Network for Regional Healthcare Improvement

Getting to Affordability

Untangling Cost Drivers- Comparing Prices and Resource Use Across Regions

Network for Regional Healthcare Improvement

NAHDO Health Care Data Summit

October 11, 2018

Robert Wood Johnson Foundation

Today's Panelists:

Jonathan Mathieu, PhD, Vice President for Research and Compliance and Chief Economist, Center for Improving Value in Health Care

Meredith Roberts Tomasi, Associate Executive Director, HealthInsight Oregon

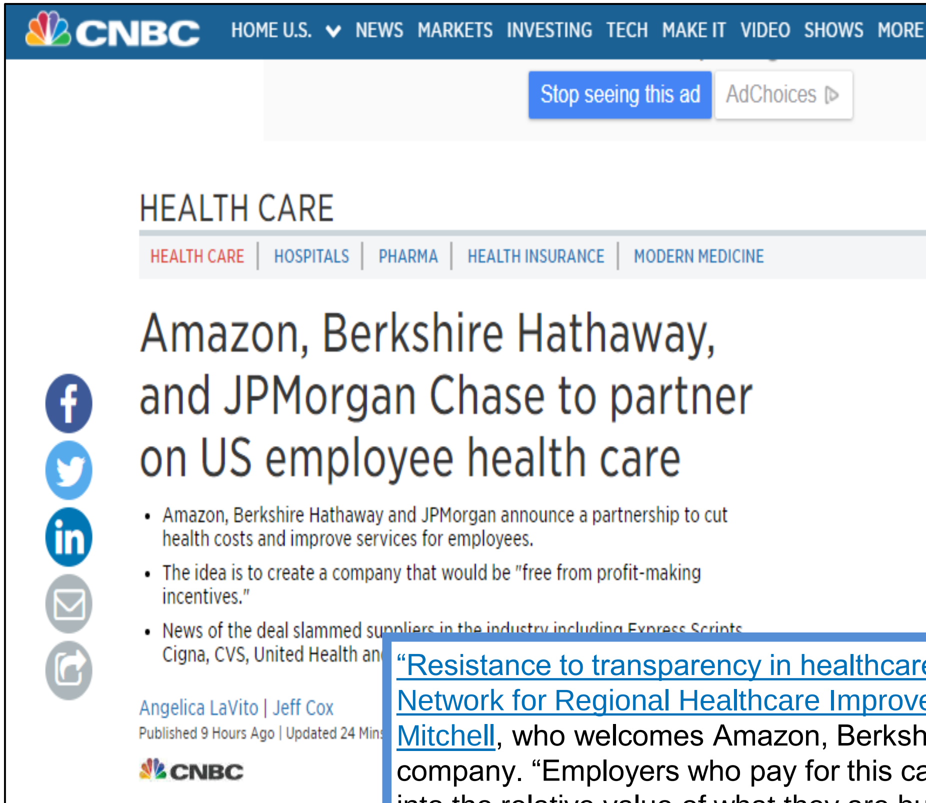
Rita Hanover, PhD, Senior Analyst, HealthInsight Utah

Kenneth Yeates-Trotman, Chief, All-Payer Claims Database, Maryland Health Care Commission

Why This Report Matters

Meredith Roberts Tomasi

- Between 2006 and 2016, the average premium contribution paid by US families with employer-sponsored health insurance increased by 77 percent, from $2,973 in 2006 to $5,277 in 2016.
- During the same period, median household income rose by just below 19 percent, from $48,451 to $57,617.
- Kaiser Family Foundation just reported that by 2030, Medicare beneficiaries are likely to pay up half of their average Social Security income for out-of-pocket healthcare costs.
- With 30 percent of healthcare services deemed “low value” or “waste,” there is ample opportunity to bring down the cost of health care without reducing or compromising patient care.



