



# Healthcare Price Transparency: Paths Forward

Health Policy Institute of Ohio  
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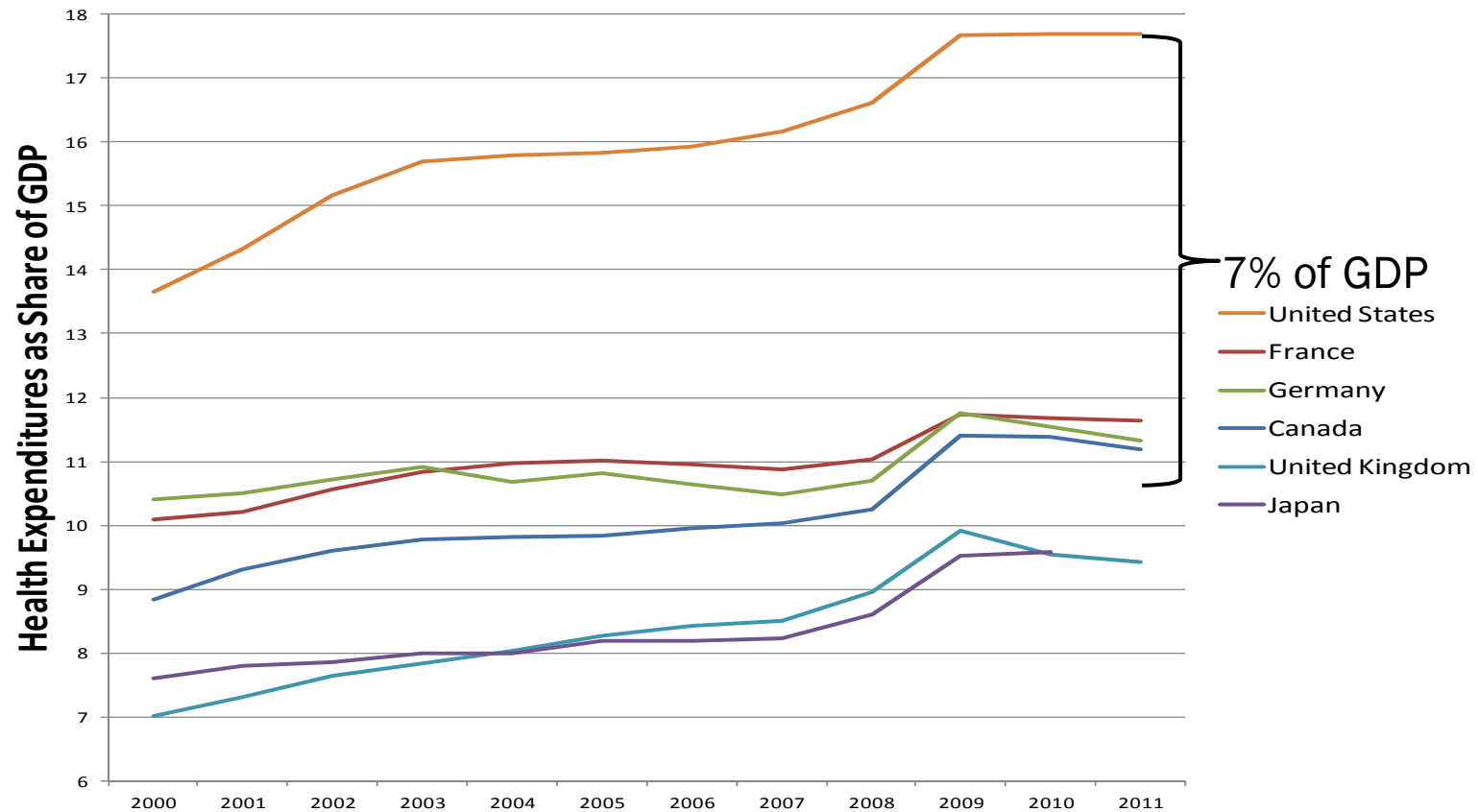
## Preview

- The Spending/Price Problem
- The Flawed Shopping Process
- Paths Forward



# The Spending/Price Problem

# How Big is the Spending Problem?



# How Big is the Spending Problem?

$$7\% * 18.0T / 321m$$

=

\$3900 per person

=

higher taxes, premiums, out-of-pocket  
lower wages

# Why is the U.S. So Different?

- Aging
- Obesity/drinking/smoking
- Technology
- Malpractice
- Unit prices
- Administrative costs

# Why is the U.S. So Different?

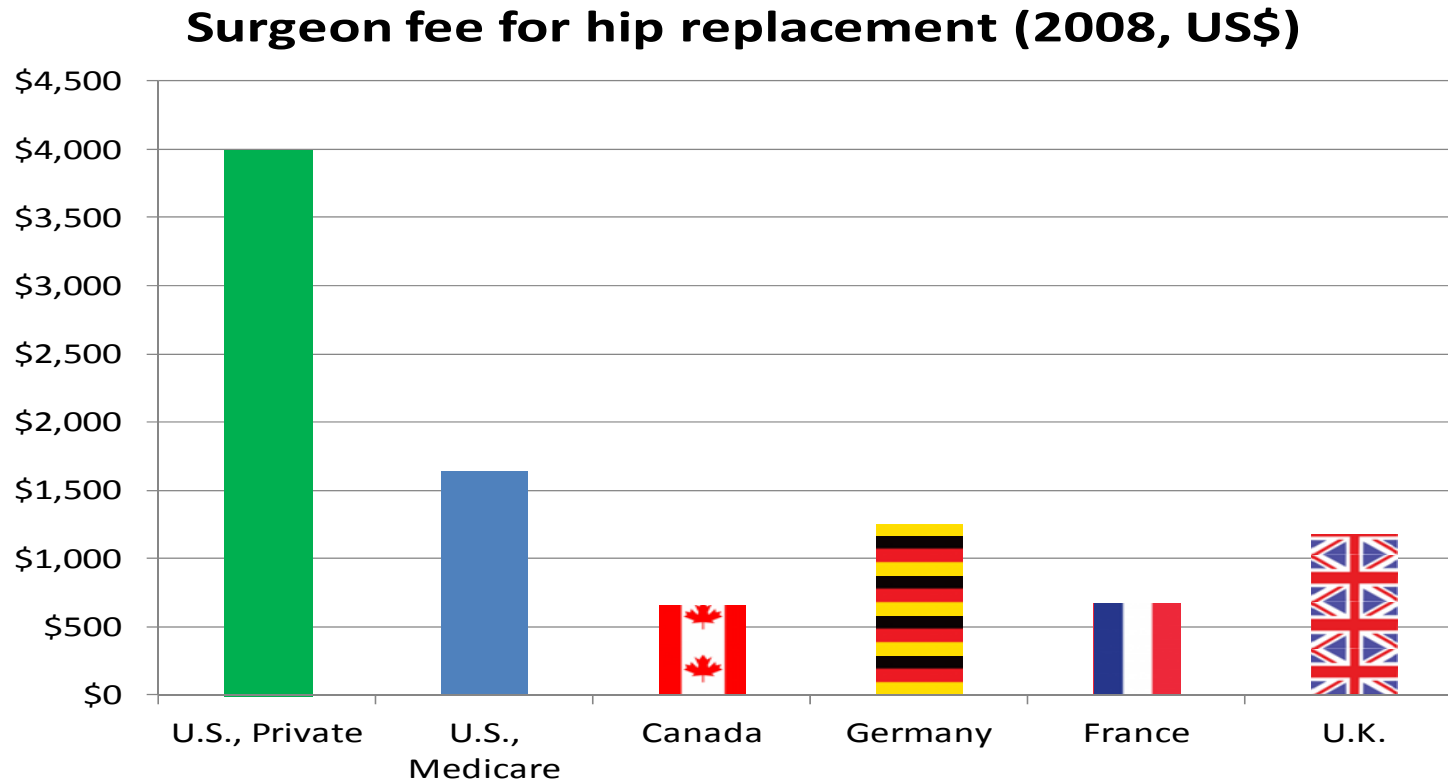
- ~~Aging~~
- Obesity/~~drinking~~/smoking
- ~~Technology~~
- ~~Malpractice~~ “It’s the Prices, Stupid ...”  
(Anderson et al. 2003)
- Unit prices
- Administrative costs

