



# Health Care Price Transparency

*Promise and Pitfalls*

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## Who are we?



- **Consumers Union** is the policy and advocacy arm of *Consumer Reports*
- The **Health Care Value Hub** is a new center that monitors, synthesizes, translates and disseminates evidence about interventions intended to improve value for our health care dollar. Our primary mission is to support and connect consumer advocates across the U.S. to help them advocate for change.

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Why talk about health care price  
transparency?

Because we have a health care  
value problem.





## What Is Health Care Value?

*Achieving high value for patients must become the overarching goal of health care delivery, with **value defined as the health outcomes achieved per dollar spent**. This goal is what matters for patients and unites the interests of all actors in the system.*

-Michael E. Porter, Ph.D., "What Is Value in Health Care?"  
*N Engl J Med* December 23, 2010



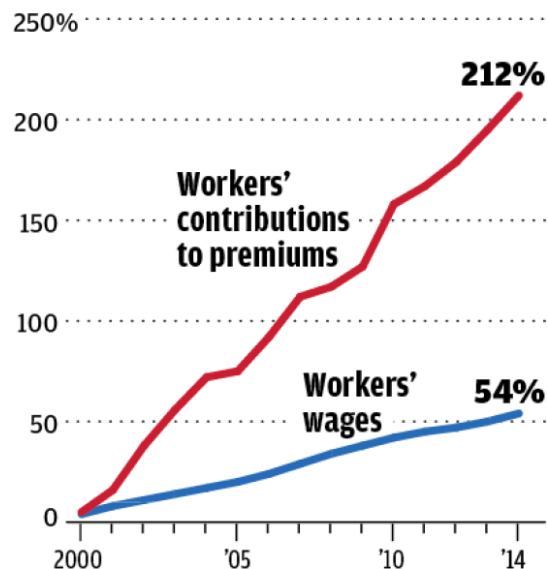
## How Do We Know We Have Poor Health Care Value?

- **Poor health system performance:**
  - Administrative waste
  - Inefficient delivery, eg, avoidable readmissions
  - Unnecessary services, eg, duplicative testing
- **Medical errors - third leading cause of death**
- **Health outcomes that lag other developed countries**
- **Unwarranted variation in price of care & excess prices**



## HEALTH INSURANCE PREMIUMS

Since 2000, workers' contributions to their health insurance premiums have on average far outpaced increases in their wages.



SOURCE: Kaiser Family Foundation and Health Research and Educational Trust | Post-Dispatch

## Poor health care value is a consumer hardship

- Difficulty affording premiums and out-of-pocket expenses: sub-optimal health care
- Lower paychecks
- Medical harm



## Poor health care value is a societal hardship

- Between \$100 and \$300 billion of avoidable health care costs have been attributed to Rx non-adherence in the US annually, representing 3% to 10% of total US health care costs. A major reason for non-adherence: **cost unaffordable.**
- Reduced productivity, higher absenteeism, and increased disability.
- Public resources diverted from other uses.

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If data conclusively shows that we get poor health care value, data to address the problem must be sufficient, right?



Wrong.





## Health Care Markets are “maddeningly” opaque

For the most part, policymakers, regulators, consumers and researchers DON'T know:

- Negotiated rate for medical services and products
- How those rates are derived
- What a “fair” price would look like
- Comparative value of two different treatment options
- Quality of providers

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How can health care price  
transparency help us?





## Start with Clarity on Goals for Transparency

Is it to:

- “Move the market” (*reduce price variation, reduce excess prices*),
- Improve consumer confidence when shopping,
- Better inform policies and regulations?



