Provisional Affordability Standard Targets

Primary Care Reform Collaborative

November 16, 2020

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Today's Agenda

- Review findings of data analyses and modeling by OVBHCD
- Review and discuss provisional Affordability Standard targets; discuss suggestions for refinement
- Share next steps

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OVBHCD Statutory Charge

- Increase the availability of high quality, cost-efficient health insurance products with stable, predictable, and affordable rates
- Establish targets for carrier investment in primary care to support a robust system of primary care by 2025

We must target smaller increases in spending on non-primary care services to achieve these goals simultaneously.

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Delaware Stakeholders Tell Us

Older, sicker population

Consolidated health system, insurer markets

Limited primary care access

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We *Also* Heard

Payment reform needs to happen now. Too many practices are going out of business!

The landscape in Delaware is different. There is a lack of provider competition particularly for health systems. Each health system seems to have its own little piece of the state. The consolidated payer market is also problematic. There are options, but what percentages of the market do each of the insurers control?

To successfully manage costs and utilization, you have to manage inpatient costs.

Access is very important, especially in Delaware. We must ensure that we do not lose providers.

Going to a hospital is like planning a wedding. Everything is 10x more expensive than it would be otherwise.

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Premiums in Delaware

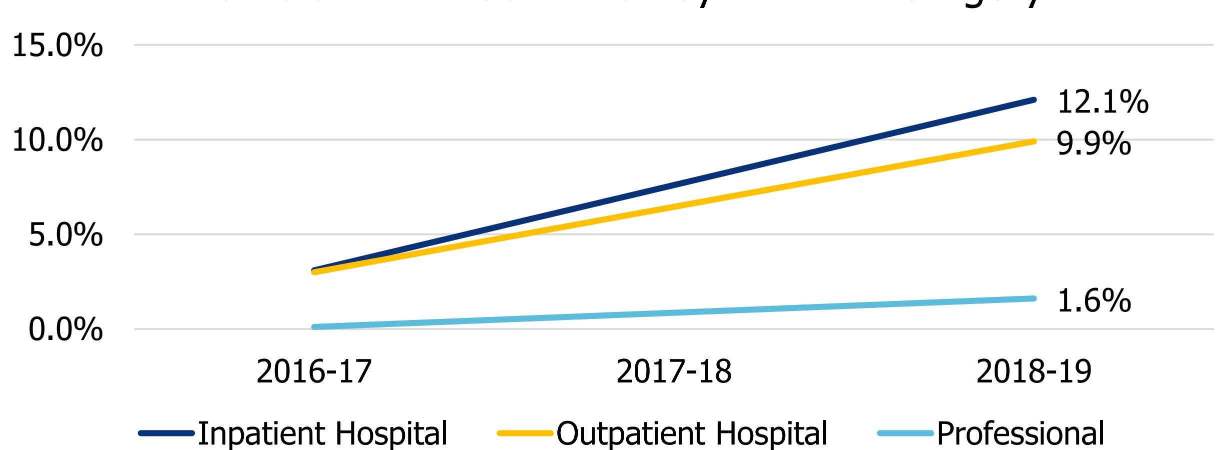
5th Highest Average Premium in the Nation for Individual Markets

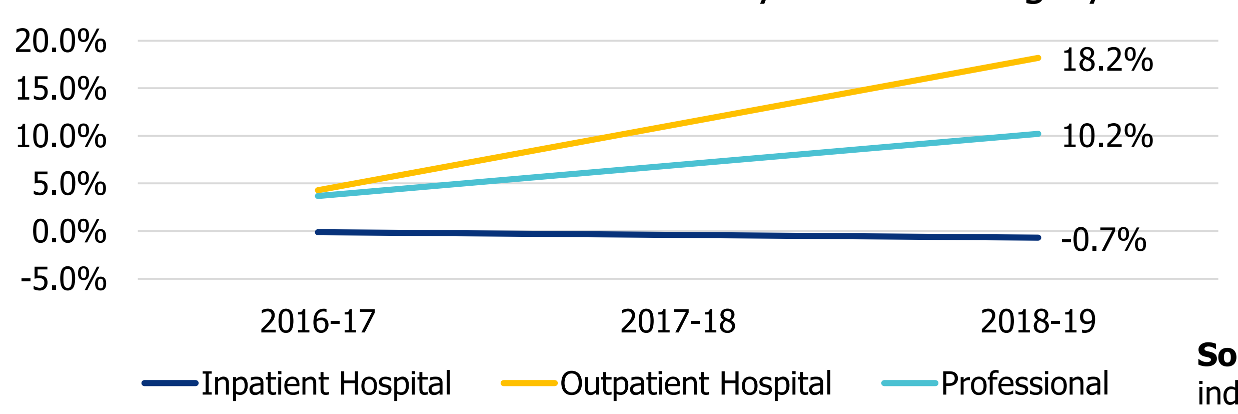
4th Highest Average Premium in the Nation for Small Group Markets

