



## **Aldo De La Torre**

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## **Reference-Based Pricing**

*IHA 9<sup>th</sup> Annual Pay for Performance Summit*

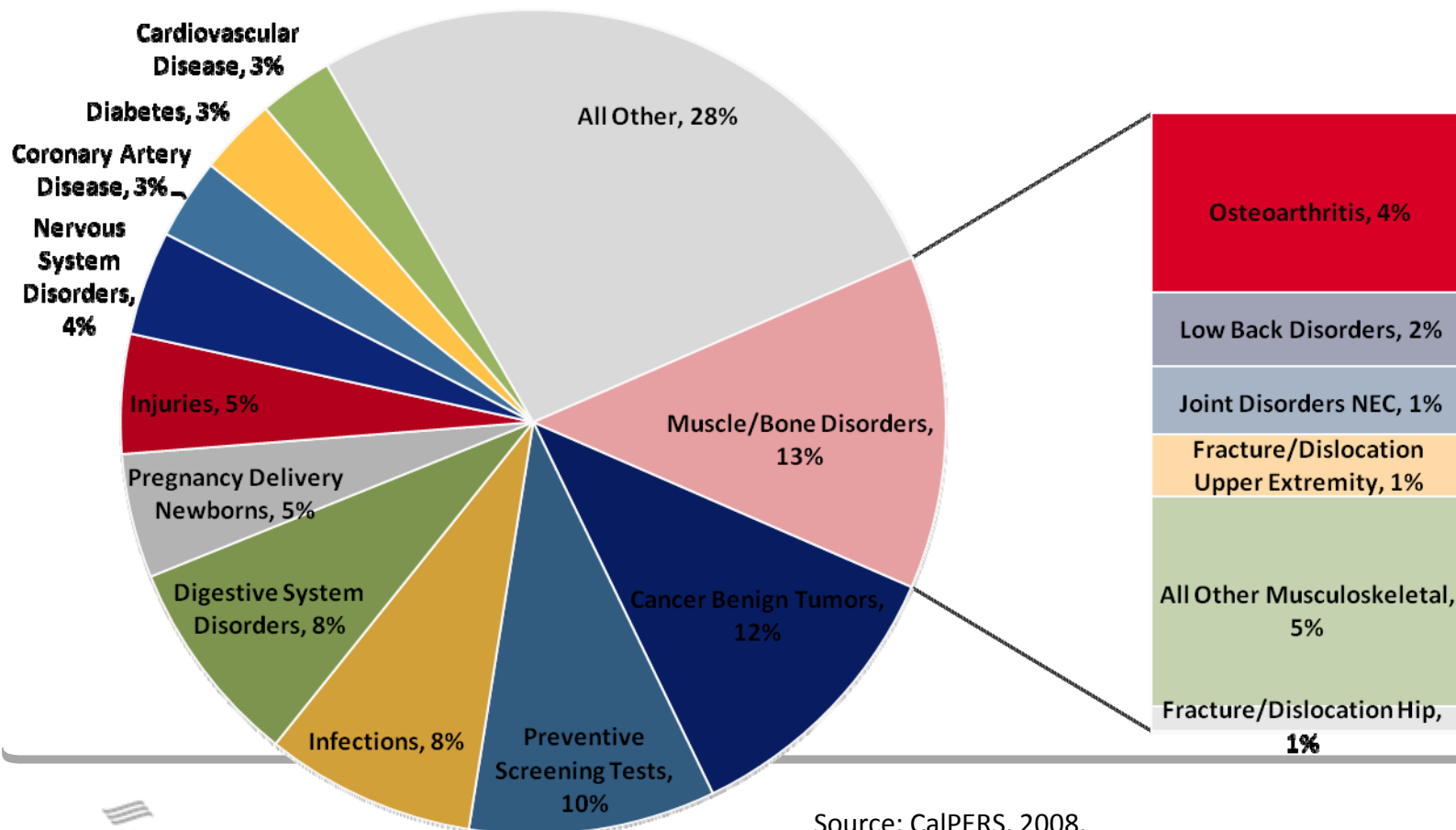
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CalPERS Hip and Knee Replacement

**March 25, 2014**

# CalPERS Cost Drivers

- Muscle/Bone Disorders highest at 13% of costs
- Osteoarthritis – approximately one third of total musculoskeletal costs



# Hip or Knee Replacement and Reference Based Pricing

## Reference Pricing is a benefit design element

- Similar to reverse deductible with insurer paying the first part of total allowed charge and enrollee pays the remainder
- Price transparency to enrollee

What makes a hip or knee procedure a good candidate for reference based pricing program?

