PRICE TRANSPARENCY

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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
What Is Needed For Real Price Transparency?

Patients want to know the total payments for all the services including physician and other services.

Patients want to know actual amount they will pay for a specific procedure, not the charge.

Price transparency does not work for emergencies – can’t comparison shop.

Patients want to know actual amount they will pay for a specific procedure, not the charge.
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

Most patients see multiple MDs during the hospital visit

Which physicians are in my network

Which physicians accept assignment

Without this information you do not know the amount you will pay for MD services

Include all discounts the insurer is receiving – if I have coinsurance, I want to pay 20% of the bill the insurer pays, not 20% of the amount charged
Price transparency requires publishing:

- 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

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