



PIONEER INSTITUTE

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Honorable Jeffrey Sanchez
Honorable Steve Welch
President Kate Walsh
Special Commission on Provider Price Variation
Commonwealth of Massachusetts

January 31st, 2017

Recommendations of Pioneer Institute to the Transparency Subcommittee of the Special Commission on Provider Price Variation

Dear Representative Sanchez, Senator Welch and President Walsh:

Introduction

Thank you for the opportunity to submit the views and some recommendations of Pioneer Institute to your Commission, and in particular to the Subcommittee on Transparency in Health Care. The Commission meetings have been interesting to attend, and staff have been very professional to work with for both the Commission and the Pioneer Working Group on Healthcare Price Transparency.

While there are many dimensions to transparency in healthcare, our current system is largely defined by one fundamental fact: **Patients and consumers have little idea of the cost of the procedures they and/or their employers are asked to pay for.** While this is especially important for consumers with high deductible health plans, it is also relevant to those with low deductibles who could be incented to make high-value low-cost provider decisions. This lack of information impedes synergistic opportunities among employees, employers and payers who can use their purchasing decisions to actually drive down the cost of medical care and reduce unwarranted price variation.

Price transparency is also extremely important to the healthcare system as a whole. There seems to be no acceptable rationale not to shine sunlight on the price of healthcare procedures and services among providers in Massachusetts. There is no question that our healthcare market is a hybrid of market forces and government regulation. Under these circumstances, suppressing price information from consumers'/employers' view leads to the inevitable result that healthcare dollars are misallocated because the price of healthcare services is not available to help guide the decision-making process of consumers and employers.

Although we have state laws requiring cost estimator tools from insurers and the disclosure of price information by providers, surveys by Pioneer,¹ **submitted with this**

letter, show that obtaining prices from providers upon request is still a daunting task for prospective patients. There is little or no information on provider websites to inform consumers that they have a right to know the price of even common procedures, and telephoning most types of providers ends up as a futile exercise for consumers. Consumers do not even know they have the right to this information. For consumers with high deductible plans who are paying the first dollar of their health care costs, this is not the hallmark of a progressive, consumer-friendly system.

As for the cost-estimator tools of Massachusetts payers, they vary in quality. Some contain a limited number of procedures, others contain hundreds. Some are easy to navigate, some more difficult. The uptake by members has been slow, but is growing. However, it appears that there is not a lot of promotion, marketing or change in plan design, for sustained periods, to incent and teach employers and employees about using these tools or offering greater incentives to do so.

The result is predictable. There is little awareness among consumers that they can shop for planned procedures, from MRIs to joint replacement (some studies show that almost 40% of procedures fall into a shoppable category). For the fearless who try to obtain such information, the experience is often not successful. Skeptics of consumer price transparency claim a lack of interest among consumers and employers for healthcare price transparency information based on low transparency tool usage rates. If consumers don't want a particular product, perhaps the product needs changing to make it attractive and more consumer friendly.

Price transparency in healthcare requires nothing short of a cultural change in the way consumers/patients and employers, aided by payers, providers and the state, consider healthcare options. There is no one-shot silver bullet, a bold multi-pronged strategy among and aimed at all stakeholders is needed.

We know that consumer behavior can be positively impacted through programs of education and incentives implemented over a sustained period. Consider smoking cessation campaigns and consciousness around healthy food. Price transparency in healthcare requires a similarly sustained effort. **From this Commission's work, we see promising models of mandatory, sustained employee education and targeted outreach by Polar Beverages and the new GIC Vitals SmartShopper program.**

Pioneer rejects the notion that consumers/patients are not medically literate enough to take advantage of price transparency for non-emergent care. In no other market is the burden placed on consumers to prove that they can handle price information. **A March 2015 national survey funded by the Robert Wood Johnson, performed by the respected Public Agenda think tank in New York, showed categorically that consumers with high deductible plans (over \$3,000) said they tried to find price information before obtaining care.**² See, "How Much Will It Cost", Public Agenda, March 9, 2015, attached to this letter.

