Providing Consumers with Useful Information About Healthcare Prices

Price transparency encourages consumers and their representatives to use price and quality information in their healthcare decisions. Governments, employers, and consumers have harnessed their interest in price transparency to improve their decision-making and the quality of health care. The Drive for Price Transparency is about making this tool widely available to patients as it expands to include a patient’s out-of-pocket costs associated with an episode of care. More research is needed to understand how and where price and quality information is used in decision-making and the effects it has on outcomes, access, and costs.

In a companion report, National Quality Forum (NQF) reports related to transparency are also available.

Price transparency may lead to a reduction in uncompensated care, but increased access to public sector data includes an alignment of pressures and policies that will continue as long as healthcare costs keep outpacing inflation and there is demand for public accountability for both the quality and affordability of care.

Executive Summary

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The intent is to encourage consumers, and others who might make decisions on their behalf, to consider price and quality when choosing providers. This is particularly important as price information affects not only healthcare costs but also the growth of healthcare spending.

What Is Meaningful Price Information?

Price transparency is not merely “pulling back the curtain” on healthcare industry financial data, much of which might not be useful for the typical consumer. It refers to the information in the eyes of the beholder. To make price information “actionable,” it has to not only be accessible and reliable, but also specifically tailored to the perspectives and needs of a particular audience. Consumers (patients and their families) and those who choose or help choose services on their behalf—such as insurance plans—have different needs: consumers need information to compare quality and prices across providers; patients need information to ensure they receive the value of the health benefits on their insurance and are not subject to unnecessary costs; and policymakers need information to enhance the value of health benefits and reduce costs.
Most hospital price transparency websites are either sponsored by state governments and intended for the general public or are created by commercial health plans for their subscribers. Examples of both kinds of initiatives are presented below.

**STATE GOVERNMENT INITIATIVES**

The state of Oregon has achieved one of the more advanced programs in the nation; Oregon's Compare Hospital Prices (http://comparehospitalprices.oregon.gov) is a Web site available to the public, and a series of well-publicized announcements have occurred to discuss the website.

(continued...)

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**What is Meaningful Price Information?**

Price transparency is not simply "pulling both the curtains" on healthcare industry financial data; much of it might not be useful for the typical consumer. When price information is in the eye of the beholder, to make price information "accessible" will be to make it only accessible and volatile, but also specifically tailored to the perspectives and needs of a particular audience. Consumers (patients and their families) and those who purchase healthcare on their behalf—including purchasers of employer-sponsored health plans and providers (physicians, hospitals, and other health services) all have a potential audience for price transparency, but "appropriate information might be different for each audience. Different and tailored "prices" might include the following:

- **Retail Price**: the price for a service that is charged by providers to patients who are not covered by insurance or other eligibility for discount.
- **Negotiated Price**: the price a provider agrees to charge patients covered by a specific health plan or general health plans with greater purchasing power have greater leverage to negotiate this amount.
- **Patient out-of-pocket payments**: the price a patient pays for services that are not covered by insurance or otherwise eligible for discount.

In this scenario, the importance of distinguishing between price, access, and quality is apparent. The patient is interested in knowing how much a health plan will pay, how much a provider will charge, and what the patient is responsible for paying. This is the "price right" category to patients and their families.

There is an important distinction between price and access, price of an office visit, surgical procedure, or laboratory test and the total price for a service or a treatment, such as a chemotherapy, including pre- and post-procedure care and administrative-related costs. It is important to note that price is not the same as value; it is not a comprehensive measure of patient care, education, and research.

...policymakers will need to consider how public dissemination of hospital price information affects not only healthcare costs but also the ability of the nation's hospital sector to fulfill its three-part mission of patient care, education, and research.
Most hospital price transparency web sites are either sponsored by state governments and intended for the general public or are commercialized by healthcare plans for their subscribers. Examples of both kinds of sites are presented below.

**State government initiatives**

New Hampshire HealthCost is one of several state health transparency initiatives that list prices that hospitals are paid for procedures. In New Hampshire, the state site started in 2009 and is intended for patients to choose a hospital, compare prices, and make informed decisions before a hospital visit.

Nevada’s Compare Hospital website is sponsored by the state’s health department and lists prices that hospitals are paid for specific procedures. The site is designed for patients to choose a hospital, compare prices, and make informed decisions before a hospital visit.

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**Commercial health plan initiatives**

UnitedHealthcare’s inNetwork.com web site is the state’s first attempt at displaying hospital cost with unit prices. The cost data are based on paid claims data, not negotiated charges. The site is designed for patients to choose a hospital, compare prices, and make informed decisions before a hospital visit.

