



Shining a Spotlight

How to spur health care cost transparency at your company

Health care cost transparency is the ability of patients to learn how much a medical service or treatment costs, preferably before receiving the service or treatment. This is important because treatment and service costs vary widely from doctor to doctor and from facility to facility.

“In all my travels, with all the different hospitals I visit — hundreds of them — only one had the general charges of fees and services, like cost per day in the hospital, posted up on the wall. It just doesn’t exist today,” says Mark Haegele, director, sales and account management, at HealthLink.

“This system has made it difficult for people to get the information. We’re getting there, but a spotlight on transparency and the cost and options gives people a little more decision-making authority,” he says.

Why do health care prices vary so much?

Physicians are just trying to diagnose you to help you get better. In addition, surgeons only get paid if they recommend surgery. So, cost doesn’t really weigh into whether patients get knee replacement surgery or are sent to therapy for six months.

If you go to a store and look for a refrigerator, one of the first things you try to figure out is the price. But if you go to the doctor, and you’re talking about getting your knee replaced, that conversation — if it ever comes up — comes up at the very end.

The average treatment for heart failure might vary by tens of thousands of dollars within the same city. A list of Medicare costs, released by the Centers for Medicare & Medicaid Services, found a difference of \$21,000 to \$46,000 in Denver, Colo., or \$9,000 to \$51,000 in Jackson, Miss.

Only some rate differences are because of health care’s complexity. If two people with the same insurance get a tonsillectomy at the same hospital, they still could have different doctors ordering different levels of anesthesia and pain medicine with different philosophies on hospital-stay length.

How does transparency lower costs?

As the government, media and patients push for reliable cost and quality information, it motivates the entire system to provide better care for less money. For example, according to the book “Unaccountable: What Hospitals Won’t Tell You and How Transparency Can Revolutionize Health Care,” the governor of New York mandated that hospitals publish their mortality rates for heart surgery. By the year following, hospitals started implementing quality metrics to reduce mortality, and the trend in the mortality rates dropped dramatically, which ultimately saved lives.

In another instance, a Thomson Reuters study of a Chicago employer found a cost variance of 125 percent for health insurance members receiving an MRI of the lower back without dye, with similar differences in diagnostic colonoscopies and knee arthroscopy procedures. If employees were given information to select providers at or below the median cost, it was estimated the company could save \$83,000.

What can benefit administrators do to help facilitate transparency?

As a general rule we feel helpless, but there are some things benefit administrators can do to move costs. You’ve got to get information out to members, and then align incentives. The average member, once he or she meets the \$2,000 out-of-pocket maximum, for example, doesn’t care if a hip replacement costs \$5,300 or \$223,000. They should — but most don’t make better purchasing decisions until it impacts them.

Under a self-funded health plan, you have more control over what you are able to publish and demonstrate to employees, as well as more ability to align incentives. But regardless, you need to start identifying costs of providers of key procedures to treat your health plan like an asset.

By putting together a best-in-class grid for your members, and then aligning incentives to ensure they use the lowest cost providers, such as giving a \$200 gift card, you can empower your members and move the needle on health care cost.

