Price Transparency: Exploring Healthcare's Final Frontier of Consumer Disruption

Healthcare consumers are increasingly interested in the cost of care. While new regulations are pushing hospitals and health systems to become more price transparent, boards and senior leaders should consider the true end goal of these efforts: appealing to and building connections with consumers so that they can become loyal patients. This article sheds light on consumers' perspectives around price transparency and the board's role in shaping pricing strategy for their organization.

The Rise of the Consumer

It can be challenging to be a consumer of healthcare services. Healthcare often feels like being in a maze—they don't know where to go, what their care options are, or how much it will cost. Even the most informed consumers can get lost. NRC Health's Market Insights survey asks consumers about the emotions they feel during a healthcare experience and the most prevalent is always confusion. Consumers have expressed that they need someone who can help them understand their healthcare needs and guide them through this journey seamlessly, from before they enter the hospital to long after they are discharged. And they are looking to hospitals and health systems to fill this role.

In the Market Insights survey, NRC Health asks consumers to name a company from an outside industry that could save healthcare. The number one answer for eight years in a row is Amazon. While Amazon has ventured into healthcare, what consumers are alluding to is the shopping experience Amazon has created. According to consumers, two things that Amazon does should be present in their healthcare journey:
1. Allows consumers to **easily navigate their choices**.
2. Makes it possible to **compare the price and quality** of products.

This ability to easily navigate and find affordable products and services—while not easy to deliver—is what consumers are seeking.

Seeing Price through Fresh Eyes

Much has been reported in the media about the high costs of healthcare and the need for price transparency, especially with the No Surprises Act, which went into effect at the beginning of 2022. Healthcare prices are complex, with big variations based on the organization and insurance type.[1] In healthcare, consumers are not always thought of as payers, but consumers are the fastest growing payer of healthcare services, and because more are paying out of pocket, they are much more in tune and concerned with the cost.[2] In fact, consumers feel that healthcare is the *most* important industry to know prices upfront:[3]

- 97 percent want to know pricing for tests/exams/screening
- 97 percent want to know pricing for minor surgery
- 91 percent want to know pricing for major surgery

→ Key Board Takeaways

- Be proactive about being price transparent. Assess where your organization is on this journey and what steps will move you closer to fulfilling consumer expectations.
- As your organization is building price transparency tools, consider what consumers are asking for, including personalized upfront out-of-pocket costs and quality measures.
- Ensure that price transparency tools are being leveraged and integrated across the system, to ensure alignment and consistency.
- Remember that consumers are seeking a trusting, lasting 1:1 relationship. Think through how your organization can be bold and seize that role.
- Use your knowledge outside of healthcare—as an expert in a different industry or even as a patient—to help your organization shape the customer pricing strategy.

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1   Sarah Kliff and Josh Katz, "Hospitals and Insurers Didn't Want You to See These Prices. Here's Why," *The New York Times*, August 22, 2021.
2   William Blair, Consumer-Centric Healthcare Report, 2016–2020.
3   NRC Health's Market Insights special study on price transparency, 2021, n size = 2,008.

Half also feel providers (hospitals and doctors) are the most responsible for sharing healthcare prices, while only 31 percent feel insurance is responsible. There has been some progress on this front in the last few years. Three in 10 consumers now believe that healthcare is somewhat upfront about pricing, and that number is rising steadily. But that number is heavily a younger-age group and consumers are hungry for more. Hospital boards and senior leaders need to start thinking of consumers more as payers so they can better understand their perspective on price transparency and move their organizations towards a more transparent future.

The Power of Price

A year and a half ago, I conducted a CEO roundtable and asked what the barriers are to price transparency. Most CEOs said they just don't have the technological capabilities. When asking customers why hospitals won't share prices with them, their top answer (45 percent) was that they don't want to—only 16 percent believe hospitals don't have the technological capability. Customers feel that prices are being shielded from them, even though other forces are creating challenges to solving the issue of price transparency.

This is an issue that can't be put on the backburner, not just because of growing regulations, but because the cost of care is becoming a bigger selection factor for customers—and they will look elsewhere. Seven out of 10 say the cost of care influences where they go and most importantly, where they will go next time. This is not just for high-level care either—this is important to consumers for routine care as well. Many healthcare disruptors (e.g., CVS, Walgreens) are filling the gaps, offering upfront pricing and often lower costs. Half of consumers would switch to a more affordable doctor, even if they knew little about them—and this is true for hospitals

> ### ➜ The Power of Price in Patient Decisions
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> - 66 percent believe price transparency is "very important" to where they go for future routine healthcare visits.
> - 49 percent would switch to a more affordable doctor, even if they knew little about them (50 percent feel the same way about their most familiar hospital).
> - 75 percent would choose a provider who shares prices over one that does not (same percent for doctor).
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> Source: NRC Health's Market Insights consumer study, 2018, n size = 20,174.

as well. Healthcare boards and senior leaders should proactively think about how the cost of care, or lack of transparency, is currently affecting their organization, and what they should do now to alleviate any obstacles in the way.

The cost of care is only one side of the coin. The other side is quality of care. Together, quality and cost form value. Consumers don't always want the lowest-cost care—many are actually willing to pay more for better care. But consumers need help understanding how much they are going to pay and why they should pay that amount (e.g., is the care truly better at this hospital vs. its competitors?).

What Consumers Want

Many consumers are searching for the cost of care, but they are having difficulty finding answers. Ideally, consumers want healthcare to become shoppable. They want to know their out-of-pocket cost before or during an appointment, not after, and to have the option to pay these costs or seek out financial assistance *before* the experience.

Consumers clearly want a dynamic, online resource for pricing. NRC Health's recent study on price transparency found that the top five most-wanted features of a pricing tool are:[4]

1. Shows my total cost, out-of-pocket cost, and cost covered by insurance
2. Compares out-of-pocket costs for different care options (e.g., urgent care vs. ER)
3. Calculates out-of-pocket costs based on their insurance type
4. Contrasts out-of-pocket costs for in-network and out-of-network providers
5. Shows quality measures of providers

Because pricing is so confusing, many dissatisfied patients describe paying for their care as one of the worst parts of the experience. This can have a major impact because it is often one of the last stops in their care episode.

Some states and organizations have created successful price indexes. For example, the state of Indiana created an easy-to-use price index site where you can search by hospital, zip code, or condition.[5] It also provides a comparison between quality and price using publicly available Hospital Compare data and pairing that with the pricing information they collect. St. Luke's University Health Network in Pennsylvania built a price checker on their Web site.[6] They started small by showing the pricing for specific

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4 *Ibid.*
5 See www.mycareinsight.org.
6 See www.slhn.org/pricechecker.

procedures and their usage data shows that consumers are regularly searching this page.

Moving the needle on price transparency isn't easy, but boards and senior leaders must strongly consider—and internalize—the customer point of view. Hospitals and health systems can offer a world-class experience, but if paying for it is not simple and clear, that won't be enough. Customers want transparency all along their journey of care.

This article is a summary of our Webinar, "Price Transparency: Exploring Healthcare's Final Frontier of Consumer Disruption," presented by Ryan Donohue, Solutions Expert, Consumerism, NRC Health. View the full Webinar at www.governanceinstitute.com/webinars.

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