

## **Health Care Cost Studies**

### **Preliminary Board Discussion**

**Note:** The information in this paper should be considered in relationship to the BOD's facilitated report to refresh the strategic plan, specifically relating to Idea 2. New Program, Cost transparency, page 3, of agenda item II. B. Strategic Plan Refresh.

#### **Purpose of Discussion:**

1. To update and discuss with the BOD the current and anticipated political and stakeholder responses to state initiated health cost studies; and,
2. To get preliminary thought from the BOD about steps CMS should be taking regarding further positioning of CMS, communicating with and engaging our members, and the process of developing policy responses as the studies evolve.

#### **Questions for the BOD:**

These discussions are preliminary and not intended to produce conclusive or even consensus policy views per se at this early stage of discussion given the complexity of the subject matter and unresolved questions yet to be determined in the course of these studies. The BOD should be prepared for the studies to generate internal and external conflicts as previously undisclosed or not fully understood cost patterns and their epidemiology become more readily apparent.

1. **What do you perceive as the major vulnerabilities as well as opportunities for physicians as these health care cost studies proceed?**
2. **What internal differences, either by specialty, geography, or practice setting is likely?**
3. **What specifically should CMS be doing to prepare for these studies?**

**Background:** In September 2013 the BOD discussed whether Steven Brill's "Bitter Pill" issue of Time Magazine would gain public policy relevance. What has gained relevance since September?

1. The appointment of a Colorado Department of Insurance (DOI) health care costs study group;
2. The probable filing of legislation promoted by the Colorado Center for Law and Public Policy to create an independent study commission on health care costs; and,

3. Announcement by federal Centers for Medicare and Medicaid Programs that it will begin releasing payment data for individual physicians on a case-by-case basis this spring.

The DOI study group announcement, initiated at the direction of the Governor, is directly tied to a public backlash over Kaiser Family Foundation's announcement of the top 10 most expensive regions of the country to buy health insurance on the Exchange, with the Colorado resort region of Summit, Garfield, Eagle and Pitkin counties at the top of the list. County officials and business leaders in these counties have publicly challenged Colorado DOI Commissioner Marguerite Salazar in meetings she has conducted as a result of her announcement. Local officials, not to mention the voting public, are getting a remedial education in the inherently discriminatory nature of insurance risk rating with predictable reactions. As perhaps an early indicator, the Garfield County commissioners have directed the county attorney to sue the Colorado Division of Regulatory Affairs and the Department of Insurance.

The DOI study group held its first meeting on February 13 and was attended by John L. Bender, MD, and CMS chief executive Alfred Gilchrist. Commissioner Salazar invited CMS to participate on the study group.

Senator-physician Irene Aguilar will be the lead sponsor of legislation to create a health care cost study commission. The Center for Law and Public Policy, which has been studying health care costs over the past few years and developed legislation to require hospitals to charge uninsured patients not more than the lowest contracted rate, is widely seen as the major ideological proponent of the legislative study. The Council on Legislation has already voted to support the idea of the commission "in concept" but will not take final action on the legislation until it is filed.

While regional variation in health insurance premium pricing is hardly revelatory, newly available, lay-accessible (and thus politically accessible) data and studies will energize this heretofore latent, insider debate. No doubt, when the data and trends from Colorado's All Payer Claims Database are put under the microscope of a study commission, potentially along with physician-specific Medicare data, the questions regarding pricing and cost/value variances will no longer be rhetorical. As the BOD would intuitively know, some variances may be well understood and can withstand scrutiny while others may be less defensible. The stakeholder and media reactions should not be expected to be uniformly rational, honest or fair.

The CMS member survey conducted November 18 through December 17 2013 to give the BOD input on refreshing the strategic plan showed members clearly wanting to see CMS address proactively the continuing effort to "bend the cost

curve in the health care system.” It is a moot point that members were split on whether CMS should appoint an internal working group and wait for the State Legislature, or ask the Legislature to form a committee on the issue. What is clear from the survey is data showing members want to see CMS continue to address the issue of quality and cost effectiveness in the health system in the near term.

- CMS physicians believe that the most influential drivers of cost in the healthcare system are medical device and pharmaceutical overpricing, end of life care, patient lifestyles and hospital overpricing, with misaligned payment incentives and lack of care coordination also seen as playing an influential role.
- A majority also says that uneven coverage and delayed access to care and medically unnecessary services are influential (a “4” or “5” on a scale of 1 to 5).
- Fewer believe that variations in care, physician overpricing of some services or fraudulent services are as influential in driving healthcare costs.



**Dora**  
Department of Regulatory Agencies

**Division of Insurance**  
Marguerite Salazar  
Commissioner of Insurance

John W.  
Hickenlooper  
Governor

Barbara J. Kelley  
Executive  
Director

February 5, 2014

Dear Colleague;

I am writing to ask for your assistance by inviting you to serve on the Health Care Cost Data Study group that I have been tasked to undertake. Over the past several months there have been many debates regarding insurance premiums and with the new transparency because of the Affordable Care Act, citizens are asking why there is such a great variation among different geographic areas.

The Division of Insurance has a dual role of protecting consumer rights and at the same time regulating insurance in a fair manner to promote a competitive business environment. Since coming to the Division, it has been my goal that we balance these interests and that one not overshadow the other.

The goal of this study is to look at how the health care dollar is being spent in Colorado. We will look at costs by provider in each geographic region as a way to understand and report to consumers why premiums vary from region to region. This is not a study to make any broad policy recommendations.

I will share the results of our study with Senator Irene Aguilar who is proposing a Cost Containment Commission. It is at that level where the broader policy recommendations may emerge.

I am proposing a tight timeline because we know that we would like to have the results of our study by April, 2014.

#### Proposed Schedule

February 13, 2014 Initial meeting – Review goals and existing data and determine additional needs in various service area

March 20, 2014 Review additional data and reach consensus on reporting structure

March 27, 2014 Convene Stakeholder meeting to review data and gather more input

April 7, 2014 Finalize report for presentation to Governor's staff

Thank you for your leadership in working on this important study and for considering this invitation to serve our state. So that I can insure that we have a good balance on this group, please respond to this invitation to serve by Monday, Feb. 10.

Respectfully,



Marguerite Salazar

# Health Care Data Cost Study Group

## AGENDA

- Division of Insurance
- February 13, 2014
- 1580 Broadway,
- Suite 110A
- Denver, Colorado
- 1:30 pm – 3:00 pm

- Welcome and Introductions  
-Marguerite Salazar,  
Insurance Commissioner
- Charter and Questions to be  
addressed
- APCD Presentation  
-Edie Sonn
- Discussion on data needs
- Review of meeting schedule
- Other items
- Adjourn



### Draft questions for Study Group

What is the difference in the per capita total cost of health care in the individual insurance market in Colorado counties?

- To what extent are these differences explained by the price per unit of services delivered?
- To what extent are these differences explained by the quantity of services delivered on a per resident basis?
- What are the drivers of these differences and the policy/regulatory levers that could impact these differences?

What are the differences in the total cost of care and insurance premiums in the individual insurance market in Colorado counties?

- What factors explain the difference between total cost of care and premiums?
- What are the policy and regulatory levers to minimize these differences?