



Affordability Briefing Paper: Definition and Perspectives to Inform Measurement

Overview

The [National Quality Strategy \(NQS\)](#) identifies affordable care as one of its three core aims, together with better care and healthy communities. Affordability is a complex and subjective concept that can be viewed from many perspectives and is difficult to measure. To promote a shared understanding, the Measure Applications Partnership (MAP) established a consensus-based definition and considered the implications of affordability across an array of stakeholders. This definition and an enhanced understanding of the perspectives and contributions of the various stakeholders will facilitate identifying a MAP Affordability Family of Measures to assess and monitor progress against this national aim.

Definition of Affordability

MAP deliberately chose to take a person-centered perspective in defining affordability as: an individual's ability to pay for the healthcare services they need. MAP recognizes that health insurance and other assistance to individuals also have substantial costs, both to the individual in the form of premiums or foregone wages, and to society in the form of resources that cannot be used for other important purposes. MAP noted that healthcare costs have skyrocketed, requiring patients, businesses, and taxpayers to spend more of their resources on health care. Consequently, all stakeholders have a shared responsibility for making services affordable by eliminating waste and excess costs. How providers deliver and price healthcare services affects costs, and how individuals manage their health affects the healthcare services they need. Moreover, many factors contribute to an individual's ability to pay besides their out-of-pocket costs, including individuals' choices between health care and other needs.

Organization of This Briefing Paper

This briefing paper describes prior and ongoing work on the topic of affordability, stakeholder perspectives and roles, a person-centered conceptual model representing stakeholder contributions to affordable care, approaches to measuring affordability, and next steps for MAP.

Background

MAP sought to build on prior work to define affordability and identify high-leverage opportunities to decrease healthcare costs. Sources include:

- The National Quality Strategy: To advance the aim of affordable care, each of the NQS priorities presents an opportunity to improve care, reduce costs, and increase affordability.
- The Institute of Medicine: In the *Healthcare Imperative*, the IOM explored the sources and implications of waste and excess cost, identifying major drivers of excess spending.
- The National Quality Forum: MAP considered prior definitions related to affordability, including NQF's *Measurement Framework: Evaluating Efficiency Across Patient-Focused Episodes of Care*, *National Voluntary Consensus Standards for Cost and Resource Use*, and *National Priorities and Goals: Aligning Our Efforts to Transform America's Healthcare*

- The Agency for Healthcare Research and Quality (AHRQ) and RAND: *Identifying, Categorizing, and Evaluating Health Care Efficiency Measures*: MAP considered the definitions and stakeholder perspectives outlined by AHRQ and RAND.
- The Robert Wood Johnson Foundation (RWJF): *Counting Change*: MAP considered the stakeholder perspectives outlined in this work.
- Choosing Wisely: MAP built off this initiative of the American Board of Internal Medicine (ABIM) Foundation to identify high leverage opportunities to reduce waste and overuse.

In addition, MAP actively solicited direct input through a two-week public comment period from a diverse set of stakeholders on how affordability should best be defined and measured. The comments received have informed MAP deliberations and this paper. Specifically, commenters were asked:

- How does your organization define affordability? Please provide a brief description.
- Please provide a brief definition for each term in your definition of affordability.
- Based on your definition of affordability above, what information or data is needed to assess affordability?
- Does your organization currently collect information on affordability? If yes, what types of data do you collect and how?
- Please provide any additional feedback here you wish to offer that MAP should consider in defining affordability through multiple stakeholder perspectives.

Stakeholder Perspectives on Affordability

MAP defined affordability from the consumer perspective, but recognizes that each stakeholder contributes to the sustainability of the system by reducing waste and excess cost. MAP considered the perspectives of each stakeholder group, drawing on input from the task force and public comments.

Consumer Perspective

Consumers want information to understand how much they will need to spend out-of-pocket for healthcare services, including prices for services and, if they are insured, contributions towards premiums and/or cost sharing.¹ Consumers who are well insured bear relatively little burden for their cost of care, which provides an incentive for overuse, while consumers who are underinsured or uninsured may avoid necessary preventive services or even acute care.

Transparent measures of cost and quality are critical for supporting consumer decision making about the value services. Transparency can promote affordability by directing consumers to the most efficient providers. Unfortunately, consumers often associate higher costs with higher clinical quality,² underscoring the need to show cost in the context of health outcomes. More research is needed to understand what information will be most meaningful to consumers and how to best present this information in ways that are understandable and actionable.

