Addressing Rising Health Care Costs

Workshop Summary

A pioneering meeting of advocates seeking to address health care costs.
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Executive Summary

The U.S. spent $2.7 trillion on health care in 2011, but for all those trillions of dollars we are surprisingly uninformed about how much health services cost and why. The impact of high health care costs goes beyond the sticker shock of a medical bill—it affects everyone and seeps into every segment of our lives. Excess spending on health care strains the budgets of households, employers, and the public sector. This spending diverts resources from other important uses. In the worst cases, it prevents someone from obtaining needed care.

Furthermore, there is not yet consensus on the best way to address rising costs. Discussions about controlling health care costs often take place without involving health care consumers or consumer advocates. This needs to change. Consumers must be engaged to ensure their needs are met and to help advance solutions that are fair.

Consumers Union and the Robert Wood Johnson Foundation sponsored “Addressing Rising Health Care Costs,” a conference held November 11-12, 2013, to help bridge the gap between researchers, policymakers and consumers. Attended by approximately 60 consumer advocates, the meeting was an opportunity for advocates to explore the key drivers of rising health care costs, understand the evidence for and against proposed solutions, and begin to develop a plan for deeper involvement in bringing down the health care cost trend. It is important to keep in mind that while reducing the growth in health care costs was the focus of the meeting, everyone in attendance agreed that it is only worthwhile to contain costs while maintaining—and preferably improving—the quality of care consumers receive.

What emerged from the meeting was a clear sense that advocates are ready to address rising health care costs, but they will need support in order to be effective. Key needs include: guidance in developing strategic plans and partnerships; infrastructure support; technical assistance and help navigating the evidence about what works; public opinion research on health care costs; and a communications strategy that includes simple, positive ways to explain rising prices and encourage action.

Containing health care costs will be an ambitious and ongoing effort. Consumer advocates will likely confront powerful interest groups that resist changing the status quo, and advocates may need to form coalitions with other sectors they may not have worked with before, but who share common goals around costs. In every case, however, consumer advocates will need the public behind them in order to successfully affect reform. This pioneering conference represents an important beginning.
About the Event

On November 11-12, 2013, Consumers Union and the Robert Wood Johnson Foundation convened “Addressing Rising Health Care Costs,” a meeting of approximately 60 consumer advocates to bridge the gap between researchers, policymakers and consumers.

The meeting was an opportunity to lay out the evidence on what drives costs upwards and share promising strategies that could help turn the tide. The format of the conference included substantial time for Q&A and networking. In addition, the agenda included a half day facilitated discussion about the possibilities that the conference opened. More importantly, it was an opportunity to create a network of organizations to strengthen the ability of each to work on making health care more accessible and affordable for everyone.
Consumers are concerned about skyrocketing health care costs. They experience these costs as unaffordable premiums and out-of-pocket spending that increases every year but often doesn’t translate into better care or better options. And while they may not understand what is causing the rise in costs, they’re frustrated, angry and ready to take action.

At this pivotal moment, Consumers Union and the Robert Wood Johnson Foundation wanted to convene a working meeting for advocates seeking to bring consumer voices to the national discussion. The hope is that this pioneering meeting will spark collective action to educate and engage advocates and consumers in the debate about the cost of health care.

Consumer advocates have long been focused on health care access and quality issues, but are newer to the conversation around the underlying cost of care. As cost increases continue to take a larger share of household, employer, and state and national government budgets, this topic can no longer be ignored. More importantly, Americans are not getting better health outcomes across the board for all this spending.

Despite the realities of rising health care costs and the impact on our economy and health, there has been limited progress. Pressure from special interests, including doctors, hospitals, pharmaceutical companies, and others, often contribute to maintaining the status quo. Individuals have a role both as consumers, where they can make choices and demand transparency, and as constituents who can push for policy solutions from elected leaders.

