Knowing Costs Is an Excellent Tool, But Not a Cure-All

Employee out-of-pocket expenses for medical bills have grown significantly over the last decade. To help inform consumers of price variances by provider and geographic area, efforts have been made to make health care treatment costs available for reference prior to a person undergoing treatment.

As these tools for price transparency evolve, consumers can become better shoppers of health care services through awareness of cost differences. However, when assessing their options, consumers also must understand that high prices aren't always indicative of high quality care. It's important that they conduct research regarding treatment plans, programs and options to make an informed decision that is the right balance of cost and care.

Out-of-Pocket Costs Are Growing

Increases in employee cost-sharing (co-payments, deductibles and coinsurance) and cost-shifting by employers continue to escalate out-of-pocket obligations. In 2016, employees contributed an average of 18 percent of the premium for single coverage and 30 percent for family coverage, with employee contributions for family coverage increasing 78 percent since 2006 and 21 percent since 2011.¹

And while there has been relatively low premium growth for five straight years (between three to four percentage points each year), the number of covered workers facing a general annual deductible has grown to 83 percent, with the average single deductible amount increasing to $1,478. Some attribute the growth in deductibles over the past several years to efforts undertaken to moderate premium increases.¹

Price Tags Aren’t Always in the Open

Determining health care costs before services are received isn’t as easy as shopping for retail merchandise like appliances or vehicles. And because there are significant variations in pricing data, it is challenging for consumers to choose an option that they feel confident offers quality care at a fair price. When the variability in health care costs within and across geographic areas is added to the mix, it becomes even more difficult for patients to fully grasp their total costs for medical services or procedures.²

Information varies on how costs are defined and presented for services, as some may be bundled or priced by episode of care, while others are shown by a specific service or procedure. There also are many problems with data because there are not standardized ways of defining which medical services are bundled and whether all costs are included (e.g., surgery and rehab).²

Tools for evaluating healthcare pricing must help to ensure consumers can determine the best value or quality for the services they need, not just the lowest price. One study showed that consumers given only health care prices without quality data equated higher costs with higher quality.³ In another study where prices were shown as “$” for low prices and “$$” for high prices, consumers equated low price with low quality.³ In order to counteract this mis-perception, information should be available to see both quality and price, and efforts must be made to educate consumers about what to look for when making a decision.

Price Transparency Still Has Some Barriers

Certainly, high out-of-pocket costs impact consumer budgets, but price transparency tools only solve half of the problem. Having the ability to “shop” is important as consumers become educated about health care costs, but consumers themselves cannot change or determine the prices. In order to bring costs under control, providers need to be influenced, since they are the ones who establish the pricing structure. It also may be effective to engage in payer negotiations with providers or use reference-based pricing to limit the amount paid for certain medical services.⁴

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The main arguments used to prevent price transparency in health care are contract confidentiality barriers (non-disclosure agreements or gag clauses, anti-tiering/anti-steering clauses and favored nation clauses). There also are issues with trade secrets protection and the providers that deny access to information in order to influence plan or member choices of providers or insurers. Some states have been successful in enacting price transparency legislation that requires providers and insurers to make out-of-pocket costs specific to the patient’s plan accessible, in addition to releasing individual provider quality information and providing member access to current information online.¹

Some Efforts Do Demonstrate Success

Many organizations are involved in efforts to increase awareness of the value of price transparency, as well as working to develop tools for consumer use, but they are in varying stages of influence and completion. One effort that is up and running and getting the attention of the market is The Healthcare Bluebook. This tool allows patients to search online for health care prices by the name of the medical procedure, test or service. It uses nationwide health care service data and adjusts it by geographic area to give employees the “fair price” that should be paid for a high-quality, lower cost medical service. In addition to pricing information, The Healthcare Bluebook also presents questions patients can use in their discussions with providers to better understand a medical condition and treatment options. Patients learn how prices for treatment can vary from 200 to 500 percent based on delivery location (inpatient vs. outpatient).²

The Healthcare Bluebook also benefits employers, helping them to save on costs as well when employees become engaged in the decision-making process and make informed decisions when selecting health care service providers. Employers also can track improvements and cost savings through procedure-specific reports gleaned from the group’s claim data.³

Online health care marketplaces are another option for helping consumers to make better informed decisions about medical services. At SpendWellHealth.com, employees, employers (mostly self-funded) and providers come together with ratings, reviews and aggregated prices for routine medical procedures. Employees register on the site and receive immediate confirmation of insurance eligibility.⁴ They are then able to control their health care out-of-pocket costs and shop online for medical services through a comparison of provider prices that are typically 12 to 27 percent below contract rates. They also can use the site to pre-pay for their services with a health savings account (HSA) or credit/debit card and can even use the tool to contact the provider to schedule an appointment. When using this tool, payments are held in the employer trust until services are received and then applied to deductibles. The consumer and the administrator receive a receipt, and claim processing, EOBs, and surprise bills are eliminated.⁵

As employers and consumers continue to look for ways to control medical spending, price transparency offers an option for making informed decisions that brings together quality care and fair pricing. As the practice grows in acceptance, it may even serve as a catalyst for reform in a market where costs continue to rise.


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