



COLORADO COMMISSION ON AFFORDABLE HEALTH CARE

LEGISLATIVE CHARGE

The Commission shall focus its recommendations on evidence-based cost-control, access, and quality improvement initiatives and the cost-effective expenditure of limited state moneys to improve the health of the state's population.

Duties of the Commission:

- Identify, examine, and report on cost drivers for Colorado businesses, individuals, Medicaid, and the uninsured.
- Data analysis on evidence based initiatives designed to reduce health care costs while maintaining or improving access to and quality of care. Analyze the impact of increased availability of information.
- Review, analyze, and seek public input on state regulations impacting delivery and payment system innovations.
- Analyze impact of out-of-pocket costs and high-deductible plans.
- Examine access to care and its impact on health costs.
- Review reports and studies for potential information.
- Report outcomes of the 2018 Commission

COMMISSIONERS

THE COMMISSION IS COMPRISED OF A DIVERSE AND DEEPLY KNOWLEDGEABLE SLATE OF MEMBERS REPRESENTING EVERY CORNER OF COLORADO.

- **Bill Lindsay (Chair) (Unaffiliated, appt. by Governor)** of Centennial, representing licensed health insurance producers
- **Cindy Sovine-Miller (Vice-Chair) (R, appt. by House Minority Leader)** of Lakewood, representing small Colorado businesses
- **Elisabeth Arenales (D, appt. by Speaker of the House)** of Denver, from an organization representing consumers and understands consumers with chronic medical conditions
- **Jeffrey J. Cain, M.D., FAAFP, (D, appt. by President of Senate)** of Denver, a health care provider who is not employed by a hospital and who is a physician recommended by a statewide society or association whose membership includes at least one-third of the doctors of medicine or osteopathy licensed in the state
- **Rebecca Cordes (D, appt. by Governor)** of Denver, representing large, self-insured Colorado businesses
- **Greg D'Argonne (R, appt. by House Minority Leader)** of Littleton, with expertise in health care payment and delivery
- **Steve ErkenBrack (R, appt. by Senate Minority Leader)** of Grand Junction, representing carriers offering health plans in the state
- **Ira Gorman, PT, PhD, (D, appt. by President of the Senate)** of Evergreen, a health care provider who is not employed by a hospital and is not a physician
- **Linda Gorman (R, appt. by Senate Minority Leader)** of Greenwood Village, a health care economist
- **Marcy Morrison (R, appt. by Speaker of House)** of Manitou Springs, from an organization representing consumers
- **Dorothy Perry, PhD, (D, appt. by Governor)** of Pueblo, with expertise in public health and the provision of health care to populations with low incomes and significant health care needs
- **Christopher Gordon Tholen (Unaffiliated, appt. by Governor)** of Centennial, representing hospitals and recommended by a statewide association of hospitals
- Ex officio Commission members
 - **Susan Birch, MBA, BSN, RN, Executive Director, Colorado Department of Health Care Policy and Financing**
 - **Alicia Caldwell, Communications Director, Colorado Department of Human Services**
 - **Marguerite Salazar, Commissioner of Insurance, Colorado Department of Regulatory Agencies**
 - **Jay Want, M.D., representing the Colorado All Payer Claims Database**
 - **Larry Wolk, M.D., MPH, Executive Director, Colorado Department of Public Health and Environment**

COST OF HEALTH CARE

Health care cost, price, and spending are often interchangeable terms but are distinct concepts with distinct meanings. While much of the data analysis focuses on spending, and the public or purchaser is concerned with price, the work of the Commission has focused primarily on cost.

