

RAND 3.0 Hospital Price Transparency Report Results

September 24, 2020



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Agenda

- Opening Comments
- Introductions
 - Panelists
- Objectives
- RAND 3.0 Results
- Questions & Answers
- Call to Action

Today's Panelists

- **Jeffrey Kluever** – Executive Director, Business Health Care Group
- **Cheryl DeMars** – President & CEO, The Alliance
- **Chris Reader** – Senior Director of Workforce & Employment Policy at Wisconsin Manufacturers & Commerce
- **Dave Osterndorf** – BHCG Strategic Consultant, Partner & Chief Actuary, Health Exchange Resources
- **Christopher Whaley** – Policy Researcher, RAND Corporation

Why Does RAND Matter to the Business Community?

Comments from:

- **Cheryl DeMars** – The Alliance
- **Chris Reader** – Wisconsin Manufacturers & Commerce
- **Jeffrey Kluever** – Business Health Care Group

Objectives

Today's session is intended to be about the “what?” and the “what now?”

The “What?”

- You'll hear the results from this important study as it pertains to the state of health care costs and prices in Wisconsin
- You'll get a chance to see the variability in prices for health systems in the state
- You'll see how the results of this study stack up against other, similar studies

The “What Now?”

- You'll gain additional insights into how some employer groups have used this information in managing their health care benefits program
- We'll move forward the dialogue on what needs to change and how we can work together as employers, and ideally, health care providers, to create a more favorable health care market



The Alliance 



RAND 3.0 Results

Christopher Whaley

Policy Researcher, RAND Corporation

RAND Hospital Price Transparency Project

Wisconsin Business Health Care Group

September 24, 2020

Christopher Whaley



Outline

- **Background**
- Study approach
- Study findings
- Comparison to other studies
- Implications & conclusions

Acknowledgments

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



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Research Programmer



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Research Programmer



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Research Programmer



Brian Briscoe

Quantitative Analyst



Christine Gallagher

Contract Administrator



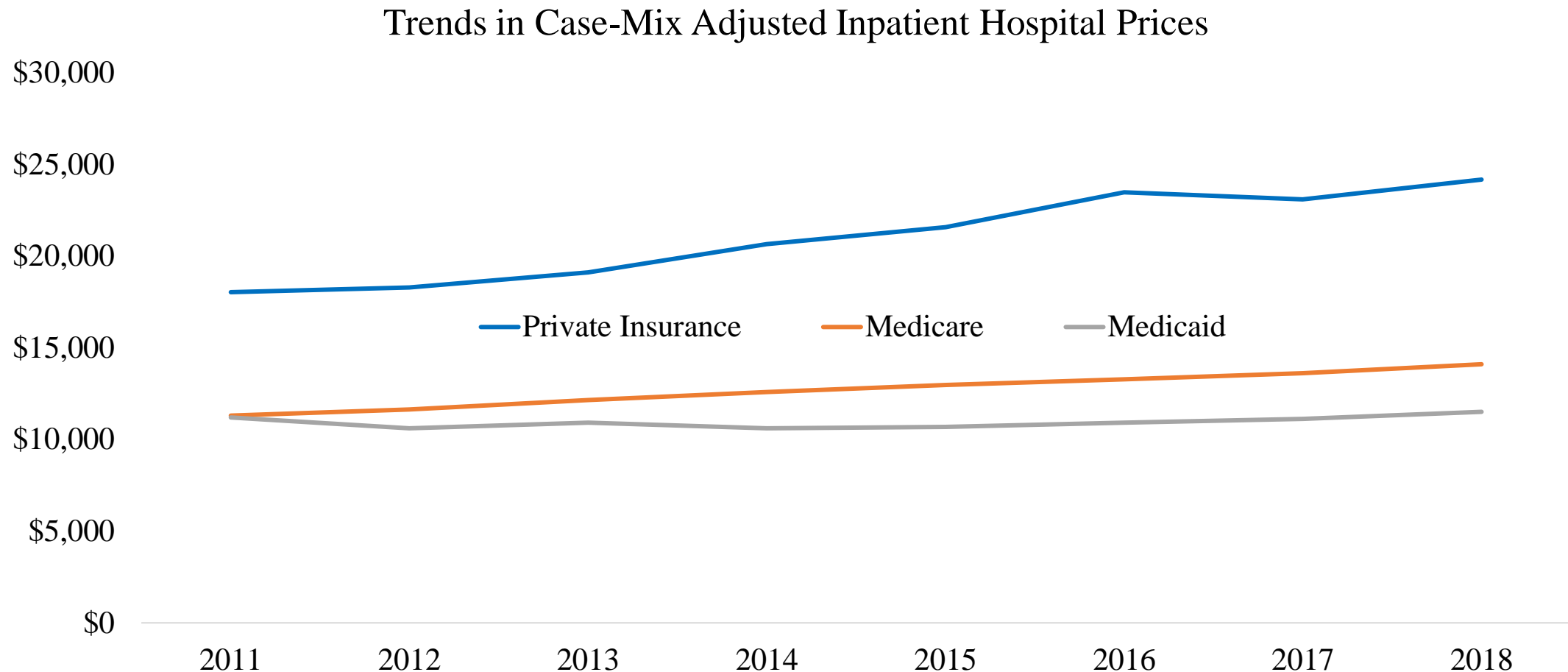
Employer-sponsored
plans
cover half of Americans

\$1.2 trillion
health care costs in 2018

\$480 billion
hospital costs in 2018

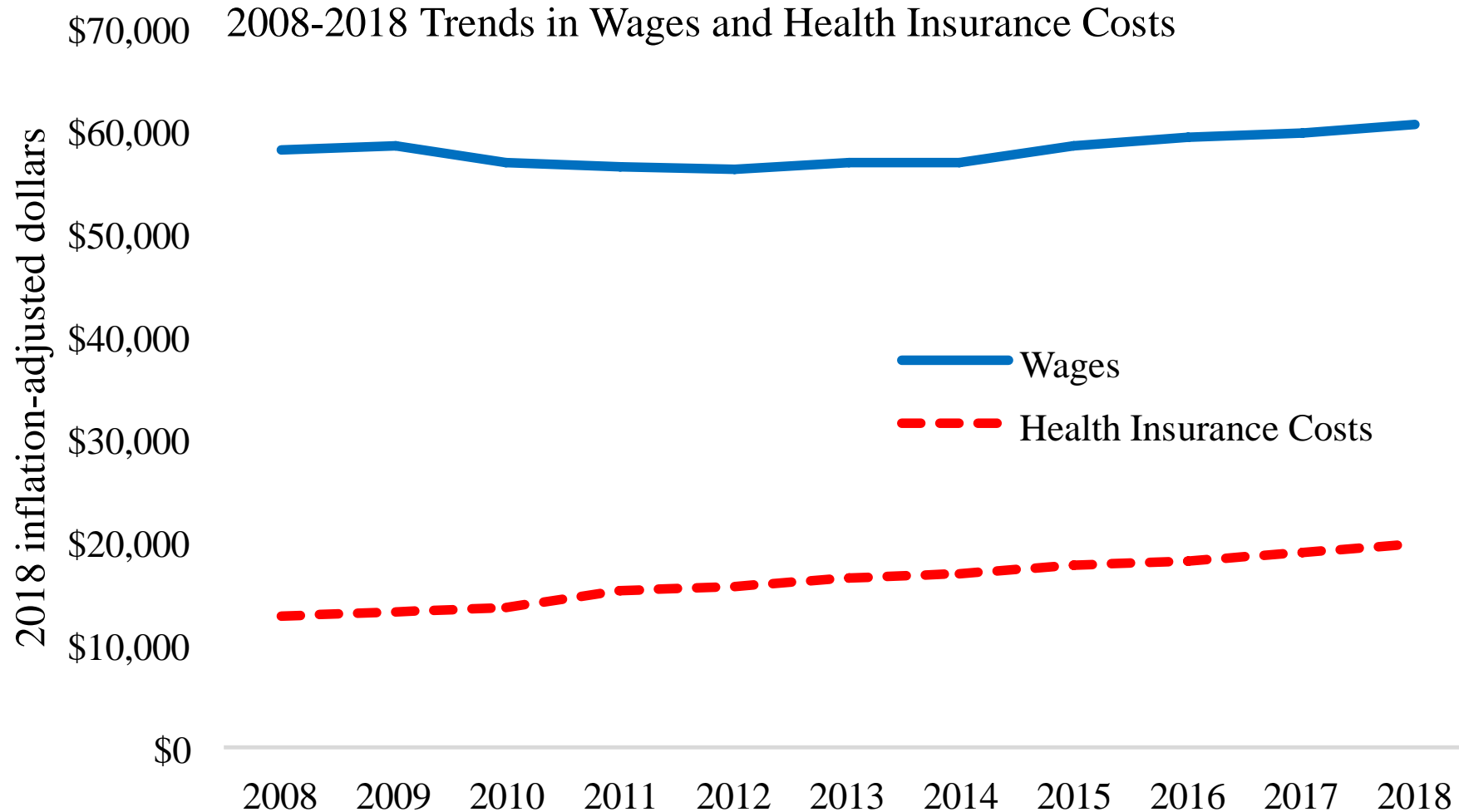
160 million
people

Prices paid by employers are rising rapidly



Source: CMS Hospital Cost Report Data

Why should we care about health care spending?



Source: Arnold and Whaley, *Who Pays for Health Care Costs? The Effects of Health Care Prices on Wages*. RAND Corporation, 2020.

What do we know already?

