



Health Care Spending & Pricing Overview

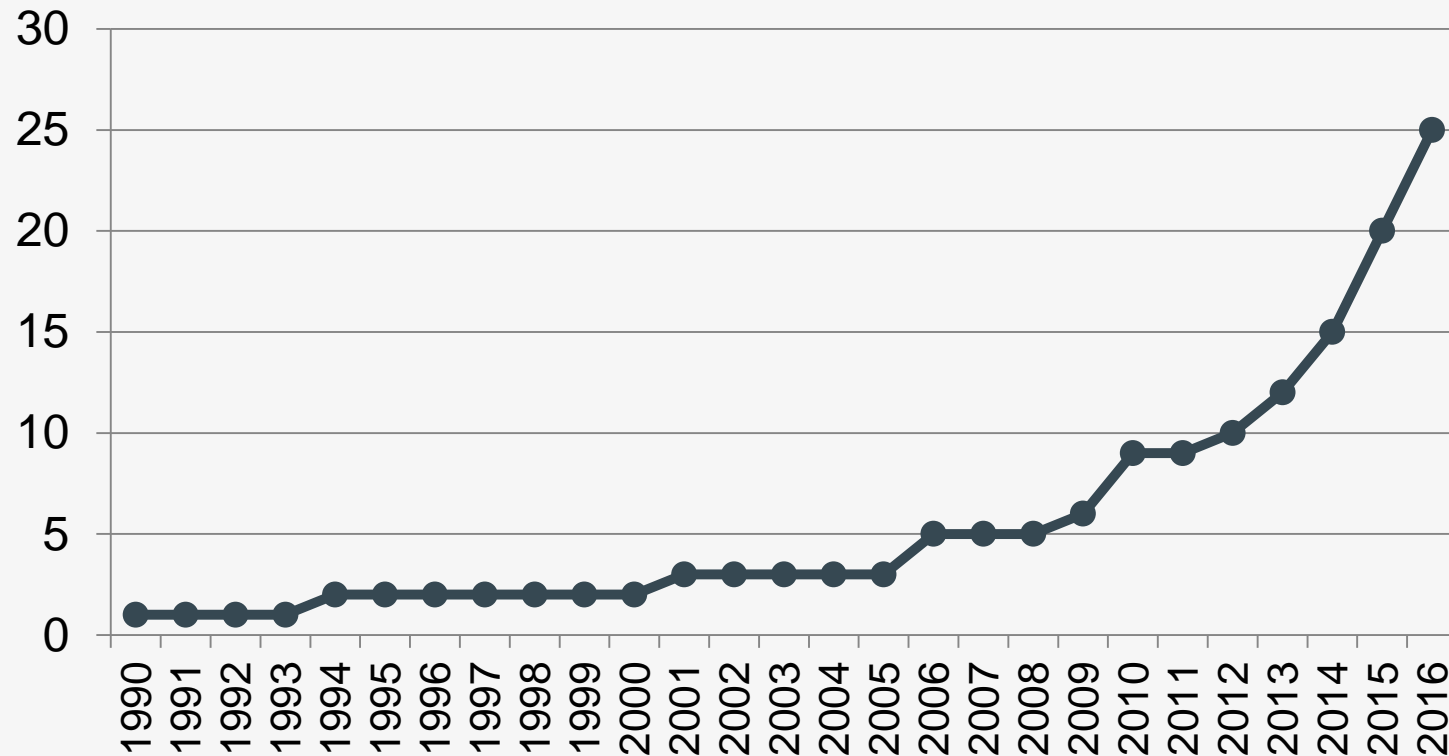
FEBRUARY 24, 2017

K. JOHN MCCONNELL, CENTER FOR HEALTH SYSTEMS
EFFECTIVENESS

I'll cover three things

- Cost drivers in healthcare
 - Technology, utilization, and prices
- Is Oregon expensive? Why?
- Policy options

