



Health Care Cost and Utilization:

Review of Results from 2019

NOVEMBER 12, 2020



Welcome!



Thanks for joining us today.



All webinar participants are in “listen-only” mode. To ask a question, please type your question into the “Q&A” box at the bottom of your screen at any time during the webinar.



MNCM will send a link to presentation slides and the recording to webinar attendees by early next week.



Today's topic:

Health Care Cost & Utilization

- Background:
 - Why is this important?
 - How does Minnesota compare to other states and the nation?
- What is total cost of care (TCOC)? How is it calculated?
- What are the trends in Minnesota?
- How does TCOC vary by medical group and geography within Minnesota? What factors contribute to variation?
- What do we know about cost trends and market factors so far in 2020?

Today's Webinar



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Acknowledgement



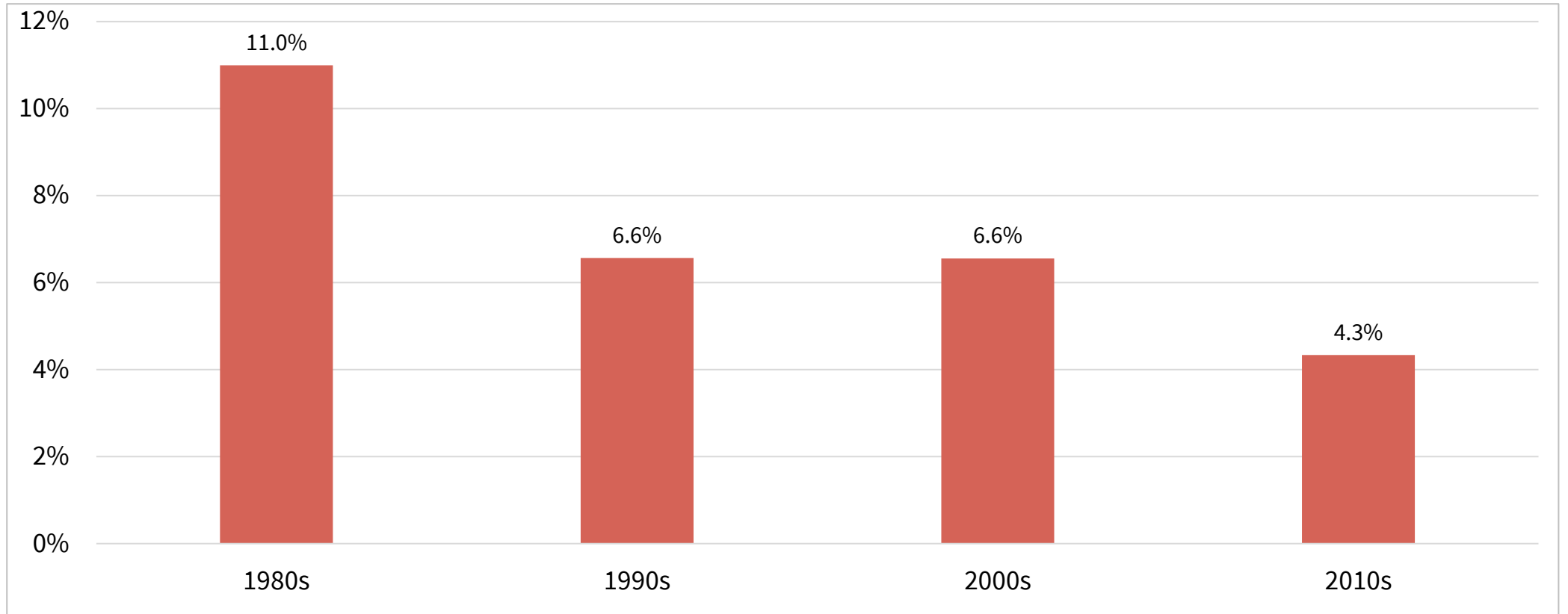
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LONG-TERM TRENDS: NATIONAL HEALTH CARE SPENDING

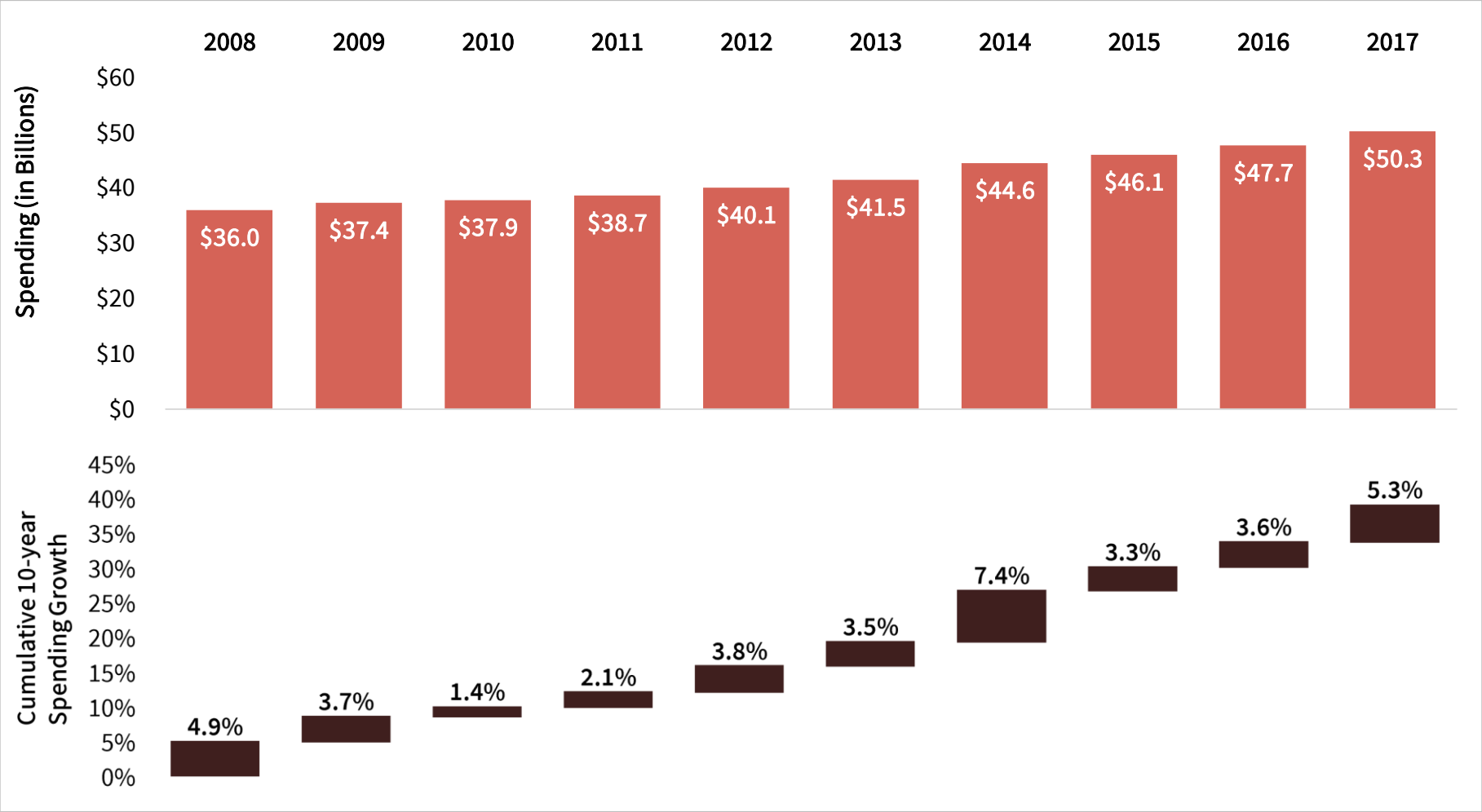
Average annual growth of personal health care spending



Source: Centers for Medicare and Medicaid Services, National Health Expenditures



MINNESOTA TRENDS



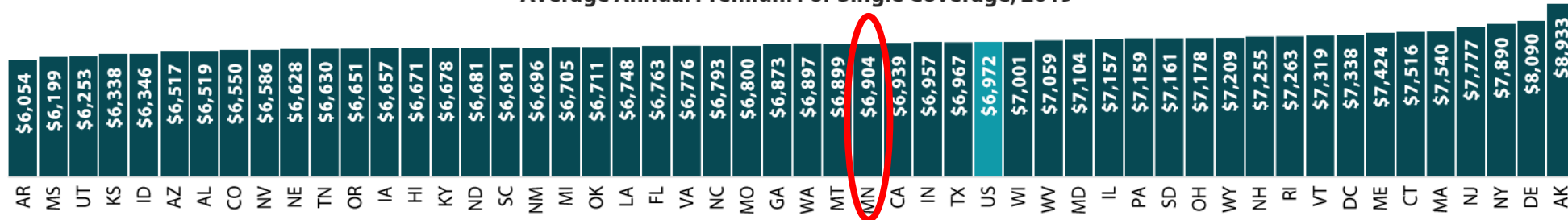
Source: MDH Health Economics Program.



