



BlueCross BlueShield
of Texas

U.S. Healthcare COSTS

 @DrBobMorrow

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Blue Cross Blue Shield of Texas



EXCELLENCE

INTEGRITY

RESPECT

COMMITMENT

CARING



**BlueCross BlueShield
of Texas**

OUR PURPOSE

To do everything in our power
to stand with our members
in sickness and in health



Agenda

U.S. Health Care Costs

America's Health Status

Pharmaceutical Spending

Emergency Care Costs

Impact of Hospital Consolidation

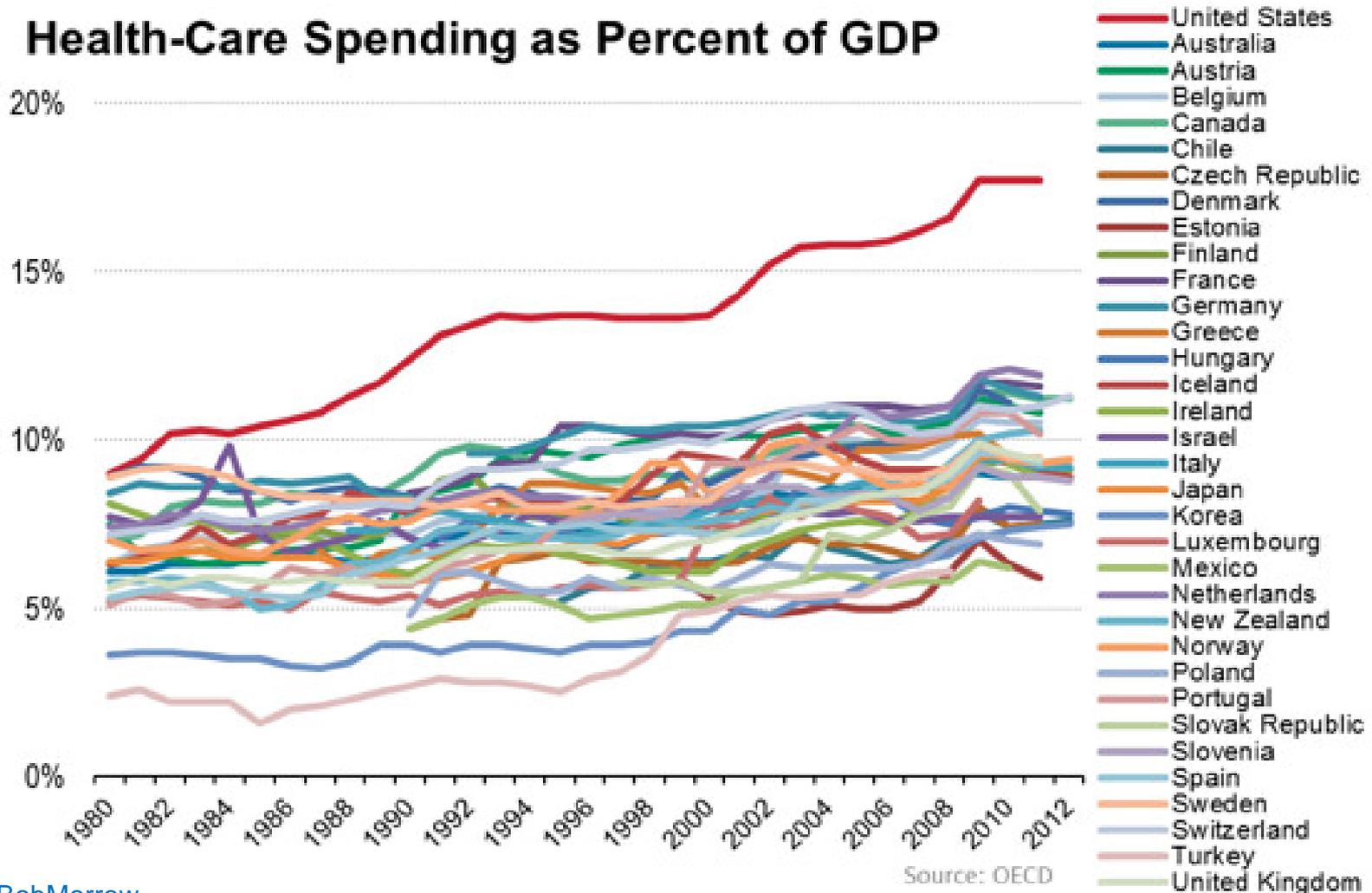
Value Based Care

Being a Good Patient and Shopper



Health Care Spending

Health-Care Spending as Percent of GDP



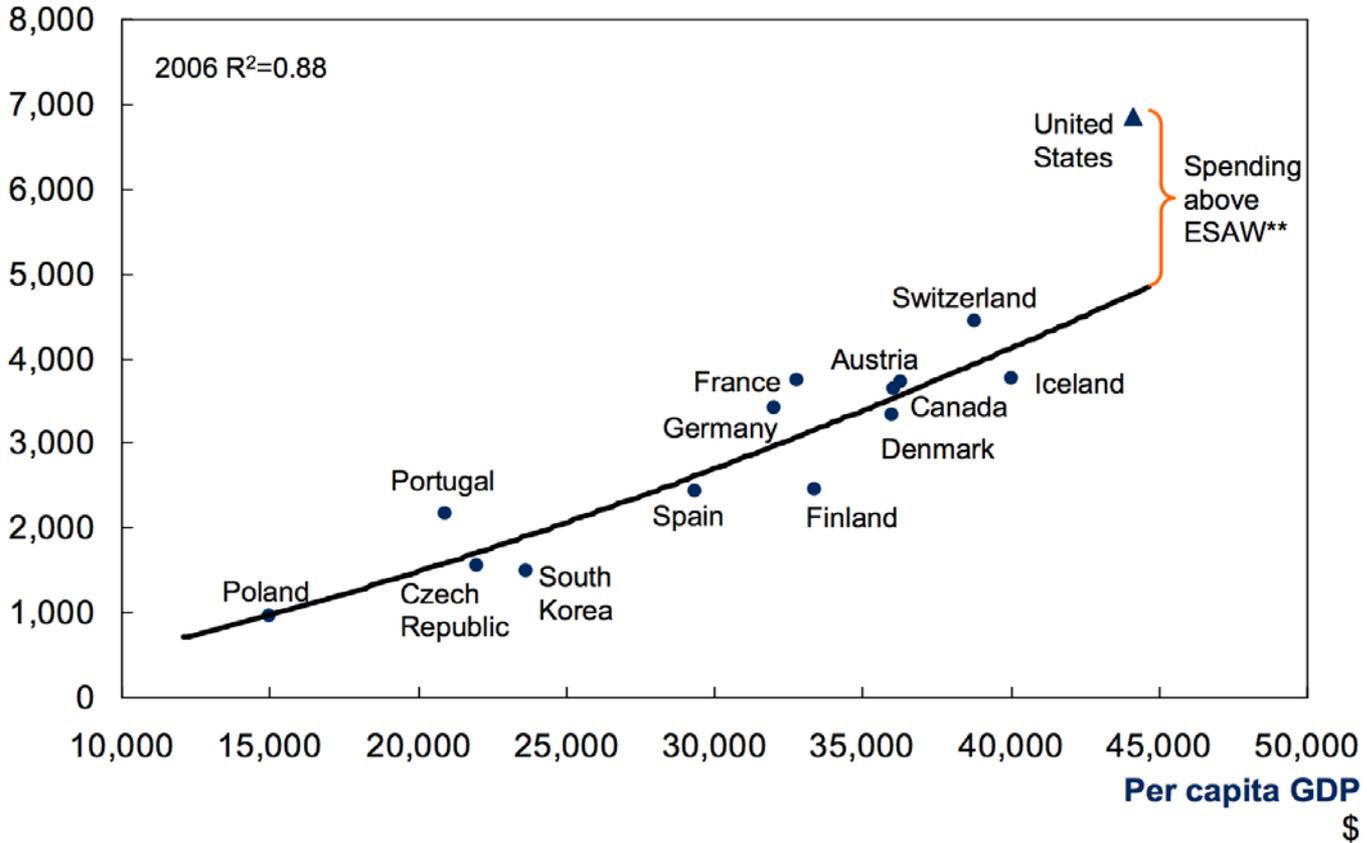
Source: OECD



After Adjustment for Wealth, US Still Spends More Than Other Countries

Per capita health care spending, 2006

\$ at PPP*



* Purchasing power parity.