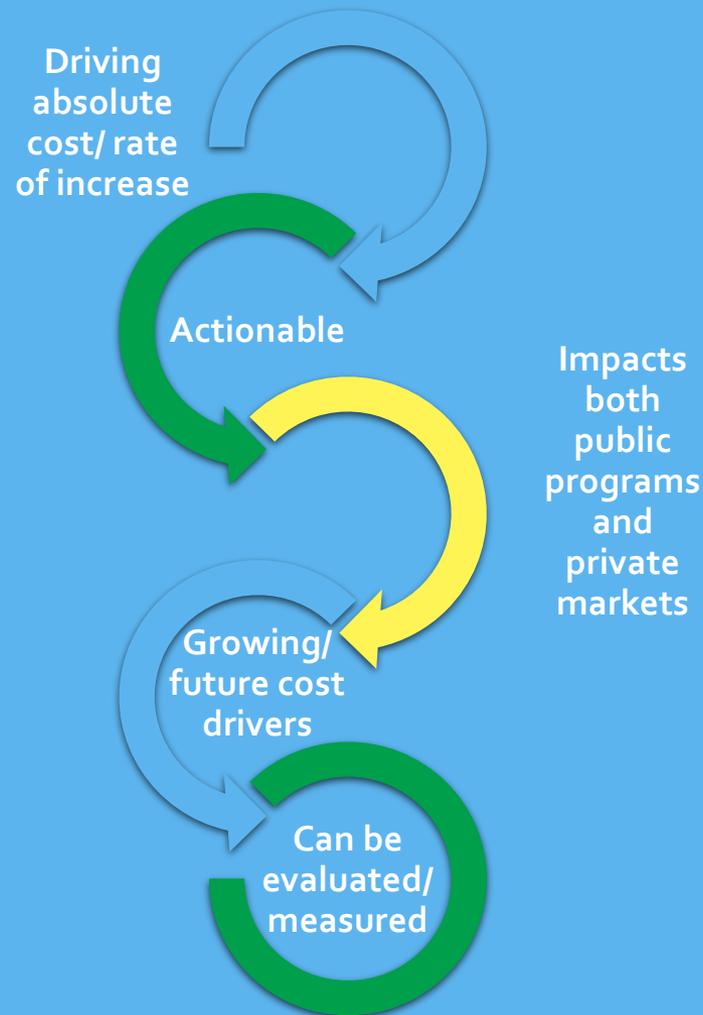
The Commission operated using these definitions:

Cost: The resources it takes for health care suppliers to produce goods or services, including labor, equipment, facilities, and administration.

Price: The amount received by health care suppliers in exchange for their goods or services. In a free market economy, the price is determined by the interaction between the demand of buyers and the supply of sellers. When prices are higher than suppliers' costs, profits are generated; when prices are lower than suppliers' costs, losses occur. However, in some health care programs like Medicare and Medicaid, the government sets prices. When prices are set above what the free market would otherwise establish, supply often exceeds demand and surpluses occur. When prices are set below the market price, shortages occur.

Spending: The price of goods or services multiplied by the quantity purchased. This means that both price and quantity impact total spending.

COMMISSION'S FRAMEWORK TO IDENTIFY AND PRIORITIZE RECOMMENDATIONS



AREAS OF ANALYSIS

The Commission identified key topic areas for investigation and discussion:

- Transparency
- Workforce
- Social Determinants
- Incentive Mechanisms
- Regulatory Costs
- Administrative Costs
- Payment & Delivery Reform
- Technology (telemedicine)
- Pharmacy
- Hospital Costs
- Free standing EDs
- End of Life
- Balance Billing/ Out of Network
- Substance Use
- Rural Costs
- Impact of the Affordable Care Act

RECOMMENDATIONS: TRANSPARENCY



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2015.

The importance of transparency is underscored as health insurance deductibles and out of pocket costs continue to rise and consumers take a greater interest in the price of health care services. In fact, nearly half of workers in the United States are enrolled in a plan with an annual deductible of \$1,000 or more, up from 10 percent in 2006.

RECOMMENDATIONS: TRANSPARENCY

What's the problem? There is a shortage of easy to understand, easy to access data on the price of health services and the quality of health care.

- Support consumers making informed choices by compiling and reporting existing price, quality and clinical outcome metrics on publicly-facing website(s)
- Create a state employee pilot using transparency tools to inform employees of the state of cost and quality metrics related to specific elective procedures.
- The state should seek to promote more transparent and publicly available data with a focus primarily around facilities, pharmaceuticals and providers' prices.
- Data that is made available for consumers and providers should be timely, accessible, consumer-friendly, actionable, and regularly updated.
- Support a statewide total cost of care initiative (payments) to get an understanding of state costs relative to others states.
- Explore the potential for financial incentives to motivate consumers to use decision aids.

