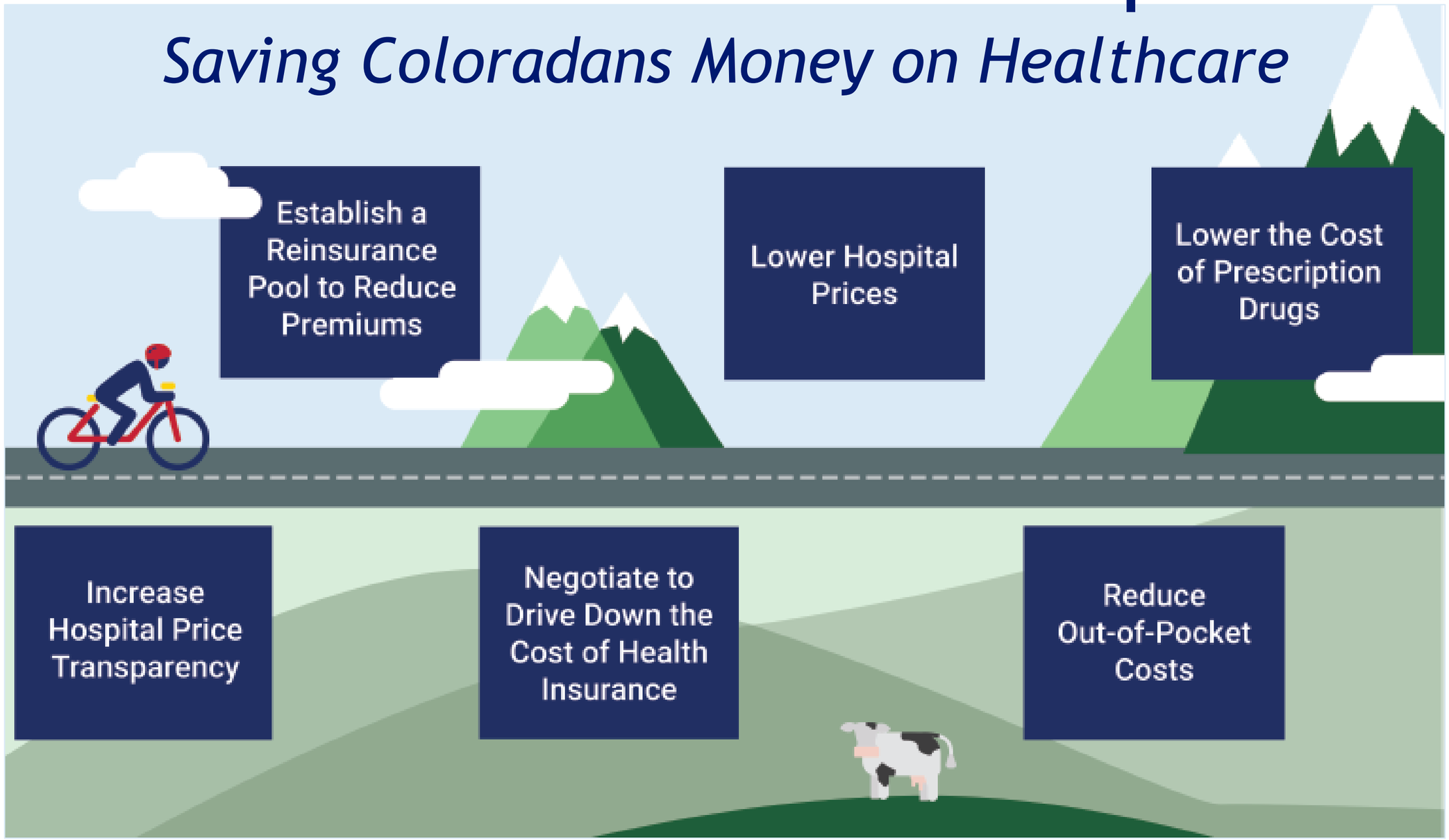
Colorado Dept. of Health Care Policy & Financing:
Thriving NoCO Summit November 6, 2019

Polis-Primavera Administration Imperatives:

Saving Coloradans Money on Healthcare



COLORADO
Department of Health Care Policy & Financing

Source: Polis-Primavera Roadmap to Saving Coloradans Money on Health Care, pages 2-3, April 2019.
Full roadmap available at colorado.gov/governor/sites/default/files/roadmapdoc.pdf

Polis-Primavera Administration Imperatives:

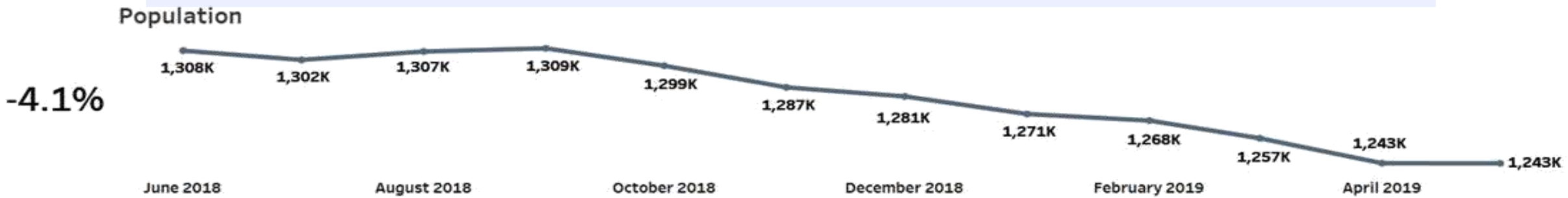
Saving Coloradans Money on Healthcare

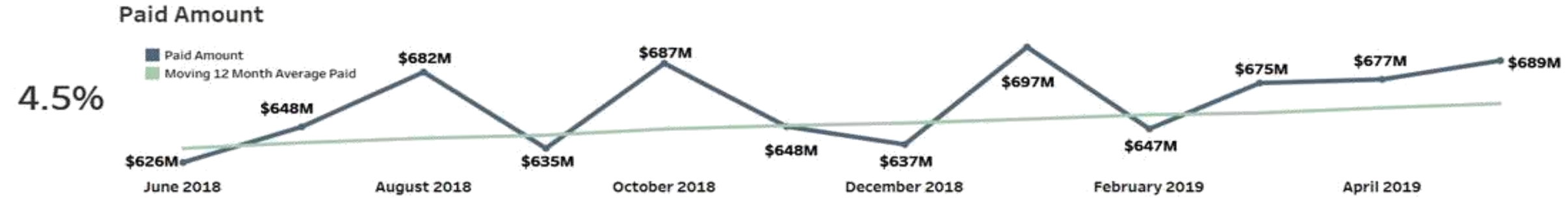
- Launch a state-backed health insurance option
- Reward primary and preventive care
- Expand the health care workforce
- Increase access to healthy food
- Improve vaccination rates
- Reform the behavioral health system
- Support innovative health care delivery and reform models

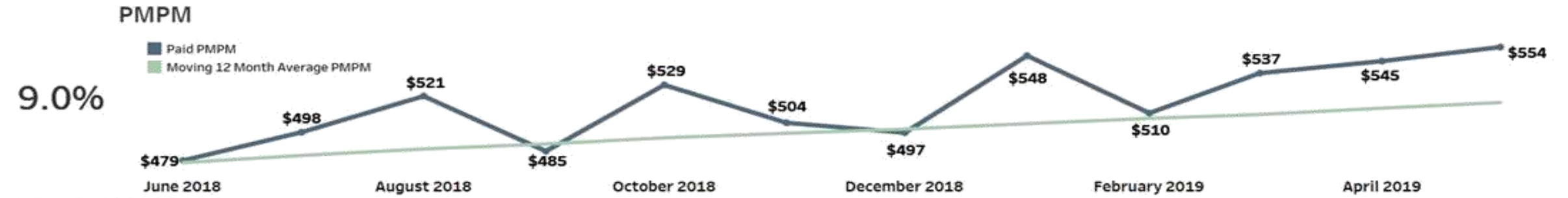
Priorities: Management Medicaid Claim Trends

June 2018 to May 2019

FTE	Paid Amount	Paid per FTE	PMPM
1,281K	$7,947.5M	$6,203	$517







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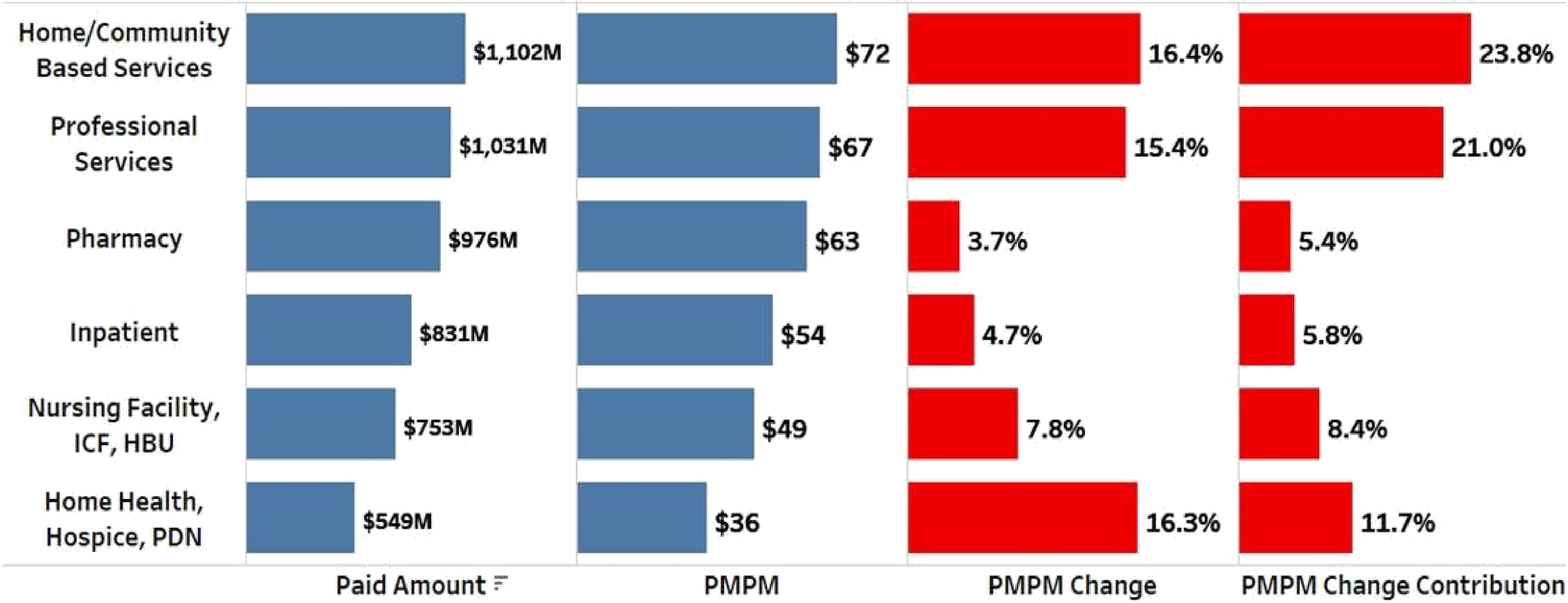
Priorities: Invest in Systems to Drive Insights

June 2018 to May 2019



ICF: Intermediate Care Facility

HBU: Hospital Back-Up

PDN: Private Duty Nursing

PMPM: Per-Member-Per-Month

Priorities: Medicaid Affordability

(110 Medicaid Affordability Initiatives in process)

