



CENTER FOR IMPROVING
VALUE IN HEALTH CARE

Reference-based Price Report Potential Savings for CO

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Center for Improving Value in Health Care

Higher Quality. Lower Cost. A Healthier Colorado.

Reference-Based Price Analysis

- Conducted in partnership with CBGH with funding through the HCPF CO APCD Scholarship fund
- **Purpose:**
 - **Identify trends, variations and potential cost savings** for commercial payments in Colorado:
 - By Payers
 - By Facility and Providers
 - By Region
 - Compared to Medicare payments
 - Compared to Statewide Commercial payments
 - Intended to **support conversations** between payers, employer-purchasers, legislators and others looking for potential ways to reduce health care spending
- Three potential models utilized, although many more exist



Reference-Based Price Methodology

- Analyzed 2012-2016 claims from 33 Colorado commercial health insurance payers to the **CO APCD (64% of all commercially insured lives)**
- Median payments analyzed (**actual payments to providers by patients and health insurance payers**)
- **Top 12 Inpatient** (20% of all inpatient total spend), and **top 10 Outpatient** (30% of total spend) claims by volume and price
- Outpatient payments were compared to the last published **Medicare fee schedule**, and Inpatient payments were compared to the median payment amounts of **Medicare Fee-for-Service claims in the CO APCD**.
- **Three reference-based savings scenarios were used:**
 - Normalizing commercial payments to 150% of Medicare (1.5 x)
 - Normalizing commercial payments to 200% of Medicare (2 x)
 - Bringing all commercial payments above the statewide commercial median to the statewide median.



Inpatient and Outpatient Services Analyzed*



Inpatient Services Analyzed

Services with a hospital fee, requiring an overnight stay

Bronchitis & Asthma, DRG 203

Cesarean Section, DRG 766

Cesarean Section, w/Complicating Conditions, DRG 765

Esophagitis, Gastroenteritis, and Digestive Disorders, DRG 392

Heart Failure & Shock, DRG 293

Heart Failure & Shock, w/Complicating Conditions, DRG 292

Major Joint Replace./Reattach., Lower Extremity, DRG 470

Newborn, DRG 795

Spinal Fusion, Non-Cervical, DRG 460

Stroke (Transient Ischemia Attack), DRG 069

Vaginal Delivery, DRG 775

Vaginal Delivery w/Complicating Conditions, DRG 774

Outpatient Services Analyzed

Services with a facility fee, not requiring an overnight stay

Cataract Surgery w/Lens, CPT 66984

Chemo Infusion (1 hr), CPT 96413

Colonoscopy w/Biopsy, CPT 45380

Colonoscopy w/Lesion Removal, CPT 45385

Dialysis Evaluation, CPT 90945

Knee Arthroscopy/Surgery, CPT 29881

Major Joint, Bursa Drain, Injection, CPT 20610

Ultrasound Therapy, CPT 97035

Upper GI Endoscopy w/Biopsy, Single/Multiple, CPT 43239

Laparoscopy Appendectomy, CPT 44970

*Professional Office Visits also available on interactive version of this report at www.civhc.org.