Note: Data does not reflect impact of the state reinsurance program, which is expected to help stabilize the health insurance marketplace and reduce premiums.

Source: CMS' Center for Consumer Information and Insurance Oversight (CCIIO), 2019 Risk Adjustment Program, State-Specific Data

Trends in Price and Utilization





Nationally, research finds increases in health care costs are primarily driven by increases in price.

In Delaware, its both price and utilization.

Source: Data provided by DE carriers for individual, small group, large group and State Group Health Plan.

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Demographic and Health Status Indicators

Compared to other states, Delaware residents are more likely to be…

- Older
- Obese and less likely to engage in regular physical activity
  - Delaware ranks 32nd out of all states for obese adults and 36th on physical inactivity
- Tobacco users, particularly during pregnancy

Sources: Commonwealth Fund 2020 Scorecard on State Health System Performance; United Health Foundation's America's Health Rankings 2020 Edition

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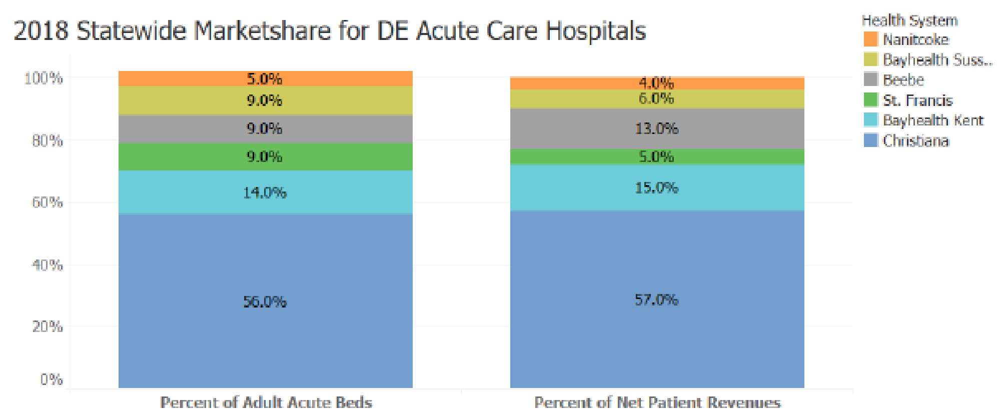
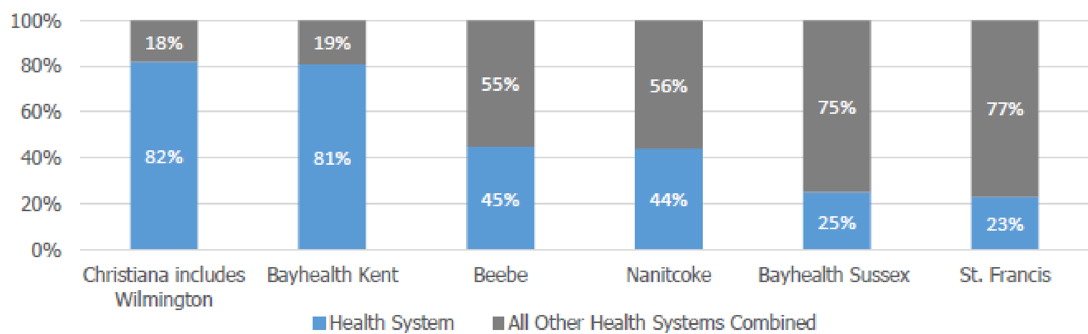
Hospital Market Share in Delaware





Source: Discharge information provided by Delaware Hospital Discharge Dataset, 2018; Service areas defined using hospitals' community benefit reports

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Operating Margins of Delaware Acute Care Hospitals

