

Trump Price Transparency Proposals Take Long Bet on Curbing Costs

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Requiring hospitals to display their insurer-negotiated prices online likely won't lower healthcare spending in the near term. But economists and other experts say it's a worthwhile experiment in bringing transparency to one of the few industries in which patients often don't know the cost of a service before they buy it.

The Trump administration earlier this week issued a proposed rule that would force most hospitals in the country to post on their websites the closely guarded rates for certain healthcare services that they work out with insurance companies behind closed doors. The outcry from hospital and insurance trade associations was swift.

They argued that patients don't need see those negotiated rates because they are interested only in an estimate of out-of-pocket costs, which some hospitals are already providing to patients through online cost transparency tools. Hospital lobbying groups and insurers – who are expected to sue to stop the requirement – warned that exposing the rates could undermine their ability to negotiate with each other.

Hospitals and insurance companies are telling the truth. Evidence has shown that many people don't shop for healthcare, often because they have trouble finding price information, according to Ateev Mehrotra, an associate professor at Harvard Medical School who has studied price transparency. He agreed with the hospitals that patients care about out-of-pocket costs, not negotiated rates.

Greg Hagood, president at SOLIC Capital, said exposing the negotiated prices would likely prevent health insurers from securing deep discounts from hospital systems, and that would translate to higher premiums for their customers. Hospitals would be less likely to give insurers a discount on healthcare services because once publicized, other insurers would demand the same rate, he explained.

"Fundamental to insurance companies being able to offer affordable care is getting discounts," Hagood said.

Although CMS Administrator Seema Verma said the requirement wouldn't cost hospitals much to comply with, companies that deploy cost-estimator tools for hospitals today say posting negotiated rates for the dozens of insurers they contract with and the dozens of health plans offered by each insurer would be a massively complicated process and difficult for consumers to navigate on the web.

"It's going to be nearly impossible for hospitals to comply with this even if there are stiff penalties," Paul Shorrosh, CEO of revenue-cycle vendor AccuReg, which has created price-estimator tools for hospitals like Mosaic Life Care. "Each of those (insurance) contracts has multiple payment methodologies depending on whether it's inpatient or outpatient. The only way to do that is computerize it. There's no other way. If they publish contracted rates, it's not going to make sense to anybody."

But most hospital cost-estimator tools don't show what patients would pay by going to a competitor down the road. Enabling patients to make an apples-to-apples comparison between providers is exactly what the CMS

hopes posting the negotiated rates will allow. Verma suggested to reporters this week that the proposal is only a first step toward transparency and that the agency will fulfill President Donald Trump's June executive order, which included providing access to out-of-pocket cost estimates.

Most experts—even the ones that warned of disruption—agreed exposing negotiated rates could lead to positive change in the long run.

Just getting the secret data out in the open and allowing researchers and policy experts to harness it could help lawmakers create better policy, said Benedic Ippolito, an economist with the American Enterprise Institute.

"Tomorrow it may not be the most useful data, but who knows in 10 years," he said.

Ippolito also doubted that exposing negotiated rates could lead some lower-cost healthcare providers to raise prices to meet those of higher-cost competitors, as some spectators have predicted. That's because most hospitals in any given market already have a pretty good idea of others' prices, he said.

Paul-Hughes Cromwick, co-director of sustainable health spending strategies at Altarum, said the revealing raises could indeed lead some hospitals to raise prices, but it could also lead high-priced hospitals to lower their prices, "though this would be tempered by their competitive environment," he explained.

Bob Berenson, healthcare policy expert at the Urban Institute, along with several other sources, said the proposal could lead to lower prices if the public or policymakers uses the price information to shame high-cost hospitals into bringing their prices down.

With healthcare spending climbing higher, Berenson said he doesn't see many other options beyond transparency and price-controls, he said.

"I don't see alternatives," he said. "We have rates going through the roof."

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