

3. Consumer activation

Can consumer behavior generate market forces in healthcare that would improve quality and service while reducing costs? While most experts agree that today there are few examples of consumer-driven markets in healthcare, there is controversy about whether such a market could be created. In general, functioning markets require:

- The ability and willingness of consumers to make decisions
- Financial exposure that causes consumers to engage
- Price transparency
- Competing options
- An understanding of the nature/quality/quantity of the offering

One or more of these factors are missing in most situations in US healthcare. Yet even if all these criteria were met, there are many reasons that healthcare decisions might differ from those in other fields. Healthcare is extremely complicated. Patients may prefer that physicians make decisions for them, and might see price as a proxy for quality, disadvantaging less costly products and services. Emergency or life-threatening situations are unlike those encountered in other purchasing situations. Consumers have been conditioned through years of experience *not* to shop for healthcare.

Nevertheless, the prospect of activating consumers to create a healthcare market is tantalizing and logical. With the average annual deductible for insured working Americans exceeding \$1,000, they have plenty of incentive to shop around for lower prices, as well as better care. Price transparency for health services, long a major barrier to consumer activation, has increased greatly for many patients. Numerous websites and businesses have emerged devoted entirely on helping consumers shop for non-emergency care.

Ideologically, conservatives tend to promote consumer activation, arguing for both the power of markets and the principle of personal responsibility. Liberals often are wary, sometimes worrying that the approach is a smokescreen for reducing healthcare spending on disadvantaged Americans.

The body of research on this topic is limited but growing. Most studies focus on just a single piece of the issue, such as whether consumers use price lists, respond to quality reports, or consider travel distance as a barrier to seeking care. There is little research exploring how consumers behave when all the factors are present for a functioning consumer market to emerge. Among the takeaways from existing research:

- Issues with literacy, geography, transportation, cultural characteristics, compliance, and denial all constrain the average person from being able to pick between their options as an educated consumer. [Providing information is not enough](#), as 55% of adults have basic or below basic levels of quantitative literacy.
- Actual consumer activation seems to differ from what patients claim they want. In [one Deloitte report](#), nearly three out of five consumers reported wanting providers to supply

cost information but less than one in five actually asked about pricing before agreeing to a treatment. One-third of consumers want their provider to push them to be more active in researching and questioning their prescribed treatments.

- Consumers appear much more willing to shop for coverage than for actual care services.

Consumer Activation Stratified by Income—Can Low-Income People Shop for Better Value?

Intuitively, it may seem that low-income people have the highest incentive to shop for better value and therefore will be active consumers looking to get the best prices. However, while the majority of people are supportive of the *idea* of price shopping, few people do so themselves because they may be limited by provider choice due to insurance or lack of multiple providers. In one study, only 13% of respondents had searched for their expected out-of-pocket spending before receiving care. Researchers ruled out that consumers believed that out-of-pocket spending is unimportant, that shopping for care is not a good idea, that there is little price variation between providers, that lower cost care is lower quality, or that they did not have enough time to consider other providers. However, 75% of consumers said they didn't know of a resource that would allow them to compare costs. In addition, [this study](#) found that income does not seem to affect likelihood of price shopping. A [study](#) recently published by the JPMorgan Chase Institute found that some consumers tend to defer care due for certain out-of-pocket health care expenditures around their tax refund. This would indicate that lower-income consumers may make decisions based on available cash flow rather than any variables related to the cost of care.

In [another study](#), lower income people were less likely to seek care due to perceived lack of cost information and logistical issues. The survey of 413 non-elderly poor adults identified the most common barriers to healthcare as lack of information about free or reduced cost care, anticipated cost, and difficult accessing childcare. Nearly 75% of respondents reported more than one barrier.

