Employers Taking Action to Improve Hospital Transparency

National Alliance for Health Care Purchasers Coalition
July 9, 2019

National Alliance of Healthcare Purchaser Coalitions
Driving Innovation, Health and Value

EMPLOYERS' FORUM OF INDIANA

Speakers

Gloria Sachdev, Pharm.D.
President & CEO, Employers' Forum of Indiana

Michael Thompson
President & CEO, National Alliance of Healthcare Purchaser Coalitions

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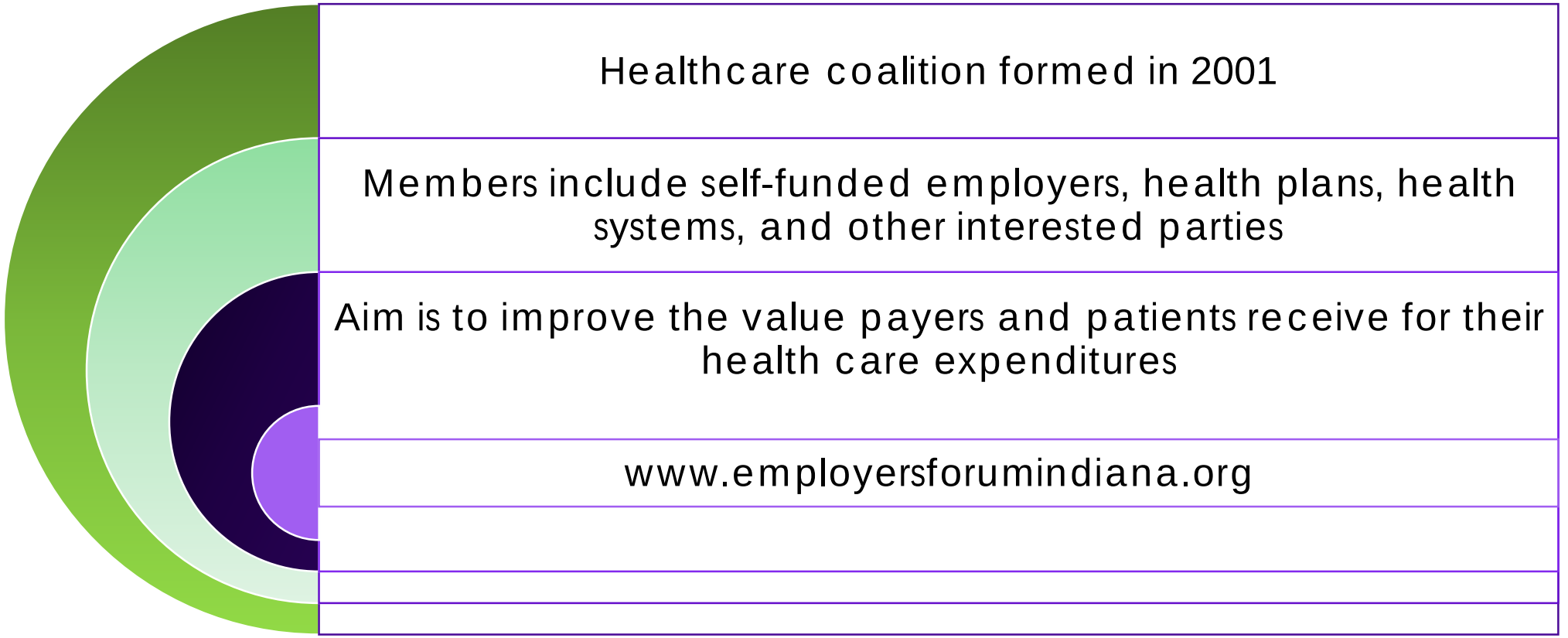
The contents represent the views of the authors and not the organization or it's funders

ABOUT THE EMPLOYERS' FORUM OF INDIANA



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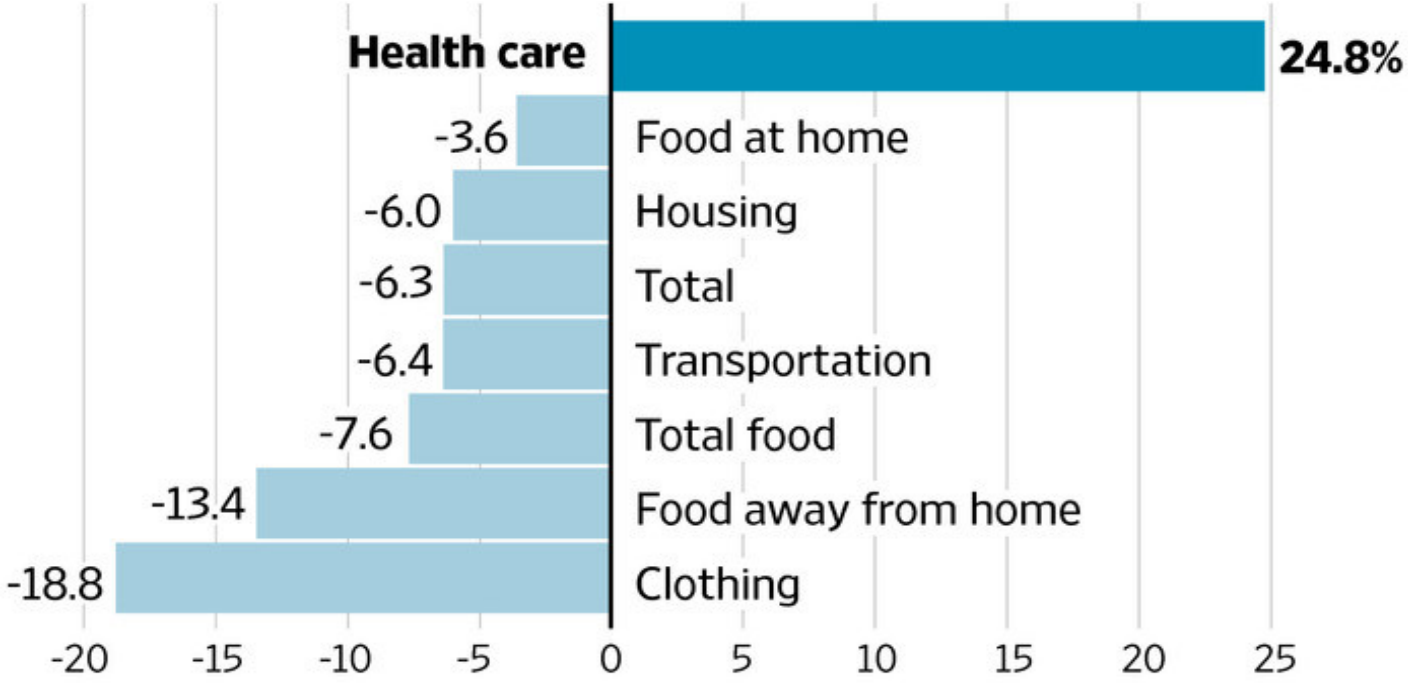
MEMBERS OF THE EMPLOYERS' FORUM OF INDIANA

- Anthem Blue Cross and Blue Shield
- AON
- American Health Network
- Assured Partners
- **Barnes and Thornburg**
- Castlight Health
- **Chrysler (FCA)**
- Columbus Regional Hospital
- Community Health Network
- **Cummins Inc.**
- Deaconess Hospital
- **Eli Lilly and Company**
- Encore Health
- Eskenazi Health
- **Fort Wayne Community School Corp**
- Franciscan Alliance
- Gregory & Appel
- **Healthcare Options**
- **Indiana Farm Bureau**
- **Indiana State Teachers Union**
- Indiana Health Information Exchange
- Indiana Rural Health Association
- **Indiana University**
- Indiana University Health
- **Ivy Tech**
- JA Benefits
- LHD Benefit Advisors
- Mercer
- Merck (affiliate)
- **Monarch Beverage**
- Northwest Radiology
- **OneAmerica**
- OneBridge
- Ortho Indy
- Our Health Inc.
- Parkview Health
- **Purdue University**
- **Roman Catholic Archdiocese of Indianapolis**
- **Roche & Genentech**
- St. Vincent Health
- **State of Indiana**
- Suburban Health Organization
- **The Henriott Group**
- **Tippecanoe School Corp.**
- TrueRx
- United Healthcare
- Young at Heart Pharmacy

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)



Sources: Brookings Institution analysis of Consumer Expenditure Survey, Labor Department

