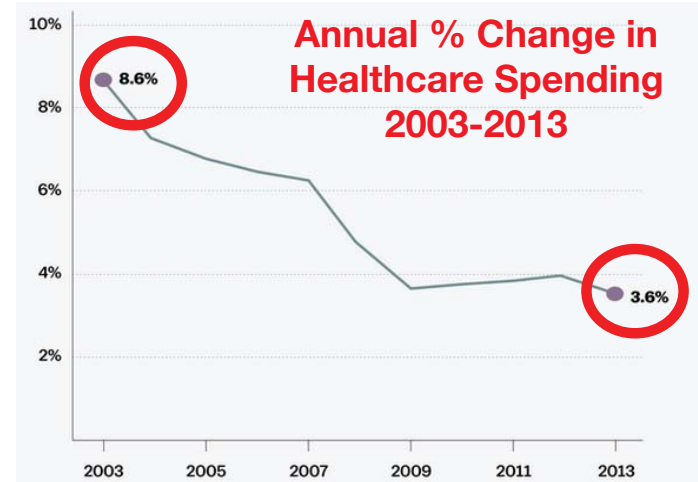


# Framing Transparency:

What is it and What has changed in the last year?

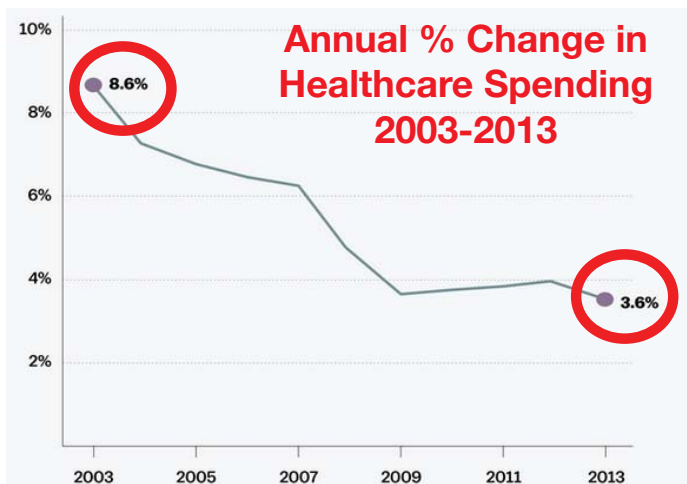


We have seen a reduction in health spending growth in the last decade ...



<http://www.vox.com/2015/2/23/8082769/obamacare-democrats-priorities>, from CMS National Health Expenditures Report

But 3.6% growth of \$2.8 TRILLION is still not sustainable.



<http://www.vox.com/2015/2/23/8082769/obamacare-democrats-priorities>, from CMS National Health Expenditures Report

And we are NOT getting VALUE for that COST

	COUNTRY RANKINGS										
	AUS	CAN	FRA	GER	NETH	NZ	NOR	SWE	SWIZ	UK	US
OVERALL RANKING (2013)	4	10	9	5	5	7	7	3	2	1	11
Quality	2	9	8	7	5	4	11	10	3	1	5
Effective Care	4	7	9	6	5	2	11	10	8	1	3
Safe Care	3	10	2	6	7	9	11	5	4	1	7
Coordinated Care	4	8	9	10	5	2	7	11	3	1	6
Patient-Centered Care	5	8	10	7	3	6	11	9	2	1	4
Access	8	9	11	2	4	7	6	4	2	1	9
Cost-Related Problem	9	5	10	4	8	6	3	1	7	1	11
Timeliness of Care	6	11	10	4	2	7	8	9	1	3	5
Efficiency	4	10	8	9	7	3	4	2	6	1	11
Equity	5	9	7	4	8	10	6	1	2	2	11
Healthy Lives	4	8	1	7	5	9	6	2	3	10	11
Cost/Capita	\$3,800	\$4,522	\$4,118	\$4,495	\$5,099	\$3,182	\$5,669	\$3,925	\$5,643	\$3,405	\$8,508

Commonwealth Fund, "Mirror, Mirror on the Wall: How the Performance of the U.S. Health Care System Compares Internationally," June 2014.

