

**Highlights of “Cracking the Code on Health Care Costs”**  
A Report by the State Health Care Cost Containment Commission

The full report can be accessed [here](#).

This report was released on January 8, 2014. The State Health Care Cost Containment Commission was established under the auspices of the Miller Center at the University of Virginia (UVA) under the leadership of its Project Director, Ray Scheppach, who formerly served as the Executive Director of the National Governors Association and now holds positions at both the Miller Center and the Frank Batten School of Leadership at UVA. The Commission was co-chaired by Mike Leavitt, former U.S. Secretary of Health and Human Services and former Governor of Utah, and Bill Ritter, former Governor of Colorado. Its members included health insurance, hospital, and physician group CEOs, as well as representatives of major purchasers of health care, including Medicare, Medicaid, the private sector, and consumers.

This report emphasizes the role States and especially Governors can play in making health care more cost effective while also improving its quality. The risk-based approaches many states are utilizing in the Medicaid and CHIP programs were cited in the report as important levers for Governors to use in help to drive market reforms.

Recommendations

1. Create an alliance of stakeholders to transform the health care system
2. Define and collect data to create a profile of health care in the state
3. Establish statewide baselines and goals for health care spending, quality, and other measures as appropriate
4. Use existing health care programs to accelerate the trend toward patient-centered high-performing care.
5. Encourage consumer selection of high-value care based on cost and quality data, and promote market competition
6. Reform health care regulations to promote system efficiency
7. Help promote better population health and personal responsibility in health care

Under Recommendation 4, the Commission suggests that States “create a standard definition of what constitutes a high-performing coordinated care organization that manages costs and promotes quality using risk-based payments” that could be used to establish a process to formally designate organizations that meet the State definition. The Commission further suggested that a range of elements (reflecting many of the attributes of Medicaid managed care organizations/MCOs) should be addressed in the definition. These include:

- Care coordination expertise
- Capability to use health IT to support patient care
- Patient-centricity
- Capability to deliver the full scope of services required to provide total-population health management
- Ability to demonstrate commitment to and achievement of high-quality health care and cost management using risk-based payments.
- Risk-bearing capability

The Commission also recommended that risk be extended to providers in a manner that also allows for “shared savings” arrangements. For organizations that do not provide comprehensive services, such as hospitals, the Commission suggested that risk-bearing mechanisms such as bundled payments could be used to promote more cost-effective and higher quality care.

Citing work being done in the States of Colorado and Oregon to incorporate high-value care into their Medicaid purchasing, the report suggested that States merge the elements of a patient-centered, high performing health care system into their contracts with Medicaid MCOs and providers who serve the 74 percent of enrollees already in some type of coordinate care and that such systems of care should be utilized more widely in rural areas.

### Roundtable Discussion

The 9 million individuals eligible for both Medicaid and Medicare were a major focus of the report and a roundtable discussion that also took place on January 8 at the National Press Club in Washington, DC. Commission members and several commentators who participated in the roundtable shared a sense of urgency on this issue, citing both the disproportionate cost of their care and the fragmentation of their care delivery system. While some concerns were expressed about the length of time it was taking to carry out the dual demonstrations authorized under the ACA, one panelist noted that the frailty of this population made it important for these initiatives to be carefully designed and implemented.

Some of the insightful comments offered at the roundtable included the following:

**Susan Dentzer**, Senior Policy Advisor at the Robert Wood Johnson Foundation, who moderated the discussion, observed that health care payment reform is very challenging because “every dollar of health care spending represents someone else’s dollar of income.”

**Mike Leavitt** expressed the view that health reform is really also about economic reform at the State level, given the impact of health care spending on other parts of State budgets, making it imperative for Governors to address this issue. He also clarified that the State health care spending goals recommended by the Commission should not be confused with mandated spending caps.

**Ray Scheppach** said that he thought a consensus process that included all major health care stakeholders coming to the table would be a much more effective strategy than a more unilateral legislative, regulatory, or Executive Order approach.

**Bill Ritter** noted the importance of Governors recognizing the process of reform will last beyond their term of office and described efforts in Colorado to address health care issues that spanned administrations controlled by different parties. He also said he believes most Governors would prefer broader waiver authority under Medicaid over negotiated “shared savings” bonus payments from the federal government.

**Andrew Dreyfus**, President and CEO of Blue Cross and Blue Shield of Massachusetts, noted that setting a goal for total health care spending in his State was a galvanizing achievement. He also observed that many social determinants of health – education, public safety, and the environment – are all impacted by State budget constraints resulting from escalating health care expenditures.

**Alice Rivlin**, Senior Fellow at the Brookings Institution and former Director of the Office of Management and Budget, stressed the importance of changing behaviors to keep people healthier.