- ✓ Variation in cost in same markets without a difference in quality
- ✓ Procedures can be scheduled (elective, non-emergency)
  - Preference sensitive - patient can decide where, when, and how they want the procedures to occur
- ✓ Procedures are performed in sufficient volume at designated facilities

# Description of Program

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## CalPERS and Anthem Blue Cross of California

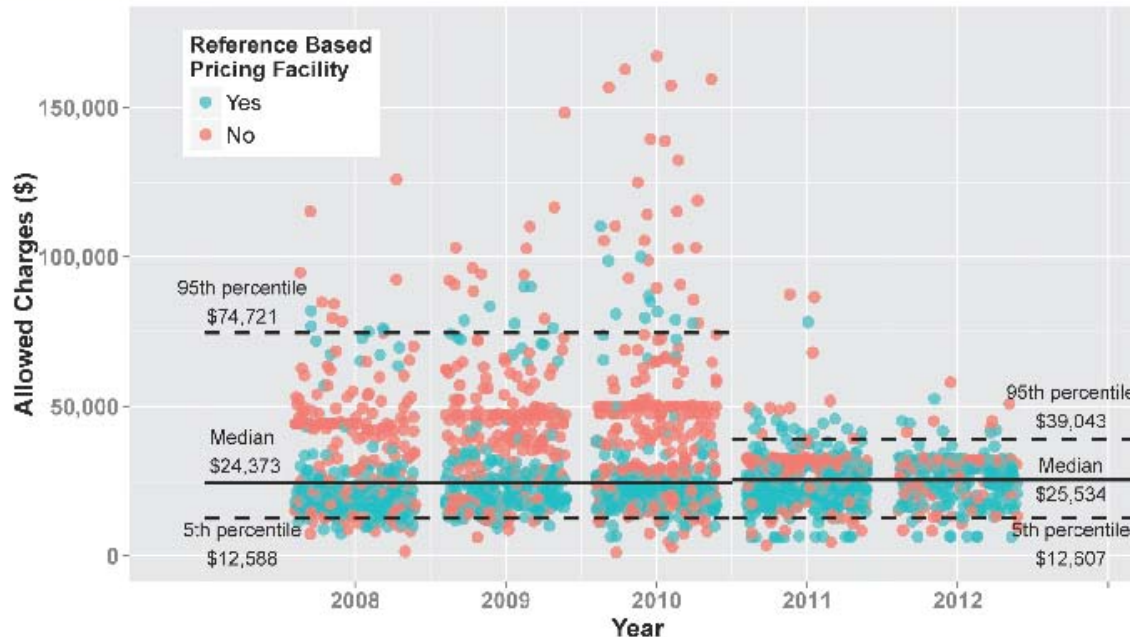
- Reference based purchasing program for total knee replacement & total hip replacement
- 46 facilities met quality, cost and geographic requirements
  - Volume requirement of 10 replacements in each category in previous 18 months
  - Designated facilities had better quality results than overall
  - Threshold facility payment of \$30,000 for routine single knee and hip joint replacement hospital stays
- Started January 1, 2011
- Outreach with providers and orthopedists

**Designated facilities expanded over time and currently reflects 56 hospitals**

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# Immediate Impact on Outliers

