



# Health Care Spending & Pricing Overview

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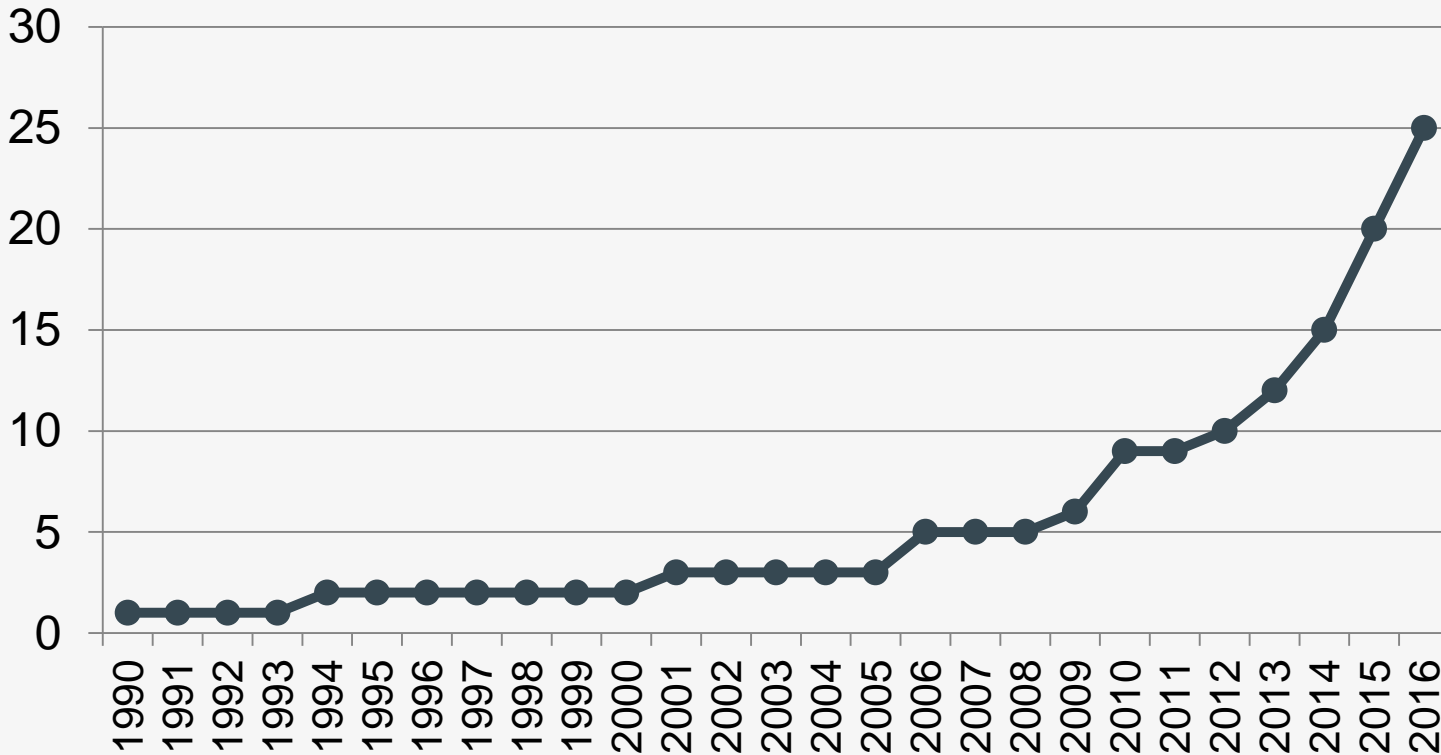
MARCH 2, 2017

K. JOHN MCCONNELL, CENTER FOR HEALTH SYSTEMS  
EFFECTIVENESS

# I'll cover three things

- Cost drivers in healthcare
  - Technology, utilization, and prices
- Is Oregon expensive? Why?
- Policy options

