



HEALTH CARE

Reforming Health Care to Cover More People, Save Money and Drive Quality

Of the many costs borne by state government, none have been as vexing as those paid for health care. Today, Washington state spends \$5 billion on health care. The majority of that is care for low-income and vulnerable people, which as a share of the General Fund has doubled over the past two decades, from 7 percent in 1991 to 15 percent in 2012.

Yet despite that spending, not everyone has health care. In 2004, Washington's health care uninsured population expanded by 11 percent to 603,000 citizens, including 96,480 children. The uninsured rate grew not only for the very poor and near poor, but included the middle class, whose ranks swelled by 50 percent from 2000 to 2004. In that time span, health benefit costs increased by 14 percent for Washington's largest employers, far outpacing consumer inflation. Washington state is not unique: Nationally, health care costs are projected to account for almost 20 percent of GDP — that's \$1 of every \$5 spent in the United States.

Yet despite staggering costs that continued to escalate, reports indicated that health care quality was lagging. The 2005 State of Health Quality Report showed that between 39,000 and 83,000 deaths nationally resulted from preventable medical errors each year. Reports also showed that across the country, 20 to 30 percent of health care spending did not improve health or extend life. Assuming the national figures were representative for Washington, this meant that more than \$1 billion was being spent annually on health care that did not help patients.

And then there's waste. It's estimated that across the United States, waste in the health care system amounted to \$500 billion to \$1.3 trillion in 2011. If applied proportionately across the states, Washington's share would be \$10 billion to \$25 billion per year. Put that into context: Our state General Fund budget is about \$32 billion per year.

Against this backdrop, Governor Gregoire protected and expanded health care coverage with the goal of providing affordable, high-quality health care for all Washingtonians. To this end, one of the first things she did after taking office in 2005 was grow children's coverage by 100,000 through the Apple Health for Kids Medicaid program. By 2012, nearly all children in Washington who need care were covered. The strategy was as smart as it was compassionate: Harvard researchers found in 2012 that when states expanded their Medicaid programs and gave more vulnerable people health insurance, fewer died.



Within the first 100 days of her administration, Governor Gregoire launched a bold plan to reform health care in Washington based on these strategies:

1. Use evidence-based medicine to ensure that patients receive health care that works.
2. Expand chronic care management to better serve the 5 percent of patients who use 50 percent of our health care resources, and help identify and prevent at-risk patients.
3. Improve the health of Washington residents by emphasizing wellness, health promotion and prevention.
4. Use health information technology as a backbone for a more efficient and effective health care system.
5. Increase data transparency to give consumers better information about health care costs and quality.

The Governor's five-point strategy was reinforced by the Blue Ribbon Commission on Health Care, a group she chaired in 2006 and 2007 to identify ways to expand coverage and tamp down costs while driving better outcomes for patients. She organized this work in two phases.

Phase one focused on the health care costs paid by the state to low-income individuals through Medicaid; state employee health coverage; workers' compensation through the Department of Labor and Industries; and inmates through the Department of Corrections. The Governor instituted a host of reforms such as reining in prescription drug costs through joint purchaser arrangements with Oregon and requiring generics first if available. She formed the Health Technology Assessment program to provide clinician-led, evidence-based coverage decisions for state purchasers. She also made coordinated and integrated care a priority for Medicaid patients most in need: those 5 to 10 percent of patients, or 115,000 individuals, who cost upward

of 50 percent of all the resources in the system. The Governor believes in paying for value, not volume, of services. One of the most significant reforms to state government was merging the purchasing power of the state's Medicaid program and the Public Employees Benefits Board to gain greater purchasing power and administrative efficiencies.

Phase two focused on external public/private partnerships to shrink expenses for employers and individuals in the state. This included such initiatives as the Boeing-led chronic care pilot and the Dr. Robert Bree Collaborative to identify unnecessary variations in care and devise statewide solutions.

The Great Recession of 2008 magnified the need to reform health care. With more people out of work and uninsured, and with more strains placed on state health care programs, the need was never more compelling to provide coverage and cut unnecessary or duplicative costs. Accordingly, the Governor set out a bold goal in 2011 to limit the growth of overall health care spending to 4 to 5 percent annually by 2014 while maintaining quality. When achieved, savings of up to \$26 billion over projected spending are expected in the next 10 years.

