

Price Transparency and Uses of All-Payer Claims Data

Oregon Senate Committee on Health Care

May 2024

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Three economic points about the US health care system

1. We spend a lot on health care, which comes at the expense of other goods and services
2. We spend a lot because of high health care prices
3. Prices are highly variable, not transparent, and not linked to quality

Employer-sponsored plans cover half of Americans

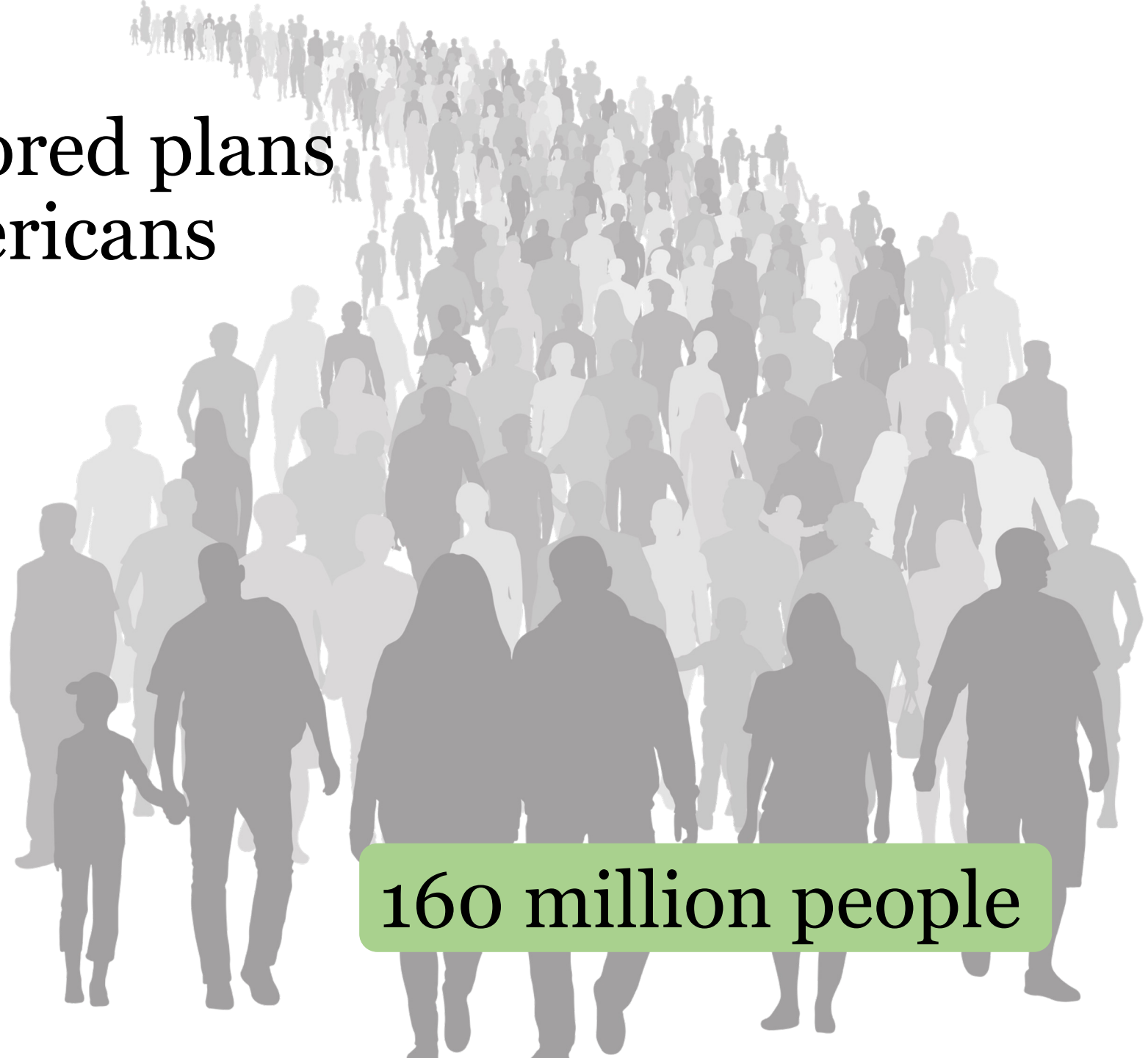
\$1.3 trillion

health care costs

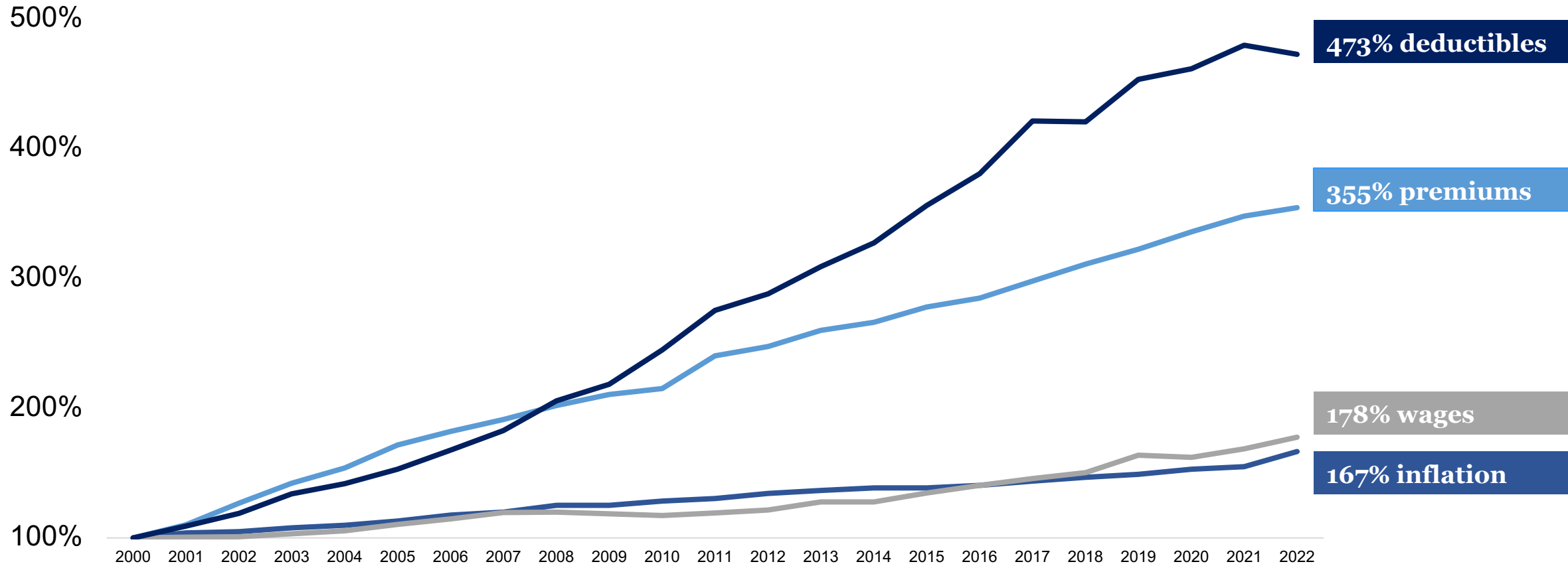
\$490 billion

hospital costs

160 million people

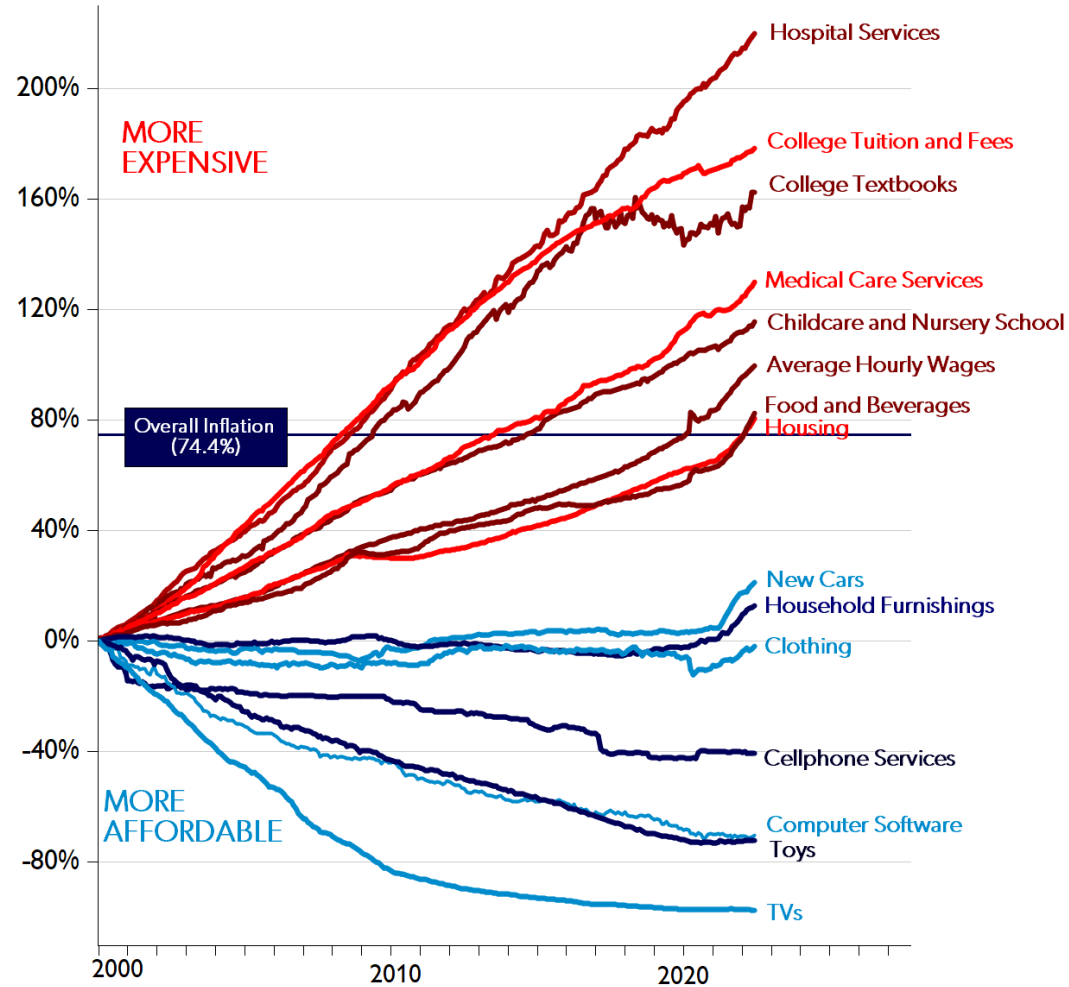


Premiums and deductibles outpace wages and inflation



Rising hospital prices drive spending growth

Price Changes: January 2000 to June 2022
Selected US Consumer Goods and Services, Wages



Source: Bureau of Labor Statistics