# “Unit Prices”

- Definition: payment per unit of service
  - includes out-of-pocket payments by patient and payments by health plan
- How related to total health care spending?
  - $S = nQP(1+a)$
  - total health care spending equals the product of:
    - population (n), quantity of services per person (Q), unit prices (P), administrative loading (1+a)

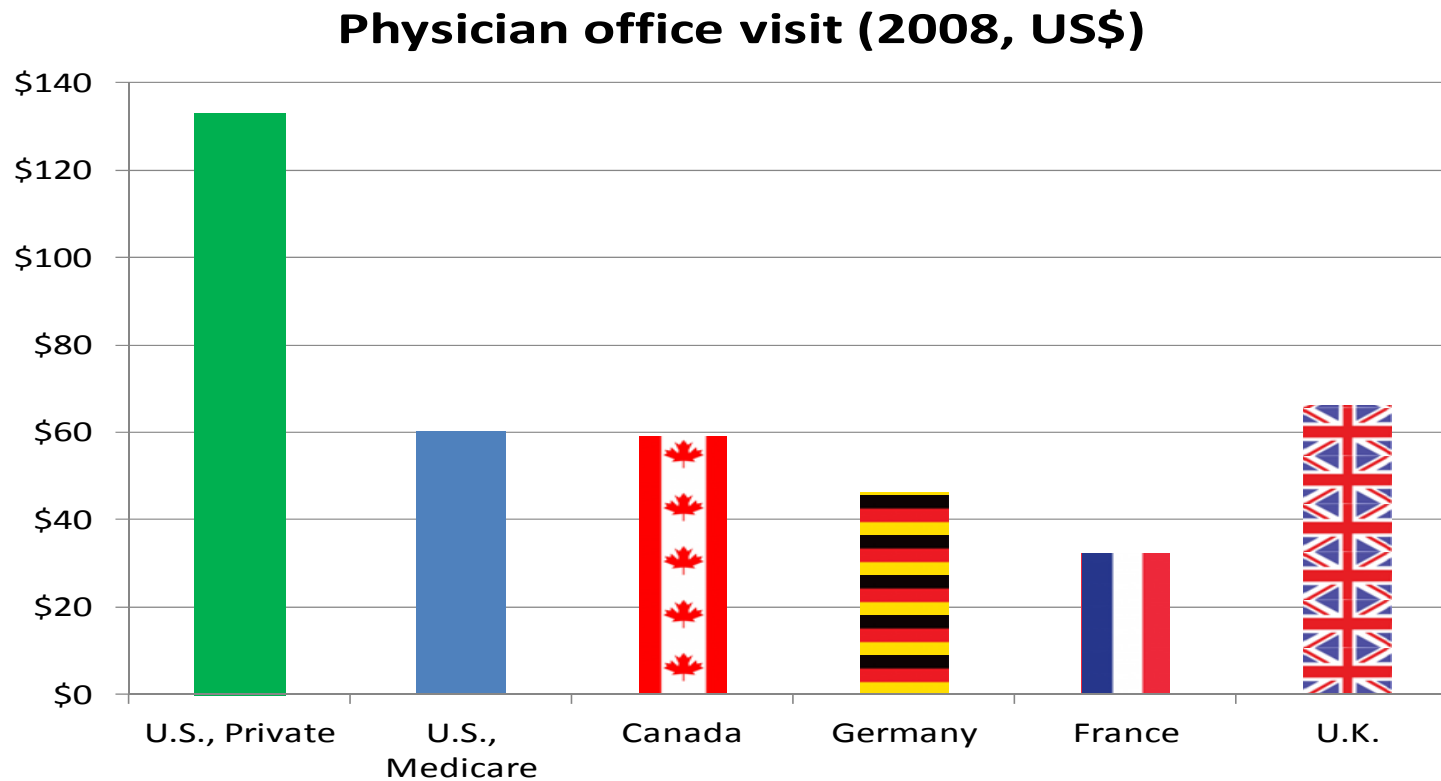


# How Bad is the Price Problem?



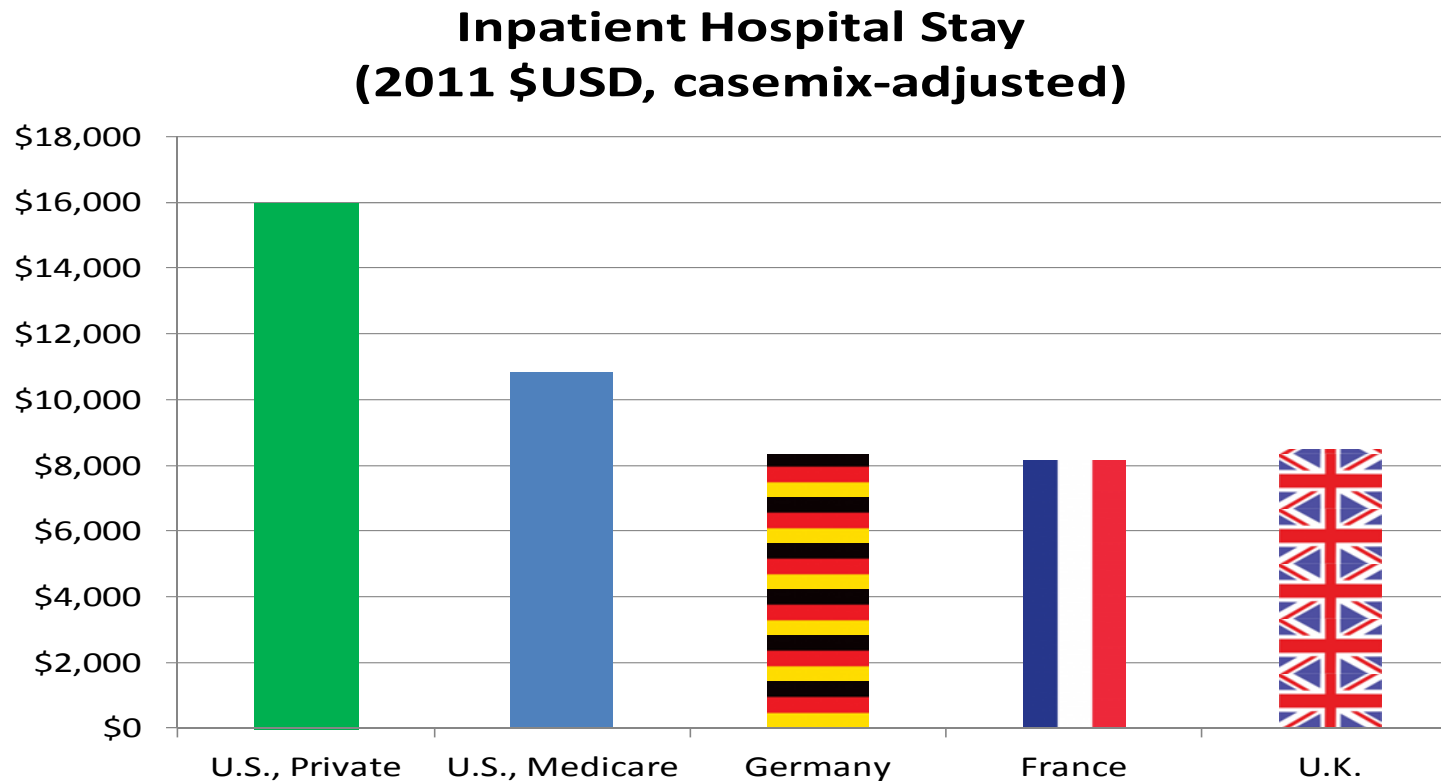
