



**Testimony of Margaret O’Kane, President
National Committee for Quality Assurance
Before the
Senate Commerce, Science & Transportation Committee
February 27, 2013
on
Increasing Transparency on Health
Care Costs, Coverage and Quality**

Chairman Rockefeller, Ranking Member Thune, distinguished committee members, thank you for inviting me to this important hearing on increasing transparency in health care. I am Margaret O’Kane, President of the National Committee for Quality Assurance. NCQA is an independent, nonprofit organization founded in 1990 to improve quality and value in health care through measurement, transparency and accountability.

Our nation is making great strides in using transparency to improve quality and value in health care through public reporting of standardized performance measures, performance-based accreditation and Affordable Care Act (ACA) innovations like the standardized Summary of Benefits and Coverage. The ACA provision linking Medicare Advantage bonus payments to performance has been especially effective and recent research shows beneficiaries are more likely to pick high-performing plans. In fact, we have seen Medicare Advantage plans’ quality results increasing significantly since the ACA linked bonus payments to performance scores.

The ACA will further harness transparency to promote quality and value through state health insurance Exchanges. Exchanges represent a unique opportunity to engage consumers in using transparent quality and cost data together to find the best value. Value means more than low premiums, which may reflect low quality or high cost-sharing barriers to care. Value is the quality of the health and well-being you get for the total cost you pay, which includes premiums, copays and deductibles.

Helping consumers find the best value requires designing Exchanges in ways that promote competition among plans based on value, rather than premiums alone. The ACA requires a ‘quality rating system’ for Exchange plans that once deployed should be a strong step towards helping consumers find high-value plans. In addition, building Exchanges to promote value requires Web portals and other outreach materials that make cost and quality information easy to find and use. The complexity of the information can quickly overwhelm consumers, so how Exchanges present data matters a great deal. Groups like Consumer Reports are uniquely skilled in developing approaches to communicate this information effectively to consumers. Applying lessons from the science of behavioral economics and “choice architecture” can also help guide consumers to plans offering the best value.

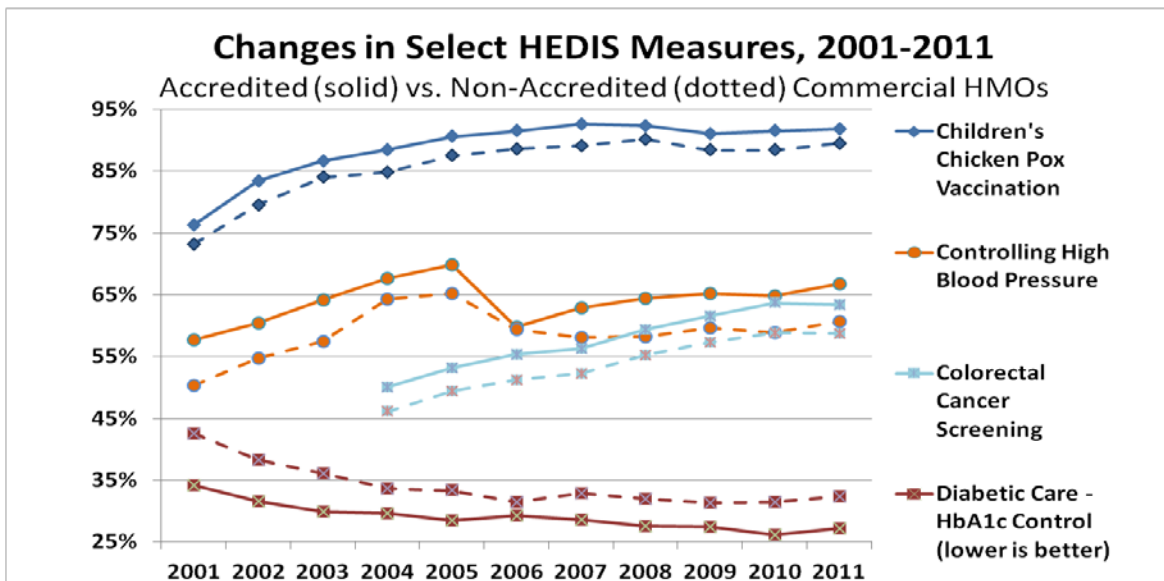
Up until now, large employers, the federal government and many state Medicaid programs have been important users of quality information and have pushed for quality results. However, public reporting of cost and quality information to consumers has, thus far, had minimal impact. Exchanges have enormous potential to change that. We are particularly encouraged by our research finding that consumers—especially the uninsured, who will be shopping for Exchange coverage—want cost and quality information when choosing plans and providers.

