

KNOW BEFORE YOU GO ACT DRAFT

Goal: The *Know Before You Act* incentivizes insurance companies to engage employers and policy holders in comparing the costs and quality of medical services and drugs as part of the health care decision making process. The majority of stakeholders — policy holders, employers, insurers, high-value medical providers (i.e., highly-rated practitioners of evidence-based medicine) — benefit when consumers comparison shop for health care, but few do. How can we address health care price illiteracy?

I. Background

- ✓ With the rise of health care insurance plan deductibles, people both on and off the health care exchanges are spending more on out-of-pocket expenses:
 - Eighty percent of insured workers had a deductible in 2014. The average annual deductible among employees has risen 47 percent since 2009, from \$826 to \$1,217 ([Kaiser Family Foundation, September 2014](#)).
 - The typical Silver plan available in the Affordable Care Act's health insurance exchanges has a deductible of about \$3,000 ([New York Times, October 2014](#)).

II. The Cost of Price Illiteracy

- ✓ Consumers purchasing high deductible plans may pay more out-of-pocket than necessary because they don't understand that health prices can vary up to 300% in-network ("Money" magazine, December 2014) and 700% for the out-of-network/uninsured price ([Health Affairs, June 2015](#)).
 - Insurers must successfully promote user-friendly price transparency tools: 97 percent of insurers offer medical price information on their websites but only 2 percent of policy holders use these tools ([Catalyst for Payment Reform, 2014](#)).
 - Better designed tools, such as the Castlight Health price and quality comparison tool, can average a 45% use rate; one Castlight Health client company reports an 81% use rate. (General information on Castlight: <http://www.castlighthealth.com/about/>)
- ✓ About 61 percent of patients learn the price of their prescription medications when they pick it up at the pharmacy, precluding conversations about less-expensive alternative treatments between doctors and patients; more than half of patients were reluctant to discuss costs with their doctor ([Consumer Reports, September 2014](#)).
 - The average cost of the 50 most-utilized generic drugs was \$62 per prescription in 2013, up from \$13 in 2010, according to Catamaran, a pharmacy benefit management company (<http://www.transforminghealth.org/stories/2014/12/the-rising-cost-of-generic-drugs-is-even-puzzling-experts.php>).
 - Consumers both on and off the exchanges pay steep co-insurance rates for "specialty medications": this co-insurance is often 30% or greater for medicines that treat complex chronic diseases like cancer, diabetes, multiple sclerosis, etc. ([Washington Post, June 2015](#)).

One Test, Many Prices

What does an MRI cost? It depends on who's paying. Here's the range of prices for an MRI of the knee, hip or ankle, without contrast, at Oakwood Healthcare System in Dearborn, Mich., as collected by PricingHealthcare.com.*

List or "chargemaster" price	\$2,844
Cash price	\$695
UnitedHealthcare negotiated price	\$1,990
Blue Cross negotiated price	\$617
Aetna negotiated price	\$520
Cigna negotiated price	\$341-\$362
Medicare rate	\$335

*Neither Oakwood nor insurers would disclose negotiated rates.

III. The Solution: *Know Before You Go Act*

Draft outline:

- ✓ Health care plans should provide a website tool and telephone support to help consumers find high-value (i.e., highly-rated practitioners of evidence-based medicine), reasonably-priced medical care options and drug prices.
 - A health plan's website and telephone support should allow for side-by-side **price** and **quality** comparisons in different in-network care settings (e.g., emergency room vs. urgent care vs. retail clinic). Also, the price must reflect a patient's spending and utilization of health services to help consumers understand their out-of-pocket costs: i.e., whether the consumer's deductible has been met, or whether a co-pay or co-insurance is due.
 - Health plans should provide estimated out-of-pocket expenses for common inpatient discharges and outpatient procedures (e.g. a knee ligament repair), not simply specific services (e.g. a blood test or X-ray). The estimate for an episode of hospital care must include all charges (not just the hospital charge) and flag the use of any out-of-network providers at the facility.
 - Insurers must subscribe to a uniform state standard defining what is included in the cost of each episode of care so the price comparison is useful. All insurers' prices for an episode of care should reflect the same services provided.
 - Health care plans will also be obligated to give their members information on quality of care for providers based on recognized national quality standards.
 - The following information should be made available to insurance policy shoppers and policyholders: on-line formularies and the formulary exceptions process; an up-to-date provider network status (directory); and designation of qualifying HSA-eligible policies.
- ✓ Health insurance companies could exempt from the Medical Loss Ratio (MLR) funding dedicated to price and quality transparency tools. Any funds used to create, improve, or promote price and quality information would be considered a "quality activity" under the MLR provision of the Affordable Care Act for two years.

IV. The Benefits of *Know Before You Go Act*

The *Know Before You Go Act* incentivizes the evolution of price and quality transparency tools to assist consumers in selecting health care. The present lack of cost transparency and competitive pricing, according to former Administrator of the Centers for Medicare and Medicaid Services (CMS) Don Berwick, was responsible for between \$84 billion and \$174 billion in wasteful spending in 2014. Motivating consumers to use highly-rated, reasonably-priced medical providers would:

- ✓ Lower annual out-of-pocket costs for consumers with high deductibles, and stem the growing diversion of employee paychecks into paying for increasing health care costs. An employee's share of medical expenses (premiums and deductibles) has grown to 10% of the median U.S. income in 2013, compared to 5% in 2001 ([TIME, January 2015](#)).
- ✓ Create competition among providers: posting cost information encourages higher-priced facilities to offer more competitive prices.
- ✓ Drive down the waste in health care, which currently accounts for 15 to 49 percent of health spending and contributes to the high price of coverage ([JAMA, April 2012](#)).