Source: Laugesen and Glied (2011)

# How Bad is the Price Problem? (2)



Source: Laugesen and Glied (2011)

# How Bad is the Price Problem? (3)

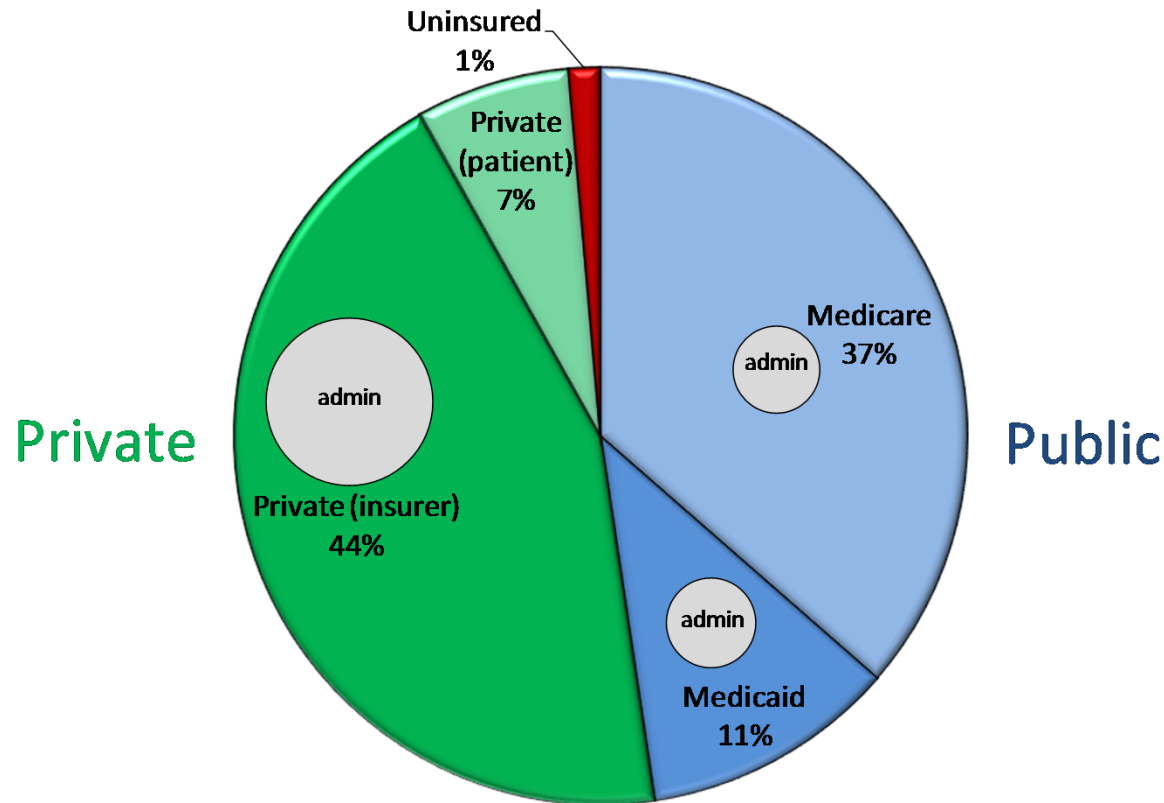


Source: Author's calculations based on the AHA Chartbook, BLS PPIs, and Stargardt, *Health Economics*, 2008. Slide 11

# Why Focus on the Privately Insured?

- Prices vary
- Prices are negotiated
- Prices are, in some cases, extremely high

