Testimony of Giovanni Colella, MD, CEO and Co-Founder of Castlight Health, Inc.

United States Senate Committee on Finance
Hearing: "High Prices, Low Transparency: The Bitter Pill of Health Care Costs"
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Chairman Baucus, Ranking Member Hatch, and distinguished members of the Committee. It is my honor to have this opportunity to testify before you today.

I came to this country 29 years ago to complete my medical training. What started as a medical career became a business career as I found my passion creating start-ups to improve the quality and efficiency of health care delivery in the United States. While I now spend my time as an entrepreneur in the business world and not as a doctor in the examination room, my goal remains the same: to try to improve the health and well-being of my fellow Americans.

It is this commitment, combined with the enormous need that brings us here today, that led me to co-found – with Bryan Roberts and Todd Park-- Castlight Health five years ago.

Our goal at Castlight is to help millions of Americans make better decisions about their health care. We provide cost and quality information that helps people lower their health care spending while improving the quality of their care. From health care claims data, we can determine the price paid for a service – by geography and by doctor – which we combine with an individual's benefit plan information to provide the actual out-of-pocket cost that person will pay for a medical service. We then combine this accurate pricing information with quality information and patient reviews, and present it to the employees of our clients through easy-to-use web and mobile applications. Because patients rarely have been provided with this kind of information, we provide rich educational information that explains what the prices mean, how to interpret quality information, and how to use the other convenience information to get the most out of their health care benefits. This enables patients to make better and more informed decisions about their health care, and reduce the amount that they and their employers spend on health care. We have helped customers achieve engagement rates of up to 80 percent, which is an astounding accomplishment. And this has translated into millions of dollars in savings for our customers.

Today, I want to review with you the state of health care price and quality transparency; why it is important economically and medically to make these data available; the impact these data have on consumers' health care decisions, financial circumstances, and health outcomes; and what the federal government can do to bring more transparency to the health care market.

THE STATE OF HEALTH CARE PRICE AND QUALITY TRANSPARENCY

I first became aware -- and admittedly obsessed -- with the issue of health care transparency a few years ago when my mother, old and very ill, needed care. I wanted to bring her to the United States because we have the best health care in the world. I was fortunate that I could get my mother excellent care, and as a doctor and a businessman, I wanted the facts about the highest-quality care for her and what it would cost. However, as hard as I tried, I could not get that

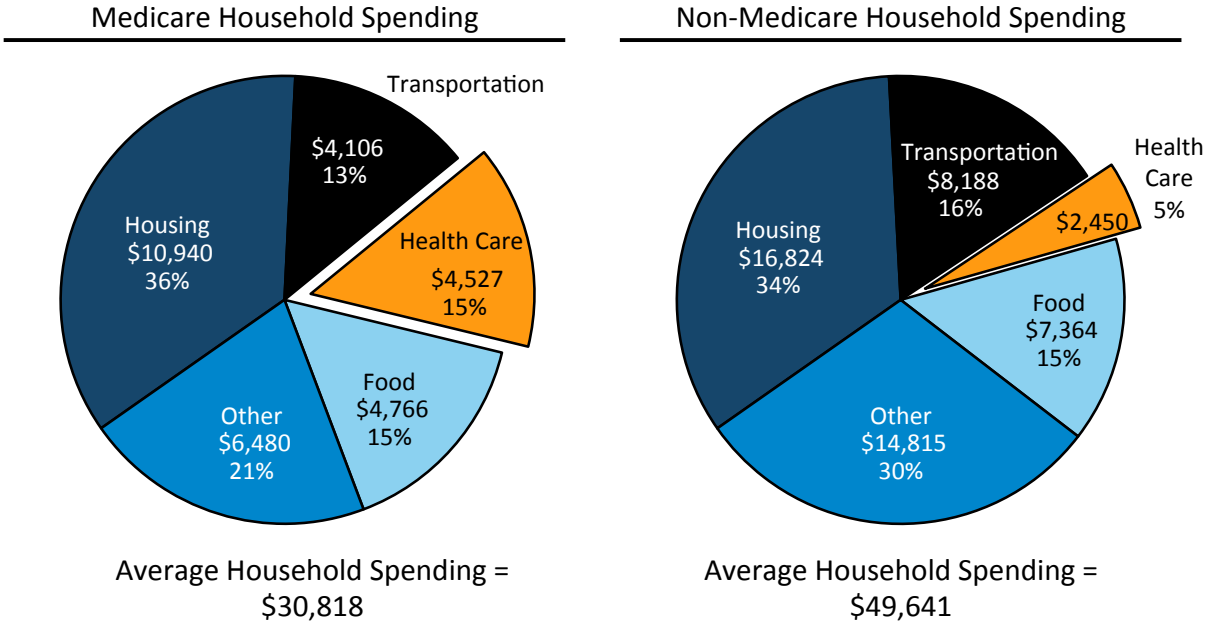
information. I could not determine if a name-brand, world-renowned medical center was indeed the best, or whether it was worth the price. And if it was not, where I could find that care and what would it cost.

