

Key Strategies for High-Value Health Care Purchasing

Suzanne F. Delbanco, Ph.D. sdelbanco@catalyze.org Executive Director September 26, 2019



About CPR

An independent nonprofit corporation working to catalyze employers, public purchasers and others to implement strategies that produce highervalue health care and improve the functioning of the health care marketplace.

- 32BJ Health Fund
- 3M
- Aircraft Gear
 Corporation
- Aon
- Arizona Health Care Cost Containment
 - System (Medicaid)
- AT&T
- The Boeing Company
- CalPERS
- City and County
 of San Francisco
- Comcast
- Compassion International

www.catalyze.org

Covered
 California
 The Dow

- Chemical Company
- Equity Healthcare LLC
- FedEx
 Corporation
- General Motors
- Google Inc.
- Group Insurance
 Commission, MA
- The Home Depot
- Mercer
- Miami University
 (Ohio)
- Ohio Medicaid
- Ohio PERS
 - Penn State University
 - Pennsylvania Employees
 - Benefit Trust Fund
 - Pitney Bowes

- Qualcomm
 Incorporated
- Self-Insured Schools of California
- South Carolina Health & Human Services
 - (Medicaid)
- Teacher
 - Retirement
- System of Texas
- TennCare (Medicaid)
- Unite Here
 Health
- US Foods
- Walmart Inc.
- Wells Fargo & Company
- Willis Towers
 Watson





Catalyst for Payment Reform's work is governed by three core beliefs:

- A small group of empowered purchasers can change the system
- Consistent signals to the market will catalyze change faster
- We need to track progress and hold the market accountable



To achieve our goals, CPR provides the following:



www.catalyze.org



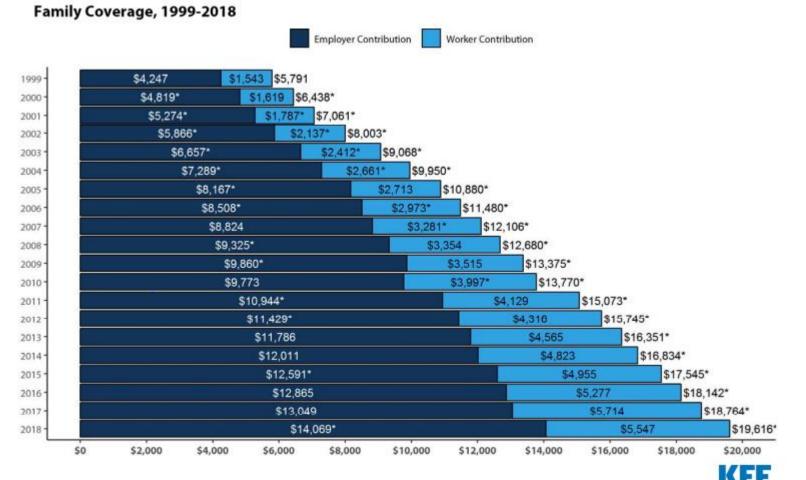
Current State of Health Care Costs and Quality

Premiums Have Climbed



Steadily

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for



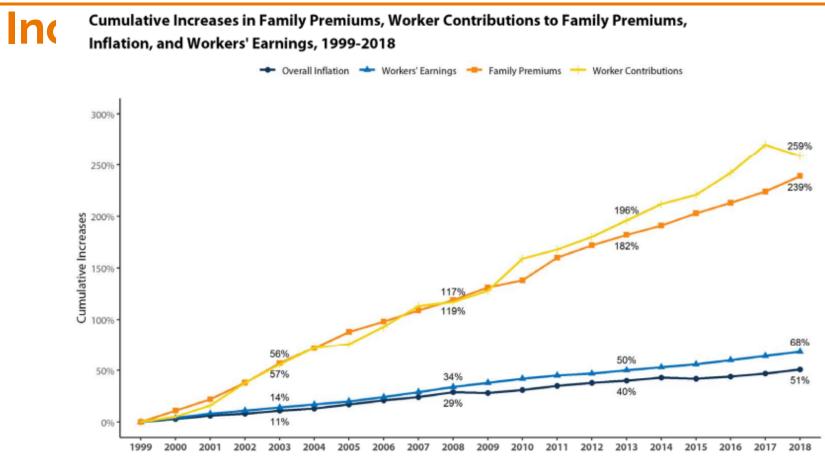
* Estimate is statistically different from estimate for the previous year shown (p < .05).

