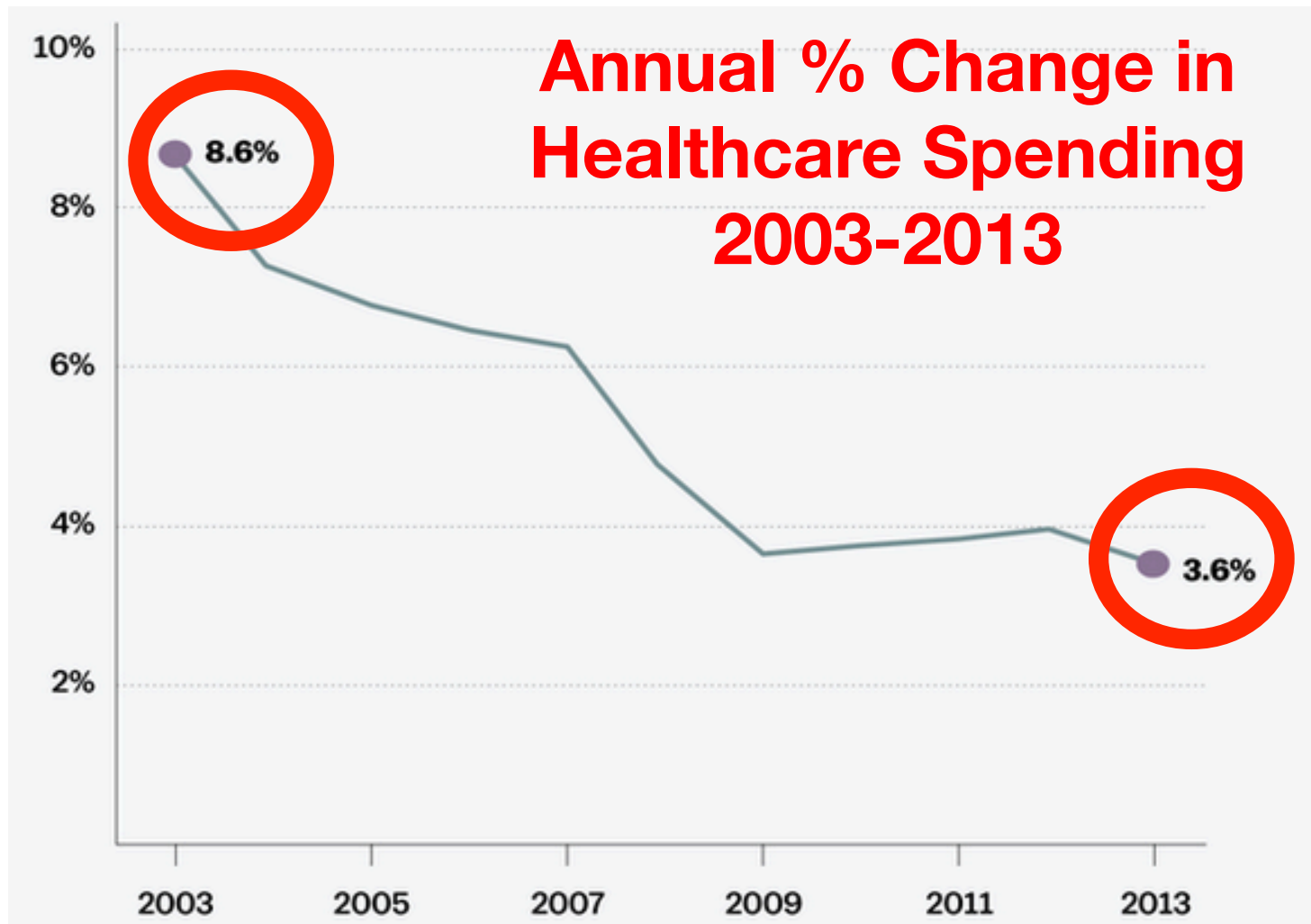


Framing Transparency:

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

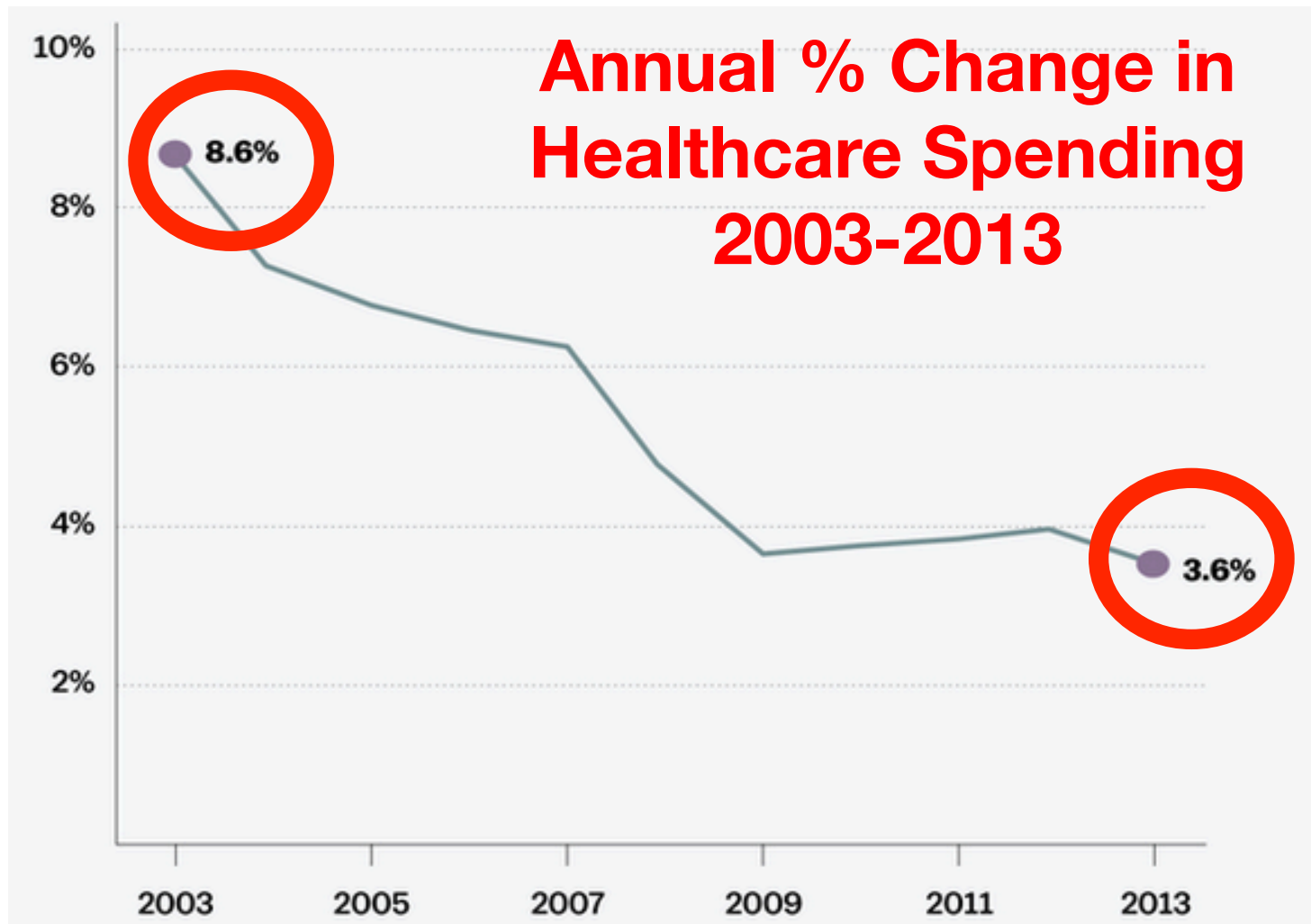


We have seen a reduction in health spending growth in the last decade ...



