



## Educating Consumers about Healthcare Price Transparency is the Best Solution to Controlling Costs

Written By  
Dr. Jeffrey Rice

CEO of Healthcarebluebook.com

Health reform won't stop providers from overcharging for care, only consumers can do that.

Here's my story of how I could have paid tens of thousands of dollars more for two minor outpatient surgical procedures, had I not understood how the healthcare system worked. It illustrates just how much we need a healthcare system with price transparency built in – something we will not get under the Affordable Care Act (ACA).

I am a doctor and the father of a 12 year old boy who has cerebral palsy. My son is fortunate to be healthy and active with minor medical needs. But as he has grown, he experienced some issues with contractures in his right lower leg which recently required a minor two hour outpatient surgical procedure.

When my son's surgery was scheduled, I started getting price estimates from the surgeon, anesthesiologist and the facility, since we have a high

deductible insurance plan. The physician's fees were straight forward and relatively easy to obtain.

Not so with the facility. My son's surgery was scheduled at the local hospital's outpatient surgical facility which sent the procedure codes to an external reviewer. Three days later the reviewer came back at \$37,000. The hospital referred me to my insurance company. The PPO network said that they could not reveal the prices until after the case was performed.

The hospital said it expected to discount the price, which would be in the range of \$15,000 to \$25,000. Then I asked my son's surgeon if he ever operated at any independent Ambulatory Surgical Centers (ASC). One phone call and 10 minutes later, I have the exact price for his surgery: \$1,515.

Five years ago, there were virtually no tools that could help consumers figure out what they should pay for a healthcare. Today, with the availability of

new technology and new methods to analyze claims data, service providers can develop tools that will help companies examine what different providers in their network charge for tests, procedures, treatments and services in their market. With that knowledge in hand, they can find a fair price for what is needed. The better educated people are about what a fair price should be, the better equipped they are to talk with providers and facilities about fees before a procedure is done.

Customized tools are available for self-funded employer plans, so employees can search provider pricing within their own networks. We have found that even within the same plan the price for a routine test can vary by thousands of dollars.

### **ACA and Consumerism: No Price Transparency**

Even after the Affordable Care Act, large gaps which cost consumers and self-funded employers a lot of money, must be addressed. The ACA does not address the wide disparity in healthcare pricing or encourage, much less mandate, pricing transparency. While my case was an extreme situation of potential overcharge, there is still an enormous amount of price variability in the health care system, even within individual health plans. Employers and their employees will continue to pay way too much for common healthcare services, often as much as five times more than they should.

The ACA will also impact the ability to encourage consumerism in plan design. Some of the provisions may foster consumerism such as the excise tax on rich benefits plans and the increased threshold for medical expense itemized deductions. Other provisions will limit an employer's ability to foster consumerism, such as the elimination of lifetime limits, the requirement to provide certain services at 100 percent coverage, and the limitations on Flexible Spending Accounts.

The ACA does not help employees or employers learn the real costs of care. The Massachusetts Attorney General report entitled Investigation of Health Care Cost Trends and Cost Drivers from January, 2010, provides a good overview of the wide variation in healthcare pricing and the factors that lead to it. It says price variations are not correlated to quality of care, the sickness of the population being served, volume of Medicare or Medicaid patients, whether a provider offers services at an academic teaching or research facility, or differences in hospital costs of delivering similar services at similar facilities.

The report concluded that price variations are correlated to market leverage, as measured by the relative market position of the hospital or provider group, and then compared with other hospitals or provider groups in the local area.

Congress has considered other legislation (HR 4700, HR 2249, HR 4803) which would have addressed the transparency issue, but these bills did not make significant progress in passage. Employers are left to find their own solutions to these challenges.

### **Turning Employees into Educated Healthcare Consumers**

Most employees don't realize that if they use in-network providers the cost of their care could vary by over 500 percent depending on which in-network provider they choose. If they need an MRI, they could get it for \$500 at one imaging center and pay over \$3,000 at another center (see Graph 1). Their colonoscopy might cost \$950 at one location and over \$3,500 at another (See Graph 2). The same holds true for almost every service they need.

