

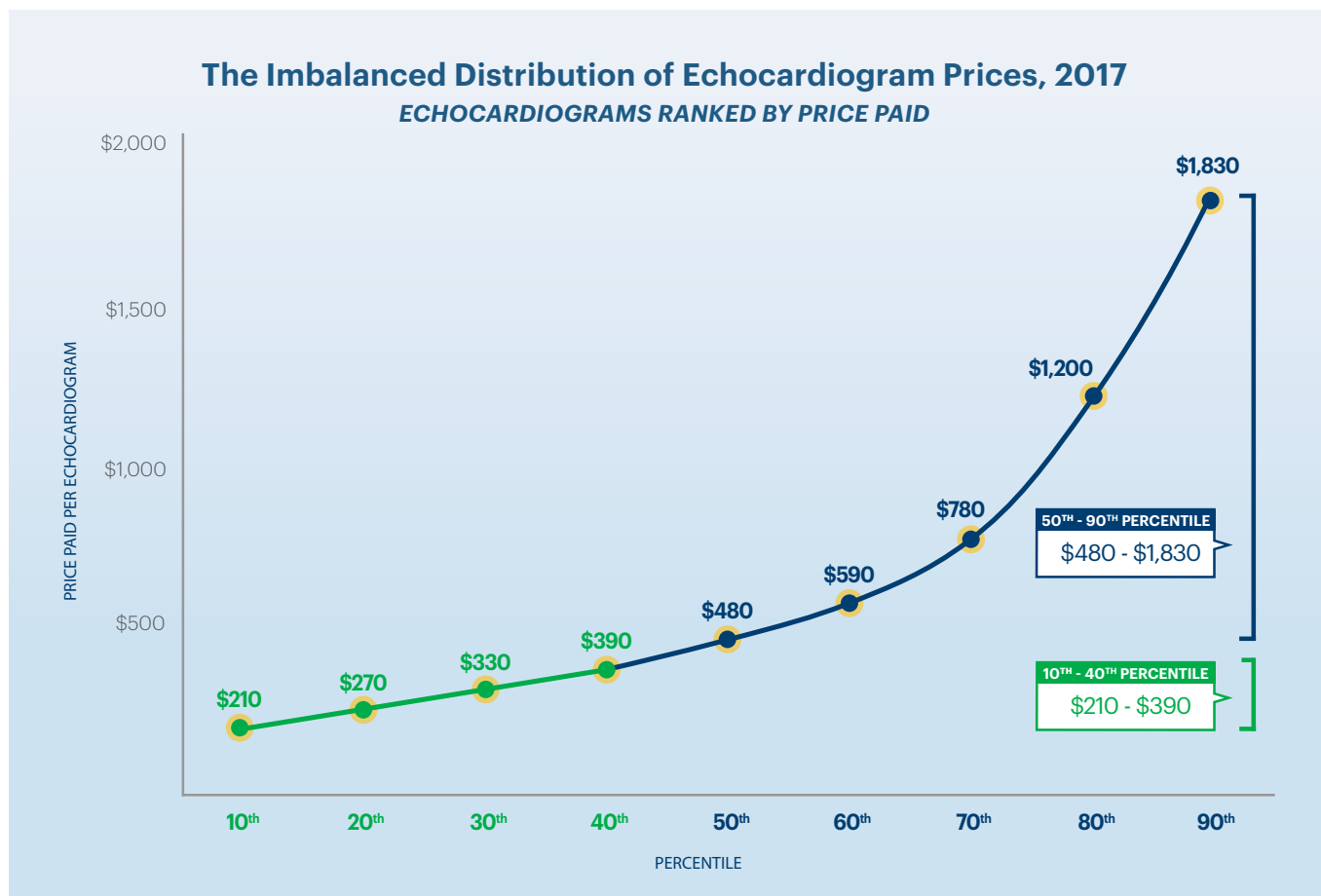
Reduced Pricing of Diagnostic Health Tests Could Save Consumers More Than \$18 Billion a Year

Price Variation of Health Care Services in the U.S.

U.S. health care spending is rising and projected to reach \$6 trillion by 2027, nearly 20 percent of GDP.¹ This increased spending is driven by prices that are high on average and vary significantly.^{2, 3, 4, a}

This price variation leads to gross overspending for many consumers, even for common health care services such as diagnostic tests, which play an important role in the diagnosis, monitoring, and treatment of disease.

