INTRODUCTION TO THE HEALTH CARE MAJOR REFORM BILL

Rep. Jim Butler
THE PROBLEM
MEDICAID CONSUMING INCREASING SHARE OF STATE BUDGET

Source: LSC Historical Expenditures by Program, Table 2 and 3 (GRF)
FEWER RESOURCES FOR EDUCATION, ECONOMIC DEVELOPMENT, AND PUBLIC SAFETY
2013 MEDICAID EXPANSION - ADDITIONAL STATE SPENDING PROJECTIONS *(ENROLLMENT IS 34% OVER PROJECTIONS)

PER CAPITA MEDICAID SPENDING

PER CAPITA COSTS INCREASING WHEN ABLE-BODIED, LOWER COST, ADULTS JOINING ROLES

OHIO’S PER CAPITA COSTS HIGHER THAN NATIONAL AVERAGE FOR LAST TWO DECADES*

Sources: LSC, Baseline Forecast of GRF Revenues & Medicaid Expenditures FY 2016-FY 2017 Biennial Budget; Kaiser Family Foundation
SOLUTION HAS BEEN TO CUT REIMBURSEMENTS = LESS ACCESS TO CARE

THREE GOALS

1) Significantly lower Medicaid spending, while improving patient health

2) Significantly lower overall healthcare spending, while improving patient health

3) Apply Medicaid savings below current funding levels to pools to care for needy populations
1) Skin in the Game - Healthy Ohio Plan
2) Lower Defensive Medicine - Medical Injury Compensation System (MICS)
3) Proper Utilization - ER Diversion
4) Medical Device and Prescription Purchasing Pool
5) Price Transparency – Advertising and Cost Estimates
6) Quality Incentives - Value Based Purchasing
7) Cost incentives – MMCC bonus and Hospital Network Entry
8) Competitive Marketplace - Reimbursement parity
9) Promote Small Business Health Coverage – MEWA Assistance
Ohio has a unique opportunity to take advantage of the recent focus on health care to devise and implement reforms to Medicaid and the healthcare system that substantially curtail Medicaid and overall health care costs, improve health outcomes and provide additional coverage for Ohioans who need it.

* Modeled after the Healthy Indiana Plan. Participant contributes $99 ($149 smokers), state contributes $1000. Account used for co-pays etc. Balances carry forward and can be used for future premiums, credits for health outcomes.
I have a slight headache today after drinking a lot last night.

Maybe I have a brain tumor.
Better ask for a CAT scan to make sure.

Why not? It doesn't cost anything...
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- **Skin in the Game** – Enrollees pay yearly premium - $99 adults, $49 children, $149 smokers
  - State adds $1,000 into Health Care Savings Account (“Buckeye Account”) – Debit card issued to each participant to use for co-pays and deductibles

- **Encourage cost-consciousness and preventative care** - Money in Buckeye Account rolls over to next year and can be used for premiums if patient gets required preventative care

- **Reward healthy outcomes** - Bonuses awarded for measurable health outcomes, like lowering blood pressure, losing weight – can be used for non-covered services

- **Increased Access to Care** – Providers paid a much higher Medicare rates, so more doctors will accept Medicaid patients.

- **Mobility up and out of Medicaid** – Buckeye Account frozen into “Bridge Account” that can be used for private insurance premiums and other health care expenses

HEALTHY OHIO PLAN (HOP)
- BASED ON SUCCESSFUL HEALTHY INDIANA PLAN (HIP)
Okay, a CT scan will cost me, but I have no idea how much.
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In a recent JAMA study, relative claim payments for searchers on a pricing website were lower for searchers than non-searchers by 13.93% for laboratory tests, 13.15% for advanced imaging, and 1.02% for clinician office visits.

Another recent study found an 18.7% savings in diagnostic testing when patients could compare costs.

Source: JAMA, Association Between Availability of Health Service Prices and Payments for These Services, October 2014; Health Affairs, Price Transparency For MRIs Increased Use Of Less Costly Providers And Triggered Provider Competition, August 2014.
SKIN THE GAME AND COST CONSCIOUSNESS MATTER
He is only 20 years old and just got a headache today (after drinking last night). Probably one in a million chance of a tumor.
But what if he actually does have a tumor, then I get sued?