** Estimated Spending According to Wealth.

Source: Organisation for Economic Co-operation and Development (OECD)



Audience Participation:

**Americans are sicker
than Europeans.**

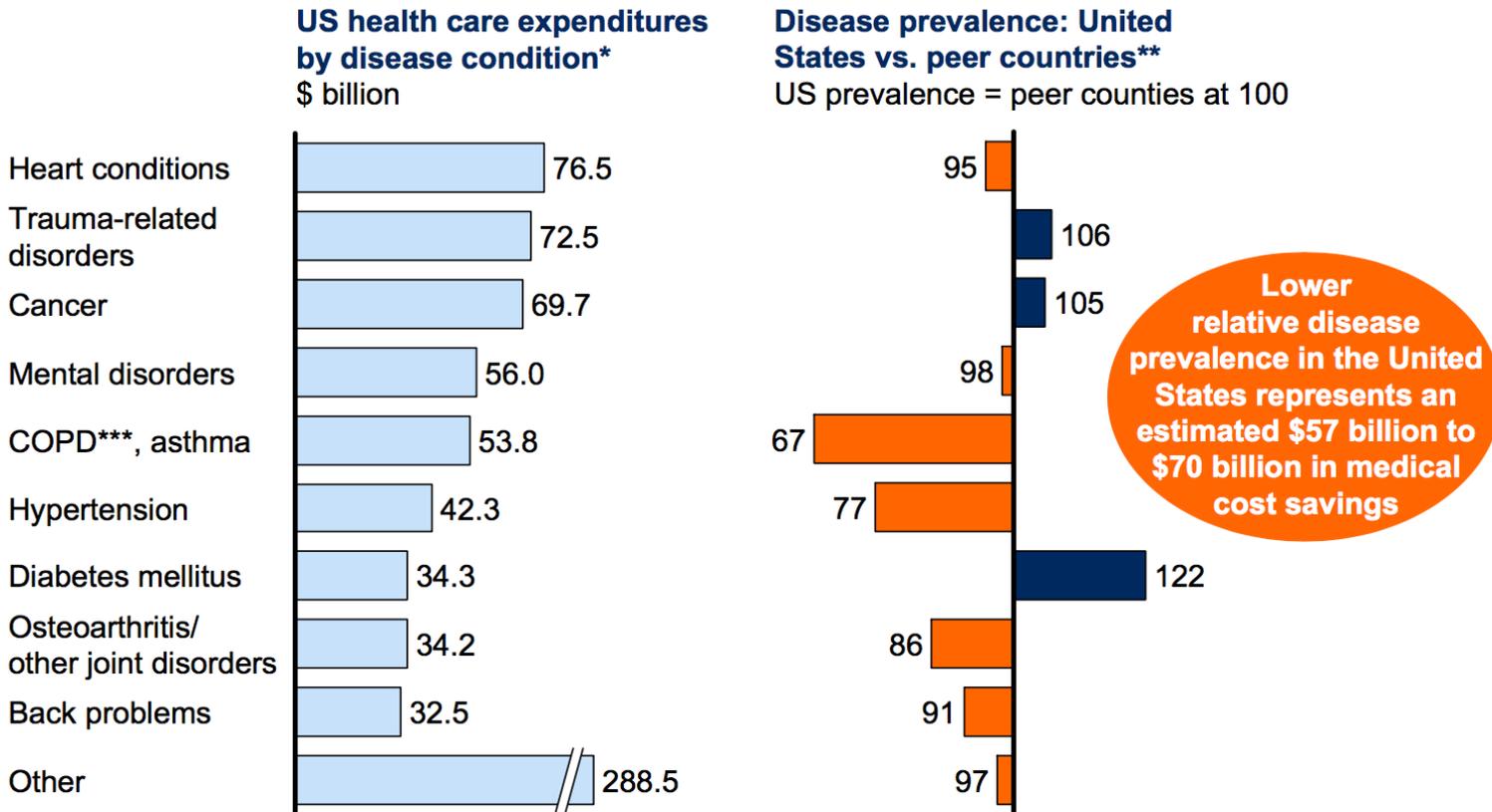
FALSE.



But the US is Not as Sick as Europe

Disease prevalence in the United States is lower than in peer countries for most high-cost medical conditions

■ Higher US prevalence
■ Lower US prevalence



* Includes 35 of 60 medical conditions surveyed by US Medical Expenditure Panel Survey; the costs of these diseases represent 35 percent of total US health expenditures.

** Peer countries are France, Germany, Italy, Spain, and the United Kingdom.

*** Chronic Obstructive Pulmonary Disease.



Audience Participation:

Higher prices are the #1 reason
America's health care spending is
increasingly more than Europe's.

TRUE.



It's The Prices, Stupid: Why The United States Is So Different From Other Countries

Higher health spending but lower use of health services adds up to much higher prices in the United States than in any other OECD country.

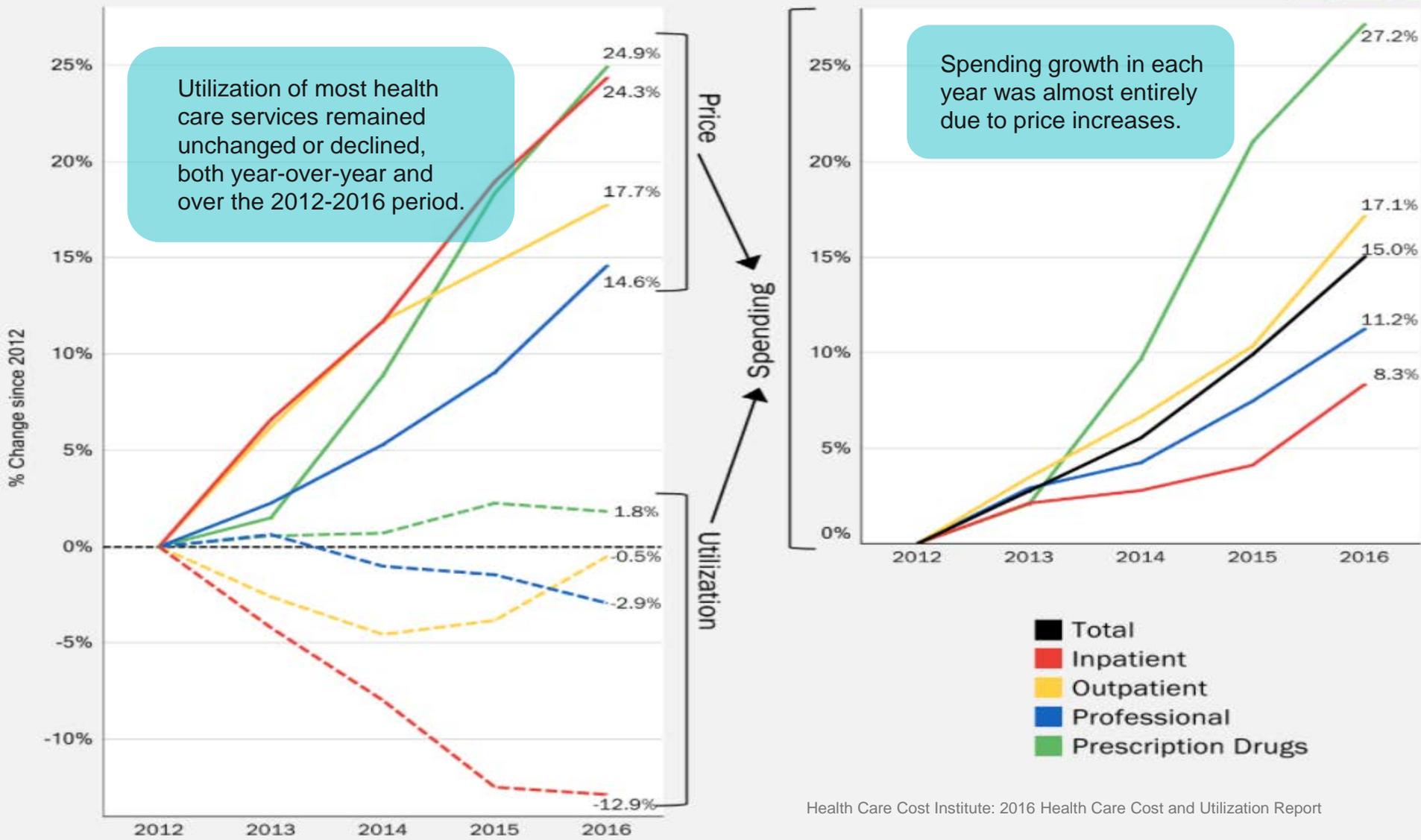
by **Gerard F. Anderson, Uwe E. Reinhardt, Peter S. Hussey, and Varduhi Petrosyan**

