
MARKET WATCH

Self-Pay Markets In Health Care: Consumer Nirvana Or Caveat Emptor?

Experience with LASIK, dental crowns, and other self-pay procedures reveals key barriers to robust consumer price shopping.

by Ha T. Tu and Jessica H. May

ABSTRACT: As consumers face more incentives to make cost-conscious medical care decisions, some policymakers cite self-pay markets as models for consumer shopping. An analysis of the LASIK market revealed limited shopping overall, despite the fact that patients pay the full cost. For other self-pay procedures, consumers shop even less, for reasons ranging from urgency, to costs of obtaining price quotes, to quality concerns that prompt many consumers to rely on word-of-mouth recommendations. Given that consumer shopping is not prevalent in most self-pay markets, we expect the extent of shopping to be even more limited for many services covered by insurance. [*Health Affairs* 26, no. 2 (2007): w217–w226 (published online 6 February 2007; 10.1377/hlthaff.26.2.w217)]

WHETHER THEY HAVE conventional health plans with rising cost-sharing requirements or consumer-driven health plans with high deductibles and spending accounts, consumers are facing more incentives than ever before to make cost-conscious decisions about medical services. Consumer-oriented approaches to health care emphasize price shopping as a tool for consumers to obtain better value and for the health system to curb rising costs and improve quality through increased competition. Until recently, most insured consumers have been sheltered from rising health care costs and have had few incentives to shop for the best deal. The extent to which consumers actually can become effective shoppers in the health care marketplace remains largely unexplored.

Self-pay markets in health care—those

markets in which consumers largely pay out of pocket for services because of little or no insurance coverage—provide insights into how markets work when consumers must pay the total cost of services without the benefit of discounted rates negotiated by health plans or the restrictions of a provider network chosen by plans. This study examines several self-pay markets in health care, focusing on one in particular: laser-assisted in situ keratomileusis (LASIK), a type of vision-correction surgery. LASIK was chosen for in-depth analysis largely because it is widely regarded as the self-pay market with the most favorable conditions for consumer shopping: It is an elective, nonurgent, simple procedure, giving consumers time and ability to shop; screening exams are not required to obtain initial price quotes, which keeps the dollar and time costs of shopping reasonable; and easy entry of providers

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(ophthalmologists) into the market has stimulated competition and kept prices down.

We also briefly examine other self-pay markets—in vitro fertilization (IVF), cosmetic rhinoplasty, and dental crowns—to highlight how additional complexities and barriers to price and quality transparency affect consumers' shopping behavior.

Study Data And Methods

The first stage of this qualitative study involved collection of background information on each self-pay market we studied, to gain a detailed understanding of each procedure and its market and to develop interview questions.¹ For the LASIK market specifically, initial research included a review of existing literature and news coverage; informational material published by professional associations and government regulators; and industry consultants' market reports. In addition, researchers reviewed online patient forums and examined LASIK providers' Web sites and print advertisements. For the other markets studied, similar but somewhat less extensive background information was collected from professional association and provider Web sites, consumer guides, news coverage, and online patient forums. Interview questions were then drafted, and appropriate respondents (market experts) were identified in each of the self-pay markets, using leads provided by the background information and the relevant professional association(s) in each market.

The most extensive interviews were conducted about the LASIK market, with respondents including LASIK providers, industry consultants, laser equipment manufacturers, government regulators, and professional associations' management and senior staffs. Respondents were asked about the overall nature of the LASIK market—for example, to discuss price and quality information available to consumers and to describe typical consumer shopping behavior. Respondents also were asked specific questions based on their expertise and position in the market: For example, industry consultants discussed overall market trends, and government regulators discussed

misleading advertising and regulatory oversight of LASIK. In addition, the industry's professional association and a consulting company that specializes in providing data on LASIK price and volume provided supplementary data on the LASIK market.