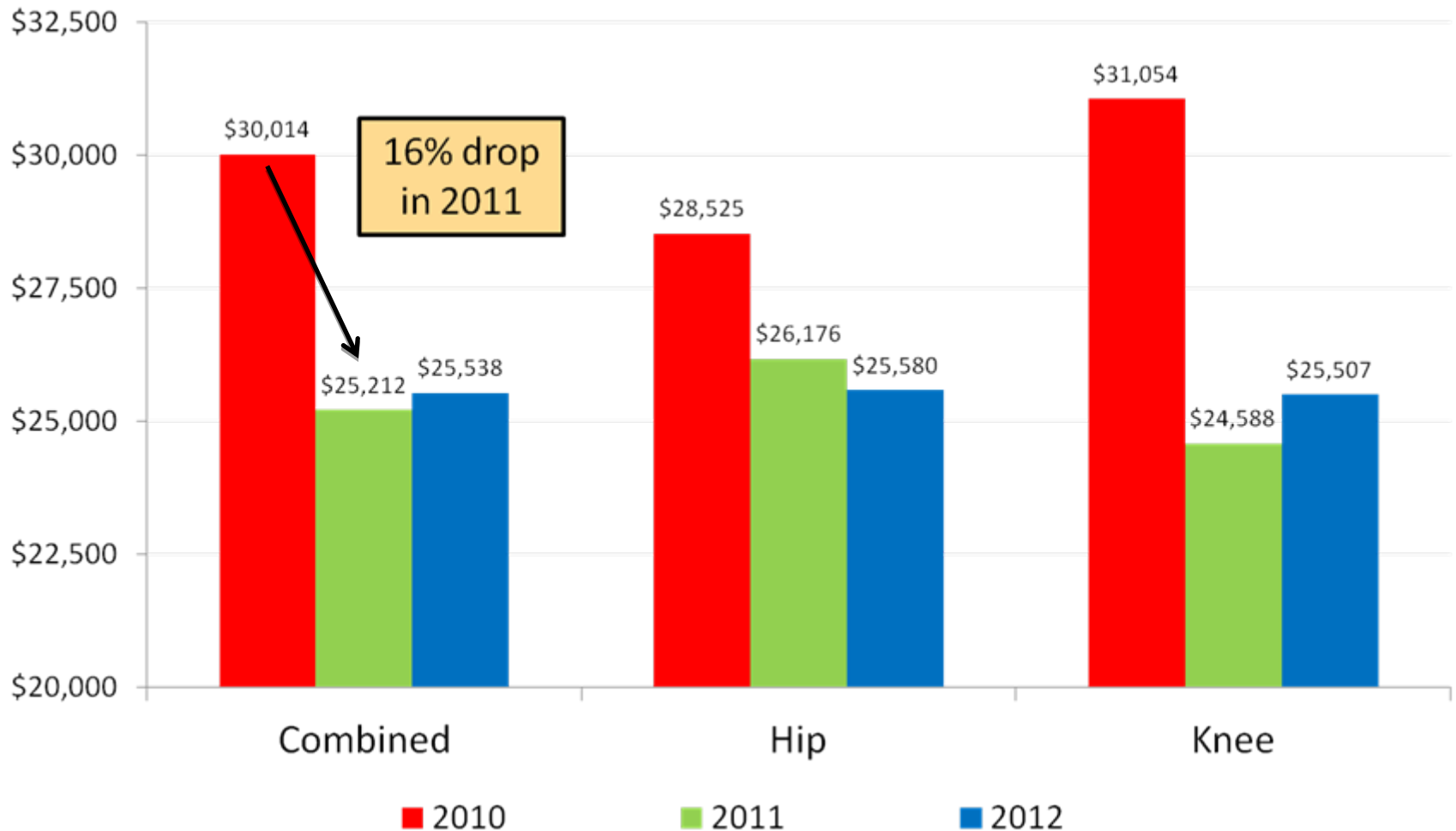
Allowed charges for knee or hip replacement surgery by facility type for CalPERS enrollees, 2008-2012



Reference based pricing program implemented January 1, 2011. Allowed charges adjusted to 2011 dollars. 2012 data through September only.

Source: University of California, Berkeley analysis, June 2013.

