

HFMA: Healthcare Pricing Transparency a Shared Responsibility

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A report setting principles and recommendations for achieving greater price transparency in US healthcare suggests the task will require cooperation between healthcare providers, payers, and employers.

Price transparency is a critical element to reforming the US healthcare system, says a report released this month by the Healthcare Financial Management Association.

"Patients are being asked to take on an increasingly significant share of the payment for healthcare services. They are looking for higher value providers: those that offer quality services at a fair price," Richard Gundling, VP of healthcare financial practices at HFMA, said in an email exchange. "It is impossible for them to make decisions about the value of a provider without having price as a component."

The authors of the report wanted any form of price transparency to be easy to use and easy to communicate to stakeholders. They set the following goals as the foundation for price transparency reforms:

- Should empower patients and other care purchasers to make meaningful price comparisons prior to receiving care.
- Should be paired with other information that defines the value of services for the care purchaser.
- Should ultimately provide patients with the information they need to understand the total price of their care and what is included in that price.
- Will require the commitment and active participation of all stakeholders.

"Transparency won't be successful without clarity of information, or without easy accessibility. The basic point is to make it easy for patients and other care purchasers to make decisions about which provider offers them their desired level of value," Gundling said.

"The report offers several examples of how information can be made easily accessible: Providers might post procedure prices on a public website, or provide information on how to make phone or email inquiries to pricing specialists. Many payers, as well as third party vendors, are already offering transparency tools for their members that enable them to make price and value comparisons among multiple providers."

Achieving the price transparency goals will require cooperation between healthcare providers and payers, Gundling said. "Transparency will work best when there is collaborative agreement between providers and payers on the right 'metrics' for transparency, offering different or potentially conflicting information will ultimately create confusion for care purchasers."

"And both payers and providers need to be responsive to feedback from patients/health plan members on what information they find useful when choosing a provider. The HFMA report includes a recommendation to establish "different price transparency frameworks for different care purchaser groups," he said.

For insured patients, the report recommends payers serve as the main source of price information. Providers are best suited to provide price information to uninsured and out-of-network patients, the report contends. And fully insured employers should use and expand transparency tools that help workers identify higher-value providers, according to the report.

"Patients are assuming greater financial responsibility for their healthcare needs and in turn need information that will allow them to make informed healthcare decisions," the report states. "Price is not the only information needed to make these decisions, but it is an essential component."

'Unleash the Market'

One of the most powerful results of greater price transparency will be transforming many fields of medicine into market-driven service delivery models, according to the HFMA report.

"Certain areas of health care are becoming, or already are, more like a retail marketplace, including the market for elective procedures such as Lasik eye surgery or cosmetic surgery," the report states.

"Recent trends in consumer-driven and value-based insurance design are moving 'commodity services' such as lab work, imaging, and screening tests, as well as some procedures, more toward a retail model. And new payment models are potentially reshaping how care will be delivered and priced."

David Friend, who earned a graduate degree in finance from the University of Pennsylvania's Wharton School, a medical degree from Johns Hopkins University and now **works at accounting powerhouse BDO**, has been advocating for market-based reforms in medicine for nearly four decades. In a phone interview he said price transparency and market-based reforms go hand-in-hand. "They're going to have to unleash the market."

"If you let the market work, it will be just like restaurants," **he said** of achieving price transparency in healthcare. "You should know what you're getting and how much it's going to cost."

Friend believes the market forces that have already been unleashed are bearing down on the "vested interests" that oppose greater transparency in US healthcare.

"This is coming because the consumers are getting smarter and are starting to demand it," **he said**, noting individuals have an incentive to become savvier shoppers as they face wider healthcare coverage options that include a range of cost sharing burdens such as deductibles and co-pays.

"It's now finally going to happen," **he said**. "The entire health system has to change: 25 percent of the economy. With 25 percent of the economy up for grabs, you're going to have tremendous winners and unbelievable losers."

'Center Stage Without a Script'

The need for greater transparency is widely viewed as pressing. "We're giving consumers keys to a new car, but you wouldn't give anyone a new car without driver's education," Robin Gelburd, president of New York, NY-based FAIR Health Inc., said in a phone interview.

FAIR Health is a not-for-profit corporation established in 2009 as part of a settlement agreement between the state of New York and insurers over out-of-network reimbursement practices. According to the organization's website, the organization was formed to manage, improve, and expand the claims database that supported claims adjudication and to enhance its transparency, objectivity, reliability and accessibility.

FAIR Health maintains an independent database of healthcare claims information on 140 million "covered lives," Gelburd said.

"In the past, the consumer was like the chorus line in a Broadway show," she said. "Now they have been thrust to the center of the stage with the spotlight on them. They can't be center stage without a script."