Technology is a major force in health care spending growth

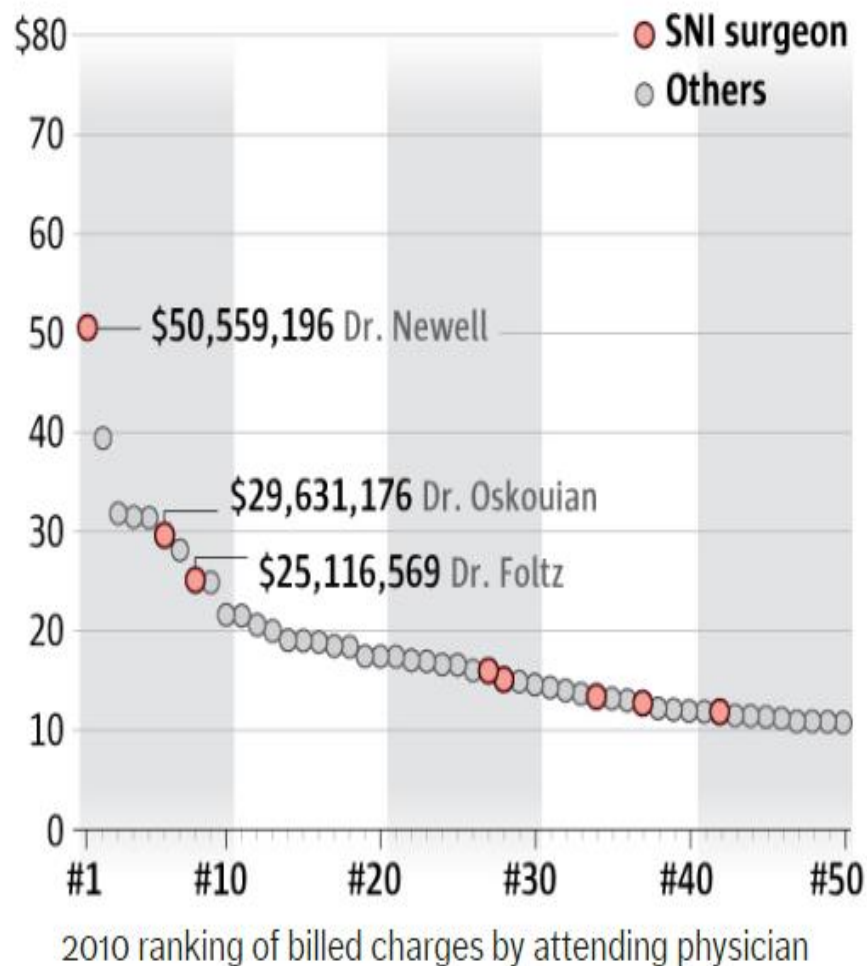


Proton Beam Accelerator Facilities in Operation in the US, 1990-2016

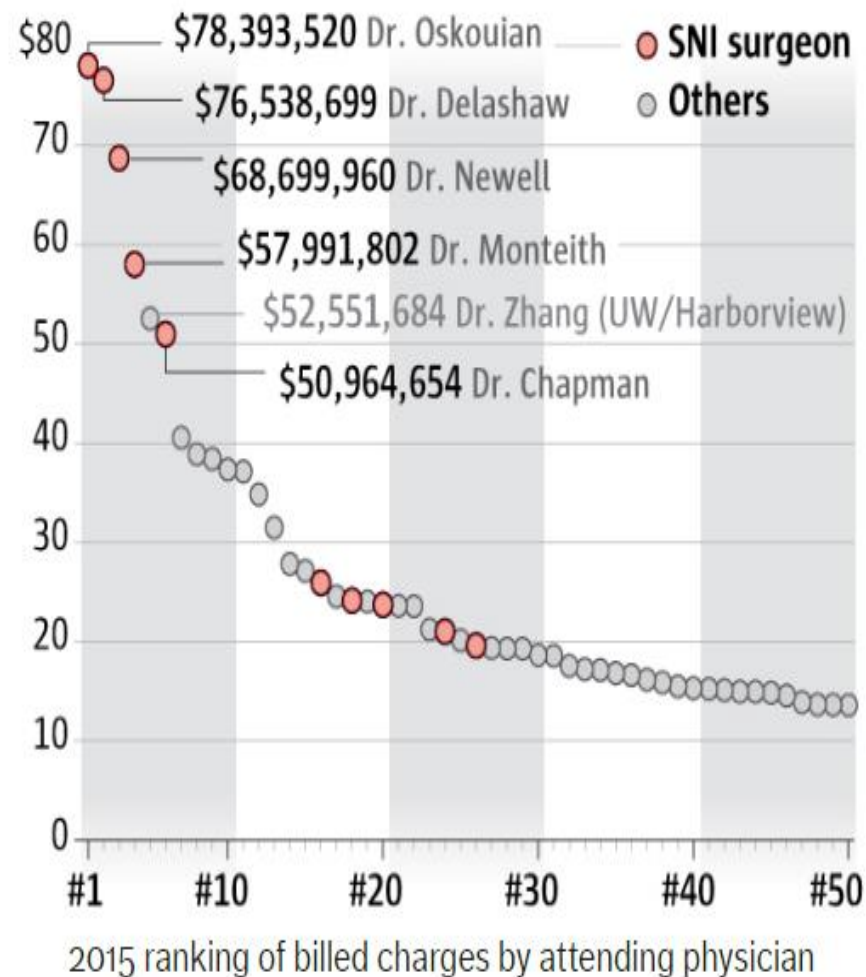
Utilization

- Not worse than other OECD countries!
 - But lots of variation
- FFS payment system has perverse incentives
 - Volume over outcomes

2010 total charges by attending physician (in millions of dollars)



2015 total charges by attending physician (in millions of dollars)



[Health](#) | [Local News](#) | [Northwest](#) | [Special Reports](#) | [Times Watchdog](#)

State regulators investigating Swedish's Cherry Hill hospital, top surgeon

Originally published February 16, 2017 at 4:37 pm | *Updated February 17, 2017 at 12:49 pm*

