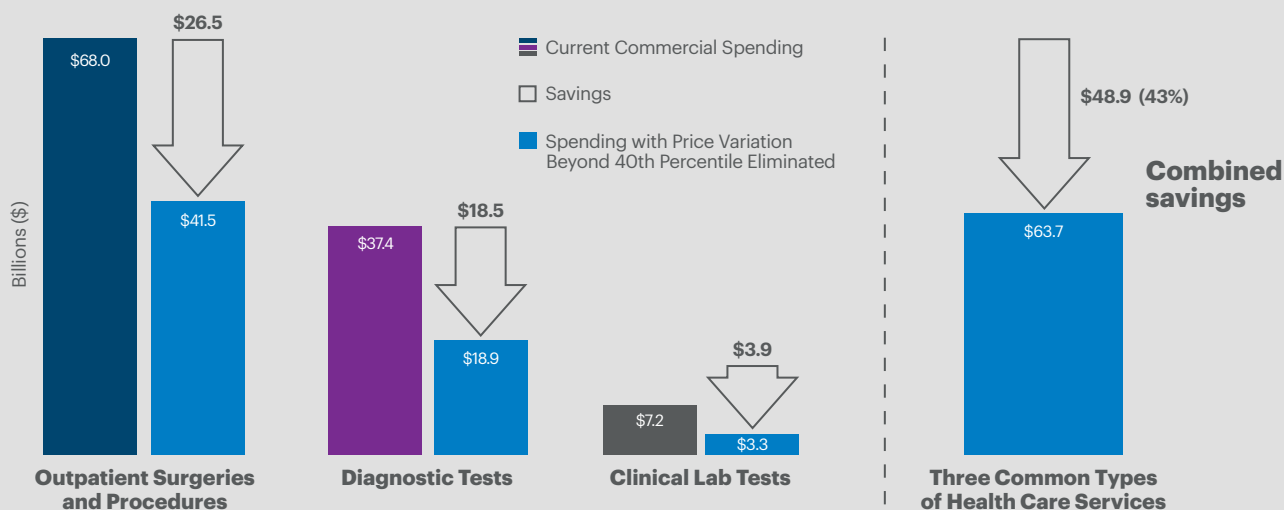


Consumers Could Save Nearly \$50 Billion a Year with Reduced Price Variation of Health Care Services

Per capita health care spending in the United States is more than double that of other industrialized countries¹ and total spending is rising and projected to reach \$6 trillion by 2027, nearly 20 percent of GDP.² High and varied health care pricing — not health care utilization — is the main driver of health care spending in the U.S.^{3,4,5,a}

Price variation leads consumers to overspend on common health care services. For example, in 2017, the price of an echocardiogram, a diagnostic ultrasound examination of the heart, varied nine-fold and the price of an ACL surgery, a common surgery on the knee, varied four-fold for commercially-insured consumers.^b Reducing higher prices to amounts already agreed to by many providers across only three common types of health care services — **diagnostic tests, outpatient surgeries and procedures, and clinical lab tests** — would achieve nearly \$50 billion (43 percent) in annual savings for commercially-insured consumers.

Savings from Reducing Price Variation Across Common Health Care Services



Why do prices of common health care services vary widely?

Commercial prices for a single health care service vary across sites of care. Typically, the price of a particular health care service will be higher in hospitals than in independent outpatient facilities and physician offices. Providers are incentivized to maximize prices and the providers with greater market power have leverage to negotiate higher prices.^{6,7} Over the years, providers that have consolidated have achieved greater market power — and therefore leverage — to further increase prices.⁸ For example, in California markets with moderate to high consolidation, average inpatient procedure prices were 79% higher and average outpatient physician prices were 35-63% higher.⁹

Neither the underlying cost nor quality of care explain significant price variation. Studies find that:

- Cost differences due to geography have only a modest impact on provider price variation.¹⁰
- Prices do not predict provider quality or patient outcomes.^{11,12,13}

a UnitedHealth Group analysis of common health care services for UnitedHealthcare members with employer coverage in 2017-2018.

b Price ranges presented are based on claims paid for UnitedHealthcare members with employer coverage in 2017. In order to exclude extreme high and low outliers, the price range spans the 10th percentile to the 90th percentile.

Price Variation of Diagnostic Tests

An analysis of seven groups of common, minimally-invasive, outpatient diagnostic tests for commercially-insured patients shows wide price variation.^c These tests include MRIs, ultrasounds, echocardiograms, and mammograms.

