



Statement of Massachusetts Hospital Association President & CEO Lynn Nicholas, FACHE, Regarding the Recommendations of the Special Commission on the Healthcare Payment System
July 16, 2009

There is **strong support from the Massachusetts Hospital Association’s hospital members for reform of the healthcare payment system.** The current system falls short of meeting the reasonable expectations and needs of too many healthcare stakeholders – most importantly patients, but also those who pay for care and those who provide care. The status quo cannot and should not be defended.

MHA’s members agree that a **more integrated and coordinated system of care** should have positive results in terms of the access to and quality of care. The general direction of payment reform away from fee-for-service towards a more integrated form of delivery and payment – such as global payment – could be successful. But the ultimate success or failure of payment reform in our commonwealth, and the productive engagement of hospitals to this end, will depend on thoughtful and responsive answers to certain key issues as we make more concrete plans and contemplate the process of implementation. And as stated in the report, it will require transparency around continuous monitoring and responsive modification of our plans as we gain experience. All stakeholders deserve and expect that this will be the case.

With that in mind, yesterday **MHA's Board of Trustees voted overwhelmingly to support the general thrust of the recommendations of the Commission.** Hospitals want to be part of this historic endeavor. But the Board representing a very diverse membership made it equally clear that the success of moving to a global payment system is not a foregone conclusion. There are serious and significant issues that must be addressed early on, and how we resolve those issues must inform how we proceed down the path to payment reform.

Our questions and concerns are outlined in detail the '**Preliminary MHA Perspective on Key Payment Reform Issues**' dated July 7, 2009, which was provided previously to the Chairs of the Commission. I will highlight the most critical concerns expressed by our Board:

- **Risk transfer to ACOs, Reserves, and risk adjustment:** Under a global payment system, ACOs/providers will take on some degree of risk (to an extent greater than today). The nature and level of this risk should be clearly within the providers' scope of control, clearly defined and not subject to interpretation. And because providers vary so dramatically in their capacity to take on risk and reorganize relationships, comprehensive and accurate risk adjustment methods will be required. The current risk adjustment models only capture about two-thirds of the actuarial risk of a population. We are very concerned that inadequate risk adjustment could doom the proposed global payment system to failure. Thus we must post-haste enhance the current system or develop a new one – before we start widespread implementation. Surely in Massachusetts we have the intellectual capacity to do this.

- **Consumers and employers have an important role:** It is absolutely vital that both employers and consumers be educated and engaged in this process to ensure that insurance benefit designs are aligned with payment reform goals. Currently they are not and the report's premise that health plan enrollees will not be restricted to providers in the ACO's network could make the prospect of truly reducing costs a hollow promise. Employers have a critical role in ensuring that this alignment occurs. If we are to have greater access to more affordable care, then we will all have to make thoughtful choices about our current unfettered access. Hospitals are major employers, too, and we are committed to working this out.
- **The complementary strategies at the end of the report are vital to the cost reduction effort and must be addressed simultaneously to payment issues:** We believe that the term "complementary" is a misnomer: These are Critical Elements. They are critical elements of a successful strategy to reform the healthcare system. They aren't optional and we can't afford to wait until sometime down the road to aggressively pursue them. The basic building blocks for any future payment system must include health plan design, consumer engagement, payments for provider teaching and standby capacity, and primary care workforce development. Meanwhile, administrative simplification, medical malpractice reform, better practices around end of life care and evidence-based coverage could take costs out of the system before new payment strategies will have an impact. We should escalate these as a priority while we figure out the payment piece.

- **Cost savings:** While we firmly believe that a global payment system could improve both the quality of care and reduce unnecessary care, there is still much that is unknown about the impacts of global payments in various settings. But we do know the cost of realignment of markets and the implementation and infrastructure costs associated with putting a global payment system in place should not be underestimated. A blueprint for adequate funding to make the transition successful needs to be addressed early on. Failure to do so could jeopardize the Massachusetts healthcare industry, which is one of our most valuable assets, so it is right that we should proceed with a great deal of caution.
- Therefore, **in voting in favor of the Commission's recommendations**, our hospitals stress that we do so in light of these caveats and with trust that our questions will be appropriately and adequately addressed in a timely fashion if we are to move further along this path.

As the Commission ends its official work, **MHA and its members commit to working collaboratively and creatively** to find reasonable answers to our questions and we pledge to seek ways to remove the barriers to success that stand in the way on the path to a more effective healthcare payment system. In the end, we want a system where hospitals are an integral and stable part of a high quality and cost effective healthcare environment for those who need care, those who provide care, and those who pay for care in Massachusetts. And let's not forget, **if government cannot make a commitment and find a way to pay its fair share of healthcare costs, then no payment system will work** in the long run.

It has been **my distinct privilege to work with my fellow commissioners** in a process so ably chaired by Secretary Kirwan and Commissioner Iselin and I look forward to further collaboration in the days to come. In Massachusetts we have moved from the initial success of providing universal coverage for our citizens to the battle of controlling the costs of care. I am hopeful that in the near future, we will look back on this day and say this was the moment we took the first hill in this worthwhile and momentous campaign.

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