If Not You, Who?

MBGH
August 29th 2013
What is HCI³

- Not-for-profit focused on improving the affordability and quality of healthcare
- What we focus on:

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http://www.hci3.org/content/metrics-tracking-transformation-us-health-care
American “Exceptionalism”

- The US spends twice as much per person, and twice as much as a percent of total national product, than the next highest spending nation.
- If all health care costs were funded by tax dollars, the entire yearly tax collections would have to be used for this single purpose (see chart).
- And yet by all objective measures (infant mortality, population longevity, patient safety), the US ranks average among other nations.

  - Bottom Line: We spend twice as much and get the same quality as others → US Health care value is half that of the next big spender.
The Effect of Rising Costs on US Families

- Increases in premiums for employers and employees has far outpaced inflation.
- The added cost burden for employers has resulted in stagnating wages, diverting money that otherwise would have been given to employees to pay for premiums.
- In addition, families have had to bear higher out of pocket expenses, leading to total health care costs consuming about 20% of average household incomes\(^1\).

  - Bottom Line: Rising health care costs have impoverished American families.

How Much Is Really Wasted Resources?

- A third of the close to three trillion dollars spent on health care in the US is wasted.
- Many patients are mismanaged, especially those with chronic conditions, and they end up in the hospital far too often, when they shouldn’t.
- Patients are readmitted to hospitals after they leave at an alarming rate, sometimes because there was an error, and sometimes because they aren’t taken care of when they leave.
- Far too many expensive and unnecessary tests are done every day.
- There’s a bloated bureaucracy that eats up 10 to 20 cents on every dollar spent.
- And there’s a lot of fraud.

**Bottom line:** We could keep per capita spending at current levels for a decade and every American would still get the care they need.

Source: Institute Of Medicine, 2012 Report: The Healthcare Imperative
Things That Should Make You Mad

- Knee replacements that cost $8,500 in Sweden (with warranty), cost Medicare $22,600 and private sector plans close to $26,000 – three times more than in Sweden.
- The variation in price for these procedures can be 50% or more, based on higher prices for implantable devices and facility costs.
- Simpler routine procedures such as screening colonoscopies can have a two-fold price difference in the same geographic area.

- **Bottom line:** Why should an employer (or employee) pay $1.50 for something you can get for $1.00?
It’s Hard To Be Good When You’re Encouraged To Be Bad

- 90% of all health care services are paid “fee-for-service”, not based on the health benefit of that service for the patient.
- The price of health care services are hidden from consumer-patients, preventing them from comparison-shopping.
- Consumer-patients often have little financial incentive to reduce their demand for services (high premiums and low co-pays encourages demand for services).
- Provider consolidation has led to significant price increases that are simply passed on to health plan members.
- Medical errors, delivery of unnecessary services, duplication of effort often lead to financial rewards, not penalties.

  - **Bottom line:** Payment of health care in the US is mostly based on the volume of services delivered, not their value.

Source: The Incentive Cure, 2013
Oops... Being #3 Isn’t Good

**States with Highest Average Annual Inpatient Hospital Price Growth 2008-2010***

<table>
<thead>
<tr>
<th>State</th>
<th>Price Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>10.5%</td>
</tr>
<tr>
<td>Texas</td>
<td>9.3%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>8.8%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>8.4%</td>
</tr>
<tr>
<td>California</td>
<td>8.2%</td>
</tr>
<tr>
<td>Idaho</td>
<td>7.9%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>7.7%</td>
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<tr>
<td>Oregon</td>
<td>7.7%</td>
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<tr>
<td>Louisiana</td>
<td>7.6%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

*Among states with sufficient data to report.
Source: Data from MarketScan for the commercially insured population under age 65 years, calculations by AHIP Center for Policy and Research.
Note: Price growth not adjusted for intensity.
The Real Reason Costs Are Going Up

Four Year Increase in Price and Use (in millions)

Self-insured Employer, 2006-2010 Total Health Plan Costs

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You Can’t Change the Status Quo With More of the Same

- CPR report from March 2013 shows that just over 10% of commercial payers are using something else than FFS.
- Do you know your ratio of FFS payments to more innovative payment models?
- Some plans and states have made specific commitments to change, and so must you
- Providers cannot succeed in a split incentive environment

- Bottom Line: Payment must change for behaviors to change
Final Thoughts

- What’s your True North?
- Do you really care about rising health care costs? If yes, what are you really doing to bend the curve?
- Providers simply cannot lead the charge. The odds are stacked against them.
- Health plans won’t move aggressively without employer backing.
- So if not you, who?