A 4-D Hospital Price Scan: Preview of a National Employer-led Transparency Study

NATIONAL HOSPITAL PRICE TRANSPARENCY CONFERENCE: PATH TO AFFORDABILITY

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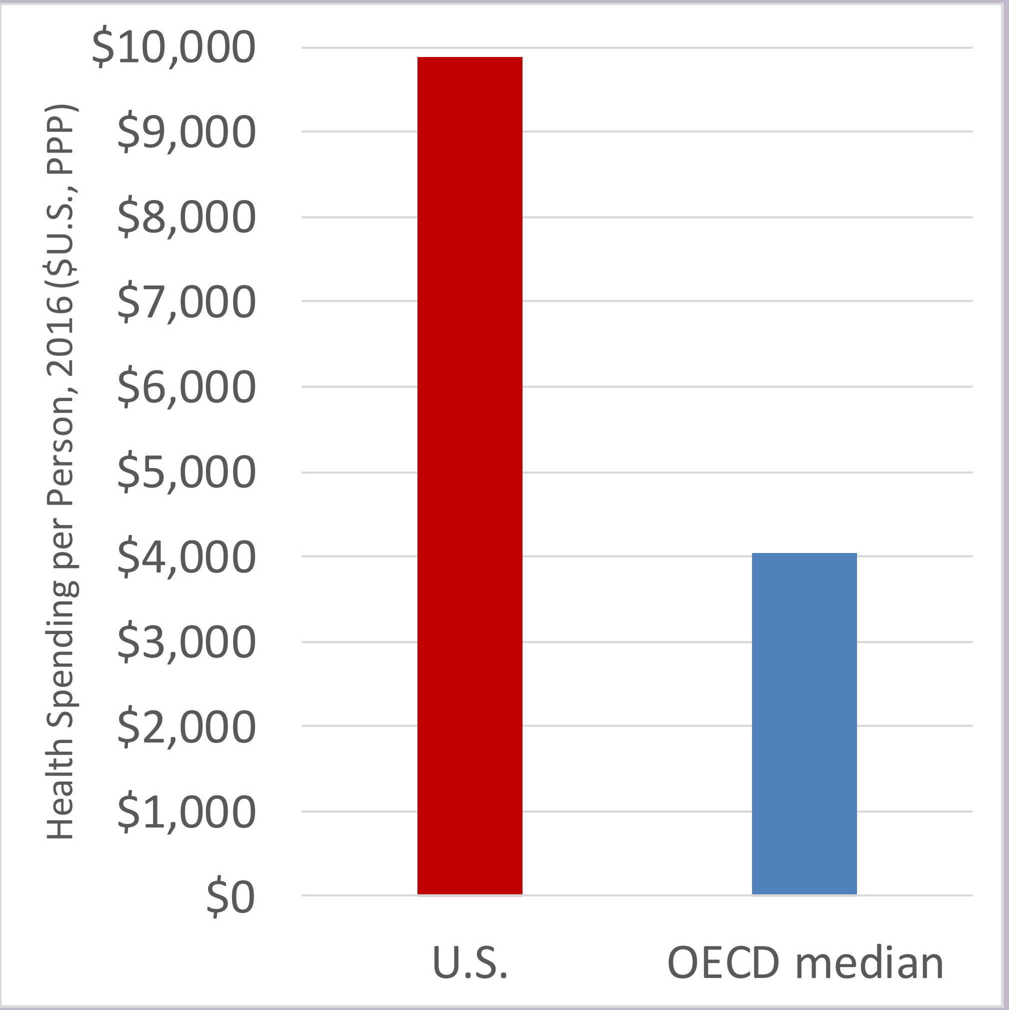
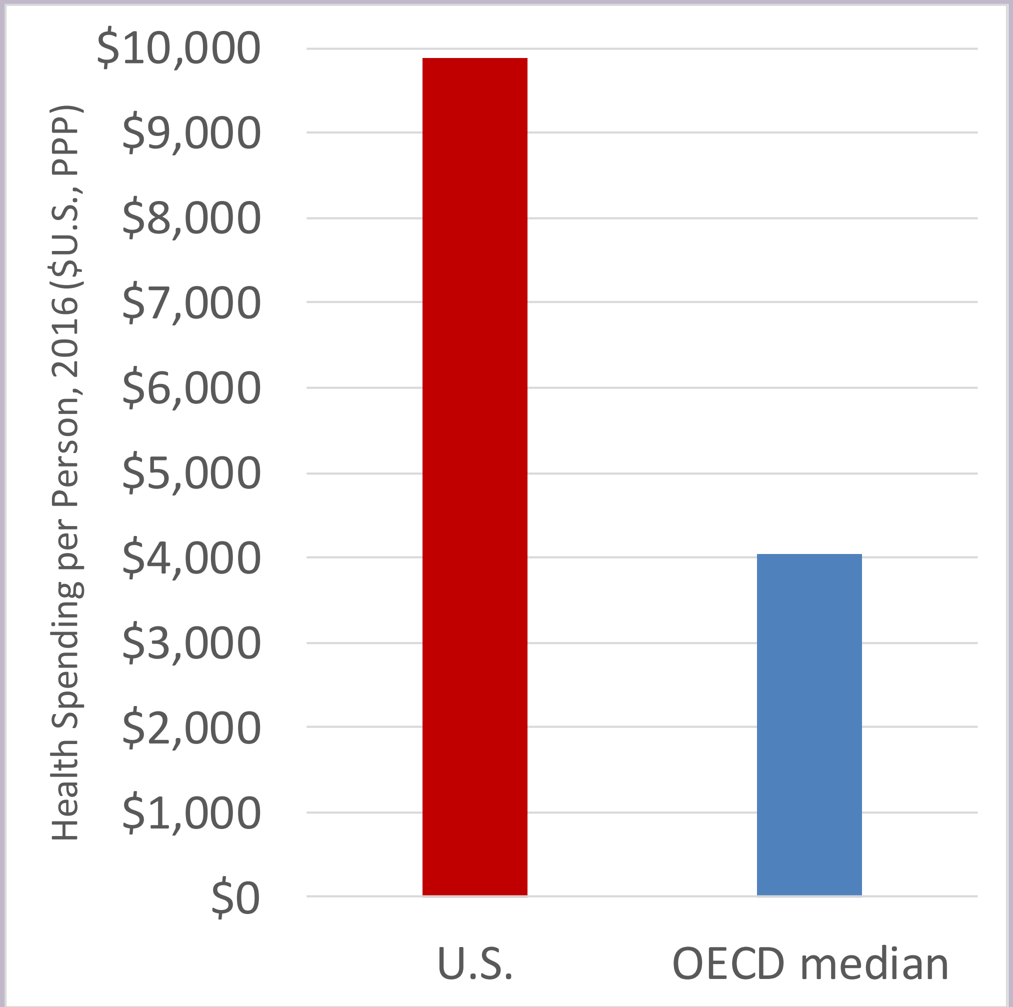
"It's Still the Prices, Stupid"



Source: Anderson, G. F., Hussey, P., & Petrosyan, V. (2019). It's Still The Prices, Stupid: Why The US Spends So Much On Health Care, And A Tribute To Uwe Reinhardt. *Health Affairs, 38(1), 87-95. doi:10.1377/hlthaff.2018.05144.*

Private Hospital
"It's ~~Still~~ the Prices, Stupid"

