Price Shopping for Healthcare: Promise & Reality

Ateev Mehrotra, MD
Promise
“When consumers apply pressure on an industry, whether it’s retailing or banking, cars or computers, it invariably produces a surge of innovation that increases productivity, reduces prices, improves quality, and expands choices.”

Regina Herzinger
Harvard Business School
Market-Driven Health Care
Wide variation in prices implies significant savings opportunity

- Scenario if CalPERS members who received care whose price was above the median switched to median price facility

<table>
<thead>
<tr>
<th>Service</th>
<th>Yearly spending per person</th>
<th>How much would be saved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labs</td>
<td>$270</td>
<td>$136</td>
</tr>
<tr>
<td>Imaging</td>
<td>$436</td>
<td>$254</td>
</tr>
<tr>
<td>Durable Medical Equipment</td>
<td>$61</td>
<td>$37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$767</strong></td>
<td><strong>$427</strong></td>
</tr>
</tbody>
</table>

58% savings!
Is price transparency the key to capturing those savings?

- Over half the states have passed laws requiring either payers or providers to disclose pricing information to patients

- All major health plans have introduced price transparency tools

- Like CalPERS, employers from across the country have introduced price transparency products
Reality
Offering A Price Transparency Tool Did Not Reduce Overall Spending Among California Public Employees And Retirees

ABSTRACT Insurers, employers, and states increasingly encourage price transparency so that patients can compare health care prices across providers. However, the evidence on whether price transparency tools cause patients to receive lower-cost care and reduce overall spending remains limited and mixed. We examined the experience of a large insured population that was offered a price transparency tool, focusing on a set of “shopable” services (lab tests, office visits, and advanced imaging services). Overall, offering the tool was not associated with lower total outpatient spending. Only 12 percent of employees who were offered the tool used it in the first fifteen months after it was introduced, and use of the tool was not associated with lower prices for lab tests or office visits. The average price paid for imaging services preceded by a price search was 14 percent lower than that paid for imaging services not preceded by a price search. Nonetheless, simply offering a price transparency tool is not sufficient to meaningfully decrease health care prices or spending.

In health care, there is tremendous price variation for a given service even within a market. Previous work has demonstrated that there is a limited relationship between health care prices and quality. Therefore, in theory, patients could spend less on health care without sacrificing quality if they used price information when selecting a provider (that is, if they engaged in price-shopping). Price transparency (the availability of health care prices across providers and services) is a prerequisite for price-shopping. Many states have adopted health care price transparency laws, and in 2017, the nation’s largest health insurance company stated that it would expand its price transparency tool. However, it is not clear whether offering price transparency tools will facilitate price-shopping and reduce spending.

Hence, our study examined the experience of a large insured population that was offered a price transparency tool, focusing on a set of “shopable” services (lab tests, office visits, and advanced imaging services). Overall, offering the tool was not associated with lower total outpatient spending. Only 12 percent of employees who were offered the tool used it in the first fifteen months after it was introduced, and use of the tool was not associated with lower prices for lab tests or office visits. The average price paid for imaging services preceded by a price search was 14 percent lower than that paid for imaging services not preceded by a price search. Nonetheless, simply offering a price transparency tool is not sufficient to meaningfully decrease health care prices or spending.
Study

- Intervention group
  - All non-Medicare CalPERS Anthem members in PPO in California

- Control group
  - All non-Medicare non-CalPERS Anthem members in PPO plan in California

- Propensity score weighting to address differences in population

- Focus on “shoppable” services
  - Laboratory, imaging, outpatient physician services
Impact of offering Castlight

Spending on “Shoppable Services”

Year before | Year after
---|---
CalPERS | $788 | $812
Non-CalPERS | $728 | $756
Original Investigation

Association Between Availability of a Price Transparency Tool and Outpatient Spending

Sunita Desai, PhD; Laura A. Hatfield, PhD; Andrew L. Hicks, MS; Michael E. Chernew, PhD; Ateev Mehrotra, MD, MPH

**IMPORTANCE** There is increasing interest in using price transparency tools to decrease health care spending.

**OBJECTIVE** To measure the association between offering a health care price transparency tool and outpatient spending.

**DESIGN, SETTING, AND PARTICIPANTS** Two large employers represented in multiple market areas across the United States offered an online health care price transparency tool to their employees. One introduced it on April 1, 2011, and the other on January 1, 2012. The tool provided users information about what they would pay out of pocket for services from different physicians, hospitals, or other clinical sites. Using a matched difference-in-differences design, outpatient spending among employees offered the tool (n=148 655) was compared with that among employees from other companies not offered the tool (n=295 983) in the year before and after it was introduced.

**EXPOSURE** Availability of a price transparency tool.

**MAIN OUTCOMES AND MEASURES** Annual outpatient spending, outpatient out-of-pocket spending, use rates of the tool.
Why?
Few employees sign up

- Castlight tool for CalPERS members
  - 23% of households signed up for tool
  - Less than half used it for a price search
  - Very few used it more than once

- Consistent with experience of other employers
  - 10% of households signed up for Truven tool
  - But only 2% used it over time
Even fewer use the tool before seeking care

<table>
<thead>
<tr>
<th></th>
<th>All CalPERS members offered tool</th>
<th>Among CalPERS members who signed up for tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labs</td>
<td>0.3%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Office visits</td>
<td>1.0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Imaging</td>
<td>1.0%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>
Price paid by those who searched for prices using the tool

<table>
<thead>
<tr>
<th>Service</th>
<th>With Search</th>
<th>Without Search</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lab Tests</td>
<td>$34</td>
<td>$35</td>
</tr>
<tr>
<td>Office Visits</td>
<td>$117</td>
<td>$115</td>
</tr>
<tr>
<td>Imaging Services</td>
<td>$846</td>
<td>$967</td>
</tr>
</tbody>
</table>
Why does price transparency not drive decreased spending?

- Small fraction of people are signing up for tool
- Even among those who sign up, few use the tool before seeking care
- When they do use the tool, for most services, searchers do not choose a lower cost provider
But why?
To answer this question

- Survey of CalPERS members
- Interviews with CalPERS members
- National survey of adults who received care in last year
What does not appear to be an explanation

- Members do not care about prices
- Members are not supportive of price shopping
- Members equate higher prices with higher quality
Why aren’t people price shopping?

- Current benefit design often makes price irrelevant
- “Search friction”
  - Price data hard to find and understand
  - Complexity of the billing system
- Limited circumstances to price shop
  - Many services are not “shoppable”
  - Few choices in their community
- Providers opinion
  - Do not want to disrupt relationships
- Physician recommendation is key
Ideas on how to move forward

- Different types of benefit design

- Targeting key groups of members and assisting them with shopping

- Focus on prices for physician groups and systems vs. individual services