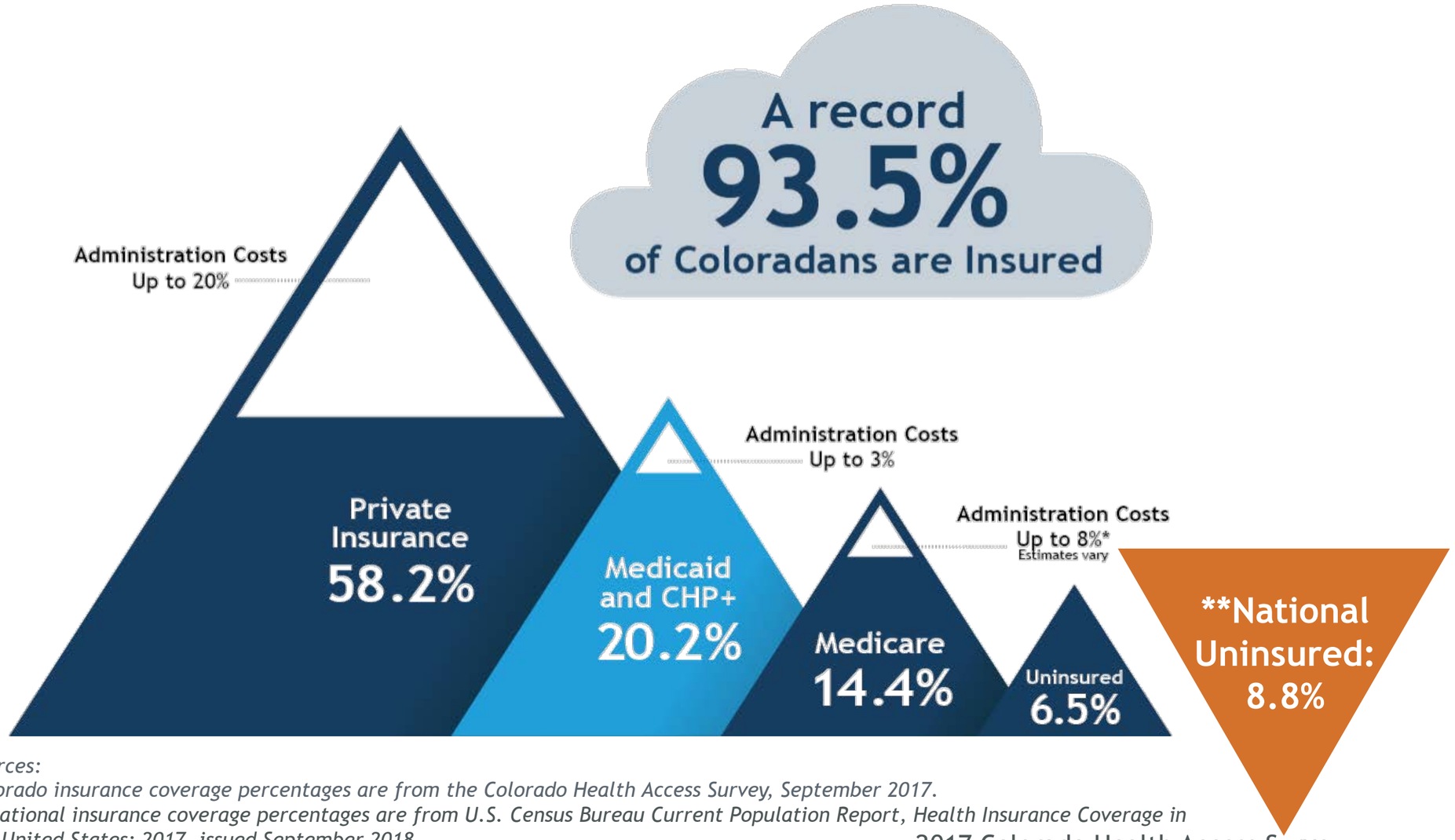
Colorado Medical Society, May Meeting

A Discussion with Executive Director, Kim Bimestefer

Polis-Primavera Priority: Universal Coverage



Sources:
Colorado insurance coverage percentages are from the Colorado Health Access Survey, September 2017.
****National insurance coverage percentages are from U.S. Census Bureau Current Population Report, Health Insurance Coverage in the United States: 2017, issued September 2018.*

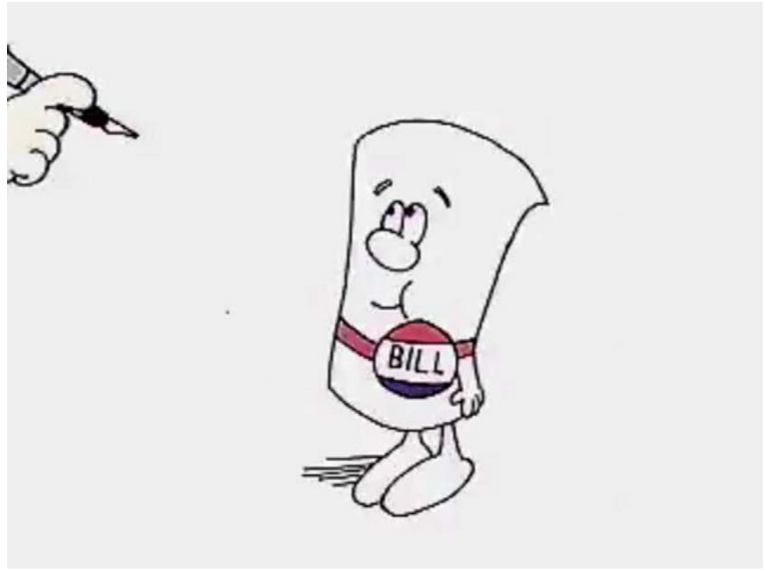
2017 Colorado Health Access Survey

Transforming Healthcare Through Legislation

- HB 19-1004 Affordable Coverage Option (Public Option)
  - HCPF and DOI on point
  - Goal: Address affordability and coverage opportunities without disrupting state strengths

- CO surveys to identify uninsured drivers opportunities, i.e.:
  - Small employer opportunity
  - Unique communities

