State Employee Health Plan Health Care Cost-Containment Toolkit

With support from the Commonwealth Fund, the National Academy for State Health Policy (NASHP) convened officials representing eight state employee health plans (SEHPs) – Connecticut, Colorado, Indiana, Maine, Massachusetts, New Jersey, New York, Utah – in a learning collaborative focused on addressing high and rising health care costs. Based on discussions throughout this learning collaborative, NASHP offers this toolkit of resources for SEHPs exploring innovative strategies to address health care costs. For additional information, please visit NASHP's Center for Health System Costs. States seeking technical assistance can email Maureen Hensley-Quinn at mhq@nashp.org.

Reference-Based Pricing to Medicare Resources

Using Medicare rates as a reference in determining SEHP reimbursements for services builds upon efforts already undertaken by the federal government to establish such payments. Rather than negotiating discounts from a providers' chargemaster, SEHPs adopting reference-based pricing more closely align their payments to the providers' expenses. Studies show reference-based pricing saves plans money and offers predictability year over year that isn't guaranteed in typical payment negotiations, which can fluctuate.

Resources

- **Chart:** Overview of States' Hospital Reference-Based Pricing to Medicare Initiatives
- **Blog:** Why Compare What Employers Pay to What Medicare Pays
- **Blog:** How Oregon is Limiting Hospital Payments and Cost Growth For State Employee Health Plans
- **Independent Analysis:** Estimating the Impact of Reference-Based Hospital Pricing on the Montana State Employee Plan
- **Strategy Aid:** Q&A: What States Can Learn from NASHP's Hospital Cost Tool

NASHP's Hospital Cost Tool

The Hospital Cost Tool (HCT) uses information reported by hospitals through their annual Medicare Cost Report to further understand hospital costs, including the 'breakeven' or the point at which a hospital's revenue equals its expenses. The tool represents hospital breakeven as the amount commercial payers would need to pay, as a multiple of Medicare's rate, to cover their patients expenses, as well as any profit or loss from public payers. The breakeven data point offers health plans data to inform their price negotiation with hospitals so that plans can pay for care based on the cost of providing care instead of as a discount from a hospital chargemaster.

Resources

- **Slide Deck:** Understanding the Health Care Cost Conundrum
- NASHP Hospital Cost Tool (Interactive dashboard coming soon)
- **Slide Deck:** Overview Analysis of NASHP's Hospital Cost Tool

Anti-Competitive Health Plan Contracts Model Legislation

Consolidation, both vertical and horizontal, has created dominant health systems that can use their market leverage to add anticompetive terms to contracts and charge high prices to health plans. This legislative model, developed with state officials, aims to create a more level playing field for negotiations to lower hospital prices by banning anticompetitive contract terms using states' consumer protection and antitrust laws. The model specifically prohibits four common anticompetitive contract provisions that health systems have used in consolidated markets: (1) all-or-nothing contracting; (2) anti-tiering or anti-steering clauses; (3) most-favored-nation clauses; and (4) gag clauses.

Resources

- Model Act to Address Anticompetitive Terms in Health Insurance Contracts
- **NASHP Report:** A Tool for States to Address Health Care Consolidation: Prohibiting Anticompetitive Health Plan Contracts

State Prescription Drugs Purchasing Pools Buy-In Model Legislation

In addition to high hospital costs, SEHP officials also seek solutions to high prescription drug prices. Expanding the number of individuals for whom a plan buys drugs can help secure better prices, so public employees and others joining can benefit from a larger purchasing pool. This model legislation allows small businesses and individuals to buy into a state employee prescription drug benefit purchasing pool. It authorizes non-state public employers, self-insured private employers, and insurance carriers who cover small groups or individuals to purchase drugs for their enrollees under the state's purchasing authority.

Resources

- **Model Legislation:** Model Legislation to Allow Buy-in into State Purchasing Pools for Prescription Drugs
- **Q&A:** Prescription Drug State Purchasing Pools and Buy-in
- White Paper: NASHP Proposal for a State Purchasing Pool for Prescription Drugs
- **Blog:** Model Pharmacy Benefit Manager Contract Terms Help States Achieve Prescription Drug Savings

Overview of Additional State Cost-Containment Efforts and Opportunities

In 2020, The Georgetown Center on Health Insurance Reform (CHIR) conducted a survey of SEHPs. The analysis provides a comprehensive overview of 47 state plans from eligible workforce participants to claims data information. There is also a report on states' overarching cost containment efforts from interviews with specific states.

Resources

- **Report and Map:** Opportunities for State Employee Health Plans to Drive Improvements in Affordability
- Transparency Regulations and the Consolidated Appropriations Act: A Checklist for SEHPs

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