Paying Patients To Choose Less Expensive Care Has Little Impact - So Much For The Carrot

By Chuck Dinerstein — March 5, 2019

Insurance in trying to reduce costs has more frequently favored the stick over the carrot. The stick’s most common forms are high deductibles and co-payments, creating enough friction, they hope, to make you think twice. A less common stick is called reference pricing, where insurance pays an amount for a “service,” from their “providers” and the patient pays any additional cost if they choose another “provider.” The carrot frequently includes wellness programs and gym memberships that have a record of not really moving the cost needle. An article in Health Affairs looks at a new carrot, paying patients to use lower cost services.

The study population was a group of self-insured businesses using a common health plan that provided in addition to the deductibles and co-payments, tools that provided price transparency and were meant to help patients shop for the best deal. In the intervention group, 135 elective services were “reward-eligible,” meaning you could receive a check for choosing the same “service” at a lower cost. Think reward points for your healthcare. The study was further restricted to those under 65, and those using a network of insurance approved providers (PPO plan). Twenty-nine employers participated, the control was an additional forty-five employers who elected to join the program in the year following the study. The groups were roughly comparable; the controls slightly more male, less ill and more enrolled in high-deductible plans.

- The intervention group, eligible for rewards, use the price tool six-fold more than the controls, 8% of the time.
- Roughly a quarter of those patients chose a lower priced service and received a reward
- MRI was by far the largest price saver rewarded to 6% of the intervention group. Surgery, both moderate or major was rewarded about 1.6% of the time.
Prices seemed to decrease overall by 2.1% although price differences between the intervention and control groups were not significant in the last half of the year.

Overall, rewards lowered insurance cost to employers by $8 per beneficiary

What might we conclude? First, even with price tools and now rewards, patients do not choose medical care by price. When they do consider cost it is more often for imaging, a “service” that seems more of a commodity, than surgery that is more a bespoke service or relationship. There is a term for this, the elasticity of price – how your demand changes with rising and lowering prices. It should be no surprise that healthcare is inelastic; higher prices do not automatically result in less utilization. Healthcare for all the effort is still not viewed as a commodity, although that is changing for “low touch” services like vaccinations or minor injuries where experience and relationship are not often considered.

The studies of reference pricing, where you pay the cost over and above, what the insurance deems usual and customary, has resulted in savings of 15%. But that model supports healthcare disparities, creating tier of care based on ability to pay more. The carrot of a reward program, saving 2%, seems to be ineffective in the continued presence of high deductible and co-payment sticks. As the debate about pharmaceutical prices intensifies, keep those 2% savings in mind. It seems a lot closer to how we actually behave than the wave of the hand political promises of greatly increased saving from price transparency.


COPYRIGHT © 1978-2016 BY THE AMERICAN COUNCIL ON SCIENCE AND HEALTH

Source URL: https://www.acsh.org/news/2019/03/05/paying-patients-choose-less-expensive-care-has-little-impact-so-much-carrot-13851

Links
[1] https://upload.wikimedia.org/wikipedia/commons/3/34/Carrot_x_stick.svg