

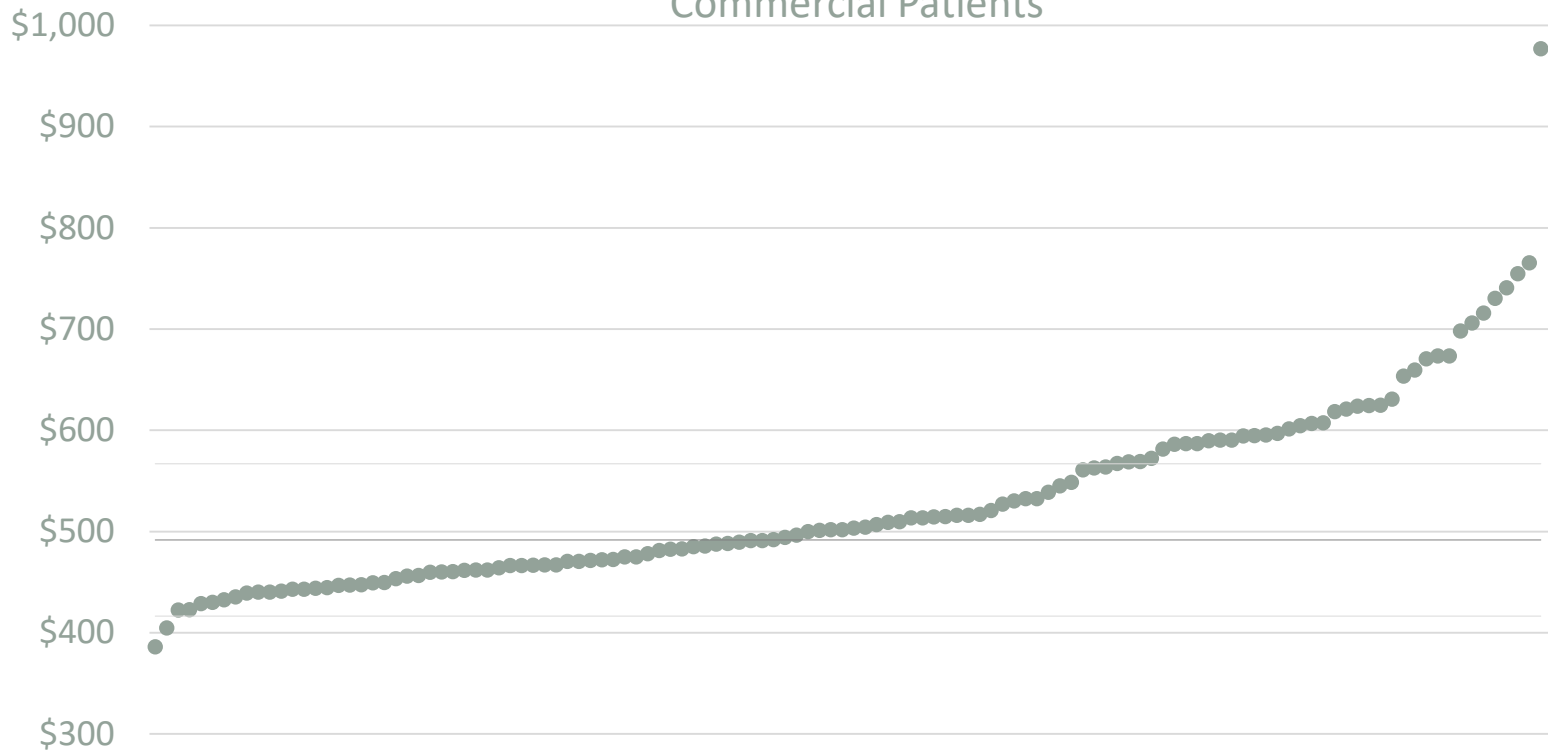
Cost of Care Trends and Strategies [DRAFT]