Inpatient Hospital Review

RAE Modernization

- Impactful Programs
- Outcomes based rewards

CCB/SEP Re-Design, Tools

- Modernize, Accountability, Cost, Member Insights

Claim Edit Modernization

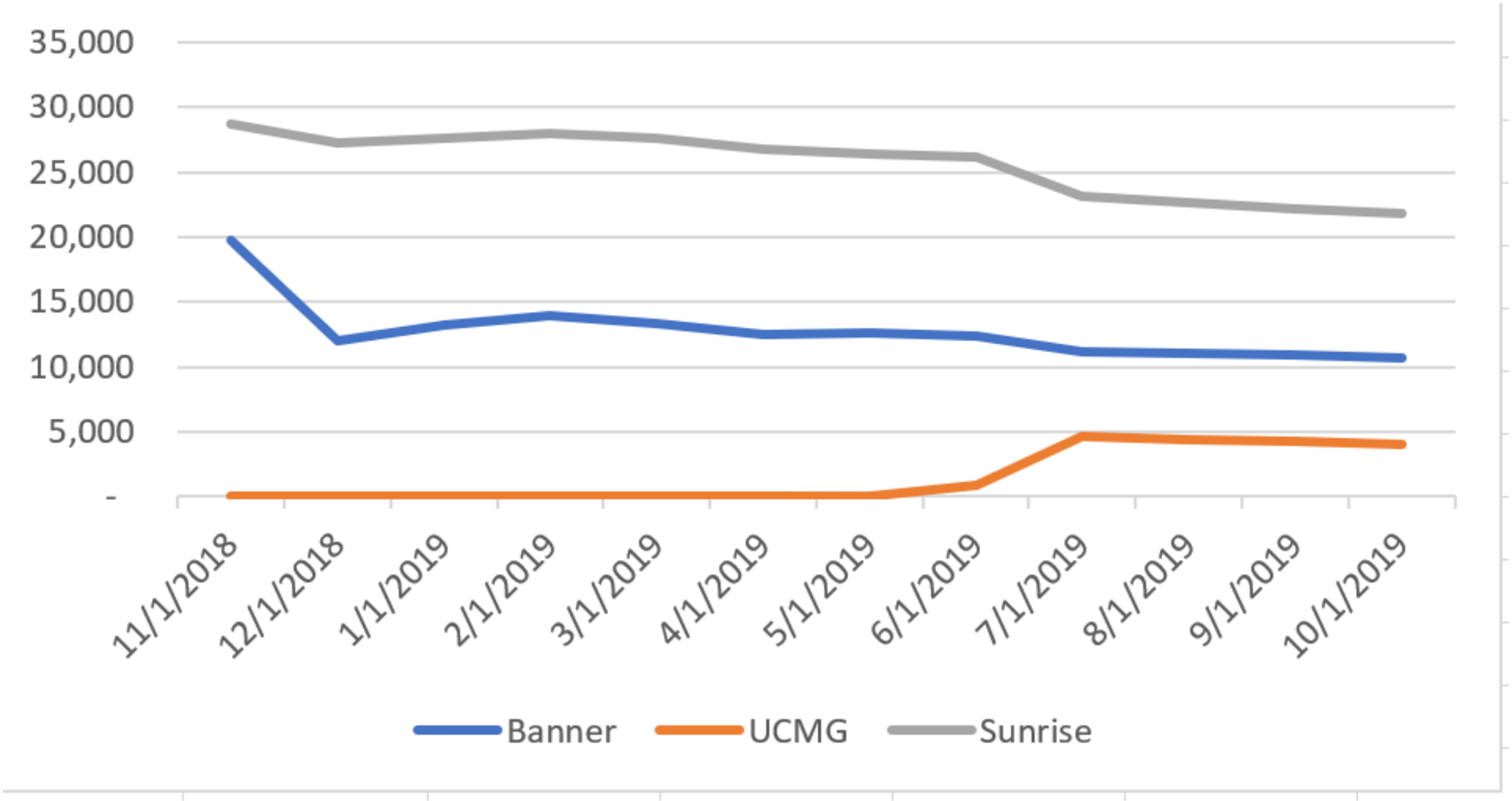
Physician Value Based Rewards

- Clinical pathways, referrals, cost/quality
- Electronic Clinical Quality Measures (ECQM)
  - Payments based on outcomes

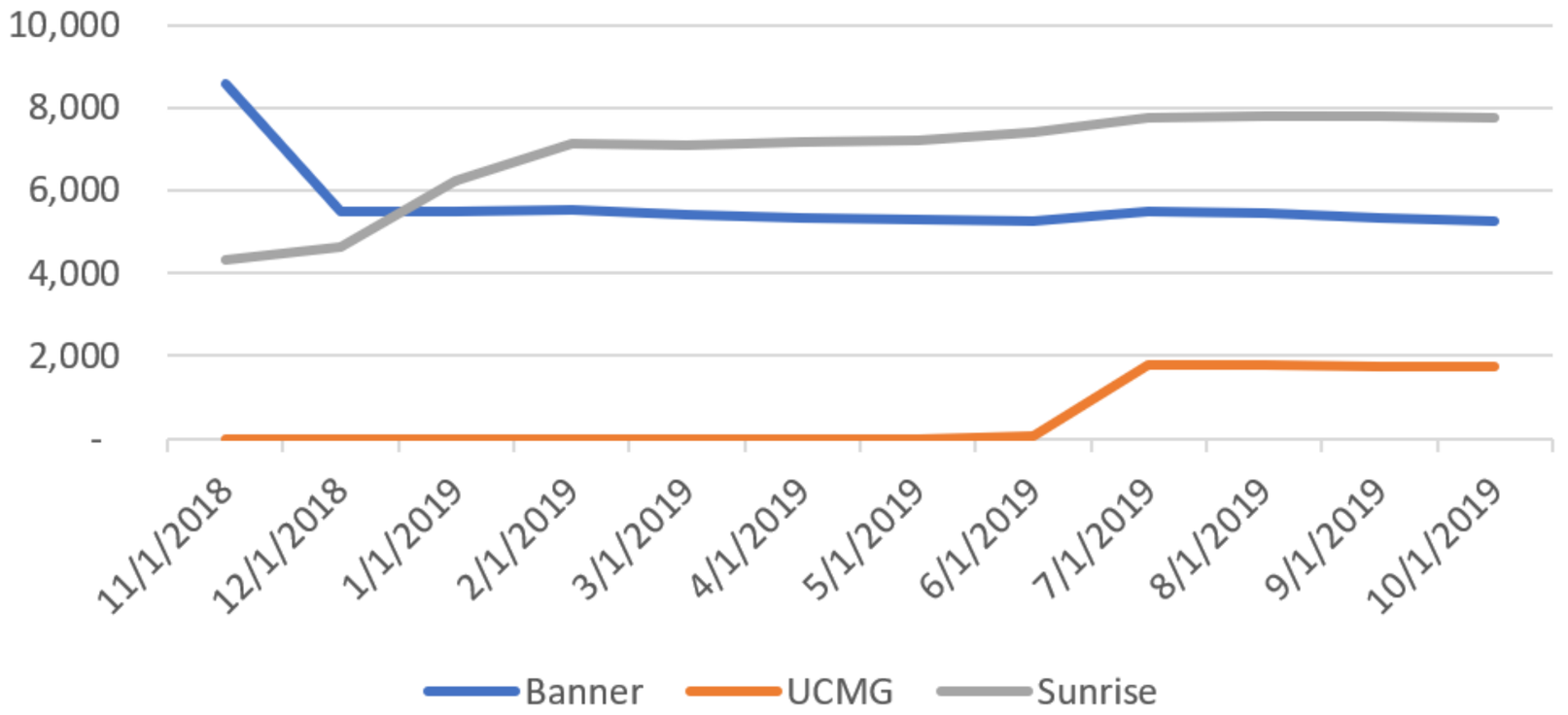
Prometheus

- (PACs) Potentially Avoidable Costs or Complications

Large PCMPs:
RAE 2 Enrollment Trends



Large PCMPs:
Larimer County Enrollment Trends



Next Steps in RAE Attribution

- Maximize access to all services, provided in the best setting (including primary care, specialty care, and behavioral health)
- Solutions must be data driven and measurable
    - Reviewing specialty care and primary care data, and complex member attributions; evaluating how to track on specialty care utilization; and RAEs 1 and 2 are evaluating data as well
- Align strategy for PCMP attribution, specialty care referral patterns, and cost-effectiveness

Colorado's Affordability Roadmap

Medicaid influences the Roadmap & the Roadmap influences Medicaid

1. Constrain prices, especially hospital and prescription drugs.
2. Champion alternative payment models.
3. Align and strengthen data infrastructure.
4. Maximize innovation.
5. Improve our population health.
6. Behavioral Health Task Force.

Challenge: Managing Specialty Drug Spend

42 new drugs launched in 2017.

75% were specialty drugs

$12 billion spent on new drugs in 2017.

80% was spent on specialty drugs

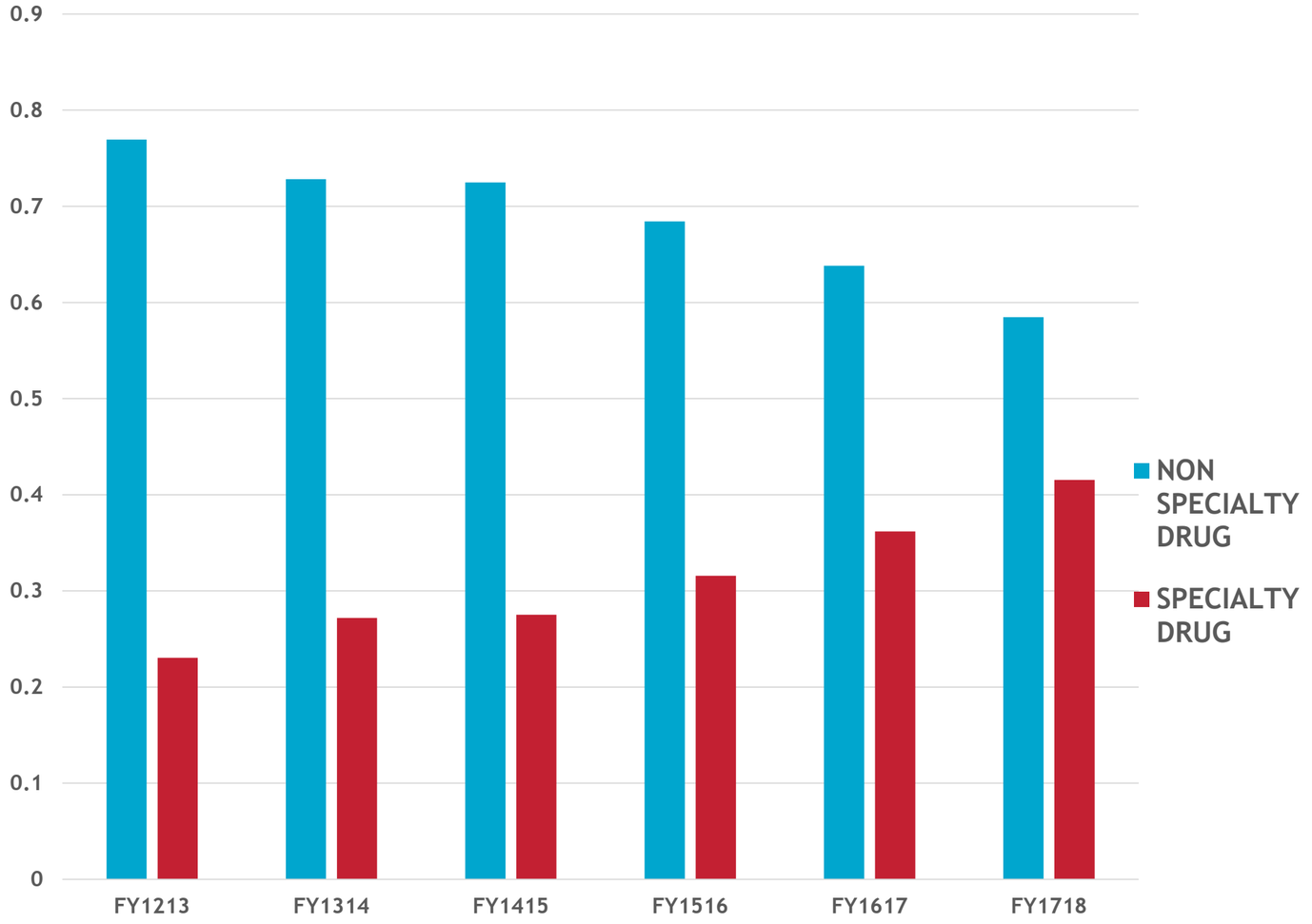
Specialty drugs are taking over the pipeline of drugs being tested and prepared for market release

Escalating Impact of Specialty Rx on Overall Rx Medicaid Costs

1.25% of CO Medicaid prescriptions (specialty drugs) are so expensive, they are consuming > 40% of Medicaid's Rx resources.

This is in line with national and commercial carrier trends.