# Technology is a major force in health care spending growth

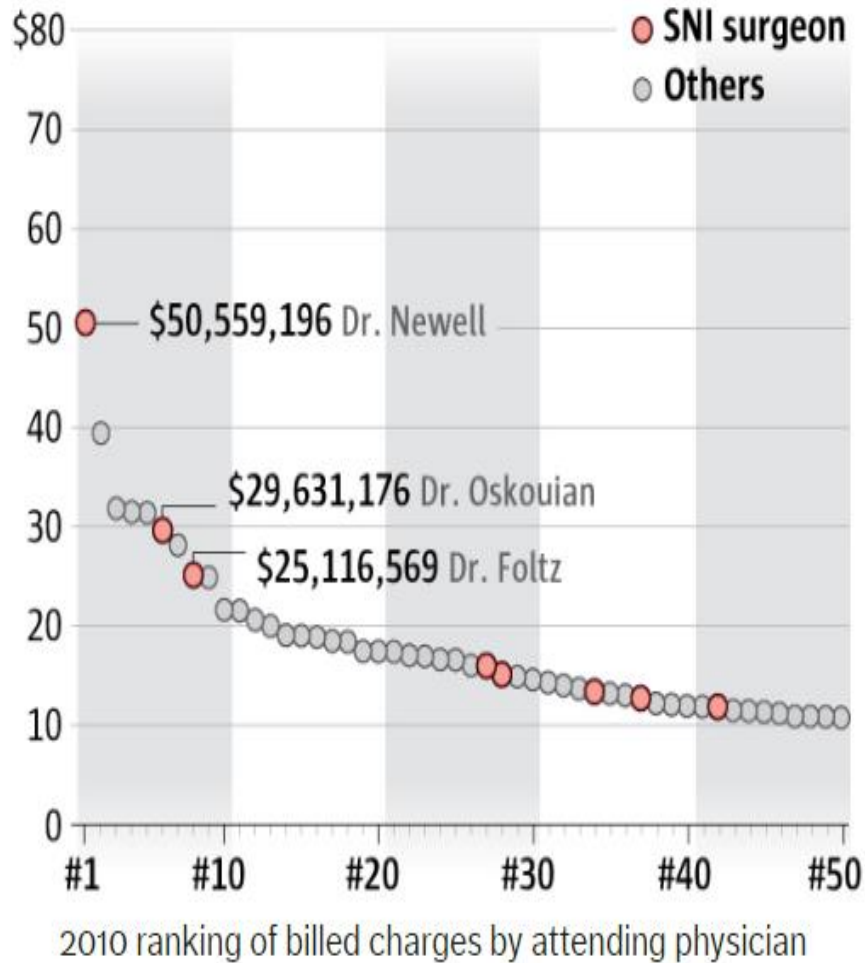


Proton Beam Accelerator Facilities in Operation in the US, 1990-2016

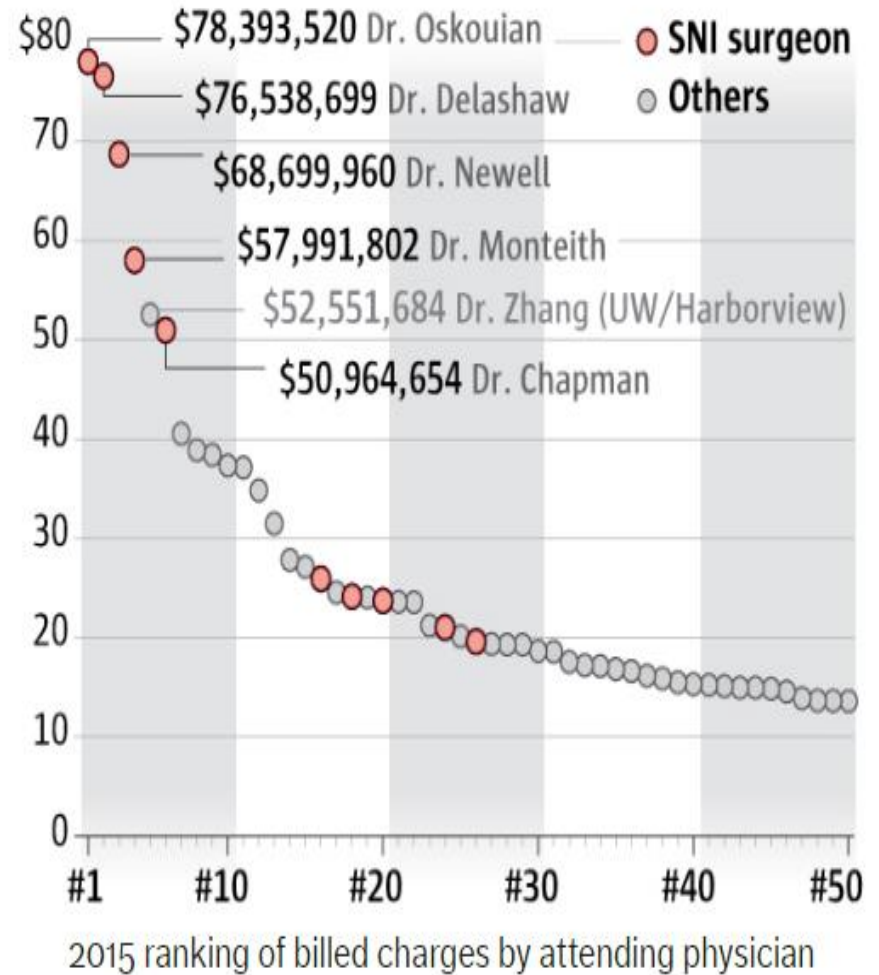
# Utilization

- Not worse than other OECD countries!
  - But lots of variation
- FFS payment system has perverse incentives
  - Volume over outcomes

2010 total charges by attending physician (in millions of dollars)



2015 total charges by attending physician (in millions of dollars)



[Health](#) | [Local News](#) | [Northwest](#) | [Special Reports](#) | [Times Watchdog](#)

## State regulators investigating Swedish's Cherry Hill hospital, top surgeon

Originally published February 16, 2017 at 4:37 pm | *Updated February 17, 2017 at 12:49 pm*

