

# Maine Health Management Coalition Foundation

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## Identifying Actionable Drivers of Health Care Costs

Summit on  
Regional Healthcare Transformation

Network for  
Regional Healthcare Improvement

Feb 7th, 2013



The MHMC is a **purchaser-led** partnership among multiple stakeholders working collaboratively to **maximize improvement in the value of healthcare services** delivered to MHMC members' employees and dependents.

The MHMC-F is a public charity whose mission is to **bring the purchaser, consumer, and provider communities together in a partnership to measure and report** to the people of Maine on the value of healthcare services, and to educate the public to use information on cost and quality to make informed decisions.



Convened CEO Summit /Healthcare Cost Work Group in 2012

# HealthCare Cost Work Group - A Collaboration to Set Community Goals

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## Cost Workgroup

- multi-stakeholder: employers, providers, insurers
- identify opportunities to reduce total per capita cost, while improving quality

## Data Driven

- describe variation, identify drivers of variation

## Set Community Targets for Reducing Costs

- achievable targets

## Data Resource - Coalition Established Multi-Payer Database

- multiple plans / multiple payers
- commercially insured populations
- Maine residents
- total costs: insurance plus patient responsibility
- upcoming: public payers Medicare and Medicaid

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# Why Do Healthcare Costs Vary?

# Potential Areas Where Costs Could be Reduced

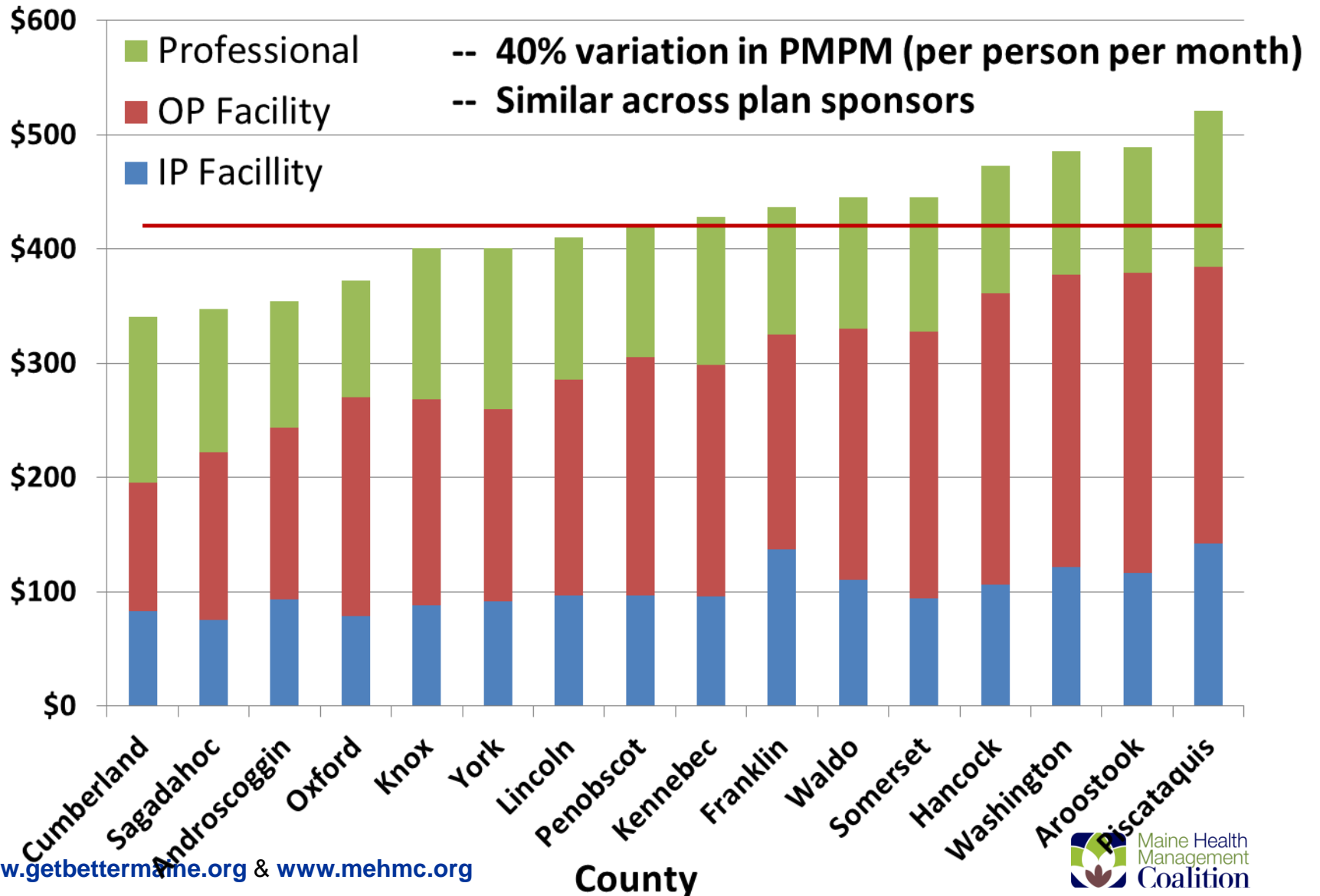
Admissions and readmissions for people with chronic illness  
Variation in prices for inpatient care  
Variation in price and utilization of outpatient services  
Variation in treatment for Preference Sensitive Conditions