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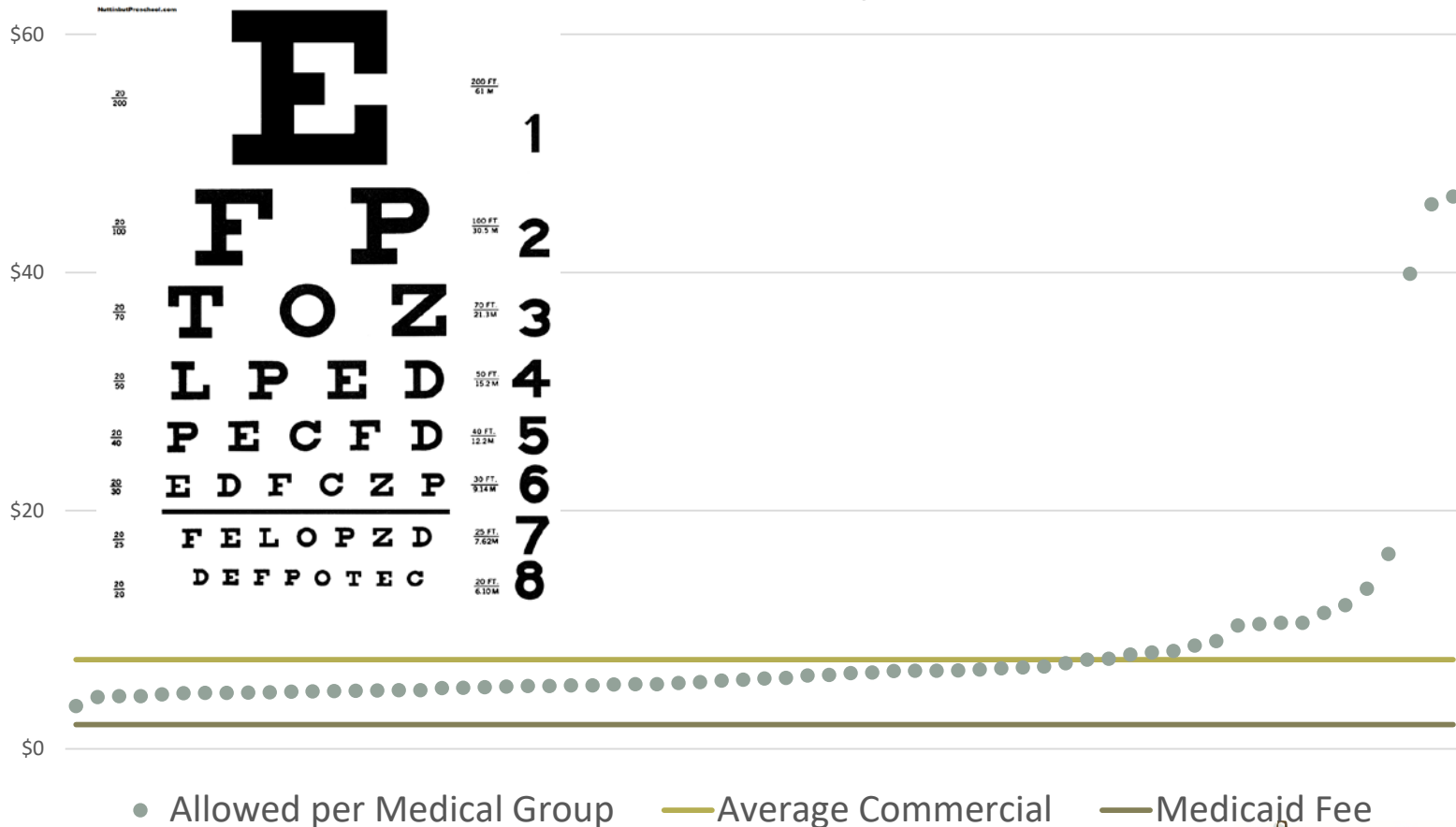
2016 Total Cost of Care Variation

Risk Adjusted Cost Per Patient Per Month
By Medical Group
Commercial Patients



Variation In Price

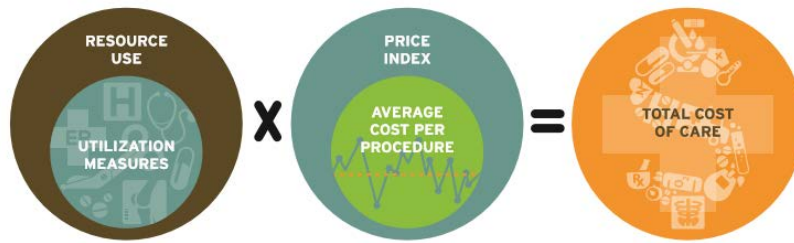
Cost to read the Eye Chart



Variation In Utilization

Emergency Room Visits per 1,000 Patients per year

| | Observed | Expected | Difference |
|---------|----------|----------|------------|
| Group A | 102 | 159 | -57 |
| Group B | 91 | 141 | -50 |
| | | | |
| Group C | 294 | 152 | 142 |
| Group D | 312 | 159 | 153 |



- **Total Cost of Care;** all costs for patient attributed (assigned) to the appropriate medical group. Evaluation of medical groups if all had the same patient mix
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- **Relative Resource Use;** A comparison of the average amount of resources used. Comparison of medical groups if all had the same patient mix and same fee schedule
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- **Price Index;** A comparison of the relative pricing of all medical costs. Assessment of medical groups if all had the same patient mix and practice patterns
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- **Utilization Metrics;** An observed to expected ratio of 20 common utilization metrics; A medical groups utilization rate compared to the market if the market had the group's patient mix
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- **Average Cost Per Procedure;** Cost of 90 frequent office based procedures and events, not adjusted for risk

