



Healthcare Blue Book
YOUR FREE GUIDE TO FAIR HEALTHCARE PRICING

Surgery Pricing Secrets: The Challenges Patients Face

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HEALTHCARE BLUE BOOK

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Healthcare Blue Book

SURGERY PRICING SECRETS: THE CHALLENGES PATIENTS FACE

Is it Possible to Find Out What Surgery Will Cost Before the Surgery?

Healthcarebluebook.com is a leader in helping patients obtain fair prices for medical procedures, surgeries and treatments. As part of Healthcare Blue Book's ongoing effort to learn more about how patients can obtain pricing before agreeing to a surgery, our researchers regularly conduct pricing studies with medical providers. In this study, we assess how easy it is to obtain prices at different types of facilities for a common surgery.

In this white paper, *Surgery Pricing Secrets: The Challenges Patients Face*, we queried hospitals and Ambulatory Surgery Centers (ASCs) in three demographically disperse markets. These were Raleigh-Durham, North Carolina; Denver, Colorado; and Portland, Oregon. Researchers sought to obtain prices for self-pay patients, who did not intend to use insurance to pay for the procedure.

Healthcare Blue Book research focused on the ease of obtaining a price quote from a facility prior to receiving treatment. The evaluation included several categories, including how to:

- Find someone who could answer pricing questions
- Get a price quote within a reasonable amount of time
- Obtain a complete price quote for all parts of a surgery
- Ask for and obtain a cash discount
- Get a guaranteed price estimate

We found that while many hospitals attempt to help patients figure out what surgeries will cost, it's still uncommon to obtain guaranteed prices from them before a surgery. Although many hospitals have created a staff position called "patient financial counselor," patients frequently have a frustrating and unproductive experience. In contrast, ambulatory surgery centers (ASCs) provide far greater pricing transparency to patients and do so in a patient friendly manner in most cases.

This survey did not take quality of care into consideration. While quality of care may be the most important factor for selecting a provider, there is scant evidence that paying higher prices will ensure that patients receive higher quality care. In fact, as reported in *Health Affairs* ("Hospital Quality And Intensity Of Spending: Is There An Association?", May 2009), the association of spending to quality is either nil or negative.

Our primary conclusion is that healthcare pricing transparency is not possible under the current practices and pricing policies of most hospitals and some ASCs. We hope that this report will help educate patients on how to obtain fair prices from providers and that healthcare providers will find it helpful in learning more about the patient pricing experience.

Sincerely,



Jeffrey Rice, MD, JD
CEO, Healthcarebluebook.com

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Healthcare Price Transparency:

The System Must Change Before Price Transparency Will Be Possible

All patients should know what a surgery will cost before receiving services. This includes patients without insurance who are paying cash, those using out of network providers, as well as those with high deductibles, Health Reimbursement Accounts (HRA), and Health Savings Accounts (HSA).

Obtaining pricing information is becoming even more important as healthcare costs continue to skyrocket. While legislators at the state and federal levels consider bills that attempt to insure a larger majority of Americans, most bills under consideration still do little to contain overall price increases in the short-term. Currently, it is up to providers who want to offer high quality care at affordable prices to take the lead in educating patients about what their surgeries should cost and offer fair prices for them.

While patient pricing education sounds great on paper, it's much more complicated to put into practice. To chronicle the patient experience of trying to obtain prices for an upcoming surgery, Healthcare Blue Book researchers sought to obtain pricing for a single procedure - anterior cruciate ligament repair of the knee.

What researchers found is that obtaining pricing information from hospitals is very challenging, and in some cases almost impossible. By contrast, ASCs were much easier to navigate, less time consuming and more receptive to pricing queries. Here are the details of our findings.

