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Help Yourself: The Rise of Online Health Marketplaces

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by

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THINK-Health and the Health Populi blog

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About the Foundation

The **California HealthCare Foundation** works as a catalyst to fulfill the promise of better health care for all Californians. We support ideas and innovations that improve quality, increase efficiency, and lower the costs of care. For more information, visit us online at www.chcf.org.

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“Said the Technocrat

To the Plutocrat

To the Autocrat

And the Democrat —

Let’s all go eat at the Automat!”

— PUBLISHED IN
THE NEW YORK EVENING SUN
DURING THE GREAT DEPRESSION
FEBRUARY 23, 1933

WHEN HORN AND HARDART OPENED THEIR FIRST automat in Philadelphia in 1902, hungry people would load their nickels into a slot, click open a corresponding glass hatch, and take the slice of pie, portion of meatloaf, or whatever food they selected from a wide array of offerings.

A century later, there’s a new kind of automat available to Americans shopping for health care services and products. In this marketplace, health insurance plans, discounted dental services, botox injections, and doctor appointments can be delivered, à la carte, to people seeking care as free agents navigating the fragmented American health system. The online health marketplace brings together the supply side (providers and care) and the demand side (consumers) onto a single web portal where people can seek specific services at the best price.

The consumers are predominantly uninsured and underinsured individuals as well as those who are seeking treatments not covered by their insurance. As at the automat, they may be shopping for a “single serving” of a visit to a doctor or a dental appointment; or a full meal, like a health plan or diabetes management program.

Why Now, Why Online?

Several market forces underlie the emergence of online health care marketplaces:

Many consumers lack a primary care medical home. The shortage of primary care providers (PCPs) and lack of access to care after-hours motivate some consumers to seek care outside of traditional physician offices. Likewise, people who do not have an ongoing relationship with a PCP or medical home can seek care as needed.

The implementation of the Affordable Care Act. The ACA will introduce health insurance marketplaces (formerly called Exchanges) in local markets, enabling people to access and compare health plan options and rates. This mechanism will introduce millions of formerly uninsured people to the online milieu, endeavoring to

educate consumers in both digital literacy (i.e., the use of Internet and online resources) as well as health literacy.

Physicians' motivation for greater control over their business. Physicians are experiencing “burnout” in record numbers, according to a 2012 survey from Medscape.¹ Nearly one-half (46%) are experiencing at least one symptom of burnout, including too much bureaucracy, spending too many hours at work, concerns about the Affordable Care Act, feeling like a cog in a wheel, and insufficient income, among others.² But, “historically, physicians have been small-business men as well as healers, and small-business men are nothing if not innovative,” according to Dr. Jeremy Lazarus, president of the American Medical Association. Lazarus wrote that while many doctors are selling their practices to hospitals in 2013, a growing cadre is adopting a variety of new practice formats including concierge medicine, patient-centered medical homes, and other models that allow doctors to “run the show themselves.”³ Online health care marketplaces provide platforms that enable physicians to stay independent.

Greater patient cost-sharing and high deductibles. As health plans move toward consumer-directed plans with high deductibles coupled with health savings accounts, plan members take on more consumer-type responsibilities for making choices on pricing and quality. Enrollment in consumer-directed high-deductible health plans increased from 13% of covered employees in 2011 to 16% in 2012. Growth was even more significant among large companies. The proportion of companies with more than 20,000 employees offering HDHPs went from 41% in 2007 to 59% in 2012.⁴ Over 13 million people had HSAs coupled with high-deductible health plans in 2013, growing by over 2 million from the previous year.⁵ In 2012, the average deductible amount for employees

in consumer-driven health plans was \$2,086 for individuals and \$3,924 for families.⁶ Fifty-eight percent of employers expected to offer CDHPs to employees.⁷ In 2013, 65% of “jumbo” employers, 39% of large employers, and 21% of small employers expected to offer CDHPs.⁸

Many Americans remain uninsured or underinsured. Lower-income adults are more likely to be uninsured and underinsured than higher-income individuals. Nearly half of US adults either spent a time without coverage or were underinsured in 2012. Four in 10 people between 19 and 64 years of age had a cost-related access problem in 2012, including problems paying or being unable to pay medical bills.⁹ While the ACA is meant to address the problem of uninsurance, it remains to be seen how many will find the insurance cost too high and will instead use the online health marketplaces on an as-needed basis.