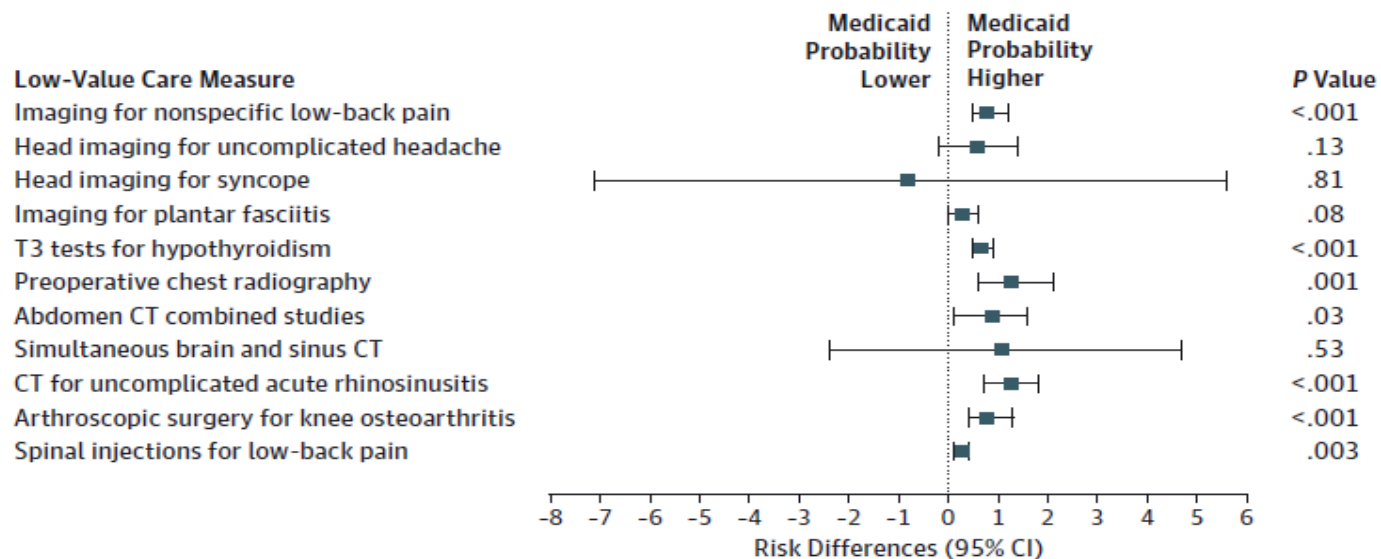
JAMA Internal Medicine

Original Investigation | LESS IS MORE

Comparison of Low-Value Care in Medicaid vs Commercially Insured Populations

Christina J. Charlesworth, MPH; Thomas H. A. Meath, MPH; Aaron L. Schwartz, PhD; K. John McConnell, PhD

Figure 2. Low-Value Care Risk Differences Associated With the Average Medicaid Patient Moving to a Primary Care Service Area (PCSA) With a 1% Higher Commercial Low-Value Care Rate