<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

Top 2*	TOP 2
Middle	MIDDLE
Bottom 2*	BOTTOM



	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.

Bill Frist, M.D.

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

COUNTRY RANKINGS

Top 2*	TOP 2
Middle	MIDDLE
Bottom 2*	BOTTOM



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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.

Bill Frist, M.D.


There are Many Reasons Why...

Administrative Waste
Lack of Access
Overuse



But today we will focus on
Transparency

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



1127 of 1408 flights [show all](#)



Sort by Price - Low to High

Cheap Last Minute Flight ad







www.southwest.com/

Southwest Offers Low Fares and Nonstop Flights. Book Now!

[Special Offers](#) - [Email Deals](#) - [Earn Flights Fast](#)

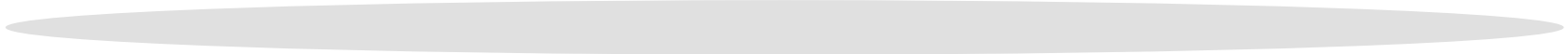
\$207	 American Airlines	BNA 3:30p ▶ ABQ 7:05p 4h 35m 1 stop (DFW)
		ABQ 6:15a ▶ BNA 1:05p 5h 50m 1 stop (DFW)
Select	AA.com \$207	Coach
	Details Fares	
\$207	 American Airlines	BNA 4:45p ▶ ABQ 8:25p 4h 40m 1 stop (DFW)
		ABQ 6:15a ▶ BNA 1:05p 5h 50m 1 stop (DFW)
Select	AA.com \$207	Coach
	Details Fares	

Compare Sites vs. KAYAK

	Compare »
	Compare »
	Compare »
	Compare »
	Compare »
	Compare »
Compare all	

ads

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.**

But first...

What is **Price Transparency?**

Access to knowledge of
Price *and*
Quality

By **Consumers** *and* **Providers**

BEFORE services are rendered

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.”

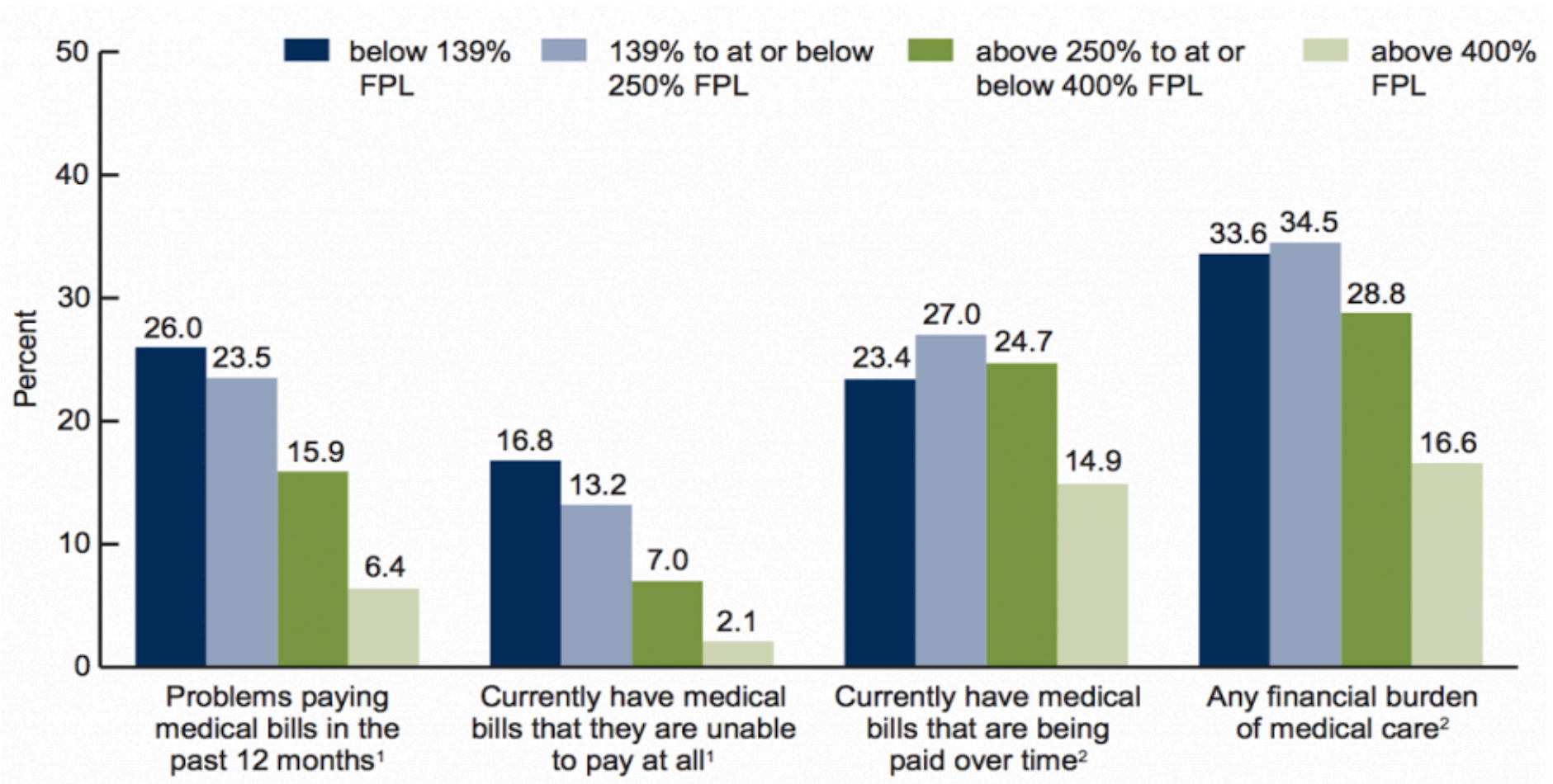
The Current State of Affairs is Chaotic with Enigmatic Pricing



