Mass General Brigham

Managed Care

Introduction, Strategy, & Challenges/Opportunities

Eric Herbek, Chief Managed Care Officer, Mass General Brigham

October 2024

Outline

Introduction to Managed Care
Managed Care – Mechanics and Strategy
Market Overview – Massachusetts
How’s it going? Market Dynamics, Challenges, Opportunities

Managed Care Overview

What is Managed Care? Key Responsibilities

Negotiate and manage commercial and government payer contracts

Evaluate key health policy, healthcare payment and market issues including:

- Payer Relationship Management & advocacy for issues of importance to MGB
- System Pricing Strategy
- Hospital and physician reimbursement and financial performance
- Quality performance, incentives, and measurement
- Alternative payment models (e.g. shared savings, bundled payments)
- Terms and conditions that impact MGB operational performance (e.g. delegated services)
- Implementation of fee schedules with payers

Market Overview
Massachusetts

Who is in our market?

Local Payers – Blue Cross Blue Shield, Point32Health (HPHC and THP), MBG Health Plan
Two large players dominate local market

National Carriers – United, CIGNA, Aetna
Major national membership but small presence in Massachusetts

Medicare – Covers elderly and disabled

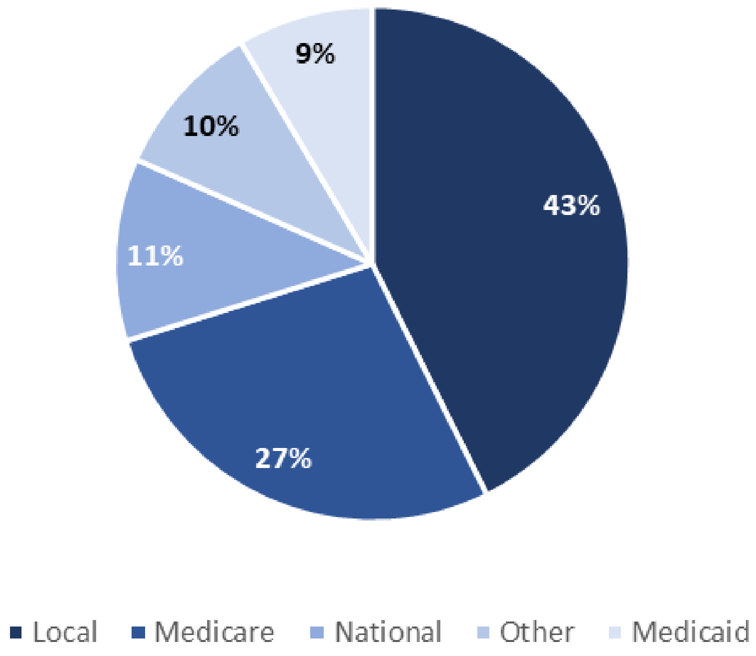
- Government sets reimbursement and payment rates
- Medicare Advantage – offered by commercial plans; *30% of Massachusetts enrollment & growing**

Medicaid – Covers low-income persons for medical and long-term care

- Government sets reimbursement and payment policies
- Accountable Care Organizations, including MGB/MGBHP
- Managed Medicaid – offered by commercial payers

Other – Self-pay patients (both uninsured and those who choose to pay themselves), worker's compensation, international, and other small payers