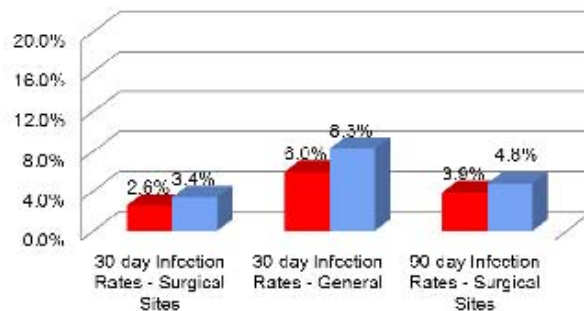
# Average Paid Amount Per Case



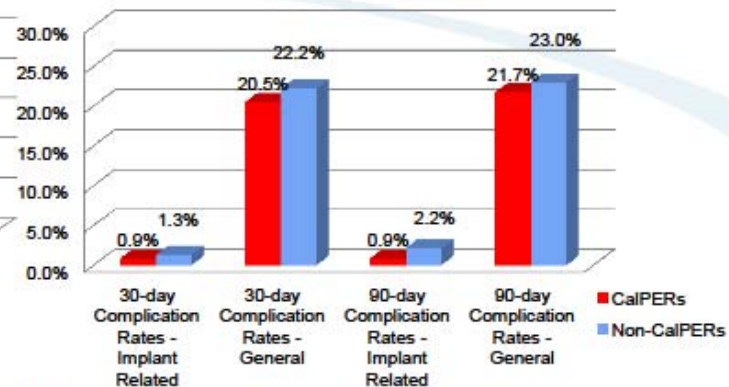
# HealthCore Quality Research

## Post-TKR Complication and Infection Rates

Infection Rate After TKR



Complication Rate After TKR



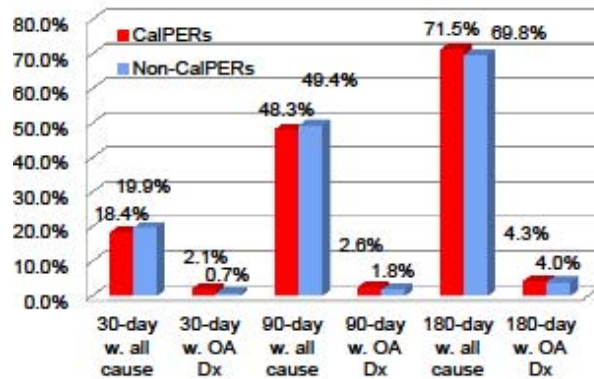
- No significant difference in infection rates and complication rates among CalPERs vs. non-CalPERs
- High general complication rates across groups
  - Most common general complication with 90 days following surgery : acute posthemorrhagic anemia (55%), acute respiratory failure (13%) and pulmonary collapse (8%)
  - Current list for general complication is broad, will narrow/refine the logic further