For the other markets, shorter interviews were conducted, primarily with professional associations and patient advocacy organizations. These interviews addressed two points: to confirm and clarify general information about the procedure and market, and to gain information on whether and how shopping occurs in these markets, including price and quality information available to consumers and barriers to consumer shopping. For all markets, several follow-up interviews were conducted to address questions that arose through subsequent interviews and research.

LASIK: Background And Findings

■ **The procedure.** LASIK, an outpatient surgical procedure performed by an ophthalmologist, permanently reshapes corneal tissue to reduce light-refraction error and improve vision. The surgery takes ten to fifteen minutes per eye, and the only anesthetic is an eyedrop that numbs the eye's surface. LASIK was first performed in the United States in clinical trials in 1995.

Complications of LASIK include infection; dry eye; problems with the flap failing to adhere correctly after surgery; less-than-perfect vision correction; and visual disturbances, such as seeing glare and halos, especially at night. Experts estimate that complications occur in 5–7 percent of all procedures. The complication rate has decreased over time with greater surgical experience and technological advances. The rate of severe complications, such as those that threaten long-term vision, is estimated to be less than 0.01 percent. In 5–18 percent of procedures, a second operation—called enhancement surgery—is needed to correct refractive error that was either not corrected in the first procedure or caused by the first procedure.

In recent years, two new technologies have emerged in the LASIK industry. The first, cus-

tom wavefront-guided LASIK, uses wavefront technology to measure precisely how each eye refracts light and then guide the laser in customizing the corneal reshaping. Unlike conventional LASIK, custom LASIK can treat higher-order aberrations and is more likely to produce 20/20 or better vision and is less likely to result in visual distortions. Providers have widely adopted custom LASIK: 80 percent of providers now offer it, and it accounted for nearly half of all LASIK procedures in 2005.²

The second refinement, blade-free or all-laser LASIK, involves the use of a laser instead of a surgical blade to create the corneal flap and is usually referred to as IntraLase. IntraLase market penetration is not as high as that for custom LASIK: Intralase was used in one in ten LASIK procedures in 2005.³

■ Market structure and pricing. Market insiders report that the LASIK market has three pricing tiers: discount, midprice, and premium-price providers. Discounters tend to market aggressively based on price and typically handle a high volume of procedures; patients often have little or no contact with the surgeon before or after surgery.

Although discount providers are almost always high volume, experts note that higher pricing does not necessarily equate to lower volume. What all premium-price surgeons tend to have in common is that their credentials (such as research publications, affiliations with teaching hospitals, and participation in clinical trials) enable them to command top dollar. Beyond this common trait, however, it is harder to generalize about these practices. Many premium providers run relatively low-volume LASIK practices that offer patients personalized care from the surgeon, both before and after surgery. Other premium-price providers operate on a different business model: marketing themselves heavily, performing high volumes of LASIK procedures, and often relying on optometrists to conduct pre-

and postoperative exams.

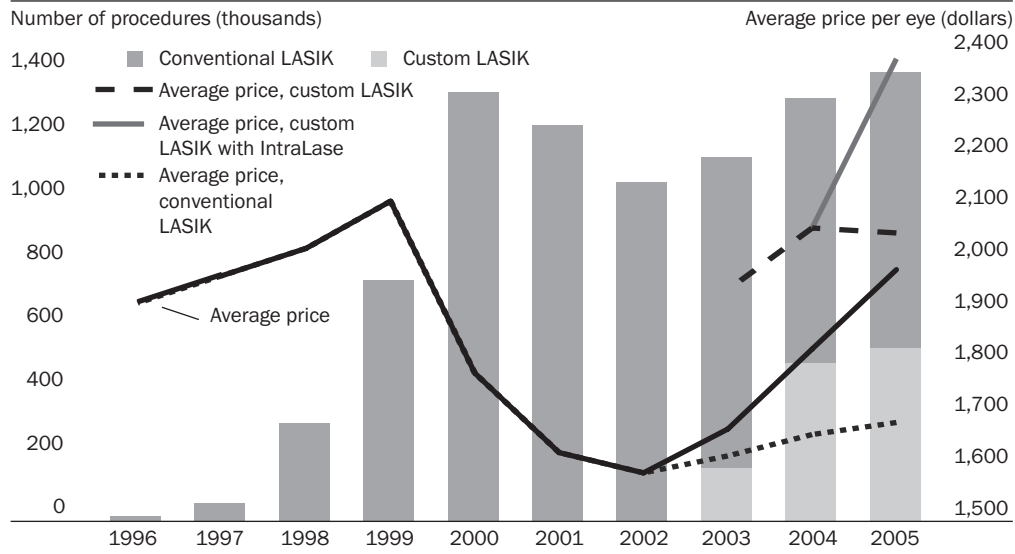
Many midprice providers are somewhat like the premium providers but lack the top-notch credentials or surgical experience to command higher prices. Others are large chains that might have started out as discount providers but moved to the midprice segment through an emphasis on customer service, celebrity endorsements, or other means.

