

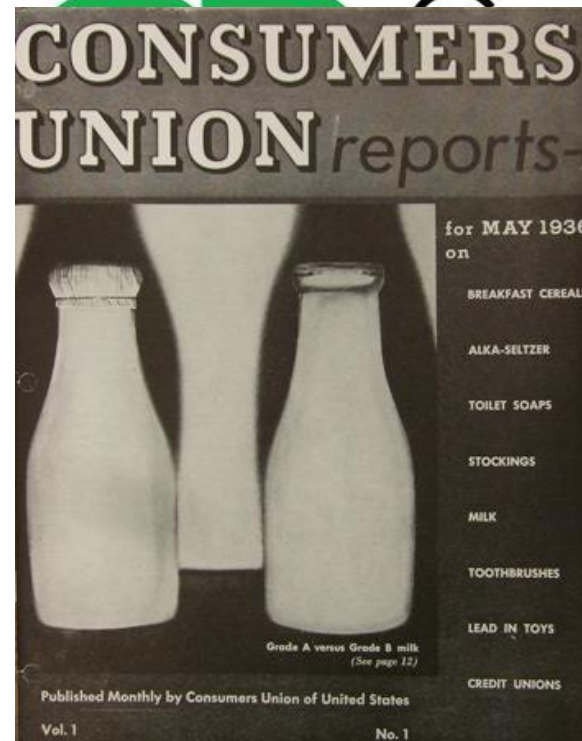
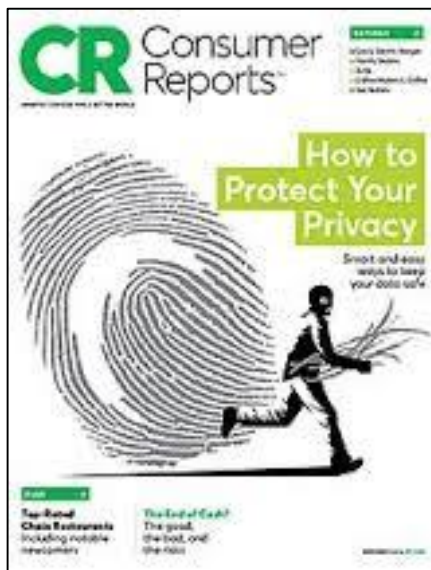


Context For Price Transparency in Healthcare

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NYSHealth
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Yes, THAT *Consumer Reports*





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?



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.”



ConsumersUnion[®]
HEALTH CARE VALUE HUB

RESEARCH BRIEF NO. 11 | APRIL 2016

Rethinking Consumerism in Healthcare Benefit Design

High healthcare costs are a concern for consumers and payers alike. Insurance premiums have risen faster than wages and the economy in general for nearly two decades. High levels of health spending crowds out other important spending. For households, this means lower wages and less money for competing priorities. For state and national governments, it means less to spend on education, infrastructure and other public needs. There is consensus that we can cut back on waste in the system (including

prices that are too high) in order to reduce spending without harming our health outcomes.

An oft-used strategy to address high healthcare costs are insurance products called high-deductible health plans, or more generally, consumer-directed healthcare. The basic idea is that by requiring consumers to pay substantial cost sharing these plan designs will incentivize consumers to extract better value from the healthcare marketplace, helping to stem the tide of rising healthcare costs and reducing the use of low-value care. Nearly half of Americans with employer-provided insurance were required to meet an individual deductible of more than \$1,000 in 2015, and many plans go much higher, with deductibles in the \$5,000-\$6,500 range.¹

There's just one problem—we have little evidence to suggest that these high-deductible plan designs work. To control spending and bring better value to our healthcare system, we need a new vision for what the consumer's role should be.

The Theory Behind Consumer-Directed Healthcare and High-Deductible Health Plans

Whether described as a high-deductible health plan or consumer-directed healthcare—either paired with a tax advantaged account like an HRA or an HSA² or not—the theory is the same: If consumers face the consequences of their health spending they will spend their dollars more wisely. With up to 30 percent of healthcare spending classified as “waste” by the Institute of Medicine,³ the goal is for consumers to cut out unnecessary or “wasteful” spending and put downward pressure on prices.

Even When These Plans Save Money, It's Not Because Enrollees Become Wise Shoppers

High-deductible health plans have been associated with lower premiums (compared to plans featuring lower

SUMMARY

For decades, rising healthcare costs have strained household, employer and government budgets. A strategy often proposed to address these high costs is to give consumers more “skin in the game,” through high-deductible health plans. When accompanied by shopping aids, these plans are sometimes called consumer-directed health plans. But a wealth of evidence suggests that high-deductible health plans are not leading to better value in our healthcare system. What's more, unaffordable cost sharing causes considerable consumer harm. Instead, efforts to address high prices and promote high-value care must have a strong provider-directed component, because providers direct treatment plans and steer almost all of our healthcare spending. Our country needs to rethink the role of the consumer in healthcare to be fair, patient-centric and evidence-based. Consumers should be empowered with timely, accurate and actionable information to help make decisions about their care and not have their choices curtailed due to unaffordable cost sharing.