HealthCore

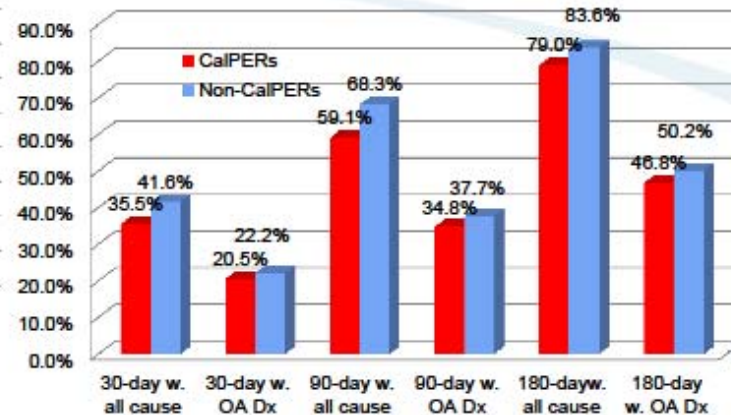
# HealthCore Quality Research

## Healthcare Utilization After TKR

PCP E&M Utilization Rate After TKR



Orthopaedic Surgeon Visit Rate After TKR



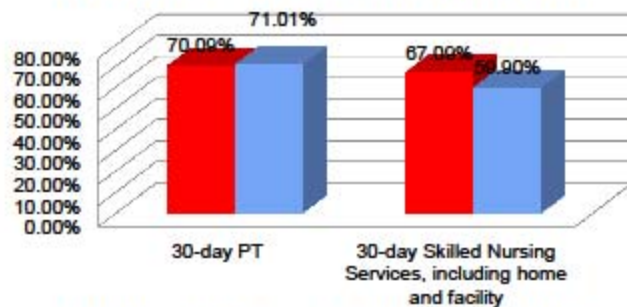
- PCP E&M utilization rate was similar across both groups
  - Over 70% have seen doctor at least once within 6 months
- CalPERs and Non-CalPERs visited orthopaedic surgeon equally often
  - High % patients saw an orthopaedic surgeon within 6 months



# HealthCore Quality Research

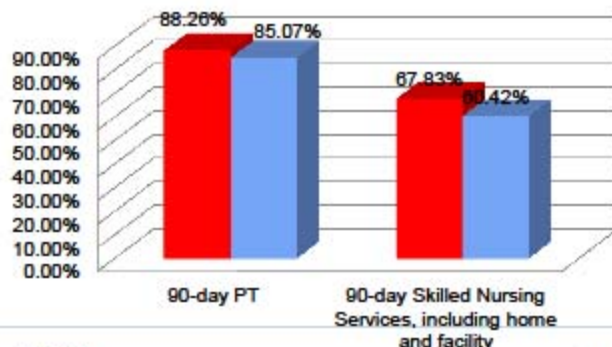
## Rehabilitation Services Utilization After TKR

### Within 30 Days Following TKR

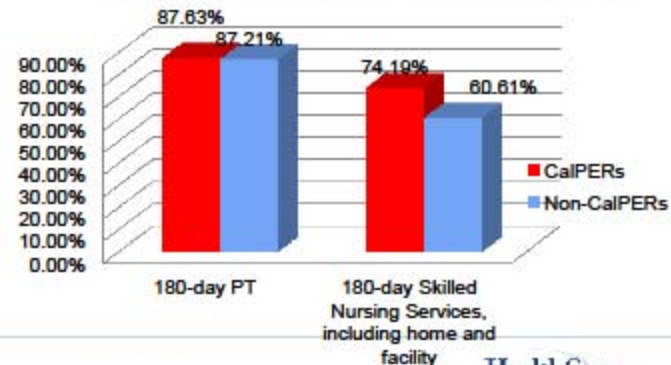


- 88% of study population had at least one Physical Therapy, consistent across both groups
- Use of Skilled Nursing Services in 180 days was higher in CalPERs ( $p < 0.05$ )