RECOMMENDATIONS: TRANSPARENCY RELATED TO END OF LIFE

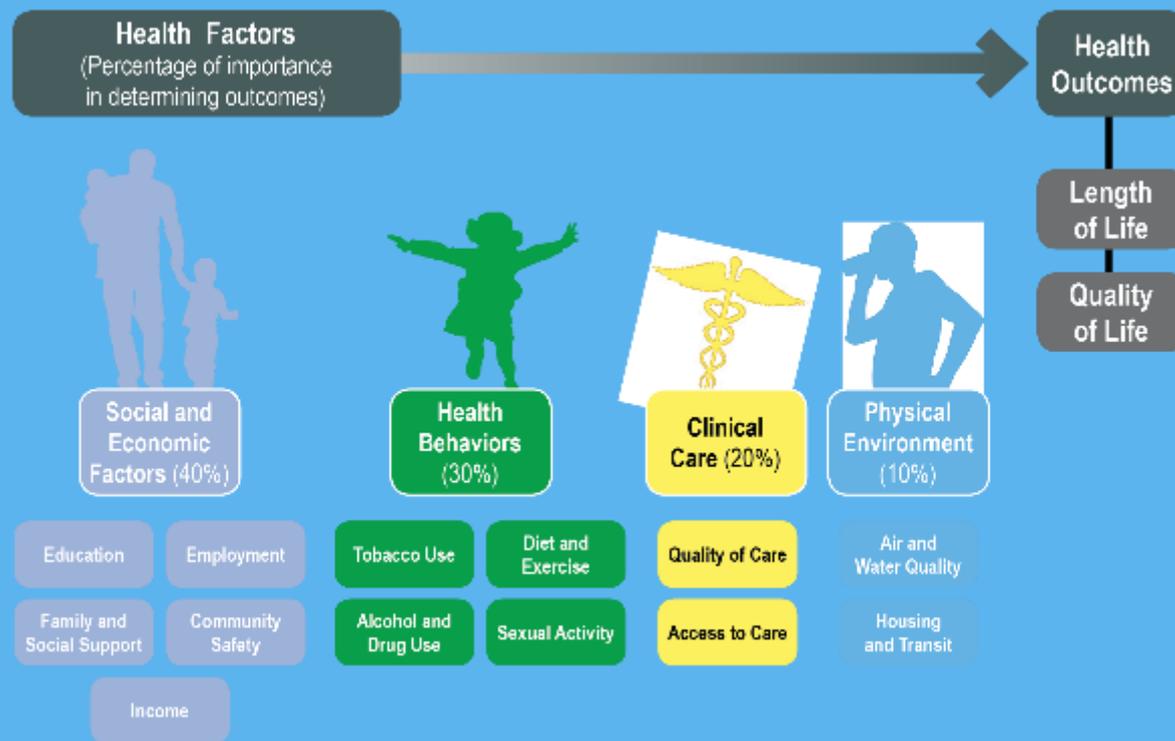
These recommendations are about patients and improving what care patients want at the end of their lives. Expenditures for Medicare enrollees during their last year of life account for approximately 25 percent of spending for all Medicare beneficiaries over the age of 65.

Source: Riley FG, Lubitz JD. Long-term trends in Medicare payments in the last year of life. *Health Serv Res.* 2010; 45(2):565-76.

- That End of Life Care discussions with patients need to be based upon the data that supports various options/choices that patients have to make.
- There should be an assessment of various tools that might be deployed within the state to educate patients on their options and the implications of decisions they will make. There appear to be multiple vendors available to perform this exposure to patients.
- There should be a voluntary “on-line registry” where patients can save their “Advanced Directives”, “Medical Powers of Attorney”. Such a registry would make access to these documents more effective for care givers.
- Physicians trained in our state should have as part of their course curriculum training in how to effectively present to patients and their families their choices or options regarding end of life care.

