Employer-Led National Hospital Price Transparency Initiative

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The contents represent the views of the authors and not the organization or its funders.
ABOUT THE EMPLOYERS’ FORUM OF INDIANA

Employer-led Health Care coalition formed in 2001

Members include self-funded employers, health plans, health systems, and other interested parties

Aim is to improve the value payers and patients receive for their health care expenditures

www.employersforumindiana.org
The Problem:
Health Costs Are Non-Sustainable
**Problem:** Employer Premiums have Risen, and so have Employee Contributions

*Estimate is statistically different from estimates for the previous year shown (p<.05).

OUT-OF-POCKET

Per person has increased by 12.2%
INPATIENT

From 2013-2017, overall price (average spending per inpatient admission) increased 16%, utilization decreased by 5% and total spending by 10%
OUTPATIENT

From 2013-2017, overall price increased 23%, utilization decreased by 1% and total spending increased by 22%
Health Care Cost Trend is Non-Sustainable for Employers and Employees

<table>
<thead>
<tr>
<th>Employers</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Limits employee salary wage <strong>raises</strong></td>
<td>• Increases <strong>premium contributions</strong> to purchase health care coverage</td>
</tr>
<tr>
<td>• Limits hiring the best <strong>talent</strong> (as need competitive wages and benefits)</td>
<td>• Increases <strong>out-of-pocket</strong> contributions via co-pays and co-insurance</td>
</tr>
<tr>
<td>• Decreases financial <strong>reserves</strong> (which results in more lay-offs in business slump)</td>
<td>• Increases mental <strong>stress</strong> as high health care costs limit household funds available for other living expenses</td>
</tr>
<tr>
<td>• Decrease funds available to invest in business <strong>expansion</strong></td>
<td>• Limits health care services offered to <strong>retirees</strong></td>
</tr>
<tr>
<td>• Limits health care services offered to <strong>retirees</strong></td>
<td>• Limits funds available for <strong>community</strong> support</td>
</tr>
<tr>
<td>• Limits funds available for <strong>community</strong> support</td>
<td></td>
</tr>
</tbody>
</table>
Impact on Employees

A Bigger Bite
Middle-class families’ spending on health care has increased 25% since 2007. Other basic needs, such as clothing and food, have decreased.

Percent change in middle-income households’ spending on basic needs (2007 to 2014)

Health care -3.6
-6.0
-6.3
-6.4
-7.6
-13.4

Food at home
Housing
Total
Transportation
Total food
Food away from home
Clothing

Sources: Brookings Institution analysis of Consumer Expenditure Survey, Labor Department
THE WALL STREET JOURNAL.
Edging Out Salary Growth & Economic Development

Opinions
Where did our raises go? To health care.

By Robert J. Samuelson
September 3

It’s wages vs. health benefits. On this Labor Day, just about everything seems to be going right for typical American workers, with the glaring and puzzling exception of wage stagnation. The unemployment rate is 5.8 percent, near its lowest since 2007. The number of new jobs exceeds the peak in 2006 by about 11 million. There’s wage stagnation.

Corrected for inflation, wages are up a scant 0.2 percent since January 2009, according to the Bureau of Labor Statistics. The gain is roughly one-half of 1 percent annually. Little wonder that many workers feel they’re not getting ahead. They aren’t.
Solution:
Understanding What You are Paying For
QUESTIONS THE FORUM AIMED TO ANSWER

**Part A:** Are hospital prices high in Indiana?
- RAND 1.0 Study

**Part B:** How do our prices compare to those in other states?
- RAND 2.0 Study
How Does Indiana Compare to Other States:
**RAND 2.0 Study** was Published on May 9, 2019

We have created a webpage [www.employerPTP.org](http://www.employerPTP.org)
Includes:

1. RAND 1.0, 2017 study: Hospital Prices in Indiana
   Findings from an Employer-Led Transparency Initiative
2. RAND 2.0 2019 Report: Prices Paid to Hospitals by Private Health Plans Are High Relative to Medicare and Vary Widely
   RAND 2.0 Supplement Database
   RAND 2.0 Interactive Map Tool
3. News articles
4. Sign up for RAND 3.0 and more . . .
The Rationale for Using Medicare to Level Set All Commercial Hospital Payments

Medicare is the Largest Health Insurer in the World

Medicare makes numerous adjustments in price to assure FAIR payments are made to a hospital and their methods are published:

- Type and intensity of service/patient acuity
- Hospital’s location
- Disproportionate share of medically underserved
- Medical education provided
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
### RAND 2.0 National Hospital Price Study of 25 states