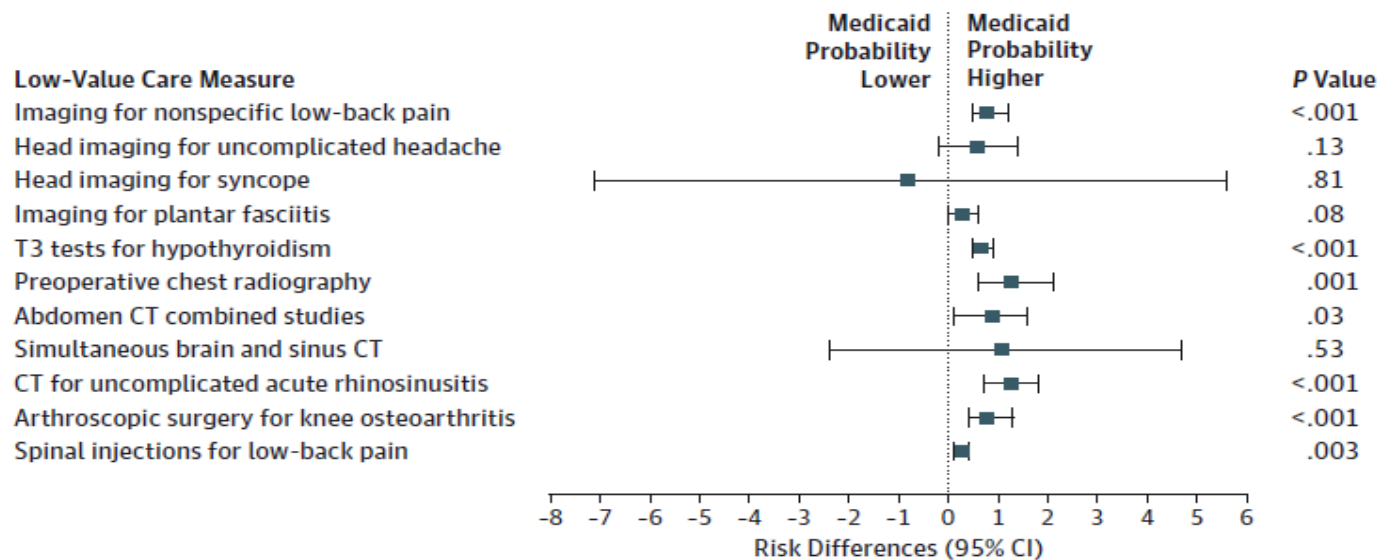
# JAMA Internal Medicine

Original Investigation | LESS IS MORE

## Comparison of Low-Value Care in Medicaid vs Commercially Insured Populations

Christina J. Charlesworth, MPH; Thomas H. A. Meath, MPH; Aaron L. Schwartz, PhD; K. John McConnell, PhD

Figure 2. Low-Value Care Risk Differences Associated With the Average Medicaid Patient Moving to a Primary Care Service Area (PCSA) With a 1% Higher Commercial Low-Value Care Rate



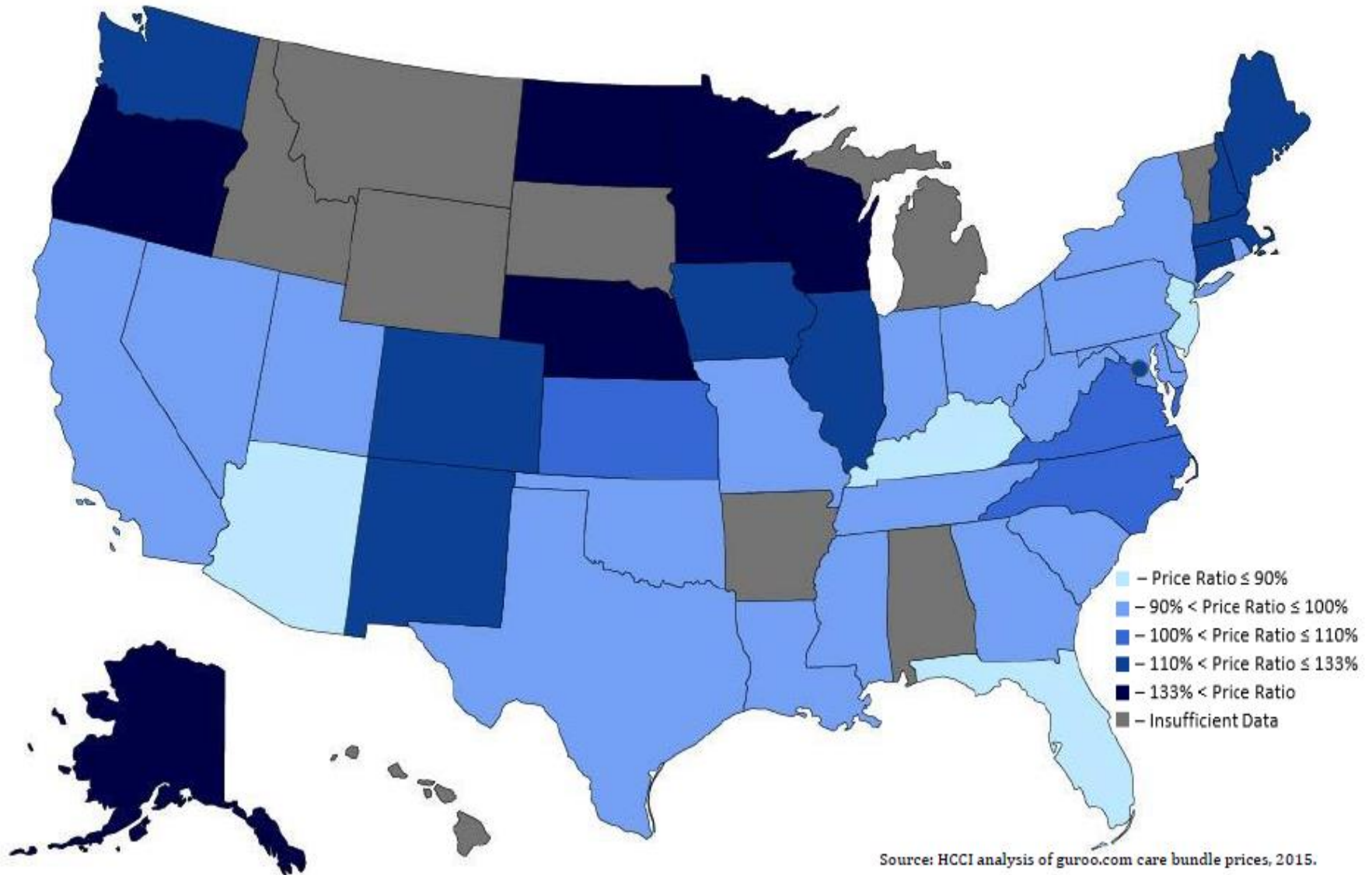
# Price is the main driver of variations in commercial spending

