

# Payment Reform and Cost Control in Massachusetts

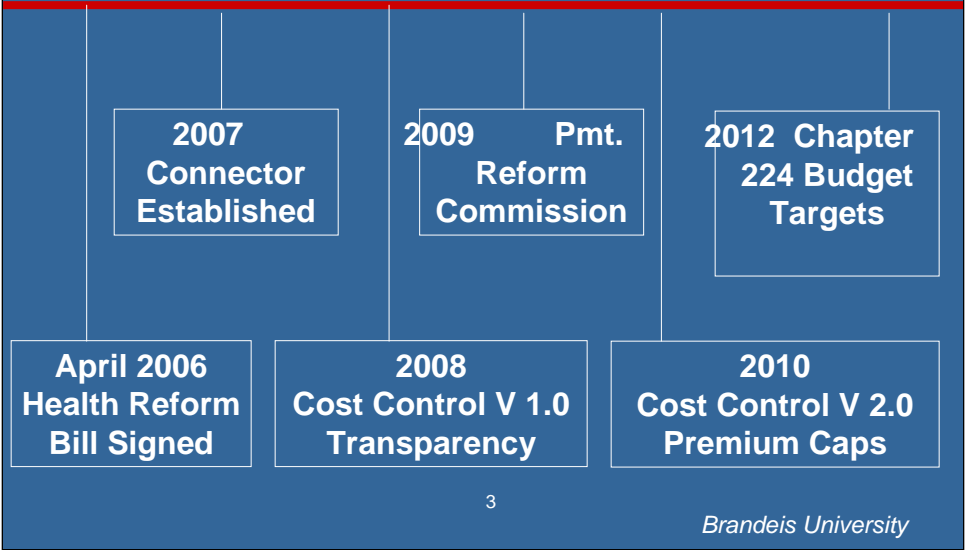
Robert Mechanic, MBA  
Brandeis University