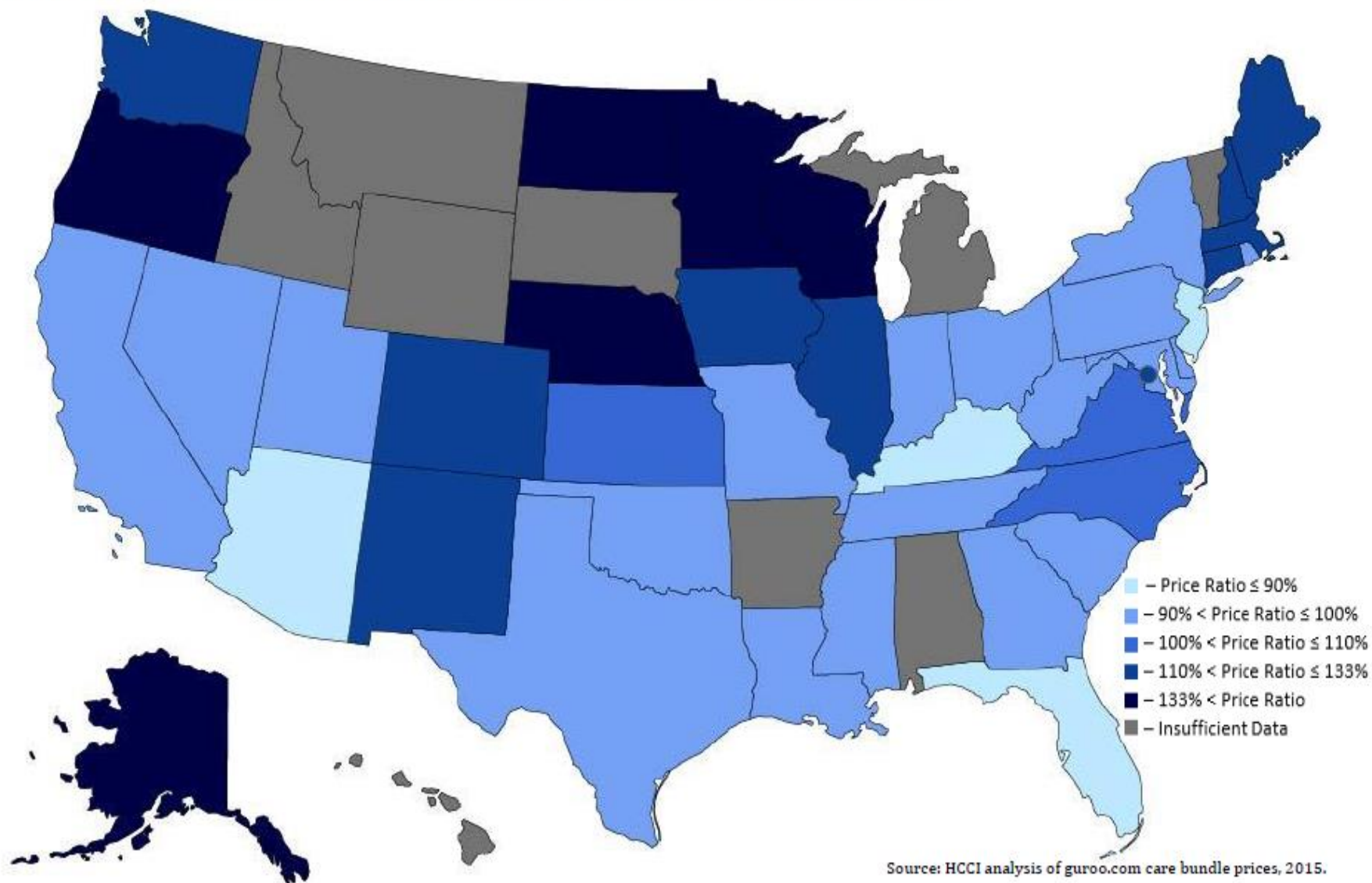


Price is the main driver of variations in commercial spending

- Are prices high in Oregon?
- Q-Corp says yes
- So does the Health Care Cost Institute

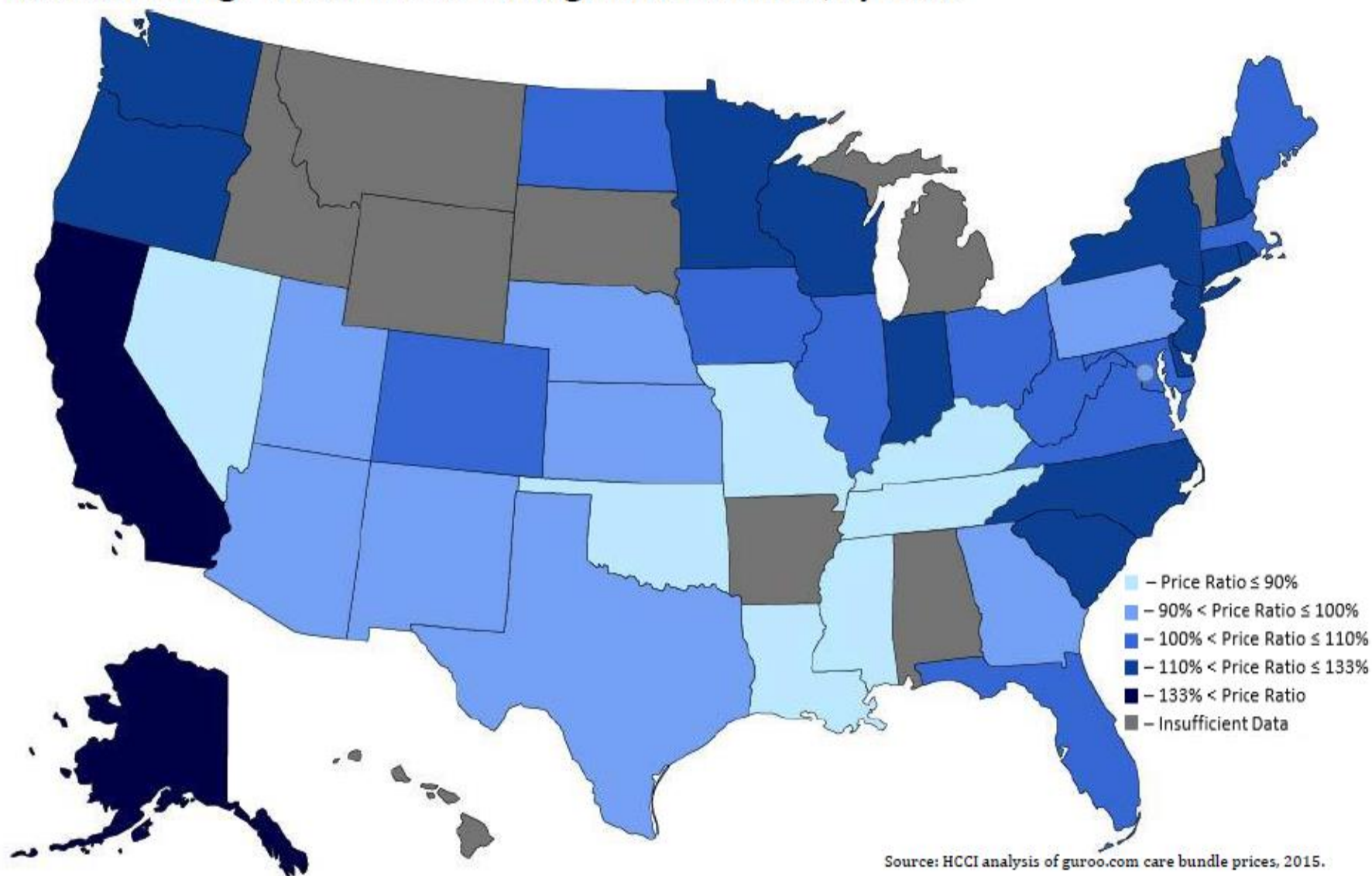
Primary Doctor Visit – Moderate Complexity (New Patient) (42 States)

