CAHPR CENTER FOR ADVANCING HEALTH POLICY THROUGH RESEARCH

School of Public Health
BROWN UNIVERSITY

Price Transparency and Uses of All-Payer Claims Data

Oregon Senate Committee on Health Care

May 2024

Christopher Whaley, PhD
Brown University School of Public Health

Three economic points about the US health care system

1. We spend a lot on health care, which comes at the expense of other goods and services

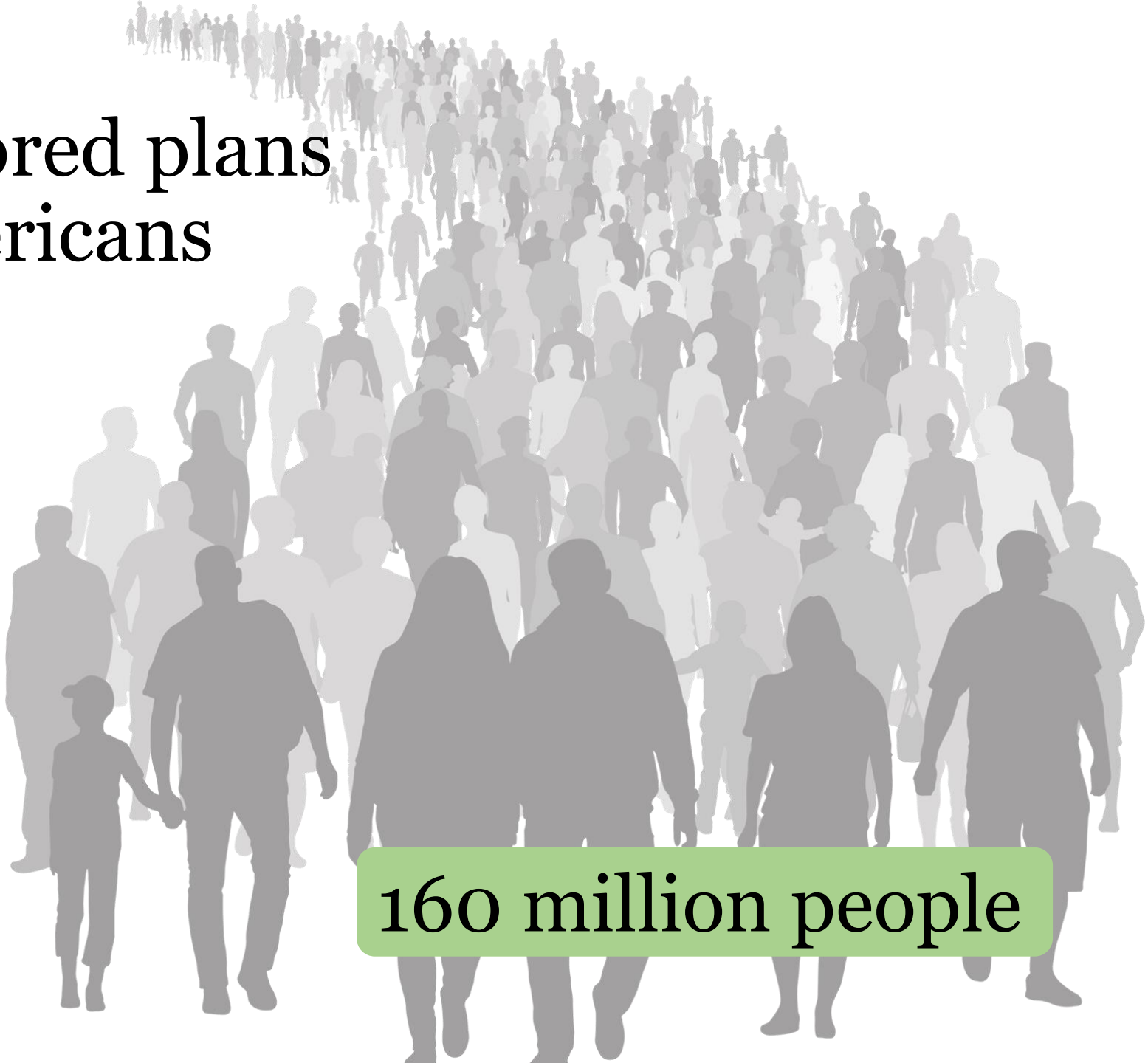
2. We spend a lot because of high health care prices

3. Prices are highly variable, not transparent, and not linked to quality

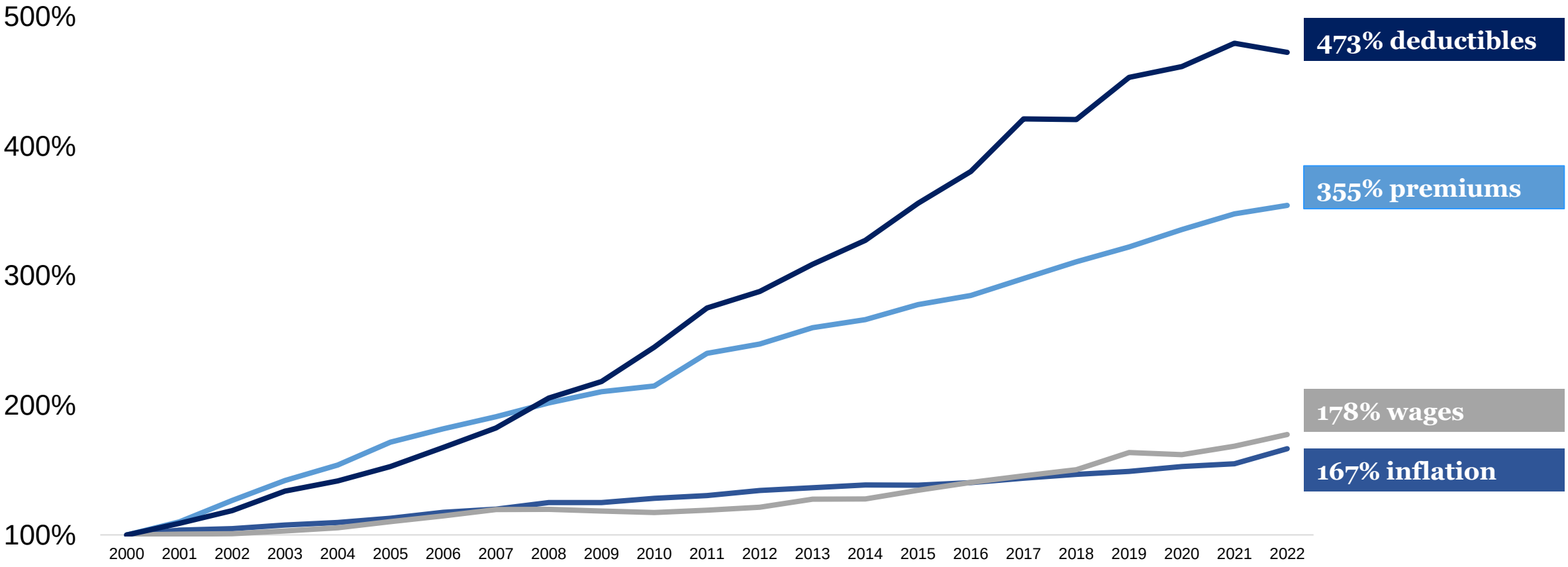
Employer-sponsored plans cover half of Americans

