RAND Hospital Price Transparency Project

BRIEFING FOR WISCONSIN PURCHASERS

MAY 13, 2020

CHRISTOPHER WHALEY

This briefing represents the views of the author, and not RAND or RAND's funders.

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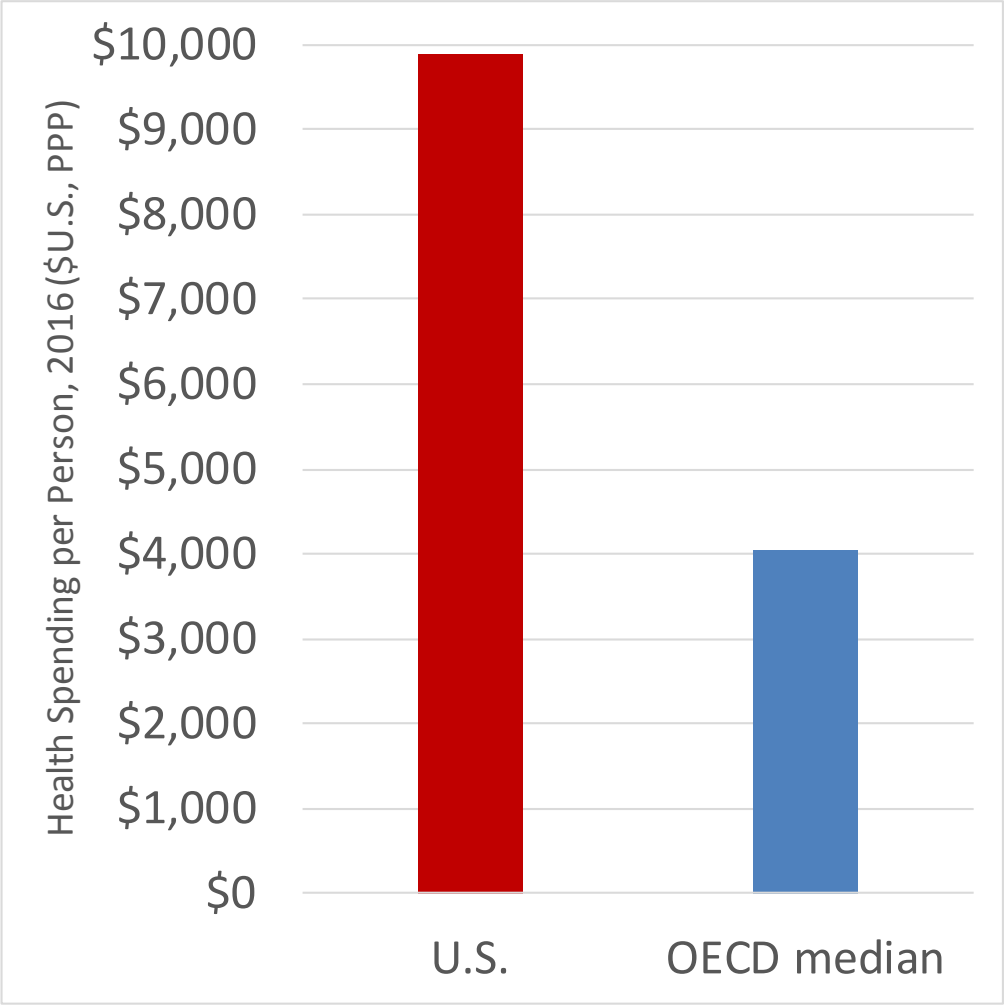
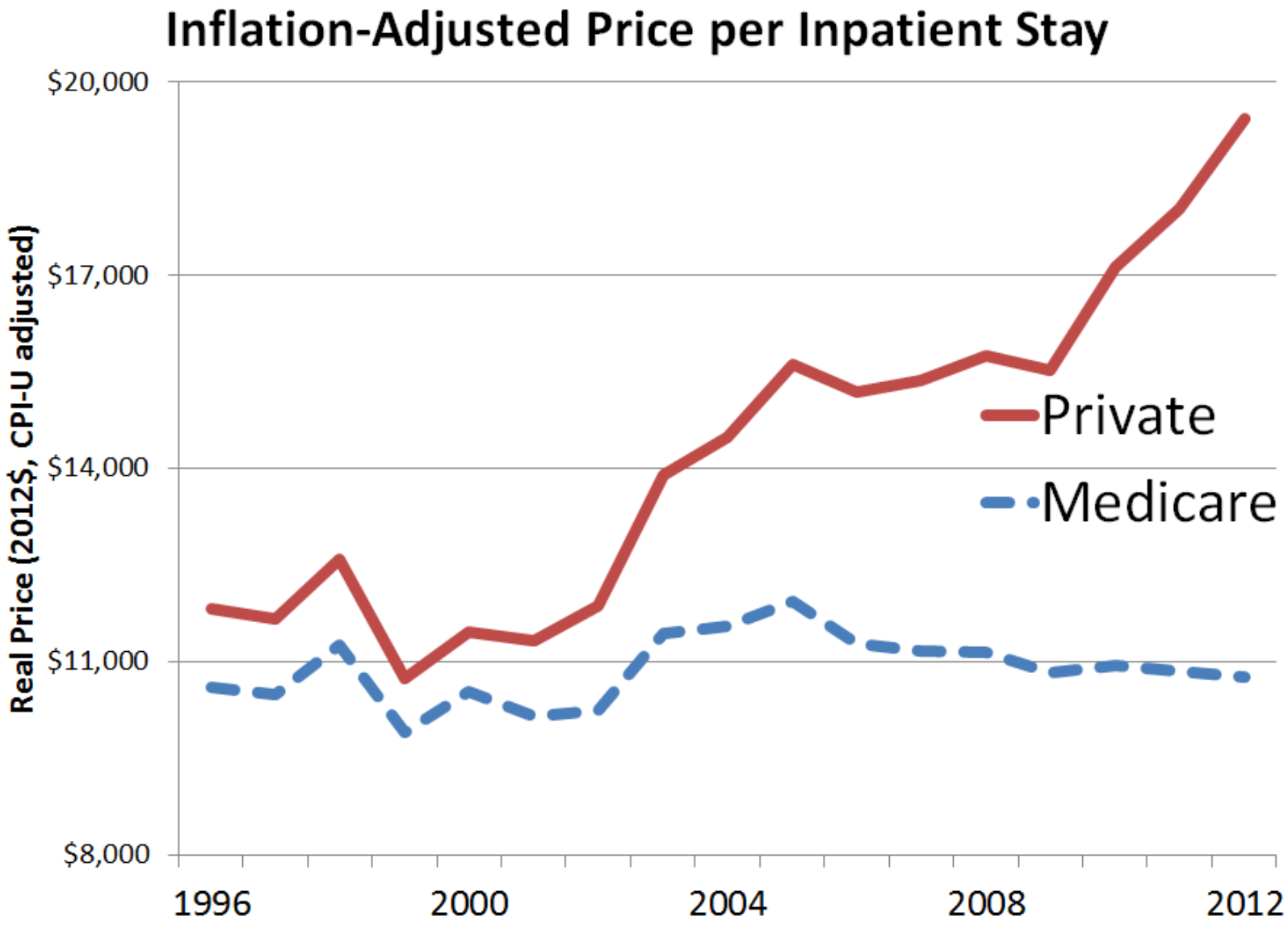
Prices Paid by Self-Funded Employers are High