# The Health Care Pie

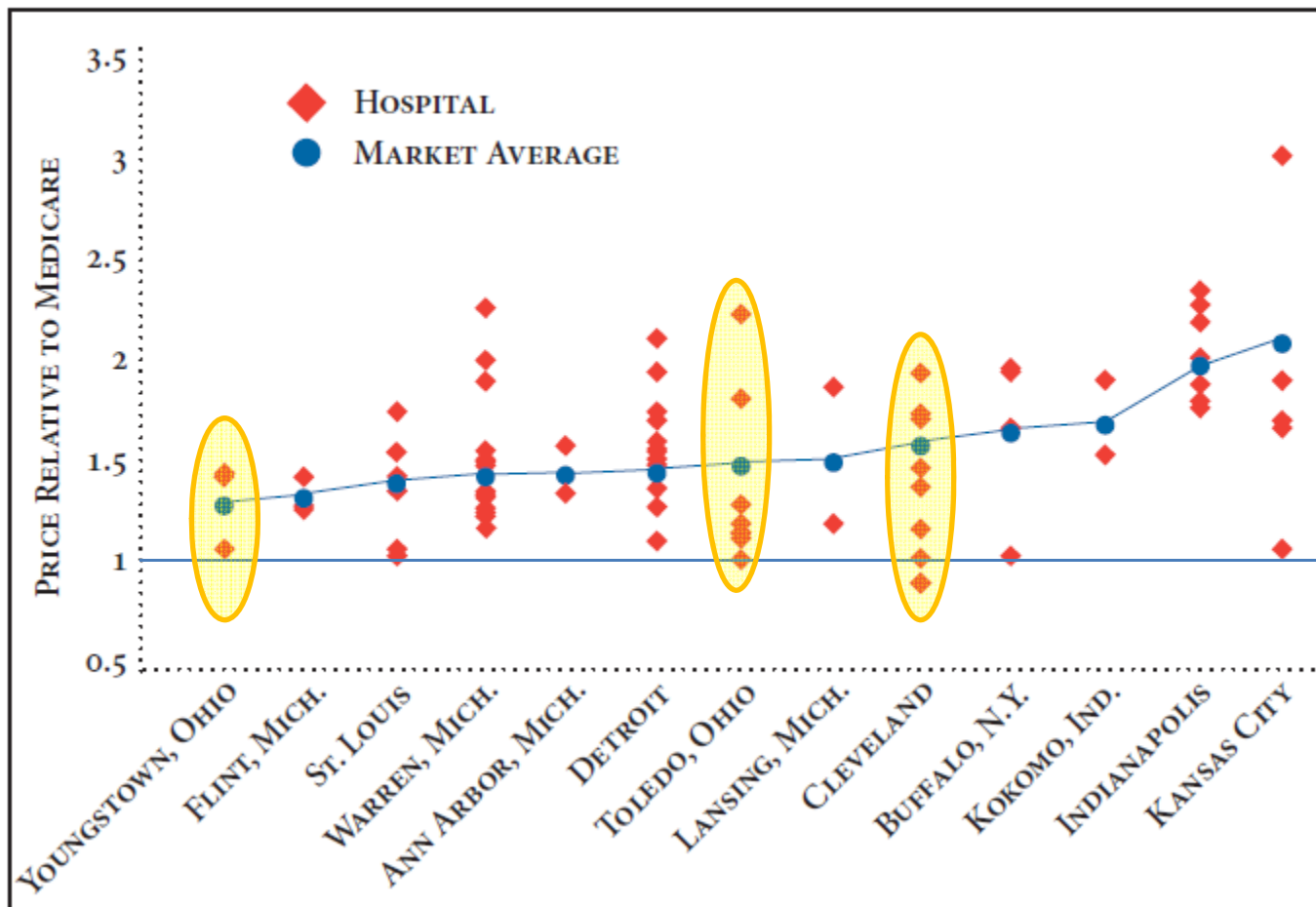


Health Spending by Patient's Primary Source of Coverage, 2013

Source: Author's calculations using National Health Expenditures and MEPS-NHEA. Slide 13

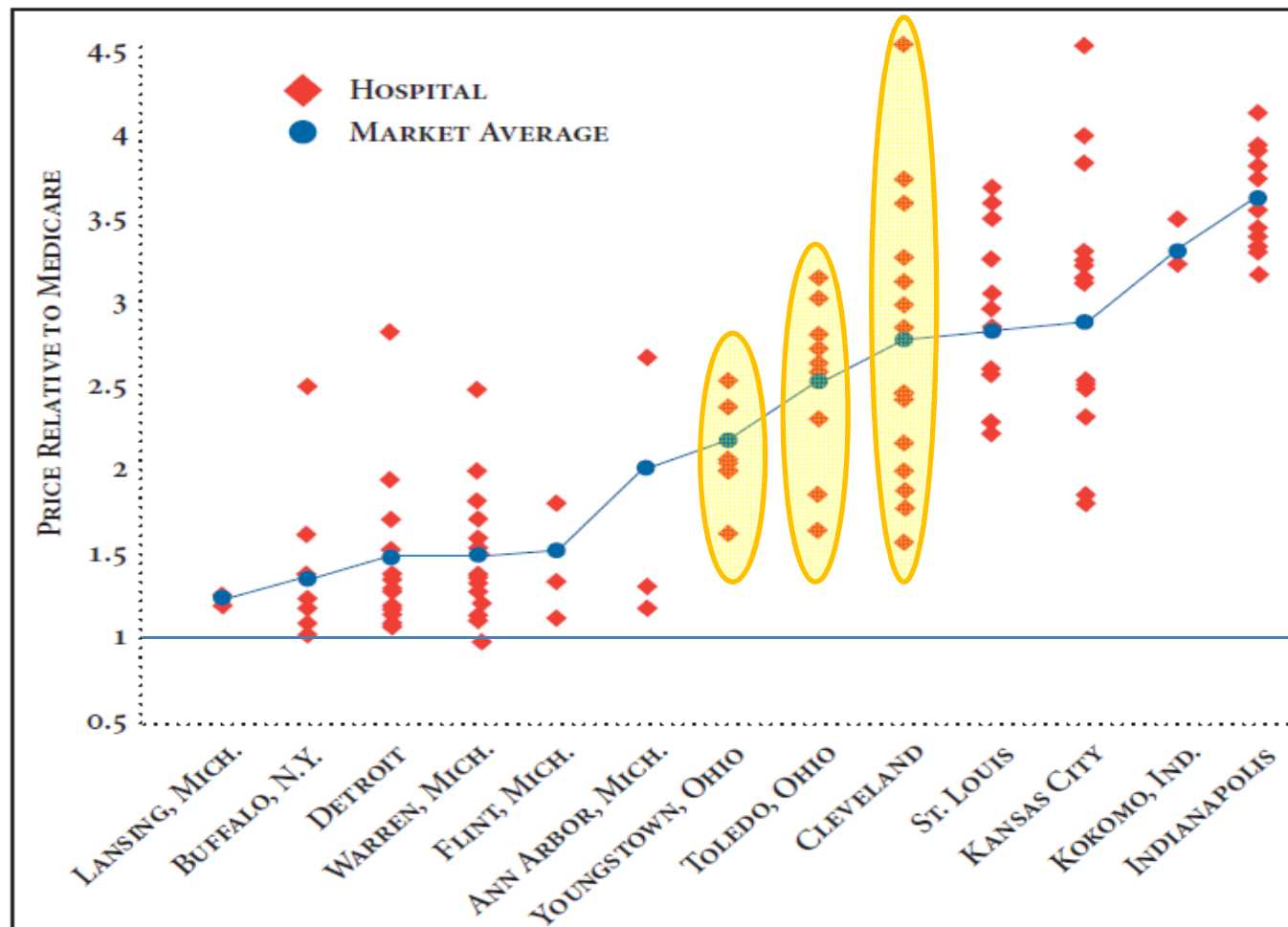
# **How Bad is the Price Problem in Ohio?**