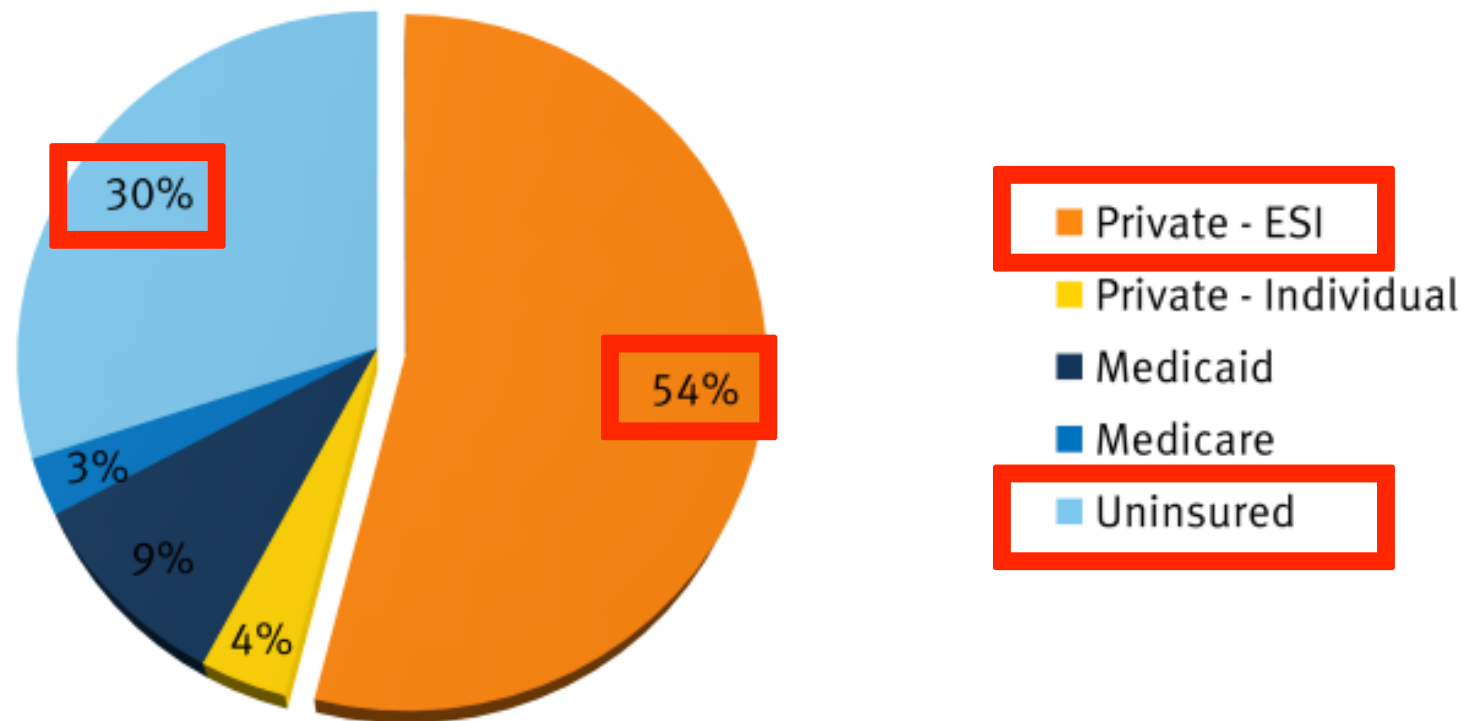
This results in

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

Approximately 35% of Americans Struggle with Medical Debt



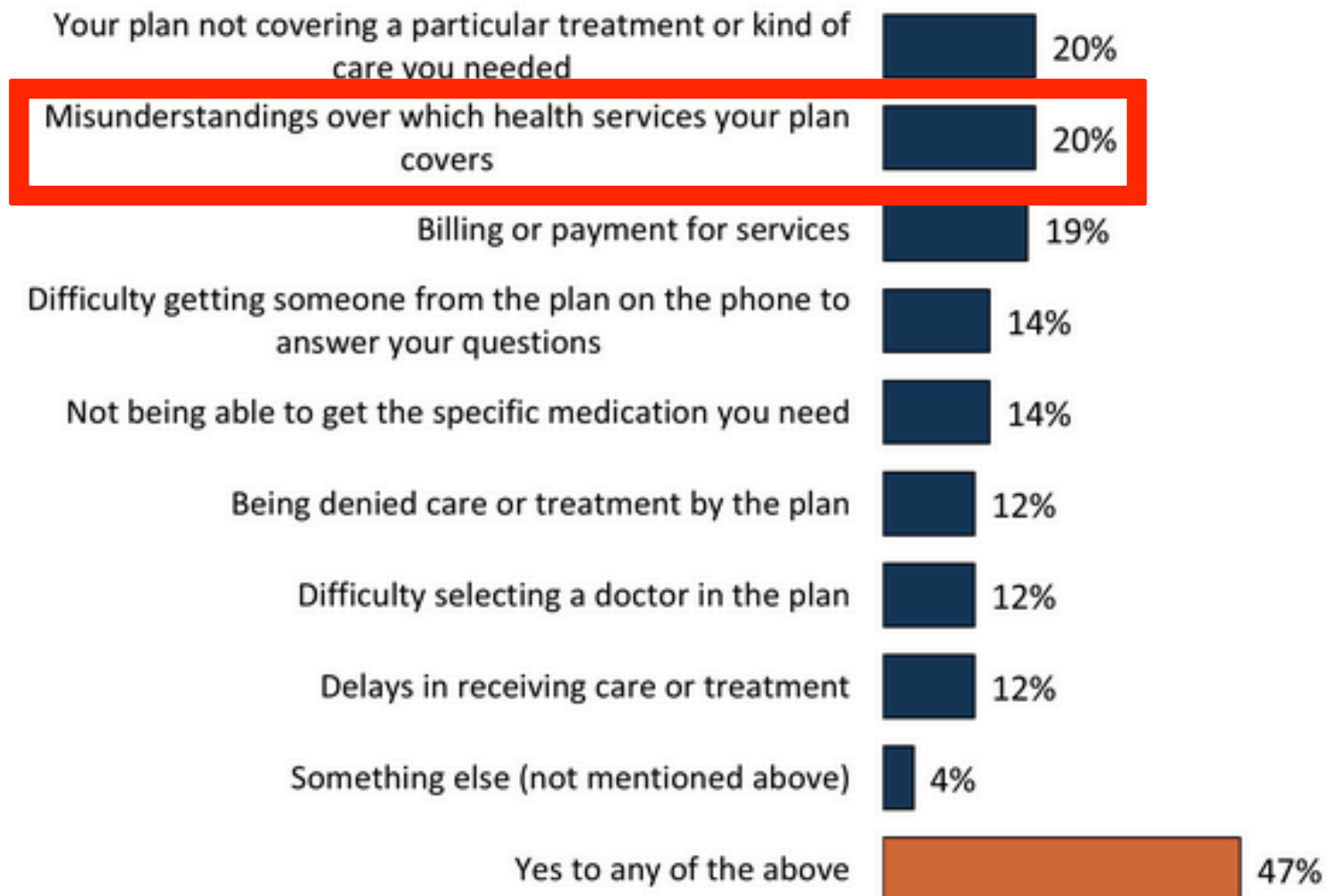
Of those with **Difficulty Paying for Medical Care**, 80% have Employer Sponsored Insurance (**ESI**) or are **Uninsured**



