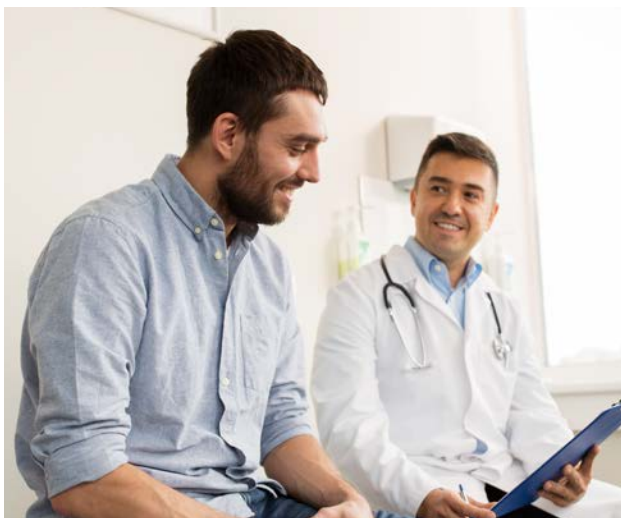


Avoiding Pitfalls in Provider Price Transparency

Strategic Opportunities to Build Patient Trust

Since the announcement of federal price transparency rules in 2020,ⁱ providers and payers have been wrestling with how they will comply with regulations.



While Optimality believes that health plan payers have an opportunity to innovate price transparency into their member experience with design thinking, providers face a different challenge. Providers need to explain the complexities of “price” in healthcare to a population that has been completely shielded from the complicated contracting and network negotiations before they are branded by competitors or upstarts. The lack of detailed federal guidelines for compliance with price transparency has created further confusion for patients.

But there is an urgency for providers to incorporate price transparency into the patient experience so that the hospitals remain relevant to a growing segment of consumers.

Today, the number of patients who make decisions based in part on available price data is very small. Less than 15% of patients in 2020 used any pricing data to make decisions.ⁱⁱ Most patients were unaware that price data exist, and even fewer patients trust hospital websites to give them accurate pricing information. A recent Wall Street Journal articleⁱⁱⁱ found that some hospitals' price transparency web pages omitted programming code, which made finding pricing data through popular searches like Google more difficult.

There is an urgency for providers to incorporate price transparency as part of the patient experience so that the hospitals remain relevant to a growing segment of consumers.

While today few consumers seek out price transparency data, Optimity believes that the segment of "price aware patients" is likely to increase in line with other industries, like travel, where consumer knowledge of price has fragmented the consumer experience. Travel agents decades ago used to bundle prices together for family vacations, but transparency in hotel, flight, and rental car prices disintermediated them. Today, patients can seek out lower-cost imaging or post-acute rehab from competitors, possibly disrupting a hospital's care pathway, increasing costs for care coordinators, and complicating patient data management across multiple vendors.



Awareness of healthcare prices will inevitably increase

The segment of "price aware patients" is likely to increase in line with other industries, like travel.

One of the benefits of transparent pricing for components of care is that it can improve the hospital's and/or care clinic's (or healthcare provider's) relationship with patients. Let's look again at the travel industry example. Vacation bundles that listed individual component pricing created a greater feeling of fairness and value to consumers.^{iv} The greatest impact of price transparency came when individual component prices were compared to benchmark prices. The experience of vacation bundles can help shift the focus of health systems from selecting compliant tools to developing brand advocates through price transparency.



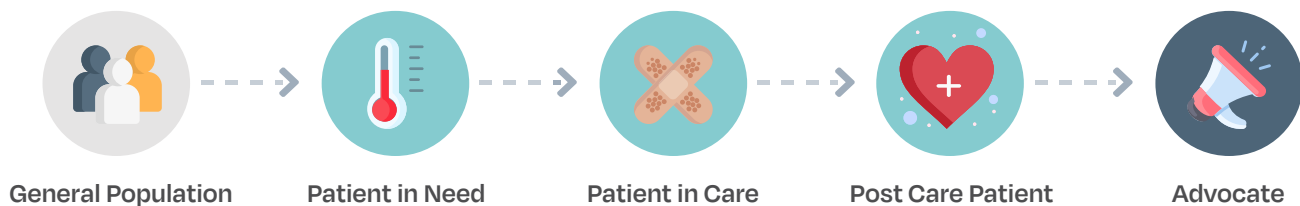


Patients with High Deductible Health Plans are NOT more inclined to shop for care