$1.3 trillion
health care costs

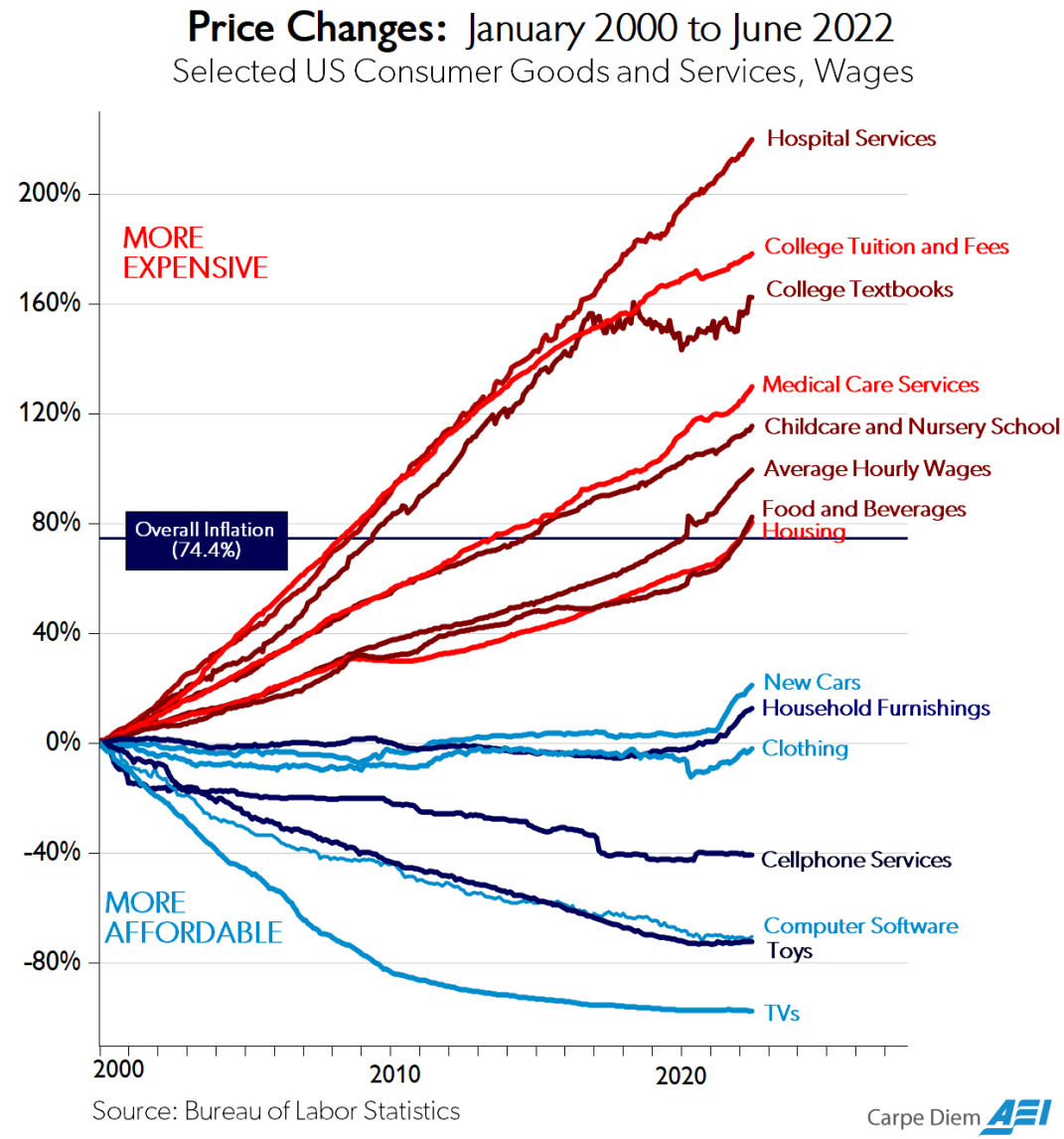
$490 billion
hospital costs



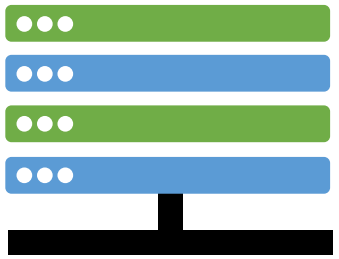
Premiums and deductibles outpace wages and inflation



Rising hospital prices drive spending growth



Hospital Price Transparency Study: Round 5



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

Understanding health care prices is critical for health care affordability

- Prices are the lever to allocate goods and resources throughout the economy

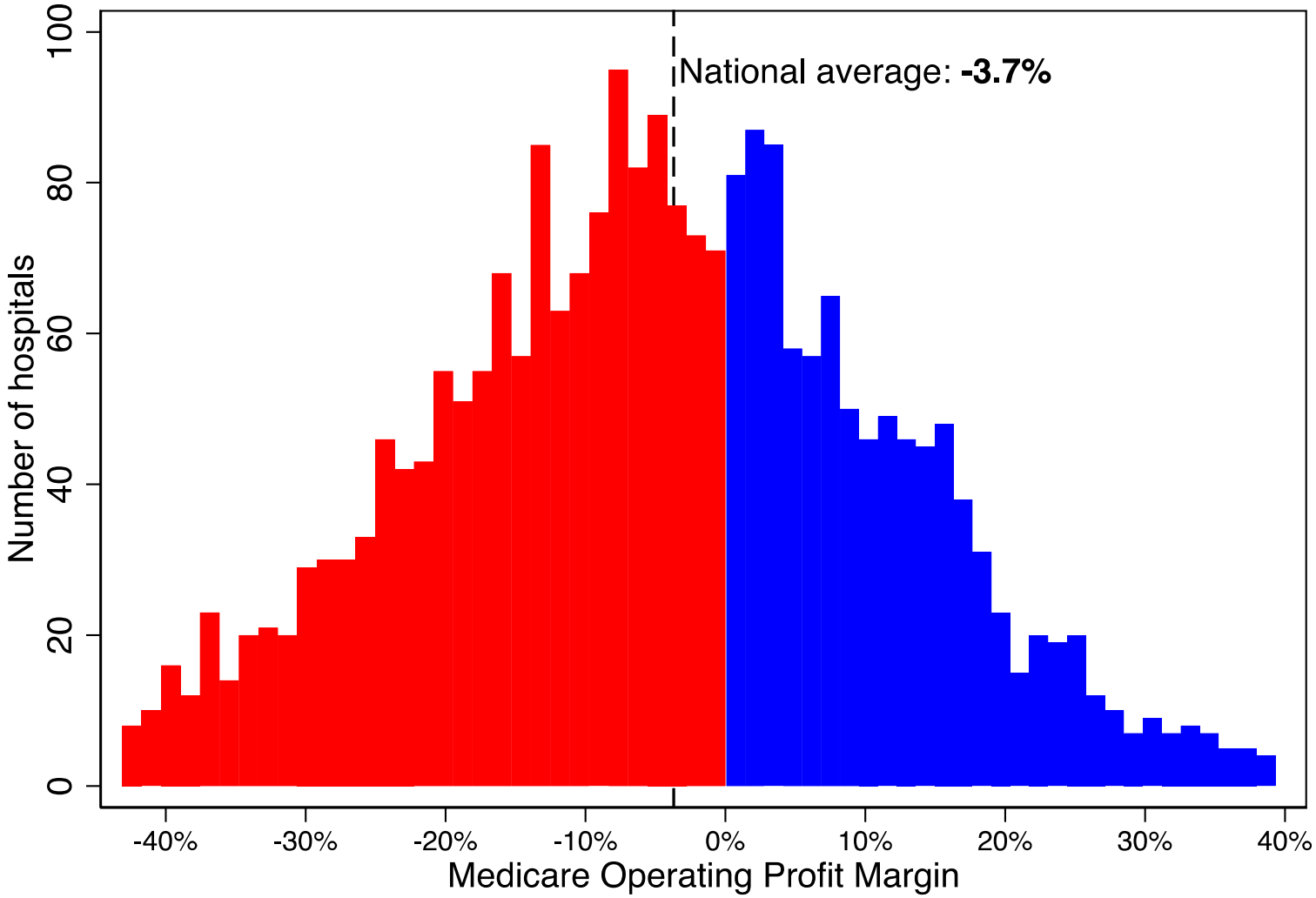
- Without transparent prices and market competition, it is impossible to have an efficient allocation of goods and services

If we rely on markets, price transparency and competition are critical for the functioning of the US health care system

Percent of Medicare is a price benchmark, not a price endpoint

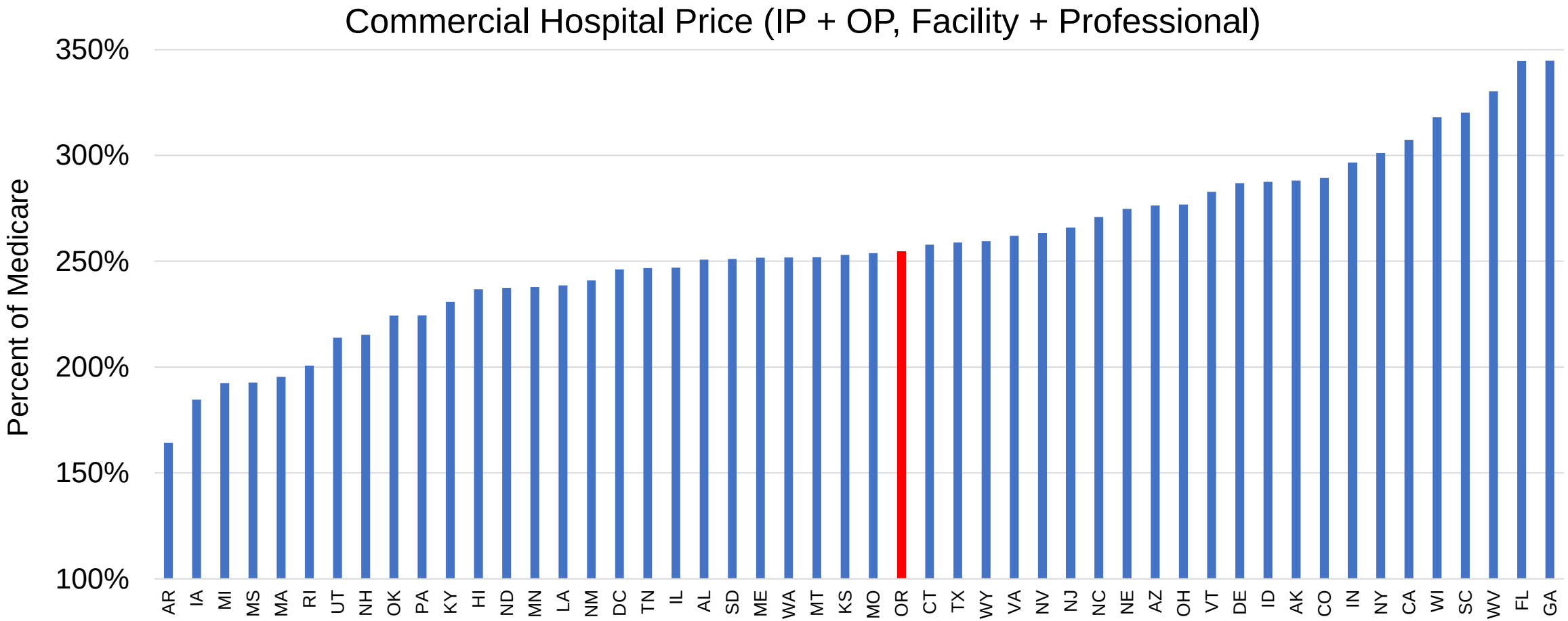
- Medicare prices and methods are empirically based and transparent