RECOMMENDATIONS: SOCIAL DETERMINANTS OF HEALTH

Relative Influence of Different Factors on Health Outcomes



Source: Robert Wood Johnson Foundation County Health Rankings Model

RECOMMENDATIONS: SOCIAL DETERMINANTS OF HEALTH

What's the problem? Social determinants of health — which encompass social, behavioral, and environmental influences on one's health and include socioeconomic factors such as education and income as well as of where a person lives — greatly influence overall health and chronic and behavioral disorders.

- Reduce silos within state agencies so that Medicaid patients can receive the support needed to address their specific condition (e.g. housing, job training, and/or placement)
- Adopt payment structures in Medicaid, such as braided or bundled funding, that address clients' social determinants of health
- Create a pilot to identify urban, low-income patients with asthma from zip codes with high Emergency Department (ED) visits or hospitalizations due to asthma, and offer enhanced care including case management and home visits.
- Provide financial support to measure the actuarial return on investment for public health.
- Colorado should provide access to quality preschool for Medicaid children.
- Colorado should develop a statewide screening, referral and care coordination strategy and infrastructure and a statewide navigation system to connect caregivers, families and providers to referral and mental health resources.

RECOMMENDATIONS: HEALTH CARE WORKFORCE

What's the problem? Health care workforce wages represent a significant portion of health care spending.

- Support and allow people to have meaningful access to primary and specialty care:
 - Encourage where possible statutory and regulatory changes to enable, health care professionals to practice at the top of their scope of practice.
 - Work to improve the supply and practice of nonprofessional individuals.
- Direct and support CDPHE to align state efforts, data sets, and assess community needs to assess workforce needs on-going.
- Work to make revisions to the federal Graduate Medical Education (GME) programs rules and regulations.
 - Seek additional slots in training programs in areas of CO workforce need.
 - Seek flexibility in GME requirements, especially in primary care, rural, and underserved training programs.
- Investigate pathways to assist health care professionals seeking rapid entrance to the CO workforce.
- Promote and support health care providers practicing in identified rural and underserved areas by increasing funding, eligibility, and policies.



MARKET ADVISORY COMMITTEE: OVERVIEW AND PROCESS

CHARGE: Discuss the important role that both market forces (and competition) and regulations play in controlling the cost of health care. Specifically:

- Identify role that market forces and regulations have on principal drivers of health care costs.
- Identify principal areas of focus and cost containment goals.

The Market Advisory Committee identified key topic areas for discussion:

- Pharmaceutical
- Substance use disorders and mental illness
- Balancing billing and networks
- Consolidation of hospitals/role of non-profit hospitals
- Rural issues of plan design, and networks

MARKET ADVISORY COMMITTEE: MEMBERSHIP

Elisabeth Arenales, Co-chair of Committee

Bill Lindsay Co-chair of Advisory Committee

Jandel Allen-Davis, MD, Kaiser Permanente Colorado

Mark Earnest, MD, University of Colorado School of Medicine

Susan Hicks, HCA Sky Ridge Medical Center

Deb Judy, CCHI

John Kurath, Warner Pacific Insurance Services

Bob Ladenburger, retired SCL Health

Donna Marshall, Colorado Business Group on Health

Carol Plock, Health District of Northern Larimer County

Mike Ramseier, Anthem

Kathryn Trauger, City of Glenwood Springs and Community Builders

Barbara Yondorf, Yondorf & Associates

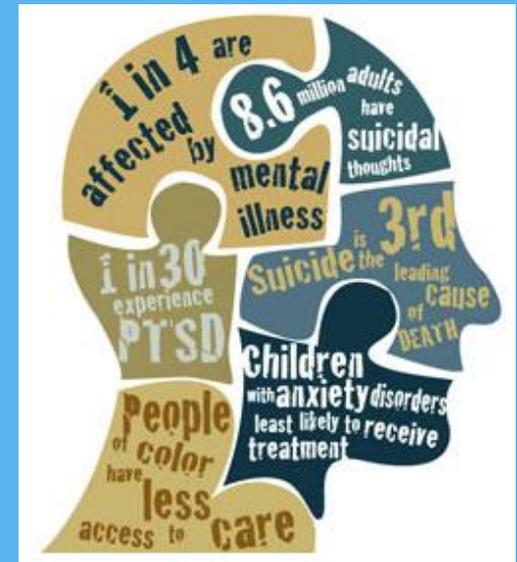
RECOMMENDATIONS: SUBSTANCE USE DISORDERS