Improving patient health status  
Mental health care  
Wellness and community health  
Consumer education and benefit incentive

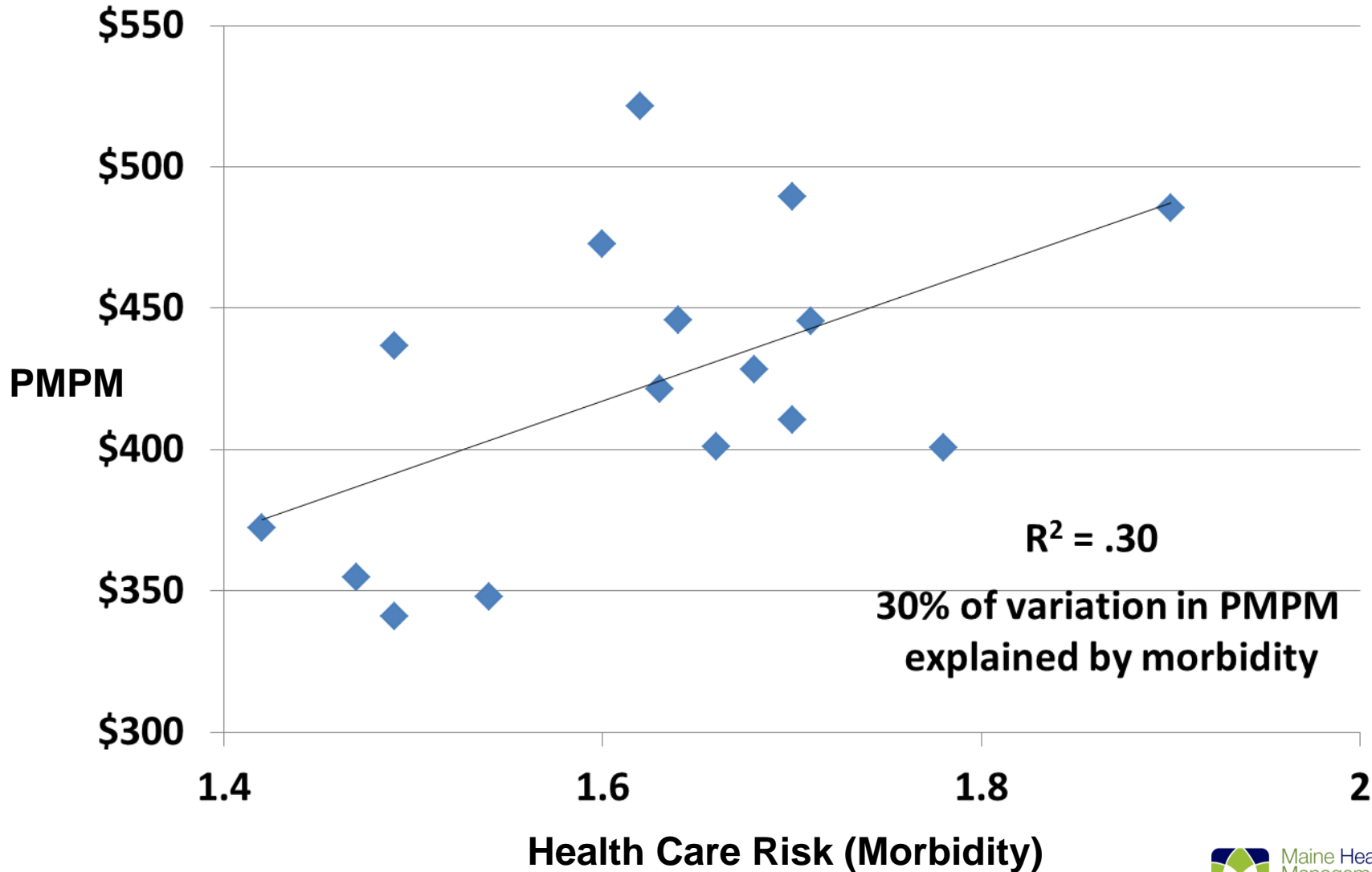
Cost shifting from public to private payers  
Healthcare infrastructure, capacity