But consumer/patients need help and reinforcement in order to change behavior and redirect healthcare dollars more wisely.

This is where this Commission can play a key role by providing a blueprint for action to stimulate initiatives and innovations to propel price transparency forward and benefit Massachusetts consumers/patients. Most importantly, this Commission is in a position to lay to rest the myth that consumers don't want this information, while simultaneously affirming that providing useful price information to patients is connected to fixing unwarranted difference in health care prices. See, *"Panel Pegs Challenge: Easily Understandable Health Care Pricing Info,"* State House News, Katie Lannan, Jan 10, 2017.³

Pioneer recommends that the Price Variation Commission calls for the following actions:

- 1. State Wide Education Campaign:** The initiation of a two-year state-wide campaign pulling together state, payer, provider and employer resources to lead and educate Massachusetts consumers/patients and employers on the benefits of (a) knowing the cost of healthcare services and procedures, and (b) how utilizing various strategies such as cash/non-cash incentives (tiering, reference pricing, etc.) can erode unwarranted price variation and save healthcare dollars. This campaign can be coordinated by the executive branch of state government. A low cost but sustained social media/transit advertising campaign augmented by radio and TV media exposure over a sustained period of time can raise awareness and receptivity. This should be accompanied by an educational campaign aimed at, and utilizing, employers and workers through the chambers of commerce, business and trade groups and major employers, and should include every region of the state.
- 2. CHIA Data Release:** Set the stage, and lead off the campaign, by releasing, on a regular basis going forward, cost data from the Center for Health Information and Analysis (CHIA) on up to 40 of the most popular procedures, de-identified by patient, but identified by provider and region. Medicare transparency has set in place a precedent to follow. This does not have to wait until a new website is developed, it simply involves posting the relevant price/provider information. It would begin to raise awareness among consumers and employers that there are real differences in prices and that directing dollars towards certain high-value low-cost providers could save millions of dollars.
- 3. Use Existing State Authority:** There is a great deal more that can be done under existing state law to encourage and motivate payers and providers to more fully embrace and promote existing price transparency statutes. Payers and providers have had since 2102 to prepare robust, consumer-friendly, transparency initiatives for patients and consumers. But even today, over 4 years later, most consumers are not even aware that healthcare price transparency is their right. As stated above, Pioneer's surveys of providers, with a new

installment about to be issued this month, shows rather dismal performance even if a consumer is savvy enough to seek out price from a hospital or doctor for a procedure or service. Further, there is little marketing to employers by health plans about ways in which they can save on health costs by the addition of internal health navigators or basic education to employees on what they can do. Programs that are available to employers increase the costs of premiums, impeding their spread.

The executive branch, working through its Department of Public Health, the Division of Insurance, the Boards of Medicine, Dentistry and any other licensed entity covered by the transparency provisions of Chapter 224, can use its regulatory authority to spur much faster advancements in the area of price transparency. **We are attaching two articles on the power of the state to use its existing authority in this area.** One is an opinion piece from Pioneer in *Mass Lawyers Weekly*,⁴ and the other is a Pioneer blog⁵ that outlines how each agency can use its existing regulatory authority to spur a greater embrace of price transparency by both payers and providers.

We at Pioneer have also found a disconnect between what some providers have described to the Health Policy Commission in answers to questions posed by the Attorney General about their consumer facing transparency efforts and the experience Pioneer researchers have encountered. It would seem there is enough non-compliance to warrant the attention of appropriate state offices.

4. **Reward Patients in the Small Business and Individual Market for Being Smart Shoppers:** Given the regulatory regime in the merged market, patients are rarely rewarded for making smart healthcare decisions. As a first step, the state should ask insurers to grant these patients a share of the savings when they seek out a high-value provider within their plan design that is below the mean cost for that procedure or service in their area. These rewards can help offset the high deductible costs that many enrollees face, and keeps those with chronic conditions engaged in saving money even after they have blown through their deductible. An article in Forbes Magazine on the success of one such program is attached.⁶
5. **Give Small Businesses Access to Health Claim Information:** Through contracting arrangements, smaller companies, unlike their larger counterparts, are often prohibited from accessing health claims from their insurer. The state should level the playing field by allowing companies of all sizes access to their own claims information, with appropriate privacy around patient medical information, so they can serve employees more effectively, and understand and control healthcare costs.
6. **Use GIC To Encourage Greater Transparency:** Support and encourage, perhaps through Executive Order, the state Group Insurance Commission in its efforts to use its market clout to drive down healthcare costs. The Commission