To date, cost-shifting to patients through higher deductibles or copays has not driven patients to seek out better prices for their care. In fact, patients with High Deductible Health Plans are not more inclined to shop for care when compared to patients with other insurance plans. Logically, employees who choose HDHPs often do so because they expect to be infrequent users of healthcare, so it should not be surprising that they are less likely to price-compare and delay care and more likely to use

more expensive emergency care. Healthcare consumer surveys in 2020 showed that the highest concerns about ability to pay came from Medicaid patients who were, by definition, the least likely to see costs associated with their care.^v And although nine states offer consumer-facing price comparison tools, those states do not see lower overall costs due to patient shoppers seeking out the lowest price care.^{vi}

Optimity research suggests that all consumers, not just those who are concerned with costs, can be potential advocates for the provider, and the patient's financial experience including price transparency is a primary factor in developing advocacy. Provider investments in price transparency are likely to build trust with several consumer segments. The health system, facility, and service line strategies will help to determine which segments should be optimally targeted for price transparency.

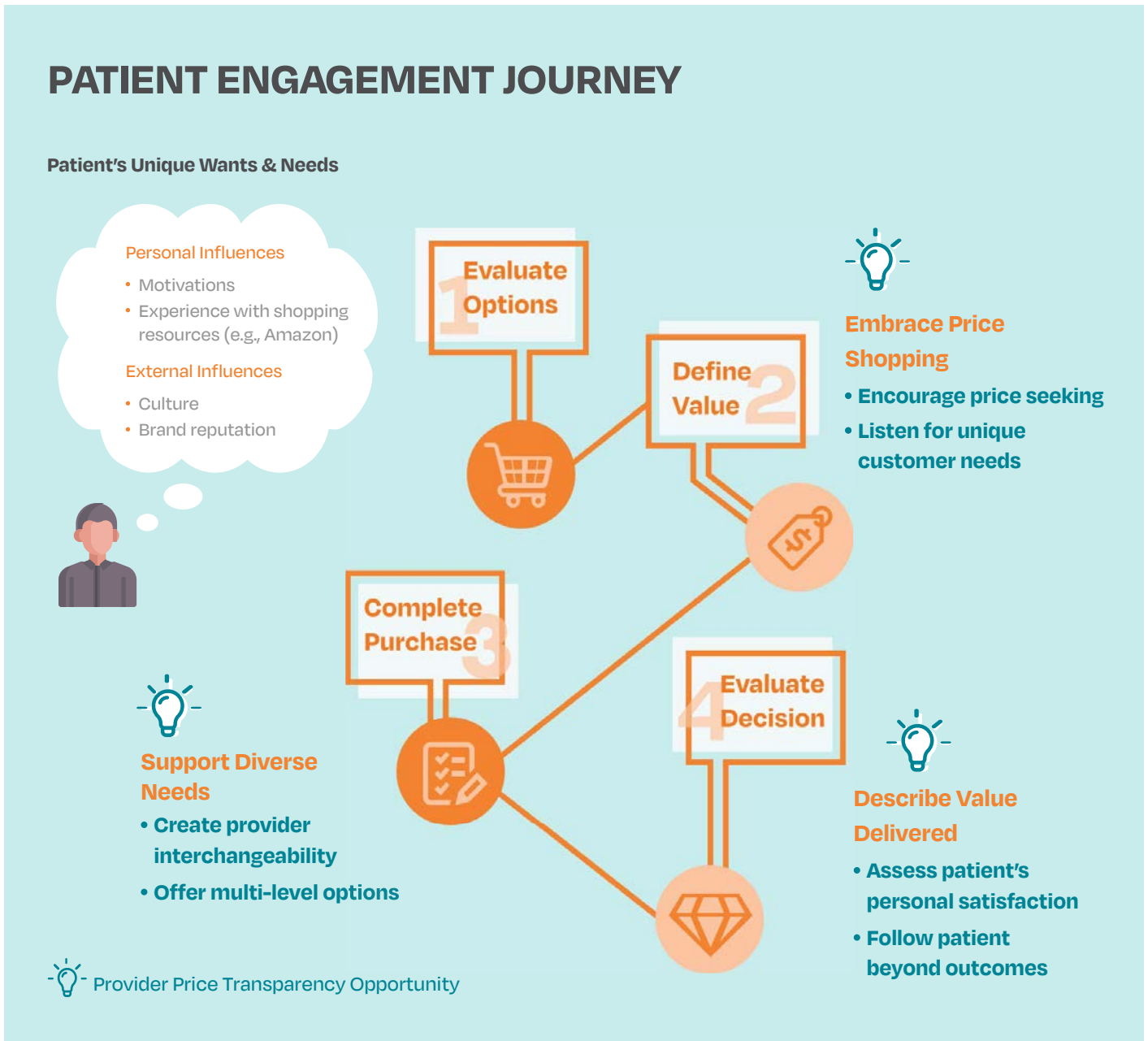


Price Transparency Is the Key to Demonstrating Value

Providers can use price transparency as an important touchpoint to build patient loyalty and to create benchmarks among consumers for value. A 2019 survey found that ~60% of potential patients found providers' willingness to share price information to be a critical factor in determining where to seek care.^{vii} Price with context makes an even stronger connection with consumers. Providers can create connections by providing tools with relative prices at the right place in the patient's healthcare journey.

For high-volume, competitive service lines like orthopedics, comparison pricing tools can engage a broader set of patients earlier in their journey as they evaluate their options. This type of disclosure leads to patients feeling in control of their healthcare spending and paying their obligations.^{viii}

Patients typically do not control their spending to the exact cent, so provider tools can deliver simple, aggregated explanations of potential costs to encourage patients to plan for their full physical and financial recovery. The greatest value of price transparency is not about price at all. It is the ability to connect to patients through price disclosure that assures payment from both the patient and their insurance payer.^{ix}

