What Academics & Policy Analysts are Saying About Healthcare Cost and Competition

In this inaugural Academic Articles and Reports Roundup, we highlight some of the most relevant academic articles and reports on healthcare cost and competition published since January 2014. Going forward, we will publish a Roundup each month to highlight the "must read" articles and reports from that month. The Academic Articles and Reports pages on the site also have links to relevant articles and reports dating back to January 2013.

- Academic Articles

In this issue of the Academic Roundup, we first highlight two health services research articles and one law review article that examine the drivers and potential solutions to increasing health care spending.

Chapin White, et al.'s April 2014 article in Health Affairs, Understanding Differences Between High- And Low-Price Hospitals: Implications For Efforts To Rein In Costs, examined data from 110 hospitals and found that the biggest differences between high cost and low cost hospitals were their size and market share. High-priced hospitals had market shares nearly three times those of low-priced hospitals. Overall, the quality of care did not seem to affect the price of care.

In their NBER Working Paper, Is This Time Different? The Slowdown in Healthcare Spending, Amitabh Chandra, Jonathan Holmes, and Jonathan Skinner identify three major causes of

the recent slowdown in healthcare spending: the rise in high-deductible health plans, state level efforts to control Medicaid costs, and a general slowdown in the diffusion of new medical technology. Further, they speculate that the slowdown is unlikely to persist.

Russell Korobkin's Michigan Law Review article, Comparative Effectiveness Research as Choice Architecture: The Behavioral Law and Economics Solution to the Health Care Cost Crisis, argues that many consumer-based approaches to medical care threaten to put patients at odds with their physicians. He argues for the use of "choice architecture" to help patients make more rational healthcare decisions through the creation of relative value health insurance. Each medical procedure would be given a relative value rating based on its costs and benefits, then patients would be able to contract with insurance companies to pay for procedures based on the relative value score of various procedures.

Two opinion articles made it into the Roundup. In the January 14, 2014 issue of the New England Journal of Medicine (NEJM), Leemore Dafny examined the ever-increasing number of hospital mergers, and argued that these post-ACA mergers could lead to increased overall health care prices, if not properly overseen by federal regulators. He argued that regulators should pay special attention to horizontal mergers in the same geographic area, and that healthcare analysts and policymakers should "give enforcers more tools for doing their jobs, and . . . develop other avenues for slowing the march toward conglomeration." On April 2, 2014, Robert Steinbrook published an opinion piece in the Journal of the American Medical Association (JAMA) regarding CMS's recent decision to consider on a case-by-case basis whether to disclose Medicare payments made to individual physicians. CMS noted the change in the balance between the public interest in the disclosure of payment information and the privacy interests of physicians as the one among many reasons for deciding to disclose the

information.

Finally, the Millbank Quarterly published Trends in Health Care Financial Burdens 2001-2009, which provides useful information on the growing burden of health care expenses on overall household income for different demographics.

- Reports

The first few months of 2014 have produced a number of interesting reports on provider market power, health care costs and price transparency. Here are some of the highlights:

In May, WestHealth Policy Center published Price Transparency in Health Care: Policy Approaches and Estimated Impacts on Spending written by Chapin White, Paul B. Ginsberg, Ha T. Tu, James D. Reschovsky, Joseph M. Smith, and Kristie Liao. The report estimates that three price transparency initiatives can save $100 billion over the next decade. The majority of savings ($61B) would come from using state all payer claims databases (APCDs) to gather and report hospital specific prices. The authors estimate that $25 billion could be saved from recording procedure prices in electronic medical records for provider usage. Finally, requiring all private insurers to offer out of pocket pricing to enrollees could save $18 billion over the next decade. The report emphasizes that employers, providers, and policymakers are significantly better targets forprice transparency initiatives than individual consumers.

The Miller Center at the University of Virginia published Cracking the Code on Health Care Costs, a report from the State Health Care Cost Containment Commission that proposes the use of state governors and legislatures to curb increases in health care costs. The Commission argues that the U.S. healthcare system is in a key time of transition, which creates an opportunity to change the way healthcare is

delivered in the U.S. from a fee-for-service system to a comprehensive, coordinated care system that holds organizations accountable for both cost control and quality. The Report touts the ability of states to act as laboratories for experimenting with different methods for reducing health care costs, and the opportunity for state governments to use their purchasing power to curb costs, their regulatory and enforcement powers to promote competition, and their connections with local stakeholders to build coalitions to determine which solutions are best suited to the health care system in that state.

Also targeting state purchasers, the Robert Wood Johnson Foundation published an issue brief prepared by Bailit Health Purchasing, Reducing Overuse and Misuse: State Strategies to Improve Quality and Cost of Health Care, which focuses on key purchasing strategies that state healthcare purchasers can use to reduce overuse and misuse of healthcare services in an effort to reduce costs and improve quality. The issue brief also examines successful efforts made in New York, Oregon, and Washington to reduce misuse and overuse. Some of the recommendations include strategic partnerships, communications improvements, incorporating evidence criteria and data collection into state policies and regulation, and holding plans and providers accountable.

In March, the American Medical Association published a report, The National Economic Impact of Physicians, to inform policymakers, legislators, and thought leaders in medicine about the economic contributions of physicians in all 50 states. The Report offers information on the percentage of physicians that work in physician-owned vs. hospital-owned practices, as well as their economic contributions in terms of output, jobs, wages and benefits, and state and local tax revenue. While the goal of this report is clearly to demonstrate all that physicians contribute substantially to the national economy, it also provides useful data on health

care revenues on a state-by-state basis.

Two new reports on price transparency were also issued: the Health Financial Management Association (HFMA) Price Transparency Task Force published Price Transparency in Health Care and Catalyst for Payment Reform (CPR) and the Health Care Incentives Improvement Institute (HCI3) updated its Report Card on State Price Transparency Laws. The HFMA report provides frameworks for establishing price transparency for different kinds of purchasers, including insured patients, uninsured or out-of-network patients, employers, and referring physicians. It discusses the importance of pairing price transparency with quality information, to avoid the common error that higher priced care signals higher quality care. Finally, the report makes thirteen policy recommendations for different purchasers, including which entities should be responsible for supplying price information in a variety of scenarios.

The CPR and HCI3 Report Card on State Price Transparency Laws follows from their 2013 Report Card, but goes beyond just state transparency laws to include price transparency regulations, websites, and all payer claims databases. One of the major issues examined was the accessibility and usability of state disseminated price transparency information and the overall functionality of state websites. The Report Card provides a clear methodology section and grading criteria, which should be helpful for states in the future. No state received an A on the 2014 report card. Maine and Massachusetts received Bs, and Colorado, Vermont and Virginia received Cs. All other states received an F. The Report Card offers many suggestions for states to improve their overall grades.

Finally in April 2014, the California Health Care Foundation and the Robert Wood Johnson Foundation issued a report, Moving Markets: Lessons from New Hampshire's Price Transparency Experiment. The report examines the implications from New Hampshire's HealthCost initiative that collects and

disseminates provider and insurer specific median payment amounts for each procedure. This differs substantially from other state price transparency initiatives that report only chargemaster charges that do not reflect what insured patients pay. This report follows up on a 2009 analysis by the Center for Studying Health Systems Change, which found no evidence that provider leverage or provider price variation was changed two years after HealthCost began. While the recent analysis found that HealthCost had done little to change consumer purchasing behavior, there was belief among stakeholders that HealthCost had served an important goal of identifying large gaps in provider pricing.

That’s it for this first edition of the Academic Articles and Reports Roundup! See us next month for the latest and greatest. If you have articles or reports that you think we should feature, don’t be shy in sending them to us.