

Price Shopping for Healthcare: Promise & Reality

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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

	Yearly spending per person	How much would be saved
Labs	\$270	\$136
Imaging	\$436	\$254
Durable Medical Equipment	\$61	\$37
Total	\$767	\$427

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

By Sunita Desai, Laura A. Hatfield, Andrew L. Hicks, Anna D. Sinaiko, Michael E. Chernew, David Cowling, Santosh Gautam, Sze-jung Wu, and Ateev Mehrotra

Offering A Price Transparency Tool Did Not Reduce Overall Spending Among California Public Employees And Retirees

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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 “shoppable” 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.

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In health care, there is tremendous price variation for a given service even within a market.¹ Previous work has demonstrated that there is a limited relationship between health care prices and quality.² 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 price-shopped for health care). 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 employers and employees

hope that increased price transparency will facilitate price-shopping and reductions in spending.⁵ However, skeptics argue that price transparency tools alone are not sufficient to engage patients in price-shopping,⁶ and some even argue that health care is inherently unsuitable for price-shopping because of quality variation and the relationship-based nature of health care.⁷

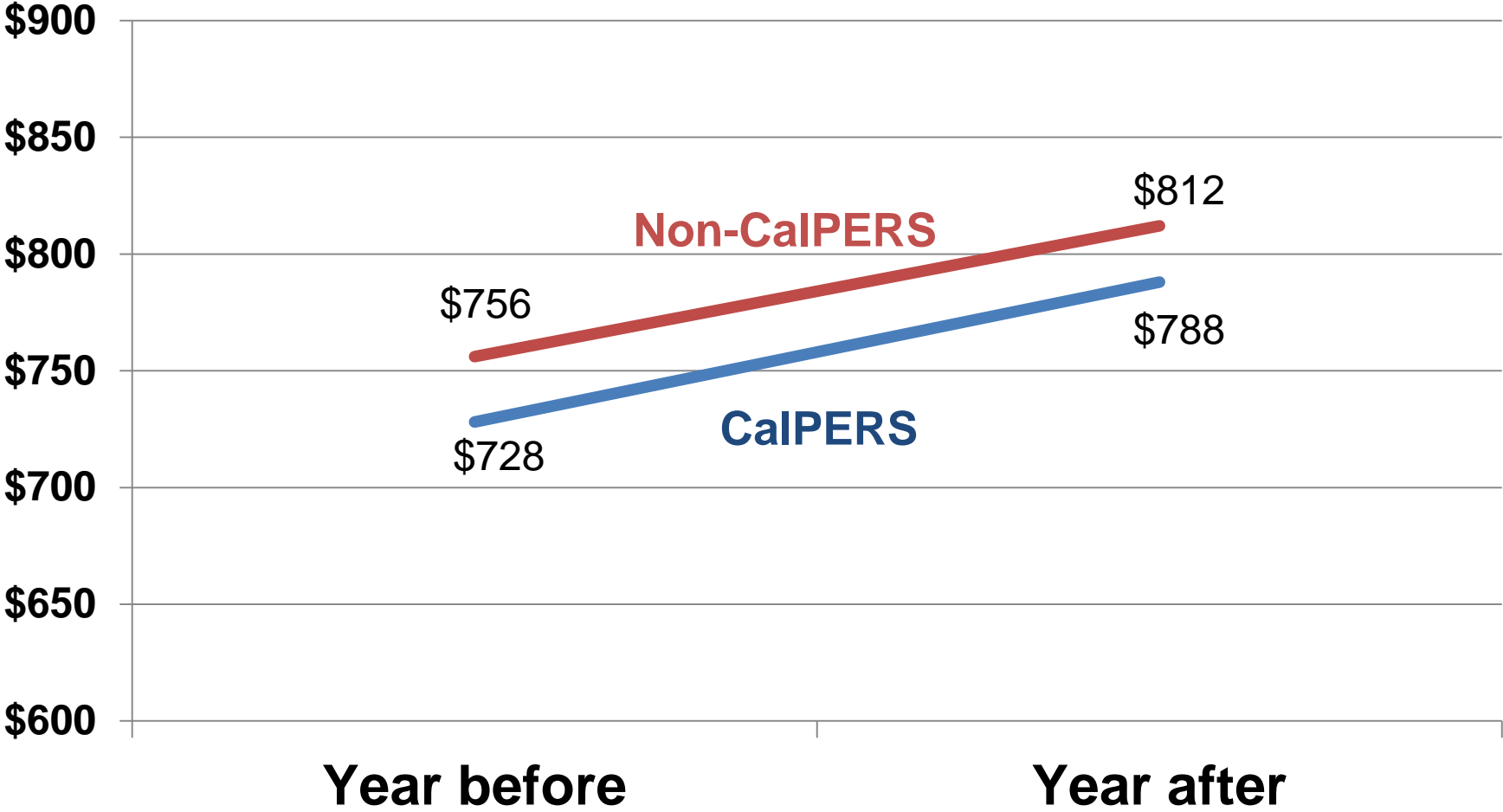
Despite the proliferation of price transparency tools, it is unclear whether they facilitate price-shopping and spending reductions. Two previous studies found a modest reduction in prices paid for imaging and lab tests among the small number of people who used a price transparency

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”



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.

