A photograph of a female doctor in a white lab coat with a stethoscope around her neck, and a male patient in a light blue button-down shirt. They are both looking down at a black clipboard held by the doctor. The background is a blurred clinical setting. The entire image has a blue tint, and there is a thin yellow vertical line on the right side.

RIGHT TO SHOP
FOR PUBLIC EMPLOYEES:

How health care incentives are saving money in kentucky

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KEY FINDINGS

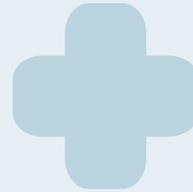
1

HEALTH CARE PRICING VARIES GREATLY, EVEN WITHIN ONE STATE, BUT HIGHER PRICES DO NOT NECESSARILY MEAN BETTER QUALITY.



2

SHARED SAVINGS INCENTIVES EMPOWER EMPLOYEES TO SPEND THEIR HEALTH CARE DOLLARS WISELY WHILE PRESERVING THEIR CHOICES OF WHICH PROVIDERS TO SEE.



3

KENTUCKY'S PRICE TRANSPARENCY TOOL FOR PUBLIC EMPLOYEES HAS SAVED STATE TAXPAYERS \$13.2 MILLION.



4

THE PRICE TRANSPARENCY TOOL HAS RESULTED IN REAL SAVINGS, WITH OVER \$1.9 MILLION IN CASH BENEFITS PAID TO PUBLIC EMPLOYEES IN THE PROGRAM'S THREE YEARS.



BOTTOM LINE:

STATES SHOULD CURB HEALTH CARE SPENDING GROWTH IN THEIR EMPLOYEE HEALTH PLANS BY INTRODUCING PRICE TRANSPARENCY TOOLS WITH DIRECT INCENTIVES TO THEIR MEMBERS.

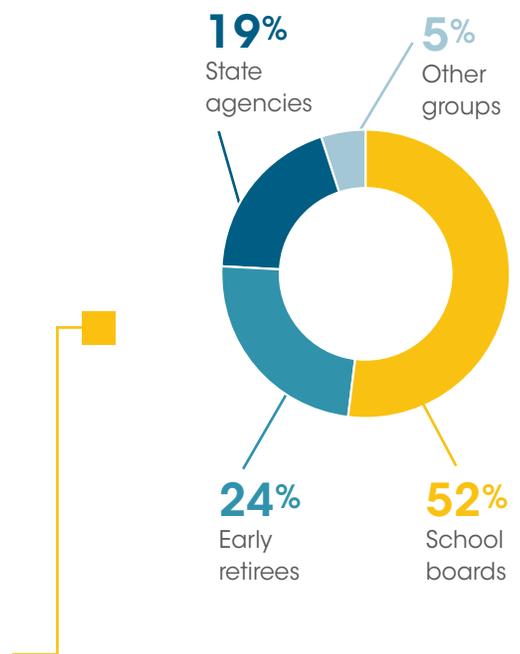
THE PROBLEM: The rising cost of coverage for state employees

Across the country, states spend in excess of \$30 billion to insure roughly 2.7 million public employee households.¹⁻² The coverage offered by state employee health plans is often generous, and uptake is high. Among state and local governments, for instance, roughly 89 percent of workers are offered health benefits, and 79 percent of these workers enroll.³ Premiums also tend to be expensive—indeed, higher than private sector premiums due to the characteristics of state employees (e.g., age, marital status, and educational attainment).⁴ These factors converge to make health benefits for public employees a costly budget item for states.

Many states have looked for ways to control costs. Various approaches have included increasing the employee contribution, rolling out wellness programs, and offering high-deductible options. Some of these approaches have helped to slow the rise in costs, but all have substantial tradeoffs, and few are actually popular among public employees.⁵⁻⁷

For the state of Kentucky, the challenges are much the same. State officials must manage the health care costs of the roughly 150,000 public employees and their family members (260,000 beneficiaries in total, including retirees) in the state employee health plan, called the Kentucky Employee Health Plan (KEHP).⁸

WHO IS COVERED BY THE KENTUCKY EMPLOYEE HEALTH PLAN?



Source: transparency.ky.gov

“
Over 70 percent of consumers use a higher-cost option for things like scans and tests when a lower-cost option is available.
”

Kentucky grapples with rising health care costs

Between 2008 and 2011, Kentucky increased the amount that state employees could contribute to their health insurance by 55 percent.⁹ However, by 2012, the average total premium for an employee and dependents was still over \$1,200 per month. To control costs, Kentucky then increased deductibles in two of their more popular plans—achieving some cost control but also increasing employee out-of-pocket costs, an unpopular move.¹⁰

Kentucky state officials searched for new approaches to keep health care costs under control while lessening the burden on state employees, a win-win for both the state and its employees.

