



NASHP Leaders' Summit: State Health Policy and the Next Administration



Summary

As President Trump and the new Congress take office in 2017, fundamental changes to alter the health care system will be debated. States have been actively engaged in health reform, embracing changes to insurance markets, new investments and innovation in delivery system and payment reform, as well as public health and coverage expansions that have produced the lowest rate of uninsured in the nation's history. Informed by that action, states stand ready to work with the federal government.

The National Academy for State Health Policy (NASHP), a non-partisan organization of state health policy leaders, recognizes that extraordinary

work is underway at both the state and federal level and among providers and other payers. Many groups will offer proposals to the new administration based on their considerable expertise but often with a narrow view aligned to a particular interest. NASHP convened leaders from across state governments, in both the executive and legislative branches, as part of a Summit to help identify cross-cutting issues that provide opportunities to advance health reform and transform our health system to one that lowers cost, rewards value, and improves health. Our belief is that improving health outcomes is more achievable when we align our talents and resources across multiple jurisdictions toward that common purpose.

We present here some key opportunities before the new administration that, if addressed, could maintain and accelerate state-based reforms in the pursuit of a higher performing health system and inform the current policy debate. Key opportunities include:

- Support State Innovation Through Sustained Federal Support
- Maintain Market Stability
- Support Payment and Delivery Reforms
- Improve Population Health Outcomes

We welcome the opportunity to work with the federal government to implement changes that will improve the effectiveness and efficiency of the health care system by rewarding value, reducing the cost trajectory, and improving health.

Key Opportunities

States are partners in achieving access to care, improving how care is delivered, and lowering related costs. They provide health coverage for state employees, teachers, and other local governmental entities and cover 70 million people through their Medicaid programs. States have an equity interest in programs for which they share responsibility and financing with the federal government. Clearly Medicaid, which now serves more enrollees than Medicare and for which states pay nearly 40 percent of the cost, is the most notable example. Seventeen states also administer state-based health insurance exchanges or share that role with the federal government. States have a vested interest in ensuring open channels of communication with federal leadership and opportunities to restructure how policy is developed and implemented.

A. Support State Innovation Through Sustained Federal Support

Federalism has long supported state experimentation in the health care arena as a way of informing and implementing national policies. Currently, 32 states have expanded Medicaid including six that did so through waivers that allowed those states to test alternative approaches to increase access; 34 states and the District of Columbia have received federal funds for System Innovation Models (SIM), eight states have received federal Delivery System Reform Incentive Program (DSRIP) funds, testing new ways to deliver and pay for care. Seventeen states established State-based Marketplaces that leverage state resources to provide efficient and transparent ways to shop for health and dental coverage and insuring over two million Americans in private coverage.

States have a proven history as laboratories of innovation. Continued federal support of state level innovation is critical. Through implementation of recent reforms, states have realized:

- Significant reductions in the uninsured among working families and childless adults
- Decreased out-of-pocket costs for consumers
- Significant health care sector growth – technology, consumer goods, and services
- Significant reductions in bad debt and charity care for hospitals
- Significant reductions in expensive institutional long-term care and increases in community-based care for people with disabilities.

Commit to bipartisan solutions that minimize disruption in states and markets and maximize the stability of reform

Changes to recent reforms will impact state economies and local health care markets (including the consumers, hospitals, health plans, pharmaceutical companies, and providers that operate within them). States understand the complexity that additional changes will bring and the federal resources that will be needed to implement them. As additional details are shared about the future of the Affordable Care Act (ACA) and possible replacements, states need adequate time and funding to plan any transition, to assure successful implementation and to avoid disruption in services to the 20 million people now covered and the providers now receiving funding to care for them. Private market instability, differing plan year and fiscal year calendars, and the unwinding process for existing infrastructure and delivery systems should be considered when calculating the cost and timing of any transitions.

States, who must balance budgets and administer programs to serve their populations, understand the disruption caused by major federal policy changes. These take time, and generally require state legislation and funding to implement. States are ready to work with the new administration and Congress on bipartisan reform that supports continued reductions in the uninsured rate, while maintaining affordability and access.

