



Location, Location, Location: The Impact of Site of Treatment on Health Care Costs

EBRI Webinar

April 21, 2021

Speakers



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Officer, Cigna**



**Moderator: Mark
Weinstein, President
& Chief Executive
Officer, ICUBA**

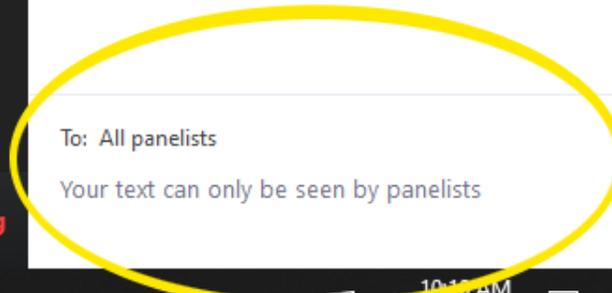
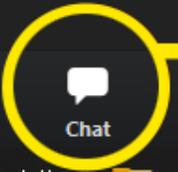
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Cost Differences for Health Care Services Based on Site of Treatment: How Much Can Employers Save?

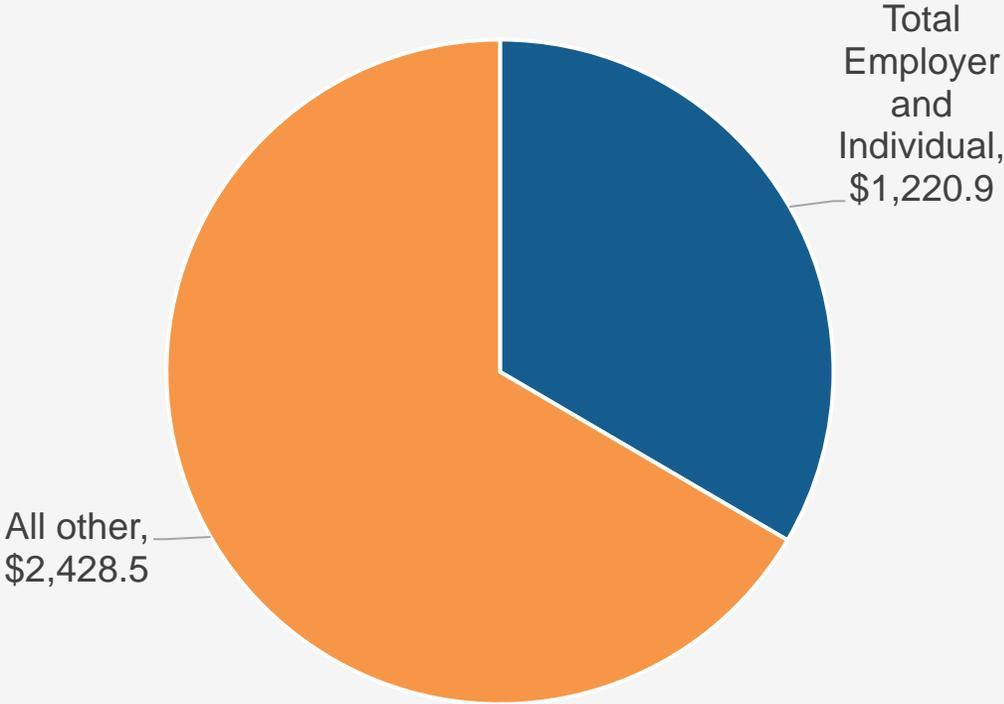
Paul Fronstin, Ph.D.

Employee Benefit Research Institute

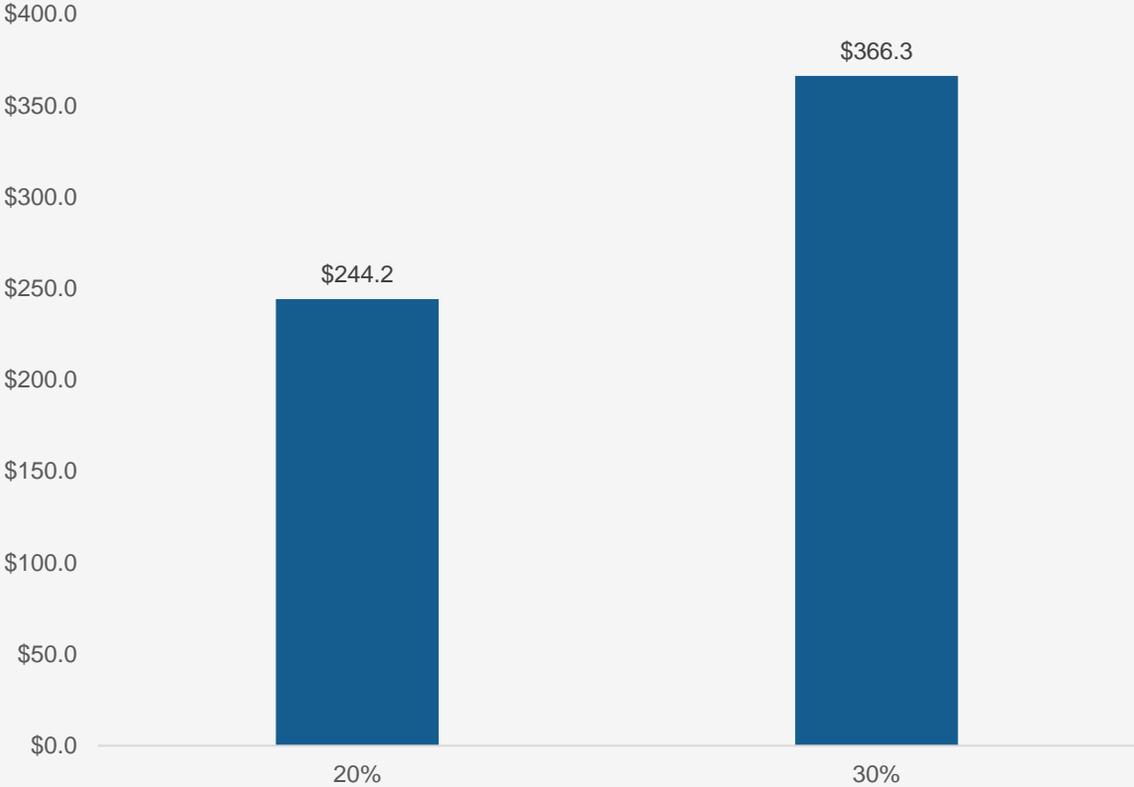
April 21, 2021

Institute of Medicine, and Others, Have Found that 20-30% of Health Care Spending May Be Considered Wasteful

