

Health Care Affordability Roadmap Discussion

Customizing the Roadmap to Meet Your Community's Goals

**Kim Bimestefer, Executive Director and
Cristen Bates, Senior Advisor on Affordability Partnerships**

Colorado Department of Health Care Policy & Financing

Summit County

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Our purpose for today

- Set baseline for Affordability option
- Begin to identify cost drivers specific to the community
- Identify the process to choose affordability priorities for your community
- Agree on next steps

Agenda

- Introduction (15 min)

Have the all participants give their name and who they represent

- Affordability Roadmap (60 min)

Kim Bimestefer, Executive Director & Cristen Bates, Senior Advisor
Affordability Partner

- Community Discussion (45 min)

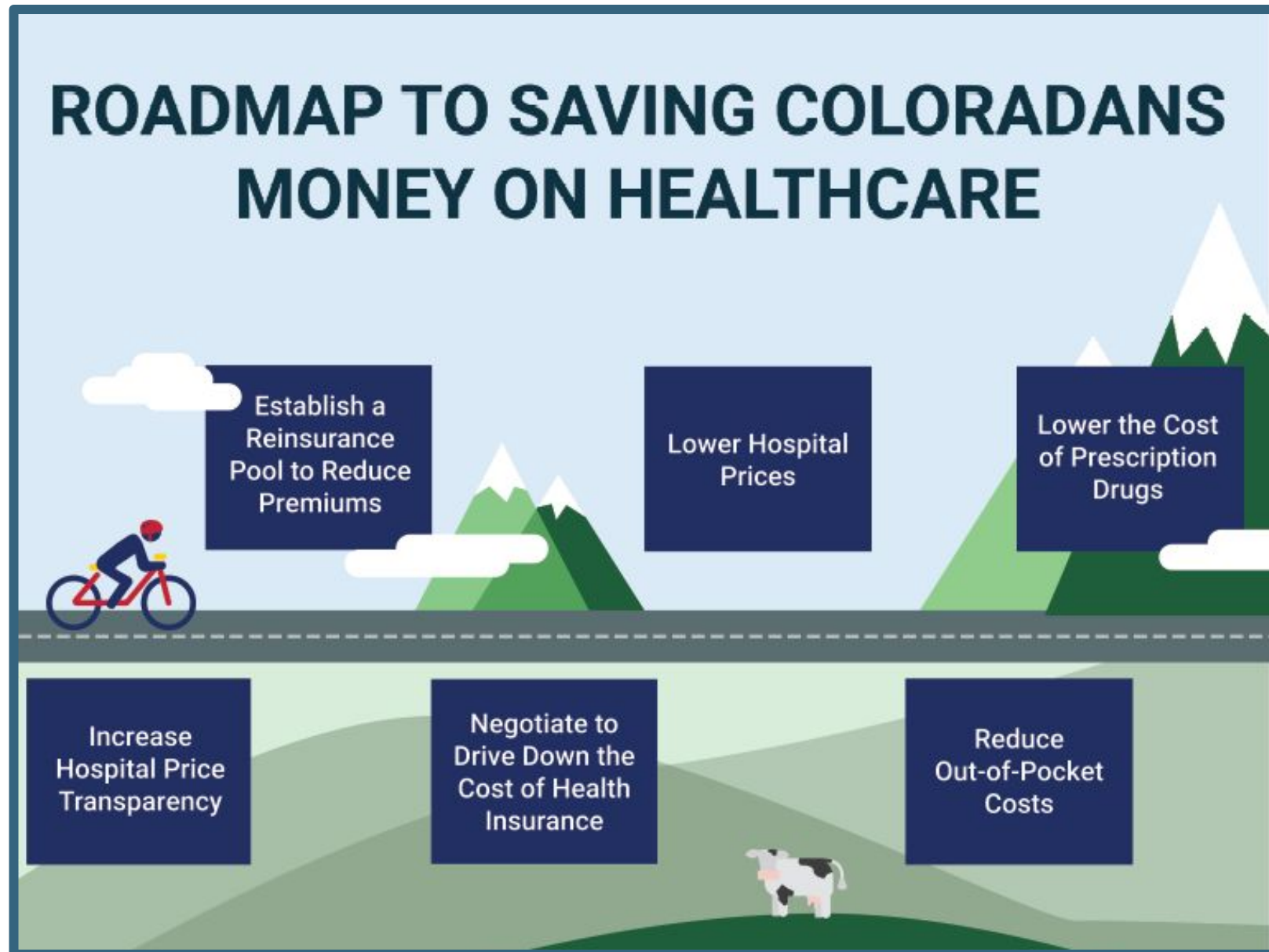
Affordability Priorities for Summit County

- Group discussion and planning
- Next Steps

Polis-Primavera Administration Goal:

Lower Healthcare costs to save people money on Healthcare

In the Short Term



In the Mid and Long Term

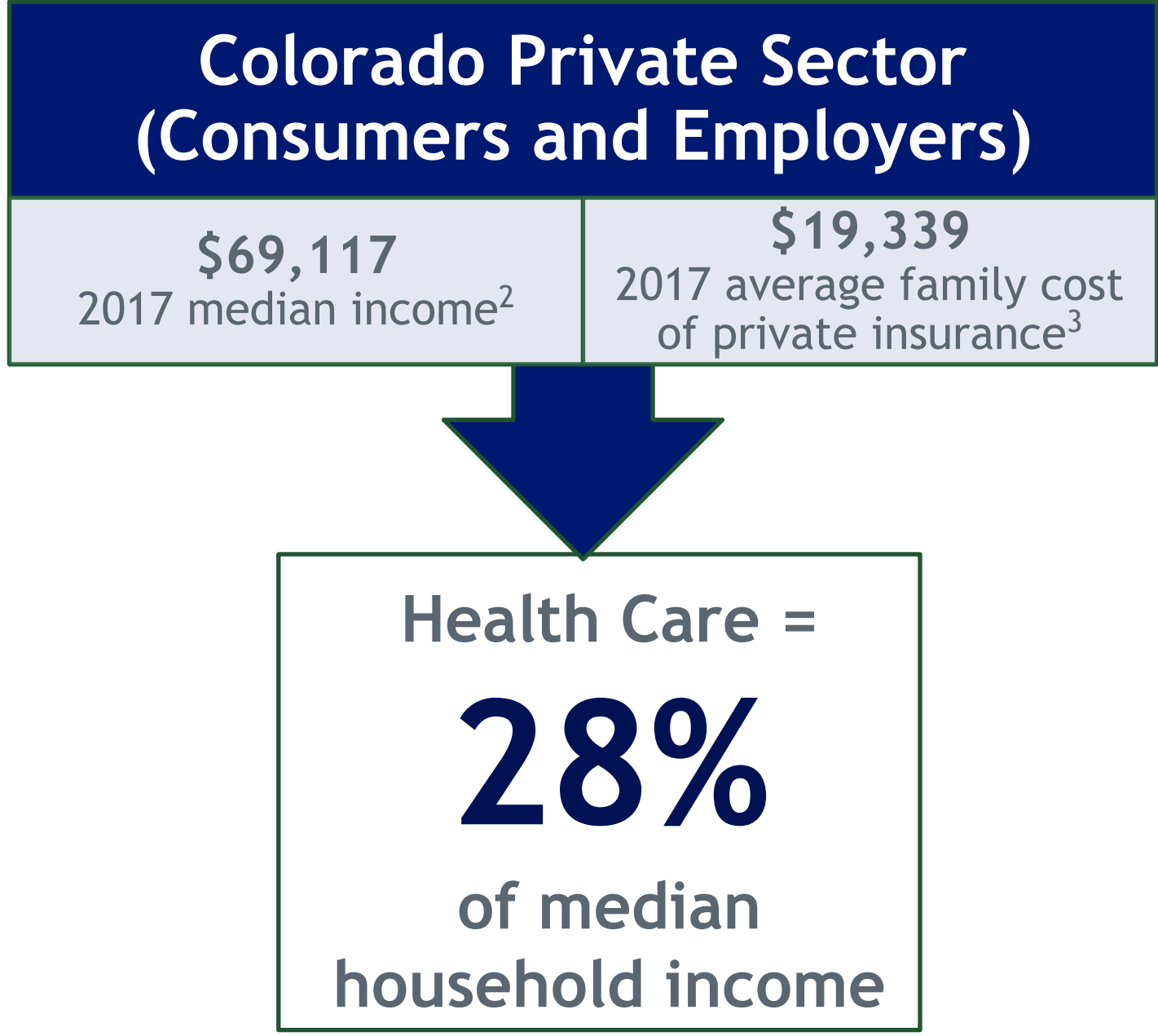
- Launch a state-backed health insurance option
- Reward primary and preventive care
- Expand the health care workforce
- Increase access to healthy food
- Improve vaccination rates
- Reform the behavioral health system
- Support innovative health care delivery and reform models

Source: Polis-Primavera Roadmap to Saving Coloradans Money on Health Care, pages 2-3, April 2019. Full roadmap available at colorado.gov/governor/sites/default/files/roadmapdoc.pdf

Why Focus on Affordability? Health care costs are a significant portion of state and family budgets



Medicaid consumes
33%
State's Total Budget¹
(26% of General Fund)



Path to Affordability

Medicaid influences the Roadmap & the Roadmap influences Medicaid

1. Constrain hospital and pharmacy prices
2. Address rising pharmacy costs
3. Champion alternative payment models
4. Align and strengthen data infrastructure and innovative technology
5. Improve our population health including
6. Behavioral Health Task Force findings and implementation

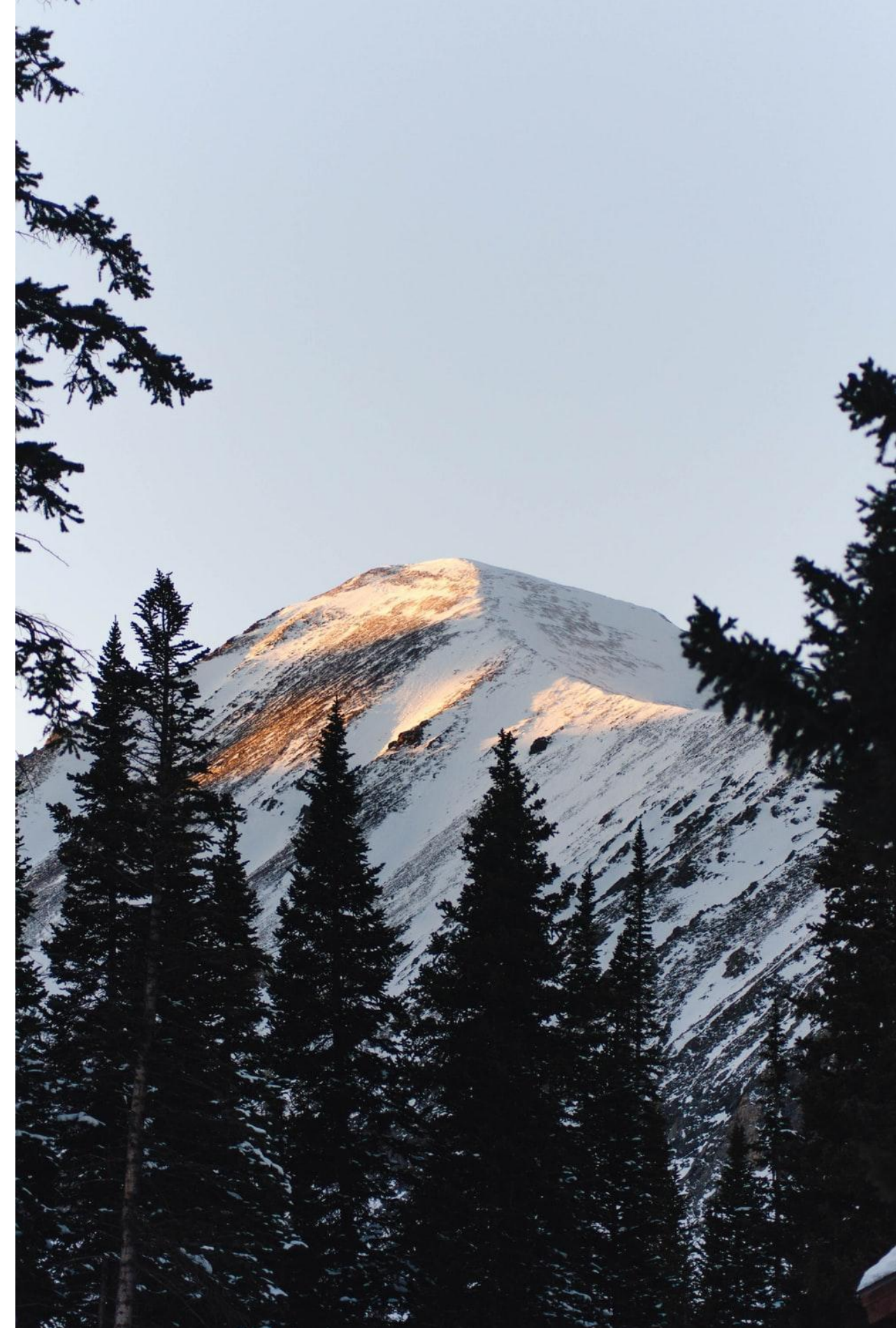


Quick View of Roadmap Initiatives

- **Cost Containment: Hospital solutions**
 - Hospital Transparency
 - Financial Transparency
 - Prometheus
 - Community Health Need Assessments
 - Analytics by community
 - Hospital Transformation Program
 - Rural Support Fund
 - Centers of Excellence
 - Purchasing Alliance Model, Driving Community Reimbursements
 - Public Option
 - Free Standing Emergency Department
- **Cost Containment: Pharmacy solutions**
 - Rx Report and Employers Partnerships
 - Employer Negotiation of Rx Rates and Discounts
 - Pharmacy Pricing Transparency
 - Prescription Importation
 - Physician Prescriber Tool
 - Manufacturer-Carrier Compensation (incl. Rebates)

Summit County

- Resort community with significant public health advantages and health care cost disadvantages
- Highest life expectancy of any county in the US; 6th in CO for overall health
- Challenges include access, especially primary and behavioral health, and social factors like higher costs for everything
- Tourists and seasonal employees pose unique challenges for the health care system
- St. Anthony Summit Medical Center is a key partner for the community as the only hospital in the county
- Border Hospitals: St. Vincent in Leadville, West Denver (St. Anthony Lakewood, Lutheran, and...?)
- Summit County residents and leaders have taken brave and innovative steps to save money on health care including the PEAK Alliance which is a model for local solutions with state support and Building Hope to support expanded behavioral health services



