Grant Outcome Report

Opportunities and Strategies to Bend the Cost Curve in New York State

KEY INFORMATION:

GRANTEE
The Lewin Group, Inc.

GRANT TITLE
Bending the Cost Curve in New York

DATES
August 2009 – January 2011

GRANT AMOUNT
$399,981

FUNDING
2009 Cost Containment RFP

The Problem

Rising health care costs and the containment of their growth have been national and State-specific issues for decades. National health expenditures account for 17.6%, or $2.5 trillion, of the U.S. gross domestic product.[1] In New York, total annual health care spending exceeded $126 billion in 2004, with the State exhibiting the fourth-highest per capita health care spending ($6,535) in the nation. Yet, New York is not performing well in terms of health system performance and quality. According to the 2009 Commonwealth Fund State Scorecard, New York ranks 34th out of 50 states and the District of Columbia in potentially avoidable hospital use and costs; 20th in prevention and treatment efforts; 22nd in health care access; and 21st in healthy lives.

Recognizing the need for a national roadmap to control the unsustainable growth in health care costs, the 2007 Commonwealth Fund report, "Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending," identified 15 federal policy options and estimated the impact they could have on lowering health care spending relative to projected trends.[2] Modeled by The Lewin Group (Lewin), the study concluded that these options, which varied from improving patient decision-making to establishing a comparative effectiveness center, could generate 10-year savings ranging from $9 billion to more than $300 billion. The report became a major resource for policymakers tackling the issue of health care costs. The New York State Health Foundation (NYSHealth) sought to leverage the model, data collection, and methods developed under the national study to create a State-specific roadmap for New York. In 2009, NYSHealth awarded a grant to Lewin to conduct this work.

1 Centers for Medicare & Medicaid Services, National Health Expenditures Data, https://www.cms.gov/NationalHealthExpendData/25_NHE_Fact_Sheet.asp, accessed June 2014.

2 Report is available at: http://www.commonwealthfund.org/Publications/Fund-Reports/2007/Dec/Bending-the-Curve--Options-for-Achieving-Savings-and-Improving-Value-in-U-S--Health-Spending.aspx.

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Grant Activities and Outcomes

Under the grant, Lewin pursued three phases of activities:

- Assembled a technical advisory panel (TAP) of experts from across New York State to help identify areas of health care inefficiency and excess utilization; poor health behaviors driving health care costs; and policy options that target these issues;
- Developed State-specific savings estimates for 10 policy options relevant to New York and modeled their impact with Lewin's Health Benefits Simulation Model (HBSM), the same model used in the national study funded by the Commonwealth Fund. State-specific data on health spending by sector (i.e., Medicare, Medicaid, and private insurers), population demographics, industry trends, and key assumptions regarding the 10 policy options were incorporated into the HBSM; and
- Assessed the feasibility and developed necessary action steps for implementing four policy options, in consultation with TAP and key New York State stakeholders, including the New York State Department of Health, insurers, hospitals, physicians, and advocacy groups.

During the course of the project, Lewin encountered two unexpected events: a delay in receiving Medicaid data from the State and passage of the Affordable Care Act (ACA) in March 2010. In response, Lewin used various datasets to supplement the analyses and later included Medicaid data where applicable. Because determination and analyses of the 10 policy options were completed prior to the passage of the ACA, Lewin was not able to quantify the potential impact of the new law. However, the report noted several initiatives and provisions within the ACA's draft legislation that would complement or facilitate implementation of some of the 10 options.

In July 2010, NYSHealth published "Bending the Health Care Cost Curve in New York State: Options for Saving Money and Improving Care.[3]" Based on New York-specific data and historical growth trends, Lewin estimated that health care spending in New York would grow from $189 billion in 2011 to $318.8 billion in 2020 by all payer groups. Of the $189 billion in estimated spending for 2011, two of the largest spending areas were for hospital care ($66.5 billion) and physician care ($36.7 billion).

3 Report is available at: http://nyshealthfoundation.org/resources-and-reports/resource/bending-the-health-care-cost-curve-in-new-york-state-options-for-saving-mon.

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The report identified baseline spending for each of the 10 policy options, total potential and actionable savings over a 10-year period (2011–2020), and distribution of savings across payers.[4] The 10 options are:

