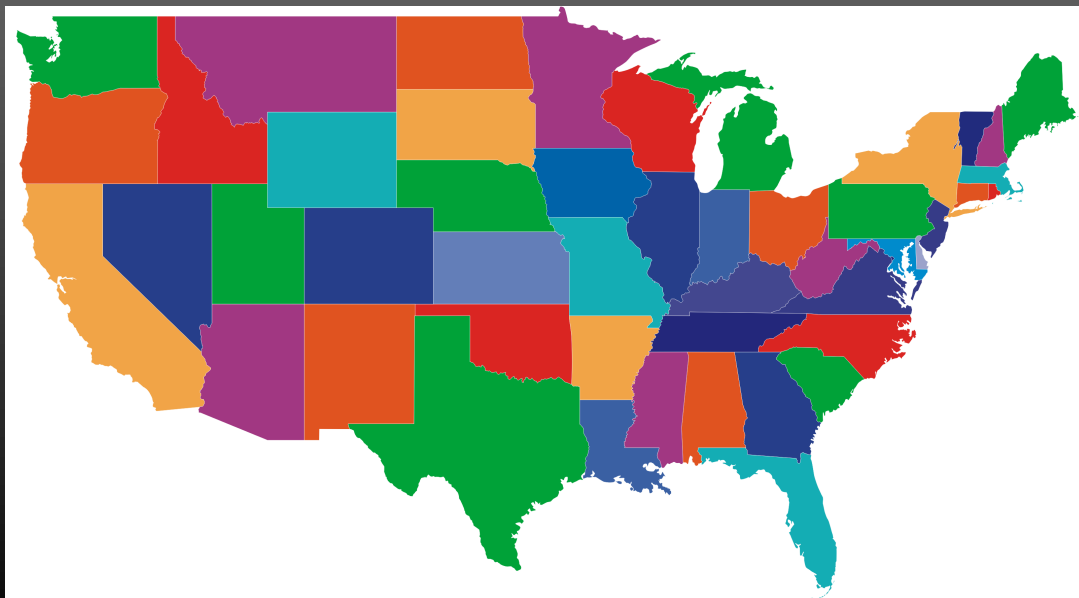


HEALTH CARE AMERICAN/HUSTLE



Presentation by Susan Dentzer
Senior Policy Adviser to the
Robert Wood Johnson Foundation
Princeton Conference
May 15, 2014



...so goes the nation.

Now that we've equipped a lot more people with health insurance security blankets...



...it's time to talk (again) about how much we are paying for health care

Tonight's Feature Presentation



“Some of this actually happened.”

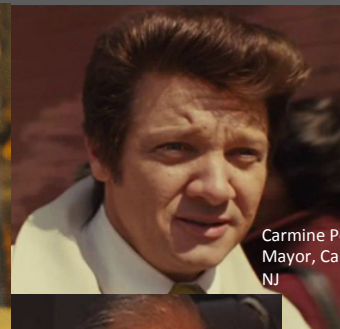


Sydney Prosser a/k/a
“Lady Edith Greensly”

Irving Rosenfeld



Rosalyn Rosenfeld



Carmine Polito,
Mayor, Camden
NJ

A con
inside
a con
inside
a con....



FBI Agent Richard “Richie” DiMaso



Victor Tellegio,
Meyer Lansky’s
right-hand man

How it all ends....



In health care, something like this actually happens

Mafia?



“A \$250 Million Fraud Scheme Finds a Path to Brighton Beach”
New York Times, Feb. 29, 2012

“The plot involved 10 doctors, 9 separate clinics in New York City and 105 different corporations, all in service of a health care fraud ring that federal authorities say **conspired to steal more than a quarter of a billion dollars from insurance companies.**”

“ And when the details were announced on Wednesday, they cast an unflattering spotlight on **how immigrants from the former Soviet Union** have often dominated such schemes in the city.”



- John Jenrette, one of Congressman charged and imprisoned in Abscam.
- Said on tape as potential of bribe discussed:
“**I got larceny in my blood. I'd take it in a goddamn minute.**”



Mayor Carmine Polito of
Camden, New Jersey

“Everyone loved this guy...He had a huge heart.

