Rhode Island Health Care Cost Trends Steering Committee

June 28, 2021

Agenda

1. Welcome
2. Approval of meeting minutes
3. Status and informational updates
4. Recommended methodological changes to measuring performance
5. Treatment of 2020 performance data
6. Denterlein findings and recommendations
7. Public comment
8. Next steps and wrap-up

Welcome

Approval of Meeting Minutes

Approval of Meeting Minutes

- In advance of the meeting, project staff shared minutes from the May 17th Steering Committee meeting.
- **Does the Steering Committee wish to approve the May meeting minutes?**

Status and Informational Updates

1. Assessment and Transition from Peterson Grant

- The co-chairs are currently evaluating appropriate next steps and will be communicating with the Steering Committee in the coming weeks concerning the proposed path forward.

2. Pharmacy Legislation

- Governor McKee will consider incorporating the Steering Committee's pharmacy strategy recommendation into his state fiscal year 2023 budget proposal and will explore the possibility of joint action of Governor Baker and Governor Lamont as a part this consideration.

3. Value-Based Payment (VBP) Subcommittee

- The VBP Subcommittee will convene:
  - monthly for one hour between July and September 2021, and
  - twice a month for one hour between October and December 2021.
- The Steering Committee co-chairs will lead VBP Subcommittee meetings.

4. Reporting De-identified Payer and Provider Performance Ranges

- During the May Steering Committee we shared that payer and provider-level cost growth target performance was not being reported due to co-chair concerns about the methodology.
- Since then, some payers and providers have asked for de-identified trend ranges. That information will be distributed following the meeting.

5. Steering Committee Advisory Bodies

- The co-chairs propose to reconstitute the Advisory Committee on Actionable Cost Drivers and form two new subcommittees to advise the Steering Committee on actionable steps to reduce costs and cost growth.

    1. ***Data Analysis Subcommittee***: This group will drive ongoing analyses of costs and cost growth drivers and translate findings into meaningful action steps that it will recommend to the Steering Committee for consideration and implementation.

    2. ***Clinical Advisory Subcommittee***: This group will provide for continued engagement of clinical partners, including specialists, to serve in an advisory capacity to identify strategies and make recommendations to reduce costs and cost growth drivers.

6. Implementation of Advisory Groups and Meeting Plan

- We propose to cancel the July and August Steering Committee meetings and reconvene the full Steering Committee in September (as scheduled).
- The VBP Subcommittee and the Data Analysis Subcommittee would convene in July and August and report their work and progress to the Steering Committee during the September meeting.
- The Clinical Advisory Subcommittee will hold a brief initial meeting in the summer to review the scope, charge, and plan for engagement. We expect this Subcommittee will meet on a quarterly basis.

Recommended methodological changes to measuring performance

Methodological Challenges

- First-year cost trends performance analysis experience revealed the extent of the impact of ***high-cost outliers*** and ***changes in risk scores*** on cost trends performance when assessed at the insurer and ACO/AE levels.

- Because reporting performance results is performed, in part, for accountability purposes, we want to be sure we are appropriately accounting for and acknowledging the impact of those factors.
  - This was the reason for not sharing performance at the insurer and provider entity levels during the April meeting.

- **Today, we will discuss proposed changes to the performance analysis methodology for next year's report.**

High-cost outlier spending

Context

During the spring of 2021, the Cost Trends Steering Committee co-chairs expressed concern about the impact that high-cost outliers had on individual ACO/AE performance relative to the cost growth target.

- While high-cost outliers represent real spending, these members (patients) often present randomly in a population and there are limits to how much of their spending can be influenced due to their medical condition and care needs.
- It is not fair to judge insurers and ACO/AE spending against the cost growth target for spending associated with total high-cost outlier spending.

It is common practice in payer-ACO/AE risk contracts to *truncate* high-cost outlier spending.

- Truncation involves capping individual patient annual spending at a high level, often between $100K and $150K for commercial population contracts.

Recommendation: High-cost outliers

For future measurement of insurer and ACO/AE performance against the cost growth target, the co-chairs recommend truncation of high-cost outliers at a to-be-determined threshold.

