Health Care Division Overview

January 10, 2019

OFFICE OF ATTORNEY GENERAL
MAURA HEALEY
ONE ASHBURTON PLACE
BOSTON, MA 02108
Who We Are

- The Health Care Division is part of the Health Care and Fair Competition Bureau (HCFC) of the Office of Massachusetts Attorney General Maura Healey
  - HCFC is comprised of: Antitrust Division, False Claims Division, Health Care Division, Medicaid Fraud Division, and Non-Profit Organizations/Public Charities Division

- The Division is comprised of Assistant Attorneys General, Legal Analysts, Mediators, Paralegals, and a Program Manager.
Examples of What We Do

I. Law enforcement investigations – e.g.:
   A. Investigating fraud & abuse in the pharmaceutical & medical device industries
   B. Monitoring health insurance practices
   C. Investigating care delivery & data security practices

II. Regulatory monitoring/policy development – e.g.:
   A. Monitoring health care reform/market trends
   B. Promoting health care transparency
   C. Overseeing Community Benefits program

III. Consumer engagement/mediation – e.g.:
   A. Mediating hundreds of health care complaints annually
   B. Education regarding health care coverage and billing rights
## Progression of Health Care Reform in Massachusetts

<table>
<thead>
<tr>
<th>YEAR</th>
<th>MASSACHUSETTS HEALTH CARE REFORMS</th>
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</thead>
</table>
| 1990s | Insurance Market Reforms  
• Guaranteed Issue  
• Modified Community Rating  
• Pre-Existing Condition Limitations |
| 2006 | Expansion of Insurance Coverage  
• Individual Mandate  
• Employer Responsibility  
• Medicaid Expansion  
• Insurance Exchange |
| 2008 | Chapter 305 – Cost Containment Legislation I  
• **AG Authority to Examine Cost Trends** |
| 2010 | Chapter 288 – Cost Containment Legislation II  
• Transparency  
• Tiered/Limited Network Products  
• Reform of Unfair Contracting Practices |
| 2012 | Chapter 224 – Cost Containment Legislation III  
• Oversight of Payment Reform & Provider Registration  
• Benchmark Health Spending to Gross State Product  
• Price Transparency for Consumers |
AGO Cost Trends Examinations

• Authority to conduct examinations:
  – G.L. c. 12, § 11N to monitor trends in the health care market.
  – G.L. c. 12C, § 17 to issue subpoenas for documents, interrogatory responses, and testimony under oath related to health care costs and cost trends.

• Findings and reports issued since 2010.
  • March 16, 2010
  • June 22, 2011
  • April 24, 2013
  • June 30, 2015
  • Sept. 18, 2015
  • Oct. 7, 2016
  • Oct. 13, 2016
  • Oct. 11, 2018
AGO Reports Identified Wide Variation in Commercial Prices Not Explained by Differences in Quality, Complexity, or Other Common Measures of Value
Global Payment Arrangements Reflect Historic Payment Differentials and Result in Widely Different Dollars Available to Care for Similar Patient Populations

Variation in Provider Group Efficiency: Health Status Adjusted Budget for Care of HMO/POS Patients for a Major Insurer (2013)

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Provider Prices Are the Biggest Driver of Rising Health Care Costs

Proportion of Growth in BCBS’s Medical Spending Due to Price, Utilization & Mix (2010-15)
Total Medical Spending Is Higher for the Care of Commercial Patients from Higher Income Communities Relative to Health Burden

Distribution of a Major Massachusetts Payer’s Members by Income and Health Risk Adjusted Medical Spending (2014)
Largest Provider Systems Tend to Have Higher Commercial Mix Than Government Mix

Proportion of Eastern MA GPSR Across Hospital Systems by Payer Type (2015)

- **Commercial**: 50% for Largest Two Eastern MA Systems vs. 50% for All Other Eastern MA Hospitals
- **Medicare**: 47% for Largest Two Eastern MA Systems vs. 53% for All Other Eastern MA Hospitals
- **Medicaid/Subsidized Populations**: 37% for Largest Two Eastern MA Systems vs. 63% for All Other Eastern MA Hospitals

*Medicaid/Subsidized Populations includes MassHealth, Health Safety Net, and ConnectorCare.*

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Even Among Commercial Discharges, Hospitals Serve Different Proportions of Low-Income Patients

