



CALIFORNIA  
HEALTHCARE  
FOUNDATION

# Health Care Cost Comparison Tools: A Market Under Construction

*Prepared for*

CALIFORNIA HEALTHCARE FOUNDATION

*by*

Katy Henrickson  
Forrester Research

with Lynne “Sam” Bishop, Jennifer Gaudet,  
and Caroline Hogan

June 2006

## About the Author

Katy Henrickson, M.B.A., is a senior analyst at Forrester Research.

## About Forrester Research

Forrester Research is a technology and market research company that focuses on the implications of technological change.

## About the Foundation

The **California HealthCare Foundation**, based in Oakland, is an independent philanthropy committed to improving California's health care delivery and financing systems. Formed in 1996, our goal is to ensure that all Californians have access to affordable, quality health care. For more information about CHCF, visit us online at [www.chcf.org](http://www.chcf.org).

# Contents

<b>4</b>	<b>I. Introduction</b>	
<b>5</b>	<b>II. Background and Study Methods</b>	
<b>7</b>	<b>III. Phase 1 Findings</b>	
	Tool Use Is Minimal . . . . .	7
	Demographics of Users . . . . .	8
<b>9</b>	<b>IV. Phase 2 Findings</b>	
	Data Sources Vary Significantly . . . . .	9
	Advantages of In-House Tools . . . . .	12
	Pressure for Price Transparency . . . . .	13
	Tool Shortcomings . . . . .	13
	Tools Are Neither Widespread nor Widely Used . . . . .	14
	Bullish about the Future . . . . .	15
<b>17</b>	<b>V. Recommendations</b>	
<b>18</b>	<b>Endnotes</b>	

# I. Introduction

THE ROLE OF THE CONSUMER IN HEALTH CARE IS changing. Consumers are being encouraged to take more responsibility for the way their health care dollars are being spent and to become more active participants in their treatment decisions. What comes along with this consumer engagement, however, may be frustrating to consumers. With the advent of consumer-directed health plans, individuals are being asked to shop for health care products and services, but they are often not provided with the tools to make such choices in the most informed way.

Although some online tools are available to help consumers research the cost of medical services, little evidence exists about what these tools can and cannot do, and to what extent they meet the demand for information. As part of the California HealthCare Foundation's work on consumers and health care decision-making, the foundation asked Forrester Research to analyze consumer survey data and interview or gather information from a limited number of health plans, vendors, insurers, and a state hospital association about the online tools they offer.

This study found that while such tools provide some information about health care costs, the information is primarily educational and does not allow comparison shopping. Furthermore, the tools are not widely available to insured consumers—and especially not to the uninsured. Although health plans and vendors said use of the tools is low, they are optimistic that such use will increase in the future, spurred by employer demands for transparent health care pricing and the growth of consumer-directed health plans.

## II. Background and Study Methods

A NUMBER OF ONLINE TOOLS CAN HELP CONSUMERS research the cost of the medical services they receive. To assess consumers' use of these tools, what the tools offer or will offer in the future, and whether they adequately meet consumers' information needs, the authors examined the market from two perspectives: the demand side (consumers) and the supply side (vendors, health plans, insurers, and a state hospital association).

### Phase 1: Demand

An analysis of data that Forrester Research had gathered about health care consumerism provided answers to a number of tools-related questions on the demand side. For example, how do consumers make health care decisions? How much, if at all, do they consider price when choosing health care providers or prescription drugs? What are the attitudes, perceptions, and behaviors of those who do consider price? Are online tools useful for researching costs?

The data for Phase 1 came from a 2005 mail survey of about 70,000 households; a mail survey of about 10,000 households fielded in the second quarter of 2005; and an online survey of about 5,000 households fielded in the third quarter of 2004. The results were weighted by a number of demographic variables so they would be representative of the U.S. population generally or of Americans who go online. The results of Phase 1 also were used to create three representative types of consumers who would use online cost tools—a pregnant woman, a newly diagnosed diabetic, and an individual who takes multiple prescription drugs—for Phase 2.

### Phase 2: Supply

In Phase 2, the authors interviewed entities that have online tools for retrieving cost information, or simply asked them what types of tools they offer. These entities included four vendors that sell their cost tools to health plans and/or employers; three health plans that built their own tools; three major insurers whose tools were developed in-house or by third parties; and a state hospital association. The authors then assessed the tools and determined how well they would meet the needs of the three representative health care consumers identified in Phase 1.