In 2005 the price of LASIK averaged approximately \$1,680 per eye for the conventional procedure and \$2,030 for the custom procedure (Exhibit 1). Premium-price providers charge about \$2,200 per eye for conventional LASIK and \$2,700–\$2,800 for the most advanced technology (custom LASIK with IntraLase). Discount providers often advertise that LASIK is available for a few hundred dollars, but market

experts note that the actual price of LASIK from a discounter averages \$1,100–\$1,200 per eye for the conventional procedure and \$1,500–\$1,600 per eye for custom LASIK, both with a surgical blade. (Most discounters have not yet adopted IntraLase.) This substantial discrepancy between actual and advertised prices exists largely because few LASIK patients are medically eligible for the lowest prices. Indeed, it has been estimated that only 3 percent of LASIK procedures are performed for less than \$1,000 per eye.⁴

In the decade that LASIK has been performed in the United States, price and volume have fluctuated; overall, the average price for conventional LASIK has declined nearly 30 percent in inflation-adjusted terms. Two factors appear to be largely responsible for this market's price-competitiveness: (1) On the provider side, a large number of providers (ophthalmologists) can enter the market relatively easily; and (2) on the consumer side, price quotes can be obtained at little cost and inconvenience. However, the decline in LASIK price is much less steep than what a casual observer might infer, given the pervasive dis-

“The decline in LASIK price is much less steep than what a casual observer might infer, given the pervasive discount-price advertisements for LASIK.”

EXHIBIT 1**Average Number And Prices Of LASIK Procedures In The United States, 1996–2005**

SOURCE: All price and volume data are from Market Scope LLC, excepting data on price prior to 1999, which are from SM2 Consulting. Conventional and average prices for 2003 and 2004 were computed using Market Scope data. Price data for 2005 are based on surveys from the first three quarters of 2005. Volume data for 2005 are estimated for the fourth quarter of 2005.

NOTES: In 2002, 1,000 custom LASIK procedures were performed (data not shown because of exhibit scale). IntraLase price information is available only for 2005, and the majority of IntraLase procedures are performed with custom LASIK; therefore, average price with and without IntraLase is reported only for custom LASIK. Data on procedures are shown as bars and relate to the left-hand y axis. Data on prices are shown as lines and relate to the right-hand y axis.

count-price advertisements for LASIK.

■ **Information available to consumers.**

Reliable consumer information about LASIK is available from several sources, including the Federal Trade Commission (FTC) and the American Academy of Ophthalmology (AAO), which jointly produced a consumer brochure, *Basik Lasik*.⁵ This consumer resource discusses the procedure, its risks, and possible complications; how to locate a surgeon; and what to expect before, during, and after surgery.

Basik Lasik and similar sources provide guidance to consumers on questions to ask of surgeons, but consumers still must gather the information from each provider. No centralized source is available for information such as number of procedures performed, success rates, or enhancement rates for each surgeon, so consumers seeking to compare quality-related measures must invest considerable effort to gather this information.