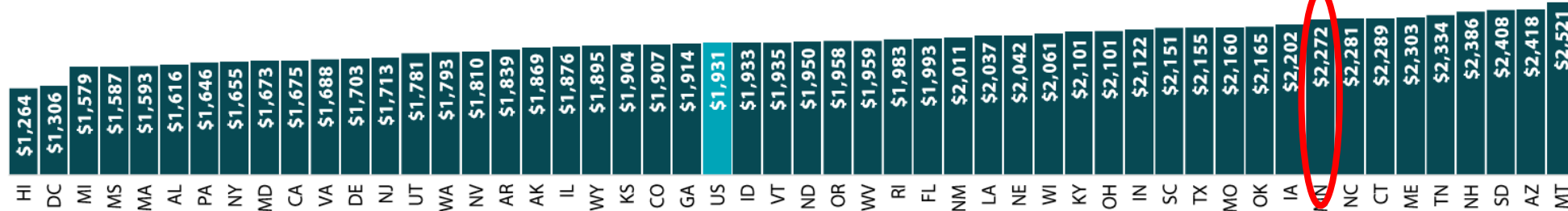
How does MN compare to other states?

STATE VARIATION IN ESI COSTS FOR SINGLE/INDIVIDUAL COVERAGE, 2019

Average Annual Premium For Single Coverage, 2019



Average Annual Deductible for Individual Coverage, 2019



Source: SHADAC analysis of the Medical Expenditure Panel Survey - Insurance Component.



MNCM MEASURE OVERVIEW

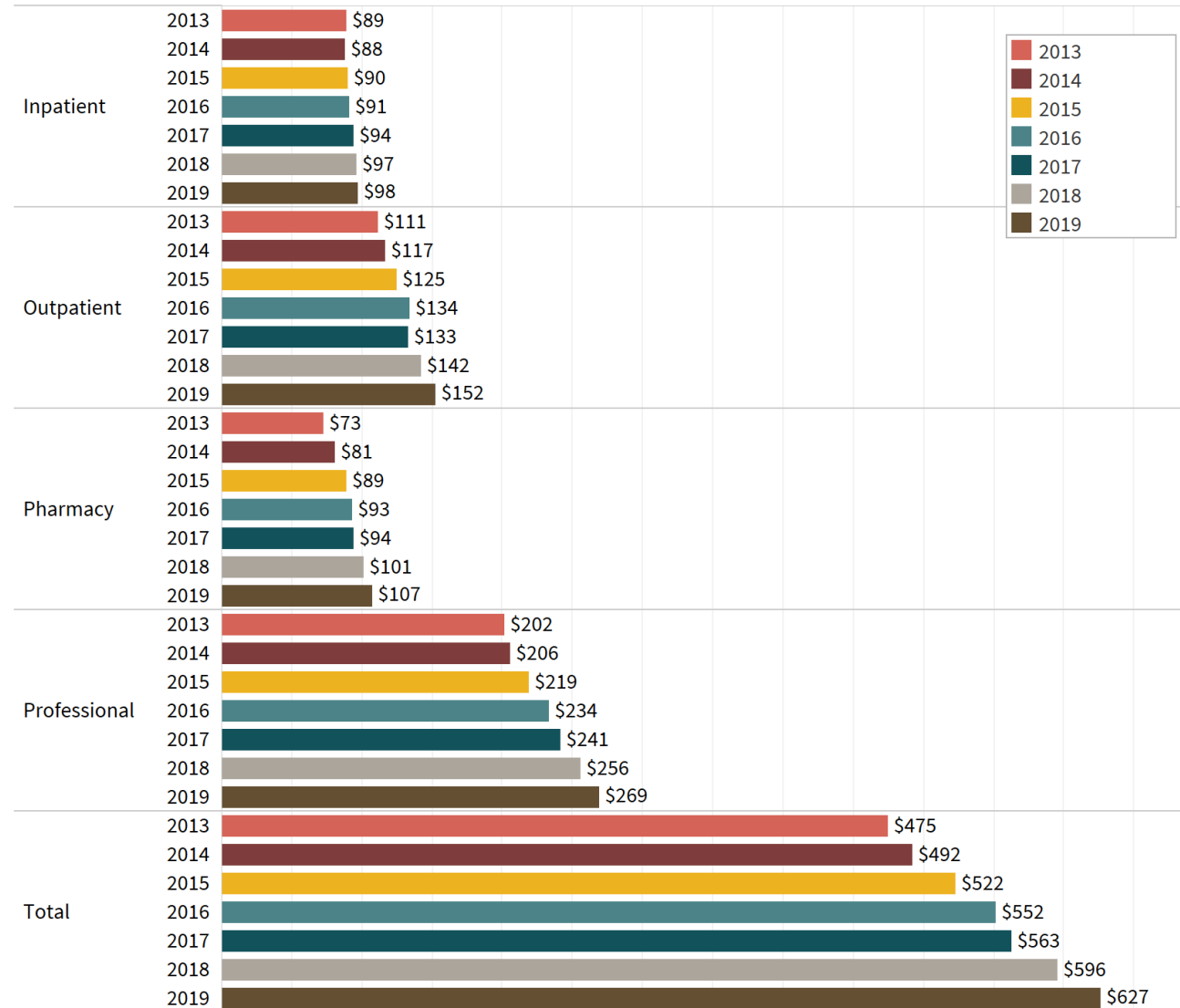
At the medical group level for commercial patients

MEASURE		DEFINITION
RISK ADJUSTED	Total Cost of Care	All costs for patient attributed (assigned) to the appropriate medical group
	Relative Resource Use (TCRRV)	A comparison of the average amount of resources used
	Price Index	A comparison of the relative pricing of all medical costs
INDIRECT RISK ADJUSTMENT	Utilization Metrics	An observed-to-expected ration of 21 common utilization metrics
NOT RISK ADJUSTED	Average Cost Per Procedure	Cost of 113 frequent office-based procedures and events