## Variation in Hospital Inpatient Prices for Privately Insured Patients Across and Within 13 U.S. Markets



Source: White, Bond, and Reschovsky, 2013, *High and Varying Prices*

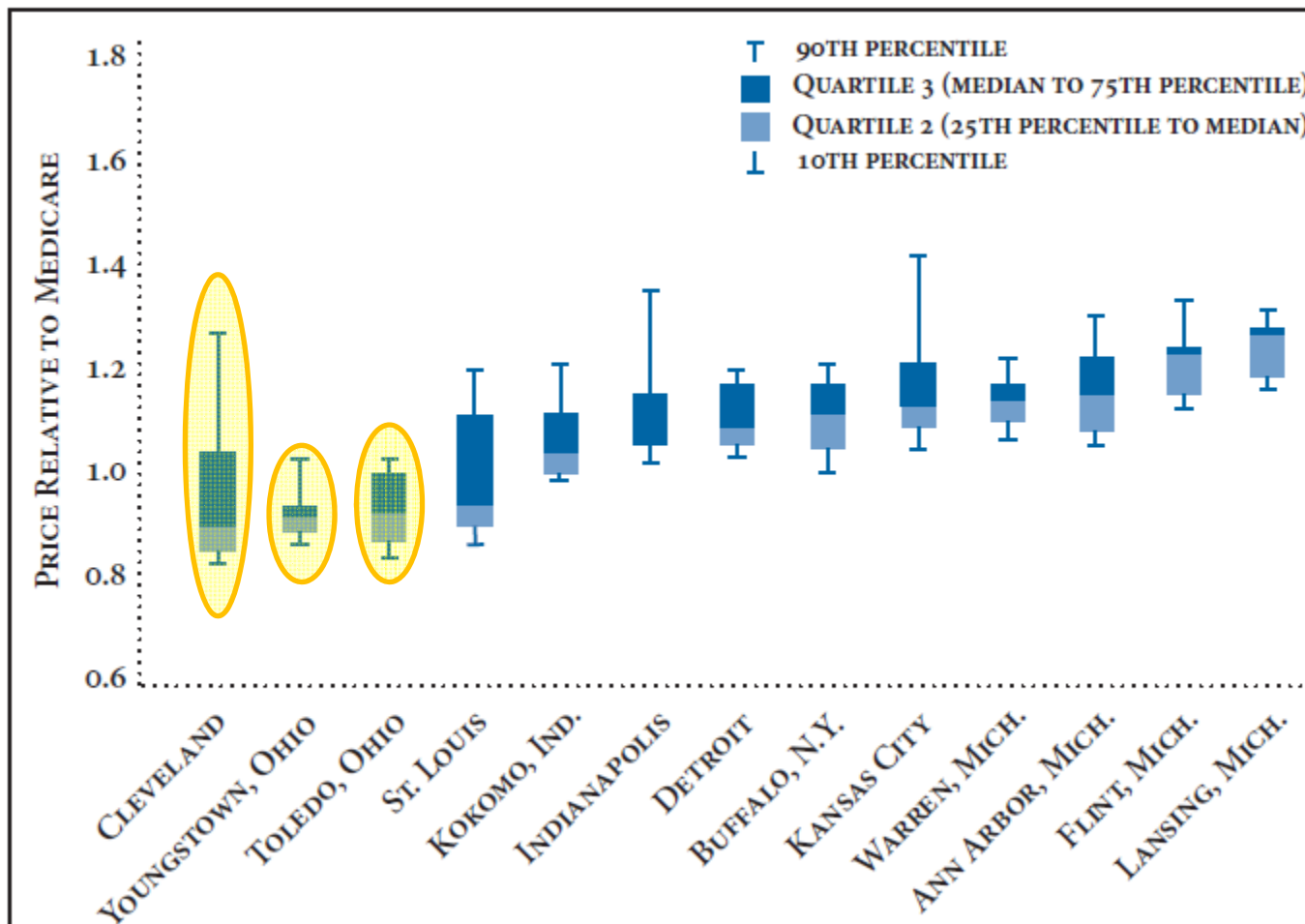
## Variation in Hospital Outpatient Prices for Privately Insured Patients Across and Within 13 U.S. Markets