# The U.S. Has the Most Expensive Lowest Value Care

COUNTRY RANKINGS

Top 2\* TOP 2  
Middle MIDDLE  
Bottom 2\* BOTTOM

	AUS	CAN	FRA	GER	NETH	NZ	NOR	SWE	SWIZ	UK	US
<b>OVERALL RANKING (2013)</b>	4	10	9	5	5	7	7	3	2	1	11
<b>Quality</b>	2	9	8	7	5	4	11	10	3	1	5
Effective Care	4	7	9	6	5	2	11	10	8	1	3
Safe Care	3	10	2	6	7	9	11	5	4	1	7
Coordinated Care	4	8	9	10	5	2	7	11	3	1	6
Patient-Centered Care	5	8	10	7	3	6	11	9	2	1	4
<b>Access</b>	8	9	11	2	4	7	6	4	2	1	9
Cost-Related Problem	9	5	10	4	8	6	3	1	7	1	11
Timeliness of Care	6	11	10	4	2	7	8	9	1	3	5
<b>Efficiency</b>	4	10	8	9	7	3	4	2	6	1	11
<b>Equity</b>	5	9	7	4	8	10	6	1	2	2	11
<b>Healthy Lives</b>	4	8	1	7	5	9	6	2	3	10	11
<b>Cost/Capita</b>	\$3,800	\$4,522	\$4,118	\$4,495	\$5,099	\$3,182	\$5,669	\$3,925	\$5,643	\$3,405	\$8,508

Commonwealth Fund, "Mirror, Mirror on the Wall: How the Performance of the U.S. Health Care System Compares Internationally," June 2014.

Bill Frist, M.D.

There are Many Reasons Why...

Administrative Waste  
Lack of Access  
Overuse

But today we will focus on  
Transparency

Bill Frist, M.D.

When planning your next flight, you would be remiss to not shop around...

KAYAK

1127 of 1408 flights show all

Sort by Price - Low to High

Cheap Last Minute Flight

\$207 American Airlines BNA 3:30p → ABQ 7:05p 4h 35m 1 stop (DFW)

\$207 American Airlines BNA 4:45p → ABQ 8:25p 4h 40m 1 stop (DFW)

Compare Sites vs. KAYAK

Orbitz Compare »

Hotwire Compare »

Travelocity Compare »

Priceline Compare »

Expedia Compare »

CheapTickets Compare »

Compare all

Bill Frist, M.D.

But historically that has not been an option in the U.S. Healthcare Market

My dear friend and Princeton Economics professor Uwe Reinhardt likens "shopping" for healthcare to trying to find a purple sweater in a department store while blindfolded.

Bill Frist, M.D.

# But first... What is Price Transparency?

**Access** to knowledge of  
Price *and*  
Quality

By **Consumers and Providers**

**BEFORE** services are rendered

Bill Frist, M.D.

# And Why does Transparency Matter?

Because it would **save a mother** from having to decide between managing her daughter's asthma or making the monthly car payment.

Because it would **empower employers** to provide workers with the information they need to be smarter health care consumers.

Because it would **encourage providers** to think about the price of care as an essential part of "doing no harm."

Bill Frist, M.D.

# The Current State of Affairs is Chaotic with Enigmatic Pricing

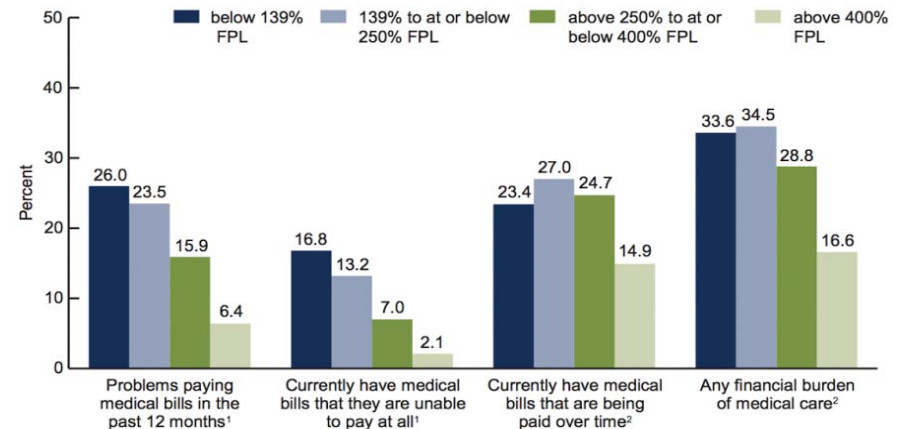


This results in

- Skipping Care
- A huge cost of Avoidance
- Magnification of Moral Hazard

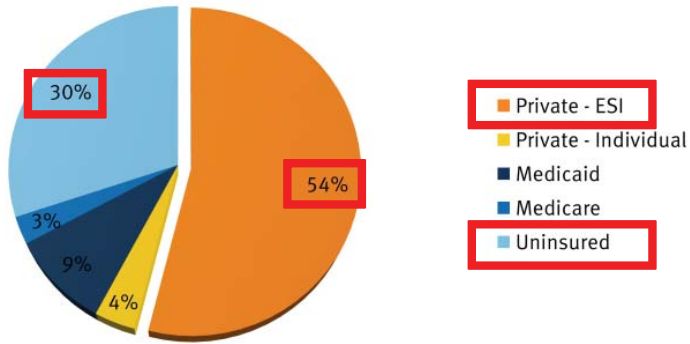
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# Approximately 35% of Americans Struggle with Medical Debt



Bill Frist, M.D.

