Medicare Reference Based Pricing and Data to Support Employer Alliances

August 19, 2021
Housekeeping

• All lines are muted
• Please ask questions in the Chat box
• Webinar is being recorded
• Slides and a link to the recording will be posted on the Event Resources page on civhc.org
Agenda

• Overview of CIVHC and the CO APCD
• Medicare Reference-Based Price Report 2018 Update & Trends
• Data to Support Employer Cost Savings Efforts
  • High Cost Procedures
  • Chronic Conditions
  • Generic Drug Substitution
  • Cost Driver Analysis
Our Mission

We strive to empower individuals, communities, and organizations through collaborative support services and health care information to advance the Triple Aim: Better Health, Better Care, Lower Cost

We are:

• Non-profit
• Independent
• Objective
Who We Serve

Change Agents

Individuals, communities, or organizations working to lower costs, improve care, and make Colorado healthier.
How We Inform

**Public CO APCD Data**
Identify opportunities for improvement in your community through interactive reports and publications

**Non-Public CO APCD Data**
License data from the most comprehensive claims database in CO to address your specific project needs
What’s in the CO APCD

Medicare Reference-Based Price Report
Medicare Reference-based Price Report

• Based on RAND Corporation 3.0 study using 2016-2018 CO APCD Claims

• CIVHC report features:
  • Interactive Division of Insurance and County-level Map Views
  • Addition of Patient Experience CMS 5-star ratings
  • Trend information from 2017-2018
  • Infographics at the DOI and Hospital level
Key Findings

• Colorado’s comparative outpatient service payments are significantly higher than the national average (267%) at over three times Medicare rates (312%). This places outpatient services in Colorado as among the most expensive on average in the country and one of the highest cost drivers for health care services in the state.

• Hospital prices vary widely through both rural and urban counties. In fact, the two lowest-paid hospitals (Aspen Valley, Wray Community Hospital) and two highest-paid (Colorado Plains Medical Center, St. Anthony Summit Medical Center) are located in rural counties.
Key Findings Continued

• From 2017 to 2018, inpatient and outpatient hospital payments in all but one (West) region of the nine DOI regions in Colorado decreased. Compared to hospitals nationally, however, only two DOI regions (Denver, Boulder) get paid less than the national average.

• Of the 52 hospitals with both 2017 and 2018 data available, for inpatient and outpatient services combined, the majority had a reduction in commercial payments in 2018 (-10% on average. Eleven hospitals received payments that were higher than in 2017 (6%+ on average).
Hospital Variation and Trends

Colorado Hospital Commercial Health Insurance Payments Compared to Medicare Payments

Inpatient/Outpatient Combined Hospital Services, 2018, Colorado All-Payer Claims Database

13 Hospitals receive less than 2X Medicare rates

26 Hospitals receive 2-3X Medicare rates

18 hospitals receive 3-5X Medicare rates

In 2018, 39 Colorado hospitals were paid less compared to Medicare than the year before (-10% on average), while 11 hospitals received higher payments (6% on average)
# Division of Insurance Variation & Trends

## Colorado Division of Insurance Region Commercial Health Insurance Payments Compared to Medicare Payments

(Inpatient/Outpatient Combined Hospital Service, 2018, Colorado All Payer Claims Database)

<table>
<thead>
<tr>
<th>DOI Region</th>
<th>% of Medicare</th>
<th>% Change 2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fort Collins</td>
<td>350%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Greeley</td>
<td>324%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Grand Junction</td>
<td>309%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Pueblo</td>
<td>270%</td>
<td>2.2%</td>
</tr>
<tr>
<td>West West</td>
<td>265%</td>
<td>2.5%</td>
</tr>
<tr>
<td>East West</td>
<td>258%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Statewide Average</td>
<td>254%</td>
<td></td>
</tr>
<tr>
<td>Colorado Springs</td>
<td>250%</td>
<td>0.3%</td>
</tr>
<tr>
<td>National Average</td>
<td>247%</td>
<td></td>
</tr>
<tr>
<td>Denver</td>
<td>243%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Boulder</td>
<td>202%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Analysis conducted by RAND Corporation: https://www.rand.org/pubs/research_reports/RR4191.html based on data from Colorado All Payer Claims Database (COAPCD), 2018.