- Medicare Payment Advisory Commission (MedPAC): Medicare rates are close to break-even for efficient hospitals



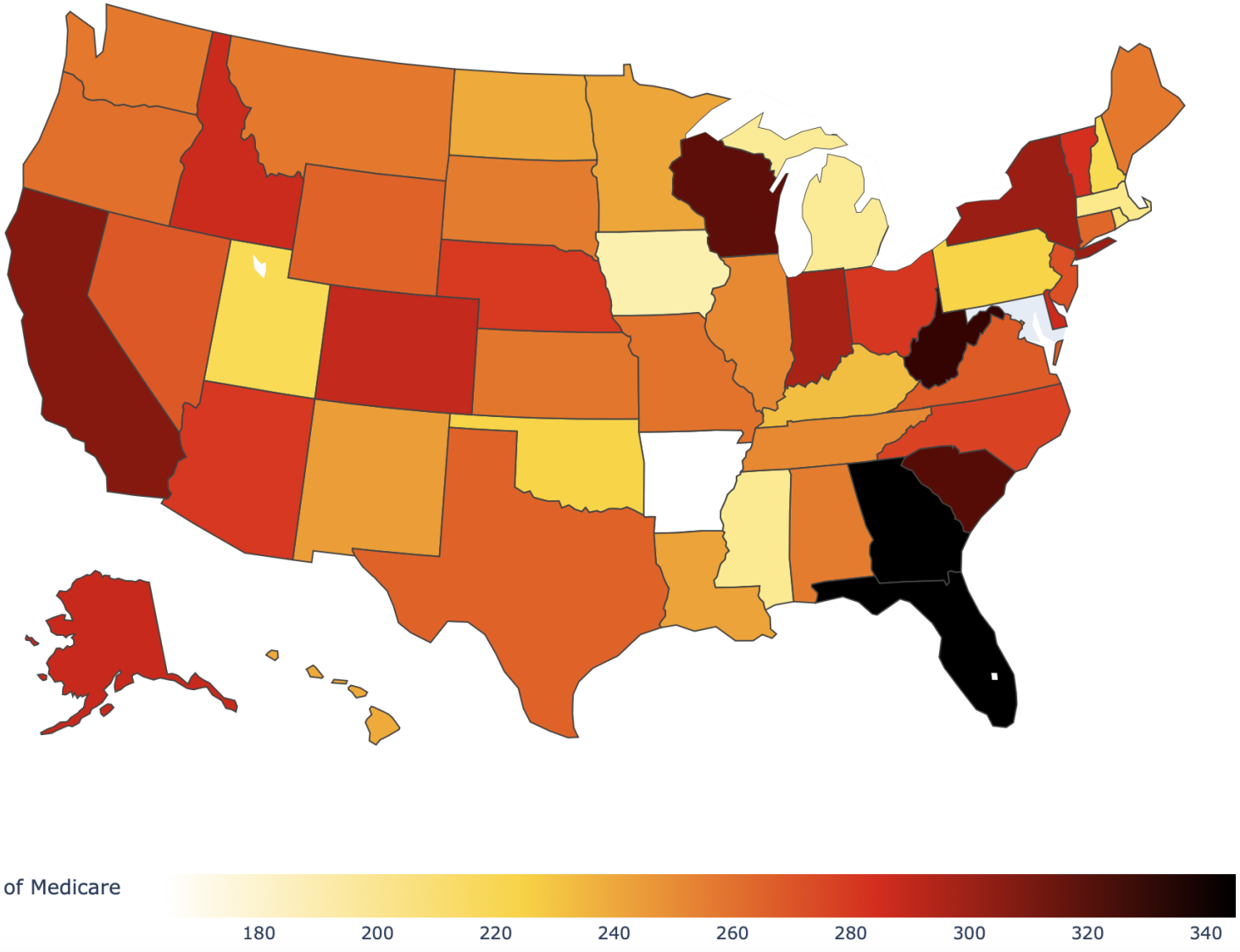
Source: CMS Cost Report Data, 2022

Oregon hospital prices are at national average



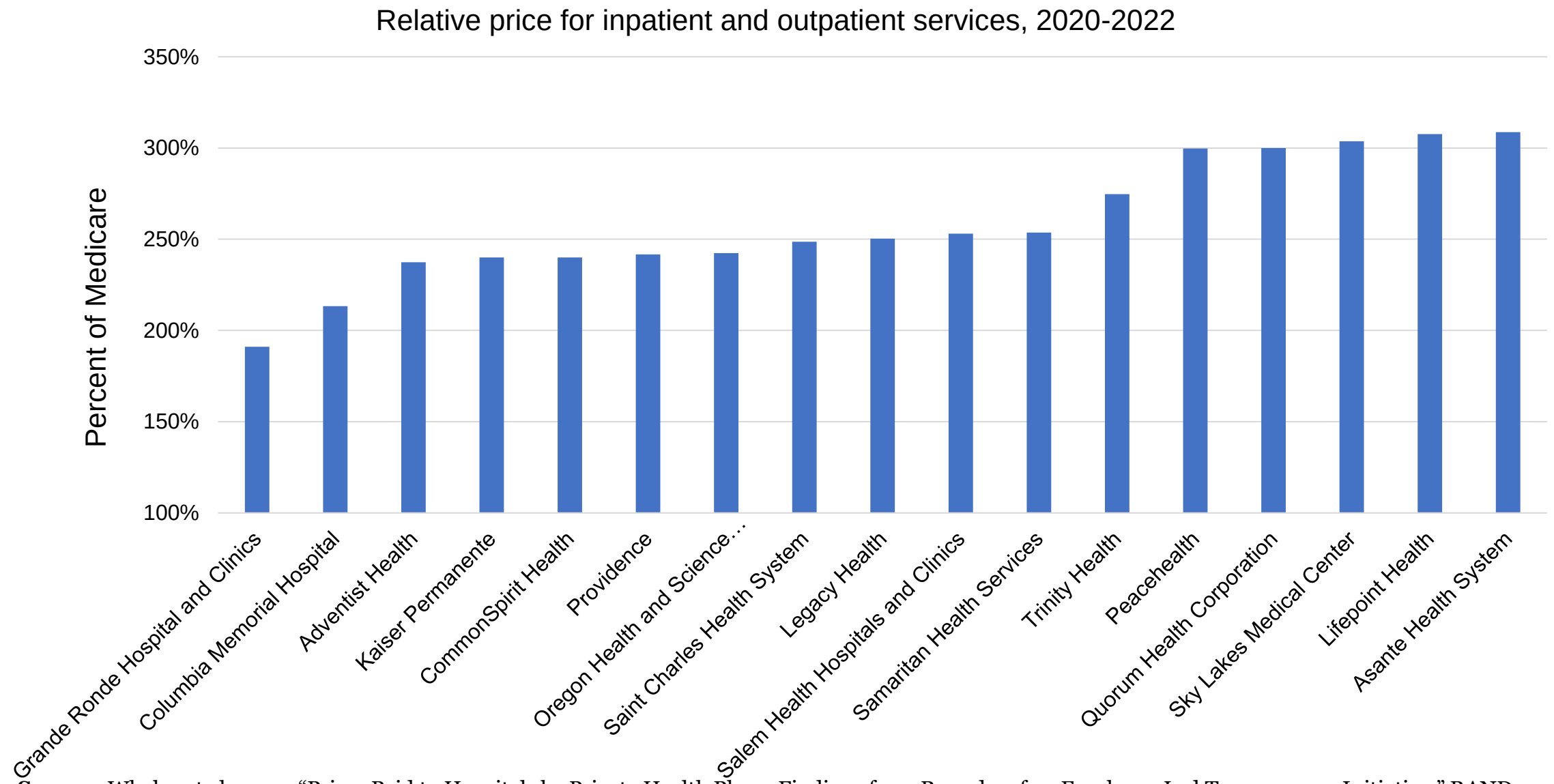
Source: Whaley et al. 2024. "Prices Paid to Hospitals by Private Health Plans: Findings from Round 5 of an Employer-Led Transparency Initiative." RAND.

