

Payers and Patients: Searching for Value

National Health Policy Forum
July 12, 2013

David Lansky, PhD
President and CEO



PBGH Members

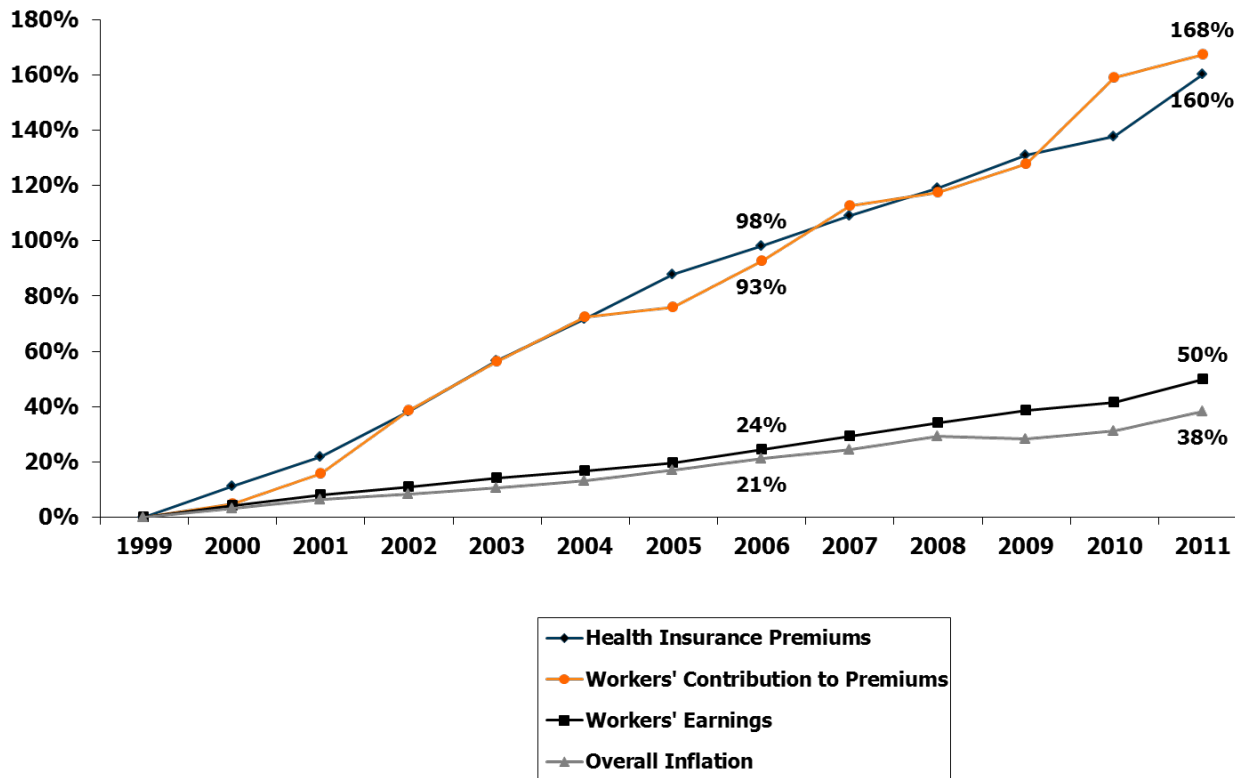


Apple
Facebook
Google
Hewlett Packard
Microsoft
Oracle
....



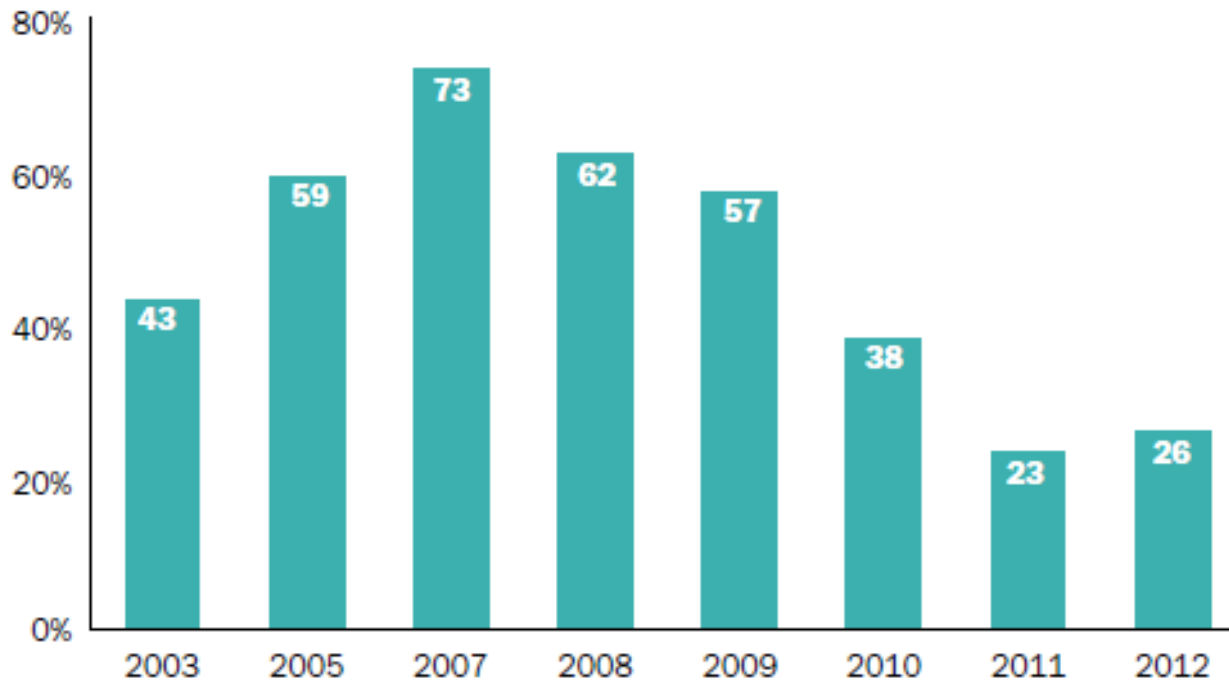
Rising health care costs

- Eat away at wage growth
- Threaten profitability
- Make employers think about getting out of the job of managing health benefits



Employers considering “exit”

Figure 8. Employers' confidence that health care benefits will be offered at their organization a decade from now remains low



Note: Indicates responses of “very confident”

Source:

18th Annual Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care (2013)

Are purchasers on a sustainable path?