Discussion of Opportunities

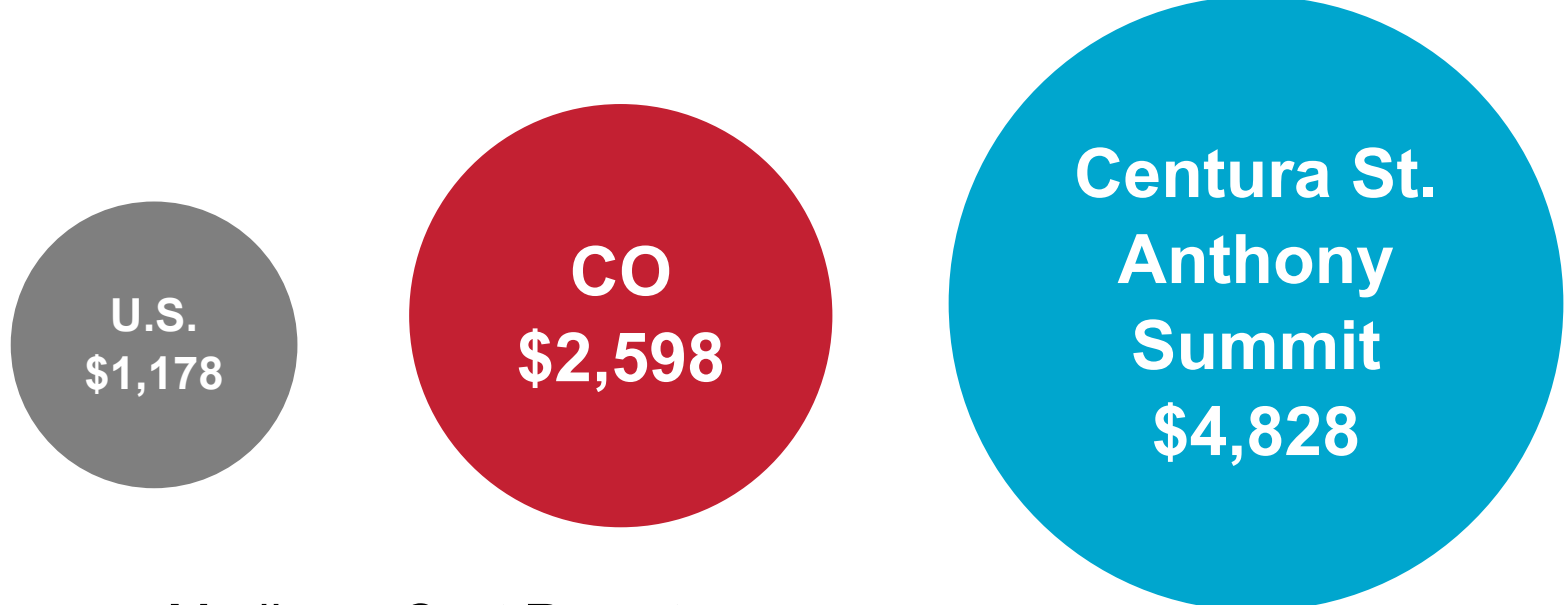
County Overview

- **Context:** Resort
- **Residents:** 27,994
- **# of Hospitals:** 1
- **Primary Care Physicians Ratio:** 1380:1

Health Overview

- Summit County has the highest life expectancy of any county in the country
- Summit's PEAK alliance is a model for local solutions with state support

Total Hospital Margins*

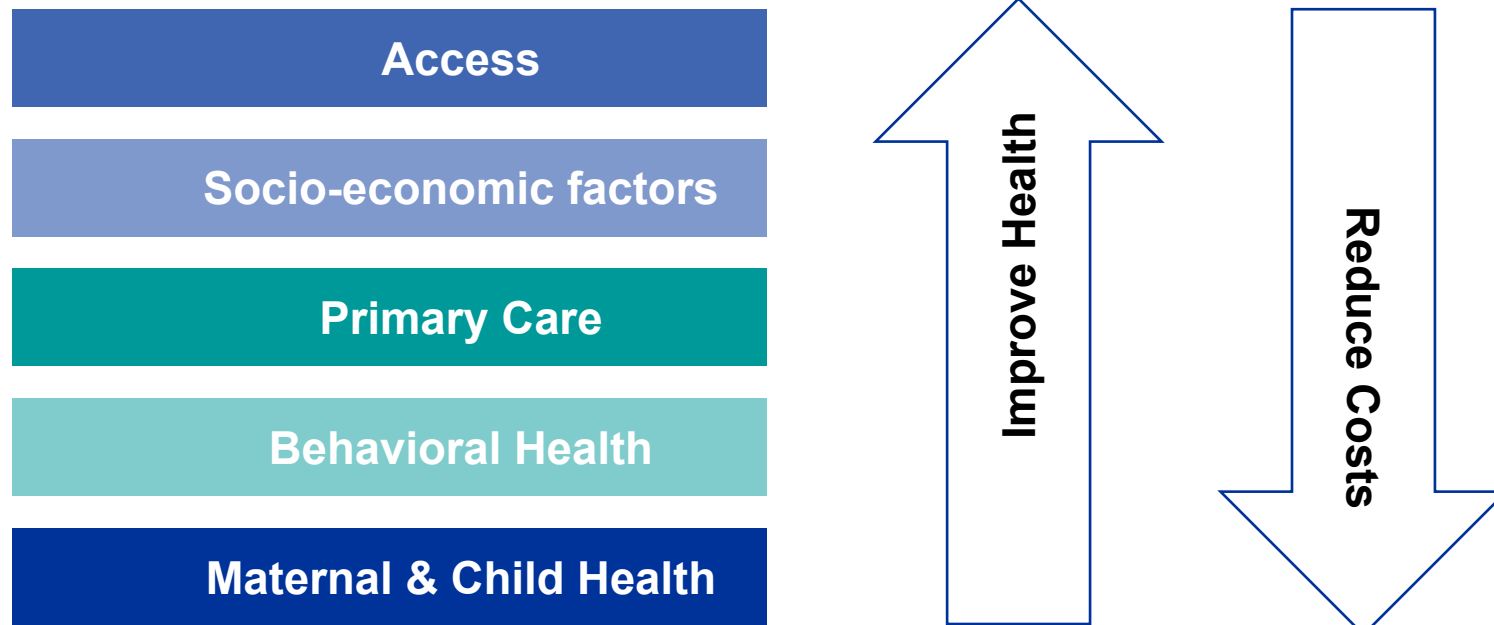


Source: Medicare Cost Report
 *Per adjusted discharge, adjusted for Cost of Living

County Health Rankings

	County Health Rankings	
	Summit	CO
Uninsured	11%	6.5%
Severe Housing Problems	25%	17%
PCP Ratio	1380:1	1230:1
Mental Health Providers	360:1	300:1
Low Birth Weight	12%	9%

Summit Opportunities



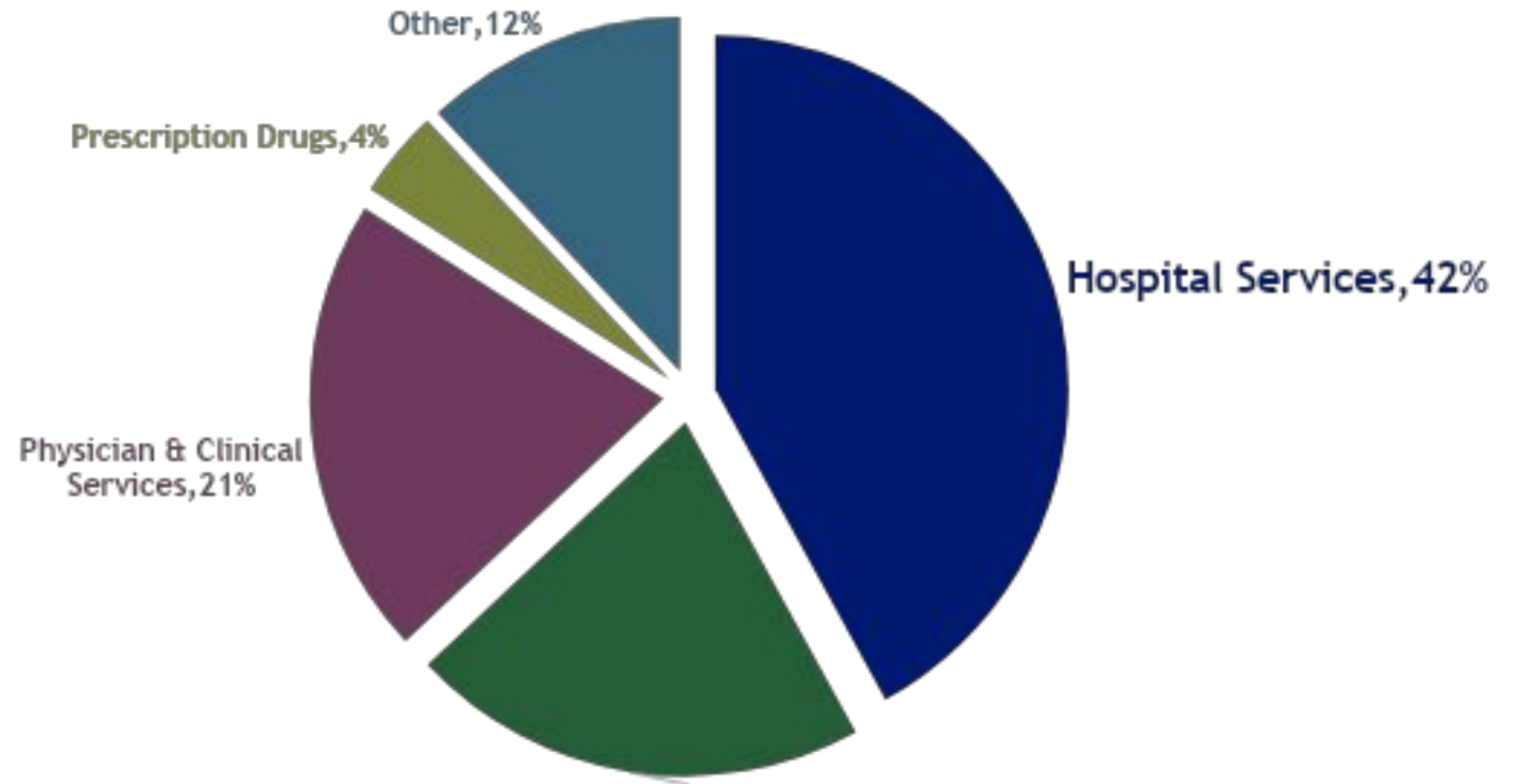
Hospital Costs

- *Hospital Cost Trends and Public Investments*
- *Transparency*
- *Hospital Transformation Program (HTP)*
- *Purchasing Solutions*
- *Centers of Excellence*

Private health insurance spending grew \$101.3 billion between 2016-2018 and hospital costs drove 42% of this increase

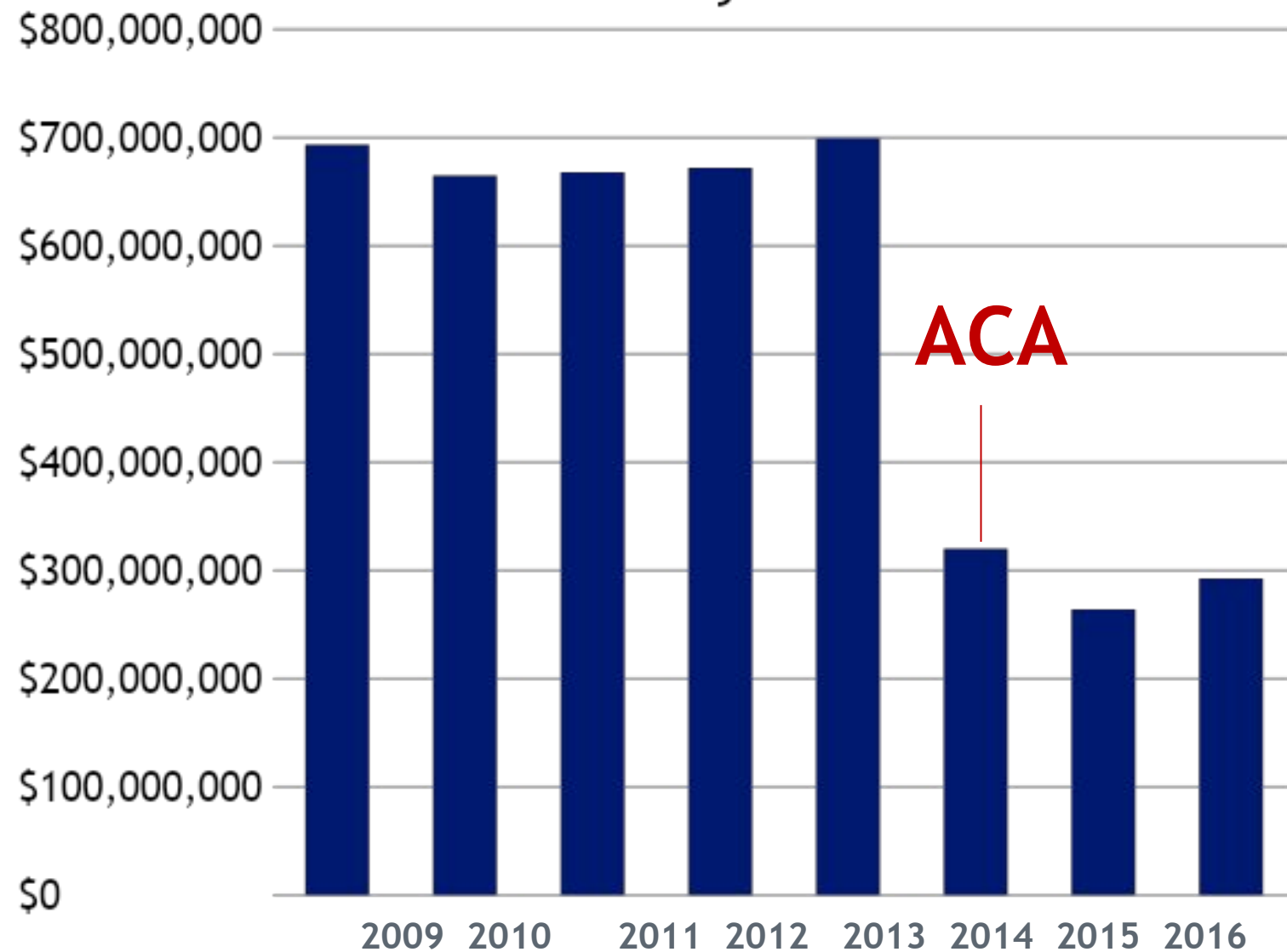
“Our work suggests that efforts to reduce health care spending should be primarily focused on addressing growth in hospital rather than physician prices.” – Zack Cooper et al, Health Affairs, February 2019