- Are prices high in Oregon?
- Q-Corp says yes
- So does the Health Care Cost Institute



## Primary Doctor Visit – Moderate Complexity (New Patient) (42 States)

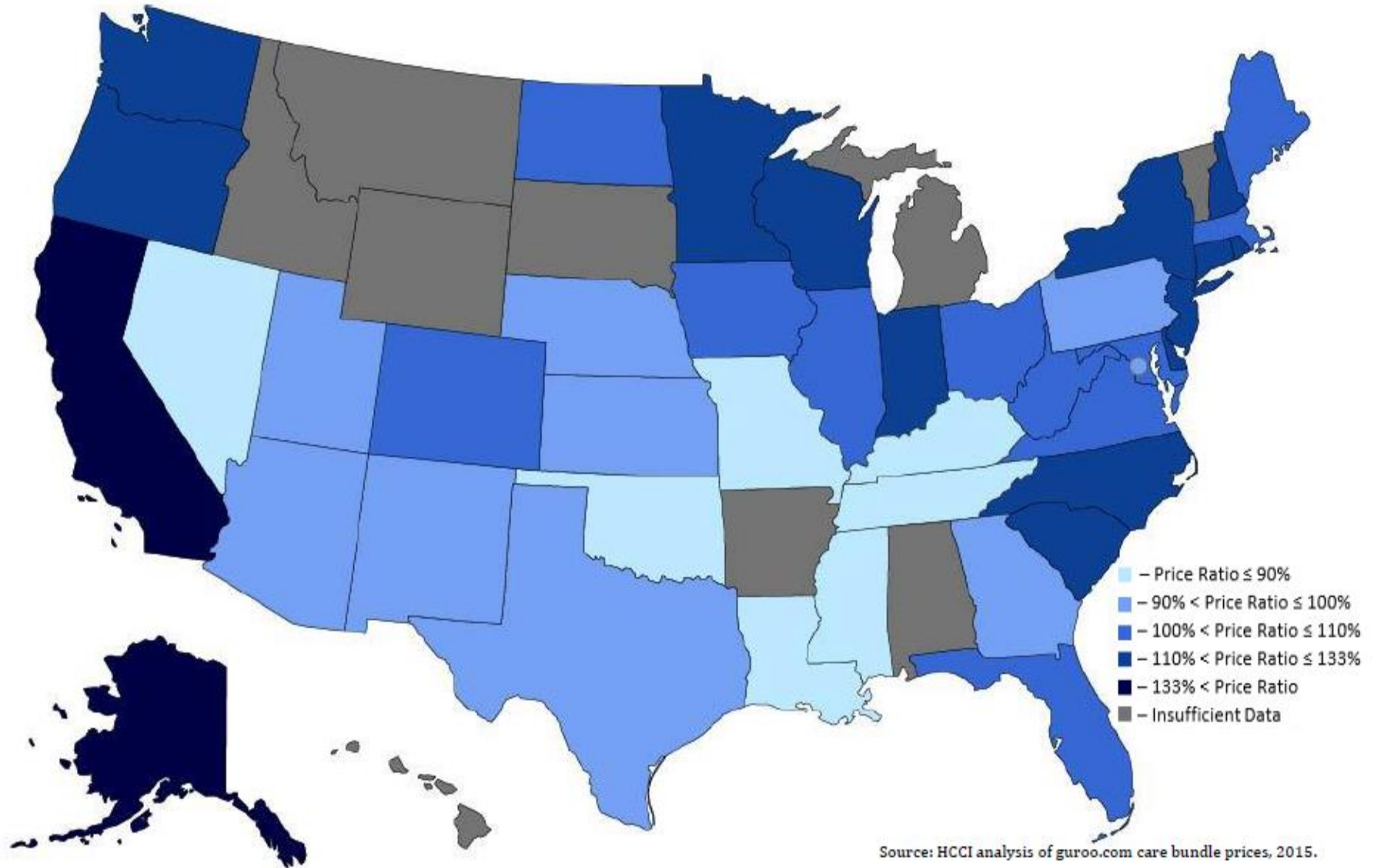
Ratio of Average State Price to Average National Price, by State



Source: HCCI analysis of guroo.com care bundle prices, 2015.