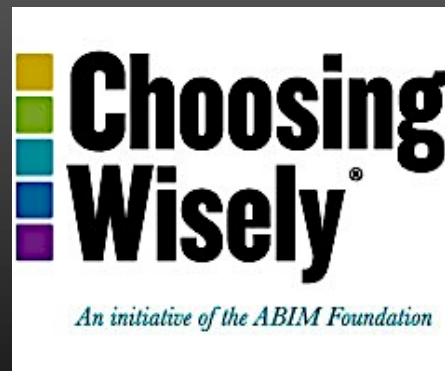
“He had just gotten gambling legalized” to provide jobs for his constituents.

“That’s the way the world works.

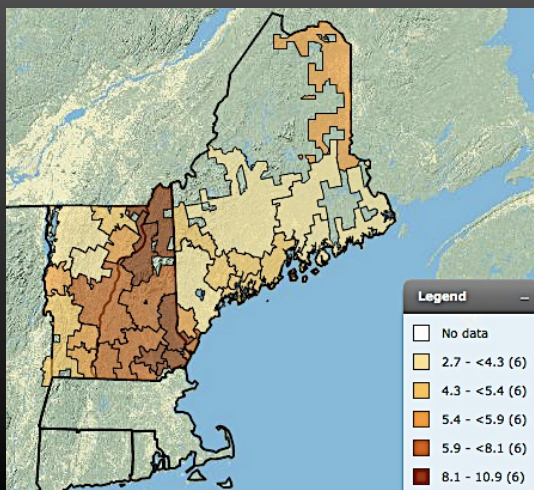
Not black and white...extremely gray.”

“Choosing Wisely” Survey, Feb.-March 2014

- 73 percent of physicians said the frequency of unnecessary tests and procedures is a “very or somewhat serious problem.”
- 53 percent say that **even if they know a medical test is unnecessary, they order it if a patient insists.**
- 72 percent of physicians say **the average medical doctor prescribes an unnecessary test or procedure at least once a week.**
- (PS: They blame malpractice)



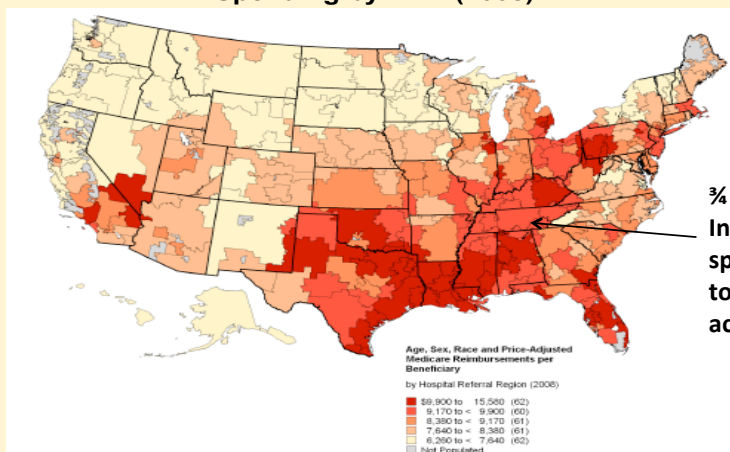
Variation: tonsillectomies in children, 2007-10



- More than four-fold variation
- 10.9 per 1,000 in Littleton, NH
- 2.7 per 1,000 in Bangor, ME
- Average cost of pediatric tonsillectomy in US = \$5,000
- Source: Dartmouth Atlas of Children's Health Care in Northern New England, 2013