For more information or to view the full Medicare Reference-Based Price report, visit us at civhc.org.
How Employers Are Using Reference-based Data*

• Reference-Based Benefits – California Public Employees’ Retirement System
  • Set threshold benefit level of $30,000, saved $2.8M in first year.

• Reference-Based Contracts – Montana
  • Maximum 230% of Medicare payment

• Reference-Based Prices – like above but without the contract
  • Employers contract with vendor to reprice claims and pay a set % of Medicare

*Catalyst for Payment Reform, Reference-based pricing: 3 models that cut health care cost inflation at its roots, April 12, 2021
Medicare Reference-based Price Report

Additional Reports to Help Employers Identify Cost and Quality Opportunities
Background

- CIVHC worked with Colorado Business Group on Health, Peak Health Alliance, and other employers to develop standard reports to help support improving quality/lowering costs
- Seven reports have been developed to date:
  - Reference Based Price Report
  - Low Value Care
  - Potentially Avoidable ED Visits
  - Top 5 Procedure Cost Savings Analysis
  - Chronic Condition and Avoidable Complications
  - Prescription Drugs and Generic Alternatives Analysis
  - Cost Driver Analysis
Background

• All reports currently available for free for employers or employer groups with sufficient claims in the CO APCD
• Asking for feedback on report value/enhancements from employers
• Contact David Dale for more information or to demo additional reports: ddale@civhc.org
The Colorado Purchasing Alliance (TCPA) Case Study

Purpose:
- investigate potential cost savings available for outpatient procedures
- compare costs for services performed at hospitals to those performed at independent, free-standing centers not owned by a health system or hospital


<table>
<thead>
<tr>
<th>Procedure</th>
<th>Cost Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repair/Reconstruction of the Femur and Knee</td>
<td>$-2,440</td>
</tr>
<tr>
<td>Colonoscopy</td>
<td>$414</td>
</tr>
<tr>
<td>Upper Endoscopy Procedures</td>
<td>$870</td>
</tr>
<tr>
<td>Hernia Repair Procedures</td>
<td>$900</td>
</tr>
<tr>
<td>Bladder Surgery</td>
<td>$1,280</td>
</tr>
<tr>
<td>Arthroscopic Joint Procedures</td>
<td>$1,280</td>
</tr>
<tr>
<td>Laparoscopy (Biliary Tract)</td>
<td>$1,540</td>
</tr>
<tr>
<td>Repair/Reconstruction of the Breast</td>
<td>$3,340</td>
</tr>
<tr>
<td>Laparoscopy/Hysteroscopy (Uterus)</td>
<td>$3,510</td>
</tr>
<tr>
<td>Laparoscopy (Appendix)</td>
<td>$3,550</td>
</tr>
</tbody>
</table>

Claims Volume by Facility Type

- Free-Standing - 49,000
- Hospital-Based - 10,000

Average savings moving from hospital to free-standing facility: 44%

10% Shift in Service Site: $1.1 Million
50% Shift in Service Site: $5.7 Million

Potential 2-Year Cost Savings
Top 5 Procedures Cost Savings Analysis

- Identify the procedures driving high costs
- Examine costs by phase (pre, procedure, post) and how these costs vary by setting
- Compare average costs of post-procedure services (physical therapy, medication, rehab, ER visits, etc.)
- Identify procedure and post-procedure complication rates
- Compare facility specific costs (often subject to suppression)

### Top 6 Episodes by Cost

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Episode Count</th>
<th>Average Episode Cost</th>
<th>% of Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vaginal Delivery</td>
<td>1,077</td>
<td>$11,278</td>
<td>100.0%</td>
</tr>
<tr>
<td>Knee Replacement &amp; Revision</td>
<td>234</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C-Section</td>
<td>418</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colonoscopy</td>
<td>3,042</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hysterectomy</td>
<td>321</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gall Bladder Surgery</td>
<td>324</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Cost Summary

