

**REPORT TO THE 28TH LEGISLATURE
STATE OF HAWAI'I
2015**

Pursuant to Act 224, Session Laws of Hawai'i (SLH) 2013
RELATING TO HEALTH CARE ADMINISTRATIVE UNIFORMITY

Prepared by:
The Office of the Governor/Health Care Transformation Office
State of Hawai'i

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Act 224, SLH 2013

REQUIREMENTS OF THE ACT

In 2013, the Hawai'i State Legislature passed House Bill 656, which became Act 224, establishing a temporary health care transformation program within the Office of the Governor. The mission of this program, per the Act, is to:

“Identify the issues that need to be addressed to achieve statewide health care transformation, and develop a strategy, framework, and timeline, as well as proposed legislation and rules, directed at the transformation, and to thereby improve the quality and cost-effectiveness of the health care delivery system, and ensure that Hawai'i residents and visitors have access to high-quality and cost effective health care.”

Furthermore, transformation efforts laid out in the Act are to be directed toward:

- Identification of goals, measures, and strategies to improve health care cost and quality.
- Obtaining alignment of quality measures and fair and efficient payment approaches.
- Agreeing to administrative simplification and standardization.
- Improving and expanding the use of information technologies to organize, store, safeguard, exchange, and report clinical, cost, educational, technical, administrative, regulatory, and other health care-related data.
- Establishing a cost-effective preferred drug list.

Just prior to the passage of this Act, the Office of the Governor secured a federal health care innovation grant from the Center for Medicare and Medicaid Services (CMS) Innovation Center, providing staff and technical resources for a six-month period from April to November 2013.

CHALLENGES AND OPPORTUNITIES

Health care consumes a large and increasing proportion of the State's budget, including purchasing coverage for 40% of the state's population. The State also subsidizes the Hawai'i Health Systems Corporation, emergency and trauma services, behavioral health care, federally-qualified health centers, services to students via the Department of Education, and more. Health care costs affect virtually every business in Hawai'i: the Prepaid Health Care Act, Hawai'i's unique employer mandate law passed in 1974, has contributed to high coverage rates and

comprehensive benefits but also added to wage stagnation and reduced opportunities for business expansion. And every resident of Hawai'i has a stake in the quality and cost of care.

Health Care Costs

While the state's economy grew by 3.5% between 2010 and 2014, budgets for public insurance – EUTF and MedQUEST – grew by 7.6% and 9.0%, respectively. One expensive indication of system failure comes from the *Community Health Needs Assessment* (CHNA) completed jointly by Hawai'i's hospitals and the Department of Health. Charges for avoidable hospitalizations and emergency department visits in Hawai'i in 2012 exceeded \$350 million, and the top reasons for that care were mental health conditions and chronic diseases. Additional concerns expressed in the CHNA were about oral health and access to health care.

Quality

While the United States spent more *per capita* on health care than any other nation, we have the highest or near-highest prevalence of infant mortality, heart and lung disease, sexually transmitted infections, adolescent pregnancies, injuries, homicides, and disability among 17 high-income countries, according to the World Health Organization in 2013. Moreover, the Institute of Medicine estimates that half of the care provided in the US is unsupported by evidence that it works.

Quality and outcomes of care are only beginning to be emphasized, rewarded, and reported. Uneven resources and use of electronic health records and reporting hamper efforts. Alignment of payer policy to standardize benefits, quality metrics, outcomes, and reporting is essential to continue moving Hawai'i's health care system in the right direction. Aligning public insurance – EUTF and Medicaid – which cover nearly 40% of the state population, would catalyze these changes, especially if policies paralleled Medicare's.

Collecting health clinical and cost data and using it to guide and measure improvement is also crucial. The federal government is increasing and expanding efforts to do this, including funding a grant to the Healthcare Transformation Program to develop an all-payer claims database, which is serving as the foundation for the Hawai'i Health Data Center.

Health Status

Compared to the rest of the United States, Hawai'i's overall health status is largely positive; however, increasing obesity and diabetes rates and inadequate attention to behavioral health must be addressed. Notably, Hawai'i's rate of kidney disease is 30% higher than the national average, with personally devastating and costly consequences.

