THELEAPFROGGROUP

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Reducing Health Care Costs: Examining How Transparency Can Lower Spending and Empower Patients

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Written Testimony

Chairman Alexander, Ranking Member Murray, and Members of the Senate HELP Committee, thank you for the opportunity to share the perspective of employers and other large purchasers of health care on the importance of transparency to improve American health care. It is an honor to have been invited to participate in today's discussion. My name is Leah Binder. I am the President and CEO of The Leapfrog Group, an independent national nonprofit movement founded in 2000 with support from the Business Roundtable, representing hundreds of the leading purchaser and employer organizations across the country calling for transparency of the safety, quality and affordability of care. We also advocate for value based payment reform as proud members of the DRIVE campaign, in partnership with the ERISA Industry Committee, the Pacific Business Group on Health, and many Fortune 500 employers.

We are one of the few organizations that both collects and publicly reports by hospital on safety and quality on a national level, thereby bringing a unique perspective to the importance of transparency. In conjunction with 40 business groups on health that serve as regional Leapfrog leaders across the country, we advocate for transparency, and "leaps forward" in safety and quality of care. We grade hospitals with an A, B, C, D, or F on how safe they are for their patients.

Senator Alexander, I am pleased to say Tennessee is one of the most active states in the Leapfrog movement, with not one but two business groups on health leading the campaign for Leapfrog participation and employer use of Leapfrog data: the Memphis Business Group on Health and HealthCare 21 Business Coalition in Nashville. Also in Nashville is the headquarters of HCA, a healthcare system with an unparalleled commitment to transparency, including 100% of their hospitals reporting on quality publicly through Leapfrog for over a decade. Senator Murray, I'm also pleased to tell you to say Washington State is a place of pride for our movement. The Boeing Company was one of our leading founders and Seattle's Virginia Mason Medical Center earned Top Hospital of the Decade—our most prestigious hospital award. States in the top five in the country for prevalence

of "A" hospitals in every single update of our Safety Grade are Maine and Massachusetts. And just this month, two new business groups joined as Leapfrog leaders in each of their states, one in Louisiana and one in Alabama. We have history and relationships in states represented by every member of this committee.

In this written testimony, I will describe Leapfrog's main programs to improve transparency in health care, offer from our experience how transparency drives improvement and cost reduction, and summarize why transparency has emerged as an urgent issue for consumers as well as employers and other purchasers. I will offer our perspective on the defining elements of effective transparency, and three general policy principles and recommendations for Committee consideration.

Leapfrog's Programs to Improve Transparency

Leapfrog is the gold standard in health care transparency in the United States. We collect data on hospital quality and safety through the annual Leapfrog Hospital Survey, using evidence-based questions reviewed and supported by peer-reviewed literature and review by top experts. Leapfrog Regional leaders, typically business groups on health, ask hospitals to voluntarily report the information. Leapfrog makes it freely available to the public.

Almost 2,000 hospitals representing two-thirds of the nation's hospital beds reported last year. Through the Survey, employers and other purchasers as well as the public at large can monitor important issues of quality and safety that are not publicly available by hospital from any other source. For instance, we report on caesarean-delivery rates, medication safety, and pediatric patient satisfaction. That data is used by all national health plans, hundreds of purchasers, and many publishers of performance data. In 2019, we will launch a Survey on quality and safety of hospital outpatient surgery and Ambulatory Surgery Centers.

As mentioned above, Leapfrog publishes the Leapfrog Hospital Safety Grade, an A, B, C, D, or F assigned to over 2,600 general hospitals in the United States twice a year. This is assigned to hospitals whether they voluntarily complete our Survey or not. The Hospital Safety Grade rates hospitals on their success preventing errors, accidents, and infections, and provides consumers information to begin their research when selecting a hospital. We calculate the Grade from 27 measures of safety derived from the Centers for Medicare & Medicaid Services (CMS) data and other sources including our own Survey if the hospital reports. We update the research and the grades every six months.

