

Healthcare Price Transparency: Research Summary, Implications for Policy and Employer Strategy

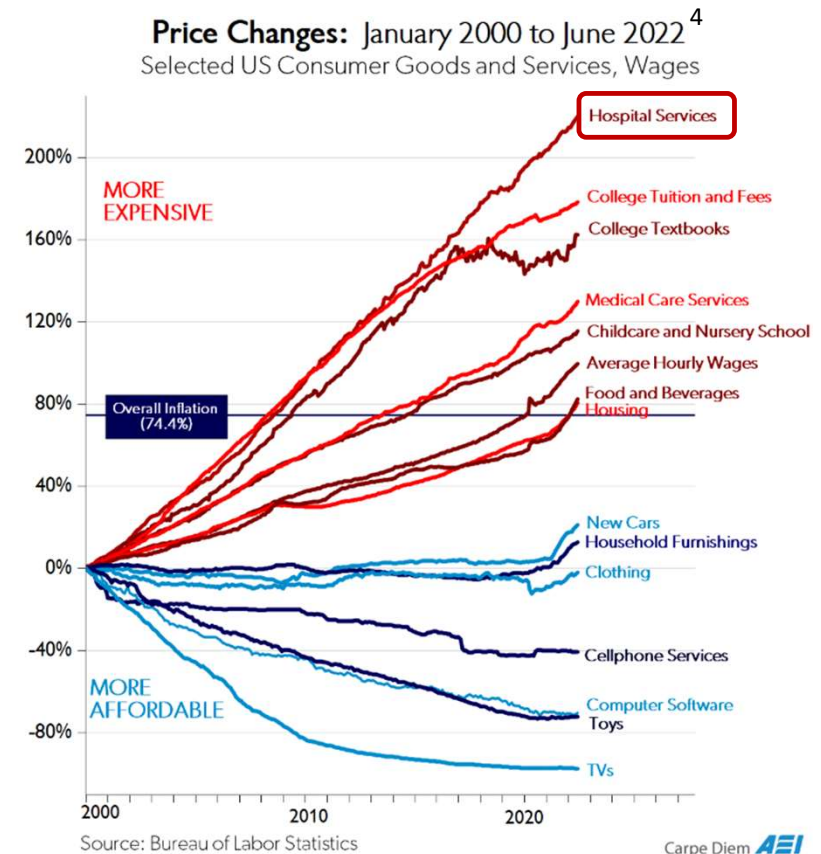
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Note: Please see my 2nd video for price transparency **data overview** and **best practice**.

Background

1. Commercial prices for hospital care are highly expensive, varying, and opaque.¹⁻³
 - Patients and employers are uninformed and disadvantaged when purchasing care.
2. Two recent federal price transparency regulations result to the public disclosure of commercial negotiated prices by hospitals and insurers.^{5,6}
 - Empower patients and employers to access, compare, negotiate prices
 - Stimulate competition and improve healthcare affordability



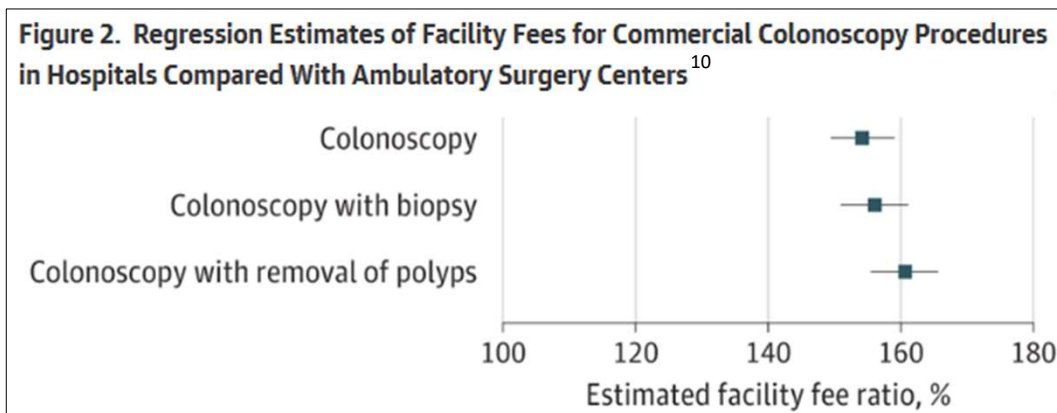
Section 1: Key Findings on Hospital Pricing