Hospital prices are all over the map



Source: Whaley et al. 2024. “Prices Paid to Hospitals by Private Health Plans: Findings from Round 5 of an Employer-Led Transparency Initiative.” RAND.

Large variation in Oregon hospital system prices



Source: Whaley et al. 2024. "Prices Paid to Hospitals by Private Health Plans: Findings from Round 5 of an Employer-Led Transparency Initiative." RAND.

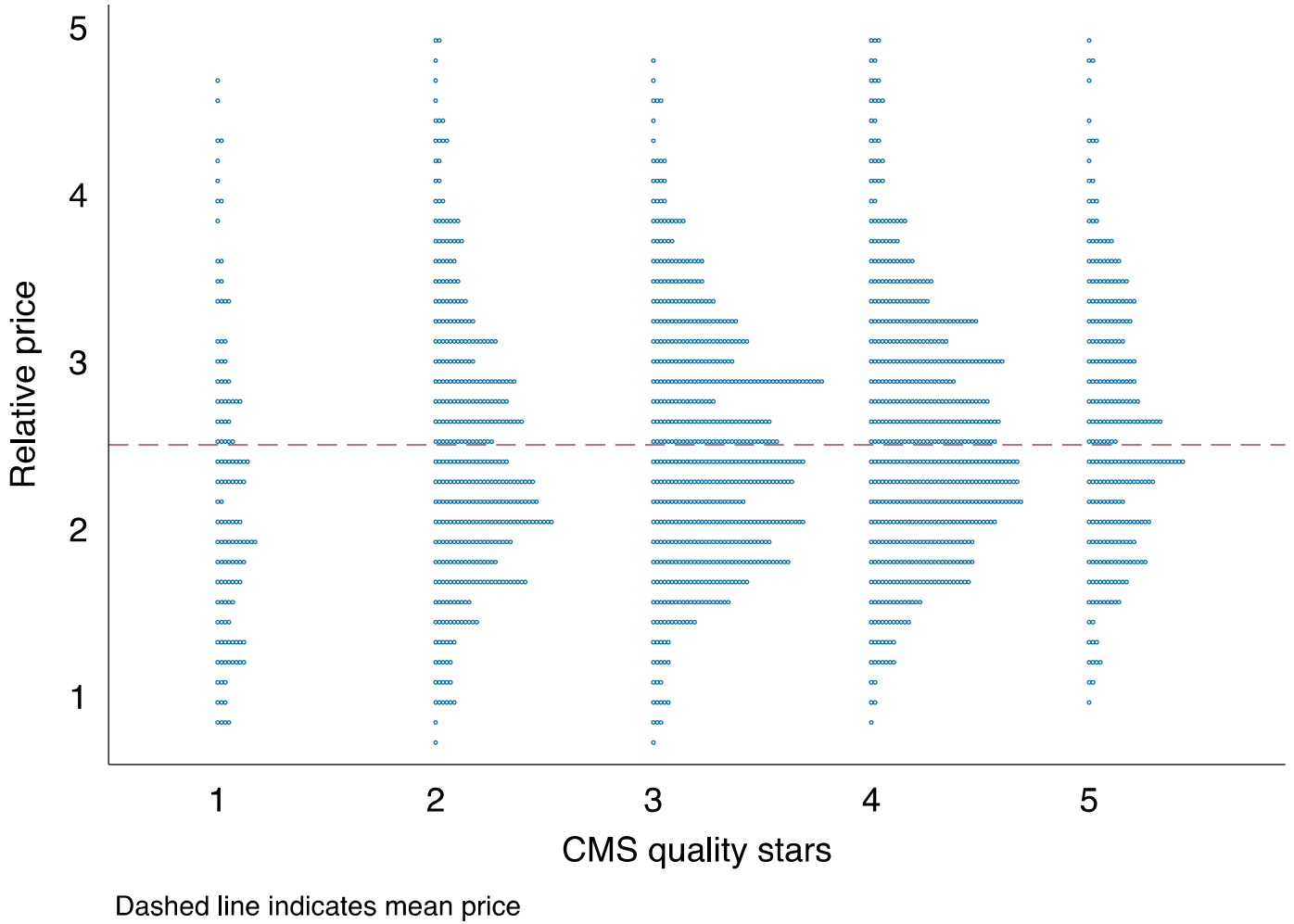
What drives prices?

No correlation with Medicare, Medicaid, or uncompensated patients ("cost shifting" not true)

Minimal correlation with quality and outcomes

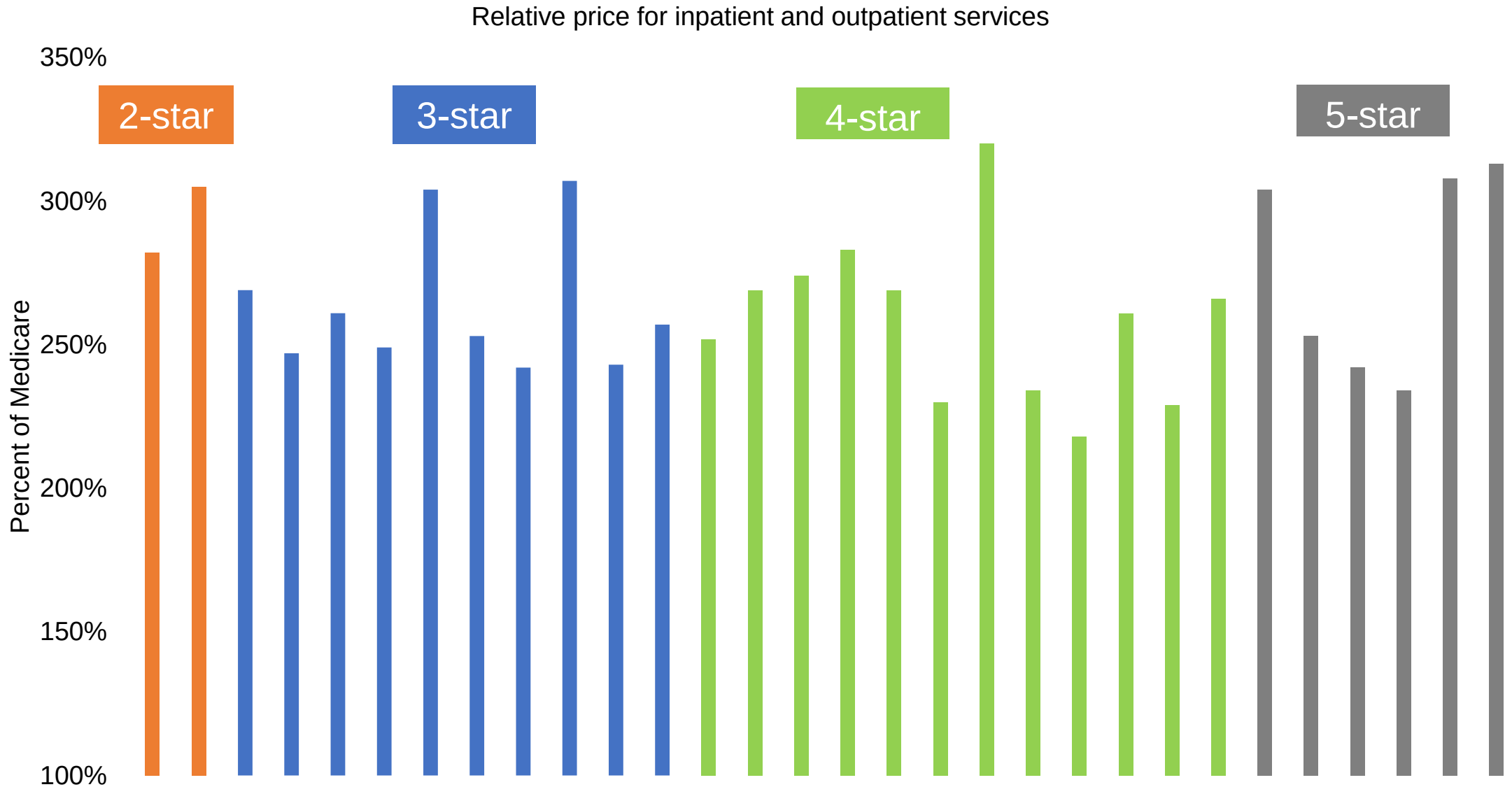
Strong correlation with market power and concentration

