Academic Articles & Reports Roundup: July 2016

This month, we saw articles and reports that approached the health care cost conundrum from all angles: price transparency|how the ACA fits in|lowering costs, generally|healthcare markets and market places|and the consumer side of things. Add these to your summer reading list!

Price Transparency

We at The Source were delighted to have provided research on state legislation for HCI[3] and Catalyst for Payment Reform's *Report Card on State Price Transparency Laws – July 2016*. This was the fourth edition of the Report Card, first issued in 2013. The Report Card carefully explains its scoring system, and then assigns a grade to each of the 50 states. This year, according to the Report Card's summary, "Colorado, Maine, New Hampshire, Vermont, and Virginia again stand atop the rankings, with Colorado and Maine moving from Bs in 2015 to As this year. Joining the leading states for the first time is Oregon, whose new transparency law and consumer-facing transparency website earned the state a B this year after receiving an F last year." Clearly, most states have a long way to come, but we have seen some progress since the beginning of this effort. It was great to be a part of this project!

The ACA and the U.S. Healthcare System:

In *Obamacare's Skyrocketing Premiums? Why the Sky Isn't Falling*, Benjamin Sommers tries to allay fears about rising insurance premiums on the exchanges. He says there are three reasons not to get too worried about rising premiums at this point: (1) it's still early|(2) competition, the cornerstone

of the exchanges, will likely bring prices down|and (3) most consumers qualify for premium tax credits.

United States Health Care Reform: Progress to Date and Next Steps, was likely one of the most viral articles ever published in JAMA due to its VIP author, Barack Obama, JD. Specific findings in the article include with regard to coverage: "Since the Affordable Care Act became law, the uninsured rate has declined by 43%, from 16.0% in 2010 to 9.1% in 2015, primarily because of the law's reforms." In addition, "The law has also begun the process of transforming health care payment systems, with an estimated 30% of traditional Medicare payments now flowing through alternative payment models like bundled payments or accountable care organizations." Nonetheless, the President acknowledges, as we all do, that "major opportunities to improve the health care system remain."

Where the Money Goes: The Evolving Expenses of the U.S. Health Care System, yet another excellent report from the Commonwealth Fund, looked at healthcare expenditures between 1997 and 2012. The report finds that U.S. expenditures on hospitals, physicians' offices, and outpatient care centers rose from $0.8 trillion in 1997 to $1.4 trillion in 2012. Half of these expenditures went toward labor costs, including physicians' and nurses' salaries. Not the largest, but the most rapidly growing category of expense was goods and services, including pharmaceuticals (purchased by providers, not consumers), medical devices, and other items, as well as services like accounting and engineering. By 2012, payments for those goods and services accounted for one third of spending in health care. The report is well-worth examining in its entirety.

Lowering Healthcare Costs, Generally

Looking at the bigger picture of cost control, beyond the ACA, a few pieces look at who has key roles and what should be

done. In *Ethics of the Physician's Role in Health-Care Cost Control*, doctors implore other doctors to play a main role in lowering health care costs. *The Cost of Avoiding Change* looks at the most rapidly growing cost category the Commonwealth Fund's report identifies—goods including medical devices, in the specific area of audiology, and discusses changing purchasing patterns to lower prices.

No Pipe Dream: Achieving Care That Is Accountable for Cost, Quality, and Outcomes discusses the changes to payment models that will come with the Medicare Access and Children's Health Insurance Program Reauthorization Act, and how multiple players in the healthcare space are learning from ACOs as payment arrangements change. These developments will hopefully help control healthcare costs.

Healthcare Markets and Marketplaces:

Variable surgical outcomes after hospital consolidation: Implications for local health care delivery refutes one of the arguments in favor of consolidating healthcare systems—*i.e.*, that consolidated entities can share high-performing clinical services and infrastructure resources, such as electronic medical records, to improve quality. To the contrary, this study's results indicate that hospital consolidation does not uniformly improve postoperative complication rates. Hospitals may want to focus other arguments for merger efficiencies instead.

In a JAMA "Viewpoint," Regina E. Herzlinger, DBA, describes the benefits to opening brick and mortar stores for health insurance in a case study of Florida Blue, which opened 18 stores at a time when most insurance was being sold online, over the phone and on exchanges, in *Health Insurance Stores and Health Hubs: Innovations That Get Close to the Customer*. The author argues that Florida Blue's success as both an insurance vendor and health hub was due to the convenience and personalization in which brick and mortar businesses

specialize.

Mergers and Monopolies: An Examination of the Cyclical Effect of Anti-Competition and a Lack of Rate Regulation in Health Care, Madeline J. Bainer's piece in the Journal of Health Law &amp|Policy, uses health system and medical device case studies, respectively, to explain how decreases in competition in healthcare lead to higher healthcare costs. The article also discusses how the lack of rate regulation negatively impacts health care costs (*ergo* rate regulation is a solution to rising healthcare costs).

The Consumer Side of Things

A few articles this month took a look at things from the consumer's perspective. First, *Secret Shoppers Find Access To Providers And Network Accuracy Lacking For Those In Marketplace And Commercial Plans*, published in Health Affairs, examined the adequacy of provider networks for plans sold through insurance Marketplaces established under the Affordable Care Act, in light of recent scrutiny. The study found issues with patients' ability to access primary care providers both inside and outside insurance Marketplaces. Specifically, consumers able to schedule an appointment with an initially selected physician provider in less than 30 percent of cases. Moreover, information about provider networks was often inaccurate, and problems accessing services for patients with acute conditions were even worse.

Beyond network adequacy, another study looked more closely at consumer preferences as to cost versus provider choice. *What health plans do people prefer? The trade-off between premium and provider choice*, which looked at preferences in the Dutch population, used a discrete choice experiment to quantify trade-offs between basic health plan characteristics to analyze how preferences vary according to age, health status and income. The study found, not surprisingly, that monthly premium was the most important choice determinant for young,

healthy, and lower income respondents.

Consumer-Oriented Approaches to Cost Containment, published in JAMA Internal Medicine by Source Advisory Board Member Paul B. Ginsburg, looked at Safeway's experience with reference pricing for laboratory services. Ginsburg explains that the opportunity for the success of reference pricing scheme stems from the large variation in negotiated prices for laboratory tests. In the Safeway example, by the third year of the program, researchers found that the average amount spent per laboratory test by Safeway and its employees was 31.9% less than the amount spent by controls, such that the 3-year initiative was associated with $2.57 million less spent on laboratory testing, including $1.05 million less in patient out-of-pocket spending. Accordingly, reference pricing programs have huge potential to lower costs, so long as the participants are diligent about obtaining the pricing information necessary to maximize that potential.

See you next month!