

Hospital Transparency

Price, Quality & Employer Cost Markup

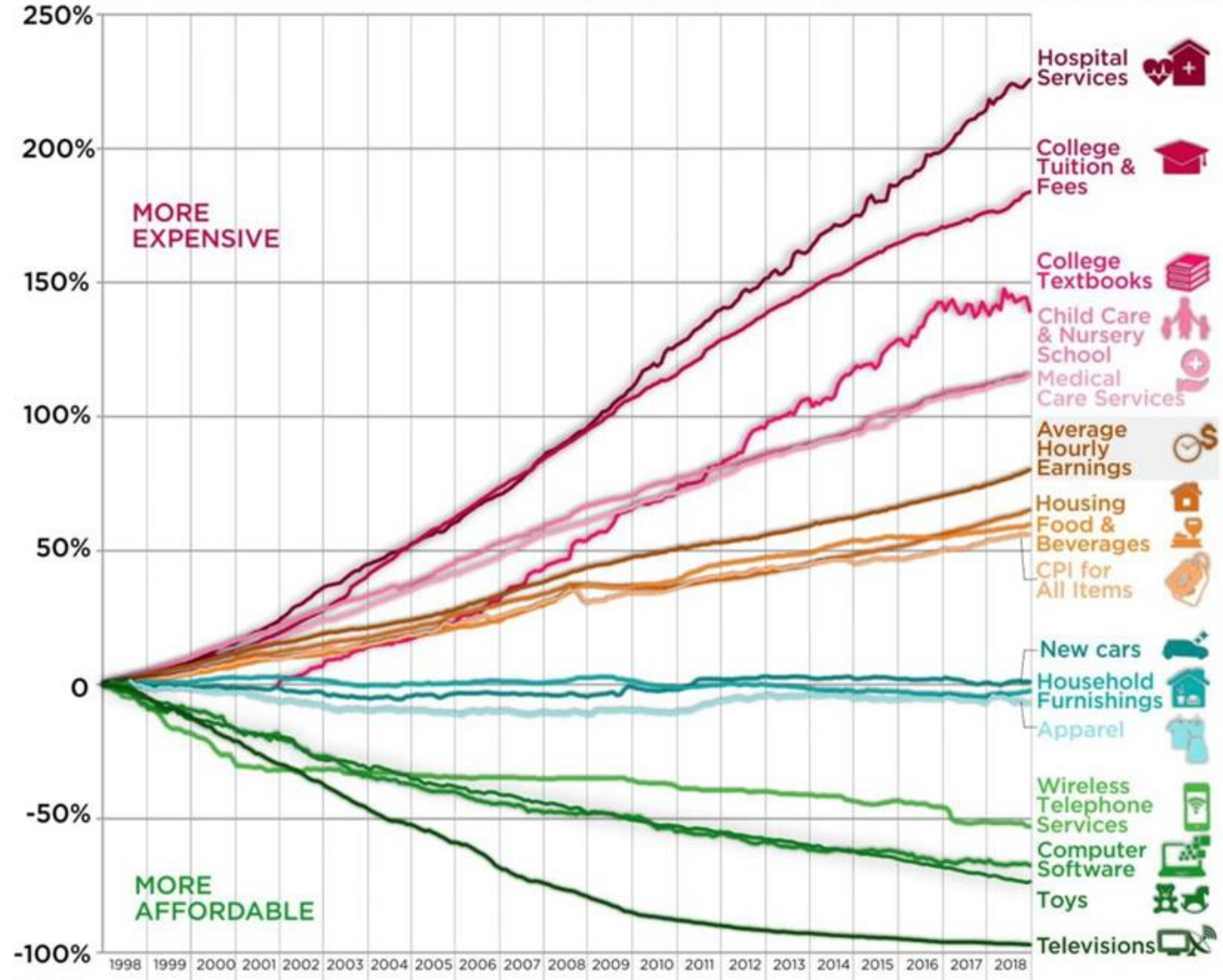
March 3, 2021

9:00-11:00 CST

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- 9:00-9:15 Welcome & Introductory Remarks**
- 9:15-9:30 Rand Hospital Price Transparency Project**
Christopher Whaley, PhD, Policy Researcher, RAND Corp.
- 9:30-9:45 Variation in Hospital Quality**
Shane Wolverton, SVP, Quantros Health
- 10:00-10:15 NASHP Hospital Cost Tool**
Marilyn Bartlett, Senior Fellow, National Academy for State Health Policy
- 10:15-10:30 Employers vs. Sutter Health (CA)**
Daniel Bird, Partner, Kellogg Hansen Todd Figel & Frederick
- 10:30-11:00 Panel Discussion / Q&A**

20 Years of Price Changes in The United States

Selected Consumer Goods & Services, Wages (January 1998 to December 2018)

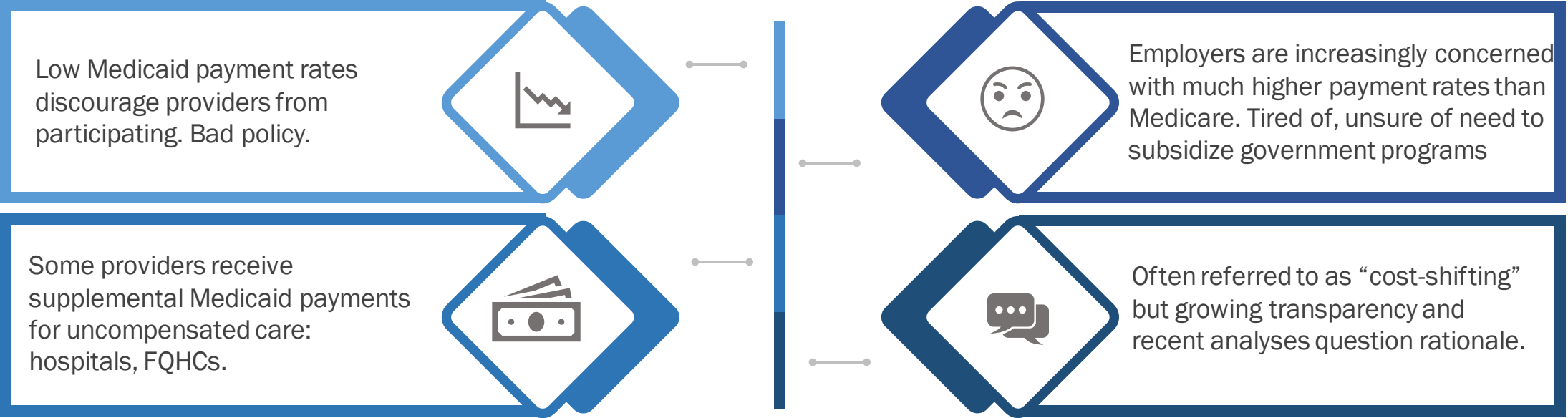
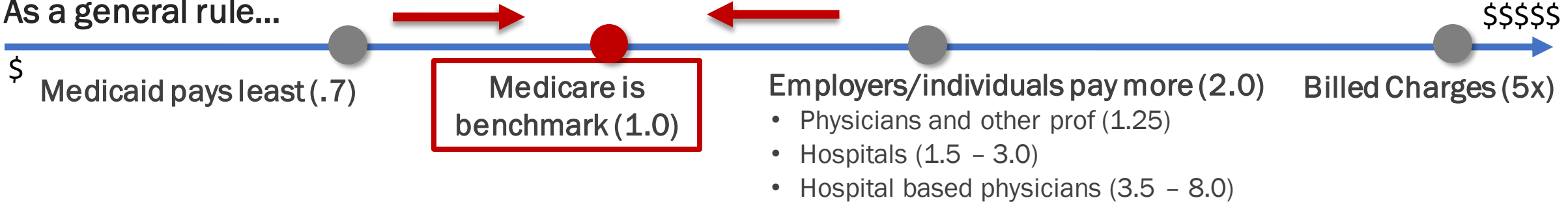


Article & Sources:
<https://howmuch.net/articles/price-changes-in-usa-in-past-20-years>
CPI and other price indices - Bureau of Labor Statistics - <https://data.bls.gov/PDQWeb/cu>
Average hourly earnings - Bureau of Labor Statistics - <https://data.bls.gov/timeseries/CES0500000008>

howmuch.net

Health Care Price Discrimination

As a general rule...



Policy goal to reduce price discrimination, but raises questions of impact on providers' financial viability and relative costs of government vs. private programs.