Prices paid by UnitedHealthcare's commercial health plans and their members for over 12.5 million diagnostic tests in the seven groups vary from three-fold to up to twenty-fold or more.^{d,e}

Examples of Price Variation Across Diagnostic Tests

Echocardiogram
(Heart Ultrasound)
\$210 to \$1,830
9X

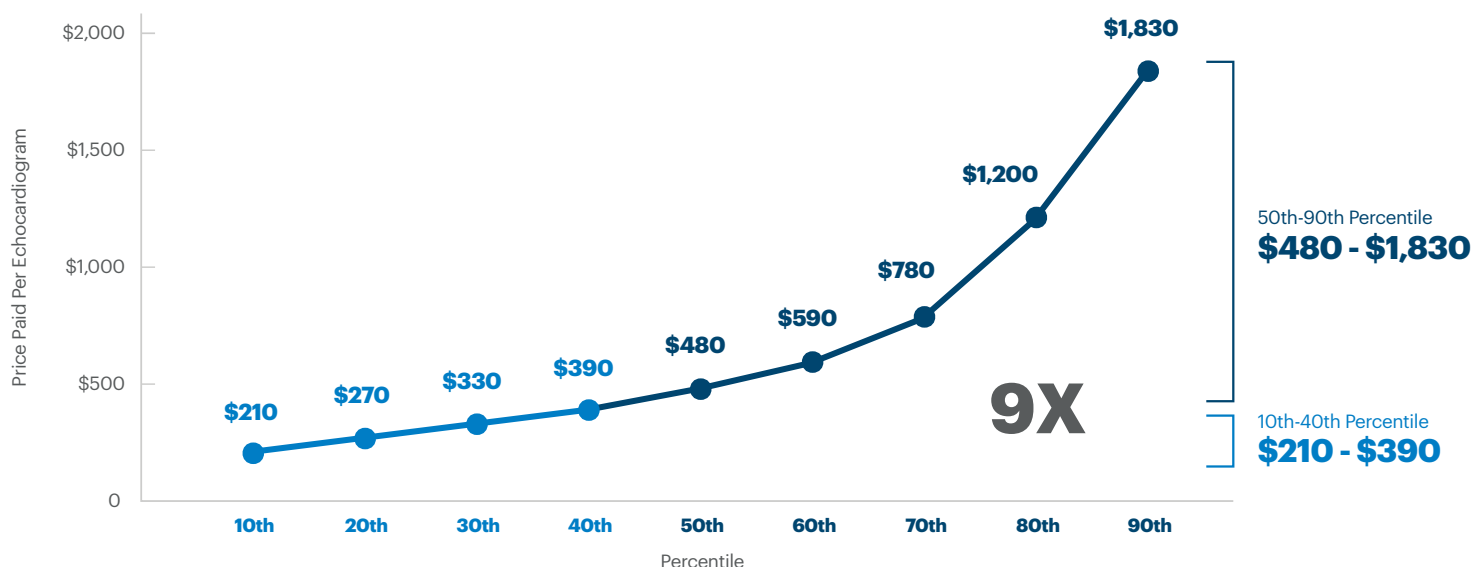
MRI of Lower
Extremity
\$330 to \$2,040
6X

CAT Scan
of Neck
\$320 to \$2,440
8X

The Imbalanced Distribution of Echocardiogram Prices

Echocardiograms Ranked by Price Paid

The imbalanced distribution of echocardiogram prices is typical of many common diagnostic tests. **While a significant number of consumers pay lower prices, over half pay considerably more for exactly the same service.**



^c The seven service groups studied are consolidated from 11 Agency for Health Care Research and Quality (AHRQ) categories: magnetic resonance imaging (MRI), computerized axial tomography (CT) scan abdomen, CT scan chest, CT scan head, other CT scan, pathology, other diagnostic ultrasound, mammography, radioisotope scan and function studies, microscopic examination (bacterial smear, culture, toxicology), and diagnostic ultrasound of heart (echocardiogram). The four AHRQ CT categories are compiled into a "CT" group, and the two AHRQ ultrasound categories are compiled into an "Ultrasound" group for a total of seven groups.

^d UnitedHealth Group analysis of outpatient events for UnitedHealthcare members with employer coverage in 2017.

^e Price ranges presented are based on claims paid for UnitedHealthcare members with employer coverage in 2017. In order to exclude extreme high and low outliers, the price range spans the 10th percentile to the 90th percentile.