Hospital Price Transparency Study: Round 5



Obtain claims data from

- self-funded employers
- APCDs
- health plans



Measure prices in two ways

- relative to a Medicare benchmark
- price per case-mix weight



Create a *public* hospital price report

- posted online, downloadable
- named facilities & systems
- inpatient prices & outpatient prices
- Sage Transparency dashboard



Create *private* hospital price reports for self-funded employers

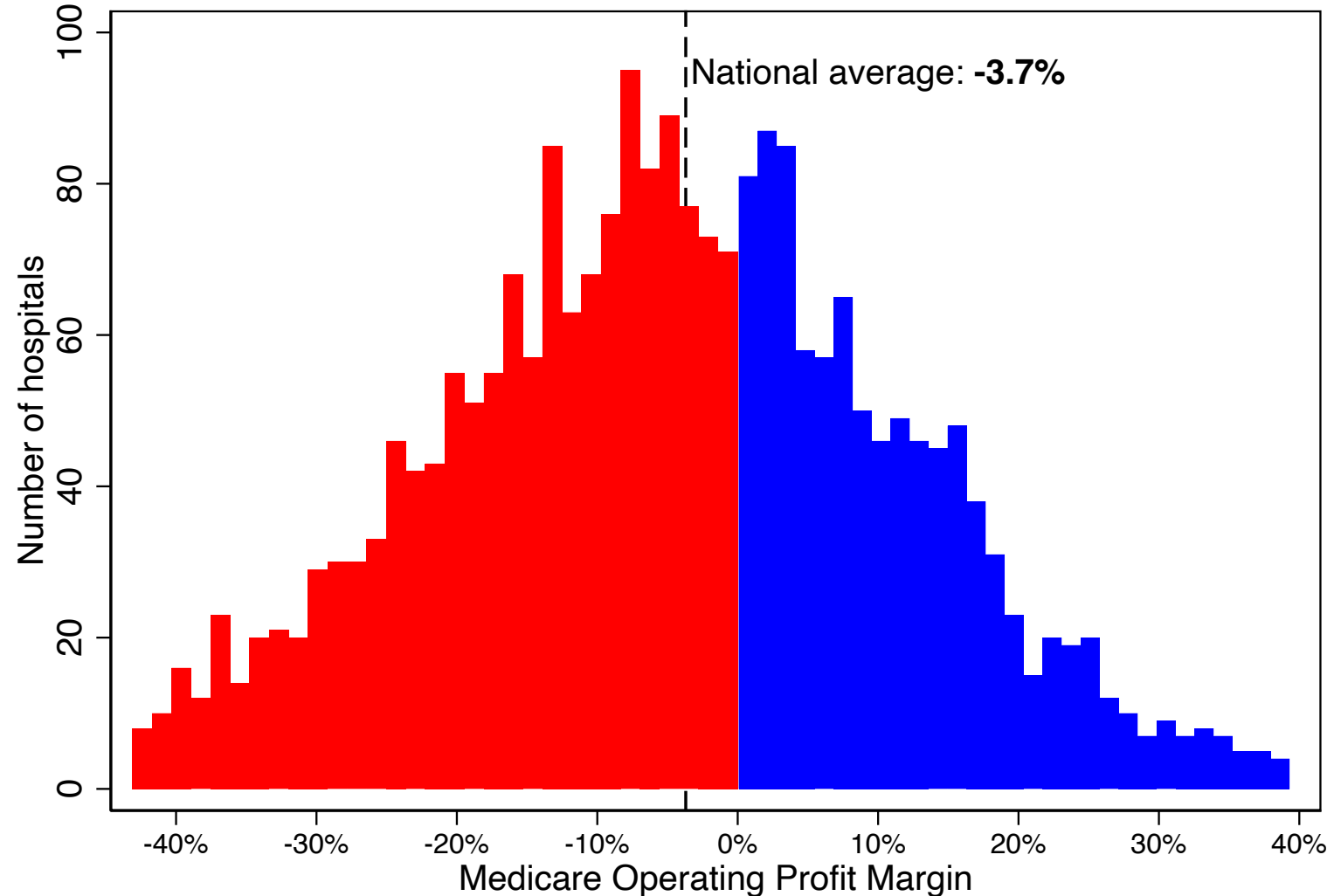
Understanding health care prices is critical for health care affordability

- Prices are the lever to allocate goods and resources throughout the economy
- Without transparent prices and market competition, it is impossible to have an efficient allocation of goods and services

If we rely on markets, price transparency and competition are critical for the functioning of the US health care system

