

Price Transparency in Health Care

Doing Care Differently in Kentucky



Investing in communities. Informing health policy.

FOUNDATION FOR A
**HEALTHY
KENTUCKY**

January 2015

Executive Summary

Kentucky, and the nation, are experiencing rapid changes in health care. There are record numbers of newly-enrolled Kentuckians in both public and private insurance. With the movement toward value-based health care as we see a transformation in the way health care is delivered, price transparency is a necessary tool to engage consumers in improving their health and involving them in their health care. The public understanding of cost and quality is essential to the continued transformation of our systems of care and ultimately for improvement in the health of all Kentuckians.

The Foundation for a Healthy Kentucky believes that credible, objective information available to consumers, and others, is essential to transform the health care system and improve the health of Kentuckians. Clear, factual information about the cost and quality of health care is necessary for consumers to select value-driven care and for consumers and providers to be involved and accountable in their decision about their health and health care services.

On October 23, 2014, the Foundation convened over 60 Kentucky leaders in government, business, policy and health care for a facilitated discussion about price. Presenters included the National Academy for State Health Policy (NASHP), Consumers Union, Catalyst for Payment Reform (CPR), Castlight, CIVHC (Colorado's All Payer Claims Database (APCD) nonprofit administrator), and state leaders with the Kentucky Cabinet for Health and Family Services.

The focus of their work was what is called an All Payer Claims Database (APCD). According to the APCD Council, APCDs are "large-scale databases that systematically collect health care claims data from a variety of payer sources which include claims from most health care providers." Some of the information that state APCDs typically collect includes "patient demographics, provider codes, and clinical, financial, and utilization data." APCDs can benefit many populations by providing data upon which policymakers can make informed health care policy decisions; essential information to consumers in their health care decisions; comprehensive data for researchers looking at health care utilization patterns, cost and quality; and "state APCDs provide the unique data to support the development of comparable information about the cost, effectiveness, and performance of the health care delivery system at the local, state, and national levels."

Participants and speakers at the Symposium formed round-tables to discuss barriers, feasibility, solutions, and other factors in implementing price transparency in Kentucky from the perspectives of (1) Consumers; (2) Providers; (3) Policymakers; and (4) Researchers. A workgroup consisting of Foundation Board and Community Advisory Committee members, assisted by the Endowed Chair in Rural Health Policy at the University of Kentucky, a Foundation graduate intern and Foundation staff, developed the recommendations contained in this white paper.

All presentations from the convening can be found online at: <http://healthy-ky.org/NODE/811>. Below are highlights from the convening.



Speaking for Consumers Union, Lynn Quincy, called attention to the significant variation in pricing across the health care market; physicians direct significant portions of the use of health care funds. Consumer use of price information in their health care decision-making will require action to overcome barriers to engagement. Ann Gauthier of the National Academy for State Health Policy (NASHP) shared the range of state roles in price transparency, including creating mandates for collection and sharing of data, reporting data publicly, and enabling consumers to make informed decisions.

Suzanne Delbanco of **Catalyst for Payment Reform (CPR)** noted that the majority of states are not providing price and quality data that are useful to stakeholders, and called for price information to encompass all factors that contribute to what consumers pay through simple, useful tools.

Todd Fruchey of **Castlight Health** defined the characteristics of an effective APCD consumer tool as offering:

- Estimates and cost comparisons for seeing different providers for the same condition, treatment or service, including expected out-of-pocket costs
- Quality measures, ratings and reviews that can be compared across providers
- Information on spending patterns over time for all their enrolled family members
- Individual level data available only to the participant
- Cost saving tips on ways to make the most value-based decisions for their health care

From the Center for Improving Value in Health Care (CIVIHC), Colorado's APCD, Tracey Campbell and Jonathan Mathieu shared their APCD's characteristics. Mandated by state legislation in 2010, Colorado's APCD includes claims data from all public and private payers. Funded initially by foundations, the APCD will use fees to sustain itself going forward. **Data are encrypted and accessed through public website and reports.**

For the Kentucky Cabinet for Health and Family Services, Medicaid Commissioner **Lawrence Kissner noted the value of price transparency and the great variation across Kentucky in provider and patient behavior and characteristics. Current cost and health services information are difficult to understand.**