## Of those with **Difficulty Paying for Medical Care**, 80% have Employer Sponsored Insurance (ESI) or are **Uninsured**

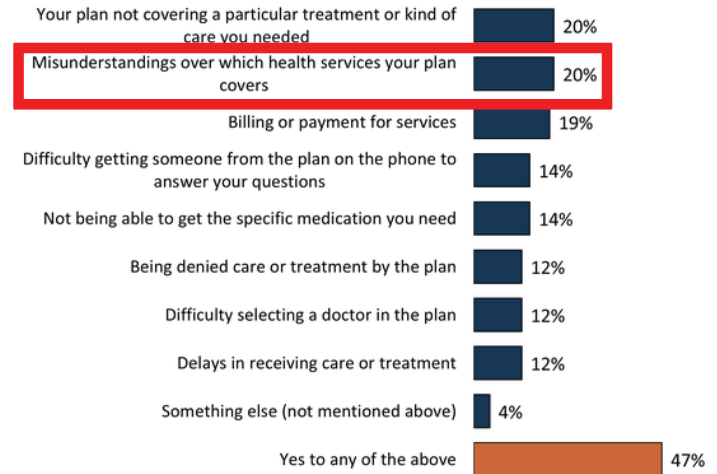


Source: Kaiser Family Foundation analysis of 2012 National Health Interview Survey (NHIS) data. Includes all people who reported problems affording medical bills within the past year, and/or gradually paying past bills over time, and/or having medical bills they cannot afford to pay at all.



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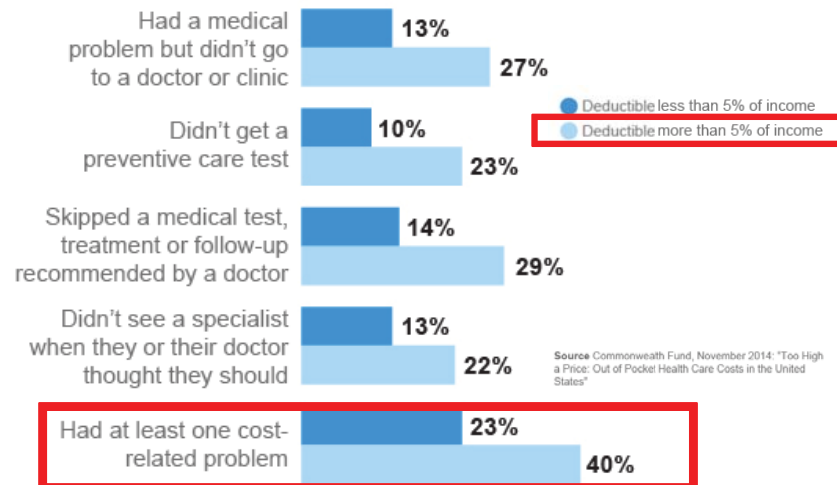
## There is also significant confusion over what health plans cover.



<http://kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-september-2013/>

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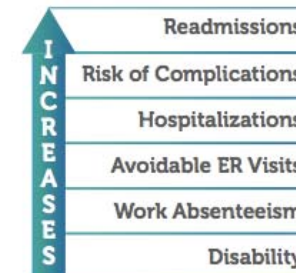
## We also know 40% of Adults with **Higher Cost Sharing** Skip Care



Source: Commonwealth Fund, November 2014: "Too High a Price: Out of Pocket Health Care Costs in the United States"

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## The Problem is... **Avoidance of Care** is Costly.



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## BUT ... Cost Sharing DOES address the issue of Moral Hazard

### ▪ Moral Hazard

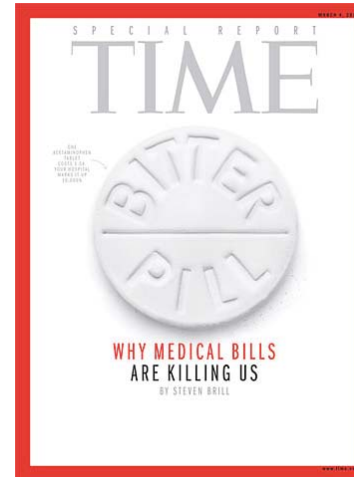
- When the DECISION-making party is not the RISK-bearing party.
- The decision-maker is not directly responsible for poor outcomes or increased cost.