Operating Margin (chart; 2019 National Average 2.3%)

Location	2017	2018	2019
Beebe Healthcare	10.4%	8.7%	10.2%
Bayhealth Hospital, Sussex Campus	6.6%	7.8%	8.2%
Bayhealth Hospital, Kent Campus	5.7%	5.0%	7.3%
Saint Francis Healthcare	-0.1%	-0.3%	-1.3%
Nanticoke Memorial Hospital	2.9%	2.7%	-3.7%
Christiana Hospital	-3.4%	-5.1%	-5.8%

Source: DE Hospitals, Centers for Medicare and Medicaid Cost Report data compiled by the American Hospital Association; National average provided by Fitch Ratings.

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Total or “Excess” Margins of Delaware Acute Care Hospitals

Margin

16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%

7.5% 9.7% 11.2% 7.3% 8.3% 8.5% 15.5% 16.2% 12.6% -4.7% 3.0% 2.4% 7.3% 8.3% 8.5% 14.3% 12.1% 10.0%

2018 National Average 4.3%

2017 2018 2019 2017 2018 2019 2017 2018 2019 2017 2018 2019 2017 2018 2019 2017 2018 2019

Location
- Beebe Healthcare
- Bayhealth Hospital, Sussex Campus
- Bayhealth Hospital, Kent Campus
- Saint Francis Healthcare
- Nanticoke Memorial Hospital
- Christiana Hospital (includes Wilmington)

Source: Centers for Medicare and Medicaid Cost Report data compiled by the American Hospital Association; National average provided by Moody’s Investors Service.

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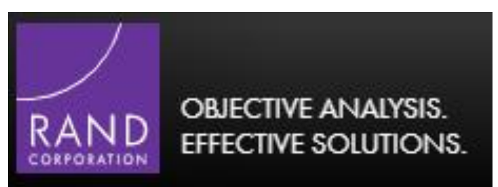
Health Care Prices in Delaware

Research Report

Nationwide Evaluation of Health Care Prices Paid by Private Health Plans

Findings from Round 3 of an Employer-Led Transparency Initiative

Christopher M. Whaley, Brian Briscombe, Rose Kerber, Brenna O'Neill, Aaron Kofner



Commercial prices for hospital-based services in DE were ***244%*** to ***334%*** of Medicare.

For professional services, commercial prices were ***only 110%*** of Medicare, the lowest differential in the nation.

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The Conversation in Delaware

LETTERS TO THE EDITOR

Primary care physicians deserve concierge offerings

By Harry Caswell • September 21, 2020

In reference to Sept. 7 letter to editor on primary care physicians: To be clear, not all the doctors at this practice are going to concierge medicine, but if I was a doctor here in Delaware, I would also consider this. These doctors go through years of college, med school and residency to provide healthcare for us, and it's getting to the point where they have no choice. These insurance companies, along with Medicare and Medicaid, are dictating what they are going to pay them per patient and it's peanuts. They spend a good portion of their careers paying off their student loans to become a physician, and this is what is happening to them here in Delaware. It's a disgrace. I feel bad for our doctors and also our police officers across the country. So in response to the article, maybe the state of Delaware should do something about the insurance companies getting rich, and controlling Medicare and Medicaid to help all of us, and not pick on our overworked doctors. We need them badly. I'm just saying.

Harry Caswell
Rehoboth Beach

LETTERS TO THE EDITOR

Implications of move to concierge care

By Barbara Brewer • September 21, 2020

As you consider for whom you will vote in the upcoming election, I urge you to think seriously about who is more likely to help address a social justice and ethical issue more urgently impacting our area and many others across this nation: healthcare.

Facebook "blew up" here recently when word leaked out that doctors in one of Sussex County's oldest and largest independent practices were opting to move to a "concierge" model of practice. Yes, this year. During a pandemic. As flu season approaches. When many have lost income or seen costs rising. And at yet another time in its history when new home sales and growth in population in eastern Sussex County have again created a shortage of doctors accepting new patients here. Panic ensued in many circles as people scrambled to get information and understand what this meant for them and their loved ones. Many, already concerned about maintaining their health, or their insurance or jobs, heading

Primary Care Investment, Per Member Per Month

Per Member Per Month Spending by Service Category

Source: Data provided by DE carriers for individual, small group, large group and State Group Health Plan. PMPM does not include pharmacy spending.