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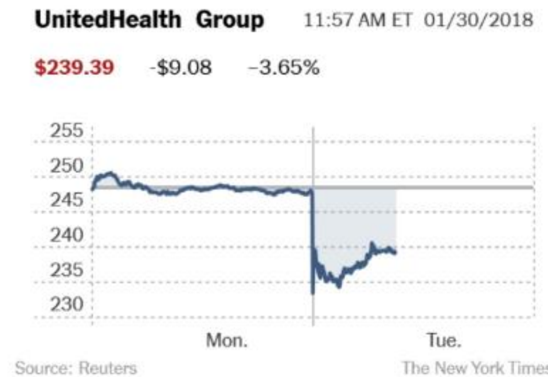
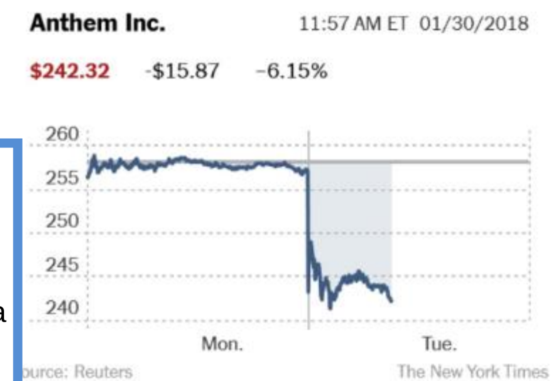
Amazon, Berkshire Hathaway, and JPMorgan Chase to partner on US employee health care

- Amazon, Berkshire Hathaway and JPMorgan announce a partnership to cut health costs and improve services for employees.
- The idea is to create a company that would be "free from profit-making incentives."
- News of the deal slammed suppliers in the industry including Express Scripts, Cigna, CVS, United Health an

Angelica LaVito | Jeff Cox
Published 9 Hours Ago | Updated 24 Min

CNBC





"Resistance to transparency in healthcare remains high," says Network for Regional Healthcare Improvement CEO Elizabeth Mitchell, who welcomes Amazon, Berkshire and JPMorgan's new company. "Employers who pay for this care still don't have insight into the relative value of what they are buying. They are looking for a way to have assurance that they are paying a fair price for a high quality service."

The Network for Regional Healthcare Improvement has long said any health reform effort needs to look closely at transparency because data that reveals the total and true cost of care is difficult to find. In a report last year, NRHI said health spending by U.S. commercial insurers can vary by $1,000 or more per year per patient, depending on where enrollees live.

Forbes, January 31, 2018

ollow Nick Wingfield and Katie Thomas on Twitter: @nickwingfield and @katie_thomas.

lick Wingfield reported from Seattle, and Katie Thomas om Chicago. Michael J. de la Merced contributed eporting from London.