## Key audiences for price and quality transparency:

- Policymakers
- Regulators
- Large purchasers
- Providers
- Consumers



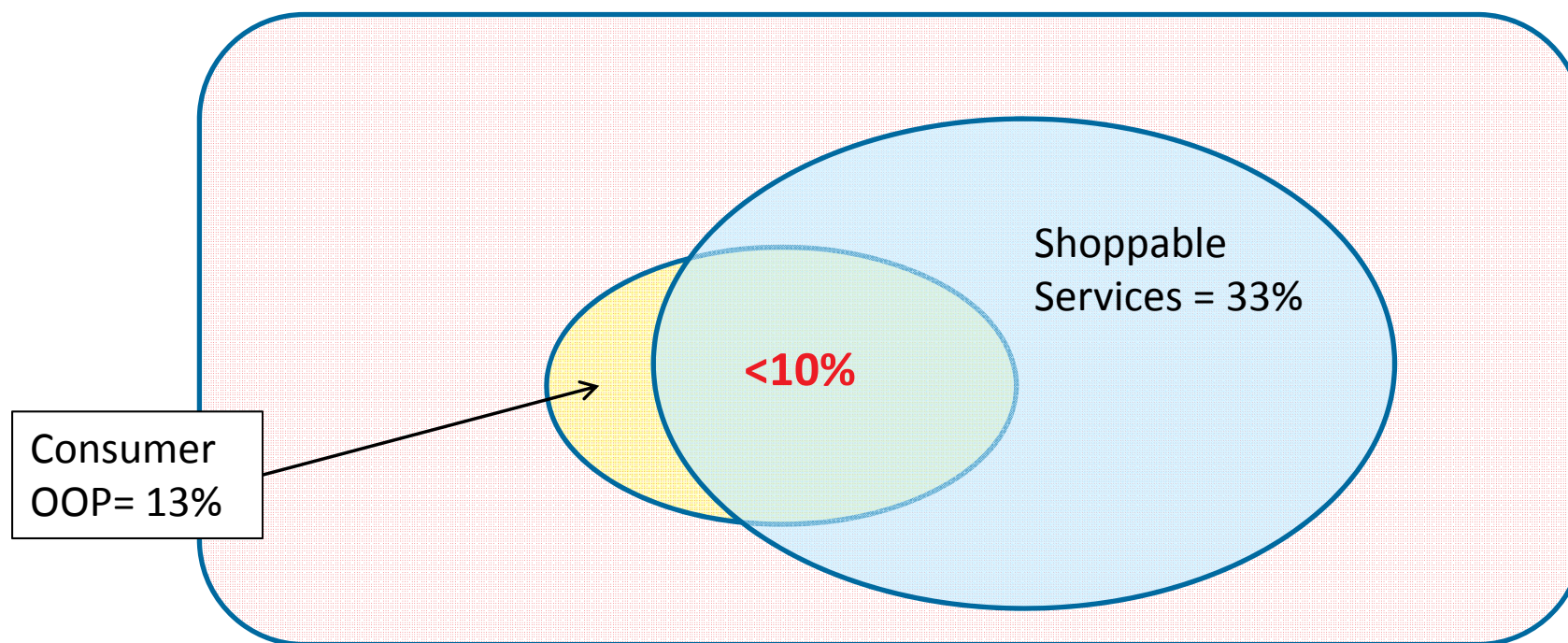
## Price & Quality Transparency: The Role of the Consumer

- Consumers should have trusted, actionable and comparative information on the prices, quality and value of doctors, hospitals and treatments.
- Consumers deserve to shop with confidence.
- BUT we need to be realistic about consumers' ability to “move the market.”



## Less than 10% of overall health spending is “shoppable” and paid out-of-pocket by consumers

And this is an outer bound. Adding a requirement that usable price and quality data be available would narrow the range of shoppable services substantially.



Source: White and Eguchi, *Reference Pricing: A Small Piece of the Health Care Price and Quality Puzzle*, NIHCR Research Brief No. 18 (October 2014) and CMS.