Consumer advocates have played a critical role in many important social issues, but health care costs present new challenges for the advocacy community. In addition to fostering a network of advocates who might work on this issue, this meeting solicited their views of the resources they might need to work on the critical issue of rising health care costs.

November 11
9:00 AM Welcome and Introductions
9:15 AM Why Health Care Costs are an Urgent Problem and Deserve to be Part of Your Portfolio
   Anne Weiss, Robert Wood Johnson Foundation (RWJF)
9:30 AM Health Care Costs 101 - Getting the Vocabulary Right
   Lynn Quincy, Consumers Union
10:15 AM Cost Drivers: The Important and the Not-So-Important
   Moderated by Stephen Zuckerman, Urban Institute
   Chapin White, Center for Studying Health System Change
   Marianne Udow-Phillips, University of Michigan
NOON Lunch Plenary - David Adler, RWJF, introduces
   Elisabeth Rosenthal, MD, New York Times
1:15 PM Health Care Cost Strategies: How Strong Is the Evidence?
   Moderated by Anne Weiss, RWJF
   John Auerbach, Northeastern University
   Len Nichols, George Mason University
   James Fasules, MD, Consultant to Breakaway Policy Strategies
   Charles Roehrig, Altarum Center for Sustainable Health Spending
3:00 PM How Does the Affordable Care Act Address Costs?
   Stephen Zuckerman, Urban Institute
3:30 PM Experience from the States
   Moderated by Susan Mende, RWJF
   Brian Rosman, Health Care For All Massachusetts
   Marti Rosenberg, Providence Plan of Rhode Island
   Lorenz Meinhold, Colorado Department of Health Care Policy and Financing
   Laura Etherton, U.S. PIRG

November 12
9:00 AM All Attendee Brainstorming Session on Health Care Cost Advocacy Strategies
   with Facilitators: David Sibbet and Ryan Senser
11:45 AM Conference Wrap-Up and Concluding Remarks
What Happened At The Event

Like a starting line of Olympic runners waiting for the race to begin, the room was filled with boundless energy and enthusiasm to take on the issue. Attendees heard from experts in health care economics, policy and advocacy about the implications of rising costs on access to coverage and health care services.

What emerged from the meeting was a clear sense that health care advocates are ready and willing to embrace the effort to contain health costs. Participants recognized that this won’t be a short-haul race, but a marathon that must start somewhere—and start now.

The main topics of discussion centered around the urgency to act, the drivers of costs and the strategies that might be employed to address costs.
The Urgency to Act

Health care spending consumes more than one of every six dollars we earn, but many consumers are often unaware of the real cost of health care. The impact of high health care costs goes beyond the sticker shock of a medical bill—it affects everyone and seeps into every segment of our lives. The impact is felt by individuals, families, employers, and those crafting state and federal budgets:

- **Rising health care costs** undermine wage growth. Between 1999 and 2009, almost all increases in compensation have taken the form of paying rising health premiums and almost none have been allocated to increasing the take-home paycheck.¹

- **Rising health care costs** put the squeeze on household incomes, as families struggle to pay for insurance as well as the care not covered by insurance or—even worse—go without needed care.

- **Rising health care costs** force trade-offs in our national and local government budget priorities, reducing the money available for education and other important programs.

Our current path is unsustainable and we know that good, quality health care can be delivered for less money. When compared to other countries, we aren’t getting the return that we should. Americans spend far more than patients in other countries, but these dollars don’t translate into better health outcomes. Too much health care spending is wasted on medical services that are not effective, are unnecessary or are even harmful to patients.

“Of the $2 trillion spent on health care, one-third is wasted on unnecessary procedures and avoidable hospital admissions.”

Marianne Udow-Phillips
Michigan Center for Healthcare Research and Transformation

How Big is the Cost Problem?

At the same time, patients in the United States simply pay much more for many common drugs and procedures than people in other countries. For example, $250 will buy 19 pills of the antibiotic Augmentin in the U.S. The same $250 can purchase 445 pills in Belgium.

