3-5+ Year Health Care Cost Control Roadmap

Discussion – Office of eHealth Innovation

November 14, 2018

Agenda:

- Roadmap Overview
- New Rx Tool

Why Focus on Health Care Costs?

Colorado Private Sector – Consumers and Employers[1]

- 2016, Colorado Median Income: $65,718
- 2016, Avg Cost of Private Insurance: $20,940
- Health Care Coverage Consumes **32%** of Median Income

Colorado Public Sector – Medicaid[2]

- 2018: Medicaid (which provides health care to low income families) consumes **33%** of the State's Budget

We must disrupt the status quo to address the complexities of rising healthcare costs to the benefit of Colorado consumers, employers, Medicaid and taxpayers.

1 Source: Income data from Colorado DOLA LMI Gateway, US Census Median Household Income
2. CO Department of Health Care Policy and Financing

3-5+ Year Health Care Cost Control Roadmap Goals

Framework to control Employer and Consumer health care costs

- Health care may be the most complex industry in the U.S.

- Roadmap empowers the voices of consumers and employers

- Invites experts to frame options; invites communities and stakeholders to consider and tailor those options

- Maximizes work to date: Cost Commission, SIM, HTP, CPC+

- Inclusive, collaborative, evolving, impactful.

Studies and Informs Cost Control Policy for Medicaid

- Medicaid serves 22% of Colorado's population

- Medicaid challenges are often the most difficult to tackle; Thoughtful Medicaid solutions can be cross pollinated.

The Roadmap Informs Medicaid & Medicaid Informs the Roadmap

GET INVOLVED

Stakeholder Collaboration
Employers & Associations
Unions & Advocates
Governor's Health Cabinet
Carriers / Payers
Regional Accountable Entities
Providers & Associations
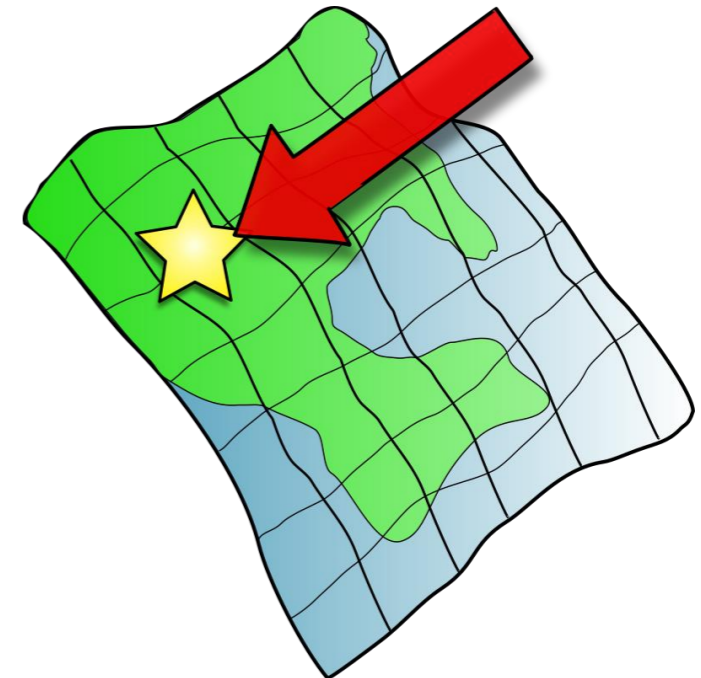Legislators
CIVHC, QHN, COHRIO & CHI

Health Care Cost Control Roadmap
5 Key Initiatives

1. **Constrain prices**, especially hospital and prescription drug.

2. Champion **alternative payment models.**

3. Align and strengthen data **infrastructure.**

4. Maximize **innovation.**

5. Improve our **population health.**

We must disrupt the status quo to address the complexities of rising healthcare costs to the benefit of all consumers, employers, Medicaid, and taxpayers.

Focus Area 1: Inside Medicaid:
Drive Health Care Costs Down and Quality Up

12+ Teams Actively Strategizing and Implementing Cost Control Solutions:

- Hospital Costs, Claim System, Rx / Specialty Rx, Long Term Services & Support, PACE / Seniors, Gov Agency Overlap, Fraud-Waste-Abuse, FQHC/PCP, etc.

Medicaid Cost Containment Bill SB18-266 passed all committees, Senate and House unanimously and was signed into law May 2018.

- **Innovations:**
    - ➢ Prometheus (Insights into Potentially Avoidable Costs)
    - ➢ Physician Rx Prescribing Efficacy Tool (cost/quality focus), combined with Payer Programs Tool to enable providers to prescribe health improvement & member support programs, not just pills (functional medicine).
- **Medicaid Catch-up with Colorado's Commercial Carriers**
    - ➢ Hospital Review to drive appropriate utilization and better coordinate care on the most vulnerable and costly patients
    - ➢ Modernize Medicaid claim edits
- New HCPF **Cost Control & Quality Improvement Office**
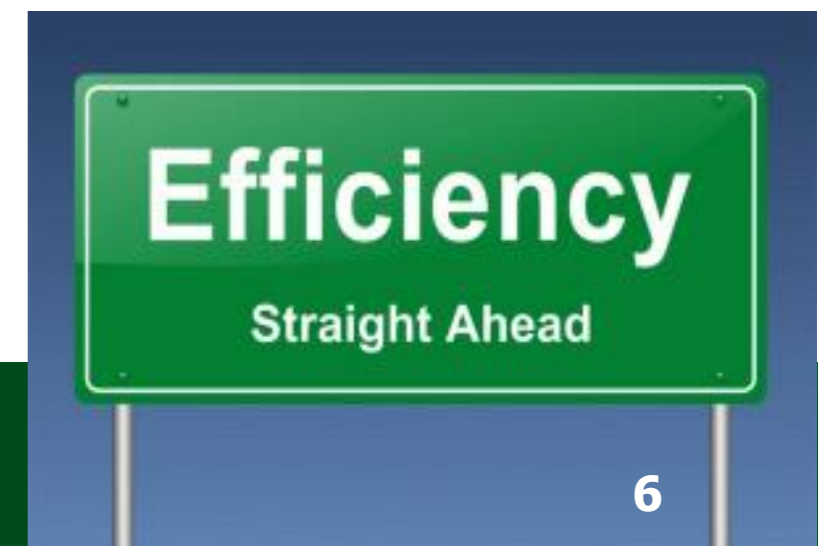
Controlling Medicaid Costs SB 18-266

