



JOHNS HOPKINS
BLOOMBERG
SCHOOL *of* PUBLIC HEALTH

PRICE TRANSPARENCY

Gerard Anderson
Professor
Johns Hopkins University



Protecting Health, Saving Lives—*Millions at a Time*

Full Disclosure

- **For the past 8 years, I have been an expert witness in many court cases where the issue was the reasonable amount the hospital should receive for treating a class of patients**
 - Started with Congressional testimony in 2004
 - Health Affairs – “From Soak the Rich to Soak the Poor”
 - No cases in NY – and not looking for more business!
- **In these cases a key issue was price transparency**
 - Hospitals wanted the patients to pay full charges since there was no established agreement
 - Uninsured; Amish; casualty, worker compensation, auto and international insurers; high deductible health plans



My view- A Reasonable Amount is the Sum Of

What Medicare pays

+

The amounts private insurers typically pay
above what Medicare pays

+

An additional allowance for the private insurers
that cannot get the average

+

A prompt pay discount

***The current national reasonable
rate is Medicare + 41%***



How Is This Related To Price Transparency?

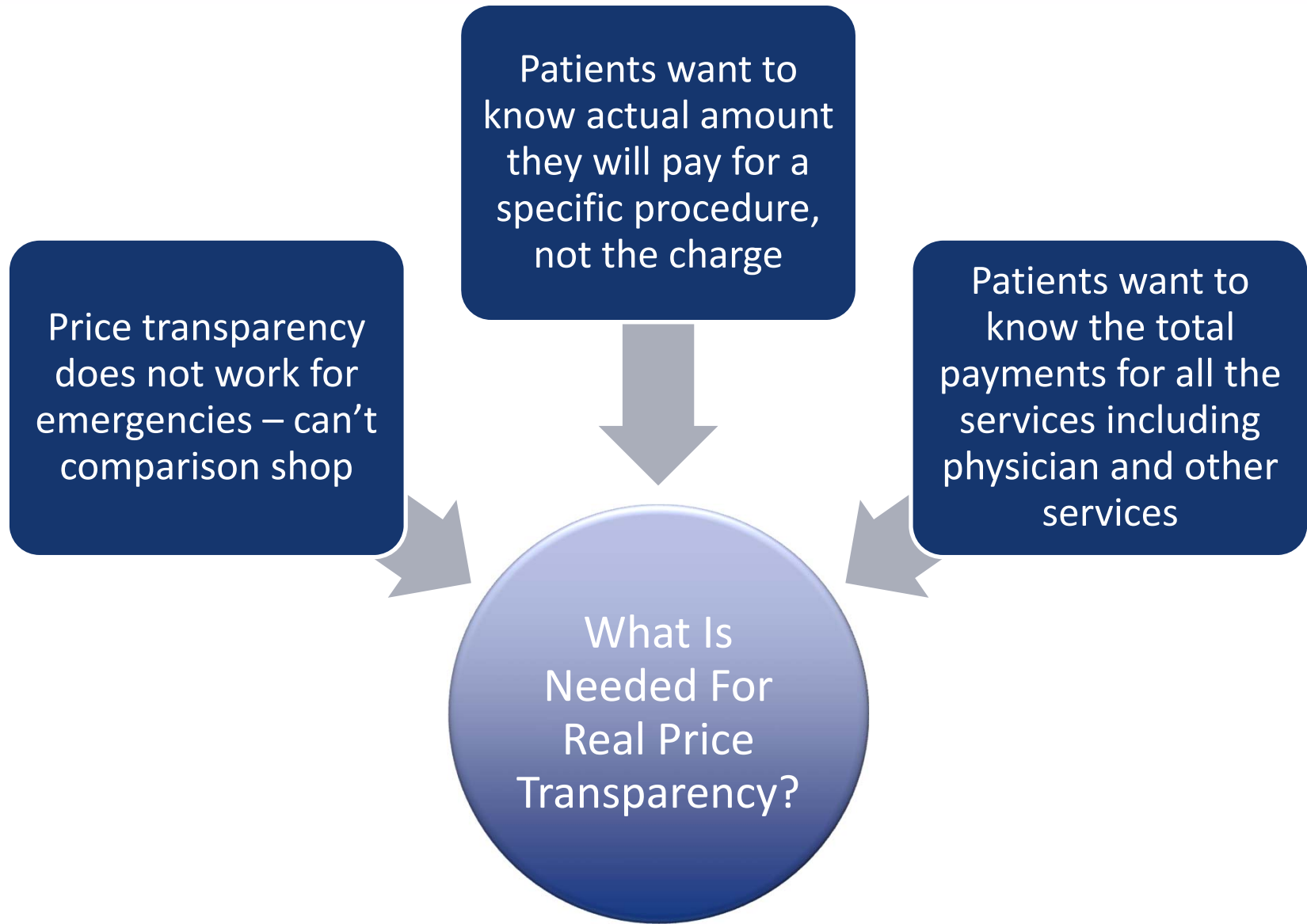
- Hospital typically argued that patients without the benefit of a pre existing agreement should pay full charges
- If price transparency showed patients the full charge master file rates, would this constitute true price transparency?
 - Yes, it is what each hospital charges
 - No, it is not close to what the hospital actually receives
 - ❖ Charges are typically 4.5 times costs and 4.0 times average payments



