



BERKELEY CENTER  
FOR HEALTH TECHNOLOGY

# **Reference Pricing as an Employer Strategy to Promote Patient Choice of Freestanding Surgical and Diagnostic Centers**

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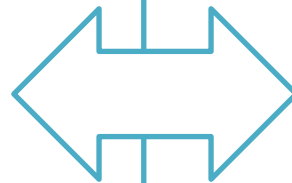


# Overview



- Hospital expansion (HOPD)
- Variation in prices: HOPD v. ASC
- Reference pricing for colonoscopy, cataract surgery, knee arthroscopy
- Impacts: consumer choices, prices paid, surgical complications
- Expansion to additional services
- Consumer decision support

# Hospital Expansion into Ambulatory Procedures: The Good, the Bad, the Backlash



# Effects of Hospital Expansion

1. **The good:** increased coordination and lower costs?
  - Can lead to regionalization of services, with higher patient volumes and better outcomes
  - Reduced costs of supplies, access to capital
2. **The bad:** decreased efficiency and higher prices?
  - Large firms can become complex, slow-moving, resistant to change and innovation
  - Integrated firms can lose efficiency and then need to raise prices to compensate
3. **The backlash:** benefit re-design and reference pricing
  - Employers and insurers limit network choice to lower priced facilities (narrow network) or shift financial accountability to consumers (reference pricing)





# Reference Pricing for Ambulatory Surgery and Diagnostic Procedures

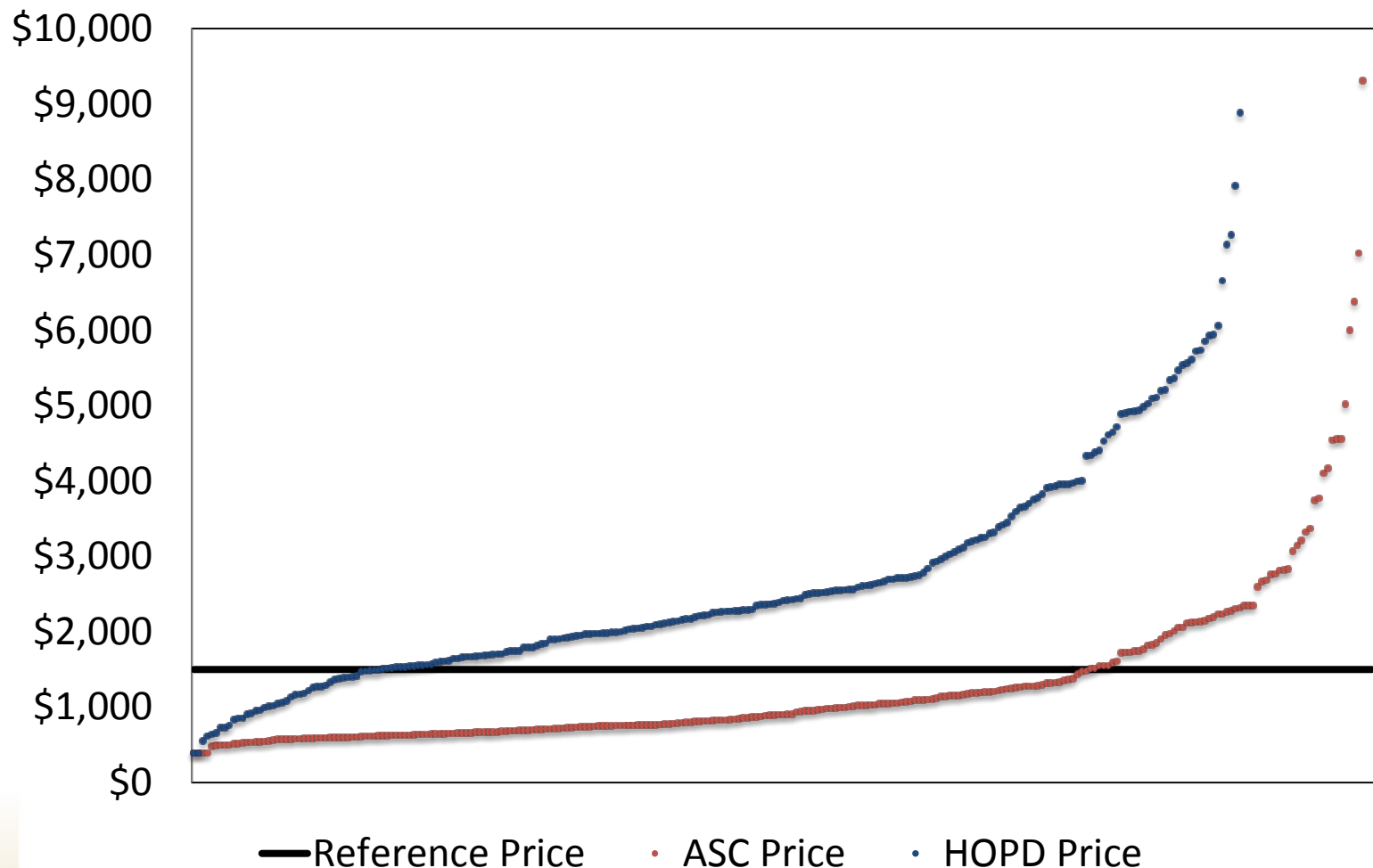
- In 2011 PERS expanded reference pricing to ambulatory procedures, with intent of convincing beneficiaries to select lower-price ambulatory surgery centers (ASC) over hospital outpatient departments (HOPD)
- Reference price was set for HOPD at average price for ASC