Prices are not linked to quality



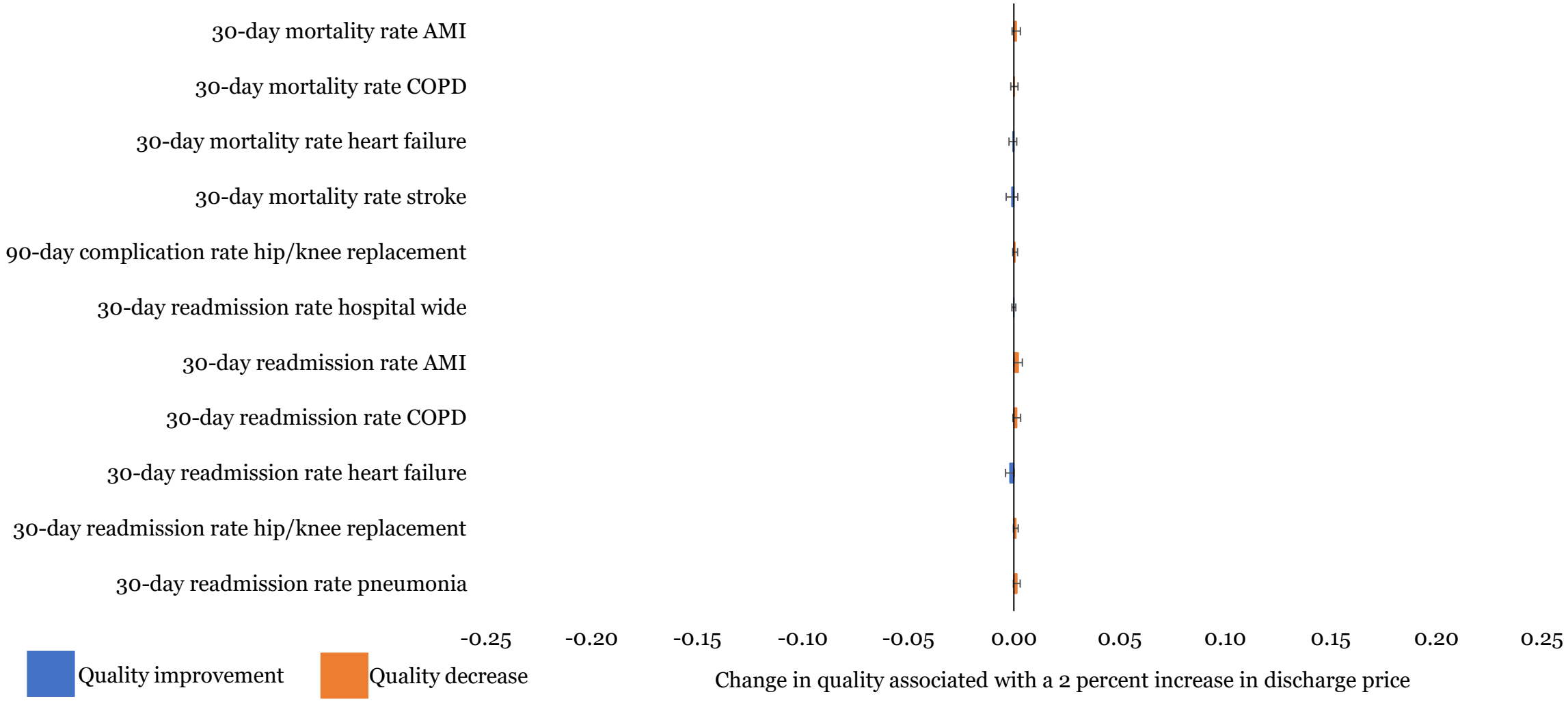
Source: Whaley et al. 2024. “Prices Paid to Hospitals by Private Health Plans: Findings from Round 5 of an Employer-Led Transparency Initiative.” RAND.

OR hospital prices are not linked to quality (-3% correlation)



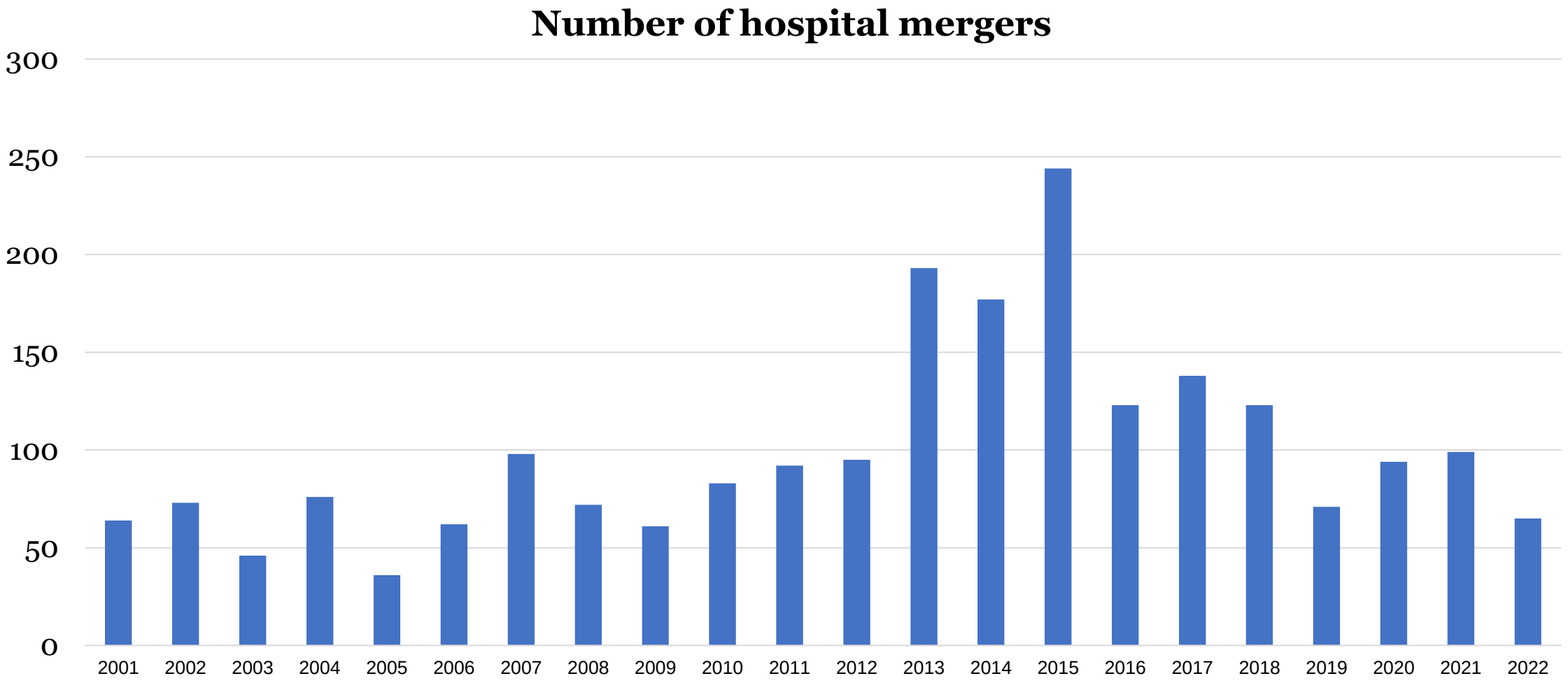
Source: Whaley et al. 2024. "Prices Paid to Hospitals by Private Health Plans: Findings from Round 5 of an Employer-Led Transparency Initiative." RAND.

