

Shopping for Health Care Makes “Cents” for Consumers

Estimates of the potential financial benefits to consumers as they shop for elective medical care

Historically, consumers have not had consistent access to health care price and quality information when choosing a doctor or seeking a particular treatment. Meanwhile, prices continue to rise with little or no relationship to the measureable quality of care provided. Consumers are also increasingly expected to finance larger proportions of the costs of their care. More than ever before, consumers can benefit financially from shopping for health care services. This data brief highlights the variation that exists in actual prices paid for common health care services; and illustrates how much consumers' expenditures can be impacted.

The financial benefits from shopping for health care are growing

The rise of high deductible health plans (HDHPs) and health savings accounts (HSAs) along with continued increases in health care expenditures makes it essential that consumers shop for health care. As total health care expenditures increase, so does the financial burden on consumers. Nationally, out-of-pocket medical spending for adults with employer sponsored insurance (ESI) rose 6.9% from \$662 per capita in 2012 to \$707 in 2013. This out-of-pocket spending accounted for 15.2% of the total per capita health care expenditures in 2013. Table 1 presents the national

and state per capita out-of-pocket expenditures and the percent of the total health care expenditures accounted for by out-of-pocket spending in the adult ESI population. The state level data shows the same growing financial burden on consumers as the national data. For instance, out-of-pocket spending in Colorado rose from \$715 per capita in 2012 to \$768 in 2013, a 7.4% increase. Differences observed are a function of factors such as age, health status, input prices (e.g., labor), and plan design, which were not the focus of this brief and not controlled for in the analyses.

Consumers need access to the relevant price of health care services

For insured consumers, the magnitude of potential savings may not be apparent. The actual amount paid—the price negotiated between a consumer's insurer and health care provider—is the price that is most relevant to consumers' decisions. Moreover, consumers need to know what portion of that amount they will ultimately pay. Unfortunately, the actual amounts paid are rarely available to consumers due to the many antitrust, privacy, and company confidentiality restrictions surrounding those prices. Research has shown that even actual amounts paid often vary, again with little association to measureable quality.¹

KEY FINDINGS

Consumers' out-of-pocket health care spending is rising

Per capita out-of-pocket spending for the employer sponsored insurance population rose from \$662 to \$707 in 2013.

Consumers out-of-pocket spending is affected by variations in the prices

The national average variation in commercially insured consumer out-of-pocket spending for a non-contrast MRI—hip/knee/ankle was \$342 in 2013.

For the purposes of this data brief, actual amounts paid were used to estimate the variations in actual amounts paid and the impact this variation has on consumers' prices. The analysis was performed with national data and the impact on consumers was illustrated in a select number of states. Five commonly used and elective (i.e., “shoppable”) CPT codes (Current Procedural Terminology codes) were included in the analysis (a visit to a physician, colonoscopy, cataract removal, lower leg MRI, and obstetric ultrasound). CPT codes are the standard industry codes used by health care providers to bill insurance companies. Each code is associated with a particular procedure or service. Many encounters with health care providers result in multiple codes; however, by analyzing the prices of specific codes, rather than the price of all codes occurring during an encounter, the variation in price is identified from an “apples to apples” comparison.

Consumers can save dollars when they shop for health care

For insured consumers, price variations are relevant because they can translate into larger out-of-pocket prices. The existence of variations in prices implies that some consumers are receiving care from providers who are paid higher actual amounts than others. Consumers who use these higher priced

health care providers are likely paying a higher amount out of pocket. Table 2 shows the average variation in out-of-pocket spending by procedure. In other words, Table 2 presents national and selected state level estimates of the magnitude of the potential savings consumers' could achieve if they shopped for lower priced health care providers.