The Atlantic

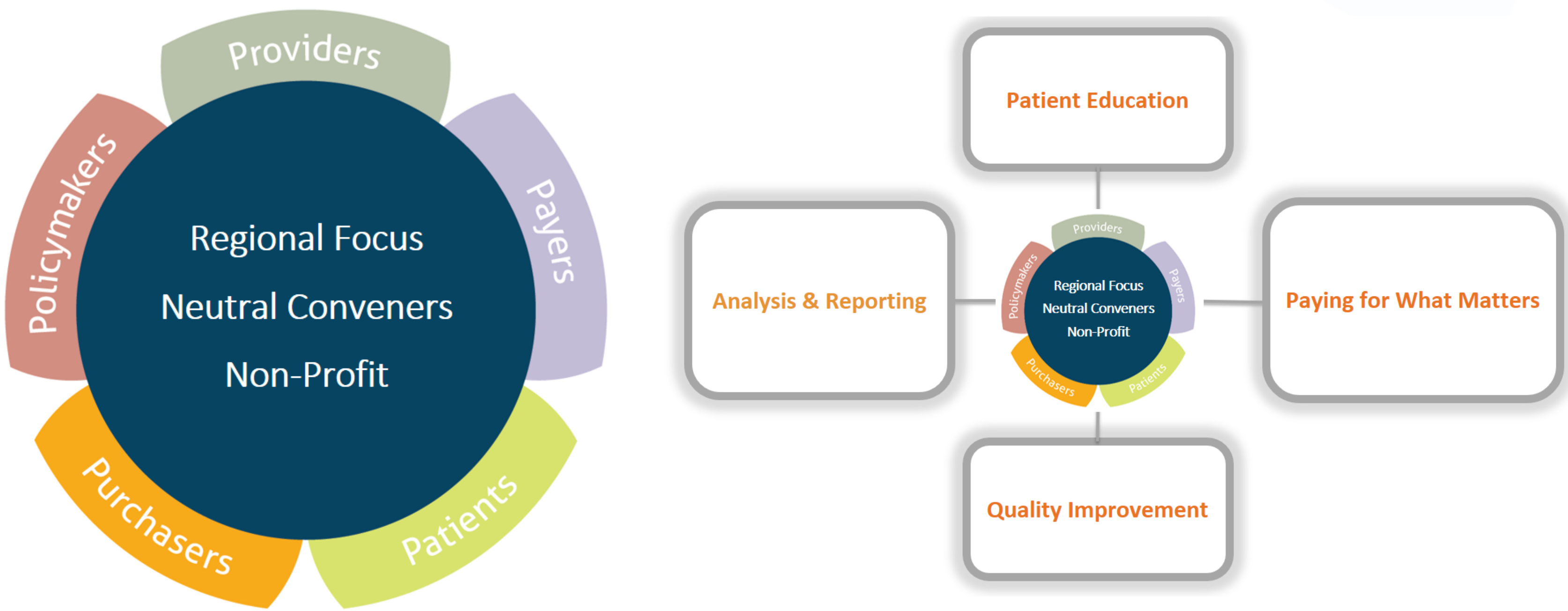
Ralph Orlowski / Reuters

Health Care Just Became the U.S.'s Largest Employer

In the American labor market, services are the new steel.

DEREK THOMPSON | JAN 9, 2018 | BUSINESS

What are Regional Health Improvement Collaboratives (RHICs)?



NRHI Members

Untangling Cost Drivers

Jonathan Mathieu

Why isn't this everywhere?

**REGIONAL COMMITMENT.
NATIONAL IMPACT.**

The initiative was piloted by NRHI and RHICs in five regions. Their success led to the expansion to thirteen additional regions over the course of the project.