- Why private health plans?
  - persistently high growth in spending per capita
- Why hospitals?
  - $1.1T industry
  - private prices high, rising, and widely varying



Source: Selden, T. M., Karaca, Z., Keenan, P., White, C., & Kronick, R. (2015). The Growing Difference Between Public And Private Payment Rates For Inpatient Hospital Care. *Health Affairs, 34(12), 2147-2150. doi:10.1377/hlthaff.2015.0706.*

What Do We Know Already?

- Prices paid by private health plans
  - higher and growing faster than Medicare
  - increases in spending driven by price growth, not utilization
  - vary widely from market to market, and from hospital to hospital within markets

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?

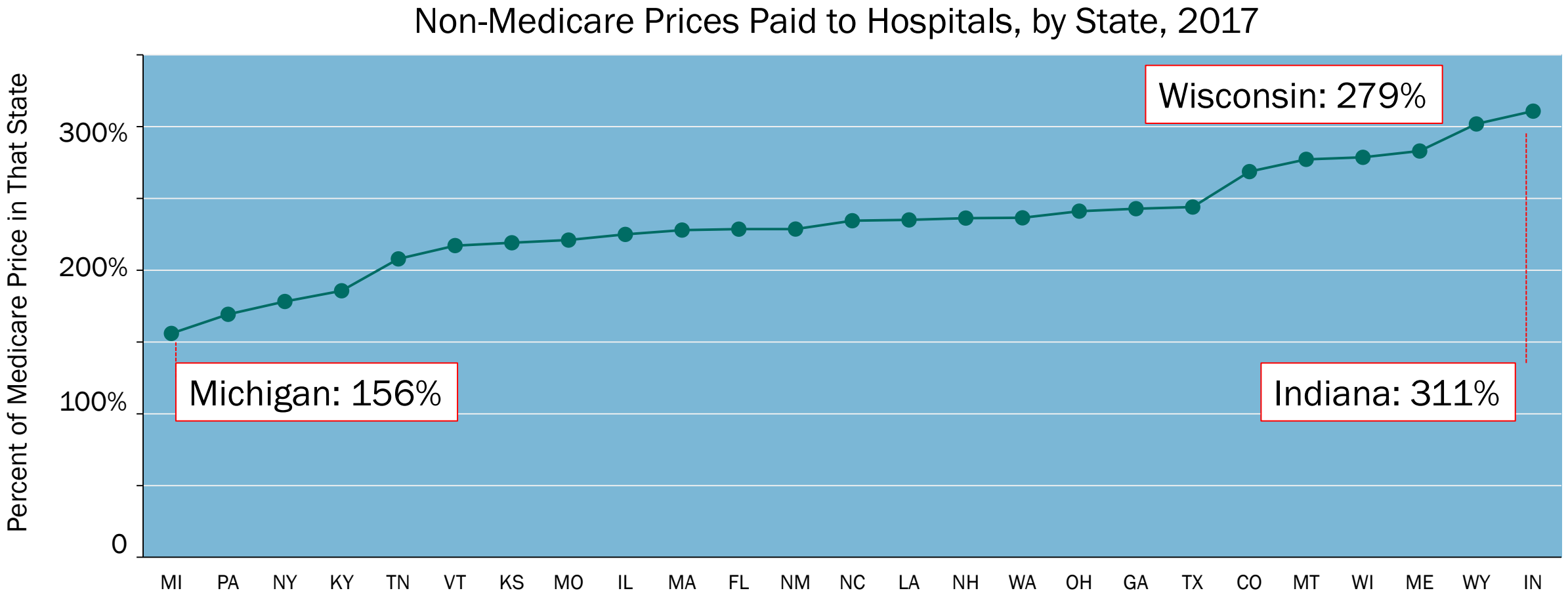
Hospital Prices in COVID-19 Era

- COVID-19 is placing enormous financial pressure on both hospitals and employers
- Health benefits are one of the largest expenses for employers
- Transparent information about hospital prices is especially important now to ensure employers are getting value

Our Approach

- Obtain claims data from
  - **Self-Funded Employers**, APCDs, health plans
- Create a *public* hospital price report
  - will be posted online, freely downloadable
  - named hospital facilities and systems
  - inpatient prices and outpatient prices
- Create *private* hospital price reports for individual self-funded employers
- **RAND 2.0**: Used data from 25 states to compare hospital prices