We find significant variation among hospitals on the prevalence of safety hazards, and that is costly in lives and dollars. In one analysis of our Hospital Safety Grades, researchers from Johns Hopkins Medicine estimated that 33,000 lives would be saved annually if every hospital were as safe as "A" graded hospitals. The researchers found that purchasers spent an average of $8,000 more for every inpatient visit as a result of patient safety problems. To help purchasers estimate lives and dollars at risk for their own employees, we provide a free calculator which you may find enlightening for estimating dollars and lives lost among your constituents.

Transparency Drives Improvement and Lowers Costs

A stakeholder consensus report by the Lucian Leape Institute of the National Patient Safety Foundation concluded "if transparency were a drug, it would be a blockbuster." The report outlined how transparency jump-

starts improvement from within health systems—when clinicians communicate candidly to each other—and outside health systems, when information is shared with the public.

One example the report cited came from Leapfrog, a case where transparency about maternity data drove dramatic improvement nationally. Specifically, after Leapfrog began publicly reporting hospital rates of early elective deliveries—deliveries scheduled early without a medical reason—rates began plummeting. Until the data was transparent, progress lagged--despite efforts by some of the most influential organizations in the country, like the American College of Obstetricians and Gynecologists (ACOG) and the March of Dimes. Reporting rates by hospital galvanized the efforts of those organizations, hospitals, and others, so that the national average went from 17% in 2010 to lower than 3% today, saving countless babies and mothers from harm.

We also see the power of transparency to drive improvement in patient safety. The measures that have been prominently reported by CMS, Leapfrog, and others, such as central line infections, have shown dramatic improvement nationally. Measures that have not been reported publicly or less prominently reported show less improvement. Extensive peer-reviewed literature suggests that the cost of complications and errors is highly significant; one study saw as much as $39,000 per infection for private purchasers. We conclude that driving improvement through transparency generates significant cost-efficiency as well as better care.

Consumers and Payors Want Transparency

At Leapfrog we see rapid growth in consumer interest in our ratings and ratings from other organizations. When we update our ratings every six months, at least 3,000 news outlets across the country cover them, and hundreds of local radio stations broadcast news items or interviews about the new hospital ratings. The breadth of coverage increases with every update. And perhaps as significantly, hospitals pay close attention to how consumers perceive their performance. Many hospitals tell us senior executive compensation is tied in part to the Hospital Safety Grade, or clinicians are waging a major campaign to improve infection rates or readmissions because a quality rating or ranking made the local newspaper. Most patient safety advocates find this highly gratifying, because traditionally there appeared to be few if any consequences for hospital leaders that did not put a priority on patient safety and quality. Transparency changes that.

Part of the interest in health care ratings comes from the growth of ratings throughout American culture, now ubiquitous in all industries and driven by a digital economy. But that's not the whole story, because health care doesn't typically stay on trend with the rest of the economy. Few doctors use email to reach patients, much less social media, for instance, and fax machines have disappeared almost everywhere except doctor's offices and hospitals. The growth in health care ratings comes in large part from the advent of high deductible health plans (HDHPs), coupled with tax-protected Health Savings Accounts or other arrangements to cover the deductible. Such plans were first authorized in 2003, with passage of the Deficit Reduction Act during the administration of President George W. Bush. Subsequently high-deductible plans accelerated in adoption during the Obama Administration, authorized as part of state exchanges in the Affordable Care Act.

Employers embraced HDHPs, in part as a way to put the brakes on their health costs and avoid the so-called "Cadillac Tax" in the Affordable Care Act. With the threat of the Cadillac Tax, it is no longer a competitive disadvantage for a company to offer an HDHP. In 2004, a handful of Americans had a high deductible plan, while today one in three workers are covered by one. This is a very significant shift, impacting our health care system and indeed our entire economy.

