



ISSUE Brief

How Much Does it Cost? Health Plan Tools Empowering Consumers with Provider Price Information

TWEETS

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-  A variety of health plan tools provide consumers with price, quality info needed to make value-based choices
-  Issue brief: Health plans empowering consumers with price transparency
-  Check out private sector efforts to promote price transparency, provide consumers with meaningful information

KEY TAKEAWAYS



Individuals seeking care face wide variation in prices

for hospital and physician services within and across markets, highlighting why transparency around health care price and quality is so important.



As consumers become more engaged in their

health care, they need meaningful information about the price of treatments to make value-based choices.



Health plans have implemented a range of tools to

provide consumers with the information they need to make informed, value-based choices regarding their health care, and opportunities exist to build on these efforts in both the private and public sectors.

Background

Economists estimate that national health care spending will grow at an average annual rate of 5.8% over the next decade—a full percentage point faster than overall economic growth.¹ Not only does evidence indicate that the United States spends more money on health care than any other nation in the developed world, it also shows that despite the trillions of dollars we invest in health care each year, we are missing opportunities to improve the value of that investment and improve health outcomes.²

Compounding this problem is the significant price variation that exists for hospital and physician services within and across markets.³ As consumers become more engaged in health care decision-making, the availability of price information becomes more important, especially as consumers typically pay for some part of their care and may be unaware of the range in potential costs. In fact, according to the American Hospital Association (AHA) publication *Trend Watch*, many consumers are unaware that prices vary depending on course of care, and that the final price for a service is determined when the service is complete, since each episode is unique.⁴

Health plans and employers have implemented a range of strategies designed to improve efficiency, clinical effectiveness, and value – and have a meaningful impact on bending the current, unsustainable health care cost curve. One such strategy is to make information on cost more readily available and usable by consumers. For consumers to make informed health care decisions, they need data on prices and quality of health care services displayed in a clear and meaningful way. Price transparency is particularly important for consumers enrolled in consumer-directed health plans where routine claims are paid out of a health savings account. It can also be an effective strategy for encouraging consumers within traditional health insurance benefit plans to seek care from more efficient providers.

As a result of the increased recognition of the value of price transparency in informing consumer decision-making and promoting efficient, quality care, health plans, as well as the federal and state governments, have taken steps to increase the availability of price information for health care services and promote its use in consumer decision-making. While several factors continue to present challenges to greater transparency of price information, opportunities exist to advance price transparency in the public and private sectors in a way that helps ensure consumers have usable data and access to care.

Private Sector Efforts to Promote Price Transparency

Over the last several years, health plans and independent vendors have developed price transparency tools to help health plan members and consumers choose health care providers and services that deliver cost-effective care. A large proportion of commercial insurers make cost estimation tools available to their members. While the level of functionality of transparency tools and products being used in the private sector varies, there are several elements and capabilities that appear to be common to tools available today. A Catalyst for Payment Reform (CPR) evaluation of price transparency products and tools identified several common features including:

- Information on in-network physicians and hospitals
- Price information on basic procedures and diagnostic tests
- Some price information for primary care, specialty care, labs, and hospitals
- Total cost of care and consumers' share of cost
- Quality information on hospitals and/or physicians
- Cost and quality comparison across multiple providers
- Cost and quality information in a variety of plan designs⁵

Additional discussion around some of these common features is provided below.

Total Cost of Care and Consumers' Share of Costs

While some tools limit their estimates to total cost of care by basing them on available fee schedules, contracted rates, or claim averages for a particular provider or service, the more developed tools supplement this information by taking into account the member's health benefits and displaying the estimated out-of-pocket costs for that individual. In fact, the CPR's 2013 National Scorecard on Payment Reform reported that 86% of health plans have a cost calculator tool that estimates the members' out-of-pocket costs.⁶ An analysis of one plan's cost calculator found that the estimates are typically accurate within 10% of the cost of those services 90% of the time.⁷

In addition, to provide the most useful cost information

to consumers, price transparency tools typically take into account certain consumer characteristics in estimating health care prices. The most common characteristic is zip code, but some of the tools also factor in the age and health status of the user. This allows a certain level of customization of the price information displayed for each member.