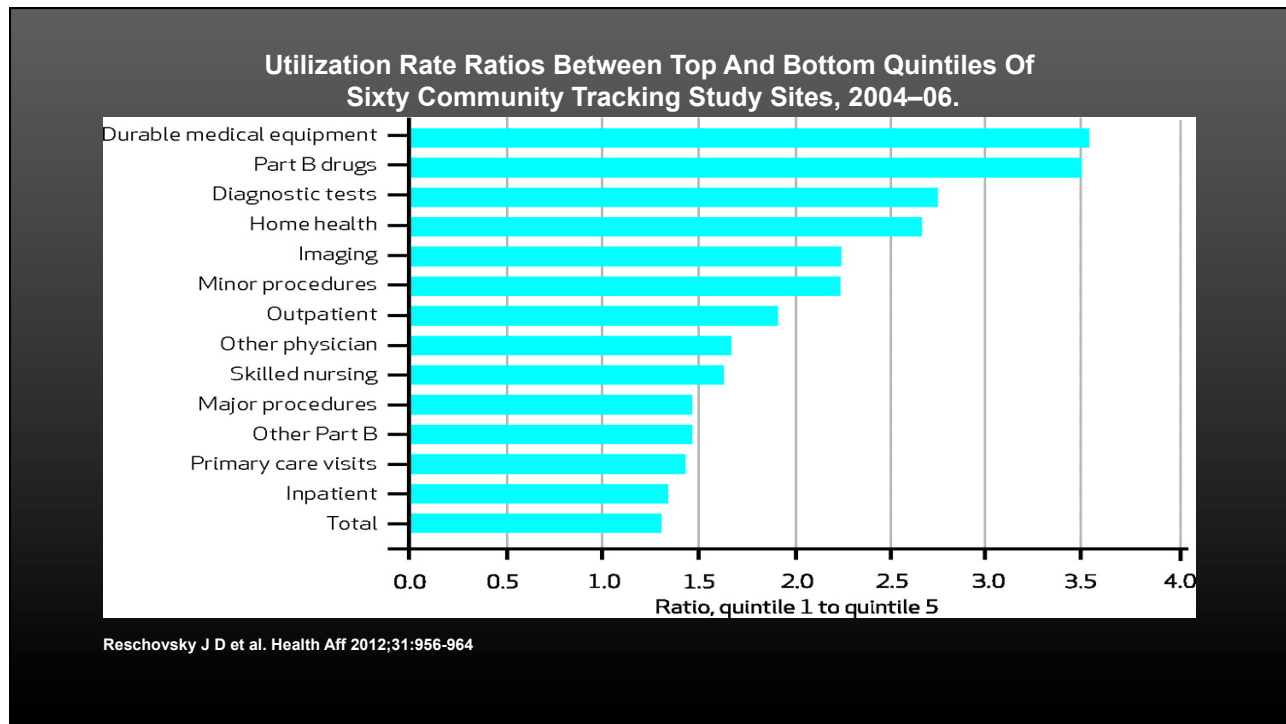
Institute of Medicine Variations Study, July 2013

Dartmouth Institute Map of Price Adjusted Medicare PMPM Spending by HRR (2008)