Two factors seemed to be contributing to the problem: a lack of employee awareness about the prices of health care goods and services and a lack of employee interest and motivation to make prudent choices.

At the time, employees had neither the ability nor the incentive to shop around for the most affordable services when they needed care. Prices were not readily available for routine diagnostic imaging services such as abdominal CT scans and digital mammograms or for relatively minor procedures such as cataract surgery and corrective nasal/sinus surgery. Prices were even harder to obtain for major surgeries and procedures, such as arthroscopic knee surgery and total hip replacement.

Even within a small geographic area, the price of a procedure like an MRI can vary greatly. Without knowledge about these price variations, Kentucky health care consumers were at risk of selecting a needlessly expensive provider, hospital, or diagnostic center. According to transparency company data, it is estimated that over 70 percent of consumers use a higher-cost option for things like scans and tests when a lower-cost option is available.¹¹

PRICES FOR THE SAME SERVICE CAN VARY GREATLY IN KENTUCKY

Price variation for in-network negotiated rates for MRI services in various Kentucky markets

NUMBER OF MRI PROVIDERS	REGION	LOW	HIGH	COST DIFFERENCE
13	Frankfort	\$261	\$1,073	311%
19	Lexington	\$261	\$1,135	335%
29	Louisville	\$253	\$1,503	494%
5	Paducah	\$289	\$1,439	398%
58	Erlanger	\$401	\$3,811	850%
6	Pikeville	\$685	\$1,735	153%

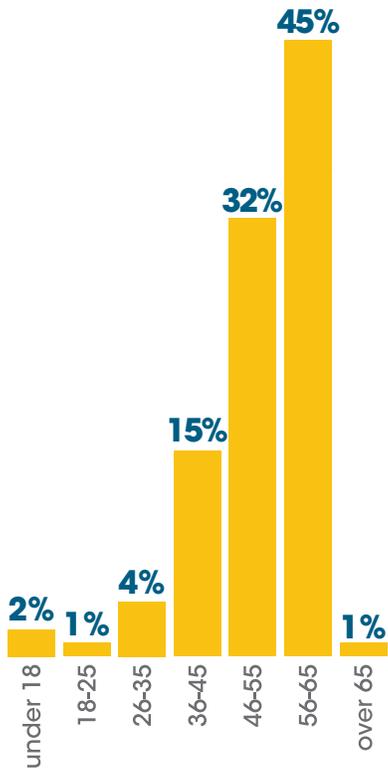
Source: Vitals

Similarly, without any incentive to shop around for the best value, Kentucky health care consumers did not have a strong reason to care whether they were using a high-cost option. From the consumer perspective, they had paid their insurance premium, some had paid their deductible, and they faced similar co-pays no matter which provider they saw. The fact that one provider might charge twice that of an equivalent provider across the street was more of a concern for the state—which was responsible for paying the claim—than the patient.

Recognizing these factors, one idea emerged as a mutually-beneficial, commonsense solution: encouraging employees to shop for the best value by offering price transparency tools and shared-savings incentives.

“ One idea emerged as a mutually-beneficial, commonsense solution: encouraging employees to shop for the best value by offering price transparency tools and shared-savings incentives. ”

DISTRIBUTION OF EMPLOYEES ENROLLED IN KENTUCKY'S SHOPPING PROGRAM AS OF 2018, BY AGE



Source: Kentucky Department of Employee Insurance, 2018

Bringing shopping options to Kentucky public employees

In 2013 and 2014, as Kentucky prepared to launch their new incentive program, state officials formed a cost reduction strategy around the idea of educating members about health care costs. The state ultimately selected Vitals SmartShopper, a technology-enabled third-party service, to empower KEHP members with the ability to shop for health care and keep part of the savings.

The implementation of the Vitals SmartShopper program began as a pilot for state employees in 2013 and was expanded to the full population after proving successful. With no new complicated back-end information technology for the state to adopt, implementation of the program went smoothly.

After the program was implemented on January 1, 2015, the focus for KEHP turned from program setup to program promotion, enrollment, and optimization.

Information about the program was disseminated via announcements and printed materials, as well as by state officials and KEHP staff who visited work sites. Kentucky Department of Employee Insurance Commissioner Jenny Goins, for example, visited road crews and other groups of public employees to encourage them to sign up for the program.¹² KEHP also worked with the state wellness vendor and other administrative departments to encourage participation—in 2018, KEHP offered a \$15 registration reward in the form of a Visa gift card to the first 1,000 people to sign up. Within 24 hours of the program going live, every gift card had been claimed.