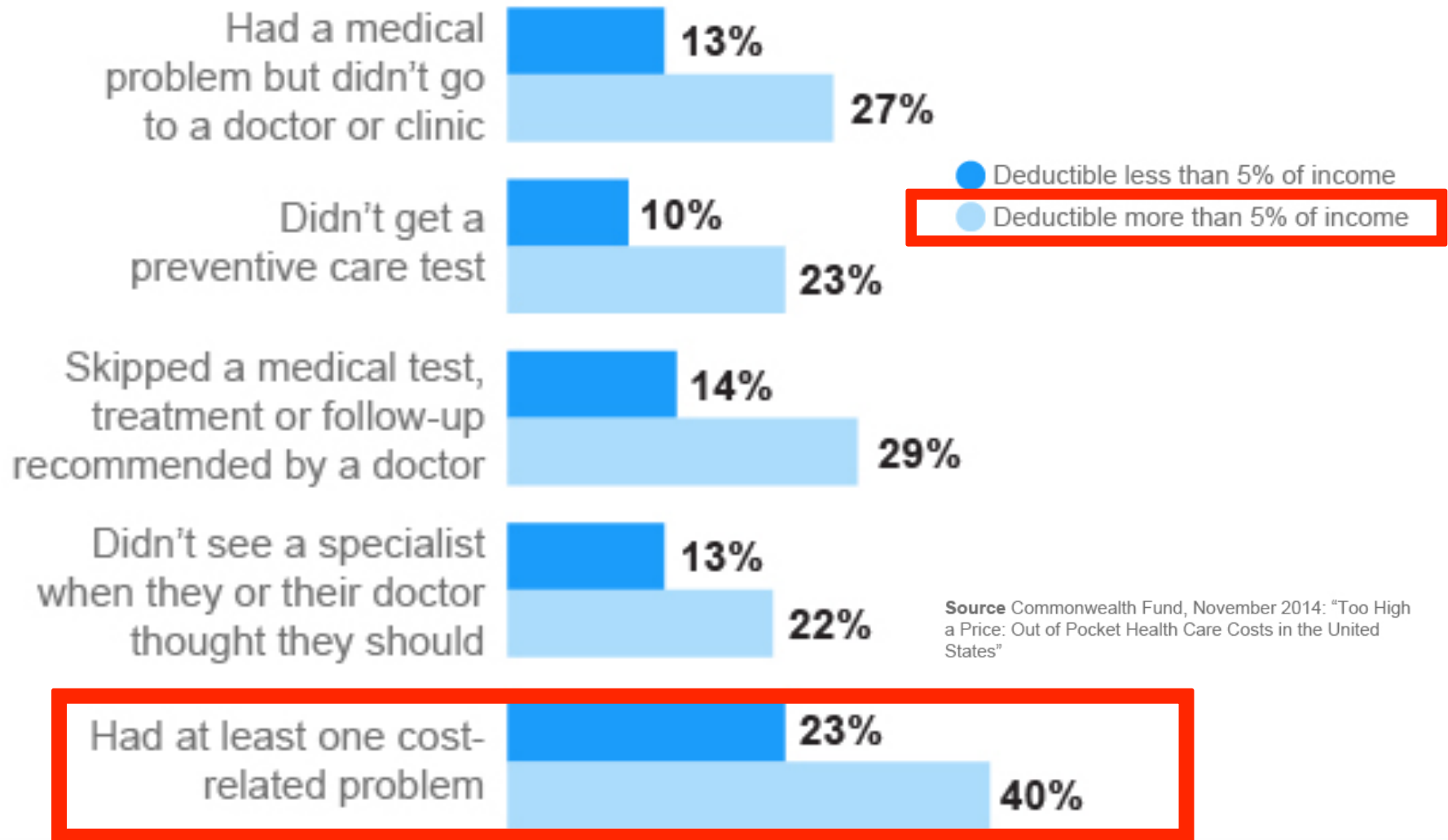
Source: Kaiser Family Foundation analysis of 2012 National Health Interview Survey (NHIS) data. Includes all people who reported problems affording medical bills within the past year, and/or gradually paying past bills over time, and/or having medical bills they cannot afford to pay at all.



There is also significant confusion over what health plans cover.

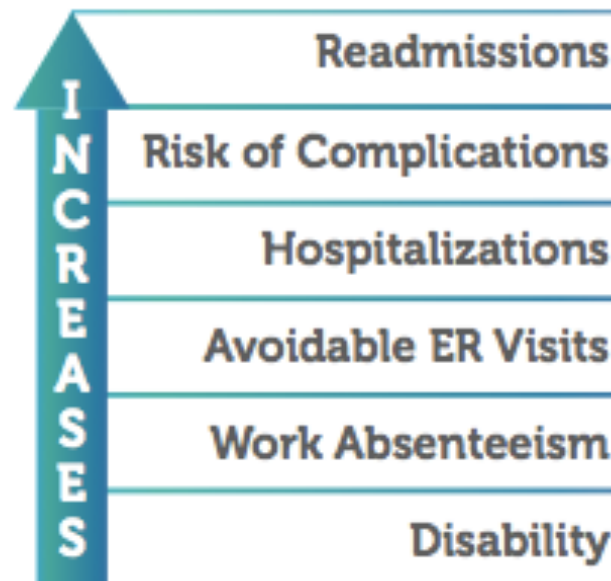


We also know 40% of Adults with Higher Cost Sharing Skip Care



The Problem is...

Avoidance of Care is Costly.



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).

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

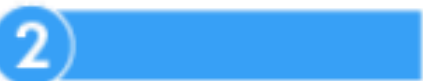
Variation in Cost of Knee Surgery

HIGHEST AVERAGE MARKET COST:

New York

1  \$61,266

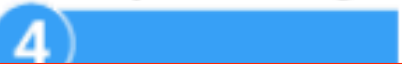
Fort Collins-
Loveland, Colo.

2  \$55,604

Anchorage

3  \$54,008

Casper, Wyo.

4  \$52,541

San Diego

5  \$41,042

LOWEST AVERAGE MARKET COST:

Montgomery, Ala.

1  \$16,097

Birmingham, Ala.