### Within 90 Days Following TKR

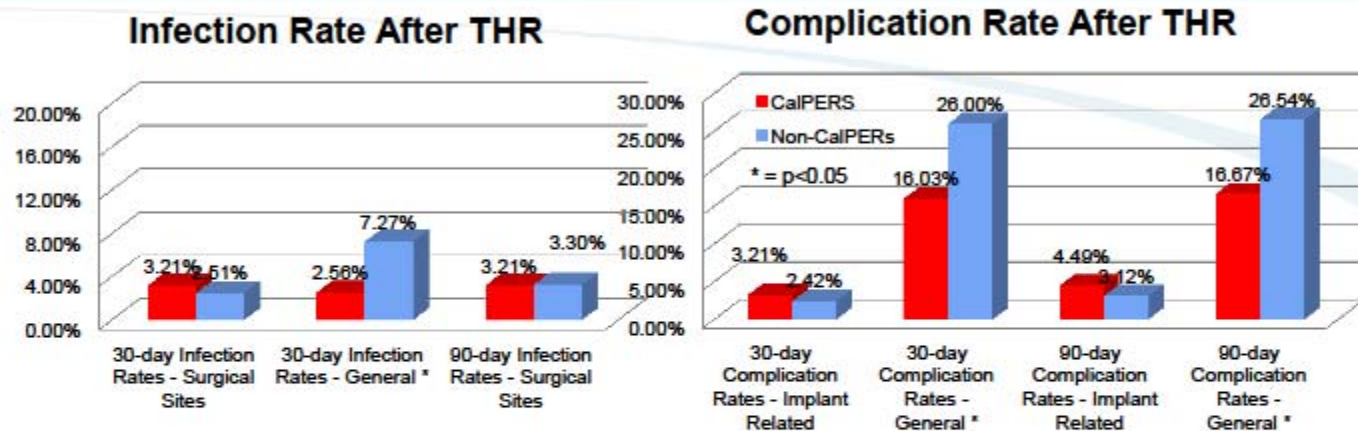


### Within 180 Days Following TKR



# HealthCore Quality Research

## Post-THR Complication and Infection Rates

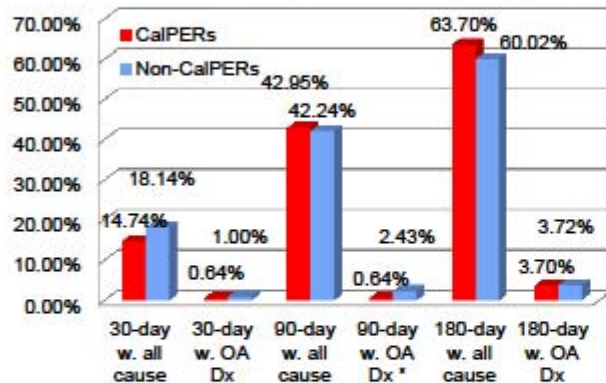


- CalPERS members had significant lower general infection and complication rate in 30 day as well as lower general complication rate in 90 day
- Other outcomes were similar across two groups
  - High general complication rates across groups
  - Most common general complication with 90 days following surgery : acute posthemorrhagic anemia (55%), acute respiratory failure (13%) and pulmonary collapse (8%)

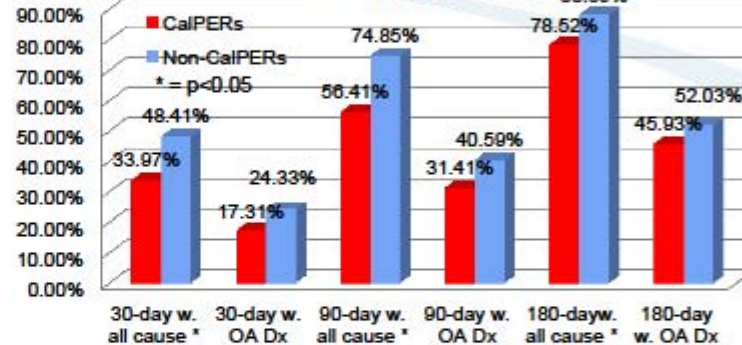
# HealthCore Quality Research

## Healthcare Utilization After THR

**PCP E&M Utilization Rate After THR**



**Orthopaedic Surgeon Visit Rate After THR**



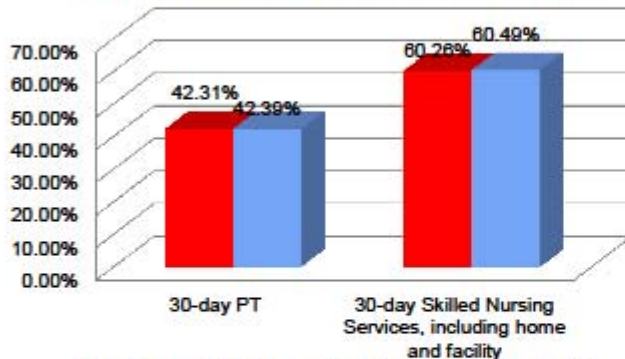
- PCP E&M utilization rate was similar across both groups
  - Over 60% have seen doctor at least once within 6 months
- Non-CalPERs visited orthopaedic surgeon significantly more often than CalPERs after THR within 30, 90, and 180 days
  - High % patients saw an orthopaedic surgeon within 6 months