## Childbirth – Vaginal Delivery & Newborn Care (42 States)

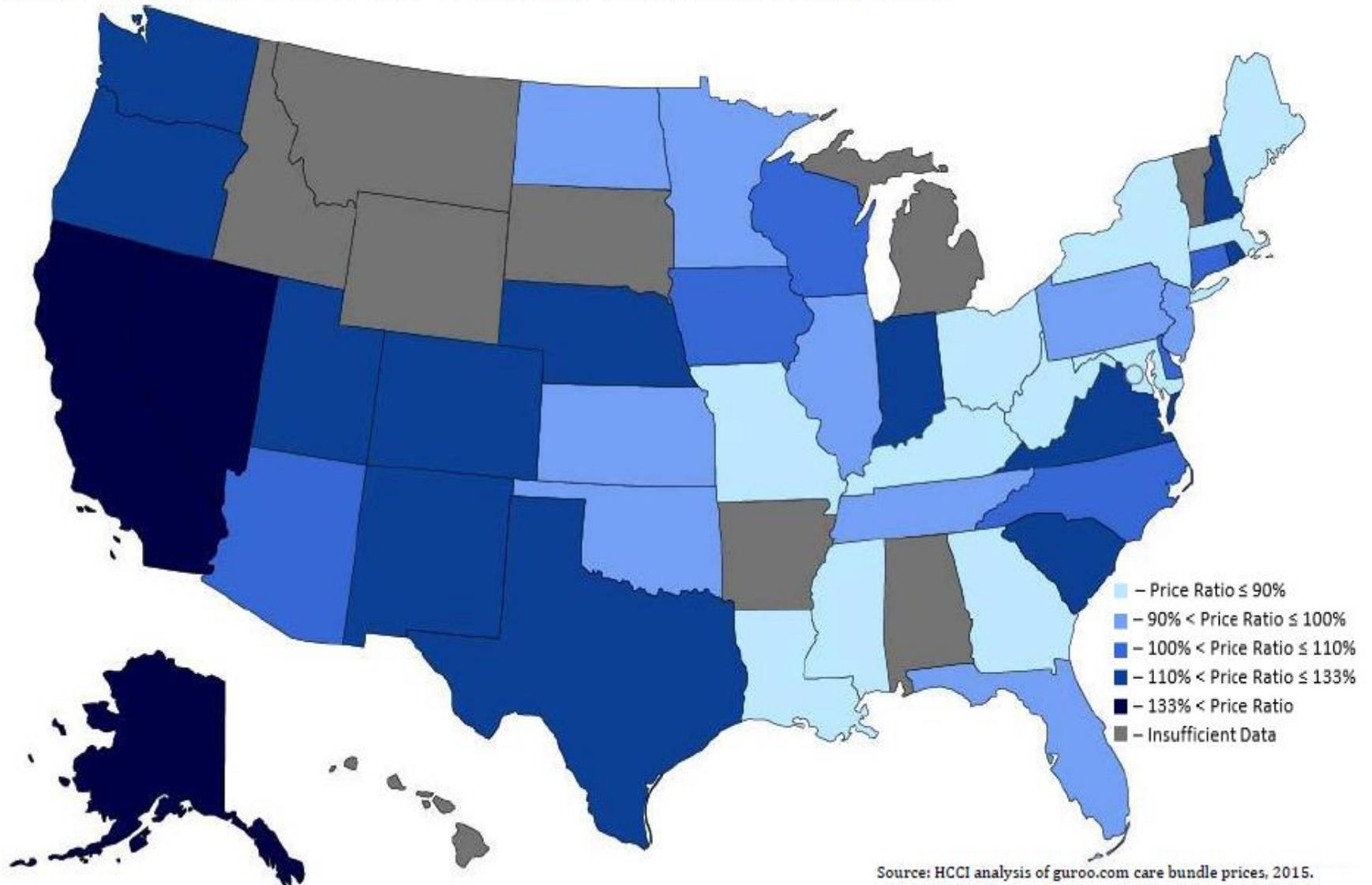
Ratio of Average State Price to Average National Price, by State



Source: HCCI analysis of guroo.com care bundle prices, 2015.