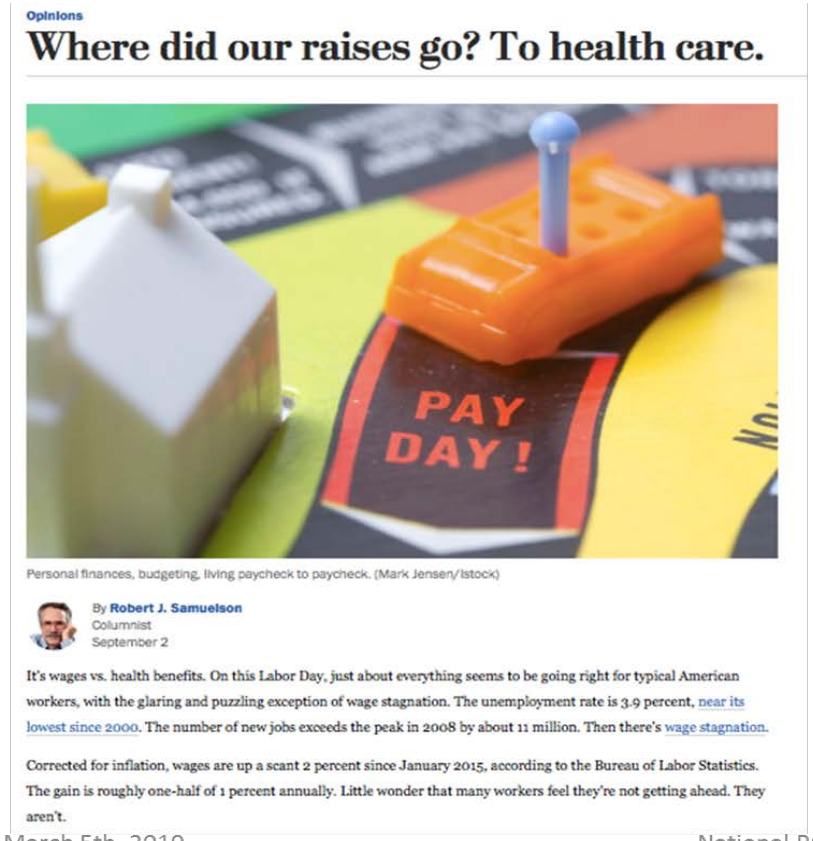
THE WALL STREET JOURNAL.

The Health Market Place:

Providing a Failing Value-Proposition

EXPLODING HEALTHCARE COSTS

EDGING OUT SALARY GROWTH & ECONOMIC DEVELOPMENT



Opinions

Where did our raises go? To health care.

Personal finances, budgeting, living paycheck to paycheck. (Mark Jensen/Istock)

By **Robert J. Samuelson**
Columnist
September 2

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 3.9 percent, near its lowest since 2000. The number of new jobs exceeds the peak in 2008 by about 11 million. Then there's wage stagnation.

Corrected for inflation, wages are up a scant 2 percent since January 2015, 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.

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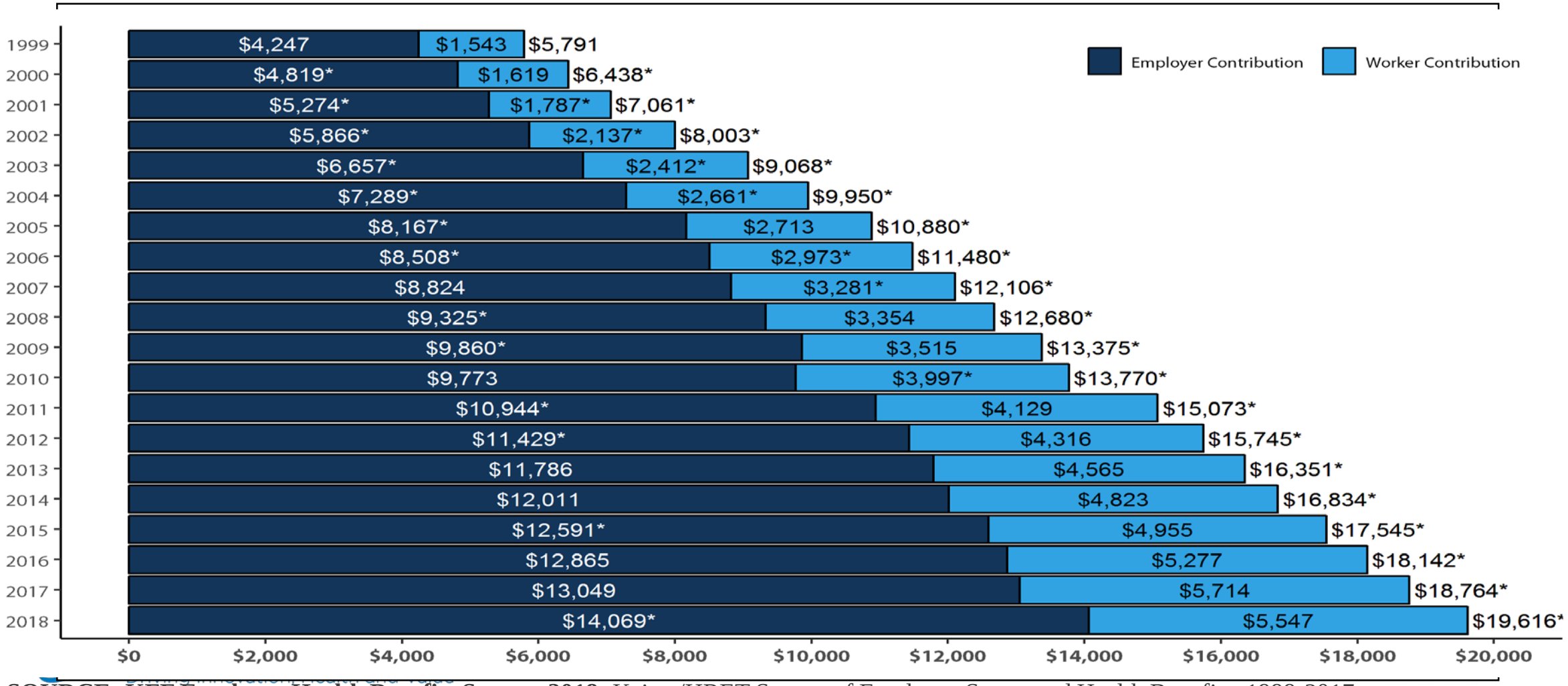
THE PROBLEM: EMPLOYER PREMIUMS HAVE RISEN, AND SO HAVE EMPLOYEE CONTRIBUTIONS.



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

OUR GOAL IS TO IMPROVE VALUE, WHERE VALUE INCLUDES COST AND QUALITY

$$\textbf{BEST Value} = \frac{\textbf{High Quality}}{\textbf{Cost}}$$

where Cost = Price + Quantity

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QUESTIONS THE FORUM AIMED TO ANSWER

Part A:

-Are hospital prices high in Indiana?

-How do prices compare among our hospitals?

-Where can we find good value?

-What is our trend?

Part B:

-How do our prices compare to those in other states?

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PARTNERSHIP BETWEEN THE EMPLOYERS' FORUM OF INDIANA AND RAND

FORUM's Role:

- commission and partner with RAND Corp to conduct Round 1.0, Round 2.0, and Round 3.0 analyses per MOU
- co-develop study design
- co-recruit nationally for study participation

RAND's Role:

- conduct all study analyses
- prepare study final reports and supplemental material
- co-develop study design
- co-recruit nationally for study participation

