OREGON HEALTH CARE
QUALITY
CORPORATION

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Ms. Chairwoman and members of the Health Care Committee,

Thank you for inviting us to speak with the Health Care Committee today. In addition to our presentation, we are submitting written comments on behalf of the Oregon Health Care Quality Corporation, or Q Corp. Founded in 2000, Q Corp is an independent, nonprofit organization that leads community collaboration and produces unbiased information to improve the quality and affordability of health care for all Oregonians. With an approach predicated on the notion that achieving the Triple Aim of better care, lower costs and improved population health can only be done with many interests at one table, the organization is led by a Board of Directors comprised of 21 senior representatives of state agencies, health plans, hospitals, employers and consumer and medical groups.

Background: Q Corp

Q Corp manages the largest voluntarily submitted claims data set in the state of Oregon. Since 2008, Q Corp has aggregated claims data from private and public payers to produce quality reports for consumers, providers, health plans, policymakers and employers. In 2016, ten of Oregon's largest commercial plans, five Medicare Advantage plans and OHA's Division of Medical Assistance Programs (DMAP) voluntarily contributed administrative medical and pharmacy claims data. As of 2016, this data set contains more than 570 million claim records, and includes most of those insured through the Public Employees Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB). Q Corp's data includes patient-level detail and the ability to link individuals across plans and years. The database contains more than 3.6 million individual lives out of a current total state population of 4 million, representing:

- 100 percent of the Medicaid population
- 80 percent of the state's fully-insured commercial population
- 35 percent of the state's self-insured commercial population
- 92 percent of the Medicare population.

Background: Total Cost of Care

Q Corp is an active member of the Network for Regional Healthcare Improvement (NRHI), a national organization representing over thirty five member Regional Health Improvement Collaboratives (RHICs). Like Q Corp, these organizations are working in their regions and collaborating across regions to transform the healthcare delivery system by working directly

with multiple stakeholders. In 2013, Q Corp was selected as one of five pilot RHICs to work with NRHI on a project funded by the Robert Wood Johnson Foundation (RWJF). The project's principal objectives were to measure Total Cost of Care (TCOC) using multi-payer commercial data, test a standardized approach to TCOC across the regions, and to identify drivers of regional health care costs to inform targeted strategies to reduce spending at the community level. Following a successful pilot, RWJF renewed funding. This allowed more regions to participate, the investigation of expanding use of these measures to the publicly-insured population, the establishment of a benchmark process that allows for cost comparisons across regions, and the development of technical assistance resources for providers including videos and issue briefs

Total Cost of Care Methodology

Over 20 years ago, HealthPartners, an integrated health organization in Minnesota, began developing a Total Cost of Care (TCOC) framework to address the rising costs of health care. TCOC is a full-population, person-centered measurement tool that calculates the average cost for the health care of a population attributed to a primary care provider. This framework, composed of two measures- Total Cost Index and Resource Use Index- highlights cost-saving opportunities and identifies potential instances of overuse or inefficiency. The Total Cost Index is calculated by multiplying the Resource Use Index (which measures the frequency and intensity of services rendered) by the Price Index (which reflects negotiated fee schedules and place of service). The measures include all care delivered to the patient – professional, inpatient, outpatient, and pharmacy- and all payments made by the insurer and the patient. In 2012, the National Quality Forum endorsed the TCOC measures after rigorous testing. While the measure is only endorsed for the Commercial population, NRHI and others have started to explore how the framework can be used for the Medicare and Medicaid populations. Today, the HealthPartners TCOC framework is licensed to 215 entities in 37 states. As the use of the TCOC framework has spread, so has the NRHI TCOC program. There are currently 13 regions participating in the project, seven of which are expected to participate in the next Benchmark Report.

Q Corp's Total Cost of Care Program

From the beginning Q Corp's cost work has been guided by a Cost of Care Steering Committee, a nineteen-member multi-stakeholder group. The Committee, comprised of representatives from health plans, hospitals, primary care and specialty clinics, and consumer groups, provides valuable direction to Q Corp staff. Most notably, the Committee was instrumental in developing the Clinic Comparison Report, a 9-page report that includes clinic-level cost, quality and utilization statistics. Two rounds of commercial reports have been distributed to primary care clinics that meet certain qualifications, such as a minimum number of attributed commercial patients and an active legal agreement with Q Corp. The reports include information on professional, inpatient, outpatient, and pharmacy services incurred by the clinic's attributed patients. In June 2016, a total of 187 adult and pediatric reports were sent to 176 clinics in Oregon. For the most part, Q Corp has gotten positive feedback from the clinics – they see value in a report that aggregates data from multiple commercial plans, allowing them to see a larger slice of their panel of patients; they have gotten insights into the services that are incurred in inpatient, outpatient and specialty settings; and they have appreciated seeing quality and cost information together. Also, as primary care providers are held more accountable for costs outside the walls of their practice, they realize understanding patient utilization and the impact of referral patterns on total costs is imperative.

