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Price Transparency in the Online Age

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Abstract: Plastic surgeons are sometimes hesitant to provide their pricing information online, due to several concerns. However, if implemented right, price transparency can be used as a lead generation tool that provides consumers with the pricing information they want and gives the physician the consumer's contact information for follow-up.

This study took place during the author's first year in private practice in a new city. An interactive price transparency platform (ie, cost estimator) was integrated into his website, allowing consumers to submit a "wishlist" of procedures to check pricing on these procedures of interest. However, the consumer must submit their contact information to receive the desired breakdown of costs that are tailored based on the author's medical fees.

During that first year, without any advertising expenditure, the author's website received 412 wishlists from 208 unique consumers. Consumers (17.8%) that submitted a wishlist came in for a consultation and 62% of those booked a procedure. The average value of a booked procedure was over US \$4000 and cumulatively, all of the leads from this one lead source in that first year generated over US \$92,000 in revenue.

When compared with non-price-aware patients, price-aware patients were 41% more likely to book a procedure. Price transparency led to greater efficiency and reduced consultations that ended in "sticker shock." When prudently integrated into a medical practice, price transparency can be a great lead generation source for patients that are (1) paying out of pocket for medically necessary services due to a high-deductible health plan or (2) paying for services not typically covered by insurance, such as cosmetic services.

Key Words: price transparency, plastic surgery pricing, cosmetic surgery costs, healthcare costs, high deductible health plan

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Price transparency is reshaping health care. The Affordable Care Act has increased the prevalence of high-deductible health plans—insurance plans with low monthly premiums and high deductibles—requiring consumers to shoulder a greater percentage of their healthcare costs.¹ Therefore, cost is no longer a secondary concern to the prospective patient searching for cost information for a medically necessary procedure being paid out-of-pocket due to a high-deductible health plan. For this reason, a growing percentage of people conduct research online to check pricing for health care services, joining those who seek procedures not covered by insurance (eg, cosmetic services).²

The expectation that patients will pay a larger portion of their health care costs out-of-pocket before insurance benefits kick in to reimburse providers is now the norm and not the exception. Because insurance never covered nonmedically necessary cosmetic procedures,

plastic surgery represents the microcosm of changes that will soon affect the greater health care marketplace. Consumers are factoring cost into their choice of healthcare provider—one reason why health care providers and plastic surgeons have been hesitant to provide pricing information online.

Plastic surgeons have traditionally avoided providing pricing information online due to 3 major concerns: (1) patients might price shop instead of focusing on surgeon relationship, (2) patients might not understand prices are estimates subject to adjustment based on their body habitus, and (3) competitors could be comparing prices. These concerns are difficult to confirm or quantify, because they involve private behaviors.

Despite these concerns, there are benefits to price transparency, through using an online cost estimator as a tool for lead generation: (A) patients receive pricing information they seek, (B) plastic surgeons receive contact information for follow-up, and (C) patients schedule consults only after having realistic price expectations.

This yearlong study sought to demonstrate that online price transparency can be beneficial to both consumer and provider—and not only for cosmetic patients, but also for those seeking any healthcare service.

METHODS

Case Study

At the start of the author's first year in a new private practice, 104 procedure prices were disclosed on his practice website. A cost estimator "widget" containing a list of offered services was embedded in the website. Prospective patients browsed procedures of interest, adding them to personal "wishlists." After submitting their wishlist, along with their name, email address, and phone number, patients automatically and immediately received an email containing a breakdown of estimated costs including surgeon's fee, operating room/anesthesia fees, implants, and other ancillary fees. The physician received a similar email containing patient contact information. The pricing information the patient received was downloaded from a doctor-provider pricing database and reflected pricing specific to that physician.

Statistical Analysis

The statistical significance of differences in procedure booking frequency between experimental group ("price-aware") and control group ("non-price-aware") was calculated using a 2-tailed Fisher exact test using the software application MATLAB (The MathWorks, Inc., Natick, MA). The test's null hypothesis was that there is no nonrandom association between price awareness and procedure booking behavior. A significance level (α) with a P value of 0.05 was used as a threshold for rejection of the null hypothesis (ie, $P < 0.05$ would imply presence of nonrandom association[s] between price awareness and procedure booking).

RESULTS

Over the course of the physician's first year in a new practice in San Francisco, 208 prospective patients submitted a total of 412 wishlists. Of these 208 price-aware prospects, 37 scheduled a face-to-face consultation and 23 subsequently booked procedures. Figure 1 displays all outcomes for these price-aware prospects. The average price per booked procedure was US \$4018.16 (total gross of US \$92,418).