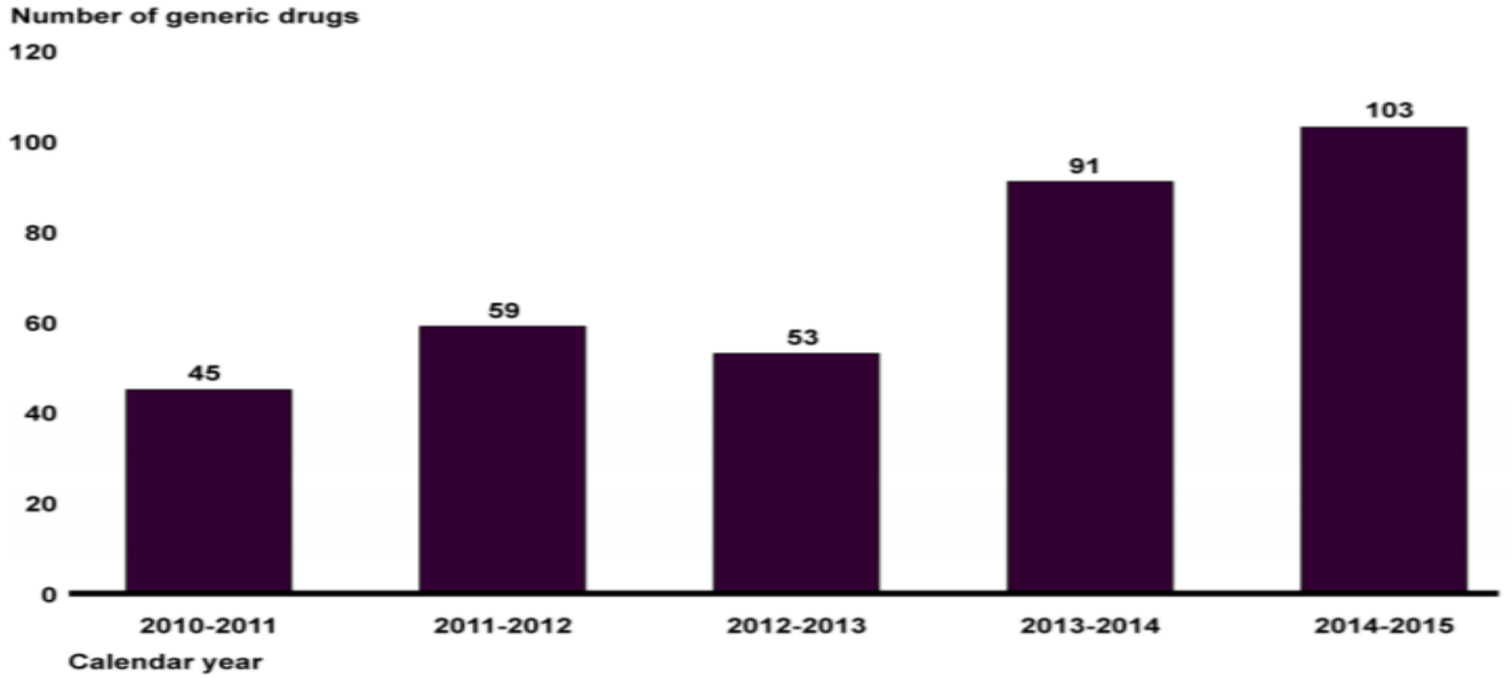
Percent of Medicaid dollars spent on specialty vs. non specialty drugs



Drug Price Increases are a Problem

The US General Accounting Office found that 315 different drugs experienced 351 “extraordinary price increases” at least a doubling in price year-to-year.

Figure 3: The Number of Established Drugs under Medicare Part D That Experienced an Extraordinary Price Increase, First Quarter 2010 to First Quarter 2015



Source: GAO analysis of Medicare Part D prescription drug event data. | GAO-16-706

Note: A price increase of at least 100 percent from the first quarter of one year to the first quarter of the next is considered an extraordinary price increase. To be considered an established drug, a drug had to be in the Medicare Part D claims data for each quarter from the first quarter of 2009 through the second quarter of 2015 and meet certain other data reliability standards. A total of 1,441 drugs met these criteria.

Across our study period, the 315 established drugs experienced 351 extraordinary price increases.[21]

No, The High Cost is NOT Due to Research

Drug companies spend **about $40B a year MORE on marketing and administrative expenses** than on research and the development of new drugs

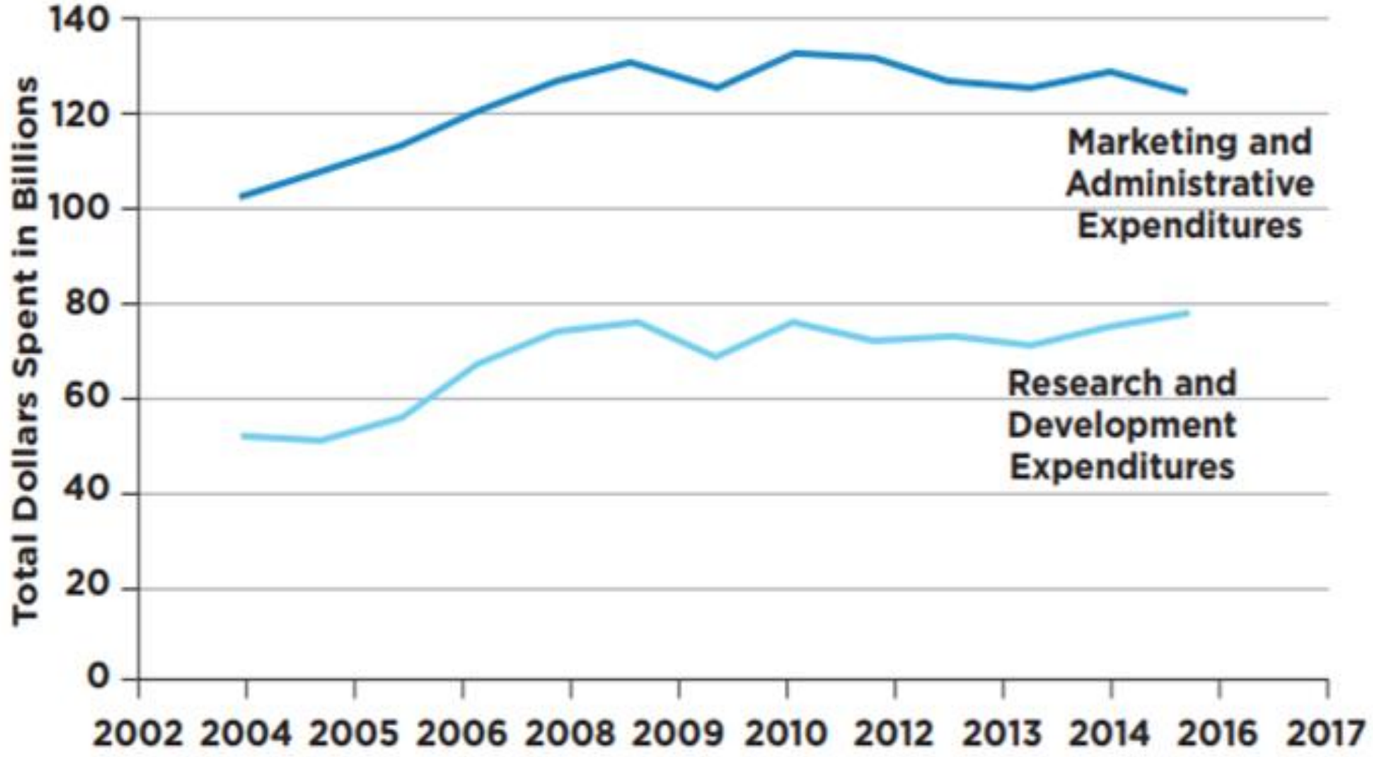


FIGURE 3-3 Comparison of total aggregate research and development and marketing-plus-administrative (including executive compensation) expenditures by 12 large pharmaceutical companies from 2003 to 2015.
SOURCE: Data retrieved from Belk, 2017. See http://truecostofhealthcare.org/pharmaceutical_financial_index (accessed November 15, 2017).

Innovations: Transparency

- **Rx price drivers, like** payments to PBMs/carriers & providers, DTC Ads, profits, R&D

- **Rx Price increases,** especially SRx

- Medicaid can “teach” others the value of **industry compensation** and where it should flow

Rx Innovations: Prescriber Tool

- Drives prescribing based on Rx cost & quality
- Battles DTC ads, BigPharma middleman incentives to influence Rx use
- Loads payer/carrier formularies, reimbursements, copays, prior auth rules.
- Will include an opioid addiction risk module, alerting docs before they prescribe
- Sets up more effective prescriber VBPs
- Vendor Negotiations in process.
- Implementation 2020.

- Phase II: Loads payer programs by patient so docs can prescribe health improvement programs, not just pills

Rx Innovations: Drug Importation

SB19-005 Import Prescription Drugs from Canada, improving affordability for quality medications

- Influencing Rules in process @ Fed
- Determining what drugs
- How to import (partner wholesalers, consultants, etc.)
- Ensuring Rx quality

Other Rx Innovations to Follow

- ED Rule Analytics by Yr End – manufacturer compensation, incl. rebates to carriers/PBMs

- Rx Report release in November
  - Cost drivers
  - State and Federal solutions

- Driving appropriate opioid use
  - Reduce addiction
  - While ensuring proper pain care

Shared System Affordability Innovations
TeleHealth / TeleMedicine and Broadband

- TeleHealth/TeleMedicine – access opportunities
  - Specialty Care
  - Behavioral Care (battles stigma)
  - Rural Access
  - Access for Individuals with Disabilities & Seniors
  - Centers of Excellence.

- Partnership with CU School of Medicine, OeHI

Shared Systems Innovations: All-Payer-Claims Database

- APCD-CIVHC Funding: $4M total invested by the State/Fed
- 1st Priority: Data Accuracy, Usability, Availability
- 2nd Priority: Affordability analytics and insights to State Agencies, forming *the basis of policy and legislation*
    - HCPF, DOI, CDPHE, CDHS, Office of Saving People Money on Healthcare
- 3rd Priority: Self-funded employer data into the APCD
    - Critical for rural data insights
    - Process, sign off
    - Reports and insights to employers

Population Health Evolution: Behavioral Health Task Force

BHTF is comprised of ~ 25 members with three subcommittees.

Purpose: Develop Colorado's Behavioral Health Blueprint by June 2020. Begin implementation of recommendations in July 2020.

Sub Committees:

- State Safety Net
- Children's Behavioral Health
- Long-Term Competency

Innovating to Health Rural Hospitals Thrive

Changing EAPG Outpatient Payment Model

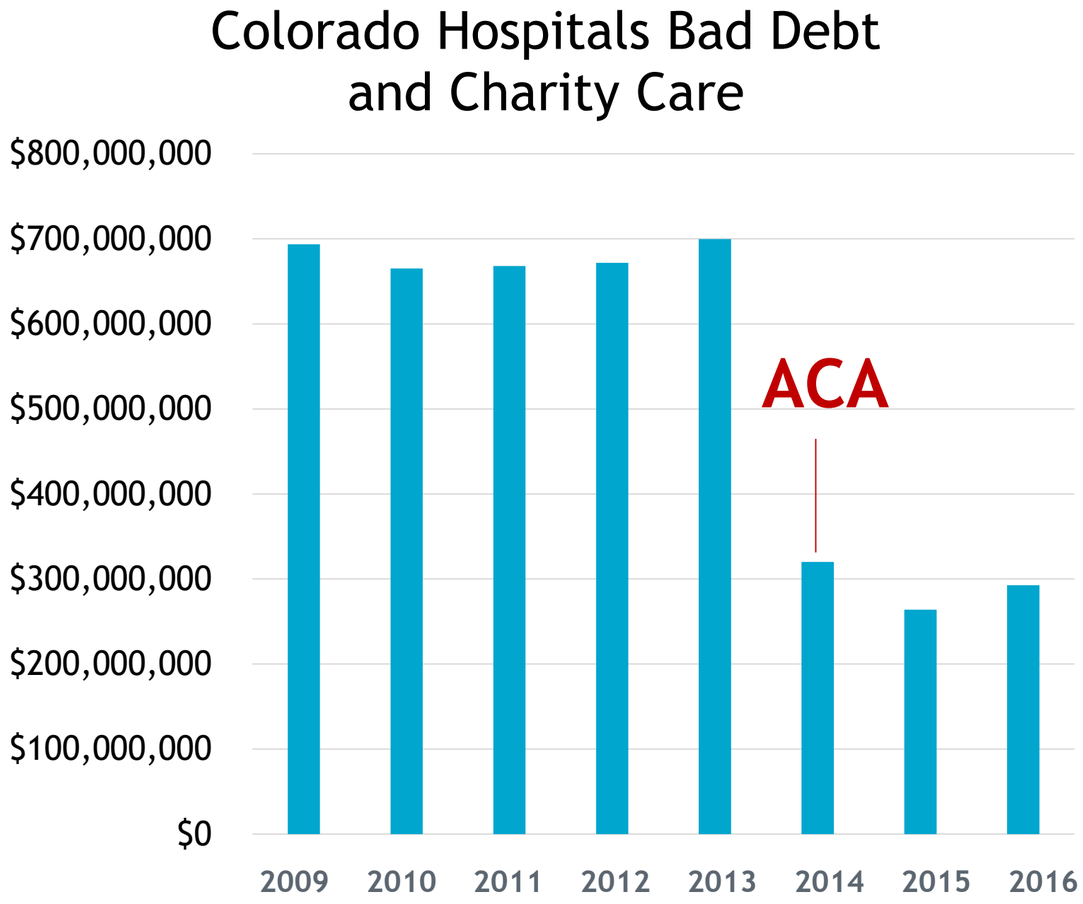
HTP - $12M Rural Support Fund

Centers of Excellence

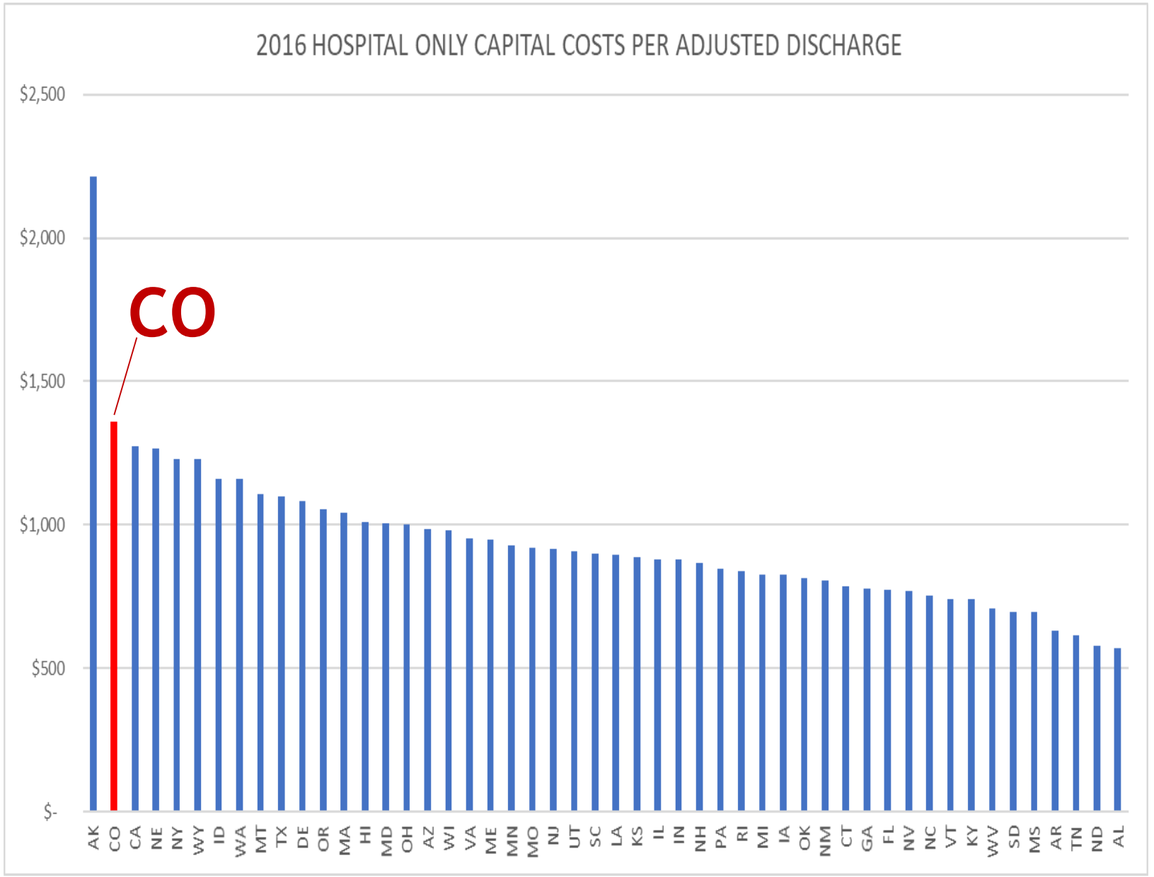
Value Based Payments via Public Option

Other – In discussions with W Slope, E Plains hospitals

Good news: the ACA reduced bad debt and charity care



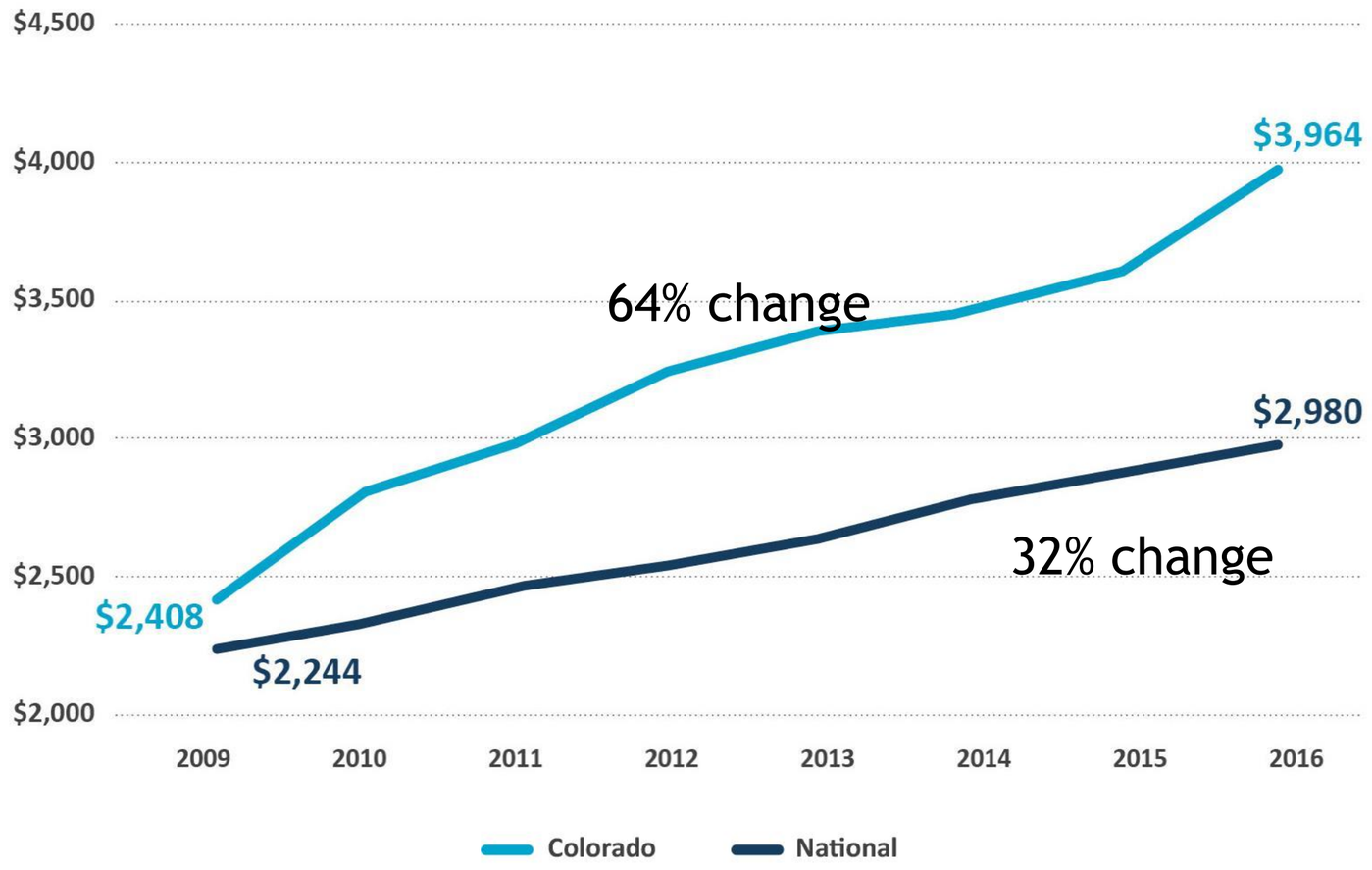
Challenge: Hospital Construction - 2nd highest in the nation



Source: CHASE 2017 Report, CHA DATABANK

CO's hospital overhead costs are increasing at double the Nat'l rate

Growth in Overhead Costs per Adjusted Discharge, 2009-16



2009: Six entities owned or were affiliated with **23 hospitals.**

2018: Seven entities owned or were affiliated with **41 hospitals.**

- **UCHealth** grew from 1 to 10
- **Centura** grew from 10 to 17
- **Banner** grew from 2 to 3 (soon 4)

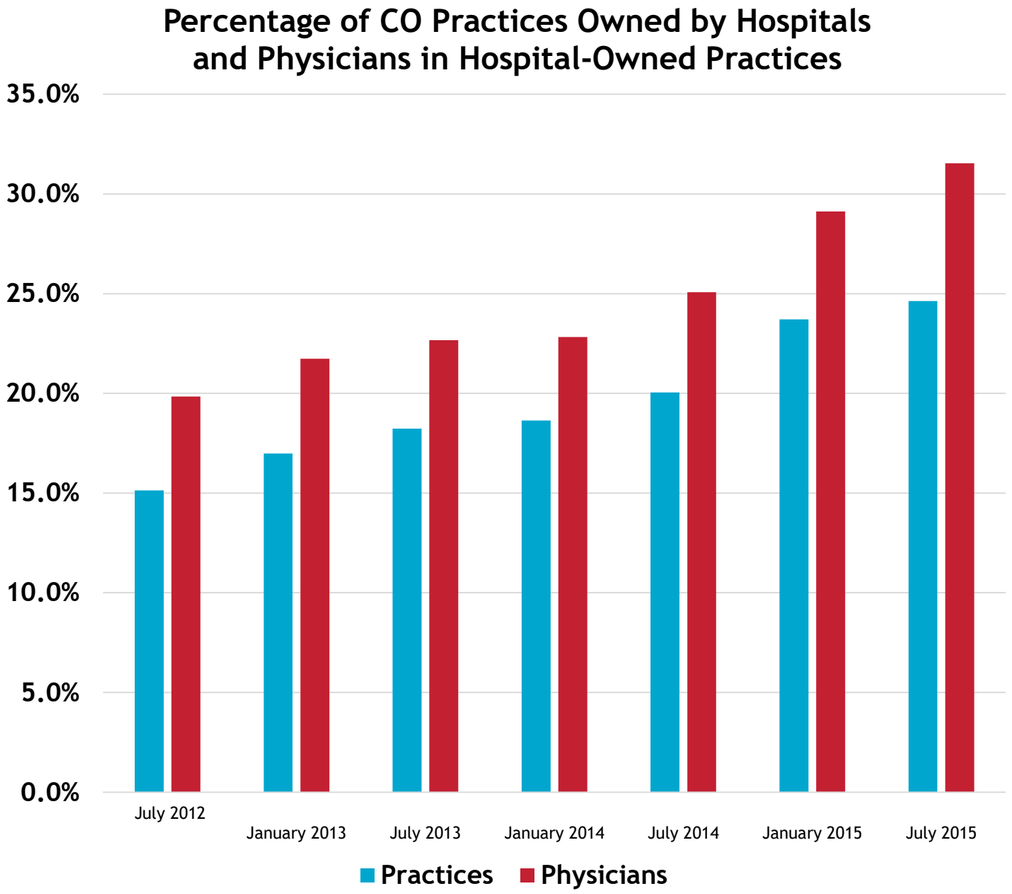
Overhead Cost per Adjusted Discharge:

CO: 9.2% per year over 7 years

National: 4.7% per year over 7 years

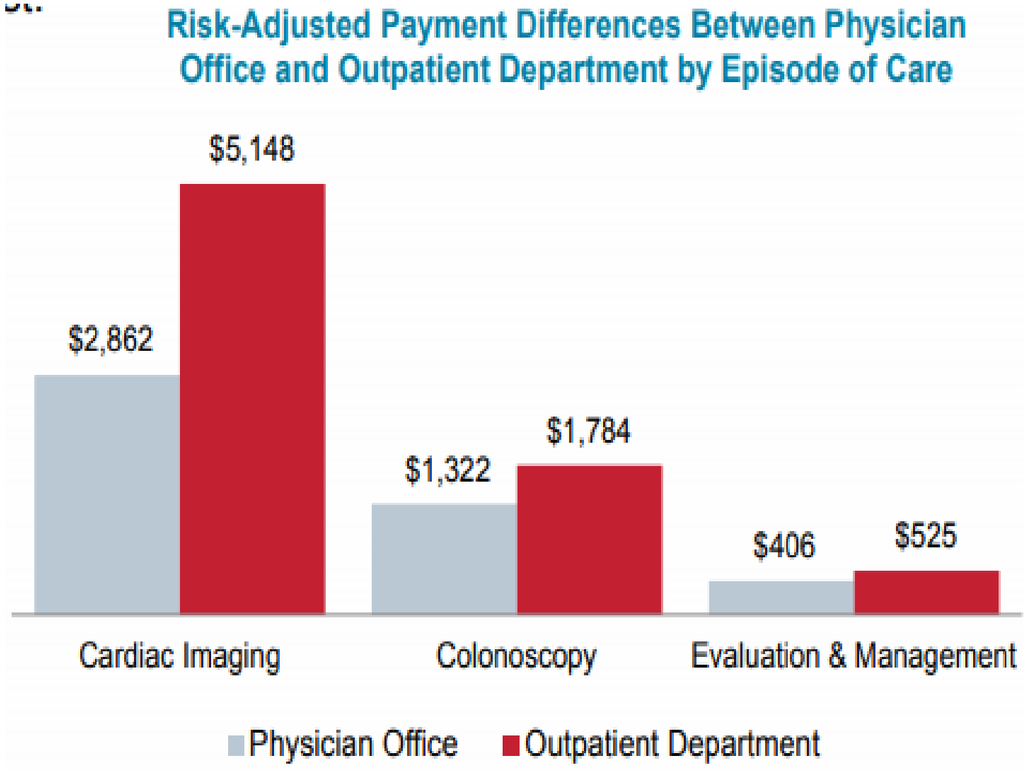
Data Source: Centers for Medicare & Medicaid Services Healthcare Cost Report Information System

CO hospitals are purchasing physician groups to control admissions



Source: Physicians Advocacy Institute

Consequences: care is more expensive in hospital-owned facilities/practices



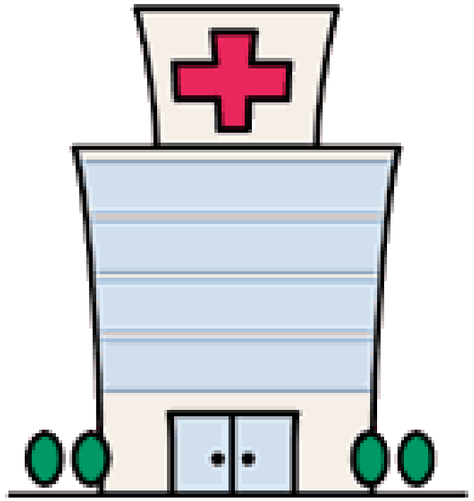
Source: Avalere study for Physicians Advocacy Institute http://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/2016-PAI-Physician-Employment-Study-Final.pdf

Hospital Cost Shift Report

Health care is incredibly complex. Colorado's research helps simplify cost drivers and identify potential solutions.

Between 2009 to 2017:

- Hospital Revenues are up 76%
- Hospital margins increased 250%+
- CO Hospitals admin costs are increasing at twice the Nat'l rate
- We are ranked in the top three nationally in hospital construction



Colorado Healthcare Affordability and Sustainability Enterprise Annual Report, January 15, 2019. https://www.colorado.gov/pacific/sites/default/files/CHASE-December%202018-Annual%20Report%202019%20v2.pdf

From the Medicare Cost Report filed by CO Hospitals
Colorado & Nation - Income Statement Per Adjusted Discharge

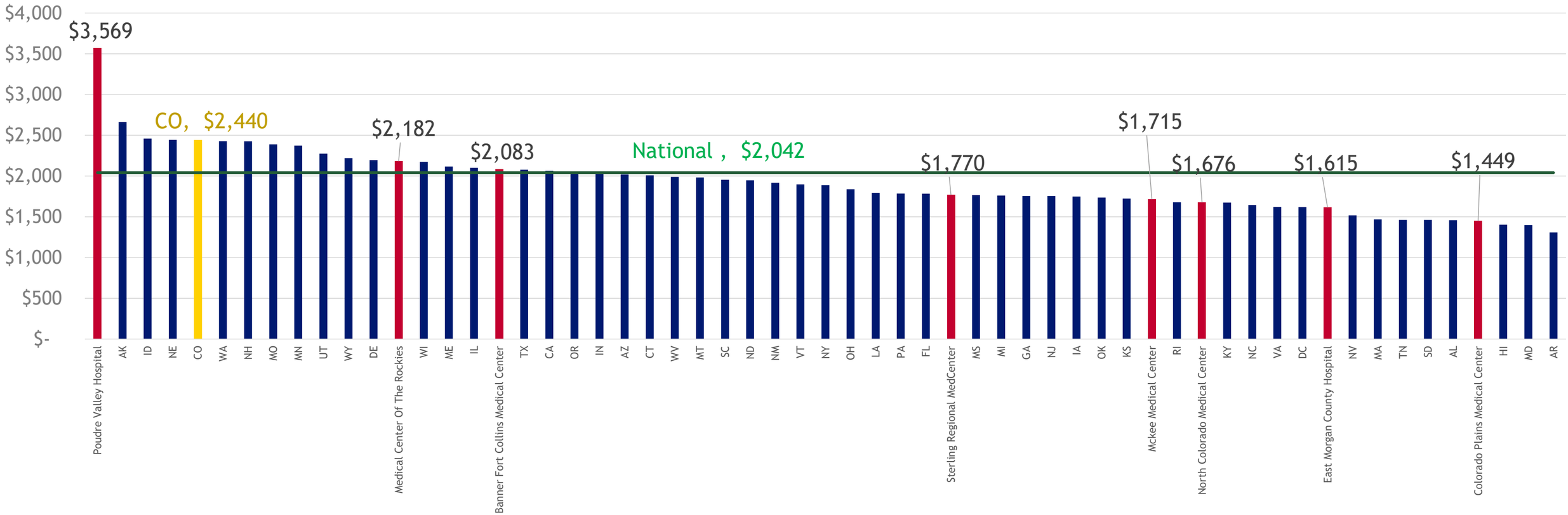
A triple opportunity to better manage:

Hospital prices, costs, margins

	Income Statement	2017 National	2017 Colorado	2017 Colorado Rank		2017 Colorado Rank Cost of Living Adjustment
	Net patient revenue	$14,573	$17,981	**8**		**5**
-	Total operating cost	$14,704	$17,086	**10**		**8**
=	Patient service margin	-$130	$895	**4**		
	Total margin	$1,178	$2,738	**2**		

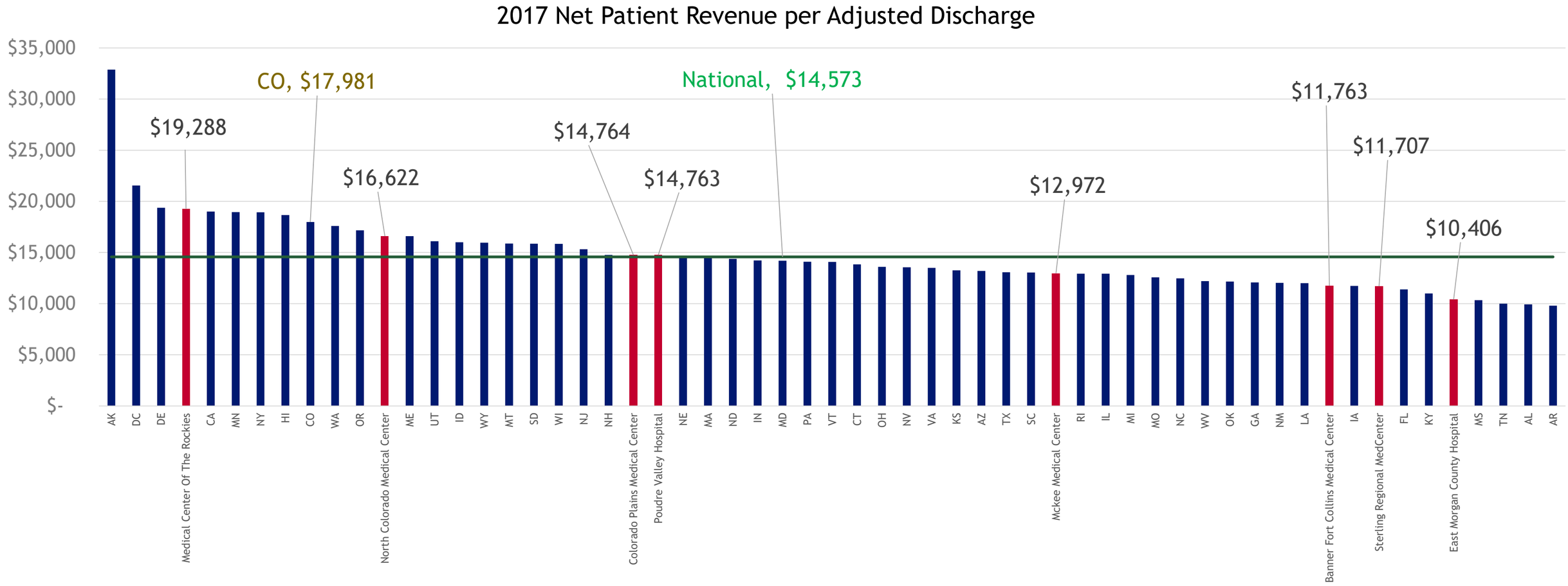
From the Medicare Cost Report
Colorado & Nation – Administrative Cost

2017 Administrative Cost per Adjusted Discharge - Adjusted for Cost of Living



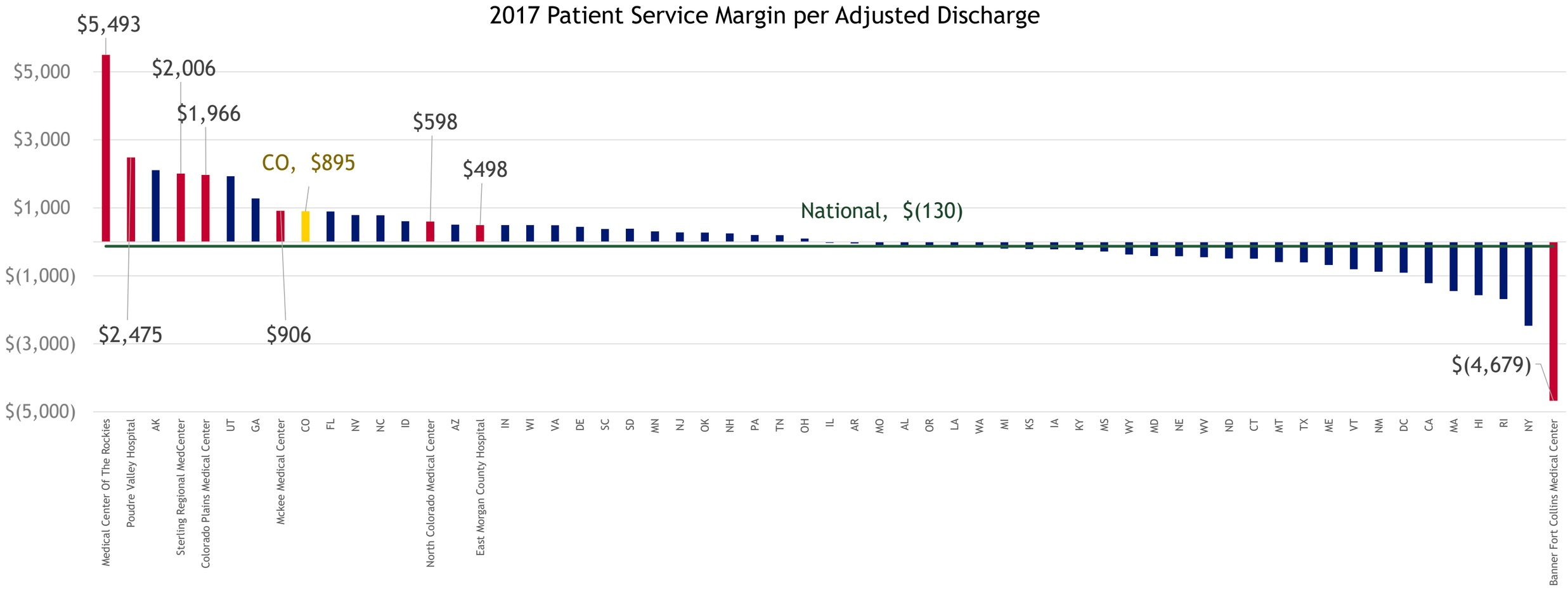
Data extracted fall 2019

From the Medicare Cost Report
Colorado & Nation - Price Proxy (Net Patient Revenue)