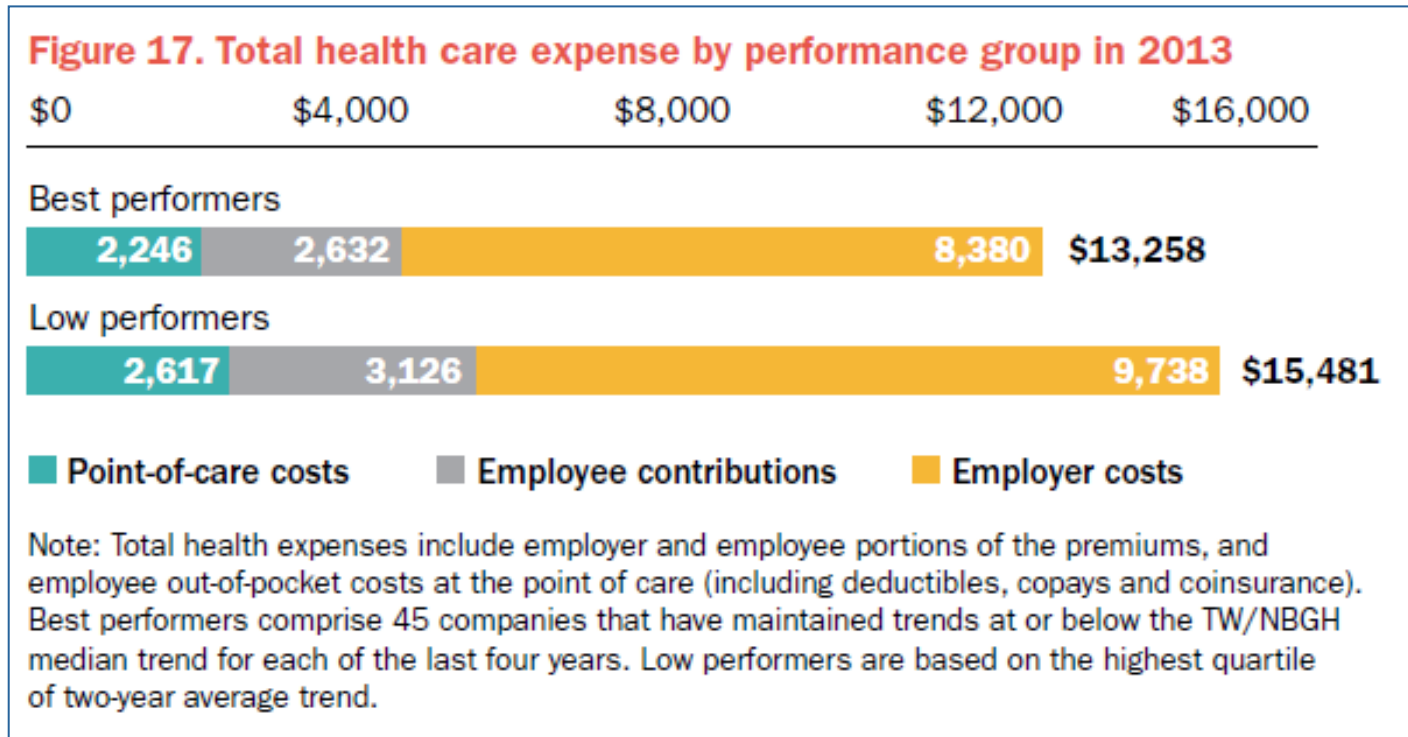
For large employers, what would “sustainable” look like?

- CPI + 0 premium trend – same for total cost of care?
- Durable reduction in cost-shift (price transparency)
- Ability to continue offering competitive benefits with reasonable consumer incentives
- Confidence in health outcomes
- Confidence in reliable health care system (small variation)
- Competitive marketplace that rewards innovation:
 - New models of care that move away from clinic bricks-and-mortar
 - Practitioners practice at the “top of their license”
 - Competition by ability to improve health
 - Expectation of continuous improvements in outcomes and resource use/efficiency

Leveraging the ‘market’

- If our goal is to have affordable costs and reliable, continuously improving quality . . . previous strategies have failed.
- *Value purchasing* uses purchasers’ clout in the marketplace to drive the health system towards affordability and quality improvement.

Savings by “Best Performing” Employers



Source:

18th Annual Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care (2013)

Strategies of “Best Performing” Employers

Figure 25. New provider strategies are favored by best performers

	Best performers		Low performers	
	2013	2014*	2013	2014*
Increase or decrease vendor payments based on specific performance targets	36%	44%	20%	30%
Differentiate cost sharing for use of high-performance networks	13%	31%	12%	25%
Use value-based benefit designs (e.g., different levels of coverage based on value or cost of services)	11%	33%	12%	32%
Offer incentives (or penalties) to providers to improve quality, efficiency and health outcomes of plan participants (i.e., performance-based payments)	22%	47%	5%	28%
Engage a third party to secure improved pricing for medical services	18%	24%	19%	30%
Offer incentives (or penalties) to providers for coordinating care and using emerging technologies or evidence-based treatments	16%	38%	4%	21%
Adopt new payment methodologies that hold providers accountable for cost of episode of care, replacing fee for service	16%	38%	2%	13%
Use reference-based pricing in medical plan (e.g., limited level of coverage for a procedure)	9%	27%	5%	21%
Contract directly with physicians, hospitals and/or ACOs	13%	31%	7%	13%

*Includes companies indicating “planned for 2014”

Source:

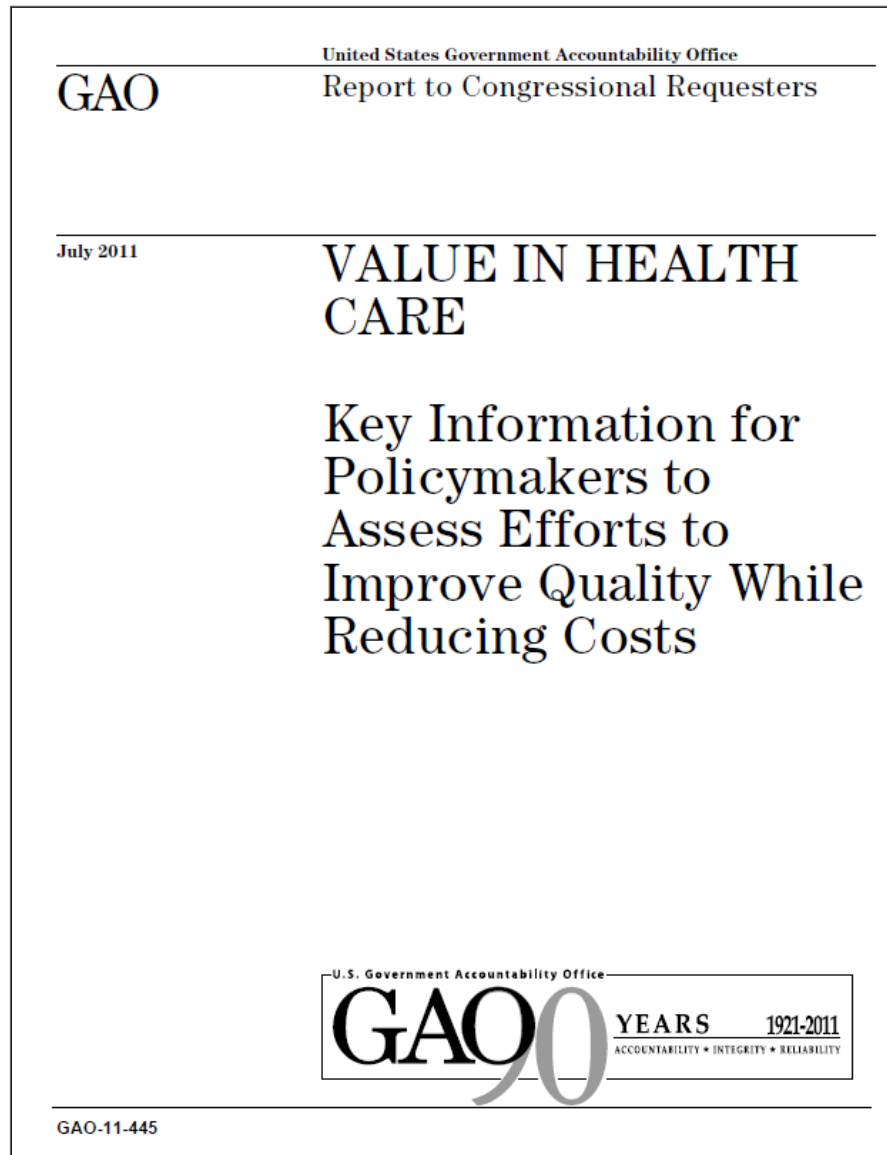
18th Annual Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care (2013)