% of growth in private health insurance spending by category between 2016-2018

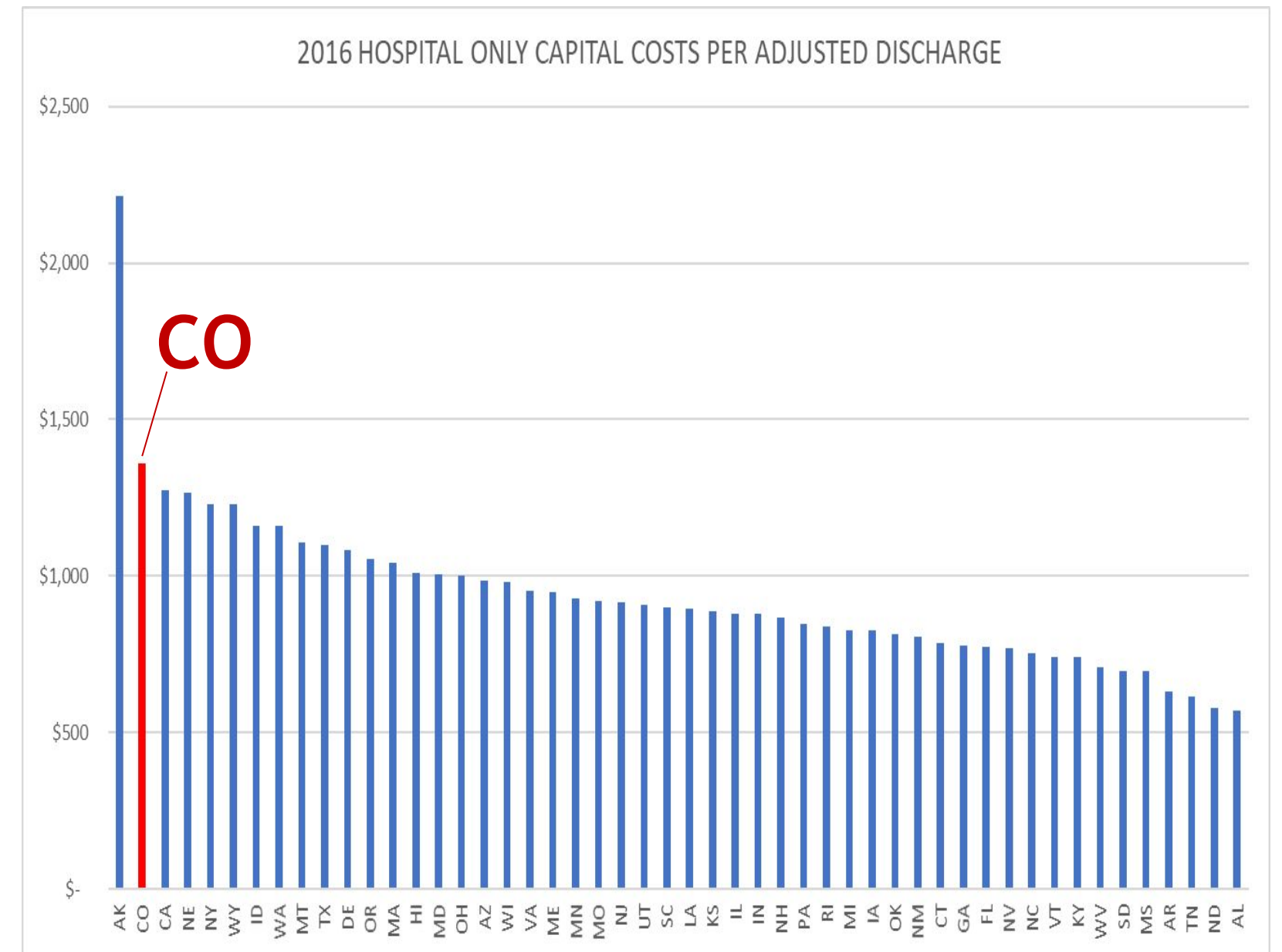


Good news: the ACA reduced hospital burden from bad debt and charity care

Colorado Hospitals Bad Debt and Charity Care



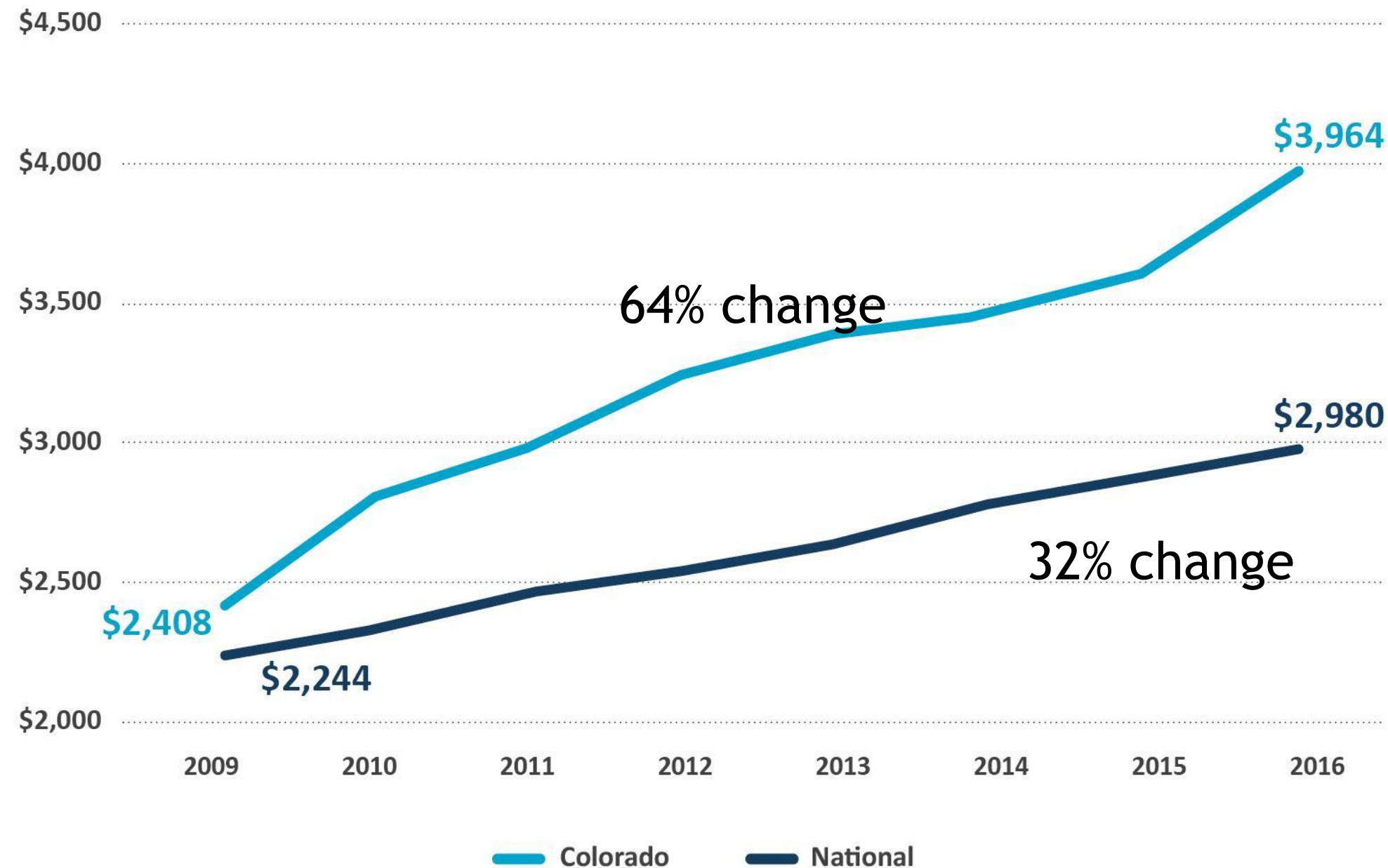
Colorado hospital construction costs, 2nd highest in the nation



Source: CHASE 2017 Report, CHA DATABANK

Mergers have not driven efficiencies. Colorado's overhead costs are increasing at double the national rate

Growth in Overhead Costs per Adjusted Discharge, 2009-16



2009: Six entities owned or were affiliated with 23 hospitals.

2018: Seven entities owned or were affiliated with 41 hospitals.

- UHealth grew from 1 to 10
- Centura grew from 10 to 17
- Banner grew from 2 to 3

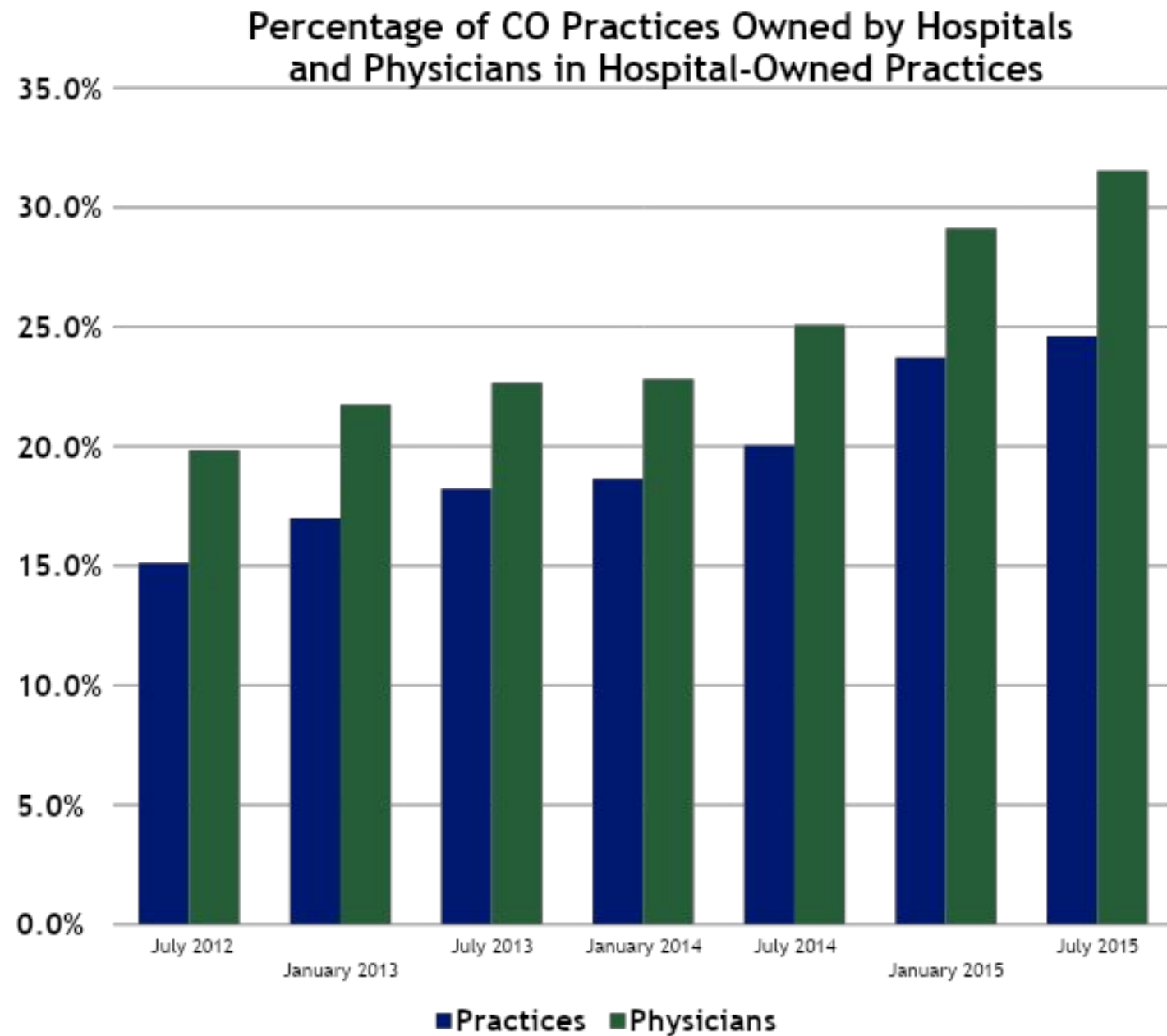
Overhead Cost per Adjusted Discharge:

CO: 9.2% per year over 7 years

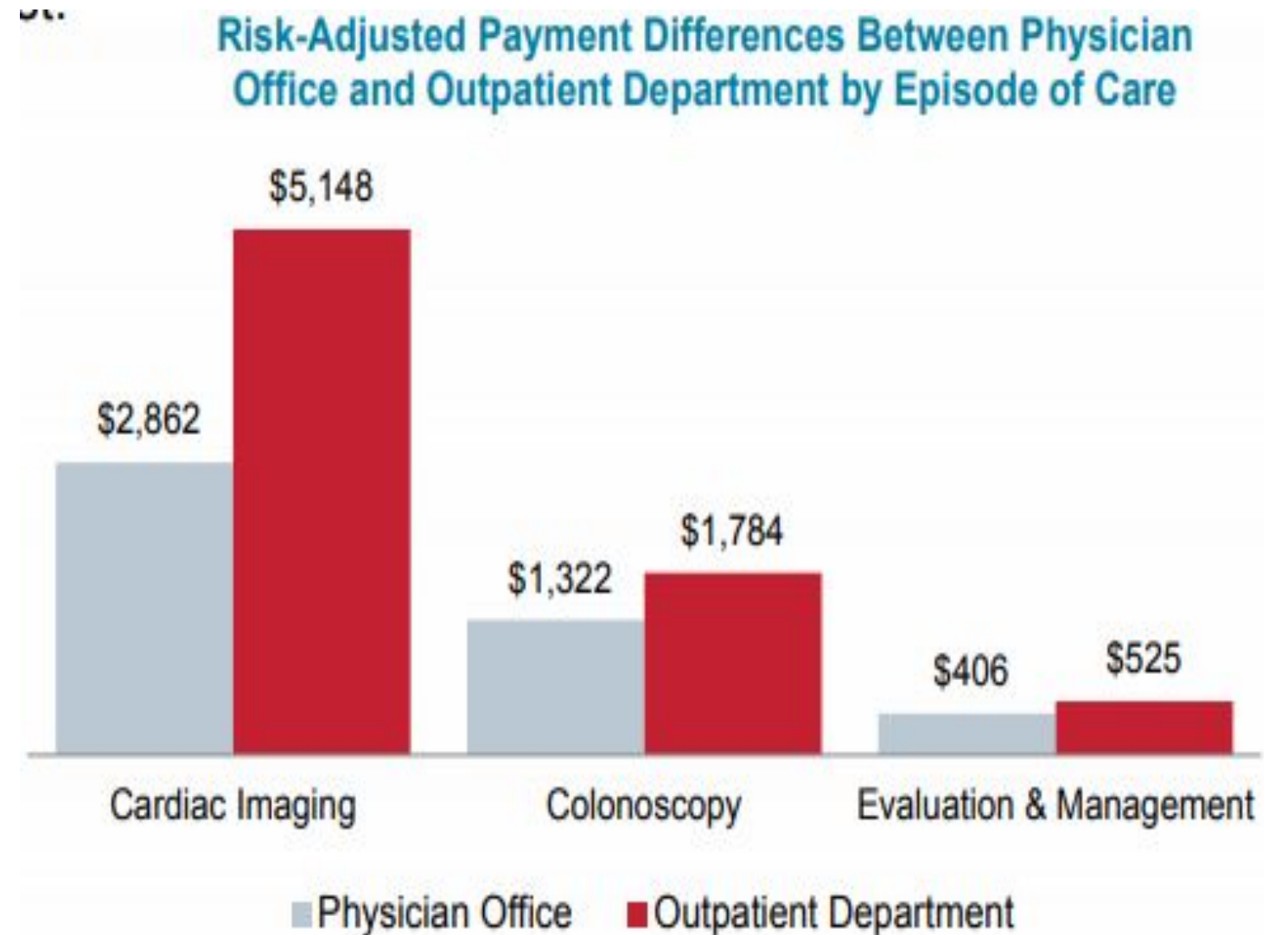
National: 4.7% per year over 7 years

Data Source: Centers for Medicare & Medicaid Services Healthcare Cost Report Information System

Hospitals are buying up outpatient physician practices. This has led to more expensive care in these practices