Net Patient Service Revenue by Payer Group

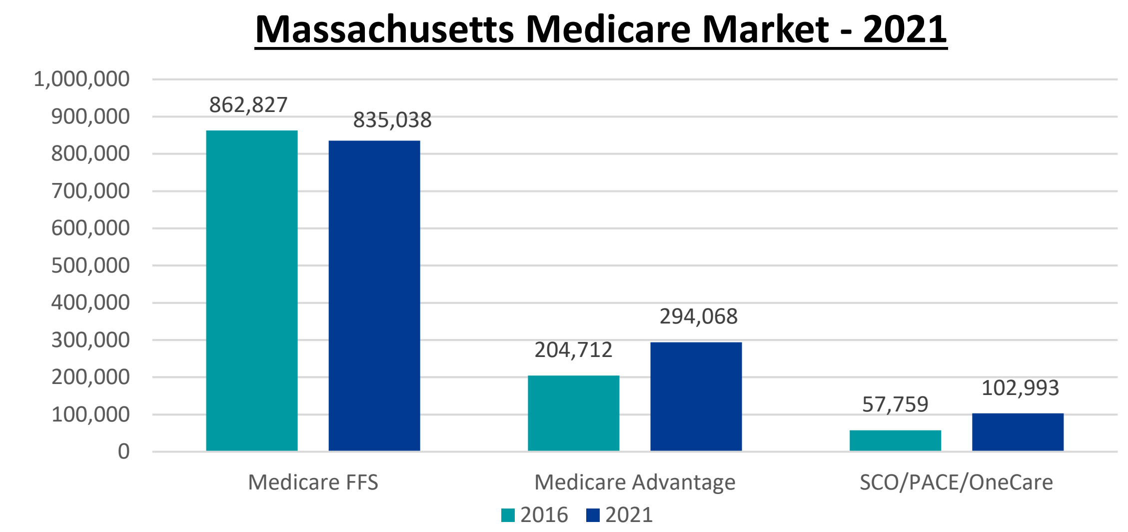


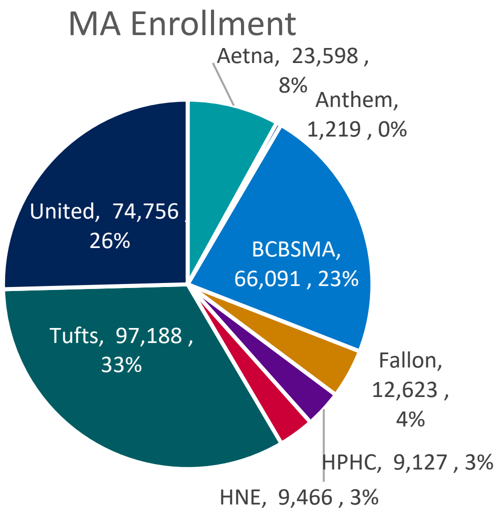
Note these are estimated based on MGB FY2023 Revenue

* Source: CHIA Enrollment Trends, March 2023. Medicare Advantage 30% in March 2023 v. 26% in March 2021

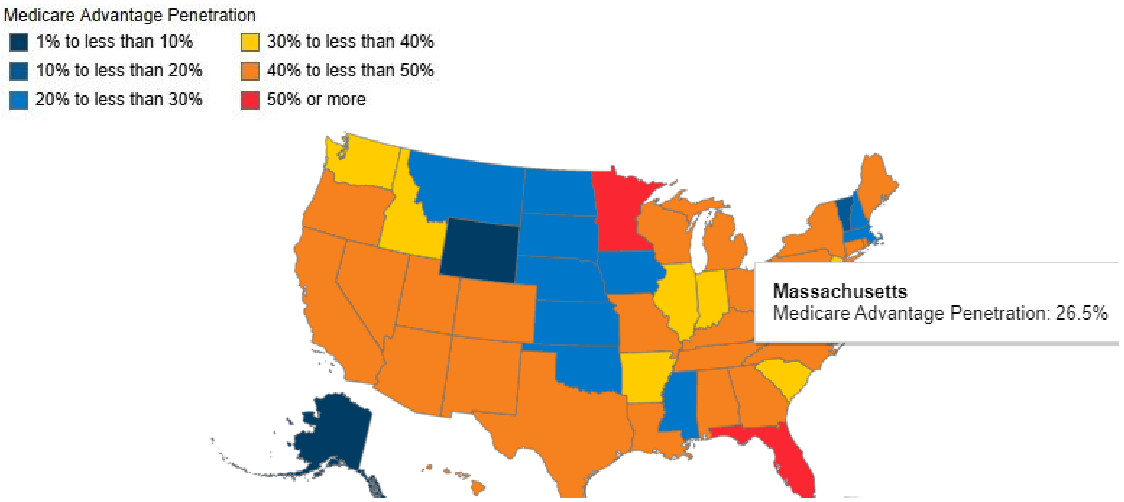
Medicare Advantage in Massachusetts

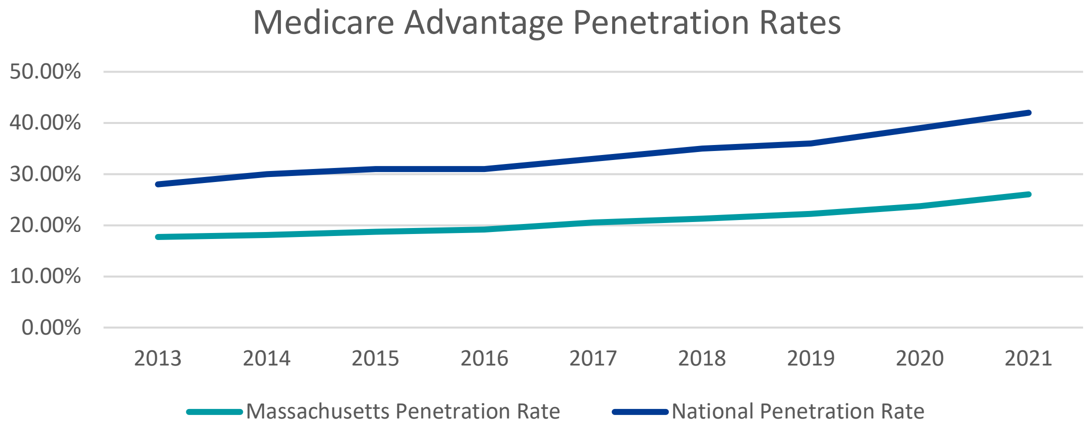
Significant upside growth in Medicare Advantage, a growing market segment, multiple new market entrants including MGB Health Plan





