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VALUE IN HEALTH CARE



Data Byte: Colorado Payer and Provider Payment Variation

June 2018

Services Analyzed

Inpatient

- Bronchitis & Asthma, DRG 203
- Cesarean Section, DRG 766
- Cesarean Section, w complicating conditions, DRG 765
- Esophagitis, Gastroenteritis, and Digestive Disorders, DRG 392
- Heart Failure & Shock, DRG 293
- Heart Failure & Shock, w complicating conditions, DRG 292
- Major Joint Replacement/Reattachment, Lower Extremity, DRG 470
- Newborn, DRG 795
- Spinal Fusion, non-cervical, DRG 460
- Stroke (Transient Ischemia Attack), DRG 069
- Vaginal Delivery, DRG 775
- Vaginal Delivery w complicating conditions, DRG 774

Outpatient

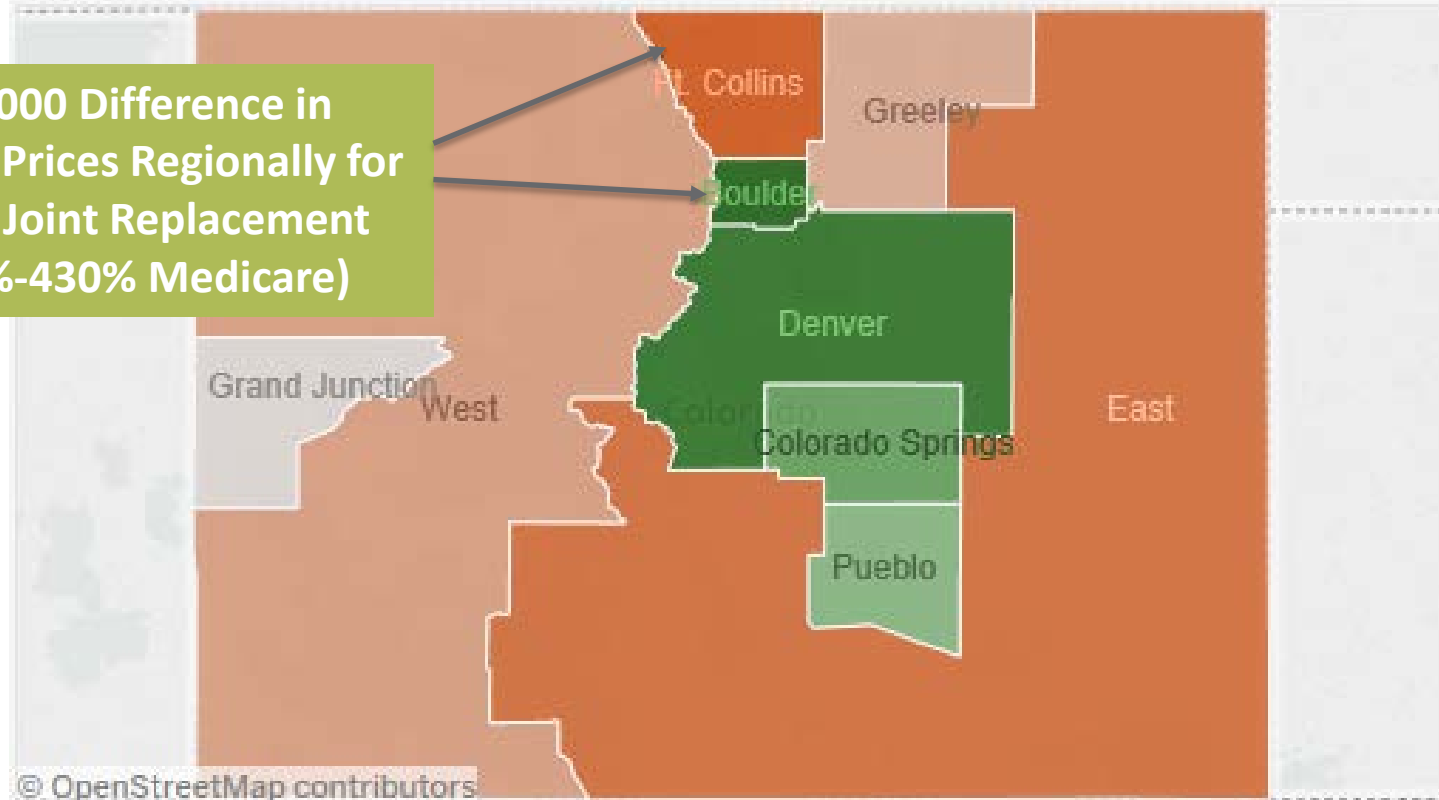
- Cataract Surgery with Lens, CPT 66984
- Chemo Infusion (1 hr), CPT 96413
- Colonoscopy w Biopsy, CPT 45380
- Colonoscopy w Lesion Removal, CPT 45385
- Dialysis evaluation, CPT 90945
- Knee Arthroscopy/Surgery, CPT 29881
- Major Joint, Bursa Drain, Injection, CPT 20610
- Ultrasound Therapy, CPT 97035
- Upper GI Endoscopy with Biopsy, Single/Multiple, CPT 43239
- Laparoscopy Appendectomy, CPT 44970



