



## PRIMER/BRIEF

# Public Reporting of Cost & Resource Use Measures to Consumers

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## Introduction

The purpose of this primer is to help you succeed at providing useful comparative information on health care cost and resource use to consumers. You can use this primer to help your staff and partners:

- Understand and explain why your Alliance is choosing to report cost and resource use measures to consumers in your community.
- Recognize and address some of the challenges involved in reporting this information.
- Discover what your Alliance can do to spur advances in reporting cost and resource use measures to consumers.

The health reform law and other payment innovations are expected to reshape health care delivery by aligning provider, purchaser, and consumer incentives to encourage more efficient, evidenced-based care. Consumers will be increasingly exposed to reports that contain comparative displays of cost and quality information—such as those published by the Alliances—to support these new reform efforts. In turn, the success of these efforts will hinge on how well consumers are able to understand and apply the quality, cost and resource use information from your public reports to their health care decisions. This primer, which contains guidance based on existing research on engaging consumers with cost and quality information, can help your Alliance meet this challenge head on.

## About Aligning Forces for Quality

*Aligning Forces for Quality* (AF4Q) is the Robert Wood Johnson Foundation's signature effort to lift the overall quality of health care in targeted communities, as well as reduce racial and ethnic disparities and provide real models for national reform. The Foundation's commitment to improve health care in 16 AF4Q communities is the largest effort of its kind ever undertaken by a U.S. philanthropy. AF4Q asks the people who get care, give care and pay for care to work together to improve the quality and value of care delivered locally. The Center for Health Care Quality in the Department of Health Policy at George Washington University School of Public Health and Health Services serves as the national program office. Learn more about AF4Q at [www.forces4quality.org](http://www.forces4quality.org). Learn more about RWJF's efforts to improve quality and equality of care at [www.rwjf.org/qualityequality/af4q/](http://www.rwjf.org/qualityequality/af4q/).

## About the Author

American Institutes for Research (AIR) provides technical assistance for the Robert Wood Johnson Foundation's *Aligning Forces for Quality* initiative. AIR is working with Aligning Forces communities to support effective public reporting of cost and resource use information that encourages higher-quality health care at lower cost and authored this publication.

# Why Report Cost and Resource Use Information to Consumers?

## Behavioral objectives

Reporting cost and resource use information to consumers is intended to result in the following behavioral changes:

- **Promote competition among providers on both cost and quality to improve the overall value of health care.** Studies have found that reporting comparative information on quality in a way that captures the attention of consumers will prompt health care providers to improve their quality in order to preserve their reputations.<sup>1</sup> By contributing to a greater level of cost transparency in the health care marketplace, Alliances may spur providers to manage their costs and resource use more effectively.
- **Encourage consumers to consider cost when making decisions about health care services.** Exposing consumers to meaningful cost and resource use information, along with information about provider quality, will allow them to play a more proactive role in improving the value of care.
- **Enable consumers to choose higher-value health plans and providers.** Providing consumers with information on costs and resource use that is meaningful and easy to understand will allow them to identify and select plans and providers that offer the combinations of quality and cost that best fit their needs and preferences.

## Educational objectives

Cost and resource use information, when reported in a way that is meaningful and useful, can help build consumer awareness of the following concepts:

- **Health care costs and resource use vary significantly within and across communities.**
- **Variations in costs and resource use are not explained by differences in quality or patients' needs** (i.e., price is not a proxy for quality).
- **The cost of health care could be lower without jeopardizing quality, limiting access to care, or reducing the ability to meet patients' needs.**
- **The actual costs of care far exceed the consumer's out-of-pocket costs.** Most consumers perceive price of care only in terms of the amount of money they have to pay. Publishing information on costs and resource use can help consumers connect the actual costs and amounts of care they receive with their own out-of-pocket costs—whether in the form of premiums, co-payments, co-insurance, or deductibles.