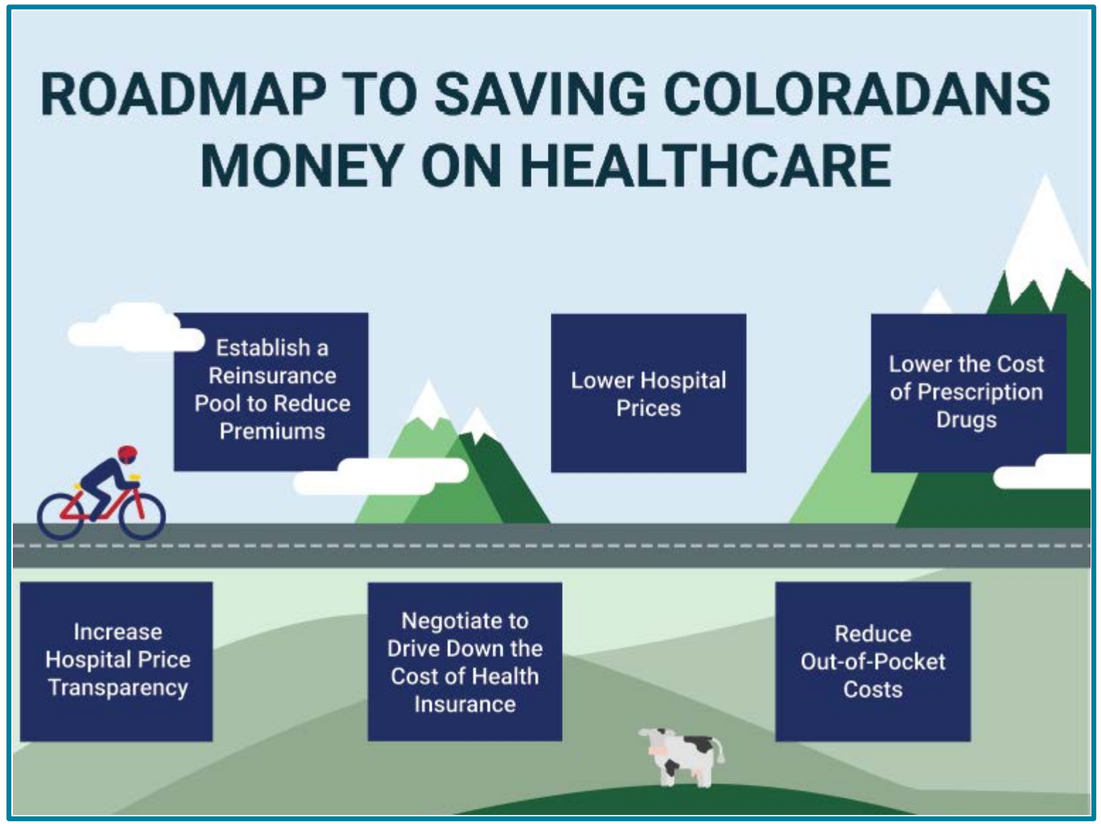
- HB 19-1176 Health Care Cost Savings Act
  - Creates health care cost analysis task force
  - Goal: Provide lawmakers info regarding costs
    - Current health care financing system
    - Multi-payer universal health care system
    - Publicly financed, privately delivered health care system that directly pays providers



Polis-Primavera Administration Goal:

Lower Healthcare costs to save people money on Healthcare

In the Short Term



In the Mid and Long Term

- Launch a state-backed health insurance option
- Reward primary and preventive care
- Expand the health care workforce
- Increase access to healthy food
- Improve vaccination rates
- Reform the behavioral health system
- Support innovative health care delivery and reform models

Source: Polis-Primavera Roadmap to Saving Coloradans Money on Health Care, pages 2-3, April 2019. Full roadmap available at colorado.gov/governor/sites/default/files/roadmapdoc.pdf

Focus: Healthcare Affordability

Medicaid consumes

33%

State's Total Budget
(25% of General Fund)

Colorado Private Sector (Consumers and Employers)[1]

$65,718 2016 median income	$20,940 2016 average cost of private insurance

Health Care is

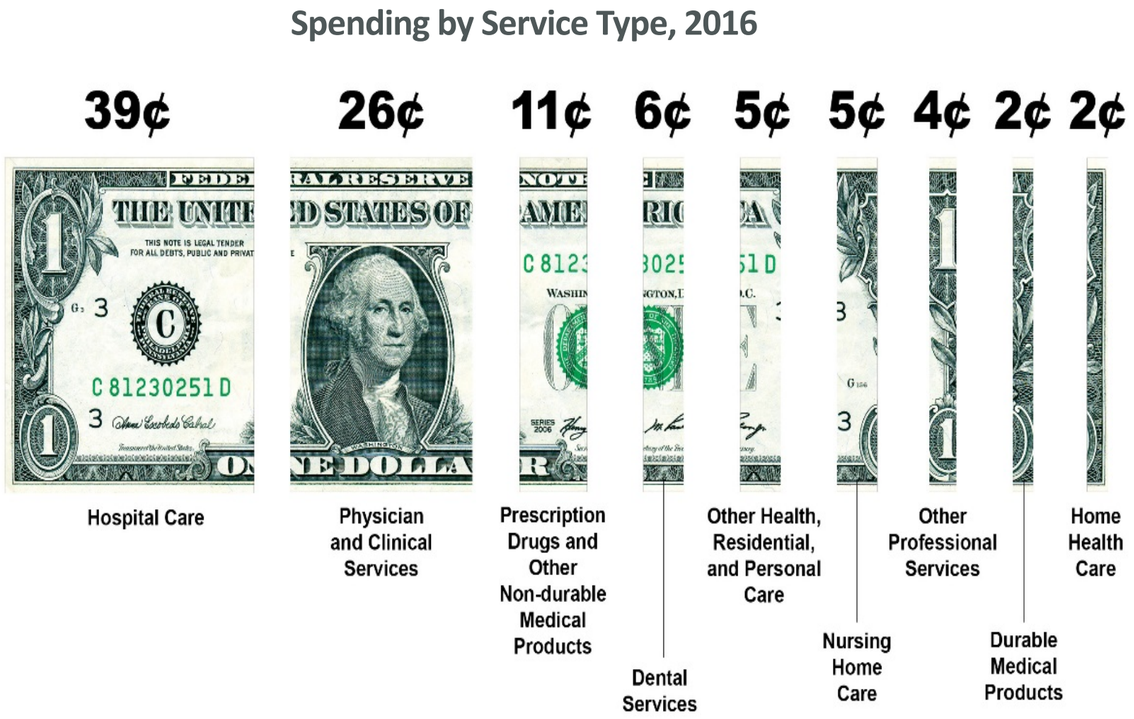
32%

of median household income

1 Source: Income data from Colorado DOLA LMI Gateway, US Census Median Household Income
2. CO Department of Health Care Policy and Financing

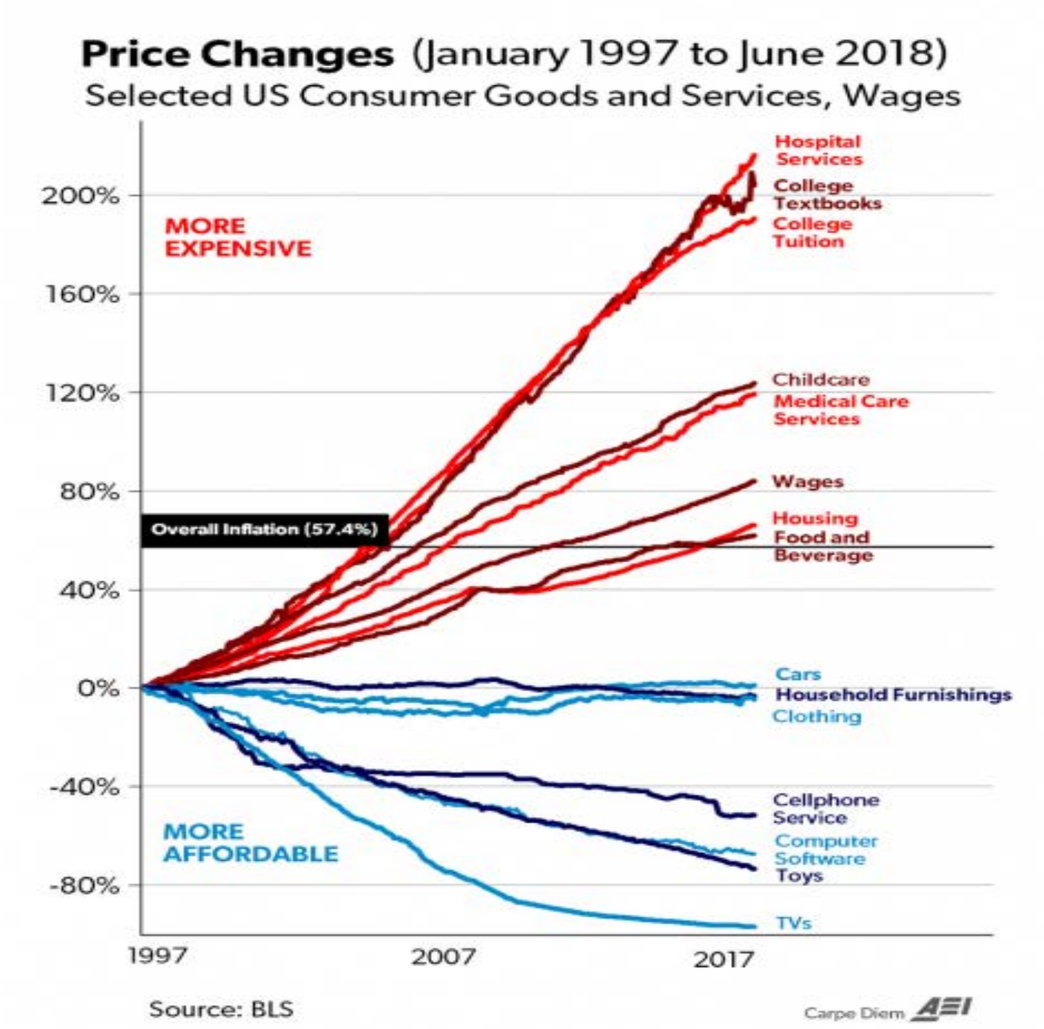
Affordability: A focus on hospital prices