New York State Health Foundation  
November 14, 2012

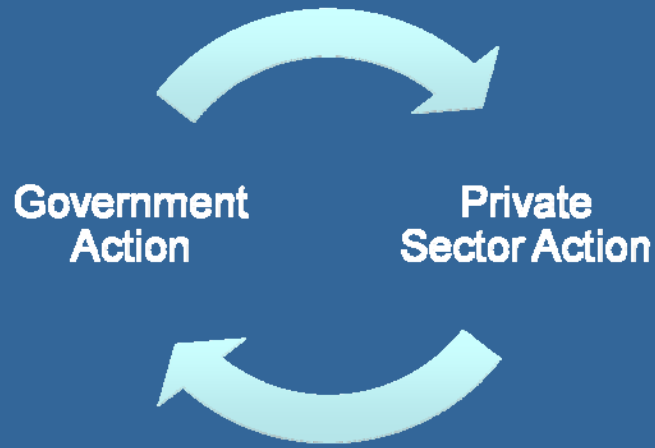


# Massachusetts Reform Timeline

2006      2007      2008      2009      2010      2011      2012

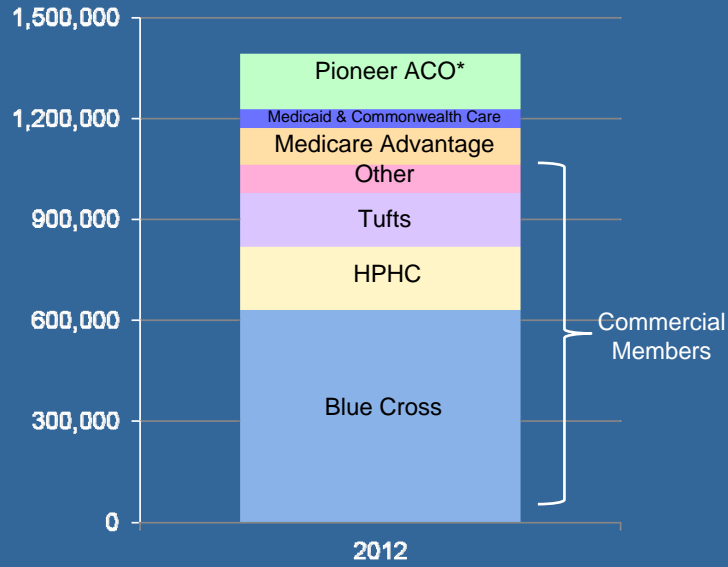


# Virtuous Cycle



# Massachusetts Enrollment in Global Payment

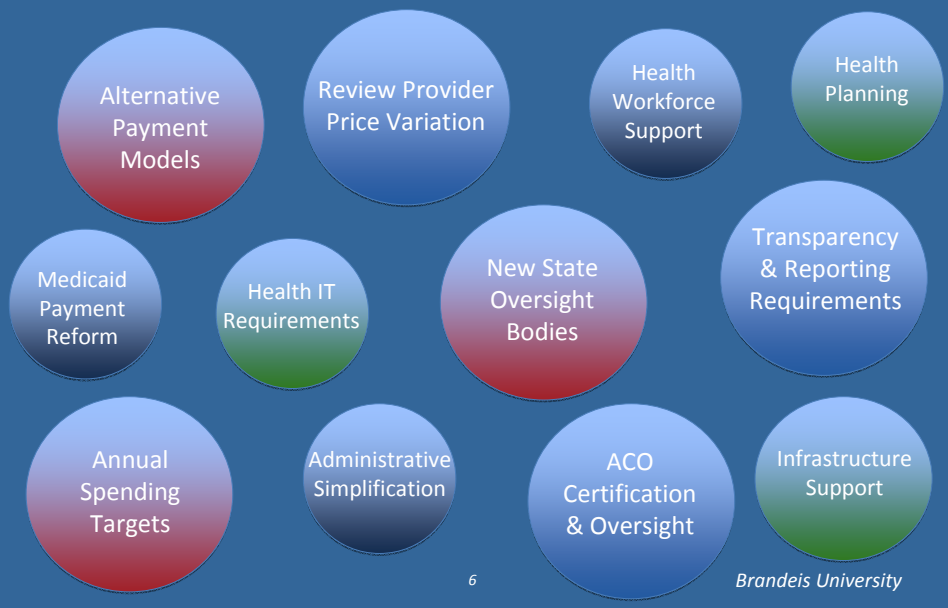
About 22 Percent of State Residents



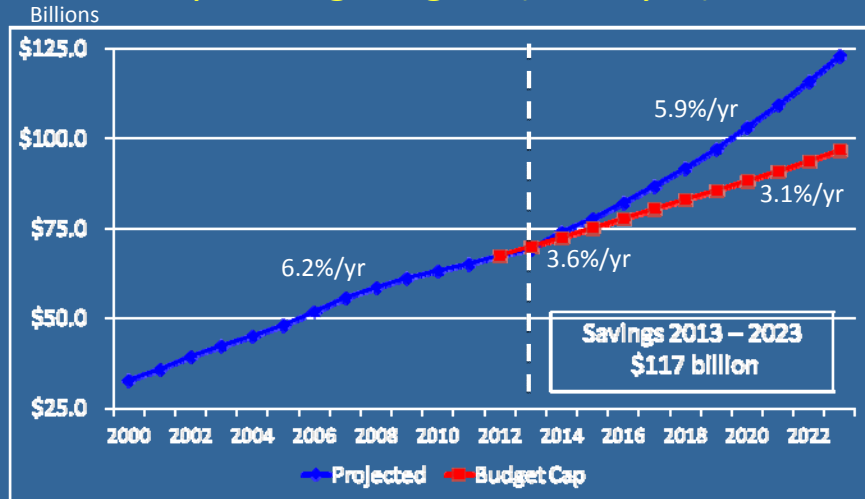
Source: The Boston Globe, February 13, 2012. Figures for Pioneer ACO are estimated.

