



IS HEALTH CARE SHOPPABLE?

Why This Study Is Important

Efforts to encourage patients to use better-value providers, such as higher cost sharing and price transparency, will succeed only if patients can and will shop for value. This study examines whether patients price shop when deciding which imaging providers to use for lower-limb MRIs and estimates how much money could be saved if patients shopped more. Lower-limb MRIs should be highly shoppable because the service is scheduled in advance, clinical quality does not vary meaningfully across providers, and prices are widely variable.

What This Study Found

- Patients often received their MRIs from higher-priced providers even when lower-priced options were available closer to home. On average, patients bypassed six lower-priced providers on their way to the higher-priced option.
- If patients spent no additional time traveling but selected the lowest-priced provider available, total MRI spending would be 36 percent lower. If they extended their travel time to one hour to reach the lowest-priced provider they could cut overall MRI spending by 55 percent.
- Despite significant price variation and high cost sharing for MRIs, out-of-pocket costs played only a very minor role in patient decisions about where to receive care. Less than one percent of patients used a price transparency tool to investigate MRI prices and compute their out-of-pocket costs for different providers.
- Referring physicians are the key determinant of where patients receive care, and they tend to refer their patients to a very small set of imaging providers regardless of prices charged.
- Patients of physicians in hospital-owned practices were significantly more likely to be referred to a hospital-based imaging center, where MRI prices are 2.3 times higher than in free-standing centers: \$1,474 vs. \$643.

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What These Findings Mean

- Even for a service that should be highly shoppable, patients spent considerably more than necessary by using higher-priced providers.
- Price transparency tools and cost sharing were ineffective in motivating patients to shop, while referring physicians' advice heavily influenced care location decisions.
- Rather than relying on patients to shop, a more promising approach may be to equip referring physicians with price information and give them incentives to make more cost-efficient referrals beyond the providers they are in the habit of recommending.
- The fact that hospital-owned practices refer to more costly hospital-based imaging providers also raises antitrust concerns as more and more practices convert to hospital ownership.

More About This Study

This study used 2013 claims from a national private health insurer to examine prices and use of lower-limb MRIs. An online routing application was used to identify all MRI providers within a 60-minute drive from each patient's home. Each provider's MRI price was computed as the average of its transaction prices, then this price was divided into the portions that would have been paid by the patient and the insurer. The price differences between the MRI provider actually used and the lowest-price MRI provider were what each party could have saved if the lower-priced option had been used. Alternative savings estimates were generated for provider sets located within shorter drive times. ANOVA and multivariate regressions identified factors influencing where patients receive care.

Chernew M, Cooper Z, Larsen-Hallock E, and Scott Morton F. "Are Health Care Services Shoppable? Evidence from the Consumption of Lower-Limb MRIs." *NBER Working Paper No. 24869*, July 2018.