**Table 1. Interview Subjects**

VENDORS	HEALTH PLANS	INSURERS	ASSOCIATION
<ul style="list-style-type: none"> <li>• HealthGrades, Inc. <a href="http://www.HealthGrades.com">www.HealthGrades.com</a></li> <li>• Ingenix, Inc. <a href="http://www.ingenix.com">www.ingenix.com</a></li> <li>• Subimo, LLC <a href="http://www.subimo.com">www.subimo.com</a></li> <li>• WebMD (Select Quality Care and CostEstimator) <a href="http://www.webmd.com">www.webmd.com</a></li> </ul>	<ul style="list-style-type: none"> <li>• Aetna*</li> <li>• Blue Cross Blue Shield of North Carolina</li> <li>• Blue Cross Blue Shield of Tennessee</li> </ul>	<ul style="list-style-type: none"> <li>• Blue Cross of California*</li> <li>• Blue Shield of California*</li> <li>• Kaiser Permanente*</li> </ul>	<ul style="list-style-type: none"> <li>• Wisconsin Hospital Association</li> </ul>

\*These organizations were simply asked what types of tools they offer to their members.

## III. Phase 1 Findings

CONSUMERS ARE ACUTELY AWARE THAT HEALTH CARE costs are rising. More than half (52 percent) have seen their out-of-pocket health care expenses increase in the last year, and 68 percent think their share of expenses will increase in the next couple of years. Consumers also are attuned to rising health costs: 45 percent say this is a major financial concern for them.

What is causing these costs to rise? Fifty-one percent of consumers point to increasing health insurance premiums as the reason their household's out-of-pocket expenses have gone up, and 23 percent cite a household member who was diagnosed with a new medical condition as the cause. The major contributors to rising health costs generally, according to consumers, are doctors and hospitals (66 percent), prescription drugs (66 percent), and health insurance premiums (57 percent).<sup>1</sup>

Consumers also are struggling with the complexity of health-related decisions. Four out of five wrestle with at least one type of decision. The two decisions that the largest portion of consumers (65 percent each) say are complex are selecting a health plan and selecting a type of health coverage (for example, an HMO vs. a preferred-provider organization). Sixty-four percent say that choosing from among treatment options is complex: They cite unclear information on medical tradeoffs and risks (56 percent), unclear medical terminology (55 percent), and unclear information on financial tradeoffs and risks (51 percent) as major contributors to the complexity of health care decision-making.

### **Tool Use Is Minimal**

In the three earlier Forrester surveys, it was not possible to isolate consumers' attitudes about the transparency of health care providers' prices. But the authors were able to analyze consumers' use of online tools that enable comparisons of cost and/or quality. Such use is low: Only about 10 percent have researched the cost and/or quality of doctors or hospitals in the previous 12 months, either online or offline. However, of those who have done such research, more than half tapped online resources. Thirty-five percent have used only online resources, and 22 percent have used both online and offline resources.

Insured consumers have not significantly used the tools at their health plans' Web sites, results show. Only 29 percent had visited such sites in the previous 12 months, and of those, the tool they most often used there (67 percent) was one for choosing a primary care physician. Fewer had used cost or quality comparison tools to track health care expenses (47 percent), to estimate the cost of common doctor visits or procedures (44 percent), to compare doctor or hospital quality (42 percent), or to compare doctor or hospital costs (41 percent). Fewer than half thought the cost and quality tools were useful.

Some people are more likely than the average consumer to research provider cost or quality. These individuals have been diagnosed with a serious illness, have given birth to or adopted a child or become pregnant, or are members of a racial or ethnic minority (Table 2).

**Table 2. Consumers who do or don't research provider cost and/or quality and who...**

	DO	DON'T
Have been diagnosed with a serious illness in the last 12 months	19%	10%
Have given birth, adopted a child, or become pregnant in the last 12 months	16%	10%
Are of a racial or ethnic minority	12%	9%*

\*Mostly Asian Americans.

## Demographics of Users

Consumers who use online resources to research provider cost or quality tend to be more urban, educated, and affluent than those who do not. They also are more technologically savvy. For example, they are more likely to be technology optimists,<sup>2</sup> Forrester's quantitative measure of a consumer's attitude towards technology, and to go online more frequently (Table 3).