Insured individuals are also price-conscious. Recent EBRI/MGA research shows that consumer behavior is affected by the type of health insurance they have. Enrollees in traditional health plans tend to undertake several cost-conscious actions less frequently than people in CDHPs and high-deductible health plans (HDHPs). About four in 10 members, regardless of plan type, ask their doctors to recommend less expensive prescription drugs.¹⁰

Consumers are comparison shoppers for home and personal products. Consumer Reports at 77 years of age boasts a paid subscriber base of over 3 million, growing 500% between 2001 and 2011.¹¹ Over the past several years, there has been an influx of consumers expressing personal opinions on product ratings, rankings, and review websites, increasing exponentially.¹² Consumers are becoming more sophisticated as shoppers, where their online savvy is leading to increased demands for

faster service, more selection, and more transparent information.¹³

Growing use of online platforms to access goods and services is migrating toward health.

Almost a quarter of online US adults accessed health information online in the past year.¹⁴ In May 2013, the 10 top-traffic online health sites were Yahoo! Health (with 21.5 million unique monthly visitors), the National Institutes of Health, WebMD, among many others, with millions of monthly visitors.¹⁵

According to a 2012 Deloitte survey, about half of US adults were interested in using websites that offer various kinds of health care shopping tools, specifically: a site telling how much a health plan would pay for certain treatments; quality rankings and patient reviews for doctors and hospitals; safety and effectiveness ratings for medications and medical devices; and pricing tools that help people compare and negotiate health prices with providers.¹⁶

“While retailers’ online operations are evolving, [health care] consumers are being forced to find ways to make the system work for them,” PwC asserted in their analysis of online shoppers.¹⁷

The consumers are predominantly uninsured and underinsured individuals as well as those who are seeking treatments not covered by their insurance.

Landscape of Online Health Marketplaces

Navigating health services in the US is complicated: To help people satisfy their health care demands, new intermediaries are breaching the gap between consumers and suppliers of health care services. The emergence of online health marketplaces is part of a larger shift toward a new kind of consumer-facing retail health, where patients are taking active roles in assessing and choosing care.

Chiara Bell, who started Enurgi in 2006, was an early entrant in the online health care marketplace. She noticed the disconnect between the home care industry and the patients and caregivers who needed them. Families had almost no control over who was sent to their home or of the quality of the work. Bell thought, “This is such a huge market. Why isn’t there a Match.com for home care?” Her start-up, Enurgi, has subsequently been acquired by Univita Health. Enurgi became a trusted resource that connected 1.5 million professional caregivers to patients and families.

Trust is a key factor for health engagement, especially since traditional intermediaries such as employers, health plans, and the government aren’t always trusted by consumers.¹⁸ New intermediaries are responding to the trust-gap opportunity by helping to bring transparency to the supply side in terms of service availability (such as available doctor appointment times), or prices for a procedure across several providers in town.

Companies serving the online health care marketplace vary across several dimensions, including:

- Types of health services offered: physician visit, information or second-opinion service, dental, wellness/complementary and alternative medicine, products (e.g., health insurance, prescription drugs)

- Business model — how each marketplace generates income
- Features and customer-support options
- Pricing mechanism: price-setting, discount, or negotiation

Business models fall into several categories:

- Charging transaction fees, where the health services provider pays a fee for each patient encounter delivered to the practice; or, the patient bears a fee
- Contractual agreements with large organizations channeling patients to services, such as employers, unions, and health insurance companies
- Fees for customizing “storefronts” on the portal that help health service providers personalize their offerings
- Subscription fees (usually monthly), for featuring the provider’s practice or service on the marketplace site
- Philanthropic grants (for start-ups) and nonprofit organizations

Following are descriptions of a few innovators serving the online health marketplace; a longer list is organized in Figure 1. Several of these examples share features but vary in business models, geographic focus, or type of service available on the site.

