

## • The Upshot

# Health Price Transparency Is Failing to Rein In Costs

By AUSTIN FRAKT

You probably know where to pump the cheapest gas and how to get price comparisons online in seconds for headphones and cars. But how would you find the best deal on an M.R.I. or a knee replacement? No idea, right?

This lack of price transparency in health care has been cited as one of the reasons we spend too much on it. It's easy to overpay. Health care prices vary tremendously. And there is no established relationship with quality.

In Los Angeles and San Francisco, one analysis found, mammography prices vary by over a factor of five — from a low of \$128 to almost \$700. Prices for IUDs and lower-back M.R.I.s vary by a factor of three. An examination of Massachusetts health care prices found nearly a fourfold variation in M.R.I. prices. Despite these differences, even patients motivated to find the lowest price often can't.

That's changing. Over half of the states have passed laws that either establish websites that health care prices or require plans, doctors and hospitals to disclose them to patients. Some employers and other organizations also provide health care prices to employees and the public.

But improved transparency isn't working as well as hoped. Health care pricing apps and websites don't always help patients spend less.

That's the conclusion from a study published this year in *The Journal of the American Medical Association*. It investigated the effect of the Truven Treatment Cost Calculator, a website available to more than 21 million workers and their family members. It provides users with the costs — both the total price and the portion the user would be responsible for — from over 300 services, including various sorts of imaging, outpatient operations and physician visits.

The researchers compared outpatient health care spending of about 150,000 employees who had access to the website with that of about 300,000 comparable employees who didn't. (They did not examine inpatient spending

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because it is dominated by non-elective procedures that are not amenable to shopping.)

Despite its features, the cost calculator wasn't popular. Though 60 percent of employees with access to it faced a deductible over \$500, only 10 percent used it in the first year of availability and 20 percent after two years. The study found that price transparency did not reduce outpatient spending, even among patients with higher deductibles or who faced higher health care costs because of illness.

Study after study has showed the same thing. Health plans report that use of their price transparency tools is limited, with many enrollees unaware they exist. The vast majority of plans now provide pricing information to enrollees, but only 2 percent of them look at it. Aetna offers a price transparency tool to 94 percent of its commercial market enrollees, but only 3.5 percent use it.

One study found that only 1 percent of residents of New Hampshire used the state's health care price comparison website over a three-year period. Another study found that use of the price transparency platform Castlight Health was associated with lower payments for lab tests, advanced imaging and office visits. However, the study

be motivated to do so only if they stood to gain. If patients' out-of-pocket costs are the same at both a high-cost and low-cost doctor, what's to prompt them to select the cheaper one? Insurance is paying for the difference anyway.

Even consumers who use price comparison tools may select more expensive providers because they think higher health care prices imply higher quality, even if that's often not the case. Yet only half of price transparency tools offered by health plans include information about quality. One study found that including easy-to-understand quality information alongside prices helped patients select higher-value care.

But a 10-year study across 16 communities funded by the Robert Wood Johnson Foundation and published in the journal *Health Services Research* found that newly available reports comparing the quality of care of physician practices and physician groups had only a modest effect on the awareness and use of this information. Only about 5 percent of chronically ill people reported that they considered such information when making care decisions, an increase from just above 3 percent a few years earlier, although this increase varied across communities.

Changes to how health insurance works might improve the effectiveness of price transparency. For example, when an enrollee in a plan for California's retired public-sector employees selects a hip or knee replacement more expensive than a preset price, she pays the entire difference. The shopping that this motivates is credited with reducing hip and knee replacement prices by 20 percent.

Direct outreach to patients to help them find services that cost less is another approach. One program used by commercial insurers targeted patients who had been referred to low-value M.R.I. providers. Getting them to voluntarily switch to ones with lower prices but adequate quality and convenience saved \$220 per scan.

If there's one thing we've learned time and again, it's that there's no single best way for reducing health care spending. Price transparency may be part of the answer, but it clearly isn't the entire answer.

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did not examine outpatient spending over all.

Dennis Scanlon, a Penn State health economist, is not surprised. "Health care choices are different than most product and services," he said. "Most decisions are driven by physician referrals, and insured patients usually face little variation in costs across options."

Another reason people may not price-shop for health care is that they could find the process too complex. Providing more information to consumers doesn't always improve their decision making. In many settings, it can overwhelm a person and lead to poorer choices. It's far easier to go on a recommendation, even if it costs more.

And not every kind of health care is amenable to shopping. According to one analysis, only about 40 percent of spending on health care is. Patients can reasonably shop only for care that is for nonemergencies and would