Consumers who take prescription drugs are highly cost-sensitive regarding their medications. However, few drug takers actually compare information about prescription drugs or use online tools to investigate

prices: Only 9 percent have compared information about two similar prescription drugs online, and only 6 percent have looked for the best prescription drug prices online.

**Table 3. Consumers who do or don't research provider cost and/or quality online**

CHARACTERISTICS	DO	DON'T
Average annual household income	\$69,257	\$56,030
Live in an urban area	57%	46%
Have a college degree	43%	29%
Are technology optimists	70%	48%
Go online at least monthly	91%	69%
Have broadband connection at home	49%	29%

\*This group did not research offline either.

Like consumers who research provider cost or quality, those who search for prescription drug prices online tend to be more educated and technologically savvy than those who do not (Table 4).

**Table 4. Consumers who do or don't research prescription drug costs online and who...**

	DO	DON'T
Have a college degree	47%	42%
Go online daily	76%	66%
Have broadband connection at home	51%	45%

Some types of consumers are more likely to compare drug prices online. For example, those who do not have prescription drug coverage, those older than 65, and those who take prescription drugs to treat both a chronic and a short-term condition are more likely to research medication prices online (Table 5).

**Table 5. Consumers who do or don't research prescription drug costs online and who...**

	DO	DON'T
Have prescription drug coverage	5%	15%
Are older than 65	10%	6%
Take prescription drugs to treat both a chronic and a short-term condition	11%	6%

## IV. Phase 2 Findings

### **Data Sources Vary Significantly**

The authors examined several different types of tools that publish health care cost information. One is treatment cost estimators, which usually provide information about average costs for an episode of care or annual treatment costs, including those for office visits, drugs, inpatient care, and diagnostics. The estimators provide average costs in the geographic area where the consumer resides, across providers and health plans. For example, a consumer who is contemplating a hip replacement procedure can see not only how much the procedure and hospital stay cost, but also the costs of all diagnostic tests (such as x-rays), pre- and postoperative visits, physical therapy, and pain medications. Two health plans and three vendors the authors interviewed have developed treatment cost estimators (Table 6 on the following page).

Health plans that have built these tools use their own data, and therefore display their own contracted rates. Third-party tools generally do not publish a health plan's contracted rates, although, according to vendors, they can. Health plans purposely do not take advantage of this function because they generally are wary of publishing any proprietary cost data. Vendors that the authors spoke with use large claims extracts from third parties as their data source and update the data quarterly. Vendors vary in terms of the number of procedures and conditions about which they publish cost data (Table 7 on the following page).

**Table 6. Cost Categories Displayed in Estimators**

<b>COST CATEGORY</b>	<b>Aetna</b> Proprietary episode-of-care cost tool	<b>BCBS of Tennessee</b> Proprietary episode-of-care cost tool	<b>Ingenix</b> Treatment Cost Estimator	<b>Subimo</b> Treatment Cost Advisor	<b>WebMD</b> CostEstimator
Episode of care	X	X	X	X	X
Annual treatment	X		X	X	X
<b>The above two categories may include costs related to:</b>					
Inpatient care		X	X	X	X
Outpatient care	X	X	X	X	X
Office visit	X	X	X	X	X
Prescription drugs	X	X	X	X	X

**COST CATEGORY DEFINITIONS**

The tool publishes information about the cost of...

**Episode of care:** all medical claims and expenses associated with a typical procedure, including facility and professional costs and those of therapy, diagnostics, and drugs.

**Annual treatment:** all medical claims and expenses associated with a year of treatment for a chronic medical condition (such as asthma), including facility and professional costs and those of therapy, diagnostics, and drugs.

**Inpatient care:** hospital costs (excludes professional fees associated with procedures).

**Outpatient care:** typical outpatient procedures (includes facility or site-of-service costs and professional fees).

**Office visit:** to typical professionals and paraprofessionals, such as physicians, physical therapists, and occupational therapists.