Service-Level Results: Variation Significant Across Regions for Specific Services

Median Allowed Cost, by Provider's DOI Region

470 Major joint replacement or reattachment of lower extremity w/o MCC, Commercial, 2016



\$26,000 Difference in Median Prices Regionally for Major Joint Replacement (210%-430% Medicare)

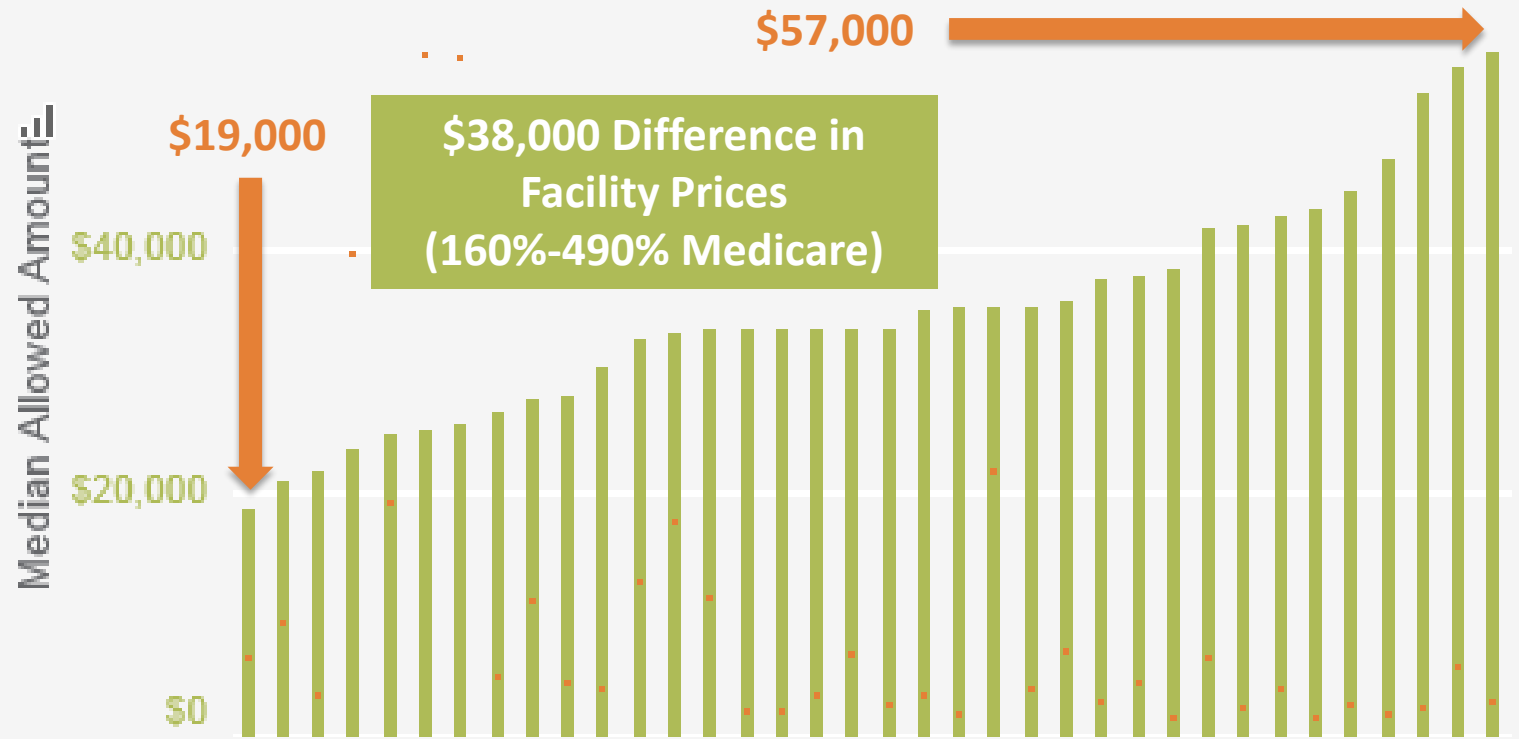
Median Allowed Amount \$24,282  \$49,722