- The threshold may vary based on market (e.g., commercial, Medicaid, Medicare).
- Truncation would not be applied for measurement at the state and market levels.
- Additional work will be needed to determine the truncation point by market.

- Rationale: High-cost outlier truncation will provide a fairer assessment of insurer and ACO/AE performance by removing the distorting effects of largely random high-cost outlier spending.

Does the Steering Committee support this recommendation?

Risk-adjustment

Context

During the spring of 2021, the Cost Trends Steering Committee co-chairs expressed concern about the impact that changes in clinical risk scores had on performance relative to the cost growth target.

- *Clinical risk adjustment* in our application involves assessment of conditions diagnosed and treated during the performance year in order to predict spending in the same year. Adjustment is intended to ensure that providers aren't penalized for changes in their patient population over two years.

There is a great deal of national literature on the trend of rising risk scores.

- Some is due to improved documentation of patient conditions on claims.
- However, this means that risk scores are rising when the population health status remains constant.
- Massachusetts reports observing steadily rising risk scores year and year after year.

Context *(cont'd)*

Do rising risk scores matter for cost growth target measurement purposes? Yes, they do. *A lot*.

- Excluding dual eligibles, RI payer risk scores grew 4.6%, 2018-2019.

Recommendation: Risk-adjustment

For future measurement of insurer and ACO/AE performance against the cost growth target, the co-chairs recommend risk-adjusting payer and ACO/AE spending using standard age/sex factors.

- Rationale:
  - Using clinical risk scores overcompensates for possible yearly changes in population health status and creates distortion due to claim coding practices.
  - Age/sex adjustment will capture the impact of an incrementally aging population, which may be the most significant change affecting population health status over the course of a year.

Does the Steering Committee support this recommendation?

Building confidence intervals for cost growth target performance

Context

The Cost Trends Steering Committee initially determined that it would publicly report on ACO/AE performance for those organizations with attributed lives equal to or over pre-defined thresholds.

- The thresholds are 10,000 lives for commercial and Medicaid, and 5,000 lives for Medicare.
- This approach was generally aligned at the time with what Massachusetts was doing.
- The Steering Committee adopted these thresholds based on the understanding that they were sufficiently large to allow for rendering judgement on performance.
- It also recognized, however, that there was opportunity to develop a more statistically sophisticated approach.

Context (cont'd)

The Steering Committee's November 27, 2018 recommendations, adopted within the December 2018 compact, further stated:

"The State should develop guidelines for ***when to signify provider deviation from the cost growth target as statistically meaningful*** *(not at high risk of influence by random variation) in consultation with the Steering Committee or a successor stakeholder body. This might entail additional analyses of the APCD to develop performance* ***confidence interval bands****. These confidence interval bands should be applied to provider reporting."*

Bailit Health, working with analytic staff at the Oregon Health Authority, has developed recommended guidelines for this purpose.

Determining Payer and Provider Entity Performance Against the Cost Growth Target

- We recommend the Cost Trends Project incorporate "confidence intervals" – an upper and lower bound – around individual payer and provider cost growth target performance.
  - A confidence interval is a statistical estimate that produces a range of values in which the true value is likely represented.

