HEALTH CARE PRICE TRANSPARENCY

Empirical Evidence on Consumers and Health Care Prices
Consensus that high prices are primary cause of high private health care cost

 Majority of people say they do not compare prices before receiving medical care (Public Agenda 2015)

 Hospitals have significant bargaining power and ability to set prices

 Large variation in prices across providers even for standardized procedures
  
  The same MRI can cost $700 to over $2,000 depending on the provider (Cooper et al 2018)
  
  In NH, patients could save about 50% on medical imagining if they switched to lower-cost providers (Brown 2019)

 Can price transparency reduce health care costs?

 Many have emphasized the role of consumer shopping

 However, there may be other important ways it could lower spending
Evidence from economics shows that price information has led to more competition in many markets.

Prices decline when:

- individuals comparison shop for life insurance online (Brown & Goolsbee 2002)
- individuals comparison shop for cars online (Scott-Morton, Zettelmeyer, & Silva-Risso 2006)
- supermarkets must post in-store prices online (Ater & Rigbi 2020)
- gas stations are required to post prices (Montag & Winter 2023)

How about health care?
PRICE TRANSPARENCY FOR HEALTH SERVICES

- Currently many price transparency initiatives
  - Privately provided tools
  - State-level tools
  - Federal-level initiatives
- Not all price transparency is equal
  - Price information is likely to only have a meaningful effect if it is comprehensive, accurate, and widely accessible
  - Many initiatives still lack at least some of these characteristics
  - Use of tools varies widely and appears quite modest in some cases
NEW HAMPSHIRE’S PRICE TRANSPARENCY TOOL

Quite easy to use relative to other tools

Based on high quality data
60% of patients who used the NH website reported saving money (Public Agenda 2017)

My work studies the effect of NH price transparency website around introduction in 2007

Study focuses on medical imaging procedures

Can compare prices for procedures on the website versus similar procedures not on the website

The website has since added a number of additional procedures

Examine effect on spending and prices using claims data from APCD
EFFECT OF PRICE TRANSPARENCY ON IMAGING SPENDING

Compare spending pre-website vs. post-website, procedures on website vs. procedures not on website, and in-state vs. out-of-state

Source: Brown (2019)
Evidence that there was significant savings for those that used the website

- Out-of-pocket costs declined, especially when patients had high deductible (11% savings)
- Some savings for health insurers as well
- Other studies find evidence that private tools can lower cost for those that use them (Whaley et al. 2014; Lieber 2017; Whaley 2019)

Statistically significant decrease in negotiated rates

- While many individuals do not use the tool, they still benefit
- Larger effects in concentrated provider markets
- Effect initially modest but appear to be growing over time
The issue of cost of services is at the heart of negotiations between Anthem Blue Cross and Blue Shield and Exeter Hospital to reach an agreement on a provider contract. Anthem claims costs for procedures at Exeter Hospital such as CT scans amount to twice the cost in some instances compared to peer hospitals like Elliot Hospital or Catholic Medical Center, according to the New Hampshire Department of Insurance's Web site.

Utilizing information found at www.nhhealthcost.org, Exeter Hospital's costs for a number of common procedures do exceed peer hospitals including Catholic Medical Center, Elliot, Frisbie Memorial, Parkland, Portsmouth Regional and Wentworth Douglass. Among them are procedures such as a chest CT, gall bladder surgery, pelvis ultrasound, vaginal birth and new baby, and arthroscopic knee surgery.

Developed by the state Insurance Department, the Web site provides consumers with information on the cost of health care services. Figures are based on paid claims data collected from the state's health insurers by the state's Department of Health and Human Services.

For example, a chest CT, estimated to cost $2,478 at Exeter Hospital, was $1,086 more than the peer average of $1,392. The second-most-expensive hospital was Portsmouth Regional at $2,224. A
Few states currently offer comprehensive price transparency tools. However, growing number of states offer limited forms of price transparency. Effect of federal level price transparency initiatives still TBD.
SCOPE FOR LARGER EFFECTS?

- Is there scope for larger savings in the future?
  - Price transparency takes time to become the norm
  - Employers could use price information when designing benefits
  - Additional benefits as tools become more user-friendly and data improves

- Effect of price transparency could be enhanced if combined with other interventions that
  - Promote provider competition
  - Incentivize patients to shop
    - High deductible health plans
    - Reference pricing (Whaley et al. 2019)
  - Incentivize physicians to refer patients to low-cost providers, e.g. capitation payments (Chernew et al. 2020)