National Health Expenditures, \$3.6 trillion in 2018



Employer and Worker Spending on Waste (\$billions)



Waste Falls into Six Domains

- Failures of care delivery
- Failures of care coordination
- Overuse of low-value health care services
- Fraud and abuse
- Administrative complexities
- **Pricing failure - occurs when “prices migrate far from those expected in well-functioning markets, that is, the actual costs of production plus a fair profit.” (Berwick & Hackbarth, 2012)**

Background

- Prior EBRI research found that payments from third-party payers for infused oncology medicines are higher when care is provided in hospital outpatient departments (HOPDs) compared with physician offices (POs)
- HOPD prices for the top 37 infused cancer drugs averaged 86% more per unit than in POs
- Had HOPD prices matched PO prices, holding drug mix and treatment intensity constant, we found that payers would have saved \$9,766 per user of these medicines in 2016, a savings of 45 percent
- Why is this important?
 - Care has shifted from POs to HOPDs. In 2004, 94% of chemotherapy infusions were administered in POs. By 2014, only 57% administered in POs.
 - The same physician is administering the service
 - Prices for HOPDs increased 25% between 2007-2014. Physician prices increased only 6%.
 - Employers and workers ultimately bear the brunt of these cost differences

February 2021 Study on 25 Health Care Services

- Extend oncology analysis to 25 outpatient health care services:
 - Imaging
 - Lab
 - Specialty medications, for conditions such as multiple sclerosis, rheumatoid arthritis and other inflammatory disorders

Data

- 2018 IBM® Marketscan® Commercial Claims and Encounters Database (CCAЕ)
- CCAЕ database contains member enrollment information as well as adjudicated inpatient, outpatient and pharmacy claims.
- Focus of study is on adults ages 18-64
- Excluded members in capitated plans
- A total of 10.9 million adults with employment-based health benefits in 2018 met our criteria for inclusion in our analysis

Criteria for Selection of Outpatient Services

Outpatient services had to meet three conditions:

- The health care services ranked highly in terms of utilization *or* cost and therefore contributed significantly to overall health care costs.
- The health care services were frequently, but not always, performed in HOPDs.
- The health care services also had substantial penetration in other treatment settings.

Use of Lab Services

	Percentage of Sample Receiving Service
Metabolic Panel	28%
Lipid Panel	38%
Drug Test	2%
Blood Count	26%
Vitamin D Screening	10%

Use of Imaging Services

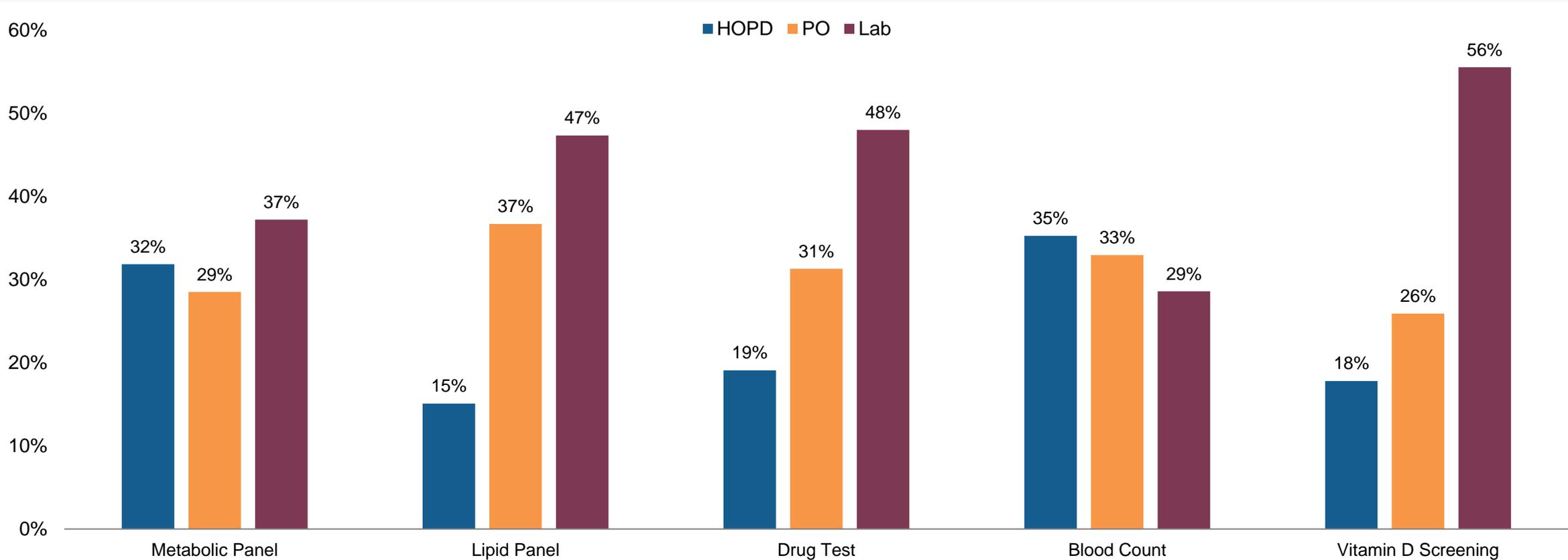
	Imaging via MRI
MRI spine	1%
MRI upper joint	1%
MRI lower joint	2%
Imaging for low-back pain	1%
Imaging for uncomplicated headache	0.2%

	Imaging via Non-MRI
Colonoscopy	2%
Chest X-ray	7%
Mammogram	14%
Echocardiogram	3%
DEXA scanning	2%