The average out-of-pocket spending variation for each procedure was estimated by applying the national average out-of-pocket price percentage for each code to the amount of price variation for the same code nationally or within a state. Next, the average percentage of consumer out-of-pocket prices was calculated for each code from the national data. Finally, the consumer price variation was multiplied by the out-of-pocket percentage to produce estimates of consumer out-of-pocket price variations. Because consumers' out-of-pocket expenditures are a function of where they are in their deductible, their coinsurance, and their co-pays consumers' experiences will vary. For example, the national price variation for cataract removal was \$2,242; the average out-of-pocket percentage for cataract extraction was 20% of the actual amount paid. Thus, the national average variation in consumer out-of-pocket spending for the procedure was estimated to be \$444.

For a physician visit the possible savings is minimal relative to other procedures but not trivial. For other procedures such as cataract removal or an MRI, the possible savings could be a substantial benefit to many household incomes. For example, the median U.S. household income in 2013 was \$52,250 per year or approximately \$4,354 per month.² The estimate of national variation in out-of-pocket MRI prices (\$342) was over 7.8%

of the monthly median household income in 2013.

Some may interpret the out-of-pocket variations as discouraging, but the results demonstrate that there are real opportunities for consumers to save on health care spending. Fortunately, new resources, including the forthcoming HCCI transparency initiative, are making it possible for consumers to find the information they need to begin shopping for health care. Hopefully, with reliable price and quality information, consumers will be able to make better decisions and save money.

Data and Methods

HCCI's data set includes de-identified, HIPPA compliant health insurance claims from multiple national health insurers, representing over 50 million covered lives. The data include information on the actual amounts paid to providers for services. The data used to calculate price variations and procedure specific average out-of-pocket prices included both individual insurance and ESI claims for all ages from the 2013 HCCI claims data. The per capita out-of-pocket adult ESI medical spending and share of total per capita ESI spending was calculated using the same data and methodology as the *2013 Health Care Cost and Utilization Report* and accompanying Issue Brief.³

Price variation, at the national and state level, was calculated for a claim line as the difference between the 75th and 25th percentiles of actual amounts paid (i.e., the interquartile range) for CPT codes: 99203, 45378, 66984, 73721, and 76805. These codes were chosen because they are common among the commercially insured population and generally consumers have some discretion about when and where to receive these services. For the surgical

(45378 and 66984) and radiology codes (73721 and 76805), both the physician and facility price component was included. State level estimates were reported for states with a sufficient sample size to report reliable CPT code level estimates.

The variation in out-of-pocket prices for each CPT code was also estimated for the claim line. All deductible payments plus co-insurance and co-payments associated with the CPT code claim line were divided by the actual amount paid to calculate out-of-pocket price as a percent of the total payment. The national average out-of-pocket payment percentage for each code was used to approximate the out-of-pocket spending variation using the national and state level CPT code price variations. Differences in out-of-pocket prices across claims and by procedure are the result of differing populations, utilization, and plan benefit designs.

Endnotes

1. IOM (Institute of Medicine). 2013. *Variation in health care spending: Target decision making, not geography*. DC: The National Academies Press.
2. Noss, A. September 2014. "Household Income: 2013," American Community Survey Briefs. U.S. Census Bureau.
3. HCCI (Health Care Cost Institute). October 2014. *8679 Health Care Cost and Utilization Report Analytic Methodology v.3.3*, DC: HCCI. Web.; HCCI (Health Care Cost Institute). October 2014. *2013 Health Care Cost and Utilization Report*. DC: HCCI. Web.

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Table 1: 2013 ESI per capita out-of-pocket (OOP) spending

