



RAND 3.0 National Hospital Price Transparency Study: Aligning Payment with Value

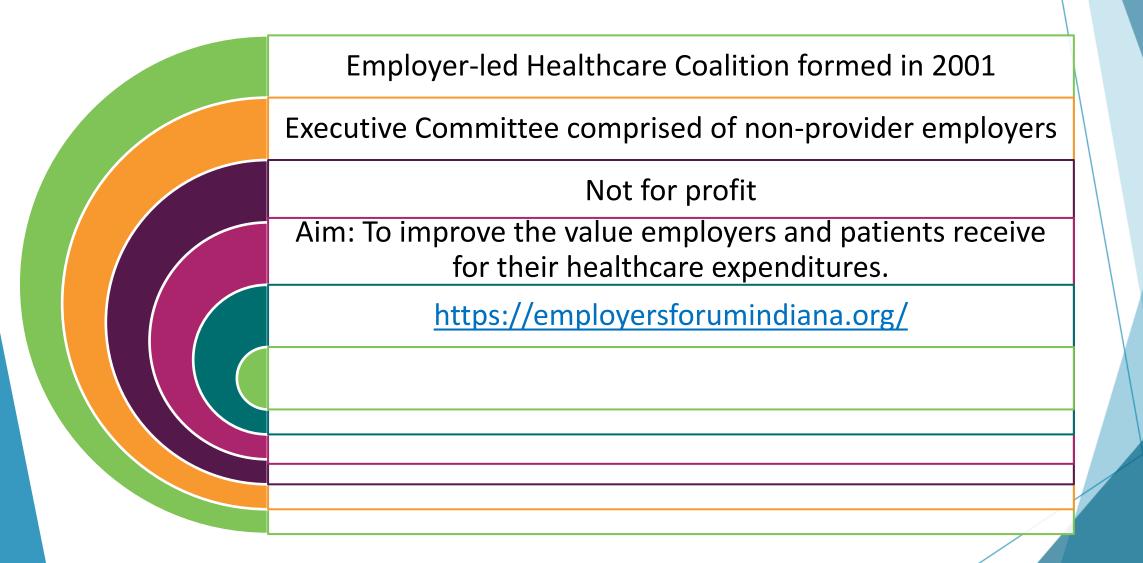
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Master Slide Deck Updated 12-14-20

About the Employers' Forum of Indiana





Employers' Forum of Indiana Members

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- American Health Network
- Anthem BCBS
- Aon
- Ashley Industrial Molding
- Assured Partners
- Barnes & Thornburg
- Bartholomew Consolidated School Corp
- Carrum Health (affiliate)
- Castlight Health
- Citizens Energy Group
- Columbus Regional Hospital
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- Indiana Manufactures Association
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- Indiana State Teachers Association
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- JA Benefits
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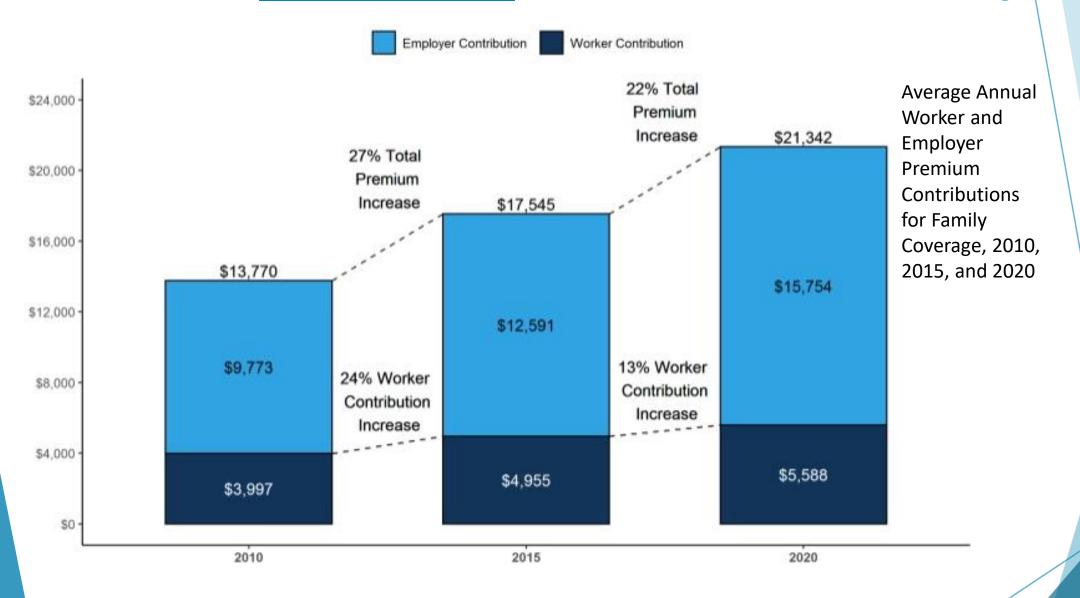
- Northwest Radiology
- OneBridge
- Ortho Indy
- OurHealth
- Preventia (affiliate)
- Purdue University
- Qsource
- RE Sutton and Associates
- Genentech-Roche
- Roman Catholic Archdiocese of Indianapolis
- Sandoz (affiliate)
- Schweitzer Engineering Laboratories
- SIHO
- South Central Indiana School Trust
- St. Vincents Health
- Suburban Health Organization
- The Alliance
- TrueRx
- UnitedHealthcare
- University of Notre Dame
- Young at Heart Pharmacy



The Problem: Health Costs Are NOT Sustainable



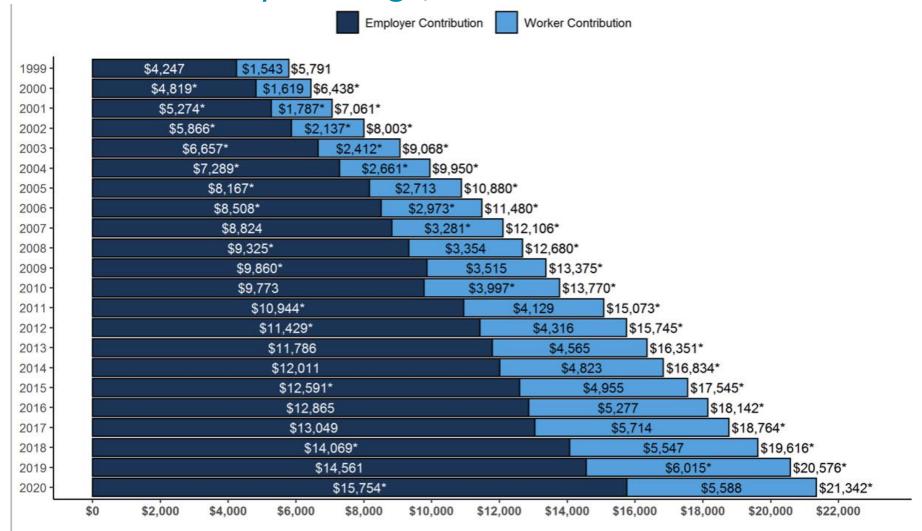
Problem: Annual Worker & Employer Premium Contributions are Increasing







Problem: Average Annual <u>Employer and Worker</u> Contributions to Premiums for Family Coverage, 1999-2020



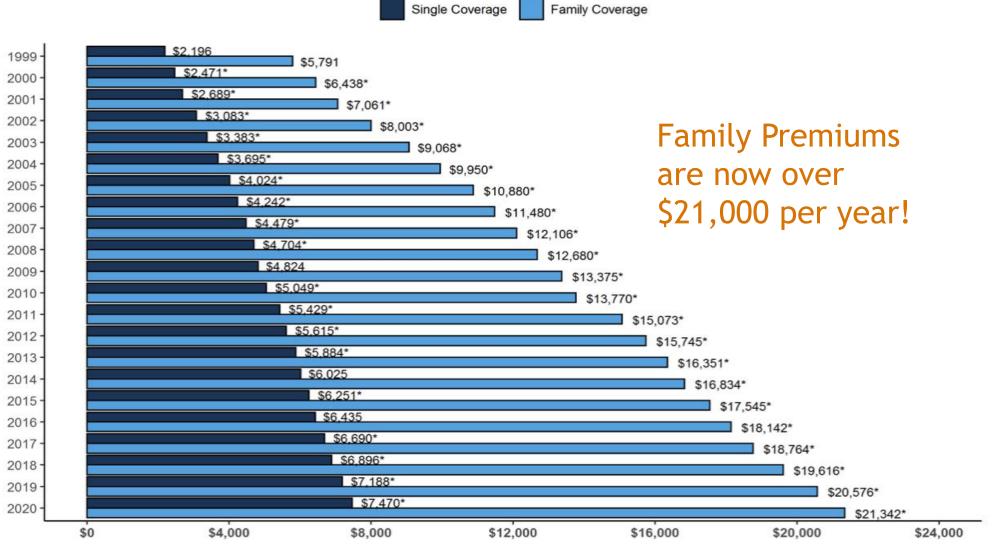
^{*} Estimate is statistically different from estimate for the previous year shown (p < .05).

SOURCE: KFF Employer Health Benefits Survey, 2018-2020; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017





Problem: Average Annual Premium for Single and Family Coverage, 1999-2020



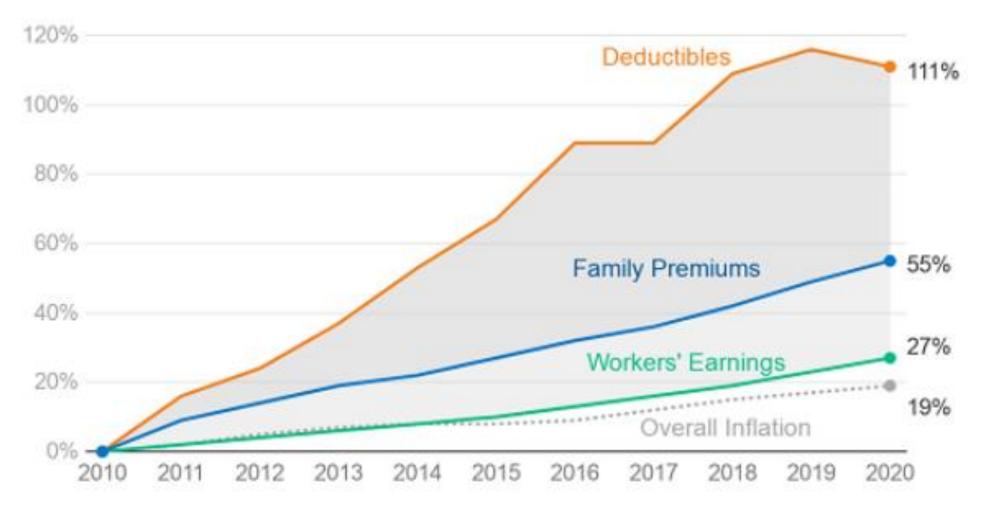
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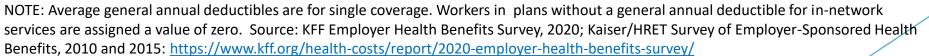
SOURCE: KFF Employer Health Benefits Survey, 2018-2020; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017





Problem: Employee Premiums and Deductibles Have Risen Much Faster than Wages since 2010



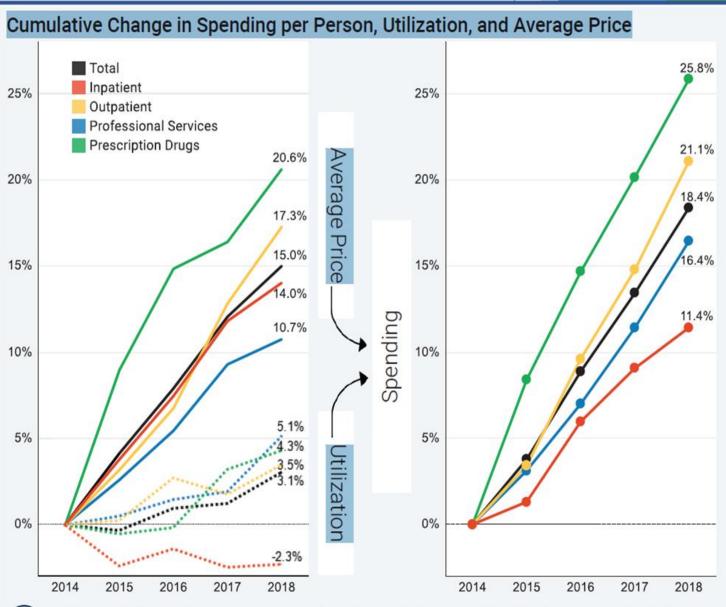




Hospital Price is the Problem, not Utilization

- RAND Analysis
- Total annual spending per person increased 18.4%
- Inpatient costs increased 14%, while utilization decreased 2.3%
- Outpatient costs increased 17.3% with utilization increasing 3.5%
- Utilization of medical services rose by 3.1%

Health Care Cost Institute: 2.5 billion medical claims - approximately 160 million people with employer-sponsored insurance





Note: Utilization and average prices account for changes in the type or intensity of services used, with the exception of prescription drugs. Prescription drug spending is the amount paid on the pharmacy claim, which reflects discounts from the wholesale price, but not manufacturer rebates.

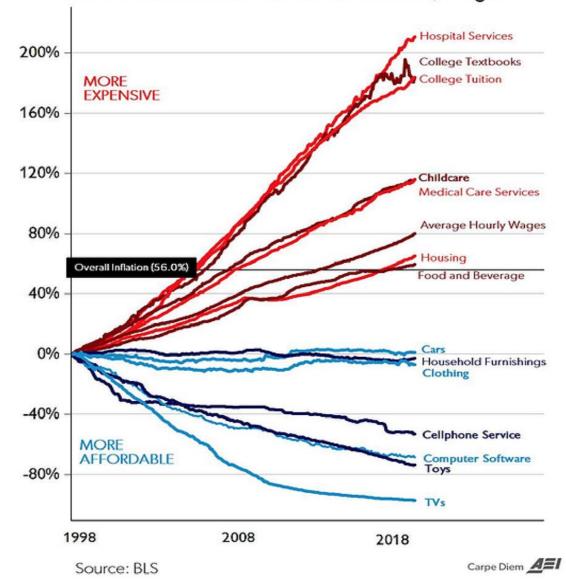
Hospital services increasing consistently over time

per the Bureau of Labor and Statistics

https://www.right-mind.us/price-changes-jan-1998-dec-2018/

Price Changes (January 1998 to December 2018)

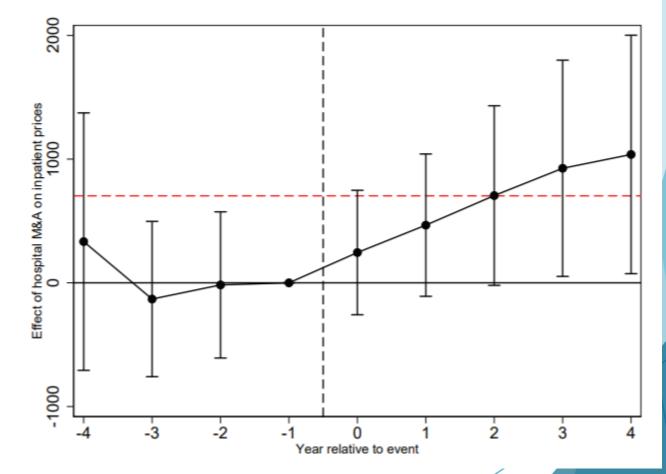
Selected US Consumer Goods and Services, Wages





Hospital Mergers & Acquisitions leads to Price Increasing Within-Market Mergers

- Per July 2020 RAND study "Overall, our results show how rising health care costs caused by provider concentration are passed to workers in the form of lower wages and less generous benefits."
- Graph: Merger happens at point zero and <u>prices</u> go up each year afterwards

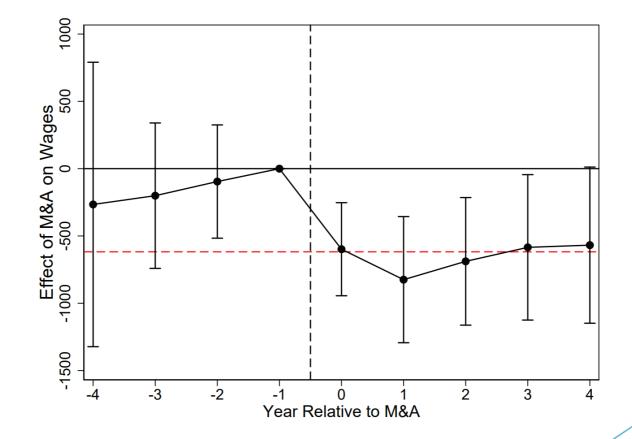




High Hospital Prices & Mergers Lower Employee Wages

Figure 7: Association Between Hospital M&A Lags/Leads and Wages

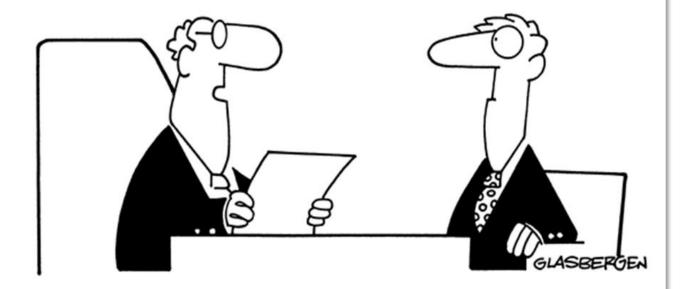
- Per July 2020 RAND study "Overall, our results show how rising health care costs caused by provider concentration are passed to workers in the form of lower wages and less generous benefits."
- Graph: Merger happens at point zero and <u>employee</u>
 <u>wages</u> go down





Have Benefits?

