
Using Price And Quality Data: What Are The Barriers Facing Consumers?

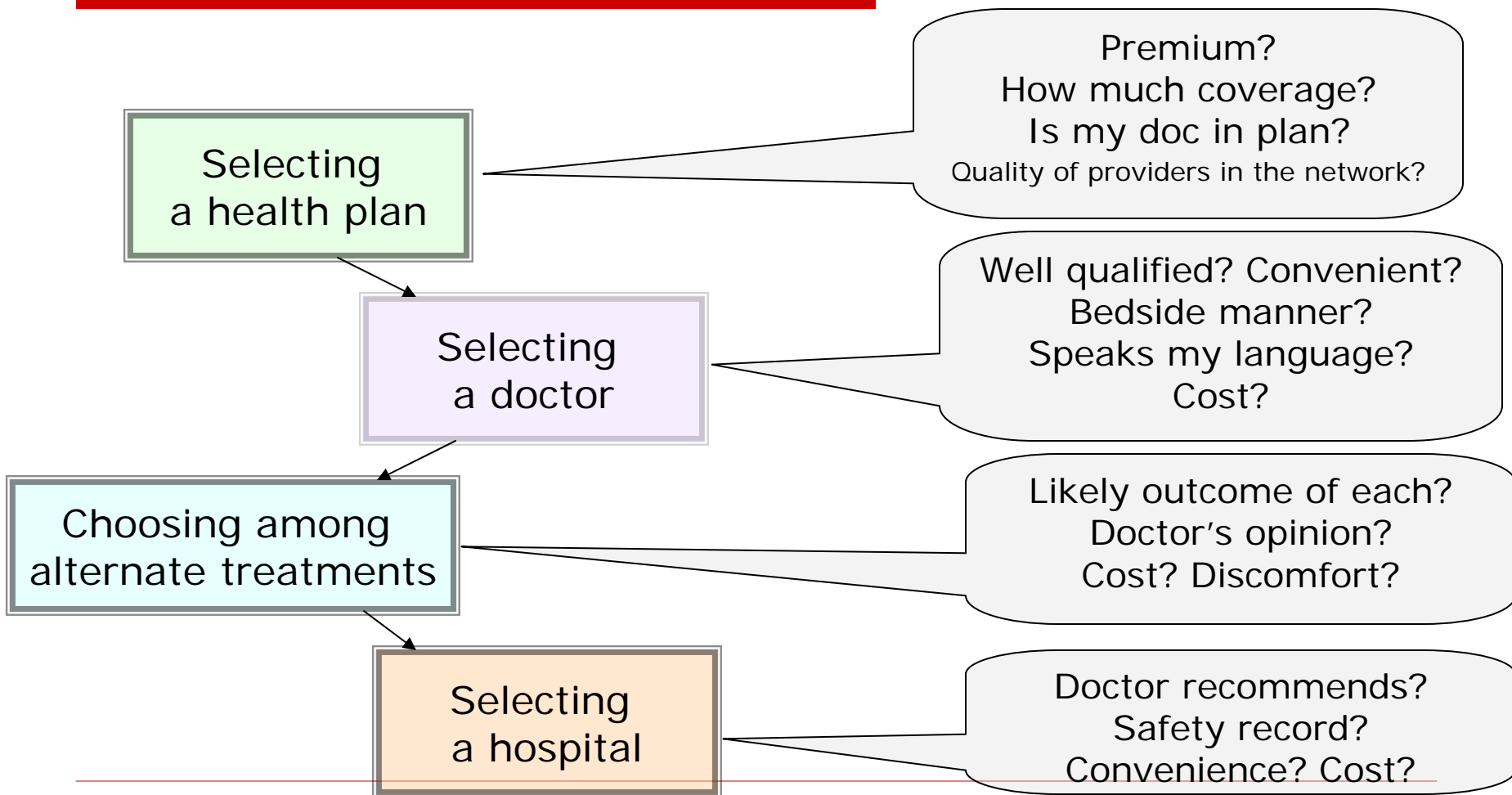
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*Motivating Consumers To Use Data On
Price, Cost And Quality*