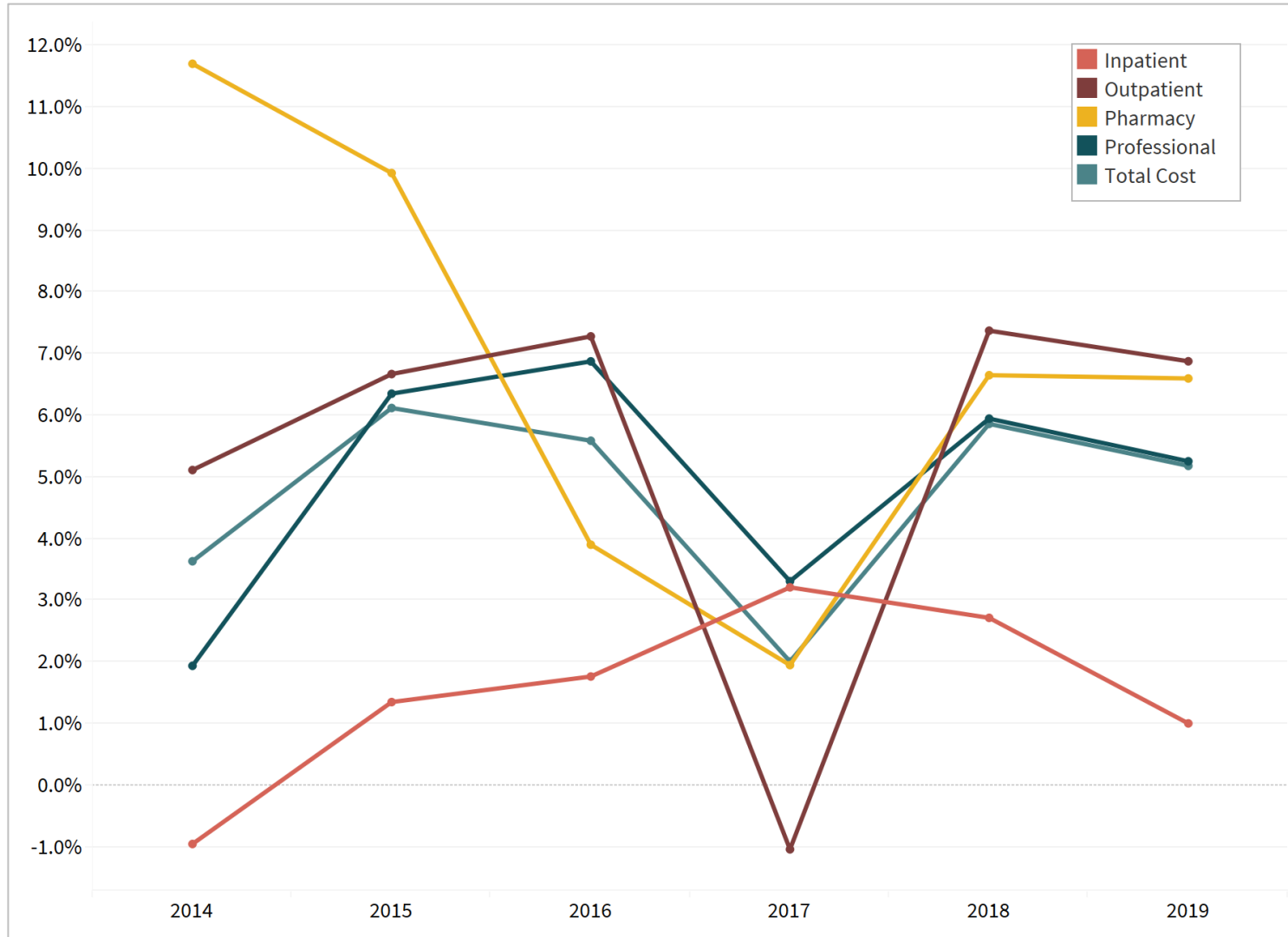
COST TREND BY TYPE OF SERVICE, PER PATIENT PER MONTH

Commercially insured patients, 2013-2019



SIX YEAR TREND IN COST GROWTH

Commercially insured patients, 2013-2019



RISK ADJUSTMENT FOR MEDICAL GROUP COMPARISONS

Methodology for Total Cost of Care risk adjustment

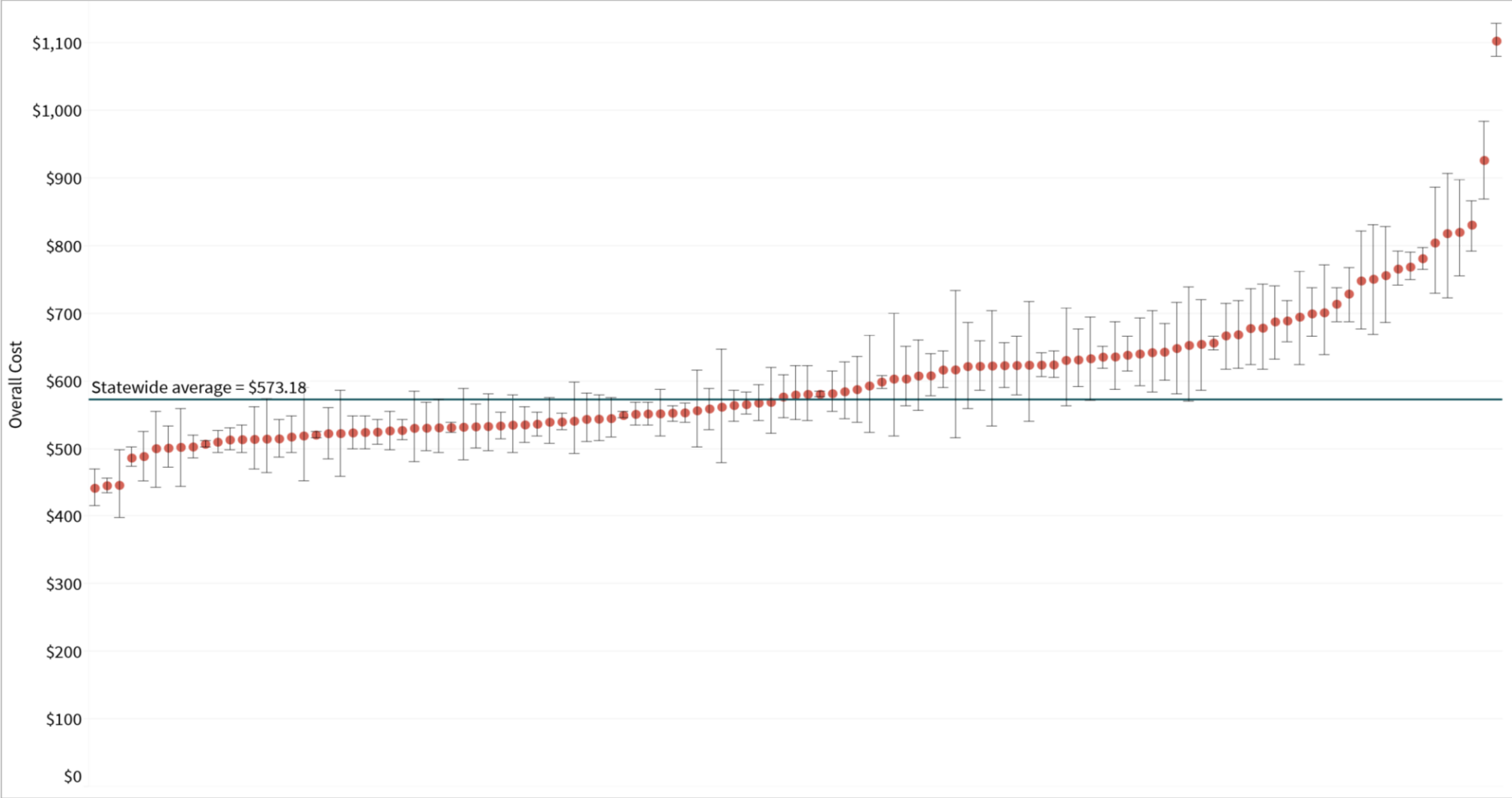
- Johns Hopkins Adjusted Clinical Groupings (ACG)
- All health care claims for the full year are reviewed
 - Excluding Radiology, Lab and Pharmacy
- Each patient is in one and only one of 85 categories
- Using only data in the measure, a relative market wide relative cost is calculated for each category
- A medical group's risk score is the average of all patient weights

ACG Category	Description	Cost Per Month	Weight
700	Asthma	\$93	0.162
1711	Pregnancy, Delivered, No Issues	\$1,292	2.254
5070	10+ Disease Combinations including 4+Major	\$6,347	11.073



2019 TOTAL COST OF CARE BY MEDICAL GROUP

Commercially insured patients, risk-adjusted relative costs (95% confidence intervals)