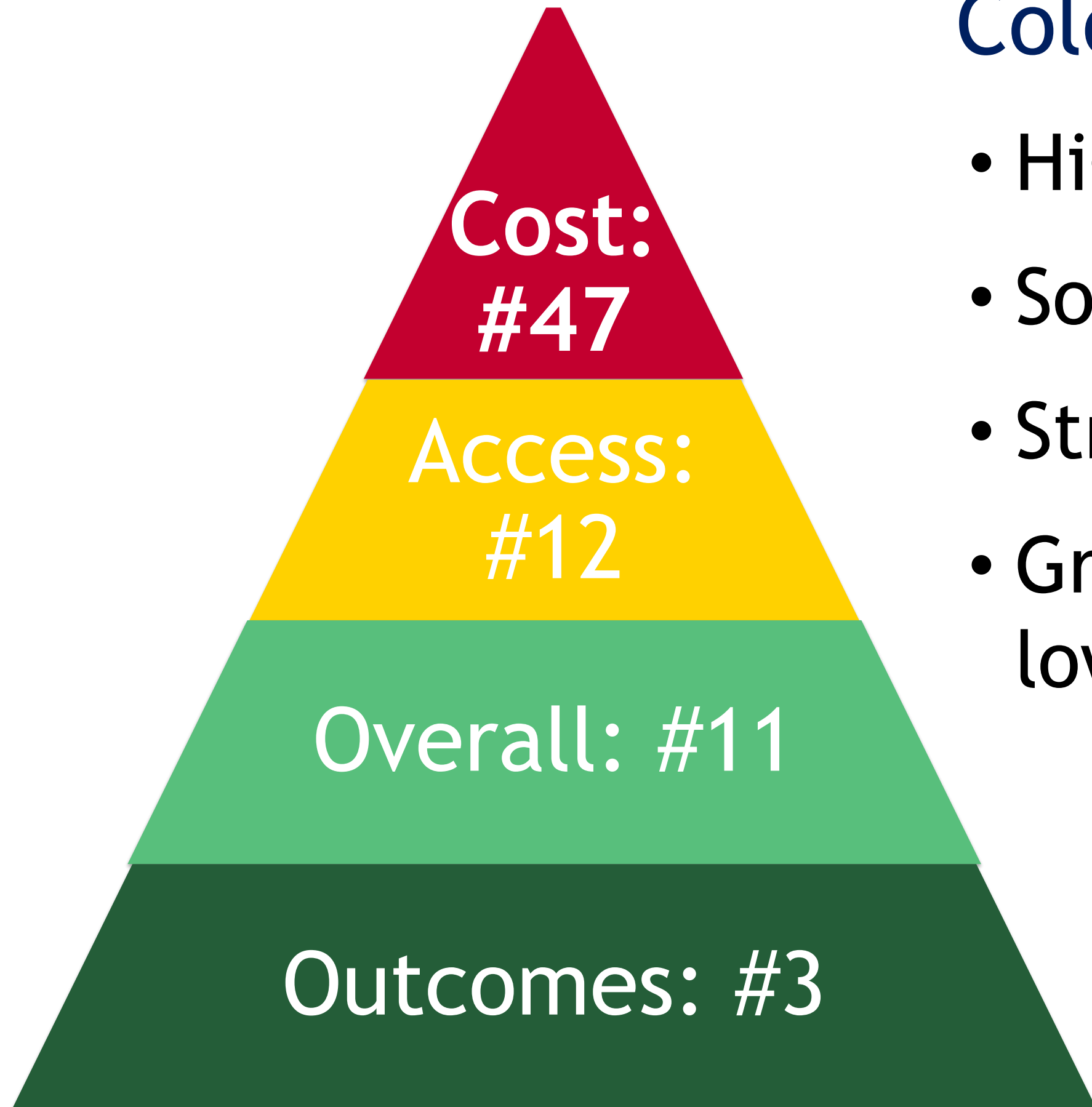
Consequences: care is more expensive in hospital-owned facilities/practices



Connecting to the appropriate level of care vs. the Free Standing ED

- Stop marketing use of ED, most expensive place for care
 - Billboards, TV, Radio, Flyers that highlight wait times
 - Markets immediate access, even when not an emergency
 - Hospital Transformation Program incentives
 - Plan design and urgent care/ER (co-pays)
- 44 free standing EDs facilities in Colorado
 - 34 clearly branded with a large health system
 - 10 added and 9 closed last year
 - Some are dual use, supporting a triage model which supports cost savings

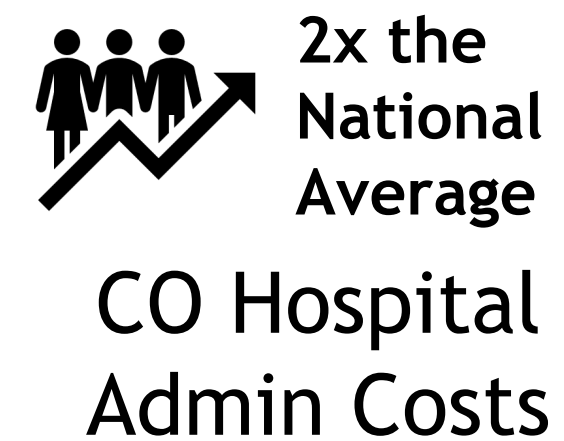
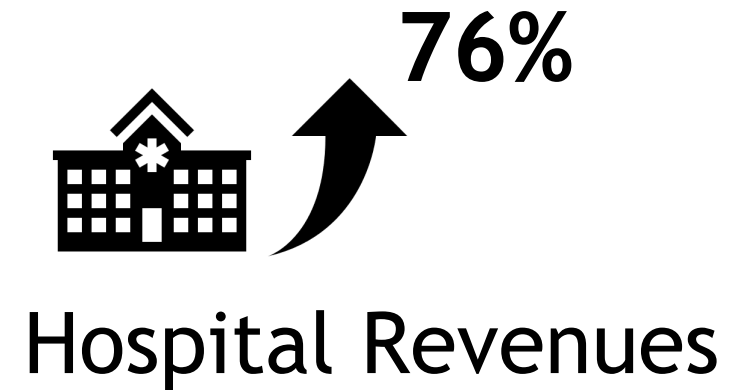
Colorado's Health System



- Highest Costs
- Solid Access
- Strong overall rank
- Great outcomes (example: lowest heart disease rate)

Given the health of the population, with focus we have the opportunity to have some the lowest costs in the nation

Hospital Cost Shift Report showed that between 2009 to 2017:



**We built the system we have together.
*We must transform it together.***

From the Medicare Cost Report: Hospital-reported data shows Colorado #2 for highest margins

A triple opportunity to better manage: Hospital Prices, Costs, Margins

	Income Statement	2017 National	2017 Colorado	2017 Colorado Rank	2017 Colorado Rank Cost of Living Adjustment
	Net patient revenue	\$14,573	\$17,981	8	5
-	Total operating cost	\$14,704	\$17,086	10	8
=	Patient service margin	-\$130	\$895	4	
	Total margin	\$1,178	\$2,738	2	

Looking at local data from the Medicare Cost Reports

Hospitals send annual Medicare Cost Reports to the federal payers (Center for Medicaid and Medicare Services)

Looking at your local hospitals

- Costs
- Price
- Margin

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Colorado is making progress

- Since 2018, passed 10 bills on payment reform, transparency, and patient choice
- Improving transparency
 - New public reporting for hospitals on costs and community benefit
 - HCPF reports on Reducing Drug Prices and Hospital Cost Shift to drive policy
- Created an Affordability Team and Roadmap
- Alliance work to help employers with hospital and prescription drug costs

Transparency leads to accountability

- HB 19-1001: Hospitals reporting on financial data, first full report due Jan 2021
 - Communities can see the costs, prices, margins, staffing ratios, etc., to help support tailored improvement
- HB 19-1320: Community Benefit law expands community engagement requirements, makes reports more accessible and more specific
- Dept. Reports: *Cost Shift Report* and *Medicare Cost Report Analysis*
 - Affordability Team can provide community specific data on request

Driving results with the Hospital Transformation Program

Goal: to improve the quality of hospital care provided to Health First Colorado (Colorado Medicaid) members by tying provider fee-funded hospital payments to quality-based initiatives

- Hospital supplemental payments are tied to value:
 - Meaningful community engagement
 - Improvements in health outcomes over time
 - Over \$1 Billion in funding
- Five years of progressive goals, from pay-for-process and reporting to payment for outcomes
- Key activities and tracking measures, consistent across the state while also allowing hospitals to work with their communities on local programs and approaches

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Additional HTP resources for communities

Every hospital has an HTP expert!

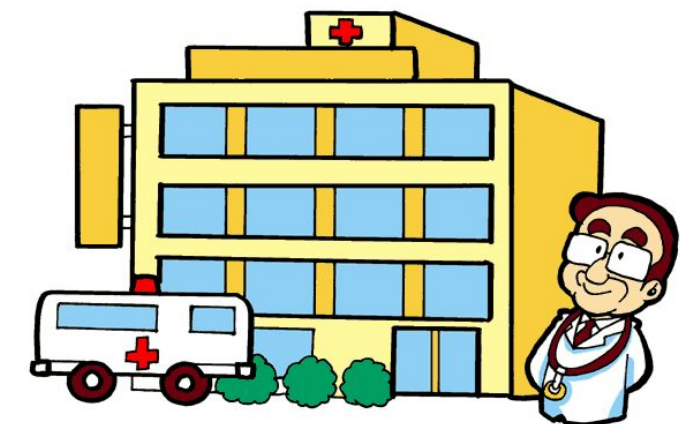
Points of contact, program newsletters, tools and resources, as well as contact information can all be found by visiting the website at:

<https://www.colorado.gov/pacific/hcpf/colorado-hospital-transformation-program>

Consumer voice is essential

The Consumer Advisory Council (council) was formed as a result of recommendations from the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board to cast a wider net to obtain feedback from health care consumers and the broader community impacted by HTP.

Email your questions to HCPF_HTPConsumer@state.co.us



hospital

Solutions to Help Rural Hospitals Thrive

Changing EAPG Outpatient Payment Model

HTP - \$12M Rural Support Fund

Centers of Excellence

Value Based Payments via Public Option

Other - In discussions with W Slope, E Plains hospitals



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The Centers of Excellence (CoE) Solution is an innovative win-win-win-win alternative that address a number of market pains, and generates these advantages:

- Rewards higher quality, lower cost hospitals (CoE) with more patient volume
- Improves patient outcomes by procedure
- Reduces costs for employers and other payers like Medicaid (lowering taxpayer burden)
- Reduces costs for consumers by lowering insurance premiums
- Incentivizes and rewards hospitals struggling to meet cost and quality targets for specific procedures to refer patients needing that care to local CoE

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Thank You for Your Leadership!

Negotiating for change through purchasing alliances



Pharmacy Costs

- *Rising costs over all types of drugs*
- *Pharmacy report, cost drivers*
- *Transparency and Technology*
- *Safe prescribing*



Prescription drug costs are the fastest-growing consumer health care expense in the U.S.

Over the next decade, federal government projects Rx drugs will be the fastest growing part of healthcare, with trends outpacing all other health spending

We all have incentives to address the rising costs of prescription drugs, 20-25% of employer healthcare spend

Figure 1. National Trends in Per Capita Pharmaceutical Spending, 1980-2015

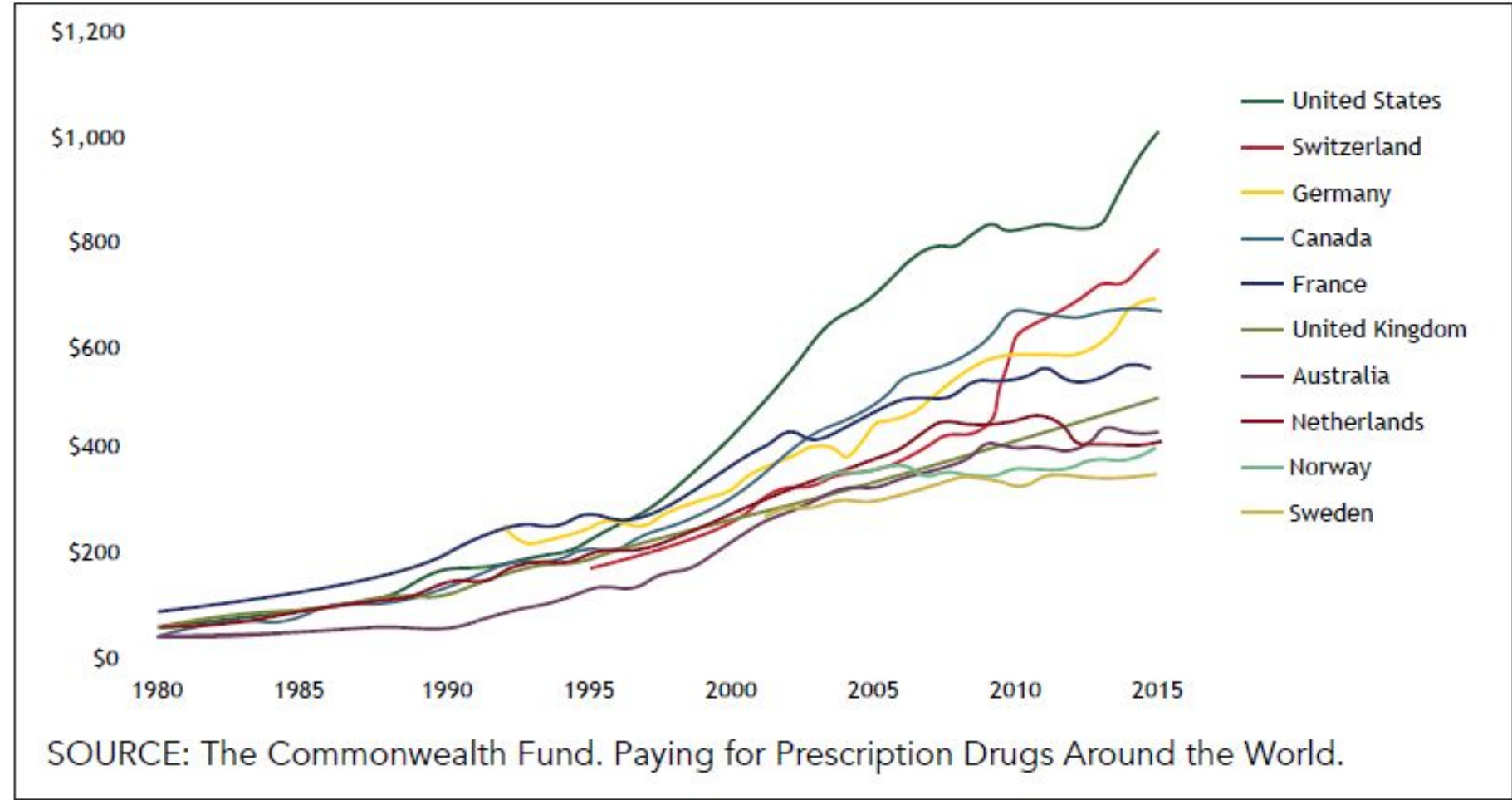
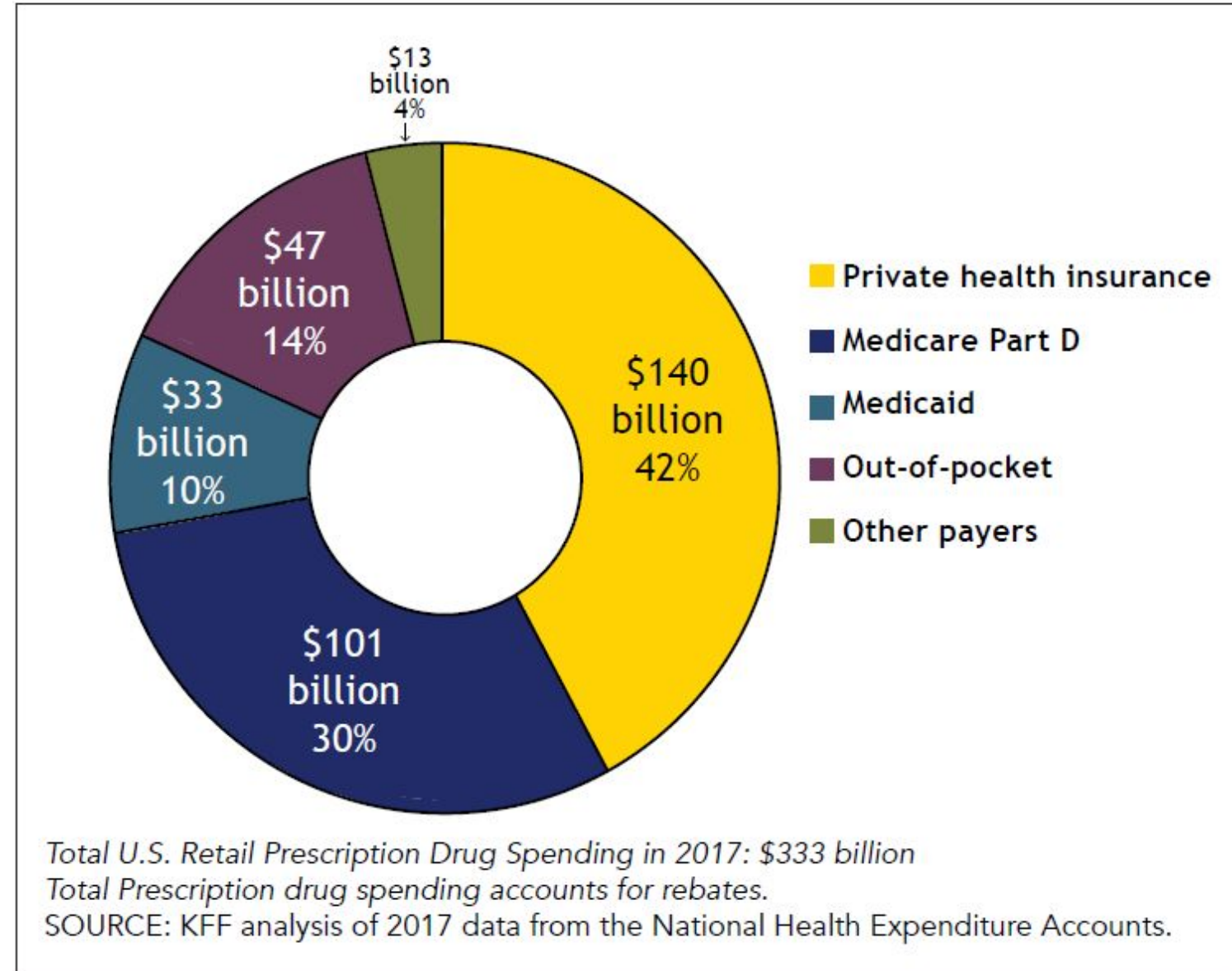


