

FIRST-IN-THE-NATION COST COMPARISON HIGHLIGHTS DIFFERENCES IN HEALTHCARE SPENDING ACROSS THE COUNTRY

*Comparison of commercial healthcare costs is the first
to use local spending data tied to actual provider practices*

January 17, 2017 Portland, ME — A first-ever comparison of what commercial insurers are paying for healthcare in different regions shows wide variation in spending. The report from the Network for Regional Healthcare Improvement (NRHI), a national organization of local groups working to improve healthcare, analyzed spending by commercial health insurance plans in five different regions nationwide (Utah, Maryland, St. Louis, Minnesota and Oregon). Analysts found a whopping \$1,080 yearly difference in the amount plans spend, on average, per enrollee, with a high of \$369 per-enrollee-per-month in Minnesota and a low of \$279 in Maryland.

“Identifying regional differences in healthcare costs is important because high costs are depleting family budgets. Entire communities pay the price as money that could go to schools, housing and other needs is instead eaten up by healthcare costs,” said Elizabeth Mitchell, president and CEO of NRHI. “This information will enable physicians to identify cost drivers, address them, and get better outcomes. This enables a transformation in healthcare delivery, enabling better care decisions while potentially saving individuals, employers and other private payers hundreds of millions of dollars.”

Regional variation on medical spending has long been shown to exist in the Medicare market, but differences in the amount commercial insurers pay for care has been difficult to decipher, because multiple insurance plans participate in a single market. NRHI experts say the data show opportunities to curb costs in a single region are significant. If the two regions with the highest costs per participant (Minnesota and Oregon) reduced spending by as little as 2.5 percent—or roughly just \$9 per enrollee, per month—employers and private purchasers in these regions would save more than \$200 million annually in healthcare spending. Consumers and communities would also save on out-of-pocket costs that could be better used to strengthen their neighborhoods.

The cost comparison was based on five regional health improvement collaboratives producing cost data using agreed-upon measures approved by the National Quality Forum. Data generated include information by region on the price of healthcare service (i.e., price), how much those services were used by beneficiaries (i.e., utilization), and a combination of price and utilization

(i.e., total cost). Additionally, data on price, utilization and total cost were broken down by inpatient, outpatient, professional and pharmacy services.

TOTAL COST INDEX AND RESOURCE USE INDEX: COMMERCIAL POPULATION 2014 COMBINED ATTRIBUTED AND UNATTRIBUTED

Measure	HEALTH INSIGHT <i>Utah</i>	MHCC <i>Maryland</i>	MHI <i>St. Louis, MO</i>	MNCM <i>Minnesota</i>	Q CORP <i>Oregon</i>
Average Risk Score	0.890	1.088	1.079	0.996	0.986
Risk Adjusted Total PMPM	\$348	\$279	\$290	\$369	\$354
TCI	1.07	0.86	0.89	1.13	1.09
RUI	1.08	0.88	1.08	1.05	0.93
Price Index	0.99	0.97	0.82	1.08	1.17

*This work is based on the patented algorithm of HealthPartners, Inc. (Bloomington, MN) and is used with their permission.

“The nation is wrestling with how to get healthcare costs under control, but we have never had the information to do that effectively. This regional cost comparison is our first chance at gathering the necessary data,” said Mylia Christensen, executive director of the Oregon Healthcare Quality Corporation, which participated in the project. “For the first time, we’ve established a framework that allows healthcare stakeholders to know their relative costs and what’s driving them and, most importantly, to do something about it.”

Mitchell says the prospect of these data being available more broadly has the potential to change the way all stakeholders operate within the healthcare system.

- Employers and other commercial health insurance purchasers can use the data to negotiate better contracts with insurers and providers to ensure the best possible care for employees at a more competitive cost.
- Patients will finally have the reliable data needed to make informed choices about their healthcare, providing them an opportunity to save themselves and their communities from paying unnecessarily high health costs.
- Providers can use the data to make referrals based on costs, potentially steering patients away from specialists and other providers who cost more than their peers.
- Health plans can use the data to evaluate providers based on value—a combination of cost and quality of care.
- Policymakers can use the data as reliable, transparent, objective information as they craft policy.

“Everyone wins when we have access to better healthcare cost data,” said Mitchell. “If players in a given health market use these data and work together, we have an opportunity to deliver higher quality care at a lower cost.”

The data are detailed in the full report, [*From Claims to Clarity: Deriving Actionable Healthcare Cost Benchmarks from Aggregated Commercial Claims Data*](#), which was developed with support from the Robert Wood Johnson Foundation.

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About NRHI

The Network for Regional Healthcare Improvement is a national organization representing over 35 regional multi-stakeholder groups working toward achieving the Triple Aim of better health, better care, and reduced cost through continuous improvement. NRHI and all of its members are non-profit organizations, separate from state government, working directly with physicians, employers, hospitals, health plans, and patients using data to improve healthcare. For more information about NRHI, visit www.nrhi.org. Follow NRHI on Twitter at @RegHealthImprov.

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