Three studies closely examined consumer behavior under high deductibles but found no evidence of price shopping.

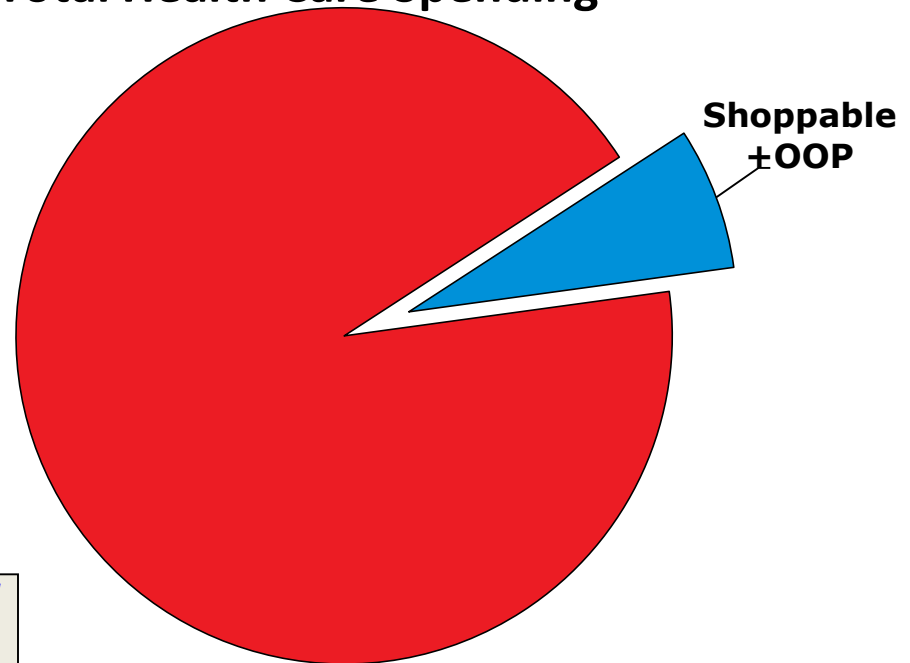
Consumers should not have to bear the brunt of poorly functioning health care markets that don't deliver value.

-Rethinking Consumerism In Benefit Design, Consumer Reports, 2016



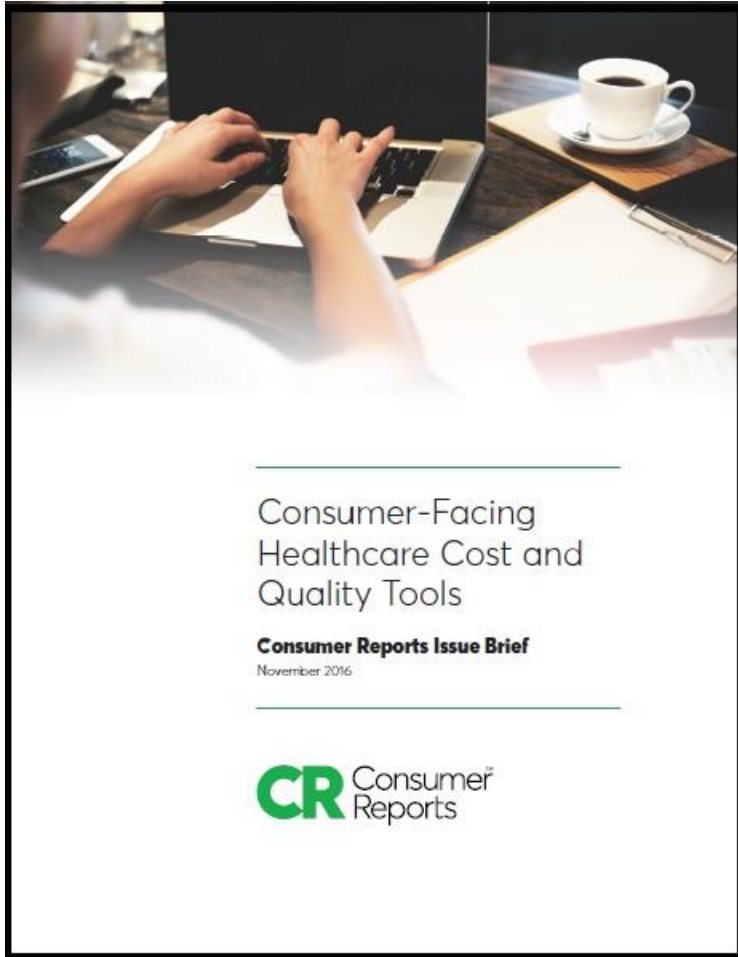
Less than 7% of total private health spending is “shoppable” and paid out-of-pocket by consumers

Total Health Care Spending



The most expensive piece of medical equipment is a doctor's pen.