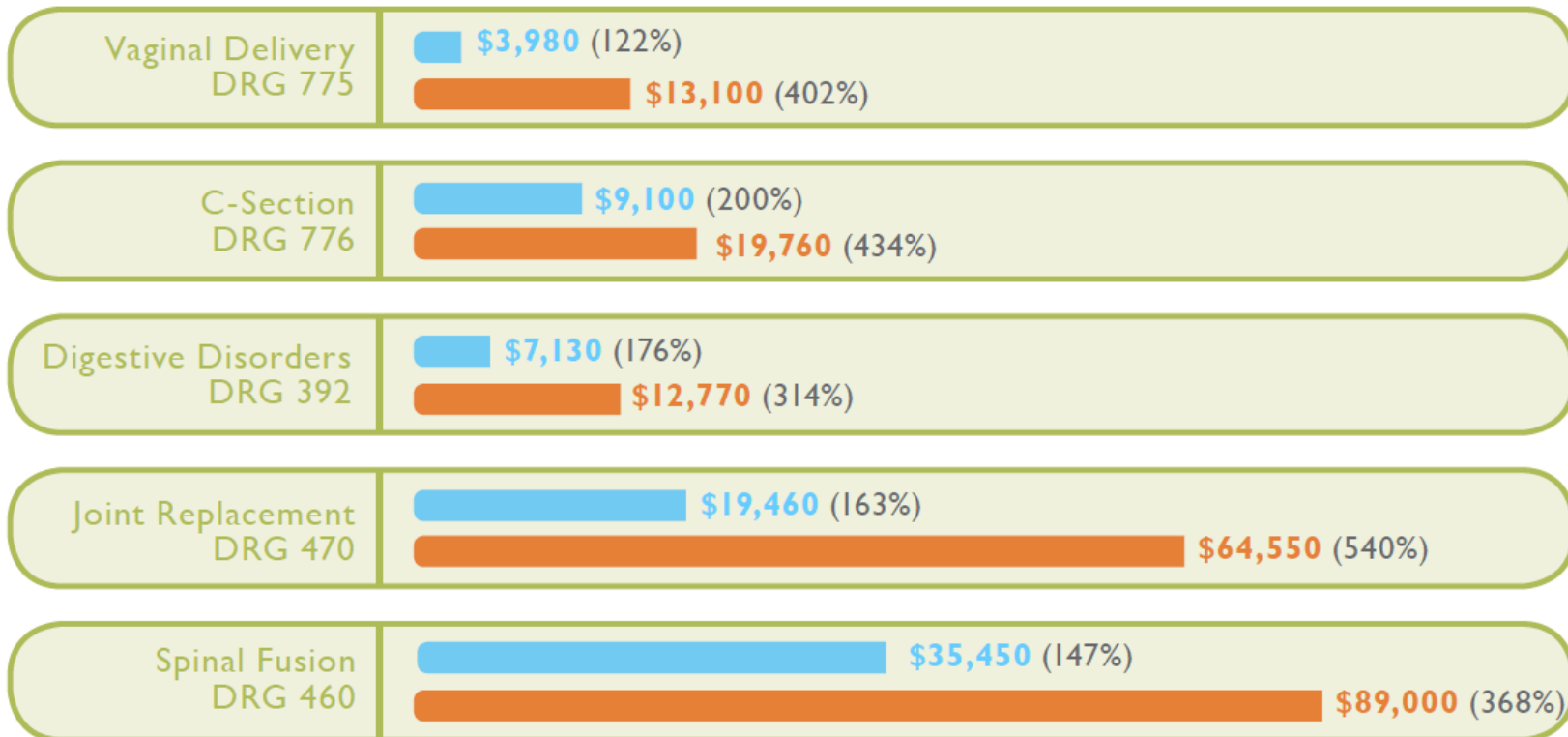
Variation in Facility Payments - Inpatient



Inpatient Variation in Facility Median Paid Amount & Percent of Medicare 2017, CO APCD

Inpatient Service (DRG)

LOW / HIGH (% Medicare)