Administrative costs

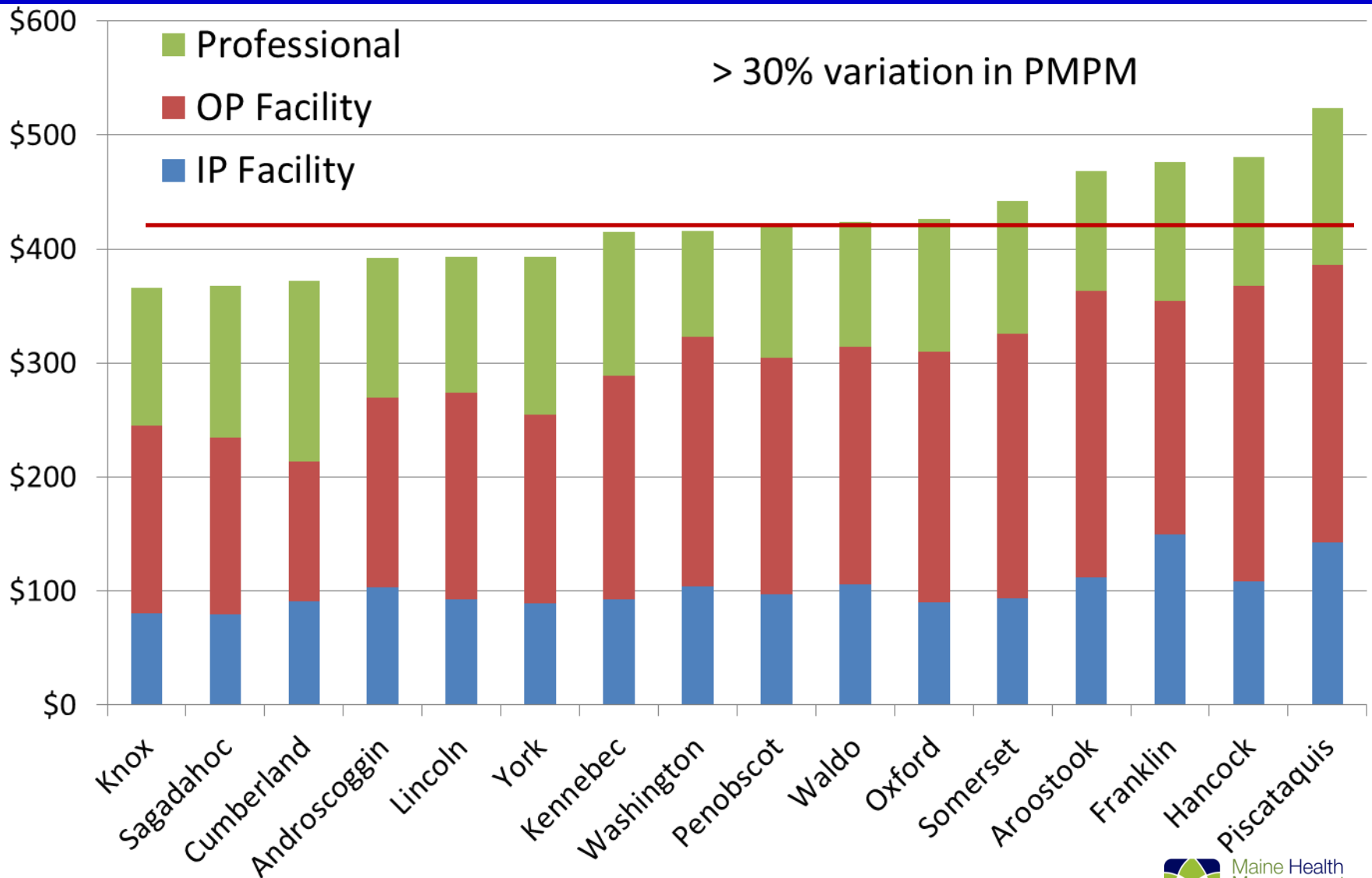
# 40% Variation in per Person Spending Across State



