

## Testimony Before the Assembly Committee on Small Business in Support of Assembly Bill 729

By Cheryl DeMars, CEO

Employer Health Care Alliance Cooperative (The Alliance)

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I am Cheryl DeMars, CEO of The Alliance. We are an employer-owned and directed not-for-profit health care purchasing cooperative with 160 employer members from Wisconsin. On behalf of the employers who belong to our Cooperative and their 83,000 employees and family members, we pursue a mission of value based health care purchasing; that is, buying health care on the basis of both cost and quality. We use our role as employers who buy over \$385 million in health care services each year to work toward health care system that recognizes and rewards high quality, cost effective, patient-centered care.

For the past 10 years, The Alliance has published quality information for our members through our *QualityCounts*™ report and Web site. During the last two years, we have added cost information as well to begin to create a picture of health care value.

We serve on state and national boards and committees dedicated to creating, implementing, and reporting measures of quality and cost to help consumers make more informed decisions and to help providers understand and improve the quality and efficiency of the care they deliver. Our work in this area, in addition to our employer-owned, not-for-profit business model, make us a good resource for legislators looking to help consumers by making health care cost and quality transparent.

I'm here today to share our perspectives on the power of public disclosure of quality and cost information in general, and on AB 729 specifically.

### Importance of public disclosure

Publicly available information on meaningful measures of health care cost and quality is critically important to driving the transformation needed in health care today. In fact, transparency is a prerequisite of achieving the twin goals of helping consumers make more informed decisions while giving providers the information and incentives they need to improve the cost effectiveness of the care they deliver.

Public disclosure is important because, there are big differences in the cost and quality of health care in Wisconsin:

- **There is a two-fold difference in risk-adjusted mortality rates in Wisconsin hospitals** — that means a patient has double the chance of dying in the worst performing hospital than in the best performing hospital.
- **There is also a four-fold difference in risk adjusted costs** — in other words, similar care costs four times as much in the most expensive hospitals as in the least expensive hospitals (based upon 29 hospitals in south-central Wisconsin, 2006 data).
- **What's more, cost and quality are not correlated.** The most expensive Wisconsin hospitals don't necessarily have the best outcomes.

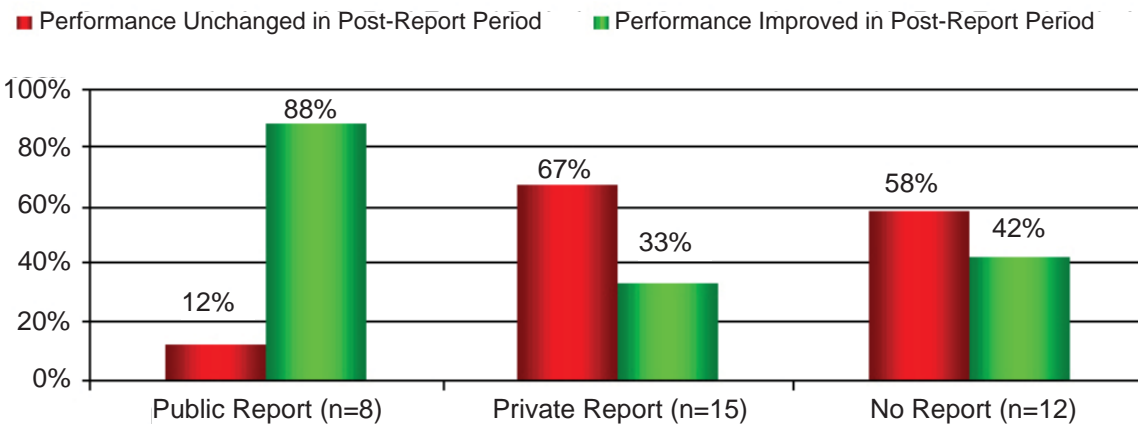
The public simply has a right and a need to know this information.

Public disclosure also creates a powerful incentive for providers to improve the care they deliver. In 2003, researchers from the University of Oregon completed a study on Wisconsin hospitals using The Alliance's *QualityCounts* report, which for the purposes of the study was widely distributed to the public and the press. *QualityCounts* included obstetrical performance data specific to 24 Wisconsin hospitals. Researchers gave another group of Wisconsin hospitals a private performance report, while a control group of hospitals received no quality data.

The Alliance is an employer-owned, not-for-profit cooperative that pools the purchasing power of participating employers and helps them manage the total cost of ensuring the health and well-being of their workforces. Based in Madison, Wis., The Alliance serves more than 160 member employers that provide coverage to more than 83,000 employees and dependents.

A follow-up study two years later examined the long-term impact on these same hospitals, paying special attention to those that performed poorly in the first study. Researchers found that improvements for publicly-reported hospitals were significantly greater than for hospitals that received private or no reports.

### Changes in Performance Among Hospitals with 'Worse Than Expected' Obstetrical Scores



Hibbard JH, Stockard J, Tusler M, Health Affairs, Jul-Aug 2005;24(4):1150-60

### Specifically, AB 729

We applaud the steps being taken to make costs more transparent to consumers. I would offer the following suggestions to improve AB 729:

- 1. Establish a system to enable consumers to compare the cost of procedures plus related ancillary care.** This system should leverage the unique roles of both providers and insurers in determining what consumers will pay for services.
  - **Providers are in the best position to estimate what care will be required**, including procedures as well as ancillary services like radiology and pathology. They are also in the best position to provide information on how this care will be billed (including the detailed CPT codes that would be used).
  - **Insurers are in the best position to estimate what the actual cost of care will be**, considering the influences of both contractually negotiated rates as well as benefit plan design. Insurers would then summarize this information to give consumers a comprehensive estimate of their likely costs. This information would be both meaningful to consumers while protecting the required confidentiality of reimbursement terms in contracts between insurers and providers.
- 2. Provide a centralized, Web-based location for information.** Making this a Web-based source of information has benefits to both consumers and providers. Web-based information enables the comparison of costs across providers — an important facilitator of creating more value-conscious consumers. In addition, making this information Web-based would create the capacity for providers to update their information in a secure, on line environment. The net result will be information that is more current and more accessible to consumers.
- 3. Make the information consumer-friendly** — both what gets reported and how it gets reported. Publishing the range of charges and reimbursements by payor is interesting, educational and helpful from a public policy perspective, but I worry this will confuse and frustrate consumers. If the goal is to create a consumer decision-support tool, then knowing the total cost (employer and employee portion) and the specific employee portion would be the most helpful and straight forward. Care should be taken to present this information in a format that is easy to read and understand, and as free of jargon as possible.
- 4. Include physician groups of three or less.** We believe there are benefits to consumers as well as small group practices and solo practitioners by including all physicians in this effort. Consumers have a right and need to know about the costs of care from all physicians. Moreover, if information is only available for groups of three or more, it has the potential to disadvantage physicians for whom no information is available. This would be an unfortunate unintended consequence. The data requirements outlined in AB 729 represent basic information that all physician offices should be expected to share.

Thank you for allowing me to share my perspectives on AB 729. It is a solid step forward to create a more rational and affordable health care system for Wisconsin residents.