Use of Specialty Medications

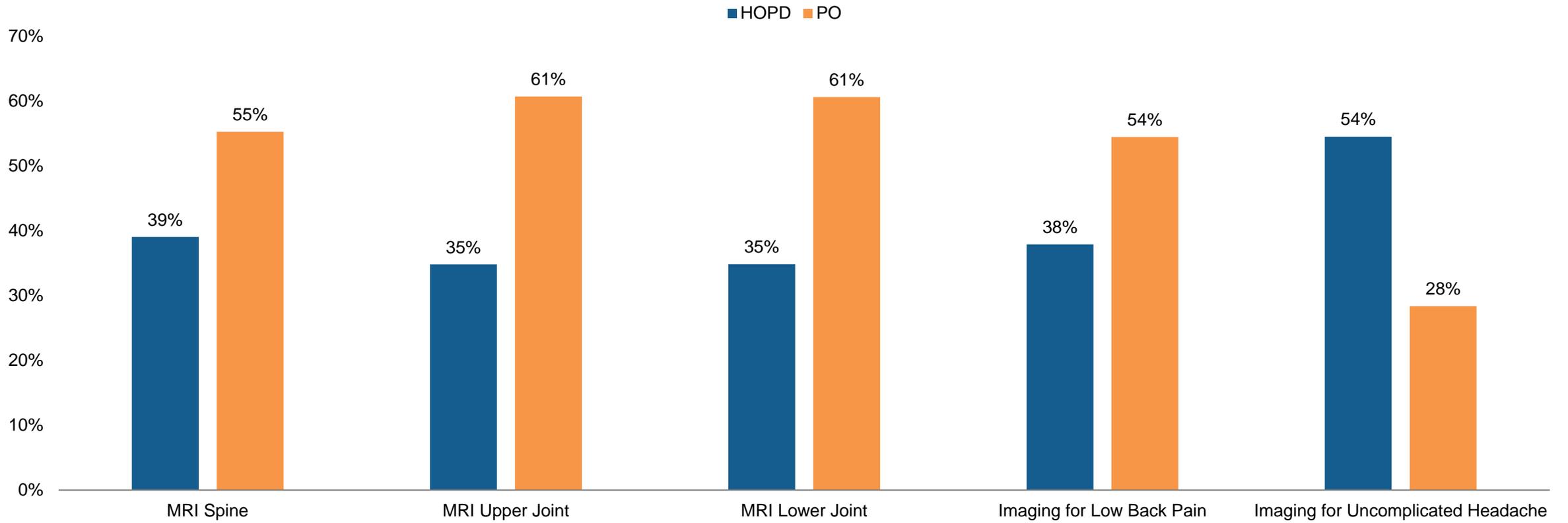
	Percentage of Sample Receiving Service
Primary immunodeficiency	0.01%
Autoimmune disease	0.03% & 0.09%
Multiple sclerosis	0.02%
Supportive cancer	0.08%

Distribution of Lab Services, by Site of Service



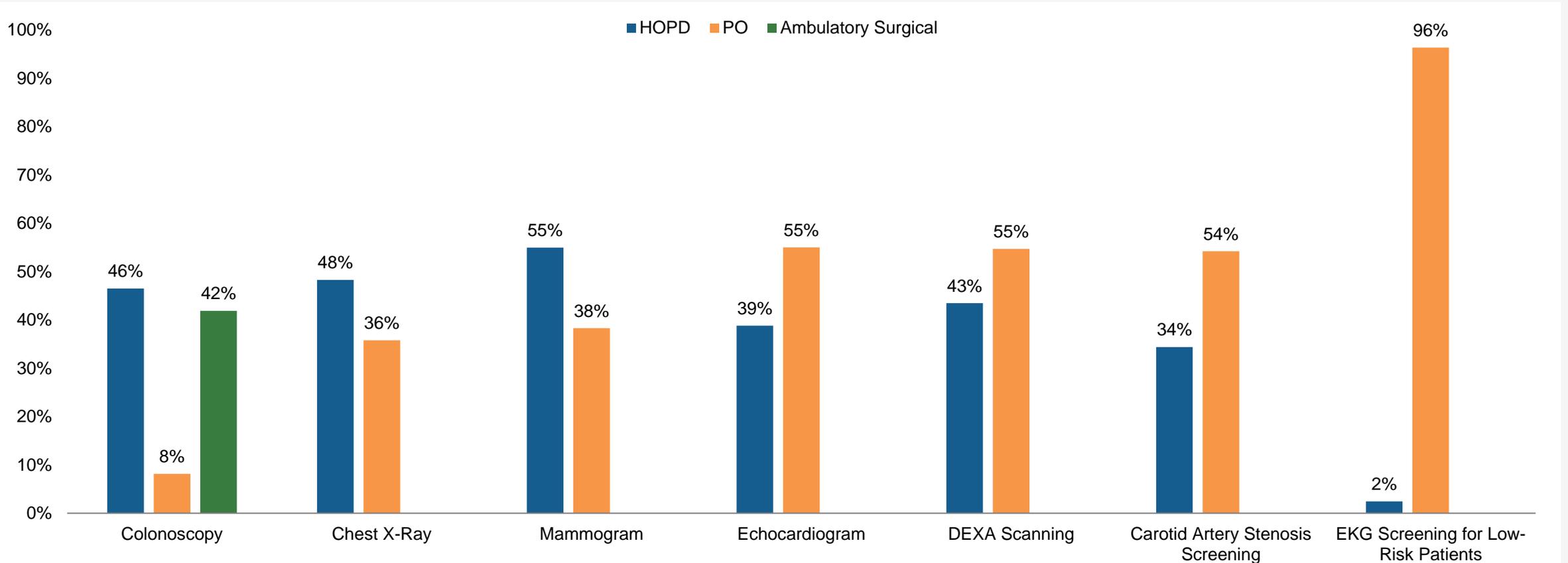
Notes: HOPD=hospital outpatient departments; PO=physician offices.