Source: CHIA Enrollment Trends Databook, Data as of March 15, 2021 and March 15, 2016





Source: CHIA Enrollment Trends Databooks, Data as of March 15, 2021; KFF Medicare Advantage in 2021: Enrollment Update and Key Trends

Hospital Volume is highly concentrated in Eastern Mass, with MGB & BILH accounting for ~50% of IP share and 64% of Tertiary Care

	FY22 Eastern Mass Volumes	FY22 Market Share	Δ in share pts from FY21	FY22 Tertiary Share	Δ in share pts from FY21
MGB	118,983	23.9%	+0.1	40.8%	+0.8
BILH	117,318	23.6%	-0.6	23.7%	+0.7
Steward	52,289	10.5%	-0.4	3.9%	-0.3
Tufts	37,974	7.6%	-0.2	8.6%	-0.5
South Shore	28,085	5.6%	-0.1	1.7%	+0.2
Southcoast	27,831	5.6%	-0.2	4.3%	+0.3
BMC	21,948	4.4%	-0.1	6.1%	-0.7
Other	93,277	18.7%	+1.4	10.9%	-0.6

Source: CHIA Acute Inpatient Hospital Case Mix Data, FY22

Notes: (1) Excludes Normal Newborns (MSDRG 795); (2) Excludes Shriner's Hospital and COVID Field Hospitals (3) Eastern Mass volume only; (4) Based on Sg2 MS DRG service line group definition; (5) Major systems include: MGB: MGH, BWH, BWH discharges at DFCI, BWFH, Salem Hospital, NWH, MVH, NCH, CDH, and MEEI; BILH: BIDMC, Lahey, BID-Milton, BID-Needham, BID-Plymouth, Beverly, Winchester, Anna Jaques, Baptist, and Mt. Auburn; Steward: St. E's, Carney, Good Sam, Holy Family, Morton, Nashoba Valley, Norwood, St. Anne's; Tufts Medicine: Tufts, MelroseWakefield, Lawrence Memorial, Lowell General; Southcoast: Charlton Memorial, St. Luke's, Tobey (6) Sturdy volume not reported in FY21 CHIA dataset.

Primary Medicare Payment Systems

Inpatient Prospective Payment System (IPPS)

Governs rates, sets policy, and reporting requirements for all **acute care and long-term acute hospitals.**

Outpatient Prospective Payment System (OPPS)

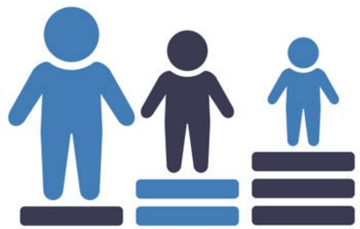
Governs rates, sets policy, and reporting requirements for all **all outpatient hospitals and ambulatory surgical centers.**

Physician Fee Schedule (PFS)

Governs rates for physicians, as well as key policies for physician-based practices, including telehealth.

Recent, Cross-Cutting Policy Changes

Health-related Social Needs



Equity

Primary Care and Population Health

State Plans: MassHealth and ConnectorCare

Acute Hospital RFA	MassHealth ACO Program
• Serves as the **contract between MGB and MassHealth.** • Outlines the **hospital assessment** (which funds the waiver) and return of hospital assessment via **payments for hospital programs/activities (e.g,. CQI).** • **Focus on bolstering the BH system**, mitigating the ED boarding crisis of individuals seeking IP psych beds.	• **Primary-care based risk model.** ACO is driven by the participating PCPs. • PCPs paid on a PMPM basis. • **Primary Care practices** receive a risk-adjusted **subcapitated payment** for its members + a PMPM add-on to support integrated services. • **All other services are paid on an FFS basis** from MGBHP (the payer partner).

- Federal **Inflation Reduction Act (IRA)** continued healthcare marketplace subsidies through 2024**.**
- MassHealth submitted an 1115 Demonstration Amendment to CMS in October 2023 requesting authority to expand its **premium assistance program up to 500% FPL (currently at 300%).**
- **Connector enrollment expected to remain steady.**

Regulatory Environment

How does this impact payer negotiations?

Center for Cost Information & Analysis (CHIA)

- Independent state agency whose mission is to serve as a steward of Massachusetts health information to promote a more transparent and equitable health care system that effectively serves all residents of the Commonwealth.

