



# Lessons from Beyond the Empire: State Government Efforts to Promote Healthcare Price Transparency

**Christopher Koller**

President, Milbank Memorial Fund

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# Overview of Presentation

- Milbank Memorial Fund
- Defining the Public Interest in the Issue
- Examples of Price Transparency Efforts in RI and elsewhere
- Lessons Learned



# What do we mean by "Price"

- What the price pays.
- Can be charged discounted

## 2008 Audi Q7 3.6 Premium

Exterior: Ice Silver Metallic Interior: Black Interior

VIN: W [REDACTED] 6

MODEL: 4LB4DL

### MANUFACTURER'S SUGGESTED RETAIL PRICE

2008 Audi Q7 3.6 Premium	<b>\$48,350.00</b>
Ice Silver Metallic	No Charge
Black Interior	No Charge
6-Speed Automatic Trans. W/ Tiptronic(R)	No Charge
Convenience Package -	<b>\$1,950.00</b>
Xenon Plus	
Bose (R) Sound System	
Adaptive Front Lighting System	
Auto-Dimming & Electrically Folding Exterior Mirrors	
Memory For Front Driver Side Seat Adjustment	<b>\$1,850.00</b>
Panorama Sunroof	<b>\$950.00</b>
Four-Zone Climate Control	No Charge
Leather Seating Surfaces	No Charge

### STANDARD EQUIPMENT (unless replaced by options)

#### TECHNICAL

- 3.6 liter, 280 hp, V6 DOHC engine w/ FSI Direct Injection
- 6-speed Auto Transmission with Tiptronic (R) and Dynamic Shift Program (DSP)
- Quattro (R) permanent all-wheel drive
- ESP (Electronic Stabilization Program), off-road mode includes Hill Descent Assist
- ABS (anti-lock brake system)
- Six-piston front, four-piston rear ventilated disc brakes
- 18" alloy wheels, with 255/55 all-season tires
- Servotronic (R) vehicle speed-sensitive steering
- Trailer hitch pre-wiring
- Tire pressure monitoring system
- Inflatable temporary spare tire
- Uni-body construction

#### COMFORT/CONVENIENCE

- Automatic dual zone climate control
- 11-speaker Audi audio system with DSP
- Six-disc in-dash CD changer and SIRIUS (R) satellite radio
- MMI Advanced system with 7" color screen
- Dual eight-way power front seats w/ four-way power lumbar adjustment
- Heated front seats
- Tilt and telescopic manually adjustable steering column
- 3rd row of seats
- Garage door opener - HomeLink (R)
- Preparation for mobile phone - Bluetooth(R)
- Audi parking system advanced with rearview camera
- Privacy glass
- Leather seating surfaces
- Power tailgate

#### SAFETY/SECURITY

- Driver and front passenger front airbag supplemental restraint system
- Driver and front passenger seat mounted side airbag supplemental restraints
- SIDE GUARD (R) inflatable curtain airbags
- Front and rear 3-point safety belts with automatic pretensioning, front belts with force limiters
- Active and passive rollover protection
- Lower Anchors and Tethers for Children (LATCH)
- Side impact protection
- Front & rear impact body crumple zones
- Anti-theft vehicle alarm system
- Electrically adjustable heated outside rear view mirrors
- Power child locks

#### WARRANTY / MAINTENANCE

- 4-Year/50,000 mile new vehicle limited warranty\*
- 12-Year limited warranty against corrosion perforation\*
- 12-Month/5,000 mile (whichever occurs first) NO CHARGE first scheduled maintenance
- 4-Year Roadside Assistance coverage provided by a third party supplier

