Consumer Choice in Healthcare
How much is too much?
Outline

- **What consumers want**
  - *Essential versus non-essential information*
- Decision-making theory
  - Rational choice in healthcare
- Too much choice
  - Current examples
- Suggestions to improve
  - Proposed solutions
What information do consumers of health plans want?

- **Basis of our findings**
  - Survey data
  - Focus groups

- **Examples**
  - Consumer Information Project (1994)
  - Kaiser Family Foundation survey (1995)
Information that is **important to most** consumers:

- **Cost:** premiums, out-of-pocket costs
- **Benefits:** how a plan “works,” services covered
- **Access:** network, extent of consumer choice
- **Quality:** provider training, physician/patient relationship
- **Satisfaction:** peer reviews that are standardized
Consumer choice: less important

- Information that is **important to few** consumers:
  - Satisfaction ratings by independent “experts”
  - Peer reviews without some sort of standardization
  - Summary of satisfaction ratings
  - Quality of mental health and substance abuse care
  - Comparisons of convenience (eg, wait times)
Consumer choice: Considerations

Considerations

- Importance of information varies from group to group:
  - Example: Chronically ill
    - Cost, referral structure, comprehensiveness
  - Example: Low socioeconomic status
    - Cost, access
- May be differences in how a health care proxy makes choices
  - No data available
Outline

- What consumers want
  - Essential versus non-essential information
- **Decision-making theory**
  - *Rational choice in healthcare*
- Too much choice
  - Current examples
- Suggestions to improve
  - Proposed solutions
How do consumers make decisions?

- **Prevailing theory:** Humans as rational decision-makers who used fixed beliefs and preferences.

- **Reality:**
  - Preferences evolve in the process of decision-making.
    - Framing influences how information is used and thus how choices are made.
  - Humans are not rational decision-makers.
Poor health literacy

- Information is complex, difficult to understand
- >25% of adults have poor health literacy
- Almost half of adults have poor or low levels of health literacy
Consumer decision-making

- People are not good at evaluating trade-offs
  - People use cognitive shortcuts
  - Make decisions based on familiar variables
    - Sort by cost first
    - Then look at quality

- People are unable to compare variables that are not rated on the same scale
  - Cost information is in $
  - Quality information is in ?
Consumer decision-making

However, people are able to use quality data

- Studies have shown that consumers are able to use quality data in conjunction with benefits and cost information
  - Experimental environment makes choice relatively easy
  - Population had high literacy/health literacy and protected time
  - May not reflect real world performance
Outline

- What consumers want
  - Essential versus non-essential information

- Decision-making theory
  - Rational choice in healthcare

- Too much choice
  - Current examples

- Suggestions to improve
  - Proposed solutions
Too much choice?

How much is too much choice?

- Examples of current information overload
  - Medicare Part D
  - Minnesota Health Data Survey
Too much choice

Medicare Part D

- Beneficiaries first had the chance for enrollment in Medicare Part D Prescription Drug Benefit in 2005

- Reform sought to use market-based solutions
  - Consumers would choose among the plans offered in their area
  - Consumers would “vote with their feet” and select good plans
Data on several of the 33 prescription drug plans
Data on several of the 16 Medicare Advantage plans.
Too much choice

Medicare Part D

- Beneficiaries said there were too many choices
- Few enrollees (<10%) have minimized cost
- Few enrollees change plans (6-7%)
- Many could achieve considerable cost savings by changing plans during the enrollment period each year

Too much choice

Minnesota Health Data Institute
• Distributed 16-page report card with charts and graphs
  ○ Less than half of consumers found report card useful
  ○ Information overwhelming
  ○ Many expressed they would prefer to be told what to choose
Too much choice?

Comparison with employer-based insurance

- Of adults in the working age population covered through employer-based insurance
- 37% have **one** choice of plan
- Only 20% have **more than five choices**

- Our hypothetical Medicare beneficiary had 33 possible PDPs and 16 Medicare Advantage plan

Outline

- What consumers want
  - Essential versus non-essential information
- Decision-making theory
  - Rational choice in healthcare
- Too much choice
  - Current examples
- **Suggestions to improve**
  - *Proposed solutions*
Suggestions to facilitate good choices

- People can process limited amounts of data
  - Consider a maximum of 3-5 variables at once
  - Each additional variable decreases information value

- Stepwise decision-making eases the cognitive burden
  - Computer-based decision aids
  - Elicit information about preferences
    - Consumer value on access vs. cost vs. benefits
Suggestions to facilitate good choices

- **Standardize plan designs**
  - Example: standardization of Medigap plans after Omnibus Budget Reconciliation Act of 1990
    - Limited Medigap plans to 10 sets of benefits (A-J)
    - Reduction in consumer complaints/confusion
    - Possible adverse selection (into plans with drug coverage)
    - May not affect loss ratios
    - Limiting consumer choice vs. too many choices

Conclusions

- People want information on cost, access, quality, benefits, satisfaction

- Support rational decision-making
  - No more than 3-5 variables

- Standardization of benefits or plans helps consumers

- Questions?