Why volume still matters

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Thinking clearly about medical care

- **Biomedical interventions: drugs, devices, procedures**
  - Aimed at specific biologic “problems”
  - Examples: medications to reduce cardiovascular risk, joint replacement
  - What doctors are trained to do

- **Care delivery: site, intensity, frequency – and by whom care is delivered**
  - Aimed at making patient treatment easier
  - Examples: when to see a patient for well-controlled blood pressure, whether to care for patient in hospital, nursing home or at home
  - Doctors not (yet) trained to think about
Volume is an important determinant of spending

State level correlation in TJR between commercial and Medicare = 0.8
Volume is an important determinant of spending

Total Joint Replacement Rates – in US HRRs

<table>
<thead>
<tr>
<th>City, State</th>
<th>Episodes per 1000 beneficiaries</th>
<th>Payments per episode</th>
<th>Spending per beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salt Lake City, UT</td>
<td>20.3</td>
<td>27166</td>
<td>552</td>
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<tr>
<td>Denver, CO</td>
<td>17.9</td>
<td>26119</td>
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<td>419</td>
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<td>Indianapolis, IN</td>
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<td>Orlando, FL</td>
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<tr>
<td>Boston, MA</td>
<td>14.2</td>
<td>26479</td>
<td>377</td>
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<tr>
<td>Pittsburgh, PA</td>
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<td>30886</td>
<td>428</td>
</tr>
<tr>
<td>Dallas, TX</td>
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<td>30918</td>
<td>425</td>
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<tr>
<td>Philadelphia PA</td>
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<td>27395</td>
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<td>Houston, TX</td>
<td>12.7</td>
<td>29513</td>
<td>374</td>
</tr>
<tr>
<td>Memphis, TN</td>
<td>12.1</td>
<td>28916</td>
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</tr>
<tr>
<td>Chicago, IL</td>
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<td>29836</td>
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<tr>
<td>Los Angeles, CA</td>
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<td>28219</td>
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<tr>
<td>Miami, FL</td>
<td>10.2</td>
<td>33072</td>
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<tr>
<td>Manhattan, NY</td>
<td>9.3</td>
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State level correlation in TJR between commercial and Medicare = 0.8
Shared decision-making is necessary (but not sufficient)

State level correlation in TJR between commercial and Medicare = 0.8
Where people receive care also important

**Effective Care:** Benefit clear for all
- Reperfusion in 12 hours (Heart attack)
- Aspirin at admission (Heart attack)
- Mammogram, Women 65-69
- Pap Smear, Women 65+
- Pneumococcal Immunization (ever)

**Preference Sensitive:** Values matter
- Total Hip Replacement
- Total Knee Replacement
- Back Surgery
- CABG following heart attack

**Supply Sensitive:** Often avoidable care
- Total Inpatient Days
- Inpatient Days in ICU or CCU
- Evaluation and Management (visits)
- Imaging
- Diagnostic Tests

Bar on this side indicates higher spending regions get more of the indicated form of care.
Where people receive care also important
Where people receive care also important
Where people receive care also matters

Changes in Utilization and Payments between Baseline (April-June 2012) and Intervention (April-June 2015) Periods for BPCI and Comparison Hospitals

Per Episode Payments (Mean) × Episodes per Hospital (Mean) = Total Payments per Hospital (Mean)

Percent Change, Baseline to Intervention

- BPCI Hospitals
- Comparison Hospitals

- $3,286
- $2,119

- $117,568
- $137,468

3.1

0.4
Where people receive care also matters

Site of care (hospital, nursing home) is important driver of regional variations in spending

Bundles encourage coordination and reduced use of facilities

Bundled payments leave incentive to increase volume in place
Where are we now?

• Bundled payments:
  – May be promoting within-episode savings; overall impact unknown
  – Help to motivate coordination and lower cost sites of care

• What would help?
  – Better performance measures; PROMs to assess both need and improvement
  – Shared decision-making;
  – Embed bundled payments within global payment models
Where are we now?

- **Accountable Care Organizations**
  - Limited overall impact, *variable* performance
  - Higher performance when high proportion of enrollees under ACO model
  - Higher performance in physician-led ACOs (without hospitals)
  - Some use model to keep sick, less profitable patients out of hospitals and ER’s
  - Overall spending continues to increase (cost shifting persists)

- **What would help?**
  - All-payer ACOs (all patients under ACO model)
  - Shift toward capitation, but must have competitive market to work
  - Separate physicians from hospitals; enable right sizing hospital industry
What is missing?

- Spending = volume x price
  - Current models and policies enable cost shifting across payers (and volume to price)
  - Market-level impact of both remains invisible.
What is missing?

• What would help?
  – Provider level transparency (volume, price, outcomes)
  – Market level transparency
  – Learning what state or local policies and practices can help
What is missing?

**What would help?**
- Provider level transparency (volume, price, outcomes)
- Market level transparency
- Learning what state or local policies and practices can help

**Spending Ranks, US HRRs, 2011**

*Lower rank = lower spending; total HRRs = 306*

<table>
<thead>
<tr>
<th>Location</th>
<th>State</th>
<th>Commercial Rank</th>
<th>Medicare Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pittsburgh</td>
<td>PA</td>
<td>33</td>
<td>223</td>
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<tr>
<td>Camden</td>
<td>NJ</td>
<td>235</td>
<td>267</td>
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<tr>
<td>Philadelphia</td>
<td>PA</td>
<td>117</td>
<td>265</td>
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<tr>
<td>Allentown</td>
<td>PA</td>
<td>169</td>
<td>224</td>
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<tr>
<td>Ridgewood</td>
<td>NJ</td>
<td>265</td>
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<td>Erie</td>
<td>PA</td>
<td>5</td>
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<td>Harrisburg</td>
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<td>Danville</td>
<td>PA</td>
<td>206</td>
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<td>York</td>
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<td>15</td>
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<td>Rochester</td>
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<td>3</td>
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