Service-Level Results: Variation Significant Across Providers for Specific Services

Median Allowed Cost and Utilization, by Provider

470 Major joint replacement or reattachment of lower extremity w/o MCC, All Region(s), Commercial, 2016





Statewide Results: Percent of Medicare Fee Schedule Comparison/Trend, Commercial Payers

Service Type	2012 Avg % Medicare*	2016 Avg % Medicare*	Percentage Point Increase 2012-2016
Inpatient Services (Top 12 By Volume/Price)	250% (Range 210%-300%**)	290% (Range 260%-330%**)	↑ 40
Outpatient Services (Top 10 By Volume/Price)	440% (Range 210%-1,160%**)	520% (Range 250%-1,150%**)	↑ 80

* Average % Medicare reflects an average of the individual service category averages analyzed for IP and OP.

** **Range** reflects lowest average % Medicare rate and highest average % Medicare rate across the individual services analyzed.

In 2016, Commercial Payers paid 290% - 520% Medicare rates (IP/OP), and OP rates have increased nearly 80 percentage points



Reducing CO Statewide Price Variation: IP/OP Annual Potential Savings Scenarios, Commercial Payers, 2016

Service Type	Total Current Spend	Median Price (Potential Savings*)	200% Medicare (Potential Savings**)	150% Medicare (Potential Savings**)
Inpatient Services (Top 12 By Volume/Price)	\$284 Million	\$36 Million	\$86 Million	\$136 Million
Outpatient Services (Top 10 By Volume/Price)	\$59 Million	\$13 Million	\$36 Million	\$42 Million
Total (IP/OP) (rounded to nearest million)	\$343 Million	\$49 Million	\$122 Million	\$178 Million

***Median Price Potential Savings** reflects potential annual statewide savings if all IP/OP payments analyzed that were above the statewide median were paid at the statewide median price. Assumes prices below statewide median remain the same.

****150% and 200% Medicare Potential Savings** reflects potential annual statewide savings if all IP/OP payments analyzed were normalized to either 150% or 200% Medicare payments.

Potential Annual Statewide Cost Savings: \$49-\$178 Million

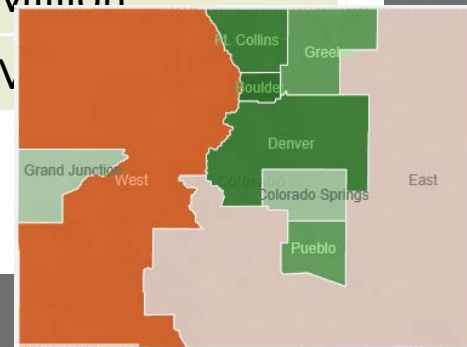
Regional Inpatient Results: Price Comparison, High to Low as % Medicare, 2016

Division of Insurance Region	Median Inpatient Price as % of Medicare	Inpatient Current Spend (Top 12 by Volume/Price)
West	386%	\$26.7 Million
East	374%	\$4.9 Million
Ft. Collins	354%	\$17.8 Million
Grand Junction	347%	\$11.6 Million
Greeley	326%	\$5.6 Million
Denver	280%	\$156.2 Million
Pueblo	278%	\$5.8 Million
CO Springs	251%	\$21.0 Million
Boulder	242%	\$34.7 Million

1.6 x Difference



Note: Map included for demonstration of CO Division of Insurance (DOI) Regions only and do not reflect color ranking order per table above.



Regional Cost Savings Analysis, Inpatient: West DOI Region Annual Potential Savings, Commercial Payers, 2016

Service Type	Total West DOI Current Spend	Median Price Potential Savings*	200% Medicare Potential Savings**	150% Medicare Potential Savings**
Inpatient Services (Top 12 By Volume/Price)	\$26.7 Million	\$8.9 Million	\$12.8 Million	\$16.3 Million

***Median Price Potential Savings** reflects potential annual savings for the West DOI region if all Inpatient payments analyzed that were above the statewide median were paid at the statewide median price. Assumes prices below statewide median remain the same.

