

MASSACHUSETTS PAYMENT REFORM:

Creating Accountable Care Organizations in Massachusetts

Executive Summary

GOALS

What Massachusetts Should Seek to Achieve in Creating ACOs

- Give providers the maximum amount of flexibility to structure and deliver healthcare services to patients in the most efficient, effective way possible;
- Hold providers accountable for costs and outcomes that are within their control;
- Facilitate and encourage coordination among multiple providers and practitioners;
- Reward providers who keep their patients well and who deliver high quality, affordable healthcare services to patients, while reducing utilization of low-value services;
- Ensure transparency in the setting of payment rates, risk adjustment methodologies and reporting requirements.
- Reduce or eliminate unnecessary administrative costs imposed on providers; and
- Ensure that citizens in all parts of the Commonwealth have reasonable access to a full range of healthcare services and a choice of high-value providers.
- Eliminate the Medicaid underpayment gap, which threatens the sustainability of the first phase of health care reform in the state.

What Massachusetts Should Seek to Avoid in Creating ACOs

- Paying providers less than the reasonably achievable costs of delivering necessary, high-quality services to patients based on their healthcare conditions and other needs;
- Encouraging unnecessary duplication of facilities and services;
- Expecting healthcare providers to reduce or deny services that patients have been promised under their health insurance benefits;

- Holding healthcare providers accountable for outcomes without adequate resources or incentives to ensure patient adherence;¹
- Putting healthcare providers at risk for unpreventable variations in patient conditions and outcomes;²
- Expecting healthcare providers to perform functions currently delivered by health insurance plans without adequate resources to do so or sufficient time to develop those capabilities;
- Expecting healthcare providers to deliver services or perform functions for which an adequate workforce or effective technology is not available;
- Imposing unnecessary or excessive new administrative burdens that increase providers' operating costs without corresponding benefits in terms of the quality or costs of patient care; and
- Damaging Massachusetts's international leadership in healthcare teaching, research, and innovation.³

STRATEGIES

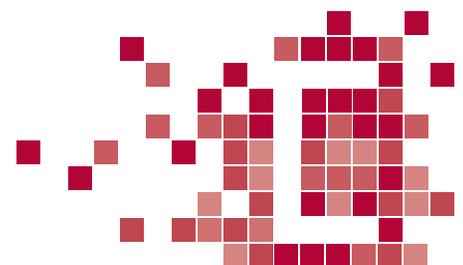
Providing Adequate and Appropriate Payment for Services

- Establish mechanisms to ensure that the amounts of global payments are adequate to cover the achievable costs of the services needed by patients whose care is to be covered by the global payments.
- Establish mechanisms to ensure fair allocations of global payments among those providers participating in an Accountable Care Organization who are not part of a single corporate structure.
- Establish mechanisms to ensure adequate and appropriate payment rates for services delivered by providers who are not part of an Accountable Care Organization, but whose services are used either because of patient choice (under a plan's benefit design) or necessity (e.g., because only one provider delivers that service).

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- Establish protections to ensure that as people's health is improved and as services are reconfigured, Accountable Care Organizations appropriately, and in a transparent manner, reconfigure the distribution of global payments or shared savings to individual providers in ways that adequately cover their costs.
- Establish mechanisms to ensure that medical education, research, and other societal needs are adequately paid for in the context of Global Payments, either within such payments or through separate payments, and that the allocations of such payments to individual providers is fair and transparent. (A separate MHA briefing paper will address these societal needs in the context of a global payment system).
- Establish transparent mechanisms for ensuring that severity/risk-adjustment systems, risk corridors, outlier payments, reinsurance, etc. are adequately protecting ACOs from assuming insurance risk.

Aligning Payment Methods Across Payers

- Require all regulated health plans in the state to participate in the Global Payment System and to use a consistent methodology for payment, severity/risk adjustment, pay-for-performance, etc.
- Work with Congress and the Obama Administration to obtain a legislative or regulatory waiver allowing Medicare to participate in the state's Global Payment system for ACOs.
- Work with self-insured employers to obtain voluntary agreements to participate in the Global Payment System.
- Work with all payers to develop agreement on a common transparent approach to the key elements of global payment systems.

Ensuring Appropriate and Efficient Quality Measurement

- Establish mechanisms to ensure that quality measures used for public reporting or pay-for-performance are produced with input from physicians, hospitals, and other providers.
- Require all payers to use a transparent and consistent quality measurement system.
- Assess the costs of producing quality measures before requiring providers to collect and report them.

Facilitating the Formation of Successful Accountable Care Organizations

- Facilitate discussions and agreements among providers, and between providers and payers, about the formation of Accountable Care Organizations.
- Help providers develop new capabilities and resources and enhance existing capabilities to successfully serve as Accountable Care Organizations and manage global payments.
- Encourage or require health insurance plans to use value-based benefit designs and other mechanisms to encourage consumers to select and use a consistent Accountable Care Organization, to adhere to treatment plans, and to select high-value providers and services.

- Require health insurance plans to reduce or eliminate unnecessary administrative costs.
- Review all existing state laws, regulations, and standards governing the structure and operations of healthcare providers to identify and modify any which (a) inappropriately impede the ability of providers to organize and deliver care in more coordinated, efficient ways, or (b) increase provider administration costs without corresponding benefits in terms of cost and quality.
- Advocate for changes in federal laws and regulations and federally sponsored standards established by private organizations such as the Joint Commission that inappropriately impede the ability of providers to organize and deliver care in more coordinated, efficient ways, or increase administration costs without corresponding benefits in terms of cost and quality.
- Avoid establishing any new laws, regulations or standards that inappropriately limit the flexibility of Accountable Care Organizations to find innovative and efficient mechanisms for organizing and delivering services. Any new requirements or standards should only be established after adequate input from providers and clear evidence as to their necessity and cost-effectiveness.
- Review existing state laws, regulations, and standards governing insurance companies to ensure they do not unintentionally impede the formation of Accountable Care Organizations or impose unnecessary burdens on them.
- Establish regulations or other mechanisms to prevent Accountable Care Organizations from forming in ways that limit consumer access to essential services.

Addressing Key Transition Issues

- Develop and implement a statewide strategy to recruit primary care physicians and expand primary care capacity in the state.
- Develop and implement a statewide strategy to help providers and Accountable Care Organizations develop effective information technology systems needed to coordinate patient care across multiple providers and settings and also to manage the quality and costs of care for populations of patients.
- Develop and implement a statewide strategy to help those hospitals that experience significant reductions in admissions (e.g., for ambulatory-care sensitive conditions) to restructure their capacity and services in order to remain financially viable.
- Develop and implement a statewide strategy for transitional payment systems to help providers build the capacity needed to function successfully as Accountable Care Organizations.