**Prescription drugs:** associated with medical conditions and/or procedures.

**Table 7. Cost Details Displayed in Estimators**

<b>COST DETAIL</b>	<b>Aetna</b>	<b>BCBS of Tennessee</b>	<b>Ingenix</b>	<b>Subimo</b>	<b>WebMD</b>
Full charges (no health plan discount applied)			X		X
Discounted rates		X	X	X	X
Average cost*	X	X	X	X	X
Range of costs*		X		X	X
Comparative costs (e.g., \$ vs. \$\$\$)					
Cost to member (e.g., copay or co-insurance)			X	X	(Future)
Number of procedures for which tool has data			116 conditions, 90 procedures	220 conditions, procedures, and visits	50 procedures, 100 conditions, 200 visits or tests
SOURCE(S) OF COST DATA	Health plan	Health plan	Two third-party sources, health plan	Medicare and state inpatient claims, third-party all-payer claims, health plan	Third-party all-payer claims

\*Not provider-specific.

**COST DETAIL DEFINITIONS**

Information represents...

**Full charges:** "rack rates" that providers charge, not contracted rates that health plans negotiate with providers.

**Discounted rates:** those that health plans negotiate with providers.

**Average cost:** full charges or discounted rates across providers (not provider-specific).

**Range of costs:** typical range of full charges or discounted rates across providers.

**Comparative costs:** across providers and displayed symbolically (for example, \$ vs. \$\$ vs. \$\$\$ to denote different cost levels) rather than in specific dollar figures.

**Cost to member:** what the consumer pays for the procedure or visit.; usually includes member-specific benefit information (for example, member's copay and deductible).

Another type of online tool enables consumers to compare hospital costs and/or quality. WebMD and HealthGrades told the authors they built their hospital-comparison tools primarily to display quality measures, and that health plans can choose to add cost information. If they do, only facility costs are displayed, not all costs included in an episode of care, which treatment-cost estimators do display. For example, if the person contemplating hip replacement were to use a hospital-comparison tool, she would see quality information, but the only cost information displayed would be about hospital costs, not about costs related to professional fees, pre- and postoperative visits, diagnostic tests, or therapy. Many tools display cost information only in a way that allows general comparisons—by using symbols such as \$ vs. \$\$ vs. \$\$\$ to denote different cost levels. The authors also interviewed a health plan, Blue Cross Blue Shield of Tennessee, and a public agency, the Wisconsin Hospital Association, about their hospital-comparison tools (Table 8).

Like treatment cost estimators, hospital comparison tools developed by third parties can be customized

to publish plan-specific costs. However, unlike treatment cost estimators, these tools show hospital-specific costs, not averages. Vendors use all-payer data sources, including publicly available data from Medicare and state agencies, to gather information on hospital cost and quality. All but one vendor in this survey can customize their hospital comparison tool with health plan-specific cost information based on plans' claims data (Table 9 on the next page).

The authors reviewed two other online cost tools developed by two different health plans. One displays costs for physician visits only; the other displays costs for office visits, inpatient procedures, and outpatient procedures. In its online provider directory, Aetna publishes physician-specific costs for 25 common types of office visits. Once a health plan member has found a provider in the online directory, she can click on a link that takes her to a listing of the provider's negotiated rates for these 25 common visit types. This is different from treatment cost estimators in two very important ways: (1) displayed costs are not averages, but rather physician-specific contracted rates, and (2) the 25 visit types are not

**Table 8. Cost Categories Displayed in Hospital Comparison Tools**

<b>COST CATEGORY</b>	<b>BCBS of Tennessee</b> Proprietary hospital comparison tool	<b>HealthGrades</b>	<b>WebMD</b> SelectQualityCare	<b>Wisconsin Hospital Association</b> Publicly available hospital comparison tool
Episode of care				
Annual treatment				
<b>The above two categories may include costs related to:</b>				
Inpatient care	X (not procedure specific)	X (facility only)	X (facility only)	X (facility only)
Outpatient care				
Office visit				
Prescription drugs				

**COST CATEGORY DEFINITIONS**

The tool publishes information about the cost of...

**Episode of care:** all medical claims and expenses associated with a typical procedure, including facility and professional costs and those of therapy, diagnostics, and drugs.

**Annual treatment:** all medical claims and expenses associated with a year of treatment for a chronic medical condition (such as asthma), including facility and professional costs and those of therapy, diagnostics, and drugs.

**Inpatient care:** hospital costs (excludes professional fees associated with procedures).

**Outpatient care:** typical outpatient procedures (includes facility or site-of-service costs and professional fees).

**Office visit:** to typical professionals and paraprofessionals, such as physicians, physical therapists, and occupational therapists.