Given the many challenges in establishing Exchanges, few states are currently working on all the potential strategies to use transparency to engage consumers on cost and quality. Once the Exchanges get past the immediate job of getting enrollment systems into place, however, Congress should encourage both federal and state Exchanges to support innovation and consumer engagement using the many potential strategies available. Congress should also consider having HHS report on Exchange progress on transparency.

Despite the progress we are making, there are still important gaps in transparency. For example, we are not able to effectively compare quality in Medicare fee-for-service with Medicare Advantage plans, something MedPAC has

recommended to change.¹ We need much greater transparency on the prices of health care services that drive costs. We must make transparency and consumer choice part of a broader value strategy that includes payment and delivery system reforms. We also must do more to understand how to use transparency to better engage consumers in taking a more active role in their own health and health care.

Public Reporting of Standardized Measurement: There is now widespread use of standardized, audited performance measures like the Healthcare Effectiveness Data and Information Set (HEDIS[®])² and the Consumer Assessment of Healthcare Providers and Systems Survey (CAHPS[®]).³ For 20 years, we have publicly reported results from HEDIS, the most widely used and respected performance measurement set in health care. HEDIS includes more than 70 measures of proven, effective care—and of waste that increases costs and harms patients. CAHPS measures patient experience, such as whether patients get care when they need it; whether physicians listen to patients and explain things in a way they can understand; and whether customer service is helpful and respectful.



More than 125 million enrollees (2 of every 5 Americans) are enrolled in a health plan that submits audited clinical quality and patient customer experience data to NCQA. NCQA translates that data into health plan “report cards” that everyone can see for free on the www.ncqa.org Web site. We also use the data to publish plan rankings in *Consumer Reports* magazine and to develop our annual State of Health Care Quality Report.⁴ Measuring and publicly reporting results are essential for driving, and holding plans accountable for, needed improvement in quality and cost. The result is dramatic improvement over time in areas like optimal care for diabetes and hypertension—saving both lives and money.

Estimated Savings if All Plans Performed as Well as the Top 10%	
MEASURE	AVOIDABLE HOSPITAL COSTS
Breast Cancer Screening	\$329 million–\$332 million
Cholesterol Management	\$935 million–\$2.1 billion
Controlling High Blood Pressure	\$1.4 million–\$2.5 billion
Diabetes Care—HbA1c Control	\$294 million–\$614 million

¹ MedPAC Report to Congress, March 2010: http://medpac.gov/documents/Mar10_EntireReport.pdf.

² HEDIS[®] is a registered trademark of NCQA.

³ CAHPS[®] is a registered trademark of the Agency for Healthcare Research and Quality (AHRQ), which oversees the survey.

⁴ <http://www.ncqa.org/Portals/0/State%20of%20Health%20Care/2012/SOHC%20Report%20Web.pdf>

Osteoporosis Management	\$12.4 million–\$32 million
Persistent Beta-Blocker Treatment	\$5.5 million–\$30 million
Smoking Cessation	\$831 million–\$900 million
TOTAL	\$2.4 billion–\$6.5 billion

Performance-Based Accreditation: HEDIS and CAHPS are essential components of NCQA’s performance-based Health Plan Accreditation program that measures and publicly reports on the quality of care and patient experience that plans deliver. More than 136 million Americans are in NCQA-Accredited plans, a 30 percent increase since 2009. Most state Medicaid programs also require or recognize NCQA Accreditation, as does the Medicare Advantage program and the Federal Employees Health Benefit Program. The ACA specifically requires all Exchange plans to have accreditation, based on the NCQA model.