This puzzled me. When you go shopping for a car, you know its price: it's right there on the window, and there are numerous sources for information about key aspects of quality. When you are booking a hotel room, likewise, it's easy to know the charges and to instantly access evaluations on everything from the cleanliness of the bathroom to the friendliness of the front-desk staff. Yet, when it comes to our health care system, it has been virtually impossible for a consumer to find out what it will cost for any given procedure or course of treatment, and to determine whether the quality of care is worth the price.

This makes no sense from either a market or medical perspective. Without transparency in health care, consumers ultimately end up paying more and getting worse care, and we as a country end up spending more on health care than is necessary.

This is not a new problem, but it's one that is growing in significance as the US works to decrease the rate of health care cost growth, and as households find themselves paying more out of pocket for their own health care costs—which currently is about 5 percent of total household spending, as shown in Figure 1.

Distribution of Average Household Spending by Medicare and Non-Medicare Households, 2010



SOURCE: Kaiser Family Foundation analysis of the Bureau of Labor Statistics Consumer Expenditure Survey Interview and Expense Files, 2010.

THE HENRY J. KAISER FAMILY FOUNDATION

Figure 1

As a result of escalating health care costs, employers have begun to shift costs to employees. For instance, 58 percent of all employers now offer high-deductible health plans.[1] Average deductibles for patients on cost-sharing plans continue to rise and are currently over $1200.[2]

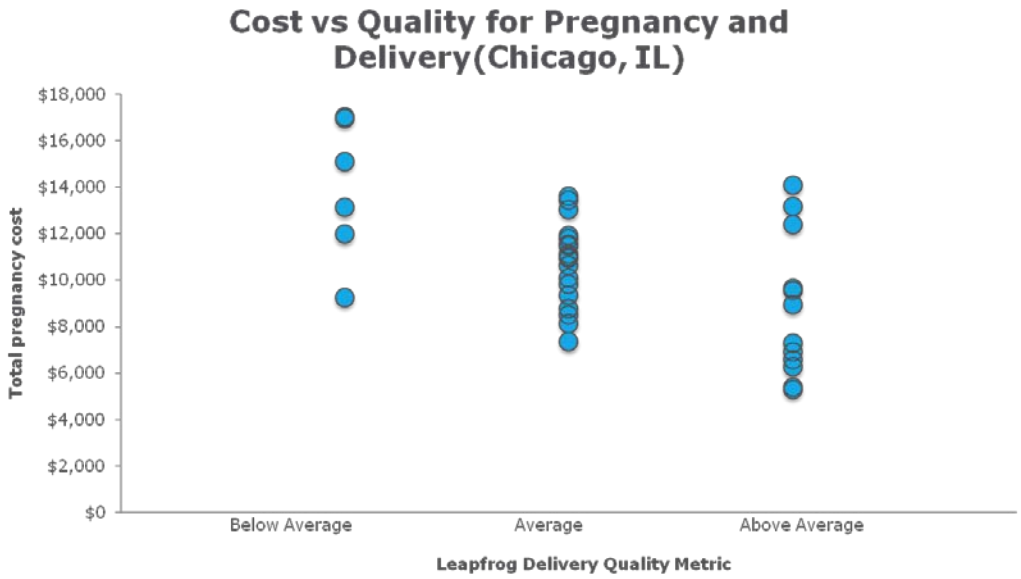
Because of this trend, the 60 percent of consumers with employer-sponsored insurance increasingly have a real financial incentive to manage health care spending and seek out quality. Similarly, American businesses have an imperative to keep their health care costs down and the quality of the care their workers receive up. Unfortunately, over the past decade, health care premium increases have consumed all real-wage growth in America.[3] If companies can keep health care costs down and quality up, they can be more competitive, hire more workers, and share their savings with workers through increases in wages and other benefits. Finally, our entire country has an interest in seeing a more competitive health care sector in which market forces drive value up, reduce the rate of health care cost growth, and lessen the burden of health care spending on state and federal budgets.