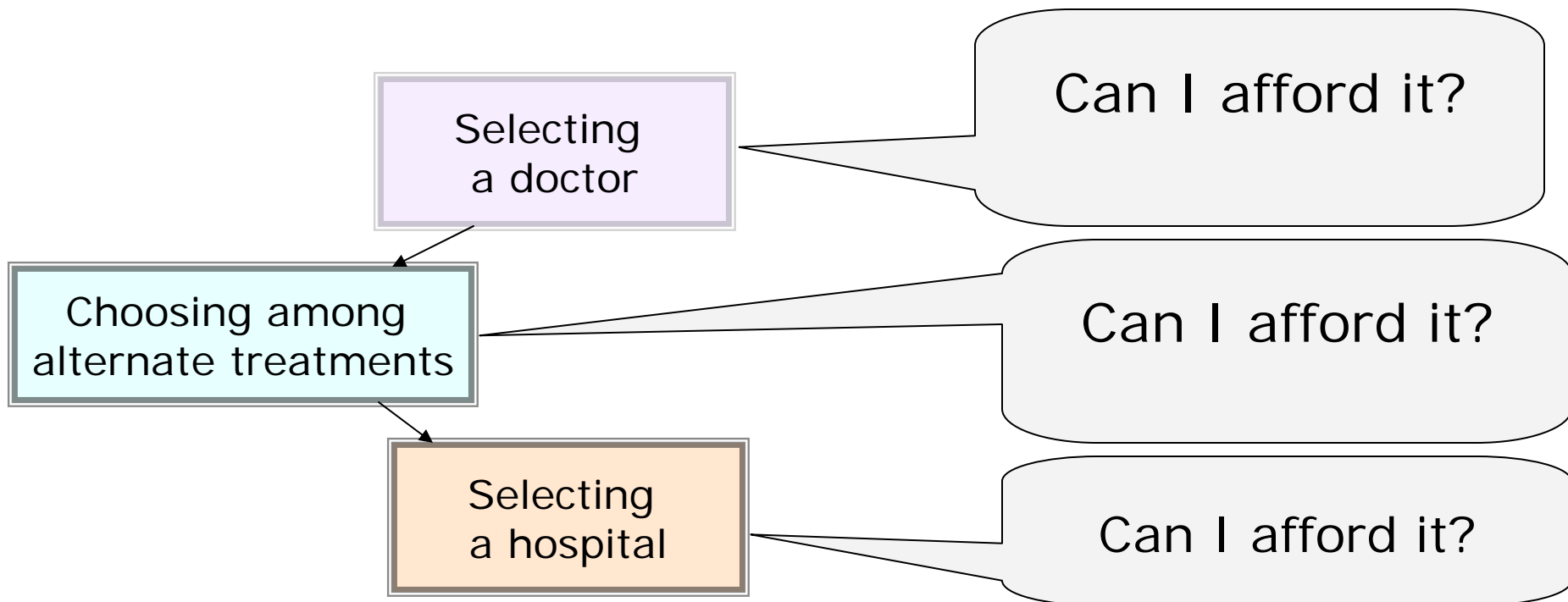
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Health Care Shopping: What Are The Decision Points?



Different If Uninsured/Underinsured...



What are the barriers to using price and quality information?

- ❑ Health insurance, doctors, hospitals, treatments are not viewed as commodities.
- ❑ Instead: a social good. Access to medical care should be determined by medical need, not ability to pay.

An important nuance

Consumers...

- ❑ Worry about their ability to afford health care
- ❑ But strongly prefer that cost not factor into health treatment decisions.

More Barriers:

- Consumers have a poor understanding of the “market.” They
 - think coverage is more protective than it is.
 - think provider quality is more uniform than it is.
 - are doubtful that low-cost providers can be high quality.

Still More Barriers

- Consumers will not act on information unless they trust the source – and health plan are often not trusted
- Health plan cost-sharing provisions are COMPLEX, preventing consumers from understanding what their bottom line cost is.
 - just 14 percent of consumers understand the basic insurance concepts of “deductible, copay, co-insurance and out-of-pocket maximum.”

Key Finding From Testing the *Summary Of Benefits and Coverage Form*

New Feature: Coverage Examples

- ❑ “do the math” for consumers and help them understand plan’s cost-sharing features
- ❑ Permit an “apples to apples” comparison of plans.
- ❑ Showing what a plan would pay for a serious illness altered consumers’ views about the value and purpose of insurance.

About these Coverage Examples:

These examples show how this plan might cover medical care in three situations. Use these examples to see, in general, how much insurance protection you might get from different plans.



This is not a cost estimator.

Don't use these examples to estimate your actual costs under this plan. The actual care you receive will be different from these examples, and the cost of that care also will be different.

See the next page for important information about these examples.