HDHPs are different from more traditional health plans, like PPOs or HMOs, where consumers pay one fixed copay for each physician visit or prescription even if their plan has a deductible. With HDHPs consumers pay the whole bill from the doctor or the hospital, and they shoulder the full cost of each prescription, until they spend past the deductible. But deductibles are so high most people never reach it in a given year, so they are paying every dime of their care all the time. This prompts them to think differently about their role in selecting the doctor, approving a service, or taking a drug. They ask new questions: do I really need this $2,000 test? Is there a drug option cheaper than this prescription costing $500?

This kind of consumer engagement creates a market and markets fuel competition, which can reduce costs. Indeed, a number of studies as well as actuarial reports cite HDHPs as a factor when national health spending growth slows. The idea that spending growth in health care could ever slow suggests something dramatic about the infrastructure of our health care system, which has stubbornly resisted cost control over decades. Employers report savings of varying significance when they shift to HDHPs, and not one ever found that HDHPs raised their health spending. That alone is a breakthrough for employers who have longed for some relief from the seemingly endless escalation in health costs.

There are many debates about the merits of HDHPs and whether people get adequate care when covered by one. But HDHPs are a reality and policymakers and business leaders alike should work together to improve their effectiveness. The challenge for all of us is to shape HDHPs in a way that works best for the health and economic well-being of Americans. Employers have worked to accomplish that by subsidizing or in some cases fully funding Health Savings Accounts, offering second-opinion services and help navigating the system, and providing direct support like telemedicine and onsite clinics.

But employers always aim to preserve the fundamental principle behind HDHPs: that individuals should have incentives to "shop" for health care services, which over the long run will be key to improving quality and costs. For that reason, we must ensure that people covered by HDHPs, as well as all Americans, can access information they need to make decisions. Though we have made progress on transparency--and Leapfrog was founded to help push that progress along--still today consumers have far too little information on quality and price to make truly informed decisions. That makes living with an HDHP much more difficult, and limits the effectiveness of consumer behavior and opinion to drive positive change. It is hard for markets to gravitate toward the best care at the best price when information is inadequate.

Effective Transparency: Two Defining Elements

Before turning to Leapfrog's recommendations on policy principles for improving transparency, it is important to specify what Leapfrog means by transparency. In health care, too often transparency is compromised by smoke and mirrors meant to protect sensitive special interests. Other industries in the American economy are accustomed to high levels of market transparency, so Leapfrog turns to those examples to define the level of transparency we seek in health care. Without a true level of transparency, no market cannot optimally drive change in quality and cost-effectiveness. Here are the two defining elements of effective market transparency.

1. *Government releases good data, the private sector motivates consumers to use it.* The two roles are different.
   - Government agencies should make data available and remove barriers to getting that data. They should also ensure data protects patient privacy and protects providers from miscalculations and unscientific misrepresentations.
   - What government agencies should avoid is excessive focus on communicating that data for public use. There are many talented enterprises prepared to assemble data into formats usable by the many different kinds of consumers. Government communications of data tend to be politicized, tiptoeing around sensitive findings, and not as interesting in presentation because it's not what agencies do best. The private sector will compete to present data in ways that interest people.

2. *Data should allow people to compare services among various providers*. This sounds obvious, but it's not the norm in health care reporting. For example:
   - For political reasons, government agencies often deliberately obscure meaningful variation that exists between providers. Hospital Compare, the consumer-facing website produced by CMS, for instance, reports about 90% of hospitals as average on every measure. This contradicts what we know from enormous bodies of research: that variation among providers is a hallmark of our health care system. They are not all the same.
   - Measures of performance are also developed separately for different kinds of facilities, so consumers seeking one particular procedure cannot compare apples-to-apples an Ambulatory Surgery Center against a hospital if both offer that procedure. Measures should be standardized to meet the needs of consumers, not the facility-level nuances providers deal with.
   - MACRA allows physicians to pick and choose which measures of performance they will be held to. This has no value for consumers comparing among practice options, and little value to purchasers negotiating value contracts.