Health Policy Commission (HPC)

- State agency working to improve the affordability of health care for all residents of the Commonwealth.
- Policy Recommendations
- Reviews development proposals, mergers, affiliations

Cost Growth Benchmark

- The Health Policy Commission established a Health Care Cost Growth Benchmark (3.6% for 2024)
- Revisited annually by HPC Board

Knowledge Check

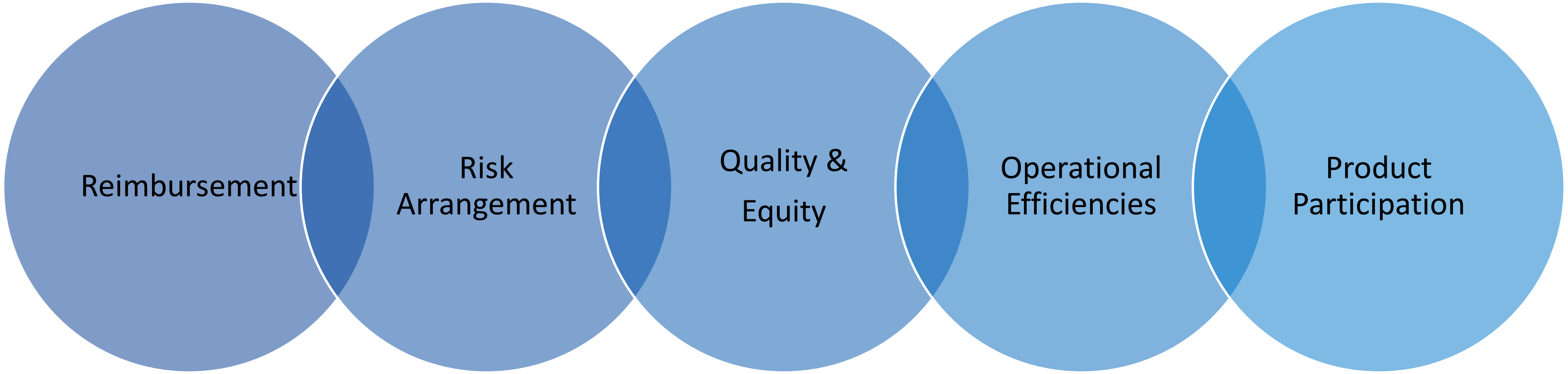
Who is the largest payer for most providers in Massachusetts?

a) BCBS MA
b) Point32Health
c) Medicare
d) Masshealth

Mechanics & Strategy

What’s included in a contract?

MGB’s contracts include elements beyond reimbursement and risk



Reimbursement

- Covered providers and entities
- Payment methodologies
- Annual increases
- Adjustments (e.g., inflation)
- Advance strategic pricing goals
- New Innovations in care