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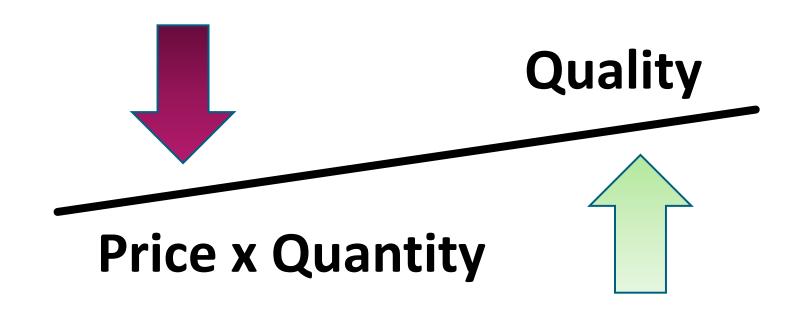


"Of course we have benefits. Our next one is Saturday night. We hope to raise enough money to pay our group insurance premium."





VALUE for Purchasers = Quality ÷ (Price x Quantity)





Comparing Hospital Prices

AIM:

To develop a fair method to compare hospital prices for public reporting

- The best method the Forum believed was to convert allowable payments made by employers to what Medicare would have paid for the exact service, thus report relative prices
- For Example: the report shows that employers paid Hospital "A" 200% or 2X on average what Medicare would have paid and Hospital "B" was paid 350% or 3.5X on average what Medicare would have paid



Why is Comparing Commercial Prices to Medicare Prices the Best Method for Benchmarking Available?

Medicare

- Is the Largest purchaser of health care in the world
- Sets payor industry standards
- Prices and methods are empirically based and transparent/freely publicly available
- Intends to pay hospitals fairly
- Medicare determines base payment for each service and then to this customizes
 payment to EACH hospital by making price increase adjustment based on several factors,
 including each hospital's factors:
 - Patient Acuity = how sick a patient is by looking at comorbidities
 - Wages = geographical cost of living
 - DSH = disproportionate share, meaning number of uninsured and Medicaid patients seen
 - IME = indirect medical education, meaning number of medical residents in training per hospital beds



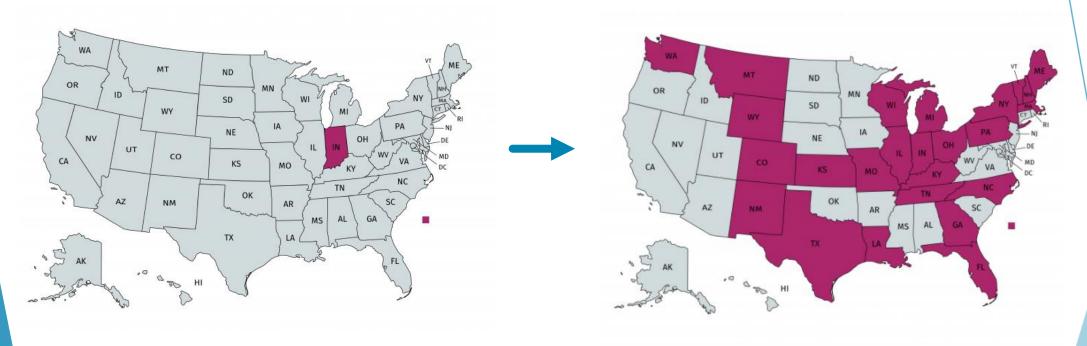
RAND National Price Transparency Study



RAND 1.0 and RAND 2.0 Studies

Conducted by RAND Corp, commissioned by the Employers' Forum of Indiana

RAND 1.0 RAND 2.0





Overview of RAND 1.0 and 2.0 Studies

Conducted by RAND Corp, commissioned by the Employers' Forum of Indiana

	RAND 1.0 Study	RAND 2.0 Study
Services	Hospital Inpatient and Outpatient	Hospital Inpatient and Outpatient
States	IN	CO, FL, GA, IL, IN, KS, KY, LA, MA, ME, MI, MO, MT, NH, NC, NM, NY, OH, PA, TN, TX, VT, WA, WI, WY
Years	July 2013-June 2016	January 2015 – December 2017
Hospitals	120 community hospitals	1598 short-stay general medical/ surgical
Claims	14,000 inpatient hospital facility stays 275,000 hospital outpatient facility services	330,000 claims inpatient facility stays 14.2 million outpatient facility services
Covered Lives	225,000	4 million
Allowed Amount	\$695,000 million total: \$336 million inpatient \$359 million outpatient	\$12.9 billion total: \$6.3 billion inpatient \$6.6 billion outpatient
Data Sources	Participating self-funded employers	Self-funded employers, 2 all payer claims databases, and health plans
Published	September 2017	May 2019
Funders	Fully funded by the Robert Wood Johnson Foundation (RWJF)	RWJF, NIHCR, THFI, optional for self-funded employers who wanted a private report (not health plans or hospitals)

https://employerptp.org/wp-content/uploads/2020/09/RAND-3.0-Report-9-18-20.pdf

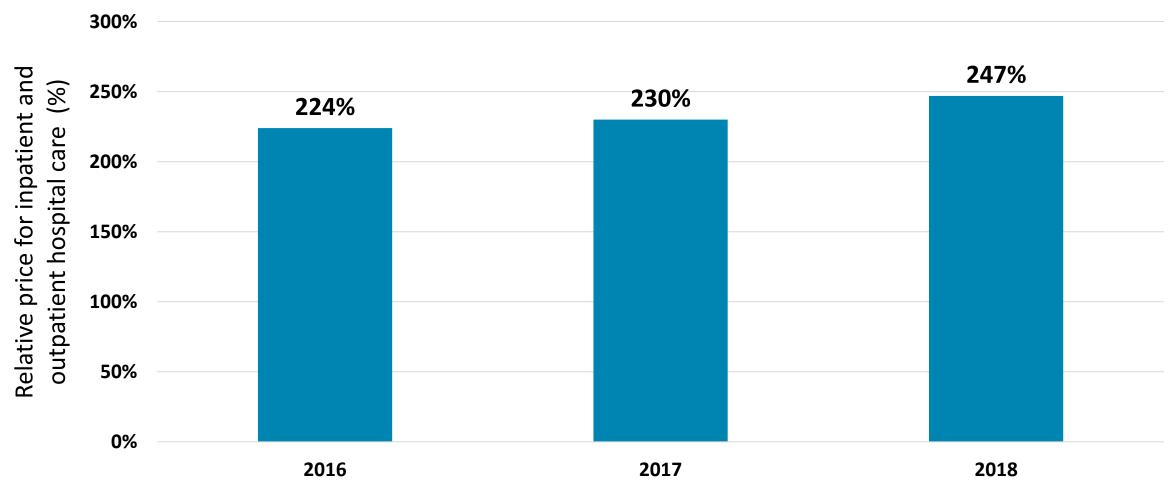
RAND 3.0 Study

Conducted by RAND Corp, commissioned by the Employers' Forum of Indiana

	RAND 3.0	
Services	Hospital Inpatient and Outpatient Fees Professional Inpatient and Outpatient Fees	
States	49 states and the District of Columbia (excludes Maryland)	
Years	January 2016 – December 2018	
Hospitals	3,112	
Claims	750,000 for inpatient hospital facility stays (and professional fees) 40.2 million claims for outpatient services (and professional fees)	
Allowed Amount	\$33.8 billion total: \$15.7 billion inpatient \$14.8 billion outpatient \$3.3 billion professional	
Data Sources	Self-insured employers, 6 state all-payer claims databases, & health plans across the US	
Published	September 18, 2020	
Funders	Robert Wood Johnson Foundation & optional for self-funded employers if they wanted a private report	

RAND 3.0: Trends in Relative Prices in U.S.

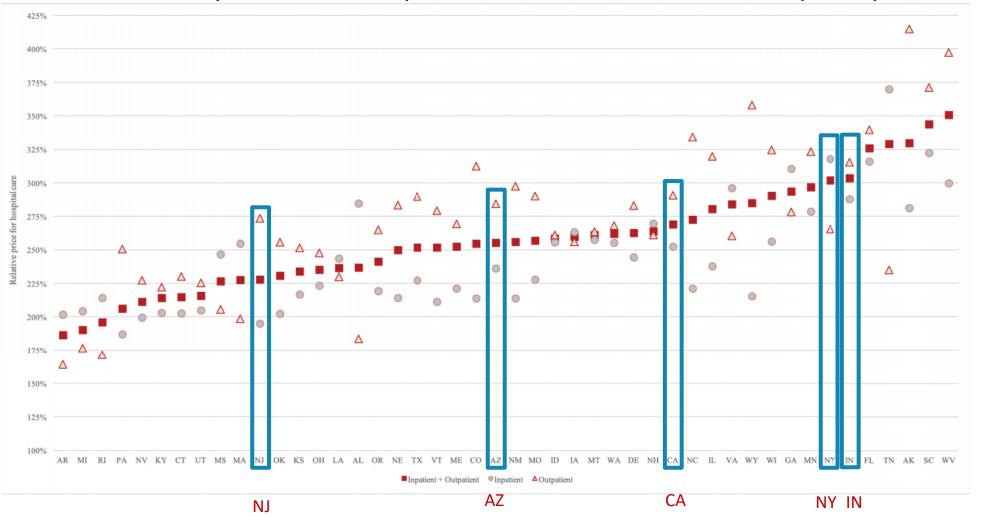
Total inpatient and outpatient services to include facility and professional prices



NOTE: Relative prices equal the ratio of the amounts actually paid divided by the amounts that would have been paid—for the same services provided by the same hospitals—using Medicare's price-setting formulas. Prices include prices for inpatient and outpatient services and group facility and professional fees.

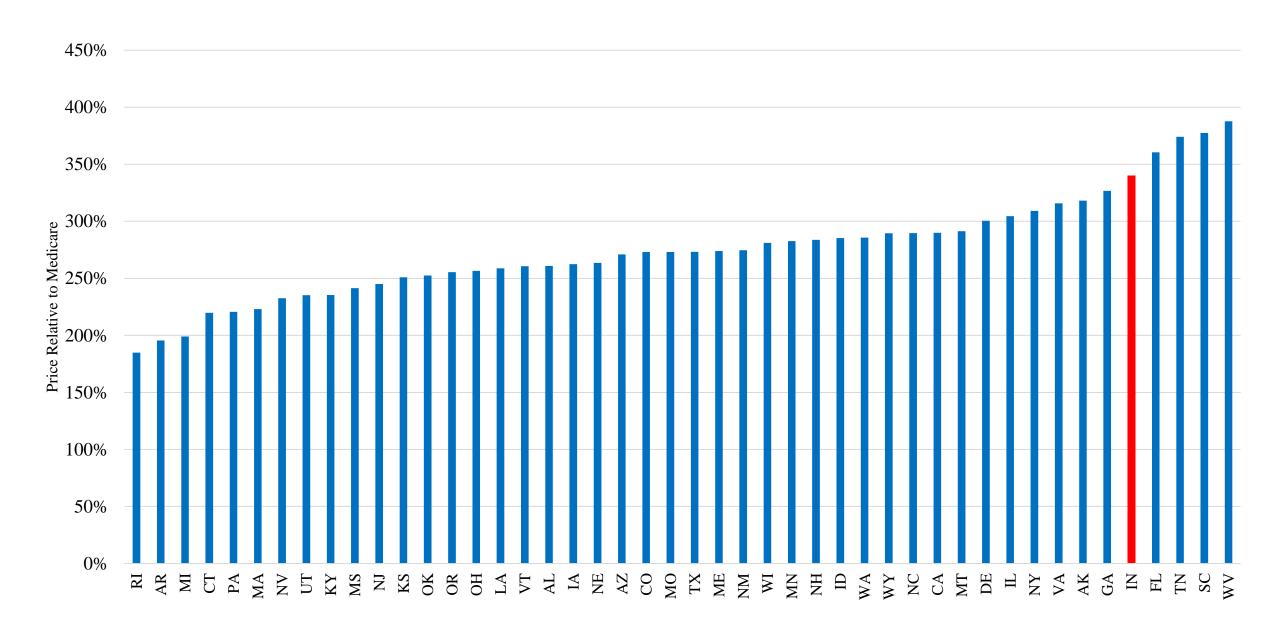
Hospital Prices Relative to Medicare by State, 2018

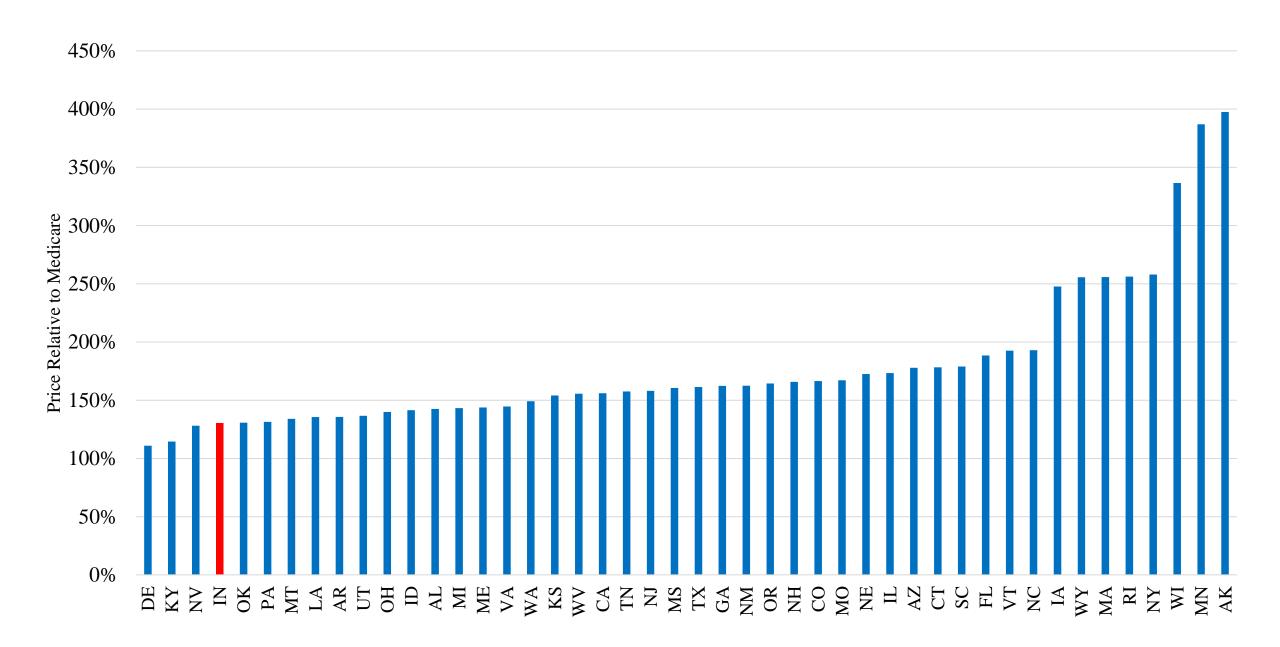
Total, Inpatient and Outpatient services to include facility and professional prices



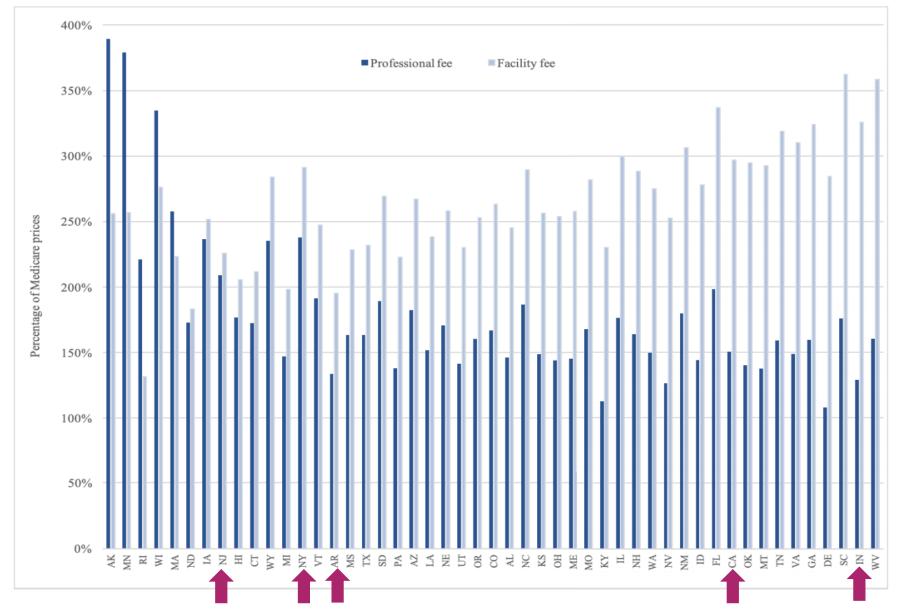
- Indiana is the 6th
 highest state paying
 304% of Medicare
 when looking at facility
 (hospital) payment
 combined with
 professional (physician)
 payment.
- Separating hospital and physician payment, we find:
- Indiana hospitals are 4th highest paid in the country at 340% of Medicare
- and 4th lowest for physician payment at 131% of Medicare.

NOTE: Relative prices equal the ratio of the amounts actually paid divided by the amounts that would have been paid—for the same services provided by the same hospitals—using Medicare's price-setting formulas. Prices include prices for inpatient and outpatient services and group facility and professional fees.





Relative Facility and Professional Prices by State, 2016-2018

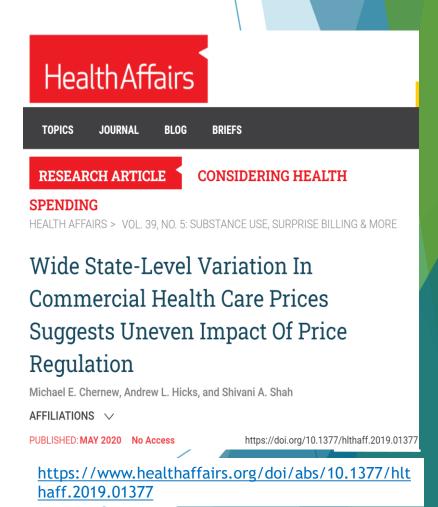


Note: Relative prices equal the ratio of the amounts actually paid divided by the amounts that would have been paid—for the same services provided by the same hospitals—using Medicare's price-setting formulas.