COST DRIVERS

Terminology

Econ 101

Total Cost = Number of Units x Price Per Unit

Total Cost of Care

Total Cost Indextm = TCRRVtm x Price Per Unit

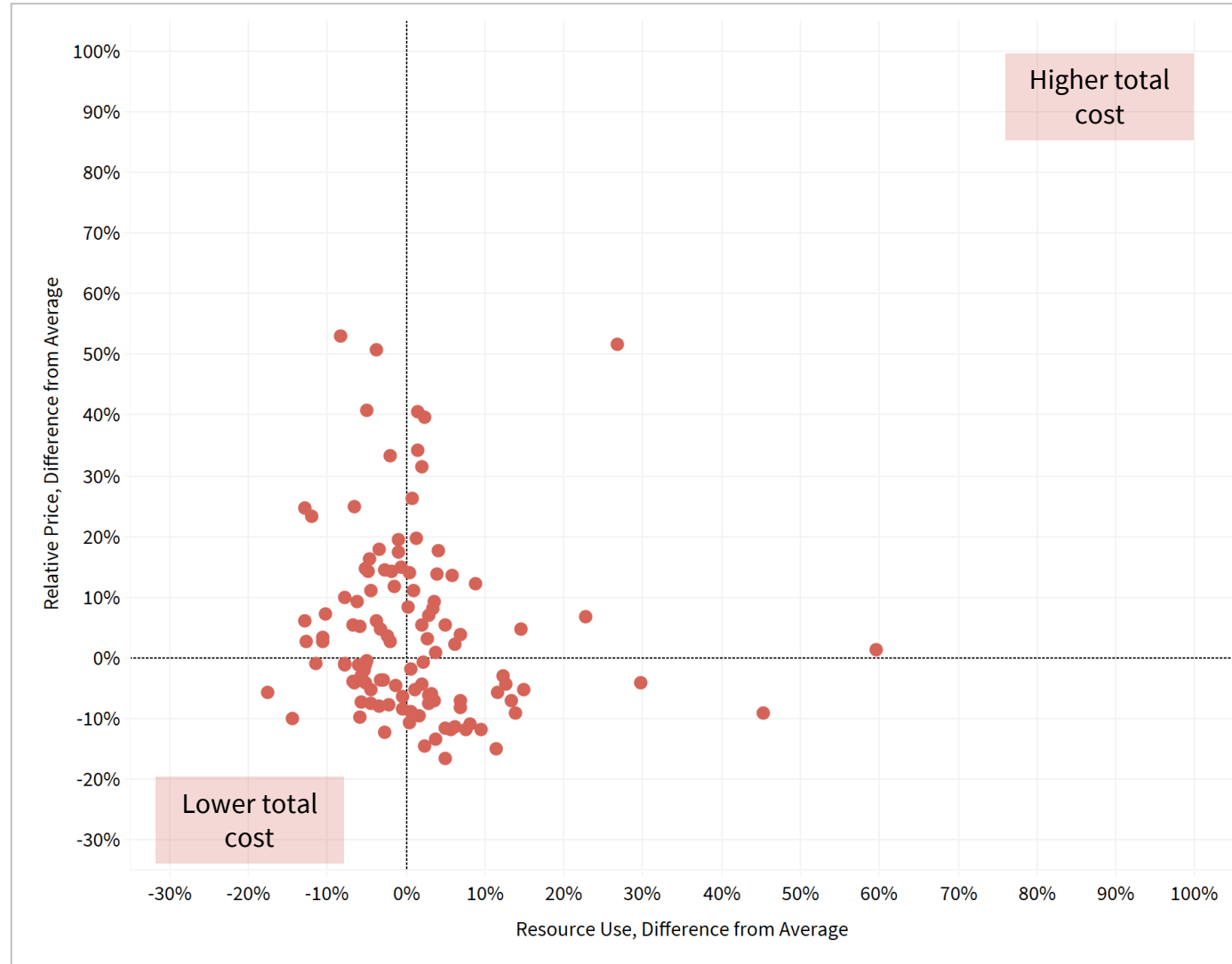
Algebra 101

Price Per Unit (i.e Price Index) = Total Cost/TCRRV



2019 RELATIVE PRICE VS. RELATIVE RESOURCE USE

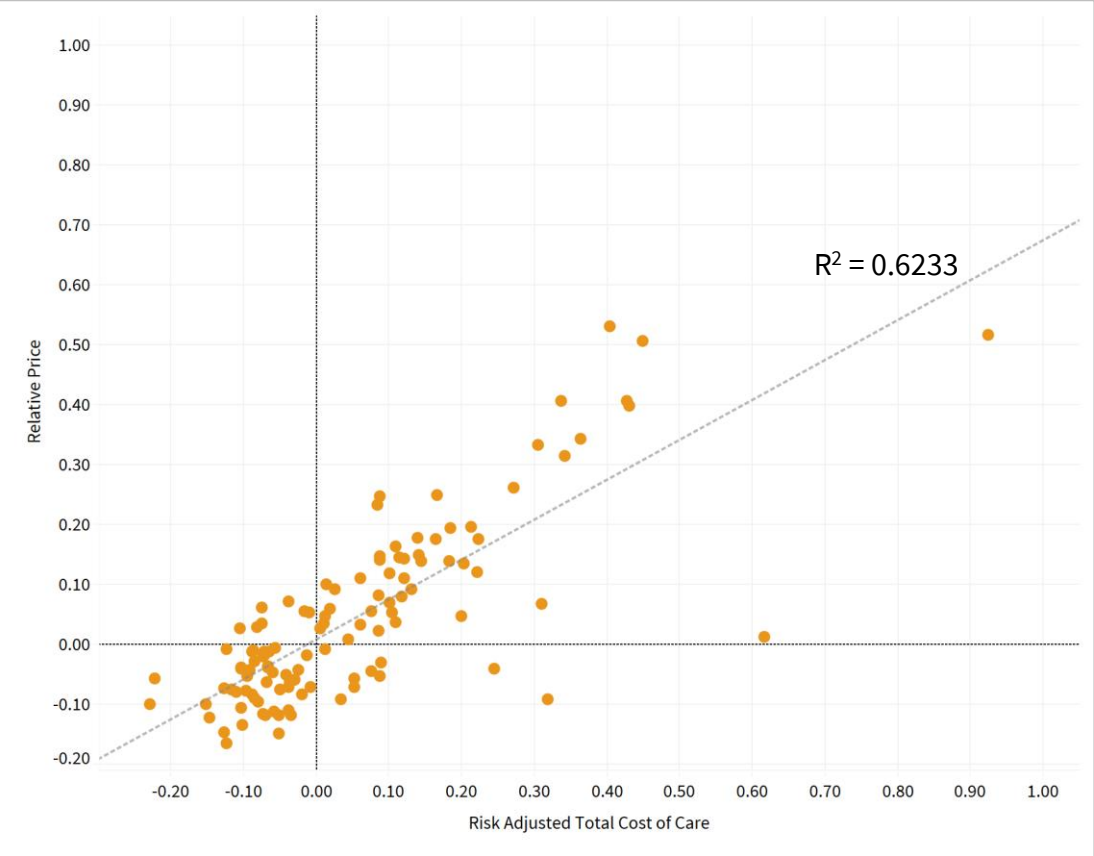
Commercial patient risk-adjusted costs by attributed medical group



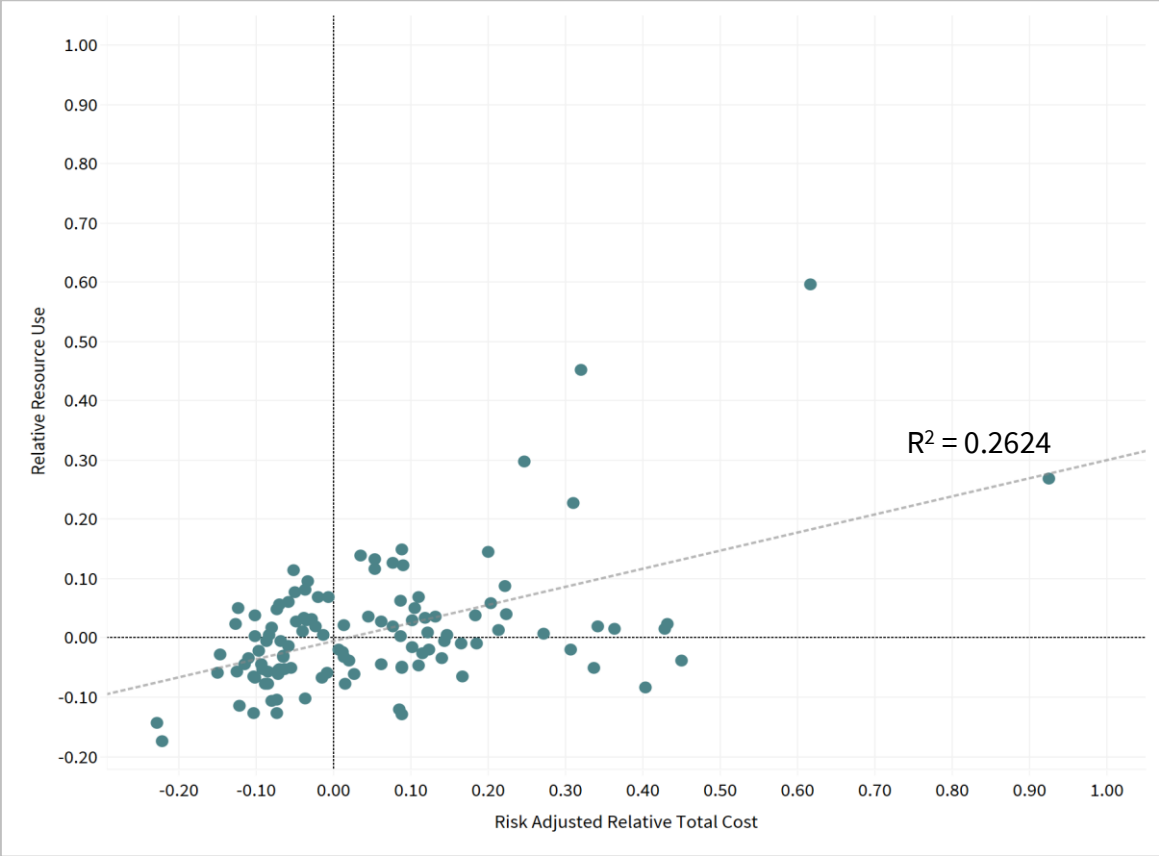
2019 RELATIVE PRICE VS. RELATIVE RESOURCE USE (CONTINUED)