# Impact of Hospital Expansion: Variation in Prices Charged

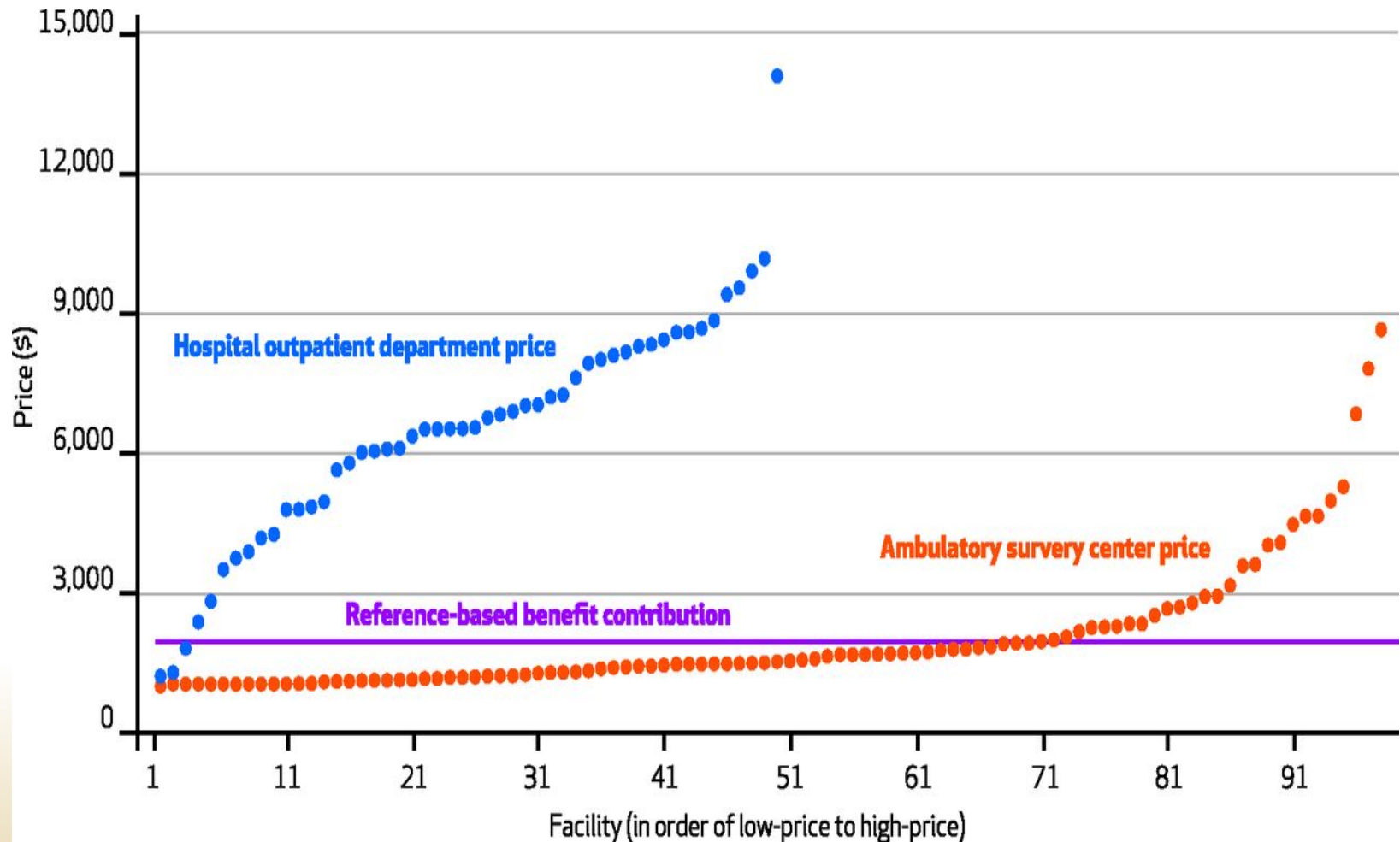


# Colonoscopy: Variation in Prices in HOPD and ASC Prior to Reference Pricing



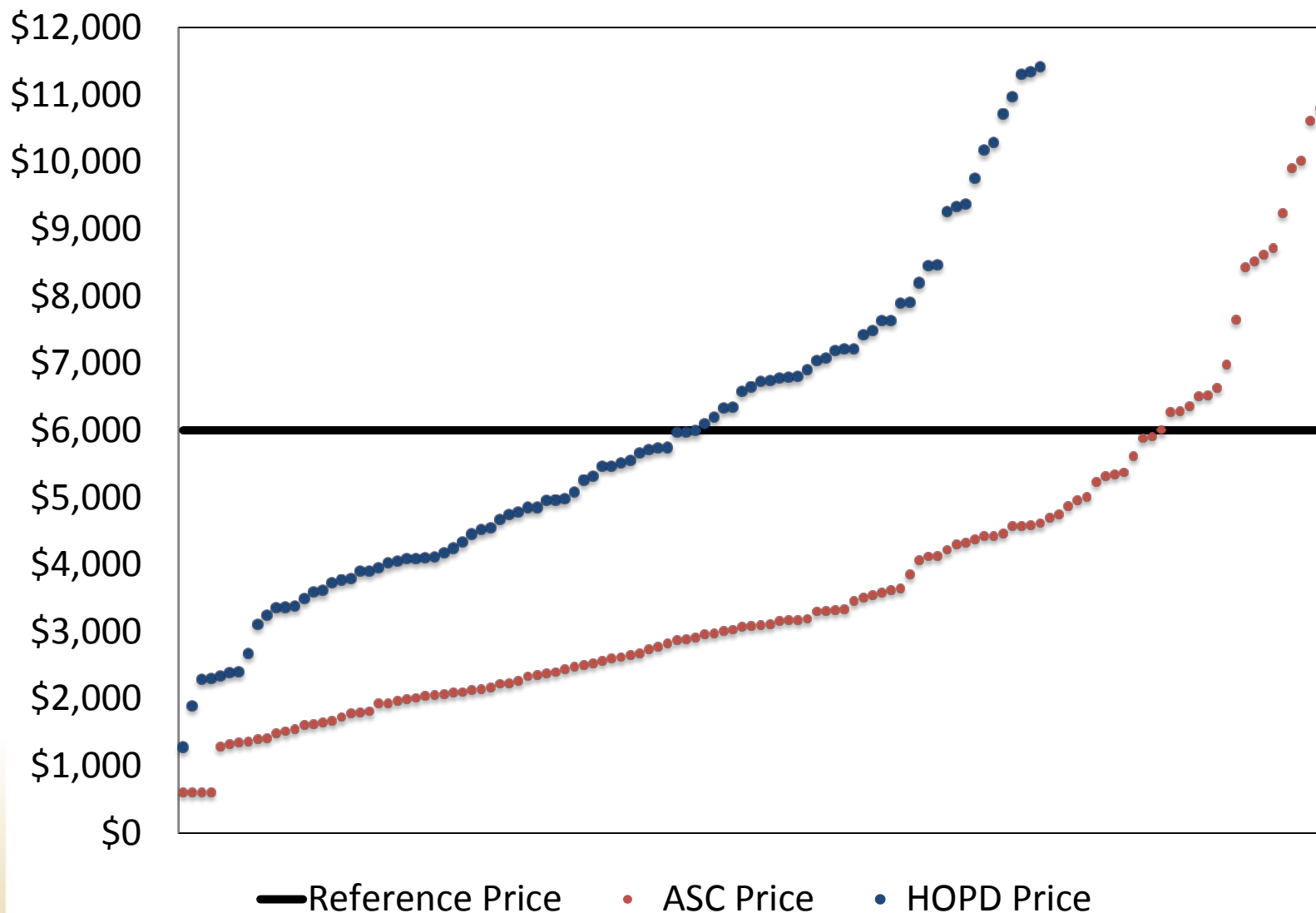
JC Robinson et al. Association of Reference Pricing for Colonoscopy with Consumer Choices, Insurer Spending, and Procedural Complications. JAMA Internal Medicine 2015; doi:10.1001/jamainternmed.2015.4588