Why Hospital Focus?
Hospitals consume ~ 40% of employer spend, influence Physician, Rx and other spend.

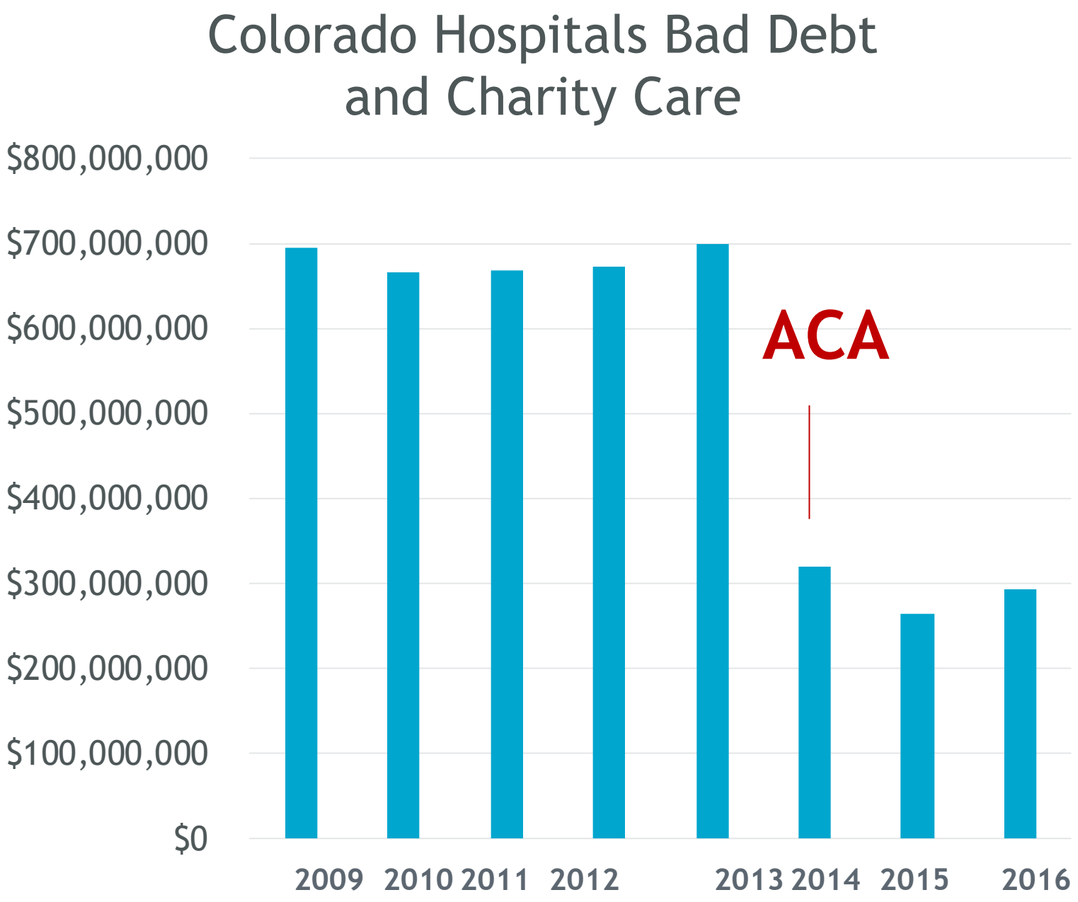


Note: Prescription drugs category shows retail spending. Rx drug spending is also part of the Hospital and Physician Services categories.

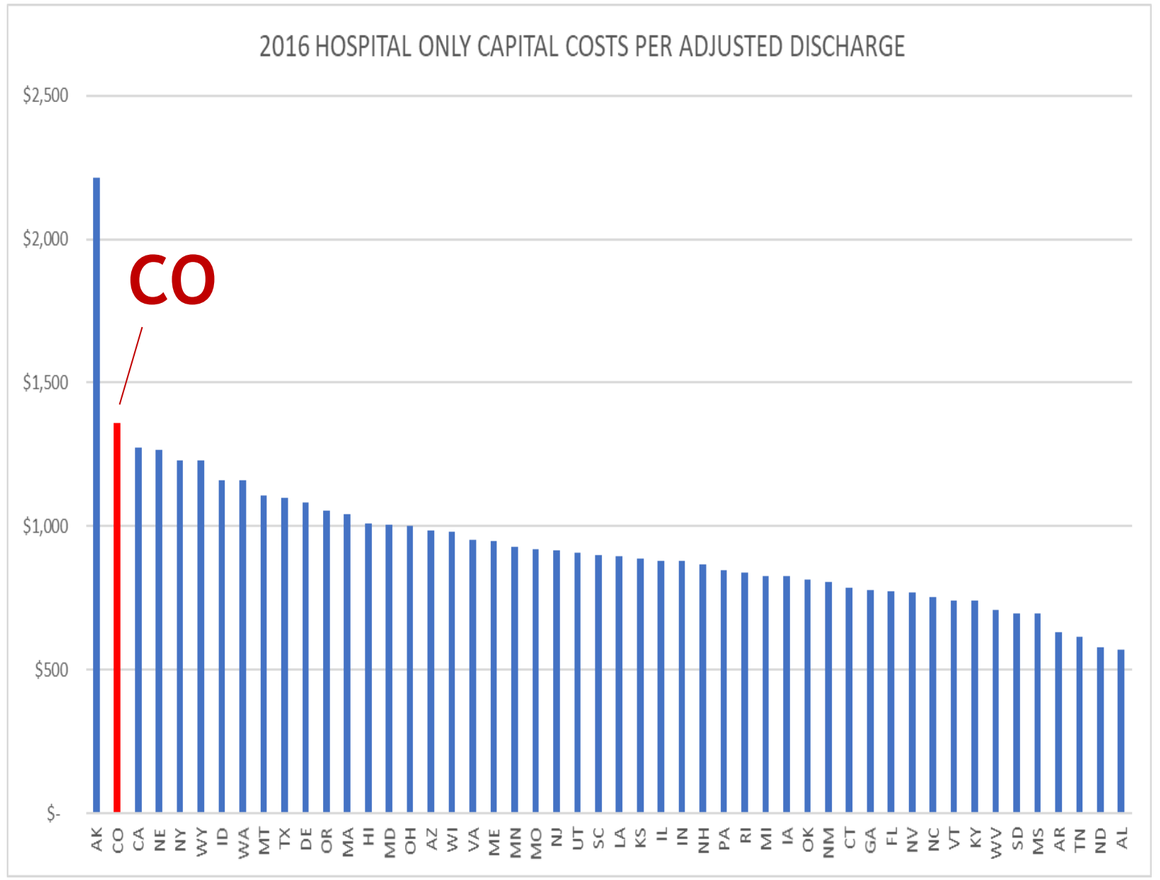
Source: National Health Expenditure Accounts, CMS, Office of the Actuary, 2011 and 2014; Colorado Commission on Affordable Health Care