Data extracted fall 2019

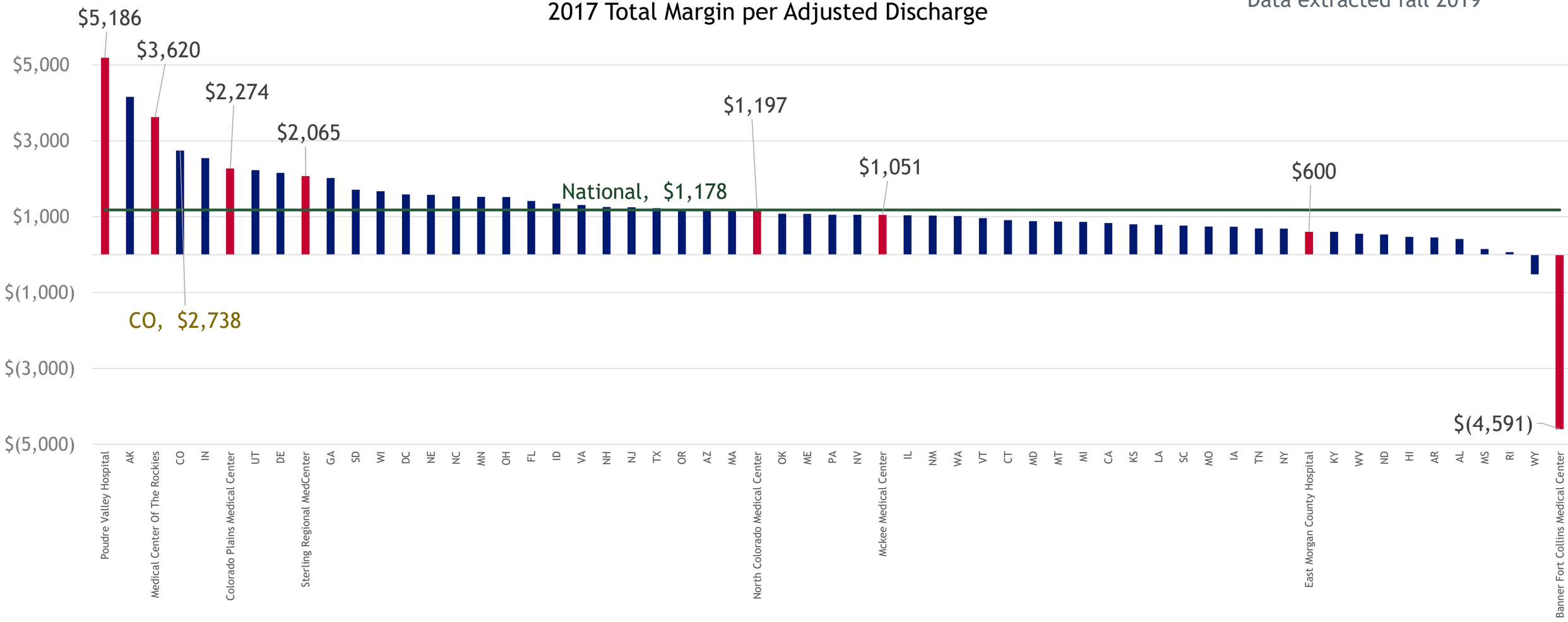
From the Medicare Cost Report
Colorado & Nation - Patient Service Margins



Data extracted fall 2019

From the Medicare Cost Report
Colorado & Nation - Total Margins

Data extracted fall 2019



Other Publications

RAND Medicare Relative Price

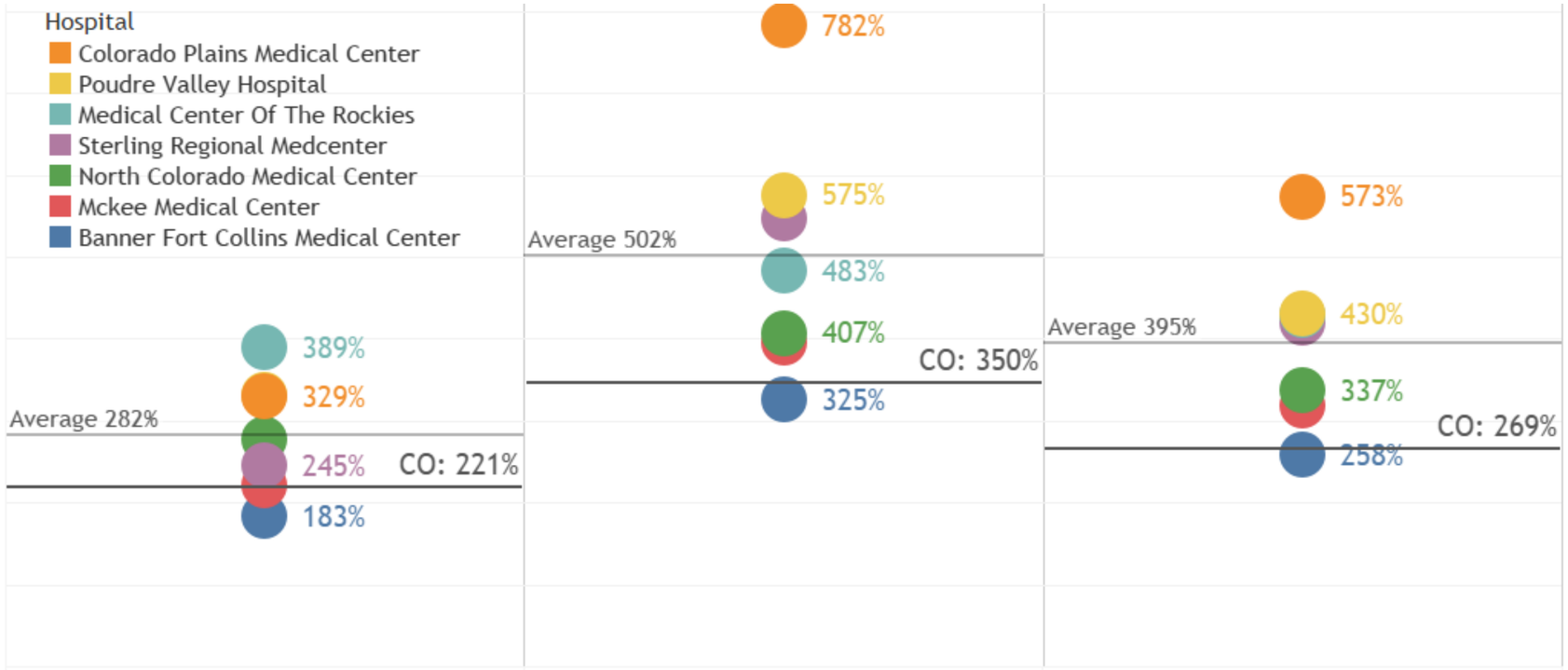
How much would commercial insurance paid for the same claim had it been a Medicare claim?

North Colorado Review

- Most hospitals above CO

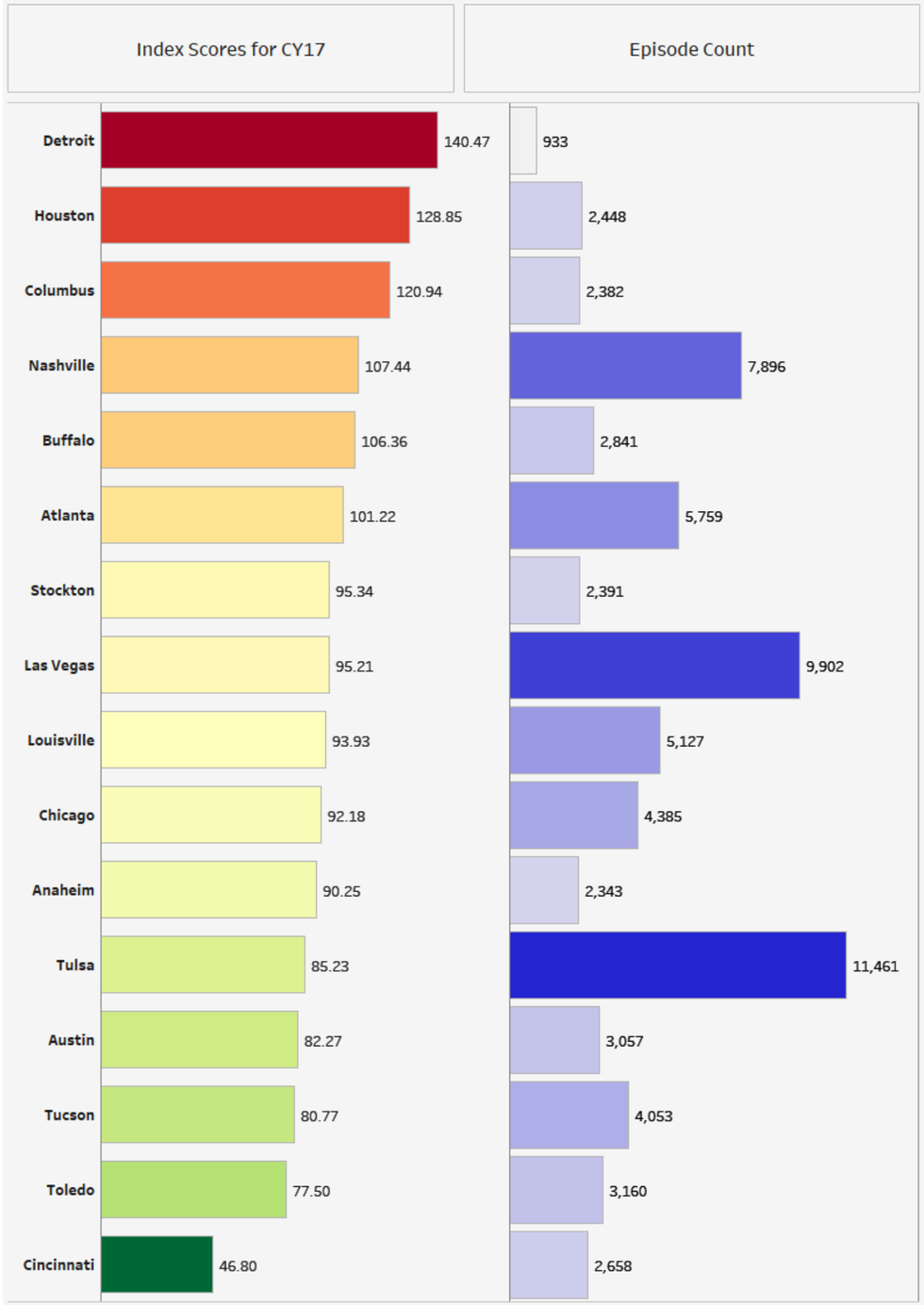
https://www.rand.org/health-care/projects/price-transparency/hospital-pricing.html

