

Sharing Perspectives on Total Cost of Care

Undoubtedly, understanding the total cost of care is critical to achieving both high quality and lower cost health care, but there are considerable obstacles to that goal. A recent Rand Corporation [report](#) determined that private health plans pay hospitals 247% of what Medicare pays. A JAMA [study](#) found that only 17% of 100 randomly-selected hospitals were in full compliance hospital price transparency requirements that went into effect on January 1, 2021 and only 25% of the 100 hospitals with the highest revenue were in compliance.

To address these challenges, there is increasing support for the government to take a more active role in addressing health care cost increases. A joint Kaiser Family Foundation and Purchaser Business Group on Health [survey](#) found that 83% of C-suite executives believe a greater governmental role in providing health coverage and containing costs would be better for their business and 86% said it would be better for their employees. Here in Washington, the Health Care Cost Transparency Board is ramping up its work to determine the state's total health care expenditures, identify cost trends and cost drivers, and set a health care cost growth benchmark. At its recent meeting, the HCCTB voted to approve setting a benchmark of 3.2% for 2022 to 2023, 3% for 2024 to 2025, and 2.8% for 2026.

During the meeting's public comment period, Washington State Medical Association Policy Director Jeb Shepard expressed concern for "the lack of evidence or sufficient rationale to support such an aggressive reduction." "The 3.2% cost growth benchmark is already challenging, but it's supported by data and a rationale that was agreed upon by both the board and the advisory committee." Shepard continued, "physician practices have very limited tools at their disposal to achieve such an aggressive approach, so we've advocated and support a 5-year stable benchmark to help us work toward that admirable 3.2% in a responsible way." Washington State Hospital Association's Policy Director, Health Access, Alicia Eyler also commented on the incremental reduction, "the 2.8% benchmark in 2026 is overly aggressive." Eyler expressed concern that the percentage is not based on a specific rationale, but for policy reasons and "to send a message." While looking forward to coming up with "tangible solutions and steps to reduce costs," Eyler cautioned that "this must be done by not creating any unintended consequences to care quality or access."

At last month's State of Reform Conference, Washington Health Alliance Director of Performance Improvement and Innovation, Karen Johnson led a discussion on the question, "Are We Making Progress on Unit Cost of Care?", with Hiroshi Nokano, MBA, Vice President for Value-Based Initiatives at UW Valley Medical Center. Nokano's day-to-day responsibilities revolve around the total cost of care with various contracts with both the state direct to employer arrangements, and with Centers for Medicare and Medicaid Services, related to Accountable Care Organizations and bundled payments.

Nakano says, “If we are going to make a dent on price, either at the insured level or the provider level, shouldn’t we be talking about payment reform and changing the incentives on how we provide care?” Nakano says there is already a significant amount of regulation in terms of price, both at the provider level and insured level, and expressed concerns about whether transparency in pricing will have any significant effect. Nakano challenged the idea that transparency will result in more competition because first, Medicare and Medicaid prices are set and second, because many consumers get their health insurance from their employers and do not have as much control over where they go for care.

Fellow panelist, Mary Kay O’Neill, MD, MBA, Partner, Health & Benefits, Mercer, held a number of diverse health care positions, including caring for complex patients, being on a hospital board of directors, acting as a Chief Medical Officer for a health plan, working with Managed Medicaid, and being a Medical Director for Washington state’s Uniform Medical Plan. Those experiences have informed her current work as an employer consultant. O’Neill said it is important to remember that care is instituted by the individual patient, yet the information they receive when making their decisions is “baffling or not useful” and the resulting bill does not reflect what they thought they would be charged. O’Neill said one of the key viewpoints is understanding patient values and the challenge of understanding prices. From an employer perspective, O’Neill says one of the benefits of the pandemic is the increased awareness that has come from it, “Having a good health care delivery system is better understood today than it ever has before.”

In achieving transformation in the health care delivery system, Nakano acknowledged the need for a multi-stakeholder approach and pointed to the Washington State Health Care Authority’s primary care transformation model. “In order to break the stakeholder issue, we all have to agree that what we are doing is for the patient and whether it’s more of a public health orientation, pricing, payment reform, or improving quality, if we don’t all agree that it’s really for the benefit of the patient or the citizens of the state of Washington, we won’t be able to get there because we will continue to argue from our own stakeholder perspective.”

The Alliance is expected to release a report on Total Cost of Care in the coming months.