- **El Paso County**: Average Episode Cost - $7,944, % of Total Cost - 100.0%
- **Ft. Collins Region**: Average Episode Cost - $9,874, % of Total Cost - 100.0%
- **Statewide**: Average Episode Cost - $10,822, % of Total Cost - 100.0%
Chronic Conditions & Avoidable Complications

- Identify the chronic conditions and member population driving high costs
- Identify complication rates and ER Rates and costs associated with each
- Explore the top service categories and ER visit diagnoses associated with the top conditions from your member population
Spending Overview

Total Spending

- **$10.8M** All drug types
- **$5.0M** Specialty
- **$3.5M** Brand
- **$2.2M** Generic

Number of Prescriptions

- Specialty: 1,170
- Brand: 13,855
- Generic: 70,580

% of All Spending

- Generic: 21%
- Unknown: 1%
- Specialty: 46%
- Brand: 33%

Avg Quantity Dispensed Cost

- Specialty: $66.80
- Brand: $3.46
- Generic: $0.48

Prescription Drugs & Generic Alternatives

- See the breakdown of costs among member population by drug type
- Identify member population’s top 25 drugs by volume and spending
- Explore which of member population’s top drugs have generic alternatives available
Cost Driver Analysis

• See the breakdown of costs by spending category amongst member population and how trends have changed over time

• Explore costs of specific services within each spending category and trends over time
Employer Purchaser Alliances Sharing

• The Colorado Purchasing Alliance
  • Robert Smith, CEO

• Peak Health Alliance
  • Claire Brockbank, CEO
"Without data you’re just another person with an opinion."

W. Edwards Deming

{from an independent source.... R. Smith}
About The Colorado Purchasing Alliance: Using data to drive a...

A Regional/National Purchasing Initiative

**Colorado Purchaser LOIs**
- Board of Education Self-funded Trust (BEST)
- Colorado Employer Benefit Trust (CEBT)
- City and County of Denver
- Colorado PERA
- Harrison School District
- Jefferson County Public Schools
- Larimer County
- Littleton Public Schools
- Pinnacol Assurance
- Sheet Metal Workers Local 9
- **State of Colorado**
- St. Vrain Valley Schools

63k EE (approx.)

**Purchasing Business Group on Health***
- Albertsons: 10,600
- Apple: 1,000
- Comcast: 10,200
- Lowes: 1,700
- Walmart: 27,000
- Wells Fargo: 6,370
- Boeing: 1,800

Total 58,670 EE’s

*(Employees in Colorado)*

*PBGH purchases care for 40+ national employers representing approximately 15 million lives.*
Sources and Uses of Data

“The ultimate purpose of collecting data is action.” – W. Edwards Deming

1. Identify, select, and directly contract with high-value providers.
   - Rand and Healthcare BlueBook/Carechex
     • Clinical outcomes (ranked nationally)
     • Price transparency

2. Engage physician-directed entities in improving outcomes and costs.
   - CIVHC/APCD
     • Paid Claims (to Rand)
     • Low-value Care
     • OP Pricing Analysis
     • Employer-specific rpt

3. Engage and empower employees to make informed decisions.
   - MedPAC and HCRIS
     (Hospital Cost Reporting Information System)
     • Hospital breakeven pt
     • Benchmark to peers

22-Aug-21 Data to Drive Decisions
Questions? Suggestions?

Reach out to info@civhc.org

Connect with CIVHC on Facebook, LinkedIn, and Twitter

Recording will be posted here: www.civhc.org/about-civhc/news-and-events/event-resources/
Upcoming Webinars

September 16 – Change Agent Sarah Gordon formerly with Brown and now with Boston University will be discussing her experiences using CO APCD data to understand the impact of churn in Medicaid coverage after the Affordable Care Act.

October and beyond – stay tuned to civhc.org, newsletters/Data Briefs, and social media where we will announce upcoming topics and Change Agents using health care data to drive decisions.