# Cataract Surgery: Variation in Prices in HOPD and ASC Prior to Reference Pricing





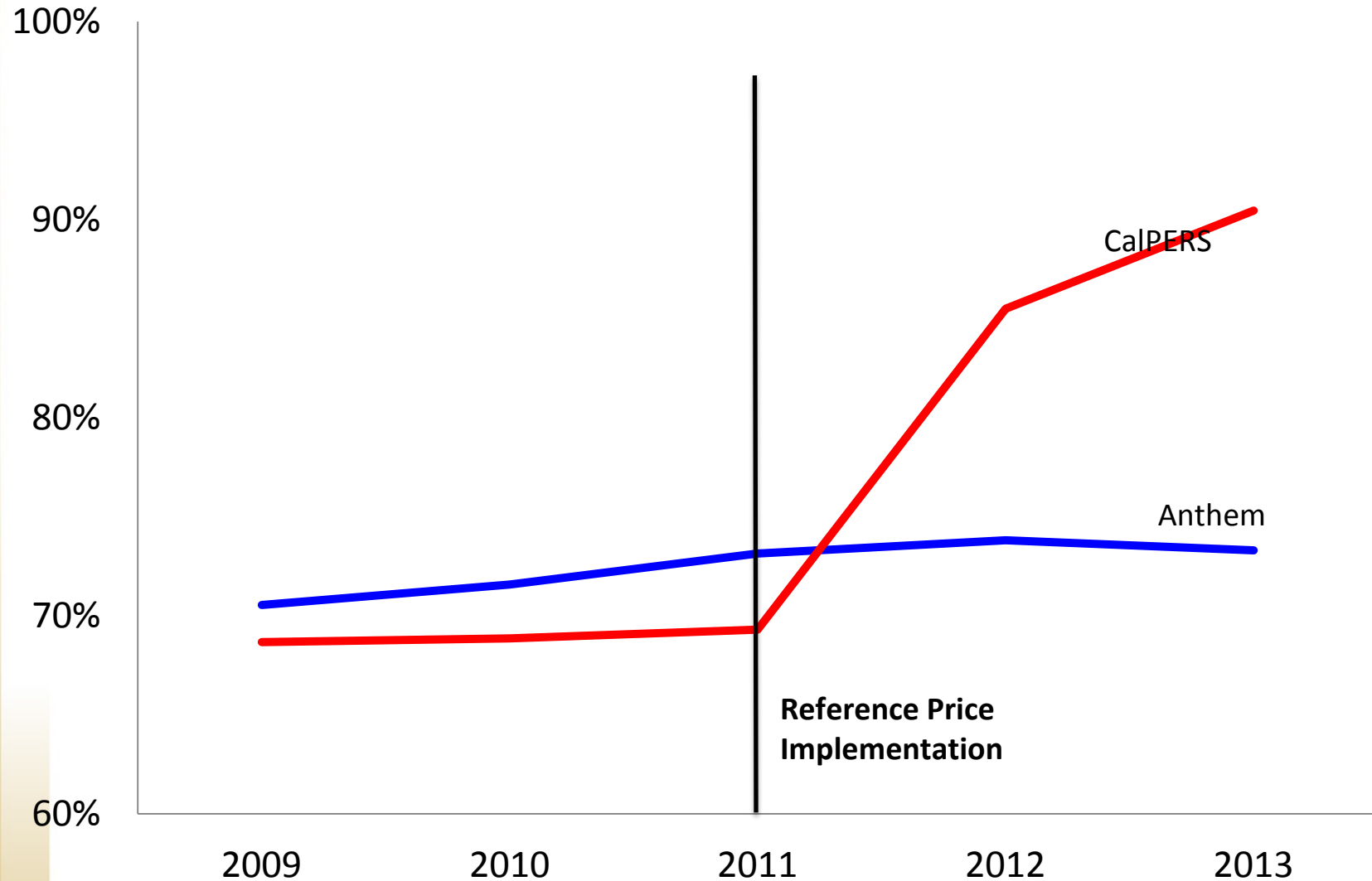
## Knee Arthroscopy: Variation in Prices in HOPD and ASC Prior to Reference Pricing