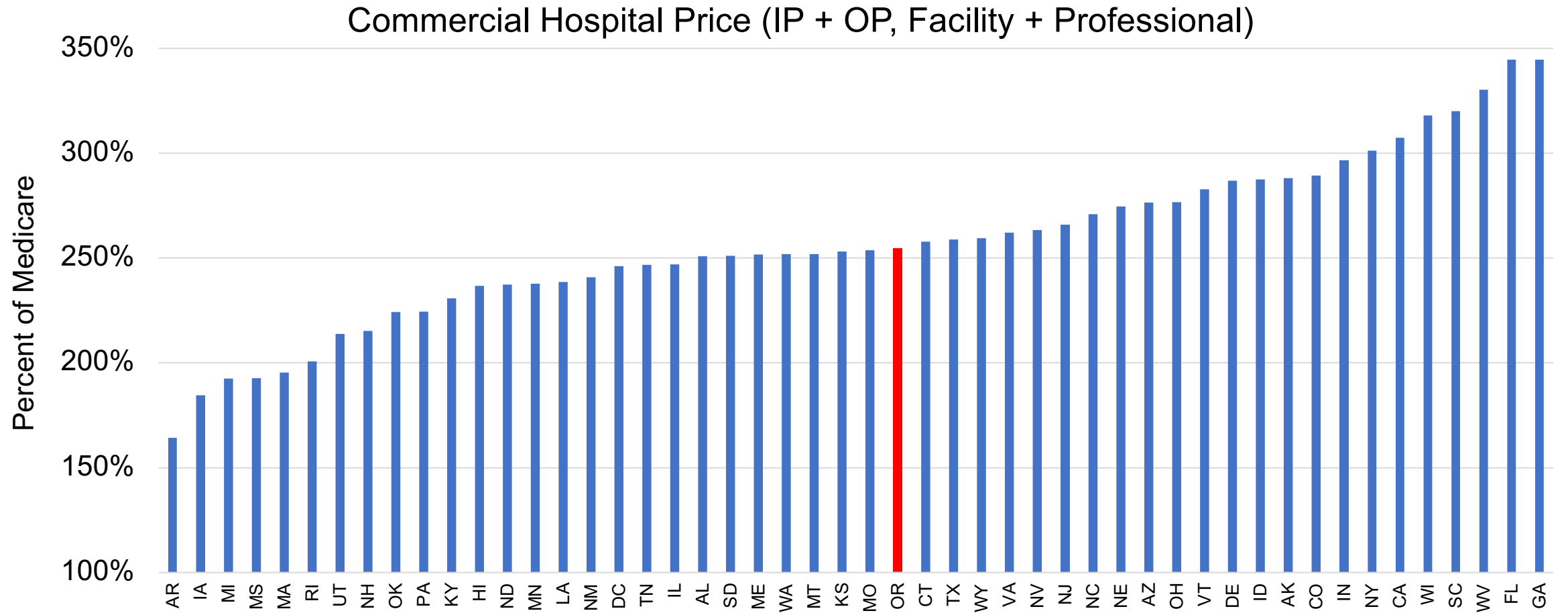
Percent of Medicare is a price benchmark, not a price endpoint

- Medicare prices and methods are empirically based and transparent
- Medicare Payment Advisory Commission (MedPAC): Medicare rates are close to break-even for efficient hospitals



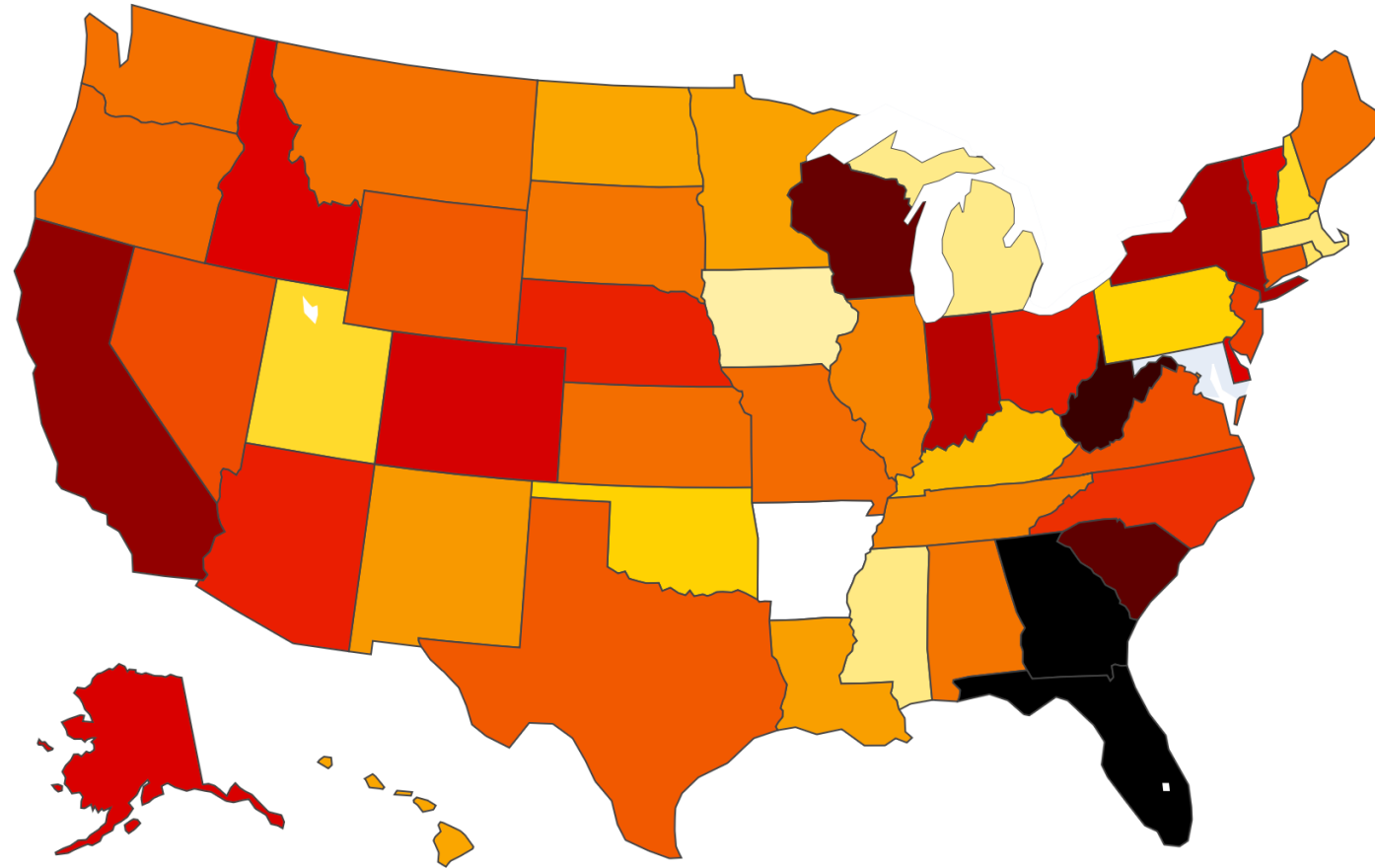
Source: CMS Cost Report Data, 2022

Oregon hospital prices are at national average



Source: Whaley et al. 2024. "Prices Paid to Hospitals by Private Health Plans: Findings from Round 5 of an Employer-Led Transparency Initiative." RAND.

