



CALIFORNIA HEALTHCARE FOUNDATION

Price Transparency: Lessons from New Hampshire

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The Question

If we had true price transparency, what would happen to negotiated prices?

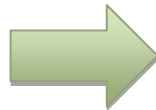
▪ Up?



▪ Down?



▪ Unchanged?



Background

- New Hampshire APCD mandated in 2003
- Launched HealthCost website in 2007
- Site reported provider-specific, insurer-specific median amounts paid

- CHCF commissioned two research reports:
 - First report: 2009
 - Second report: 2013 (with RWJF)

In 2009....

- Focus on range of variation in price
- Both a qualitative and quantitative analysis
- Key finding: transparency appears to have no impact of price variation



Issue Brief

Findings from HSC

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IMPACT OF HEALTH CARE PRICE TRANSPARENCY ON PRICE VARIATION: THE NEW HAMPSHIRE EXPERIENCE

By Ha T. Tu and Johanna R. Lauer

Price variation for medical procedures performed in both hospital outpatient departments and freestanding facilities has not decreased in New Hampshire since the state launched the HealthCost price transparency program in early 2007, according to new research jointly conducted by the New Hampshire Insurance Department and the Center for Studying Health System Change (HSC). New Hampshire stakeholders cited weak provider competition as the key reason for lack of impact. The state's hospital market is geographically segmented in rural areas and has few competitors even in urban areas. In addition, few consumers have strong incentives to shop based on price: Only 5 percent of the state's privately insured residents were enrolled in high-deductible plans in 2007. However, some observers suggested that HealthCost—along with other state price transparency initiatives—has helped to focus employer and policy maker attention on provider price differences and has caused some hospitals to moderate their demands for rate increases.

Price Variation Remains Despite Price Transparency

In recent years, many states have undertaken initiatives to report health care prices to the public to support cost-conscious shopping by consumers and, ultimately, spur competition and increase efficiency among providers. New Hampshire was among the first states to introduce a price transparency program aimed at helping consumers comparison shop for common health services. In early 2007, New Hampshire launched the HealthCost Web site to report the bundled cost, including both physician and facility payments, of about 30 common health care services. Most of the services are performed in hospital outpatient departments and freestanding facilities (see box on Page 2 for a general description of the HealthCost program). Unlike most other state price transparency initiatives that only report hospital charges, HealthCost reports more useful provider-specific, insurer-specific median cost estimates for each service, based on claims data collected from health insurers.¹ Despite the attention that price transparency has received from policy makers, there has been a dearth of research to date exam-

ining what effects, if any, public reporting of prices has had on overall price levels and price variation across health care providers. When prices are made transparent—publicly reported and known to all parties—price differences across providers can be expected to decrease, as low-cost providers are motivated to raise their prices and high-cost providers come under pressure to lower their prices. However, whether transparency raises or lowers overall price levels is uncertain, and depends largely on the concentration and market power of health care providers relative to insurers.²

Ideally, it would be useful to understand the extent to which a particular price transparency initiative has affected overall price levels. However, it is difficult, if not impossible, to compare pre-transparency and post-transparency prices and ascribe any observed difference to a particular price transparency program, because there are a multitude of influences external to the price transparency program that might have impacted price levels. These factors

include competitive conditions, technological innovation and other policy initiatives and developments. No multivariate model can adequately capture and estimate the magnitude of these other factors.

As a result of the issues inherent in correctly attributing price changes to any particular program, this report focuses primarily on the effect that price transparency has had on price variation, rather than price levels. The analysis uses a combination of quantitative and qualitative methods (see Data Source).

No Impact on Price Variation across Providers

The main finding of the quantitative analysis conducted by the New Hampshire Insurance Department (NHID) is that in the post-transparency period, price variation did not decrease for the services where prices were reported on the HealthCost Web site. The coefficient of variation, the indicator used to measure the magnitude

Providing Insights that Contribute to Better Health Policy

Why Not?

- Hospital market power was the primary driver of price
- Employers and policymakers were slow to focus on hospital price differential
- Few consumers had benefit designs with incentive to “shop”

In 2013.....

- Heightened awareness of price variation led to:

- Altered provider-plan leverage

“There was a very public showdown between the state’s largest insurer, Anthem Blue Cross Blue Shield, and Exeter Hospital, the most expensive hospital in the state”

- Employers and plans benefit design changes
 - High deductible plans
 - Site of service tiered benefits
 - New price-shopping tools, with incentives

In 2013....

- Competitive responses by hospitals
 - Introduced lower-price alternative care settings (non-hospital based labs, ASCs, urgent care, etc.)
 - Negotiated lower contract rates
 - Positioned as “better value”
- Market implications
 - Encouraged hospital cost containment; consolidation
 - Spread acceptance of narrow network products
 - Less cross-subsidization of services (truer pricing)

Implications

- Though consumers did not flock to the site initially, as policymakers had hoped, highlighting the wide variation in prices, led to changes in hospital – health plan – employer dynamics
- Pressure on price may drive weaker players out of the market, and can jeopardize access
- Without meaningful quality information, hard to judge value
- Health care is slightly less “local”