What are the conditions and procedures that drive Maine’s total health care spending? What is the unwarranted variation associated with these cost drivers?

The study (slides 5,6)
- Analyzed claims from 11-1-05 to 10-31-06
- Used MaineCare, Medicare, commercial (first study to do so)
- Included IP, OP, ER costs
- Excluded
  - Nontraditional (SNF, LTC, “other” MaineCare)
  - Rx (lack of part D data, insufficient information on MaineCare rebates)
  - Individuals with <11 months continuous eligibility (26%) and other groups (6%)

Looked at
- Inpatient care costs, divided into
  - Needed
  - Preference-sensitive
  - Potentially avoidable
    - Ambulatory care sensitive
    - Supply sensitive
- Outpatient care costs
  - High cost
  - Highly variable

Results
- Dramatic variation in spending (not new)
- Quantification of potentially avoidable, high cost inpatient services (new)
- Quantification and specification of high variability, high cost outpatient services (new)
- Utilization has a larger effect on cost than does price of services

Inpatient
- Potentially avoidable admissions drive a significant portion of outpatient costs (about 1/3) (slide 15)
- The volume of PA admissions across State Healthcare Service Areas (HSAs) varies by type and is not explained by illness (slide 11)
- Maine residents across HSAs who have chronic conditions account for a high percentage of health care spending and a majority of inpatient spending
• 51% of all potentially avoidable admissions fall into three categories of illness: cardiovascular, respiratory, or gastrointestinal
• Patients with chronic illness have significantly higher utilization of inpatient services than general population, with higher attendant per capita costs (slide 14)

Outpatient
• 5 categories of services account for 23% of $1.3 billion outpatient spending (slide 16)
  o Lab tests (6.8%)
  o Advanced imaging (5.1%)
  o Standard imaging (4.0%)
  o Echocardiography (2.5%)
  o Specialist visits (4.9%)
• These services vary by type and by total across HSAs (slide 17)

Total
• Substantial savings, without deterioration in quality, are associated with diminished potentially avoidable hospitalizations and lower rates of outpatient service use (slide 20)

Options for change include
• Public health initiatives, prevention
• “Pay for performance” incentives
• Performance measurement, public reporting
• Regulatory reform
• Tiered networks
• Health system development, network infrastructure support
• Some of above have been tried with limited success (slide 23)
• Fundamental payment reform (readiness of community to accept depends on stage of system development (slide 24)

To slow spending growth, we need policies that encourage high-growth (or high-cost) regions to behave more like low-growth, low-cost regions — and that encourage low-cost, slow-growth regions to sustain their current trends. Fisher ES, Bynum JP, Skinner JS. Slowing the growth of health care costs – Lessons from regional variation. New Eng J Med 2009; 360(9): 849-852.