

Reducing Health Care Costs: Examining How Transparency Can Lower Spending and Empower Patients

Testimony to Senate Committee on
Health, Education, Labor and Pensions

September 18, 2018
Washington, D.C.

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Introduction

Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for this invitation to speak with you today to share thoughts on how improved price and quality transparency reduces cost for employers and consumers, improves the healthcare experience for patients and fosters a more efficient, competitive healthcare delivery system.

My testimony is drawn from my experience as Co-Founder and Senior Vice President of Analytics at Healthcare Bluebook. We established Healthcare Bluebook in 2007 with a simple purpose: to protect patients by exposing the truth about prices and empowering consumers to make better choices.

Bluebook is now one of the largest independent providers of healthcare price and quality transparency solutions to large self-insured employers, state and municipal governments, employee benefit trusts and third-party administrators. Millions of insured members use Healthcare Bluebook's shopping solution to understand what they should reasonably pay for care in their area, compare in-network providers on both cost and quality, and save on their out-of-pocket healthcare expenses.

Bluebook price and quality transparency tools are accessed by employers and consumers in all 50 states and every metropolitan area in the US.

The Impact of Hidden Costs

Hidden price and quality variability have a significant impact on both patient health and affordability. In the US, medical bills are the number one cause of bankruptcy, and medical mistakes (i.e. poor-quality care) are the third leading cause of death. When patients don't understand what care should cost or lack the ability to compare providers, they frequently overpay for common healthcare services by as much as 2X-10X. When patients don't have access to outcomes-based quality information, they choose poor performing doctors or facilities, increasing their risk of complications, readmission and death.

Lack of transparency also has a significant cost for employers and our broader economy. Roughly \$1.5 trillion of our annual US healthcare expenditure is paid for by employers or directly through consumer out-of-pocket costs (NHE 2016).

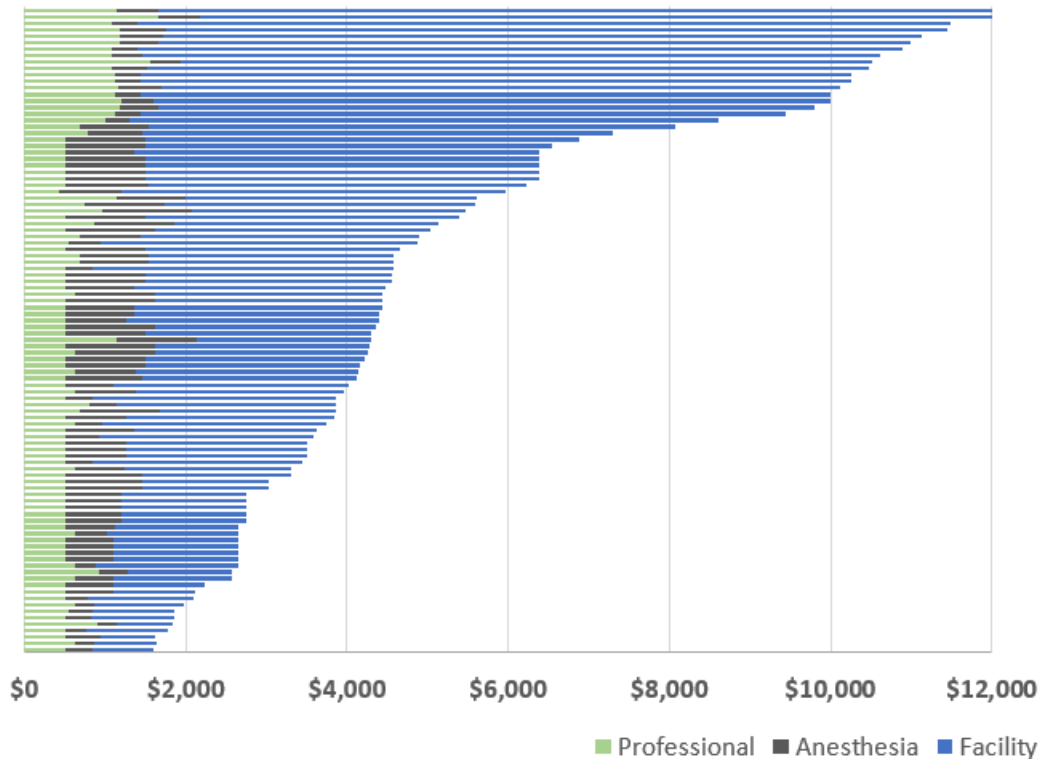
Conservatively, shoppable non-acute healthcare services account for one-third, or \$500 billion, of the \$1.5 trillion total. Based on our analysis of commercial healthcare claims data, when consumers have the tools to shop for care, compare providers on cost and quality, and choose better value in-network providers, both consumers and employer plan sponsors can save 50% of the costs on these shoppable services. In the commercial insurance market alone, this would return \$250 billion back to our economy.