Why don't they know? First, they don't have any idea how much healthcare services should cost or what is the fair price they should pay. Second, they are rarely told how much the service will cost before they get their care, and many times they don't even realize that they can ask. Finally, many benefit designs with fixed co-payments remove patients need to know or care.

Even when employees have access to insurance company portals, these portals are rarely used and most don't provide clear pricing information.

When reviewing employee purchasing behavior, it is clear that the current system is not producing favorable results. Most employees pay too much for care. And this occurs regardless of employer location, insurance company or provider network (See graph 3).

Employers are consistently spending 4 to 15 percent more on healthcare than they would if their employees made value based care decisions. It is important to note that this spending is not for higher quality care. Numerous studies have shown that higher healthcare prices do not indicate high quality care. Health reform has the potential to make this situation even worse as the push to create Accountable Care Organizations (ACO) encourages providers to consolidate. Employers will need to carefully consider the value offered by new provider network arrangements, and ensure that they come with transparent offerings with respect to both quality and cost.

### **Effective Ways to Reduce Costs and Still Deliver Quality Care**

Think of it as a cost/value gap. People would never knowingly overpay for a car or home. They would do research ahead of time, find out what current market rates are and approach the buying process as knowledgeable consumers. In healthcare, that's unusual. Employers and employees can



deliver the same value at a lower cost, if they approach the situation as educated consumers.

Employers are the key to solving the cost/value gap in healthcare. Employers make the ultimate decisions regarding benefit designs that encourage consumerism, the networks that direct patients to high value providers, and the education and tools to support employees in selecting healthcare services.

Many employers have implemented wellness and disease management programs often with incentives for participation or even penalties for failure to engage in healthy behaviors. However, when it comes to encouraging employees to make better choices about buying healthcare services, most employers have not supported or encouraged real consumerism. Here are three methods that can help.

1. Put consumerism into all health and wellness programs.

Every nurse or member of a call center support staff should have access to pricing and transparency tools needed to fully educate a patient on cost of care. There are tools available that show the range of prices charged by the health plans and providers in their network, so employees can make educated choices about which providers they should use. Why recommend an employee get a colonoscopy but not also suggest where they might get a high quality study at one-third the cost of some locations? Employers could triple their cancer screening rates without spending any additional money if they design their programs correctly.

2. Make sure employers understand their network prices and quality variations. Employers should look at their data. They may be surprised at the variations and opportunities in price. At a minimum, it may affect how benefits are designed. Some employers are even taking additional steps, such as setting up narrower networks to ensure their employees get the best care at the best price.



3. Don't be satisfied with just a provider directory. Employers may want to rethink the traditional approach of the provider directory that places the providers first and may not even include pricing information. To be effective consumers, employees must first know how much care should cost. Then they must have the ability to find providers who offer fair pricing. Make sure this information isn't hidden on a little used portal; put it at the employee desktop. Make it available in their hands in the doctor's office by way of their mobile phones. Make sure every nurse or health coach they talk to can support them.

The Affordable Care Act may not address health transparency issues, but there is no reason why, with technological tools in hand, employees or medical professionals like myself for that matter, have to overpay for care. Employees that are given the chance to understand healthcare pricing, particularly under Consumer Directed Health Plans (CDHP), are often very appreciative of the results. More importantly, employers can achieve substantial savings that allow for continued health benefits at affordable rates. ■

## About the Author

**Dr. Jeffrey Rice** is CEO of [www.healthcarebluebook.com](http://www.healthcarebluebook.com). The Healthcare Blue Book provides employers with analytics to help them understand their provider network costs and comprehensive programs to support employees with healthcare consumerism. The Healthcare Blue Book is a leader in supporting employers with high deductible health plans, consumer directed health plans and reference pricing).