Commercial patient risk-adjusted costs by attributed medical group

PRICE COMPARED TO TOTAL COST



RESOURCE USE COMPARED TO TOTAL COST



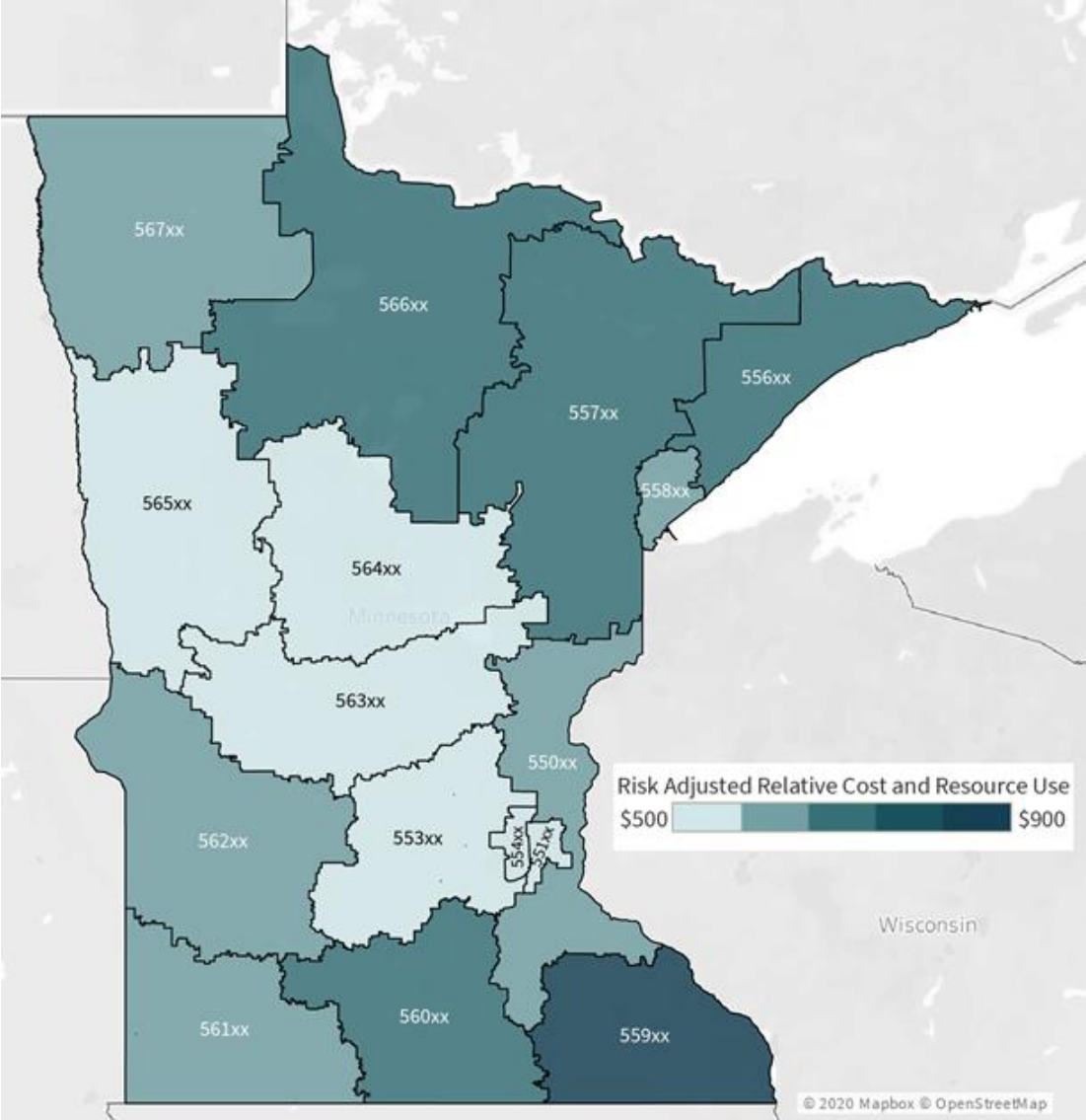
2019 REGIONAL COMPARISON

REGION		RISK ADJUSTED RELATIVE COST AND RESOURCE USE				
Three-digit zip code	Major city in zip code area	Total Cost	Relative use	Price	Cost per member per month	
550xx	Stillwater	2.3%	1.9%	0.4%	\$ 586	
551xx	St. Paul	-5.4%	-0.2%	-5.2%	\$ 542	
553xx	Minnetonka	-4.8%	-1.4%	-3.5%	\$ 546	
554xx	Minneapolis	-4.9%	0.1%	-5.0%	\$ 545	
556xx	Two Harbors	15.8%	-4.5%	21.3%	\$ 664	
557xx	Cloquet	16.9%	3.6%	12.8%	\$ 670	
558xx	Duluth	12.0%	1.5%	10.3%	\$ 642	
559xx	Rochester	45.0%	3.0%	40.8%	\$ 831	
560xx	Mankato	19.3%	-1.5%	21.2%	\$ 684	
561xx	Windom	11.5%	6.0%	5.1%	\$ 639	
562xx	Willmar	6.7%	-2.9%	9.9%	\$ 612	
563xx	St. Cloud	-8.3%	-5.8%	-2.6%	\$ 526	
564xx	Brainerd	-0.8%	-6.4%	6.0%	\$ 568	
565xx	Detroit Lakes	-1.1%	-3.2%	2.1%	\$ 567	
566xx	Bemidji	17.4%	6.2%	10.6%	\$ 673	
567xx	Thief River Falls	9.5%	11.3%	-1.6%	\$ 628	