**Dan Burke – HBCCH Board Chairman
& Benefits Director for Turner
Industries**



Rand Hospital Price Transparency Project

**Christopher Whaley, PhD, Policy
Researcher, RAND Corp.**

RAND Hospital Price Transparency Project

Houston Business Coalition on Health

March 3, 2021

Christopher Whaley

cwhaley@rand.org



Acknowledgments

- Funding provided by the Robert Wood Johnson Foundation and participating employers
- Study conceptualized by Employer's Forum of Indiana
- The study team:



Rose Kerber

Research Programmer



Aaron Kofner

Research Programmer



Brenna O'Neill

Research Programmer



Brian Brisco

Quantitative Analyst



Christine Gallagher

Contract Administrator



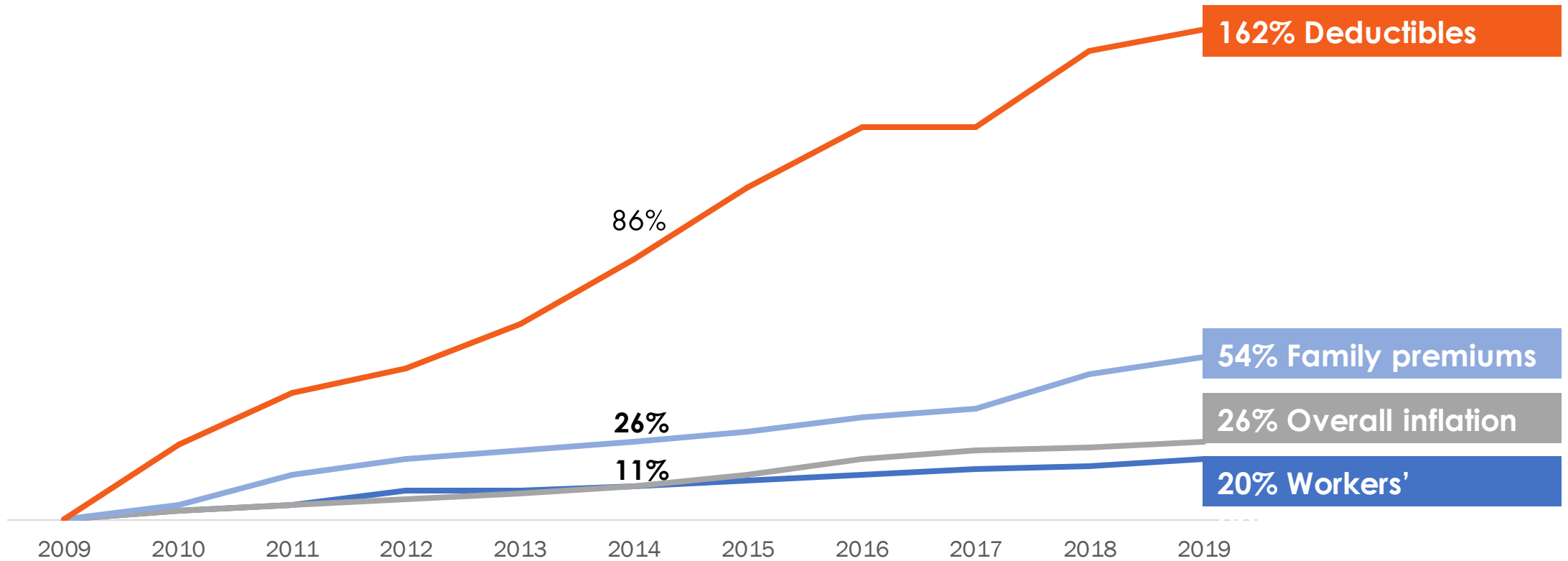
Employer-sponsored plans cover half of Americans

\$1.2 trillion
health care costs in 2018

\$480 billion
hospital costs in 2018

160 million
people

Over the past decade, premiums and deductibles have outpaced wages



What do we *not yet* know?

- How do prices compare across the country?
- Are hospital prices continuing to rise?
- Which hospitals/systems are getting the highest prices?
- ***What are the prices that individual self-funded employers are paying, and are these prices in line with the value that employers are getting?***

Self-funded employers have a fiduciary responsibility

- Fiduciaries have a responsibility to “act solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them.” (Department of Labor)
- How can self-funded plans fulfill fiduciary obligations without knowing prices?

Hospital prices in the time of COVID-19

- COVID-19 is placing enormous financial pressure on both hospitals and employers
- Hospitals and health professionals are critical members of their communities
- Health benefits are one of the largest expenses for employers
- Now more than ever, employers need transparent information about hospital prices

Why did RAND undertake this study?

- We do not know what the “right” price is for hospital care
- Self-funded employers cannot act as responsible fiduciaries for their employees without price information
- Employers can use the information in this report— together with knowledge of their own employee populations—to decide if the prices they and their employees are paying align with value

RAND's hospital study journey:

Phase 1

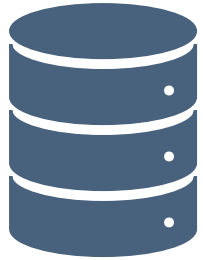
- Just Indiana
- employers
- facility fees
- relative prices

Phase 2

- 25 states
- employers, health plans, and 2 APCDs
- inpatient/outpatient
- facility fees
- relative and standardized prices

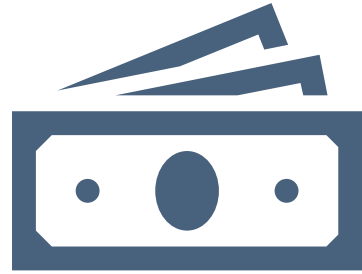
Phase 3.0

- 49 states (excluding Maryland)
- employers, health plans, and 6 APCDs
- inpatient/outpatient
- facility and professional fees
- service-line prices



Obtain claims data from:

- self-funded employers
- APCDs
- health plans



Measure prices in two ways:

- relative to a Medicare benchmark
- price per case-mix weight



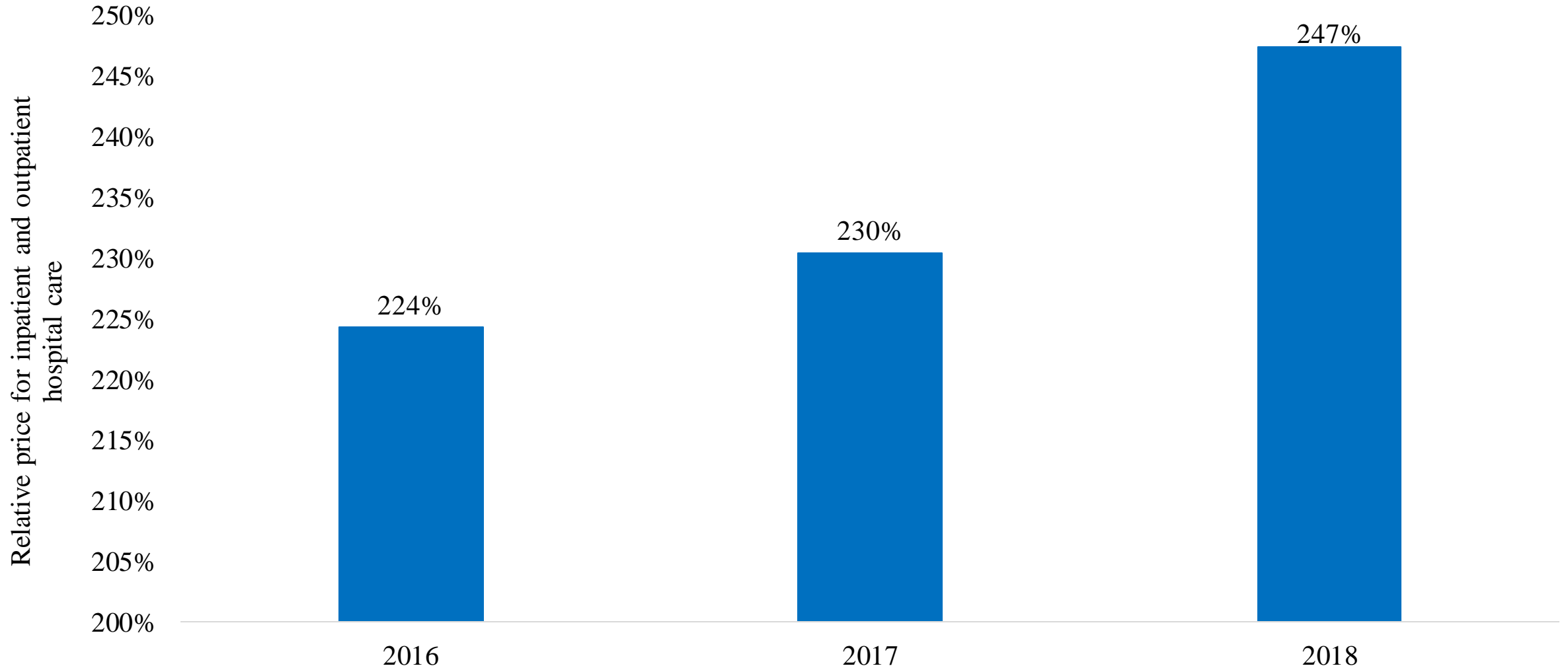
Create a *public* hospital price report:

- posted online, downloadable
- named facilities & systems
- inpatient prices & outpatient prices