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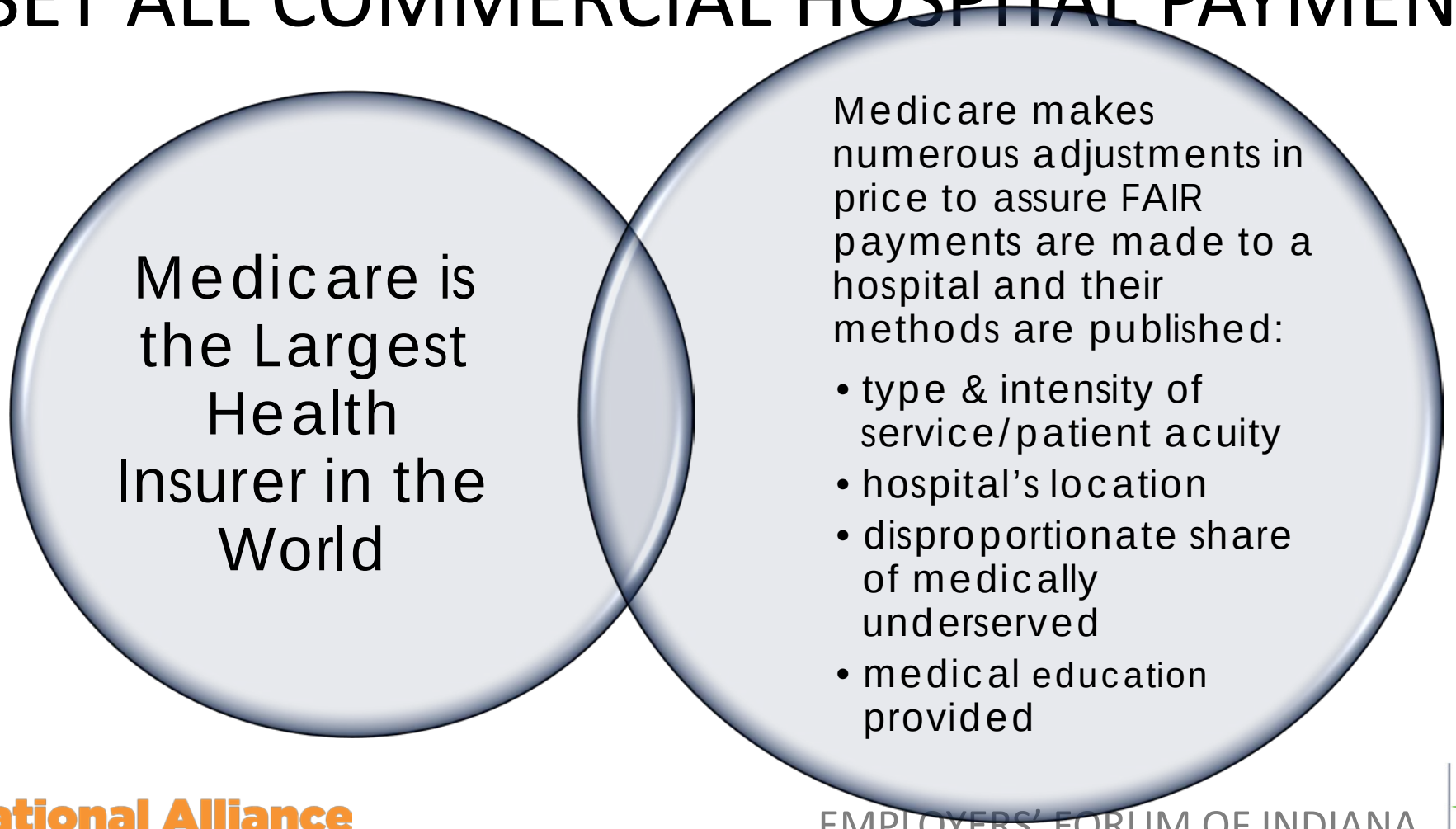
QUESTION-PART A: ARE HOSPITAL PRICES HIGH IN INDIANA? PRICE TRANSPARENCY ANALYSIS

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

THE RATIONALE FOR USING MEDICARE TO LEVEL SET ALL COMMERCIAL HOSPITAL PAYMENTS



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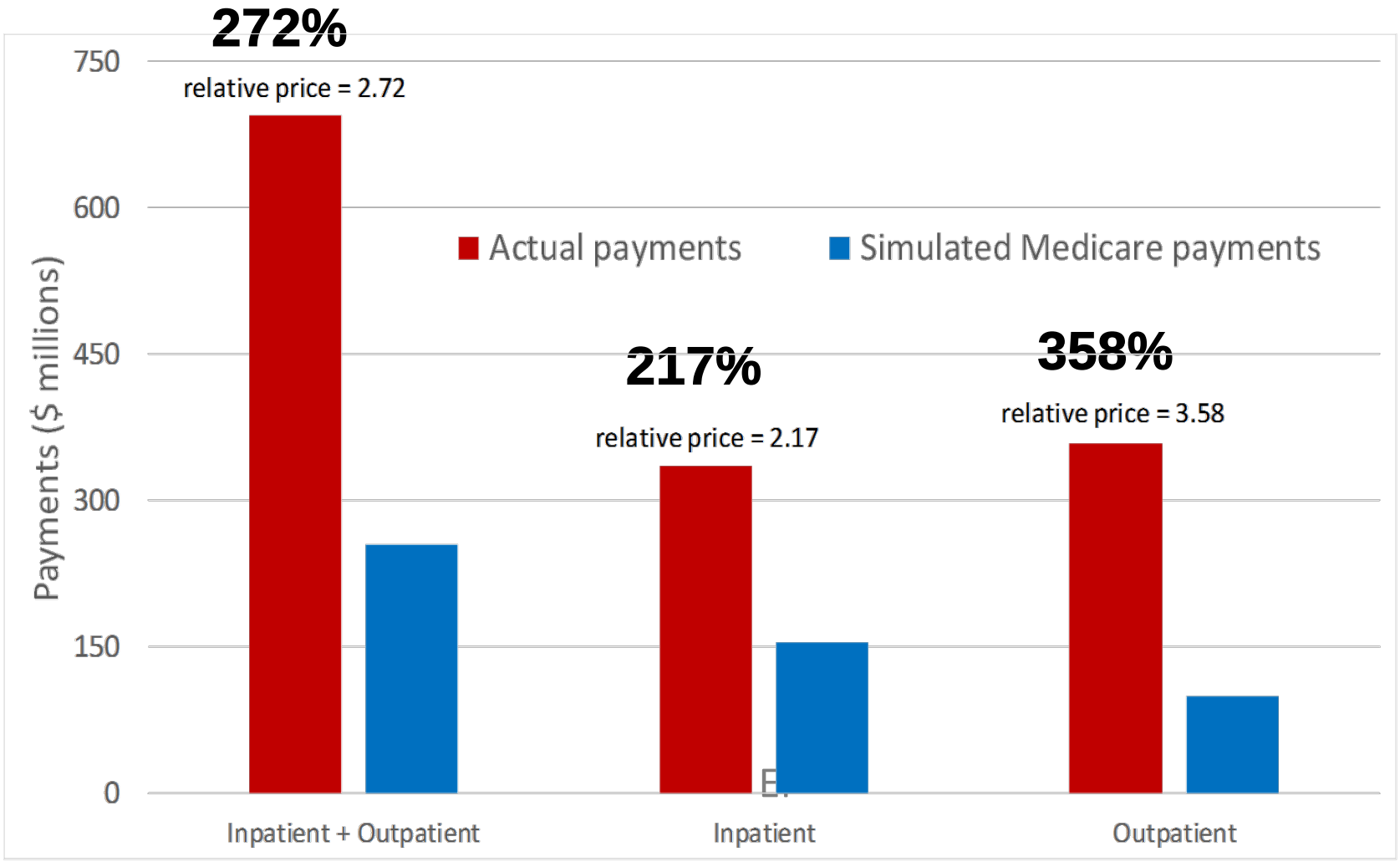
RAND STUDY 1.0 STUDY FINDINGS

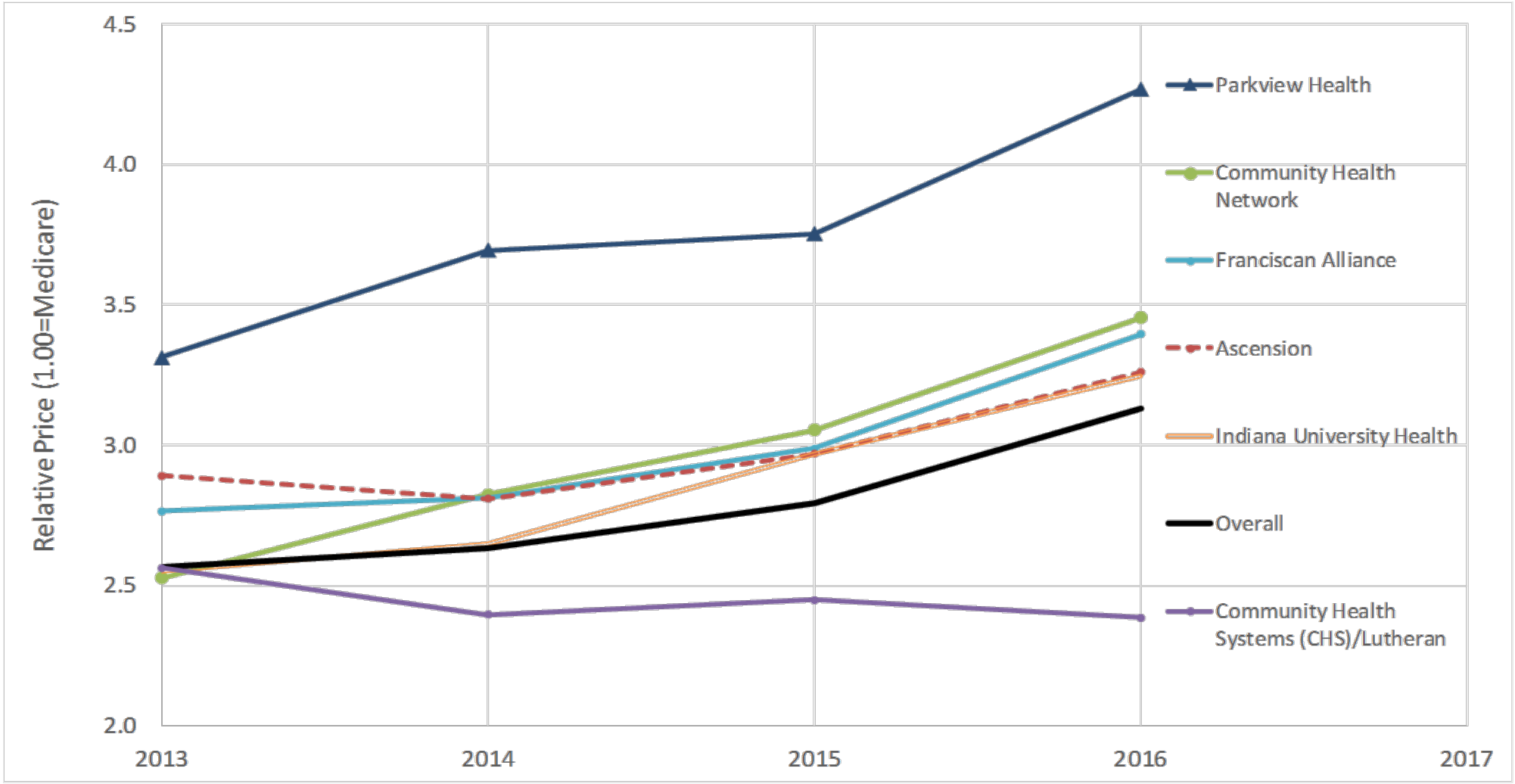
Indiana Commercial Hospital Allowable Prices Paid as a Percent of What Medicare Would Have Paid for the Same Services



Source: White, 2017, Hospital Prices in Indiana.