Equity

Statistics are clear that Native Hawaiians and other Pacific Islanders have poorer health outcomes than Hawai'i's norm. There is a growing understanding of the role of poverty, educational deficits, prejudice, stress, inadequate housing, and environmental factors in poor health status. Although addressing these factors via more progressive social policy is at least as complex as

improving the \$3.8 trillion health care industry, our ability to improve health status will be stymied unless we do.

In the area of equity, Hawai'i must also be mindful of cultural, linguistic, and geographic differences that need thoughtful and appropriate responses.

Government Oversight

In light of the challenges facing the health care system, the State's priority clearly must be achieving the "Triple Aim" of better care, better health, and lower costs. Addressing them requires a new systematic approach, structure and investment that affects the entire health care sector, which cannot make systematic, coordinated changes of its own volition. Some notable obstacles to change include:

- Antitrust issues preclude many kinds of concerted group action that isn't mandated or supervised by government authority.
- The sector does not act in alignment so, while insurers, hospitals, and provider groups can all make sweeping changes within the scope their own organizations, these changes may have little effect on the rest of the system.
- Private sector health organizations agree on improving health, quality, and cost but, because such organizations also operate in a competitive environment, implementing sector-wide strategies requires regulation, government oversight, or both.

The State must be a catalyst for change, using its policy and regulatory authority and substantial purchasing power, including via EUTF, Medicaid, HHSC, and other investments.

RECOMMENDATIONS

1. Carry out the stakeholder-endorsed State Healthcare Innovation Plan (SHIP)

As submitted to the Center for Medicare and Medicaid Innovation in 2014, the SHIP includes the following catalysts for change:

Health Care Delivery: Primary Care Practice Redesign and Care Coordination

Since the health care system has evolved to be fragmented, highly specialized, and frequently disconnected from quality and outcomes, the priorities for health care delivery improvement include:

- Expand the availability of patient-centered primary care along the principles of "patient-centered medical homes" (PCMH)
- Support accountable system development that aligns all parts of health care delivery with quality, outcomes, and cost efficiency
- Integrate behavioral health services into the primary care setting
- Expand the use of various telehealth modalities

- Support patients, especially those with complex health and social needs, with Medicaid Health Homes, and create community care networks to link patients and families to needed social supports
- Develop “super-utilizer” programs tailored to the needs of special populations

Payment Reform

Payment strategies must change to support the kind of delivery system described above. All payers must align quality incentives and payment strategies and reduce unnecessary, costly administrative processes.

- Pay PCMHs more for providing a higher level of access and care coordination
- Reward incremental improvement and develop strategies for risk adjustment to ensure that more complex patients are cared for
- Align value-based purchasing strategies for state-supported health care programs such as EUTF and Medicaid, which will serve as a catalyst to the entire system
- Reduce and align administrative processes across all health plans

Workforce Development

The health care delivery system and routine use of health IT both require and support a new, team-oriented health care workforce model. The model has the benefit of creating new career opportunities for Hawai‘i residents and reducing physician shortages.

- Ensure that health professions training and residencies are inter-professional
- Establish a community health worker training and certification program
- Review and address licensing and payment barriers so that all health care professionals can practice at the top of their licenses
- Support practice transformation and provide expertise to help primary care providers better identify and manage behavioral health concerns

Health Information Technology

Widespread use of electronic health records and information exchange is essential to reducing errors and duplication, coordinating care effectively, and identifying and improving population health.

- Accelerate EHR adoption with carrots, sticks, and practice transformation support
- Incentivize health information exchange and continue to build on the HHIE infrastructure (90:10 federal funding is available through Medicaid)
- Collect, analyze, and use health data to support improvements in care and costs, which is the goal of the all payer claims database/Hawai‘i Health Data Center.

Policy Strategies and Levers

Health care-related policies and programs are dispersed among many different State agencies. This has impeded us from identifying priorities and carrying out consistent, effective strategies to address them.

