Health Care Affordability and Price: Holding Space for the Tough Conversation

Network for Regional Healthcare Improvement, October 16, 2019

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About the Milbank Memorial Fund

The Milbank Memorial Fund is an endowed operating foundation that works to improve the health of populations by connecting leaders and decision makers with the best available evidence and experience. Founded in 1905, the Fund engages in nonpartisan analysis, collaboration, and communication on significant issues in health policy. It does this work by publishing high-quality, evidence-based reports, books, and *The Milbank Quarterly*, a peer-reviewed journal of population health and health policy; convening state health policy decision makers on issues they identify as important to population health; and building communities of health policymakers to enhance their effectiveness.
Agenda

• When it comes to health care affordability all roads lead to commercial provider prices
• The conversation is local and has three requirements
• Regional health improvement collaboratives can make the conversation “less tough”
1. “It’s the Commercial Sector, Stupid”

### Exhibit 5

<table>
<thead>
<tr>
<th>Region</th>
<th>State</th>
<th>Personal health care spending</th>
<th>Average annual change, 2010-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td></td>
<td>Medicare</td>
<td>Medicaid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$10,986</td>
<td>$6,815</td>
</tr>
</tbody>
</table>

“It’s the Commercial PRICES, Stupid”
Especially in RX and Hospitals

Commercial Hospital Prices are well over 200% of Medicare, and ratio is increasing.

Compare to 110% for office visits and 130% for cataract surgeries.

Source: Koller, Khullar, JAMA 2019: https://jamanetwork.com/journals/jama/article-abstract/2739290
If Our Goal Is Better Overall Value, We Are Spending Money in the Wrong Places

Commercial Provider Pricing Is a Local Conversation

Figure 4.2. Relative Prices, by State, 2017

<table>
<thead>
<tr>
<th>Rate</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>425%</td>
<td>1.425</td>
</tr>
<tr>
<td>400%</td>
<td>1.4</td>
</tr>
<tr>
<td>375%</td>
<td>1.375</td>
</tr>
<tr>
<td>350%</td>
<td>1.35</td>
</tr>
</tbody>
</table>

E.G. “What is the Nature and Extent of Any Cost Shift to Commercial from Medicaid or Medicare?”

And average risk-adjusted commercial insurance premium by state varies by 200 percent...

Three Needs for Local Conversation on Provider Prices:
1. Good, Relevant Data and Analysis – Local or National

Source: HCCI Healthy Marketplace Index
Three Needs for Local Conversation on Provider Prices:
2. Transparency and Stakeholder Education

Source: Massachusetts Attorney General Report:
Three Needs for Local Conversation on Provider Prices:
3. Policy Options

- Will vary by policy context. All of the following have evidence to support:
  1. Growth Targets for per capita expenses (Massachusetts)
  2. Provider rate setting and global budgeting (Maryland)
  3. Insurer rate review and affordability standards (Rhode Island)
  4. Direct negotiation by employer coalitions (Colorado)
How Can Regional Health Improvement Collaboratives Fit Into the Pricing Conversation?

1. Educate Consumers on Price Variation

Background

Making cost and quality information public

Wear the Cost campaign provides cost and quality information for consumers.

Goals:
- Patients and providers become more aware of variation among hospitals statewide
- Reduce costs
- Help patients make high-value choices
How Can Regional Health Improvement Collaboratives Fit Into the Pricing Conversation?

2. Educate Providers on Cost Implications of Choices

### Background

#### Detailed insight

### Overall Summary by Service Category

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Raw Clinic PMPM</th>
<th>Adj Clinic PMPM</th>
<th>OR Average PMPM</th>
<th>TCI</th>
<th>RUI</th>
<th>Price x Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>$203.02</td>
<td>$183.18</td>
<td>$167.12</td>
<td>1.10</td>
<td>0.99</td>
<td>1.11</td>
</tr>
<tr>
<td>Outpatient Facility</td>
<td>$69.00</td>
<td>$62.25</td>
<td>$115.53</td>
<td>0.54</td>
<td>0.60</td>
<td>0.90</td>
</tr>
<tr>
<td>Inpatient Facility</td>
<td>$71.08</td>
<td>$64.13</td>
<td>$72.21</td>
<td>0.89</td>
<td>0.78</td>
<td>1.13</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>$73.92</td>
<td>$66.70</td>
<td>$69.20</td>
<td>0.96</td>
<td>0.98</td>
<td>0.98</td>
</tr>
<tr>
<td>Overall</td>
<td>$417.03</td>
<td>$376.26</td>
<td>$424.06</td>
<td>0.89</td>
<td>0.85</td>
<td>1.05</td>
</tr>
</tbody>
</table>

Clinic scores are risk adjusted to account for variations in illness burden to ensure fair comparisons.
How Can Regional Health Improvement Collaboratives Fit Into the Pricing Conversation?