Methodology Review

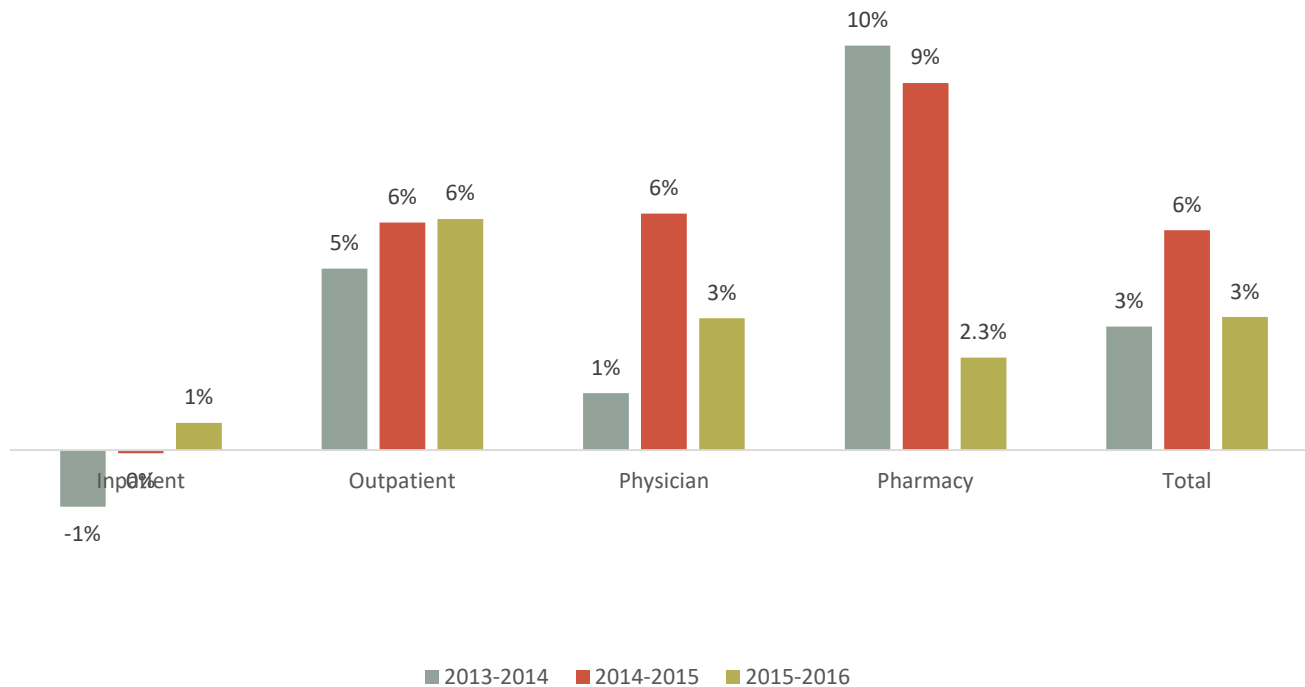
- Commercial Patients, 2016 Dates of Service
 - Based on health plan claims
- Assign Patients to a healthcare provider
 - Requirement of at least 600 patients for a medical group
- Include all reported costs per patient
- Adjust costs for medical risk and outliers
 - Johns Hopkins Adjusted Clinical Groupings (ACG)
 - Weights based on costs from 1,500,000 local patients
- Compare the average cost per patient to the market
 - Total Cost Index
- Replace costs with a standard fee schedule
 - Resource Use Index

Utilization Ratios

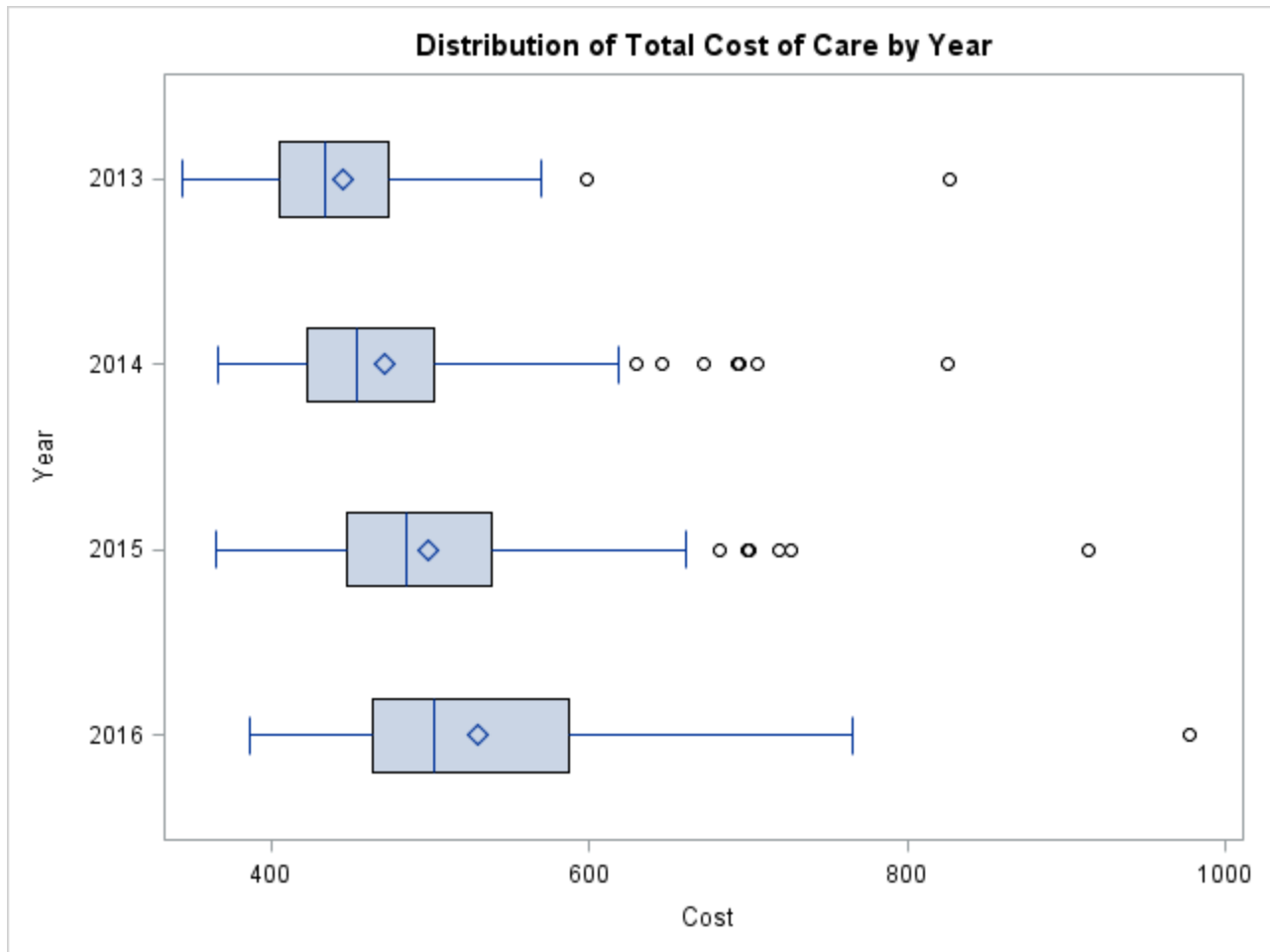
- Actual: Counts of utilization for patients attributed to TCOC report in 2015
- Expected: Market wide average of utilization for patients with same risk score, age band and gender
- Per 1000: Actual and Expected normalized to per 1000 patients in a 12 month period
 - Used to compare medical groups of different patient population sized

