

Health Care Cost Transparency Board

February 16, 2022

Health Care Cost Transparency Board Board Book

February 16, 2022
2:00 p.m. – 4:00 p.m.

(Zoom Attendance Only)

Meeting Materials

Meeting agenda	1
January meeting minutes	2
Topics for today.....	3
Review of state activities to mitigate cost growth	4
Establishing criteria for selecting strategies	5
Next steps and educational topics.....	6

Agenda

TAB 1

Health Care Cost Transparency Board AGENDA

February 16, 2022
2:00 p.m. – 4:00 p.m.
Zoom Meeting

Board Members:

<input type="checkbox"/>	Susan E. Birch, Chair	<input type="checkbox"/>	Sonja Kellen	<input type="checkbox"/>	Kim Wallace
<input type="checkbox"/>	Lois C. Cook	<input type="checkbox"/>	Pam MacEwan	<input type="checkbox"/>	Carol Wilmes
<input type="checkbox"/>	John Doyle	<input type="checkbox"/>	Molly Nollette	<input type="checkbox"/>	Edwin Wong
<input type="checkbox"/>	Bianca Frogner	<input type="checkbox"/>	Mark Siegel		
<input type="checkbox"/>	Jodi Joyce	<input type="checkbox"/>	Margaret Stanley		

Time	Agenda Items	Tab	Lead
2:00 – 2:10 (10 min)	Welcome and Roll Call	1	Susan E. Birch, Chair, Director Health Care Authority
2:10 – 2:15 (5 min)	Approval of January meeting minutes	2	AnnaLisa Gellermann, Board Manager Health Care Authority
2:15 – 2:20 (5 min)	Topics for today	3	Michael Bailit and January Angeles Bailit Health
2:20 – 3:00 (40 min)	Review of state activities to mitigate cost growth and help meet the benchmark	4	Michael Bailit and January Angeles Bailit Health
3:00 – 3:10 (10 min)	Public comment		Susan E. Birch, Chair, Director Health Care Authority
3:10 – 3:30 (20 min)	Establishing criteria for selecting strategies to support cost growth benchmark attainment	5	Michael Bailit and January Angeles Bailit Health
3:30 – 3:55 (25 min)	Next Steps and Educational Topics	6	AnnaLisa Gellermann, Board Manager Health Care Authority
3:55 – 4:00 (5 min)	Next steps and adjournment		Susan E. Birch, Chair, Director Health Care Authority

In accordance with Governor Inslee's Proclamation 20-28 et seq amending requirements of the Open Public Meeting Act (Chapter 42.30 RCW) during the COVID-19 public health emergency, and out of an abundance of caution for the health and welfare of the Board and the public, this meeting of the Health Care Cost Transparency Board meeting will be conducted virtually.

January meeting minutes

TAB 2

Health Care Cost Transparency Board meeting minutes

January 19, 2022
Health Care Authority
Meeting held electronically (Zoom) and telephonically
2:00 p.m. – 4:00 p.m.

Note: this meeting was video recorded in its entirety. The recording and all materials provided to and considered by the board is available on the [Health Care Cost Transparency Board webpage](#).

Members present

Sue Birch, chair
Lois Cook
John Doyle
Bianca Frogner
Sonja Kellen
Molly Nollette
Pam MacEwan
Mark Siegel
Margaret Stanley
Kim Wallace
Carol Wilmes
Edwin Wong

Members absent

Jodi Joyce

Call to order

Sue Birch, Board Chair, called the meeting to order at 2:02 p.m.

Agenda items

Welcoming remarks

Ms. Birch welcomed the members.

Approval of minutes

The minutes were approved.

Reflections on Year 1 activities and process

January Angeles of Bailit Health provided the Board with a review of the past year's work. The Board reviewed the logic model for the cost growth benchmark, showing the annual cycle that cost growth benchmark states go through. Last year, the Board determined the methodology for setting the benchmark value and mechanisms for



review, if necessary, assessing the benchmark and strategies for improving the reliability and validity of the measurement, and identification of payers and large provider entities that will be subject to the benchmark. The Board was invited to share reflections. One Board member shared the importance of provider, employer, and insurer community support, pointing out that having common methodologies and data bases would foster support. One member noted that there were many efforts in the state to understand costs, and that it was helpful to understand them. One Board member emphasized the need for necessary resources to continue the assigned work, and in anticipation of other work assigned by the legislature. Several members supported the urgency of solving the problem of increasing cost, which erodes efforts to assist consumers with affordable coverage. It was also noted that access and quality were important considerations to balance with pursuing reduced cost. The Board acknowledged the difficulty of accommodating the impact of the Covid pandemic on understanding cost growth, and the importance of incorporating issues around health equity.

