Fact Sheet: APCD and Health Reform

June 2011

To transform their health care delivery systems, and to do so effectively, states will need comprehensive information on health care use and costs. To support that need, a growing number of states are establishing All-Payer Claims Databases (APCDs). APCDs are large-scale databases created by state mandate, that typically include data derived from medical claims, pharmacy claims, and dental claims, supported by eligibility and provider files, from private and public payers. In states without a legislative mandate, there may be voluntary reporting of these data[i]. APCDs provide the ability to understand *how* and *where* health care is being delivered and how much is being spent. Ideally, APCDs include data on the fully-insured, self-insured, Medicare, and Medicaid populations. The information collected typically includes patient demographics; diagnosis, procedural and National Drug Code (NDC) codes; costs (including payer paid amounts and consumer liabilities); information about the type of service providers; and payer information (e.g., type of health plan).

APCDs include claims data from a full range of services, including primary care, specialty care, outpatient services, inpatient stays, laboratory testing, dental services, and pharmacy data, across multiple payers. This provides a database that can be analyzed to understand the care delivery and cost patterns across health care settings. However, APCDs do not contain clinical data from electronic medical records, laboratory systems, radiology systems, etc. So, although an APCD will contain claims from a laboratory test that was performed, it will not contain the results of the laboratory test.

Most states have developed APCDs in order to promote transparency about the patterns of delivery and pricing of healthcare. They generally intend to use the data to make more informed decisions about health care policy addressing the need for more affordable, high-quality healthcare. Since achieving more affordable, efficient, and high quality healthcare is the goal of the Affordable Care Act (ACA)[ii], and

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This fact sheet focuses on the potential contributions of APCDs to health reform. Given the breadth of health reform, and the multiple possible uses of APCD data, this fact sheet is not intended to be a comprehensive review, but should serve to highlight some key opportunities available to states that have APCDs.

Health Care Delivery Reform: Medical Home

According to the Agency for Healthcare Research and Quality (AHRQ), "the medical home model holds promise as a way to improve health care in America by transforming how primary care is organized and delivered. Building on the work of a large and growing community, AHRQ defines a medical home not simply as a place but as a model of the organization of primary care that delivers the core functions of primary health care."[iii] States across the country have implemented Patient-Centered Medical Home pilots[iv], including several funded as Medicare Medical Home Demonstrations.[v]

New Hampshire began a commercial medical home pilot in nine (9) primary care practices across the state in the summer of 2008[vi]. As part of that project, the NH APCD was used as the source of data for initial evaluation of the medical home pilot. APCD data was used to calculate pre- and post-pilot per member per month expenditures and utilization measures for the medical home sites across payers, comparing claims data from pilot sites to data from patients not associated with the medical home practices.

Insurance Reform: Rate Review

A major component of the health reform legislation is the development of health benefits exchanges (HBEs). An early element of the work to develop HBEs has been a focus on rate review. This work is supported by grants from the U.S. Department of Health and Human Services to states in 2010, to "help improve the oversight of proposed health insurance premium increases, take action against insurers seeking unreasonable rate hikes, and ensure consumers receive value for their premium dollars.[vii]" Some states with APCDs have been exploring the utility of APCD data to support rate review efforts. The State of Vermont is one of those states, and the preliminary observations from Vermont's work indicate that claims data may be a valuable resource for state rate review efforts, specifically in understanding trends in rate filings and in supporting the development of comparative data for benchmarks.

According to Dian Kahn, with the Vermont Department of Banking, Insurance, Securities and Health Care Administration (BISHCA), the organization that administers Vermont's APCD and rate review efforts, the APCD in Vermont is being used to understand trends in rate filings:

> *Although there are differences between how the insurers use claims data to construct rate filings, there are ways to identify and account for the differences to make the claims data relevant as a tool to understand the trends in rate filings. An example is the need to identify and isolate high cost claims that may trigger the attachment point for stop loss coverage that paid these claims under a separate risk arrangement. The complementary use of claims data in conjunction with a rate filing may support more refined analysis of cost drivers due to the availability of detailed provider information. The availability of claims data from multiple insurers for a state or regional population can support more relevant comparative data for averages and benchmarks.* [viii]