TRUTH I

### EPA Fuel Economy

These estimates re

CITY MPG

**14**

Expected range for most drivers  
11 to 17 MPG

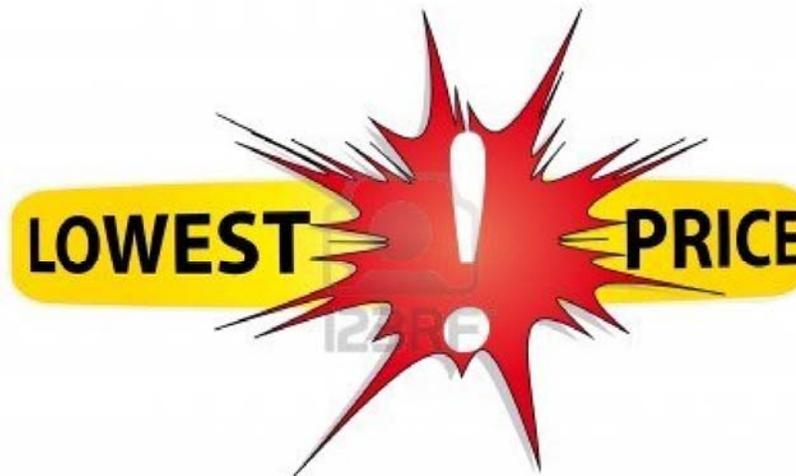
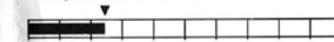


See the FREE Fuel Econ

DEALER: 422A25  
AUDI WEST COVINA  
2016 EAST GARVEY AVENUE  
SOUTH  
WEST COVINA, CA 91791  
Port of entry: SAN DIEGO

SHIP TO: 422A25  
AUDI WEST COVINA  
2016 EAST GARVEY AVENUE  
SOUTH  
WEST COVINA, CA 91791  
COMM NUM: 094490  
Transportation Method: TRUCKED

SMOG EMISSIONS INFORMATION  
The smog index of this vehicle is 0.49



# Stakeholders' interests in price transparency

<i>Stakeholder</i>	<i>Interest</i>
Uninsured and Out of Network Consumer	<ul style="list-style-type: none"><li>-Avoid sticker price shock</li><li>-Protection from bankruptcy</li></ul>
Insured Consumer	<ul style="list-style-type: none"><li>-Information for rational choices.</li><li>-Protection from price variation not based on quality</li></ul>
Insurer and purchaser	<ul style="list-style-type: none"><li>- Protection from market power (failure of private negotiations)</li></ul>
Provider	<ul style="list-style-type: none"><li>- Information for rational choices</li></ul>