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+ Supplemental content at jama.com

Why?

Few employees sign up

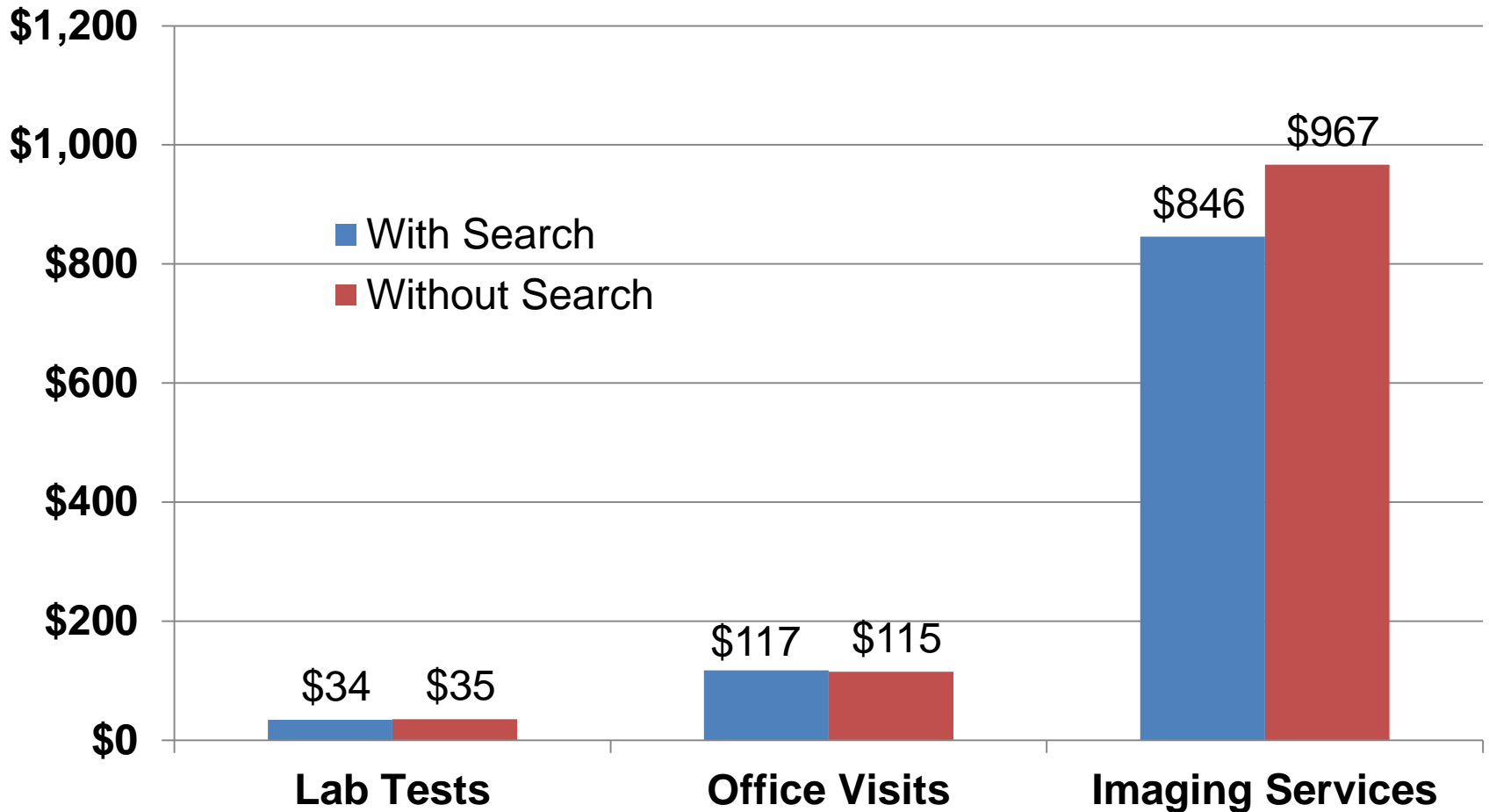
- ▶ **Castlight tool for CalPERS members**
 - 23% of households signed up for tool
 - Less than half used it for a price search
 - Very few used it more than once

- ▶ **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

	All CalPERS members offered tool	Among CalPERS members who signed up for tool
Labs	0.3%	2.2%
Office visits	1.0%	7.5%
Imaging	1.0%	7.0%

Price paid by those who searched for prices using the tool



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