## Related Materials

This primer is part of a series of technical assistance products to support the efforts of Alliances to engage consumers in using information on quality and cost when making health care decisions. This series includes the following materials:

- How To Display Comparative Information That People Can Understand and Use
- How To Report Results of the CAHPS Clinician and Group Survey
- How to Get Consumer Feedback and Input Into Web Sites
- How To Describe the Health and Community Context for Comparative Performance Reports: Sample Language for Five Health Topics
- Lessons Learned About Measuring and Reporting Cost and Efficiency Data
- Talking About Health Care Payment Reform with U.S. Consumers

<sup>1</sup> Hibbard JH, Stockard J, Tusler M. Hospital performance reports: Impact on quality, market share, and reputation. Health Affairs (Millwood) 2005 July-August; 24(4):1150-60.

## Reporting cost and resource use to support stakeholder decision-making

Alliances and other stakeholders in the health care marketplace (e.g. purchasers, payers, and providers) can use measures of cost and resource use to identify and address the drivers of high costs and low quality—particularly in terms of the overuse and underuse of health care resources. Specifically, stakeholders can use these measures to:

- Assess the total cost of care in a given market
- Compare costs and resource use across markets
- Identify targets for cost and resource use reduction
- Determine whether a community is making progress toward reducing costs and/or resource use for specific areas and overall, across service types
- Better understand how the decisions of consumers, purchasers, and health care professionals affect costs and resource use

## What Factors Impact Cost and Resource Use Reporting to Consumers?

Several factors influence how effectively Alliances report costs and resource use now, and will be able to in the future:

- The knowledge, attitudes and beliefs of health care consumers
- Consumer incentives and changes to the payment environment
- The measures of cost and resource use that are available for reporting
- The language used to describe and explain cost and resource use measures

The following sections discuss each of these factors.

### The knowledge, attitudes and beliefs of health care consumers

Research with consumers has revealed some commonly held, fundamental beliefs about health care costs and resource use:

- Price is an indicator of quality.
- More care is better.
- Physicians know best.
- Treatment decisions should not be based on cost.<sup>2</sup>

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<sup>2</sup>Carman KL, Maurer M, Yegian JM, Dardess P, McGee J, Evers M, Marlo KO. Evidence That Consumers Are Skeptical about Evidence-Based Health Care. *Health Affairs*. 2010 June; 29(7): 1400-1406. Available at: <http://www.chcf.org/publications/2010/06/evidence-that-consumers-are-skeptical-about-evidencebased-health-care#ixzz17XIGmwqd>.

## What underlies these attitudes and beliefs?

Years of experience with our health care system and exposure to messages from mass media have shaped the beliefs of health care consumers. For example:

- Many consumers are shielded from variations in the costs of care. Under most insurance plans, consumers pay the same amount regardless of which health care provider they see or the resource-intensity of a service.
- Traditionally, consumers have not benefitted from reductions in cost, nor have they paid for increases in costs or resource use.
- Consumers tend to focus on what they pay, instead of the total bill for all services. Moreover, consumers are not necessarily aware of the total amount they actually pay once all the different contributions toward the total bill are added together.
- Most consumers trust that all of the care they get from their providers is necessary and appropriate. Consumers also assume that employers and insurers benefit financially from efforts encouraging consumers to use less care or less expensive care.
- While consumers understand the importance of being engaged in their own care, their behaviors remain rooted in traditional expectations about the doctor-patient relationship and the medical care system.<sup>3</sup> Therefore, consumers are passive, particularly when it comes to weighing complex information about cost and resource use.
- Media stories, as well as marketing messages from the health care industry, emphasize the benefits of technology and aggressive care and play down the drawbacks.

### Aligning Incentives for Value: Paramount Agricultural Company

Paramount Agricultural Company is a private company in California with 1,800 employees and 3,500 insured lives. Paramount used messages from [The Communication Toolkit](#) to address two key issues with their employee population: access to care and appropriate use of services. The messages were reinforced by changes in Paramount's benefits that encouraged employees, in part through financial incentives, to use appropriate sources of health care. For example, Paramount educated employees about the importance of having a medical home; at the same time, they increased the cost of an emergency room (ER) visit and removed the copayment for visiting a rural health clinic. The result was a measurable decrease in the number of ER visits. Public reports, such as those on Alliance sites, can provide employers like Paramount with comparative cost and quality information they can pass on to their employees to facilitate higher-value choices.