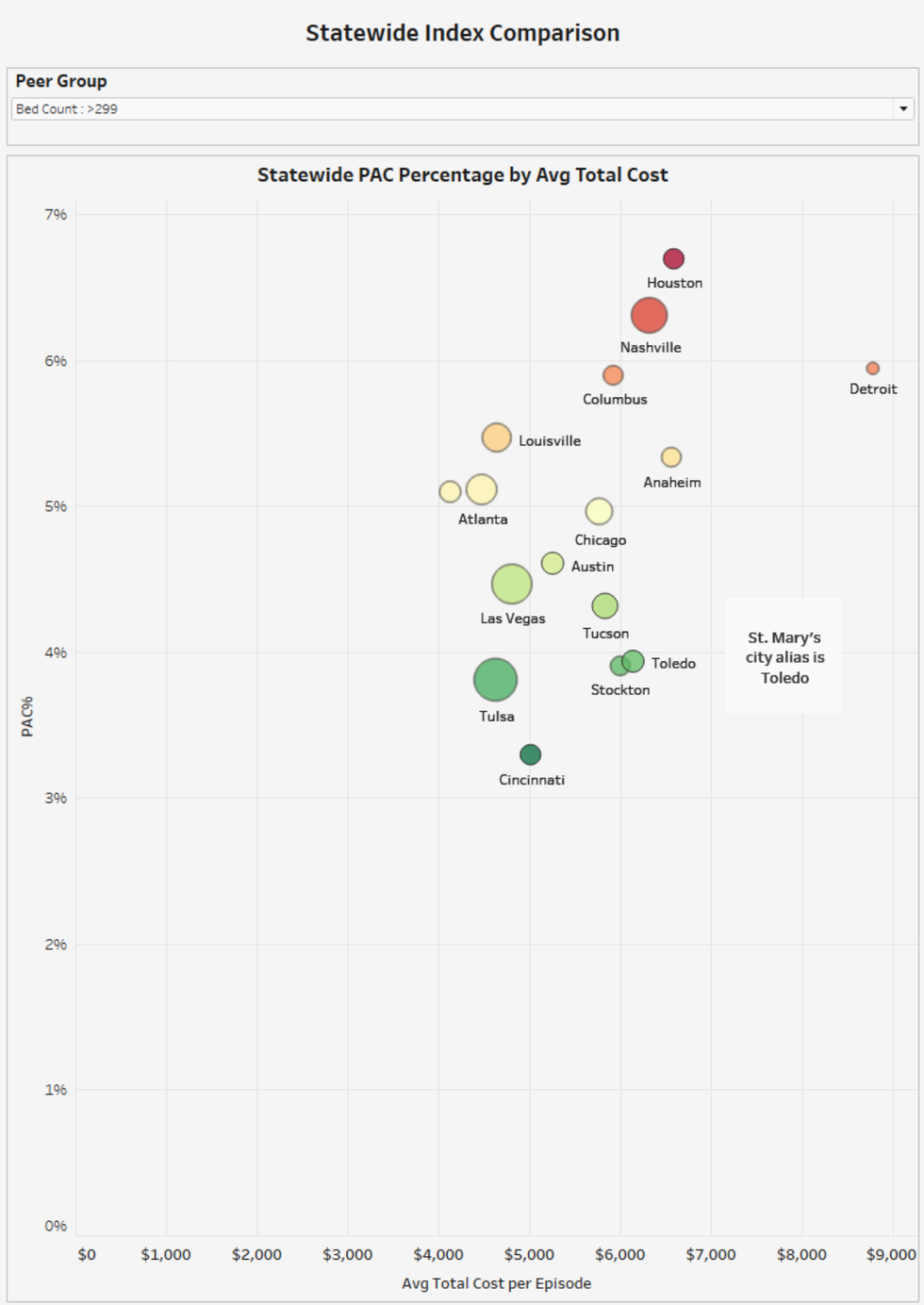
RAND Medicare Relative Price for North Colorado Hospitals



Inpatient Medicare Relative Price %	Outpatient Medicare Relative Price %	Inpatient and Outpatient Medicare Relative Price %
Medical Center Of The Rockies 389%	Colorado Plains Medical Center 782%	Colorado Plains Medical Center 573%
Poudre Valley Hospital 331%	Poudre Valley Hospital 575%	Poudre Valley Hospital 430%
Colorado Plains Medical Center 329%	Medical Center Of The Rockies 483%	Medical Center Of The Rockies 429%
North Colorado Medical Center 277%	Sterling Regional Medcenter 546%	Sterling Regional Medcenter 419%
Sterling Regional Medcenter 245%	North Colorado Medical Center 407%	North Colorado Medical Center 337%
Mckee Medical Center 221%	Mckee Medical Center 396%	Mckee Medical Center 319%
Banner Fort Collins Medical Center 183%	Banner Fort Collins Medical Center 325%	Banner Fort Collins Medical Center 258%

Prometheus Tool





Innovations: Hospital Transformation Program (HTP)

HTP: Partnership between HCPF and CO Hospital Association (CHA) to drive improved behaviors via re-distribution of the CHASE Fee:

- HTP - Supplemental Payments tied to value (behavior change)
  - $1 BILLION+ to reward hospitals for changing
- Five years of evolving initiatives
- HTP priorities were identified by communities around the state.

Innovative Solutions: Purchasing Alliances

- The Alliance enables employers and consumers to work together to negotiate lower costs, improved quality, and address access issues
- Uses All Payer Claim Data Base (APCD-CIVHC) data, community and employer engagement and health care providers to identify areas for change
- Alliance will transform the manner in which providers and carriers compete for business in order to drive affordability to Alliance members
- Selected carriers and TPAs agree to pass along the savings negotiated by the Alliance

Centers of Excellence Advantages

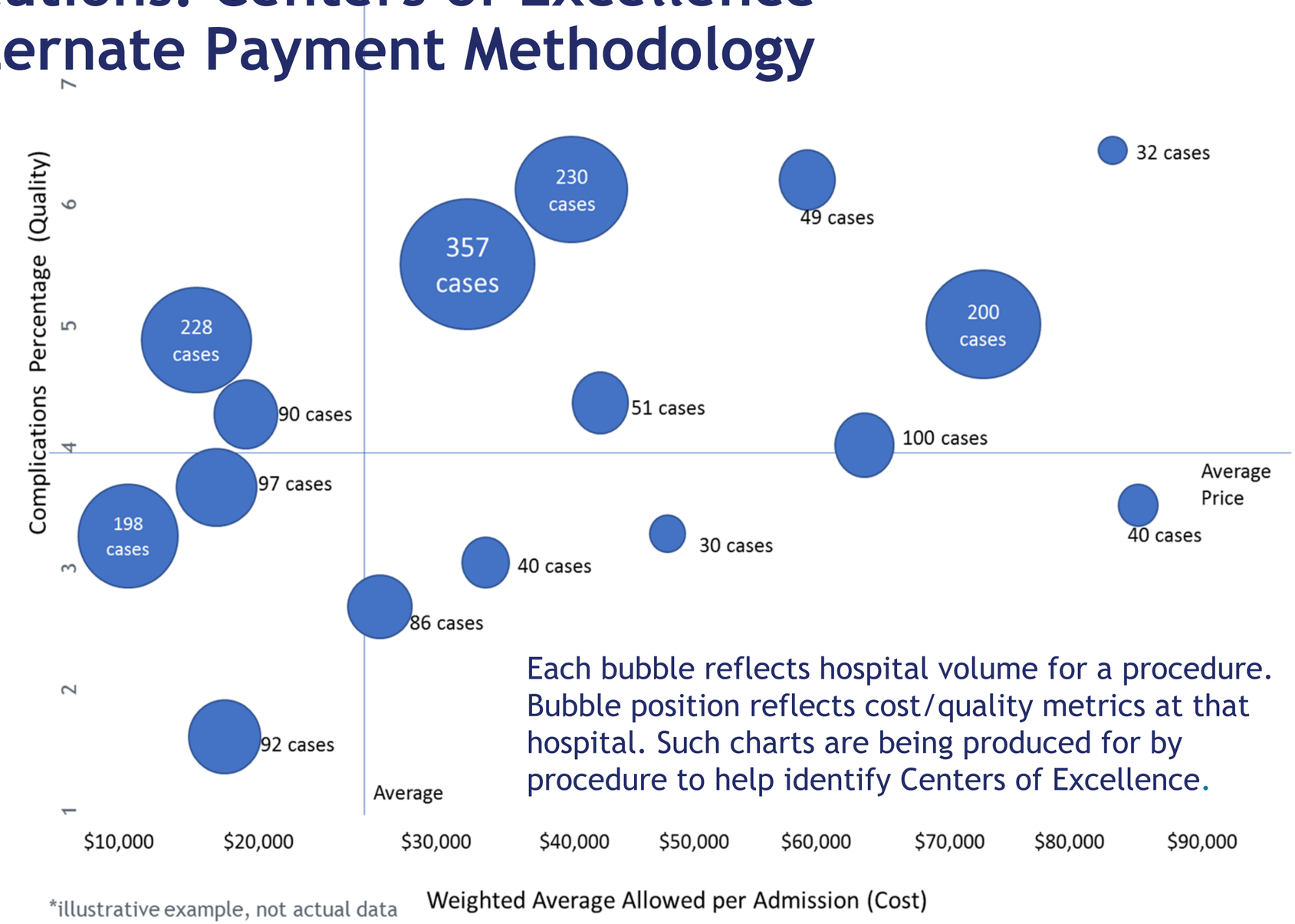
The Centers of Excellence (CoE) Solution is an innovative win-win-win-win alternative that address a number of market pains, and generates the below advantages:

- rewards higher quality, lower cost hospitals (CoE) with more patient volume
- improves patient outcomes by procedure
- reduces costs for employers and other payers like Medicaid (lowering taxpayer burden)
- reduces costs for consumers by lowering insurance premiums
- incentivizes and rewards hospitals that struggle to meet cost and quality targets for specific procedures to refer patients needing that care to local Centers of Excellence

Solutions: Centers of Excellence Alternate Payment Methodology

Solution: Drive more Consistency in Hospital Price and Quality

Drive the community to the higher quality, lower cost locations
(sometimes called Centers of Excellence)

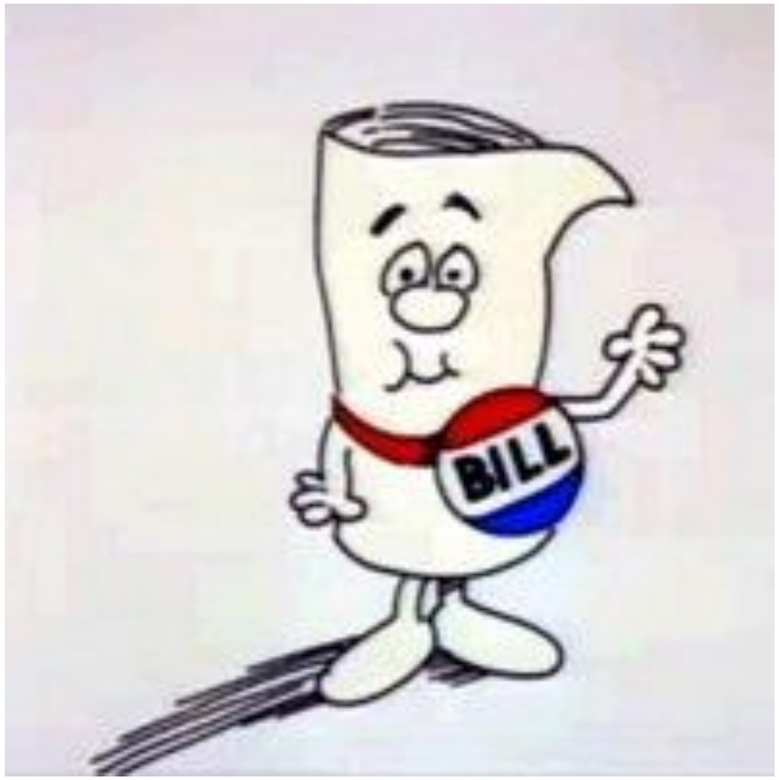


Each bubble reflects hospital volume for a procedure. Bubble position reflects cost/quality metrics at that hospital. Such charts are being produced for by procedure to help identify Centers of Excellence.

*illustrative example, not actual data

Transforming Health Care Through Innovative Policy

- HB 19-1174 Out of Network Surprise Billing
- SB 19-004 High Cost Health Insurance Pilot Program (PEAK Alliance)
- HB 19-1168 Reinsurance (Individual Connect for Health Exchange)
- HB 19-1001 Hospital Transparency
- HB 19-1320 Hospital Community Benefit Accountability
- HB 19-1004 Public Option, *the draft proposal sets hospital reimbursements*



Quick View of Roadmap Initiatives

- **Constraining Costs: Pharmacy solutions**
  - Physician Prescribing Shared Tool
  - Manufacturer-Carrier Compensation (incl. Rebates)
  - Pharmacy Pricing Transparency
  - Joining Lawsuits – Manufacturer Price Fixing, Opioids
  - HCPF Dept. Rx Cost Driver & Solutions Report

- **Constraining Costs: Hospital solutions**
  - Hospital Transformation Program (HTP)
  - Financial Transparency
  - Centers of Excellence
  - Alliance Model, Driving Community Reimbursements
  - Analytics by Hospital, for Communities

- **Alternate Payment Methodologies**
  - Hospital Transformation Program (HTP)
  - Out Of Network Reimbursements
  - Rx Value Based Contracting
  - Value Based Rewards
  - Procedural Bundles
  - Total Cost of Care Incentives, to Include Rx

- **Align, Strengthen Data Infrastructure**
  - CIVHC APCD Affordability Supports, incl. Employer Data
  - TeleHealth / TeleMedicine and eConsults, Broadband
  - End of Life Planning
  - Prometheus

- **Maximizing Innovation and Building on Local Success**
  - Including Social Determinates of Health and Care Coordination into state supported health records (CHN, Boulder Connect)
  - Universal Coverage
  - Re-insurance and Employer Purchasing Alliances

- **Population Health**
  - Behavioral Health Task Force
  - Teen vaping, adult tobacco use
  - Obesity
  - Maternal Health
  - Addiction, incl. Opioids prescribing guidelines
  - Suicide
  - Immunizations
  - Hosp. Transparency – Community Health Needs Assessment

Thank You!