For example, in 2017, the price of an echocardiogram (a diagnostic ultrasound examination of the heart) varied nine-fold, from \$210 to \$1,830.^b

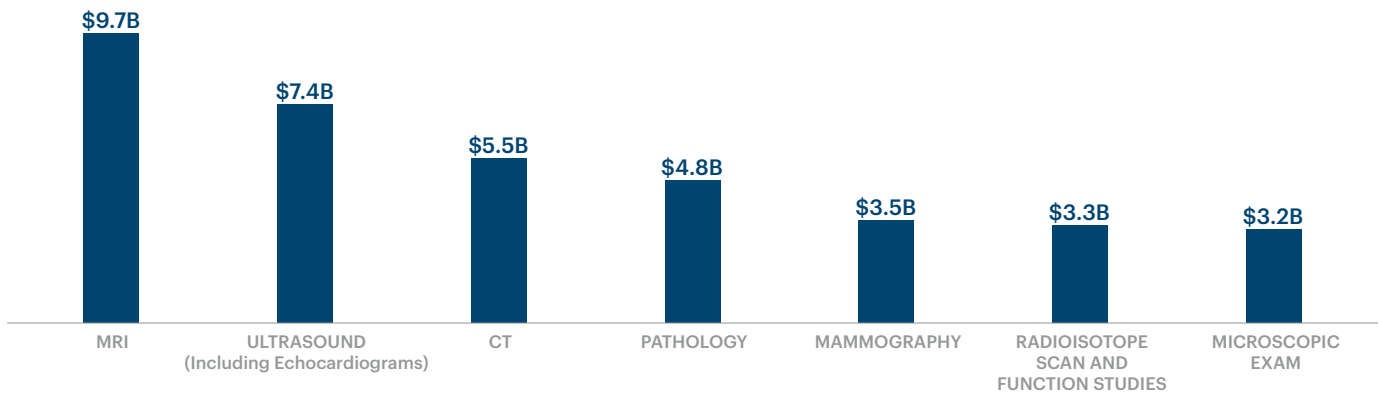


This example demonstrates the imbalanced distribution of echocardiogram prices, which is typical of many common diagnostic tests. While a significant number of consumers pay low prices, over half pay considerably more for exactly the same service.

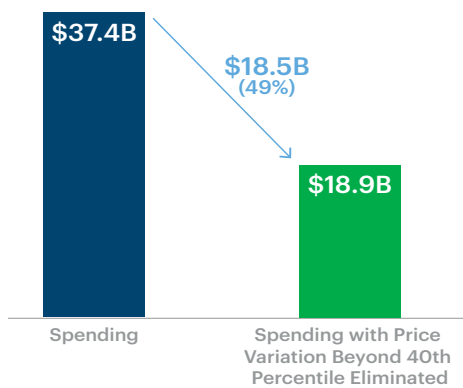
Reducing the Prices of Seven Groups of Diagnostic Tests Can Lower Costs for Consumers

Overpricing is illustrated by an analysis of seven groups of common, minimally-invasive, outpatient diagnostic and testing services for commercially-insured patients, including MRIs, ultrasounds, echocardiograms, and mammograms.^c Prices paid by UnitedHealthcare's commercial health plans and their members for over 12.5 million diagnostic tests in these seven groups vary from three-fold up to twenty-fold or more.

Spending on Seven Groups of Common Diagnostic Tests Totaled \$37.4 Billion in 2017



Savings Opportunity from Reducing Price Variation across Seven Groups of Common Diagnostic Tests, 2017



If all the tests priced above the 40th percentile were repriced to the 40th percentile, it would have achieved \$18.5 billion (49 percent) in savings in 2017.^d By reducing price variation, many patients would pay less out-of-pocket costs and health insurance premiums could be lower.

Following is a breakdown of the savings that would result from reduced pricing for the seven groups of common diagnostic health tests:

- ▶ MRI: \$4.6 billion in savings (47 percent lower)
- ▶ Ultrasound: \$3.7 billion in savings (50 percent lower)
- ▶ CT: \$3.1 billion in savings (56 percent lower)
- ▶ Pathology: \$2.7 billion in savings (56 percent lower)
- ▶ Microscopic Examination: \$1.8 billion in savings (56 percent lower)
- ▶ Radioisotope Scan and Function Studies: \$1.5 billion in savings (45 percent lower)
- ▶ Mammography: \$1.1 billion in savings (31 percent lower)

Why do prices for common diagnostic tests vary widely?