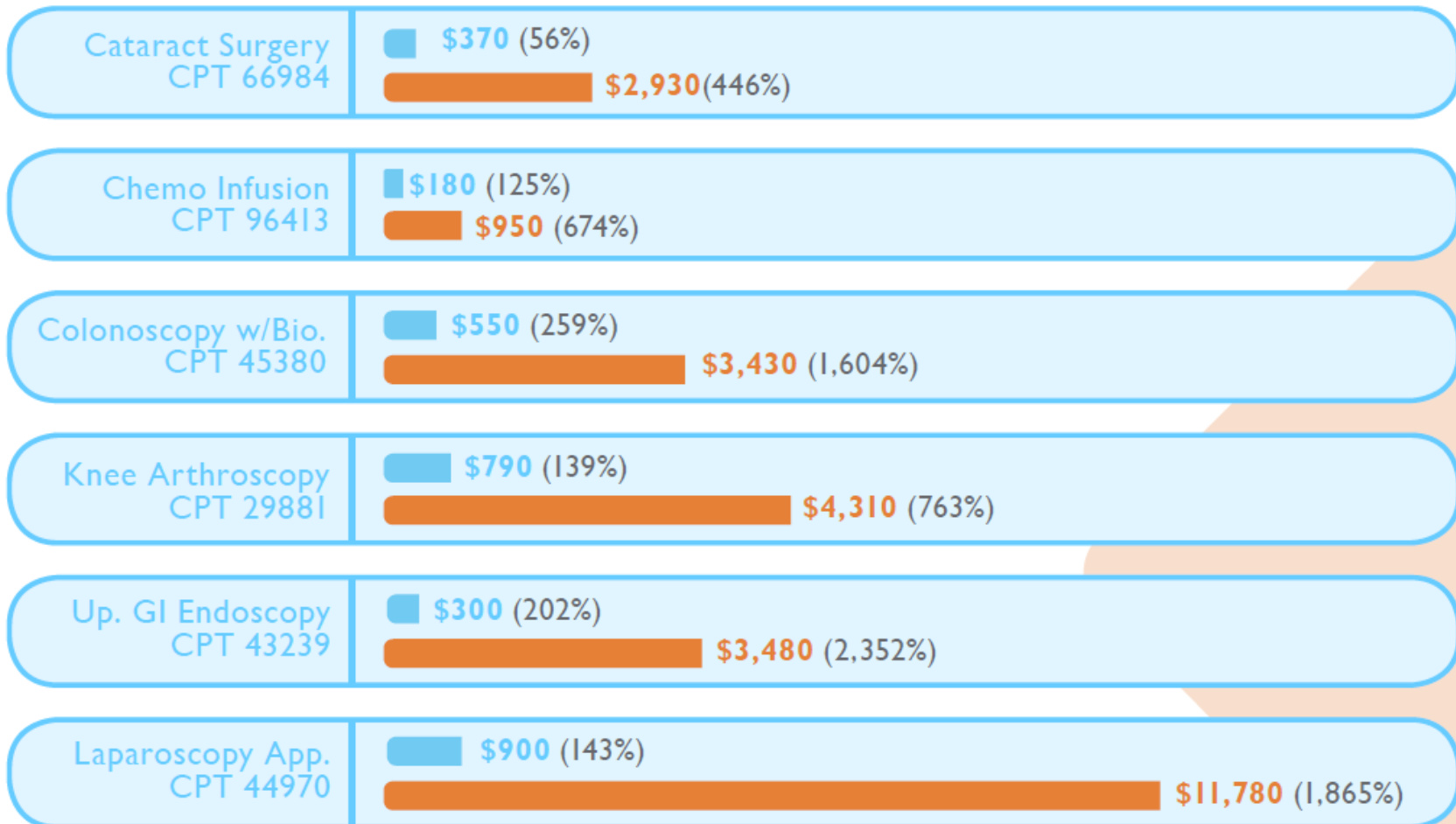
Variation in Facility Payments - Outpatient



Outpatient Variation in Facility Median Paid Amount & Percent Medicare 2017, CO APCD

Outpatient Service (CPT)

LOW / HIGH (% Medicare)



Statewide Trend Results

Statewide Results: Percent of Medicare Fee Schedule Comparison/Trend Commercial Payers, 2012 & 2016, CO APCD

	2012 Average % Medicare*	2016 Average % Medicare*	Percentage Point Increase 2012-2016
Inpatient Services (top 12 by volume/price)	250% (range 210%-300%**)	290% (range 260%-330%**)	↑ 40
Outpatient Services (top 10 by volume/price)	440% (range 210%-1,160%**)	520% (range 250%-1,150%**)	↑ 80

* Average % Medicare reflects the average percent of Medicare across all services analyzed in each category.

** Range reflects lowest average % Medicare rate and highest average % Medicare rate across the individual services analyzed.



Potential Statewide Savings: \$42-178M

Statewide Results: Inpatient & Outpatient Annual Potential Savings Scenarios Commercial Payers, 2016, CO APCD

	Total Current Spend	Median Price (potential savings*)	200% Medicare (potential savings**)	150% Medicare (potential savings**)
Inpatient Services (top 12 by volume/price)	\$284 million	\$36 million	\$86 million	\$136 million
Outpatient Services (top 10 by volume/price)	\$59 million	\$13 million	\$36 million	\$42 million
Total (IP/OP) (rounded to nearest mil.)	\$343 million	\$49 million	\$122 million	\$178 million

* Median price potential savings reflects potential annual statewide savings if all IP/OP payments analyzed that were above the statewide median were paid at the statewide median price. Assumes prices below the statewide median remain the same.