HEALTH AFFAIRS - Volume 22, Number 3

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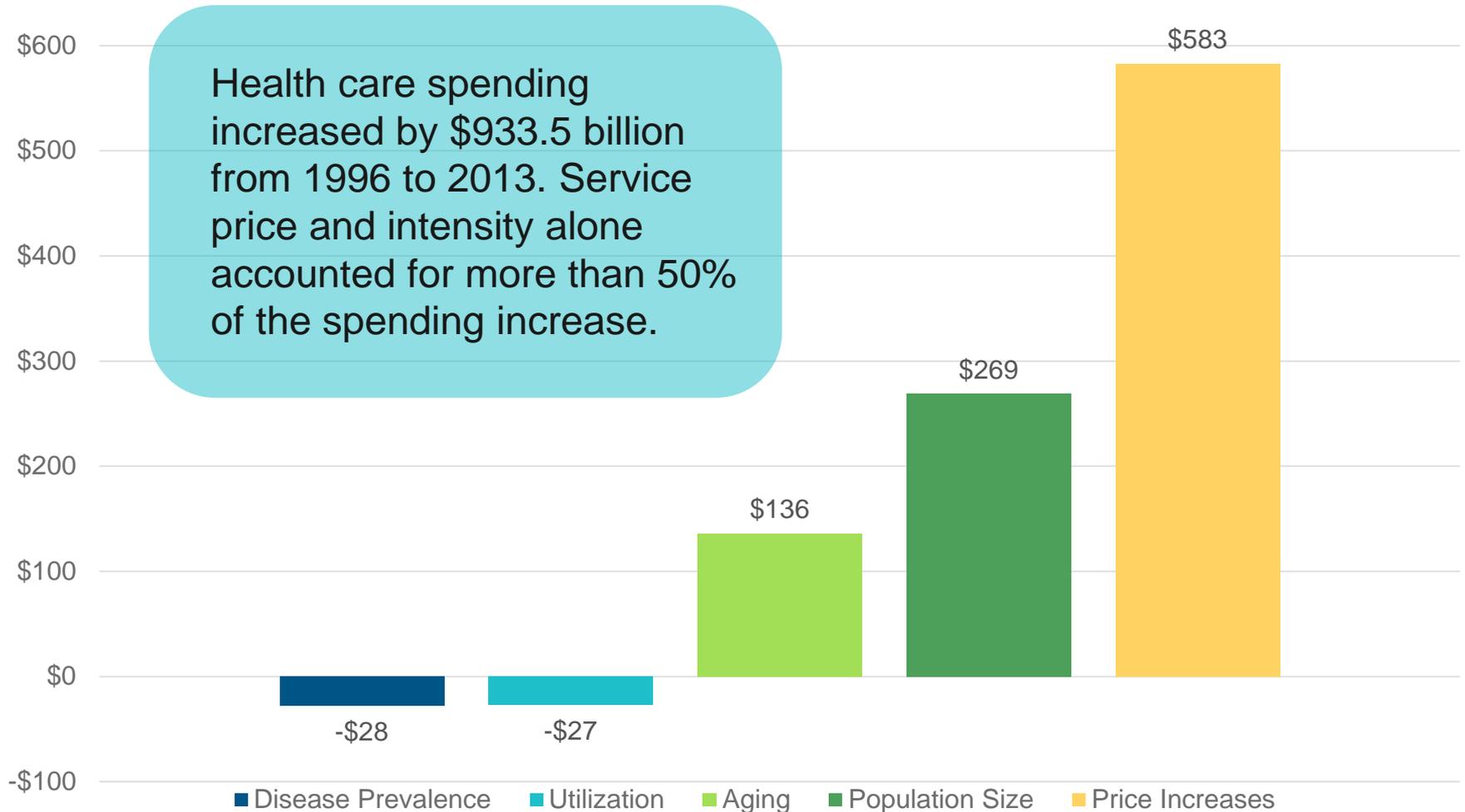


Cumulative Change in Price, Utilization and Spending 2012-2016





Spending in the U.S. Increased \$930 Billion 1996-2013



Where Does Your Premium Dollar Go?

Numbers reflect averages for commercial insurers from 2014-2016.
Source: America's Health Insurance Plans

4.7¢

Taxes

3.3¢

Other Fees & Business Expenses

1.8¢

Customer Engagement

1.6¢

Finance, Claims & Special Investigations

1.6¢

Technology & Analytics

0.7¢

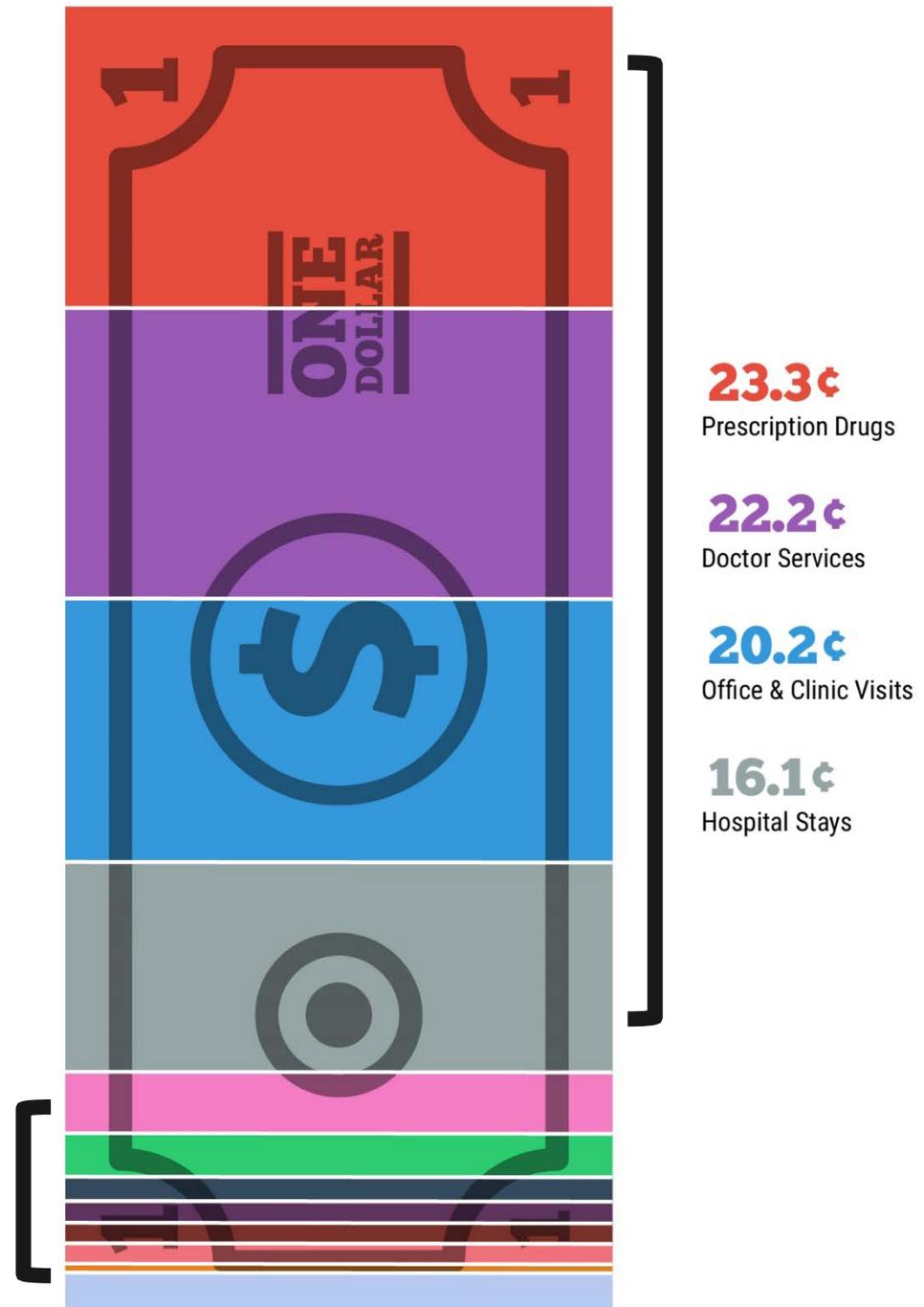
Administration

0.5¢

Provider Management

2.3¢

Net Profit





May Cause Drowsiness, Do Not Drive Or Perform Other Potentially Dangerous Tasks Until You Know How This Medicine Affects You.

11/28/11

EXP. DATE 11/28

08/24/11

SHAPED TABLET Side 1: Side 2:
May Cause Drowsiness, Do Not Drive Or Perform Other Potentially Dangerous Tasks Until You Know How This Medicine Affects You.

ROUND TABLET Side 1: Side 2:
Take This Medicine On An Empty Stomach
Take This Medicine With A Full Glass Of Water
Take In The Morning

May Cause Drowsiness, Do Not Drive Or Perform Other Potentially Dangerous Tasks Until You Know How This Medicine Affects You.

ROUND TABLET Side 1: Side 2:
Take This Medicine On An Empty Stomach
Take This Medicine With A Full Glass Of Water
Take In The Morning

SHAPED TABLET Side 1: Side 2:
May Cause Drowsiness, Do Not Drive Or Perform Other Potentially Dangerous Tasks Until You Know How This Medicine Affects You.

BLUE PINK CAPSULE Side 1: Side 2:
Take Medication On An Empty Stomach 1-3 Hours After A Meal Unless Directed By Your Doctor
May Cause Drowsiness

May Cause Drowsiness, May Interfere With Operation Of Car Or Machinery

SHAPED YELLOW TABLET Side 1: Side 2:
May Cause Drowsiness, Do Not Drive Or Perform Other Potentially Dangerous Tasks Until You Know How This Medicine Affects You.