What's the problem? Patients with high mental health costs incur 30 percent more costs than other high-cost patients. Nearly one-third of U.S. adults suffer from some type of mental illness or substance abuse. (Agency for Healthcare Research and Quality)

Recommendations:

Colorado should offer comprehensive substance use disorder treatment including:

- Detox (with a medical component/medically monitored)
- Comprehensive assessments
- Intensive outpatient treatment
- Lab work
- Residential treatment where appropriate
- Medication assisted treatment (including induction therapy)



RECOMMENDATIONS: SUBSTANCE USE DISORDERS

Recommendations (cont.):

- Medicaid should apply for a waiver, including potentially an 1115 waiver, or submit a state plan amendment in order to expand access to evidence based treatment to ensure that Colorado may offer a continuum of care.
- The State of Colorado should support and promote the creation of a multi-payer initiative to provide changes in the covered treatments for substance disorder treatment, as listed above. This pilot should track results and report back to the General Assembly and the Division of Insurance.
- Colorado should increase monitoring and enforcement of behavioral health parity requirements, including SUD treatment, in Medicaid and the private market.

RECOMMENDATIONS: PHARMACEUTICALS

Increases in Utilization and Price of Pharmaceutical Drugs, Commercially Insured Population, 2015

	Utilization	Price Per Unit	Total Trend
Traditional Drugs	1.9 percent	-2.1 percent	-0.1 percent
Specialty Drugs	6.8 percent	11.0 percent	17.8 percent

Source: Express Scripts. Data represent commercial prescriptions filled by Express Scripts

	Percentage of Total Patients		Percentage of Total Costs	
>\$100,000	0.05 percent	2.0 percent	6.5 percent	43.3 percent
\$50,000 - \$99,999	0.17 percent		9.2 percent	
\$10,000 - \$49,999	1.8 percent		27.6 percent	
\$5,000 - \$9,999	3.1 percent		17.8 percent	
\$1,000 - \$4,999	15.6 percent		29.6 percent	
<\$1,000	48.2 percent		9.3 percent	
Non-utilizers	31.1 percent		—	

RECOMMENDATIONS: PHARMACEUTICALS

What's the problem? Drug pricing remains unchecked, and as such continues to increase costs for consumers and payers alike.

- Promote active discussion and problem solving with the legislature, executive branch, and Congressional delegation. These conversations should include :
 - Allow Medicare to negotiate prices
 - Allow drug importation from other countries
 - Adjust the length of patents and criteria by which patents are renewed
 - Address the length of exclusivity
 - Evaluate rules and timeframes to bring a drug to market, including reducing the length of the FDA's evaluation process
- Study the feasibility of a reinsurance program for specialty drugs

RECOMMENDATIONS: PHARMACEUTICALS (CONT.)

- Evaluate the feasibility of a multi-state compact for the purchase of non-specialty drugs
- The State of Colorado should require that bio-similar drugs be classified as generics and thus increase their availability and reduce costs to the consumer/payer.
- The State of Colorado should consider ways to increase transparency of the price of pharmaceuticals.



RECOMMENDATIONS: FREE STANDING EDS

What's the problem? The current regulatory environment is in need of improvement relative to the creation of Free Standing Emergency Rooms. Therefore, the Commission proposes the following:

- That CDPHE be directed to study the impact of Free Standing Emergency Rooms in terms of both cost and quality and to report their findings to the General Assembly.
- Directing CDPHE to develop standards for all Free Standing EDs that set forth licensing requirements for staffing, capabilities, and equipment that are the same as the equivalent level of Federal Government's "Conditions of Participation", and other regulatory guidance, for Hospital based Emergency Rooms.
- Directing CDPHE to develop standards that Urgent Care Centers must meet in order to be licensed as an "Urgent Care Center" in Colorado.



RECOMMENDATIONS: RURAL HEALTH CARE COSTS

What's the problem? High insurance premiums reflect high levels of spending on health care services. Data show that large differences in health care spending exist across the state, which raises questions about why such differences exist and what options exist to address those differences.

