

Center for Health Care Market Innovation Summary of Ongoing Research Projects

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The Center for Health Care Market Innovation was officially established in the summer of 2016 and is jointly directed by Professors Larry Van Horn and Steve Hoeffler. Since beginning operations just over six months ago, the Center has initiated three major research projects aimed at exploring how consumers interact with health care markets. This report includes a brief summary of each of the ongoing projects sponsored by the Center.

MDSave

MDSave is a company based in California that negotiates lower prices for common medical procedures, e.g., MRIs, ultrasounds, colonoscopies, etc., and offers these services directly to the consumer. MDSave offers two distinct services that consumers find valuable. First, the price charged by MDSave is generally lower than the prices consumers can find by contacting providers directly. Second, MDSave offers bundled services so that, when a consumer purchases a colonoscopy for example, she pays one price for the procedure itself and all of the ancillary services associated with a colonoscopy. MDSave is a consumer-facing company, and it does not bill insurance companies. Because of this, the data generated as part of its business can provide valuable insight into how patients choose to consume health care when they are paying for it directly.

The Center currently has two active research projects using data obtained directly from MDSave. First, Center researchers are analyzing the savings associated with using MDSave to purchase medical services. This project involves describing the types of services that consumers are willing to buy directly and examining the price savings that can be achieved through MDSave. To obtain better estimates of true savings, researchers are attempting to acquire data from Healthcare Blue Book, which provides estimates of a “fair price” for a variety of services and procedures across the country. The goal of this project is to produce an academic paper detailing the value of targeting consumers directly.

Second, Center researchers are working with a former economist at the Federal Trade Commission to estimate the tradeoff consumers are willing to make between travel time and the price of a procedure. While this type of information is often used in lawsuits challenging hospital mergers, it has never been widely available outside of this context. More importantly, economists have never been able to estimate this tradeoff using prices paid directly by healthcare consumers. By providing a reliable estimate of how consumers trade their time for lower prices, the Center will be able to elucidate a substantial portion of previously unobserved consumer behavior in health care markets.

Healthcare Value Analytics

Healthcare Value Analytics (HVA), a company based in Nashville, has worked with a hospital in Texas to introduce real-time feedback with cost benchmarks to physicians managing

inpatient care. This innovative tool has overcome technical barriers to 1) classify hospital encounters into appropriate DRGs in real time during a hospitalization, 2) integrate encounter, billing detail, cost accounting, and computerized physician order entry systems, and 3) display relevant cost benchmarks to ordering physicians clearly, concisely, and at the point of order entry. With strong leadership from their partner hospital, the tool has been accepted by hospitalist physicians who may better understand their hospital practice methods relative to their peers. Specifically, as a physician orders tests, treatments, etc., a bar meter increases indicating resource utilization for the individual patient relative to patients with a similar diagnosis at the same hospital.

Center staff will assess cost outcomes associated with the introduction of the HVA feedback tool using interrupted time series methods. The HVA tool was introduced to a subset of hospital physicians and the analysis will employ difference in differences methods, treating the introduction of the tool to a subset of physicians as a natural experiment. In addition, the cost feedback tool classifies hospital expenditures by service type (ie, lab/pharmacy/radiology/room charges). If physician behavior changed in response to the tool, descriptive analysis may indicate which physician ordering behaviors were most affected by the tool.

While HVA has been entirely responsible for the development and implementation of the application, Center researchers will evaluate the program's impact on cost. After managing regulatory concerns, the ultimate goal of this project is to produce one or more academic papers describing the effect of providing physicians with cost information on hospital spending. The information derived from this project will be directly relevant to hospitals, as they can use this or similar programs to minimize wasteful spending. Similarly, the results of this project will benefit consumers, as they may wish to choose a hospital based on its ability to deliver care efficiently—especially as more consumers are paying out of pocket with high deductible plans.

Liver Transplantation

Center researchers are currently working with the Division of Hepatobiliary Surgery & Liver Transplantation at Vanderbilt University Medical Center to conduct a nationwide survey on individual attitudes around liver transplantation. While previous surveys have focused on individual attitudes toward liver *donation*, the Center's survey will provide new evidence on attitudes toward liver *allocation* across the country. Currently, the national committee responsible for determining the rules that govern the allocation of livers is considering changing these rules. The Center's survey on the public's attitudes toward allocation will provide invaluable consumer input into a system that has a direct impact on who is able to obtain a transplant. The ultimate goal is to produce a series of academic papers detailing the costs and benefits of rewriting the rules regarding liver transplantation, and Center researchers will help focus this research on the effect of reallocation on health care consumers.