Figure 2. U.S. Retail Prescription Drug Spending by Payer



Rx Cost Impact on Patients

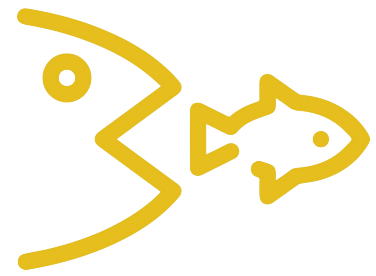
- About 8% of US adults did not take medicine as prescribed because they were trying to save money
- In 2019, 10.8 percent of Coloradans did not fill a prescription due to cost 2019. In Pueblo, it was 18.3 percent
- In 2016, 8% of all US households had purchased pharmaceuticals from Canada or other countries to save money (10M US households)





Drivers: Lack of Transparency and Pricing Practices

- **Lack of transparency into prescription drug prices; pricing unrelated to the cost of R&D, manufacturing, distribution (COGS)**
- **Inadequate price controls**
- **Rebates and other manufacturer compensation may be retained by middlemen organizations like PBMs or insurance carriers driving incentives to push higher cost drugs**
- **Hospital drug pricing mark-ups, as well as variation in pricing between dispensing settings**
- **The FDA can't regulate costs or prices**



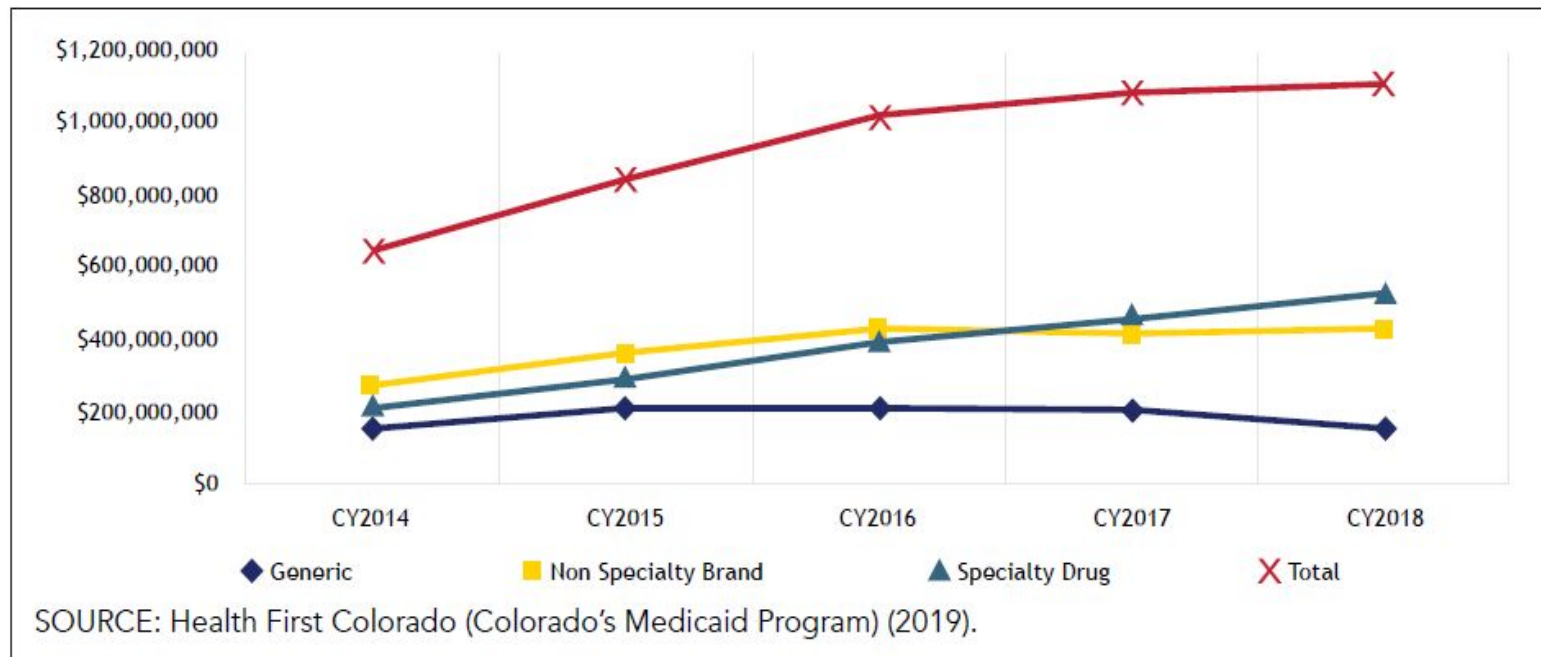
Drivers: Anti-Competitive Practices

- **Patent laws and price exclusivity delay access to generic drugs at lower costs**
- **Manufacturer price-fixing**
- **Carrier and PBM mergers**

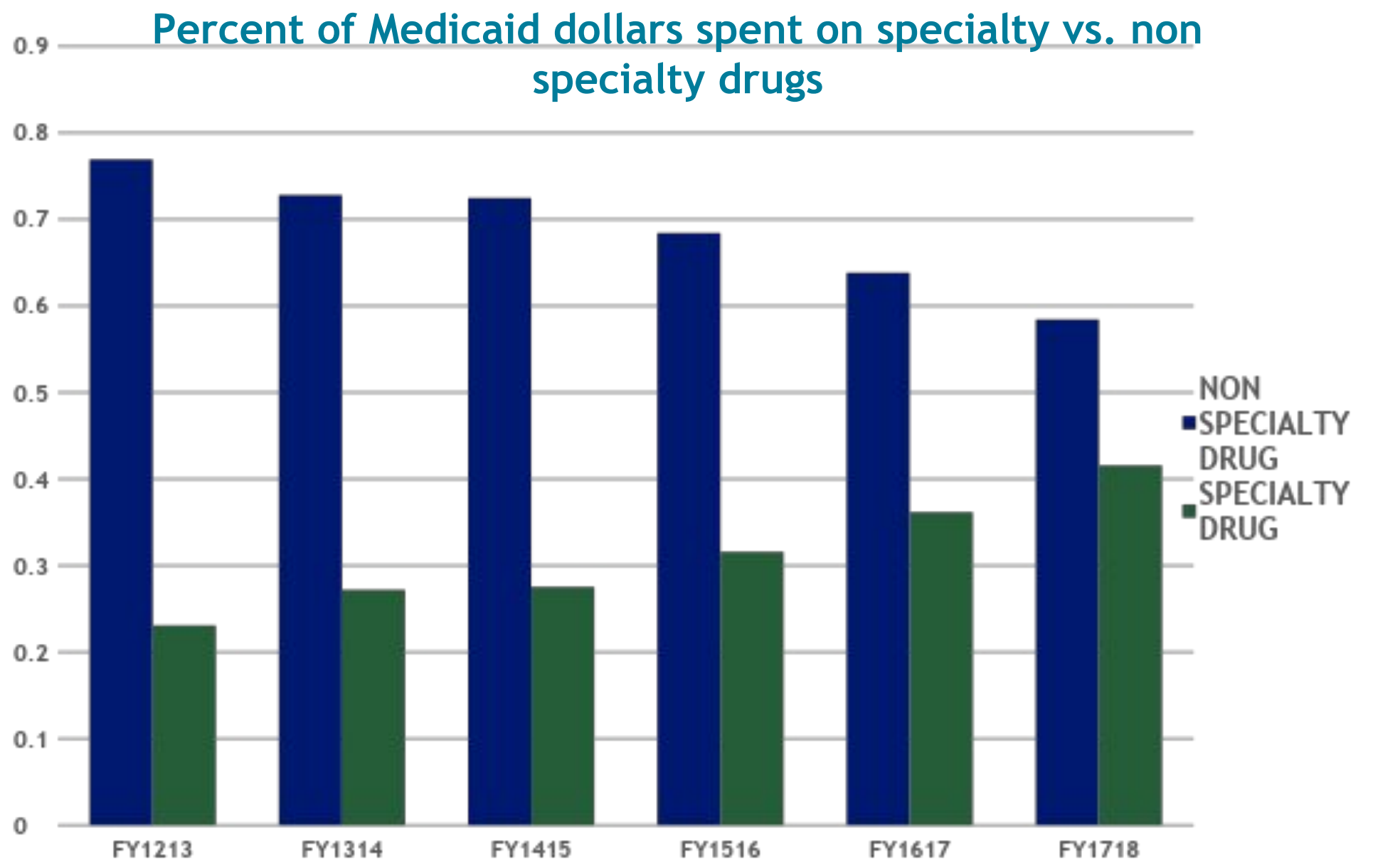


Specialty Drugs account for a high and rapidly growing portion of CO's Medicaid budget

Figure 3. Colorado Medicaid Total Pharmacy and Physician-Administered Drug Expenditures, by Calendar Year and Drug Type



1.25% of CO Medicaid prescriptions (specialty drugs) are so expensive, they are consuming > 40% of Medicaid's Rx resources.



The specialty drug challenge will continue

42 new drugs launched in 2017.

75% were specialty drugs

\$12 billion spent on new drugs in 2017.

80% was spent on specialty drugs

Specialty drugs are taking over the pipeline of drugs being tested and prepared for market release

More money is spent on advertising high cost drugs than on research and development

Figure 11. Total Revenue And Spending By Category, Top 10 Pharmaceutical Firms, 2014.

Company	Total Revenue (\$bn)	R&D Spend (\$bn)	Sales and Marketing Spend (\$bn)	Profit (\$bn)	Profit Margin (%)
Johnson & Johnson (US)	71.3	8.2	17.5	13.8	19
Novartis (Swiss)	58.8	9.9	14.6	9.2	16
Pfizer (US)	51.6	6.6	11.4	22.0	43
Hoffmann-La Roche (Swiss)	50.3	9.3	9.0	12.0	24
Sanofi (France)	44.4	6.3	9.1	8.5	11
Merck (US)	44.0	7.5	9.5	4.4	10
GSK (UK)	41.4	5.3	9.9	8.5	21
AstraZeneca (UK)	25.7	4.3	7.3	2.6	10
Eli Lilly (US)	23.1	5.5	5.7	4.7	20
AbbVie (US)	18.8	2.9	4.3	4.1	22

SOURCE: BBC, bbc.com/news/business-28212223

The largest pharmaceutical firms spend more on sales and marketing than research

Profits margins in the industry are higher than any other sector

U.S. prescription drug spending estimated to grow 60% from \$360.3 billion to \$576.7 billion from 2019 - 2027

2019 Pharmacy Report: State Solutions

- **Prescription drug price transparency** such as disclosures related to increasing prices, payment to physicians and PBMs, research and technology costs, cost of distribution, an overhead/administration
- **Expanding importation** options beyond Canada
- Supporting **state invested technology** for prescribing **Prescriber Tool**;
- **Creating an Affordability Board** to address high drug costs and prices
- **Value-based price relief** from manufacturers based on patient outcomes
- **Employer-led contracts** that improve pricing and rebates
- **Import Canadian drugs**

Prescriber Tool

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Phase I

- Drives prescribing based on Rx cost and quality
- Battles DTC ads, rebate payments to middleman to influence Rx use
- Payer/carrier formularies, reimbursements, copays, prior authorization rules
- Opioid addiction risk module, alerting docs before they prescribe

Phase II

- Carrier/payer programs by patient so docs can prescribe health improvement programs, not just pills
- Sets up more effective prescriber VBPs
- Social determinants of health, next general approach

Status:

- Negotiating with possible vendor partners
- HTP includes incentives to hospitals to connect/use
- Need carriers to engage - provide access to info
- CO Medical Society and others will test



Rebate Solutions

- Ensure employers and families benefit from manufacturer rebates and compensation to their carriers/PBMs
- Requiring rebate pass-throughs can save money for employers and families directly

Rebates Through the Years for a Large National Fund

Year	Total Drug Rebate Amount	Rebate Percentage of Total Paid Amount
2014	\$3,887,231	9.93%
2015	\$5,381,390	12.91%
2016	\$5,727,7890	13.09%
2017	\$8,467,045	20.73%
2018	\$10,243,478	24.39%

Innovation and Shared Systems

- *APCD*
- *End of Life Planning*
- *Telemedicine*

The All-Payer-Claims Database (APCD) shows you the cost of care by facility

- Administered by the Center for Improving Value in Health Care (CIVHC)
- APCD Funding via state contract
- Transparent insight into the large variation on price based on facility
- Can also be used to support consumer and employer decision-making
- Self funded employers, please submit your data to the APCD

Shop for Health Care Services

View Imaging Procedures

View Other Procedures

Select Service: MRI Scan, Leg joint (CPT 73721)

Select Your ZIP Code: 80424

Sort List By: Closest Distance

Facility Name	Distance (Miles)	Price Estimate		Quality
		Average Price	Price Range	Patient Experience
Centura Health St Anthony Summit Medical Center	7.7	\$790	\$510-\$870	★★★★★
Vail Summit Orthopaedics Frisco	7.7	\$1,440	\$1,400-\$1,630	—
Middle Park Medical Center	45.9	\$1,900	\$1,880-\$1,900	*
Aspen Valley Hospital	46.2	\$2,980	\$2,580-\$3,060	★★★★★
Centura Health St Anthony Hospital	49.6	\$510	\$500-\$560	★★★★★
Boulder Community Health Imaging at CU Sports Medicine ..	55.3	\$620	\$550-\$650	—
Centura Health Littleton Adventist Hospital	56.6	\$490	\$440-\$510	★★★★★
Boulder Community Health Foothills Hospital	56.7	\$610	\$470-\$1,090	★★★★★
HealthOne Swedish Medical Center	57.8	\$1,740	\$820-\$1,870	★★★★★
Centura Health Avista Adventist Hospital	58.2	\$520	\$490-\$560	★★★★★
Centura Health Porter Adventist	58.5	\$500	\$400-\$500	★★★★★

Source: Colorado All Payer Claims Database (CO APCD), 2017.
 - Not available for Imaging Centers or Ambulatory Surgery Centers.
 * Not available for hospitals that are not required to report to Centers for Medicare & Medicaid Services due to low Medicare volume.