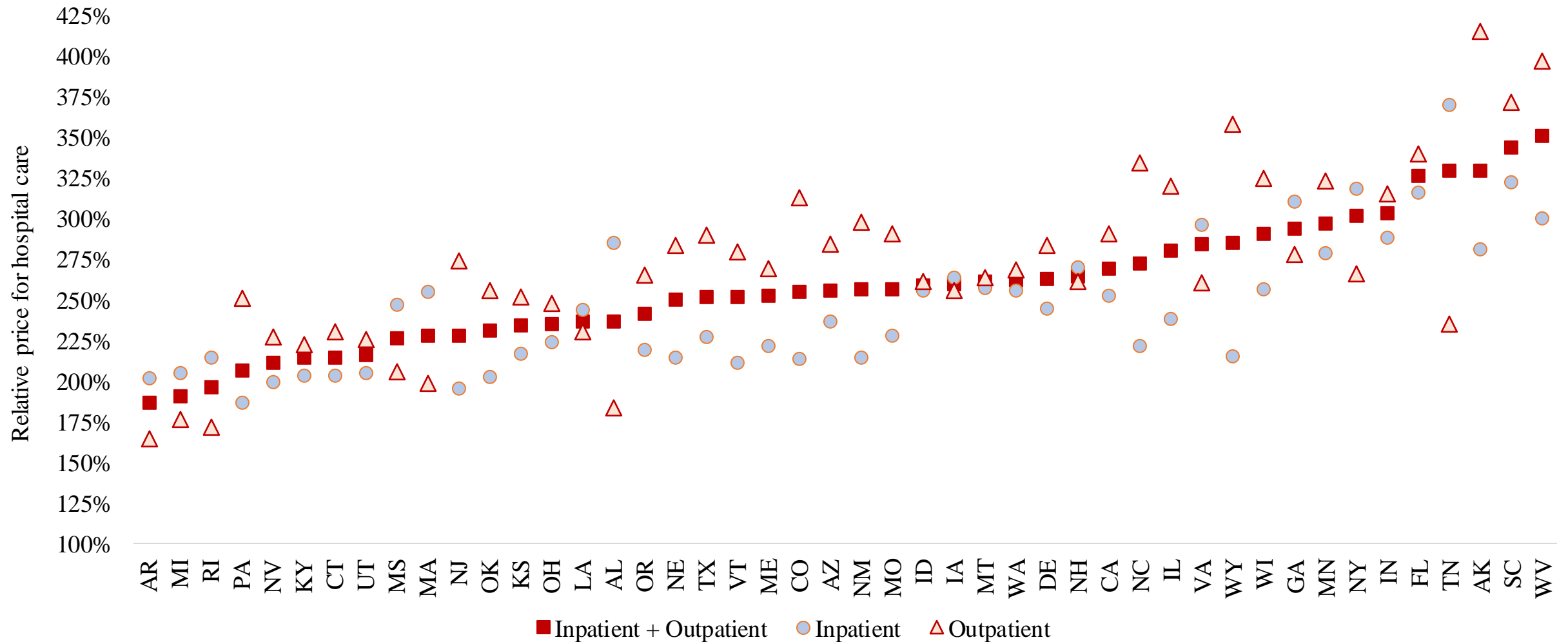


Create *private* hospital price reports for self-funded employers

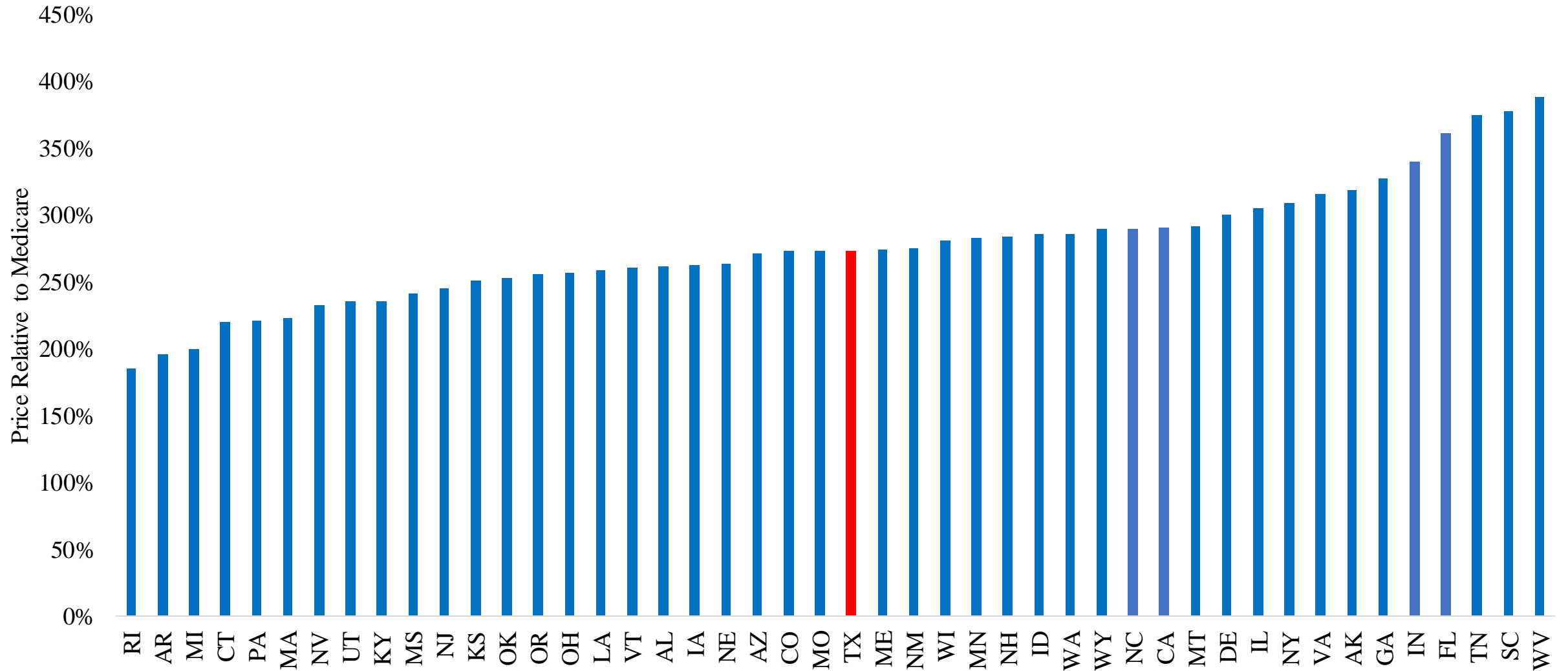
Commercial prices relative to Medicare have increased steadily



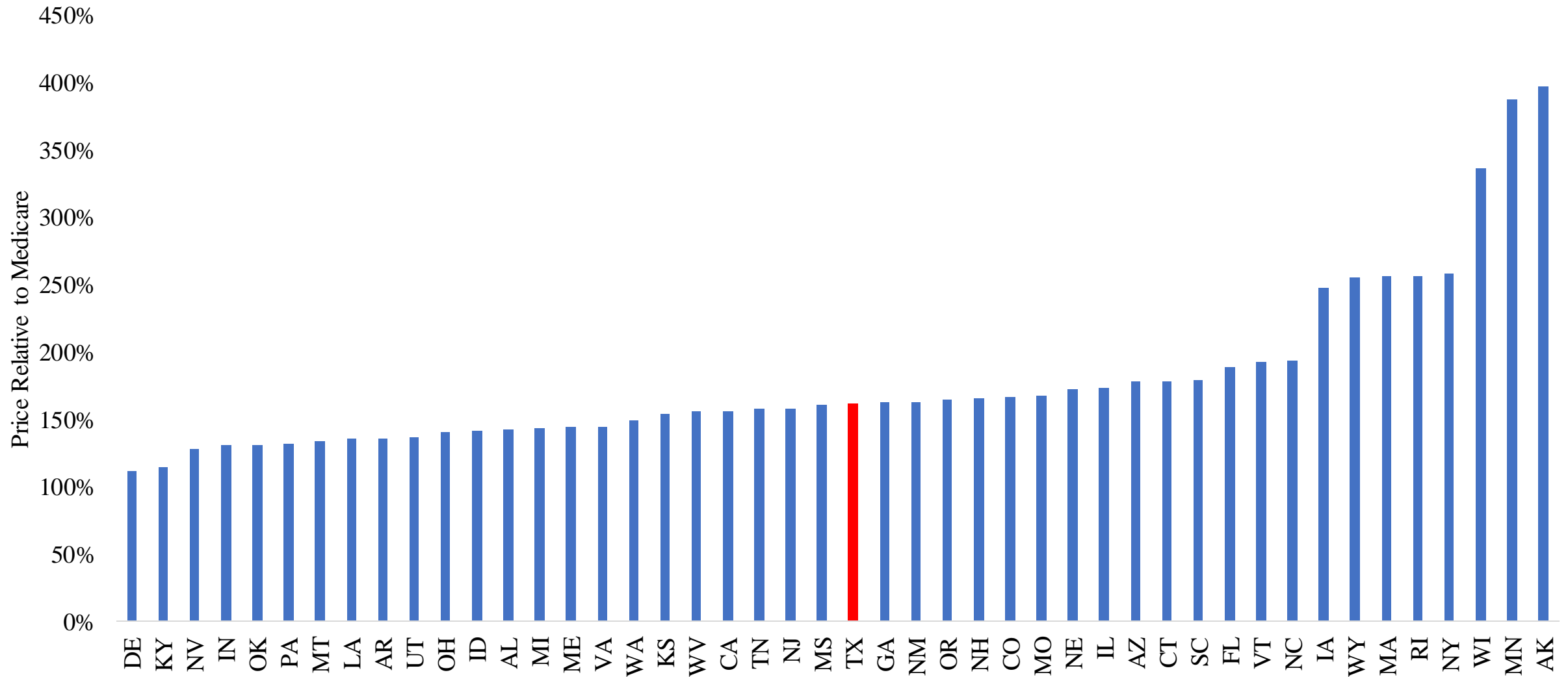
Commercial prices relative to Medicare vary widely across states