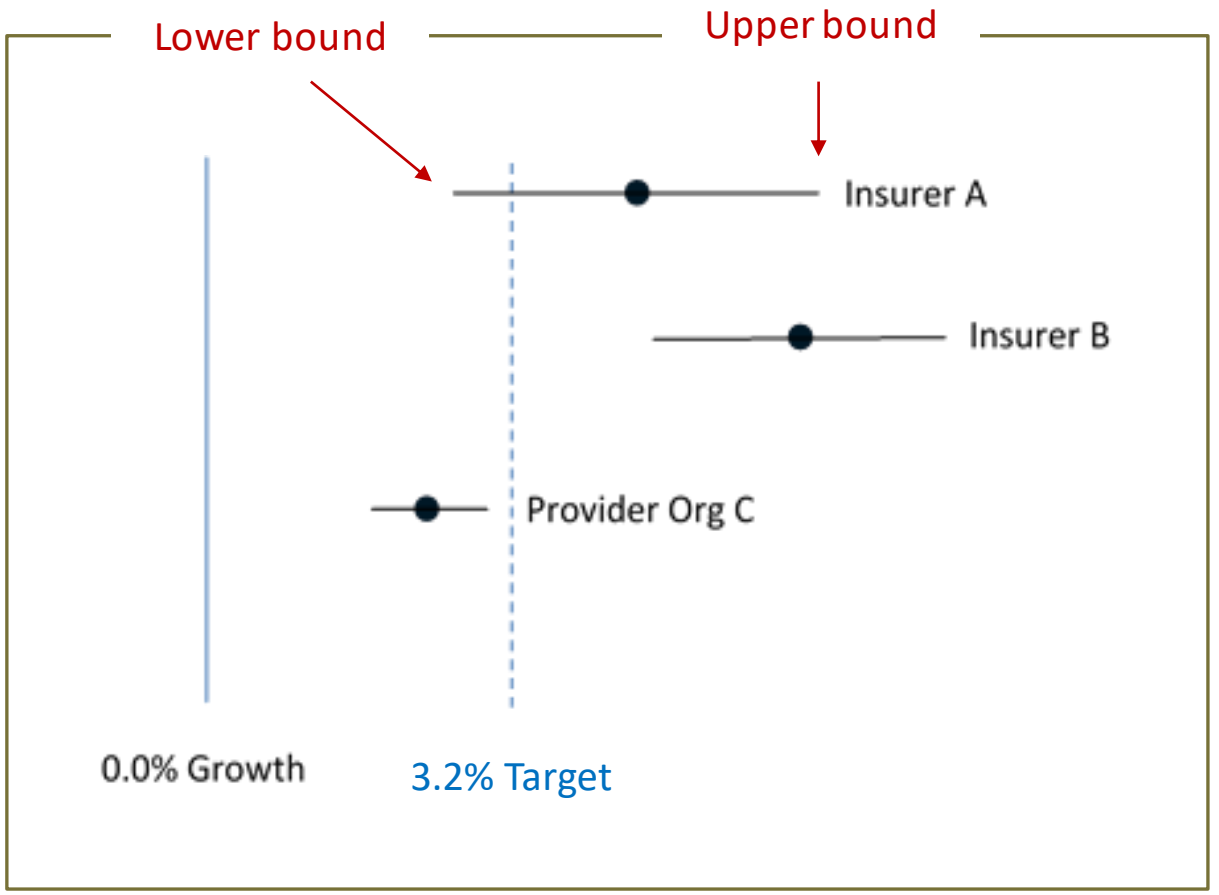
- In practice, calculating and applying confidence intervals to entity performance relative to the cost growth target allows us to say, "We are 95% confident that the interval between the upper and lower points on the range contains the true cost growth for a specific entity."

- Oregon and Connecticut both intend to perform statistical testing to evaluate carrier and provider performance relative to their state cost growth targets.

How can the Cost Trends Project Use Confidence Intervals to Assess Performance Against the Target?

Assessing performance relative to the cost growth target using confidence intervals will be implemented as follows:

- Unable to determine performance when upper or lower bound intersects the target (e.g., Insurer A)
- Target has not been achieved when lower bound is fully over the target (e.g., Insurer B)
- Target has been achieved when the upper bound is fully below the target (e.g., Provider Org C)



Note: Figure is not to scale

Data Needed to Develop Confidence Intervals

Payers will need to provide variance information:

- by line of business for the payer overall
- by line of business for each ACO/AE with lives equal to or above the thresholds

Each individual member/attributed life should be included in calculation of variance, regardless of whether the member has any paid claims.

Variance data should be based on the adjusted partial claim population data.

The change will need to be incorporated into the Cost Trends Project implementation manual, which is to be distributed shortly to payers for reporting of 2020 spending data.

Does the Steering Committee support this recommendation?

Treatment of 2020 Performance Data

A “highly atypical year”

The co-chairs have discussed reporting 2020 performance given that the year was an aberration, and year-over-year trend (2019 to 2020) will be depressed. The co-chairs recommend the following:

- Collect 2020 performance data for longitudinal purposes and to ensure a complete data set.
- Discuss conceptualizing findings and results reporting with Steering Committee members at a future date.

Does the Steering Committee support this recommendation?