- We know that commercial prices for hospital care vary widely across different parts of US⁷
 - not too surprising as New York city is quite different from Chicago or Los Angeles.
- However, WITHIN each local market (metro city, referral region, state), commercial hospital prices also vary substantially:
 1. Across hospital facilities⁸⁻¹⁰
 2. Across commercial insurers contracting with the SAME hospital^{11,12}
 3. Across insurance plan segments negotiated by the SAME insurer¹³⁻¹⁶
 4. Self-pay cash prices can be CHEAPER than many insurer-negotiated rates⁸

Section 1.1: Pricing Dynamics by Hospital/Care Setting

Substantial price variation— across hospitals in the SAME market/area

1. Hospitals with stronger market power (e.g. large bed size, system affiliation) negotiate higher prices.⁸
 - Insight: Inform commercial plans when forming narrow or tiered networks of affordable hospitals
2. Physician-owned hospitals (POH) negotiate **18%** lower prices for outpatient procedures than non-POH hospitals.⁹
 - Insight: Support policymaking on easing the market entry for POH
3. Commercial prices for colonoscopies are nearly **60%** higher when delivered at hospitals than ambulatory surgical centers (ASCs).¹⁰
 - Insight: Promote site-neutral payment



Section 1.2: Pricing Dynamics by Insurer

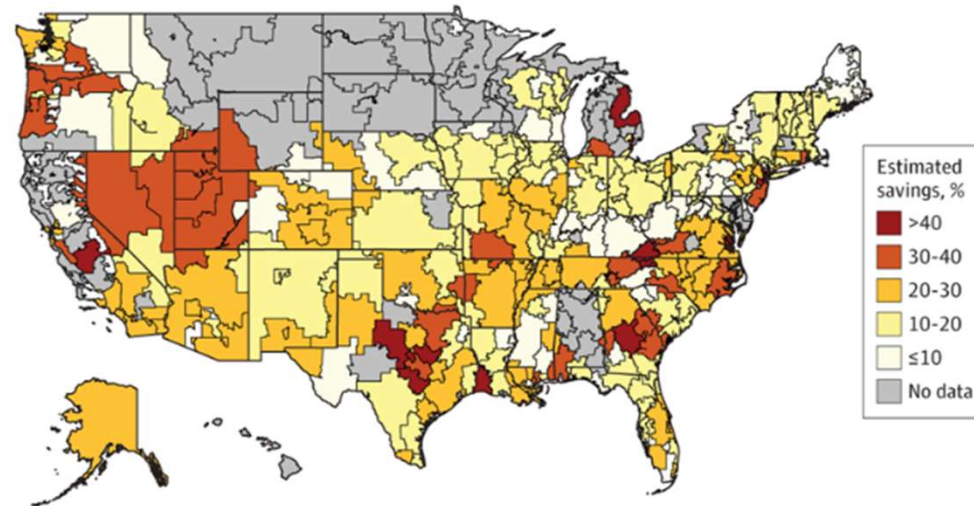
Substantial price variation— across insurers contracting with the SAME hospital

1. Insurers with the dominant market share negotiate **23%** lower prices for shoppable outpatient care than smaller insurers in the same area.¹¹
2. Commercial plans could save **21%** for common inpatient services, if using the **lowest prices** negotiated among the national insurers as the new rate.¹²

Implication: Use the lowest prices negotiated by major insurers in local market as reference points to shop, negotiate, or cap plans' payment rates.

- See my interactive map tool for price & saving

Estimated Savings for Hip & Knee Replacement at Hospital Referral Region Level ¹²



Section 1.3: Pricing Dynamics by Plan Segments

Many commercial insurers also participate in *Medicare Advantage* (MA) and *Medicaid Managed Care* (MMC) plans.