Cost and Quality
One question that the Cost of Care Steering Committee asked was whether our data showed any correlation between the total cost of care and the quality of that care. To compare cost and quality, Q Corp developed a quality composite, which calculates an overall score based on seven quality metrics. What we found was that there are clinics that are high-cost/high-quality, but also clinics that are low-cost/high-quality, low-cost/low- quality; and high-cost/high-quality. In short, we found no evidence of a relationship between cost and quality in Oregon. Further, there is considerable variation not only among clinics, but also between regions in Oregon. As one example, clinics in rural areas tend to be higher cost and lower quality. Q Corp is working to better understand what is driving costs for clinics, as well as regions.

Benchmark Report
This winter, NRHI issued a TCOC benchmarking report: *From Claims to Clarity: Deriving Actionable Healthcare Cost Benchmarks from Aggregated Commercial Claims Data*. This report compared spending using the HealthPartners TCOC framework and standardized methodology across five regions- Maryland, Minnesota, Oregon, St. Louis, and Utah. The report found a $1,080 yearly difference in the amount payers and patients spend, on average, per enrollee, with a high of $369 per-enrollee-per-month in Minnesota and a low of $279 in Maryland. Oregon landed right below Minnesota, with an average monthly cost of $354. Oregon's overall Resource Use Index was 7% below the average across the regions, while the Price Index was 17% above average, the highest of the five regions. The report breaks down these measures further into the professional, inpatient, outpatient, and pharmacy categories. Of note, the benchmark report indicates that if the two highest cost regions- Oregon and Minnesota- shaved 2 ½ percent off of their total costs, annual savings could exceed $200 million.

Oregon's Prices
Since the benchmark report was released, Q Corp has been repeatedly asked about the reasons behind Oregon's high price index. Q Corp and the Cost of Care Steering Committee have speculated that many factors may contribute to higher prices:

- In states with lower utilization rates the price of services is often increased.
- Commercial rates are usually higher when other payers, Medicare and Medicaid, are not covering the costs of services for their members. Hospital and provider costs are shifted to commercial payers. We know that Medicare reimbursement rates are lower in Oregon than in the other regions (Dartmouth Atlas, 2014).
- The negotiating power of health plans and providers can be an influence. Areas with a high degree of provider consolidation or with limited competition for hospital services are often areas with higher prices.
- Rural areas may be less efficient places to provide care, in part due to the difficulty in optimizing provider and hospital resources there.

Drilling down from Oregon's overall price index of 1.17, the scores for the various care settings vary greatly, from a low of 0.98 for pharmacy services to a high of 1.27 for inpatient services. These scores may provide additional direction as we target specific cost drivers in Oregon.

Next Steps
The commercial Clinic Comparison Reports and the Benchmark Report are important first steps to increased transparency around health care costs in our community. In order to reduce health care spending trends, stakeholders have to use this information to recognize areas of variation, to identify cost-saving opportunities, and to take action to improve outcomes. Q Corp has been

working with stakeholders to understand the various ways this data could be used to reduce the cost trend. Primary care clinics have asked for information on their referral patterns and similar reports for their Medicare and Medicaid populations. Administrators are eager for analyses on their high-cost patients. Specialists and hospitals have asked how to apply cost frameworks to their settings. Local health care collaboratives have asked us to analyze spending trends across regions and across all payer types, in order to ensure that costs are not being shifted from one population to another.

Over the next year and a half, Q Corp intends to make strides in these areas. Q Corp will release two additional rounds of commercial Clinic Comparison Reports. In addition, Q Corp will distribute Clinic Comparison Reports for the Medicare Fee-For Service population, and will investigate the feasibility of developing similar reports for the Medicaid population. With NRHI, Q Corp will participate in the next two benchmark reports and will serve as a Technical Advisor to other regions. Finally, Q Corp intends to report clinic-level TCOC performance publicly. These efforts will increase transparency and lead to better understanding of what is truly driving health care costs in Oregon.

We thank you for this opportunity and are available to answer questions as they arise.