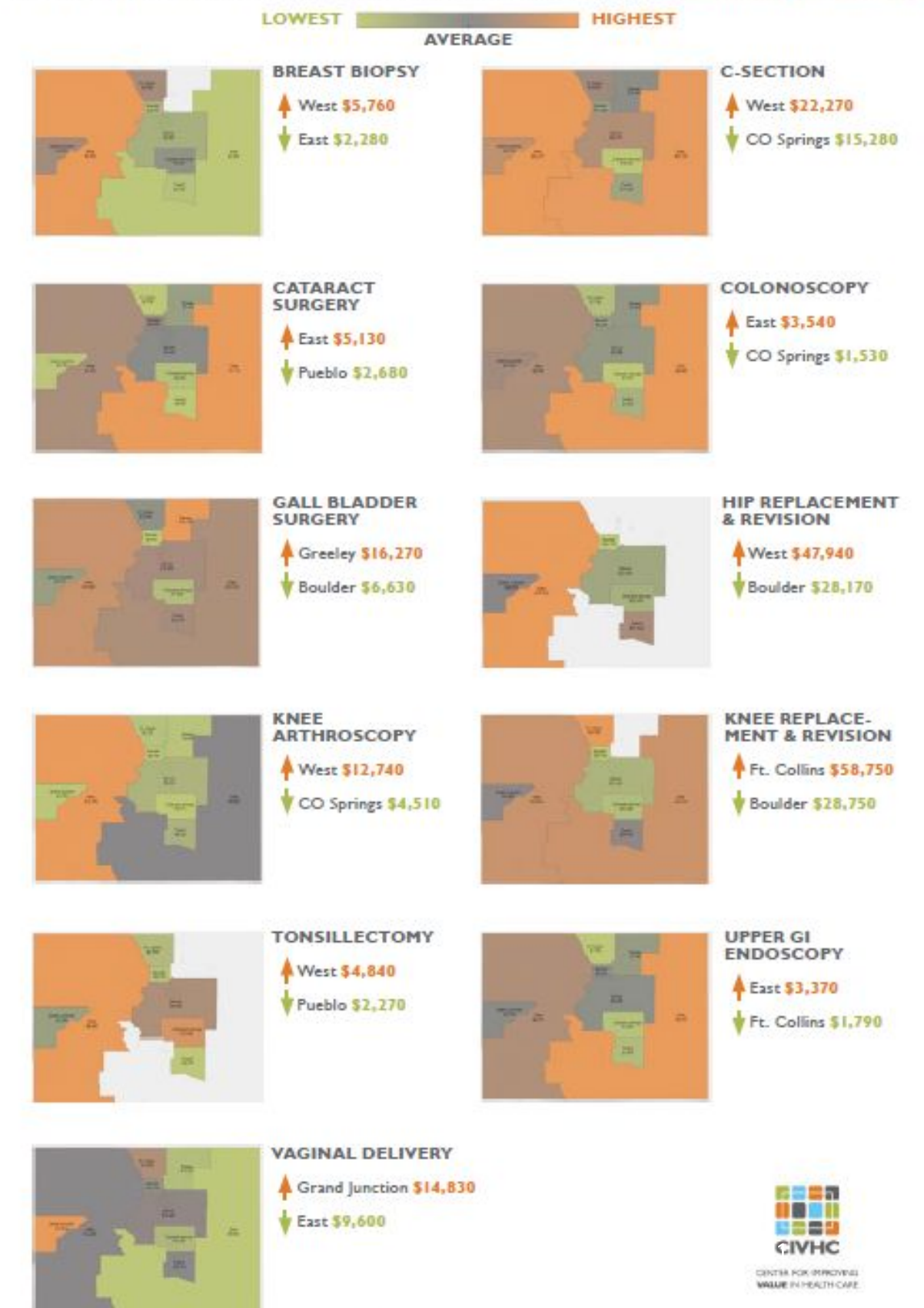
How you can participate in the APCD?

- If you are not submitting your data, the CIVHC website has step-by-step guidance for employers on how to participate
- CIVHC can provide some cost and utilization for any participating employer
- Colorado Business Group on Health, CIVHC, and private analysts provide consulting services for special use cases and research on the data.
 - Learn more about business costs and community health
 - Look at what services are and aren't used in your community
 - Which services are being referred out?
 - Where and what health services are most costly?

REGIONAL PRICE VARIATION FOR COMMON PROCEDURES • COMMERCIAL INSURERS, 2017

Colorado All Payer Claims Database (CO APCD)

In Colorado, prices for common health care services vary across regions, and frequently, the regions with the highest and lowest prices are not consistent when comparing different services. The maps below illustrate regional variation for 11 common services. This information can help communities understand how their health care prices compare to other areas across the state. Access the interactive maps and search facility-specific prices at: www.civhc.org/shop-for-care/.

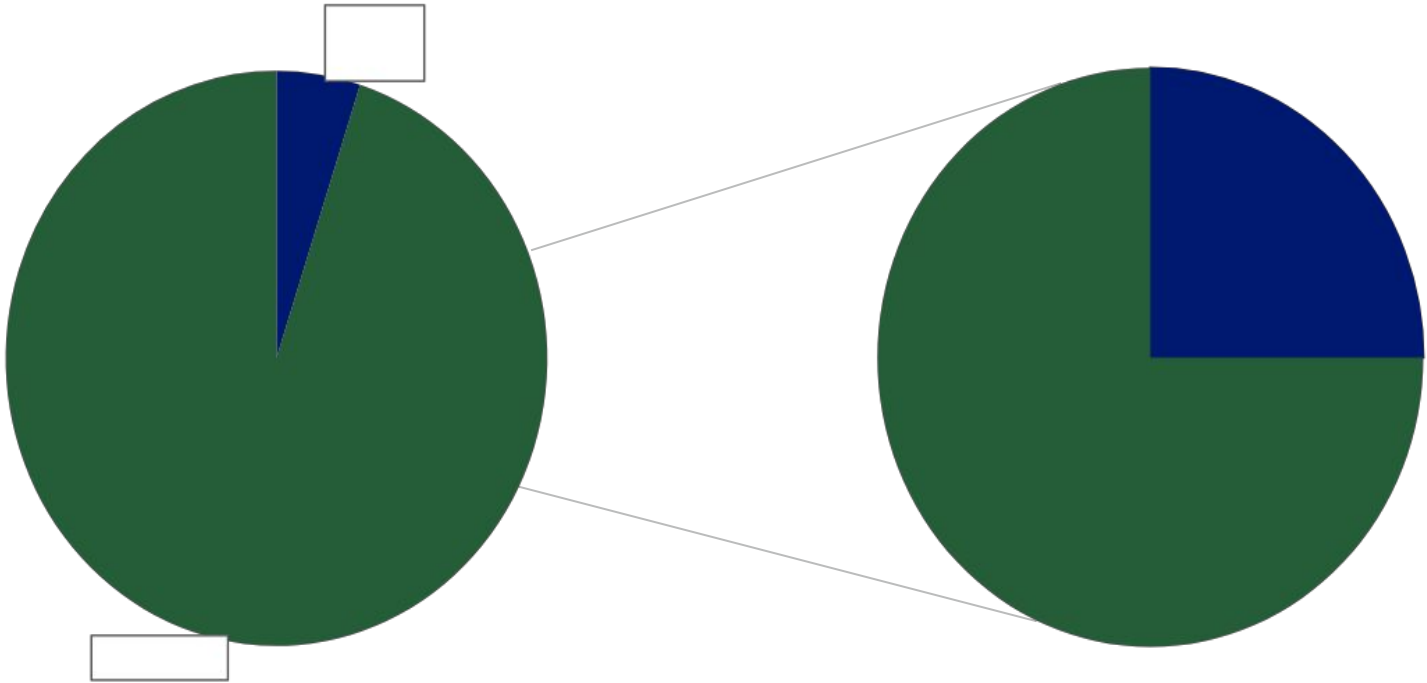


Advanced directives respect patient wishes and preferences

End of life care accounts for ~5% of the Medicare population and ~25% of the Medicare spend

Medicare All-Cause Mortality Rate is ~5%

Medicare Spending on End of Life is ~25% of Medicare Budget

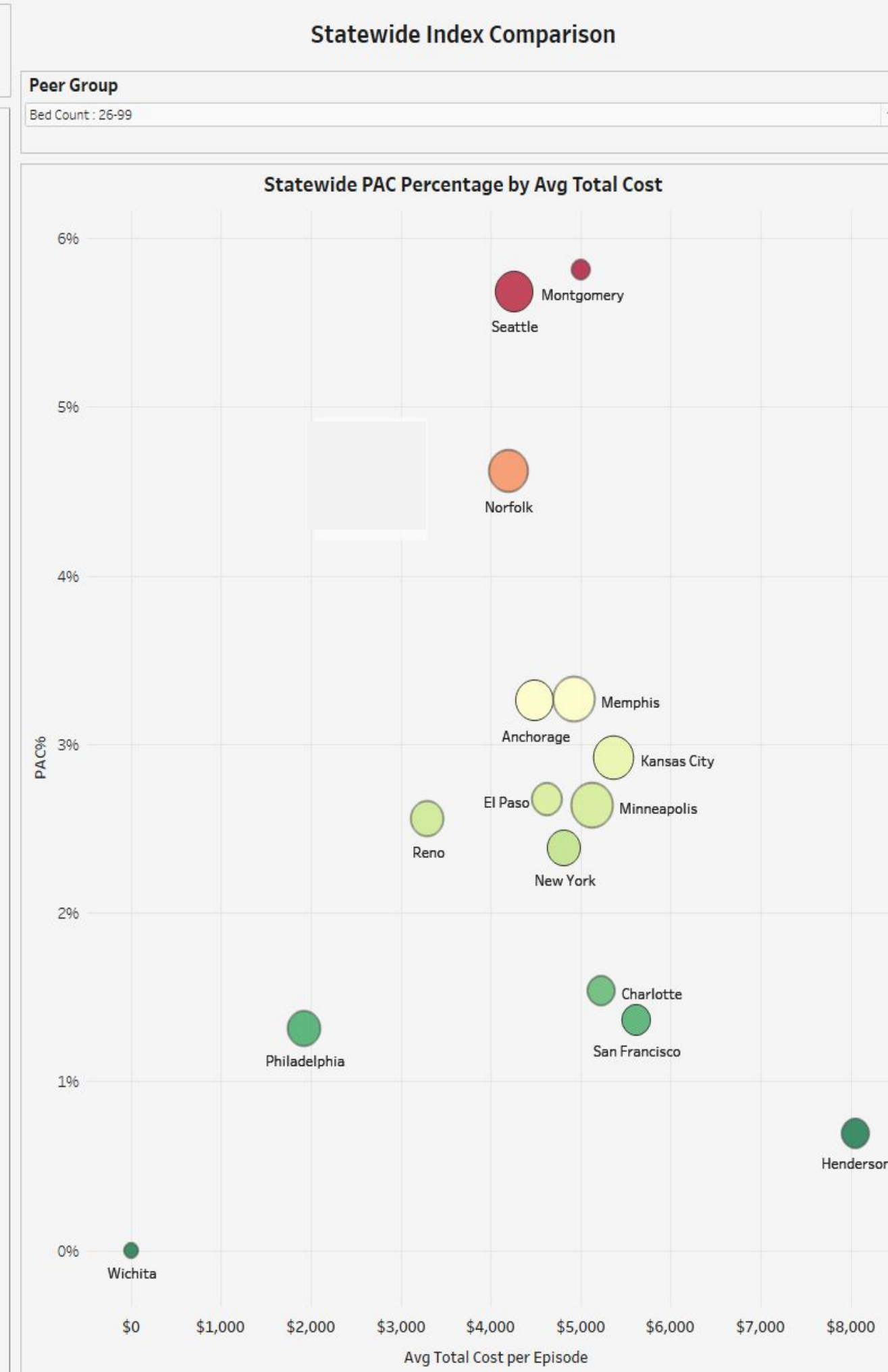
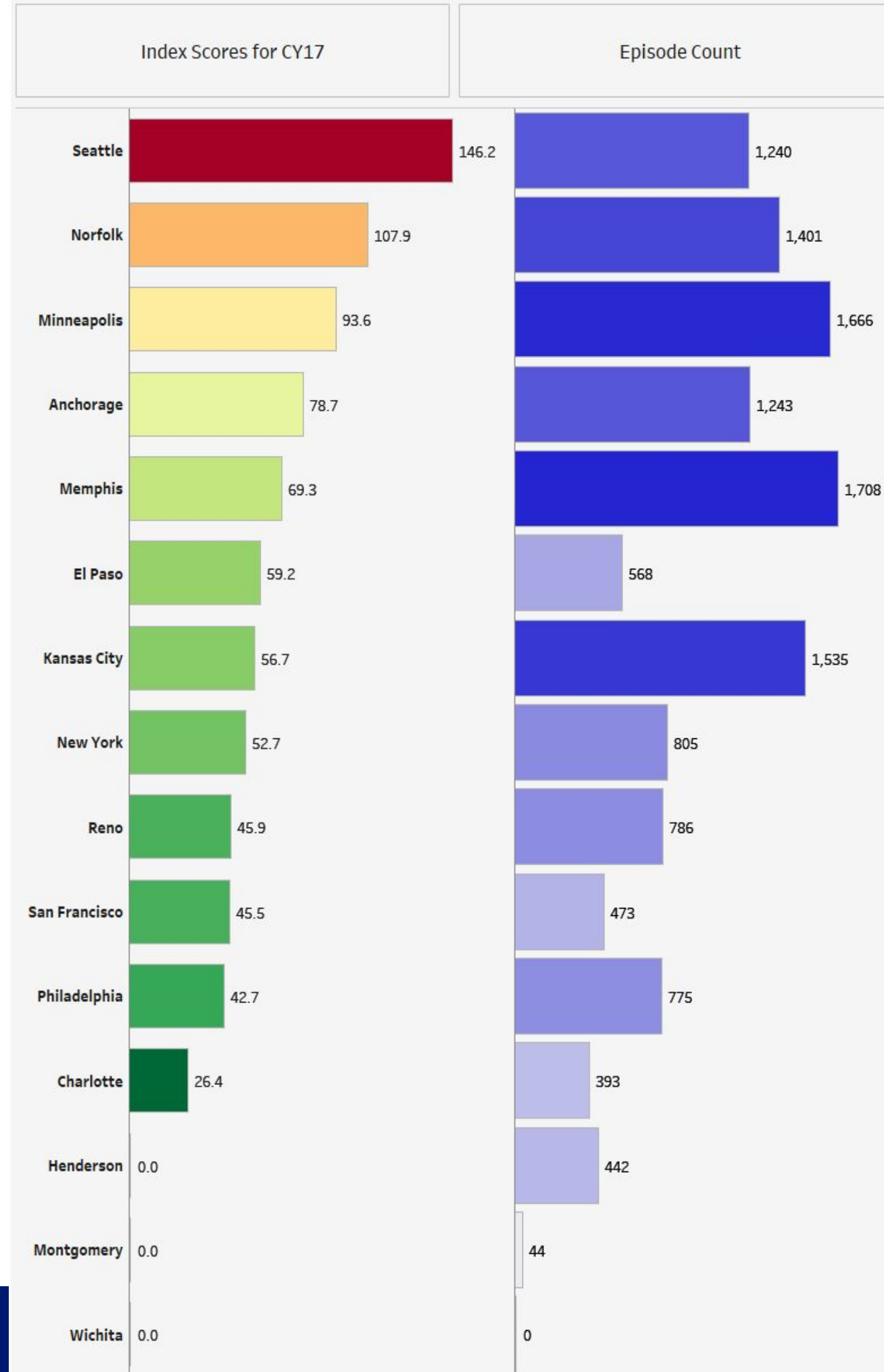