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1. Hospitals Fall Short at Providing Pricing Information

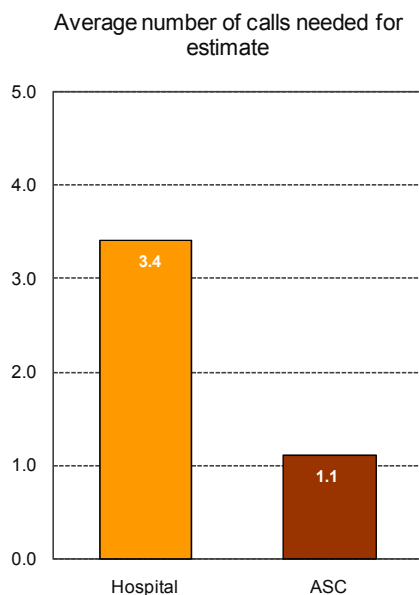
It can be very difficult and time consuming for patients to get the pricing information they need from hospitals before agreeing to a surgery. Many hospitals are not structured to easily answer pricing questions and there appears to be very little system-wide training of those who answer phone queries about this and other cost-related issues.

Response was uneven across all hospitals surveyed. Some employees stated upfront that pricing information was unavailable, others transferred callers to departments such as human resources which don't handle that question, some hospitals sent Healthcare Blue Book researchers to the surgical departments which often could not answer pricing questions. Others directed inquires to a specific individual who was supposed to answer pricing questions. All told, the responses were frustrating, time consuming and often quite poor.

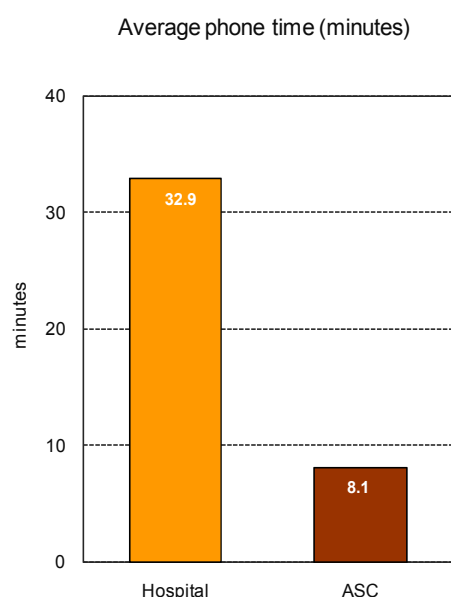
While many hospitals have created a new position entitled "patient financial counselor" which is designed to help patients obtain prices for procedures, they have been slow to inform staff that this position exists. Many of these counselors, while trained to be helpful, do not have access to all prices associated with a surgery and must refer patients to other departments to get more information. The majority did not have contact information for other departments or individuals who could provide additional pricing details.

On average it takes three times more phone calls to a hospital to get an answer to a pricing question, and four times longer (32 minutes v. 8 minutes) to get the same answers from an ASC.

It requires 3 times as many phone calls to get a price from a hospital...



... and it will take 4 times longer.



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Contacting a provider and requesting price information is usually the fastest and most accurate way to obtain a price quote. Consumers with insurance may consider calling their carrier. However, while most carriers provide information about your benefits, few can give specific prices for individual providers.

Healthcare Blue Book researchers found that some hospitals won't return calls/answer the phone (18%) or won't disclose pricing (18%). The vast majority of hospitals (70%) won't provide guaranteed pricing (a fixed price or firm estimate) for the total cost of surgery. Hospitals do not give specific prices but will only offer price ranges. In multiple cases, the ranges provided varied by more than 100% from the low end to the high end of the estimated price.

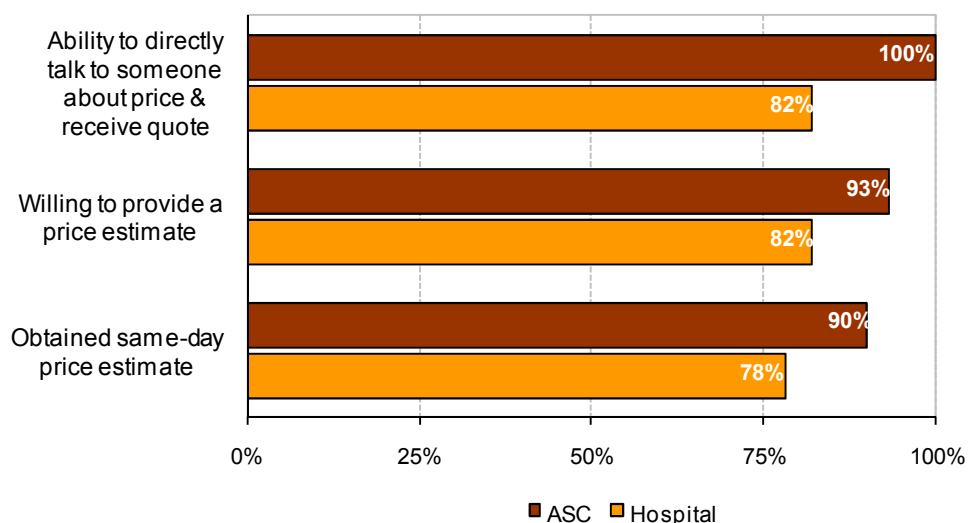
Many hospitals required patients to leave messages for staff who usually did call back but not for several days. Messages on voice mail usually stated that it could take time to respond to queries.