Cost Control Unit

Focused, Sustainable Cost Control Approach for Medicaid, CHP, State

Value Based Payments, Rx, Innovations, Public-Private Partnerships, 3-5 Yr. Roadmap

Best Practices & Rural Focus

Effective July 1, 2018

Provider Tools

Enables provider care decisions based on cost & quality. Drives care efficiency.

Used by Primary Care, RAEs and HCPF (provider evaluation)

Effective Q3 2018, **with Rx tools Targeting 7/1/2019**

Hospital Review

Hospital admissions pre-cert, continued stay review, discharge patient follow-up, complex claim review by medical experts

Effective 1/1/2019

Claim Edits

Identifies & edits payments on inappropriately billed and duplicate claims before release

Reduces waste, fraud, abuse

Effective 1/1/2019

Investment: $8M TF/$1.9M GF

Savings: $10M TF / $2.7M GF
Estimated FY 2018-19

Savings: $48M TF / $13.3M GF
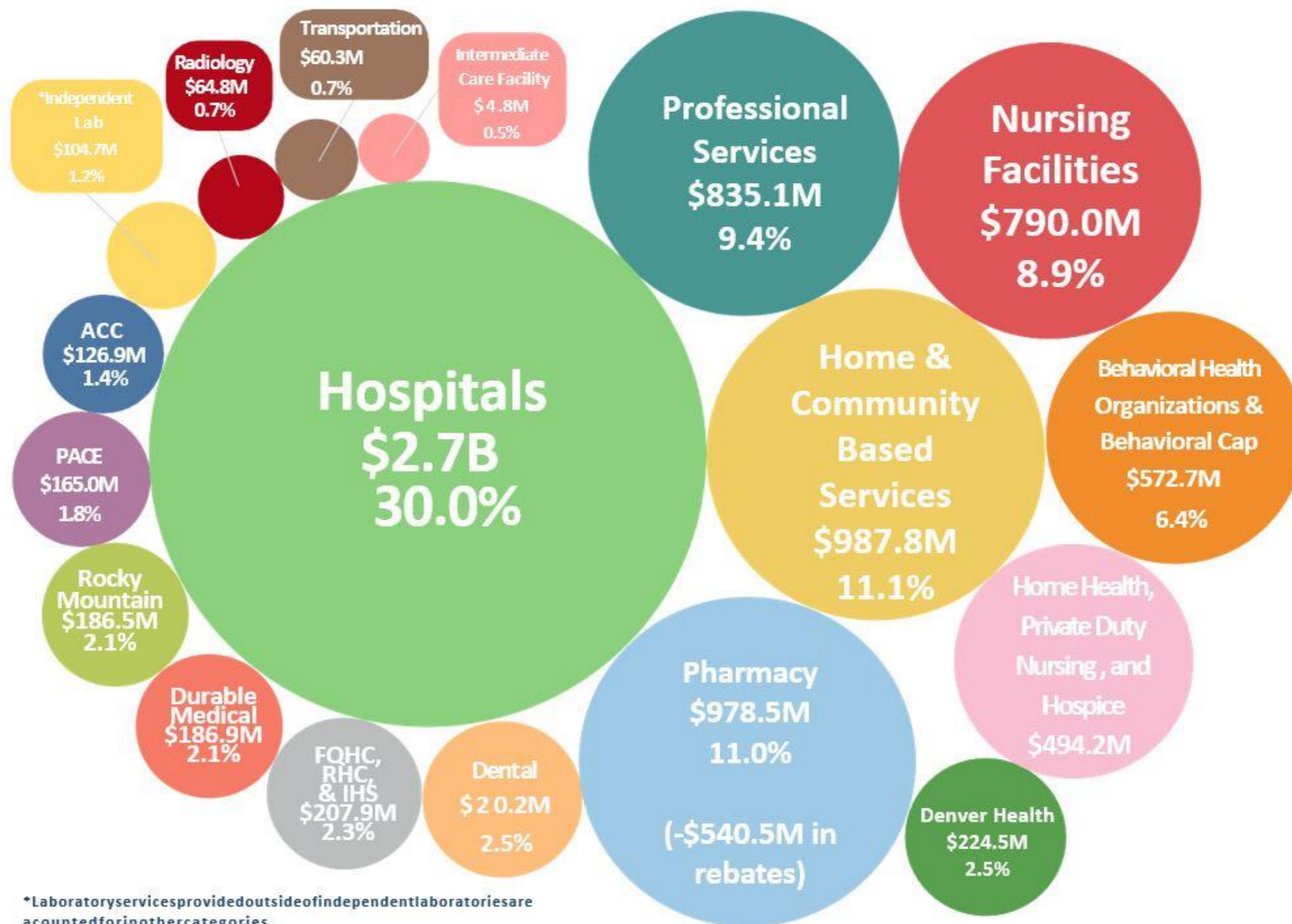Estimated FY 2019-20