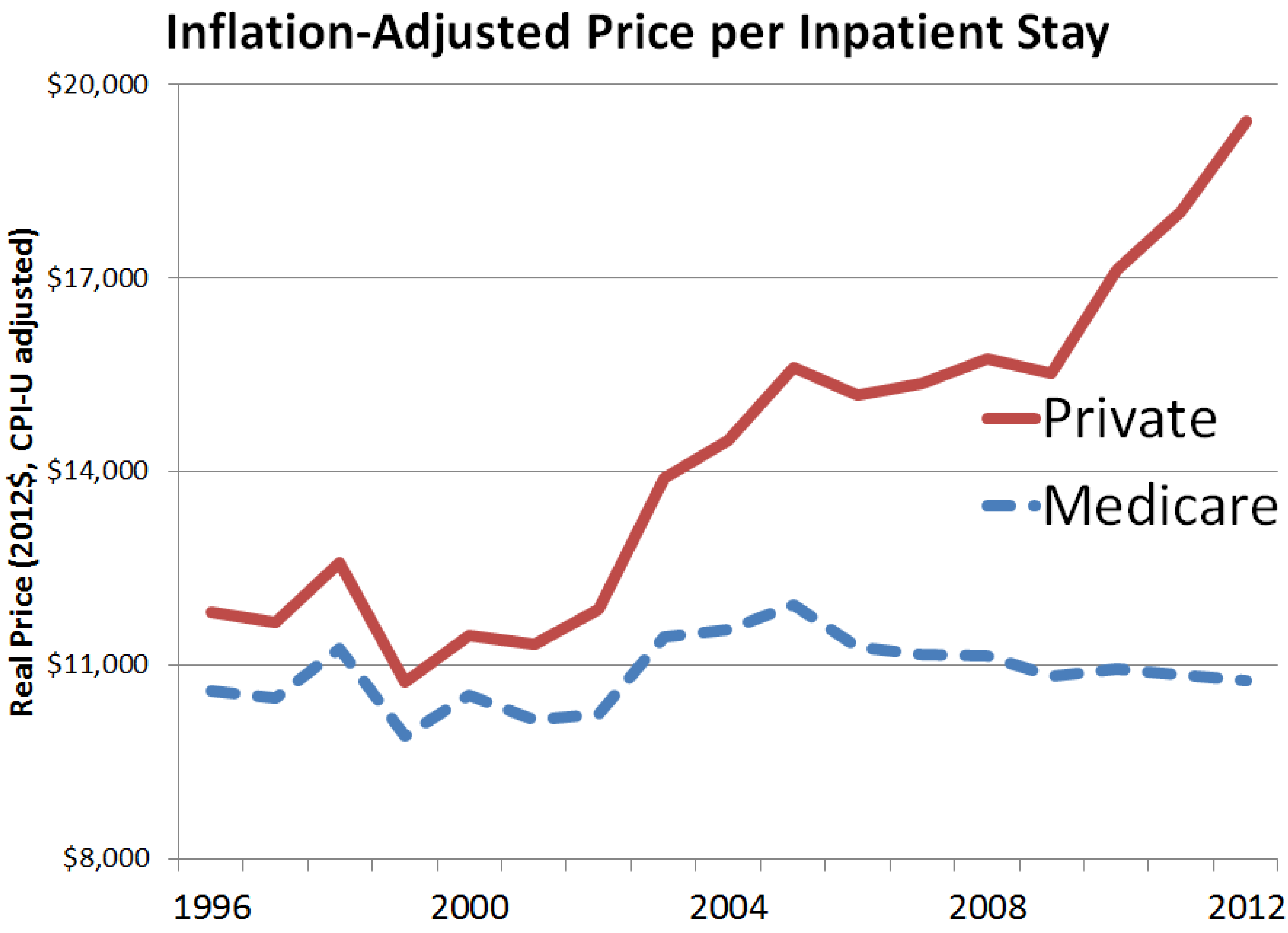


- Why private health plans?
  - persistently high growth in spending per capita
- Why hospitals?
  - $1.1T industry
  - private prices high, rising, and widely varying

Source: Anderson, G. F., Hussey, P., & Petrosyan, V. (2019). It's Still The Prices, Stupid: Why The US Spends So Much On Health Care, And A Tribute To Uwe Reinhardt. *Health Affairs, 38(1), 87-95. doi:10.1377/hlthaff.2018.05144.*

What Do We Know Already?

- Prices paid by private health plans
  - higher and growing faster than Medicare



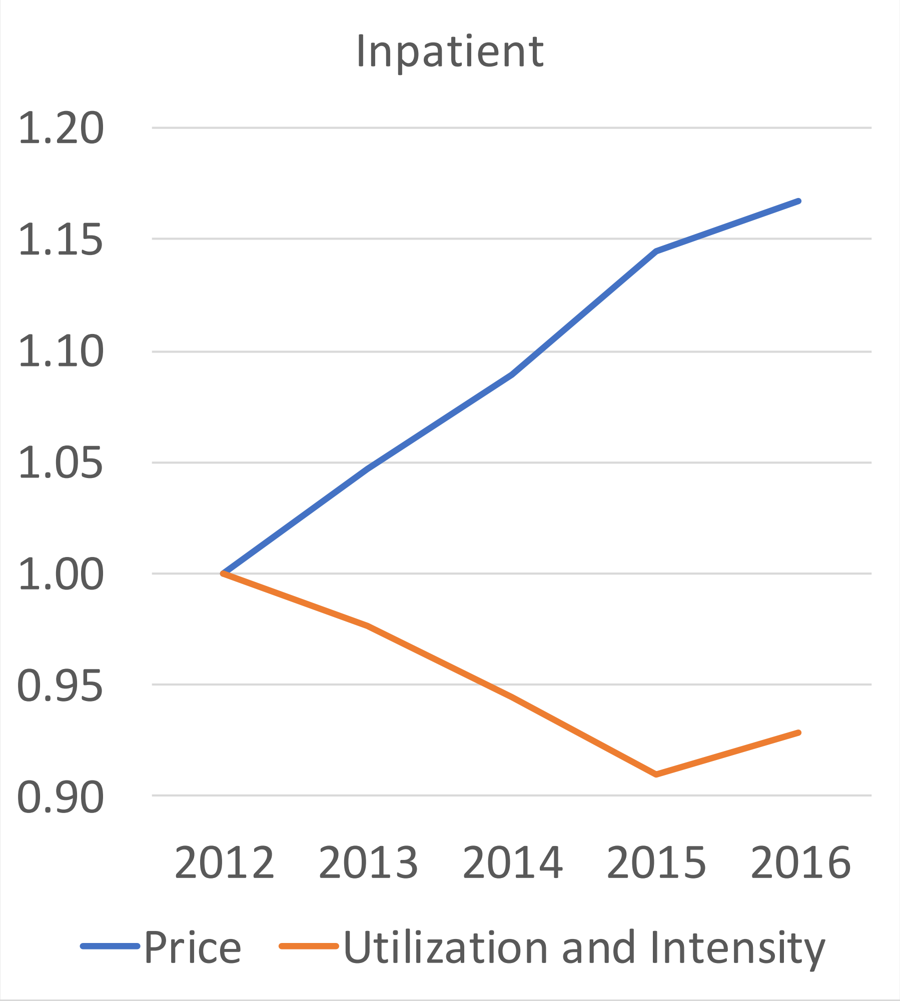
Source: Selden, T. M., Karaca, Z., Keenan, P., White, C., & Kronick, R. (2015). The Growing Difference Between Public And Private Payment Rates For Inpatient Hospital Care. *Health Affairs, 34(12), 2147-2150. doi:10.1377/hlthaff.2015.0706.*

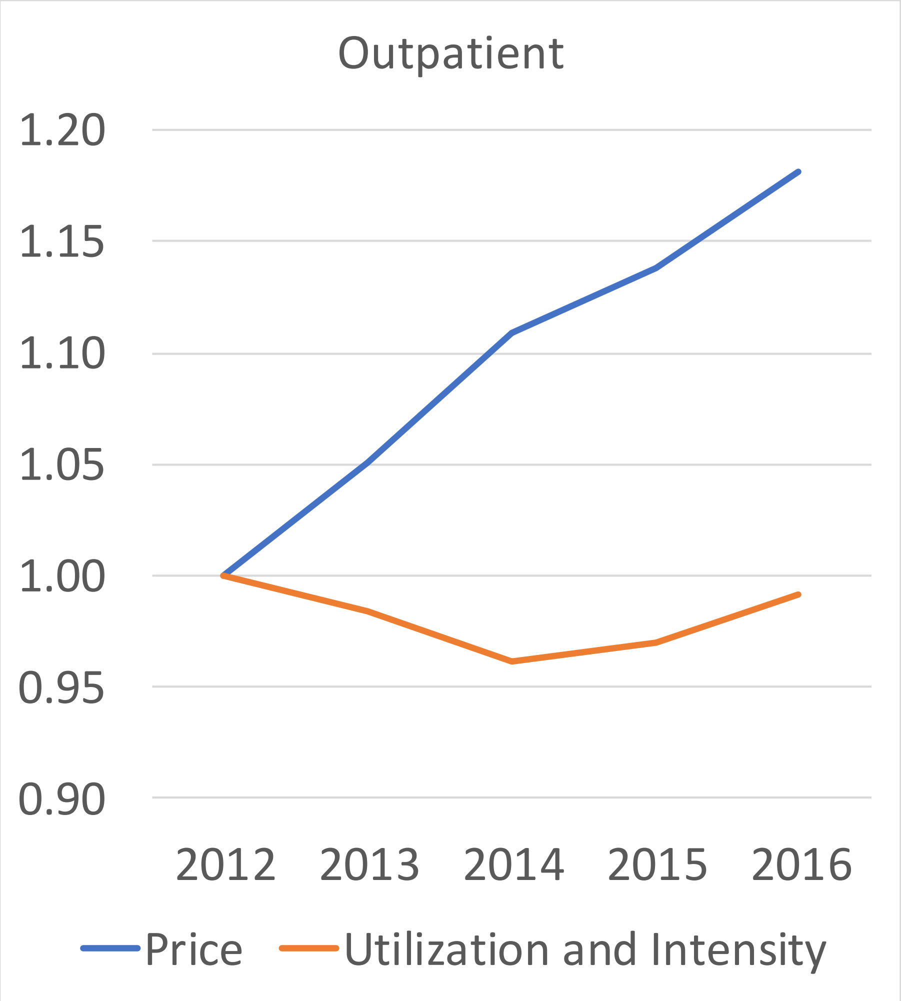
What Do We Know Already?