Reducing price variation can decrease the total cost of health care. For example, eliminating price variation of echocardiograms above the 40th percentile (\$390) would result in \$970 million in savings.^f

Illustration of Current Echocardiogram Spending

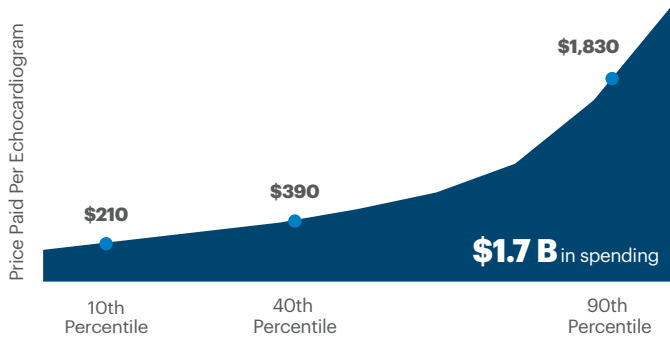
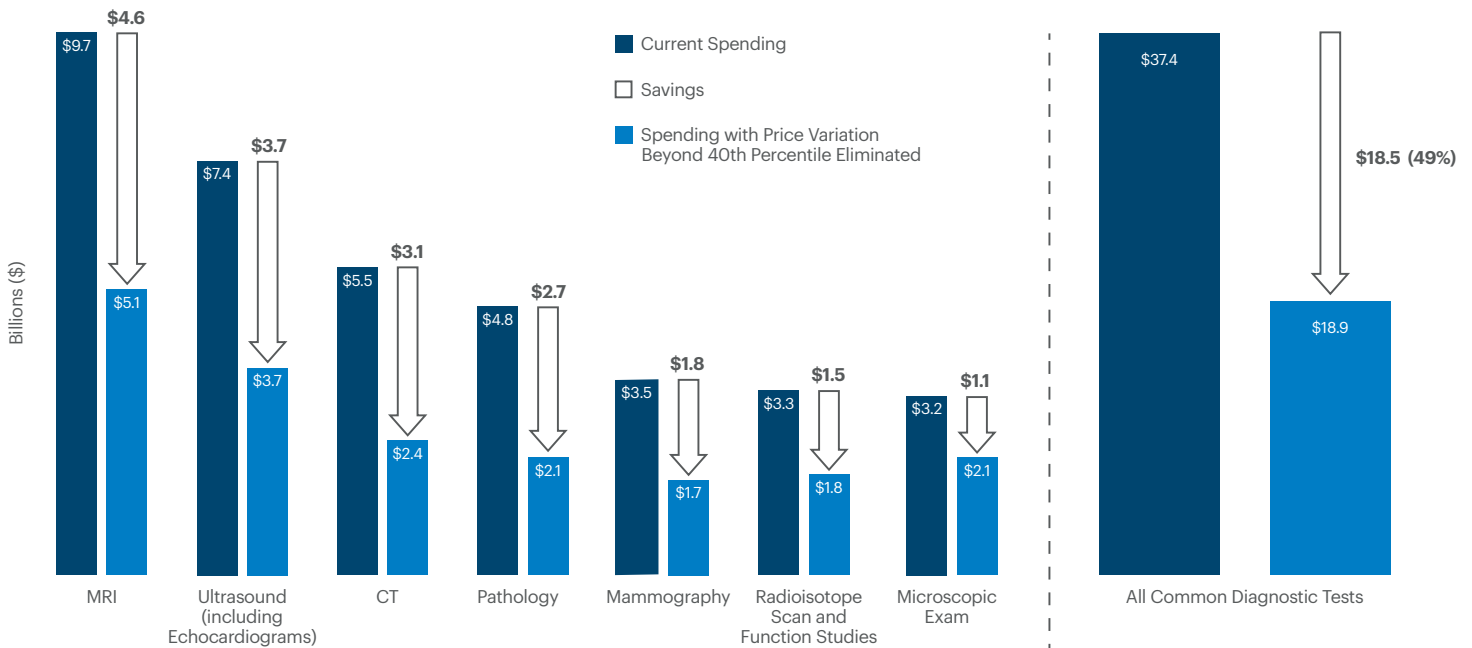


Illustration of Reduced Spending if Price Variation of Echocardiograms was Limited to the 40th Percentile