## Emergency Room Visit (42 States)

Ratio of Average State Price to Average National Price, by State

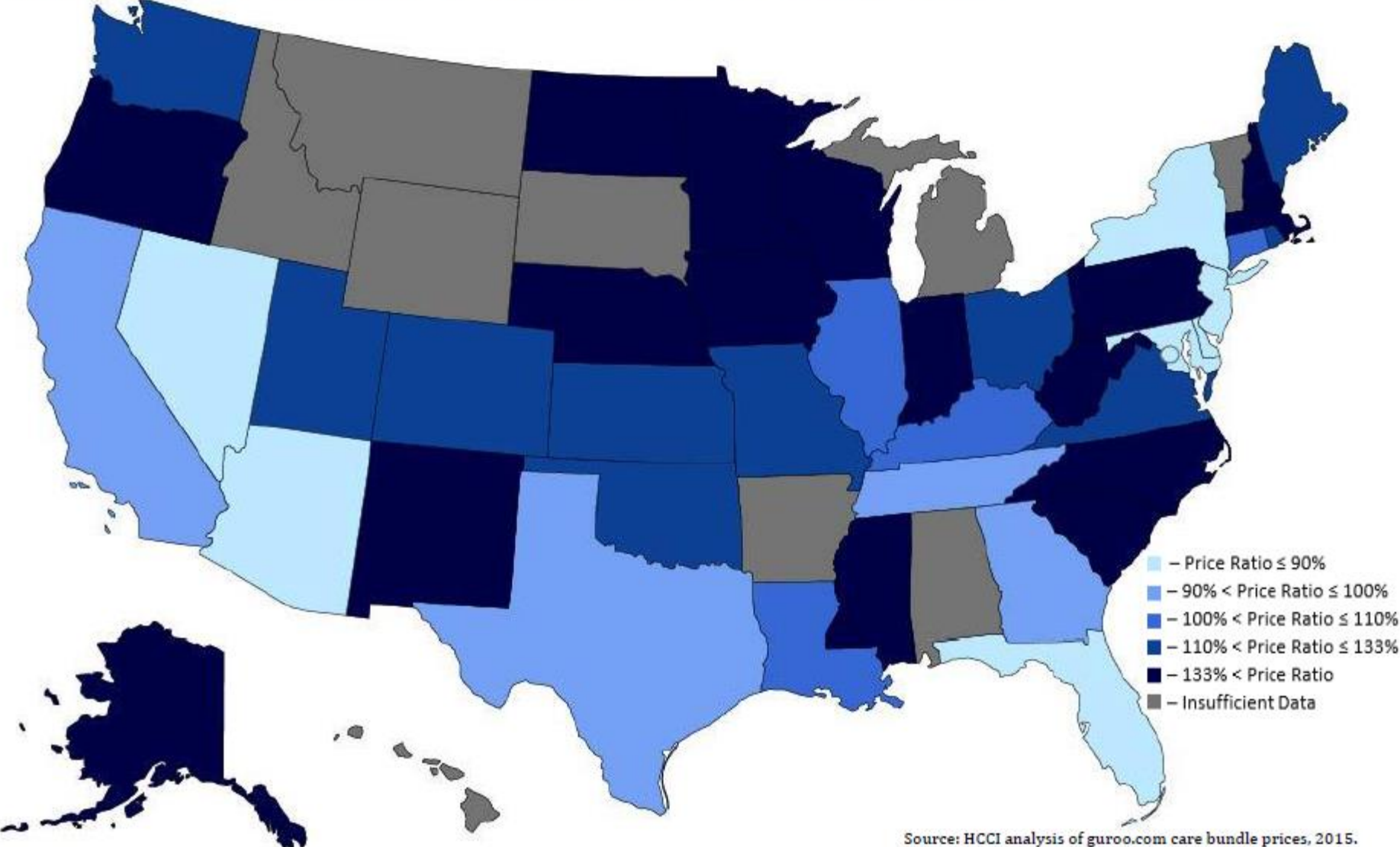


Source: HCCI analysis of guroo.com care bundle prices, 2015.



# MRI Scan – Abdomen (with and without Dye) (42 States)

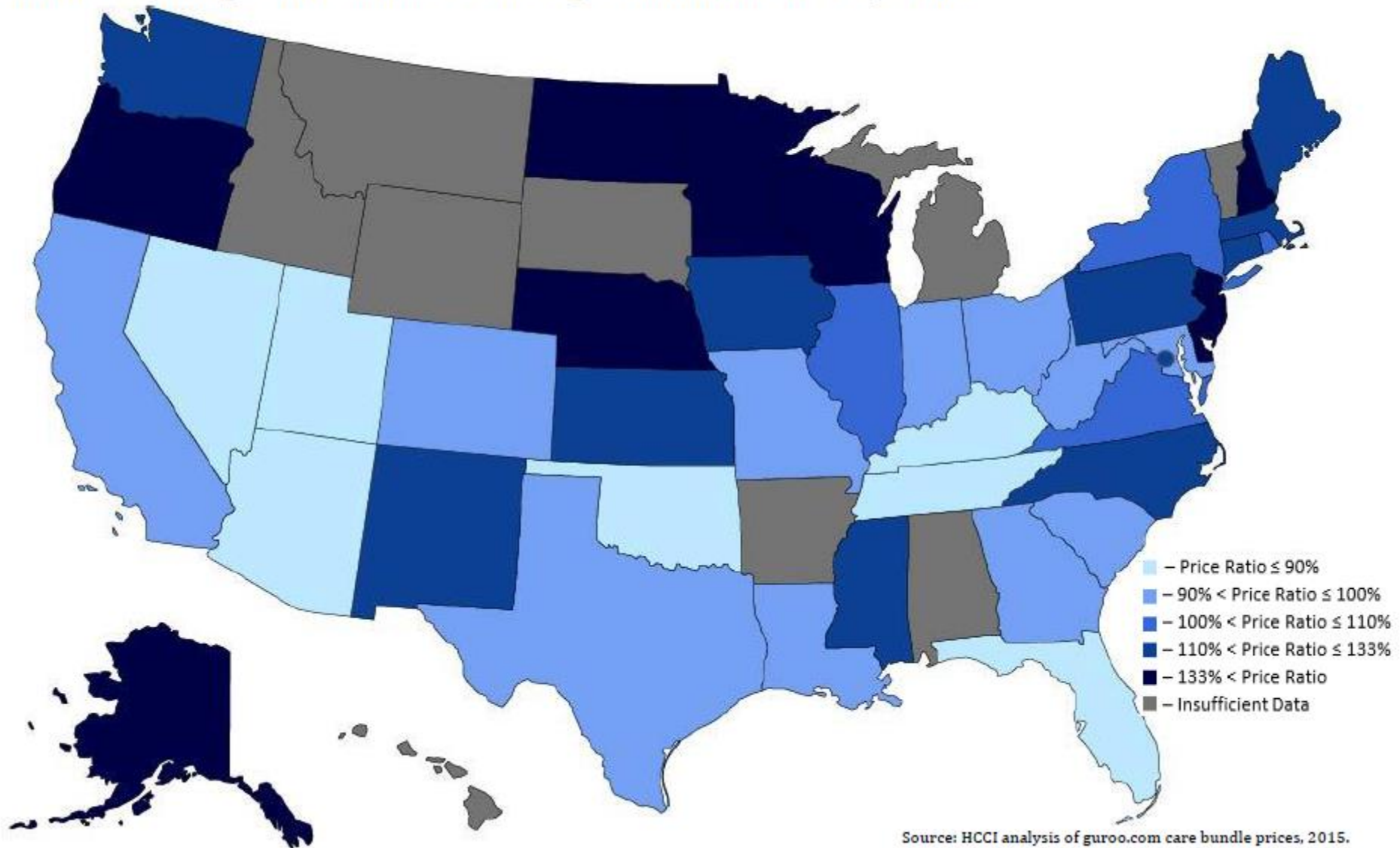
Ratio of Average State Price to Average National Price, by State