### ▪ Reducing Moral Hazard in the form of cost-sharing and consumer directed plans can actually help lower healthcare costs.

- 2012 study in *Health Affairs* suggested that increasing employer sponsored plans that are consumer driven from 13% to 50% could save \$57 Billion ... or a reduction of 4% in healthcare spending (May 2012, vol 31, 1009-15).

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## Why is Pricing so Chaotic and Enigmatic?



- Price Variation → 5 different “costs of care”
  - Chargemaster
  - Private Insurance (negotiated rate)
  - Medicare
  - Medicaid
  - Actual
- Fractionated Care (Non-Bundled Care)
- Lack of Availability of Data
  - To Patients and Providers
- A perception that Cost = Quality

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## Variation in Cost of Knee Surgery

### HIGHEST AVERAGE MARKET COST:



### LOWEST AVERAGE MARKET COST:



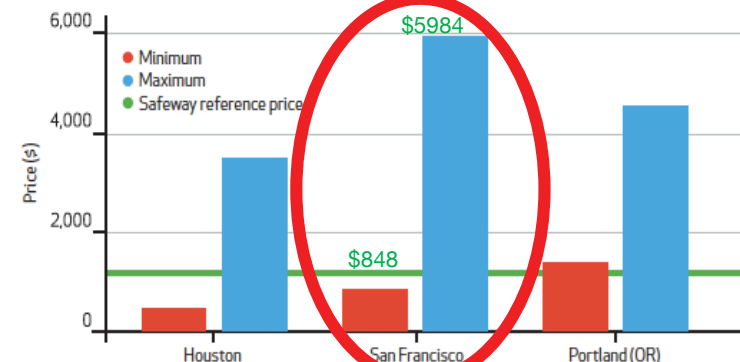
<http://www.usatoday.com/story/news/2015/01/21/blue-cross-blue-shield-knee-hip-surgery-rates-vary-widely/21999929/>

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## Variation in Colonoscopy Prices WITHIN a Region – up to an 8-fold difference

### EXHIBIT 2

Range Of Prices For Colonoscopy Per Procedure Paid By Safeway In Three Markets, 2009



INNOVATION PROFILE: Payers Test Reference Pricing And Centers Of Excellence To Steer Patients To Low-Price And High-Quality Providers  
Health Aff September 2012 31:92028-2036;

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## Why is this **distorting Price Variation** in the medical marketplace not seen in any other industry?

- Inpatient versus outpatient costs are different → Overhead
- Hospitals and insurance exercise market power
- Academic centers subsidize cost of teaching
- Cost-shifting occurs to cover uncompensated care
- Despite actual cost, negotiated rates are different per plan

Price Transparency For MRIs Increased Use Of Less Costly Providers And Triggered Provider Competition. *Health Affairs*. Aug. 2014 33:81391-1398;

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## Providers and Patients do not have the Data they need. **Why?**

- Part of the problem is the 5 different cost determinations
- “Publishing actual cost is technically difficult”
- “Insurance companies negotiating power will be harmed if rates are public” → will give medical organizations too much bargaining power?
- A worry that patients will not know how to interpret the cost → **The quality conundrum**

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## We do have to keep in mind when publishing cost data that **Cost and Quality do NOT Correlate**

Annals of Internal Medicine

REVIEW

### The Association Between Health Care Quality and Cost

A Systematic Review

Peter S. Hussey, PhD; Samuel Wertheimer, MPH; and Ateev Mehrotra, MD, MPH

*“Unfortunately, the published literature does not provide clear input on [the relationship between quality and cost]. Our systematic review found **inconsistent evidence on both the direction and the magnitude of the association between health care costs and quality.**”*

Hussey PS, Wertheimer S, Mehrotra A. The Association Between Health Care Quality and Cost: A Systematic Review. *Annals of Internal Medicine*. 2013; 158(1):27-34.

Bill Frist, M.D.

## **Framing Transparency:** What has changed in the last year?

Bill Frist, M.D.

## FOUR Major Trends in the Last Year

1. Rise of High Deductible Plans
2. Release of Data
3. Heightened Provider Awareness
4. Innovation in the Private Sector

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## 1. The Rise of High Deductible Plans

(and the remaining uninsured)

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## The Rise of High Deductibles

- Today deductibles can be as high as \$5000 to \$6000.
- BUT ... 40% of Americans cannot afford \$2000 out-of-pocket
- In addition to being uninsured, being UNDER-insured is becoming a reality for many Americans.
- Now – unlike yesterday -- people are paying out of pocket for expensive services.
  - Surgical services
  - Advanced diagnostics like colonoscopies

Bill Frist, M.D.

## Why Higher Deductibles? ACA Minimum Coverage and The Cadillac Tax

Bill Frist, M.D.