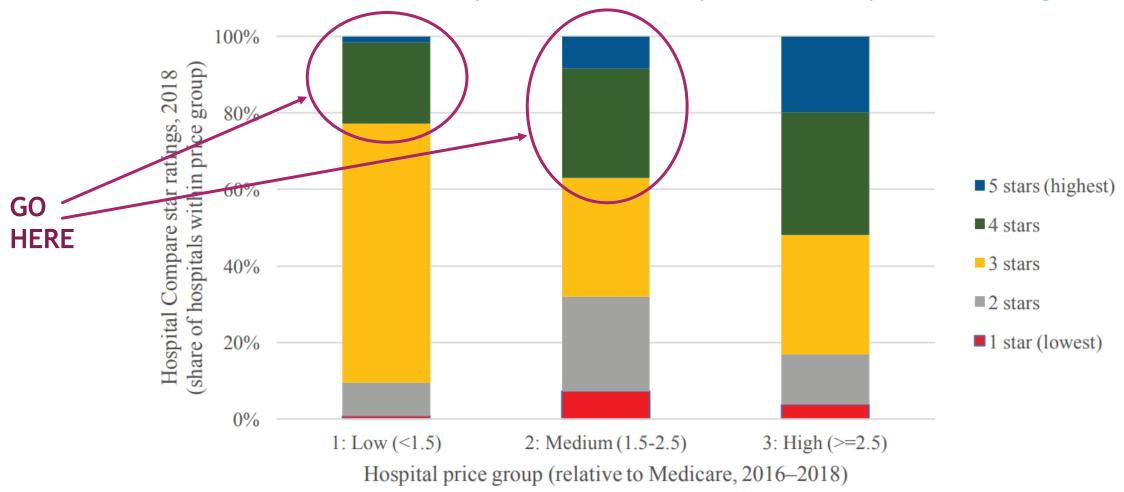
For each state, this figure denotes relative prices for facility and professional payments. States are sorted by the percentage point difference between facility and professional relative prices.

HARVARD Study Published in May 2020 Corroborates RAND 3.0 Findings

- Includes 48 states (excluding MD and SC)
- Provides state-level comparison of hospital inpatient prices, hospital outpatient prices and professional fees.
- Data source is 2017 IBM MarketScan data, representing 14 million commercial employees
- Report amount commercial paid relative to Medicare payment at the state level.
- INDIANA'S RANKING in the U.S.:
 - Outpatient Hospital: #2 highest (NM #1, thus the only state higher priced than Indiana)
 - Inpatient Hospital: #3 highest (OR #1, MT #2, thus the only states higher priced than Indiana)
 - Professional fees: #46 highest (DE #47, KY #48, meaning the only states that paid practitioners less than IN)



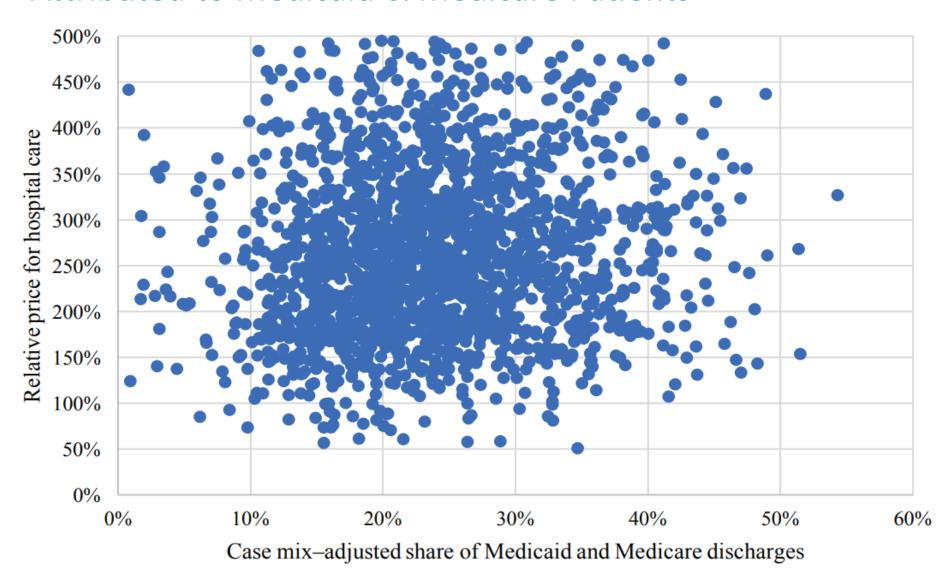
RAND 3.0 U.S. Hospitals CMS Hospital Quality Star Ratings



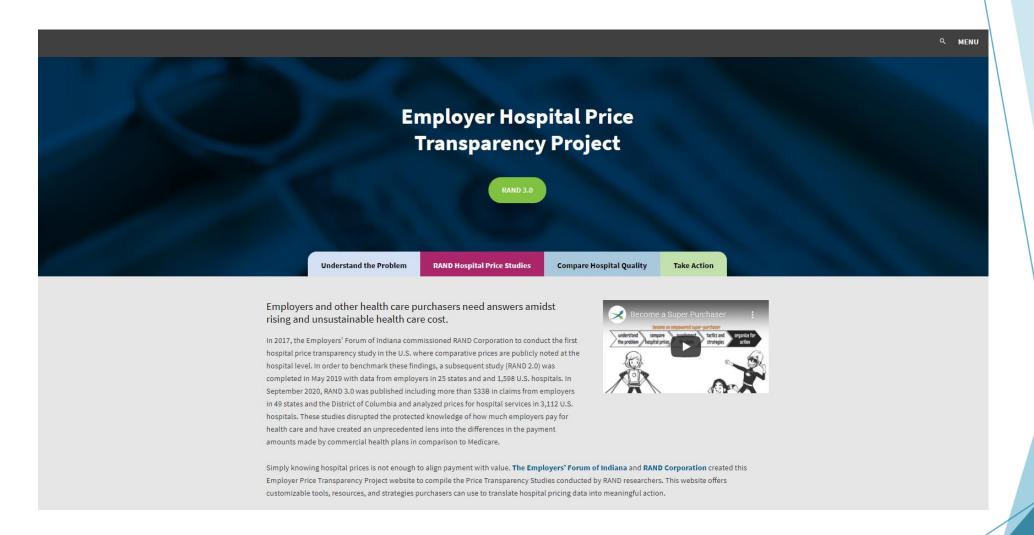
NOTE: Relative prices equal the ratio of the amounts actually paid divided by the amounts that would have been paid—for the same services provided by the same hospitals—using Medicare's price-setting formulas. Hospitals are categorized as those with prices below 1.5 times Medicare rates, between 1.5- and 2.5-times Medicare rates, and 2.5 times or above Medicare rates. Prices include facility and professional payments. Each price category contains the share of hospitals in that category with each CMS Hospital Compare star category.

U.S. Hospitals Total Relative Prices and Case-Mix-Adjusted Share of Discharges Attributed to Medicaid & Medicare Patients

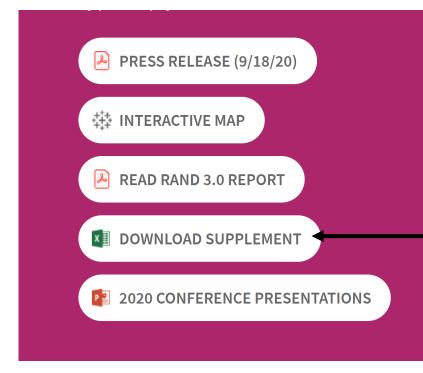
This scatter plot of 3,112 hospitals shows that there is NO Correlation between prices paid and how many Medicaid and Medicare patients are seen by a hospital



Employer Hospital Price Transparency Project Website







RAND 3.0 Study

https://employerptp.org/rand -hospital-price-studies/

Download Supplement

- -Hospitals Tab: 3112 hospitals
- -Each State has a Tab noting health-system level data

Interactive Tableau Map

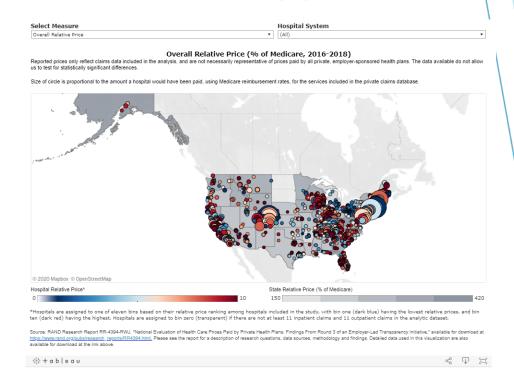
RAND 2.0

***Overall Relative Price (% of Medicare, 2015-2017)* ***Paported prices only reflect claims data included in the analysis, and are not necessarily representative of prices part by all private, employer-sponsored health plans. The data available do not allow us to test for statistically significant differences. **Size of circle is nonontional to the amount a hospital would have been noted using Medicare reimbursement rates for the services included in the private claims database. **Description** **State Relative Price (% of Medicare) **Hospital Relative Price** **State Relative Price (% of Medicare) ***Hospitals are assigned to one of ten color bins based on their relative price ranking among hospitals included in the study, with bin one having the lowest relative prices, and bin ten having the highest.

https://www.rand.org/oubsfresearch_regorts/R3033.html. Please see the report for a description of research questions, data sources, methodology and findings. Detailed data used in this visualization are also available for forwnfoad at the link above.

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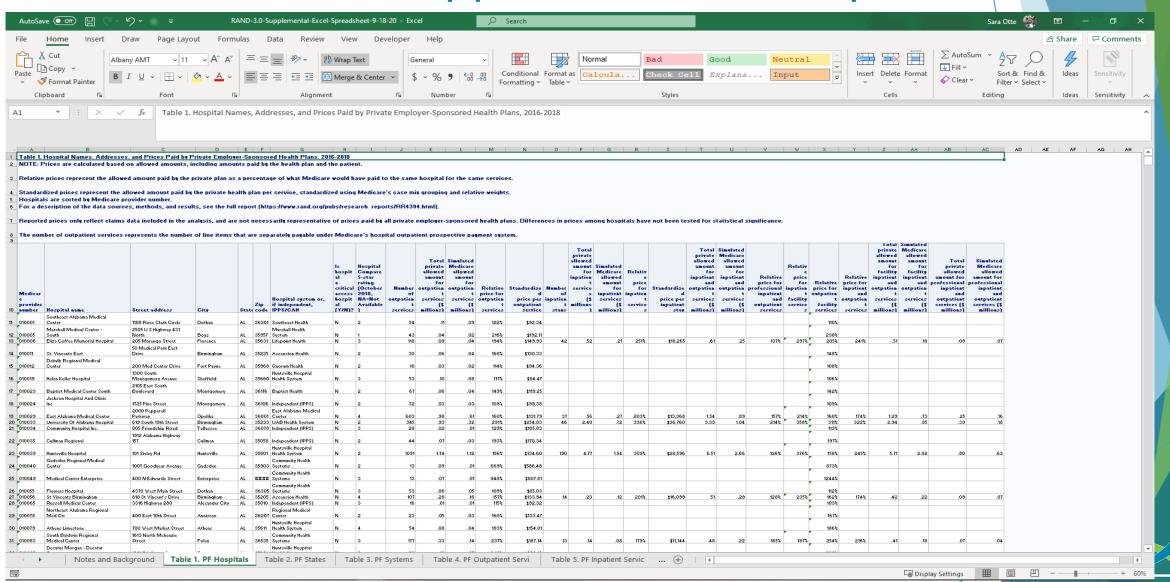
RAND 3.0







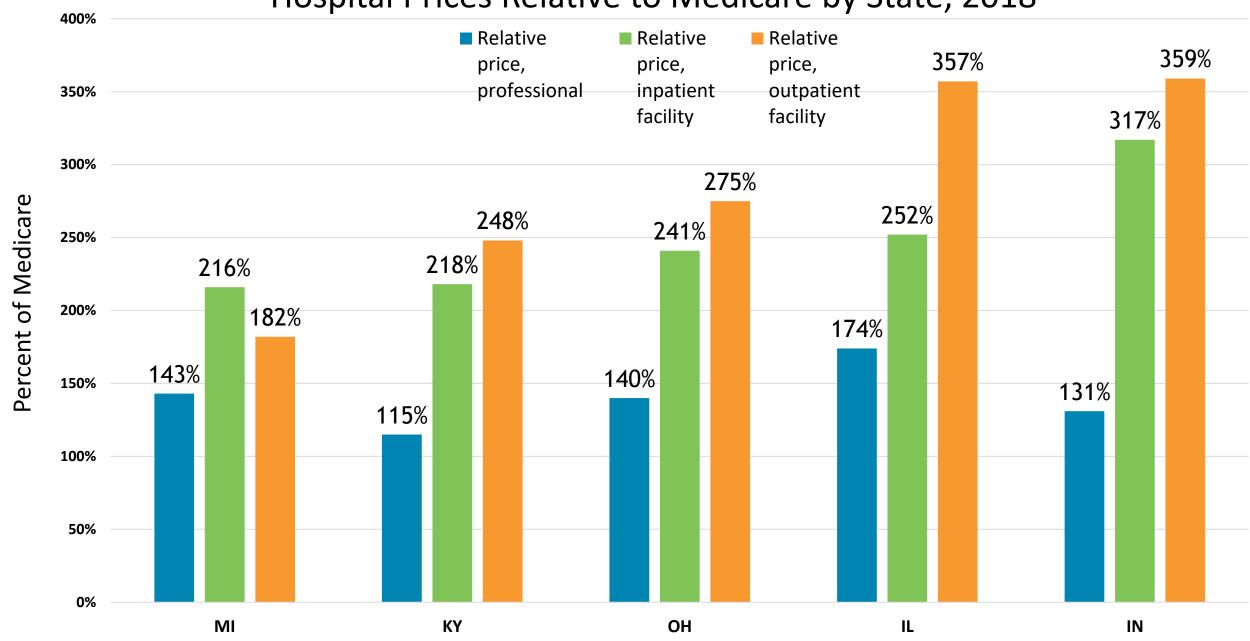
Downloadable Supplemental Excel Spreadsheet



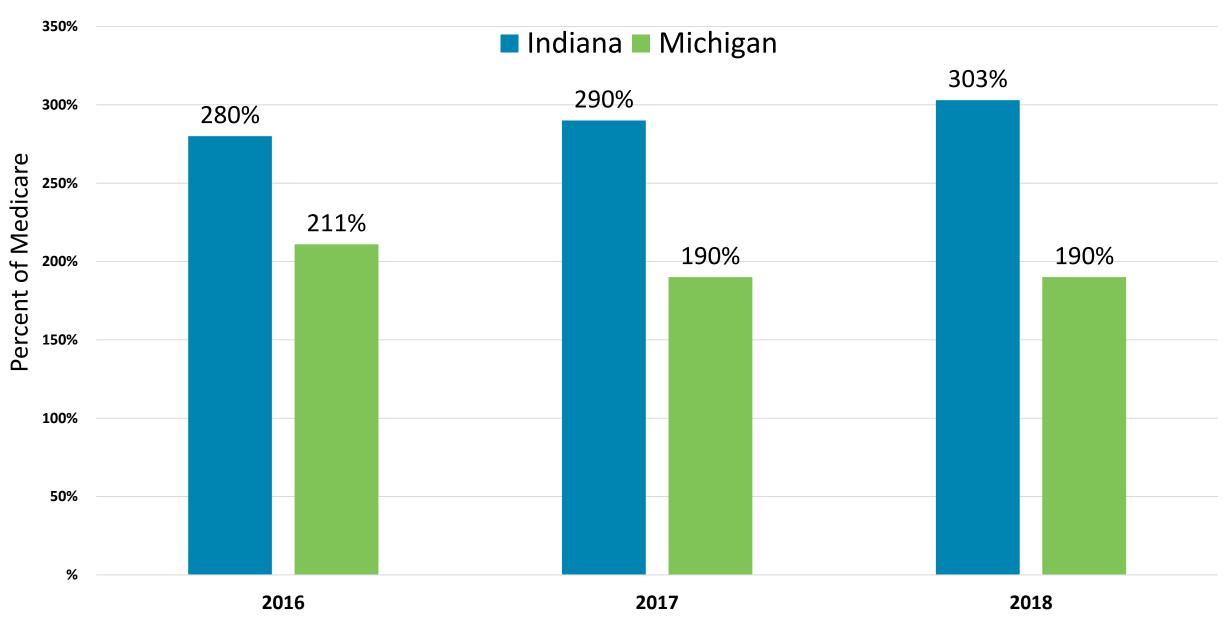
RAND 3.0 Study Findings: Indiana



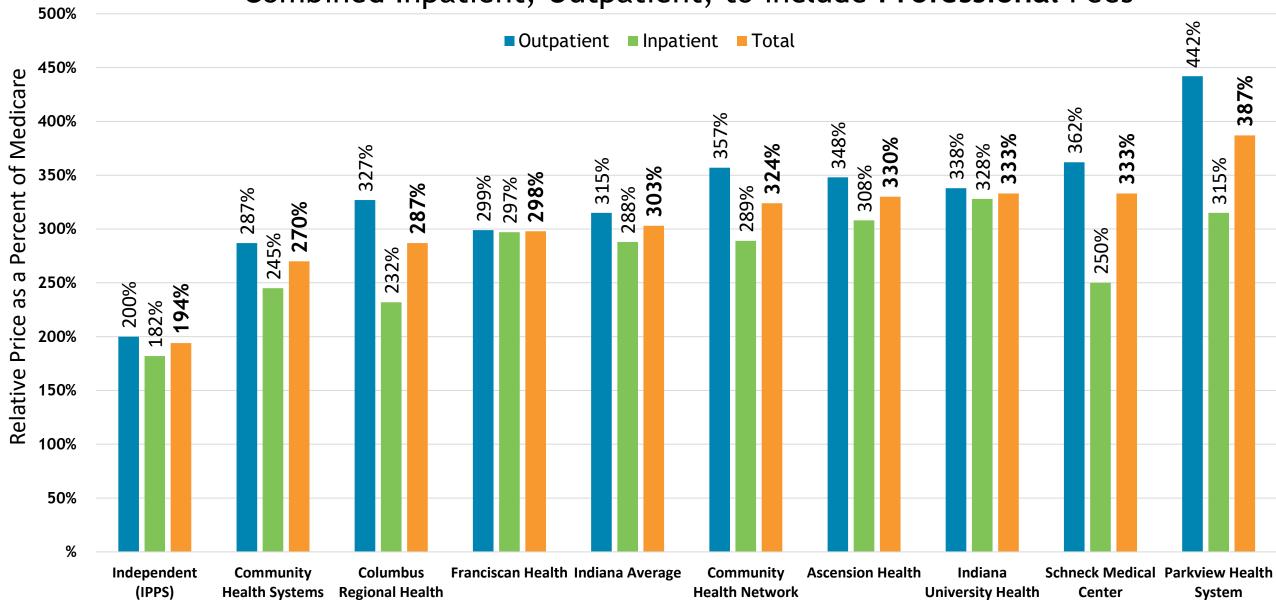
Hospital Prices Relative to Medicare by State, 2018

