ConsumersUnion®
HEALTH CARE VALUE HUB

Getting to Health Care Value: What's Your State's Path?

Highlights from a Convening of Consumer Advocates

January 2016

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POLICY & ACTION FROM CONSUMER REPORTS

Executive Summary

Our health system is inefficient and expensive. High costs, uneven quality and lack of transparency mean poor value for the money spent on health care in the United States. We all pay for the waste and excess costs through higher taxes, rising insurance premiums and out-of-pockets costs, and lower paychecks.

This report summarizes the Health Care Value Hub's Nov. 8-10, 2015, conference that brought together state health care advocates and national experts to hear updated evidence related to health care costs and quality, and to discuss ways that each state can move forward towards better health care value.

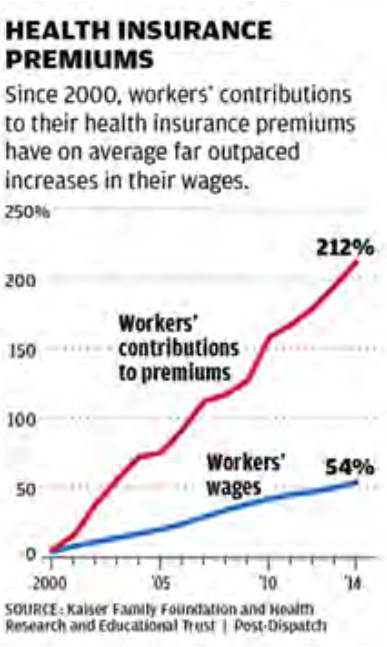
"We look to you—for big ideas, for effective partnerships, for the vision that will set real solutions in motion on behalf of consumers everywhere."

- Marta Tellado, Consumer Reports

The conference recognized that states are the proverbial laboratory of health policy ideas and action, and consumer advocates are key to starting and maintaining momentum.

The goal of the conference was to gain a better understanding of selected issues with respect to reducing costs and increasing quality, to envision a variety of paths forward and to network advocates with each other and with experts in the field.

Feedback from attendees showed us that the conference targeted a real need for the opportunity to think big about what's possible with respect to health care value. The research they heard, the advocacy approaches they shared and the new partnerships they formed will help their work going forward.



The conference also reinforced that advocates need resources to support this difficult work. The information is complex and the solutions murky. Attendees expressed the need for more research, technical assistance and data analyses from national partners to help make the case for policy changes in their states.

Finally, the conference revealed a growing momentum for this work. Attendees described many short-term work plans that included surprise medical bills, insurance network adequacy, consolidation (both provider and insurers) and working on many different types of transparency initiatives. Common long-term plans included implementing a state all-payer claims database, provider payment reform, addressing disparities and hospital rate setting.

No matter how unfavorable the political climate in their state, attendees agreed health care value is an issue that cannot be ignored.

About the Event

On Nov. 8-10, 2015, Consumers Union's Health Care Value Hub hosted a conference titled *Getting to Health Care Value: What's Your State's Path?*, in New Orleans, LA. Attendees included state health care advocate leaders and national experts with an interest in lowering health care costs and increasing quality.

Jeffrey Brenner

The goal of the conference was to gain a better understanding of selected concepts of health care value, with sessions on strategies to reduce costs and increase quality, and to network advocates with each other and with experts in the field. In particular, we wanted attendees to contemplate actionable steps they could take "back home."

The conference featured Jeffrey Brenner, M.D., MacAurthur fellow, executive director of the Camden Coalition of Healthcare Providers and creator of the strategy of "hot spotting," as master of ceremonies and facilitator. Throughout the conference, Brenner synthesized the proceedings and challenged the attendees to find a path forward towards better health care value in their states.

