

EMPOWER HEALTH CARE CONSUMERS

More Americans comparison-shop for their auto mechanics than for their doctors. Yet, prices for health care services vary greatly within geographic areas and are not consistently linked to quality. This indicates that if consumers were empowered to choose high value providers and services, they could receive better care and save money. Within the U.S., the increasing prevalence of high deductible health plans and health savings accounts along with continued upward price trends makes it imperative for consumers to spend their health care dollars wisely. Lack of price and quality transparency presents a major barrier to consumer engagement. Access to information is only a first step, though. Value-based insurance design, which aligns consumers' incentives with value, can further improve health care outcomes and affordability.

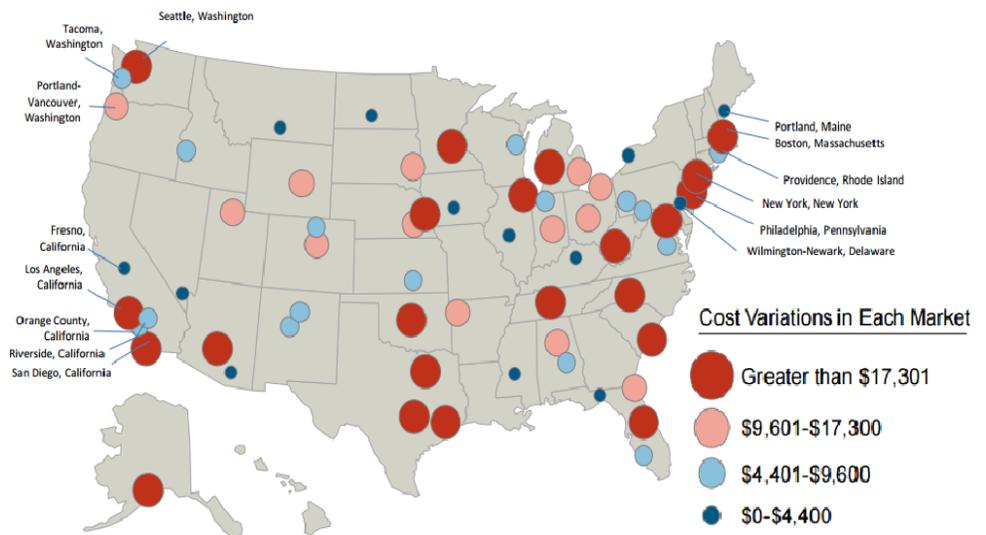
Background

Prices vary greatly, and are not linked to quality.

Within the private insurance market, prices and spending vary greatly across and within geographic regions. The Institute of Medicine has concluded that, "variation in spending in the commercial insurance market is due mainly to differences in price markups by providers."¹ For example, in Boston, the highest price for a hip replacement was 313% greater than the lowest price.²

However, price is not consistently related to quality in the commercial market.^{4,5} Thus, there is an opportunity to save health care dollars while maintaining or improving quality.

Cost Variation for Hip Replacement Procedures Across the Country



Source: Analysis of Blue Health Intelligence® (BHI®) data

Consumers lack the information they need to save money and drive value.

Only 20% of Americans have compared prices across providers before getting care, and the majority are not even aware that prices vary.⁶ Information about the price and quality of health care services is rarely easy to access: 64% of Americans report that it is very or somewhat difficult to find out what medical care will cost.⁷

Of those consumers who have compared prices, 62% believe they saved money.⁶ And, two-thirds of consumers have expressed desire both for comparison shopping tools and for incentives, such as lower premiums or cash back from their health plans if they choose a less expensive doctor.⁶

Value-based insurance design (VBID) improves health outcomes and potentially reduces costs.

VBID bases cost-sharing on quality and value, with cost-sharing reduced or eliminated for health care services or products with demonstrated high value. VBID programs have achieved increased utilization of high-value services and prescriptions, produced better health outcomes for enrollees, and in some cases, generated cost savings.

Lowering copayments for high-value drugs has been shown to increase adherence among large employer groups. Greater adherence has the potential to improve health and generate overall cost savings.

- In one controlled trial, noncompliance decreased by 7-14% for 4 of 5 drug classes when copays were reduced by modest dollar amounts for enrollees from a large employer group.⁷
- Another employer found that while Rx drug spending increased, total spending for drugs plus medical services decreased significantly over three years of experience. Adherence gains were sustained or improved over time.⁸

After Connecticut launched a VBID program for state employees, increases in health care spending slowed and utilization shifted towards higher value care. Changes in benefit design associated with this program included lower premiums, no deductibles, lower or no copays for services and drugs for chronic care management, and a \$35 copay for ER visits for which there was no reasonable alternative.⁹

- In the fiscal year after HEP's launch, the medical trend for enrollees had decreased to +3.8%, compared to 13% in the year prior to launch. The pharmacy trend remained flat despite increased use of drugs for chronic conditions.⁹
- Meanwhile, monthly primary care visits increased from 12,000 to 21,000 (+75%), specialty care visits decreased from 24,000 to 19,000 (-21%), and emergency room visits decreased from 3,500 to 2,700 (-23%).⁹

Recommendations

Health Care Quality and Price Transparency

Individual consumers lack the information they need on the price and quality of medical services. With the following steps, we can begin to enhance transparency and provide all of us with better data to inform our health care choices:

- Support the efforts of plans, employers and others to offer online tools that allow consumers to comparison-shop on both price and quality.
- Publicly report provider performance on a parsimonious set of outcome measures that are, wherever possible, endorsed by a robust multi-stakeholder process.

Value-Based Insurance Design

Consumers who seek out the highest value care should have a chance to realize financial savings. The following adjustments to current law and regulations would allow millions to benefit from value-based insurance:

- Enable Medicare Advantage plans, as well as Accountable Care Organizations, to reduce cost-sharing for high value providers and services.
- Permit consumer-directed health plans in the private market to cover certain evidence-based, high value services – such as podiatric foot exams and metformin for diabetics – prior to the exhaustion of the deductible.

Sources

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