To be clear, spending less on health care does not mean receiving lower quality care. As a matter of fact, the opposite is sometimes true. We know from years of study that there is huge variation in price and quality across our country, across individual states, across individual cities, and even across doctors practicing in the same hospitals. And unfortunately, prices and quality have almost no correlation. Thus, facilities and providers with the highest costs for medical services may provide low quality care, and, conversely, high-quality facilities and providers may charge the lowest fees for care.

To illustrate the lack of correlation between price and quality, in Figure 2, we have combined Castlight data for the price of pregnancy in Chicago mapped against Leapfrog's pregnancy-related quality measures. The results are startling. The highest charges come from hospitals with the worst quality ratings. And the lowest charges come from hospitals with the best quality. The difference in prices is $11,721, or over 300 percent. Similar findings for other episodes of care have been reported by those analyzing Medicare claims data and, most famously, by the work of Jack Wennberg and the team that produces the Dartmouth Atlas of Health Care.

[1] "Aon Hewitt Employer Survey," July 17, 2012, http://aon.mediaroom.com/index.php?s=25776&item=132919.
[2] "Mercer Employer Survey," November 17, 2013, http://www.mercer.com/press-releases/1400235.
[3] Executive Office of the President. *The Burden of Health Insurance Premium Increases on American Families*. Available at: http://www.whitehouse.gov/assets/documents/Health_Insurance_Premium_Report.pdf.

Figure 2 [4]