Recommendations. Based on the presentations of national, state, and Kentucky experts, the discussions at the Price Transparency convening round tables, and a review of the current literature on price transparency, the Foundation for a Healthy Kentucky recommends that the Commonwealth of Kentucky develop and establish an All Payer Claims Database (APCD), as a necessary tool in price transparency for consumers and other stakeholders. Specifically, the Foundation makes the following recommendations in support of establishing an APCD:

1. **Data available through the APCD should allow consumers to make informed health care decisions. Further, reporting on a timely and regular basis should be mandated by the state from all public and private payers.**
2. **The APCD data should be considered a public utility, with useful/actionable data provided to (accessible to) policymakers, consumers, providers, employers, payers and researchers.**
3. **Sustainability of the APCD must be assured through a combination of realistic financing; housing and data management to assure data integrity and security; and mandated reporting.**
4. **Ongoing, objective consumer education about the APCD and how to use its information to make value-driven health care decisions should be provided at adequate literacy levels and through appropriate and credible sources to consumers throughout the state.**

Kentucky can and should lead the nation in the development of a model accessible APCD tool that incorporates best practices for price transparency tools for consumers.

Introduction: Starting the Conversation

Despite the recent slow-down, health care costs in the U.S. have grown significantly in the past several decades.¹⁻⁴ Mechanisms to bend the cost curve are needed. With the movement toward value-based health care in the Patient Protection and Affordable Care Act (ACA), price transparency is an inevitable and necessary tool to control and decrease health care costs. Price transparency can be described as an understanding by stakeholders of what actual prices will be charged to them and others for specified services.

Kentucky has been successful in its implementation of a state-operated health exchange, enrolling more than 521,000 Kentuckians in Medicaid or qualified health plans within a year of the first open enrollment period.⁵ As a result, the health care system in Kentucky is undergoing significant changes. Clear, factual data about the cost of health care is essential to enable this transformation and improve Kentuckians' health. As the possibility of access to care grows in our state, the Foundation is committed to pursuing ways to do care differently to ensure that care is integrated, of high quality, timely, financially sustainable and that our state policies enable Kentuckians to be involved in decisions about their health care.

Because the Foundation believes that providing credible, objective information and facilitating conversation among key health leaders is vital during

this time of change, a select group of key Kentucky leaders in government, business, policy and health were convened for a facilitated discussion about price transparency.

More than 60 people attended the price transparency meeting held on October 23, 2014. To explore this increasingly salient and complex issue, national-level experts, speakers from states with experience with price transparency and development of an All-Payer Claims Database (APCD), as well as leaders from Kentucky state government, shared their experience and knowledge on health care price transparency. Presentations were given by speakers from the National Academy for State Health Policy (NASHP), Consumers Union, Catalyst for Payment Reform (CPR), Castlight, CIVHC (Colorado's APCD nonprofit administrator), and state leaders with the Kentucky Cabinet for Health and Family Services.

After presentations, four round-table discussion groups were formed with specific topics and perspectives to be discussed in terms of barriers, feasibility, solutions, and other factors that may affect the move toward a more price transparent health care system in Kentucky. Attendees and speakers were given the opportunity to rotate between groups to allow input from many perspectives on each issue, with each attendee having the opportunity to participate in three

round-tables. Four groups were formed: (1) **Consumers**; (2) **Providers**; (3) **Policy-makers**; and (4) **Researchers**. A workgroup consisting of Foundation Board, Community Advisory Committee, and staff members reviewed the minutes from the meeting and developed the recommendations contained in this white paper.

This report describes the key points provided by each of the presenters, followed by major insights gained from each of the round-table discussion groups, and concludes with recommendations for action in moving forward. All presentations can be found online at: <http://healthy-ky.org/NODE/811>.

National Speakers

National speakers presented different aspects of price transparency in alignment with the multiple perspectives of the stakeholders attending the meeting. Below is a description of each national organization, the speaker and the key points from their presentations.

Consumers Union

Consumers Union is a policy and advocacy organization that focuses on consumer protection laws at the state and federal levels. Lynn Quincy opened the presentations with an explanation of what price transparency is, why it is needed, and what factors should be considered from a consumer perspective. Major themes of the presentation included the need for quality data in addition to cost and pricing information, the essential role physicians play in directing health care dollars, and the barriers and factors that must be considered in consumer engagement.