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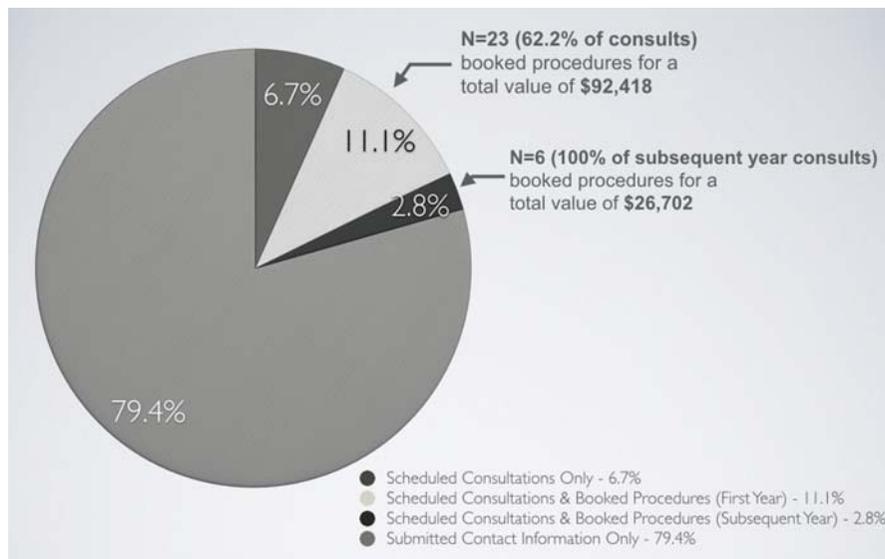


FIGURE 1. Outcomes for the 208 price-aware prospective patients that submitted wishlists in the first year of the author's practice.

Interestingly, 6 of the 208 prospects (2.8%) came in for a consultation during the subsequent year. All 6 of these patients (100%) booked a procedure (total gross of \$26,702).

The control group consisted of 480 regular consultations with non-price-aware patients, all of which also occurred during the practice's first year. Figure 2 compares these 480 non-price-aware controls with the 208 price-aware prospects. Two hundred eleven of 480 consults (44.0%) of non-price-aware patients booked procedures compared with 62.2% of price-aware patients. The difference in booking behavior between these 2 groups was found to be statistically significant ($P = 0.039$), implying the presence of a nonrandom, positive association between price awareness and booking behavior. Overall, price-aware patients were 41% more likely to book a procedure than non-price-aware patients—a value consistent with and much greater than the 21% cited in a previous survey.³

DISCUSSION

Concerns and Benefits

Tradition dictates that revealing prices online is taboo in health care. Physicians worry that patients will focus on price instead of quality, or will not understand that pricing estimates are just that—estimates. They are concerned competitors will check their pricing to secure a competitive advantage. Despite these health care provider's concerns, consumers are driving price transparency, due in part to changes brought on by an "Amazon.com" mentality.⁴

There is a paradigm shift in society, where consumers want and expect all purchasable items to have a clearly marked price that can be determined online and before treatment. A typical retort to this expectation is that health care costs are too complicated to compile. Despite this complexity, many private and public initiatives are pushing for greater price transparency in the health care marketplace.¹

Part of the resistance to price transparency is the apparent lack of benefit to the healthcare provider. With the interactive cost estimator platform studied above, both consumers and providers receive something they want—namely, pricing and leads, respectively. If the provider simply listed their services and prices on a static webpage, no leads would be generated. Leads are a significant asset to health care providers, especially now that out-of-pocket payments are more common,

which gives the provider cash flow in the short term, before insurance reimbursement arrives in the long term.

As mentioned earlier, physicians worry that price transparency will motivate patients to focus on price instead of quality, turning them into prototypical "price shoppers." We are not aware of evidence that inquiring about price, similar to the way a consumer inquires about the cost of a house or car, suggests the customer is not serious and considering more complicated factors related to their purchase (in this case, physician relationship, reputation, and expertise).