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

TAME & POUNDATION

Costs of Health Care Outstrips Inflation and Earnings





SOURCE: KFF Employer Health Benefits Survey, 2018; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2018; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2018 (April to April).



www.catalyze.org

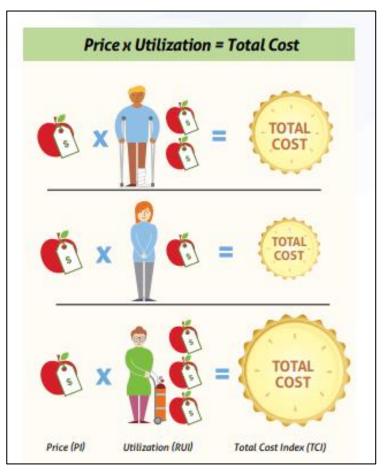
Major Drivers of Health Care Cost Growth



- Prices
- Intensity of care
- Utilization patterns (including use of technology)
- Population Growth
- Aging
- Disease Prevalence

Health Spending can't be sustained...

- \$3.4 trillion
- \$10,372 per capita
- 18.1% of GDP

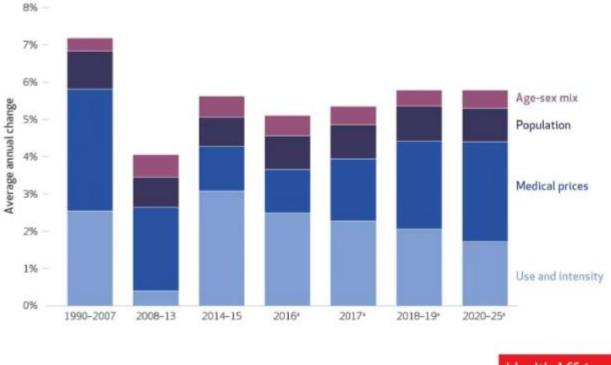


Network for Regional Health Improvement, Healthcare Affordability: Untangling Cost Drivers, 2018

Major Drivers in the Future – See Role of Prices!



Factors accounting for growth in personal health care expenditures, selected calendar years 1990–2025



Sean P. Keehan et al. Health Aff 2017;published online ©2017 by Pr

©2017 by Project HOPE - The People-to-People Health Foundation, Inc.

HealthAffairs

Health Affairs

Local Market Dynamics Impact Value Too

In every local market there is a unique dynamic among purchasers, payers and providers (along with laws and regulations).







Sometimes utilization and sometimes price…is most responsible for total cost of care.

TABLE 3. PRICE AND UTILIZATION CONTRIBUTIONS TO TOTAL COST

	Colorado	Maryland	Minnesota	Oregon	Utah
TCI	1.17	0.84	1.07	1.00	0.96
RUI	1.11	0.97	1.05	0.92	0.97
Contribution to Cost	65%	-19%	78%	Offset by Price	-72%
Price Index	1.06	0.87	1.01	1.09	0.99
Contribution to Cost	35%	-81%	22%	Offset by Utilization	-28%

"Note indexes are displayed as midpoints of the ranges presented in Table 1.

Network for Regional Health Improvement, Healthcare Affordability: Untangling Cost Drivers, 2018 TCI = Total Cost Index RUI = Resource Use Index

Why Are Prices Rising? Provider Consolidation a Major Factor



There has been A LOT of hospital consolidation*

- 1,412 mergers from 1998-2015, which is about 28% of hospitals in operation in '98
- Only 35% of hospitals are independents by 2014
- ~1/2 of hospital markets are considered HIGHLY CONCENTRATED

And physician practice consolidation...