The key players in the price transparency discussion include **consumers, providers, policy-makers, researchers** and **payers/insurers**. The consumer role is as a receiver of pricing and other information. In order for consumers to make well-informed decisions about their health care, price and cost information may not be sufficient. Pairing this information with data on quality of service may provide consumers with the necessary knowledge to make value-based health care decisions.

Participation may pose an additional barrier to consumer involvement in health care decision-making.

Some consumers may avoid consideration of costs when making decisions about treatment or may be unwilling to make the necessary effort to use information that is available. To promote consumer involvement, pricing and other data should be free, timely, reliable, and reflect personal health care needs and insurance coverage. Additionally, increasing consumer involvement in health care decision-making may increase consumer burden in terms of complexity and time. In order for this to be worthwhile to the consumer, financial savings and/or improvement in quality of care should be significant, research should exist to support the need for it, and there should be adequate technical support.

Physicians also play a critical role in where and how health care dollars are spent. Physicians may not be motivated to consider costs when making decisions for their patients due to a lack of incentives. In order to improve the health care system and move toward value-based health care, it will be important to identify ways to promote physicians and other health care providers to

utilize price, cost and quality information when making referrals and other treatment decisions.

Key Points:

- Significant variation exists in pricing across the health care market

- Barriers including engagement and motivation will need to be considered to promote consumer involvement and use of price information in their health care decision-making
- Physicians direct significant portions of health care dollars and should be incentivized to use price, cost and quality information

National Academy for State Health Policy (NASHP)

NASHP is an organization that focuses on supporting and assisting state health policy-makers in making informed decisions and creating effective health policy. Anne Gauthier discussed roles that states can play in promoting price transparency in health care, specifically, approaches and factors to be considered in data collection and reporting, legislative vs. voluntary mechanisms to create an All-Payers Claims Database (APCD), and the role of health insurance exchanges. The presentation emphasized the need for APCDs as a reliable means of price and cost data collection, the need for a mandate through state regulatory or statutory powers, and the opportunity that health insurance exchanges provide in the advancement of price transparency.

APCDs provide a method of obtaining accurate and consistent forms of price and cost data. It may be necessary for states to utilize their legislative and statutory powers to enforce a mandate on the collection of this data, if the goal is to create a comprehensive database,

due to the resistances that some players and stakeholders may pose.

States will also need to ensure the data are reported publicly in order to allow consumers to make informed decisions about their health care. Finally, health insurance exchanges provide an arena for states to advance quality improvement, increase transparency, promote value-based purchasing, and implement quality reporting directly to consumers.

Key Points:

- States' roles in price transparency include creating mandates for collection and sharing of data, reporting data publicly, and enabling consumers to make informed decisions
- APCDs are accurate and consistent forms of data collection
- Health insurance exchanges may provide an opportunity to advance quality improvement, increase transparency, promote value-based purchasing, and implement quality reporting directly to consumers

Catalyst for Payment Reform (CPR)

CPR is a non-profit organization that works on behalf of large purchasers of health insurance, primarily employers, to improve the way health services are paid for and to promote high-value care in the U.S. health care system.

Suzanne Delbanco spoke about employers' perspectives on price transparency, discussing why price transparency is beneficial for employers, what tools and solutions are necessary to achieve transparency, and current state

“grades” and legislation, as reported in the CPR Report on State Price Transparency Laws. The presentation highlighted that the majority of states are not currently providing useful price and quality data, the need for tools to be simple and informative for employees and employers, and the need for quality data to be included with price data to enable value-based decision-making.

To make pricing information useful for consumers, it should reflect negotiated discounts between insurers and providers, include all costs to the consumer associated with a service or services, including hospital, physician, and lab fees, and identify the consumer’s out-of-pocket costs, such as co-pays and deductibles. Tools, such as electronic applications, can be developed to provide this information to consumers and employers. The tools should be simple for consumers to use, allow provider and service comparisons, help consumers understand and make value-based decisions, and help consumers avoid unnecessary care. Integration with other platforms and providing

employers with data concerning consumer utilization and savings will also be important.

Price and quality transparency information can also inform providers of health care. Understanding this information will enable them to select higher value and lower cost procedures and referrals for their patients, as well as facilitate informed conversations with patients (i.e. shared decision-making).