1. Commercial prices are more than **double** of the MA prices negotiated by the same insurer for the same hospital and service.¹³
 - Insurers pay **4%** higher commercial prices when hospitals are in their MA network.¹⁴
2. MMC prices vary widely compared to Medicare prices.¹⁵ MMC insurers with large commercial market enrollment negotiate **5%** lower MMC prices for outpatient care, compared to MMC insurers with no commercial market business.¹⁶

Implications:

- Potential “price-shifting” behavior for insurers operating in multiple market segments.
- Influence commercial prices and affect public budgeting and patient access.

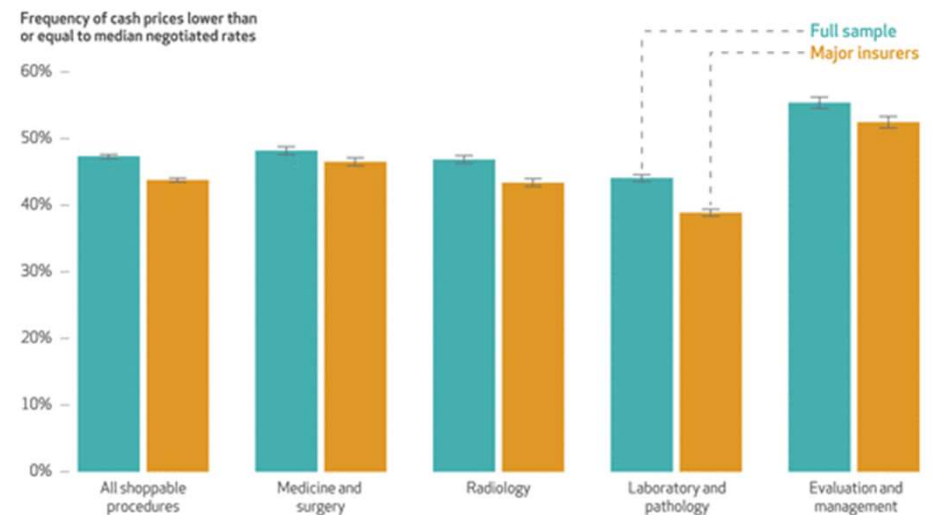
Section 1.4: Self-pay Cash Prices

Out-of-pocket (OOP) payment made by uninsured patients, or patients with CDHP plans before hitting deductibles.

1. For shoppable hospital care, cash prices \leq median commercial prices (across all plans) for the SAME service at the SAME hospital **47%** of the time.⁸
2. Especially in hospitals with:⁸
 - nonprofit or government owned, located in lower income communities, outside metro areas
 - high billing-related expense.

Implication: Encourage patient price shopping using cash pay (e.g. funded by savings accounts) for routine shoppable services.

Proportion of cash prices less than or equal to median negotiated rates for shoppable care⁸



Section 1.5: Looking Forward

Work-in-progress projects:

1. Do the price transparency regulations lead to lower commercial prices over time?
2. Do higher prices correspond to better quality or easier access?
3. Pricing dynamics for non-hospital services (e.g. physician, pharmaceutical product).
4. How can employer plans actively use the price data to improve their benefit design and offer higher valued and affordable care to employees?

Section 2: Employer Strategies

Strategies for self-insured employers (ERISA plans) concerning about their health spending:

1. $Spending = \sum_i Quantity_i \times Price_i + Admin\ fee$. Price is often overlooked.
2. Access your own claims data, and know the price you pay for individual services.
3. Find out competitive prices in your local area.
 - Can use the interactive map tools from my website.
4. Use the **lowest market prices** as a reference point to:¹²
 - Cap your plan's payment rate
 - Directly negotiate prices with providers, individually or via purchasing coalitions
 - Shop across 3rd party ASO plan carriers during your RFP, ask for price disclosure, compare prices, and apply "price match" strategy to achieve savings

Section 2: Employer Strategies

5. Incentivize employees (especially CDHP enrollees) to access cost-effective providers for routine & shoppable services by:
 - Providing transparent information
 - Encouraging price shopping across providers and use cash pay (if cheaper)
 - Financial rewarding (lower patient cost-sharing, contribution to savings account)

Section 3: Contact, Disclaimer

Contact me if you want to discuss more about data, research, or application:

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