



Rethinking Consumerism: Evidence and Limits

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The Rise of “Consumerism”

- Increasing use of high-deductible health plans (HDHPs)
 - Workers enrolled in some type of HDHP plan (source: KFF)
 - 2006: 4%; 2015: 24%
- Popular notion that consumers should have “skin in the game”
- Buying “value” – consumers should consider both price and quality information in health care decisions
- Belief that consumerism and price/quality transparency – will spur system reform

Shopping in Health Care

- Motivation: research on consumerism and “shopping” by Chapin White and co-authors
 - Price transparency efforts could save \$100 billion over a decade, \$18 billion of this from consumer shopping
 - 1/3 of total health care spending in a given year is shoppable
- HCCI has been looking at “skin in the game”
 - Out-of-pocket public reporting
 - Shoppable services
- Ability to look at the question with a national dataset

What Is the Average Person Paying Out-of-Pocket?

Service Category	Per Capita Out-of-Pocket Spending in 2010	Per Capita Out-of-Pocket Spending in 2014	Average Annual Change in OOP Spending Growth 2010-2014
Acute Inpatient	\$43	\$50	4.2%
Outpatient Visits	\$98	\$137	8.7%
Outpatient-Other	\$68	\$92	7.8%
Professional Services	\$299	\$366	5.1%
Brand Prescriptions	\$101	\$67	-9.8%
Generic Prescriptions	\$91	\$98	2.0%
Total Out-of-Pocket	\$701	\$810	3.4%

Source: 2014 Health Care Cost and Utilization Report, HCCI 2015.

Spending on Shoppable Services

- We believe that the availability of price and quality information for consumers is important
- “Shoppable” services must be researchable in advance, multiple service providers need to exist in a market (competition), sufficient pricing data
- HCCI’s replication of the White and Eguchi study
 - 73 DRG-based admissions
 - 277 CPT or HCPCS codes
- Analysis suggests an upper-bound on the effect of consumerism

Can the Tail Wag the Dog?

High-Level Findings:

- At most, **43%** of the \$524.2 billion spent on health care by individuals with ESI in 2011 was spent on shoppable services
- About **15%** of total spending in 2011 was spent by consumers out-of-pocket
- **\$37.7** billion (7% of total spending) of the out-of-pocket spending in 2011 was on shoppable services

Of the Out-of-Pocket \$37.7 Billion...

- Copayments
 - Often a fixed fee for a service
 - \$8.6 billion
- Coinsurance payments
 - 27% of the out-of-pocket spending for shoppable services was for coinsurance payments
 - \$10.2 billion
- Deductible payments
 - Payments for deductibles accounted for nearly 50% of the dollars spent out of pocket on shoppable services
 - \$18.9 billion

Institutional Constraints on Consumerism

- Availability of care – are there multiple sources
- Market features
 - Insurer concentration
 - Geographic location
- Price variation
- Benefit design
 - Features of benefit designs
 - HDHPs

Patient Constraints on Consumerism

- Limited evidence most patients want to be Uber-consumers
- Shopping not always desirable
 - Integrated care
 - Relationships between patients and providers
 - 5% of patients, 50% of health care dollars
 - Prescriptions
- Many services that are hypothetically shoppable are consumed once patient is in the “system” either at a doctor’s office or a hospital/facility
- Some consumers want to consume convenience

The Effects of Consumerism

- The shift to consumerism assumes that consumers are willing to take up this responsibility
- Overall, the potential gains from the consumer price shopping aspect of price transparency efforts are modest – not to say that overall effect is not substantial
- Efforts at reform should focus on
 - Providers
 - Payers
 - Employers
 - Other stakeholders