POKITDOK – HEALTHCARE “PRICELINE”

LAUNCH YEAR. 2012

Business model. PokitDoc earns a flat transaction fee for each patient-provider transaction. Basic “storefront” details free to providers; additional revenues generated from providers through enhanced storefront on the site.

Background. Lisa Maki’s doctors recommended spinal fusion after she injured her back in a sports incident. When she sought a second opinion, she learned first-hand the frustration and lack of transparency consumers face when seeking choices and prices in health care. She co-founded PokitDok to help consumers shop for health services based on service availability, consumer ratings, and pricing. Her business partner, Ted Tanner, Jr., said “We believe it is not a bad thing to pay more costs out-of-pocket as long as we have the same power of choice as we have in other industries,” Maki recounted. The founders recognized that if provider reimbursement was falling and consumers’ out-of-pocket costs were increasing, and those two groups were seeking each other out, then there was an opportunity to bring them together in a marketplace. Even though some health providers might not receive as much payment per patient, a more direct, cash-based model of health financing from consumers would be attractive to physicians, they reasoned.

Provider benefits. PokitDok is a portal, and each provider organization has a “storefront.” “In a sense, it’s a lot like eBay or Priceline,” said Maki. “We don’t want to be another intermediate layer between the consumer and provider. We provide the substrate on which they can do more efficient business with each other.” PokitDok preassembles details about health providers, including qualifications, medical school attended, and referral information

from which the consumer can compare providers. PokitDok encourages providers to show their cost of services on the site whenever possible to give the consumer price transparency. The service is free to providers for basic practice information and to accept requests for quotes from patients. A more elaborate “storefront” on PokitDok requires a monthly fee paid by providers, and gives consumers more detailed information about the services offered.

Consumer benefits. PokitDoc enables people to search for a doctor in or outside of their community. For example, a surgery center in another area may offer a specific procedure at a lower price than a local provider. The consumer can connect with that surgery center and request a price quote for the procedure paid via cash, health savings account, or insurance plan. That communication is a private conversation between the patient and the provider: They might strike a price for a same-day prompt-pay discount, which could motivate the patient to travel outside of her community.

Early learnings. In PokitDok’s beta-phase, Maki explained that, “we discovered it was still too soon to grow the product easily at the consumer level because they expected to get their information on where to buy health care from trusted sources – especially employers and unions. So we shifted our distribution focus from individual consumers to employers and unions.”

“This is such a huge market. Why isn’t there a Match.com for home care?”

— CHIARA BELL, ENURGI

ZOCDOC – OPENTABLE FOR DOCTOR APPOINTMENTS

LAUNCH YEAR. 2007

Business model. Flat subscription fee (quoted at “about \$300 a month”) covering integration with provider’s practice management system, training, and customer service.

Background. When Dr. Oliver Kharraz found out that a New Yorker can wait 20.5 days to see a doctor, it motivated him to create ZocDoc to be a kind of OpenTable for physician visits.

Physician benefits. The problem that ZocDoc wants to solve is filling doctors’ patient appointments. “We take the hidden supply of health care appointments that are underutilized...make it transparent and bring the capacity to the marketplace,” Kharraz explained. It launched in New York City with dental appointments. As of April 2013, ZocDoc covers over 35 medical specialties. In addition to doctors and dentists, ZocDoc’s appointments cover chiropractors, dentists, nutritionists, and physical therapists.

Consumer benefits. On ZocDoc, a majority of people can see a doctor within three days of contacting the website; 40% of patients are seen within 24 hours. Consumers can filter their search by whether the doctor is included in their health insurance plan network, their copayment for the visit, and physician office location. This can be a complex affair: Aetna, for example, may offer 68 different plans in a local market. ZocDoc coordinates a major operational effort.

Early learnings. ZocDoc interfaces with the major physician office practice management systems. “To be a marketplace, we need to be able to work with any doctor so we are agnostic to the practice management system,” Kharraz explained.