## Consumer incentives and changes to the payment environment

Aligning consumer incentives to encourage higher value choices is the most critical opportunity to engage consumers with cost and quality information. This is most commonly done through **cost-sharing**, or providing financial incentives to consumers for choosing high-value services (such as drug therapy) that help avoid more costly alternatives (such as surgery).<sup>4</sup> By placing cost-sharing in the context of value<sup>5</sup>—and supporting high-value choices through mechanisms such as value-based tiering and co-payment decreases—employers, purchasers and plans give consumers a compelling reason to understand and use cost and quality information. Payment reform efforts being piloted and supported by the

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<sup>3</sup> Ibid.

<sup>4</sup> Choudhry, et al. Cost Effectiveness of Providing Full Drug Coverage to Increase Medication Adherence in Post-Myocardial Infarction Medicare Beneficiaries. *Circulation*. 2008 March 11; 117(10): 1261-1268.

<sup>5</sup> Please note that while the word “value” is used in research and in this primer to describe the combination of clinical effectiveness and cost, consumers view the term “value” very negatively. Alliances should avoid using this term in consumer-facing publications and web sites.

Alliances also present an opportunity to use incentives to get consumers to start considering cost when making health care decisions.

**Value-based tiering** uses comparative information on cost and quality to organize providers into tiers based on value. Consumers are rewarded with lower cost-sharing—or in some cases, no cost-sharing at all—for choosing providers in the top tier (those that provide the highest value). Payment reform efforts such as **accountable care organizations (ACOs)** and **patient-centered medical homes (PCMHs)** are expected to result in cost savings stemming from more efficient use of health care resources. Passing these savings on to consumers (for example, in the form of co-payment decreases or lower prices) will provide them with an additional reason to engage with cost and quality information.

## Measures Evolving from the Prometheus Payment Model

Prometheus<sup>6</sup> is a payment model that calculates two categories of costs for a given diagnosis:

- The cost for services patients typically get or should get for an episode of care.
- The cost of potentially avoidable complications for an episode of care.

Because the Prometheus Payment Model distinguishes appropriate costs from costs associated with avoidable harm, it is touted as a promising way to present consumers with cost information while skirting some of the problems with current cost measures.

### Available measures of cost and resource use

Currently, most cost and resource use measures evaluate the amount and total cost of care delivered for a specific purpose.<sup>7</sup> Since these cost and resource use measures were not developed with a consumer audience in mind and do not reflect the consumer's financial responsibility, consumers do not find these measures to be as meaningful or useful. Alliances should provide appropriate context when reporting these measures and work to obtain and report information on consumers' out-of-pocket costs (when available).

**Cost measures** capture the *total costs* of resources used. Cost measures are often expressed in terms of the price charged by the provider or, in the case of premiums, by the health plan. Note again that this price *rarely* reflects the amount paid by the consumer, so it is less meaningful to the consumer than reporting just the information on the consumer's out-of-pocket cost. However, reporting measures that capture total cost of care *can* help educate consumers about the true costs of care, and the problem of rising costs on a societal level. Examples of cost measures include:

- Health plan premiums (most consumers pay a portion, with the rest borne by an employer or public purchaser such as Medicare).

#### A related opportunity: Data

The quality and timeliness of the data underlying the measures are important in delivering effective cost and resource use information to consumers. You can help provide relevant data to consumers by:

- Working with data collectors and aggregators to ensure they are collecting appropriate, accurate and reliable data. If your report is not accurate or pertinent, consumers may be misled by your report or dismiss it altogether.
- Exploring how to aid efforts to collect data in a timely fashion. Keeping your report up-to-date with timely data will ensure your report maintains credibility with consumers.