ROUND TABLET Side 1: Side 2:
Take This Medicine On An Empty Stomach
Take This Medicine With A Full Glass Of Water
Take In The Morning

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DATE 08/24/11

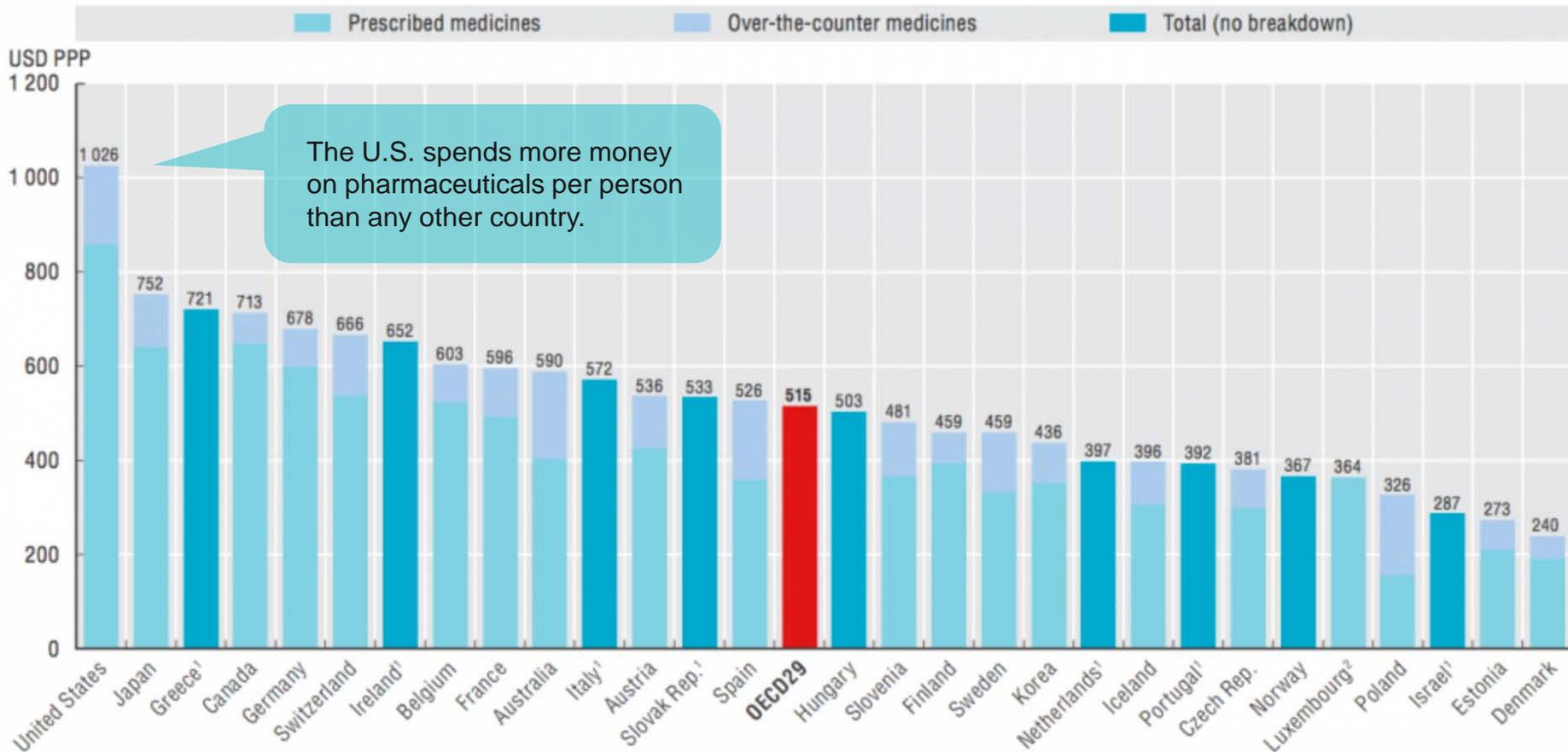
ROUND TABLET Side 1: Side 2:

08/24/11



OECD Expenditure on Pharmaceuticals

Per capita, 2013 (or nearest year)



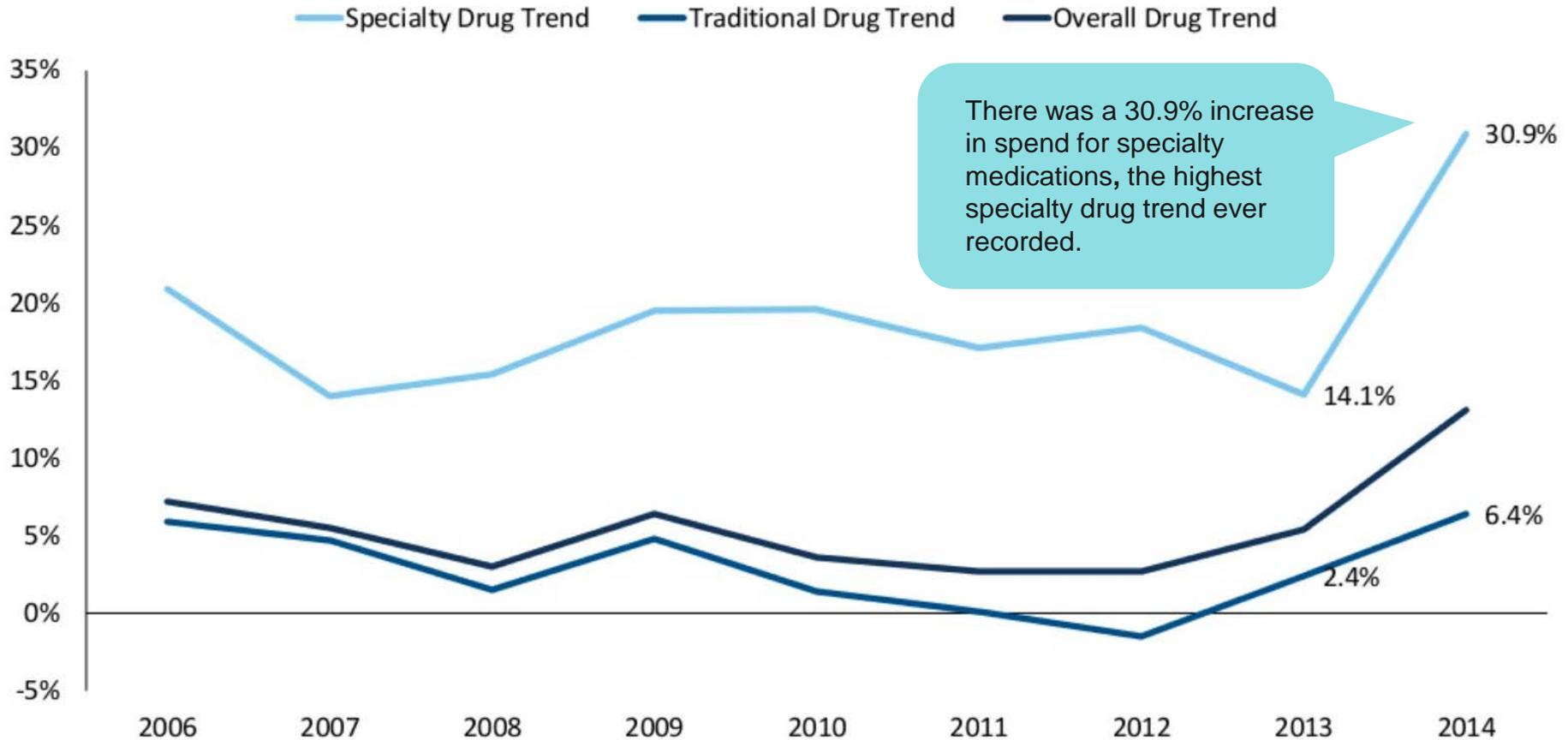
1. Includes medical non-durables (resulting in an over-estimation of around 5-10%).
2. Excludes spending on over-the-counter medicines.

Source: OECD Health Statistics 2015, <http://dx.doi.org/10.1787/health-data-en>.

Costly New Specialty Drugs Are a Major Driver of Increased Health Spending



Express Scripts drug spending growth trend by therapy class, 2006 -2014



Source: Express Scripts 2014 Drug Trend Report and Year in Review. Available at <http://lab.express-scripts.com/drug-trend-report/> and <http://lab.express-scripts.com/drug-trend-report/introduction/year-in-review>



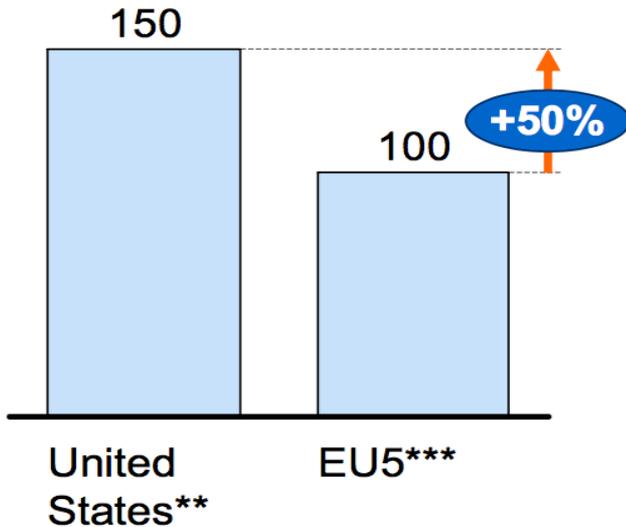
U.S. Drug Prices are 50% Higher for Comparable Products

Average price gap is nearly 120% due to usage patterns

For comparable drugs, US prices are 50 percent higher than in other developed countries . . .