The amount spent on primary care services increased 21% from '17 to '19.

Yet, it barely increased as a percent of total medical expense.

Why?
All other types of spending increased too – about 12% across the three years, excluding pharmacy.

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Theory of Change

Unit price growth for certain services decreases

Primary care investment increases

Alternative payment model adoption expands

Access to comprehensive primary care expands

Care delivery and patient outcomes improve

Spending on preventable ED and hospital visits decreases

Incentives to provide appropriate care increases

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Three Targets to Achieve Statutory Goals

AFFORDABILITY STANDARD TARGETS

Primary care investment

Unit price growth

Alternative payment model adoption

OVBHCD STATUTORY CHARGE

Establish targets for carrier investment in primary care to support a robust system of primary care by 2025.

Increase the availability of high quality, cost-efficient health insurance products with stable, predictable, and affordable rates.

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Proposed Approach

AFFORDABILITY STANDARD TARGETS

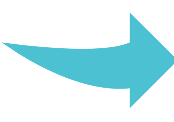
Primary care investment

Unit price growth

Alternative payment model adoption

ACCOUNTABILITY

Integrated with rate review for DOI plans



Progress toward each target considered as part of rate review approval

Seeking collaboration and alignment with other payers

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Responding to COVID-19

Care delivery unknowns: Utilization has recently returned to near pre-COVID levels, thanks in part to telehealth, but may stall again with rising caseloads. This, coupled with vaccine costs, has actuaries projecting higher trends in price (~3.8%) and utilization (~2.0%) in 2020.

Primary care practices hit hard: More PCPs willing to move away from reliance on FFS; more independent practices seeking the stability of a clinically-integrated network, accountable care organization, or health system

- Targets offer flexibility for changing market dynamics
- Targets integrated into rate review for 2022
- Targets provide multiple opportunities to strengthen primary care investment

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Affordability Standard Targets

1) Primary care investment

2) Unit price growth

3) Alternative payment model adoption

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Affordability Standard 1

Key Findings to Support Primary Care Investment Target Development

- **Low primary care investment**: Less than 5% in Delaware compared to more than 10% in leading states

- **Low commercial prices for primary care and other professional services:** 10% above Medicare, lowest differential in the nation

- **Shrinking and aging primary care workforce**: 6% decline in Delaware PCP FTEs and 30% to 40% more planning to leave the workforce in the coming years

- **Limited investment to support care management and coordination:** Approximately $1.70 PMPM

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Affordability Standard 1

PROVISIONAL TARGET

Commercial health insurance carriers will increase investments in primary care, as defined by the Office, 1% to 1.5% of total medical expense a year until 2025.

Primary care investment:

- More than doubles from 2021 to 2025, on a per member, per month basis
- Increases as a percent of total medical expense from 4% to 8% to 10%
- Grows to levels consistent with leading models of comprehensive primary care delivery nationally on a PMPM basis

	2021	2022	2023	2024	2025
Primary Care %	4%	5%	6%	7%	8%
Primary Care PMPM	$22.69	$28.32	$35.64	$45.20	$53.37

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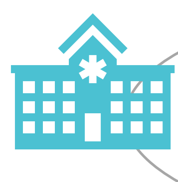
Affordability Standard Targets

1) Primary care investment



2) Unit price growth

3) Alternative payment model adoption

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The Rhode Island Approach

Rhode Island Regulation of Insurers' Contracts with Hospitals:

- Hospital contracts shall include a quality incentive program using state's core measure set
- Average rate increases including quality incentives greater than CPI +1% must be approved. Approval also required if less than 50% of increase is for quality incentives
- Limited adjustments can be made for hospitals which have been paid below the median, if certain quality and safety measures are met
- Contracts can be made public; plans can request some specific terms be kept confidential

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Affordability Standard 2

Key Findings to Support Unit Cost Growth Target Development:

- **Historical price increases for hospital services have outpaced price increases for professional services:** 3.2% to 3.9% a year compared to 0.5% a year
- **Delaware hospitals and health systems received commercial reimbursements of 272% to 334%,** on average, depending on the type of service
- **High market share**: Four of the six adult hospitals had at least 40% of the discharges for their service areas, and two had market share percentages exceeding 80%

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Affordability Standard 2

PROVISIONAL TARGET

Commercial health insurance carriers will limit aggregate unit price growth for non-professional services according to the schedule below.