Distribution of Various MRI Services, by Site of Service



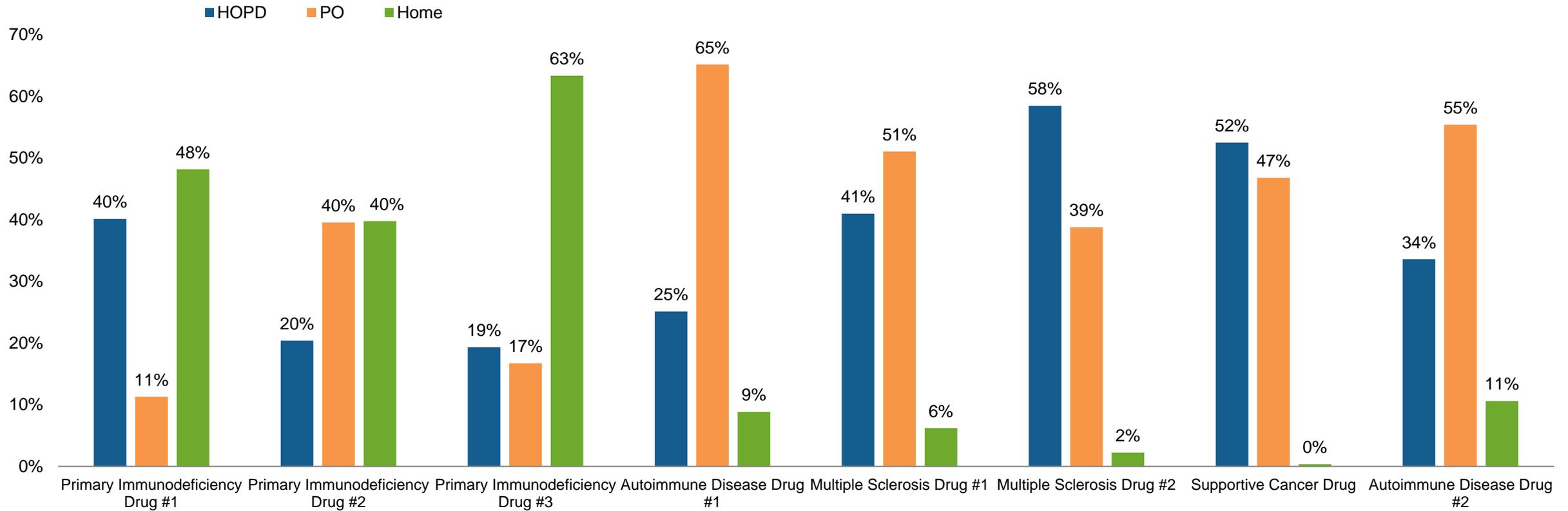
Notes: HOPD=hospital outpatient departments; PO=physician offices. Numbers do not add to 100% because sites of service coded as "other" are not shown.

Distribution of Various Non-MRI Services, by Site of Service



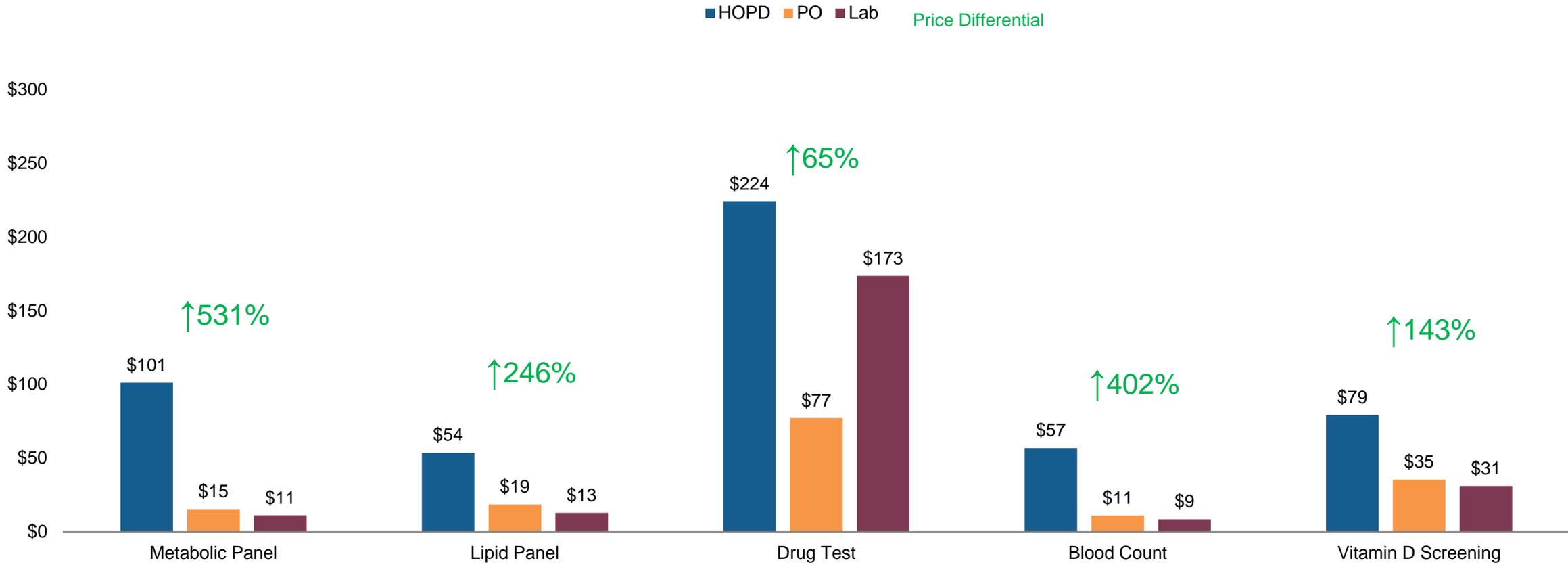
Notes: HOPD=hospital outpatient departments; PO=physician offices. Numbers do not add to 100% because sites of service coded as "other" are not shown.

Distribution of Various Specialty Medications, by Site of Service



Notes: HOPD=hospital outpatient departments; PO=physician offices.

Average Allowed Charge by Site of Service and Weighted Percentage Price Differential for Lab Services



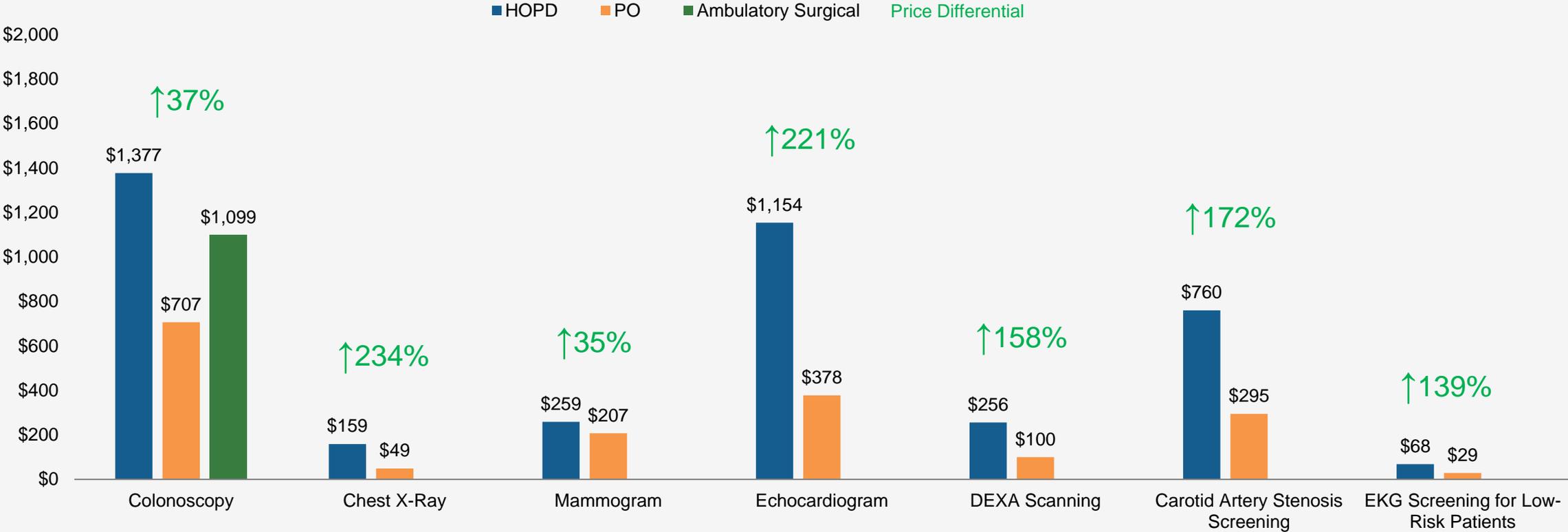
Notes: HOPD=hospital outpatient departments; PO=physician offices.