By contrast, ASCs are more responsive to patient inquiries about pricing. They are smaller, more efficient, and in many cases, better organized to answer these questions.

All of the ASCs contacted had personnel who could address pricing questions and provide a quote on what a surgery would cost. In many ASCs, it only took one or two phone transfers to get to the right person, and obtain a guaranteed price quote.

The majority of ASCs could provide pricing information the same day of the request. On average, it took 75% less time to get a pricing quote from an ASC compared to a hospital, and a single versus multiple phone calls to get a pricing question addressed at ASCs.

Ambulatory Surgery Centers are generally more responsive to patient pricing requests



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2. Obtaining a Firm Price Estimate and Obtaining a Discount

There are multiple costs for inpatient and outpatient surgical procedures such as knee surgery. Prices assume a standard procedure without complications. The following components represent the three major cost categories for most surgical procedures:

Physician Services - The price a physician charges for performing the procedure

Facility Services - The price for hospital or ASC services, including nursing, supplies and most medications that are given on-site

Anesthesia Services: The price for the services of the anesthesiologist

In order to accurately assess what a surgery will cost, all three prices must be obtained by the patient before agreeing to a procedure.

Both ASCs and hospitals require a CPT (Current Procedural Terminology) code in order to provide prices. CPT codes are numbers assigned to every task and service a medical practitioner may provide to a patient including medical, surgical and diagnostic services. The CPT codes are used by insurers to determine the amount of reimbursement that a practitioner will receive from an insurer. Since everyone uses the same codes to mean the same thing, they ensure uniformity of procedures covered under each code.

Patients must make sure that they know the right CPT code for their surgical procedure. A variation in a surgery, even one that seems similar, may result in a different procedure code. For instance, an ACL reconstruction, which requires removing what is left of the current ACL and replacing it with a different one (some surgeons use Achilles tendons from cadavers), is listed under the CPT code 29881. An ACL repair, which fixes tears in the ligament, and can often be done through arthroscopic surgery, falls under the CPT code 29888. Pricing for the two surgeries varies substantially.

In most transactions, consumers sign a contract that states exactly what they will pay for something (a house or car, for example), what fees are associated with the purchase, and what the product or service entails.

But when hospital staff discuss surgeries with potential patients they rarely provide that level of detailed information. The staff who answer pricing questions are not the ones who perform or even participate in the surgery. They generally work off a database that provides general pricing information by CPT Code.

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There were several pricing transparency issues that arose in trying to obtain price estimates from hospitals. Here are a few:

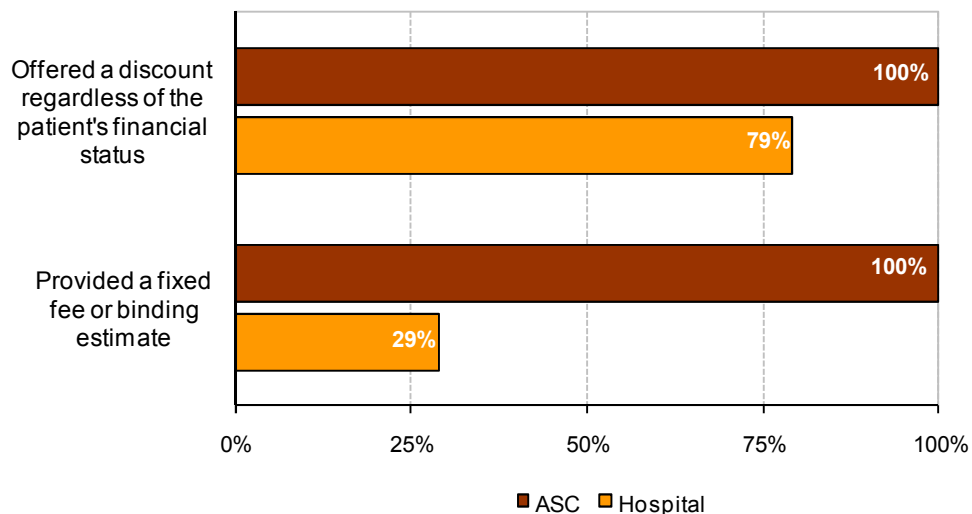
Hospitals would not provide guaranteed prices. Hospitals offered price ranges that could vary by up to 100% from the low end to the highest price.