Medicaid Expenditure FY17-18
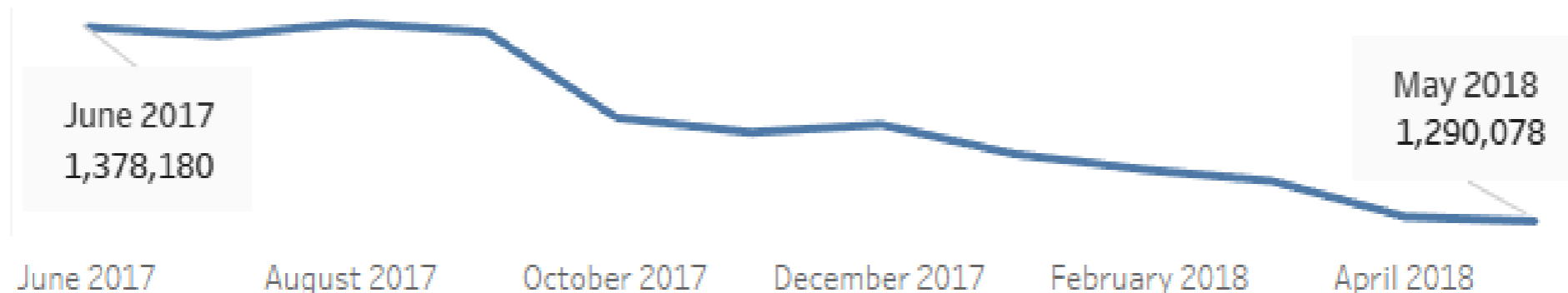

Hospitals $2.7B 30.0%

Professional Services $835.1M 9.4%

Nursing Facilities $790.0M 8.9%

Home & Community Based Services $987.8M 11.1%

Behavioral Health Organizations & Behavioral Cap $572.7M 6.4%

Pharmacy $978.5M 11.0% (-$540.5M in rebates)

Home Health, Private Duty Nursing, and Hospice $494.2M

Denver Health $224.5M 2.5%

Dental $20.2M 2.5%

FQHC, RHC, & IHS $207.9M 2.3%

Durable Medical $186.9M 2.1%

Rocky Mountain $186.5M 2.1%

PACE $165.0M 1.8%

ACC $126.9M 1.4%

*Independent Lab $104.7M 1.2%

Radiology $64.8M 0.7%

Transportation $60.3M 0.7%

Intermediate Care Facility $4.8M 0.5%

*Laboratoryservicesprovidedoutsideofindependentlaboratoriesare acountedforinothercategories.

Medicaid Eligible Clients
6.4% Decrease

June 2017
1,378,180

May 2018
1,290,078

June 2017   August 2017   October 2017   December 2017   February 2018   April 2018

Major Contributing Eligibility Categories:
- MAGI Adults decreased 7.2%
    - accounted for 52.7% of overall decrease
- MAGI Children decreased 8.9%
    - accounted for 46.7% of overall decrease
- Disabled Buy-in eligibility has increased 24.5%
    - 7,102 individuals to 8,842

12 Month Average PMPM
4.3% Increase

May 2017
$452

May 2018
$472

May 2017   August 2017   October 2017   December 2017   February 2018   April 2018

Major Contributing Benefits:

- **Specialty Brand Pharmacy year over year PMPY up 20.0%**
  - Rate of increase lower than previous years (FY1516 – 29.2%, FY1617 – 25.7%)
- Long Term Home Health year over year PMPM up 16.3%
- EBD HCBS waiver year over year PMPM up 14.2%
  - Nearly 50% increase in members utilizing In Home Support Services (IHSS)
  - Cost per utilizer of IHSS relatively unchanged