Relative prices varied considerably across the states studied



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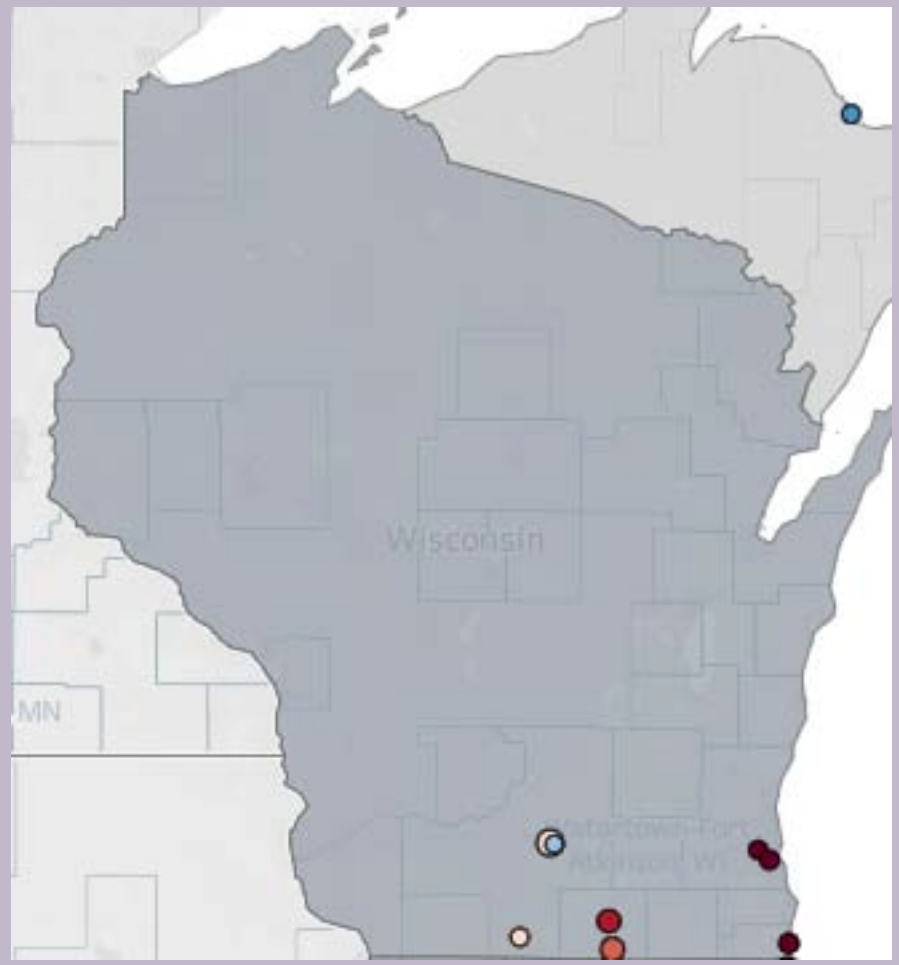
RAND 2.0 Wisconsin Coverage

- Only 31 hospitals / providers included last year
- Not great geographic coverage
- Limited data to inform employer decisions
- We can do better!



RAND 2.0 vs. RAND 3.0

RAND 2.0

- 25 states
- 2 APCDs
- Just hospital facility fees
- CMS quality scores
- Inpatient & Outpatient prices

RAND 3.0

- ?? States
- 6 APCDs and expanded self-funded employer participation
- Hospital facility & professional
- CMS & Leapfrog quality scores
- Inpatient, Outpatient, & Service-line prices (e.g. orthopedic surgery)