# HealthCore Quality Research

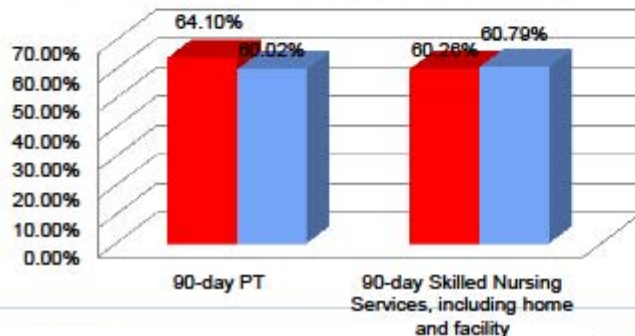
## Rehabilitation Services Utilization After THR

### Within 30 Days Following THR

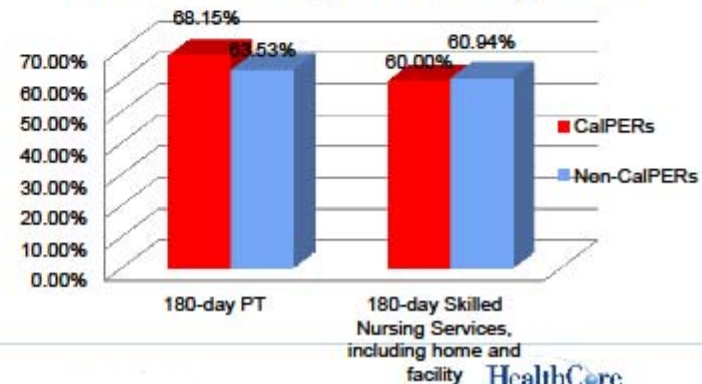


- Over 60% of study population had at least one Physical Therapy, consistent across both groups
- Use of Skilled Nursing Services was higher in non-CalPERs ( $p < 0.05$ )

