Rhode Island Health Care Cost Trends Steering Committee

March 22, 2021

Agenda

1. Welcome
2. Approval of meeting minutes
3. Finalize criteria for selection of priority strategies to support the cost growth target
4. Vote on recommendations to address pharmacy spending
5. Consider a value-based payment strategy proposal
6. Informational updates
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 February 22nd Steering Committee meeting.
- **Does the Steering Committee wish to approve the February meeting minutes?**

Finalize Criteria for Selection of Priority Strategies to Support the Cost Growth Target

Finalize Criteria for Selection of Priority Strategies to Support Cost Growth Target Attainment

- During the February Steering Committee meeting, project staff shared recommended criteria to aid it in deciding whether to recommend and support a strategy to further cost growth target attainment.
- Individual members of the Steering Committee recommended considering the following:
  - add quantitative thresholds to the criteria (either embedded or as a separate technical document)
  - adding a criterion related to quality, access, and outcomes
- Project staff recommend against incorporating either because the first would be hard to establish with an objective basis, and the second extends beyond the current focus of the Cost Trends Project.

Criteria for Selection of Priority Strategies to Support Cost Growth Target Attainment

1. Analysis of spending data indicates a significant opportunity based on one or more of the following:
   a. recent spending growth rate in excess of the target;
   b. significant variation in spending, utilization or price levels across ACOs/AEs or providers, and
   c. spending or service utilization in excess of external benchmarks.

2. The strategy is actionable for one or more of the following: the State, payers, provider organizations.
   a. Strategy implementation is likely to have a substantive impact of cost growth target attainment in the near term, or stages future work that will have such impact.
   b. Evidence supports the strategy, or if not, there is a compelling logic model for the strategy.

3. The Steering Committee and project staff have capacity to design and execute the strategy thoughtfully and successfully.

- **Is the Steering Committee comfortable with adopting the above criteria as drafted?**

Vote on Recommendations to Address Pharmacy Spending

Recommendations

- On March 5th, we shared a narrative description of the following strategies with the Steering Committee following the discussion of February 22nd:

1. MA and CT unsupported price increase legislation
2. NASHP international references rates model legislation, modified such that any fines would not be applied to health plans or participating ERISA plans

- **Are there any final comments on these recommendations before we vote?**

Vote on Pharmacy Spending Recommendations

- Please vote on whether you endorse the pharmacy strategy recommendations as shared with you on March 5th.
- Vote by typing your name, organization, and “Yes”, “No” or “Abstain” in the chat.
  - Please be sure to send your chat to “Everyone”.
  - If you are a designee, please indicate your name and your vote on behalf of the Steering Committee member in the chat.

Value-based Payment Strategy Proposal

Background

- **December 2014:** A working group of Rhode Island health care leaders co-convened by United States Senator Sheldon Whitehouse and The Rhode Island Foundation **called for statewide progress on payment reform and cost containment**.
- **August 2018:** The Rhode Island Health Care Cost Trends Steering Committee was convened and subsequently entered into the Compact to Reduce Growth in Health Care Costs and State Health Care Spending in Rhode Island that established an annual heath care cost growth target. The primary objective is to slow health care cost growth and thereby improve affordability for consumers, employers, and state government.
- **October 2020:** This Steering Committee discussed the opportunity to advance broad-based strategies that may impact overall cost growth without targeting one contributor in particular. **Advanced valued-based payment (VBP)** is one such strategy the co-chairs have suggested.