	2012 per capita OOP spending	2013 per capita OOP spending	2012 OOP spending as a percent of total spending	2013 OOP spending as a percent of total spending	2012 per capita OOP spending	2013 per capita OOP spending	2012 OOP spending as a percent of total spending	2013 OOP spending as a percent of total spending
U.S.	\$662	\$707	14.8%	15.2%	\$759	\$843	17.8%	19.1%
AK	\$1,068	\$1,106	15.3%	15.3%	\$726	\$757	16.2%	15.8%
AL	\$727	\$782	17.9%	19.4%	\$711	\$757	15.6%	16.0%
AR	\$649	\$679	18.6%	18.8%	\$682	\$743	16.4%	16.8%
AZ	\$649	\$697	15.5%	16.1%	\$754	\$804	16.3%	15.9%
CA	\$571	\$583	13.2%	13.3%	\$715	\$771	13.2%	13.9%
CO	\$715	\$768	15.8%	16.4%	\$630	\$685	12.6%	13.0%
CT	\$665	\$718	14.0%	14.2%	\$686	\$714	15.1%	15.3%
DC	\$462	\$483	13.0%	12.9%	\$653	\$707	15.9%	17.0%
DE	\$582	\$638	12.1%	12.7%	\$582	\$634	13.3%	13.6%
FL	\$701	\$756	15.5%	16.0%	\$675	\$715	14.9%	15.1%
GA	\$769	\$841	16.8%	17.6%	\$757	\$802	17.5%	17.6%
HI	\$356	\$337	13.8%	10.9%	\$657	\$714	15.6%	15.8%
IA	\$650	\$706	15.8%	16.5%	\$555	\$603	13.0%	13.6%
ID	\$780	\$808	15.1%	15.9%	\$478	\$500	10.4%	10.8%
IL	\$666	\$704	14.8%	15.1%	\$790	\$830	14.9%	14.8%
IN	\$758	\$803	15.1%	15.2%	\$871	\$913	15.9%	15.0%
KS	\$715	\$735	17.8%	17.5%	\$699	\$763	16.6%	17.8%
KY	\$632	\$685	13.8%	14.2%	\$778	\$836	15.9%	16.4%
LA	\$741	\$784	16.6%	16.9%	\$706	\$752	18.6%	18.9%
MA	\$556	\$613	13.5%	14.5%	\$562	\$616	12.7%	13.8%
MD	\$492	\$532	12.6%	13.3%	\$722	\$781	15.2%	15.4%
ME	\$780	\$786	16.8%	15.8%	\$670	\$701	15.2%	15.5%
MI	\$644	\$685	15.5%	16.0%	\$787	\$828	14.8%	15.1%
MN	\$717	\$762	14.9%	15.0%	\$646	\$724	11.9%	12.8%
MO	\$661	\$704	16.7%	17.1%	\$818	\$912	13.5%	13.7%

Source: HCCL, 2015.
 Notes: Data includes medical spending in the 19 to 64 year old population covered by ESI. Actuarial completion was performed on the data. All dollars were calculated from allowed amounts. Values are rounded to the nearest dollar.

Table 2: Average variation in consumer out-of-pocket prices for common health care procedures in 2013

	Office visit for evaluation of new patient	Colonoscopy	Cataract removal	Non-contrast MRI - hip/knee/ankle	Obstetrical ultrasound
U.S.	\$19	\$130	\$444	\$342	\$72
AZ	\$10	\$81	\$42	\$85	\$26
CO	\$12	\$83	\$239	\$231	\$54
FL	\$15	\$67	\$148	\$89	\$51
GA	\$17	\$133	\$490	\$214	\$43
MD	\$13	\$24	\$98	\$64	\$49
NJ	\$20	\$103	\$137	\$214	\$97
OH	\$14	\$124	\$386	\$414	\$38
TX	\$16	\$117	\$458	\$416	\$45
WI	\$35	\$214	\$989	\$476	\$160

Source: HCCI, 2015.

Notes: Data represents all ages of individuals covered by individual and ESI plans in 2013. Actuarial completion was performed. Values are rounded to the nearest dollar. The values reported in the table are variations measured as the interquartile range calculated nationally or within a state. The analysis was not designed to compare the results across states. Comparing variations across states without information about the underlying price levels could lead to inaccurate or misleading conclusions. Individual consumers' out-of-pocket payment experiences may vary and some plans may cover 100% of certain services as "preventive care."