** 150% and 200% Medicare Potential Savings reflects potential annual statewide savings if all IP/OP payments analyzed were normalized to either 150% or 200% Medicare payments.



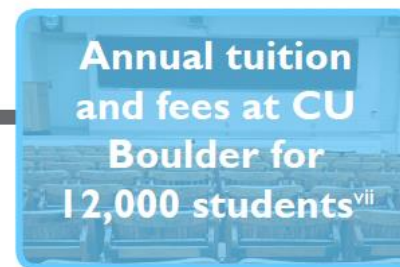
\$178 Million Dollars Could Pay For:



Groceries
for a year for
17,000 families
of four^{vi}



Childcare for a
year for 13,000
families of four^{vii}



Annual tuition
and fees at CU
Boulder for
12,000 students^{vii}



Affordable
housing units
for 890 families
in need^{ix}

Regional Opportunities - Inpatient

Regional Inpatient Results: Price Comparison, High to Low as % Medicare Commercial Payers, 2016, CO APCD

Division of Insurance Region

Median Inpatient Price (% of Medicare)

West	386%
East	374%
Ft. Collins	354%
Grand Junction	347%
Greeley	326%
Denver	280%
Pueblo	278%
Colorado Springs	251%
Boulder	242%

1.6 x
Difference

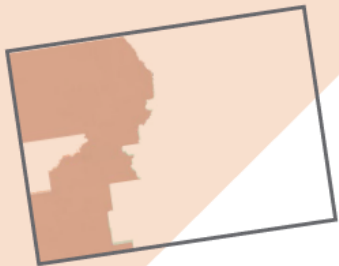


Regional Opportunities – West DOI Inpatient



\$8.9-16.3 Million in Potential Savings

Regional Cost Savings Analysis, Inpatient West DOI Region, Commercial Payers, 2016, CO APCD



**Total West DOI
Current Spend**

**Median Price
(potential savings*)**

**200% Medicare
(potential savings**)**

**150% Medicare
(potential savings**)**

**Inpatient Services
(top 12 by volume/price)**

\$26.7 million

\$8.9 million

\$12.8 million

\$16.3 million



Regional Opportunities - Outpatient

Regional Outpatient Results: Price Comparison, High to Low as % Medicare Commercial Payers, 2016, CO APCD

Division of Insurance Region

Median Outpatient Price (% of Medicare)

East	694%
West	648%
Pueblo	564%
Denver	563%
Greeley	534%
Boulder	495%
Ft. Collins	453%
Grand Junction	410%
Colorado Springs	324%

2.1 x
Difference



Regional Opportunities – East DOI Outpatient

\$990k-1.9 Million in Potential Savings

Regional Cost Savings Analysis, Outpatient
 East DOI Region, Commercial Payers, 2016, CO APCD



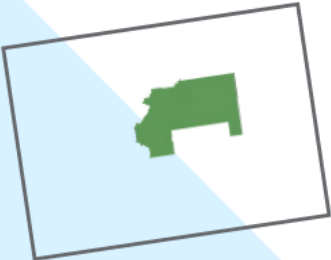
Outpatient Services (top 10 by volume/price)	Total East DOI Current Spend	Median Price (potential savings*)	200% Medicare (potential savings**)	150% Medicare (potential savings**)
	\$2.4 million	\$990k	\$1.7 million	\$1.9 million

Regional Opportunities – Denver IP/OP



\$24-93 Million in Potential Savings

Regional Cost Savings Analysis, Inpatient/Outpatient Denver DOI Region, Commercial Payers, 2016, CO APCD



	Total Denver DOI Current Spend	Median Price (potential savings*)	200% Medicare (potential savings**)	150% Medicare (potential savings**)
Inpatient Services (top 12 by volume/price)	\$156 million	\$16 million	\$45 million	\$72 million
Outpatient Services (top 10 by volume/price)	\$29 million	\$8 million	\$18 million	\$21 million
Total (IP/OP) (rounded to nearest mil.)	\$185 million	\$24 million	\$63 million	\$93 million

* Median price potential savings reflects potential annual statewide savings if all IP/OP payments analyzed that were above the statewide median were paid at the statewide median price. Assumes prices below the statewide median remain the same.