INSTITUTE OF MEDICINE
OF THE NATIONAL ACADEMIES

4

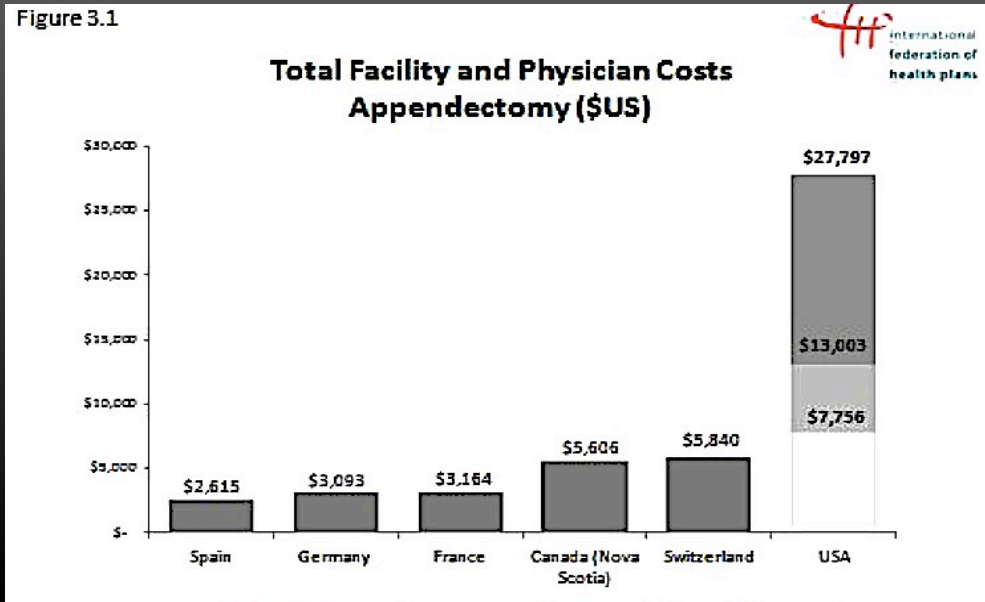


It's the Prices, Stupid

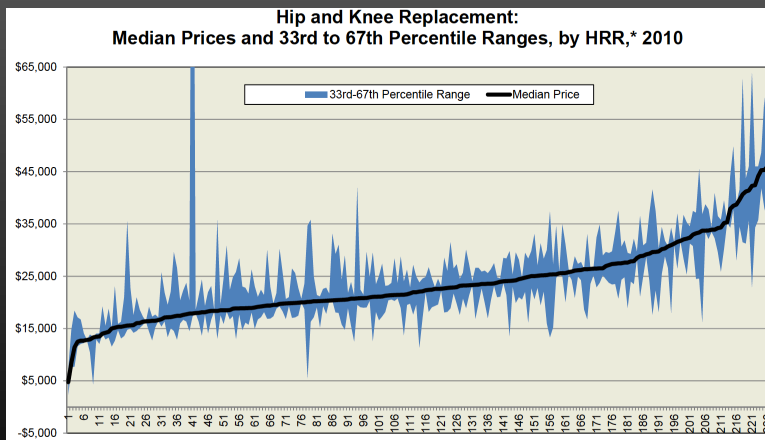
- Since 2000, rising prices of hospital charges, professional services, drugs, devices, and administration costs have produced **91 percent** of the increases in health spending
- US prices for almost every aspect of health care **greatly exceed** those in all other high-income countries

• Sources: Moses H et al, "The Anatomy of Health Care in the United States," JAMA 2013; 310(18):1947-1964;
International Federation of Health Plans

International Price Variation: An Example



U.S. Price Variation



For employers, reference pricing for knee and hip replacements (at 67th percentile in each Hospital Referral Region) would result in savings averaging **\$10,367** per knee and hip replacement among cases above reference price

Source: Truven Analytics analysis for EBRI; "Reference Pricing for Health Care Services: A New Twist on the Defined Contribution Concept in Employment-Based Health Benefits. EBRI Issue brief by Paul Fronstin, PhD, and M. Christopher Roebuck, PhD, RxEconomics, April 2014

Hospital hustle

- Hospital purchases of physician practices
- Shift of procedures to hospital outpatient facilities
- Hospitals impose “facility fees;” patients with high-deductible health plans hit
- MedPAC, CMS pushing “site-neutral” policies; estimates that Medicare beneficiaries would save \$900 million/year
- Identified 12 groups of services commonly performed in ambulatory surgical centers (ASCs) that would generate about \$600 million in annual savings if outpatient hospital payment rates are lowered to the level of ASCs.