Having a baby

(normal delivery)

- **Amount owed to providers:** \$10,000
- **Plan pays \$0**
- **You pay \$10,000** (maternity is not covered, so you pay 100%)

Sample care costs:

| | |
|----------------------------|-----------------|
| First office visit | \$100 |
| Radiology | \$300 |
| Laboratory tests | \$200 |
| Routine obstetric care | \$2,000 |
| Hospital charges (mother) | \$4,100 |
| Hospital charges (baby) | \$1,900 |
| Anesthesia | \$1,000 |
| Circumcision | \$200 |
| Vaccines, other preventive | \$200 |
| Total | \$10,000 |

You pay:

| | |
|----------------------|-----------------|
| Deductibles | \$0 |
| Co-pays | \$0 |
| Co-insurance | \$0 |
| Limits or exclusions | \$10,000 |
| Total | \$10,000 |

Treating breast cancer

(lumpectomy, chemotherapy, radiation)

- **Amount owed to providers:** \$98,000
- **Plan pays \$94,800**
- **You pay \$3,200**

Sample care costs:

| | |
|----------------------------|-----------------|
| Office visits & procedures | \$4,000 |
| Radiology | \$4,000 |
| Laboratory tests | \$2,400 |
| Hospital charges | \$3,300 |
| Inpatient medical care | \$200 |
| Outpatient surgery | \$3,400 |
| Chemotherapy | \$64,000 |
| Radiation therapy | \$13,000 |
| Prostheses (wig) | \$500 |
| Pharmacy | \$2,000 |
| Mental health | \$1,200 |
| Total | \$98,000 |

You pay:

| | |
|----------------------|----------------|
| Deductibles | \$2,500 |
| Co-pays | \$200 |
| Co-insurance | \$0 |
| Limits or exclusions | \$500 |
| Total | \$3,200 |

Managing diabetes

(routine maintenance of existing condition)

- **Amount owed to providers:** \$7,800
- **Plan pays \$6,800**
- **You pay \$1,000**

Sample care costs:

| | |
|------------------------------|----------------|
| Office visits & procedures | \$960 |
| Laboratory tests | \$300 |
| Medical equipment & supplies | \$40 |
| Pharmacy | \$6,500 |
| Total | \$7,800 |

You pay:

| | |
|----------------------|----------------|
| Deductibles | \$300 |
| Co-pays | \$260 |
| Co-insurance | \$400 |
| Limits or exclusions | \$40 |
| Total | \$1,000 |

Role of Consumer Price Transparency in Policymaking

- A large portion of overall medical spending is beyond price incentives – 10 percent of persons account for 70 percent of costs and this group has surpassed their out-of-pocket cap for the year.
- Instead, improve transparency because consumers deserve actionable information that keeps them safer, informed and less poor when consuming health care and health insurance.

Thank you!

Please email
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questions:

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POLICY & ACTION FROM CONSUMER REPORTS

HEALTH POLICY
BRIEF
JANUARY 2012

What's Behind the Door: Consumers' Difficulties Selecting Health Plans

SUMMARY

Consumer testing by Consumers Union confirms the widely held perception that people struggle to understand their health insurance policies. This information gap has grave consequences for consumers and for the success of most health reform approaches. Indeed, improving consumers' ability to shop in the health insurance marketplace is an area of great untapped potential. But realizing this potential will require a multi-layered policy approach. It will require greater standardization of products in the marketplace, along with better tools for communicating health plan features to consumers. Both strategies will require an in-depth understanding of how consumers shop for coverage and the barriers they face. Rigorous consumer testing provides the nuanced information that can lead to measurable improvements in consumer understanding. This brief highlights the findings from three consumer testing studies. These consolidated results provide a strong foundation for regulatory and legislative efforts to enact policies and provide tools that improve consumers' understanding of health insurance, as well as health plans' own efforts to improve customer communications.

Consumer testing by Consumers Union confirms the widely held perception that people struggle to understand their health insurance policies. These difficulties are so profound that the vast majority of consumers are essentially being asked to buy a very expensive product—critical to their health—while blindfolded. As in the game show "Let's Make a Deal," they must make a selection without knowing what's behind the door.¹ This information gap has grave consequences for consumers and for the success of most health reform approaches.

Why Engage In Consumer Testing?

If policymakers or regulators start with an incomplete or erroneous understanding of how consumers shop for health insurance, they will not design appropriate policies or regulations. However, these entities are hampered by a very limited amount of data on how consumers shop and the barriers they face. There is a general perception that shopping for and using health insurance is

¹ – HEALTH POLICY BRIEF – JANUARY 2012 – WWW.CONSUMERSUNION.ORG

Sources

- ❑ Sommers et al. "Focus Groups Highlight That Many Patients Object To Clinicians' Focusing On Costs," *Health Affairs*, February 2013.
- ❑ Loewenstein et al. "Consumers' misunderstanding of health insurance," *Journal of Health Economics*, Volume 32, Issue 5, September 2013.
- ❑ Lenz et al, *Value Judgment: Helping Health Care Consumers Use Quality and Cost Information*, California Health Care Foundation and the National Committee for Quality Assurance
- ❑ Hibbard, et al. "An experiment shows that a well-designed report on costs and quality can help consumers choose high-value health care." *Health Affairs*, 31(3), 5605-5668, 2012.
- ❑ Consumers Union, *Early Consumer Testing of Coverage Facts Label*, August 2011.