Key Points:

- The majority of states are not providing price and quality data that are useful to stakeholders
- Price information should encompass all factors that contribute to what consumers pay
- Tools for employers and employees need to be simple and provide useful information
- Price and quality transparency can inform providers on how to make value-based decisions for their patients’ care

State Speakers

State speakers were invited to share perspectives and experiences from other states or organizations within states that have worked on price transparency related issues.

Castlight Health

Castlight is an organization that creates tools for employers and employees that enable them to utilize health care costs, patterns, spending, and other characteristics to make informed health care choices. The presentation included a demonstration of a tool developed for the University of Indiana PPO health plan participants, which is consumer-focused and provides out-of-pocket estimates, provider ratings and review information, consumer spending records, and cost savings

tips. The tool is an example of how pricing, cost and quality information can be presented and used by consumers in an effective way. The presentation by Todd Fruchey focused primarily on how this interactive, web-based tool can help both employers and employees make cost informed health care decisions.

Consumer Tool Characteristics:

- Consumers can obtain estimates and comparisons of costs for going to different providers for the same

condition, treatment or service, including expected out-of-pocket costs

- Quality measures, ratings and reviews are provided and can be compared across providers
- Consumers can view information on spending patterns over time for all enrolled family members

- Participation is voluntary and individual level data are only available to the employee or family member who has agreed to participate
- Cost saving tips are provided and give consumers hints on ways to make the most value-based decisions for their health care

Center for Improving Value in Health Care (CIVHC)

CIVHC is a nonprofit organization that administers the All-Payer Claims Database (APCD) for the state of Colorado. Colorado has been developing their APCD for several years and provides the information to researchers, policy-makers and consumers. Colorado is one of few states to receive a grade higher than an 'F' in the CPR Report on State Price Transparency Laws. Colorado is one of the first states to establish price transparency legislation, data collection and reporting on a state-wide level. Tracey Campbell and Jonathan Mathieu, of CIVHC, discussed the Colorado APCD, how it was created, how it is governed and managed, funding sources, data collection, data sharing and access.

Colorado APCD Characteristics:

- State mandated by legislation in 2010
- Includes claims data from all public and private payers
- Aggregate public reports are produced
- No state general funds are appropriated; currently grant-funded with a goal of full sustainability by 2016
- Two major funding organizations: The Colorado Trust and The Colorado Health Foundation; FY14 support totaled \$2,453,000
- Data release policies are guided by Health Insurance Portability and Accountability Act (HIPAA) Privacy and Security Rules
- Data are encrypted and provide limited access for security purposes
- Data accessed through public website and reports; data sets available upon request

Kentucky Speaker

Kentucky Cabinet for Health and Family Services

Commissioner Lawrence Kissner of the Medicaid Office of the Kentucky Cabinet for Health and Family Services presented on transparency of health care information in Kentucky. The Commissioner provided state health data to illustrate the difficulty that exists in understanding the patterns in health care cost and utilization which emphasizes the need for increased price transparency.

Key Points:

- Cost and health services information exists but is difficult to understand
- There is a great deal of variation across Kentucky in terms of provider and patient behavior, characteristics and other factors
- These patterns in health care may be more easily understood through greater price transparency

Round-Table Discussions

The Price Transparency Symposium concluded the day with round-table discussions. Each table discussed ways to attain price transparency in Kentucky from the perspective of a different stakeholder group:

1) Consumers

3) Policy-Makers

2) Health Care Providers

4) Researchers

Below is a description of the focus of each round-table and the key points from each.

Consumers

The consumer perspectives round-table focused on discussing how price, cost and quality data should be conveyed to consumers, what information is actually valuable to them, and how to motivate them to utilize this information. A major focus of the discussion was barriers created by the complexity of the health care system. Consumers may have difficulty understanding complex price and quality data, which may be a deterrent to consumer' use of price data. It was recommended that there be a central source of information and the information be provided in an intuitive and simple form in order to circumvent this potential barrier.

An additional concern was that there may be apathy toward health care information, specifically from those with low out-of-pocket expenses, such as Medicaid enrollees. In contrast, consumers with high deductible plans or other potentially high out-of-pocket costs may have greater motivation to use an APCD or other price transparency data.

