

November Articles & Reports Roundup

We hope you all had a wonderful Thanksgiving! As you climb back in to the saddle after the long weekend, we'll make sure you didn't miss anything in the Turkey Day excitement. In this issue, we are first going to examine the big picture in American healthcare, then two reports and an article that address issues related to cost from the consumer perspective, and then we will examine a variety of articles related to competition.

The Big Picture

The November 26th issue of JAMA has articles by some of the biggest names in health economics and policy – Don Berwick, Victor Fuchs, Elliot Fisher, etc. – discussing different tools we can use in our fight to rebuild American healthcare to provide the services we need at a price we can afford. If you've only got a minute, Don Berwick's editorial piece – [*Reshaping U.S. Healthcare: From Competition and Confiscation to Cooperation and Mobilization*](#) provides a nice overview and analysis of the other three articles. If you've got more time, Victor Fuchs' viewpoint piece, [*Critiquing US Healthcare*](#), points out that there is no association between spending on healthcare and life expectancy in developed nations, and that life expectancy should not be used as a comparison among national healthcare systems. Instead, we should establish priorities beyond life expectancy, like quality of life, and compare on those factors. In [*Accountable Health Communities: Getting From There to Here*](#), Elliot Fisher and Janet Corrigan discuss the Choosing Wisely Campaign to encourage physicians to make better choices that lead to improved patient outcomes and lower costs. Specifically, Fisher and Corrigan discuss the challenges facing accountable health communities, including

local government and sustainable finance. Sachin Jain, Chrisine Cassel and Brian Powers published [Ending the Cycle of Blame in US Health Care](#), which takes a closer look at the role played by a wide variety of actors and the interplay of these actors in driving up the cost of care. The article explores how certain narratives have been used to assign blame to particular stakeholders, while what is really needed is collaboration to develop multi-stakeholder solutions. Each of these articles is pretty short, but gives an interesting perspective on where we should (and should not) be looking to improve the current state of the US healthcare system.

The Impact of Cost on Consumer Choice

On consumer choice, the GAO issued a report in late October titled [Healthcare Transparency: Actions Needed to Improve Cost and Quality Information for Consumers](#), that did not make it into last month's roundup, but we wanted to highlight here. The GAO acknowledges the existence of substantial price variation among providers in certain geographic regions that does not relate to quality, and then discusses the importance of price transparency tools to assist consumers in making health care decisions in these kinds of environments. The GAO stressed the importance of tools that provide personalized information for each consumer on out-of-pocket costs and that present the information in an easy to understand manner. Further, GAO noted that CMS has paid substantial attention to provider concerns in its presentation of cost and quality information, but has not addressed consumer concerns as significantly. GAO made 4 recommendations: 1) include out-of-pocket costs in CMS Compare websites for common treatments that can be planned in advance|2) organize CMS Compare websites so that higher quality providers are easily identified|3) design CMS Compare websites to allow consumers to customize information presentation to their needs|and 4) CMS should develop performance metrics to ensure that

transparency tools meet consumer needs.

Two pieces focused on the impact of cost (amongst other factors) on consumer choice of health care. The Journal of Patient Safety published [*The Effects of Hospital Safety Scores, Total Price, Out-of Pocket Cost, and Household Income on Consumer's Self-Reported Choice of Hospitals*](#) by Christopher Duke, Brad Smith, Wendy Lynch, and Michael Slover. The article outlines an interesting study that examined the interrelationship between hospital cost and safety information in consumer decision-making. By examining 30 different hypothetical variations on out-of-pocket cost and safety ratings, the authors found that consumers chose the safer hospital 97% of the time, even when it was more expensive.

Deloitte also issued [*Dig Deep: Impacts and Implications of Rising Out-of-Pocket Health Care Costs*](#) on the impact that rising out-of-pocket costs are having on consumer choices. Further, Deloitte examines certain expenditures not covered by government healthcare spending estimates (such as nutritional supplements and homes for the elderly), which demonstrate that consumer spending on health is substantially greater than currently thought. The effects of the dramatic rise in out-of-pocket costs have trickled down to hospitals, physicians, and life sciences companies. Patients are more likely to forego care and wait until conditions progress to seek treatment. Deloitte's analysts offer advice for hospitals and life sciences companies to address the growing burden on health care consumers, i.e. how to best make sure they are compensated for their services.

Competition and the Future of Health Care

Now for a shift from out-of-pocket costs for healthcare consumers to competition between healthcare providers. For those of you who follow hospital competition, you know that

the Partners deal in Massachusetts is one of the biggest deals of the last five years. Not just because of the significant hold Partners already had on the Boston healthcare market, but also because of the consent decree Partners agreed to with the Massachusetts Attorney General, Martha Coakley.[\[1\]](#) This month, Barak Richman and Kevin Shulman, from Duke University, published [*The Partners HealthCare Settlement and the Future of Health Care Organizations*](#), an interesting analysis of the consent decree and its impact on the future of health care organizations in The Economists' Voice. They critique the settlement agreement as locking in place a hospital-based form of delivery, which seems likely to perpetuate many of the existing problems in current health care markets.

For those of you wanting the newest of the new, Harvard PhD Candidate Mark Shepard authored [*Hospital Network Competition and Adverse Selection: Evidence from the Massachusetts Health Insurance Exchange*](#) as his job market paper. This not-yet-published manuscript provides evidence of adverse selection against health plans covering the most prestigious and expensive academic hospitals (i.e. Partners' Mass General and Brigham and Womens). Shepard argues that the adverse selection by consumers against plans that cover these hospitals is so great that plans are discouraged from including them in their networks to the potential detriment of patients. He explains that even with sophisticated risk adjustment techniques plans do not account for this kind of adverse selection because risk adjustment addresses medical concerns, but not patients' provider preferences. Shepard argues that this kind of patient provider preference adverse selection will cause plans to try to exclude "star" providers, which in turn could result in the "star" provider dropping its prices or, in the case of a very dominant provider, merging with an insurer, as Partners did with NHP. Shepard points out that the key public policy question is what the higher prices at "star" providers fund. If it is simply price inflation, cut away. But if it is socially valuable services, the drive to cut prices might need

to be reexamined.

So that's it for November, look for the Roundup again in the New Year. Also, if you know of articles that you'd like to see us post on the Source, please feel free to send them to us!

Happy Holidays!

[\[1\] For an overview of the case, see The Source's Blog Post – *In the World of Healthcare Mergers: All Eyes Should be on Massachusetts.*](#)