Brandeis University

## Chapter 224: Cost Control & Payment Reform



## Massachusetts Statewide Health Care Spending Targets (All Payer)



Source: Author's calculation based on historical state spending estimates and projected national health spending growth from the CMS Office of the Actuary and targets set forth in Chapter 224.

Brandeis University

## Spending & Delivery Reform Oversight

Health Policy Commission\*  
(11-member board)

Distressed  
Hospital Fund  
\$135M

Executive  
Director and  
Staff

Payment  
Reform Fund  
\$11.5M

Center for Healthcare Information and Analysis

\* In EOHS but not subject to EOHS control. Exempt from state civil service requirements and pay scales.



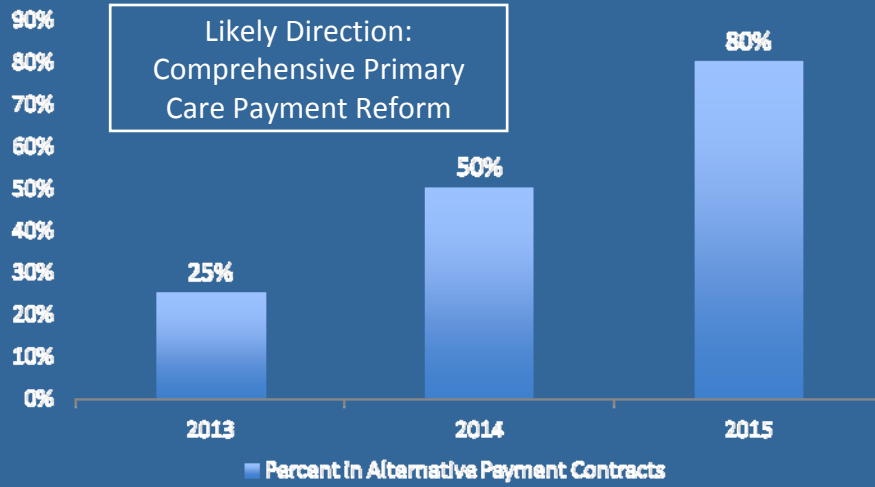
## Commission Oversight

- Appropriateness of targets
- Total spending relative to targets
- Individual provider performance
  - Corrective action plans
  - Cost and market impact review

## Commission Oversight (cont.)

- Hold annual public hearings
- Certify ACO and PCMH
- Assist in review of risk-based provider organizations
- Establish patient protections and quality oversight

## Alternative Payments in MassHealth

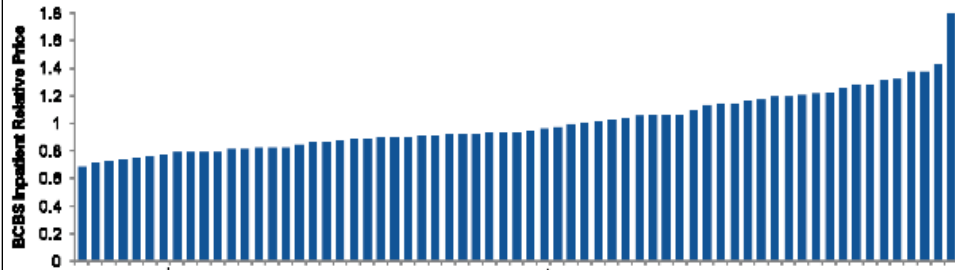


## MassHealth Primary Care Payment Reform

- Three part financial model
  - Risk-adjusted PMPM for primary care and behavioral health
  - Quality incentive payment
  - Shared savings based on estimated total spending (upside only and shared risk options)
- Link to state's PCMH initiatives
- Opportunity for individual providers to link together virtually

# What Was Not Addressed?

BCBS Hospital Inpatient Relative Price (2010)



# What Was Not Addressed?

Enforcement



*Brandeis University*

## Stay Tuned ...

Robert Mechanic  
The Heller School for Social Policy & Management  
The Health Industry Forum  
Brandeis University  
[mechanic@brandeis.edu](mailto:mechanic@brandeis.edu)  
[www.healthforum.brandeis.edu](http://www.healthforum.brandeis.edu)