Pilot RHICs

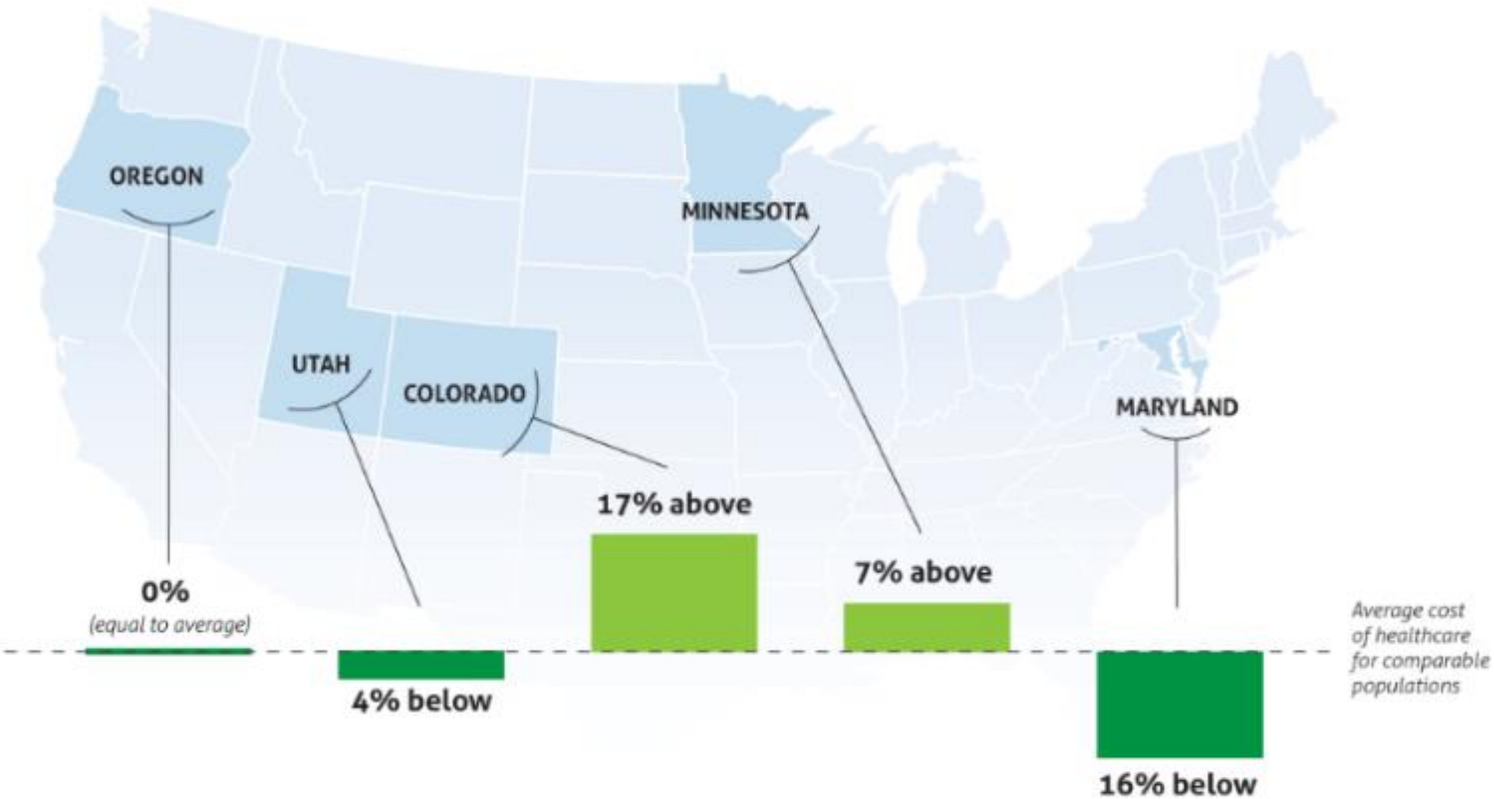
- **Center for Improving Value in Health Care** | Colorado
- **Maine Health Management Coalition** | Maine*
- **Midwest Health Initiative** | St. Louis, Missouri
- **Minnesota Community Measurement** | Minnesota
- **Oregon Health Care Quality Corporation** | Oregon

Expansion Regions

- **Greater Detroit Area Health Council** | Michigan
- **HealthInsight Nevada** | Nevada
- **HealthInsight New Mexico** | New Mexico
- **HealthInsight Utah** | Utah
- **Health Care Improvement Foundation** | Philadelphia
- **The Health Collaborative** | Ohio
- **Integrated Healthcare Association** | California
- **Maryland Health Care Commission** | Maryland
- **Massachusetts Health Quality Partners** | Massachusetts
- **The University of Texas Health Science Center at Houston** | Texas
- **Virginia Health Information** | Virginia
- **Washington Health Alliance** | Washington
- **Wisconsin Health Information Organization** | Wisconsin

**Phase I and II only participant*

What We Found



Relative Cost of Healthcare

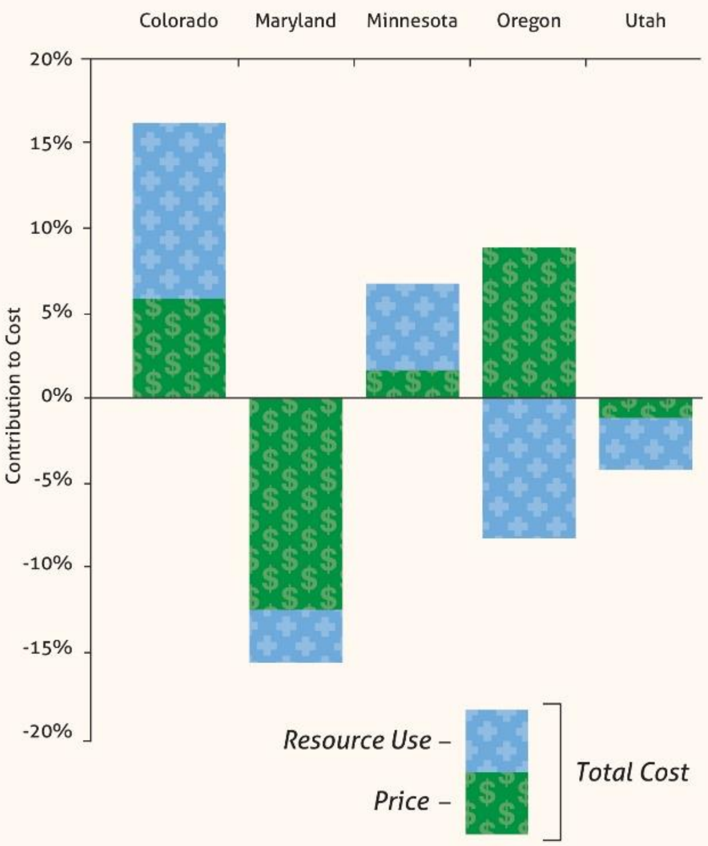
Opportunities for reducing the cost of healthcare are revealed by comparing 2015 risk-adjusted spending across participating states for private payers. Bringing the higher than average cost states highlighted above down to the average of the participating states could potentially save over $1 billion. Imagine if all the participating states could match the lowest cost state, several billion dollars would be available for other parts of the economy.