Community Perspective

Communities want to improve healthcare affordability and increase access to healthcare services in their regions. Communities are interested in lowering costs while eliminating health disparities and improving health outcomes through chronic disease management, health promotion and disease prevention, patient safety, and social supports. Many communities have undertaken public reporting initiatives to provide transparency of total cost of care and associated clinical quality outcomes at the population level.

Provider Perspective

Providers seek to deliver higher quality care while lowering costs. Providers work to improve care processes and outcomes and want clear payment incentives that reward value rather than volume. Transparency of cost and quality information also encourages providers to enhance the value of their services.

Providers can influence affordability by avoiding unnecessary services, inefficiently delivered services, excess administrative costs, prices that are too high, missed healthcare prevention opportunities, and fraud.³ International comparisons have shown that high prices are a major contributing factor to lack of affordable care in the US⁴.

Clinician Perspective

Clinicians are primarily concerned about improving the health outcomes of their patients. Clinicians are interested in promoting affordability by decreasing administrative burden and delivering the best care in the most efficient manner. In addition, clinicians can decrease inefficiencies and fragmentation by partnering with patients and increasing care coordination and communication among patients, clinicians, providers. Clear clinical guidelines and payment and public reporting incentives that align with value rather than volume encourage affordability, while promoting safety, care coordination, and population health.

Payer Perspective

Public and private payers need information to pay for healthcare services based on value, ensuring that their members and beneficiaries receive high-quality care that is not wasteful and provides the greatest benefit for purchasers and taxpayers. Payers are implementing performance-based payment models and making cost and quality information transparent to their members and the public, giving providers incentives to reduce waste and improve outcomes. Payers are also providing incentives through value-based insurance design to encourage their members to get healthy and choose more efficient providers.

Purchaser Perspective

Public and private purchasers want to offer high-value healthcare services that are affordable to their employees or beneficiaries, and sustainable for their businesses or the government. Employers are concerned about maintaining competitiveness, while providing attractive compensation, including health benefits along with salaries. Additionally, purchasers want a healthy workforce to enhance productivity and reduce absenteeism. Employers need information from payers about employer contribution to premiums, total cost of care, and value. Public purchasers also need information about total cost of care and health outcomes to demonstrate value to oversight bodies.

Supplier/Industry Perspective

Supplier/industry products and services are an integral part of ensuring overall healthcare quality and affordability as organizations that support health care with devices, diagnostic products, medications, improvement tools, and other information and resources. Suppliers are interested in reducing costs through improved manufacturing and logistics processes,⁵ while maintaining incentives for innovation⁶ and research and development, which can be slow, expensive, and difficult to generalize to broad patient populations.⁷ Suppliers also have the ability to reduce costs by decreasing overuse and increasing safety; for example, by supporting the prevention of adverse drug events.

Conceptual Model and Stakeholder Contributions to Affordability

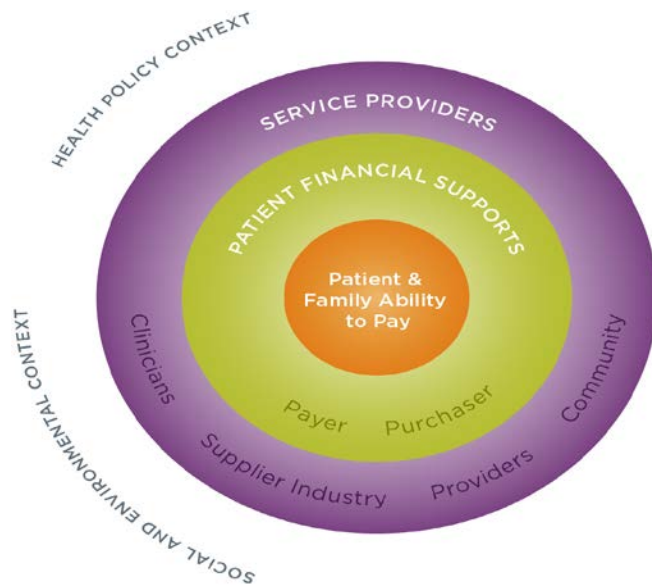
Many factors influence an individual's ability to pay for needed healthcare services, including financial situation; health care service providers; and social, environmental, and policy context. These interrelationships are illustrated in the figure below.

The Conceptual Model

In this model:

- The person and family are at the center. Ideally, patients are partners in a shared decision-making process with their providers to determine needed services.
- Moving outward, the next ring reflects stakeholders who provide financial support. Public and private purchasers (e.g., employers) and payers (e.g., federal and state governments and commercial health plans) act as financial intermediaries on behalf of individuals.
- The outer ring includes stakeholders who provide direct or indirect health care for individuals, including clinicians, providers (e.g., hospitals or other facilities), suppliers/industry, and the community.
- Social, environmental, and political factors provide the broader context for health, including social services and public health.

