ACHI
Arkansas Center for Health Improvement

# ISSUE BRIEF

ACHI is a nonpartisan, independent, health policy center that serves as a catalyst to improve the health of Arkansans.

## Health Care Data Transparency in Arkansas October 2014

*The recent publication of Medicare payment information from the Centers for Medicare and Medicaid Services[1] has received national media attention for many reasons. Beyond the implications of the release of raw data and the various interpretations that occurred, the release itself was historic for promoting transparency in the health care industry. The federal government has taken a significant first step to make previously guarded information open for examination. In Arkansas and many other states, there is a need for transparency not only to assess health care quality and costs, but also to examine the progress of the state's system transformation efforts. Even opponents of health care reform agree that the business of health care delivery must improve, and increased transparency is a necessary component for making that a reality. This brief focuses on the potential benefits of increased health care transparency, the status of information on the health care system in Arkansas, and initiatives that are creating opportunity and driving the need for a more transparent health care environment.*

### WHY TRANSPARENCY?

Health care is unlike most other major industries in the US. As the Institute of Medicine documented in its report, *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America,*[2] most industries provide readily available information about the price of their services and the quality a consumer can expect in the delivery of those services. In the health care industry, quality and price information is limited. At a time when consumerism is at the forefront of health care, and patients are increasingly asked to make better choices and have greater exposure to costs at point of service through deductibles, coinsurance, and copayments, consumers are unable to find answers to the most basic questions about what they are purchasing.

The health care industry and its consumers, however, are often apprehensive about accelerating health care quality and price transparency. Cited risks include exposure of personal health information, poor data quality, administrative burden, and untested metrics for quality measurement. The benefits of health care transparency must be weighed against the risks of disclosing certain information. Too often, though, the systematic barriers that serve to protect from such risks—contractually restrictive clauses between carriers and providers, statutory protections from disclosure of data for proprietary interests, and privacy protections for patients—eliminate pathways to greater transparency and make less attainable the goals of system transparency that would support individuals, families, and businesses from making informed choices. These barriers must be overcome to improve quality of care, contain costs, and make consumers more informed and active in managing their own health care.

#### Value

Our current health care system consumes more of our gross domestic product per citizen than any other nation, yet our health statistics lag and too often individuals receiving care experience gaps in quality, inappropriate therapies, and a fragmented health care system.[3] Many increasingly question the health care system's value, or the experience and outcomes of patient care compared to the cost of the services provided. Demands are growing for the evaluation of quality—the outcomes and efficiency of a health care service—relative to the cost of the service. If a service is of high quality and affordable costs, it has good value; if a service has low or minimal benefit and high cost, it has relatively poorer value. Especially in health care, the ratios will change depending

on the product or service being evaluated, but being able to identify the levels of both quality and cost are essential to assessing the relative value of alternative therapeutic options.

### Quality Care

Enhanced ability to identify high quality clinical performers and those that enhance successful outcomes is key to health care consumers and providers being able to choose more wisely. In addition, informed clinicians could utilize quality and outcomes data to better determine where to refer their patients or drive hospital improvements where quality gaps exist. Likewise, private businesses could identify opportunities to improve their employees' health by tailoring their offered health plans to best fit their employees' needs. Additionally, insurance companies could identify the best providers available to their members, thus improving outcomes and patient experiences and reducing inefficiencies. Evidence suggests that transparency can increase health care quality. For example, in 2005 British heart surgeons began publishing outcome data through national media.[4] Since then, mortality rates for related heart surgeries have continued to fall. The Secretary of State for Health from the United Kingdom estimates that around 1,500 lives are saved each year, just with the published expected mortality rates of heart surgeries. The *New England Journal of Medicine*[5] suggests that data transparency is as effective as financial incentives to encourage providers to improve clinical performance.

