Dirigo Health Agency Board of Trustees; March 9, 2009

The Dirigo Health Agency's Maine Quality Forum, Advisory Council for Health Systems Development, Health Dialog Analytic Solutions
All-Payer Analysis of Variation in
Health Care in Maine (Phase I, Cost Analysis)

What are the conditions and procedures that drive Maine's total health care spending? What is the unwarranted variation associated with these cost drivers?

The study (slides 5,6)

- Analyzed claims from 11-1-05 to 10-31-06
- Used MaineCare, Medicare, commercial (first study to do so)
- Included IP, OP, ER costs
- Excluded
    - Nontraditional (SNF, LTC, "other" MaineCare)
    - Rx (lack of part D data, insufficient information on MaineCare rebates)
    - Individuals with <11 months continuous eligibility (26%) and other groups (6%)

Looked at

- Inpatient care costs, divided into
    - Needed
    - Preference-sensitive
    - Potentially avoidable
        - Ambulatory care sensitive
        - Supply sensitive
- Outpatient care costs
    - High cost
    - Highly variable

Results

- Dramatic variation in spending (not new)
- Quantification of potentially avoidable, high cost inpatient services (new)
- Quantification and specification of high variability, high cost outpatient services (new)
- Utilization has a larger effect on cost than does price of services

Inpatient

- Potentially avoidable admissions drive a significant portion of outpatient costs (about 1/3) (**slide 15**)
- The volume of PA admissions across State Healthcare Service Areas (HSAs) varies by type and is not explained by illness (slide 11)
- Maine residents across HSAs who have chronic conditions account for a high percentage of health care spending and a majority of inpatient spending

- 51% of all potentially avoidable admissions fall into three categories of illness: cardiovascular, respiratory, or gastrointestinal
- Patients with chronic illness have significantly higher utilization of inpatient services than general population, with higher attendant per capita costs (slide 14)

Outpatient

- 5 categories of services account for 23% of $1.3 billion outpatient spending (slide 16)
    - Lab tests (6.8%)
    - Advanced imaging (5.1%)
    - Standard imaging (4.0%)
    - Echocardiography ((2.5%)
    - Specialist visits (4.9%)
- These services vary by type and by total across HSAs (slide 17)

Total

- Substantial savings, without deterioration in quality, are associated with diminished potentially avoidable hospitalizations and lower rates of outpatient service use (slide 20)

Options for change include

- Public health initiatives, prevention
- "Pay for performance" incentives
- Performance measurement, public reporting
- Regulatory reform
- Tiered networks
- Health system development, network infrastructure support
- Some of above have been tried with limited success (slide 23)
- Fundamental payment reform (readiness of community to accept depends on stage of system development (slide 24)

To slow spending growth, we need policies that encourage high-growth (or high-cost) regions to behave more like low-growth, low-cost regions — and that encourage low-cost, slow-growth regions to sustain their current trends. Fisher ES, Bynum JP, Skinner JS. Slowing the growth of health care costs – Lessons from regional variation. New Eng J Med 2009; 360(9): 849-852.