Significant price variation is not primarily driven by differences in the underlying cost or quality of care. The complex and fragmented health care delivery system, which includes opaque cost structures and varying treatment protocols, makes it challenging for providers to determine the actual cost of treating their patients.⁵

- ▶ Geographic cost differences have relatively little impact on actual provider price variation.⁶
- ▶ Prices are not predictive of provider quality or patient outcomes.^{7, 8, 9}
- ▶ Rather than cost or quality primarily driving price variation, a more likely reason is that health care providers generally are incentivized to use their market power to increase prices, often resulting in overpriced services.^{10, 11}

Reducing higher prices to amounts already agreed to by many providers can reduce the total cost of health care. For example, simply eliminating price variation for echocardiograms above the 40th percentile¹² (\$390) would result in \$970 million in savings.

Illustration of Current Echocardiogram Spending

ECHOCARDIOGRAMS RANKED BY PRICE PAID

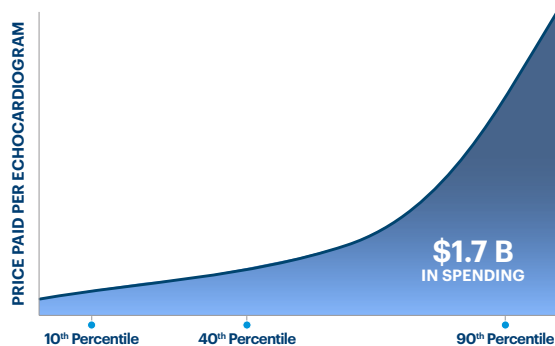
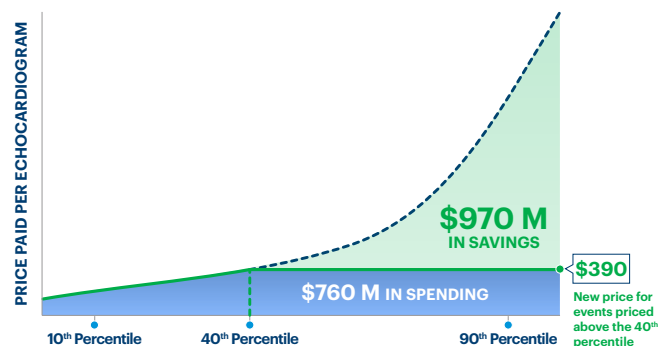


Illustration of Reduced Spending if Price Variation for Echocardiograms was Limited to the 40th Percentile

ECHOCARDIOGRAMS RANKED BY PRICE PAID



NOTES

- UnitedHealth Group (UHG) 2018 analysis of outpatient events for UnitedHealthcare members with employer coverage in 2017.
- Price ranges presented are based on claims paid for UnitedHealthcare members with employer coverage in 2017. In order to exclude extreme high and low outliers, the price range spans the 10th percentile to the 90th percentile.
- The seven service groups studied are consolidated from 11 Agency for Health Care Research and Quality (AHRQ) categories: magnetic resonance imaging (MRI), computerized axial tomography (CT) scan abdomen, CT scan chest, CT scan head, other CT scan, pathology, other diagnostic ultrasound, mammography, radioisotope scan and function studies, microscopic examination (bacterial smear, culture, toxicology), and diagnostic ultrasound of heart (echocardiogram). The four AHRQ CT categories are compiled into a "CT" group, and the two AHRQ ultrasound categories are compiled into an "Ultrasound" group for a total of seven groups.
- UHG analysis, 2018. UnitedHealth Group analyzed prices (by allowed amounts) for outpatient tests for UnitedHealthcare members with commercial coverage in 2017. The potential savings opportunity from pricing these common diagnostic and testing services at the 40th percentile of the price range was calculated for this population, and was extrapolated to the entire United States commercial population to calculate the savings opportunity associated with these services. While the 40th percentile is merely illustrative (for example, more savings would be achieved at the 33rd percentile and less savings at the 50th), it is emblematic and likely reasonable given that 40 percent of today's market volume is already at or below this price.

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