The quest for “value”

$$\text{Value} = \frac{\text{Quality}}{\text{Cost}}$$

The quest for “value”

Value =



Value =



July 2011

GAO-11-445

The denominator: cost



The denominator: cost

MARCH 4, 2013






SPECIAL REPORT

PAYING TILL IT HURTS | A Case Study in High Costs

The \$2.7 Trillion Medical Bill

Colonoscopies Explain Why U.S. Leads the World in Health Expenditures

By ELISABETH ROSENTHAL | Published: June 1, 2013

				
Angiogram	Colonoscopy	Hip replacement	Lipitor	M.R.I. scan
AVG. U.S. PRICE	AVG. U.S. PRICE	AVG. U.S. PRICE	AVG. U.S. PRICE	AVG. U.S. PRICE
\$914	\$1,185	\$40,364	\$124	\$1,121
CANADA	SWITZERLAND	SPAIN	NEW ZEALAND	NETHERLANDS
\$35	\$655	\$7,731	\$6	\$319

Source: 2012 Comparative Price Report by the International Federation of Health Plans. The average prices sedation by an anesthesiologist, a practice common in the United States, but unusual in the rest of the world.

MORE IN HEALTH (1 OF 38 ARTICLES)

[Paying Till It Hurts: American Way of Birth, Costliest in the World](#)
Read More »

FACEBOOK
TWITTER
GOOGLE
E-MAIL
PRINT

MERRICK, N.Y. — Deirdre Yopalater's recent [colonoscopy](#) at a surgical center near her home here on Long Island went smoothly: she was whisked from pre-op to an operating room where a gastroenterologist, assisted by an anesthesiologist and a nurse, performed the routine [cancer](#) screening procedure in less than an hour. The test, which found nothing worrisome, racked up what is likely her most expensive medical bill of the year: \$6,385.

That is fairly typical: in Keene, N.H., Matt Meyer's colonoscopy was billed at \$7,563.56. Maggie Christ of Chappaqua, N.Y., received \$9,142.84 in bills for the procedure. In Durham, N.C., the charges for Curtiss Devereux came to \$19,438, which included a polyp removal. While their insurers negotiated down the price, the final tab for each test was more than \$3,500.

www.nytimes.com

The denominator: cost

Angiogram

AVG. U.S. PRICE

\$914

CANADA

\$35

Colonoscopy

AVG. U.S. PRICE

\$1,000

CANADA

\$100

Hip replacement

AVG. U.S. PRICE

\$15,000

CANADA

\$1,500

Lipitor

AVG. U.S. PRICE

\$1,000

CANADA

\$100

M.R.I. scan

AVG. U.S. PRICE

\$1,000

CANADA

\$100

Source: 2012 Comparative Price Report by the Intersession by an anesthesiologist, a practice common

FACEBOOK MERRICK, N.Y. — I surgical center near I pre-op to an operati and a nurse, perform test, which found no bill of the year: \$6,38

That is fairly typical: Maggie Christ of Cha Durham, N.C., the c removal. While their more than \$3,500.

DOWNLOAD THE HILL'S NEW REPLIC IPAD APP sponsored by

THE HILL

Home/News Campaign Business & Lobbying Opinion Capital Living Jobs Video In The Know

BLOGS Briefing Room | RegWatch | Hillicon Valley | E2-Wire | Floor Action | On The Money | Healthwatch | Transportation | DEFCON Hill | Global Affairs

Healthwatch

THE HILL'S Healthcare Blog

Wide differences found in what hospitals charge patients for same procedures

By Elise Viebeck · 05/08/13 09:30 AM ET

Tweet 32

Like 40

Send 2

The federal government released stunning figures Wednesday showing dramatic variations in what hospitals charge Medicare for routine procedures.

The Medicare agency **reported** that medical claims for the same procedure can differ by tens of thousands of dollars, even within the same city — a situation healthcare experts have long lamented.

Health and Human Services (HHS) Secretary Kathleen Sebelius said the new data will help fill a major "gap" in patients' knowledge. Wednesday's report is part of a larger federal initiative to encourage healthcare price transparency.

"Currently, consumers don't know what a hospital is charging them or their insurance company for a given procedure, like a knee replacement, or how much of a price difference there is at different hospitals, even within the same city," Sebelius said in a statement.

HHS announced Wednesday that it will give \$87 million to states to encourage

COMMENT

E-MAIL

PRINT

SHARE

RELATED VIDEOS



Six 2012 House losers to watch in 2014

©PBGH 2013

 **PBGH**
PACIFIC BUSINESS
GROUP ON HEALTH

14

The denominator: cost

SPECIAL REPORT MARCH 4, 2013

PAYING TILL IT HURTS | A Case Study in High Costs

The \$2.7 Trillion Medical Bill

Colonoscopies Explain Why U.S. Leads the World in Health Expenditures

By ELISABETH ROSENTHAL | Published: June 1, 2013

Procedure	AVG. U.S. PRICE	CANADA
Angiogram	\$914	\$35
Colonoscopy	\$1,000	\$100
Hip replacement	\$15,000	\$10,000
Lung cancer	\$100,000	\$50,000
M.R.I. scan	\$1,000	\$100

Source: 2012 Comparative Price Report by the International Society of Anesthesiologists, a practice common in the U.S.

Facebook MERRICK, N.Y. — In a surgical center near Merrick, N.Y., a pre-op to an operation and a nurse, performed a test, which found no bill of the year: \$6,380.

That is fairly typical: Maggie Christ of Charlotte, N.C., the removal. While their more than \$3,500.

Download THE HILL'S NEW REPLICATOR IPAD APP sponsored by THE HILL

THE HILL'S Healthcare Blog

Wide differences found in what hospitals charge patients for same procedures

By Elise Viebeck - 05/08/13 09:30 AM ET

Tweet 32 **Like** 40 **Send** 2

The federal government released stunning figures Wednesday showing dramatic variations in what hospitals charge Medicare for routine procedures.

The Medicare agency **reported** that medical claims for the same procedure can differ by tens of thousands of dollars, even within the same city — a situation healthcare experts have long lamented.

Health and Human Services (HHS) Secretary Kathleen Sebelius said the new data will help fill a major "gap" in patients' knowledge. Wednesday's report part of a larger federal initiative to encourage healthcare price transparency.