# Morbidity Drives 1/3 per Person Spending Differences per County

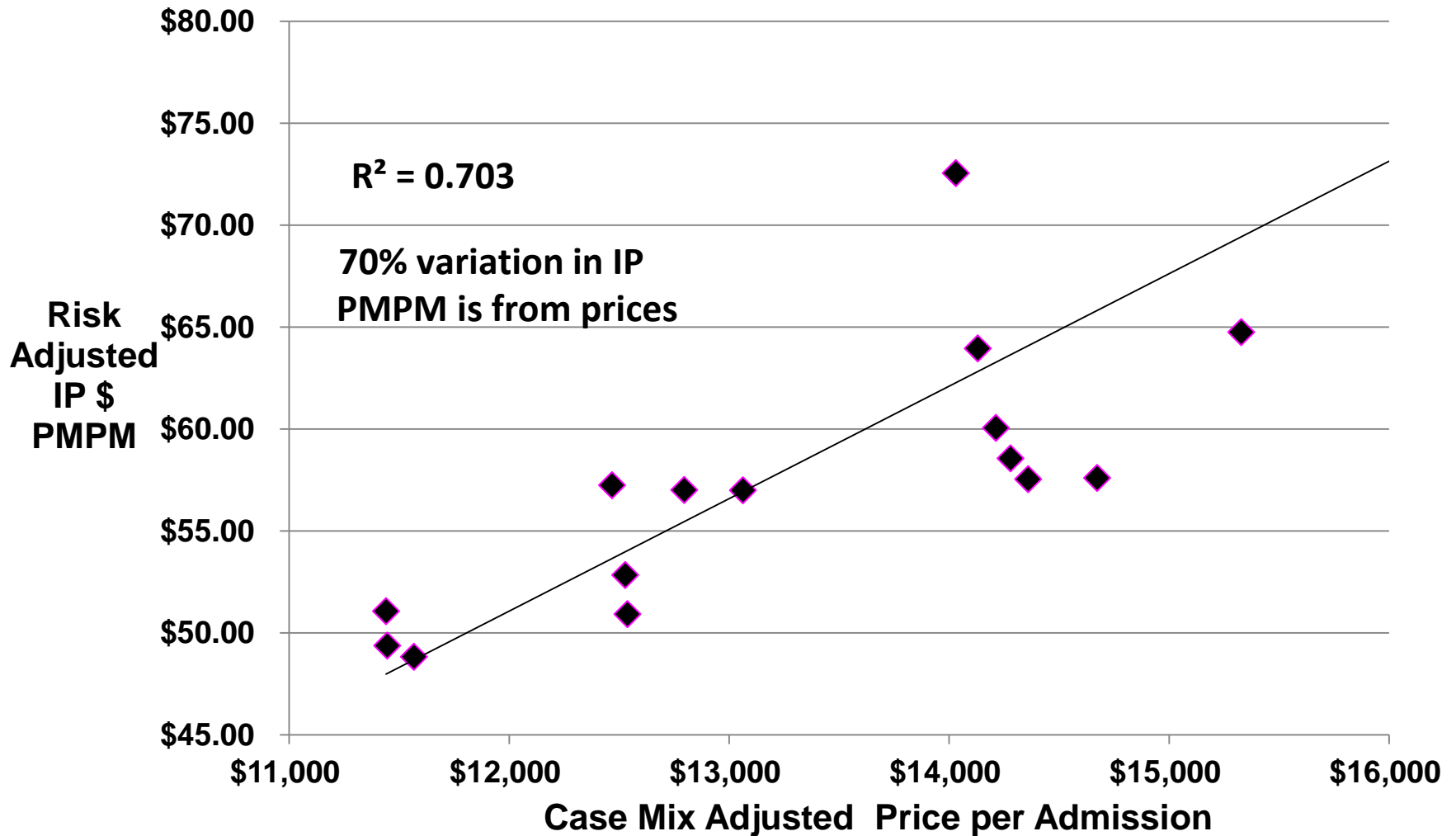


# Still >30% Variation After Controlling for Morbidity





# 70% Variation in Inpatient Spending From Prices of Services



# Cost Savings by Reducing Admissions for