Hospital personnel rarely explained there were multiple prices associated with a surgery. While most ASCs explained the costs of a surgery and who the patient would need to contact in order to get a complete price; hospitals generally did not. If patients were unaware of the multiple fees associated with a surgery when they called a hospital, they would likely have sticker shock when they received the bills.

ASCs were far more likely to provide a binding estimate. When requested, binding estimates were provided by ASCs 100% of the time. That is, ASCs would tell a patient what a surgery would cost and document it. By contrast, hospitals only agreed to provide binding cost estimates 29% of the time. When hospital personnel were asked the reason for estimates instead of firm prices, some reported that there was no way for them to tell what the surgery entailed until the patient was on the operating table. This gives them tremendous flexibility on what they ultimately charge after the surgery is performed.

ASCs are also more likely than hospitals to provide discounts to cash paying patients, regardless of income level. ASCs offered discounts to patients regardless of financial status 100% of the time in our survey. In contrast, only 79% of hospitals offered cash paying patients discounts regardless of financial status. The remaining 21% of hospitals require patients to demonstrate “financial need” in order to qualify for a discount.

Ambulatory Surgery Centers are more likely to offer cash-pay discounts and guarantee their prices



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3. Finding the Best Price/Value for Your Surgery

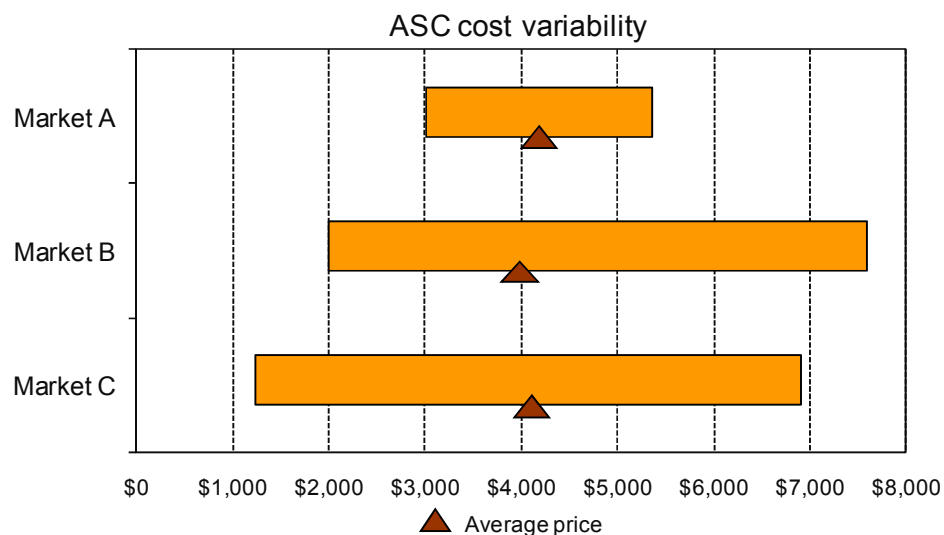
On average, hospitals were 4 times more costly than ASCs for the same procedure. While prices varied significantly between facilities and between markets, ASCs were consistently less expensive than hospitals for out-patient surgery.

Regardless of facility, always ask for and compare prices. Given the significant price variations found in this research, patients should always compare prices to keep from paying too much.

Hospitals tend to have even greater price variability than ASCs. Hospital price variability is much larger than that of ASCs when looking at total cost variability (lowest cost to highest cost). Some patients may be required to have their out-patient surgery in a hospital facility. If so, price comparisons must be made between available hospitals to ensure the best price.