"Currently, consumers don't know what a hospital is charging them or their insurance company for a given procedure, like a knee replacement, or how much of a price difference there is at different hospitals, even within the same city," Sebelius said in a statement.

HHS announced Wednesday that it will give \$87 million to states to encourage

Enter Email **GO**

Home
Senate
House
Administration
Campaign
Polls
Business & Lobbying
Sunday Talk Shows
BLOGS
Briefing Room
RegWatch
Hillicon Valley
E2-Wire
Floor Action
On The Money
Healthwatch
Transportation
DEFCON Hill
Global Affairs
Congress
Ballot Box
In The Know
Pundits
Twitter Room

It's The Prices, Stupid: Why The United States Is So Different From Other Countries

Higher health spending but lower use of health services adds up to much higher prices in the United States than in any other OECD country.

by Gerard F. Anderson, Uwe E. Reinhardt, Peter S. Hussey, and Varduhi Petrosyan

PROLOGUE: In Fall 1986 *Health Affairs* published the first of nearly two decades' worth of reports summarizing the state of health care spending in industrialized countries that are members of the Organization for Economic Cooperation and Development (OECD). In that first report, featuring 1984 data, the United States led the way in per capita health care spending at \$1,637, nearly double the OECD mean of \$871 (in purchasing power parities based on the U.S. dollar). In the latest offering, featuring data from 2000, the situation is much the same, although the absolute numbers are much higher (U.S. per capita spending of \$4,631, compared with an OECD median of \$1,983).

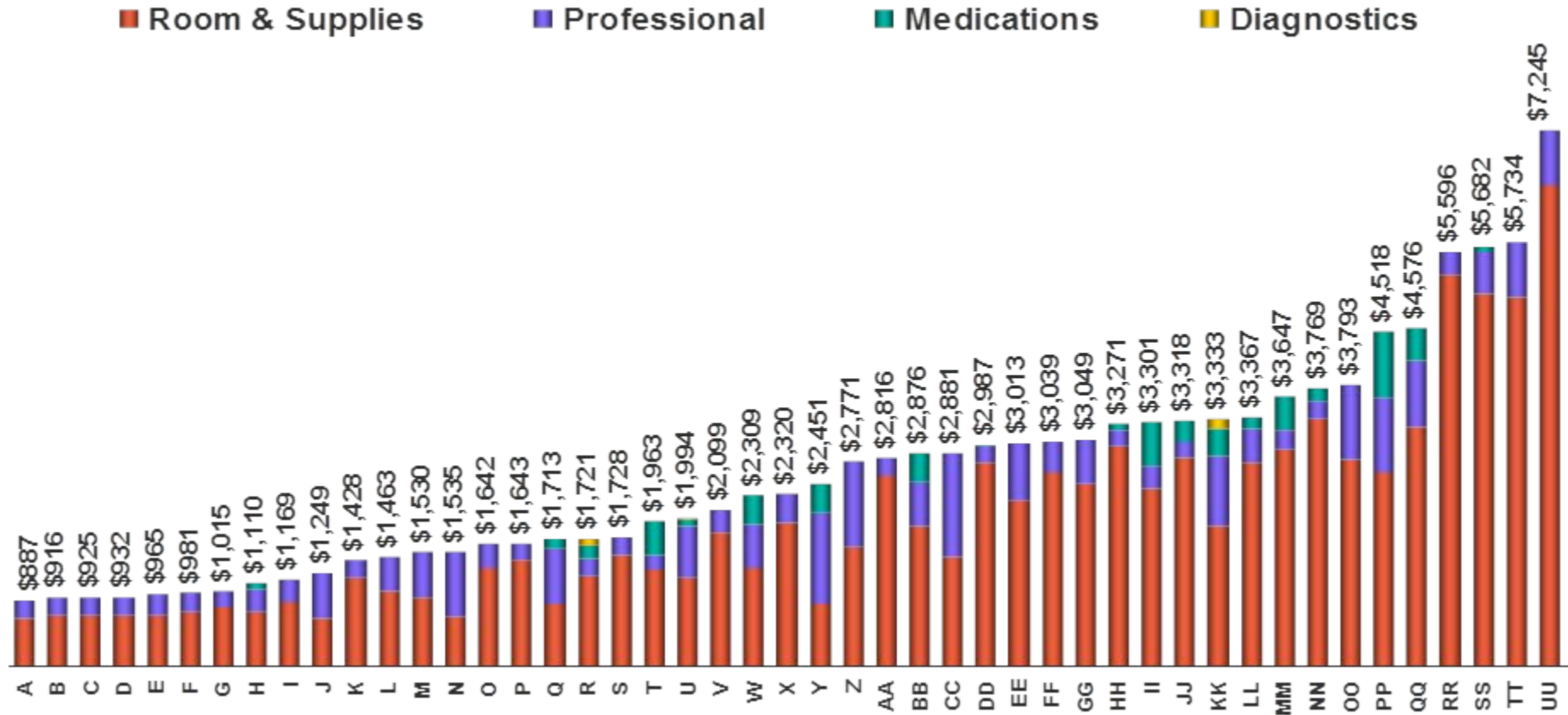
Over the years the OECD has refined its methodology to improve the comparability of data from vastly different health care systems. The analysis published in *Health Affairs* has greatly expanded from those early reports to examine underlying trends in spending differentials and to examine what the different countries get for their health care dollar in terms of population health indicators. In the current report, the authors look in depth at factors contributing to higher health care prices in the United States, which they contend are responsible for much of the difference between the U.S. spending levels and those of the other countries.

Lead author Gerard Anderson has been on the faculty of the Johns Hopkins University since 1983. He is a professor in the Department of Health Policy and

Six 2012 House losers to watch in 2014

Safeway: applying the concept to lower cost services

Colonoscopy Cost Per Procedure – Greater SF Bay Area MSA



CalPERS: applying the concept to hip/knee replacements

- Price varies from \$15,000 to \$110,000 (commercial PPO population)
- Anthem Blue Cross and CalPERS established a threshold of \$30,000 – reference price – for a standard inpatient hip/knee replacement procedure
- Increased volume of procedures at low-cost hospitals by ~19%
- Amount paid per surgery ~26% lower in program
- Non-participating hospitals lowered price by 38%

