



ISSUE DIGEST

Cost-sharing

What are the potential costs of cost sharing?

PREPARED FOR

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In this digest:

What are the potential costs of cost sharing?

- The Advisory Board's take
- Recommendations for your team
- Highlights from recent publications

Our Issue Digests cover top strategic priorities for the health plan Chief Medical Officer.

Each digest focuses on a question, opportunity, or challenge facing the health plan CMO. We summarize key insights—which may include thoughts on relevance, urgency, and value—on a particular issue, offer recommendations for your team, and provide an overview of recent publications on the topic.

A sampling of other topics covered:

- **The cost curve is bending—now what? How plan CMOs should respond to changing trends in health spend**
- **Why are providers reluctant to engage in downside risk? A comparison of findings from the top five industry surveys**
- **What role should plans serve in addressing social determinants of health to improve patient outcomes? Identifying effective programs to address patients' non-clinical needs**
- **What are the potential costs of cost-sharing? An examination of the health care affordability crisis**
- **What strategies can payers deploy to reduce pharmacy spend? Trends in specialty pharmacy utilization**

What are the potential costs of cost sharing?

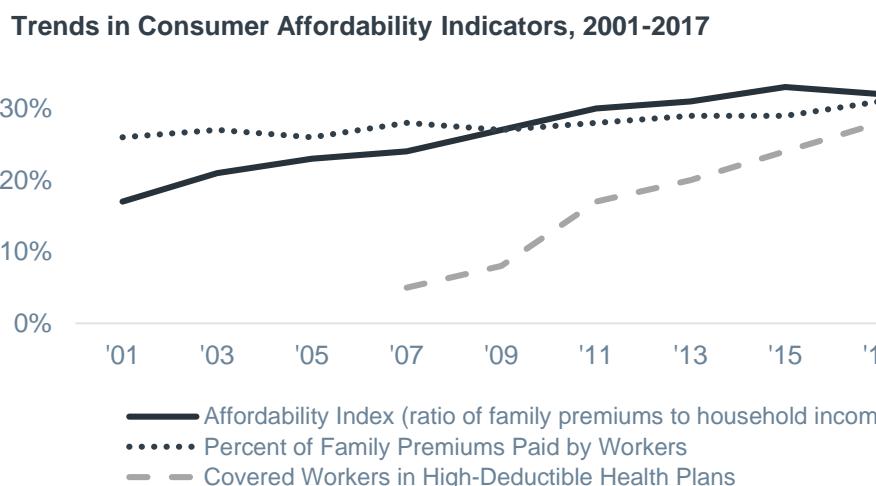
An examination of the consumer health care affordability crisis

OUR QUICK TAKE

- **Researchers have found that cost sharing is an effective mechanism for reducing medical spend by as much as 42% for consumers and about 12% for plans.** The reduction in spend is not a result of price shopping, but instead is generally achieved by patients forgoing treatment.¹ For health plan CMOs, these findings suggest that the cost savings achieved from consumer-driven health plans may be offset by decreased utilization of preventive services, and subsequently, greater reliance on acute or emergent care.
- In March 2018, an NORC survey found that 44% of patients currently report skipping treatment or medical tests due to the cost. **A third of respondents additionally report having to choose between health care and life essentials like food, heat, and housing** – costs which plans are beginning to absorb through social determinants initiatives.
- The decline in consumer capacity to manage cost sharing is further evident in a January 2018 study reporting that consumers immediately increased their total out-of-pocket health care spending by 60% in the week after receiving a tax refund. **This spending was predominantly associated with debit cards, suggesting that liquidity from the tax refund enabled the increase in health care utilization.** To manage against seasonal fluctuations in utilization, plans should identify other circumstances that offer consumers increased cash flow.
- Given the rise in affordability constraints among consumers, **health plan executives should weigh the advantages of cost-sharing benefit design against the potential negative effects of patient care avoidance.** Otherwise, health plans risk undermining cost containment efforts with higher member spend in avoidable, acute care and high variations in seasonal utilization patterns based on variable patient cash flow.

DATA SNAPSHOT

Investments in social determinants are climbing, but evidence of ROI varies:



Over the past two decades, the Affordability Index comparing family health care premiums to household income has nearly doubled to 32%.

The decline in consumer affordability is most likely attributable to the steep rise in high-deductible health plans, rather than worker contributions to family premiums, which have remained stable.

1. NBER, 2015.

2. The Affordability Index is defined as the ratio of the mean cost of an employer-sponsored family plan's health insurance premiums divided by the median household income. Average cost of an employer-sponsored family health insurance policy is based on the 2017 Kaiser Family Foundation Employer Health Benefits Survey. Median household income is based on U.S. Census Bureau Historical Income Tables.

3. Percentage of covered workers enrolled in an HDHP/HRA or HSA-Qualified HDHP is from the 2018 Kaiser Family Foundation Employer Health Benefits Survey. Sources: Brot-Goldberg ZC, et al, "What Does a Deductible Do? The Impact of Cost-Sharing on Health Care Prices, Quantities, and Spending Dynamics" NBER, Oct 2015; "Issue Brief: Americans' Views of Healthcare Costs, Coverage, and Policy," NORC and West Health Institute, March 2018, Emanuel E, Glickman A & Johnson D, "Measuring the Burden of Health Care Costs on US Families: The Affordability Index," JAMA, Nov 2017, 318(19):1863-1864;

Source: Chief Medical Officer Roundtable research and analysis.

Recommendations for your team

DISCUSSION QUESTIONS

Targeted questions to bring to your next team meeting

- How can we calculate the financial impact of care avoidance or non-adherence among our members?
- How are we designing initiatives that improve affordability of medical care with new programs targeting social determinants of health?
- How can we more effectively partner with providers to minimize the impact of consumer non-payment on hospital margins?