Average price* difference for the same drug

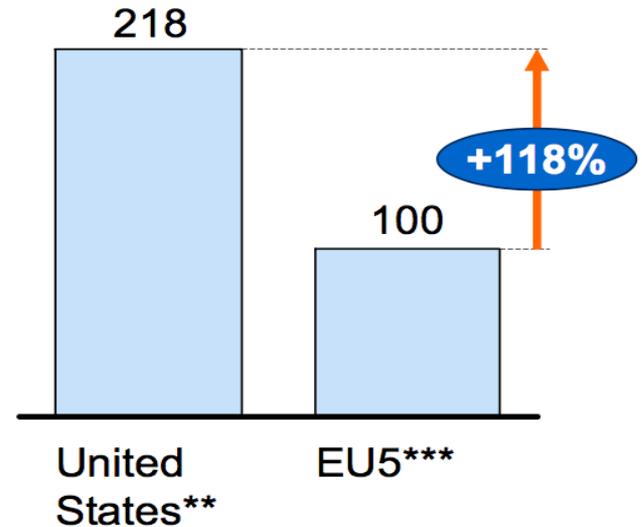
\$/pill indexed: EU5*** price = 100



. . . and the use of a more expensive mix of drugs in the United States increases average prices even more

Overall average price*

\$/pill indexed: EU5*** price = 100



* Manufacturer price.

** Assumes 15 percent rebates from manufacturers to payers and Pharmacy Benefit Managers (PBMs).

*** Average of the United Kingdom, Germany, Italy, France, and Spain.



Are these ERs or Urgent Care Centers?

The answer matters.



A Texas Problem: Freestanding Emergency Rooms

- 75% of all patients seen at FSERs can be seen in urgent care
- \$2,200 vs \$168 average cost
- Deliberate confusion of patients

The price you pay could depend on the time of day.



**FULL SERVICE
EMERGENCY ROOM**
Available 24 / 7 / 365

**URGENT CARE
BILLING**
Available 7A-9P everyday
for non-emergent conditions
Over 80% of patients are billed at urgent care rates

UNDER ONE ROOF

WE ACCEPT ALL MAJOR PRIVATE INSURANCE PLANS

Aetna

Humana



Anthem

(As seen on the website of an out-of-network FSER)



Where You Go Matters – Top 10 Dx

Average Cost to Treat (per claim)

Diagnosis	Hospital ER	Freestanding ER	Urgent Care Clinic	Retail Clinic
Headache	\$2,214	\$2,472	\$170	\$80
Urinary Tract Infection, Site	\$1,987	\$1,579	\$151	\$66
Other and unspecified, Site	\$2,527	\$2,729	\$158	\$77
Acute Bronchitis	\$1,298	\$1,611	\$175	\$77
Acute Upper Respiratory Infection	\$872	\$1,127	\$162	\$82
Dizziness and Giddiness	\$2,696	\$3,026	\$167	\$70
Acute Pharyngitis	\$888	\$1,331	\$166	\$86
Nausea with Vomiting	\$2,257	\$2,126	\$169	\$77
Unspecified Essential Hypertension	\$1,872	\$2,024	\$142	\$63
Lumbago	\$1,482	\$1,814	\$159	\$66

Consumer Education



Using SmartER CareSM Options

If you aren't having an emergency, knowing where to go for medical care may save you on cost and time. You have choices for where you get non-emergency care — what we call SmartER Care options. Try these places instead of the emergency room (ER). Plus, when you visit in-network providers, you may pay less for care. Visit the "Control Costs with SmartER Care" web page at bcbstx.com for more details.

NEED ADVICE?

The 24/7 Bilingual Nurseline can help you identify some options. Nurses are available at 800-581-0393, 24 hours a day, seven days a week, to answer your health questions. The 24/7 Bilingual Nurseline may not be available with all plans. Check your benefits booklet for details.

SYMPTOMS*	Virtual Visits	Doctor's Office	Retail Clinic	Urgent Care	Emergency Room
<ul style="list-style-type: none"> Allergies Cold/Flu Depression 	You may be able to have a live doctor visit by phone, online video or mobile app for non-emergency medical and behavioral health care. ^{1,2} 24 hours a day, 7 days a week	Talk to the person who knows you and your medical history. Office hours may vary	Use for non-emergency care when you can't see your doctor. Hours based on retail store hours	Visit when it's not an emergency, but needs immediate attention. Generally includes evening, weekend and holiday hours	Use for life-threatening symptoms. Open 24 hours, 7 days a week
<ul style="list-style-type: none"> Fever, colds and flu Sore throat Stomach ache 	Average Cost: \$	Average Cost: \$	Average Cost: \$	Average Cost: \$\$	Average Cost: \$\$\$
<ul style="list-style-type: none"> Infections Minor injuries or pain Sore and strep throat 	Average Wait: 20 Minutes	Average Wait: 18 Minutes	Average Wait: 15 Minutes	Average Wait: 16-24 Minutes	Average Wait: 4 Hours
<ul style="list-style-type: none"> Cuts that need stitches Migraines or headaches Back pain Sprains or strains Animal bites or rashes Tolerable pain 					Average Wait: 7 Minutes
<ul style="list-style-type: none"> Heart problems, heart attack Chest pain, stroke Breathing problems Heavy bleeding Broken bones Sudden or severe pain 					

*Note: These examples are not a list of all symptoms and health issues.

WHAT IS AN EMERGENCY?

Life happens. One minute you're making dinner and the next you slice your finger. Luckily, your health care coverage puts you in control of your care — and your costs. You have choices when it comes to choosing care. Just because your finger is hurt doesn't mean you need to go to the emergency room (ER). And in some cases, if you do go to the ER, your visit may not be covered. This means you could end up paying part or all of the bill.

Knowing what is — and isn't — an emergency can help you plan for the unexpected.



When the ER Should be Used

You should go to the ER for life-threatening symptoms, such as:

- Heart problems
- Breathing problems
- Heavy bleeding
- Broken bones
- Severe pain

When the ER Shouldn't be Used

You have choices other than the ER for health concerns like:

- Colds and sore throat
- Ear or sinus pain
- Rashes
- Cuts that don't need stitches
- Constipation
- Tolerable pain

FREESTANDING EMERGENCY ROOM OR URGENT CARE

Knowing when to go freestanding ERs or urgent care centers can be tricky. While they may seem like the same thing, they do have different buildings and visit charges.

Freestanding ERs:

- Will have the word "Emergency" in the name or on the building
- Charge emergency room rates, even if the care you need is minor
- Are mostly out-of-network, so you may get a bill for the amount that your health care plan doesn't cover

NEED HELP DECIDING WHERE TO GO FOR CARE?

Use our Provider Finder[®] at bcbstx.com to find a network provider or call the Customer Service number on the back of your ID card. If you need emergency care, call 911 or seek help from any doctor or hospital right away.

Internet access is needed for computer access. Data charges may apply. Check your cellular data or internet service provider's plan for details. Some services may not be available on all plans. Virtual visits are subject to the terms and conditions of your benefit plan, including benefits, limitations, and restrictions. Behavioral health services are subject to separate rules and regulations. Some services may not be available in certain states. MDLIVE is not an insurance provider or a provider of financial services. MDLIVE does not guarantee that a prescription will be written. MDLIVE may not be available on all plans. Virtual visits are subject to the terms and conditions of your benefit plan, including benefits, limitations, and restrictions. MDLIVE operates and administers the virtual care program and is solely responsible for its operations and that of its contracted providers. MDLIVE and the MDLIVE logo are registered trademarks of the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans. © 2018 Blue Cross and Blue Shield Association. All rights reserved. Blue Cross and Blue Shield Association is an Equal Opportunity Employer. MDLIVE is a service mark of the Blue Cross and Blue Shield Association. 230205 05/18



