

**Statement for the Record**

**Pacific Business Group on Health**

**Hearing before the National Committee on Vital and Health Statistics (NCVHS)**

**“Claims-based Databases for Policy Development and Evaluation”**

**June 17, 2016**

Good morning Chairman Suarez, Ms. Love, and other distinguished committee members. Thank you for inviting me here today. My name is Kristy Thornton, and I serve as Senior Manager of Transparency at the Pacific Business Group on Health. I would like to express our appreciation to the committee for convening this hearing on state-based All-Payer Claim Database (APCD) and private-sector multi-payer claims database (MPCD) initiatives.

The Pacific Business Group on Health (PBGH) is a coalition of large healthcare purchasers—both private employers and public agencies—who drive improvements in quality and affordability across the U.S. health system. PBGH consists of 65 organizations that collectively spend more than \$40 billion per year purchasing healthcare services for over 10 million Americans. PBGH members include many large national employers such as GE, Walmart, Boeing, Tesla, Target, Disney, Intel, Bechtel, Chevron, Wells Fargo and Safeway, as well as public sector employers such as CalPERS and the City and County of San Francisco.<sup>i</sup>

Increasing transparency in healthcare is a key priority for all of PBGH's members. Our organization houses the California Healthcare Performance Information System—or CHPI—the largest MPCD in the state. CHPI combines data on the healthcare experiences of more than 12 million people from three private health plans and Medicare to evaluate the quality and efficiency of medical services. PBGH is also a significant contributor to the Center for Healthcare Transparency, a national, non-profit organization seeking to make information on the relative cost and quality of healthcare services available to 50 percent of the U.S. population by 2020. Last month, the Network for Regional Healthcare Improvement and the Pacific Business Group on Health co-hosted a National Employer Leadership Seminar where employers from across the nation gathered to discuss

strategies for leveraging regional data and partnerships to obtain higher quality, more affordable healthcare. <sup>ii</sup>

My testimony today is informed by these efforts and focuses on two main areas: 1. Why APCDs and MPCDs are a critical resource for purchasers and how employers are already using them; and 2. Areas for this committee to consider as it seeks to improve the utility of APCDs and MPCDs for the purchaser community.

First, the “why.” Low value care strains public sector budgets and impacts the ability for businesses to compete in the global economy. Purchasers recognize the need for change and want to be able to identify and reward better care. Reward mechanisms such as value-based payment, benefit and network design, are becoming increasingly available. However, information to identify high quality, affordable providers are often difficult for purchasers to access or use. APCDs and MPCDs are one of the very few objective, reliable resources available to support purchasers’ value-based initiatives.

Our work shows private employers and public purchasers are using APCDs and MPCDs in four ways. First, they are a critical resource for employers engaging in high-value network and benefit strategies, including Accountable Care Organization (ACOs), tiered, and narrow networks. Purchasers making network and benefit design decisions want the highest level of confidence that performance measures used to evaluate these networks are valid and reliable - and few purchasers are large enough to achieve this on their own. APCDs and MPCDs offer neutral, third party information on the quality, cost, and resource use of providers.

Minnesota Community Measurement<sup>iii</sup> has been particularly active around this strategy for more than a decade, partnering with large purchasers, including the Minnesota State Employee Group Insurance Program, to create a three tier provider network based on claims-based total cost of care, as well as other quality measures. Employees choosing high-value providers were rewarded with lower premium payroll deductions. Using this model, over one-half of employees migrated to the highest value providers, and network cost trend was minimized.

Second, APCDs and MPCDs are an important resource for purchasers engaging in alternative payment models. Analyses from APCDs and MPCDs provide purchasers with standard episode-of-care definitions and transparency into episode cost in the wider marketplace, which can inform the development and operation of bundled payment arrangements. The Colorado APCD administrator, the Center for Improving the Value in Healthcare (CIVHC),<sup>iv</sup> has made key progress in bundled payment for orthopedic care.

Third, APCDs and MPCDs also provide independent information to purchasers on quality, cost, and resource use for global payment methodologies. Though many commercial payers have used performance metrics in global payment arrangements, most purchasers lack visibility into the details of these arrangements, and thus cannot evaluate their effectiveness. APCDs and MPCDs use transparent methods of data collection, analysis, and reporting that allow progress to be measured in a standard way. This gives purchasers the confidence that these types of models are truly paying for value.

As an example, the state of Washington recently used an MPCD to establish two value-based medical plans for state employees that hold providers financially and clinically accountable to 19 measures of performance through the Statewide Common Measure Set.<sup>v</sup>

Finally, in addition to the more direct value-based purchasing efforts supported by APCDs and MCPDs just described, these databases can also stimulate the healthcare market in other ways that are beneficial to purchasers. Cost and quality reporting websites, such as the California Office of the Patient Advocate, New Hampshire Health Cost, and Get Better Maine, use APCD and MPCD data. This public transparency motivates provider improvement and enables consumer choice.

I've just talked about the four ways APCDs and MPCDs are being used by purchasers:

1. Network and benefit design, including Accountable Care Organization (ACOs), tiered or narrow networks
2. Alternative payment models development and monitoring
3. Motivating provider improvement
4. Enabling more informed consumer choice

I'll conclude by briefly mentioning some of the things this committee may want to consider as it explores options to improve the utility of APCDs and MPCDs for purchasers. First, generate results on a named provider basis, especially individual physicians, practice sites, and facilities. Performance information at this level provides the strongest support for network and benefit design and provides actionable information to consumers. Second, include cost information. Many state-mandated APCDs include this information, but MPCDs may not. Purchasers cannot address value with it. Third,

seek out and engage purchasers and business coalitions as APCD and MPCD stakeholder members.

This will increase the purchaser uses of data, and help translate information into action. Lastly, collaborate with other regional sources to bring together claims information with clinical and patient-reported data for the most complete picture of performance.

Thank you again for the opportunity to provide input on this important topic. I'm happy to answer any questions the committee may have.

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<sup>i</sup> Full list of PBGH members can be found at [www.pbgh.org/about/members](http://www.pbgh.org/about/members)

<sup>ii</sup> Learn more about the National Employer Leadership Seminar at [www.nrhi.org/news/national-employer-leadership-seminar-held-in-charlotte/](http://www.nrhi.org/news/national-employer-leadership-seminar-held-in-charlotte/)

<sup>iii</sup> Learn more about Minnesota Community Measurement at <http://mncm.org/>

<sup>iv</sup> Learn more about the Center for Improving Value in Healthcare at [www.civhc.org/](http://www.civhc.org/)

<sup>v</sup> Learn more about the Washington State Wide Common Measures set at <http://wahealthalliance.org/common-measure-set-measuring-health-care-progress-in-washington/>