

Price Transparency: Is health care different?

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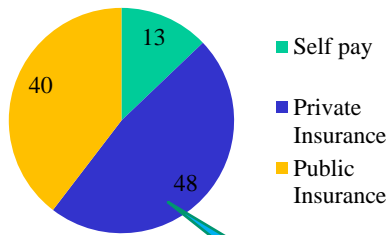
Logic of Price Transparency

- Reduce costs
 - In competitive markets, “shoppers” drive prices to marginal cost
- Improve predictability
 - Consumers face less uncertainty
- Reduce unnecessary utilization

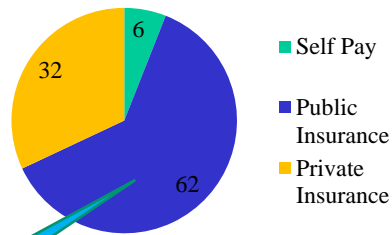


Prices to Whom?

Office Visits



Hospital Discharges



90% mgd care savings

How do people shop?

- Price dispersion is ubiquitous
- Search costs matter
- Not all purchasers need to be informed
- Response by sellers



Services and Bundles

- Hip Replacement: Episode includes all costs associated with pre-operative evaluations, diagnostic assessments, imaging, inpatient surgery and post-op stays, implants, rehabilitation, physical therapy, drugs, treatment for readmission and other complications associated or resulting from the procedure

Apple iPhone 5

Manufacturer: Apple Part number: 6260384



\$149.99 - \$729.00 at 4 online stores >

CNET Editor rating:
★★★★★
Excellent

Average user rating:
★★★★☆
out of 152 reviews

More product information:
Editors' review | User reviews | Specifications
| Manufacturer info

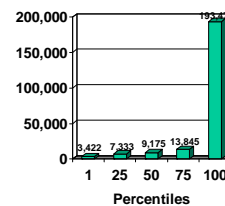
1 | 2 | 3 | 4 | Video

Bottom Line

Heterogeneity

- Patients differ:
 - Predictably – but they may not know it
 - Unpredictably – who bears residual cost?

Cost of PTCA, 1258 Procedures, 1 Hospital



Quality

- Price as a marker of quality
- Placebo effect of price



Experience to Date

Evidence to Date

- Limited patient response to quality information
- Tiered pricing -- Most action on decision to use services

New Hampshire

Variation in Payments for Select Outpatient Procedures, New Hampshire, 2005-2008

PROCEDURE	YEAR	MEDIAN PAYMENT	AVERAGE PAYMENT	COEFFICIENT OF VARIATION*
HOSPITALS				
ARTHROSCOPIC KNEE SURGERY (CPT 29881)	2005	\$1,949	\$2,029	0.47
	2006	\$2,143	\$2,207	0.46
	2008	\$2,306	\$2,406	0.50
COLONOSCOPY (CPT 45378)	2005	\$1,035	\$1,024	0.38
	2006	\$1,087	\$1,088	0.38
	2008	\$1,314	\$1,267	0.41
MRI - BACK (CPT 72148)	2005	\$1,261	\$1,238	0.31
	2006	\$1,395	\$1,328	0.32
	2008	\$1,573	\$1,492	0.32

- Tu and Lauer, 2009

Potential Hazards

- Provider responses
 - Payer negotiations
 - Charges
 - Selection
- Insurer responses
 - Reference prices
- Patient effects
 - Quality

Thank you!

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