

Seeing Is Believing: Toward Transparency in Health Care

Seeing is believing. Transparency is important to creating sustainable health systems, according to nearly 700 global health, business, and government leaders surveyed for *HealthCast 2020: Creating a Sustainable Future*.¹ During 2005, PricewaterhouseCoopers (PwC) interviewed 700 health and business leaders in 27 countries about their health systems. Although no one country has all of the answers, solutions to local problems can be found throughout the globe. Creating a sustainable strategy for the future depends on the ability of organizations to learn and customize workable solutions within a societal context. The following are transferable lessons that can help to create systems that are built to last.

When asked “How would you rate ‘transparency of quality and pricing information’ on its importance to a sustainable health system?” half of all respondents said 5 out of 5 and another 35%, 4 out of 5 (Table 1).

Yet, achieving transparency is a problematic journey. One feature of a sustainable health system, according to *HealthCast 2020*, is the quest for common ground, a desire by cross-sector leaders to work together on common problems. Transparency is a common problem that requires a cross-sector solution. However, the ability to achieve common ground is increasingly affected by new tides of information flowing into the market.

As transparency starts to define business relationships in health, it’s important to understand the expectations of all stakeholders. To

clarify those expectations, PricewaterhouseCoopers asked a group of thought leaders, known as PricewaterhouseCoopers’ Montage Group, that convenes twice a year in a cross-sector industry summit. The group’s members, who represent some of the nation’s largest employers, health systems, health plans, and pharmaceutical companies, believe that such collaboration can increase the chances of sustaining the US health system.

Key Findings

Physicians, payers, hospitals, employers, government, and patient advocacy organizations support transparency but often disagree on the details of how data are collected and disseminated.

Health industry leaders believe a transparent health community

should have the following goals as a framework:

- Information about cost and quality that is trusted by stakeholders
- Incentives for patients, providers, and payers that improve the efficiency and effectiveness of care
- Connectivity to disseminate information through interoperable health information systems

Lessons from the federal government’s efforts to encourage adoption of health information technology (HIT) systems can be applied to transparency:

- Communicate in a common language that consumers understand.
- Focus on a minimum number of important initiatives.
- Adopt incentives that drive patient behavior.

Business leaders outside of the

Table 1. Importance of Transparency¹

How would you rate “transparency of quality and pricing information” on its importance to a sustainable health system?”

| | |
|--------------------|-----|
| 1 (Not important) | 1% |
| 2 | 2% |
| 3 | 12% |
| 4 | 35% |
| 5 (Very important) | 50% |

Exhibit 1: The Needs and Challenges of Stakeholders in a Transparent Healthcare Community

| Stakeholder | What They Need | Challenges |
|--------------------------|--|---|
| Providers | <ul style="list-style-type: none"> • Standard metrics for assessing quality • Performance-based payments • Reduced administrative paperwork • More information about the benefits of drugs | <ul style="list-style-type: none"> • Unfair quality measures • Loss of patient–physician confidentiality • Reductions in payments • Increased uncompensated care • Additional regulations and paperwork requirements |
| Consumers | <ul style="list-style-type: none"> • Cost of an episode of care • Access to provider quality-of-care information • Quality data summarized in layman's terms • Secure medical records • Cost of medications • Personalized medicine • Risk and benefits of treatments | <ul style="list-style-type: none"> • Inappropriate disclosure of personal information • Unaffordable medical care • Complicated medical information • Complicated explanation of benefits (EOBs) |
| Payers | <ul style="list-style-type: none"> • Standard metrics for assessing provider quality • Patient compliance data • Increased consumer involvement in care decisions • Reduction in inappropriate medical services • Information on overall cost of treatment • Provider capacity information | <ul style="list-style-type: none"> • Disclosure of proprietary discounts • Lack of trust from providers and consumers |
| Pharmaceutical Companies | <ul style="list-style-type: none"> • Patient compliance data • Adverse event reporting • Clinical trends that may impact product use | <ul style="list-style-type: none"> • Increased regulations • Increased costs to bring a drug to market |
| Employers | <ul style="list-style-type: none"> • Metrics for assessing provider quality • Range of medical services available • Patient compliance data • Health needs and goals of employees • Risks and benefits of specific drugs • Employee participation in wellness programs | <ul style="list-style-type: none"> • Continuing cost increases in providing healthcare benefits |

healthcare industry say that transparency is important to drive competition and value and foster innovation.