Note. Positioning itself in the ZocDoc market segment, Practice Fusion, the electronic health record vendor, added a physician appointment-booking functionality to the EHR in April 2013; the company announced that it would enable the patients of 27,000 doctors using the system in the US to schedule appointments.¹⁹

DOCASAP – THE AGGREGATOR

LAUNCH YEAR. 2012

Business model. Providers pay to have their appointments available on sites such as health plan websites and consumer portals.

Background. Puneet Maheshwari of DocASAP based the business on the premise that consumers were ready to switch doctors based on timeliness and ease of scheduling. From the physicians' standpoint, average unused capacity could be as high as 30% between patient no-shows and cancellations, combined with slow times during the week. DocASAP wants to address a pain point shared by doctors' offices and patients: the time-consuming manual process of scheduling an appointment (which accounts for five to seven minutes for each appointment) while consumers wait on the phone.

Provider benefits. Instead of creating a centralized marketplace, DocASAP's role is to enable a distributed marketplace. The company takes the supply side of providers and opens appointment schedules, deployed across the Internet. DocASAP enables providers to promote their profile and open their inventory of appointments across multiple channels and websites, such as health insurance plan "doctor finders" or consumer health portals. DocASAP calculates that this approach for doctors is delivered at greatly reduced costs compared to normal advertising channels. "We can create value

for the doctor because we can channel her new business through UCompareHealth and Vitals on the consumer portal side, MagnaCare in New York (which covers 850,000 members in New York and New Jersey with 60,000 physicians in their network), and through the University of Pennsylvania in Philadelphia. Our product aggregates a lot of demand," Maheshwari summarized. "Our customers are physicians and health systems, and our partners are consumer health portals and health insurance companies."

Consumer benefits. Consumers can face long wait times, and many say they would switch doctors for ease of scheduling. DocASAP developed a solution to address both the scheduling and coordination sides of health care by working with organizations that can bring together doctors and patients (such as health insurance companies) and consumer health portals, such as HealthGrades, Vitals, and WebMD, who aggregate consumers looking for health information. "This has shown us that if you build in the right level of convenience, prevention can be built into the service as well as more acute needs," said Maheshwari.

DocASAP anticipated that consumers would seek primary care providers, pediatricians, and OB/GYNs. Beyond PCPs, users have sought appointments with specialists including dermatologists, oncologists, orthopedists, and podiatrists. "As a consumer, you might trust Vitals, but then instead of leaving it there we enable you to walk into the practice by booking the appointment and making sure the doctor is covered in your health plan's network. Before your visit, you know your out-of-pocket expenses."

Maheshwari noted, "The reality in this era is that companies want to 'own' the consumer. We took a different approach: We are not here to own the consumer. We are here to solve a problem. I can

enable the aggregators that are out there,” to link patients with providers and fill their capacity to generate more revenue.

Early learnings. When DocASAP started up, they expected that consumers would be using the system for semi-urgent needs. However, they have seen people looking for convenience: 40% of interactions are preventive in nature, for physicals and immunizations. Two-thirds of users are young women.

OKCOPAY – HEALTHCARE’S KAYAK.COM

LAUNCH YEAR. 2011

Business model. Provider basic listing is free; providers are charged for enhanced personalized listings that promote the practice.

Background. OKCoplay’s founder Touré McCluskey described a lightbulb moment. After receiving a \$500 charge for an X-ray, he made some phone calls in his local health community and found a range of X-ray costs as low as \$80 and a high of \$800. This was the motivation behind the creation of OKCoplay. “The best way to take costs out of the system is to pay less for care,” McCluskey figured. Even though he had the benefit of health insurance, he knew that millions of people in the US pay full “rack retail rates” for procedures from X-rays to MRIs. “For someone who’s making a minimum wage, that’s a monthly payment on a house or a food bill for a month,” McCluskey added. Launched in Chicago, OKCoplay has expanded to Cincinnati, Louisville, Milwaukee, and Minneapolis. In 2013, OKCoplay is coming to Seattle and Washington, DC.