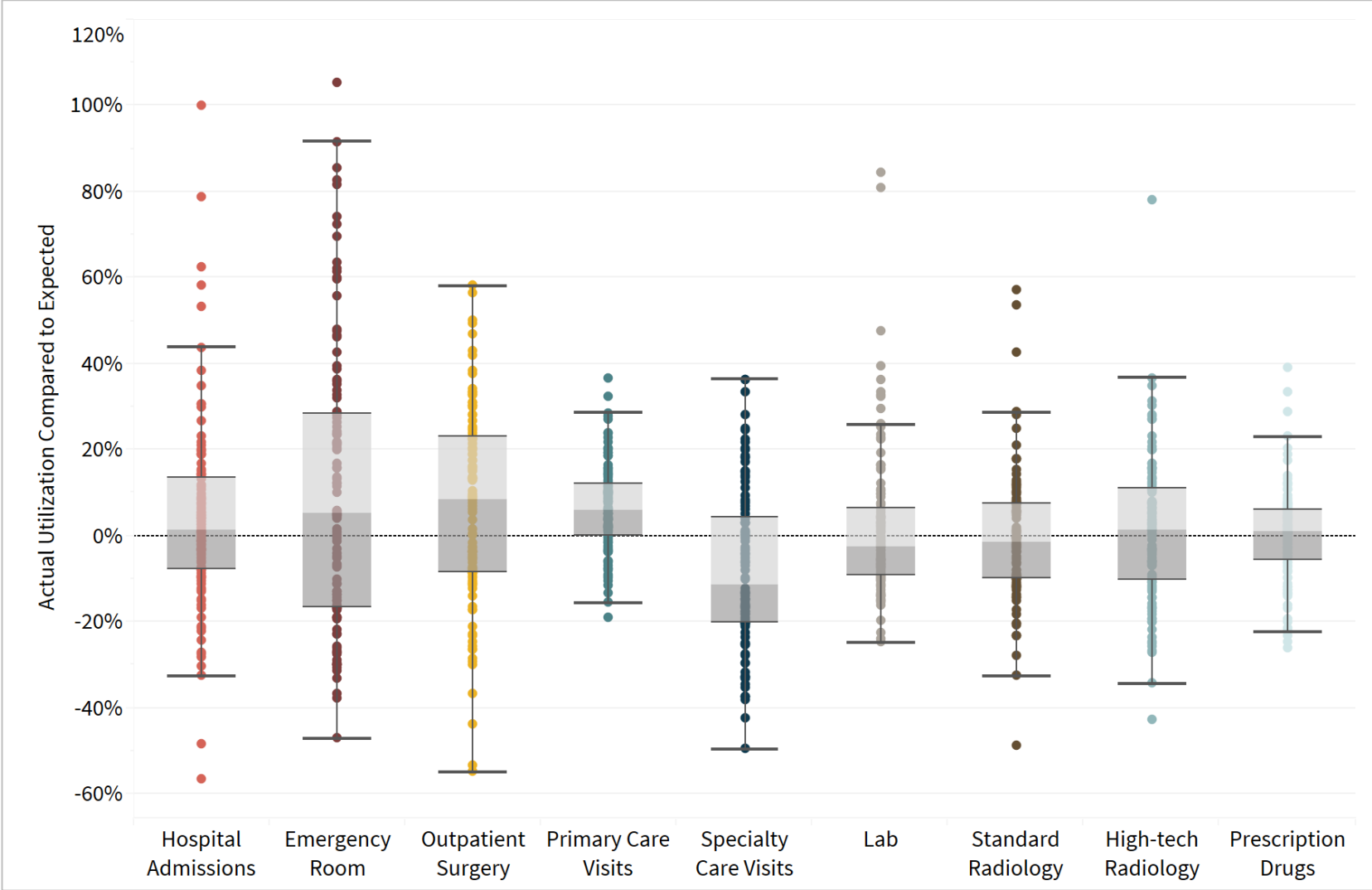
2019 MINNESOTA REGIONAL COMPARISON

Commercial patient risk-adjusted costs by patient region of residence (3-digit zip code)



2019 VARIATION IN UTILIZATION

Actual-to-expected utilization by medical group based on age, sex and risk mix of patients



AVERAGE COST PER PROCEDURE

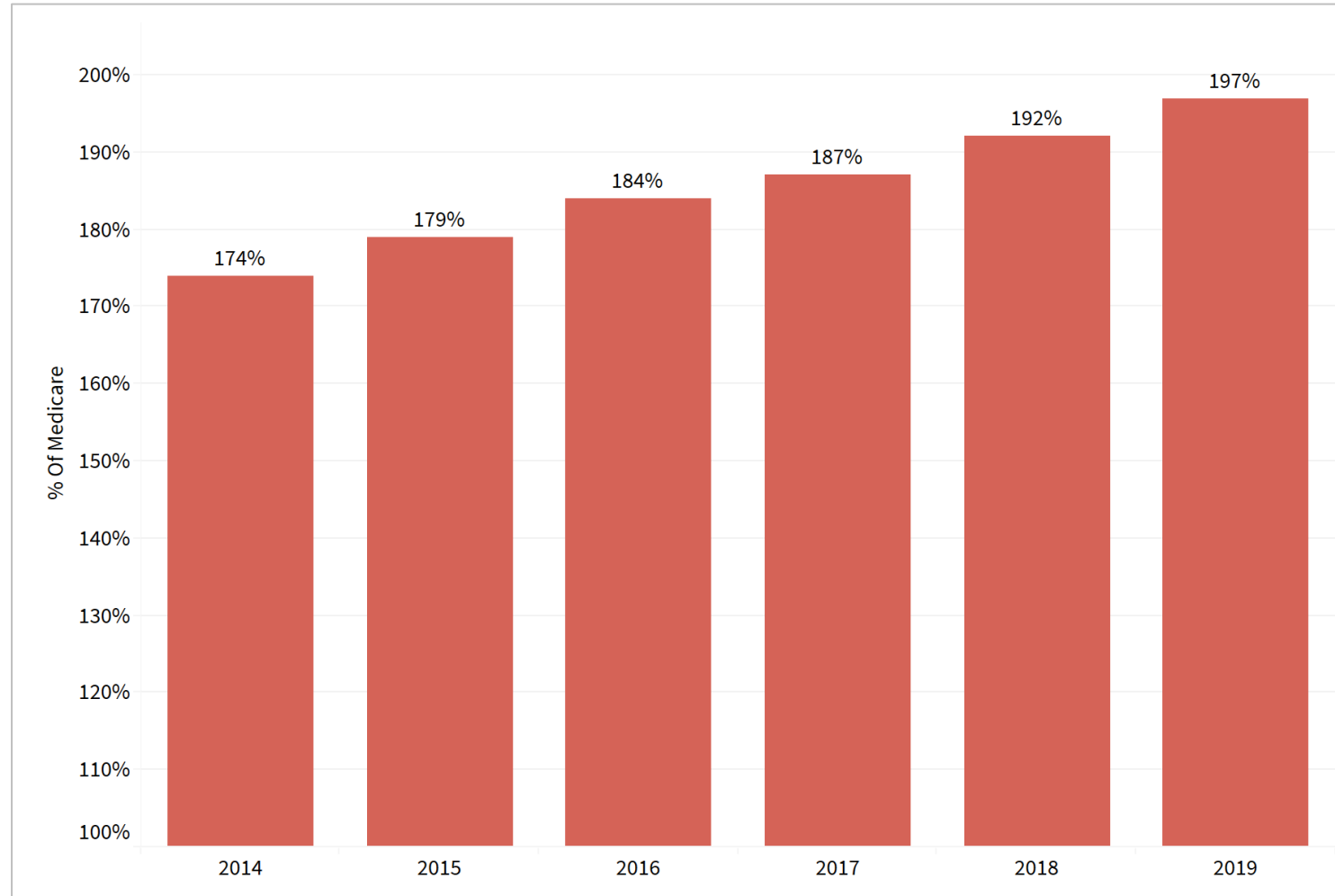
Commercial patients 2019

EXAMPLE: X-RAY OF WRIST		
COMMERCIAL RANGE	Minimum	\$52
	Median	\$84
	Maximum	\$370
GOVERNMENT FEES October 2019	Medicare	\$37
	Medicaid	\$28
Commercial as a percentage of Medicare		227%



COMPARISON OF COMMERCIAL PRICES TO MEDICARE FEE SCHEDULE

2014 - 2019



Based on same market basket of office-based procedures



2019 AVERAGE PRICES FOR IMAGING SERVICES

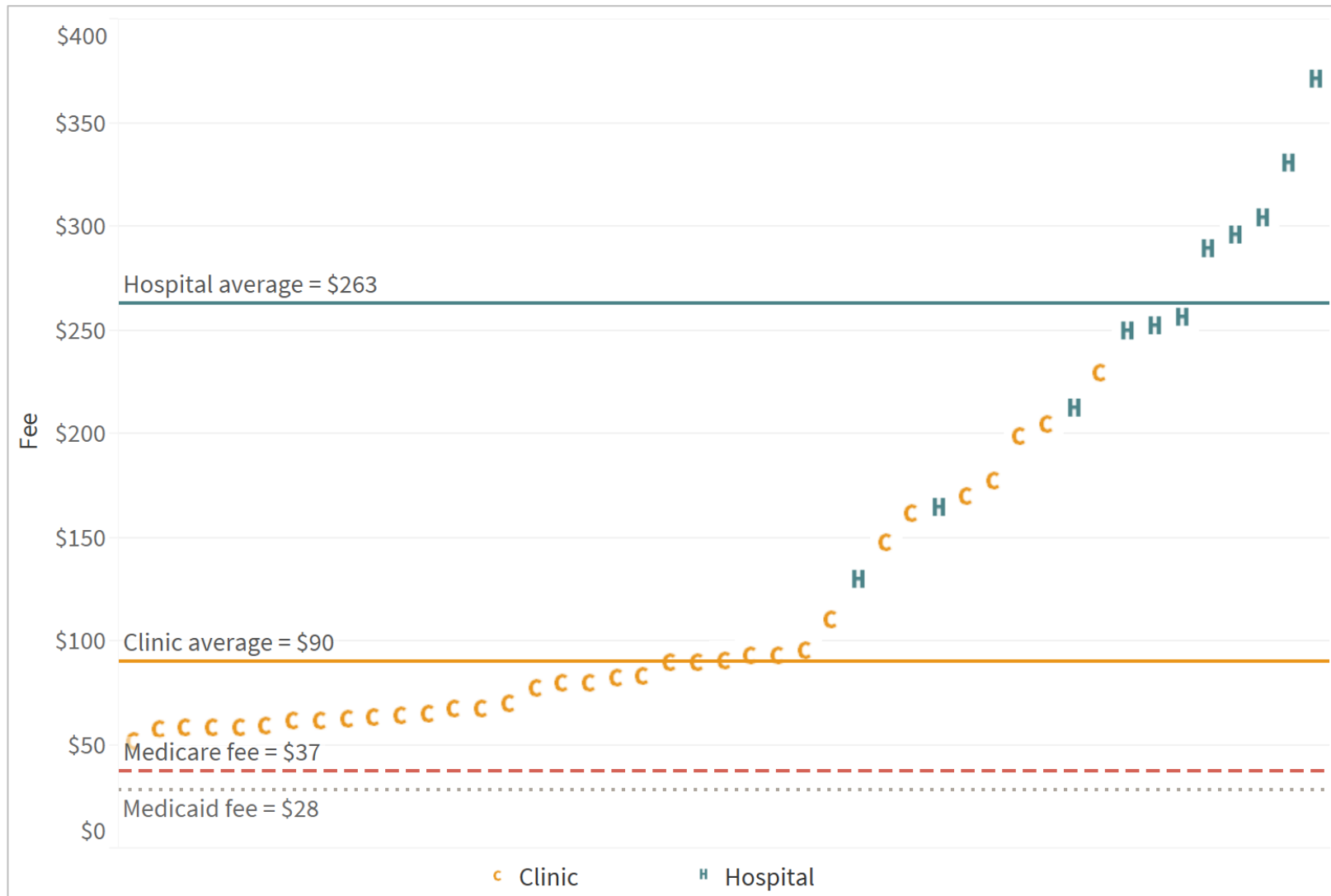
Clinic compared to hospital outpatient for commercial patients