- Prices paid by private health plans are higher and growing faster than Medicare
- Increases in spending are driven by price growth, not utilization
- Prices 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?***

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 1.0

- Just Indiana
- employers
- facility fees
- relative prices

RAND's hospital study journey:

Phase 1

- Just Indiana
- employers
- facility fees
- relative prices

Phase 2.0

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

RAND's hospital study journey:

Phase 1

- Just Indiana
- employers
- facility fees
- relative prices

Phase 2

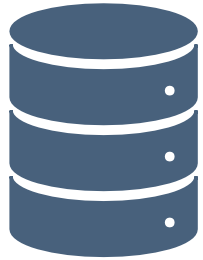
- 25 states
- employers, health plans, and 2 APCDs
- inpatient/outpatient
- facility fees
- relative and standardized prices

Phase 3.0

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

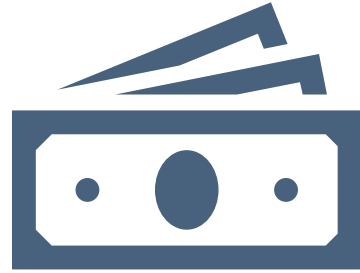
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Obtain claims data from:

- 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

Comparing prices can be challenging

- Every hospital is different and performs different services
- The Medicare system can help us standardize and make an “apples-to-apples” comparison
- So let's make an apple pie—but with two recipes



Recipe #1: Percent of Medicare

- What do employers pay relative to what Medicare would have paid at the exact same hospitals?
- Easy to interpret and compare across hospitals
- Comparable across service lines
- Medicare adjusts for cost of living and wage differences

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) than for 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
 - Not comparable across service lines
- Don't have to worry about teaching, DSH, etc. payments

Comparison to Medicare

- We leverage the Medicare payment system as a **benchmark**, not as a price endpoint
- Medicare prices and methods are empirically based and transparent
- Benchmarking to Medicare allows employers to compare prices between hospitals, relative to the largest purchaser in the world

Data protections

- This study was regulated by RAND's Human Subjects Protection Committee
- We conducted our data analysis in a secure computing environment—similar to the environment used to analyze confidential Medicare data
- RAND data analysts undergo HIPAA and human subjects training
- NDAs and DUAs were put in place to protect data confidentiality

Outline

Background

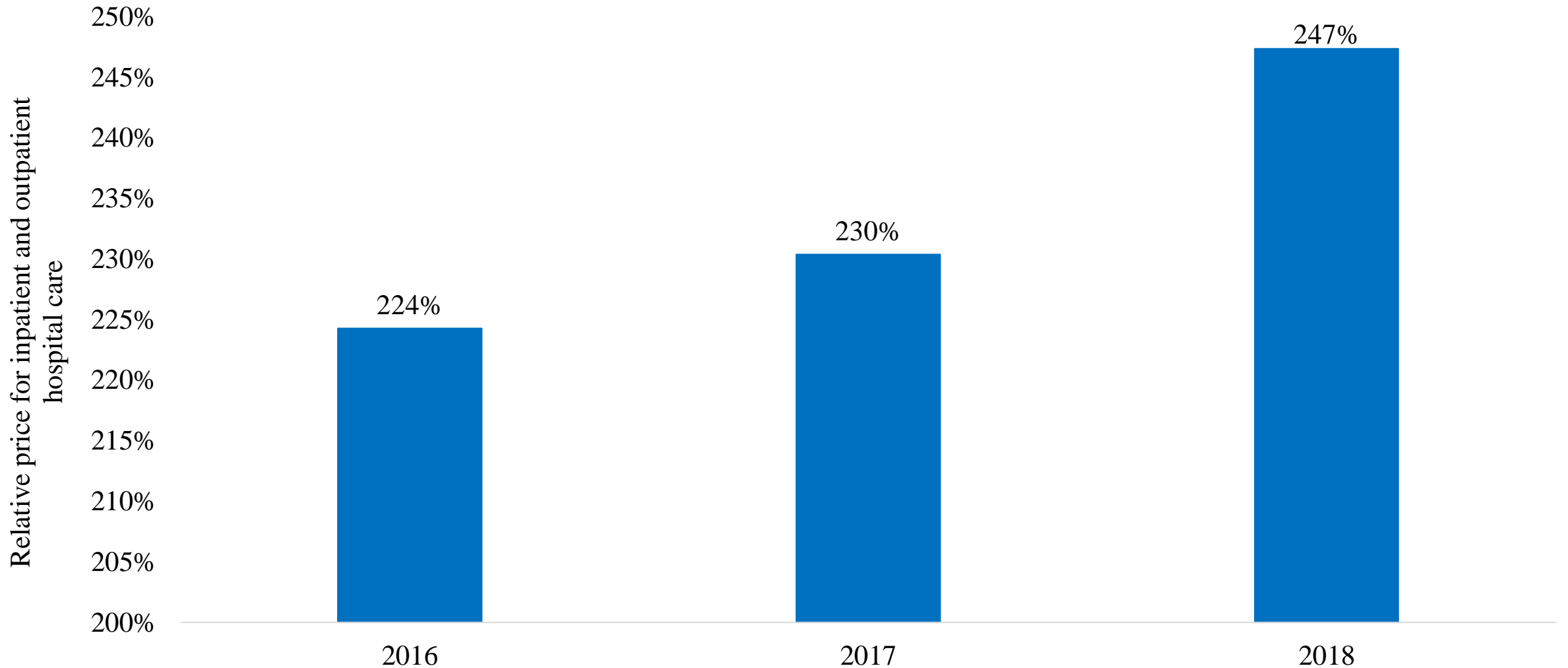
Study approach

— **Study findings**

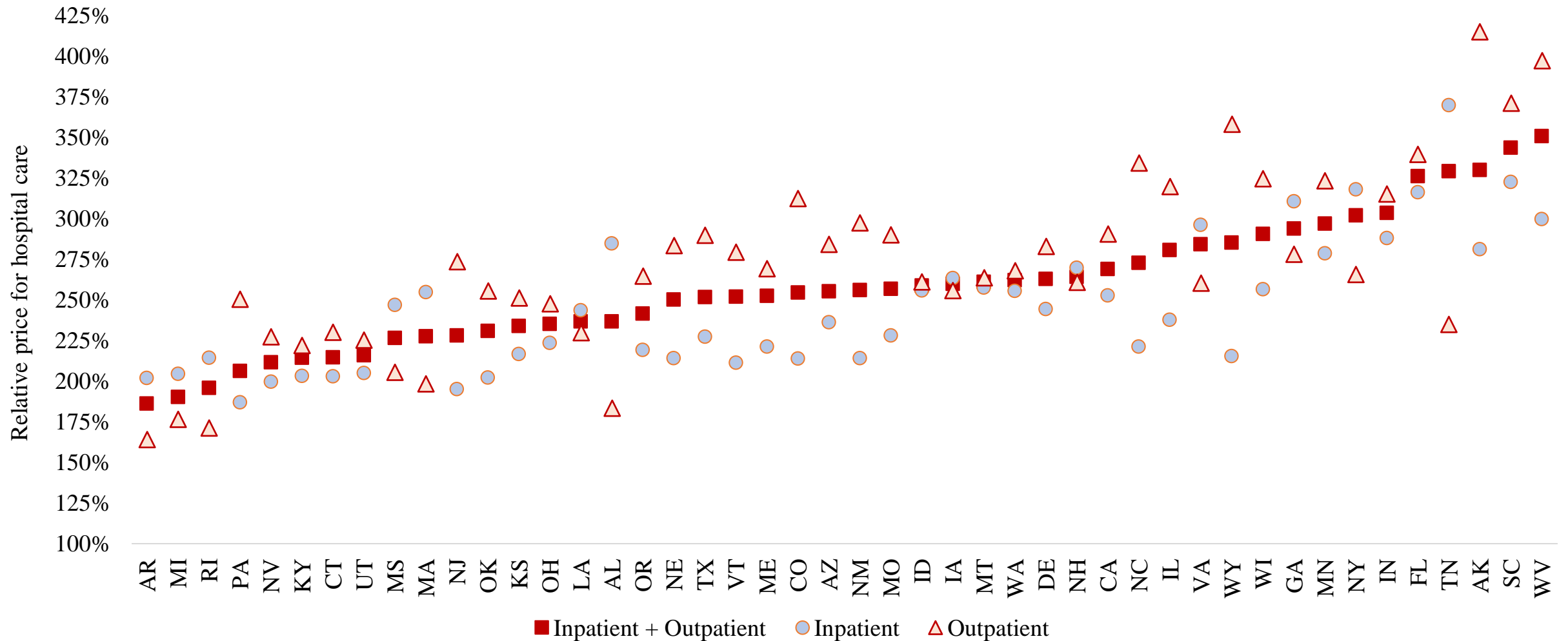
Comparison to other studies

Implications & conclusions

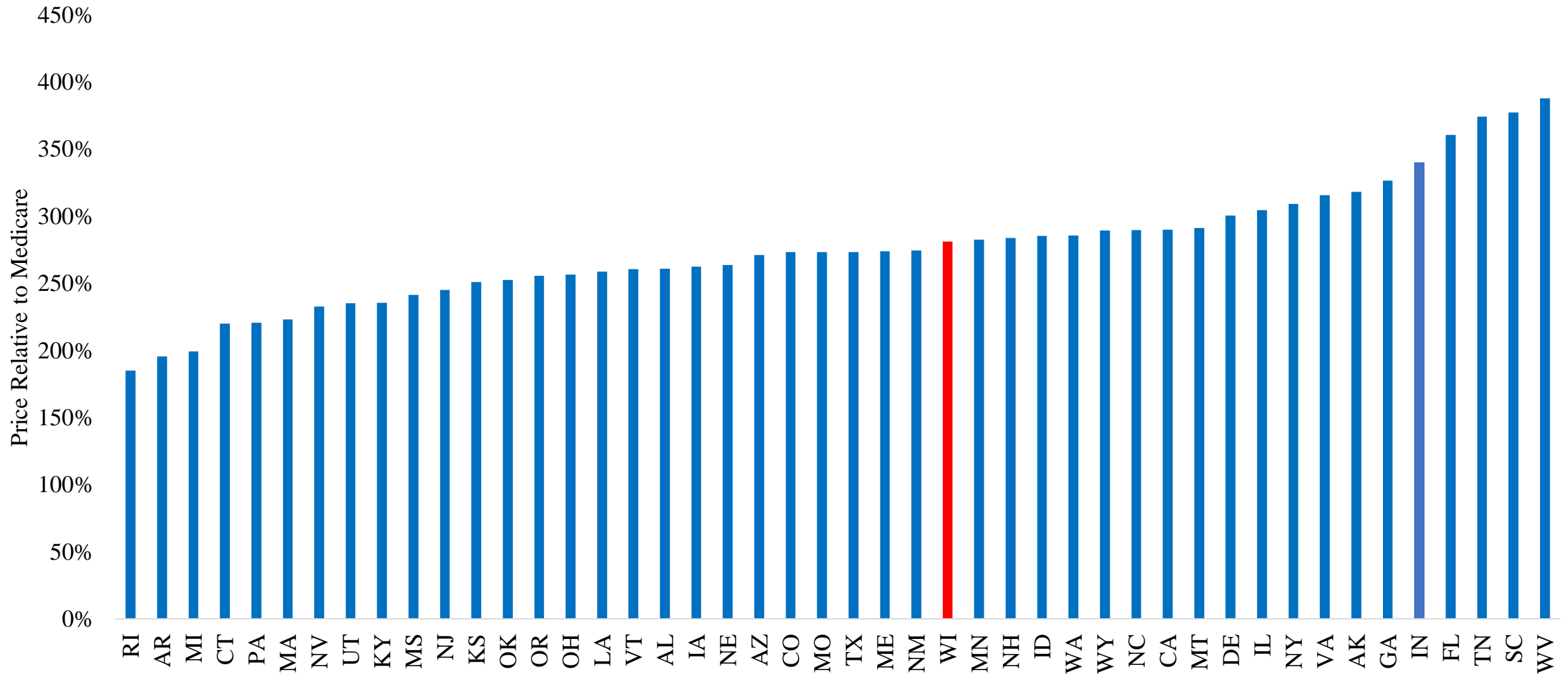
Commercial prices relative to Medicare have increased steadily