<sup>6</sup> Learn about PROMETHEUS Payment at [http://www.rwjf.org/qualityequality/product.jsp?id=43951&cid=XEM\\_205605](http://www.rwjf.org/qualityequality/product.jsp?id=43951&cid=XEM_205605).

<sup>7</sup> Damberg, Cheryl. (March 16, 2010) Overview of Resources Use Measurement [AHRQ CVE Webinar].

- Hospital charges (posted prices that generally are not meaningful, since all insurers negotiate and pay discounted prices).
- Procedure costs, such as the cost of a Cesarean section (which again does not reflect the cost to the patient).

**Resource use measures** capture information on the resources that the health care system uses to deliver a single product or service for a condition or episode. Common measures of hospital resource use include *average length of stay* and the *30-day readmission rate*. Common measures of ambulatory resource use include *test ordering rate* and the *rate of prescribing generic drugs*. These measures are typically reported in the context of “overuse,” i.e., the idea that some health care services are provided more than is necessary.<sup>8</sup>

- **Resource use measures provide only a partial picture of the total resources used to treat a condition or episode.** Consequently, to get a clear and complete picture of the total amount of resources used when caring for a heart attack, consumers have to piece together the individual heart attack-related measures themselves—which can be difficult and burdensome.
- **Cost measures reflect all costs, rather than only the cost to consumers.** Since consumers tend to focus on what they pay, instead of the total bill for all services, cost measures that reflect the total cost of care are less pertinent to consumers than information on their out-of-pocket costs. Additionally, cost measures usually do not capture the cost of care across settings. Thus, consumers have to add costs across settings (e.g., pre-operative care in an outpatient setting, surgery in an inpatient setting, etc.) to get an idea of how much care costs for an entire episode.

### Measures on the horizon

Many organizations are working on developing and endorsing new measures to help drive consumers and providers toward higher value health care. These measure developers or endorsers include:<sup>9</sup>

- The National Quality Forum (NQF; [www.qualityforum.org](http://www.qualityforum.org))
- The Quality Alliance Steering Committee (QASC; [www.healthqualityalliance.org](http://www.healthqualityalliance.org))
- The Centers for Medicare & Medicaid Services (CMS; [www.cms.gov](http://www.cms.gov))
- The Leapfrog Group ([www.leapfroggroup.org](http://www.leapfroggroup.org))
- The National Committee for Quality Assurance (NCQA; [www.ncqa.org](http://www.ncqa.org))
- The Consumer-Purchaser Disclosure Project (CPDP; [healthcaredisclosure.org](http://healthcaredisclosure.org))
- Health Care Incentives Improvement Institute (HCI3; <http://www.prometheuspayers.org>)
- Private vendors

These organizations are primarily working on two types of measures: episode-of-care measures and efficiency measures.

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<sup>8</sup> Consumer Reports has published an alternative resource use measure that classifies the level of resource use in individual hospitals and communities using more resources as “aggressive” and those using fewer resources as “conservative” based on data from *The Dartmouth Atlas*. For more information, see <http://www.consumerreports.org/health/doctors-hospitals/how-we-rate-hospitals/chronic-care/approach-to-chronic-care.htm>.

<sup>9</sup> Romano, Hussey, Ritley. *Selecting Quality and Resource Use Measures: A Decision Guide for Community Collaboratives*. AHRQ publication No. 09(10)-0073, May 2010, 46.

**Episode-of-care measures** calculate the total resources required for an episode of care, such as treatment for a heart attack. These measures aim to capture care from the patient’s point of view by including care delivered by different providers across settings (e.g., pre-operative care as an outpatient, surgery as an inpatient, and post-operative recovery from home).<sup>10</sup>

When reporting episode-of-care measures, it is necessary to explain what care is included and excluded, as well when the episode begins and ends. Moreover, it is important to note that when episode-of-care resource measures are translated into costs, they reflect the total cost of care rather than the consumer’s out-of-pocket costs.