RAND 1.0 STUDY FINDINGS

Relative Prices are **Trending Up** Away From Medicare



Source: White, 2017, Hospital Prices in Indiana.

Part B: How Does Indiana Compare to other States: RAND 2.0 Study was Published on May 9, 2019

We have created a webpage that includes everything: RAND 2.0 National Hospital Price Transparency Report, Rand 2.0 Supplement Database, RAND 2.0 Interactive Map Tool, News, Sign up for RAND 3.0, FAQ for RAND 3.0 and more:
www.employerPTP.org

You may also find the full report and supplement database on the RAND website:
https://www.rand.org/pubs/research_reports/RR3033.html

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Our Study Made National & Local News…over 30 News Outlets, including:

- Many Hospitals Charge Double or Even Triple What Medicare Would Pay
  The New York Times, May 9, 2019
- Study: Employers Pay 240% More Than Medicare For Hospital Care
  Forbes, May 9, 2019
- What Employers Pay Hospitals Varies Widely, Study Finds
  Wall Street Journal, May 9, 2019
- Employer Health Plans Pay Hospitals 241% of What Medicare Would Pay
  Modern Healthcare, May 9, 2019
- Private Insurers Paid Hospital 241% of what Medicare Would Have
  HealthLeaders, May 9, 2019
- Private Plans Pay Hospital Prices 241% Higher Than Medicare, RAND Finds
  AJMC, May 9, 2019
- Private Insurers Pay Hospitals 2.4 Times What Medicare Pays
  Becker's Hospital Review, May 9, 2019
- Market Muscle: Study Uncovers Differences Between Medicare And Private Insurers
  Kaiser Health News, May 9, 2019
- Study: Indiana hospitals charge private health plans 311% of what Medicare would pay
  Indianapolis Business Journal, May 9, 2019

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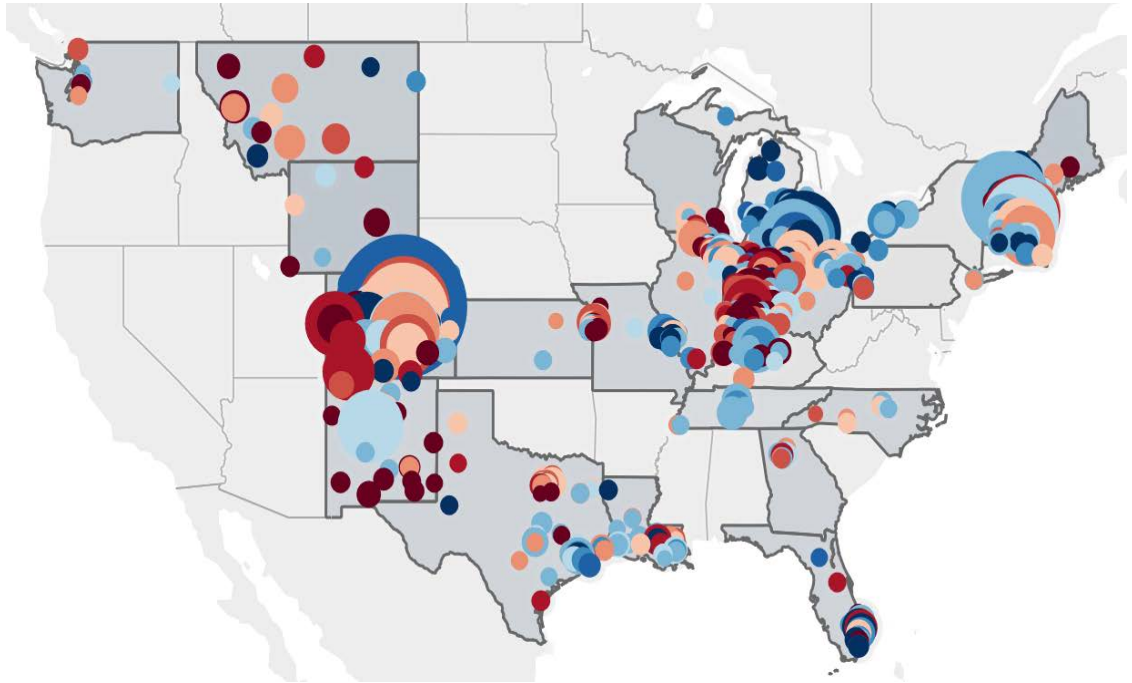
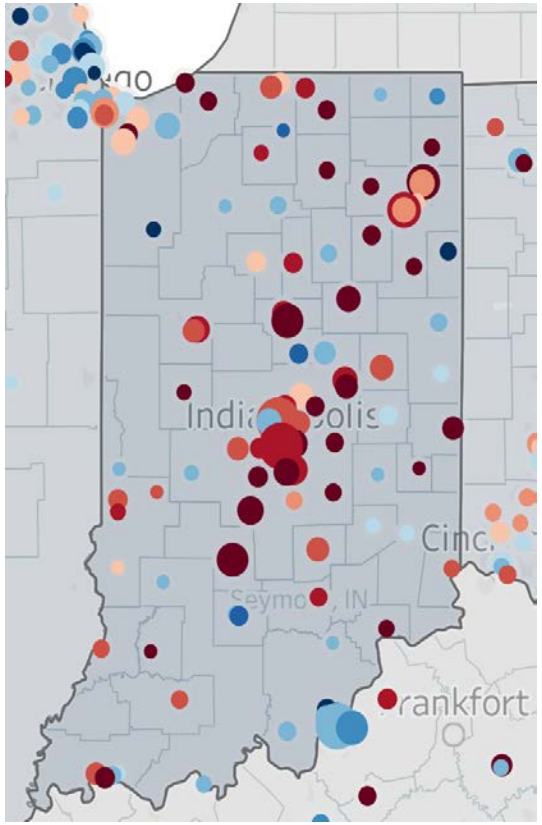
INTERACTIVE MAP OF US HOSPITAL PRICES

employerptp.org





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RAND 2.0 SUPPLEMENTAL STUDY DATABASE

FREELY AVAILABLE

Hospital name	Hospital Compare Star	Number of Outpt. services	Total Private Allowed Outpt. ($ millions	Simulated Medicare Outpt.	Relative price for Outpt. Services	Stand. price per Outpt. service	Number of Inpt. stays	Total Private Allowed Inpt. ($ millions	Simulated Medicare Inpt.	Relative price for Inpt. services	Stand. price per Inpt. stay	Total Private Inpt. and Outpt. (# millions)	Simulated Inpt. and Outpt. ($ millions)	Relative price for Inpt. and Outpt. services
Parkview Regional Medical Center	**3**	34863	30.1	5.8	**515%**	$353.93	2401	18.1	6.5	**280%**	$17,359	48.2	12.3	**392%**
Eskenazi Health	**4**	5494	1.0	.3	**332%**	$249.98	375	2.1	1.3	**157%**	$14,679	3.1	1.6	**189%**
Indiana University Health	**3**	61214	33.5	7.0	**475%**	$359.29	4431	52.8	21.1	**249%**	$24,954	86.2	28.2	**306%**

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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