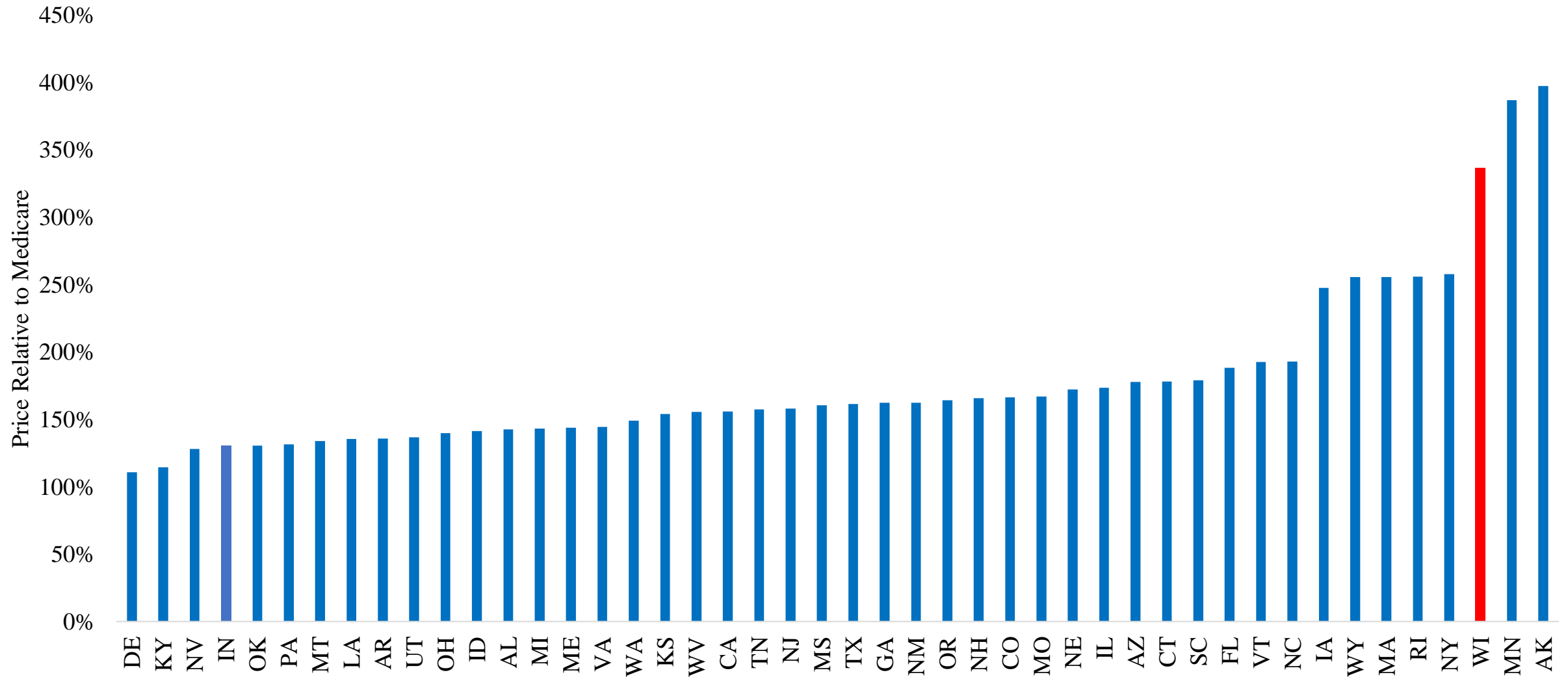
Commercial prices relative to Medicare vary widely across states



Facility prices relative to Medicare, by state:



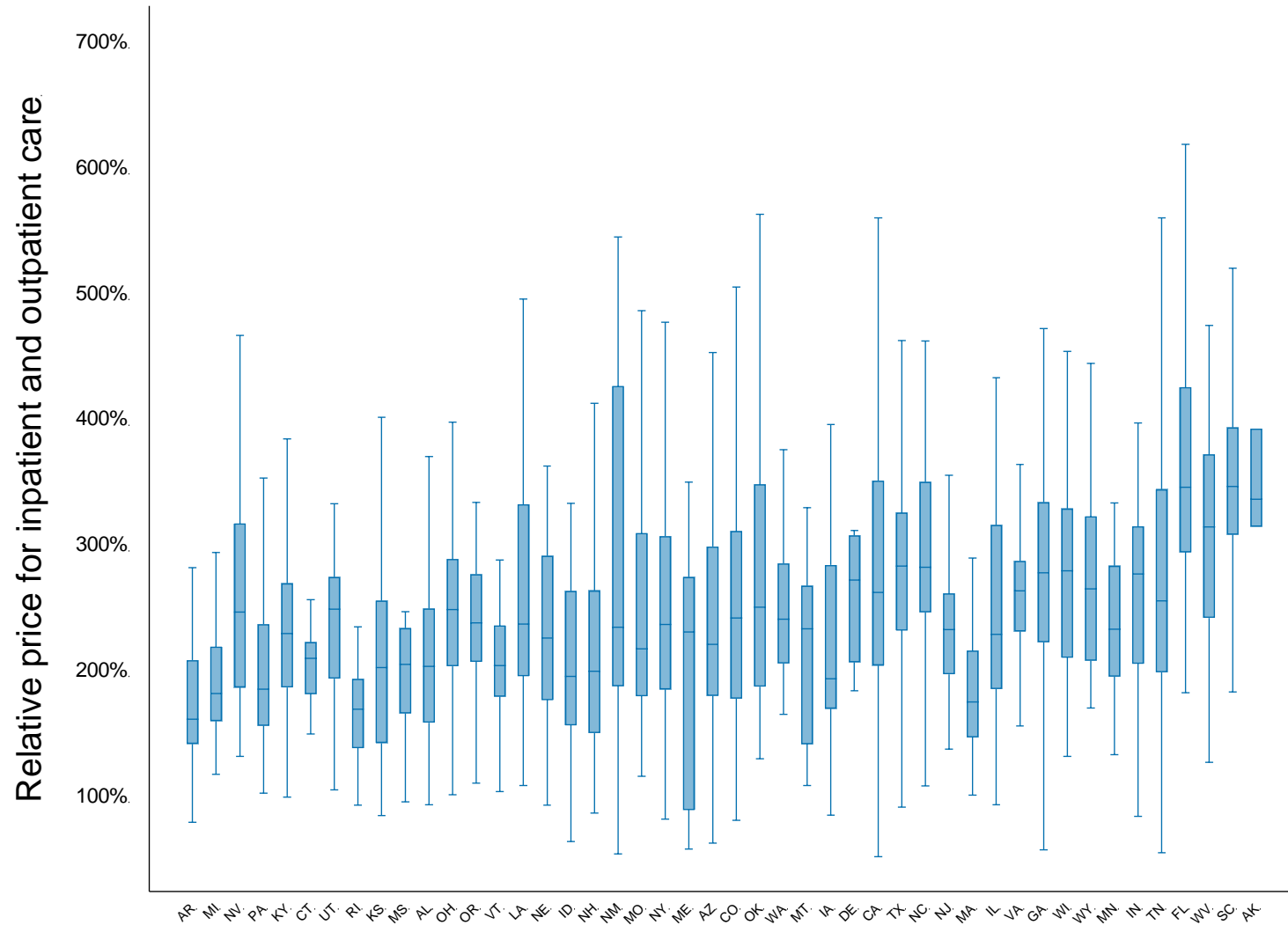
Professional prices relative to Medicare, by state:



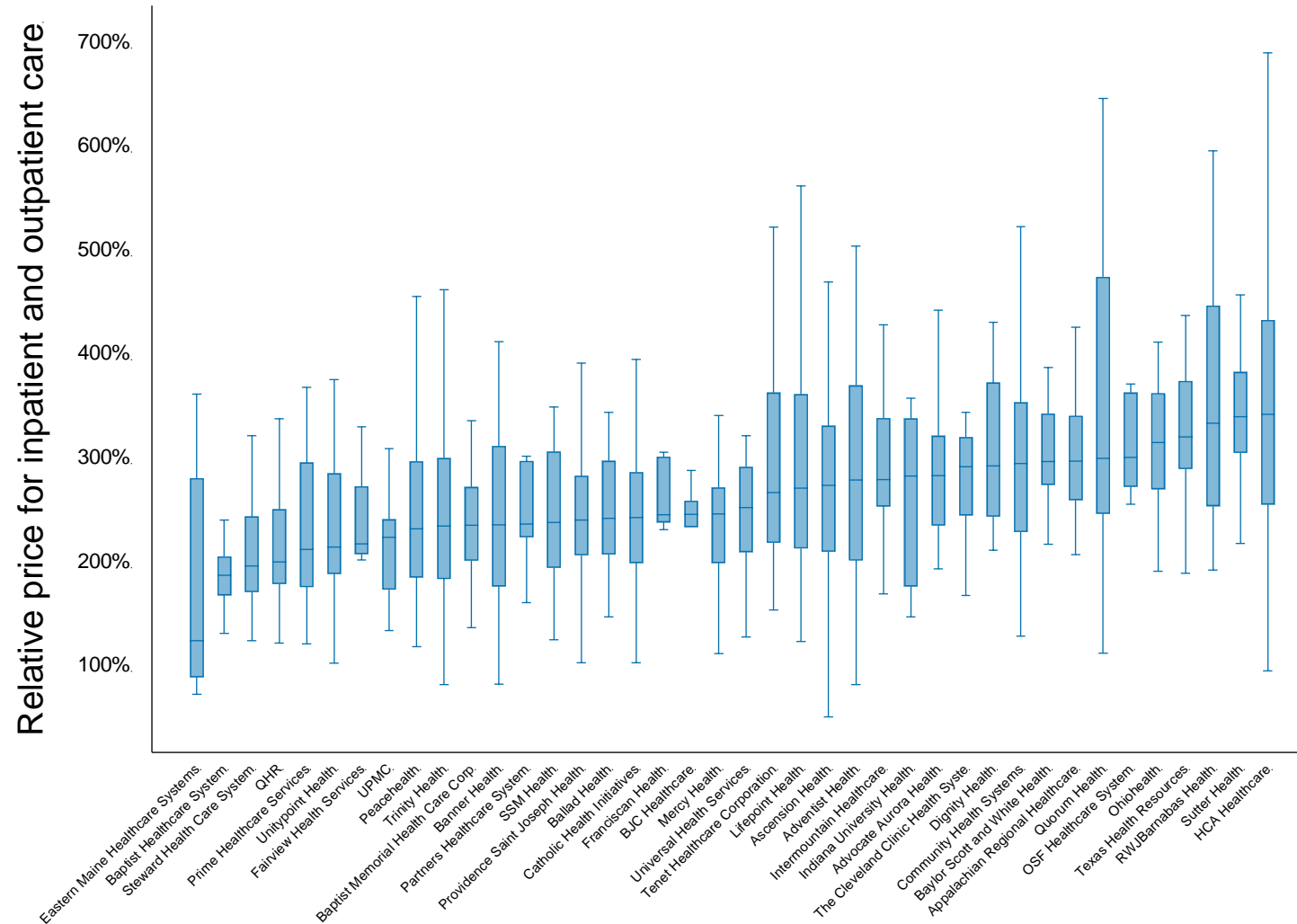
In many states, there is a gap between professional and facility fees