Chest X-ray (2 views)	Clinic-based	\$83
	Hospital-based	\$222
Lower extremity CT without contrast	Clinic-based	\$517
	Hospital-based	\$483
Lower extremity MRI without contrast	Clinic-based	\$765
	Hospital-based	\$1,375
Lumbar spine CT without contrast	Clinic-based	\$697
	Hospital-based	\$501
Lumbar spine MRI without and with contr..	Clinic-based	\$1,992
	Hospital-based	\$909
Lumbar spine MRI without contrast	Clinic-based	\$828
	Hospital-based	\$1,269
Screening mammography, digital	Clinic-based	\$321
	Hospital-based	\$356
Spine X-ray (2 views)	Clinic-based	\$90
	Hospital-based	\$234
Ultrasound exam pelvic, complete	Clinic-based	\$266
	Hospital-based	\$414
Ultrasound of obstetrical uterus	Clinic-based	\$341
	Hospital-based	\$538
X-Ray exam of ankle	Clinic-based	\$82
	Hospital-based	\$253
X-Ray exam of foot	Clinic-based	\$77
	Hospital-based	\$256
X-Ray exam of shoulder	Clinic-based	\$79
	Hospital-based	\$257
X-Ray exam of wrist	Clinic-based	\$90
	Hospital-based	\$263



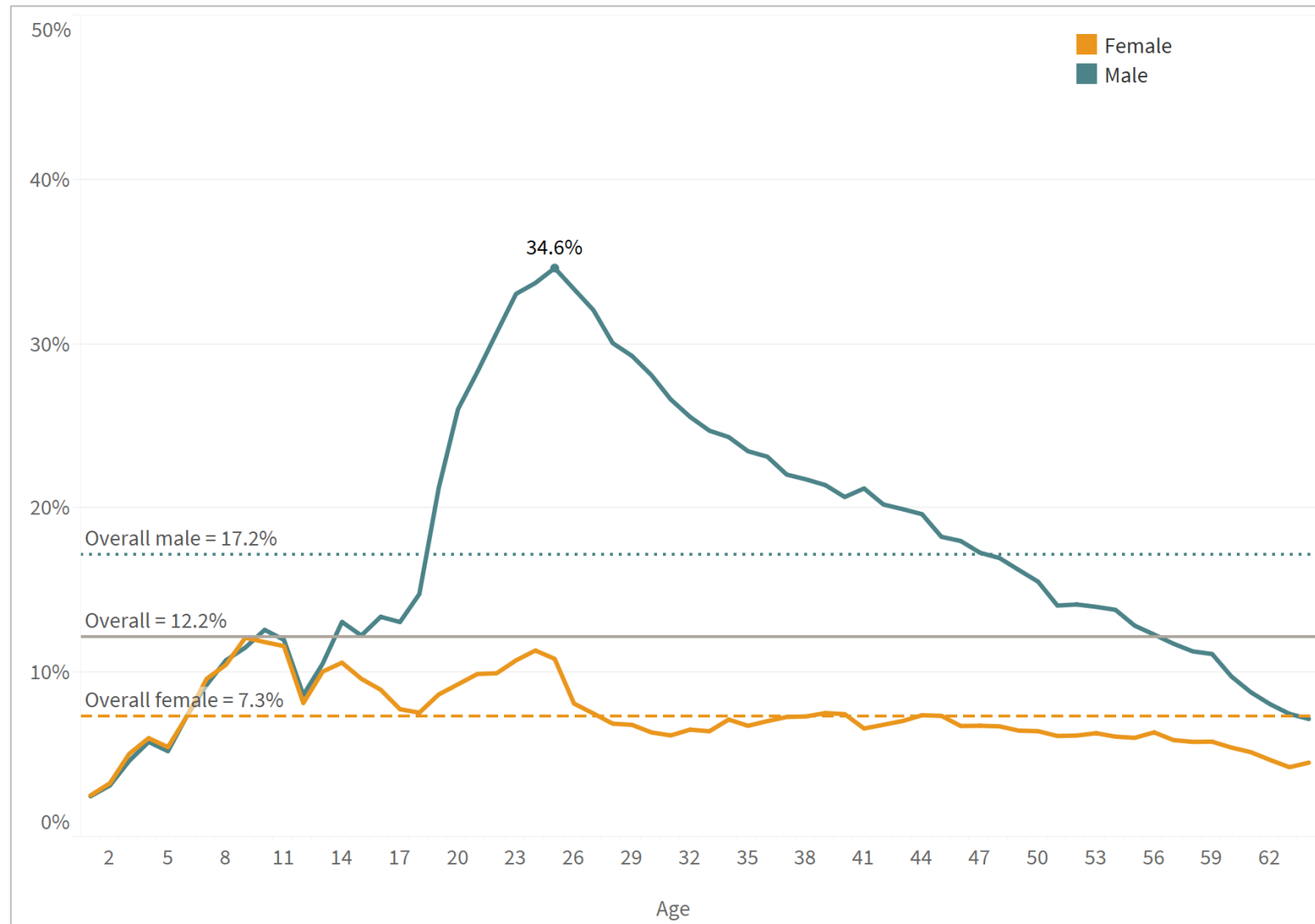
COST OF PROCEDURE EXAMPLE

X-Ray of wrist among commercial patients (2019)



NON-USERS OF HEALTH CARE

Percent of enrollees* with no medical expenses in 2019



*Enrolled in health plan for full 12 months



*Health Care Cost and Utilization
in Minnesota:
Context from Market Trends*

Presented to:

Minnesota Community Measurement

November 12, 2020

Allan Baumgarten, J.D., M.A.

Presentation Themes

- ❖ Blurring of traditional boundaries
- ❖ Changes resulting from Affordable Care Act
- ❖ Comparing rhetoric and reality
- ❖ Impact of COVID-19 pandemic

Provider Growth Strategies

- ❖ Growth in multiple dimensions: revenues, patients, geographic footprint, lines of service
- ❖ Acquisitions, partnerships, convenient care
- ❖ Crossing geographic boundaries
- ❖ Impact of Affordable Care Act