Transparency & the Affordable Care Act

The ACA includes several important transparency advances that will promote quality and value. The standardized Summary of Benefits and Coverage is already making it easier for consumers to compare plan benefits and costs to identify affordable coverage, a critical first step toward quality care. The ACA further promotes transparency through Medicare Advantage performance-based bonuses, state Exchange accreditation and public reporting requirements.

Medicare Advantage Star Ratings: The ACA requires using transparency to drive Medicare Advantage improvements through bonuses to plans based on a publicly reported 5-Star Rating system of clinical quality and patient experience. Most states also now use pay-for-performance systems to drive improvements in Medicaid. In just the two first years of the Medicare Advantage bonus system, more than 25 percent of plans have improved their HEDIS scores and the number of highest-rated 5-Star plans has increased from 3 to 11. Medicare posts Star Ratings on the www.medicare.gov plan finder to help beneficiaries make informed enrollment decisions. The plan finder also flags consistently poor performing plans and discourages beneficiaries from enrolling in them.

Recent research shows that Medicare beneficiaries are more likely to pick plans with higher star ratings. The study found that a one star increase was linked to a 9.5% greater likelihood of enrollment for new beneficiaries and a 4.5% greater likelihood for those switching plans.⁵ In short, public reporting is helping consumers find high value plans, which should lead to better care for beneficiaries and will further encourage those plans to improve quality and lower costs.

We believe Star Ratings could have more impact if the plan finder listed highest quality plans first instead of listing plans with the lowest estimated beneficiary costs first, as it does now. Research shows “what consumers see *first* will frame their understanding of the rest of information—in effect, creating a mental model for them... (that) *influences* the consumer’s final decision.”⁶

Building State Health Insurance Exchanges to Promote Value: One of the ACA’s most important transparency advances begins this fall, when health insurance Exchanges open for enrollment. Exchanges have great potential to realign market forces if designed to promote competition among plans based on value.⁷ This marks substantial change from the current insurance market, which encourages competition based on low premiums alone that may reflect poor quality or high cost-sharing barriers to care.

⁵ Howell, Reid, Shrank, Association Between Medicare Advantage Plan Star Ratings and Enrollment, Journal of the American Medical Association, January 2013 <http://jama.jamanetwork.com/article.aspx?articleid=1557733>

⁶ Choice Architecture: Design Decisions that Affect Consumers’ Health Plan Choices, Kleimann Communication Group and Consumers Union, July 2012, http://www.consumersunion.org/pdf/Choice_Architecture_Report.pdf

⁷ Building State Exchanges To Get Better Value, National Committee for Quality Assurance, 2012, <http://www.ncqa.org/PublicPolicy/Exchanges.aspx>

Importantly, the law also requires the Secretary to develop a ‘Quality Rating System’ for Exchange plans. NCQA is supporting CMS in the work on this new rating system – under the leadership of Booz Allen Hamilton and in collaboration with Pacific Business Group on Health. We have high hopes that it will be a critical tool for Exchanges to help consumers make more informed purchasing decisions.

Health plans have many tools they can use to promote quality.

- They can use “value-based insurance design,” or “smart cost-sharing” that reduces barriers to prevention and good management of chronic conditions, averting costly complications.
- They can develop networks and encourage enrollees to use high-quality providers.
- They can remind enrollees and providers about important needs like routine screening and prescription refills.
- They can promote shared decision making to encourage patients and providers to make informed treatment choices together, based on objective, current science on the pros and cons of various options.
- They can promote quality by supporting and encouraging enrollees to get care in recognized PCMHs and ACOs, delivery system reforms focused on improving cost and quality.

Today, cost and quality vary widely among health plans because people rarely help understanding plan value. The problem is compounded because people often believe that more services automatically mean better care (rather than waste and the potential for harm), or that more expensive care is always more effective. This is not true. High quality care is not always the most expensive care for a number of reasons. Expenses may be driven up by unnecessary utilization or by high prices.