Better order it.
Defensive Medicine: the practice of ordering medical tests, procedures, or consultations of doubtful clinical value in order to protect the prescribing physician from malpractice suits

90 percent of physicians reported practicing positive defensive medicine in the past 12 months

92.5 percent of surgeons indicate they have ordered imaging tests to protect themselves from lawsuits

Physicians in other major countries do not practice defensive medicine because they are no personally liable (they cannot be sued).

In a recent Gallup survey, physicians attributed 34 percent of overall healthcare costs to defensive medicine

Liability reform has been estimated to result in a 5 percent to 34 percent reduction in medical expenditures via a reduction in defensive medicine

In Ohio, even a 10 percent reduction in Medicaid costs would save $2.5B/year

Ohio Total Medical Liability Costs (verdicts, settlements and defense costs)

$247M

Ohio Total Medical Liability Costs (verdicts, settlements and defense costs)

Ohio Defensive Medicine Costs (unnecessary medical tests, prescriptions, procedures, and consultations)

Source: 2012 Report from Insurers on Medical Malpractice Claims; Kaiser Family Foundation, 2009 overall health spending $81.6B (5.34%)
TRADITIONAL TORT REFORM IS INEFFECTIVE AT DECREASING DEFENSIVE MEDICINE

ACTIVE DUTY MILITARY CANNOT FILE LAWSUITS AGAINST DOD PHYSICIANS

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Medical Injury Compensation System (MICS)

More patients compensated more often
- Legal standard makes it easier to receive compensation
- Reviewers must find by clear and convincing evidence that conduct was within standard of care to find medical injury not compensable

Patients compensation is quick and easy
- Because of streamlined administrative process, patients can receive award within a few months instead of years
- Simpler process makes it easier to navigate and understand

Common Pleas Court
- Appeals process same as workers compensation
- Award same as below

Three-member panel
- Three medical professionals hold hearing – each side submits one expert report
- Award same as below

Initial Administrative Review
- Medical Professional reviews file – short hearing possible
- If compensable, MICS economist calculates award (multiplied by ratio to hold payouts constant with pre-MICS total amounts)

Administrative claim filed – Insurer becomes only party

6 months
- 1 - 5 years to award
- 6 - 24 months

Current System
- Trial Preparation/Motions
- Trial
- Post-trial Motions/Appeal
- Settlement conferences
- Motions for summary judgment
- Take depositions
- Health care provider(s) file Answer
- Exchange of written information (discovery)
- Hire experts, expert draft reports
- Find lawyer
- Must have enough damages
- Children and Seniors have hardest time
- Eventual lawsuit filed against health care providers

2 - 3 months to award
- 3 - 9 months
- 3 - 9 months
- 2 - 3 months to award

1 - 5 years to award
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Healthcare Oversight Board

Membership made up of board examiners
- Investigates repeated or gross negligence
- Temporary or permanent suspension of license
- Similar to Ohio Supreme Court oversight over attorneys

Accountability and oversight of healthcare providers

Medical Injury Prevention Database

Lower preventable medical injuries

MICS Claims automatically forwarded to Healthcare Oversight Board
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65% OF EMERGENCY DEPARTMENT VISITS ARE UNNECESSARY

EMERGENCY DEPARTMENT VISITS ARE NEARLY 10X MORE EXPENSIVE

THE EMERGENCY MEDICAL TREATMENT AND LABOR ACT (EMTALA) IS A FEDERAL LAW THAT REQUIRES ANYONE COMING TO AN EMERGENCY DEPARTMENT TO BE STABILIZED AND TREATED, REGARDLESS OF THEIR INSURANCE STATUS OR ABILITY TO PAY

EMERGENCY DEPARTMENT ESCORT SYSTEM:
1) PATIENT REPORTS SYMPTOMS TO INTAKE NURSE
2) IF PATIENT REPORTS OBVIOUSLY NON-EMERGENCY SYMPTOMS, PATIENT IS SEEN IN ADJACENT URGENT/PRIMARY CARE
3) CUSTODY OF PATIENT CONTINUOUSLY MAINTAINED SO NOBODY IS TURNED AWAY
4) IF URGENT CARE DETERMINES EMERGENCY EXISTS, PATIENT TRANSFERRED TO EMERGENCY DEPARTMENT
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Drugs account for 12 percent of all healthcare costs.

