

Medical costs: Transparent pricing would improve affordability

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Why does getting a simple price quote for a medical procedure seem about as hard as getting a live person on the phone to fix your computer? Such frustrations with the lack of price transparency in medicine are on the rise — from Time magazine's March cover story exposing outrageous hospital prices to a July 4 New York Times column by medical researcher H. Gilbert Welch. "Medical care is intended to help people, not enrich providers," writes Welch, a professor of medicine at the Dartmouth Institute for Health Policy and Clinical Practice. "But the way prices are rising, it's beginning to look less like help than like highway robbery. And the providers — hospitals, doctors, universities, pharmaceutical companies and device manufacturers — are the ones benefiting."

That's a harsh generalization that's meant more to incite and offend than to solve a problem. However, there is no question that greater transparency for patients in what their care is going to cost them is sorely needed. But due to contractual relationships with insurers, hospital prices have little to do with what is actually paid for hospital care. And while it is easier for physicians to tell patients what their fee will be for specific operations or tests, those fees are really only a small part of a patient's overall bill for care.

Interestingly, there is one specialty of medicine that is open to complete price transparency and that is a field I work in every day — cosmetic surgery. After every consultation I do for a patient who's contemplating cosmetic surgery, once we reach a decision on the surgical plan, the patient then meets with my surgery coordinator to discuss the fees. I'm fine with this, because I know this helps patients decide if they are going to have the procedure or not.

It also may allow them to comparison shop prices. Some patients do that, but we all know that the choice of a physician or surgeon to care for us is not based solely on how low the fee is. Nonetheless, the knowledge of price is a critical factor for helping patients feel more confident about their final decisions.

This knowledge gap is especially acute for patients who are very sick or injured and have no time — much less the physical or mental energy — to comparison shop for medical care.

Yet, whenever it's possible, every patient deserves to have some idea of what their treatment or test or operation may cost them out-of-pocket, and ahead of time. It is crucial for those with higher-deductible health plans and health savings accounts as well as those philosophically opposed to purchasing health insurance. In the absence of knowing full costs, bankruptcy can often become the unintended consequence.

So what makes the system so murky? To answer this, you need to — in the words of Woodward and Bernstein — "follow the money." While many people no doubt would like the folks who influence the price of medical procedures to open up their books, it's easier said than done.

If you're running a hospital, for example, you have negotiated your own prices with various health insurers.

You have competitive reasons to want to keep these arrangements to yourself.

The same principle applies to insurance companies that are currently worried they are going to see lower profits with the implementation of Obamacare. And doctors, who shoulder their own costs of doing business, also have a complex set of reimbursement arrangements with insurers and the federal Medicare and state/federal Medicaid programs. With so many moving parts, it actually can be quite hard to pin down the “true price” of a procedure.

“The importance of transparency as a core value of our society continues to grow,” Paul Ginsburg, research director of the National Institute for Health Care Reform, said this June in testimony to the Senate Finance Committee. “We have a shared belief that public or individual consumers should know more about the products and services they are buying and (their) cost, even in situations where someone else is paying.”

The good news in Virginia is that we are starting to shed some light on the details of the cost of health care for individual patients.

An early example of transparency efforts was the creation of Virginia Health Information (VHI) in 1993. Today, by going to vhi.org/health_care_prices.asp a patient can look up the average cost insurance companies pay for about 30 common inpatient procedures. For certain outpatient procedures, consumers can also see the median charges for Virginia’s hospitals, surgical centers and physician offices.

Yet, we can do better. We have an opportunity to reach a higher level of price transparency now that Virginia is moving forward to establish an All Payer Claims database (APCD). The APCD is being implemented by VHI through a contract with the Virginia Department of Health.

In Virginia’s APCD, participating insurers provide claims information, including what they pay for various types of care. The information, by law, is masked so that a consumer never sees actual payment amounts from a payer to a provider, but rather, the consumer sees average payment amounts for the state.

In the future it may be possible to provide regional cost information. A consumer could, with the click of a computer, obtain the information needed to help make prudent financial and health decisions. While not perfect, it is a step in the right direction for consumers.

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