Average Allowed Charge by Site of Service and Weighted Percentage Price Differential for Various MRI Services



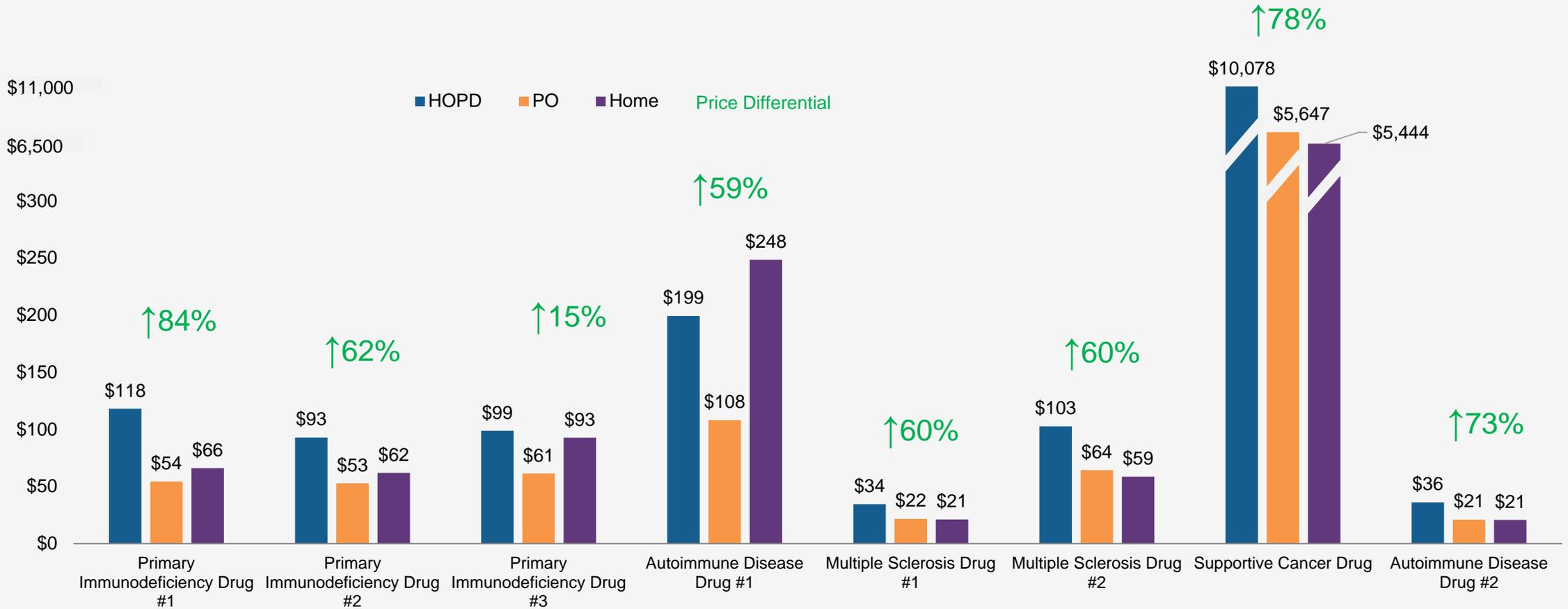
Notes: HOPD=hospital outpatient departments; PO=physician offices.

Average Allowed Charge by Site of Service and Weighted Percentage Price Differential for Various Non-MRI Imaging Services



Notes: HOPD=hospital outpatient departments; PO=physician offices.

Average Allowed Charge by Site of Service and Weighted Percentage Price Differential for Various Specialty Medications

