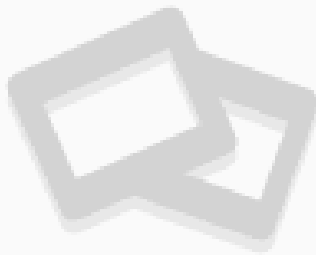




HEALTHCARE PRICE TRANSPARENCY: IS YOUR COMPANY MEETING CONSUMER EXPECTATIONS?





In today's era of consumerism, companies like Amazon get it. They empower shoppers to compare prices, read reviews, and they deliver purchases straight to your door. Healthcare has some catching up to do, especially when it comes to healthcare price transparency, quality transparency, and consumer engagement.

As American consumers, we expect our shopping experience to be easy—no matter what we're looking to buy. We favor businesses that practice transparency and provide high-quality, cost-effective products, and we take greater pride in our purchase decisions when we've got all the necessary information at our fingertips. Shouldn't shopping for healthcare be like this too?

Proponents argue that it should, and have touted Consumer-Driven Health Plans (CDHPs) as a viable tool to get us there. However, it's becoming clear that these plans aren't a solution in and of themselves.

The Pros and Cons of Consumer-Driven Plans

CDHPs pair a high-deductible health plan with a spending account that consumers can use to pay for eligible health expenses with pre-tax funds. The idea is that giving consumers greater control of their healthcare costs will make them more accountable and incentivize them to “shop around” for the best overall value. CDHPs can also help the employers who sponsor them to control their own costs and, theoretically, reduce healthcare spending overall.

The popularity of these consumer-driven plans continues to grow, but with it, so does the burden on healthcare consumers to find affordable, high-quality care. The main problem is this: CDHPs shift the cost burden to the consumer, but they do nothing to empower consumers with the cost and quality information necessary to make educated decisions. This can lead to frustration and lower health plan satisfaction which reflects poorly on both the health plan and the sponsoring employer.

This is why so many consumers are struggling to understand their plans and make optimal medical decisions; they lack clear information on healthcare provider costs and quality. Some cost-estimating tools already exist, but many are grossly inadequate. And all require significant effort on the part of the consumer to understand how procedures are actually billed and how this will impact their estimated out-of-pocket cost.

Access to Healthcare Cost and Quality Information is Limited

Guroo.com and Fairhealthconsumer.org are two publicly available cost-estimating tools designed to help consumers compare prices for common procedures. They're a step in the right direction for healthcare price transparency but have significant shortcomings. Guroo.com allows consumers to



search for and view geographic cost averages for a limited number of conditions.

Fairhealthconsumer.org offers similar functionality, although it limits consumers' searches to 15 per week and requires that the user know the procedure code. Furthermore, estimates between the two sites vary wildly for the same zip code, and quality of care information isn't included.

On the private end of the spectrum, more comprehensive tools exist. Some insurers offer cost-estimating tools for use by plan members, and independent tools like Castlight are available to those whose employers have purchased a subscription. These tools are typically more robust, offering cost estimates at the provider level in combination with quality metrics, to help consumers compare multiple providers. The most advanced tools provide a personalized estimate that takes member benefits and deductibles into account to determine the actual out-of-pocket costs to the member. This level of information is the gold standard for cost transparency tools today, but even with these advanced features, key limitations still exist:

- No tool currently provides estimates for every procedure.
- All tools must make the best guess as to what procedure code will actually be billed.
- Many consumers don't know these tools exist or have difficulty finding them, resulting in low usage and engagement.

Employers and healthcare organizations need to be aware of these challenges and obstacles for consumers going forward, and do their best to improve consumer knowledge and engagement if they want the benefits of CDHPs to be realized.

Information is Inconsistent Throughout Consumer Experience

Assuming that consumers can find their way to one of these tools and navigate to the correct procedure for an estimate, there are some additional hurdles.

Consumers that call for customer support are often given information that's inconsistent with what is available in the tool. Sometimes they are not offered cost information at all, even though it's available. Alternately, health plans with a concierge-style service model may provide a cost estimate for a member, but do not inform the member that this information is available in self-service formats as well. This is a lost opportunity to reduce future call volumes and improve customer satisfaction for those who prefer self-service.

Providing an adequate tool is not enough—customer service practices and other touchpoints throughout the consumer experience must be aligned to provide information consistent with the tool and to educate members on accessing and understanding cost information.

Consumers Don't Understand Their Benefits



Another challenge lies in consumers' ability to interpret the information they receive. Many simply don't understand their health insurance well enough to know their true cost obligations.

A [study](#) published in the 2013 Journal of Health Economics quizzed 202 people with employer-sponsored health insurance on basic health insurance terms like "Deductible," "Copay," "Coinsurance," and "Out-of-Pocket Maximum." A mere 14 percent of participants were correctly able to identify the meaning of all four terms. Even fewer participants (11 percent) were able to determine the correct cost for a 4-day hospital visit under a hypothetical plan. How can consumers become savvy shoppers when they don't understand the most basic details of their plan?

Where Does Your Company Stand?

To succeed in this new, consumer-centric healthcare environment where shoppability and value are expected, employers and insurers that offer CDHPs must equip plan members with the tools they need. Companies that succeed have the opportunity to foster loyalty with consumers and reduce low-value healthcare spending more broadly as a result.

Health plans and businesses that fail to engage consumers risk becoming non-competitive and losing the opportunity for member engagement. Borders bookstore learned that lesson the hard way. The company didn't heed consumers' growing need for online purchasing and digital entertainment and was forced to shut its doors in 2011—unable to compete with Amazon's expansive online presence or Barnes & Noble's Nook e-reader. The product may be different for insurers and healthcare employers, but customer satisfaction is similarly important.

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