

'Comparison shopping' by doctors saves money

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Research at Johns Hopkins suggests that if hospitals would show physicians the price of some diagnostic laboratory tests at the time the tests are ordered, doctors would order substantially fewer of them or search for lower-priced alternatives.

In a study of up-front price transparency at The Johns Hopkins Hospital, the researchers found that the practice of [offering price](#) information decreased overall use of tests by roughly 9 percent. Currently, hospitals typically keep both patients and providers essentially blind to the cost of [medical services](#), a system that wastefully contributes to the astronomical cost of health care in the United States, the researchers say.

"We generally don't make decisions based on what is cost-effective or what is known to be absolutely necessary for our patients, but knowing the cost of things appears to make us more thoughtful about what we think might be best for their health," says Leonard S. Feldman, M.D., an assistant professor of medicine at the Johns Hopkins University School of Medicine and leader of a study described online in *JAMA Internal Medicine*. "There's a lot of waste in medicine because we don't have a sense of the costs of much of what we do."

Sharing the price of tests saved hundreds of thousands of dollars at JHH over the course of six months, the researchers found. For their study, Feldman and his colleagues identified 62 diagnostic blood tests frequently ordered for patients at The Johns Hopkins Hospital. Dividing the tests into two groups, they made sure prices were attached to one

group over a six-month period from November 2009 to May 2010 at the time doctors ordered the [lab tests](#). They left out the pricing information for the other group over the same time period.

When they compared ordering rates to a six-month period a year earlier when no costs were displayed at all, the researchers found a nearly 9 percent reduction in tests when the cost was revealed as well as a 6 percent increase in tests when no price was given. The net charge reduction was more than \$400,000 over six months.

"Our study offers evidence that presenting providers with associated test fees as they order is a simple and unobtrusive way to alter behavior," Feldman says. "In the end, we ordered fewer tests, saved money and saved patients from extra needle sticks without any negative outcomes."

Much of the change in behavior can be attributed to simple comparison shopping, Feldman says. For example, the price of a comprehensive metabolic panel — a [blood test](#) that checks fluid and electrolyte status, kidney and liver function, blood sugar levels, and response to various medications—was given as \$15.44. A basic metabolic panel, which checks many of the same things but not liver function, is cheaper.

Over the six months when some prices were supplied, the number of comprehensive metabolic panels ordered fell by roughly 8,900, and the number of basic metabolic panels ordered grew by about the same number. The ordering physicians probably assumed—correctly—that the basic metabolic panel was cheaper (by \$3.08 in this case). That cost shift alone saved more than \$27,000 over six months.

Feldman says the study also found a decrease in orders for a common lab test called a complete blood count with differential, a test that gives basic information about blood cells, with extra data on white blood cells. Prices of both the CBC with differential (\$11.35) and CBC (\$9.37) were

used in that part of their study in which prices were revealed, enabling doctors to make fully informed choices about which one to order for their patients. While the number of CBCs with differential dropped, the number of CBCs did not rise proportionally. Providers typically order a CBC every day a patient is in the hospital. Feldman says he thinks that seeing the prices listed convinced some doctors that ordering the test less frequently would be sufficient.

"It's like getting practitioners to switch from a \$3.50-a-day latte habit to a cheaper \$1-a-day cup of regular coffee," says Daniel J. Brotman, M.D., an associate professor of medicine at the Johns Hopkins University School of Medicine and the study's senior author.

In the current study and an earlier one looking at the impact of price transparency on MRIs and other imaging tests, the researchers also found that the most expensive diagnostic tests continued to be ordered regardless of whether price was noted. Brotman says that's likely because these are often very specialized tests where there aren't alternatives to obtain diagnostic information, and the information is vital to a diagnosis. Also, that type of test typically only needs to be ordered once per patient per hospital stay.

Brotman, director of Johns Hopkins' hospitalist program, says changing ordering patterns for smaller-ticket items will likely make the most difference long term than expecting more savings from pricier tests, at least when it comes to laboratory tests.

"The total cost of cheaper tests dwarfs the cost of expensive tests, which are ordered less frequently," he says.

Brotman acknowledges that talking about medical decision-making based on cost is often considered taboo in the profession, a slippery slope on the way to rationing care and compromising good health care.

But making medical decisions without even considering cost has contributed to skyrocketing health care spending and waste, Brotman says.

"There's no other area of our lives in which we don't even think about costs," Feldman says. "If one test costs three times what another does and provides basically the same information, that's a pretty easy decision. We need to give that information to those who need it, and we really have done a disservice to society by having our head in the sand about costs."

Feldman cautions that there is no "one-size-fits-all" formula for ordering diagnostic tests. When a patient comes into the hospital with an unclear diagnosis, it may make more sense to order five blood tests at the same time, even when some of them may ultimately prove unnecessary. In the long run, it is less expensive to run more tests to get a quicker diagnosis than to have someone rack up bills in the hospital while waiting for that diagnosis, he says.

Provided by Johns Hopkins University School of Medicine

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