Conducted by RAND, commissioned by Employers’ Forum of Indiana

<table>
<thead>
<tr>
<th>Services</th>
<th>Hospital inpatient, hospital outpatient</th>
</tr>
</thead>
<tbody>
<tr>
<td>States</td>
<td>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</td>
</tr>
<tr>
<td>Years</td>
<td>2015-2017</td>
</tr>
<tr>
<td>Hospitals</td>
<td>1598 short-stay general medical/surgical</td>
</tr>
<tr>
<td>Allowed amount (2015-7)</td>
<td>$12.9 billion in payments ($6.3 billion inpatient, $6.6 billion outpatient)</td>
</tr>
<tr>
<td>Claims (2015-7)</td>
<td>330,000 claims inpatient, 14.2 million outpatient line items</td>
</tr>
<tr>
<td>Data sources</td>
<td>2 all payer claims databases, many health plans, ~45 self-funded employers</td>
</tr>
<tr>
<td>Funders</td>
<td>RWJF, NIHCR, THFI, self-funded employers (not health plans or hospitals)</td>
</tr>
</tbody>
</table>

Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative
INTERACTIVE MAP OF U.S. HOSPITAL PRICES
employerptp.org
## RAND 2.0 SUPPLEMENTAL STUDY DATABASE FREELY AVAILABLE

<table>
<thead>
<tr>
<th>Medicare provider number</th>
<th>Hospital name</th>
<th>Street address</th>
<th>City</th>
<th>State</th>
<th>Zip code</th>
<th>Hospital System</th>
<th>Critical Access</th>
<th>Hospital Compare Star</th>
<th>Number of outpatient services</th>
<th>Total Private Allowed Outptient ($ millions)</th>
<th>Simulated Medicare Outpatient</th>
<th>Relative price for outpatient services</th>
</tr>
</thead>
<tbody>
<tr>
<td>150021</td>
<td>Parkview Regional Medical Center</td>
<td>11109 Parkview Plaza Drive</td>
<td>Fort Wayne</td>
<td>IN</td>
<td>46845</td>
<td>Parkview Health</td>
<td>N</td>
<td>N</td>
<td>3</td>
<td>34863</td>
<td>5.8</td>
<td>515%</td>
</tr>
<tr>
<td>150024</td>
<td>Eskenazi Health</td>
<td>720 Eskenazi Avenue</td>
<td>Indianapolis</td>
<td>IN</td>
<td>46202</td>
<td>IPPs</td>
<td>N</td>
<td>N</td>
<td>4</td>
<td>5494</td>
<td>.3</td>
<td>332%</td>
</tr>
<tr>
<td>150056</td>
<td>Indiana University Health</td>
<td>1701 N Senate Blvd</td>
<td>Indianapolis</td>
<td>IN</td>
<td>46202</td>
<td>Indiana University Health</td>
<td>N</td>
<td>N</td>
<td>3</td>
<td>61214</td>
<td>7.0</td>
<td>475%</td>
</tr>
</tbody>
</table>

Source: Derived from Supplement, White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative. Line of service information for inpatient and outpatient services in tables 4 and 5
<table>
<thead>
<tr>
<th>Medicare provider number</th>
<th>Hospital name</th>
<th>Standardized price per outpatient service</th>
<th>Number of inpatient stays</th>
<th>Total Private Allowed Inpatient ($ millions)</th>
<th>Simulated Medicare Inpatient</th>
<th>Relative price for inpatient services</th>
<th>Standardized price per inpatient stay</th>
<th>Total Private Inpatient and Outpatient (# millions)</th>
<th>Simulated Inpatient and Outpatient ($ millions)</th>
<th>Relative price for inpatient and outpatient services</th>
</tr>
</thead>
<tbody>
<tr>
<td>150021</td>
<td>Parkview Regional Medical Center</td>
<td>$353.93</td>
<td>2401</td>
<td>18.1</td>
<td>6.5</td>
<td>280%</td>
<td>$17,359</td>
<td>48.2</td>
<td>12.3</td>
<td>392%</td>
</tr>
<tr>
<td>150024</td>
<td>Eskenazi Health</td>
<td>$249.98</td>
<td>375</td>
<td>2.1</td>
<td>1.3</td>
<td>157%</td>
<td>$14,679</td>
<td>3.1</td>
<td>1.6</td>
<td>189%</td>
</tr>
<tr>
<td>150056</td>
<td>Indiana University Health</td>
<td>$359.29</td>
<td>4431</td>
<td>52.8</td>
<td>21.1</td>
<td>249%</td>
<td>$24,954</td>
<td>86.2</td>
<td>28.2</td>
<td>306%</td>
</tr>
</tbody>
</table>

Source: Derived from Supplement, White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely—Findings from an Employer-Led Transparency Initiative. Line of service information for inpatient and outpatient services in tables 4 and 5.
Across 25 States: Employer Health Plans Pay Hospitals 241% of What Medicare Would Pay and Overall Trend is Increasing

Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative
Across 25 States: Average Relative Hospital Prices, 2017
Percent Employer Health Plans Pay Hospitals Relative to What Medicare Would Pay

Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative
Commercial Relative Price TREND Varies at the State Level: Comparison of 5 States

Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely—Findings from an Employer-Led Transparency Initiative
**Indiana: TOTAL Hospital Commercial Prices Relative to Medicare, 2017**

(inpatient plus outpatient)

**RAND 2.0 Study period (2015-2017) averages as study does not provide 2017 relative prices for these two hospitals only**

Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative
Single Health-System: Indiana vs. Michigan
TOTAL Relative Inpatient plus Outpatient Prices 2017

2015: 284% (Indiana) 155% (Michigan)
2016: 299% (Indiana) 145% (Michigan)
2017: 311% (Indiana) 146% (Michigan)

Source: Derived from Supplement, White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely—Findings from an Employer-Led Transparency Initiative
Debunking Rumors
RAND 3.0 Study

- Enrollment closed
- The goal is to have even more states and hospitals participate
- Final report to be published on RAND website first quarter 2020
The Reason Indiana Hospital Prices are High is because Overall State Health Ranking is Low: NO Correlation

Total Hospital Commercial Prices and Overall Public Health Funding Ranking

Source: CDC; Americas Health Rankings, 2018 Annual Report: Overall Public Health Funding Ranking
Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely—Findings from an Employer-Led Transparency Initiative
The Reason Indiana Hospital Prices are High is because Overall State Health Ranking is Low: NO Correlation

Total Hospital Commercial Prices and Overall Public Health Funding Ranking

Source: CDC; Americas Health Rankings, 2018 Annual Report: Overall Public Health Funding Ranking
Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative
Where Do We Go From Here?
Goal for Employers is to pay for High Value

High Value = Best Quality Cost

Where Cost = Price + Utilization
QUALITY: CMS Hospital Compare Website

Hospital Compare overall hospital rating

Questions about the Hospital Compare overall hospital rating can be submitted to: cmsstarratings@antana-group.com.

What is the Hospital Compare overall hospital rating?

The overall hospital rating summarizes a variety of measures on Hospital Compare reflecting common conditions that hospitals treat, such as heart attacks or pneumonia. Hospitals may perform more complex services or procedures not reflected in the measures on Hospital Compare. The overall hospital rating shows how well each hospital performed, on average, compared to other hospitals in the U.S.

The overall hospital rating ranges from 1 to 5 stars. The more stars, the better a hospital performed on the available quality measures. The most common overall hospital rating is 3 stars. Learn more about hospital overall rating calculations.
CMS HOSPITAL QUALITY MEASURES

The hospital compare overall rating summarizes 59 measures across 7 domains of quality into a single star rating for each hospital. These domains include:

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 Compare- [https://www.medicare.gov/hospitalcompare/Data/Measure-groups.html](https://www.medicare.gov/hospitalcompare/Data/Measure-groups.html)
Best Quality Using CMS Hospital Star Ratings and BEST PRICE Using RAND 2.0 Study Findings: Across 25 States

Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely—Findings from an Employer-Led Transparency Initiative
Indiana Results—Price and Quality, 99 Hospitals in Indiana
Example: Colorado Business Group on Health

Forming a Purchasing Group and marrying Quantros solution for quality reliability determination and the RAND price study to develop Hospital VALUE REPORTS.

Quality varies nearly as much WITHIN hospitals as it does across hospitals.

Of the 36 quality measures analyzed, 50 Colorado hospitals offer a service in the top 25% of hospitals in the country, BUT 32 of these same hospitals also offer a service in the bottom 25% of all hospitals in the country.

No reliable quality and price relationship, so we must determine it.
Key Takeaways

• #1: Price transparency is the new normal . . . Hospital Shopping *Should be* a Team Sport
Key Takeaways

- #2: Markets Need Information, Buyers Need Options
  - “Where there’s mystery there’s margin”
  - We need transparency in both PRICE and QUALITY
  - We need solutions that will create competition based on best quality at best cost
Key Takeaways

• #3: Commercial Payment Models Do Not Need to be So Complex: Negotiate up from Medicare Pricing

$ How does Medicare pay? —relatively straightforward
Base payment * facility-specific adjustments * casemix + outliers + bonuses:
One number comparison of hospital prices!

How do self-funded employers pay? —very complex
Mix of DRGs, per diems, fixed rates, discounted charges,
P4P, shared savings . . .

Multiple-of-Medicare contracting—EASY solution
Simplifies shopping
Can be used for value-based payment
Stabilizes price trend
Stabilizes employer budgets
States examples: Montana, North Carolina, and Oregon
Key Takeaways

• #4: There are Numerous Strategies Available to Drive Value

**Benefit Design Levers**
- Narrow/Tiered networks
- Reference based benefits
- Centers of Excellence
- Direct employer to hospital contracting

**Policy Levers**
- Prohibit gag clause between carriers and hospitals
- Prohibit anti-tiering/-narrow network contract provisions between carriers and hospitals
- Cap out-of-network charges per a percent of Medicare
- Determine parameters for a not-for-profit hospital status
Strong Federal Interest in Developing a Functional Health Care Market

Several Federal Bills, including:

**Lower Health Care Cost Act**
draft released May 23, 2019, Senator Lamar Alexander (R-Tenn)

- 165 page bill, and here is 9 page summary:
Thank You

It Is Going to Take All of Us Doing Our Part to Get to More Affordable, High Quality Health Care