## ACA **Minimum** Coverage Includes

- Affordability: limit on deductibles, limit on out of pocket maximums, and 60% on required services
- Guaranteed Coverage → cannot be denied for pre-existing conditions
- Guaranteed Renewability
- Fair Health Insurance Premiums → limits based on age, family size, etc

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## ACA **Minimum** Coverage Includes

- Medical Loss Ratio: must spend 80% on medical care
- Ten “Essential” Benefits ... with No Dollar Limits on Essential Benefits
- Employer Coverage must provide minimum value: be equivalent to a bronze plan on the market place → meet affordability requirement

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ACA **Minimum Coverage** reduces insurers' tools to control costs ... through controlling the population that it insures, risk-based pricing and limiting services ...

so **ALL HEALTH INSURANCE COSTS MORE BECAUSE IT COVERS MORE**

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Deductibles: Only the **Platinum and Gold plan deductibles** are **affordable** for 40% of Americans



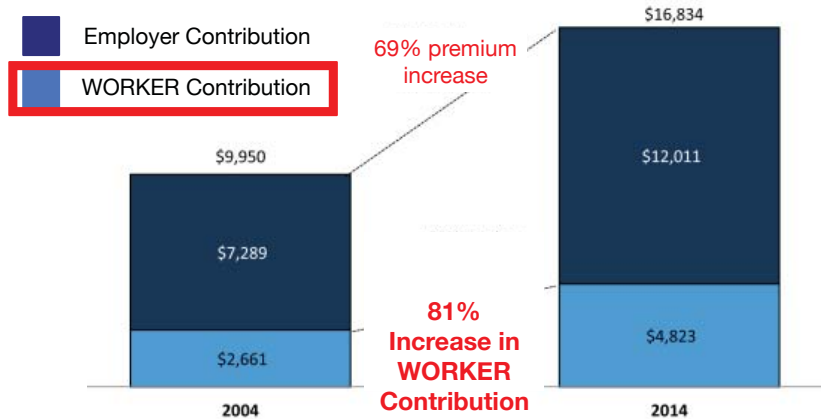
© HealthPocket.com

INDIVIDUAL FAMILY

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Premiums: We have also seen growth in **WORKER contributions to premiums.**  
(for Family Coverage, 2004-2014)



<http://kff.org/report-section/ehbs-2014-summary-of-findings/>

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## Why? Anticipation of The Cadillac Tax

- ACA levies a 40% excise tax to EMPLOYERS on “high-cost” health plans
- 40% tax to start in 2018
  - Plans > \$10,200 for individuals
  - Plans > \$27,500 for families

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*“I don’t think there’s any employer that’s going to pay the tax.” – Steve Wojcik, National Business Group on Health*

- In 2018 the tax is projected to cause a 0.7% reduction in benefits, but in 2029, the reduction is projected to be 3.1%
- Move to high deductible plans and high premiums
- Stopping contributions to FSAs and HSAs
- Adding Wellness programs → largely for chronic disease management which have true ROIs
- Increased cost-sharing using
  - Referenced-based pricing
  - “Centers of Excellence” (Lowe’s)
  - Travel Medicine (Wal-Mart)

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## Prediction...

In addition to overt transparency to allow consumers to shop around, we will see some change in the way cost-sharing occurs that will still require comparison shopping.

## EXAMPLE: Referenced-Based Pricing

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## Referenced-Based Pricing: Definition

- The **employer or insurer** pays a **fixed contribution** for a specific service.
- The **employee** can either procure the service from a provider charging the fixed amount, or **pay the difference** in the cost and fixed price.

Reference-based pricing has been called a “**reverse deductible**,” because the insurer, rather than the enrollee, pays the first part of the total allowed charge and the enrollee pays the remainder.

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## 2. Release of Data – Public and Private

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## Example: CalPERS

### REFERENCE PRICING

By James C. Robinson and Timothy T. Brown

### Increases In Consumer Cost Sharing Redirect Patient Volumes And Reduce Hospital Prices For Orthopedic Surgery

**ABSTRACT** Some employers are implementing reference-pricing benefit designs, which establish limits on the amount they will pay for some procedures covered by employer-sponsored insurance. Employees are required to pay the difference between the employer's contribution limit and the actual price received by the hospital. These initiatives encourage patients to select low-price facilities and indirectly encourage facilities to reduce prices to increase patient volume. We evaluated the impact of reference pricing on the use of and prices paid for knee and hip replacement surgery by members of the California Public Employees' Retirement System (CalPERS) from 2008 to 2012, using enrollees in Anthem Blue Cross as a comparison group. In the first year after implementation, surgical volumes for CalPERS members increased by 21.2 percent at low-price facilities and decreased by 34.3 percent at high-price facilities. Prices charged to CalPERS members declined by 5.6 percent at low-price facilities and by 34.3 percent at high-price facilities. Our analysis indicates that in 2011 reference pricing accounted for \$2.8 million in savings for CalPERS and \$0.3 million in lower cost sharing for CalPERS members.

