



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

Whole-Person Health Reform in Pennsylvania

Prior to the COVID-19 pandemic, there were already warning signs in Pennsylvania's health care system. Thirty-six percent of Pennsylvanians find it hard to pay their medical bills, ten percentage points above the national average.ⁱ The state's health care costs have been growing annually at a rate that is significantly above the annual statewide growth in GDP, making Pennsylvania families and businesses pay a larger percentage each year towards health insurance premiums and out-of-pocket costs.ⁱⁱ Health care access is becoming more difficult, as large providers close their doors after changes in ownership. Pennsylvanians are also experiencing tangible health disparities with life expectancy varying by more than 20 years in adjacent neighborhoods.ⁱⁱⁱ

The COVID-19 pandemic has magnified these existing issues in Pennsylvania's health care system. Affordability, especially for those with preexisting conditions, is expected to become a crisis with more than 1.5 million Pennsylvanians expected to become uninsured.^{iv} Even for those with insurance, rising unemployment may mean much greater difficulty paying out-of-pocket costs. In addition, the significant state budget shortfall has also made finding efficiencies in our health care system more important than ever.

Recognizing the importance of affordable health insurance coverage, in recent years Pennsylvania has worked to moderate premium increases and pursue initiatives that will increase affordability without sacrificing quality or comprehensiveness of coverage. In particular, in 2020, Pennsylvania will implement a reinsurance program alongside the launch of its own state-based exchange, Pennie, that will lower premiums for individuals and families that buy comprehensive coverage on their own. However, long-term trends such as continual increases in health care costs and the shifting of these costs to employees through higher cost-sharing, particularly deductibles, necessitate efforts aimed at curbing these broader trends over time.

Moreover, industry analysts predict that healthcare provider and payer merger, acquisition, and changes in ownership will accelerate as a result of the pandemic as distressed organizations seek stable partners.^v Currently, this M&A activity happens with little transparency into the effect that these changes will have on our communities and the cost of health insurance for the Commonwealth's businesses and residents. COVID-19 has also exacerbated the preexisting inequities that certain disadvantaged neighborhoods face, disproportionately hitting Pennsylvanians of color.

Governor Wolf is proposing a Whole-Person Health Reform package that will make health care more affordable, support transformation within health care corporations and state government, and tackle the health inequities resulting from systemic racism. Whole Person Health Reform means focusing on every aspect of a person that contributes to their health—both physical and behavioral health across the lifespan, addressing the social determinants of health and eliminating health disparities, and promoting the affordability, accessibility, and value of health care. The Wolf administration plan for Whole-Person Health Reform includes:

Interagency Health Reform Council (IHRC)

The Council will be established by executive order and will be composed of Commonwealth agencies involved in health and the Governor's Office, who will also chair the meetings. The initial goal will be to develop recommendations by December 30th to find efficiencies in the health care system and support whole-person care by aligning programs where feasible.

Regional Accountable Health Councils (RAHCs)

Correcting the health disparities in Pennsylvania communities require an effort that is bigger than any one payer, provider, or even state agency. Small pilot programs do not address the magnitude of health inequities that exist on a block-by-block level. Alignment among payers, providers, and community-based organizations, is critical to address



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health disparities and mitigate social determinants of health such as food and housing insecurity. As such, the Department of Human Services will add requirements into the managed care agreements to form five RAHCs across the state. RAHCs will be required to collectively develop regional transformation plans, built on community needs assessments, to reduce disparities, address social determinants of health, and align value-based purchasing arrangements.

Health Value Commission

The Governor will work with the legislature to establish the Health Value Commission charged with keeping all payors and providers accountable for health care cost growth, to provide the long-term affordability and sustainability of our health care system, and to promote whole-person care. The newly created independent entity would be led by a team of no more than fifteen commissioners. The commission would be comprised of agency heads and appointees, named by the Governor and the General Assembly, who have an expertise in the health care marketplace. Specific objectives for the Commission include:

- Establishing and adjusting a target health care cost growth rate for the Commonwealth as a whole. The health care cost growth benchmark is not a “cap” on spending, but rather a statewide growth rate target that keeps all parties accountable.
- Monitoring payors and provider performance relative to the benchmark. If payor and providers exceed the cost growth benchmark, the Commission may require a performance improvement plan. Small organizations would be exempt from performance improvement plans.
- Developing separate spending targets to support investment in primary care, behavioral health, and in value-based payments, as core elements of whole-person care.
- Calling hearings and inviting witnesses to testify on the core drivers of cost growth in the Commonwealth.
- Developing an annual report on the drivers of cost growth in the Commonwealth and provide that report to the legislature.
- Collecting data from payors and utilizing the valuable data and analyses provided by the Pennsylvania Health Care Cost Containment Council (PHC4).
- Performing public interest reviews upon receiving notice of a merger, acquisition, corporate affiliation, or changes in ownership of large providers in the Commonwealth. The public interest review will include such factors as cost, quality, and access to care, and add a new layer of transparency for Pennsylvania consumers, businesses, and communities. The Commission will make the review reports public upon completion and will share with the Attorney General.

ⁱ Kaiser Family Foundation. “The Pennsylvania Health Care Landscape.” Published April 25th, 2016.

ⁱⁱ Kaiser State health Facts. “Average Annual Percentage Growth in Health Care Expenditures Per Capita By State of Residence.” Available from 1991-2014. Kaiser Family Foundation.

ⁱⁱⁱ National Center for Health Statistics. Life Expectancy at Birth for U.S. States and Census Tracts, 2010-2015. Available from: <https://www.cdc.gov/nchs/data-visualization/life-expectancy/>

^{iv} Garfield, Rachel, Gary Claxton, Anthony Damico, and Larry Levitt. Eligibility for ACA Health Coverage Following Job Loss. Kaiser Family Foundation. Published May 13, 2020.

^v KaufmanHall. “M&A Quarterly Activity Report: Q2 2020.” Available from: https://www.kaufmanhall.com/sites/default/files/documents/2020-07/Q2_2020_Mergers_Acquisitions_Report_KaufmanHall.pdf