Source: JC Robinson, K MacPherson; *Health Affairs*, 31, no.9 (2012):2028-2036



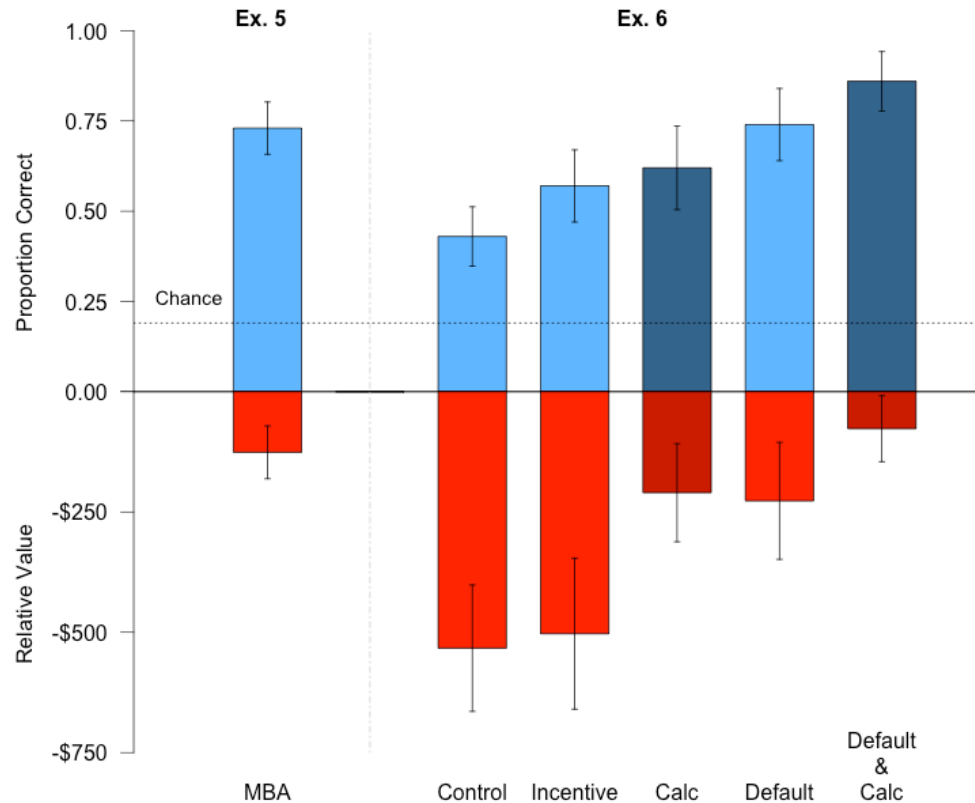
Report Card on State Price Transparency Laws – March 2013

State	Level of Transparency	Scope of Providers			Scope of Price			Scope of Services			Grade
		Both Practitioners & Facilities	Health Care Practitioner or Facility	Subset of Either Practitioner or Facility	Both	Paid Amounts	Charges	All IP & OP	All IP or OP	Most common IP or OP	
VA	State Only	✓			✓			✓			B
	Upon Request										
	Report	✓			✓				✓		
	Website	✓					✓			✓	
VT	State Only	✓					✓	✓			C
	Upon Request										
	Report	✓					✓			✓	
	Website	✓					✓			✓	
WA	State Only										F
	Upon Request	✓					✓	✓			
	Report										
	Website										

MA	State Only	✓			✓			✓			A
	Upon Request				✓				✓		
	Report		✓				✓	✓			
	Website	✓				✓				✓	

Cost Calculator Helps Consumers Identify High Value Plans

- Users make better choices when:
 - Cost calculator estimates annual costs
 - Most cost-effective plan is defaulted



Kaiser Inpatient Hospital Pricing: Active Employees

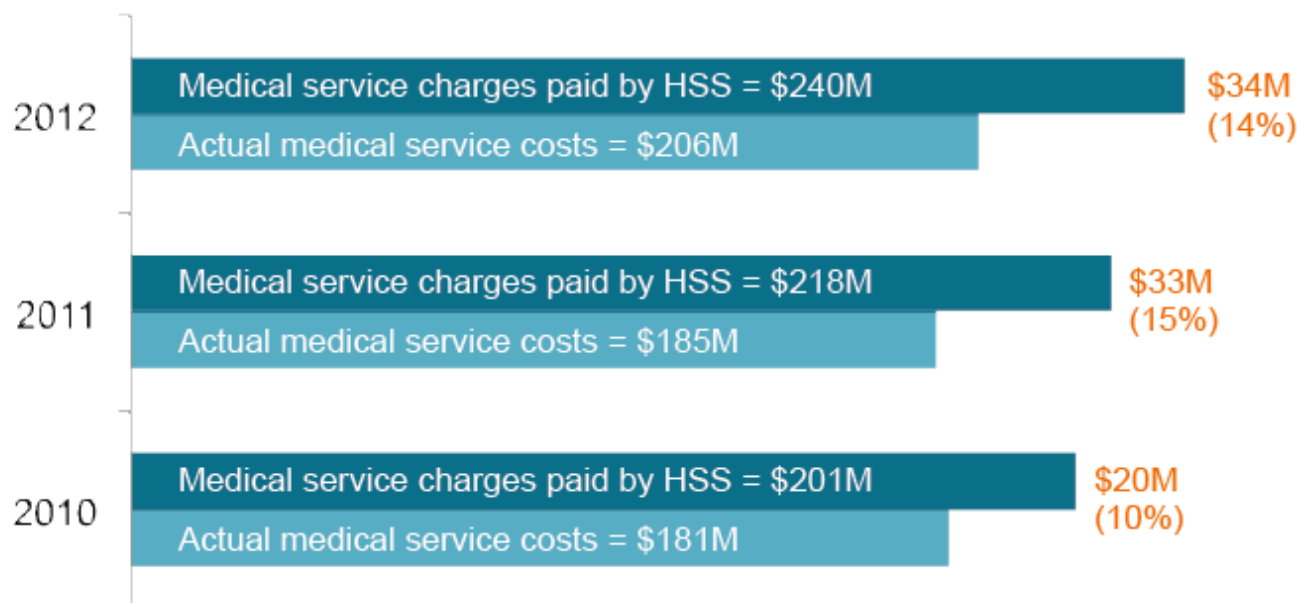
- 36% 7- year hospital utilization decline