If common diagnostic tests priced above the 40th percentile were repriced to the 40th percentile, it would achieve **\$18.5 billion (49 percent)** in annual savings. By reducing price variation, many patients would pay less out-of-pocket and health insurance premiums could be lower. Below is a breakdown of the \$18.5 billion in savings for each of the seven groups of common diagnostic health tests:

Reduced Price Variation of Common Diagnostic Tests Could Save \$18.5 B



^f UnitedHealth Group analyzed prices (by allowed amounts) of diagnostic tests of UnitedHealthcare members with commercial coverage in 2017. The potential savings opportunity from pricing these common diagnostic tests at the 40th percentile of the price range was calculated for this population, and was extrapolated to the entire United States commercial population to calculate the savings opportunity associated with these services. While the 40th percentile is merely illustrative (for example, more savings would be achieved at the 33rd percentile and less savings at the 50th), it is emblematic and likely reasonable given that 40 percent of today's market volume is already at or below this price.

Price Variation of Outpatient Surgeries and Procedures

An analysis of the most common outpatient surgeries and procedures for commercially-insured patients shows wide price variation.^g These services include colonoscopy, shoulder surgery, knee surgery, hernia repair, cataract removal, and skin lesion removal. **Prices paid by UnitedHealthcare's commercial health plans and their members for over 2.8 million outpatient surgeries and procedures vary from two-fold to up to twenty-fold or more.**^{h,i}

Examples of Price Variation Across Outpatient Surgeries and Procedures

ACL Surgery
(a Common Knee Surgery)
\$6,800 to \$24,500
4X

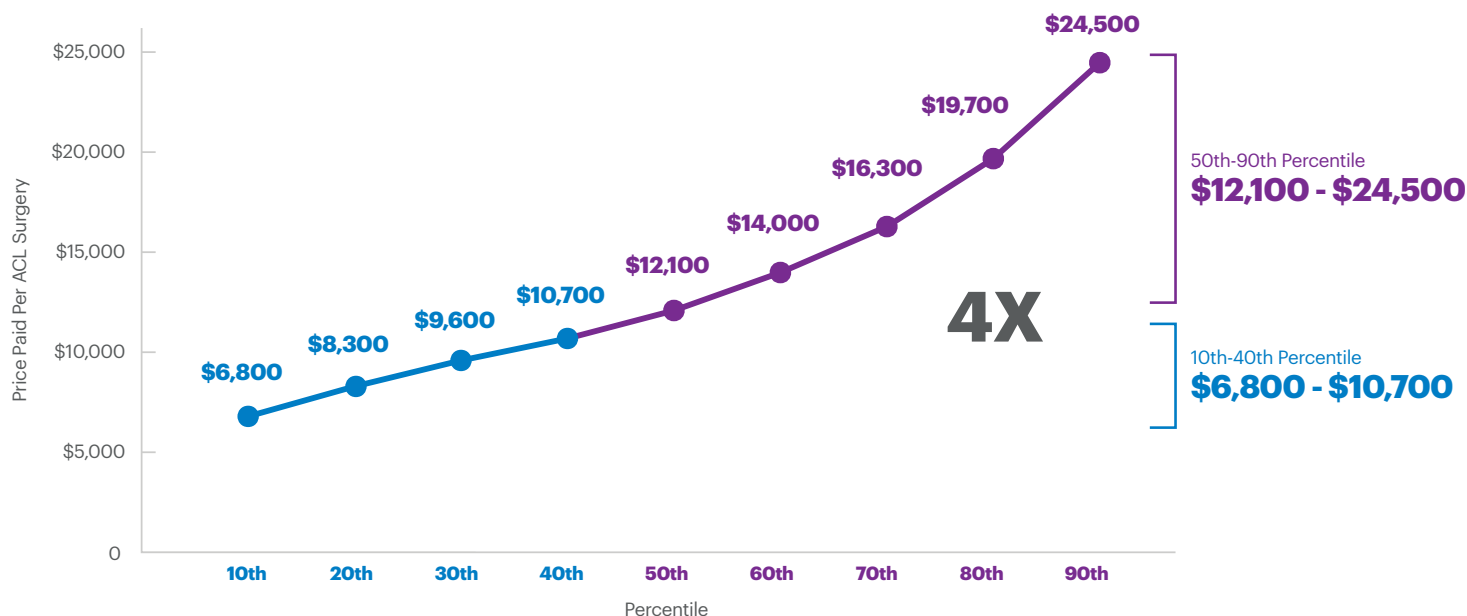
Colonoscopy
\$1,180 to \$5,490
5X

Implantation of
Cardioverter-Defibrillator
\$10,620 to \$99,950
9X

Example of the Imbalanced Distribution of ACL Surgery Prices

Surgeries Ranked by Price Paid

The imbalanced distribution of ACL surgery prices is typical of many common outpatient surgeries. **While a significant number of consumers pay lower prices, over half pay considerably more for exactly the same service.**



^g The procedures studied are included in Agency for Health Care Research and Quality (AHRQ) categories that make up the 50 highest spending outpatient surgery and procedure categories based on UnitedHealthcare claims.

