Good morning. Under Act 3 of 2009, the Pennsylvania Health Care Cost Containment Council, sometimes referred to as the PHC4, is scheduled to sunset on June 30, 2014, unless reauthorized by the General Assembly. As part of the sunset review, Act 3 required our Committee to conduct a review of the Council’s management, visibility, and performance and whether there is a continued need for the Council’s existence.

The PHC4 was created as an independent agency in 1986 with the support of the business community, labor organizations, and others as a means to help control medical costs and provide information on quality of care. The PHC4 collects inpatient and certain outpatient records from Pennsylvania hospitals and ambulatory surgical centers, analyzes the data, and issues reports about the quality and cost of health care in Pennsylvania. The Council received a General Fund appropriation of $2.7 million for this fiscal year and has a staff of 24.

To assess the Council’s management and visibility, we reviewed the Council’s statutory mandates, internal administrative policies, the implementation of recommendations from our prior sunset review of the Council in 2007, and responses to
questionnaires we sent to Council members, its advisory groups, data users, and other interested parties.

We found that the PHC4 achieves many, but not all, of its statutory mandates. In particular, several required reports, such as annual reports on citizen access to health care and the changing costs of health care and reports on the utilization of experimental transplant procedures, either are not done or have not been done for many years. The Council’s executive director noted that the Council does not have sufficient resources to develop and issue reports on all these various topics. We recommend that the standing committees assigned sunset review responsibilities consider eliminating some of these less essential reports from the Council’s enabling legislation.

Our review of the Council’s internal administrative policies, such as personnel policies and travel guidelines, found that the Council generally follows the policies of Executive Branch agencies under the Governor’s jurisdiction. We also found that of the seven recommendations we considered most important from our 2007 sunset review, the Council has fully implemented four, partially implemented two, and one was rendered moot as a result of legislative changes made in 2009.

With regard to the Council’s visibility, we found that the Council is often in the news, with exposure in various newspaper and radio and television shows.
across the state, and that its reports were downloaded over 800,000 times in FY 2011-12. Although the Council received high marks for its “visibility to the medical community,” the area in which the Council received the lowest marks was for its “visibility to the public.” Our report contains several of the comments we received from our questionnaire respondents regarding how the Council could improve its visibility to the general public.

To assess the quality and usability of the data the Council collects, we sent questionnaires to all 161 individuals and organizations that over the past three years had made requests to obtain PHC4 data or special data reports. The Council charges non-Commonwealth entities for these data requests, with charges ranging from $150 to $83,000. The responses we got back from these data users were very positive, with the large majority of respondents indicating the quality of the PHC4 data was “excellent.”

Regarding whether PHC4’s objectives could be achieved in a more cost effective manner, we note that the Council’s appropriation has dropped significantly over the past eight years, from just over $4 million in FY 2005-06 to $2.7 million for the past three fiscal years. The Council has had to reduce its staff commensurately. Given these cuts, and short of a major change in the scope of its mission, it appears unlikely that significant additional economies could reasonably be achieved. PHC4 lease costs for office space, however, are high ($326,000 annually), especially given
its reduced staff size, and we recommend the Council negotiate lower lease costs when its lease expires in June 2014.

When the Council was first created in 1986, it was one of the first of its kind. Over the past 25 years, many new data collection agencies have emerged that could, at least in some respects, substitute for the PHC4. We found, however, that none of these agencies collect data that is as comprehensive as the PHC4’s data in terms of its ability to risk-adjust patient outcomes, the number of public and private insurers included, and the range of patient ages. (Medicare, for example, generally only includes data for patients age 65 and older.)

We found strong support for the Council among the respondents to our questionnaires, with virtually all indicating the PHC4 provided a valuable service and should be reauthorized.

We also found, however, that Pennsylvania does not appear to have outperformed the national averages for either hospital quality improvement or health care cost increases. We also found that the academic research on the effectiveness of public reporting of health care data is mixed, with some evidence indicating that public reporting is effective in promoting quality care and other evidence suggesting that such information is rarely used by consumers.
Another factor to consider in whether to reauthorize the PHC4 is its possible role in helping to implement and assess the federal Affordable Care Act. In particular, the Commonwealth is in the process of submitting an application for a federal State Innovation Model (SIM) grant, which would likely include a role for the PHC4 in collecting and analyzing data. If this grant is approved, it could be in the neighborhood of $50 million or more, at least some of which might be used to support the Council’s operations. The report identifies several other areas in which the PHC4’s work would support the goals of the Affordable Care Act.

Finally, the report addresses a concern that we heard quite often, including from the Pennsylvania Medical Society and the Hospital and Healthsystem Association of Pennsylvania, that to maintain continued relevancy, the Council needs to begin collecting and analyzing additional outpatient data, including from physician offices. As it stands now, the PHC4 is largely limited to collecting inpatient hospital data and some outpatient data for major services, such as cardiac catheterization, performed at a hospital or ambulatory surgery facility. It is not authorized to collect data on routine outpatient services performed at either a hospital or ambulatory facility, or that may occur at physician offices. This becomes an issue because spending on outpatient services is now almost twice that of inpatient services and is growing at a faster pace than any other health care spending category.
Collecting data on all outpatient services occurring in Pennsylvania would, of course, be a major undertaking. We recommend the standing committees conducting the Council’s sunset review consider authorizing, but not necessarily requiring, the Council to collect expanded outpatient data. Such authorization may also be necessary if the Council is to provide the data and support that is envisioned in the federal SIM grant.

Thank you for your attention. We would also like to thank the Council’s Executive Director, Mr. Joseph Martin, and his staff for the assistance they provided during this project.