+ 87% 7-year unit cost charge increase for hospital

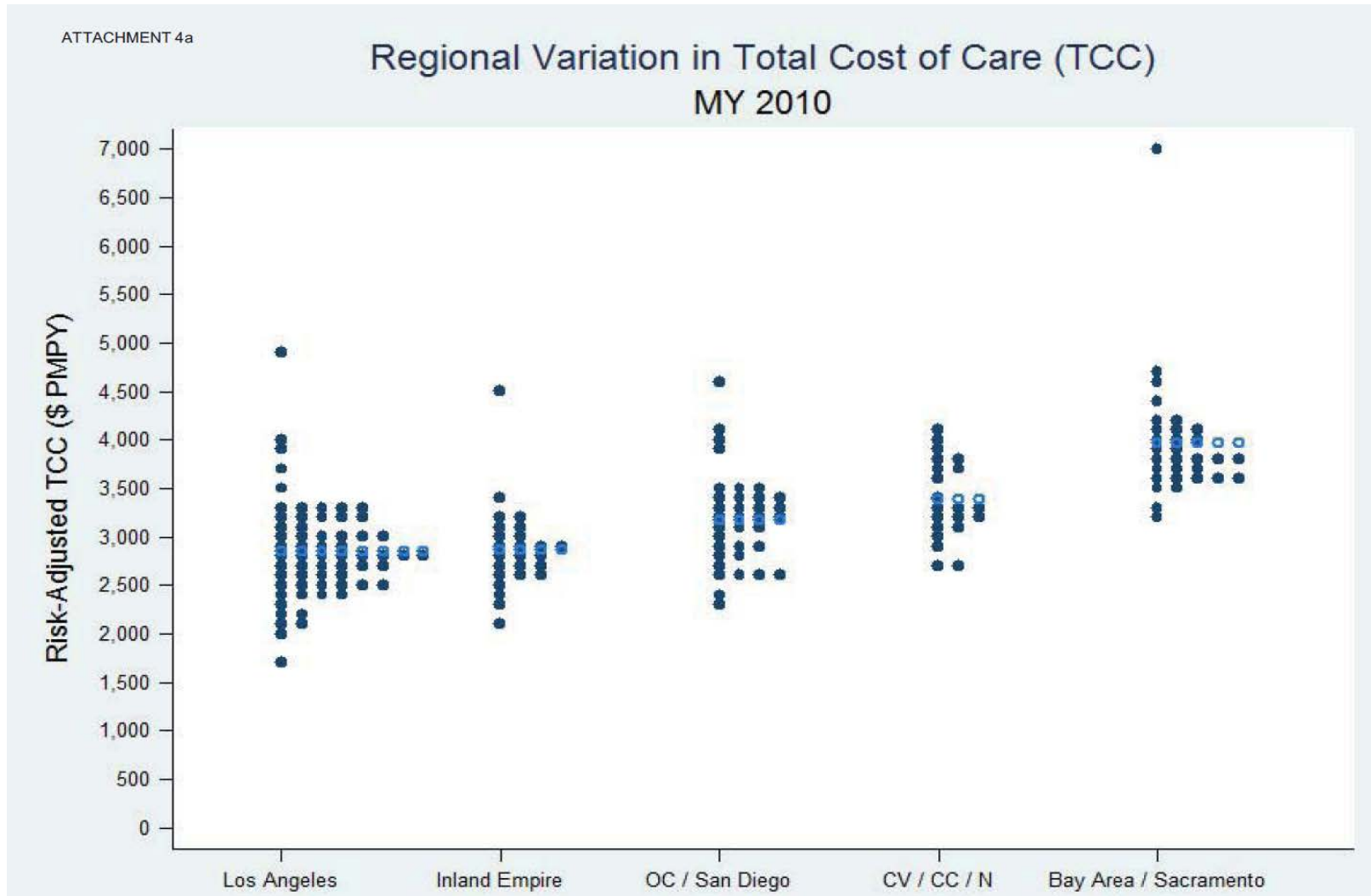
Renewal	2008	2009	2010	2011	2012	2013	2014
Based on Reported Claims	2006	2007	2008	2009	2010	2011	2012
Hospital cost per day (2006 charged unit cost)	\$4,580	\$5,085	\$6,271	\$7,162	\$7,796	\$8,779	\$8,706
Hospital days per 1000 (2006 utilization)	268.8	256.2	243.2	211.4	222.9	191.9	187.7
Hospital cost charged per day (year over year trend)	-2%	11%	23%	14%	9%	13%	-1%
Hospital days per 1000 (year over year trend)	-9%	-5%	-5%	-13%	5%	-14%	-2%

Kaiser Renewals 2010-2012

Between 2010 and 2012, Kaiser projected medical service costs for active employees and early retirees that were higher than actual costs by an average of 13%. This resulted in \$87 million profit margin for Kaiser.



Variation in Costs by Physician Group



Critical requirements to get to costs...

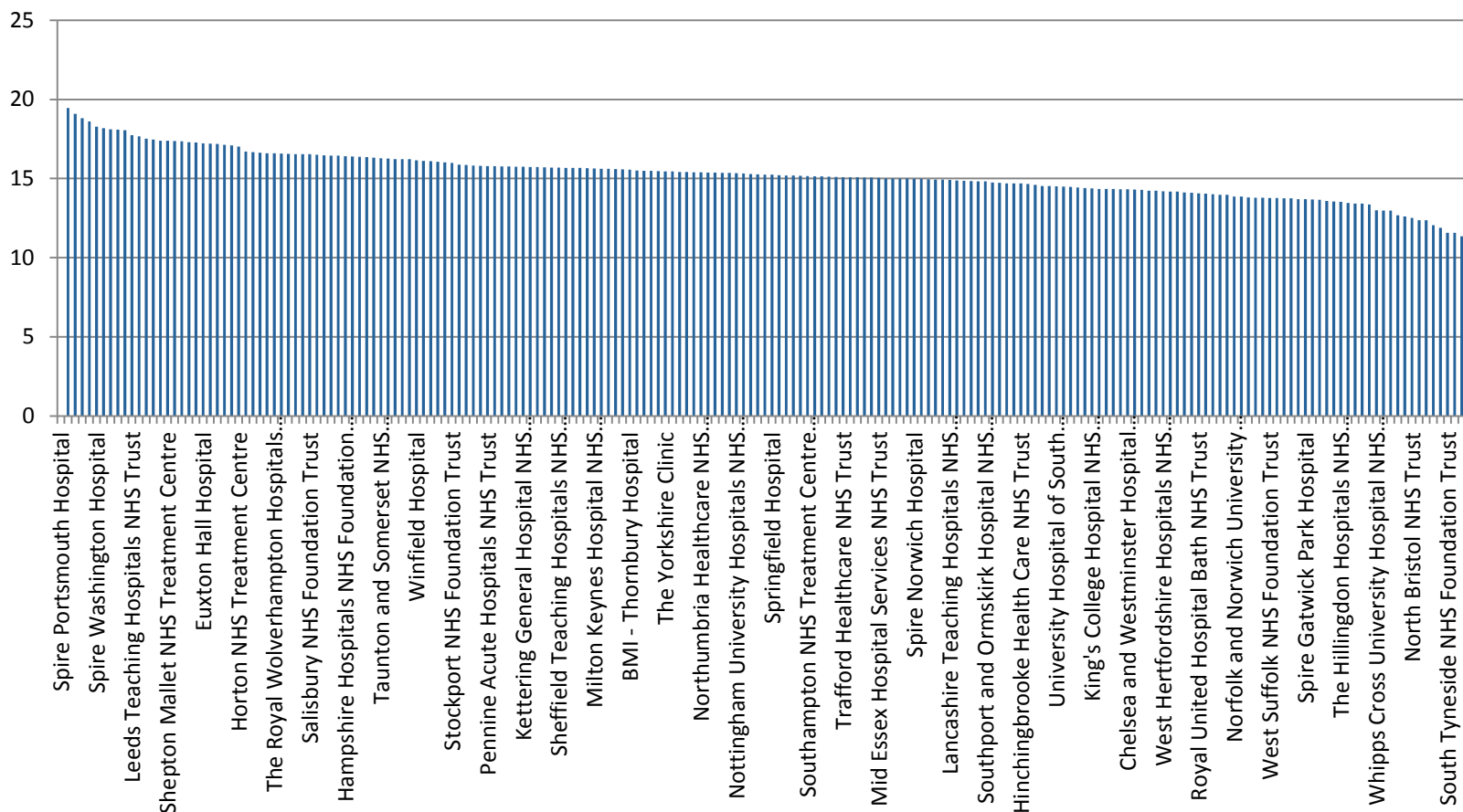
- Agreement on units to be priced:
 - premium
 - episode
 - individual units of service
- Understanding of input costs
- Transparency to purchaser and consumer – including:
 - disclosure of provider prices (addressing gag clauses, all-payer claims databases)
 - adoption of effective decision aids (such as cost calculators)

What's quality – to consumer?