- Promoting Accountable Care Organizations. Implementing this model—which can be in the form of a medical home, a disease management program, or care coordination for patients with multiple chronic conditions—could lead to potential savings ranging from $10.7 billion to $49.8 billion and actionable savings ranging from $3.1 billion to $14.6 billion.
- Modernizing Primary Care. Enhancing the use of primary care through four separate, but overlapping, approaches that emphasize care coordination and management, along with a pay-for-performance program, could lead to potential savings for all payers ranging from $1.3 billion to $33.7 billion and actionable savings ranging from $0.5 billion to $11 billion.
- Expanding Palliative Care. Requiring hospitals to establish a palliative care program to coordinate higher-value care where appropriate could lead to savings of $11.9 billion.
- Implementing Mandatory Managed Care for the Medicaid Dual Eligible Population. Enrolling beneficiaries who have Medicaid and Medicare into a capitated managed care organization and partnering with the Centers for Medicare & Medicaid Services (CMS) to share savings could save up to $10.8 billion.
- Adopting Bundled Payments. Payments for entire episodes of care that may encompass inpatient care, physician services during hospitalization, and postacute care would reduce complications and hospital readmissions, as well as offer flexibility in resource allocation. Based on a selection of conditions, this option could potentially save $6.3 billion, of which $1.6 billion is actionable.
- Imposing a Tax on Sugar-Sweetened Beverages. Imposing this tax could potentially save $5.6 billion in spending on chronic illnesses related to obesity and overweight, all of which is actionable by the State.
- Expanding Hospital Pay for Performance. Rewarding hospital providers with bonus payments for favorable health care outcomes could result in $3.8 billion in net potential savings and $1.3 billion in actionable savings.
- Realizing Administrative Simplification Through Health Information Technology (HIT). Reducing billing and insurance-related costs through standardization and improved use of HIT could result in $1.6 billion in actionable savings for all payers.
- Rebalancing Long-Term Care. Restructuring New York's Medicaid program for long-term care with a focus on standardization, coordination, and enhanced planning could result in $1 billion in savings over 10 years for the Medicaid program.
- Using Alternative Delivery Systems. Promoting growth of retail clinics and workplace clinics for low-acuity conditions could lead to $0.35 billion in potential savings for the State.

Of the 10 policy options analyzed, high-level implementation plans were developed for 4 scenarios: expanding palliative care, integrating care for dual eligibles, adopting payment methods, and rebalancing long-term care.

4 Potential savings are the full universe of savings if the policy option was implemented for all payers (federal, State, and commercial). Actionable savings are those that could be realized through specific steps that the State could take.

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These plans were selected based on their savings potential, feasibility, and anticipated impact on the quality of care. Each of the four plans also identified action steps, timeframes, and resources for the policy's implementation. Stakeholders—including New York State officials, policy experts, and representatives of payers, providers, and patients—provided input and feedback.

After its release, the report drew a wide variety of press attention, including *Crain's Health Pulse*, Gannett media, and the *Times Union*. The authors were asked to present the report's findings at a New Yorkers for Accessible Health Coverage roundtable meeting, and the project also was featured at NYSHealth's 2010 conference, "The Imperative of Cost Containment in Health Reform." Former Lieutenant Governor Richard Ravitch also cited the report's findings to highlight New York's rising Medicaid costs in a public report to former Governor David A. Paterson.[5]

The Future

The passage of the ACA provided several opportunities for the report's policy options to be implemented in New York. For example, one of the key delivery system reform models is the health homes initiative, which focuses on providing coordinated and comprehensive medical and behavioral care to Medicaid populations with chronic illness while reducing costs. New York is aggressively implementing health homes across the State; as a result, it is expected that more than 714,000 individuals will receive better care, health outcomes will improve, and health care costs will go down.

Through the ACA, New York State also is advancing the integration of dual eligibles with a $1 million planning grant from CMS to develop a demonstration model that will coordinate primary, acute, and behavioral health care with long-term supports and services for dual eligibles. New York currently is submitting a proposal to CMS that will provide integrated services through a fully capitated managed care model. NYSHealth also supported Mathematica Policy Research to develop and provide recommendations for the State as it planned its dual eligibles integration model.[6]

Other elements of the 10 policy options, such as expanding palliative care, also were adopted by the State. Soon after the release of the report, former Governor Paterson signed into law a requirement that physicians must offer options regarding end-of-life care, such as palliative sedation, hospice care, and aggressive pain management. Additional laws that have been enacted require providers to develop protocols, rules, and documents for informing patients.[7] NYSHealth also has supported the Center to Advance Palliative Care at the Icahn School of Medicine at Mount Sinai to expand and strengthen palliative care programs in hospitals across New York State.[8]

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5 More information is available at: http://www.rockinst.org/pdf/budgetary_balance_ny/2010-09-20-LG_Medicaid.pdf.

6 Read more about this project at: http://nyshealthfoundation.org/resources-and-reports/resource/integrating-care-for-dual-eligibles-in-new-york-issues-and-options.

7 For more information, please see *Crain's Health Pulse* from February 14, 2012.

8 Read more about this project at: http://nyshealthfoundation.org/our-grantees/grantee-profile/mount-sinai-school-of-medicine-aug-2009.

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BACKGROUND INFORMATION:

ABOUT THE GRANTEE

Founded in 1970, The Lewin Group (Lewin) is a national health care and human services consulting firm. Lewin provides public agencies, nonprofit organizations, industry associations, and private companies with policy research and data analysis on Medicare, Medicaid and CHIP; health care financing; strategic workforce planning; health program evaluation; comparative effectiveness research; and other important areas of the public health policy arena. Lewin also provides technical assistance and support regarding the development, delivery, and financing of human services programs around the country.

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