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Minnesota releases nation's first Total Cost of Care data for medical groups

December 18, 2014 – A new report has just been published by MN Community Measurement that allows consumers for the first time to compare the cost of care at medical groups across the state.

Costs from more than 1.5 million patients were included in the report, which is the nation's most comprehensive look at the total cost of care. Information is available for 115 medical groups, representing 1,052 clinics across Minnesota and in neighboring communities on MNHealthScores.org.

The average monthly cost of medical care per patient is \$435 and just a small reduction could save millions.

“What’s striking is the difference between medical groups in the middle – a range of more than \$1,500 per patient annually just between those considered average cost,” said Jim Chase, President of MN Community Measurement.

For a full list of medical group results, visit MNHealthScores.org and click on “Managing Cost.”

Even a small decrease in the cost will make a considerable impact, according to Chase. A reduction in the average per patient cost of just \$12 per month, or \$144 per year, would save Minnesotans \$750 million in health care costs annually.

“All stakeholders benefit from reliable cost data delivered in a consistent manner,” said Carolyn Pare, President and Chief Executive Officer of Minnesota Health Action Group. “Purchasers of health care, whether private sector employers or consumers, have a critical need for greater transparency in health care cost and quality information. Consumers are paying a greater share of their health care coverage. Although being used for different purposes, cost data built on the same definition, utilizing the same methodology, holds promise to benefit all as we seek to improve affordability,” Pare explained.

“We have our own data, but we’ve always wondered how we stack up against the rest of the community,” agreed Paul Berrisford, Chief Operating Officer of Entira Family Clinics. “It’s important to have reliable cost data so we know how to improve. You can’t improve what you don’t measure.”

Eighty percent of medical groups in Minnesota have an average range of costs. Individual medical group results ranged from \$269 to \$826 per patient per month. The statewide average for adult patients is \$514 per month, and for pediatric patients is \$216 per month.

“Medical groups can see where they stand on cost and to collaborate with others to learn what’s working to improve the value of care,” Chase said. “This helps everyone improve and drives change.”

Berrisford agreed. “It opens up dialogue about why Provider A is more expensive than Provider B. That drives consumerism and internal competition,” between medical groups, he said. “This will drive change through the competitive process it sets up.”

Expected release: Thursday, December 18, 2014. 9 am.

Total Cost of Care

Total Cost of Care is a National Quality Forum (NQF)-endorsed methodology, which includes all costs associated with treating commercially-insured patients, including professional, facility inpatient and outpatient, pharmacy, lab, radiology, behavioral health and ancillary costs. NQF is considered the gold standard of health care measurement.

This report includes data based on 2013 claims from the four health plans in Minnesota with the largest commercially-insured populations: Blue Cross and Blue Shield of Minnesota, HealthPartners, Medica and PreferredOne. The health care costs evaluated for this report totaled more than \$8 billion.

“This work is extremely important because it will help the broad community of stakeholders ask better questions about cost of care,” according to Dr. Lawrence (Larry) Lee, vice president and executive medical director for provider relations and quality at Blue Cross and Blue Shield of Minnesota. “The immediate value is establishing a robust foundation of data and methodology, upon which MNCM and participants will build successive versions and modules to answer increasingly specific questions. The answers will, I hope, lead to a more efficient, less distorted market.”

The total cost of care is the full cost – paid by both patients and health insurance companies. The amounts have been risk-adjusted and outlier costs have been removed to create a level playing field for all medical groups so true differences in cost can be evaluated.

“The philosophy of Blue Cross is that better information leads to better decisions,” Lee continued. “MNCM brings the track record of disciplined execution that’s needed to do this right.”

The amount spent on health care in Minnesota and nationally is growing. In 1960, just 6% of the nation’s gross domestic product was spent on health care; in 2013, that number was 17%. According to the Minnesota Department of Health, Minnesota’s health care spending rose \$4.3 billion (12%) between 2008 and 2012.

“Total cost of care is a major problem in our society, not just for health care,” said Dr. David Satin, family medicine physician with University of Minnesota Physicians and assistant professor at the University of Minnesota’s Medical School. “There’s a wide swath of things we can do today to improve the total cost of care – in particular beginning to discuss and eliminate unwarranted variation in care.”

“This is an important place to start to tell us where that variation might exist,” Satin continued.

“Discussions around quality and cost are easier now with this transparency,” explained Bruce Penner, Director of Quality at Integrity Health Network. “Phrases like ‘we care’ need to be shifted to ‘we care more and cost less.’ Data like this will allow us to prove it.”

Three-Year Community Effort

The release of this Total Cost of Care report is the result of a three-year community effort, involving more than 40 representatives from medical groups, health plans, large employers, consumer groups, the State of Minnesota, professional associations and health care improvement organizations. Technical assistance and validation were also obtained from independent statisticians and local and national experts, including the National Quality Forum, the Network for Regional Healthcare Improvement and Johns Hopkins University.

Berrisford, a member of the Total Cost of Care workgroup, said he's proud of the health care community in Minnesota for leading the nation in transparency. "We're taking this important first step and not waiting for someone else," he said.

"Minnesota's providers and health plans are to be commended for working together to increase transparency of the cost of care and for using that information to improve the value of care," Chase echoed. "These conversations are not always easy, but the results are essential for our community."

Information will be used by varied stakeholders

Medical group representatives said they would use the report in a variety of ways to improve the affordability of care.

"We'll work with our payer partners to look at where the costs are – are they surgical, inpatient, outpatient?" Berrisford said. Entira will pair that information with what they can learn from other medical groups to identify solutions and target areas for improvement.

"We use cost data to compel conversations with ourselves and with providers we engage through the continuum of care," Penner said. "Physicians are considering where they refer to and what services they bring into the care continuum or any episode of care."

Additionally, employers and consumers will use the information to evaluate options and ask questions.

"Currently the information employers receive from their health plans is based on their own population," Pare said. "For employers, specifically, [the TCOC measure's] large patient population will increase the validity and reliability of the total cost of care information that an employer has access to."

"Employers are expressing more interest in Accountable Care Organizations (ACOs) and narrow network plan offerings, as they continue to look for ways to manage increasing health care costs," Pare said. "Being able to access total cost of care information for a large number of medical groups that incorporates a larger patient population than their own or that of their health plan(s) will enhance their decision making."

Consumers can pair this with the quality and patient experience information on our website, MNHealthScores.org. It gives consumers a sense of which clinics are higher and lower cost, which they can use to make provider choices or ask their clinic about why they're more expensive.

"Information is knowledge," Pare said. "Consumers benefit the most when they have access to actionable cost information for services they may be utilizing. When coupled with quality information, the basis for a decision is even stronger."

About Us

MN Community Measurement is a non-profit organization dedicated to improving health by publicly reporting health care information. A trusted source of health care data and public reporting on quality, cost and patient experience since 2003, MNCM works with medical groups, health plans, employers, consumers and state agencies to spur quality improvement, reduce health care costs and maximize value. Learn more at www.mncm.org.