How to Teach People About Health Care Pricing

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Health plans, employers, and state governments increasingly expect Americans to use information about pricing when making health care decisions. After all, the more consumers know about pricing, the better they can budget for out-of-pocket expenses and for routine costs related to chronic conditions, the more intelligently they can choose among providers, and the more easily they can bring pricing information directly into conversations with those providers. Those conversations can lead to more sensible decision making about care, avoiding costly tests and procedures that are unlikely to improve health outcomes. Consumers who are especially knowledgeable and motivated can even negotiate what they will pay for services at their preferred health care facilities, as some anecdotal evidence has shown.

The reality, however, is that most health care consumers are not using pricing information consistently. That's not as much because the information isn't available (though it can be tough to obtain) as it is because consumers don't know precisely how to use it. Educating consumers in how to find and evaluate health care pricing information is essential for capitalizing on its availability.

How consumers use price information now

In an April 2015 Kaiser Health tracking poll, fewer than 1 in 10 Americans reported that in the past year they had seen information comparing prices of hospitals or doctors. And fewer than half of that subgroup said they actually used the information when making health care decisions. A 2014 survey conducted by Public Agenda suggested broader engagement, finding that 56% of Americans had tried to determine the price they or their insurer would face for a service before getting care, not including any copayment. Yet those searches were often limited: Fewer than half of price-seekers compared prices from multiple providers.

Furthermore, there appears to be a gap between the types of information that are and those that are not being reported to consumers. For example, in a study I recently conducted with colleagues at the University of Pennsylvania, we found that 81% of the prices publicly reported on state websites were for billed charges, which often bear little relationship to the payments that providers actually expect from health plans and patients. For services whose quality can vary substantially (such as outpatient surgeries), data on health care quality were reported alongside prices only 13% of the time. Incomplete information prevents consumers from being able to consult a single source to determine what they will get for their money at a given facility.

Price transparency tools have quickly emerged in response to the notion that consumers now have a stake in the cost of health services (because they often pay out of pocket for them) and to the promise of big data, crowdsourcing, and web and mobile technologies. However, the enthusiasm and capacity for reporting prices has outpaced consumers' readiness to routinely use that information (when they can obtain it) in making health care decisions.

An educational proposal

I am optimistic that we can help more consumers use price information routinely and effectively. Here are three steps that health plans, health care systems, employers, and government agencies can take to make this happen:

1. Supply the right kind of price information. Too many price-reporting initiatives take a kitchen sink approach, listing prices for all possible services, even urgent services that the most stalwart proponents of price transparency would not suggest shopping for. Instead, these initiatives should focus on services that are typically not urgent and are subject to deductibles, reflecting what consumers are actually expected to pay for their care from start to finish. For example, services like radiology tests or other outpatient procedures often include a facility fee and a separate professional fee. Published prices should reflect the sum of all fees that a consumer would face for a service, rather than just one part.

2. Teach consumers how to act like consumers when it comes to health care. Consumers must first understand that prices for health services often vary greatly, even when they should be standardized, and that specifically for non-urgent services, having price information up front can save them money. That advance knowledge makes it easier to budget for use of services, shop around for better prices, and negotiate on price. But such behaviors don't come naturally to most consumers, at least not in a health care context.

To help people transfer their habits in other consumer domains to health care, ensure that price information is made available and is accompanied by clear, consumer-oriented tips such as these:

- Budgeting: Ask your provider to forecast what health care services you will need in the next year. Then, use price information to estimate the costs of these services so that you can save money to pay for them.

- Shopping: When your provider orders a service, check whether this service is offered at other nearby facilities at a lower cost for someone with your insurance. Compare prices among facilities by using online tools or by contacting facilities directly.

- Talking with providers: Make sure your provider knows if you have a deductible for your care, and keep track of whether you have met the deductible. That's how you help your provider consider cost when making decisions with you about your health care.

• Negotiating: When facilities quote a price for a service, ask if they would accept a lower amount. You might be pleasantly surprised, particularly if you can justify your lower offer with a quote from another facility nearby.

3. Get health care systems and providers on board. For each consumer who reports using price information to save money, many more describe how tough it can be to get price information from health systems. Therefore, health systems need clear, efficient processes to accommodate consumer inquiries about prices. In the near term, facilities should have dedicated staff who provide price estimates to patients on request — and should ensure that providers know how to connect patients with that staff. Eventually, health systems should make plan-specific negotiated payments available at the point of care, such as through electronic health records, thereby helping providers incorporate relevant price information into clinical decisions.

Furthermore, providers should be aware that many patients today have high-deductible health plans and, therefore, face the full price of recommended care. Just as important, providers should help their patients understand what health services they should and should not be spending money on, and assist them in getting the best care at the lowest price. In effect, clinical decisions should account for the potential health effects of services and their costs. For example, one patient might derive value from a $100 blood test, because knowledge of the results will help the patient and provider modify a treatment plan; for another patient, that same $100 blood test might not yield information the patient and provider can act on. In both scenarios, the provider should be firmly at the center of a conversation about the overall value of the test.

Efforts to change the mindset and behaviors of consumers, providers, and health care systems will necessarily be gradual. To facilitate the transition, health plans, health care systems, employers, and government must move from merely calling for more transparency in health care prices to taking practical steps to help consumers capitalize on that transparency and get the most health for their money.

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While many stakeholders see the potential for improved collaboration, the misaligned incentives of many healthcare systems make the prospects for integration a significant challenge. Repeated tests, recurring readmissions, and an incomplete picture of a patient's overall health are often the result. By working together to manage patient care holistically, the healthcare industry can improve clinical and financial outcomes.

So if the lack of integration is the problem, how do we start working toward a solution? More connected medical technologies—implanted and otherwise—can and should play a crucial role, as will better use of data to help healthcare professionals see a broader view of their patients. Today, many of Medtronic's technologies are actively generating data, and we are working with the global healthcare community to take our technology, services, and insights and fashion them into solutions that either augment the delivery of care through better patient care management or improve overall system efficiency.

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- Combining implanted heart failure technologies, diagnostic sensors, and nursing support to keep heart failure patients out of VA hospitals,

- Collaborating with IBM Watson to identify better care management for diabetes patients by using the patient's own data,

- Working with hospitals to allow quicker patient discharges by giving doctors and nurses the ability to monitor patient care and progress remotely,

- Partnering with hospitals to manage their cath labs for better patient throughput and outcomes, and

- Working on-site at hospitals to drive improvements in efficiency, quality, clinical outcomes, and patient experience, all within an outcomes-based payment model.

As we've seen in our efforts, the successful integration of patient care will require collaboration between providers, suppliers, physicians and payers. At Medtronic, we believe we have an important role to play in the integration of healthcare. There's an opportunity to harness the data and insights our technologies produce to create a more integrated, patient-centered healthcare system—one that ultimately is set up to achieve and reward the long-term outcomes that are central to a value-based healthcare system.

Learn more about our perspective on integrating care and value-based healthcare here.

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