Preliminary findings, please do not cite or distribute

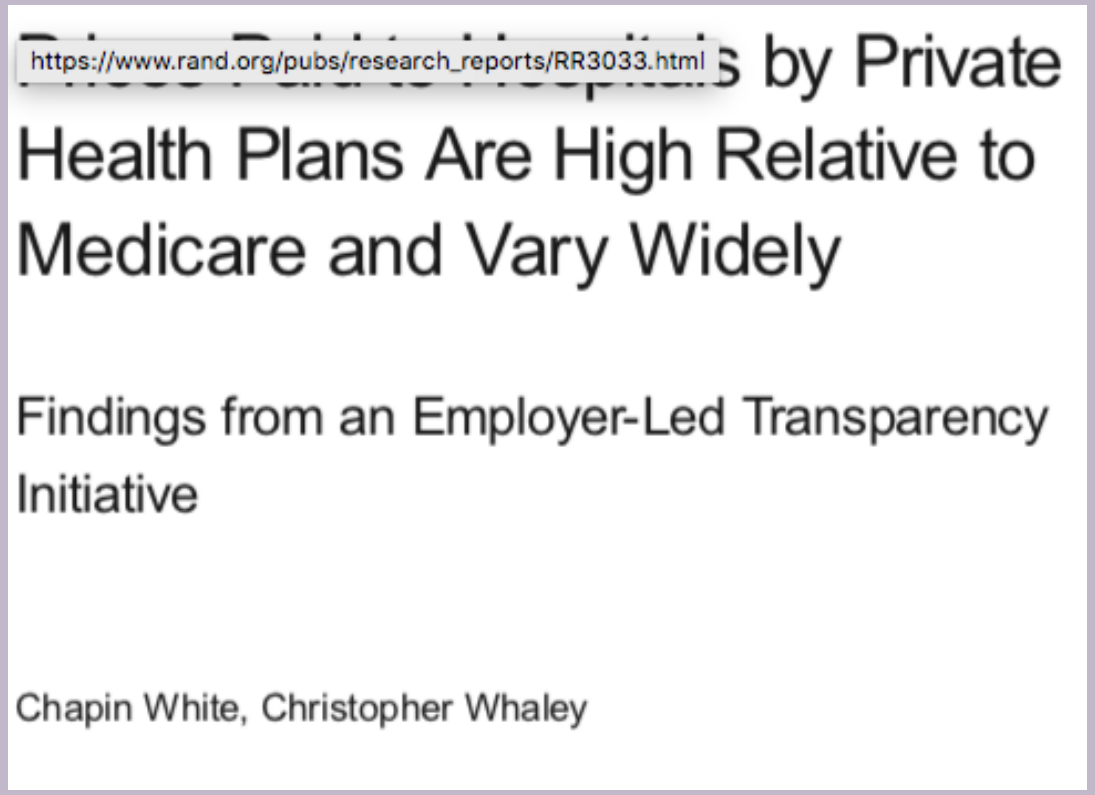
Timeline for RAND 3.0

- September 2019 - June 2020: Collect data from employers, APCDs, and TPAs
- March 2020 – August 2020: Analyze data
- ~~May 2020: Present results at Employer's Forum of Indiana Conference~~
- September 2020: Present results

  → Additional time to collect employer data

Study Output 1: Public Report

- Uses all data to show national variation in hospital prices
- Highlights prices paid by US employers and informs public policies
- Free to contribute data
- Publicly available in September 2020
- https://www.rand.org/pubs/research_reports/RR3033.html



Study Output 2: Private Reports

- Use data from individual self-funded employers
- Highlight prices paid by specific employers to inform *their* benefits
- $0.20 per covered life (up to $15,000 and min of $1,000)
  - *RWJF requirement*
- Released as available

High-Level Private Report Summary

Savings if employer paid:

Employer X amount paid	Medicare amount paid	Relative price paid by Employer X	1X Medicare	1.5X Medicare	2X Medicare
$21,721,398	$7,438,329	2.92X	$14,283,069	$10,563,905	$6,844,740

RAND 3.0 Overview

How do we compare hospital prices?

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Comparing Prices is Challenging

- Every hospital is different and performs different services
- No “apples-to-apples” comparisons
- Medicare system can help us standardize
- Let’s make an apple pie, but two recipes!