^h UnitedHealth Group analysis of outpatient events for UnitedHealthcare members with employer coverage in 2017.

ⁱ Price ranges presented are based on claims paid for UnitedHealthcare members with employer coverage in 2017. In order to exclude extreme high and low outliers, the price range spans the 10th percentile to the 90th percentile.

Reducing price variation can decrease the total cost of health care. For example, eliminating price variation of ACL surgeries above the 40th percentile (\$10,700) would result in \$281.3 million in savings.^j

Illustration of Current ACL Surgery Spending

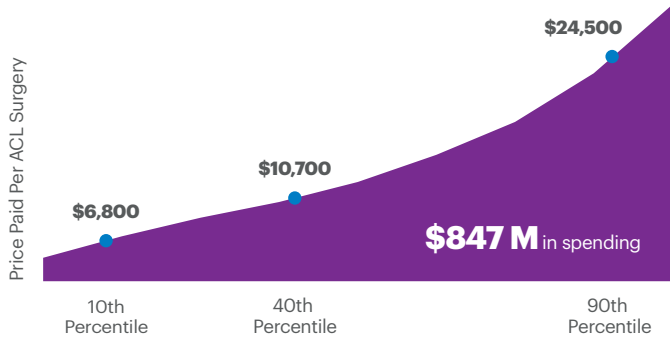
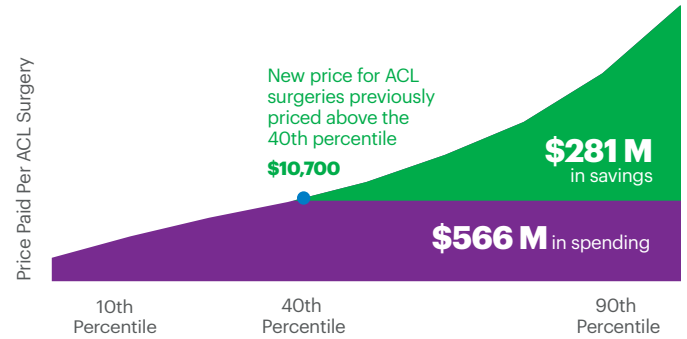
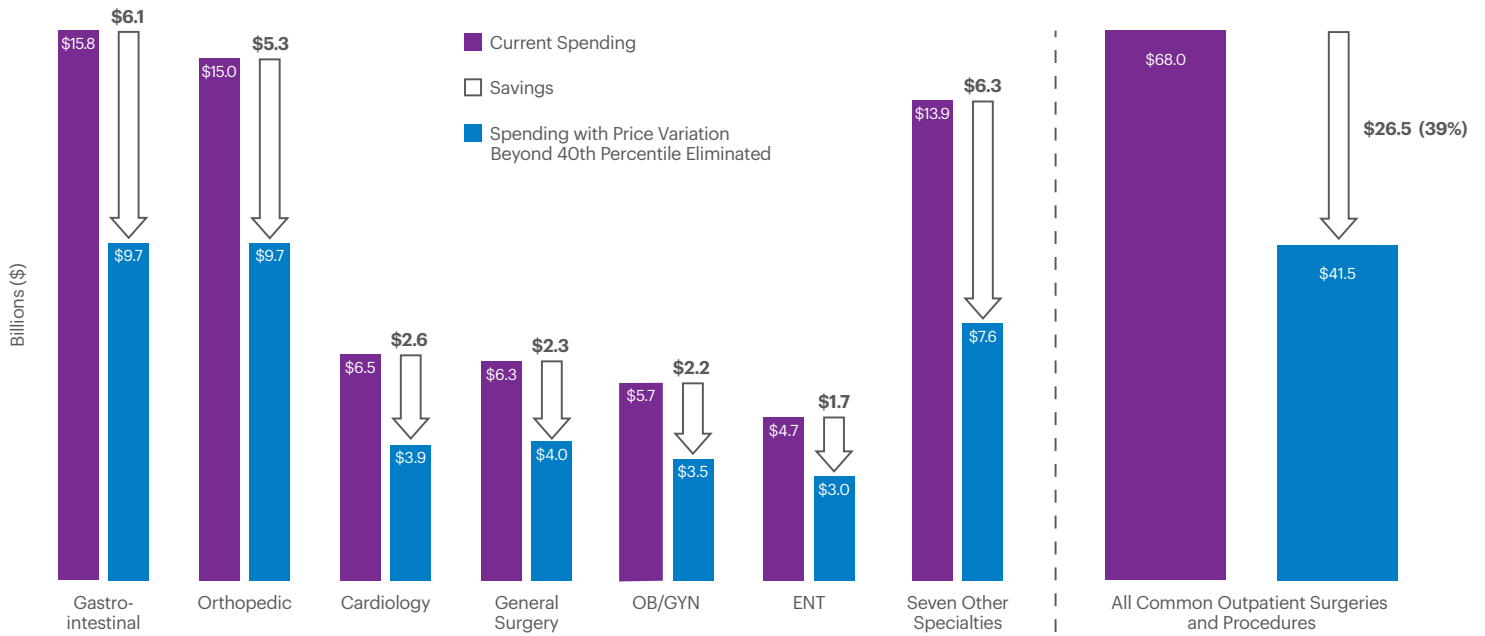


