

The health care purchasing bill, House Bill 2572, sets Washington on the path to better health, better care and lower costs by:

- ✓ Supporting a competitive health care market
- ✓ Integrating mental health and substance abuse treatment into primary medical care
- ✓ Empowering local communities

## Better Health Care Purchasing

*Addressing the spiraling costs of health care is essential to making health care more affordable for more people. It's just as essential to helping businesses remain competitive. Governor Jay Inslee's better health care purchasing proposal reins in costs by supporting a competitive health care market and improving how the state purchases health care.*

This session we asked legislators to pass the Governor's health care purchasing bill. The measure that passed:

- » Supports a competitive health care market through more price information and common performance measures so purchasers can compare price and quality.
- » Starts to integrate mental health and substance abuse treatment in primary medical care, treating the whole person to improve health and lower costs.
- » Empowers local communities to set their own customized goals for better health and offers flexibility in the state-financed Medicaid program to give communities the ability to design their own health care programs.

### Issues

**Cost** – A monthly health care premium can cost a family of four as much as a monthly house payment. Health care costs are higher than they should be due to insufficient preventive care, fragmentation (having to visit multiple providers for the same issue) and wasteful care delivery (health information collected multiple times by different providers). Health outcomes could be improved, too, if doctors have the best evidence about which treatments and procedures are the most effective.

**Data** – The price of procedures and other health care services often isn't made available to providers, consumers and purchasers of health care — and in ways that are easily understood. It is hard for individuals and purchasers such as businesses to find the best care for the best price without such basic information.

**Coordination** – Coordination is poor for primary care, specialty practices, outpatient services, hospital care, mental health and substance abuse services. The result? People — and the health care system as a whole — waste time and money.

## Solutions

### Improve how the state purchases health care

Washington state itself is a major purchaser of health care, accounting for about one-quarter of purchasing due to Medicaid, Public Employees Benefits Board and other programs. As such, we have the opportunity to lead the way, getting the best available care at an affordable price. Governor Inslee's bill will:

- » Create a set of cost and quality measures that the state, employers and providers can use to gauge success. These could include assessing diabetes control, appropriate treatment for depression and early prenatal care for pregnant women.
- » Create a health and pricing database for Medicaid, the Public Employees Benefits Board and voluntary participants that is available to consumers, providers and the state. With price and health data that are accessible and accurate, patients can make choices based on cost and quality, providers can coordinate with patients to make the best treatment decisions, and the state and employers can make better purchasing decisions.
- » Begins to integrate mental health and substance abuse care with primary medical care in the Medicaid program. Treating the whole person leads to better outcomes and more cost-effective care.

### Support regional collaboration to solve local health problems

What if Type 2 diabetes were the top threat to the health of a county's next generation? Or if high rates of homelessness in a certain area are leading to thousands of premature deaths? These are the kinds of health problems that can be solved only if a broad range of community organizations — both public and private — work together at the community level to get at the root of a problem.

Washington can make a big impact on complex health problems by strengthening the informal collaborations that are already operating.

Accountable collaboratives of health will pull together key organizations — health care providers, public health departments, housing and social services providers, businesses, tribes, labor and more — to identify and address the most pressing needs in their communities. The state would provide seed grants and flexible Medicaid financing to foster these public-private organizations.

## Results

Implementing the solutions contained in the health care purchasing bill are expected to result in:

- » **Better health**, as will be evidenced by declines in chronic illness, mental illness and chemical dependency.
- » **Lower costs**, resulting in \$60 million return-on-investment in the next three years, with greater returns expected as the health of the population improves.



## Health Care Quality and Price Transparency

### Transforming health care: better health, better care and lower costs

#### Background

You wouldn't buy a car without knowing its price or level of quality, and you shouldn't make important decisions about your health without cost and quality information, either. House Bill 2572 calls for the creation of a new database that will make health care price and quality information readily available to consumers, purchasers of health plans and policymakers, thereby supporting a competitive marketplace.

A price and quality database is a community asset that requires broad participation to acquire enough data to be useful for intended purposes. Under HB 2572, state payers (such as Medicaid and the Public Employee Benefits Board) are required to participate; self-insured employers and commercial insurance plans are encouraged to participate. Over the next year, data providers such as insurers and self-insured employers will work with the Governor's Office to develop a format for their participation. This will put key representatives at the table to develop workable processes and maximize effective uses of the data.

Why is this important? As we have seen in other states (see Massachusetts image below), a price and quality database can serve the needs of consumers, purchasers, providers and policymakers.

