

Unit Prices for Health Care

Strategies to Bring them Down

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"High-Value, Patient-Centered Care"

New Orleans, November 15, 2018

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Checkin

- Enrolled in employer-sponsored plan?
 - yes
- What's total premium (you + employer) for your plan?
 - \$17,705 (2017, Kaiser Permanente, DC area)
- Last time you went to the doctor or hospital, how much did you and your plan pay?
 - no idea
- Your plan has agreed to negotiated prices with hospitals in your area, what are those prices?
 - no idea
- How much would you save if your plan paid same prices as Medicare?
 - seriously, no idea



Ignorance Is Bliss

Buyers' Ignorance Is
Sellers' Bliss



Strategy #1: Open Your Eyes

#1a: All Payer Claims Databases

- State-based
 - establish
 - maintain
 - address Gobeille blind spot
 - make accessible
- National
 - establish, house at AHRQ

Trailblazer #1



- Josephine (Jo) Porter
 - Director for the Institute for Health Policy and Practice at the University of New Hampshire and the co-chair of the APCD Council
 - Spreads the APCD gospel
 - <https://www.linkedin.com/in/jo-porter-0a819218/>

#1b:
Get and use
your claims
data

- Self-funded employers/unions
 - get a copy of your claims data, and reprice it
- State legislation
 - clarify that self-funded employers own and can use their own data
 - this will be unwelcome news to the Blues
- National
 - ditto