Three Policy Principles for Expanding Transparency to Improve Care and Reduce Costs

Principle One: Safety First

Avoidable harm from safety problems is the third leading cause of death in the U.S according to BMJ. One in four patients admitted to a hospital experiences some form of harm. According to our research and data, some hospitals have two or three times more incidences of harm than other hospitals, and the average employer pays nearly $9,000 on average per hospital admission for medical errors.

The public cares deeply about this problem—as long as we define it correctly. In our market research, we find that people comprehend the term "patient safety" as fire safety or security guards. But when we clarify our interest in errors, infections, and accidents, they become very emotional about the enormity of the problem. Virtually every individual we interviewed or focus-grouped has a story about an infection or mistake they or a loved one suffered.

Some of the most critical safety information that consumers and purchasers care deeply about comes from the Centers for Disease Control and Prevention (CDC), from information reported by hospitals as well as other facilities including long term care facilities and ambulatory surgery centers to a CDC program called the National Healthcare Safety Network (NHSN). Among the important information NHSN collects and risk-adjusts are some of the most common and deadly infections.Unfortunately,, CDC shields the rates data from public view. That should change.

The good news is that CMS requires hospitals that accept Medicare to publicly report NHSN infection rates for five distinct types of infections, and then makes the NHSN rates publicly available—though not necessarily by individual hospital, because health systems are permitted to report one rate for the whole system. Then last Spring, CMS issued a proposed rule to remove all of those infection rates as well as a number of other critical patient safety measures from the Inpatient Quality Reporting program, created under the Bush Administration for the purpose of public reporting. The reason given was that it was too burdensome for hospitals to report the data. After a story about this broke in USA Today, there were hundreds of consumer and purchaser advocates who came forward to advocate continued transparency of this patient safety information. We were pleased when CMS said in final rulemaking they will preserve full reporting of the measures, and made a strong statement of commitment to transparency.

The Leapfrog Group is the business community's strategy to get around the barriers and threats to transparency that exist in current federal policy. Hospitals may voluntarily make their infection data public through the Leapfrog Hospital Survey, by simply giving permission to Leapfrog to draw down their infection data from NHSN. Leapfrog reports infections by individual hospital, never by system. This method adds no burden to hospitals for reporting infections.And it gives peace of mind to purchasers and consumers that if government agencies try to hide critical information in the future, we at least have an alternative voluntary mechanism to preserve it.

Recommendations

- Americans shouldn't need Leapfrog to gain access to critical safety data collected by our public agencies. NHSN data should be made public by the CDC, reported by individual hospital, and all federal agencies should lean toward transparency.

- CDC could also require more entities to submit infection data and they should publicly report those rates as well. These include Ambulatory Surgery Centers, pediatric hospitals, and other facilities that deliver important services to millions of Americans. CDC should work with CMS and the Agency for Healthcare Research and Quality (AHRQ) to assure they are reporting the same measure across settings so consumers can have apples-to-apples comparisons among places that offer the same service.

- CDC should also make public its surveillance of other key safety issues, such as antibiotic stewardship at hospitals, and do the same surveillance at ASCs and other facilities.

Principle Two: Price Transparency Alone Can Backfire

We appreciate and commend HHS Secretary Alex Azar for pursuing price transparency for services delivered in hospitals and health systems. This is important leadership. But we add one proviso: for purposes of improving health care and controlling its costs, price transparency alone is meaningless or worse, misleading enough to drive up healthcare costs and harm quality. That's because the quality of care determines the spending. A procedure may be offered at a good price, but it is no bargain if 1) the patient suffers from an infection or medical error, 2) the procedure wasn't needed in the first place, or 3) the procedure is poorly performed and has to be corrected. The National Academy of Medicine estimates that one-third of health spending is wasted, mostly on one of those three issues.