** 150% and 200% Medicare Potential Savings reflects potential annual statewide savings if all IP/OP payments analyzed were normalized to either 150% or 200% Medicare payments.

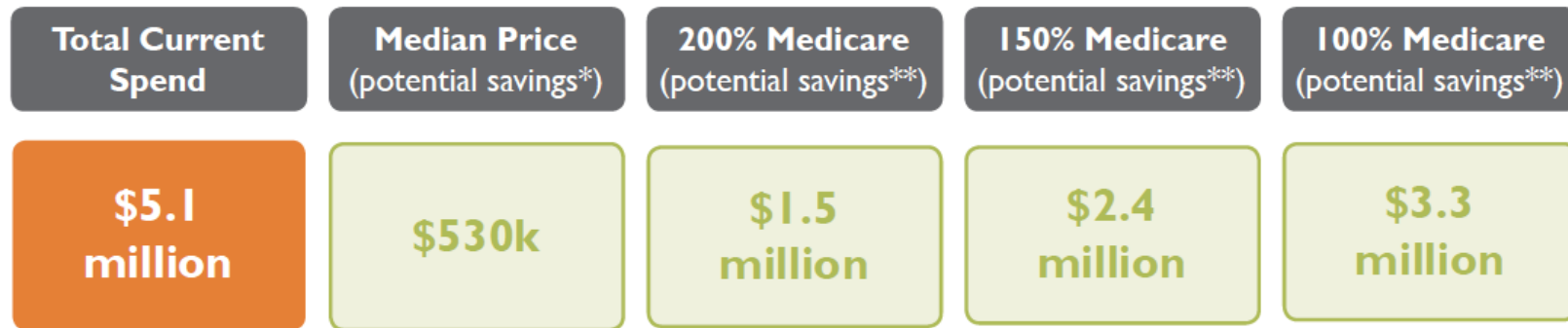


CO Employer Case Study



\$530k-3.3 Million in Potential Savings

Inpatient Annual Potential Employer Savings Scenarios Commercial Payers, 2016, CO APCD



* Median price potential savings reflects potential annual savings for a Colorado employer if all inpatient payments analyzed that were above the statewide median were paid at the statewide median price. Assumes prices below statewide median remain the same.

** 100%, 150% and 200% Medicare Potential Savings reflects potential annual savings for a Colorado employer if all outpatient payments analyzed were normalized to either 100%, 150% or 200% Medicare payments.



Montana Case Study

- In 2017 with **\$9M in deficits projected**, the Montana State Employee Plan negotiated **234% of Medicare rates** with the majority of hospitals in the state.
- **In the first year, \$15.6M was saved** using the reference-based pricing model.
- **As a result of Montana's success, North Carolina** plans to implement something similar for their state employee health plan in Jan. 2020



Moving Forward in Colorado



- **Payers/providers/employers/legislators and others** should consider using reference-based models as one potential cost-savings model
- **CO APCD can be used as a source** to analyze potential impact and further discussions
- **Other considerations – geographic location, type of facility, payer mix, etc.** need to be considered when developing new models of payment



Interactive Report Demo

Hospital Procedures

Other Procedures

Office Visits

Select REGION:

Statewide

Select PROCEDURE:

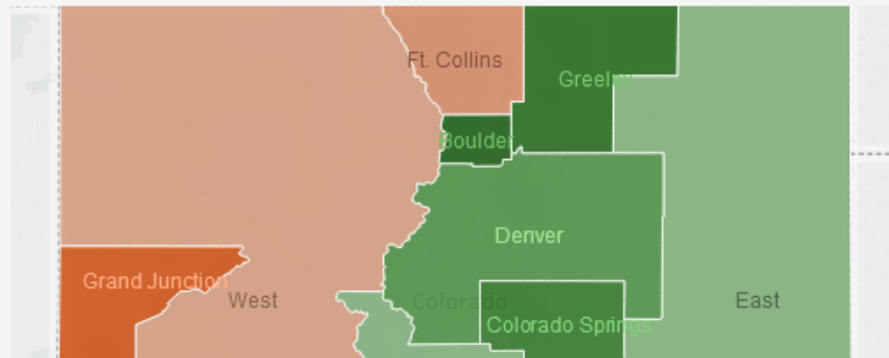
Vaginal Delivery (normal), DRG 775

Select YEAR:

2017

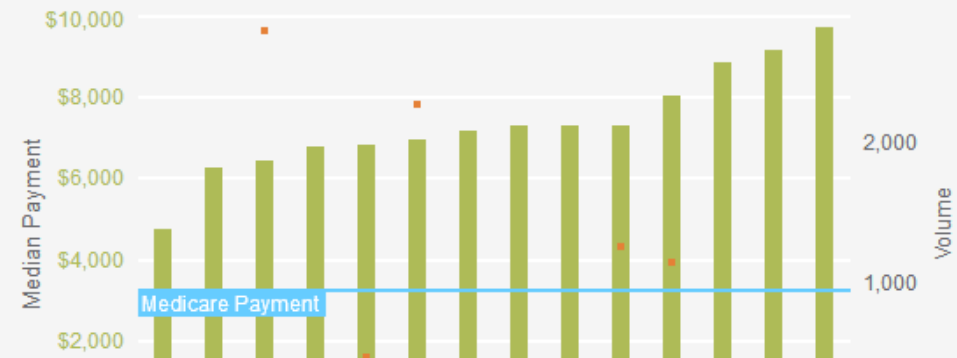
Median Commercial Payment to Facilities by Region

Vaginal Delivery (normal), DRG 775, 2017



Commercial Payer Volume and Median Payment

Vaginal Delivery (normal), DRG 775, Statewide Region, 2017



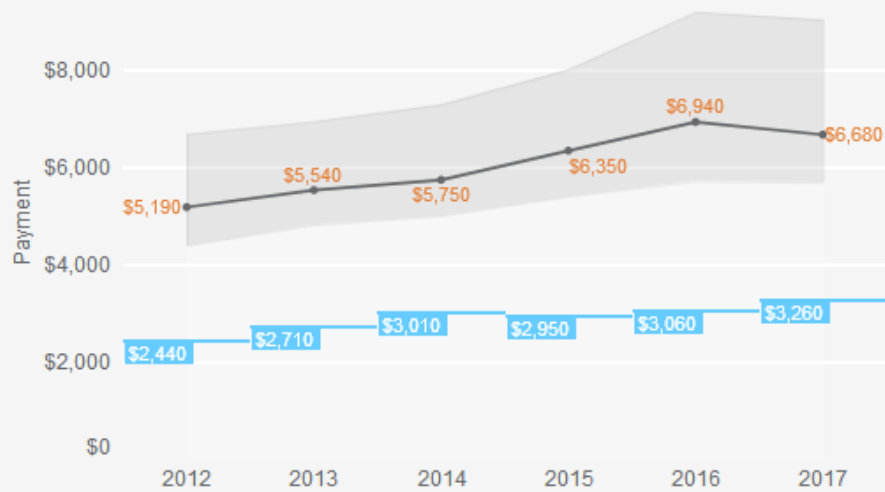
• WILL NEED TO PUT IN FINAL LINK WHEN LIVE REPORT IS READY ON OUR SITE



Interactive Report Demo

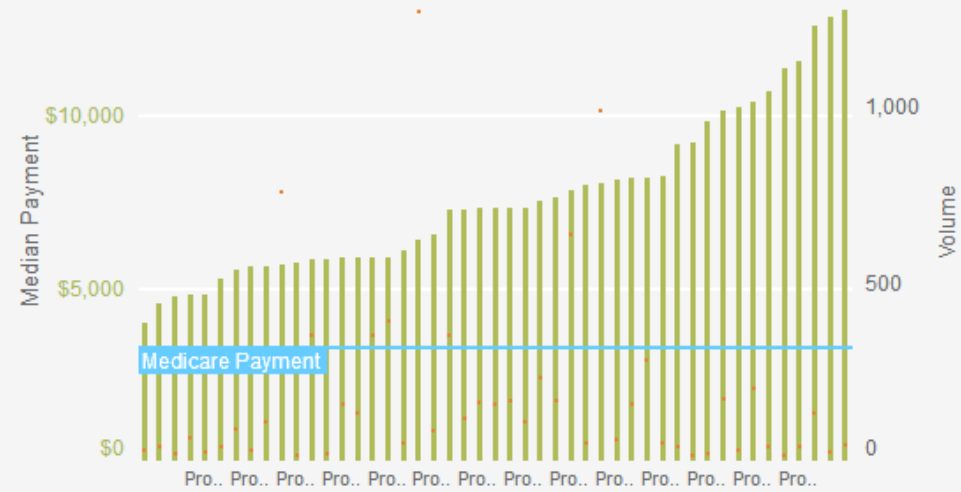
Commercial Payment Range by Year

