Testimony of

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Committee on Ways and Means

Hearing on Health Care Price Transparency:
A Patient's Right to Know

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Chairman Smith, Ranking Member Neal, and Members of the Committee,
thank you for this invitation to speak with you today to share my perspective and experience on how improved price and quality transparency reduces cost for employers and consumers, improves health outcomes for patients and promotes a more efficient, competitive healthcare delivery system.

My testimony is drawn from my experience as Co-Founder and Chief Innovation Officer at Healthcare Bluebook. We established Healthcare Bluebook in 2007 with a simple purpose: to protect patients by exposing the truth about price and quality differences and empowering consumers to make better healthcare choices.

Bluebook is now one of the largest independent providers of medical and pharmacy transparency solutions serving large, self-insured employers, state and municipal employee plans and employee benefit trusts. Bluebook is also one of the largest aggregators of commercial claims data and carrier Machine Readable Files (MRFs), and we are a leading provider of federal transparency compliance solutions to independent Third-Party Administrators (TPAs). Through our Quantros Quality Analytics brand we are also one of the largest providers of empiric, risk adjusted patient outcomes and quality measurement solutions to hospitals, integrated delivery systems and other provider organizations.

We serve over 7,000 employer clients encompassing millions of members who access Bluebook transparency tools in all 50 states and every US metropolitan area.

The Impact of Hidden Costs

Hidden price and quality variability have a significant impact on both patient outcomes and affordability. When patients don't understand what care should cost or lack the ability to compare providers, they frequently overpay for common healthcare services by as much as 1000%. When patients don't have access to outcomes-based quality information, they choose poor performing doctors or facilities, increasing their risk of complications, readmission and death.

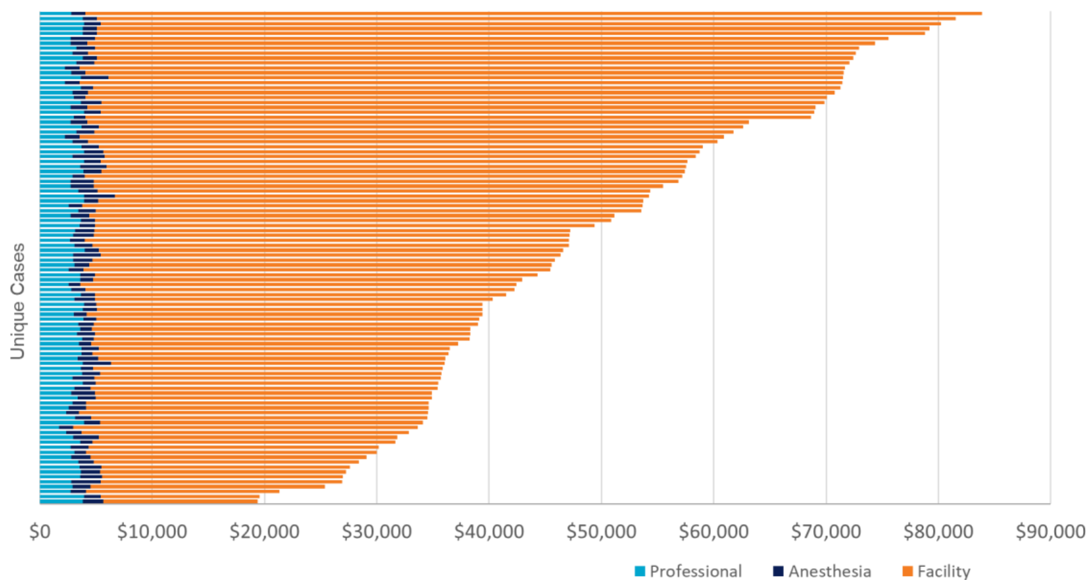
Lack of transparency also has a significant cost for employers and our broader economy. Roughly $2 trillion of our annual US healthcare expenditure is paid through private insurance or directly through consumer out-of-pocket costs (NHE 2021).

Conservatively, shoppable non-acute healthcare services account for 40%, or $800 billion. Based on historical analysis of commercial medical claims data, if consumers were to select better value in-network providers, both consumers and employer plan sponsors can save 50% of the costs on these shoppable services. In the commercial insurance market, alone, this would save employers and consumers $400 billion.

The Price and Quality Problem

In-network prices for the identical service, in the same community, can vary by 2-10x without an accompanying difference in quality or outcome for the patient. Moreover, high price variability is extremely consistent. We observe this level of variability in every US metropolitan area and across carrier networks.