- Prices paid by private health plans
  - higher and growing faster than Medicare
  - increased spending on hospital care driven by prices, not utilization

Inpatient Use Continued to Decline but Prices Rose Substantially

Outpatient Prices Drove Spending Growth



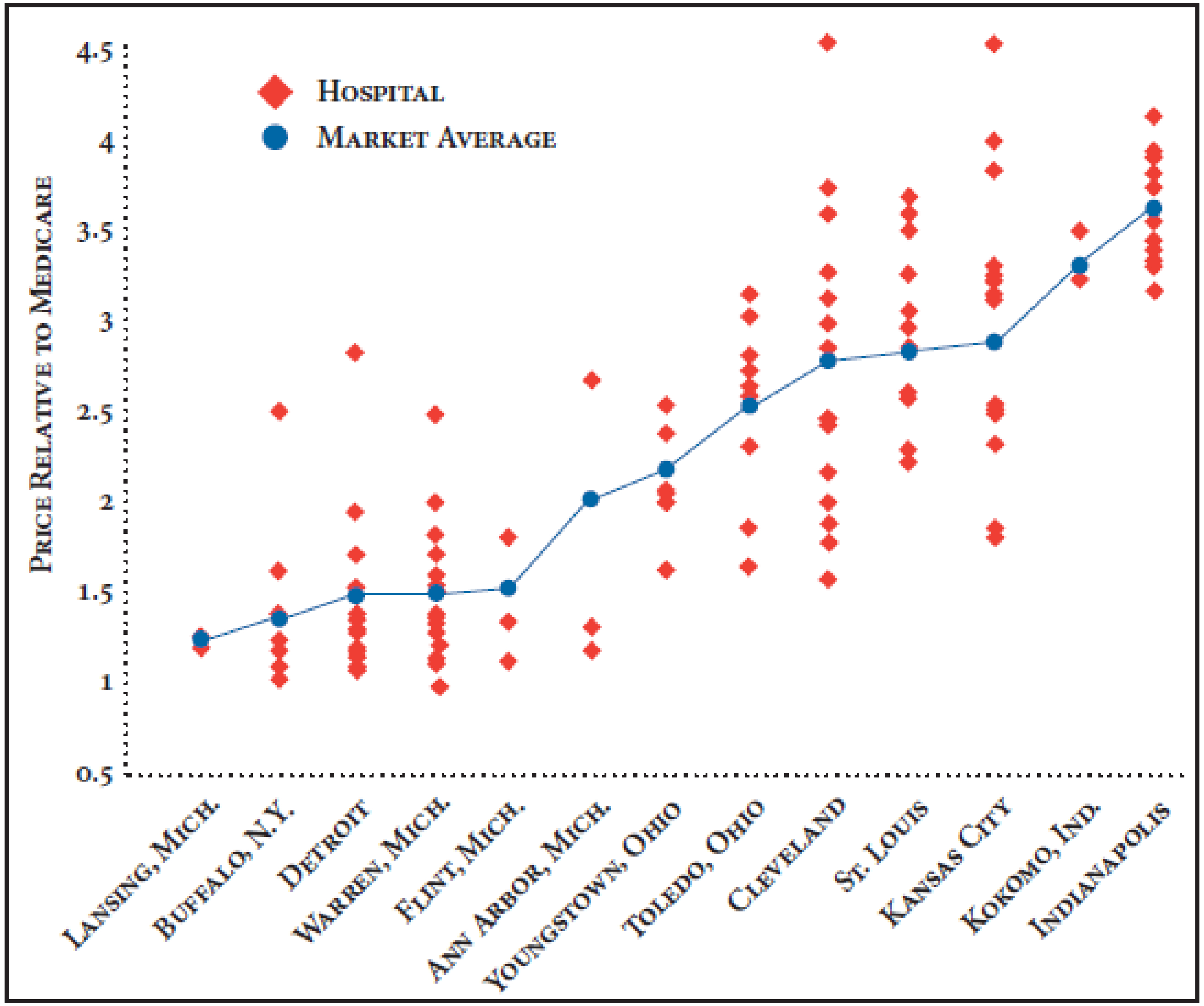


Health Care Cost Institute. (2018). *2016 Health Care Cost and Utilization Report*. *Retrieved from* http://www.healthcostinstitute.org/report/2016-health-care-cost-utilization-report/. Prices are from Appendix Table A3,, utilization and intensity is estimated by dividing spending (from Appendix Table A1) by prices.

What Do We Know Already?

- Prices paid by private health plans
  - higher and growing faster than Medicare
  - increases in spending driven by price growth, not utilization
  - vary widely from market to market, and from hospital to hospital within markets

Variation in Hospital Outpatient Prices for Privately Insured Patients Across and Within 13 U.S. Markets