Key Findings

- Healthcare costs are complicated!
- It's not just price.
- It's not just care patterns and delivery systems.
- It's not just waste in the system.
- It's different from state to state (and sometimes within a state).

Variation Exists

Untangling The Cost Drivers



The size of the bars represents the impact of price and resource use on the total cost. As seen in the above graphic, price and resource use played different roles in the variation of total cost by state.

What's driving the variation?

Total Cost of Care by Service Category

Commercial Population 2015
Combined Attributed and Unattributed

Measure	Colorado	Maryland	Minnesota	Oregon	Utah
Total Cost					
Overall	17%	-16%	7%	0%	-4%
Inpatient	16%	-18%	7%	0%	-1%
Outpatient	30%	-30%	0%	-7%	17%
Professional	5%	-18%	21%	12%	-17%
Pharmacy	24%	7%	-11%	-12%	-8%
Resource Use					
Overall	11%	-3%	5%	-8%	-3%
Inpatient	0%	-7%	8%	-14%	16%
Outpatient	25%	-19%	5%	-16%	13%
Professional	3%	2%	10%	-3%	-13%
Pharmacy	23%	6%	-9%	-10%	-9%
Price					
Overall	6%	-13%	1%	9%	-1%
Inpatient	16%	-12%	-1%	16%	-14%
Outpatient	4%	-13%	-5%	11%	4%
Professional	2%	-20%	10%	15%	-5%
Pharmacy	0%	1%	-2%	-2%	2%

Colorado Regional Data, Total Cost of Care

Table 3. Total (Inpatient, Outpatient, Professional, Pharmacy) Median Risk-Adjusted Per Member Per Month (PMPM) Cost by CO Division of Insurance Region

Region	COST PMPM	UTILIZATION Compared to the CO Statewide Median*	PRICE Compared to the CO Statewide Median*
East	$591	8%	21%
Greeley	$559	6%	17%
West	$547		33%
Grand Junction	$539	2%	23%
Pueblo	$455	9%	7%
Boulder	$439	5%	8%
Fort Collins	$424	8%	4%
Denver	$403	1%	7%
Colorado Springs	$390	8%	6%

Statewide Median: $437

Statewide Median

Statewide Median

*Statewide medians only reflect results for the 102 adult primary care practices included in the study

Data reflects 2015 commercial claims from the Colorado All Payer Claims Database included in the Network for Regional Healthcare Improvement Total Cost of Care Project. For full report, visit www.civhc.org.

The Maryland Story

Kenneth Yeates-Trotman

Maryland Performance Is Mainly Due to Prices

Service Category	Total Cost Index		Resource Use Index		Price Index	
	Compared to Average	Rank	Compared to Average	Rank	Compared to Average	Rank
Overall	**-16%**	**1**	**-3%**	**3**	**-13%**	**1**
Inpatient	-18%	1	-7%	2	-12%	2
Outpatient	-30%	1	-19%	1	-13%	1
Professional	-18%	1	+2%	3	-20%	1
Pharmacy	+7%	4	+6%	4	+1%	4

FAQs

How do we explain Maryland’s lower hospital & professional prices?