Three years in, participation in the program is growing. Employees across all age groups have enrolled, with individuals in the 56 to 65 year old age category comprising the largest user group, demonstrating that the program is not just an offering for younger, tech-savvy employees.

WHAT IT TAKES TO SET UP A SHARED-SAVINGS PROGRAM

▶ **Transparency Vendor**

- Implement and administer website and technology
- Run call center
- Partner in education and engagement
- Administer shopping
- Issue reward checks
- Issue tax forms
- Get users registered

▶ **Insurer**

- Provide eligibility data
- Provide claims data

▶ **Public Department/Agency**

- Procure service
- Partner in education and communication
- Get users activated

“States need to be innovative. Price transparency and shopping tools might sound like they are too good to be true, but they aren’t. Transparency works because this program uses incentives, and Kentucky members like incentives. It’s money in their pocket.”

*Jenny Goins,
Commissioner,
Department
of Employee
Insurance*



“
Kentucky’s
experience
has shown that
empowering
patients
with a price
transparency
tool results
in taxpayer
savings and
direct savings
and incentives
to members
without
sacrificing
quality.”

”

Five lessons learned from kentucky’s incentive program

The Vitals SmartShopper program empowers Kentucky public employees to shop for health care services by sharing price information and rewarding them with cash payments when they choose a low-cost provider. All public employees and retirees who are eligible for insurance coverage are eligible to use SmartShopper.

Under the shopper program, incentive rewards differ across services. Incentives generally range from \$25 to \$500 based on the cost and the savings potential of the service. Employees can go to the lowest cost provider and receive the maximum incentive for a given service, or in many cases they can also go to the second or third most cost-effective provider and still receive a (slightly lower) incentive. For instance, the predetermined incentive for choosing the most cost-effective MRI provider for an abdominal MRI is \$150, \$75 for the second most cost-effective provider, and \$50 for the third most cost-effective provider. Kentucky’s experience has shown that empowering patients with a price transparency tool results in taxpayer savings and direct savings and incentives to members without sacrificing quality.

MORE THAN \$13 MILLION IN SAVINGS AND NEARLY \$2 MILLION IN INCENTIVES, AND COUNTING

According to data from the state through mid-2018, Vitals Smartshopper has saved state taxpayers a total of \$13.2 million in health care costs.¹³ Over 19,000 incentives have been paid to members for a total of \$1,919,460 back into the pockets of public employees.¹⁴ The average savings to the state per claim that was “shopped” is \$546.¹⁵ Kentucky’s program is experiencing a return on investment of 2.7:1 overall, with a target for 2018 of 3:1.¹⁶ According to Vitals, as additional services are added such as lab, physical therapy, and infusion, ROI will continue to grow.



HOW DOES **SHOPPING FOR HEALTH CARE** WORK?

1

An employee visits her doctor, and the doctor recommends a specific test, screening, or procedure.

2

The employees uses the SmartShopper website or calls Vitals to find out which providers offer that service at the best price, and what the reward is for using a low-cost option for that screening, test, or procedure.

3

The employee chooses the provider she would like to visit, and if she chooses a cost-effective location, she will receive a reward check in the mail within 45-60 days of her claim being paid.



**42% OF SHOPPERS
LOOKED UP
INFORMATION
ON PRICES AND
REWARDS**



**57% OF SHOPPERS
CHOSE A MORE
COST-EFFECTIVE
PROVIDER**

KENTUCKY PUBLIC EMPLOYEES ARE SHOPPING

The shopper program has been popular among public employees. Through mid-2018, about 42 percent of eligible households used the program to look up information about prices and rewards, and 57 percent of those employees actively chose a more cost-effective provider. So far, the program has spread more rapidly among female employees, with 81 percent of shoppers being female. These overall levels of interest are consistent with public polling that has shown that more than eight out of 10 voters want the right to know the cost of non-emergency procedures ahead of time, and that about seven out of 10 support the idea of rewarding patients directly when they shop to save money.¹⁷

There are several reasons member engagement has been so strong. Program implementers devoted adequate attention and energy to three key areas: 1) spreading the word about the program so that awareness was high, 2) getting people to register for the program so that there were not any barriers or delays later on when they needed to shop for care, and 3) reminding people to use the program when they need to shop for care (for instance, by automatically mailing postcards to members when members miss an opportunity to earn an incentive).

