2nd Annual

National Hospital Price Transparency Conference:

Path to Affordability

Navigating Provider Quality in the Pursuit of Greater Value

Presented By: Shane Wolverton

QUANTROS SENIOR VICE PRESIDENT, CORPORATE DEVELOPMENT

SEPTEMBER 18, 2020

1. Level Set
2. Variation & Value
3. Measuring Quality
4. Regional Study
5. Conclusion

The Failure of Competition in Health Care

Competition Takes Place at the Wrong Levels

TOO BROAD

- broad service lines not individual services
- providers offer every available service to any patient walking in the door
- health plans contract with providers across the board

TOO NARROW

- takes place on discrete interventions rather than full cycle of care
- care is structured around specialties and specific services not integrated care of conditions
- value can only be measured over entire care cycle
- physicians are free agents performing services and billing separately

TOO LOCAL

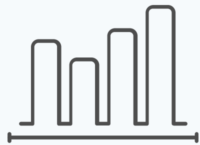
- care is centered on relatively small self-contained local institutions catering to local needs
- prevailing ownership, governance, regulations & reimbursement institutionalize this bias
- many providers offer services with lack of volume & experience for excellence

Porter M., Teisberg E., (2006). Redefining Health Care: Creating Value-based Competition on Results: Harvard Business School Publishing

Reforming Health Care is to Reform the Nature of Competition

Current Competition in Healthcare is Zero-Sum

Shift Costs



- participants seek to lower their own costs shifting the burden to others in the system
- gains come from losses by another
- increases admin costs & inefficiencies eroding value

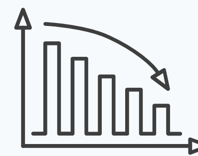
Increase Bargaining Power

- capture more revenue
- push cost to others
- extract deeper discounts for lives
- provider depth & consolidation increases prices and lowers competition

Capture Patients & Restrict Choice

- health plans scaled by attracting members not by delivering value
- patient choice is for in-network providers only (deepest discounts)
- providers desire referrals stay in the enterprise inhibiting choice, competition & value

Reduce Costs by Restricting Services



- restricting access shifts costs to patients or rationing (pre-certs, auths, etc.)
- fixed payments to hospitals incents lower cost treatments to maximize profits
- vertical integration can lead to capitation where transparency is needed

Porter M., Teisberg E., (2006). Redefining Health Care: Creating Value-based Competition on Results: Harvard Business School Publishing

Value-Based Competition

COMPETING ON RESULTS

- Patient outcomes per unit cost at medical condition level
- Providers, plans & suppliers achieving excellence get more business
- Those who fail to demonstrate good results decline or cease to provide service
- Moves beyond consumer driven health care
  - consumers can only play a bigger role if providers and plans realign around patient results
  - when physicians are driven to compete on results uninformed and uninvolved consumers will benefit
- Competing on results requires the results be measured and made widely available

Porter M., Teisberg E., (2006). Redefining Health Care: Creating Value-based Competition on Results: Harvard Business School Publishing

Principals of Value-Based Competition

- The focus should be on value for patients, not just lowering costs
- Competition must be based on results
- Competition should center on medical conditions over the full cycle of care
- High-quality care should be less costly
- Value must be driven by provider experience, scale, and learning at the medical condition level
- Competition should be regional and national, not just local
- Results information to support value-based competition must be widely available
- Innovations that increase value must be strongly rewarded

Porter M., Teisberg E., (2006). Redefining Health Care: Creating Value-based Competition on Results: Harvard Business School Publishing

“If you want to save money, you have to pay less.”