Figure. Stakeholder Relationships



Stakeholder Contributions to Affordability

Consider the follow two scenarios for applying the conceptual models and the implications:

Scenario 1:

A woman diagnosed with breast cancer may have health insurance provided by her employer. As part of her compensation, her employer helps to defray the majority of

the cost of her health insurance coverage, while her health plan covers the majority of the providers' bills for her treatment. She has interactions with a number of service providers, coordinated by clinicians: ambulatory care, imaging, and biopsy for diagnosis, possible hospitalization for surgery, and/or possible outpatient care for radiation and chemotherapy treatments.

Scenario 2:

An elderly man may sustain a hip fracture and need a hip replacement. Because of his age and financial situation, he is eligible for both Medicare and Medicaid. Medicare covers his ambulance transportation, emergency department visit, surgical procedure and implantable device, acute hospitalization, inpatient rehabilitation facility stay, and professional services. He is able to go home with assistance from home health, but he cannot do his own grocery shopping or cooking, so he also needs Meals on Wheels.

All of the stakeholders involved in these scenarios affect affordability. Purchasers can cover more or less of the insurance premium. Payers can require more or less cost sharing and provide incentives for providers to control costs. Providers can coordinate with one another and communicate effectively with the patient to reduce waste. Suppliers determine prices for their drugs and devices. Government health care and social services programs can provide support.

Measuring Affordability

Measurement of affordability should reflect the ability and responsibility of all stakeholders to improve the quality of care while minimizing costs. Measures that address total cost, resource use for episodes of care, overuse, and efficiency help to understand and increase the affordability of health care. Further, measurement information can be used to promote affordable care through transparency and payment incentives.

Cost of care is a measure of the total healthcare spending, including total resource use and unit prices for a healthcare service or group of healthcare services, associated with a specified patient population and time period⁸. Examples of cost of care measures are:

- Total cost of care such as NQF #1604: HealthPartners' Total Cost of Care Population-based Per Member Per Month Index
- Resource use per episode such as the Centers for Medicare and Medicaid Services Acute Myocardial Infarction Payment per Episode of Care

Efficiency is the cost of care associated with a specific level of quality of care.⁹ Value is a preference-weighted assessment of efficiency (i.e., clinical quality and cost performance) by a specified stakeholder, such as a patient, provider, payer, policymaker, or society at-large¹⁰. NQF has undertaken work to better understand how to link cost and quality measures to provide an overall assessment of efficiency.

Next Steps: MAP Affordability Family of Measures

MAP will build on its understanding of stakeholder contributions to affordability by identifying an Affordability Family of Measures. The family of measures will be a related set of available measures and gaps that will address the affordability concepts discussed above. The goal of the family of measures is

to promote use of the best available measures, filling measure gaps, and alignment of measurement across settings and the public and private sectors.

MAP will begin by identifying high-leverage opportunities for addressing key drivers of cost and impediments to affordability, and then identify the available measures and critical measure gaps. The family of measures will include measures of waste and overuse that result in poorer health outcomes at a higher cost. MAP will establish a path forward to expand on these initial family of measures by filling high priority measure gaps, and will develop options for overcoming barriers to measurement.

¹ Blumberg LJ, Holahan J, Hadley J, et al. Setting a standard of affordability for health insurance coverage *Health Affairs*. 2007; 26(4): w463–w473.

² RWJF. *Counting Change*.

³ IOM. *The Healthcare Imperative: Lowering Costs and Improving Outcomes: Workshop Series Summary*.

⁴ Reinhardt, Uwe. The Disruptive Innovation of Price Transparency in Health Care. *JAMA*. 2013;310(18):1927-1928.

⁵ Ebel T, Larsen E, Shah K, et al. *Building New Strengths in the Healthcare Supply Chain*. McKinsey and Company; 2013. Available at McKinsey white paper - building new strenghts in healthcare supply chain VF.pdf. Last accessed October 2013.

⁶ Jayadev A, Stiglitz J. Two ideas to increase innovation and reduce pharmaceutical costs and prices. *Health Aff (Millwood)*. 2009;28(1):w165-168.

⁷ IOM. *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America*.

⁸ National Quality Forum (NQF). *Measurement Framework: Evaluating Efficiency Across Patient-Focused Episodes of Care*. Washington, DC:NQF;2010.

⁹ National Quality Forum. *National Voluntary Consensus Standards for Cost and Resource Use*. Washington, DC;2012.

¹⁰ Ibid.