The Business Case for Payment Reform

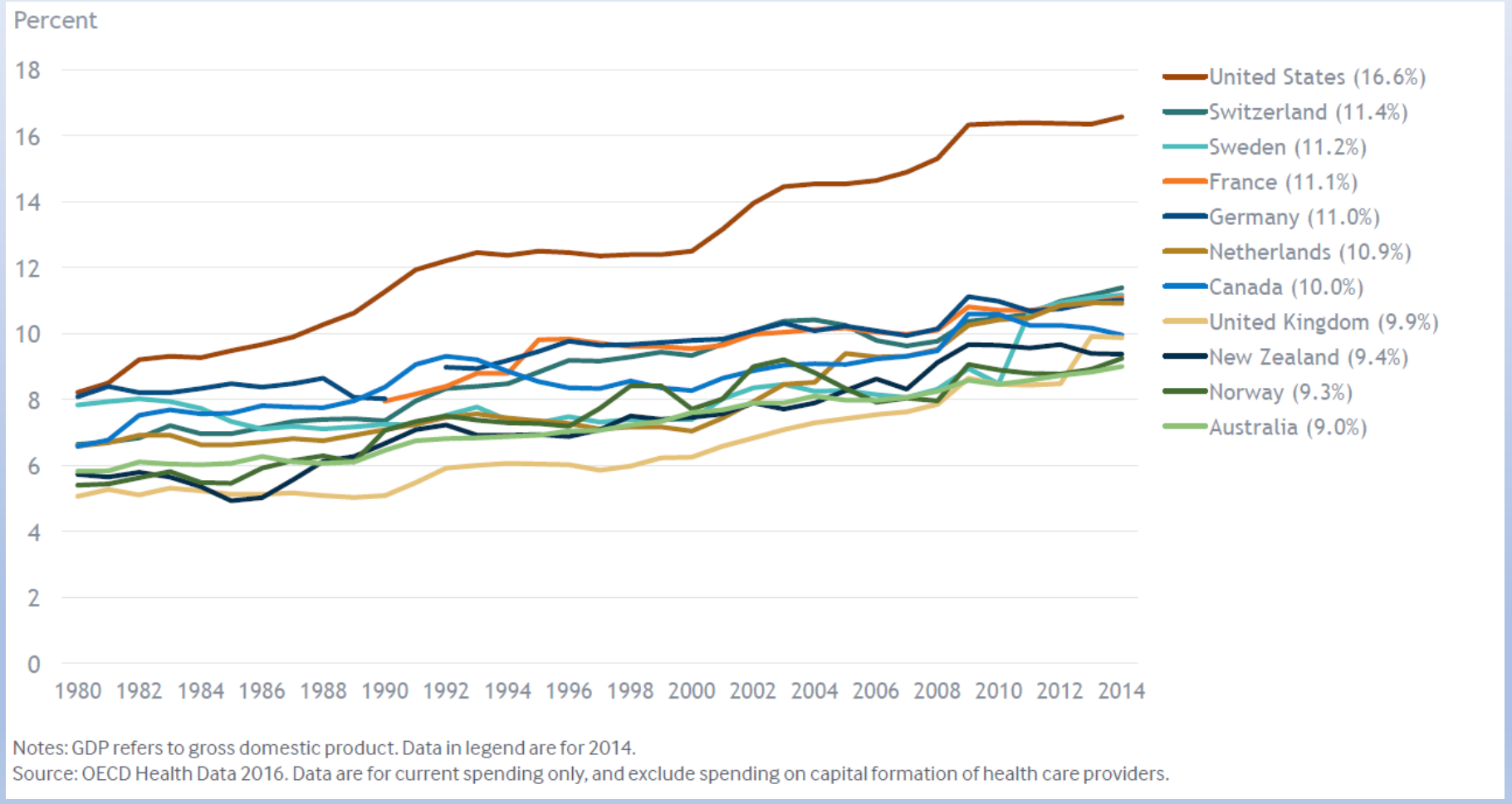
Costs are High, Quality is Mixed

- Healthcare costs in the US are the highest on the planet
  ($9,096 per person vs $3,661 global average)

However

- Outcomes are last for:
  - Life expectancy
  - Infant mortality
  - Mortality amenable to health care
  - Percent of population with two or more chronic conditions
  - …

Health Care Spending as a Percent of GDP 1980 - 2014



Notes: GDP refers to gross domestic product. Data in legend are for 2014.
Source: OECD Health Data 2016. Data are for current spending only, and exclude spending on capital formation of health care providers.