The passage of the Patient Protection and Affordable Care Act in 2010 signaled a national commitment to the principles and strategies that Governor Gregoire had already embraced upon her election. Many of the act's provisions were being developed or even in place in Washington state. The Governor had long been mindful that covering more people is not sustainable without a relentless focus on cost containment and quality.

The following sections describe how Washington continues to deliver health care to more people with less cost and better outcomes through adoption of five strategies.

Strategy #1: Use evidence-based medicine to ensure that patients receive health care that works

Health Technology Assessment program

Understanding that evidence-based medicine requires an infrastructure to gather and disseminate best practices, the Governor requested legislation in 2006 to create the Health Technology Assessment Program. Health technology assessment ensures medical services paid with state dollars are safe and effective through contracts for science-based reports with relevant information.

Advanced imaging management

This private-public collaborative was formed to identify evidence-based decision criteria for advanced imaging such as MRIs. The Department of Labor and Industries alone saved nearly \$2 million annually by using the new data that suggest when advanced imaging is the most appropriate. The agency also partnered with OneHealthPort for an online exchange and “gold cards” for health care institutions. These allow provider requests to be more expeditiously approved, which cuts administrative burdens for physician offices and costs to the state. This approach also led to joint purchasing efforts between state agencies that cut costs even more.

Dr. Robert Bree Collaborative

Governor Gregoire worked with the Legislature to create the Bree Collaborative. This consortium of public/private health care purchasers, carriers and providers is identifying concerns with quality and/or variation in health care and recommending evidence-based strategies for improvement. For instance, there is enormous variation in the rate of elective C-section births at

Yakima Valley Memorial Hospital — 3 percent — compared to 20 and 30 percent at other hospitals in the state. While relatively new, this model shows great promise.

Pharmacy purchasing

The price of prescription drugs is a factor in rising health care costs. Using the Preferred Drug List was one of the Governor’s early successes. The evidence-based list, which addresses both quality and cost issues, is used by public employees, Medicaid and the workers’ compensation health care program. It has resulted in annual cost avoidance of \$57.7 million, including \$23.3 million in Medicaid.



Generics First

Through the Generics First campaign, providers and pharmacists have been encouraged to prescribe generic drugs. Each 1 percent increase in the fill rate triggered state savings of at least \$1 million a year.

Free prescription drug discount card

By leveraging multi-state purchasing power, everyday consumers have been able to save money on prescription drugs. Residents get a free card and buy medicine for roughly the same price as the state pays. Through 2011, Washington residents saved more than \$19.6 million on prescription drug charges. In 2011 alone, \$5 million was saved, an average of \$58 per month per member.

Surgical Care Outcomes Assessment Program

This nationally recognized program includes a pre-surgery checklist to reduce medical errors that can lead to infection and re-hospitalization. Forty-eight hospitals in Washington have voluntarily signed up. It has now expanded to other areas of practice such as obstetrics.

Treatment guidelines

Medicaid worked with such partners as the Washington State Medical and Hospital Associations to develop evidence-based guidelines to reduce avoidable C-sections and the accompanying risks to mother and baby. The Department of Labor and Industries worked with its Clinical Industrial Insurance Medical and Chiropractic Advisory Committees to produce nationally recognized surgical guidelines, which have saved millions of dollars and led to better patient outcomes.

Never events and hospitals readmissions

Washington was among the first states to have stopped paying for hospital “never events,” or those adverse occurrences that should never happen in the first place, or for hospital readmissions directly related to a recent admission. One effective method was requiring providers to follow checklists to prevent unnecessary readmissions. The policy is now standard nationwide.

Appropriate emergency room use

In 2011 and 2012, the state worked with emergency room doctors and the medical and hospital associations to develop best practices such as electronic records, which can be accessed by health care providers at any time. The medical parties also used patient and provider education, narcotic guidelines and provider feedback reports to encourage patients to use primary care instead of more expensive emergency room for non-emergency use. Early results show significant reduction in overall ER use.