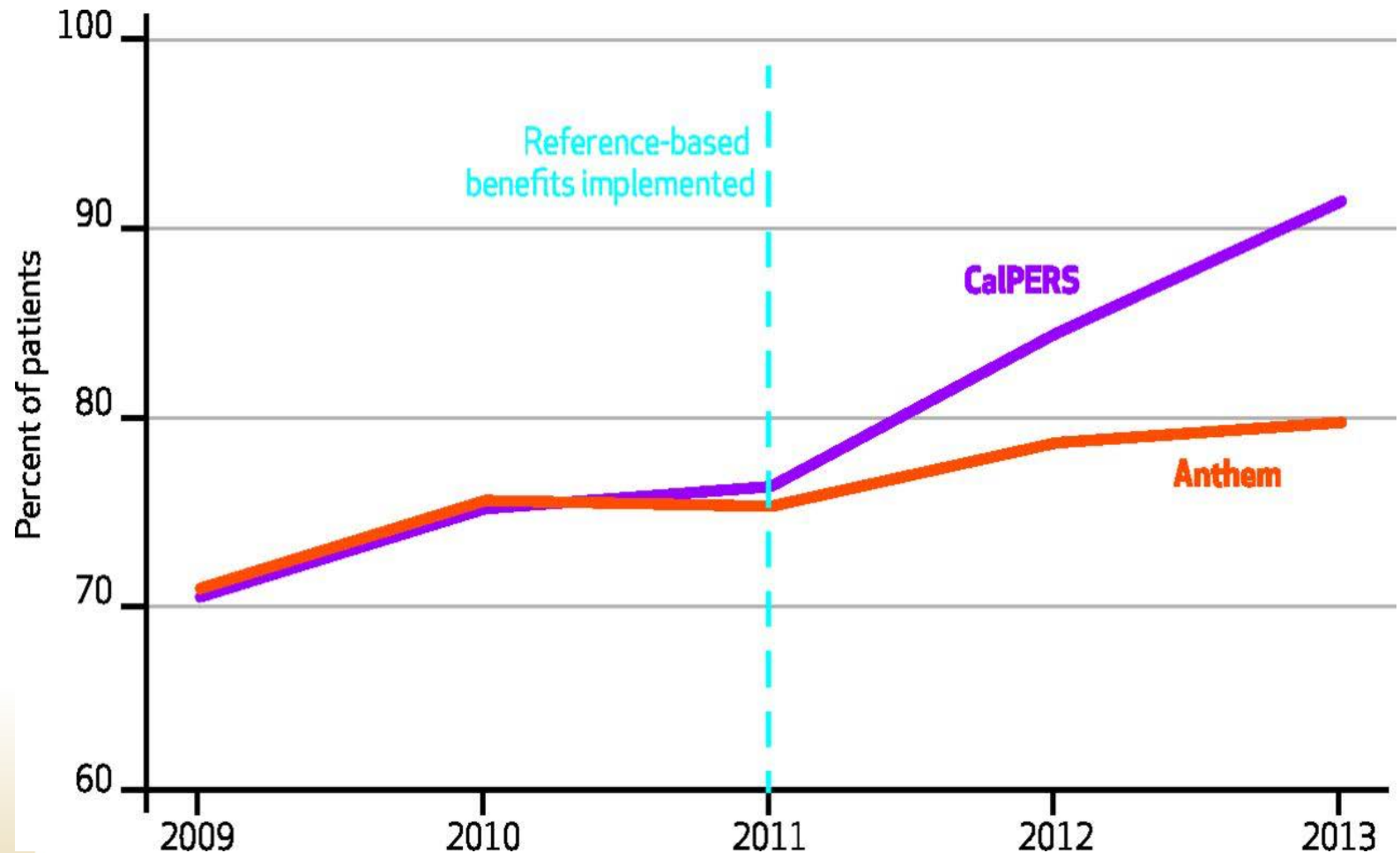
# Impact of Reference Pricing: Consumer Choice of Facility



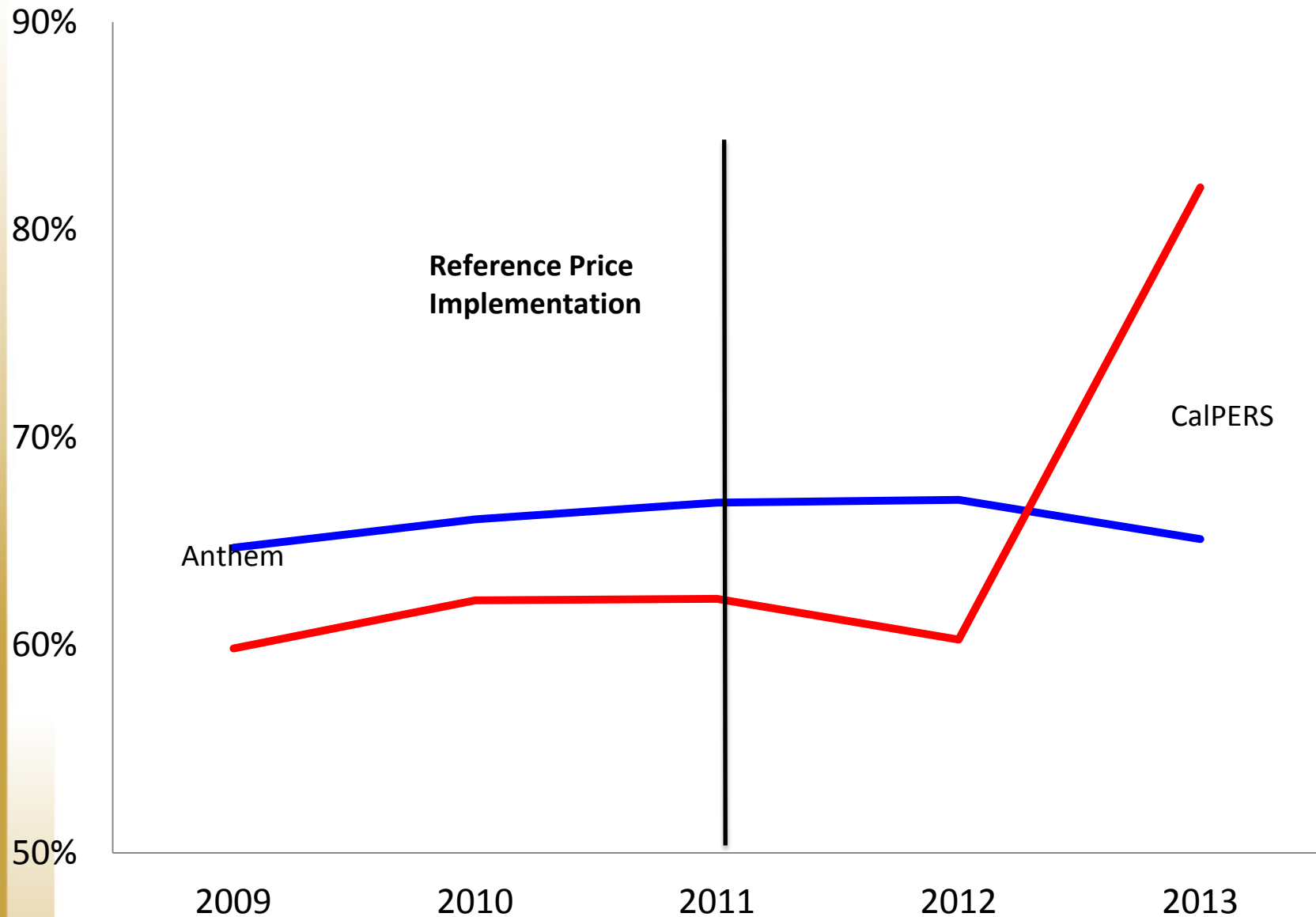
## Colonoscopy: Percentage Selecting ASC over HOPD Before and After Reference Pricing