Source: HCCI analysis of guroo.com care bundle prices, 2015.

## Hypertension – High Blood Pressure (42 States)

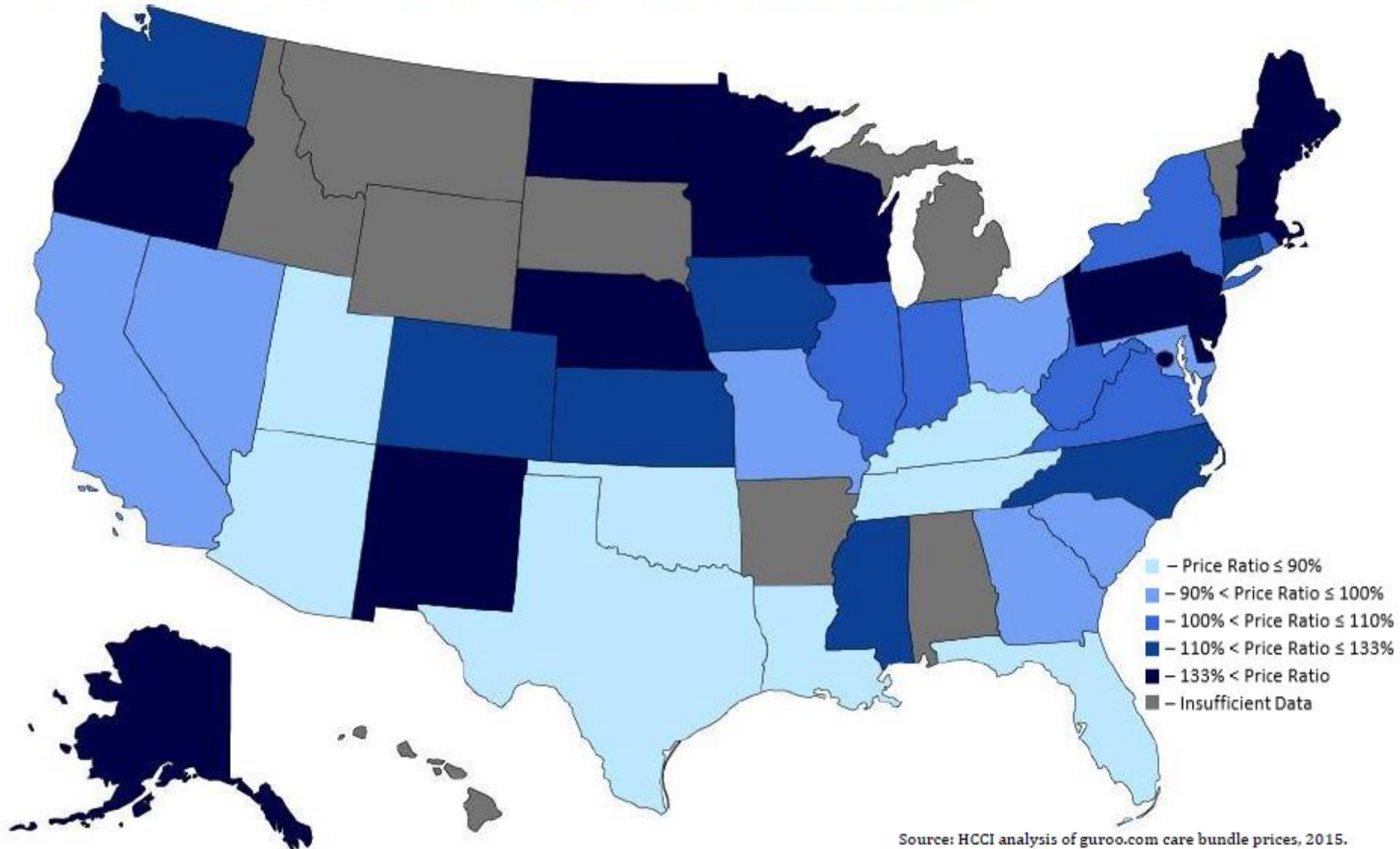
Ratio of Average State Price to Average National Price, by State



Source: HCCI analysis of guroo.com care bundle prices, 2015.

## Heartburn Evaluation (42 States)

Ratio of Average State Price to Average National Price, by State



Source: HCCI analysis of guroo.com care bundle prices, 2015.

