

How can we make health care more affordable?

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Informational Hearing
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About the speaker

- **Professor at a university better than UCLA!**
- **Director of Research, Schaeffer Center**
 - The mission of the Schaeffer Center is to measurably improve value in health through evidence based policy solutions, research excellence, transformative education, and private and public sector engagement.
- **Published extensively on health care costs**
- **Funded by federal government, foundations and the private sector**

Overview

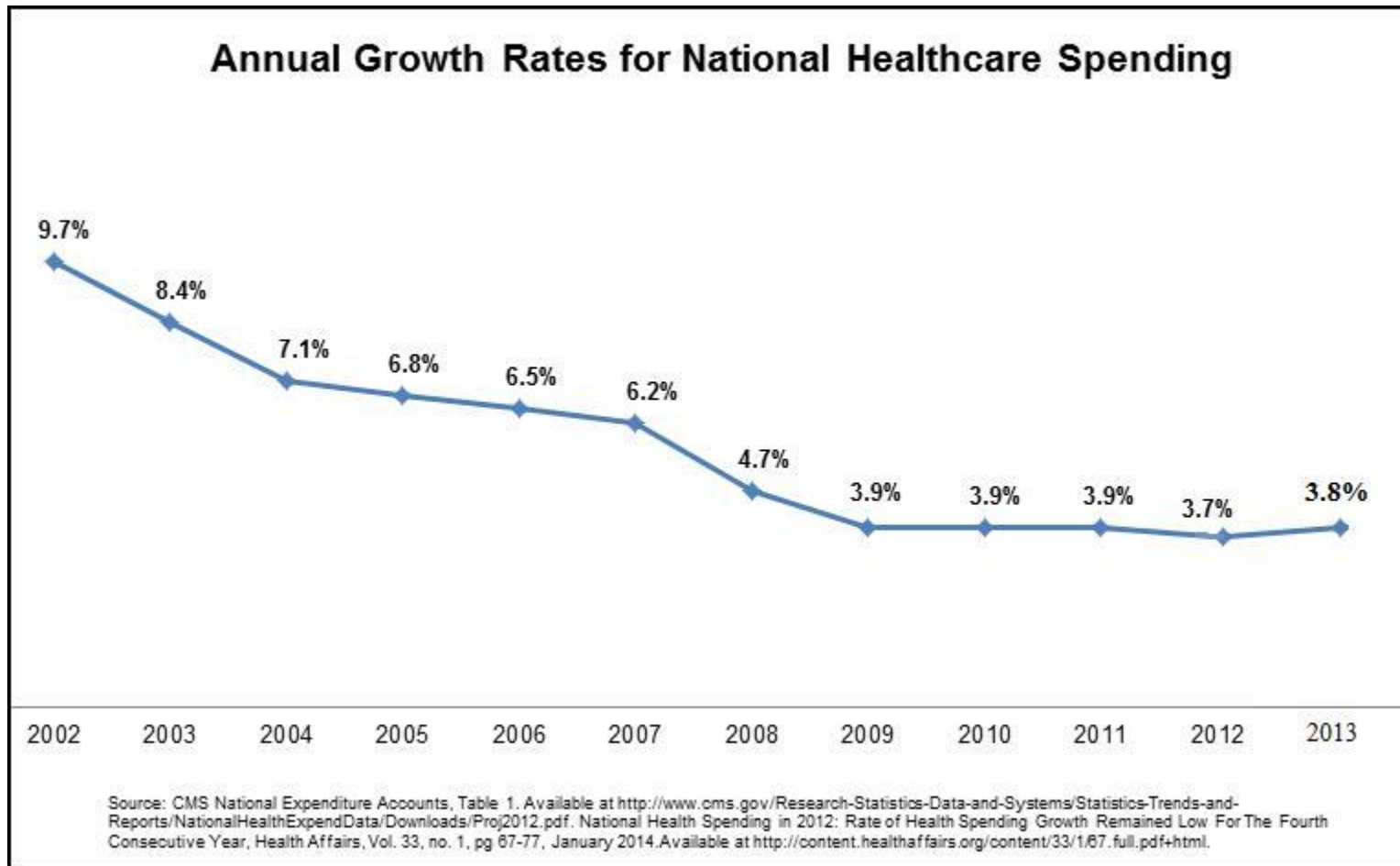
- **Why are health care costs high and rising?**
- **What are recent trends that make health care more affordable?**
 - High-deductible health plans
 - Payment reform
- **What policies can work alongside these existing trends to make health care more affordable?**
 - Improve systematic data collection
 - Provide tools and an enabling environment

Disclaimer: The following policy recommendations are my opinions and do not necessarily reflect those of my affiliated organizations.