Review of meeting plan for Year 2

January Angeles of Bailit Health shared the meeting plan for 2022. In February, the Board will continue to review the cost growth mitigation strategy, including a criteria and process for strategy review and adoption, and review strategies adopted thus far by other states. In March, the Board will review existing data on Washington cost growth drivers. Over the following months, the Board will identify areas of interest in cost growth mitigation, review the pre-benchmark data call process and reporting, review the initial cost driver analysis, all in anticipation of the required report to the legislature. The Board was also told that the schedule was flexible and would be responsive to change.

The Board was invited to share feedback on the plan for the year. One Board member expressed the desire to move quickly to the analysis, and asked if there were things we could learn from other states to jump-start the analysis. Michael Bailit agreed that promising areas were known and identified, and would likely come up in any Washington specific analysis.

Presentation: Discussion of analyses of cost and cost growth drivers

Michael Bailit of Bailit Health reminded the Board of the difference between the cost benchmark analysis (aggregate data allowing for benchmark performance at several levels) and the cost driver analysis (granular claims and encounter data to analyze cost and cost growth). The purpose of the cost driver analysis is to determine where spending is problematic, determine what is causing the problem, and identify accountable entities. The presentation identified two phases of cost driver analyses. Phase one consists of standard analytic reports produced on an annual basis at the state and market levels. Phase two will contain supplemental in-depth analyses developed based on results from standard reports and Board discussion.

HCA staff proposed the following areas for initial reports: spend and trend, stratified by geographic rating area; impact of price and utilization on spending; spend and trend by health condition; spend and trend by demographic. Work would need to be done in all areas to further refine appropriate variables. HCA staff also propose monitoring of potential unintended adverse consequences in the areas of quality, access, and provider composition. These analyses would be reported at the state and market levels. Bailit presented analyses in these areas from other states, and the board asked for technical clarifications on the different types.

The Board was asked to provide input on the staff proposal for initial cost driver analyses.

The Board had a lengthy and vigorous discussion of issues related to the reliance on claims data to make recommendations, including the impact of the pandemic on utilization and cost in 2020-1, the potential impact of labor shortages or capital cost, and the context of incoming revenue. The Board also identified other considerations impacting price, including market incentives, health status changes, and service intensity (which is usually captured by units of service). A member also raised the difficulty of finding reliable and thorough data

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Health Care Cost Transparency Board meeting summary

01/19/2022



related to social determinants and discussed potential alignment with other entities and agencies to determine best practices for this purpose.

Mr. Bailit acknowledged that many data sources would need to be considered for different causes, prompting a deeper analysis in Phase 2. He illustrated the role of Phase 1 analyses in driving Phase 2 analyses by sharing the experience of a state that had identified that commercial hospital prices were driving growth. The state then pursued the question of why those prices were growing, pursuing additional analyses and policy discussion.

Public comment

Ms. Birch called for comments from the public. There were no comments.

Adjournment

Meeting adjourned at 3:56 p.m.

Next meeting

Wednesday, February 16, 2022

Meeting to be held on Zoom

2:00 p.m. – 4:00 p.m.

Health Care Cost Transparency Board

February 16, 2022

Topics for today

TAB 3

Topics for today

- ▶ Review of state activities to mitigate cost growth and help meet the benchmark.
- ▶ Establishing criteria for selecting strategies to support cost growth benchmark attainment.
- ▶ Next steps.

Review of State Activities to Mitigate Cost Growth and Help Meet the Benchmark

TAB 4

Review of state activities to mitigate cost growth and help meet the benchmark

Reminder: the cost growth benchmark logic model

- ▶ A cost growth benchmark serves as an anchor, establishing an expectation that can serve as the basis for transparency.
- ▶ To be effective, it must be complemented by supporting strategies designed to mitigate cost growth.

Implement

Implement strategies to slow cost growth



Measure

Measure performance relative to the cost growth benchmark

Analyze

Analyze spending to understand cost trends and cost growth drivers

Report

Publish performance against the benchmark and analysis of cost growth drivers

Identify

Identify opportunities and strategies to slow cost growth

Review of state activities to mitigate cost growth

- ▶ The next set of slides review state activities to mitigate cost growth.
- ▶ The goal for today's discussion is to learn about the strategies as background for future discussions on cost growth mitigation initiatives that the Board may want to recommend and prioritize.