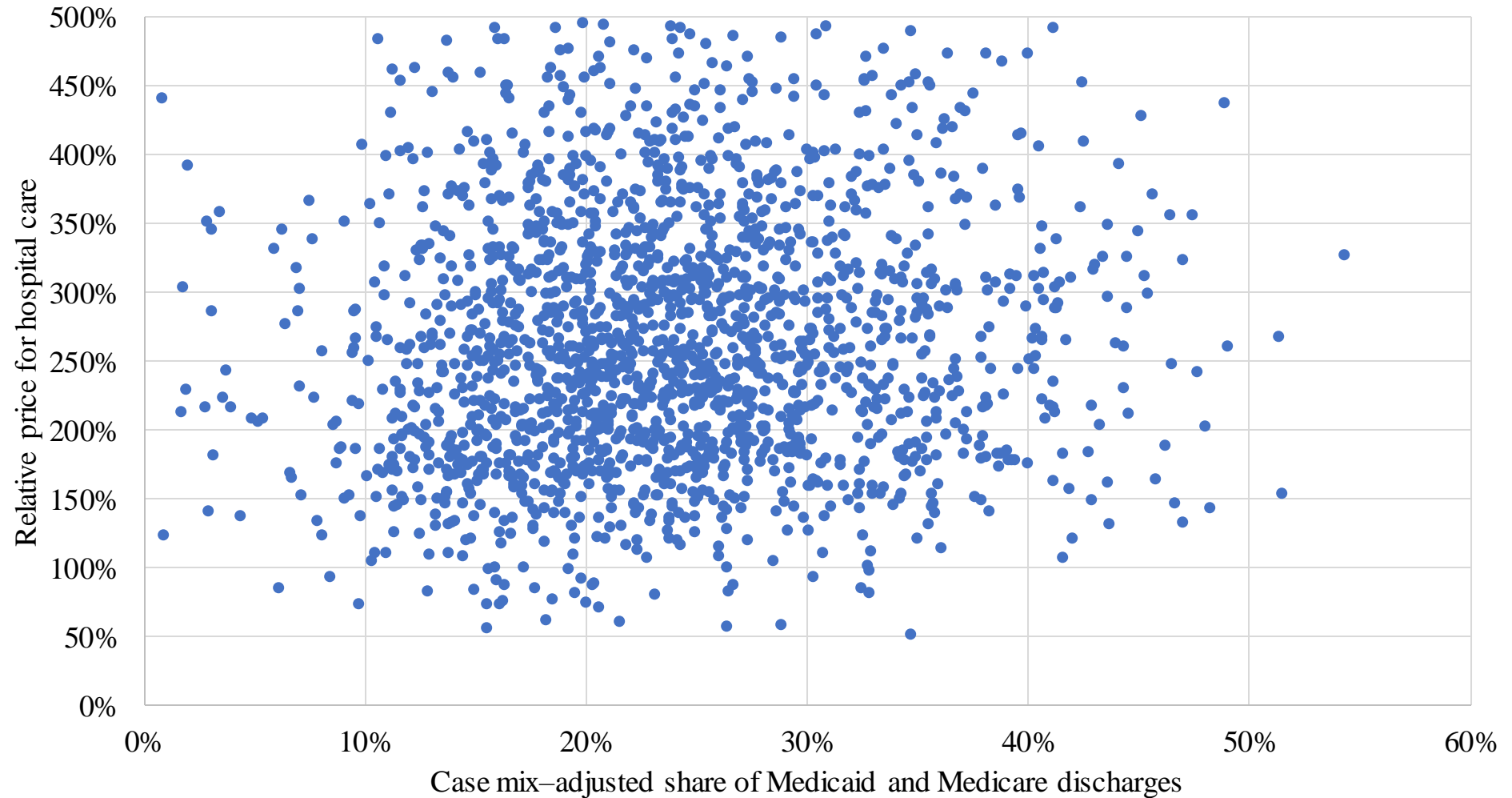
Facility prices relative to Medicare, by state:



Professional prices relative to Medicare, by state:

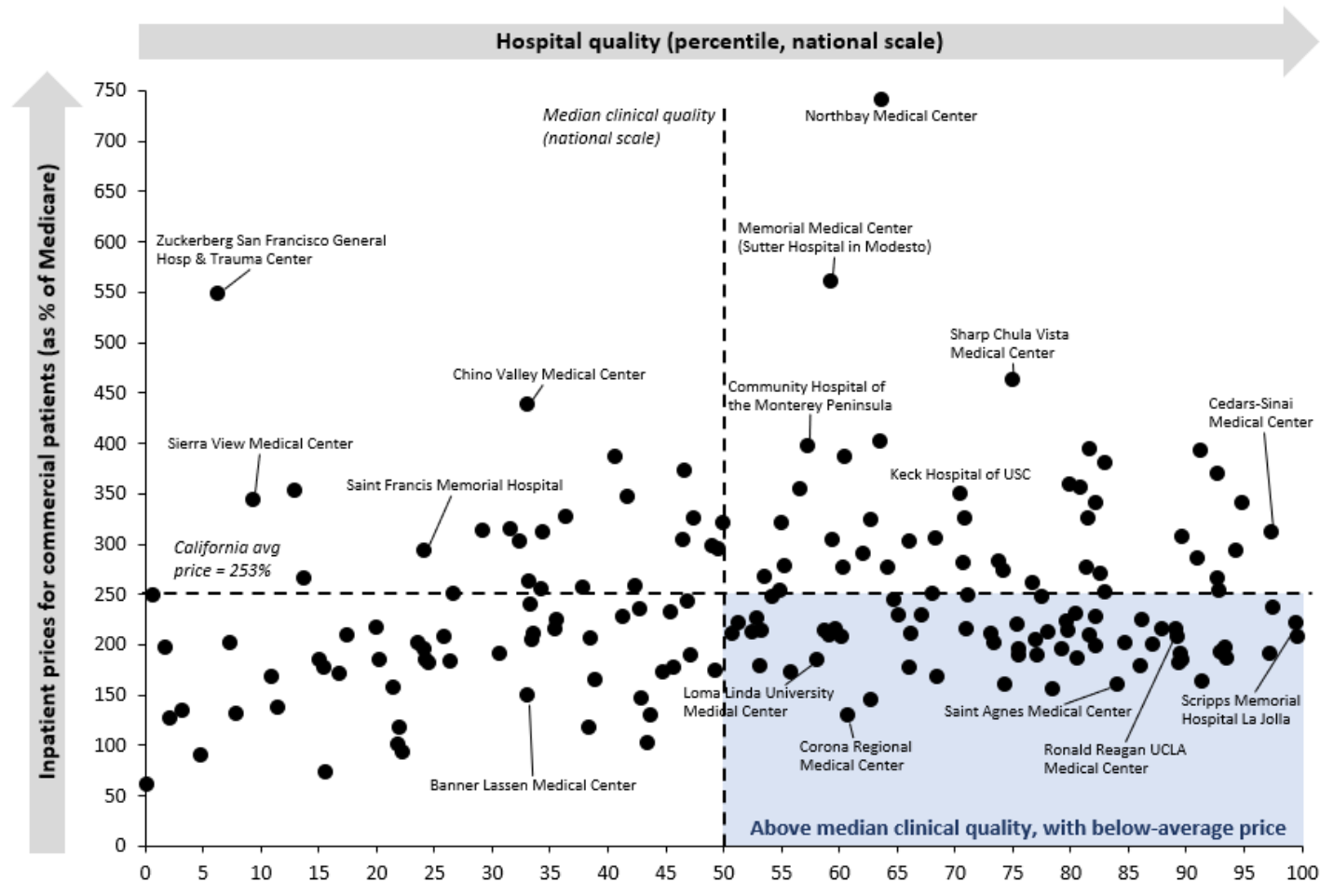


Patient mix doesn't explain price variation



Continuum of hospital price and quality

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

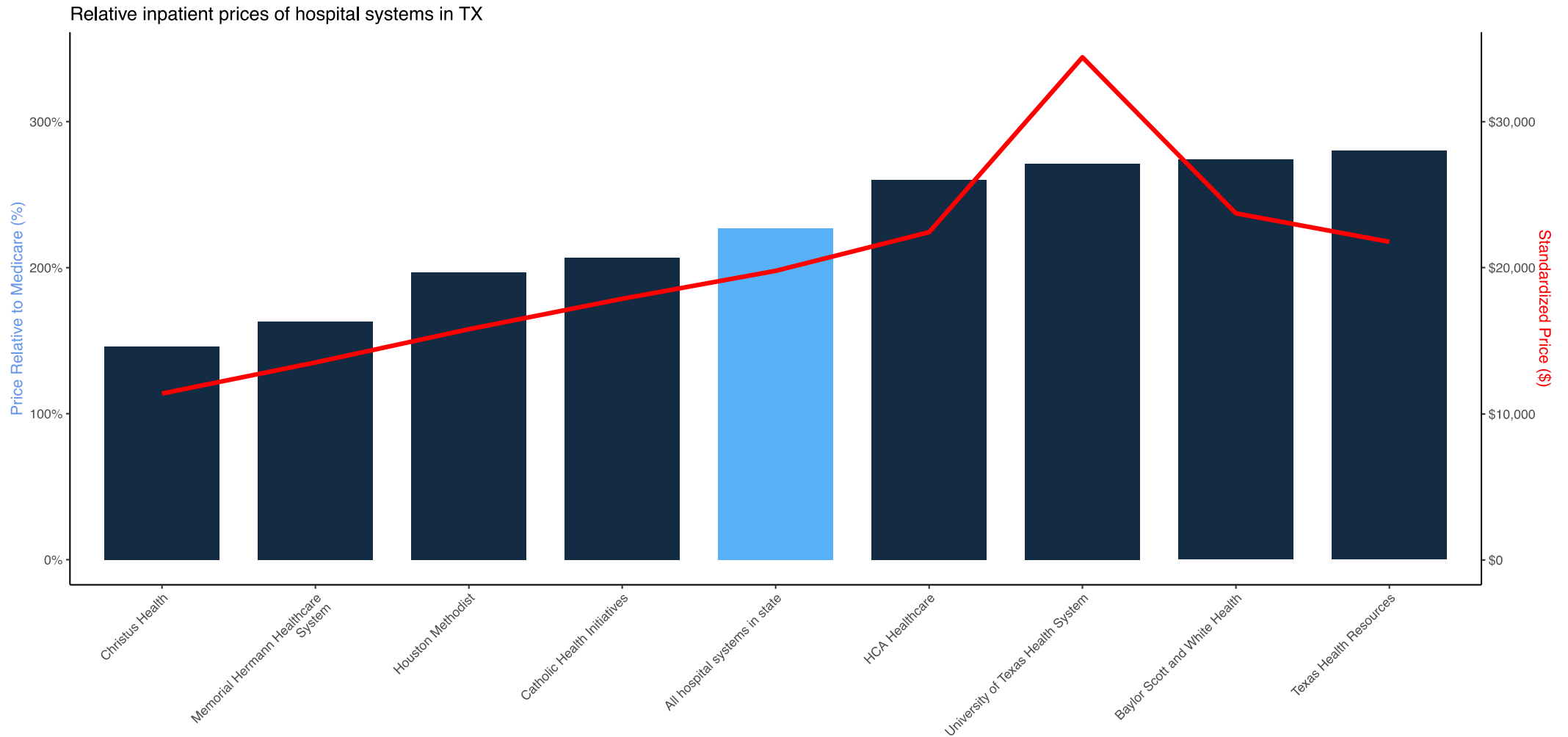


Source: Data from RAND Corporation & Lown Institute

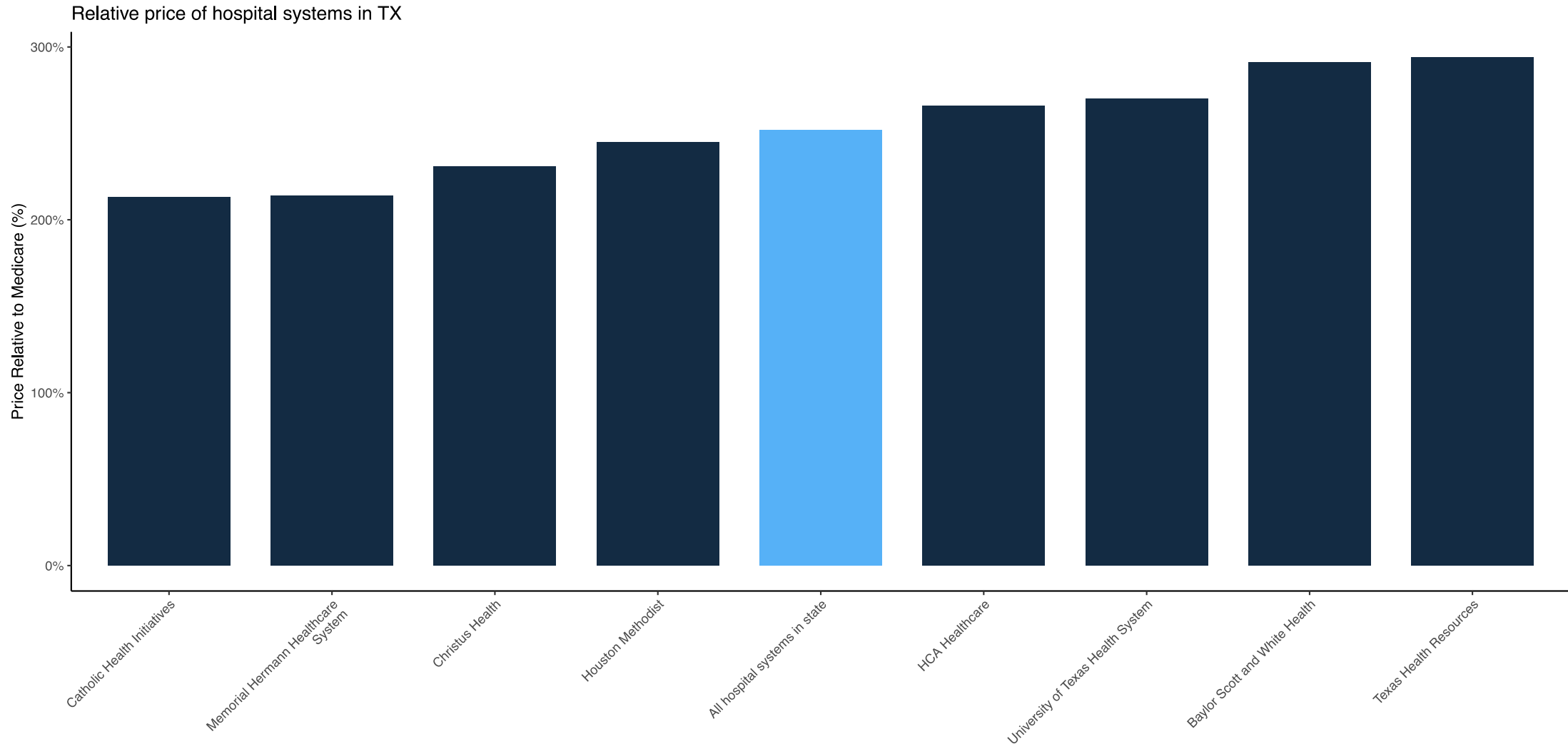
Dan O'Neill @dp_oneill · Sep 22
 The @RANDCorporation data fascinates me, particularly once combined w/quality & patient sat scores.

Some surprising bargains out there (Scripps, Loma Linda etc), but @ZSFGCare & @NorthBayHealth must be among the worst hospital values in the country for privately-insured patients

Texas inpatient hospital prices



Texas hospital system prices



How can employers use price transparency?

Finally have
information
about prices



Benchmark
prices



Change
hospital
networks

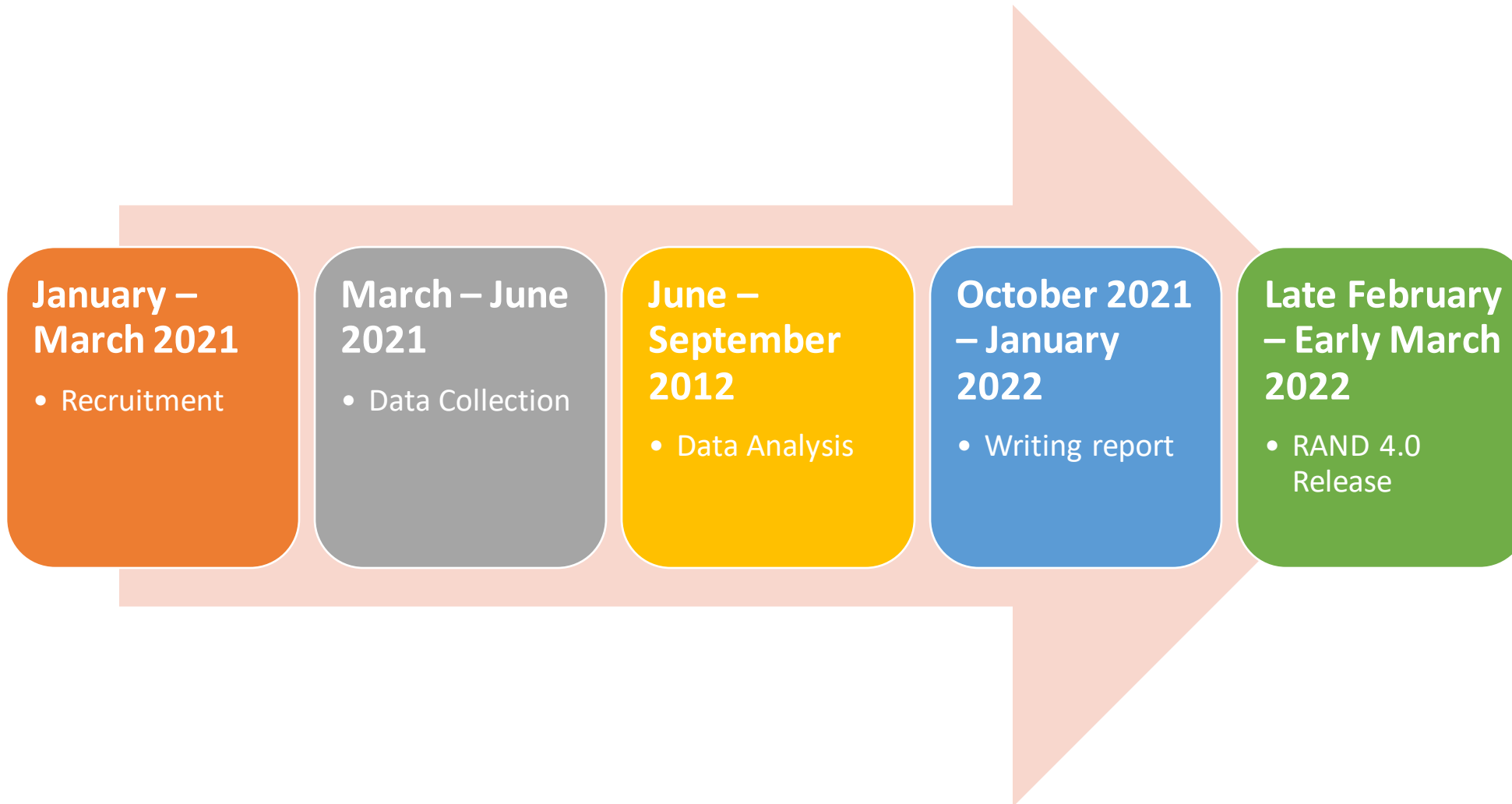


Conclusions

- Rising health care costs place pressure on employers and worker wages—especially during the COVID-19 pandemic
- The wide variation in hospital prices presents a potential savings opportunity for employers
- Employers need to demand transparent information on the prices they—and their employees—are paying
- Employers need to use transparency to inform benefit

RAND 4.0 Study

RAND 4.0 Timeline



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
- Professional Fees:
 - Specialty Provider vs. Primary Care Providers
- Other ideas welcome.....