Provider benefits. OKCoplay provides doctors and health organizations with free listings. The company’s business model is based on health providers who want to promote their practices paying a subscription fee for more robust listings that might include pictures, videos, and personal statements about the practice. There is also a “deal board” on the OKCoplay homepage that features health “specials” (e.g., tooth brightening for a dentist, Botox injections for a cosmetic surgeon). This replaces the clinician’s use of direct mail, which can be expensive with a lower ROI.

Consumer benefits. OKCoplay focuses on uninsured consumers, those with high-deductible health plans, and people seeking elective procedures not covered by insurance. McCluskey identified 72 out of 3,000 medical procedures that are routine in nature and typically not covered by insurance. These include acupuncture, dental procedures, vision exams, botox injections, liposuction, knee X-rays, laser hair removal, chest MRI, and vaccines. The goal of OKCoplay is to uncover the costs for these procedures in local markets and enable people to compare costs. “We show everybody’s price,” McCluskey said. OKCoplay claims to have information on at least 80% of the dentists in the markets in which they operate; 90% of optometrists; and 75% of imaging centers. Consumers can filter their searches based on various criteria such as board certification or facility accreditation. “We do what Kayak.com does,” McCluskey said. “We show all flight results and then the consumer can select nonstop, or filter time of day or airline carrier, to get to what makes sense for them.”

OKCoplay displays a list of free and low-cost clinics, along with Federally Qualified Health Centers. People who can’t afford to pay for services can search OKCoplay’s clinics page and look for the services they need.

Early learnings. OKCopen has identified three segments of consumers using its site:

- Younger adults (ages 23 to 32) working in retail jobs with no employer-sponsored coverage. These consumers do not generally qualify for state Medicaid or health safety-net programs. They most often use OKCopen for vision and dental services, as well as urgent care clinics.
- Middle class, employed consumers with health coverage but no vision or dental. This population is older and goes for eye exams every year.
- Middle- to upper-middle-class consumers looking for cosmetic procedures, acupuncture, and services not typically covered by traditional insurance.

CLEARHEALTHCOSTS – DEMOCRATIZING TRANSPARENCY

LAUNCH YEAR. 2011

Business model. It started up with grants (from CUNY Graduate School of Journalism Tow-Knight Center for Entrepreneurial Journalism; the International Women's Media Foundation, and the McCormack Foundation's New Media Women Entrepreneurs Program). Additional funding came from angel investors and other contributors to the site.

Background. "We're bringing transparency to the health care marketplace by telling people what things cost," said Jeanne Pinder, a 25-year veteran of *The New York Times* who started the portal in 2011. ClearHealthCosts focuses on uninsured people, enrollees in high-deductible health plans, and people with coinsurance. Starting in greater Manhattan and the tri-state area of New York, New Jersey, and Connecticut, the project is expanding to Los Angeles, San Francisco, and Texas (three

areas identified by The Commonwealth Fund as having at least 50% uninsured and underinsured residents).²⁰ ClearHealthCosts collects information from researching providers as well as fostering crowdsourced cost information shared by patients themselves. It also conducts pricing surveys on common procedures in local health markets.

Consumer benefits. The website shows the cash or self-pay price for a specific procedure in the community, juxtaposing Medicare pricing tailored for the area. "Because Medicare prices are the closest thing to a fixed or benchmark price, we include it for a comparison," Pinder noted. "People want the knowledge, they need it, and on the CMS website they have to fight to find costs."

Early learnings. With the participation of many collegial journalists, ClearHealthCosts is, "in the business of democratizing health cost information for anybody who is sensitive about health care prices for any reason," Pinder said. Consumers are finding ClearHealthCosts through word-of-mouth and social media. There is a "hunger" for this information, she said.

LESLIE'S LIST – THE HEALTH PRICE YELLOW PAGES

LAUNCH YEAR. 2009

Business model. Nonprofit.