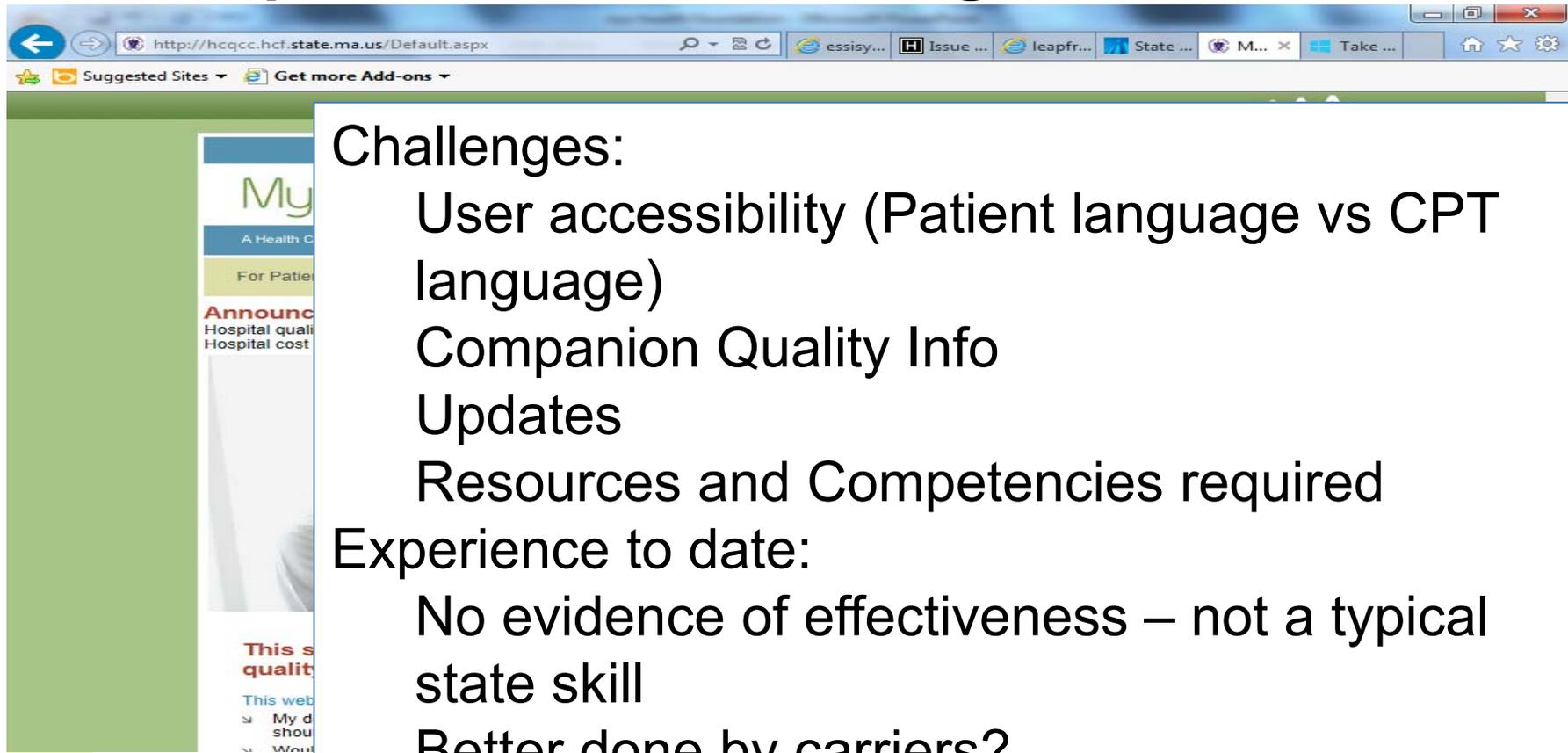


# Common State Actions

<b>Uninsured Consumer</b>	<ul style="list-style-type: none"><li>- Mandated charge master disclosure</li><li>- Mandated discounts</li></ul>
Insured Consumer	<ul style="list-style-type: none"><li>- Maintenance of fee schedule databases with public access</li><li>- Charge master analysis</li></ul>
Insurer and purchaser	<ul style="list-style-type: none"><li>- Fee schedule collection and analysis</li></ul>
Provider	<ul style="list-style-type: none"><li>- Mandated access to insurer information</li></ul>

# 1. Maintenance of Price Databases for Public Access

**Examples: Massachusetts, Minnesota, New Hampshire. Florida...among others**



Challenges:

- User accessibility (Patient language vs CPT language)
- Companion Quality Info
- Updates
- Resources and Competencies required

Experience to date:

- No evidence of effectiveness – not a typical state skill
- Better done by carriers?

## 2. Charge Master Analysis

- Examples:
  - (CMS), New York State, Fairhealth.org
- Policy Goals:
  - Motivate outrage (Steven Brill)
  - Public Shaming
- Outcomes:
  - (Useful, but part of a bigger strategy)



# 3. Fee Schedule Analysis

- **Goals:**
  - Document and understand price variation in local markets: *by hospital and payer*
  - Evidence for subsequent policy
- **Process**
  - State collection of data
  - Internal analysis
  - Stakeholder engagement
  - Publication
- **Examples: Massachusetts, RI, New Hampshire among others.**



# 3. Fee Schedule Analysis

## Challenges:

- Collecting Data
- Risk adjustment
- Naming names and dealing with blowback
- Fear of unintended effects
  - Variation can also be reduced by raising lowest



# Fee Schedule Analysis in RI

- Focus on hospitals
  - Previous anecdotal evidence of variation
  - Cross subsidies of public payers?
- Paid for by ACA Rate Review Funds
- Collect all payer data
- Third party contractor
- Relative pricing, not insurer specific
- Intense stakeholder process



# Results – Inpatient Services

Ratio of average risk adjusted per day rate to overall average

Table 3.2.1

Range of Payments to Each Hospital by Payer, All Stays (Casemix Adjusted Using APR-DRGs)