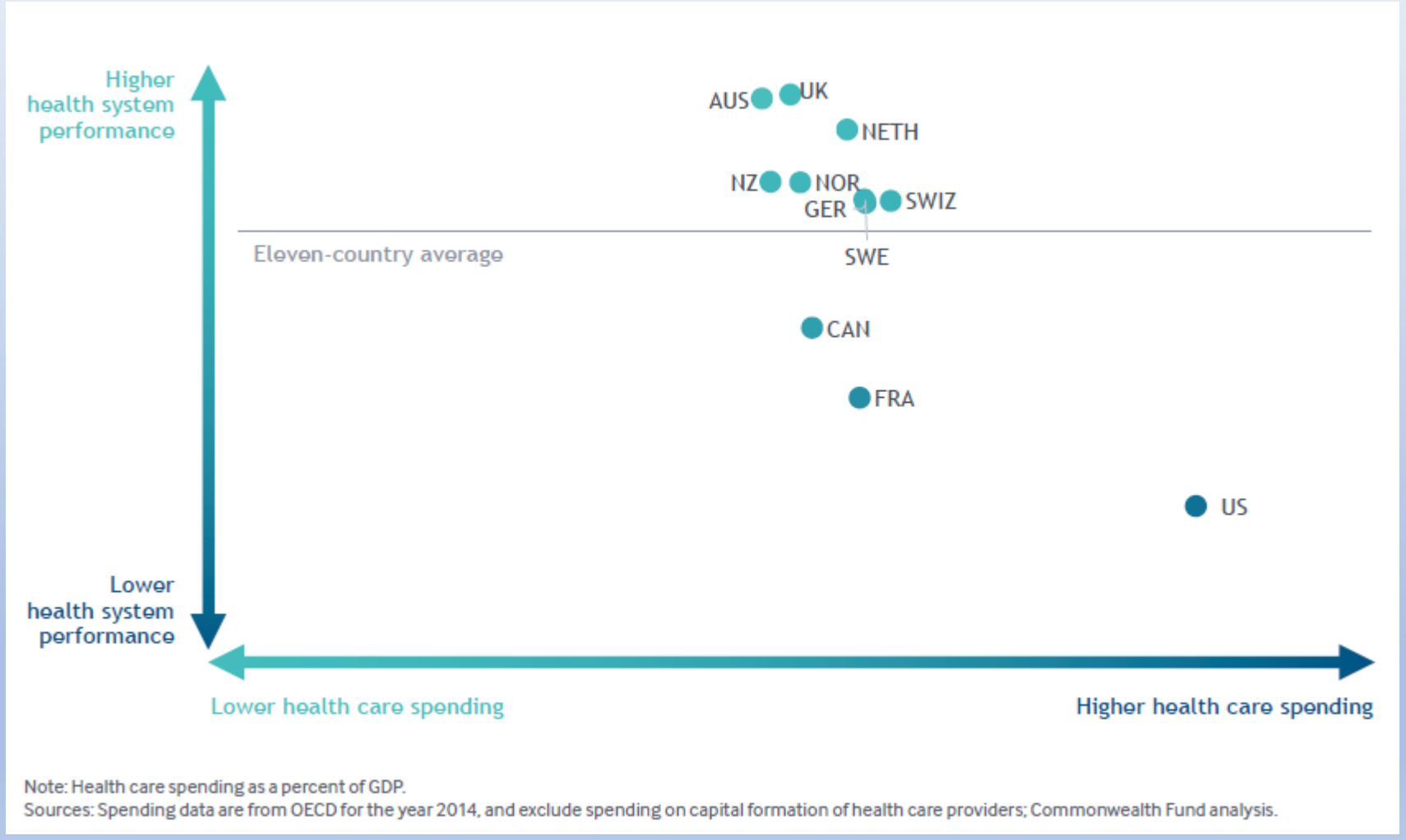
Global Performance Rankings

	AUS	CAN	FRA	GER	NETH	NZ	NOR	SWE	SWIZ	UK	US
OVERALL RANKING	2	9	10	8	3	4	4	6	6	1	37
Care Process	2	6	9	8	4	3	10	11	7	1	5
Access	4	10	9	2	1	7	5	6	8	3	11
Administrative Efficiency	1	6	11	6	9	2	4	5	8	3	10
Equity	7	9	10	6	2	8	5	3	4	1	11
Health Care Outcomes	1	9	5	8	6	7	3	2	4	10	11

Source: Commonwealth Fund analysis.