Source: White, Bond, and Reschovsky, 2013, *High and Varying Prices*

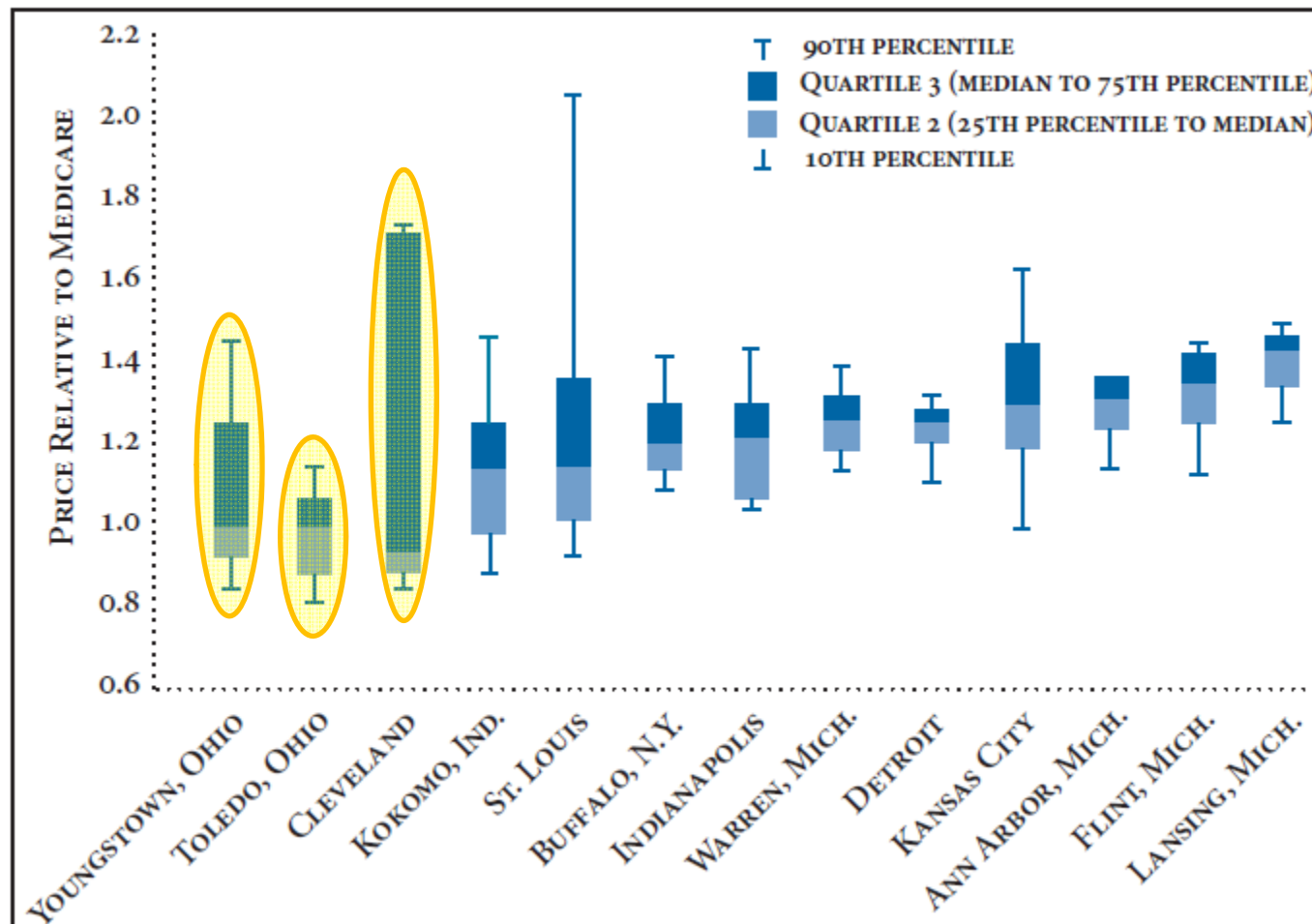


## Variation in Primary Care Physician Prices for Privately Insured Patients Across and Within 13 U.S. Markets

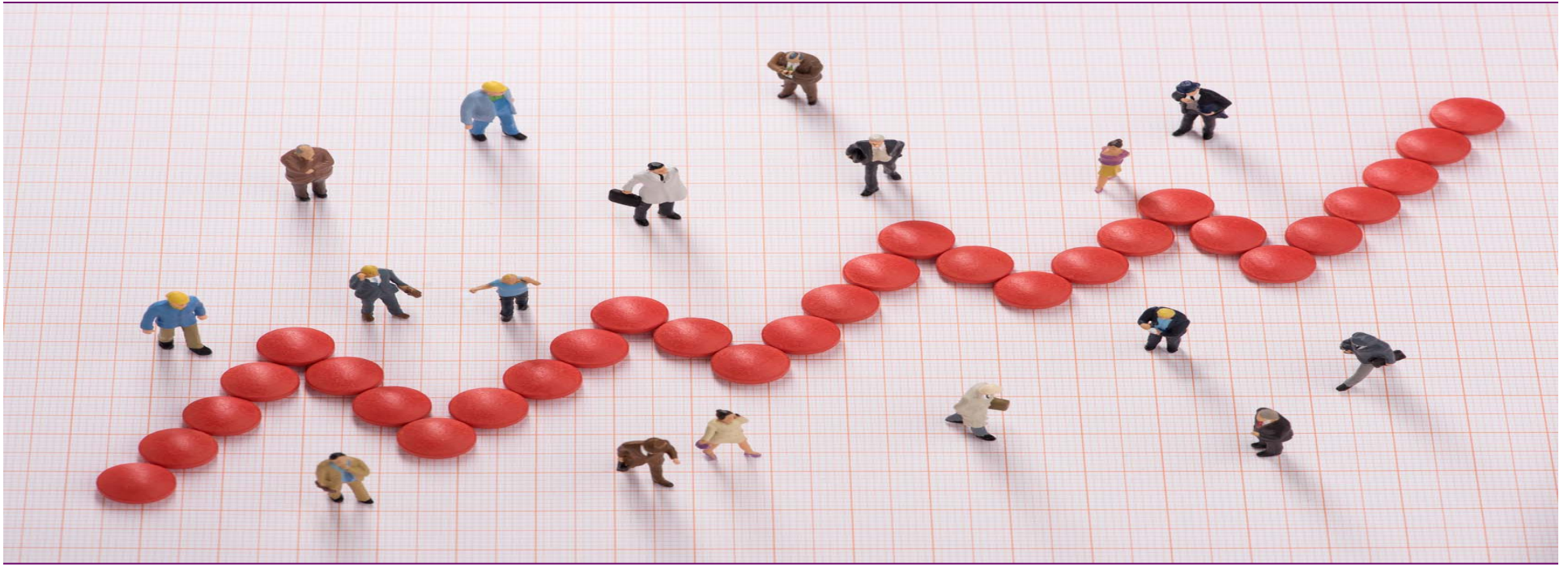


Source: White, Bond, and Reschovsky, 2013, *High and Varying Prices*

## Variation in Medical Specialist Physician Prices for Privately Insured Patients Across and Within 13 U.S. Markets



Source: White, Bond, and Reschovsky, 2013, *High and Varying Prices*



# The Shopping Process

# The Shopping Process: Privately insured

- Health plans
  - build provider networks, negotiate unit prices, steer patients
- Employers/Unions/Marketplaces
  - choose plan(s) to offer and benefit design
- Enrollees
  - choose plans (sometimes), providers (sometimes), and whether to receive a service (sometimes)
- Physicians
  - provide services, order services, make referrals

# So, What's Not Working?

- Mega-insurers vs. must-have health systems



## So, What's Not Working? (2)

- Health Plans

- “go along” (with providers) “to get along”
- self-funded plans are pass-throughs
  - negotiating with providers is a cost
  - high prices increase base off of which fees are charged
- “fully insured” plans experience rate in many states
- don't need to outrun the bear, just other plans

## So, What's Not Working? (3)

- Employers
  - not qualified to manage health care system
  - want predictable costs, let employees pick up the rest
  - hate dealing with complaints
  - dependent on brokers and consultants
  - “cranky, confused, aimless, and spineless” (Holt, 2013)

## So, What's Not Working? (4)

- Patients
  - offended by notion that they should shop on price
  - only pay about 25% of premium out-of-pocket
  - only pay about 14% of total cost out-of-pocket
  - limited ability to discern provider quality
    - grasp at straws (e.g. “nice”)
    - suspicious of low-price providers
  - generally do what physicians tell them to do



## So, What's Not Working? (5)

- Brokers and Consultants
  - their living depends on lack of price transparency
  - price data are a strategic data asset, not to be shared freely

## So, What's Not Working? (6)

- Quality is very difficult to measure
  - price, without quality, means little
  - huge range of treatments and conditions treated
  - right action often unclear
  - patients affect outcomes
    - comorbidities
    - compliance

## So, What's Not Working? (7)

- Government
  - tax code favors profligacy
    - health care benefits over cash compensation
  - tax/regulatory environment favors self-funding
  - protects medical professionals from exposure
    - limits on performance reporting