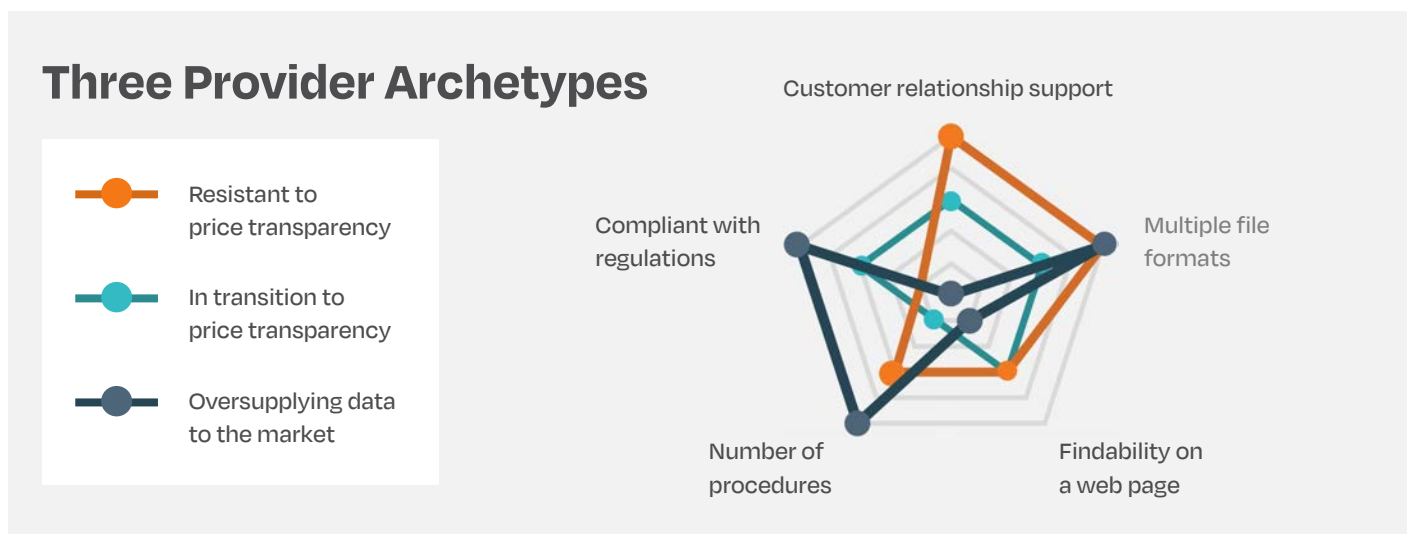


Through different engagement tools in the parts of the patient journey where value is defined and assessed, providers can build patient perceptions around quality, further building trust. Patients are already seeing significant price disparities through the media. The imperative for providers today is to get ahead of the curve, creating a dialogue with patients about price. Building an authentic dialogue on price creates trust and confidence in the hospital to facilitate future dialogues on value.

Price Transparency Is Part of a Patient Engagement Strategy

Recent headlines about hospital and health system reluctance to provide price transparency miss the point that building trust over a complex metric like pricing is challenging. Providers need to persevere and innovate through the federal requirement to build advocates among their patients in ways that balance the needs of the health system with necessary disclosures and patient preferences.

Optimity assessed health system websites across the U.S. and found that most providers are not making the most of “price transparency.” In most cases, the websites offer the ability to call a live person for an out-of-pocket estimate, and some websites capture valuable patient information, which can be utilized for customer relationship support. On five key indices, Optimity found in our sample that accessibility of price data creates three potential archetypes: 1) providers who are still transitioning to price transparency; 2) providers who are somewhat resistant to price transparency; and 3) providers who are oversupplying the market with data.



ⁱCenters for Medicare & Medicaid Services. “Hospital Price Transparency.”

ⁱⁱKurani, Nisha, et al. “Few Adults Are Aware of Hospital Price Transparency Requirements.” Peterson-KFF Health System Tracker, 28 June 2021.

ⁱⁱⁱMathews, Anna Wilde. “Business Groups Sue Over Healthcare Price Transparency Rule.” The Wall Street Journal, Dow Jones & Company, 20 August 2021.

^{iv}Tanford, Sarah, et al. “Price Transparency of Bundled Vacation Packages.” Journal of Hospitality & Tourism Research, vol. 35, no. 2, 2010, pp. 213–234.

^v“Today’s Consumers Reveal the Future of Healthcare.” Accenture, 12 February 2019.

^{vi}“Transparency of Health Costs: State Actions” Accessed August 2020.

^{vii}“Patient Loyalty to Providers Is at Risk over Transparency.” AccessOne, 12 November 2019.

^{viii}Semigran, Hannah L et al. “Patients’ views on price shopping and price transparency.” The American journal of managed care vol. 23,6 e186-e192. 1 June 2017.

^{ix}Anzai, Yoshimi et al. “Price Transparency in Radiology-A Model for the Future.” Journal of the American College of Radiology: JACR vol. 17,1 Pt B (2020): 194-199.

How Optimity Advisors Can Help

Price transparency will create opportunities for providers to develop more contracts with payers. So long as price transparency is addressed through an accessible design approach to overall patient experience, it has the potential to be a highly advantageous and effective tool for both providers and payers. Optimity can help you connect with your patients through tools and pricing context that helps to build patients into advocates.

Contact Optimity to discuss how price transparency can be incorporated into provider growth strategies for hospitals, health systems, or ambulatory surgery centers.

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Meet the Authors



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Stephen Morales is a Managing Director at Optimity Advisors, with decades of experience in delivering high quality healthcare strategies to providers, payers, investors, and suppliers. For the past 25 years, Stephen has been able to align clients' and patients' needs to transform healthcare one project at a time.

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