KENTUCKY PUBLIC EMPLOYEES ARE SHOPPING FOR DIFFERENT SERVICES AND PROCEDURES

KEHP has found that of all the procedures and services currently eligible for shared savings, routine screenings and diagnostic imaging are the most commonly shopped services. The top five most frequently shopped services are: 1) Mammogram, 2) MRI, 3) Colonoscopy, 4) CT Scan, and 5) Ultrasound. As the list of services expands over time, the shopping program will also potentially help lower out-of-pocket costs for employees with chronic health conditions.

SHOPPABLE PROCEDURES AND REWARDS FOR KENTUCKY STATE EMPLOYEES

SHOPPABLE PROCEDURES	PATIENT REWARD
Bronchoscopy	\$200
Colonoscopy	\$150
CT Scan Chest	\$150
Eye Surgery – Cataract Removal	\$150
Hip Replacement	\$500
Mammogram	\$25
MRI Lower Limb	\$150
Shoulder Rotator Cuff Repair	\$250
Ultrasound of Head and Neck	\$50

Source: Vitals, incentive based on using the most cost-effective provider

As expected, the services that generate the largest savings per case are not necessarily the same services that account for the greatest overall savings. According to data through May 2018, the top procedure in terms of savings per case was bladder repair surgery, and the top procedure in terms of cumulative savings were MRIs.

Most KEHP employees have an opportunity to pick a more cost-effective choice and receive an incentive. According to Vitals, 85 percent of KEHP members do not already go to low-cost providers. Moreover, the lower-cost options that the program helps to identify do not require a great amount of travel. The average distance that enrollees drive to save money is only eight miles.

TOP FIVE PROCEDURES

GREATEST SAVINGS PER CASE

\$13,780

Bladder repair/sling

\$13,510

Bunionectomy

\$12,891

Knee replacement

\$7,802

Bronchoscopy

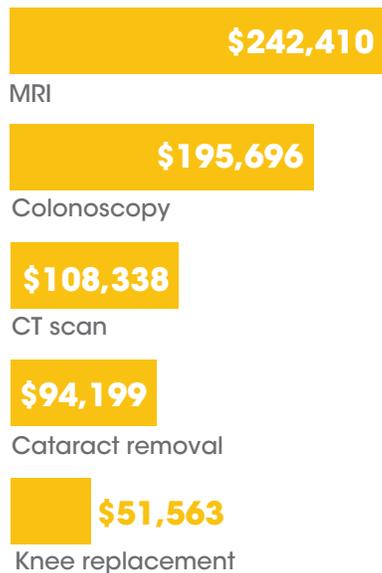
\$6,779

Hysteroscopy

Source: Kentucky Department of Employee Insurance

TOP FIVE PROCEDURES

GREATEST CUMULATIVE SAVINGS



Source: Kentucky Department of Employee Insurance

KENTUCKIANS ARE NOT OVERUSING SERVICES OR SACRIFICING QUALITY

Skeptics expressed concerns that shopping incentives will lead to lower-quality care. However, the Kentucky experience reveals no evidence to suggest that consumers are sacrificing quality of care in order to save money. In fact, the opposite is true as patients are now making decisions based on location, cost, and quality for the first time.

Patients who shop around do not always choose the lowest cost option—many still choose a costlier procedure and forgo the cash incentive. In these cases, shoppers are freely expressing their preference, which could be based on an opinion they have about quality or other factors such as convenience and location.

Some have also speculated that shared savings will lead to overutilization. The experience at KEHP and at other clients of Vitals SmartShopper show that this fear is unfounded. According to Vitals, KEHP has not experienced any unwarranted utilization spikes from people seeking care just to receive a cash reward. The one area in which Vitals has seen a slight increase in utilization is in recommended preventive services such as mammograms and colonoscopies, which most clinicians and observers would agree is a good thing and could eventually lower health care costs over the long run. In fact, outreach and education programs have specifically encouraged this change in patient behavior.

KENTUCKY'S SHOPPER PROGRAM COULD REDUCE THE COST OF CARE IN THE LONG TERM

Not only does the Vitals SmartShopper program yield short-term benefits, it might also lead to long-term benefits for Kentuckians in the form of lower health care prices. In response to the price transparency initiative, some hospitals and imaging centers have become aware that their prices are high and have lowered their prices to rank higher on the lists provided to shoppers. For example, one high-cost regional hospital inquired how much they would need to lower their imaging rates to be listed competitively in the shopper program. Working with the provider and the health plan, the hospital lowered their imaging rates for MRIs and CTs by roughly 30 percent to rank higher in the shopper program.¹⁸ Similarly, some providers that are already low-cost have reached out to Vitals to provide more information about additional services that they also offer at their locations at competitive prices, which can help expand the set of services eligible for incentives.