2  \$19,133

Fresno

3  \$19,653

Pittsburgh

4  \$23,751

Riverside-

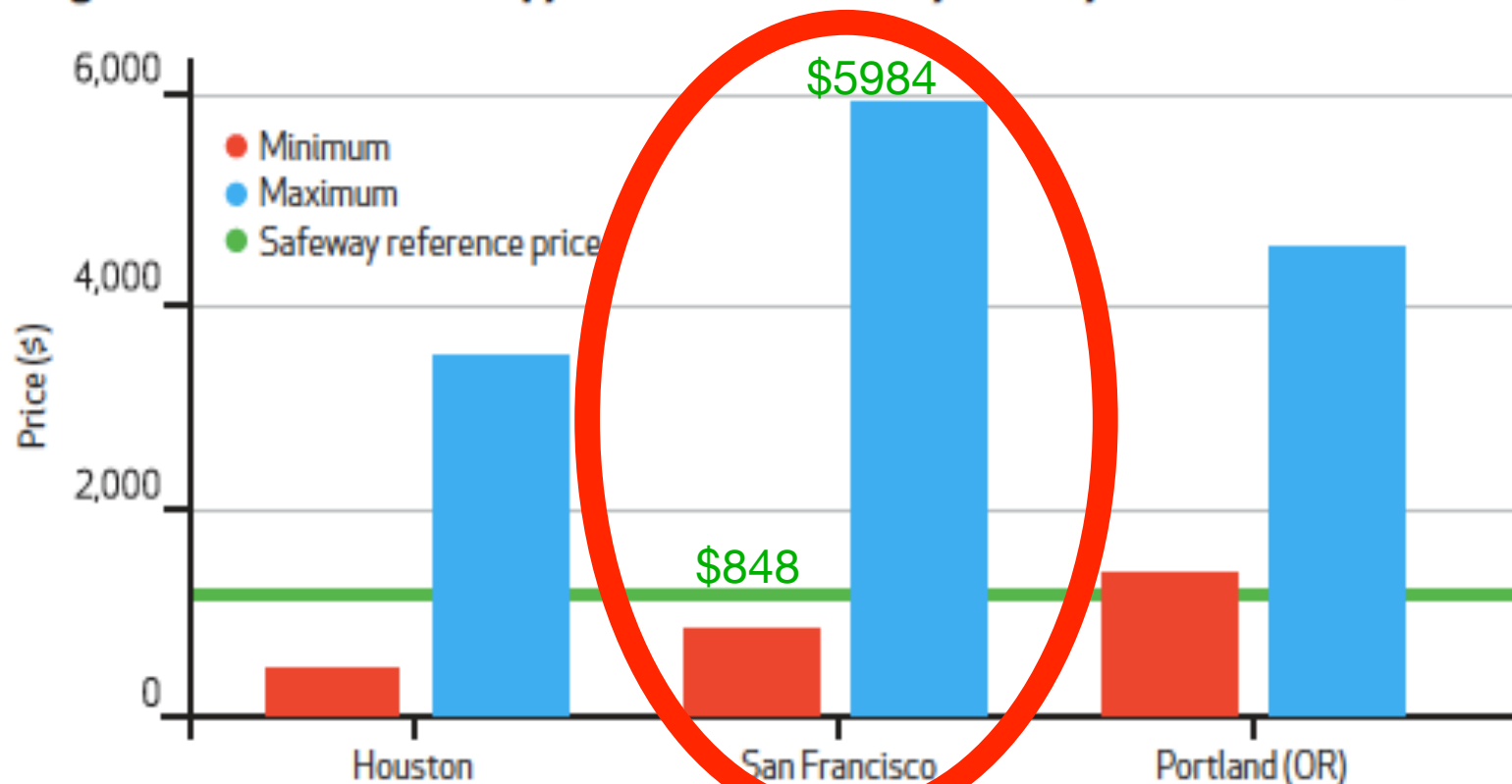
San Bernardino, Calif.

5  \$24,543

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;

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

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

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?

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

1. The Rise of High Deductible Plans

(and the remaining uninsured)

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

Why Higher Deductibles?

ACA Minimum Coverage and The Cadillac Tax

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

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

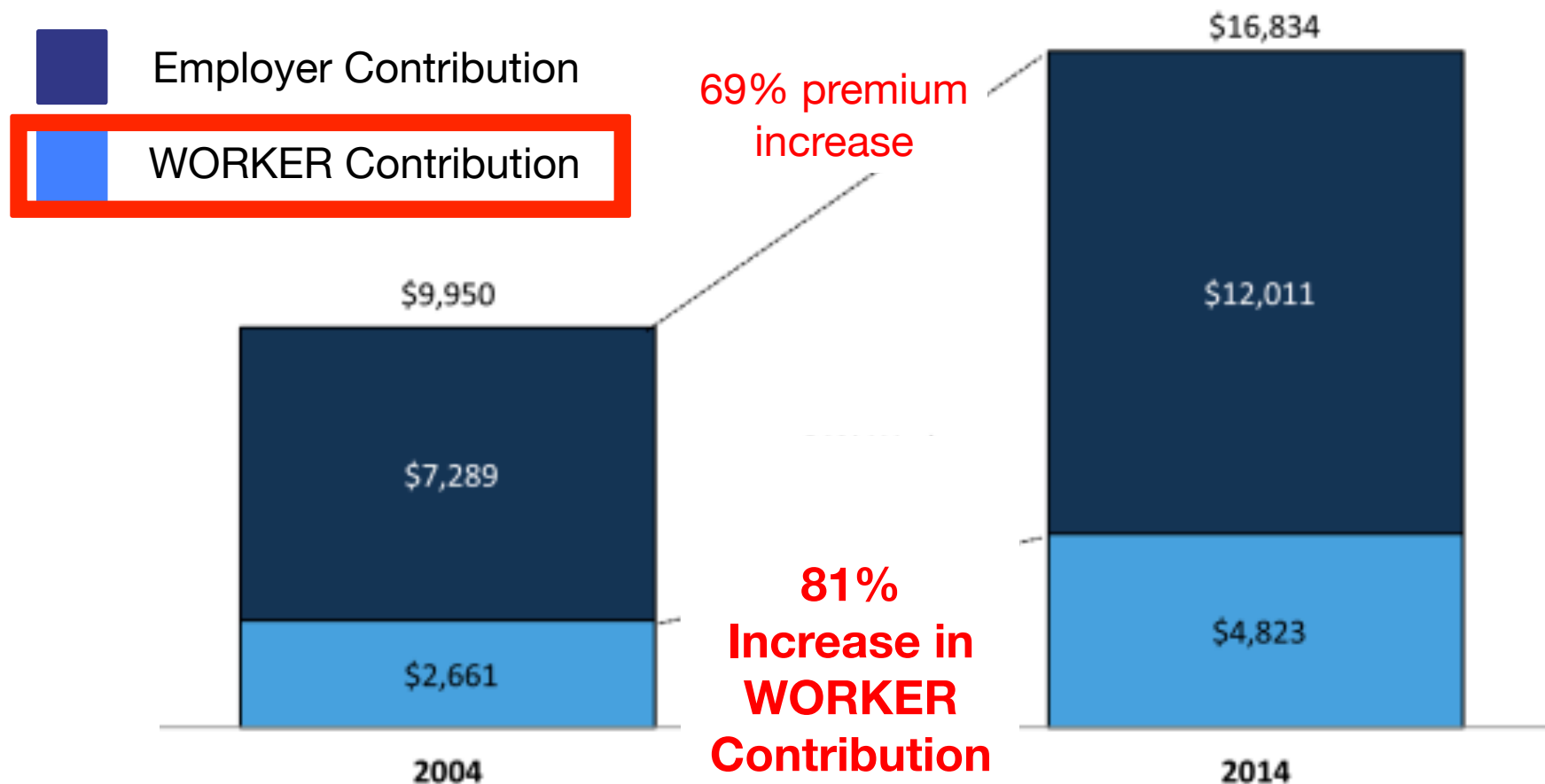
ACA Minimum Coverage reduces
insurers' tools to control costs ...
through controlling the population
that it insures, risk-based pricing
and limiting services ...

so ALL HEALTH INSURANCE
COSTS MORE BECAUSE IT
COVERS MORE

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



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/>

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

*“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” (Lowes)
 - Travel Medicine (Wal-Mart)

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

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.