**Prescription drugs:** associated with medical conditions and/or procedures.

**Table 9. Cost Details Displayed in Hospital Comparison Tools**

<b>COST DETAIL</b>	<b>BCBS of Tennessee</b> Proprietary tool	<b>HealthGrades</b>	<b>WebMD</b> SelectQualityCare	<b>Wisconsin Hospital Association</b> Publicly available tool
Full charges (no health plan discount applied)		X	X	X
Discounted rates			X	X
Average cost*			X	X
Range of costs*			X	
Comparative costs (e.g., \$ vs. \$\$\$)	X	X	X	
Cost to member (e.g., copay or co-insurance)			X	
Number of procedures for which tool has data		95 procedures (future: 56 episodes, 200 visits)	163 procedures	64 procedures
SOURCE(S) OF COST DATA	State hospital association	Medicare inpatient claims	Medicare and state inpatient claims, health plan	State hospital association

\*Not provider-specific.

**COST DETAIL DEFINITIONS**

Information represents...

**Full charges:** “rack rates” that providers charge, not contracted rates that health plans negotiate with providers.

**Discounted rates:** those that health plans negotiate with providers.

**Average cost:** full charges or discounted rates across providers (not provider-specific).

**Range of costs:** typical range of full charges or discounted rates across providers.

**Comparative costs:** across providers and displayed symbolically (for example, \$ vs. \$\$ vs. \$\$\$ to denote different cost levels) rather than in specific dollar figures.

**Cost to member:** what the consumer pays for the procedure or visit.; usually includes member-specific benefit information (for example, member’s copay and deductible).

related to any medical conditions or procedures; therefore, for the cost information to be useful, the member must know what type of visit is appropriate for her condition.

On the Web site of Blue Cross Blue Shield of North Carolina, members can find an average cost and range of costs for common office visits and for inpatient and outpatient procedures. The averages and ranges are based on full charges, not on rates the health plan has negotiated with providers. This information is similar to that published by treatment cost estimators: It represents averages across providers. But the information is not as comprehensive because it does not list all pre- and postoperative visits, diagnostic tests, therapy, and drugs associated with a medical procedure related to an episode of care. For both of these online tools, the

health plans use their own fee schedules and claims data as sources.

**Advantages of In-House Tools**

Why do health plans build their own online tools rather than take advantage of vendors’ ready-made products?

Plans say their data are better and easier to obtain than third-party data. All of the plans the authors spoke with believed that their data were better than those from third parties because the former are plan-specific, market-specific, and more timely than public information. One health plan said it built in-house because it did not want to disclose discounts to third parties. One plan believed it could build and implement a solution faster than third parties could. Two comments were:

- “Because it’s negotiated rate data, we have better data and more data than the vendors. There was no need to use someone else.”
- “We have a large market share, so we feel we have sufficient data. Also, we don’t share allowed cost with any third party as a matter of policy.”

### Pressure for Price Transparency

When the authors asked health plans and vendors what the catalyst has been in developing online tools for health care cost information, they cited a handful of other plans as price-transparency vanguards. Two vendors said leading health plans had specifically requested an online cost estimator. Other vendors said the primary drivers were the increased cost burden on health plan members who have a consumer-directed health plan (CDHP), and employer demand. Comments from vendors included these:

- “Most of our products are driven by leading-edge clients. One major client drove development of our treatment cost estimator. There are always early adopters, then others catch up.”
- “Health plans are being pressured by employers for transparency, and starting to get pressure from consumers. There’s a push for transparency in industry. First it comes from employers, and health plans are asking on behalf of employers.”

One health plan said it wanted to take a stand and play a leading role in price transparency, but most plans indicated that a desire to educate consumers about the cost of care was their primary motivation. They said CDHPs were a secondary motivator, although one plan noted that CDHPs gave it better direction in developing the tools. Among health plans’ comments were these:

- “Our members had forgotten what services cost. They thought the copayment was how much it cost. We did not want to change that model, but wanted them to see what the actual cost range is. It was an internal decision, but clearly spurred by

the marketplace. We were pushed by CDHPs and consumerism in general.”

- “We had already been on the path of developing the tools. CDHP/market demand helped us gain focus in developing the tools. There wasn’t enough focus on these things before.”