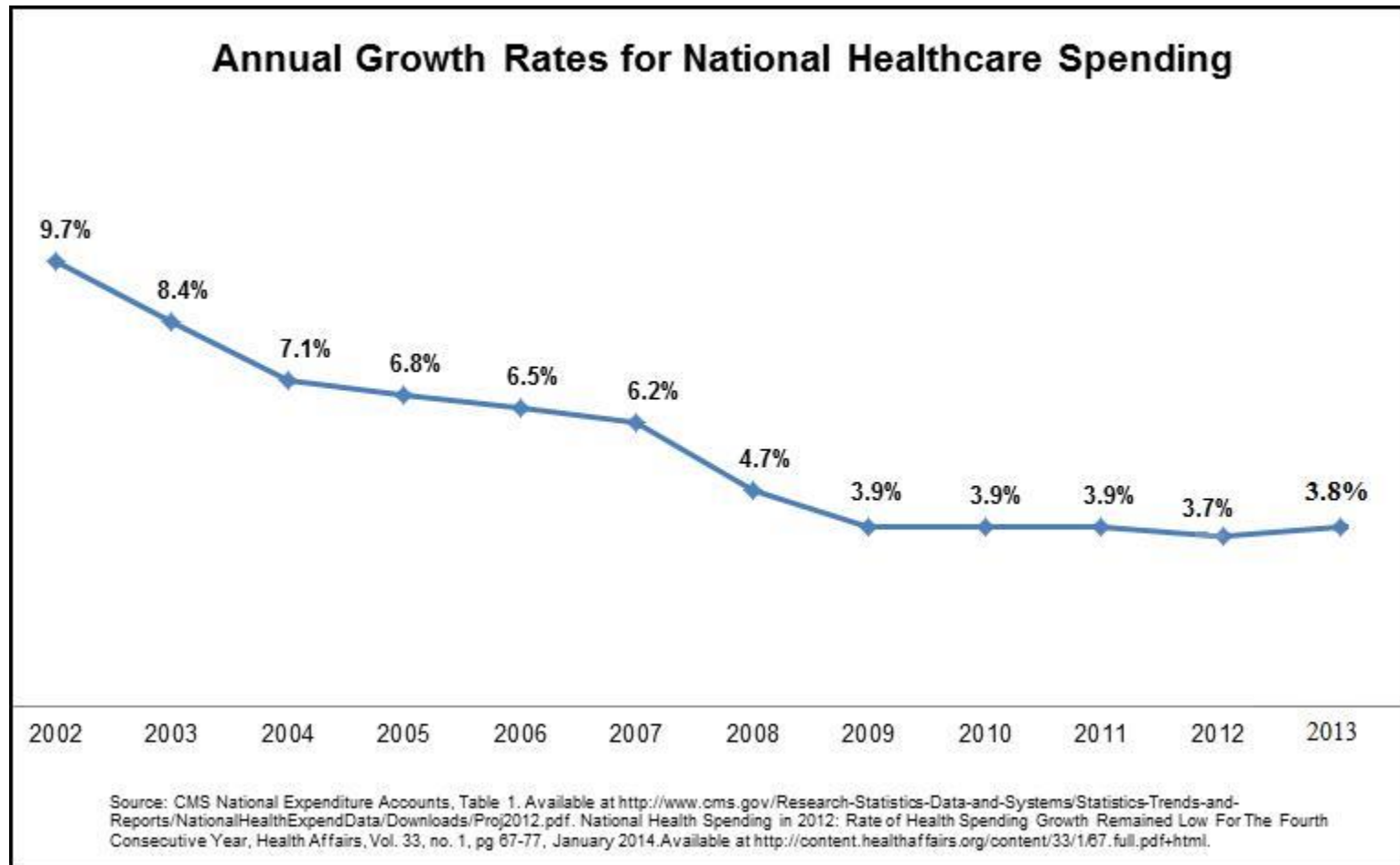
Why are health care costs high and rising?

- **Over-utilization of care**
 - Providers have incentives, for example, through the fee-for-service system
 - Moral hazard- Insured patients are shielded from full price or cost of care
- **There is cost enhancing technological change due to the above**
- **High prices for health care in the US**
 - Drugs are more expensive (other countries regulate drug prices)
 - Hospital stays are more expensive (partly because we provide more intensive care)
 - Health care worker salaries are higher
 - Administrative costs are higher

Health care spending growth has slowed down



What are possible explanations for this slowdown?

