



## Overview

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### The need

Optima Health wanted to deliver the most accurate out-of-pocket cost estimates possible for its members — in a way that made shopping for healthcare services easy

### The solution

The health plan implemented the IBM Treatment Cost Calculator, which mines claims data sets to provide personalized cost transparency, and can handle complex benefits plan and payment structures

### The benefit

The Treatment Cost Calculator allows Optima Health members to search for treatments, physicians or facilities for cost estimates, and the plan expects increased member satisfaction and a competitive advantage as a result

# Embracing retail in healthcare — from cost transparency to provider rate restructuring

The leaders of Optima Health, an integrated health plan in operation for 32 years and a service of Sentara Healthcare, understood the importance of providing clear and personalized consumer-focused information.

That understanding was being driven by wide variations in care and treatment pricing<sup>1</sup>, reform legislation dictating new mandates on transparency<sup>2</sup> and a desire to improve the member experience.

## Goal: A shoppable healthcare experience for members

Optima Health leaders wanted to act quickly to provide price transparency and a shoppable experience for their members. The plan serves over 480,000 members, including those from commercial, Medicaid and exchange plans, primarily in Virginia.

The main objective was to deliver the most accurate member out-of-pocket cost estimates possible, through an easy-to-use, web-based interface. Restructuring the plan's provider rates was another important objective toward providing its members with simple and accurate estimates.

## Foundation: Claims data

Optima Health chose to implement the Treatment Cost Calculator

The tool's foundation is the mining of large paid claims data sets from Optima Health, as well as from the proprietary IBM MarketScan® Database, one of the largest claims databases in the industry, with data from the claims experience of more than 300 employers with 25 million covered lives. The calculator uses 18 months of claims data to create cost estimates through advanced algorithms, event grouper methodologies and more.

Estimates in the solution are comprehensive. For example, when looking up the cost of a provider office visit, members can review costs of common services often included in a typical visit, such as lab work and immunizations.

## Next: Implementation strategy and rate restructuring

As the health plan began to structure its member plans around price transparency and launch the calculator for its members, the organization embraced the Guiding Principles for Transparency developed by the Healthcare Financial Management Association (HFMA)<sup>3</sup>.

The Treatment Cost Calculator helped the health plan check off many of the guiding principles, including ease of use. For instance, the solution shows the overall out-of-pocket estimate, allows consumers to view side-by-side provider comparisons sorted by lowest price, and delivers a near real-time feed for each member's deductibles and health savings account balances.

In addition, the Treatment Cost Calculator has the flexibility to accommodate both complex benefits plans and multifaceted payment structures.

## HFMA Guiding Principles for Transparency<sup>3</sup>

- Should empower patients and other care purchasers to make meaningful price comparisons prior to receiving care
- Any form of price transparency should be easy to use and easy to communicate to stakeholders
- Should be paired with other information that defines the value of services for the care purchaser
- Should ultimately provide patients with the information they need to understand the total price of their care and what is included in that price
- Will require the commitment and active participation of all stakeholders

To ensure organizational confidence in the calculator's accuracy, the Optima Health internal medical economics team, made up of data analytics experts, reviewed the tool's algorithms and methodologies and put a selection of the calculator's cost bundles through an in-house validation process.

Rate structuring also began to take a front seat during the tool's implementation. The health plan encouraged network providers to simplify their wide-ranging rate structures for several shoppable services, such as outpatient imaging, other outpatient diagnostic services and outpatient surgeries.

The new structures allowed for the use of case rates. The simplification benefited the providers, too, as consumers may be more likely to move their business to lower-cost providers if there is no perceived difference in quality.

When Optima Health implemented the Treatment Cost Calculator, estimates for 350 services were available. Watson Health and Optima Health have since collaborated to expand the list to nearly 440 service estimates, and more are planned in the future.

## Satisfied health plan, satisfied members

The Treatment Cost Calculator at Optima Health now allows members to search for treatments, physicians or hospitals on both desktop and mobile devices, and the health plan has reported that the interface is both intuitive and responsive.

Optima Health expects that the implementation of Treatment Cost Calculator will increase member satisfaction over time, which stands to improve the plan's competitive position in the marketplace.