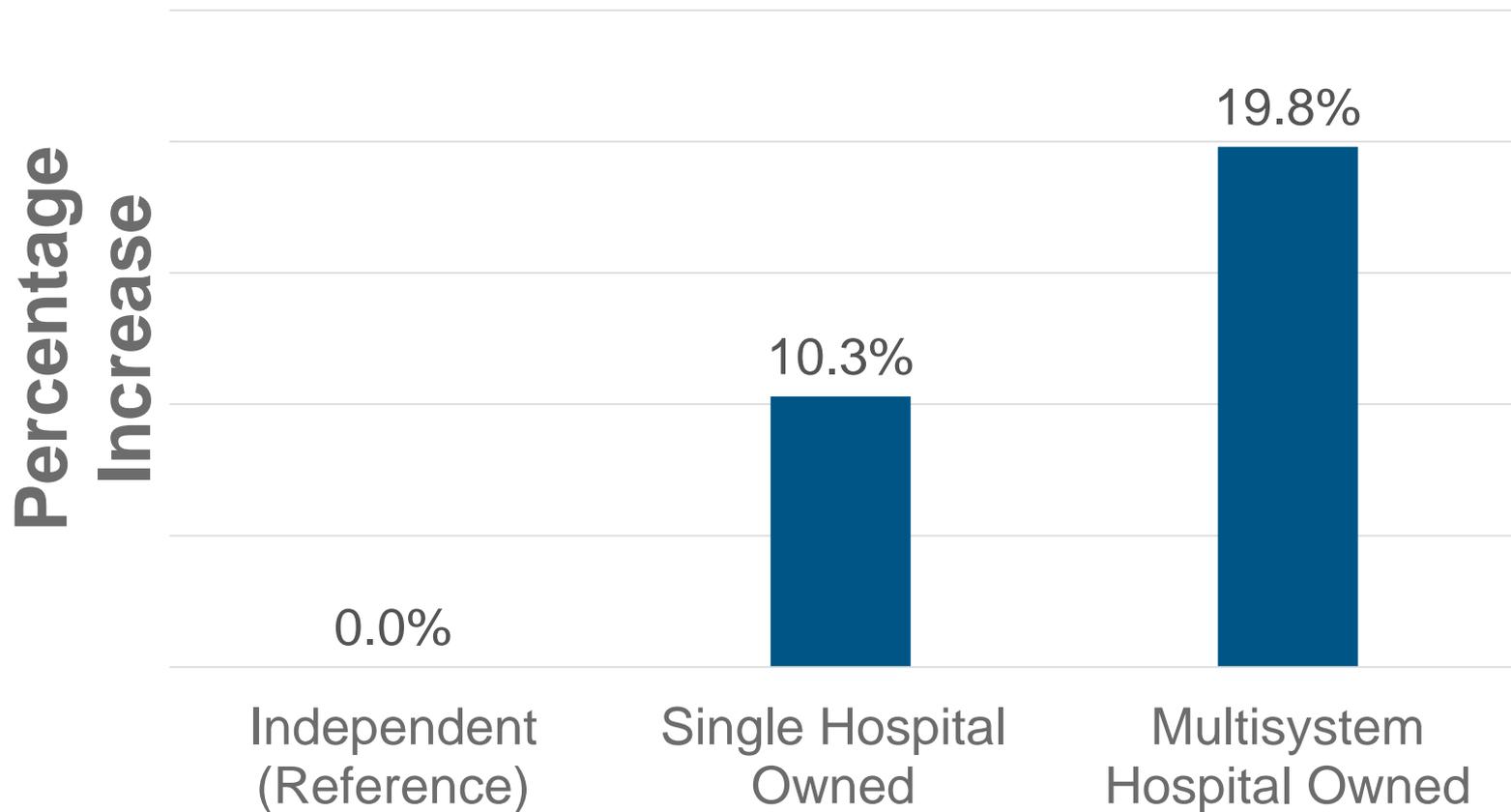
A recent driver of
higher facility prices is
**hospital
consolidation.**

Physicians control
costs much more
effectively when they
are independent.



Original Investigation

Total Expenditures per Patient in Hospital-Owned and Physician-Owned Physician Organizations in California



Robert Wood Johnson Foundation Study: The Impact Of Hospital Consolidation

SUMMARY OF KEY FINDINGS



Hospital consolidation generally results in higher prices



Hospital competition improves quality of care



Physician-hospital consolidation has not led to either improved quality or reduced costs



Robert Wood Johnson Foundation

UPDATE

June 2012

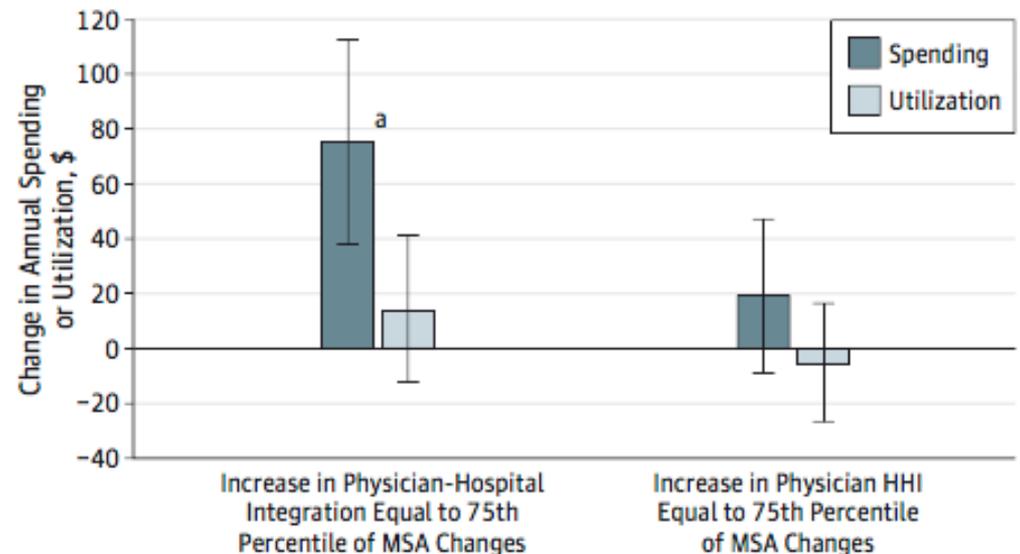


Original Investigation

Association of Financial Integration Between Physicians and Hospitals With Commercial Health Care Prices

“Increases in physician-hospital integration from 2008 through 2012 were associated with increased spending and prices for outpatient services, with no accompanying changes in utilization that would suggest more efficient care from better care coordination and economies of scale.”

A Outpatient spending and utilization





Bringing value
to health care



Redefining Value in Health Care

QUALITY



- Achieve better outcomes
- Increase safety
- Improve satisfaction

VALUE =

COST \$

- Reduce avoidable medical spending
- Decrease total cost of care



Providing accountable care

Outcomes

- Improve the individual experience of care
- Improve population health
- Reduce the cost of health care for populations

Processes

- Oversee the provision of clinical care
- Coordinate the provision of care across the continuum of health services
- Invest in and learn to use appropriate IT to manage population health

Structure

- Accountability for the measured health of a population
- Align incentives to encourage the production of high quality health outcomes

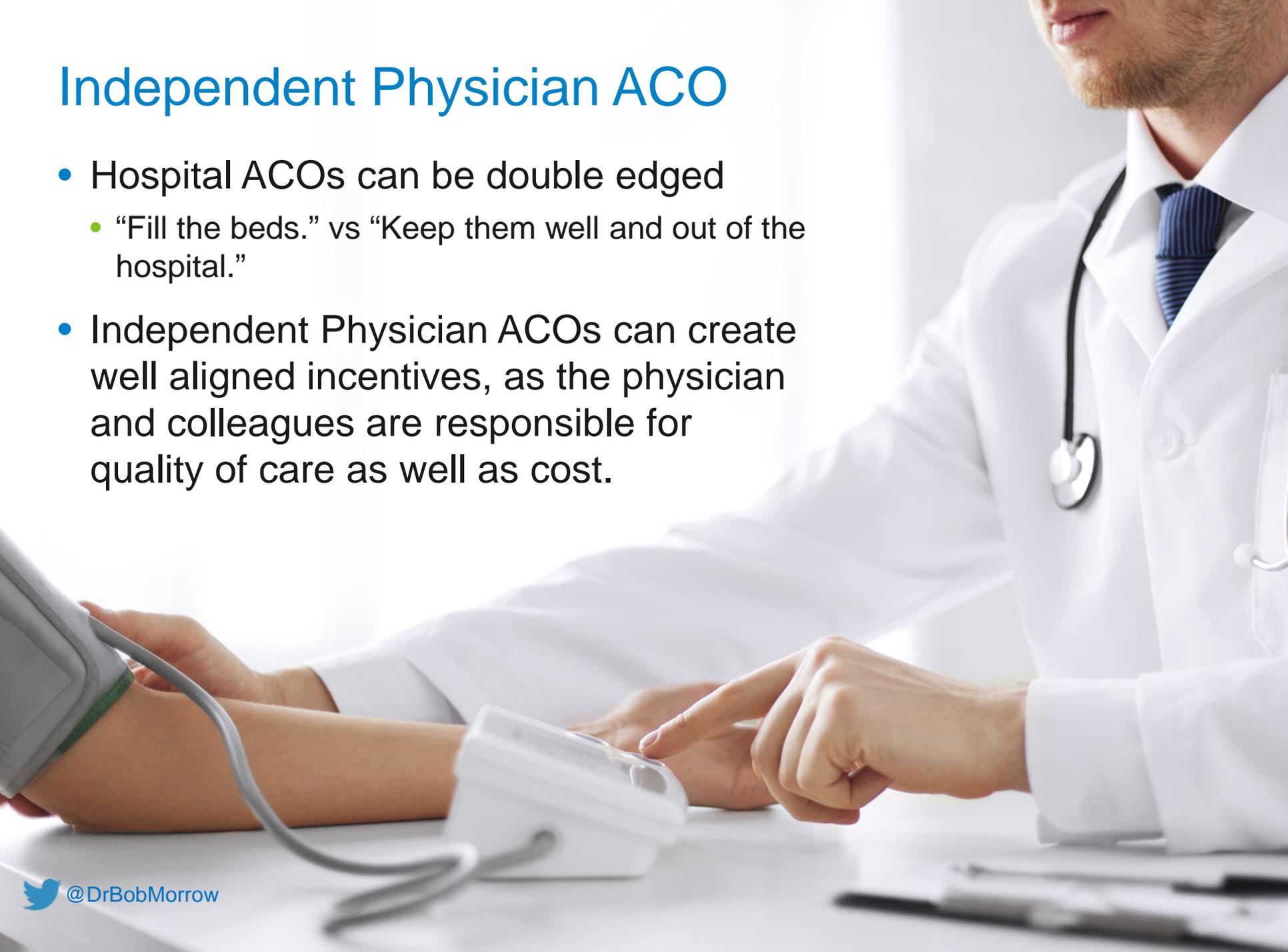


Accountable Care Organizations

- Provider (e.g., hospital or large physician group) agrees to attempt to manage a population of patients and decrease costs while maintaining or improving quality.
- If ACO achieves quality benchmarks, it shares in any cost savings.
- Private payers attempting to move providers into “ACO-type” contracts.
- There’s not just one ACO model.

