RAND Hospital Price Transparency Project

2023 New Hampshire Insurance Department Annual Hearing

Study funding provided by Robert Wood Johnson Foundation and participating employers

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Employer-sponsored plans cover half of Americans

$1.2 trillion
health care costs

$480 billion
hospital costs

160 million people
Over the past decade, premiums and deductibles have outpaced wages

Self-funded purchasers have a fiduciary responsibility to monitor health care prices

“Fiduciaries have a responsibility to "act solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them."”
—Department of Labor

How can self-funded plans fulfill fiduciary obligations without knowing prices?

States are sponsors of self-funded plans and have fiduciary obligations
Obtain claims data from:
- self-funded employers
- APCDs
- health plans

Measure prices in two ways:
- relative to a Medicare benchmark
- price per case-mix weight

Create a public hospital price report:
- posted online, downloadable
- named facilities & systems
- inpatient prices & outpatient prices
- Sage Transparency dashboard

Create private hospital price reports for self-funded employers
Sign DUAs
• Cigna
• UHC
• Anthem
• Aetna
• Etc.

Transfer Data
• 1/1/2020 through 12/31/2022 claims
• If employer opts in, insurance company handles data transfer
• If data warehouse or other data contributor, RAND can facilitate

Create a public hospital price report
• Free to participate, free to access
• Results specific to hospitals, states, national trend

Create private hospital price reports for self-funded employers
• $1,000 minimum
• $15,000 max
• Only employer sees results – specific to employer’s population
Relative prices vary widely

Inpatient and Outpatient Relative Price

Percent of Medicare
Facility fees drive hospital prices
Less variation in professional fees

Relative price, professional
New Hampshire prices vary widely

Relative price of hospital systems in NH
Orthopedic prices range 150%-600% Medicare

Inpatient Orthopedic Procedures in NH
What drives prices?

• **No correlation** with Medicare, Medicaid, or uncompensated patients (“cost shifting” not true)

• **Minimal correlation** with quality and safety

• **Strong correlation** with market power and concentration
Non-private patients doesn’t explain hospital prices

Circles represent number of beds

Price relative to Medicare

Share of non-private insurance* discharges

*Medicare, Medicaid, uninsured, charity care
Hospital Price Increases Don’t Lead to Quality Improvements

- 30-day mortality rate AMI
- 30-day mortality rate COPD
- 30-day mortality rate heart failure
- 30-day mortality rate stroke
- 90-day complication rate hip/knee replacement
- 30-day readmission rate hospital wide
- 30-day readmission rate AMI
- 30-day readmission rate COPD
- 30-day readmission rate heart failure
- 30-day readmission rate hip/knee replacement
- 30-day readmission rate pneumonia

Change in quality associated with a 2 percent increase in discharge price

How can purchasers and policymakers use price transparency?

- Finally have information about prices
- Benchmark prices
- Change hospital networks
Purchasers are collecting information about prices

- The Colorado Business Group on Health used RAND 2.0 data to produce a report on value of Colorado hospitals
- The report proposed options for Colorado employers to address prices in their specific markets
- Focus on state and municipal health plans
Purchasers are using data to benchmark prices

Self-insured employers go looking for value-based deals

A similar RAND study commissioned by self-insured employers in Indiana spurred action…In response, 12 self-insured companies asked Anthem Blue Cross and Blue Shield to develop new health plan options.

Harris Meyer (2020) “Self-insured employers go looking for value-based deals“ Modern Healthcare
Anthem is attempting to support a core goal of the RAND study by holding hospital systems accountable for their prices, which in turn will benefit our employees' mental and physical health and their financial wellness.

—Purdue Senior Director of Benefits
Using data to inform state policy

2023 IN Legislation
• Physician noncompete ban
• 285% of Medicare price benchmark (no penalties)

State of Indiana

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We are asking you to work collaboratively with third-party payers to present a plan to the legislature by April 1, 2022 that would lower Indiana’s hospital prices to at least a national average by January 1, 2025, utilizing either Medicare (the national average is 263% of Medicare) or Standardized Pricing adjusted by cost-of-living as the benchmark. Our teams stand ready to assist you in any way that we can. It is not lost on us that your industry is complex and that there are myriad demands on your time.
Conclusions

Rising health care costs place pressure on employers and worker wages—especially during the COVID-19 pandemic.

The wide variation in hospital prices presents a potential savings opportunity for employers and purchasers.

Employers and purchasers need to demand and use transparent information on the prices they—and their workers—are paying.