RAND 4.0 Information

- FAQ and more info: <https://preview.rand.org/health-care/projects/price-transparency/hospital-pricing/round4.html>
- PBGH Contact: Anne Ladd (aladd@pbgh.org)
- RAND Contact: Brian Briscoombe (Brian_Briscombe@rand.org)

Christopher Whaley
cwhaley@rand.org





Variation in Hospital Quality

Shane Wolverton, SVP, Quantros Health



“Competition on value must revolve around results. *The results that matter are patient outcomes per unit of cost at the medical condition level.*” (Michael E. Porter, Redefining Health Care: Creating Value-Based Competition on Results)

Shane Wolverton – SVP Corporate Development
Wednesday, February 17, 2021

Patient Outcomes Vary Significantly Across Hospitals

PATIENT LEVEL RISK ADJUSTMENT

Complications

Readmissions

Patient Safety Indicators

Composite Quality Percentile Scores

Hospitals Spinal Surgery Composite Quality Score for Q3 2017 - Q2 2020 (CMS (Dashboard))

Score	Hospital	City	State	# Cases (n)	Leapfrog Grade Fall 2020
97.3	Hospital A	Houston	TX	463	NA
89.9	Hospital B.1	Houston	TX	147	A
87.6	Hospital C.1	Houston	TX	56	A
78.8	Hospital D	Houston	TX	23	NA
78.0	Hospital E	Houston	TX	20	C
77.0	Hospital F	Houston	TX	43	NA
72.1	Hospital G.1	Houston	TX	16	B
55.7	Hospital C.2	Houston	TX	547	B
51.3	Hospital H	Houston	TX	20	NA
47.8	Hospital G.2	Houston	TX	64	A
46.0	Hospital I	Houston	TX	124	NA
44.4	Hospital J	Houston	TX	208	NA
43.8	Hospital K	Houston	TX	29	NA
43.3	Hospital B.2	Houston	TX	221	A
35.1	Hospital L	Houston	TX	12	D
30.1	Hospital B.3	Houston	TX	1153	A
21.2	Hospital C.3	Houston	TX	447	B
13.3	Hospital G.3	Houston	TX	45	A
3.1	Hospital M	Houston	TX	47	NA

Patient Outcomes Vary Significantly Within Hospitals

Physicians Spinal Surgery Composite Quality Score for Q3 2017 - Q2 2020 (CMS (Dashboard))

Score	Physicians in Hospital Systems	City	State	Primary Specialty	# Cases (n)
13.8	Physician in Hospital System B	Houston	TX	Neurological Surgery	178
99.6	Physician in Hospital System A	Houston	TX	Orthopaedic Surgery	147
99.4	Physician in Hospital System B	Houston	TX	Neurological Surgery	143
79.5	Physician in Hospital System A	Houston	TX	Orthopaedic Surgery	138
65.5	Physician in Hospital System C	Houston	TX	Neurological Surgery	123
70.0	Physician in Hospital System B	Houston	TX	Neurological Surgery	105
21.0	Physician in Hospital System J	Houston	TX	Neurological Surgery	98
98.7	Physician in Hospital System B	Houston	TX	Neurological Surgery	97
83.0	Physician in Hospital System C	Houston	TX	Neurological Surgery	95
34.3	Physician in Hospital System B	Houston	TX	Neurological Surgery	92
90.8	Physician in Hospital System B	Houston	TX	Orthopaedic Surgery	85
31.9	Physician in Hospital System A	Houston	TX	Orthopaedic Surgery	79



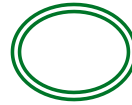
NASHP Hospital Cost Tool

**Marilyn Bartlett, Senior Fellow, National
Academy for State Health Policy**



NASHP's Hospital Cost Tool

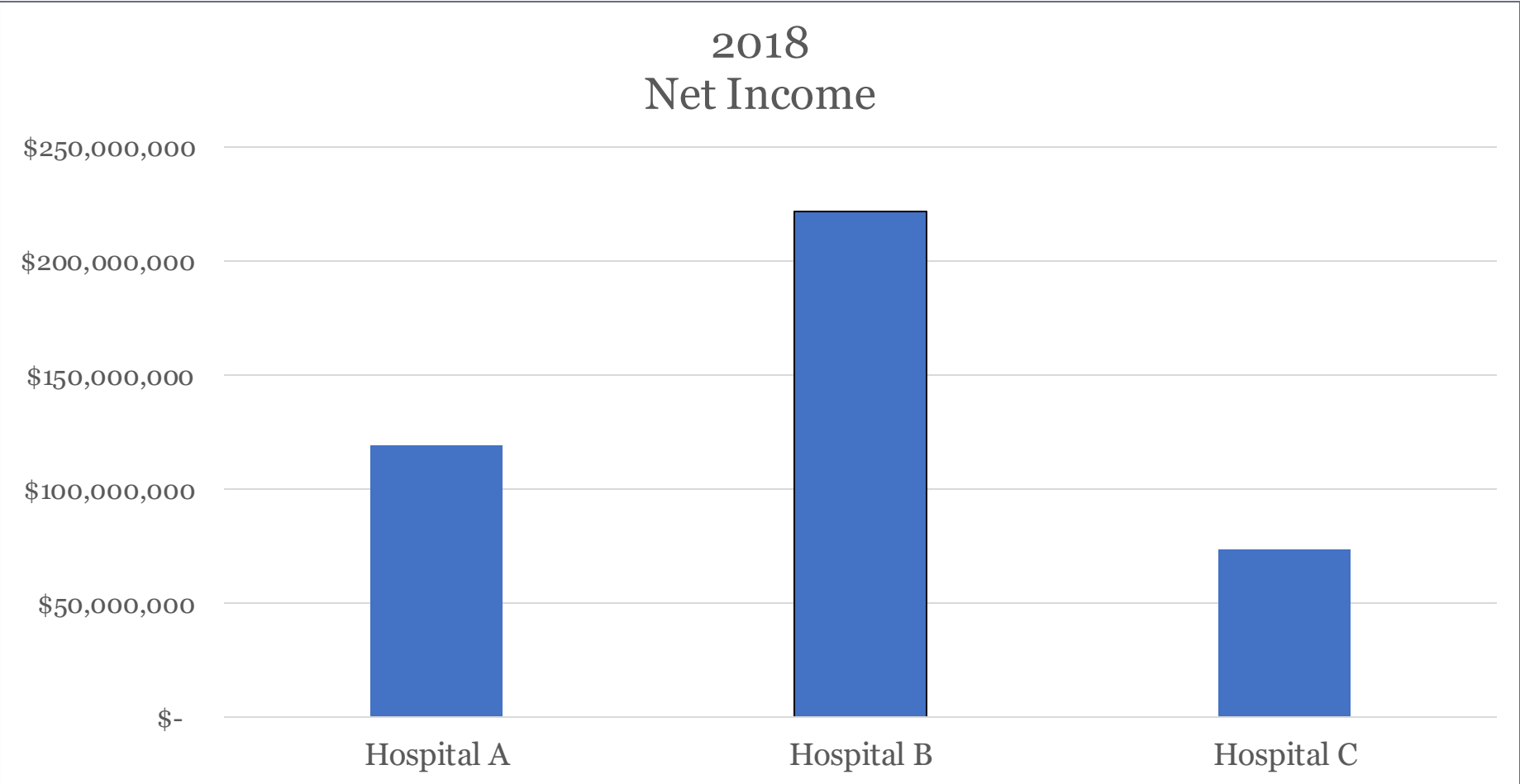
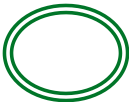
Employers Using NASHP Hospital Cost Tool



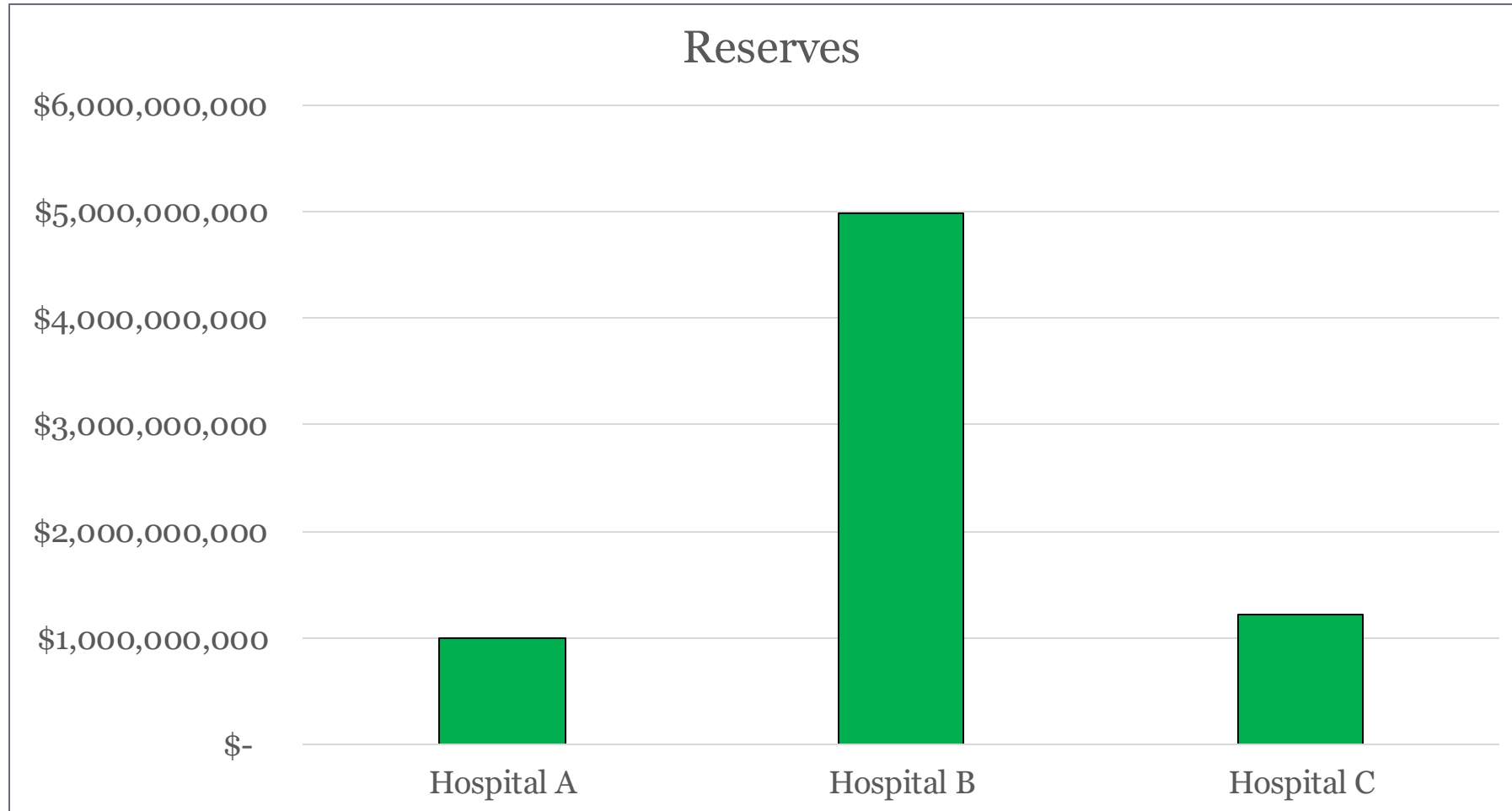
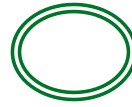
- Developed by the National Academy for State Health Policy (NASHP) with support from Arnold Ventures:
 - Help purchasers and regulators better understand hospital *costs*
- Data Entry from Hospital Medicare Cost Report
 - The only national, public source of hospital costs
 - Submitted to CMS by all hospitals serving Medicare patients – hospital level data
- Working with Employer Self-Funded Health Plans
 - Information that has not been available to healthcare purchasers
 - Starting point for hospital discussions and rate negotiations, instead of discount off charge master
 - Can be used as a complement to recent findings reported in RAND Corp.'s *Nationwide Evaluation of Health Care Prices Paid by Private Health Plans*
 - Hospital quality or efficiency measures not included in tool
- Collaboration with RICE University
 - Link Hospital Cost Tool to HCRIS data
 - National, State, Regional, Hospital Type comparisons and benchmarking