Figure 1: Price Variation: Knee Replacement | Charlotte, NC

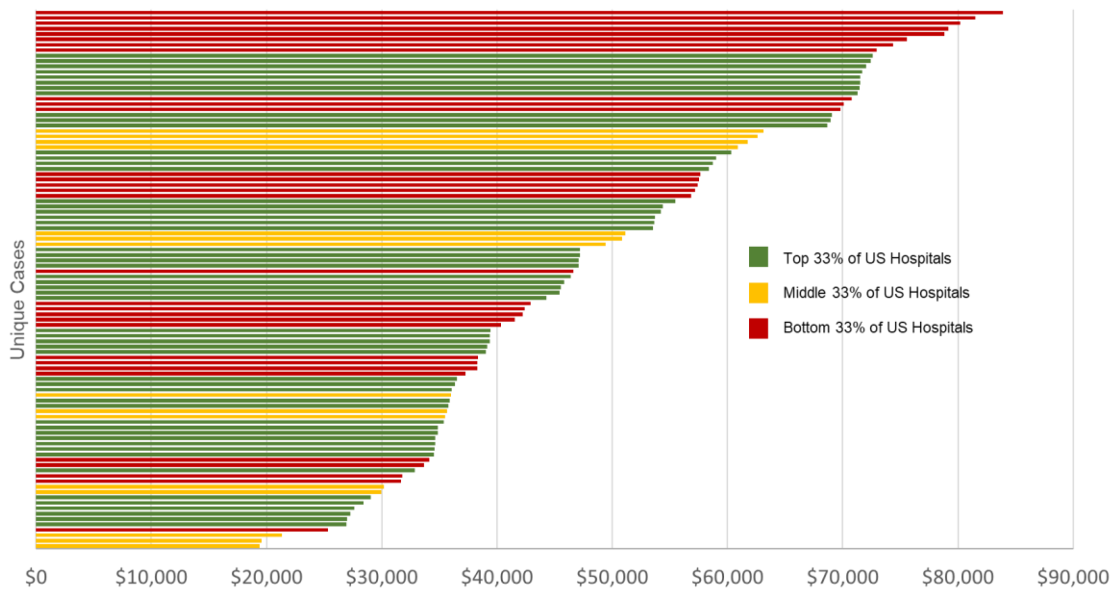


Sample of 100 total knee replacement surgeries. The price is the commercial allowed amount, or the amount paid after insurance discount is applied.

Quality exhibits similar variability. We use CMS data to evaluate risk-adjusted patient-specific outcomes for a wide range of clinical categories.[1] The metrics allow for direct comparison of individual hospitals or physicians benchmarked against their peers. Our analysis indicates several important consumer implications:

- Outcomes for different clinical departments *within the same hospital* exhibit significant variation. *Without data, patients cannot rely on hospital brand or reputation to make global quality determinations.*
- Selecting a high-quality hospital does not guarantee a high-quality physician. *Patients must be able to independently evaluate both facility and physician quality.*
- When combining clinical quality and price data, we do not observe any correlation between cost and quality. *Patients cannot rely on price as a proxy for quality.*

Figure 2: Facility Quality Variation: Knee Replacement | Charlotte, NC



Sample of 100 total knee replacement surgeries. The price is the commercial allowed amount, or the amount paid after insurance discount is applied. The color coding is the Bluebook national quality outcome percentile for joint replacement at the hospital where the case was performed.

[1] Bluebook composite quality ratings include individually scored dimensions for mortality, complications and unanticipated readmissions. All metrics are risk and volume adjusted using peer reviewed, published methodologies.

The ability to identify high-quality and cost-effective providers is the definition of value, and effective transparency solutions enable consumers to directly compare providers on both dimensions, and financially reward high value choices.

Data Shows Increasing Utilization and Measurable Cost Reduction

Nearly 20 years ago independent third-party transparency providers and their self-insured employer partners started the transparency movement out of the need to understand the cost of in-network price and quality variability and then put into place the tools to enable their members to directly compare providers and ultimately obtain better value from their healthcare benefit. Today's state of the art price transparency and navigation solutions offered by companies like Healthcare Bluebook provide capabilities and features that go beyond the cost-focused federal transparency requirements to include:

- Ability to search for providers, services, codes, facilities and conditions
- Intuitive direct provider comparisons on price and out of pocket obligation
- Facility and physician quality comparison using empiric, risk adjusted patient outcomes
- Single-platform shopping for pharmacy, medical and specialty medications
- Alignment of the benefit design and financial incentives to reward use of high value care
- Member concierge support and price and quality API integration into all patient facing services (wellness, on-site clinics, telehealth, etc.)
- Sophisticated digital engagement
- Data exploration tools and measurement to quantify waste, utilization and savings capture

As transparency tools and capabilities have evolved, so has the ability to predictably drive member engagement and grow measurable savings, making price and quality transparency solutions an indispensable tool for employers trying to manage the high growth in medical and pharmacy cost.

Over the past 5 years, monthly member utilization rates have grown from roughly 10% to 25% or higher. The jump is directly related to increased consumer understanding of the need to shop for care, advances in member engagement techniques, accurate actionable price and quality data and increased use of shared savings incentives that reward members for selecting high-value care.