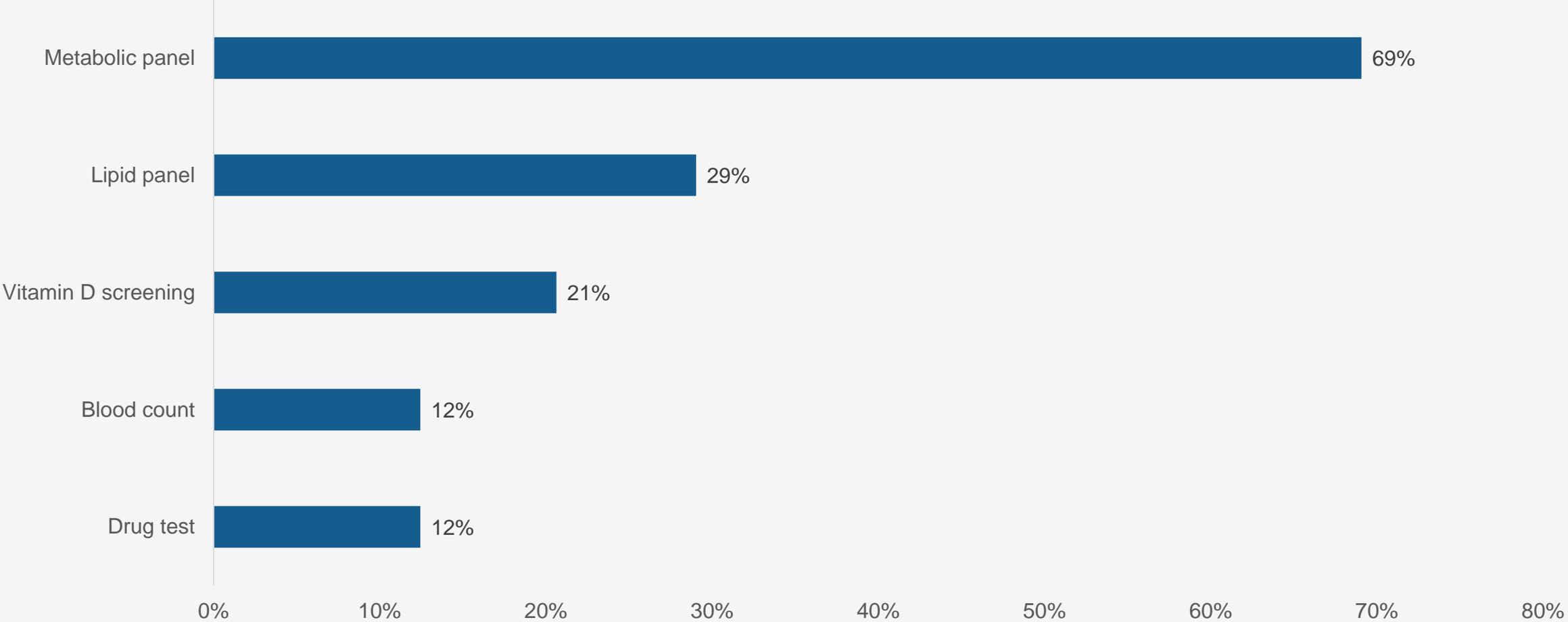


Notes: HOPD=hospital outpatient departments; PO=physician offices.

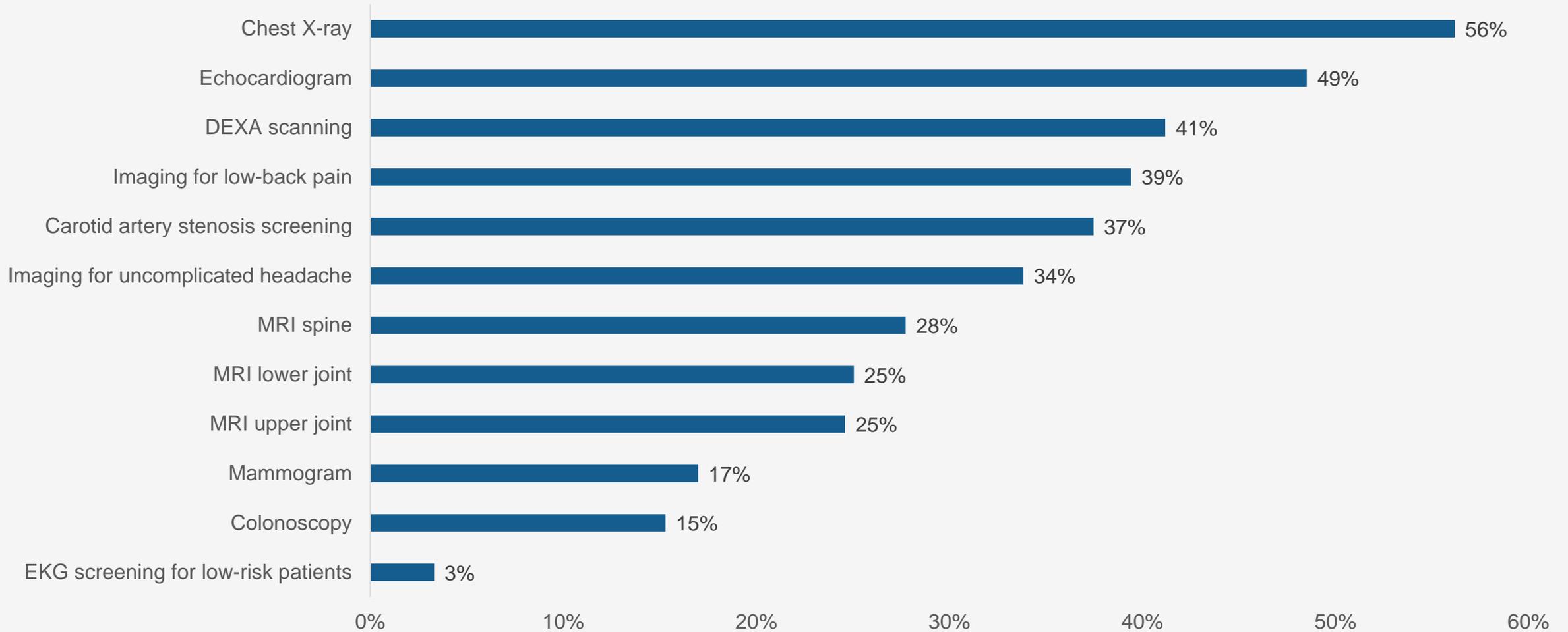
Average Number of Units of Specialty Medication per Patient, 2018

<u>Specialty Medications</u>	<u>Average Number of Units</u>
Primary immunodeficiency drug #1	899
Primary immunodeficiency drug #2	1,618
Primary immunodeficiency drug #3	1,093
Autoimmune disease drug #1	321
Multiple sclerosis drug #1	2,566
Multiple sclerosis drug #2	909
Supportive cancer drug	4
Autoimmune disease drug #2	1,606