****150% and 200% Medicare Potential Savings** reflects potential annual savings for the West DOI region if all Inpatient payments analyzed were normalized to either 150% or 200% Medicare payments.

**Potential Annual Inpatient Cost Savings,
West DOI Region: \$9-\$16 Million**



Regional Outpatient Results: Price Comparison, High to Low as % Medicare, 2016

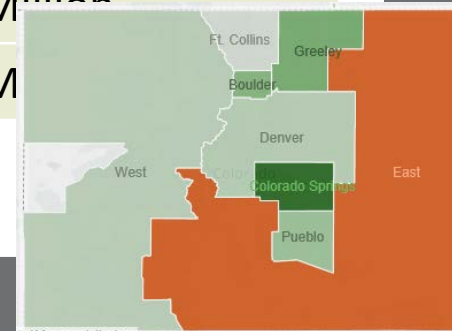


Division of Insurance Region	Median Outpatient Price as % of Medicare	Outpatient Current Spend (Top 12 by Volume/Price)
East	694%	\$2.4 Million
West	648%	\$6.4 Million
Pueblo	564%	\$2.0 Million
Denver	563%	\$28.6 Million
Greeley	534%	\$1.8 Million
Boulder	495%	\$6.8 Million
Ft. Collins	453%	\$5.3 Million
Grand Junction	410%	\$1.6 Million
Colorado Springs	324%	\$4.0 Million

2.1 x
Difference



Note: Map included for demonstration of CO Division of Insurance (DOI) Regions only and do not reflect color ranking order per table above.



Regional Cost Savings Analysis, Outpatient: East DOI Region Annual Potential Savings Scenarios, Commercial Payers, 2016

Service Type	Total East DOI Current Spend	Median Price Potential Savings*	200% Medicare Potential Savings**	150% Medicare Potential Savings**
Outpatient Services (Top 10 By Volume/Price)	\$2.4 Million	\$990K	\$1.7 Million	\$1.9 Million

***Median Price Potential Savings** reflects potential annual savings for the East DOI region if all Outpatient payments analyzed that were above the statewide median were paid at the statewide median price. Assumes prices below statewide median remain the same.

****150% and 200% Medicare Potential Savings** reflects potential annual savings for the East DOI region if all Outpatient payments analyzed were normalized to either 150% or 200% Medicare payments.

**Potential Annual Outpatient Cost Savings,
East DOI Region: \$990K-\$1.9 Million**





Regional Cost Savings Analysis, IP/OP: Denver DOI Region Annual Potential Savings Scenarios, Commercial Payers, 2016

Service Type	Total Denver DOI Current Spend	Median Price (Potential Savings*)	200% Medicare (Potential Savings**)	150% Medicare (Potential Savings**)
Inpatient Services (Top 12 By Volume/Price)	\$156 Million	\$16 Million	\$45 Million	\$72 Million
Outpatient Services (Top 10 By Volume/Price)	\$29 Million	\$8 Million	\$18 Million	\$21 Million
Total (IP/OP) (rounded to nearest million)	\$185 Million	\$24 Million	\$63 Million	\$93 Million

***Median Price Potential Savings** reflects potential annual Denver Division of Insurance Region (DOI) savings if all IP/OP payments analyzed that were above the statewide median were paid at the statewide median price. Assumes prices below statewide median remain the same.

****150% and 200% Medicare Potential Savings** reflects potential annual Denver Division of Insurance Region (DOI) savings if all IP/OP payments analyzed were normalized to either 150% or 200% Medicare payments.

Potential Annual Denver DOI Savings: \$24-\$93 Million

Employer Case Study: Inpatient Annual Potential Savings Scenarios, Commercial Payers, 2016

Service Type	Total Current Spend	Median Price Potential Savings*	200% Medicare Potential Savings**	150% Medicare Potential Savings**	100% Medicare Potential Savings**
Inpatient Services (Top 12 by Volume/Price)	\$5.1 Million	\$530K	\$1.5 Million	\$2.4 Million	\$3.3 Million

***Median Price Potential Savings** reflects potential annual savings for a Colorado Employer if all Inpatient payments analyzed that were above the statewide median were paid at the statewide median price. Assumes prices below statewide median remain the same.

****100%, 150% and 200% Medicare Potential Savings** reflects potential annual savings for a Colorado Employer if all Inpatient payments analyzed were normalized to either 100%, 150% or 200% Medicare payments.

**Potential Annual Inpatient Savings,
Employer Case Study: \$530K-\$3.3 Million
\$45-\$275 per person**

