

## **TAFP Narrative**

I think we can all agree that improving quality of care and bringing down the cost of health care must be a major goal of any change in health care policy in Texas. Identifying and addressing the drivers of high health care costs are more important than ever. Growth in health care spending has been a major component of growth in state budgets – Medicaid, TRS, ERS and TDCJ. High health care costs have also reduce employers’ ability to maintain health insurance benefits and continues to burden consumers with out-of-pocket expenses that compete with other basic needs.

HB 1907 has many potential applications, but the overriding goal of the legislation is to facilitate state efforts to control the rising cost of health care by increasing competition and transparency in healthcare markets. It will empower patients and employers purchasing health care to compare health care prices and care quality. It will give policy makers a view of the whole health care delivery and payment system and allow for geographic, facility, or provider-level data. It will also provide cost and quality benchmarks to assist physicians and other health care providers in understanding their performance across all payer types and for their whole population.

In the last legislative session we required state agencies that pay for the health care of Texans – TRS, ERS, TDCJ, DSHS and Medicaid & CHIP – to coordinate data to identify outliers and improvements for efficiency and quality that can be implemented within each healthcare system. HB 1907 builds on that initiative to create a state all-payer claims database to collect and aggregate information on payment for health services from state regulated commercial health insurers and self-insured employee benefit plans who chose to opt-in to the database. By aggregating data on the health care services that health insurers and public programs pay for, they offer a broader perspective on cost, service utilization, and quality than any single entity can provide.

The state APCD would be managed by the University of Texas Health Science Center at Houston – Center for Health Care Data. The Center is a CMS Qualified Entity, and is best equipped to administer the Texas APCD since it is already authorized to receive Medicare claims data for research, use claims in evaluating provider performance, and create public reports on provider performance.

### **What is an All Payer Claims Database (APCD)?**

All-payer claims databases (APCDs) are large state databases that include medical claims, pharmacy claims, dental claims, and eligibility and provider files collected from private and public payers. APCD data are reported directly by insurers to states in order to produce healthcare price, resource use, and quality information for policy makers, purchasers and consumers. APCDs have the potential to help control healthcare cost growth through quality improvement, competition and transparency in healthcare markets.

### **How Can the Data be Used?**

APCD data sets can: 1) give policy makers greater insight into independent & validated health care claims data; 2) identify & reward high quality, efficient care; 3) empower consumers and purchasers to compare prices and care quality; and 4) identify outliers

- For quality, APCD data is used to provide benchmarks for payer performance improvement programs; quality scorecards for consumers; mandatory quality improvement reporting to maintenance of certification (MOC) bodies; and demonstrating quality for contract negotiations. When a data set is truly “all payer,” the data set demonstrates the quality for nearly all of a population of patients and can assist a clinician understanding their performance across all payer types and for their whole population.
- For cost, APCD data contains claims information. Claims data includes the amount paid for care by patients and payers. Benchmarking system-wide costs for care can allow a community to understand health care costs and address variation across the community. Practices or health systems can demonstrate their cost performance compared to peers and use that data for contract negotiation. Consumer price-transparency tools have been developed to assist consumers to shop for health care prices for care.
- For policy, APCD data gives states and other parties a view of the whole health care delivery and payment system. It allows for geographic, facility, or provider-level data to target quality, safety, and cost-saving interventions.

### **Why should the University of Texas Health Science Center at Houston – Center for Health Care Data (Center) administer the APCD for Texas?**

The Center currently collects, processes, and analyzes more than 80% of the health care claims data for insured individuals in Texas. As a CMS Qualified Entity, The Center is best equipped to administer the Texas APCD since it is already authorized to receive Medicare claims data for research, use claims in evaluating provider performance, and create public reports on provider performance. The Center also provides healthcare analytics for the largest state agency healthcare expenditures – including ERS, TRS, and HHSC (Sec. 10.06 project). In addition, the Center has Texas-specific healthcare claims data -- including billed charges and final paid amounts -- as opposed to other national entities that may use national averages of charges to estimate a range for paid amounts in Texas.