What $250 of Augmentin Looks Like


A clear, evidence-based understanding of the relative importance of various health care cost drivers is critical to designing effective solutions.

“U.S. health care spending is much higher than other developed countries, but our health outcomes are not better than other countries, in fact they are worse.”

Chapin White
Center for Studying Health System Change

The speakers noted that overall, rising unit prices explain far more of our health care cost trend than the rising utilization of services. A detailed analysis of private-payer claims data finds that for all major health care service categories, increases in prices drove spending growth.² And these prices vary widely around the country. Private insurance companies across the U.S. pay doctors dramatically different amounts for the same routine office visits and services. Physicians at the high end of this reimbursement spectrum get more than twice as much as those at the low end for the same service, with little apparent reason for the difference.³

Although wasteful care is not the largest cost driver, it too must be addressed because much of this unnecessary care harms consumers.⁴ Across the U.S., overuse of procedures such as knee replacements, scheduled cesarean sections and back surgery is adding significantly to our overall health spending.⁵

³ Laurence Baker, M. Kate Bundorf, and Anne Royalty. Private Insurers’ Payments For Routine Physician Office Visits Vary Substantially Across The United States, Health Affairs, September 2013.
The notion that market forces could control prices and provide consumers with better choices does not always bear out. In most areas of the country, health care providers have significant market leverage, which puts upward pressure on costs. Furthermore, the trend of consolidation among hospitals is undermining the ability of insurers to aggressively negotiate prices, resulting in higher costs for consumers.

The speakers noted that health care cost drivers differ between the public and private insurance markets. For example, Medicare allows the federal government to use its negotiating position to bring down unit prices with most providers. Due in part to the need to only administer one fee schedule and a large volume of enrollees, Medicare maintains lower administrative costs compared to the private insurance market. Because prices are controlled, Medicare spending is driven more by utilization of services than by prices charged by providers. In contrast, spending in the private insurance market is more driven by unit prices of health care services.
There is also general consensus that the amount of U.S. health care spending on administrative costs is excessive, more than any other country. In 2011, we spent $156 billion on administrative costs (including profits) associated with private health insurance plans and $32.5 billion on the administration of government coverage programs—about eight percent of total personal health care spending.6 Several studies show that, with structural reforms, these costs could be significantly reduced.

In discussions of health spending, there are some issues to watch. Higher spending in the U.S. is not explained by a higher disease burden. The U.S. population is not significantly sicker when compared to other OECD countries, and where there are differences, they do not explain the disparity in spending. Within the U.S., the growing prevalence of chronic conditions does add to health care costs, but the main contributor to rising spending for these patients is rising prices for this care, rather than the rising prevalence of the disease itself.7 Improving population health is a very important goal and one that can help America get more value out of the dollars it spends on health. The evidence to date, however, shows that improving population health without addressing the way our health care system works is unlikely to significantly reduce spending. Similarly, the aging of the population and the spending attributable to medical malpractice explain very little of our growth in health care spending. Nor is our utilization of health care services higher than utilization in other countries.

A complete overview of the evidence on health care cost drivers including a resource guide and speaker presentations is available through the conference website. See Appendix for these resources.

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7 Charles S. Roehrig and David M. Rousseau. The Growth In Cost Per Case Explains Far More Of US Health Spending Increases Than Rising Disease Prevalence, Health Affairs, September 2011
Colonoscopies were the topic of the first article in “Paying Till it Hurts,” a New York Times series on skyrocketing health care costs by Elisabeth Rosenthal, MD. This routine screening is a compelling example of the country’s skyrocketing health care costs: colonoscopies are the most expensive screening test that healthy patients undergo, and can range in price from $1,900 to $9,000 around the country for the same exact screening. They are performed most often in surgery centers, making them more expensive and lucrative than office procedures, and they are prescribed and performed more than medical guidelines recommend. The U.S. spends $10 billion each year on colonoscopies alone.