### Cost Control

There is limited research showing a direct link between health care price transparency and cost reduction.[6] This is mainly due to the limited scope of available price information, including only cost averages and medians. However, increasing the availability of price information for specific services and frequently combined therapies will highlight the price variations between various providers, and enable consumers to identify their best choices. Studies of private businesses participating in transparent business practices outline three different value points:

- matching appropriate buyers with appropriate sellers;
- creating relationship-specific information flows between trusted partners; and
- providing comprehensive information on suppliers, the products and services they offer, and their products' availability.[7]

#### The New White Coat

The White Coat Ceremony is a significant event for medical students normally held as they transition out of preclinical requirements and into a role with more responsibility. The coat symbolizes purity and conveys trust. A clean, white coat proves a physician has done no harm to any other before the patient, and clearly identifies the physician as the one in charge of caring for a patient.

Data transparency is the new white coat. By publicly sharing information concerning quality and cost outcomes, doctors, hospitals, and insurance companies alike are identifying themselves as trustworthy and accessible. Currently, legislation and business practices inhibit consumers from being able to identify their best options in terms of their health care. Yet the state's desire to move individuals both in the private sector and on public assistance to more consumer-directed purchasing programs necessitates the availability of this information.

Price transparency alone, although important, is limited in helping consumers identify high value products and providers. Price information must be linked with quality to enable informed consumer choice. Price data in isolation might make consumers assume that a higher price tag will result in a higher quality product. Experienced consumers know the latter is not always true; pricing information alone does not tell the whole story. Studies show that in the pharmaceutical industry, a better-advertised and more recognizable brand-named drug is perceived by consumers as being a better product than a clinically-equal but lower-priced alternative. Because consumers do not readily see the quality information between the two products, they often presume a quality difference exists and choose the brand-named drug based on this faulty assumption.

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### Basic Principles

The Healthcare Financial Management Association recently published guiding principles for price transparency.[8] Two of the five principles are based on data composition: (1) pricing data should be easy to understand and communicate, and (2) price data should be paired with quality data. The other three principles regard patient interaction: (1) pricing data should empower the patient to make decisions before receiving care, (2) transparency should be comprehensive, including the total and itemized cost, and (3) comprehensive transparency should involve all stakeholders, including insurers and providers. Compliance with these principles can make changes in transparency successful while not ignoring risk.

## WHERE WE ARE NOW

Health care price transparency in Arkansas is currently limited. In 2013, Catalyst for Payment Reform (CPR) and the Health Care Incentives Improvement Institute (HCI3) worked together to release a report card evaluating each state's transparency laws.[9] In this first report card, Arkansas was given a "D" grade for having only one statute in place concerning cost transparency, which had limited applicability. The newest report card, released in March 2014, expanded its scope to look at state regulations and public accessibility of price information.[10] The 2014 report incorporated state efforts nationwide unfortunately resulting in Arkansas receiving an "F." Many surrounding states received equally poor grades. Consequently, Arkansas again has the opportunity to step ahead and be a leader in yet another area of health care management transformation. States that received higher grades from CPR-HCI3's 2014 report card were commended for having a web-accessible all-payer claims database (APCD) which provides consumer access to information on claims charges and payment amounts.

### Existing Legislation

Several states have accomplished increased transparency via legislative initiatives. For example, Colorado has a statutorily authorized APCD[11] with a publicly available website that features information on payment amounts for both practitioners and facilities. The CPR-HCI3 reports may prompt other states to pursue similar legislation more aggressively. In Arkansas, legislation regarding the collection of health care data is limited and characterized by restricted use when collected. Table 1 below outlines the provisions and limitations that currently exist in legislation in Arkansas.