Background on VBP

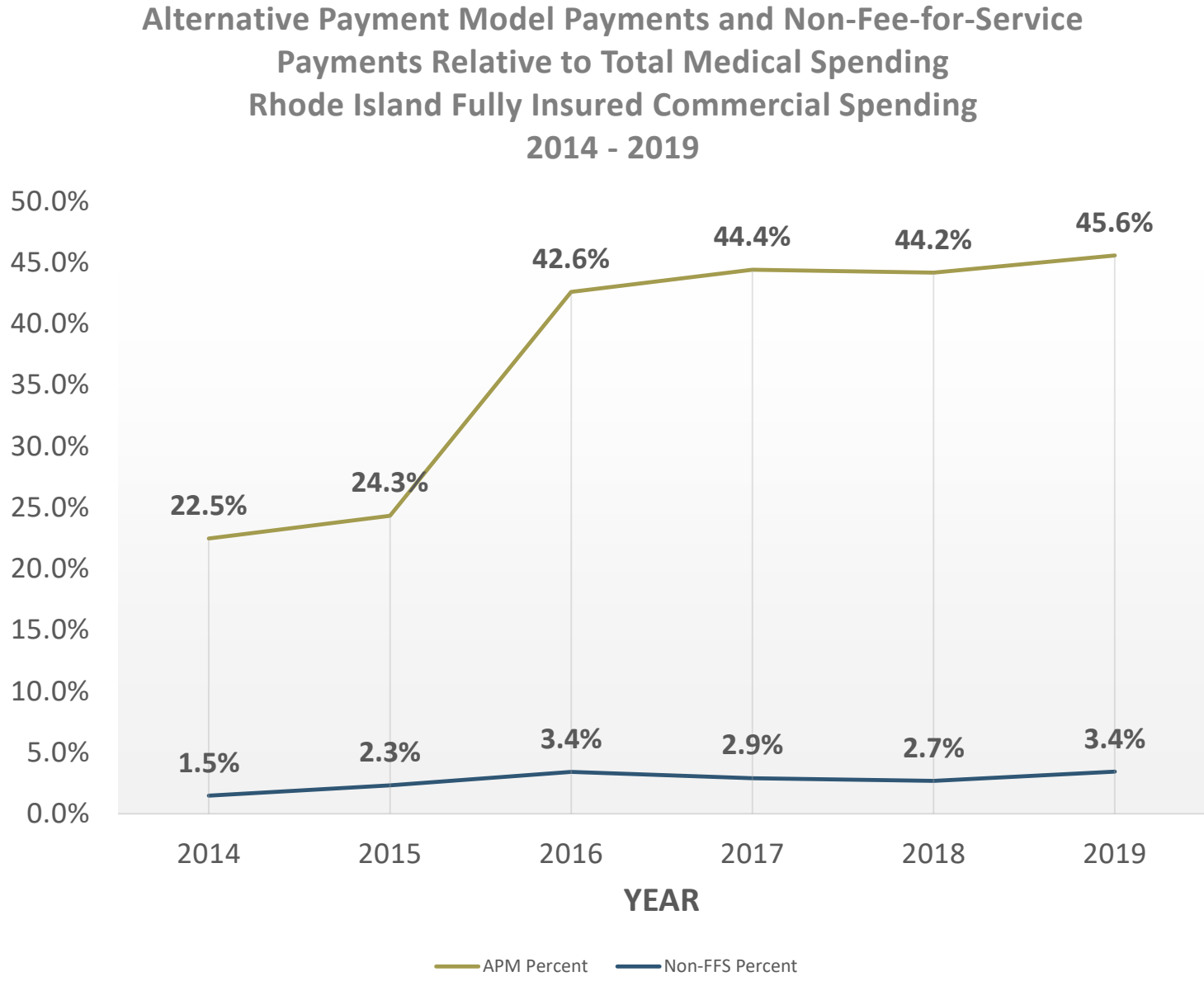
- **VBPs** can be broadly defined as those that **incorporate financial incentives for reporting and/or performance**.
- Rhode Island has made progress in adopting VBPs with some limitations:
  - **Over 45%** of commercial medical payments are made through an alternative payment model (APM) and Medicaid and Medicare Advantage have made similar advances.
  - Contracts to date have significantly emphasized gainsharing. Movement to downside risk and prospective payment has been limited and variable across market participants.
  - **Approximately 95%** of APM payments are based on fee-for-service reimbursement.
- However, **advanced VBP** refers to APMs that **employ a budget-based methodology** for a defined population and/or set of services (e.g., total cost of care, episodes of care, or limited capitation). Directionally, these APMs should incorporate meaningful downside risk and prospective payment over time.

Background on VBP

- Payers and providers have made significant investments in infrastructure for population health management. This infrastructure is foundational to the operation and success of **advanced VBP**.
- **Advanced VBP** represents an area for continued engagement by market participants to **support health care cost growth target attainment** through the application of meaningful financial incentives to manage costs and improve quality.

Payments associated with an APM have doubled as a percentage of TME since 2014.