Hospital price increases don’t lead to quality improvements

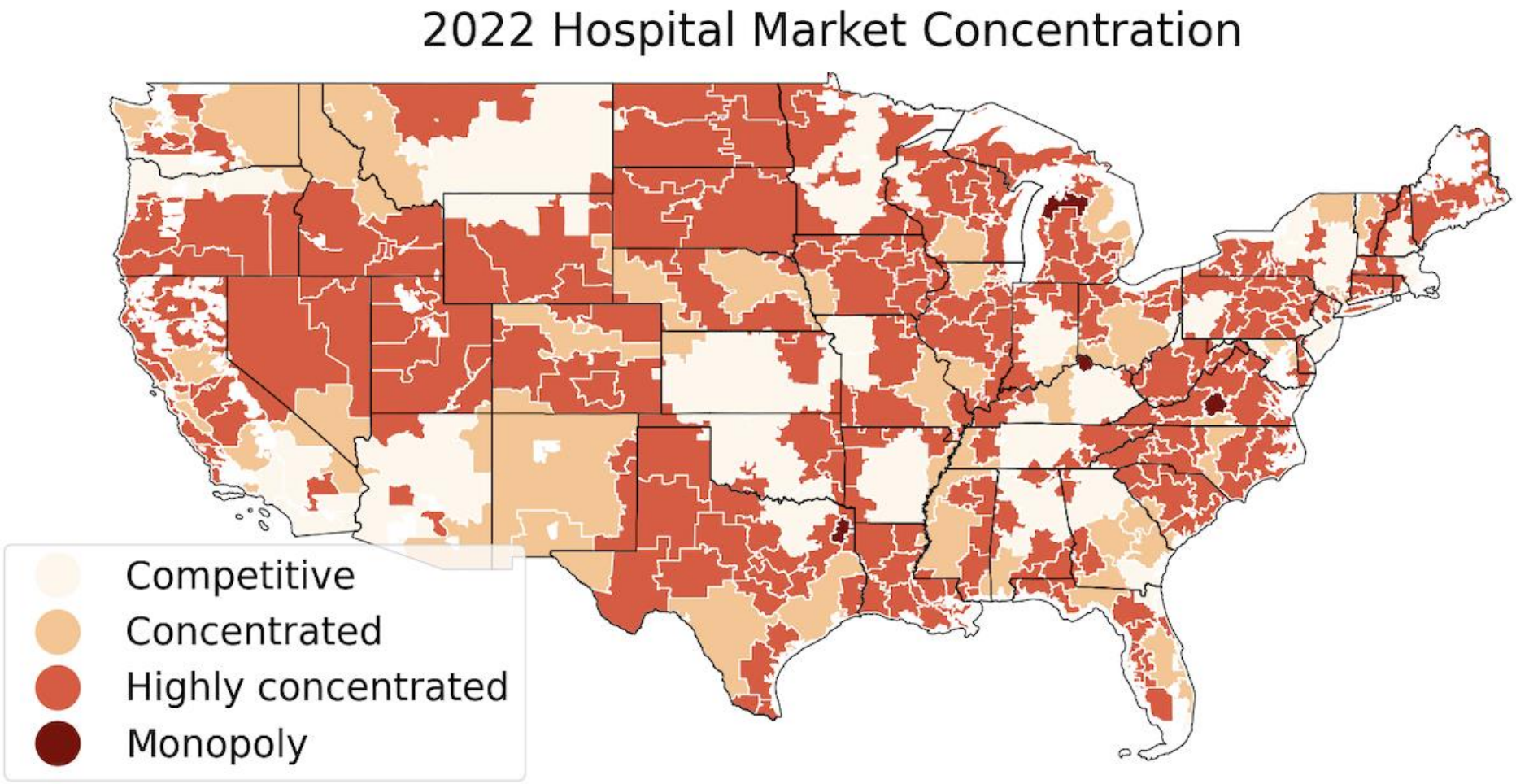


Source: Crespin and Whaley. 2022. “The Effect of Hospital Discharge Price Increases on Publicly Reported Measures of Quality.” *Health Services Research*.