## Cataract Surgery: Percentage Selecting ASC over HOPD Before And After Reference Pricing



# Knee Arthroscopy: Percentage Selecting ASC over HOPD Before and Reference Pricing

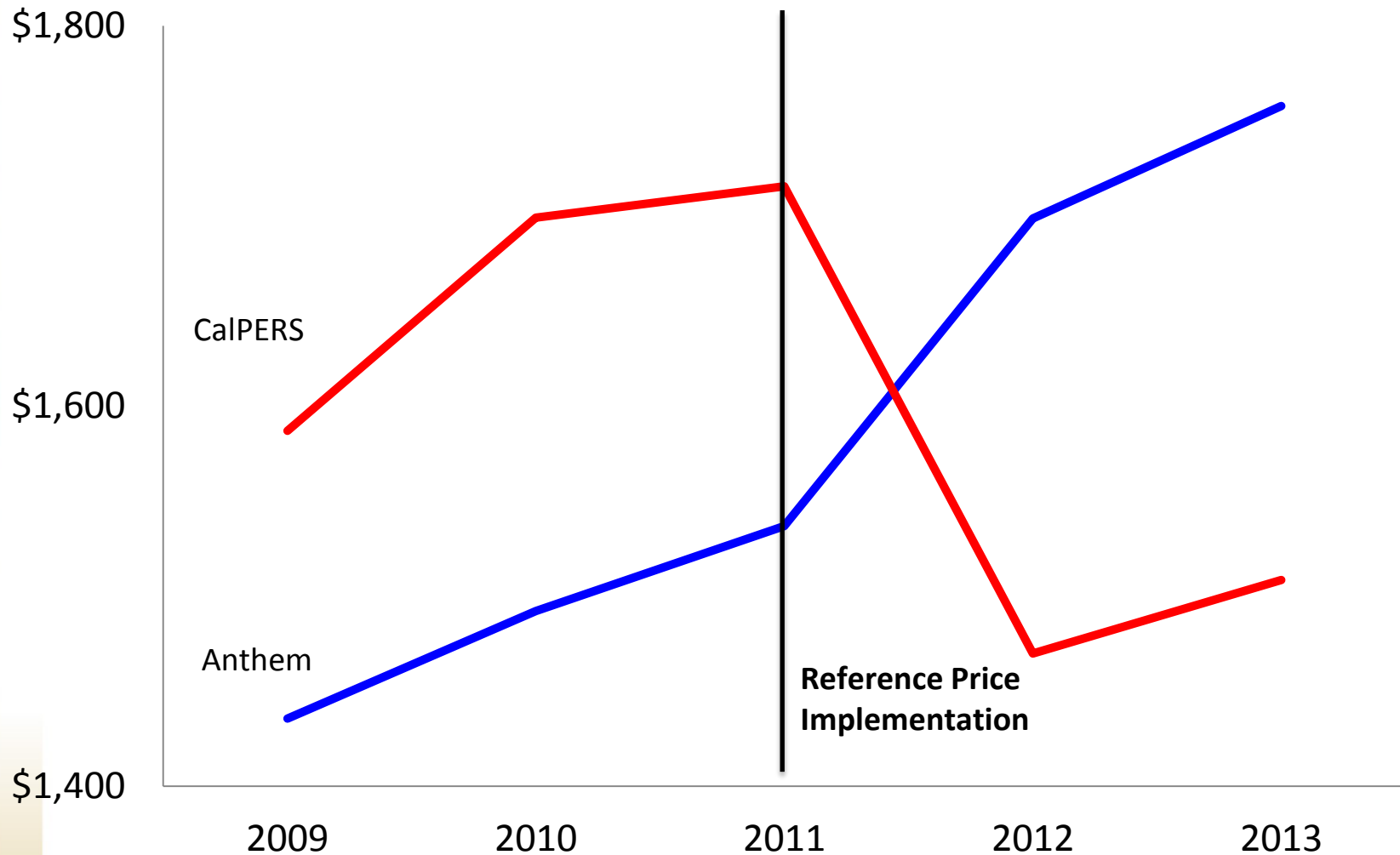