- Five fold variation noted in cost of knee and hip replacements
- Implemented designation of Value-based Purchasing Design (VBPD) facilities based on
  - price
  - quality (using accreditation and volume statistics, Joint Commission indicators)
  - geographic location
- Set price for non-physician fees at \$30,000 but with continued 20% coinsurance up to \$3000 annual limit
- Tracked data from 2008-2012
- Used population of Anthem Blue Cross patients as a control

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## Data are **slowly** becoming available

- Center for Medicare & Medicaid Services
  - 5-Star Quality Rating ... for Medicare Advantage and Part D
  - “Provider Compare” Websites
  - Medicare Part B payment data on 880,000 providers
- ACA Provisions
  - Open Payments Program, or “The Sunshine Act”
  - Disclosure requirements for plans in the exchanges
- **State Laws**
  - 31 states have transparency laws
  - **Laws requiring All-Payer Claims Databases**
- **Private Collaboratives**
  - Private Insurers are releasing data to customers
  - **Health Care Cost Initiative:** Aetna, United Healthcare, Humana
  - **The Network for Regional Healthcare Improvement (NRHI)**

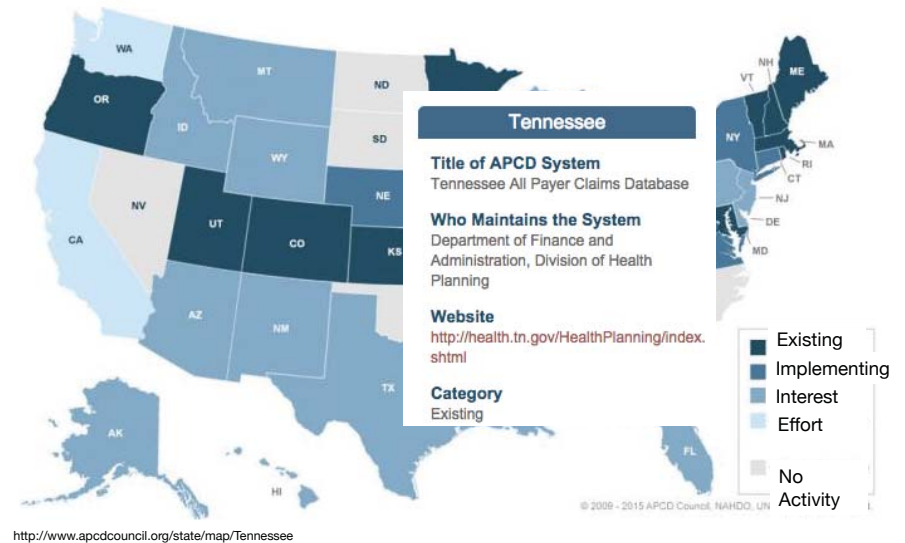
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## State Driven: All-Payer Claims Databases (APCDs)

- Initiative at the state level since 2003 → 12 states currently
- Collect claims data from all healthcare payers in a state
- Benefits to all stakeholders
  - Providers interested in promoting quality improvement
  - Payers looking to reward delivery of high-quality care
  - Consumers making decisions about quality and cost
- Private support for APCDs emerging
  - West Health Policy Center, a non-profit, nonpartisan organization in DC, with the APCD Council sponsored the creation of an APCD Development Manual to guide states looking to establish APCDs..

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## Progress on APCDs



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## Private Insurance Driven:



- Participants: Aetna, United Healthcare, Humana
- Annual Health Care Cost and Utilization report
  - Looks at data for people 18-64 covered by employer sponsored insurance (ESI)
  - Being used in the Academic sector as a reliable data set
- APCD collaboration in Vermont
- CMS designation as a Qualified Entity to report Medicare data
- [Development of Guroo.org](#)

<http://www.healthcostinstitute.org/files/2013%20HCCUR%2012-17-14.pdf>

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Numbers no one else has  
**guroo**

colonoscopy

**Get details on the real steps and costs of health care.**

Guroo puts actual cost information in consumers' hands - your hands. This is just the start. Coming soon are quality metrics, an expanded list of A to Z care services and more! We'll keep getting better, so you keep feeling more confident and get the most out of your health care dollars.