World Health Organization ranks U.S. 37th, between Costa Rica and Slovenia

Performance Compared To Spending



Note: Health care spending as a percent of GDP.
Sources: Spending data are from OECD for the year 2014, and exclude spending on capital formation of health care providers; Commonwealth Fund analysis.

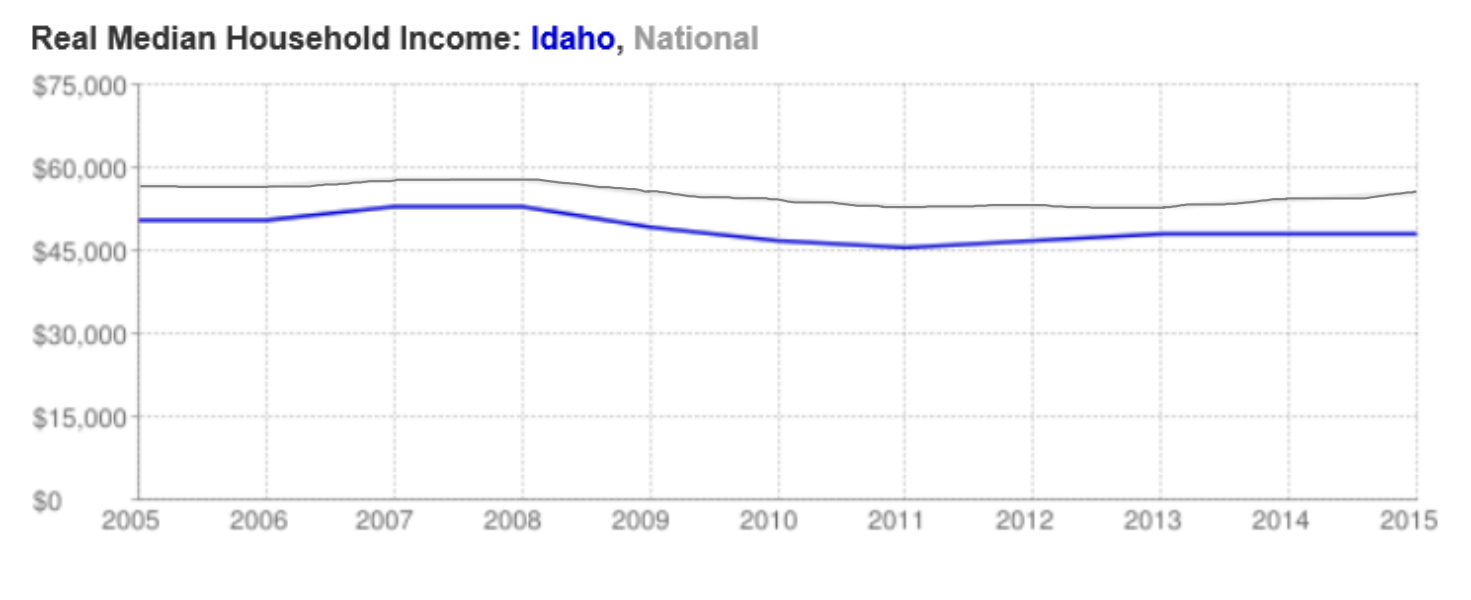
How Does This Impact Me?

