The Source Roundup: September 2019 Edition

By: Hayden Soria, Student Fellow

Hello September! As we see cooler days slowly roll in, there are still many sizzling topics in this month's health policy literature. In this Roundup, we take a dive into article and reports that discuss 1) the prevalence of surprise billing, 2) the effects of California's AB 72 on provider networks, 3) increasing hospital prices, 4) hospital quality ratings, 4) increasing insurance premiums and out-of-pocket costs, and 5) health plan profitability.

Surprise Billing and Provider Networks

Eric C. Sun, Michelle Mello, and Jasmin Moshfegh explore the current trends of surprise billing in a study titled Assessment of Out-of-Network Billing for Privately Insured Patients Receiving Care in In-Network Hospitals. The authors analyze inpatient and emergency department admissions for privately insured patients at in-network hospitals from 2010 through 2016. Their findings show that surprise billing is becoming more common, as four in ten privately insured patients received surprise bills after their visit. Patients experience surprise bills even at in-network hospitals because they get treated by out of network doctors. The authors call for legislative reform ideas to address this issue. Since a majority of out-of-network bills originate from services involving medical transport and emergency medicine, patients have little choice on the providers they use. As a result, Sun et al. suggest that the most effective policies would limit the ability of physicians and

medical transport services to bill patients by shifting those costs to insurers.

As the public and lawmakers call for additional surprise billing legislation, questions as to the effects of such policy also come into the spotlight. In Can We Stop Surprise Medical Bills and Strengthen Provider Networks? California Did published by The American Journal of Managed Care, Jeanette Thornton of America's Health Insurance Plans (AHIP) reports findings of a study that examined the effects of California's surprise billing bill AB 72. Critics of AB 72, which passed in 2016 and limits out-of-network billing, raised concerns that the law would result in loss of specialty physicians within insurance networks. However, Thornton points out that health insurance providers are required by law to meet certain network adequacy standards which would prevent such scenarios. The study analyzed the total number of in-network providers over a two-year span and found that criticism regarding the bill is misplaced, because insurance networks saw the number of specialty physicians either stay at their current level or even increase. Thornton believes that AB 72 illustrates that there is room for increased patient protection at little to no risk to provider networks, and encourages similar policies at the federal level.

Also in the American Journal of Managed Care, Erin L. Duffy takes a look at AB 72 from a different perspective in a piece titled Influence of Out-of-Network Payment Standards on Insurer-Provider Bargaining: California's Experience, Duffy analyzes the law's effects on the payer-provider bargaining landscape. Her work explains how the law changed the negotiation dynamic between hospital-based physicians and payers. She found that payers now have greater negotiation leverage and an incentive to selectively terminate existing contracts with higher than average rates. This in turn affects network breadth while at the same time decreases the average reimbursement rate. While

patients are being protected from surprise medical bills, physicians are now bearing the brunt of the cost with a change in power dynamic in negotiating reimbursement rates. As a result of this, physicians consolidated to regain leverage.

Provider Prices and Quality

Continuing the discussion of providers, Karl Y. Bilimoria et al. take a look at quality ratings of hospitals in the NEJM Catalyst article Rating the Raters: An Evaluation of Publicly Reported Hospital Quality Rating Systems. The authors explore the inconsistent nature of hospital rating as a result of multiple rating systems. As each rating system has their own set of unique criteria and performance indicators, users have to be very cautious as to which rating system they opt to use. The article notes contradictions between rating systems and provides users with the pros and cons of the most commonly used hospital rating systems. Additionally, the authors suggest that quality rating systems should move toward a general uniform standard to provide meaningful quality measurement for patients.

Turning to hospital prices, a report by UnitedHealth Group titled Confronting the High Cost of Hospital Prices examines the cost of inpatient hospital services. The study found that annual spending on inpatient hospital services have surpassed $200 billion in 2018, and the key driver is increasing hospital prices. The study found that between 2013 and 2017, hospital prices increased 19%, physician prices increased 10%, while utilization decreased by 5%. Accordingly, the report attributes rising prices mainly to rapidly increasing hospital prices (fees charged by hospital facilities), which are increasing faster (4.5% per year) than physician prices (2.5% per year). In response, the report suggests that hospitals price increase

should match the rate at which physicians increase their prices. By reducing the growth of hospital prices to the same level as physician price increases, hospital inpatient spending would be significantly reduced.

In connection with hospital prices, a study done by Colorado's Center for Improving Value in Healthcare zeros in on Emergency Department (ED) facility prices. The study analyzes facility fee payment information from 2018 using the Colorado All-Payer Claims Database (APCD). For each emergency visit, a facility fee is charged based on the patient's severity level. The study found that the price of facility fees varied greatly among hospitals. For example, for the highest severity level, the facility fee ranged from an average of $1,990 to $4,700, with the highest payment being $48,000. As seen from this report, the Colorado APCD acts as a transparency tool for stakeholders in the healthcare industry to analyze facility fees and provides a useful comparison to other states to ultimately drive down costs.

Health Insurance Costs and Plan Performance:

Turning the focus to insurance costs, Matthew Rae, Rebecca Copeland, and Cynthia Cox highlight the increase in insurance premiums in the Kaiser Family Foundation brief Tracking the rise in premium contributions and cost-sharing for families with large employer coverage. The article looks at trends in employer-sponsored insurance premiums and cost-sharing. One of the staggering trends discovered is the cost of insurance premium for a family of four have increased by 67% from 2008 to 2018, outpacing the increase in worker's wages as well as inflation. The authors explain that high deducibles are a cause of such out-of-pocket increases. The study further explains the

trickle-down effects on employee wages from such increase, as the more employers pay on insurance premiums, the less they can pay for the compensation of employees.

In another Kaiser Family Foundation brief, Financial Performance of Medicare Advantage, Individual, and Group Health Insurance Markets, Gretchen Jacobson et al. take a look at the operations of different insurers in terms of gross margins. Gross margin is the difference between insurance premiums collected and medical expenses. The study found that Medicare Advantage's gross margin was double that of individual and group market plans. The authors attribute this difference to increases in the size and number of Medicare Advantage plans receiving bonus payments for high quality ratings. The study provides that while gross margins are not a pure indicator of health insurance financial performance, they do provide clues as to how much profits insurers retain after paying for an enrollee covered benefits.

That's it for this month's Roundup. As always, if you find articles or reports that you think should be included in the monthly Roundup, please send them our way. Happy reading!