- % of physicians who own their own practice fell from 76.1% in 1983 to 50.8% in 2014
- 56.7% increase in the number of doctors/dentists employed by hospitals 1999-2014

<u>*http://www.aha.org/research/reports/tw/chartbook/ch2.shtml</u> Mellon, 2017

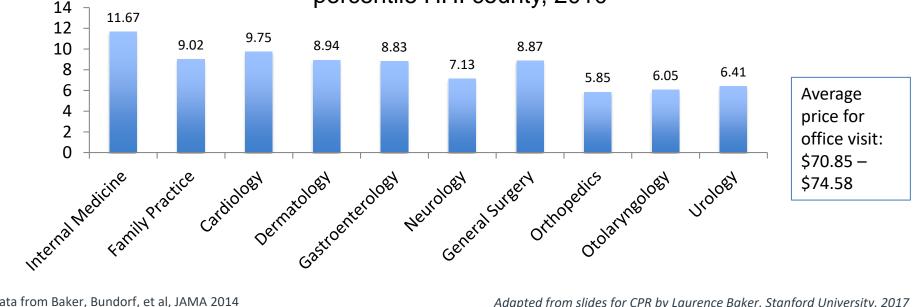
Evidence of **Consolidation's Impact on**



Cec In recent analysis, hospitals in monopoly markets had (private) price index 15-25% Source: Cooper, Craig, Gaynor, Van Reenen, NBER WP 2015; higher than hospitals in four-hospital+ markets

Higher physician concentration associated with higher private insurance prices

Increase in Intermediate Office Visit Price Associated with moving from 10th to 90th percentile HHI county, 2010



Data from Baker, Bundorf, et al, JAMA 2014

Adapted from slides for CPR by Laurence Baker, Stanford University, 2017

Correlation Between Price and Cotalyst Guality



- 1) Experienced better care coordination, but
- 2) Reported no differences in care experiences, process measures of quality, or use of potentially preventable acute care/hospitalizations



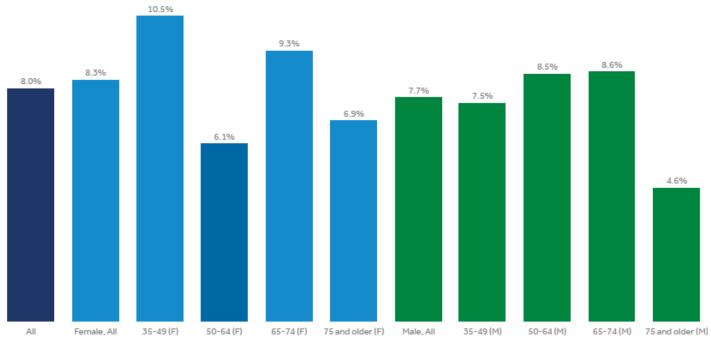
Ateev Mehrotra and J. Michael McWilliams, *Health Affairs* 36(5): 855-864.; and Eric T. Roberts, Ateev Mehrotra and J. Michael McWilliams. *Health Affairs* 36(5): 855-864.

Quality of Care Unreliable



Just eight percent of adults ages 35+ have received all recommended high-priority preventive services

Percent of adults ages 35+ receiving all recommended high-priority, appropriate clinical preventive services, 2015



Note: Differences are not statistically significant: males v. females (p=0.72); by age among males (p=0.60); by age among females (0.13)

Source: Borsky, Amanda, Chunliu Zhan, Therese Miller, Quyen Ngo-Metzger, Arlene S. Bierman, and David Meyers. "Few Americans Receive All High-Priority, Appropriate Clinical Preventive Services." Health Affairs 37, no. 6 (2018): 925–28. • Get the data • PNG

