The Use of Quality Information: A Comparison of Child Care and Health Care Provider Markets

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Perfect competition

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- Perfect information about the available products
  - Counterexample: used cars
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Child care provider selection and health care provider selection are two arenas rife with market failure.
Parallels between health and child care providers

The parallels are not strong in the area of spreading of costs

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  - In Minnesota, a patient may have the same copayment for the Mayo Clinic and a limited-service county hospital
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- **Child care**
  - Much more transparency of costs in child care
  - Child care centers are rarely bundled for pricing
Parallels between health and child care providers

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- This is particularly troublesome for low-frequency, high-risk health care procedures like open heart surgery. Child care and primary health care have more repeat experiences.
- You may not have confidence in your ability to judge quality.
  - What does the in-home provider do once you leave?
  - Is my ongoing pain due to the nature of my disability or due to poor care?
Use of quality information

A consumer will use quality information if the expected cost of using the information is less than the expected benefit received.

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Expected benefits are affected by a variety of factors

- Consumer’s confidence about current knowledge
- Satisfaction with current provider
- Trust in the source of information
- Presence of an experience or price shock, causing a belief you can do better
  - Price suddenly increased
  - Bad experience with current provider
Use of quality information

Expected costs are comprised of a variety of potential costs

- **Time cost**
  - Searching for information
  - Gaining access to the medium (e.g., internet)
  - Building information networks (e.g., friends)
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▶ Cognitive cost
  ▶ Language?
  ▶ Concise or information overload?
  ▶ Presented in a way relevant to decision?
Pathway to use

These costs and benefits are analyzed along the expected pathway to use of information.
The Buyers’ Health Care Action Group

The Buyers’ Health Care Action Group (BHCAG) is a coalition of 30 employers that used their purchasing power to reform the health care market in the Twin Cities during the 1990s.
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Their goal was to correct the market failures faced by their employees when making health care decisions

- Spreading of costs
- Lack of information
The Buyers’ Health Care Action Group

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- Specialists and hospitals may be affiliated with multiple care systems.
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▶ Asked the provider community to form care systems and bid on the provision of care to the BHCAG employees
▶ General practitioners were to be affiliated with only one care system
▶ Specialists and hospitals may be affiliated with multiple care systems.
▶ The resulting 17 care systems covered 95% of the area GPs
The Buyers’ Health Care Action Group

Revealing costs

- Care systems were grouped into three cost tiers, based on their bid, to create pricing distinctions
- Employees chose a care system at open enrollment, which determined their payroll deduction for coverage
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Generating information
- BHCAG conducted consumer satisfaction surveys among their employees to assess quality by care system
- Clinical quality measures were in their infancy at the time
- Studies have shown significant correlation between consumer satisfaction and clinical quality
- Survey information made available at open enrollment
Assessing the use of BHCAG’s quality information

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We built a model to assess the employees’ awareness of the quality information, and its impact on their decision whether to switch care systems.
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After estimating the model, we found awareness of the quality information was impacted by

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  ▶ Booklet with enrollment information, booklet upon request, or web only
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- **Education level of consumer**
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- **Gender of consumer**
  - Females more aware than males
Assessing the use of BHCAG’s quality information

Decision to switch care systems impacted by

▶ Significant premium increase (more likely)
▶ Provider affiliation (less likely)
▶ Loss of personal provider (more likely)
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- Info may have confirmed current beliefs
- Could be aware of information, but the cost of use still exceeds the expected benefits
Learning from the BHCAG study

Our study was designed to assess only the first and last points along the pathway to use. In retrospect, we would more explicitly explore each step along this pathway.
ParentAware rating system

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- A voluntary rating system
- Open to center-based and licensed family child care homes
- Rating based on document review and on-site observation
- Detailed rating information is summarized in a 4-star overall rating
- Nationally accredited programs (e.g., through NAEYC or Head Start) automatically receive a 4-star rating
Child Trends study

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This project is a Child Care Policy Research Grant funded by the Office of Planning, Research, and Evaluation, U.S. Department of Health and Human Services with additional support from the Minnesota Early Learning Foundation.
Conceptual Model

We offer our conceptual model as input into our conversation today.