Analysis: Overall Trend

Total Cost of Care
Yearly change

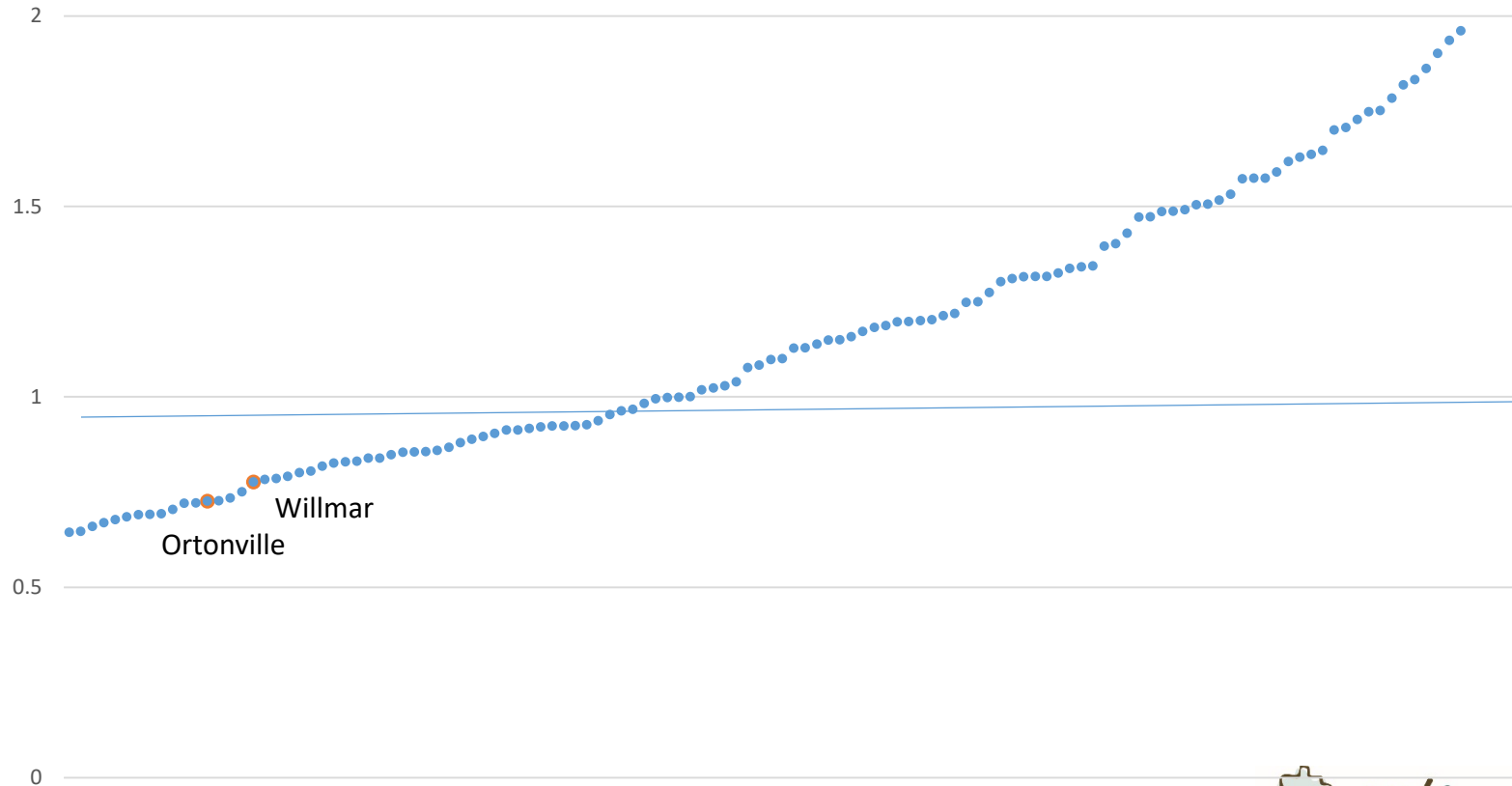


Variation in Total Cost of Care

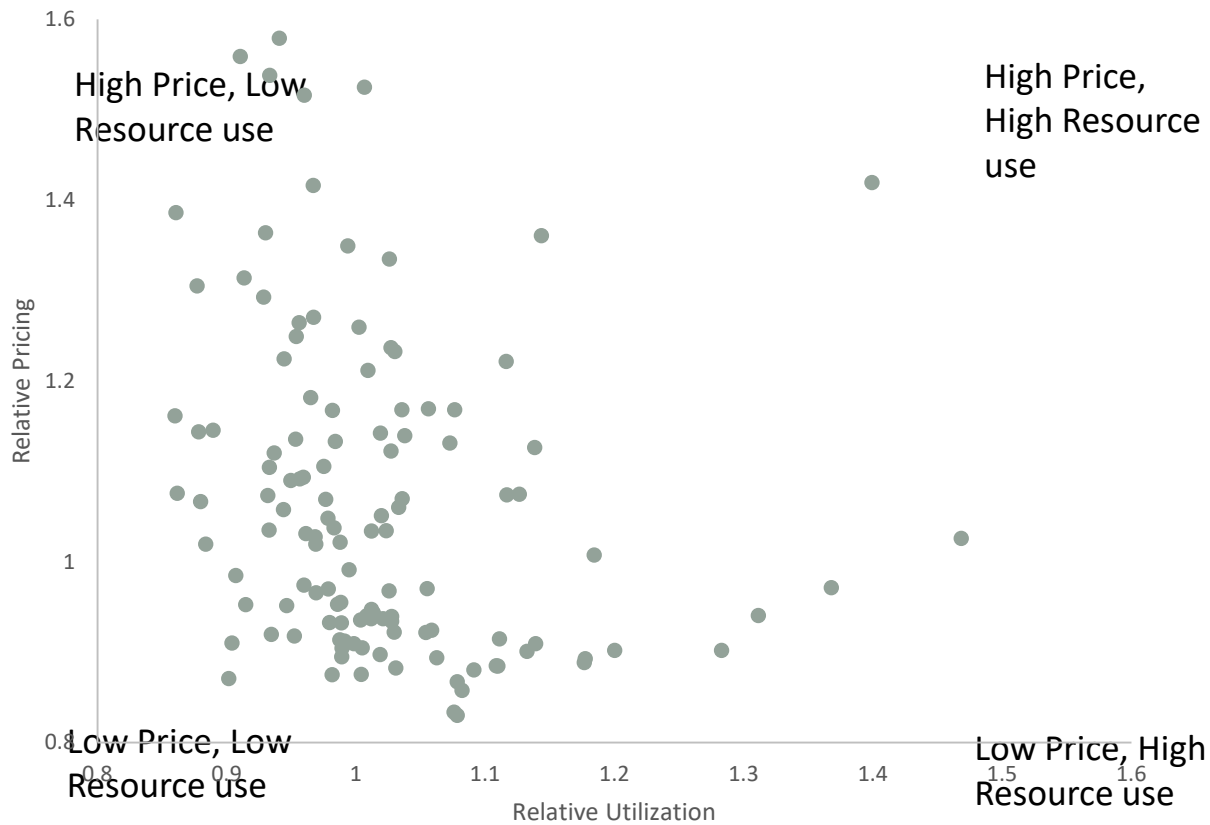