Additional savings are also available to the federal government. While there is lower price variability in Medicare rates when compared to commercial payments, Medicare beneficiaries choosing a lower price venue for care can reduce cost by as much as 50% for some imaging and outpatient procedures.

Price and Quality Variability

In-network prices for common shoppable outpatient and inpatient procedures vary by 2-10x, without an accompanying difference in quality or outcome for the patient. Moreover, high price variability is extremely consistent. We observe this level of variability in every US metropolitan area, and across insurance company networks.

Figure 1: Price Variation: South Florida Cataract Surgery Prices



Sample of 100 cataract surgeries. The price represents the commercial allowed amount, or the amount paid after insurance discount is applied.

For any given service, the single largest component of cost is the facility fee or location where care is delivered. Variability in the facility price, not physician fees, drive overall price variability. *For consumers, where they choose to receive care will have a significant impact on price.*

Inpatient quality demonstrates similar variability both within and across hospitals. Bluebook uses CMS data to independently evaluate patient outcomes in 36 clinical areas for over 5,000 US acute care hospitals.¹ Our composite quality scores compare a hospital's outcomes in each clinical area (joint replacement, stroke care, etc.)

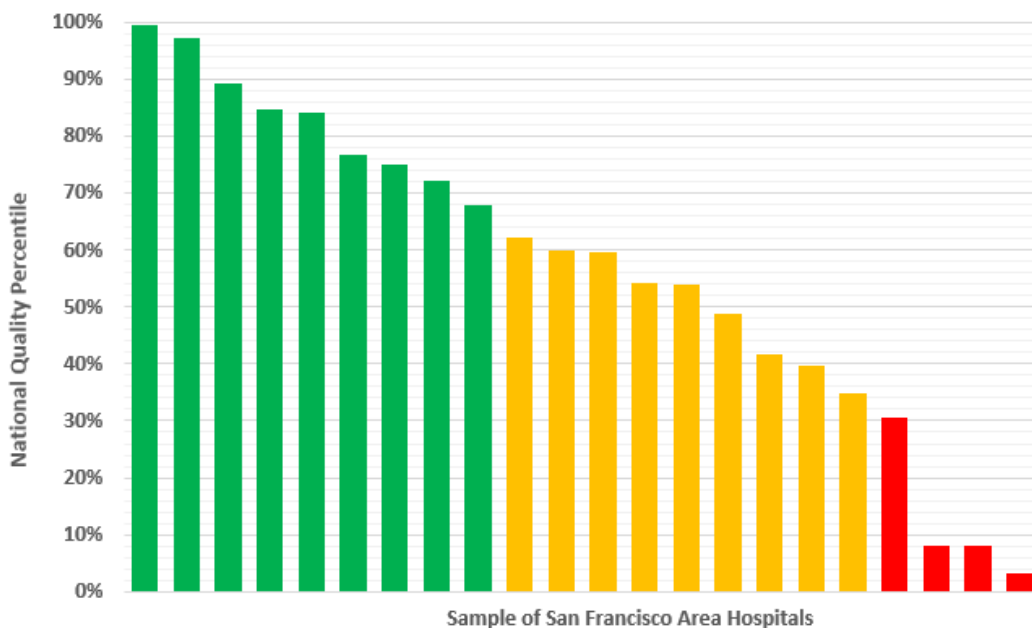
¹ Bluebook composite quality ratings include individually scored dimensions for mortality, complications, safety events and unanticipated readmissions. All metrics are risk and volume adjusted using peer reviewed, published methodologies.

benchmarked against all other US hospitals. A similar analysis is used to evaluate physician-specific outcomes.

Based on our analysis of the national quality data, we consistently find the following:

- Hospital outcomes in most metro areas exhibit a wide range of performance, from the top 25% nationally to the bottom 25% nationally. *Patients must be able to differentiate between high and low performers.*
- Outcomes for different clinical departments *within the same hospital* also exhibit significant variation. *Patients cannot rely on brand to make global quality determinations.*
- When combining clinical quality and Bluebook price data, we do not observe any correlation between cost and quality. *Patients cannot rely on price as a proxy for quality.*
- Selecting a high-quality hospital does not guarantee a high-quality physician. *Patients must be able to independently evaluate both facility and physician quality.*

Figure 2: Quality Ratings: San Francisco Complex Neurological Surgery



Consumer Experience

While insured consumers in every area of the US face significant local price and quality variability, most struggle to access the information they need to obtain better value. The provider and hospital systems are not designed to provide consumers complete and accurate in-network price estimates.^{2,3} Carrier tools are generally not promoted for their transparency features and experience low utilization.

Nonetheless, consumer surveys express demand for price and quality information and confirm the value to consumers when data are available⁴:

- 57% of Americans would like to know healthcare prices in advance
- 74% with deductibles of \$3,000 or more have sought price information
- 53% who searched for price information saved money on care
- 82% who used a transparency website would use it again

Bluebook Results

As an independent transparency company, Healthcare Bluebook has been at the forefront of protecting patients by creating tools that make it easy for consumers to compare providers on cost and quality, shop for care and obtain better value. Over ten years, we have learned a great deal about healthcare shopping behavior.