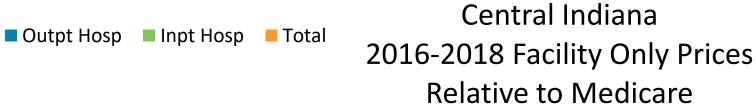


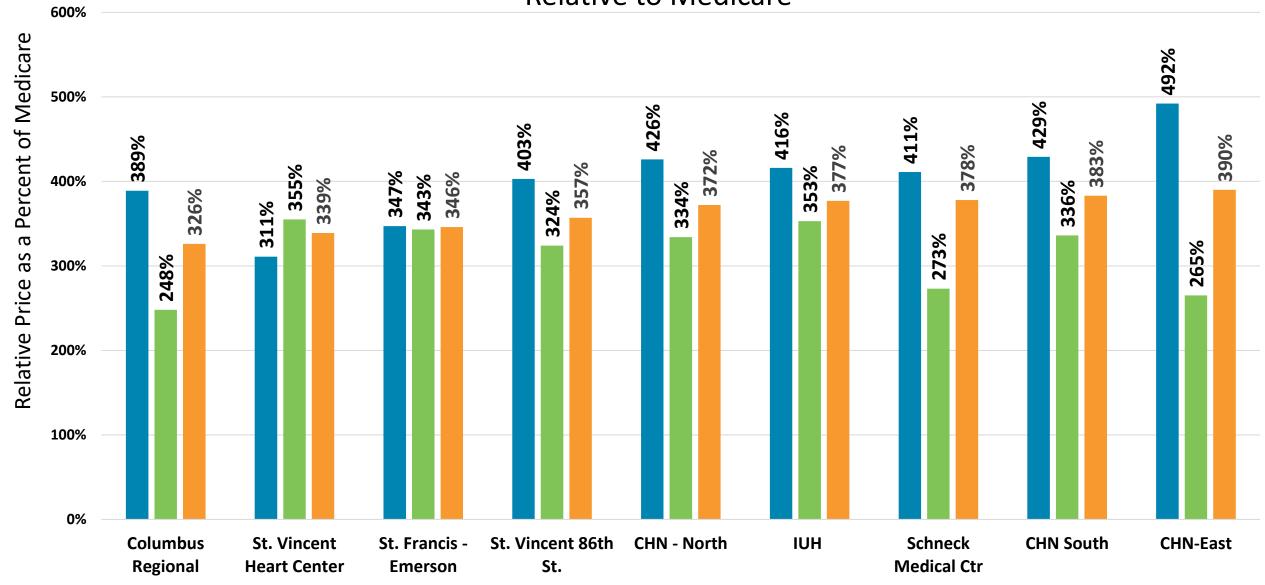
Hospital Prices Relative to Medicare Includes Inpatient and Outpatient Facility & Associated **Professional** Price



INDIANA Hospital Prices Relative to Medicare, 2018 Combined Inpatient, Outpatient, to include **Professional** Fees

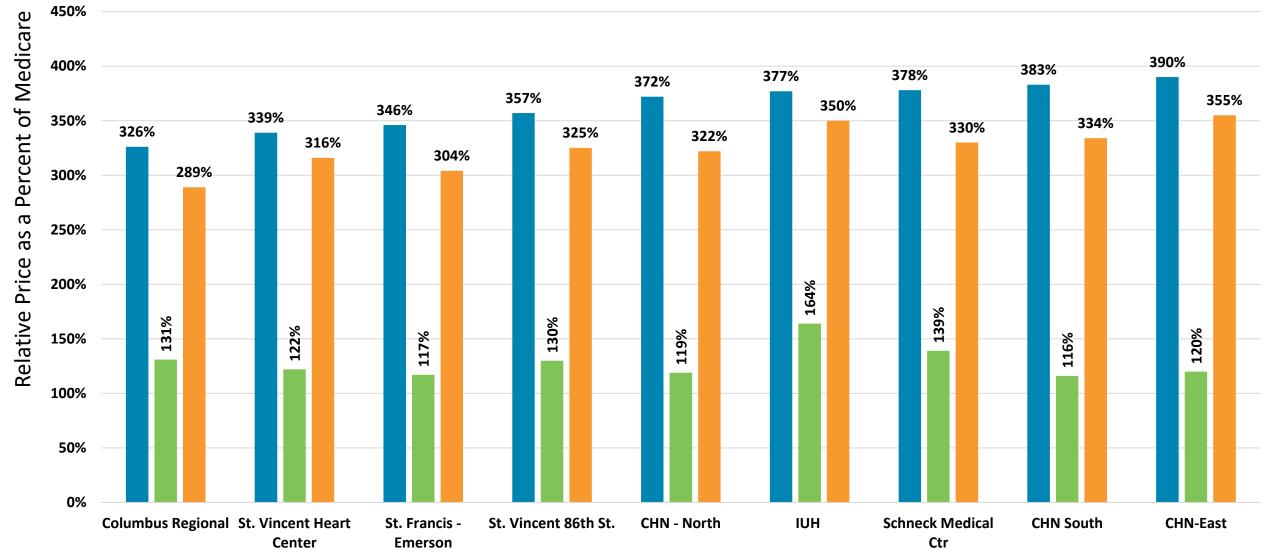






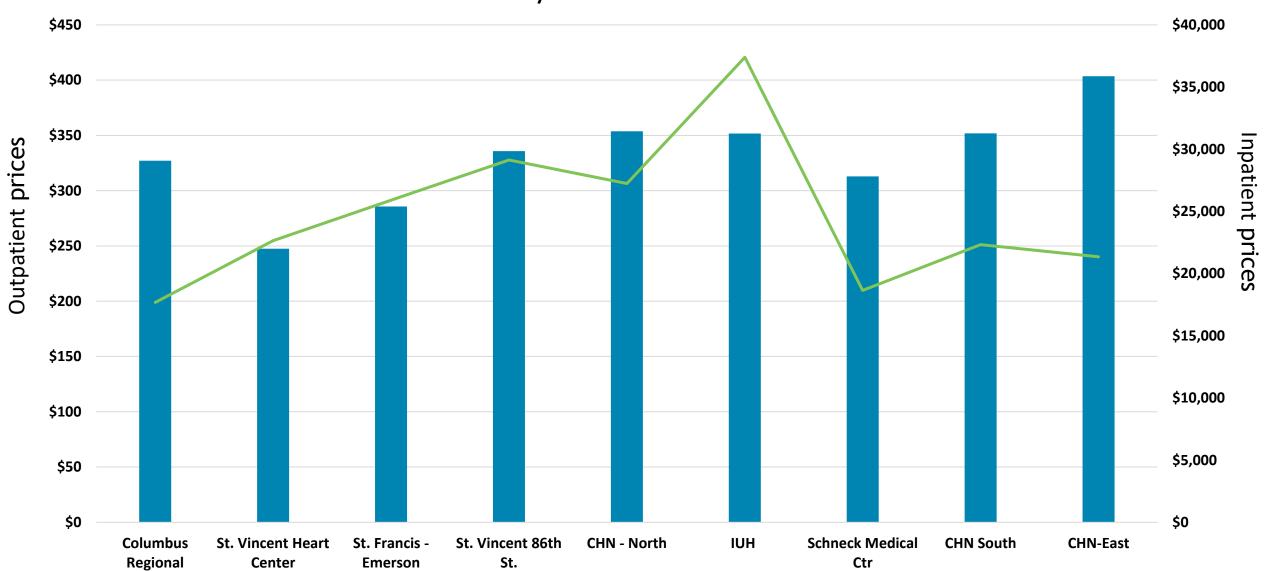


Central Indiana 2016-2018 Facility VS Professional Prices Relative to Medicare



Outpatient —Inpatient

Central Indiana 2016-2018 Standardized Prices Ordered by Relative Medicare Prices



Source: Whaley, 2020, Nationwide Evaluation of Health Care Prices Paid by Private Health Plans findings from Round 3 of an Employer-Led Transparency Initiative

Employers Want High Value = High Quality at a Fair Price

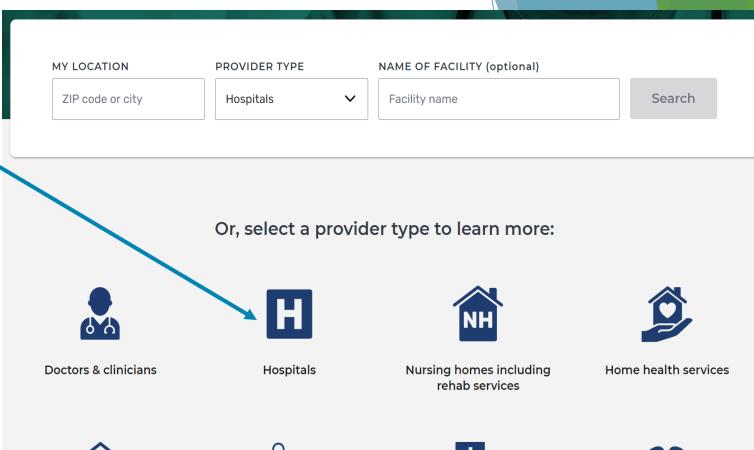


Hospital Quality Scores Freely Available by CM\$

- Goal is to pay for high value = best quality at a fair price
- Quality is NOT all the same
- Recommend everyone SPEND a lot of time with CMS Hospital Star Ratings, last updated January 2020
 - Find Healthcare Providers: Compare Care Near You | Medicare
 - CMS Hospital Compare downloadable datasets for over 4000 hospitals in U.S. https://data.medicare.gov/data/hospital-compare



QUALITY: CMS Hospital Compare Star Ratings





Hospice care



Inpatient rehabilitation facilities



Long-term care hospitals



Dialysis facilities

Looking for medical supplies and equipment? Visit the Supplier Directory

CMS Hospital Quality MEASURES

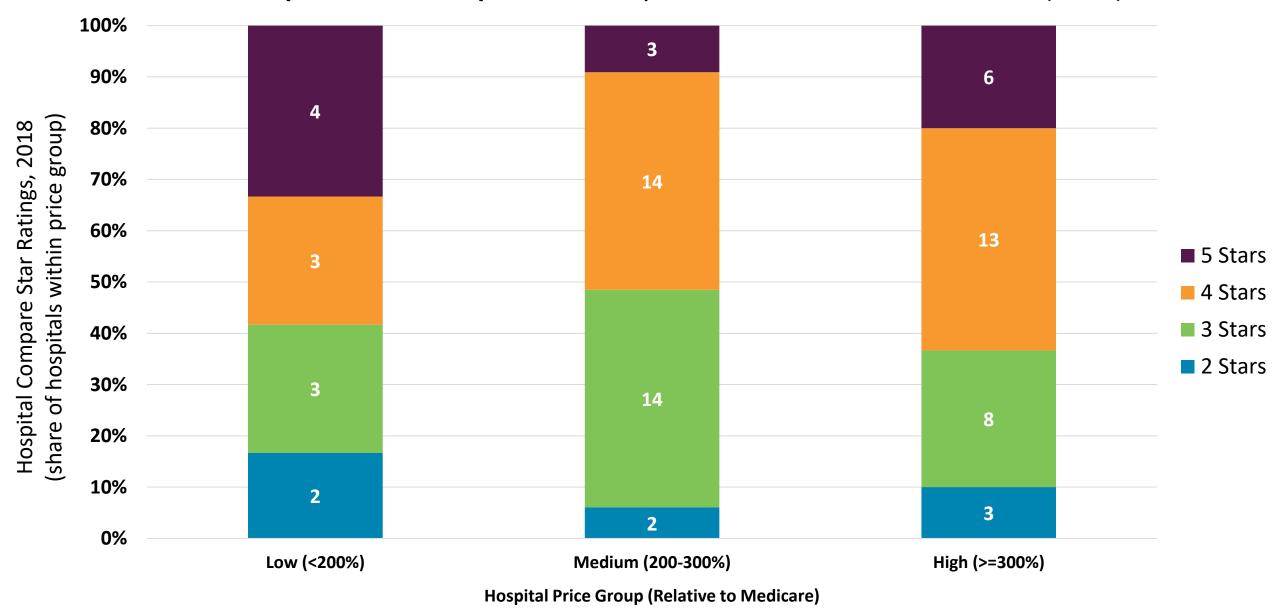
The Hospital Compare has 51 quality measures bucketed into 7 domains:

- 1.) Mortality
- 2.) Safety of Care
- 3.) Readmission
- 4.) Patient Experience
- 5.) Effectiveness of Care
- 6.) Timeliness of Care
- 7.) Efficient Use of Medical Imaging

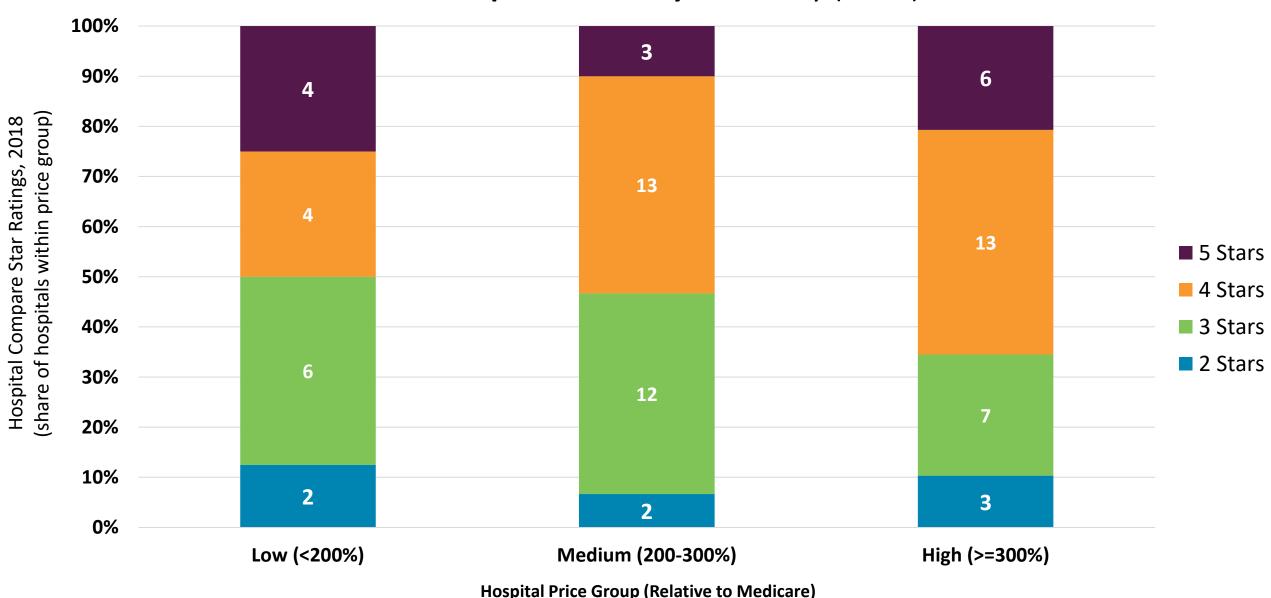
Medicare.gov. Hospital https://data.cms.gov/provider-data/topics/hospitals/overall-hospital-quality-star-rating



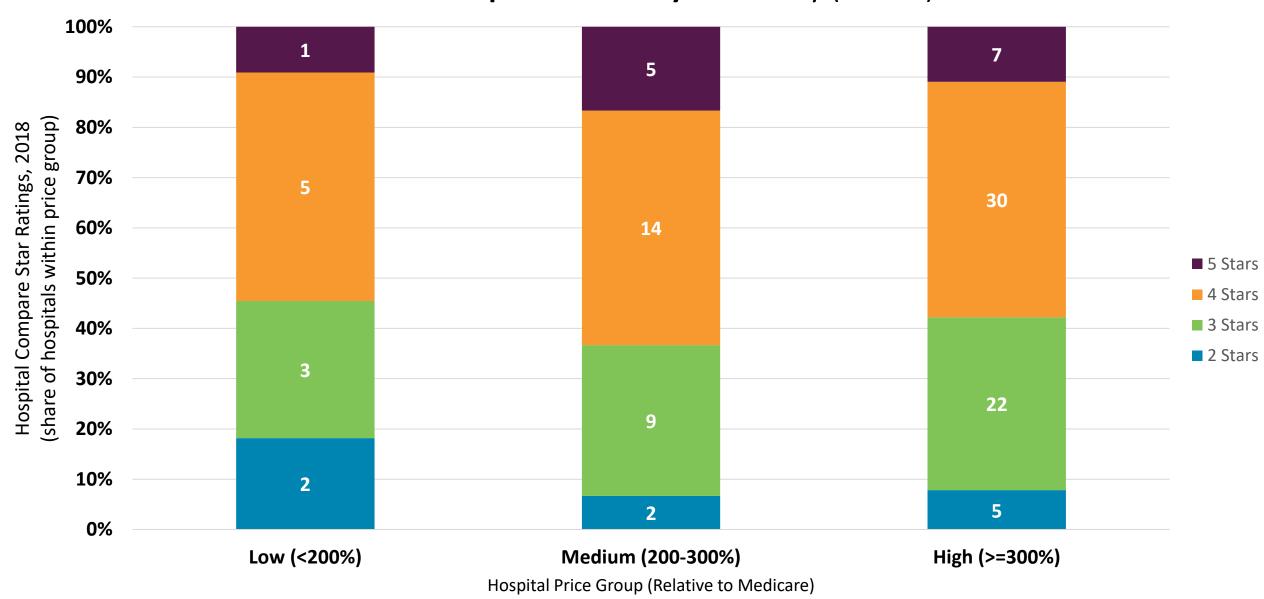
RAND 3.0 Indiana Hospitals: Relative Price by CMS Quality Star Rating Includes **Inpatient and Outpatient** Facility & Associated **Professional** Price (N=75)