- Uwe Reinhardt

1. Level Set
2. **Variation & Value**
3. Measuring Quality
4. Regional Study
5. Conclusion

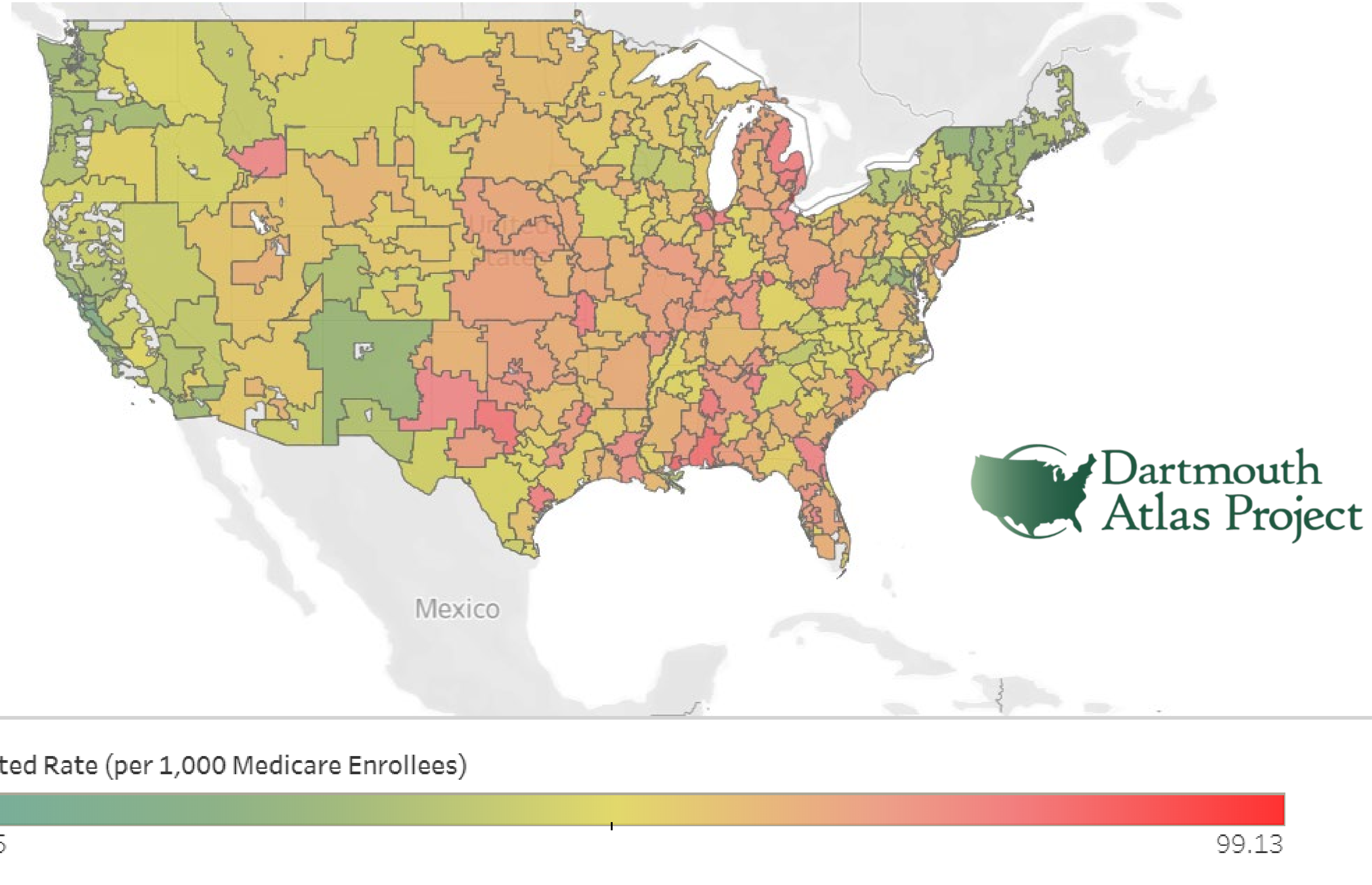
Variation Delivers Inconsistent Employer Value

Unwarranted variation is a ubiquitous feature of U.S. health care. Remedies for variations exist, and several are described in the current collection of Health Affairs papers. Several obstacles stand in the way of widespread adoption of these.

1. A quality agenda that has yet to focus on improving the quality of patient decision making
2. Economic incentives that do not reward exemplary practice
3. The poor state of clinical science

PERSPECTIVE: Practice Variations And Health Care Reform: Connecting The Dots
Wennberg, John E. **Health Affairs, suppl. VARIATIONS REVISITED: WEB-EXCLUSIVE COLLECTION 2004; Chevy Chase** (2004): VAR140-4.

Variation in Surgery Rate Impacts Cost & Quality



National Variation in Surgeries per 1,000 Beneficiaries

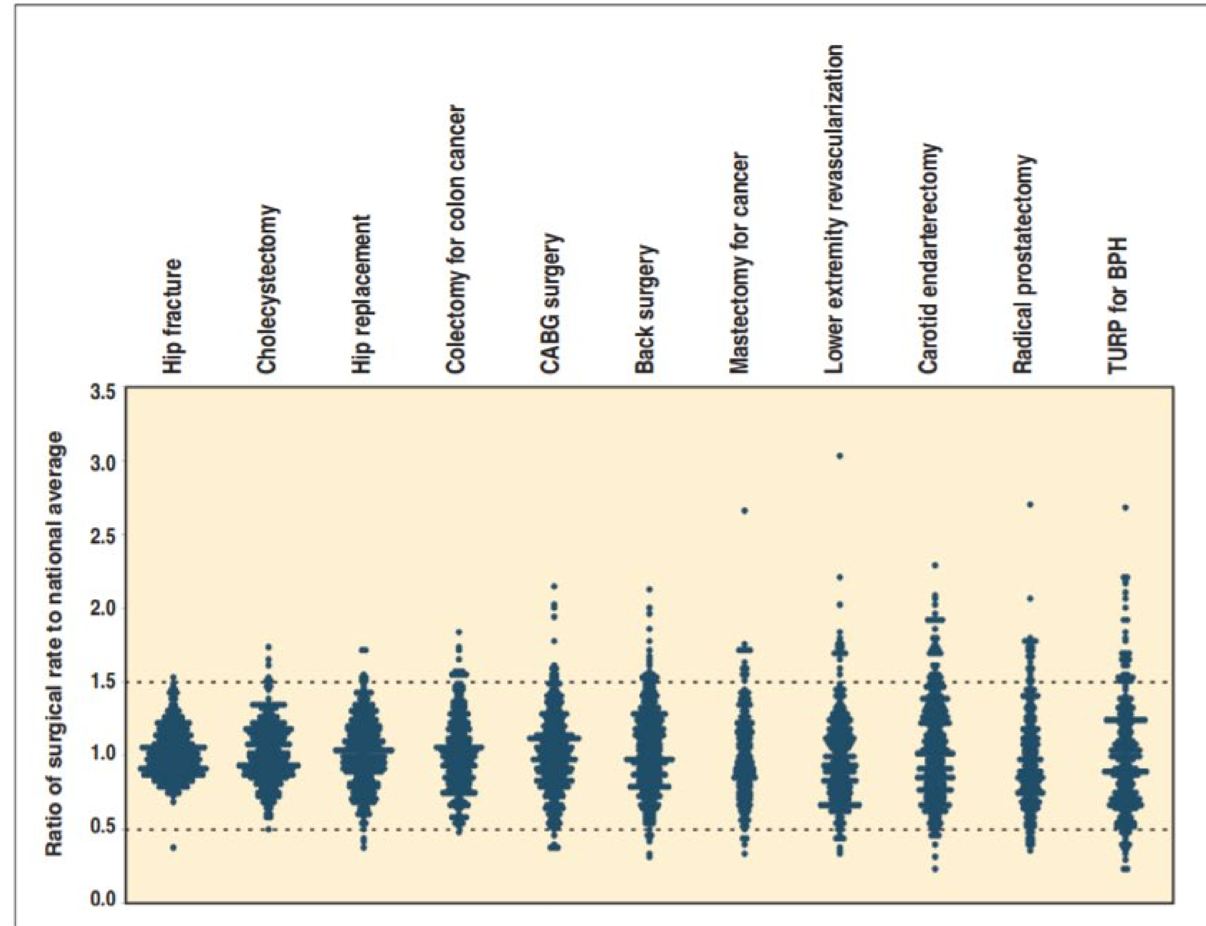
Adjusted Rate (per 1,000 Medicare Enrollees)

