HOSPITAL COST AND PRICE TRANSPARENCY

PUBLIC REPORTING OF ACTIONABLE, AUDIENCE-SPECIFIC INFORMATION ON HOSPITAL COSTS AND PRICES

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Why a Demand For Greater Hospital Cost and Price Transparency Now?

Changes in health insurance benefit plan design: more patient cost sharing in high-deductible health plans and health savings accounts, to encourage patients to be price-sensitive.
Why a Demand For Greater Hospital Cost and Price Transparency Now? (cont.)

Consumerism: the general impetus to provide patients and their families with more information about health care practitioners and institutions, including the quality of their services and how much they cost.
Why a Demand For Greater Hospital Cost and Price Transparency Now? (cont.)

Equity: uninsured patients are billed some or all of a hospital’s full charges rather than lower (negotiated) prices available to health plans, thereby shifting costs to a patient population that can least afford them.
Defining Hospital Cost & Price Transparency

Cost/price transparency is the provision of actionable financial information to a specific audience. Since a seller’s price is a buyer’s cost, the terms cost and price represent the point of view of the audience for the information.
Price Transparency Is No Longer Just Public Reporting of Hospital Charges

Transparency is no longer simply “pulling back the curtain” on existing databases. New Hampshire and Oregon have shown the benefit of using state-wide data to address specific consumer information needs.
# Actionable Cost & Price Information, By Audience

## INFORMATION

- Resources applied to an episode of care
- Negotiated price for a unit of service
- Negotiated price for an episode of care
- Patient out-of-pocket (co-pays, deductibles and exclusions) costs for an episode of care

## AUDIENCE

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<tr>
<th>AUDIENCE</th>
<th>PURCHASERS (Health Plans/Employers)</th>
<th>CONSUMERS (Patients/Families)</th>
<th>PROVIDERS (Hospitals/Physicians)</th>
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Cui Bono? Who Might Benefit From Greater Transparency?

Enthusiasm for price transparency is a function of perceived benefit. Different audiences have divergent opinions about their chances of benefiting from price transparency.
ENTHUSIASM FOR ENHANCED TRANSPARENCY

PURCHASERS

CONSUMERS

PROVIDERS

HIGH  MEDIUM  LOW
**Cui Bono? - Purchasers**

Employers and health plans are enthusiastic about the benefits of transparency, focusing on potential cost savings by addressing the moral hazard inherent in health insurance. By combining increased patient cost-sharing (to heighten price sensitivity) with better information on cost, employers hope to save money and plans hope to become more competitive by lowering premiums.
Cui Bono? - Purchasers (cont.)

However, not all health plans feel that additional information on hospitals’ negotiated prices or production costs would assist them in their negotiations with hospitals.
Cui Bono? - Consumers

Consumers are the least powerful audience for cost and price data in terms of their ability to use such information to affect the market. Policy makers think price information will affect the health care market primarily through public disclosure’s influence on providers and purchasers, not through consumer choice.
Cui Bono? - Consumers (cont.)

In order to be most useful, price information for insured consumers should be customized based on their insurance benefits and should include all the costs associated with an episode of care regardless of who generates the bill.
Providers have concerns about the effects of price competition on the structure of the health care system. Hospital industry executives say empowering individual choice with price information affects not only health care costs but also the nature of the delivery system.
Cui Bono? - Providers (cont.)

Providers contend prices are the result of not only margins and production costs but also “public interest” factors such as payer mix, teaching status, mission-driven policies on community benefit and charity care, and scope of services (level I trauma center, burn unit or level III NICU, for example).
Concern: Consumer Price Sensitivity Not Monolithic

A patient’s context for price sensitivity includes factors such as income, age, health status, the health issue involved (it is easier to be price sensitive about treatment for bronchitis than for lung cancer) and benefit plan design.
Concern: Market Effect of Disclosing Negotiated Prices

- Economists have found that if a market’s sellers are concentrated, price transparency actually can lead to higher prices.
- This concern over adverse market effects of price disclosure can be addressed by emphasizing actionable information for consumers measured in episodes of care to hide unit prices, rather than blanket release of contracted prices.
Concern: Anti-Trust Issues

In 1996 the Department of Justice and the Federal Trade Commission established the current antitrust “safety zone” for exchanges of price and cost information that will not be challenged under antitrust laws.
Examples of Different Types of Transparency Initiatives

State of New Hampshire: valuable for consumers during open enrollment because it allows them to compare ongoing costs for health insurance plans and for products within plans as well as for providers.
Examples of Different Types of Transparency Initiatives (cont.)

- United HealthCare, Aetna, Cigna: customized cost information plus quality data for subscribers
- Empowered Benefits: provides a hospital’s patient services staff with information to answer patient questions about estimated treatment costs
Examples of Different Types of Transparency Initiatives (cont.)

- My Medical Control: uses proprietary pricing database to settle patient bills at a discount
- Vimo: provides national comparisons of hospital pricing
- State hospital association “PricePoint” sites (NH, OR, WI, et al.): hospital-specific utilization and average charge data by DRG
Ultimate Concern: Cost-Shifting Without Benefit To Patients

WHAT IF …

• Employers’ costs go down
• Health plans’ premiums don’t change
• Patients’ total costs go up
• Providers’ costs go … (?)
• Per capita health care costs do not change (or continue to rise)
Evaluating a Social Experiment

Employers have “off-loaded” the risk of cost increases. Will providing price information decrease patients’ costs, or was Wennberg correct about the determinants of per capita costs? If he was, and patients continue to shoulder increasing costs, should this “experiment” be re-evaluated?