Appendix

Priorities: Opportunities and Threats (SWOT)

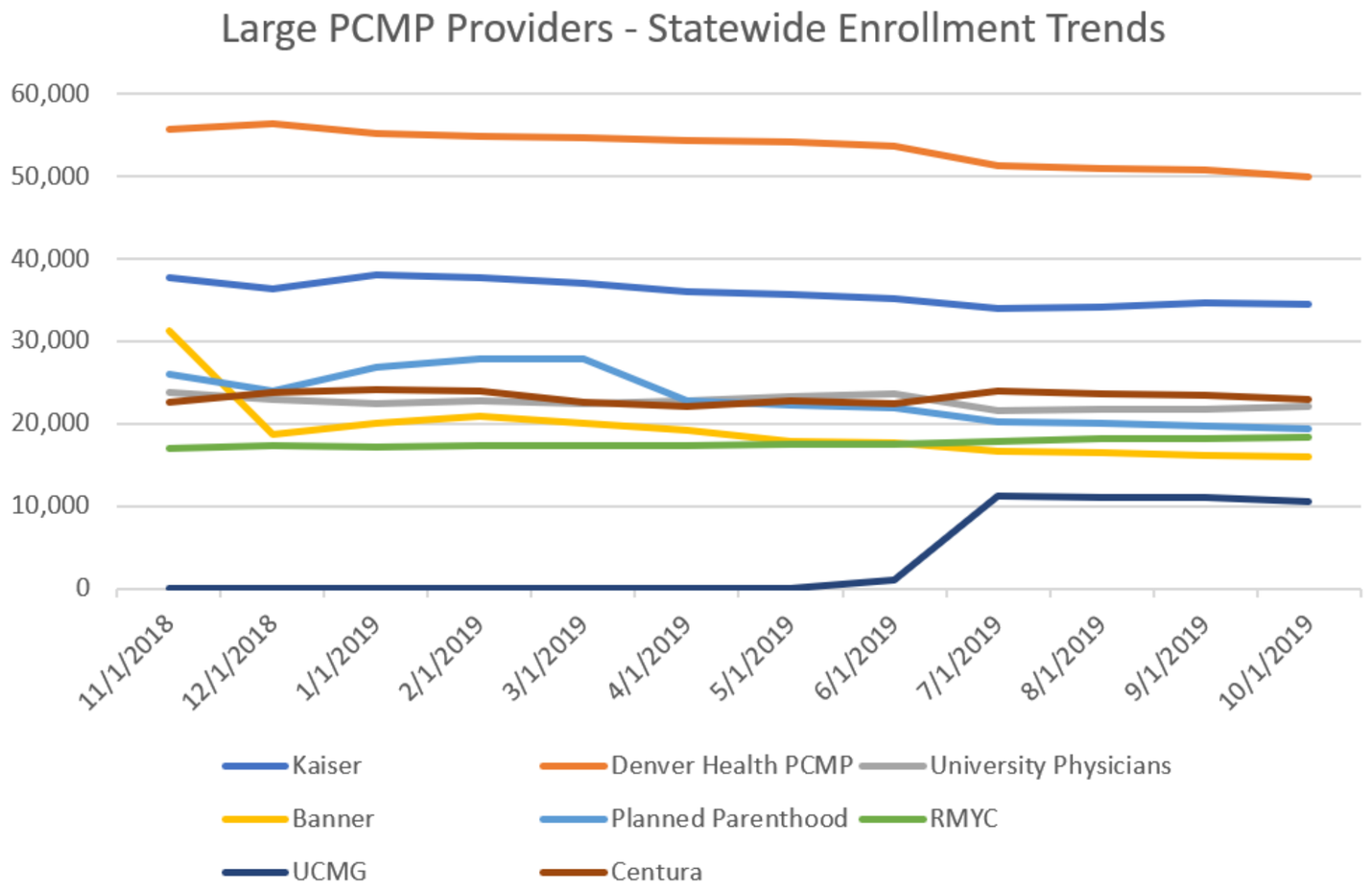
What opportunities can we MAXIMIZE?

- Rural Hospital Sustainability
- Hospital & Rx Manufacturer Accountability, Alignment
- Quality/Cost Variance
- Maximize Innovation
- Health Care Affordability
- Reduce Uninsured Rate
- Prevent & Treat SUD
- Reduce Waiver Waitlists
- Help Health First Colorado Members Rise & Thrive

What challenges must we PREPARE for?

- Rising Deficits, Economic Downturn
- Federal Policy
- Rising Health Care Costs
- High Cost Specialty Drugs
- Aging Population
- Health Care Workforce Adequacy
- TABOR Impact

Large PCMPs: Statewide Enrollment Trends



5 Focus Areas & Examples

5 Focus Areas	Some examples
Reducing avoidable inpatient and outpatient hospital utilization	• Increased collaboration with community partners • Readmission rates
Vulnerable populations	• Social determinants of health screening and notification • Reducing childbirth complications • Screening and referral for maternal depression and anxiety
Behavioral health and substance-use disorder	• Screening for depression and suicide risk in emergency department • Alternatives to opioids
Clinical and operational efficiencies	• Hospital index – potentially avoidable costs (PAC) rates - Prometheus • Implementation/expansion of telemedicine and e-consults • Rewards hospitals for engaging in Centers of Excellence through an All Provider Collaborative
Population health and total cost of care	• Creation of dual track emergency department • Use the Prescriber Tool

Hospital Innovative Solution: Centers of Excellence Intentions

The CoE approach encourages hospitals to recognize where their performance may not be meeting community expectations, and where patient referrals to a traditional competitor may be in the best interest of the patient (quality outcomes) and community affordability.

The CoE approach sets cost and quality standards by procedure and major line, i.e.: orthopedics, cardiac care, maternity, etc. If multiple providers meet those standards, then a community may have multiple CoE alternatives for various types of care.

Centers of Excellence Economic Perspective

- Enables hospitals and the community to review cost and quality data by procedure and major line.
- CoE approach encourages and rewards hospitals for behaving in the best interest of the community from a quality and cost perspective.
- Patient volume increases by major line in hospitals where quality is higher and costs are lower; patient volume decreases in settings where performance is less favorable

Centers of Excellence - Rural Communities

Colorado's Rural Hospitals and Critical Access Hospitals (CAH) have very unique needs:

- With few exceptions, rural and CAH hospital margins (profits) are most always lower than front range hospitals.
- They have more limited resources to invest in order to meet community needs
- They have lower patient volume and a lower revenue stream
- Rural hospitals across the country are closing at increasing rates.

Employing the CoE strategy can stabilize and strengthen our Rural and Critical Access Hospitals, to the betterment of our rural communities and in support of hospital leadership

CoE can also enable shared investments into new capabilities to enable local expanded care access, thereby keeping patients and revenues local.

Other Publications

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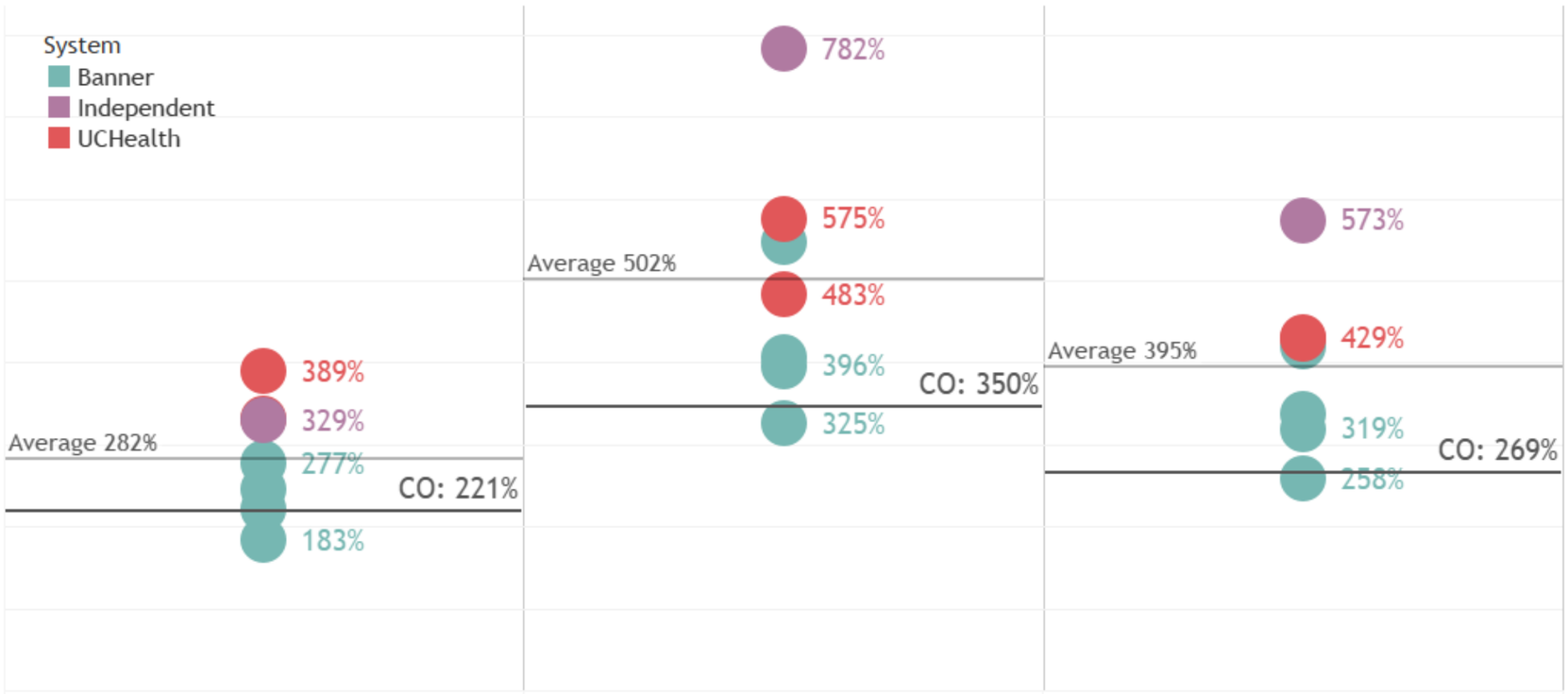
How much would commercial insurance paid for the same claim had it been a Medicare claim?

North Colorado Review

- Most hospitals above CO
- Most Banner Health hospitals below regional average

https://www.rand.org/health-care/projects/price-transparency/hospital-pricing.html

RAND Medicare Relative Price for North Colorado Hospitals



Inpatient Medicare Relative Price %	Outpatient Medicare Relative Price %	Inpatient and Outpatient Medicare Relative Price %
Medical Center Of The Rockies 389%	Colorado Plains Medical Center 782%	Colorado Plains Medical Center 573%
Poudre Valley Hospital 331%	Poudre Valley Hospital 575%	Poudre Valley Hospital 430%
Colorado Plains Medical Center 329%	Medical Center Of The Rockies 483%	Medical Center Of The Rockies 429%
North Colorado Medical Center 277%	Sterling Regional Medcenter 546%	Sterling Regional Medcenter 419%
Sterling Regional Medcenter 245%	North Colorado Medical Center 407%	North Colorado Medical Center 337%
Mckee Medical Center 221%	Mckee Medical Center 396%	Mckee Medical Center 319%
Banner Fort Collins Medical Center 183%	Banner Fort Collins Medical Center 325%	Banner Fort Collins Medical Center 258%

HB 1001: Hospital Transparency Measures to Analyze Efficacy

What will we be asking for?

- ❑ Audited Financial Statements
- ❑ Medicare Cost Reports
- ❑ Hospital Reported Data
  - ✓ Utilization and staffing statistics
  - ✓ Charges, contractual allowances, bad debt and charity care by payer type
  - ✓ Operating expenses, revenue, margins and other financial information
  - ✓ Hospital and physician group acquisition and affiliation transaction details

Interim Opportunity: Hospital Insights Sharing

HB 1320: Hospital Care Providers' Accountability to Communities

- Requires **nonprofit** hospitals to develop a health needs assessment and a community benefits implementation plan, reported to HCPF annually
- **Nonprofit** hospitals must conduct public meetings annually to seek feedback regarding the hospitals' community benefit activities during the previous year and implementation plan for the next year
    - Public health agencies, chambers, school districts, consumer org., local gov't, public etc.
- Reports to include: 990 form, expenses, revenue less expenses
- HCPF to publish all health needs assessments and community benefits implementation plans on a central website