Price Information on Basic Procedures and Diagnostic Tests Across Physicians and Hospitals

Price transparency tools used in the private market typically provide information on the cost estimates of certain medical services, but vary in the number of services for which they provide cost information, ranging from a limited number of services to up to 350 services.⁸ Existing tools often include services received in both hospital and physician office settings and some have even expanded to include dental services. Most also allow for comparison shopping for medical services within provider types, enabling consumers to compare prices for different physicians and facilities near their location. Lastly, some price transparency tools have budgeting capabilities that allow consumers to plan their annual health expenses for themselves and their families, but this is a less common functionality seen across tools.

Quality Information on Hospitals and/or Physicians

Recognizing the value in presenting quality and cost data simultaneously, many transparency tools have begun to provide information on quality in addition to cost.⁹ In fact, data from the AHA found that 90% of consumers presented with simultaneous quality and cost data will choose a low-cost, high-quality plan.¹⁰ Quality data on specific providers and facilities is gathered from facility or organization evaluations with quality rating information or from patient feedback on effectiveness, safety, and overall satisfaction. Some tools use quality information available through state agencies and integrate the data into the tool. For example, a law passed in New Mexico's 2015 legislative session will reform the state's health care transparency policy by permitting the release of pricing and quality data on

Aetna's Member Payment Estimator enables members to estimate their actual costs based on their plan design, their specific medical conditions, and the providers they choose. Using the tool, Aetna members can compare prices for up to 10 providers and obtain estimated in-network and out-of-network prices for over 500 services.¹²

Cigna's myCigna.com website includes physician and health facility quality and pricing information that is personalized to an individual's health plan. The price estimates cover more than 200 common procedures and represent 80% of Cigna's medical claims.¹³

Blue Cross and Blue Shield plans designed an interactive cost comparison tool that provides cost information on 59 of the most common elective procedures for inpatient, outpatient, and diagnostic services at specified area hospitals, ambulatory surgery centers, and free-standing radiology centers. The tool has been used in over 63 markets and is being expanded nationwide.¹⁴

Blue Cross and Blue Shield of North Carolina created an online price transparency tool, showing prices from providers for over 1,200 non-emergency procedures. Showing patients the sometimes large price difference between certain providers has led many to choose less-expensive outpatient facilities rather than hospitals for the same procedures from the same surgeons, with the only difference being cost.¹⁵

HealthPartners' treatment cost calculator compares prices for procedures and services on a national level and features price information for over 280 services for doctors, clinics, and hospitals, while also factoring in the members' benefit information. In addition, the tool allows members to compare a wide variety of potential costs, from office visits to lab tests to inpatient procedures.¹⁶

Aetna, Humana, and other health plans have launched Guroo.com, a transparency tool that enables patients to search by symptoms or care needed. The tool finds the average cost in an area, as well as that area's cost range. Guroo.com allows not only for informed choices of facility or doctor based on price, but also makes it possible to compare health care cost on a local and national level.

Transparency tools like Guroo.com are designed to help individuals learn how to shop comparatively and effectively in the new health care marketplace, just as they would for any other product.¹⁷

specific hospitals, establishing a committee to determine how best to present the information, and creating a public portal website to display the information that will be launched no later than 2018.¹¹

Heightened focus on price transparency and consumer engagement has complemented new models of health care delivery that rely on the quality and price information of treatments and providers to help consumers make informed, value-based decisions. Early evidence shows the effectiveness of this strategy – consumers will make choices based on value when they are provided the right information in the right format.¹⁸

Public Sector Price Transparency

The public sector has recently taken steps to increase transparency within the Medicare fee-for-service program. In May 2013, the Centers for Medicare & Medicaid Services (CMS) released information on the average charges for the 100 most common inpatient services at more than 3,000 hospitals across the country, followed by information on the average charges for 30 selected outpatient procedures.¹⁹ CMS also posts on its website the average Medicare payments for the most common diagnosis-related groups. The release of this information highlighted the wide variation in hospital prices both across the country and within communities – in some instances showing that even hospitals within the same geographic area had hospital charges that varied significantly. In April 2014, CMS released data on Part B payments made to physicians in 2012 and the data set is considered to be a starting point for improved future data releases.²⁰

