Reference-Based Pricing -- Leveraging State Purchasing Power to Lower Health Care Spending

Thursday, March 7, 2019
2:00pm-3:30pm Eastern

For Audio, please listen through your computer speakers or call:
(866) 519-2796, conference ID#: 256384
# Webinar Agenda

<table>
<thead>
<tr>
<th>Welcome and Introductions</th>
<th>Trish Riley, MS, Executive Director, NASHP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marilyn Bartlett</strong></td>
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<td>Special Projects Coordinator, Office of the Montana State Auditor</td>
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<td><strong>Dee Jones</strong></td>
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<td>Executive Director, State Health Plan, State of North Carolina</td>
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<tr>
<td><strong>Questions and Discussion</strong></td>
<td></td>
</tr>
</tbody>
</table>


CONTRACTED REFERENCE BASED PRICING DISCUSSION

March 7, 2019
State of Montana Employee Health Plan

- 12,700 Employee Lives; 2,000 Retirees
- 31,000 Total Lives
- Self-Funded Plans for Medical, Dental, RX, Montana Health Centers, Vision
- Largest Self-Funded Plan in Montana
- 5 On-site Employee Health Centers
What did we find?

• Health Plan Condition
  • *Financial Condition of Plan – Late 2014*
  • *Montana Legislature – Senate Bill 418*
How are the plan costs distributed?

- Montana Hospital Facilities: 43%
- Other Montana Providers: 11%
- Out of State Providers: 15%
- RX Claims: 18%
- Dental Claims: 4%
- Third Party Admin: 3%
- Health Centers: 3%
- HCBD Admin: 2%
Develop Fair, Transparent Hospital Pricing

Goal = Montana Hospital Reimbursement will be a multiple of Medicare for ALL facility services

- Selected Medicare as reference point:
  - Common reference to overcome variation in charge masters and differences in billing practices
  - Largest healthcare payer in country
  - Adjusted for case mix and geography
  - Calculation process publicly available
  - Moves Plan to DRG reimbursement methodology

- State of Montana Plan “constraints”:
  - No Balance Billing = Contracting
  - No steerage or narrow network = Include all facilities, if possible
  - Needed quick financial results
  - Control over future reimbursement increases
  - State Procurement Regulations
Distribution of Participating Providers

Signed, PPS
Signed, CAH
Not Signed, CAH
Contracted Reference Based Pricing

Montana Hospital Inpatient and Outpatient Costs to State Plan
Range of Blended Contract Rates at Normalized Proportions

- 2014 IP&OP: 271.1%
- 2016 IP&OP: 57.2%
- 2017 IP&OP: 32.3%
- 2018 IP&OP: 28.5%
Contracted Reference Based Pricing Projection

Montana Hospital Costs to the State Health Plan

- PY 2014: $50,000,000
- PY 2015: $80,000,000
- PY 2016: $80,000,000
- PY 2017: $96,600,000
- PY 2018: $156,000,000

Key:
- Without Transparent Pricing
- With Transparent Pricing

Allegiance
A Cigna Company
So what happened in December 2017?

- Reserves reached $112 million
- No rate increases for 3 years (2017, 2018, 2019)
- What we didn’t expect: Health Plan Reserves larger than MT General fund in 2017
Reference-based Pricing for State Health Plans
North Carolina Approach
National Academy for State Health Policy Webinar
March 7, 2019
Today’s Objectives

• Background on North Carolina

• North Carolina’s Approach to Referenced-based Pricing

• Hurdles

• Next Steps
Background

Population: 10.2 Million (significantly rural)
Metropolitan areas: 10
Counties: 100
Major Health Care Systems: 10

- Self-funded
- $3.3 billion dollar total cost
- 725,000 + members
- 324 employing units
Financial Picture

**Employer Contributions to 2023**

- $755 million = 4% Appropriations (yellow)
- $629 million = the medical/pharmacy trend above 4% (green)
- $1.4 Billion

**NC State Health Plan Solvency**

- Spend
- Spend w/PRS
- GA Contribution/Premiums
- Cash Reserve w/PRS
- Cash Reserve w/out PRS
NC Approach to Referenced-based Pricing

Reference-based Pricing

Bundles

Alternative Payment Arrangements
Path to Success

- Resources
- Alignment with Vendor Partners
- Provider Partnerships
- General Assembly
Next Steps

Develop the NC State Health Plan Network
- Contracting
- Key Providers
- Reimbursement rate tables

2019 Legislative Session
- Legislative requests
- Legislation
- Education

Operationalize
- Work with TPA for 2020 Go Live
Today’s Objectives

- Background on North Carolina
- North Carolina’s Approach to Referenced-based Pricing
- Hurdles
- Next Steps

Questions?
Questions & Discussion

Please type your questions into the chat box.
Thank you!

Your opinion is important to us. After the webinar ends, you will be redirected to a web page containing a short survey. Your answers to the survey will help us as we plan future NASHP webinars.