



Improving Price Transparency in Health Care

Oregon Patients and Providers Need Better Information on the Cost of Health Care

A Basic Consumer Right

Opaque and unavailable prices for health care services violate the basic consumer right to know in advance about the price of goods or services. When consumers are asked to make decisions about care without access to meaningful price information, they are unable to make informed decisions in high-stakes situations that can profoundly affect their future health and financial security.

Improving the price transparency of health care services can also help to diagnose and address the high cost of health care. Combined with the right incentives, improved price transparency could shift the behavior of providers, consumers and insurers to reduce health care spending.

Price Transparency Can Help Consumers

Existing price information is often not easily accessible or customized for the particular patient and is rarely provided at the right time to help inform consumer decision-making.

With the right incentives and information, patients may use price transparency information to seek care from less expensive providers, and in response, higher-cost providers may choose to lower their prices to remain competitive. This can deliver system-wide cost savings. For example, higher-priced providers of MRIs in five metropolitan areas lowered their prices after an insurance company began an aggressive price transparency effort and helped patients who needed elective MRIs schedule with lower-priced providers.

Price Transparency Helps Providers and Insurers

Providers influence or directly make a large share of health care decisions that influence spending, often without knowing in advance the price charged by other providers, such as labs. Insurers can use increased transparency to influence how much providers choose to charge for their services.

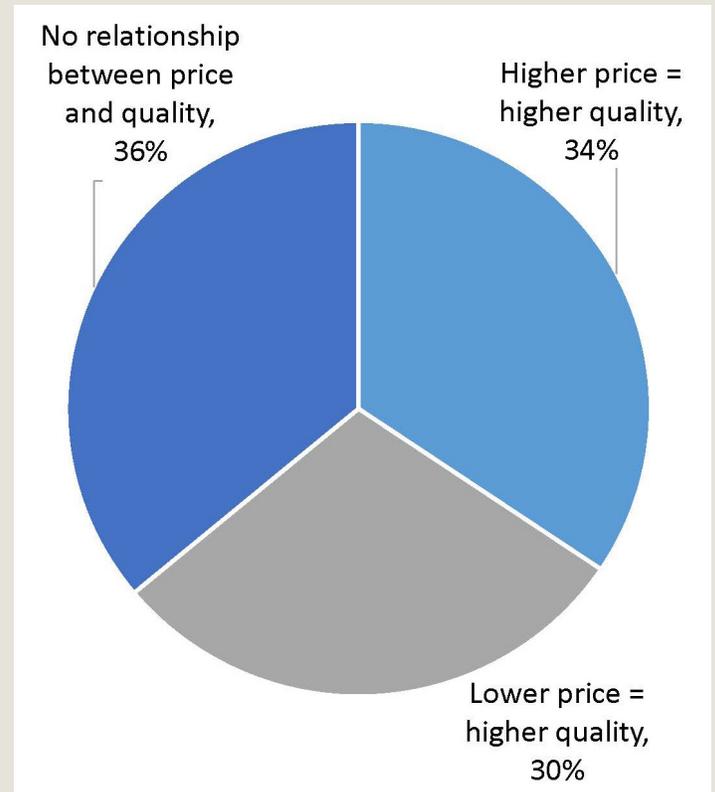
- Numerous hospital-based studies have found that knowing the price of lab and imaging tests prompts providers to order fewer or less expensive tests.
- Insurance companies in New Hampshire have developed tiered-pricing plans that reward members for choosing high-value providers. As patients have reduced their use of higher-priced, lower-value options, those providers have reduced their prices for lab services, outpatient surgery and other care, reducing costs for everyone.

Oregon Can Improve Price Transparency

Oregon has already taken several important steps toward improving health care price transparency but could do far more to make health care prices fully available to patients, providers and insurers.

- As a basic consumer right, patients should be able to ask for and receive information on the likely price of care at doctors' offices, hospitals and imaging facilities.
- Oregon policymakers should require that information collected in the state's all payer-all claims database be made available to consumers, with data ideally disaggregated by payer, procedure and provider. This process could begin with the categories of health care that consumers are most willing to shop for, such as lab work and imaging studies.

A Review of 61 Studies Found No Consistent Relationship between Health Care Prices and Quality



Patients Need More Information about the Quality of Care

Many patients may assume that higher-priced care is higher-quality care, undermining the potential of price transparency to reduce health care costs. Research, however, shows that there is no clear relationship between the cost and quality of care (figure above). Price transparency tools that include data on quality of care can reduce the extent to which consumers are inclined to use price as a measure of quality. If patients have access to information about both the price and quality of care, they will be better able to make informed decisions about the overall value of their care.

For citations and the full report, please visit www.ospirgfoundation.org

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