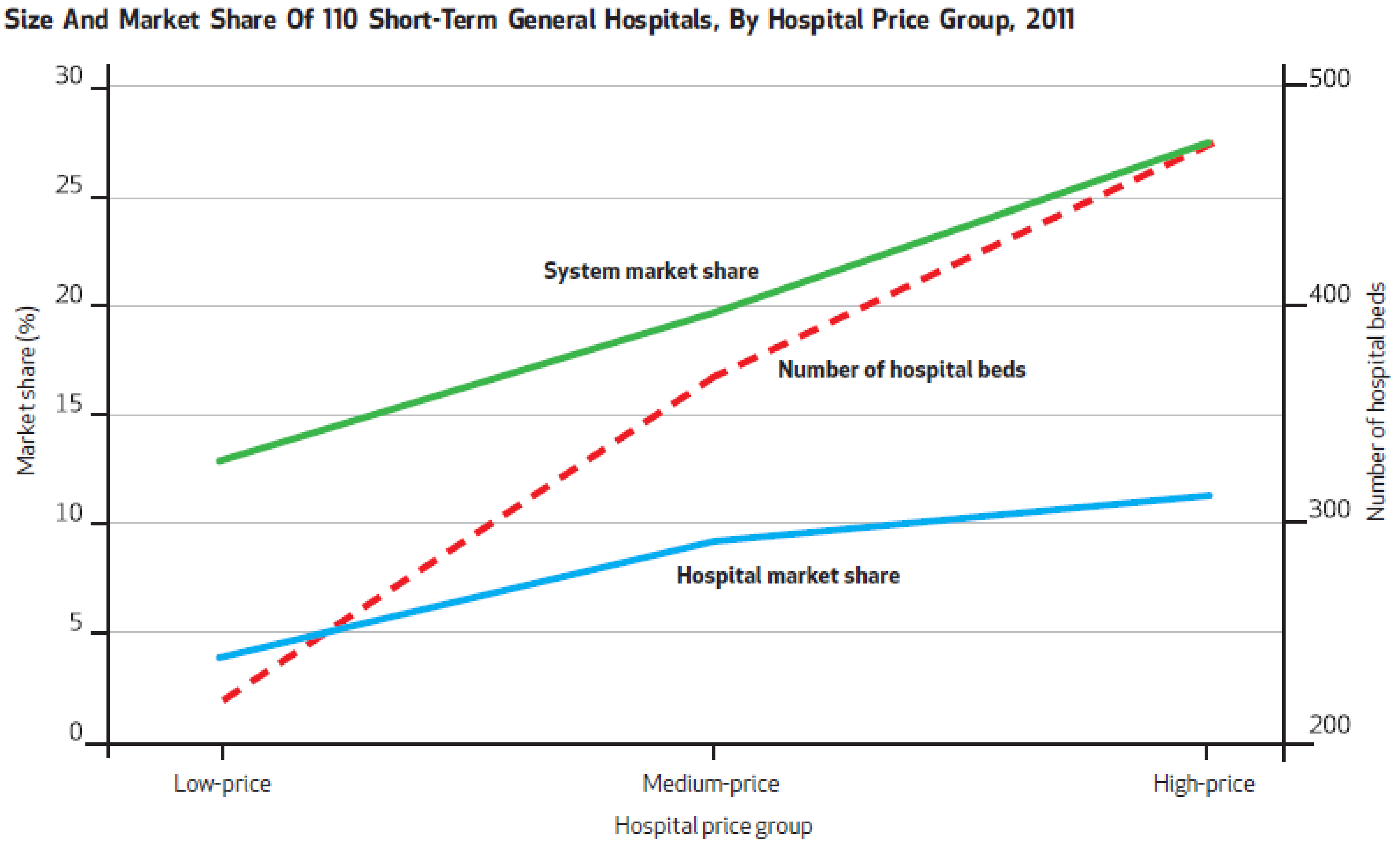


Source: White, C., Bond, A. M., & Reschovsky, J. D. (2013). *High and Varying Prices for Privately Insured Patients Underscore Hospital Market Power (No. 27). Retrieved from http://nihcr.org/wp-content/uploads/2015/03/HSC_Research_Brief_No._27.pdf.*

What Do We Know Already?

- Prices paid by private health plans
  - higher and growing faster than Medicare
  - price growth is driving increased spending, not utilization
  - vary widely from market to market, and within markets
  - tend to be higher at large hospitals offering specialized services

High-priced Hospitals Tend to be Large, and Part of Even Larger Systems



Source: White, C., Reschovsky, J. D., & Bond, A. M. (2014). *Understanding Differences Between High- And Low-Price Hospitals: Implications For Efforts To Rein In Costs*. Health Affairs, 33(2), 324-331. doi:10.1377/hlthaff.2013.0747

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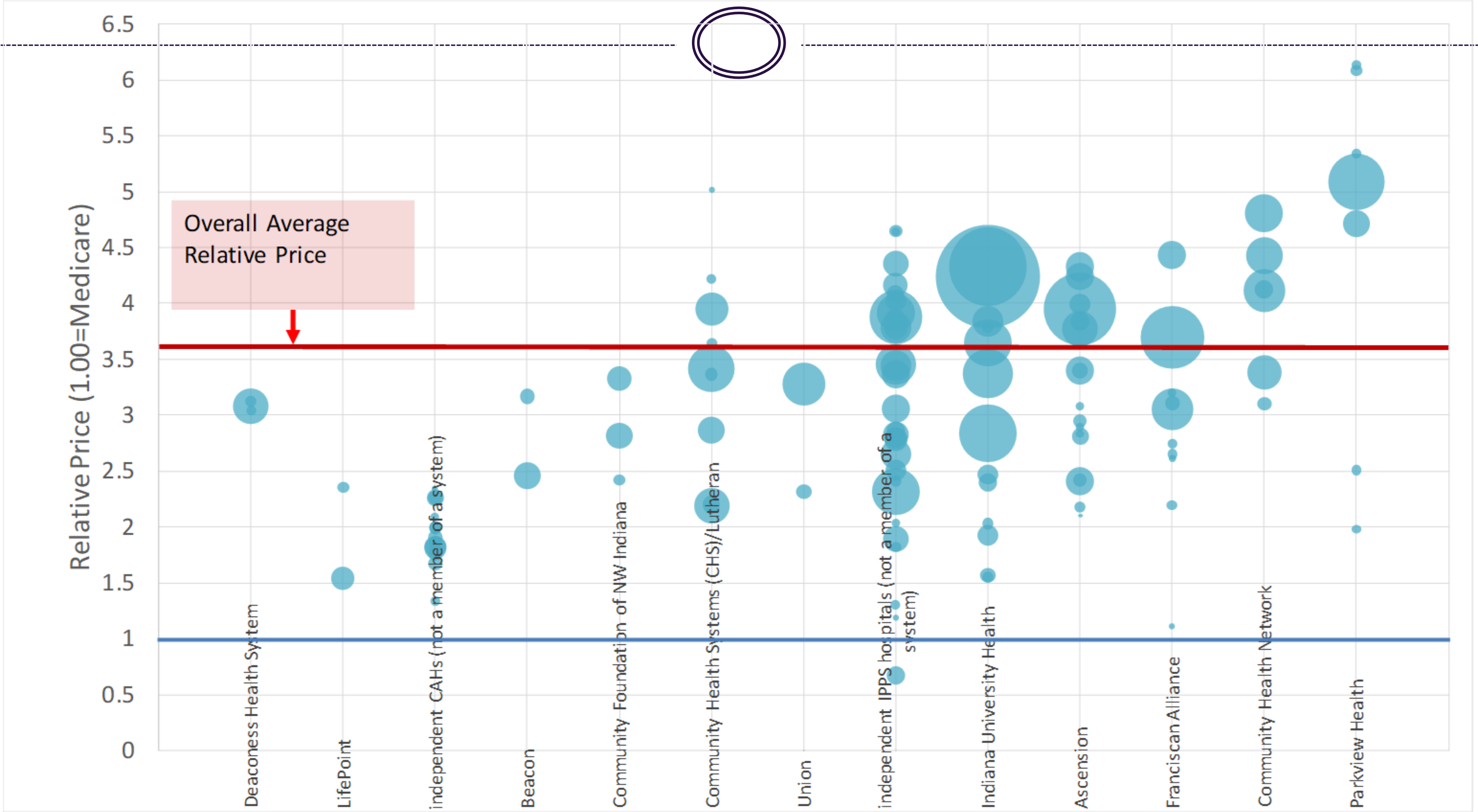
  - higher and growing faster than Medicare
  - price growth is driving increased spending, not utilization
  - vary widely from market to market, and within markets
  - tend to be higher at large hospitals offering specialized services
  - outpatient prices very high and highly variable ... in Indiana
  - hospital prices rising ... in Indiana ... through mid-2016

Outpatient Relative Prices in Indiana, by Hospital and System



Source: White, C. (2017). *Hospital Prices in Indiana: Findings from an Employer-Led Transparency Initiative* (RR-2106-RWJ). Retrieved from https://www.rand.org/pubs/research_reports/RR2106.html

What Do We Not Yet Know?

- Is Indiana "normal"?
- Are hospital prices continuing to rise?
- Which hospitals and hospital systems are getting the highest prices in other states?
- Are those prices in line with the value they're providing?