#### Issues

Consumers and purchasers, such as employers, have no way to research health care price and

Quality of Care - Surgical Site Infections <small>(more)</small>				
	Beth Israel Deaconess Medical Center	Massachusetts General Hospital	Mount Auburn Hospital	Newton Wellesley Hospital
Summary Rating	✓	✓	✓	✓
Statistical Significance	Equal or Significantly Fewer than Predicted	Equal or Significantly Fewer than Predicted	Equal or Significantly Fewer than Predicted	Equal or Significantly Fewer than Predicted
Quality of Care - Mortality <small>(more)</small>				
	Beth Israel Deaconess Medical Center	Massachusetts General Hospital	Mount Auburn Hospital	Newton Wellesley Hospital
Quality Rating	★★★	★★★	★★★	★★★
Statistical Significance	Not Different from State Average Quality			
Cost of Care <small>(more)</small>				
	Beth Israel Deaconess Medical Center	Massachusetts General Hospital	Mount Auburn Hospital	Newton Wellesley Hospital
Cost Rating	\$\$\$	\$\$\$	\$	\$
Statistical Significance	Above Median State Cost	Above Median State Cost	Below Median State Cost	Below Median State Cost

quality. Today we have very limited data on health care price and quality. Consumers, especially those with high-deductible plans, have no easy way to research which providers offer the best quality and price, and employers can't look at which plans offer the best value for their employees. The differences can be substantial. A recent Washington Health Alliance study showed a difference of more than 500 percent in amounts paid for common medical procedures performed throughout Washington — without a significant difference in quality. While the Washington Health Alliance has worked on a voluntary basis with several insurance companies to gather and report price and quality information, it has been unable to collect statistically significant data statewide. This legislation will make it possible.

The state is missing potential cost savings due to a lack of data. We cannot manage what we cannot measure. Research shows that 30 percent of all Medicare spending could be avoided without any negative effect on health outcomes caused by, among other things, poor care coordination, overtreatment and inflated pricing. With objective, statewide, verifiable data, consumers and policymakers will identify price and access issues that, if addressed, could bring down the cost of care. In turn, individuals could make better, data-backed purchasing decisions.

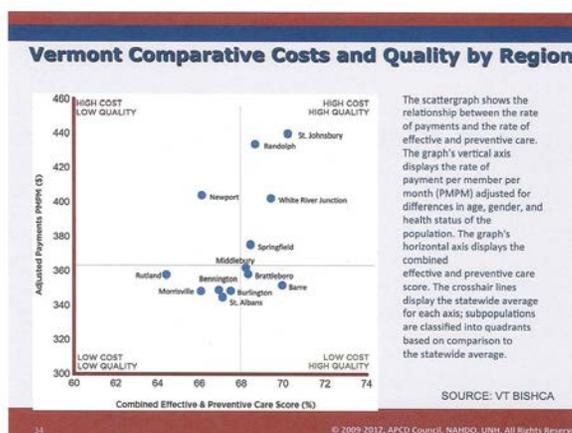
## Solutions

**Develop a price and quality database**, which compiles data on the prices paid for common services and procedures from insurance claims. The database will serve as an impartial and secure source of data to benchmark and track Washington state's health system performance. It will also provide the price and quality data that consumers and purchasers need in a secure and easy-to-use way.

Many states have benefitted from developing this type of database, including Oregon, Utah, Colorado, Kansas, Minnesota, Tennessee, Maryland, Maine, Vermont, New Hampshire and Massachusetts. See an example from Vermont below.

Washington is poised to learn from the experience of these states and develop a price and quality database of its own. The state has secured a \$3.4 million grant to support a public-private collaboration with the purchaser-led Washington Health Alliance to establish a framework for setting up a price and quality database.

**Implement a price and quality database.** HB 2572 establishes the organizational structure, participation, processes, uses of the data and statewide performance measures.



The bill creates a statewide core set of quality metrics that are required of state agencies and voluntary for other purchasers, such as employers. Standardizing performance measures creates the basis for apples-to-apples quality ratings and reduces the administrative burden for providers because they will no longer have to report on multiple measures from different insurers.

We have seen that reporting data can prompt positive change. For instance, when hospitals in Washington began measuring rates for pre-term elective deliveries, which unless clinically necessary have been found to be possibly damaging to the baby, the rate of avoidable pre-term deliveries declined.

Privacy and security are very important. The database will have multiple layers of physical, technical and administrative safeguards for the data. The data will never be used for marketing purposes, and public reports will never contain any patient-level detail.

## Offer a price and quality database so:

A **consumer** can go online and search for the price charged and quality rating of different providers for different procedures. For example, in Massachusetts a consumer can compare the cost and quality of up to four providers at a time for a number of procedures, including hip replacements.

A **purchaser** can view the online database to verify benefit plans as well as provider network quality and value to both the purchaser and plan members. In Vermont, businesses and other purchasers can access the state's database to make sure the hospitals on the insurance plans they are purchasing for their employees are of good quality.

**Providers** can use the data to help guide where they refer patients. In turn, hospitals and clinics could see where they stand in terms of cost and quality.

**State agencies and local public health districts** can analyze the data to identify and assess geographic variations in cost and access to care, and develop community-based solutions. Utah uses its database to identify care variations, as the image below shows. Community partners can then create a targeted strategy to increase the rate of breast cancer screenings.