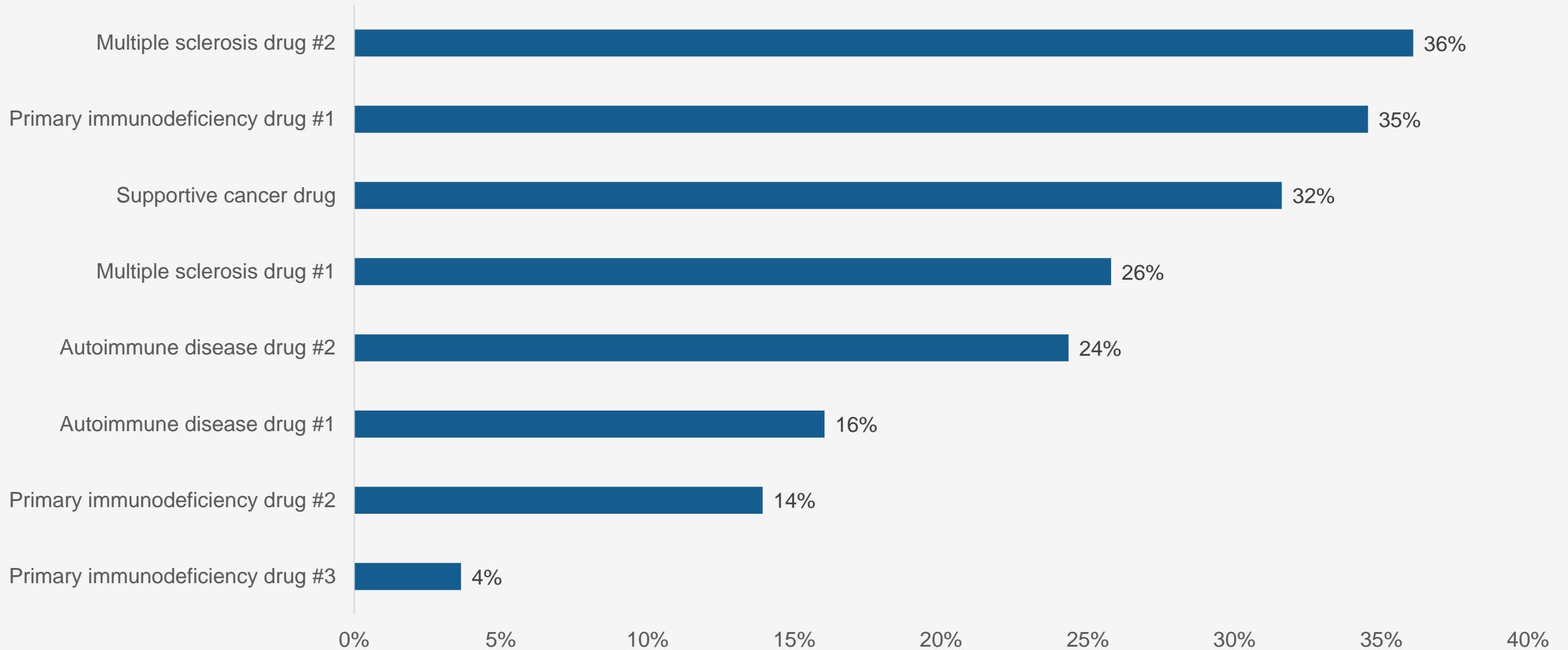
Percentage Savings From Eliminating Site-of-Treatment Price Differentials, Lab Services



Percentage Savings From Eliminating Site-of-Treatment Price Differentials, Imaging Services



Percentage Savings From Eliminating Site-of-Treatment Price Differentials, Specialty Medications



Potential Employer & Worker Savings

	Total Savings	Employer Share	Employee Share
Overall	\$11.3 billion	80%	20%
Lab	\$3.1 billion	67%	33%
Imaging	\$5.0 billion	78%	22%
Specialty Medications	\$3.2 billion	97%	3%

Implications of Findings

- Potential savings on specific health care services are substantial.
- In aggregate, \$11 billion is not much compared to the \$1 trillion spent on health benefits for workers and their families
- However, analysis is based on only 25 health care services
- Employers can exert pressure on both health plans and hospitals to shift from discounted charge contracts based on a multiple of Medicare to some other prospective case rate
- Third-party payers can attempt to engage patients through increased price transparency combined with plan design changes to incentivize them with a share of savings to less costly sites of care for treatment that is clinically appropriate.
- Employers and insurers can use both value-based insurance design (VBID) and reference pricing to vary patient cost-sharing based on the choices that they make regarding use of health care services.

Site of Service: A Clinical Approach to Reducing Waste



Dr. Scott Josephs

SVP and Chief Medical Officer, Cigna

April 21, 2021

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CIGNA'S STRATEGY

CHAMPIONS FOR AFFORDABLE, PREDICTABLE, AND SIMPLE HEALTH CARE

MAKING IT affordable

High quality care, delivered at the right price.

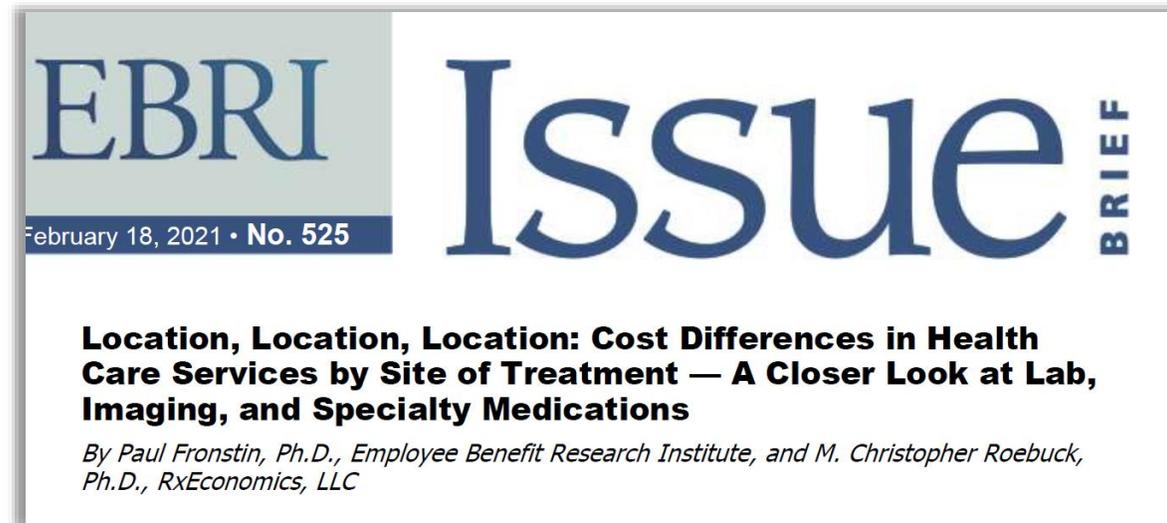
MAKING IT predictable

We take surprise out of the system and help people make informed health care choices.

MAKING IT simple

We make it easier for the people we serve to get the care they need.

TODAY'S DISCUSSION



The image shows the cover of an EBRI Issue Brief. The top left corner features the EBRI logo in a grey box. To its right, the word 'Issue' is written in a large, blue, serif font, and the word 'BRIEF' is written vertically in a smaller, blue, sans-serif font. Below the EBRI logo, the text 'February 18, 2021 • No. 525' is displayed. The main title of the brief is 'Location, Location, Location: Cost Differences in Health Care Services by Site of Treatment — A Closer Look at Lab, Imaging, and Specialty Medications'. Below the title, the authors are listed: 'By Paul Fronstin, Ph.D., Employee Benefit Research Institute, and M. Christopher Roebuck, Ph.D., RxEconomics, LLC'.