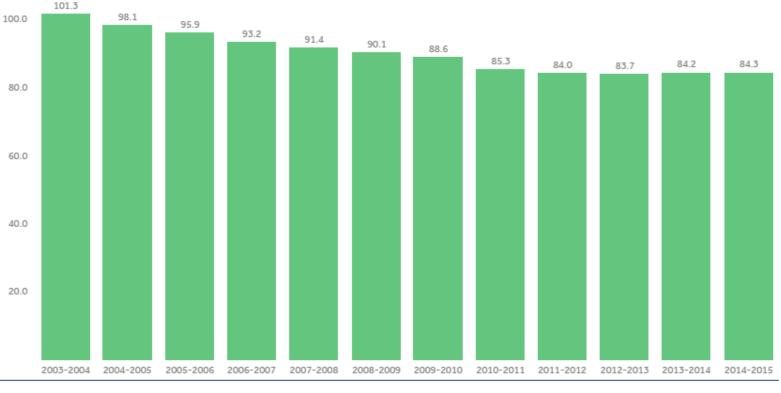
Peterson-Kaiser Health System Tracker

Quality of Care Unreliable



Deaths amenable to healthcare in the U.S. have declined

Amenable mortality per 100,000 population, 2003-2015



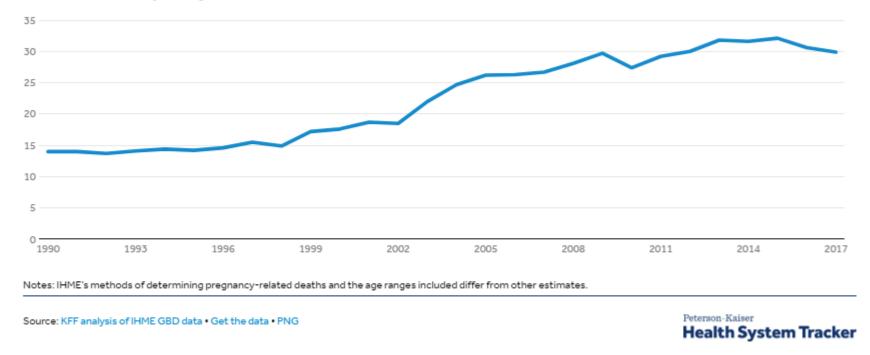
Source: Commonwealth Fund data provided by the authors of "2018 Scorecard on State Health System Performance" • Get the data • PNG

Peterson-Kaiser Health System Tracker

Quality of Care Unreliable



Maternal mortality has risen substantially over time



Maternal mortality rate per 100,000 live births, 2003-2017



Huge quality variation

- Quality Measures would be different if set by purchasers
- Instead we have measures that are easy to collect and show little variation across providers and meaningless to consumers
- But we know enough to know there are massive

HSPH Nev	vs
News Home	Home > HSPH News > Press Releases > Pregnant women's likelihood of cesarean delivery in Massachusetts linked to choice of hospitals
Press Releases	Pregnant women's
Features	
Multimedia	likelihood of cesarean
HSPH in the News	delivery in
HSPH Magazine	Massachusetts linked to
HSPH Centennial	
Alumni Stories	choice of hospitals
Faculty Stories	
Student Stories	Boston, MA – There is wide variation in the rate of cesarean sections

₩ View Graphs	ADVENTIST MEDICAL X CENTER 115 MALL DRIVE HANFORD, CA 93230 (559) 562-9000 Add to my Favorites M Map and Directions (E)	AHMC ANAHEIM REGIONAL MEDICAL CENTER 1111 W LA PAIMA AVENUE ANAHEIM, CA 92001 (714) 774-1450 Add to my Favorites Map and Directions	ALTA BATES SUMMIT MEDICAL CENTER - ALTA BATES CAMP 2450 ASHBY AVE BERKELEY, CA 94705 (510) 204-4444 Add to my Favorites Map and Directions
Rate of readmission for heart attack	No Different than U.S. National	No Different than U.S. National	No Different than U.S. National
patients	Rate	Rate	Rate
Death rate for heart attack patients	No Different than U.S. National	No Different than U.S. National	No Different than U.S. National
	Rate	Rate	Rate
Rate of readmission for heart failure	No Different than U.S. National	No Different than U.S. National	No Different than U.S. National
patients	Rate	Rate	Rate
Death rate for heart failure patients	No Different than U.S. National	No Different than U.S. National	No Different than U.S. National
	Rate	Rate	Rate