Hospital prices are all over the map



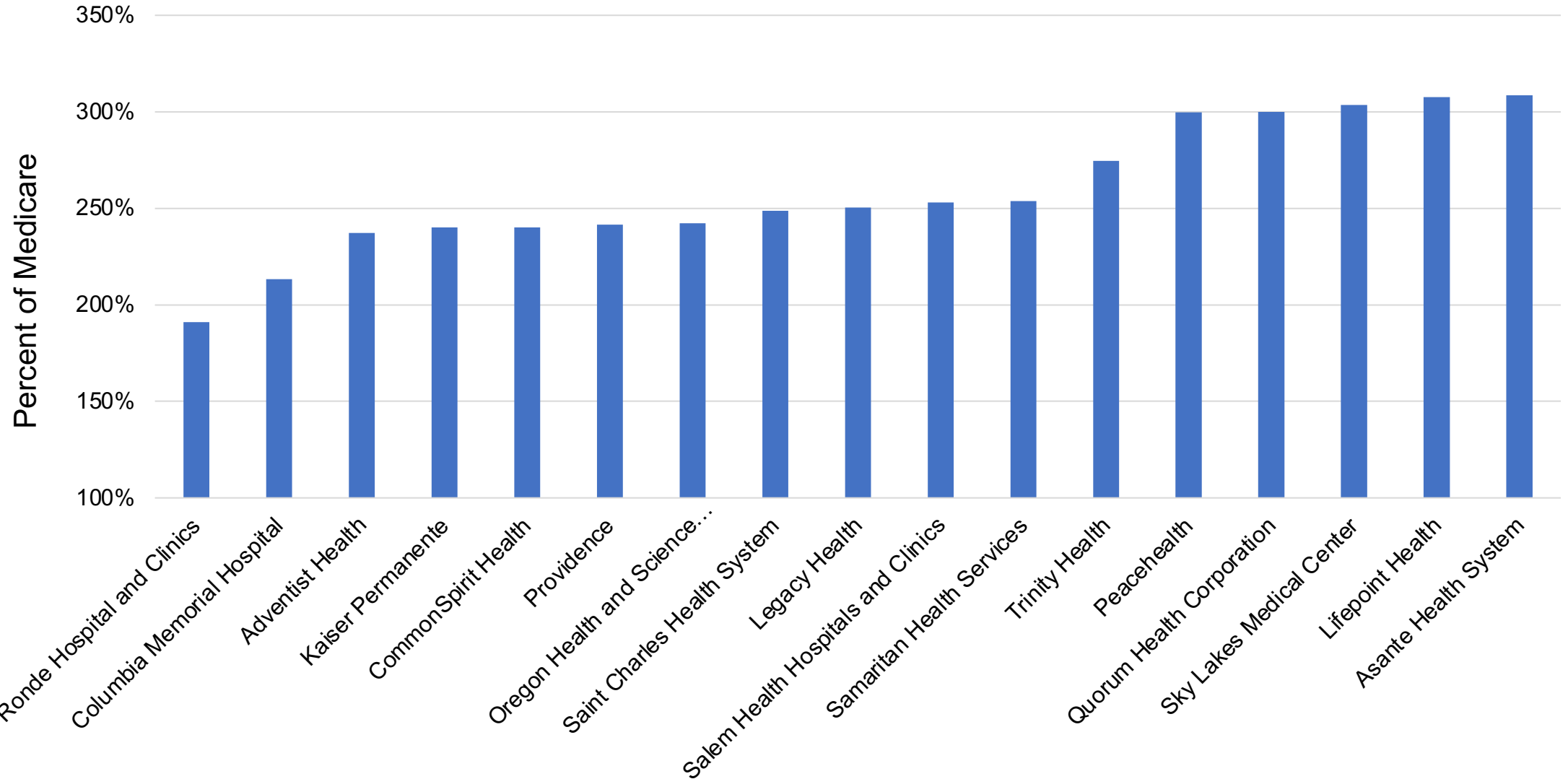
Percent of Medicare

180 200 220 240 260 280 300 320 340

Source: Whaley et al. 2024. "Prices Paid to Hospitals by Private Health Plans: Findings from Round 5 of an Employer-Led Transparency Initiative." RAND.

Large variation in Oregon hospital system prices

Relative price for inpatient and outpatient services, 2020-2022



Source: Whaley et al. 2024. "Prices Paid to Hospitals by Private Health Plans: Findings from Round 5 of an Employer-Led Transparency Initiative." RAND.

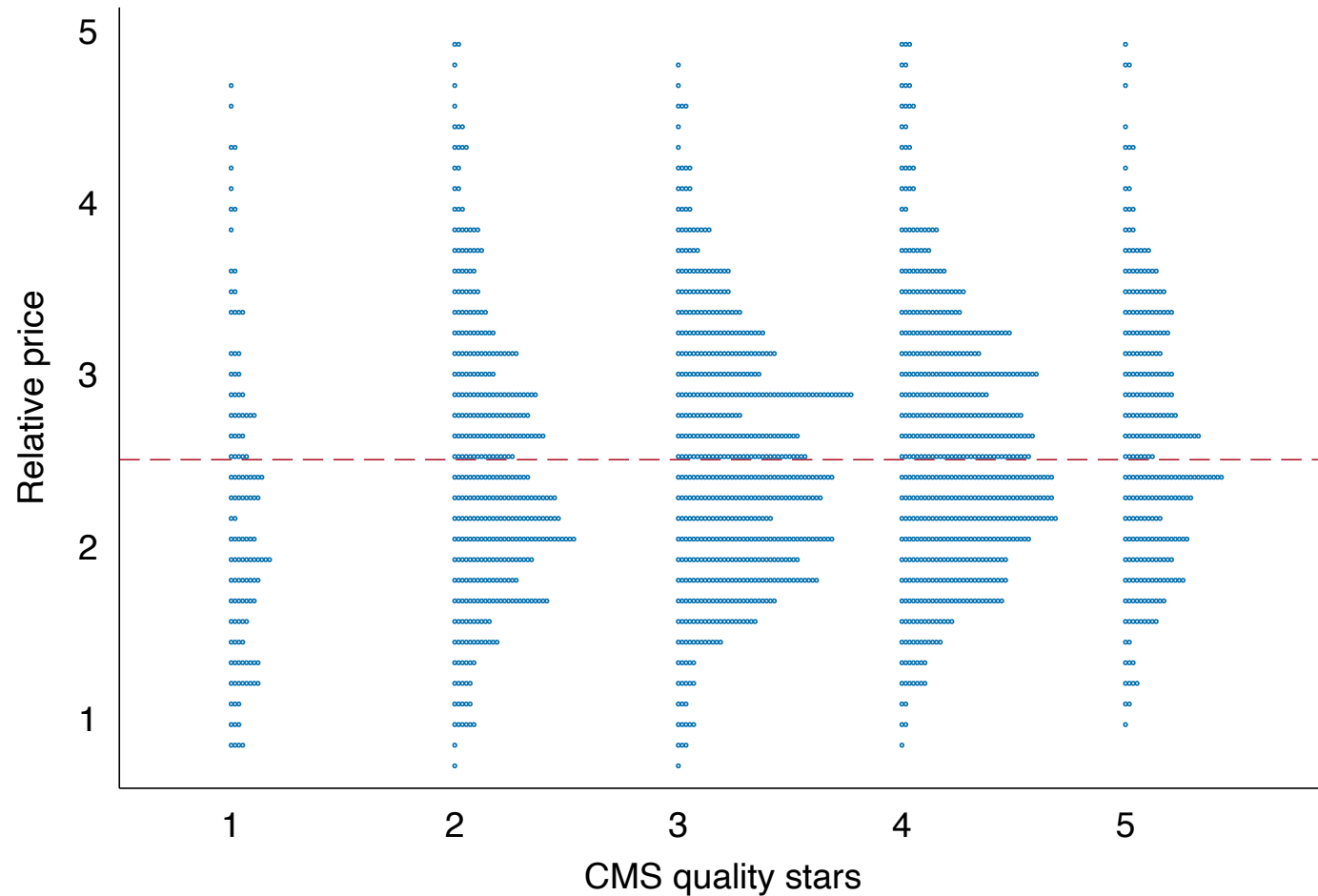
What drives prices?

No correlation with Medicare, Medicaid, or uncompensated patients (“cost shifting” not true)