We know that when consumers have access to an intuitive, easy to use solution like Bluebook they will utilize the solution to compare providers and shop for care. When consumers shop for care, they consistently make better choices on cost and quality. In our experience,

After my doctor scheduled me for a brain MRI at a facility he always used, I checked Healthcare Bluebook for the procedure and realized that my doctor was sending me to one of the most expensive places in my area. I worked with my doctor and went to a green provider instead, saving me almost \$2,000.

-Bluebook Member

² James, Steve. "How Much Will Surgery Cost? Good Luck Finding Out." NBC News, 2 Nov 2013.

³ Jegtvig, Shereen. "Hospitals will quote prices for parking, not procedures." Reuters Health, 2 Dec 2013.

⁴ June 2017 report by Public Agenda, with support from the Robert Wood Johnson Foundation

consumers who shop for care are 2X-3X more likely to select a cost-effective provider than those who do not shop.

We also understand that when consumers with high deductibles and co-insurance utilize cost effective providers they realize significant out-of-pocket savings. Consumers can typically save an average of \$1,500 on imaging and diagnostics, \$2,000-\$5,000 on outpatient procedures and as much as \$8,000 or more on inpatient procedures.

Increasing the use of cost effective providers also has an impact on overall employer plan costs. Over a ten-year period, Bluebook clients have saved in excess of \$240 million through better transparency.

Keys to Success

There are a myriad of design and other factors that contribute to a successful consumer transparency program. For the committee's consideration, I will focus on the four most critical:

1. **Payor Independence:** Independent solution providers have driven innovation in transparency for over a decade. Independent providers are free from any conflict of interest that can arise for intermediaries between the provider network and the employer. We uniquely serve the interest of the employer and the consumer and are free to present data, utilize independent quality metrics and create benefit designs that incent utilization of high-quality, cost-effective providers.
2. **Ease of Use:** Healthcare navigation and pricing are complex. Intuitive design and actionable information are critical for making healthcare consumerism as easy as other daily transactions.
3. **Education and Engagement:** Most patients don't consume care weekly or even monthly. Many don't fully understand their benefit design or the magnitude of price differences. Successful transparency is not passive. It requires communication of timely, relevant information when patients have a need and the use of mobile apps, messaging and social media.

4. **Incentives:** Value-based rewards, like cash incentives, share a portion of savings back with patients when they make cost-effective decisions. Rewards create additional incentive for a patient to engage in consumerism, even if the patient has met their deductible or out-of-pocket maximum.

Policy Considerations

As the committee turns its attention to policy and initiatives that can further price and quality transparency, I offer the following thoughts for the committee's consideration:

- **Employer Data Access:** The transparency movement began in earnest a decade ago when self-insured employers, via their transparency partners, began to closely examine the price variability in historic claims. Data maintains the balance in the scale between employers and providers. Congress must ensure that self-insured employers have full access to unredacted historic claims and the right to provide their data to any partner covered by a Business Associate Agreement, without limitation.
- **Provider Consolidation:** When hospitals acquire other hospitals or outpatient facilities, local prices increase. When hospitals acquire physician practices, referral patterns reflect a proportional increase in the use of higher cost hospital-based outpatient care. A 2018 study using a national sample of commercial claims data shows that while consumption of services over the past few years is flat, and in some cases declining, employers are still experiencing high single-digit increases in healthcare expenditures.⁵ The study concludes that the largest factor influencing employer medical trend is increased prices. I encourage congress to be vigilant of the impact that consolidation has on healthcare prices and encourage policies that foster competition, an innovation that benefits consumers and plan sponsors.

⁵ Health Care Cost Institute, 2016 Health Care Cost and Utilization Report

- **Waiver of Out-of-Pocket Costs for HSA Eligible Plans:** Waiving out of pocket cost is an effective incentive to encourage consumers to use high-quality, cost effective providers. HSA plans currently require the full deductible to be met before the plan can cover any additional portion of out-of-pocket costs. Congress should consider easing this restriction within the context of transparency and value-based benefit design.
- **Access to CMS Data:** The past few years have seen increased access to detailed Medicare data. Improved access has spurred innovation in quality measurement initiatives, particularly in the inpatient setting and physician-specific outcomes. However, broad access to detailed encounter level data for physician office and outpatient surgeries, in both the HOPD and ASC settings, is deficient. Greater access to detailed data that allows comparison of quality outcomes for outpatient services, specifically the HOPD and ASC settings, would improve transparency of provider cost and quality for consumers.

Summary

Today, employers and their employees are the largest consumers of healthcare and account for \$1.5 trillion of our annual US healthcare expenditure. In our experience over the past decade, when consumers shop for care they consistently make better choices on cost and quality.

We believe that policy can play a positive role to advance transparency within our US healthcare system. Employer data access, provider consolidation, waiver of out-of-pocket costs for HSA eligible plans and access to CMS data are all initiatives the committee should consider for improving the future of healthcare for all Americans.