Ratio of Average State Price to Average National Price, by State



Childbirth – Vaginal Delivery & Newborn Care (42 States)

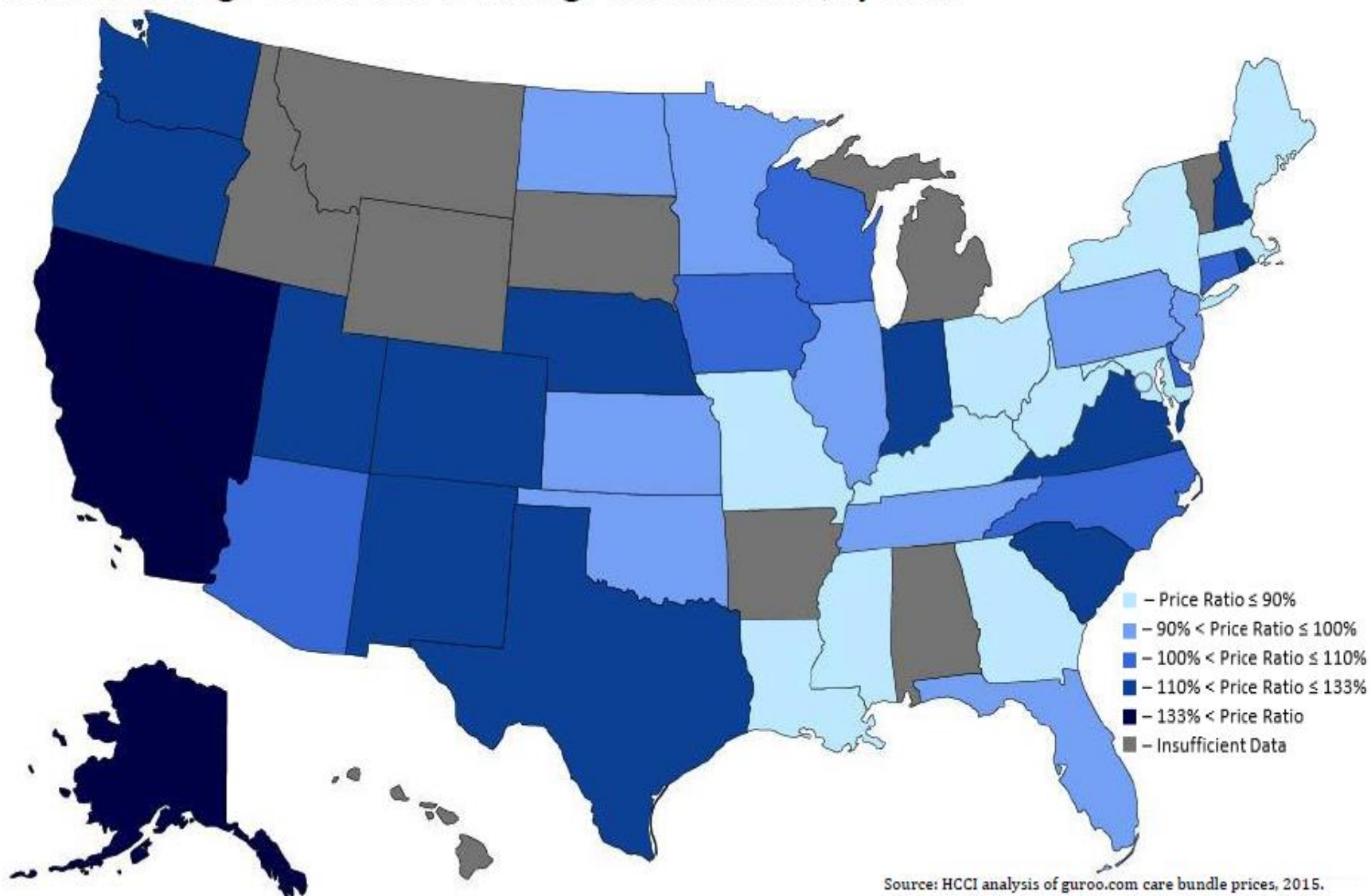
Ratio of Average State Price to Average National Price, by State



Source: HCCI analysis of guroo.com care bundle prices, 2015.