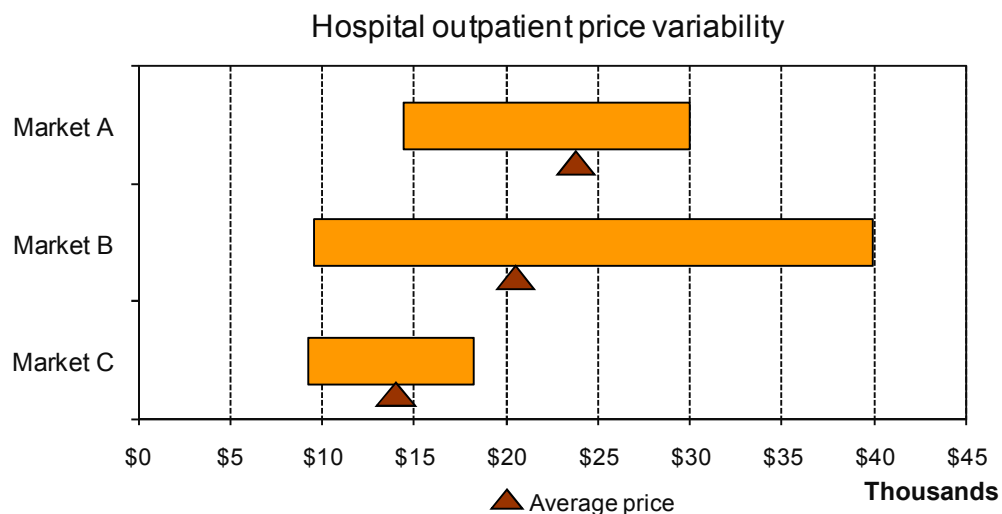
Hospitals and ASCs will discount prices if the patient has no insurance or is unable to pay the full cost of surgery. But there is no apparent rationale to the cash discounts offered by either type of facility. While in general ASCs are far less expensive than hospitals, when the ASC is affiliated with a hospital that may not be the case.

The average ASC facility price for this procedure was about \$4,000. However, even ASCs have a broad range of cash prices. Consumers should always compare several facilities before making a final decision.



SURGERY PRICING SECRETS: THE CHALLENGES PATIENTS FACE

The average hospital price for this procedure was about \$16,000. Hospital prices tend to have greater variability than ASCs. When seeking estimates from hospitals, consumers need to make sure they understand what is being included in the estimate. (medications, anesthesia, hardware, etc.)



Healthcare Blue Book pricing research conducted for this white paper and over the past year for other types of procedures has found that cash prices can vary by thousands of dollars within the same market, for the exact same service. Hospital prices tend to be 3-4 times that of other facilities.

We encourage patients to contact multiple providers among the different types of facilities offering the service to obtain a fair price for surgeries and other medical procedures. If at all possible, get the agreed upon fee in writing.

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Observations and Conclusions:

- Many patients need to know how much their surgery will cost them before receiving services. This includes those without insurance that are paying cash, those that are using out-of-network providers and those that have high deductibles, HRA, and HSA accounts.
- If you need treatment in a hospital setting, be prepared to wait and be prepared for ambiguity
 - ◇ In fact some hospitals won't return calls/answer the phone (18%) or won't disclose pricing (18%).
 - ◇ The vast majority of hospitals (70%) won't provide a fixed price or firm estimate. This is a large concern for patients who do not wish to bear the financial risk for a service that is not under their control.
- If certainty of cost is a big concern, seek care in an ASC
 - ◇ ASCs do a much better job at providing pricing information and on terms that patients want: fixed prices.
 - ◇ In addition ASCs provide a much better value at 25% the cost of most hospitals.

The six important steps to take to get a fair price for your surgery.

1. Ask your surgeon for the CPT code for your procedure before researching surgery pricing.
2. Call multiple providers from different types of facilities.
3. Ask for all costs associated with a surgery (surgeon, facility, anesthesia, hardware, etc).
4. Get pricing estimates in writing.
5. Consider out-patient alternatives to hospitals whenever possible.
6. Be patient and persistent when conducting pricing research.