100
90
80
70
60
50
40

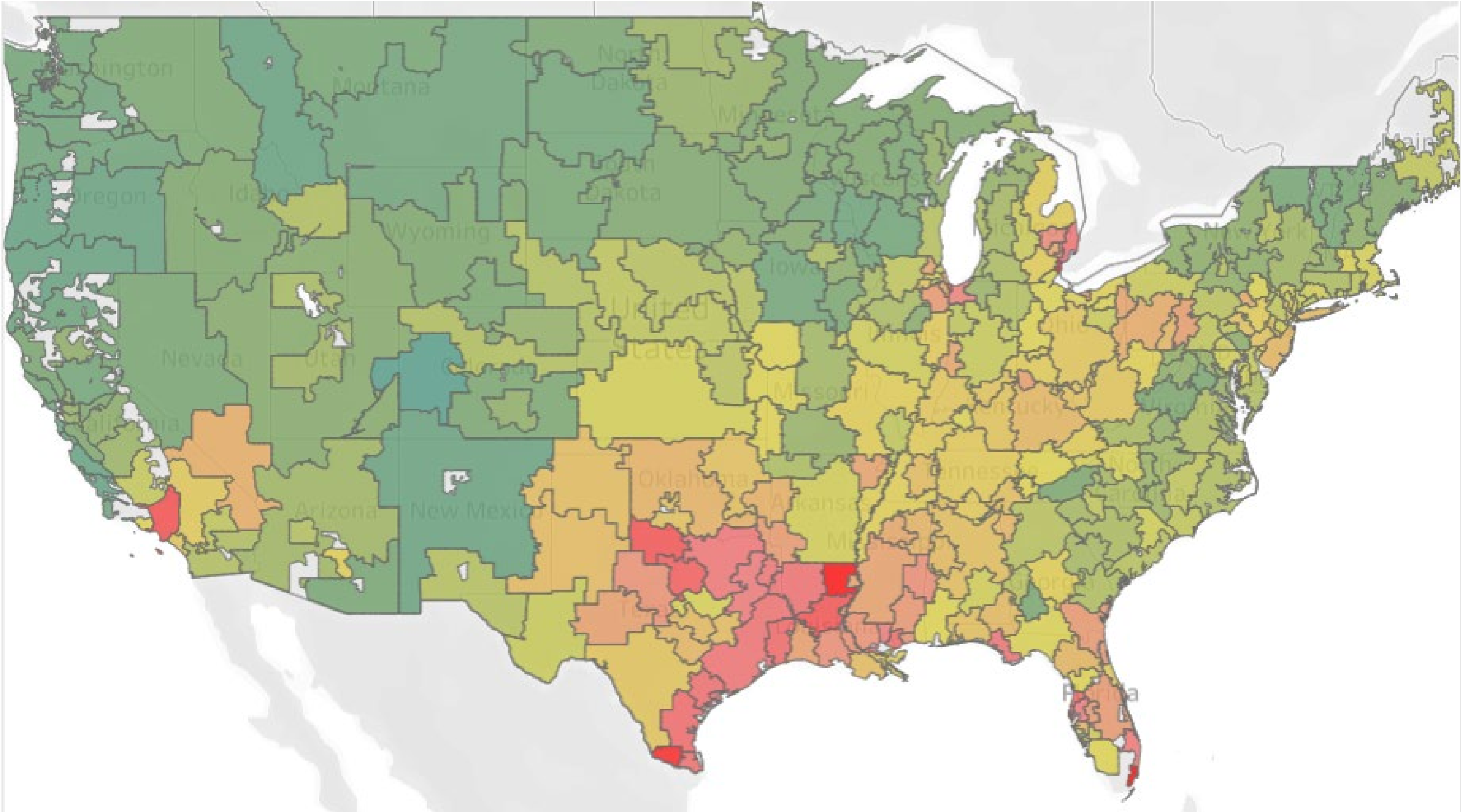
Variation Across Frequent Surgeries Impacts Value

Figure I.1. Variation profiles of 11 surgical procedures among hospital referral regions (2010)

Each point represents the ratio of observed to expected (national average) Medicare rates in the 306 U.S. hospital referral regions. Rates are adjusted for age, sex, and race. High and low outlier regions are distinguished by dotted lines.