- Decisions to be made
 - Which health plan to choose (e.g., in exchange)
 - Which doctor to choose; separate PCP from specialist
 - Which drug to take
 - Which treatment to undergo or test to get
- Dimensions of quality to consider
 - Following “evidence”, best medical practice
 - Getting good results (outcomes)
 - Safety
 - Patient experience
- Understandable and relevant?
 - Composites, roll-ups, tailoring, specificity

Outcomes variation by hospital - England

Case-mix adjusted average health gain after knee replacement – Oxford Knee Score



Max score=48. Pre-op mean= 18.5 (severe pain)

What's quality – to purchaser?

- Decisions to be made
 - Which health plan(s) to contract with?
 - Which provider networks to offer to employees?
 - What provider payment arrangements to use, including pay-for-performance, gainsharing, etc.?
 - What services to pay for? CER, HTA
 - What requirements to negotiate?
 - How to evaluate performance?
 - Which additional services to provide?
 - What incentives to provide to employees?
- Additional dimensions
 - Population outcomes – risk reduction, productivity
 - Choice and “consumerism”
 - Simplicity of decisionmaking
 - Minimal “noise”

Quality Data Today

- Federal programs are key
 - Hospital Compare
 - Physician Compare
 - PQRS, Meaningful Use, Value-based payment, ACO measures
- Local and specialty programs are source of innovation
 - Massachusetts Health Quality Partners
 - Minnesota Community Measurement (and state law)
 - California Healthcare Performance Initiative
 - California Joint Replacement Registry
 - American Academy of Ophthalmology recommendations
 - International examples...
- Significant shortfall in needed measures
 - Patient outcomes
 - Care coordination
 - Appropriateness of care
 - Patient engagement and activation
 - Efficiency and resource use

Purchaser strategies on provider payment

Goal: incent providers to utilize evidence-based practice, manage to outcomes, increase transparency, provide appropriate care, seek efficiencies, compete on value

- Towards global payment – episodes, ACOs
- Primary care medical homes
- Advanced medical homes – intensive outpatient care program
- Pay for performance
- Registries to document value of specialty care
- Reducing effects of market consolidation
- *Catalyst for Payment Reform:*
 - Contract language for plans
 - Scorecard on payment transition
 - Reports on state transparency, market consolidation

National Bundled Payment Network

Free Cardiac And Spine Surgery For Walmart Employees At Six Hospitals



Starting next year 1.1 million US

Walmart employees and their dependents will be eligible for free heart, spine, and transplant surgery at 6 highly regarded health care organizations. Walmart employees will have no out-of-pocket costs, including travel, lodging and food for the patient and a caregiver.

On Thursday the company [announced](#) that its “Centers of Excellence” program, which had previously provided free transplants to Walmart employees, would expand to include heart and spine surgeries. Here are the six health care organizations involved in the program:

- [Cleveland Clinic](#) in Cleveland, Ohio
- Geisinger Medical Center in [Danville](#), Pa
- Mayo Clinic sites in [Rochester](#), Minn., Scottsdale/[Phoenix](#), Ariz., and [Jacksonville](#), Fla.
- Mercy Hospital Springfield in Springfield, Mo
- Scott & White Memorial Hospital in Temple, Texas
- Virginia Mason Medical Center in Seattle, Wash

In a [tweet](#), noted writer and surgeon Atul Gawande said, “this will change

Better information to support consumer and purchaser decisions



California Joint Replacement Registry
California Maternal Data Center



1. Identify higher value specialists and encourage their use through:
 - ✓ pay for performance
 - ✓ episode payment
 - ✓ reference pricing
 - ✓ tiered networks
 - ✓ value based benefit design
2. Increase selection of cost-effective technology (implants)
3. Increase patient engagement in cost-conscious decisions – choice of hospital, surgeon, treatment

Better information to support consumer and purchaser decisions



Californ
Californ

1. Identify higher value care
 - ✓ pay for performance
 - ✓ episode payment
 - ✓ reference pricing
 - ✓ tiered network
 - ✓ value based contracting
2. Increase selection
3. Increase patient access to care, including specialist, surgeon, treatment



Better information to support consumer and purchaser decisions



Califorr

EXAMPLE FROM CALPERS REFERENCE PRICING MATERIALS FROM 2012

Designated Facilities	Designated Facilities
Adventist Medical Center	Placentia Linda Hospital
Alvarado Hospital LLC	Queen of the Valley Medical Center
Arroyo Grande Community Hospital	San Antonio Community Hospital
Bakersfield Memorial Hospital	San Joaquin Community Hospital
Barton Memorial Hospital	Santa Monica UCLA Medical Center
Cedars-Sinai Medical Center	Santa Rosa Memorial Hospital
Community Hospital of the Monterey Peninsula	Sierra Vista Regional Medical Center
Dameron Hospital	Sonoma Regional Medical Center
Desert Regional Medical Center	St Agnes Medical Center
Eisenhower Medical Center	St Helena Hospital
El Camino Hospital	St John's Hospital And Health Center
Enloe Medical Center Inc.	St Joseph Hospital – Orange
French Hospital Medical Center	St Jude Medical Center
Fresno Surgical Hospital	St Marys Medical Center
Good Samaritan Hospital – San Jose	St Vincent Medical Center
Good Samaritan Hospital – Los Angeles	Stanford University Hospital
Healdsburg District Hospital	Stanislaus Surgical Hospital
Hoag Orthopedic Institute	Thousand Oaks Surgical Hospital
Huntington Memorial Hospital	Torrance Memorial Medical Center
John F Kennedy Memorial Hospital	Twin Cities Community Hospital Inc
Kaweah Delta Medical Center	UC Davis Medical Center
Loma Linda University Medical Center	UCSD Medical Center
Long Beach Memorial Medical Center	UCSF Medical Center
Mercy Medical Center – Redding	Valley Presbyterian Hospital
Methodist Hospital Of Sacramento	ValleyCare Medical Center
O'Connor Hospital	

Hospitals highlighted have joined the California Joint Replacement Registry (CJRR) supported by PBGH. The registry is designed to collect and share data to provide credible feedback to orthopedic surgeons, hospitals and patients about their treatment decisions, quality of care, and patient outcomes. CalPERS recognizes these hospitals and surgeons for their commitment to the long term goal of improving treatment decisions and care delivery for patients receiving joint replacements.

Hospitals highlighted in green are in the process of joining the CJRR.