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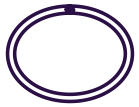
Recipe 1: **Percent of Medicare**



- How much more do employers pay than Medicare would have paid at exact same hospitals?
- **Pros**: Easy to interpret and compare across hospitals
- **Cons**: Medicare pays teaching and DSH hospitals more, and so benchmarking against Medicare will make them look cheaper

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Recipe 2: **Standardized Prices**

- Medicare has figured out how much more to pay for different services
  - E.g. Medicare pays 34.65 times for a heart transplant (DRG 103) vs. chest pains (DRG 143)
  - We can use these weights to make an apples-to-apples comparison across hospital services
  - Average ”walk out the door” amount

- **Pros**: Can put everything into one number
  Don’t have to worry about teaching/DSH/etc. payments

- **Cons**: Different systems for inpatient vs. outpatient
  No comparison to Medicare benchmark
  Maybe we want to account for higher teaching/DSH/etc. payments?

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Why Compare to Medicare?

- Largest purchaser of health care in the world
- Sets industry standards
- Prices and methods are empirically based and transparent
- Medicare prices intended to be fair
- Uses quality measures/value-based payment

Data Protections

- Project regulated by RAND Human Subjects Protection Committee
- Data analysis conducted on secure computing environment
- Similar environment used to analyze confidential Medicare data
- Data analysts undergo HIPAA and human subjects training
- NDAs and DUAs in place to protect data confidentiality

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How Have Employers Used RAND 2.0 (and how can they use 3.0)?

Employers are collecting information about prices

- Colorado Business Group on Health used RAND 2.0 data to produce report on value of Colorado hospitals
- Proposed options for Colorado employers to address prices in their specific markets

Employers are using data to benchmark prices

Anthem's home state innovation

A similar RAND study commissioned by self-insured employers in Indiana spurred action when researchers concluded that Hoosier companies paid hospitals an average of 272% of Medicare rates from 2013 to 2016.

In response, 12 self-insured companies asked Anthem Blue Cross and Blue Shield to develop new health plan options that would steer members to lower-cost, high-quality providers, as alternatives to their traditional PPOs with wide-open networks. Up to that point, Indiana employers had been reluctant to limit their workers' provider choices for fear of backlash, said Gloria Sachdev, CEO of the Employers' Forum of Indiana.

Harris Meyer (2020) "**Self-insured employers go looking for value-based deals**" Modern Healthcare

Employers are using RAND 2.0 in their negotiations

The New York Times

Many Hospitals Charge Double or Even Triple What Medicare Would Pay

The Parkview Health System in Indiana had among the highest overall hospital prices compared to Medicare rates, according to a study of 25 states' hospital pricing. Tom Strattman For The New York Times

By Reed Abelson

May 9, 2019

616

Sunday, March 01, 2020 1:00 am

Insurer pushes Parkview on costs

Says charges too high, citing study hospital calls unfair

SHERRY SLATER | The Journal Gazette

Anthem is attempting to support a core goal of the RAND study by holding hospital systems accountable for their prices, which in turn will benefit our employees' mental and physical health and their financial wellness.

—Purdue Senior Director of Benefits

RAND 3.0 Participation

How Can Employers Participate in RAND 3.0

- FAQ here: https://www.rand.org/health-care/projects/price-transparency/hospital-pricing/round3/faq.html (will be sent out!)
- Employers need to authorize insurance carrier, TPA, or data warehouse to send claims data to RAND

Master DUA Agreements

- RAND has "Master DUAs" with Anthem, Cigna, and United
  - Hoping to do the same with Aetna
  - Employer has to email account rep authorizing data transfer
- UHC / UMR is charging all employers $1,200 to $2,500 data transfer fee
- Cigna is charging at least 1 employer ~ $1,500 fee

Sometimes Data Warehouse is Easier

If employer has multiple TPAs, warehouse can provide all at once

- IBM Watson
  - Simple 2 page data agreement
  - Employer, IBM, and RAND sign
  - Transfers have proven successful