Background. Dr. Leslie Ramirez, a Chicago-based internist, "got frustrated hearing patients say they hadn't been able to have the test I recommended because of cost," she said. When she learned her mother skipped her mammography exam because she couldn't afford it, Ramirez decided to create an online portal that displays the price of medical tests and procedures. Since 2009, Ramirez has worked on this project in addition to running her medical practice. "I would love to make it a business,

but there doesn't seem to be a business model I can live with," she said. Instead, Ramirez made Leslie's List a nonprofit organization. It serves the Chicago metropolitan area, but gets hits from health consumers seeking information from as far afield as New York and San Francisco. Ramirez believes those people may be looking for benchmarks to compare with their local health prices. Leslie's List gets about 3,000 hits a month.

Provider benefits. "We have a lot of fans among doctors," Ramirez noted. "Everybody's got patients who haven't [received dental care] because it's too expensive. It's really disappointing."

Consumer benefits. Ramirez has found wide variations in Chicagoland for the 14 different tests Leslie's List compares, such as mammograms ranging in price from \$100 to \$595, with an average at a medical center of about \$300. For an MRI of the brain without contrast (all ACR certified), Leslie's List found a price range of \$325 to \$1,834. The List includes prices for 12 other tests including X-rays, PETs, echocardiographic stress tests, and CT scans, along with prescription prices for 200 commonly prescribed drugs at popular pharmacies.

Early learnings. By providing a detailed level of price transparency, Ramirez has seen prices lowered in specific cases. One MRI center with a procedure that the List had priced a few months earlier informed Leslie's List that they chose to lower their price for the procedure; this moved them to the top of the procedure list — with the lowest price among providers.

HEALTHSOUK – THE ONLINE DENTAL MARKETPLACE

LAUNCH YEAR. 2012

Business model. Received \$507,500 in seed funding in April 2013.

Background. Most employer-sponsored health plans do not cover dental services, leaving over 100 million Americans without dental coverage. Since the 2008 recession, at least one-third of US adults have skipped dental care due to cost.²¹ HealthSouk's focus is on California primary care dentists and patients without dental insurance. The founders' vision was to create a health "souk," or marketplace, where consumers and providers could negotiate on price inspired by the way buyers and sellers haggle in markets.

Provider benefits. HealthSouk's online process enables clinicians to fill vacancies in their schedule while, at the same time, offering their services at discounted rates to people who might otherwise avoid dental care. The service is attracting both long-time practicing dentists and newly minted providers.

Consumer benefits. HealthSouk is reaching a population that might not otherwise seek and receive dental care. A large proportion of its customers are Hispanic, and most have family income of less than \$25,000 a year — illustrating that online health care marketplaces can serve people across socioeconomic strata. This was an express objective of HealthSouk, which received a grant from the California HealthCare Foundation to test the potential for expanding the project in the Los Angeles area with lower-income consumers.

Early learnings. "Eighty-one percent of our patients haven't seen a dentist in over a year. We're doing a good job reaching the underserved who wouldn't otherwise get to see a dentist," Neal Reiter, HealthSouk's co-founder, observed.