At the state level, approximately 34 states have made reporting of hospital charges and/or reimbursement rates a requirement.²¹ Several states have done this by establishing databases that collect health insurance claims information from all health care payers into a statewide information repository. Known as all-payer claims databases (APCDs), these systems offer one approach to price transparency.²² Some APCDs combine data from payers such as Medicare, Medicaid, children's health insurance and state employee health benefit programs, prescription drug plans, dental insurers, self-insured

employer plans, and private health insurers.²³ However, numerous challenges exist that hinder the efficient, accurate, and consistent collection of meaningful APCD data, highlighting the need for a constructive and common approach to state APCD initiatives.

Another state approach has been to require hospitals and health care facilities to post prices of their most common inpatient and outpatient services. For example, Massachusetts passed a law in October 2014, mandating that estimates of physician and hospital out-of-pocket and total costs be posted online and available by telephone.²⁴ Oregon is currently considering a price transparency bill (SB 891) that would require hospitals and health care facilities to post prices of their 100 most common inpatient and outpatient services and require, at the risk of losing one’s medical license, a timely response to a patient’s inquiry about a billed charge.²⁵ However, in a 2014 report card from the CPR, only two states received a “B” and no states received an “A” when evaluated on how readily consumers could find information on health care prices.²⁶

Challenges to Price Transparency

Definition of Cost

One of the challenges facing greater price transparency is the lack of uniformity in the definition of cost and, as a result, the information being provided by different sources. For example, in its report on price transparency in health care, a task force convened by the Healthcare Financial Management Association (HFMA) notes that cost has different meanings depending on who is incurring the cost.²⁷

Cost to the patient is the amount payable out-of-pocket for health care services

Cost to the provider is the expense incurred to deliver health care services to patients

Cost to the insurer is the amount payable to the provider or reimbursable to the patient

Cost to the employer is the expense related to providing health benefits

Information on cost can only be compared accurately if the sources of information use the same definition of cost.

Availability and Use

Another obstacle is the simple availability and public interest in acquiring, understanding, and using the data provided. In 2011, the Government Accountability Office (GAO) conducted a study on the availability of price information and concluded that meaningful price information was difficult for consumers to obtain before receiving care.²⁸ The factors the GAO identified as contributing to this difficulty included provider concerns with sharing their negotiated rates with consumers, billed services from multiple providers, and the wide variety of benefit structures and cost sharing requirements. In April 2015, the Kaiser Family Foundation conducted a poll on the availability and use of information on health provider quality and price. Only 6% of respondents said that they saw comparative price information regarding doctors or hospitals, and only 3% used it when making their decision. The researchers concluded that the growing consumerism in health did not match the lack of consumption of available price and quality information.²⁹

Structuring Future Transparency Initiatives

Research has confirmed that price transparency for a procedure can reduce that procedure’s market price. For example, in a study comparing the experience of individuals given transparency information on the cost of an MRI with those who were not, patients exposed to information on their specific procedure saw a reduced price by \$99 (9.4% of the original cost) over a two-year period. Those without information on their specific procedure saw an increase in price by \$97 (10.5% of the original cost). These results were attributed to both the consumers’ ability to shop for the most cost-effective health care, and the competition among the providers driving the procedure prices down.³⁰

Price transparency can also reduce claims payments for lab tests, advanced imaging, and clinician office visits,

and reduce overall payments made for clinical care.³¹ A study at the University of Chicago found that states with transparency websites experienced a 7% drop in prices for common, elective medical procedures due to price competition. And on average, hip transplants cost \$2,800 less in states with disclosure websites than in states without.³²

To ensure that provider price information is meaningful and beneficial to consumers, continued evolution of initiatives and tools to make provider price information more available should be built on the following key elements:

- **Price Information That Is Comparable, Actionable, and Consumer-friendly**

For price information to be useful to consumers, it must be based on common definitions so that comparisons can be made across providers. For the comparisons to be truly actionable, they must highlight meaningful differences in price, and the information must be clear and easy for consumers to understand.

