Employees are better able to shop among health care providers when they can compare cost and quality data, say supporters of consumer-driven health care. But a May 2016 study published in the Journal of the American Medical Association (JAMA) found that only 1 in 10 employees actually use price transparency tools when they’re made available.

The researchers, who are affiliated with Harvard Medical School and Boston’s Beth Israel Deaconess Medical Center, looked at two large employers that offered an online health care price transparency tool to their employees. The tool gave users information about what they would pay out of pocket for services from different physicians, hospitals and other clinical sites.

But instead of the availability of a price transparency tool translating into lower health care spending per employee, the researchers found that health care spending from the control group—whose members lacked access to a price transparency tool—was actually less. Those who were offered the price transparency tool experienced a mean $212 increase in combined outpatient spending (out-of-pocket and insurer-paid), which rose from $2,021 in the year before the tool was introduced to $2,233 in the year after—larger than the increase among the control group, for which mean outpatient spending rose $153.

Among those offered the tool, mean outpatient out-of-pocket spending rose $48, from $507 in the year before introduction of the tool to $555 in the year after. Among the comparison group without access to such a tool, mean outpatient out-of-pocket spending rose $30.

“As someone who sees the potential for pricing transparency to drive down health costs while improving health outcomes, the JAMA study was disappointing,” said Marcia Otto, vice president of pricing and transparency applications at West’s Health Advocate, a Plymouth Meeting, Pa.-based firm that helps employees and their families navigate the health care system.

“Research indicates people are confused about the lack of correlation between cost and quality,” said Otto, who has nine years of experience building pricing transparency tools. “Often, even when paying out of pocket, they’ll choose a more expensive health provider because they think that cost signifies quality.” But “research has shown there is no correlation; there are high-quality, low-cost providers out there.”

Jennifer Benz, founder and CEO of Benz Communications in San Francisco, predicts a shift from a “consumer-directed” to a “directed-consumer” health care model, in which employees will be provided with access to personal guidance for health care shopping—rather than just given access to online tools. That could mean “real progress and perhaps better financial results for individuals and companies,” she noted, adding, “employees want—and need—more guidance in their health care decisions.”

Similarly, Otto said that the JAMA findings highlight the need for approaches such as one-on-one coaching and personalized notifications.
Widespread Misconceptions
Fifty-seven percent of insured Americans don't think that there are doctors covered under their insurance plans that charge less than others for the same services, according to research by Public Agenda, a New York City-based nonprofit organization, published in March 2015. “They don’t know that there are price variances out there,” commented Otto.

“Every year, 58 percent of employees look for a new physician, and often they're not equipped to find the highest quality physicians on their own,” said David Kaplan, senior partner and global leader for clinical solutions at Mercer, citing data from the federal Medical Expenditure Panel Survey. “Understandably, these employees often select doctors based on nonmedical aspects of care and patient satisfaction scores—factors which have limited correlation to quality.”

To increase the proper use of price transparency tools, Otto—drawing on the JAMA study findings and other research—advised employers to take the following actions:

- Educate employees. Forty-nine percent of consumers say better communication would drive them to use these tools, according to a 2014 study by the Cicero Group, a Salt Lake City-based consultancy. This means putting in place a comprehensive communication effort, not just sending an initial e-mail when you provide access to the tool and hoping that everything takes off from there.

- Integrate incentives into tool use. Similar to incentives that spur participation in employee wellness programs, provide incentives for using a transparency tool—or even for accessing the tool—to make employees aware of price differences among providers. Premium discounts, contributions to health savings accounts, or just a gift card for going onto the site and logging-in can work. Earlier this year, Lyndhurst, N.J.-based Vitals, providing health care transparency and engagement solutions, announced that employers that made incentive payments to employees who shopped for health care using the firm’s SmartShopper platform saved an average of $625 per procedure.

- Provide multichannel access. The price transparency tool should be easy to find. If it's not integrated as part of an employee benefits portal, make employees aware of how to access it via the web and on mobile devices, or—for those who want more directed help—through a call center that can provide cost information along with help scheduling an appointment or moving medical records, if necessary.

- Present cost and quality information side by side. A way to overcome the perception that higher cost means better quality is to present cost and quality metrics side by side, so consumers can make better value decisions.

- Make it personally relevant. Transparency tools should tell consumers how much they will pay out of pocket for a service, based on their particular health plan.

Adding in Reference-Based Pricing
Transparency tools also can be combined with other plan design features that promote shopping for high-quality, low-cost clinicians. For instance, the JAMA study showed how reference-based pricing—which sets a ceiling on what the plan will pay for certain common procedures that have wide cost variations, such as knee and hip replacements—can drive consumers to make smarter purchasing decisions.

The California Public Employees Retirement System (CalPERS), which purchases coverage for 1.3 million state employees and their families, has successfully used reference-based pricing. In the first two years after its adoption, reference pricing saved CalPERS $2.8 million for joint replacement surgery, $1.3 million for cataract surgery, $7 million on colonoscopies and $2.3 million on arthroscopies, according to a 2015 report in the journal Health Affairs.
A 2014 Aon Hewitt study of large and midsize employers showed that 10 percent of U.S. employers were using reference-based pricing in their health plans, but 66 percent were considering it as a cost-controlling strategy for the future.

Especially when combined with transparency tools, “reference-based pricing can encourage consumers to comparison shop for health care, while motivating providers to adopt lower prices without sacrificing quality,” Otto said.