



TACIR INSIGHT

TENNESSEE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

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COST SAVINGS OF RIGHT TO SHOP PROGRAMS

Background

In the US, healthcare is expensive. While healthcare costs are rising overall, the amounts that healthcare providers—such as physicians, clinics, testing centers, and hospitals—charge for services vary widely. This price variation creates an opportunity for people to shop for lower-cost, high-quality healthcare providers. While it is important to remember that healthcare is not a commodity and that choosing the right provider can be a complex decision with serious ramifications, right to shop programs—also called rewards, shared savings, or incentive programs—help encourage people with insurance to shop for and choose lower-cost, high-quality healthcare services using online price comparison tools and toll-free phone numbers provided by their insurers. Enrollees are rewarded for choosing lower-cost providers in amounts often ranging from \$25 to \$500 per procedure.

Several states, including Tennessee, have taken steps to ensure that better price information and shopping tools are available so consumers can better compare prices and quality of healthcare services and potentially save money. The Tennessee General Assembly passed Public Chapter 407, Acts of 2019, which requires private insurers in the state to provide healthcare price and quality information to help enrollees shop for lower-price, high-quality services and providers within their insurer's network and authorizes the Tennessee State Insurance Committee and private insurers to implement incentive programs. The law also directs the Commission to study any cost savings realized by enrollees of health insurance plans in other states that have adopted incentive program legislation or incentive programs that encourage enrollees to shop for and use lower-price healthcare services. The Commission's report presents several findings.

Findings

- Shopping for healthcare services can result in some savings for consumers and insurers, and when price tools are combined with incentive programs, they have the potential to save more.
- Usage for both the tools and the incentive programs varies widely. A few states have implemented incentive programs for state or other government employee health plans or have required private plans to implement them.
- Educating consumers about healthcare and promoting the tools to encourage their use is critical.
- The data show that the programs produce cost savings, but there is not yet enough data to determine whether the savings are significant over the long term.

See TACIR's full report at the following link for additional information: <https://www.tn.gov/tacir/tacir-publications/publications-by-date.html>.