NY Cost/Quality Tool Ratings



- Approximately half of New Yorkers have access to a cost estimator tool through their health plan
- Only about 12% of consumers were aware they had access to the tools prior to the study

Table 1. Ratings of Online Cost and Quality Tools offered by NY Health Insurance Plans

Ratings > Health insurance cost and quality tools

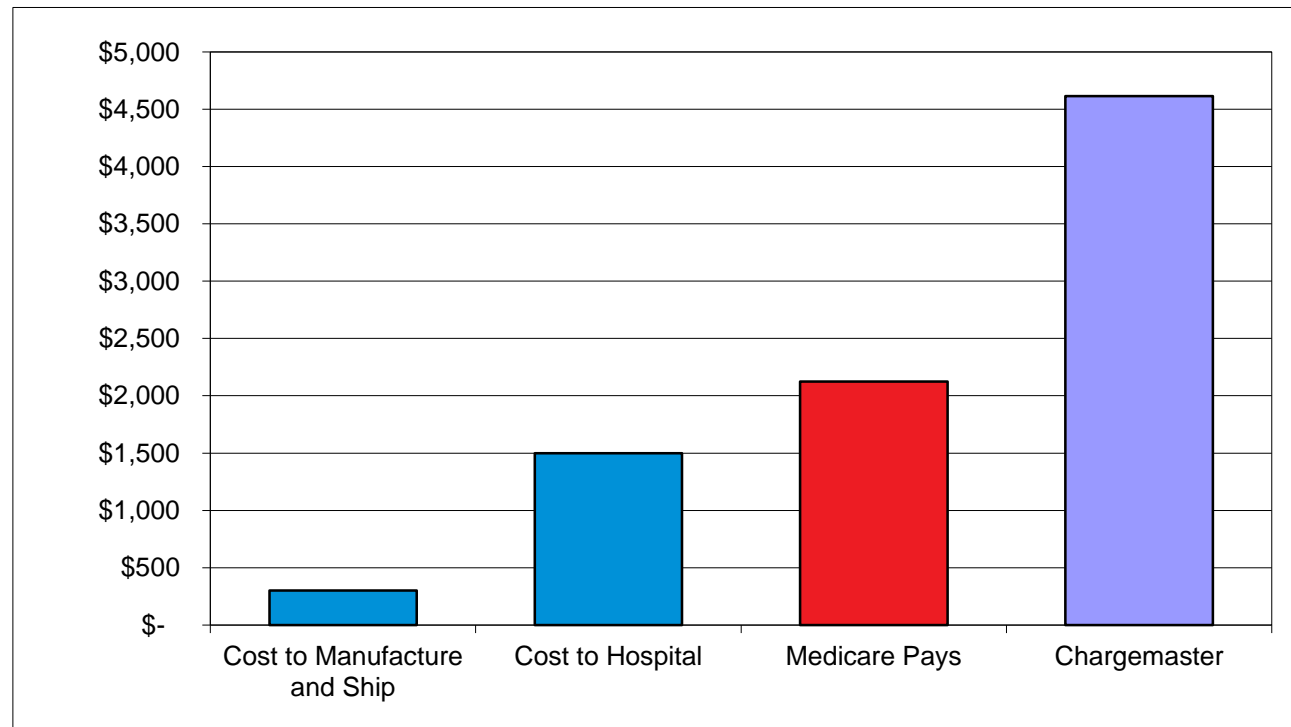


Plan Name	Overall Score	Features							
		Ease of Use	Functionality	Content	Scope & Reliability	Price Estimates	Drug Cost Information	Shows Patient Outcomes	Shows Value (Cost & Quality)
HEALTH INSURANCE COMPANIES									
Cigna	84	↑↑	↑	↑↑	↑↑	↑↑	↑↑	↑↑	↑↑
UnitedHealthcare	82	↑↑	↑	↑↑	↑↑	↑↑	↑↑	↑	↑
Aetna	77	↑	↑	↑↑	↑↑	↑↑	↑↑	↑	↓
BlueShield Northeastern NY/ BlueCross BlueShield Western NY	77	↑	↑	↑↑	↑↑	↑↑	↓	↑	↑
MVP Health Care	75	↑	↑	↑	↑↑	↑↑	↓	↑↑	↑
Excellus	74	↑	↑	↑↑	↑↑	↑↑	↑↑	↑	↑
Anthem/Empire Blue Cross Blue Shield	73	↑	↑	↑	↑↑	↑↑	↑↑	↓	↑
Humana	69	↑	↑	↑	↑	↑↑	↑↑	↓	↓
Oscar	69	↑↑	↑	↑	↑	↑↑	↑↑	↓	↑
Fidelis Care	40	↑	↑	↑	↓	↑	↓	↓	↓
Independent Health	38	↓	↑	↑	↓	↓	↑	↓	↓