RAND 3.0 Indiana: Hospitals Relative Price by CMS Quality Star Rating Reflects **Inpatient Facility** Price Only (N=75)



RAND 3.0 Indiana: Hospitals Relative Price by CMS Quality Star Rating Reflects **Outpatient Facility** Price Only (N=105)



St. Vincent*	Medicare	Inpatient	Outpatient	Facility	Professional	Facility Plus	Medicare Star
2016 to 2018	Provider	Facility	Facility	Only Total	Only	Professional	Rating
St. Vincent Anderson	150088	338%	403%	384%	124%	334%	***
St. Vincent Carmel Hospital	150157	308%	447%	369%	107%	309%	***
St. Vincent Evansville	150100	372%	461%	423%	142%	370%	***
St. Vincent Fishers Hospital	150181	307%	440%	398%	145%	341%	***
St. Vincent Hospital & HCC Indianapolis	150084	324%	403%	357%	130%	325%	***
St. Vincent Heart Center	150153	355%	311%	339%	124%	318%	****
St. Joseph Hospital & Health Center	150010	289%	406%	361%	121%	308%	***

^{*} only hospitals with full reporting are shown above

IU Health*	Medicare	Inpatient	Outpatient	Facility Only	Professional	Facility Plus	Medicare Star
2016 to 2018	Provider	Facility	Facility	Total	Only	Professional	Rating
IU Health West Hospital	150158	331%	374%	361%	142%	322%	****
IU Health Bloomington Hospital	150051	337%	464%	410%	117%	357%	***
IU Health North Hospital	150161	320%	372%	343%	133%	302%	****
IU Health Indianapolis	150056	353%	416%	377%	164%	350%	***
IU Health Arnett Hospital	150173	336%	292%	309%	142%	279%	***
IU Health Ball Memorial Hospital	150089	298%	339%	317%	124%	286%	***

^{*} only hospitals with full reporting are shown above

Community Health Network	Medicare	Inpatient	Outpatient	Facility Only	Professional	Facility Plus	Medicare Star
2016 to 2018	Provider	Facility	Facility	Total	Only	Professional	Rating
Communiy Hospital Anderson	150113	295%	354%	332%	117%	295%	***
Community Health - East	150074	265%	492%	390%	121%	355%	***
Community Health - South	150128	336%	429%	383%	116%	334%	***
Community Health - North	150169	334%	426%	372%	119%	322%	***
Community Howard	150007	283%	413%	355%	119%	317%	***

^{*} only hospitals with full reporting are shown above

Francisan Health	Medicare	Inpatient	Outpatient	Facility	Professional	Facility Plus	Medicare Star
2016 to 2018	Provider	Facility	Facility	Only Total	Only	Professional	Rating
St. Francis Carmel	150182	303%	243%	280%	85%	236%	****
Franciscan Health Crown Point	150126	244%	305%	282%	153%	260%	***
Franciscan Health - Dyer	150090	208%	366%	311%	125%	278%	***
Franciscan Health Hammond	150004	147%	301%	235%	125%	214%	***
St. Francis Hospital Indianapolis	150162	343%	347%	346%	117%	304%	**
Franciscan Health Lafayette	150109	330%	302%	315%	132%	282%	***
Franciscan Health Michigan City	150015	308%	304%	305%	118%	267%	***
St. Francis Health - Mooresville	150057	311%	371%	346%	117%	300%	****

^{*} only hospitals with full reporting are shown above

Parkview Health	Medicare	Inpatient	Outpatient	Facility Only	Professional	Facility Plus	Medicare Star
2016 to 2018	Provider	Facility	Facility	Total	Only	Professional	Rating
Whitley Memorial Hospital	150101	259%	592%	469%	150%	416%	***
Parkview Hospital	150021	335%	558%	452%	125%	394%	***
Parkview Orthopedic Hospital	150167	463%	553%	504%	80%	386%	N/A
Huntington Memorial Hospital	150091	351%	569%	488%	125%	403%	***

^{*} only hospitals with full reporting are shown above

	Medicare	Inpatient	Outpatient	Facility Only	Professional	Facility Plus	Medicare Star
	Provider	Facility	Facility	Total	Only	Professional	Ratings
Columbus Regional Hospital	150112	248%	389%	326%	131%	289%	***
Schneck Medical Center	150065	273%	411%	378%	138%	330%	****

Example: Quantros - Major Joints Composite Quality (search by location, Indianapolis 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



Example: Quantros Major Joints Composite Quality by Physician Name

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



Quality Measure Tools Example: Quantros Central Indiana Physician-Level Information Cardiac Care

Score	Physician Name	Hospital Name
99.8	CHEN, HUEI-SHENG VINCENT	Eskenazi Health
99.8	KEATING, VINCENT P	Community Hospital South
99.7	STEINBERG, LEONARD ALAN	St Vincent Heart Center of Indiana, LLC
99.6	MOORE, JOHN WILLIAM	Franciscan Health Indianapolis
99.5	BANTHIA, SMRITI	Franciscan Health Indianapolis
99.5	MALINENI, KRISHNA C	Community Hospital East
99.5	SHAIKH, SAEED R	Franciscan Health Indianapolis
99.3	CARY, NORMAN S	IU Health West Hospital
99.3	PADANILAM, BENZY JAMES	St Vincent Hospital & Health Services
99.2	ROUCH, CARL L	Franciscan Health Indianapolis
99.2	SZWED, JOSEPH M	St Vincent Heart Center of Indiana, LLC
99.2	NAVARRETE CASAS, ANTONIO J	Indiana University Health North Hospital
99.1	KINN, ROBERT MARK	Franciscan Health Indianapolis
99.1	HERMILLER, JAMES B	St Vincent Heart Center of Indiana, LLC
98.9	JOSHI, SANDEEP A	St Vincent Hospital & Health Services
98.6	KREUTZ, ROLF	Eskenazi Health
98.5	CAVE, MELISSA D	St Vincent Hospital & Health Services
98.5	HUFFER, CHRISTOPHER JAMES	Witham Health Services
98.4	PUROHIT, ANIL	Community Hospital South
98.3	BONHOMME, CHAD E	Community Hospital East
98.3	SCHUTZMAN, JOHN J	St Vincent Hospital & Health Services
98.2	HEALY, CHRISTOPHER ALAN	Community Hospital East
98.1	STEINBERG, LEONARD ALAN	St Vincent Hospital & Health Services
98.1	IQTIDAR, ALI FAROOQ	Indiana University Health

Score	Physician Name	Hospital Name
10.1	MELDAHL, RAYMOND VICTOR	Community Hospital South
8.7	NAIR, GIRISH V	St Vincent Hospital & Health Services
8.7	HILL, STEVEN D	Indiana University Health
8.5	LIU, HONGWEI	Community Hospital East
8.4	SHAWA, IMAD	Franciscan Health Indianapolis
8.2	WERNE, ADAM M	St Vincent Heart Center of Indiana, LLC
8.2	COWGER, JENNIFER ANN	St Vincent Hospital & Health Services
8.0	BALFOUR, MIGUEL R	Franciscan Health Indianapolis
8.0	MILLER, MICHELLE D	Community Hospital North
7.9	KIRLIN, PHILIP C	St Vincent Hospital & Health Services
7.7	FARMER, JEFFREY L	IU Health West Hospital
7.4	SCHLEETER, THOMAS P	St Vincent Hospital & Health Services
7.0	SCHIER, JOHN J	St Vincent Hospital & Health Services
7.0	SNYDER, MICHAEL JAMES	Franciscan Health Indianapolis
7.0	BLAKLEY, TYLER D.	Johnson Memorial Hospital
6.6	FAHMY, USAMA LOTFY	St Vincent Hospital & Health Services
6.2	ABBOTT, TROY A	Community Hospital of Anderson and Ma
6.1	PANNABECKER, ANDREW	St Vincent Hospital & Health Services
5.8	MALIK, NAEEM ZAFAR	Community Hospital of Anderson and Ma
5.8	PARK, MICHAEL	Indiana University Health
5.6	KREUTZ, ROLF	Indiana University Health
5.5	REED, GORDON	Hendricks Regional Health
5.2	BOURDILLON, PATRICK D	Indiana University Health
5.0	HADI, AZAM	Indiana University Health
		VI

Value Report by Colorado Business Group on Health: RAND Prices & Quantros Quality

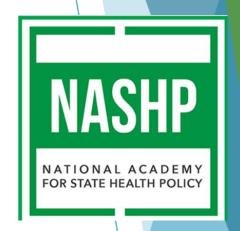
QUANTROS

	HOSPITAL F OF MEDICAR		QUANTROS CLINICAL QUALITY SCORES (CQS)						
HOSPITAL NAME	СІТҮ	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

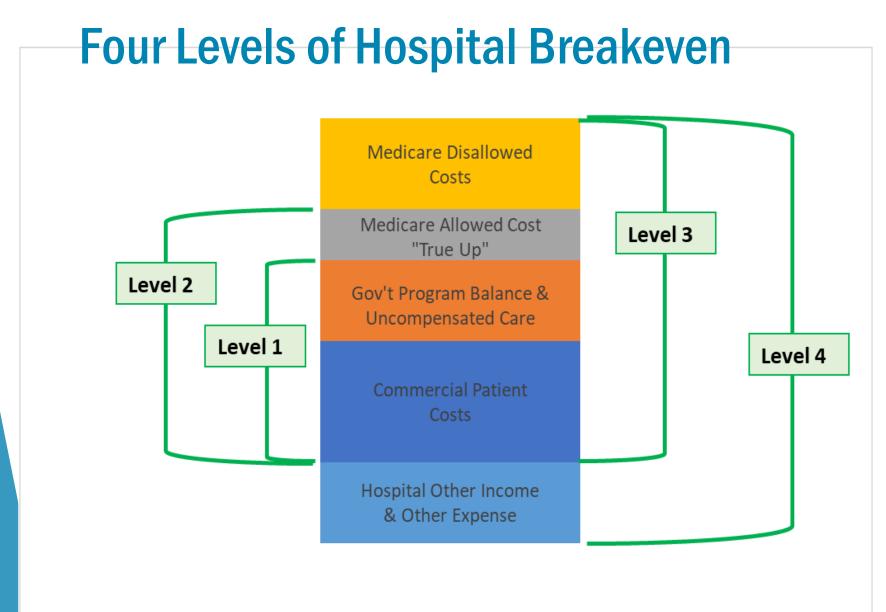


Employers Should Negotiate Up from a known Floor Not down from the Sky based on Arbitrary "Charges"

- 1. The Floor: What hospitals report as their actual own costs are provided on the Medicare Cost Reports that hospital executives sign and submit to CMS.
- 2. The National Academy of State Health Policy (NASHP) developed a Hospital Cost Tool in the Fall of 2020 using this financial data https://www.nashp.org/how-to-complete-nashps-hospital-cost-tool/
 - a. Makes it clear the amount of <u>charity care</u> provided per hospital as a percent of revenue and as a percent of payer mix.
 - b. Provides what the <u>breakeven</u> amount is for commercial payment to cover all hospital Medicaid and Medicare losses (if applicable), all charity care and all other hospital costs and notes this as a percent of Medicare. Then this can be compared to RAND 3.0 prices.
 - c. It aims to provide a fair and complete understanding of hospital costs.



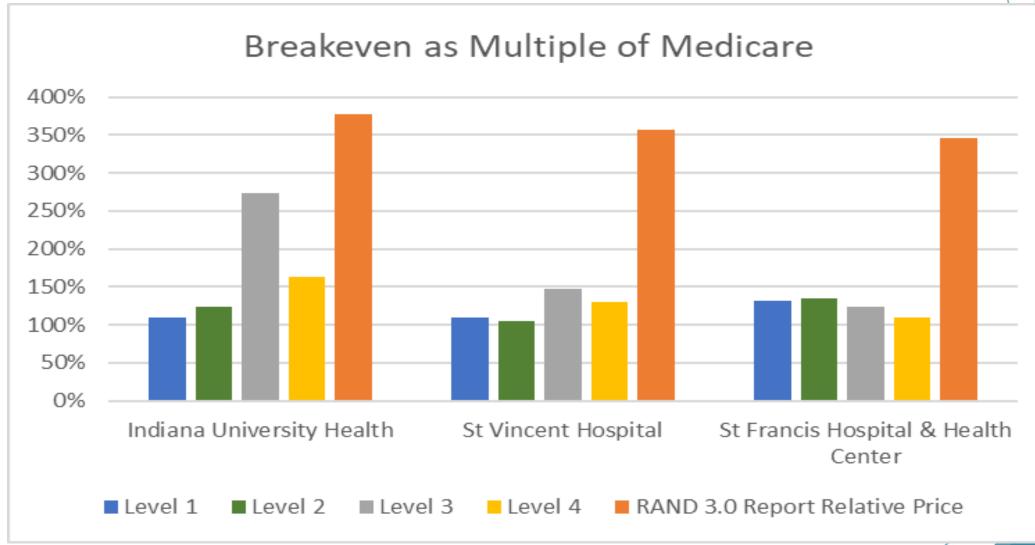




- Points where Revenue = Expense
- What should Commercial Payers Cover?
- Negotiations Where do we start?



Comparison to RAND 3.0 (2018)



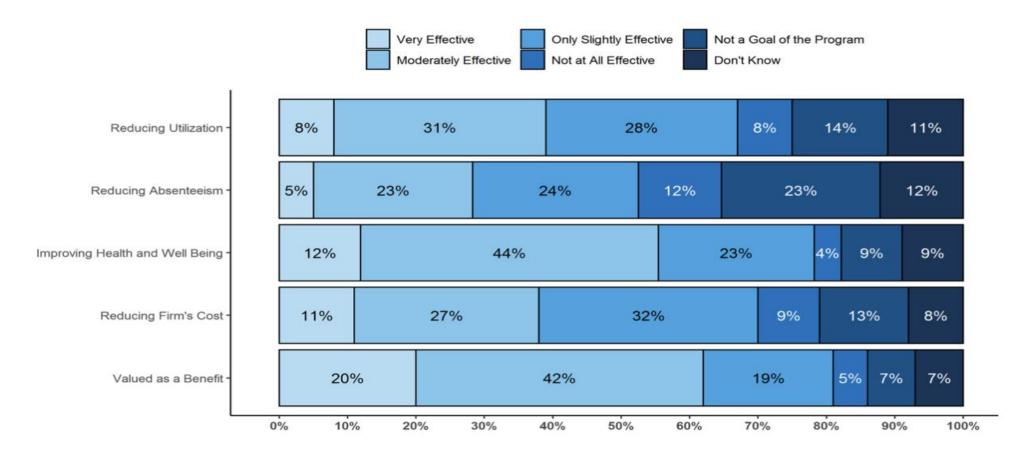


What are Employers Doing with Price Transparency Information?



EMPLOYERS KNOW ITS TIME FOR CHANGE

Among Large Firms Offering Health Benefits and a <u>Wellness or Health Screening</u> Programs, Firms Opinion of How <u>Effective</u> Programs are at Meeting Various Goals, 2020



NOTE: Health screenings include health risk assessments and biometric screening programs. Wellness programs include programs to help employees lose weight, lifestyle or behavioral coaching or tobacco cessation programs. Among large firms offering health benefits, 85% offer any of these programs and 46% offer an incentive to complete at least one of these health promotion programs. Large Firms have 200 or more workers.

SOURCE: KFF Employer Health Benefits Survey, 2020

Change is Possible!

In order to have a functional market, healthcare purchasers must demand Price and Quality Transparency

Reliable,
actionable <u>data</u>
to make informed
decisions & hold
the entire supply
chain accountable

Benefit design
with incentives
for covered lives
to go to high
value

Payment models
which are aligned
with high value

Enact legislative **policy** to allow for fair practices

Stimulate Provider Competition around High Quality at Best Price



Employers Must: **OWN** Their Data

Employers must review their carrier and data warehouse contracts carefully to assert ownership of all financial and clinical data

- Data analysis must be conducted by unbiased, knowledgeable, and reputable partners so that the results can be trusted.
- Financial resources currently provided to vendors for analysis should be reallocated to a neutral partner of the employers' choice as vendor analyses of themselves are inherently biased and can not be trusted.
- Auditing privileges are not an effective substitution for due diligence.



Employers Must: UNDERSTAND Their Data

Adequately resource your own health benefits department with staff that have strong clinical, financial, and data analytic credentials.

Ideally, bring management of ALL aspects of health services analyses under one's own roof as this will assure healthcare dollars spent align with the value of services provided.



Employers Must: ALIGN Partner Incentives with data

Ensure that ALL third-parties whom you partner with have performance guarantees so that financial incentives align with improvement with employee quality & reduction in employer costs. NO more PEPM, PMPM, PMPY without performance guarantees!

- Performance Guarantees based on achieving improvement in actual clinical measures & economic measures, NOT process measures.
- Insist on 100% transparency: all partners must <u>disclose financial</u> <u>relationships</u> with any service or vendor they recommend. Bribes are the norm and termed "sales fees", "service fees", etc.



Employers Must: Pay Based on Data



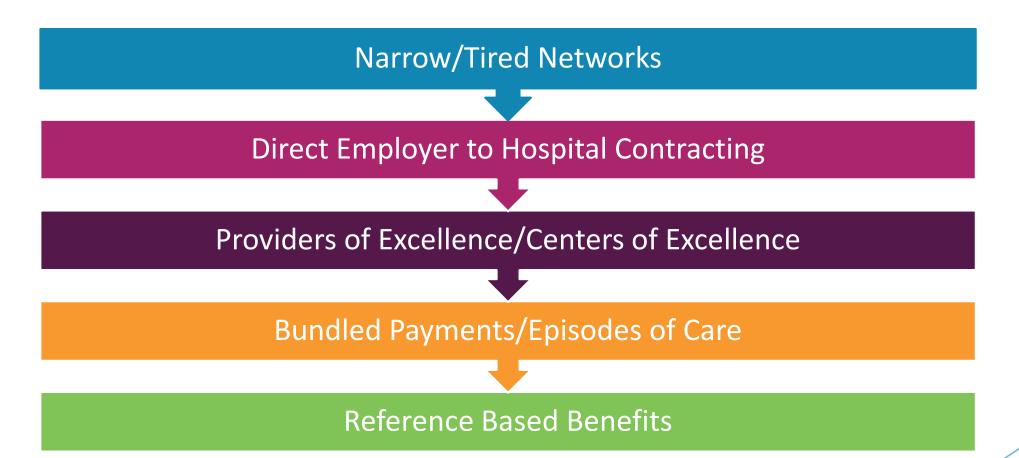
Employers have fiduciary responsibility to assure funds are being spent responsibly.