Healthcare plans can be hard to compare directly, and even determining prices of services can be difficult because they are bundled or separated arbitrarily for billing purposes, and are different from what is actually paid. Each source of variation in place between plans confuses patients. Comparisons must be made not only between benefit packages and premiums, but also between provider networks, customer service, pricing structure, and other unclear factors. Given that most patients have no way of knowing what their actual health care needs will be, it becomes even more difficult to select the best plan. As seen in other fields, having too many options only increases confusion and disengagement. Medicare Part C shows that a wide choice in plan options, with enrollees picking from an average of 24 plans, does not encourage patients to shop around. This is echoed outside the US, with the Dutch model also showing that their consumer choice between plans leads to 65% of people reporting low levels of trust and a preference for a “mediator” or “navigator” to manage the complexity of the healthcare market. This is mirrored in the US where [there is a correlation](#) between poor understanding of health plans and the preference for younger and older populations to give someone else the authority to pick their plan.

How do Quality Metrics Affect Choice?

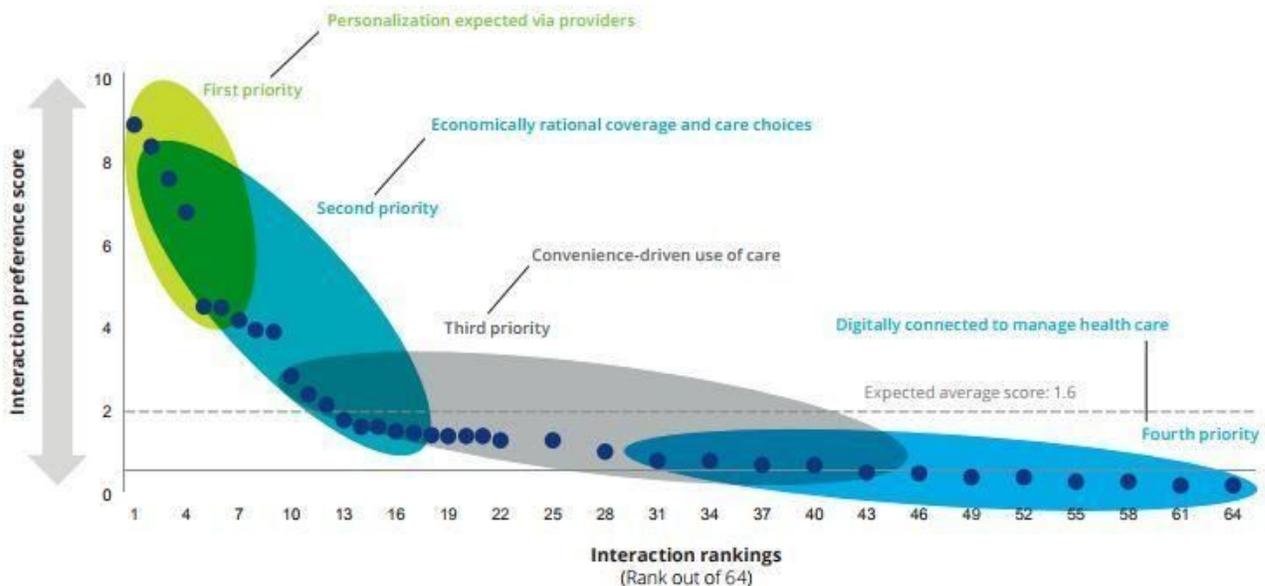
Price and quality research, while used less often than some might like, can affect choice. Presenting cost data alongside easy-to-interpret quality information while highlighting higher value options [can improve the likelihood](#) that consumers will select those options.

It's not clear if one major form of quality metrics, [hospital star rating systems](#), helps patients. Rating systems themselves can be complicated and misleading for hospitals, as it is difficult to properly reflect quality with regard to different patient populations. Star systems are simple to understand for consumers and require little effort on their part, making them an attractive option as they are more likely to be used, but there is often extensive provider opposition that ratings cannot reflect nuances of care.

How Does Distance Travelled by Patient Affect Choice?

According to a [Deloitte report](#), consumer choice is prioritized first by personalization expected, then by economically rational coverage and care choices, and then convenience driven use of care such as distance. Geography plays a role in consumer activation, as do commuting time and distance.

Figure 2. Rankings across the general population of consumers



Source: Deloitte 2016 Consumer Priorities in Health Care Survey

Note: Only every third point from Interaction Ranking #22 onwards is shown. Not all 64 interactions are directly aligned to one of the four clusters; clustering is based on subjective grouping of similar items.