The problem of defining “price” clearly is important for value-based purchasing.

**The intent is to encourage patients, consumers, and others who make decisions on their behalf…**

**What is Meaningful Price Information?**

Price transparency is not simply “pulling the curtain” on hospital industry internal financial data, much of which might not be useful for the typical consumer who is trying to understand the true cost of care. It is important that the information be in the eyes of the beholder. To make price information “meaningful,” it needs to be not only accessible and reliable, but also the ability of the consumer to understand the information. Some consumers are unclear about price data and are unsure of how to use it when comparing or choosing hospitals. The “meaningfulness” of price data can vary based on the perspective and needs of a particular audience.

**The Promises and Challenges of Price Transparency**

The promise of better price information is potential to reduce savings by addressing one drawback of insurance coverage—cost sharing. When the insurer is paying the full bill, which is often the case in the pre-deductible, out-of-pocket share or for care services not covered by the insurer, consumers often do not know how much they are paying for covered care services. But when the consumer is paying the full bill, they have access to the true cost of the procedure. This is a key element in the value of transparent information on prices.

Price transparency is the practice of making price information available to consumers. This type of information is a way to investigate how much variation there is among hospitals in their performance on patient safety and satisfaction and to risk-adjust data to account for differences in patient severity. Another function is that patients may be unable to understand and act on price information when choosing a hospital, and so price transparency can help to improve price transparency to allow patients to compare and then view the quality of care information has for the uninsured. A series of well-designed, well-executed projects have focused on price transparency to improve public access to information that encourages consumers to consider how much they are paying for services. These projects include more detailed and tailored information on a specific disease or patient population, but also the ability to not only negotiate prices but also the ability to negotiate payments. These information projects support the value of transparent information that will allow for true comparison shopping and that will foster price competition among hospitals in the private sector.

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Price transparency encourages consumers and their representatives to use price and quality information in their healthcare decisions. Governments, employers, and insurers have reached up their interest in price transparency in an effort to improve outcomes and slow the rate of healthcare expenditures. Most available price information pertains to individual services. Over time, price transparency will become more salient to patients as it expands to include a patient’s cost of care.

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The concept behind price transparency is to make price information readily available to consumers so they can make informed decisions about their healthcare. Price transparency is an effort to make price information more available and easier to understand so that consumers can make informed decisions about their healthcare. Price transparency is an effort to make price information more available and easier to understand so that consumers can make informed decisions about their healthcare.

NQF

NATIONAL QUALITY FORUM

NQF’s initiative is to improve the quality of American healthcare by setting national priorities and goals for performance improvement, endorsing consumer standards for measuring and publicly reporting on performance, and promoting the attainment of national goals through education and outreach programs.

Price competition likely will present opportunities for consumers rather than require all healthcare programs to provide information to help inform decisions about their healthcare.

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Looking Ahead: Next Steps

There is concern that price transparency may lead to a reduction in uncompensated care as well as care delivered to students in public schools. Most available price information pertains to individual services. Over time, price transparency will become more salient to patients as it expands to include a patient’s cost of care.

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There are different types of price transparency: in a definition encompassed by consumer and patient advocates, price transparency may lead to a reduction in uncompensated care or less support of graduate medical education programs. Many hospitals find these through cross-subsidization from patient care charges.

Looking Ahead: Next Steps
It is clear that efforts are advancing price transparency in a manner consistent with goals and performance improvement, enabling consumers to compare real-time costs and ensuring that patients have access to premium information that will more accurately reflect hospital prices and price differences.

It is also clear that more health plans will develop web sites that will provide price information for consumers rather than provide with negotiated prices as New Hampshire, Oregon, and Pennsylvania do. Although this is not as useful to consumers as reporting real-time prices, it will clearly reflect hospital prices and price differences.

This publication series is part of NQF’s mission to reduce poverty and improve quality of care. Price information for hospital prices has been collected and calculated in a manner that supports the patient’s health outcomes and care decisions. Additional support is provided by Sanford-Health.

By identifying a subscriber when he or she logs in, a plan’s website can take into account the patient’s health status, exclusions, remaining deductible, and other information and calculate his or her out-of-pocket expenditures for an episode of illness.

In addition to the Joint Statement from the Department of Justice and the Federal Trade Commission, established for an antitrust “safe zone” for exchanges of price information that did not compete with the indexed perilous under antitrust laws.

Indeed, the drive for price transparency will continue as long as healthcare costs keep outpacing inflation and there is demand for public accountability for both the quality and affordability of care.

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