Independent Physician ACO

- Hospital ACOs can be double edged
 - “Fill the beds.” vs “Keep them well and out of the hospital.”
- Independent Physician ACOs can create well aligned incentives, as the physician and colleagues are responsible for quality of care as well as cost.



**What is the most clinically
and financially effective
way to manage an illness?**

To prevent it!!





How to Stay Healthy

Just some quick tips from
your friendly neighborhood doc



Quit Smoking

Declines in Acute Myocardial Infarction After Smoke-Free Laws and Individual Risk Attributable to Secondhand Smoke

James M. Lightwood, PhD; Stanton A. Glantz, PhD

Background—The estimated effects of recent public and workplace smoking restriction laws suggest that they produce significant declines in community rates of heart attack. The consistency of these declines with existing estimates of the relative risk of heart attack in individuals attributable to passive smoking exposure is poorly understood. The objective

“There is a significant drop in the rate of acute myocardial infarction hospital admissions associated with the implementation of strong smoke-free legislation.”

Method

infarction hospitalization 12 months after implementation of the law is 0.83 (95% confidence interval, 0.80 to 0.87), and this benefit grows with time. This drop in admissions is consistent with a range of plausible individual risk and exposure scenarios.

Conclusion—Passage of strong smoke-free legislation produces rapid and substantial benefits in terms of reduced acute myocardial infarctions, and these benefits grow with time. (*Circulation*. 2009;120:1373-1379.)



Cut Back on Sugars

The New York Times



FOOD

The Real Bad Egg Is Sugar



Ease up on sugar and saturated fats — but don't worry so much about cholesterol

The New York Times

“The Dietary Guidelines Advisory Committee, which convenes every five years, followed the lead of other major health groups like the American Heart Association that in recent years have backed away from dietary cholesterol restrictions and urged people to cut back on added sugars.”

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Exercise (at least a little)

March 15, 2013 | 2:29 PM | [Carey Goldberg](#)

Every Minute Of Exercise Could Lengthen Your Life Seven Minutes

FILED UNDER: [Medicine/Science](#), [Personal Health](#), [brigham and women;s hospital](#), [harvard medical school](#), [longevity](#), [why to exercise today](#)

Sitting too much, not just lack of exercise, is detrimental to cardiovascular health

Dallas – July 7, 2014 – Cardiologists at UT Southwestern Medical Center found that sedentary behaviors may lower cardiorespiratory fitness levels. New evidence suggests that two hours of sedentary behavior can be just as

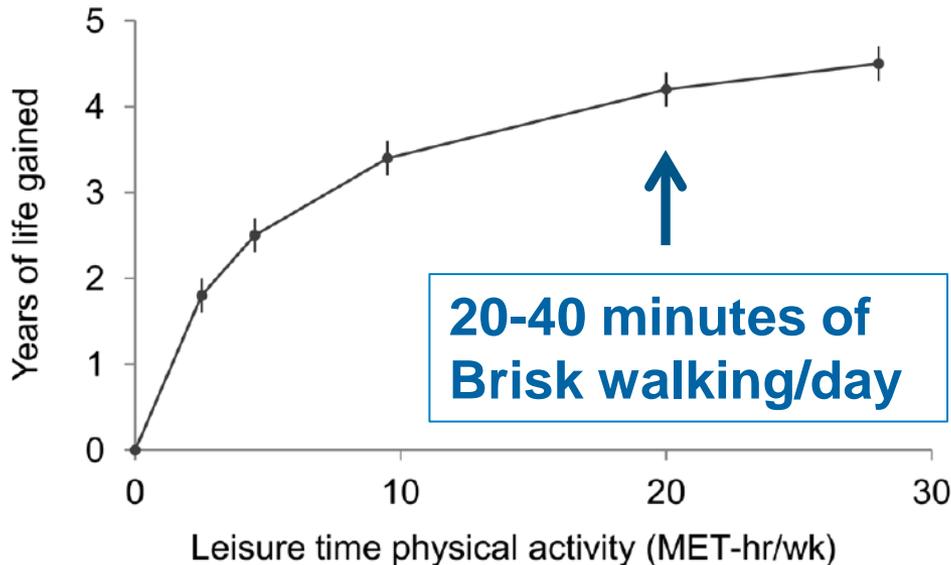
Taking up physical activity in later life and healthy ageing: the English longitudinal study of ageing

Conclusions Sustained physical activity in older age is associated with improved overall health. Significant health benefits were even seen among participants who became physically active relatively late in life.

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Leisure Time Physical Activity of Moderate to Vigorous Intensity and Mortality

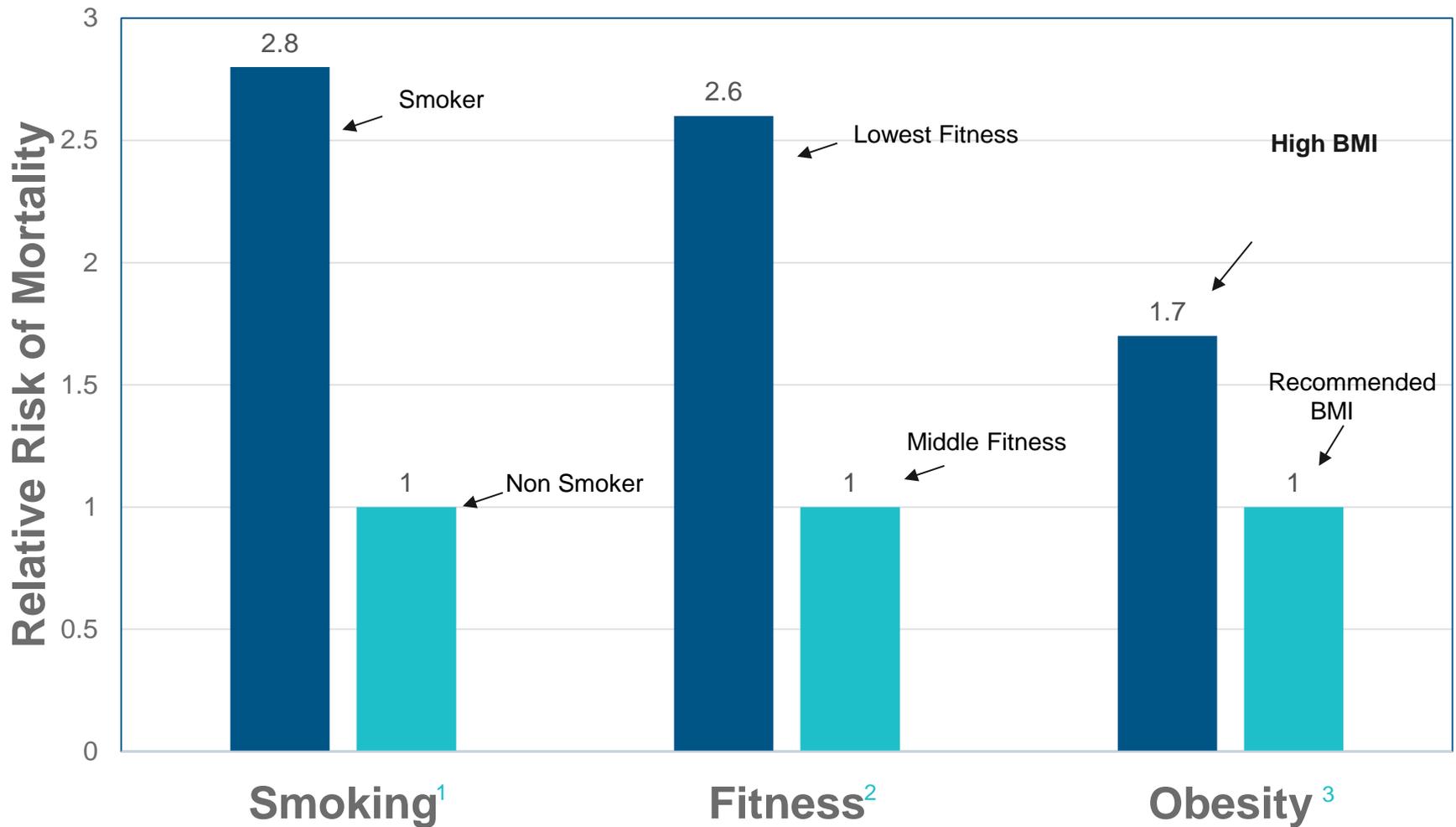


“Combined together, a lack of activity and a high BMI were associated with 7.2 years of life lost relative to meeting recommended activity levels and being normal weight.”