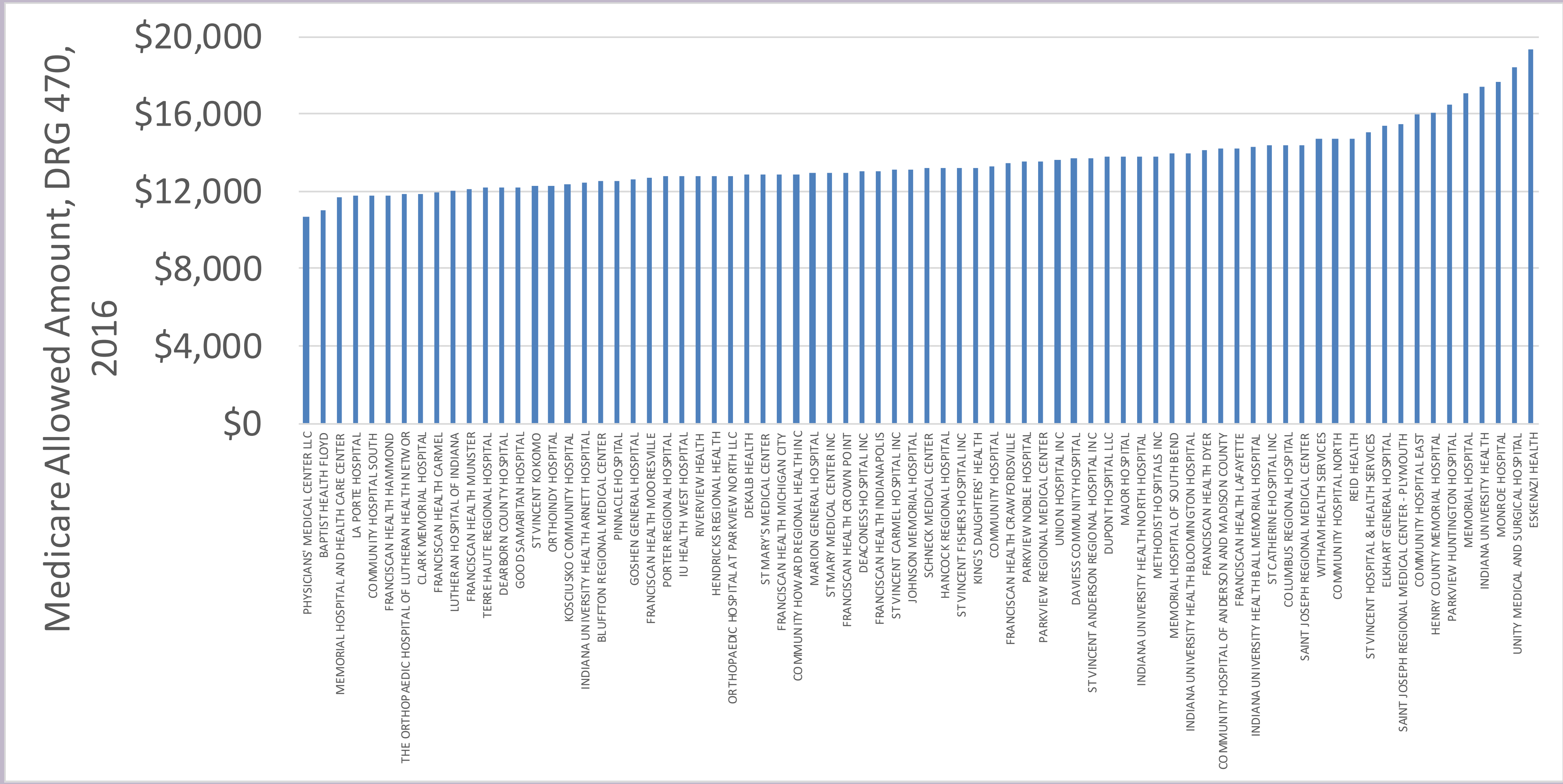
The Inspiration

"Medicare Provider Utilization and Payment Data"

Provider Id	Provider Name	Provider Street Address	Provider City	Provider State	Provider Zip Code	Total Discharges	Average Covered Charges	Average Total Payments	Average Medicare Payments
150001	JOHNSON MEMORIAL HOSPITAL	1125 W JEFFERSON ST	FRANKLIN	IN	46131	36	$53,046.86	$13,113.81	$10,659.19
150002	METHODIST HOSPITALS INC	600 GRANT ST	GARY	IN	46402	109	$89,941.98	$13,836.61	$11,843.11
150004	FRANCISCAN HEALTH HAMMOND	5454 HOHMAN AVE	HAMMOND	IN	46320	15	$61,572.40	$11,808.00	$10,723.60
150005	HENDRICKS REGIONAL HEALTH	1000 E MAIN ST	DANVILLE	IN	46122	243	$36,687.61	$12,824.49	$10,597.06
150006	LA PORTE HOSPITAL	1007 LINCOLNWAY	LA PORTE	IN	46350	86	$73,898.58	$11,790.85	$10,592.76
150007	COMMUNITY HOWARD REGIONAL HEALTH INC	3500 S LAFOUNTAIN ST	KOKOMO	IN	46902	54	$79,190.02	$12,903.04	$10,181.76
150008	ST CATHERINE HOSPITAL INC	4321 FIR ST	EAST CHICAGO	IN	46312	31	$48,961.77	$14,378.19	$12,316.65
150009	CLARK MEMORIAL HOSPITAL	1220 MISSOURI AVE	JEFFERSONVILLE	IN	47130	210	$32,225.13	$11,886.59	$10,060.93
150010	ST VINCENT KOKOMO	1907 W SYCAMORE ST	KOKOMO	IN	46904	140	$53,209.39	$12,247.44	$10,442.99
150011	MARION GENERAL HOSPITAL	441 N WABASH AVE	MARION	IN	46952	108	$61,602.81	$12,961.06	$11,217.88
150012	SAINT JOSEPH REGIONAL MEDICAL CENTER	5215 HOLY CROSS PKWY	MISHAWAKA	IN	46545	463	$54,654.92	$14,398.14	$9,584.75
150015	FRANCISCAN HEALTH MICHIGAN CITY	301 W HOMER ST	MICHIGAN CITY	IN	46360	101	$59,559.87	$12,888.41	$10,561.65
150017	LUTHERAN HOSPITAL OF INDIANA	7950 W JEFFERSON BLVD	FORT WAYNE	IN	46804	33	$92,398.45	$12,046.76	$10,956.94
150018	ELKHART GENERAL HOSPITAL	600 E BLVD	ELKHART	IN	46514	297	$69,215.93	$15,436.71	$10,099.30
150021	PARKVIEW REGIONAL MEDICAL CENTER	11109 PARKVIEW PLAZA DRIVE	FORT WAYNE	IN	46845	136	$79,105.49	$13,583.56	$11,052.04
150022	FRANCISCAN HEALTH CRAWFORDSVILLE	1710 LAFAYETTE RD	CRAWFORDSVILLE	IN	47933	24	$60,852.92	$13,469.75	$12,188.75
150023	UNION HOSPITAL INC	1606 N SEVENTH ST	TERRE HAUTE	IN	47804	292	$71,810.22	$13,610.82	$11,584.17
150024	ESKENAZI HEALTH	720 ESKENAZI AVENUE	INDIANAPOLIS	IN	46202	84	$57,809.45	$19,373.19	$17,784.58
150026	GOSHEN GENERAL HOSPITAL	200 HIGH PARK AVE	GOSHEN	IN	46526	89	$50,120.20	$12,633.08	$10,198.64

Source: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data/Downloads/Inpatient_Data_2016_CSV.zip

The Inspiration



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National Study (“RAND 2.0”) Methods and Data

Our Approach

- Obtain claims data from
  - self-funded employers, APCDs, health plans
- Measure prices in two ways
  - relative to a Medicare benchmark
  - price per casemix weight
- Create a *public* hospital price report
  - will be posted online, freely downloadable
  - named facilities and systems
  - inpatient prices and outpatient prices
- Create *private* hospital price reports for self-funded employers

Two Ways to Measure Hospital Prices

1. "Relative prices" $= \dfrac{Allowed\ Amount}{Simulated\ Medicare\ Allowed\ Amount}$

adjusted for
- casemix
- local wages
- teaching
- uncompensated care

comparable across service lines

2. "Price per casemix weight" $= \dfrac{Allowed\ Amount}{Casemix\ weights}$

adjusted for
- casemix

not comparable across service lines

Why Compare to Medicare?

- Largest purchaser of health care in the world
- Sets industry standards
- Prices and methods are empirically based and transparent
- Medicare prices intended to be fair
- Uses quality measures/value-based payment

What are the 4 Ds?

Comparisons ...