Financial and quality outcomes have also steadily improved. For example, a large public employer client realized $9.5M in annual savings reflecting an increase of 260% over a 3-year period from inception, with member engagement growing by more than 250%. The transparency program was recognized with a national award for innovation in financial management. Another large public employer utilizing both transparency and benefit design levers increased savings from 1% of total medical expense to over 5%.

Adding quality data and aligning incentives also drives utilization of high-quality providers. A large client rewarding members for utilizing cost-effective providers for total joint replacements experienced a 6% annual increase in use of high-quality providers. The following year the client added quality data and tied the incentive to use of the transparency solution and selection of a provider that is both cost-effective and high quality. The result was a 58% increase in use of high-quality hospitals for joint replacement.

Recent Transparency Policy Initiatives and Future Considerations

It is important to recognize the contribution that recent federal regulatory and legislative transparency initiatives have made in terms of raising awareness and providing access to critical data for employers and third-party solution providers. The Hospital Transparency Reporting requirements, the Transparency in Coverage (TiC) rules and the No Surprises Act (NSA) ensure that employers have access to their own data in order to understand the financial impact of unwarranted price variability (as per the NSA anti-gag clause provisions), and service providers (TPAs) or third party solutions like Bluebook have dramatically increased access to provider rates (via MRF data) to expand the scope of searchable providers and services, and ensure that employers are compliant with the requirements.

Collectively, the level of effort and engagement by payors, employers, TPAs and third-party vendors to deliver files and implement the first phase of consumer transparency tools under the TiC requirements with the required 500 services has been tremendous. While we are still in the early stages of implementation, there are some learnings that are instructive as we contemplate policy that furthers the overall objectives of transparency or as we consider incremental improvement to requirements in place.

As legislators turn their attention to policy and initiatives that can further price and quality transparency, I offer the following thoughts and observations for the committee's consideration:

- **Pharmacy Prescription Data:** Drug costs, including retail and specialty in both the PBM and Medical benefit are the fastest growing cost for employers and consumers. Net prices, or the amount the employer pays after rebate for any particular drug are virtually unknown making it extremely difficult to assess which formulary medications are most cost effective. The pharmacy MRF requirement was removed from the final TiC rules, but I would encourage legislators to consider revisiting this data requirement.

- **Support for Quality Measurement Initiatives and Data:** The TiC and NSA consumer shopping tool provisions focus exclusively on price and out of pocket cost. Both price and quality information are necessary for consumers to determine value. Third party quality measurement solutions like Bluebook's Quantros Quality Analytics utilize vast data sets to calculate quality. I encourage legislators to support initiatives, like the all-payor claims database, that make large commercial and Medicare databases available to innovators for calculating comprehensive quality metrics.
- **MRF Data Consistency:** While an important source of pricing information, the network MRF files are extremely large and complex. Many are bloated by the presence of codes associated with providers who do not perform the listed service. Moreover, there are non-standard fields and differences in formatting across file originators. I encourage legislators to consider steps to improve standardization of information and format, reducing file size and enhancing uniformity and accuracy.
- **Provider Consolidation:** When hospitals acquire other hospitals or outpatient facilities, local prices increase. When hospitals acquire physician practices, referral patterns reflect a shift to facilities or locations that have higher reimbursement rates due to unnecessary site of care payment differentials. I encourage legislators to be vigilant of the impact that consolidation has on healthcare prices and encourage policies that foster competition.
- **Anti-steering and Anti-tiering Provisions:** The most powerful cost control tool employers have at their disposal is benefit design. We have seen examples of uncorrelated cost and quality, and providers that clearly offer superior value. Transparency is a blunt instrument without the ability to align benefits to reward use of those high-value providers. Anti-steering, anti-tiering and favorite nations pricing

clauses in provider network contracts work contrary to the interests of employers and consumers. I encourage legislators to ensure that employers have the ability to use transparency in concert with benefit design and are not impeded from using price and quality information to encourage the use of high value care.

- **Re-affirm Employer Access to their Claims Data:** The anti-gag clause provisions of the NSA ensure that employers have the right to access their historical claims data. I encourage administrators to reaffirm that carriers and TPAs are obligated to make unredacted claims data available to employers.

Summary

For nearly two decades price and quality transparency solutions have evolved to continually increase both member engagement and capture of total savings for both the member and employer plan sponsor. As a result, price and quality transparency solutions are an essential part of most self-insured employers' cost management toolkit.

Recent transparency initiatives like the TiC rules and NSA have had a meaningful impact in terms of advancing transparency and improving access to data for third-party innovators. I believe continued thoughtful policy promoting price and quality transparency can help employer plan sponsors and their members lower health care cost while promoting a more competitive delivery system.

I thank the committee for the opportunity to testify and look forward to answering your questions.