



Alaska Health Care Commission

Meeting Discussion Notes
October 12, 2012

Employer's Role – preliminary FINDINGS

- ▶ Employers have an impact on health care costs
- ▶ Employers can have a positive impact with some fairly simple and straightforward interventions (that require a lot of energy)
- ▶ Employers have an impact on health care value for employees – it's not just about cost – it's about value.
 - The evidence provided yesterday demonstrated employers can contain costs and improve quality and outcomes
- ▶ *DEB – post Towers Watson report on employee benefits that Jeff Davis provided.

Employer's Role – preliminary FINDINGS

- ▶ It's important to incentivize employee/patient/consumer: it's not only about the health care delivery side of the equation – incentivizing healthy lifestyles is an important part of the equation.
- ▶ Employers are recognizing that to address cost, quality and outcomes, the relationship between the patient and clinician, and engagement of the patient in shared decision-making, is critical --- the role of clinicians has evolved to being an educator and being collaborative with the patient
- ▶ The three points of how Torinus made this work align with the Commission's ideal health care system:
 - Consumer-driven
 - Pro-active primary care
 - Center of value (translates as price and quality transparency)

Employer's Role – preliminary FINDINGS

- ▶ Four elements required
 - Skin-in-the-game
 - Incentives
 - Transparency (cost and quality)
 - Pro-active primary care
- ▶ Concerned about moral hazard of focusing on employee health and prevention to the point we may end up stigmatizing and discriminating against people who have certain characteristics of poor health or poor health behaviors.
- ▶ The most important thing an employer can do is demonstrate that they care for their employees, and what we've been talking about demonstrates that
- ▶ Concern regarding employers engaging in collection of personal health/medical metrics and confidentiality --- but HIPAA would protect against it – employers wouldn't have direct access to individual employees' protected health information

Employer's Role – preliminary FINDINGS

- ▶ “Skin-in-the-Game”: what does this term mean – is it about money? Or about commitment – accountability? Weird phrase (cultural). There are ways to incentivize behavior that are not purely financial.
- ▶ “Skin-in-the-Game” is specifically about high-deductible health plans. There’s a moral hazard created by third party reimbursement where patients are removed from experiencing the direct costs of a service. High-deductible health plans have been demonstrated to result in an immediate 20%–30% reduction in end costs. This term is really about the importance of price sensitivity.

Employer's Role – preliminary FINDINGS

▶ Medical tourism concerns:

- Will the short term solution have an impact in the long term on the availability, price and quality of locally-provided services? Will the long-term impact harm our communities?
- Individual patients who travel for surgery and aren't participating in a service may have trouble finding a local provider to provide after-care or take care of subsequent problems.
- On the other hand – the financial reality is something has got to give – and the market is going to have to participate in driving it
- And also on the other hand – the cost shifting that occurs between high-margin and low-margin services is a market inefficiency, and transparency and consumerism (including medical tourism) will help the market to drive out the inefficiencies
 - For every change there are going to be positive and negative effects, and we need to ask – do the positives outweigh the negatives?
- This is about “gravity” – health insurance clients are demanding this.
- But this is largely symbolic – “a shot across the bow” – there are a small number of procedures and low up-take (e.g., Premera program – 12 procedures that are medically appropriate for travel and the cost difference is such that it makes a financial impact; GCI – 5 to 6 employees have taken advantage of it). But this is an important strategy because we don't have countervailing market forces in Alaska.