### Tool Shortcomings

Given the features and functions in today’s online tools that offer health care cost information, only motivated—and insured—consumers have the patience and ability to assemble a whole picture of costs from disparate pieces of information. Because the tools do not enable consumers to shop around for services, they do not facilitate health care consumerism. In all but a few cases, consumers cannot do side-by-side comparisons of provider costs. Only hospital-comparison tools into which health plans have imported their cost data allow consumers to see one provider’s costs vs. another’s. Available information gives consumers a rough view of some health care costs, but it lacks the detail, accuracy, and personalization necessary for comparison shopping. The tools offer more education than help with decision-making.

The third-party vendors and health plans the authors spoke with recognize the limitations of their online tools. They said their episode-of-care cost information is less specific than they would like. Such information is generic: It does not take into account gender, age, and comorbidities. Moreover, the tools are not integrated with health content and other online tools, such as those that compare quality or drug costs.

The authors concluded that the tools would not meet the needs of the three typical consumers identified in Phase 1. An uninsured pregnant woman, for example, would find it impossible to estimate the episode cost of a pregnancy, as treatment cost estimators are only available on Web sites of health plans that purchase such estimators. Yet these are the only tools that show episode treatment costs,

a key factor in pregnancy costs, which encompass many different types of costs and claims. Estimators can help insured women understand the average cost of pregnancy, but information is not hospital- or physician-specific. Hospital comparison tools display only facility costs, not episode costs. Even when cost information is available, it is fragmented and not tailored to consumers' decisions about cost or quality trade-offs. Again, a consumer who would like to evaluate quality information alongside cost information faces a formidable challenge.

Similarly, a recently diagnosed diabetic who tries to estimate the annual cost of diabetes treatment would have difficulty, as the only public information available online about medication costs is from Consumer Reports and retail drug sites, such as drugstore.com. For insured consumers, treatment cost estimators can help estimate annual costs, which include office visits and lab tests, but the information is not personalized. For example, while a newly diagnosed diabetic can see what the average diabetic pays yearly, he cannot customize the price based on his particular medication use and expected number of office visits. Only one tool in this study allows consumers to customize the information based on their history of doctor visits and prescription regimen, and even then, the results are not provider-specific. Consumers who want a more accurate look at their out-of-pocket responsibility would have to match the estimated annual treatment costs with drug costs they find elsewhere.

Finally, regarding the consumer who takes multiple prescription drugs, the authors concluded that such a person, if insured, could easily look up her copayment for each prescribed drug, but that few consumers would be able to add up the total cost of all their medications. Nor could anyone create an annual prescription drug budget using these tools. For someone in a high-deductible plan who will have to pay out of pocket up to the deductible, publicly available tools for comparing drug costs rarely show what the health plan must pay for a prescription under the discount it gets. The uninsured also can

access the tools to find out how much individual drugs cost, but they only get average retail prices.

### **Tools Are Neither Widespread nor Widely Used**

When the authors asked two major health insurers in California what types of online health care cost information tools they provide to members, their answers varied widely. Blue Cross of California offers the Subimo suite of tools, including a treatment cost estimator, one that displays the cost of physician visits (averages across the country), and a tool for prescription drug costs. Blue Shield of California offers much less; its members only have access to WebMD's hospital comparison tool, which displays quality and comparative cost information, such as \$ vs. \$\$\$\$. A visit to Kaiser Permanente's Web site for Northern California members revealed that Kaiser does not offer its members any tools for determining the price of health care services.

Use of online tools to assess cost information has been low so far, according to health plans and vendors. They said health plans can increase such use if they do more marketing, communicate better with plan members, make sure their Web site is user friendly, and display the cost tool prominently. A vendor noted that a plan generally can expect one visit to its cost tool for every nine searches in its provider directory. HealthGrades reports higher usage than other vendors because of its direct-to-consumer model, in which anyone—not just health plan members or employees—can get the information for a fee.

Two comments from health plans were:

- “Until what consumers pay out-of-pocket aligns with hospital charges, there won't be a lot of demand for it.”
- “It's a challenge to get people to be more consumer-oriented and to come to our site for information on their health. The tool usage has been lower than where we want it.”

Comments from vendors included these:

- “Usage varies significantly by client. The question should be: How often is it used compared to other consumer tools?”
- “We have found that communication, education, and placement—an integrated approach—helps get members online. When you have solid communication and placement, you get better usage.”

All of the vendors the authors spoke with said they collect revenues from health plans based on a per-member-per month fee, not on how many people actually use the tools. Thus, it is in health plans’ financial interest to boost such use as much as possible.