Employers and Patients Spend More and More on Rx

The Roadmap focuses on Rx because for employers, the Rx Benefit Cost has passed outpatient & inpatient hospital line item costs, and for Medicaid, Rx is a $1 billion gross spend with Specialty Rx at double digit trend
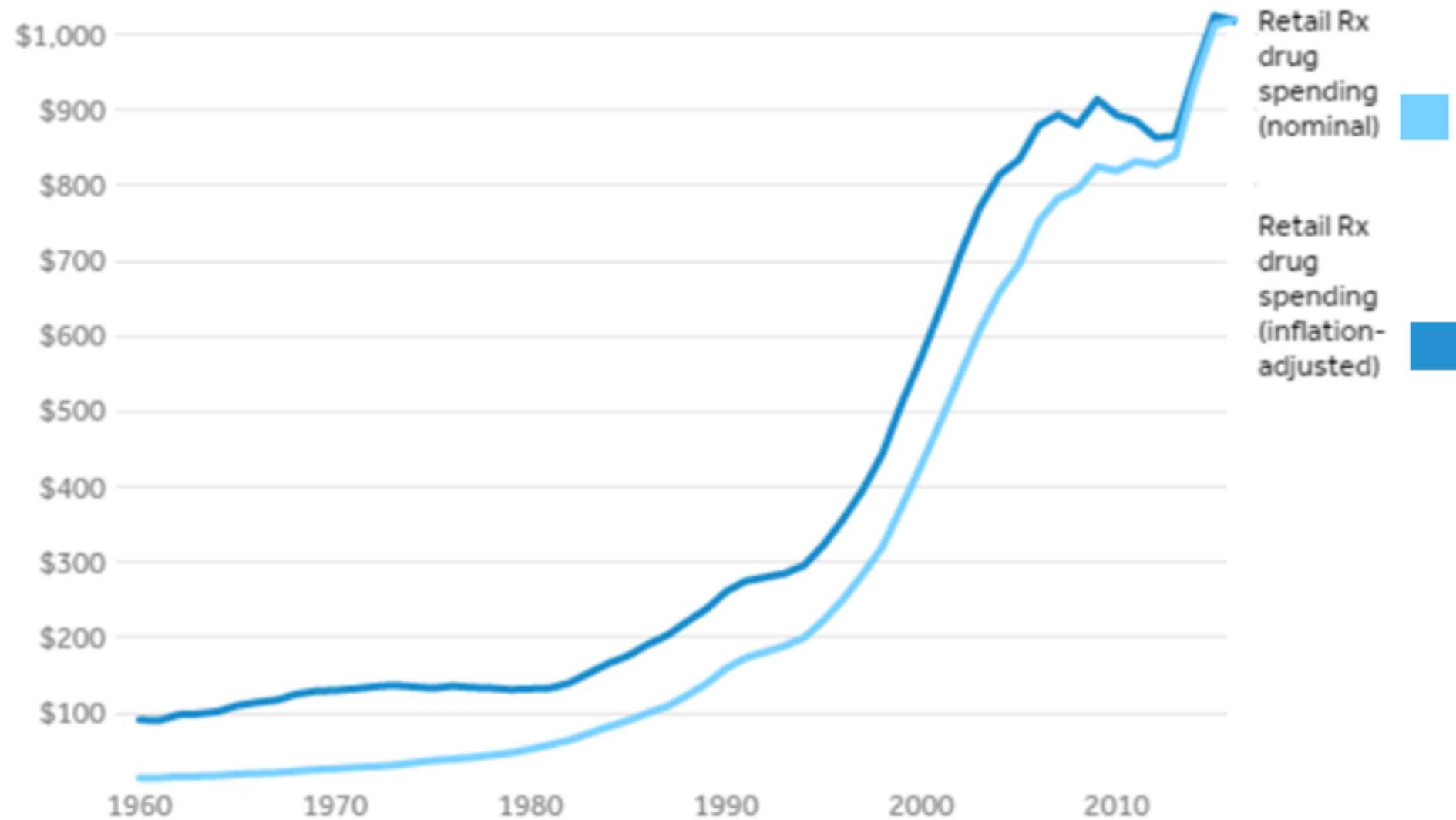
For Employers, the Rx Benefit Cost has passed outpatient & inpatient hospital costs, consuming an average of 22.5% of benefit dollars as of 2015.

Health Plan & Patient Cost per Person per Year in CO
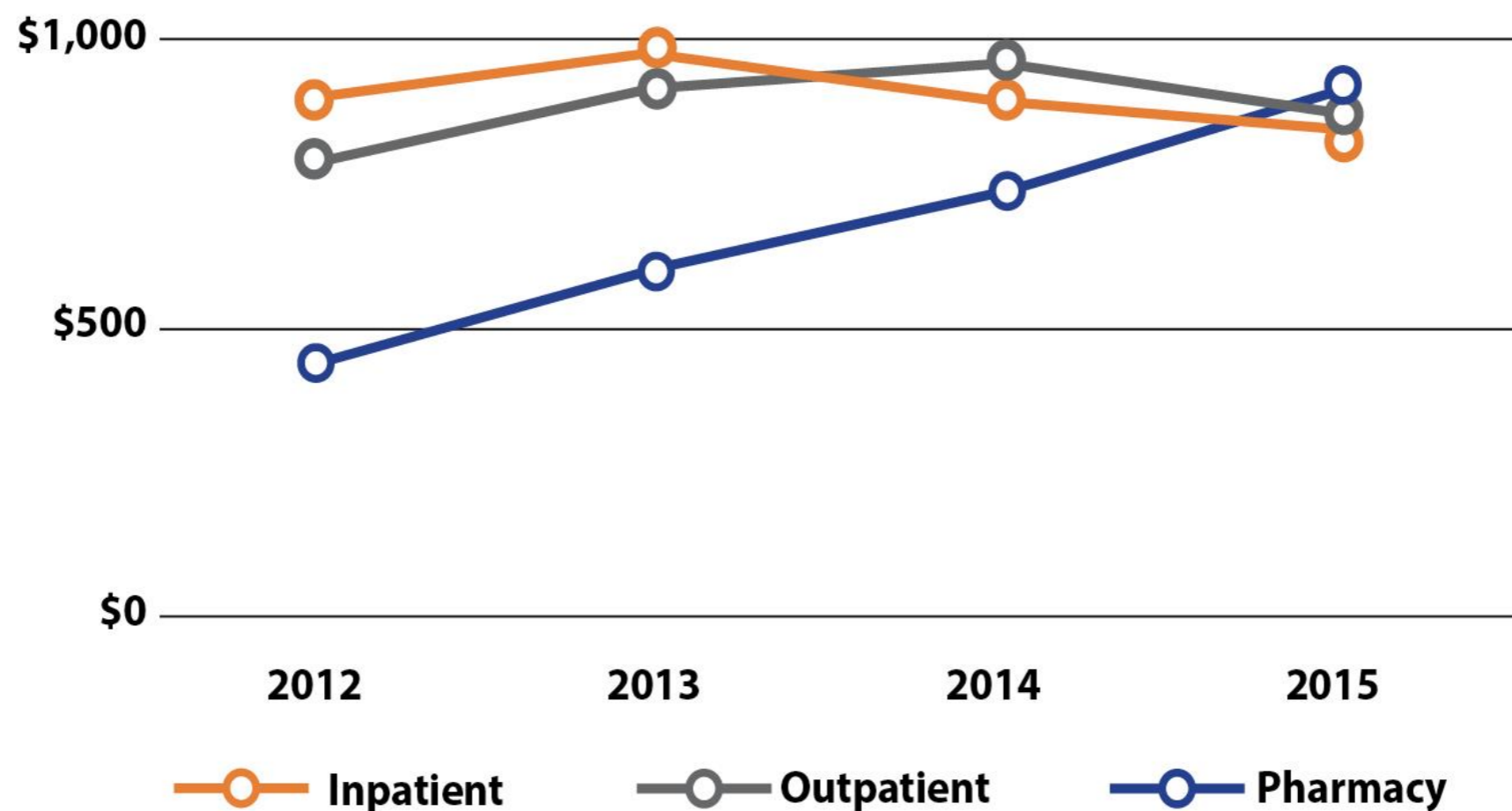
Spending on prescription drugs has risen rapidly over past decades