- Hospital all-payer rate-setting
  - Limits the need for hospitals to shift unreimbursed costs from Medicare & Medicaid to private payers
- Professional rates reflect a historic trend of private professional rates (overall) being at about Medicare rates
  - Ample physician supply + a dominant payer, and shadow pricing by other payers

Does this mean Maryland prices are too low?

- Not compared to prices in the rest of the developed world (OECD member countries)

How will MHCC respond to this information?

- Regarding Utilization
  - MHCC will identify & publish opportunities for reducing utilization by evaluating the use of low value care (Choosing Wisely) in Maryland’s commercial population.
- Regarding Prices
  - Center for Analysis will continue to add episode cost information to the Wear the Cost website
  - Center for Quality will be breaking out cost information by payer on the Quality Reports website

Why Is Maryland's Risk Score So High?

Risk Adjusted Total Cost and Resource Use Compared to Average:

Commercial Population 2015
Combined Attributed and Unattributed

Measure	Colorado	Maryland	Minnesota	Oregon	Utah
Risk Score	-8%	20%	2%	1%	-10%
Total Cost	17%	-16%	7%	0%	-4%
Resource Use	11%	-3%	5%	-8%	-3%
Price	6%	-13%	1%	9%	-1%

Note: This is the midpoint of the ranges created from the sensitivity analysis and represents the percent above or below the risk adjusted average across all regions.

Using the Data

How Regions Put the Benchmark Data to Work

Meredith Roberts Tomasi and Rita Hanover

- Providers
- Policymakers
- Employers & Health Plans
- Consumers

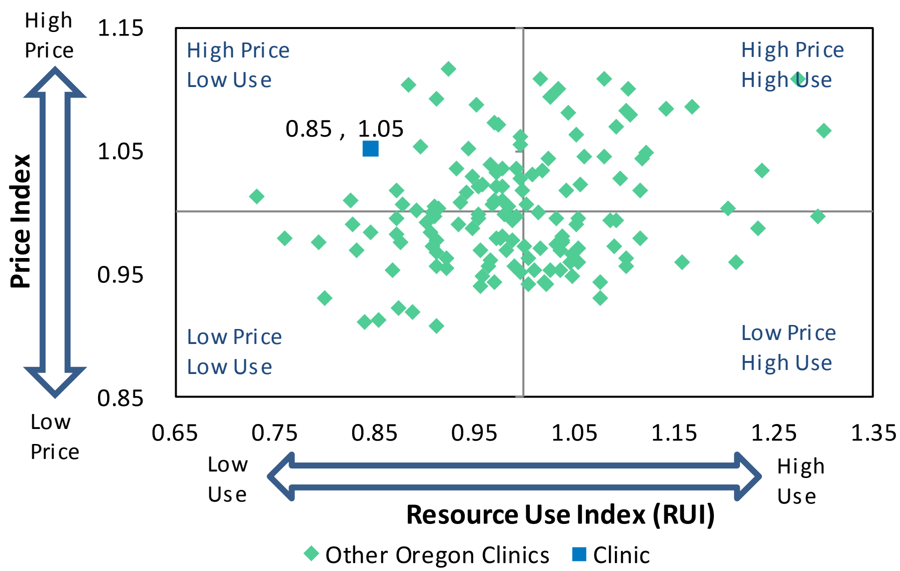
HealthInsight Oregon Clinic Comparison Reports

Overall Summary by Service Category

	Clinic		OR Average			
	Raw PMPM	**Adj PMPM**	PMPM	**TCI**	= RUI	x Price Index
Professional	**$203.02**	**$183.18**	$167.12	**1.10**	0.99	1.11
Outpatient Facility	**$69.00**	**$62.25**	$115.53	**0.54**	0.60	0.90
Inpatient Facility	**$71.08**	**$64.13**	$72.21	**0.89**	0.78	1.13
Pharmacy	**$73.92**	**$66.70**	$69.20	**0.96**	0.98	0.98
Overall	**$417.03**	**$376.26**	$424.06	**0.89**	0.85	1.05