Two approaches to addressing cost drivers and cost growth drivers

1. Devise specific strategies to address cost drivers and cost growth drivers identified through analysis.
2. Advance broad-based strategies that may impact overall cost growth without targeting one contributor in particular.

State strategies to address cost growth

- ▶ Strategies used by cost growth benchmark states to address cost growth generally fall under the following categories:
 - ▶ Market consolidation oversight (OR, WA)
 - WA OIC reviews consolidation in commercial market
 - AGO oversees anti-trust
 - ▶ Price growth caps (DE, RI)
 - ▶ Prescription drug pricing legislation (CT, MA, RI)
 - WA has a drug price transparency program
 - Proposed legislation pending on affordability
 - ▶ Advanced value-based payment models (OR, RI, WA)

Market consolidation oversight

- ▶ Consolidation refers to when two or more health care entities combine.
 - ▶ Vertical consolidation is when entities in different lines of work combine, such as when a hospital acquires a physician practice.
 - ▶ Horizontal consolidation refers to when entities providing similar services join forces, such as two hospitals merging.
- ▶ Reasons for consolidation include increasing negotiating power, gaining economies of scale to offset fixed costs, and to navigate uncertainty surrounding the health care market.

Rationale for addressing market consolidation

- ▶ There has been growing evidence that growth in health care costs are mostly attributed to pricing increases, and that provider consolidation has been a dominant factor in driving these price increases.
- ▶ Furthermore, studies show that health care consolidation leads to higher health care costs without improvements in care quality or patient outcomes.

Oregon's Health Care Market Oversight Program

- ▶ In 2021, the Oregon Legislature passed House Bill 2362, directing the Oregon Health Authority (OHA) to oversee "material change transactions," such as mergers, affiliations and acquisitions.
- ▶ OHA will review, and have the authority to approve or reject, material change transactions that:
 - ▶ Involve a gain of more than \$1 million in net patient revenue; or
 - ▶ Are among organizations that combined had an average of at least \$25 million in total net patient revenue over the three preceding fiscal years.

Considerations for OHA's review of material change transactions

- ▶ The framework for OHA's review considers the following issues:
 - ▶ Health equity
 - ▶ Equitable access to essential and other services
 - ▶ Health care quality
 - ▶ Ability to achieve Oregon's Sustainable Health Care Cost Growth Target (i.e., its cost growth benchmark)
 - ▶ Market share
 - ▶ Financial stability

Price growth caps

- ▶ Price growth caps place an upper limit on how much an insurer can annually increase the price paid for a service.
 - ▶ They do not set prices.
 - ▶ Nor do they address already high prices.
- ▶ Price growth caps can be structured in a number of ways. For example:
 - ▶ Price growth caps can apply to overall prices, or they can be aimed at specific services.
 - ▶ The caps can vary based on baseline prices that providers charge, e.g., higher caps for lower paid providers, and lower caps for higher paid providers

Rationale for price growth caps

- ▶ Capping price growth can reduce the impact that a provider with significant market power can have, but does not dictate the payment methodology.
 - ▶ Depending on how the growth caps are structured, there could be flexibility on by how much specific services can increase, as long as the overall average falls under the cap.
- ▶ Similar to the health care cost growth benchmark, they allow for increased spending, but not at an excessive rate.

Rhode Island's Affordability Standards

- ▶ The Rhode Island Office of the Health Insurance Commissioner established Affordability Standards and Priorities that commercial insurers must follow to have their premium rates approved.
- ▶ These standards include a provision on comprehensive payment reform, which requires insurers to include a set of conditions into their hospital contracts.
 - ▶ One of the conditions limits price increases for both inpatient and outpatient services to the Medicare price index plus 1 percentage point.
- ▶ A 2019 *Health Affairs* study found that Rhode Island's implementation of the Affordability Standards reduced per enrollee spending, without impacting quality.

Delaware's hospital growth caps

- ▶ In 2021 Delaware implemented affordability standards that insurers must meet to have their rates approved, modeled after Rhode Island.
- ▶ As part of the affordability standards, the Delaware Department of Insurance requires insurers' average contracted prices with hospitals to grow as follows:
 - ▶ For 2022, no more than 3% or core CPI plus 1%, whichever is greater.
 - ▶ For 2024 through 2026, no more than 2% or core CPI plus 1%, whichever is greater.

Prescription drug pricing legislation

- ▶ Some states have tried to introduce legislation to address prescription drug prices.
- ▶ The scope and focus of prescription drug pricing legislation vary:
 - ▶ Some aim to increase drug pricing transparency through reporting and notification requirements.
 - ▶ Some institute some form of price control, including through fines for unsupported price increases, benchmarking of drug prices, and establishment of drug price affordability review boards to have a more active role in setting drug prices in the state.

