
MARKET PERSPECTIVE



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Transparency in the Healthcare Industry

Background/Overview

"Price and quality transparency" are no longer industry buzz words; rather, they are now a driving force behind the evolving framework of healthcare. Employers and employees shoulder an increasing financial burden as healthcare costs continue to rise. One response in meeting this challenge is to adopt new strategies to actively engage employees in managing their own health care dollars.

Transparency, as an important tool in healthcare consumerism, got another notable boost on December 5 when the federal government announced that its extensive claims database would now be available to produce report cards on healthcare providers. The database would allow for doctors and hospitals to be identified along with their respective quality-related criteria (e.g. experience performing a procedure, frequency of preventable complications, etc.). Studies suggest that higher quality healthcare providers, especially those requiring hospitalization or surgical procedures, are in fact less costly than when lower quality providers are utilized.

Shopping for health care services is a relatively new concept for individuals. The majority of people do not realize that provider pricing often varies dramatically, even within the same network and geographic area. For example, an MRI may cost as much as ten times more from one provider to another within the same network and zip code. These types of price disparities apply to a range of services, from the more commoditized lab work and CT scans to more complicated cases like knee surgeries or hip replacements.

Here's a few more examples of price differences within the same network for some common procedures:

Service	Facility Payment Range
Abdominal CT Scan	\$290 - \$2,200
Colonoscopy	\$970 - \$4,500
Normal Birth Vaginal Delivery	\$5,500 - \$10,930

Responsive to the call for better price and quality information, several companies have emerged that help individuals understand the cost of procedures and to “shop” for health care services as they would other items. Some companies even provide "concierge" type services, such as helping an individual set an appointment with a selected provider.

The major health insurance carriers are also on board, enhancing their proprietary online tools to empower consumers to make informed health care decisions based on both price and quality. Both vendors and carriers meet a critical need by helping individuals shop more effectively and knowledgeably for health care services thereby reducing health care costs for employees and employers.

These advances couldn't come at a better time, as more and more employers turn to consumer-driven plan designs to help manage costs. In 2011, more than half of companies offered a CDHP. A recent survey released by the National Business Group on Health estimates that nearly two-thirds of companies will offer a CDHP in 2012.¹

Health Insurance Carriers

The major health insurance carriers are moving quickly to enhance their online transparency tools and increase the amount of information available to the consumer. These companies naturally already have the most accurate, robust and geographically diverse pricing information to be the source of data in the future. The carriers do, however, face some limitations on disclosing provider specific pricing in certain markets due to contractual confidentiality obligations with some providers.

What About Quality Care?

Currently no comprehensive standard quality care measure exists among all major health insurance carriers and transparency vendors. Quality care indicators refer to processes used in the care and treatment of patients, and the medical outcomes of that treatment. Using this data, along with other indicators such as board certification, accreditation and litigation history, the carriers and a few of the transparency vendors develop their own quality measurements and make those available to the consumer. More often, the transparency vendors rely on independent sources of quality ratings.

The passage of last year's health care reform legislation focused primarily on the expansion of coverage for millions of Americans. The law does, however, contain future payment provisions to reimburse providers based on quality measures. This feature of the law should accelerate the development and adoption of consistent, standard measures of provider quality; making it simpler for consumers to compare.



Independent Transparency Vendors

Transparency services (and most of the companies that provide them) are relatively new in the marketplace and are rapidly evolving. Similar to tech start-ups, these vendors are continually developing upgrades, launching new tools and working to enhance the overall user experience.

Independent transparency vendors we have analyzed include: Castlight, change: healthcare, ClearCost Health, Compass, and Medical Advocate Program (Delphi). All charge fees on some variation of a per-employee, per-month arrangement. There are important differences in these vendors in terms of program focus, target market, delivery method, and type of services as outlined below:

Vendor	Program Focus		Primary Delivery Model		Primary Focus		Differentiators
	Primary	Secondary	Online Tool	Live Telephone Assistance	Type of Services	Target Client Size	
Castlight	Price Transparency	Quality	X	X	Routine Services	5,000+ Employees	Online portal customized by individual based on actual accumulators (Deductible and Out-of-Pocket)
change: healthcare	Price Transparency	Quality	X		Routine Services	2,500+ Employees	Outbound email alerts to notify individuals of cost saving opportunities
ClearCost Health	Price Transparency	Quality	X		Routine Services	1,000+ Employees	Projects cost of total episode of care
Compass	Price Transparency	Quality		X	Routine Services	50+ Employees	Concierge services for appointment scheduling, bill review, medical records
Medical Advocate Program (Delphi)	Quality	Price Transparency		X	Surgery & Complex Procedures	250+ Employees	Registered nurses act as the consumer's health care advocate Proprietary severity adjusted national claim database

Routine Services include office visits, imaging, lab tests, select outpatient procedures, and prescription drugs.

Surgery and Complex Procedures includes Inpatient and Outpatient surgery and procedures in addition to routine services.

While these vendors represent a cross-section of companies that provide these services, it is by no means an exhaustive list as new companies continue to enter the market.

Knowledge and Wisdom

It's time to arm all individuals - regardless of plan design - with the tools needed to make informed decisions and effectively utilize their health benefits. The more educated the consumer, the greater potential for increased efficiency and long-term cost savings in the marketplace.

With Health Care Reform, emerging health care delivery models are better defined. This encourages the development of Accountable Care Organizations (ACO's), putting the primary care physician in the role of decision maker and economic and care coordinator.

Every employer should encourage employees to utilize price and quality transparency tools as a key to redirecting utilization to the "right" provider. What model and vendor is best suited for each employer should be determined based on the strategy that best fits the company and the needs of the individuals. Introduction of price and quality transparency tools do not need to coincide with annual enrollment and can be easily implemented at any time throughout the year.

The market is fluid as new vendors, capabilities and techniques are evolving rapidly. The independent transparency vendors, without the complications arising from contractual confidentiality obligations to providers, might appeal to companies who prefer more "high-touch" service or a more consistent approach if they have multiple medical plan vendors.

Regardless of the approach chosen, the key is educating employees on the availability of information, and ensuring that employees use it.

What About ROI?

Just like quality, a standard measurement of ROI has not yet been developed. Measuring the financial impact of the care choice an individual makes is easily measured by reviewing the claims experience retroactively. However, measuring the cost of the choice that person would have made without any assistance is difficult. Therefore a clean, consistent calculation of ROI is virtually impossible. As a result, the transparency vendors have each developed their own model for estimating ROI based on assumed redirection from a higher cost procedure to either the median or lowest cost option. Selection of a transparency vendor should include careful scrutiny of ROI promises.

Your Lockton Dunning service team will explore these ideas with you during upcoming strategy and planning meetings. In the meantime, if you have any questions on the best approach for transparency tools for your company, please contact your Lockton Dunning service team, or call us at (214) 969-6100.

¹ The 16th Annual Towers Watson /National Business Group on Health Employer Survey on Purchasing Value in Health Care