Develop a clear vision and measurable goals for health care

States are restructuring how to deliver and pay for care to assure value and improved health. Those tasks necessarily engage multiple players and invite new partnerships and collaboration that could be enhanced through these federal actions:

- ***Develop a unified vision for health reform that cuts across agencies***— Current funding streams, agency initiatives and state and federal bifurcation have fostered silos of innovation across and among state and federal programs. Clearer identification of a unified vision for health, clear metrics to measure success and coordinated efforts to ensure all relevant agencies support that mission (including the Agency for Healthcare Research and Quality (AHRQ), Centers for Disease Control and Prevention (CDC), the Centers for Medicare and Medicaid Services (CMS), U.S. Department of Labor (DOL), Department of Housing and Urban Development (HUD), The Office of Management and Budget, Substance Abuse and Mental Health Services Administration (SAMHSA), Treasury Department, and, the Veterans Administration,) will aid in bridging work across relevant systems, improving efficiency of efforts and better allocating resources to achieve mutual goals. Current efforts like the CMS Office of Medicare and Medicaid Coordination provide a useful example.
- ***Transformative leadership can produce transformative change***— As a new administration forms, a key determinant to its success rests in who is hired and what they are asked to do. There is a fundamental difference between hiring a manager to run an agency or direct a program and assembling a team that is expected to align strategies across jurisdictions and engage partners in meaningful change.

B. Maintain Market Stability

The ACA created new mechanisms for coverage that resulted in historic lows in the nation's uninsured rate. As markets adjust to this new coverage environment, signs of stress and destabilization have emerged as underlying issues affecting affordability across all coverage markets including employer, individual, and public programs.

- ***Enhance state flexibility and authority to stabilize insurance markets.*** State agencies have a long history of consumer protection in the sale of insurance products. This has created an understanding of the issuers, consumers, providers and other factors that influence their unique markets. However, self-funded plans are the purview of the DOL through the provisions of the Employee Retirement Income Security Act (ERISA). State regulators and the DOL could examine ways to better coordinate regulatory roles. Proposals to allow the sale of insurance products across state lines will require additional disruption in how insurance is regulated and require consideration of consumer protections, the availability of in-network providers and how the shared state responsibilities over product design, pricing, solvency and consumer relations will be implemented.

Similarly, proposals to block grant Medicaid require considerable planning to address market and state budget impact and program administration at both the state and federal level. What to do with the expansive system of federal regional offices and their oversight of state Medicaid programs is one example of federal administrative challenges that need to be addressed. In the short term, state and federal leaders could examine how current Medicaid and other waiver authorities may be improved to more effectively and efficiently enable states to optimize coverage programs. Once 1115 and other waiver programs are evaluated, development of fast track strategies for those waiver processes should be established when success is documented. The new authority under section 1332 of the ACA could also be reviewed to revise regulations to enable state experimentation.

Finally, state health insurance marketplaces could be vehicles for experimentation of new approaches to coverage, selling ancillary products such as Medicare Advantage and Medicare supplemental plans, as well as vision and dental plans and working with health savings account (HAS) compliant products if current legislative and regulatory barriers could be addressed.

•**Prioritize strategies to address market stabilization.** Informed by new data about insurance utilization and risk pools, policies regarding risk and reinsurance programs could be adjusted to aid markets in achieving equilibrium. Experimentation will also be key as states and issuers test new strategies to lower costs through such methods as value-based designs and consumer-choice plans. Importantly, states have experience in administering high-risk pools and can provide lessons learned about why those vehicles often failed to produce desired results.

•**Promote enhanced seamlessness throughout the coverage continuum.** Prior infrastructure investments have helped consumers access private and public insurance markets through a “one-door” approach to coverage where relevant consumer information is provided and plans can be compared and selected. Greater alignment across programs (Medicaid, TANF, SNAP) would improve efficiency and consumer experience, especially where multiple programs serve similar populations. Specifically, the alignment of federal requirements and definitions (such as varying definitions of the term household and income), and requirements for how individuals update personal information could promote efficiencies and mitigate consumer confusion.

Future policies may also focus on how best to mitigate the practical impacts of transitions between programs to reduce coverage disruptions, such as the challenge to Medicaid beneficiaries when they transition to commercial coverage. Affordability of coverage remains a concern for those who receive little or no federal subsidy support and could be addressed by policies to make family coverage more affordable, by increased premium tax credits and cost sharing reductions and, of course, continued efforts to address the cost drivers of health care.