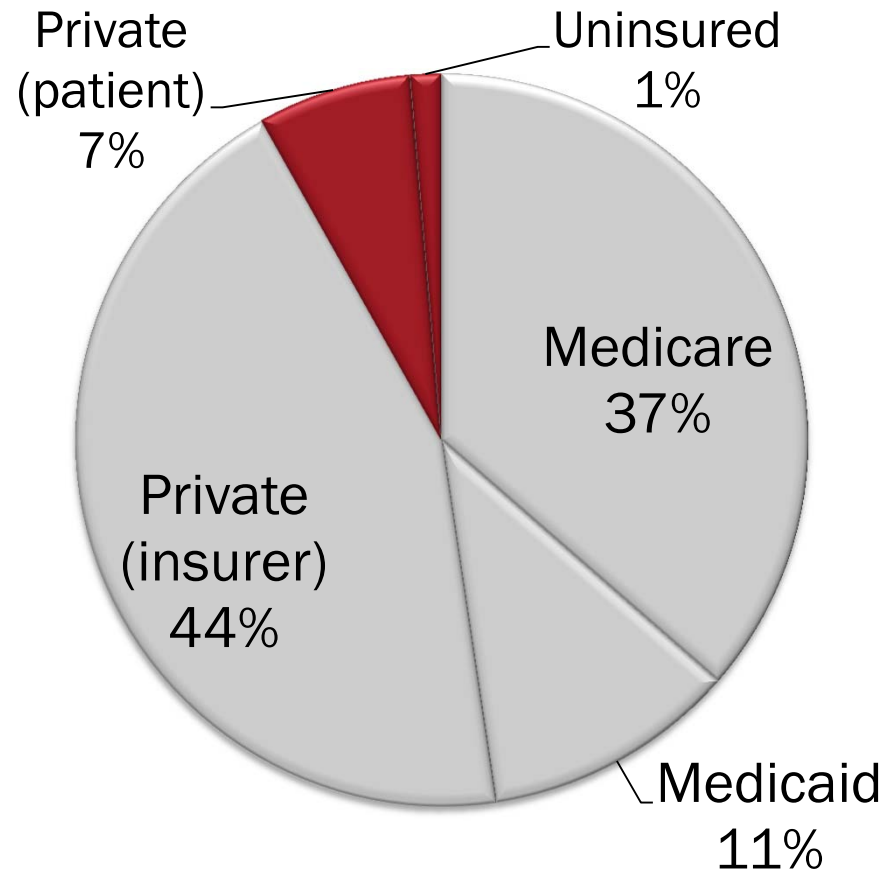


## Paths Forward

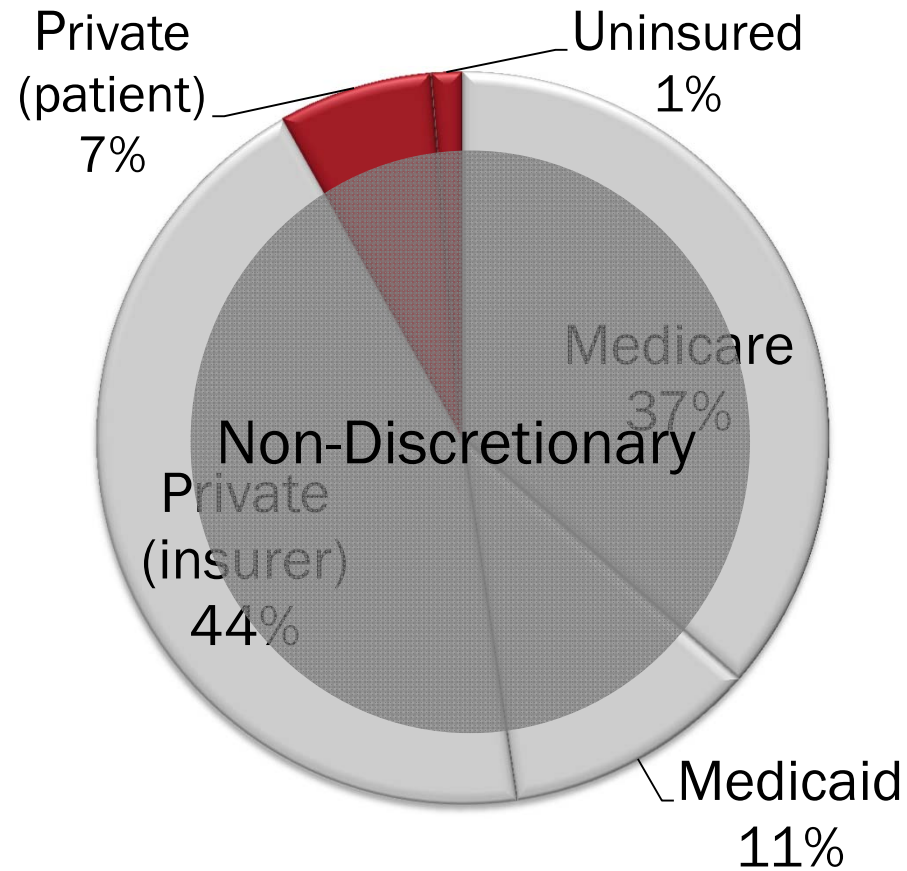
# Patients, Employers, Physicians

- What's the scope of potential impact?
- What are the options?
- What is the range of possible impacts?

# Path 1: Patient—Scope of Action



# Path 1: Patient—Scope of Action



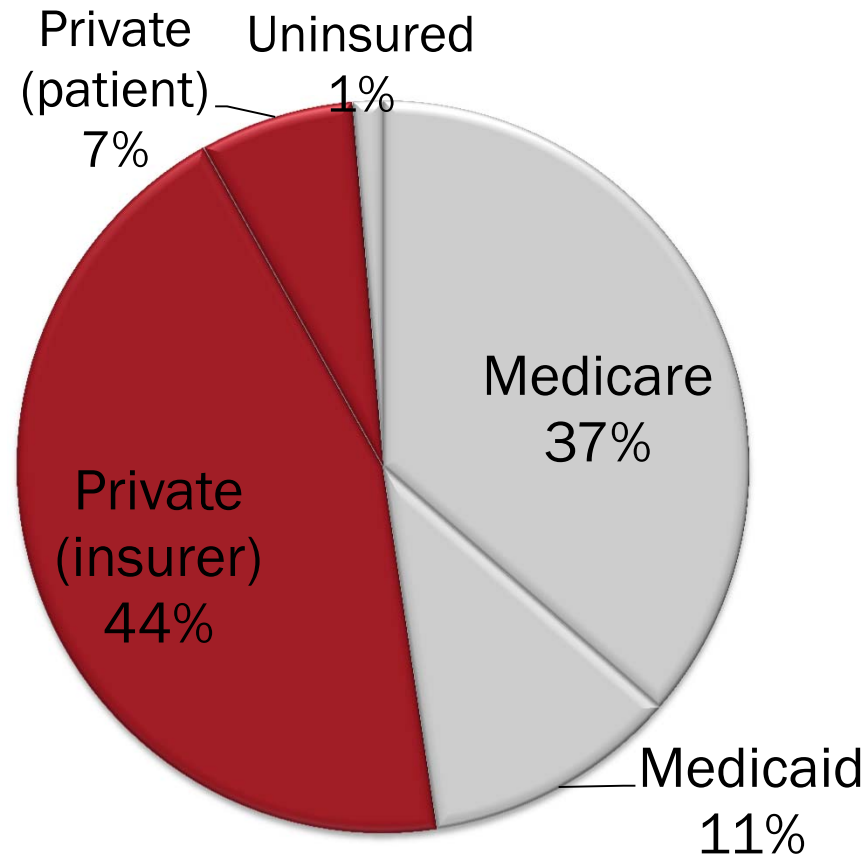
# Path 1: Patient

- Policy Options
  - mandate availability of prices, price tools
  - reference pricing
- Impacts
  - minimal, because
    - shopping tools already available
    - tools are only used rarely

“In theory, price transparency is a powerful tool. In practice, price transparency makes little difference to most insured consumers because the structure of their health benefits does not reward the choice of lower-cost providers.” (Paul Ginsburg, USA Today, March 5, 2013)