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

2. Release of Data – Public and Private

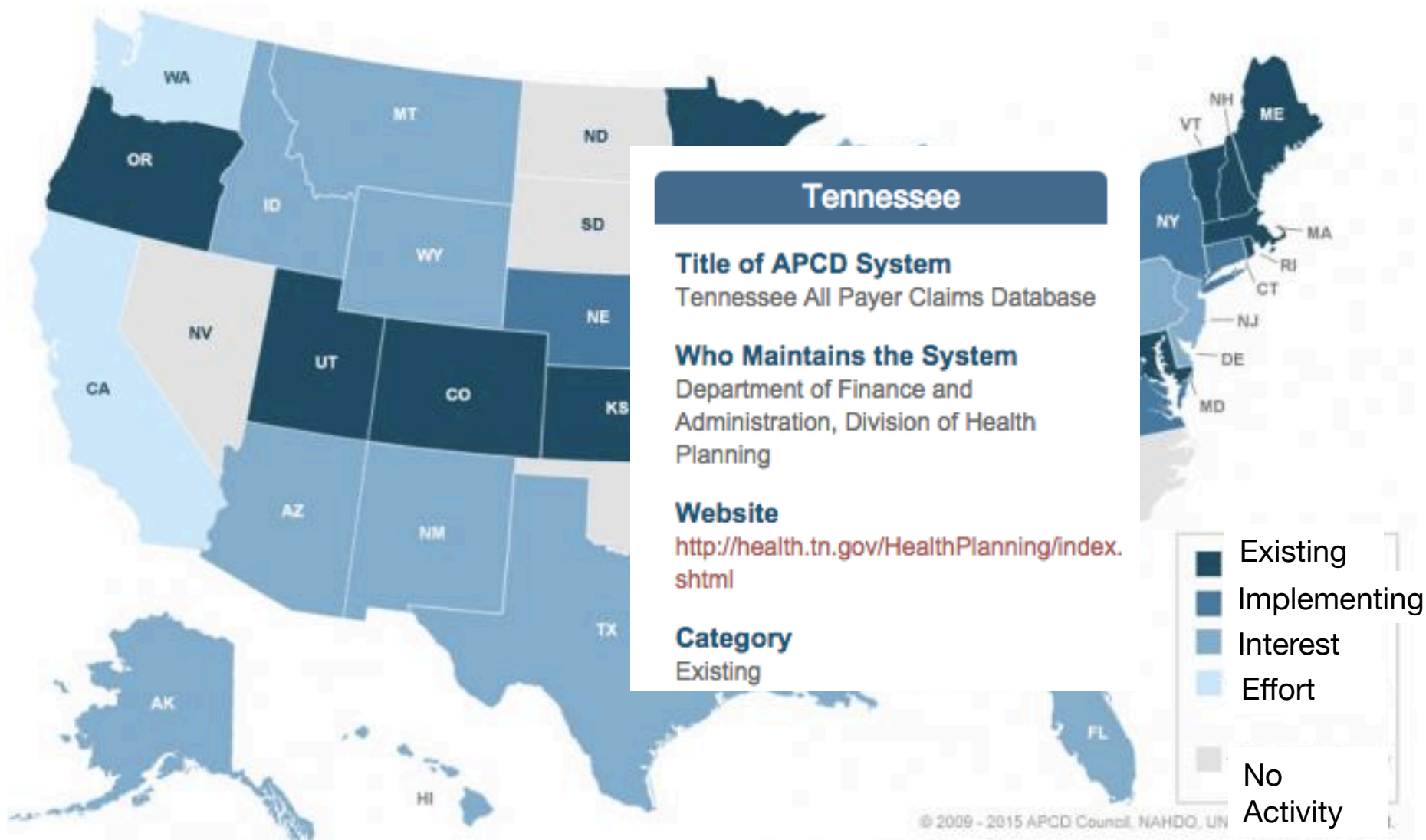
Data are **slowly** becoming available

- 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)

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..

Progress on APCDs



<http://www.apcdouncil.org/state/map/Tennessee>

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

Numbers no one else has



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.

You get a price range for a variety of services

Test

PRINT

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

CARE DETAIL

WHAT TO EXPECT

QUESTIONS TO ASK
YOUR PROVIDER

HOW TO PREPARE

RELATED LINKS

PRINT

Cost Overview

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

Accuracy of your estimated costs for your area depends on a number of factors, including the amount of data we have for your area.

In addition, your actual costs may vary based on your health status, any insurance plan you have, and other factors. Cost data may not be available for all areas.

[hide cost ranges](#)

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.](#)

Bill Frist, M.D.



OUTPATIENT

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



OUTPATIENT

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

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

Other Private Collaboratives:

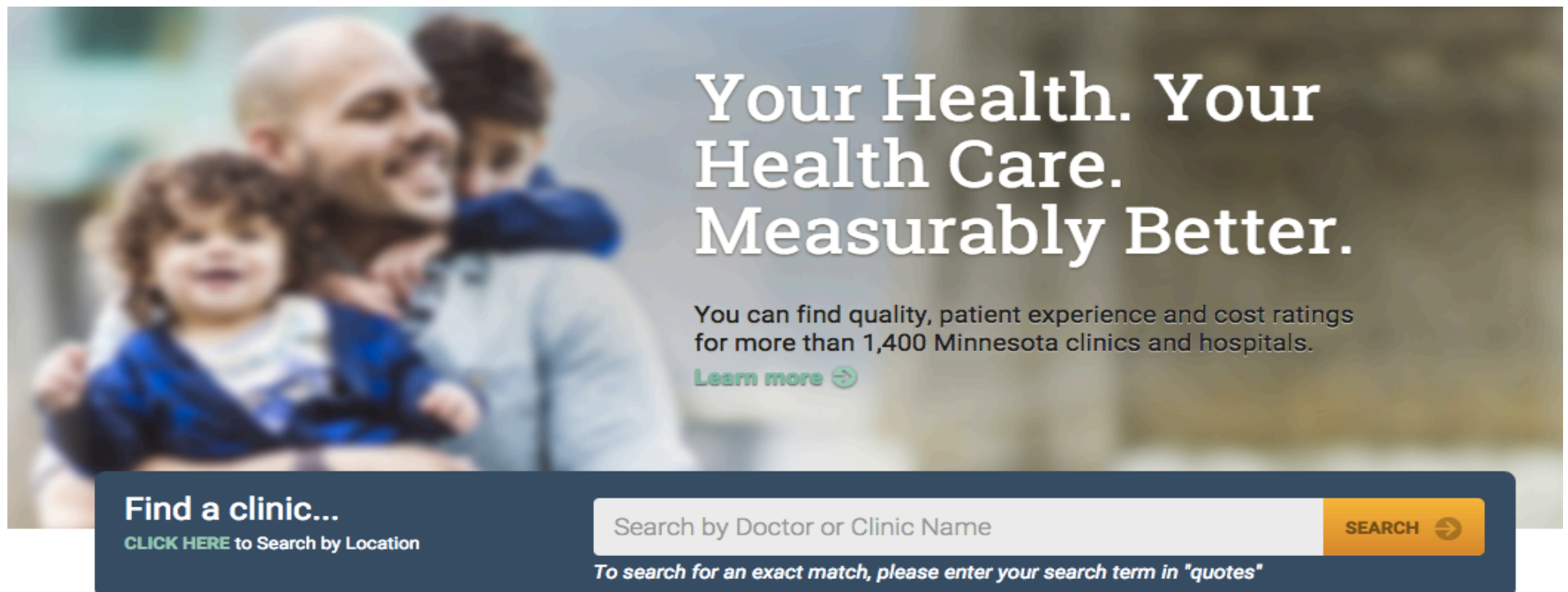
The Network for Regional Healthcare Improvement | NRHI

