### All-Payer Claims Database: Providing FACTS so Patients Can Chose Value

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#### Introduction

Consumers need accurate, timely, and comparative information on the price and quality of healthcare services to make informed choices about value. Unfortunately, information is rarely available or easy to use, and state efforts to provide such information have not been successful in motivating consumers to choose value.

Some states have mandated the creation of an all-payer claims database (APCD), which has the authority and capacity to collect and analyze medical, pharmacy, diagnostic, and dental claims from a variety of public and private sources, including insurance carriers, third-party payers, pharmacy benefit managers, state Medicaid agencies, and Medicare.

A fully functioning APCD can provide information on payments to and utilization of hospitals, labs, and clinicians. The database can impact state healthcare spending by increasing price and quality transparency and stimulating market competition.

#### Lack of Price Transparency

A January 2014 Health Affairs article, *Survey Finds Few Orthopedic Surgeons Know the Costs of the Devices They Implant*, reported that orthopedic surgeons were able to correctly estimate the price of an implantable device only 21 percent of the time.¹ Spine surgery patients fare far worse as Reuters author Ronnie Cohen suggests: “The misconceptions among spine surgery patients are emblematic of a major barrier to controlling health care [prices] . . . which is that nobody knows what the [prices] are.”² A 2012 article in *Health Affairs* by Mary Reed et al noted that one in five people with a high deductible plan in California were unaware that the plan exempted preventative visits, tests, and screening from their deductible.³

#### Cost Shifting

Hospital costs are based on a *charge master* that sets arbitrary prices for services. Cost shifting occurs when an individual, group, private, or public payer underpays for a service causing another patient or payer to compensate by overpaying for the service.⁴ Hospitals cost shift out of necessity, says American Hospital Association President Richard Umbdenstock.⁵

Currently half of all hospital admissions consist of Medicare patients with reimbursements of approximately 94% of costs. Medicaid pays 80% of costs. This underpayment results in cost shifting—hospitals charge privately-insured hospital patients 130 percent of hospital costs.⁶ The AHA’s position statement on price transparency concluded that “sharing meaningful information is challenging because hospital care is specifically tailored to the needs of each patient.”⁷

#### Transparency Lowers Costs

CalPERS and Anthem Blue Cross of California set a reference price of $30,000 for all knee and hip replacement surgeries. In months, the price dropped 26% from $74,721 to $40,302 or over $9,000 per procedure with a significantly lower thirty-day complication and general infection rate. The program saved $5.5 million in the first two years with an increase in hospital participation from forty-six to sixty-one hospitals and an improvement in clinical quality.⁸

#### Unintended Consequences

- Increased prices paid by the poor
- Reduced competition and business entry into poor markets
- Could provide misleading information if inaccurate measurements by 3rd party

#### Stakeholders

Providers and provider groups approach the goal of price and quality transparency cautiously. “If done incorrectly, it can further muddy an already cloudy atmosphere surrounding cost and quality transparency programs or even worse - imperil physician reputations and practices.”⁹ (Chet Seward, Colorado Medical Society)¹⁰

#### Recommendations

- **Fund APCD with required reporting of claims data from all payers and providers and provide**
  - Accessible consumer-friendly price and quality information;
  - Couple price and quality data with reference or bundled pricing for health care services where price variation and market competition predominates;
  - Tell providers and consumers about prices; and invite stakeholders to the table to develop and monitor the quality and price metrics employed.

As health care consumers become more involved in health care decision making due to the increase in high deductible health plans, they will pursue price and quality information and make smarter choices. The initial step on the road to a consumer-driven health care marketplace is the price and value information provided by an All Payer Claims Database.

#### References

4. Chet Seward, Senior Director, Health Care Policy. Big picture data: All payer claims data from all payers and providers generate “complete” data for stakeholders to the table to develop and monitor the quality and price metrics employed. Stakeholders include providers, payers, patients, and the public.