3. Raise the Temperature: Educate Employers and Policy Makers on Price Variations

Highlight: Variation of Pricing for Inpatient Treatments in Washington State

Overview

The Alliance analyzed the commercially.contracted fees negotiated between insurers and providers, both physicians and facilities, for common inpatient treatments provided in 2016. We used the commercially-insured data in the Alliance All-Payer Claims Database and found wide variation in prices not only across the state, but within hospitals.

Our report shows a wide range of prices for the same treatment. For example, the median price of dorsal and lumbar spinal fusion surgery in the state is $60,620. The highest price is $118,375 and the lowest is $30,897. That means a patient paying the highest price could pay up to four times more than the patient who pays the lowest price.

There are similar price variations for facilities. To see price variation by hospital, view our complete report here.
How Can Regional Health Improvement Collaboratives Fit Into the Pricing Conversation?

3. Raise the Temperature: Educate Employers and Policy Makers on Price Variations

Background

**Using total cost of care and quality data to inform policy makers**

Comparing ratings on the quality and cost of healthcare in Minnesota and neighboring areas can drive better care.

There is a large variation in medical groups in the amounts that are paid for the same procedure.

For example:

<table>
<thead>
<tr>
<th>Service</th>
<th>Average Cost</th>
<th>Range: low to high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office visit: 15 min</td>
<td>$146</td>
<td>$84-193</td>
</tr>
<tr>
<td>Strep test</td>
<td>$22</td>
<td>$8-104</td>
</tr>
<tr>
<td>Knee x-ray</td>
<td>$64</td>
<td>$24-191</td>
</tr>
<tr>
<td>Lower extremity MRI</td>
<td>$664</td>
<td>$253-3,510</td>
</tr>
</tbody>
</table>

**Quality varied widely** - there were significant disparities in quality of care by insurance type, race, ethnicity, language, and country of origin.
How Can Regional Health Improvement Collaboratives Fit Into the Pricing Conversation?

4. Demand Market Oversight by Government

- Makes no sense that Medicaid and Medicare rates are public and commercial rates are secret.
- Pricing problem is evidence of market failure. Market failures require government oversight.
- Every moderately successful expense trend reduction effort cited here involves state government role.
What Has Massachusetts Done?

- Established Health Policy Commission with authority to:
  - Set targeted rate of growth for per capita health care expenses
  - Monitor statewide performance
  - Assess effects of mergers and consolidations

Since the HPC was established in 2012, commercial spending growth in MA has been below the U.S. rate, generating billions in avoided spending.
What Has RI Done?

“Price inflation caps and diagnosis-based payments...drove a broad and sustained reduction in commercially insured health care spending growth. Furthermore, combining price control measures with a requirement to markedly increase funding to primary care practices led to a redistribution of spending toward primary care without net losses to payers.” Baum et al. Health Affairs 2019
What Has CO Done? (with data from CIVHC)

A Colorado town bypassed insurers to negotiate prices directly with the hospital. (And now they're seeing premiums fall 15% to 20%.)
How Can Regional Health Improvement Collaboratives Fit Into the Pricing Conversation?
5. Build civic leadership and trust

- “Progress moves at the speed of trust”
- Provide leadership and continuity (but not inertia) as administrations turn over
- Establish the local culture
  - “This is how we roll”
  - There is a reason Minnesota spends more on primary care than any other state (but still too low)
- Prioritize the public welfare
Challenges Abound

1. Analytics capacity
2. Viable business model for RHIC
3. Data access and quality
4. Naming names
5. Cost shifting and allowable costs arguments.
6. Power of status quo
   • Look at surprise bills
7. Jobs or costs?
   • Is this about health care expenses or economic development?
8. Free loaders
9. Inconsistent State Health Policy
Less Money in Health Care Means More Money for Health...

Life Expectancy at Birth (2014)

Source: Institute for Health Metrics and Evaluation, UWash.