Another issue raised was the potential for consumers to hold a belief that more expensive care is equivalent to better care, leading some consumers to choose the most expensive services if they are only provided with price

information. Including quality data, in addition to price, may decrease the likelihood of this occurring.

Finally, participants stated that information will need to come from trusted sources; otherwise, consumers may not place significant value on it.

Key Points:

1. Complex and scattered information may create barriers to consumer use of pricing information. To avoid this, there should be a central information

source for price and other data that is intuitive and easy to use

2. Consumers may be apathetic toward price and quality information, especially if they have low out-of-pocket costs; an example is Medicaid enrollees
3. Those with the potential for high out-of-pocket costs may be motivated to use APCDs and other price data
4. Consumers may be inclined to believe that more expensive care is equivalent to better care
5. Information should come from trusted sources

Health Care Providers

The provider perspectives round-table focused on how price transparency may impact providers of health care, both positively and negatively, and what approaches could be taken to gain their support for increased price transparency and an APCD in Kentucky. Major themes of the conversations included resistance from providers, anti-transparency or “gag” clauses, reference pricing, time-lagged data, and “shoppable” services.

Providers may be resistant to increased price transparency due to fear of comparisons that do not account for all the necessary factors associated with a provider’s practice in order to be fair and equivalent. This can potentially result in a loss in business even if the provider is not at fault. It will be important to consider patient mix and other differences across providers when establishing quality ratings in order to avoid this problem.

Additionally, cost may not currently be a significant decision-making factor for physicians due to insufficient incentives and education. Further steps to create a health care system that financially rewards value-based decision-making and a greater emphasis on health care financing during medical school could help to address this concern.

It was also discussed that anti-transparency or “gag” clauses, which prevent those under contract from releasing certain information, in contracts between insurers and providers may create barriers to participation in an APCD or other data collection.

Time-lags in data reporting may also be a barrier to providing accurate and up-to-date information online, but this information may be useful for benchmarking.

Reference pricing, which is a maximum allowed amount (the reference price) set by purchasers for a specific medical service or procedure in a specific market, was also discussed.⁶ These prices may vary across providers for the same service, but may not reflect less value, but rather different business models. An example may be hospital based vs. free standing MRI services.

Finally, “shoppable” services, defined as those services that are typically scheduled in advance, where there is more than one provider in a market that can perform the service, and price data are available for the different providers, may be a way to quickly provide useful information to consumers before the development of a comprehensive APCD.⁷

Key Points:

1. Providers may resist publicizing information to consumers for fear of uneven comparisons and poor quality ratings and a resulting risk of loss in business
2. Cost may not currently be a significant decision-making factor for physicians; addressing this during medical education and development of a system that rewards value-based decision-making may change this behavior
3. Anti-transparency or “gag” clauses in contracts between insurers and providers may create barriers to participation in an APCD or other data collection
4. Time-lags in data reporting may be a barrier to providing accurate and up-to-date information online and to consumers
5. Reference pricing is specific to different facilities (i.e. hospital based vs. free standing MRI)
6. “Shoppable” services may be a way to quickly provide useful information to consumers before the development of a comprehensive APCD

Policy-Makers

The policy round-table discussed issues of legislation, political atmosphere, and mandatory vs. voluntary participation. The policy discussion focused primarily on the need for legislation and the difficulty in implementing a successful voluntary APCD. Stakeholder resistance and protective legislation were identified as potential reasons for the difficulty that voluntary APCDs face.

Another concern was that legislation can be crafted in such a way that limits the ability of an APCD. An example could be a clause that restricts release of information for several years, effectively blocking any benefit the APCD could provide to consumers directly.

Finally, the Kentuckiana Health Collaborative was identified as a model that may inform the development of a state-wide APCD.

Key Points:

1. A voluntary APCD may be unsustainable
2. It may be difficult to obtain price data from insurers and other stakeholders voluntarily due to resistance and protective legislation
3. It is important when crafting legislation not to limit the ability of an APCD
4. Kentuckiana Health Collaborative may be a useful model for Kentucky to follow

Researchers

The research and data round-table focused on discussing issues of how price, cost and quality information should be collected; how and to whom it should be presented; and the barriers that come with each of these. One of the major points made during the discussions was a need for an independent agency that will be trusted by all stakeholders to gather, store, analyze, and report the data. Suggestions for such agencies included a public university, such as the University of Kentucky, and a non-profit organization established for this purpose.