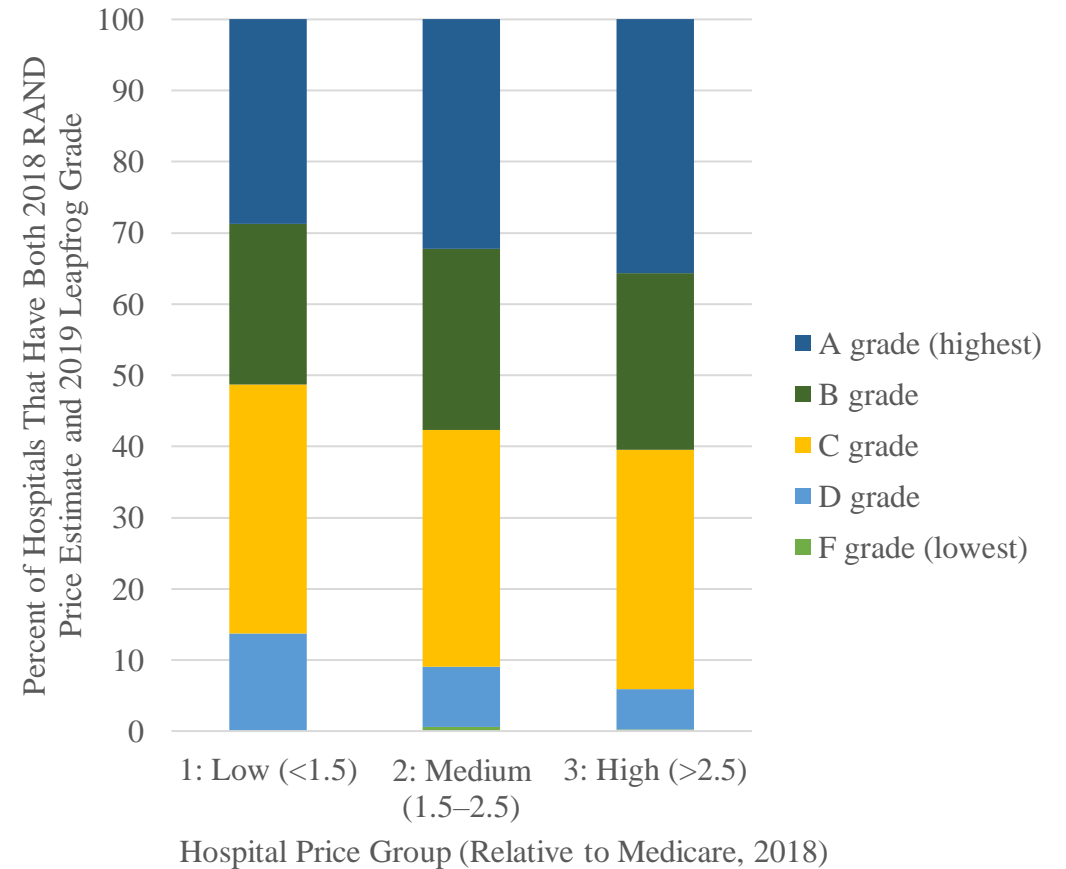
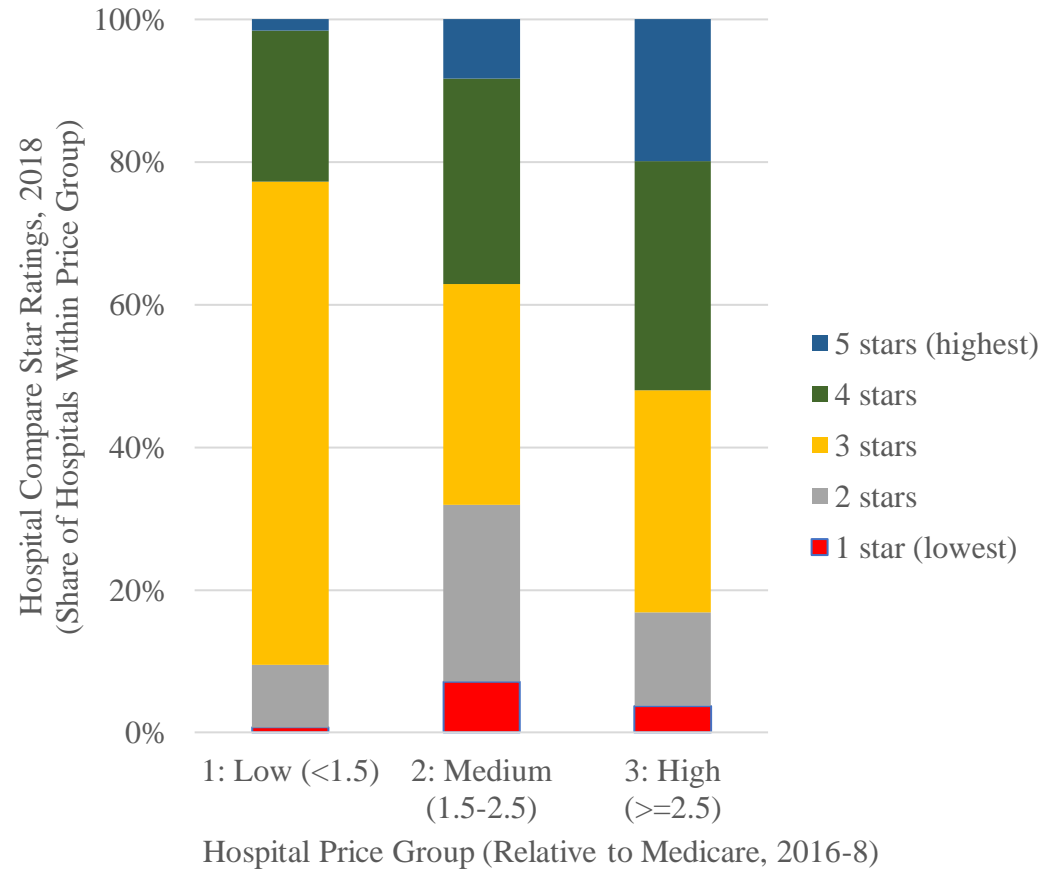
Prices vary widely within states