Care based on outcome performance

Feedback reports to physicians contain information about how providers and practices compare in various ways. For instance, those reports have let physicians know how frequently they may electively deliver babies. Medicaid used feedback reports to move its use rate for generic drugs from 68 percent to 82 percent. Feedback

reports reduced anti-psychotic medication in the Medicaid population, which led to measurement for rates of “too many, too young and too much” use of psychotics medications, especially in children.

Medical marijuana

Governor Gregoire was the first among her peers to petition the federal government to reschedule cannabis for medical use to a Schedule II drug. In her science-based, peer-reviewed petition, she advocated following an innovative pharmacy model so patients can receive their medication from a pharmacy, not the streets.

Strategy #2: Expand chronic care management to better serve the 5 percent of patients who use 50 percent of our health care resources, and help identify at risk-patients

Chronic care management

The Governor partnered with The Boeing Company to implement its successful model for high-needs patients that uses clinic-based nurses and a redesigned payment system to save time and money. This is a good example of a successful multi-purchaser campaign to change health care.

Health homes

Health homes deliver services to people in need of better coordinated and integrated care, particularly for those who are dually eligible for Medicaid and Medicare. These dual eligibles represent just 11 percent of Medicaid enrollment but 34 percent of Medicaid and related state expenditures. In 2012, the state won approval from the federal government for a Center of Innovation to establish more health homes.

Monitoring care for high-risk Medicaid clients

Innovative programs such as the Medicaid Patient Review and Coordination program help patients with a history of overusing high-cost services, such as emergency rooms and prescription drugs.

Diverting them from more expensive and less appropriate emergency room care to primary care is good for patients and saves money.

Workers' compensation reform and Centers of Occupational Health and Education

Legislation that the Governor requested in 2011 has put in motion the most significant workers' compensation system reform in our state in 100 years. The Department of Labor and Industries will set up a medical provider network, health payment performance measures, chronic care centers of excellence and, by 2016, expand the Centers of Occupational Health and Education (COHE) statewide. The COHEs serve as centers of excellence, or health homes, for injured workers. Peer-reviewed studies show that the COHE model prevents 20 percent of long-term disability in the workers' compensation system.

Long-term care system

Washington's long-term care system is widely viewed as one of the best. In fact, Thomson Reuters rated Washington tops in the nation. Eighty-two percent of the 56,000 state clients with long-term care needs are served in home and community-based settings.

Department of Corrections

The cost per offender for health care has declined since 2008. In fact, health care inflation is negative because the department has instituted quality initiatives such as better prescription drug purchasing and chronic care management.

Strategy #3: Improve the health of Washington residents by emphasizing wellness, health promotion and prevention

Getting and staying healthy

The Healthy Communities program provides resources to reduce chronic disease by promoting healthy eating, active lifestyles, preventive health care services and tobacco-free living. The state employee Wellness Program provides on-the-job

wellness and prevention incentives and activities such as smoking cessation, mental health resources and exercise tools.

Parity for mental health services in insurance coverage

The Governor and the Legislature worked together to secure legislation that requires mental health parity in insurance policies. Until 2005, insurance companies often denied coverage or didn't offer coverage at all for mental health services. In 1999, the Surgeon General estimated that untreated mental illness cost U.S. businesses at least \$70 billion annually in direct costs.

Tobacco use prevention

Thousands of people in Washington are living longer, healthier lives thanks to the Tobacco Prevention and Control Program operated by the Department of Health. Youth smoking has dropped by almost half since 2000, and adult smoking dropped to 14.9 percent in 2010, a reduction of 30 percent. Our state has made more than a \$5-to-\$1 return on investment by reducing tobacco use.



Childhood immunizations

The Governor supported significant changes to law so now 73.7 percent of Washington's toddlers ages 19–35 months get the right immunizations at the right time. This gives our children a healthy start in life and in school. Washington state was ranked 45th in all states in 2002; we were ranked 16th in 2012 in immunization rates.

