

EDITORIAL

Consumerism Meets Healthcare Through Price Transparency

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The Hospital Price Transparency rule aims to give Americans access to the cost of hospital items and services before receiving them. Although this editorial focuses on the U.S. healthcare system, the issues covered likely reflect the state-of-the-art in other countries and geographical areas.

Starting on January 1, 2021, U.S. hospitals were required to provide clear, accessible pricing information covering the items and services they provide to patients.¹ Specifically, the Centers for Medicare & Medicaid Services (CMS) now requires hospitals to post charges for at least 300 “shoppable” services that can be planned in advance. Listings must include a description and any other services the hospital customarily provides, including x-rays, outpatient visits, imaging, and laboratory tests. In addition, patients must have access to the cost of bundled services such as a colonoscopy.²

Before this, costs were calculated based on several factors, including risk adjusting, payment integrity, Medicare pricing, mass buying power, benefit designs, value-based care, network discount reports, and claims analysis, with each area of focus morphing into the “middleman” economy (i.e., healthcare administrators, who rarely touch the product or interface with patients yet control significant healthcare dollars behind the scenes). The system was characterized by reduced competition, shortages, and unaffordable options in healthcare.³ To be fair, the middleman economy is not limited to healthcare. In fact, the Internet has generated a thriving new breed, including but not limited to PowerSellers on eBay or real estate agents.

Telehealth and Consumerism

Telehealth has the potential to make treatment services more accessible and convenient, improve health outcomes, and reduce health disparities, including (for the purposes of this editorial) the cost of services. To start, the CMS rule requires hospitals to publicly post standard charges for all services on the Internet in a machine-readable format.

Consumerism starts when prices from more than one enterprise are known, allowing a person to decide whether lower-cost alternatives exist and, if they do, whether a more expensive product or service is worth a premium. Businesses set their price point, and consumers, working through telehealth websites, can include that information in their healthcare decisions.

In healthcare, products and services are defined by procedure codes. For example, Current Procedural Terminology (CPT) Code Set 20610 applies to arthrocentesis, aspiration, and/or injection; CPT Code Set 99283 applies to an emergency department visit for evaluation and management requiring a medically appropriate history. Consistent codes displayed by each hospital help consumers identify identical or similar services, but the real need of consumers is a narrative describing the service with its corresponding cost. A CPT code is helpful to the consumer only to the extent it defines the service/product.

Healthcare Purchased Via Contracts or Networks

Another problem we have is that healthcare is purchased via contracts or networks. For example, a network might contract a doctor or hospital to pay a specific price for a procedure code. However, as Table 1 reveals, the price transparency files that one hospital accepts may be at different prices for the same procedure code. And the patient’s network may not be the lowest cost.

This problem has been solved with ICHRAs (Individual Coverage Health Reimbursement Arrangements),⁴ which, starting in 2020, were promulgated by the Affordable Care Act (ACA).⁵ An ICHRA is a health reimbursement arrangement in which employers of any size can reimburse employees for some or all of the premiums their employees pay for health insurance.⁶

Under ICHRA, employers can give money to the employee to buy an insurance coverage policy on the

Table 1. The price transparency files show that one hospital might accept many different payments for the same procedure code*

Planname	Facility name	MSA_Name	Category	Dicalcode	Rate
A	MEDICAL CENTER	County C	Emerger	99284	3,254
B	MEDICAL CENTER	County C	Emerger	99284	3,074
C	MEDICAL CENTER	County C	Emerger	99284	3,074
D	MEDICAL CENTER	County C	Emerger	99284	3,074
E	MEDICAL CENTER	County C	Emerger	99284	3,001
F	MEDICAL CENTER	County C	Emerger	99284	3,074
G	MEDICAL CENTER	County C	Emerger	99284	3,001
H	MEDICAL CENTER	County C	Emerger	99284	2,893
I	MEDICAL CENTER	County C	Emerger	99284	2,893
J	MEDICAL CENTER	County C	Emerger	99284	2,712
K	MEDICAL CENTER	County C	Emerger	99284	2,712
L	MEDICAL CENTER	County C	Emerger	99284	2,712
M	MEDICAL CENTER	County C	Emerger	99284	2,531
N	MEDICAL CENTER	County C	Emerger	99284	1,862
O	MEDICAL CENTER	County C	Emerger	99284	1,844
P	MEDICAL CENTER	County C	Emerger	99284	1,822
Q	MEDICAL CENTER	County C	Emerger	99284	1,822
R	MEDICAL CENTER	County C	Emerger	99284	1,812
S	MEDICAL CENTER	County C	Emerger	99284	1,808
T	MEDICAL CENTER	County C	Emerger	99284	1,808
U	MEDICAL CENTER	County C	Emerger	99284	1,808
V	MEDICAL CENTER	County C	Emerger	99284	1,808
W	MEDICAL CENTER	County C	Emerger	99284	1,808
X	MEDICAL CENTER	County C	Emerger	99284	1,808
Y	MEDICAL CENTER	County C	Emerger	99284	1,808
Z	MEDICAL CENTER	County C	Emerger	99284	1,483
SELF PAY	MEDICAL CENTER	County C	Emerger	99284	1,374

*Third-party payor plan name and hospital name are fictitious but representative of a hospital; dicalcode: code used for data extraction; MSA_Name: Metropolitan Statistical Area; rate: cost of procedure among third-party payors compared to self-pay.

ACA exchange marketplace. For example, suppose an employer provides an employee \$10,000 instead of spending it on the group health plan. In that case, the employee can spend \$4,000 on the insurance coverage and put the remaining \$6,000 into their HRA (Health Reimbursement Arrangement) account. From here, the employee uses a debit card to pay cash at the lowest rates. If the employer only offers \$4,000, the employee can fund their HSA account. Employers can also give their employees a health stipend to help pay for expensive care. Albeit the compensation is considered taxable wages. Alternatively, if the insurance rate is the most affordable option, the person can use their insurance card to pay for treatment. The payment choice belongs to the patient and nobody else.

A downside of the ACA products is limited provider networks, which differs from one of its original intents—“If you like your doctor, you can keep your doctor.”⁷ However, with an ICHRA, patients can keep their doctor while paying them in cash instead of an insurance card. This also addresses one of the biggest problems facing doctors and

hospitals—getting paid by insurance companies. Paying cash improves the cash flow for hospitals and doctors while removing insurance companies from the healthcare equation. We saw soon after the COVID-19 lockdowns in March and April of 2020 that a reduction in claims forced insurance companies to issue premium rebates as part of the MLRration rule. Under the medical loss ratio (MLR) rule in the ACA, insurers must spend between 80 and 85% of premium revenues providing healthcare, with rebates based on the previous 3 years of experience.⁸ Premiums go down when you do not use insurance to pay for healthcare. Win-win-win. Lose for middlemen.

Making Informed Decisions

Informed healthcare decisions start with clear descriptions of services and related costs. Otherwise, key reimbursement information communicated through the Internet can frustrate patients who have taken the first step to access this information. As mentioned above, jargon and numerical codes work against consumerism.

To deal with this, Congress passed the No Surprises Act,⁸ which includes consumer protection language such as the Good Faith Estimate and Cost Comparison Tool—a de-facto mini-contract containing an itemized list detailing expected charges for items and services related to the patient's care.⁹ Implementation requires employers to supply employees with a cost comparison tool showing the different prices from the machine-readable files.

Hospital Price Transparency with telehealth access allows patients to engage directly with those providing their healthcare. We are taking the first step in allowing patients to become a first party payor as much as possible while using third party payors for catastrophic care.

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