- 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

Example:



- 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

The advertisement features a blurred background image of a smiling man holding two young children. Overlaid on the right side of the image is the text "Your Health. Your Health Care. Measurably Better." in a large, white, sans-serif font. Below this, in a smaller white font, is the text "You can find quality, patient experience and cost ratings for more than 1,400 Minnesota clinics and hospitals." followed by a green link "Learn more" with a right-pointing arrow icon. At the bottom, there is a dark blue horizontal bar. On the left of this bar, it says "Find a clinic..." in white, with "CLICK HERE to Search by Location" in a smaller green font below it. To the right is a white search input field with the placeholder text "Search by Doctor or Clinic Name". To the right of the input field is an orange button with the word "SEARCH" in white and a right-pointing arrow icon. Below the input field and button, in a smaller white font, is the text "To search for an exact match, please enter your search term in 'quotes'".

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

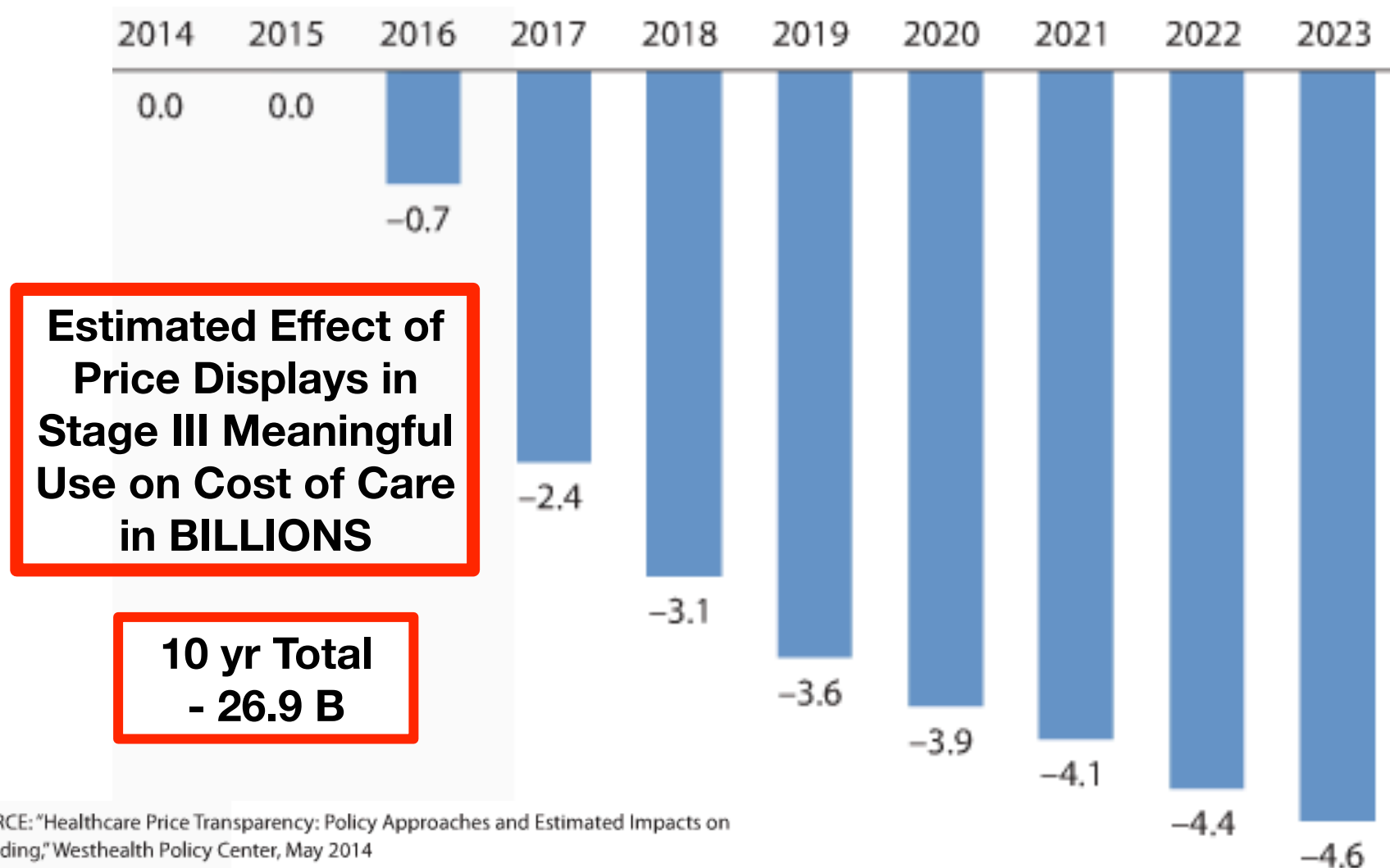
Search by Doctor or Clinic Name

SEARCH ➔

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

3. Rise of Provider Awareness

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



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

A Controlled Clinical Trial

JAMA The Journal of the
American Medical Association

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

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

Also Movements **within the Medical Community** to Raise Provider Awareness :



An initiative of the ABIM Foundation

- 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

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/>

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.



An initiative of the ABIM Foundation

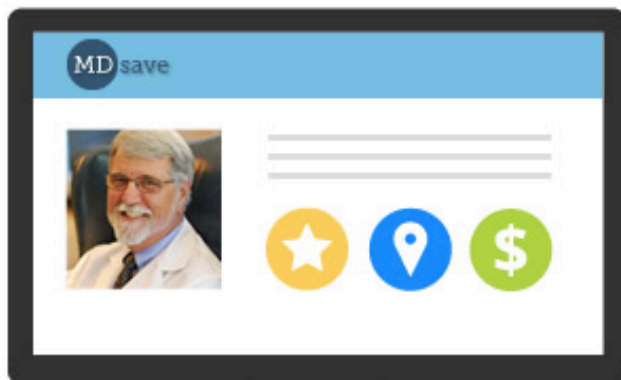
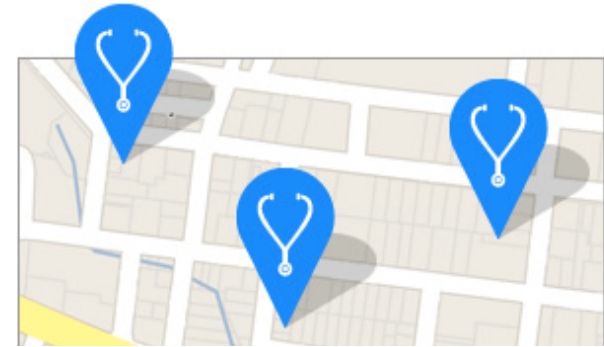


4. Innovative **Business Models** in the Private Sector

Case Study: MDSave

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.