Sunday, November 8	
4:00 p.m.	**101 Sessions:** Health Care Costs, Health Care Quality and Update on CMS Initiatives
7:00 p.m.	**Informal Welcome and Networking** **David Adler,** Robert Wood Johnson Foundation **Lynn Quincy,** Health Care Value Hub
Monday, November 9	
9:00 a.m.	**Opening Remarks** **Marta Tellado,** Consumer Reports **Anne Weiss,** Robert Wood Johnson Foundation
9:15 a.m.	**Inspiration and Challenge to Participants** **Jeffrey Brenner,** Camden Coalition of Healthcare Providers
9:30 a.m.	**All the Rage: Provider Payment Reform** **Liz Doyle,** Take Action Minnesota (moderator) **François de Brantes,** Health Care Incentives Improvement Institute **Michael Miller,** Community Catalyst
10:30 a.m.	**Is it Possible to Reduce Unit Prices?** **Lynn Quincy,** Health Care Value Hub (moderator) **Jesse Ellis O'Brien,** OSPIRG **Robert Murray,** Maryland Health Services Cost Review Commission (former director) **Chapin White,** RAND
11:30 a.m.	**Getting to Usable Quality Measures** **Anne Dunkelberg,** Center for Public Policy Priorities (moderator) **Lisa McGiffert,** Consumers Union **Ted Rooney,** Healthcare Quality Consulting
1:30 p.m.	**Breakout Sessions** Facilitated small-group discussions with like-minded states to chart a path forward
3:30 p.m.	**Day 1 Wrap-Up and Synthesis** **Jeffrey Brenner** (Moderator)
Tuesday, November 10	
9:00 a.m.	**How Can Health System Transformation Reduce Health Disparities?** **Sinsi Hernández-Cancio,** Families USA (moderator) **Charlie Alfero,** Hidalgo Medical Services, Center for Health Innovation **Brian Rosman,** Health Care for All Massachusetts
9:50 a.m.	**Value-Based Insurance Design: Which Approaches are Best for Consumers?** **Anthony Wright,** California Health Access (moderator) **Mark Fendrick,** University of Michigan **Lydia Mitts,** Families USA
10:50 a.m.	**Where Do We Go From Here?** Facilitated, interactive session on how we all can keep the momentum going towards better health care value **Jeffery Brenner** (Moderator)

What's on Advocates' Minds?

Some attendees were polled ahead of time to see which of the myriad health care value topics were most pressing. That exercise and our conference evaluations showed that the following topics are top of mind for advocates.

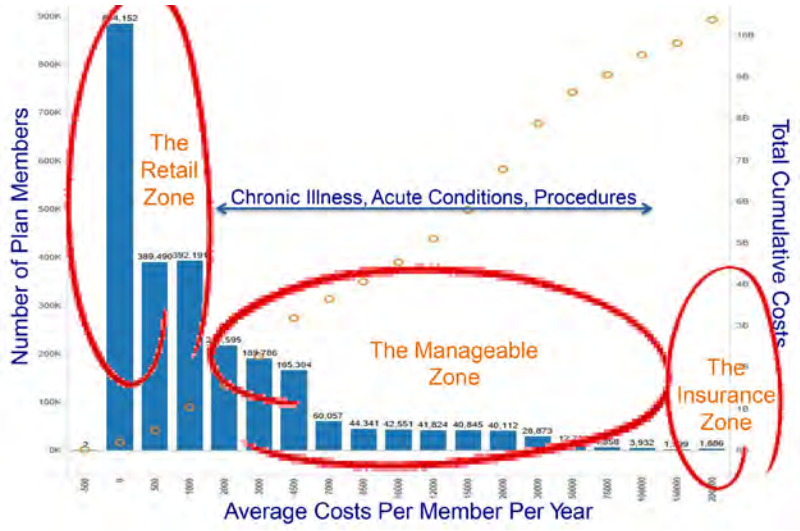
Provider Payment Reform

Changing the way doctors, hospitals and other providers are evaluated and paid is key to getting better value for our health care dollars.

Provider payment reform can better align incentives to promote care that is more patient centered, higher quality and less expensive but as our speakers pointed out, these strategies need to be applied judiciously and to take into account the characteristics of the patient population.

François de Brantes of the Health Care Incentives Improvement Institute, presented a slide that shows different "zones" for provider payment reform (see exhibit on right). Each of these zones should be considered when implementing payment reform. For example, the **Retail Zone** includes a large percentage of the population with relatively low costs. This zone, de Brantes argued, should be paid under fee for service (FFS) to incentivize access to preventive care. As we move into the next zone—the **Manageable Zone** with somewhat fewer patients, but higher costs—payments should be restructured to incentivize better care coordination and outcomes. The final zone, he called the **Insurance Zone**, includes relatively rare instances of very high spending. This zone might again lend itself to a FFS payment system because the combination of illnesses happened so infrequently. This framing ended up being referenced throughout the conference as a way to focus on different population groups.

The Different Zones of Health Care Spending



Source: François de Brantes, presentation at *Getting to Health Care Value: What's Your State's Path?* (November 2015).