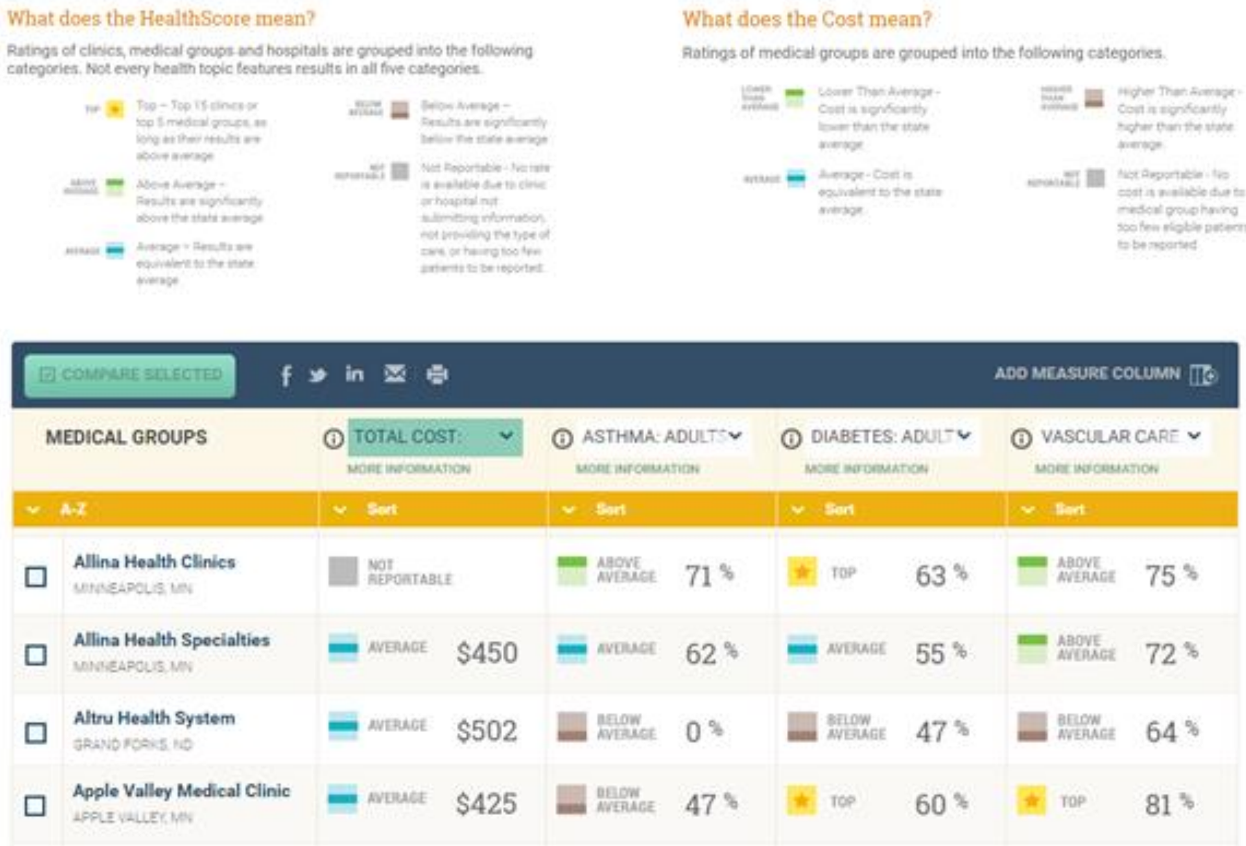
Clinic scores are risk adjusted to account for variations in illness burden.

Clinic Risk Score



HealthInsight OREGON

Local Benchmarking & Public Reporting



MINNESOTA HealthScores
When Health Care Improves, Everyone Wins.

Challenges to National Spread

- Access to Required Data
- Political will for transparency
- Funding for analysis

Questions?

Coming soon!

National Benchmark- Round 3

Do your part to make healthcare more affordable

Affordable Care **Together**

Network for Regional Healthcare Improvement

Sign up today: www.affordablecaretogether.org

Thank You!