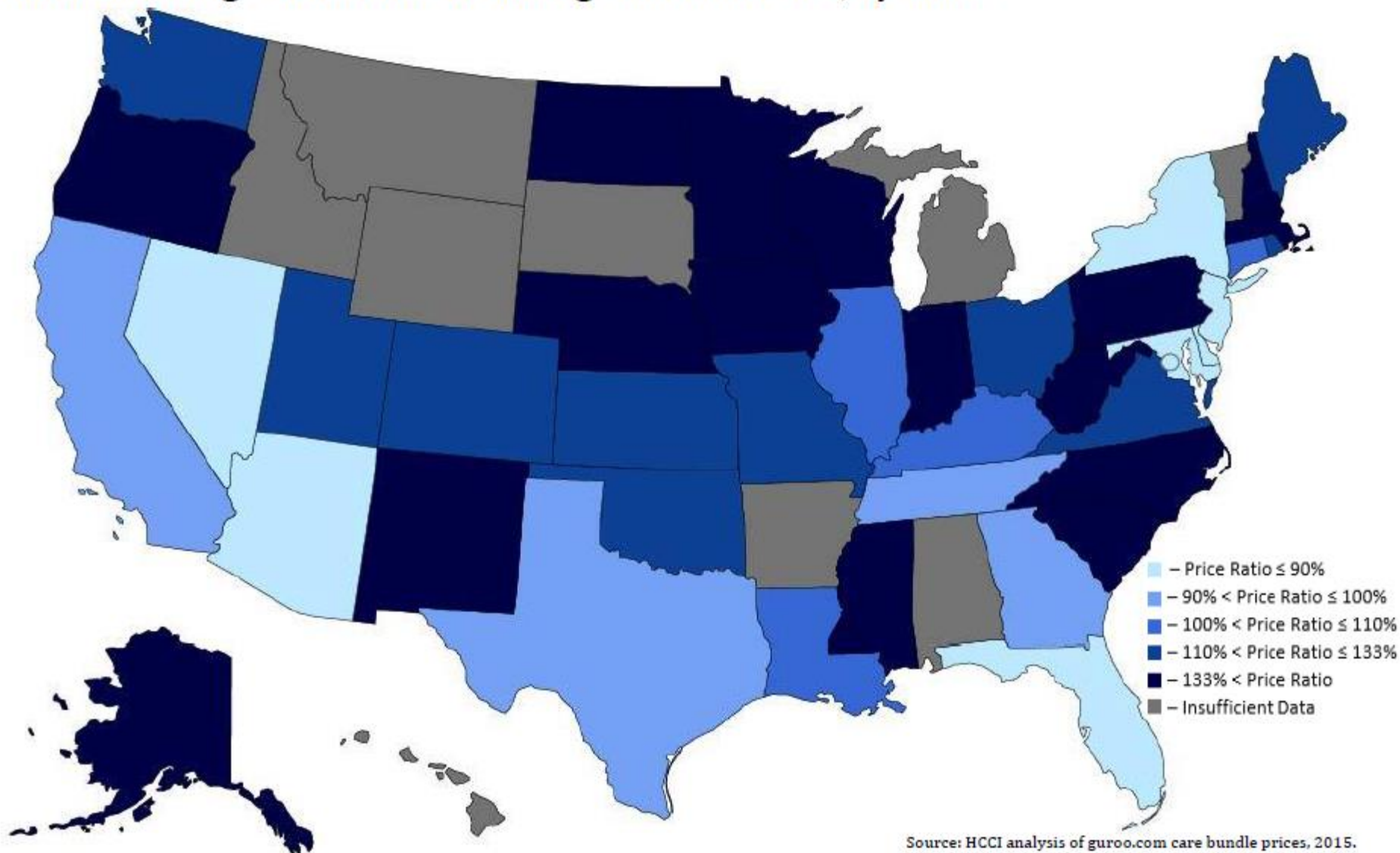
Emergency Room Visit (42 States)