**Table 1: Data Collection Related Statutes in Arkansas**

| Related Agency/Organization | Arkansas Statute | Collection Authority | Limitation |
|---|---|---|---|
| Arkansas Department of Health (ADH) | A.C.A. § 20-7-301 | Authorized to collect data, claims information to establish a base of health care information for patients, providers, and hospitals | Prohibited from releasing data that could identify providers, institutions, or health plans* |
| Health Services Permit Agency | A.C.A. § 20-8-110 | Authorized to collect utilization statistics, claims data, and other health data to review applications for new or expanding health care facilities | Prohibits the release of information that can identify individual patients or be linked with any third-party payer |
| Office of Health Information Technology | A.C.A. § 25-42-106 | Houses and shares patient-specific protected health information with participating health care providers | Requires patient authorization, information exchange is limited to participating or subscribing providers non-disclosable |
| Arkansas Insurance Department | A.C.A. § 23-61-108 | Insurance Commissioner can issue rules necessary for the regulation of insurance or as required to be in compliance with federal laws | Limited uses, not inclusive of systems research |

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| Arkansas Center for Health Improvement (ACHI) and the Health Data Initiative | A.C.A. § 20-8-401 *et seq.* | Authorizes ACHI to have access to any data the state owns or contracts for that could inform health policy | Needs permission of the agency responsible for the data, data use is limited to research and to inform health policy decisions |
| *ADH must provide data to the AR Hospital Association for its price transparency and consumer-driven health care project that will make price and quality information about Arkansas hospitals available to the general public. | | | |

## STATEWIDE INITIATIVES

Over the last two years, Arkansas has drawn national attention by making purposeful and innovative changes to the way health care is delivered and managed across the state. The early results of these innovative designs have made Arkansas a recognized leader in whole health system transformation. Alongside these new initiatives, there are ongoing efforts aimed at improving population health outcomes, such as reducing tobacco use, obesity, and the prevalence of chronic diseases. Together these initiatives are generating a desire and driving a need for the greater availability of data.

### Arkansas Health Care Payment Improvement Initiative (AHCPII)

The Arkansas Health Care Payment Improvement Initiative (AHCPII) is designed to transition Arkansas to a “patient-centered” health care system that embraces the triple aim of (1) improving the health of the population; (2) enhancing the patient experience of care, including quality, access, and reliability; and (3) reducing, or at least controlling, the cost of health care. Two key components of the AHCPII are Patient-Centered Medical Homes (PCMH) and Episodes of Care. Both of these elements include incentives for providers that make referrals that are more informed and to higher performing physicians. The ability to make these educated referrals will be hindered without making performance and payment data available, and PCMH providers in Arkansas are beginning to demand this information.

### Arkansas Health Care Independence Act

The Arkansas Health Care Independence Act of 2013,[12] often referred to as the "Private Option," is expected to provide health care coverage to an estimated 250,000 low-income citizens via private insurance plans on the Health Insurance Marketplace (HIM). It is designed to benefit Arkansans who have previously been without insurance or access to affordable care to take a more active and responsible role in their own health, which can only be improved by making data concerning quality and price variations available. Importantly, the act incorporates a requirement that HIM carriers participate in the AHCPII. As part of that requirement, carriers must (1) assign a primary care physician, (2) support a patient-centered medical home model, and (3) provide clinical performance data to providers.

### All-Payer Claims Database

As mentioned in the CPR-HCI3 reports, an all-payer claims database (APCD) is an extremely useful piece of statewide data transparency. Recently, the Arkansas Insurance Department-Health Insurance Rate Review Division awarded ACHI a contract to build an APCD to promote price quality and transparency. ACHI is in the first stages of the project, which includes stakeholder engagement, database design and build, establishment of data submission guides and data use agreements, and the development of a sustainability plan.

## CONCLUSION

With the nation’s largest health care payer making a very decisive move towards transparency, it is a sign for other stakeholders to take note. There will be many lessons learned from the Centers for

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Medicare and Medicaid Services' data release, and the nation will be able to analyze its spending of health care dollars with great insight because of it.

The need for system change is evident, and the responsibility falls largely on providers, insurance companies, and state programs. Nevertheless, change is inhibited by a lack of available data. It is unreasonable to expect consumers to feel trust and find value in what they purchase when the prices, products offered, and outcomes are hidden. Policymakers should work to remove barriers to data access and enable the creation of meaningful consumer information to ensure that Arkansans are empowered to improve their health.

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