### Within 90 Days Following THR



### Within 180 Days Following THR

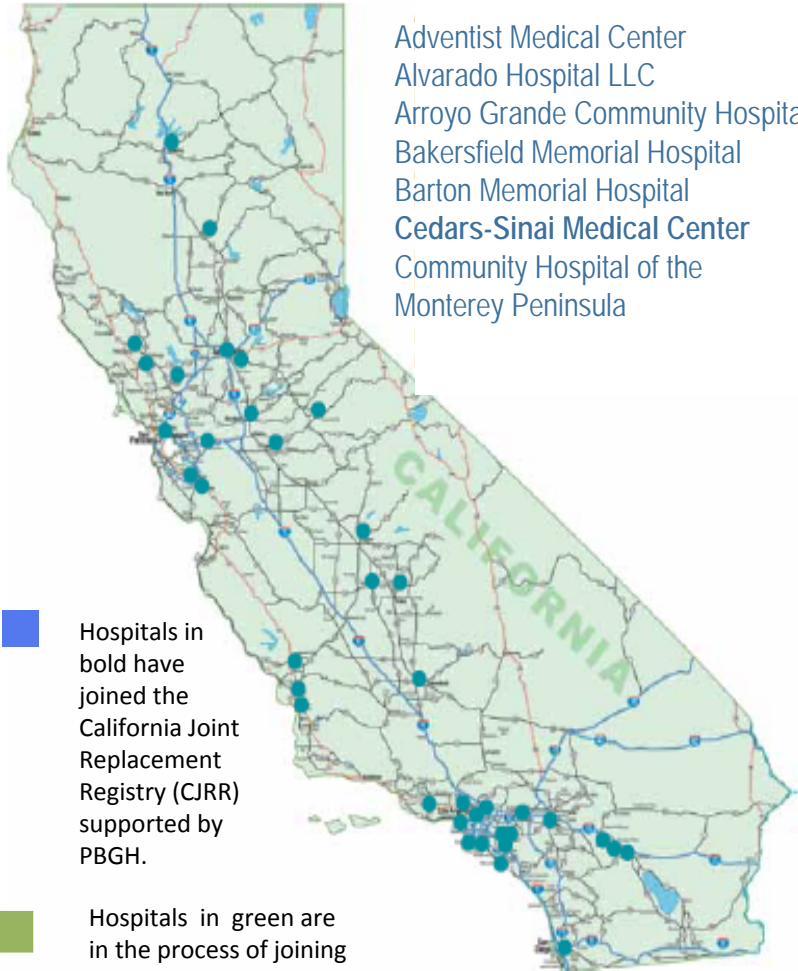


# HealthCore Quality Research

## Conclusion

- Cost reduction was driven by the combination of
  - *more patients shifted to designated facilities*
  - *non-designated facilities reduced their cost*
- Members of intervention group had better or equivalent outcomes when selecting designated facilities, compared to comparison group at non-designated facilities
- This data supports the use of RBP programs as a mechanism to increase market competition

# Hospital Brochure Listing added California Joint Replacement Registry



Adventist Medical Center  
Alvarado Hospital LLC  
Arroyo Grande Community Hospital  
Bakersfield Memorial Hospital  
Barton Memorial Hospital  
**Cedars-Sinai Medical Center**  
Community Hospital of the  
Monterey Peninsula

Hospitals in bold have joined the California Joint Replacement Registry (CJRR) supported by PBGH.

Hospitals in green are in the process of joining the CJRR.

## Dameron Hospital

Desert Regional Medical Center  
Eisenhower Medical Center  
El Camino Hospital  
Enloe Medical Center Inc  
French Hospital Medical Center  
Fresno Surgical Hospital  
Good Samaritan Hospital – San Jose  
Good Samaritan Hospital – Los Angeles  
Healdsburg District Hospital  
**Hoag Orthopedic Institute**  
Huntington Memorial Hospital  
John F Kennedy Memorial Hospital  
John Muir Medical Center – Concord Campus  
John Muir Medical Center – Walnut Creek Campus  
Kaweah Delta Medical Center  
Loma Linda University Medical Center  
Long Beach Memorial Medical Center  
Mercy Medical Center – Redding  
**Methodist Hospital Of Sacramento**  
Natividad Medical Center  
O'Connor Hospital  
Placentia Linda Hospital  
Queen of the Valley Medical Center

San Antonio Community Hospital  
San Joaquin Community Hospital  
Santa Monica UCLA Medical Center  
Santa Rosa Memorial Hospital  
Sierra Vista Regional Medical Center  
Sonora Regional Medical Center  
St Agnes Medical Center  
St John's Hospital And Health Center  
St Joseph Hospital – Orange  
St Jude Medical Center  
St Marys Medical Center  
St Vincent Medical Center  
**Stanford University Hospital**  
Stanislaus Surgical Hospital  
**Torrance Memorial Medical Center**  
Twin Cities Community Hospital Inc  
UC Davis Medical Center  
UCSD Medical Center  
**UCSF Medical Center**  
Valley Presbyterian Hospital  
ValleyCare Medical Center

# Future

Reference based pricing getting attention

Cost disparity becoming greater focus

Overall transparency initiatives to continue

Reference based pricing needs to be considered under ACA implications

**The New York Times**

Employers Test Plans That Cap Health Costs

By [REED ABELSON](#)

Published: June 23, 2013



The Potential of Reference Pricing to Generate Health Care Savings: Lessons from a California Pioneer

**HSC Research Brief No. 30**

December 2013

[Amanda E. Lechner](#), [Rebecca Gourevitch](#), [Paul B. Ginsburg](#)



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

By [James C. Robinson1,\\*](#) and

[Timothy T. Brown2](#)



Does Knowing Medical Prices Save Money?

CalPERS Experiment Says Yes

By [Ankita Rao](#)

DECEMBER 6TH, 2013, 3:24 PM

**Los Angeles Times**

Hospitals cut some surgery prices after CalPERS caps reimbursements

[June 23, 2013](#) | By Chad Terhune