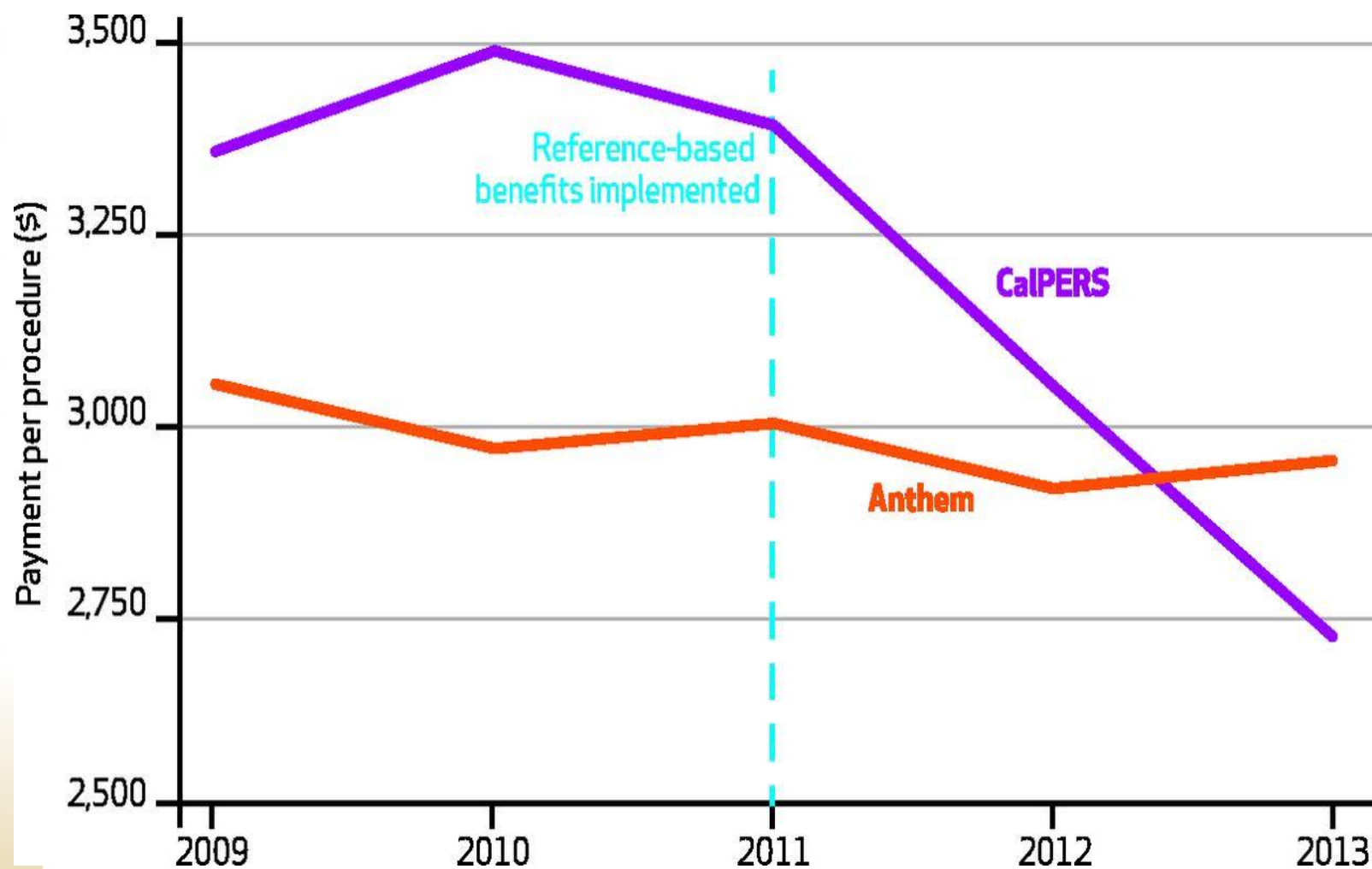
# Impact of Reference Pricing: Price (Allowed Charge) Paid



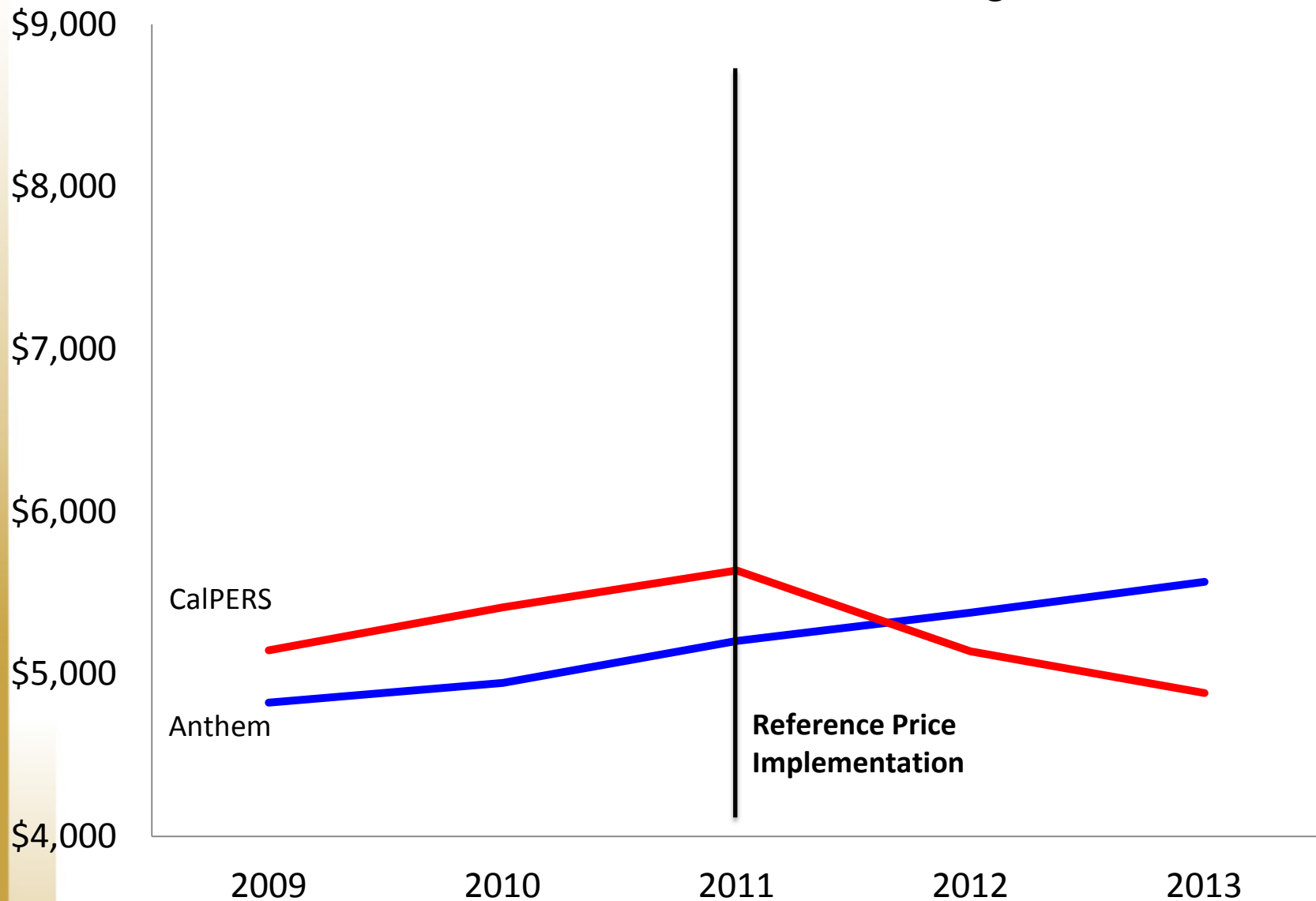
# Colonoscopy: Average Price Paid Before and After Reference Pricing