Rosenthal’s series, which has covered maternity care, asthma medications, hip replacements and emergency room visits, struck a tender chord with readers and touched off a firestorm of passionate responses—a record 15,000 comments followed the first story on colonoscopies. Rosenthal shared her experience writing this series with the participants of the RWJF/Consumers Union workshop, noting that many people are angered by the rising cost of health care and ready to demand action.

“We don’t get more of anything, we just pay more for everything we get.”

Elisabeth Rosenthal, MD
New York Times
When thinking about strategies to control health care costs, one thing is clear—no single strategy will be sufficient to solve this complex issue. A combination of strategies is needed, and these efforts should target consumers, providers and insurers. The speakers discussed a number of promising strategies to address the cost issue:

- Public health strategies such as disease prevention and early education appear to have significant bang for their buck, compared to strategies that address costs once the consumer is already in the medical system.
- Consumer cost-sharing, if done right, may help reduce excess utilization and possibly promote healthy behavior. However, it is important to remember that a relatively small portion of overall spending is directed by the consumer.
- Many strategies attempt to reduce excess utilization by changing physician behavior so care is focused on providing the right treatment for the patient—at the right time, for the right value. How we pay doctors is very important and reforming payment to reward value—rather than volume—is key.
• Fewer strategies attempt to address either the variation in provider prices or lower the average price per service.
• One exception: reference pricing, in which the insurer sets a maximum price it will pay for a given service. In a limited trial, this strategy has successfully changed where consumers purchase care, as well as brought down the prices charged by high cost hospitals without harming quality.

“Providers and patients need a rational approach to what should be done, not what can be done.”

James Fasules MD
Breakaway Policy Strategies Medical Advisory Board

• Insurer-directed strategies were also discussed, including using rate review as a means of increasing transparency around the reasons for year-over-year increases in underlying provider prices.
• A final category contains strategies that increase our understanding of how money is flowing in the large health care sector, like the use of All Payer Claims Datasets by states. Closely related is increasing the availability of comparative effectiveness research, which makes the right treatment clearer.

As advocates and policymakers assess strategies to bring down health care costs, it is important to understand whether the strategy is targeting rising prices, unnecessary utilization or both. Many of the proposed solutions shy away from addressing prices directly, instead focusing on waste in the system and better delivery of care. Many solutions include finding ways to integrate population health improvement into the goal of achieving better value for the amount of money spent on health care. It is also important to analyze the effects of the strategies in the context of the payers affected, e.g. private insurers or Medicare.
Does the Affordable Care Act Address Costs?

The Affordable Care Act is best known for increasing access to health insurance and health care, but there are a number of cost containment provisions embedded in the law:

- Health plan competition in the marketplaces
- Excise tax on high cost employer plans
- Incentives for hospitals to reduce avoidable readmissions
- CMS Innovation Center, encouraging:
  - Accountable Care Organizations
  - Primary care demonstrations
  - Bundled payment demonstrations
  - Dual eligible demonstrations
  - State Innovation Models\(^8\)
- Independent Payment Advisory Board

While it’s still too early to determine whether these efforts will be effective, the ACA offers important opportunities to test out new ideas. One promising strategy is state innovation waivers; this initiative allows states to propose and test alternative ways to meet the shared goals of making health insurance affordable and accessible to all Americans. As states try new health reform models there may be opportunities for consumer advocates to get to work with their state governments and incorporate cost containment efforts.

Local advocacy efforts are already underway to address health care costs. One panel featured advocates from Massachusetts, Rhode Island, Colorado and Oregon discussing how they’ve engaged partners and consumers.

- Advocates in Massachusetts have organized to push for changes in health care delivery systems to improve the quality and value of health care. In 2012, working with advocates, the state passed a comprehensive bill designed to lower health care costs in the state.

- In Rhode Island, advocates engaged small business employers and worked with the insurance commissioner to improve the effectiveness of health insurance rate reviews, and tie them more closely to efforts to control costs.