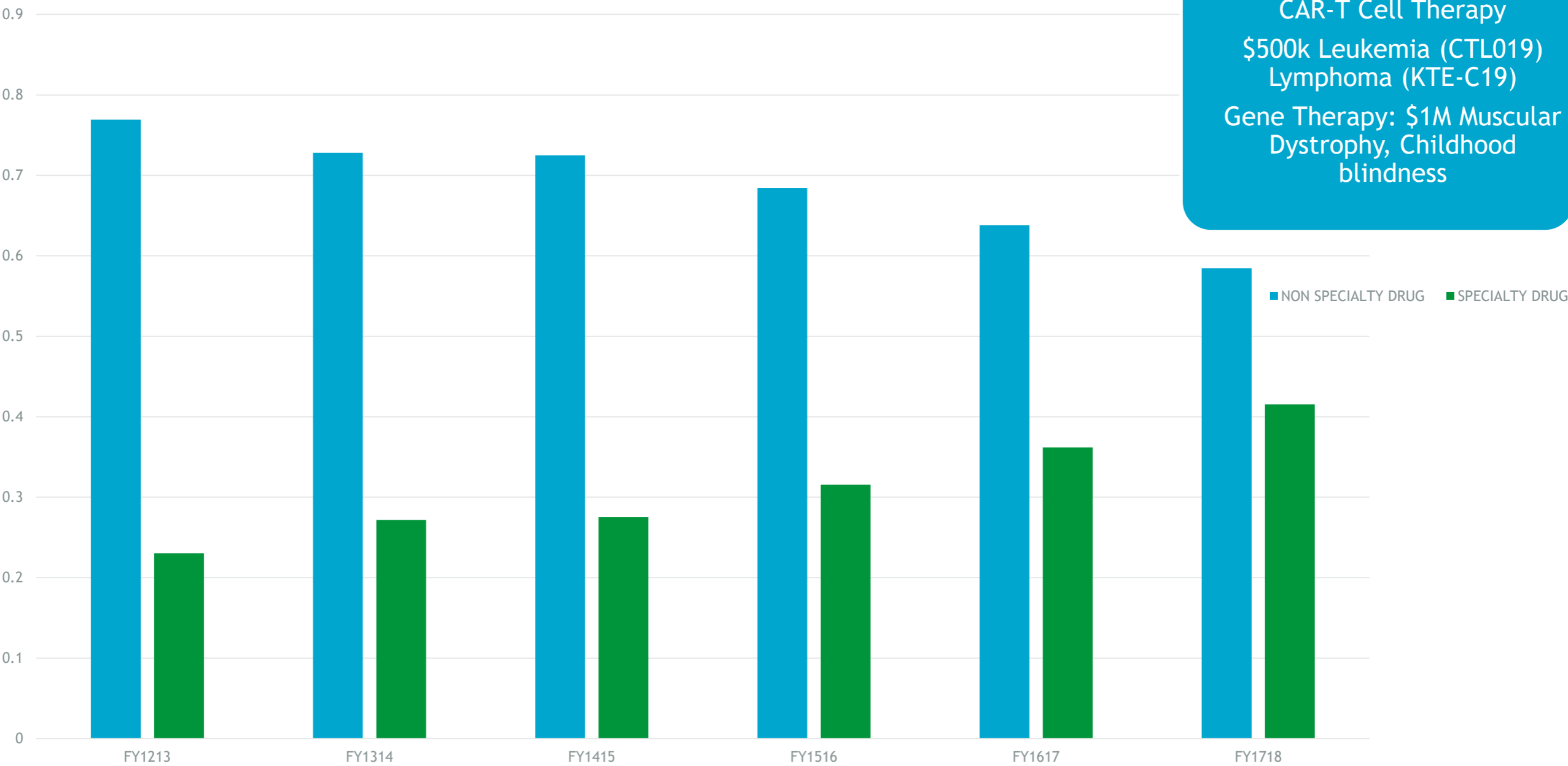Nominal and inflation-adjusted per capita spending on retail prescription drugs, 1960-2016

The Rx Price increase between 1990 – 2016 is unsustainable, as is the trajectory without intervention.

Source: Kaiser Family Foundation Analysis of National Health Expenditures Account • Get the data • PNG

Peterson-Kaiser
Health System Tracker

An example of the impact of Specialty Drugs –
1.25% of CO Medicaid scripts (high cost specialty drugs) are consuming 40% of Medicaid's Rx resources – *projected to hit 50% by 2020 (aligned with national trends)*

CAR-T Cell Therapy

$500k Leukemia (CTL019) Lymphoma (KTE-C19)

Gene Therapy: $1M Muscular Dystrophy, Childhood blindness

■ NON SPECIALTY DRUG   ■ SPECIALTY DRUG

Roadmap Rx Solutions

Physician Prescribing Shared Tool
- Drives prescribing based on Rx efficacy (cost & quality) vs. DTC ads or manufacturer incentives to influence specific Rx use.
- Loads payer/carrier formularies, reimbursements, copays, prior auth rules.
- Will also host carrier/payer programs by patient so docs can prescribe health improvement programs, not just pills (functional medicine).
- October RFI was released.