Denterlein Findings and Recommendations

RHODE ISLAND HEALTH CARE COST TRENDS COLLABORATIVE PROJECT

Message Framework
Steering Committee Presentation

June 28, 2021

FOCUS GROUP CATEGORIES

BUSINESS COMMUNITY

PROVIDERS

CIVIC LEADERS

ELECTED OFFICIALS

FOCUS GROUP TAKEAWAYS

- Investment is needed
- Focus on better health outcomes
- Cost drivers are many (but price doesn't make most lists)
- There are challenges in addressing these issues: equity, outcomes, systemic issues, etc.
- The opportunities are largely tied to system delivery reform
- Solutions are perceived as complex

DEFINE THE PROBLEM

- Challenges
  - Underutilization of primary and preventive care
  - Over utilization of some high-cost hospital services
  - High cost of pharmaceuticals; with episodic cost increases that have no or limited/justification
  - Regular price increases for services/pharmaceuticals that are not consistent with increased costs
- It is a priority to invest resources in areas that would result in better health outcomes, reduce disparities, etc.
- To do so, we must reduce unnecessary costs in the system

ROLE OF RI HEALTH CARE COST TRENDS COLLABORATIVE PROJECT

- Rhode Island launched a Health Care Cost Trends Collaborative project to:
  - Create a data-driven cost growth target
  - Understand health cost drivers and reasons for cost variation
  - Provide transparent and consistent data to inform purchasing, care delivery reforms and pricing
- Together, the Collaborative established an annual cost growth target of 3.2% per capita

COST DRIVERS + OUTCOMES

- Key drivers
  - Variations in utilization
  - Price and cost variations
  - Low value services
  - Potentially preventable services
- As a result, the Collaborative has and will continue to recommend policy shifts designed to limit cost growth in areas with limited positive impact on outcomes

DATA DRIVEN SOLUTIONS

- By relying on data to drive strategies to lower cost we can:
  - Maintain focus on access, quality of care and positive health outcomes
  - Address underlying cost issues, not just consumer spend
  - Limit consumer confusion
  - Consider equity and barriers to health for underserved populations

CREATIVE APPROACHES ARE IN THE MIX

- Collaborating with providers to incentivize creative approaches:
  - Investing in social determinants of health
  - Advancing access to behavioral health services
  - Considering impacts of team-based practice, telemedicine, etc.
  - Use state funded programs to pilot programs

SOLUTIONS ARE POSSIBLE

- Broad based coalition has the will and investment to tackle these difficult issues in creative ways
- Addressing costs that don't improve outcomes frees up funds for other healthcare investments
- Fundamentally addressing cost-drivers (and price variations) will lead to long term reductions in premiums and cost-sharing
- We can maximize the impacts of some of our proposed policy changes to improve/ quality, reduce health disparities and advance access

MESSAGING CHECKLIST

COMMUNICATIONS SHOULD ADDRESS THE FOLLOWING THEMES

- ✓ Healthcare dollars should be focused on outcomes driven care, quality, and reducing health disparities
- ✓ Cost-drivers that don't contribute to these goals must be understood and addressed (remedied)
- ✓ Price (the amount charged for a service) must reflect the actual cost of care
- ✓ The Cost Trends Collaborative project relies on a data-driven approach and has buy-in from key players (insurers, providers, business, government, consumer advocates)
- ✓ Solutions will be consumer friendly, maintain access/choice, lower costs for business
- ✓ Equity and access will always be priorities – and dollars will ultimately be redirected to advance initiatives that achieve these goals

RECOMMENDED NEXT STEPS

1. Prioritize audiences
2. Segment message by audience type
3. Keep communications simple and repeat over time
4. Focus on solutions – to persuade people this is possible
5. Create a communications tools that supports your policy efforts
    1. Microsite
    2. Quick facts/FAQs
    3. Compelling data points – presented visually
    4. Educated allies

DISCUSSION AND QUESTIONS

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Public Comment

Next Steps and Wrap-up

Upcoming Steering Committee Meetings

- September 14th from 12:00-1:30pm
- October 18th from 9:00-10:30am
- November 29th from 9:00-10:30am
- December 16th from 11:00am-12:30pm