could recommend that the GIC require that its third party administrators (TPAs) demonstrate proof of robust compliance with state transparency laws and that the TPAs in turn require the same from the providers with whom they contract on behalf of the GIC.

In addition, this Commission should look at other states' employee insurance markets, such as CalPERS in California, to recommend other ways the GIC can use its clout as a way to drive costs down and as examples to other employers and payers.

For example, CalPERS, and indeed other large employers, use reference pricing for certain shoppable procedures. CalPERS, long a leader in value-based purchasing, has recently initiated reference pricing and claims that reference pricing has resulted in price reductions, not merely slowdowns in the rate of growth. While there have to be sensible limits to reference pricing, the argument that providers will merely cross-subsidize to make up differences has to be evaluated in the context that other large employers and indeed large payers with clout are in the same position to use reference pricing or clinical centers of excellence to extricate themselves from unwarranted price variations. See, attached, "Appropriate Use of Reference Pricing Can Increase Value," Health Affairs Blog, July 7, 2015.⁷ At some point, prices have to decline.

- 7. Transparency Awards:** A Commonwealth Healthcare Transparency Award(s) could be initiated as a challenge to businesses to develop innovative transparency/financial incentive programs to reduce health care costs. These initiatives could include reference pricing models, financial/material incentive award programs, educational modules, working with payers or directly with providers to provide easy access for employees to find value-based healthcare and earn rewards. A more careful look at the Mass Challenge Awards programs may be helpful for deciding how to structure such an initiative.

The key here is that the Commission should encourage innovative programs such as reference pricing, providing employees financial rewards for choosing high-value low-cost providers, making transparency easy to navigate, and sharing savings with employees who choose low-price high-value providers. And, very importantly, all such programs have to be accompanied by long term educational efforts to employers and employees about access to price transparency in health care services.

Thank you for the opportunity to present these recommendations.

Sincerely,



James Stergios

Executive Director, Pioneer Institute

¹ [“Massachusetts Hospitals Weak on Price Transparency”](#) Pioneer Institute. Anthony, Barbara; Haller, Scott. June 24, 2015.

[“Bay State Specialists and Dentists Get Mixed Reviews on Price Transparency”](#) Pioneer Institute. Anthony, Barbara; Haller, Scott. August 11, 2015.

[“Healthcare Prices for Common Procedures Are Hard for Consumers to Obtain”](#) Pioneer Institute. Anthony, Barbara; Haller, Scott. February 21, 2016.

[“Transparency in Retail Drug Prices: Easy to Obtain but Accuracy May Be Doubtful”](#) Pioneer Institute. Anthony, Barbara; Haller, Scott. October 13, 2016.

² [“How Much Will it Cost?”](#) Public Agenda. March 9, 2015.

³ [“Panel Pegs Challenge: Easily Understandable Health Care Pricing Info”](#) State House News Service. Lannan, Katie. January 10, 2017.

⁴ [“Transparency in Health Care Prices Calls for State Action”](#) Massachusetts Lawyers Weekly. Anthony, Barbara; Idelson, Sarah. December 10, 2015.

⁵ [“How To Tell If the Price Is Right: Fostering Transparency in Healthcare Prices for Massachusetts Consumers”](#) Pioneer Institute. Anthony, Barbara; Idelson, Sarah. October 5, 2015.

⁶ [“Right To Shop: The Next Big Thing In Health Care”](#) Forbes Magazine. Archambault, Josh. August 5, 2016.

⁷ [“Appropriate Use Of Reference Pricing Can Increase Value”](#) Health Affairs. Boynton, Ann; Robinson, James C. July 7, 2015.