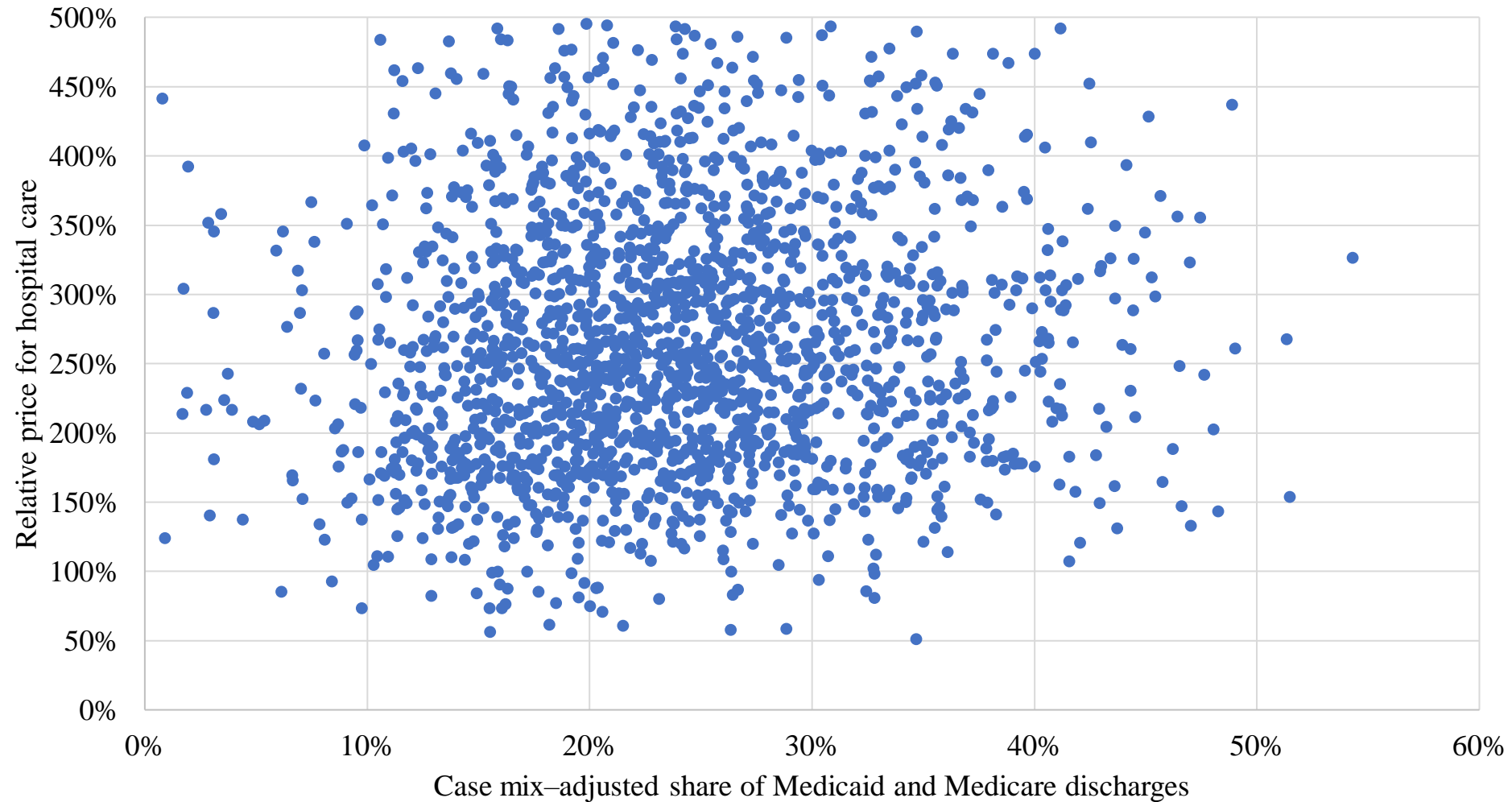
And also within hospital systems



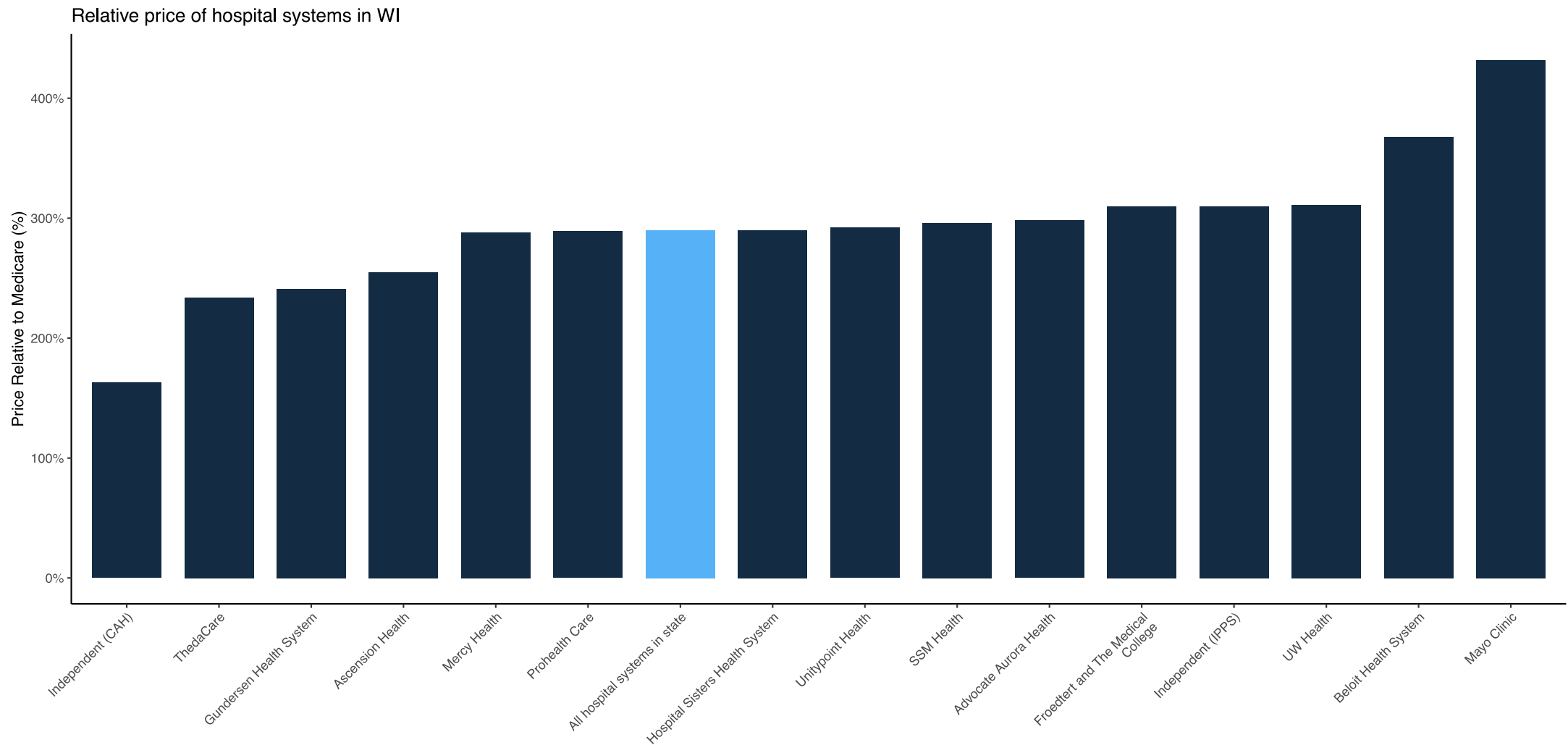
Some link between price and quality, but many high quality hospitals with low prices



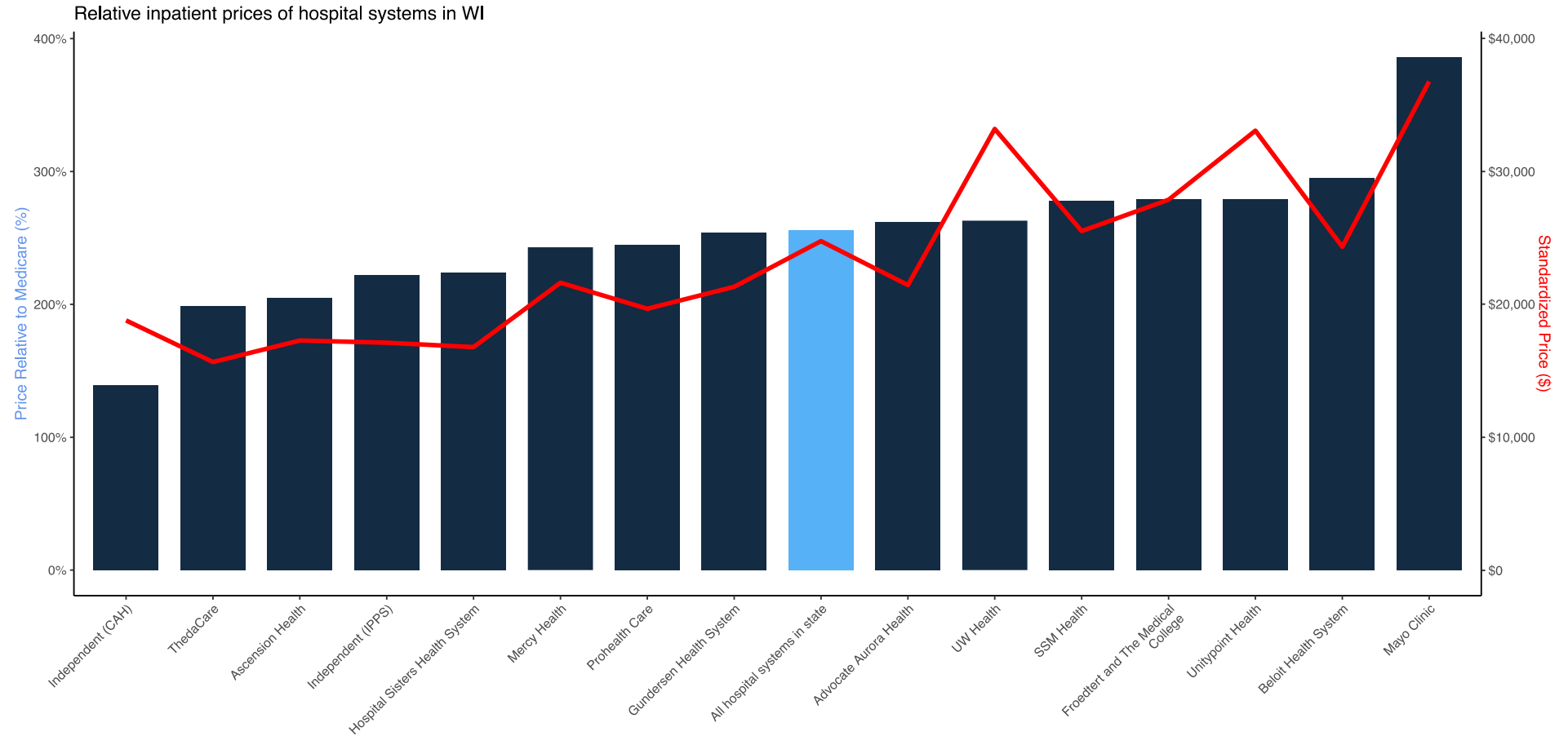
Patient mix doesn't explain price variation