No reimbursement system is perfect and de Brantes stressed we need to match the payment approach to the condition being treated and the sophistication of the provider group.

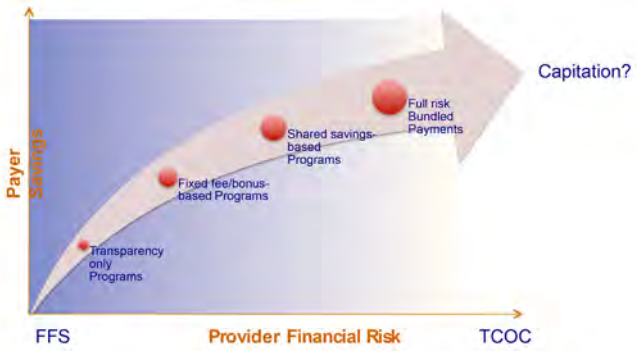
Moving along the continuum from traditional fee for service, where providers are paid for each unit of service provided, to capitation, where providers are paid a fixed rate per person to cover all care within a broad specified set of services, can make the system more efficient, but can also produce unwanted results, like under service and avoidance of vulnerable patients.

What's on Advocates' Minds?

Presenter Michael Miller of Community Catalyst noted that advocates need to be: **Affirmative**, **Defensive** and **Opportunistic** when it comes to payment reform. He described how risk adjustment is key to include in payment reform and has two dimensions: **clinic** and **patient socio-economic status** (SES). As we move toward increasingly bundled provider payments, if payments are not adjusted for clinical complexity and SES there is a risk of under service and avoidance of vulnerable patients.

Highlighting the difficulty of getting this right, an advocate from California later asked: "We have capitation and our prices are still high—what's next?"

The Relationship Between Risk & Reward



Source: François de Brantes, presentation at *Getting to Health Care Value: What's Your State's Path?* (November 2015).

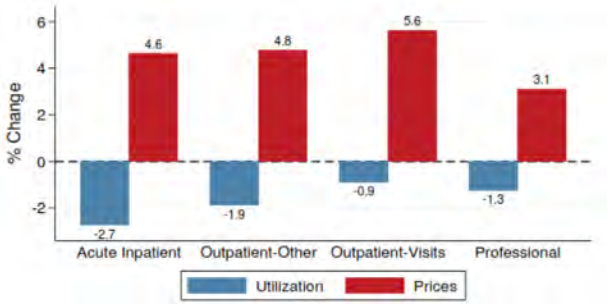
Is it Possible to Reduce Unit Prices?

Presenter Chapin White of RAND calculated that we overspend by $3,900 per year for each U.S. citizen. To alleviate the toll this takes on consumers, it's essential to get at the main reason for spending growth.

"It's the prices, stupid." That's the simplified way to say that the rising prices of each "unit," such as a visit to the doctor, a drug prescription or surgery are a far more important cost driver than increases in utilization. According to the Health Care Cost Institute, prices increased in all categories of medical services between 2013 and 2014, while utilization decreased (see exhibit on right).

There are many factors driving rising health care prices, such as provider consolidation and market power, lack of price transparency, consumer preference for broad provider networks, the rising costs of prescription drugs, among others. White described the rates private payers pay for inpatient and outpatient

Changes in Utilization and Prices of Medical Subservice Categories: 2014



Source: Health Care Cost Institute, *2014 Health Care Cost and Utilization Report* (October 2015).

What's on Advocates' Minds?

Where Are Price Hotspots?

Source: Chapin White, presentation at *Getting to Health Care Value: What's Your State's Path?* (November 2015).

hospital care to be particularly worrying price "hot spots" (see exhibit above).

"Price transparency is a basic consumer protection."

- Jesse Ellis O'Brien, OSPIRG

Both White and presenter Robert Murray, former director of the Maryland Health Services Cost Review Commission, discussed ways states can address rising unit prices, including:

- Institute an all-payer claims database and make the data on prices accessible to researchers, policy makers and the public. Chapin White pointed out that New Hampshire is the poster child for a useful, accessible APCD.
- Strengthen health insurance rate review. Include unit prices so policymakers and others have a better understanding of requests for higher premiums.
- Out-of-network care. Set limits on the total price that can be charged, not just what patients pay out of pocket. This directly addresses "surprise" bills and indirectly curbs in-network negotiated prices, as well as premiums.
- Provide patient-facing price transparency tools and to use claims data to track unit prices and demand accountability from health plans.
- Challenge provider consolidation. Build a coalition to scrutinize hospital mergers and acquisitions.
- Targeted payment reform
- Scope of practice rules
- All-payer hospital rate setting. Murray maintained that a failure of provider payment reforms is that they are typically NOT multi-payer. When payers come together to pursue a common payment reform they become much more powerful.
- Global budgeting.

