



Price Transparency

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The need for price transparency is the hottest conversation right now in the world of consumer directed health care.

Insurance companies are starting to respond by listing some of their negotiated prices. Humana recently announced, for example, that it will make information available to subscribers in Milwaukee so they can compare prices for 30 inpatient and six outpatient operations and tests.

The health plan's Web site shows that prices for a colonoscopy can range from \$940 at Milwaukee Endoscopy Center to as much as \$3,530 at Columbia St. Mary's Hospital. The Web site also shows that the price for a hip replacement can range from \$20,600 to \$41,800, depending on the hospital.

Aetna was the first major insurer to disclose its negotiated prices to consumers, beginning in Cincinnati last August. Aetna members can go online to find out the negotiated rates for hundreds of office visits, diagnostic tests and minor procedures provided by 5,000 individual physicians and physician groups in Cincinnati, Dayton and Springfield, OH, Northern Kentucky and Southeast Indiana.

For instance, an internist in the University of Cincinnati area charges Aetna or its members \$161.32 for a visit from a new patient with moderate to severe problems, while another physician a few blocks away charges \$132.23 for the same office visit. The first doctor also charges \$41.89 for a chest X-ray taken from two angles, while the latter's price is \$34.34.

The next phase in price transparency must come directly from hospitals and physicians who voluntarily post their prices so consumers can know directly and up front the full cost of a visit or procedure. Hospitals will be forced to figure out what their costs actually are so they can give price-conscious patients an estimated bundled price range for procedures and treatments.

One of the forces driving this will be insurance policies that pay a fixed fee for procedures, giving policyholders an incentive to find the best doctors and the best value. People will know it is not a good value to go to the cheapest provider if his track record is bad and they risk complications.

Competition will surely drive this movement:

Hospitals in particularly competitive cities are beginning to see the opportunities to offer package pricing for surgeries to patients from other cities and states, often including the price of a hotel room for a family member to stay during the hospitalization as part of the package.

U.S. hospitals also should not discount the emerging competitive threat of medical tourism from sophisticated modern hospitals in Thailand, India, and even the Caribbean.

President Bush clearly sees the pricing issue as the linchpin to the success of Health Savings Accounts, recently hosting a public forum on the issue and a follow up meeting at the White House with the CEOs of the major insurance companies. He used the bully pulpit during "a little visit with people in the insurance industry and the healthcare industry and the business industry to encourage transparency."

The president has asked HHS Secretary Mike Leavitt to develop a voluntary program that would publicize the prices healthcare providers charge for their services. But if health care providers don't cooperate voluntarily, there's always the threat of legislation.

"I know members of Congress are working on a bill. It would be better this be done with people saying, 'Oh, we understand it's important to be transparent.' There's always a bill out there in case volunteerism is not quite as strong as it should be," Mr. Bush said.

We do hope we don't have to go there.