

Presenting Price Information to Consumers

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Outline

- ▶ Theory and history of price transparency efforts
- ▶ Current policy context
- ▶ Examples
- ▶ Opportunities for impact
- ▶ Takeaways for CVEs

Theory Behind Price Transparency Efforts

- ▶ Competitive markets are thought to reduce waste and improve quality of goods
- ▶ Lack of consumer information about prices and quality and the presence of insurance in health care cause markets to fail
- ▶ One path to improving market performance is to permit patients to anticipate prices
 - ▶ The prices that they pay
 - ▶ The prices that their health plan pays



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Specific Goals of Price Transparency

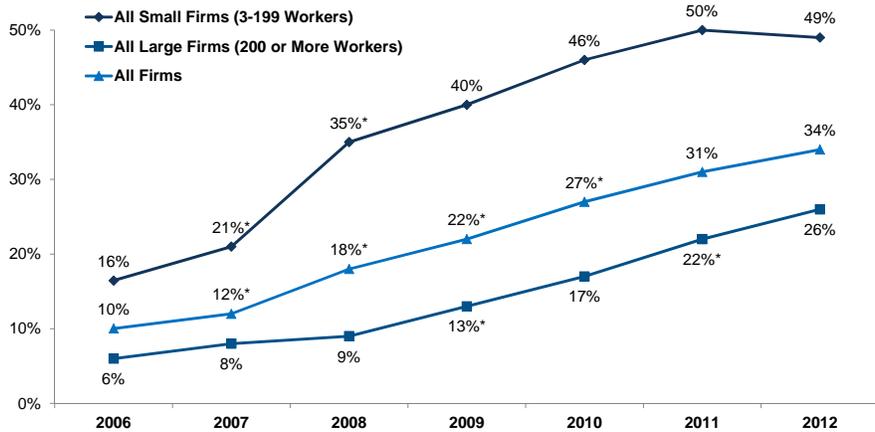
- ▶ Make patients shop for lower priced (or higher value) services
- ▶ Make providers lower their prices – through the demand mechanism
- ▶ Raise awareness of the overall high cost of health care and the variation in prices



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Policy Context: Increasing Cost Sharing Provides Impetus for Consumer Price Sensitivity

Percentage of Covered Workers with a Deductible of \$1,000 or More for Single Coverage, 2006-2012



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2012.



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Price Transparency to Date

- ▶ States, commercial insurers have reported average costs at the level of a billable service
- ▶ CMS and other public entities have reported provider-specific charges or sometimes paid amounts for a particular type of hospital admission



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Provider Prices Vary Depending on Insurance Status and Type

- ▶ Accepted payment by one group for anesthesia during cardiac surgery:
 - ▶ Uninsured: \$8,675
 - ▶ Private commercial plans: \$5,208 - \$6,970
 - ▶ Medicare: \$1,605
 - ▶ Medicaid: \$798

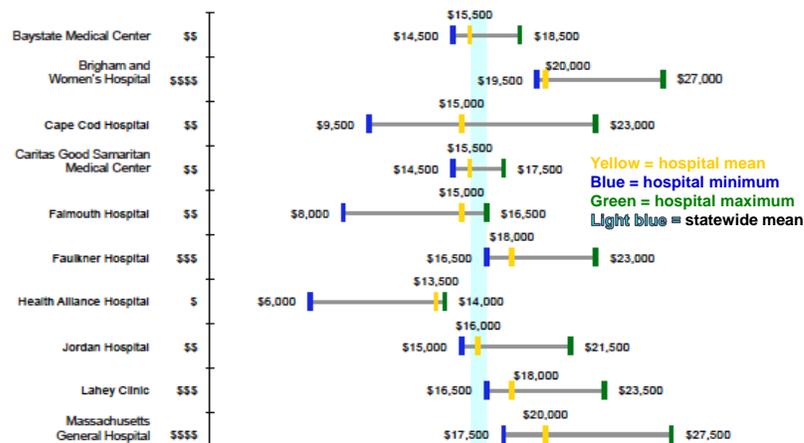
The New York Times
June 2, 2013



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Prices Vary for the Same Service across Providers

Range of Costs for Knee Replacement by Hospital (1 of 2)



Source: Mass DHCFP, 2009



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Patient Needs to Know: “What Will I Pay?”

Cost Estimate

This estimate is for: BARBARA
Date of Estimate: 07/17/2012 10:44 AM
Service: **Upper GI Endoscopy**

 Print Estimate

Upper GI Endoscopy includes uncomplicated surgery performed in an outpatient setting including 60 minutes of anesthesia as well as typical associated facility charges.

Facilities Near 07035:

[How did we select these Facilities?](#)

Facility	Facility Type	Distance	You Pay
North Jersey Gastroenterology and Endoscopy Associates, PC 1825 Route 23 South Wayne, NJ 07470 Phone: (973) 633-1484 Facility Details	Ambulatory Surgicenter	2.48 mi	\$127.15 Cost Details
Surgicare Surgical Associates Of Wayne 246 Hamburg Pike. Wayne, NJ 07470 Phone: (973) 834-1120 Facility Details	Ambulatory Surgicenter	5.37 mi	\$143.75 Cost Details
Premier Endoscopy, LLC 164 Brighton Road Clifton, NJ 07012 Phone: (973) 859-3700 Facility Details	Ambulatory Surgicenter	8.80 mi	\$174.35 Cost Details
Gastroenterology Diagnostics of Northern NJ 205 Browertown Road Suite 102 West Paterson, NJ 07424	Ambulatory Surgicenter	5.49 mi	\$180.80 Cost Details



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Increasing Efforts to Offer Meaningful Price Transparency

- ▶ Health plans and independent vendors beginning to offer cost calculators
 - ▶ Episode level out-of-pocket costs
- ▶ Massachusetts: Reducing costs through increasing transparency (Chapter 224 of the Acts of 2012)
- ▶ Beyond transparency: incentive alignment through reference pricing and tiered networks



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Early Insights into Impact

- ▶ Few studies have examined consumer response to price information (with no new incentives)
- ▶ Pharmaceutical price calculators have been shown to influence drug selection
- ▶ For some services it will be critical to link information on cost with quality measures
- ▶ Effects are likely contextual
 - ▶ Medical services that consumers are most likely to view as “shoppable”
 - ▶ Strong financial incentives
 - ▶ Potentially where there is some learning?



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Takeaways for CVEs

- ▶ Lack of information on prices (and quality) prevents markets from working in health care
- ▶ Price information needs to be actionable – patient- and provider-specific, all-inclusive
- ▶ Little evidence on impact or best practices but CVEs should consider:
 - ▶ Which choices are likely to be sensitive to price information
 - ▶ How to deliver relevant and timely information
 - ▶ Pairing quality information so patients don't assume low cost is low quality



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