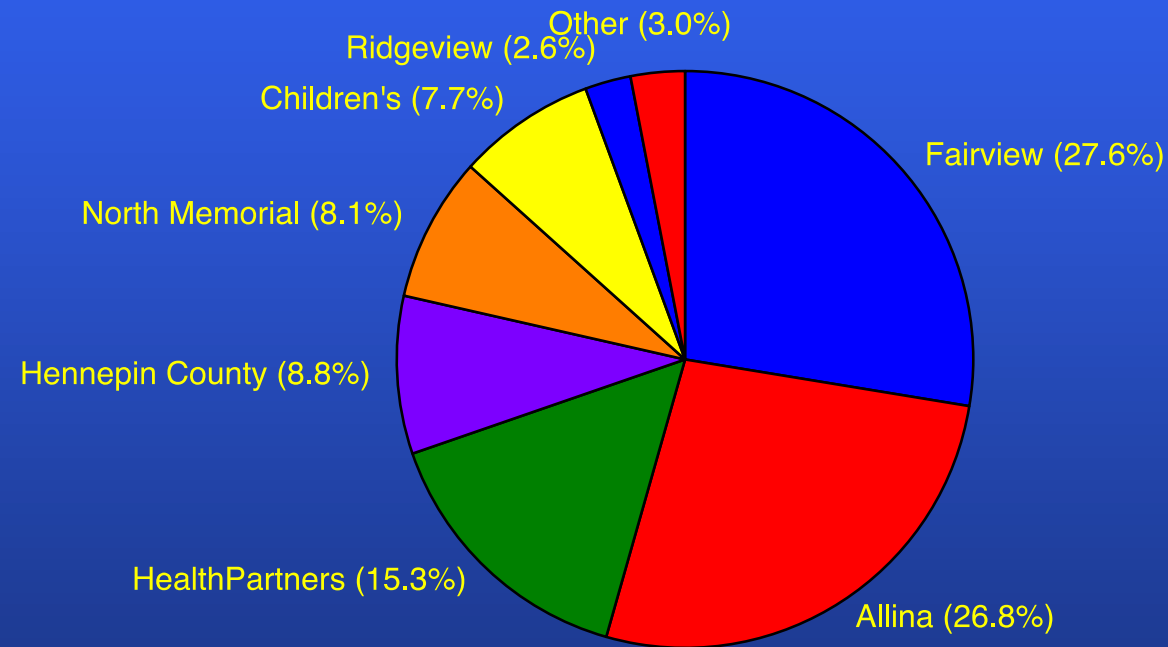
Consolidation, Construction

- ❖ Consolidation of Twin Cities hospitals:
 - Market share of largest systems in
 - 2014: 63.3%
 - 2019 70.7%
- ❖ Mergers crossing traditional local market boundaries: examples of Sanford-Inter Mountain

New Facilities

- ❖ New facilities: comparing Minnesota and Wisconsin
 - What kind of facilities?
 - Impact of state regulations
- ❖ Impact of COVID-19
 - Large projects in Duluth, Grand Forks
 - Systems downsizing or changing growth strategies

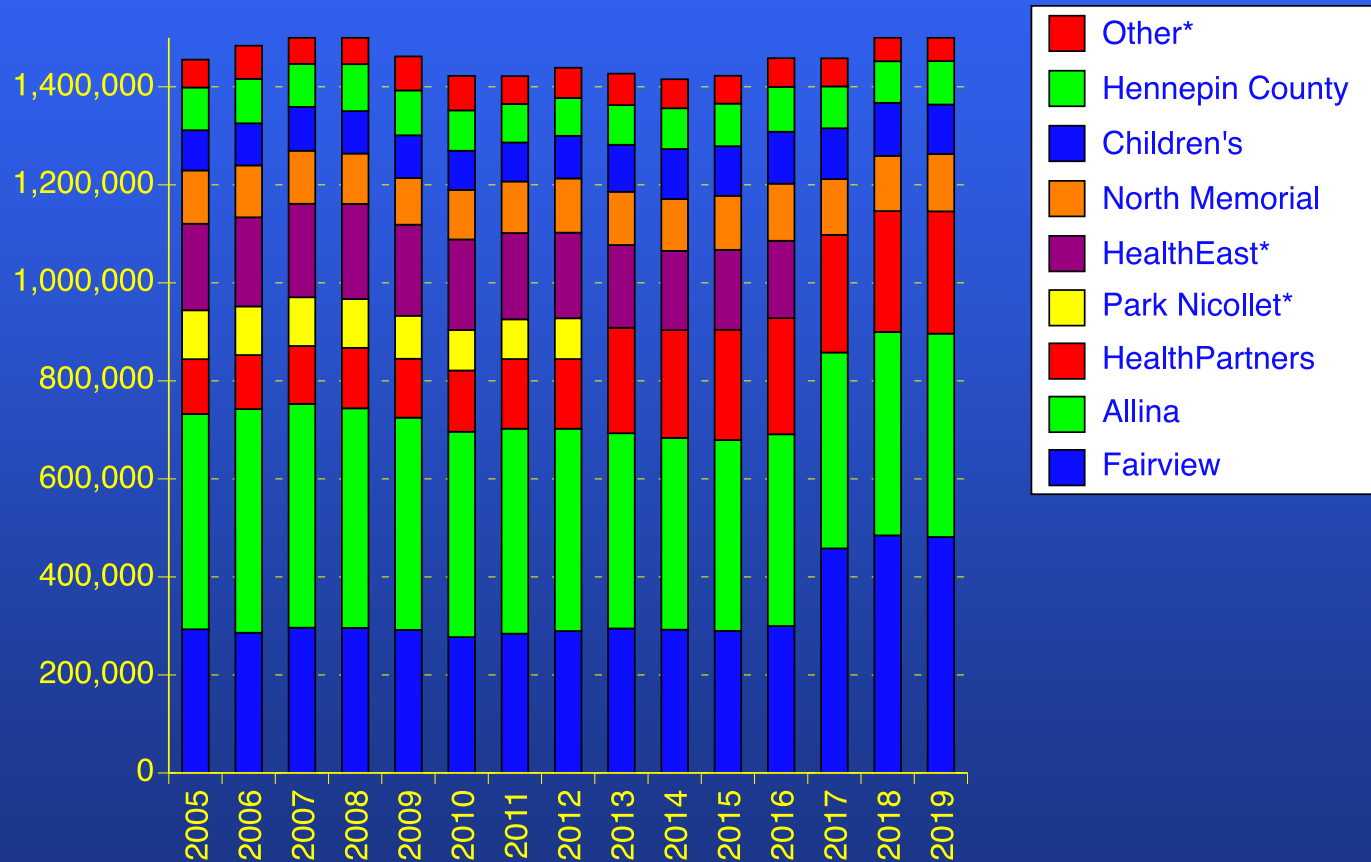
Market Share for Twin Cities Hospital Systems, 2019



Impact of ACA

- ❖ Increased revenues from newly insured patients
- ❖ Linking Medicare payment to measures of quality, patient experience
- ❖ Responding to possible shift in payment from fee-for-service to risk/performance-based – relate to growth strategies

Inpatient Volume is Flat: Systems Compete for Shares of the Pie



Health Plan Trends and Strategies

- ❖ Growth areas: public programs, Medicare
- ❖ Changes in state approaches to public programs
- ❖ Blurring of non-profit vs. investor owned
- ❖ Vertical integration of insurers and providers: examples of UnitedHealthcare and Optum, CVS and Aetna

Are Payment Methods Changing From Volume to Value?

- ❖ Medicare seeks to move payment to 50% or more risk- and performance-based; bundled payment, alternative payment models
- ❖ Commercial payers still largely tied to discounted fee-for-service
- ❖ Providers covering their bets: 1) if moving to risk, expand care delivery sites to reduce leakage or 2) maximize steerage to facilities and specialists in a fee-for-service system

Expansion of Market Boundaries

- ❖ For Minnesota hospital systems: recent acquisitions in Grand Rapids, Willmar, Hutchinson, Olivia
- ❖ Non-contiguous hospital mergers: Aurora-Advocate and ~~Beaumont~~, Mercy-Bon Secours, Dignity-CHI, Sanford and ~~UnityPoint~~ Inter Mountain
- ❖ For health plans: expansion of Medica to 7 states, HealthPartners ventures in five states

Impacts of Pandemic

- ❖ Hospital profitability was up in 2019 but sharp reduction in non-emergency surgeries in 2020 means lost revenues for hospitals . . .
- ❖ And lower claims and higher profits for health plans
- ❖ Federal relief, improved investments means that many large systems mostly intact

Health Plan Results in 2020, YTD

	Profit Margin			Medical Loss Ratio	
	2020	2019		2020	2019
HMOs (9 months)	3.7%	0.3%		88.5%	91.8%
Other Insurers (6 months)	11.1%	8.5%		73.6%	78.9%

For Additional Information

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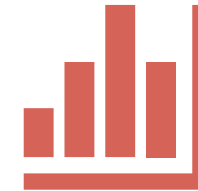


Q&A/Discussion

Please type your questions into the “Q&A” box at the bottom of your screen



Thank you!



Other upcoming events:

- **November 18**, Preparing to Onboard to PIPE
- ***New!* December 9**, Expanding the Care Team to Improve Outcomes
- **January 13**, Common Health Information Reporting Partnership (CHIRP)
- **February 18**, MNCM Annual Conference (virtual event)
 - **February 17**, pre-conference summit on mental health

Where to find more information:

Cost and Utilization Report:

<https://mncm.org/reports/#community-reports>

MN Healthscores:

<http://www.mnhealthscores.org>