- Community partnership efforts in Colorado are bringing together a coalition of key stakeholders including providers, insurers, government and patients to improve health outcomes in the state.

- In Oregon, advocates have focused on accountability and rate reviews to cut waste and improve care.

Although these efforts were unique to their local contexts, each speaker reaffirmed the need to build coalitions and common purpose among state policymakers, insurance regulators, consumer groups, providers, employers and insurers. With all parties at the table, everyone can explore how to design effective policies that will create the right incentives and structures to support change.

An overview of the evidence on health care cost strategies including a resource guide, speaker presentations and issues briefs is available. See Appendix for these resources.
Advocates were energized by the opportunity to immerse themselves in the evidence presented and network with others to craft a plan for action. In a show of hands at the end of the meeting, nearly all attendees indicated they are ready to work on the cost issue. Many of the invited attendees were state-based advocates and envisioned state-level campaigns. They emphasized the importance of building partnerships, coalitions and grassroots support to engage interested parties in the pursuit of smart, sustainable solutions. Almost all of them felt that they needed a period of strategic planning to map out exactly how they would approach this issue.

“Great to see how both ‘wonks’ and advocates work from analysis to strategy.”

“ This really needs to lead to a coordinated strategy going forward...what’s next?”

Attendee Evaluation
Lively discussion and brainstorming gave way to a number of ideas. It should be noted that the goal was not to achieve consensus on ideas or a particular strategy but rather to begin the conversation and inspire participants to start working on the issue.

Attendees discussed the need for clear, powerful consumer messages that explain and communicate the call to action. In order to really engage consumers, advocates need simple, positive ways to explain prices and persuade consumers to act. Learning where the public is on this issue through public opinion research would be an important step toward developing effective messages.

Consumers rarely know what they are paying for when it comes to health care services and often do not understand how prices are determined. Cost transparency and price disclosure was seen by many attendees as an entry point. Better price transparency can help educate the public, clarify the issue for policymakers and pave the way for advocates to push for more reasonable prices and better value.

But while price disclosure is important, it will not be sufficient to stem the rise of health care costs because annual out-pocket maximums and other forms of cost-sharing—quite appropriately—shield most consumers from the really high levels of spending. Furthermore, individuals and other health care payers do not always have the leverage or ability to negotiate prices even when the full price is known in advance.

“We need to find ways to move the dial on cost in a way that consumers understand and support.”

Attendee Evaluation
Other strategies that target insurers and especially providers will be necessary, but securing public support for these changes is challenging.

It’s important to keep in mind that one person’s savings is another person’s income. Bringing together consumers, providers and insurers—along with state governments and employers who also have a stake in how much health care costs—is critical to beginning a dialogue on what can be done to turn the tide. Len Nichols of George Mason University stated it clearly with the mantra: “We Are All in This Together.”

Breaking down these silos will go a long way toward finding solutions and consensus on common goals to ensure better health outcomes, lowering costs and building healthy communities. Advocates recognize that states will proceed at very different rates and using different paths, reflecting a wide variety of starting points. But along the way, comparative information about what is working in other states will help inform the local approach.

“The most expensive piece of medical equipment is the physician’s pen.”

James Fasules, MD
Breakaway Policy Strategies Medical Advisory Board
How to Get Started?

Consumer advocates are ready to work on this issue, but in order to build a consumer movement to stem rising health care costs, they need resources to do so. There was discussion on the need for strategic planning, funding and infrastructure support to help advocates mount this campaign for better value and lower costs. Advocates are busy and chronically under-resourced. Specifically, they are looking for practical tools and resources for the following:

- Strategic planning to help organizations pivot from issues of access to cost and quality
- A framework for understanding cost drivers
- Organizing public opinion research and developing core messages
- Communications strategy and tactics
- Model legislation and examples of advocacy campaigns
- Access to technical expertise, like actuarial experts
- Help navigating research and data resources on evidence and best practices
- Organizational infrastructure support to help state advocacy groups create a consumer movement
- Regular opportunities to network with each other and with subject matter experts, for example through similar conferences, regular calls, newsletters, webinars on key topics, and social media tools
- General funding support

“Just start somewhere.”