For comparison, long term cigarette smoking reduces life expectancy by approximately 10 years.



Relative Mortality Risk for Conditions



Sources:

1. "21st-Century Hazards of Smoking and Benefits of Cessation in the United States" N Engl J Med 2013;368:341-50. DOI: 10.1056/NEJMsa1211128
2. "Physical fitness and all-cause mortality. A prospective study of healthy men and women." JAMA. 1989 Nov 3;262(17):2395-401.
3. "Body-mass index and cause-specific mortality in 900 000 adults: collaborative analyses of 57 prospective studies" Lancet 2009; 373: 1083-96



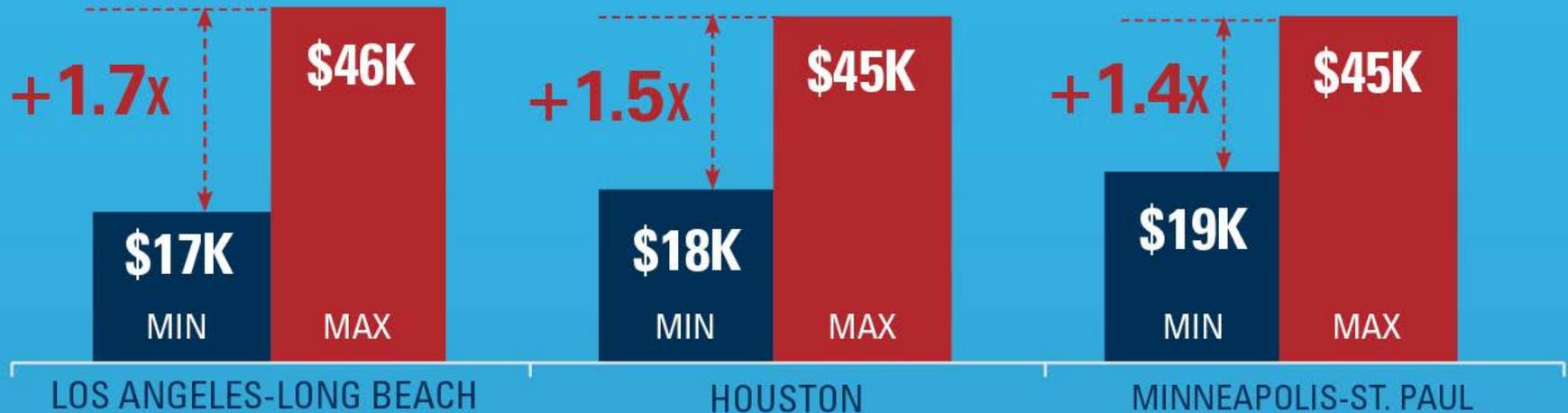
Be a good shopper





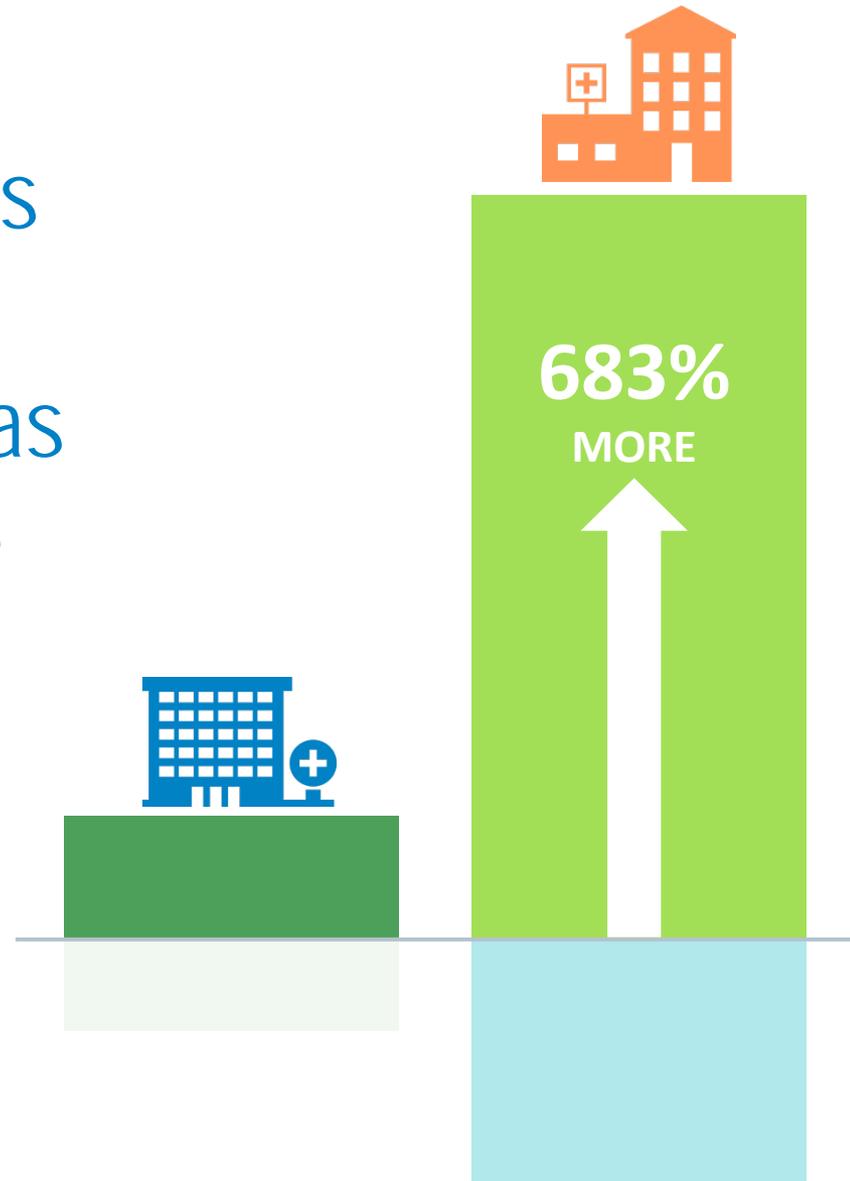
SHOP AROUND: IT COULD SAVE YOU THOUSANDS

COST OF HIP REPLACEMENT SURGERY





Consumers pay as much as **683% more** for the same medical procedures, such as MRIs and CT Scans, in the same city, **depending on the facility they choose.**



@DrBobMorrow



Provider Finder[®] and Cost Estimator



1,255 results Rating

Sander J Gothard, MD
Family Practice
FROM 1 PAST PATIENTS 4 AWARDS
5.0 ★★★★★
100% would recommend
Compare

1 5425 W Spring Creek Pkwy, Plano, TX 75024 [18.1 miles away]
(872) 599-9600

Joseph W Burke, DO
Family Practice
FROM 1 PAST PATIENTS 3 AWARDS
5.0 ★★★★★
100% would recommend
Compare

2 808 Keller Pkwy, Keller, TX 76248 [27.6 miles away]
(817) 431-2573

Marshall B Robert, MD
Family Practice
FROM 1 PAST PATIENTS 2 AWARDS
5.0 ★★★★★
100% would recommend
Compare

3 1650 W Chapman Dr, Sanger, TX 76266 [45.3 miles away]
(940) 458-2044
1 more location

Sadaf S Sabzali, MD
Family Practice
FROM 1 PAST PATIENTS 2 AWARDS
5.0 ★★★★★
100% would recommend
Compare

5 8400 Stacy Rd, McKinney, TX 75070 [24.5 miles away]

Compare side-by-side
Compare any results by selecting the

Refine your results

Basic

Within 50 miles (1,255)

Accepting new patients (1,165)

Any gender

Any tier

All Limited Provider Network

Any rating

Any language

Specialties

Any specialty

Any expertise

Affiliations

Any hospital affiliations

Any medical group affiliation

Quality

Back to full profile

Ratings & Reviews

RECOMMENDATIONS
96%
would recommend this facility.

Overall Rating
4.4 ★★★★★
Ratings are based on 300 or more survey responses

Hospital Environment

How often were the patients rooms and bathrooms kept clean?

68%	Room was "always" clean
23%	Room was "usually" clean
9%	Room was "sometimes" or "never" clean

How often was the area around patients rooms kept quiet at night?

47%	Always quiet at night
35%	Usually quiet at night
18%	Sometimes or "never" quiet at night

Back to full profile

Cost Estimate for Knee Replacement

Total cost

\$5,000 Your expected cost

\$14,630 Your employer's expected cost

Total cost: \$19,630

Your cost breakdown

\$3,000

Your cost: \$5,000

\$2,000 Towards your deductible

\$3,000 Your coinsurance rate



Take Home Points

- The reasons that healthcare is so expensive is the prices.
 - Drug prices, hospital prices, and (in Texas) Freestanding ERs
- For your personal lives:
 -  Smoking
 -  Fitness
 -  Obesity
- If you want to lose weight, cut out processed carbohydrates.