## Cataract Surgery: Average Price Paid, Before and After Reference Pricing



# Knee Arthroscopy: Average Price Paid Before and After Reference Pricing

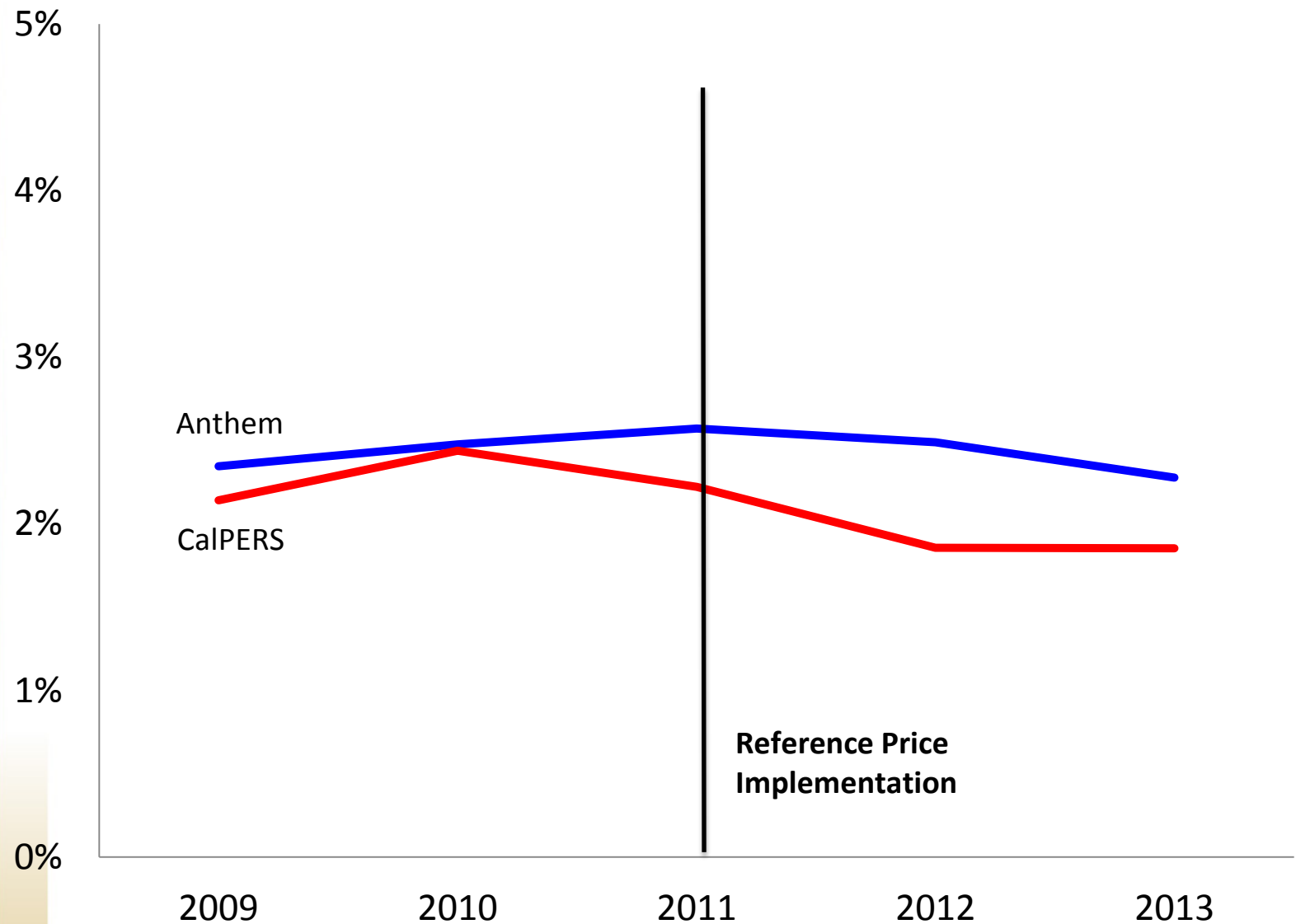


# Impact of Reference Pricing: 90 Day Procedural Complications





# Colonoscopy: 90 Day Complication Rate Before and After Reference Pricing



# Knee Arthroscopy: 90 Day Complication Rate Before and After Reference Pricing



# Expansion of Reference Pricing



- 12 more ambulatory procedures: 2017
- Infused chemotherapy and drugs: 2018
- Ambulatory (retail) drugs: 2019



# Price Variation for Ambulatory Procedures, between Hospital-based and Freestanding Facilities

Reference Pricing for Twelve Procedures Compared to Costs for Ambulatory Surgery Centers and Outpatient Hospital Facilities												
	Upper GI Endoscopy with Biopsy	Laparoscopic Gall Bladder Removal	Upper GI Endoscopy	Esophag- oscopy	Sigmoid- oscopy	Hysteroscopy Uterine Tissue Sample (with Biopsy, with	Nasal/Sinus - Submucous Resection Inferior Turbinate	Tonsillectomy and/or Adenoidectomy, Under Age 12	Nasal/Sinus - Corrective Surgery - Septoplasty	Lithotripsy - Fragmenting of Kidney Stones	Hernia Inguinal Repair (Age 5+, Non- Laparoscopic)	Repair of Laparoscopic Inguinal Hernia
Ambulatory Surgery Center												
Highest Cost	\$5,846	\$15,586	\$4,131	\$4,247	\$3,766	\$7,277	\$7,623	\$7,638	\$12,069	\$14,267	\$10,491	\$13,557
Lowest Cost	\$721	\$2,661	\$530	\$1,079	\$403	\$1,398	\$1,564	\$1,550	\$2,123	\$3,916	\$2,311	\$1,942
Outpatient Hospital Facility												
Highest Cost	\$18,589	\$78,822	\$9,652	\$9,030	\$9,907	\$60,818	\$22,695	\$20,990	\$22,014	\$25,759	\$20,129	\$43,612
Lowest Cost	\$786	\$3,082	\$703	\$1,786	\$449	\$1,601	\$4,591	\$1,934	\$4,950	\$3,734	\$2,152	\$3,924
Recommended Reference Price	\$2,000	\$5,000	\$1,500	\$2,000	\$1,000	\$3,500	\$3,000	\$3,000	\$3,500	\$7,000	\$4,000	\$5,500
CalPERS Annual Projected Savings Per Procedure	\$608,102	\$560,857	\$109,775	\$21,137	\$24,683	\$112,468	\$108,900	\$94,505	\$125,637	\$96,731	\$99,711	\$76,737
TOTAL ANNUAL PROJECTED SAVINGS												\$2,039,242
Assumes 10% increase in ASC use												






CalPERS. Pension and Health Benefits Committee.  
Health Benefit Design Proposals for 2018. April 18, 2017.