- **Manufacturer Rebates and Other Compensation**
  - **CIVHC new data requirement:** all carriers to provide rebate and other manufacturer compensation to CIVHC. Submissions by March 2019, to include 3 years history.
  - **Study rebate impact on carrier MLR and current policies to drive original intent.** Today, rebates are not calculated in the MLR by all carriers.

Roadmap Rx Solutions

Pricing Transparency: Drive understanding of Rx appropriate pricing, to drive prices down. Clarity on manufacturer price drivers, like:
- rebates to PBM/carriers
- payments to docs
- DTC ad costs
- Research expenses and offsetting research grants from others (fed, charities, etc.)
- Other

Value Based Payments:
- **Contracting with manufacturers** to ensure shared accountability on appropriate clinical use
- **VPB** with ACO/PCMH to include Rx

Prior Authorizations continued enhancements to drive the right drug at the right time

Potential to allow community to have a say on if **manufacturer sales reps (physician detailing)** should occur in their community

- **Other Specialty Rx** – in process

Roadmap Solutions: Shared Systems Priorities

- **CIVHC enhancements,** employer data into CIVHC to improve analysis, insights; APCD focus

- **Physician Prescribing Shared Tool (Rx and Functional Medicine Support Tools)**
  - ➢ Drives prescribing based on Rx efficacy (cost & quality) vs. DTC ads or manufacturer incentives to influence specific Rx use. Loads payer/carrier formularies, reimbursements, copays, prior auth rules. Mid-Oct RFI.
  - ➢ Will also include request to host the carrier/payer programs by patient so docs can prescribe health improvement programs, not just pills (functional medicine).

- **Public Program Improved Care Coordination:** Social determinants Shared Systems to better coordinate and track program usage, more efficiently support and engage the most vulnerable users, and improve outcomes. There are several concurrent options in play:
  - ➢ Shared knowledge and efforts to enhance tools built by the Counties, such as Boulder Connect and Arapahoe County's tool. As well, QHN is building a next gen tool, incl. improved security off these.
  - ➢ Concurrent DHS work to secure federal match dollars to build a comprehensive system to host DHS programs and user info.
  - ➢ 211 to drive access to support services, including emergency support
  - ➢ Exploring auntbertha.com, a comprehensive, online resource of social programs such as food, housing, transportation, employment, etc.

- **End of Life Planning, Shared Registry**, i.e. Advance Directives

HCPF | COLORADO
Department of Health Care
Policy & Financing

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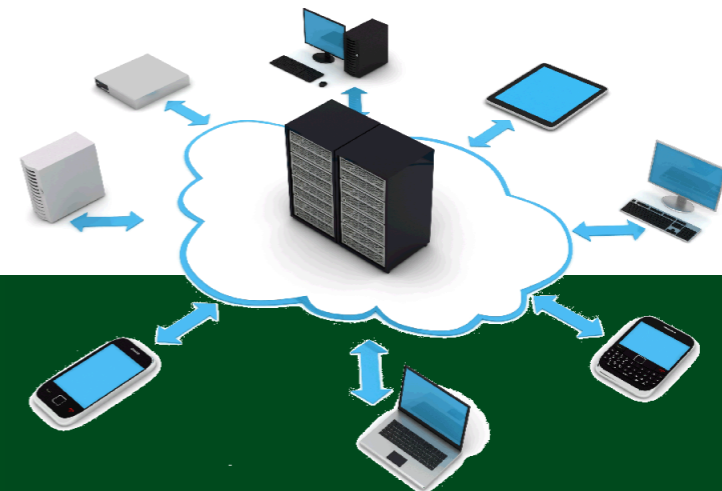
Roadmap Solutions: Innovations

- **First Priority Areas:**

  - **Prometheus –** potentially avoidable costs/quality tool to the market

  - **Telehealth -** CO Rural & Front Range Opportunities

  - **E-Consults** – reduces unnecessary specialist visits; SIM on point

  - Via an InterAgency Agreement with HCPF, School of Medicine to create e-Consults and Telehealth Roadmaps for the state

- **Rx Prescriber shared systems**

  - Rx efficacy focus, in partnership with all the payers

  - System to house all payer/carrier programs to support health improvement (functional medicine program focus) so docs can prescribe programs, not just pills

- **Public-Private Partnerships**; Make Colorado the Nation's **Healthc**

  - HCPF space in Catalyst building (industry integrator)

  - Next generation innovations and opportunities, partnerships

Roadmap Solutions: Population Opportunities in partnership with DPHE

Teen vaping, adult tobacco use
- *Consider tax revenues to support pop health initiatives*
- *Executive order to treat vaping like cigarettes (issued Oct 2018)*

Addiction: Opioids, meth, alcohol, marijuana
- *Increase SUD beds with Hospital Transformation Program to drive incentives*
- *Potential review of charity care requirements that prioritize community needs, like SUD*
- *Opioid prescribing discipline, including all providers*
- *SIM*