The American Society of Plastic Surgeons publishes procedural statistics every year, but these prices are based on survey data, and are not generated using a doctor-provided pricing database. More importantly, American Society of Plastic Surgeons acknowledges that the fees they publish "are averages only. Fees do not include anesthesia, operating room facilities or other related expenses."⁵

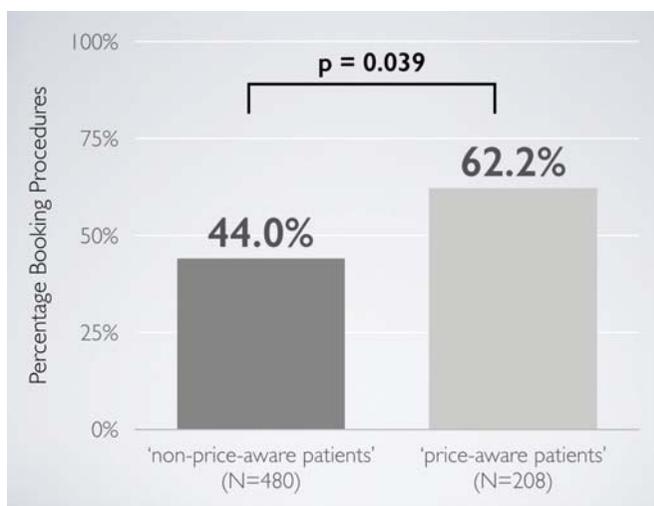


FIGURE 2. Comparison between 480 non-price-aware and 208 price-aware consultees. The increased incidence of procedure booking among price-aware consultees was statistically significant ($P = 0.039$). Overall, price-aware consultees were 41% more likely to book a procedure than non-price-aware.

Procedure Booking Rate

In most instances, the consumer is attracted to a particular plastic surgeon through word of mouth referral or advertising. Before coming in, they will research the physician and the procedure of interest, but often, price is not available. The consumer accepts this as the norm because price is typically not available for any health care services.

To obtain pricing information, the patient must come in for a consultation without any knowledge of whether the final cost will be in their budget. This subjects them to a consultation that may ultimately be a waste of their time as well as the physician. With patients unaware of price before the consultation, the hypothesis is that more consultations will end in “sticker shock” because the consumer was not prepared for the cost before the consultation.

In the author's first year in practice, due to patients using the interactive online cost estimator, more patients knew cost ahead of time. Therefore, by the end of the consultation, the cost of the procedure was not a surprise. Providing this information before the consultation made price-aware patients 41% more likely to schedule a surgical or nonsurgical treatment by the end of their visit.

Interactive Online Cost Estimator

The author recorded lead and conversion data during his first year in a new San Francisco practice that was due solely to using an interactive cost estimator on his website (ie, no advertising was performed). After this first year, he began advertising and driving online consumers to his practice website with the promise of pricing information. This type of lead generation has grown his practice database from 200 e-mail addresses to over 4100 email addresses over approximately 2.5 years. Such a large email database can be leveraged toward email marketing (e-newsletter, e-blast) to consumers that have opted into these communications.

From a plastic surgery marketing perspective, this is a database of highly engaged patients with an average e-newsletter open-rate of 23% and average click rate of 15%. All providers can use these same best practices, whether in a predominantly cosmetic practice, or in a reconstructive practice with high-deductible health plan patients.

Additionally, the availability of a cost estimator on a provider's website has search engine optimization benefits as well. Based on the Google analytics of the author's website, several behavioral patterns were recognized. Consumers visiting his website would leave immediately 61% of the time if they arrived on the homepage, versus leaving

only 36% of the time when arriving on the pricing page. This demonstrates a bounce rate that drops by almost half when the pricing page is the first introduction to the author's website. Consumers spent significantly more time on the website when perusing the pricing page (3.43 minutes) versus the rest of the website (1.63 minutes). Lastly, consumers viewed 3.18 pages across the site when arriving on the pricing page first versus 2.40 pages when arriving anywhere other than the pricing page.

It is also important to recognize that driving consumers to a provider's website is not enough. The presence of web traffic alone does not provide leads. The website must have information that the consumer deems critical. Only then will they be willing to provide their contact information to obtain information that cannot be obtained elsewhere, such as pricing estimates for specific procedures from a specific provider. This is the fundamental reason why price transparency can be such an effective lead generation platform.

CONCLUSIONS

Plastic surgeons, longtime participants in the self-pay health care sector, are better poised to promote price transparency initiatives. From a financial perspective, there is no difference between the breast augmentation patient and the patient with a high deductible health plan seeking a full-body MRI. For this reason, plastic surgeons should naturally lead the price transparency revolution—but will they?

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