Making health care prices available does not result in lower outpatient spending

May 3 2016

Offering a health care services price transparency tool to employees at 2 large companies was not associated with lower outpatient spending, according to a study appearing in the May 3 issue of *JAMA*.

More than half of U.S. states have passed legislation establishing price transparency websites or mandating that health plans, hospitals, or physicians make price information available to patients to help them identify less expensive care. Despite the enthusiasm for price transparency efforts, little is known about their association with health care spending. Ateev Mehrotra, M.D., M.P.H., of Harvard Medical School, Boston, and colleagues compared the health care spending patterns of employees (n=148,655) of two companies that offered a price transparency tool in the year before and after it was introduced with patterns among employees (n=295,983) of other companies that did not offer the tool. The tool provided users information about what they would pay out of pocket for services from different physicians, hospitals, or other clinical sites.

Average outpatient spending among employees offered the tool was $2,021 in the year before the tool was introduced and $2,233 in the year after. In comparison, among controls, average outpatient spending changed from $1,985 to $2,138. After adjusting for demographic and health characteristics, being offered the tool was associated with an average $59 increase in outpatient spending and an average $18 increase in out-of-pocket spending. The tool was used by only a small percentage of eligible employees. In the first 12 months, 10 percent of employees

who were offered the tool used it at least once.

The authors write that offering price transparency could increase spending if patients equate higher prices with higher quality and therefore use the tool to selectively choose higher-priced clinicians. "The tool reports both total price and out-of pocket amounts, and patients may use total price to identify higher-priced clinicians when their out-of-pocket price are the same. However, given the statistically significant increase in spending was not observed in all subanalyses and given findings of prior work on price transparency, this is speculative and would need to be confirmed in future studies. A more conservative interpretation is that the study failed to find evidence of meaningful savings associated with availability of a price transparency tool."

"It is not surprising that price transparency tools that offer patients as consumers information on relative prices fail to lower the rate of spending, given that this information is often offered without accompanying data about quality and for services that would exceed the deductibles of patients," writes Kevin G. Volpp, M.D., Ph.D., of the Philadelphia VA Medical Center, University of Pennsylvania Perelman School of Medicine, Wharton School of Medicine and Health Care Management, Philadelphia, in an accompanying editorial.

"Perhaps by providing meaningful relative information on price and quality and focusing on services with prices lower than a patient's deductible, such tools could succeed in driving patients to choose higher-value services. However, that will only happen to the degree that patients value this information and want to use it, and it is as yet unknown whether the low engagement rates with these tools reflect true consumer disinterest or that these tools have not yet figured out how to engage consumers."

"Price transparency tools are not likely the panacea that many have

hoped for with respect to controlling health care costs. Health plans could create incentives to use price transparency tools as part of benefit design, but given the results reported by Desai et al and the related considerations, health plans might exercise caution because doing so may be unlikely to reduce health care spending."

More information: *JAMA*, DOI: 10.1001/jama.2016.4288
JAMA, DOI: 10.1001/jama.2016.4325