



**Statement submitted for the record to the
House Health Committee
General Assembly of Pennsylvania
December 18, 2013**

The Alliance of Community Health Plans (ACHP) is pleased to submit this statement for the record for the December 18, 2013 hearing before the Pennsylvania House Health Committee.

ACHP is a national leadership organization representing community-based and regional health plans and provider organizations that collectively provide health care and coverage for more than 16 million Americans. Our members are not-for-profit health plans or subsidiaries of not-for-profit health systems that are among the highest quality plans in the nation in the annual rankings of the National Committee for Quality Assurance (NCQA) and the Medicare star ratings system. ACHP members share longstanding commitments to their communities, close partnerships with providers, and substantial investments in the innovative approaches and infrastructure necessary to provide health care that is coordinated, affordable and high quality. We are proud that UPMC Health Plan and Geisinger Health Plan are members of our organization.

ACHP has significant concerns about House bills 1621 and 1622 under consideration by this committee. In a market that is rapidly changing, we suggest that legislation which tries to mandate contracting relationships may have consequences that are contrary to providing care and coverage that offers the best value to consumers. The legislation would appear to run counter to both market evolution and national policy directions which are moving towards greater alignment between payers and providers, including but not limited to integrated structures.

The Institute of Medicine's landmark report *Crossing the Quality Chasm: A New Health System for the 21st Century* (National Academy Press, 2001) set out a framework for transforming health care in the United States. One of its most frequently quoted statements captures the challenge – and the opportunity – confronting us.

“The current care systems cannot do the job. Trying harder will not work. Changing systems of care will.”

The goal is to move away from the current fragmented and volume-based delivery and financing system to a value-based system. That requires differing and evolving approaches under which physicians, hospitals and other providers work together and with stronger connections with payers. The nature of those relationships can and does vary among communities. Among ACHP members, the spectrum ranges from tightly integrated structures to much broader network and mixed model approaches, such as hospital and physician systems linked with an affiliated plan – all with the goal of transforming care in the community. The common element is that plans and providers develop relationships and aligned incentives to achieve the so-called “Triple Aim”: better health, better care, at a lower cost. Clayton Christensen, a professor at Harvard Business School and recognized as one of

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the nation's leading management thinkers, has commented on the benefits of a strongly integrated model:

"In integrated systems where providers and insurers are the same entity, a single perspective enables providers to take actions in one place that will cut costs or lift performance in another." (*Business Week*, March 4, 2010)

Medicare and private payers are increasingly promoting the development of these innovative new models. The Medicare Payment Advisory Commission (MedPAC), which advises the Congress on Medicare, has for many years recommended Medicare payment reforms that encourage closer payer and provider relationships and hold these entities accountable for quality and the resources required to provide the care. (See for example, MedPAC, Report to the Congress, *Improving Incentives in the Medicare Program*, June 2009).

Medicare is actively promoting models that coordinate or integrate care, the best-known of which are "accountable care organizations" (ACOs). Medicare's Innovation Center describes these as groups of clinicians, hospitals and other health care providers that choose to come together to deliver coordinated, high quality care to the Medicare patients they serve, and Medicare revises its payment approach and incentives to enable and promote those groups of providers. There are about 250 such Medicare models around the nation and more than 150 private payer models. In a similar vein, Medicare is promoting stronger relationships among hospitals, physicians and post-acute care providers through tests of so-called "bundling" or episode-based payments. Medicare is also testing medical home models through its Comprehensive Primary Care Initiative. All of these innovations recognize the value of greater integration in the delivery of care.

These developments in public programs and comparable private efforts pose the difficult challenge of reforming how we finance and deliver health care. As organizations step up to that challenge, the investments required and learning curve can be substantial – and different approaches are being developed and tested in different communities. There is no one size-fits all answer, even within a state, and we are still in the early stages of the innovation required to transform health care in America.

Evolution of the market creates new partners and new competitors. We are concerned that House bills 1621 and 1622 would hamper needed delivery system reforms and evolution of the market and value-based care. Rather than support those physicians and hospitals creating and participating in the integrated delivery networks that also offer health plans that compete with traditional insurers, these bills would establish an "any willing insurer" policy. Competing insurers challenged by the success of these organizations can demand that the providers involved participate in their own networks at specified or arbitrated payment rates. That means that the competing insurer becomes, in effect, a "free-rider" on others' investments in transforming delivery, and gains access to the benefits of a reformed delivery system through legislation.

ACHP appreciates the opportunity to submit this statement and would be pleased to provide additional information if it would be helpful to the Committee.