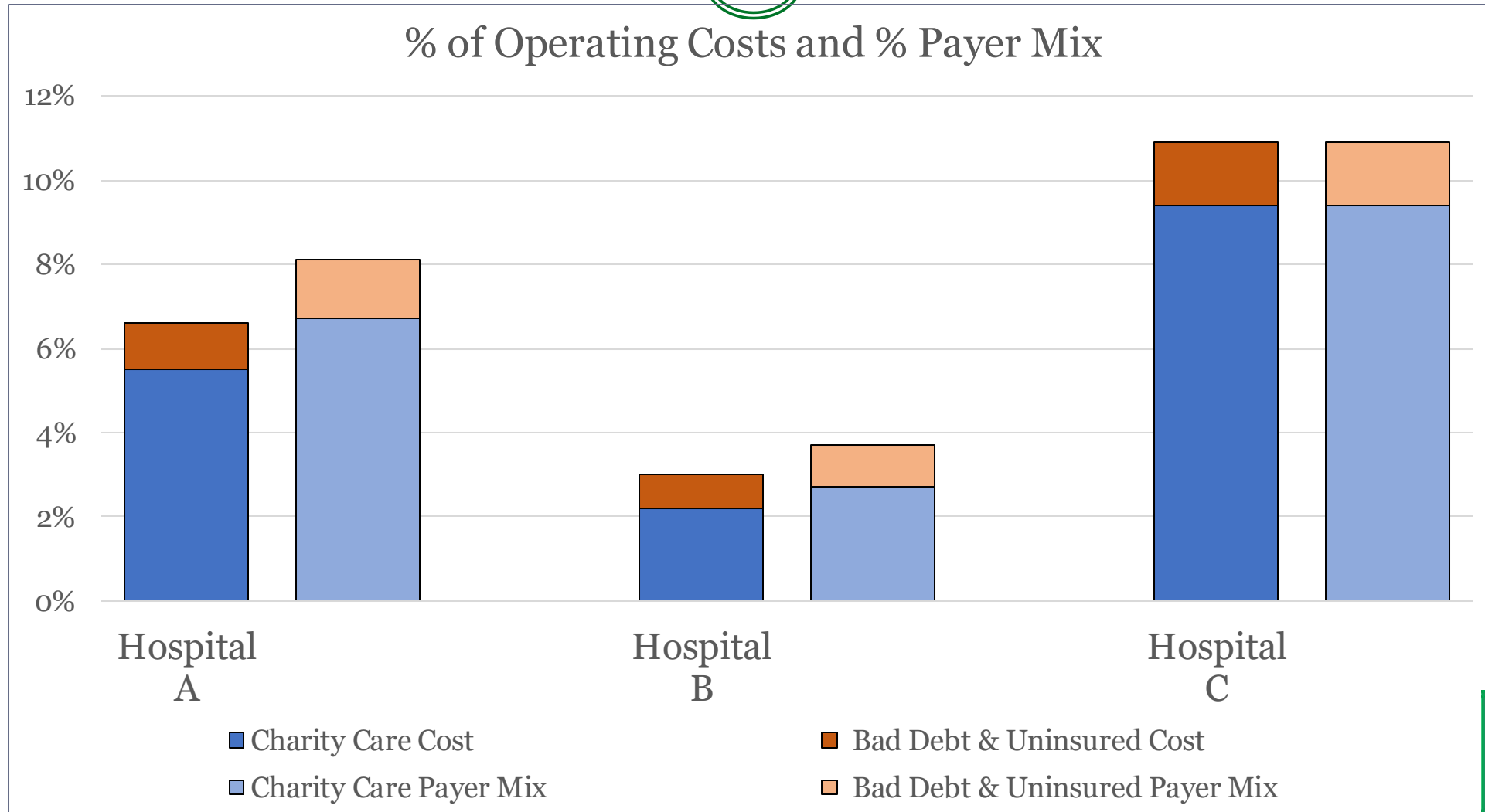
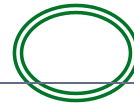
3 Texas Hospitals



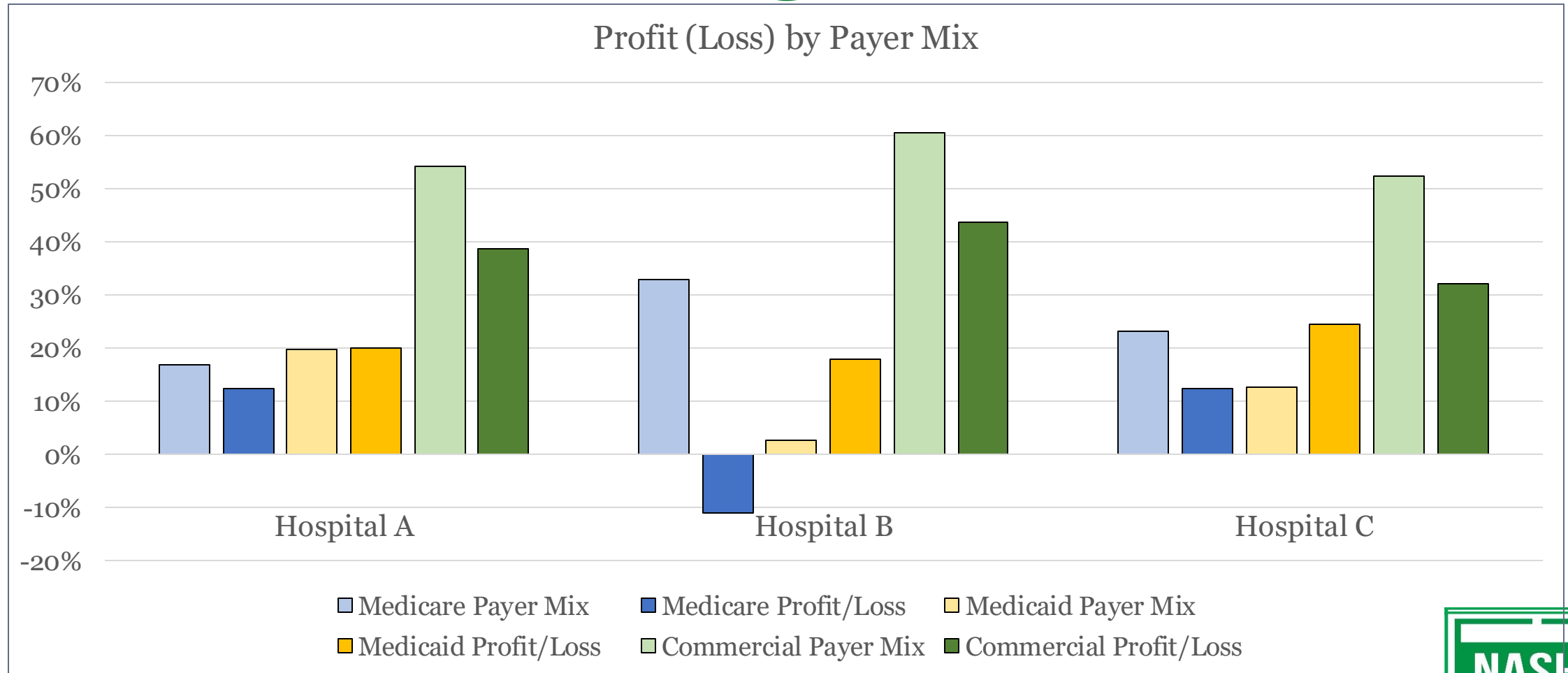
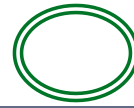
3 Texas Hospitals