Transportation seems to be an important and often overlooked barrier to consumer activation. A large number of patients struggle to find consistent and reliable transportation. Inability to access reliable transportation has even [resulted in people foregoing cancer treatments](#), showing that severity of disease or importance of treatment are not enough to overcome this

logistical barrier for all patients. Unfortunately, low-income patients are [most affected](#) by transportation barriers but are also more likely to have low health literacy, which impacts their ability to navigate different sources of information.

Do Consumers Use Healthcare Cost Information When It's Offered?

Consumer activation is clearly important but rarely seen in large numbers. New Hampshire's HealthCost web site was used by approximately 1% of state residents. However, not all health services are considered equally. Certain procedures, such as MRIs or CT scans, see higher activation because they can be planned for, often do not take place at their usual provider, and usually require higher out-of-pocket payments. As such, [it may make sense to focus efforts](#) to improve price transparency and value information to patients for similar services where the demand for it is naturally stronger.

Even looking specifically at the private market, [few people use healthcare comparison tools consistently](#). Looking specifically at the Truven Treatment Cost Calculator, only 11% of employees used the tool at least once over a 12-month period and only 1% used it at least 3 times in the same time period. Usage is actually higher among higher income employees as well as those who are younger and who have higher deductibles. Marketing these services is associated with short term spikes in the use of the tool.

Have We Seen Systems Where Consumers Are Adequately Educated and Make Better Choices Based on Data?

A 2014 [study](#) shows that it is possible to create a consumer-driven market – but doing so, even under the best conditions, requires tremendous investment and yields little return. While consumers who used the price transparency tools did have overall lower claims payments of about 14% (claims for users were 13% lower for advanced imaging, 13% lower for lab tests, and 1% lower for office visits), those relative differences translated into lower absolute dollar payments of \$124.74 for advanced imaging, \$3.45 for lab tests, and \$1.18 for clinician office visits—less than stellar savings.

The Healthy Indiana Program (HIP) was designed to encourage consumer activation through the use of high-deductible health plans and mandatory health savings accounts. A [study by Anthem](#) found that HIP Plus program enrollees (those who participated in cost sharing by buying into HSAs) were more engaged in preventive care services and were more likely to seek care in the most appropriate setting (i.e., had lower ED utilization rates) than traditional Medicaid enrollees. However, in the June 2017 webinar for the Zetema Project, experts from the Indiana system shared that consumers were often confused by the cost sharing requirements, did not realize that the requirements existed, and were frequently removed from the rolls due to non-payment of HSA contributions. [Critics of the program](#) note that many consumers did not even realize they had a HSA, as payments are frequently made by family members, charities, and other entities. The experts from Indiana also pointed out on the Zetema webinar that much of the program's success could be attributed to paying Medicare rates to Medicaid providers, which enhanced access for consumers.

Consumer Advocate Perspective

Consumer advocates tend to believe that attempts to get consumers actively and effectively shopping for healthcare value are unlikely to have much impact. They note that surveys show that patients rate trustworthy relationships as a top healthcare priority. Patients are likely to accept recommendations from a trusted provider or organization. Conversely, if they don't know and trust a source, they're more likely to assume that a recommendation is based solely on cost. Consumer advocates argue that we should focus more on building primary care relationships (and those with specialists for seriously ill patients). They say that investing in allowing physicians to spend time getting to know patients and creating trust will yield a better return than spending on the financial incentives, information, and tools necessary for market activation.

3.1 Consumer activation: discussion questions

- Do most individuals want to be active healthcare consumers, making choices among competing options for coverage? For care?
- To the extent that consumers aren't currently healthcare shoppers, is this primarily due to:
 - A lack of desire to do so?
 - Insufficient financial interest/incentives?
 - Poor price transparency?
 - A lack of quality information?
 - Structural barriers (e.g. limited provider choice)?
 - Lack of time to shop/urgency of health problem?
 - Habit/history of not shopping?
 - Poor or nonexistent tools to make shopping easy and productive?
- To what extent do Americans see price in healthcare as a marker of value?
- Why are price transparency tools seldom used?
- Can low-income Americans shop for better healthcare value?
- With financial incentives and sufficient price and quality information, will consumers actively shop for healthcare aggressively enough to create a functional healthcare market?