Medicare Spend per Beneficiary Varies by 2X



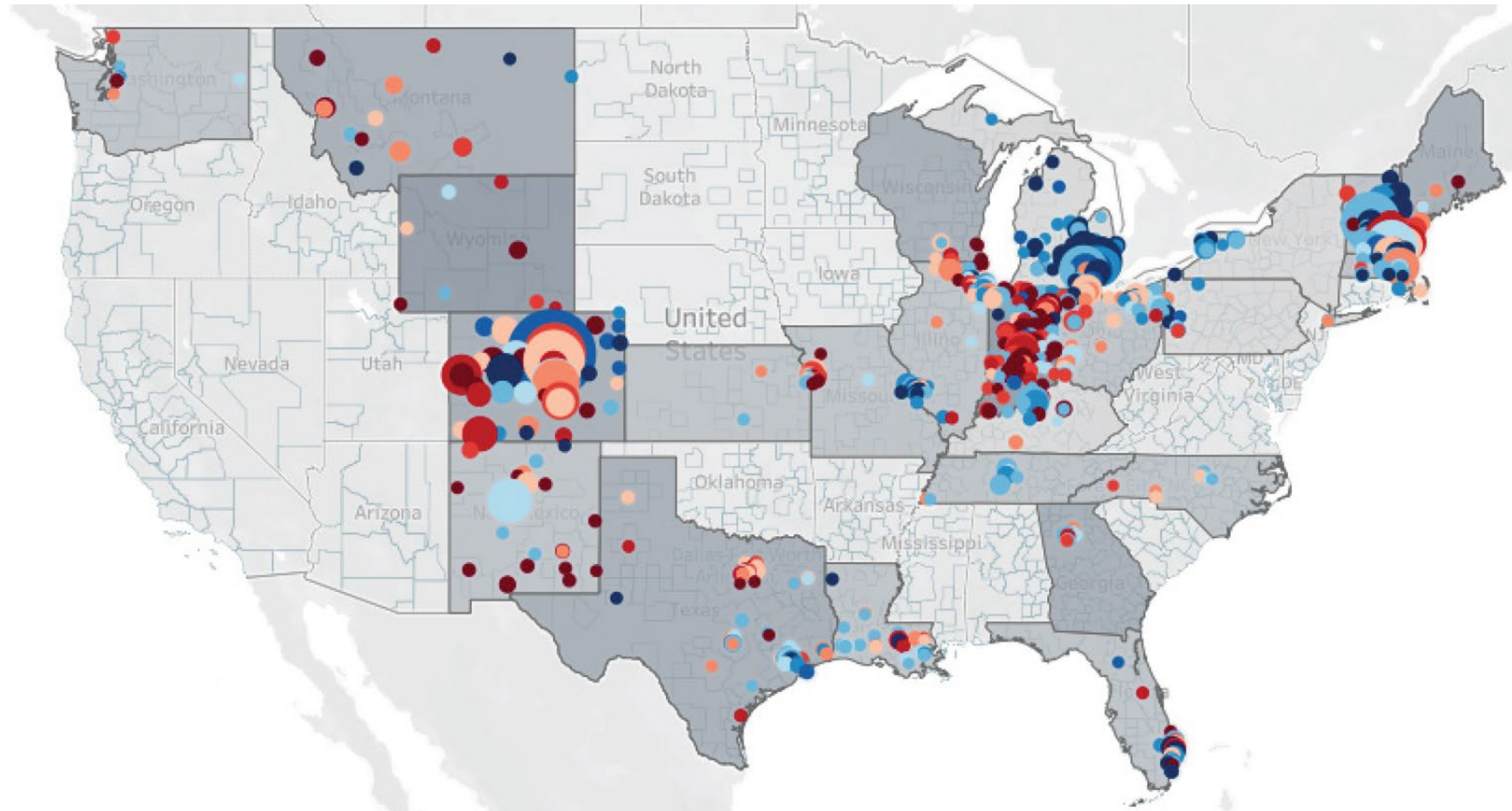
Key Takeaways from Dartmouth

- **Do more expensive regions and hospitals have sicker patients?** On average, expensive regions have sicker patients, but as we have shown, their higher illness levels explain only fraction of the overall differences in regional variations.

- **Does Medicare spending track spending in the rest of the health care system?** The available evidence suggests that hospitals and regions that provide more care to Medicare patients also provide more for their non-Medicare patients.

- **Is there any evidence that spending more leads to better outcomes?** The key question is: spending more on what? Dartmouth research comparing spending differences across both regions and hospitals found that most of the spending was due to differences in use of the hospital as a site of care and to discretionary specialist visits and tests.