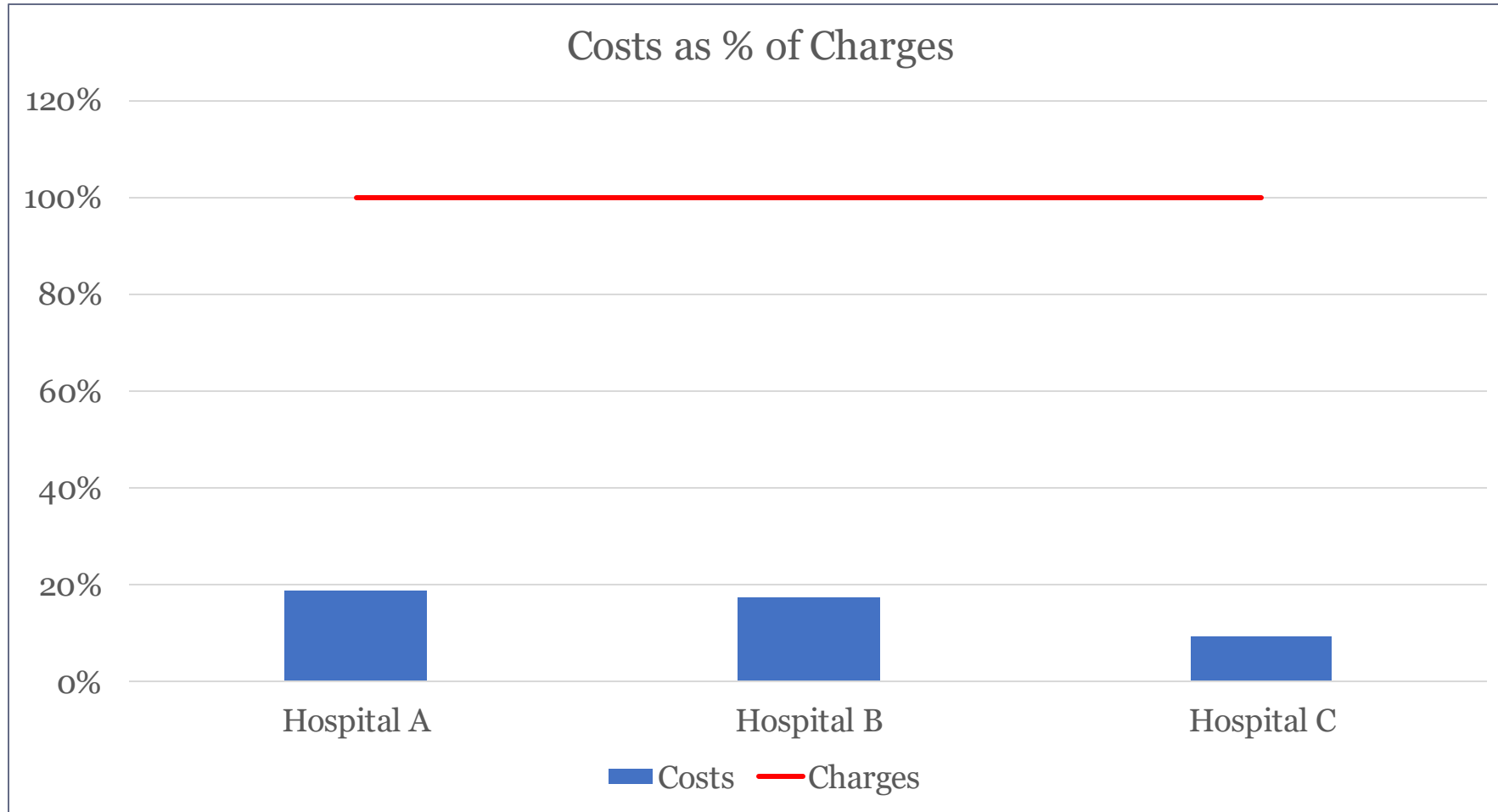
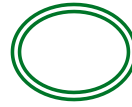
Uncompensated Care



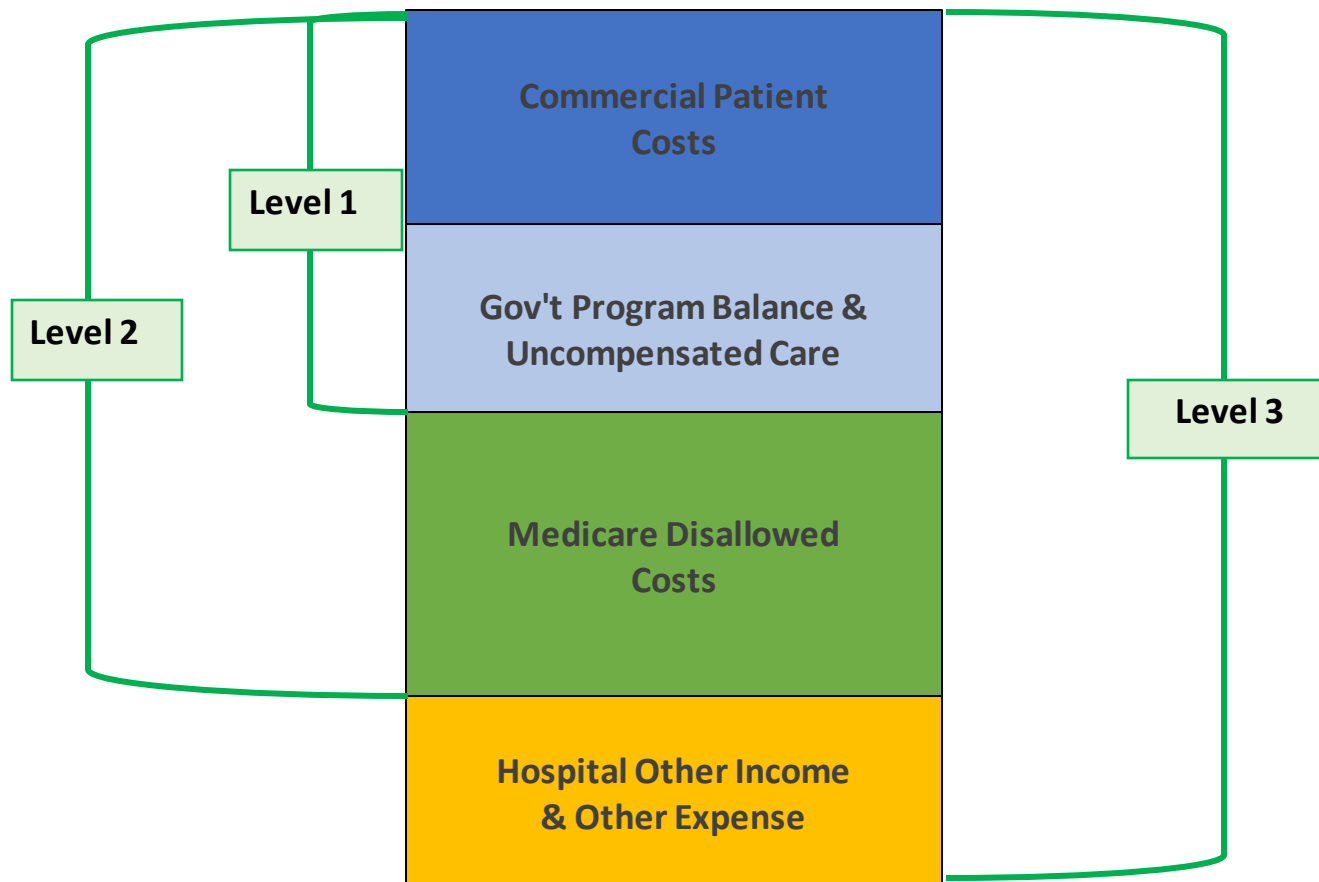
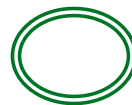
Profit (Loss) by Payer Mix



Cost to Charge Ratio

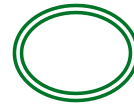


3 Levels of Hospital Breakeven

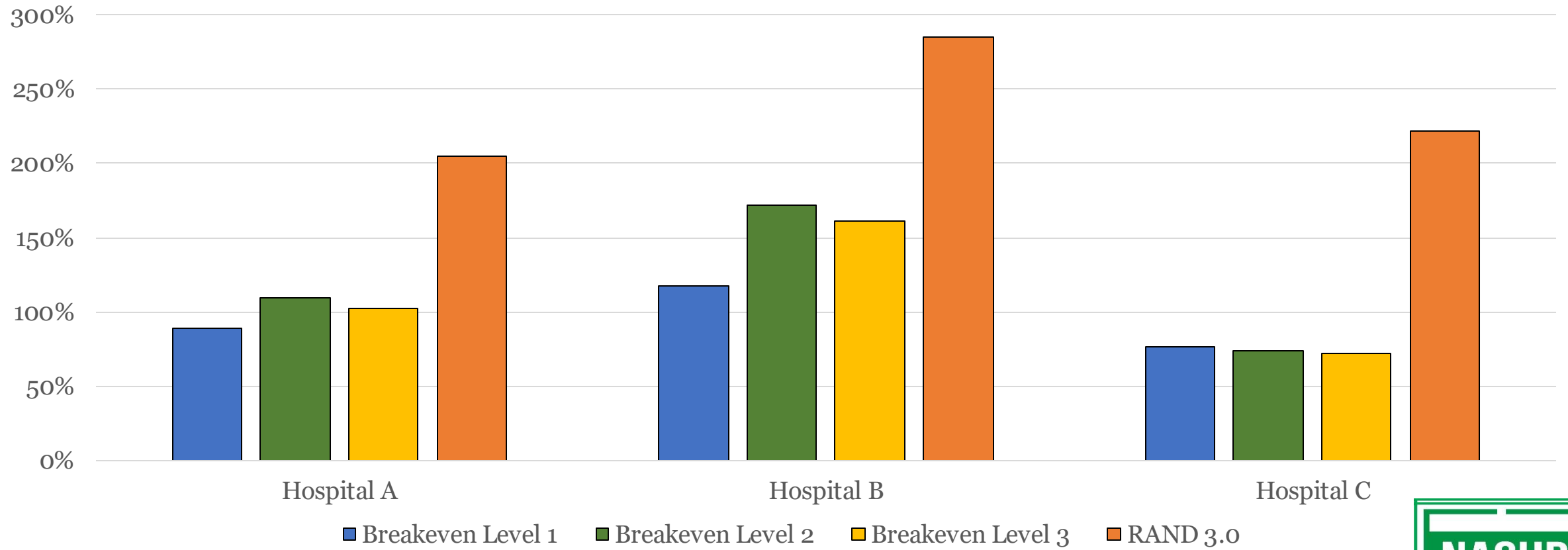


- Points where Revenue = Expense
- What should Commercial Payers Cover?
- Negotiations – Where do we start?

Breakeven Points



Comparison to RAND 3.0



Thank You

<https://www.nashp.org/hospital-cost-tool/>



Employers vs. Sutter Health (CA)

Daniel Bird, Partner, Kellogg Hansen Todd Figel & Frederick