Vaginal Delivery (normal), DRG 775, Statewide Region, 2012-2017



Facility Volume and Median Commercial Payment

Vaginal Delivery (normal), DRG 775, Statewide Region, 2017



Interactive Report Demo

- Hospital Procedures
- Other Procedures
- Office Visits

Select **REGION:**

Statewide

Select **PROCEDURE:**

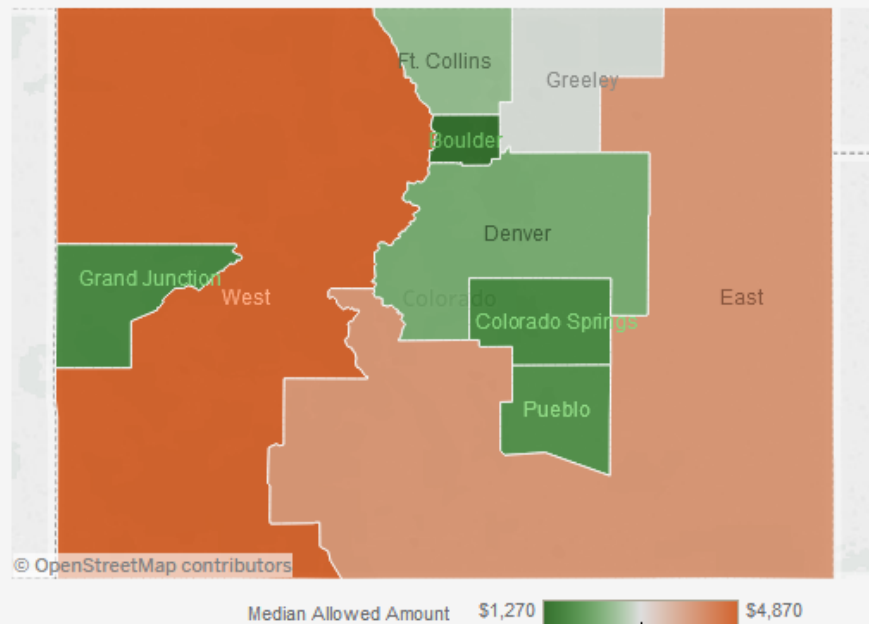
Knee Arthroscopy/Surgery, CPT 29881

Select **YEAR:**

2017

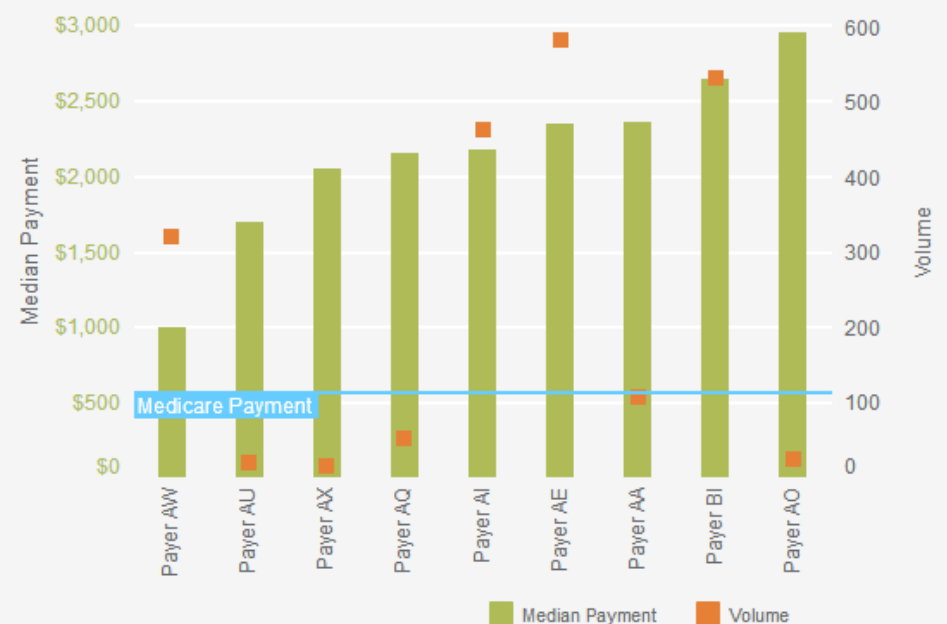
Median Commercial Payment to Facilities by Region