Good news: The ACA reduced bad debt and charity care.



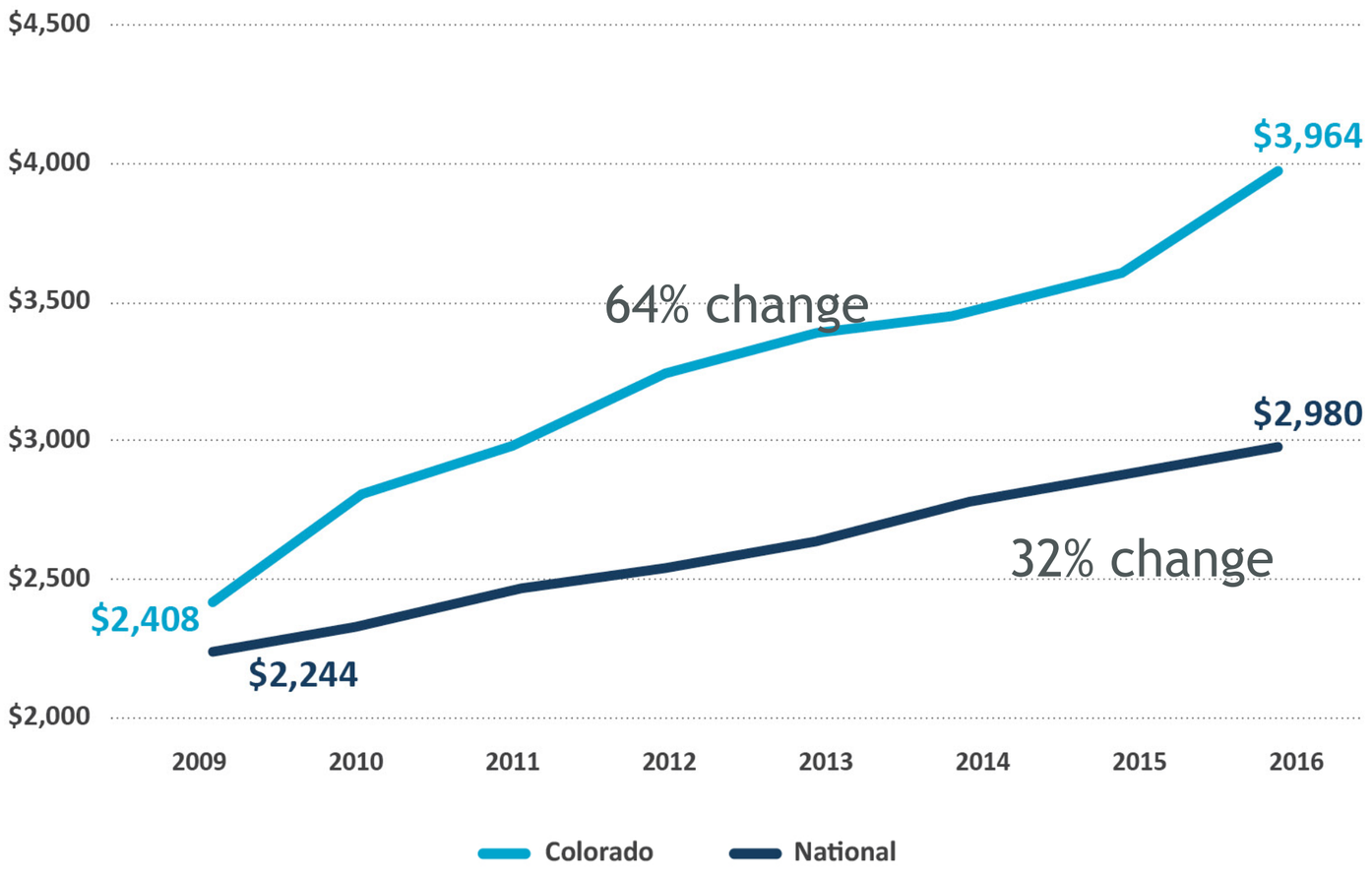
Hospital Construction – 2nd highest in the nation



Source: CHASE 2017 Report, CHA DATABANK

Colorado's overhead costs are increasing at double the national rate.

Growth in Overhead Costs per Adjusted Discharge, 2009-16



2009: Six entities owned or were affiliated with **23 hospitals**.

2018: Seven entities owned or were affiliated with **41 hospitals**.

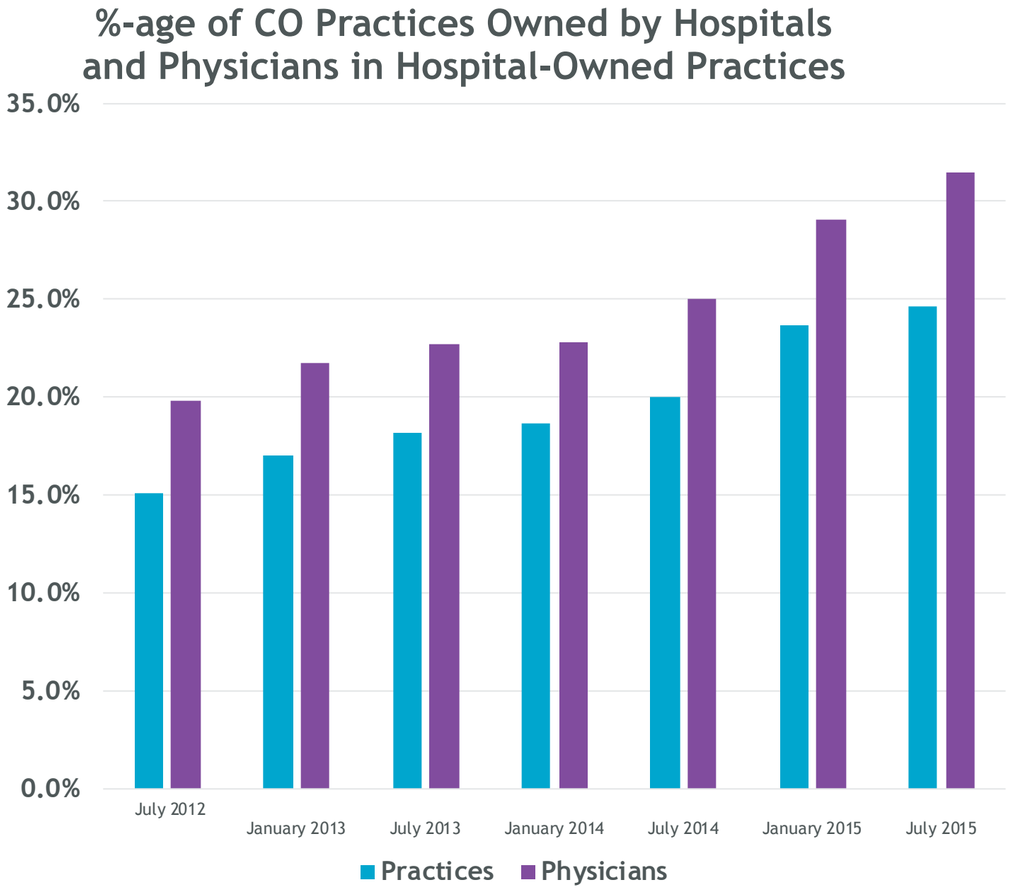
- **UCHealth** grew from 1 to 10
- **Centura** grew from 10 to 17
- **Banner** grew from 2 to 5