Variation in Price Paid: RAND Pricing Study 2.0

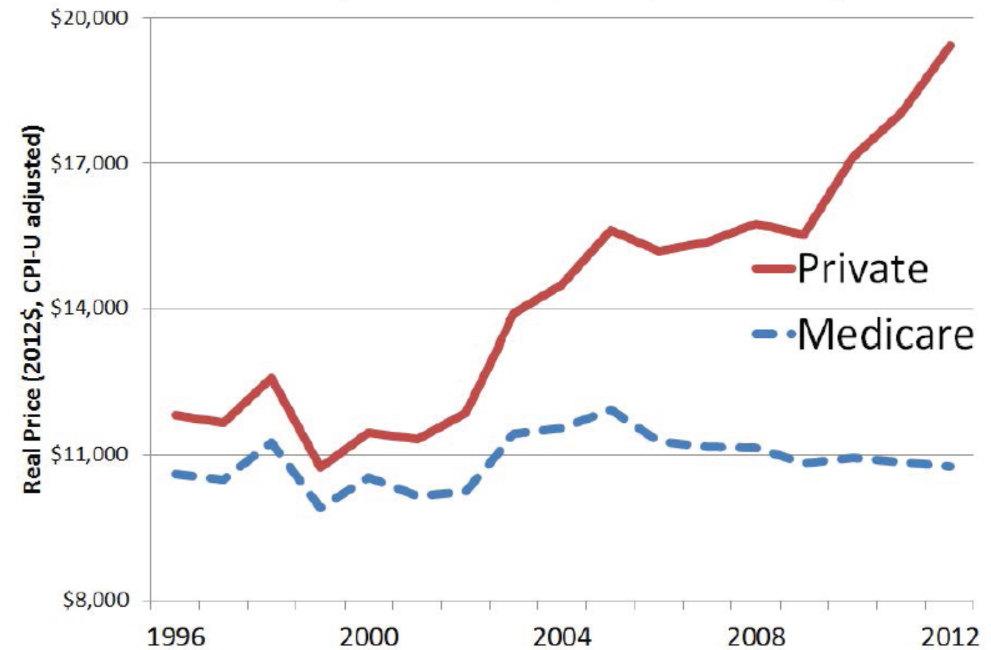


RAND Pricing Study 2.0

Private health insurance paid overall **2.4 times** the Medicare rates in 2017, according to the RAND study.

The discrepancy was not limited to just overall price. Variation occurred at the procedure level, from state to state and market to market.

The push for healthcare pricing and quality transparency has failed to materialize and the industry remains one of the nation's most opaque.



SOURCE 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.

Connecting RAND & Quality in CO (3.0 w/Quality This Fall)

QUANTROS®

RAND CORPORATION HOSPITAL PRICING AS A PERCENT OF MEDICARE				QUANTROS CLINICAL QUALITY SCORES (CQS)					
HOSPITAL NAME	CITY	RELATIVE PRICE FOR OUTPATIENT SERVICES	RELATIVE PRICE FOR INPATIENT SERVICES	OVERALL HOSPITAL CARE NATIONAL COMPOSITE QUALITY SCORE	OVERALL HOSPITAL CARE MORTALITY	OVERALL HOSPITAL CARE COMPLICATIONS	OVERALL HOSPITAL CARE READMISSIONS	HIGHEST PERFORMING CLINICAL CATEGORY	LOWEST PERFORMING CLINICAL CATEGORY
San Luis Valley Health Conejos County Hospital	La Jara	141%	68%	79.3 ✓+	55.9	51.2	62.2	Pneumonia Care 71.1	Pulmonary Care 67.5
Keefe Memorial Hospital	Cheyenne Wells	333%	76%	31.7 ✓	27.8	47.3	41.6	Pulmonary Care 41.8	Pneumonia Care 30.4
Pagosa Springs Medical Center	Pagosa Springs	187%	93%	54.3 ✓	69.1	55.5	29.7	Cardiac Care 80.6	Chronic Obstructive Pulmonary Disease 9.3
Aspen Valley Hospital	Aspen	123%	96%	72.1 ✓	70.8	66.4	40.2	Overall Surgical Care 81.8	Hip Fracture Care 27.9
Prowers Medical Center	Lamar	217%	116%	26.3 ✓	37.8	13.8	14.0	Chronic Obstructive Pulmonary Disease 51.1	Pneumonia Care 19.1
Rose Medical Center	Denver	381%	212%	79.8 ✓+	74.9	68.5	70.4	Pulmonary Care 94.0	Cardiac Care 25.1

“Price is what you pay,
Value is what you get.”

- Warren Buffet

Collecting From Members Contributes to Inflation

Variation Creates Ineffective Healthcare Spend

Category	Value
Unnecessary services	$210 billion
Excessive administrative costs	$190 billion
Inefficient delivered services	$130 billion
Prices that are too high	$105 billion
Fraud	$75 billion
Missed prevention opportunities	$55 billion

1. Level Set
2. Variation & Value
3. **Measuring Quality**
4. Regional Study
5. Conclusion

Consumer Perceptions of Quality

A survey of more than 970 Colorado adults conducted from Dec 20, 2018 to Jan 2, 2019, found that:

More than half of adults are worried about getting low-quality healthcare	Only a little over one-third used quality information to decide on a particular doctor or hospital

Out of three choices, Colorado consumers most commonly selected this definition for healthcare quality:

- **01** How doctors and office staff treat patients, such as bedside manner
- **02** Doctors and hospitals being credentialed and following evidence-based guidelines
- **03** How quickly and how well the patient recovered

Perceptions of Quality

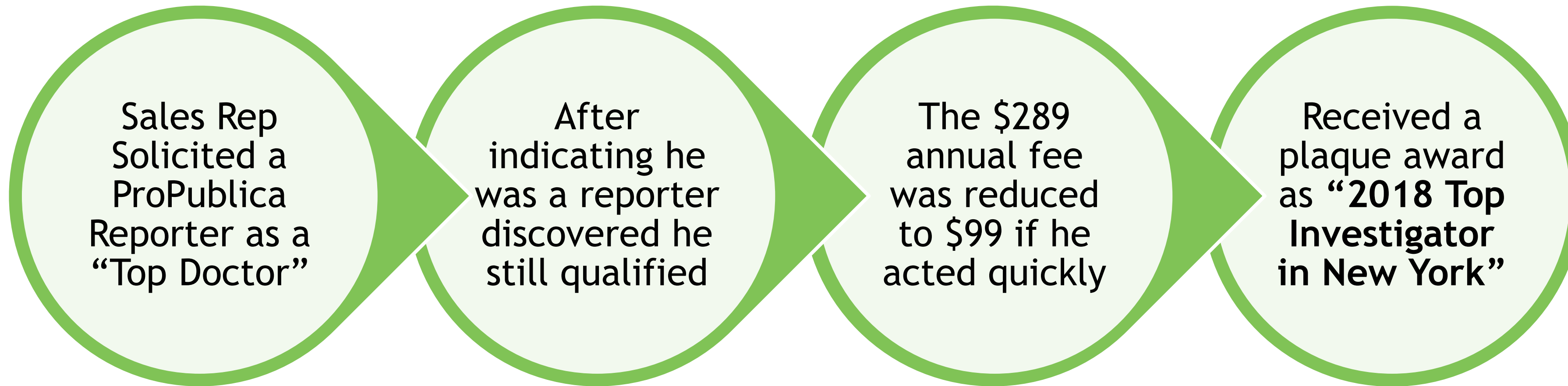
More than half of Colorado adults (61%) believe that higher quality healthcare usually comes at a higher cost, yet, very few believe that price reliably signals the quality of care. In other words, they believe the quality care is likely to be high price but not all high price care is quality care. Just 25% believe that a less expensive doctor is likely providing lower-quality care.

Just over half of respondents (55%) indicated that if out-of-pocket costs were about equal, quality ratings would be very or extremely important. Similarly, just over half (53%) of survey respondents also indicated that if quality ratings were about equal, out-of-pocket costs would be very or extremely important.

These findings suggest that quality information is an important factor in healthcare decisions.

Source: Colorado Consumer Health Initiative & Altarum Value Hub

Perceptions of Quality: Sources Important



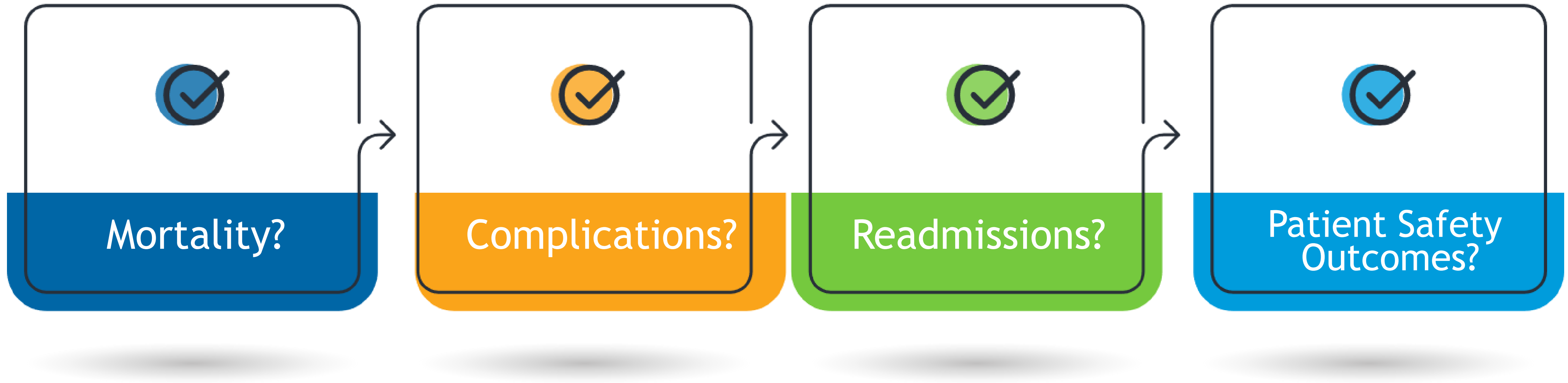
Source: Modern Healthcare March 25,2019 pg 36

HE WAS "NOMINATED BY HIS PEERS"

HIS "PATIENTS HAD REVIEWED HIM"

