Price Variation and Transparency

Recent changes to healthcare benefits, including the opportunity for consumers to exercise more choice in selecting providers and treatments, have the potential to help reduce costs. Truven Health Analytics has found that reducing price variation for the 108 million Americans with employer-sponsored insurance could save the nation as much as $36 billion per year. Providing consumers with clear, comparative information on the cost of services is key to further engaging them in decision-making and, ultimately, reducing healthcare costs. The data in this report demonstrate what could be saved through price transparency, with specific research on price variation in colonoscopies, a service that research has shown is particularly prone to price variation.

IMPACT OF A PRICE TRANSPARENCY TOOL

This chart shows the impact of cost savings over time as consumer engagement and adoption of a price transparency tool grow from year to year, using a sample employer with 20,000 employees and a healthcare cost trend of 6.1% (the median faced by employers today). In year one, we assumed that approximately 10% of employees would use the information provided to change their behavior and move to median-priced providers for the targeted procedures. In years two and three, we assumed adoption rates of 25% and 50%, respectively. The result for this employer is a potential savings of $715,000 in the first year and $6.8 million by the third year.

NOTE: Data were weighted to the age, sex, and racial/ethnic distribution of each state’s adult population using intercensal estimates and were age-standardized to the 2012 BRFSS population.

SOURCE: Centers for Disease Control and Prevention, Vital Signs: Colorectal Cancer Screening Test Use—United States, 2012; Table 3. Percentage of respondents aged 50–75 years who reported colorectal cancer (CRC) screening test use, by test type and by state ranked by percentage who were up-to-date with CRC screening—Behavioral Risk Factor Surveillance System, United States, 2012; http://www.cdc.gov/mmwr/preview/mmwrhtml/mm6244a4.htm?s_cid=mm6244a4_w

FACT FILE PARTNER

TRUVENTHEALTH ANALYTICS

www.truvenhealth.com
**FACTFILE**

**PRICE VARIATION AND POTENTIAL SAVINGS**

In a study on price variation for a Chicago-based employer using the MarketScan® database, Truven Health analysts found a variance of +102% between the median and 90th percentile, and -23% between the median and the 10th percentile for an MRI of the lower back without dye (below, left). Diagnostic colonoscopy and knee arthroscopy procedures showed a similar variance. The potential cost savings for this company (below right) is estimated to be $83,000 for these three procedures combined if its employees select providers delivering these services at or below the median cost.

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Potential savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRI: Lower back without dye</td>
<td>$12,000 18%</td>
</tr>
<tr>
<td>Diagnostic colonoscopy</td>
<td>$42,000 26%</td>
</tr>
<tr>
<td>Knee arthroscopy</td>
<td>$29,000 33%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$83,000 n/a</strong></td>
</tr>
</tbody>
</table>

**RATE OF ANESTHESIA USED IN COLONOSCOPY**

The increasing participation of an anesthesiologist for screening colonoscopy can be observed in this chart. Notice that this rate of increase is greatest for the office-based procedure, which has been the lowest-priced site of care.

**TREND IN USE OF ANESTHESIA IN COLONOSCOPY BY REGION**

This chart shows that the rate of anesthesiologist participation differs by region, but the trend of increasing use is common to all regions. For example, in only two years (from the third quarter of 2010 to the third quarter of 2013), the rate in the West South Central census division almost doubled, increasing from 35% to 62%, whereas in the Pacific region, the initial low rate of 11% more than doubled, but remained relatively low at 24%. The data also suggests variability within states, often between major urban areas and the rest of the state. For example, further analysis revealed that New York City is at 82%, while the rest of the state is at 31%.

**SOURCE:** Truven Health MarketScan® Commercial Claims Database.