Variation in Emergency Room Visit Rates

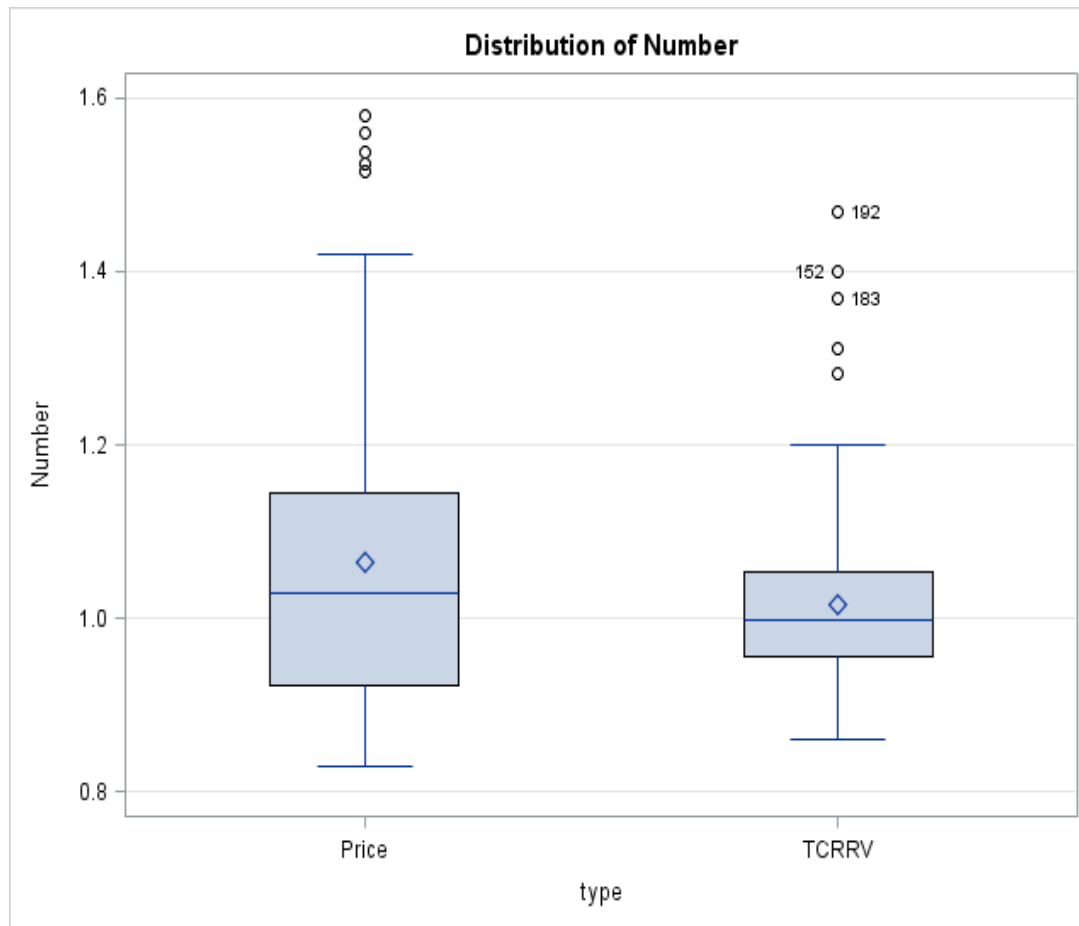
Emergency Room Use
Observed / Expected
2016 Commercial Patients