Ratio of Average State Price to Average National Price, by State

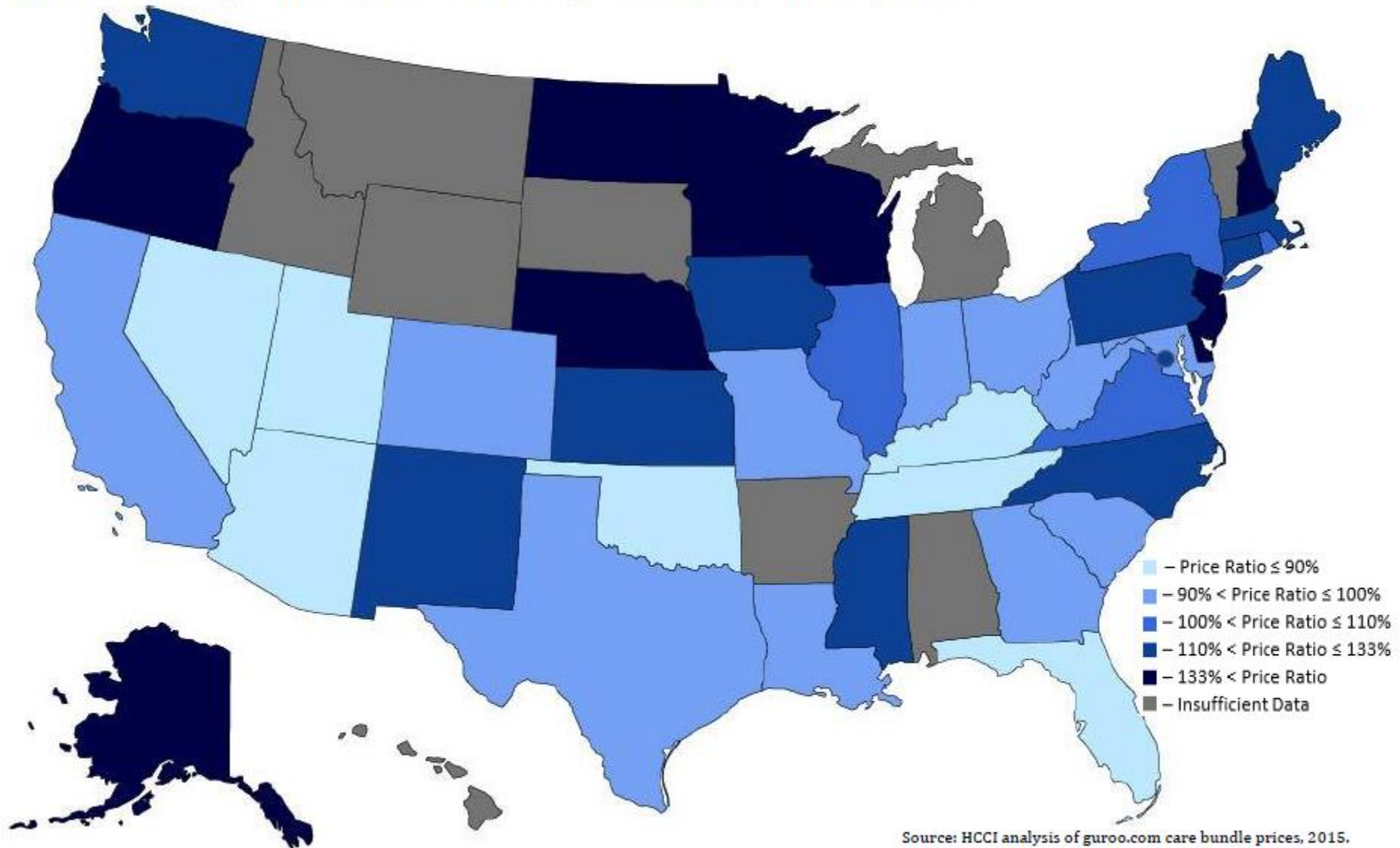


MRI Scan – Abdomen (with and without Dye) (42 States)

Ratio of Average State Price to Average National Price, by State



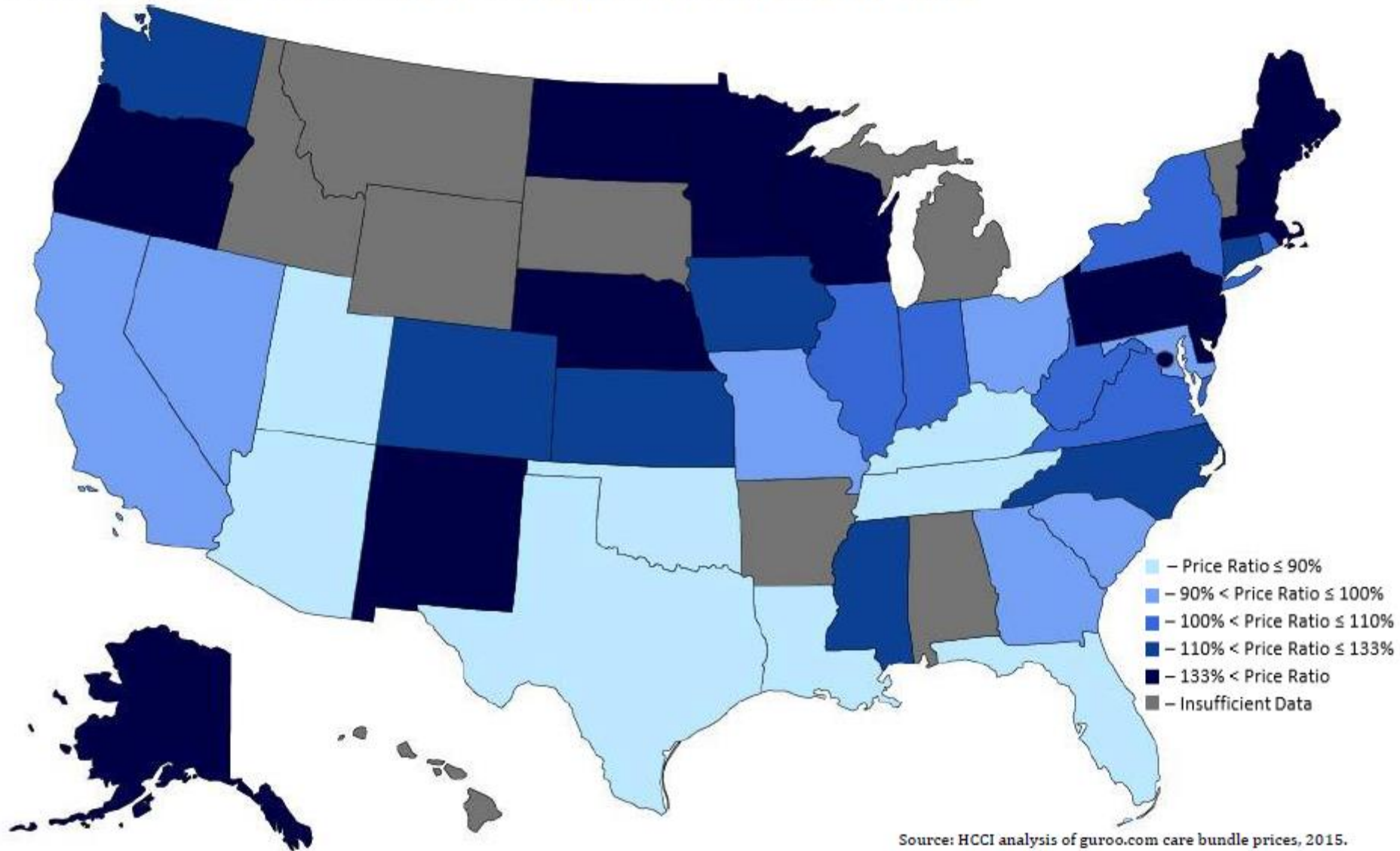
Ratio of Average State Price to Average National Price, by State