Risk Arrangement

- Population
- Target methodology
- Risk share
- Maximum risk

Quality & Equity

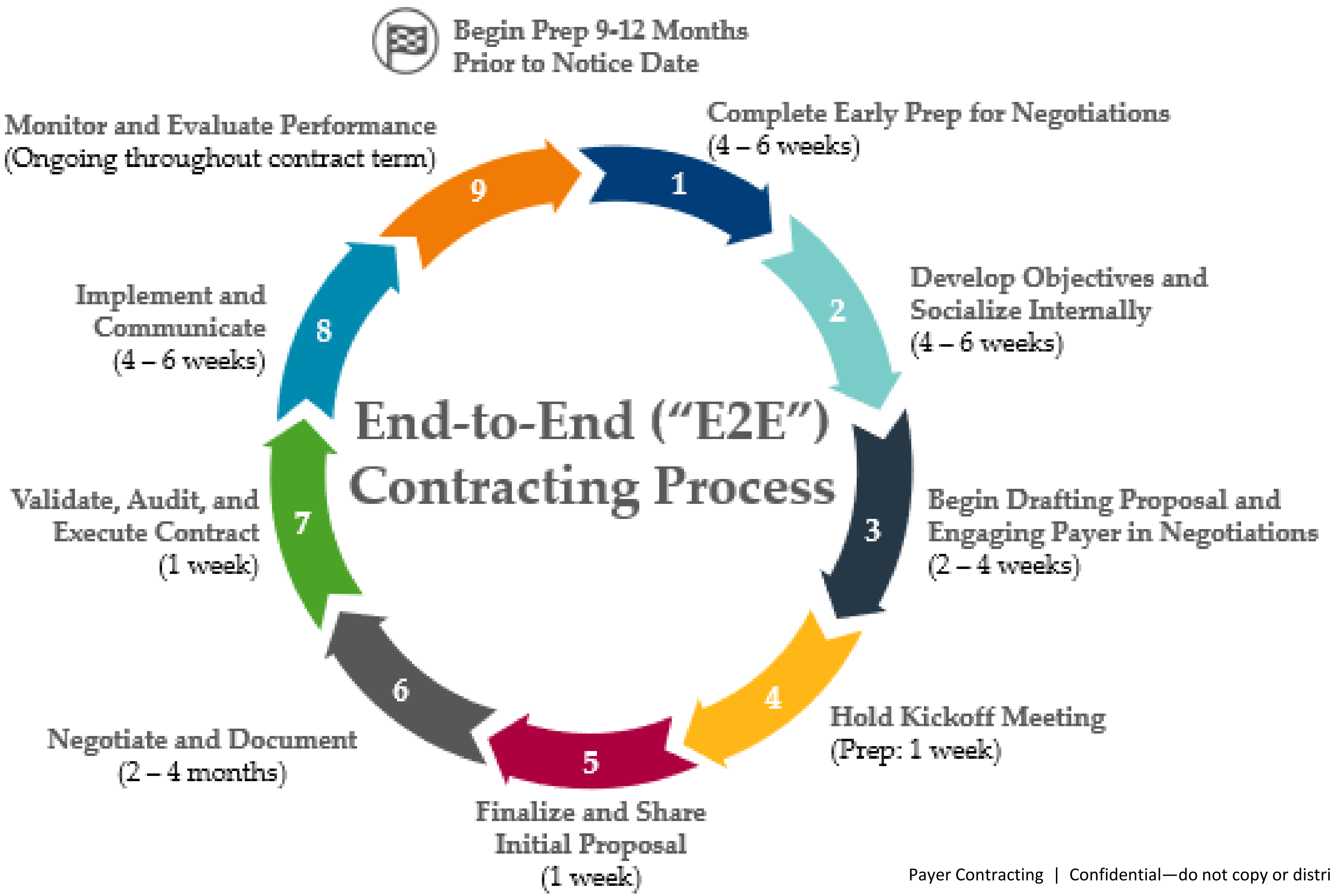
- Hospital measures
- Ambulatory measures
- Patient-Reported Outcome Measures

Operational Efficiencies

- Administrative simplification
  - Reduce duplicate claim denials
  - Increase the number of utilization review nurses for review of IP admissions

Product Participation

- Opt out ability
- Tiered networks
- Limited networks
- Reference pricing


Begin Prep 9-12 Months Prior to Notice Date
End-to-End ("E2E") Contracting Process
1
Complete Early Prep for Negotiations (4 – 6 weeks)
2
Develop Objectives and Socialize Internally (4 – 6 weeks)
3
Begin Drafting Proposal and Engaging Payer in Negotiations (2 – 4 weeks)
4
Hold Kickoff Meeting (Prep: 1 week)
5
Finalize and Share Initial Proposal (1 week)
6
Negotiate and Document (2 – 4 months)
7
Validate, Audit, and Execute Contract (1 week)
8
Implement and Communicate (4 – 6 weeks)
9
Monitor and Evaluate Performance (Ongoing throughout contract term)

Fee For Service

Fee For Service is the prevailing model of reimbursement in America

Most simple method – Percent of Charges (Hospital and Physician Group Chargemaster)

More Common – Reimbursement Schedules

- CPT Codes (Professional) and HCPCS (Facility)
- Groupers
  - DRGs, MS-DRGs, APR DRGs

Payer and Providers must agree on methodology and level of reimbursement (typically a base factor that is multiplied by relative weight for each procedure, inpatient stay, or doctor visit)

Types of Contract Payment Methods

Fee-for-Service

- MDs and hospitals paid based on negotiated fees
- May include care management payments

Pay-for-Performance

- MDs and hospitals paid based on negotiated fees
- Portion of fee or contractual bonus potential is at risk based on performance against defined quality and efficiency targets

Shared Financial Risk

- Expenses incurred by “population” assessed v. health status adjusted budget
- Providers keep share of surplus or pay share of deficit

Bundles/Capitation

- Fixed payment per episode
- Population based payment made in advance like a premium – 100% risk for expenses