Government and Private Industry

Both government and private industry advocate transparency in the health industry. Legislation has been proposed or passed in 30 states affecting disclosure, transparency, reporting, and/or publication of treatment and pharmaceutical charges and fees. Private insurance companies and hospital systems are increasingly publishing cost and quality information online.² Hospitals are providing patients with estimated average

charges of commonly performed procedures and charity care policies. Because of the complexity of the issue, the Institute of Medicine (IOM) has called for the creation of a National Quality Coordination Board to collect and report provider data and oversee the development of appropriate quality and efficiency measures.

Proponents of transparency contend that consumers will be able to make informed choices about the care they receive, providers will improve the quality of care they deliver, and insurance plans will reward quality and efficiency. A combination of these forces could produce higher quality care at less cost. However, skeptics contend

that the health market is too unique to be treated like markets for goods and services. The time and energy required to publish the usable and credible cost and quality of back surgery, for example, is simply too difficult.

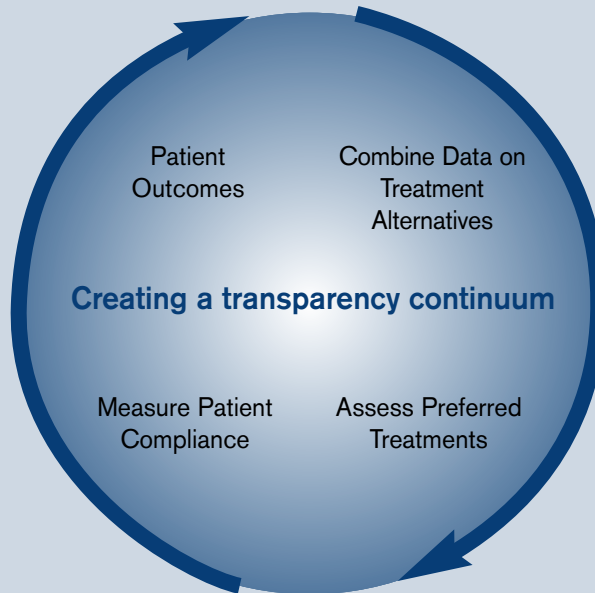
Consider health leader views on transparency's effects. In a group session in late 2006, the PwC's Montage Group examined how a transparent health community would affect their sectors. Because transparency is viewed as both positive and negative, participants were asked to voice their expectations to deliver transparency information as well as what challenges they expected. Exhibit 1 details their responses.

In summary, stakeholders saw

Exhibit 2: Creating a Transparency Continuum

Market-based information on outcomes and compliance feeds overall outcomes data

Patient compliance with treatments is combined with outcomes data



Providers and payers share similar information on cost and quality of treating a condition

Information and incentives are developed to direct providers and patients toward treatments that have best outcomes

certain commonalities that can provide a framework for a transparent community:

- Information about cost and quality that is trusted by stakeholders
 - Price information that covers the total cost of an episode of care or a given condition
 - Quality measures developed with physicians and hospitals
 - Patient compliance information to monitor outcomes
- Incentives for patients, providers, and payers that improve the efficiency and effectiveness of care
- Connectivity to disseminate information through interoperable health information systems

As shown in Exhibit 2, combining cost and quality data with incentives and patient compliance can create a self-sustaining loop.

Applying Lessons of Government

Tomorrow's health system will be far more transparent than today's

if the federal government succeeds in its push to publish more cost and quality information about doctors and hospitals. The goal, according to President Bush, is for Americans to "choose their health care based on their individual needs and preferences. Information about the range, price, and quality of available healthcare options would be readily available and easy to use."

According to David Brailer, MD, former Department of Health & Human Services national coordinator for HIT, some key lessons around encouraging HIT adoption can be applied to transparency. Brailer points to the following themes that need to be addressed to create a more transparent healthcare system.