- over time
- across states
- among named hospitals and hospital systems
- across service lines (inpatient/outpatient)

National Study (“RAND 2.0”) Preview of Findings

“PREVIEW” INCLUDES CLAIMS DATA AVAILABLE CURRENTLY

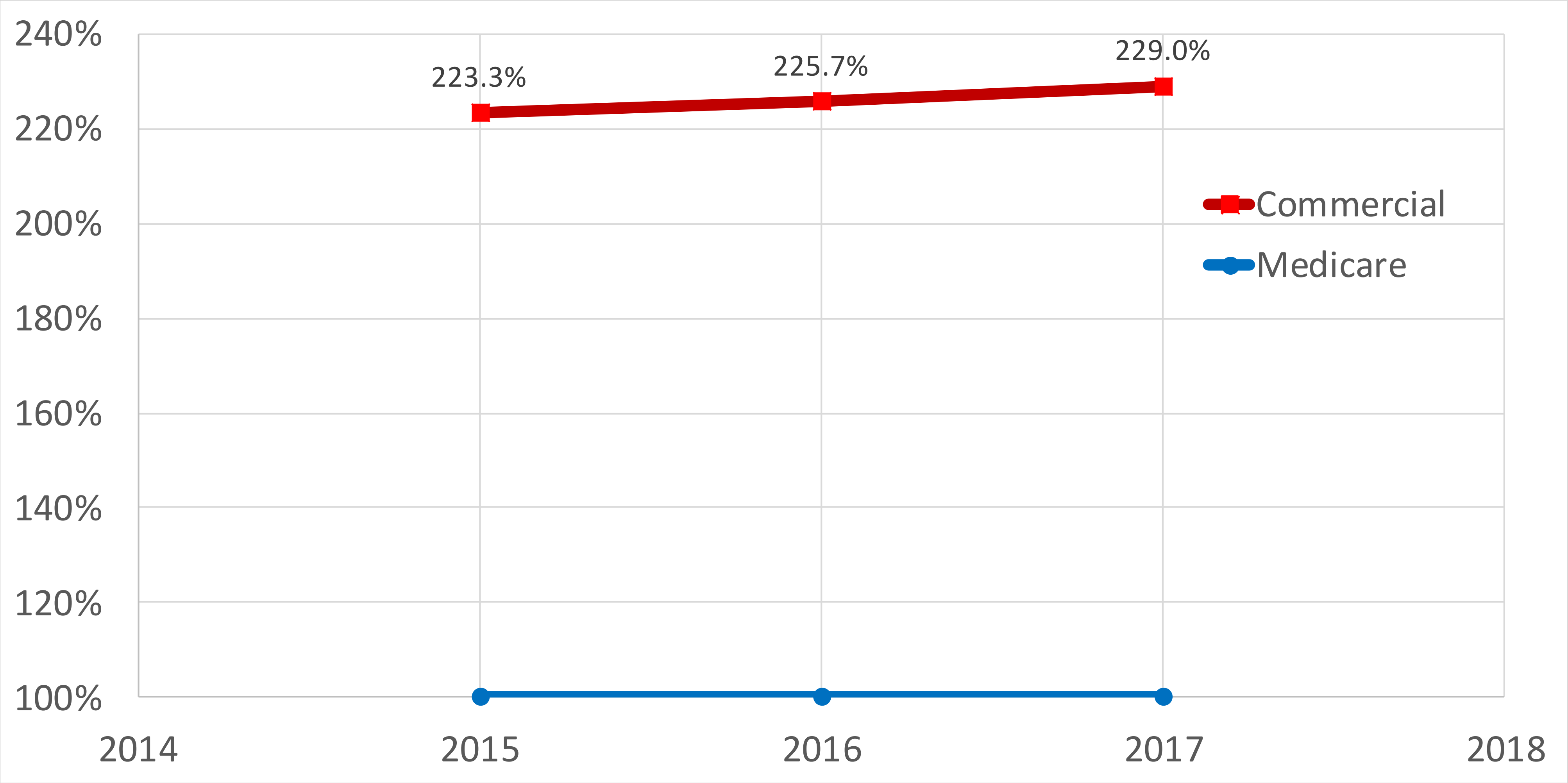
FINAL REPORT WILL INCLUDE ADDITIONAL CLAIMS DATA, HOSPITALS, AND STATES

Scope of the Study

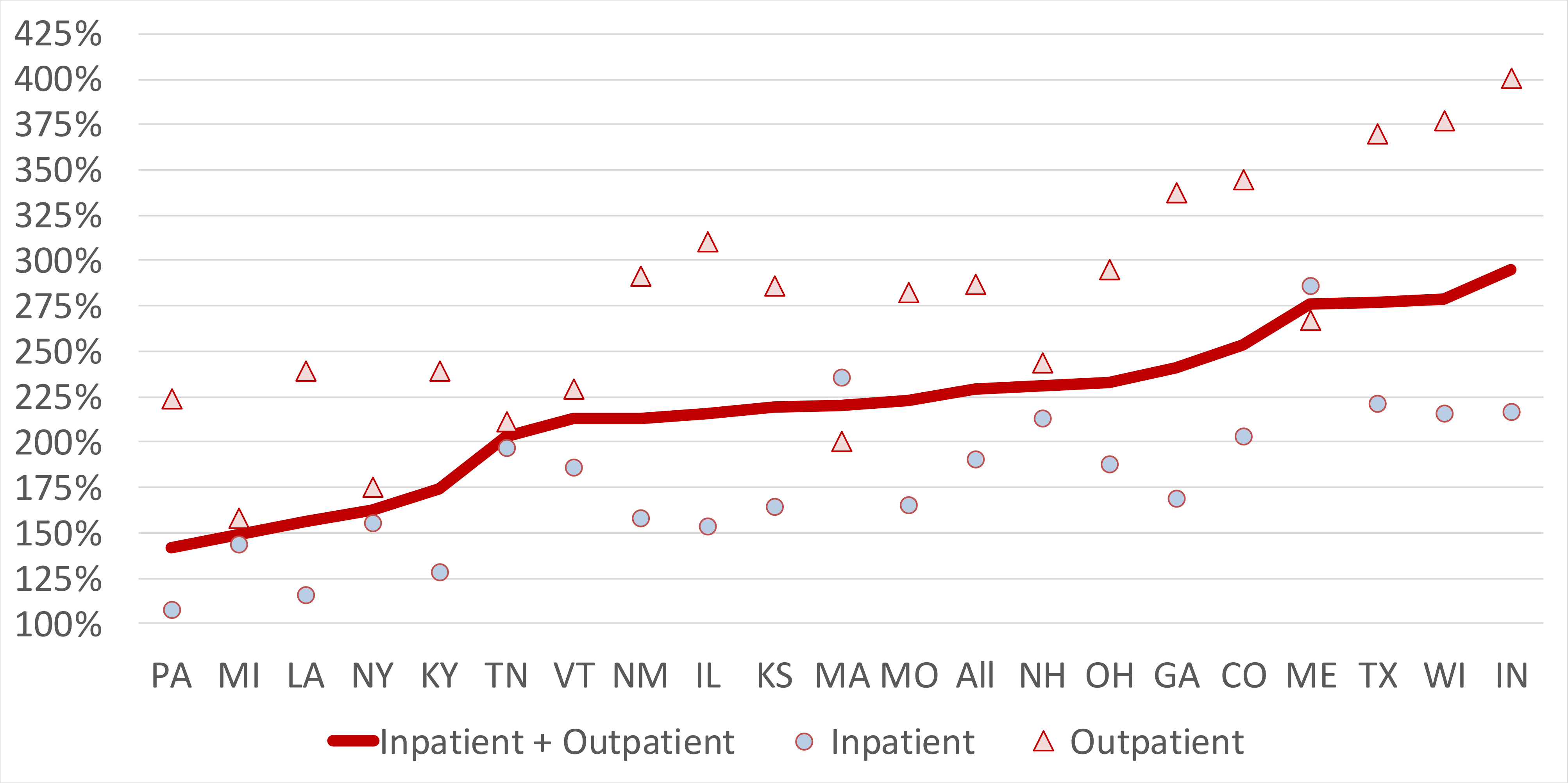
Services	Hospital inpatient, hospital outpatient
States	CO, GA, IL, IN, KS, KY, LA, MA, ME, MI, MO, MT*, NH, NM, NY, OH, PA, TN, TX, VT, WI, WY*
Years	2015-7**
Hospitals	1222 short-stay general medical/surgical
Allowed amount (2015-7)	$12.3B, $6.0B inpatient and $6.3B outpatient
Claims (2015-7)	310k inpatient stays, 13.5M outpatient lines
Data sources	2 all payer claims databases, many health plans, ~40 self-funded employers***
Funders	RWJF, NIHCR, self-funded employers (not health plans, or hospitals)

*: not included in this preview; **: NH,CO: 2012-7, IN: 2013-2017, MI,LA: 2015-2018; *** ~20 are included in this preview.