THE IMPACT OF A LACK OF HEALTH CARE TRANSPARENCY

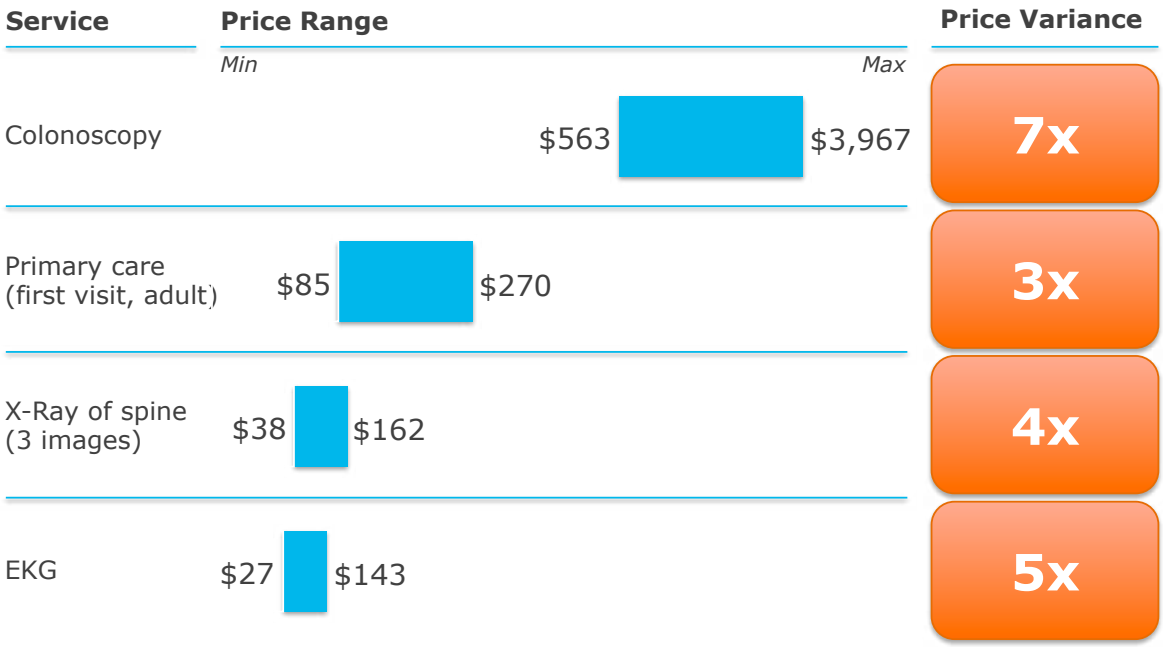
At Castlight, we use a variety of data sources, including actual insurance claims data to determine prices. Additionally, to help our users assess relative quality and value, we combine Medicare's quality data set with more than 30 of the best available, peer-reviewed, public and private quality measures. Thus far, we have found similar discrepancies between price and quality across all conditions and in all of our markets. This means that there is ample opportunity for patients to save money and get better care once this data becomes transparent.

As shown in Figure 3, many routine procedures show an alarmingly large variance in price even within an employer's network. Take for example a colonoscopy — a test commonly used to screen for colorectal cancer. Castlight found that prices for colonoscopies, for the same health plan in the same geography can vary sevenfold. This equates to a difference of approximately $3,500 between the lowest cost and highest cost provider for the same test. Is the colonoscopy that is $3,500 more expensive a better colonoscopy? There are no data that suggest that it is. As a result, without price and quality transparency, consumers are blindly choosing providers when lower-cost providers with commensurate or higher quality very often exist.

[4] Data provided by Castlight Health and Leapfrog (2013).

Figure 3 [5]

Cost variation by service – single health plan in one geography



A $3,500 difference in the cost of a colonoscopy is significant for any consumer. If a worker is in the deductible phase of their health plan, they could pay the entire difference. If they have consumed their deductible, most Americans pay between 20 and 40 percent of the price of their care up to their out-of-pocket maximums. Therefore, this difference equates to at least $600 and as much as $3,500 of unnecessary spending. For a worker making $30,000 a year, that $600 bill can be more than just a tough expense to swallow; it could mean the difference between getting by or not.

This lack of transparency in the health care marketplace does not only affect consumers getting individual services. It also skews how health care is delivered in the US overall. This is particularly true when care is provided out-of-compliance with evidence-based medical standards. More than $600 billion is wasted every year in avoidable costs due to unneeded care, preventable complications or errors, or the right care not being delivered.[6]

Consider, for example, the overuse of medically unnecessary tests and procedures. The fee-for-service health care reimbursement system in the US provides incentives for health care providers to deliver care based on volume, not outcomes. For instance, evidence suggests that most back pain is resolved with rest, physical therapy or other conservative treatment and does not require MRI's or other advanced testing or treatments.[7] Yet among low back pain patients in the US,

[5] Data provided by Castlight Health (2013).
[6] Diana Farrell, Eric Jensen, Bob Kocher, MD, Nick Lovegrove, Fareed Melhem, Lenny Mendonca, and Beth Parish, "Accounting for the cost of US health care: A new look at why Americans spend more," McKinsey Global Institute (2008). Available at: http://www.mckinsey.com/insights/health_systems/accounting_for_the_cost_of_us_health_care.
[7] Pham HH, Landon BE, Reschovsky JD, Wu B, and Schrag D, "High-Value, Cost-Conscious Health Care:

nearly a third of MRI's are for patients who had not first tried other potentially effective treatments.[8] Such unnecessary MRI's create significant financial costs. In California alone, Castlight found that the median price of an MRI among the privately insured is $746 (and the cost in this region varied from $458 to $3,409).

