

## Massachusetts Attorney General Recommends Fundamental Changes to Promote Coordinated Value-Based Health Care

On June 22, 2011, Massachusetts Attorney General Martha Coakley released an updated report on health care cost trends and cost drivers that includes new recommendations designed to encourage consumers to make value-based purchasing decisions and providers to improve care coordination. Prepared in response to Massachusetts's 2008 *Act to Promote Cost Containment, Transparency and Efficiency in the Delivery of Quality Health Care*, the Attorney General's report analyzes cost trends in order to develop strategies "to promote value-based health care that rewards efficiency and effectiveness." Building upon a similar report released last year, the new report contains sweeping findings and recommendations that challenge common assumptions and promote fundamental reforms in how care is chosen, delivered and paid for.

### Findings

- Variation in health care payments is not explained by differences in quality of care
- No relationship exists between global payments and lower medical expenses
- Medical spending is higher for health plan members with higher incomes
- Tiered and limited network products incentivize consumers to make value-based purchasing decisions and choose efficient health care providers
- PPO plans lack a primary care-centric design and therefore create obstacles to coordinating patient care (as compared to HMO plans)
- Health care organizations built around primary care can coordinate patient care effectively

### Cost Containment

To control cost growth, the report concludes that "we must shift how we purchase health care to align payments with 'value,' measured by those factors the health care market should reward, such as better quality." The report calls for "fundamental changes" in how health care is funded. Tiered and limited network products, while promising, are not by themselves sufficient to reverse historic payment disparities. The report proposes increasing options and creating incentives for consumers to make value-based purchasing decisions to improve market function in the long run. It also recommends efforts to improve the quality of primary care and to drive consumers to primary care treatment that can improve coordination of care and contain costs. Significantly, as a "stop-gap" until long-term changes "improve market function," the report recommends "temporary" statutory restrictions on price variation for similar services.

### Global Payments

The report finds that global payments, even though designed to align incentives in ways that save money, have not resulted in lower total medical expenses. It warns that the shift to global payments without other fundamental changes may not only fail to control costs, but also exacerbate market dysfunction through rates based on historic disparities in pricing. The report recommends that any attempt to expand use of global payments should be preceded by improvements in how health insurers and providers manage risk, analyze data, and protect against provider system failures.

## Care Coordination

The report views care coordination as a key factor in improving quality and efficiency and therefore promotes development of health care organizations that rely heavily on primary care physicians. The report also finds that patient care coordination can be performed by both physician-only and hospital-based providers. However, continuing its focus on broad-based change, the report warns that shifting the risk and responsibility for care coordination from insurers to providers through ACOs is not by itself a “panacea” to “fix the system.”

## Recommendations

- Promote tiered and limited network products
- Enact temporary statutory restrictions to reduce variation in prices for similar services
- Encourage consumers to choose primary care providers
- Improve coordination of care through primary care providers
- Take steps to improve the use of the all payer claims database
- Develop regulations, including solvency standards, for providers who contract to manage the risk of insured and self-insured consumers

If you have any questions about this report or any other changes brought about by health care reform, please contact your regular Ropes & Gray attorney.