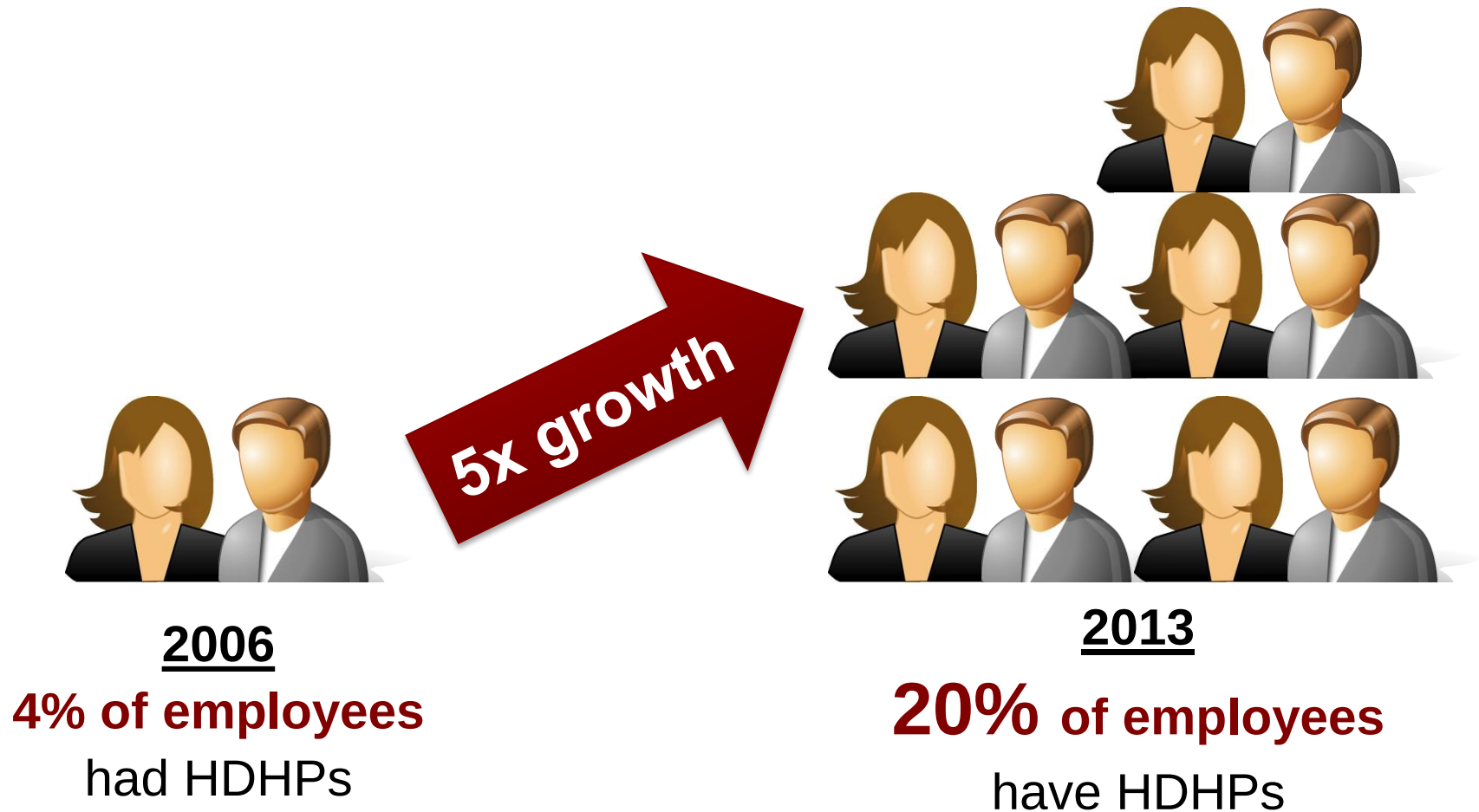


What are possible explanations for this slowdown?