Most Studies Have Shown Minimal or No Impact of Price Transparency on Consumer Behavior

- Knowing what a hospital charges for a service provides little information because most people do not pay charges
- People purchase care from physicians and other clinicians, so you need to look at the total payment, not just the hospital bill



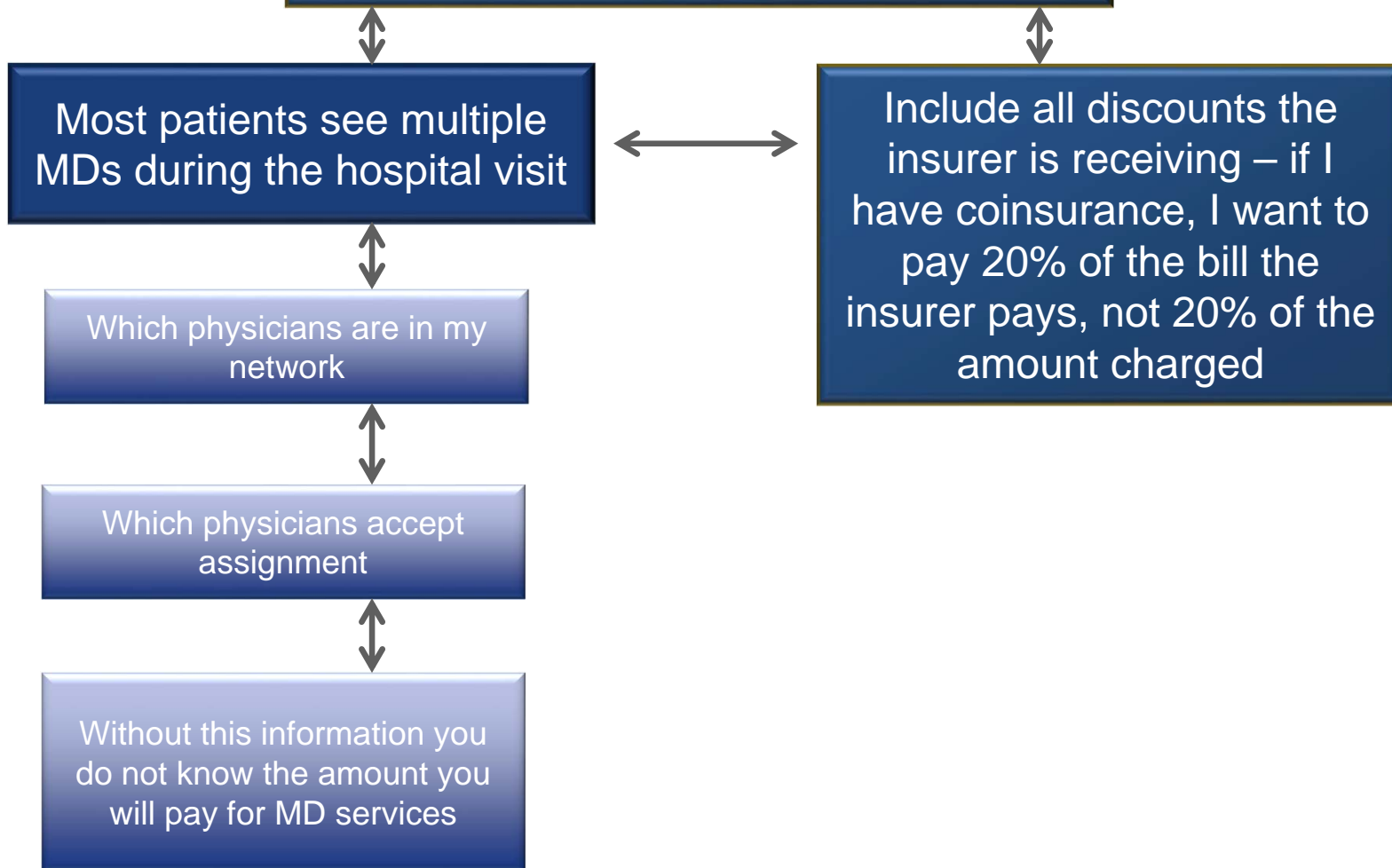


Building Blocks for Price Transparency

- Bundled payments – The total amount they will need to pay from all providers, not just the amount from the hospital
- Comparable services – in order to compare prices the services must be defined in exactly the same way
 - ❖ The only viable option may be DRGs



More building blocks



In Summary

Price transparency
requires publishing

Without this you are not
comparing the total
amount the patient will
pay for hospital care

A reasonable rate (not charges)

For all services (not just hospital)

In a bundle (not individual line
items) that can be compared

Takes into account all discounts the insurer gets

Identifies who is in network and who accepts
assignment

