TESTIMONY OF COLIN MCHUGH, SVP, NETWORK DEVELOPMENT & CONTRACTING, MAINEHEALTH

In Opposition to LD ~~455~~ 445

"An Act to Encourage Maine Consumers to Comparison Shop for Certain Health Care Procedures and To Lower Health Care Costs"

Senator Whitmore, Representative Lawrence and members of the Insurance and Financial Services Committee, my name is Colin McHugh, Senior Vice President of Network Development and Contracting at MaineHealth. I joined MaineHealth three years ago after spending 20 years at Anthem leading provider contracting and network strategy activities on behalf of commercially insured enrollees in both New Hampshire and Maine. I am here today to testify on behalf of MaineHealth and its member organizations. I appreciate the opportunity to stand before you today to submit testimony outlining MaineHealth's opposition to LD 455. I plan to explain why I believe LD 455 will further destabilize rural health care in Maine and create access issues that will lead to negative consequences for our local communities.

Background:

MaineHealth is one of the leading integrated delivery systems in the country and the largest health care system in Maine. Our service area spans both urban and rural geographies covering 1.1M Mainers across 11 Maine counties, including Carroll County in neighboring New Hampshire. Through our flagship hospital, Maine Medical Center, we provide tertiary-level care for Mainers residing across all 16 counties. All of our member organizations carry a not-for-profit mission and provide the best clinical care possible regardless of an individual's ability to pay.

MaineHealth member organizations provide a wide array of clinical services ranging from our Neonatal Intensive Care Unit (NICU) at The Barbara Bush Children's Hospital at Maine Medical Center to skilled nursing and long-term care at Cove's Edge in Damariscotta. Our member organizations serve a diverse set of communities spanning from Portland to Norway to Farmington to Belfast. MaineHealth also employs over 900 physicians across a multitude of medical specialties in order to ensure adequate access to primary and specialty care. In many of our rural communities, nearly 100% of physicians are employed by the local health care system.

As part of our effort to improve the value of care delivered to patients, our ACO, MHACO, collaborates with hundreds of private practice physicians and manages well over a dozen different total cost-of-care management and quality improvement contractual arrangements with commercial payers and employers. In addition, MHACO operates one of the largest Medicare Shared Savings Programs in the country. Through these contracts with commercial payers, employers, MaineCare and Medicare, we are directly accountable for the costs and quality delivered to more than 200,000 Maine residents. In fact, for those of you who enroll in the State's health insurance plan, MHACO has a robust contract with the State based on improving quality and cost of health care delivered to plan members.

Importance of Transparency:

We all agree that having engaged patients and consumers is a positive thing. Transparency tools promulgated by commercial insurers, government entities, and many health care providers have been in

existence for years. The health care industry has spent millions of dollars developing these tools. Commercial insurers and large purchasers have developed a myriad of benefit designs to promote value-based purchasing decisions. We all want patients to take an active role in improving their own personal health. We want patients to be able to speak with their physicians in an informed manner as partners in their care. We also want patients to understand the costs associated with the care they receive. These are tenets of "shared decision-making." Transparency initiatives that raise awareness of health care costs, quality, and safety help to promote patient engagement and consumerism with an emphasis on value. And that is why I am here today. In spite of what you have heard from proponents, LD 455 does not address quality or safety and to a large extent it fails to address costs, too.

Unintended Consequences of LD 455:

Despite best intentions, I believe LD 455 will cause at least three important unintended consequences which I will briefly describe.

1. As was articulated in past testimony regarding this bill, providing patients with a financial reward through a shared savings mechanism creates a perverse incentive for consumers. It does little to promote value and even less to support the appropriate utilization of health care services. It does, however, provide an economic incentive for a consumer to seek out a service, perhaps of marginal value, to benefit financially for being a "good shopper."

2. LD 455 has the potential to incentivize fragmentation of care as patients may seek care from a provider that does not have a clinical relationship with his/her physician or disconnects an aspect of care from an evidence-based course of treatment or protocol or the management of a chronic condition. This fragmentation is what we have all worked so hard to address over the past several years through medical home and care coordination initiatives, electronic health record deployment, and the continued establishment of clinical pathways across primary, specialty, and hospital and home care settings.

