

# Pittsburgh Post-Gazette®

## **New Data Tools Allow Employers to Home in on Cost, Quality at Local Hospitals**

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By Bill Toland / Pittsburgh Post-Gazette

As trustee chair of the Allegheny County Schools Health Insurance Consortium, responsible for 19,000 employees and 41,300 total lives, Janice Klein wanted to build a health plan that saved money both for the consortium, and for the employees whom it covers.

She also wanted timely, quality care and a network that was broad enough to meet the employees' medical needs.

The question was could those goals be met without having all of UPMC's hospitals in the consortium's provider network and, more importantly, would the school system employees and their dependents tolerate a smaller pool of hospitals and physicians?

It's an issue facing consumers across the country as both insurers and employers try to clamp down on cost. And increasingly, the answer is: Yes, we'll take lower prices in exchange for fewer hospitals and doctors.

That's particularly true for those individual customers buying retail-style plans for themselves and their families via the Affordable Care Act's HealthCare.gov insurance marketplace, where price, and low monthly premiums, are king.

But it's also true of large companies and institutional buyers, according to the Kaiser Family Foundation's 2014 Employer Health Benefits Survey. In 2014, 8 percent of firms with 200 or more workers said they offer a "narrow-network" plan, while 6 percent of those employers said they had eliminated a high-cost hospital, or an entire health system, from a provider network in order to reduce costs.

According to the same Kaiser survey, 19 percent of employers offering health benefits offer "tiered" networks price schedules within their largest health plan, meaning the pricier

hospitals cost more for the patient, a pricing model that has the effect of steering patients to cheaper hospitals.

For some, that might sound like a return to the restrictive — and unpopular — gatekeeper-style HMO plans of the 1990s. That’s why the balance between price, quality and clinical access is such a tricky one, particularly for employers.

“We can’t have such a narrow network that people can’t get to” the care they need, Ms. Klein said. But it was becoming increasingly clear that having an all-access network wasn’t the right answer either, she said, largely because UPMC’s costs were outpacing those incurred at other hospitals.

### **Data drove the decision**

From October 2013 through September 2014, among consortium members, there were 31,047 billable services provided at UPMC Presbyterian and Shadyside — the flagship hospitals of the UPMC network — plus 362 admissions. All told, the consortium paid \$15.1 million to the two UPMC hospitals for those services.

Meanwhile, at St. Clair Hospital, consortium members accounted for 33,352 billable services, plus 293 overnight admissions. The cost for those claims was \$4.9 million, or one-third of the expense of the UPMC treatments, even though St. Clair performed more services.

Ms. Klein acknowledges that the services provided at UPMC may have been more complex in some cases, that overnight inpatient stays are more expensive than outpatient procedures, and that the mix of services provided at the facilities is not a perfect, “one-to-one” match.

“But it is indicative of the cost difference at each location,” she said, and indicative of the cost of keeping UPMC’s flagships in network.

So starting July 1, the Allegheny County Schools Health Insurance Consortium, already a Highmark customer, is switching to Highmark’s Community Blue Flex plans, away from the standard Highmark PPO and Keystone HMO.

Under the Flex plans, UPMC’s seven core hospitals in Allegheny County will be out of network: Presbyterian-Shadyside, Passavant, Magee-Women’s, UPMC East, McKeesport, Mercy and St. Margaret. Other UPMC facilities — including UPMC Horizon Greenville, UPMC Horizon Shenango Valley, and UPMC Hamot in Erie — are considered in-network, but have a higher cost-sharing calculus attached to them. UPMC physicians from other hospitals can be seen by

way of the access loopholes built into the 2014 consent decree between Highmark and UPMC, also at the higher rate.

The schools consortium runs the health plan for all Allegheny County public school districts except for Pittsburgh Public Schools and North Allegheny School District, plus community colleges in Allegheny and Beaver counties, four vocational schools and two intermediate units. Ms. Klein said the consortium has committed to use Highmark-designed products through at least 2018.

As a self-insured organization (meaning the consortium sets its own benefit plans and pays its own claims, but counts on Highmark to administer the plans and negotiate rates with hospitals and providers), the Allegheny County Schools Health Insurance Consortium is expecting its claims costs to go up by 5 percent, a small rate of increase aided by members who will now receive care at less expensive hospitals.

As a result, the rates that the consortium charges to its member districts will be 2.75 percent higher starting July 1 than they are this year.

That takes care of controlling costs. But eliminating high-cost hospitals from a network is long-term folly if patients are getting inferior care in return.

### **Comparing hospital results**

That's why groups such as the consortium are relying on a growing body of publicly available cost and quality data, synthesized through private analytics companies. One of those companies, Comparison Medical Analytics, offers a new suite of tools for private companies looking to compare hospitals in their region on broad performance categories, or even particular procedures.

Some of those more specialized comparison tools are made available through the Pittsburgh Business Group on Health to its clients, which entered into a licensing agreement with Comparison last year.

The PBGH, which represents more than 70 employers and 800,000 insured lives, was drawn to the Comparison tools because of "the level of objectivity in their methodology. It's not a popularity contest," said Jessica L. Brooks, CEO of the Pittsburgh Business Group on Health. Comparison's rankings, using reams of Medicare data, have been "pretty eye-opening" in terms of overturning local perceptions, she said.

That's another way of saying UPMC's hospitals don't always come out on top, even when scores are adjusted for case complexity and patient morbidity.

For overall medical care excellence, Comparion puts Washington Hospital at No. 1, followed by Allegheny Health Network's Allegheny Valley Hospital, UPMC St. Margaret, Monongahela Valley Hospital, AHN's Allegheny General Hospital and AHN's Forbes Hospital. For overall surgical care excellence, St. Clair Hospital was No. 1 in the region. For joint replacement, it's Excelsa Health's Westmoreland Hospital.

"There's a huge disconnect between brand equity and empirical quality performance," said Shane Wolverton, a senior vice president with Comparion. "That's not just in your market, that's in many markets ... a lot of times, it's been a beauty contest."

Comparion has been doing quality analysis for hospitals for decades, but only recently have employers and business groups begun asking for that data too, Mr. Wolverton said. They want the ability to build their own provider networks a la carte, to steer care to the hospitals of their choosing, and to control claims costs in ways that don't rely on huge deductibles or restrictive benefits for employees.

Comparion's quality rankings gave Ms. Klein and the Allegheny County Schools Health Insurance Consortium the confidence to stick with Highmark, even if that meant losing much of the local access to the UPMC network.

The breadth and depth of Comparion's data is impressive, she said, partly because the South Carolina company's quality rankings include all hospitals — unlike the well-known U.S. News & World Report hospital listing, which focuses on larger teaching hospitals, and the Leapfrog Hospital Survey, which asks hospitals to opt-in to the annual ranking.

"Is it perfect? No, it's not perfect," Ms. Klein said. "But it is indicative [that] not all the good doctors are UPMC. [You can] get excellent care elsewhere."