■ **Consumer shopping behavior.**

Although LASIK consumers are a heterogeneous

group, the majority shares one trait, according to LASIK consultants and providers who have conducted patient surveys: Word-of-mouth recommendation from a previous LASIK patient is the most common way to select a LASIK surgeon.⁶ This holds true for all market segments, from discount to premium providers. Practices that advertise heavily do draw many new patients through marketing efforts, but word of mouth still plays an important role—accounting for perhaps half of most discount providers' LASIK customers, according to industry observers.⁷ The prominence of word-of-mouth recommendation is corroborated by a survey containing data from more than 100 practices nationwide, which found that three in five patients chose their surgeon through referral from previous patients.⁸

According to premium-price surgeons, more than half of their patients focus on quality considerations. Such patients are likely to ask prospective providers about LASIK technology, safety, and outcomes, and a subset of

patients does extensive research before contacting providers. Many patients of premium practices also place priority on customer-service amenities. Among discount practices, unsurprisingly, price tends to be the priority, and patients are much less inclined to focus on quality or to have done research. Industry experts estimate that perhaps one in five LASIK consumers overall—and a much larger proportion of discount providers' customers—tend to shop intensively for the lowest price (often by telephone) and base their purchasing decision solely on price.

In the LASIK market—in contrast to other self-pay markets—it is possible for consumers to obtain telephone price quotes if they have their vision prescriptions.⁹ An in-person exam is still needed, however, before the provider can assess the patient's eligibility for surgery, the likelihood of complications, and the potential benefits of custom LASIK over conventional LASIK.

■ **Consumer satisfaction.** Satisfaction rates among LASIK patients are high: about 93 percent nationwide, according to one survey.¹⁰ Among premium-price practices, especially those emphasizing careful screening and patient preparation, satisfaction rates can reach the high 90s. Even among high-volume discounters, some of which have received negative publicity for questionable business practices and some bad outcomes, satisfaction rates range in the 80s.¹¹

■ **Issues facing LASIK consumers.** *Inconsistent bundling.* Because the package of services included in LASIK procedure fees varies across providers, consumers shopping in this market are confronted with “apples versus oranges” comparisons. One critical factor when comparing fees is to consider whether the provider includes the cost of enhancement surgery in the quote. A price quote that appears to be the best deal but does not cover follow-up operations might end up being the highest-cost option if enhancement surgery is needed. Whether thorough screening exams are included and how much postoperative care is included in the procedure fee also varies.

Misleading advertising. Misleading advertise-

ments have been a recurring problem with some LASIK providers, most notably discounters; federal and state regulators have taken action against some providers—and investigated many more—for making unfounded claims about price and quality.

In 2003, for instance, the FTC issued a consent order against LASIK Vision Institute (LVI) after finding that the national chain falsely claimed that consumers would receive a free consultation to determine LASIK eligibility. Instead, consumers, after an initial meeting with a salesperson, were required to pay a \$300 deposit before meeting with an optometrist to be told of risks, possible complications, and medical eligibility. If the consumer decided not to proceed with surgery, the entire deposit was nonrefundable. If the consumer chose to undergo surgery but was rejected for medical reasons, only a portion of the deposit was refunded. Although LVI signed an FTC consent decree, the practice of advertising but not providing a free screening has persisted in some markets. In November 2005 the Illinois attorney general took action against LVI for this same violation, along with other misleading practices.

Advertisements run by discount providers touting low LASIK prices are another source of misinformation. LVI, for example, runs advertisements promising “LASIK for \$299.” On LVI's Web site, the fine print states the offer is for surgery on one eye and applies only to those with no astigmatism and very low myopia, conditions that apply to a small portion of LASIK patients. Similar problems have occurred with print advertisements, leading at least two state attorneys general, in Illinois and Florida, to take action against LVI in 2005.