For example, a hospital with a high risk-adjusted Cesarean section rate will cost more even if the price of each procedure seems low. Price transparency in this case should be coupled with transparency about C-section rates and other maternity quality data. Leapfrog monitors a standardized rate of C-sections and finds substantial variation, where one hospital may have twice the rate of another down the street without a medical reason. Indeed, variation applies for virtually every service provided in health care, even including services many believe are uniform in practice, such as MRIs. A misdiagnosis on an MRI will lead to unneeded or even unsafe treatments down the line, so the actual cost far exceeds whatever price the MRI provider charged. Consumers, payors, and employers deserve to have both cost and quality data available to them so they can choose the best care at the best price.

Recommendation:

- Enact policies that expand price transparency, but require that quality data be reported alongside pricing.

Principle Three: Don't Kill The Measurement

In rulemaking CMS reiterated a goal expressed by a stakeholder report published by the National Academy of Medicine: trim measures of provider performance into a "parsimonious set of measures." In the dictionary, the word "parsimonious" means "frugal" or "cheap." The National Academy of Medicine did not recommend parsimony in their earlier report about $1 trillion in wasted spending (mentioned above), but frugality is the marching order for measurement. CMS appears to have aligned with this goal in its campaign called "Meaningful Measures."

The movement for measurement in health care is bedrock to the advancement of transparency. And like transparency, it is still in its infancy. It has been little more than a decade and a half since hospitals reported quality and safety measures through CMS, AHRQ fostered measure development, and the National Quality Forum (NQF) began endorsing measures. This is a fragile and pioneering effort, difficult and not lavishly funded.

It has enabled us to provide valid and meaningful information to the public and payors. While a national strategy on measurement is worthwhile, parsimony should be reserved for the real waste in health care, not the measurement that will ultimately root it out.

Recommendations

- *We need a national strategic framework for measurement that pivots on public and payor interest.* NQF, provider stakeholders, and measure developers can then assure availability of optimal measures within each category. The CMS Meaningful Measures initiative defines categories as set by a variety of providers and other stakeholders, but the categories should be driven primarily by the priorities of patients, not preference of industry. This is how measurement takes place in other industries; an assessment of broad categories of consumer interest is fundamental to reporting quality of cars, mutual funds, appliances, and virtually every good or service. Through this framework it is feasible to trim duplicative measures and identify gaps, but without that consumer-driven purpose we risk undermining effective transparency and allowing special interests to obscure performance reporting.

- *Public and private sector transparency efforts should be coordinated***.** Public sector efforts should build on, and not duplicate, best practice transparency strategies and vice-versa. As one example, CMS, the federal employees benefits program, the Veterans Administration (VA), and the Defense Health Agency could have hospitals to report data to Leapfrog Hospital Survey**.** At no financial cost, this would drive a stronger, more aligned market for quality and cost-efficiency. Already we have seen inroads in this area, as VA hospitals are considering reporting to the Leapfrog Hospital Survey, and the Defense Health Agency is including Leapfrog maternity data in two programs to improve hospital care for military families.

- *Policymakers should expand innovations in how we measure.* To date, policy has focused on development of valid measures of performance, which is helpful. But other techniques for comparing performance could be built or expanded, such as patient surveys to assess clinical outcomes and complications, automatic tabulation of performance through electronic medical records, and public release of traditionally hidden records of performance, such as accreditation reports.

- *Include data on all providers Americans entrust their lives to*. There is a long list of types of providers exempt from reporting to CMS or CDC. These include (to varying extents) military hospitals, VA hospitals, children's hospitals, critical access hospitals, specialty hospitals, and facilities in US territories such as Guam and Puerto Rico. Exemptions should be rare, but they are commonplace.

The Leapfrog Group applauds and supports the Senate HELP Committee for your bipartisan leadership on health care. Employers and other purchasers are ready and willing to work with you.

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