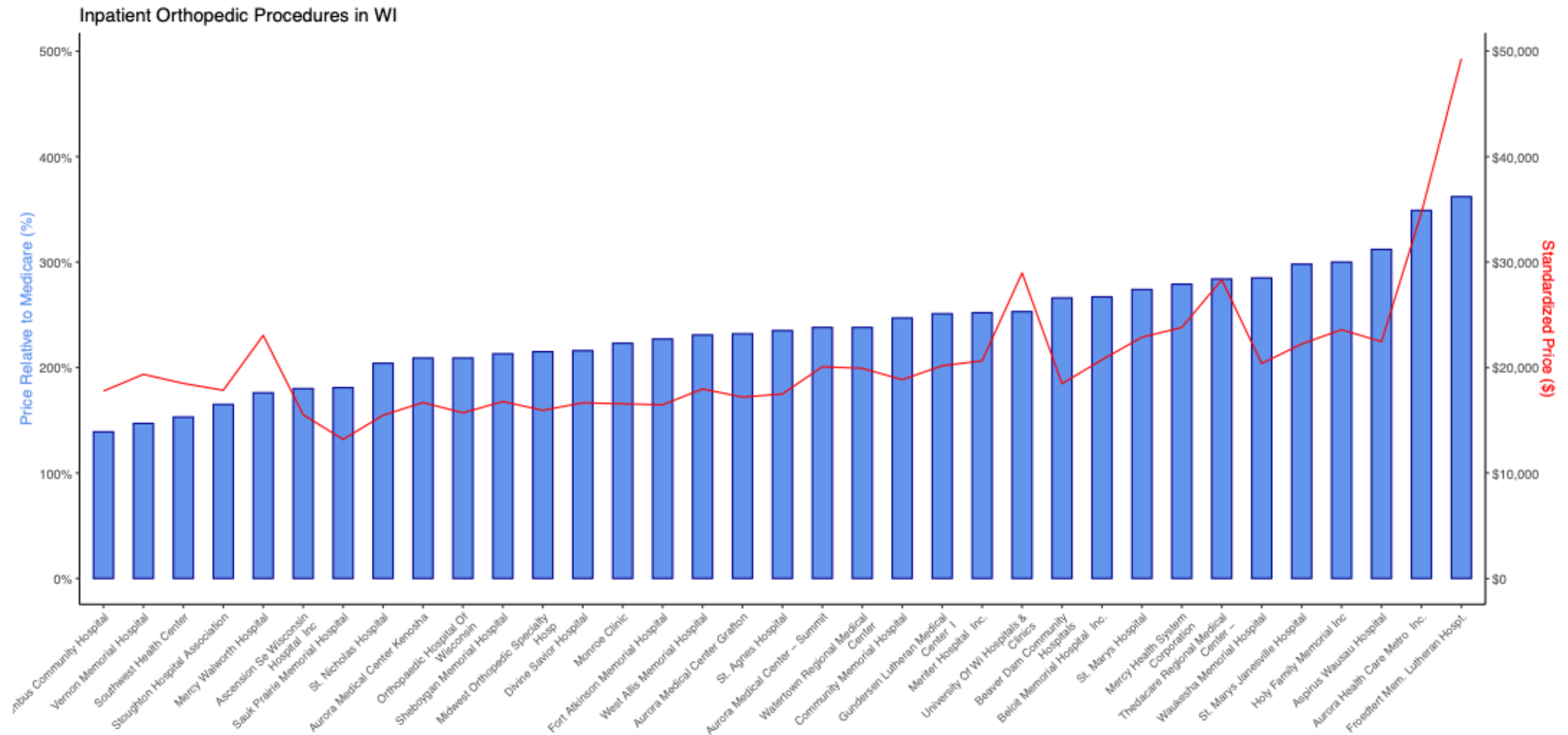
Wisconsin hospital system prices: inpatient + outpatient



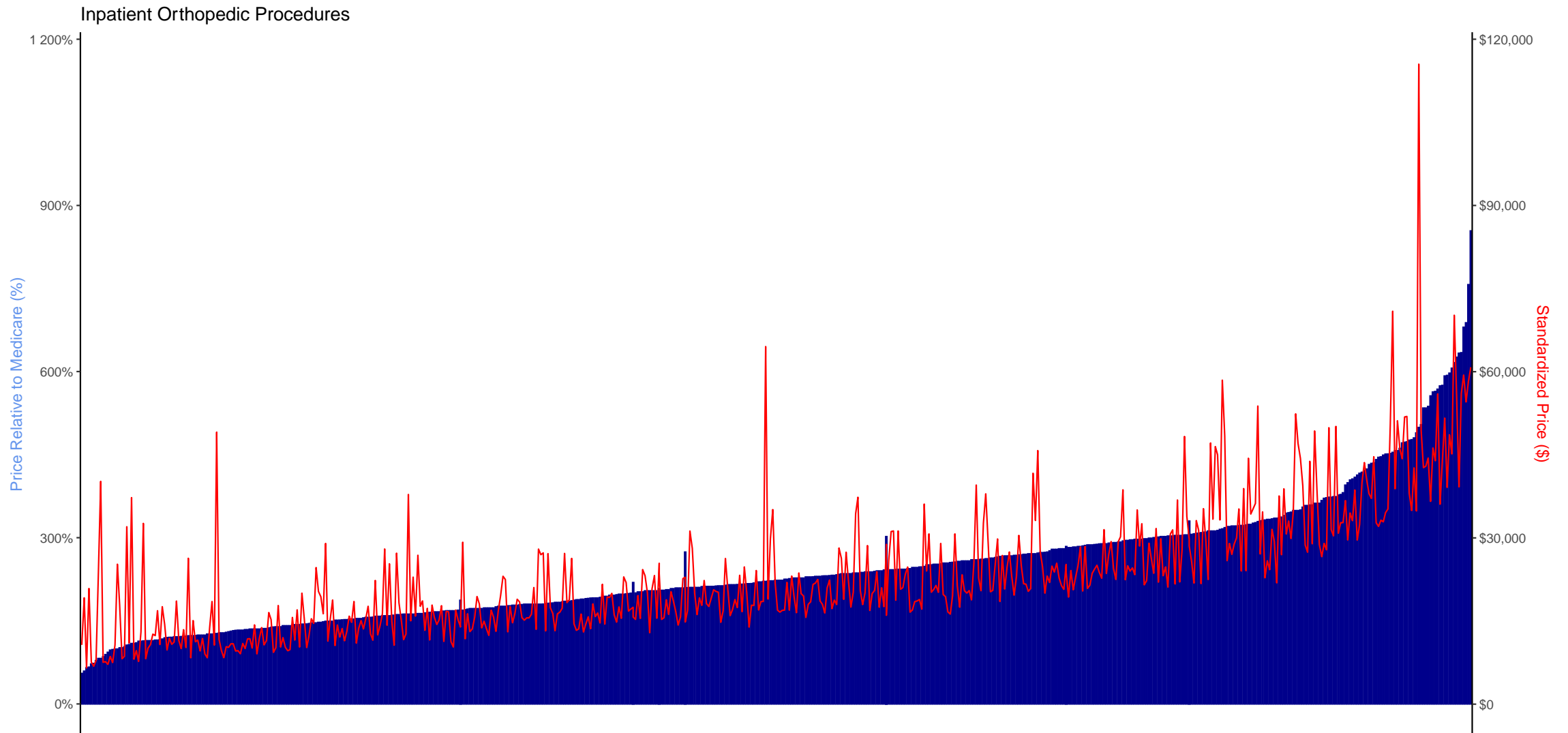
Wisconsin hospital system prices: Inpatient