## Recent research shows “skin in the game” not working as intended

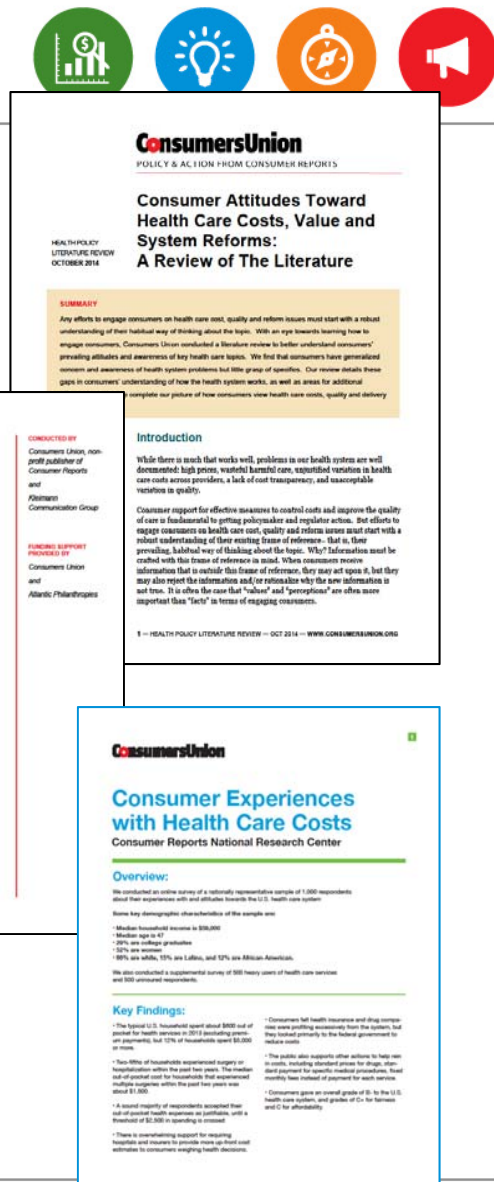
- When faced with cost-sharing perceived as unaffordable, patients cut back on both high value and low value care (including free preventive services)

## A Mixed Methods Research Project

❑ Literature Review

❑ Focus Groups

❑ Nationally Representative Survey







## Neither patients nor docs want to talk about costs

- **Patients:** Much of health care viewed as a social good, not a commodity.
- **Patients:** Don't want to bias their treatment options by bringing cost into the equation.
- **Patients:** Can't make tradeoffs between money and health.
- **Docs:** don't know prices and don't have a good remedy if price unaffordable to patient.

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Is there way for transparency to  
improve health care value?





## **Policymakers, regulators and large purchasers are key audiences for transparency information**

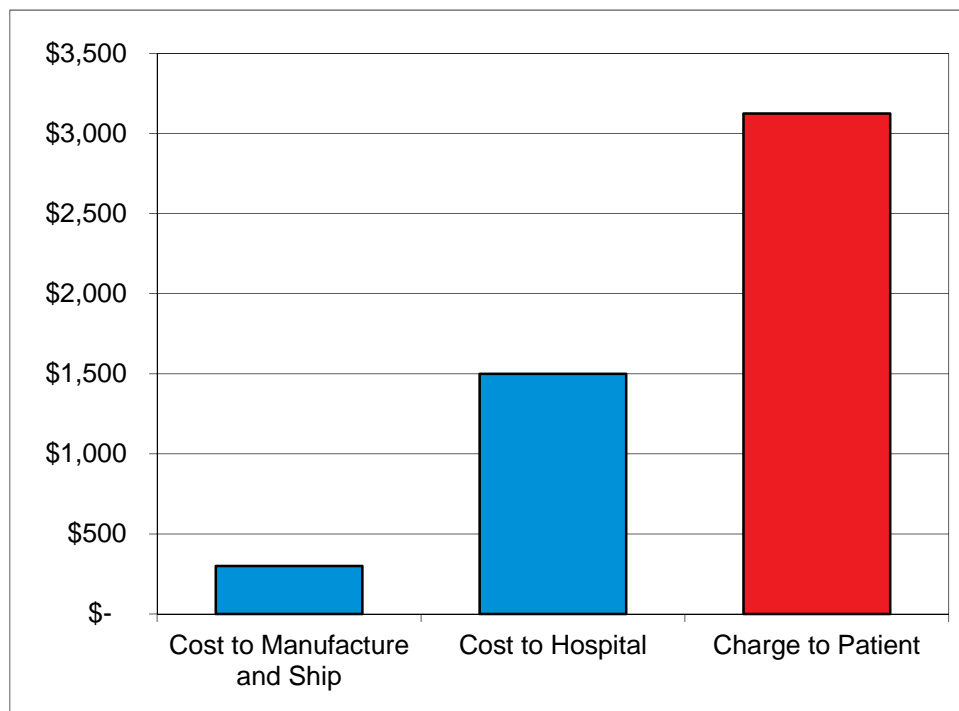
Measure the extent of the value problem *specific to Ohio* and track progress over time.