Rationale for prescription drug pricing legislation

- ▶ Several analyses have shown prescription drugs to be one of the main drivers of cost growth.
- ▶ In several states, there has been significant interest in legislation to further regulate drug prices, and it offers an opportunity for a coordinated strategy.

Prescription drug price control legislation

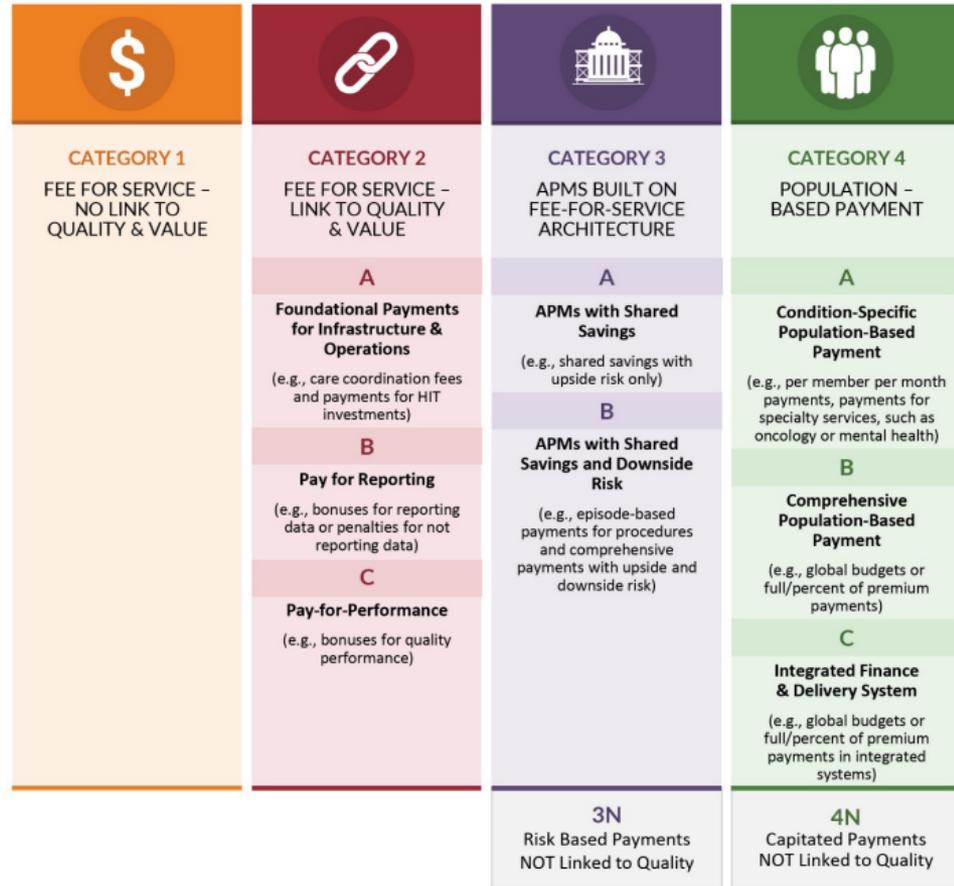
- ▶ The Connecticut and Massachusetts governors introduced similar legislative proposals in 2021 to impose financial penalties on drug manufacturers for excessive price increases.
 - ▶ The benchmark for drug price increases is set at the rate of increase in the CPI plus 2%.
 - ▶ The penalty would equal 80% of the amount by which the drug's price exceeds the benchmark.
 - ▶ CT's governor reintroduced the bill in 2022.
- ▶ Rhode Island's cost growth benchmark governance body recommended that the Governor pursue similar pharmacy price penalty legislation.
 - ▶ Governor McKee did not act on the recommendation.

Increasing the use of advanced value-based payment models

- ▶ A value-based payment (VBP) model is a way of paying for health care services to drive system change towards greater efficiency and improved outcomes.
- ▶ VBP models (also referred to as alternative payment models, or “APMs”) reward providers based on achievement of quality goals and, in some cases, cost savings.

Increasing the use of advanced value-based payment models

- ▶ VBP models fall into a continuum, as categorized by the LAN framework, based on their link to the fee-for-service architecture.
- ▶ Advanced VBP models are those that move further away from the FFS architecture and increase incentives for improved outcomes and efficiency through the use shared savings/risk or capitation payments.