Health care providers, health plans and lawmakers in the US are making significant efforts to address many of these systemic issues. For example, Medicare will no longer pay for certain avoidable hospital complications. However, payers without policy-making power, such as employers, face continued increases in overall health care spending and bear high costs of poor quality and non-evidence-based care. This has a significant impact on the cost of American products, and the ability of US companies to compete. Visibility into pricing and quality is critical to curbing costs, and by offering these together in an integrated transparency solution, true behavior change is possible.

We have found that consumers actually will utilize transparency; they will "shop" for elective medical care and change their choices when exposed to data on price and quality. This is consistent with research funded by the Agency for Healthcare Research and Quality that consistently has found that when you present people with meaningful price and quality data, they will make better choices for their health care.[9] In fact, most health care in America is non-urgent, enabling patients to comparison shop; therefore, data transparency could substantially improve competitiveness for most health care services.

For instance, a recent survey of employees in companies and organizations that offer Castlight found that more than half of respondents use Castlight's data to make health care decisions. Ninety one percent of employees want their employers to continue offering Castlight, and of those who have used it, 94 percent plan to do so again. And when that same study looked at how people use Castlight, it found that 65 percent use it to search for doctors or view their choices for care; 60 percent look to see how much they have spent on health care; and 51 percent use it to review past claims to see how much they spent. These data show that Castlight is now acting as a trusted advisor and guide for people to interact with the health care system.

And this activity is having a real economic impact. One national grocery retailer who started using Castlight saw a 44 percent increase in the number of "high-spender" employees making proactive choices about health providers – and 66 percent of those employees selected services that cost less than the reference price. This led to a 9 percent reduction in projected health care spending for that business. Another Castlight customer reported that 61 percent of their employees used quality and price data from Castlight to influence their health care decisions over a six-month period. This contributed to a staggering 13 percent reduction in health care spending as compared to the expected trend by that company, which allowed them to reinvest in other benefits programs for their employees.

Concepts for Clinicians to Evaluate the Benefits, Harms, and Costs of Medical Interventions**,"** *Annals of Internal Medicine* 154 (2011):181-189.

[8] Pham HH et al.,"Rapidity and modality of imaging for acute low back pain in elderly patients," *Archives of Internal Medicine* 169 (2009):972-81.

[9] Judith H. Hibbard, Jessica Greene, Shoshanna Sofaer, Kirsten Firminger and Judith Hirsh, "An Experiment Shows That A Well-Designed Report On Costs And Quality Can Help Consumers Choose High-Value Health Care," *Health Affairs* 31 (2012): 560-568. doi:10.1377/hlthaff.2011.1168.

The implications of the Castlight experience are clear: when given data on price and quality in an accessible format, employees use it to make smarter health care decisions, and both the employees and employers save money.

POLICY PRESCRIPTIONS

With these benefits in mind, I believe that we need to do more to bring transparency and competition to health care so that the health care system can deliver better value to consumers. As Drs. Ezekiel Emanuel and Robert Kocher, a member of our board of directors, recently wrote, we need to embrace a "transparency imperative: All data on price, utilization, and quality of health care should be made available to the public unless there is a compelling reason not to do so."[10] To accomplish this, we believe there are steps that Congress, along with the Executive Branch, can take to significantly improve transparency and the health care market.

First, we should enshrine the "transparency imperative" into law by requiring all payers to make claims data publically available, with privacy protections, for utilization and quality measurement. Only 12 states currently maintain all payer claims databases, with varying degrees of accessibility. [11] Public access to these data will go a long way in advancing consumers' ability to select high quality care and providers. For example, robust claims data yields one of the key predictors of quality: physician case volume, a measure that is currently extremely difficult for consumers to access.