**Efficiency measures** focus on the costs or resources used to produce a product or deliver a service or services at a specified level of quality. *Generic prescribing rate*, which implies that generics and brand name drugs both provide the same level of quality (and assumes generics cost less) is an example of an efficiency measure. In this example, more efficient care is provided when generics are prescribed at a higher rate.<sup>11</sup> Several Alliances and other publishers of comparative information are experimenting with reporting efficiency measures.

There are several challenges to reporting efficiency measures. In practice, efficiency measures are hard to calculate because quality, as well as cost, varies. Additionally, early research indicates that efficiency measures will be difficult to communicate to consumers.

### **Alliances in action: MHQP finds consumers have difficulty processing efficiency measures**

Focus groups conducted on behalf of the Massachusetts Health Quality Partners (MHQP) found that consumers:<sup>12</sup>

- Had difficulty understanding efficiency measures
- Associated efficiency with businesses, not doctors
- Associated efficiency with timely care and access
- Did not connect inefficient care with money out of their pocket
- Are concerned about payers (such as employers and health plans) controlling care rather than their doctors
- Are concerned that a focus on efficiency may shortcut care that could be of benefit
- Would not seek out information on efficiency on their own

## **The language used to describe and explain cost and resource use measures**

Several organizations are conducting research to identify effective ways to describe cost and resource use measures to consumers.<sup>13</sup> Specifically, researchers are exploring how to:

- **Provide context for cost and resource use information** so that consumers have an understanding of the “big picture” before they focus on the details.<sup>14</sup>

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<sup>10</sup> Damberg, Cheryl. (March 16, 2010) *Overview of Resources Use Measurement* [AHRQ CVE Webinar].

<sup>11</sup> McGlynn, EA. Identifying, Categorizing, and Evaluating Health Care Efficiency Measures. Final Report (prepared by the Southern California Evidence-based Practice Center—RAND Corporation, under Contract No. 282-00-0005-21). AHRQ Publication No. 08-0030. Rockville, MD: Agency for Healthcare Research and Quality. April 2008.

<sup>12</sup> Rabson, Barbara. (July 29, 2009) Massachusetts Experience with Resource Use and Cost Measures [National CVE Meeting].

<sup>13</sup> AIR will be conducting research and providing guidance to Alliances on how to display, frame and label cost and resource use information in a forthcoming product. GYMR and MS&L will be providing general guidance on messaging.

<sup>14</sup> Please see the Communications Toolkit for guidance on this topic (<http://communicationtoolkit.airprojects.org/>).

- **Explain costs and resource use in a way that helps people think differently about the relationship of costs and resource use to quality**—and just as importantly, does not reinforce consumers’ current attitudes and beliefs. For example, how do you convey the idea that not only can people get too much care, but that excess care increases their risk of harm? How do you explain concepts like “waste”?
- **Determine whether health care consumers care about “value,”** which reflects a combination of cost and quality, in the context of health care. If so, how do you talk about and present the value of health care services? If not, what concept would be more meaningful to consumers?
- **Frame cost and resource use measures.** Framing these measures as a gain (e.g., better value) or a loss or risk (e.g., wasting your health care dollars or exposing you to unnecessary risk) may have different implications for how consumers interpret and use the information.

A related topic involves how to display information on costs and resource use. While much of what is known about effective quality displays can be applied to displaying cost and resource use measures, research is still needed to answer several questions, such as:

- **How do consumers interpret displays of cost and resource use information?** What new strategies might be helpful?
- **What are the best ways to present information on cost and resource use with information on quality** in order to avoid decisions based on cost and resource use only, or decisions where cost is used as a proxy for quality?
- **How do you explain that some level of cost and resource use is reasonable and expected?** In the context of quality, it makes sense to aim for certain things to happen “always” (i.e., 100%) or “never” (i.e., 0%). In the context of resource use, a certain amount of expense is desirable.
- **What language can you use to label and describe the measures so that people understand and interpret them correctly?** Labeling is especially important when a measure is trying to distinguish between care that is appropriate and care that is unnecessary. For example, when describing appropriate use of antibiotics for children, it is important to be clear whether the measure is reporting the percentage of children that *did* receive antibiotics appropriately or the percentage of children that *did not*.