Why Employers are Essential to Improving Healthcare

Employers and Other Health Care Purchasers Have a Role



Other than Medicare, private and public employers are the biggest consumers of health care;

56 percent of Americans get their health insurance coverage through their employers

Theoretically, they have significant leverage to shape the market



Purchasers Have a Track Record of Influence



Standard quality measurement and reporting sparked by The Leapfrog Group

Pay for performance sparked by Bridges to Excellence (incubated by an employer)

Payment reform movement in private sector sparked by CPR

Price transparency movement sparked by CPR

And many other examples...





What Can Employers Do?

Core Drivers of High-Value Health Care Going Forward



TRANSPARENCY: insight into quality and prices, building block for other reforms



BENEFIT DESIGN: incentives for consumers



PROVIDER NETWORK DESIGN: guidance for consumers, leverage for payers, volume for providers



PAYMENT REFORM: financial incentives for providers



Transparency

State of Transparency on Health Care Quality

- Since 2001, there has been an increasing amount of quality information publicly available from public and private sources
 - Federal government about the Medicare program (e.g. <u>https://www.medicare.gov/hospitalcompare</u>)
 - State governments using all payer claims data (e.g. <u>https://www.civhc.org/shop-for-care/</u>)
 - Nonprofit sources (e.g. <u>https://www.hospitalsafetygrade.org/</u>)
 - Health plan websites, other private vendors
- None of these can meet every patient's need for quality information

State of Transparency on Health Care Prices

- Since 2011, health care price information available from public and private sources has grown
- More discussion and action at the federal level:
 - Executive Order on Improving Price and Quality in American Healthcare to Put Patients First and the proposed Lower Health Care Cost Act
- Activity at the State level
 - 16 states have implemented mandatory all-payer claims databases (APCDs), which collect and house health care price and quality information.
 - Of these, 8 make price and quality information directly available to the public through state-based websites.
- Health plan websites, other private vendors but there are many holes due to contractual prohibitions between payers and providers

September 26, 2019



Payment Reform

CPR's Definition of Payment Reform



Payment reform: a range of health care payment models that use payment to promote or leverage greater value for patients, purchasers, payers, and providers.

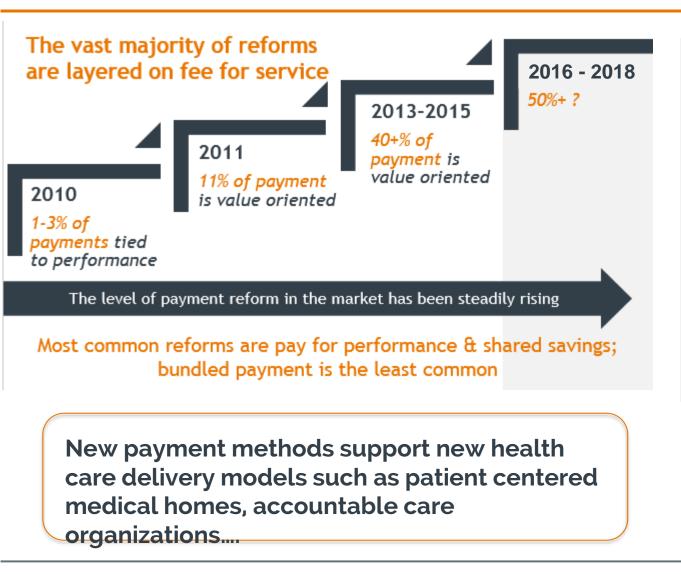


Spectrum of Health Care Provider Payment

Methods **Base Payment Models Global Payment Fee For Service Bundled Payment** Episode Fee Per Partial Full Schedul DRG Charges Case Diem Capitation Capitation Rate e Increasing Accountability, Risk, Provider Collaboration, Resistance, and Complexity

Performance-Based Payment or Payment Designed to Cut Waste (financial upside & downside depends on quality, efficiency, cost, etc.)