EBRI Issue **BRIEF**

February 18, 2021 • No. 525

Location, Location, Location: Cost Differences in Health Care Services by Site of Treatment — A Closer Look at Lab, Imaging, and Specialty Medications

By Paul Fronstin, Ph.D., Employee Benefit Research Institute, and M. Christopher Roebuck, Ph.D., RxEconomics, LLC



OUR PHILOSOPHY

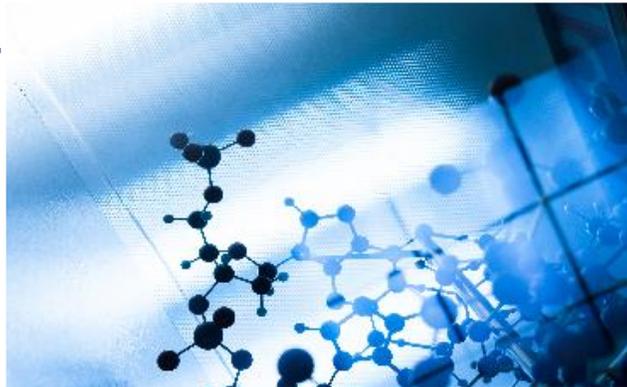
QUALITY COMES FIRST

SITE OF CARE SHIFTS ARE NOT JUST ABOUT COST



Safety

Health care is rapidly evolving, resulting in new treatments and regimens. **Quality** and safety are our top priorities.



Efficacy

Evidence-based guidelines are central to all of our clinical programs.



Convenience

Many services are accessible in local provider's offices or even at home.

← HEALTH EQUITY PERMEATES ALL THAT WE DO →

SPECIALTY PHARMACY

GUIDING CUSTOMERS TO THE MOST APPROPRIATE SETTING FOR TARGETED MEDICAL BENEFIT SPECIALTY MEDICATIONS.

With **50%** of total marketplace drug spend¹ and **57%** of new drugs to the market,² specialty medication use and cost continues to be of great concern to employers.³



Focusing on site of administration is crucial

Specialty medications that are injected or infused often require administration by a health care professional, making these drugs extremely complex and expensive. They can be administered in hospital outpatient settings, doctor's offices, infusion suites, or even in the patient's home with a home health nurse.



By encouraging use of lower cost settings, we have saved our clients

- › **\$81K** approx. per successful intervention per year⁶
- › **\$250M** approx. saved for just 3035 customers⁷
- › **89%** overall program success



Cigna's Specialty Care Options team

Our specialized team of medical directors, pharmacists, case managers, and care associates work together to identify options for each customer that are **convenient, clinically appropriate, and affordable.**

1. "Medicine Use and Spending in the U.S. A review of 2018 and Outlook to 2023", Institute report 5/9/19. 2. "Specialty Pharmacy by the Numbers", Pedram Pahlavan. Pharmacy Times 4/10/19. 3. "Employers Struggle to Manage Benefits Covering Specialty Drugs", Insurance Journal, 3/10/2017. 4. Cigna Book of Business national study 2019. Projection compares the following health care spend for medical service categories: Drugs and Biologics, Inpatient Facility, Outpatient Facility, Professional Services, Other Medical Services. 5. Express Scripts research. Specialty Medications Nearing 50 Percent of Spend, 11/27/2018. <http://lab.express-scripts.com/lab/insights/specialty-medications/specialty-medications-nearing-50-percent-of-spend>. 6. Cigna claims analysis 2019. Includes both retrospective and prospective programs results. Individual customer results/costs will vary. 7. Cigna's nationwide Book of Business projected savings analysis 2019. Individual customer results/costs will vary.

MUSCULOSKELETAL

INTEGRATED AND COMPREHENSIVE SUPPORT ACROSS THE CARE CONTINUUM

Integrated care management helps customers find the right level of care and expertise wherever they are on the continuum.

PREVENTION: Engaged in their health to prevent issues and ideally avoid surgery.

AT RISK: Prevent further progression of pain, minimize absenteeism and provide quality support

ACUTE/CHRONIC: Personalized support to manage treatment, address behavioral issues and prevent opioid dependency.

SURGICAL SITE OF CARE REVIEW: Ensures access to the most clinically appropriate, cost effective locations for interventions such as joint repair or pain management.

CONDITION SPECIFIC CARE: Condition specific bundled care with an initial focus on the care path for MSK procedures, specifically hip/knee replacements and spinal surgeries with new procedures on the roadmap.



Whole person health support for better outcomes.



HIGH TECH RADIOLOGY

COMPUTED TOMOGRAPHY (CT) SCANS AND MAGNETIC RESONANCE IMAGING (MRI) INCLUDE A MEDICAL NECESSITY REVIEW OF THE SITE OF CARE¹



- Fully credentialed, high **quality** providers and equipment
- Improved customer **experience**
- **Reduced** risk of infection (COVID or other)
- Cancer **avoidance** (1.5% to 2% of cancers in the US could be attributable to CT scans²)
- Lower out of pocket **cost** for the customer (~\$300 savings per study)

1. Commercial and IFP customers over the age of 18
2. Brenner DJ, Hall EJ. Computed tomography—an increasing source of radiation exposure. N Engl J Med 2007;357 (22) 2277- 2284

DISCUSSION

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Q&A



Upcoming EBRI Health Care Events



EBRI SPRING POLICY FORUM

MAY 13, 2021
2:00-3:15 P.M. EDT

Tearing Down the ACA Firewall:
*Implications for Employment-Based Health Benefits
Under the Biden Health Care Plan*

Paul Fronstin, EBRI
Holly Wade, NFIB Research Center
Neil Goldfarb, Greater Philadelphia Business Coalition on Health
Shaun O'Brien, AFSCME
Tami Simon, Segal, Moderator

Webinar

June 9th



**Two's a Crowd: Do HSA Contributions
Crowd out 401(k) Contributions?**

Visit ebri.org for more information.

Center for Research on Health Benefits Innovation

Helping employers assess the impact that various innovations, including plan design and other initiatives, have on cost, quality, and access to health care.

CHRBI is an EBRI think tank focused on three broad areas of research: behavioral economics, incentives, and consumer-driven health benefits. This provides a framework for solutions and action items to address the cost and value of providing health benefits and informs policy discussions that can also best help improve outcomes.

Recent years has seen many “innovations” in health benefit design, but what do we know about the effectiveness of these innovations? In large part, independent research does not exist on the impact of these programs.

Reliable, unbiased, nonpartisan information regarding the true impact of these programs is scarce. That is what makes the work of the CRHBI unique and valuable.

For more information contact memberships@ebri.org.



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