Minimal correlation with quality and outcomes

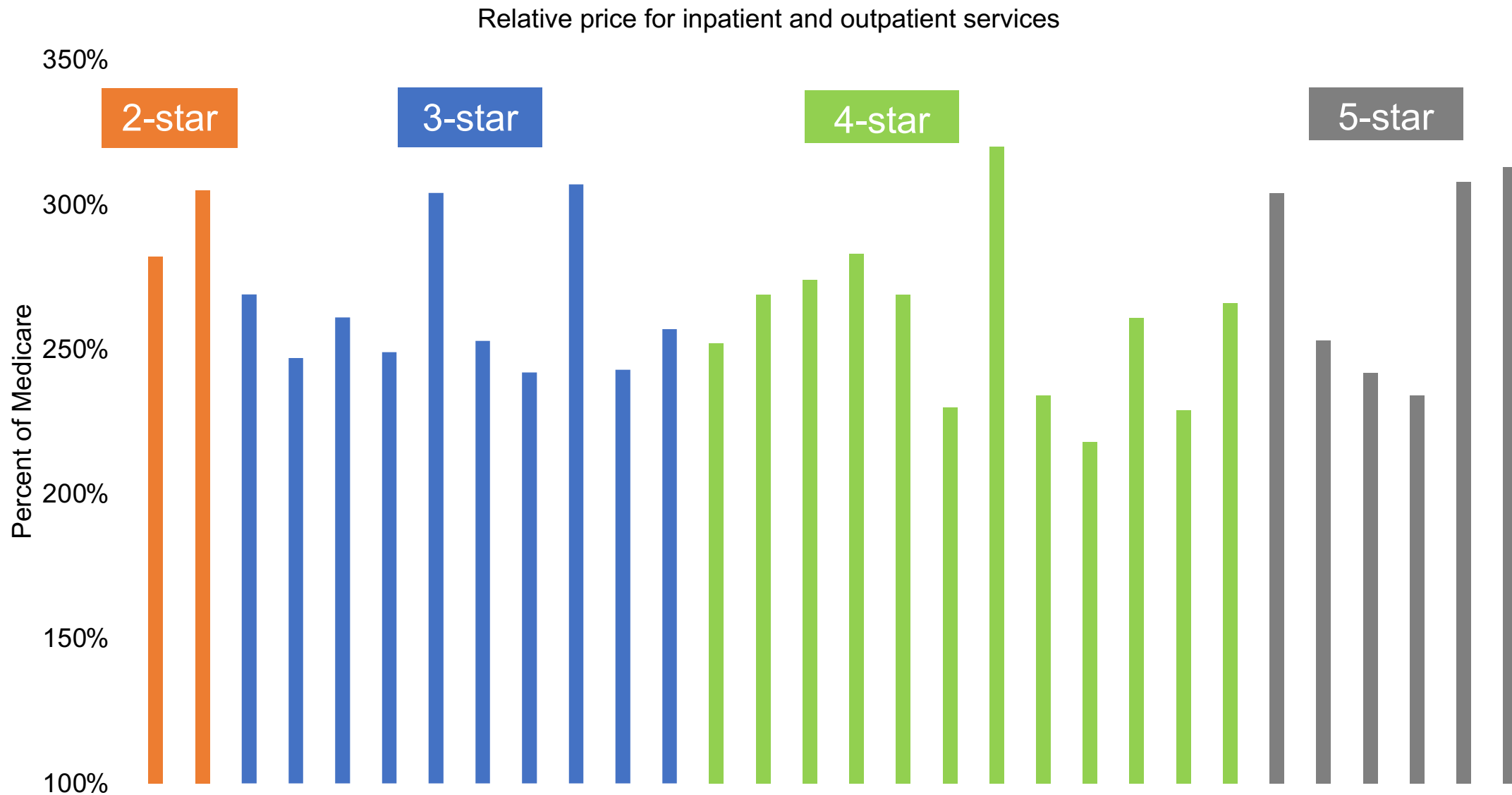
Strong correlation with market power and concentration

Prices are not linked to quality



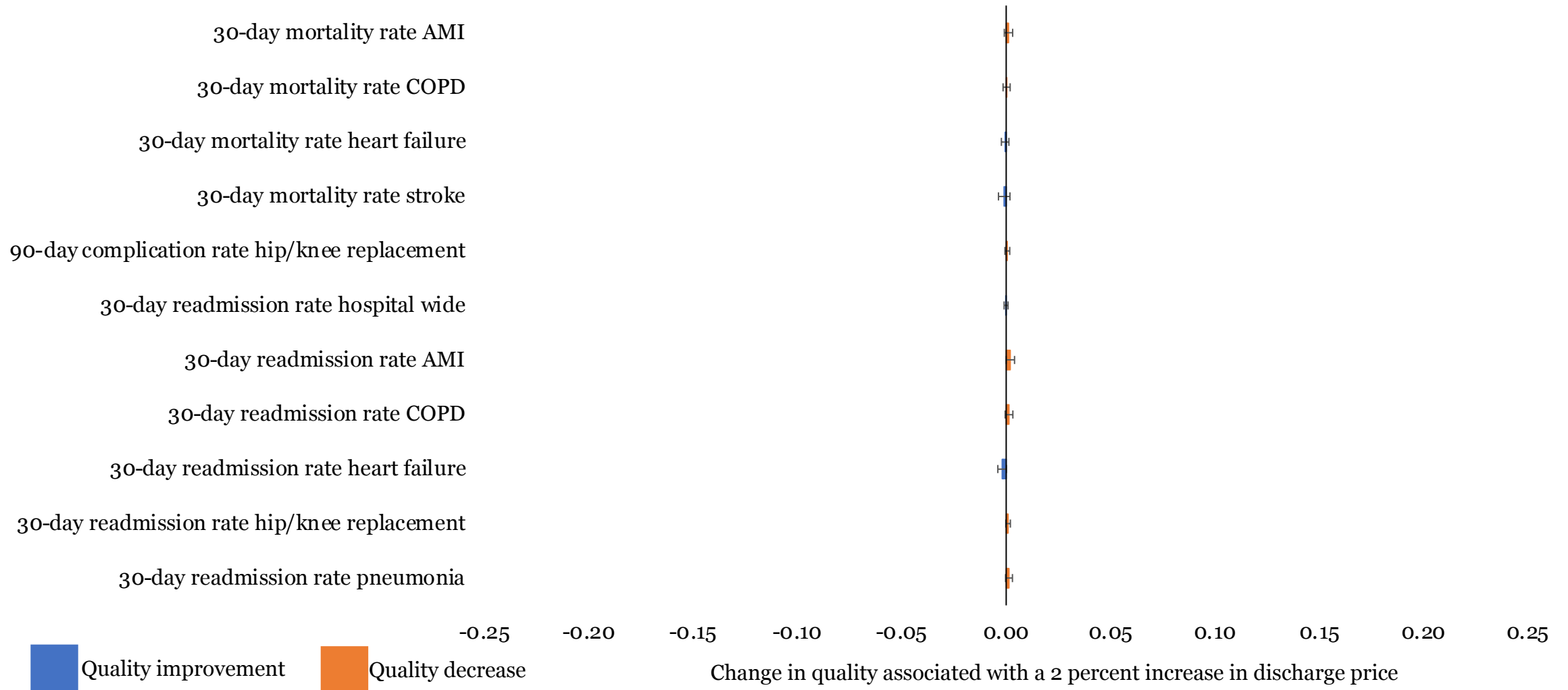
Dashed line indicates mean price

OR hospital prices are not linked to quality (-3% correlation)



Source: Whaley et al. 2024. "Prices Paid to Hospitals by Private Health Plans: Findings from Round 5 of an Employer-Led Transparency Initiative." RAND.

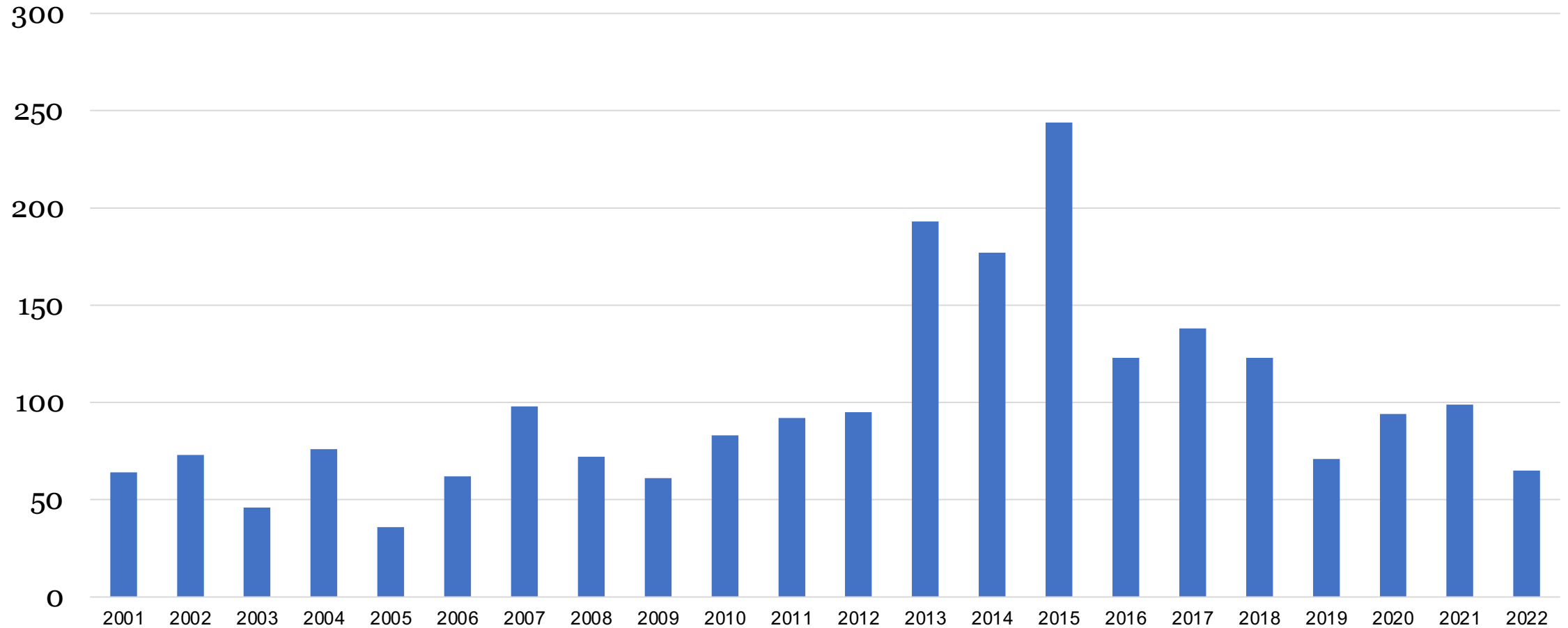
Hospital price increases don't lead to quality improvements