Target strategies to lower prices and reduce unwarranted variation. Use systematic measures to ensure that savings one place doesn't result in compensatory price increases somewhere else.



## Many products and services are priced far above costs

**Dose of Drug Flebogamma**



Source: Steven Brill, "Bitter Pill: Why Medical Bills Are Killing Us," *Time*, March 4, 2013



## The provider-insurer negotiated rate may not be the “right” price

- **Massachusetts Attorney General found commercial health plans do not pay for care based on value or quality.**
- **Instead, prices reflect the relative market leverage of health insurers and health providers.**



## Perhaps Broaden The Price Concepts We Make Transparent?

Listed Charges (Charge-master)

Negotiated Charges (varies by payer)

Medicare Payments

The fair price?

Patient OOP (varies by insurer)

Cost to produce the good or service



## **Provider-specific quality data may move the market more than price data**

**At a minimum, pair price data with quality data.**



## How Consumers Respond to Transparency- Experimental Data

Researchers provided comparative information about doctors:

- No quality signal
- Weak quality signal
- Strong quality signal

With a strong quality signal, consumers willing to consider high value (as opposed to high cost) providers. Also, confidence in choices increased when the quality signal was strengthened.





## Example Of Cost Data With No Quality Signal

Doctor	Saturday hours	Driving distance (miles)	Same-day office visits	Careful with your health care dollars
Dr. White	9:00–noon	6	No	★ ★
Dr. Ramsey	9:00–3:00	5	Yes	★ ★ ★
Dr. Abbot	None	10	Yes	★

Key: 3 stars is very careful (lower costs); 2 stars is somewhat careful (average costs); 1 star is less careful (higher costs).



## Example Of Cost Data With A Strong Quality Signal

	Quality data (strong signal)			Cost data
Doctor	Uses treatments proven to get results	Has safeguards to protect patients from medical errors	Is responsive to patients' needs and preferences	Careful with your health care dollars
Dr. Friedman	Better	Better	Better	★
Dr. Hunter	Better	Better	Better	★★★

*Source: Hibbard, J. H., Greene, J., Sofaer, S., Firminger, K., & Hirsh, J. (2012). An experiment shows that a well-designed report on costs and quality can help consumers choose high-value health care. Health Affairs, 31(3), 5605-5668.*



## Bottom line: don't add to consumer burden

**with**

- new complexity
- new financial burdens
- new tools

**unless**

- the research is sound
- the savings are worth it
- consumers are fully supported



## What Works?

- From a trusted source
- “Just-in-time” – provide tools at the point of decision-making
- Reach consumers where they are
- Actionable information
- Cognitive short-cuts
- Consumer testing!!



Only two percent of health plan enrollees use cost calculator tools offered to them.

*- CPR's National Scorecard on Payment Reform*

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Price transparency by itself is useful.  
Quality transparency by itself is useful.  
But what consumers, policymakers,  
payers and regulators really need is  
**BOTH** to get to health care value.



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# Thank you!

Contact Lynn Quincy at [lquincy@consumer.org](mailto:lquincy@consumer.org) with your follow-up questions.