Overhead Cost per Adjusted Discharge:

CO: 9.2% per year over 7 years

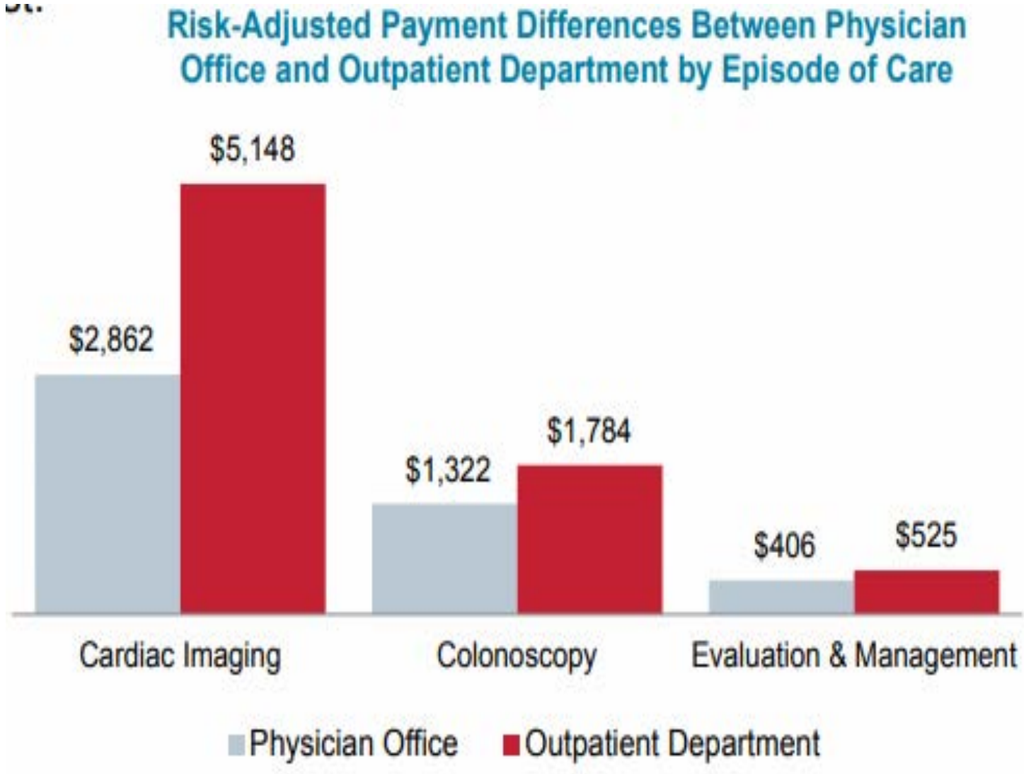
National: 4.7% per year over 7 years

CO hospitals are purchasing physician groups to control admissions. And costs are going up.



Source: Physicians Advocacy Institute

Consequences: Care is more expensive in hospital-owned facilities/practices



Source: Avalere study for Physicians Advocacy Institute
http://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/2016-PAI-Physician-Employment-Study-Final.pdf

Hospital Cost Shift Report

Healthcare is incredibly complex. The State helps simplify cost drivers and potential solutions.

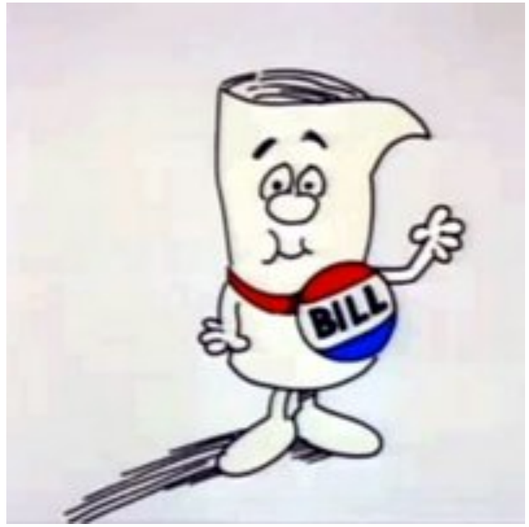
Between 2009 to 2017

- Hospital Revenues are up 76%
- Hospital margins increased 250%+
- CO Hospitals Admin costs are increasing at twice the national rate
- We are ranked in the top three nationally in hospital construction

This report helps inform effective healthcare policy.

We built the system we have together. *We have to transform it together*.

Driving down hospital costs through Legislation



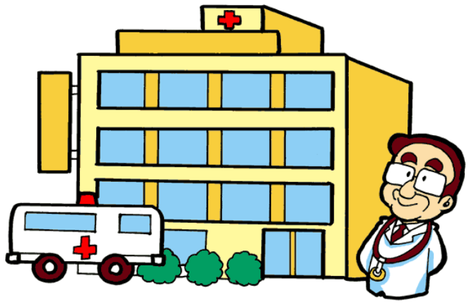
- HB19-1001 Hospital Transparency
- HB 19-1320 Hospital Community Benefit Accountability

- HB 19-1174 Out of Network
- SB 19-004 High Cost Health Insurance Pilot Program (PEAK Alliance)
- HB 19-1168 Reinsurance (Exchange)

Affordability: Hospital Transformation Program (HTP)

HTP: Partnership btw HCPF and CO Hospital Association (CHA) to drive improved behaviors via re-distribution of the CHASE Fee:

- HTP - Supplemental Payments tied to value (behavior change)
  - $1 BILLION+ to reward hospitals for changing
- Five years of evolving initiatives
- HTP priorities were identified by communities around the state (Carriers, FQHC and docs, Chambers, Roadmap team, Advocates, etc.) and CHA partnership.
- This work also informed the Hospital Roadmap priorities.
- Employers/Chambers - meet w/ local hospitals to drive their HTP focus
  - Convert their standalone ER
  - Add behavioral health care/beds