Knee Arthroscopy/Surgery, CPT 29881, 2017



Commercial Payer Volume and Median Payment

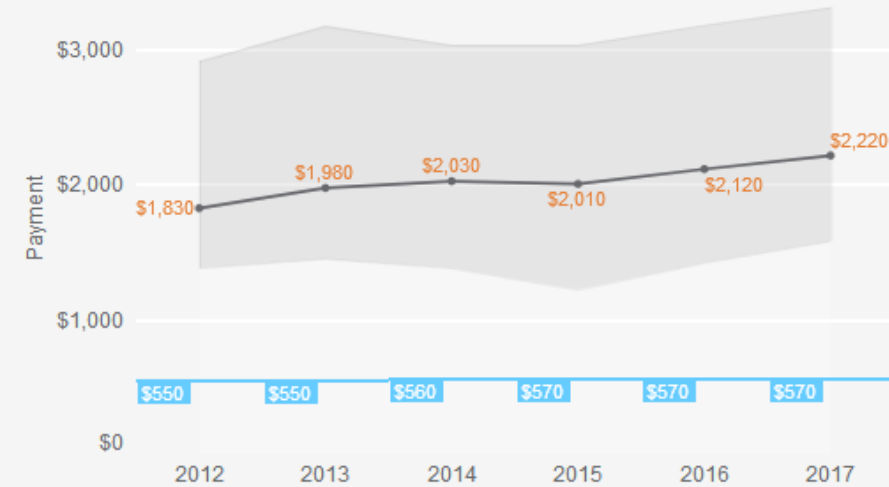
Knee Arthroscopy/Surgery, CPT 29881, Statewide Region, 2017



Interactive Report Demo

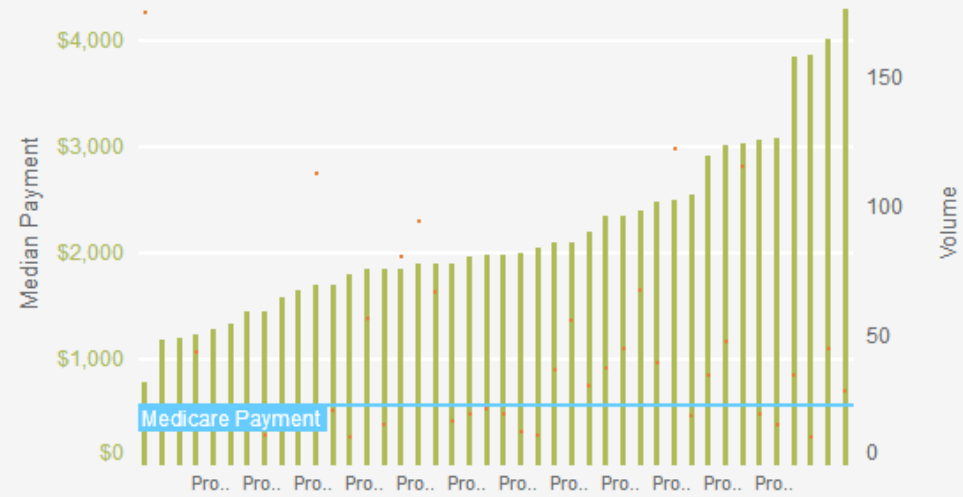
Commercial Payment Range by Year

Knee Arthroscopy/Surgery, CPT 29881, *Statewide Region, 2012-2017*



Facility Volume and Median Commercial Payment

Knee Arthroscopy/Surgery, CPT 29881, *Statewide Region, 2017*



Questions

Comments

Insights

Contact Info



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