Patients with Chronic Conditions

## Chronic Conditions

Asthma, CAD, CHF, COPD, Diabetes, IHD

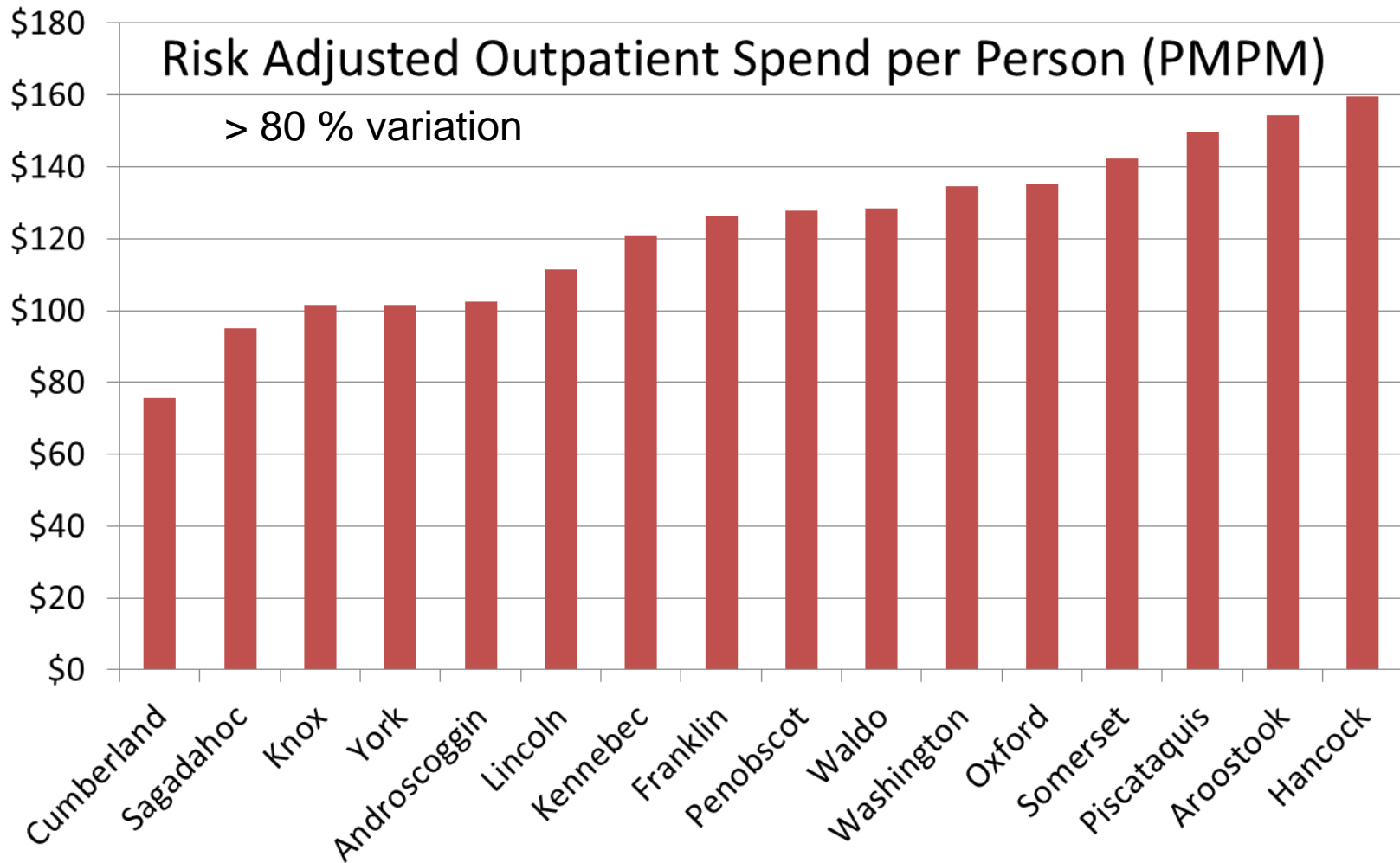
Hyperlipidemia, Hypertension, Obesity

Prevalence across employers 26 – 41 %

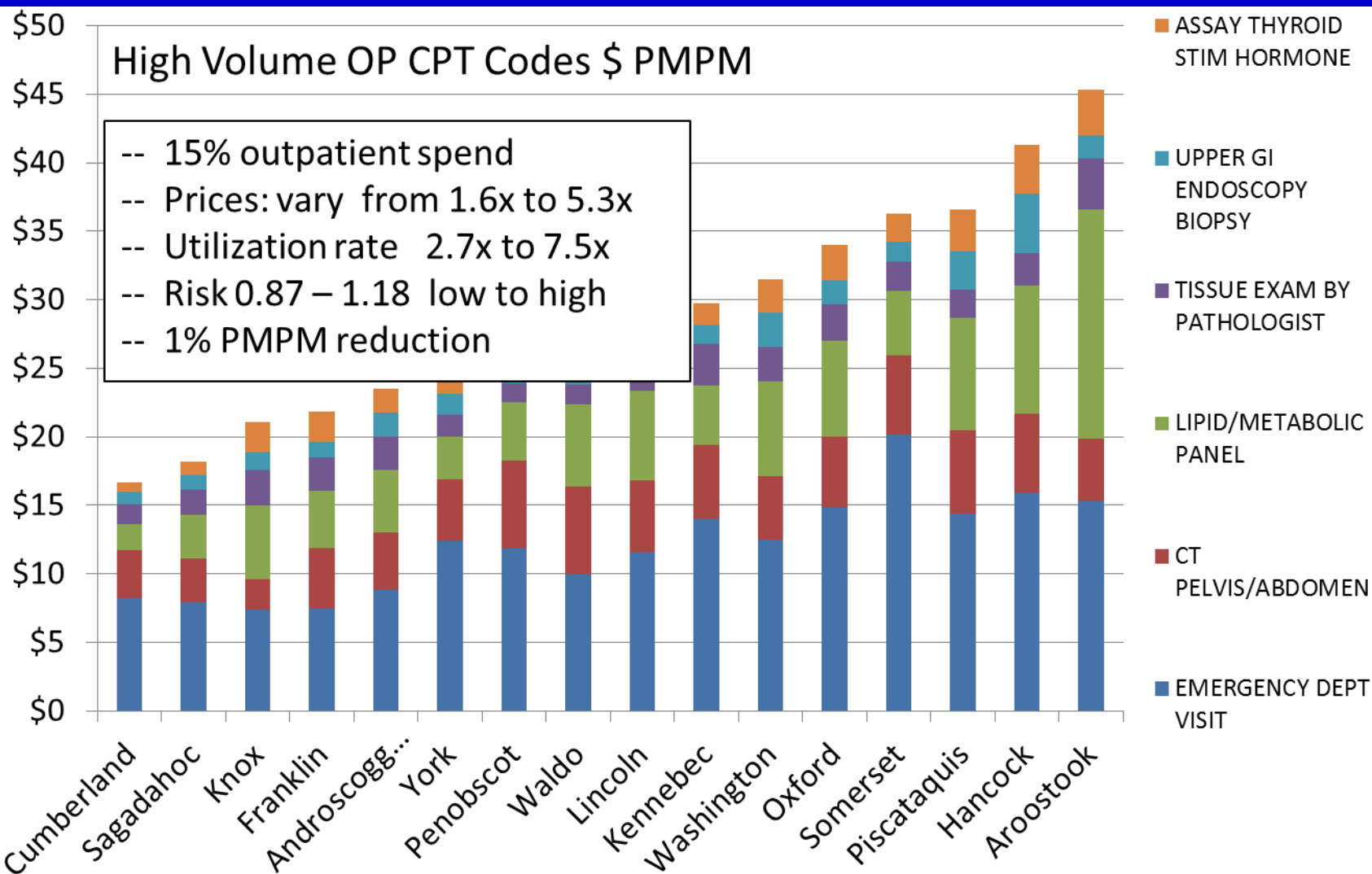
## Conclusions

- Admissions: 20% reduction in admissions (chronic conditions) would reduce total costs by 3%
  - All cause admission PMPM: 18 - 29% of total PMPM
  - Admission chronic conditions PMPM: 10 - 19%
- Readmissions: reduce readmissions by 20% would reduce total costs by less than 1%