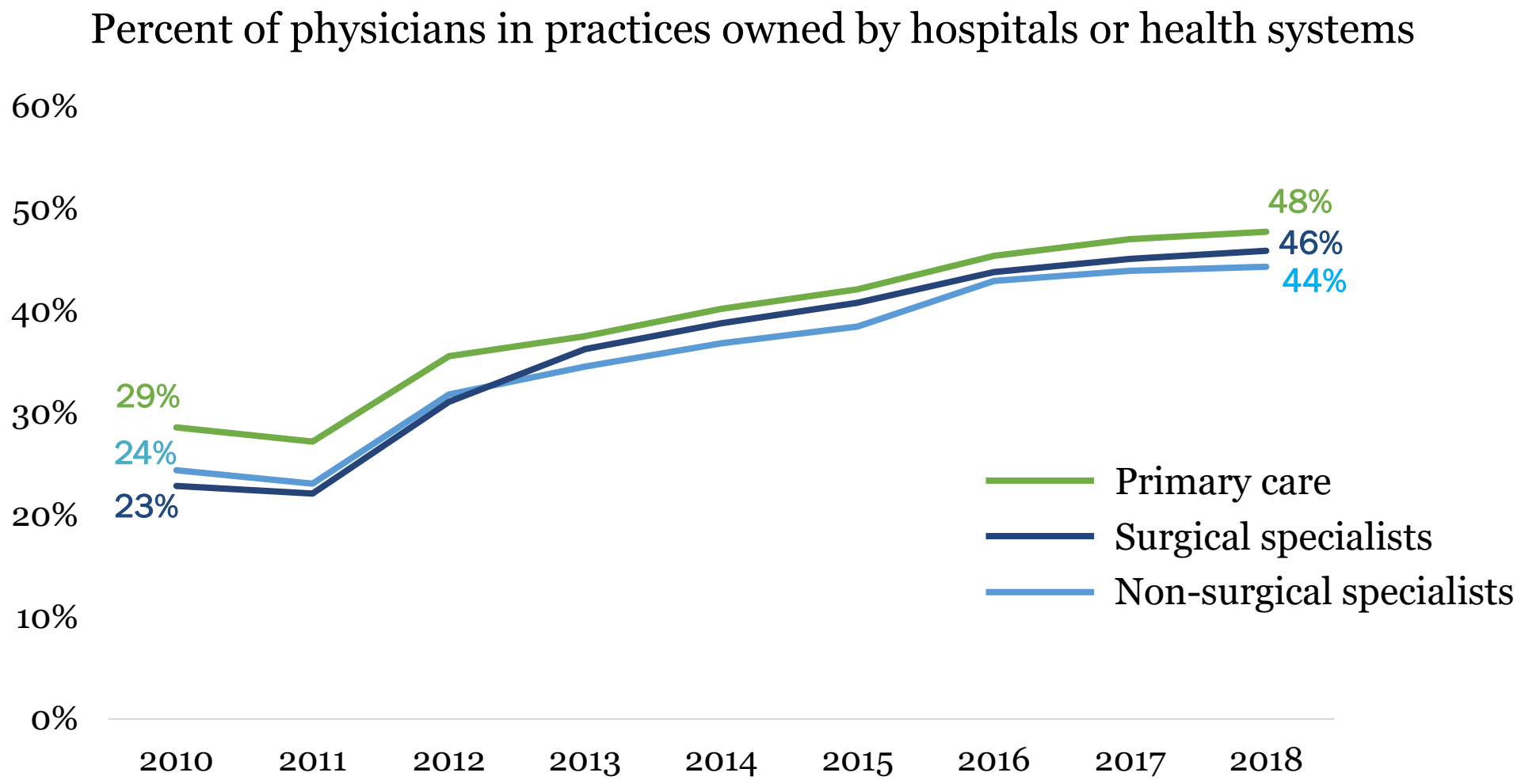
Over 2,000 hospital mergers since 2001



US hospital markets lack competition

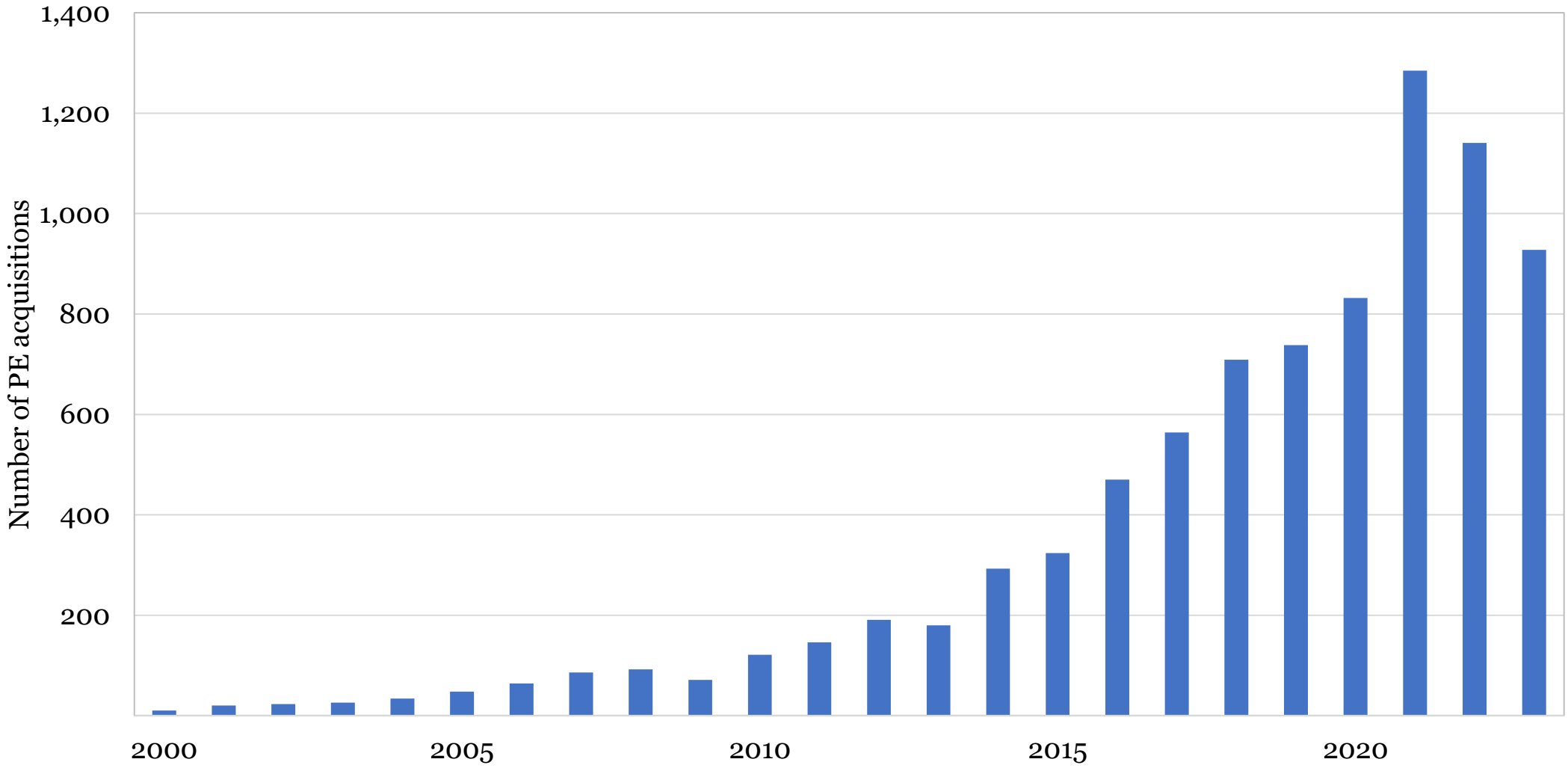


Vertical integration is the dominant consolidation trend in the United States

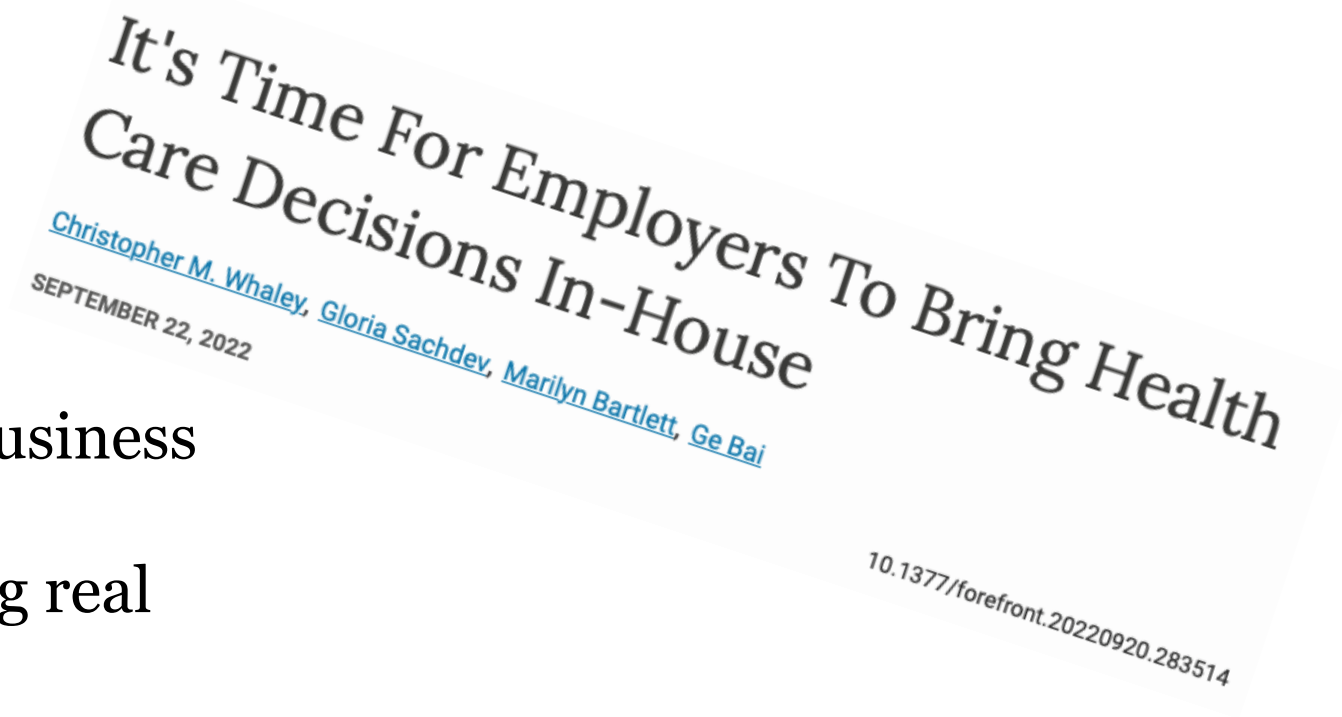


Source: Whaley, Christopher M., Daniel R. Arnold, Nate Gross, and Anupam B. Jena. 2021. "Physician Compensation In Physician-Owned And Hospital-Owned Practices." *Health Affairs*

Private Equity health care acquisitions have skyrocketed and are a new wave of consolidation



What is the road ahead for health care affordability?



- Whether they like it or not, U.S. employers are in the health care business
- Fiduciary obligations are becoming real
- Policy and regulators have been slow to act, but are finally moving
  - Oregon: ownership disclosure
  - Texas: anti-competitive contract provision bans
  - FTC actions on non-competes, consolidation, and private equity
  - Medicare site-neutral payment policies

Several purchasers have used price transparency to break the mold and innovate

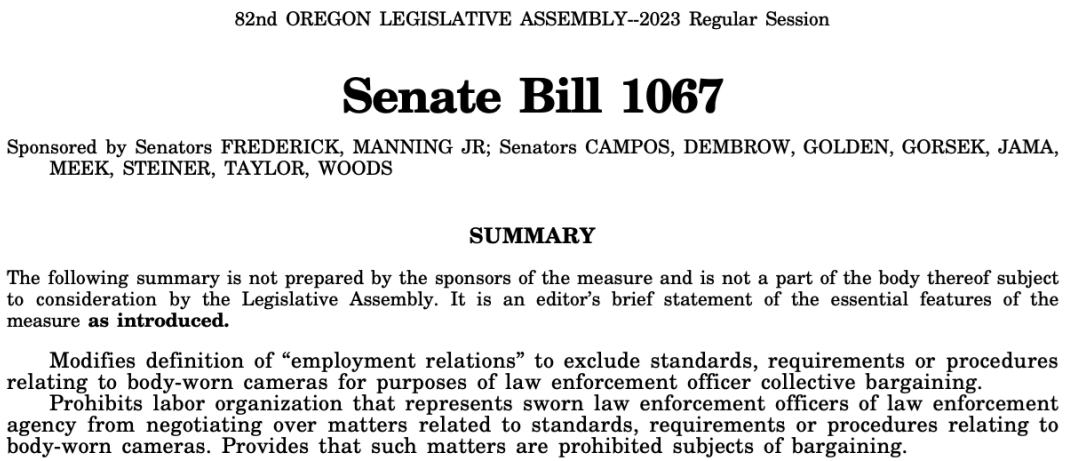
Oregon implemented hospital payment caps in 2019

Caps hospital facility prices at **200% of Medicare for in-network** services *(and 185% for out-of-network services)*

Applies only to…

- **Oregon state employee health plan**
- **24 hospitals**

Question: Does the Oregon state employee plan's hospital payment cap reduce hospital price levels?



82nd OREGON LEGISLATIVE ASSEMBLY--2023 Regular Session

Senate Bill 1067

Sponsored by Senators FREDERICK, MANNING JR; Senators CAMPOS, DEMBROW, GOLDEN, GORSEK, JAMA, MEEK, STEINER, TAYLOR, WOODS

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced.**

Modifies definition of "employment relations" to exclude standards, requirements or procedures relating to body-worn cameras for purposes of law enforcement officer collective bargaining.

Prohibits labor organization that represents sworn law enforcement officers of law enforcement agency from negotiating over matters related to standards, requirements or procedures relating to body-worn cameras. Provides that such matters are prohibited subjects of bargaining.