Source: Crespin and Whaley. 2022. "The Effect of Hospital Discharge Price Increases on Publicly Reported Measures of Quality." *Health Services Research*.

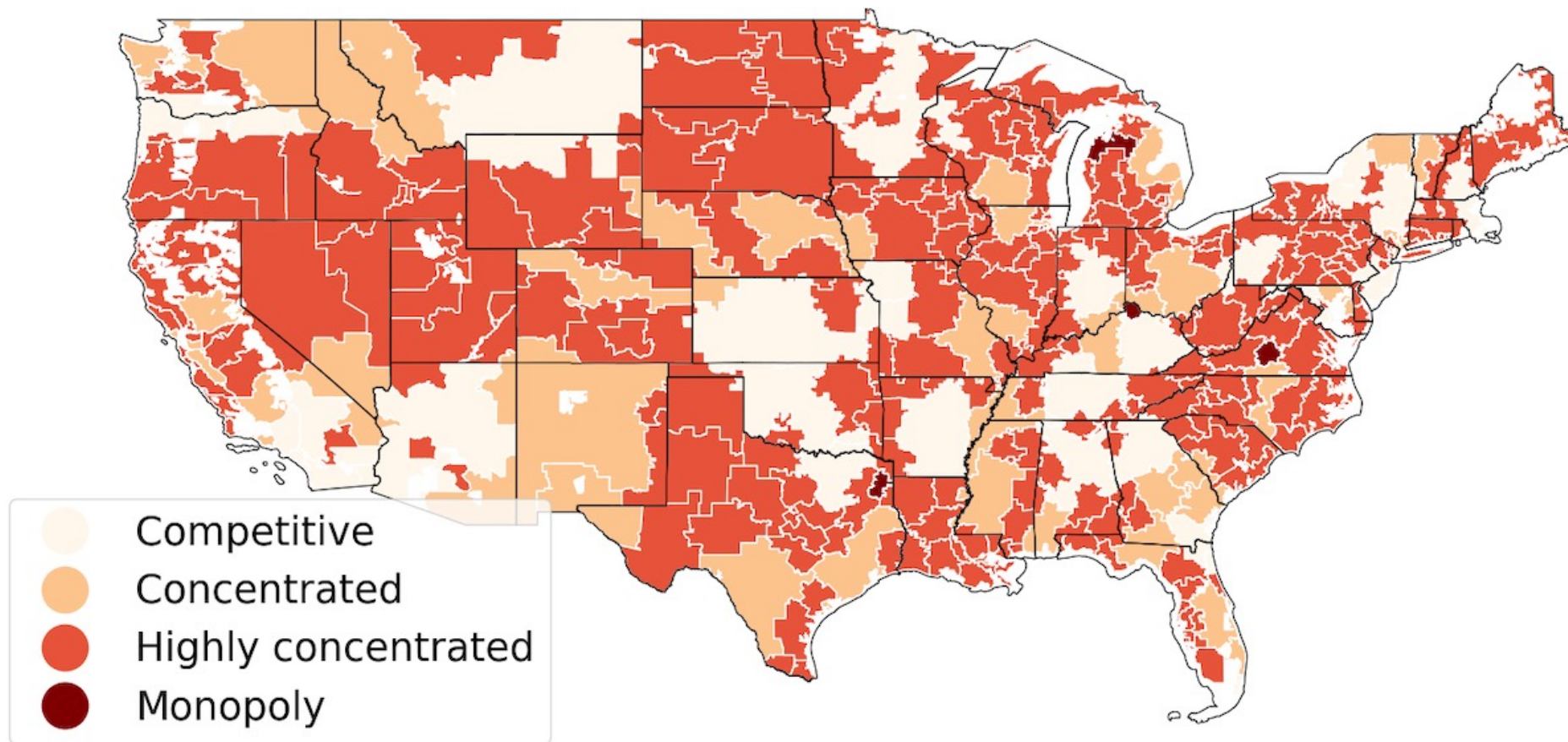
Over 2,000 hospital mergers since 2001

Number of hospital mergers

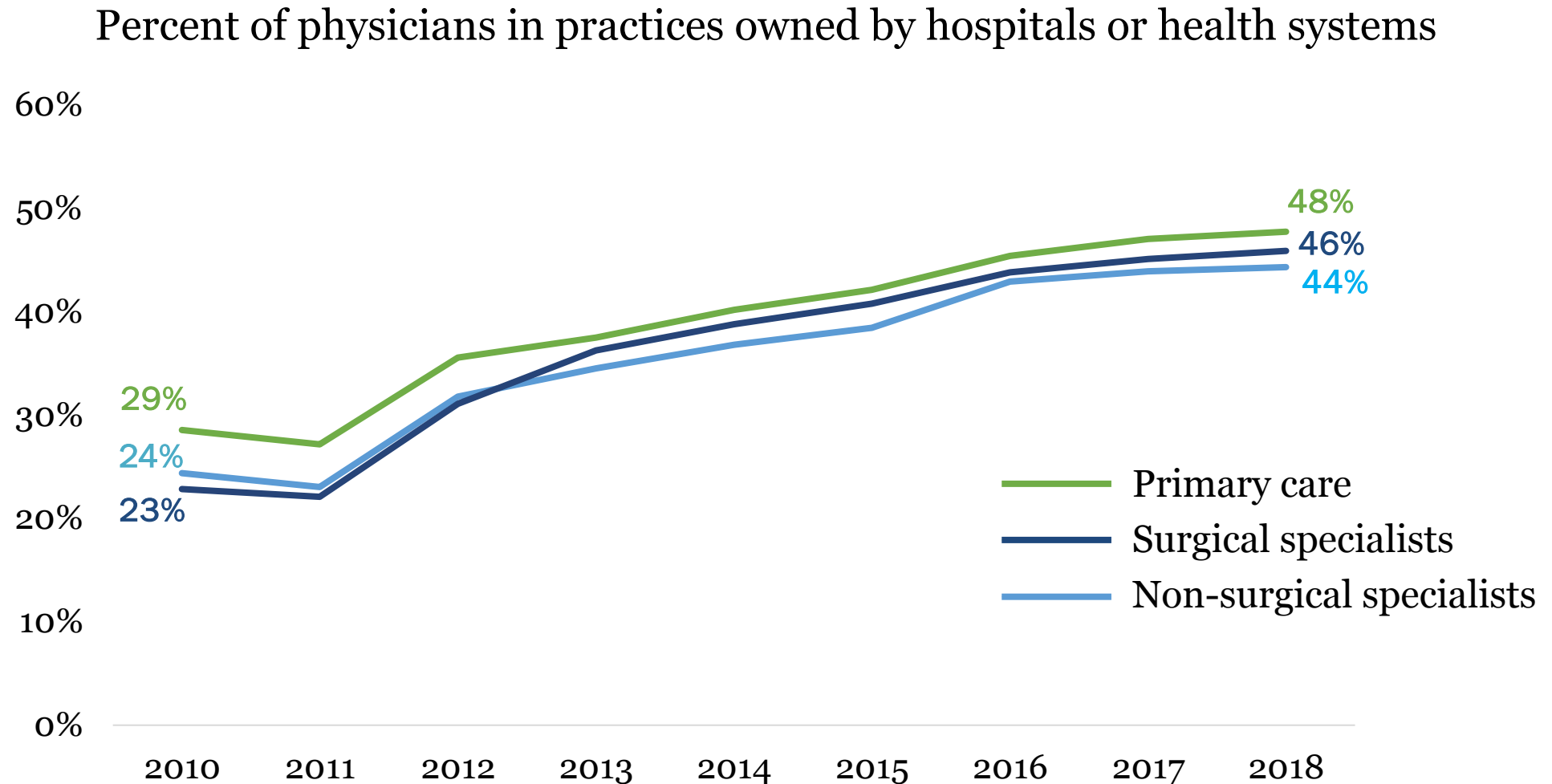


US hospital markets lack competition

2022 Hospital Market Concentration

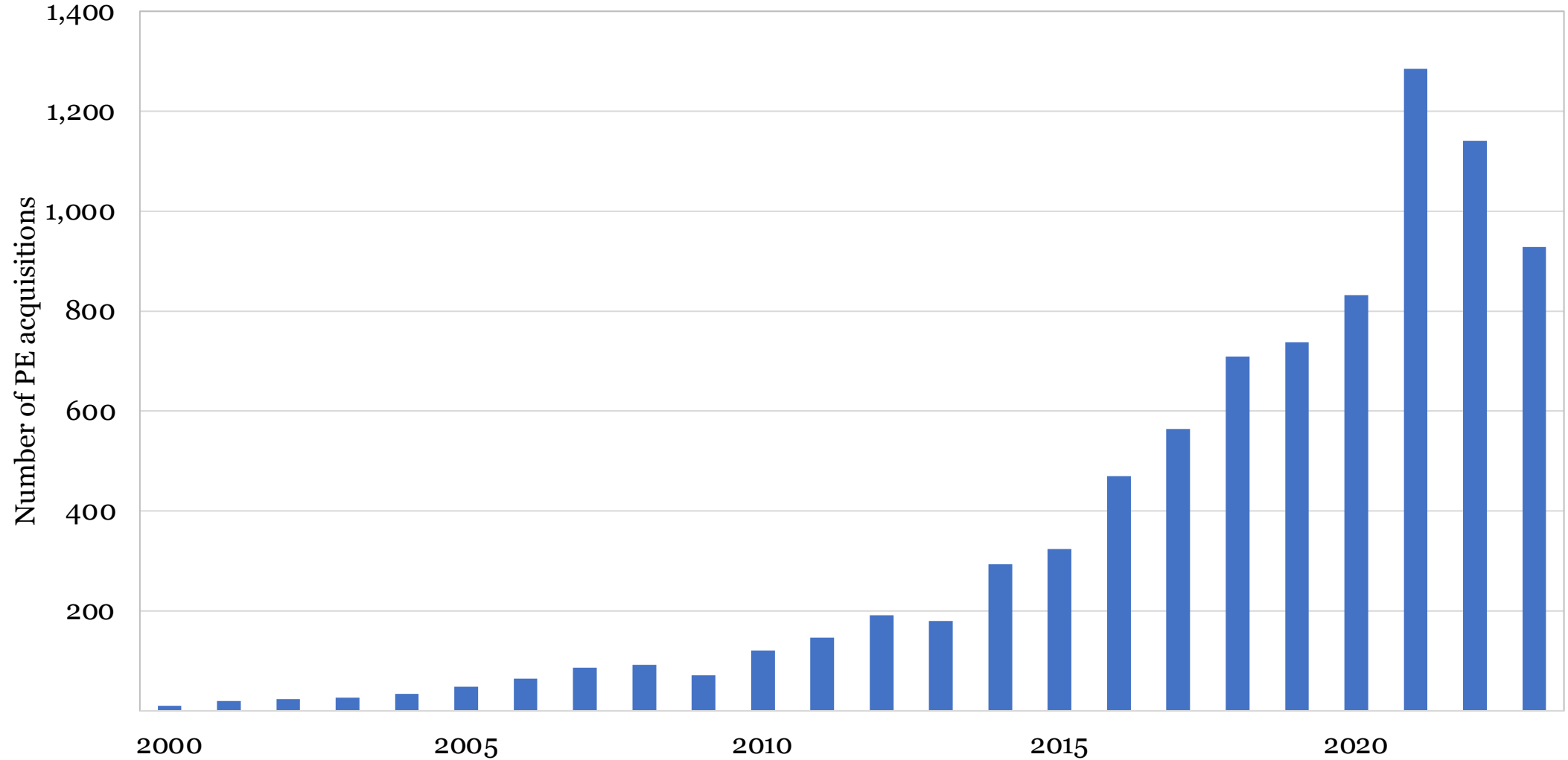


Vertical integration is the dominant consolidation trend in the United States



Source: Whaley, Christopher M., Daniel R. Arnold, Nate Gross, and Anupam B. Jena. 2021. "Physician Compensation In Physician-Owned And Hospital-Owned Practices." *Health Affairs*

Private Equity health care acquisitions have skyrocketed and are a new wave of consolidation



What is the road ahead for health care affordability?

- Whether they like it or not, U.S. employers are in the health care business
- Fiduciary obligations are becoming real
- Policy and regulators have been slow to act, but are finally moving
 - Oregon: ownership disclosure
 - Texas: anti-competitive contract provision bans
 - FTC actions on non-competes, consolidation, and private equity
 - Medicare site-neutral payment policies

Several purchasers have used price transparency to break the mold and innovate

It's Time For Employers To Bring Health Care Decisions In-House
[Christopher M. Whaley](#), [Gloria Sachdev](#), [Marilyn Bartlett](#), [Ge Bai](#)
SEPTEMBER 22, 2022

10.1377/forefront.20220920.283514

Oregon implemented hospital payment caps in 2019

Caps hospital facility prices at **200% of Medicare for in-network services** (*and 185% for out-of-network services*)

82nd OREGON LEGISLATIVE ASSEMBLY--2023 Regular Session

Applies only to...

- Oregon state employee health plan
- 24 hospitals

Senate Bill 1067

Sponsored by Senators FREDERICK, MANNING JR; Senators CAMPOS, DEMBROW, GOLDEN, GORSEK, JAMA, MEEK, STEINER, TAYLOR, WOODS