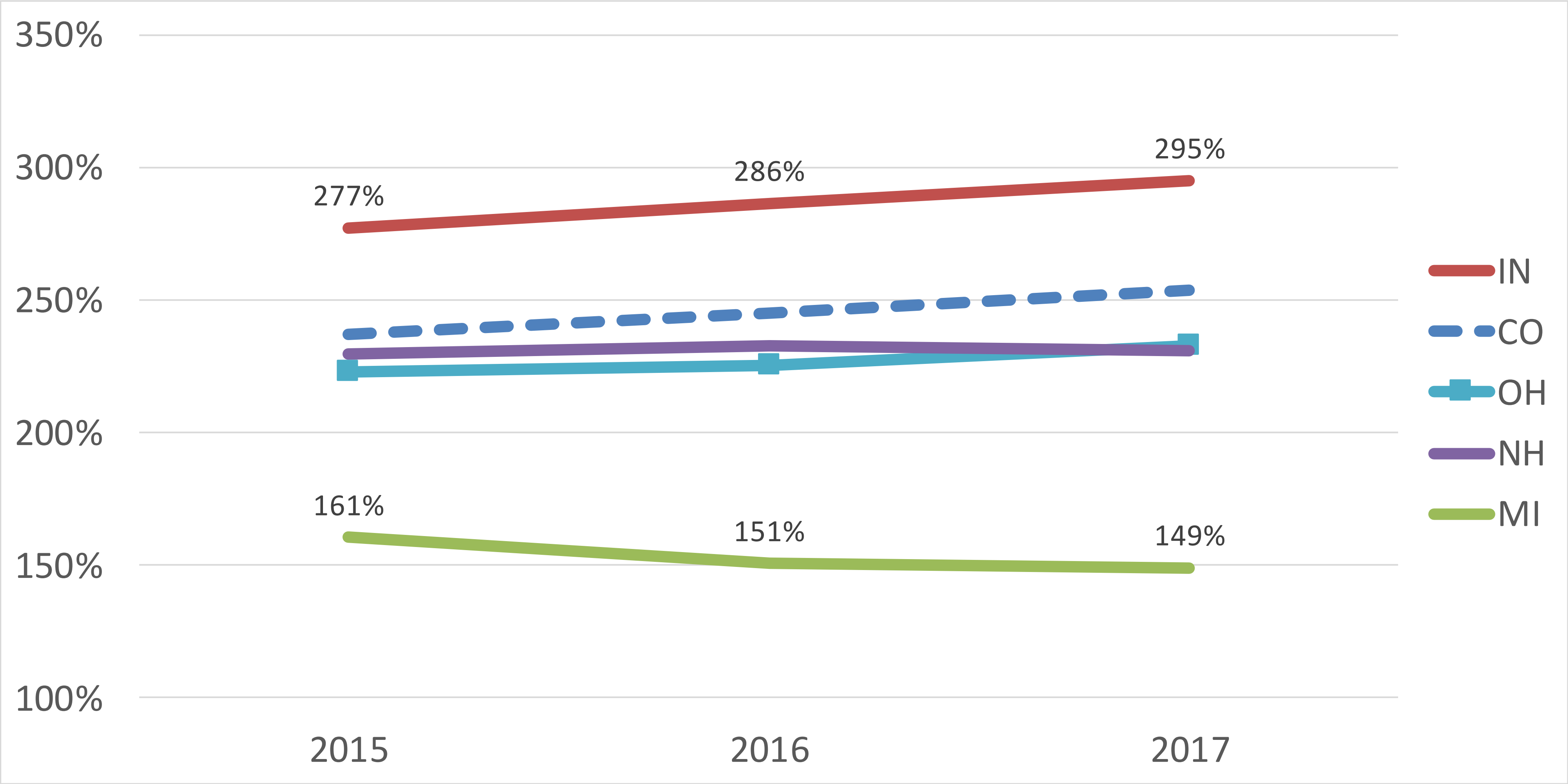
All-State Trends in Hospital Prices Relative to Medicare