“Bitter Pill” by Steven Brill, *Time*, March 2013

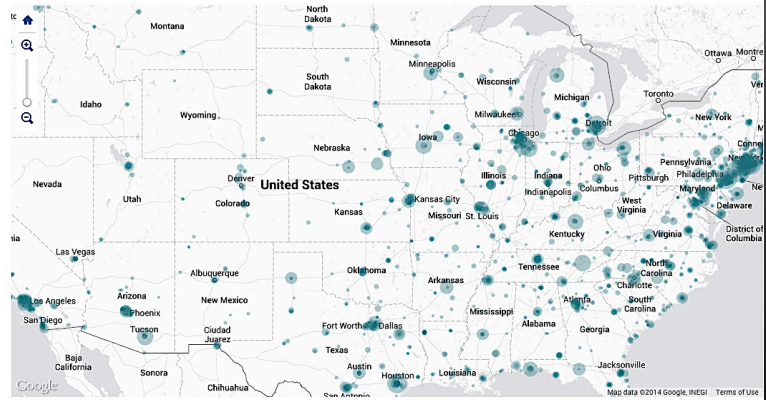
- “Steve H.,” retail store worker in 30’s
- Outpatient visit, specialist Mercy Hospital, Oklahoma City
- Presented with aching back
- Specialist recommends RestoreUltra neurostimulator, manufactured by Medtronic, to deliver spinal-cord stimulation
- Same-day surgery in Mercy outpatient center
- Charged \$7,882 for basic medical and surgical supplies; \$6,289 for facility fee
- Charged \$49,237 for stimulator (wholesale list price \$19,000; **160% markup**)
- **Total bill: \$86,951**

Insights from the Medicare Part B Data Dump, April 2014

- Ophthalmologists administering drugs for age-related macular degeneration
- Reimbursement = the drugs' "average sales price" plus 6 percent
- Avastin and Lucentis, both made by the drug company Genentech, found to produce equivalent results in a federally funded trial
- Annual treatment costs range from \$650 for Avastin (used off-label) to \$50,000 with Lucentis

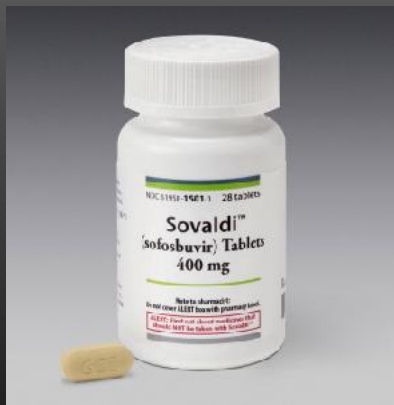
Medicare's Most Reimbursed Ophthalmologists

Nearly 3,000 ophthalmologists fell in the top 2 percent of Medicare Part B recipients, each receiving more than \$470,000 in payments in 2012. In that top 2 percent, ophthalmologists were the most represented specialty, accounting for 1 out of every 5 doctors. APRIL 9, 2014 RELATED ARTICLE



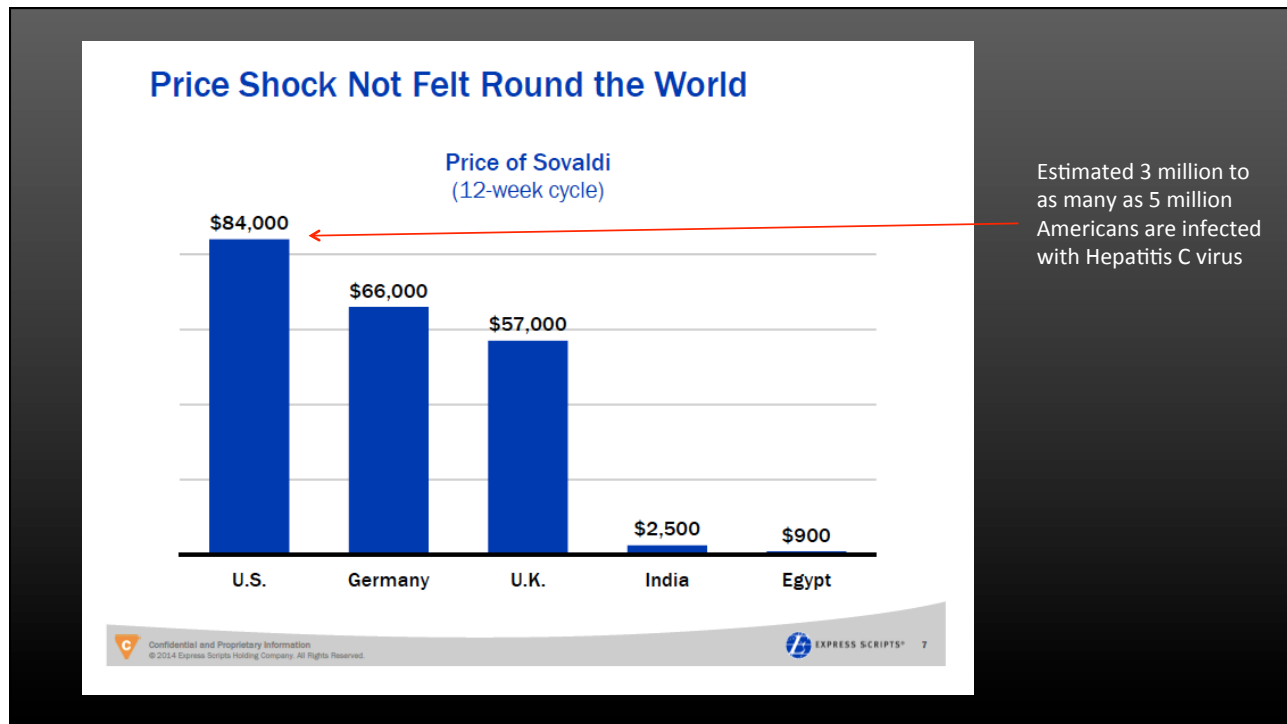
Source: The information presented here is from a database released by the Centers for Medicare and Medicaid Services. The database excluded, for privacy reasons, any procedures that a doctor performed on 11 or fewer patients. The total reimbursements for each doctor do not include those procedures either. Results shown above include only the individuals like doctors, nurses or technicians but not organizations like Walgreens. While some providers could have multiple offices, the address shown is the main address indicated in the database.