Communicate in a common language that consumers understand. Rather than engage in tech-speak, Brailer, as a government leader, framed his public comments about the benefits of HIT in consumer-

friendly terms. By creating a common language, he increasingly tied the value of HIT to consumers. Like the adoption of HIT, transparency is not a government mandate. Government can't order transparency because it is "so complex and creates enormous challenges for many sectors; you just can't pull the chain and make transparency happen." This common language issue is accentuated by the fact that as patients become more burdened by disease, their ability to make smart consumer decisions becomes more impaired. Most of the healthcare costs are attributed to the very ill.³

Focus on a minimum number of important initiatives. A portion of the complexity and disagreement stems from how transparency is discussed and defined. Many of the government-sponsored transparency initiatives are defined in a pair-wise fashion. The problem with this approach is that what any 2 sectors might agree on re-

Exhibit 3: Effects of Transparency in Other Industries

| Sector | Benefits | Challenges |
|--------------------|--|--|
| Technology | <ul style="list-style-type: none"> • Accelerated product innovation • Improved software functionality • Increased knowledge sharing and openness among user groups • Elimination of weak players/product offerings | <ul style="list-style-type: none"> • Increased competition • Shorter shelf-life for products |
| Hospitality | <ul style="list-style-type: none"> • Ability of consumers to compare hotel rates, shop for lowest rates • Increased information about room taxes, surcharges, and other fees • Increased guest satisfaction because of fewer “surprise” fees at check-out | <ul style="list-style-type: none"> • Decision making on how much information should be disclosed to the consumer during the reservation process or at check-in |
| Financial Services | <ul style="list-style-type: none"> • Increased information about financial implications of debt and credit • Improved price-comparison shopping • More effective decision making on investments and financial obligations | <ul style="list-style-type: none"> • Difficulties in providing large quantities of data from different systems in different formats in a timely and accurate manner |
| Transportation | <ul style="list-style-type: none"> • Lower rates in the shipping and airline industries • Ability of customers to track shipments during the delivery cycle • Increased trust with customers from detailed information about the cost of services | <ul style="list-style-type: none"> • Concerns about giving away too much information that may lead to a competitive disadvantage |

garding transparency either aggravates or threatens another sector. For example, insurance plans, employers, and consumers may agree on certain quality metrics from physicians and hospitals. Yet, providers may disagree about how “quality” is defined. Or, perhaps providers and employers agree that medical information should be openly shared with each other to aid in patient compliance initiatives, but patients may feel this violates their privacy. To move beyond these collisions of interests, incentives need to be aligned and definitions standardized across stakeholder groups. To begin to make progress, Brailer suggests that the following question needs to be answered: “What is the minimum bundle of transparency initiatives that can come together and make the pain equal so that the various sectors don’t feel like they are the target?”

Adopt incentives that drive patient behavior. Because patients have

been insulated from the cost of health care for generations, a key challenge goes beyond transparency of price and quality information. Patients not only need to understand how the cost of health care is directly connected to their own behavior, but also how changing their behavior helps drive down that cost. For example, consumer-directed health plans (CDHPs)⁴ are designed to increase cost sharing that will make consumers more sensitive to the consumption of medical products and services. However, early evidence has shown that some patients have delayed or avoided getting care because of price,⁴ which may result in even higher costs.

In designing the incentives that are crucial to a transparent community, stakeholders should consider developing a therapeutic index for cost sharing around certain diseases or treatments. The clinical term, *therapeutic index* (also known as the *margin of safety*), is a comparison of the amount of a

drug that causes the therapeutic effect to the amount that causes a toxic effect. Consumer healthcare incentives have typically shown a very narrow therapeutic index; in other words, the good incentive does not outweigh the bad incentive to effectively incentivize the consumer to perform a desired behavior. In the case of CDHPs, consumers may unwisely choose to avoid or delay getting needed care because of the high deductible (bad incentive) that must be satisfied upfront before insurance will begin to pay for any medical services (good incentive).