# Support for Reference Pricing






# Price and Quality Transparency


Company and Product	Information Offered	Platform
<b>Castlight Health</b> 	<ul style="list-style-type: none"> <li>Price transparency – flagship firm</li> <li>Plan benefit information for consumers</li> <li>Employer analytics</li> </ul>	<ul style="list-style-type: none"> <li>Varied: web tools, delivered insights, mobile tools for employees</li> </ul>
<b>Aetna iTriage</b> 	<ul style="list-style-type: none"> <li>Price comparison information from Healthcare Bluebook</li> <li>Healthcare services information</li> <li>Adding new services in future</li> </ul>	<ul style="list-style-type: none"> <li>Mobile integrated data platform, including an app</li> </ul>
<b>UnitedHealthcare MyEasyBook</b> 	<ul style="list-style-type: none"> <li>Online health care shopping tool for consumers with high-deductible plans</li> </ul>	<ul style="list-style-type: none"> <li>Integrated in with members' claims, transparency tools, and in-network providers</li> </ul>
<b>Guroo</b> 	<ul style="list-style-type: none"> <li>Cost information for over 70 common health conditions and services based on claims data from four major insurers</li> </ul>	<ul style="list-style-type: none"> <li>Consumer-facing website</li> <li>Has received Medicare data as a “qualified entity”</li> </ul>
<b>Health in Reach</b> 	<ul style="list-style-type: none"> <li>Comparison of licensed providers, including doctors and dentists</li> <li>Discounts and deals</li> <li>Online appointment system</li> </ul>	<ul style="list-style-type: none"> <li>Consumer-facing website</li> <li>Providers can sign up to create a profile</li> </ul>

# Information Coupled with Active Outreach

<b>Company and Product</b>	<b>AIM Specialty Health</b> <b>Specialty Care Shopper Program</b> 
<b>History</b>	<ul style="list-style-type: none"> <li>• Began as American Imaging Management, a radiology benefit management company</li> <li>• Acquired by WellPoint in 2007</li> <li>• Current services expand beyond radiology</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• Through the Specialty Care Shopper Program, an AIM specialist proactively contacts a health plan member once a service (e.g. an MRI or CT) has been approved if there is a high-quality, lower-cost site-of-care option available within their local community</li> <li>• If the member decides to accept the recommendation, AIM assists the member in scheduling the appointment</li> </ul>
<b>Rationale</b>	<ul style="list-style-type: none"> <li>• The cost of a given procedure can vary widely across providers and care delivery settings within the same geographic area</li> <li>• Giving patients information may help them select lower-cost options</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Since its implementation in one market in 2011, AIM has redirected more than 4,900 cases, at an average cost savings of \$950 per case</li> <li>• A study published in Health Affairs found that for patients needing MRIs, the AIM program resulted in a \$220 cost reduction (18.7%) per test and a decrease in use of hospital-based facilities from 53 percent in 2010 to 45 percent in 2012</li> </ul>

Sources: <http://www.aimspecialtyhealth.com/solutions/management-solutions/member-management>;  
 Sze-jung Wu, Gosia Sylwestrzak, Christiane Shah and Andrea DeVries, "Price Transparency For MRIs Increased Use Of Less Costly Providers And Triggered Provider Competition," *Health Affairs*, 33, no.8 (2014):1391-1398

# Decision Support Tools

Company	<div>  <b>Optum (UnitedHealth Group)</b> </div>	
Product	Emergency Room Decision Support	Treatment Decision Support
Goal	<ul style="list-style-type: none"> <li>Engage health plan members after each emergency room visit to address factors that drive inappropriate ER use</li> </ul>	<ul style="list-style-type: none"> <li>Connect members with the right treatment, right provider, right medication, and right lifestyle</li> </ul>
Approach	<ul style="list-style-type: none"> <li>Identifies and engages individuals after each emergency room visit – up to five times during the course of a year</li> <li>Leverages both “live” nurses and automated voice call technology to engage consumers</li> <li>Refers to case and disease management programs and behavioral health services</li> <li>Connects individuals with primary care providers (including appointment scheduling)</li> </ul>	<ul style="list-style-type: none"> <li>Connects members with specially trained nurse “coaches” who address a consumer’s immediate symptom in addition to issues that impact their quality of life and care                             <ul style="list-style-type: none"> <li>Right treatment — guidance on when and where to seek care</li> <li>Right provider — scheduling appointments with high-quality network providers</li> <li>Right medication — coaching on lower cost options, drug interactions and appropriate use</li> <li>Right lifestyle — referring to wellness and behavioral health services</li> </ul> </li> </ul>
Results	<ul style="list-style-type: none"> <li>Individuals who were engaged by ER Decision Support had a decrease in avoidable ER visits, while individuals who did not participate had an increase in avoidable visits (2007-2008)</li> </ul>	<ul style="list-style-type: none"> <li>2-to-1 average return on investment</li> <li>70 percent of callers with ER pre-intent avoid the visit after a Optum NurseLine call</li> <li>8.8 hours reduced absenteeism per employee/per event</li> </ul>

Sources: <https://www.optum.com/health-plans/clinical-management/member-support/clinical-care-management/navigate-care-options/emergency-room-decision-support.html>; <https://www.optum.com/health-plans/clinical-management/member-support/clinical-care-management/navigate-care-options/treatment-decision-support.html>

# The Health Care System Requires More from Everyone

- Employers and insurers: benefit and network re-design, consumer support
- Freestanding surgical centers: quality measurement and improvement, process improvement, price competition
- Consumers: engagement, informed choice, financial accountability





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### Reference Pricing and Consumer Choices

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### How Does Reference Pricing Work?



#### Setting Payment Limits for Services

- Under reference pricing, the insurer or employer limits payment to the lowest or average price charged within the local market or therapeutic class
- Full coverage is offered when the patient selects an option charging less than or equal to the defined payment limit
- Patients who select more expensive providers or products are required to pay the balance themselves
- Patients needing to use a more expensive facility or product for a medical reason are exempted from reference pricing if their physicians provide a valid clinical justification