Source: New York Times, April 9, 2014



"At \$84,000, Gilead Hepatitis C Drug Sets Off Payer Revolt"
Bloomberg.com, Jan. 27, 2014






California Health Technology Forum, March 2014

Using an estimate of the number of infected individuals in California who know of their infection and would be considered for treatment, we estimate that replacing current care with simeprevir- and sofosbuvir-based regimens would raise drug expenditures by \$22-33 billion in a single year, assuming 50-75% of infected individuals were aware of their infection and presented for treatment.

We looked for potential cost offsets to drug treatment resulting from downstream reductions in liver-related complications that would be expected with successful treatment of hepatitis C infection. At a 5-year time horizon, however, cost offsets would be estimated to represent less than 10-20% of upfront treatment costs. Even at a 20-year horizon, if all patients infected with hepatitis C are treated with new regimens, the cost offset will only cover approximately three-quarters of initial drug costs.

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It turns out you can make real money selling \$1,000 pills. That's what Gilead Sciences ([GILD](#)) discovered in the quarter since the debut of Sovaldi, its hepatitis C treatment that has drawn attention for both its advances over existing therapies and its high price tag.

Sovaldi sales helped Gilead reach ~~\$4.9 billion in product revenue~~ in the first quarter, double the same period in 2013. Revenue of \$2.27 billion from the drug was double analysts' estimates, Bloomberg News [reported](#). A 12-week course of Sovaldi, which is taken once a day, costs \$84,000.

On a conference call with Gilead executives, one analyst called it "the best launch of any drug of all time that I'm aware of."

STORY: [UnitedHealth's \\$100 Million Bill for Hepatitis C Drugs](#)



"You are taking us to a very f---ing dangerous place with very large numbers."



What do we do?

Everybody means well -- mostly.

People are saving lives, a lot of the time.

They're creating jobs.

They're innovating.

They're making money.

We're going broke.

“Sometimes all you have in life are f---d up
poisonous choices.”

Independent Payment Advisory Board
All-payer claims data bases
PQRS
Competitive bidding
SHARED SAVINGS
Reference pricing
payment reform
Pay for value
PRICE CONTROLS
SGR
All-Payer
Capitation
DELIVERY REFORM
GLOBAL BUDGETS
PAP
SINGLE PAYER
Bundled payment
Price transparency
Fee-for-service

“We even con ourselves.
We leave out the risk.
We leave out the ugly truth.”





“Your next reinvention better have your damn feet on the ground.”

“The art of survival is a story that never ends.”



The End