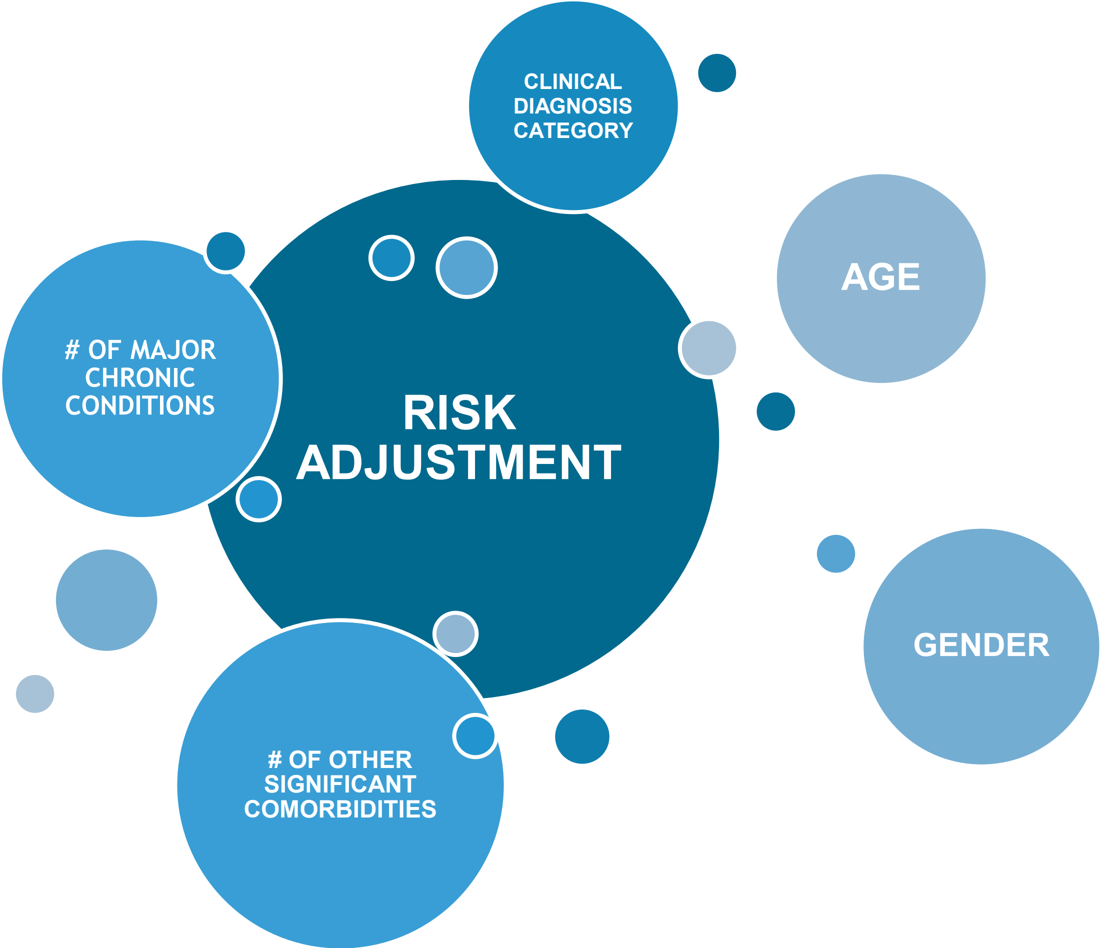
CONSIDERED A "LEADING PHYSICIAN"

Realities: What Matters



> “ Don’t confuse me with facts! ”
>
> -1945 Roy Durstine, Advertiser

Predictive Variables for Risk Models



1. Level Set
2. Variation & Value
3. Measuring Quality
4. **Regional Study**
5. Conclusion

Major Joints Composite Quality (Indy MSA)

Score	MSA	# Cases (n) at Risk
99.1	Indianapolis IN MSA	2212
99.1	Indianapolis IN MSA	2625
94.8	Indianapolis IN MSA	873
89.9	Indianapolis IN MSA	532
85.3	Indianapolis IN MSA	293
83.5	Indianapolis IN MSA	784
77.4	Indianapolis IN MSA	48
70.0	Indianapolis IN MSA	188
57.9	Indianapolis IN MSA	581
52.0	Indianapolis IN MSA	938
48.2	Indianapolis IN MSA	202
47.0	Indianapolis IN MSA	479
47.0	Indianapolis IN MSA	271
46.2	Indianapolis IN MSA	1018
40.5	Indianapolis IN MSA	85
36.4	Indianapolis IN MSA	388
30.7	Indianapolis IN MSA	137
30.4	Indianapolis IN MSA	682
27.5	Indianapolis IN MSA	1735
19.3	Indianapolis IN MSA	370
11.7	Indianapolis IN MSA	752
4.4	Indianapolis IN MSA	247

Major Joints Complications (Indy MSA)

Score	MSA	# Cases (n) at Risk
99.7	Indianapolis IN MSA	2205
98.5	Indianapolis IN MSA	672
97.2	Indianapolis IN MSA	782
95.3	Indianapolis IN MSA	913
90.1	Indianapolis IN MSA	871
89.5	Indianapolis IN MSA	531
88.2	Indianapolis IN MSA	2623
85.5	Indianapolis IN MSA	1694
82.8	Indianapolis IN MSA	271
73.7	Indianapolis IN MSA	477
73.7	Indianapolis IN MSA	48
52.3	Indianapolis IN MSA	187
51.5	Indianapolis IN MSA	293
42.4	Indianapolis IN MSA	85
37.9	Indianapolis IN MSA	750
26.3	Indianapolis IN MSA	580
25.9	Indianapolis IN MSA	1005
22.0	Indianapolis IN MSA	367
18.7	Indianapolis IN MSA	191
14.5	Indianapolis IN MSA	382
9.4	Indianapolis IN MSA	137
6.3	Indianapolis IN MSA	244