Healthcare Costs Reduce Take-Home Pay

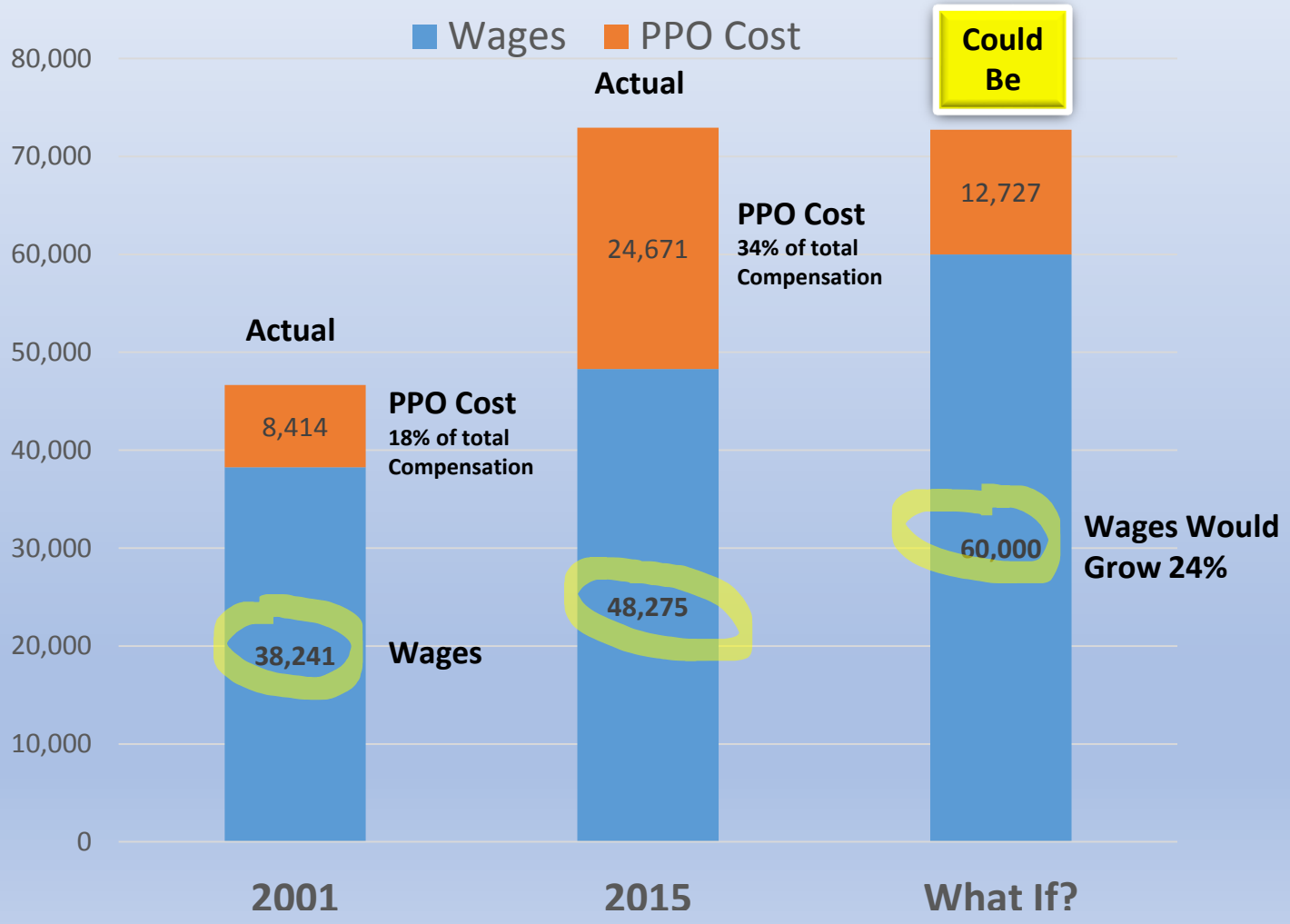
- Employers have two ways to pay employees:

Wages and Benefits

- Real wages have been flat for decades, due in part to rising healthcare costs



What If Health Benefits & Wages Both Grew At 3.3%?



One More Reason To Care?

- **62% of all bankruptcies in the US are due to medical bills**
- **72% of those bankruptcies are for individuals with some insurance coverage**