Year	Provisional Target Equals the Greater of:
2022	3.0% or Core CPI + 1%
2023	2.5% or Core CPI + 1%
2024	2.0% or Core CPI + 1%
2025	1.5% or Core CPI + 1%

Non-professional services will be defined as those categorized as "Inpatient Hospital," "Outpatient Hospital," and "Other Medical Services" in the Unified Rate Review Template (URRT). These categories do not include professional services. Health insurance carriers may include all pharmacy costs including those provided in the inpatient or outpatient setting in the "Pharmacy" category of the URRT.

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Affordability Standard Targets

1) Primary care investment

2) Unit price growth

3) **Alternative payment model adoption**

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HCP-LAN Alternative Payment Model Framework

Category One: Fee For Service – No Link to Quality & Value

Category Two: Fee For Service – Link to Quality & Value

- 2A:Foundational Payments for Infrastructure & Operations
- 2B: Pay for Reporting
- 2C: Pay for Performance

Category Three: APMs Built on Fee-For-Service Architecture

- 3A: APMs with Shared Savings
- 3B: APMs with Shared Savings and Downside Risk

Category Four: Population-Based Payment

- 4A: Condition-Specific Population-Based Payment
- 4B: Comprehensive Population-Based Payment
- 4C: Integrated Financial & Delivery System

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Affordability Standard 3

Key Findings to Support Alternative Payment Model Target Development

- **PCRC APM Target:** 60% of Delawareans attributed to "value-based model" by 2021.
- **State Employee Benefits Committee Target:** 40% of healthcare spending to be under a Category 3 model and 10% under a Category 4 model by 2023.
- **Current State: in Delaware:** 44% of commercial total medical expense is subject to a total cost of care accountability contract, such as a shared savings arrangement. Only 4% flows through contracts that require providers to pay back a portion of losses if a population's medical expenses exceed expected costs.
- **Movement to Downside Risk for MSSP**: In Delaware, most ACOs currently participating in MSSP are expected move to downside risk in the next few years.

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Provisional Affordability Standard Target 3

2019 Percent of Total Medical Expense Tied to APMs

- Fee For Service - No Link to Quality & Value
- Pay for Performance
- Shared Savings
- Downside Risk

Category	Percent
Fee For Service - No Link to Quality & Value	42%
Shared Savings	40%
Pay for Performance	14%
Downside Risk	4%

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Provisional Affordability Standard 3

PROVISIONAL TARGET

- **Tie More Spending to Total Cost of Care Accountability :** A minimum of 50% of total medical expense will be tied to an APM contract that meets any HCP-LAN Category 3 definition by 2023.

- **Expand Use of Downside Risk Contracts, Particularly for Health System ACOs**: A minimum of 25% of total medical expense covered by an APM program that meets the definition of Category 3B.

- **Provide More Opportunities for Independent Providers to Participate in Pay for Performance Programs:** Total cost of care accountability may not be the right fit for all primary care providers. Delaware carriers should find opportunities to engage all primary care providers in programs to increase investment in high value services.

- **Pilot Capitated Payments for Primary Care:** Commercial health insurance carriers will explore new ways to pilot and implement capitated payments for primary care and other services and report to the Office on the successes and lessons learned of those programs.