- To help interpret results, employers can benchmark the prices paid and the quality obtained to Medicare price and quality (which is freely and publicly available).
- Payment as a Percent of Medicare should be considered as it is evidence-based and simple to execute versus other highly complex payment models.
- Many insurers avoid providing price and quality information, but instead report "value" or "total cost of care". This is fine but employers must know the actual negotiated prices and specific quality metrics used to ensure that the prices paid do in fact represent high value.



Look at Benefits Design Levers based on Value

...consider contracting all the below as a multiple of Medicare





Employer Direct to Provider Agreements: Purdue University

On Campus Labs

Imaging

Total Hip Total Knee

Specialty Rx - Medical

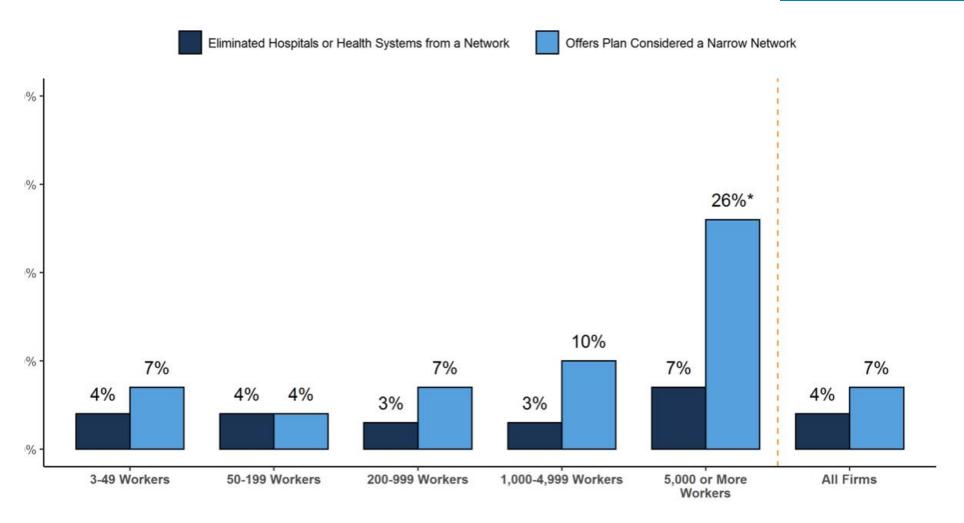
Specialty Rx

Prescription

Physical Therapy



Among Firms Offering Health Benefits, % of Firms that <u>Eliminated Hospitals</u> from any of their Networks in the Past Year to Reduce Cost or Offer a <u>Narrow Network</u> Plan



Estimate is statistically different from estimate for all other firms not in the indicated size category (p < .05).

IOTE: Narrow network plans limit the number of providers that can participate in order to reduce costs and generally are more restrictive than tandard HMO networks.

OURCE: KFF Employer Health Benefits Survey, 2020





Payment Reform

Price transparency facilitates honest conversations

- Example: Anthem Indiana was negotiating outpatient services based on discount of charges, which is terrible!
 - Beginning January 2020, Anthem began contracting using percent of Medicare corporate wide for outpatient services.
- Public and employer support to create pressure for high priced hospitals to lower prices, even with of COVID-19.
 - Case: Anthem Indiana and Parkview Health in Fort Wayne came to agreement on a contract on 7-30-20 with substantially reduced innetwork payment rates.
 - Search web for numerous articles sharing perspectives from all sides.



Legislative Policy Pursued in Indiana, 2020

House Enrolled Act 1004

- Good Faith Estimate providers must provide GFE within 5 days of patient request 7-1-20, & provide without patient request beginning 2021 LAW
- Surprise Billing Prohibits in-network providers or practitioners from charging patients more than in network rate cost of care according to the patient's network plan unless at least 5 days before the health care services are scheduled to be provided, the covered individual is provided a statement that of GFE and patient signs consent to be charged for out of network rate. LAW
- Site of Care Forms Specifies health care billing forms to be used in certain health care settings. DIED



Legislative Policy Pursued in Indiana, 2020

Senate Enrolled Act 5

- Prohibit Gag Clauses Prohibits non-disclosure clauses in health provider contracts so purchasers can request the negotiated rate from insurers and providers. LAW
- Price Transparency Requires hospitals, ambulatory surgical centers, and urgent care facilities to post certain health care services pricing information on their Internet web sites. LAW
- Benefit Consultant Disclosure Requires an insurance producer to disclose commission information to client.....LAW (but we wanted benefit consultants to disclose any funds they receive from an organization they recommend).
- All-Payer-Claims-Database (APCD) Requires the department of insurance to submit a request for information, a request for proposals, and contract concerning the establishment and implementation of an APCD. LAW



Anticompetitive Language Lawsuit

- Sutter Health in California was sued by their Attorney General and employers/unions for these same anticompetitive practices in 2020 resulting in \$575 million settlement
- 60 Minutes segment aired on CBS 12-13-20 covering the Sutter Health story for 13 minute
- video and text by anchor, Leslie Stahl:
 https://www.cbsnews.com/news/california-sutter-health-hospital-chain-high-prices-lawsuit-60-minutes-2020-12-13/
- The Source on Price and Competition is a great resource to see what other state statutes are in this space https://sourceonhealthcare.org/
- Indiana has a significant problem with anticompetitive language in hospitalprovider contracts, including all-or-none language



3 Key Employer Take-Aways

Insist on
ACCOUNTABILITY
through the
ENTIRE supply
chain.

Be **EVIDENCE BASED** in your decision making





RAND 4.0 Study is coming



RAND 4.0 Timeline

January -March 2021

• Recruitment

March -June 2021

• Data Collection

June -September 2021

Data Analysis

October 2021 -January 2022

Writing report

Late February -Early March 2022

• RAND 4.0 Release



RAND 4.0 Additional Ideas Under Consideration

- Dollars saved per employer if relative prices decreased
- How prices changed during COVID-19 in 2020
- Identify uncompensated care per hospital (charity care)
- Identify independent vs. hospital owned services for:
 - Ambulatory Surgical Care Services
 - Imaging Services
 - Laboratory Services
 - Medication Infusion Services
- Professional Fees:
 - Specialty Provider vs. Primary Care Providers
- Other ideas welcome......



Thank You



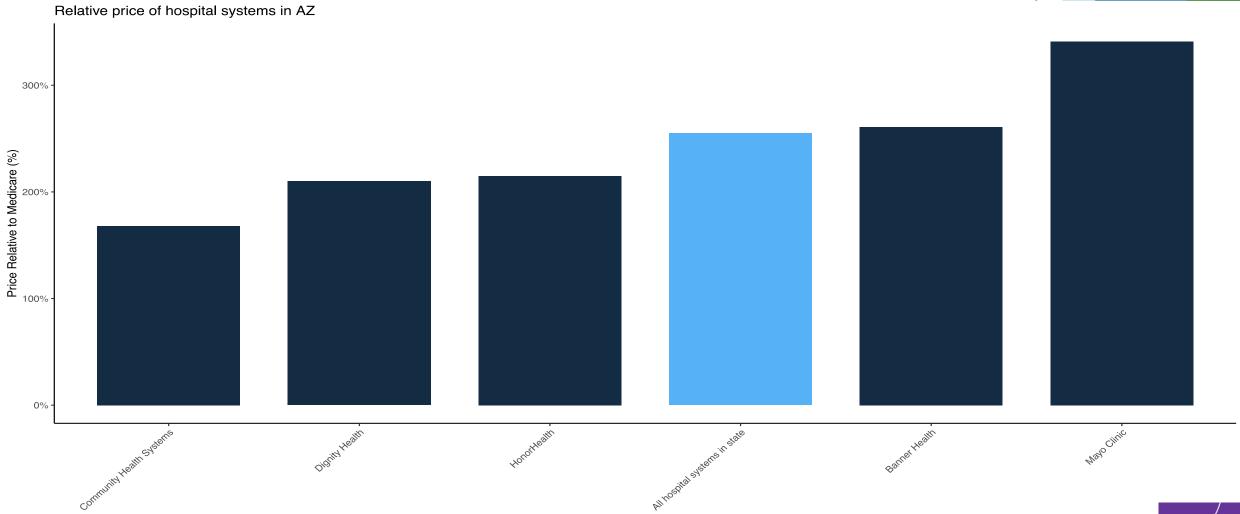
Supplement Slides of Other States



RAND 3.0 Study Findings: Arizona



Arizona Hospital System Prices: Inpatient + Outpatient



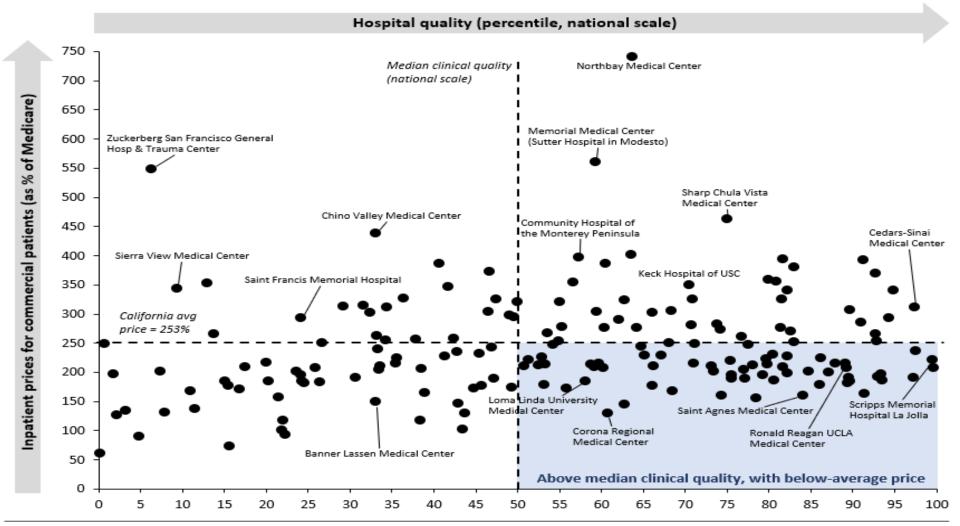


RAND 3.0 Study Findings: California



California: Continuum of Hospital RELATIVE Price and Quality

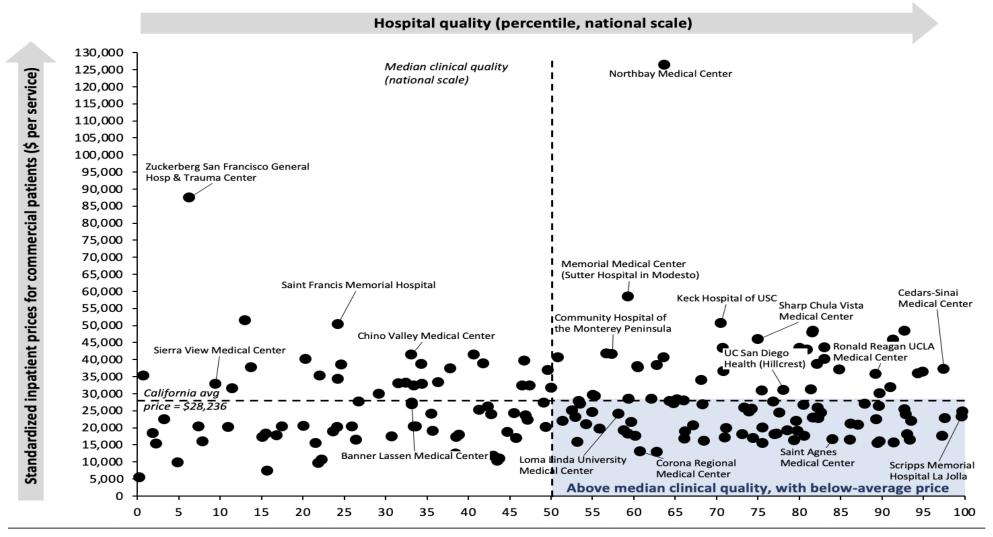
Hospital clinical quality & inpatient service prices for privately-insured patients in California





California: Continuum of Hospital STANDARDIZED Price and Quality

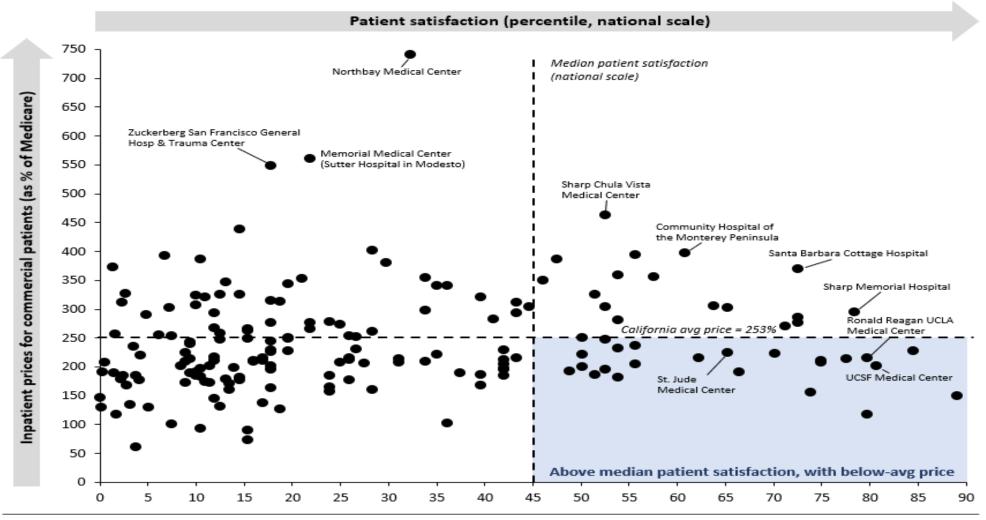
Hospital clinical quality & inpatient service prices for privately-insured patients in California





California: Continuum of Hospital RELATIVE Price and Patient Satisfaction

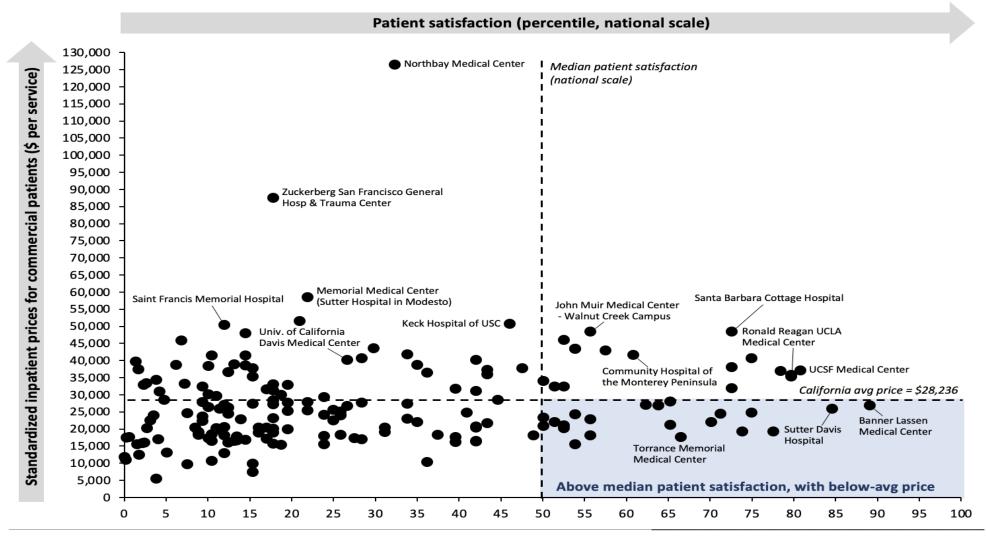
Patient satisfaction and inpatient service prices for privately-insured patients in California





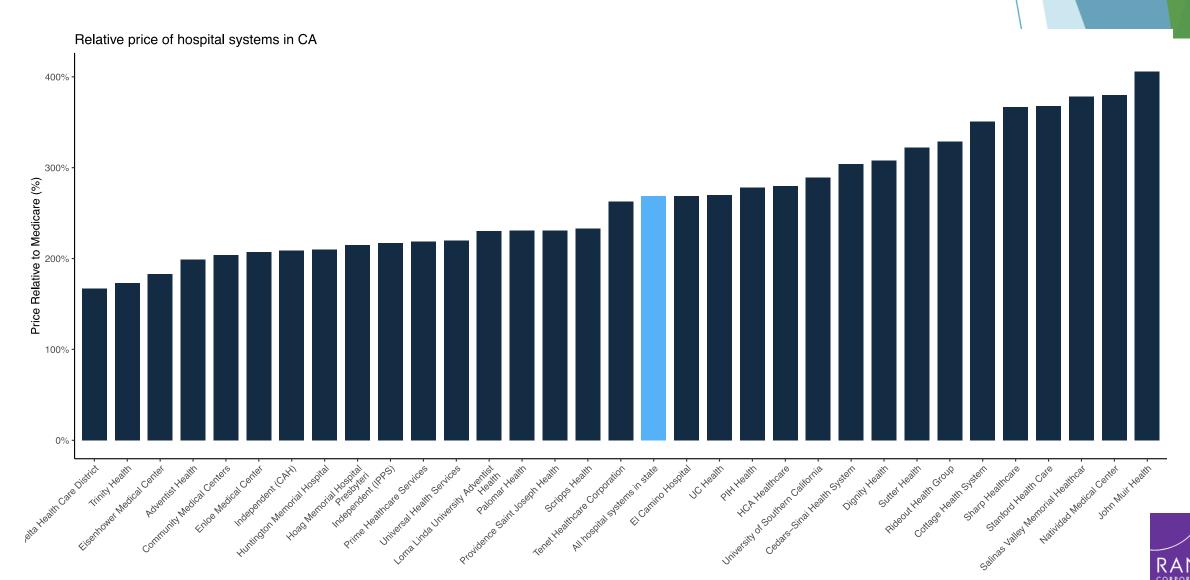
California: Continuum of Hospital STANDARDIZED Price and \$atisfaction