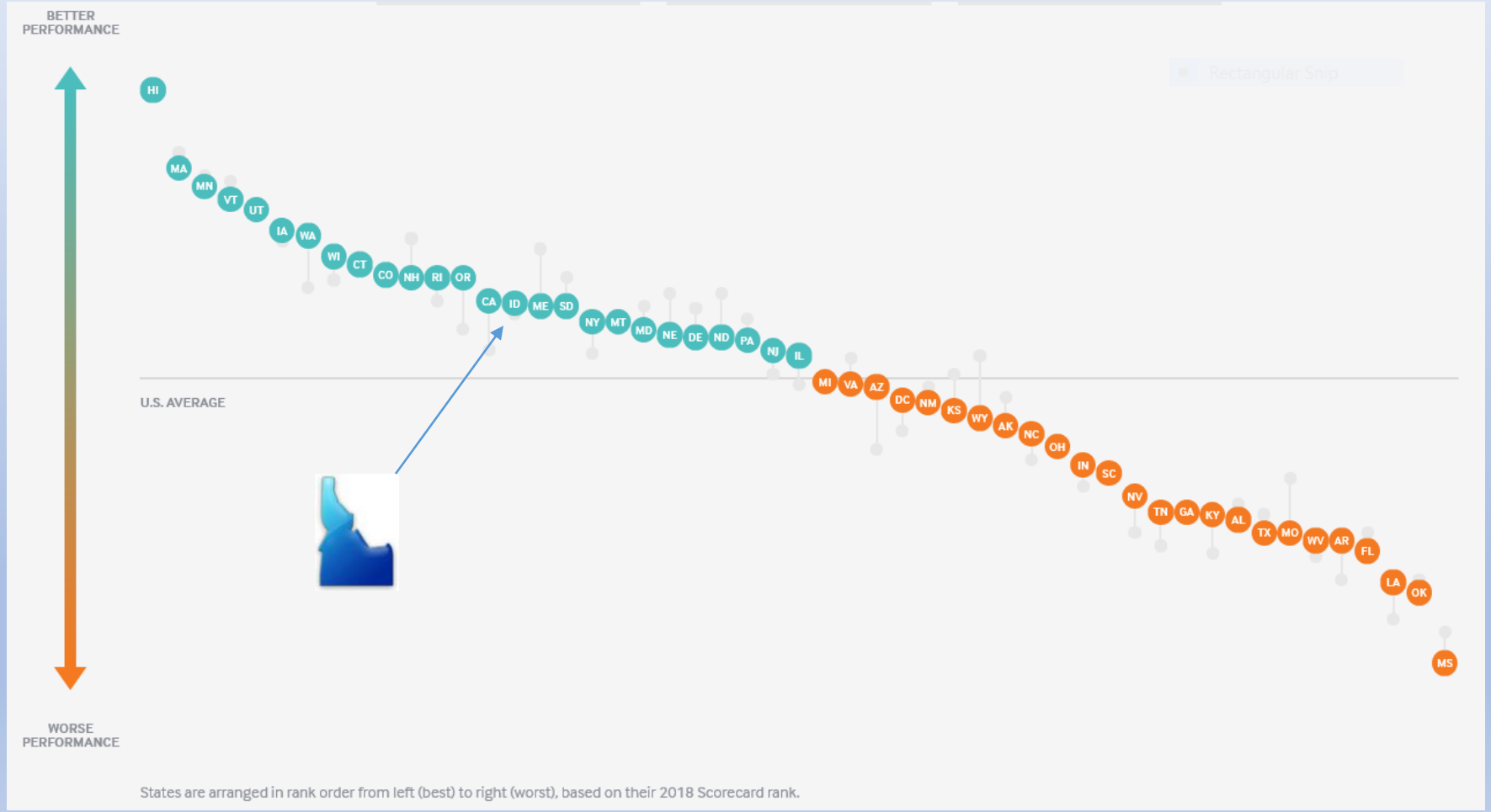
How We Pay For Care Is Part (*Most?*) Of The Problem

- Fee-for-service payments encourage volume and complexity
- **Providers who lower spending reduce their own income**
- Payments don't change based on quality or effectiveness
- Physicians make most spending decisions, but have little information, or reason, to manage total cost
- The wrong party is managing budgets

How Are We Doing In Idaho?