Trailblazers #2 and #3

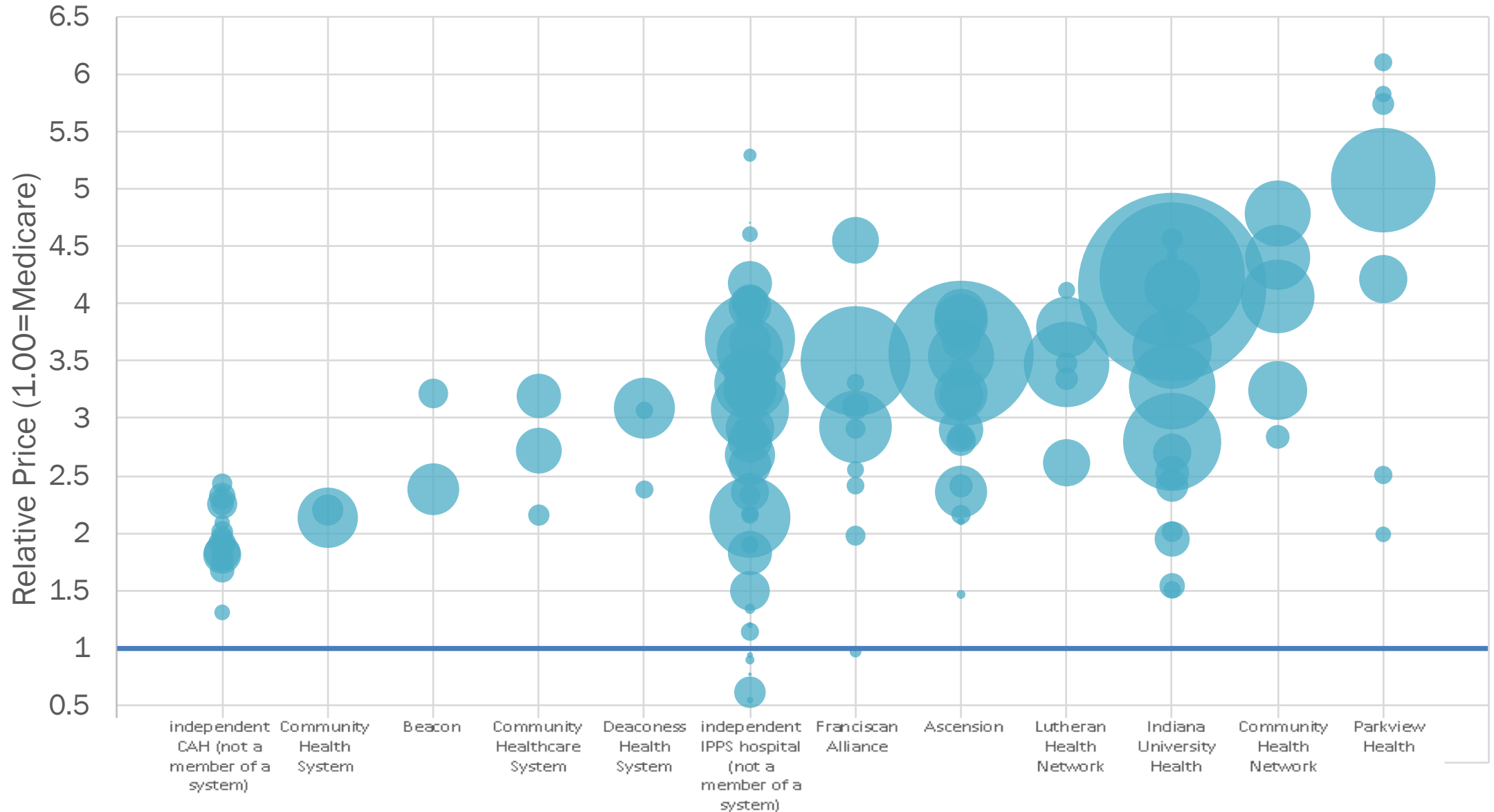


- Gloria Sachdev
 - President and CEO, Employers' Forum of Indiana
 - Clinical Assistant Professor, Department of Pharmacy Practice
 - Initiated RAND Hospital Price Studies (pilot and Round 2)



- Dave Kelleher
 - President at HealthCare Options, Inc.
 - "Clarified" that self-funded plans in Indiana can work with Castlight

Outpatient Hospital Prices in Indiana



Source: https://www.rand.org/pubs/research_reports/RR2106.html.

#1C:
Ask
uncomfortable
questions

- Employees to head of HR
 - what prices has our plan agreed to for hospital and physician care?
 - are those prices reasonable?
 - (if self-funded) are you acting prudently, and fulfilling your fiduciary duty under ERISA?
 - have you received gifts/meals/tickets from our health plan?
- Head of HR to health plan
 - what prices have you agreed to?
 - are those prices reasonable?
 - (if self-funded) are we paying the same prices as you've negotiated for your fully insured book of business?
 - are hospitals in our network efficient providers?

Ok, We're Overpaying.
Now What?