Because higher costs do not necessarily lead to higher quality, it is critical to educate consumers on the concept of value and to encourage them to consider both cost and quality data when selecting plans and providers. Informed consumers can help elevate the importance of value in health care by shopping for and choosing plans and providers with the highest quality and lowest costs.

Consumers Want Transparent Cost & Quality Information: NCQA research with the California Healthcare Foundation found that with help, consumers quickly understand that quality does not necessarily cost more—and that it can cost less.⁸ Consumers generally need help to understand this, as it is not intuitive for most people. However, once consumers do understand it, they are greatly interested in using cost and quality information together to help them select a health plan or physician organization. We also found that the people most interested in this information are the uninsured who will be accessing health care coverage through the Exchanges.

Exchanges can advance transparency on cost and quality by:

- Helping Exchange shoppers understand value.
- Helping Exchange shoppers find high-value plans.

There are additional important principles Exchanges should follow to help consumers make the most of transparent cost and quality information. Exchanges need to:

- Present information to consumers as simply as possible. Studies and experience shows that too much information can bog down the enrollment process or prevent someone from choosing a plan.
- Build from existing measures and data collection systems to ensure straightforward and efficient implementation. This will help align efforts to improve quality and provide information on performance to consumers and regulators, limiting the burden on states, plans and the federal government.
- Limit data collection to data that has a clear use; there is considerable cost for reporting unused data.
- Add more information, new measures and quality improvement and assurance strategies over time. Give stakeholders the opportunity to comment on direction, and give plans and states the opportunity to implement system changes.

⁸ Value Judgment: Helping Health care Consumers Use Quality and Cost Information, <http://www.ncqa.org/Portals/0/Public%20Policy/CHCF%20ValueJudgmentQualityCostInformation.pdf>

Helping Exchange Shoppers Understand Value: One of the most important things Exchanges can do to promote value is help shoppers understand the need to look beyond premiums to total out-of-pocket costs and quality ratings. Many Exchange shoppers do not currently have insurance and may have low health literacy and scant knowledge about total coverage costs or how to evaluate plan quality. Exchanges that address this information gap will help people find plans that produce better outcomes at lower costs.

Exchange shoppers need to understand copays and deductibles in addition to premiums. In the Massachusetts health Exchange, for example, many enrollees chose plans based on low premiums alone, only to discover when seeking care that they must also pay deductibles and copays. Cost sharing may be significant in the lower-premium Silver and Bronze plans that will attract many modest-income Exchange shoppers, but high cost sharing discourages people, especially those with modest incomes, from getting care.⁹ ¹⁰ When cost sharing discourages use of necessary, cost-effective care, the result can be expensive, preventable problems. The failure to treat preventable problems up front will continue to drive up health care costs and make coverage difficult to afford.

Shoppers also are not likely to know that Exchange plans must report on measures of clinical quality (like the HEDIS measures) and on “experience of care” measures (like the CAHPS measures). Exchanges that help consumers understand how to use total cost and quality data will see more of them choosing high-value plans, and encourage insurers to compete on improving both cost and quality scores. That will maximize consumer-driven market forces to promote better value.

Helping Exchange Shoppers Find Value: Once Exchange shoppers understand the importance of total cost and quality, the next step is making it easy for shoppers to find and use this information when they choose a health plan. Exchanges can accomplish this by using Web portals and report cards that employ choice architecture.

Most shoppers will not know how to assess complex cost and quality data, even if they understand the importance of total cost and quality. Nor will they want to spend a lot of time evaluating plan choices. By structuring choices properly using choice architecture, shoppers will not need to understand every detail and still end up in high-value plans.

Report Cards and Web Portals: Exchanges Web portals and other tools will help shoppers evaluate plans. How Exchanges craft these tools can have an enormous impact on whether shoppers choose high-value plans.

Exchanges should “feature quality information as prominently as costs,” says Informed Patient Institute Executive Director Carol Cronin. Cronin analyzed 70 health plan report cards for AARP and found that the most useful ones “roll up” quality measures into a single score that consumer can interpret “at a glance.”¹¹ They also offer more details for consumers who want to dig deeper.

