March 27, 2007

**Health Care Transparency Initiative**
*by Sara McCormick MPA and Cathy Chambless PhD, CPPA Research Associates*

At present, health care accounts for 16% of the nation’s gross domestic product or approximately $2 trillion[1], with Federal programs covering approximately 93 million people—or 40% of the nation’s insured.[2] Not surprisingly, addressing the health care crisis in the United States has become a key issue for the Bush Administration. The Administration has two health care initiatives that focus on market-based approaches to health care policy. First, the President’s proposal offers tax deductions to those who purchase health insurance and limits the deductibility of employer-sponsored health benefits. In the second, Secretary of Health and Human Services, Michael Leavitt, is working on increasing the transparency of health care transactions. The underlying premise is that if purchasers of health care can compare cost and quality of health care services they will choose the best quality for the lowest price.[3] The latter of these two initiatives is the focus of this article.

On August 22, 2006, federal government administered or sponsored health care programs.[4] As chief of the federal government’s major health care programs of Medicare and Medicaid, Leavitt and his department have considerable leverage to bring about some of the changes the President envisions. Leavitt has invited business leaders, governors and leaders of regional and local governments to commit to providing information on health care quality and price to their health plan enrollees.

The transparency initiative, or Value-driven Health Care Initiative as it is called, has four prongs. In summary, it is a broad based initiative to collect and publicly report information about the cost and quality of health care. As noted previously, the premise is that if consumers and other purchasers of health care can compare cost and quality of health care services, they will choose the best quality for the lowest price. The result will be a system that will respond with better quality for less money. The goal is to get more transparency into the system at all levels, including consumers, employer/purchasers, health plans, providers and policymakers.

**The Four Cornerstones**

The tenets of the Department of Health and Human Services (DHHS) drive to create more transparency includes increasing consumers’ and providers’ awareness of the cost and quality of services, improving data exchange between data systems, and promoting better decisions about health care.

1. **Standards for electronic health records.** Electronic health records can reduce the chance of medical error and save consumers time and purchasers money. *Interoperability* of information systems will permit data exchange among all health care providers quickly and with security to protect patient privacy. It means setting standards so one system can talk to another. The American Health Information Community, consisting of representatives from technology vendors, health care professions, government agencies, consumers and purchasers, is advising in the development of health IT standards.

2. **Measure and publish measures of quality.** Greater transparency would help providers improve by enabling them to benchmark their performance against other providers. Consumer would be able to make more informed decisions about quality. Organizations of
insurers and health care providers have joined forces to create standards and measures for health care quality. Examples are the AQA Alliance and the Hospital Quality Alliance.

3. Measure and publish price information. Uniform approaches to measuring and reporting price information are being developed to measure the cost of services for common episodes of care and treatment of common chronic diseases. Price transparency requires wide participation because a large body of information is needed to make valid comparisons on procedures across providers and hospitals. The Centers for Medicare and Medicaid have posted payment information for common procedures from the large Medicare database.

4. Promoting quality and efficiency of care. The last cornerstone works at both the consumer and provider levels. The philosophy is that as consumers and providers understand quality and price information they will make better choices. For providers, these “incentives” are already being attempted through reimbursement plans such as pay for performance, known as “P4P.” Consumer incentives will be created by increasing their access to quality and price information as well as health savings accounts and employer-based health accounts.

The goal is to create a health care system that allows consumers to make better decisions about their own health care. The system would also allow data to be easily shared by providers to improve care, reduce errors, and allow the cost and quality of care to be measured.

**Efforts to research transparency**

A recent report prepared for the Commonwealth Fund provides some caveats as well as encouragement for the efforts to collect and publish health care information as it moves forward.[5] Advocates of more public reporting assert that greater transparency would enable providers to improve by benchmarking their performance against other providers, encourage public programs and private insurers to reward quality and efficiency, and help consumers make more informed choices.

While there has been growing interest in transparency, it has not been without controversy. Questions remain about the accuracy of the reported price and outcome information, about the comparability of results across different populations, and whether and how consumers will use the information to make decisions. Despite the questions and limitations, health care researchers have learned much about how to improve the collection and reporting of information.

The Colmer study surveyed health researchers who have been using a number of reporting tools. They are now sharing what they have learned from their efforts to improve transparency. From his study, Colmer concludes:

- Public reporting adds value. Providing feedback to providers or health plans on performance measures in a feedback loop, without making them public, is known to stimulate quality improvement. Yet numerous studies show that public reporting has additional positive results that are associated with quality improvement. For example, publishing consumer satisfaction has reinforced quality improvement efforts already underway, and appears to stimulate quality improvement in areas where quality has been known to be low.
• Reports must be designed with care. Research shows that the way information is presented affects how it is interpreted and weighed.
• Collaboration is essential. The most successful approaches to transparency and reporting have involved purchasers and providers from both public and private sectors.
• State and local efforts have proven successful. The smaller scale of a regional approach to collecting and publishing information has been more manageable. Sponsors are able to account for factors that affect performance on the local level.
• Research and evaluation play a critical role. The movement toward transparency is in its infancy, and concurrent research and evaluation have actively informed the most successful efforts.
• Data collection must be automated. There is a need for unobtrusive, routine data collection that does not place extra burdens of reporting on providers and health plans.

The 110th Congress will have no shortage of legislative proposals that move the transparency agenda forward. Some proposals will encourage public reporting and transparency in the public health care programs, while others will seek to extend the use of health information technology and mandate interoperability of health information systems.

http://content.healthaffairs.org/cgi/content/full/26/1/142

Published by Center for Public Policy & Administration
Copyright © 2007 The University of Utah. All rights reserved.
The Center for Public Policy & Administration offers research, education and services to public and nonprofit organizations that will strengthen administration, leadership and public policy making.

Powered by IMN