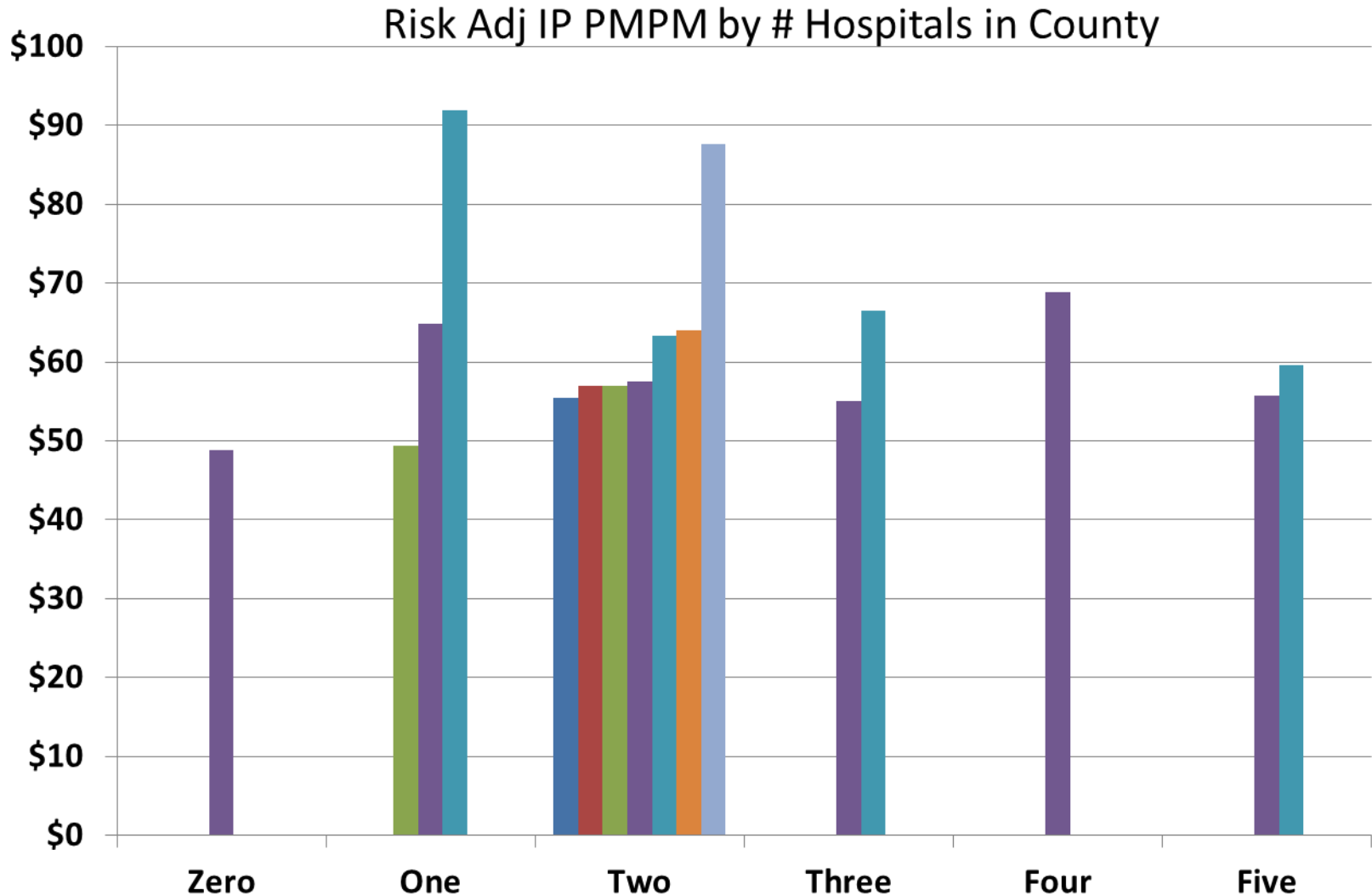
# 80% Variation in Spending for Outpatient Services



