

Seeing is believing*

A sustainable framework for achieving transparency in the health industries

PricewaterhouseCoopers' Health Research Institute
in conjunction with the Montage Group™

Introduction

Seeing is believing. Transparency is important to creating sustainable health systems, according to nearly 600 global health, business and government leaders surveyed for *HealthCast 2020: Creating a Sustainable Future*.¹

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%

Source: *HealthCast 2020: Creating a Sustainable Future*, PricewaterhouseCoopers’ Health Research Institute

Yet, achieving transparency is a problematic journey. Looking again to PricewaterhouseCoopers’ global research report, *HealthCast 2020*, one feature of a sustainable health system 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 looked to a group of thought leaders that it convenes twice a year in a cross-sector industry summit. This cross-sector collaborative is known as PricewaterhouseCoopers’ Montage Group. 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 U.S. health system.

The purpose of this report is to provide key findings from that group’s discussions, which included input from leaders both inside and outside of the health industry.

Executive summary and key findings

Physicians, payers, hospitals, employers, government and patient advocacy organizations all have chimed in expressing support for transparency. However, stakeholders often disagree on the details of how data is collected and disseminated. Infusing a flood of publicly available information on today’s \$2-trillion health marketplace will

cause disruption and unintended consequences. To prepare for the potential impact, following are key findings from discussions with health industry leaders, government, and business leaders outside of the health industries.

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 IT 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 healthcare industry say that transparency is important to:

- Driving competition and value
- Fostering innovation

Background

Government and private industry are both advocates of 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 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 other 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.

Exhibit 1: The needs and challenges of stakeholders in a transparent 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 risks and 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 EOBs (explanation of benefits)
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 info 	<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

In summary, stakeholders saw 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:

Exhibit 2: Creating a transparency continuum

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

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

Patient Outcomes

Combine Data on Treatment Alternatives

Creating a transparency continuum

Measure Patient Compliance

Assess Preferred Treatments

Patient compliance with treatments is combined with outcomes data

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

Apply lessons of government to transparency

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 healthcare 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, M.D., former HHS national coordinator for health information technology, some key lessons around encouraging health IT 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 health IT in consumer-friendly terms. By creating a common language, he increasingly tied the value of health IT to consumers. Like the adoption of health IT, 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 pairwise fashion.⁴ The problem with this approach is that what any two sectors might agree on regarding

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 healthcare for generations, a key challenge goes beyond transparency of price and quality information. Patients not only need to understand how the cost of healthcare is directly connected to their own behavior, but also how changing their behavior helps drive down that cost. For example, consumer-directed health plans (CDHP)⁵ 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 due to price⁶, 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 (good) to the amount that causes a toxic effect (bad). Consumer healthcare incentives have typically shown a very narrow therapeutic index, in other words, the "good" incentive (or therapeutic effect) does not outweigh the "bad" incentive (or toxic effect) 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 up-front 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.⁷ 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 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:

Exhibit 3

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 due to fewer “surprise” fees upon 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 upon 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 together from different systems in different formats in a timely and accurate format
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

Conclusion and recommendations

Moving toward a transparent health community requires maintaining focus on the ultimate goal. The Montage Group discussions 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.

Following are recommendations on how industry leaders can move toward a more transparency system that benefits patients:

- Cooperate on efforts to create interoperable networks for electronic medical records 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 advantage of stakeholders

Endnotes

- 1 HealthCast 2020: Creating a Sustainable Future, PwC identifies best practices and innovations from across the world that are driving the future direction of healthcare, and unveils the result of surveys and interviews with 700 health leaders in 27 countries.
- 2 National Conference of State Legislatures. State Legislation Relating to Disclosure of Hospital and Health Charges, December, 2006 www.ncsl.org/programs/health/Transparency.htm
- 3 Testimony of Sarah R. Collins, Ph.D., Senior Program Officer and Karen Davis, Ph.D., President, The Commonwealth Fund, U.S. House of Representatives Energy and Commerce Committee Subcommittee on Health, March 15, 2006
- 4 A pairwise comparison (introduced in 1927 by psychometrician L.L. Thurstone) is a divide-and-conquer problem solving method that allows one party to determine the relative order or ranking of a group of items. The method of pairwise comparison is typically used in the scientific study of preferences, attitudes and voting systems among other activities (wikipedia.org/wiki/Pairwise_comparison).
- 5 A CDHP is a high-deductible insurance plan that uses financial incentives to encourage patients to use care prudently and shop around for the best value.
- 6 “Consumer-Directed Health Care: Early Evidence About Effects On Cost And Quality”, Health Affairs, October 24, 2006
- 7 PricewaterhouseCoopers assembled an industry innovations panel to discuss the effects of transparency in other (non-healthcare) sectors. The panel included PwC partners and directors in the technology, hospitality, transportation and financial services sectors. The general conclusion from these industry experts is that increased transparency in the marketplace has benefited both the consumer as well as business.

About PricewaterhouseCoopers

PricewaterhouseCoopers Health Industries Group is one of the leading healthcare professional services organizations, providing assurance, tax, advisory and consulting services to this highly integrated sector. The firm works with organizations that represent the healthcare delivery spectrum: integrated delivery systems, hospitals, physician organizations, payer and managed care organizations, pharmaceutical and health science companies, ministries of health, government and other policymakers, professional associations, and investors. Visit PwC on the web at www.pwc.com/healthcare and www.pwc.com/pharma.

The firms of the PricewaterhouseCoopers global network (www.pwc.com) provide industry-focused assurance, tax and advisory services to build public trust and enhance value for clients and their stakeholders. More than 130,000 people in 148 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

Health Research Institute

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 that draws on a network of more than 3,000 professionals with day-to-day experience in the health industries. 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.

About the Montage Group

PricewaterhouseCoopers' Health Industries practice brings together industry leaders and other important organizations twice a year in a cross-sector dialogue on ways to create a more sustainable healthcare system. Through biannual summits facilitated by PricewaterhouseCoopers, this cross-sector group of industry leaders collaborates through idea exchange, thought leadership, and innovation. This cross-sector collaborative is called the Montage Group, a name that draws on the strength of combining disparate elements.

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