Illustration of Reduced Spending if Price Variation of ACL Surgeries was Limited to the 40th Percentile



If common surgeries and procedures priced above the 40th percentile were repriced to the 40th percentile, it would achieve \$26.5 billion (39 percent) in annual savings. By reducing price variation, many patients would pay less out-of-pocket and health insurance premiums could be lower. Below is a breakdown of the \$26.5 billion in savings by specialty:

Reduced Price Variation of Common Outpatient Surgeries and Procedures Could Save \$26.5 B



^j UnitedHealth Group analyzed prices (by allowed amounts) of outpatient surgeries and procedures of UnitedHealthcare members with commercial coverage in 2017. The potential savings opportunity from pricing these common outpatient surgeries and procedures at the 40th percentile of the price range was calculated for this population, and was extrapolated to the entire United States commercial population to calculate the savings opportunity associated with these services. While the 40th percentile is merely illustrative (for example, more savings would be achieved at the 33rd percentile and less savings at the 50th), it is emblematic and likely reasonable given that 40 percent of today's market volume is already at or below this price.

Price Variation of Clinical Lab Tests

An analysis of common clinical lab tests for commercially-insured patients shows wide price variation.^k These services include metabolic and lipid panels as well as thyroid, A1C, and blood count clinical lab tests. **Prices paid by UnitedHealthcare’s commercial health plans and their members for over 37 million clinical labs tests vary from two-fold to up to ten-fold or more.^{l,m}**

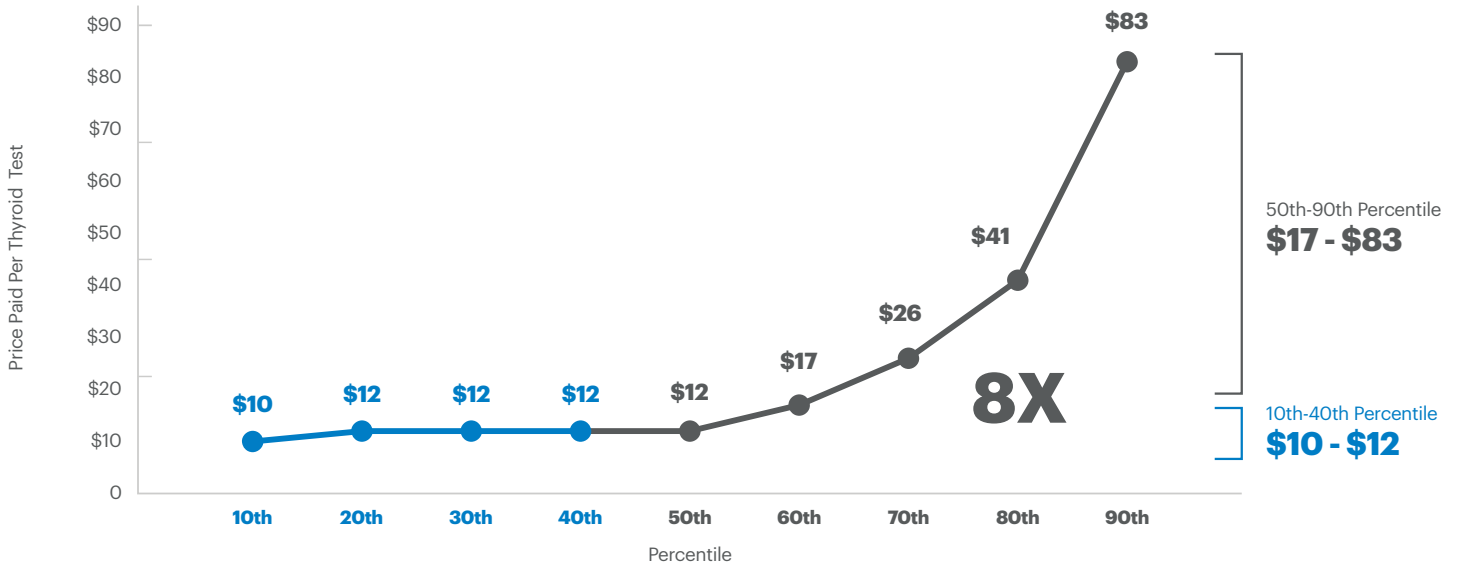
Examples of Price Variation Across Clinical Lab Tests