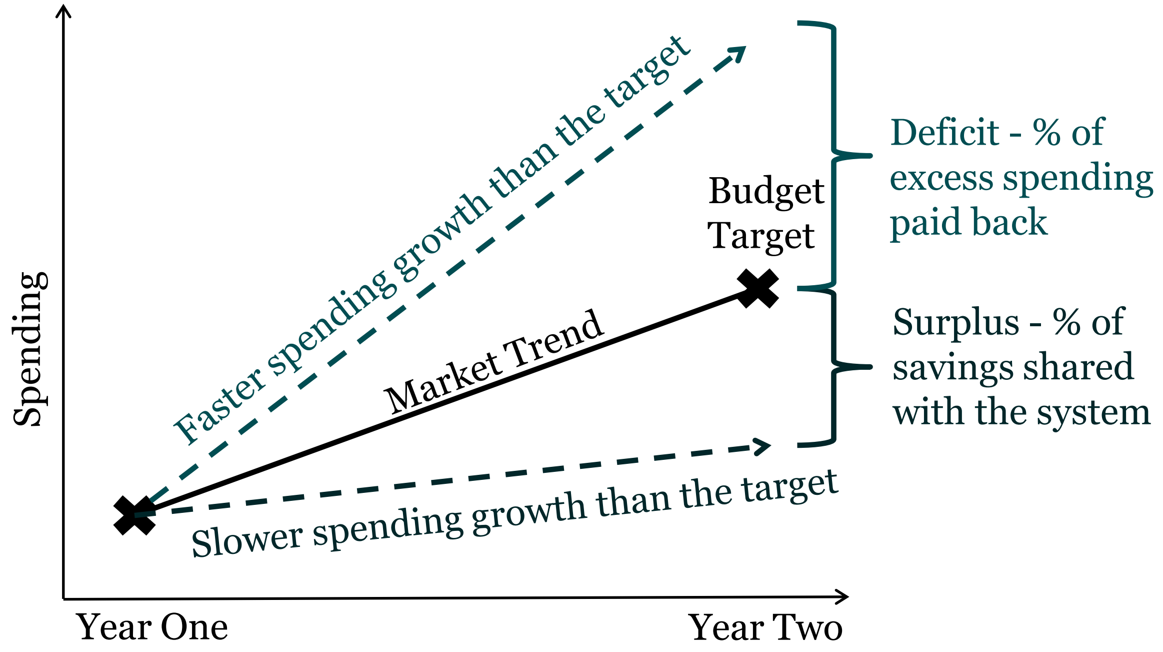
Lower level of financial risk
Weaker business case for PHM

Higher level of financial risk
Stronger business case for PHM

Trend-Based Risk Arrangements

- Limited risk
- Start from baseline of actual expenses at MGB price & health status
- Baseline includes expenses for services incurred at MGB and non-MGB providers for PCP-attributed population
- Mostly performance based – manage to a health status adjusted trend target equal to rest of market excluding MGB
- Fee-for-service payment continues

Accounts for market-wide changes in demographics, medical progress, economic trends



Context Setting – why focus on pricing?

PRELIMINARY

Unprecedented medical cost inflation is challenging providers

THE WALL STREET JOURNAL.

Nov 22, 2021 – Nurse salaries rise as demand for their services soars during COVID-19 pandemic: Average annual salary for registered nurses, not including bonus pay such as overtime, increased about 4% this year to $81,376

Modern Healthcare

Oct 6, 2021 – Hospitals spending $24B more per year on clinical labor

…and while providers have been seeking higher rates, there is limited data to date on whether payers are accepting

THE WALL STREET JOURNAL.

May 8, 2022 – Hospitals look to raise treatment costs as nurses' salaries increase

"People familiar with negotiations say some hospitals are asking to increase their prices by 7.5% to 15%."

CNN

Feb 3, 2022 – Health insurance companies make record profits as costs soar in US:

"The price of an employer-sponsored family policy is up 47% since 2011, outpacing wages and inflation… [but this is] part of a bigger debate about healthcare spending, which has soared in recent years."

Providers, and MGB in particular, are facing increased pressures from regulatory efforts

THE WALL STREET JOURNAL.

Dec 15, 2021 – Three Miles and $400 Apart: Hospital Prices Vary Wildly Even in the Same City:

"U.S. hospitals for the first time this year had to divulge all their prices under a new federal rule… The data reveals the wide variety of prices charged by different hospitals"

"It's not clear that patients or employers are getting what they pay for"

The Boston Globe

April 5, 2022 – 'A new reality': State's decision against Mass General Brigham's suburban expansion could mean tighter regulation of costs and hospital growth:

"According to experts, the rejection appears to be the first time in decades that DPH has stood in the way of hospital expansion"

"Everybody is watching, everybody is paying attention"

Source: Press search

Pricing Transparency is not new in Massachusetts
…..but transparency data opens up new possibilities

