



Most patients don't understand healthcare pricing

By David Levine | December 22, 2016

The push for “consumerism” in healthcare depends in large part on price transparency and encouraging patients to choose high-value, cost-effective care. Actually getting patients to make that choice, however, remains a work in progress, according to a recent report in Health Affairs.

The researchers behind the report asked 2,010 adults four questions regarding healthcare prices and quality – for instance: “Would you say higher prices are typically a sign of better quality medical care or not?” Depending on the question, between 58 and 71 percent did not associate price with quality.

The study’s lead author, Kathryn Phillips, a health economist at the University of California, San Francisco, told Kaiser Health News that “in order for these tools to work ... we have to understand how people use this information. You can’t just put price information out there and expect people to use it.”

Co-author David Schleifer, Ph.D., senior research associate with the nonpartisan research firm Public Agenda, spoke with athenaInsight about the study and what the results say about the concept of consumer-based healthcare.

Q How was this research conducted?

A The findings we published in Health Affairs were drawn from a larger survey about how people seek and use healthcare price information. It was funded with a grant from the Robert Wood Johnson Foundation. The larger study was more broadly about how Americans tried to find price information and from what sources.

Q What is the message of this research?

A I think the big-picture takeaway is that overall, most Americans don’t believe price and quality are associated in healthcare. I hear experts say that price is a signal for quality. We asked people four different ways and consistently found that most don’t believe that to be true. The other thing we found was there are differences in responses depending on how the question is asked. When we asked if low price is associated with low quality, people were a little more unsure; more would say “I don’t know.” With the question posed if high price is associated with high quality, fewer say “I don’t know.” Those differences were not huge, but I think it shows that people are not clear what

quality actually means. And it's not surprising, since experts have a lot of trouble defining and measuring quality as well.

Q How did people in the survey feel about healthcare pricing overall?

A One thing we heard in focus groups is the anger and irritation and frustration about healthcare prices. People said, "I went for X procedure last year, and it was \$200 under my deductible, and now it's \$500." Or "My hospital built a fancy new building with fountains and lo and behold, the prices went up," or "I went to the hospital and got a bill with all these tiny little charges, I don't know what for." Consumers didn't think healthcare prices were rational, that they reflected anything. They tended to see a lot of greed. Given how much deductibles have risen and how people are paying more out of pocket, people are very worried about their healthcare costs. Wages are stagnating, and people are feeling the burden of their health costs, the same as they feel the burden of other costs. We have to put healthcare in the context of all the other things people are worrying about — food, fuel, college, all the rest of it.

Q How does your research relate to the recent Health Care Cost Institute study that found that less than 7 percent of total spending is actually paid out of pocket by consumers for shoppable services?

A On one hand, I think they point to a big issue we see in healthcare and other areas where we do research on how people make decisions. We have to be careful about overstating how much choice people have and how much time and effort they can put into shopping around, particularly when they need healthcare. They found an important note of caution there. On the other hand, if someone has a \$1,000 deductible, it seems like something is wrong with sticking them with that burden without providing some information. People should know what they are getting into. From a market perspective, the impact isn't great, but from a patient perspective, if patients are being asked to pay that much money, they deserve to know what that bill is going to be.

Q What else does your research tell you?

A I think people are willing and interested in choosing care they can afford. That's one big takeaway. Another big takeaway is that most Americans still do not know that healthcare prices can vary. But to people in the healthcare world, this is a basic fact. That really represents a challenge, and maybe an opportunity, for helping people understand how much variation is out there. One more takeaway from the report is that when we asked how people found price information, friends and family were the most common response. After that, it was asking the receptionist or other office staff in the doctor's office. There is a lot of focus on online price tools, and that's fine, but people are often going to front-line staff to ask how much something will cost. To me, that points to making use of those people as the point of contact. If that's who people are asking, we need to be sure they have accurate information or can direct people on where to go.

David Levine is a regular contributor to athenaInsight. This interview was edited and condensed.



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