Drugs in the United States cost **50 percent more** than in any other major country for the same or an equivalent drug.

When the drug mix is factored in, the U.S. spends **120 percent more** for equivalent drugs.

Loose purchasing coalitions have resulted in savings for pharmaceuticals of tens of millions of dollars.

A mandatory purchasing pool for pharmaceuticals and durable medical/diagnostic testing equipment has the potential to achieve significant saving for both Medicaid and state and local government plans.

Because all providers who contract with the state will be required to use the pool, overall healthcare savings should be significant.

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Reduce Medicaid Spending

- Create cost consciousness: “skin in the game”
- Ensure competitive marketplace
- Promote hospital and MMC competition: Quality
- Promote hospital and MMC competition: Cost
- Healthy Ohio Plan*
  - 10% limit on reimbursement variation
  - Continuous competition on objective health outcomes (6% Medicaid redistributed)
  - Flat rate reimbursements for acute conditions at state median rates
  - 20% bonus for MMC if beats regional Medicaid cost (lose contract if above)
  - Hospital can run MMC network if price/patient 20% < MMC

Lower overall healthcare costs

- Reduce waste due to defensive medicine
- Lower preventable medical errors
- Divert unnecessary ER visits
- Encourage free market competition (price transparency)
- Written estimates before non-emergent service
- Central purchasing for everyone accepting state dollars
- State umbrella insurance guarantee for 5 years
- Leverage strong purchasing power
- Medical Injury Compensation System (MICS)
- Data clearinghouse of errors
- Escort system
- Advertising of health costs
- Published out-of-pocket costs for top 20% of services
- DSH reimbursement to hospitals to pre-ACA levels
- Return additional savings to tax-payers

Use savings to benefit Ohioans

- Negotiate Medicaid waiver to use savings to cover certain pools
  - Honorably discharged veterans (no access to VA)
  - Severely mentally ill
  - Developmentally disabled
  - Addicted
  - Chronic disease maintenance therapies
  - Parents (90-100% of poverty)
  - Childless adults (50-100% of poverty)
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POSITIVE AND NEGATIVE INCENTIVES WILL PROMOTE MANAGED CARE COST INNOVATION

Per capita Medicaid Costs

- Ohio per capita
- Expected based on Medicaid inflation
- Hospital Entry Level

<table>
<thead>
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<tr>
<td>2005</td>
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- 20% bonus
- Lose Contract
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HOSPITAL-OWNED OFFICES GET REIMBURSED SIGNIFICANTLY MORE THAN INDEPENDENTLY-OWNED PRACTICES FOR THE SAME SERVICE

Cardiac Stress Test –
- Independent physician office - $2,100
- Same office, same test, same patient, but owned by hospital - over $8,000

Office Visit –
- Independent physician office - $20
- Same office, owned by hospital - $65

Office visits and echocardiograms –
- Medicare paid $1.5B more than it would have paid had same services been performed by independently-owned office

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MEWAs allow small businesses to pool risk to self-insure and avoid expensive mandates

Umbrella Insurance guarantee phased down over five years helps with up front reserve requirements – starts at $150,000

Businesses served represented on MEWA Board

Must use Reference-based pricing to control costs – 120% of Medicare
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SAVINGS BELOW EXISTING MEDICAID FLOWS INTO POOLS
Honorably discharged veterans (no access to VA)
Severely mentally ill
Developmentally disabled
Addicted
Chronic disease maintenance therapies

Parents (90-100%) poverty
Childless adults (50-100% of poverty)
DSH reimbursement to hospitals to pre-ACA levels
Return additional savings to taxpayers

POOLS FUND NEEDED SERVICES
REST OF SAVINGS, BACK TO BUDGET/TAXPAYERS