Growth of Provider Payment Reform



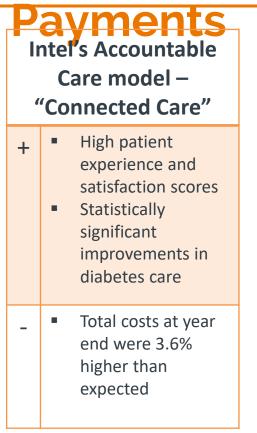
WHAT'S NEXT?

• Fix the fee schedule

•

- Evaluate which reforms work
 - Make smart pairings between provider payment methods and benefit designs

Mixed Results for Reforms: Examples of Accountable Care and Bundled



Pennsylvania Employees Benefits Trust Fund Bundles for Joint Replacements

- + The program decreased outpatient costs, on average, by \$3524.
 - However, inpatient
 costs remained about
 the same.

_



 Reduction of cesareans by 20%

+

Savings of \$5,000 per averted cesarean delivery

Can't say that any particular payment reform is a slam dunk!

Efforts to Benchmark Prices and Control

states are aking Action

- Using Medicare as a reference point for pricing
- State purchasers have volume to pursue this approach
- Commercial purchasers are likely to have interest as well



https://khn.org/news/holy-cow-moment-changes-how-montanas-state-health-plan-does-

business/?utm_campaign=KHN%3A%20First%20Edition&utm_source=hs_email&utm_medium=email&utm_content=63899645&_hsenc=p2ANqtz--XqDFBzZeQW4sOiEy0x5mD9Eta296DchNyWTfIPPr8OW6aWsZqAiiII_AwAjHyyc3ocdZCmM8bvafMgHCMeRWWOvJksA&_hsmi=63899645 https://www.thepilot.com/business/state-health-plan-launches-new-provider-reimbursement-effort/article_1a31dbf6-c7f3-11e8-bb85-6bdba81c9f16.html



Network Design

Provider Network Designs Are Also Taking Off

A high-value provider network is a select group of in-network providers in a given health plan.

PROVIDER: Agrees to deliver care at lower negotiated rates.

PAYER: Makes provider "in-network" giving provider increased patient volume.

16% of purchasers offer high-performance provider networks; that number could rise to 51% by 2020.

48% of employers are using COEs; that number could grow to 75% by 2020.

21% of employers have onsite or near-site health centers; that number could grow to 34% by 2020.

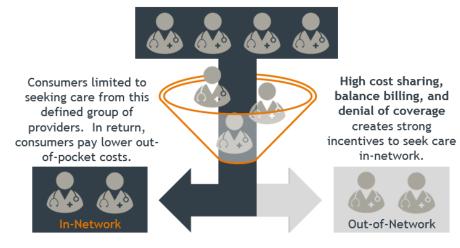
2018 Willis Towers Watson Best Practices in Health Care Employer Survey

Evidence that Innovative Provider Network Designs

Work

 Consumers enrolled in narrow network products offered by a large payer in the southeastern U.S. had lower mean outpatient out-of-pocket expenditures and 10 percent lower premiums than individuals in the broad network plan.*

Narrow networks use cost and sometimes quality criteria to select providers from a broader provider network.



*Emily Gillen, et al. "The Effect of Narrow Network Plans on Out-of-Pocket Cost," American Journal of Managed Care (September 19, 2017) https://www.ajmc.com/journals/issue/2017/2017-vol23n9/the-effect-of-narrow-network-plans-on-out-of-pocket-cost at 540-545, 542-543

Evidence that Innovative Provider Network Designs

Work Group Insurance Commission in MA:

- Enrollees in narrow networks spent 36% less.*
- Tiered networks reduced market share of poorly performing providers by 12%.**

BCBS of MA:

• Tiered network reduced total adjusted medical spending per member per quarter by 5%.***

*Jonathan Gruber and Robin McKnight "Controlling Health Care Costs Through Limited Network Insurance Plans: Evidence from Massachusetts State Employees," National Bureau of Economic Research Working Paper 20462 (September 2014) <u>http://www.nber.org/papers/w20462.pdf</u> at 4, 21, 23-24.