Second, the Department of Health and Human Services (HHS) should build on the momentum of its recent release of data for 130 in-patient and out-patient procedures to make much more of its data available to the public.[12] The immediate response to the release of these data reflects the thirst for, and power of, transparency. Yet there is pricing data for more than 1,000 additional procedures that were not released. Moreover, it is critical that Medicare make physician quality data widely accessible. The legislated release of this data has already been delayed six months.

Third, the federal government should relax data restrictions on access to Medicare data without compromising safeguards to protect privacy. Provisions to release Medicare data to "qualified entities" already exist.[13] However, the definition of "qualified entity" limits access to this exceptionally useful data to non-profit entities that must make all of their analyses available publicly for free. These stringent requirements effectively block new entrants and for-profits from utilizing this powerful dataset to develop innovative and disruptive solutions to improve transparency.

Fourth, purchasers of health care should have unfettered access to their claims data to enable price and quality transparency initiatives. These purchasers are often employers, from whom

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[10]"Robert P. Kocher and Ezekiel J. Emanuel, "The Transparency Imperative," *The Annals of Internal Medicine* (2013), doi: 10.7326/0003-4819-159-4-201308200-00666.

[11] "Interactive State Report Map," APCD Council, NAHDO, UNH, http://www.apcdcouncil.org/state/map.

[12] "Medicare Provider Charge Data," *Centers for Medicare & Medicaid Services*, last modified June 2, 2013, http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data/.

[13] "Centers for Medicare & Medicaid Services," Federal Register Volume 76, Number 235, December 7, 2011, http://www.gpo.gov/fdsys/pkg/FR-2011-12-07/html/2011-31232.htm.

most non-elderly Americans receive their health insurance.[14] Employer purchasers are eager to adopt market driven solutions that help their employees stem the rising cost of care and should be able to fully access the critical data required to do so.

Finally, pro-transparency measures, such as those in Massachusetts, should be passed by other states, or by the Congress, to prevent providers from restricting access to pricing data.[15] In response to significant, unwarranted price variation, Massachusetts passed legislation in 2012 that promotes price transparency and prohibits health plans and providers from entering into contracts that prevent disclosure of the providers' prices from consumers.[16] Such contracts prevent consumers from making informed decisions and solely benefit the interests of the market-dominant providers that are able to negotiate such terms. Some argue that without such contracts lower-cost providers will raise their rates, thereby increasing the average cost of care. We have, in fact, seen the opposite where pricing transparency has brought market forces to health care and where providers have reduced the cost of care.[17]

The health care system in the US is changing rapidly. The adoption of promising new reimbursement and delivery models, such as accountable care organizations (ACO's), has created many exciting opportunities to improve the quality and more effectively manage the costs of health care.

However, a key element that is missing is transparency. Today, it is a challenge for consumers to factor price and quality considerations into their decision-making processes about health care, which results in higher costs and lower quality for them, higher health care expenses and reduced productivity for their employers, and an unsustainable health care cost growth rate for the country. By taking these small, but meaningful steps toward more transparency, you will go a long way to bringing market discipline and better value to the American people.

Thank you for the opportunity to speak with you today.

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[14] "Employer-Sponsored Coverage," *America's Health Insurance Plans*, http://www.ahip.org/Issues/Employer-Sponsored-Coverage.aspx.

[15] "Session Laws: Chapter 224 of the Acts of 2012," *The 188th General Court of the Commonwealth of Massachusetts*, https://malegislature.gov/Laws/SessionLaws/Acts/2012/Chapter224.

[16] "AG Coakley Releases Second Report Examining Key Drivers of Rising Health Care Costs," Office of the Attorney General of Massachusetts, June 22, 2012, http://www.mass.gov/ago/news-and-updates/press-releases/2011/ag-releases-2011-report-on-health-care-costs.html.

[17] Wall, J.K., "Hospitals proving themselves wrong about prices," *The Dose blog*, June 6, 2013, http://www.ibj.com/the-dose-2013-06-06-hospitals-proving-their-own-arguments-wrong-about-prices/PARAMS/post/41776.