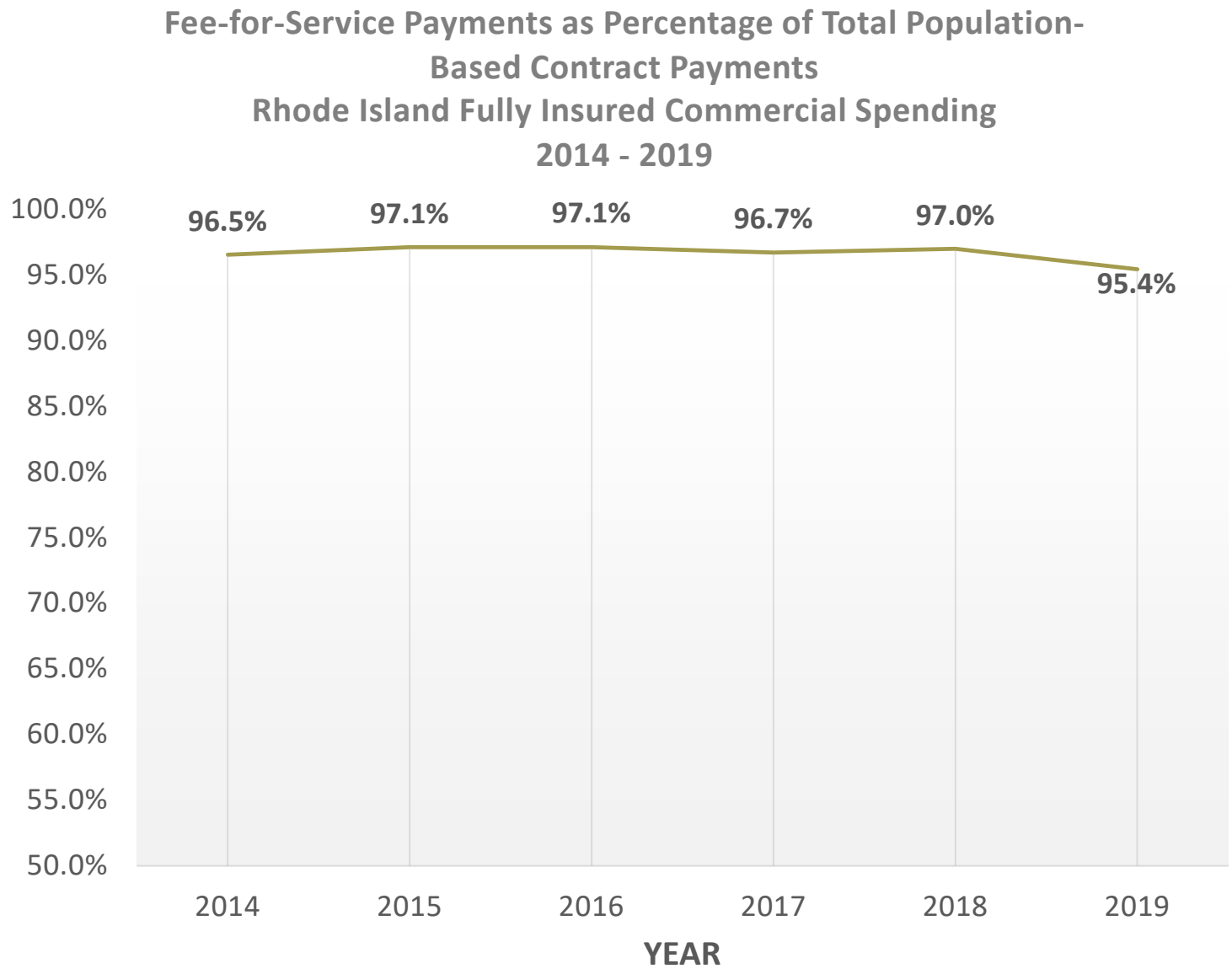
Non-fee-for-service payments have increased but remain a small percentage of TME.



Note: Non-FFS payments include care management and infrastructure payments paid to PCMHs and ACOs, pay-for-performance distributions, and shared savings distributions.

Population-based contracts are the dominant APM in RI.

Historically, over 95 % of payments under these models have been fee-for-service based.



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 reduce cost growth and improve quality through **advanced VBPs can support health care cost growth target attainment by changing these incentives.**
- This will complement the collection, analysis, and public reporting of health care cost data that is necessary to identify the systemic drivers of health care spending.