The need for a well-structured mandate to allow for successful implementation of increased price transparency and an APCD was also emphasized.

Additionally, it was noted that some states have limitations on their APCD that prevent the data from being used by consumers in the most effective way. For example, legislation that prevents data from being shared publicly for a set amount of time limits the relevance of the data once it becomes available to the public. This was

in line with the same discussion from the policy-makers round-table.

Participants also discussed that it will be important to build relationships with organizations to gain support. Trust will be essential to gaining stakeholder support in development of an APCD, but may take time to build. Organizations will need to understand how the APCD works, how it will benefit them, and that their employees will be protected.

Finally, the round-table reiterated other round-table discussions that in order to encourage consumers to utilize price data, it will need to be simple, easy to understand, visually appealing, have a central location, and include the

information that consumers will use most to make decisions.

Key Points:

1. An independent agency that will be trusted by stakeholders to gather, store, analyze, and report the data is necessary
2. A legislative mandate should be well-structured and not limit the utility of the APCD
3. It will be important to build trusting relationships with organizations to gain buy-in
4. In order to encourage consumers to utilize price and other data it will need to be simple, useful, visually appealing, and have a central location

Recommendations

Based on the presentations of national, state, and Kentucky experts, the discussions at the Price Transparency convening round tables, and a review of the current literature on price transparency, the Foundation for a Healthy Kentucky **recommends that the Commonwealth of Kentucky develop and establish an All Payers Claims Database (APCD)**. APCD is a necessary tool in price transparency for consumers and other stakeholders. Specifically, the Foundation makes the following recommendations in support of establishing an APCD:

1. **Data collection and reporting.** Data available through the APCD should allow consumers to make informed health care decisions. Further, it should be
 - a. **Reported in a timely and regular basis**
 - b. **Mandatorily reported**
 - c. **From public and private payers**
2. **Access to data.** Access to APCD data should be provided to the following stakeholders and in a manner that makes the data actionable.
 - a. **Policymakers**
 - b. **Consumers**
 - c. **Researchers**
 - d. **Providers**
 - e. **Employers**
 - f. **Payers**

3. **Sustainability of APCD.** Sustainability of the APCD is essential in terms of
 - a. Financial sustainability
 - b. Management of the data
 - c. Data collection and reporting
 - d. Housing of the data

4. **Consumer education.** Objective and ongoing information about the APCD, the value of the information available in the APCD, and how to use the information to make value-driven health care decisions should be provided at adequate literacy levels and through appropriate channels to consumers throughout the state.

5. **Model APCD Tool.** Kentucky should lead the nation in the development of a model APCD tool that incorporates gold standards for price transparency tools for consumers.

References

1. Keehan SP, Sisko AM, Truffer CJ, et al. National health spending projections through 2020: economic recovery and reform drive faster spending growth. *Health Affairs*. 2011;30(8):1594-1605.
2. Borger C, Smith S, Truffer C, et al. Health spending projections through 2015: changes on the horizon. *Health Affairs*. 2006;25(2):61-73.
3. Anderson GF, Frogner BK, Johns RA, Reinhardt UE. Health care spending and use of information technology in OECD countries. *Health Affairs*. 2006;25(3):819-831.
4. Auerbach DI, Kellermann AL. A decade of health care cost growth has wiped out real income gains for an average US family. *Health Affairs*. 2011;30(9):1630-1636.
5. Kentucky Cabinet for Health and Family Services. Health Coverage Information and Wellness Tips Available at Kentucky State Fair. Press Release. 2014.
<http://chfs.ky.gov/news/Health+Coverage+Information+Screenings+and+Wellness+Tips+Available+at+Kentucky+State+Fair.htm>
6. Lechner A, Gourevitch R, Ginsburg P. The Potential of Reference Pricing to Generate Health Care Savings: Lessons from a California Pioneer. *Cent Stud Heal Syst Chang*. Research Brief, Number 30. 2013.
7. White C, Eguchi M. Reference Pricing: A Small Piece of the Health Care Price and Quality Puzzle. *Natl Inst Heal Care Reform*. Research Brief, Number 18. 2014.