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

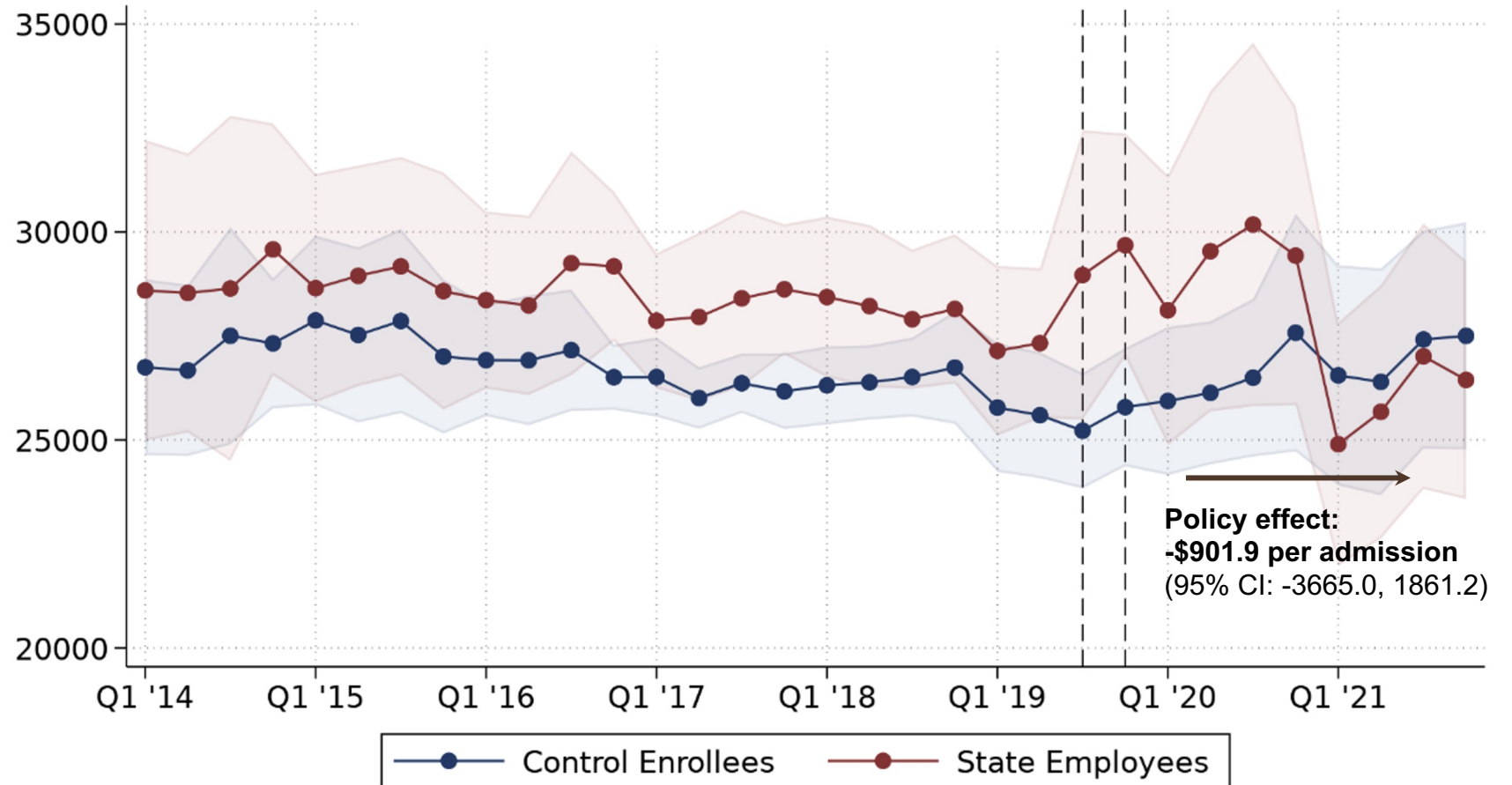
Modifies definition of "employment relations" to exclude standards, requirements or procedures relating to body-worn cameras for purposes of law enforcement officer collective bargaining.

Prohibits labor organization that represents sworn law enforcement officers of law enforcement agency from negotiating over matters related to standards, requirements or procedures relating to body-worn cameras. Provides that such matters are prohibited subjects of bargaining.

Question: Does the Oregon state employee plan's hospital payment cap reduce hospital price levels?

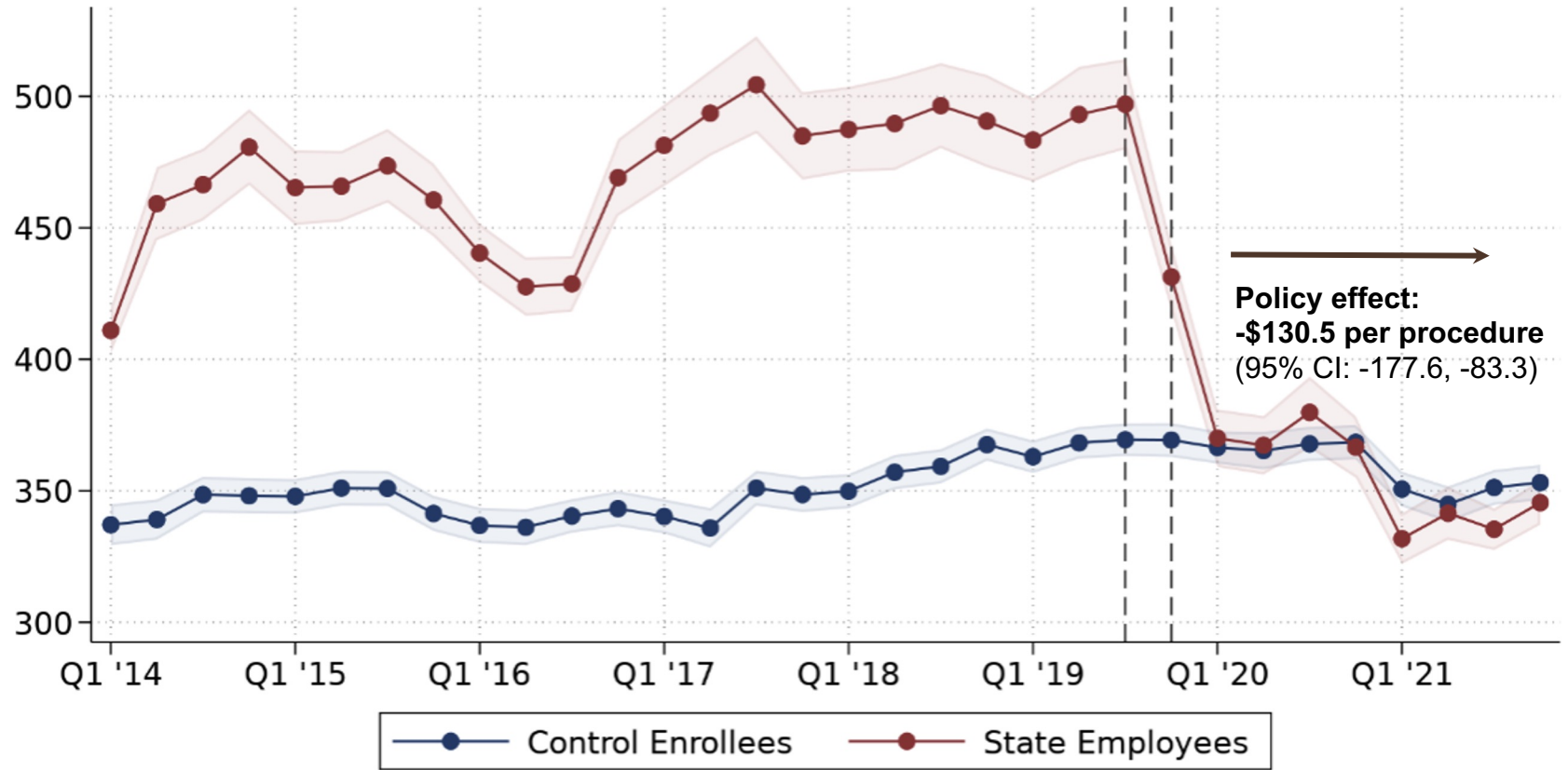
Inpatient prices **did not change** significantly over the post-period

Inpatient Facility Prices per Admission by Quarter for State Employee vs Comparison Enrollees Over the Study Period (2014-21)



The program was associated with a **25.4% reduction** in outpatient prices per procedure

Outpatient Facility Prices per Procedure by Quarter for State Employee vs Comparison Enrollees Over the Study Period (2014-21)



The hospital payment cap generated **\$107.5 million in savings** for the state employee plan over 2 years

Inpatient:

Savings of \$901.90 per admission with 12,785 state employee admissions in 2020-21 =
\$11.5 M in savings

Outpatient:

Savings of \$130.50 per procedure with 735,533 state employee procedures in 2020-21 =
\$96.0 M in savings

Conclusions

- Rising health care costs place tremendous pressure on employers and worker wages
- The wide variation in hospital prices presents a potential savings opportunity for employers and purchasers
- Employers and purchasers need to demand and use transparent information on the prices they—and their workers—are paying
- State and federal policies need to ensure employers and purchasers are on equal playing fields and health care markets are competitive

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HEALTH POLICY
THROUGH RESEARCH



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Public Health
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Thank you!

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