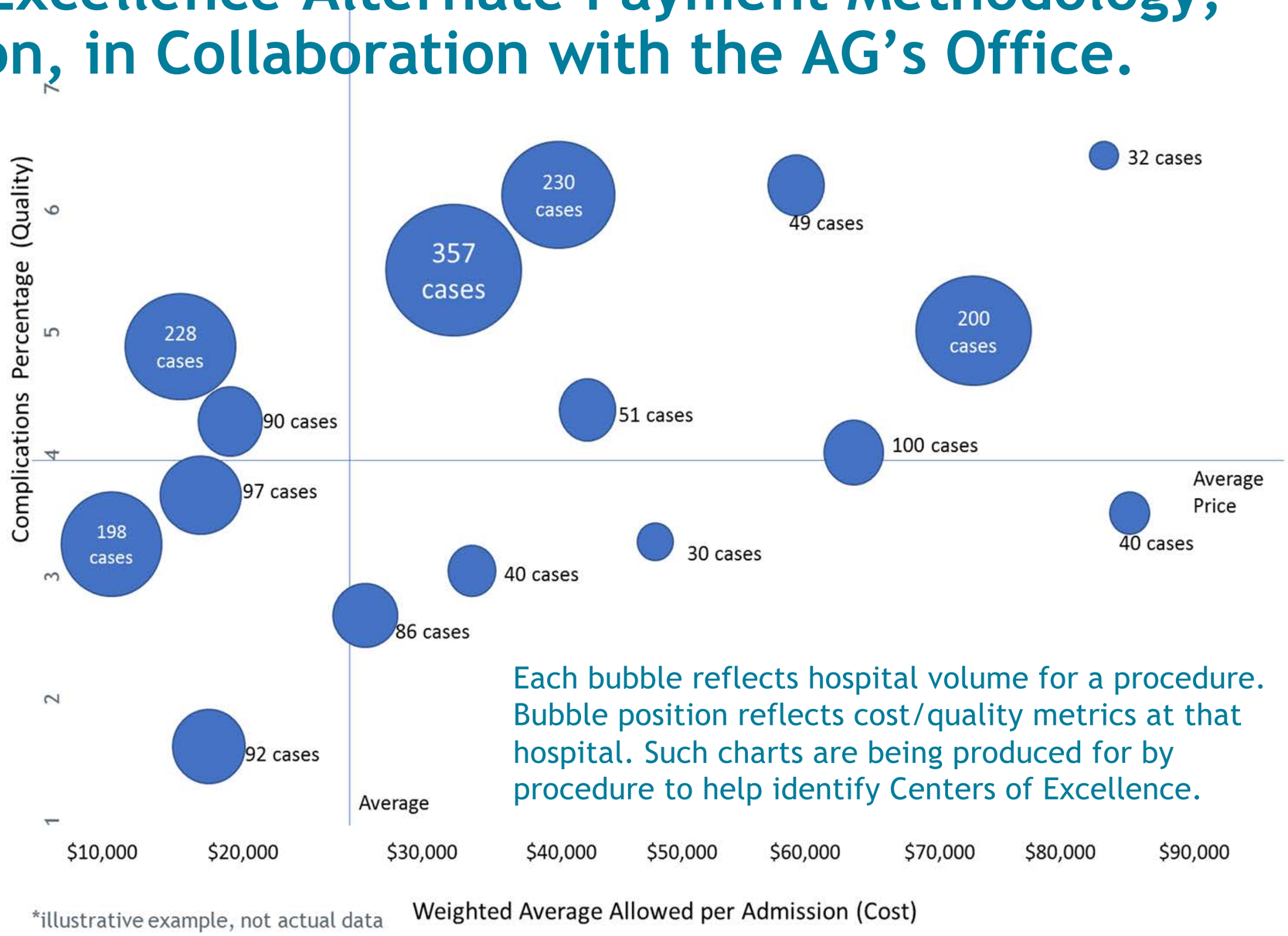


NEXT: Centers of Excellence Alternate Payment Methodology, Policy Discussion, in Collaboration with the AG's Office.

Solution: Drive more Consistency in Hospital Price and Quality.

Drive the community to the higher quality, lower cost locations (sometimes called Centers of Excellence).

This will require legislation.



*illustrative example, not actual data

Each bubble reflects hospital volume for a procedure. Bubble position reflects cost/quality metrics at that hospital. Such charts are being produced for by procedure to help identify Centers of Excellence.

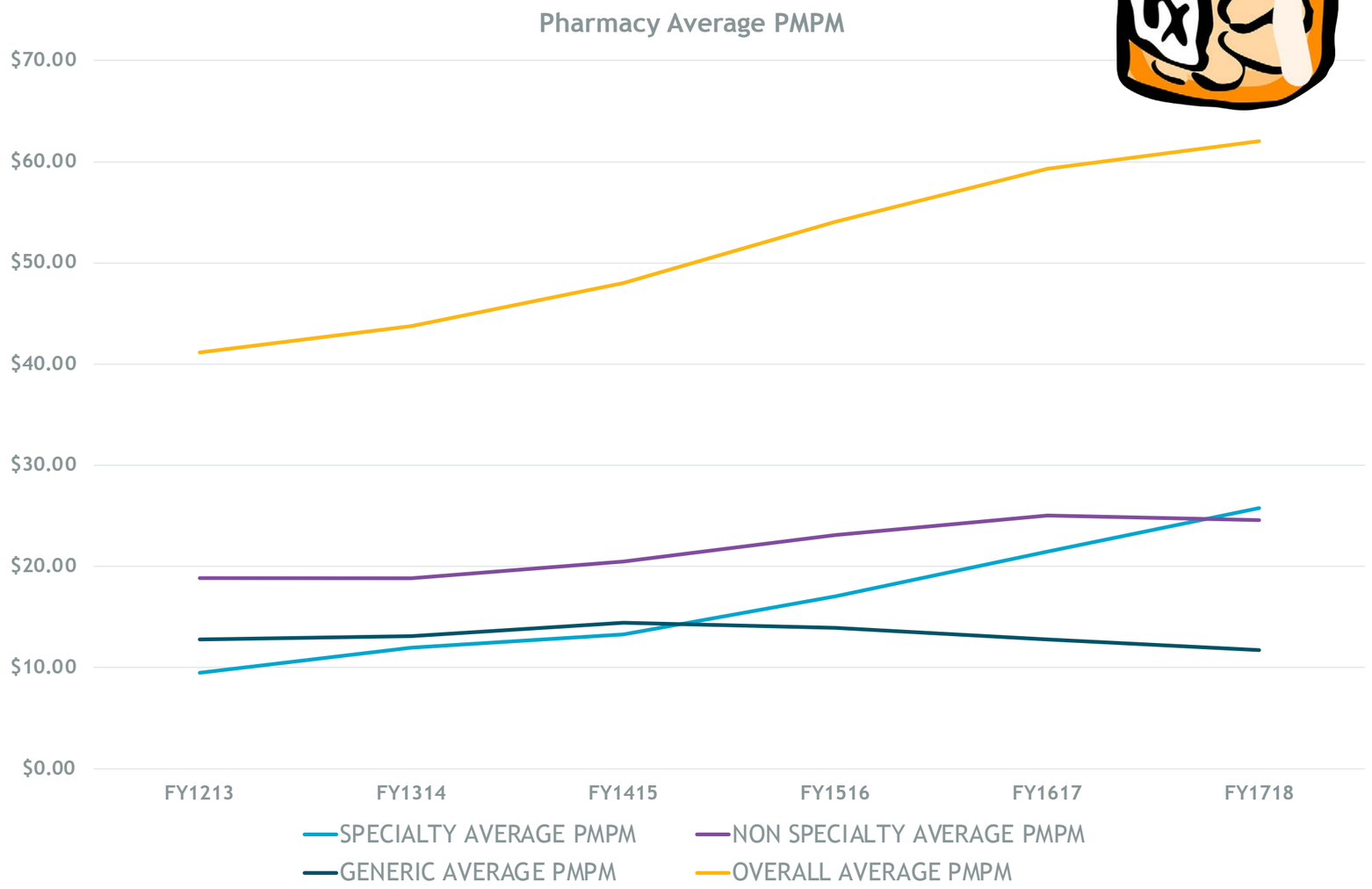
Affordability Focus: Rx

Medicaid generates about $1B in Rx claim costs (before rebates)

Over the last six (6) fiscal years, 2012/13 through 2017/18:

Generic Rx costs **down** 8% or 1.3% / year
Brand name Rx **up** 30%, or 5% / year
SRx up 171%, or 28.5% / year
Total Rx spend is **up** 51%, or 8.5% a year

Of this total 51% Rx trend, *more than 75% is due to Specialty Drugs*.