Consumers can be misled on quality issues as well by some advertisements. The 2003 FTC consent decree against LVI cited the provider for making unsubstantiated claims that LASIK would eliminate the need for glasses and contact lenses for life. Another national provider, LasikPlus, also was cited for making this claim, as well as additional unfounded claims that the procedure posed less risk to patients' health than wearing glasses or contacts and

that it carried no risk of side effects.

In many cases, questionable practices have persisted despite the settlements. Also, regulators note that for the FTC to take enforcement action against a provider, a practice must be “egregious” and “widespread”; regulators concede that consumers can be misled by questionable practices that fall short of these criteria. For example, local LASIK providers engaging in some of the same practices as LVI would not be targets of FTC action, since their practices are not national in scope. Policing such providers generally would be left to state and local regulators, which vary greatly in the extent to which they enforce consumer protection.

Quality issues. Many industry observers express concern that LASIK is regarded as a commodity by some consumers—leading them to shop only on price—when provider quality, in their opinion, varies considerably. Quality differences may be obscured by the fact that LASIK is relatively simple surgery with low complication rates, but for patients whose eyes have certain “problem” characteristics (for example, abnormal topography, large pupils, thin corneas), quality differences can be critical.

Screening is the first step where provider quality differences matter: Industry insiders note that some providers—especially high-volume discount providers—might not adequately screen out patients who are not good LASIK candidates. When such patients are accepted for surgery, whether through revenue pressures or through less-experienced or less-skilled screening staff, they suffer serious complications at much higher rates than average.

Technology investments are another area where providers differ: The lower the price charged by providers, the less likely they are to use state-of-the-art technology that may provide better results. Experts note that the very low prices quoted by discount providers assume the use of older, less expensive laser technology that might produce an acceptable result (for example, 20/40 vision with visual aberrations) when a newer, more expensive technology might have produced a better out-

come (for example, better than 20/20 vision with no aberrations).

Poor outcomes, including severe pain, loss of best-corrected vision, or persistent double vision have been well documented in media accounts, online health forums, and other sources. Such outcomes can result not only from poor screening but also from inadequate surgical skill or experience, which provides further evidence that LASIK is not a commodity and that quality differences can be substantial across providers.

Other Self-Pay Markets

■ **The procedures.** *In vitro fertilization.* IVF is a common type of assisted reproductive technology. A complete IVF cycle includes hormone stimulation of egg production, egg extraction, egg fertilization in the laboratory, and implantation of the embryo(s) in the uterus. The majority of IVF cycles are unsuccessful (less than 30 percent result in at least one live birth), and success rates vary considerably based on patient characteristics, primarily the woman’s age and source of infertility. The most significant risk associated with IVF is multiple pregnancies, as several embryos are often implanted to increase the chances for success. In 2003 the average IVF cycle cost \$12,400, including the required medications, with prices ranging from \$9,500 to \$16,500.

In addition to payment for individual IVF cycles, package options for multiple cycles are becoming more common. Patients can pay a fee up front for a set number of IVF cycles, regardless of outcome, receiving no money back if all cycles are unsuccessful. Some clinics also offer a refund guarantee program, in which patients pay a fee for a set number of cycles, with a portion of this fee refunded if success is not achieved. With refund programs, the initial fee and the portion refunded vary by clinic and patient characteristics.

Dental crowns. A dental crown is a tooth-shaped covering placed over a damaged tooth. Most crowns are made out of metal such as gold alloys, ceramics such as porcelain, or a combination of the two. The costs of dental

crowns vary widely, depending on the type of crown, the amount of work to fit the crown, and the pricing structure of the dental practice. The cost of a crown can range from \$600 to more than \$3,000 per tooth, with gold crowns the least expensive and all-porcelain crowns the most expensive. The market for dental crowns is only partially a self-pay market: About 55 percent of consumers have dental insurance, which usually covers crowns that are deemed medically necessary at 50 percent reimbursement.