Figure 1. Selected Online Healthcare Marketplaces

| PROGRAM | DESCRIPTION | LAUNCH YEAR | GEOGRAPHY | BUSINESS MODEL(S) |
|--------------------------|--|-------------|--------------------------------|--|
| Better Doctor | Search, filter (e.g., insurance) and call doctor | 2012 | National | Subscription/transaction fees to providers |
| CarePilot | Shop for and book imaging, dentistry, cosmetic | 2011 | Denver | Transaction fees to patients and other consumer-pay models |
| CareXTend | Chiro, dental, cosmetic, wellness | 2012 | National | Transaction fees to patients and other consumer-pay models |
| DocASAP | Book and pay for appointments | 2011 | Philadelphia | Subscription/transaction fees to providers |
| Docspot | Provider search and navigation | 2011 | San Francisco and 33 metros | Advertising |
| FairCareMD | Open network to agree on prices | 2009 | NY metro | Subscription/transaction fees to providers |
| Health Pocket | Health plan comparison shopping | 2012 | National | Advertising |
| HealthinReach (PriceDoc) | Consumers seek, schedule, price and rate services | 2009 | National | Subscription/transaction fees to providers |
| HealthSouk | Open dental marketplace | 2012 | California | Grants and nonprofit; advertising |
| Jill's List | Integrative (CAM) healthcare marketplace | 2010 | National | Subscription/transaction fees to providers |
| Leslie's List | Shop for local services: clinics, Rx, tests | 2009 | Chicago, Dallas/Fort Worth | Grants and nonprofit |
| MediBid | Providers bid for patient cases and set prices | 2010 | National | Subscription/transaction fees to providers; transaction fees to patients and other consumer-pay models |
| OKCobay | Search for health services via prices and filters | 2011 | 7 metros, expanding to Seattle | Subscription/transaction fees to providers |
| PokitDoc | Search, price quote, direct pay to providers and reviews | 2011 | Los Angeles/ National | Subscription/transaction fees to providers; contractual agreements with employers, insurers, unions |
| SnapHealth | Search tool for health services | 2012 | Texas | Subscription/transaction fees to providers |
| SpaFinder Wellness | Search and book medical spas | 1986 | National/ International | Advertising |
| Sprig Health | Search services, book and pre-pay (part of Cambria Health) | 2011 | Oregon and Washington | Subscription/transaction fees to providers |
| ZocDoc | Find appointment and schedule | 2007 | National | Subscription/transaction fees to providers |

Note: As of June 2013, these services were open to people seeking price and availability information on health care services online, and were freely accessible (e.g., not behind a paywall).

Issues and Challenges

There are several market challenges that could retard the growth of online health marketplaces, as well as issues that may compromise their impact on quality and outcomes.

Demand for prices hasn't reached tipping point. Although Americans say they would be interested in using various tools to determine health care cost and quality, most consumers don't actually use these tools when they are made available "in real life."²² *U.S. News & World Report*, a long-time publisher of health care ratings for consumers, conceded, "As U.S. News prepares to issue the 24th iteration of Best Hospitals, we need to think harder about users and how to reach them. Valuable data that goes unseen might as well be that tree that falls with no one to hear."²³

The problem, according to Leslie Ramirez, founder of Leslie's List, is that, "You're solving a problem no one knows they have. No one understands that health prices vary so much." While health prices are becoming more discussed among consumers dealing with underinsurance, high-deductible health plans, and various medical savings vehicles, shopping for health care services hasn't yet reached a tipping point among consumers as widely as price- and feature-shopping for automobile and washing machines.

The Affordable Care Act. The advent of health reform brings with it two market drivers that could foster or slow the growth of the health care automat. The ACA will change the pool of potential shoppers, reducing the number of uninsured people who might otherwise look to online sites for piecemeal services as needed. On the other hand, consumers who decide to opt out of buying health insurance may frequent online health care websites. Finally, the proportion of insured people covered by consumer-directed health plans will grow, enlarging the number of

people with high deductibles bundled with a health savings vehicle. These consumers may use online marketplaces when faced with spending "my own money" saved in health savings accounts or health reimbursement arrangements.

Wanted: eHealth literacy. "Electronic health tools provide little value if the intended users lack the skills to effectively engage them," noted a group of public health researchers who have developed a model of eHealth literacy.²⁴ eHealth literacy is the ability for a health consumer to seek, find, understand, and appraise health information from electronic sources in order to address a health problem. This encompasses traditional literacy, and beyond that, computer literacy (IT skills), media literacy (media analysis skills), health literacy (health knowledge comprehension), information literacy (information seeking and understanding), and science literacy. Some 43% of Americans are estimated to have literacy skills that are basic and below, and an additional 5% are non-literate in English.²⁵

Business models under pressure. "People don't want to pay for price transparency," Alex Fair, founder of FairCareMD, has found. The creator of Leslie's List, a practicing internist, could not find a for-profit business model she wanted to use. Most of the business models revealed in researching

"You're solving a problem no one knows they have. No one understands that health prices vary so much."

— LESLIE RAMIREZ

this report are based on payments from providers (doctors) and some sponsorship from health plans. Grants from nonprofit organizations also fund some start-ups. The success of these models will be based on how quickly the health services marketplace companies can scale up. Most tend to be quite local in scope, so scale could become limited quickly, compromising the viability of all but the largest marketplace models.