Wisconsin hospital prices: inpatient orthopedic



US hospital prices: inpatient orthopedic



Outline

Background

Study approach

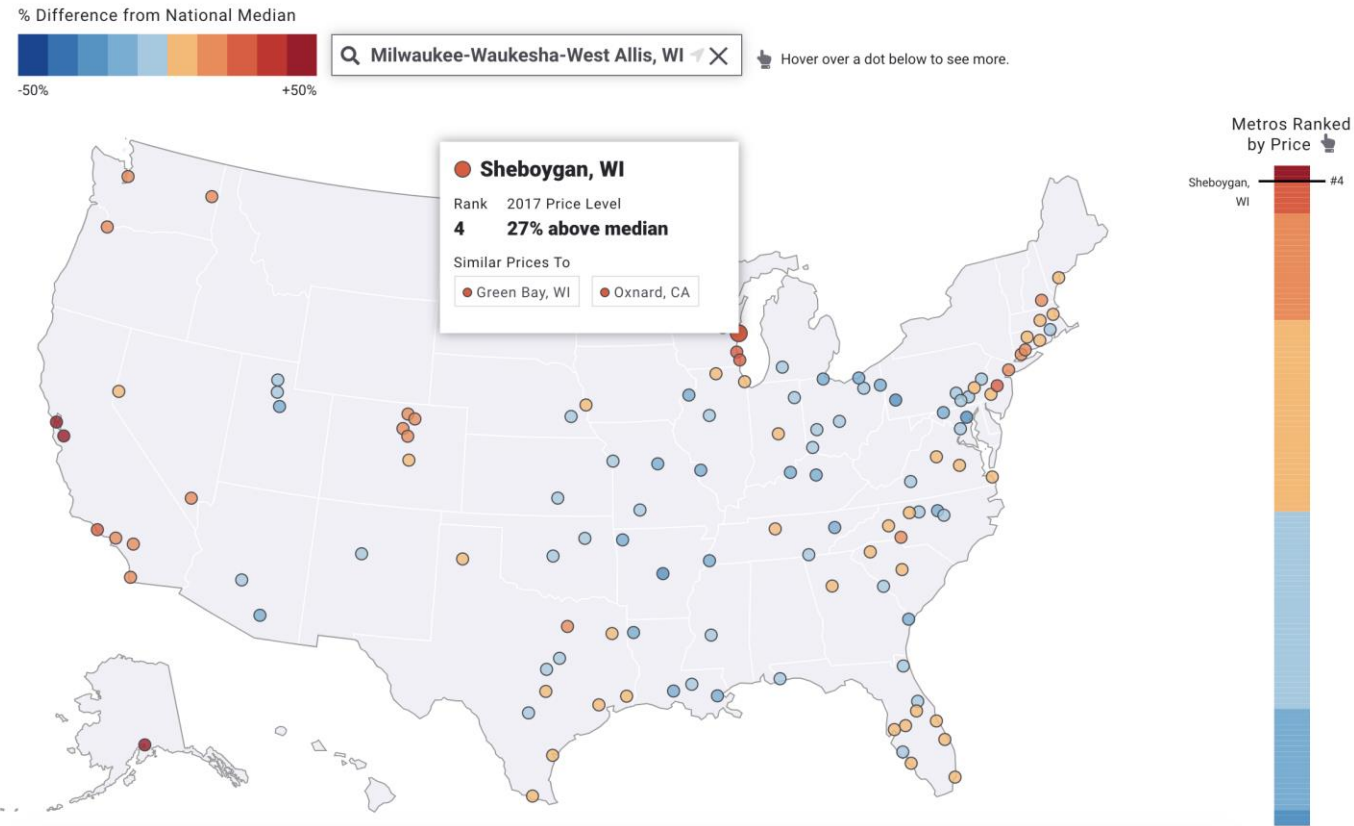
Study findings

— **Comparison to other studies**

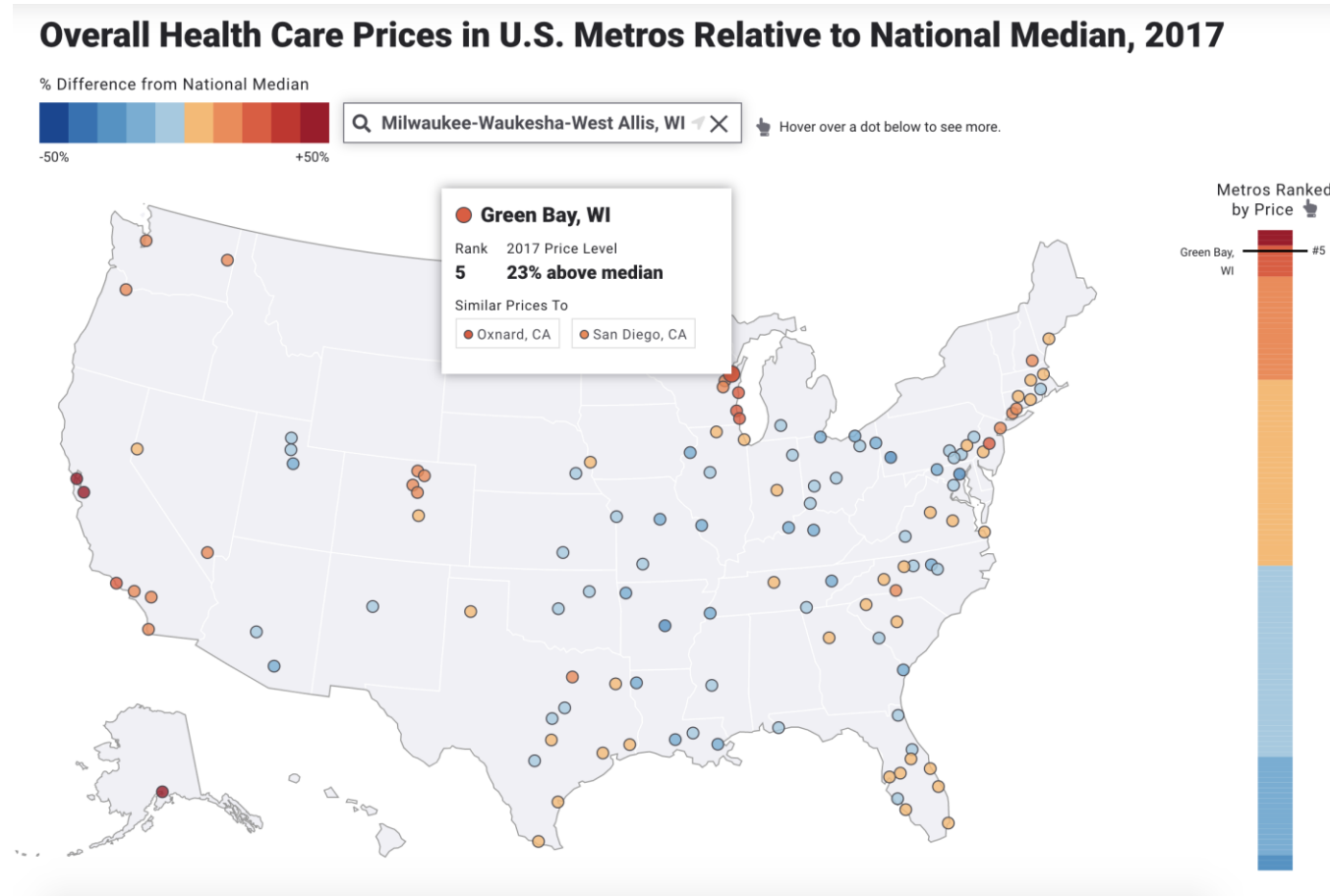
Implications & conclusions

Another Data Source—HCCI Health Marketplace Index

Overall Health Care Prices in U.S. Metros Relative to National Median, 2017



Another Data Source—HCCI Health Marketplace Index



Another Data Source—HCCI Health Marketplace Index

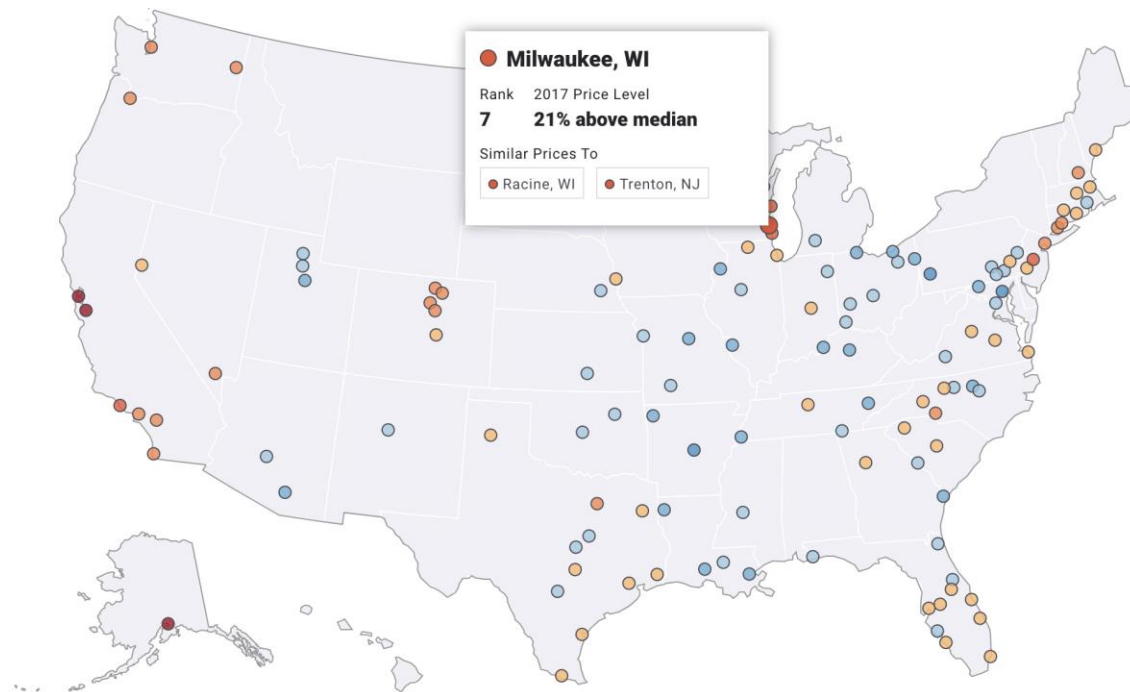
Overall Health Care Prices in U.S. Metros Relative to National Median, 2017

% Difference from National Median

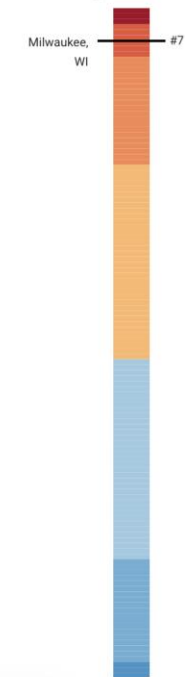


Q Milwaukee-Waukesha-West Allis, WI

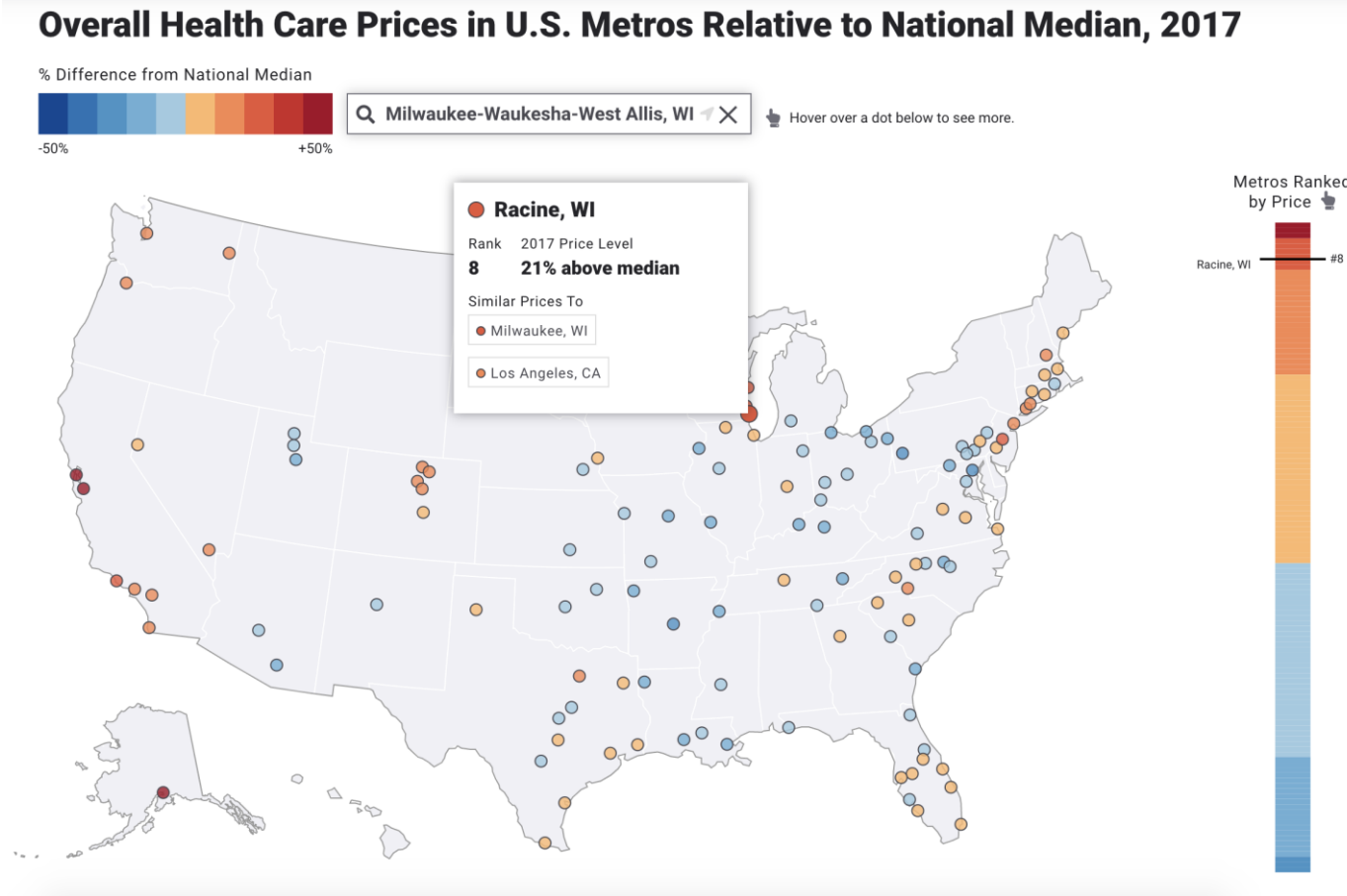
Hover over a dot below to see more.