TeleHealth, TeleMedicine, and Broadband expand access to care



Prometheus

- State investment into technology that looks at cost and quality
- Shows hospitals in comparison to their peer group (i.e. 26-99 beds)
- Identifies potentially avoidable costs and complications
- Public view (here) is blinded
- Hospitals can see based on individual provider and facility for 24 different procedure bundles



Alternate Payment Methodologies

- *Value-Based Payments*
- *Hospital Transformation Program (HTP)*

U.S. wastes more in health spending than it spends on education, (\$760 - \$935 billion)

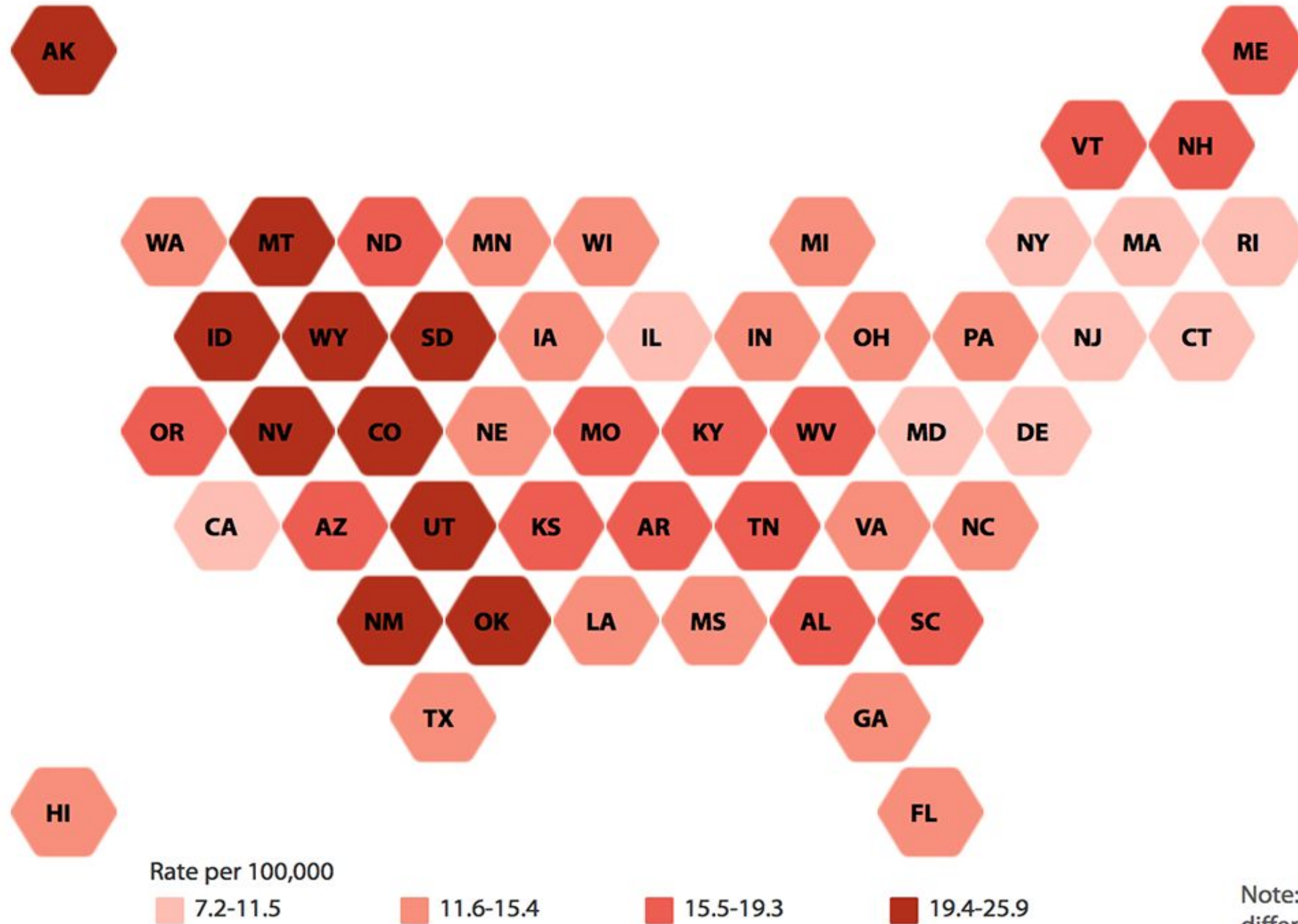
Alternative Payments should reward efficient care:

- Reducing unnecessary testing and procedures
- Using the Prescriber Tool
- Reducing ED utilization
- Waste Calculator: measuring what you could save

Improve Population Health

- *Suicide*
- *Opioids*
- *Maternal and Child Health*
- *Behavioral Health Task Force*
- *Lets populate with your county's plan*

Population Health Opportunities in partnership with CDPHE



Colorado and other mountain states continue to have the highest suicide rates. Montana led the nation in 2016 with a rate of 25.9. Colorado was ninth at 20.5. *

*Based on most recent available data, Sept. 2018

Ten States with the Highest Suicide Rates

Montana	25.9	Idaho	21.4
Alaska	25.8	Nevada	21.4
Wyoming	25.2	Oklahoma	21.0
New Mexico	22.5	Colorado	20.5
Utah	21.8	South Dakota	20.2

Note: National comparisons use data from the CDC. The CDC and CDPHE use slightly different methodologies for classifying mortality data

Population Health Opportunities

in partnership with CDPHE

Maternal Health

- Medicaid covers **42%** of births in Colorado
- **13.6%** of Colorado Medicaid births are preterm or low birth weight (2016)
- **17%** of pregnant women on Medicaid did not have a prenatal visit in the first trimester (2014-16)
- In 2016 **50%** of Colorado birth mothers on Medicaid did not get timely postnatal care
- In 2012-2014 rates of post-partum depression were higher among Colorado birth mothers on **Medicaid (14%)** vs. **private insurance (6.6%)**
- In 2015 **53%** of Coloradans eligible for WIC were not enrolled



Tools to address population health

Behavioral Health Task Force (CDHS) recommendations by June 2020 for system reform



Treating and preventing substance use

- Medicaid benefit for SUD inpatient and residential treatment
- Smarter prescribing to prevent addiction without dismissing chronic pain patients

Office of Suicide Prevention (CDPHE):

- Focus on men, Veterans, LGBT, people with substance misuse issues

Maternal Health

- Depression & social determinants screening
- Hospital Transformation Program quality incentives
- SNAP/WIC outreach for pregnant moms

Summit County Community Health Needs: 2019-2020 Goals



Behavioral Health and Substance Abuse:

- Access to Care
- Patient Navigation



Vulnerable Populations - Enhanced Services

- High utilizers, chronic conditions, seniors
- Spanish-speaking residents



Avoidable Hospital Utilization

- Access to Care
- Patient Navigation



Hospital Transformation Program (HTP)

- Clinical and Operational Efficiencies

Affordability recommendations from Summit County needs assessments and engagement

Through existing prioritization efforts you have identified programs important to the community:

- Alternatives to opioids/safe prescribing
- Behavioral health and social determinates of health screenings in hospitals
- Web-based community resource inventory
- Improved connection between medical and community resources
- Telemedicine high utilizers

2020 Legislative Session: Your Voice is Needed!

- Recent and upcoming reports on Hospital Costs and Pharmacy bring the data and policy analysis to help inform the 2020 legislative session
- Legislative response likely to address transparency in the pharmacy industry and affordable care
- SB-222 & 223 created the Behavioral Health Task Force

Quick View of Roadmap Initiatives

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 - Rural Support Fund
 - Centers of Excellence
 - Purchasing Alliance Model, Driving Community Reimbursements
 - Public Option
 - Free Standing Emergency Department
- **Cost Containment: Pharmacy solutions**
 - Rx Report and Employers Partnerships
 - Employer Negotiation of Rx Rates and Discounts
 - Pharmacy Pricing Transparency
 - Prescription Importation
 - Physician Prescriber Tool
 - Manufacturer-Carrier Compensation (incl. Rebates)