This is just one very small strategy in a suite of numerous employer strategies

Employer's Role – preliminary FINDINGS

- ▶ Caution in applying market forces, because we have messed this market up so badly with the heavy government regulation of the health care industry.
- ▶ And the financing of the industry is so “perverted” many services are reimbursed at levels that are below cost of providing while only a couple make a margin.
- ▶ Another aspect of the “perverted” health care financing system is that prices don't really matter, because prices don't reflect what the provider is going to be paid. Public payers (Medicare and Medicaid at least) pay off fee schedules set lower than what commercial payers will pay. Providers set prices to balance out operating costs vs. experienced reimbursement levels, and keeping in mind that out-of-pocket payers will be paying 100% of billed charges. Cost shifting “sucks” because the price charged is not the price paid, and the payers who can pay are the ones expected to foot the entire bill.
- ▶ Health care administrators hands are tied behind their backs. One example – providers are not allowed to share prices under CMS rules (issue regarding price-fixing).
- ▶ Pricing issues/questions – if providers used cost accounting would they more accurately be able to set prices that reflect the cost of providing the service? If providers were able to share prices with one another or see each other's prices, would they be able to set their prices more competitively? Will providers (also being business owners) always set prices at the highest possible level to get the highest possible reimbursement?
- ▶ SO – having more market forces at play through more transparency is one thing we can do to try to drive more market forces

Employer's Role – preliminary FINDINGS

- ▶ Question of intention with mindful eye on outcome. There will be unintended consequences down the road. We will need to pay attention to how these strategies play out over time.
 - On the other hand, if we over-think potential consequences and become paralyzed by fear of possible unintended consequences we run the risk of not ever directly addressing the problems.
 - Insurers and employers intention and desired outcome from medical tourism is to see providers' align prices more closely with the regional market, and offer bundled prices and guarantees, then there will be no need to offer a travel benefit.
 - But employers and other payers need to be mindful of the community impact and the impact on the health care delivery system of the separate strategies they might implement to address their own individual problems. Will separate payer organizations implementing their own strategies to contain costs simply result in more cost shifting? There is a collective impact of these decisions, and each decision-maker needs to be mindful of the collective impact of their decisions (“Squeezing the intestine?”)
 - However, we must act, even if there are risks, because there is a great urgency to address the problem
 - There is a difference between cost shifting, and the approach that Torinus took that was a win-win-win. Didn't just shift costs to others, but implemented a series of strategies that are driving improved quality, outcomes and costs.

Employer's Role – preliminary FINDINGS

- ▶ State as an employer should move “low and slow”, because they are a large employer and if they make a big shift there could be unintended consequences in terms of negative impacts to local providers and local hospitals – start small, such as Premera’s approach to medical tourism for only 12 procedures, and track the outcomes that result.
 - But State is duty-bound to be a more responsible, prudent health care purchaser
 - How aggressively do we recommend these large employers move, understanding that there is significant urgency to get a handle on this problem
 - Cost accounting is a must for providers, if they are going to be able to negotiate prices from a position of knowledge regarding the cost of providing a service.
 - The health care situation in Alaska has reached a moral imperative in terms of what we must do here – because the train is coming off the tracks. There’s always a dynamic tension between entrepreneurial risk and dynamic market forces and bureaucratic processes. The State needs to assume there will be a certain level of risk if anything is going to get done. Too much of an incremental approach will be detrimental and result in continuation or prolongation of current stagnation – our recommendations need to be tinted with a certain level of risk, otherwise there won’t be any progress.

Employer's Role – preliminary RECOMMENDATIONS

- ▶ Price transparency is required – but it will take a lot of work – it's complex and will take a lot of health care actuaries..... Acuity-adjusted; case-mix adjusted price transparency is needed:
 - APCD?
 - Require providers to publicly report prices for top procedures?
 - FQHCs are required to post their prices and sliding fee scale methodology – could use them as an example.
 - See New Hampshire's cost comparison website for one example an All-Payer Claims Database used by a state to provide public info for price transparency
- ▶ Price sensitivity is also required. The demand curve should curve, the problem is for health care it doesn't curve – it's a straight line because the consumer/patient doesn't care about the price when they are insulated from paying the price through the third party system. The demand curve must curve so consumers will seek value.
 - Lead by example: State is and should continue playing a role by providing leadership with employee health plans (consumer-driven health plans, using co-pays, co-insurance, high deductibles to share costs with patients; ideally a co-pay/percentage of every charge is the most effective way to drive consumer engagement)
- ▶ The Commission should continue to engage the business community/employers in learning about opportunities for increasing value in health care.