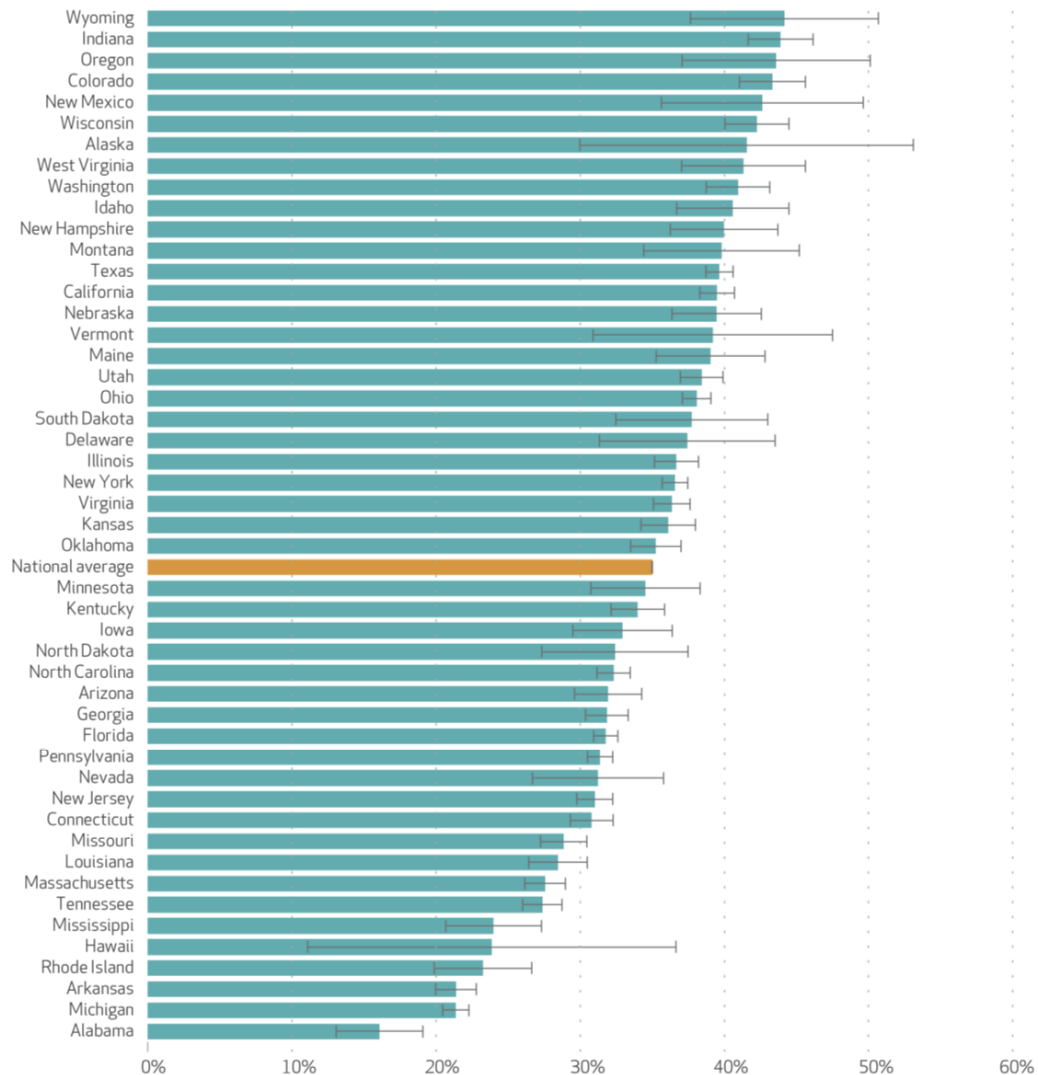
Metros Ranked by Price



Another Data Source—HCCI Health Marketplace Index

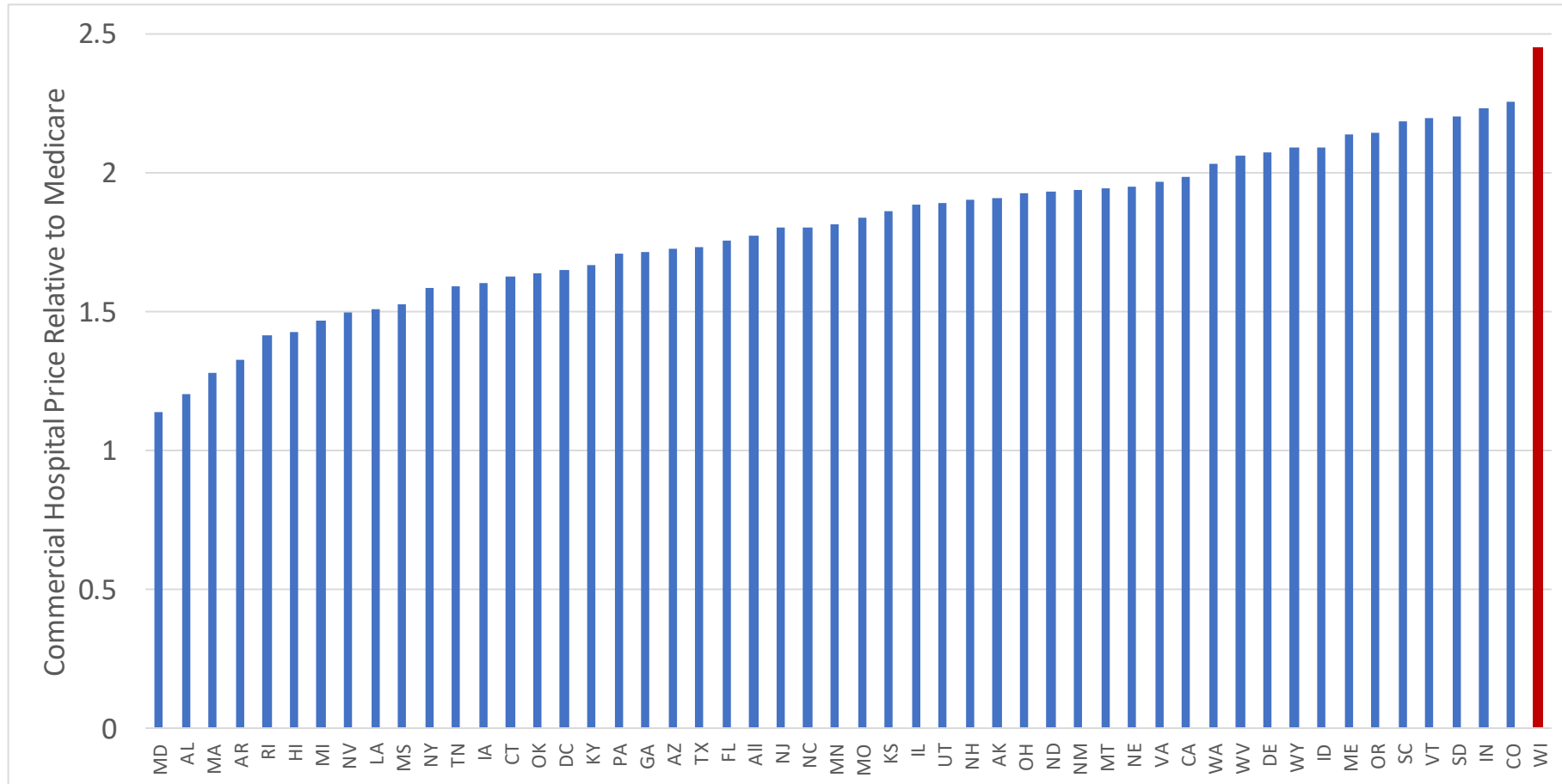


Another Data Source—Health Affairs Study



- Chernew and colleagues (2020) *Health Affairs*
- Wisconsin sixth highest state for Medicare-commercial price gap

Another Data Source—Medicare Hospital Cost Reports



Outline

Background

Study approach

Study findings

Comparison to other studies

— **Implications & conclusions**

How can employers use price transparency?



Employers are collecting information about prices

- The Colorado Business Group on Health used RAND 2.0 data to produce a report on value of Colorado hospitals
- The report 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

And they're citing RAND's study in their negotiations



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

Role for state and federal policymakers

Market structure limits ability for employer innovation

- many markets have limited provider options
- 70% of U.S. markets are concentrated (HCCI, 2019)

Employers can also push for regulatory reforms

- all-payer claims databases
- policies that promote competition and eliminate gag clauses
- limits on out-of-network charges
- all-payer or global budget programs

Unanswered Questions

- What has happened since 2018?
- How has COVID-19 impacted prices?
- What effects do market structure differences have on prices?
- Have employer innovations led to lower prices?

RAND 4.0

- Enrollment details: <https://employerptp.org/enroll/>

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

Christopher Whaley
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Questions & Answers

- Please type your questions in the webinar chat box
- Any questions not addressed in today's session, will be answered in the webinar follow-up

Thank you!

Call to Action

- **Employers**

- **Submit** your claims data for RAND 4.0 – easy process
 - [RAND homepage](#)
 - [Contact page to enter your information if interested in submitting data](#)
 - [Hospital Price Transparency Study FAQs](#)
- **Lend** your employer voice to efforts to improve health care value in Wisconsin
- **Join** your regional employer coalitions and encourage other employers to do the same
- **Engage** with other quality and cost transparency initiatives (e.g.; [Wisconsin Health Information Organization](#); [Wisconsin Collaborative for Health Care Quality](#))
- **Use** the data to:
 - Reward physicians and hospitals providing high value health care

Call to Action

- **Providers/Health Systems**

- **Work** toward great cost efficiency
- **Collaborate** with employers and health plans to meet the shared goals of affordability and access to highest quality care
- **Engage** with other quality and cost transparency initiatives (e.g.; [Wisconsin Health Information Organization](#); [Wisconsin Collaborative for Health Care Quality](#))

- **Health Plans**

- **Facilitate** the evolution through greater data sharing, value-based contracting strategies and elimination of barriers to positive change

- **Broker/Consultants**

- **Encourage** clients to participate in RAND 4.0
- **Assist** clients in meeting their employer fiduciary responsibilities

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Thank You!

Christopher Whaley, RAND Corporation

Aon, Fond du Lac Area Businesses on Health, Hays Companies and Lockton Companies