Source: HCCI analysis of guroo.com care bundle prices, 2015.

Heartburn Evaluation (42 States)

Ratio of Average State Price to Average National Price, by State



Source: HCCI analysis of guroo.com care bundle prices, 2015.

Why are prices high?

Interplay between provider and insurance market power

- Single insurer + competitive provider market -> drive prices down
- Lots of insurers + consolidated provider market -> drive prices up
- Like the rest of the country, OR has seen proliferation of
 - Vertical integration (hospitals buying/partnering w/physician & ambulatory services)
 - Horizontal integration (hospitals joining systems)\
- BUT, Oregon's insurance market is very competitive (Kaiser Family Foundation)
 - Top decile in large group insurance market (9th)
 - 1st in small group insurance market
 - 15th in individual insurance market
 - Insurers in OR may have trouble negotiating for lower prices

The map displays the state of Oregon with various National Forests and National Monuments highlighted. National Forests are marked with red pins and National Monuments with dark red pins. The locations include:

- National Forests (Red Pins):** Siuslaw National Forest, Umpqua National Forest, Winema National Forest, Klamath National Forest, Gifford Pinchot National Forest, Umatilla National Forest, Malheur National Forest, Ochoco National Forest, Wallowa-Whitman National Forest, and Wallowa-Whitman National Forest.
- National Monuments (Dark Red Pins):** Warm Springs Reservation, Yakama Indian Reservation, and several smaller monuments and reservations.

Major cities and towns shown on the map include Astoria, Newport, Seaside, Cannon Beach, Roseburg, Medford, Ashland, Klamath Falls, Sisters, Redmond, Bend, Corvallis, Eugene, Salem, Portland, The Dalles, Richland, Kennewick, Walla Walla, La Crosse, Joseph, Baker City, Weiser, Caldwell, and Nampa. Major highways like I-5, I-84, and I-90 are also indicated.

Source: OHA 2014 Hospital Payment Report
Analysis by Peter Graven, PhD, CHSE

Policy options

Policy options

- Evidence is weak for shopping
 - HSAs
 - Reference pricing
- Provider market power & consolidation should be monitored closely
- Payment reforms should be supported
 - ACO/Alternative Quality Contract moderately successful
- Benefits from good network design
 - Narrower networks &/or value-based networks

APCD Targets and Hope

- 3.4% ambitious benchmark – but is a number
- We should use APCD to answer these questions
 - Is there significant overuse? Where?
 - Are increases are driven by certain disease groups (Cancer? Cardiovascular disease? Preventive care?)
 - How does spending differ across geographical regions?
- What type of accountability fits into the Oregon way?



Thank You

Extra slides

Questionable policy options for addressing price

- High deductibles
 - Deductibles affect spending through utilization
 - Zero evidence that patients are good shoppers (Brot-Goldbert et al., NBER 2015; Desai et al., JAMA 2016)
- Reference pricing (patients pay above set price)
 - Dramatic reductions in price observed in CalPERS knee replacement (\$42,000 -> \$27,000)
 - “Shoppable” services account for 1/3 of total spending
 - Impact on total cost of care may be small