RAND 2.0 NATIONAL HOSPITAL PRICE STUDY OF 25 STATES CONDUCTED BY RAND, COMMISSIONED BY EMPLOYERS' FORUM OF INDIANA

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

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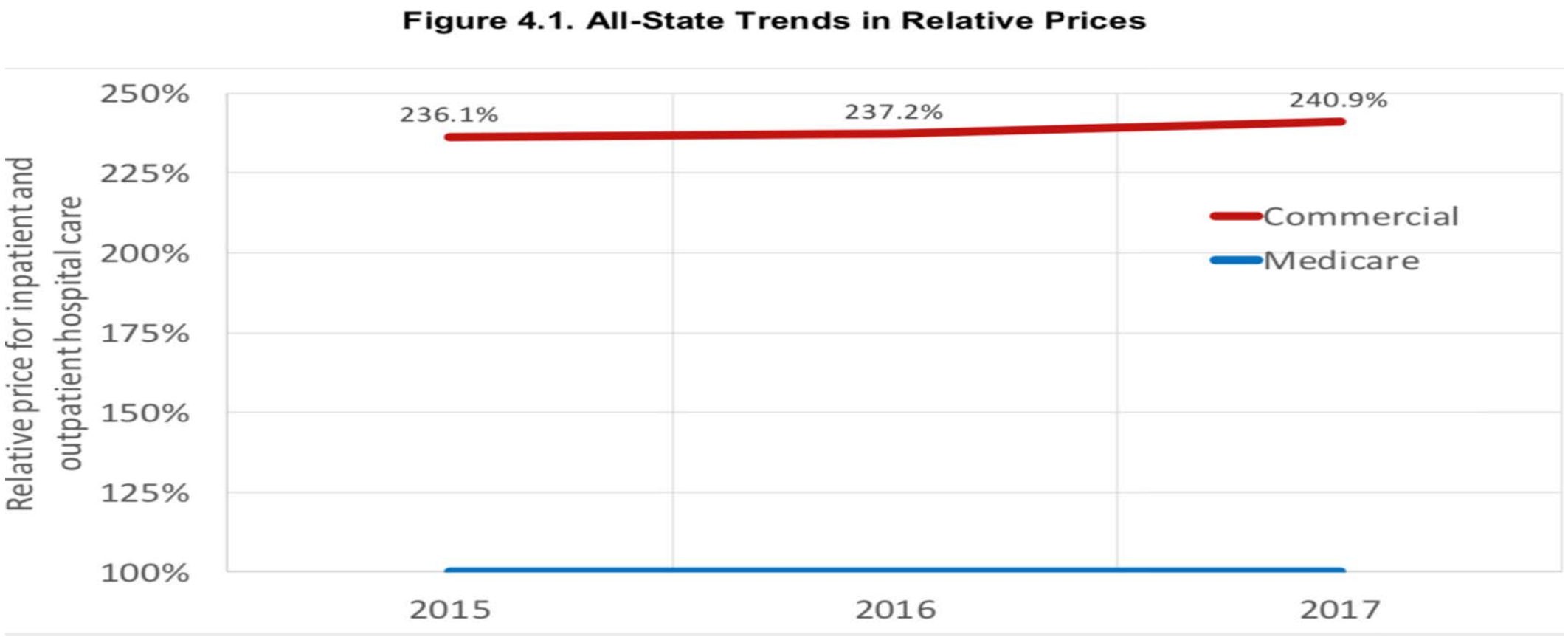
Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative

Across 25 States: Employer Health Plans Pay Hospitals 241% of What Medicare Would Pay and Overall Trend in Increasing



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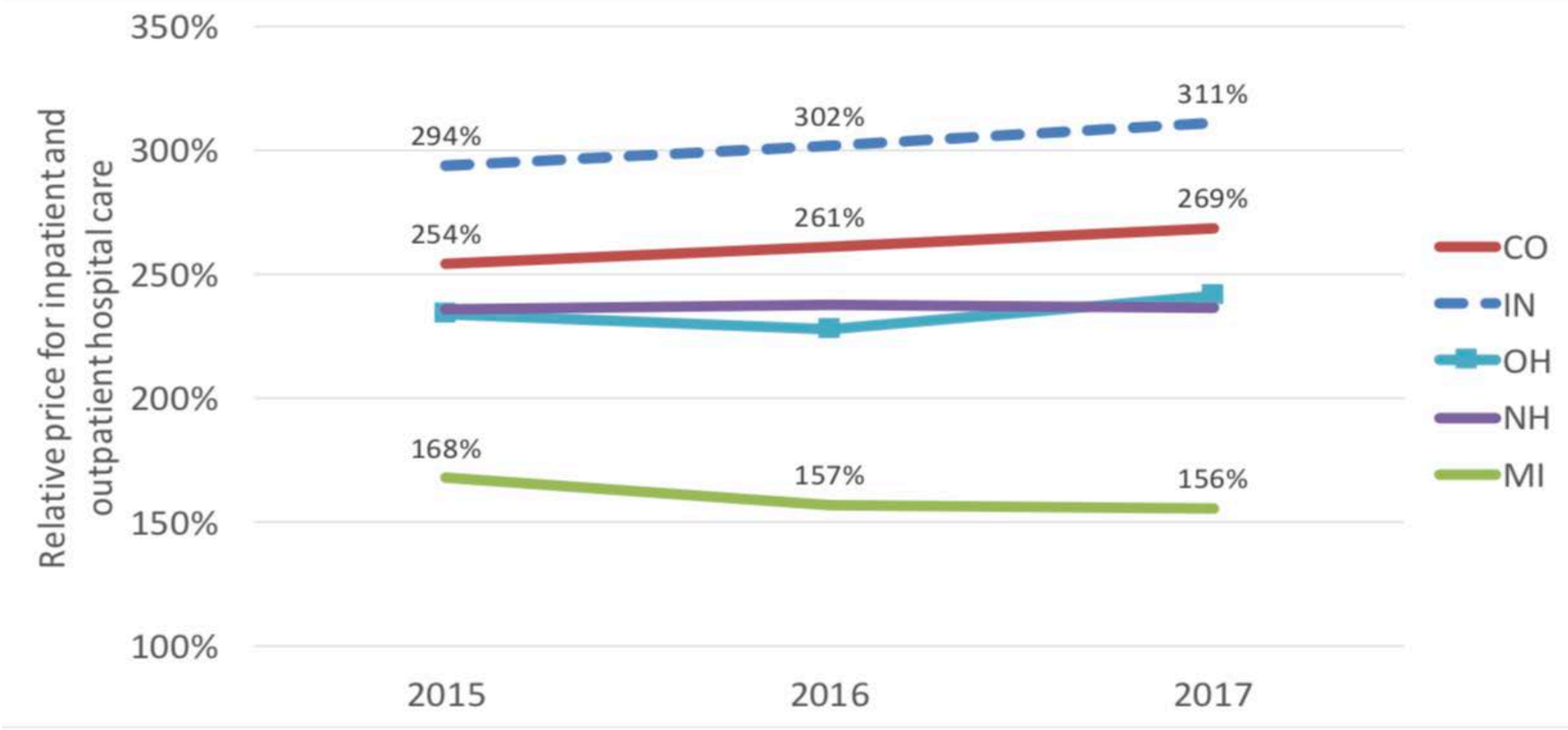
Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative

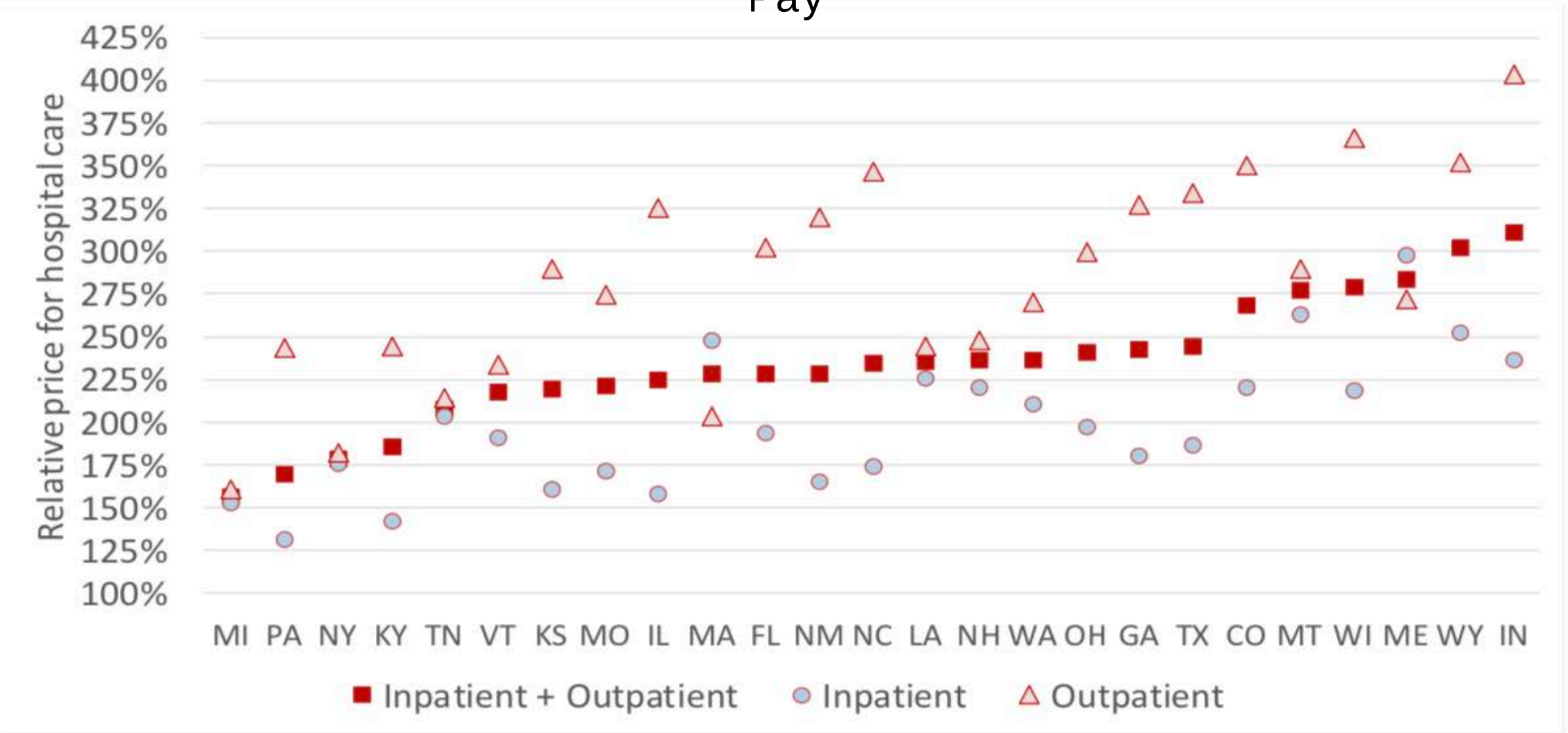
Commercial Relative Price TREND Varies at the State Level: Comparison of 5 States



