Are price transparency tools actually working?
Published in Employee Benefit News, August 8, 2016

David Hines- CEO and Founder of ConsumerMedical

A new study in JAMA reports what some of us have long suspected: price transparency tools may not curb healthcare spending. The study examined data from two large employers and concluded that only 10% of employees offered price transparency tools used them. Furthermore, tools were associated with an $18 increase in out-of-pocket spending.

Why would a tool designed to cut costs actually have the opposite effect? As the New York Times headlined in a recent article focused on transparency giant Castlight, “Online tools to shop for doctors snag on health care’s complexity.” Since many consumers have a deductible of $2,500, there may be little motivation to shop for services above that amount, the big ticket items in healthcare. And when consumers do shop, the cost and quality information available can be befuddling. It may be easy to locate the lowest cost service or the provider with five stars, but price transparency tools don’t help consumers answer two fundamental questions: what care do I actually need? And, who is the best provider given my condition?

The “Choosing Wisely” campaign and related work by Consumer Reports such as “When to Say Whoa to Your Doctor” have started an important dialogue about basic tests and procedures that tend to be unneeded. But how do we figure out what care is needed? What about the woman with the recent breast cancer diagnosis wondering what treatment is not only needed, but best, given her tumor and its pathology?

It’s a scary and daunting process. Consumers have never had the tools or processes in the American healthcare system to answer these questions. And now tech companies are trying to fill in the void. But do you really want just an app when you get diagnosed with cancer? Patients need and deserve more.
This summer our organization commissioned an independent survey of employees with high-deductibles to learn how they process health information and make medical decisions. The survey revealed that half report making medical decisions without the right information. Moreover, 80% research medical decisions while at work, and report spending several hours doing so. This is clearly a drag on employee productivity and has enormous potential to rack up healthcare costs, especially when consumers choose higher cost care options when a lower cost, higher quality alternative is available. Perhaps most concerning, people who spend significant time making big medical decisions are likely older, sicker or have the most complicated health conditions, which means they are our most expensive employees.

Research out this month from the American Health Policy Institute helped further quantify this problem: a handful of employees are responsible for the bulk of employers’ healthcare spending. The new report documented that among 26 large employers, 1.2% of employees are high cost claimants who comprise 31% of total healthcare spending. For a company with 10,000 employees, this means that only 120 employees cost more than $31 million each year in medical expenses. And sadly we know that this money is not all well spent on people getting the highest quality care.

In response to this problem, many large employers are taking new approaches to address cost and quality for high cost employees. Many are turning to strategies like narrow networks, Centers of Excellence, reference pricing, shared decision making, and second-opinion services. The expert medical opinion strategy, one of the services offered by our organization including both in-person and remote options, has untapped potential to improve care quality and generate savings. Another study in JAMA showed “cases of delayed, missed, and incorrect diagnosis are common, with an incidence in the range of 10 to 20%.”

Furthermore, numerous studies show talking to consumers about their condition and the pros and cons of various treatment options can have a positive impact both on healthcare spending and on long-term health outcomes. Getting back to our example of the woman with the recent breast cancer diagnosis, she’d likely benefit from both a second opinion and a decision support expert to talk to about different treatment options.
Someone with a cancer diagnosis wants more than an app and more than an email from a doctor they have never met — they want someone they can really talk to. Honeywell offered this option to their employees with high ROI and employee satisfaction. Through independent research, the company documented that they achieved $5.6 million in savings with only 251 employees by encouraging — and later requiring — them to participate in the company’s Surgical Decision Initiative for five surgical conditions that tend to have huge variation in cost and quality.

In light of the research in JAMA and the new work from the American Health Care Policy Institute, the challenge and the opportunity for employers is, as it always is, to marry promising strategies with benefit design to get the desired outcomes. This may be a mixture of art and science, though we are getting more data about what really works.

For example, an independent actuarial study on claims data from Honeywell found that when the company switched from an employee incentive to a penalty to drive utilization of decision support services, utilization and savings rose fourfold with no negative impact on employee satisfaction. That’s a powerful marriage of strategy, service and benefit design.

What consumers need to navigate the healthcare system and what employers need to tamp down spending and improve care quality is a strategy that helps employees understand what care they actually need, what that care costs, and where they should get that care — the right care at the right time, delivered at the right place.

And consumers need to understand the bigger picture of their care journey. After all, many of the most expensive medical conditions, like diabetes, are not a one-time shoppable opportunity online; they are diseases that needs to be managed for life. Given what we are learning about the ROI of price transparency tools, now it is time for employers to take a hard look at the data related to their benefit designs, programs and vendors to understand what is actually saving money while meeting the needs of their employees.

The research is staring us in the face — 1.2% of employees generate 31% of costs. These are the people who need the most help and have the most to won or lose if they don’t get the best care. When we help them, everyone wins.