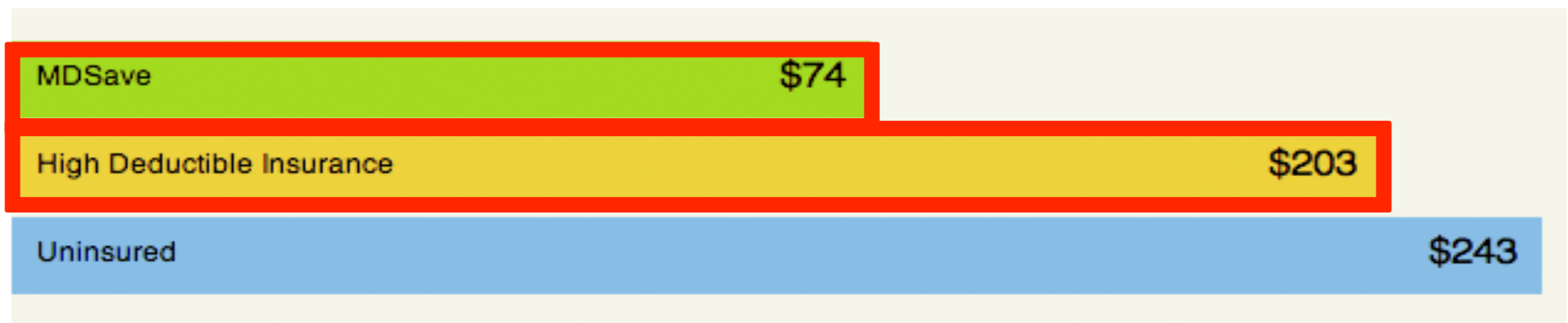


More than a transparency tool:
Services are purchased through
MDSave and save consumers
40-60% on TCOC

Electrocardiogram (EKG)

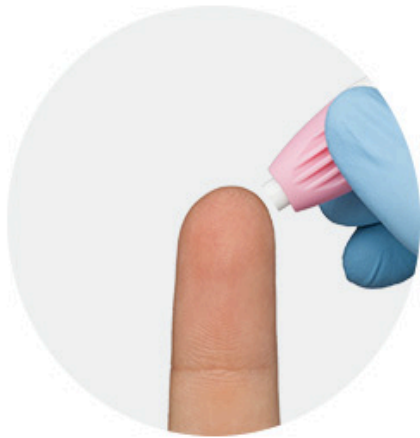
Cost comparison ?

Share this cost comparison    



Case Study: Theranos

How it works...



**No Big
Needles**

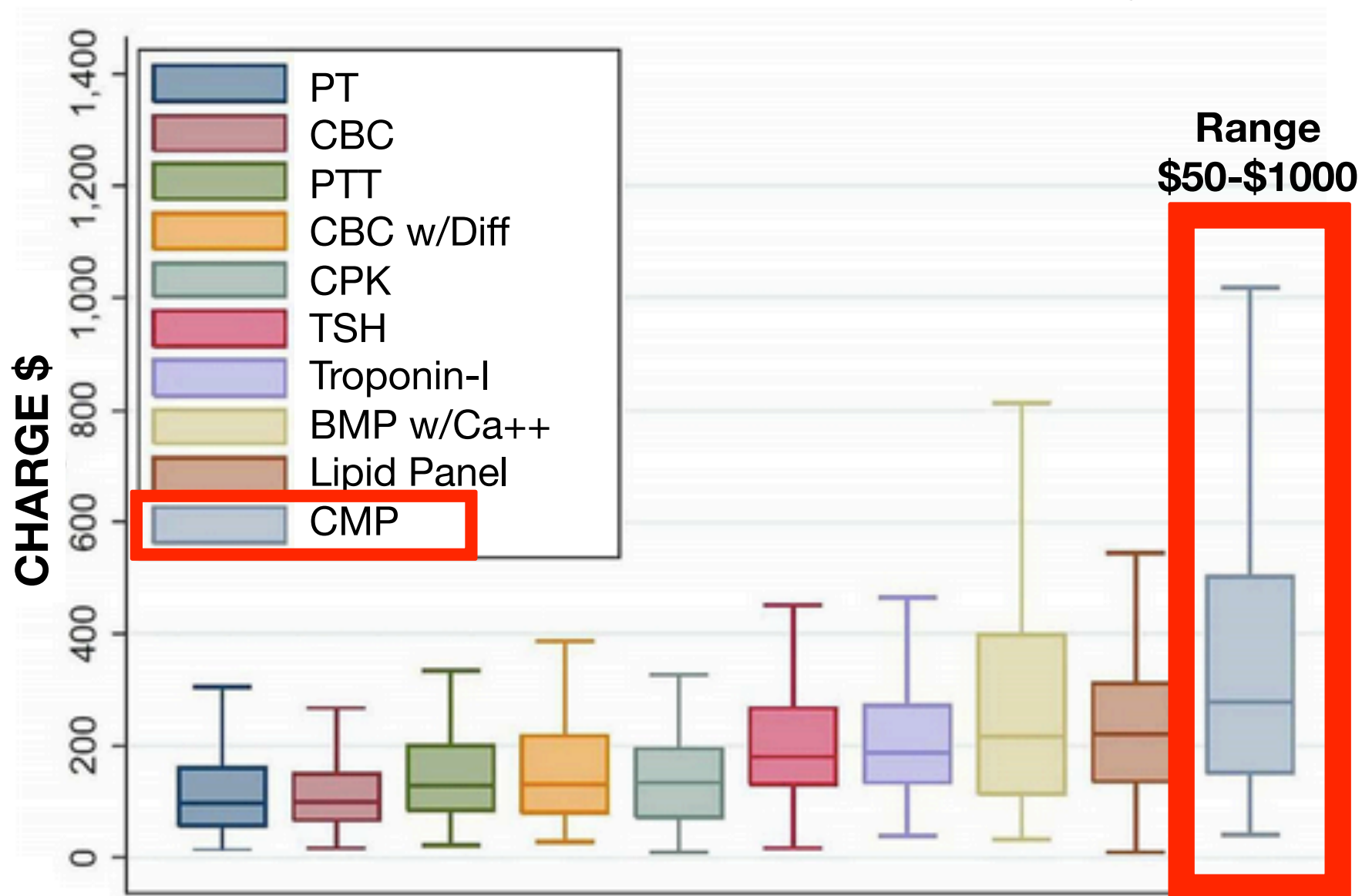


**A Tiny
Sample**



**Into a small
Nanotainer^M**

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>

WHAT: DTC marketing of lab tests partnered with accessibility



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

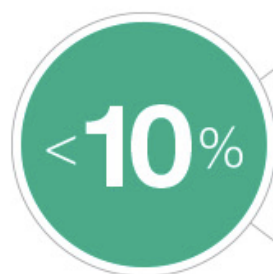
The Key: Quality, Convenience AND Cost



SIZE
1.29cm
A tiny drop is all we need.



RESULTS
IN HOURS
NOT DAYS



THERANOS Vitamin D
**COEFFICIENT
OF VARIATION**

THERANOS RATES ARE ALWAYS
LESS THAN **50%**
OF MEDICARE RATES