The Washington Vaccine Association

Faced with budget cuts, the state partnered with the private sector to establish this program for the “universal purchase” of vaccines for all children, regardless of insurance coverage. This maximized the state’s purchasing power to obtain deep discounts and created a seamless ordering system through the nonprofit Washington Vaccine Association.

Strengthening the public health system

Local health agencies have signed a public health mutual aid agreement. The Public Health Emergency Preparedness and Response team has made important progress coordinating with local and tribal partners on large-scale events such as natural disasters and pandemic illness.

Swine flu and pertussis

Washington’s public health system responded nimbly to the H1N1, or swine flu pandemic, the largest public health threat in recent memory. The 2009 outbreak caused 95 deaths and at least 1,617 hospitalizations in our state. Then in 2012, Washington faced an epidemic of pertussis, or whooping cough, which puts infants at high risk because they have not yet been immunized. The Department of Health was again at the forefront of halting the spread of the disease.

Prescribed opioids and patient safety

Since the late 1990s, Washington and other states have experienced an unprecedented surge in unintentional overdoses from prescribed opioids such as the painkillers oxycodone and codeine. In fact, deaths from drug overdose in our state eventually exceeded deaths from motor vehicle collisions. This led to the creation of an Opioid Dosing Guideline, the first such product of its kind in the country. In 2011, the Governor signed legislation to require new rules to improve pain management safety. The goal is to keep patients safe by giving practitioners who prescribe opiate drugs effective tools for patient care and monitoring. In addition, the

Department of Health has implemented the Prescription Monitoring Program, a database that lets providers review their patients’ drug therapy. Overall deaths have declined as a result.

Professional licensing and discipline

In response to the Governor’s call for reforms, the new Integrated Licensing and Regulatory System was launched in 2008. It replaced five antiquated and slow-responding systems. An executive order issued by the Governor directed the Department of Health and the professional disciplinary boards to adopt uniform standards on sexual misconduct to better ensure patient safety.

Strategy #4: Use health information technology as a backbone for a more efficient and effective health care system

Health information technology

According to the publication Stateline, which used data from the Centers for Disease Control and Prevention, Washington ranks No. 6 in the nation in implementing health information technology. This includes such things as the health information exchange, electronic health records and health record banks. Our state’s goal is to have patient health records computerized by 2014 so patients and providers can easily access records, reduce errors and redundancies and improve care. In fact, 30 percent of all medical testing is redundant because health care providers are not able to share data as patients go from doctor to doctor.

Administrative simplification

The Governor emphasized the imperative to cut the administrative waste that contributes to billions of unnecessary health care spending. The Blue Ribbon Commission advised and the Legislature and Governor directed the Office of the Insurance Commissioner to identify key contributors to administrative waste and evaluate improvements through such technological innovations as the streamlined

online credentialing process. This allows health care providers to use a single form to meet the credentialing standards for all insurers in the state. State programs have likewise implemented several initiatives that reduce administrative hassle such as online access for pharmacy and billing needs. Another innovation that saves money and time is allowing high-performing providers who use evidence-based guidelines to conduct certain authorizations online.

Predictive modeling system

Prism uses data analytics to identify and improve services for at-risk patients. This tool can identify the 5 percent of patients who account for 50 percent of health care expenditures. It can more importantly identify those who are at-risk so providers can help prevent a chronic condition.

Fraud and abuse

Washington has become a national leader in its efforts to ensure integrity in our health care programs. This work began with Medicaid's first post-payment reviews and has expanded to include audit, anti-waste and anti-fraud initiatives. In 2012, the Governor signed legislation to implement and test the state Medicaid Fraud and False Claims Act, which offers new tools and an increased return from the federal government on fraud recoveries.

Strategy #5: Increasing data transparency to give consumers better information about health care costs and quality

Puget Sound Health Alliance

The Governor has worked with employers through the Puget Sound Health Alliance to promote payment reform and transparency. The Alliance's Community Checkup report measures the quality of care provided by hospitals, clinics, health plans and other health care providers in

the Puget Sound region. One example measures generic drug usage. There is a consensus among highly regarded physicians and pharmacists, for example, that 95 percent of the prescriptions for antacid medication should be generic. Our regional average is 80 percent, which is up from 55 percent in 2005. Yet across major medical groups, there is a range of 28 to 90 percent. That variation can and should be reduced.