Payer	Lifespan			Care New England		CharterCARE		Unaffiliated				All
	RIH	Mirm	Nwprt	W&I	Kent	St. J	Rog Will	Mem	Lndmrk	So Co	Wstrly	
Medicare FFS	0.99	0.75	0.64	1.06	0.79	0.82	0.94	0.98	0.75	0.68	0.7	0.85
MCR mgd care	0.94	0.89	0.85	0.89	0.78	0.82	0.83	0.87	0.79	0.78	0.77	0.86
Medicaid FFS	1.03	0.9	1.17	1.57	1.22	2.15	0.99	1.57	0.99	0.99		1.21
MCD mgd care	1.15	0.94	0.85	1.14	1.23	1.02	0.79	1.12	0.8	0.79	0.89	1.07
Commercial	1.36	1.21	1.14	2.2	1.57	1.05	1.08	1.23	1.12	1.21	1.17	1.41
All	1.07	0.89	0.76	1.61	0.96	0.92	0.93	1.05	0.82	0.84	0.81	1.00
Ratio--highest payer to lowest	1.45	1.61	1.81	2.46	2.02	2.64	1.37	1.80	1.5	1.77	1.67	1.66

Notes:

- 1) This table shows relative payment levels, where 1.00 equals the average payment for all stays in the analytical dataset. For example, 0.99 in the top cell for Rhode Island Hospital means that Medicare FFS paid RIH 1 percent less than the statewide average. Numbers in each cell are comparable to each other because all data have been adjusted for differences in casemix using APR-DRGs.
- 2) Data are shown only for services where the hospital performed at least 50 services for a specific payer in 2010. Other cells are shown as blank.

Source: [http://www.ohic.ri.gov/documents/Insurers/Reports%202012%20Rhode%20Island%20Hospital%20Payment%20Study/1\\_2012%20Rhode%20Island%20Hospital%20Payment%20Study%20Final.pdf](http://www.ohic.ri.gov/documents/Insurers/Reports%202012%20Rhode%20Island%20Hospital%20Payment%20Study/1_2012%20Rhode%20Island%20Hospital%20Payment%20Study%20Final.pdf)



# Fee Schedule Results in RI

1. Hospital outpatient is half the revenue and harder to analyze.
2. Public Scrutiny reduced monopoly pricing
  - Greater public accountability by hospitals
3. No comprehensive legislative action
  - What is a fair price?
  - Hospitals – public utility or private asset?
4. Some executive action
  - OHIC followed up with limits on rates of increase and contracting conditions
  - Similar actions by Medicaid



# Lessons Learned

1. Have funds to do it right
  - Risk adjustment and all payer
2. Conduct public process to address concerns.
3. Relative price is fine
4. Be ready to deal with consequences
  - Leads to health services planning and policy questions on rate oversight
  - Rate oversight reduces inflationary concerns

# 4. Provider Access to Fees

- **Conflict**
  - Incented providers who want access to fee information
  - Insurers who want fee information private; fear of price escalation.
- **Why the insurers will lose this battle**
  - “Really?": Indefensible position to the providers who they want to control costs
  - Medicaid and Medicare are publicly accessible
  - They are making more info available to consumers.



## 4. RI Provider Price Disclosure Bulletin

- In response to concerns of PCMH's and at risk provider groups.
- OHIC issued q2 2013 (new) as bulletin
- Directs Health Insurers to disclose provider rates for requested services to primary care providers upon request of PCP
  - Public interest to trump private contract
  - Only for purposes of care coordination
  - Limits on disclosure.
- [http://www.ohic.ri.gov/documents/Insurers/AdoptedBulletins/02\\_2013%201%20Price%20Transparency%20Bulletin.pdf](http://www.ohic.ri.gov/documents/Insurers/AdoptedBulletins/02_2013%201%20Price%20Transparency%20Bulletin.pdf)



# 4. Provider Disclosure

- Status in RI
  - Enforcement is key: insurers can stonewall.
- Lessons
  - Setting culture for insurers
  - Sophisticated providers will get claims and reverse engineer a price.
  - Information is not conclusive



# Final reflections on state role in price transparency

- Winning policy politically
- Stay out of consumer disclosure
  - Ample evidence that consumer facing transactions are not core public skill
- Do not oversell: necessary but not sufficient for delivery system transformation
- Be prepared for consequences...



# Be Prepared for What Happens When You Lift The Rock...



Milbank Memorial Fund

# Be Prepared for Policy Discussion:

How provider rates are determined is fundamentally conflicted



(Public rate setting)

(Negotiated rates)

**But That is the Place for Public Leadership**

