



Pension and Health Benefits Committee Agenda Item 7

August 15, 2017

Item Name: Empowering CalPERS Members with a Health Care Price Shopping Tool: Promise and Reality

Program: Health Benefits

Item Type: Information

Executive Summary

In order to empower members to shop for health care services and to make informed decisions regarding their health care, a price transparency tool, Castlight, was provided to California Public Employees' Retirement System (CalPERS) members enrolled in a Preferred Provider Organization (PPO) health plan in 2014. Harvard Medical School will provide an update on the evaluation done in collaboration with CalPERS and Anthem to understand the impact of providing a price transparency tool to CalPERS members.

Strategic Plan

This agenda item supports the 2017-2022 CalPERS Strategic Goal to achieve health care affordability.

Background

Employers, insurers and state governments across the country have all moved to make prices more accessible. Consumers are interested in more information on health care prices, which these price transparency initiatives aim to meet. CalPERS acknowledged this by adding price transparency as one of the 21 Health Initiatives in 2012.

A number of factors have made price transparency more salient. First, there is growing evidence that there is substantial price variation across providers within health care markets, and higher prices are not consistently associated with higher quality. This implies that if patients selectively seek care from lower priced providers, spending could decrease without compromising health. Second, employers across the country have increased the amount of cost-sharing that employees face and feel an obligation to offer tools to help patients manage their out-of-pocket spending. Relatedly, CalPERS offers reference pricing for various procedures, and CalPERS members would benefit from a tool that allows them to find out the most affordable services subject to reference pricing. The hope is that price transparency will help CalPERS members have more control of their health care spending and feel empowered in their health care decision-making.

Anthem contracted with Castlight in 2014 to provide a price transparency tool to its CalPERS PPO members. CalPERS partnered with Harvard Medical School, Anthem, and HealthCore on a multifaceted evaluation project to determine the impact of the tool.

Analysis

Castlight is a website and a smartphone application that enables members to compare prices and out-of-pocket costs across providers who are in their health plan network. In studying the impact of the price transparency tool, we used multiple approaches. Qualitative interviews were conducted with 39 CalPERS PPO members while a quantitative survey consisted of a random sample of 6,000 CalPERS members, who were asked about their views on price-shopping, knowledge about their health plan benefits, and their use of price transparency tools. Harvard additionally evaluated whether offering the Castlight price transparency tool to approximately 200,000 CalPERS PPO members, or use of the tool, decreased health care spending.

The findings include:

- A majority of CalPERS PPO members believed in shopping for healthcare.
 - 69% of members surveyed agree that people should shop for health care like a car or TV.
 - About half (52%) of members agree that patients should compare prices across providers and nearly all respondents (94%) agree that people should compare quality across providers.
- However, only about a quarter of the CalPERS PPO population used the price transparency tool.
 - About 23% of households had used the tool in the first year but only about half of those used it more than one time.
 - Over 80% of the searches on Castlight were for medical care services: 57% were for office visits, 9% were for lab tests and 7% were for imaging.
- No significant difference in the overall rate of growth of spending was found between the CalPERS PPO population and the control group (non-CalPERS commercially insured population in California with a comparable deductible).
 - No differences were found for those that used the tool versus those that did not.
 - No differences were found for the cost of office visits or labs that were preceded by a search.
 - The price transparency tool did not increase the fraction of CalPERS enrollees who received their colonoscopy from an ambulatory surgery center, a provider choice which was incentivized under CalPERS' reference-pricing benefit design.
- Nevertheless, price transparency tools may be effective in encouraging price shopping and lower prices for a select set of services. Members who searched for imaging services obtained those services at a price that was 20% lower than that of similar patients who did not view pricing information.
 - Additionally, many members (77%) were satisfied with the tool, and about half (47%) reported that it helped them make a health care decision.
- Households used Castlight to find information other than health care prices.
 - 60% of households looked up their claims history, 70% their plan details, and 48% conducted a search.

Though there is substantial potential for savings by directing CalPERS members towards lower-price providers, the impact of the Castlight price transparency tool in achieving this goal has been limited. It is possible that engaging more members before they receive health care may be

more effective in lowering overall spending, than passively offering the price transparency tool. This can be done by targeting members that could most benefit from the use of the tool and by targeting members when decisions are being made. Other recommendations to improve use of the tool include exploring other benefit designs that encourage members to shop for health care.

Budget and Fiscal Impacts

The third-party administrative costs are \$0.62 per member per month and is included in 2017 and 2018 administrative costs.

Benefits and Risks

The benefits include:

- Supports the CalPERS 2017-2022 Strategic Goal to achieve health care affordability, while providing the best value and customer service in health care
- Potential savings in health care costs with greater uptake and use of the price transparency tool
- Provides information, such as claims history, plan details, educational material and provider search, that can improve member satisfaction

The risks include:

- The inability of price transparency to fulfill its promise to generate health care savings

Attachments

Attachment 1 – The Promise and Reality of Price Transparency Report

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