C. Support Payment and Delivery Reform

Addressing the underlying systematic costs of the health care system is imperative to achieving affordability of coverage and care. Most states are actively experimenting with payment and delivery models as key mechanisms to hold down costs and improve quality of care—much of which has been supported with federal funds. Through these efforts, states have been proven leaders in working across their payers, providers, and patient advocates to achieve multi-payer reforms and enhanced coordinated care. There remains a need at the federal level to align the value strategy across jurisdictions, and to recognize and engage all payers in these efforts to reduce burden on providers, enhance quality through aligned measures of performance and improving health through consistent payment strategies.

•**Assess and leverage ongoing investments in reform.** Federal investment to foster payment and delivery reforms has supported a wide array of demonstrations, each rooted in the market, industry, and political realities of the states. Some demonstrations work through states; others work directly with providers. Some are multi-payer; others are unique to one payer. States have been long engaged in efforts such as medical homes, other payment reforms and, through their Medicaid programs have considerable experience with managed care. As Medicare, a largely fee-for-service system, develops advanced payment reforms, Medicaid programs have experience that can inform that work and achieve better program coordination. For example, recent MACRA regulations to support alternative payment models seek to align with Medicaid yet the program will not recognize Medicaid health homes as an allowable method for payment. Streamlining approaches among federal programs that seem most promising may yield better results.

- **Support strategies that target cost drivers across the entire continuum of care.** Addressing the affordability of health coverage invites concerted effort to understand how costs are calculated, shifted, and reimbursed throughout the health care experience.

Targeting and aligning accountability and reform efforts toward initiatives that reduce cost growth requires greater transparency of known health care cost drivers. One area receiving considerable attention from states is prescription drug prices. As the federal government contemplates its role in pharmacy cost control, states encourage multi-payer and not just Medicare approaches and suggest that the federal government should allow states to experiment with new pharmacy pricing strategies by waiving current Medicaid rebate and best price requirements and authorizing some state based re-importation programs.¹

Aligning benefit design, payment reform, and delivery reform efforts would support efforts from the point of coverage through delivery of care. Further support is needed to align efforts across providers and organizations outside of traditional delivery and care settings, especially those that address behavioral health and social determinants of health.

- **Support data and infrastructure strategies to enable effective delivery and payment reform.** Understanding how individuals interact with and use health care systems is crucial to support both cost analysis and efforts to improve care delivery and coordination. Significant investments have built new data systems and infrastructure, yet many current efforts are misaligned or incompatible in ways that prohibit efficient data flow and analysis. Further efforts are needed to: 1) support standardization of data and measurement to enable streamlined flow of data across relevant agencies and providers; 2) allow states better access to existing data sources, such as Minimum Data Sets (MDS) and Veterans Administration data, to help state and researchers build an evidence base through which to better target reform efforts; and 3) more deliberately support inclusion of providers and social support entities from across the health care field (e.g. behavioral and mental health, social services providers) to ensure a more holistic understanding of care and costs.

Nineteen states operate or are planning All-Payer Claims Databases (APCD) which aid state policy development and provide important consumer price information. Because health care and delivery systems are local, these programs are valuable tools for policymakers but a recent Supreme Court decision has dealt a blow to their effectiveness by denying them the capacity to collect data from self-funded plans, plans under the jurisdiction of the DOL, not states. The federal government could jumpstart APCDs by authorizing them, through the DOL, to collect self-funded data on its behalf and by providing funding to help launch APCDs in states where they do not now exist. Importantly, states have developed a common data layout that will reduce the burden of self-funded plans by assuring a single reporting structure in each state. Further, opportunities exist to link APCD claims data with clinical data collected by health information exchanges to provide more robust data – data needed to advance multi-payer reforms.

C. Improve Population Health Outcomes

The goal of value-based health care strategy includes improving health outcomes, for individuals and populations. Moving to value based purchasing and total cost of care payment strategies creates a market demand for data sharing and population health improvement. States have long been leaders in assessing population health needs, targeting subsequent efforts to the unique needs of their populations.