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# You get a price range for a variety of services

**Test**  
**Colonoscopy - Preventive Screening**  
 A colonoscopy is an exam of the large intestine (colon) using a thin, lighted tube with a camera on the end.  
[read more](#)

**COST OVERVIEW**  
**Cost Overview**  
 Estimated costs are based on data collected nationally in the Health Care Cost Institute (HCCI) database.

**National Average** \$1,391 — \$3,390

**IN YOUR AREA:**  
**Tennessee State Average** \$1,310 — \$2,767  
**Nashville, Tennessee Average** \$1,435 — \$3,200

[Click here to change location.](#)

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**Colonoscopy - Preventive Screening (Physician Services)**  
 \$270 — \$521  
 show averages  
 An internal examination of the colon (large intestine) done to find colon cancer before it causes symptoms

**Bill Frist, M.D.**

You also get a break down of the Total Cost of Care (TCOC)

**Colonoscopy - Preventive Screening (Facility Services)**  
 \$1,121 — \$2,869  
 show averages  
 An internal examination of the colon (large intestine) done to find colon cancer before it causes symptoms

**Bill Frist, M.D.**

## Other Private Collaboratives:

### The Network for Regional Healthcare Improvement | NRHI

- 30 regional members ... which are multi-stake holder organizations
- Five collaboratives are working toward:
  - Standardized measurement and reporting the “total cost of care” (TCOC) across five regions
  - Benchmark multi-payer commercial costs
  - Share cost information with stakeholders
  - Work with physicians to help them utilize cost information in clinical decision making to reduce costs and improve care

Bill Frist, M.D.

### Example: MINNESOTA HealthScores When Health Care Improves, Everyone Wins.

- 3 years of data from 1.5 million patients from 115 medical groups comprising 1052 clinics across Minnesota
- Looks at the Total Cost of Care (TCOC) and quality ratings and Publishes data available to consumers and providers

**Your Health. Your Health Care. Measurably Better.**  
 You can find quality, patient experience and cost ratings for more than 1,400 Minnesota clinics and hospitals.  
[Learn more](#)

**Find a clinic...**  
 CLICK HERE to Search by Location

Search by Doctor or Clinic Name  **SEARCH**

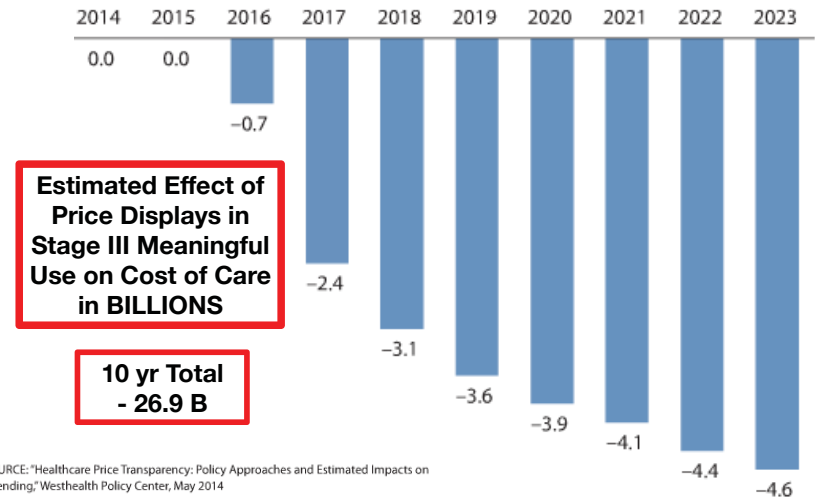
To search for an exact match, please enter your search term in "quotes"

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### 3. Rise of Provider Awareness

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We are Predicting a \$27B Impact by "Provider Cost Awareness" over 10 yrs.



SOURCE: "Healthcare Price Transparency: Policy Approaches and Estimated Impacts on Spending," Westhealth Policy Center, May 2014

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These predictions are based on studies with cost availability interventions resulting in a reduction in overall provider spending.

### EXAMPLE:

ORIGINAL INVESTIGATION

#### Impact of Providing Fee Data on Laboratory Test Ordering

**JAMA** The Journal of the American Medical Association

Vol 173 (No. 10) (903-908) May 27, 2013

A Controlled Clinical Trial

Leonard S. Feldman, MD; Hasan M. Shihab, MBChB, MPH; David Thiemann, MD; Hsin-Chieh Yeh, PhD; Margaret Ardolino, RN, MS; Steven Mandell, MS; Daniel J. Brotman, MD

Bill Frist, M.D.