**Average Income Quintile of Hospital/System’s Commercial Discharges**

- **1** = lowest income quintile
- **5** = highest income quintile

<table>
<thead>
<tr>
<th>Hospital/System</th>
<th>Quintile</th>
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<tbody>
<tr>
<td>Berkshires Health Systems</td>
<td>3.9</td>
</tr>
<tr>
<td>Holyoke Medical Center</td>
<td>3.7</td>
</tr>
<tr>
<td>Baystate Health Group</td>
<td>3.5</td>
</tr>
<tr>
<td>Piagio General Hospital</td>
<td>3.4</td>
</tr>
<tr>
<td>Harrington Hospital</td>
<td>3.4</td>
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<tr>
<td>Overman Hospital</td>
<td>3.4</td>
</tr>
<tr>
<td>Cape Cod HealthCare</td>
<td>3.3</td>
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<tr>
<td>UMass Memorial Health Care System</td>
<td>3.3</td>
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<tr>
<td>South Shore Hospital</td>
<td>3.3</td>
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<tr>
<td>Beth Israel Deaconess Hospital</td>
<td>3.3</td>
</tr>
<tr>
<td>Dana-Farber Cancer Institute</td>
<td>3.3</td>
</tr>
<tr>
<td>Partners HealthCare</td>
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<tr>
<td>New England Baptist Hospital</td>
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<tr>
<td>Milford Regional Medical Center</td>
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<tr>
<td>Lehigh Valley Hospital</td>
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</tr>
<tr>
<td>St. Agnes Medical Center</td>
<td>3.4</td>
</tr>
<tr>
<td>Emerson Hospital</td>
<td>3.9</td>
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### Annual Pharmaceutical Spending Trend (Per Member Per Month) 2013-2015

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<tbody>
<tr>
<td></td>
<td>Pre-Rebate</td>
<td>Net-Rebate</td>
<td>Pre-Rebate</td>
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<tr>
<td>Plan 1</td>
<td>14.3%</td>
<td>12.9%</td>
<td>6.5%</td>
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<tr>
<td>Plan 2</td>
<td>11.0%</td>
<td>11.7%</td>
<td>14.6%</td>
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<tr>
<td>Plan 3</td>
<td>10.2%</td>
<td>9.0%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Plan 4</td>
<td>21.1%</td>
<td>19.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Plan 5</td>
<td>13.4%</td>
<td>13.1%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Average</td>
<td>14.6%</td>
<td>13.7%</td>
<td>8.2%</td>
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<td></td>
<td>Pre-Rebate</td>
<td>Net-Rebate</td>
<td>Pre-Rebate</td>
</tr>
<tr>
<td>HPC ('13-'14)</td>
<td>12.5%</td>
<td>N/A</td>
<td>8.5%</td>
</tr>
<tr>
<td>CHIA ('14-'15)</td>
<td>13.1%</td>
<td>N/A</td>
<td>12.2%</td>
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<tr>
<td>IMS</td>
<td>13.1%</td>
<td>N/A</td>
<td>12.2%</td>
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Steady, Substantial Price Increases and Minimal Differences in Prices for Multiple Sclerosis Drugs Across Health Plans
Breakdown of 2016 Hospital Community Benefits Spending

- Community Benefits Programs, $336,230,105
- Health Safety Net Assessment, $228,582,825
- Health Safety Net Denied Claims, $28,539,269
- Free/Discounted Care, $41,472,032
- Corporate Sponsorship, $9,182,143
Opportunity for Increased Transparency into Substantial Community Health Investments

Community Benefits Programs, $336,230,105

E.g., Investment type

Community Health Education
Direct Clinical Services
Access/Coverage Supports
Investments in Social Determinants
Grants/Donations
Substance Use Disorder
Housing Stability / Homelessness
Mental Illness / Mental Health
Chronic Disease
Other Health Needs Identified by Community

E.g., EOHHS/DPH Focus Issues

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Even Where Service Categories Align, Negotiations Over Fee Schedules Result In Significant Differences in Relative Price Across Services at a Single Hospital

Hospital Rate Multipliers for Three Outpatient Services for One Massachusetts Payer (2018)
Protecting Massachusetts Health Insurance Consumers Through Federal Litigation

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