- 1. Increase in enrollment in high deductible health plans**
- 2. New payment reform measures**

Increase in enrollment in high deductible health plans (HDHPs)



Source: Kaiser/HRET Survey of Employer Sponsored Health Benefits

High deductible health plans

- **Clear evidence that HDHPs reduce health care costs in the short run**
- **However, there is also evidence that people cut down on “needed” care such as prescriptions for chronic diseases**
- **Little or no evidence that people are price shopping for care due to two barriers**
 - Lack of price and quality transparency
 - Lack of “consumerism”

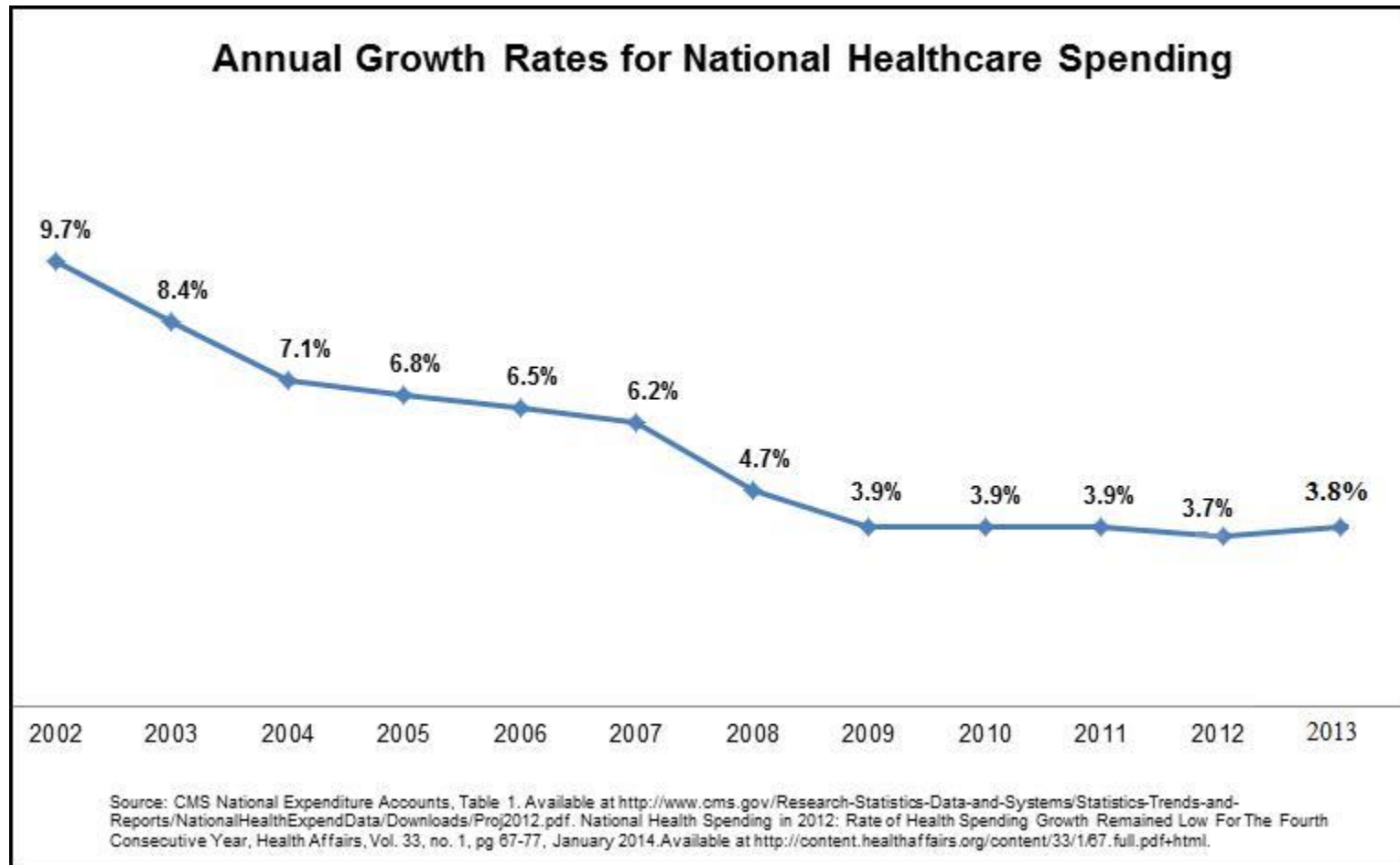
Policy recommendations for HDHPs: Data

- 1. Institute an all payer database with accurate and timely information on prices paid by consumers or health plans**
- 2. Institute an all provider database with accurate and timely information on quality of care**
 - Portable and standardized electronic health records would help

Policy recommendations for HDHPs: Tools and enabling environment

- 1. Facilitate development of online decision tools that help consumers to compare costs and quality of providers**
 - In past research we have shown that if consumers use such tools they can save significant money on common health care services
- 2. Facilitate adoption of tools by health insurance exchanges**
 - Health plans on exchanges should offer these tools
- 3. Facilitate adoption of tools by consumers**
 - Public education campaign to show the value of shopping for health care and increase “consumerism”

What are possible explanations for this slowdown?