Listen to how transparency has affected other industries. Transparency has injected increased competition and innovation in other industries. The availability of information on the Internet makes consumers and competitors more savvy. While transparency can drive innovation, it also can cause more confusion as evidenced in the hospitality industry in which

PROVIDER ACTION

Impact to You

Transparency is important to creating sustainable health systems. Tomorrow's health system will be far more transparent than today's if the federal government succeeds in its push to publish more cost and quality information about doctors and hospitals.

What You Need to Know

Creating a sustainable strategy for the future depends on the ability of organizations to learn and customize workable solutions within a societal context. This includes a movement toward transparency of quality and cost so that value can be assessed.

What You Need to Do

Practices need to prepare for increased transparency by ensuring that they are able to communicate in a common language that their patients will understand. At the beginning they should focus on a minimum number of important initiatives. These initiatives should be directed at incentives that will drive patient behavior. Lessons can be learned from how transparency has affected other industries.

charges may or may not include certain fees. In financial services, transparency enables consumers to make better or more cost-effective choices regarding their finances. Exhibit 3 is a summary of the impact of transparency in a selected group of other industries.

Recommendations

Moving toward a transparent health community requires maintaining focus on the ultimate goal. The Montage Group found that the ultimate goal is packaging information for patients around treatments for a given condition and creating information and incentives that direct providers and patients toward those treatments. Recommendations include:

- Cooperate on efforts to create interoperable networks for electronic medical records (EMRs) and clinical systems.
- Reduce administrative functions that don't add value to the transparency continuum.
- Focus on information that can be

shared without compromising competitive advantages of stakeholders. **MPM**

Reprinted with permission PricewaterhouseCoopers, Health Research Institute pwc.com/healthindustries. PricewaterhouseCoopers' Health Research Institute provides new intelligence, perspective, and analysis on trends affecting all health-related industries, including healthcare providers, pharmaceuticals, health and life sciences, and payers. The Institute helps executive decision makers and stakeholders navigate change through a process of fact-based research and collaborative exchange. The Institute is part of PricewaterhouseCoopers' larger initiative for the health-related industries that brings together expertise and allows collaboration across all sectors in the health continuum. For more information, visit www.pwc.com/hri.

References

1. PricewaterhouseCoopers. *HealthCast 2020: Creating a Sustainable Future*. Available at: www.pwc.com/extweb/pwcpubs/publications.nsf/docid/OA43A30BC3DE09B6852572C100541487. Accessed July 29, 2007.
2. National Conference of State Legislatures. State legislation relating to disclosure of hospital and health charges. July 2007. Available at: www.ncsl.org/programs/health/Transparency.htm. Accessed July 29, 2007.
3. Testimony of Sarah R. Collins, PhD, senior program officer, and Karen Davis, PhD, president, The Commonwealth Fund before the US House of Representatives Energy and Commerce Committee Subcommittee on Health. March 15, 2006.
4. Buntin MB, Damberg C, Haviland A, et al. Consumer-directed health care: early evidence about effects on cost and quality. *Health Affairs*. 2006;25(6):w516-w530.

HHS Road Tests eRX Standards

(continued from page 29)

- *Inappropriate Prescribing/Adverse Drug Events*: Data may demonstrate a potential decrease in medication errors, with many respondents indicating they overrode drug-drug interactions at least sometimes.
- *Callbacks*: Anecdotes indicate that especially in LTC, callbacks were dramatically reduced but in another pilot site's survey, no significant differences were noted.

Ultimately, the impact of eRX will depend on adoption by prescribers themselves. A copy of the full pilot project evaluation report can be accessed at: <http://healthit.ahrq.gov/erxpilots>. **MPM**

References

1. Johnston D, Pan E, Middleton B, Walker J, Bates DW. *The Value of Computerized Order Entry in Ambulatory Settings*. Boston: Center for Information Technology Leadership; 2004.
2. E-Health Initiative. *Electronic Prescribing: Toward Maximum Value and Rapid Adoption*. Washington, DC: e-Health Initiative; 2004.

We welcome your input.

Please send your **Letters to the Editor to:**
Richard Stefanacci, DO
Editor-in-Chief
Medicare Patient Management

e-mail
rstefanacci@healthcommmedia.com

fax
215-489-7007