Suicide
- *Man Therapy, LGBT and veterans focus*

Maternal Health
- *Depression & social determinants screening*
- *Hospital Transformation Program quality incentives*
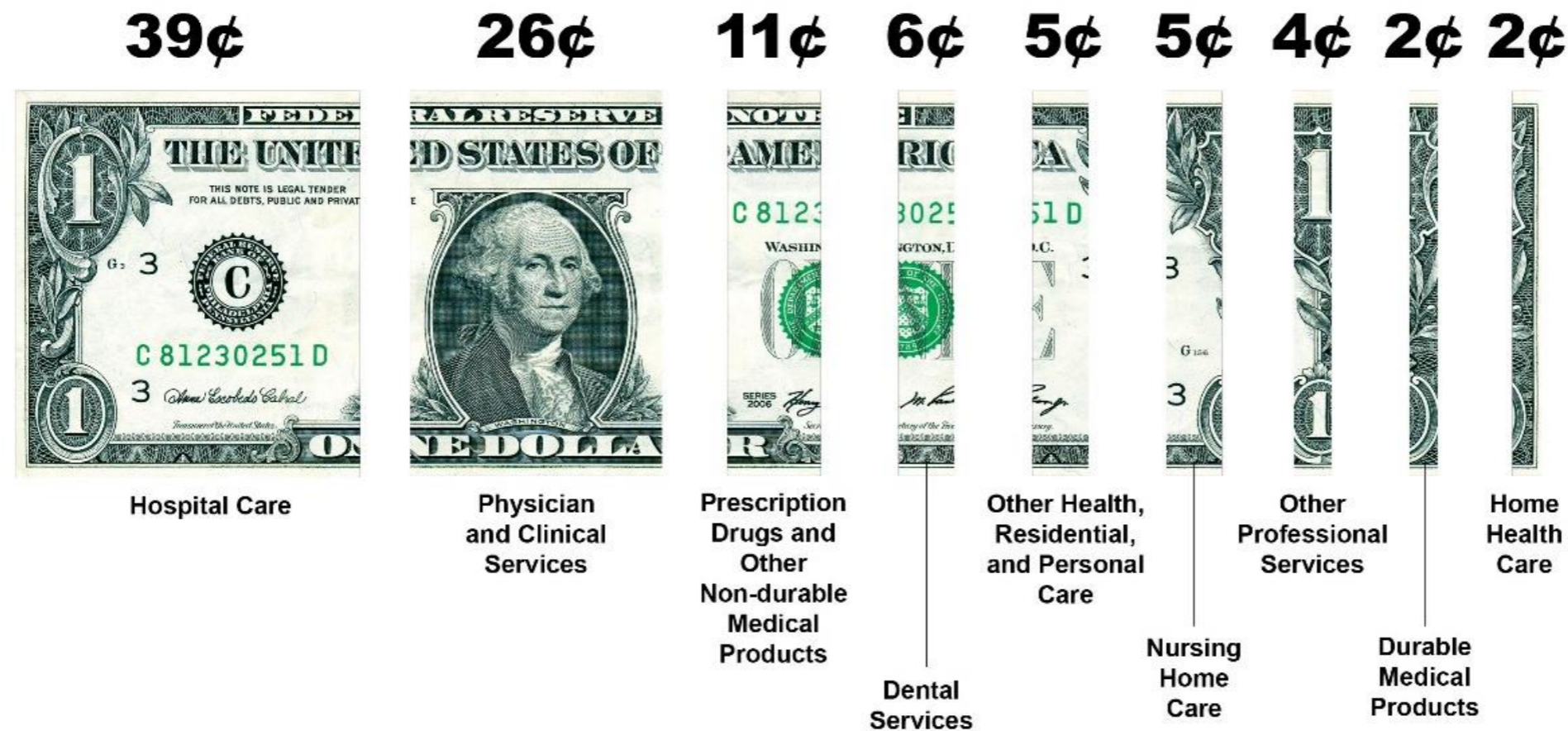- *SNAP/WIC outreach for pregnant moms*

Shared Quality Standards among all payers to drive better patient outcomes, results, focus

Innovation: *prescribing tool that incorporates programs to improve health – functional medicine*

Colorado's Health Care Dollar

The Roadmap dives deep into hospital business practices and trends because hospitals consume about 40% of consumer/employer health dollars while significantly influencing Physician, Rx and other $$ as well.

39¢	26¢	11¢	6¢	5¢	5¢	4¢	2¢	2¢
Hospital Care	Physician and Clinical Services	Prescription Drugs and Other Non-durable Medical Products	Dental Services	Other Health, Residential, and Personal Care	Nursing Home Care	Other Professional Services	Durable Medical Products	Home Health Care

Spending by Service Type, 2016

Note: Prescription drugs category shows retail spending. Rx drug spending is also part of the Hospital and Physician Services categories.

Source: National Health Expenditure Accounts, CMS, Office of the Actuary, 2011 and 2014; Colorado Commission on Affordable Health Care

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Solutions: New Voluntary Hospital Program that uses $1.2B CHASE Fee to Encourage Changes in Hospital Behavior via the
## Hospital Transformation Program (HTP)

Protecting the Provider Fee to Benefit Hospitals, especially in Rural communities: Judge will make his decision without trial likely in Fall 2019.

HTP: Partnership btw HCPF and CO Hospital Association (CHA) to drive improved behaviors through a re-distribution of the CHASE Fee. Community – Hospital collaboration to determine the priority areas:

- HTP - Supplemental Payments (provider fee) tied to behavior changes, not just Medicaid volume
- Requires an 1115 Waiver due Fall 2018. Covers five years of evolving initiatives. Examples below:
  - ➢ Eco-System Efficiency:
    - ▪ use of shared, innovative prescribing efficacy tools which also help docs prescribe health improvement programs, not just pills
    - ▪ access to Prometheus tools to help hospitals identify opportunities and address them
    - ▪ shared customer centric End of Life education tools and & document repository
    - ▪ shared quality metrics
  - ➢ Incentives to Drive Delivery System Efficiency:
    - ▪ Reducing FSEDs with incentives to convert;
    - ▪ Centers of Excellence partnerships not arms race
  - ➢ Quality: maternity outcomes, opioid management, Prometheus
  - ➢ Financials Transparency: reduce cost shift to employers
  - ➢ Care Coordination: collaboration btw hospitals and Medicaid's care management arms (RAEs)
  - ➢ Appropriate care, appropriate settings, appropriate price
  - ➢ Evolution to global budgets in rural communities
- The HTP community engagement process to identify opportunities (carriers, FQHC, DMCC, Advocates, etc.) and CHA partnership are driving a significant number of Cost Control Roadmap priorities.