Marti Rosenberg
Providence Plan of Rhode Island and coordinator of the Health Insurance Small Employer Taskforce.
In summary, the conference represents a very important beginning. This intense face-to-face meeting helped create a network of like-minded advocates and a vision for addressing this critical issue.

The health care system touches all of us. As patients, taxpayers, employers, employees or beneficiaries, we all have a stake in how our health care system works. Yet too many conversations about controlling health care costs take place without involving health care consumers. Moreover, any effort to control costs will only work if it makes sense for the people who use the system.

There are powerful interests involved in the health care system. There need to be changes in health care delivery, and that is going to happen with or without consumer input. Consumers must be engaged to ensure their needs are met and to help advance solutions that are fair.
If you are a consumer advocate with a passion to work on lowering health care costs and making health care more affordable for consumers, let us know. We will include you in our list-serv and share new resources as they become available.

If you are a researcher with new information that clarifies the most effective cost-containment strategies, please share with us.

If you are a policymaker who wants to learn more about how to lower health care costs for consumers in your state, let us know. We can help connect you with advocates working on this issue and with information about the topic.

To reach us, please email Lynn Quincy, senior policy analyst at Consumers Union, at lquincy@consumer.org.

“I'm a bit un-stuck now. I have clearer direction and hope to be able to convey that to my organization.”

Attendee Evaluation
Appendix: Resources for Organizations Seeking to Address Health Care Costs

These resources were either prepared for the conference or recommended during our discussions and can help others seeking to address rising health care costs.

Why is this urgent?

• Resource Guide for Advocates:

• New York Times “Paying Till it Hurts” series by Elizabeth Rosenthal, M.D.
  – Colonoscopies:
  – Childbirth:
  – Hip replacements:
    www.nytimes.com/2013/08/04/health/for-medical-tourists-simple-math.html?ref=elisabethrosenthal&_r=0
  – Asthma:

Cost Drivers

• Resource Guide for Advocates:

• Chapin White, Ph.D: Prices: The Real Health Care Cost Driver

• Marianne Udow-Phillips: Going Where the Money Is: Health Care Cost Drivers
Appendix: Resources for Organizations Seeking to Address Health Care Costs

Strategies

- Resource Guide for Advocates:

- John Auerbach: Paying for Population Health as a Part of Health Care and Payment Reform

- Len Nichols, Ph.D.: Incentives Matter…and CAN Improve Health

- James Fasules, M.D.: Health Care Cost Strategies: How Strong Is the Evidence?

- Charles Roehrig, Ph.D.: Health Care Cost Strategies

- Stephen Zuckerman, Ph.D.: The ACA Offers Plenty for Cost Containment

- Private Purchaser Approaches to Cost Containment
  http://consumersunion.org/healthcosts/PrivatePurchaser_FINAL.pdf

What are States Doing?

- Brian Rosman: Can Consumers Organize for Delivery Reform? The Massachusetts Campaign For Better Care

- Marti Rosenberg: Health Insurance Small Employer Task Force: Informing and Engaging Employers on Rate Review

- Lorez Meinhold: Colorado’s Efforts on Better Outcomes in Health

- Laura Etherton: Advancing Accountability – Cutting Waste and Improving Care in Oregon

- State Approaches to Cost Containment
  http://consumersunion.org/healthcosts/StateApproaches_FINAL.pdf
Appendix: Resources for Organizations Seeking to Address Health Care Costs

Websites

- http://consumersunion.org/health-care-costs

Listserv for Advocates

Contact Lynn Quincy, senior policy analyst at Consumers Union, at lquincy@consumer.org if you are an advocate with a strong interest in working on health care cost issues.