Health Payment Reform: Accountable Care Organizations

To reshape the organization, delivery, and financing of care for Medicare beneficiaries, the Centers for Medicaid and Medicare Services (CMS) has defined an Accountable Care Organization (ACO) as "an organization of health care providers that agrees to be accountable for the quality, cost, and overall care of Medicare beneficiaries who are enrolled in the traditional fee for service program who are assigned to it."[ix] While this definition and related grant opportunities prescribed by the Patient Protection and Affordable Care Act (PPACA) have attracted much attention, the ACO concept is being considered and/or tested by many states and local organizations with commercial payers and Medicaid programs.

New Hampshire is currently piloting a commercial payer ACO model in five (5) sites across the state.[x] In the NH Accountable Care Organization pilot, the APCD data is guiding decisions about how to structure the pilot (e.g., how to calculate a global budget for a geographic area) and is the source of information on baseline of costs and quality of care. Since the New Hampshire APCD includes encounter data at multiple points in time and across multiple payers, it will be possible for the project to follow patients as they move between payers and providers. In addition, because the APCD is not aligned with a particular payer or ACO system, participating sites are comfortable using it as a source for data aggregation. Limitations of the New Hampshire APCD that may affect this project include availability of timely data since data processing can be slow, not having data from all small carriers and from out-of-state plans, and missing data on carrier incentive and administrative fees and other charges that are not seen in the claims data.

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Summary

APCDs will likely prove to be an important tool for states as they make decisions about how to implement health reform, and how to evaluate the success of their efforts.

Fact sheet prepared by the All-Payer Claims Database (APCD) Council in collaboration with the National Association of Health Data Organizations (NAHDO). Lead author, Ms. Josephine Porter, is Deputy Director of the New Hampshire Institute for Health Policy and Practice at the University of New Hampshire.

For More Information on APCD's visit the following websites:
All-Payer Claims Database Council: http://www.apcdcouncil.org/
National Association of Health Data Organizations: http://www.nahdo.org/

[i] Love, D., Custer, W. and P. Miller, *All-Payer Claims Database: State Initiatives to Improve Health Care Transparency,* http://www.apcdcouncil.org/sites/apcdcouncil.org/files/All-Payer%20Claims%20Databases%20State%20Initiatives%20to%20Improve%20Health%20Care%20Transparency.pdf, September 2010
[ii] HeathCare.gov, *Better Benefits, Better Health,* http://www.healthcare.gov/foryou/betterbenefitsbetterhealth/index.html, June 2011
[iii] Agency for Healthcare Research and Quality (AHRQ) Patient Centered Medical Home (PCMH) Resource Center, *What is the PCMH?,* www.pcmh.ahrq.gov/portal/server.pt/community/pcmh__home/1483/what_is_pcmh, June 2011
[iv] Patient-Centered Primary Care Collaborative, http://www.pcpcc.net/, June 2011
[v] Centers for Medicare and Medicaid Services, *Details for Medicare Medical Home Demonstration,* http://www.cms.gov/demoprojectsevalrpts/md/itemdetail.asp?itemid=cms1199247, April 2011
[vi] NH Citizens Health Initiative, *Medical Home Project,* http://citizenshealthinitiative.org/medical-home-project, June 2011
[vii] USDHHS News Release, *$46 Million in Grants to Help States Crack Down on Unreasonable Health Insurance Premium Hikes,* http://www.hhs.gov/news/press/2010pres/08/20100816a.html, August 2010
[viii] Personal communication with Dian Khan, State of Vermont, BISCHA, May 2011
[ix] Centers for Medicare and Medicaid Services, *Accountable Care Organizations,* https://www.cms.gov/OfficeofLegislation/Downloads/AccountableCareOrganization.pdf, June 2011
[x] Staples, H. and J. Porter, *Accountable Care – The Overarching Vehicle for Rehabilitating Health Care – A New Hampshire Perspective,* http://citizenshealthinitiative.org/sites/citizenshealthinitiative.org/files/media/Payment_Reform/2010_ACO_Issue_Brief.pdf, February 2010

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