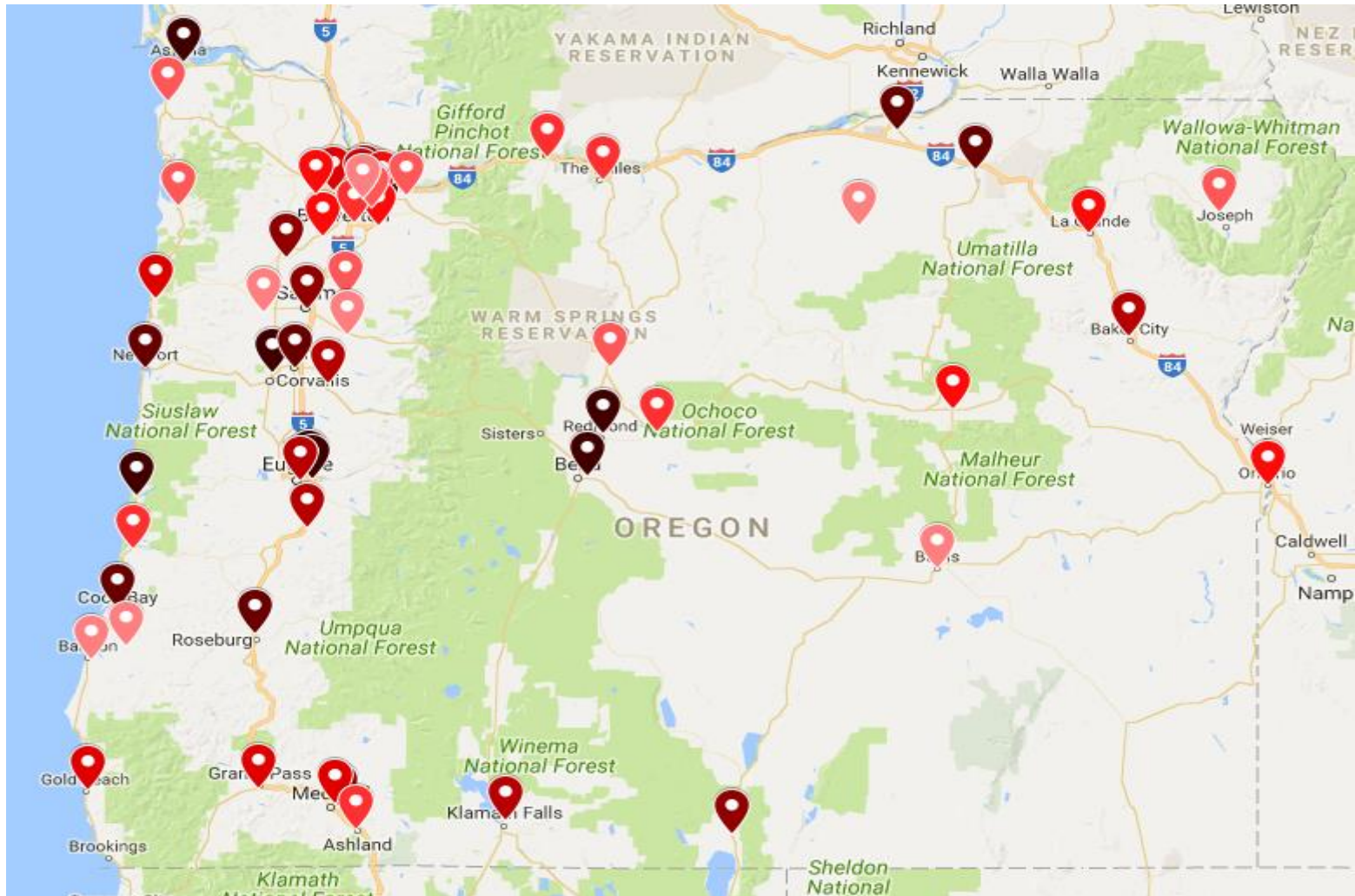
Why are prices high?

# Interplay between provider and insurance market power

- Single insurer + competitive provider market -> drive prices down
- Lots of insurers + consolidated provider market -> drive prices up
  
- Like the rest of the country, OR has seen proliferation of
  - Vertical integration (hospitals buying/partnering w/physician & ambulatory services)
  - Horizontal integration (hospitals joining systems)\
  
- BUT, Oregon's insurance market is very competitive (Kaiser Family Foundation)
  - Top decile in large group insurance market (9<sup>th</sup>)
  - 1<sup>st</sup> in small group insurance market
  - 15<sup>th</sup> in individual insurance market
  - Insurers in OR may have trouble negotiating for lower prices



# Hospital procedure price variations



Source: OHA 2014 Hospital Payment Report  
Analysis by Peter Graven, PhD, CHSE

# A comment on cost shifting

# Policy options

# Policy options

- Provider market power & consolidation should be monitored closely
- Payment reforms should be supported
  - ACO/Alternative Quality Contract moderately successful
- Benefits from good network design
  - Narrower networks &/or value-based networks

# APCD Targets and Hope

- 3.4% ambitious benchmark – but is a number
- We should use APCD to answer these questions
  - Is there significant overuse? Where?
  - Are increases are driven by certain disease groups (Cancer? Cardiovascular disease? Preventive care?)
  - How does spending differ across geographical regions?
- What type of accountability fits into the Oregon way?



Thank You

Extra slides

# Questionable policy options for addressing price

- High deductibles
  - Deductibles affect spending through utilization
  - Zero evidence that patients are good shoppers (Brot-Goldbert et al., NBER 2015; Desai et al., JAMA 2016)
- Reference pricing (patients pay above set price)
  - Dramatic reductions in price observed in CalPERS knee replacement (\$42,000 -> \$27,000)
  - “Shoppable” services account for 1/3 of total spending
  - Impact on total cost of care may be small