### **Bullish about the Future**

Interviews revealed that employers, health plans, and providers have received positive feedback about their tools. Given that treatment cost estimators do not display provider-specific costs, they have not been controversial. Two organizations the authors spoke with indicated that even hospitals use the tools and are moving toward price transparency. Two health plans said they were apprehensive about hospital-specific or physician-specific cost tools and about providers’ reactions to making this information widely available. One health plan said its providers were concerned that consumers would judge health care value based on cost alone. Another also worried that providers might collude on contracts.

Among comments from health plans were these:

- “We’ve had good feedback from employers and brokers. We get questions in large [requests for proposals]: Do we have this tool and that tool?”
- “Hospitals’ response conceptually has been that it makes sense to get the quality info out there, but they’re not sure about cost info. They worry about people judging quality based on price and that patients will go to a less expensive hospital, thinking some hospitals are just high cost, as opposed to being better.”

- “We did get some negative feedback. There was the fear of opening the black box.”

Vendors’ comments included these:

- “Employers have appreciated the information, but they want more specific information (actual cost) and broader information (visits, tests). And they want the info to be more personalized based on members’ benefits.”
- “Health plans love it and want it. The provider community is seemingly very comfortable with it. The treatment cost estimator is not facility- or provider-specific—this one is not controversial.”

Health plans and vendors anticipate more price transparency in the future. They said health plan members’ growing financial burden will drive greater use of cost tools, and that employers increasingly are demanding the information.

As for changes on the horizon, they predict there will be more information about physician cost and quality, which is difficult to get today. They also believe there will be better decision support to help consumers finance the cost of their health care and to budget for likely expenses. Vendors, especially, said they expect to see more-specific provider costs, more sophistication of episode costs, and more personalization of costs for health plan members.

Recognizing the difficulty that consumers have piecing together information from different cost or quality tools, both health plans and vendors would like better integration of these tools. Among their goals are creating a seamless user experience, and more integration of cost and quality information, health content, and health budgeting tools.

Health plans offered these comments:

- “We’ll put more detail in our hospital cost estimator. Our focus next year will be to deploy some sort of physician cost comparison tool based on individual physicians.”

- “We would like to blend all the pieces together so that you don’t have to be within the health care cost estimator tool and then jump out to start a drug comparison search. Or so that you can see the quality information with the cost information.”

Among vendors’ comments were these:

- “Members will be in a position where they want to go to one site and one portal to make health and benefit management decisions. Point solutions will not do. We want to integrate across our tools.”
- “I don’t know if we’ll do more procedures—more isn’t necessarily better. We’re trying to be smarter about our episodes and grouping codes.”
- “We fully envision tools that evolve to provide recommendations or strategies for saving money.”

## V. Recommendations

To maximize the value and use of online cost tools, the authors recommend that developers:

- Move past educating consumers and enable them to comparison shop. The cost information available today is limited. Consumers who want to compare providers' prices are not able to do so easily, even though comparison shopping will be especially important to plan members who have high-deductible benefits. Health plans, employers, and vendors should support comparison shopping as they upgrade and add tool features and functions.
- Make cost information available to the uninsured, who do not typically have access to this information even though they must pay for all health care expenses out of pocket. Such information, especially about treatment episodes and annual treatments, is unavailable publicly. Health plans should display summary (as opposed to detailed) cost information in front of their firewalls. This would also boost use of tools by members who have yet to register on the plans' Web sites.
- Integrate cost and quality information in online tools. Vendors and health plans should educate consumers about the importance of shopping for health care value—that is, high quality at low cost. Value is not determined by price or quality alone.
- Promote collaboration among hospitals, providers, and health plan members as a way to gain support for tools. Health plans told the authors that when they reached out to hospitals and providers in their networks, it helped assuage fears and guard against negative reactions to the posting of providers' prices online. In addition, health plans and vendors that formally solicited consumer feedback said this helped ensure that the tools they built were relevant to consumers' needs and preferences.

## Endnotes

1. Respondents could select more than one “major contributor.”
2. Forrester defines “technology optimists” as those who embrace technology and believe it will make their lives simpler and more enjoyable, even if they are concerned about its impact on society as a whole.



CALIFORNIA  
HEALTHCARE  
FOUNDATION

476 Ninth Street  
Oakland, California 94607  
Tel: 510.238.1040  
Fax: 510.238.1388  
[www.chcf.org](http://www.chcf.org)