The Imbalanced Distribution of Thyroid Test Prices

Tests Ranked by Price Paid

The imbalanced distribution of thyroid test prices is typical of many common clinical lab tests. **While a substantial number of consumers pay lower prices, 20-30 percent often pay considerably more for exactly the same service.**



Compared to diagnostic tests and outpatient procedures and surgeries, there is a higher volume of clinical lab tests already at the lower end of the price range. The lower prices are for clinical lab tests provided by outpatient clinical laboratories that have large national contracts with health insurance plans.

^k The clinical lab tests analyzed at the CPT code level represent the 50 labs with the highest total allowed amounts across UnitedHealthcare members with employer coverage in 2018.

^l UnitedHealth Group analysis of clinical lab tests for UnitedHealthcare members with employer coverage in 2018.

^m Price ranges presented are based on claims paid for UnitedHealthcare members with employer coverage in 2018. In order to exclude extreme high and low outliers, the price range spans the 10th percentile to the 90th percentile.

Reducing price variation can decrease the total cost of health care. For example, eliminating price variation of thyroid tests above the 40th percentile (\$12) would result in \$266 million in savings.ⁿ

Illustration of Current Thyroid Test Spending

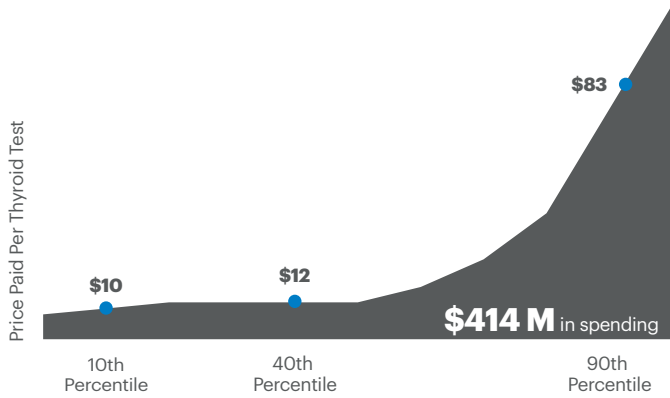
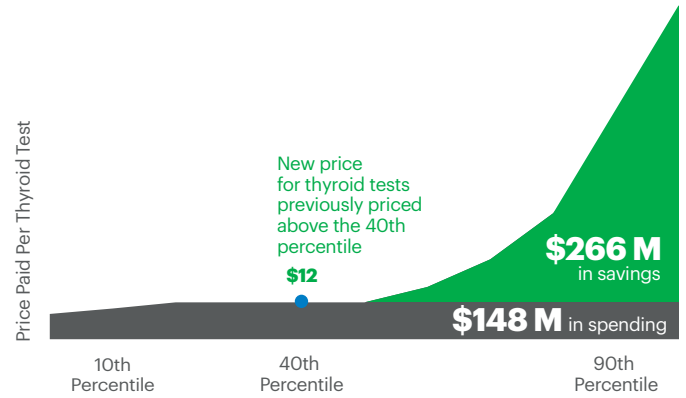
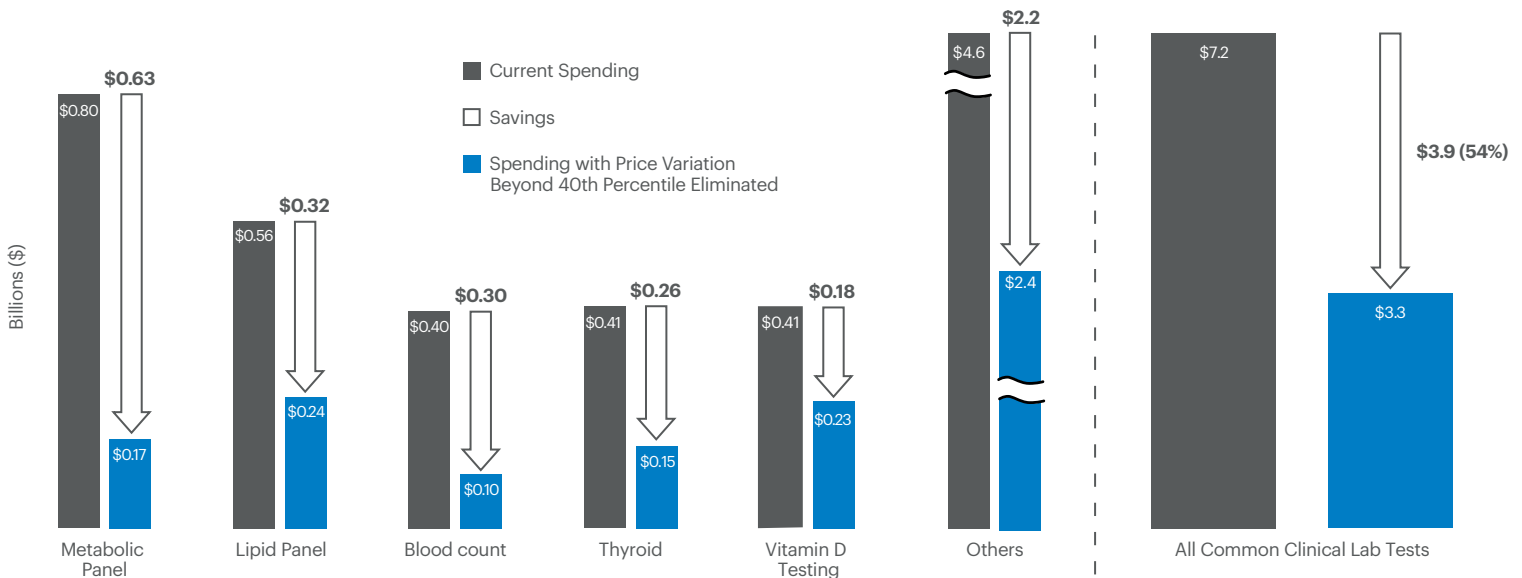


Illustration of Reduced Spending if Price Variation of Thyroid Tests was Limited to the 40th Percentile