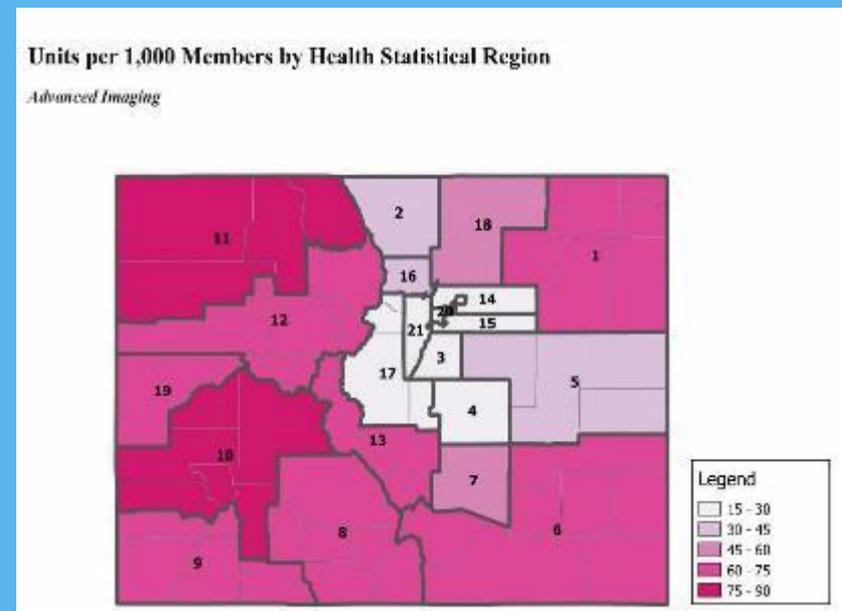
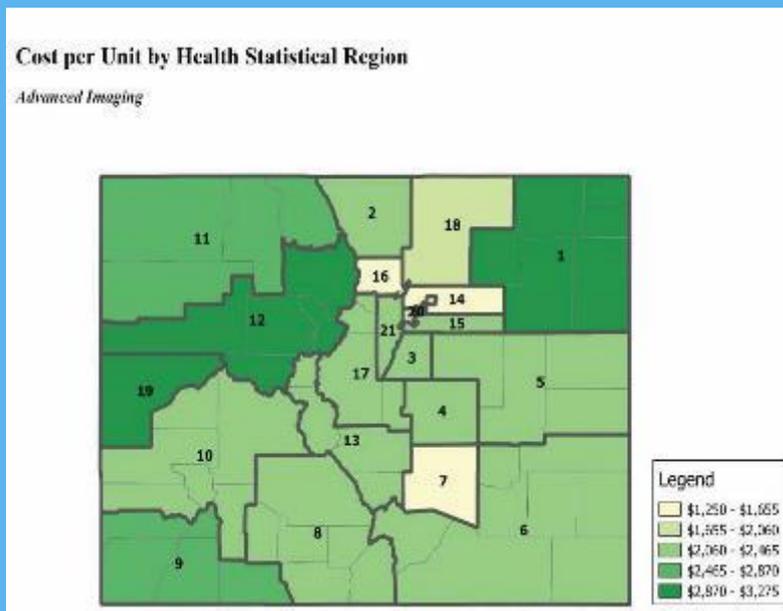
Source: Lewis & Ellis, Rural Cost Analysis for Commission