- The Governor and Legislature should work together to reorganize State health purchasing for Medicaid and EUTF.¹ Together these programs cover 40% of the state population and represent an unparalleled catalyst for system change
- Align State agency policies, resources, and regulations to improve health and health care
- Take advantage of opportunities to innovate and maximize federal dollars via Medicaid

2. Support the development of the Hawai'i Health Data Center

Hawai'i policy makers, patients and providers are all hampered by a lack of timely information about health status, quality, and costs. To remedy this we are establishing the Hawai'i Health Data Center. Initial funding comes from the federal Center for Consumer Information and Insurance Oversight (CCIIO) and the development of an all-payer claims database.

In partnership with the University of Hawai'i, the Data Center will support better health and care in many ways including:

- Identifying health status trends by community
- Shedding light on quality and cost variations
- Building the evidence basis for various care options
- Evaluating the effects of innovation strategies
- Supporting transparency for consumers and purchasers about costs and quality
- Conducting predictive analysis to anticipate and prevent poor health outcomes
- Developing effective risk adjustment formulas

3. Manage and improve on implementation of the Affordable Care Act

The federal Affordable Care Act (ACA) includes a broad array of provisions aimed at increasing health insurance coverage, improving access and quality, and reducing costs. Most aspects of the ACA have been implemented in Hawai'i, including Medicaid expansion and the establishment of the Hawai'i Health Connector. However, some of the ACA's requirements have not been a good fit for Hawai'i, which, after 40 years' experience with the Hawai'i Prepaid Health Care Act, has a highly functional insurance marketplace. Continuing work on ACA issues will include the following:

State ACA Innovation Waiver Taskforce

Created by the 2014 legislature and chaired by the Healthcare Transformation Coordinator, the State ACA Innovation Waiver Taskforce is the vehicle to develop and coordinate waivers related to functions of the Connector and otherwise identify opportunities and strategies that will improve Hawai'i's health coverage and care systems. The taskforce started meeting in

¹ Discussion with EUTF and research into these strategies are in their infancy; accordingly, EUTF's board of trustees have not committed to involvement or collaboration in the innovation agenda.

September and is expected to wrap up its work by June 2017. ACA waiver requirements include ensuring that any strategies result in coverage, benefits, and consumer costs that are at least as good as those required under the ACA and are budget neutral to the federal government. The waiver proposal must be supported by legislation, public hearings, and actuarial and economic analysis.

CMS Resources

The federal Centers for Medicare and Medicaid Services has undergone a radical shift under the ACA. More than half of all health care in the US is paid for by Medicare and Medicaid and the agency is poised to be a catalyst for innovation, even starting its own Innovation Center. Hawai'i has not yet availed itself of many of the opportunities to increase flexibility, drive innovation, support health IT, and generally expand the use of federal dollars through Medicaid. Working with DHS, the Healthcare Transformation Office is primed to identify more ways that CMS can support what's good for healthcare in Hawai'i.

NEXT STEPS

Considering the high stakes for the State for health care cost and quality, it would be prudent to establish an on-going office or authority to carry out continuing health care innovation. The Legislature assigned several key responsibilities to the position of Healthcare Transformation Coordinator, most notably organizing and chairing the ACA State Innovation Waiver Task Force (see Act 158, SLH, 2014). However, no funds were appropriated for the position or for the task force so its ability to continue is dependent upon the in-coming Ige Administration and 28th Legislature.

A federal planning grant is pending with the Center for Medicare and Medicaid Innovation (CMMI) to continue the State Healthcare Innovation Planning work identified above. In addition, the Hawai'i Health Data Center has developmental funds from the federal Center for Consumer Information and Insurance Oversight (CCIIO) for immediate needs and will continue its work. However, on-going resources will be necessary to support successful health care innovation, improved quality, and significant cost-savings. The Legislature should consider applying a small fee to insurance premiums to support continuing development and operational stability for HIT, health workforce, convening and planning collaborative health care innovation, and the Hawaii Health Data Center.

CONTACT INFORMATION

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Additional information about our efforts can be found at www.hawaiihealthcareproject.org.