

Physician

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Attempts to assess the “true” cost of health care in the U.S. are fraught with inconsistencies. Yet the goal is noble: to benchmark the per capita cost of care in order to control or even reduce it, making health care affordable for all. But deciding on a standard unit of measure for health care costs has been a challenge. For example, what should be used for comparison—the list price of a service or procedure, or only the patient’s portion of the cost? And how can we ever determine the true cost to society, encompassing direct and indirect aspects of care?

While all math models have limitations, the key to a stable, consistent cost of care measure will be an agreed-on common methodology, with verifiable attribution and high enough sample size to lessen the impact of random variation.

There are a variety of reasons that a universal Total Cost of Care measure has been so elusive:

1. Since medical records do not have cost information, especially for other providers involved in the patient care, the only central source is insurance claims. This means that one doctor does not know what other doctors are getting paid.
2. There is no perfect attribution system (i.e., the method to identify which provider will be allocated a patient’s costs).
3. The actual amount paid varies by payer, network, and moment in time.
4. Because there have been different methods of measuring cost, providers have been known to get contradictory results, depending on who is doing the measuring, and how.

Measuring Total Cost of Care:

The search for common ground

By Gunnar Nelson

5. Finally, since cost is a continuous variable, risk adjustment and outlier rules need to be applied so a few patients don’t swamp the entire result. Costs can vary from \$1 to \$1,000,000 or more. The scope of service may also be reported in different ways, such as the unit price of a single procedure; the grouped price for an episode of care; or as the total cost of care for a patient over a set amount of time.

Despite these challenges, one methodology for measuring cost of care is gaining ground. Developed in Minnesota and endorsed by the National Quality Forum in January 2012, the Total Cost Index (TCI) is a measure of a primary care provider’s risk-adjusted cost-effectiveness at managing the population they care for. TCI includes all costs associated with treating members including professional, facility inpatient and outpatient, pharmacy, lab, radiology, and ancillary and behavioral health services.

A total cost index is preferable to other methods because it is:

- Complete (it measures all costs)
- Standardized
- Repeatable (can be delivered across payer sources and across time)
- Affordable (the calculation is within the reach of most payer databases)
- Stable (reduces the impact of a single outlier)

Putting cost measurement into practice

While arriving at a nationally endorsed, standardized measure of cost and resource use (TCI) was a monumental milestone, it was still only the first step in gathering the amount of data needed to establish benchmarks and make comparisons. MN Community

Measurement (MNCM) undertook the following steps to ensure the practicality of implementing TCI as a community-wide measure for public reporting:

- In 2011, assembled a “cost committee” to investigate the best way to measure costs. The multi-stakeholder group included representatives from health plans, provider groups, purchasers, and the State of Minnesota.
- In 2012, developed the methodology specifications for a Total Cost of Care measure based on the TCI, with agreement from all participants on attribution (patient assignment), risk adjustment, and methods of calculation.
- In 2013, developed a process to gather data from multiple health plans to calculate the TCI. Unlike most multi-payer cost measures, this process does not require an all-payer database, therefore, the administrative costs are lower, and there is no protected health information (PHI) risk. It also includes a system for providers to verify patient assignment. The process was tested with two payers, and the proof of concept was achieved for both the calculation and the patient verification.

In 2014, MNCM will run a full pilot with all major commercial health plans in Minnesota to further test the Total

Cost of Care methodology. Then, MNCM and the cost committee will begin work on the Resource Use Measure—a total cost of care measure that uses a standardized pricing system to measure purely the utilization variation between providers. This will provide a complete measure of cost and utilization.

Cost of care at the community level

In addition, MNCM has joined forces with the Network for Regional Healthcare Improvement (NRHI) and four other regional health improvement collaboratives (RHICs) in a seminal study to: 1) identify drivers of regional health care costs, and 2) develop strategies to reduce health care spending and improve health care quality at the community level. MNCM hopes to learn from other regions doing similar work, and then to test the concept of measuring Total Cost of Care across regions. The study, which is funded by the Robert Wood Johnson Foundation, will involve local physicians in each region.

The four other participating RHICs are Maine Health Management Coalition Foundation (MHMC-F); Center for Improving Value in Health Care (CIVHC)

in Colorado; Oregon Health Care Quality Corporation; and the Midwest Health Initiative (MHI), located in the St. Louis region.

The NRHI study, to be conducted over 18 months, represents the first time that standardized information will be available across several communities to compare the cost of care across multiple data sources.

A universal Total Cost of Care measure has been elusive.

“We know the cost of care in Minnesota is lower than in many other states,” said Jim Chase, MNCM president. “We hope to better understand the differences in these costs, what drives these differences, and how to reduce costs while improving patient care.”

Using the data from the study, the five partnering RHICs will create a process for benchmarking for health care costs; identify the best ways to share information with the public; and conduct focused efforts with physicians to help

them adopt practices that will reduce costs while maintaining the quality of care.

A level playing field

Most providers don't really know where they stand compared to others, either locally or nationally. In addition, when providers refer their patients to other medical professionals, that cost and utilization is not always clear.

It is our hope that all the efforts underway will give providers standardized tools and information to compare their cost and utilization patterns to others, and identify opportunities to get better value for their patients. 

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