In its 2014 task force report, the HFMA had several recommendations on price transparency. The task force primarily recommended different frameworks of information for different care purchaser groups. First, health plans should serve as the primary source of price information for their insured members. Plans should assume the responsibility of facilitating innovative formats through which price information may be conveyed to patients. Second, uninsured patients and those seeking care from out-of-network providers should receive price information from their provider. The report added that government agencies should incorporate similar transparency structures for programs such as Medicare and Medicaid.

Additionally, the report advised that the providers should offer uncomplicated, standard prices for basic procedures and clarify how the prices may change due to unforeseen circumstances experienced during the course of care such as complications resulting from treatment. Providers

should also indicate what services are and are not covered in a price estimate. The report recommends that referring clinicians should assume the responsibility of helping inform their patients about the best decisions for their financial situation and help price-sensitive patients find the best price for their desired level of quality.

The HFMA report further recommends that fully insured employers utilize transparency tools that help their employees maximize their ability to find cost-effective, high-value providers. Self-funded employers are advised to use data resources to shape their benefit design, comprehend health care spending, and offer quality transparency tools to their employees.

- **Price Information That Is Paired With Quality Information**

The Federal Trade Commission (FTC) has recommended that “[p]rivate payers, governments, and providers should furnish more information of prices and quality to consumers in ways that they find useful and relevant and continue to experiment with financing structures that give consumers greater incentives to use such information.”³³ Studies have shown that when consumers are presented with only price information (i.e., without quality data), they believe higher cost translates to higher quality. This is true even among consumers with high-deductible health plans that would expose them to a higher share of costs. However, presenting cost and quality information side by side in an easy-to-interpret format and highlighting high-value options improved the likelihood that consumers would choose those options.³⁴

A census of state health care price transparency websites found that quality is only represented alongside price estimations in 13.2% of state government agency or hospital association public transparency websites. The authors of the study suggested that the increase of this number would cause an increase in accuracy and usability of these websites.³⁵ Transparency strategies that follow a similar format will make it easier for consumers to understand that a more expensive doctor does not necessarily provide higher-quality care.

● Price Information That Benefits Consumers Without Anticompetitive Impact

Several states have proposed to structure price transparency initiatives based on dissemination of competitively sensitive information, such as specific negotiated rates between individual insurers and individual providers. This approach could result in price increases and otherwise harm consumers. For example, the FTC has recently cautioned that disclosure of competitively sensitive information “may chill competition by facilitating or increasing the likelihood of unlawful collusion,” and may also undermine the effectiveness of health plan activities, which serve to reduce health care costs and improve overall value in the delivery of health care services.³⁶

The FTC recommended approaches that focus on disclosing the kinds of data that are most useful to consumers when selecting health care services and providers.³⁷

Examples of such data include:

- Out-of-pocket costs for specific services;
- Cost sharing obligations under the plan (e.g., a dollar copay amount versus a percentage coinsurance amount), including incorporating deductible information;
- Estimated costs associated with a likely “service bundle,” rather than simply for an isolated service (e.g., with respect to a surgery, including the costs of anesthesia and blood work as well as of the surgery itself);
- Where consumers can find the health care service by local area and network; and
- The relative cost of receiving care at different providers.

By focusing transparency initiatives on the types of information most useful to consumers when they compare and select health care providers and services, these initiatives can minimize the risk of reducing competition and undermining the effectiveness of health plan activities designed to reduce costs and improve value for consumers.

Conclusion

There is evidence that consumers would like to be more engaged in medical treatment decisions but have a difficult time finding reliable cost information.³⁸ Several factors continue to present challenges to greater transparency of price information, including the difficulty in accounting for underlying health status or conditions and legal concerns on sharing price information. Adding to these challenges is the similar dearth of cost information made available to providers. A recent survey of physicians found that few orthopedic surgeons know the cost of the devices they implant.³⁹ However, opportunities exist to build on private sector efforts, as well as federal efforts to provide greater transparency around Medicare payments. There is emerging evidence that more consumers are actively seeking and using health care price information.⁴⁰ Research also indicates that the majority of Americans recognize that higher-priced care is not necessarily better quality care.⁴¹ As price transparency initiatives and tools continue to evolve, stakeholders should pursue continued emphasis on the integration of quality information, given existing evidence that cost data, presented with quality data, can influence consumer decision-making and lead to value-based choices.

End Notes

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