

Green Mountain Care Board Response to Price Variation and Health Care Price and Quality Transparency

3-11-2015

Variation in health care prices means that identical health care services are sold to different buyers at different prices. Variation in health care prices is common in the United States, since private insurers negotiate different prices with each health care provider or organization and public payers pay fees that do not cover the full cost of treating patients.ⁱ

Not only do the prices for identical health care services vary by provider, but the quality of services can also vary from one health care provider to another. The Green Mountain Care Board feels that patients need information about both cost and quality to make decisions about where to find the most cost-effective care. The Board is also committed to all payer payment reforms that address price variation and lead to a more predictable and rational payment system in Vermont.

Transparency in Health Care Prices and Quality

Information on health care prices and quality is increasingly important for the public to make decisions about the most cost-effective health care, particularly when patient cost-sharing responsibilities are growing. Web-based transparency tools have emerged as a way to convey information on price and assist with choosing where to seek health care services, in instances where a patient is able to plan ahead. The Green Mountain Care Board is committed to taking the necessary time to determine and implement the best possible health care price and quality transparency solution for Vermont, with consideration of the following limitations and potential disadvantages to the transparency tools that exist today.

1. **Low uptake of price transparency tools.** Transparency tools have not been proven to have significant uptake by patients. Chairman Gobeille has testified to the low utilization of web-based transparency tools. As an example, a recent study indicates that over a 3-year period, approximately 1% of New Hampshire residents used the New Hampshire HealthCost site.ⁱⁱ
2. **Lack of side-by-side price and quality information.** Side-by-side information on price and quality of health care services does not yet exist in a single web-based format. Today a patient in the United States has to assemble information on health care prices and quality from multiple places, including some state websites, some provider or plan websites, or in printed material distributed by a provider.^{iiiiv vvivii}
3. **Price information alone can lead to selection of higher priced services.** Some people believe that more expensive health care is better care. Health care price information without quality information can be misleading to patients that believe that higher priced care is better care. Research verifies that consumers consider cost to be a sensible proxy for quality and therefore choose higher priced services in the absence of information on quality.^{viiiix}
4. **State-based website limitations.** State-based price transparency websites do not incorporate individual cost sharing information. The actual amount a person would need to pay for a given health care procedure depends on both payer and type of insurance plan. By contrast, insurer hosted websites take users' specific plan type and remaining deductible into consideration. Furthermore, real-time information is necessary for price estimates to be relevant to consumers; such information is available from health care payers, but not in the state's existing all-payer claims database, which has a significant data lag.^{xxi}
5. **Accuracy of price estimates.** Estimates on health care costs from many price transparency vendors are inaccurate due to multiple methodological flaws, ranging from small sample size, incomplete

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medical episodes, and inaccurate estimations of care.^{xiii}

6. **Cost.** The cost of designing and implementing a state-based health care price and quality transparency website is a significant investment for Vermont and is a serious factor for consideration.

Addressing Price Variation Through Payment Reform

The Board is also committed to continue its work on understanding and addressing price variation and health care price and payment differentials in Vermont. The Board is pursuing payment reforms for all payers and providers with the aim of creating a more predictable and rational payment system in Vermont. The following is a list of studies and projects that the Board has completed or will complete in order to improve its understanding of health care costs in Vermont.

Completed Reports

1. ***Vermont Health Systems Payment Variation Report: Phase 1 Draft Report.*** Prepared for the Green Mountain Care Board by the Vermont Association of Hospitals and Health Systems Network Services Organization. This report analyzes payment variation specific to inpatient, outpatient, and professional care services and provides analytics focused on the continuum of payments related to post-acute care services. The goal of the study is to provide an accurate picture of payer and provider payment variation. (http://gmcboard.vermont.gov/sites/gmcboard/files/Variation_Jun03.pdf)

2. ***Price Variation Analysis.*** Prepared for the Green Mountain Care Board by the University of Vermont College of Medicine Global Health Economics Unit, the University of Massachusetts Medical School Center for Health Law and Economics, and Wakely Consulting Group. This report builds on the VAHHS NSO report and identifies factors that explain price variation. (http://gmcboard.vermont.gov/sites/gmcboard/files/Meetings/Presentations/Price_Variation_Analysis_GMCB100214.pdf)

Reports in Progress

1. ***Health Spending Growth Drivers in Vermont: Parts 1 and 2: Medicaid and Commercial Insured, Medicare 2008-2012 Vermont Residents.*** Prepared for the Green Mountain Care Board by Truven Health Analytics and Brandeis University. This report describes the underlying factors that contribute to the growth in health spending growth over time. This report looks at the portion of health spending growth due to increases in payments per service (price), increased volume, and change in mix of services.

2. ***Market Analysis Study.*** Prepared by Truven Health Analytics and Brandeis University. This report maps the patient flow from patient origin (residence) to current healthcare delivery destination, by type of service. This study will provide an in-depth analysis of service utilization and costs for hospitals within major market areas, for high priority and high cost inpatient procedures.

3. ***Grant to States to Support Health Insurance Rate Review and Increase Transparency in the Pricing of Medical Services, Cycle IV.*** The Board designated funds from the Cycle IV Rate Review grant to adopt an initial plan for improving VHCURES data pertaining to applicability of analytics and medical pricing. The plan will consider the cost to the VHCURES program, cost to data submitters, and expected degree of improvement necessary for analytics and medical pricing data.

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ⁱ Reinhardt UE. *Health Care Price Transparency and Economic Theory*. JAMA. 2014; 312 (16): 1642-1643. doi:10.1001/jama.2014.14276.

ⁱⁱ Mehrota, Ateev, Brannen, Tyler, and Sinaiko Anna D. *Use Patterns of a State Health Care Price Transparency Web Site: What do Patients Shop For?* Inquiry: The Journal of Health Care. (Jan-Dec 2014).

ⁱⁱⁱ Bebinger, Martha. *Price Tags on Health Care? Only in Massachusetts*. Kaiser Health News. October, 2014. <http://kaiserhealthnews.org/news/price-tags-for-health-care-in-mass/>

^{iv} Herman, Bob. *Blues Study Shows Huge Variation for Hip, Knee surgeries*. Modern Healthcare. January, 2015. <http://www.modernhealthcare.com/article/20150122/NEWS/301229956/blues-study-shows-huge-price-variation-for-hip-knee-surgeries>

^v Hostetter, Martha and Sarah Klein. *Health Care Price Transparency: Can it Provide High Value Care? Quality Matters*. The Commonwealth Fund. March/April, 2012. <http://www.commonwealthfund.org/publications/newsletters/quality-matters/2012/april-may/in-focus>

^{vi} Families USA. *Price Transparency in Health Care: An Introduction*. Issue Brief. August, 2014. http://familiesusa.org/sites/default/files/product_documents/HSI%20Price%20Transparancy%20Brief_final_web.pdf

^{vii} Burroughs, Melissa. *Transparency in Health Care Prices and Quality: A Tool for Health System Reform*. Families USA Blog. December, 2014. <http://familiesusa.org/blog/2014/12/transparency-health-care-prices-and-quality-tool-health-system-reform>

^{viii} Ateev Mehrotra, Peter S. Hussey, Arnold Milstein and Judith H. Hibbard. *Health Affairs*, 31, no.4 (2012): 843-851. *Consumers' And Providers' Responses to Public Cost Reports, and How to Raise the Likelihood of Achieving Desired Results*. (published online March 28, 2012;10.1377/hlthaff.2011.1181)

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^{xii} Health Affairs. *Public Reporting on Quality and Costs*. Health Policy Briefs. March 8, 2012. http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief_id=65