

POLICY NOTE

Innovation or Institution?

The Washington State Health Care Innovation Plan As Signed Into Law

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Key Findings

1. *The original HB 2572 that was introduced during the 2014 legislative session was an attempt by Governor Inslee to implement the Washington State Health Care Innovation Plan (SHCIP), a federally funded, regulatory takeover of the health care delivery system in Washington state.*
2. *The goal is to have 80 percent of state-purchased and 50 percent of privately-purchased health care to be outcome-based and be under the authority of state officials through SHCIP within five years (by 2019).*
3. *The bill as passed has the same goals as the original legislation, but takes a smaller first step in advancing government control over people's health care.*
4. *It is commendable that the state wants cost and outcome data on patients who receive state-paid health care, but private companies have been providing their clients with cost and outcome information without massive government bureaucratic oversight for several years.*
5. *The final version of HB 2572 is much less ambitious and intrusive than the original bill, yet is still the first step to implementation of the State Health Care Innovation Plan and potentially duplicates what the private market is already doing.*

Background

The original House Bill 2572 that was introduced during the 2014 legislative session was an attempt by Governor Inslee to implement the Washington State Health Care Innovation Plan (SHCIP). The Plan is a federally funded, regulatory takeover of the health care delivery system in Washington state. The program is part of the Affordable Care Act and encourages state-based experiments in creative health care plans funded by federal taxpayers. Work to-date on the SHCIP was paid for by a \$1 million federal grant. The next phase of the project will be funded by an anticipated \$20 to \$60 million federal grant.

The “core strategy” for SHCIP is “...for the State to take a leadership role as a major purchaser and market organizer to drive transformation.”¹ In case there is any confusion over the intent of the program, the Full Innovation Plan is clear about who will manage health care for Washington residents: the state. “While many of the Innovation Plan’s strategies center on non-regulatory strategies and incentives, the state is prepared to explore regulatory approaches should its initial market-based and collaborative tactics be less successful than expected.”² In other words, if people do not voluntarily change their behavior in ways that comply with the Innovation Plan, the state will force people to change through regulation.

The Innovation Plan is a top-down comprehensive plan that will ultimately impact every taxpayer and health consumer in Washington state. The goal is to have 80 percent of state-purchased and 50 percent of privately-purchased health care to be outcome-based and be under the authority of state officials through SHCIP within five years (by 2019).

The SHCIP lists three basic strategies for expanding state control over people’s health care.

- The first is to “drive value-based purchasing across the community, starting with the state as ‘first mover.’” This strategy depends heavily on establishing Accountable Care Organizations (ACOs) to move patients from a fee-for-service to an outcome-

1 “Washington State Health Care Innovation Plan, Washington’s Five-Year Plan for Health Care Innovation,” Health Care Authority, January 2014, page 19 at http://www.hca.wa.gov/shcip/Documents/SHCIP_InnovationPlan.pdf.

2 Ibid.

based reimbursement system. ACOs are designed to function similarly to the unpopular HMOs into which regulators tried to put people in the 1990s.

- The second strategy is to “improve overall health by building healthy communities and people through prevention and early mitigation of disease throughout the life course.” The definition of “community” is a little vague, but there is a suggestion of a county-by-county structure. Prevention is to be achieved through patient education and more primary care.
- The third strategy is to “improve chronic illness care through better integration of care and social supports, particularly for individuals with physical and mental co-morbidities.” This strategy promotes mental health parity and ties mental and physical health care together.

The Innovation Plan lists seven Foundational Building Blocks to support the three strategies. The plan is very thorough and represents a tremendous amount of government staff input, time and work.

A private consulting group hired by the state says that the Innovation Plan should save \$730 million over the next three years. Details of this study are not provided in the Full Implementation Plan, but presumably they could be made available. Other parts of Obamacare, however, have already failed to achieve promised savings, for example, the commitment that families would save an average of \$2,500 per year.

The Original House Bill 2572

The original stated goal of HB 2572 was to transform the Washington state health care delivery system using the three strategies of the Innovation Plan. The Health Care Authority (HCA) was to be responsible for coordinating and implementing the law using public and private organizations. The HCA was to report to the legislature each January 1st on actions taken and how far state officials had advanced in implementing the Innovation Plan and controlling people’s health care.

Nine regional, accountable, collaborative health organizations (ACHs) were to be established throughout the state. These ACHs would have been given money based on participation by, but not limited to, local governments, school districts, early learning regional coalitions, businesses, unions, non-profit human service organizations, tribes, carriers, providers and public health agencies.

The bill would have established a “hub,” or central agency, that would have collected patient data, integrated care and insured value-based outcomes. The bill would have established a central, state-wide, all-payer health care claims database that would have provided price transparency. Insurance carriers would have been required to submit all information about patients, their illnesses and their medical treatments to this state database, although the bill said patient confidentiality would have been respected.

HB 2572 would have applied to state-purchased health care and to health insurance purchased through the state health insurance (Obamacare) exchange.³

House Bill 2572 As Passed by the Legislature

After six major amendments and a partial veto by Governor Inslee, HB 2572 was signed into law on April 4, 2014. The bill as passed has the same goals as the original legislation, but takes a smaller first step in advancing government control over people's health care.

The new law now sets up "communities of health" (COHs) for non-profit and public-private organizations. Standards and acceptable outcomes will be established by a "performance measures committee." Funding of the COHs will come from taxpayer grants given out by the Health Care Authority (HCA). COHs will initially involve only people on Medicaid and public employees. The HCA will establish a state-wide, all-payer, health care claims database to provide transparent public reporting of health care information. For now, the database will include Medicaid patients, public employees, and claims that are "voluntarily" provided by private insurance companies and self-funded employers. A "lead organization" will collect and organize the data. To protect confidentiality, there can be no patient identifiers, and claims are exempt from public disclosure.

Reports will be generated by the lead organization. These reports "must assist the legislature and the public by reporting on whether providers and systems deliver efficient, high quality care, as well as geographic and other variations in care and costs." The meaning of these terms will be determined by state regulators, not patients.

Policy Analysis

HB 2572 was originally intended to be a comprehensive implementation of the Innovation Plan. By the time it was signed into law, however, with the governor's partial veto, the bill had changed significantly. The final version allows for communities of health or HMOs to cover patients in state-paid health insurance plans. Private payers can participate as well.

One of the main components of the law, and a new area of bureaucratic complexity, is the state all-claims database. Medical data will be compiled, at least initially, from Medicaid and public employee health care information.

It is commendable that the state wants cost and outcome data on patients who receive state-paid health care. It is noteworthy; however, that one of the largest private health insurers in Washington state has been providing this sort of information to its clients for the past two years. Customers can log on to the carrier's website using their individual passwords and obtain basic provider information as well as reviews of providers from other patients. Costs for over

3 "In the Midst of Rocky Obamacare Implementation, Governor's Bill Seeks to Create New State Health Care Program," Washington Policy Center, at <http://www.washingtonpolicy.org/publications/legislative/midst-rocky-obamacare-implementation-governors-bill-seeks-create-new-state->.

300 types of care and hospital quality reviews based on criteria set by the Center for Medicare and Medicaid Services are available. In other words, for several years private companies have been providing their clients with cost and outcome information without massive government bureaucratic oversight.

The final version of HB 2572 is much less ambitious and intrusive than the original bill. Yet, it is still the first step to implementation of the State Health Care Innovation Plan and potentially duplicates what the private market is already doing. The goal of the SHCIP has not changed and ultimately would allow government bureaucrats to have total control of public and private health care spending. Further attempts to centrally-plan and expand state control over Washington's health care delivery system must be monitored closely.