

5 Obstacles to Hospital Price Transparency

Rene Letourneau for *HealthLeaders Media* | February 23, 2015

With all the issues provider organizations are dealing with, senior hospital and health system administrators just may not have the bandwidth to place a lot of focus on price transparency right now. That will have to change.

With more patients moving into high-deductible health plans and taking on a greater financial responsibility for their healthcare, price transparency will become increasingly important over the next several years.

Yet, hospitals and health systems may not be placing it very high on their current list of priorities. According to a recent survey from Strata Decision Technology—a Chicago-based healthcare IT company—only 6.4% of respondents ranked price transparency as one of their organization's top two strategic goals. It comes in far behind cost reduction (66.1%), strategic growth (58.7%), quality and patient satisfaction (50.5%), and building out ACO relationships (12.8%).

Why doesn't price transparency rank higher? Here are five obstacles that may be preventing progress:

1. There are Too Many Other Priorities

One of the organizations that participated in the survey is Mission Health System, a seven-hospital system based in Asheville, NC.

Larry Hill, vice president of finance at Mission, says that with all the issues provider organizations are dealing with, senior administrators just may not have the bandwidth to place a lot of focus on price transparency right now.

"Price transparency involves such a multitude of facets that you have to get your arms around, and it is a very complex issue," he says.

"In the face of all that CFOs have to satisfy with Medicare and Medicaid reimbursement issues and the slowdown in patient volumes, it probably just hasn't made it high on the ranking of what they may be interested in."

2. There's a Risk in Being First

Additionally, Hill says, there is a perceived risk involved with being among the first in a market to provide detailed pricing information to healthcare consumers.

"Until they are required to do something about price transparency, [providers] probably aren't going to be willing to step out first because it is a leap of faith when you are doing something that no one else is doing yet. There may be a fear of being disadvantaged by it to a certain degree. Even at Mission, I'm pretty sure we aren't stepping out first on this," he says.

Hill says hospitals may also shy away from moving first on price transparency out of a concern that this information could overshadow data on quality and patient outcomes as consumers decide where to receive their care.

"Transparency is going to drive a lot of consumerism, and hopefully, price is taken into consideration with quality of care and an organization's commitment to safety because those are also a part of the value of the care that is being provided," he says.

3. Customized Care Makes Transparency Difficult

One of the biggest challenges for hospitals and health systems is to supply useful and accurate pricing information because every patient's situation is different, Hill says.

"It really is difficult to get your arms around it and provide something you think is meaningful to the patient because every patient is unique in their care and that translates into every patient being unique in what they are charged. Healthcare is very individualized and heavily customized so to try to predict and give the patient something meaningful upfront is a hard thing to do."

In lieu of providing specific pricing information, Mission gives a price range, Hill says.

“There has always been on our website—and there still is now—a contact number and email address if you would like to speak to someone or to get an estimate of the charge for your particular care. We can provide a range for that. It doesn’t mean we are putting prices on our website, but we do have resources available in our billing department to provide that information,” he says.

“We would provide averages because once a patient goes through a procedure, it could wind up being more or less depending on how many resources are actually used. Something could cause it to deviate from the average.”

4. Legislation Only Requires Pricing Averages

While some states are mandating more provider reporting on price, new laws may not be enough to give consumers information that is truly useful.

North Carolina passed the Health Care Cost Reduction and Transparency Act of 2013, House Bill 834, which requires providers to supply pricing data to the state on a quarterly basis for their top 100 inpatient DRGs, their 20 most common outpatient imaging procedures, and their 20 most common outpatient surgical procedures.

Hill says he’s concerned that the information is not very helpful to consumers because it is still not specific to them and the figures are just averages.

“We’re not sure when the data gets in the hands of patients if they will be less confused or more confused. It still requires a lot of work on their end to figure out what the costs are really going to be to them,” he says.

“The data is based on averages, on what we are charging on average and on what we are being reimbursed on average... If the patient is comparing prices, it will probably still result in a phone call or email to say, ‘This is my treatment and this is my insurance. Can we have a little more dialogue about that?’”

5. Accessing System-Wide Data is Cumbersome

For multi-site healthcare organizations, collecting and analyzing data from across the system is another big obstacle to transparency, Hill says.

Mission’s six acute care hospitals are required to submit quarterly data to the state. It’s seventh hospital—a post-acute care rehab institution—is not required to do so at this point.

“We have submitted two quarters of data now, and we are still far away from making it a smooth process. It has created a significant amount of work to pull together the data on a quarterly basis,” Hill says.

Organizations that are not required by law to take on the burden of compiling this data may opt out because it simply may not be worth the time and effort.

As for Mission, Hill says the system has been helped greatly by having most of its hospitals on one technology platform and by its detailed cost-accounting system.

“Most of our hospitals are on a common IT platform, and we are able to pull a lot of cost accounting and revenue cycle information from that... We are probably in a better position than most [organizations] because of our robust cost-accounting system.”