Patient satisfaction and inpatient service prices for privately-insured patients in California

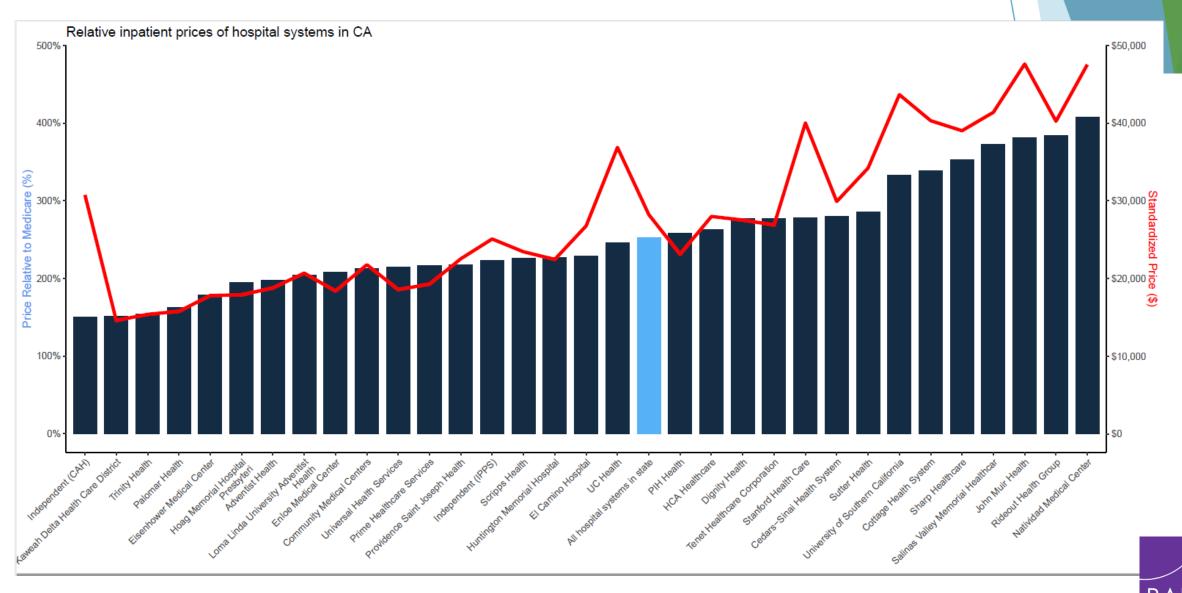




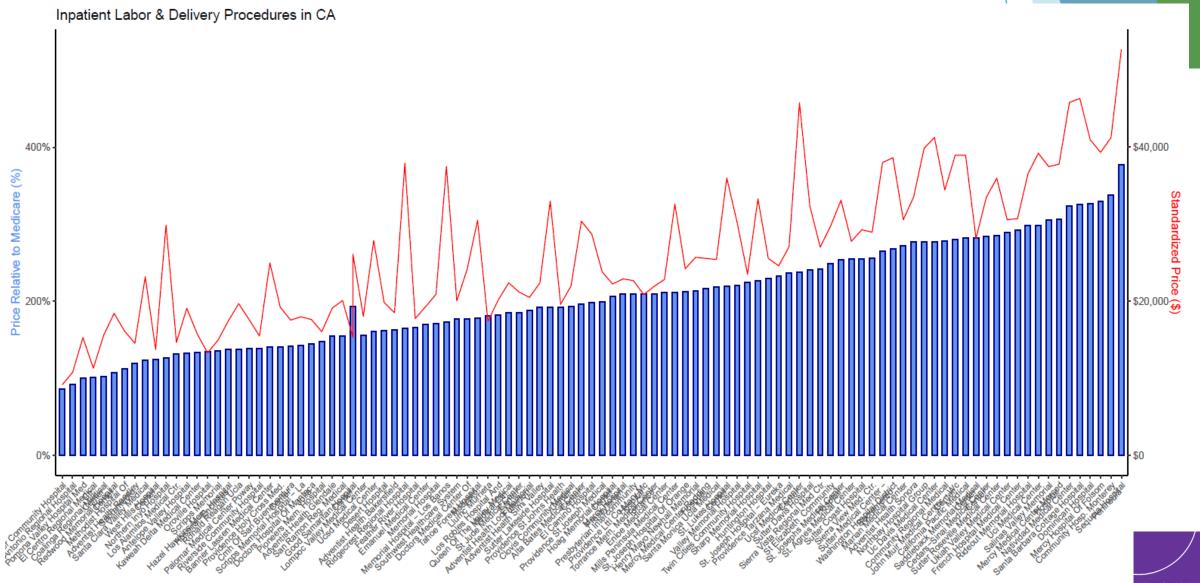
California Hospital System Prices: Inpatient + Outpatient



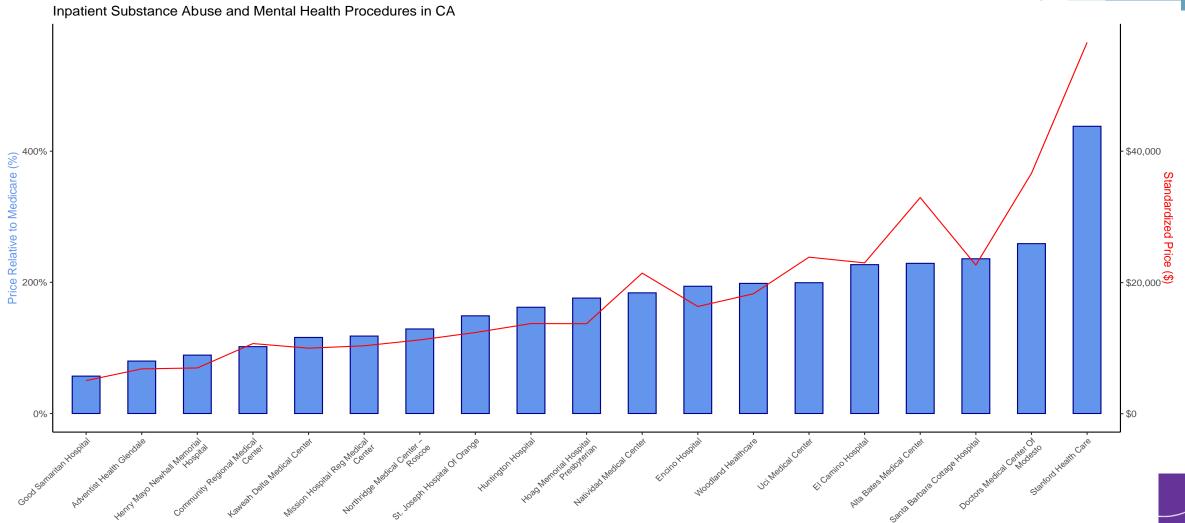
California Hospital Prices: Inpatient Orthopedic



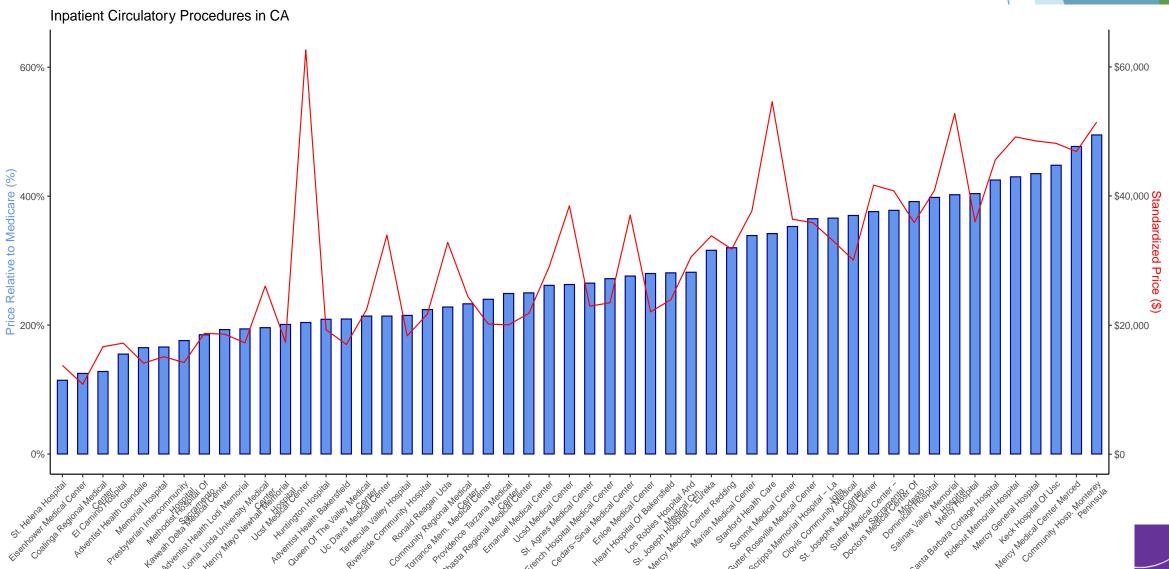
California Hospital Prices: Labor and Delivery



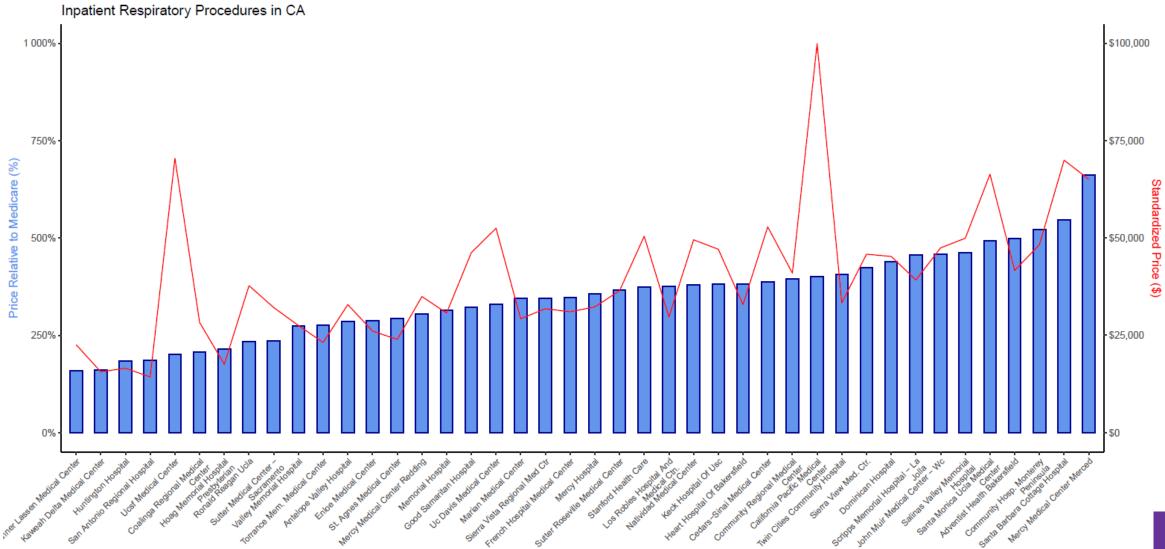
California Hospital Prices: Substance Abuse and Behavioral Health Treatment