Many products and services are priced far above costs

Dose of Drug Flebogamma





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)

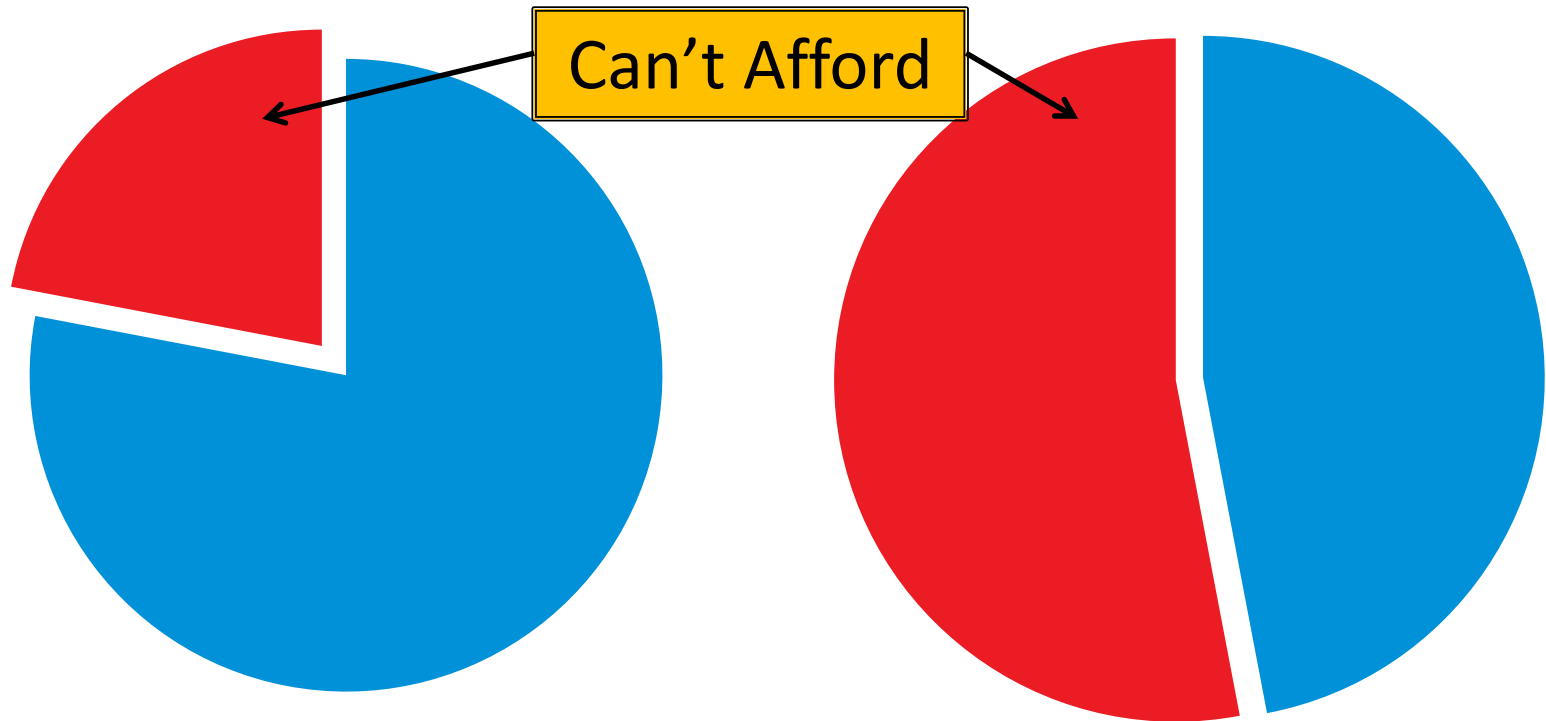
Cost to produce the good or service



One quarter of the privately insured can't afford their share of healthcare costs

Privately Insured

Low income privately insured



Thank you!

Contact Lynn Quincy at lquincy@consumer.org
with your follow-up questions.

Visit us at HealthcareValueHub.org and ConsumersUnion.org