"Price transparency is not a silver bullet, but nothing is. It could be a first step."

- Jesse Ellis O'Brien, OSPIRG

Presenter Jesse Ellis O'Brien of OSPIRG described cost transparency as a basic consumer protection issue. Empowering consumers with reliable cost information has seen some evidence of having an impact on health care costs. However, he cautioned that many costly procedures are not "shoppable."

What's on Advocates' Minds?

Getting to Usable Quality Measures

Health care quality is integral to getting better health care value. But what quality measures drive value? What is usable for consumers? What are the gaps? What will it take to bridge the gaps?

Panelist Ted Rooney drove home the importance of these questions by highlighted CMS's new ACO quality measures and used state-level data on diabetes care in Georgia as an example. On average, 25 percent of the state's hospitals score poorly on a key measure of diabetes control, compared to 15 percent in Maine and 8 percent in top performing hospitals in other states. That translates to thousands of state residents at risk of complications that can lead to amputations and loss of eyesight.

Panelist Lisa McGiffert of Consumers Union's Safe Patient Project, highlighted the fact that a quarter of people who enter a hospital are harmed. She suggested combining available provider quality data with consumer stories to bring attention to hospitals that score low on quality measures.

"Pick some quality metrics and fly the plane."

- Jeffrey Brenner, Camden Coalition

The panelists advised advocates to find out what is already being done in their state. National organizations such as LeapFrog and Consumer Reports are grading hospitals using data from a combination of quality measures. And many states, such as Maine, have public-facing quality scorecards.

"A quarter of people who enter a hospital are harmed."

- Lisa McGiffert, Consumers Union

Using quality measures to highlight progress in safety and patient experiences can lead to better value for consumers—and decrease costs for providers, which is why Ted Rooney stressed that hospital Chief Financial Officers can become your best friends!

"Providers and insurers fight over reimbursement rates as compared to Medicare–quality is not part of the negotiation process."

- Jeffrey Brenner, Camden Coalition

What's on Advocates' Minds?

How Can Health System Transformation Reduce Health Disparities?

Disparities in health care are a continuing problem. There are major differences among populations in terms of health status, number of chronic conditions, quality of life and life expectancy. According to a recent Virginia Commonwealth University/RWJF project, these differences are strikingly evident within metropolitan areas—sometimes within a few city blocks (see exhibit at right). Session moderator Sinsi Hernandez-Cancio of Families USA used this graphic to introduce this issue, noting the historic and ongoing practice of racism has caused enormous racial and ethnic health disparities.

Health system transformation can address health disparities while improving health care value. There is necessary—and obvious—room for improvement with disadvantaged populations that currently experience poorer health outcomes.

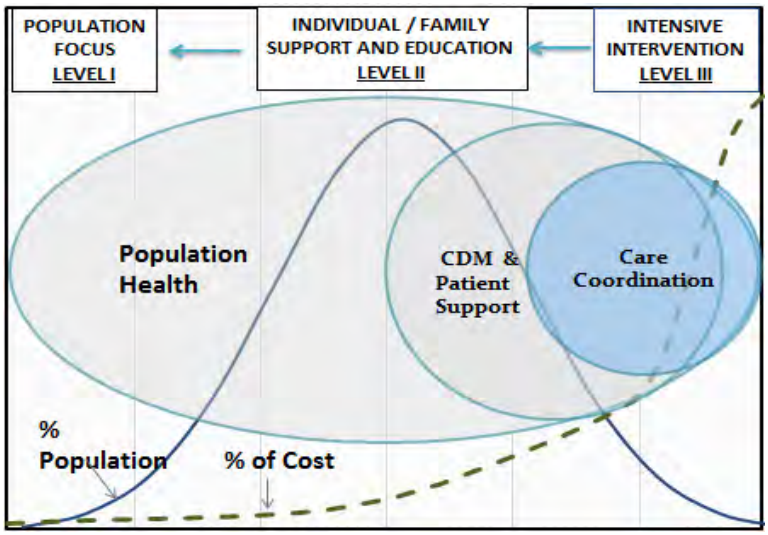
Disparities in Life Expectancy

Source: Sinsi Hernandez-Cancio, presentation at *Getting to Health Care Value: What's Your State's Path?* (November 2015).