EXPANDING ACROSS CALIFORNIA



- Participating as of April, 2013; Expansion Phase 1
 - ▶ St. Joseph of Orange
 - ▶ Dameron Hospital
 - ▶ PIH Health
 - ▶ Scripps Green Hospital
 - ▶ Sutter General Hospital

- Onboarding as of April 2013
- Expected To Be Participating by December 2013

- Participating as of April 2011 – Pilot Sites
 - ▶ Cedars-Sinai
 - ▶ Hoag Orthopedic Institute
 - ▶ University of California San Francisco Medical Center
- Participating as of December 2012 – Early Adopters
 - ▶ Summit
 - ▶ Alta Bates
 - ▶ John Muir Health
 - ▶ Stanford Hospitals and Clinics

Better information to support consumer and purchaser decisions



Californ

EXPANDING ACROSS CALIFORNIA

Participating as of
blue of california

EXAMPLE FROM CALPERS REFERENCE PRICING MATERIALS FROM 2012

Designated Facilities	Designated
Adventist Medical Center	Placentia Linda Hospital
Alvarado Hospital LLC	Queen of the Valley Medical Center
Arroyo Grande Community Hospital	San Antonio Community Hospital
Bakersfield Memorial Hospital	San Joaquin Community Hospital
Barton Memorial Hospital	Santa Monica UCLA Medical Center
Cedars-Sinai Medical Center	Santa Rosa Memorial Hospital
Community Hospital of the Monterey Peninsula	Sierra Vista Regional Medical Center
Dameron Hospital	Sonoma Regional Medical Center
Desert Regional Medical Center	St Agnes Medical Center
Eisenhower Medical Center	St Helena Hospital
El Camino Hospital	St John's Hospital And Health Center
Enloe Medical Center Inc.	St Joseph Hospital - Orange
French Hospital Medical Center	St Jude Medical Center
Fresno Surgical Hospital	St Marys Medical Center
Good Samaritan Hospital - San Jose	St Vincent Medical Center
Good Samaritan Hospital - Los Angeles	Stanford University Hospital
Healdsburg District Hospital	Stanislaus Surgical Hospital
Hoag Orthopedic Institute	Thousand Oaks Surgical Hospital
Huntington Memorial Hospital	Torrance Memorial Medical Center
John F Kennedy Memorial Hospital	Twin Cities Community Hospital
Kaweah Delta Medical Center	UC Davis Medical Center
Loma Linda University Medical Center	UCSD Medical Center
Long Beach Memorial Medical Center	UCSF Medical Center
Mercy Medical Center - Redding	Valley Presbyterian Hospital
Methodist Hospital Of Sacramento	ValleyCare Medical Center
O'Connor Hospital	

Hospitals highlighted have joined the California Joint Replacement Registry (CJRR) supported by PBGH. The registry is designed to collect and share data to provide credible feedback to orthopedic surgeons, hospitals and patients about their treatment decisions, quality of care, and patient outcomes. CalPERS recognizes these hospitals and surgeons for their commitment to the long term goal of improving treatment decisions and care delivery for patients receiving joint replacements.

Hospitals highlighted in green are in the process of joining the CJRR.



March 29, 2013

RE: Participation in the California Joint Replacement Registry

Dear Hospital Contact:






Thank you for your interest in the Blue Distinction Centers for Knee and Hip Replacement[®] program.

Our partnership with you focuses on enhancing clinical quality for your patients and for our members. Blue Shield values the use of clinical outcomes registries as an important tool in identifying best practices, decreasing complications, and improving patient outcomes. The California Joint Replacement Registry (CJRR) www.caljrr.org is well positioned to help California hospitals and orthopaedists do exactly that. The CJRR, a collaborative effort with the California HealthCare Foundation, the California Orthopaedics Association, and the Pacific Business Group on Health, now has participation from many of the state's leading orthopaedic surgeons and their hospitals. Blue Shield would like to encourage you to join the CJRR this year.








Intensive Outpatient Care Program: Personalized care for the chronically ill

IOCP Boeing Pilot results as published on Health Affairs blog 2009.10.20:

Measure compared to baseline	Result
Health care costs of pilot participants versus control group	- 20.0% 
Hospital admissions	- 28% 
Improvement in mental functioning of pilot participants	+ 16.1% 
Participants feeling that care was "received as soon as needed"	+ 17.6% 
Average number of patient-reported workdays missed, 6 months	- 56.5% 

Intensive Outpatient Care Program: Personalized care for the chronically ill

IOCP Boeing Pilot results as published on Health Affairs blog 2009.10.20:

Measure compared to baseline	Result
Health care costs of pilot participants versus control group	- 20.0% 
Hospital admissions	- 28% 
Improvement in mental functioning of pilot participants	+ 16.1% 
Participants feeling that care was "received as soon as needed"	+ 17.6% 
Average number of	% 

In a second project in Northern California:

Cost per person per month down by 16%

- *44% reduction in hospital admissions*
- *More preventive visits*
- *Less outpatient surgery*

Major tools of value purchasing

- Require insurance plans to assemble networks that yield value based on track record and continuing transparency
- Contract directly with providers and services that have track record or performance requirements that reflect value
- Provide transparency about cost/quality to consumers, and let them shop with their own money – perhaps with subsidy by employer or gov't (exchanges, reference pricing, managed competition)

Keys to success

- Price transparency (at the unit of interest)
- Quality transparency (at the unit of interest)
- Market oversight to ensure balance of market power by buyers and sellers (multiple sellers, multiple buyers)
 - If too much consolidation on provider side in a geographic market, they can dictate price and other terms (including non-transparency, contract requirements)
 - If too much consolidation on buy side, they can dictate price and other terms (limits on federal procurement of Rx, hesitation towards active exchanges)
- Informed consumers – with tools they can use to make judgments

How public policy can advance value

- Require price transparency for a useful bundle of services
- Require disclosure of provider-level quality data
- Standardize definitions of episodes, etc.
- Define and invest in national data infrastructure
- Act as active purchaser in federal and state programs, including implementation of value-based payment
- Redefine “market consolidation” and enact appropriate regulatory and enforcement resources
- Re-examine (carefully) regulatory regime that inhibits innovation:
 - Scope of practice
 - Coverage mandates
 - Staffing ratios
 - Access requirements
 - Licensing/telemedicine requirements

Challenges to “Value Purchasing”

- Payer and provider consolidation limits purchaser power
- Employers’ (and public sector) fear of “disruption” limits willingness to act
- Employers’ need for large networks and “essential providers” limits willingness to purchase selectively
- Patient and consumer beliefs about health care limit employer willingness to challenge behaviors
- Need multi-faceted strategy ...

Advancing Value Purchasing

- Public sector
 - Setting standards & definitions
 - Investment in measurements, data infrastructure – public good
 - Enforcement of transparency
 - Public programs as active purchasers
 - Market monitoring and regulation
- Private sector
 - Innovative payment experiments
 - Innovative consumer benefit designs
 - Innovative consumer outreach and communications (e.g., apps, social media)
 - Evaluation and rapid cycles
- Public and private alignment is critical
 - Measures
 - Provider payment methods and signalling
 - Public education and incentives

For more information please visit:

- Learn more about the Pacific Business Group on Health and our effort to improve the quality of health care while moderating costs at www.pbgh.org
- Links of special relevance for state exchanges:
 - <http://www.pbgh.org/exchange>
 - <http://www.pbgh.org/component/content/article/4-engaging-consumers/216-supporting-consumers-decisions-in-the-exchange>
- Learn more about our work to bring employers, consumers and labor organizations together to improve access to publicly reported health care performance information at www.healthcaredisclosure.org
- Learn more about our efforts to reform payment at www.catalyzepaymentreform.org