# Price and Utilization Drive Most Geographic Variation in Outpatient Spend per Person, Not Morbidity

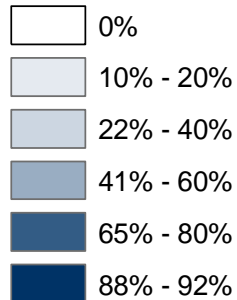


# Costs Don't Vary By Number of Hospitals in the Community

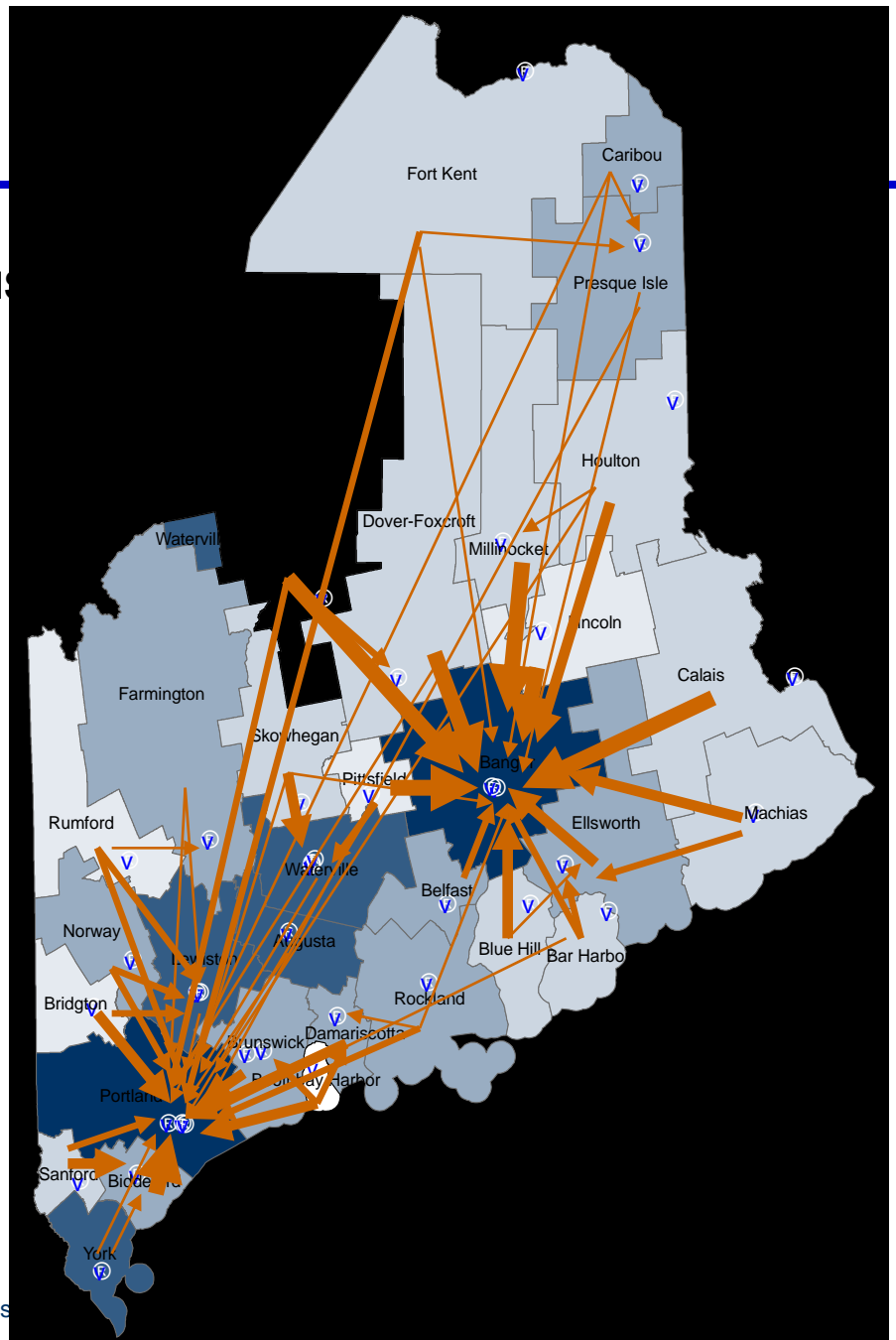
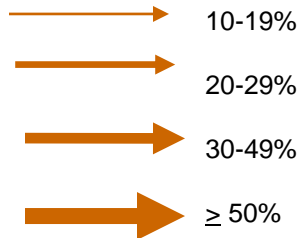


# Where Do they Go for Surgery?

## Percentage of Level 1 Surgeries Performed within HSA



## Percentage of Services Performed in other HSA



# Conclusions

- Morbidity: Significant, but not major factor in regional population cost differences within the state
- Inpatient: Price is a major driver of regional population cost differences
- Outpatient: Price and utilization are major drivers, across regions and through time
- Reductions in PMPM for most interventions range from at least 1 – 3%, some more. Feasibility .....
- Within state major drivers confirmed by regional benchmarks
- Meaningful cost reductions require multiple initiatives.

# How Much Could Be Saved?

Cost Reduction Initiative	Reduction in Annual PMPM	
	1-2 Years	3-5 Years
<b>Reduce Admissions and Readmissions for Chronic Illness</b>		
Increased Payments for Medical Homes (\$3 PMPM)	-0.8%	-0.8%
20% Reduction in Chronic Disease Admissions	3.8%	3.8%
50% Adjustment to Prices to Cover Hospital Fixed Costs	-1.9%	
25% Adjustment to Prices to Cover Hospital Fixed Costs		-1.0%
<b>Net Savings</b>	<b>1.1%</b>	<b>2.1%</b>
<b>Reduce Variation in Price and Utilization for Outpatient Services</b>		
Reduce Util. of Top 10 Outpatient Svcs to Median County	1.1%	1.1%
Reduce Utilization of Additional Outpatient Services		1.1%
<b>Total Savings</b>	<b>1.1%</b>	<b>2.2%</b>
<b>Reduce Costs/Prices for Inpatient Care (Phased-In)</b>	<b>0.8%</b>	<b>1.6%</b>
<b>Reduce Variation in Pref. Sens. Cond. Trtmnt (Phase In)</b>	<b>0.5%</b>	<b>1.0%</b>
<b>Reduce Administrative Costs (Phased-In)</b>	<b>0.5%</b>	<b>1.0%</b>
<b>Improve Wellness and Community Health</b>		
Reduce Risk Factors by 2% (Phased-In)	1.0%	4.8%
<b>Reduce Cost-Shifting</b>		
Reduce MaineCare utilization rates, increase MaineCare p...	0.5%	1.0%
<b>Total Annual Savings</b>	<b>5.5%</b>	<b>13.7%</b>