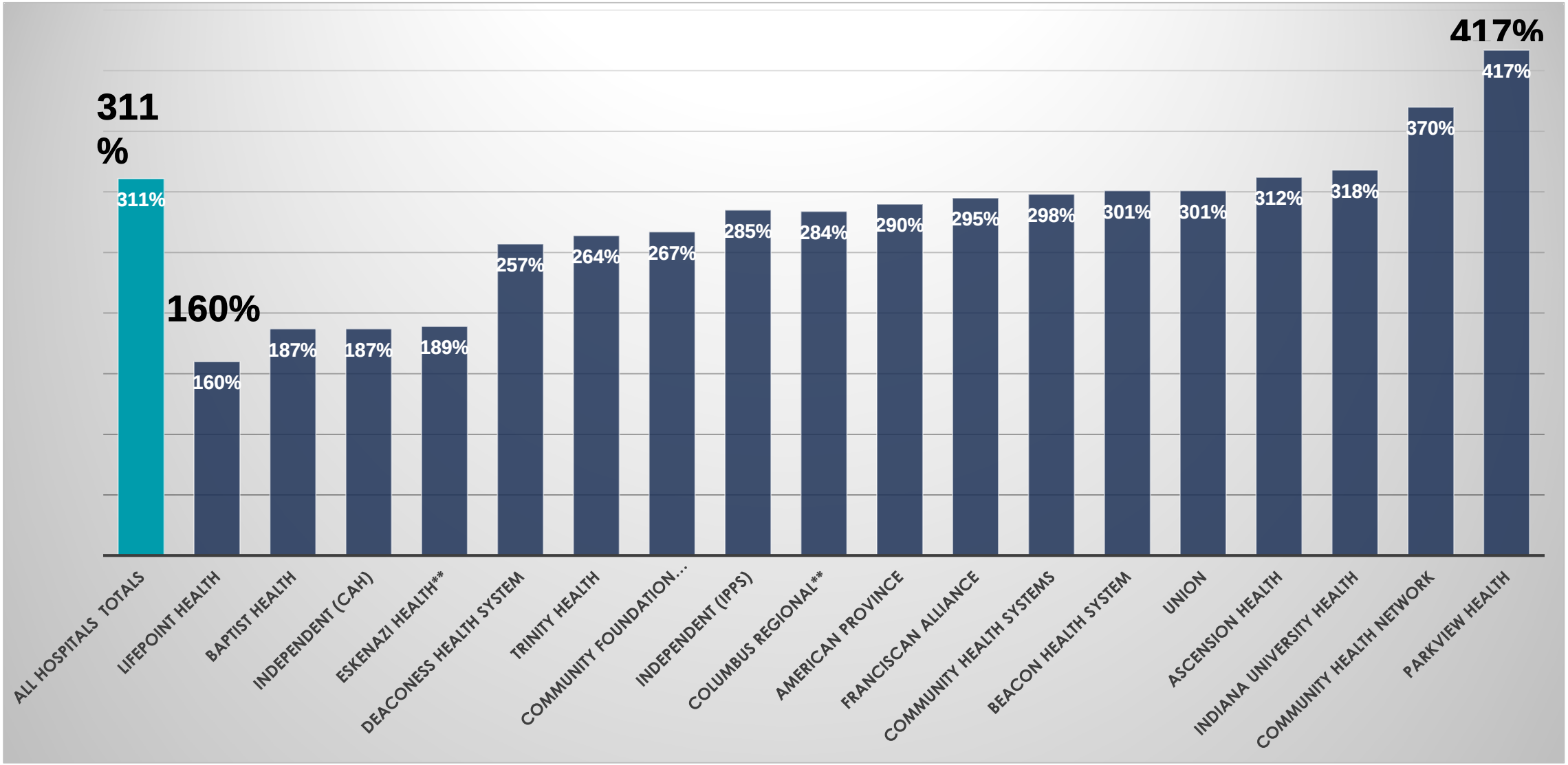
Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative

Across 25 States: Average Relative Hospital Prices, 2017

Percent Employer Health Plans Pay Hospitals Relative to What Medicare Would Pay



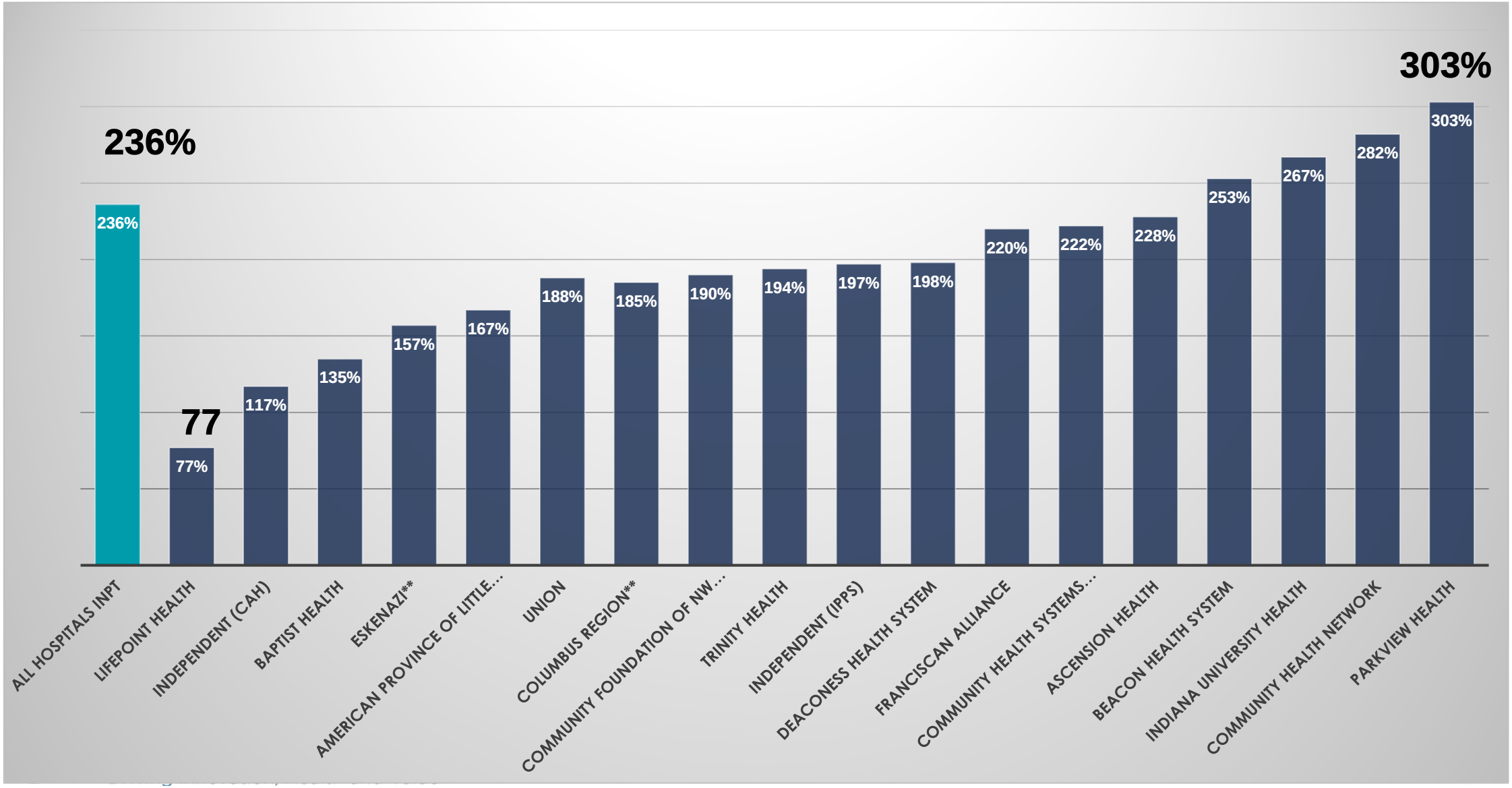
Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative



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

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

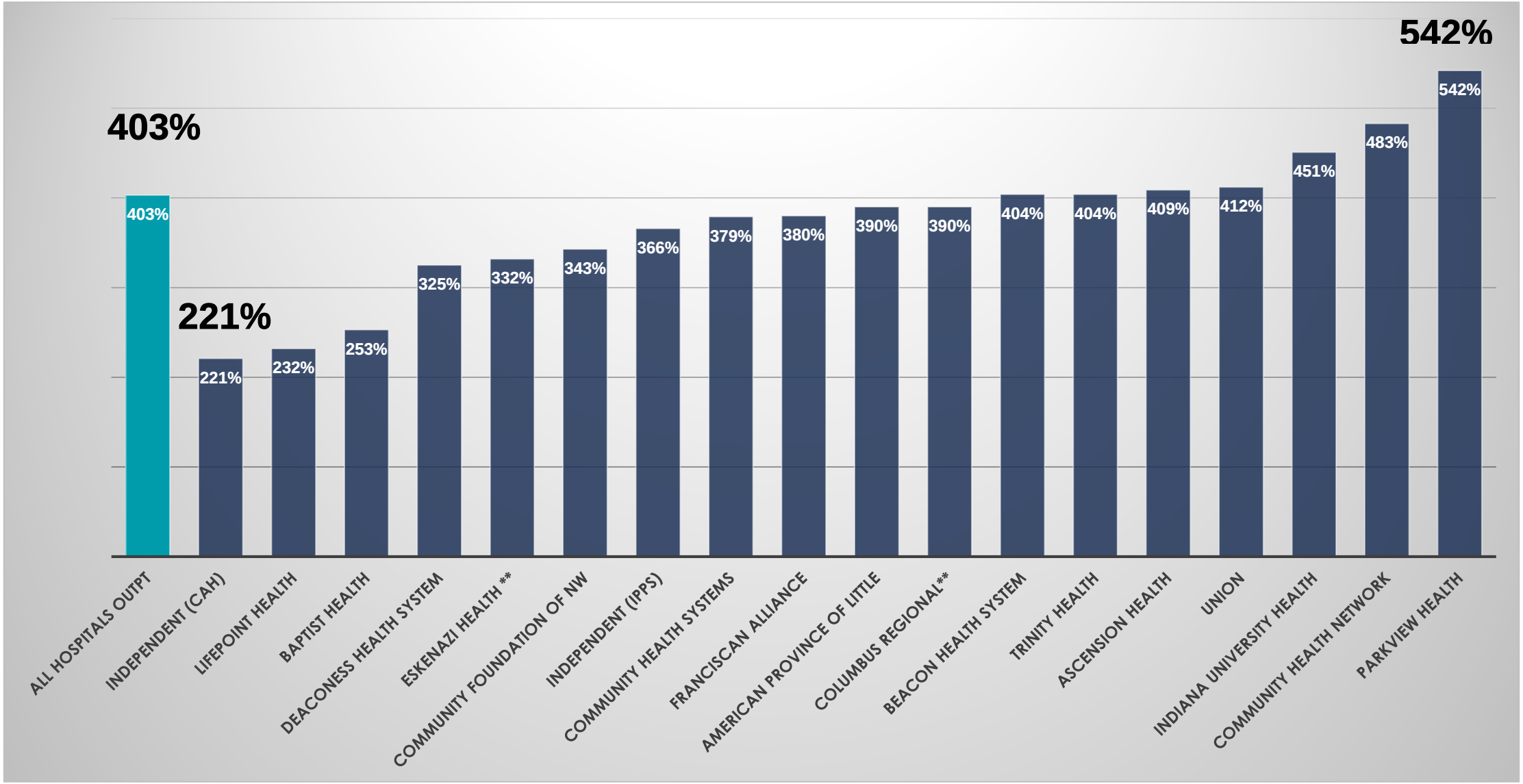
INDIANA: INPATIENT COMMERCIAL PRICES RELATIVE TO MEDICARE, 2017



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

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

INDIANA: OUTPATIENT COMMERCIAL PRICES RELATIVE TO MEDICARE, 2017

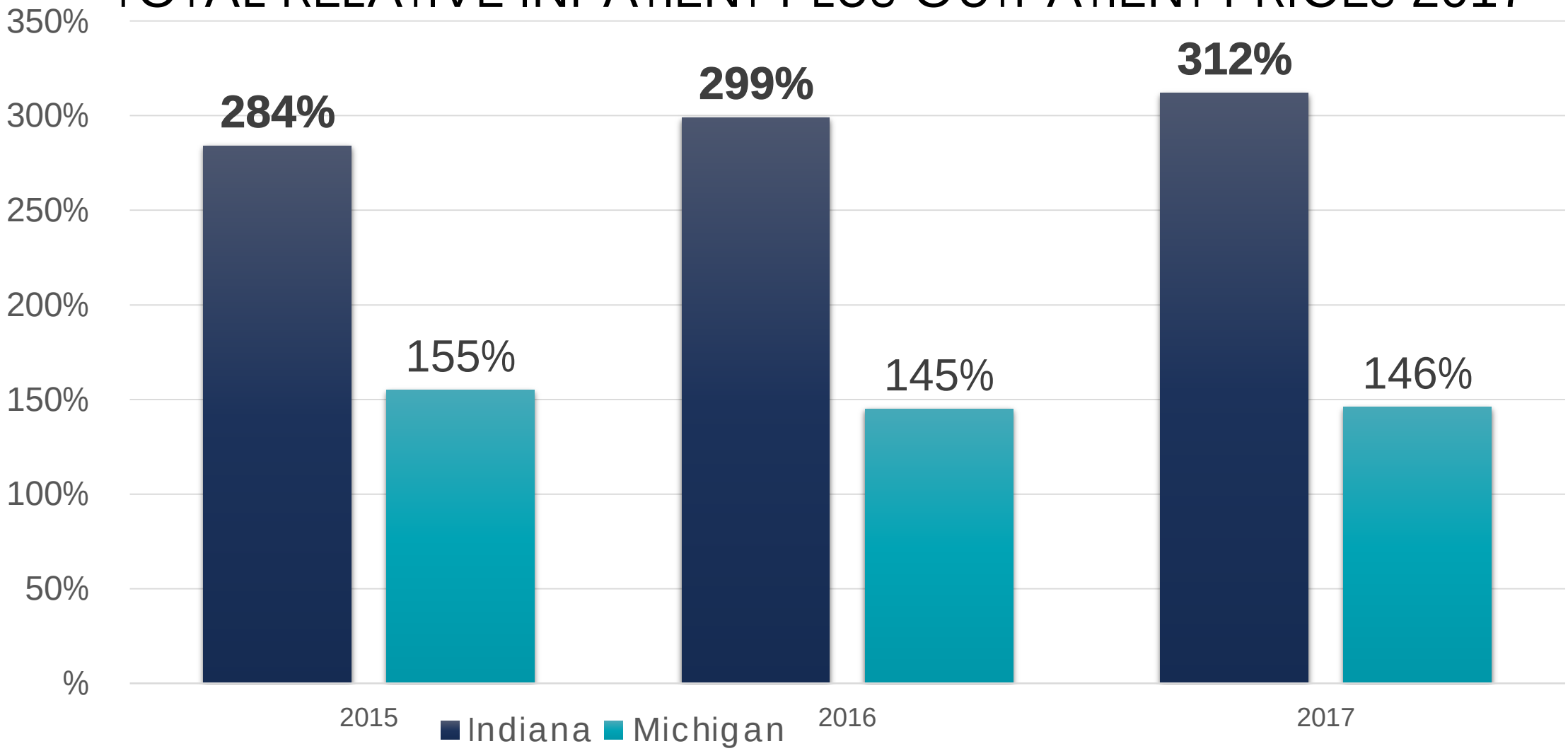


** RAND 2.0 Study period (2015-2017) averages as study does not provide 2017 relative prices for these two hospitals only