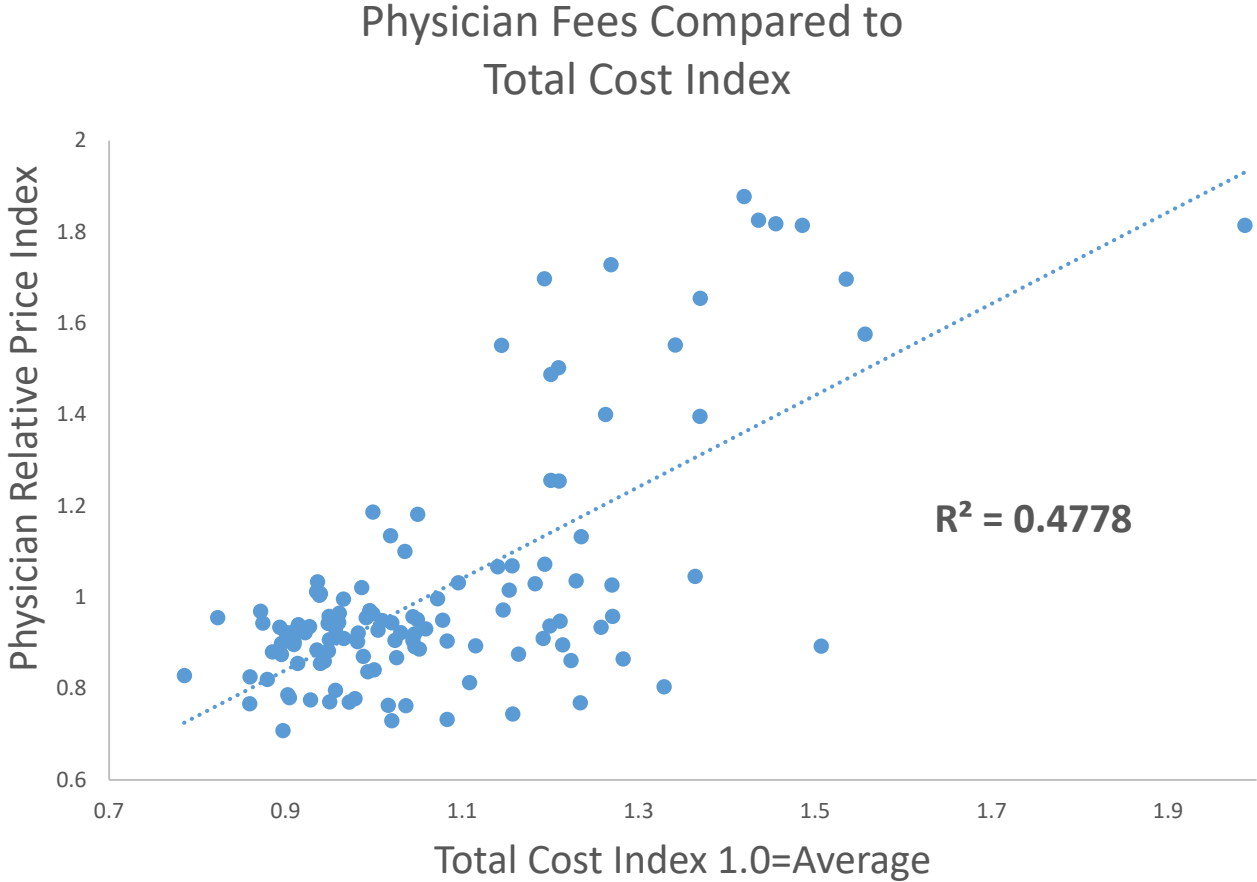
Price vs Utilization



Price Vs Utilization

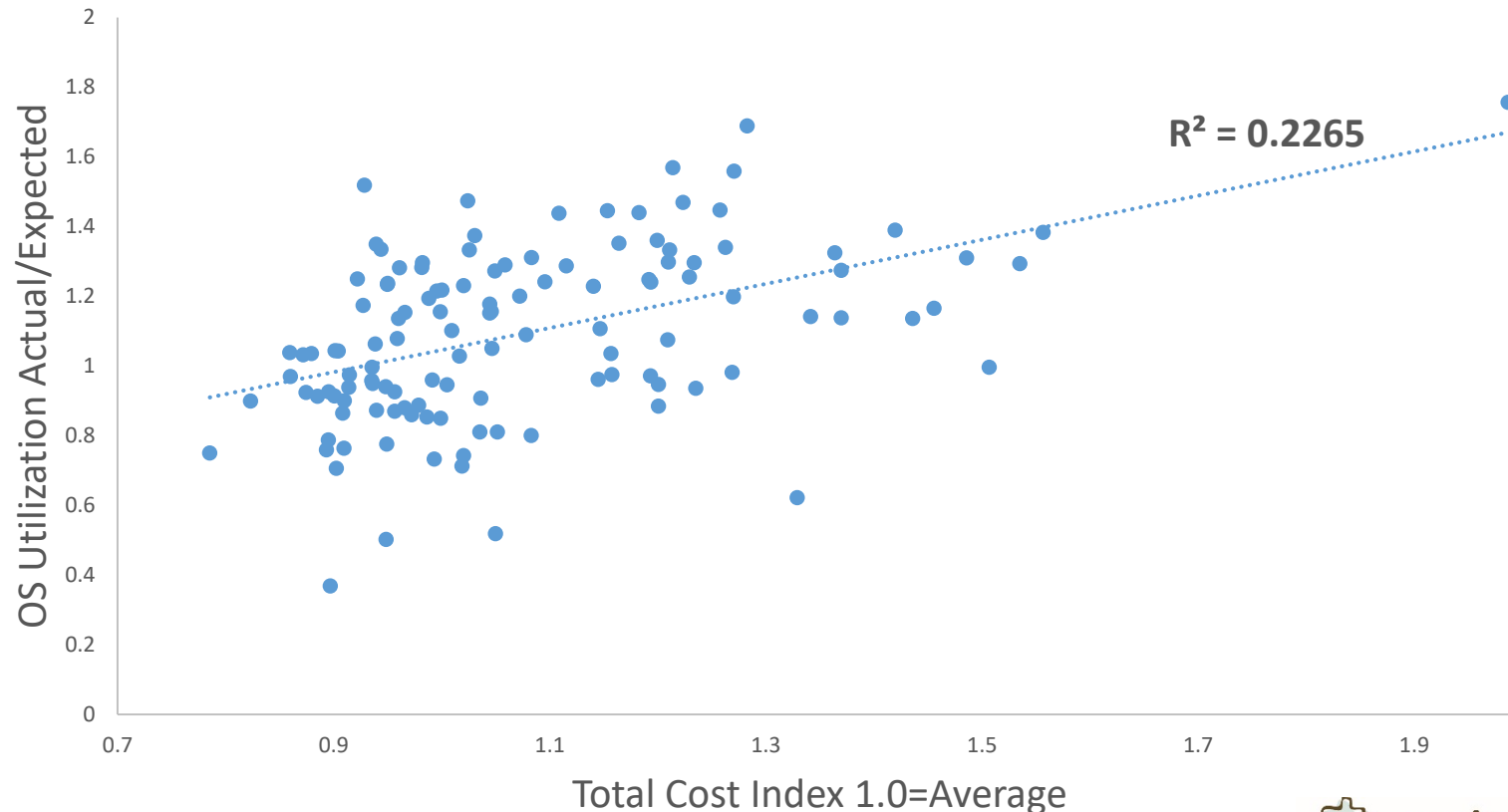


Driver of Variation: Physician Fees



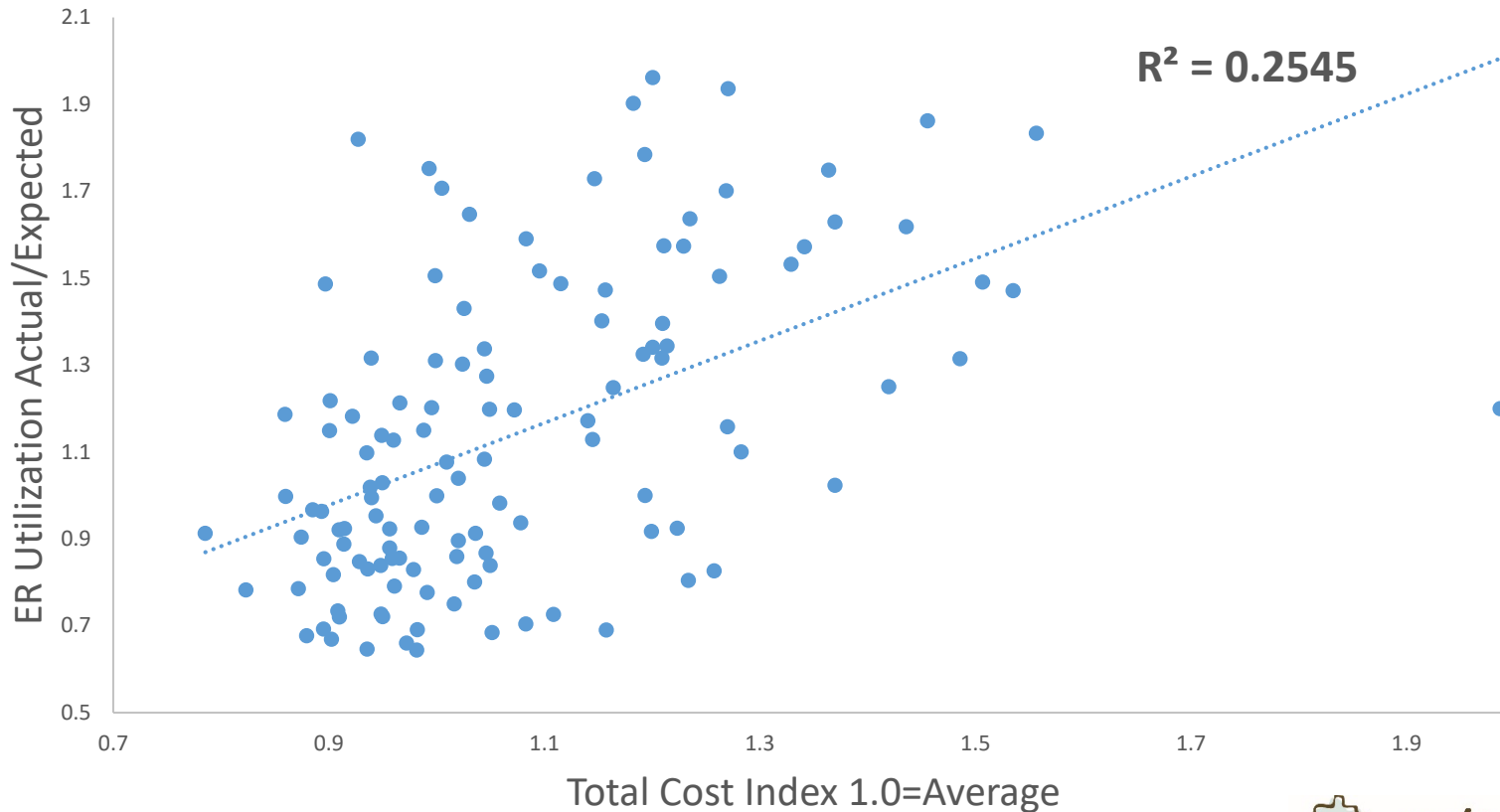
Driver of Variation: Outpatient Surgery

Outpatient Surgery (OS) Utilization Compared to Total Cost Index