Assessment of Advanced VBP Against Criteria

Criteria	Advanced Value-based Payment
1. Analysis of spending data indicates a significant opportunity *a) recent spending growth rate in excess of the target; b) significant variation in spending, utilization or price levels across ACOs/AEs or providers, and c) spending or service utilization in excess of external benchmarks.*	Analysis of spending data show there are opportunities to reduce cost trend globally, as well as trends within specific categories of service. There are also opportunities to reduce the level of health care spending through improved efficiency and care management. Advanced VBP may have a meaningful impact on the total cost of care.
2. The strategy is actionable for one or more of the following: the State, payers, provider organizations. *a) Strategy implementation is likely to have a substantive impact of cost growth target attainment, in the near term, or stages future work that will have such impact,* *b) Evidence supports the strategy, or if not, there is a compelling logic model for the strategy.*	Program evaluations and industry reports have found that advanced-value based payments, especially models that incorporate downside risk, have yielded cost savings. • BCBSMA AQC yielded substantial cost savings and high relative quality performance. (Song, Z., Ji, Y., Safran, D. G., & Chernew, M. E. (2019). Health Care Spending, Utilization, and Quality 8 Years into Global Payment. The New England Journal of Medicine, 381(3), 252–263. doi: 10.1056/NEJMsa1813621) • Local Rhode Island organizations have achieved savings and quality improvements under existing models.
3. The Steering Committee and project staff have capacity to design and execute the strategy thoughtfully and successfully.	The Steering Committee and project staff have years of experience with value-based payment in the following ways: • Providers and payers who design and implement value-based payment; • Regulators and state purchasers (such as Medicaid) who promote value-based payment to meet statutory objectives; • Consumers, businesses, and advocates who have an interest in the experience of value-based care and expect to garner its benefits in terms of affordability and quality.

Collaborative Actions to Promote Advanced VBP

Example: The Oregon Value-based Payment Compact

- The Oregon legislature created the Sustainable Health Care Cost Growth Target Implementation Committee and charged it with identifying mechanisms to lower the growth of health care spending to a financially sustainable rate.
- Participants signed a compact committing to making a good-faith effort to advancing value-based payment models in Oregon, in accordance with a set of principles developed by the Sustainable Health Care Cost Growth Target Implementation Committee.

Oregon VBP Principles

The compact incorporates 15 principles that establish aggressive targets for VBP implementation, assert priority for prospective payment and multipayer alignment, and affirm the importance of quality and health equity.

Oregon created a Value-based Payment Compact Work Group with the following charge:

- identify paths to accelerate the adoption of VBP across the state;
- highlight challenges and barriers to implementation and recommend policy change and solutions;
- coordinate and align with other state VBP efforts;
- monitor progress on achieving the Compact principles, including the VBP targets.

Our Proposal

The Steering Committee should convene a subcommittee of members, designees, and subject matter experts to develop a plan of action to accelerate the adoption of advanced VBP in the state. The plan will be presented to the Steering Committee and will consist of the following:

- A logic model that articulates the causal relationships between advanced VBP and attainment of the health care cost growth target
- A set of principles governing the transition to advanced value-based payment by market participants and state agencies and aggressive targets;
- Specific recommended actions by payers and providers;
- Specific recommended actions by state government;
- Specific recommended actions by payers, providers, and state government in collaboration.

Examples of Potential Actions

- Implementation of risk-based contracts across all payers with critical masses of attributed members across commercial, Medicaid, and Medicare Advantage
- Public reporting of payer and provider efforts to implement advanced VBP
- Commitment to prospective payment, such primary care capitation or prospective episode-based payment for specialists, as well as a set of targets to drive organizational adoption.
- Identifying ways to incorporate health equity into the design of APMs

Discussion

- Do you agree that facilitating accelerated adoption of advanced VBP beyond its current state will be a meaningful and effective strategy to achieve the health care cost growth target?
- If so, how should the this occur?
  - Do you agree that a subcommittee should be convened to develop a set of principles and a plan of action?
- If so, what should the composition of the subcommittee look like?
  - Are there other entities, such as specialty providers not represented on the Steering Committee, who should be engaged in this work?

Informational updates

Letter to the Governor from the Steering Committee

- In advance of this meeting, we shared a draft letter to the incoming Governor describing this project and expressing support from the Steering Committee for continuation of this work.
- **Is the Steering Committee comfortable with us sharing the letter as drafted?**

May Community Meeting

- On March 5th, we sent out the formal invitation and agenda for the May 7th community meeting from 2-4pm.

Public Comment

Next Steps and Wrap-up

Upcoming meetings

- April 29th from 1:30-3:00pm
- May 17th from 9:30-11:00am
- June 28th from 9:00-10:30am
- July 26th from 9:00-10:30am
- August 23rd from 9:00-10:30am