SURGERY PRICING SECRETS: THE CHALLENGES PATIENTS FACE

What Can Hospitals Do to Improve Healthcare Price Transparency

- Provide guaranteed prices/ firm estimates
- Establish rational discounting policies for self-pay patients. Tying discounts to income is an out-dated business model. It will drive away the more affluent customers that are desired for long term relationships
- Assign responsible/accountable team members to interact with patients. Need improved training of personnel to better respond to patient inquiries
- Evaluate phone triage. Monitor number of call transfers and lack of return calls
- Hospitals need to do a better job of providing information about surgeons and the anesthesia groups that need to be contacted

What Can ASCs Do to Improve Healthcare Price Transparency

- ASCs have a distinctive advantage compared to hospitals:
 - Less expensive
 - Easier to navigate
 - Easier to find knowledgeable staff quickly
 - Comfortable with patient questions and willing to help
 - Seem to want your business
 - Easier to get questions answered on issues other than price
- Need to proactively market ASC advantages to patients and other healthcare professionals
- Have information for patients on web sites about the basics of finding healthcare pricing information such as obtaining CPT codes, etc. and the cost advantages versus local hospitals
- Inform patients about other fees like anesthesia and surgeons; have phone numbers available
- Work as an industry to explain what ASCs offer versus having surgeries performed in a hospital

SURGERY PRICING SECRETS: THE CHALLENGES PATIENTS FACE

Appendix 1: Anatomy of a Hospital Pricing Query Call

A patient calls a large university hospital to obtain a price for an ACL repair. Here's what it took to navigate one hospital system and obtain pricing information. While not all facilities are this difficult to navigate, the described experience is all too common.

I called the hospital's general information number which I found online and asked the operator how I would get pricing information for this surgery. The operator told me that the best they could do was an estimate and she wasn't sure that I'd even get that. She transferred me to a hospital service that is supposed to provide estimated charges and no one answered the phone after 20 rings.

I called back and asked for an alternative number and was given a phone number for customer service which the operator said she could not transfer me too. The customer service line had an option to find out about payments and when I requested that, it transferred me to an automated system that said there was a high call volume that day (it was Monday), and that I should call back on Wednesday or Thursday for faster service.

I called back and a second operator gave me what she said was the estimated charges line but I ended up in the patient admissions department. They told me to physically go to the clinic that referred me to get pricing information.

Next, I asked for orthopedics and was put on hold for a few minutes until an operator came on and said I was in the wrong place. It turns out there are two hospitals that are affiliated with one another and I'd been transferred to the wrong one. The department that I reached connected me to an office that they said could give me prices and the phone rang another 20-30 times and no one answered.

The next call to the hospital got me to the estimated charges department which sent me to the same message that said I should call back on Wednesday or Thursday. I called customer service back. They put me on hold for about five minutes and gave me back to the estimated charges department which still didn't answer the phone.

I called and got the operator. Then asked for the financial care counselor who orthopedics said might be able to help. This operator transferred me to the scheduling office which said it was organized by doctor and clinic and could answer pricing questions. That operator transferred me back to the financial services counselor, whose line finally took a message.

The financial services counselor called back two hours later and gave me the number of someone who did surgical pricing and estimated cost at \$25,000 - \$35,000 for the facility fee based on a procedure code for an ACL repair. She then told me I needed the exact CPT code to make sure that she'd given me the right price. I called back with the correct CPT code and was given the same estimate. When I asked about discounts, I was told that they would cut the price by 50% if I paid the day of the procedure. No one mentioned the anesthesiologist or any other fees associated with the surgery.

SURGERY PRICING SECRETS: THE CHALLENGES PATIENTS FACE

Appendix 2: Methodology

This pricing survey queried hospitals and Ambulatory Surgery Centers (ASCs) in three demographically diverse markets. These were Raleigh-Durham, North Carolina; Denver, Colorado; and Portland, Oregon. Researchers sought to obtain prices for self-pay patients, who did not intend to use insurance to pay for their procedure. In each market, a survey was performed on all available, accredited surgical facilities including Ambulatory Surgical Centers, Hospitals and Hospital out patient surgical facilities. Pricing was requested for a single surgical procedure on the knee. In calculating phone transfers, the first phone transfer was not counted.

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