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

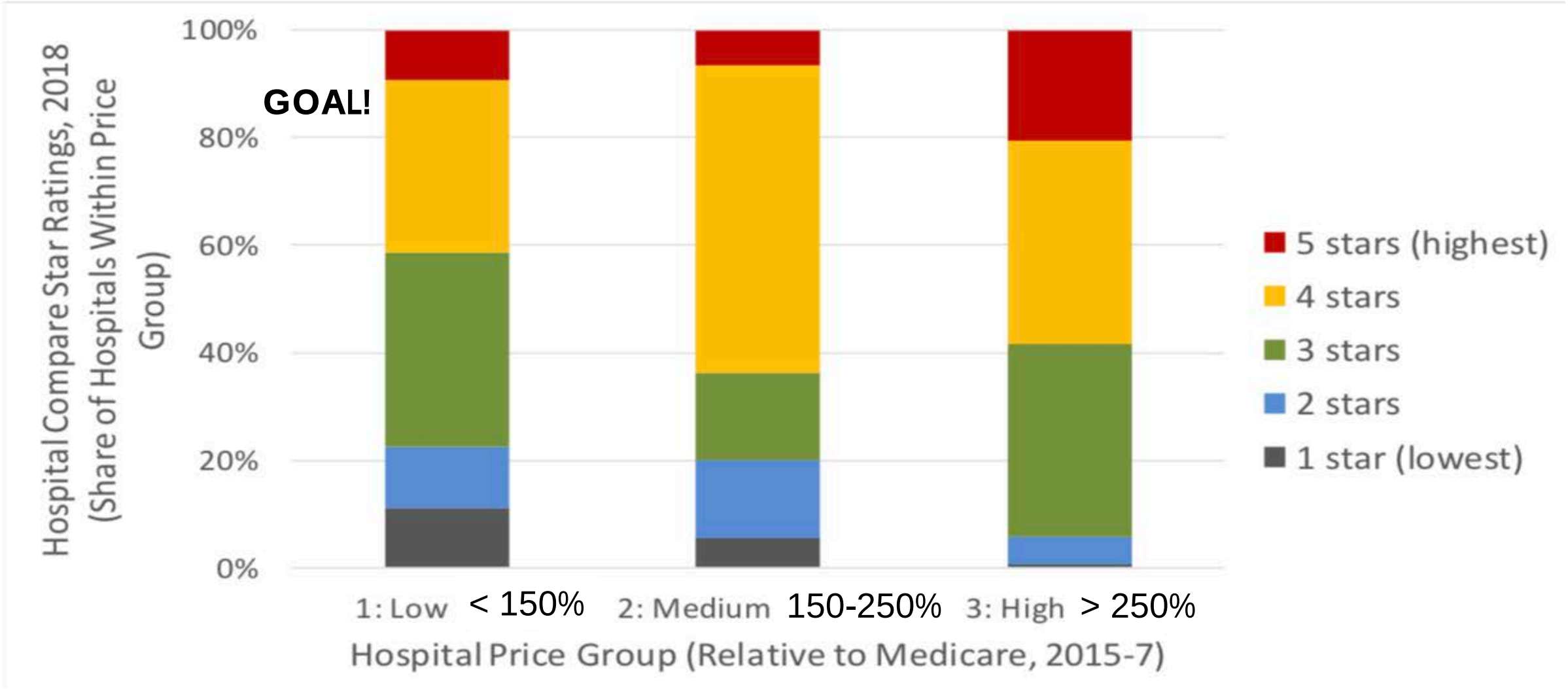
SINGLE HEALTH-SYSTEM: INDIANA VS. MICHIGAN

TOTAL RELATIVE INPATIENT PLUS OUTPATIENT PRICES 2017



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

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

NEXT STEPS

Benefit Design Levers

can be built on a foundation of contracting a multiple of Medicare pricing so prices are comparable

- Bundled Payments for COEs
- Narrow/Tiered networks
- Reference based benefits
- Direct employer to hospital contracting

Policy Levers

- Prohibit gag clause between carriers and hospitals
- Prohibit anti-tiering/anti-narrow contract provisions
- Limit/cap on out-of-network charges
- State Monitoring Org for Quality & Price Transparency

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LEGISLATIVE ROUND TABLE: HOW DO HIGH HEALTH CARE COSTS IMPACT INDIANA EMPLOYERS

- Limits:
  - employee salary wage raises
  - hiring the best talent (as need competitive wages and benefit
  - financial reserves (which results in more lay-offs in business slump)
  - funds available to invest in business expansion
  - health care services offered to retirees
  - funds available for community support
- Increases:
  - Employer and employee out-of-pocket contributions for health care (which limits employee household funds available for other living expenses)

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LEGISLATIVE POLICY
FEDERAL BILL: **LOWER HEALTH CARE COST ACT**

DRAFT RELEASED MAY 23, 2019, SENATOR LAMAR ALEXANDER (R-TENN)

- **Lower Health Care Cost Act** (165 page bill) but here is terrific 9 page summary:

https://www.help.senate.gov/imo/media/doc/LHCC%20Act%20section%20by%20section%205_23_2019.pdf

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FEDERAL BILL: **LOWER HEALTH CARE COST ACT**

Covers a wide range of topics, of which 3 sections are noted below:

1. Sec. 301. Increasing transparency by removing gag clauses on price and quality information.

- Bans gag clauses in contracts between providers and health plans that prevent enrollees, plan sponsors, or referring providers from seeing cost and quality data on providers.

- Bans gag clauses in contracts between providers and health insurance plans that prevent plan sponsors from accessing de-identified claims data that could be shared, under HIPAA business associate agreements, with third parties for plan administration and quality improvement purposes.

FEDERAL BILL: **LOWER HEALTH CARE COST ACT**
CONTINUED

Sec. 302. Banning anticompetitive terms in facility and insurance contracts that limit access to higher quality, lower cost care.

- **Prevents "anti-tiering" and "anti-steering" clauses** in contracts between providers and health plans that restrict the plan from directing or incentivizing patients to use specific providers and facilities with higher quality and lower prices.
- **Prevents "all-or-nothing" clauses** in contracts between providers and health plans that require health insurance plans to contract with all providers in a particular system or none of them.
- **Prevents "most-favored-nation" clauses** in contracts between providers and health plans that protect an insurance company's dominant position in a market by requiring that the insurance company be given the most favorable pricing of any health plan in the market.
- **Prohibits** obligations on plan sponsors to agree to terms of contracts that the sponsor is not party to and cannot review, **which could conceal anti-competitive contracting terms**.

FEDERAL BILL: **LOWER HEALTH CARE COST ACT**
CONTINUED

Sec. 303. Designation of a nongovernmental, nonprofit transparency organization to lower Americans' health care costs.

- Designates a nongovernmental, nonprofit entity to improve the transparency of healthcare costs.
- The nonprofit entity, in compliance with current privacy and security protections, will use deidentified health care claims data from self-insured plans, Medicare, and participating states to help patients, providers, academic researchers, and plan sponsors better understand the cost and quality of care, and facilitate state-led initiatives to lower the cost of care, while prohibiting the disclosure of identifying health data or proprietary financial information.
- Creates an advisory committee composed of public and private sector representatives to advise the entity on the format, scope, and uses of this data, and establish the entity's research and reporting objectives.
- Creates custom reports for employers and employee organizations seeking to utilize the database to lower health care costs.
- Authorizes grants to states to maintain or create similar transparency initiatives.

RAND 3.0 ENROLLMENT IS ONGOING NOW …..ALL EMPLOYERS ACROSS THE US ARE WELCOME

- The more states and the more hospitals per state that participate in RAND 3.0, the more valuable it becomes to employers as it helps inform their local strategy towards paying for value.
- Cost to participate in the study, 2 options:
  1. No charge (free) if wish to contribute claims data to RAND for the PUBLIC report as we will have grant funding to support this work, or

  2. For employers, who in addition, wish to have a PRIVATE employer-level report, the charge is $0.20 per member (min of $1000, up to a max of $15,000 for jumbo employers, payable to RAND Corp.)

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WHAT IS NEW IN RAND 3.0?

- Adding provider allowed professional fees
- Adding allowed facility fees
- Wish list with many items:
  - percent Medicare and Medicaid per hospital
  - CMS Hospital Quality Star Ratings per state
  - Hospital Profit Margins per the CMS HCRIS reports that hospitals submit to CMS
  - …and more

TO SIGN UP FOR RAND 3.0, VISIT EMPLOYERPTP.ORG

- RAND 3.0
  - **Sign up form if interest – then Emily Hoch, RAND project manager, will reach out to you. She will send you everything you need to get started.**
  - FAQ
  - DUA
  - Cost-Sharing Agreement
- RAND 2.0
  - Master Slide Deck – use as you wish on your with your own logo for any purpose (including invite slides for RAND 3.0)
  - PDF of report
  - Excel Database
  - Tableau interactive map

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RAND 3.0 STUDY TIMELINE

Month, Year	Milestone
March, 2019	Recruitment of self-funded employers, APCDs, and health plans
July-August, 2019	Agreements in place between RAND and employers, DUAs in place between RAND and health plans/APCDs, and authorizations sent by self-funded employers to their TPAs
September-October, 2019	Data delivery to RAND complete
November, 2019	Data testing and analysis
First Quarter, 2020	Public report finalized and made public online, private employer-level reports distributed

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Question & Answers

Gloria Sachdev, Pharm.D.
President & CEO, Employers' Forum of Indiana

Michael Thompson
President & CEO, National Alliance of Healthcare Purchaser Coalitions

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