

Value Based Purchasing Design for Hip and Knee Replacement

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The “Cost Conundrum”

The “Disassociation” of Cost to Consumers –

Health insurance costs outside of premiums, copays, and deductibles are typically unknown to the average consumer. The cost information has not been easily available and health plan members often have no incentive to shop for elective planned surgical care.

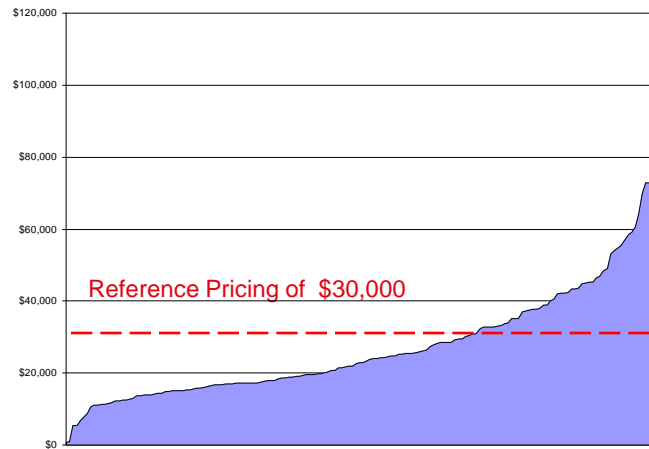
Many procedures can be as high as 8 times more expensive in one hospital compared to another with no measurable differences in outcome or quality.

Hip and Knee replacements - cost of the hospital vary widely between \$20,000 and \$110,000 in the California commercial PPO population with little to no differentiation in quality,



Average Cost for Total Knee by Facility in CA

CalPERS Average Allowed paid to facility



Value Based Purchasing Design

Value Based Purchasing Design

- Establishes a payment threshold for elective procedure/services.
- This threshold limits the obligation of the payer and guarantees members the ability to choose a facility that will provide services within an appropriate cost range
- With no additional financial exposure to the member
- If use non threshold hospital liable for the difference between the hospital charges and the \$30k threshold
- Acts as reverse deductible Instead of the enrollee paying up to a defined limit and then the plan, the plan pays up to the limit and then the enrollee takes over
- Participating hospitals selected based on procedure volume, meet regulatory standards and participate in Anthem's Quality Program

Overall Impact of Reference Based Benefit

- COST: Shift of members to designated hospitals and Shift away from non-designated hospitals
- Decrease in total costs for joint replacement and decrease also noted for non designated hospitals
- CalPERS upward cost trend from 2008 -10 reversed in 2011 (\$28.6 to \$34.7 to \$25.6) Robinson Health Affairs 2013
- QUALITY Reduced rate of general complications and general infections in designated hospitals
- No difference in site specific infections and site specific complications
- No difference in all cause and surgical related readmissions-180 days

Anthem RBB – Additional examples

Self Insured Schools of California – hip/knee

Carpenters Health and Welfare Trust - knee / hip as well as colonoscopy, cataract, arthroscopy.

Operating Engineers - knee / hip

Pensioned Operating Engineers - knee / hip

Cement Masons - knee / hip as well as colonoscopy, cataract, arthroscopy.

District Council 16 - knee / hip as well as colonoscopy, cataract, arthroscopy.

CA Field Ironworkers - knee / hip as well as colonoscopy, cataract, arthroscopy

Summary

- RBB expands transparency of medical prices
- Raises the question if wide variation in price for the same procedure is justified
- Important to document that quality is not reduced
- Provides a useful means of helping purchasers and members make choices that help reduce costs
- A valuable tool in the overall approach to “bend the cost curve down”