Provider payment reform



Example payment reforms:

- **Accountable Care Organizations (ACOs):** Payment tied to total cost of care and quality metrics
- **Readmissions penalties:** Reduced payment for higher than predicted readmission rates

Challenges for payment reform

- **Payment reform does not mean delivery reform:sometimes payment reform is not enough to make care affordable as**
 - Some ACOs especially those that are not in integrated system do not have control over patients where patients seek care
 - Narrow networks are a possible solution
- **Smaller health plans or provider groups might not be willing to participate**
- **Diffusion of information about what works might be limited**
 - You don't want to tell your competition
- **Provider consolidation**

Policy recommendations for payment reform: Data

1. Data for establishing quality and cost benchmarks for health plans

- Plans see only their own experience with a provider and thus have limited information
- Comparing one's own performance to market level benchmarks can be an important catalyst for change

2. Data on what payment and delivery models work by testing innovative models

Policy recommendations for payment reform: Tools and enabling environment

1. Foster diffusion of proven models

- Pay organizations with proven models to teach others to succeed
- Offer technical or financial assistance to smaller organizations who might not have the managerial skills or capacity to succeed on their own

2. Monitor provider consolidation and anti-competitive behavior

Other options for making care more affordable

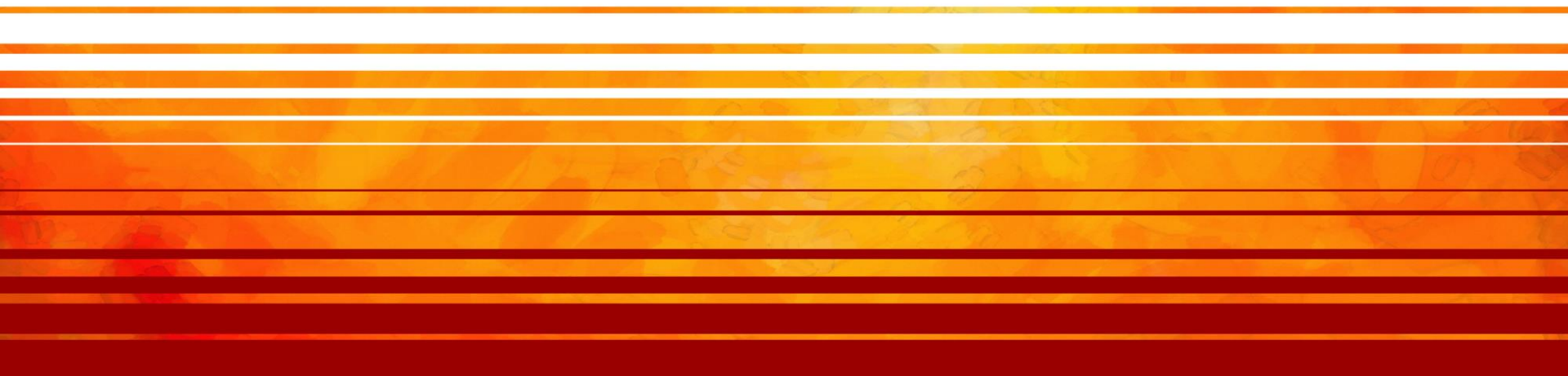
- **High deductibles and payment reform are two recent trends that are making health care more affordable**
- **There may be many more options for making health care more affordable. For example:**
 - Improving end of life care
 - Improving access to primary care
- **Complete discussion of these and other options is beyond the scope of this talk**

Key lessons

- **Simply changing financial incentives for patients and providers is not enough to make health care more affordable**
- **Making health care affordable also requires:**
 - Systematic data on costs and quality
 - Tools to facilitate use of these data
- **Government can play an important role in creating an enabling environment**
- **If done correctly, more affordable care can also be better care**

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References

- **Whaley C, Schneider Chafen J, Pinkard S, et al. Association Between Availability of Health Service Prices and Payments for These Services. *JAMA*. 2014;312(16):1670-1676. doi:10.1001/jama.2014.13373. [Referred to on slide 11].**