If common clinical lab tests priced above the 40th percentile were repriced to the 40th percentile, it would achieve **\$3.9 billion (54 percent)** in annual savings. By reducing price variation, many patients would pay less out-of-pocket and health insurance premiums could be lower. Below is a breakdown of the \$3.9 billion in savings, with the five clinical lab tests with the highest savings featured first.

Reduced Price Variation of Common Clinical Lab Tests Could Save \$3.9 B



ⁿ UnitedHealth Group analyzed prices (by allowed amounts) of clinical lab tests for UnitedHealthcare members with commercial coverage in 2018. The potential savings opportunity from pricing these common clinical lab tests at the 40th percentile of the price range was calculated for this population, and was extrapolated to the entire United States commercial population to calculate the savings opportunity associated with these services. While the 40th percentile is merely illustrative (for example, more savings would be achieved at the 33rd percentile and less savings at the 50th), it is emblematic and likely reasonable given that 40 percent of today's market volume is already at or below this price. Across clinical lab tests, a much higher volume than 40% is at a price near or at the 40th percentile compared to outpatient procedures and surgeries and diagnostic tests. This is because such a large volume of clinical lab tests are performed by outpatient clinical laboratories that have large national contracts with health insurance plans. Prices often increase rapidly past the 70th percentile, and the higher prices are mostly associated with clinical lab tests provided in a hospital.

UNITEDHEALTH GROUP[®]

www.unitedhealthgroup.com

© 2020 UnitedHealth Group. All Rights Reserved. UnitedHealth Group is a registered trademark with the U.S. Patent and Trademark Office.
February 2020