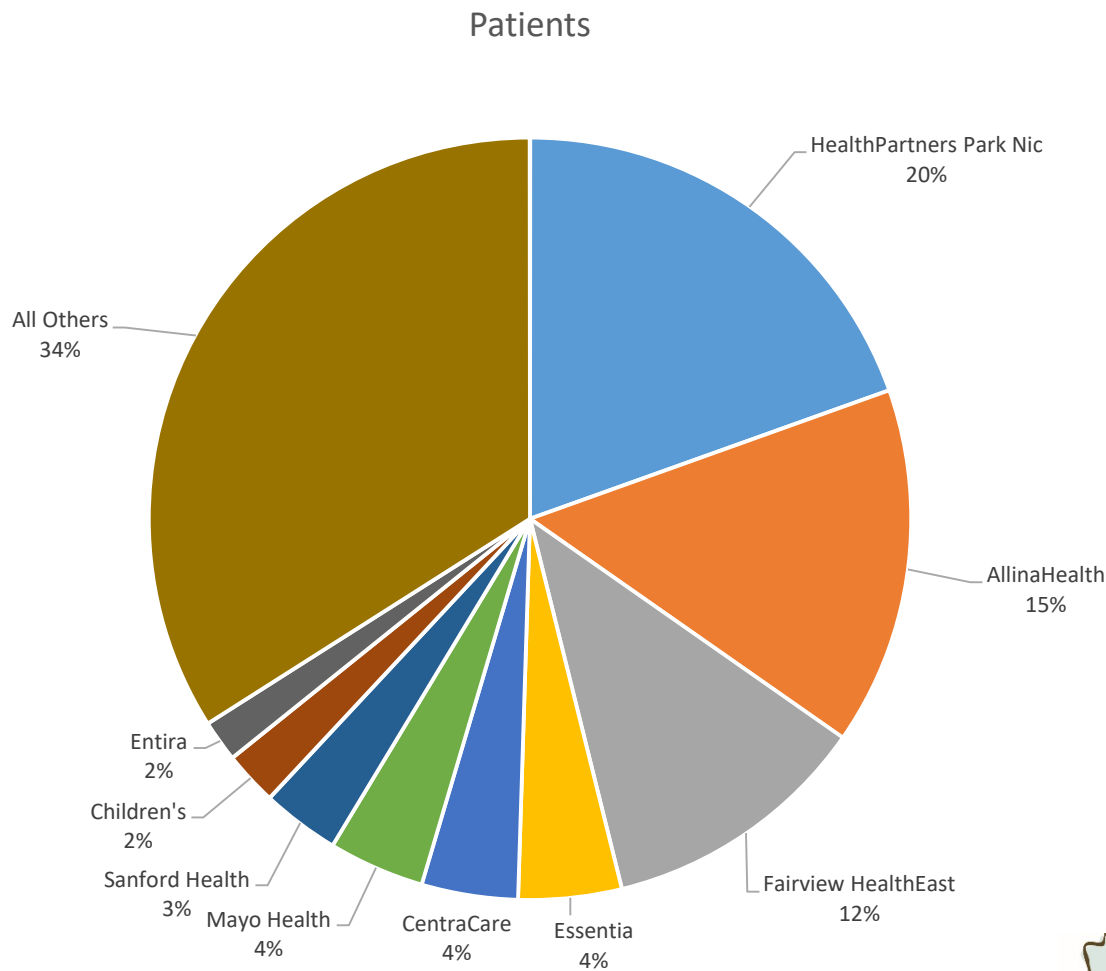
Driver of Variation: ER Use

Emergency Room (ER) Utilization Compared to Total Cost Index



Consolidation in Market

66% of patients at nine medical groups



Conclusion

- Commercial Patients in Minnesota
 - 3% increase from 2014 – 2015
- Price explains more of variation than utilization patterns
- Hospital Outpatient is seeing largest growth year after year
- Drivers of variation in total cost of care
 - Physician Fees
 - Outpatient Surgery Use
 - Emergency Room Use

Contact Information and Agenda

For more information, contact us at tcoc@mncm.org

[TBD]