Mass.gov

Office of the State Auditor > Evaluation of the Health Care Cost Containment L

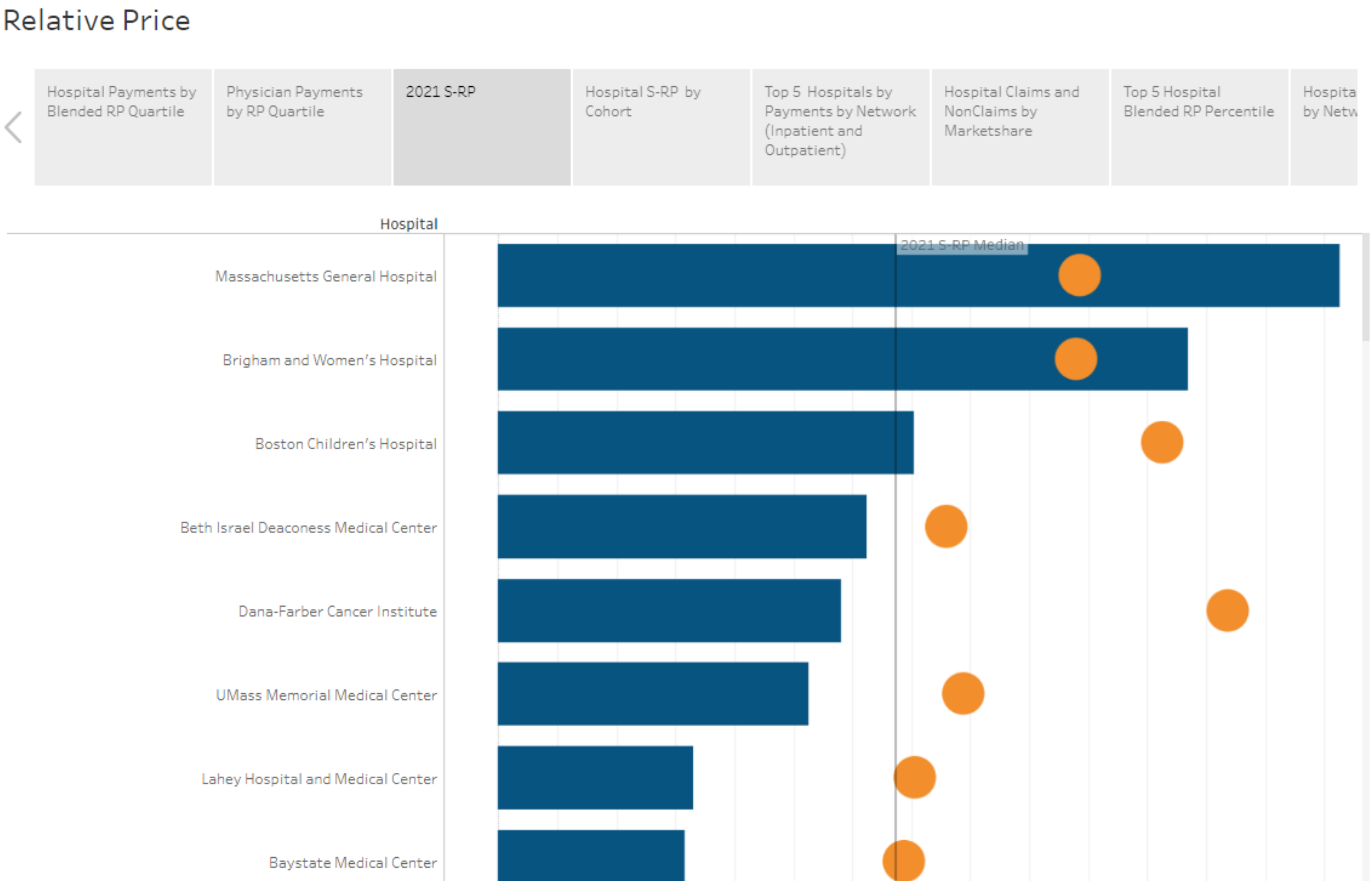
OFFERED BY Office of the State Auditor

Chapter 224 overview

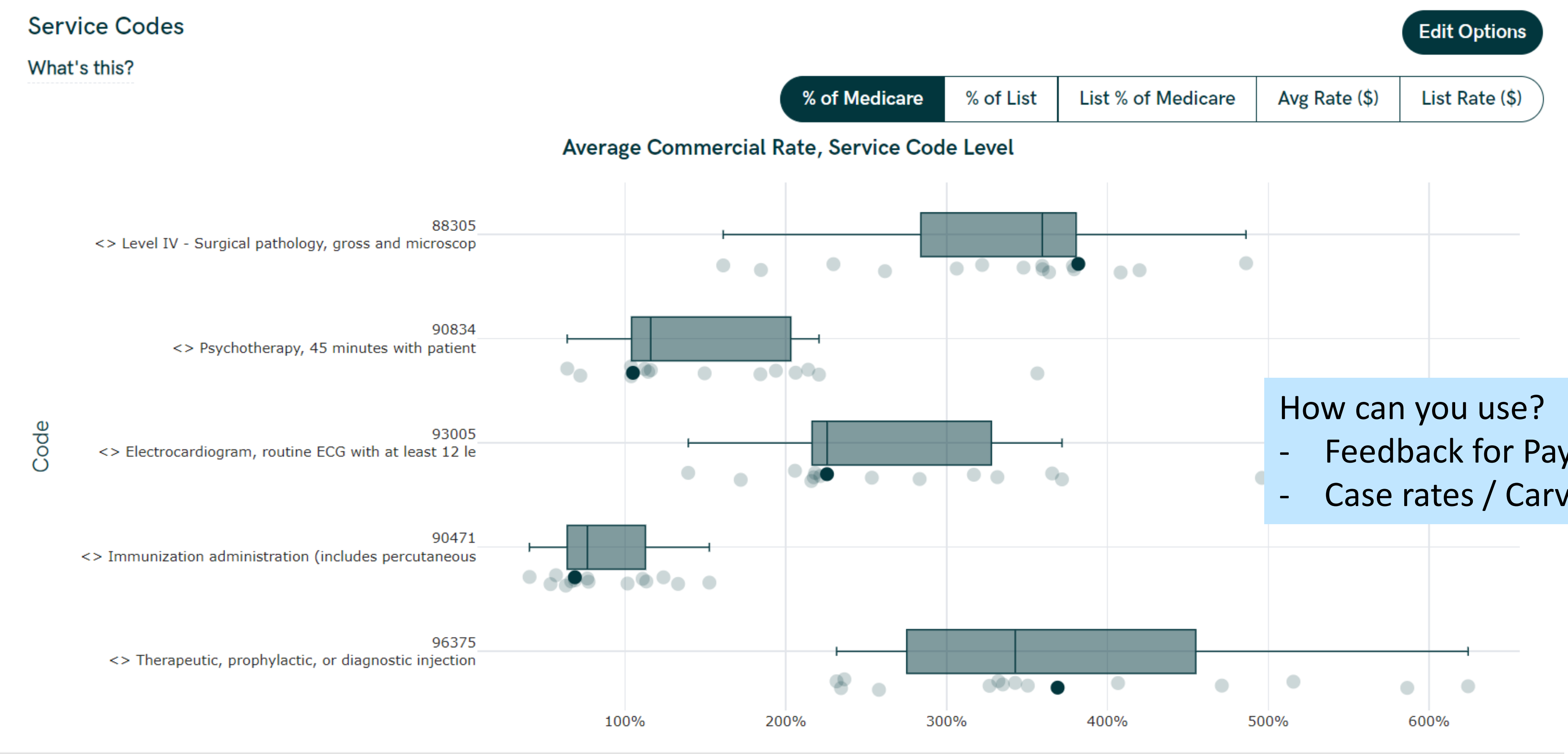
Learn more about the health care cost containment

Chapter 224 was signed into law in 2012. With its passage, the Patrick set in motion a number of initiatives and administrative several health care goals, primarily to control the growth of hea health care access and quality, and promote public health.

CHIA. HEALTH INFORMATION AND ANALYSIS



Early forays into transparency data – service line analysis



How can you use?

- Feedback for Payers
- Case rates / Carve Outs

Knowledge Check

Which of the following is not a valid reimbursement method?

1) Percent of Charges
2) DRGs
3) ETFs
4) Case Rates

Knowledge Check

What of these *is not* a responsibility of payer contracting?

a) System Pricing Strategy
b) Alternative Payment Models
c) Tracking Accounts Receivable by Payer
d) Quality Performance, Incentives, and measurement

How’s it going?
Challenges & Opportunities

Challenges in the current environment

Systemic and intense conflict between providers and payors

148%

Increase in the number of public disputes this year through September 1st compared to last year. More than one-third of the publicly reported disputes in 2024 have failed to reach a timely agreement.

Market share is concentrated with the largest & most aggressive payors

91%

Of markets have a single payor with more than 30% market share and 46% have a payor with more than 50% of market share. Pricing pressures have increased, making it harder for provider organizations to negotiate reasonable and sustainable rates for their services.

The most significant period of inflation in over 50 years

21% & 28%

Increase in total expenses per patient from 2019 to 2021 including a 37% increase in drug costs and an overall staffing increase of 19% (139% increase in contracted labor). The 2022 medical CPI was a surreal28.2% - an additional $98B increase between 2022 and 2023.

Source: Unlock Health

Issues for the Future

Pricing

- Pricing flexibility
- Tertiary, Quaternary Care
- High-cost drugs
- Risk vs. Referral

Innovation

- Telehealth
- New tech
- Specialty Pharmacy

Performance

- Improve quality measurement and reporting
- Optimize performance
- Access and Equity

Risk and Payment Methodology

- Expansion of risk
- Attributed risk population
- PCP panel payments