California Hospital Prices: Circulatory Conditions



California Hospital Prices: Respiratory Conditions

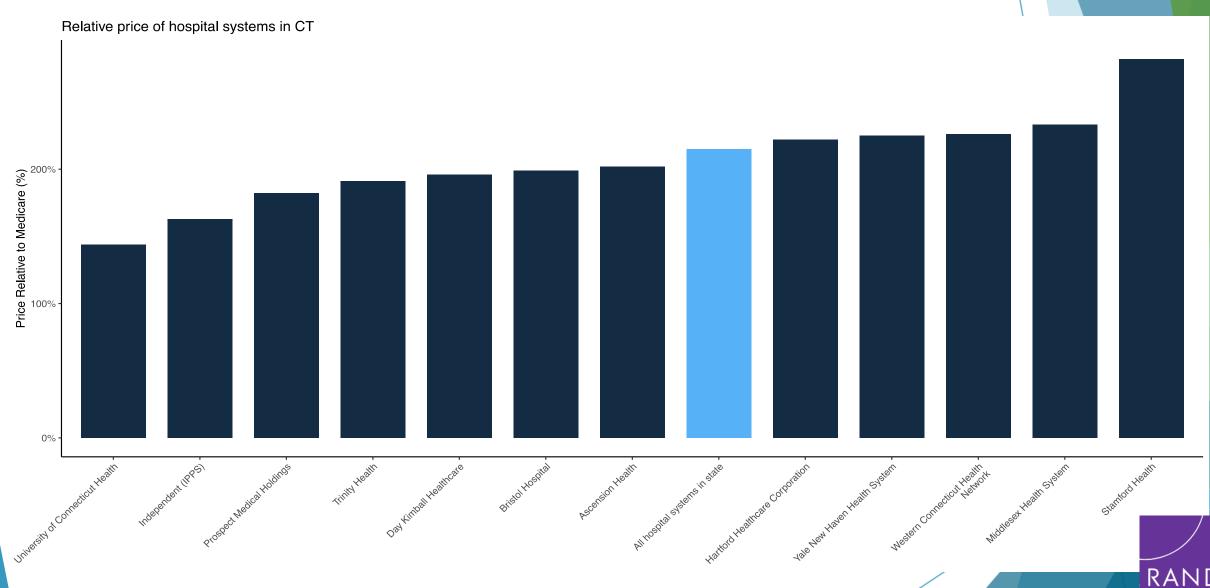




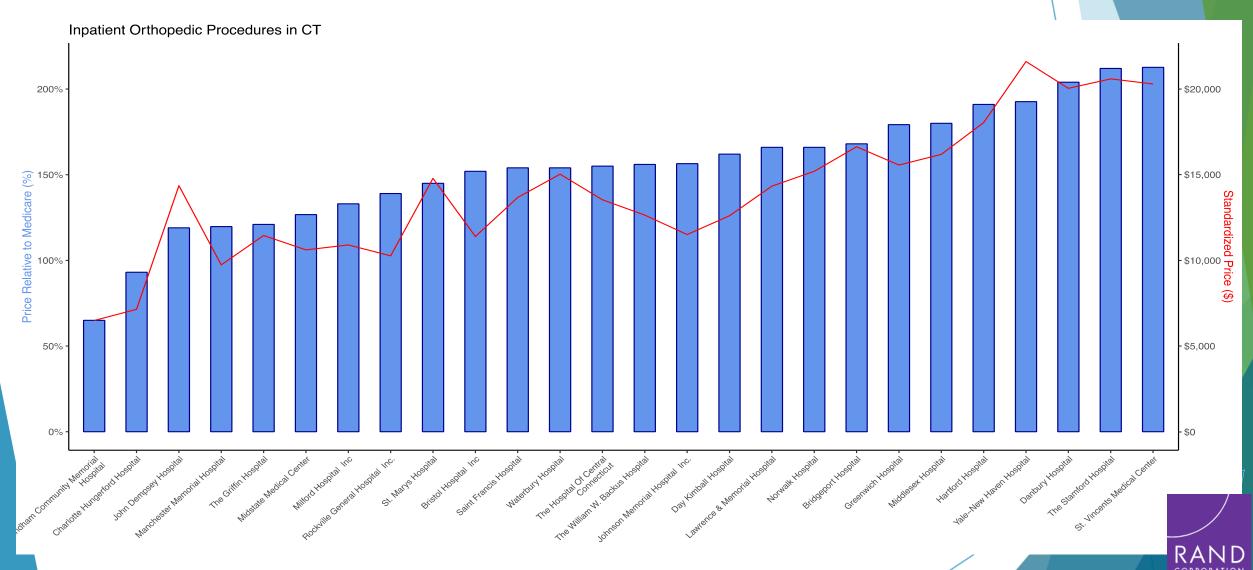
RAND 3.0 Study Findings: Connecticut



Connecticut Health System Prices



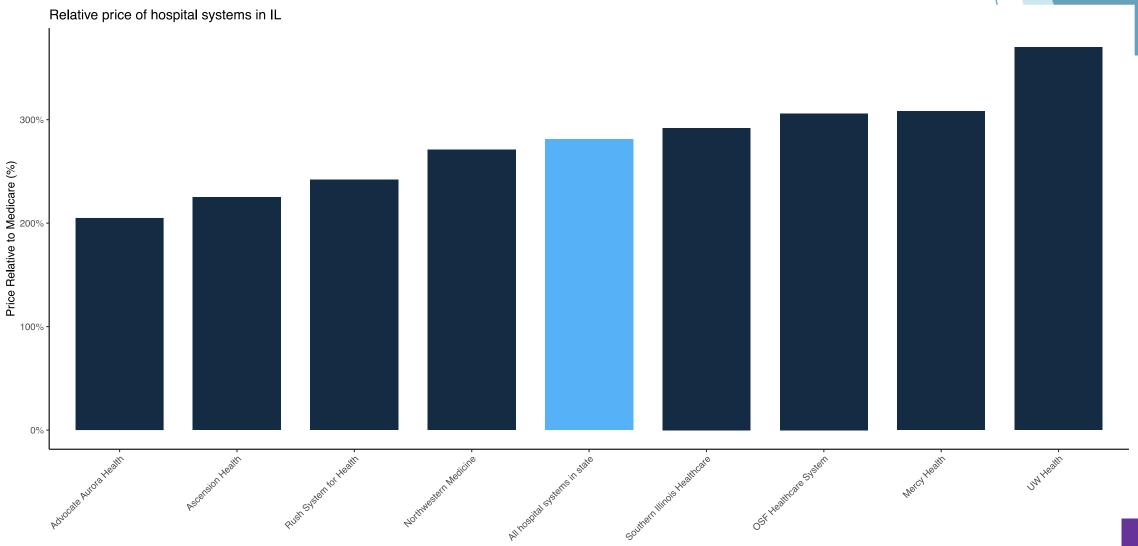
Connecticut Inpatient Orthopedic Prices



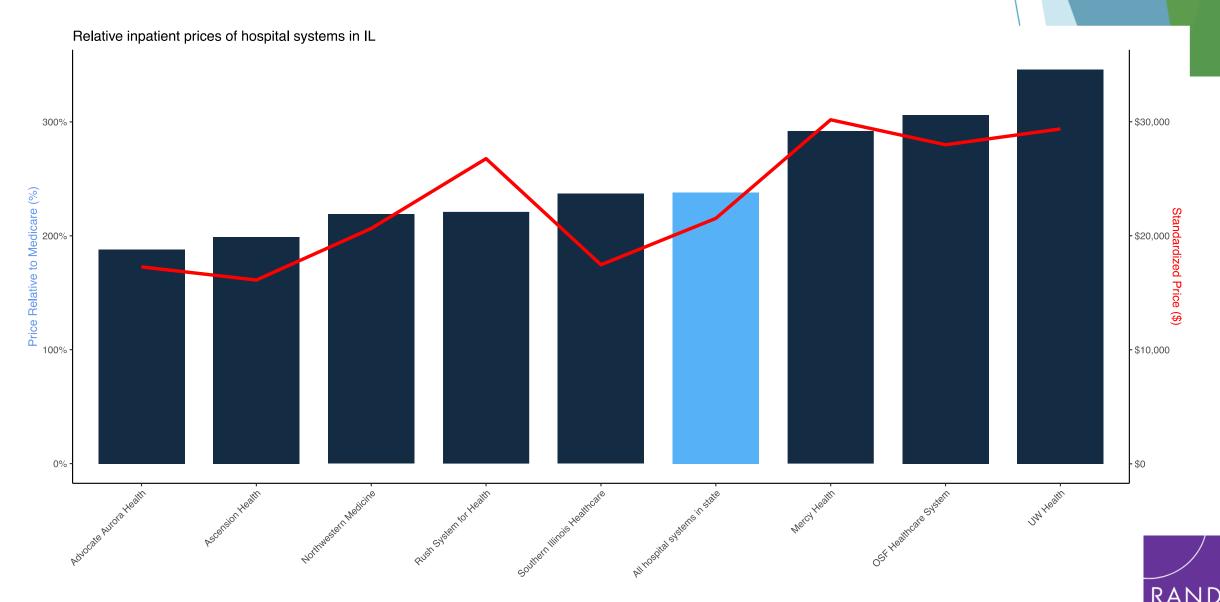
RAND 3.0 Study Findings: Illinois



Illinois Hospital System Prices: Inpatient + Outpatient



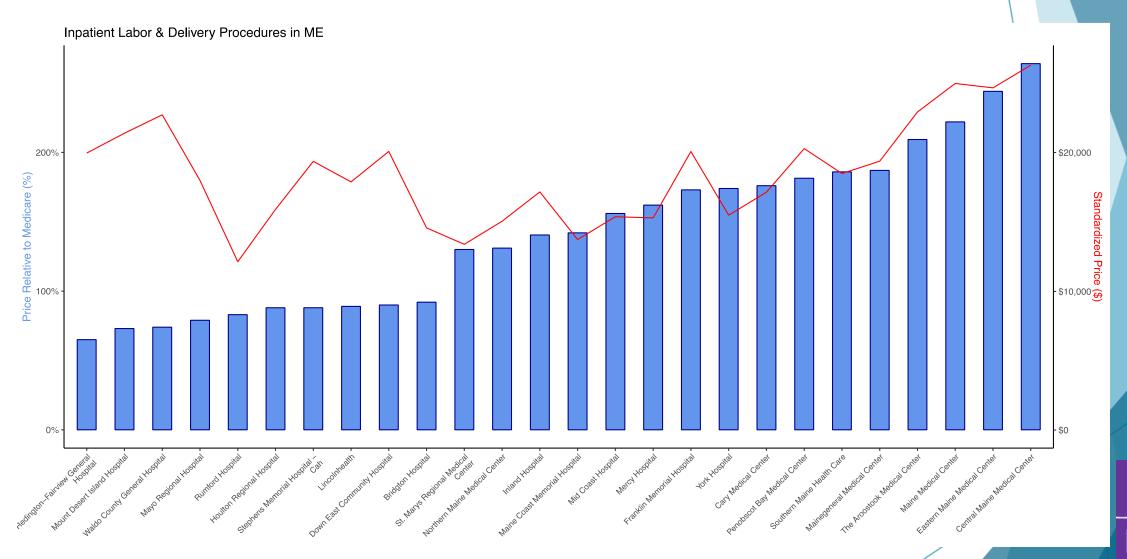
Illinois Hospital System Prices: Inpatient



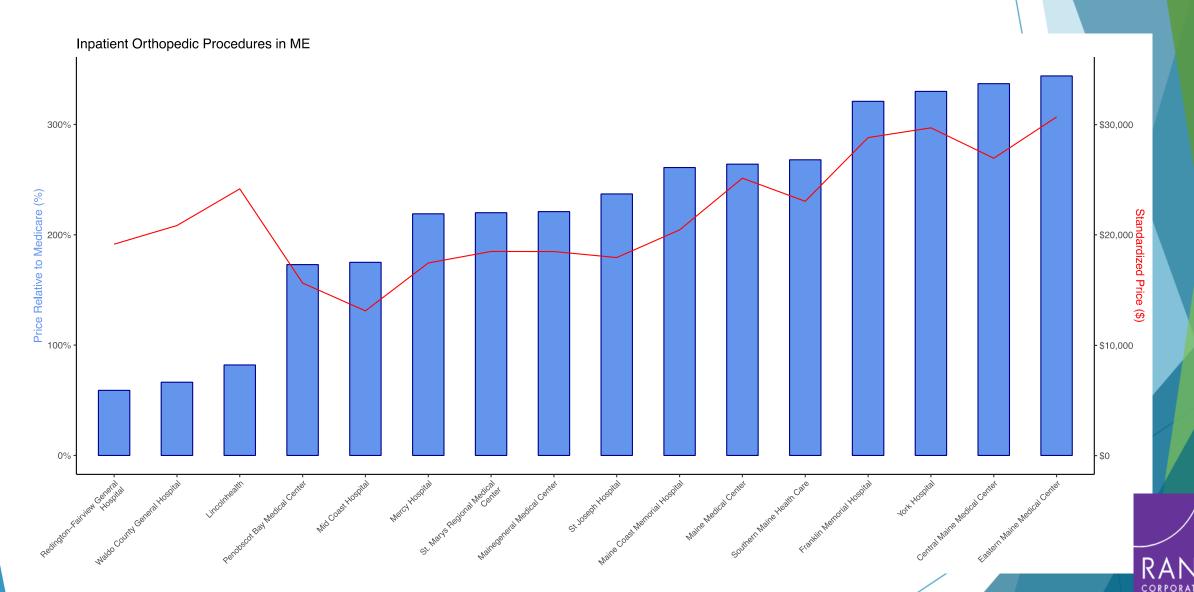
RAND 3.0 Study Findings: Maine



Maine Labor and Delivery Prices



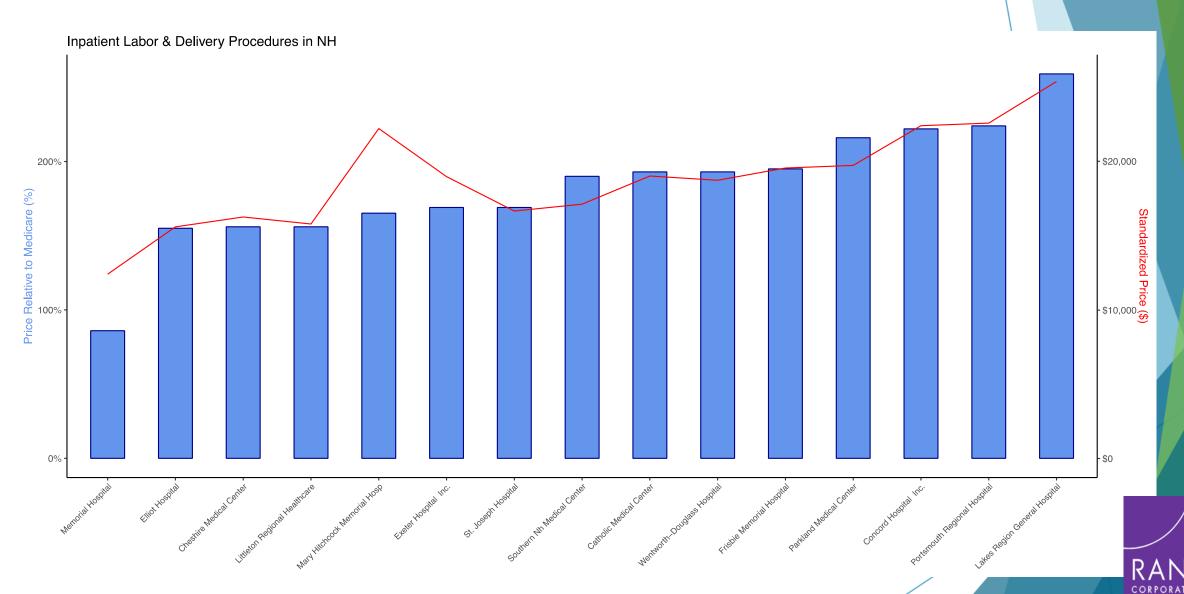
Maine Orthopedic Surgery Prices



RAND 3.0 Study Findings: New Hampshire



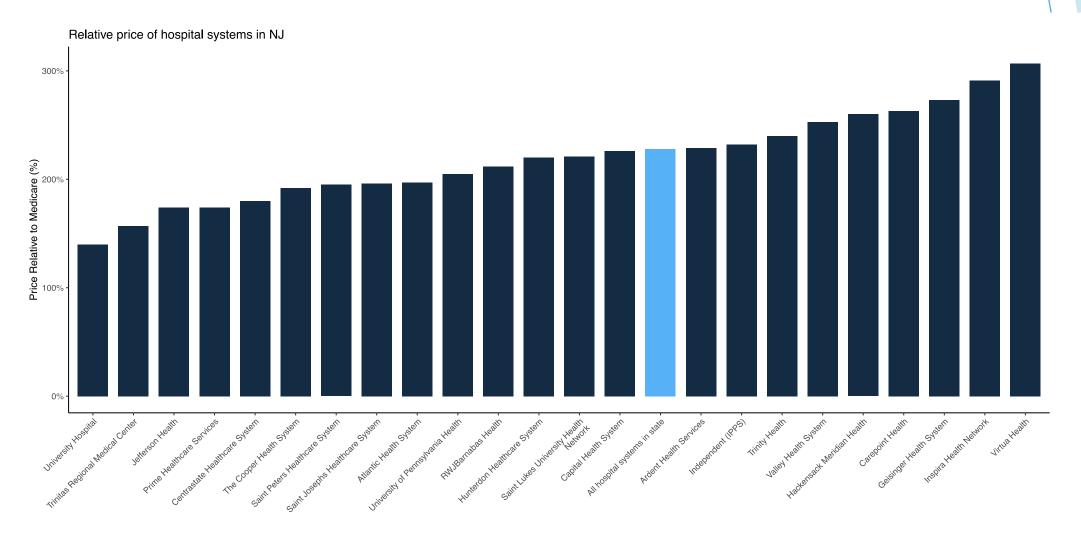
New Hampshire Labor and Delivery Prices



RAND 3.0 Study Findings: New Jersey



New Jersey Hospital System Prices: Inpatient + Outpatient

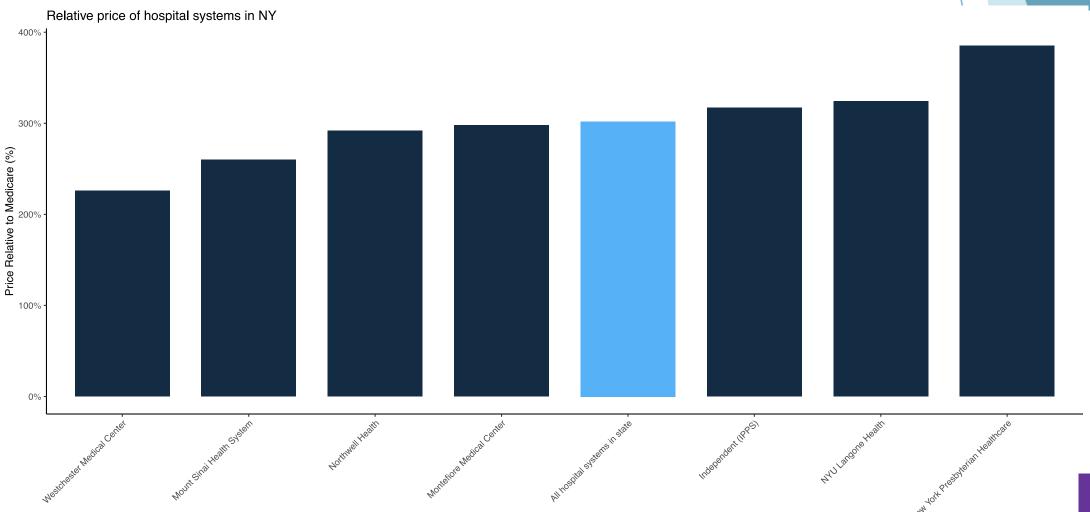




RAND 3.0 Study Findings: New York



New York Hospital System Prices: Inpatient + Outpatient

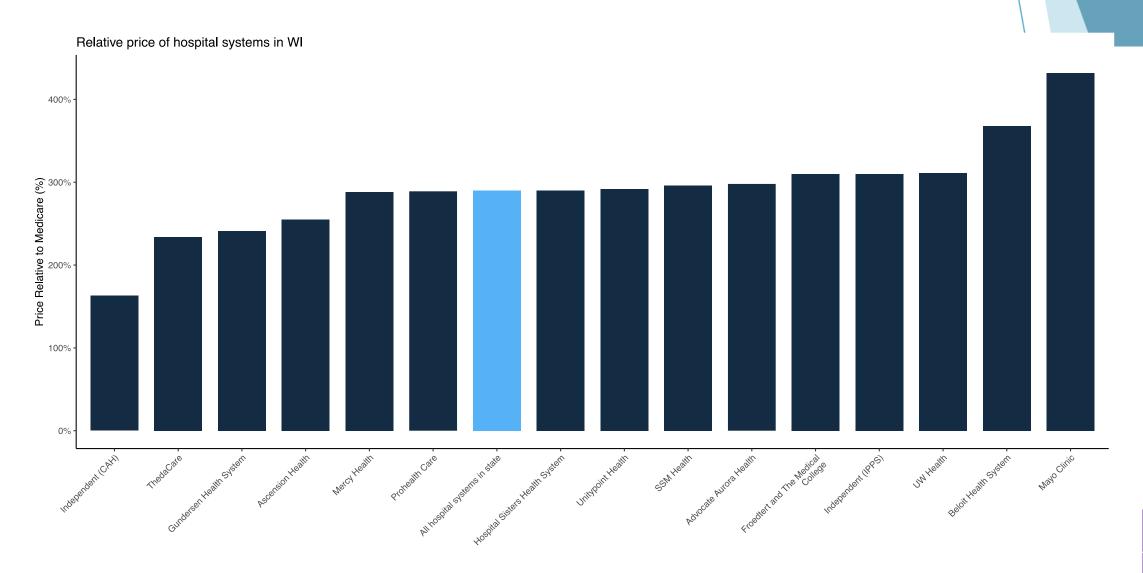




RAND 3.0 Study Findings: Wisconsin

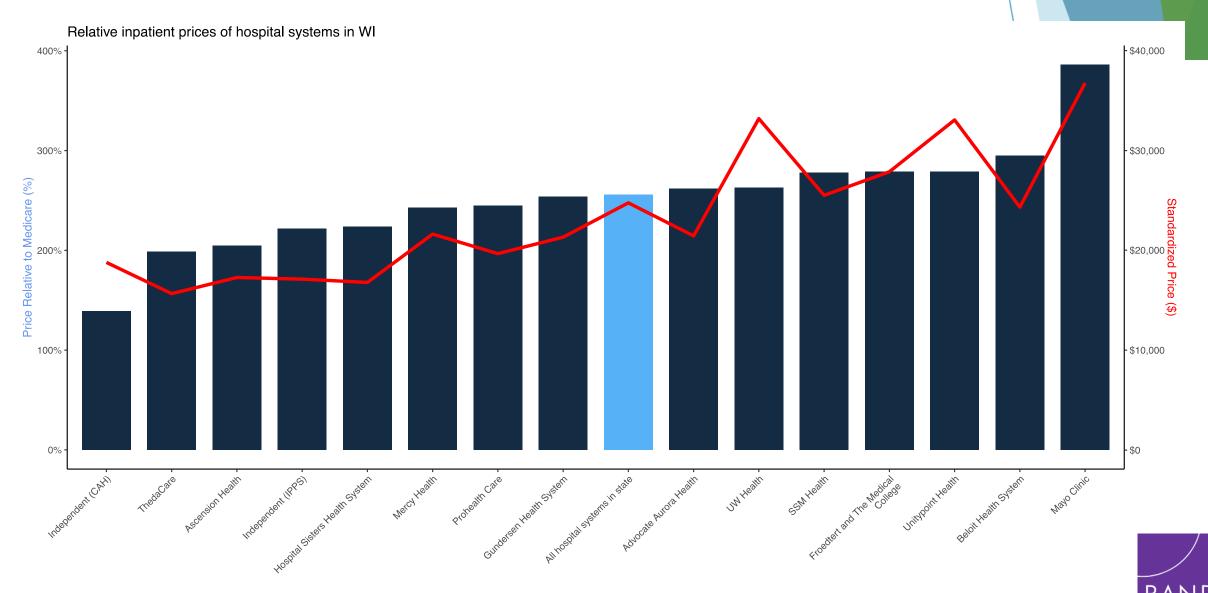


Wisconsin Hospital System Prices: Inpatient + Outpatient





Wisconsin Hospital System Prices: Inpatient



Wisconsin Hospital Prices: Inpatient Orthopedic