Lessons for other states

At a time when most states have shifted at least some of their health care costs back to public employees, new approaches need to be explored that empower patients to help drive costs down long-term. States should consider offering shared savings incentives for smarter health care shopping in order to control health care costs and empower patients with choices.

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”

APPENDIX 1

NOTICE USED BY THE KENTUCKY EMPLOYEE HEALTH PLAN IN THE 2014 BENEFIT SELECTION GUIDE TO COMMUNICATE TO MEMBERS ABOUT THE TRANSPARENCY SHOPPING PROGRAM.

Earn cash rewards and discounts

Two KEHP programs offer great incentives to help you engage in wellness



Introducing Compass ChoiceRewards

A free service that rewards you with a cash incentive and helps lower your out-of-pocket costs when you use more cost-effective options for certain medical procedures.

How It Works

1. As soon as your doctor recommends a medical procedure or test, contact Compass to find cost-effective, in-network facilities in your area. Be sure to call Compass at **855.869.2133** or access the website at **compasschoicerewards.com**. Have your insurance card available for verification or to log in.
2. Once you have a cost-effective location identified by Compass, call and schedule your procedure. An incentive check will be mailed to your home in 45-60 days after your procedure is complete and your claim has been received by Humana.

No hassles. No forms. No restrictions on which in-network doctors to see and completely CONFIDENTIAL. For a full list of Compass services and incentives, visit compasschoicerewards.com.



Vitality HealthyFood Program Saves You 10%

As a HumanaVitality member, you are eligible for the free Vitality HealthyFood™ program. All items you purchase at Walmart® labeled Great For You™ will earn you 5% savings on your Vitality HealthyFood Shopping Card! Savings will be applied to your Vitality HealthyFood Shopping Card within 5-7 business days to be used on future Walmart purchases. **Increase your 5% savings to 10%** when you or any HumanaVitality family members, at least 18 years of age and at Bronze Status, complete a Vitality Check® in the current program year.



Activate your Shopping Card before Dec. 31, 2013, and get \$5 pre-loaded! Sign in to HumanaVitality at LivingWell.ky.gov and complete your Health Assessment to get to Bronze Vitality Status™. Accept the “Vitality HealthyFood Terms and Conditions” to activate your Shopping Card. You should receive your card in 7-10 business days. Any member who has an activated Shopping Card before Dec. 31, 2013, will automatically receive an **extra \$5 credit** to use toward future purchases at Walmart.

How do I find Great For You items? For a listing of all qualifying Great For You items, visit LivingWell.ky.gov and select “On Healthy Foods” in the Get Discounts box or call the number on the back of your member ID card. NOTE: Sam’s Club stores and Walmart.com are excluded.

Compass SmartShopper was purchased and is now operated by Vitals SmartShopper.

APPENDIX 2

NOTICE USED BY THE KENTUCKY EMPLOYEE HEALTH PLAN IN THE 2016 BENEFIT SELECTION GUIDE TO COMMUNICATE TO MEMBERS ABOUT THE TRANSPARENCY SHOPPING PROGRAM.

Vitals SmartShopper — Transparency Vendor

How fast can you earn up to \$500?

How about 5 minutes?



vitals smartshopper™

With the fully mobile Vitals SmartShopper™, you can shop common medical services from anywhere, including your doctor's office. When you choose a cost-effective location, you earn a cash reward!

Recent program enhancements include quality information and a helpful out-of-pocket cost calculator tool.

It only takes a minute to create a new account:

1. Visit www.vitalssmartshopper.com and click on the "First Time Users" tab.
2. In the Card I.D. # prompt, enter your Anthem I.D. number exactly as it appears on your insurance card.
3. Follow the prompts to fill in the remaining requested information and click "Log in."

Congratulations! Your new account is created. Now you're ready to shop health care services and start earning cash rewards. Or register by phone at 1-855-869-2133.

Procedure	Your Reward
Colonoscopy	up to \$150
CT Scans	up to \$150
Ear, Nose & Throat	up to \$150
Gall Bladder Removal	up to \$250
Hip Replacement Surgery	up to \$500
Knee Surgery	up to \$250
Mammograms	up to \$25
MRIs	up to \$150
PET Scans	up to \$150
Ultrasounds (non-maternity)	up to \$50

This is a partial list of procedures covered. For a complete list, visit www.vitalssmartshopper.com. Dollar amounts vary depending on medical service and location.



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