Strategy #2: Put on Weight, And Throw It Around

Trailblazer #4

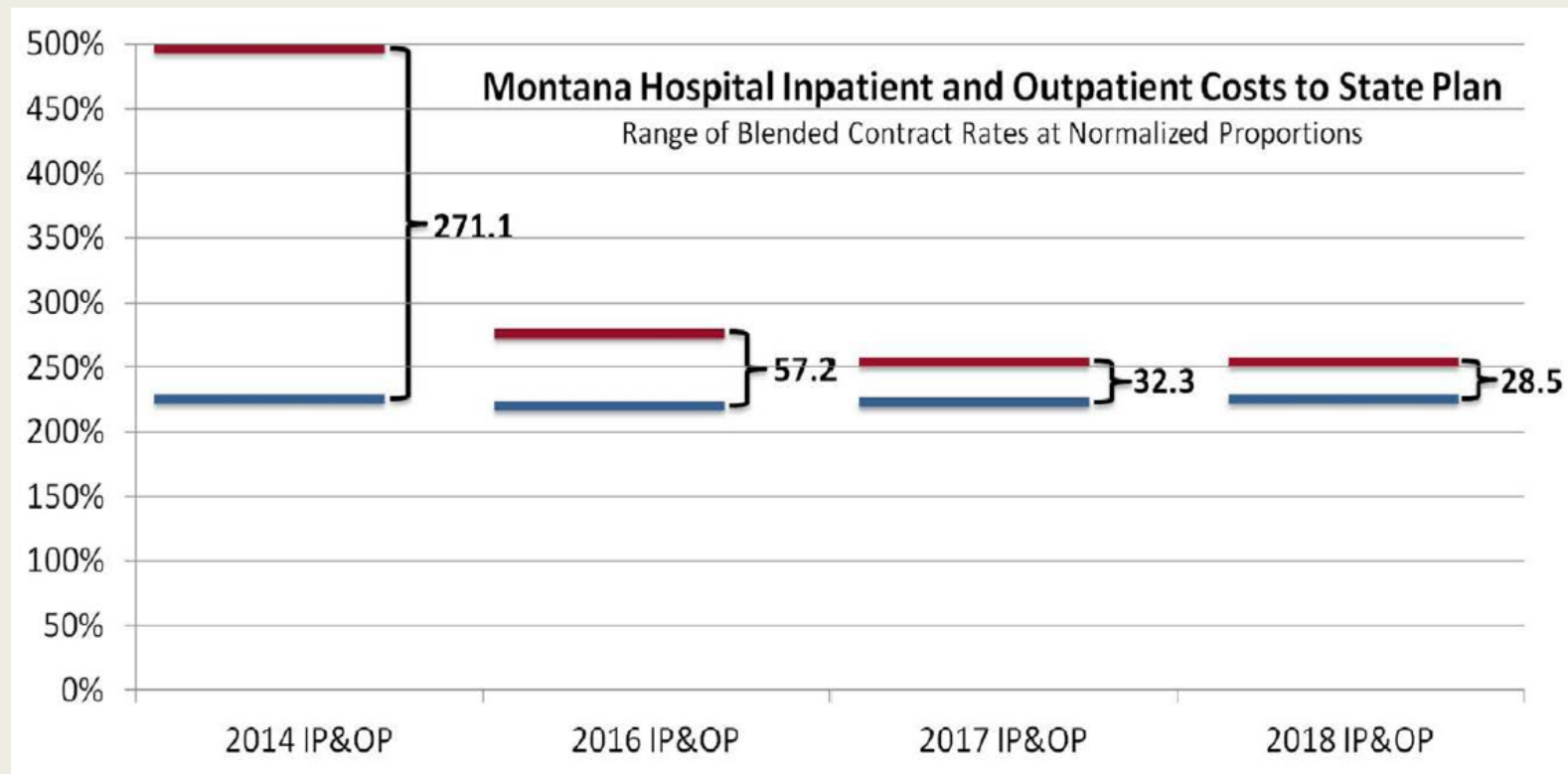


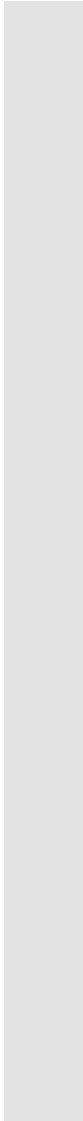
- Marilyn Bartlett
 - Special Projects Coordinator at State of MT
Commissioner of Securities and Insurance
 - Rebid health plan for state employees
 - *Demanded* contracted Medicare-based reference pricing for hospital care
 - <https://www.linkedin.com/in/marilyn-bartlett-113a4911>

The Montana Miracle

Trailblazer #4

Contracted Reference Based Pricing





Strategy #3: Give Yourself a Guardrail

Out-of-
network
Guardrail

Hospital Charges And The Need For A Maximum Price Obligation Rule For Emergency Department & Out-Of- Network Care

