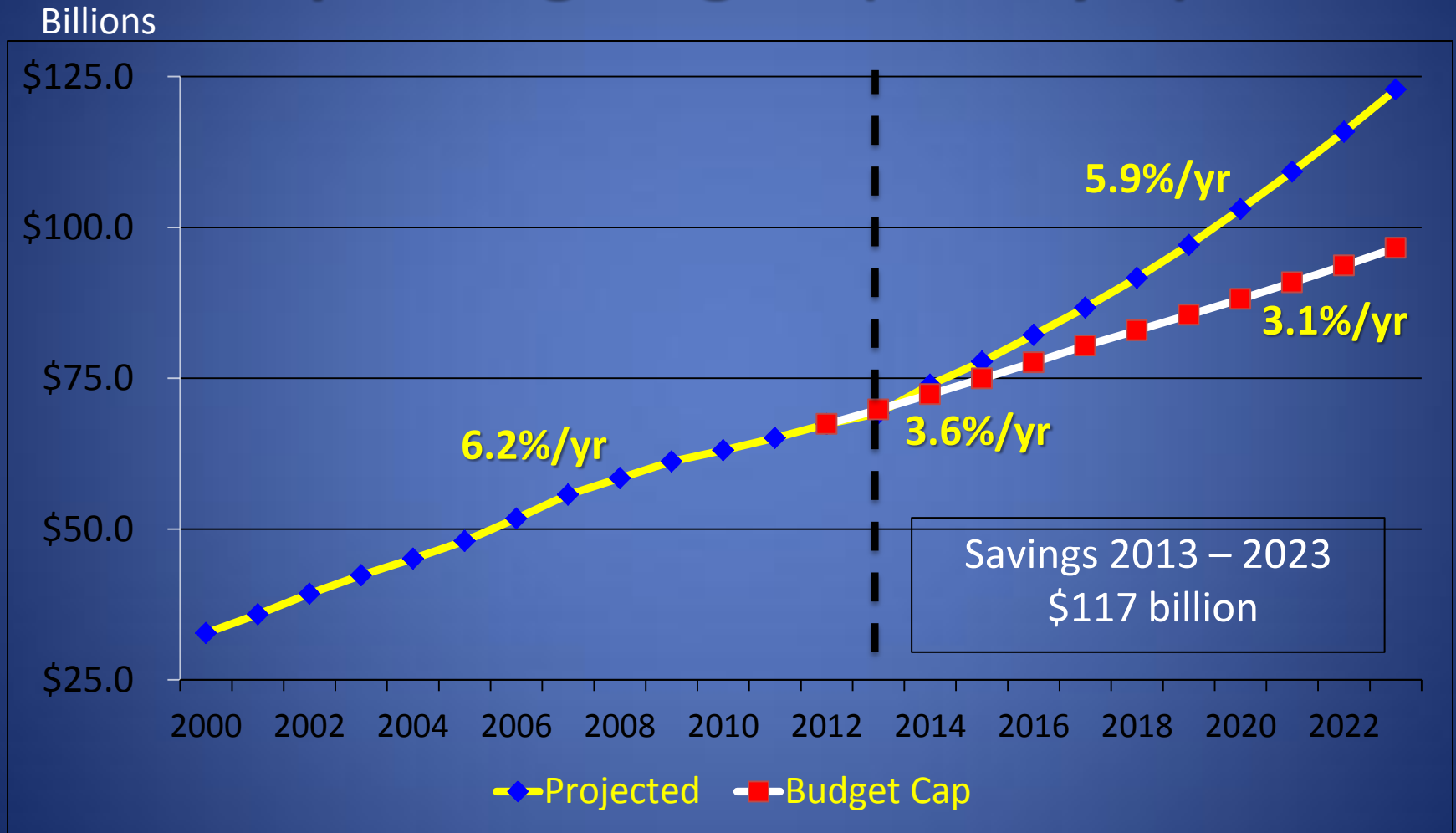
# Health Policy Commission Oversight

- 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*

# Commission Oversight (cont.)

- Hold annual public hearings
- Certify ACO and PCMH
- Assist in review of risk-based provider organizations
- Establish patient protections and quality oversight

# Massachusetts Statewide Health Care Spending Targets (All Payer)



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  
 Brandeis University

# Commission and Other Components of Law Can Assist System To Reform

*Ultimate Responsibility  
Still Within Private Sector!*

# Suppose It Doesn't?

# What's Next?

