

# Utah Health Care Reform: An Update

## Bagels & Briefing

February 14, 2012

Office of Legislative Research and General Counsel



WHY REFORM?

# Symptoms

**Cost:** Unsustainable spending growth

**Quality:** Huge variations in practice

**Coverage:** Uninsured

# Diagnosis

Existence of third-party payer arrangements has interfered with the economic signals that normally communicate consumer preferences and demand, and regulate supplier quantity and quality, in a well functioning market.

# Treatment

- Create better-aligned incentives for patients and providers
- Increase "consumerism"
  - Choice
  - Information
  - Economic accountability for both consumers and providers

**WHAT HAVE WE TRIED?**

# Strategies

- Medicaid Waiver
- Utah Health Exchange
- All Payer Claims Database
- cHIE (clinical health information exchange)

# Medicaid Waiver

## Potential:

- Reduce spending and improve quality of care
  - Maximize use of risk-based delivery models
  - Rewards recipients for efforts to maintain or improve health
  - Rewards providers for delivering the most appropriate services at the lowest cost
  - Limit Medicaid spending growth to General Fund spending growth

# Medicaid Waiver

Results (ACO proposal):

**Yes** Risk-based (but maintain funding level)

**Yes** Payment for quality (rather than fee for service)

**Yes** Reward patient compliance and responsibility

# Medicaid Waiver

Results (ACO proposal):

- No** Medicaid subsidies to purchase commercial insurance in Utah Health Exchange
- No** Prioritize benefits to meet spending growth target
- No** Promote appropriate utilization through restructured cost sharing

# cHIE

(electronic clinical Health Information Exchange)

## Potential:

- Improve quality of care through record availability
- Reduce cost by avoiding duplicate procedures and improving quality of care
- Improve public health, e.g., outbreak response, immunizations, screenings, etc.
- Improve practice patterns

# All Payer Claims Database

## Potential:

- Produce episode of care (EOC) costs, adjusted for patient severity
- Identify variations in EOC costs across insurers and providers
- Inform consumers choosing among providers
- Target education and other interventions
- Risk adjusting in exchange

# Utah Health Exchange

## Potential:

- Increase consumerism by engaging consumers
  - Increase plan choice for employees
  - Facilitate standardized comparisons of plans, insurers, and providers
  - Promote defined contribution concept
- Reduce administrative overhead for employers
- Allow premium aggregation

# Summary

- Proposal to curtail Medicaid spending by prioritizing services was rebuffed by the federal government
- Proposal to align incentives and improve quality through accountable care organizations was approved
- Legislative strategies to improve consumerism through increased data availability are being implemented (cHIE, APCD, Exchange). Some of these strategies could play a significant role in the implementation of the Affordable Care Act.