Robert Murray

May 16, 2013

Out-of-
network
Guardrail

Medicare
Advantage
Has It

Commercial
Plans Don't



Out-of-
network
Guardrail

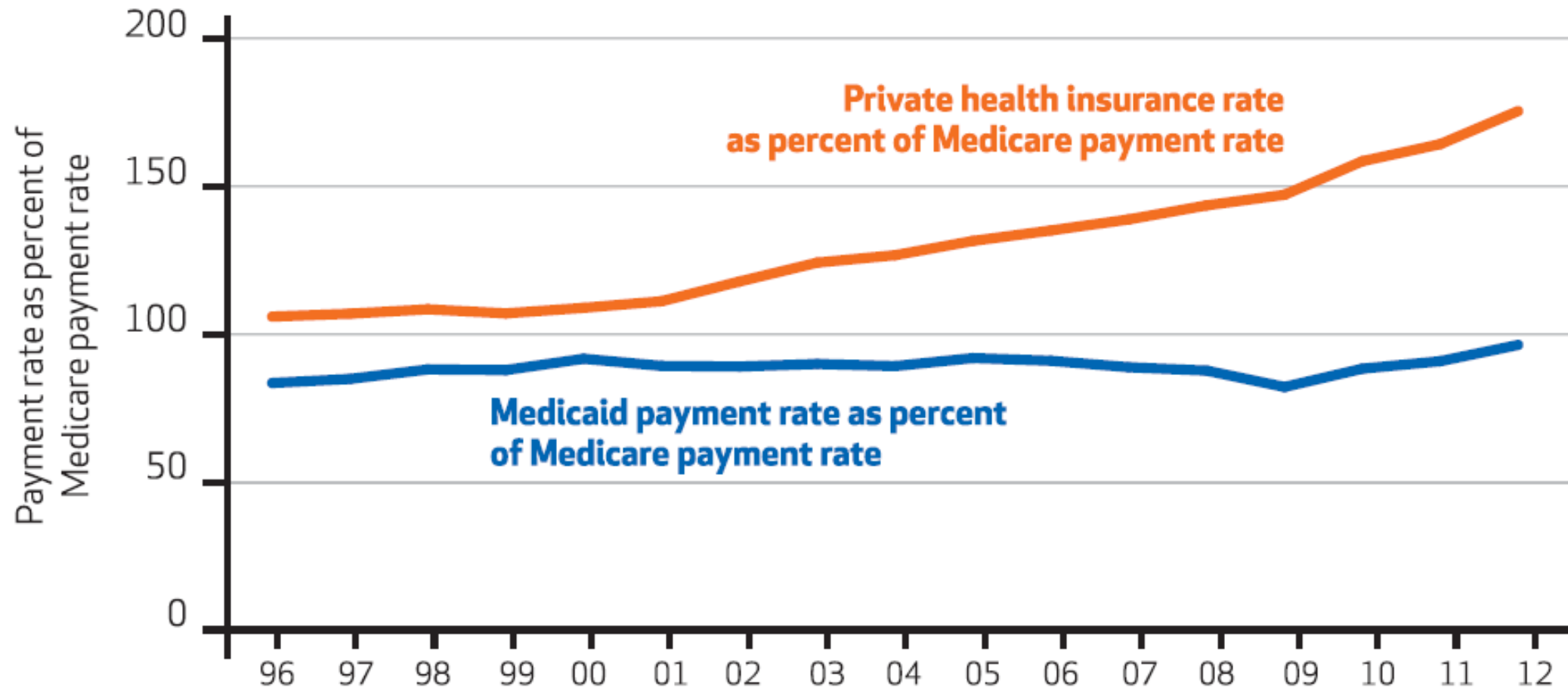


Surprise Bills

Excess Pricing

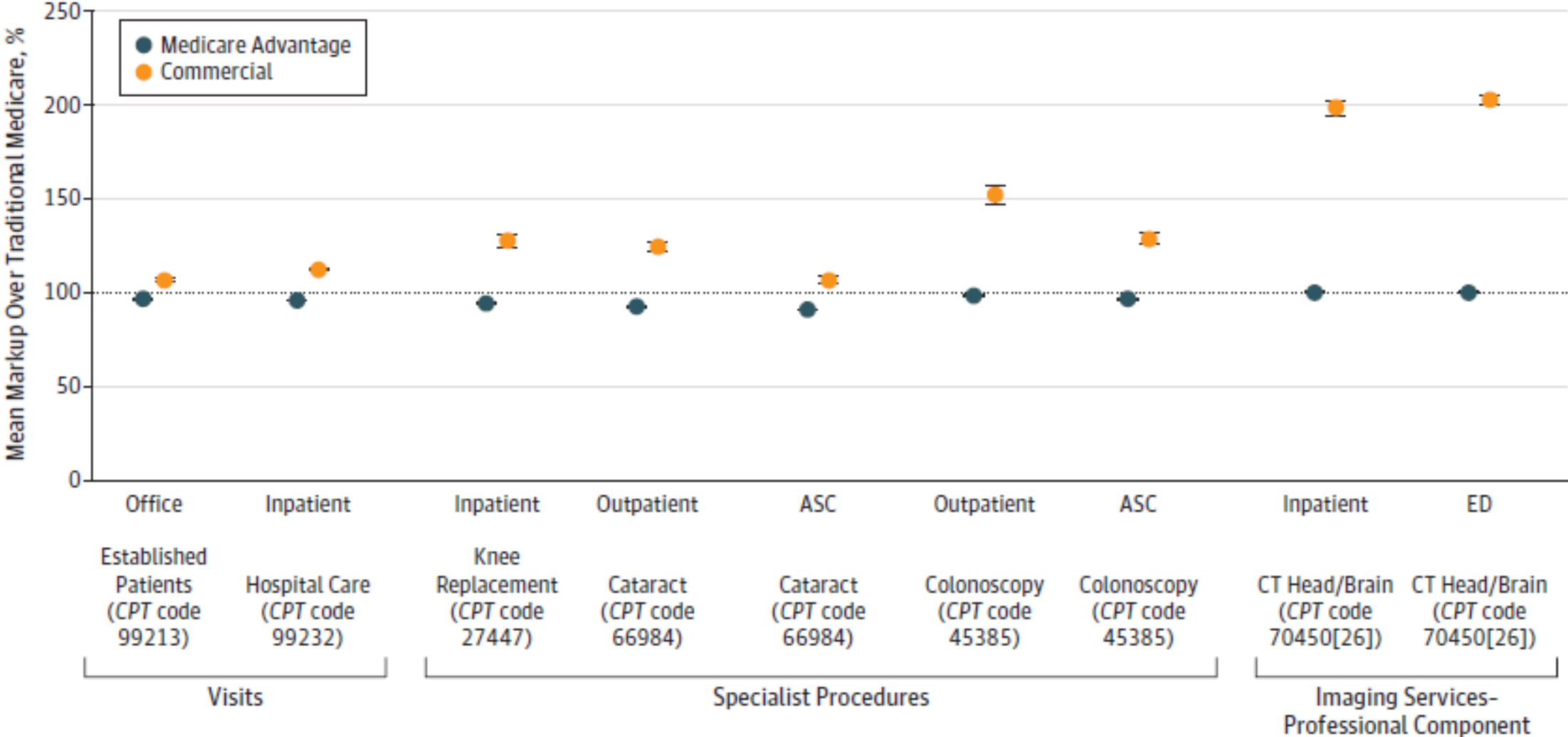
EXHIBIT 2

Average Standardized Payment Rates Per Inpatient Hospital Stay For Private Insurers And Medicaid As Percentages Of Rates For Medicare, 1996-2012



Selden, Thomas M., Zeynal Karaca, Patricia Keenan, Chapin White, and Richard Kronick, "The Growing Difference Between Public And Private Payment Rates For Inpatient Hospital Care," *Health Affairs*, Vol. 34, No. 12, December, 2015, pp. 2147-2150.
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Figure 1. Mean Markup Over Traditional Medicare for Physician Services, for Medicare Advantage and Commercial Patients



Source: Trish, et al., 2017.

Study Results

MEDICARE ADVANTAGE PAYMENT COMPARED TO TRADITIONAL MEDICARE PAYMENT With rare exceptions, we found that respondents from MA plans reported that they were currently paying at or slightly more than 100 percent of the traditional Medicare payment for hospital services.

Strategy #4:
If You Can't Beat 'Em,
Join 'M

Strategy #4:
If You Can't Beat 'Em,
Join 'Medicare

#4: Buying in to Medicare As Is

- "What is Medicare for More"?

- pays providers take-it-or-leave it administered prices
- managed competition (FFS plus Medicare Advantage)
- high deductible base plan with supplemental options
- financed with premiums plus taxes

- What is "Medicare for All"?

- pays providers take-it-or-leave it administered prices
- single government-run plan
- zero out of pocket
- fully tax-financed

Grab Bag



• Likes

- Cadillac tax
 - even better if keyed off prices
- Rate review with focus on prices
- HIPAA, patients' right to access own health care info
 - Blue Button
- Standardization of data



• Meh

- Antitrust
- Rifle shot reference pricing
- Pay-for-performance



• Bewares

- Network adequacy regs without out-of-network limits
- Certificate of need + regulatory capture
- State-based rate setting + regulatory capture
- Complicated value-based payment that hides the ball
- Out-of-network limits, but only on patient cost sharing

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