- **Support integration of the social determinants of health across coverage and delivery reforms.**

Evidence that factors other than clinical health drive health care costs and affect the health of individuals and families is driving states to include those social determinants of health in reform efforts. However, in many areas, this work is nascent, and requires better integration of public and population health programs and agencies. Federal funding for public health represents another silo, generally operating independently from broader health reforms. Those funds tend to be episodic, piecemeal and grant based, funded through the CDC with inadequate alignment with broader health policy and funding.

Medicaid agencies have a role to play for their beneficiaries but cannot meet these demands alone. Better alignment is needed among CDC public health, mental health, and substance use disorder services provided through SAMSHA; supports provided through HUD to address homelessness and safe and healthy housing and resources available in the criminal justice system for those who leave jails and require treatment and help with finding and keeping a job.

- **Encourage the Treasury Department/IRS to engage states in hospital documentation of community benefit.** To document their tax-exempt status, non-profit hospitals must assure the IRS that they provide a community benefit. Coordinating with existing state and local efforts to document community need can better assure the benefit of hospital investments.

- **Engage public and population health programs as a partner in health reform.** The recommendations outlined in Public Health 3.0, issued by the U.S. Department of Health and Human Services (HHS) Office of the Assistant Secretary for Health (OASH) provide initial guidance for how to move forward with an “upgrade in public health practice to emphasize cross-sectoral environmental, policy, and systems-level actions”.

Conclusion

The next steps in health reform require an assessment of the impact of change on states, consumers and markets to minimize disruption to those markets, the 20 million people now covered, and the health systems that provide their care. That work will be strengthened by commitment to multi-payer approaches, to new strategies to address cost drivers across payers, and recognition that achieving health requires more sustained and collaborative work among the agencies responsible for health, social services, public health and housing. New relationships between state and federal governments and new approaches to balance accountability with collaboration, will be required

States continue to be leaders in experimenting with new strategies and, with enough time to test approaches, can provide important information about what works and what does not to help foster the diffusion of successful reforms.

State health policymakers are eager to work with the federal government, providers, commercial payers, and consumers to realize a future in which there is a sustainable health care system that covers everyone, rewards value, reduces the cost trajectory and improves health.

Endnotes:

1. NASHP's Pharmacy Costs Work Group. “States and the Rising Costs of Pharmaceuticals: A Call to Action.” National Academy for State Health Policy. October 18, 2016. Accessed online at: <http://nashp.org/wp-content/uploads/2016/10/Rx-Paper.pdf>.

Appendix A

State Health Policy Summit Members

- Jerome Adams – State Health Commissioner, Indiana State Department of Health
- Susan Barrett – Executive Director, VT Green Mountain Care Board
- Tom Betlach - AZ Office of Governor, Health Care Cost Containment System
- Rebecca Gee – Secretary, Louisiana Department of Health and Hospitals
- Christina Goe - Gen. Counsel, MT Office of Comm. of Securities & Insurance
- Richard Gottfried – Chair, Committee on Health, NY State Assembly
- Bill Hazel – Secretary, VA Health and Human Resources
- MaryAnne Lindeblad – Medicaid Director, WA State Health Care Authority
- Robin Lunge – Special Assistant to the Governor for Health Care, Vermont
- Pam MacEwan – Chief Executive Officer, WA Health Benefit Exchange
- Greg Moody – Director, OH Governor's Office of Health Transformation
- Karen Murphy – Secretary, PA Department of Health
- Allison O'Toole – Exchange Director, State of Minnesota
- David Seltz – Executive Director, MA Health Policy Commission
- Dena Stoner – Senior Health Policy Advisor, TX Dept. of State Health Services
- Marie Zimmerman - Medicaid Director, MN Dept. of Human Services

NASHP represents state health policy officials who are widely diverse in policy views, politics and geography. The recommendations in this paper are concepts informed by this group, based on areas of general agreement. They are by no means a full list of issues NASHP members may support or oppose.

About the National Academy for State Health Policy:

The National Academy for State Health Policy (NASHP) is an independent academy of state health policymakers working together to identify emerging issues, develop policy solutions, and improve state health policy and practice. As a non-profit, nonpartisan organization dedicated to helping states achieve excellence in health policy and practice, NASHP provides a forum on critical health issues across branches and agencies of state government. NASHP resources are available at: www.nashp.org.