Health Reform after Health Reform: Recommendations of the Special Commission on the Massachusetts Health Care Payment System

National Academy for State Health Policy

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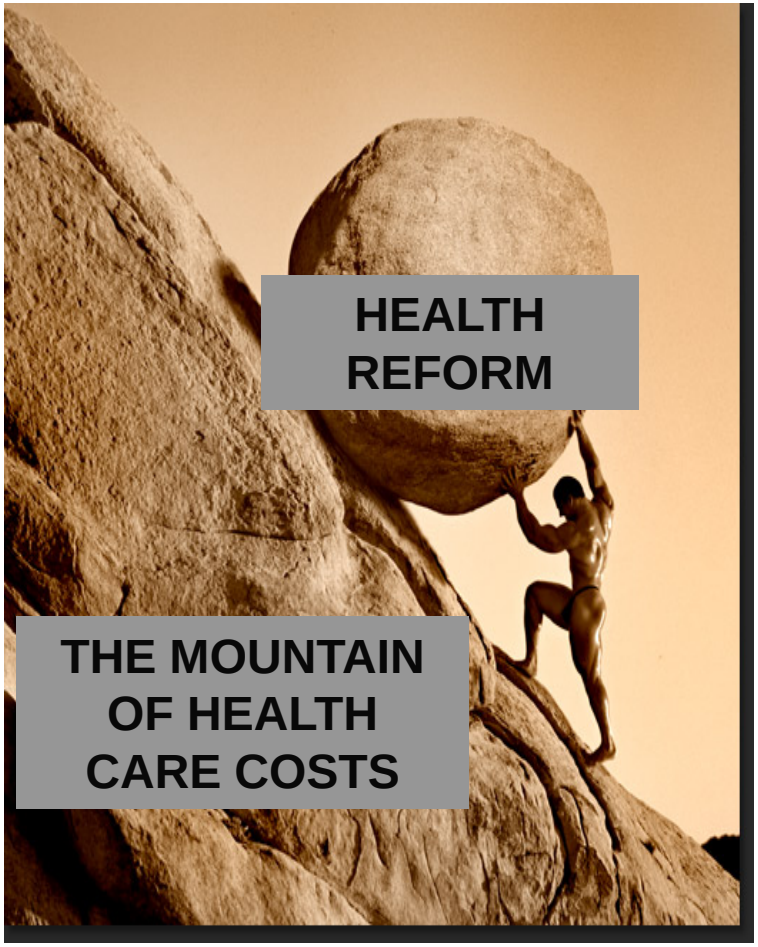
Health Care Reform: Phase 1

- Massachusetts recognizes that reform of the health care system requires incremental changes to improve access, contain costs, and transform care delivery
- In 2006, Massachusetts enacted landmark legislation (Chapter 58 of the Acts of 2006) that would provide nearly universal health care coverage to state residents
  - 428,000 newly insured
  - Only 2.6% of residents remain without health insurance in 2008
- With these successes, an important challenge remains…



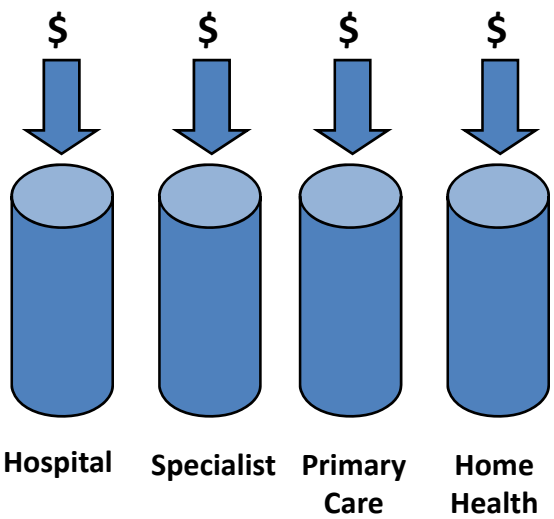
Health Care Reform: Phase 2

- Recognizing the nexus between health care payment models and the quality and cost of health care, the Legislature enacted Section 44 of Chapter 305 of the Acts of 2008, *An Act to Promote Cost Containment, Transparency and Efficiency in the Delivery of Quality Health Care*
  - Payment reform is a critical lever to redesign the health care delivery system and catalyze change
- Created the Special Commission on the Health Care Payment System to investigate reforming and restructuring the payment system in order to:
  - Provide incentives for safe, timely, efficient, effective, equitable, and patient-centered care and reduce variations in the quality of care
  - Both reduce per capita health care spending and significantly and sustainably slow future health care spending growth

Special Commission's Recommendation

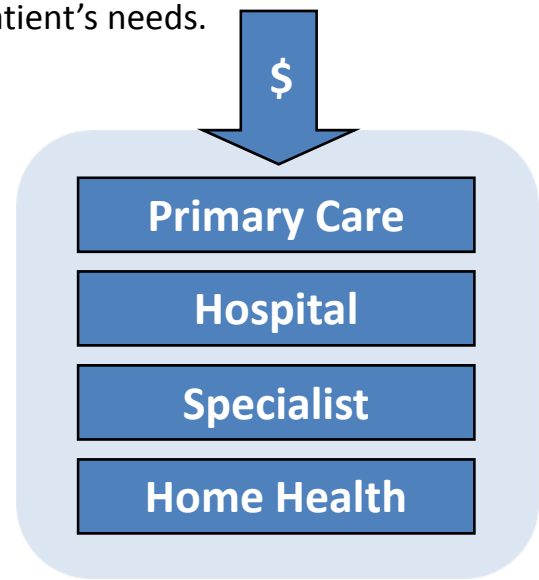
Current Fee-for-Service Payment System

The Problem
Care is fragmented instead of coordinated. Each provider is paid for doing work in isolation, and no one is responsible for coordinating care. Quality can suffer, costs rise and there is little accountability for either.



Patient-Centered Global Payment System

The Solution
Global payments made to a group of providers for all care. Providers are not rewarded for delivering *more* care, but for delivering the *right* care to meet patient's needs.



Government, payers and providers will share responsibility for providing infrastructure, legal and technical support to providers in making this transition.

Key Components of Recommendations

1. Participation by all private and public payers (including Medicare)
2. Development of integrated provider entities in various forms
   - Global payments to entities will have consistent risk-adjustment
3. Payment method will reward providers for performance using common measures, and promote cost and quality transparency
4. Adoption of medical homes with an emphasis on patient-centered care, primary care, and patient choice
5. Creation of an oversight entity that will:
   - Define parameters for a standard global payment methodology—but the *market* will determine global payment *amounts*
   - Establish transition milestones and monitor progress, with a focus on the progress to global payments, progress to greater payment equity, and per capita health care costs
   - Make decisions in an open and transparent manner and seek broad stakeholder input from providers, health plans, government, employers, and consumers
   - Assist, intervene, and make mid-course corrections if needed

Complementary Strategies and Issues Requiring Further Consideration

- The Special Commission recognizes that there are a number of strategies that are not payment models in their own right, but that are important complements to payment reform or issues requiring further consideration:
  - Health plan design and coverage policy
  - Consumer engagement
  - Administrative simplification
  - Medical malpractice reform
  - Primary care workforce development
  - End-of-life care
  - Payment for provider teaching and standby capacity