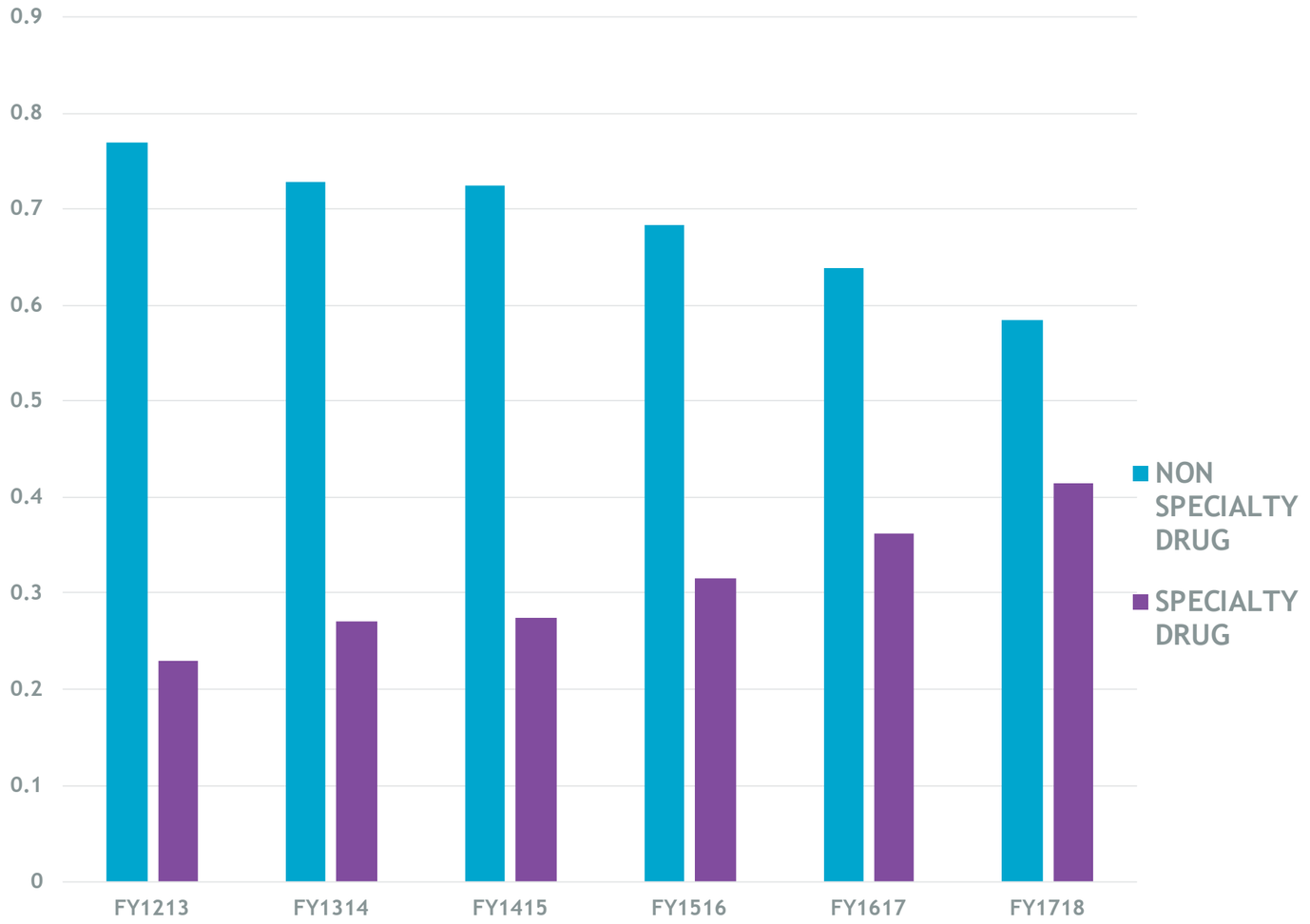


Escalating Impact of Specialty Rx on Medicaid Costs

1.25% of CO Medicaid prescriptions (specialty drugs) are so expensive, they are consuming > 40% of Medicaid's Rx resources.

This is in line with national and commercial carrier trends.

Percent of Medicaid dollars spent on specialty vs. non specialty drugs



Specialty Drugs: We're at the beginning

42 new drugs launched in 2017.

75% were specialty drugs

$12 billion spent on new drugs in 2017.

80% was spent on specialty drugs

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700 specialty drugs in the pipeline.

No, The High Cost is NOT Due to Research

Drug companies spend **about $40B a year MORE on marketing and administrative expenses** than on research and the development of new drugs