3. As stated, price transparency tools are in the market today and consumers have had access to them for years. Every major commercial insurance company has a consumer-oriented tool designed to support comparative shopping for a range of clinical services. The Maine Health Data Organization (MHDO) has initiated a new online tool, CompareMaine.org, depicting an assessment of cost and quality using all-payer claims data and publicly reported quality information. These tools provide price information on everything from a single lab service to a hip replacement episode of care, combining hospital, physician, and ancillary service costs. Some of these tools attempt to also incorporate traveling distances for the consumer to consider. The more robust transparency tools ultimately attempt to provide information pertaining to cost, quality, and access to care.

   It should come as no surprise that some health care providers are better equipped than others to compete on price. Not unlike other sectors of the economy, larger enterprises with diverse product offerings and revenue streams are much better able to lower prices on products and services they need to compete on. Rural providers are limited in the scope of services they provide. In order for rural providers to compete on price alone, they will need to lower prices on

services that are critical to their financial well-being with little or no ability to make up for the losses on other services. This price-driven approach fails to consider the significance of quality performance or maintaining access to care for all patients, regardless of insurance status. We are already seeing care leave our rural communities and migrate toward larger facilities or to for-profit "limited services" providers.

Conclusion:

We can all certainly debate the positive and negative aspects of inducing price competition among providers. We can also debate the best ways to get consumers actively engaged in their own health care and to make more informed choices. In large urban markets where significant provider competition exists, there is some evidence that these types of programs can have an impact on the prices of certain services being "shopped." We know that many providers will lower prices on shoppable services in order to compete, driving an overall compression of prices. It is also highly plausible that many of those same providers are likely to increase prices for other services that are not "shoppable," such as trauma care. We also know from our own experience in Maine and New Hampshire that so-called "site of service" benefit designs for lab services, advanced imaging, and specialty drugs have created some steerage of patients to lower cost providers for these specific services- mostly to the detriment of rural health care providers. This is not to discount the importance of these cost savings to individual consumers. That said, these programs have had little or no impact on the total cost of care, and it strikes me that these programs have done little to transform health care. At the end of the day, the factors that are driving health care costs are:

- 1% of patients account for 21% of total health care expenditures (Medical Expenditure Panel Survey- AHRQ)
- 5% of patients account for 50% of total health care expenditures (Congressional Budget Office)
- Less than 3% of costs came from the bottom 50% of patients (Congressional Budget Office)
- High cost patients are twice as likely as the rest of the population to have a chronic condition and four times as likely to have two or more chronic illnesses (Congressional Budget Office)
- The top five most costly medical conditions in terms of health care expenditures are heart disease, trauma-related disorders, cancer, mental disorders, and COPD/Asthma (Medical Expenditure Panel Survey- AHRQ).

There is no arguing that Maine's health care delivery system is in need of continued transformation. MaineHealth has worked diligently to create administrative and clinical efficiencies as demonstrated by our efforts in Belfast-Rockland with the formation of Coastal Health Alliance, Biddeford-Sanford with the formation of Southern Maine Health Care, and Damariscotta-BoothBay with the formation of Lincoln County Healthcare. These have been important steps in this transformation journey. This is the hard work that will define health care over the coming years. During this journey, health care finances will continue to struggle. Since 2010, 80 rural hospitals from all over the country have closed and Maine has certainly seen its number of hospitals decline over the past few decades. We have hospitals across the state, including several of our own, that are experiencing significant financial challenges. There are no easy solutions. Redesigning local health care delivery in a manner that keeps important services local with reasonable access to primary and specialty care is the work that will require our ongoing focus and attention.

Although LD 455 was created with good intention, offering consumer financial incentives in the manner that this bill proposes will have little or no impact on the overall cost of care, but it will result in negative unintended consequences that will further destabilize rural health care. MaineHealth remains committed to engaging in future discussions focused on finding innovative ways to meet the needs of our diverse communities.