The plan is also tracking member utilization in the tool to learn more about its population — such as percentage of members using the solution, types of estimates members are searching for and when, how high-deductible plan members are using the tool compared to others, how estimates compare back to actual claims data, and typical timeframes between an estimate search and an actual claim.

Optima Health is also phasing quality measures into its Treatment Cost Calculator.

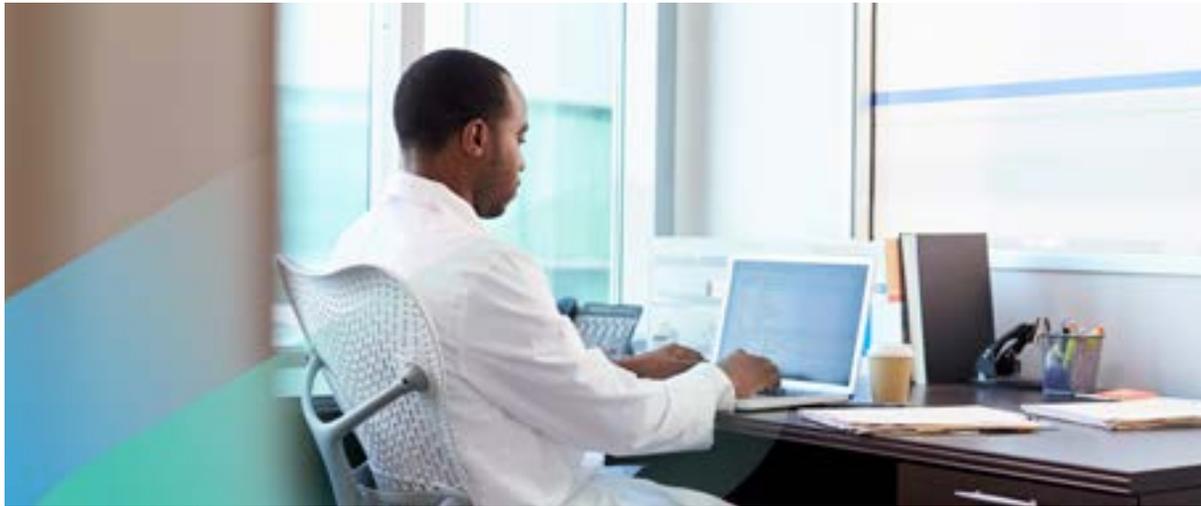
## What is the Treatment Cost Calculator?

This consumer price transparency tool helps consumers manage their healthcare costs, objectively evaluate treatment alternatives and find savings by comparing providers and facilities.

The Treatment Cost Calculator is part of a collection of resources, including the IBM myBenefitsMentor™ web-enabled enrollment support tool, that helps people move from passive participants to active healthcare consumers.

## For more information

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## Notes

<sup>1</sup> *The Price Ain't Right? Hospital Prices and Health Spending on the Privately Insured.* Zack Cooper (Yale University), Stuart Craig (University of Pennsylvania), Martin Gaynor (Carnegie Mellon University, University of Bristol and NBER), and John Van Reenen (Centre for Economic Performance, LSE and NBER), December 2015. Accessed at [http://www.healthcarepricingproject.org/sites/default/files/pricing\\_variation\\_manuscript\\_0.pdf](http://www.healthcarepricingproject.org/sites/default/files/pricing_variation_manuscript_0.pdf).

<sup>2</sup> *Report Card on State Price Transparency Laws.* Health Care Incentives Improvement Institute (HCII) – Catalyst for Payment Reform (CPR), July 2016. Accessed at <http://www.hci3.org/wp-content/uploads/2016/07/reportcard2016.pdf>.

<sup>3</sup> Healthcare Financial Management Association, March 10, 2015. Accessed at <http://www.hfma.org/content.aspx?id=28796>.

98016098USEN-00 PAY 18354 0518

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Produced in the United States of America  
April 2018

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## Solution components

IBM Treatment Cost Calculator

## Connect with us



## About IBM Watson Health

Each day, professionals throughout the health ecosystem make powerful progress toward a healthier future. At IBM Watson Health, we help them remove obstacles, optimize efforts and reveal new insights to support the people they serve. Working across the landscape, from payers and providers to governments and life sciences, we bring together deep health expertise; proven innovation; and the power of artificial intelligence to enable our customers to uncover, connect and act — as they work to solve health challenges for people everywhere.