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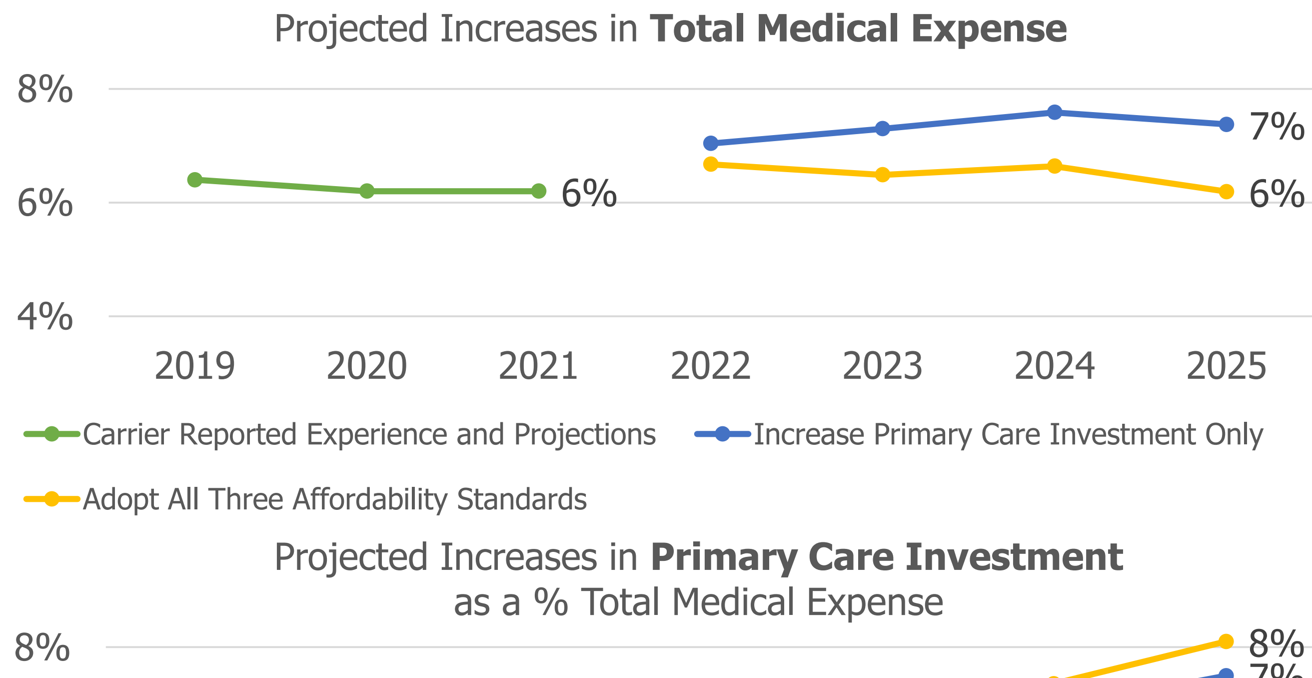
Modeling Projections



Implementing the three Affordability Standards together allows primary care investment to double with minimal increases in total cost of care growth.

NOTE: TME trend should not be compared to risk-adjusted statewide benchmark

Source: Data provided by DE carriers for individual, small group, large group and State Group Health Plan. Projections informed by actuarial market knowledge.

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Integration With Rate Review

Affordability Standard template submitted as part of rate filing.

Progress toward achieving standards considered as part of rate determination process.

Rate determination made.

Market conduct exams, audits and hearings conducted as needed.

Annual Affordability Standards report discusses progress and updates standards.

Next Steps

- Discuss Targets with PCRC (November 16th)
- Affordability Standards Report (December)
- Public Comment Period (12/15-01/15)
- Respond to Public Comment; Publish (February)
- Bulletin on Integration with Rate Review (February)
- Update Rate Filing Instructions (February – March)

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Appendix

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Percent Spending on Primary Care Across Commercial Analyses

OVBHCD* Commercial 2019	DHIN Commercial 2017-2019	Milbank, PCP A, primary care service only, PPO plans	SBO Primary Care Spend Analysis 2018-2019
3.7%	**3.8%**	**4.3%** (3.0-5.4)	**3.8%**

With Rx in denominator

*OVBHCD data provided by DE carriers for individual, small group, large group and State Group Health Plan.

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Percent Spending on Primary Care Across Payer Types

OVBHCD*	DHIN			
COMMERCIAL	COMMERICAL	MEDICAID	MEDICARE ADVANTAGE	MEDICARE FFS
2019	2019	2019	2019	2018**
4.5%	**4.7%**	**5.9%**	**4.6%**	**5.3%**

*OVBHCD data provided by DE carriers for individual, small group, large group and State Group Health Plan.

** 2019 Data was not available

No Rx in denominator

Stakeholders Engaged

- Aledade
- United Medical
- Christiana Care
- Next Century Medical Care
- Delaware Healthcare Association
- Medical Society of Delaware
- Highmark
- Aetna
- Cigna
- UnitedHealthcare and Optimum Choice
- Division of Medicaid and Medical Assistance
- Department of Health and Social Services
- Statewide Benefits Office
- Mdavis
- Delaware Diabetes Coalition
- AARP
- The Life Health Center
- Delaware Center for Health Innovation
- Primary Care Reform Collaborative
- Milbank Memorial Fund

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