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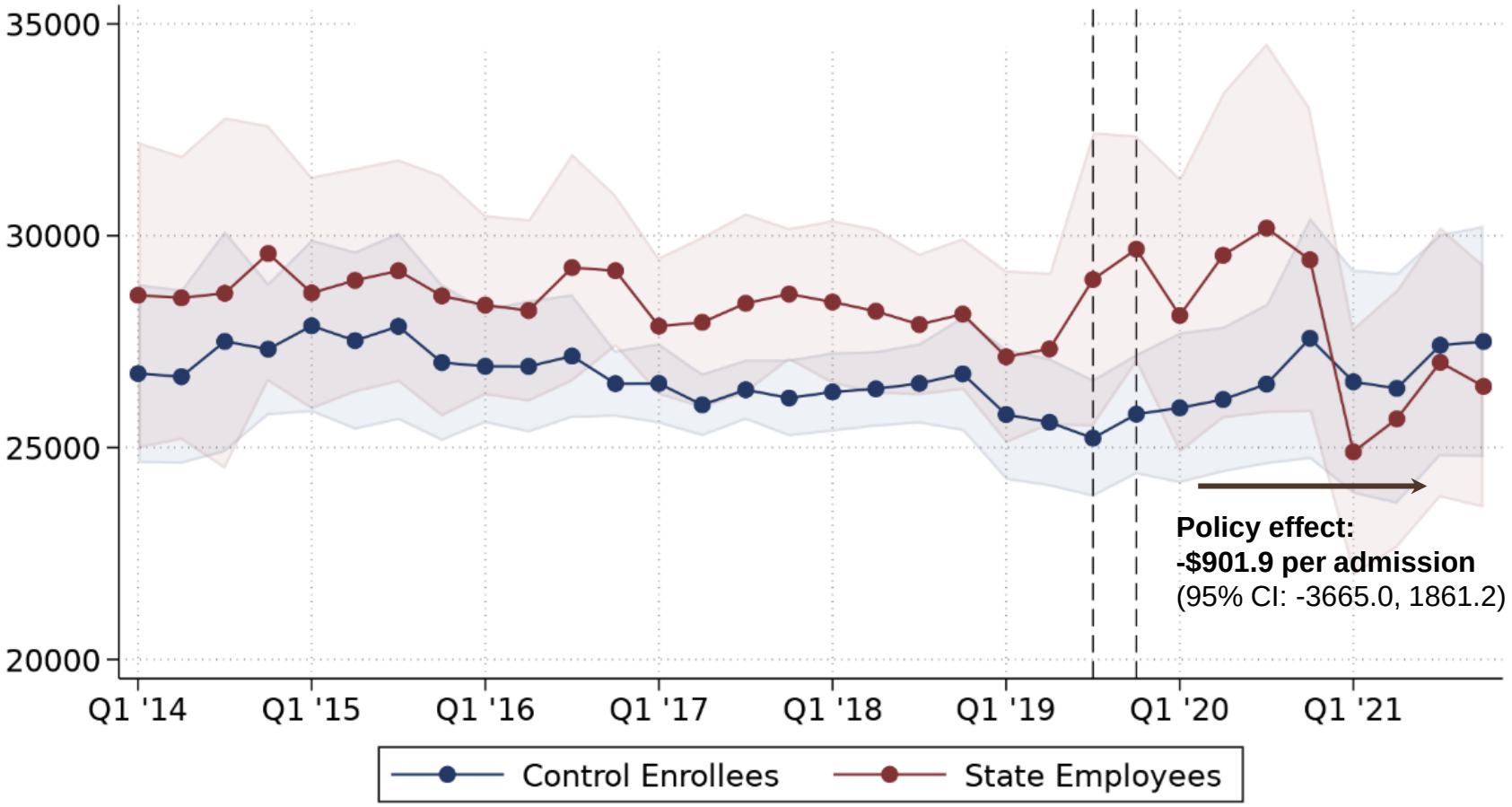
Inpatient prices **did not change** significantly over the post-period

Inpatient Facility Prices per Admission by Quarter for State Employee vs Comparison Enrollees Over the Study Period (2014-21)



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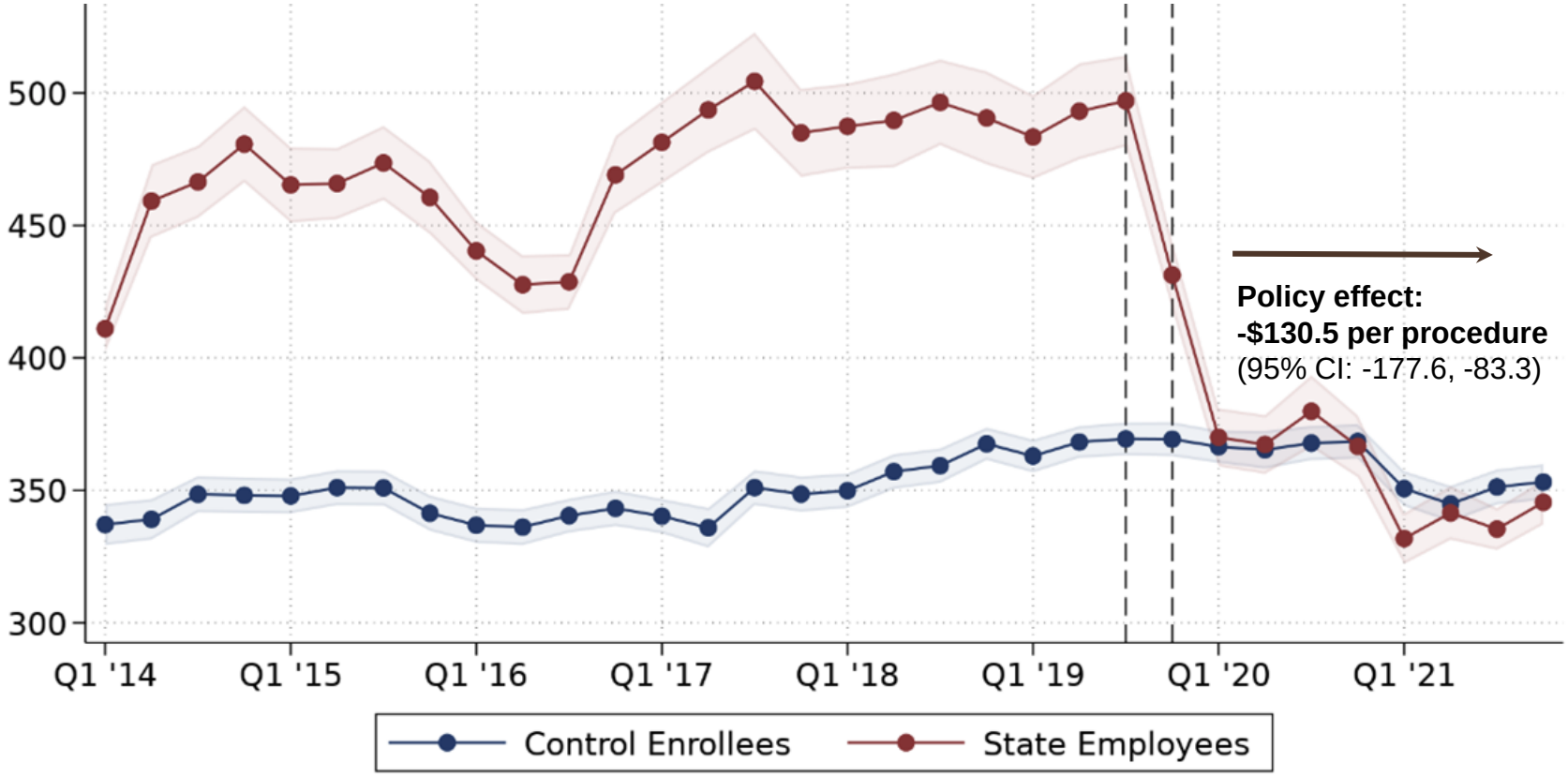
Source: Hospital Facility Prices Declined As A Result Of Oregon's Hospital Payment Cap. Roslyn C. Murray, et al. Health Affairs 2024

The program was associated with a **25.4% reduction** in outpatient prices per procedure

Outpatient Facility Prices per Procedure by Quarter for State Employee vs Comparison Enrollees Over the Study Period (2014-21)



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Source: Hospital Facility Prices Declined As A Result Of Oregon's Hospital Payment Cap. Roslyn C. Murray, et al. Health Affairs 2024

The hospital payment cap generated $107.5 million in savings for the state employee plan over 2 years

Inpatient:

Savings of $901.90 per admission with 12,785 state employee admissions in 2020-21 =

$11.5 M in savings

Outpatient:

Savings of $130.50 per procedure with 735,533 state employee procedures in 2020-21 =

$96.0 M in savings

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Source: Hospital Facility Prices Declined As A Result Of Oregon's Hospital Payment Cap. Roslyn C. Murray, et al. Health Affairs 2024

Conclusions

- Rising health care costs place tremendous pressure on employers and worker wages
- 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
- State and federal policies need to ensure employers and purchasers are on equal playing fields and health care markets are competitive

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Thank you!

Christopher Whaley
christopher_whaley@brown.edu