Rationale for focus on advanced VBP

- ▶ The contractual terms of payment between payers and providers create a system of financial incentives that influence health care costs, and such incentives are amenable to modification by the contracting parties.
 - ▶ Fee-for-service payment rewards volume.
 - ▶ Emphasizing meaningful levels of risk-sharing and incentives for quality performance are designed to promote efficiency and a high quality of care.
- ▶ The application of financial incentives to focus on outcomes improve quality through advanced VBPs can support health care cost growth benchmark attainment.

Oregon's VBP strategy

- ▶ In October 2020, Oregon's governing body created a set of principles to increase the spread of value-based payment (VBP) models across the state as a strategy to improve quality and lower costs.
- ▶ The state established a VBP compact, with 47 signatories, representing a voluntary commitment by payers and providers to advance VBP models.
- ▶ Oregon created a value-based payment workgroup to:
 - ▶ Identify paths to accelerate the adoption of VBP across the state
 - ▶ Highlight challenges and barriers to implementing and recommending policy change and solutions
 - ▶ Coordinate and align with other state VBP efforts
 - ▶ Monitor progress on achieving the compact's principles, including specific VBP adoption targets.

Rhode Island's VBP strategy

- ▶ Independently, Rhode Island's governing body established a VBP subcommittee in the summer of 2021, with a focus on moving away from fee-for-service payment.
- ▶ As of February 2022, the Subcommittee has come to general agreement on the outline of a compact with three payment model elements:
 - ▶ Hospital global budgets, inclusive of employed professional services
 - ▶ Prospective primary care payment
 - ▶ Prospective payment and/or episodes for selected specialties with significant independent practice volume

Washington's VBP Strategy

- ▶ HCA is largest state purchaser of health care for more than 2.5 million Washington residents.
- ▶ VBP quality and value requirements currently included in our Apple Health (Medicaid), Public Employees Benefits Board (PEBB), and School Employees Benefits Board (SEBB) and Cascade Care public option contracts.
- ▶ VBP principles focus on access to quality whole-person care centered on primary care, with a health equity lens.
- ▶ Two annual surveys to track provider and plan (payer) progress.
- ▶ Efforts underway to establish a multi-payer primary care transformation model aiming to strengthen primary care through payment and care delivery reform.

Establishing Criteria for Selecting strategies to Support Cost Growth Benchmark Attainment

TAB 5

Establishing criteria for selecting strategies to support cost growth benchmark attainment

Reasons to establish criteria for prioritizing cost growth mitigation strategies

- ▶ It is unlikely that key stakeholders will have the resources to implement all potential strategies to address cost growth.
- ▶ Setting criteria for what cost growth mitigation strategies to prioritize helps ensure the most important issues are addressed.
- ▶ Having a structure that makes setting priorities more systematic and more likely to reflect the realities of the stakeholders involved helps ensure buy-in.

Potential criteria for selecting strategies to support cost growth benchmark attainment

- ▶ Implementation of the strategy is likely to have a substantive impact on cost growth target attainment.
 - ▶ Evidence supports the strategy, or if not, there is a compelling logic model for the strategy.
- ▶ The strategy is actionable for the State, payers, or provider organizations.
- ▶ Relevant stakeholders have the capacity to design and execute the strategy thoughtfully and successfully.



Board discussion on criteria for prioritizing cost growth mitigation strategies

- ▶ Does the Board agree with the proposed criteria?
 - ▶ Implementation of the strategy is likely to have a substantive impact on cost growth target attainment.
 - ▶ Evidence supports the strategy, or if not, there is a compelling logic model for the strategy.
 - ▶ The strategy is actionable for the State, payers, or provider organizations.
 - ▶ Relevant stakeholders have the capacity to design and execute the strategy thoughtfully and successfully.

- ▶ Are there other criteria that the Board would like to include?

Next Steps and Educational Topics

TAB 6

Next steps

Next steps: continuing the conversation

- ▶ At the next meeting, we plan to share available Washington-specific data on health care costs and cost growth. We will also present an update on Board and cost related legislation from the 2022 session.
- ▶ We will begin presenting educational topics on Washington efforts related to cost growth.
- ▶ This information will help the Board explore where focus future interventions to mitigate cost growth.

Washington efforts for future exploration: areas of interest?

- ▶ Prescription purchasing efforts
- ▶ Prescription Transparency Board
- ▶ Value-Based Payments
- ▶ Public Option plans and procurement
- ▶ OIC rating review standards and consolidation oversight
- ▶ AGO anti-trust enforcement
- ▶ Health Technology Clinical Committee
- ▶ Rand Hospital pricing strategy
- ▶ Bree Collaborative
- ▶ Session 2022- new work for the Board, trends
- ▶ Others?