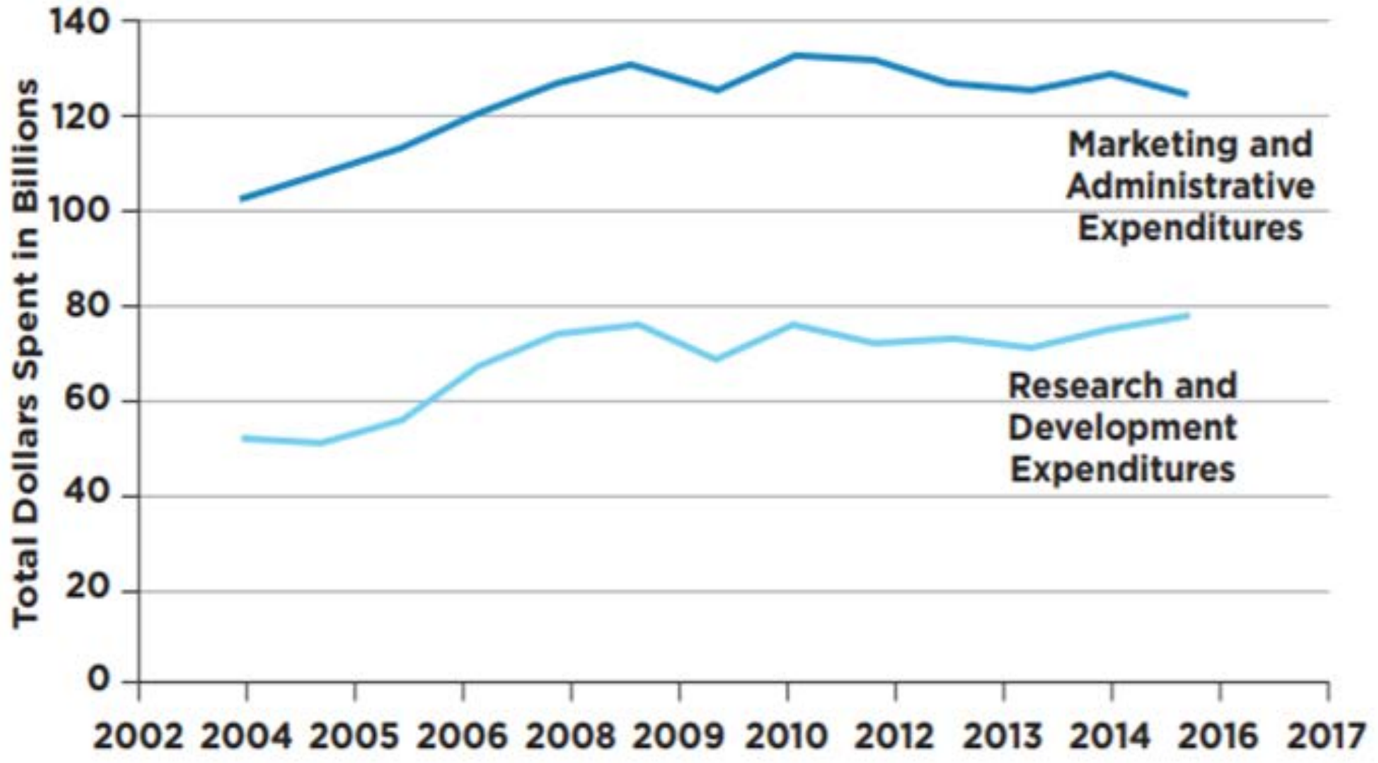
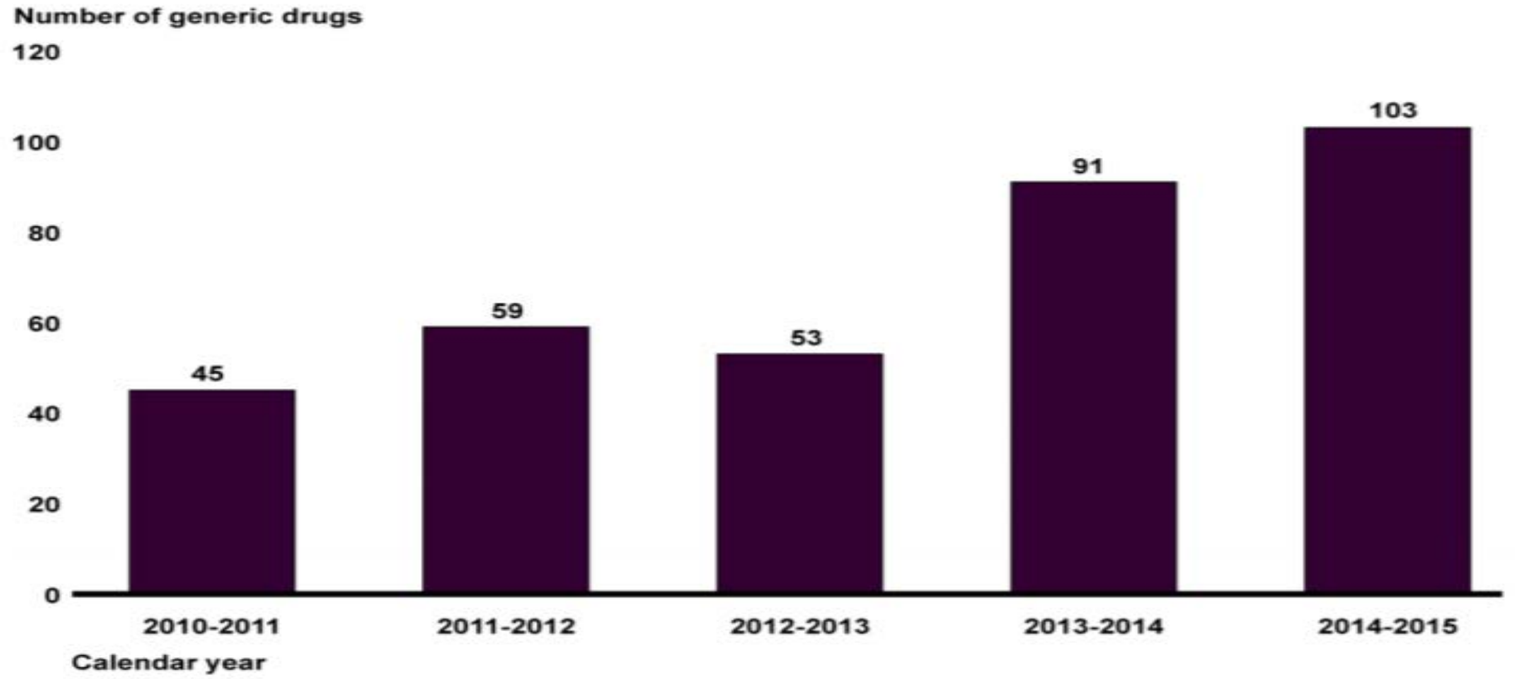


FIGURE 3-3 Comparison of total aggregate research and development and marketing-plus-administrative (including executive compensation) expenditures by 12 large pharmaceutical companies from 2003 to 2015.
SOURCE: Data retrieved from Belk, 2017. See http://truecostofhealthcare.org/pharmaceutical_financial_index (accessed November 15, 2017).

Drug Price Increases are a Problem, Too

The US General Accounting Office found that 315 different drugs experienced 351 “extraordinary price increases” at least a doubling in price year-to-year.

Figure 3: The Number of Established Drugs under Medicare Part D That Experienced an Extraordinary Price Increase, First Quarter 2010 to First Quarter 2015



Source: GAO analysis of Medicare Part D prescription drug event data. | GAO-16-706

Note: A price increase of at least 100 percent from the first quarter of one year to the first quarter of the next is considered an extraordinary price increase. To be considered an established drug, a drug had to be in the Medicare Part D claims data for each quarter from the first quarter of 2009 through the second quarter of 2015 and meet certain other data reliability standards. A total of 1,441 drugs met these criteria.

Across our study period, the 315 established drugs experienced 351 extraordinary price increases.[21]

Reducing Rx Through Legislation Today and INFORMING policy and legislation tomorrow!

Shaking it up with:

- SB 19-005 Import Prescriptions Drugs from Canada

NEXT on Rx:

- Pharma Tool for physicians
- Exec Dir Rule Analytics – manufacturer compensation btw BigPharma & Carriers
- Rx Report release this summer
- Full wage war on Opioid addiction

All this will inform new policy, including:

- Rx Transparency Legislation
- Other – *based on insights*

Affordability Solutions: Rx

Physician Prescribing Shared Tool

- Drives prescribing based on Rx efficacy (cost & quality)
- Battles DTC ads, BigPharma middleman incentives to influence Rx use
- Loads payer/carrier formularies, reimbursements, copays, prior auth rules.
- Loads carrier/payer programs by patient so docs can prescribe health improvement programs, not just pills
- Will include a opioid addiction risk module, alerting docs before they prescribe
- Request to Negotiate released to CMS for approval this month. Implement 2020.
- Sets up more effective prescriber VBPs

Affordability through Innovations

- **Telehealth –** access opportunities
  - Specialty access
  - Access for Individuals with Disabilities
  - Behavioral access
  - Rural access

- **State agencies working together:** CU School of Medicine leadership to create Telehealth and eConsult roadmap.