## Path 2: Employers—Scope of Action

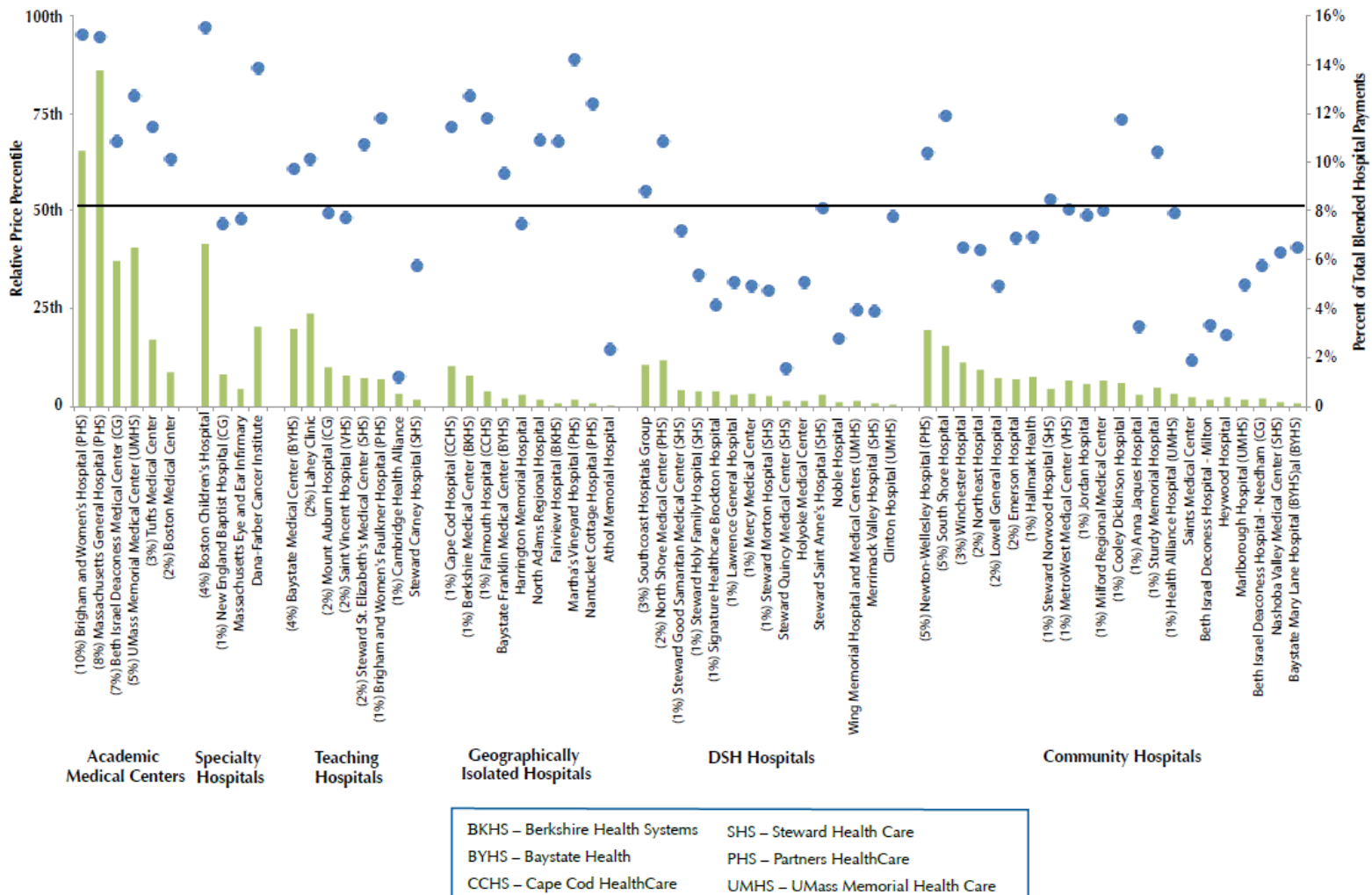


## Path 2: Employers

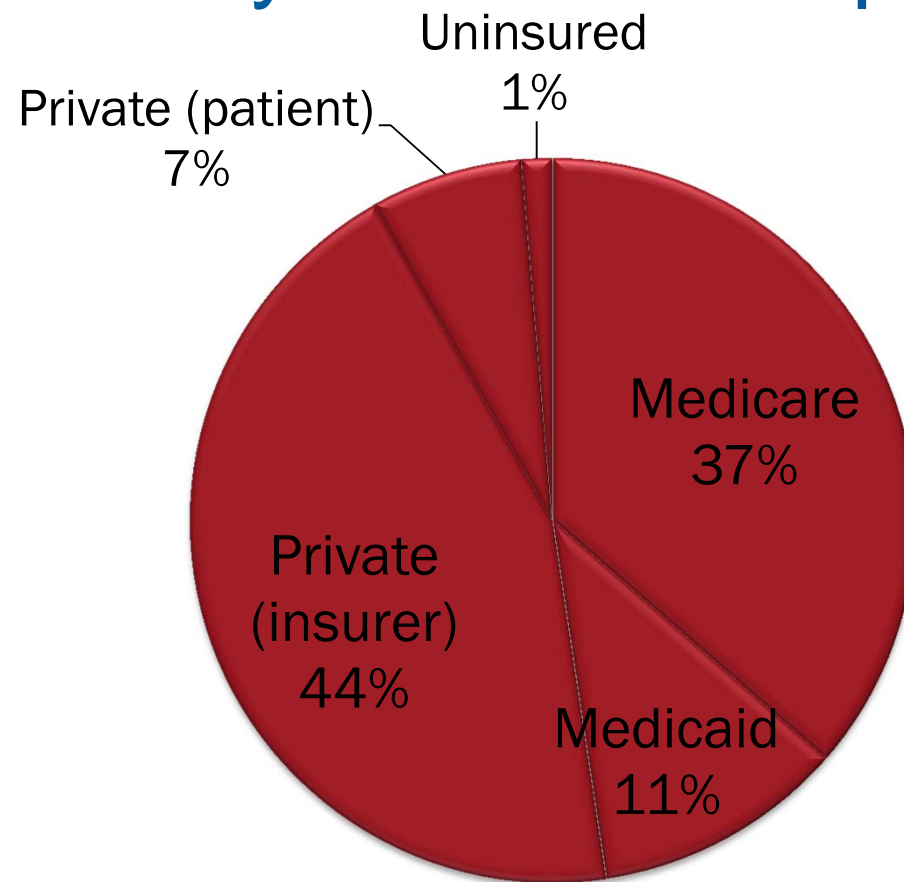
- Policy Options
  - enable self-funded employers to analyze own prices
  - mandate that fully insured plans provide a “receipt”
  - APCD, with price reports that “name names”
- Impacts
  - moderate to large, because
    - mid-size and large employers well positioned to shop
    - wide range of responses

## Example from Massachusetts

Figure 3: CY 2011 Acute Hospital Relative Price Composite Percentile and Payment Distribution



## Path 3: Physicians—Scope of Action



## Path 3: Physicians

- Policy Options
  - mandate cost data at point of order entry
  - education
- Impacts
  - moderate to very large, because
    - huge scope of impact
  - depends on
    - alignment of physician financial incentives

**Questions?**

**Thank you!**

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