Rhinoplasty. Cosmetic rhinoplasty is surgery that changes the size or shape of the nose for aesthetic purposes. The procedure is performed by a plastic surgeon and is among the top five surgical cosmetic procedures in the United States. The two main types of cosmetic rhinoplasty are closed (all incisions inside the nose, with no external scars) and open (one external incision, all other incisions inside the nose) rhinoplasty. Not all surgeons perform both types, and the choice of which type of surgery to perform can vary based on patient needs, as some surgeons believe that open rhinoplasty is more appropriate for cases requiring extensive reconstruction.

The most common risk of rhinoplasty is a poor outcome that requires additional surgery (known as secondary, or revision, rhinoplasty); estimates of the incidence of revision range from 5 percent to 30 percent. The total cost of rhinoplasty varies widely, ranging from \$3,000 to \$12,000, including the surgical fee, facility fee, anesthesiology fee, and postoperative pain medications.

■ **Information available to consumers.**

Beyond cursory data provided by professional organizations and state medical and dental boards on basic credentials, limited provider information is available to consumers in the rhinoplasty and dental crown markets—information that consumers must gather from individual providers. In contrast, publicly reported and centrally compiled quality data are available for IVF consumers, although there are drawbacks to these data. Annual reports published by the Centers for Disease Control and Prevention (CDC) in consultation with

the Society for Assisted Reproductive Technology (SART) provide data on fertility clinics' success rates, including outcomes by selected patient characteristics, services offered by each clinic, and the clinic's accreditation.

■ **Consumer shopping.** Consumers engage in little price shopping for IVF, rhinoplasty, and dental crown services, according to experts in these markets (Exhibit 2). For IVF and rhinoplasty, most consumers choose providers based on previous patients' recommendations or physician referrals. For dental crowns, virtually all patients choose to stay with their regular dentist rather than shop around.

One important reason why shopping takes place so infrequently for these procedures is that accurate price quotes can only be obtained after undergoing in-person screening exams, since costs vary according to patient characteristics and medical needs as assessed by each provider. In some markets (cosmetic surgery), it is customary for some providers to offer free screenings, while in other markets (IVF and dental procedures), providers always charge for the exam. In the latter case, any potential benefit of identifying low-cost providers would likely be negated by the costs of obtaining price quotes. But even when screenings are provided free of charge, consumers must still invest considerable effort in gathering price quotes.

Urgency is another factor precluding some consumers from shopping for IVF and dental crown services. Since one of the indications for a crown is that a portion of a tooth is missing, some patients may be in pain while shopping. Although IVF treatment might not qualify as medically urgent, industry experts note that consumers' sense of urgency about starting the procedure makes them unlikely to spend time price shopping.

■ **Issues facing consumers.** Quality concerns are paramount for consumers in both IVF and rhinoplasty markets, according to experts in both industries: Achieving a successful outcome tends to dominate consumer concerns about obtaining the best price. For consumers inclined to comparison-shop based

EXHIBIT 2
Characteristics Of Self-Pay Markets For Four Medical/Dental Procedures

Market characteristic	Market/procedure			
	LASIK	In vitro fertilization	Cosmetic rhinoplasty	Dental crowns
Degree of medical urgency	Not urgent	Consumer perceives urgency	Not urgent	Usually urgent
Ability to obtain price quotes	Telephone price quotes available if patient has vision prescription	Patient must pay for initial exam before obtaining a price quote; some providers offer price ranges by phone or Web site	Patient must pay for initial exam before obtaining a price quote	Patient must pay for initial exam before obtaining a price quote
Other price-shopping issues for consumers	No consistent bundling of services across providers	No consistent bundling of services across providers	No consistent bundling of services across providers	Consistent bundling of services across providers
Availability of quality information	Patient must obtain outcomes data from each provider	Provider quality data available in annual report, but comparisons difficult	Patient must obtain outcomes data from each provider; credentialing can be confusing to consumers	No clear outcomes data available
Consumer shopping behavior				
Extent of price shopping	Some price shopping, especially in discount market segment	Almost no price shopping	Limited price shopping	Almost no price shopping
Extent of quality shopping	Some quality shopping, especially in premium-price market segment	Some quality shopping, especially among consumers with unsuccessful previous treatment	Limited quality shopping	Almost no quality shopping
Predominant means of choosing a provider	Word-of-mouth recommendation from previous patient	Referral from doctor or word-of-mouth recommendation from previous patient	Referral from doctor or word-of-mouth recommendation from previous patient	Patient uses regular provider