Also Movements within the Medical Community to Raise Provider Awareness :



- Started in 2012 by the American Board of Internal Medicine
  - New lists coming out yearly and continuing in 2015
  - Sponsored by 70 specialty societies
  - Awards grants sponsored by the Robert Wood Johnson Foundation to local regional collaboratives and medical societies
- To provide educational tools for providers about the evidence-based recommendations to reduce unnecessary treatment and testing
- Publishing educational modules for patients to spark conversations and help patients assist providers in making good choices

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## Example my field of cardiology:



- 1 Don't perform stress cardiac imaging or advanced non-invasive imaging in the initial evaluation of patients without cardiac symptoms unless high-risk markers are present.
- 2 Don't perform annual stress cardiac imaging or advanced non-invasive imaging as part of routine follow-up in asymptomatic patients.
- 3 Don't perform stress cardiac imaging or advanced non-invasive imaging as a pre-operative assessment in patients scheduled to undergo low-risk non-cardiac surgery.
- 4 Don't perform echocardiography as routine follow-up for mild, asymptomatic native valve disease in adult patients with no change in signs or symptoms.

<http://www.choosingwisely.org/doctor-patient-lists/american-college-of-cardiology/>

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We do not have formal results from the impact of Choosing Wisely, but this program and others like it have the potential for **HUGE COST SAVINGS** by impacting HOW providers deliver care.

**Choosing Wisely**<sup>®</sup>

*An initiative of the ABIM Foundation*



Robert Wood Johnson Foundation

Bill Frist, M.D.

## 4. Innovative **Business Models** in the Private Sector

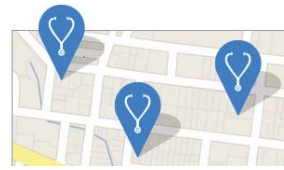
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## Case Study: **MDSave**

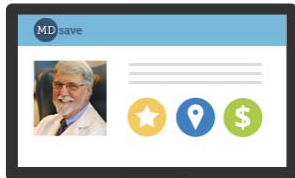
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# How it Works: For the Consumer

**1 Search medical services**  
Find medical services provided by local providers you can trust.



**2 Quality + Transparency = Savings**  
Select your service based on quality, price, and convenience.



**3 Get the best price by purchasing through MDsave**  
Save up to 60% off a medical visits or services. Upfront pricing with no extra medical bills.



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More than a transparency tool:  
Services are purchased through **MDsave** and save consumers 40-60% on TCOC

## Electrocardiogram (EKG)

Cost comparison ?

Share this cost comparison [f](#) [t](#) [e](#) [+](#)

MDSave	\$74
High Deductible Insurance	\$203
Uninsured	\$243

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## Case Study: **Theranos**

How it works...



No Big Needles



A Tiny Sample

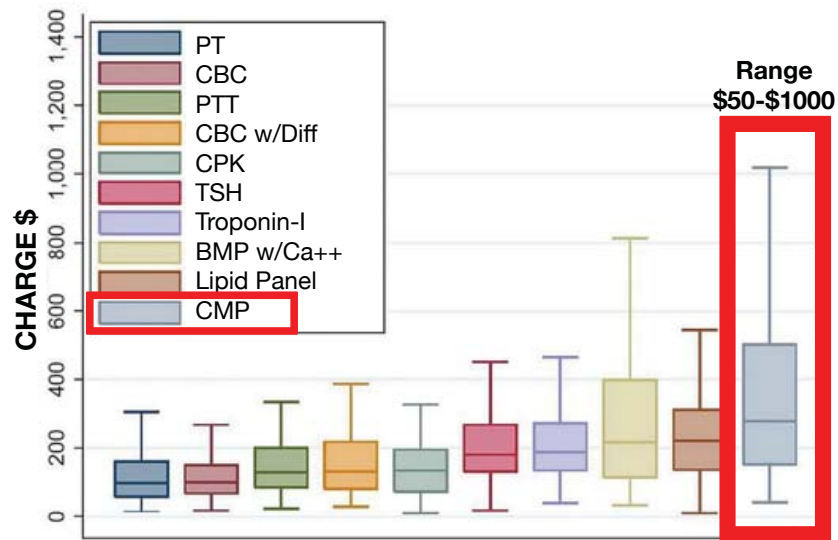


Into a small Nanotainer<sup>M</sup>

Bill Frist, M.D.

Bill Frist, M.D.

## Variation in Costs of Laboratory Tests



<http://www.vox.com/2014/8/15/6005953/a-10169-blood-test-is-everything-wrong-with-american-health-care>

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## WHAT: DTC marketing of lab tests partnered with accessibility

theranos is now in  
*Walgreens*

Theranos™ Wellness Centers will soon be located within Walgreens stores nationwide.

**There are 8,229 Walgreens stores in the U.S.**

The Theranos™ Wellness Center, coming right to your neighborhood.

Bill Frist, M.D.

## The Key: Quality, Convenience AND Cost



Bill Frist, M.D.