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

- 473% deductibles
- 355% premiums
- 178% wages
- 167% inflation
Rising hospital prices drive spending growth

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

MORE EXPENSIVE

MORE AFFORDABLE

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

National average: -3.7%

Source: CMS Cost Report Data, 2022
Oregon hospital prices are at national average

Hospital prices are all over the map

Large variation in Oregon hospital system prices

Relative price for inpatient and outpatient services, 2020-2022

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

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

Relative price for inpatient and outpatient services

Hospital price increases don’t lead to quality improvements

- 30-day mortality rate AMI
- 30-day mortality rate COPD
- 30-day mortality rate heart failure
- 30-day mortality rate stroke
- 90-day complication rate hip/knee replacement
- 30-day readmission rate hospital wide
- 30-day readmission rate AMI
- 30-day readmission rate COPD
- 30-day readmission rate heart failure
- 30-day readmission rate hip/knee replacement
- 30-day readmission rate pneumonia

Quality improvement  
Quality decrease

Change in quality associated with a 2 percent increase in discharge price

US hospital markets lack competition

2022 Hospital Market Concentration

- Competitive
- Concentrated
- Highly concentrated
- Monopoly
Vertical integration is the dominant consolidation trend in the United States

Percent of physicians in practices owned by hospitals or health systems

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
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)

Applies only to...
- Oregon state employee health plan
- 24 hospitals

**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.

Policy effect: -$901.9 per admission (95% CI: -3665.0, 1861.2)

Source: Hospital Facility Prices Declined As A Result Of Oregon’s Hospital Payment Cap. Roslyn C. Murray, et al. Health Affairs 2024
The program was associated with a 25.4% reduction in outpatient prices per procedure.

Policy effect: -$130.5 per procedure (95% CI: -177.6, -83.3)

Source: Hospital Facility Prices Declined As A Result Of Oregon’s Hospital Payment Cap. Roslyn C. Murray, et al. Health Affairs 2024
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

Source: Hospital Facility Prices Declined As A Result Of Oregon’s Hospital Payment Cap. Roslyn C. Murray, et al. Health Affairs 2024
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
Thank you!

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