Provider involvement. A successful health care marketplace must engage both buyers (patients and their caregivers) and sellers (doctors and other care providers). It is too soon to judge whether a sufficient pool of providers in local health communities will be attracted to the market. There is some traction with physicians and dentists, but these examples could represent early — and the bolus of — those physicians most keen on the marketplace concept. Many physicians will undoubtedly play wait-and-see, then join marketplaces once they are satisfied with the evidence of paying consumers and trust in branded marketplaces. On the positive side, ZocDoc's growth in 1,700 markets among physicians opening up their practice management systems is a signal that physicians are ready to adopt some forms of online marketplaces. Another positive impact of physicians' embrace of health price transparency is that when they know the costs of care in advance, they tend to order fewer tests for their patients.²⁶

The ratings game. Some marketplaces, such as PokitDok, incorporate ratings into their offerings by working with existing websites like Vitals and Yelp! Other sites are looking to crowdsource reviews on their sites as they grow and scale. US consumers have been able to select from a long list of health ratings, including: patient-generated forums like PatientsLikeMe and WebMD; health consumer ratings sites such as HealthGrades and *U.S. News & World Report*; ratings agencies like J.D. Power &

Associates; and state and nonprofit agencies. But while various health care report cards have been available to consumers for many years, their use has thus far been limited. PwC's 2012 consumer survey found that only 31% of consumers read doctor ratings, and only 28% read hospital ratings.²⁷

In congressional testimony, Margaret O'Kane, head of the National Committee for Quality Assurance, acknowledged, "We...must do more to understand how to use transparency to better engage consumers in taking a more active role in their own health and health care."²⁸

Continuity of care. By enabling people to search for and compare health services on a piecemeal basis, the health care automat is, in part, an outgrowth of the fragmentation that pervades the US health care system. However these marketplaces can also be used by those looking for a medical home or a health plan that would provide more continuity of care, which reinforces the use of preventive care, supports adherence to therapy, and increases patient and physician satisfaction.²⁹

"For continuity to exist, care must be experienced as connected and coherent....For patients and their families, the experience of continuity is the perception that providers know what has happened before, that different providers agree on a management plan, and that a provider who knows them will care for them in the future," wrote Haggerty et. al., on the importance of continuity of care.³⁰

For consumers' health to optimally benefit from the health care automat, two underlying processes must be in place: 1) pre-arranged relationships and contractual agreements between the *à la carte* service and patients' regular health providers; and 2) connectivity with an electronic health record.

Prospects for the Health Care Automat

In 2013 and beyond, virtually all Americans — with and without insurance — must pay some level of co-payment, co-insurance, deductible, or cash price for health care services. Whether a large share will turn to the emerging online health marketplaces remains to be seen.

In the initial phase — described in this landscape report — entrepreneurs are providing consumers the ability to search, schedule, and often pay for services in a single transaction. But over time, cost transparency will lead to transparency about quality, according to Jeanne Pinder, founder of ClearHealthCosts. “Transparency and quality are joined hand-in-hand. Eventually, to have the money part of the equation without the quality metrics, and vice versa, doesn’t really work,” she said.

When physicians know the costs of care in advance, they tend to order fewer tests for their patients.

There are signs that the quality part of the equation may become more sophisticated. In one example, HealthPocket, an online marketplace for health insurance information, has developed an algorithm based on Medicare Advantage data that drives a customized search taking into account the user’s condition, prescription drugs, and location. “We’re going deep into databases to get to more personalized quality scores,” said Steve Zaleznick of HealthPocket. “Consumers can compare choices against their current health plan. The opportunity is to move from global quality to more personal quality metrics,” he added.

Nevertheless, to date, quality of care is not well-documented in most health care marketplace offerings. For consumers, “buyer beware” must be the watchword as entrepreneurs experiment with ways to make their sites popular and profitable.

“There’s no trick to selling a poor item cheaply,” said Joe Horn, co-founder of Horn and Hardart, the original automat. “The real trick is selling a good item cheaply.”

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