Major Joints Readmissions (Indy MSA)

Score	MSA	# Cases (n) at Risk
99.1	Indianapolis IN MSA	2200
97.8	Indianapolis IN MSA	2599
87.3	Indianapolis IN MSA	85
86.9	Indianapolis IN MSA	778
84.0	Indianapolis IN MSA	287
81.3	Indianapolis IN MSA	47
77.9	Indianapolis IN MSA	528
62.2	Indianapolis IN MSA	668
59.2	Indianapolis IN MSA	870
48.2	Indianapolis IN MSA	1003
43.7	Indianapolis IN MSA	241
35.3	Indianapolis IN MSA	269
34.9	Indianapolis IN MSA	190
34.3	Indianapolis IN MSA	1686
31.9	Indianapolis IN MSA	366
28.6	Indianapolis IN MSA	742
28.1	Indianapolis IN MSA	906
27.1	Indianapolis IN MSA	186
16.3	Indianapolis IN MSA	577
15.5	Indianapolis IN MSA	137
11.4	Indianapolis IN MSA	475
1.9	Indianapolis IN MSA	380

Major Joints Physician Composite Quality

Score	NPI	Primary Specialty	# Cases (n) at Risk
99.1	1720032527	Orthopaedic Surgery	242
98.7	1831323427	Orthopaedic Surgery	279
98.4	1922050988	Orthopaedic Surgery	543
96.5	1841244951	Orthopaedic Surgery	107
95.9	1952352882	Orthopaedic Surgery	284
95.4	1073565628	Orthopaedic Surgery	59
95.1	1104844919	Orthopaedic Surgery	63
94.8	1598022121	Orthopaedic Surgery	44
94.1	1184675084	Orthopaedic Surgery	259
85.6	1013968288	Orthopaedic Surgery	21
84.3	1699728709	Orthopaedic Surgery	18
77.0	1114245503	Orthopaedic Surgery	13
19.7	1043495823	Orthopaedic Surgery	42
19.5	1649447145	Orthopaedic Surgery	42
17.4	1982656138	Orthopaedic Surgery	20
16.4	1669424891	Orthopaedic Surgery	196
15.2	1063465433	Orthopaedic Surgery	238
14.6	1295943678	Orthopaedic Surgery	38
14.0	1740224153	Orthopaedic Surgery	33
7.7	1073567830	Orthopaedic Surgery	32

Score	NPI	Primary Specialty	# Cases (n) at Risk
99.3	1376701961	Orthopaedic Surgery	162
97.2	1811128416	Orthopaedic Surgery	56
96.5	1417078890	Orthopaedic Surgery	120
83.7	1376599506	Orthopaedic Surgery	15
21.0	1881641520	Orthopaedic Surgery	48
10.3	1366489338	Orthopaedic Surgery	22
4.0	1801848783	Orthopaedic Surgery	233

1. Level Set
2. Variation & Value
3. Measuring Quality
4. Regional Study
5. **Conclusion**

Resulting Employer & Consumer Challenges

CURRENT CHALLENGES - EMPLOYERS

RISING HEALTHCARE COSTS

Costs for employers are up 5% on average for the 6th consecutive year

EMPLOYEE ENGAGEMENT

63% cited the lack of employee engagement as the biggest obstacle to changing healthcare consumerism habits

EMPLOYEE SATISFACTION

71% of employees are satisfied with their current employer-provided coverage but changes in cost, coverage and choice concern most

CURRENT CHALLENGES - CONSUMERS

COST DISPARITY

Prices can vary by 700% with little transparency. Price has no correlation with quality

LACK OF INFORMATION

84% of individuals still rely on referral of primary care physician as way to select a physician/hospital for a procedure

CARE VARIATION

Physician and hospital rates of death, complication and readmission vary by 300% to 500%

Conclusion: The Role of Employers

PROACTIVELY PURCHASE TO SHAPE THE MARKET

- Employers can and must purchase health care with the same due diligence that they use to purchase other goods and services.
- Work with health plan administrators with data to select hospitals and physicians to partner and direct members to.
- Example the Northeast Business Group on Health has established formal "User Groups with Aetna, Anthem, Cigna, and UnitedHealthcare. Such groups can provide a forum for constructive collaboration.

GROUP PURCHASING

- Employers need to exercise market power given the consolidation of the healthcare delivery systems
- No better case for the necessity of this strategy can be found than David Blumenthal's article "To Control Health Care Costs, Employers Should Form Purchasing Alliances,"* in the November 2, 2018 Harvard Business Review.

> "To an economist it is astonishing that Americans have been content for so long to allow an economic sector that has absorbed an increasing portion of their incomes to operate without any meaningful transparency. The question is how long this indifference can last. My answer is 'Not very long.'"

- Uwe Reinhardt, Princeton University

QUANTROS
BETTER DATA | BETTER INSIGHT | BETTER HEALTHCARE

"Knowing is not enough.
We must apply."

- Johann Wolfgang von Goethe