SOURCE: Authors' analysis.

on quality, however, the available information can be imperfect and sometimes misleading.

IVF. As noted above, data on IVF clinics' success rates are available in an annual report, but these rates cannot be accurately compared because they are not adjusted for patient mix or reported by source of infertility. Some clinics might be more likely to take patients with severe infertility problems, patients who have failed with IVF in the past, or older patients, and as a result will have lower success rates than clinics that limit access by such patients. Also, higher IVF success rates do not necessarily indicate higher-quality care. Some industry

experts express concern that focused attention on overall outcomes has led some clinics to implant more than the recommended number of embryos in patients, thus increasing the chances of pregnancy but also risking multiple pregnancies and associated complications.

Rhinoplasty. Consumers considering this procedure face quality-transparency challenges on several levels. First, they must determine whether a surgeon is even qualified to perform the procedure: In most states, any licensed physician can advertise as a plastic or cosmetic surgeon, even without formal surgical training; thus, patients are advised to

choose a surgeon who is board certified in plastic surgery. However, board certification does not guarantee that a surgeon is highly experienced or well qualified to perform rhinoplasty—an especially important consideration given that it is considered one of the most complicated types of plastic surgery.

Beyond credentialing, the American Board of Plastic Surgery recommends that patients collect extensive information on surgical experience from individual surgeons and check each surgeon’s licensure credentials with state and county medical boards. None of this information is available centrally.

Given the inconsistent bundling of services and uncertain outcomes for both IVF and rhinoplasty, consumers considering these procedures face price-transparency challenges: It is almost impossible to determine, before undergoing treatment, what the total out-of-pocket cost will be to achieve a successful outcome.

For rhinoplasty, as for LASIK, the package of services included in the surgical fee varies by provider. Some surgeons include the initial consultation in the surgical fee, but others do not. If secondary surgery is necessary, the surgeon who performed the first procedure may waive or reduce the surgical fee, but even in those cases, a patient will likely have to pay facility and anesthesiology fees for the secondary surgery. However, given a less-than-ideal initial outcome, patients may be reluctant to use the same surgeon for a secondary procedure. If patients choose to see a different surgeon for revision rhinoplasty (indeed, a number of surgeons specialize in correcting the poor outcomes and errors of other plastic surgeons), they would pay full fees for this additional procedure.

Discussion

Consumer-oriented approaches to health care sometimes focus on price shopping, with-

out giving adequate priority to comparing quality across providers. Yet widespread reliance on word-of-mouth recommendation in these self-pay markets suggests that many consumers place a high priority on quality but might be using referrals from physicians or previous patients as a proxy for quality, given the absence of or shortcomings in concrete quality measures.

Concerns about quality disparities across providers appear to be warranted: Even for the

“Many consumers might be using referrals from physicians or previous patients as a proxy for quality, given the absence of concrete quality measures.”

relatively simple LASIK procedure—sometimes considered a commodity—quality differences across providers can be marked and can prove critical, particularly for the significant minority of consumers who are at greater risk for complications or unsatisfactory outcomes. Consumers who consider only price when shopping for LASIK or cosmetic surgery might end up with providers

they would not have chosen if they had been aware of quality-disparity issues. These consumers might not receive the best value for their money, even if they obtained the lowest price.