However, according to the panelists, the focus can't be solely on reforming the clinical health system. We need to focus on the social determinants of health: economic stability; neighborhood and physical environment; education; food; community and social context; as well as the health care delivery system.

Panelist Charlie Alfero of the Southwest Center for Health Innovation described how his program saved $4 for every $1 spent on hospital costs with a primary care resource model that focuses on medical, dental, behavioral and patient/community health to tackle

Context for Reduced Cost and Population Health



Source: Charlie Alfero, presentation at *Getting to Health Care Value: What's Your State's Path?* (November 2015).

What's on Advocates' Minds?

prevention, diagnosis, treatment and care management. Critical to the program's success, his program was able to use Medicaid funds to pay for these population health measures.

Panelist Brian Rosman of Health Care for All Massachusetts returned to the topic of risk adjustment for non-medical factors (socio-economic status, or SES). All panelists agreed that these factors (race, ethnicity, income, education, housing stability, crime, availability of quality food, etc.) influence health costs and health outcomes. We also know that how we incentivize providers can make a big impact on at-risk populations. Risk adjustment can reduce the incentive to cherry pick healthier, less costly patients, and make resources available for patients with higher needs. By using quality measures for risk adjustment there are no penalties for enrolling sicker, needier members.

Adjusting quality measures for SES is controversial because it can mask disparities rather than expose them and can excuse lower quality of care for the poor. However, it can also reduce penalties for providers that take more low-SES patients and enable better comparisons of quality outcomes.

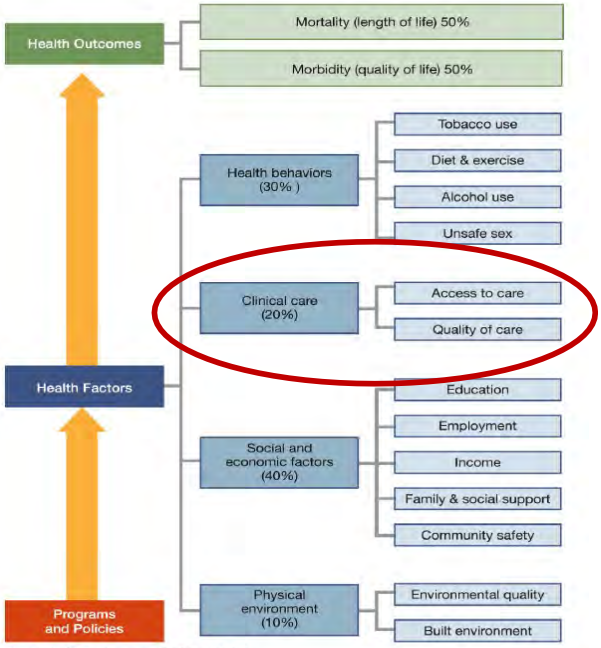
"There is no correlation between how much something costs and how much it benefits you."

- Charlie Alfero, Southwest Center

Panelists agreed that providers should be held accountable for things they have direct control over (like hospital infections). There was lively debate over whether payments should be adjusted for SES factors in all circumstances but a collective desire to see providers take a more active role with respect to non-clinical issues that affect health.

Jeffrey Brenner provided an example of a patient who received the recommended medication for a condition, but after leaving the clinic the medication was stolen and the patient ended up readmitted with the same condition.

What Contributes to Health Outcomes?



Source: Ted Rooney, presentation at *Getting to Health Care Value: What's Your State's Path?* (November 2015).

Value-Based Insurance Design: Which Approaches are Best for Consumers?

Value-Based Insurance Design (VBID) is an approach to benefit design that sets consumer cost-sharing level on clinical benefit—not acquisition price—of the service. There is significant interest among advocates and in the states in this strategy.

Mark Fendrick of the University of Michigan described how one-size-fits-all cost sharing fails to acknowledge differences in clinical value among medical interventions. Despite unequivocal evidence of clinical benefit, substantial underutilization of high-value services persists across the entire spectrum of clinical care. Attention should turn from how much to how well we spend our health care dollars. What's more, high consumer cost sharing leads to a reduction in the use of essential services, worsens health disparities, and in some cases leads to greater overall costs. These high consumer costs can undermine what provider payment reform is trying to accomplish.

