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Invited Testimony
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Good morning. My name is Walter Rugland. I am the non-executive volunteer chairman of the board at ThedaCare, a four-hospital, community-owned health system in Congressmen Kagen's and Petri's districts in Wisconsin. Prior to retirement, I served as executive vice president of Thrivent Financial for Lutherans, one of America's largest non-stock life insurers. Before that, I practiced nearly 25 years as a consulting actuary with Milliman. I bring that career expertise into play in my testimony here today.

ThedaCare has long been a proponent of greater transparency (I like to call it meaningful patient-focused information) on the cost and quality of healthcare. We were one of the first healthcare systems in Wisconsin to publish data regarding costs and quality more than 10 years ago. While not perfect, it was the best publicly-available data at the time.

ThedaCare became the founding member of the Wisconsin Collaborative for Healthcare Quality in 2003. The Wisconsin Collaborative for Healthcare Quality is a voluntary consortium of Wisconsin healthcare providers who publicly report performance data. ThedaCare also was a founding member of the Wisconsin Health Information Organization in 2006. The Wisconsin Health Information Organization is a statewide organization that is developing an all-claims, all-payers warehouse of health care data that will allow us to understand the cost and quality of care over an entire episode of care that may span several care settings — physician office, hospitals, rehabilitation, etc.

This commitment to transparency is driven by our strong belief that we must change to sustain our obligation to care for our community. We believe that change requires us to measure our performance in order to reduce our costs. Interestingly, when we thoughtfully changed to reduce our costs, our quality outcomes improved as well. Our commitment to tracking and reporting meaningful information meant people inside and outside our organization knew how well we were doing and where we needed improvement. In short, sharing our data held us accountable.

Six years ago, we shifted to a mindset of improving something, somewhere, every day. It became catching and today our culture thrives on it. Our focus centers on the patient outcome, not the system outcome. The goal of a sustainable healthcare operation must be to reduce patient costs over time and foster a healthy community.

Let me provide some recent examples of what we've been able to accomplish. We developed a new model at our primary care clinics to complete blood draws, diagnostics, and care planning within one visit. Patient dollar cost decreased and results improved.

We used a similar approach to revolutionize our hospital care. Using a new model, we have eliminated errors during admission medication reconciliation, reduced our average length of hospital stay, and reduced overall costs by more than $2,000 per case, compared to our traditional inpatient units.

These and other continuous improvement efforts have earned us national recognition. We believe our success demonstrates the benefits of meaningful transparency.

In truth, exposure drives improvement. In Wisconsin, the exposure of cost and patient outcomes has played a key role in moving healthcare toward better patient value. It is one of the reasons the Agency for Healthcare Research and Quality now ranks Wisconsin as #1 in the nation for quality. Next week, Carolyn Clancy from AHRQ will visit our state to see this firsthand.

We believe health providers need to move toward transparency. We cannot continue to accept the myth that prices don't vary between providers, facilities or regions. Many who study healthcare costs report that costs are nearly 100 percent redundant. Our experience shows that exposure drives efficiency and thoughtful cultural change that produces better outcomes.

One of our challenges in creating meaningful information was the lack of common performance measures that would allow for comparison. Data must be patient centered and understandable in order to force providers to change, and to better inform patients. In Wisconsin, we believe we have fixed that problem. Now, it's time to address the same issues nationally.

Without meaningful information, patients cannot make informed decisions. People make purchasing decisions for everything from banking to refrigerators based on cost and quality information. But that's not how it currently works in healthcare. Patients typically don't have access to useful and reliable information on the price and outcome of the healthcare services they anticipate. Transparent data helps provide that information.

If prospective patients knew how many medication errors a hospital made, for example, they might change where they get care. With meaningful information on healthcare cost and quality, patients would vote with their feet, choosing providers that deliver the best value. As insurance deductibles and co-insurance increase, the patient's vote is more and more important.

The Midwest Business Group on Health identified three ways health plan purchasers may unknowingly promote poor quality:

- Making purchasing decisions based on price without also examining plan and provider performance;

- Focusing on transaction-based (rather than outcomes-based) payment structures that discourage overall quality improvement and promote waste;

- Missing opportunities to engage the consumer (employees and beneficiaries) on quality and cost issues.

In Wisconsin, we report a full range of costs of care. The most meaningful cost data for patients is the "fully loaded" or "all in" cost of a procedure or health service. Wisconsin has provided this on a retrospective basis with aggregate results by provider institution or group.

Interestingly, when we match the cost to outcomes, we have seen that poor quality care costs more than high quality care. To break this cycle of waste and inefficiency, we must set the stage to provide meaningful information about a patient's expected costs.

In the Wisconsin Collaborative for Healthcare Quality and the Wisconsin Health Information Organization, we have experienced firsthand the challenges and the value of developing and publicly reporting useful and meaningful information on cost, along with resulting outcomes and patient value.

Our experience securing support for price and transparency legislation in Wisconsin underscores this is not a simple process. The legislative journey in Wisconsin included a number of hurdles and barriers. We see similar challenges with a federal law being proposed.

For instance, we grappled with questions like these:

- What is the definition of price? Is it billed charges or billed charges with the average negotiated discount applied?
- Does the billed price for the same procedure at two different health providers include the same items?
- How do we incorporate quality and outcomes in the formula? Cost data by itself is dangerous.
- How do providers disclose prices and comply with the confidentiality provisions of their contracts with third party payers, and adhere to anti-trust laws?
- How do consumers find out the "all in" price of care versus having to search several sources to obtain separately the price and quality information on the physician services, the hospital services, the pharmacy – all the components of the care they receive over the entire episode of care?

We stand ready to work with HHS to bring meaningful information on costs to patients and providers. The government is an important partner, well positioned to reduce existing barriers and foster the free flow of transparent healthcare information. We believe our learning can help craft legislation that puts actionable information about costs and quality into the hands of patients and plan purchasers so they can make more informed health care decisions.

We know that healthcare providers use cost information to further drive quality and cost improvements within their own organizations. We believe the overall result of transparency legislation will improve the value of health care to the patient.

Don't let perfection be a barrier to progress. Improve upon what we have in Wisconsin. Keep working to make it better.

We invite you to visit ThedaCare to see firsthand what we are talking about and what we are doing. We also encourage you to contact other leaders in Wisconsin healthcare transparency.

Thank you, Mr. Chairman and members of the committee. I will be happy to respond to any questions you might have for me today.