For consumers who do take quality into account when shopping, comparing quality across providers is more easily done in some self-pay markets than others: For LASIK and cosmetic surgery, consumers must gather data on success and reoperation rates from each provider, while for IVF, data on success rates for each clinic are aggregated into an annual report. However, providing centralized quality information is only a first step. Adjusting outcomes data for patient mix—something not yet available in any of these self-pay markets—would enable consumers to make better-informed quality decisions.

One tool that would increase price transparency for shoppers is consistent bundling of services—something that does not currently exist for LASIK, cosmetic surgery, or IVF. Protecting consumers from misleading advertis-

ing is another way in which policymakers can facilitate informed shopping for health care services. Educating consumers—providing information such as what credentials to look for in providers, how to compare prices and quality across providers, and what misleading claims to look out for—is essential if consumers are to act as their own agents in the marketplace. Government and professional associations can jointly take on consumer education, as they have done in the LASIK market. Monitoring of and enforcement against providers who engage in misleading advertising are also key elements of consumer protection. As the number and complexity of health care markets in which consumers are expected to shop on their own behalf expand, resources devoted to consumer protection will need to be greatly increased.

If all of the tools discussed here are implemented, many consumers would benefit from improved price and quality transparency, but the benefits will not accrue to all consumers equally. Previous research has found that consumers with more education are much more inclined to seek health information on their own behalf, so they are the most likely to benefit directly from any measures that improve transparency.¹²

IN APPLYING LESSONS learned from these self-pay markets to services covered by health insurance, it should be noted that many covered services are more urgent and more complex than the procedures we have analyzed here—factors that would greatly reduce consumers’ inclination and ability to comparison shop. In addition, the fact that insurance will cover part of the cost reduces the financial incentive for the consumer to shop vigorously. Given that consumer shopping is not prevalent or active in most self-pay markets, we would expect the extent of shopping to be even more limited for many covered services.

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NOTES

1. More information on methods, including interview protocols and respondent types, is available from the authors; send e-mail to Ha Tu, htu@hschange.org. Specific respondents cannot be identified because they were guaranteed confidentiality by the researchers.
2. Data from Market Scope LLC.
3. Ibid.
4. David Harmon, Market Scope president, as quoted in K. Garloch, “LASIK: Reward of Clear Vision Not without Risk,” *Charlotte Observer*, 18 January 2004.
5. *Basik Lasik* is available online at <http://www.ftc.gov/online/pubs/health/lasik.htm> (accessed 18 January 2007). Another reliable online information source is <http://www.lasikinstitute.org> (the Eye Surgery Education Council, an initiative of the American Society for Cataract and Refractive Surgery).
6. Consumers’ shopping-behavior results reported by multiple providers and consultants based on their review of proprietary survey data.
7. Different ways of choosing LASIK providers are not mutually exclusive (for example, a consumer might see an advertisement promoting low prices, then talk to someone who had satisfactory surgery with that provider—which would reinforce that consumer’s inclination to choose that provider).
8. VISX USA Inc., *The LVC Key Indicator Report*, First Quarter 2005, http://www.visx.com/professionals/customvue_support/business_dev_resources/pdfs/indicator_reports/key_indicator_report_q1_05.pdf (accessed 10 January 2007).
9. A prescription might not even be necessary to obtain a price quote, if the provider does not use tiered pricing based on strength of prescription.
10. Harris Interactive survey, results reported in Eye Surgery Education Council, “Quality of Life Improved through Laser Eye Surgery,” Press Release, 16 October 2003, http://www.lasikinstitute.org/Newsroom_qualityoflifeimproved.htm (accessed 10 January 2007).
11. Consumer satisfaction results reported by multiple providers and consultants based on their review of proprietary survey data.
12. L. Baker et al., “Use of the Internet and E-Mail for Health Care Information: Results From a National Survey,” *Journal of the American Medical Association* 289, no. 18 (2003): 2400–2406; and H.T. Tu and J.L. Hargraves, “Seeking Health Care Information: Consumers Still on the Sidelines,” Issue Brief no. 61 (Washington: Center for Studying Health System Change, March 2003).