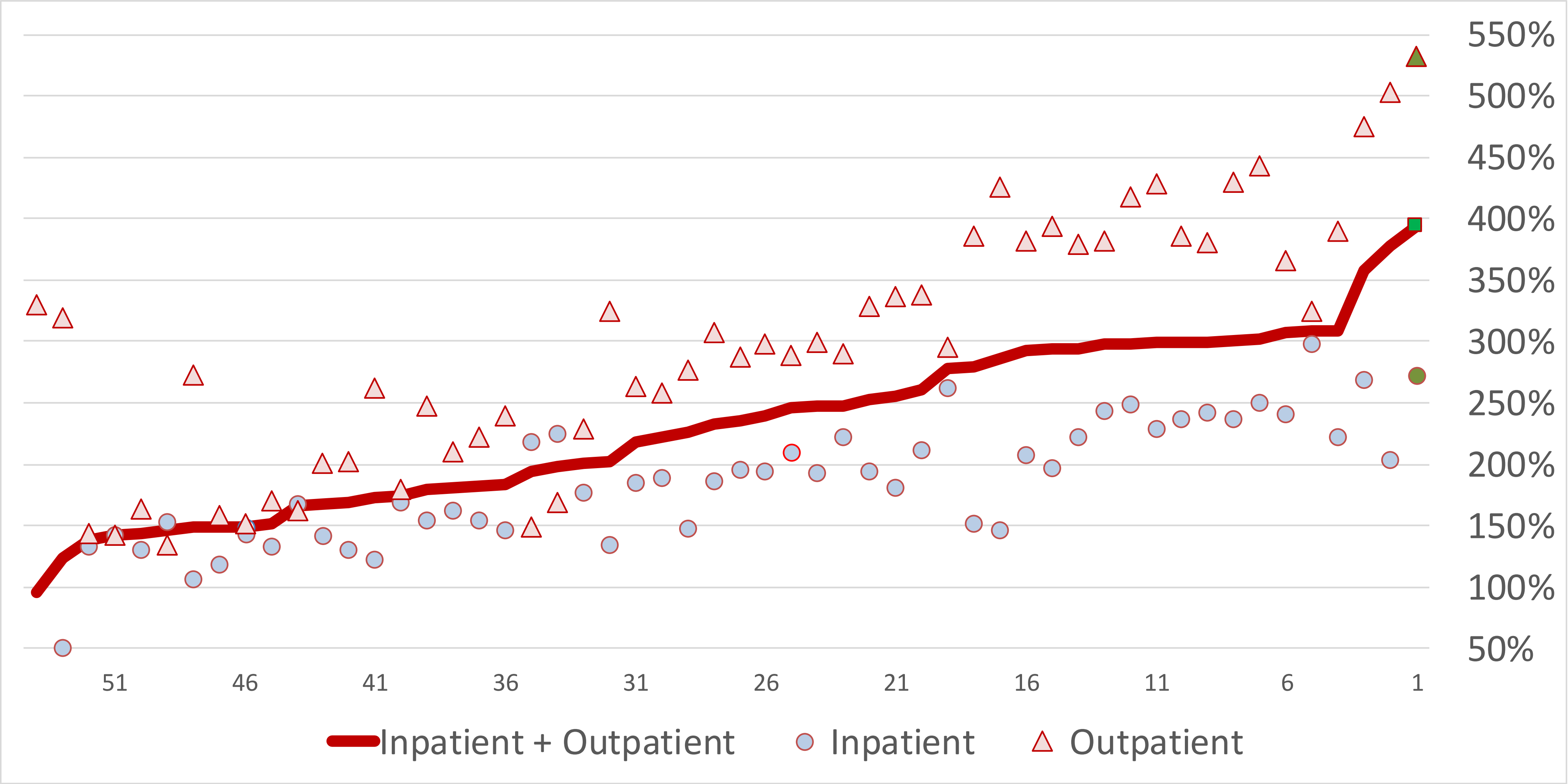
State Average Relative Prices, 2017



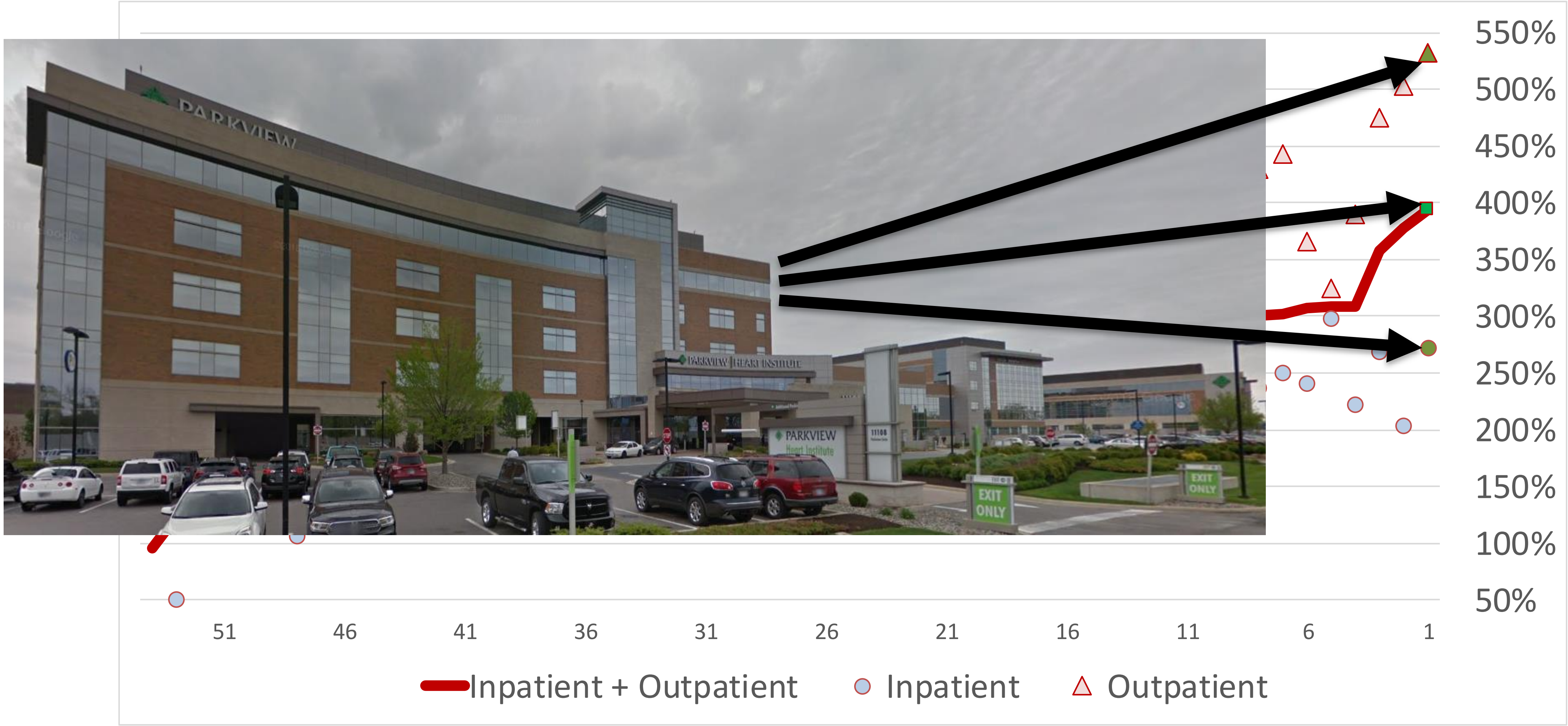
State Trends in Relative Prices, 2015-7



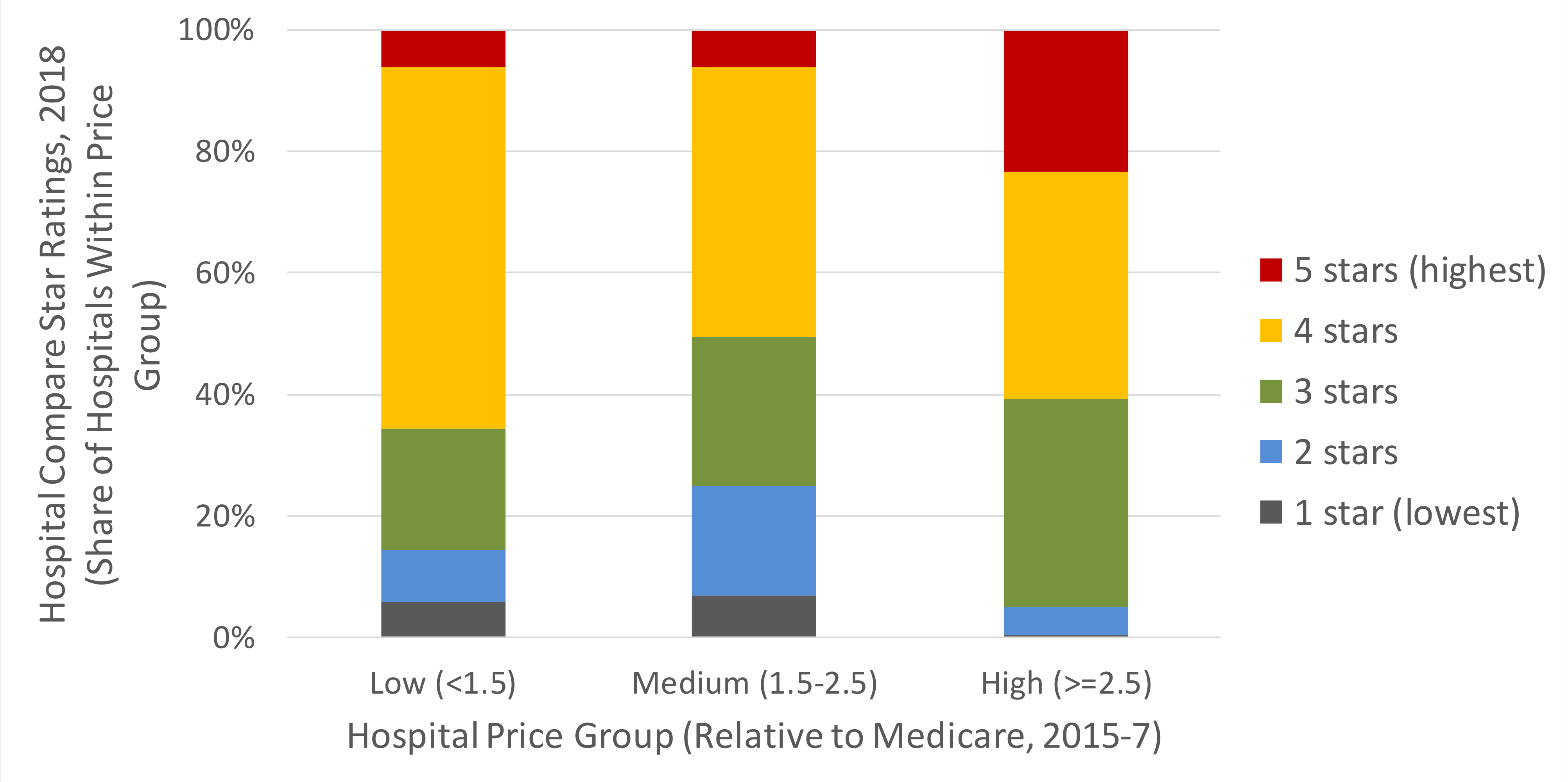
Large System Average Prices, 2015-7



Which Hospital System is the Highest-Priced?



There Are Good, Low-Priced Hospitals Out There



Takeaways

Takeaway #1: Markets Need Information

- "Chaos behind a veil of secrecy" (Uwe Reinhardt)
- "Where there's mystery there's margin"

- Consolidated markets + secrecy
  ⇨ highest health care prices in the world
  ⇨"ABI" (anywhere but Indiana)

- Employers have a fiduciary duty to spend prudently
  ⇨ need to know how, and how much, they are paying

Takeaway #2: How You Pay Matters

- How does Medicare pay?
  - base $ * facility-specific adjustments * casemix + outliers + bonuses
  - grows based on wages, assumes productivity increases
- How do self-funded employers pay?
  - details are considered a "trade secret"
  - mix of multiple-of-Medicare, fixed rates, discounted charges
- Discounted charges allow price inflation and wide variation

Takeaway #3: Options for Employers

- Impose market discipline
  - move away from discounted-charge contracts, toward fixed-rate contracts
  - find out what those fixed rates are, and how they compare to benchmarks
  - be willing to move patient volume away from low-value providers
  - be willing to switch TPAs
  - form purchasing alliances

- Hand off responsibility for negotiating prices
  - support Medicare for All or Medicare buy-ins
  - support state-based rate setting

Acknowledgements

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NEW HAMPSHIRE COMPREHENSIVE HEALTH CARE INFORMATION SYSTEM
COLORADO BUSINESS GROUP ON HEALTH
THE HEALTH FOUNDATION OF GREATER INDIANAPOLIS, INC.
HOUSTON BUSINESS COALITION ON HEALTH
NEW MEXICO COALITION FOR HEALTHCARE VALUE
ECONOMIC ALLIANCE FOR MICHIGAN

Thank You!

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