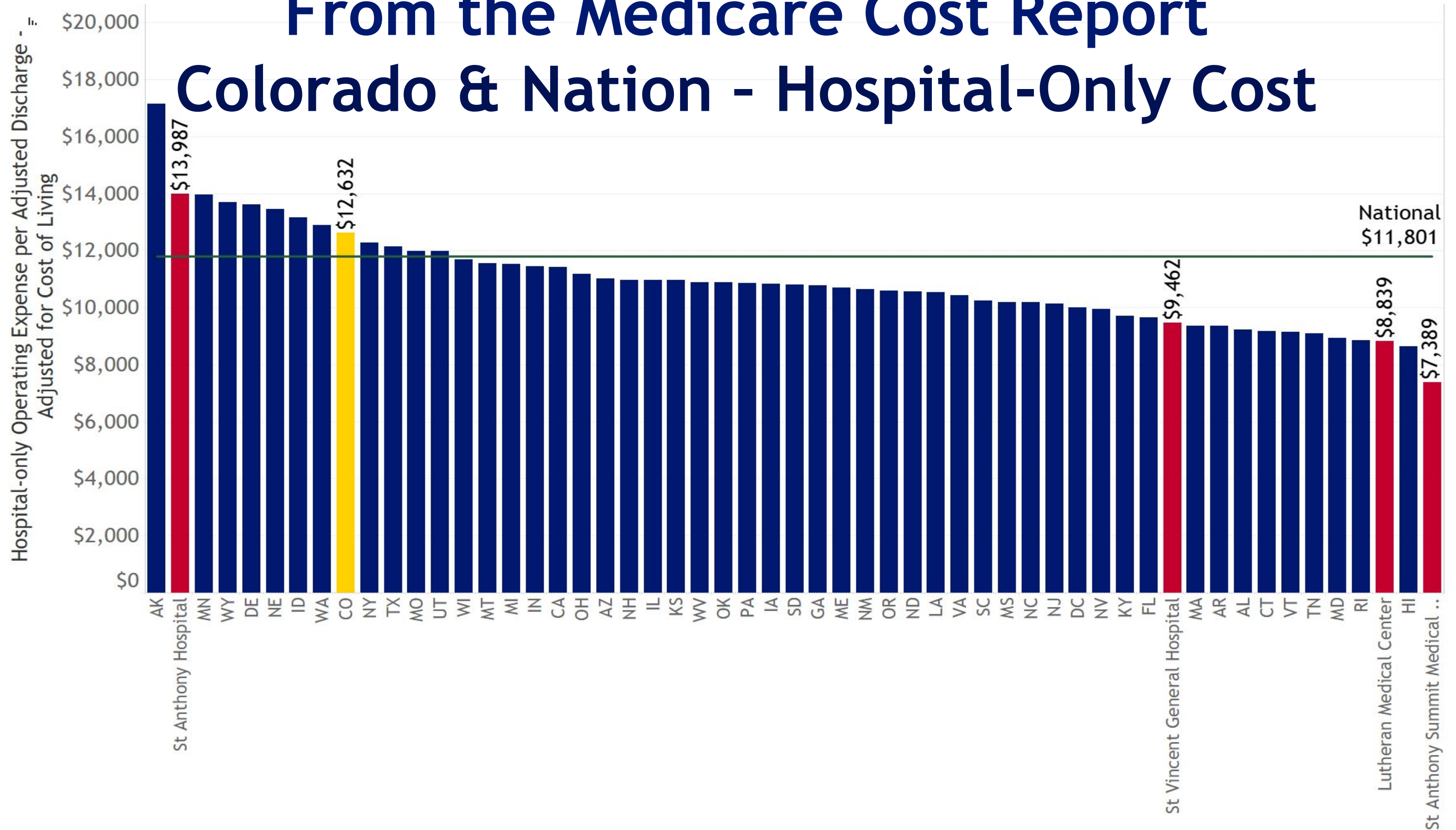


Discussion

Appendix 1: HANDOUTS FOR HOSPITAL DATA

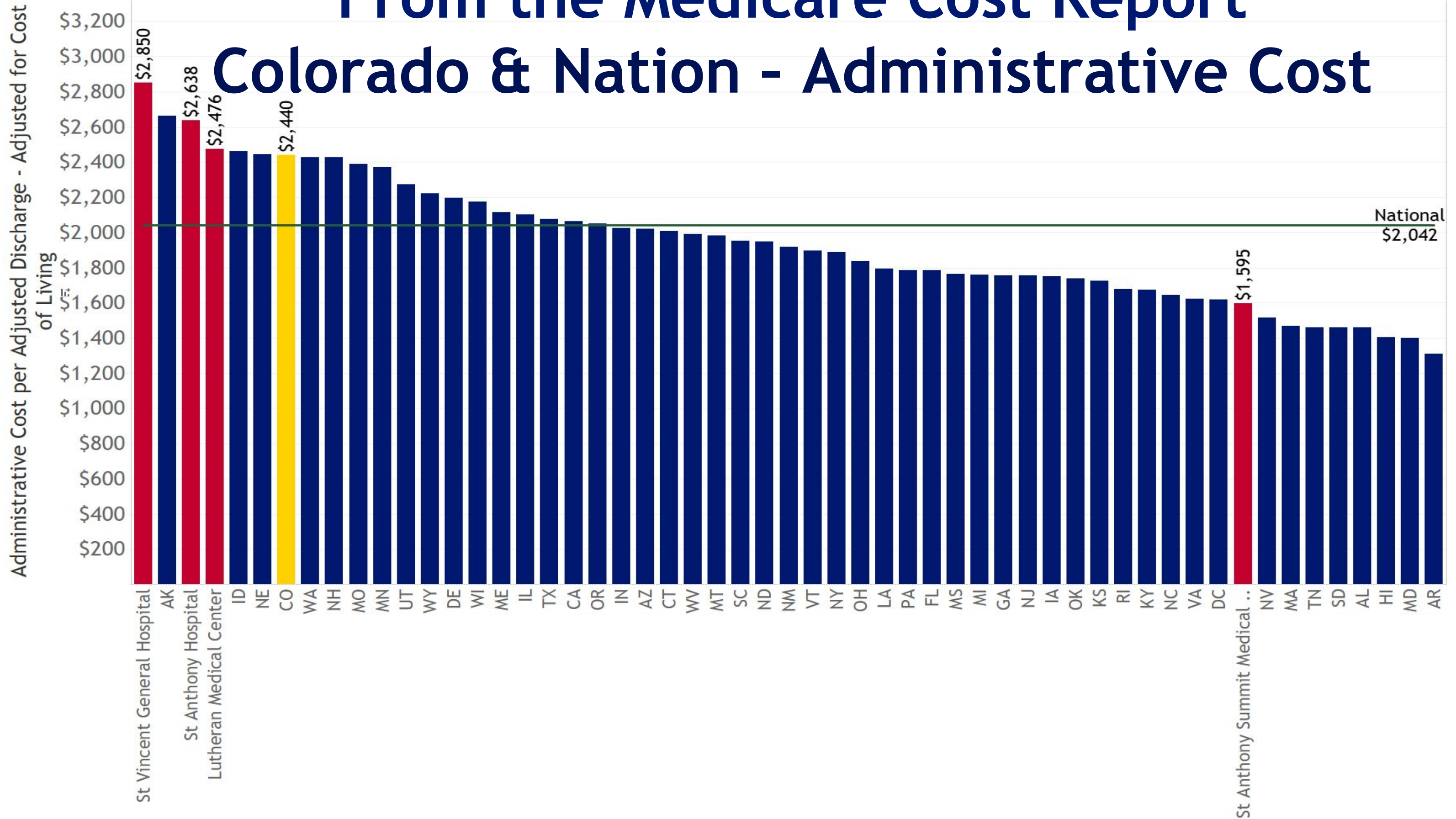
From the Medicare Cost Report

Colorado & Nation - Hospital-Only Cost



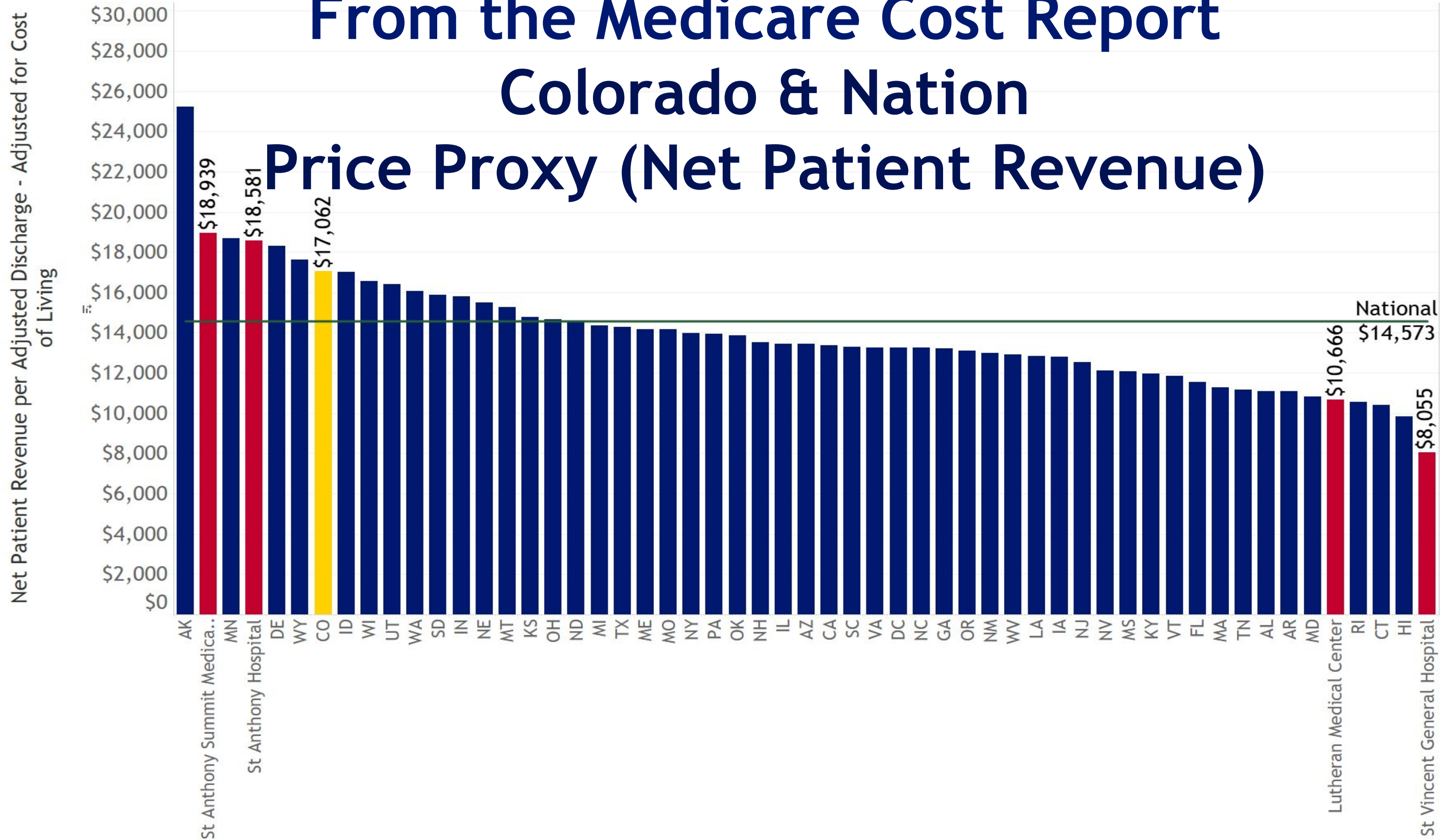
From the Medicare Cost Report

Colorado & Nation - Administrative Cost



From the Medicare Cost Report Colorado & Nation

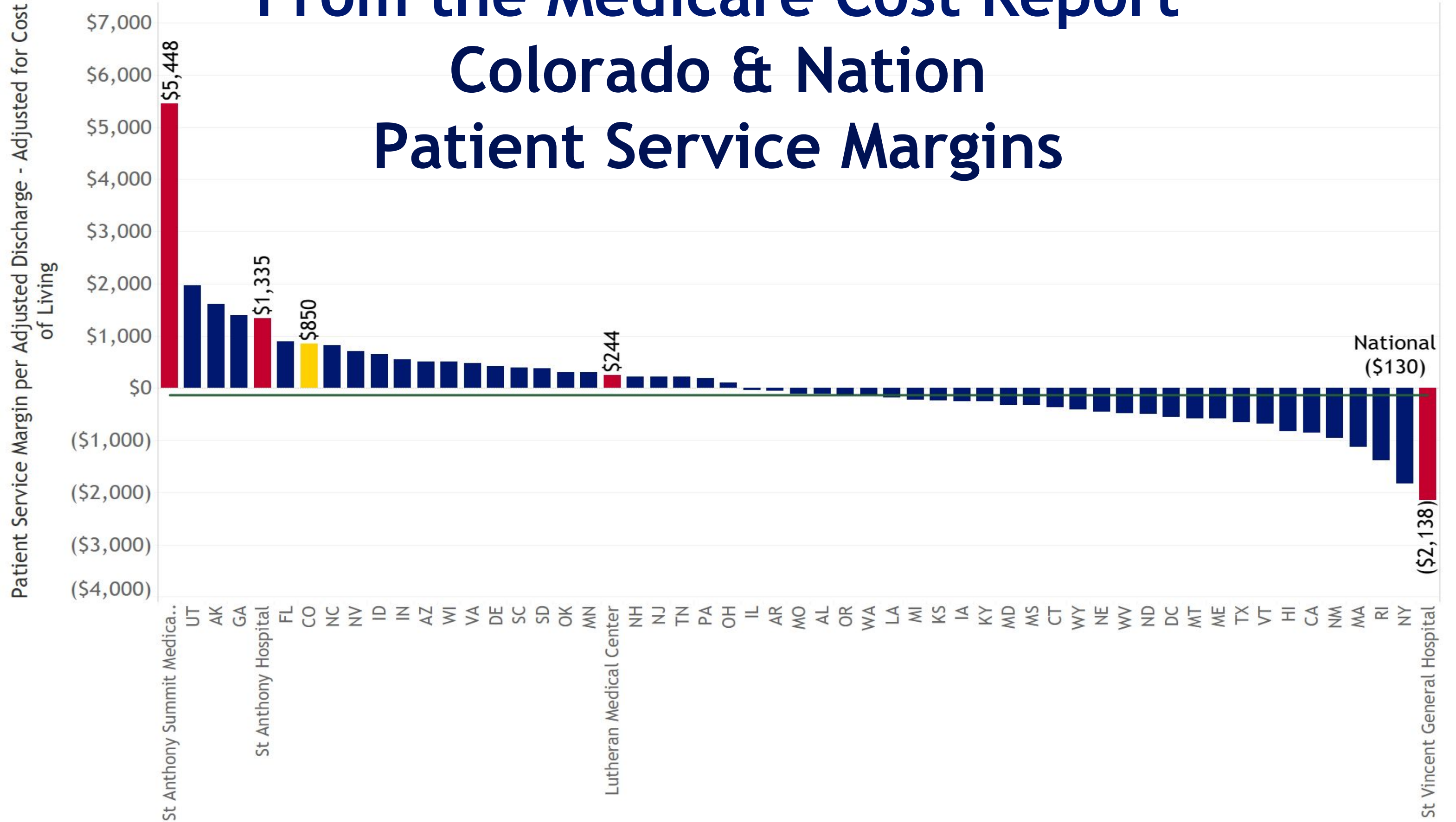
Price Proxy (Net Patient Revenue)



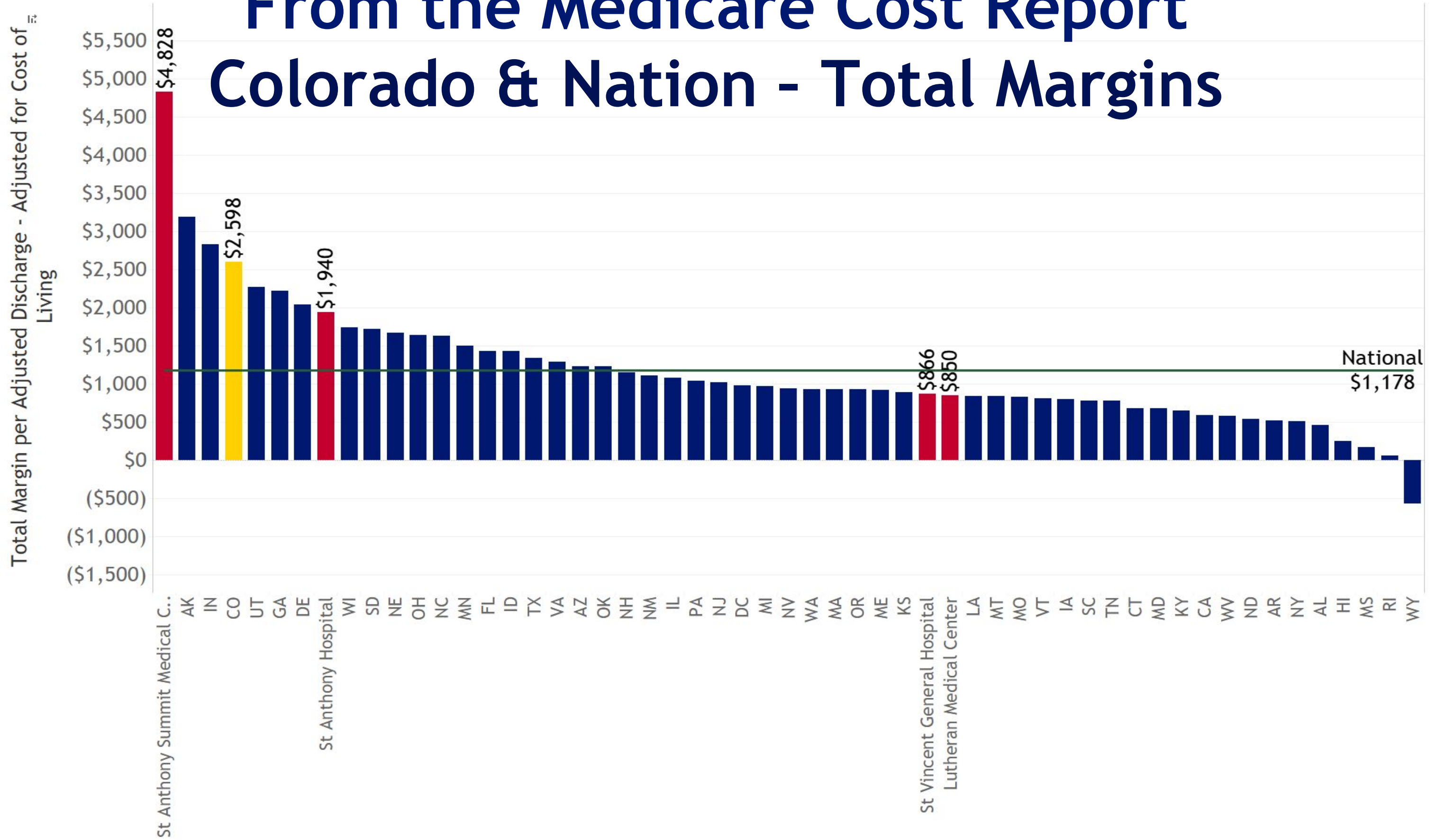
From the Medicare Cost Report

Colorado & Nation

Patient Service Margins



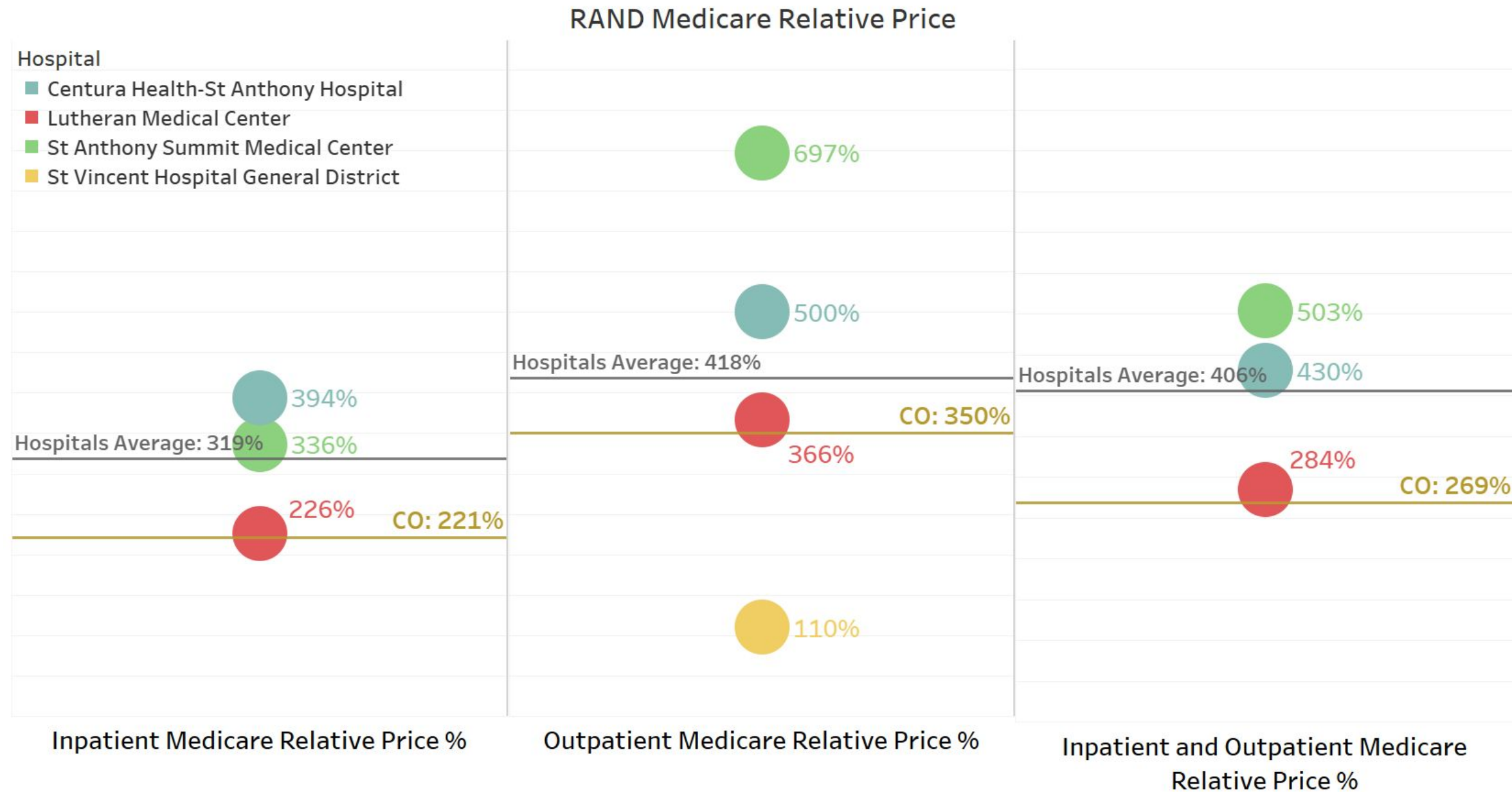
From the Medicare Cost Report Colorado & Nation - Total Margins



Other Publications

RAND Medicare Relative Price

How much would commercial insurance paid for the same claim had it been a Medicare claim?



<https://www.rand.org/health-care/projects/price-transparency/hospital-pricing.html>

Thank You!