To ensure that Web portals and report cards promote value, Exchanges should:

- Present easy-to-understand plan ratings that combine quality and cost rankings (e.g., through the to-be-developed Federal Quality Rating System).
- Provide detailed (but easy to understand) plan ratings (e.g., how well plans help enrollees “Stay Healthy,” “Get Better” and “Live With Illness”).
- Make it easy to see which plans are better at providing high-quality care, like prevention and care management, so consumers can avoid care they do not want, like preventable hospital stays and surgeries. (This information is included in HEDIS data.)
- Estimate total costs for care of common chronic conditions, like diabetes, and high-cost situations, like childbirth, so low premiums do not lure people into plans with high cost sharing.

⁹ *Healthcare Spending and Preventive Care in High-Deductible and Consumer-Directed Health Plans*, Buntin et al, American Journal of Managed Care, March 2011.

¹⁰ *Nearly Half of Families In High-Deductible Health Plans Whose Members Have Chronic Conditions Face Substantial Financial Burden*, Galbraith et al, Health Affairs, May 2011.

¹¹ http://www.aarp.org/content/dam/aarp/health/medicare_insurance/2011-07/2011-cronin-report-final.pdf

- Create tools to recommend high-value plans based on consumer preference (e.g., doctors they want to keep, plans that manage a specific chronic condition well).
- Recommend high-value plans or automatically enroll people in high-value plans if they do not choose a plan on their own. Default enrollment is a powerful financial incentive for plans to improve their ratings.¹²

Choice Architecture: Marketers have long used choice architecture to influence shoppers, which is why candy bars and other impulse-purchase items are in checkout lanes. School cafeterias are now using choice architecture to promote healthier choices: making it easier to reach fruits and vegetables than French fries and desserts sells more fruits and vegetables, even though fries and desserts are still available. Exchanges that make high-value plans “easier to reach” will also see more shoppers choose high-value plans, even with other options available.

Consumers Union’s Lynn Quincy says Exchange planners should “abandon the image of a careful shopper capable of weighing the myriad costs and benefits of their health insurance options.” Her research on how consumers make health plan choices shows they want value information, but need help finding it.¹³ Exchanges should provide shortcuts that make it easy to compare value and avoid jargon and complex math.

Understanding how people make choices is critical when designing Web portals and report cards to promote value. The standard economic assumption that rational self-interest guides choice is often not the case, says Harvard School of Public Health professor, Katherine Baicker. Consumers instead “have fallible judgment, malleable preferences, make mistakes, and can be myopic or impatient.”¹⁴

Choice architecture considers these realities in order to present information better, to ensure that information is meaningful and to make high-value options an easy choice. This is especially important for Exchanges that let all qualified plans participate. Baicker says presenting too many options can lead to “choice paralysis” that causes people to either give up or make choices based on bias or bad information.

Conclusion: While we are making great strides in using transparency to improve quality and value in health care, we still have a long way to go. We must build on the substantial progress to date, including the recent advances with the standardized Summary of Benefits and Coverage and performance-based bonuses in Medicare Advantage. Transparency in delivery system reforms is crucial to their success; we must be vigilant in using transparency to its greatest potential. We must also work together to ensure that state health insurance Exchanges make the most of their potential for using market forces to promote better value.

Transparency and consumer choice are tools that should be part of a multifaceted strategy that includes payment and delivery system reforms and greater emphasis on patient engagement in their own health and health care.

Of course, success depends on thoughtful implementation, on tailoring to local preferences and on building strong stakeholder consensus for the best approach in each state and for each program. But the value of health care provided in the US will not improve without employing the strategies discussed above.

¹² For more information on ratings and decision support, see “Exchange Quality Solutions: Ratings and Decision Support Tools.” <http://www.ncqa.org/LinkClick.aspx?fileticket=RNqdg-GjOnU%3D&tabid=61>

¹³ Early Consumer Testing of the Coverage Facts Label: A New Way of Comparing Health Insurance <http://www.consumersunion.org/health.html>

¹⁴ <http://www.hsph.harvard.edu/faculty/katherine-baicker/>