		2015								
		Total Cost per Member per Year			Units per 1,000 Members per Year			Cost per Unit		
		All	Region	County	All	Region	County	All	Region	County
			Rating Area 9- West	Denver		Rating Area 9-West	Denver		Rating Area 9-West	Denver
High Level	Category	Regions			Regions			Regions		
OP	Emergency Room	\$387	\$376	\$327	164.3	157.2	155.9	\$2,354	\$2,389	\$2,094
OP	Outpatient Surgery	\$445	\$921	\$329	97.9	131.3	84.4	\$4,547	\$7,016	\$3,900
OP	Observation	\$16	\$34	\$8	7.0	9.3	3.6	\$2,293	\$3,665	\$2,261
OP	Advanced Imaging	\$46	\$177	\$27	21.9	67.4	16.0	\$2,082	\$2,630	\$1,695
OP	Imaging	\$79	\$189	\$66	123.3	266.2	96.8	\$641	\$709	\$678
OP	Lab/Pathology	\$78	\$257	\$67	119.4	416.8	108.1	\$656	\$618	\$621
OP	Therapy (PT/OT/ST)	\$21	\$50	\$17	45.4	70.5	40.6	\$457	\$704	\$414
OP	DME/Prosthetics/Supplies (OP)	\$2	\$0	\$2	0.8	1.2	0.6	\$2,689	\$262	\$3,446
OP	Mental Health Outpatient	\$7	\$3	\$9	9.0	1.3	17.2	\$809	\$1,968	\$546
OP	Other Outpatient	\$129	\$255	\$108	101.6	92.6	157.7	\$1,265	\$2,751	\$682
OP Total	Total	\$1,210	\$2,262	\$960	690.5	1,213.9	681.0	\$1,752	\$1,863	\$1,409

RECOMMENDATIONS: RURAL HEALTH CARE COSTS (CONT)

The analysis examined costs at the HSR level, which allows for a more detailed view of geographic variation. Within the West Region, there is substantial variation in both unit costs and utilization rates. The figures show unit cost and utilization for advanced imaging. The analysis suggests that different factors contribute to higher costs in different parts of the West region, and multiple strategies are likely needed to successfully address the problem.

(Lewis & Ellis Analysis, <https://www.colorado.gov/pacific/sites/default/files/Colorado%20Cost%20Commission-%20Key%20Results%20-%20May%208th.pdf>)



RECOMMENDATIONS: RURAL HEALTH CARE COSTS (CONT)

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(Lewis & Ellis Analysis, <https://www.colorado.gov/pacific/sites/default/files/Colorado%20Cost%20Commission-%20Key%20Results%20-%20May%208th.pdf>)

Recommendations

- The APCD should continue to pursue efforts with state agencies, providers, and carriers that allow for more complete provider claims data specifically the referring provider, a provider's service locations, facilities, and specialties within the state.
- Data should be made public so that providers may better understand how their rates compare to those of other providers.
- Support voluntary opportunities for providers in each region to come together and be given their data (in total, and then some key performance metrics for each facility), to identify areas of utilization that can be addressed to reduce health care spending in the region.

RECOMMENDATIONS: PAYMENT REFORM

What's the problem? Fee-for-service payments reward providers for the quantity of their care rather than the quality of their care. Providers make more money when they perform more services, even if those services are neither necessary nor valuable.

- Support ongoing efforts to develop common quality metrics across payers. Direct payers to use these to drive value-based payment models and enhance public reporting of provider performance on quality and costs.
- Encourage experimentation with new forms of pricing and payment
- Study the potential for equalizing payments in rural communities across all payers.
- Create a pilot for state employees to adopt and test Value Based Insurance Design (VBID) approach to benefit design (e.g., high value services with low or no copay, lower value services with higher copays, etc.
- Enhance primary care payment using value-based models like the primary care medical home (PCMH) and integrated care models, and include adequate funding to fully implement these systems.
- Enhance per member per month (PMPM) payment in Medicaid through the RCCO's for high need, high cost complex patients.

RECOMMENDATIONS: DIRECT PRIMARY CARE

What's the problem? There is a growing shortage of primary care and family doctors.

- Study efforts currently underway by the State of Colorado for state employees and dependents with Paladina and publish the results in a report to the General Assembly and the Division of Insurance.
- Request that the Division of Insurance study the Direct Primary Care model to identify barriers that may exist in today's laws that might prohibit insurers from building this approach into their product offerings.
- Encourage the Colorado congressional delegation to support a change in federal law that would allow HSA funds to be used to pay for a direct primary care membership.
- The Division of Insurance and CDPHE should study any impacts on workforce availability under this model.
- HCPF should explore the concept of offering the Direct Primary Care model as an option in Medicaid and study the feasibility of creating a pilot to test its cost effectiveness and the results on quality.



NEXT STEPS & QUESTIONS

The Commission sunset June 30, 2017

The final report can be found at

<https://www.colorado.gov/pacific/cocostcommission/reports-general-assembly>

Questions?