Solution: Through hospital-community collaboration and new payment methodologies that recognize ecosystem challenges, we can increase patient volume to higher quality, lower cost hospitals by procedure, creating a win-win-win for the community (increase hospital profits, improve patient outcomes, lower costs/prices to employers and consumers.)

*illustrative example, not actual data
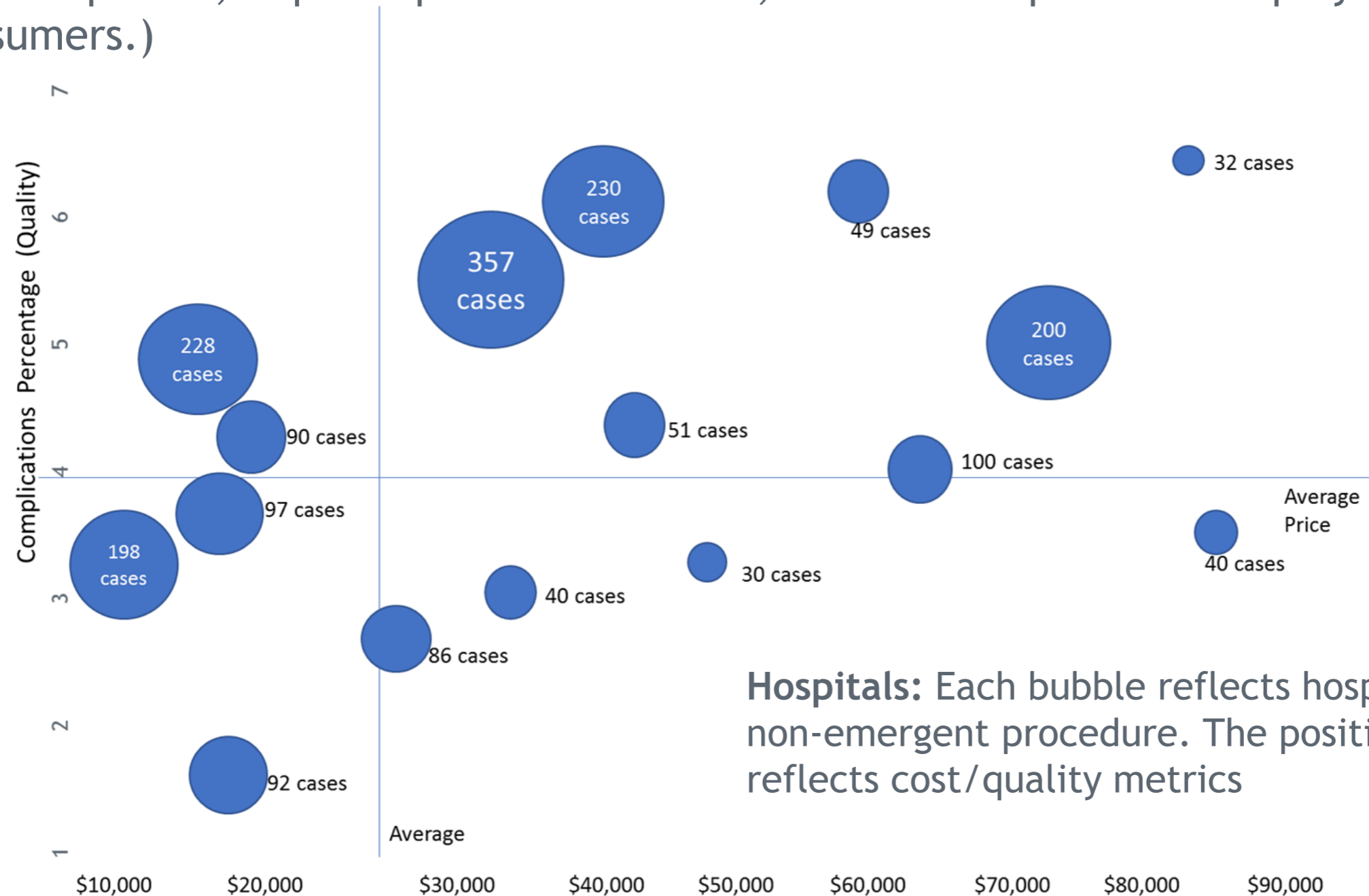
Hospitals: Each bubble reflects hospital volume for a non-emergent procedure. The position of the bubble reflects cost/quality metrics

Other Colorado Solutions

Efficiency

- Dual Track ED
- Conversion of FSED to urgent care/primary care/other
- Prometheus quality tool & CIVHC pricing insights (consensus on cost/quality)
- Treatment comparisons btw hospitals using episode of care
- Based on cost/quality consensus, Centers of Excellence partnership and collaboration btw hospitals via Multi-Provider Collaborative vs. Arms Race
- Consider ways to enable the community (employers and consumers) to control hospital vertical and horizontal integration as well as construction

Aligned Quality, Incentives

- Quality:
  - Risk assessment in first trimester
  - Maternity-post discharge follow-up
  - Opioid prescribing guidelines
- Continue hospital transformation program waiver (HTP)
- Alternate Payment Methodologies
- Out of Network contracting and reimbursement
- Create incentives to control administrative cost growth (similar to FQ work)

Accountability

- Transparency into hospital financials, especially cost shift
- Community Health Need/Neighborhood Assessment with independent monitoring
- Qualification for non-profit, tax preference and evaluation of community investment trade-off
- Improved monitoring of billing practices
- Non-profit cost growth management