**Anna Sinaiko and Meredith Rosenthal "The Impact of Tiered Physician Networks on Patient Choice," Health Services Research (August 2014) https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4239853/ at 1350-51, 1355-56.

Anna Sinaiko, Mary Beth Landrum, Michael Chernew "Enrollment In A Health Plan With A Tiered Provider Network Decreased Medical Spending By 5 Percent," Health Affairs (May 2017). <u>https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2016.1087?journalCode=hlthaff</u> at 870, 873-74.

Americans Willing to Make Trade-Offs...For Now

As the health system pushes Americans to become smarter shoppers, consumers may look closely at network offerings.

For example: Qualcomm Incorporated introduced a new ACO narrow network product in San Diego and had significantly higher enrollment than expected.*

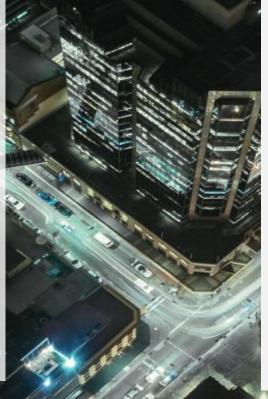
- Americans willing to make tradeoffs, but could become skeptical
- Given that many plans don't consider quality...
- Transparency on quality and prices will be essential



Benefit Design

High-Value Benefit Designs are Taking Off

High-value benefit designs encourage consumers to seek care from providers at the intersection of high-quality and low-cost.



33% of employers increase out of pocket costs for services that are overused.*

5% of employers require higher cost share for certain services if employees do not seek 2nd opinions.*

*2018 Willis Towers Watson Best Practices in Health Care Employer Survey

Evidence that Innovative Benefit Designs Work

High-value benefit designs encourage consumers to seek care from providers at the intersection of high-quality and low-cost.

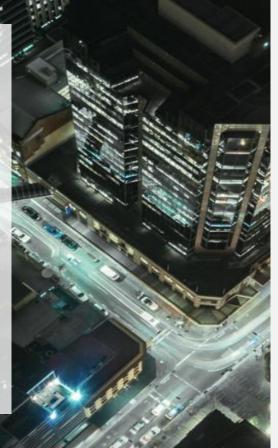


Walmart's COE for spine surgery reduced inappropriate surgeries – 50% of associates referred for surgery were not good candidates.*

*https://www.catalyze.org/product/centers-of-excellence-walmartemployer/

Evidence that Innovative Benefit Designs Work

High-value benefit designs encourage consumers to seek care from providers at the intersection of high-quality and low-cost.



CalPERS reference pricing for total joint replacement reduced average price by 26% and reduced selection of high-priced providers by 34%.*

*James Robinson and Timothy Brown "Increases In Consumer Cost Sharing Redirect Patient Volumes And Reduce Hospital Prices For Orthopedic Surgery," Health Affairs (August 2013) https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2013.0188 at 1393-96; David Cowling "CalPERS Reference Pricing Program for Hip or Knee Replacement," CalPERS Presentation (November 18, 2013) http://www.allhealthpolicy.org/wp-



Options for the Future

Effective Strategies for the Future?



Push for price and quality transparency because it creates competition among providers and supports innovative benefit and provider network designs.



Introduce **new benefit designs** that encourage employees to use high-value providers

- Reference pricing
- Centers of excellence



Customize provider network designs based on value.

- Narrow network
- Tiered network
- Direct contracting for ACO or episodes/procedures
- Onsite/near-site clinics

Effective Strategies for the Future?



Pay providers differently through **alternative payment methods** that hold them responsible for quality and spending.



Encourage new entrants into the market to compete.

- Telehealth
- Onsite/near-site clinics
- Retail clinics, urgent care centers, etc.



Take a new approach to pricing through contracting, such as using Medicare rates as a reference price



THANK YOU

Suzanne Delbanco, Ph.D. Executive Director sdelbanco@catalyze.org