2018 Scorecard on State Health System Performance

The Commonwealth Fund



2018 Scorecard on State Health System Performance

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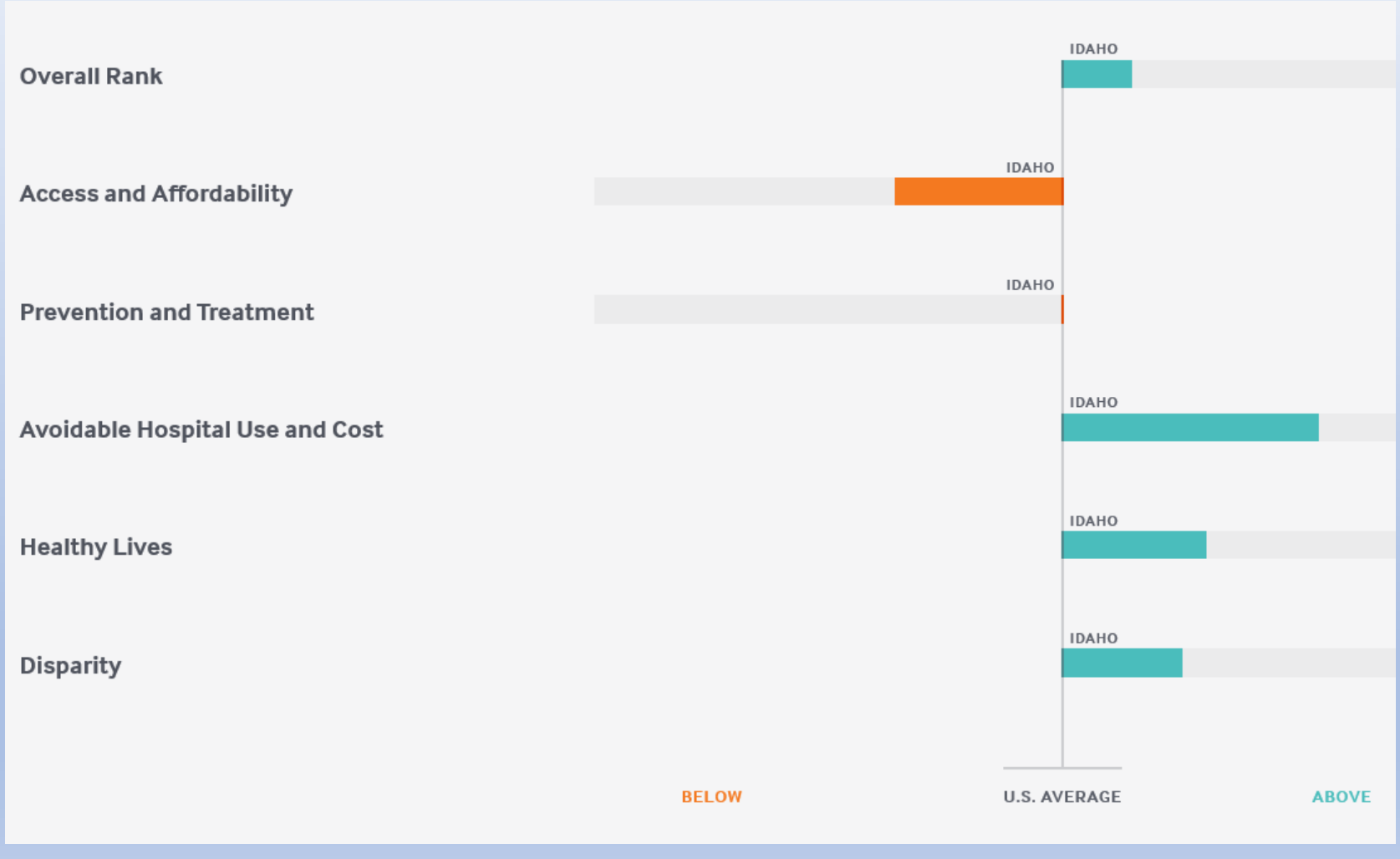

Market Solutions?

Limitations of our Market-Based Approach

Markets work best with:

- Many buyers and sellers
- Symmetry of information
  (sellers & buyers possess necessary knowledge)
- Transparent data for quality and cost
  (necessary to calculate value)

Limitations of Benefit Design & Utilization Management

- 5% of patients account for 49% of spending
  (25% account for 83% of spending)
- Most healthcare spending is well above any reasonable deductible level
- Increased “skin-in-the-game” through higher deductibles and co-payments works best with lowest spenders
- Higher primary-care spending is generally beneficial
- Payer-administered prior-authorization has modest impact

Why a New Payment System is Needed

- Our payment system encourages spending
- We generally reimburse treatments, not management or prevention
- We pay the same price for high and low quality
- “Value” (the interaction between quality and price) is not calculated
- Healthcare providers who lower cost reduce their own income
- The wrong party is managing resources (should be providers?)

*If we want the system to **behave** differently,*
*we need to **pay** differently*

Start paying for what we want,
stop paying for what we don't want