Consumer-directed, high-deductible plan with a Health Savings Account

A consumer-directed, high-deductible plan is a type of insurance plan with lower premiums, a higher annual deductible and higher out-of-pocket maximum than traditional health plans. State workers were offered this option in 2012.



Research shows these plans are a good way for consumers to control health care expenses, which may drive more efficient medical practices, better diagnostics and greater consumer choice based on price and quality outcomes, especially if consumers have ready and reliable access to price and outcome data.

WASHINGTON IS A LEADER IN IMPLEMENTING HEALTH CARE REFORM

Washington took many steps before the passage of the Affordable Care Act to address problems and reform our health care system. The Governor's Blue Ribbon Commission studied the system and released recommendations for comprehensive reform, many of which were adopted. Washington is a leader in mental health parity, one of the first states to employ evidence-based medicine, an innovator in health IT and pioneer in chronic care management. Thanks to Governor Gregoire, we are providing health care "the Washington Way."

After Congress passed the Affordable Care Act, Washington became a national model for working toward its successful implementation. Through an executive order, the Governor created a Health Care Cabinet to advise her in moving forward with implementing the law. Washington also continued to institute reforms that go above and beyond the basic requirements of the law to save money and boost quality. Those actions yielded the following benefits:

» **Pre-existing conditions and no lifetime limit**

More than 800,000 Washingtonians with pre-existing conditions now have health care coverage. And more than 2.4 million Washingtonians no longer have a lifetime limit on their health insurance plans.



» **Preventive care and coverage to age 26**

More than 1.2 million Washingtonians have either received or added coverage for important preventive services such as annual physicals and cancer screenings. Almost 52,000 young adults up to age 26 have coverage because they are able to stay on their parents' health care plan longer.

» **Portability and fairness**

Washingtonians no longer need to be reluctant to change jobs, have a baby or make other life changes because they are afraid of how they will cope if they lose health care coverage. Small businesses — the backbone of our economy — are not expected to pay more than larger businesses for employee health care.

» **Health Benefit Exchange**

On the second anniversary of the Affordable Care Act's passage, the Governor signed legislation she requested to create Washington's Health Benefit Exchange. In so doing, Washington became one of the first states to move forward with this important aspect of health care reform. The exchange — a simple, user-friendly website displaying health care information for prospective buyers and consumers — boosts competition and reduces the complexity of the marketplace.

» **The State Basic Health Program – the transitional bridge waiver**

Governor Gregoire successfully sought a waiver in 2011 to use federal funds to preserve the state's Basic Health, Disability Lifeline and Alcoholism and Drug Addiction Treatment and Support Act, or ADATSA programs, as a bridge to 2014 when the majority of enrollees in these programs will transition to the Medicaid program. While saving millions of dollars, the waiver persuaded succeeding sessions of the Legislature to keep the programs alive despite the state's severe budget crisis.

» **Medicaid expansion**

Although a 2012 U.S. Supreme Court decision made this discretionary for states, the Governor directed the Health Care Authority to develop eligibility and enrollment procedures to handle the estimated 350,000 additional clients who are expected to join Medicaid rolls Jan. 1, 2014.



When she took office in 2005, Governor Gregoire understood that healthy Washingtonians learn better and contribute positively to a productive economy. She worked quickly to rein in health care inflation, which we have slashed to 2 percent in the state Medicaid program. Her other signature health care major achievements were covering 97 percent of children who need health care through Apple Health for Kids; designing a state strategic plan premised on evidence-based medicine to purchase services and devices that are safe and effective; and intelligently marshalling health care reform for Washingtonians as it plays out on the national stage.

In making these accomplishments, the Governor worked with multiple partners, including providers, hospitals, insurance plans, the Legislature, tribes and the federal government, to realize these achievements. She relied on their expertise to support prudent, evidence-based decisions for state purchasing. Working in concert to provide more access, higher quality and less expensive results, Governor Gregoire and her partners were instrumental in reshaping the health care landscape in Washington state.