Both speakers emphasized that VBID was best used to promote high-value care rather than discourage low-value care. Making certain high value services free is often more effective than making low-value services more expensive.

Speaker Lydia Mitts of Families USA described how to create a consumer-friendly VBID program. She also compared VBID to wellness programs, finding VBID often preferable. Finally, she pointed out there are limits to the applications of VBID—for example, it will not solve problem of underinsurance and may not be the best tool for tackling low value care. Mitts and Fendrick both noted the interest in the states in the VBID strategy:

- State Exchanges—CA and MD encourage VBID
- CO-OPs—Maine
- Medicaid—Michigan
- State Innovation Models — NY, PA, CT, VA
- State Employee Benefit Plans

VBID: Who Benefits and How?

Source: Mark Fendrick, presentation at *Getting to Health Care Value: What's Your State's Path?* (November 2015).

Where Do We Go From Here?

A goal of the conference was for attendees to contemplate actionable steps they could take "back home." To that end, attendees broke into small groups and brainstormed on 3-5 year paths forward.

Attendees were asked to describe the short- and long-term goals in their state. Common short-term plans included surprise medical bills, network adequacy, consolidation (both provider and insurers) and working on many different types of transparency initiatives. Common long-term plans included implementing a state all-payer claims database, payment reform, addressing disparities, and hospital rate setting.

"We're all in this together. Rising healthcare costs are going to overrun all state budgets without better approaches. If a state can innovate–control its healthcare costs better than others–it can offer a competitive advantage to employers who are drawn to lower cost areas."

- Ryan Sullivan, Michigan Consumers for Healthcare

No matter how unfavorable the political climate in their state, attendees agreed health care value is an issue that can't be ignored.

All agreed that a menu of best practices and a list of practical actions most states could take would be very useful.

Every state is different in its political landscape and ability to make progress towards health care value. Some states are actively pursuing and implementing various strategies to bring better value to consumers, while other states are more limited in their ability to take on costs and are focusing primarily on Medicaid expansion while finding ways to take more incremental steps towards better value.

Where Do We Go From Here?

Our evaluations show that attendees and guest experts found the conference valuable. The conference targeted a need for the space and opportunity to take in the big picture and think about what's possible with respect to health care value.

The research they heard, the advocacy approaches they shared, and the new partnerships they formed will help their work going forward.

The conference was an opportunity to take the pulse of what health care advocates are working on and what they need to more effectively tackle health care value in their states. The conference reinforced the need for resources to support this difficult work. The information is complex and the solutions murky. The attendees expressed the need for more research, technical assistance and data analyses from national partners to help make the case for policy changes in their states. They also said they needed a national organization to help them share ideas and learn about what other states are doing to improve value. Attendees also said they need national groups to help shine the light on important health care value topics.

"No one is coming to rescue you. If you want better value you can't sit and wait. You should take advantage of the valuable resources available from the Hub, Consumers Union, RWJF and other organizations."

- Jeffrey Brenner, Camden Coalition

Anne Weiss of the Robert Wood Johnson Foundation summed up this sentiment when describing the foundation's Culture of Health action framework. "What we are talking about here is not a map, it's a compass," she said. "We know that the direction we want to take is towards better health care value, but we may use different routes to get there."

Whatever path you take towards better value, the Hub is here to help. Getting help is just a simple phone call or email away.

"What we are talking about here is not a map, it's a compass. We know that the direction we want to take is towards better health care value, but we may use different routes to get there."

- Anne Weiss, RWJF

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HEALTH CARE VALUE HUB

Consistent with Consumer Reports' mission to keep consumers safe in the marketplace, and with support from the Robert Wood Johnson Foundation, the Health Care Value Hub was created to help advocates address health care cost and value issues.

Launched in March 2015, the Health Care Value Hub supports and connects consumer advocates across the U.S., providing plain language, comprehensive, evidence-based information to help them advocate for change.

The Hub offers both online and hands-on support, with a staff dedicated to monitoring, translating and disseminating evidence about cost drivers and strategies to address those drivers. We also connect advocates, researchers and policymakers together by sponsoring events and networking opportunities around health care cost and value issues.

Getting help is just a simple phone call or email away. You can also sign up for our monthly *Research Roundup*, attend our monthly webinars, follow us on Twitter @HealthValueHub, and join our advocates-only Health Care Cost Forum.

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Support provided by the Robert Wood Johnson Foundation