SURVEY DATA

A look into Advisory Board's 2018 Consumer Financial Experience Survey

1,000 patients who had a non-emergency surgery in the past 18 months

Consumers lack clarity on care costs

90% Consumers who say knowing the **entire bill amount before receiving care** is very important

58% Consumers who **asked their physician about price** before getting non-emergent surgery

43% Consumers who **asked their insurance company about price** before getting non-emergent surgery

Ranked consumer preferences for financial support

1. Pre-service bill
2. Online price estimator
3. Financial counselor
4. Consolidated bill
5. Patient portal
6. Payment plan
7. Financial call center

RELEVANT READING

Recommended for your internal teams

- [Blog Post](#): The sacrifices cancer patients make to afford care
- [Blog Post](#): What health plan leaders really think about the future of member engagement
- [Daily Briefing](#): Why 3 American families rejected health insurance—and how they're making do for now
- [Daily Briefing](#): How SSM Health's 'Pharmacy Concierge' program helps patients afford medications

External journal articles

- Brot-Goldberg ZC, Chandra A, Handel BR & Kolstad JT, "What Does a Deductible Do? The Impact of Cost-Sharing on Health Care Prices, Quantities, and Spending Dynamics" [Working Paper] *NBER*, Oct 2015.
- Emanuel E, Glickman A & Johnson D, "Measuring the Burden of Health Care Costs on US Families: The Affordability Index," *JAMA*, Nov 2017, 318(19):1863-1864.
- Farrell D & Greig F, "Paying Out-of-Pocket: The Healthcare Spending of 2 Million U.S. Families," *JPMorgan Chase Institute*, September 2017.
- Garson A, Linder S, & Holeywell R, "The Nation's Pulse: The Texas Medical Center's Consumer & Physician Survey," *TMC Health Policy*, September 2017.

Highlights from recent publications

NORC & West Health Institute (March 2018): Americans choosing between medical care and essential needs [Learn more](#)

- **Summary of major findings:** Forty percent of survey respondents (n=1,302) report that they have skipped a recommended medical test or treatment in the last 12 months due to cost. Additionally, 30% report that they had difficulty paying for basic necessities like food, heat, and housing due to medical costs.
- **Methodology:** Survey was conducted by NORC at the University of Chicago from February 15 through February 19, 2018, using the AmeriSpeak Omnibus®, a monthly multi-client survey. Participant selection relies on a probability-based panel designed to be representative of the U.S. household population. Participants were contacted by mail, email, telephone, and face-to-face interviews, providing sample coverage of approximately 97% of the U.S. household population.
- **Limitations:** The overall margin of sampling error is +/- 3.8%. The sample excluded people with P.O. Box-only addresses, those not listed in the USPS Delivery Sequence File, and some newly constructed dwellings.

JPMorgan Chase Institute (January 2018): Deferred care contributes to highly seasonal demand [Learn more](#)

- **Summary of major findings:** The JPMorgan Chase Institute (JPMCI) analyzed data from over two million American families to measure timing of out-of-pocket expenditures following tax refund payment. They found that consumers increased out-of-pocket health care spend by 60% the week after receiving a tax refund, and continued to spend 20% more in the next 75 days. The increase is linked to debit and electronic charges (no change in credit card charges), indicating that liquidity from the refund is the primary driver of increased spending.
- **Methodology:** The analysis draws on JPMCI's "Healthcare Out-of-Pocket Spending Panel" to evaluate average out-of-pocket health care expenditures for various health care goods and services for each day in the 100 days before and after a tax refund payment between 2014 and 2016.
- **Limitations:** The analysis excluded adults ages 65 and older, given they were more likely to make payments using paper checks, which could not be categorized. The data asset includes customers who live in the 23 states in which JPMorgan has a retail branch presence.

The Commonwealth Fund (May 2018): Americans increasingly lack confidence in their ability to pay for health care [Learn more](#)

- **Summary of major findings:** As of 2018, 38% of surveyed adults said they lack confidence in their ability to afford their health care—an increase of 8% since 2015. Those with incomes less than 250% of poverty (\$30,150 for an individual) are 20% less likely to feel confident in their care affordability compared to adults with higher incomes. Adults with employer-sponsored insurance feel more assured about their health care coverage compared to those with any other coverage. Fourteen percent of adults say health care is their greatest personal financial concern, behind student loans and retirement (17%).
- **Methodology:** The Commonwealth Fund Affordable Care Act Tracking Survey was conducted by SSRS (SQL Server Reporting Services) from February 6 to March 20, 2018. The survey was done telephonically among a random, nationally representative sample of 2,403 adults, aged 19-64. The latest round of the survey was conducted between February and March of 2018 to gauge respondents' confidence in their ability to afford health care if they were to become ill.
- **Limitations:** The overall response rate was relatively low at 7.5%.

ADVISORY BOARD INSIGHTS

Cost sharing has reached a point at which it is directly counteracting access and preventive care programming, as many people admit to forgoing necessary care due to the associated costs. This can lead to unforeseen spikes in medical spend, when consumers are forced to use higher-cost sites of care in emergency situations.

This has fueled a broader industry push to shift financial risk to providers to incent cost containment

Most health plans seem to be concentrating their efforts in initiatives that screen and identify at-risk patients.

Plan CMOs should also dedicate their time and resources in endorsing programs that take the next step in effectively connecting patients to available services, and in tracking meaningful outcomes over time.

Regardless of the type of health insurance, working-age adults remain uncertain about their ability to pay for the care they need. This is especially persistent in certain subsets of the population, such as women, younger adults, those with lower incomes, and those with poor health.

Plans should focus efforts on targeting outreach and support in affordability initiatives to the most vulnerable populations.



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